SAF Holland Group

Annual Report 2023

stronger together
one global partner

KEY FIGURES

RESULTS OF OPERATIONS

in kEUR	Q1-Q4/ 2023	Q1-Q4/ 2022	Change absolut	Change in %
Sales	2,106,170	1,565,089	541,081	34.6
Gross profit	412,759	259,550	153,209	59.0
Gross profit margin in %	19.6%	16.6%		
Adjusted gross profit	425,518	266,800	158,718	59.5
Adjusted gross profit margin in %	20.2%	17.0%		
EBITDA	248,659	151,487	97,172	64.1
EBITDA margin in %	11.8%	9.7%		
Adjusted EBITDA	264,127	162,695	101,432	62.3
Adjusted EBITDA margin in %	12.5%	10.4%		
EBIT	163,815	101,491	62,324	61.4
EBIT margin in %	7.8%	6.5%		
Adjusted EBIT	202,051	124,601	77,450	62.2
Adjusted EBIT margin in %	9.6%	8.0%		
Result for the period without non-controlling interests	79,933	61,081	18,852	30.9
Adjusted result for the period without non-controlling interests	118,486	82,489	35,997	43.6
Basic earnings per share in EUR	1.76	1.35	0.41	30.4
Diluted earnings per share	2.61	1.82	0.79	43.4

NET ASSETS (EQUITY + LIABILITIES)

in kEUR	12/31/2023	12/31/2022	Change absolut	Change in %
Balance sheet total	1,651,739	1,498,423	153,316	10.2%
Equity	475,969	441,354	34,615	7.8%
Equity ratio in %	28.8%	29.5%		
Non-current and current liabilities	1,175,770	1,057,069	118,701	11.2%

FINANCIAL POSITION

in kEUR	Q1-Q4/ 2023	Q1-Q4/ 2022	Change absolut	Change in %
Net cash flow from operating activities	**202,726**	**153,392**	**49,334**	**32.2%**
Net cash flow from investing activities (property, plant and equipment/intangible assets)	–60,005	–33,358	–26,647	79.2%
Operating free cash flow	**142,721**	**120,034**	**22,687**	**18.9%**
Net cash flow from investing activities (acquisition of subsidiaries)	42,579	–289,650	332,229	
Total free cash flow	**185,300**	**–169,616**	**354,916**	

YIELD

in %	Q1-Q4/ 2023	Q1-Q4/ 2022
Return on capital employed (ROCE)	20.8%	12.9%

EMPLOYEES

	12/31/2023	12/31/2022	Change absolut	Change in %
Employees at the balance sheet date	5,927	3,768	2,159	57.3%

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

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

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PORTRAIT

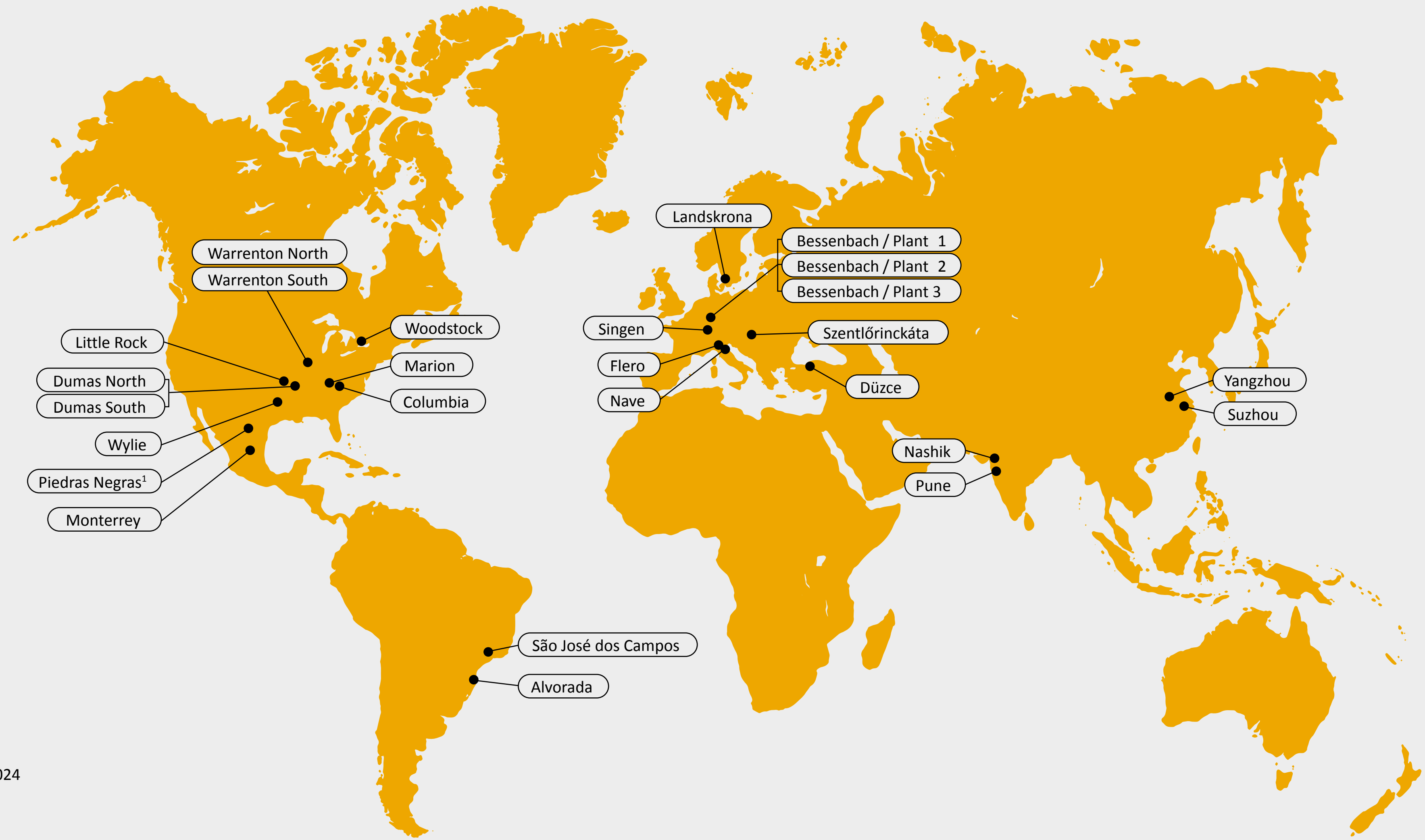
SAF-HOLLAND SE is a leading international manufacturer of chassis-related assemblies and components for trailers, trucks and buses. With its around 6,000 dedicated employees worldwide, the company generated sales of EUR 2.11 billion in 2023.

The product range includes axle and suspension systems for trailers as well as fifth wheels and coupling systems for trucks, trailers and semi-trailers as well as brake and EBS systems. In addition, SAF-HOLLAND also develops innovative products to increase the efficiency, safety and environmental friendliness of commercial vehicles. With the brands SAF, Holland, Haldex, V.Orlandi, Neway, KLL and York, the Group achieved strong market positions in the top three positions in the most important regions worldwide in 2023.

SAF-HOLLAND supplies manufacturers in the original equipment market on six continents. In the aftermarket business, the company supplies spare parts to manufacturers' service networks and wholesalers as well as to end customers and service centers via an extensive global distribution network.

SAF-HOLLAND WORLDWIDE

PRODUCTION LOCATIONS



[1] from 1st quarter 2024

MANAGEMENT BOARD

Alexander Geis

Chairman of the
Management Board and
Chief Executive Officer

Frank Lorenz-Dietz

Member of the
Management Board and
Chief Financial Officer

_To our Shareholders

LETTER FROM THE CHAIRMAN OF THE MANAGEMENT BOARD

Alexander Geis
Chairman of the Management Board

DEAR SHAREHOLDERS,

2023 was an impressive and successful year for SAF-HOLLAND. Never before in the company's history have we achieved higher Group sales. And never before have we operated more profitably.

At the same time, the ongoing geopolitical and macroeconomic developments also presented us with challenges: the war in Ukraine, the conflicts in the Middle East and persistently high inflation as well as the monetary policy countermeasures introduced characterized the course of the fiscal year.

Nevertheless, the SAF-HOLLAND Group was able to prove itself in this challenging business environment. Our end markets, particularly in the trailer and truck segments, developed significantly better than expected at the beginning of the year. Accordingly, we saw ourselves confronted with high demand and were able to increase our sales to EUR 2,106.2 million or by 34.6% compared to the previous year, also thanks to further market share gains. This equates to organic growth of 11.4%. We were therefore able to adjust our forecast for fiscal year 2023 that we set at the beginning of the year more than once based on a good operating performance and ultimately confirmed our outlook from October 2023.

The record level achieved was significantly influenced by all three regions in the Group. Adjusted for non-recurring effects, earnings before interest and taxes reached EUR 202.1 million compared to EUR 124.6 million in the previous year, significantly increasing our profitability to 9.6% (previous year: 8.0%). This positive business development was also reflected in the Group's profit for the period of EUR 80.5 million, an increase of 31.5 % compared to the previous year.

In accordance with our dividend policy of distributing 40 – 50% of the available net earnings, the Management Board and Supervisory Board will propose to the Annual General Meeting on June 11, 2024, that EUR 0.85 per share be distributed. Based on the closing price of our share at the end of December 2023, this would be an attractive yield of 5.6%.

Accordingly, the year went very satisfactorily, although we fell victim to a cyberattack at the end of March. Thanks to the already high quality of our IT security systems, we were able to protect the company from severe damage. In doing so, we pursued two main goals – transparent communication with our customers and the fastest possible resumption of systems. We managed to rectify the interruption to production at several of the Group's production sites within a short period of time. We had already compensated for most of the resulting loss of sales in the second quarter.

By continuously improving our cash flow, in particular by focusing strongly on net working capital management, we were able to fall well short of our target leverage ratio of below 2.0x (ratio of net financial debt to EBITDA) by the end of 2024, at 1.8 already by the end of fiscal year 2023.

Stronger Together – Greater resilience thanks to the integration of Haldex

From a strategic perspective, 2023 was characterized by the acquisition and integration of Haldex, a leading manufacturer of innovative braking systems for the commercial vehicle industry. As a result, the SAF-HOLLAND Group has become a broad-based systems provider whose products complement each other perfectly in terms of technology. In line with the motto “Stronger together,” we now combine mechanics with electronics and sensor technology and want to continue to drive the commercial vehicle industry forward as a strong unit in the future.

However, the acquisition has also enabled us to increase the resilience of our business model and, thanks to a greater share of the aftermarket business, we are now better protected against economic fluctuations. In order to leverage synergies as quickly as possible, we began internal preparations for the integration at an early stage, which were quickly implemented over the course of 2023.

In addition to system and process integration, the focus of our post-merger activities in the past fiscal year was on coordinating our joint market approach and, in particular, realizing the envisioned synergies. Today, I am proud to say that we have grown together as one company, successfully completed the integration and achieved the cost synergy targets of EUR 10 to 12 million for 2023 that were announced at the Capital Market Day. We will not stop here, however. In the medium term, we have set ourselves the goal of achieving a total of EUR 25 to 35 million in synergies by 2027.

Successful execution of Strategy 2025

In addition to integrating Haldex into the Group, we have consistently pursued our company strategy 2025. In order to be even closer to our customers in the Belgium, Netherlands and Luxembourg region, we took over our exclusive sales partner of many years, IMS Benelux. In India, we increased our production capacity even further at our new plant, which opened at the beginning of the year, in order to be able to meet the extremely high demand in the future. In the Americas region, we also want to continue to grow and achieve cost advantages with a new plant in Mexico, which was largely completed at the end of November. In addition, we now intend to use the Group’s own disc brake technology to better meet the demand for safety and lightweight construction not only from our trailer customers but also from truck customers. We have already secured our first orders from prominent customers in the Americas and EMEA.

In order to continue to grow profitably in the future, we are implementing targeted measures to further increase our operational excellence. At the same time, we are improving our company processes and standards in order to be a leader in corporate governance and compliance.

Sustainability a key element of the company philosophy

The SAF-HOLLAND Group has also continued to drive its activities forward in the area of sustainability. Always with the goal of further reducing our emissions, being an attractive employer and ensuring effective corporate governance. Our efforts are paying off and have been recognized externally. For example, we were issued a “low risk” rating by the sustainability agency Sustainalytics.

Well prepared for 2024

As you can see, our Group is solidly positioned and will continue to follow the company philosophy of being the most valued supplier of best-in-class components, systems and services that ensure the success of our global fleet customers in 2024.

Even though current forecasts show that the markets of importance to us in EMEA and the Americas will decline slightly in 2024 compared to the previous year, we expect to outperform the market in terms of sales, measured by production figures for trailers and trucks. Not least thanks to our resilient business model with a focus on cost optimization and a solid share of the aftermarket business, we intend to maintain profitability at an attractive level.

Dear shareholders, I would like to thank you for your support and your trust in the company, its employees and management. We would be delighted if you would continue to accompany us on our journey.

Sincerely yours,

Alexander Geis

Chairman of the Management Board

REPORT OF THE SUPERVISORY BOARD

Dr. Martin Kleinschmitt
Chairman of the Supervisory Board

DEAR SHAREHOLDERS,

Fiscal year 2023 was characterized by economic success and the positive completion of key milestones for the future positioning of the SAF-HOLLAND Group. First and foremost, the successful integration of the Swedish brake system specialist Haldex into the SAF-HOLLAND Group deserves mention. The combined company achieved Group sales of EUR 2,106.2 million and an adjusted EBIT margin of 9.6% in fiscal year 2023, thus confirming the previously set forecast of Group sales as of October 18, 2023 of around EUR 2,100 million and an adjusted EBIT margin of around 9.5%. Strong organic growth in the APAC and Americas regions, the robust development of the EMEA region and the expansion of the aftermarket business in particular contributed to this. Over the course of the year, the Management Board repeatedly raised the outlook for 2023 as a whole and, thanks to the Group's operational strength, was able to significantly and above all sustainably improve profitability, operating free cash flow and thus also the leverage ratio, which had risen in the short term as a result of the Haldex acquisition.

The regular and intensive reporting by the Management Board on the ongoing Haldex integration was therefore an important part of our meetings in this fiscal year. Following the approval of the Polish antitrust authorities, the transaction was closed and included in the SAF-HOLLAND Group's financial reporting with effect from February 22, 2023. The acquisition of all outstanding minority interests was also completed in March 2023. As the Supervisory Board, we were able to obtain a comprehensive picture of the integration, monitor it and actively support the Management Board in this process. From the Supervisory Board's perspective, the acquisition was an important milestone for the successful implementation of Strategy 2025 and has sustainably strengthened the future viability and attractiveness of the SAF-HOLLAND Group.

Another focus in this fiscal year was on the further development of the Group's production footprint and the expansion of individual product areas. In addition to expansion of the capacities in India and Turkey, among other countries, the establishment of a new production site in Mexico should also be mentioned here. The focus here is on strengthening the global production network, efficiency and improving production costs as well as increasing the resilience and sustainability of the production landscape.

In the Supervisory Board, we continued to focus on sustainability in the environmental, social and governance (ESG) dimension. Investments in sustainability activities were increased significantly and, as the Supervisory Board, we were able to approve investment projects such as the expansion of the use of renewable energies. We received regular reports on the progress made in this area: In addition to decarbonization, the focus was on the efficient use of resources as well as regulatory requirements, particularly from the Corporate Sustainability Reporting Directive on sustainability reporting (CSRD Directive), the Act on Corporate Due Diligence Obligations in Supply Chains and the EU Taxonomy. The aspect of governance also plays an important role at SAF-HOLLAND, which is why we see our first place in the SDAX in the DVFA Governance Ranking as confirmation of our continuous work in this area.

In order to emphasize our focus on the long-term success of the company, the members of the Supervisory Board have made a voluntary commitment to invest 20% of their fixed remuneration in SAF-HOLLAND SE shares each year until 100% of their fixed remuneration has been reached.

SAF-HOLLAND was the victim of a cyberattack in March 2023. Regular reporting on the attack and, in particular, dealing with it as well as strengthening cyber security and global IT were and are therefore our focus. As the Supervisory Board, we closely followed how the Management Board and the organization overcame this challenge.

Besides the plethora of topics over the course of the Supervisory Board year, we keep an eye on the further development of our work as a body and work continuously on increasing the effectiveness and efficiency of our activities and on our contribution to monitoring and advising the Management Board. This year, we regularly reflected on the implementation of optimizations from last year's self-assessment of the Supervisory Board and followed up on these. This year's Supervisory Board training was dedicated to Haldex at the Landskrona site in Sweden and focused in particular on the product portfolio, production, product development and product quality. In addition, the members of the Supervisory Board attend further training courses on their own responsibility and are supported by the company.

We live in a time of high volatility and multiple crises. The year 2023 was characterized by the ongoing war in Ukraine, conflicts in the Middle East, natural disasters and the fight against climate change. A globally active company cannot escape the multitude of uncertainties. It therefore remains one of our key priorities to constantly prepare the company for these new conditions in terms of its adaptability and resilience and to strengthen it in this environment.

COOPERATION BETWEEN THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

In the past fiscal year, the Supervisory Board of SAF-HOLLAND SE diligently and dutifully fulfilled its duties in accordance with the law, the Articles of Association and the Rules of Procedure, continuously advised the Management Board on the management of the company and monitored its work on an ongoing basis. Cooperation between the Supervisory Board and the Management Board was constructive, open and trustful at all times. The Management Board informed the Supervisory Board promptly, regularly and comprehensively about all significant events and developments at the company, both verbally and in writing. The focus here was on business development, the company's situation and status reports on central Group programs and initiatives. In addition, the Management Board and Supervisory Board closely coordinated the strategic direction of the SAF-HOLLAND Group. Market developments, research and development, as well as the financial situation and planning were discussed together. As the Supervisory Board, we also dealt intensively with a variety of sustainability issues and sustainability reporting at SAF-HOLLAND. In this context, the Supervisory Board discussed employee, social and environmental issues, respect for human rights and the fight against corruption and bribery in particular. Matters requiring approval were submitted by the Management Board well in advance and approved by the Supervisory Board after review. We passed resolutions on matters to be decided between meetings by way of circulation on the basis of written information and telephone calls. In the reporting year, we made use of this procedure once in the Supervisory Board and once in the Audit Committee. The Management Board also reported in writing or in discussions between meetings. In my role as Chairman of the Supervisory Board, I was in close and regular contact with the Chairman of the Management Board. Ingrid Jägering, as Chairwoman of the Audit Committee, also regularly exchanged information on current developments with the Chief Financial Officer, the auditor and selected central Group functions.

Members and mandates of the Supervisory Board

Member	Born	Nationality	Member since	Elected until	Main activity	Other memberships in other bodies: (a) Mandates with listed companies (b) Mandates with non-listed companies (c) Mandates with Group companies
Dr. Martin Kleinschmitt	1960	German	07/2020	Annual General Meeting 2024	Partner Noerr Partnerschafts-gesellschaft mbB Management Board Noerr Consulting AG	(a) GRAMMER AG (since 05/2022) - Chairman of the Supervisory Board b) G&H Bankensoftware AG (since 2017) - Chairman of the Supervisory Board (c) SAF-HOLLAND GmbH (since 04/2014) - Chairman of the Supervisory Board
Matthias Arleth	1967	German	07/2020	Annual General Meeting 2024	Senior Vice President & General Manager Automotive EMEA TE Connectivity (since 11/2022)	(a) No mandates (b) No mandates (c) No mandates
Ingrid Jägering	1966	German	07/2020	Annual General Meeting 2024	Member of the Management Board and CFO STIHL AG (since 05/2022)	(a) Hensoldt AG (since 09/2020) - Member of the Supervisory Board (b) Wegmann Unternehmens-Holding GmbH & Co. KG (since 10/2021) - Deputy Chairwoman of the Supervisory Board (c) SAF-HOLLAND GmbH (since 07/2020) - Member of the Supervisory Board
Jurate Keblyte	1975	German	04/2023	Annual General Meeting 2024	Member of the Management Board and CFO of GRAMMER AG (since 08/2019)	(a) No mandates (b) Ottobock SE & Co. KGaA - Member of the Supervisory Board (b) HAWE Hydraulik SE - Member of the Supervisory Board (c) No mandates

Members and mandates of the Supervisory Board

Member	Born	Nationality	Member since	Elected until	Main activity	Other memberships in other bodies: (a) Mandates with listed companies (b) Mandates with non-listed companies (c) Mandates with Group companies
Carsten Reinhardt	1967	German	07/2020	Annual General Meeting 2024	Independent senior consultant	(a) Stoneridge, Inc. (since 02/2023) - Member of the Board of Directors (b) Grundfos Holding A/S (Denmark) (since 10/2016) - Deputy Chairman of the Board of Directors (b) tmax Holding GmbH (formerly Tegimus Holding GmbH) (since 12/2017) - Chairman of the Advisory Board (b) Beinbauer Automotive GmbH & Co. KG (Germany) (since 05/2018) - Member of the Advisory Board (b) WEZAG GmbH & Co. KG (since 10/2016) - Member of the Advisory Board (b) Michigan Capital Advisors (USA) (since 01/2017) - Member of the Advisory Board (b) Braemar Energy Ventures (USA) (since 08/2017) - Member of the Strategic Advisory Board (c) No mandates

MEETINGS OF THE SUPERVISORY BOARD

The Supervisory Board held a total of six meetings in fiscal year 2023 – four of which were held in person and two virtually. The committees met a total of eight times in the fiscal year. In the case of the Audit Committee, four of the five meetings were held virtually and one meeting was held in person. The Nomination and Remuneration Committee met once in person and twice virtually at its three meetings. The option of virtual participation was available for all meetings and was used in individual cases.

An average attendance rate of 98% was achieved at the meetings of the full Supervisory Board and the committees. A detailed overview of the attendance of Supervisory Board members at plenary and committee meetings can be found below:

Participation overview

Member	Plenum	Audit Committee	Nomination/ Remuneration Committee	Total quota
Dr. Martin Kleinschmitt	6/6	5/5	3/3	100%
Matthias Arleth	5/6		3/3	89%
Ingrid Jägering	6/6	5/5		100%
Jurate Keblyte	5/5	3/3		100%
Carsten Reinhardt	6/6	2/2	3/3	100%
TOTAL	97%	100%	100%	**98%**

At each meeting of the Supervisory Board in fiscal year 2023, we received reports from the Management Board on the status of the operational business development and on key Group initiatives and projects. We deal with acquisition and investment projects as well as opportunities and risks for the company on an ad hoc basis. Where committee meetings were held in advance, the committee chairmen reported on the main content of the committee meetings and were available to answer questions. In addition, we generally provide for various regular resolutions as well as an agenda item without the Management Board present for reflection and a confidential exchange at each Supervisory Board meeting. We hereby follow recommendation D.6 of the German Corporate Governance Code to hold regular meetings without the Management Board being present.

At the balance sheet meeting on March 24, 2023, we discussed in particular the Annual and Consolidated Financial Statements for 2022, including the Combined Management Report and the Audit Report for the company for fiscal year 2022. The financial statements were approved by the Supervisory Board following a detailed review. In approving the Annual and Consolidated Financial Statements, we followed the recommendation of the Audit Committee. The same applied to the audit of the Sustainability Report and the Non-financial Statement. In one part of the balance sheet meeting, we met without the Management Board for our exchange with the auditor. We adopted the agenda and the proposed resolutions contained therein for the Annual General Meeting on May 23, 2023. We resolved to propose to the Annual General Meeting that PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) be re-elected as auditor for fiscal year 2023. Other proposed resolutions included the approval of the remuneration system for the members of the Management Board and the Supervisory Board and the confirmation of the election of Jurate Keblyte as a member of the Supervisory Board following his previous appointment by the court. We approved the Remuneration Report, which was audited by PwC in accordance with Section 162 (3) of the German Stock Corporation Act (AktG), the Report of the Supervisory Board, the Declaration on Corporate Governance and the Declaration of Compliance with the German Corporate Governance Code. We also dealt with the Supervisory Board's share program. Furthermore, at the first meeting of the year, we determined the focus of our work for fiscal year 2023 and received reports on current Group projects such as the construction of a plant in Pune, India, and on the topic of IT security. We also discussed the topic of financing. Due to the departure of interim CFO Wilfried Trepels, we adopted an updated schedule of responsibilities. Based on the recommendations of the Nomination and Remuneration Committee, various resolutions were also passed with respect to the remuneration of the Management Board.

At the meeting on April 27, 2023, we mainly focused on the cyberattack and the measures taken to deal with it. Due to the attack, it was necessary to postpone the quarterly statement for the first quarter of 2023 and only publish preliminary figures for the first quarter within the recommended period. As this led to a deviation from the German Corporate Governance Code, we adopted an amended Declaration of Compliance and at the same time declared our intention to comply with the recommendation again after publication. The quarterly report was discussed by the Audit Committee on May 9, 2023. We received a report on current business developments and other focus topics of the Management Board, including the Haldex integration, a report on the Annual General Meeting and a progress report on activities in the area of sustainability.

The meeting on August 8, 2023, focused on discussing the half-year financial report 2023 and the report on current business developments and projects. We also once again dealt with the handling of the cyberattack and the status of cybersecurity in the Group. Among other things, we passed resolutions on the updated Rules of Procedure for the Supervisory Board and the Management Board as well as on the expansion of production capacities and the expansion of the share of renewable energies in the energy mix at SAF-HOLLAND.

On the day before the meeting on September 26, 2023, we attended a training session for the Supervisory Board at the Swedish site in Landskrona to learn about the Haldex product portfolio, production, product development and product quality as well as the supply chain and were able to gain a comprehensive impression of the new company within the Group on site. At the meeting itself, various regular reports on business development and selected projects were once again on the agenda. We also dealt intensively with developments in EMEA, the Americas and APAC on the basis of reports from the Presidents of the regions and discussed the target picture for SAF-HOLLAND as part of our annual strategy review. We also passed resolutions on various transactions requiring approval.

At the meeting on November 7, 2023, we mainly discussed how the business developed in the third quarter of 2023 and the quarterly statement for Q3 2023. Another focus was on a report on R&D and an in-depth look at individual products in the SAF-HOLLAND portfolio. The Management Board also informed us about current projects and selected subsidiaries and we discussed remuneration-related targets for 2024 in our internal Supervisory Board vote.

On December 14, 2023, many topics were once again on our agenda in addition to the regular reports. We initially adopted various resolutions in the context of Management Board remuneration based on the recommendations of the Nomination and Remuneration Committee. The progress report on the areas of action from the Supervisory Board's self-assessment in 2022 was a regular item on the agenda, which we discussed with regard to our current work. We approved our updated skills profile and the skills matrix for the Supervisory Board, which can be viewed on the company's website and in the Corporate Governance Statement. We also discussed the target figure for the share of women on the Management Board and passed a corresponding resolution. The meeting traditionally focused on the budget for the coming year, medium-term planning and the performance targets for the members of the Management Board, which we discussed in detail and approved. Various regular reports such as a report from the HR department, a product deep dive and a progress report on sustainability activities in the fourth quarter of 2023 rounded off the reporting. We also dealt with the topic of M&A and approved, among other items, the acquisition of IMS Group B.V. as well as other transactions and investments requiring approval. Finally, we discussed the Corporate Governance Statement for the fiscal year.

WORK OF THE COMMITTEES

The Supervisory Board sets up Supervisory Board committees to promote the effectiveness of its work. To the extent permitted by the law, individual decision-making powers can also be transferred to the committees. Two committees are currently in place. Due to the changes in the Supervisory Board, new members were appointed to the committees during the year:

Audit Committee:

- Ingrid Jägering (Chairwoman)
- Dr. Martin Kleinschmitt
- Carsten Reinhardt (until May 8, 2023)
- Jurate Keblyte (from May 9, 2023)

Nomination and Remuneration Committee:

- Matthias Arleth (Chairman)
- Dr. Martin Kleinschmitt
- Carsten Reinhardt

If necessary, special committees can be set up at any time to deal with specific topics. No use was made of this option in this fiscal year.

Audit Committee

The Audit Committee met five times in the reporting year. The work of the Audit Committee focused on the audit of the Annual and Consolidated Financial Statements for fiscal year 2022, including the Combined Management Report, as well as the audit of the Non-financial Group Statement and the preparation of recommendations for resolutions for the Supervisory Board. The representatives of the auditor PwC also took part in the discussion of the Annual and Consolidated Financial Statements, with whom the Audit Committee also met without the participation of the Management Board. The Audit Committee also made recommendations to the Supervisory Board regarding the election of the auditor.

At each meeting of the Audit Committee, the Chairwoman of the Audit Committee reported on her regular exchanges with the Management Board, the auditor and key functions within the company. The Chief Financial Officer also reported on current issues in the finance department and in his other areas of responsibility.

Other topics on which the committee focused included financial reporting and sustainability reporting, risk management, internal auditing, the internal control system (ICS), compliance and legal, tax issues, financing and refinancing as well as capital market issues. The committee also dealt with the global financial organization, finance governance in the Group and individual local financial areas with a view to meeting global requirements. In the reporting year, the committee focused in particular on the integration of Haldex from a financial perspective. The committee received regular reports from those responsible for the key control functions on current developments and the effectiveness and ongoing development of the control systems. For example, regular reports were provided on compliance within the Group, the global compliance organization and its further development, tax compliance and the further development of risk management. The committee also discussed the audit results for 2023 in the presence of the Head of Internal Audit, approved the audit planning for fiscal year 2024 and received reports on the activities to further develop the internal control system. In this context, regular reports were also presented on the integration of Haldex processes into the parent company's systems. The committee also focused on IT governance, organization and IT controlling as well as the Group's cyber security and dealt with the processing of the cyber-attack from a legal and compliance perspective.

The contents of the meetings were presented to the Supervisory Board as part of the oral reports from the committee meetings and – where necessary – submitted for decision. The auditor attended the meeting at which the 2022 Audit Report was explained, as well as another meeting to discuss the audit procedure for the 2023 audit of the Annual and Consolidated Financial Statements. The Chairwoman of the Audit Committee is also in regular contact with the auditor, including outside of meetings. The auditor informs the Audit Committee immediately of all findings and events of significance to its tasks that come to its attention during the audit. He informs the Audit Committee and makes a note in the Audit Report if he discovers facts during the audit that indicate an inaccuracy in the Declaration on the German Corporate Governance Code issued by the Management Board and Supervisory Board. The auditor has declared to the Audit Committee that there are no circumstances that would give rise to the assumption that it is biased. The Audit Committee obtained the required independence agreement from the auditor, reviewed the auditor's qualifications and concluded a fee agreement with the auditor. The Audit Committee, and in particular its chairperson, is also in regular contact with the auditor regarding the quality of the audit and the Audit Committee receives regular reports on this from the auditor. The Audit Committee approves any non-audit services provided by the auditor. The Audit Committee includes Ingrid Jägering, Dr. Martin Kleinschmitt and Jurate Keblyte, all proven financial experts. Expertise in sustainability issues is also ensured among all members of the Audit Committee and is continuously developed.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee held a total of three meetings in 2023. It developed changes to the remuneration system and report, which it addressed to the Supervisory Board in the form of recommendations. It prepared the resolutions on all remuneration issues for the Management Board, including the financial targets and sustainability targets. It discussed the appropriateness of the structure and amount of Management Board remuneration as well as the remuneration of the Supervisory Board in advance of the Supervisory Board's deliberations. It also prepared the changes to the Supervisory Board's remuneration system that were presented to the 2023 Annual General Meeting. In addition, a comprehensive HR report was the subject of the committee's work.

CONFLICTS OF INTEREST

No conflicts of interest of Supervisory Board members arose in the reporting year. If necessary, the members of the Supervisory Board consult with the Chairman of the Supervisory Board on the handling of any conflicts of interest that may arise.

CORPORATE GOVERNANCE

SAF-HOLLAND SE is a company in the legal form of a European company (Societas Europaea, SE). As an SE domiciled in Germany, SAF-HOLLAND SE is subject to European and German SE regulations as well as German stock corporation law. As a listed company in Germany, SAF-HOLLAND SE's corporate governance is based on the German Corporate Governance Code (GCGC) as amended. Corporate governance is also governed by the Articles of Association, the Rules of Procedure and internal guidelines.

SAF-HOLLAND SE has a dualistic management system that provides for a strict separation of personnel and functions between the Management Board as the management body and the Supervisory Board as the monitoring body (two-tier board). The Management Board manages the company, while the Supervisory Board monitors and advises the Management Board. Both bodies work closely together in a spirit of trust for the benefit of the company.

SAF-HOLLAND SE is a holding company without its own operating business. The management of the company's business by the Management Board focuses primarily on the strategic direction of SAF-HOLLAND and monitoring the business activities of the individual direct and indirect operating subsidiaries.

In 2023, the Supervisory Board and its committees continued to focus intensively on the topic of corporate governance and the ongoing professionalization of committee work. The Management Board and Supervisory Board of SAF-HOLLAND SE issued the 2023 Declaration of Conformity with the recommendations of the German Corporate Governance Code on March 24, 2023. Due to the cyberattack, this had to be updated in April 2023 and a deviation had to be declared in view of the delay in the publication of the quarterly statement. The current Declaration of Conformity dated December 14, 2023, and previous Declarations of Conformity can be viewed on the company's website.

Further information on the company's corporate governance can be found in the Corporate Governance Statement.

AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS AND BALANCE SHEET MEETING

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), which was elected auditor of the financial statements for fiscal year 2023 by the Annual General Meeting on May 23, 2023, audited the Annual and Consolidated Financial Statements prepared by the Management Board as of December 31, 2023, including the Combined Management Report for fiscal year 2023, and issued an unqualified audit opinion. It was determined that the Annual and Consolidated Financial Statements give a true and fair view of the asset, financial and earnings position. The audit partner responsible was Stefan Hartwig.

The Annual Financial Statements of SAF-HOLLAND SE and the Combined Management Report for the SAF-HOLLAND Group were prepared in accordance with German statutory accounting regulations. The Consolidated Financial Statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with the additional requirements of German law pursuant to Section 315e (1) of the German Commercial Code (HGB).

After preliminary referral to the Audit Committee, the Supervisory Board dealt with the Annual and Consolidated Financial Statements and the Combined Management Report for fiscal year 2023 at its meeting on March 8, 2024, and discussed them in detail with the Management Board. The auditors reported on the scope, focus and key findings of their audit, focusing in particular on the key audit matters and the audit procedures performed. No significant weaknesses in the risk warning system were reported. The auditor reported both at the meeting of the Audit Committee and at the meeting of the Supervisory Board and was available to answer in-depth questions. In accordance with the German Act to Strengthen Financial Market Integrity (FISG), the Management Board's opportunities to participate in discussions with the auditor were also restricted. Following the committee's recommendation, the Supervisory Board concurred with the results of the audit by the auditor, raised no objections and approved the Annual and Consolidated Financial Statements for fiscal year 2023. The Annual Financial Statements are thus adopted.

The Remuneration Report was subjected to the legally required formal audit by the auditor in accordance with Section 162 (3) of the German Stock Corporation Act (AktG).

The Supervisory Board had formed an impression of the quality of the audit in advance and adopted the resolution proposal to the Annual General Meeting based on the recommendation of the Audit Committee on the selection of the auditor. This was based on the Audit Committee's declaration that its recommendation was free from undue influence by third parties and that no clause restricting the selection options within the meaning of Art. 16 para. 6 of the EU Statutory Audit Regulation had been imposed on it. EU Regulation 537/2014 stipulates an obligation for regular external rotation of the auditor or Group auditor. Such an external rotation is planned for SAF-HOLLAND SE for fiscal year 2026.

The Supervisory Board has endorsed the Management Board's proposal for the appropriation of net retained profits and will propose to the Annual General Meeting on June 11, 2024, that a dividend of EUR 0.85 per share be distributed for fiscal year 2023.

The Sustainability Report for fiscal year 2023 was discussed by the Audit Committee at its meeting on March 7, 2024, and by the Supervisory Board at its meeting on March 8, 2024.

CHANGES IN THE MANAGEMENT BOARD AND SUPERVISORY BOARD

There were changes to the Management Board and Supervisory Board in fiscal year 2023.

To ensure a smooth transition between interim CFO Wilfried Trepels and CFO Frank Lorenz-Dietz, who was appointed on January 1, 2023, the Management Board consisted of three members for the period until March 31, 2023. Wilfried Trepels therefore left the Management Board as planned at the end of the first quarter.

Following Martina Merz's resignation from the Supervisory Board of SAF-HOLLAND SE in December 2022, the search for a successor on the Supervisory Board began immediately. Jurate Keblyte was appointed by the court as a new member of the Supervisory Board with effect from April 3, 2023, and elected to the Supervisory Board at the Annual General Meeting on May 23, 2023.

The Supervisory Board would like to thank the members of the Management Board, the employee representatives and all employees for their great commitment and hard work in fiscal year 2023.

Bessenbach, March 7, 2024

For the Supervisory Board

Dr. Martin Kleinschmitt

Chairman of the Supervisory Board

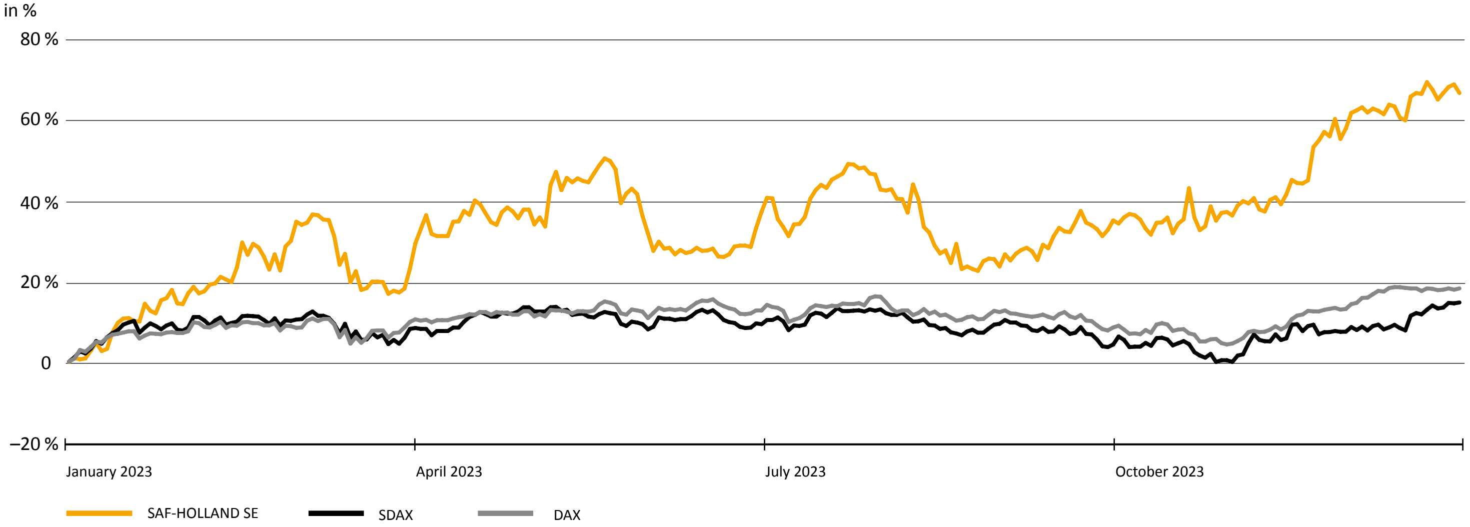
SAF-HOLLAND ON THE CAPITAL MARKET

STOCK MARKET AND SHARE PRICE DEVELOPMENT IN 2023

SAF-HOLLAND SHARE STRONGLY OUTPERFORMS SDAX

After the German stock market was heavily burdened in 2022, the decline in energy prices and abating inflation had a positive impact on the German stock market, particularly in the first half of the year. Weak economic prospects and the ongoing tense geopolitical situation temporarily dampened the positive performance of the stock market but were unable to stop the year-end rally. Germany's leading index, the DAX, rose by 20.3% in 2023, closing at 16,752 points on December 29, 2023. The SDAX selection index of Deutsche Börse AG, in which the SAF-HOLLAND share is also listed, recorded an increase of 17.1% over the course of the year and closed at 13,960 points.

Performance of SAF-HOLLAND SE shares relative to DAX and SDAX



The SAF-HOLLAND share, on the other hand, managed to hold its ground despite brief price declines and reached a closing price of EUR 15.20 on December 29, 2023. Compared to the closing price in 2022, the share thus climbed by 72.4% and significantly outperformed the DAX and SDAX benchmark indices. This was due to the Group's consistently good operating performance and the fact that it exceeded market expectations. Accordingly, SAF-HOLLAND's market capitalization also increased significantly from EUR 400.2 million to EUR 690.0 million in 2023.

Key share data

WKN/ISIN	SAFH00/DE000SAFH001
Ticker symboll	SFQ
Initial listing	July 26, 2007
Stock exchange	Frankfurt
Transparency standard	Prime Standard
Index	SDAX
Number of shares	45,394,302
Free float	100%
Designated sponsors	Hauck Aufhäuser Lampe Privatbank AG
Year high/low 2023[1]	EUR 15.56/EUR 8.83
Year-end price 2023[1]	EUR 15.20
Full-year performance 2023	72.4%
Market capitalization as of December 29, 2023	EUR 690.0 million

[1] Xetra closing price.

INCREASE IN TRADING VOLUME AND DAILY TURNOVER OF THE SAF-HOLLAND SHARE

According to a Bloomberg market share analysis, the Xetra trading platform was the most important trading venue for the SAF-HOLLAND share in 2023, as in the previous year, accounting for 51.1% (previous year 55.1%) of the volume traded. The average daily turnover in SAF-HOLLAND shares on Xetra amounted to 95,792 shares in 2023 (previous year 166,886 shares). The daily trading volume in SAF-HOLLAND shares on Xetra alone fell to an average of EUR 1.16 million (previous year EUR 1.4 million). Taking all German stock exchanges into account, the average daily turnover in shares amounted to 99,059 (previous year 171,198). In addition, 87,230 SAF-HOLLAND shares were traded on the multilateral trading centers on a daily average.

INDEX RANKING: SOLIDLY POSITIONED IN THE SDAX

Based on the strong share price performance in 2023, the company improved significantly in Deutsche Börse AG's index ranking, which is used to determine the composition of the MDAX and SDAX, to position 111 at the end of December 2023 (previous year position 147).

INTENSIFIED INVESTOR RELATIONS ACTIVITIES IN EUROPE AND THE US

IN CONTINUOUS CONTACT WITH ALL STAKEHOLDERS

SAF-HOLLAND's investor relations activities are aimed at providing all capital market participants with comprehensive, timely and transparent information on strategic objectives and current market and business developments. To this end, SAF-HOLLAND maintains a close dialog with current shareholders, potential investors and analysts. The company regularly participates in capital market conferences, organizes international roadshows and informs fund managers and analysts on site during company visits, tours of production or research and development facilities, for example. A number of conference calls were also held, mostly on current topics and events.

In 2023, the focus of communication was on positioning SAF-HOLLAND as a resilient company in the transportation sector. The basis for this was the Group's good operating performance, particularly with regard to the increase in profitability in the Americas and APAC. In addition, the focus was on the positioning of the SAF-HOLLAND Group, which was expanded by acquiring Haldex. Among other topics, the less cyclical and larger aftermarket business, synergy and cross-selling potential, the good positioning in relevant end markets and the improved development of leverage in the first year after the acquisition were emphasized.

In addition to regular dialog with current and potential investors from Germany, one focus of investor relations work was on increasingly addressing investors from outside Germany. This included virtual and physical roadshows in Spain, Italy, Switzerland, the Northern European countries of Sweden, Finland and Norway, as well as the US. Overall, investor relations activities were significantly expanded compared to the previous year. The

Management Board and investor relations officers participated in a total of 17 capital market conferences and roadshows in 2023.

EXTENSIVE PROVISION OF INFORMATION AND DIRECT CONTACT

Detailed and up-to-date information on the SAF-HOLLAND share is published on the SAF-HOLLAND Investor Relations website at https://corporate.safholland.com/en/investor-relations. These pages contain the latest financial news and reports, presentations and conference call recordings as well as an overview of the current consensus estimates of the analysts covering the SAF-HOLLAND share. The contact details of the investor relations contacts for telephone or digital contact are also available on this website.

PREDOMINANTLY BUY RECOMMENDATIONS FOR THE SAF-HOLLAND SHARE

The SAF-HOLLAND share is currently monitored and analyzed regularly by six banks and research firms. At the end of 2023, four analysts recommended the share as a buy or expected SAF-HOLLAND's share price to outperform the market as a whole. Two recommendations were "hold." The analysts' price targets averaged EUR 18.95, with the highest price target at EUR 29.00 and the lowest price target at EUR 13.00.

Analyst ratings as of December 31, 2023

Bank	Recommendations
Deutsche Bank	Hold
DZ Bank	Buy
Hauck Aufhäuser Lampe	Buy
Kepler Cheuvreux	Hold
Oddo BHF	Outperform
Warburg Research	Buy

The latest analyst ratings are available on the Investor Relations website at https://corporate.safholland.com/en/investor-relations/share/share/consensus.

INTERNATIONAL SHAREHOLDER STRUCTURE

According to Deutsche Börse AG's definition, 100% of the company's shares issued are in free float. The shareholder base mainly consists of institutional investors such as investment funds and asset managers, banks and insurance companies, as well as private investors from Germany and abroad. The company's largest shareholders currently include investment firms from Germany, the US, France, Luxembourg, the Netherlands and the UK. The share of international investors holding SAF-HOLLAND shares is around 60%.

Based on the voting rights notifications received, five institutional investors directly or indirectly held more than 3% of the share capital of SAF-HOLLAND SE as of December 31, 2023.

Voting rights notifications > 3% as of December 31, 2023

Shareholder name	Country of origin	% shares of notified voting rights
TimesSquare Capital	USA	5.19%
Universal-Investment-Gesellschaft	Germany	5.07%
Kempen Oranje Participaties	Netherlands	5.07%
Union Investment	Germany	5.04%
Bank of America Corporation	USA	4.97%

Active members of the Management Board and Supervisory Board of SAF-HOLLAND SE together held 0.9% of the outstanding shares as of December 31, 2023.

ANNUAL GENERAL MEETING 2023 APPROVES ALL ITEMS ON THE AGENDA AND RESOLVES DIVIDEND OF EUR 0.60 PER SHARE

The Annual General Meeting of SAF-HOLLAND SE was held as an in-person event in Lohr am Main on May 23, 2023, for the first time since the COVID-19 pandemic. The shareholders approved all resolutions proposed by the Management Board and Supervisory Board. Among other items, the shareholders approved the management's proposal to distribute a dividend of EUR 0.60 per share from SAF-HOLLAND SE's reported retained earnings. This equates to a dividend yield of 6.8% based on the closing price of the SAF-HOLLAND share at the end of 2022. The shareholders also approved the proposed adjustment to the remuneration system for the Management Board, the change to the remuneration of the Supervisory Board and the appointment of Jurate Keblyte as a new member of the Supervisory Board, who was proposed to the Annual General Meeting and had previously been appointed by the court as Martina Merz's successor.

SIGNIFICANTLY INCREASED DIVIDEND PROPOSAL OF EUR 0.85 PER SHARE FOR FINANCIAL YEAR 2023 REFLECTS INCREASED EARNINGS POWER

The goal of SAF-HOLLAND's company policy is to allow shareholders to participate appropriately in its success through dividends. SAF-HOLLAND SE's dividend policy generally provides for the distribution of 40% to 50% of the available profit for the period. The Management Board and Supervisory Board will therefore propose to the Annual General Meeting on June 11, 2024, that a 41.6% higher dividend of EUR 0.85 per share (previous year EUR 0.60) be distributed for financial year 2023. The total distribution amount of EUR 38.6 million represents a payout ratio of around 48.3% of the Group's profit for the period attributable to shareholders.

SOLID CREDIT RATING

"BBB-" INVESTMENT GRADE RATING – STABLE OUTLOOK

SAF-HOLLAND SE published the rating report of Scope Ratings GmbH ("Scope") on April 19, 2023. In this report, Scope left SAF-HOLLAND SE's debt respectively credit rating unchanged at BBB-. At the same time, Scope set the outlook to stable.

The improved strong market position, a broader customer base and the complementary product portfolio resulting from the acquisition of Haldex were assessed positively. This assessment was further underpinned by the broader international presence and the increasing share of the more profitable aftermarket business in Group sales. According to Scope, the high volatility of the free cash flow in recent years, the cyclical risks of the business and the operating profitability, which still has room for improvement compared to the industry as a whole, stood in the way of a better rating.

According to Scope, the stable outlook is based on the expectation that the company, with its resilient spare parts-based business model, could also withstand a moderate cyclical downturn in the global commercial vehicle markets. An improvement in the rating could be made possible in the future by a gradual reduction in financial liabilities and a further increase in free cash flow.

_Remuneration Report 2023

REMUNERATION REPORT 2023

The Remuneration Report explains the remuneration system for both the members of the Management Board and the members of the Supervisory Board and presents the individual remuneration granted and due to the individual members in 2023. Remuneration is deemed to have been granted as soon as it has actually accrued to the Management Board or Supervisory Board (payment-oriented view). The report provides a detailed and individualised explanation of the structure and amount of the individual components of Executive Board and Supervisory Board remuneration. The report complies with the requirements of Section 162 of the German Stock Corporation Act (AktG), the relevant accounting standards (HGB, IFRS) and the requirements of the German Corporate Governance Code (GCGC). On 23 May 2023, the Annual General Meeting approved the 2022 remuneration report with 99.96%. Due to the high level of approval, there was no need to amend the 2023 remuneration report. Compilation of the Remuneration Report pursuant to Section 162 of the German Stock Corporation Act (AktG) is the responsibility of the Management Board and the Supervisory Board. The Remuneration Report and the independent auditor's report regarding the formal audit that was conducted are contained in the Annual Report and can also be accessed from the website of SAF-HOLLAND SE.

COMPOSITION OF THE MANAGEMENT BOARD

There were changes in the composition of the Management Board in 2023. Dr. André Philipp (COO) resigned from his position on the board on March 9, 2023. The position of CFO has been held by Mr. Frank Lorenz-Dietz since January 1, 2023. The previous interim CFO, Mr. Wilfried Trepels, left the company after a transitional period on March 31, 2023. Since then, the board has consisted of the CEO, Mr. Alexander Geis, and the CFO.

MANAGEMENT BOARD REMUNERATION

BASIC PRINCIPLES OF REMUNERATION

The current Executive Board remuneration system was adopted by the Supervisory Board on 12 December 2022. Resolutions on remuneration are generally prepared by the Nomination and Remuneration Committee. If necessary, the Nomination and Remuneration Committee can recommend that the Supervisory Board make amendments to the remuneration system. In the event of substantial changes, and at least every four years, the remuneration system is submitted to the Annual General Meeting for approval.

The remuneration system is aligned towards the business strategy and is aimed at performance-based and sustainable corporate governance and ensuring the long-term success of the company. The criteria for determining the appropriateness of remuneration consist of the individual duties of the Management Board members, their personal performance, the economic situation, success and future prospects of the company.

The employment contracts of the Management Board stipulate that the amount of fixed remuneration is reviewed annually. The Nomination and Remuneration Committee regularly reviews the appropriateness and market conformity of the remuneration of each individual member of the Management Board in terms of its amount and structure and discusses its findings with the Supervisory Board. The appropriateness of Management Board remuneration was recently reviewed by an independent external remuneration consultancy that concluded that the remuneration was in line with market practices.

The aforementioned remuneration also covers activities as a member of the management or supervisory board of subsidiaries.

SUMMARY OF MANAGEMENT BOARD REMUNERATION IN 2023

The remuneration of the members of the Management Board of SAF-HOLLAND SE consists of fixed and variable components. The fixed, non-performance-based portion of remuneration consists of a fixed annual base salary and fringe benefits. The performance-based and variable components consist of a short-term variable incentive (STI) and a long-term variable incentive (LTI).

Variable remuneration components are to be measured on a multi-year basis. With regard to variable remuneration, the Supervisory Board ensures that long-term variable remuneration components outweigh the short-term components, in accordance with the recommendation of the GCGC. At the same time, the short-term variable remuneration also places sufficient emphasis on the annual operating targets, which serve as the basis for the future development of the company.

The financial performance criteria set for the STI at the beginning of fiscal year 2022 were exceeded due to the very positive development of sales and earnings. The target achievement of the CEO, Mr. Alexander Geis, is 114.58% of the target value of the STI 2022, which was paid out in 2023. (See the table ”Remuneration Granted and Due” on page 40.)

Due to Mr. Wilfried Trepels joining the company during the year on 16 May 2022, an actual target achievement of 100% was set for the pro rata financial year 2022.

Dr. André Philipp resigned from all positions on April 1, 2023. He was released until June 30, 2023 with continued payment of his salary.

A collective bargaining agreement was entered into in 2020 with the trade union Industriegewerkschaft Metall covering the German locations in Bessenbach and Singen. Under this agreement, which expires at the end of 2024, the workforce has agreed to work longer hours at no extra pay and make other financial concessions. As a sign of its solidarity, the Management Board decided to waive 5% of the STI payout annually until the end of 2024. The payment due in the 2023 financial year from the long-term incentive (LTI) plan granted in the 2019 financial year amounts to 64% of the target value for the Executive Board members Alexander Geis and Dr. André Philipp (see table "Calculation LTI - PSUP 2019" on page 38).

In the 2023 financial year, no use was made of the options set out in the remuneration system in accordance with the legal requirements to temporarily deviate from the remuneration system or to reclaim variable remuneration components, with the exception of the flat-rate STI target achievement for 2022 for Mr. Tre- which was set out in the service contract. pels amounting to 100%. The following table presents a summary of the components of the remuneration system applicable in 2023, the structure of the individual remuneration components and the respective targets set for the members of the Management Board:

Remuneration system

REMUNERATION COMPONENT	BRIEF SUMMARY	PURPOSE AND CONNECTION TO THE STRATEGY
1. Fixed annual base salary	— Fixed contractually agreed remuneration, paid monthly	— Ensures appropriate, fixed income to ensure no undue risk is taken — Attracts and retains board members who can develop and successfully implement the strategy on the basis of their experience and expertise
2. Fringe benefits	— Particularly use of a company car, subsidies for health and long-term care insurance	
3. Short-term variable remuneration	— As a rule, 75% financial and 25% non-financial performance targets — Maximum amount: 125 % of the respective target — Payment in the following year	— Provides an incentive to board members to focus on successfully implementing the business priorities and sustainability for the year
4. Long-term variable remuneration	— Grant of virtual share units — Performance targets: – Development of the share price – Business performance – ESG relevant targets — Maximumamount (cap): 200 % of the grant value — Payment: in the fifth year after granting	— Links the development of Management Board compensation directly to share price performance and thus to investor interest — Provides an incentive to Management Board members to raise the value of the company in the long term — Proves SAF-HOLLAND's social responsibility and documents the importance of sustainable corporate action

TARGET REMUNERATION AND MAXIMUM REMUNERATION

The total target remuneration represents a target remuneration amount that sets an incentive for high business performance and the individual and collective performance of the Management Board by defining clear targets. The "pay for performance" principle underlying the remuneration system results in a noticeable reduction if the targets are not attained and an increase in the remuneration if the targets are surpassed or in the case of special performance, though these are limited by the cap on the maximum remuneration.

The targets set for the variable remuneration components are equal to the share of the fixed remuneration components (base salary plus fringe benefits), both of which have been set at approximately 50%. The share of the long-term variable remuneration exceeds the short-term variable remuneration, ensuring that the remuneration of the Management Board is oriented towards the sustainable long-term growth of the company.

In the event of possible future adjustments to the remuneration paid to members of the Management Board, the Supervisory Board has resolved that these will mainly consist of variable components to ensure that the share of variable remuneration components continues to increase.

The following table shows the contractually agreed target compensation and maximum compensation for fiscal year 2023:

Target compensation and maximum compensation for the year 2023

All figures in EUR thousand

		Alexander Geis		Frank Lorenz-Dietz		Wilfried Trepels		André Philipp	
		Chairman of the Management Board since February 26, 2019		Ordinary member of the Management Board since January 1, 2023		Ordinary member of the Management Board from May 16, 2022, to March 31, 2023		Ordinary member of the Management Board from January 1, 2019, to June 30, 2023 [2]	
		Target remuneration	Maximum remuneration	Target remuneration	Maximum remuneration	Target remuneration	Maximum remuneration	Target remuneration	Maximum remuneration
	Base salary in 2023	795	795	390	390	98	98	72	72
Non-performance-based remuneration	Fringe benefits in 2023	37	37	43	43	10	10	9	9
Total		**832**	**832**	**433**	**433**	**108**	**108**	**81**	**81**
One-year variable remuneration	STI 2023	360	450	200	250	50 [1]	62,5	36,5	46
Multi-year variable remuneration	LTI 2023 – 2026	507	702	220	367	55 [1]	110	0	0
Total		**867**	**1.152**	**420**	**617**	**105**	**172,5**	**36,5**	**46**
Total remuneration		**1.699**	**1.984**	**853**	**1.050**	**213**	**280,5**	**117,5**	**127**

[1] Proportionate remuneration.

[2] Mr. André Philipp resigned from his board position on March 9, 2023.

In accordance with Section 87a of the German Stock Corporation Act (AktG), maximum remuneration has been set for the sum of the remuneration components specified above. Including the fixed base salary, fringe benefits and the cap on variable remuneration components, this amounts to EUR 1,984,000 for the Chairman of the Management Board and EUR 1,050,000 for ordinary members of the Management Board.

Overview of the maximum remuneration of Management Board members:

Maximum limits of remuneration (maximum remuneration)

Remuneration component	Cap
Short-term variable remuneration (STI)	125 % of target amount
Long-term variable remuneration (LTI)	200 % of the endowment value
Maximum remuneration	Chairman of the Management Board: EUR 1,984,000 Ordinary member of the Management Board: EUR 1,050,000

Reviewing and ensuring compliance with the maximum remuneration level for fiscal year 2023 is therefore not possible until 2026, when the last remuneration component for fiscal year 2023 has been determined and accrues to the Management Board member. In the event that the calculated total remuneration exceeds the respective maximum remuneration, the payment of the LTI is reduced accordingly.

APPROPRIATENESS OF MANAGEMENT BOARD REMUNERATION

When setting the amount of total remuneration, the Supervisory Board ensures that it is commensurate with the tasks and performance of the respective Management Board member. The criteria for assessing the appropriateness of remuneration are therefore the individual tasks and performance of the Management Board member. When setting the amount of total remuneration, the Supervisory Board ensures that the customary level of remuneration does not exceed the level paid at a suitable peer group of comparable companies in an external comparison nor to the overall workforce in an internal comparison, unless there is special justification for doing so. The external assessment is primarily based on a comparison with all the other companies listed on the SDAX. For comparative purposes, SAF-HOLLAND is positioned within the respective peer group market based on the valuation criteria of sales, headcount and market capitalization. From this positioning, the remuneration paid to Management Board members is reviewed for its market conformity. In making the assessment, the Supervisory Board is supported by an independent external remuneration consultancy. At the end of 2022, this consultancy last confirmed that the remuneration paid to the acting Management Board members conformed to market standards and was therefore appropriate.

To assess the market conformity of total remuneration within the organization, the Supervisory Board also considers the remuneration and working conditions of the entire Group workforce in Germany on an FTE basis. The ratio of Management Board remuneration to the remuneration of the entire workforce is also taken into account over time (vertical remuneration comparison). In addition, the company's economic position and performance also need to be appropriately taken into consideration.

The company's earnings development and the average remuneration paid to employees in Germany on an FTE basis over the last five years compared to the annual change in Management Board remuneration are presented in the following table:

Vertical remuneration comparison

		2019	2020	2021	2022	2023
Management Board remuneration (in EUR thousand)						
	Alexander Geis since March 1, 2019	868.0	788.0	1,074.0	1,249.0	1.409,0
	YoY % change		-9.2	36.3	16.3	12,8
	Frank Lorenz-Dietz since January 1, 2023					433
	YoY % change					
	Wilfried Trepels from May 16, 2022, to March 31, 2023				270.0	476,0
	YoY % change					76,3
	André Philipp from January 1, 2019, to June 30, 2023	341.0	504.0	595.0	727.0	541,0
	YoY % change		47.8	18.1	22.2	–25,6
Supervisory Board remuneration (in EUR thousand)						
	Dr. Martin Kleinschmitt since April 1, 2013	91.0	101.2	108.5	115.0	120.5
	YoY % change		11.2	7.2	6.0	4.8
	Martina Merz from April 1, 2014 to December 12, 2022	152,0	118,0	74,2	72,0	68,6 [1]
	YoY % change		-22,4	-37,1	-3,0	-4,7
	Carsten Reinhardt since April 1, 2017	58.0	71.0	50.2	52.0	53.3
	YoY % change		22.4	-29.3	3.6	2.5
	Ingrid Jägering since October 1, 2019		12.0	64.5	69.0	68.0
	YoY % change			437.5	7.0	-1.4
	Matthias Arleth since July 1, 2020			34.4	69.0	68.5
	YoY % change				100.6	-0.7

[1] Pro rata calculation due to a departure at the end of December 12, 2022

	2017	2018	2019	2020	2021	2022	2023
Adjusted EBIT margin in % of sales	8.0	6.9	6.2	6.1	7.5	8.0	9.6
YoY percentage point change		-1.1	-0.7	-0.1	1.4	0.5	1.6
SAF-HOLLAND SE result for the period in EUR thousand				2,027	20,624	23,985	48,523
YoY percentage point change					917.50	16.30	102.31

	2017	2018	2019	2020	2021	2022	2023
Average employee remuneration in EUR [1]	55,051.00	57,258.00	56,979.00	52,671.00	51,613.00	57,617.00	57,409.00
YoY percentage point change		4.01	-0.49	-7.56	-2.01	11.63	-0.36

The slight decrease in employee remuneration in 2023 is due to the introduction of short-time working as a result of the cyberattack suffered in 2023.

[1] Employees at the German locations.

NON-PERFORMANCE-BASED FIXED REMUNERATION

Fixed annual base salary

The base salary represents fixed remuneration for the full year and is granted on a monthly basis. Unlike many other companies, the members of the Management Board do not receive pension benefits from the company for their services. The fixed remuneration has included a compensation component for this since fiscal year 2018.

Fringe benefits

The taxable fringe benefits of the Executive Board consist in particular of the provision of company cars and the assumption of costs for occupational accident insurance, which also covers an insurance benefit in the event of death. There is also a directors' and officers' liability insurance policy with a deductible of 10% (D&O insurance). In addition, contributions are made to health and pension insurance in accordance with social security regulations. In the event of incapacity to work due to illness, remuneration is paid for a maximum period of 6 months.

PERFORMANCE-BASED VARIABLE REMUNERATION

The performance-based remuneration components are the short-term incentive (STI), which relates to the performance in the respective fiscal year, and the long-term incentive (LTI), which measures performance over a number of years. The two components are based on different measurement bases and have different performance parameters corresponding to their respective performance periods. These performance-based variable remuneration components are granted on the basis of financial and non-financial performance criteria.

No subsequent changes may be made to the target values or the comparison parameters for variable remuneration.

Both of the variable remuneration components in 2023 are presented in detail below.

Short-term variable remuneration (STI)

Basic structure

The annual bonus consists of a variable cash payment that is based on the company’s measurable performance in the past fiscal year and the degree to which the individual targets were achieved. The STI is calculated using financial and non-financial performance criteria that are based on the key performance indicators explained below and the individual targets derived from them. With the help of the individual targets, the individual performance of each Management Board member is considered in the determination of remuneration.

Individual targets may consist of financial and non-financial targets and include the environmental, social and governance (ESG) performance criteria set by the company in keeping with its corporate social responsibility. Business targets have a weighting of 75% in total and comprise three specific targets. The individual targets also consist of three targets and are weighted at 25% of the total. The following table provides an overview of the targets and their percentage weighting for 2022 and 2023.

Overview of the targets and their percentage weighting:

TYPE OF TARGET	DEFINITION OF THE TARGET	PERCENTAGE WEIGHTING
Corporate targets	— Group sales — Adjusted EBIT margin — Net working capital ratio	25 % 25 % 25 %
Possible individual targets	— Strategic business development — Corporate culture — Diversity — Employees and leadership — Environment — Corporate social responsibility	25 %
Total amount		100 %

A lower limit of 50% and an upper limit of 125% apply to target achievement. If the sum of the weighted individual target achievement is below 50% (threshold value), no pro rata payment of the target bonus is granted. The amount of remuneration to be paid is calculated by multiplying the percentage of target achievement by the target bonus amount. For the year a Management Board member joins the company and for the year the member leaves the company, the member is entitled to a pro rata bonus. The short-term variable remuneration is paid out in the year following the respective fiscal year.

The calculation of the target achievement factor is based on the individual measured target achievement factors based on their weighting. Multiplying the total target achievement factor by the STI target amount results in the STI payout amount. The aforementioned upper and lower limits of 125% and 50% apply here. Payment is made at the end of the first quarter of the following fiscal year for which the respective STI was granted.

Calculation of the STI payout:

Individual target achievement factor (50 % – 125 %)	×	Target	=	Pay-out
Corporate targets (75 % weighting) **Individual targets** (25 % weighting)				**Pay-out cap = 125% of the target**

Company targets

Three company targets were defined for fiscal year 2023

- Group sales
- Adjusted EBIT margin in % of sales
- Net working capital ratio in % of sales

These take the overall responsibility of the Management Board into consideration and set incentives geared primarily towards the company's continued growth, better profitability and stronger cash flow. constitute an important instrument in planning the next business-related steps. The adjusted EBIT margin sets an incentive to strengthen the company's operating profitability. EBIT measures earnings before interest and taxes. The EBIT indicator also considers depreciation and amortization and encourages investments that provide an adequate return on capital employed.

Next to profitability, the effective management of working capital, measured as the sum of inventories and trade receivables less trade payables, is also a key factor in cash flow.

The individual targets and the common Sustainable target for 2022 are listed in the following table:

Acting Management Board members	Focus area	Specific target	Target achievement	Actual achievement
Alexander Geis (CEO)	Business development	Project planning and development for new plant (India) with higher capacity	100%	125%
Since March 1, 2019	Project innovation	Global launch of a new type of axle	100%	100%
	CSR	Adaption of CSR reporting to meet CSRD requirements	100%	125%
Dr. André Philipp (COO)	CSR	Creation of a global CO_2 database	100%	125%
since January 1, 2019	Business development	Project Sprint – construction of a new plant in Mexico	100%	125%
	CSR	Adaption of CSR Reporting to meet CSRD requirements	100%	125%
Wilfried Trepels (CFO) since May 16, 2022	Due to Mr Wilfried Trepels joining the company on 16 May 2022, an actual target achievement of 100% for the pro rata financial year 2022 was set at the start of the contract.		100%	100%

Due to the resignation of Inka Koljonen on January 31, 2022, a lump sum was determined for the STI target achievement.

Individual and sustainability targets

For fiscal year 2022 and 2023, the Supervisory Board set two individual targets in the direct area of responsibility of each Management Board member as well as one target each in the area of sustainability. The individual targets contribute specifically to increasing the efficiency of the Group's projects and advancing the company's further development. As a globally operating company in the trailer and truck industry, SAF-HOLLAND strives to make an important contribution to the future and society by providing innovative products and acting sustainably. The sustainability goal for 2023 focused on bringing SAF-HOLLAND's CSR reporting in line with the requirements of the Corporate Sustainability Reporting Directive (CSRD) in order to meet these requirements going forward.

The objectives of the STI focused on CSR objectives for the members of the Executive Board. The individual targets as well as the common sustainability target for the years 2022 and 2023 are listed in the tables below.

The individual targets and the common Sustainable target for 2023 are listed in the following table:

Acting Management Board members	Focus area	Specific target	Target achievement	Actual achievement
Alexander Geis (CEO)	Business development	Post Merger Integration (PMI) of Haldex	100%	125%
since March 1, 2019	ESG:	Development of ESG-adequate training material and mandatory SuccessFactors training for all employees	100%	125%
	ESG:	Fulfillment of the audit obligation in accordance with the CSRD-Report	100%	100%
Frank Lorenz-Dietz (CFO)	Business development	Post Merger Integration (PMI) of Haldex	100%	125%
since January 1, 2023	Project innovation	SAP-Hana-Integration	100%	125%
	ESG:	Fulfillment of the audit obligation in accordance with the CSRD-Report	100%	100%
Wilfried Trepels (CFO) from May 16, 2022, to March 31, 2023 *	Due to the departure of Mr Wilfried Trepels on 31 March 2023, an actual target achievement of 100% was set for the pro rata financial year 2023 at the end of the contract.		100%	100%
Dr. André Philipp (COO) from January 1, 2019, to June 30, 2023 *	Due to the departure of Mr André Philipp on 30 June 2023, an actual target achievement of 100% was set for the pro rata financial year 2023 at the end of the contract.		100%	100%

Target achievement

The following overview presents in detail the key figures for the annual bonus 2022 (payout in 2023) and for the annual bonus 2023 (payout in 2024), their performance corridors as well as the corresponding target achievement and the resulting overall target calculation, including the respective payout amounts:

STI overall target achievement 2022

			50%	75%	100%	125%	Weighting	Actual target achieveme nt	Target achievement in %	Weighted value	Target amount In In EUR	Payout amount In EUR
Alexander Geis CEO	Corporate targets	Group sales (EUR m)	1,261.40	1,287.20	1,300.80	1,326.6	0.25	1,561.10	125	31.25		
		Adjusted EBIT margin (in % of sales)	5.7	6.4	7.2	7.9	0.25	8.0	125	31.25		
		Net working capital (in % of sales)	16.30	16.10	15.90	15.70	0.25	15.97	90.6	22.70		
	Individual targets						0.25		117	29.38		
							100%			**114.58**	**331,000**	**379,260** [2]
André Philipp COO	Corporate targets	Group sales (EUR m)	1,261.40	1,287.20	1,300.80	1,326.6	0.25	1,561.10	125	31.25		
		Adjusted EBIT margin (in % of sales)	5.7	6.4	7.2	7.9	0.25	8.0	125	31.25		
		Net working capital (in % of sales)	16.30	16.10	15.90	15.70	0.25	15.97	90.60	22.70		
	Individual targets						0.25		125	31.26		
							100%			**116.46**	**190,000**	**221,274**
Wilfried Trepels CFO	Due to Mr Wilfried Trepels joining the company on 16 May 2022, an actual target achievement of 100% for the pro rata financial year 2022 was set at the start of the contract.											
Inka Koljonen [1] CFO	Due to the resignation of Inka Koljonen as of January 1, 2022, no new targets were agreed upon.											

[1] Based on a settlement agreement due to resignation on January 31, 2022.
[2] Will Reduced by 5% based on voluntary waiver under the collective agreement to secure future viability.

STI overall target achievement 2023

			50%	75%	100%	125%	Weighting	Actual target achievement	Target achievement in %	Weighted value	Target amount in EUR	Payout amount in EUR
Alexander Geis CEO	Company targets	Group sales (EUR million)	1,755.5	1,809.8	1,865.8	1,921.8	0.25	2.106.170	125	31,25		
		Adjusted EBIT margin (in % of sales)	7.0	7.5	8.0	8,5	0.25	9,60	125	31,25		
		Net working capital (in % of sales)	18.3	17.8	17.3	16.8	0.25	14,82	125	31,25		
	Individual targets	Post Merger Integration (PMI) of Haldex					0.075		125	9,38		
		Development of ESG-adequate training material and mandatory SuccessFactors training for all employees					0.075		125	9,38		
		Fulfillment of the audit obligation in accordance with the CSRD-Report					0.10		100	10,00		
							100%			**122,51**	**355.500**	**435.523** [1]
Frank Lorenz-Dietz CFO	Company targets	Group sales (EUR million)	1,755.5	1,809.8	1,865.8	1,921.8	0.25	2.106.170	125	31,25		
		Adjusted EBIT margin (in % of sales)	7.0	7.5	8.0	**8.5**	**0.25**	**9,60**	**125**	**31,25**		
		Net working capital (in % of sales)	18.3	17.8	17.3	16.8	0.25	14,82	125	31,25		
	Individual targets	Post Merger Integration (PMI) of Haldex					0.075		125	9,38		
		SAP-Hana-Integration					0.075		125	9,38		
		Fulfillment of the audit obligation in accordance with the CSRD-Report					0.10		125	10,00		
							100%			**122,51**	**200.000**	**245.020** [1]
Wilfried Trepels CFO	Due to the departure of Mr Wilfried Trepels on 31 March 2023, an actual target achievement of 100% for the pro rata financial year 2023 was fixed at the end of the contract.											
Dr. André Philipp COO	Due to the departure of Dr André Philipp on 30 June 2023, an actual target achievement of 100% was set for the pro rata financial year 2023 at the end of the contract.											

[1] Reduced by 5 % due to voluntary waiver under the future collective agreement.

To our Shareholders
Remuneration Report 2023
Remuneration Report 2023
Report of the Independet Auditor on the Formal Audit of the Remuneration Report persuant to § 162 Abs. 3 AktG
Combined Management Report
Consolidated Financial Statements
Additional Information

Long-term variable remuneration (LTI)

Basic structure

The long-term variable remuneration, or LTI, is a share-based variable remuneration component aimed at increasing the company's long-term value and aligning the interests of the management and executives with the interests of the shareholders of SAF-HOLLAND SE in the long-term. This takes the form of a Performance Share Unit Plan (PSUP), introduced in 2013, which considers both the company's performance and its share price development. The LTI also includes an ESG target, which is consistent with the provisions of the German Corporate Governance Code. The financial targets are weighted at 80%, and the ESG target is weighted at 20%. The PSUP stipulates a performance period of four years. With the help of the PSUP, the interests of the Management Board members are to be aligned even more clearly with those of the shareholders with respect to a sustainable increase in the company's value. The PSUP also ensures the long-term commitment of the Management Board members to the company and increases their motivation.

The number of virtual shares at the beginning of the performance period is determined by dividing the respective endowment by the average share price in the last two months of the year preceding the grant. Upon expiration of the performance period, the number of virtual shares granted is adjusted by multiplying it by a target achievement factor. The target achievement factor is the ratio of the company's average performance (adjusted EBIT margin) during the performance period versus the average target value previously set for the performance period. The long- term variable remuneration is paid out with the payroll on the basis of the audited Consolidated Financial Statements.

The amount of the participants' payment entitlement is determined by multiplying the virtual shares with the average share price during the last two months of the performance period and the target achievement factor.

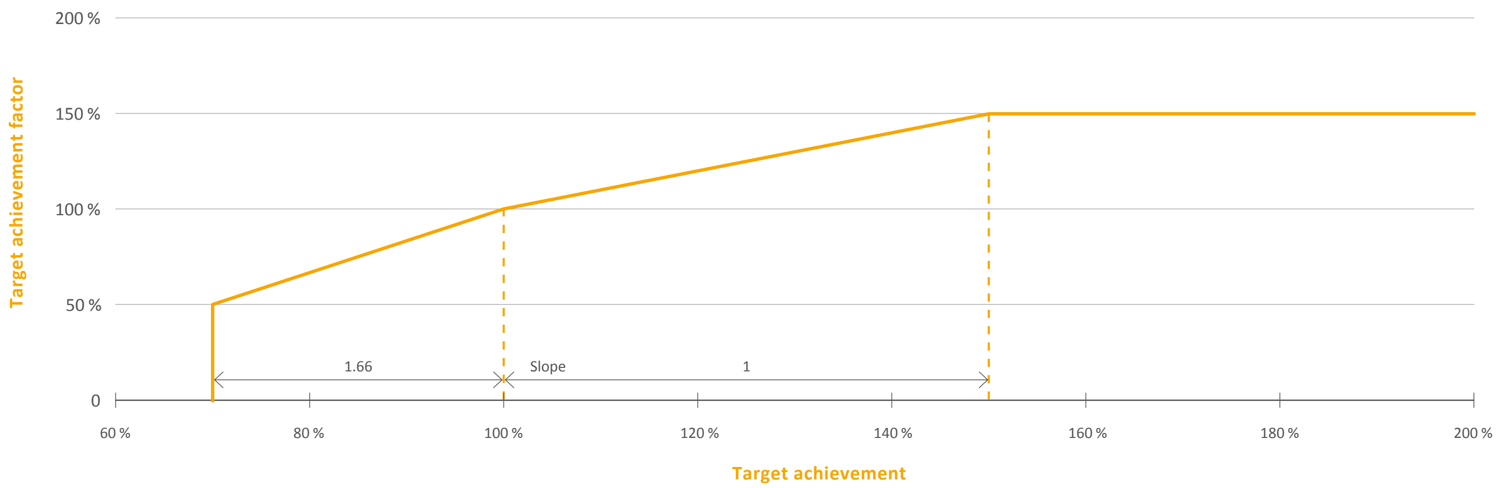
The calculation of the PSUP payout is as follows:

Endowment Performance Share Unit Plan (PSUP)		Multiplier based on target achievement curve		Average share price in November and December of the 4th year		200 % of the endowment value
Number of share units	×	**Target achievement factor**	×	**Value of the share**	=	**PSUP pay-out**

The prerequisite for exercising value appreciation rights is the achievement of a defined performance target. The performance target has been met when the Group has achieved an average minimum operating performance measured by the performance indicator "adjusted EBIT margin" during the entitlement period. A level of target achievement that is below 70% results in a target achievement factor of "0" and no payout.

LTI target achievement curve

in %



A potential payment may be temporarily withheld by the Supervisory Board should imminent or urgent financial factors at SAF-HOLLAND SE and/or a Group company make the payment impossible. Generally, the Supervisory Board is allowed to suspend or terminate the LTI plan at any time. Rights under plans already granted cannot be subsequently changed without the participant's consent.

The maximum payout under the terms of the PSUP is 200% of the grant (maximum value) in each case. This cap, in conjunction with the fixed base salary and the upper limit for short-term variable remuneration of 125%, constitutes the maximum limit of remuneration for Management Board members.

If a Management Board member leaves the company prior to the expiration of the performance period as a result of death, disablement, disability or reaching the contractually agreed retirement age, the member or their surviving dependents will receive any potential payout on a pro rata basis on the due date for the payment.

The loss of all rights under the PSUP occurs only in the case of extraordinary termination by the company. In the event of termination of the employment contract for any other reason, payment shall be made at the time of payment in the amount that the Management Board member would have been entitled to at the time of payment. This determination of the amount takes any pro rata reduction into account. In deviation from the above regulation, in the case of Alexander Geis, the virtual shares allocated for the years 2019, 2020 and 2021 are vested. This means that they are not reduced on a pro rata basis in the event the employment contract is terminated before the end of the respective assessment period.

Grants in fiscal year 2023

The LTI plan granted in 2023 is based on the following performance indicators (basis: mid-term planning 2023):

Performance period 2023 – 2026	
Average target: Adjusted EBIT margin	8.7
Average share price (issue price)	EUR 8.90
Sustainability target	CO2 reducton by 10%

Grants (target amount divided by the issue price)

	Target amount in EUR thousand	No. of shares granted
Alexander Geis	507	56,929
Frank Lorenz-Dietz	220	24,719
Wilfried Trepels	0	0
Dr. André Philipp	0	0

Target achievement and payout in 2023

The following overview shows the relevant indicators for the LTI plan allocated in 2019, the corresponding target achievement and the resulting payout amount in 2023:

Calculation of LTI – PSUP 2019

	2019	2020	2021	2022	Average
Earnings					
Adjusted EBIT margin	6.20%	6.10%	7.50%	8.00%	6.95%
Share price Nov./Dec. 2017 2018	12.33				
PSUP target 2019	7.46%				
Target achievement	93.16				
Target achievement factor	88.45				

70% target achievement = 50% bonus

	100% target achievement in EUR thousand	No. of shares granted	Target achievement factor	Grant price Nov./Dec. 2022	Target achievement in EUR thousand	Target achievement in %
Alexander Geis	340	27,575	0.8845	8.90	217	64
Frank Lorenz-Dietz	Due to entry on January 1, 2023, there is no entitlement to the Performance Share Unit Plan 2019-2022.					
Wilfried Trepels	Due to entry on February 15, 2022 there is no entitlement the Performance Share Unit Plan 2019-2022.					
André Philipp	170	13,788	0.8845	8.90	109	64

Supplementary clauses

Malus and clawback clauses

The Supervisory Board is permitted to take extraordinary developments and events appropriately into account. In such cases, the employment contracts of Management Board members provide for malus and clawback clauses. These largely concern the performance-based variable remuneration components and, above all, the LTI. Entitlements to remuneration may be cancelled in justified cases (malus). Alternatively, there is the option to reclaim a payment already made (clawback). The malus or clawback provision can apply when a Management Board member intentionally breaches a material duty and this breach of duty meets the definition of a "gross breach of duty," justifying the member's dismissal from the Management Board (Section 84 (3) of the German Stock Corporation Act (AktG).

In fiscal year 2023, the Supervisory Board did not see any reason to make use of the options to reduce the variable remuneration components, claw them back, or waive them entirely.

Post-contractual non-compete clause

Mr Geis' contract contains a post-contractual non-competition clause, which prohibits him from providing services to or for a competitor for a period of one year after leaving the company. He will receive compensation for this in accordance with Section 74 (2) HGB in the amount of 50% of the contractual services last received.

A contractual non-competition clause generally applies to all members of the Management Board during the terms of their contracts.

Severance clause

In the event of the early termination of the employment contract due to revocation of the appointment or any other cause of early termination, the decision of whether or not to grant a severance payment is at the company's discretion. Severance payments are always limited to a maximum of two years' total remuneration (i.e., annual base salary, short-term variable remuneration [STI] and long-term variable remuneration [LTI]). The calculation of the fixed annual remuneration is based on either the previous or the current year. When determining variable remuneration (STI and LTI), the amount of variable remuneration granted in the past fiscal year is to be used as a basis.

If the contract with a Management Board member is terminated for good cause for which the member is responsible or terminated at the request of the member, no severance payment shall be made.

When severance payments are made, they are to be credited against the non-competition compensation.

Disclosures on third-party benefits

No benefits were promised or granted to the members of the Management Board by third parties in 2023.

Change of control

In the event of a change of control, every member of the Management Board has the right once to resign from office by observing a three-month notice period to the end of the respective month and to terminate the service contract on that same date. This extraordinary right of termination only exists within one month of the date on which the Management Board member becomes aware that a change of control has actually taken place. In the event of premature termination of the service contract due to a change of control, the Management Board member has no entitlement to severance pay.

Share ownership guidelines

The Executive Board is contractually obliged to purchase and hold shares in the company in the amount of a fixed annual salary. Virtual shares under the LTI programme are credited at 50% and shares already acquired by the company are credited at 100%. The build-up can take place within 48 months in four equal annual instalments. The corresponding regulations are contained in the so-called Share Ownership Guidelines. As a result, the interests of the Management Board and the shareholders are further aligned and the sustainable and long-term development of SAF HOLLAND is additionally rewarded.

In the view of the Supervisory Board, the existing LTI program fulfils the requirements of comparable Share Ownership Guidelines for the following reasons: (1) The performance of the virtual shares corresponds to the share price development. (2) The members of the Executive Board do not have freedom of choice regarding the investments from their remuneration, but are obliged to invest in the virtual shares. (3) Due to the annual award and the four-year performance period, the value of the virtual shares held after a four-year build-up phase is at least equal to that of an annual base salary of a member of the Executive Board.

REMUNERATION GRANTED AND DUE

The following table presents the individual remuneration granted and due to the current members of the Management Board in fiscal year 2023 pursuant to Section 162 (1) sentence 2 no. 1 of the German Stock Corporation Act (AktG).

		Alexander Geis				Frank Lorenz-Dietz				Wilfried Trepels				André Philipp			
		Chairman of the Management Board since February 26, 2019				Ordinary member of the Management Board since January 1, 2023				Ordinary member of the Management Board from May 16, 2022, to March 31, 2023				Ordinary member of the Management Board from January 1, 2019, to June 30, 2023			
		2022		2023		2022		2023		2022		2023		2022		2023	
		In EUR thousand	in %	In EUR thousand	in %	In EUR thousand	in %	In EUR thousand	in %	In EUR thousand	in %	In EUR thousand	in %	In EUR thousand	in %	In EUR thousand	in %
Non-performance-based remuneration	Base salary	734	59	795	56			390	90	244	90	98	21	375	52	72	13
	Fringe benefits	30	2	37	3			43	10	26	10	10	2	34	5	9	2
	Other remuneration[4]											125[2]	26			130[4]	24
Total		**764**	**61**	**832**	**59**	**0**	**0**	**433**	**100**	**270**	**100**	**233**	**49**	**409**	**57**	**211**	**39**
One-year variable remuneration	STI 2021	393	31							0	0			226	31		
	STI 2022			360	26			0	0							221	41
	STI 2023											50[3]	11				
Multi-year variable remuneration	LTI 2018 – 2021	92	8							0	0			92	12		
	LTI 2019 – 2022			217	15			0	0							109	20
	LTI 2022 & 2023											193[3]	40				
Total		**485**	**39**	**577**	**41**	**0**	**0**	**0**	**0**	**0**	**0**	**243**	**51**	**318**	**43**	**330**	**61**
Total remuneration		**1,249**	**100**	**1,409**	**100**	**0**	**0**	**433**	**100**	**270**	**100**	**476**	**100**	**727**	**100**	**541**	**100**

[1] Including the amount deducted based on a voluntary waiver under the collective agreement to secure future viability.
[2] According to the service contract, Mr. Trepels receives a fixed target achievement of 100% for the pro rata financial year 2022.
[3] Due to the resignation of Mr Wilfried Trepels on March 31, 2023, the STI claims 2023 as well as the LTI claims 2022 and 2023 were settled on a lump sum basis.
[4] Due to Mr. André Philipp´s resignation from office on March, 2023 the remuneration from this point on will be presented as "other remuneration".

SUPERVISORY BOARD REMUNERATION

The currently valid remuneration paid to the members of the Supervisory Board is governed by Article 16 of the Articles of Association of SAF-HOLLAND SE. It has been in force since the company's Annual General Meeting on May 23, 2023, at which the proposed system of remuneration for Supervisory Board members and the proposed amendment to Section 16 of the Articles of Association were approved by a majority of 99.97%. The remuneration of the Supervisory Board is designed as purely fixed remuneration and is commensurate with the tasks of the Supervisory Board and the situation of the company. No performance-related or share-based remuneration components are granted.

Under the current remuneration system, the members of the Supervisory Board receive fixed annual remuneration and the members of the Audit Committee and the Nomination and Remuneration Committee receive additional remuneration for their work on the respective committees. The Chair and Deputy Chair of the Supervisory Board as well as the Chair of the Audit Committee and other committees receive additional remuneration. The remuneration of the Supervisory Board is as follows:

Remuneration of the Supervisory Board

FIXED REMUNERATION OF THE SUPERVISORY BOARD		
Chairman EUR 120,000	Deputy Chairman EUR 70,000	Member EUR 50,000

COMMITTEE WORK REMUNERATION			
Audit Committee		Nomination and Remuneration Committee	
Chairman EUR 25,000	Member EUR 10,000	Chairman EUR 20,000	Member EUR 7,500

The remuneration system therefore takes the greater time commitment of the Chairman and his deputy into account. The increased time required for committee work, both for their chairmen and their members, is also appropriately reflected in the remuneration.

For their participation in meetings of the Supervisory Board, members receive an attendance fee of EUR 1,000.00 per meeting. For their participation in a committee meeting, members receive an attendance fee of EUR 500.00 per meeting. The attendance fee is only paid once for several meetings held on the same day. Attendance of a meeting also includes attendance of a meeting held by telephone or video conference or participation in a meeting by telephone or video conference.

The company shall ensure that liability insurance exists for the benefit of the Supervisory Board members. In addition to the remuneration described in the above paragraphs, the company shall reimburse Supervisory Board members for any expenses reasonably incurred in the exercise of their Supervisory Board mandate and any value-added taxes payable on their remuneration and expenses.

Supervisory Board members who are members of the Supervisory Board or one of its committees or hold the office of chair or deputy chairperson for only part of the fiscal year shall receive the appropriate remuneration on a pro rata basis. This also applies to the remuneration for the chairpersons of committees.

The remuneration is paid after the end of the Annual General Meeting that receives the Consolidated Financial Statements for the fiscal year for which the remuneration is paid or decides on their approval. The remuneration for the financial year 2022 was paid in 2023, the remuneration for the financial year 2023 will therefore be paid after the Annual General Meeting 2024.

No advances or loans were extended to Supervisory Board members or to former Supervisory Board members in 2023.

The total remuneration of the Supervisory Board members for 2023 amounted to EUR 442,897.00 (previous year: EUR 378,900.00).

The presentation of the Supervisory Board remuneration for 2023 now follows the concept of the payment-oriented view, analogous to the presentation of the Executive Board remuneration, and is distributed among the individual members as follows:

Remuneration granted and owed to the Supervisory Board in 2023 (in EUR thousand) for the 2022 financial year

	Components of total remuneration												Total remuneration	
	Fixed remuneration of Supervisory Board as a whole (% of total remuneration)				Committee work remuneration (% of total remuneration)				Attendance fees (% of total remuneration)					
Supervisory Board member	2023	in %	2022	in %	2023	in %	2022	in %	2023	in %	2022	in %	2023	2022
Dr. Martin Kleinschmitt	100.0	83%	100.0	87%	10.0	8%	0.0	0%	10.5	9%	15.0	13%	120.5	115.0
Martina Merz [1]	56.9	83%	60.0	83%	4.7	7%	0.0	0%	7.0	10%	12.0	17%	68.6	72.0
Carsten Reinhardt	40.0	75%	40.0	77%	5.3	10%	0.0	0%	8.0	15%	12.0	23%	53.3	52.0
Ingrid Jägering	40.0	59%	40.0	58%	20.0	29%	20.0	29%	8.0	12%	9.0	13%	68.0	69.0
Matthias Arleth	40.0	58%	40.0	58%	20.0	29%	20.0	29%	8.5	12%	9.0	13%	68.5	69.0
TOTAL	**276.9**	**73%**	**280.0**	**74%**	**60.0**	**16%**	**40.0**	**11%**	**42.0**	**11%**	**57.0**	**15%**	**378.9**	**377.0**

[1] Proportionate calculation due to the departure ate the end of December 12, 2022.

Remuneration granted and owed to the Supervisory Board in 2024 (in EUR thousand) for the 2023 financial year

	Components of total remuneration												Total remuneration	
	Fixed remuneration of Supervisory Board as a whole (% of total remuneration)				Committee work remuneration (% of total remuneration)				Attendance fees (% of total remuneration)					
Supervisory Board member	**2024**	**in %**	**2023**	**in %**	**2024**	**in %**	**2023**	**in %**	**2024**	**in %**	**2023**	**in %**	**2024**	**2023**
Dr. Martin Kleinschmitt	120,0	82 %	100,0	83 %	17,5	12 %	10,0	8 %	8,5	6 %	10,5	9 %	146,0	120,5
Martina Merz [1]	-	-	56,9	83 %	-	-	4,7	7 %	-	-	7,0	10 %	-	68,6
Ingrid Jägering	70,0	68 %	40,0	59 %	25,0	24 %	20,0	29 %	7,5	7 %	8,0	12 %	102,5	68,0
Carsten Reinhardt	50,0	73 %	40,0	75 %	11,0	16 %	5,3	10 %	7,5	11 %	8,0	15 %	68,5	53,3
Matthias Arleth	40,0	58 %	40,0	58 %	20,0	29 %	20,0	29 %	8,5	12 %	9,0	13 %	68,5	69,0
Jurate Keblyte	37,4	75 %	-	-	6,5	13 %	-	-	6,0	12 %	-	-	49,9	-
TOTAL	**327,4**	**74 %**	**276,9**	**73 %**	**80,0**	**18 %**	**60,0**	**16 %**	**35,5**	**8 %**	**42,0**	**11 %**	**442,9**	**378,9**

[1] Proportionate calculation due to the departure ate the end of December 12, 2022.
[2] Pro rata temporis calculation due to entry on 03.04.2023.

The remuneration is paid after the end of the Annual General Meeting that receives the Consolidated Financial Statements for the fiscal year for which the remuneration is paid or decides on their approval. The remuneration for the financial year 2022 was paid in 2023, the remuneration for the financial year 2023 will therefore be paid after the Annual General Meeting 2024.

OUTLOOK FOR FISCAL YEAR 2024 FROM A REMUNERATION PERSPECTIVE

MANAGEMENT BOARD REMUNERATION

As resolved at the 2023 Annual General Meeting, the maximum remuneration will be adjusted in 2024. Furthermore, the upper and lower limits for target achievement under the short-term incentive (STI) are to be changed so that a target achievement level of 75% to 150% is possible in the future. In addition, the appropriateness of the Management Board's remuneration will be reviewed again by an external consultant in 2024. The level of possible target achievement within the scope of the STI will also be adjusted to allow for a target achievement level of 75%-150% in the future.

LTI sustainability criteria

As a non-financial target the LTI – Performance Period 2024-2027: 4 years plan - that a 10% reduction in CO_2 emissions in the EMEA region compared to 2024 has been achieved in four years.

SUPERVISORY BOARD REMUNERATION

On March 24, 2023, the members of the Supervisory Board have made a voluntary commitment to purchase shares. This voluntary commitment stipulates that in the first five years of their membership on the Supervisory Board, the members of the Supervisory Board will each acquire SAF-HOLLAND SE shares for 20% of their annual fixed remuneration (basic remuneration) and hold them for at least the duration of their membership. The voluntary commitment provides for a total of 100% of the fixed remuneration to be invested in shares over the five-year term. The first share purchase of 20% for the 2022 financial year. The second share purchase for the 2023 financial year will take place after the 2024 Annual General Meeting. With this voluntary commitment, the members of the Supervisory Board want to create a further element for aligning their interests with the long-term corporate success of SAF-HOLLAND SE.

REPORT OF THE INDEPENDENT AUDITOR ON THE FORMAL AUDIT OF THE REMUNERATION REPORT PURSUANT TO § 162 ABS. 3 AKTG

To SAF-HOLLAND SE, Bessenbach

OPINION

We have formally audited the remuneration report of the SAF-HOLLAND SE, Bessenbach, for the financial year from January 1 to December 31, 2023 to determine whether the disclosures pursuant to § [Article] 162 Abs. [paragraphs] 1 and 2 AktG [Aktiengesetz: German Stock Corporation Act] have been made in the remuneration report. In accordance with § 162 Abs. 3 AktG, we have not audited the content of the remuneration report.

In our opinion, the information required by § 162 Abs. 1 and 2 AktG has been disclosed in all material respects in the accompanying remuneration report. Our opinion does not cover the content of the remuneration report.

BASIS FOR THE OPINION

We conducted our formal audit of the remuneration report in accordance with § 162 Abs. 3 AktG and IDW [Institut der Wirtschaftsprüfer: Institute of Public Auditors in Germany] Auditing Standard: The formal audit of the remuneration report in accordance with § 162 Abs. 3 AktG (IDW AuS 870 (09.2023)). Our responsibility under that provision and that standard is further described in the “Auditor's Responsibilities” section of our auditor’s report. As an audit firm, we have complied with the requirements of the IDW Quality Management Standard: Requirements to quality management for audit firms [IDW Qualitätsmanagementstandard - IDW QMS 1 (09.2022)]. We have complied with the professional duties pursuant to the Professional Code for German Public Auditors and German Chartered Auditors [Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer - BS WP/vBP], including the requirements for independence.

RESPONSIBILITY OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

The management board and the supervisory board are responsible for the preparation of the remuneration report, including the related disclosures, that complies with the requirements of § 162 AktG. They are also responsible for such internal control as they determine is necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

AUDITOR’S RESPONSIBILITIES

Our objective is to obtain reasonable assurance about whether the information required by § 162 Abs. 1 and 2 AktG has been disclosed in all material respects in the remuneration report and to express an opinion thereon in an auditor's report.

We planned and performed our audit to determine, through comparison of the disclosures made in the remuneration report with the disclosures required by § 162 Abs. 1 and 2 AktG, the formal completeness of the remuneration report. In accordance with § 162 Abs 3 AktG, we have not audited the accuracy of the disclosures, the completeness of the content of the individual disclosures, or the appropriate presentation of the remuneration report.

Frankfurt am Main, March 8, 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Stefan Hartwig	Richard Gudd
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

_Combined Management Report

FUNDAMENTAL INFORMATION ABOUT THE GROUP

BUSINESS MODEL

The SAF-HOLLAND Group together with its Group companies is one of the world's leading manufacturers and suppliers of chassis-related assemblies and components for trailers, trucks and buses based on market share.

The Group's business model addresses a range of key customer issues ranging from optimizing the total cost of ownership – which includes all recurring and non-recurring costs, as well as direct and indirect purchase costs – to other topics such as digitalization, electrification, autonomous driving, traffic safety and sustainability. The SAF-HOLLAND Group's lightweight solutions offer weight savings and can therefore help reduce the CO_2 emissions of truck and trailer combinations. By combining mechanics with sensors and electronics, SAF-HOLLAND is advancing the digital networking of commercial vehicles and logistics chains.

The Group generated 55.1% of its sales in fiscal year 2023 with trailer manufacturers (trailer OEMs). The specifications of axle and suspension systems of the trailer are generally set by the fleet operators themselves, who are the end customers. By maintaining direct contact and exchanging regularly with these end customers, SAF-HOLLAND ensures that the Group's products and solutions keep pace with its customers' changing requirements. The Group's business with truck manufacturers (truck OEMs) in fiscal year 2023 accounted for 13.7% of Group sales.

In addition to the original equipment business, the aftermarket business represents another important pillar of the business model, contributing 31.2% to Group sales in 2023. The SAF-HOLLAND Group serves customers through a global network of roughly 12,000 spare parts and service stations, dealers and workshops. The prompt supply of spare parts is one of the key criteria sought by fleet operators when selecting suppliers and acts as a barrier to entry for potential competitors. The aftermarket business primarily depends on the product population in the market and the wear and tear of the components, making it largely independent of the investment decisions of fleet operators in the original equipment business. This provides SAF-HOLLAND with somewhat of a cushion from cyclical fluctuations, contributing significantly to the resilience of its business model and helping it achieve sustainable operating profitability, even in economically difficult times, such as during the COVID-19 pandemic in 2020.

LOCATIONS

At the end of 2023, the SAF-HOLLAND Group was operating a total of 25 production plants in North and South America, Europe and Asia. In addition to plants in its core markets, Europe and North America, SAF-HOLLAND also maintains production facilities in India, Brazil, Turkey, and China. In January 2024, SAF-HOLLAND opened another location in Piet-ras Negras/Mexico for the production of fifth wheel systems. The main development activities are concentrated at the locations in Bessenbach/Germany, Landskrona/Sweden, Mira/United Kingdom and Muskegon/USA.

PRODUCT PORTFOLIO

The product range consists in particular axle and suspension systems and landing gear for trailers for trailers, fifth wheels for trucks, and brake and air suspension systems for trailers and trucks, all of which are marketed under various brands.

SAF-HOLLAND'S Product Brands

SAF	Trailer Axles and Suspension Systems
Holland	Coupling and Lifting Technologies
Haldex	Brake Systems and Air Suspension Solutions[1]
KLL	Suspensions and Components for Commercial Vehicles
NEWAY	Suspensions for Trucks and Buses
V.ORLANDI	Coupling and Lifting Technologies
YORK	Trailer Axles and Suspensions Systems

[1] Haldex became a product brand of SAF-HOLLAND on February 21, 2023.

MARKETS AND COMPETITIVE SITUATION

In its core markets of Europe and North America, SAF-HOLLAND is active mainly in the mid-range and premium segments. Other important sales markets for the Group include Brazil, India and Australia. Brazil is the largest sales market in South America. For many customers in Brazil, the requirements for efficiency, safety and environmental friendliness can still differ significantly from those in advanced economies. Therefore, SAF-HOLLAND's focus in these markets is predominantly on the premium segments. India, however, is an exception. Here the Group focuses specifically on meeting customer demand for very durable and reliable products in the mid- to upper-price segments.

In Europe and North America, the supplier markets have an oligopolistic competitive structure. SAF-HOLLAND is one of the three leading suppliers in each of the product segments of importance to the Group: trailer axles and fifth wheels as well as brake systems, suspensions and air control systems. In Europe, SAF-HOLLAND is the market leader in axles and suspension systems for trailers and, in North America, it is the market leader for fifth wheels and trailer disc brake axles, and a leading supplier for landing gear and kingpins. With its Group brand Haldex, SAF-HOLLAND is the leading supplier of air suspension systems in Europe as well as brake adjusters in Europe and North America. SAF-HOLLAND is also the market leader in India for trailer axles following its acquisition of the York Group in 2018. By acquiring Haldex AB in fiscal year 2023, SAF-HOLLAND strengthened its position as a leading provider of one-stop-shop solutions in the commercial vehicle industry. Today, SAF-HOLLAND offers a comprehensive product segment for trailers and trucks that is always adapted to the requirements of the respective market.

ECONOMIC AND REGULATORY FACTORS

In addition to globalization and sustainability, the following four megatrends are also major drivers of the transport and logistics sector:

— Electrification

— Digitalization

— Automated Driving

— Traffic Safety

GLOBALIZATION

The transport and logistics sector is a growth industry, with road transport playing an important role. Factors such as global population growth, advancing urbanization, emerging economies' increasing industrialization, rising disposable incomes and, lastly, global gross domestic product growth, positively influence the demand for trailers and trucks.

SUSTAINABILITY

Due to the CO_2 emissions of road freight transport, the transport and logistics sector is facing increasing pressure from regulatory authorities, but also from consumers and investors. The focus is specifically on reducing fuel consumption, exhaust gas and brake dust emissions, and the mechanical stress on the roads. This increases the need for weight-reduced components in particular. The quest for greater economic efficiency, the vision of emission-free cities with quieter vehicles, and the concept of a "zero-carbon footprint" are creating growing demand for alternative drive concepts and leading the shift towards electric mobility.

ELECTRIFICATION

With the increasingly stringent regulatory and CO_2 reduction requirements, electrification stands out as the key technology in the transport and logistics sector. In these fields, SAF-HOLLAND is an important partner for its customers to support them with the electrification of their fleets.

Next to the electrification of the tractor drive train, the focus is also on the electrification of trailer axles. Key solutions in this area include intelligent electric recuperation systems based on integrated brake control. A high-voltage generator unit in the SAF TRAKr recuperation axle converts the kinetic energy of the vehicle into electrical energy during braking or in overrun phases. This energy can be temporarily stored in a battery or supply the auxiliary consumers in the trailer, such as cooling, heating or tail lift, during the drive. The SAF TRAKr is particularly well suited for use in refrigerated vehicles in which the cooling units are operated fully electrically. This helps to reduce fuel consumption and CO_2 emissions.

An overview of SAF-HOLLAND's innovative solutions in response to these megatrends can be found in the comments on research and development in the chapter entitled "Non-financial Aspects," starting on page 74.

DIGITALIZATION

Connectivity solutions (including telematics systems) for trucks and trailers are a key element of digitalization in the transport and logistics sector as they enable fleet operators to analyze vehicle performance in detail. Vehicle connectivity helps to optimize uptime and capacity utilization as well as costs for repairs and maintenance (keyword: predictive maintenance) and therefore the total cost of ownership for trailers and trucks.

AUTOMATED DRIVING

The megatrend of autonomous driving also essentially originates from the goal to achieve ever-greater efficiency and CO_2 savings. The rising shortage of drivers in the transport and logistics sector is also making increased automation inevitable in the long term.

SAF-HOLLAND is setting standards in this area for both the mechanical interface and the intelligent communication between the tractor and the trailer. SAF-HOLLAND SHAC, an automated coupling system, is paving the way to fully automated driving in the future.

TRFAFFIC SAFETY

In the area of safety, regulatory requirements play a key role for the industry. Legal regulations can lead to more stringent safety requirements. In China, for example, new requirements for hazardous goods transport introduced in 2020 promote the use of disc brakes. In addition to economic advantages, disc brake technology offers a shorter braking distance compared to drum brakes. In India, legal regulations permit higher payloads when air suspension systems are used on trailers. These examples show the particularly strong influence regulatory requirements can have on the demand for weight-reduced and safety-relevant components. This also applies to the use of tire pressure inflation systems. In Europe, such systems, which inform the driver of a loss of pressure in the tire, will become mandatory in trailers from July 2024 due to the amendment of the UN ECE R 141 regulation. The SAF-HOLLAND Group has developed the SAF TIRE PILOT I.Q system, which permanently monitors the tire pressure and inflates the tire automatically if necessary. The software-controlled system thus helps save fuel and reduce tire wear.

SEGMENTS

SAF-HOLLAND's operating business is divided into three regions, which form the reportable segments as defined by the International Financial Reporting Standards (IFRS):

— EMEA (Europe, Middle East and Africa)

— Americas

— APAC (Asia Pacific)

The regions cover both the original equipment and the aftermarket businesses. Each segment is fully responsible for its own results and has the necessary resources to carry out its operational activities.

LEGAL STRUCTURE OF THE GROUP

SAF-HOLLAND SE is the parent company of the SAF-HOLLAND Group. The company has its headquarters in Bessenbach, near Aschaffenburg, Germany. It acts as the Group's holding company and is responsible for the strategic management of the business activities. In addition, Group-wide central functions such as Group Finance, Group Accounting and Controlling, Internal Audit, Legal and Compliance, Human Resources, IT as well as Investor Relations, ESG and Corporate Communications are centrally organized and are the direct responsibility of the Management Board.

SAF-HOLLAND SE holds 100% of SAF-HOLLAND GmbH and Haldex AB, which in turn hold the interests in all regional subsidiaries and majority shareholdings. As of December 31, 2023, SAF-HOLLAND SE held direct or indirect interests in 67 companies that belong to the SAF-HOLLAND Group and are fully consolidated.

Investments in associates and joint ventures are included in the Consolidated Financial Statements using the equity method. These include Castmetal FWI S.A. and SAF-HOLLAND Nippon Ltd., in which SAF-HOLLAND Inc. holds 34.1% and 50% respectively, as well as Haldex FAST, in which Haldex AB holds a 49% interest.

CHANGES IN THE GROUP STRUCTURE

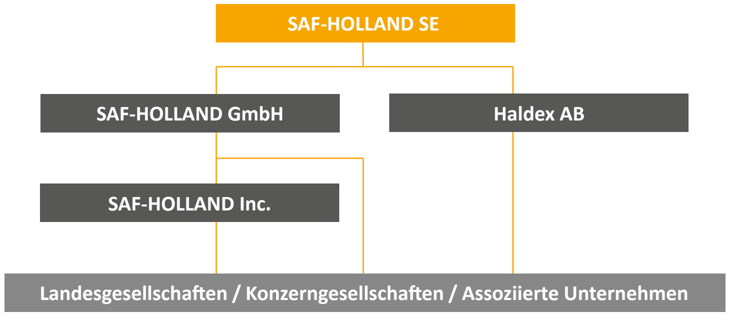
Following the clearance of the Polish antitrust authority on February 21, 2023, the acquisition of Haldex AB was completed and the company was included in the scope of consolidation of the Group. As a result, 31 other companies in which Haldex AB held sole or majority interests were included in the scope of consolidation of SAF-HOLLAND SE for the first time as of this date.

In addition, the following changes under company law were recorded in fiscal year 2023:

In April 2023, SAF-HOLLAND Inc. acquired the remaining 49% of the shares in PressureGuard LLC. Haldex GmbH was merged into SAF-HOLLAND GmbH in September 2023. KLL Equipamentos para Transporte Ltda. was merged into SAFH do Brasil in December 2023. Haldex Brake Products AB was merged into Haldex AB in December 2023.

The companies SAF-HOLLAND India Pvt. Ltd. and SAF-HOLLAND Hong Kong Ltd. were liquidated in the course of 2023.

An overview of the legal structure of the SAF-HOLLAND Group as of December 31, 2023, is shown in the following diagram. A presentation of all SAF-HOLLAND Group companies can be found in the Consolidated Financial Statements on page 180 et seq.



GROUP MANAGEMENT

As a European company (Societas Europaea, SE), SAF-HOLLAND SE has a dual board structure consisting of a Management Board and a Supervisory Board. The Management Board is responsible for managing the company's affairs and is advised and monitored by the Supervisory Board.

Information on the composition of the Management Board and Supervisory Board, including changes in their composition in fiscal year 2023 and the allocation of responsibilities, can be found in the Corporate Governance Statement that is available in the Corporate Governance section on the company's website at https://corporate.safholland.com/en/cgs. In addition to the Declaration of Compliance in accordance with Section 161 of the German Stock Corporation Act (AktG), a description can be found of the working practices of the Management Board and the Supervisory Board, as well as information on the key corporate governance practices and an explanation of the diversity concept followed by SAF-HOLLAND.

KEY PERFORMANCE INDICATORS

INTERNAL GROUP CONTROL SYSTEM

The Management Board of SAF-HOLLAND SE primarily relies on financial key performance indicators to assess the current business performance and make decisions on its future strategy and investments.

Each year, SAF-HOLLAND prepares a medium-term 5-year plan in addition to an annual budget. A periodic forecast is also prepared regularly each quarter for the respective fiscal year based on the Group's current business development.

The Management Board monitors the achievement of the financial performance indicators by means of a target/actual comparison and with the help of forecasts. The progress made in achieving the strategic goals is reviewed and analyzed regularly at Management Board meetings.

A detailed presentation of the key performance indicators as well as other performance indicators and their development over the past fiscal year, can be found in the chapter "net assets, financial position and results of operations," starting on page 57 of this report.

KEY PERFORMANCE INDICATORS

The following are the three key financial performance indicators used to manage the company:

- Sales
- Adjusted EBIT margin (ratio of earnings before interest and taxes, adjusted in particular for depreciation and amortization of property, plant and equipment and intangible assets from purchase price allocations, restructuring and transaction costs as well as special IT costs, to sales)
- Capex ratio (ratio of capital expenditure on property, plant and equipment and intangible assets to sales)

SAF-HOLLAND plans, calculates and monitors these three indicators at both the Group and the segment level. For the Group, the consolidated indicators at the Group level are of the greatest importance.

OTHER PERFORMANCE INDICATORS

SAF-HOLLAND uses other key performance indicators to assess its business performance for company management and financial reporting purposes. In contrast to the key indicators already mentioned, no forecast is issued for these other performance indicators. These indicators include:

- Adjusted gross margin (ratio of adjusted gross profit to sales)
- Adjusted EBITDA margin (ratio of earnings before interest, taxes, depreciation and amortization of property, plant and equipment and intangible assets, adjusted for restructuring and transaction costs, to sales)
- Net working capital ratio (ratio of inventories and trade receivables less trade payables to sales of the last twelve months)
- Net cash flow from operating activities
- Cash conversion rate (ratio of cash flow from operating activities before income taxes paid to EBITDA)
- Operating free cash flow (net cash flow from operating activities less investments in property, plant and equipment and intangible assets plus proceeds from the sale of property, plant and equipment)
- Net financial debt (total interest-bearing loans and borrowings and lease liabilities less cash and cash equivalents)
- Leverage ratio (ratio of net financial debt to EBITDA)
- Equity ratio (ratio of equity to total assets)
- Return on capital employed (ratio of adjusted EBIT for the last twelve months to total equity plus financial liabilities (excl. refinancing costs, incl. lease liabilities) plus pensions and similar obligations less cash and cash equivalents)

There were no changes to the key performance indicators or other performance indicators compared to the previous year.

INDUSTRY AND COMPANY-SPECIFIC LEADING INDICATORS

In the view of SAF-HOLLAND, the key leading indicators specific to the company are order intake and the order backlog. These are tracked on a daily basis by the respective Group companies and serve as an indication of the expected capacity utilization and the probable development of sales and earnings.

In addition, the management constantly monitors and analyzes statistics and forecasts on the general economic development as well as on the development of the trailer and truck markets in the relevant countries and regions. Such statistics include production and registration figures as well as order intake.

STRATEGY

STRATEGY 2025 FORMS THE ORIENTATION FRAMEWORK FOR THE COMPANY'S ACTIONS

SAF-HOLLAND's strategy is characterized by the vision of growing to become the most trusted and reliable partner in the commercial vehicle industry. SAF-HOLLAND wants to play a leading role in the transformation of mobility and accompany its customers on the path to a sustainable future.

In addition, the strategy defines the Group-wide goals for the long-term increase in company value by 2025 and includes:

— Profitable sales growth

— Adjusted EBIT margin improvement to around 8% no later than 2023

— Stronger cash flow generation and a cash conversion rate of 50% to 60%

— Reduction in the leverage ratio (ratio of net financial debt to EBITDA) to below 2x by the end of 2024

— Average return on capital employed of around 15%

Thanks to the consistent implementation of the various strategic initiatives, the financial targets set for 2025 were achieved early in some cases. Thanks to a strong customer focus, particularly in the Americas and APAC, profitability was increased further. As of the balance sheet date December 31, 2023, SAF-HOLLAND recorded an adjusted EBIT margin of 9.6%, significantly higher than targeted. At the same time, sales increased by 34.6% to EUR 2,106.2 million. Cash flow amounted to EUR 202.7 million, corresponding to a conversion rate of 105.1%. SAF-HOLLAND was able to reduce the leverage ratio (ratio of net financial debt to EBITDA) to 1.8 at the end of 2023, one year earlier than forecast. The return on capital employed of 20.8% also showed a very positive development.

With the acquisition of the Swedish company Haldex AB announced in July 2022 and completed in February 2023, SAF-HOLLAND has set itself new medium-term targets to be achieved by 2027:

— Increase Group sales to EUR 2.4 billion to EUR 2.5 billion

— Adjusted EBIT margin development in the range of 9.0% to 9.5% – a range that should also be achievable in an average market cycle

— Achievement of an ROCE of at least 15.0%

— Reduction in the average capital tied up in net working capital to 15.0% to 16.0% of sales

— Maximum Capex ratio of 3.0%

The implementation of the medium-term goals is based on five strategic pillars:

Growth and strategic optimization of the product portfolio: Over the last few years, SAF-HOLLAND has continued to expand its global presence as well as its product portfolio. This was accomplished, among other measures, by acquiring KLL (Brazil), York (India), V.Orlandi (Italy), Axscend (Great Britain), PressureGuard (USA), the Stara Group (Finland/Sweden), IMS Limited (United Kingdom) and the IMS Group (Benelux).

With the completion of the acquisition of Haldex on February 21, 2023, SAF-HOLLAND created a leading system supplier for "Smart Trailers." The company now offers customers integrated solutions for axle and suspension systems, combined with telematics and EBS-based predictive maintenance functions, in addition to intelligent additional functions such as anti-theft alarm systems and tire pressure monitoring – all from a single source.

Through Haldex, SAF-HOLLAND has gained extensive capabilities in the technology areas of software engineering, sensor technology and electronic control, paying heed to the megatrends of electrification, autonomous driving and digitalization.

By combining the two companies' regional sales networks, cross-selling opportunities arise that are expected to generate added sales growth. Furthermore, the acquisition also strengthened SAF-HOLLAND's position in the less cyclical global aftermarket business.

In the years to come, the focus will be on optimizing the joint global footprint, bundling Group-wide expertise, realizing market share gains and increasing the sales contribution per vehicle (content per vehicle). In addition, greater economies of scale and ultimately an increase in profitability are to be achieved. SAF-HOLLAND initially expects the acquisition of Haldex to generate synergy potential of more than EUR 10 million per year. As part of a capital market event in January 2023, SAF-HOLLAND set the targets for the expected net synergies (after offsetting transformation expenses) at EUR 10-12 million for 2023 and EUR 25-35 million for 2027.

Technology as a key driver of megatrends: To ensure the long-term success of the product and service portfolio, SAF-HOLLAND started at an early stage to address the three global innovation trends of the commercial vehicle industry – digitalization, electrification and automated driving – in the two relevant product areas of axle and suspension systems and fifth wheels. These include products that combine mechanics with sensors and electronics (TrailerMaster, for example), electrified axles (TRAKr and TRAKe axle family) as well as automated coupling systems (SAF-HOLLAND SHAC). Partnerships with other companies play an important role in these areas. In addition, global competence centers were set up for the core products to increase efficiency.

Global backbone: SAF-HOLLAND has further expanded its activities in the Group-wide standardization and harmonization of processes and thus further developed and improved its corporate governance and compliance, the digitalization of operational processes and development activities as well as its global infrastructure and management model. These efforts laid the foundation for future product platforms, reinforced the Group's core know-how and realized ongoing cost reductions.

Operational excellence: SAF-HOLLAND strives to steadily improve its business processes to maximize safety, quality, flexibility and quantity. This is accomplished while taking environmental protection and scarce resources into account. The health and safety of employees have the highest priority. The SAF-HOLLAND Operational Excellence System "SAF-HOLLAND Way" supports these efficiency enhancements and implemented improvements and is closely interlinked with the financial targets. A key focus of this system is on the Group's international manufacturing network. The "SAF-HOLLAND Way" creates global guidelines and defines the focus for future development. The system defines the meaning of "best in class" and creates detailed step-by-step roadmaps for implementation, providing guidance and direction for aligning improvement activities. The "SAF-HOLLAND Way" RoadMaps form the basis for company-wide standards in all its core areas.

Following the acquisition of Haldex AB and the new joint organizational structure, the responsibility for implementing the measures of the "SAF-HOLLAND Way" Operational Excellence System now lies directly with the EMEA, Americas and APAC regions and the regional presidents.

Focus on employees: SAF-HOLLAND firmly believes that its future growth rests on a solid relationship with its stakeholders, cooperating with respect and a high level of integrity. To remain an attractive employer, SAF-HOLLAND relies on a competent and committed workforce, invests in its employees, and encourages them to engage in lifelong learning. In addition to promoting employee commitment, employee retention and employee efficiency, the company is implementing various measures aimed at increasing the share of female managers, which is low in the industry, as well as the overall share of female employees in the Group. The Group is also aiming to further increase employee training measures as a further component of Strategy 2025. Corresponding targets have been defined for this in the Human Resources department.

In addition, SAF-HOLLAND strives to develop responsibly sustainable products and solutions. The rapidly growing challenges that affect the environment and society require a clear objective for the years ahead. SAF-HOLLAND therefore integrates sustainability as an essential component of its company strategy and sets itself strategic sustainability goals.

In addition to being closely linked to the company strategy, the sustainability strategy is derived from the SDGs (United Nations Sustainable Development Goals), the United Nations Global Compact and the annual materiality analysis, among other criteria.

In order to achieve its sustainability goals, SAF-HOLLAND is focusing on five areas of action:

1. Net-zero emissions by 2050 at the latest
2. Sustainable products and innovations for our customers
3. Sustainable operational excellence in the value chain
4. Attractive employer
5. Effective company management

REPORT ON ECONOMIC POSITION

ECONOMIC SITUATION

MACROECONOMIC CONDITIONS: GLOBAL ECONOMY GROWS BY 3.1% WITH STRONGLY DIVERGENT REGIONAL DEVELOPMENT

Over the course of 2023, the global economy proved to be increasingly resilient against the backdrop of the ongoing war in Ukraine and the rising cost of living. Economic growth in major economies such as the United States, Brazil and India was significantly more positive than expected in the second half of the year. Growth was subdued in other economies, such as the eurozone. Inflation, which was still a dominant topic at the beginning of the year, fell faster than expected. However, high borrowing costs had a dampening effect on demand. Central banks raised key interest rates in 2023 to curb inflation. The resulting increase in borrowing costs led to challenges for companies in refinancing their debt and weaker investment by companies.

This development affected economic output in Germany in particular, which contracted by 0.3% in 2023, following growth of 1.8% the previous year. The gross domestic product in the eurozone as a whole increased slightly by 0.5%. The United States recorded a more positive trend with growth of 2.5% (previous year: 1.9%). Robust consumption and investments continued. The Brazilian economy grew by 3.0% in 2023. In India, economic development continued at a high level with growth of 6.7% (previous year: 7.2%). This was again supported by ongoing government infrastructure programs. In China, the economy recovered following the lifting of government measures to contain the COVID-19 pandemic and grew by 5.2% in 2023 (previous year: 3.0%).

Economic development in key markets

in %

	2022	2023
Eurozone	3.4	0.5
Germany	1.8	-0.3
United States	1.9	2.5
Brazil	3.0	3.1
India	7.2	6.7
China	3.0	5.2
World	3.5	3.1

Source: International Monetary Fund, World Economic Outlook Update, January 2024

INDUSTRY ENVIRONMENT

With its products for the commercial vehicle industry, SAF-HOLLAND serves in particular the Original Equipment Trailer, Original Equipment Truck and Aftermarket customer groups, which are of different importance in the respective regions. SAF-HOLLAND is active worldwide in the Original Equipment Trailer and Aftermarket customer groups. In 2023, the Original Equipment Trailer customer group represented 55.1% and the Aftermarket business 31.2% of Group sales. The Original Equipment Truck customer group, which generates the majority of its sales in the Americas region, accounted for 13.7% of Group sales.

MORE POSITIVE DEVELOPMENT IN MANY COMMERCIAL VEHICLE MARKETS

The commercial vehicle markets continued to develop largely positively in the reporting period despite the already high demand in 2021 and 2022.

According to estimates by IHS Markit, around 302,000 heavy trucks were manufactured in the region **Europe** in 2023. This represents an increase of around 14.0% compared to the previous year. The market for trailers in the region Europe was unable to match the previous year's level. According to estimates by the market research institute Clear, this market recorded a decline in production of 3.0% in 2023.

The truck market in **North America** grew by 7.6% to 339,048 Class 8 trucks produced in 2023. This was supported by a high order backlog at the end of 2022 and continued solid demand in the reporting period, according to ACT. The trailer market, on the other hand, showed a slight decline of 0.3% compared to the previous year, reaching 400,570 trailers produced (ACT). After very strong previous years, 2023 was thus a solid year for the North American commercial vehicle markets.

According to estimates by Anfir (Associação Nacional Fabricantes de Implementos Rodoviários), 8.6% more trailers were registered in **Brazil**, the most important commercial vehicle market in South America, than in the previous year. However, the registration figures for heavy trucks fell significantly by 37.9% (estimate by Anfavea – Associação Nacional dos Fabricantes de Veículos Automotores).

The commercial vehicle markets in **China** recorded a brilliant recovery in 2023, following sharp declines in production in the previous year due to the restrictions imposed by the zero-COVID strategy. According to SAF-HOLLAND estimates, around 69% more trailers and around 36% more heavy trucks were produced in China this year.

The trailer market in **India** also recorded significant growth. Extensive government infrastructure programs, continued population growth and positive macroeconomic development ensured encouraging market development. According to estimates by SIAM (Society of Indian Automobile Manufacturers), around 66% more trailers were produced in 2023 as a whole. In the truck market that is less important for SAF-HOLLAND, growth was around 2% according to the company's own estimates. It should be noted that the truck market was already at a high level in the previous year.

TARGET ACHIEVEMENT

SALES AND MARGIN TARGET RAISED SEVERAL TIMES

SAF-HOLLAND published its original forecast for fiscal year 2023 on March 30, 2023. At that time, the Management Board assumed that demand for components for commercial vehicles in the core markets of North America and Europe would decline moderately in 2023 as a whole. Growth in the APAC region was expected to be significantly more positive.

Assuming stable exchange rates and taking the inclusion of Haldex in the Group's scope of consolidation as of February 21, 2023, into account, the Management Board expected consolidated sales in the range of EUR 1,800 million to EUR 1,950 million for fiscal year 2023 (2022: EUR 1,565.1 million).

Based on the expected development of the market and the ongoing transformation of Haldex, the Group, including the consolidated Haldex, planned an adjusted EBIT margin in the range of 7.5% to 8.5% for fiscal year 2023.

In order to achieve the growth targets, position the company for the future on the product side and realize the identified synergy potential of the Haldex integration, the Group including Haldex planned to make payments for investments of up to 3% of Group sales in fiscal year 2023.

Due to the continued strong demand for trailer and truck components, especially in the Americas and APAC regions, and a still very high order backlog, SAF-HOLLAND raised its sales forecast to slightly above the EUR 2,000 million mark (previously: EUR 1,800 million to EUR 1,950 million) in an ad hoc announcement on August 8, 2023. The forecast for the adjusted EBIT margin was also raised and expected to be up to 9% (previously: 7.5% - 8.5%). The adjustment of the forecast for the adjusted EBIT margin took into account a slightly improved sales mix with a shift in sales and earnings towards the Americas and APAC regions, where SAF-HOLLAND achieves higher margins. In addition, SAF-HOLLAND was expected to benefit from growth in the aftermarket business and very good progress in achieving the synergy targets communicated in connection with the Haldex acquisition.

Based on the strong operating performance up to the end of the third quarter of fiscal year 2023, continued solid demand for trailer and truck components, particularly in the APAC and Americas regions, as well as a continued robust order backlog and an adjusted EBIT margin in the third quarter of 2023 that was significantly above its own expectations, SAF-HOLLAND once again raised its forecast for fiscal year 2023 in an ad hoc announcement on October 18, 2023.

The forecast for Group sales was adjusted to around EUR 2,100 million (previously: slightly above the EUR 2,000 million mark) and the adjusted EBIT margin to around 9.5% (previously: up to 9%).

With Group sales of EUR 2,106.2 million in fiscal year 2023 and an adjusted EBIT margin of 9.6%, the forecast published on October 18 was confirmed. At 2.9%, the investment ratio was also in line with the forecast of up to 3% of Group sales published in March 2023.

Comparison of actual and forecast business performance

Indicator	2022 result	2023 forecast on March 30, 2023	Adjustment on August 8, 2023	Adjustment on October 18, 2023	2023 result
Sales (in EUR million)	1,565.1	1,800 to 1,950	slightly over 2,000	around 2,100	2,106.2
Adjusted EBIT margin	8.0%	7.5% to 8.5%	up to 9.0%	around 9.5%	9.6%
Capex ratio	2.1%	≤ 3%	≤ 3%	≤ 3%	2.9%

SIGNIFICANT EVENTS IN FISCAL YEAR 2023

CHANGES IN THE MANAGEMENT BOARD OF SAF-HOLLAND SE

Frank Lorenz-Dietz joined the Management Board of SAF-HOLLAND SE as Chief Financial Officer on January 1. He is responsible for Finance, Accounting, Controlling, Corporate Audit, IT, Legal and Compliance, Global Operations, Investor Relations / Corporate Communications and ESG at SAF-HOLLAND.

Frank Lorenz-Dietz succeeds Wilfried Trepels, who held the position on an interim basis from May 2022 to March 2023 following the departure of Inka Koljonen.

POLISH COMPETITION AUTHORITY APPROVES HALDEX ACQUISITION

After SAF-HOLLAND had already acquired 95.9% of the total outstanding Haldex shares as of the previous balance sheet date, the Polish antitrust authorities approved the takeover of Haldex AB by SAF HOLLAND SE without conditions on February 21, 2023. Prior to this, the European and US antitrust authorities had already given their approval, thereby completing the merger control clearance procedure.

The closing of the transaction and the inclusion of Haldex in the scope of consolidation of the SAF-HOLLAND Group took place with effect from February 21, 2023.

As part of a compulsory takeover procedure (squeeze-out) in accordance with the Swedish Companies Act, the remaining non-controlling interests not tendered by then were transferred to SAF-HOLLAND SE on March 1, 2023.

CYBER-ATTACK LEADS TO PRODUCTION INTERRUPTION

At the end of March 2023, a cyber-attack on the Group-wide IT systems led to a temporary interruption in production at several of the Group's production sites. Thanks to the immediate action taken and close communication with customers and suppliers, production was restarted a short time later and gradually returned to full capacity. The resulting loss of sales was largely compensated for in the second and third quarters.

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

After Martina Merz resigned from the company's Supervisory Board with effect from December 12, 2022, and the Supervisory Board was not fully staffed for more than three months, the Local Court of Aschaffenburg appointed Jurate Keblyte a new member of the Supervisory Board as of April 3, 2023. She was subsequently elected a member of the Supervisory Board by the Annual General Meeting of SAF-HOLLAND SE on May 23, 2023.

PLACEMENT OF A PROMISSORY NOTE LOAN FOR REFINANCING PURPOSES

On June 13, 2023, SAF-HOLLAND announced the placement of a promissory note transaction with a volume of EUR 105 million. The issue proceeds were used to refinance existing bank liabilities that had been raised in the course of the acquisition of Haldex AB. The issue also contributed to the optimization of borrowing costs and the maturity profile as well as a further broadening of the investor base.

SAF-HOLLAND ACQUIRES IMS BENELUX

In December 2023, SAF-HOLLAND signed an agreement to take over the long-standing exclusive sales partner IMS Group B.V., Barneveld, Netherlands. The company has been included in the Consolidated Financial Statements of SAF-HOLLAND SE since January 2, 2024.

As of December 31, 2023, IMS Group B.V. employed 38 people and exclusively distributes the Group's own quality brands SAF and Holland in the original equipment and aftermarket sectors in the Benelux. In addition, IMS Group B.V. offers innovative, sustainable and efficient solutions for the transportation industry with mechanical and hydraulic steering systems. With this acquisition, SAF-HOLLAND has strengthened its market position in the Netherlands, Belgium and Luxembourg and is seeking to further expand its market share in this region in the future.

EARNINGS, ASSET AND FINANCIAL POSITION

RESULTS OF OPERATIONS

Group sales including Haldex rise to a record level. Strong organic growth of 11.4%

SAF-HOLLAND increased its Group sales by 34.6% to a record level of EUR 2,106.2 million in fiscal year 2023 (previous year: EUR 1,565.1 million). This strong growth was largely due to the inclusion of Haldex AB in the scope of consolidation as of February 21, 2023, which contributed EUR 399.4 million to Group revenue in this period. Due to the ongoing merger of Haldex with SAF-HOLLAND and increasing cross-selling, Haldex sales were also partially invoiced via SAF-HOLLAND companies. Overall, sales increased by EUR 405.4 million or 25.9% due to acquisitions. On a pro forma basis, i.e. assuming that SAF-HOLLAND had already consolidated Haldex as of January 1, 2023, Group sales would have amounted to EUR 2,171.1 million in fiscal year 2023.

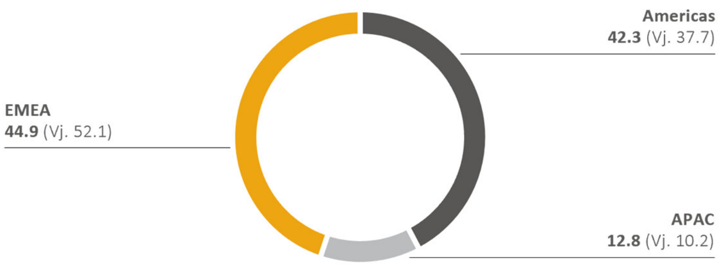
In organic terms – excluding the influence of exchange rate and acquisition effects – SAF-HOLLAND's Group sales rose by 11.4% in the full year 2023 and were significantly influenced by high customer demand for trailer and truck components in all of the Group's regions, particularly in the Americas and APAC. The Aftermarket business also grew organically in the mid-single-digit percentage range based on the strong growth of the original equipment business in previous periods.

Currency translation effects amounted to a negative translation effect of EUR -42.2 million in fiscal year 2023 (previous year: EUR 78.7 million). They mainly resulted from the depreciation of the US dollar and the Indian rupee against the euro.

The distribution of Group sales by region has shifted in favor of the Americas region as a result of the Haldex acquisition. With sales of EUR 890.3 million (previous year: EUR 590.6 million) and a 42.3% share of Group sales (previous year: 37.7%), the Americas region has nearly caught up with the EMEA region. EMEA, which remains the Group's largest region, generated sales of EUR 946.3 million in fiscal year 2023 (previous year: EUR 815.3 million) and achieved a 44.9% share (previous year: 52.1%). The APAC region generated sales of EUR 269.5 million (previous year: EUR 159.2 million), which corresponds to a 12.8% share of Group sales (previous year: 10.2%).

Group sales by segment 2023

in %



Group sales by region

in kEUR

	Q1-Q4/ 2023	Q1-Q4/ 2022	Change absolute	Change in %
EMEA	946,338	815,305	131,033	16.1%
in % of Group sales	44.9%	52.1%		
Americas	890,332	590,591	299,741	50.8%
in % of Group sales	42.3%	37.7%		
APAC	269,500	159,193	110,307	69.3%
in % of Group sales	12.8%	10.2%		
Group sales	**2,106,170**	**1,565,089**	**541,081**	**34.6%**

Group sales by customer segment

in kEUR

	Q1-Q4/ 2023	Q1-Q4/ 2022	Change absolute	Change in %
Original Equipment Trailer	1,158,622	946,269	212,353	22.4%
in % of Group sales	55.1%	60.5%		
Original Equipment Trucks	289,427	197,749	91,678	46.4%
in % of Group sales	13.7%	12.6%		
Aftermarket business	658,121	421,071	237,050	56.3%
in % of Group sales	31.2%	26.9%		
Group sales	**2,106,170**	**1,565,089**	**541,081**	**34.6%**

Share of resilient aftermarket business increased to slightly over 30% of Group sales

SAF-HOLLAND achieved double-digit growth in both the Original Equipment (OE) customer segment and the Aftermarket business in fiscal year 2023, benefiting on the one hand from the consolidation of Haldex, but also from strong demand in both customer segments. Sales in the Original Equipment business increased by 26.6% overall to EUR 1,448.0 million (previous year: EUR 1,144.0 million). In total, the Original Equipment business thus accounts for 68.8% (previous year: 73.1%) of Group sales. Sales from original equipment for trailers increased by 22.4% to EUR 1,158.6 million (previous year: EUR 946.3 million), while sales from original equipment for trucks rose by 46.4% to EUR 289.4 million (previous year: EUR 197.7 million). The Original Equipment for trailers business remained SAF-HOLLAND's most important customer group with a share of 55.1% compared to 13.7% for Original Equipment for trucks.

The more cyclically resilient aftermarket business benefited on the one hand from the consolidation of Haldex, whose aftermarket business generated around half of sales before the acquisition. On the other hand, the strong growth of the OE business in previous periods contributed to the increase in sales in the aftermarket business. At 56.3%, the aftermarket business grew disproportionately and generated sales of EUR 658.1 million (previous year: EUR 421.1 million), which equates to a share of 31.2% (previous year: 26.9%). The target communicated in the course of the Haldex acquisition to increase the share of the aftermarket business to slightly over 30% was therefore achieved in the reporting year.

Increase in the gross margin to around 20% in fiscal year 2023

Due to the overall increase in the volume of the business, some of the individual expense items in the income statement recorded significant increases in fiscal year 2023. Comparability with the same period of the previous year is in some cases limited due to the first-time inclusion of Haldex and the effects of the purchase price allocation.

Cost of sales rose by 29.7% to EUR 1,693.4 million in fiscal year 2023 (previous year: EUR 1,305.5 million). The main reason for the increase was the growth in purchasing volumes based on the increase in sales of 34.6% – also as a result of the consolidation of Haldex. On the other hand, cost reductions resulted from successfully implemented efficiency enhancement measures in production-related and administrative areas, as well as slightly lower steel and freight costs. Personnel costs, on the other hand, rose slightly due to inflation-related wage increases.

With the cost of sales increasing at a lower rate than the growth in sales in fiscal year 2023, the gross margin increased to 19.6% (previous year: 16.6%). In nominal terms, gross profit of EUR 412.8 million was generated (previous year: EUR 259.6 million), which represents an increase of 59.0%.

It should be noted that the cost of sales for 2023 includes amortization from purchase price allocations of EUR 4.2 million (previous year: EUR 2.1 million), other restructuring costs and one-off expenses in connection with the cyberattack of EUR 3.3 million (previous year: EUR 2.8 million) as well as the amortization of the step-up on inventories resulting from the purchase price allocation for the acquisition of Haldex in the amount of EUR 5.3 million. Adjusted for these special items, gross profit in fiscal year 2023 would be EUR 425.5 million (previous year: EUR 266.8 million), which corresponds to an increase of 59.5% and an adjusted gross margin of 20.2% (previous year: 17.0%).

Significant increase in the operating result

Due to the improvement in the gross margin described above, the operating result increased at a higher percentage rate than sales at 63.2%, reaching EUR 162.6 million (previous year: EUR 99.6 million). This includes total other income and expenses, selling, administrative and research and development expenses amounting to EUR 250.2 million or 11.9% of Group sales (previous year: EUR 159.9 million or 10.2% of Group sales), which represents an increase of 56.5% compared to the previous year. This includes a significant increase in research and development expenditure of EUR 38.4 million (previous year: EUR 19.2 million) due to the addition of Haldex's expenses. The reason for this was that Haldex had a higher share of R&D costs in relation to sales than SAF-HOLLAND.

The increase in selling, administrative, research and development and other expenses and income was influenced, among other factors, by significantly higher depreciation and amortization from purchase price allocation totaling EUR 15.0 million (previous year: EUR 7.4 million) as well as restructuring and transaction costs of EUR 10.5 million (previous year: EUR 8.5 million), which were mainly incurred in connection with the cyberattack and the integration of Haldex.

Earnings development

in kEUR

	Q1-Q4/ 2023	Q1-Q4/ 2022	Change absolute	Change in %
Sales	2,106,170	1,565,089	541,081	34.6%
Cost of sales	–1,693,411	–1,305,539	–387,872	29.7%
Gross profit	412,759	259,550	153,209	59.0%
Gross margin in %	19.6%	16.6%		
Adjusted gross profit	425,518	266,800	158,718	59.5%
Adjusted gross profit margin in %	20.2%	17.0%		
Other income	4,652	4,444	208	4.7%
Other expenses	–1,260	–2,066	806	–39.0%
Selling expenses	–103,128	–71,487	–31,641	44.3%
Administrative expenses	–111,999	–71,619	–40,380	56.4%
Research and development expenses	–38,433	–19,208	–19,225	100.1%
Operating result	**162,591**	**99,614**	**62,977**	**63.2%**

Significant double-digit increase in EBIT

Based on the increase in the operating result, earnings before interest and taxes (EBIT) increased significantly by 61.4% in fiscal year 2023, reaching EUR 163.8 million (previous year: EUR 101.5 million). The EBIT margin increased accordingly to 7.8% (previous year: 6.5%).

Earnings before interest, taxes, depreciation and amortization (EBITDA) also increased significantly by 64.1% to EUR 248.7 million (previous year: EUR 151.5 million). The EBITDA margin thus increased from 9.7% in the previous year to 11.8% in fiscal year 2023.

Reconciliation of operating result to adjusted EBIT

in kEUR

	Q1-Q4/ 2023	Q1-Q4/ 2022	Change absolute	Change in %
Operating result	162,591	99,614	62,977	63.2%
Share of net profit of investments accounted for using the equity method	1,224	1,877	–653	–34.8%
EBIT	163,815	101,491	62,324	61.4%
EBIT margin in %	7.8%	6.5%		
Additional depreciation and amortization from PPAs	19,142	9,455	9,687	102.5%
Valuation effects from call and put options	–	2,066	–2,066	–100.0%
Restructuring and transaction costs	10,207	9,142	1,065	11.6%
Impairment of tangible assets and intangible assets	3,626	2,447	1,179	48.2%
Step-up purchase price allocation from the valuation of inventories from acquisitions	5,261	–	5,261	
Adjusted EBIT	202,051	124,601	77,450	62.2%
Adjusted EBIT margin in %	9.6%	8.0%		
Depreciation and amortization of intangible assets and property, plant and equipment	62,076	38,094	23,982	63.0%
Adjusted EBITDA	264,127	162,695	101,432	62.3%
Adjusted EBITDA margin in %	12.5%	10.4%		
EBITDA	248,659	151,487	97,172	64.1%
EBITDA Marge margin in %	11.8%	9.7%		

Adjusted EBIT adjusted for non-recurring and acquisition-related expenses and income

To manage and present the underlying operating earnings situation of the Group, SAF-HOLLAND adjusts for special effects outside of ordinary business activities. These include depreciation and amortization of property, plant and equipment and intangible assets due to the purchase price allocation (PPA), reversals and impairments, restructuring and transaction costs, measurement effects from option valuations and other one-time effects such as expenses in connection with the cyberattack or the post-merger integration. From a management perspective, adjusted EBIT and the adjusted EBIT margin are the most important performance indicators for assessing and evaluating the earnings situation of the Group and the segments.

In fiscal year 2023, special effects outside the ordinary course of business totaling EUR 38.2 million (previous year: EUR 23.1 million) were incurred at the earnings before interest and taxes (EBIT) level.

At EUR 19.1 million (previous year: EUR 9.5 million), amortization from purchase price allocations in 2023 was significantly higher than in the previous year. This increase is due to additional amortization from purchase price allocations in the course of the acquisition of Haldex.

In addition, a previous acquisition resulted in significant expenses for the settlement of claims of a former minority shareholder in the amount of EUR 1.3 million, which are included in restructuring and transaction costs. Other expenses in the previous year included the valuation effect of the put option for the acquisition of the remaining shares in PressureGuard LLC in the amount of EUR 2.1 million.

Restructuring and transaction costs of EUR 10.2 million (previous year: EUR 9.1 million) primarily comprised restructuring and integration costs incurred in connection with the acquisition of Haldex. Non-recurring expenses of around EUR 4 million incurred for consulting services and IT equipment to deal with the cyberattack are also included.

The additional adjustments include the amortization of the step-up on inventories from the purchase price allocations in the amount of EUR 5.3 million, which resulted one time from the acquisition of Haldex, as well as impairment losses on property, plant and equipment and intangible assets in the amount of EUR 3.6 million (previous year: EUR 2.4 million).

Currency effects had no significant impact on the adjusted EBIT margin in fiscal year 2023.

Adjusted EBIT margin increased significantly to 9.6%

Adjusted EBIT increased significantly by 62.2% in fiscal year 2023, reaching EUR 202.1 million (previous year: EUR 124.6 million). This equates to an adjusted EBIT margin of 9.6% (previous year: 8.0%). In addition to the increase in the gross margin, cost improvements, economies of scale due to higher production volumes and process optimizations also contributed to the margin improvement. Previous price increases and a higher share of the high-margin aftermarket business also helped improve the margin. Furthermore, earnings benefited from synergy effects from the integration of Haldex, which were expected to amount to EUR 10-12 million.

Decline in the financial result characterized by financing of the Haldex acquisition

The main reasons for the change in the financial result from EUR -13.0 million to EUR -42.1 million in the reporting period were additional financial liabilities to finance the acquisition of Haldex and higher interest rates for variable financing lines.

Accordingly, financial expenses (interest expenses in connection with interest-bearing loans and bonds as well as leasing less interest income) amounted to EUR -62.5 million compared to EUR -23.2 million in the same period of the previous year.

This was offset by financial income of EUR 20.4 million (previous year: EUR 10.2 million). The increase in financial income is mainly due to exchange rate gains from the repayment or payment of intercompany loans and dividends as well as from the valuation of intercompany foreign currency loans at the closing rate.

Finance result

in kEUR

	Q1-Q4/ 2023	Q1-Q4/ 2022	Change absolute	Change in %
Finance income	20,421	10,237	10,184	99.5%
Finance expenses	–62,532	–23,230	–39,302	169.2%
Finance result	**–42,111**	**–12,993**	**–29,118**	**224.1%**

Profit for the period and earnings per share increased significantly despite the decline in the financial result

Earnings before taxes increased by 37.5% to EUR 121.7 million in fiscal year 2023 (previous year: EUR 88.5 million).

With a higher Group tax rate of 33.8% (previous year: 30.8%), the Group generated a result for the period of EUR 80.5 million in fiscal year 2023 (previous year: EUR 61.2 million), an increase of 31.5%. The share of profit for the period attributable to the shareholders of the parent company rose by 30.9% from EUR 61.1 million in the previous year to EUR 79.9 million in fiscal year 2023.

Based on the unchanged number of 45.4 million ordinary shares outstanding compared to the previous year, earnings per share for fiscal year 2023 improved significantly by 30.4% to EUR 1.76 (previous year: EUR 1.35).

Adjusted net profit for the period improved by 44.1% to EUR 119.1 million in fiscal year 2023 (previous year: EUR 82.6 million) and adjusted earnings per share reached EUR 2.61 (previous year: EUR 1.82), which corresponds to an increase of 43.4%.

The stronger increase in adjusted net profit for the period and adjusted earnings per share compared to reported net profit for the period and earnings per share in accordance with IFRS resulted from the high adjustment items and the use of a normalized tax rate of 25.6% in the calculation of adjusted net profit for the period.

The overall result for the period fell to EUR 61.5 million (previous year: EUR 86.2 million), mainly due to currency effects.

Reconciliation of the result before taxes to earnings per share

in kEUR

	Q1-Q4/ 2023	Q1-Q4/ 2022	Change absolute	Change in %
Result before taxes	121,704	88,498	33,206	37.5%
Income taxes	–41,182	–27,271	–13,911	51.0%
Income tax rate in %	–33.8%	–30.8%		
Result for the period	80,522	61,227	19,295	31.5%
Attributable to equity holders of the parent	79,933	61,081	18,852	30.9%
Basic earnings per share in EUR	1.76	1.35	0.41	30.4%
Adjusted result for the period	119,075	82,635	36,440	44.1%
Attributable to equity holders of the parent	118,486	82,489	35,997	43.6%
Adjusted earnings per share in EUR	2.61	1.82		43.4%

SEGMENT REPORTING

EMEA region: Adjusted EBIT margin significantly improved to 7.7%

The EMEA region increased its sales in reporting year 2023 to EUR 946.3 million (previous year: EUR 815.3 million). This represents growth of 16.1%, which was largely due to the acquisition of Haldex. Adjusted for the effects of currency translation and changes in the scope of consolidation, the region's sales were up slightly on the previous year at 1.4%. This means that the EMEA region outperformed the underlying market in fiscal year 2023, which was characterized by a moderate decline in demand, particularly in the Original Equipment business for trailers, which is of importance to SAF-HOLLAND.

The cyclically resilient aftermarket business recorded disproportionately strong growth in sales in fiscal year 2023. This was partly due to the inclusion of Haldex, which accounted for a significantly higher share of sales in the aftermarket business, and partly due to the strong growth in the Original Equipment business in previous years, which had a positive impact on the demand for aftermarket.

EMEA

in kEUR

	Q1-Q4/ 2023	Q1-Q4/ 2022	Change absolute	Change in %
Sales	946,338	815,305	131,033	16.1%
EBIT	**51,732**	**40,704**	**11,028**	**27.1%**
EBIT margin in %	5.5%	5.0%		
Additional depreciation and amortization from PPA	7,202	4,419	2,783	63.0%
Restructuring and transaction costs	10,455	7,571	2,884	38.1%
Impairment of tangible assets and intangible assets	2,715	–	2,715	
Restructuring and transaction costs	1,033	–	1,033	
Adjusted EBIT	**73,137**	**52,694**	**20,443**	**38.8%**
Adjusted EBIT margin in %	7.7%	6.5%		
Depreciation and amortization of intangible assets and property, plant and equipment	33,798	18,602	15,196	81.7%
Adjusted EBITDA	**106,935**	**71,296**	**35,639**	**50.0%**
Adjusted EBITDA margin in %	11.3%	8.7%		

Adjusted EBIT in the EMEA region increased to EUR 73.1 million in the reporting year (previous year: EUR 52.7 million), which corresponds to an increase in the adjusted EBIT margin from 6.5% in the previous year to 7.7%. The improvement in adjusted EBIT is partly due to the fact that the steel, logistics and energy costs, which were still a major burden in 2022, were partially offset by internal efficiency enhancement measures or passed on to the market with a time lag over the course of 2023. On the other hand, significant cost savings were achieved in the course of the integration of Haldex. The product mix also had a positive impact due to the higher share of the higher-margin aftermarket business.

Americas region: high organic growth and further margin improvement to 10.9%

The Americas region achieved strong sales growth of 50.8% to EUR 890.3 million in fiscal year 2023 (previous year: EUR 590.6 million) and benefited significantly from the consolidation of Haldex. Adjusted for exchange rate effects and acquisitions, the Americas region increased its sales by a strong 12.1%. Besides strong customer demand for trailer and truck components in general, this was also due to increased demand for technologically more advanced and more effective disc-braked axle systems for trailers. The aftermarket business in the Americas region also recorded growth. This development was driven by the inclusion of Haldex on the one hand and the further increase in the product population of SAF-HOLLAND systems in the market on the other.

AMERICAS

in kEUR

	Q1-Q4/ 2023	Q1-Q4/ 2022	Change absolute	Change in %
Sales	890,332	590,591	299,741	50.8%
EBIT	**78,957**	**51,300**	**27,657**	**53.9%**
EBIT margin in %	8.9%	8.7%		
Additional depreciation and amortization from PPA	8,304	2,351	5,953	253.2%
Valuation effects from put and call options	–	2,066	–2,066	–100.0%
Restructuring and transaction costs	5,511	156	5,355	3432.7%
Impairment of tangible assets and intangible assets	354	–	354	
Step-up purchase price allocation from the valuation of inventories from acquisitions	3,840	–	3,840	
Adjusted EBIT	**96,966**	**55,873**	**41,093**	**73.5%**
Adjusted EBIT margin in %	10.9%	9.5%		
Depreciation and amortization of intangible assets and property, plant and equipment	22,766	15,905	6,861	43.1%
Adjusted EBITDA	**119,732**	**71,778**	**47,954**	**66.8%**
Adjusted EBITDA margin in %	13.4%	12.2%		

Based on the strong growth in sales, economies of scale and cost savings achieved in the course of the integration of Haldex, the Americas region increased its adjusted EBIT to EUR 97.0 million in fiscal year 2023 (previous year: EUR 55.9 million), which corresponds to an increase of 73.5%. The adjusted EBIT margin therefore increased significantly from 9.5% to 10.9%.

APAC region: significant double-digit organic growth and margin increase to 11.9%

APAC

in kEUR

	Q1-Q4/ 2023	Q1-Q4/ 2022	Change absolute	Change in %
Sales	269,500	159,193	110,307	69.3%
EBIT	**33,126**	**9,487**	**23,639**	**249.2%**
EBIT margin in %	12.3%	6.0%		
Additional depreciation and amortization from PPA	3,636	2,685	951	35.4%
Restructuring and transaction costs	–5,760	1,415	–7,175	
Impairment of tangible assets and intangible assets	557	2,447	–1,890	–77.2%
Step-up purchase price allocation from the valuation of inventories from acquisitions	388	–	388	
Adjusted EBIT	**31,947**	**16,034**	**15,913**	**99.2%**
Adjusted EBIT margin in %	11.9%	10.1%		
Depreciation and amortization of intangible assets and property, plant and equipment	5,512	3,587	1,925	53.7%
Adjusted EBITDA	**37,459**	**19,621**	**17,838**	**90.9%**
Adjusted EBITDA margin in %	13.9%	12.3%		

The APAC region generated sales revenue of EUR 269.5 million in 2023 (previous year: EUR 159.2 million), which equates to an increase of 69.3%. Adjusted for the effects of currency translation and changes in the scope of consolidation, there was significant growth of 59.5% compared to the same period in the previous year. As a leading manufacturer of axle and suspension systems, SAF-HOLLAND in India benefited from government infrastructure measures, the expansion of the transportation system and a growing population. Customer demand in Australia and Southeast Asia also supported the strong growth in the APAC region. The Chinese market also developed positively. However, there were no pronounced effects on the development of sales in the APAC region, as SAF-HOLLAND is only active in the special axles segment in China and the market development in China therefore plays a subordinate role in the development of sales for the APAC region.

In order to keep pace with the expected growth in the APAC region, SAF-HOLLAND opened a new production plant at the site of its Indian subsidiary York in Pune in early 2023 in the immediate vicinity of the previous site. Production capacity was expanded again at the new site in the fourth quarter of 2023.

The Aftermarket business in the APAC region, which accounts for a disproportionately low share of total sales compared to the EMEA and Americas segments, also grew significantly in fiscal year 2023, supported by the growing population of SAF-HOLLAND axle and suspension systems in the market.

Adjusted EBIT in the APAC region nearly doubled from EUR 16.0 million to EUR 31.9 million in 2023, increasing the adjusted EBIT margin from 10.1% in the previous year to 11.9%. In addition to economies of scale from the higher business volume in India, the increase in earnings was also driven by a further improvement in the earnings situation in China, where losses at adjusted EBIT level were significantly reduced in the reporting period and even eliminated by the end of fiscal year 2023.

FINANCIAL POSITION

Balance sheet items increased significantly in some cases due to the consolidation of Haldex

The inclusion of Haldex in the scope of consolidation of SAF-HOLLAND with effect from February 21, 2023, led to significant shifts on the assets side of the Consolidated Balance Sheet. As part of the initial consolidation, SAF-HOLLAND recognized assets of Haldex in the total amount of EUR 559.7 million. These were mainly divided into goodwill of EUR 49.7 million, other intangible assets of EUR 153.6 million, property, plant and equipment of EUR 120.9 million, inventories of EUR 97.0 million and trade receivables of EUR 82.5 million.

Total assets grew by 10.2% to EUR 1,651.7 million as of December 31, 2023 (previous year: EUR 1,498.4 million).

It should be noted that the balance sheet figures as of December 31, 2022, were already partially influenced by the planned acquisition of Haldex. The acquisition of Haldex shares in advance of and as part of the acquisition bid as well as the financing of this acquisition already led to a significant expansion of the Consolidated Balance Sheet in some cases in fiscal year 2022. In fiscal year 2023, these were eventually canceled out by the assets and liabilities recognized as part of the purchase price allocation when control was acquired.

Net assets: Assets

in kEUR

	12/31/2023	12/31/2022	Change absolute	Change in %
Non-current assets	**814,400**	**872,183**	**–57,783**	**–6.6%**
Intangible assets	427,195	227,918	199,277	87.4%
Property, plant and equipment	334,007	205,729	128,278	62.4%
Other (financial) assets	53,198	438,536	–385,338	–87.9%
Current assets	**837,339**	**626,240**	**211,099**	**33.7%**
Inventories	306,692	202,249	104,443	51.6%
Trade receivables	219,739	144,744	74,995	51.8%
Cash and cash equivalents	246,276	243,460	2,816	1.2%
Other (financial) assets	64,632	35,787	28,845	80.6%
Total assets	**1,651,739**	**1,498,423**	**153,316**	**10.2%**

Non-current assets down slightly despite consolidation of Haldex
The development of non-current assets was mainly influenced by the first-time consolidation of Haldex. The reversal of non-current financial assets of EUR 402.2 million reported as of December 31, 2022, resulting from the acquisition of control, which mainly comprised the acquired Haldex shares and a loan to Haldex, outweighed the additions to property, plant and equipment and intangible assets. As a result, non-current assets decreased to EUR 814.4 million as of December 31, 2023 (previous year: EUR 872.2 million). This includes the increase in intangible assets (by 87.4% to EUR 427.2 million from EUR 227.9 million) and property, plant and equipment (by 62.4% to EUR 334.0 million from EUR 205.7 million), mainly due to the inclusion of the Haldex assets.

The purchase price allocation for Haldex resulted in recognition of goodwill of EUR 49.7 million as of December 31, 2023. For further details, please refer to Note 3 of the Notes to the Consolidated Financial Statements.

Increase in current assets mainly due to the consolidation of Haldex
Current assets increased by 33.7% to EUR 837.3 million as of the reporting date December 31, 2023 (previous year: EUR 626.2 million). While the cash and cash equivalents item changed only slightly at EUR 246.3 million (previous year: EUR 243.5 million), the inventories and trade receivables items increased significantly due to the consolidation of Haldex and the organic growth of SAF-HOLLAND. For instance, inventories increased by 51.6% from EUR 202.3 million to EUR 306.7 million. Trade receivables also increased significantly by 51.8% from EUR 144.7 million to EUR 219.7 million.

Equity ratio down slightly despite increase in equity

Net assets: Equity and liabilities

in kEUR

	12/31/2023	12/31/2022	Change absolute	Change in %
Total equity	**475,969**	**441,354**	**34,615**	**7.8%**
Non-current liabilities	**804,826**	**718,175**	**86,651**	**12.1%**
Interest-bearing loans and bonds	615,253	614,118	1,135	0.2%
Lease liabilities	54,282	30,698	23,584	76.8%
Other non-current liabilities	135,291	73,359	61,932	84.4%
Current liabilities	**370,944**	**338,894**	**32,051**	**9.5%**
Interest-bearing loans and bonds	13,415	101,541	–88,126	–86.8%
Lease liabilities	13,485	7,695	5,790	75.2%
Trade payables	228,630	159,029	69,601	43.8%
Other current liabilities	115,414	70,629	44,786	63.4%
Total equity and liabilities	**1,651,739**	**1,498,423**	**153,316**	**10.2%**

Equity increased by 7.8% from EUR 441.3 million as of December 31, 2022, to EUR 476.0 million. The increase in equity was mainly due to the profit for the period of EUR 80.5 million. This was offset by currency differences from the translation of foreign business operations in the amount of EUR 20.7 million and the dividend distribution for fiscal year 2022 in the amount of EUR 27.2 million.

As the balance sheet total increased by 10.2% from EUR 1,498.4 million to EUR 1,651.7 million, which was more than the increase in equity, the equity ratio fell to 28.8% (previous year: 29.5%).

Increase in non-current lease liabilities and other non-current liabilities mainly driven by Haldex

Compared to the end of 2022, non-current liabilities as of December 31, 2023, increased significantly by 12.1% to EUR 804.8 million (previous year: EUR 718.2 million). This increase was mainly due to the growth in lease liabilities (up 76.8% to EUR 54.3 million from EUR 30.7 million) and other non-current liabilities (up 84.4% to EUR 135.3 million from EUR 73.4 million). The increase in both items was mainly due to the consolidation of Haldex. Interest-bearing loans and borrowings, on the other hand, remained virtually unchanged at EUR 615.2 million (previous year: EUR 614.1 million). It should be noted that around EUR 310 million in interest-bearing loans and bonds were already taken out in fiscal year 2022 to finance the Haldex acquisition. In addition, a tranche of an expiring promissory note loan in the amount of EUR 97.5 million was repaid with long-term funds raised at the end of March 2023. Furthermore, a promissory note loan with a volume of EUR 105.0 million was placed in June 2023. This was used to refinance bank liabilities that were raised in the course of the acquisition of Haldex AB. Accordingly, the share of non-current liabilities in total assets increased slightly to 48.7% as of December 31, 2023 (December 31, 2022: 47.9%).

Short-term interest-bearing loans and bonds significantly reduced

Current liabilities increased by 9.5% to EUR 370.9 million as of December 31, 2023 (previous year: EUR 338.9 million). The majority of the increase in current liabilities was attributable to the rise in the items “trade payables” (up 43.8% to EUR 228.6 million from EUR 159.0 million) and “other current liabilities” (up 63.4% to EUR 115.4 million from EUR 70.6 million), the increase in which was mainly driven by the consolidation of Haldex.

In contrast, current interest-bearing loans and borrowings, which amounted to EUR 101.5 million at the end of 2022, were reduced significantly to EUR 13.4 million at the end of the reporting period due to the repayment of a promissory note loan in March 2023, as mentioned above. Overall, the share of current liabilities in the Group’s total assets remained virtually unchanged at 22.5% as of December 31, 2023 (December 31, 2022: 22.6%).

Leverage ratio target of below 2.0 for fiscal year 2024 already achieved at 1.8

Net financial debt (including lease liabilities) was reduced by 11.8% to EUR 450.2 million as of December 31, 2023 (previous year: EUR 510.6 million). The leverage ratio (ratio of net financial debt to EBITDA) was 1.8 at the end of the year (previous year: 3.4). The significant reduction in the leverage ratio was mainly due to the consolidation of Haldex, the expansion of the Group’s profitability and a significant improvement in net debt resulting from the systematic continuation of the Cash is King program launched in the previous year. The leverage ratio as of December 31, 2023, was thus 1.8. This contrasts with an increased leverage ratio of 3.4 the previous year, which already included the debt taken out for the Haldex acquisition but not yet any contribution to earnings.

The announced target of reducing the leverage ratio, which temporarily increased as a result of the Haldex acquisition, to a maximum of 2.0 by the end of 2024 was thus already achieved by December 31, 2023.

Limited impact of other acquisitions on the balance sheet

In April 2023, SAF-HOLLAND acquired the remaining 49% of the shares in PressureGuard LLC and now holds all shares in the company. As the company was already previously consolidated, these transactions had virtually no effect on the balance sheet items. Further information can be found in the Notes to the Consolidated Financial Statements starting on page 111.

Change in net debt

in kEUR

	12/31/2023	12/31/2022	Change absolute	Change in %
Non-current interest-bearing loans and bonds	615,253	614,118	1,135	0.2%
Current interest-bearing loans and bonds	13,415	101,541	–88,126	–86.8%
Non-current lease liabilities	54,282	30,698	23,584	76.8%
Current lease liabilities	13,485	7,695	5,790	75.2%
Total financial liabilities	**696,435**	**754,052**	**–57,617**	**–7.6%**
Cash and cash equivalents	–246,276	–243,460	–2,816	1.2%
Net debt	**450,159**	**510,592**	**–60,433**	**–11.8%**

Net working capital ratio increased slightly due to the consolidation of Haldex

Net working capital development

in kEUR

	12/31/2023	12/31/2022	Change absolute	Change in %
Inventories	306,692	202,249	104,443	51.6%
Trade receivables	219,739	144,744	74,995	51.8%
Trade payables	–228,630	–159,029	–69,601	43.8%
Net working capital	**297,801**	**187,964**	**109,837**	**58.4%**
Group sales (last 12 months)	2,106,170	1,565,089	541,081	34.6%
Net working capital ratio	**14.1%**	**12.0%**		

Net working capital is defined as the sum of inventories and trade receivables less trade payables.

The net working capital ratio – net working capital in relation to Group sales for the last twelve months – amounted to 14.1% as of December 31, 2023, and was therefore 2.1 percentage points higher than the previous year's figure. Although the strict management of net working capital continued unchanged in the reporting period, the consolidation of Haldex led to a significant increase in the net working capital ratio. In the past, Haldex as an independent company had net working capital ratios of 20 to 25% and therefore increased the funds tied up in current assets as a consolidated company of the SAF-HOLLAND Group. In the quarterly statement as of March 31, 2023, i.e. shortly after the initial consolidation of Haldex, SAF-HOLLAND reported a net working capital ratio of 15.6%. In the course of 2023, significant progress was therefore already made in reducing the amount of funds tied up in working capital.

As in previous years, SAF-HOLLAND used factoring to optimize liquidity. This amounted to of EUR 37.3 million as of the balance sheet date (previous year: EUR 52.7 million).

FINANCIAL POSITION

Financial position

in kEUR

	Q1-Q4/ 2023	Q1-Q4/ 2022	Change absolute	Change in %
Net cash flow from operating activities	**202,726**	**153,392**	**49,334**	**32.2%**
Net cash flow from investing activities (property, plant and equipment/intangible assets)	–60,005	–33,358	–26,647	79.9%
Operating free cash flow	**142,721**	**120,034**	**22,687**	**18.9%**
Net cash flow from investing activities (acquisition of subsidiaries)	42,579	–289,650	332,229	
Total free cash flow	**185,300**	**–169,616**	**354,916**	

Net cash flow from operating activities increased by EUR 50.0 million

Net cash flow from operating activities amounted to EUR 202.7 million in fiscal year 2023 (previous year: EUR 153.4 million) and was therefore EUR 49.3 million higher than in the previous year. This was mainly due to the higher earnings before taxes of EUR 121.7 million (previous year: EUR 88.5 million). Despite the strong organic growth in sales, the capital tied up in net working capital in fiscal year 2023 resulted in a virtually unchanged cash inflow of EUR 1.7 million (previous year: EUR 2.1 million). This development resulted from the increase in inventories, which was offset by a favorable development in trade receivables and trade payables. The more than doubling of income taxes paid to EUR 58.6 million (previous year: EUR 27.2 million) had a negative impact on cash flow.

Net cash flow from investing activities amounted to EUR -13.8 million in fiscal year 2023 (previous year: EUR -431.7 million). This included the cash and cash equivalents received from Haldex AB totaling EUR 42.6 million, which were included in the consolidated financial statements as part of the first-time consolidation. In the previous year, this was offset by payments of EUR 397.8 million for the acquisition of other financial assets (Haldex shares) and for a loan granted to Haldex. The Group increased its payments for investments in property, plant and equipment and intangible assets to

EUR 61.7 million (previous year: EUR 36.3 million) as part of the expansion of business and in preparation for the further growth planned. This corresponds to an investment ratio of 2.9% of sales and is therefore within our forecast of up to 3.0%. In the course of 2023, investments focused on the further automation of production processes in Germany and Sweden, the construction of a new production line for fifth wheels in Mexico and capacity expansions in India. In contrast, the company received funds from the sale of property, plant and equipment in the amount of EUR 1.7 million (previous year: EUR 2.9 million).

Operating free cash flow at EUR 142.7 million

As a result, operating free cash flow (net cash flow from operating activities after deducting net investments in property, plant and equipment and intangible assets) increased significantly compared to the previous year's figure from EUR 120.0 million by EUR 22.7 million to EUR 142.7 million. This was mainly the result of a stronger operating result. This was offset by the increase in investments in property, plant and equipment and intangible assets as part of the expansion of the business.

As there was no cash outflow in connection with company acquisitions, free cash flow also amounted to EUR 185.3 million. In the previous year, this was offset by cash outflows of EUR 289.7 million due to the acquisition of company shares amounting to EUR 1.9 million, which were attributable to the purchase of IMS Ltd. in the UK, and the acquisition costs of other financial assets (Haldex shares) amounting to EUR 287.8 million.

Solid long-term financing structure

SAF-HOLLAND's financing structure changed noticeably in fiscal year 2023 by replacing short-term financing instruments with long-term financing instruments. The majority of long-term financial liabilities (interest-bearing loans and borrowings plus lease liabilities) consisted of non-current loans and borrowings (91.9%) at the end of the year. Current financial liabilities of EUR 29.6 million were offset by cash and cash equivalents of EUR 246.3 million at the end of 2023. The Group's goal is to achieve a balanced maturity profile and to optimize debt financing conditions. Further details on the maturities and interest rates of the loans and bonds can be found in section 6.14 of the Notes to the Consolidated Financial Statements.

Financial and capital management

SAF-HOLLAND is mainly exposed to liquidity risks, credit risks, interest rate risks and foreign currency risks. Risk management is aimed at limiting these risks, in particular through natural hedging and the use of derivative and non-derivative hedging instruments. Further information can be found in the Risk and Opportunity Report, section "Overview of significant business risks" and in the Notes to the Consolidated Financial Statements in section 7.1 with reference to financial instruments and financial risk management.

Significant improvement in ROCE to 20.8%

In addition to limiting risks from financing measures and ensuring solvency at all times, the main task of the Group's capital management is to optimize the cost of capital and generate an appropriate return on capital employed. In the medium term, SAF-HOLLAND is aiming for a return on capital employed (ROCE) of at least 15%. With a ROCE of 20.8% in fiscal year 2023 (previous year: 12.9%), a strong result was achieved and the medium-term target was significantly exceeded. The main reason for the significant increase in ROCE was the 62.2% growth in adjusted EBIT to EUR 202.1 million, while capital employed remained relatively stable at EUR 969.3 million (previous year: EUR 967.3 million).

Financial return: ROCE

in kEUR

	12/31/2023	12/31/2022	Change absolute	Change in %
Equity	475,969	441,354	34,615	7.8%
Interest-bearing loans and bonds, current and non-current	628,668	715,659	–86,991	–12.2%
Lease liabilities, current and non-current	67,767	38,393	29,374	76.5%
Pensions and other similar benefits	43,209	15,322	27,887	182.0%
Cash and cash equivalents	–246,276	–243,460	–2,816	1.2%
Capital employed	969,337	967,268	2,069	0.2%
Adjusted EBIT (last 12 months)	202,051	124,601	77,450	62.2%
ROCE	**20.8%**	**12.9%**		

OVERALL STATEMENT OF THE MANAGEMENT BOARD ON THE ECONOMIC POSITION

Based on demand from truck and trailer manufacturers exceeding original expectations, particularly in the Americas and APAC regions, the forecast for fiscal year 2023 issued in March 2023 was raised several times over the course of the year and ultimately confirmed. Based on the very successful integration of Haldex, the communicated synergy potential from the Haldex acquisition also supports the positive development of both sales and the adjusted EBIT margin. In addition, SAF-HOLLAND achieved economies of scale, efficiency gains in production and cost savings in the administrative area and benefited from previous price increases as well as an increase in the share of the less cyclical aftermarket business, which also boosted the adjusted EBIT margin.

In addition, funds tied up in current assets continued to be consistently managed and, in conjunction with the significant increase in profitability, strong operating free cash flow was generated. The leverage ratio was therefore significantly reduced in the past year and the target of a leverage ratio of less than 2.0 originally announced for 2024 was achieved ahead of schedule with a figure of 1.8 net financial debt to EBITDA as of December 31, 2023.

The Management Board therefore believes that the SAF-HOLLAND Group is solidly positioned for the future.

SEPARATE FINANCIAL STATEMENTS OF SAF-HOLLAND SE (HGB)

BALANCE SHEET AS OF DECEMBER 31, 2023

Assets	12/31/2023	12/31/2022
	EUR	EUR
A. Fixed assets		
I. Financial assets		
1. Shares in affiliated companies	646,633,935.29	603,909,566.80
2. Loans to affiliated companies	129,122,803.39	152,893,803.39
	775,756,738.68	**756,803,370.19**
B. Current assets		
I. Receivables and other assets		
1. Receivables from affiliated companies	19,953,928.04	36,743,586.67
2. Other assets	31,775.58	22,797.40
	19,985,703.62	**36,766,384.07**
II. Cash at banks	222,440.26	18,086,461.22
	20,208,143.88	**54,852,845.29**
C. Prepayments	186,289.13	69,676.13
	796,151,180.69	**811,725,891.61**

Liabilities	12/31/2023	12/31/2022
	EUR	EUR
A. Equity		
I. Subscribed capital	45,394,302.00	45,394,302.00
II. Capital reserve	231,914,540.25	231,914,540.25
III Retained earnings		
1. Legal reserve	45,361.11	45,361.11
2. Other revenue reserves	720,087.15	720,087.15
IV. Unappropriated profit	69,041,306.01	47,755,542.52
	347,115,596.52	**325,829,833.03**
B. Provisions		
1. Provisions for pensions and similar obligations	11,298.00	17,850.00
2. Other provisions	5,057,094.54	2,811,260.16
	5,068,392.54	**2,829,110.16**
C. Liabilities		
1. Trade payables	278,346.45	3,877,974.36
2. Liabilities to affiliated companies	443,145,999.31	479,045,717.42
3. Other liabilities	542,845.87	143,256.64
of which from taxes EUR 144,875.71 (previous year: EUR 143 thousand)		
	443,967,191.63	**483,066,948.42**
	796,151,180.69	**811,725,891.61**

INCOME STATEMENT FOR THE FISCAL YEAR FROM JANUARY 1, 2023 TO DECEMBER 31, 2023

		2023	2022
	EUR	EUR	EUR
1. Sales	2,852,231.28		3,296,265.84
2. Other operating income	155,782.03		128,755.67
		3,008,013.31	**3,425,021.51**
3. Cost of materials			
a) Expenses for purchased services	1,039,666.67		766,531.69
4. Personnel expenses			
a) Salaries	7,362,626.14		4,682,785.26
b) Social security contributions and pension expenses	414,897.16		357,415.70
of which for pensions EUR 5,801.14 (previous year: EUR 0 thousand)			
5. Other operating expenses	6,773,126.09		3,692,934.93
of which expenses from currency translation EUR 27,863.57 (previous year: EUR 24 thousand)			
		15,590,316.06	**9,499,667.58**
6. income from investments	80,000,000.00		36,000,000.00
thereof from affiliated companies EUR 80,000,000.00 (previous year: EUR 36,000 thousand)			
7. Income from loans of financial assets	7,263,239.00		2,753,444.57
thereof from affiliated companies EUR 7,260,230.09 (previous year: EUR 2,753 thousand)			
8. Interest and similar expenses	26,145,753.39		8,693,514.89
of which to affiliated companies EUR 26,144,248.98 (previous year: EUR 8,694 thousand)			
of which expenses from discounting EUR 0.00 (previous year: EUR 1 thousand)			
		61,117,485.61	**30,059,929.68**
9. Result after taxes		48,535,182.86	23,985,283.61
10. Other taxes	12,838.17		0.00
11. Result for the period		48,522,344.69	23,985,283.61
12. Profit carried forward		20,518,961.32	23,770,258.91
13. Retained earnings		**69,041,306.01**	**47,755,542.52**

BUSINESS AND GENERAL CONDITIONS

SAF-HOLLAND SE holds and manages direct and indirect equity investments, including the exercise of a management and holding function, and provides administrative, financial, commercial and technical services for the companies it holds shareholdings in.

The company is part of the globally operating SAF-HOLLAND Group and has its headquarters in Bessenbach.

ECONOMIC REPORT

EARNINGS POSITION

In fiscal year 2023, SAF-HOLLAND SE generated sales of EUR 2,852 thousand (previous year: EUR 3,296 thousand). Sales were generated entirely through the provision of services to subsidiaries.

Other operating income of EUR 156 thousand (previous year: EUR 129 thousand) resulted from the granting of non-cash benefits.

Cost of materials includes other expenses for purchased services amounting to EUR 1,040 thousand (previous year: EUR 766 thousand), which are charged on within the Group.

Due to higher provisions for bonuses, additional employees and salary adjustments, personnel expenses rose by EUR 2,738 thousand from EUR 5,040 thousand to EUR 7,778 thousand.

Other operating expenses amounted to EUR 6,773 thousand and are therefore above the previous year's level (EUR 3,693 thousand); the increase was mainly due to expenses in connection with the integration of Haldex.

The loss before interest and taxes (EBIT) for the fiscal year amounted to EUR 12,582 thousand (previous year: EUR 6,075 thousand).

Income from investments includes the dividend from SAF-HOLLAND GmbH in the amount of EUR 80,000 thousand (previous year: EUR 36,000 thousand).

Income from loans increased from EUR 2,753 thousand in 2022 to EUR 7,263 thousand, due to the granting of loans to Haldex in November 2022 and the associated interest incurred.

Interest and similar expenses rose in the fiscal year by EUR 17,453 thousand to EUR 26,146 thousand, the increase is mainly due to the financing of the Haldex acquisition via intercompany loans and the change in interest rates on intercompany financial liabilities.

Result for the period amounted to EUR 48,522 thousand in the reporting year (previous year: EUR 23,985 thousand).

ASSET POSITION

Total assets amounted to EUR 796,151 thousand as of December 31, 2023 (previous year: EUR 811,726 thousand) and thus fell by EUR 15,575 thousand.

Shares in affiliated companies increased by EUR 42,724 thousand in the fiscal year and amounted to EUR 646,634 thousand; the increase is due to the acquisition of the remaining Haldex shares and Haldex GmbH.

The shares represent a 100% interest in SAF-HOLLAND GmbH and a 100% stake in Haldex AB.

The decrease in receivables from affiliated companies from EUR 36,744 thousand to EUR 19,954 thousand is mainly due to the provision of funds for the dividend by SAF-HOLLAND GmbH in the amount of EUR 27,237 thousand.

The decrease in loans to affiliated companies in the amount of EUR 23,771 thousand from EUR 152,894 thousand to EUR 129,123 thousand is due to offsetting the acquisition of the shares in Haldex GmbH with Haldex AB in this amount; the remaining EUR 42,894 thousand are loans to SAF-HOLLAND Inc.

Provisions for pensions decreased by EUR 7 thousand from EUR 18 thousand in 2022 to EUR 11 thousand.

The increase in other provisions from EUR 2,246 thousand to EUR 5,058 thousand is mainly due to provisions for the long-term employee intensification program (EUR 2,823 thousand; previous year: EUR 1,281 thousand), provisions for employee bonuses (EUR 1,049 thousand; previous year: EUR 878 thousand) and provisions for outstanding invoices (EUR 456 thousand; previous year: EUR 95 thousand).

Liabilities to affiliated companies amounted to EUR 443,146 thousand and were thus below the previous year's level of EUR 479,046 thousand, the decrease of EUR 35,900 thousand is due to the offsetting of the dividend receivable from SAF-HOLLAND GmbH.

FINANCIAL POSITION

Equity increased from EUR 325,830 thousand to EUR 347,116 thousand. The reason for this is the higher retained earnings of EUR 69,041 thousand (previous year: EUR 47,756 thousand).

The equity ratio rose by 3.46% points to 43.60% (previous year: 40.14%).

The company's cash and cash equivalents amounted to EUR 222 thousand as of December 31, 2023 (previous year: EUR 18,086 thousand). The decline is mainly due to the repayment of the deposit of EUR 17,100 thousand for the squeeze-out of the remaining shares in Haldex.

The simplified cash flow from operating activities in the narrower sense is as follows:

EUR thousand	2023	2022
Result for the period	48,522	23,985
Change in the provision	2,246	-658
Cash flow from operating activities in the narrower sense	50,768	23,327

OVERALL STATEMENT

Overall, the Management Board considers the company's economic situation to be stable without change. The company believes it is well equipped to continue to successfully meet the economic challenges.

PERSONNEL

As of December 31, 2023, the company had 28 employees (previous year: 24).

OPPORTUNITIES AND RISKS

SAF-HOLLAND SE acts as a holding company for the Group. Its development as well as its risks and opportunities therefore largely depend on the business performance of the companies affiliated with the company. SAF-HOLLAND SE is integrated into the Group-wide risk and opportunity management system. For detailed information, please refer to the Group's risk and opportunity management section. The description of the internal control system for SAF-Holland required by Section 289 (4) HGB is also provided there.

SAF-HOLLAND SE generates its income primarily from investment income from its direct and indirect subsidiaries. Due to its holding function, SAF-HOLLAND SE is therefore exposed to the risk of receiving lower investment income if the profits of its subsidiaries fall. In particular, the Russia-Ukraine conflict could have a negative impact on the global economy and – directly or indirectly – on SAF-HOLLAND's business activities. Due to the solid financial position of the SAF-HOLLAND companies and the ability to manage distributions by the subsidiaries, the opportunities and risks in connection with investment income are not considered to be material.

FORECAST AND OUTLOOK

For fiscal year 2024, SAF-HOLLAND SE assumes the same interest expenses as in 2023 due to the loans. The Management Board of SAF-HOLLAND SE assumes that potential increases in personnel expenses and other relevant cost factors can be offset by increased cost allocations and cost-saving measures.

Taking the expected results of SAF-HOLLAND SE's subsidiaries and the interest result for 2024 into account, result for the period is expected to be slightly lower than in 2024.

In this context, it is assumed that the retained earnings are sufficient and that the company's ability to pay dividends is still ensured.

NON-FINANCIAL ASPECTS

RESEARCH AND DEVELOPMENT

In order to secure its position in the commercial vehicle market and the company's technology base in the long term, the SAF-HOLLAND Group places great strategic importance on its development activities. The development activities at SAF-HOLLAND are aimed at offering customers products that reduce their total cost of ownership (TCO) and thus ensure efficient fleet operation. New or further developments are aimed at optimizing processes, minimizing the use of materials, or improving the functionality or efficiency of products and thus customer benefits.

The development focus is on the topics of safety, durability and lightweight construction, which are all relevant from the customer's perspective, as well as on the innovation trends of the commercial vehicle industry: digitalization, electrification, autonomous driving and sustainability. Safety and the quality of the products have top priority for SAF-HOLLAND. Ongoing quality tests already in the development process are extremely important. In addition, measures aimed at minimizing the product defect rate are implemented in the product development phase. In order to optimize the weight of trucks and trailers, SAF-HOLLAND develops lightweight components, which can reduce fuel consumption and thus CO_2 emissions.

Regional market requirements and customer preferences differ in the most important commercial vehicle markets of EMEA, North and South America, China and India. In order to meet the diverse legal requirements and registration conditions, in addition to new and further developments, an additional focus of development activities is on the adaptation of current solutions to meet regional requirements. SAF-HOLLAND is therefore present in the above-mentioned markets with developers and engineers. The direct proximity to its customers ensures that the market knowledge of the locally based units flows directly into product development.

RESEARCH AND DEVELOPMENT PRIORITIES IN 2023

Research and development activities in fiscal year 2023 were again determined by the two megatrends electrification and digitalization. The main focus of development activities was on products such as the TRAK family of electrified axles, a further development of the HOLLAND FW 35 fifth wheel coupling, a new generation of landing gear and the SAF TIRE PILOT I.Q. tire pressure monitoring system.

Electrified axle family TRAK

The electrified axle family TRAK comprises two electrified axles, SAF TRAKr and SAF TRAKe.

In the recuperation axle SAF TRAKr, a high-voltage generator unit converts the kinetic energy of the vehicle into electrical energy during braking or in overrun phases. This energy can be temporarily stored in a battery or supplies the auxiliary consumers in the trailer, such as cooling, heating or tail lifts, during the journey. The SAF TRAKr is particularly well suited for use in refrigerated vehicles in which the refrigeration units are operated fully electrically. This helps to reduce fuel consumption and CO_2 emissions.

A unique technical feature of the TRAKr is the transmission used by SAF-HOLLAND, which also includes a differential that allows the torque to be distributed evenly over two axle shafts. This prevents one-sided loading or wear of one tire and additionally allows for twin tires.

Series production of the SAF TRAKr has taken place in 2023. In reporting year 2023, the development focus for the TRAK axle family was on expanding the range for North America and the start of road testing in full electric mode.

The second electrified axle developed by SAF-HOLLAND, the SAF TRAKe, generates electrical energy – in addition to recuperation – through a high-voltage e-machine. The energy generated is also stored in a battery. With the additional energy, the SAF TRAKe supports the drive of the tractor unit when starting and accelerating. Particularly in demanding road conditions and on inclines, the SAF TRAKe provides for more traction and stability for the truck and trailer combination. Due to the all-electric drive, noise and particulate matter emissions can be reduced significantly despite the additional weight of the axle, which is particularly advantageous for traffic in inner cities and urban centers due to the legal limits.

Compared to the TRAKr, the SAF TRAKe is still in the development stage and the focus is currently on testing the axle in the field.

Fifth wheel HOLLAND FW35

The fifth wheel HOLLAND FW35 is a fifth wheel that has been systematically developed over generations and is characterized by a long service life and low operating costs. In the year under review, the focus of development was on efficiency improvements and technological enhancements to this fifth wheel. For example, the casting was optimized to reduce weight and improve its geometry and manufacturability. Development activities were also carried out to integrate intelligent systems with a view to future automatic coupling.

New generation landing gear platform

Landing gear are used when a trailer is coupled and uncoupled and enable a trailer to be parked without a tractor unit. The latest development activities are aimed at creating a new generation of products on a global platform. The first field trials with customers took place in reporting year 2023.

NEW AIR DISC BRAKES FOR TRUCKS

ModulT is a tried-and-tested air disc brake for trailers and tractor units. To further expand the product portfolio of air disc brakes for trucks, the focus was on developing additional variants in order to be able to offer customers all brake sizes. These new disc brake systems are scheduled to go into series production in the third quarter of 2024 and in 2025.

Tire pressure monitoring system Tire Pilot I.Q.

Another development focus of SAF-HOLLAND is on tire pressure monitoring systems. In Europe, such systems that inform the driver in the event of a loss of pressure in the tire will become mandatory in trailers as of July 2024 due to the amendment of the UN ECE R 141 regulation. The SAF-HOLLAND Group has developed the SAF TIRE PILOT I.Q system, which permanently monitors tire pressure and automatically inflates the tire if necessary. The software-controlled system helps to save fuel and reduce tire wear. With the imminent mandatory use in Europe, the development focus was on adapting the current technology to future specific requirements and integrating additional required functionalities.

STRATEGIC COOPERATION WITH CUSTOMERS AND RESEARCH INSTITUTIONS

SAF-HOLLAND works closely with its customers in all areas of product development but also with research and development institutes, suppliers, and other external partners. Customer requirements can thus be addressed directly and taken into account already during the development of new products and technologies, and development risks can be minimized. This ensures rapid marketing. For competitive reasons, we refrain from publishing the concrete contents of these development cooperations.

R&D EXPENSES

Research and development costs were EUR 38.4 million in fiscal year 2023. In addition, development costs in the amount of EUR 4.8 million were capitalized. In relation to Group sales, the R&D ratio (including capitalized development costs) amounted to 2.1% (previous year: 1.5%).

EMPLOYEES IN R&D

As of December 31, 2023, SAF-HOLLAND employed 300 people worldwide in research and development. This equates to around 5.1% of the workforce.

PRIORITY APPLICATIONS

SAF-HOLLAND again recorded a double-digit number of priority applications in fiscal year 2023 with 14 new applications. A priority application is the first application for a patent or patent family at a patent office. As a rule, this is accompanied by a number of further partial or supplementary applications.

Multi-period overview of research and development

	2023	2022	2021	2020	2019
R&D expenses including capitalized development costs (in EUR million)	38.4	23.2	20.2	22.3	25.7
R&D ratio (expenses as a percentage of sales)	2.1	1.5	1.6	2.3	2.0
Capitalization rate (as a percentage of R&D expenses)	12.4	20.9	16.1	12.5	19.2
Depreciation, amortization and impairment	-6.2	-2.8	-2.5	-6.2	-3.5
Number of employees in development, design and testing	300	188	168	166	177
Number of priority applications	14	12	12	15	24

PRODUCTION

At the end of 2023, the SAF-HOLLAND Group had 25 production sites worldwide. There are further smaller assembly sites. In addition, the Group serves its customers in the aftermarket business through an extensive global network of spare parts and service stations, dealers and workshops, thus ensuring the timely supply of spare parts. An overview of the Group's international manufacturing network can be found on page 5 of the Annual Report.

CAPACITY EXPANSIONS AND EFFICIENCY-ENHANCING MEASURES

In fiscal year 2023, SAF-HOLLAND invested primarily in its production sites in Germany, India, Mexico and Sweden. In Germany, for example, a new welding line was installed in Plant 3 at the Bessenbach site starting in the first quarter of 2023. Compared to the previous systems, this welding line enables a 50% increase in the number of axles that can be manufactured. In addition, the line has full enclosure, which significantly reduces noise and welding gas emissions.

In Mexico, SAF-HOLLAND built a new production site for fifth wheels in Piedras Negras. The building was completed in August 2023 and work began on equipping the plant with a welding and assembly line. Due to the convenient location of the new site near the border to the United States, both Mexican and US customers can be supplied from there. Pre-series production started in January 2024.

In India, SAF-HOLLAND relocated production to a new production building at the Pune site in fiscal year 2023. The new building was commissioned in January 2023. Due to the full capacity utilization of the plant, a second expansion phase was carried out in September 2023 and additional axle assembly lines, a wheel hub assembly line and the first robot welding cell for axle beams were put into operation at the Pune plant. With this second expansion phase, SAF-HOLLAND has increased its production capacities for axles by around 100% compared to the previous year.

At the end of August 2023, the capacity for machining brake calipers at the plant in Landskrona/Sweden was increased by around 50%. Five new machining centers for double spindles with automated loading were put into operation here. The assembly lines have also been expanded.

QUALITY MANAGEMENT, PRODUCT QUALITY AND SAFETY

The main goal is to ensure that SAF-HOLLAND's products meet all of its customers' expectations and the quality requirements. Since customers' end products are often functionally critical, the Group pursues a consistent zero-defect strategy.

The SAF-HOLLAND Group operates globally. A key challenge is to know and understand the different customer requirements as well as the many different standards and market conditions. The Group uses a number of key performance indicators to measure quality, customer satisfaction and delivery performance. One important metric is the number of defective parts rejected by customers.

Root cause analyses are also carried out at the plant level and countermeasures are defined as required. This is supported by the QRQC (Quick Response Quality Control) method, in which all employees are regularly trained.

PURCHASING AND SUPPLIER MANAGEMENT

In addition to the central Global Sourcing organizational unit, purchasing at SAF-HOLLAND is carried out via regional units in the EMEA, Americas and APAC regions. This setup enables the regional and local purchasing teams to exchange information on specific local market conditions. SAF-HOLLAND thus ensures the achievement of competitive prices for goods and services and at the same time minimizes both supply bottlenecks and dependencies on individual suppliers. SAF-HOLLAND also pursues a multi-supplier strategy for all product groups, thereby expanding its sources of supply.

The availability of key primary products generally improved in the reporting period, with only the availability of brake calipers being significantly restricted in the second half of the year due to a major fire at a supplier's foundry. Availability returned to normal over the course of the fourth quarter. There were inflation-related price increases for components in 2023. These price increases were offset by lower raw material costs. The cost of purchasing electricity and gas was roughly at the same level as last year.

SUPPLIER MANAGEMENT AND STRUCTURE

The performance of suppliers is constantly monitored by the purchasing organization. Regular supplier evaluations are a key tool in this process. Criteria from the areas of quality, logistics and sustainability are used.

In addition to commercial aspects, the focus of selecting suppliers is on achieving a balance of consolidation of suppliers to reduce complexity and avoiding strong dependencies. In fiscal year 2023, the top 10 suppliers of the SAF-HOLLAND Group accounted for around 27% (previous year: around 26%) of the purchasing volume.

Information on meeting the additional requirements of the new supply chain due diligence law in Germany are explained in the separate Non-financial Report of the SAF-HOLLAND Group.

WORKFORCE

DECENTRALIZED ORGANIZATION, A COMPANY CULTURE THAT IS LIVED

The workforce of the SAF-HOLLAND Group makes a significant contribution to the success of the company. For this reason, personnel management and personnel development play important roles. The guidelines of the global human resources strategy as well as the internationally oriented organization form the framework for human resources management across the different locations. To promote a uniform company culture, the Group published a Culture Code in 2020 that is binding for all employees and sets out the Group's basic values and objectives in concrete terms. This was slightly revised following the acquisition of Haldex and is now binding for all employees in the Group.

Personnel management is organized on a decentralized basis. The decentralized organization takes the Group's international orientation into account and enables the individual sites to adapt flexibly to local conditions and contribute their specifications, especially with regard to regional expertise in personnel development and recruiting.

In Germany, Sweden, France and the United States, the interests of the workforce are represented by trade unions and works councils. In addition, employees at all sites have the right to freedom of association and collective bargaining.

PERSONNEL DEVELOPMENT AND DIVERSITY

Human resources work at SAF-HOLLAND focuses on the further development of its employees as well as on the recruitment of well-trained specialists and managers and on the training of talented young people. Digital learning opportunities are an integral part of the diverse further training measures. SAF-HOLLAND strives to build a culture of continuous learning. Qualified employees are increasingly becoming a key success factor in global competition. SAF-HOLLAND creates individual development opportunities for the professional success of its employees. Employees with high potential are offered attractive development opportunities as part of the training and continuing education programs.

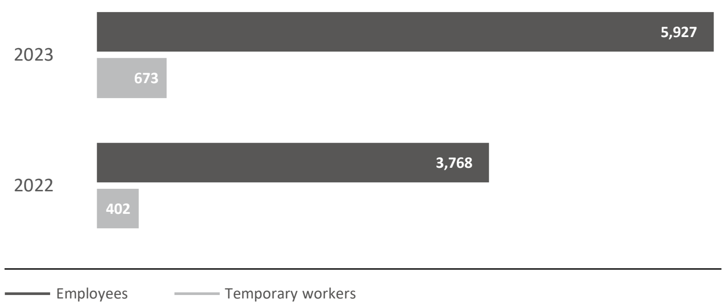
Another focus in 2023 was the integration of new colleagues into the SAF-HOLLAND Group following the acquisition of Haldex. In order to enable a mutual acquaintance and an initial exchange of ideas, workshops were held in Germany, Hungary, and the United States. In addition, the goal of the workshops was to create a basis of trust and to communicate the strategy of SAF-HOLLAND to future colleagues at Haldex. Product training courses were also held at SAF-HOLLAND and Haldex.

NUMBER OF EMPLOYEES INCREASED AFTER ACQUISITION OF HALDEX

As of December 31, 2023, SAF-HOLLAND employed 5,927 people worldwide. The number of employees thus increased by 57.3% compared to the previous year (3,768 employees). The total number of employees included 673 temporary and agency employees as of December 31, 2023 (previous year: 402).

Headcount development

December 31

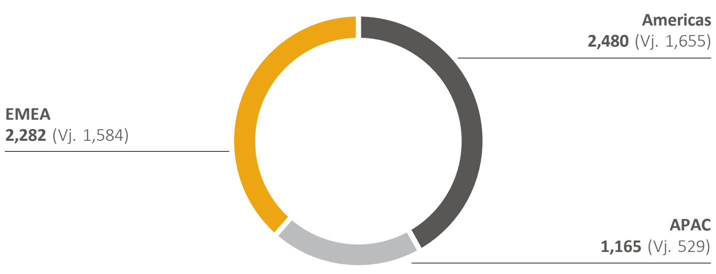


In the EMEA region, the number of employees rose to 2,282 as of December 31, 2023 (previous year: 1,584). This means that 44.1% (previous year: 42.0%) of the workforce was employed in this region. The increase is due to the acquisition of Haldex and the newly added locations, in particular Szentlőrinckáta/Hungary and Landskrona/Sweden.

The largest proportion of the Group's employees now work in the Americas region. As of December 31, 2023, this related to 2,480 employees (previous year: 1,655). The Americas region therefore accounts for 49.8% (previous year: 43.9%) of the Group's total headcount.

The APAC region had 1,165 employees as of December 31, 2023 (previous year: 529). This means that the share of employees in the total number of employees in the Group has also increased in this region (120.2% compared to 14.9% in the previous year).

Heacount by region 2023



OUTLOOK

ECONOMIC FRAMEWORK CONDITIONS

CONTINUOUS GROWTH AND RESILIENCE OF THE GLOBAL ECONOMY

The International Monetary Fund (IMF) expects the global economy to grow by 3.1% in 2024, the same level as in 2023. Growth would thus fall short of the historical annual average of 3.8% for the years 2000 to 2019. The IMF's forecast is based on the assumption that commodity and energy prices will fall in 2024 and interest rates in key economies will decline.

The IMF expects the eurozone to recover and grow by 0.9% in 2024 (previous year: +0.5%). This is based on the assumption that the decline in inflation and growth in real incomes will fuel the recovery. For Germany, the IMF expects a trend reversal and growth of 0.5% in 2023 (previous year -0.3%). Industrial production is also likely to be weakened in 2024 due to lower demand from trading partners. Geopolitical tensions such as the war in Ukraine and the conflict in the Middle East are slowing down international trade. Tight monetary policy due to inflation is also hampering economic growth.

According to the IMF, the world's largest economy, the United States, is likely to grow by 2.1% this year and is therefore expected to be slightly weaker than in the previous year (+2.5%). Growth in Brazil, the most important economy in South America, is also expected to be lower than in the previous year. The Brazilian economy is expected to grow by 1.7% in 2024 (previous year: 3.1%).

After the Chinese economy recorded solid growth in 2023 (+5.2%) following the expiry of strict lockdown measures to contain the COVID-19 pandemic, growth is expected to slow to 4.6% in 2024. In India, economic growth is forecast to remain at a high level, increasing by 6.5% (previous year: 6.7%).

Economic development in key markets

in %

	2023	2024
Eurozone	0.5	0.9
Germany	-0.3	0.5
United States	2.5	2.1
Brazil	3.1	1.7
China	5.2	4.6
India	6.7	6.5
World	3.1	3.1

Source: International Monetary Fund, World Economic Outlook Update, January 2024

INDUSTRY ECONOMY

With its products for the commercial vehicle industry, SAF-HOLLAND serves the Original Equipment Trailer, Original Equipment Truck and Aftermarket customer groups in particular, which are of varying importance in the respective regions. SAF-HOLLAND is active globally in the Original Equipment Trailer and Aftermarket customer groups. In 2023, the Original Equipment Trailer customer group represented 55.1% and the Aftermarket business 31.2% of Group sales. The Original Equipment Truck customer group, which generates most of its sales in the Americas region, accounted for 13.7% of Group sales.

WEAKENING DEVELOPMENT IN MANY COMMERCIAL VEHICLE MARKETS

Following several years of high demand and a largely positive trend in 2023, many commercial vehicle markets are now expected to slow down.

According to a study published in the fourth quarter of 2023, the research institute Clear anticipates only slight growth of around 1% in the trailer market in **Europe.** A recovery in this market will be hampered by a difficult macroeconomic environment and the ongoing war in Ukraine. Accordingly, and based on the Group's current demand situation, SAF-HOLLAND expects the European trailer market to decline by around 10 %. The market for heavy trucks had a strong year in 2023, but according to estimates by the research institute IHS Markit, around 15 % fewer heavy trucks will be manufactured in Europe in 2024.

According to the research institute ACT, the **North American** markets for trailers and heavy trucks will see declines in 2023. A decline of around 22 % is expected in the trailer market. In the market for heavy trucks, which is of greater importance to SAF-HOLLAND in North America, the decline is expected to be up to 16 %. It should be noted that both markets have been at a very high level in recent years.

Consolidation is also expected to take place in the **Brazilian** trailer market in 2024. After the trailer market recorded growth in 2023, SAF-HOLLAND expects the market to remain at this level. According to Anfavea (Associação Nacional dos Fabricantes de Veículos Automotores), the market for heavy trucks is expected to grow by around 36 % this year following declines in the previous year.

According to SAF-HOLLAND's estimates, the **Chinese** commercial vehicle markets should continue to develop positively this year. Growth of around 10 % is expected in both the trailer and truck markets.

The trailer market in **India** recorded high growth in the past year. SAF-HOLLAND expects the market to grow by around 10% in 2024. A slight decline of around 5 % is expected in the market for heavy trucks.

FORECAST OF THE COMPANY'S DEVELOPMENT

FUTURE DEVELOPMENT OF THE SAF-HOLLAND GROUP

During the reporting period, SAF-HOLLAND made significant progress towards implementing its long-term company strategy and realizing the company's goals, particularly through the acquisition of Haldex AB. The megatrends of electrification, autonomous driving, digitalization and road safety will continue to shape the future development of the commercial vehicle market as well as the Group's technological prospects and growth opportunities. Strategy 2025 and the derived medium-term financial targets for 2027 form the basis for the company's further development.

When preparing the forecast for fiscal year 2024, SAF-HOLLAND takes the analysis of potential opportunities and risks in addition to the expected macroeconomic and industry environment described above into account. The assumptions in this outlook also assume an unchanged structure and composition of the SAF-HOLLAND Group.

GROUP SALES CHARACTERIZED BY MARKET SLOWDOWN

The Management Board currently assumes that demand for components for commercial vehicles will vary from region to region in 2024. Nevertheless, targeted gains in market share are unlikely to fully compensate for the negative effects of the market slowdown in the core markets of EMEA and North America. In contrast, the aftermarket business is currently expected to remain stable to slightly positive based on the increased population from the original equipment deliveries of previous years. Overall, the Management Board expects the SAF-HOLLAND Group to generate Group sales of around EUR 2,000 million in fiscal year 2024 (previous year: EUR 2,106.2 million) based on stable exchange rates. This includes a positive contribution to Group sales growth from the pro rata acquisition-related effect from the acquisition of Haldex AB, which was completed on February 21, 2023. In addition, the either completed or planned acquisitions of IMS Group B.V. and Tecma Srl. are expected to contribute to Group sales in the low double-digit million-euro range.

ADJUSTED EBIT MARGIN EXPECTED TO REMAIN AT A HIGH LEVEL

The development of sales volumes, the product mix between standard products and specialty solutions as well as the segment mix between the original equipment and aftermarket business have a noticeable effect on the development of SAF-HOLLAND's margin. Other relevant influencing factors include the cost of materials, personnel and energy, as well as price enforcement.

For 2024, the Management Board of SAF-HOLLAND SE assumes that profitability will be positively influenced in particular by the stable aftermarket business and corresponding efficiency measures as part of the operational excellence system "SAF-HOLLAND Way." In addition, further cost synergies are expected to be realized through the acquisition of Haldex. On the other hand, lower sales volumes and higher wage, IT and freight costs are likely to have a negative impact. Accordingly, the Management Board anticipates an adjusted EBIT margin for the Group of between 9.0 to 9.5% (previous year: 9.6%).

INVESTMENTS IN GROWTH AND R&D OF UP TO 3% OF GROUP SALES

In order to achieve its medium and long-term growth targets and to position the company for the future in terms of its products, the Group plans to make payments for investments of up to 3% of Group sales in fiscal year 2024 (previous year: 2.9%). Compared to other companies in the commercial vehicle supply industry and the automotive supply industry in particular, the business model is therefore significantly less investment-intensive (asset-light).

Besides investments in improvements to the production network, the planned expenditure will also be spent on automation projects and improving process efficiency in production. The Group is also further expanding its capacity to produce disc brake systems. With the roll-out of SAP S/4 HANA as the ERP system planned for the coming years, the company is setting yet another investment focus. This will create global standards and implement best practice processes with maximum synergy potential across the Group.

Group forecast

Sales	around EUR 2,000 million
Adjusted EBIT margin	9.0 – 9.5%
Investment ratio	≤ 3%

OVERALL STATEMENT BY THE MANAGEMENT BOARD ON THE EXPECTED DEVELOPMENT

At the time of preparing the Combined Management Report 2023, the Management Board expects SAF-HOLLAND to be able to successfully assert itself in a weaker truck and trailer market in 2024 as well. With the help of the strengthened technology and portfolio position together with Haldex, a less cyclical aftermarket business, contributions from new products and the targeted further market share gains, the Management Board feels the company is promisingly positioned.

Although demand in the core markets of EMEA and North America in the truck and trailer market should continue to normalize, SAF-HOLLAND feels it is in a solid position for fiscal year 2024. The aftermarket business in particular, which accounted for around 31% of Group sales in fiscal year 2023, should strengthen the Group's resilience, resulting in a moderate decline in sales to around EUR 2,000 million (previous year: EUR 2,106.2 million).

In addition, SAF-HOLLAND is focusing on further cost optimization in order to achieve attractive profitability even in a weaker market environment. For example, expected increases in personnel costs are to be at least partially offset by realizing corresponding improvements in productivity. In addition, a high cost of materials ratio means that the company can react flexibly to fluctuations in demand. Overall, the Management Board of SAF-HOLLAND SE expects to achieve an adjusted EBIT margin of between 9.0 to 9.5% (previous year: 9.6%).

In the long term, demand for SAF-HOLLAND products should benefit from megatrends such as greater urbanization, electrification, digitalization, sustainability and a further increase in mobility in the commercial vehicle sector. SAF-HOLLAND is therefore aiming to increase Group sales to EUR 2,400 – 2,500 million in 2027.

At the same time, the company should be able to achieve profitability, measured in terms of the adjusted EBIT margin, of between 9.0% and 9.5% both within a market cycle and in 2027.

SAF-HOLLAND has a solid balance sheet structure and sufficient financial resources so that a further improvement in the gearing ratio and an attractive return on capital employed of at least 15% can be expected in the long term. At the same time, a net working capital ratio of 15-16% and an appropriate investment ratio of up to 3% of Group sales should also be achieved in the long term through a strict focus on capital tied up in current assets.

RISK AND OPPORTUNITY REPORT

As an international supplier to the commercial vehicles industry, SAF-HOLLAND is faced with a range of opportunities and risks that arise from the Group's business activities, its business strategy and its market environment. On the basis of the systematic management of opportunities and risks, SAF-HOLLAND pursues the goal of identifying opportunities and risks as early as possible, assessing them appropriately and taking appropriate action to mitigate or avoid risks and exploit opportunities.

ORGANIZATION OF RISK MANAGEMENT AND RESPONSIBILITIES

The risk management of SAF-HOLLAND comprises all of its activities for the systematic management of risks. In this regard, risks are recognized and analyzed at an early stage using a uniform system, from which measures are derived to optimize the risk position. Risk management is a central element of Group-wide corporate governance.

The Management Board of SAF-HOLLAND SE is responsible for ensuring an effective risk management system. Anchoring risk management within Group Controlling allows the risk management system to be holistically integrated into the planning and reporting process. In applying the risk management instruments, the main focus is on assessing any possible deviation in the performance indicator EBITDA (Group earnings before interest, taxes, depreciation and amortization). This focus is a result of the fact that SAF-HOLLAND's risk-bearing capacity is determined from its compliance with the financial covenant "net financial debt to EBITDA" of the syndicated loan agreement concluded recently in 2022 and the two term loans to finance the acquisition of Haldex. A breach of the financial covenant could result in the loan amounts becoming due. In this case, the Group's liquidity and financial independence would be uncertain. In addition to EBITDA, the risk management system also identifies and assesses risks that concern the result for the period in order to ensure that risk is viewed in a holistic manner.

The primary responsibility for risk, risk identification, and risk management along the value chain is decentralized and lies with the functional managers in the operating units and the central departments. The company's risk manager is responsible for defining and further developing processes and coordinating their implementation. The risk manager prepares quarterly risk reports and coordinates the assessment of risk-bearing capacity. The risk manager also receives the ad hoc notifications and forwards these without delay to the Management Board.

The Supervisory Board's responsibility is to monitor the effectiveness of the risk management system. In addition, monitoring the compliance of the Group entities and Group departments with the Group's internal risk management policies is integrated into the routine audit activities of the Internal Audit department.

PROCESS OF COMPANY-WIDE RISK MANAGEMENT

The risk management process at SAF-HOLLAND comprises the core elements of risk recognition, risk assessment and risk management and monitoring. This process is fully mapped in an integrated software solution. With this tool, the risk owners record and assess the risks that have been identified. The software is then used to review and approve the risks at the next level of the hierarchy and, depending on the risk category, escalate them for approval by the heads of the respective functions at the Group level. The process of risk identification, assessment and management is accompanied by the continuous monitoring and communication of the reported risks by the risk owners.

Risk identification at SAF-HOLLAND is carried out by the risk officers and the risk managers at the company, regional and Group level at the end of each quarter. It is their duty to regularly assess whether all risks have been recorded. The company's risk manager initiates the quarterly risk survey process.

As part of the risk assessment process, the risks identified are assessed using systematic evaluation procedures and quantified both in terms of financial impact and probability of occurrence.

Appropriate risk mitigating control measures are developed, initiated and their implementation is monitored as part of risk management. The strategy or goal is to avoid, reduce or hedge against risks. This requires the development of measures that mitigate the financial impact or probability of occurrence of risks. The Group's risks are managed in accordance with the risk management principles described in the Group's risk management policy.

The Group-wide recognition and assessment of risks is reported regularly to the Management Board, broken down by risk category and region. The Supervisory Board is informed at least once a year of the risk position of the Group. In addition, risks identified within a quarter that have a net expected value exceeding one million euros are reported ad hoc to the Management Board

In order to analyze the overall risk position of SAF-HOLLAND and initiate appropriate countermeasures, individual risks at the local business units, the business segments and Group-wide risks are aggregated into a risk portfolio. The scope of consolidation for risk management corresponds to the scope of consolidation used for the Consolidated Financial Statements. This allows individual risks to be aggregated into risk categories. In addition to facilitating individual risk management, this aggregation also allows for trends to be recognized and managed, thus allowing the risk factors for certain risk categories to be influenced and reduced. Unless stated otherwise, the risk assessment applies to all three regional segments.

THE RISK PROFILE OF SAF-HOLLAND SE

As part of the preparation and monitoring of the risk profile, risks at SAF-HOLLAND are assessed based on their financial impact and their probability of occurrence. The financial impact of risks is quantified on the basis of their impact on the Group's earnings before interest, taxes, depreciation and amortization of property, plant and equipment and intangible assets (EBITDA) after taking risk mitigation measures into account. The following five categories are used:

— less than EUR 400 thousand
— more than EUR 400 thousand and less than EUR 1,500 thousand
— more than EUR 1,500 thousand and less than EUR 3,000 thousand
— more than EUR 3,000 thousand and less than EUR 5,000 thousand
— more than EUR 5,000 thousand

The probabilities of occurrence used in the risk assessment are broken down into the following six categories:

— 0% to 5%
— 5% to 20%
— 20% to 35%
— 35% to 50%
— 50% to 75%
— 75% to 100%

Depending on the severity of the impact and probability of occurrence, SAF-HOLLAND classifies risks into A, B and C risks.

	Propability					
Impact	Extremly unlikely 0 – 5 %	Very unlikely 5 – 20 %	Unlikely 20 – 35 %	Likely 35 – 50 %	More likely than not 50 – 75 %	Very likely 75 – 100 %
More than EUR 5,000,000	B	B	A	A	A	A
Up to EUR 5,000,000	B	B	B	B	A	A
Up to EUR 3,000,000	C	B	B	B	B	A
Up to EUR 1,500,000	C	C	C	B	B	B
Up to EUR 400,000	C	C	C	C	C	C

A B C

OVERVIEW OF SIGNIFICANT BUSINESS RISKS

	Risk rating			YoY change
Risk	A	B	C	
Project and process risks				
Cybersecurity deficiencies		x		→
Business interruptions due to IT failures		x		↑
Supply chain disruptions		x		→
Pandemic		x		↑
Strikes		x		↑
New assembly line in Mexico			x	↓
Risks and opportunities from the Haldex transaction			x	↓
Strategic risks/elementary risks				
Russia-Ukraine conflict		x		↓
Economic, political and geopolitical environment	x			↑
Compliance risks				
Data protection		x		→
Financial and reporting risks				
Exchange rate risks		x		↑
Assessment risks (EAT risks)		x		↑
Interest rate risks (EAT risks)			x	↓

All of the risks in the risk portfolio are classified to one of the main risk categories in order to consolidate and present the overall risk position in a clear manner. These categories are based on the globally recognized framework of the "Committee of Sponsoring Organizations of the Treadway Commission" (COSO):

— Strategic risks/elementary risks
— Compliance risks
— Process and project risks
— Financial and reporting risks

The risks that could have the most detrimental impact on the asset, financial and earnings position, as well as the reputation of SAF-HOLLAND over the next four years, measured in terms of the relative extent of risk, are described below. The order of the risks presented reflects the current assessment of the relative extent of risk for SAF-HOLLAND in descending order and therefore provides an indication of the current significance of these risks for the company.

In addition, the company is also exposed to other risks that due to their probability of occurrence and/or potential impact do not currently result in their classification as A or B risks.

Significant risks from SAF-HOLLAND's current risk profile:

Deterioration in the economic, political and geopolitical environment – Level A risk – Strategic risks/elementary risks
With operations worldwide, SAF-HOLLAND's business is dependent on global economic developments. An economic downturn – particularly in the markets important to SAF-HOLLAND – could result in the company falling

short of its sales and earnings targets. Risks could also arise from political and social changes, particularly in the countries where SAF-HOLLAND manufactures and/or markets its products.

The expectations of market research institutes with regard to the truck and trailer production figures forecast for 2024 for the most important regions for SAF-HOLLAND, North America and Europe, are characterized by a recession scenario that cannot be ruled out in the further course of 2024. In light of these forecasts, SAF-HOLLAND's sales and earnings targets assume a scenario of a moderate 5% to 15% decline in the number of heavy trucks and trailers produced for both core regions. Significantly weaker-than-expected production figures from manufacturers (OEMs) would present the risk of a negative impact on the originally planned development of sales and earnings. In the past, SAF-HOLLAND's business model has proven to be very resilient in this volatile market environment, primarily based on the high-margin aftermarket business. As long as the deviations remain within the usual volatility of demand of +/- 10% to 15%, the scope of this risk is assessed as limited.

Trade and customs disputes and trade restrictions, especially between the United States and China, could have a negative impact on global trade and, in turn, on global economic growth. These could result from political tensions or trade conflicts between individual countries or regions, leading to short-term or unforeseeable decisions which could have an impact on sales and results of operations as a result.

The conflict in the Middle East and the tense security situation surrounding the Suez Canal are also contributing to uncertainty on the markets.

Irrespective of the evaluated scenarios and possible reactions in this complex risk field, these developments could have a negative impact on SAF-HOLLAND's sales and margin development.

The risk has increased compared to the previous year and is now reported under A risks.

Russia-Ukraine conflict – Level B risk – Strategic risks/elementary risks
Against the backdrop of the war in Ukraine, the overall political situation remains tense, especially in the EMEA region. The ongoing conflict could lead to a further deterioration in economic growth and, consequently, in the demand for trucks and trailers.

There could also be indirect effects on sales in other countries. For example, western European fleet operators often sell their trailers to Russia after they reach a certain age. As this sales channel is no longer be available, due to the sanctions in force, fleet operators could be forced to use their vehicles for longer and postpone new purchases.

In addition, there is a risk that the assets or subsidiaries of Western companies could be seized or nationalized by the Russian government as part of retaliatory measures. SAF-HOLLAND is present in Russia through its three subsidiaries. Investments in a new plant in Russia were suspended immediately after the breakout of the war and will continue to be suspended until further notice. Nevertheless, there is a risk that there could be a related impairment required on the subsidiary's assets. The carrying amount of the investments in non-current assets in Russia amounted to EUR 2.7 million as of the December 31, 2023, reporting date. Impairment losses on fixed assets in the amount of EUR 2.7 million were recognized in fiscal year 2023. The short-term assets of the Russian companies of the SAF-HOLLAND Group amounted to EUR 26.4 million as of the December 31, 2023, reporting date. Based on the Group's current knowledge, it does not see any material need to make an impairment on current assets.

This year, the risk is reported under B risks.

Cybersecurity deficiencies – Level B risk – Process and project risks
Information technology (IT) is a key element of the business model. SAF-HOLLAND relies on its systems running efficiently without any disruptions. In addition, the company depends on IT services from third-party providers. There has been an increase in cybersecurity threats over the past several years as well as in the sophistication of cyber criminals. This represents a risk to the security of computer systems, networks and products as well as to the privacy, availability and integrity of data. The IT environment could become compromised, by attacks on the networks or those of the IT service providers or from social engineering, data manipulation to critical applications or the loss of critical resources, for example.

There can be no guarantee that the measures taken by the company or its IT service providers to safeguard uninterrupted and efficient operations (firewalls, penetration testing, etc.) can successfully ward off these threats in all circumstances. Such attacks can have a detrimental effect on business operations and especially on smart factories, which have a comparatively high degree of automation.

Risks associated with cyber risks that have a direct impact on products and services can also have negative effects. SAF-HOLLAND distributes, among other items, products and systems with integrated digital and mechatronic solutions, but also offers digital and mechatronic solutions itself, such as the TrailerMaster information system, sensors in its products or electric trailer axles. If such products, systems or solutions would become compromised or impaired, due to a cyber-attack, by interruptions, including by any of the possible incidents described above, a liability to pay damages to customers could arise and the company's reputation could suffer.

Moreover, there is a risk that confidential data or private information, including third-party data, are leaked, stolen, manipulated or compromised in some other way, including any of the other potential security issues referred to above.

If information pertaining to intellectual property is lost or stolen due to a data breach, this could have a negative impact on the competitive position and on the earnings position.

If confidential or private data is compromised, the company could be confronted with contractual penalties or official fines or other sanctions under non-disclosure agreements or data protection legislation and regulations could be imposed.

Cyberattacks or other disruptions could also result in intentional unlawful access to or use of the company's locations or systems. They could also result in production outages or supply shortages. Such incidents could have an adverse impact on the company's reputation, competitiveness and the earnings position.

SAF-HOLLAND attempts to mitigate these risks using a range of measures, including employee training, cybersecurity teams to monitor networks and systems, and maintaining back-up and security systems such as firewalls and virus scanners.

At the end of March 2023, SAF-HOLLAND announced that the company's IT systems had been the target of a cyberattack. From SAF-HOLLAND's perspective, the company's current security systems have proven their worth overall. The risks from the area of IT continue to be reported under the B risks.

IT risks from failures of IT infrastructure or IT application landscape components – Level B risk – Process and project risks

Information technology risks that could lead to productivity losses could also result from the failure of IT infrastructure components (networks, data centers, hardware components, cloud operations/infrastructure as a service). Such failures could arise from an outdated IT infrastructure or from the sheer diversity of hardware components due to past company acquisitions. Components in the IT application landscape can fail due to a heterogeneous application landscape resulting from the absence of an overarching application architecture, a lack of common guidelines, and inadequate monitoring. Too few or inadequately qualified personnel could also have a negative impact.

SAF-HOLLAND mitigates such risks by establishing a medium-term replacement program for critical IT components and by having contracts in place with suppliers for extended maintenance. SAF-HOLLAND also works to mitigate these risks by harmonizing its IT infrastructure and acquiring additional, qualified personnel.

The assessment of this risk was adjusted compared to the previous year and is now categorized as a Level B risk.

Risks of non-compliance with data protection requirements – Level B risk – Compliance risks

As a globally operating company, SAF-HOLLAND is subject to a broad spectrum of legislative and regulatory requirements in a range of different jurisdictions, which have a significant influence on its daily operations and processes. Any legal action whatsoever taken against the company related to breaches of data protection requirements could result in painful penalties.

In order to mitigate this risk, a data protection officer is available to SAF-HOLLAND employees and provides support through appropriate training and specific rules of conduct.

This risk remained unchanged compared to the prior year and continues to be categorized as a Level B risk.

Supply chain disruptions – Level B risk – Process and project risks
The globally strained supply chains for raw materials, intermediate products and energy, results in a continued risk of supply chain disruptions.

In particular, disruptions to trade routes can also have a significant impact on timely availability and the related procurement and logistics costs. The tense security situation surrounding the Suez Canal and the restrictions on shipping traffic on the Panama Canal should be mentioned in this regard.

This risk remained essentially unchanged compared to the previous year.

Interest rate risks – Level B risk – Financial and reporting risks – EAT (earnings after tax) risks
SAF-HOLLAND constantly invests in new concepts for a successful and sustainable future. To this end, a wide variety of development projects are being advanced and capitalized in accordance with accounting regulations. There is always a latent valuation risk if individual projects are not continued. The reasons for this could be either deteriorating prospects of success or, for example, a change in market demand. The valuation is reviewed on a regular basis.

This risk was not categorized as a Level A or Level B risk in the previous year.

Work stoppages/strikes - Level B risk - Process and project risks
Several collective agreements and works agreements relevant to SAF-HOLLAND will expire in 2024 and 2025. There is therefore a risk of work stoppages during this period. In Germany in particular, trade unions are attempting to compensate for the real wage losses caused by higher inflation in recent years by making corresponding wage demands. Various trade unions are currently increasingly resorting to longer warning strikes.

Strikes by other professional groups could also lead to a short-term interruption of production at individual locations, by blocking transport routes, for example.

The risk was not listed under A or B risks in the previous reporting period.

Exchange rate risks – Level B risk – Financial and reporting risks
Due to the international nature of its business activities, the Group is exposed to foreign currency risks from investments, financing and operations. The individual subsidiaries conduct most of their operations in the respective local currencies. In the event of a devaluation of the US dollar against the euro, however, the earnings contribution to the risk management indicator EBITDA of the Group companies invoicing in US dollars would be reduced as a result of currency translation. However, since the raw materials purchased by the Group are predominantly traded in US dollars, a depreciation in the US dollar against the euro would simultaneously result in lower purchasing prices, which would result in a positive contribution to earnings. SAF-HOLLAND permanently monitors its net financial positions in foreign currencies so that it can hedge them if necessary.

This risk remained essentially unchanged compared to the previous year.

Pandemic – B risk – Process and project risks
The probability of occurrence for this risk is estimated to be extremely low. However, should it occur, the potential impact could be considerable, meaning that this risk is listed under B risks.

However, SAF HOLLAND's business model has proven to be resilient in the volatile market environment of recent years (including COVID-19).

In the previous year (C risk), the risk was mainly considered in terms of COVID-19 and is therefore not directly comparable.

The following risks were reported as Level A and Level B risks in the prior year and categorized as Level C risks this year:

Risks from the integration of Haldex – Level C risk – Project and process risks
With the acquisition of Haldex in 2022, SAF-Holland acquired a company that reached around a quarter of the combined sales of both companies.

Due to the ongoing integration, the risk is no longer reported separately this year, but is part of the normal risk and opportunity reporting.

Interest rate risks – Level C risk – Financial and reporting risks – EAT (earnings after tax) risks
SAF-HOLLAND is exposed to interest rate risks as a result of its financing activities. Market-induced changes in interest rates can particularly have an influence on the interest burden from variable-rate loans and bonds. Changes in interest rates influence interest expenses and interest-related cash flows. To help finance the acquisition of the shares in Haldex AB, SAF-HOLLAND increased its financial liabilities in 2022 as planned. Net financial liabilities before leasing amounted to EUR 382.4 million as of December 31, 2023 (previous year: EUR 472.2 million).

The Group uses derivative financial instruments such as interest rate swaps and caps to hedge risk positions arising from interest rate fluctuations. The Group's internal target is to hedge approximately 70% of its risk-bearing positions.

The risk is considered to be lower than in the previous year, as interest rates are currently easing slightly. In addition, net financial liabilities before leasing have declined.

Project-related risks from new assembly line in Mexico – Level C risk – Project and process risks
To support the strategic goals, a new assembly line for fifth wheels is currently being expanded further at the Mexican location in Querétaro for the North American aftermarket.

This risk is now reported under C risks due to the ongoing expansion of the plant as planned.

OVERALL STATEMENT OF THE MANAGEMENT BOARD: NO RISKS THAT WOULD JEOPARDIZE SAF-HOLLAND'S VIABILITY

The general risk situation of the SAF-HOLLAND Group did not change significantly in fiscal year 2023. From today's perspective, there are still no risks that, individually or in combination, could lead to the excess indebtedness or insolvency of the company. SAF-HOLLAND's maximum risk-bearing capacity is determined on the basis of its compliance with the financial covenant "net financial debt to EBITDA" attached to the syndicated loan agreement concluded on June 6, 2022, as well as to the two term loans to finance the acquisition of Haldex. Compliance with the financial covenant is monitored continuously so that appropriate measures can be taken at an early stage if necessary and to avoid the breach of any covenants.

OVERVIEW OF SIGNIFICANT OPPORTUNITIES

The opportunity management system used by the SAF-HOLLAND Group is based on the risk management system. The objective of opportunity management is to recognize potential opportunities arising from positive developments in our business as early as possible and seize them as well as possible by taking appropriate measures. Seizing such opportunities will ensure that the targets planned are met or even outperformed. As part of opportunity management, realizable opportunities are considered that have not yet been used as planning inputs.

OPPORTUNITIES FROM THE ACQUISITION AND SUCCESSFUL INTEGRATION OF HALDEX – PROJECT AND PROCESS OPPORTUNITIES

By acquiring Haldex, SAF-HOLLAND has gained extensive capabilities in the technology areas of software engineering, sensor technology and electronic control, and thereby paying heed to the megatrends of electrification, (semi-)autonomous driving and digitalization. With Haldex, SAF-HOLLAND is creating a leading systems supplier for "Smart Trailers." In the future, the Group will offer customers integrated solutions for axle and suspension systems combined with telematics and EBS control-based, predictive maintenance functions as well as intelligent added functions such as theft warning systems and tire pressure monitoring from a single source. This opens up new added growth opportunities for SAF-HOLLAND.

The acquisition also strengthens SAF-HOLLAND's position in the less cyclical, high-margin aftermarket business.

SAF-HOLLAND initially expected potential synergies of more than EUR 10 million per year from the acquisition of Haldex. As part of the "Capital Markets Brush-up" information event in January 2023, SAF-HOLLAND quantified the targets for the anticipated net synergies (after offsetting transformation expenses) at EUR 10-12 million for 2023, with an increase to EUR 25-35 million for 2027.

Due to the ongoing integration, this topic is no longer reported separately this year, but is part of the normal risk and opportunity reporting.

STRONGER-THAN-EXPECTED DEMAND FOR TRUCKS AND TRAILERS WORLDWIDE – STRATEGIC OPPORTUNITIES

Should the general economic environment develop better than expected, our assumption is that demand for new trucks and trailers will also be stronger than we expect. Improved economic development generally leads to higher demand for transport capacity.

The forecasts of market research institutes for 2024 assume a decline in truck and trailer production in North America and Europe, the most important regions for SAF-HOLLAND. These forecasts are based on the assumption of a possible recession over the course of the year. If the performance of the economy is more robust than expected or recovers faster than expected, these forecasts could prove to be too cautious. Market share gains in the e-commerce sector could also result in positive effects.

The Eastern European market, which accounts for more than one-third of the total market in terms of new European trailer registrations and includes high-volume trailer production and sales markets such as Poland, Turkey and Russia, recorded significant decreases in 2022 resulting from the war in Ukraine. An end to the military conflicts in the region could result in a sudden dynamic surge in demand by unlocking a significant degree of pent-up demand. Consequently, Group sales could develop better than expected, enabling SAF-HOLLAND to benefit from a positive effect on earnings due to economies of scale.

SUPPORT FROM GLOBAL MEGATRENDS AND GROWTH IN INTERNATIONAL FREIGHT TRANSPORT – STRATEGIC OPPORTUNITIES

Several global megatrends are benefiting the long-term development of worldwide freight transport and, in turn, the markets for trucks and trailers. The growing world population, especially in developing and emerging countries, and the globalization of the economy are leading to an increasing exchange of international goods. A global transport infrastructure is vital to supporting this. Urbanization is also drawing an increasing number of people to cities. Trucks and trailers are the most important means of transportation for supplying major cities.

The long-term growth of the social middle class is another aspect, especially in the Asia-Pacific region. As incomes rise, the purchasing power of the global middle class is set to increase in the years ahead and lead to higher freight volumes.

CONTINUOUS GROWTH IN DEMAND FOR SPARE PARTS – STRATEGIC OPPORTUNITIES

Fleet sales in recent years, especially in SAF-HOLLAND's core markets of Europe and North America, have resulted in larger fleet sizes in these markets. With the increasing age of these vehicles, the demand for spare parts is also rising and is expected to continue to rise in the years ahead, regardless of the development of the original equipment business. With margins in the aftermarket business generally higher than in the original equipment business, this development should have a positive effect on the Group's profitability in the medium term.

Through its trademarks SAUER QUALITY PARTS and Gold Line, SAF HOLLAND has opened up a further segment within the aftermarket. SAF-HOLLAND is supplying parts to trucks and trailers in what is known as the "second life" marketplace with a tailored brand that offers more cost-effective parts specially designed for comparatively older vehicles. This opens up additional sales potential, particularly in the emerging markets, which have a high number of older vehicles on the roads. This is because the company can deliver the special qualities that characterize trucks and trailers in these countries: robustness, reliability and a favorable price.

OPPORTUNITIES FROM INDUSTRY-SPECIFIC MEGATRENDS – STRATEGIC OPPORTUNITIES

Autonomous driving, digitalization and alternative drive concepts open up growth opportunities for SAF-HOLLAND in the medium to long term. In the area of autonomous driving, the Group already presented the SAF-HOLLAND Automated Coupling (SHAC) concept study at the IAA Commercial Vehicles in 2018. In close cooperation with development partners, the Group is working on the development of a pilot vehicle in order to subsequently test it in cooperation with truck manufacturers. The ambitious goal is for automated coupling systems to be used on public roads outside of closed logistics sites. Since the highest safety standards of ASIL (Automotive Safety Integrity Level) Level D apply to this, SAF-HOLLAND is assuming that an intensive test phase will take place by 2025 before the system is ready for the market.

The Group offers digitization solutions for fleet managers via its UK subsidiary, Axscend. The TrailerMaster information system provides operating data in real time and enables fleet managers to better utilize their resources. From SAF-HOLLAND's perspective, the most important functionalities that can be integrated include lighting function control, load testing and optimization, maintenance condition testing, data evaluation from the tire pressure control system and electronic braking systems (EBS), patented performance data and the condition evaluation of the brake system – which in the UK exempts operators from the obligation to have their trailers tested on test beds – and GPS data transmission for trailer tracking.

The TRAKr and TRAKe axles complement the classical axle by adding a centrally installed electric motor. In the TRAKr system, this motor acts solely as a generator to recuperate energy during braking that can then be used to power electrical aggregates in the trailer. In the TRAKe system, the power generated by the system can be used to power the electrical motor itself, so that the axle contributes to the drive of the trailer. Both solutions take load off the combustion engine in the tractor unit, thereby making an active contribution to reducing CO_2 emissions. In addition, the extra drive in the trailer will improve the range of electrically powered trucks. At the same time, logistics companies operating in urban environments benefit from the systems. TRAKr allows a trailer with an electrically powered and battery supported cooling system and refrigerated goods to be parked in an urban area, as the system can function without a running combustion engine.

OPPORTUNITIES FROM NEW REGULATORY REQUIREMENTS – STRATEGIC OPPORTUNITIES

New standards for commercial vehicles in China

The registration requirements for commercial vehicles in China have been tightened in the past few years. Following the introduction of restrictions on the maximum weight, the total weight per axle and the dimensions of a truck and trailer combination in previous years, stricter safety regulations came into force at the beginning of 2019. After the expiration of a one-year transitional period, the GB 7258 standard has made the installation of disc brakes for the transport of dangerous goods mandatory since January 1, 2019. Trucks are required to equip their front axles with disc brakes and all of the trailer axles will need to feature disc brakes. As of January 1, 2020, the rear axles on trucks and all of the axles on trailers transporting dangerous goods also need to be equipped with air suspension systems. These regulations also apply to all trailers with sidewalls and wire mesh superstructures.

Although it is still unclear when end-of-life vehicles that do not meet the specifications will no longer be permitted, it can be assumed that the GB 7258 standard will have a noticeable effect on demand in the Chinese market. As SAF-HOLLAND's products provide solutions that meet these requirements, the company has the potential to gradually increase its current, relatively low market penetration in China.

Stricter emissions regulations in the United States

In 2016, the US Environmental Protection Agency (EPA) and the National Highway Traffic Safety Administration (NHTSA) published a new directive (Regulations for Greenhouse Gas Emissions from Commercial Trucks & Buses) in the United States regulating the CO_2 emissions of heavy commercial vehicles. This is the second phase of legislation on fuel efficiency and CO_2 emission reduction, which includes not only trucks but also regulations for trailers from 2022 on. For smaller trailer manufacturers, the tightened regulations apply to models built in 2023 and thereafter.

Even stricter requirements are scheduled to be introduced in the coming years. According to the EPA, the tightened regulations planned will not only require better aerodynamics but also the use of tire pressure monitoring systems and lightweight components in order to meet the requirements for improved fuel efficiency. SAF-HOLLAND believes it has extensive expertise in both of these product areas and is therefore expected to benefit from these stricter regulations in the medium term.

New regulations in Germany and the European Union

Regulation (EU) 2019/2144 on the type-approval of motor vehicles and their trailers, which came into force on January 5, 2020, stipulates the installation of a so-called Tire Pressure Monitoring System (TPMS). As of July 6, 2022, no new type approval can be obtained for vehicles that do not have the appropriate equipment and after July 7, 2024, no new vehicles can be registered without it. For SAF-HOLLAND, this could result in potential for its products such as its TrailerMaster telematics systems or SAF TIRE PILOT.

RISING DEMAND FOR DISC BRAKE TECHNOLOGY – STRATEGIC OPPORTUNITIES

Whereas the majority of trailers in Europe have been equipped with disc brakes for many years, the percentage of trailers equipped with disc brakes in the US lies at roughly 25%. Traditional drum brakes still dominate the US market, despite being inferior in terms of performance, weight and ease of maintenance. Disc brakes have clear advantages in terms of safety due to their better braking performance. A truck and trailer combination equipped with disc brakes, for example, needs 20% less braking distance (dropping from 129 meters to 104 meters at a speed of 75 mph) compared to drum brakes.

The share of disc brake technology in the US is expected to increase in the medium term to 30-35%. SAF-HOLLAND has been playing a pioneering role in this segment of the European market for years and has many years of expertise. By employing disc brake technology in its axle systems, the Group could increase its added value per vehicle by 50% or more.

OPPORTUNITIES THROUGH ACQUISITIONS – PROJECT AND PROCESS OPPORTUNITIES

Already in the past, SAF-HOLLAND has proven its ability to consolidate its market position and accelerate its growth with the acquisitions of KLL, York, V.Orlandi and especially Haldex. Similarly, even after the acquisition of Haldex, SAF-HOLLAND continuously conducts targeted market reviews and analyses of the potential in both the original equipment business and the aftermarket business in the relevant regions.

In recent years, potential sellers of family-run businesses have offered options but not at attractive terms and conditions. In view of the challenges many of these sellers are facing, SAF-HOLLAND expects interesting opportunities going forward to expand its position in select markets. A good example of this approach was the acquisition of KLL in 2016 and the purchase of the outstanding stake in this company in 2021. Through this acquisition, SAF-HOLLAND expanded its product portfolio to include products that are characterized by durability and relatively low prices. The Group also sees tremendous sales potential for such products in other emerging markets, opening up cross-selling opportunities in this area.

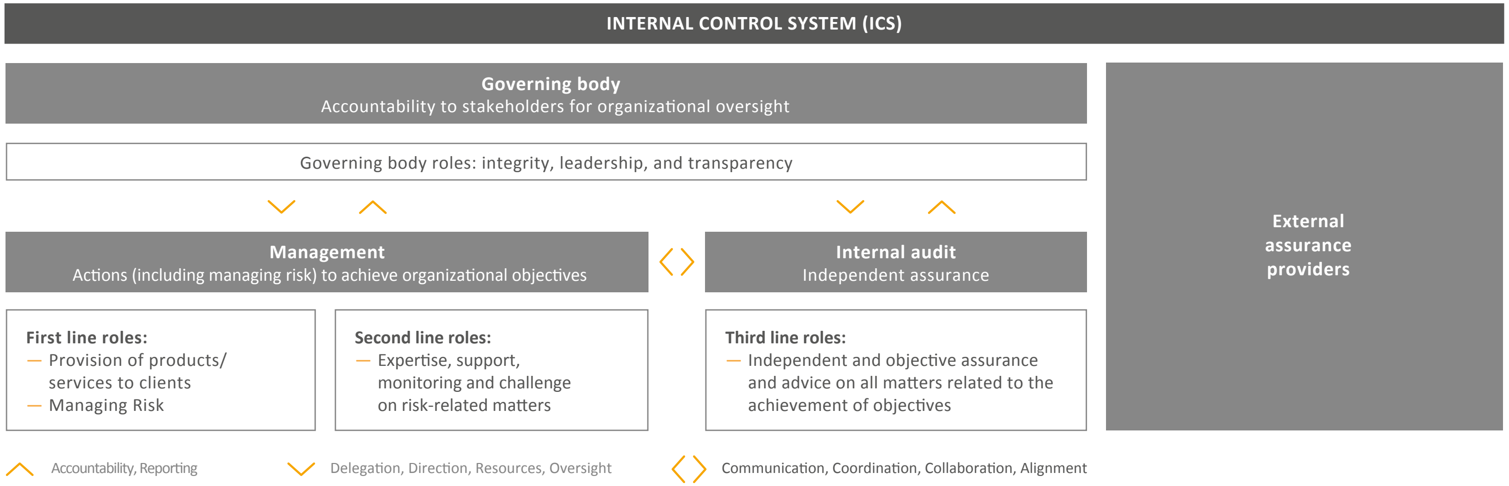
SAF-HOLLAND also pursued strategic objectives when it acquired the York Group, the market leader for trailer axles in India in 2018. So far, demand for robust and reliable trucks and trailers has dominated the market, with price playing an important role. With York's product portfolio, SAF-HOLLAND precisely meets the current market demand as a first step. However, as already seen in China in recent years, market observers expect India and other APAC markets to transition to gradually stricter loading and safety regulations over the next few years. Consequently, the Group also expects these markets to shift towards technologically more sophisticated solutions. With the York acquisition, SAF-HOLLAND has gained a foothold with its product portfolio at an early stage and is in a strong position to exploit the available market potential.

In fiscal year 2023, SAF-HOLLAND generated 87.2% of its sales in its traditional regions of the EMEA and Americas. It is the company's stated objective to raise its sales outside of these key regions in the mid-term.

INTERNAL CONTROL SYSTEM WITH REGARD TO THE GROUP ACCOUNTING PROCESS

Three-Lines-Model

Role of the Risk Management System within the ICS



The primary goal of the internal control system (ICS) for the Group accounting processes is to ensure the compliance of the financial reporting by making sure that the Consolidated Financial Statements and the Combined Management Report of the SAF-HOLLAND Group and the financial statements of the parent company SAF-HOLLAND SE comply with all relevant laws and regulations. It is the responsibility of the Management Board to design the ICS to the specific needs of the company. According to the allocation of executive functions, the CFO is responsible for finance and accounting. These departments define and review the accounting standards used throughout the Group and combine the information when compiling the Consolidated Financial Statements. Significant risks for the accounting process arise from possible non-compliance with the need to communicate complete and accurate information within the specified reporting deadlines. To ensure this, the needs must be clearly communicated, and the units concerned must be enabled to fulfill the requirements. Risks that could impact the accounting process can arise, for example, from transactions being recognized too late or incorrectly, or when accounting standards are not observed. The failure to recognize transactions also constitutes a potential risk. To minimize such errors, the accounting process is based on a strict segregation of functions.

The accounting process is fully integrated into the risk management system of SAF-HOLLAND SE. This ensures that accounting-relevant risks are identified at an early stage and that measures for risk prevention and mitigation can be promptly initiated.

Accounting-related processes are reviewed regularly by the Internal Audit department to ensure the effectiveness of the internal control system and risk management system. The effectiveness of the controls is ensured by the constant monitoring of key indicators in the course of the monthly management reporting.

First and foremost, the Supervisory Board, represented by the Audit Committee, monitors the accounting process, the effectiveness of the system of controls and the risk management system, as well as the audit of the annual financial statements. In addition, it reviews the documents pertaining to the separate financial statements of SAF-HOLLAND SE, the Consolidated Financial Statements and the Combined Management Report and discusses these with the Management Board and the auditor. The auditor reviews the system for the early detection of risk within the course of its audit of the annual financial statements. During this review, the auditor assesses whether the Management Board is able to use this system to identify any risks early on that could jeopardize the company's continued existence.

The IFRS accounting manual serves as the basis for the Group's accounting and reporting processes. All Group entities must base their accounting processes on the standards described in the manual. Significant recognition, presentation and valuation policies, such as for non-current assets, inventories and receivables, as well as provisions and liabilities, are defined in a binding manner.

In addition, reporting mechanisms have been installed in the Group to ensure uniform treatment of extraordinary issues arising from operating activities. Reporting deadlines have been set for all entities to allow timely compilation of the Consolidated Financial Statements and the Group Management Report.

The individual financial statements of the Group companies are prepared in accordance with the relevant local accounting standards. Intragroup deliveries and services are recorded by the Group companies in separately identified accounts.

The balances of the intercompany clearing accounts are reconciled on the basis of defined guidelines and schedules via balance confirmations. The financial reporting of the Group companies is carried out via the SAP-BPC reporting system.

In accordance with the regional segmentation of SAF-HOLLAND, the technical responsibility for the financial area is borne both by the financial officers in the Group parent company and by the regional CFOs for the respective region. They are involved in the quality assurance of the financial statements of the Group companies included in the Consolidated Financial Statements. The overall quality assurance of the financial statements of the Group companies included in the Consolidated Financial Statements is performed by the corporate department Group Consolidation and Controlling, which is responsible for the preparation of the Consolidated Financial Statements. The preparation of the Combined Management Report is the responsibility of the corporate Investor Relations department, which also reports directly to the CFO of SAF-HOLLAND.

The financial accounting systems used by the Group companies of SAF-HOLLAND are gradually being standardized.

ADEQUACY AND EFFECTIVENESS OF THE OVERALL RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM[1]

SAF-HOLLAND's risk management system is based on the globally recognized framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The appropriateness and effectiveness of the ICS is reviewed in regular audits by the Group Audit department. The audits are carried out as part of a risk-oriented audit planning process. Any weaknesses identified are recorded and a review of the measures taken to rectify the weaknesses is carried out by the Group Audit department.

The risk management officers work continuously and in a structured manner on improvements. On a quarterly basis, additional internal audits are carried out at the most important companies using a structured review protocol for the main control areas. The scope and thus the informative value of these audits have been expanded during the year and were transferred into a Group-wide, IT-supported ICS tool.

SAF's Internal Control System (ICS) over financial and non-financial reporting is designed to mitigate process risks impacting financial and non-financial reporting to a level that is acceptable to the company. An effective ICS is necessary to ensure the functionality of all essential business processes.

The management board of SAF- HOLLAND Group is committed to continuously strengthen the ICS, enhancing the set of policies, procedures, and processes to provide reasonable assurance to the stakeholders that the organization can meet its objectives related to financial and non-financial reporting, operational efficiency, and compliance with laws and regulations.

[1] The disclosures in this section are not part of the management report and are not the subject of an audit by the auditors PricewaterhouseCoopers.

The enhanced ICS shall benefit from self-assessments and continuous control monitoring. Internal controls are an integral part of business operations. Management, the first line of business, is and remains responsible for sound business controls.

The SAF Holland ICS guideline governs and documents the basic principles, organization, and procedures of the ICS in place. The guideline describes responsibilities and roles, as well as the ICS process and reporting such as a risk and impact analysis ("what could go wrong"), definition of internal controls that must be followed by the different divisions and subsidiaries of the Group, assessment and review of control points, control performance and documentation.

Once every quarter the controls need to be reported and the entire ICS-assessment must be documented in the Groups ICS-Software.

The Management Board of SAF-HOLLAND has no information whatsoever suggesting that the risk management system or internal control system were not appropriate or effective as of December 31, 2023.

SUSTAINABILITY

Sustainability means doing business sustainably and assuming social responsibility. SAF-HOLLAND is convinced that this approach increases its own innovative capacity and future viability. That is why sustainability represents an integral part of the company's philosophy and strategy.

With its sustainability strategy, which was revised in 2022, SAF-HOLLAND ensures that sustainability issues are managed across the Group and contribute to the company's performance.

PUBLICATION OF THE NON-FINANCIAL STATEMENT

SAF-HOLLAND published its Sustainability Report 2023 on March 14, 2024. The non-financial Group statement is issued at the same time as this report is published.

In accordance with Sections 315c in conjunction with 289c to 289e of the German Commercial Code (HGB) and Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of June 18, 2020, on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088, the Sustainability Report 2023 is publicly available on the company's website at https://corporate.safholland.com/en/sustainability-report.

The Sustainability Report also contains SAF-HOLLAND's UN Global Compact Progress Report. The company has been a member of the UN Global Compact, the worldwide initiative for sustainable and responsible corporate governance, since 2018.

FOCUS OF SUSTAINABILITY ACTIVITIES[2]

The SAF-HOLLAND sustainability strategy is based on five strategic fields of action:

— Net-zero emissions by 2050 at the latest

— Sustainable products and innovations for our customers

— Sustainable operational excellence in the value chain

— Attractive employer

— Effective corporate governance

NET-ZERO EMISSIONS BY 2050 AT THE LATEST

SAF-HOLLAND has set itself the goal of reducing CO_2 emissions by 2050 to such an extent that no emissions are released on a net basis. To this end, SAF-HOLLAND has introduced an energy management system at production sites, among other things, which is to be rolled out to all production sites in 2024. Smart meters can be used to monitor consumption in real time and derive measures to save energy. At the same time, investments were made in photovoltaic systems at production sites in Germany, India, Mexico and China. Over 1,500 tons of CO_2 can be saved each year by installing these systems. Even more plants are to be retrofitted with photovoltaic systems, taking their economic viability into account, in the future.

SAF-HOLLAND also supports its customers in meeting their sustainability goals. For example, the SAF TIRE PILOT I.Q. tire inflation system can extend the service life of tires and minimize fuel consumption. In the SAF TRAKr recuperation axle, a high-voltage generator unit converts the kinetic energy of the vehicle into electrical energy during braking or in overrun phases. This energy can in turn be temporarily stored in a battery or be supplied to the auxiliary consumers in the trailer, such as cooling, heating or tail lift, while

[2] The disclosures in this section are not part of the management report and are not the subject of an audit by the auditors PricewaterhouseCoopers.

driving. The SAF TRAKr is particularly well suited for use in refrigerated vehicles in which the refrigeration units are operated fully electrically. This helps to reduce fuel consumption and CO_2 emissions.

ATTRACTIVE EMPLOYER

SAF-HOLLAND stands for diversity, equal opportunities and an open and inclusive mindset. The company is committed to ensuring that all people receive equal respect and appreciation. Every employee is a valued member of the company and has equal access to resources and opportunities, regardless of ethnic origin, nationality, age, religion, ideology, disability, gender or sexual orientation. This diversity strategy was reflected in a wide range of activities in the reporting year. These included the Group-wide implementation of a DEI (Diversity, Equality, Inclusion) strategy and the revision of various guidelines. All activities are monitored by the Diversity Council, which is comprised of employees from various Group companies.

EFFECTIVE COMPANY MANAGEMENT

In the reporting year, sustainability activities focused on preparations for compliance with the European Union's new reporting standards, the Corporate Sustainability Reporting Directive (CSRD), the European Sustainability Reporting Standards (ESRS) and the EU Taxonomy regulations. To this end, work began in the reporting year on implementing ESG software that enables indicator-based reporting that meets the requirements of ESRS. This software will be rolled out across the Group in 2024. A core element of the CSRD is the double materiality analysis. In the reporting year, an extensive test run was conducted with the involvement of an auditor. ESG criteria have now been increasingly incorporated into the internal control system and risk management. A Group-wide Code of Conduct for Suppliers was adopted for the first time in 2023, which is available on the company website and applies worldwide to all supply chain partners that deliver goods and/or services to a SAF-HOLLAND Group company.

In 2023, the members of the Supervisory Board of SAF-HOLLAND SE entered into a voluntary commitment to invest a share of their fixed remuneration in SAF-HOLLAND SE shares each year. Accordingly, the members of the Supervisory Board will acquire SAF-HOLLAND SE shares for 20% of their fixed remuneration in each of the first five years of their membership of the Supervisory Board and hold them for at least the duration of their membership. The voluntary commitment applies until a total of 100% of the fixed remuneration has been invested in shares over the five-year term. With this voluntary commitment, the members of the Supervisory Board want to create an additional element, further aligning their interests in accordance with the long-term success of SAF-HOLLAND SE.

In November 2023, SAF-HOLLAND's quality of the company's management was also recognized positively in an evaluation by the German Association for Financial Analysis and Asset Management (DVFA). By achieving a score of 79.5%, SAF-HOLLAND came in first place in the SDAX in the DFVA Scorecard for Corporate Governance evaluation. The average score of the SDAX in the 2023 evaluation is 61.9%. Last year, SAF-HOLLAND came in second place by recording a score of 75%. The evaluation of the DVFA Scorecard for Corporate Governance is based on publicly available information that can be accessed via the companies' websites and is published in annual and sustainability reports.

SAF-HOLLAND's sustainability performance is also rated positively by the Sustainalytics rating agency. Sustainalytics rated SAF-HOLLAND as "low risk" in October 2023.

CORPORATE GOVERNANCE STATEMENT

The German Corporate Governance Code designates the Corporate Governance Statement pursuant to Sections 289f and 315d of the German Commercial Code (HGB) as the main instrument for Corporate Governance reporting. The Management Board and Supervisory Board report on SAF HOLLAND's Corporate Governance in this statement.

At SAF HOLLAND, Corporate Governance stands for responsible company management and monitoring geared towards sustainable value creation that encompasses all areas of the Group. Transparent reporting and company communication, company management aligned with the interests of all stakeholders, trust-based cooperation between the Management Board, Supervisory Board and employees as well as compliance with the applicable laws are key cornerstones of the company culture.

The Corporate Governance Statement is publicly available on the company website https://corporate.safholland.com/en/cgs.

TAKEOVER-RELEVANT INFORMATION AND EXPLANATORY REPORT

The disclosures as of December 31, 2023, required by Article 9 (1) lit. c) ii) SE Regulation in conjunction with Sections 289a and 315a HGB are presented below.

I. COMPOSITION OF SUBSCRIBED CAPITAL

As of December 31, 2023, the share capital of SAF-HOLLAND SE amounted to EUR 45,394,302.00, divided into 45,394,302 no-par value bearer shares, each with imputed notional interest in the share capital of EUR 1.00 per share. All shares confer the same rights and obligations.

II. RESTRICTIONS AFFECTING VOTING RIGHTS OR THE TRANSFER OF SHARES

Each share entitles the bearer to one vote at the Annual General Meeting. The voting right may be subject to legal restrictions, such as Section 136 (1) of the German Stock Corporation Act (AktG). We are not aware of any other restrictions affecting voting rights or the transfer of shares, such as those arising from agreements between individual shareholders.

III. HOLDINGS OF MORE THAN 10% OF THE VOTING RIGHTS

At the time of reporting, the company had not received any notifications of shareholdings exceeding 10% of the voting rights.

IV. SHARES EQUIPPED WITH SPECIAL RIGHTS CONFERRING POWERS OF CONTROL

There are no shares with special rights conferring powers of control.

V. EMPLOYEES WITH EQUITY INTERESTS

Employees who hold SAF-HOLLAND shares exercise their rights of control arising from shares directly in the same way as other shareholders in accordance with statutory provisions and the Articles of Association.

VI. STATUTORY PROVISIONS AND REQUIREMENTS OF THE ARTICLES OF ASSOCIATION ON THE APPOINTMENT AND DISMISSAL OF MEMBERS OF THE MANAGEMENT BOARD AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The requirements for the appointment and dismissal of members of the Management Board as well as for any amendments to the Articles of Association are governed by the respective provisions of the applicable European and German laws, including the SE Regulation and the German Stock Corporation Act (AktG), as well as the Articles of Association.

The appointment and dismissal of members of the Management Board is governed by Art. 9 para. 1 lit. c) ii) SE Regulation in conjunction with Section 84 of the German Stock Corporation Act (AktG). The Management Board consists of at least two persons; the Supervisory Board may set a higher number of members for the Management Board (Article 8 (1) of the Articles of Association). The members of the Management Board are appointed by the Supervisory Board for a maximum period of five years; reappointments are permitted (Article 8 (3) of the Articles of Association). The Supervisory Board may appoint a Chairman or Spokesman of the Management Board and a Deputy Chairman or Deputy Spokesman (Article 8 (2) sentence 2 of the Articles of Association). If a required member of the Management Board has not been appointed, a court appointment may be made in urgent cases in keeping with Article 9 (1) lit. c) ii) SE Regulation in conjunction with Section 85 of the German Stock Corporation Act (AktG).

Amendments to the Articles of Association are governed by Article 59 SE Regulation, Section 179 of the German Stock Corporation Act (AktG) and the Articles of Association. According to Article 21 (3) sentence 2 of the Articles of Association, unless mandatory statutory provisions stipulate otherwise, resolutions to amend the Articles of Association must be adopted by a two-thirds majority of the valid votes cast at the Annual General Meeting or, if at least half of the share capital is represented, by a simple majority of the valid votes cast at the Annual General Meeting. Where statutory provisions require the majority of the share capital in addition to the majority of the votes cast for resolutions of a General Meeting, the simple majority of the share capital represented in the vote is sufficient, to the extent permitted by law. The Supervisory Board is authorized to make amendments to the

Articles of Association that only concern their wording (Section 179 (1) sentence 2 of the German Stock Corporation Act (AktG) and Article 13 (3) of the Articles of Association).

VII. AUTHORIZATION OF THE MANAGEMENT BOARD TO ISSUE AND REPURCHASE SHARES

The Management Board is authorized, with the approval of the Supervisory Board, to increase the company's share capital in the period until May 19, 2025, once or several times by up to a total of EUR 22,697,151.00 by issuing new no-par value bearer shares against cash and/or non-cash contributions (Authorized Capital 2020).

New shares are to be offered, in principle, to the company's shareholders for subscription; they may also be underwritten by one or more credit institution(s) or companies as defined by Article 5 of the SE Regulation in conjunction with Section 186 (5) sentence 1 of the German Stock Corporation Act (AktG) with the obligation to offer them to the shareholders for subscription ("indirect subscription rights").

However, the Management Board is authorized, subject to the approval of the Supervisory Board, to exclude shareholders' subscription rights for one or more capital increases under Authorized Capital 2020

a) insofar as this is necessary to offset peak amounts;

b) to the extent necessary to grant the holders and/or creditors of conversion and/or option rights or the debtors of conversion and/or option obligations under bonds issued by the company or a Group company subscription rights to new shares to the extent to which they would be entitled after exercising the conversion and/or option rights or after fulfilling the conversion and/or option obligations;

c) to acquire, in appropriate cases, companies, parts of companies or interests in companies or other assets, including claims, in return for the transfer of shares; and

D) to the extent that in the event of a cash capital increase, the portion of share capital attributable to the new shares for which subscription rights are excluded does not exceed a total of 10% of the share capital both at the time the authorization becomes effective and at the time of the authorization being exercised, and the issue price of the new shares does not significantly fall below the stock exchange price of the company's shares of the same class as defined by Section 203 (1) and (2), Section 186 (3) sentence 4 of the German Stock Corporation Act (AktG); the following shall include this 10% threshold (i) the portion of share capital attributable to shares issued or sold as of May 20, 2020, in direct or analogous application of Section 186 (3) sentence 4 of the German Stock Corporation Act (AktG), and (ii) the portion of share capital attributable to shares subject to conversion and/or option rights or conversion obligations from bonds and other instruments covered by Section 221 of the German Stock Corporation Act (AktG) that are issued under exclusion of subscription rights in accordance with Section 186 (3) sentence 4 of the German Stock Corporation Act (AktG) as of May 20, 2020.

The portion of share capital attributable to the new shares for which subscription rights are excluded in accordance with clauses a) through d) above may not exceed a total of 20% of the company's share capital, both at the time the authorization becomes effective and at the time of its exercise. The above 20% threshold with respect to all possibilities for excluding subscription rights in accordance with the above letters a) through d) shall include shares that (i) are used as of May 20, 2020 on the basis of an authorization to utilize treasury shares in accordance with Sections 71 (1) no. 8 sentence 5 and 186 (3) sentence 4 of the German Stock Corporation Act (AktG) under the exclusion of subscription rights, i.e., not via a sale on the stock exchange or an offer directed to all shareholders, or (ii) relate to conversion and/or option rights or conversion obligations from bonds and other instruments covered by Section 221 of the German Stock Corporation Act (AktG) that are issued under the exclusion of subscription rights as of May 20, 2020.

The Management Board is authorized, with the approval of the Supervisory Board, to determine additional terms regarding the share rights and the details of the execution of the capital increase.

In fiscal year 2023, the Management Board did not utilize the authorization to execute a capital increase from Authorized Capital 2020.

SAF-HOLLAND SE is permitted to repurchase treasury shares only after obtaining prior authorization from the Annual General Meeting or in the rare cases expressly governed by the German Stock Corporation Act. The Annual General Meeting passed the following resolutions on June 10, 2021:

a) The company shall be authorized until June 9, 2026, to purchase treasury shares up to a total of 10% of the share capital existing at the time the resolution is adopted or – if lower – at the time the authorization is exercised, subject to the statutory limits. Together with other treasury shares acquired by the company and held by or attributable to the company, the treasury shares purchased on the basis of this authorization may at no time exceed 10% of the company's share capital existing at the time the resolution is adopted or – if lower – at the time the authorization is exercised. Purchases for the purpose of trading in treasury shares are not permitted.

The authorization may be exercised in whole or in part, once or several times, in pursuit of one or more purposes by the company or also by its Group companies or by third parties for its or their own account.

At the discretion of the Management Board, treasury shares may be purchased on the stock exchange or by means of a public purchase offer to all shareholders or a public invitation to tender an offer for sale. In the event of a purchase via the stock exchange, the consideration paid per share (excluding incidental acquisition costs) may not be more than 10% higher or 20% lower than the average closing price of the company's shares of the same class in Xetra trading (or a comparable successor system) on the last five trading days of the Frankfurt Stock Exchange prior to entering into the obligation to purchase. In the case of a public offer to purchase or a public invitation to tender an offer to sell, the purchase price offered or the limits of the purchase price range per share (excluding incidental acquisition costs) may not be more than 10% higher or 20% lower than the average closing price of the company's shares of the same class in Xetra trading (or a comparable successor system) on the last five trading days of the Frankfurt Stock Exchange prior to the date of publication of the offer or the public invitation to tender an offer to sell. If there are significant deviations in the relevant price after publication of a purchase offer or the public invitation to tender an offer to sell, the offer or the invitation to tender an offer may be adjusted. In this case, the relevant price shall be determined on the basis of the closing price for shares of the company of the same class in Xetra trading (or a comparable successor system) on the last day of trading on the Frankfurt Stock Exchange prior to publication of the adjustment; the 10% limit for exceeding or the 20% limit for falling short shall be applied to this amount. The volume of the offer or invitation to tender an offer may be limited. If the total acceptance of the offer or the offers tendered by the shareholders in response to an invitation to tender an offer exceed or exceeds this volume, the purchase or acceptance must take place by partially excluding any tender rights of the shareholders in proportion to the shares offered in each case. Preferential purchase or preferential acceptance of smaller numbers of up to 100 shares of the company offered for purchase per shareholder of the company may be provided for with the partial exclusion of possible tender rights of shareholders. The offer to purchase or the invitation to tender a sales offer may include additional terms and conditions.

b) The Management Board is authorized to utilize the company shares purchased on the basis of this authorization for all legally permissible purposes, including, but not limited to, the following purposes:

aa) The purchased treasury shares may also be sold in a manner other than via the stock exchange or by means of an offer to all shareholders if the shares are sold for cash at a price that is not significantly lower than the stock market price of company shares of the same class at the time of the sale. The relevant stock market price for the purposes of the above provision shall be the average closing price of the company's shares of the same class in Xetra trading (or a comparable successor system) on the last five trading days of the Frankfurt Stock Exchange prior to entering into the obligation to sell the shares. The subscription rights of shareholders are excluded. However, this authorization shall only apply on condition that the shares sold subject to the exclusion of subscription rights in accordance with Section 186 (3) sentence 4 of the German Stock Corporation Act (AktG) may not exceed a total of 10% of the share capital, either at the time this authorization becomes effective or at the time it is exercised ("**maximum limit**"). Shares issued from authorized capital during the term of this authorization in accordance with Sections 203 (2), 186 (3) sentence 4 of the German Stock Corporation Act (AktG), excluding subscription rights, shall be included in this maximum limit. Furthermore, this maximum limit shall include those shares which have been or may still be issued to service convertible bonds and/or bonds with options, profit participation rights and/or income bonds (or combinations of these instruments), provided that the underlying bonds were issued during the term of this authorization excluding subscription rights on the basis of an authorization to issue convertible bonds and/or bonds with options, profit participation rights and/or income bonds (or combinations of these instruments) applying Section 186 (3) sentence 4 of the German Stock Corporation Act (AktG) accordingly. Such offsetting shall not apply if authorizations to issue new shares from authorized capital with the possibility to exclude subscription rights pursuant to Section 203 (2) and Section 186 (3) sentence 4 of the German Stock Corporation Act (AktG) or to issue convertible bonds and/or bonds with options, profit participation rights and/or income bonds (or combinations of these instruments) are granted again by the Annual General Meeting applying Section 186 (3) sentence 4 of the German Stock Corporation Act (AktG) by analogy, after the exercise of such authorizations which led to the offsetting.

bb) The purchased treasury shares may also be sold in a way other than via the stock exchange or by means of an offer to all shareholders, insofar as this is done in return for non-cash contributions by third parties, including, but not limited to, in connection with the acquisition of companies, businesses, parts of companies or interests in companies, or other assets or claims to the acquisition of assets eligible for a contribution in kind, including claims against the company or its Group companies, or in order to fulfill conversion rights or obligations of holders or creditors of convertible bonds and/or bonds with options, profit participation rights and/or income bonds (or combinations of these instruments) issued by the company or by Group companies. The subscription rights of shareholders are excluded in each case.

cc) The purchased treasury shares may be canceled in whole or in part without any further resolution by the Annual General Meeting. They may also be retired in a simplified procedure without a capital reduction by adjusting the notional interest of the remaining no-par value shares in the company's share capital. Such cancellation of share capital may be limited to a portion of the shares purchased. If the cancellation is affected by simplified procedure, the Management Board is authorized to adjust the number of no-par value shares in the Articles of Association.

c) The authorizations under lit. b) also cover the use of shares in the company purchased on the basis of Section 71d sentence 5 of the German Stock Corporation Act (AktG).

d) The authorizations under lit. b) may be exercised once or several times, in whole or in part, individually or jointly; the authorizations under lit. b), aa) and bb) may also be exercised by dependent companies or companies in which the company holds the majority ownership or by third parties acting for their account or for the account of the company.

e) The Supervisory Board may determine that measures of the Management Board based on this resolution of the Annual General Meeting may only be taken with its consent.

In fiscal year 2023, the Management Board did not utilize the authorization to acquire company shares.

VIII. SIGNIFICANT COMPANY AGREEMENTS CONTINGENT UPON A CHANGE OF CONTROL

The company has issued one promissory note in each of the years 2015, 2020, 2022 and 2023, with a volume of EUR 200 million, EUR 250 million, EUR 176 million and EUR 105 million respectively. These promissory notes become due at various times, depending on the terms of their individual tranches. There are still tranches outstanding in the amount of EUR 9 million for the promissory note issued in 2015 and EUR 89 million for the promissory note from 2020. In the event of a change of control, the contractual terms and conditions for all promissory note loans stipulate that each lender may, within a certain period of time after receiving notification of the change of control, call due its portion of the respective loan in full and demand repayment at the nominal amount plus any accrued interest and all other amounts owed under the respective promissory note loan (e.g. compensation for interest lost due to early repayment). Repayment is due immediately, in the case of the promissory note loan from 2023 within 30 bank working days of receipt of the notification of the change of control by the paying agent.

The current syndicated loan agreement for up to EUR 550 million from 2022 (divided into Term Loan A with EUR 150 million (remaining amount EUR 35 million), Term Loan B with EUR 150 million (remaining amount EUR 139 million) and the drawn and undrawn revolving lines totaling EUR 250 million) also contains an agreement in the event of a change of control. In this case, the company must notify the agent under the syndicate agreement of the event immediately after the change of control. After the change of control has taken place, each lender has the right, at its discretion, to refuse to draw on the credit lines provided by it under the syndicated loan agreement and to terminate all credit lines granted by it and to demand payment of all amounts owed under the respective loan agreement plus accrued interest via the agent with a notice period of 10 days, provided that it notifies the agent of this within a period of 30 days.

Under two loan agreements dated June 13, 2016, SAF-HOLLAND SE, together with SAF-HOLLAND Inc., is acting as a guarantor to IKB Deutsche Industriebank AG, with SAF-HOLLAND GmbH as the borrower. The loans of EUR 25 million and EUR 10 million are to be repaid no later than June 26, 2026. In the event of a change of control, the contractual conditions of the respective loans stipulate that the bank may call the loan due in full within a period of 15 days from receipt of the change of control notification and demand immediate repayment of the loan plus any accrued interest and all other amounts owed (such as compensation for interest lost due to early repayment).

In 2021, SAF-HOLLAND GmbH took out an additional loan of EUR 10 million from Oldenburgische Landesbank AG. SAF-HOLLAND SE is also a guarantor for this loan. In the event of a change of control, Section 12 of the loan agreement allows for a prolongation of the contract to the mutual satisfaction of both parties in good time.

Beyond the above, the company is not party to any other important agreements that take effect, change or terminate upon the company's change of control following a takeover bid.

In the event of a change of control, each member of the Management Board has a one-time right to resign from office by giving three months' notice to the end of the respective month and to terminate the service contract on that same date. This special right of termination exists solely within one month of the date on which the Management Board member becomes aware that a change of control has actually occurred. In the event of premature termination of the employment contract due to a change of control, there is no entitlement to severance pay.

IX. COMPENSATION AGREEMENTS IN THE EVENT OF A TAKEOVER BID

No agreements exist between the company and the members of the Management Board that would provide for compensation arrangements for the members of the Management Board if, in the event of a takeover bid, the employment relationship is terminated without due cause.

There are agreements however between the company and individual employees in corresponding departments that provide for compensation agreements for the employees in the event of a takeover bid if the employment relationship in the respective position ends, under certain conditions, indirectly due to a takeover. According to the company's assessment, these agreements are of minor financial significance for the company and include an extension of the statutory notice period by an additional three months or/as well as the assurance of a severance payment in the amount of an average gross monthly salary per year of employment.

SUBSEQUENT EVENTS

ACQUISITION OF IMS GROUP B.V.

Effective January 2, 2024, SAF-HOLLAND GmbH has acquired IMS Group B.V. Barneveld, Netherlands, from its long-standing exclusive distribution partner Pon Group. IMS Group B.V. is the exclusive distributor of the Group's own quality brands SAF and Holland in the original equipment and aftermarket sectors in the Benelux. In addition, IMS Group B.V. offers sustainable and efficient solutions for the transportation industry with mechanical and hydraulic steering systems.

ACQUISITION OF TECMA SRL.

SAF-HOLLAND GmbH announced February 7, 2024, that it would acquire 100% of the shares in Tecma Srl, Verona, Italy. Tecma Srl specializes in the development and production of customer-specific axle systems and suspensions for special vehicles and heavy-duty applications, which are developed in close cooperation with vehicle manufacturers according to customer requirements.

_Consolidated Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR thousands	Notes	Q1-Q4/2023	Q1-Q4/2022
Sales	(5.1)	2,106,170	1,565,089
Cost of sales	(5.2)	–1,693,411	–1,305,539
Gross profit		**412,759**	**259,550**
Other income	(5.3.1)	4,652	4,444
Other expenses	(5.3.5)	–1,260	–2,066
Selling expenses	(5.3.2)	–103,128	–71,487
Administrative expenses	(5.3.3)	–111,999	–71,619
Research and development expenses	(5.3.4)	–38,433	–19,208
Operating result		**162,591**	**99,614**
Share of net profit of investments accounted for using the equity method		1,224	1,877
Earnings before interest and taxes		**163,815**	**101,491**
Finance income	(5.3.6)	20,421	10,237
Finance expenses	(5.3.6)	–62,532	–23,230
Finance result	**(5.3.6)**	**–42,111**	**–12,993**
Result before income tax		**121,704**	**88,498**
Income tax	(5.4)	–41,182	–27,271
Result for the period		**80,522**	**61,227**
Attributable to:			
Equity holders of the parent		79,933	61,081
Shares of non-controlling interests		589	146

To our Shareholders
Remuneration Report 2023
Combined Management Report
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Declaration of the Legal Representatives
Additional Information

in EUR thousands	Notes	Q1-Q4/2023	Q1-Q4/2022
Result for the period		**80,522**	**61,227**
Attributable to:			
Equity holders of the parent		79,933	61,081
Shares of non-controlling interests		589	146
Other comprehensive income			
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	(6.11)	996	6,273
Remeasurements of defined benefit plans	(6.11)	963	8,057
Income tax effects on items recognised in other comprehensive income	(6.11)	–275	–2,073
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	(6.11)	–20,658	12,688
Other comprehensive income		**–18,974**	**24,945**
Comprehensive income for the period		**61,548**	**86,172**
Attributable to:			
Equity holders of the parent		61,196	85,977
Shares of non-controlling interests		352	195
Basic earnings per share in EUR	**(7.2)**	**1.76**	**1.35**

CONSOLIDATED BALANCE SHEET

in EUR thousands	Notes	12/31/2023	12/31/2022
Assets			
Non-current assets		**814,400**	**872,183**
Goodwill	(6.1)	128,839	80,413
Other intangible assets	(6.1)	298,356	147,505
Property, plant and equipment	(6.2)	334,007	205,729
Investments accounted for using the equity method	(6.4)	11,608	13,827
Financial assets	(6.5, 7.1)	95	402,214
Other non-current assets	(6.6)	17,596	7,334
Deferred tax assets	(5.4)	23,899	15,161
Current assets		**837,339**	**626,240**
Inventories	(6.7)	306,692	202,249
Trade receivables	(6.8)	219,739	144,744
Income tax receivables		5,865	1,663
Other current assets	(6.9)	57,515	28,984
Financial assets	(7.1)	1,252	5,140
Cash and cash equivalents	(6.10)	246,276	243,460
Balance sheet total		**1,651,739**	**1,498,423**

in EUR thousands	Notes	12/31/2023	12/31/2022
Equity and liabilities			
Total equity	**(6.11)**	**475,969**	**441,354**
Equity attributable to equity holders of the parent		**473,046**	**440,535**
Subscribed share capital		45,394	45,394
Share premium		224,104	224,104
Retained earnings		220,896	169,648
Accumulated other comprehensive income		–17,348	1,389
Shares of non-controlling interests		2,923	819
Non-current liabilities		**804,826**	**718,175**
Pensions and other similar benefits	(6.12)	43,209	15,322
Other provisions	(6.13)	20,716	12,946
Interest bearing loans and bonds	(6.14)	615,253	614,118
Lease liabilities	(6.3)	54,282	30,698
Other liabilities	(6.17)	426	382
Deferred tax liabilities	(5.4)	70,940	44,709
Current liabilities		**370,944**	**338,894**
Other provisions	(6.13)	29,677	10,911
Interest bearing loans and bonds	(6.14)	13,415	101,541
Lease liabilities	(6.3)	13,485	7,695
Trade payables	(6.15)	228,630	159,029
Income tax liabilities		7,869	4,900
Other financial liabilities	(6.16)	127	2,731
Other liabilities	(6.17)	77,741	52,087
Balance sheet total		**1,651,739**	**1,498,423**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR thousands

							12/31/2023
	Attributable to equity holders of the parent						
	Subscribed share capital	Share premium	Retained earnings	Accumulated other comprehensive income	Total amount	Shares of non-controlling interests	Total equity (Note 6.11)
As of 01/01/2023	**45,394**	**224,104**	**169,648**	**1,389**	**440,535**	**819**	**441,354**
Effects from adjustment according to IAS 12*	**–**	**–**	**134**	**–**	**134**	**–**	**134**
As of 01/01/2023	**45,394**	**224,104**	**169,782**	**1,389**	**440,669**	**819**	**441,488**
Result for the period	–	–	79,933	–	79,933	589	80,522
Other comprehensive income	–	–	–	–18,737	–18,737	–237	–18,974
Comprehensive income for the period	**–**	**–**	**79,933**	**–18,737**	**61,196**	**352**	**61,548**
Dividend	–	–	–27,237	–	–27,237	–	–27,237
Transactions with non-controlling interests	–	–	–1,582	–	–1,582	–13,090	–14,672
Addition of shares of non-controlling interests from business combinations	–	–	–	–	–	14,842	14,842
As of 12/31/2023	**45,394**	**224,104**	**220,896**	**–17,348**	**473,046**	**2,923**	**475,969**

*Further information in Note 2.4

in EUR thousands

							12/31/2022
	Attributable to equity holders of the parent						
	Subscribed share capital	Share premium	Retained earnings	Accumulated other comprehensive income	Total amount	Shares of non-controlling interests	Total equity (Note 6.11)
As of 01/01/2022	**45,394**	**224,104**	**124,235**	**–23,513**	**370,220**	**850**	**371,070**
Result for the period	–	–	61,081	–	61,081	146	61,227
Other comprehensive income	–	–	–	24,896	24,896	49	24,945
Comprehensive income for the period	**–**	**–**	**61,081**	**24,896**	**85,977**	**195**	**86,172**
Dividend	–	–	–15,888	–	–15,888	–	–15,888
Transactions with non-controlling interests	–	–	220	6	226	–226	–
As of 12/31/2022	**45,394**	**224,104**	**169,648**	**1,389**	**440,535**	**819**	**441,354**

CONSOLIDATED STATEMENT OF CASH FLOWS

	in EUR thousands	Notes	Q1-Q4/2023	Q1-Q4/2022
	Cash flow from operating activities			
	Result before income tax		**121,704**	**88,498**
–	Finance income	(5.3.6)	–20,421	–10,237
+	Finance expenses	(5.3.6)	62,532	23,230
+/–	Share of net profit of investments accounted for using the equity method	(6.4)	–1,224	–1,877
+/–	Other non-cash transactions	(7.3)	4,433	7,317
+	Amortisation and depreciation of intangible assets and property, plant and equipment	(5.3.8)	76,325	46,175
+	Impairment of tangible assets and other intangible assets	(5.3.8)	4,893	3,821
+	Allowance of current assets	(6.7, 6.8)	9,953	4,384
+/–	Change in other provisions and pensions		15,972	5,667
+/–	Change in other assets		–3,497	3,270
+/–	Change in other liabilities		–15,250	4,995
+/–	Loss/Gain on disposal of property, plant and equipment		–153	–1,024
+	Dividends from investments accounted for using the equity method	(6.4)	4,300	4,281
	Cash flow before change of net working capital		**259,567**	**178,500**
+/–	Change in inventories		–20,150	–5,533
+/–	Change in trade receivables[1]		1,837	–4,997
+/–	Change in trade payables		20,053	12,651
	Change of net working capital		**1,740**	**2,121**
	Cash flow from operating activities before income tax paid		**261,307**	**180,621**
–	Income tax paid	(5.4)	–58,581	–27,229
	Net cash flow from operating activities		**202,726**	**153,392**
	Cash flow from investing activities			
–	Purchase of property, plant and equipment	(6.2)	–54,893	–31,889
–	Purchase of intangible assets	(6.1)	–6,791	–4,363
+	Proceeds from sales of property, plant and equipment		1,679	2,894
–	Purchase of other financial assets		–	–287,767
–	Payments for acquisition of subsidiaries net of cash	(3)	42,579	–1,883
–	Granting of loans		–	–110,000
+	Interest received		3,643	1,333
	Net cash flow from investing activities		**–13,783**	**–431,675**
	Cash flow from financing activities			
–	Dividend payments to shareholders of SAF-HOLLAND SE	(6.11)	–27,237	–15,888
+	Proceeds from promissory note loan	(6.14)	105,000	476,000
–	Repayments of current and non-current financial liabilities	(6.14)	–110,625	–78,500
–	Repayments of Promissory note loan	(6.14)	–97,500	–
–	paid transaction costs relating to financing agreements	(6.14)	–182	–5,776
+/–	Proceeds and payments from hedging instruments		1,025	127
–	Payments for lease liabilities	(7.1)	–15,109	–9,024
–	Interest paid		–36,315	–9,680
+/–	Change in drawings on the credit line and other financing activities	(6.14)	14,746	–3,452
+/–	Transactions with non-controlling interests	(3)	–14,672	–509
	Net cash flow from financing activities		**–180,869**	**353,298**
	Net increase/decrease in cash and cash equivalents		**8,074**	**75,015**
+/–	Effect of changes in exchange rates on cash and cash equivalents		–5,258	3,224
	Cash and cash equivalents at the beginning of the period	**(6.10)**	**243,460**	**165,221**
	Cash and cash equivalents at the end of the period	**(6.10)**	**246,276**	**243,460**

[1] As at 31 December 2023 and 2022, trade receivables were sold as part of a factoring agreement. (see section 6.8 in the notes to the consolidated financial statements).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year January 1 through December 31, 2023

1. INFORMATION ON THE COMPANY

SAF-HOLLAND SE (previously SAF-HOLLAND S.A.; hereinafter referred to as the "company") was founded on December 21, 2005, in the form of a stock corporation (Société Anonyme) under Luxembourg law. By resolution of an extraordinary General Meeting on February 14, 2020, and the ensuing entry in the Luxembourg Trade and Companies Register on February 24, 2020, it was converted into a European Company (Societas Europaea, SE). Until June 30, 2020, the company's registered office was located at Boulevard de la Pétrusse 68–70, Luxembourg, and was entered in the Commercial Register of the District Court of Luxembourg under No. B 113.090. In a resolution of the extraordinary General Meeting on May 20, 2020, a resolution was passed to transfer the registered offices from Luxembourg to Germany. Since being registered in the Commercial Register at the District Court of Aschaffenburg under No. HRB 15646 on July 1, 2020, the registered office of the company has been located in Germany, Hauptstraße 26, 63856 Bessenbach. The company's shares are listed in the SDAX of the Frankfurt Stock Exchange.

The Consolidated Financial Statements of SAF-HOLLAND SE were compiled by the Management Board on March 7, 2024, and are scheduled for publication by the Management Board after being reviewed and approved by the Supervisory Board on March 8, 2024.

The financial statements, the Consolidated Financial Statements, and the Combined Management Report of SAF-HOLLAND SE for fiscal year 2023 will be published in the Federal Gazette. The financial statements of SAF-HOLLAND SE for 2023 and the Consolidated Financial Statements and Combined Management Report can be downloaded from https://corporate.safholland.com/de/investor-relations.

2. ACCOUNTING AND VALUATION PRINCIPLES

2.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The Consolidated Financial Statements of SAF-HOLLAND SE were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and applicable as of the reporting date.

The Consolidated Financial Statements are prepared using the historical cost principle, except for equity instruments and derivative financial instruments, which are measured at fair value.

The balance sheet presents current and non-current assets and current and non-current liabilities. The Consolidated Statement of Comprehensive Income is prepared according to the cost of sales method. Certain items in the Consolidated Statement of Comprehensive Income and the balance sheet are aggregated. They are disclosed separately in the Notes to the Consolidated Financial Statements.

The Consolidated Financial Statements are prepared in euros. Unless stated otherwise, all amounts are presented in euro thousands (EUR thousands). Due to rounding, individual figures may not add up precisely to the totals provided.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In preparing the Consolidated Financial Statements, the management has made assumptions and estimates that affect the reported amounts of assets, liabilities, income, expenses and contingent liabilities as of the reporting date. Due to the currently unpredictable consequences of the Ukraine and Middle East conflicts and other political and economic uncertainties, estimates and discretionary decisions are subject to increased uncertainty. This applies in particular to the assumptions regarding the future development of cash flows made during the impairment testing of goodwill. The actual figures may in some cases differ from these assumptions and estimates, which could have an impact on the recognition and measurement of assets and liabilities – and goodwill in particular. However, the sensitivity analyses conducted during the impairment testing of goodwill revealed that there are no indications of impairment for any of the three regions: EMEA, Americas and APAC. Reference is made to the comments on the assumptions and sensitivity analyses in Note 6.1.

Any changes in assumptions and estimates are recognized in profit and loss as soon as they become known. The following section details the key forward-looking assumptions as well as other main sources of estimation uncertainty as of the reporting date that pose a significant risk that a material adjustment to the carrying amounts of assets and liabilities may be necessary within the subsequent fiscal year.

Impairment of goodwill and intangible assets with indefinite useful lives

The Group tests goodwill and other intangible assets with indefinite useful lives for impairment at least once a year and when there is an indication of impairment. The Group's impairment tests as of October 1, 2023, are based on calculations of the recoverable amount using a discounted cash flow model. Future cash flows are derived from the Group's five-year financial plan, which was approved by the Supervisory Board. Cash flows beyond the planning period are extrapolated using individual growth rates. The recoverable amount depends heavily on the discount rate used in the discounted cash flow model, expected future cash inflows and outflows and the growth rate used for purposes of extrapolation.

Assumptions are based on the information available at the time, particularly the expected business developments, current conditions and realistic assessments of the future development of the global and industry-specific environment. The key assumptions underlying the company's planning are based on projected unit volumes for the truck and trailer markets published by market research companies and planning discussions with the Group's main customers. Although management believes that the assumptions used to calculate the recoverable amount are reliable, any unforeseen changes in these assumptions could lead to an impairment charge that could adversely affect the Group's asset, financial and earnings position. The basic assumption to determine the recoverable amount for the various cash-generating units and intangible assets with indefinite useful lives, including a sensitivity analysis, are discussed in more detail in Note 6.1. As of December 31, 2023, the carrying amount of obligations was EUR 128.8 million (previous year: EUR 80.4 million), and that of intangible assets with indefinite useful lives amounted to EUR 62.3 million (previous year: EUR 40.9 million).

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

Measurement of property, plant and equipment and intangible assets with finite useful lives requires the use of estimates for determining the fair value at the acquisition date, particularly for assets acquired in a business combination. Furthermore, the expected useful lives of these assets must be determined. The determination of fair values and useful lives of assets and impairment testing in the case of indications of impairment are based on management's judgement. As of December 31, 2023, the carrying amounts of property, plant and equipment amounted to EUR 334.0 million (previous year: EUR 205.7 million) and that of intangible assets with indefinite useful lives amounted to EUR 236.0 million (previous year: EUR 106.6 million). Further details are provided in Notes 6.1 and 6.2.

Equity instruments measured at fair value through other comprehensive income

If the fair value of the recognized financial assets and financial liabilities cannot be determined by reference to listed prices on active markets, it is measured using valuation techniques, including the discounted cash flow method, among others. The input factors for this model are taken from observable market data when possible; If these are not available, fair value measurement relies heavily on management's judgement. Changes to assumptions made could affect the recognized fair values of financial and equity instruments. Reference is made to Note 7.1 for more information.

Income taxes

Tax items are determined taking the local tax laws and relevant administrative opinions into account. Due to their complexity, tax positions are subject to the risk that the taxpayer and the tax authorities interpret tax matters differently. Different interpretations of existing or new tax legislation introduced by tax reforms or other law-making procedures can lead to back-taxes for past years (transfer prices, for instance). Such matters are considered by the management when they make their estimate.

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

Deferred tax assets are recognized for all unused tax loss carryforwards to the extent that it is probable that there will be taxable profits against which the losses can be utilized. Deferred tax assets for all unused interest carryforwards are recognized to the extent that it is probable that they can be used in the future to reduce taxable income. As of December 31, 2023, the carrying amount of deferred tax assets recognized on unused loss carryforwards came to EUR 23.4 million (previous year: EUR 9.6 million). Of this amount, EUR 13.4 million is attributable to deferred tax assets on the Haldex Group companies consolidated for the first time in 2023. Unrecognized tax loss carryforwards amounted to EUR 44.8 million from the former SAF-HOLLAND Group companies (previous year: EUR 56.8 million). From the companies of the Haldex Group consolidated for the first time in 2023, the loss carryforwards not covered by a deferred tax asset amounted to EUR 28.9 million. In addition, as of December 31, 2023, the carrying amount of deferred tax assets recognized on interest carryforwards was EUR 1.6 million (previous year: EUR 1.0 million). Further details are provided in Note 5.4.

Leasing liabilities

According to IFRS 16, the terms of leases are based on the non-cancellable term of the lease and an assessment of any options to extend or terminate the lease. The decision on the lease terms and the discount rate used has an influence on the amount at which right-of-use assets and lease liabilities are recognized.

Pensions and other similar commitments

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

Due to the long-term nature of pension plans, such estimates are subject to significant uncertainty. As of December 31, 2023, the carrying amount of pensions and other similar obligations was EUR 43.2 million (previous year: EUR 15.3 million). Further details, including a sensitivity analysis, are provided in Note 6.12.

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

As of December 31, 2023, other provisions amounted to EUR 50.4 million (previous year: EUR 23.9 million). Further details are provided in Note 6.13.

Guarantees and warranties
The provision for guarantees and warranties is recognized on the basis of past experience considering the circumstances on the reporting date for the products in circulation. For this reason, the actual cash outflows could differ from the amount set aside in the provision for guarantees and warranties. The provision for guarantees and warranties is included in other provisions and amounts to EUR 27.7 million as of the reporting date (previous year: EUR 14.4 million). Further details are provided in Note 6.13.

Variable remuneration
The Group initially recognizes the cost of Share Units (appreciation rights) granted to members of the Management Board and certain managers at the fair value of the appreciation rights at the grant date and subsequently measures them on each reporting date as well as on the settlement date. Estimating the fair value of variable payments requires the selection of an appropriate valuation model depending on the terms and conditions of the agreements. This model includes a variety of inputs for which assumptions must be made to estimate the fair value. The main inputs are the expected life of the option, the volatility of the share price and the expected dividend yield. The period of volatility is based on the remaining period of the performance share unit plans. As of December 31, 2023, the carrying amount of obligations was EUR 5.1 million (previous year: EUR 2.3 million). Further details are provided in Note 6.13.

Derivative financial instruments
If the fair value of financial assets and financial liabilities recognized in the balance sheet cannot be derived from an active market, it is determined by using valuation models. The inputs for this model are taken from observable market data when possible; If this is not possible, the determination of fair values represents a discretionary decision to a certain extent. This judgement considers parameters such as liquidity risk, credit risk and volatility. Changes in the assumptions about these factors could affect the recognized fair value of financial instruments. As of December 31, 2023, the carrying amount of derivative financial instruments was EUR 0.3 million (previous year: EUR 1.3 million). Further details are provided in Note 7.1.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

— derecognize the assets (including goodwill) and liabilities of the subsidiary,

— derecognize the carrying amount of any non-controlling interest in the former subsidiary,

— derecognize cumulative translation differences recognized in equity,

— recognize the fair value of the consideration received,

— recognize the fair value of any investment retained,

— recognize any gains and losses in profit and loss,

— reclassify the parent company's share of other comprehensive income components to profit and loss or retained earnings, depending on the specific circumstances.

Shares in associates and joint ventures
Investments in associates and joint ventures are accounted for in the Consolidated Financial Statements using the equity method.

An associate is an entity over which the Group can exercise considerable influence by participating in the entity's financial and operating policy decisions but cannot exert control or joint control over those decision processes. Considerable influence is generally assumed when the Group holds between 20 percent and 50 percent of the voting rights.

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

The considerations for determining whether considerable influence or joint control exists are similar to those for determining control over subsidiaries. Investments in associates and joint ventures are no longer included in the Consolidated Financial Statements using the equity method when the Group no longer exercises considerable influence or participates in the joint control over decision processes. Profits and losses from transactions between the Group and the associated company or joint venture are eliminated in proportion to the share in the associate or joint venture.

The complete list of the Group's shareholdings is provided in Note 7.6.

Foreign currency translation
The Consolidated Financial Statements are presented in euros, which is the Group's functional and reporting currency. Each entity in the Group determines its own functional currency, and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially translated into the functional currency at the spot rate on the day of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the reporting day's closing rate. All exchange differences are recognized in profit and loss. Non-monetary items measured at historical cost in a foreign currency are translated at the rate prevailing on the date of the transaction. Any goodwill arising from the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets

and liabilities arising from the acquisition of this foreign operation are accounted for as assets and liabilities of the foreign operation and translated at the reporting day's closing rate. As of the reporting date, the assets and liabilities of foreign operations are translated into euros at the closing rate. Income and expenses are translated at the weighted average exchange rate for the fiscal year. The exchange differences arising from translation are recognized in equity. On disposal of a foreign operation, the accumulated amount recognized in equity relating to that particular foreign operation is recognized in profit and loss. Exchange differences from foreign currency loans that are part of a net investment in a foreign operation are recognized directly in equity until disposal of the net investment, at which time they are recognized in profit and loss.

In fiscal year 2023, none of the functional currencies used within the Group were considered as that of a hyperinflationary economy in the sense of IAS 29 (Financial Reporting in Hyperinflationary Economies).

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

	Closing rate		Average rate	
	12/31/2023	12/31/2022	Q1-Q4/2023	Q1-Q4/2022
Australian Dollar	0.61680	0.63618	0.61466	0.65970
Brazilian Real	0.18642	0.17727	0.18531	0.18438
Chinese Renminbi	0.12803	0.13531	0.13088	0.14139
Indian Rupee	0.01087	0.01132	0.01120	0.01211
Canadian Dollar	0.68327	0.69168	0.68554	0.73054
Polish Zloty	0.23039	0.21376	0.22036	0.21374
Swedish Krona	0.09021	0.08976	0.08724	0.09415
US-Dollar	0.90425	0.93677	0.92493	0.95060

Goodwill

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

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

Intangible assets

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

The acquisition cost of an intangible asset acquired in a business combination is its fair value as of the acquisition date.

Research costs are expensed in the period in which they are incurred. Development costs for internally generated intangible assets are only capitalized as an intangible asset when the Group can demonstrate:

— the technical feasibility of completing the intangible asset to make it available for internal use or sale,

— the intention to complete the intangible asset and its ability to use or sell the asset,

— the recoverability of future economic benefits,

— the availability of resources to complete the asset, and

— the ability to reliably measure the expenditure attributable to the intangible asset during its development.

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

For capitalized development costs, amortization begins when the development phase has been completed and the asset is available for use.

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

Intangible assets with finite useful lives are amortized over their useful lives and tested for impairment whenever an indication of impairment exists. The useful life and the amortization method used for an intangible asset with a finite useful life are reviewed at the end of each fiscal year at a minimum. Amortization is recognized in the expense category that corresponds to the intangible asset's function within the company.

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

Because the Group expects to expand acquired brands in the future, brands are assumed to have indefinite useful lives. However, a finite useful life is assumed for acquired intangible assets such as technology and customer relationships.

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

	Customer relationship	Technology	Capitalised development cost	Brand	Service network	Licenses and software
Amortisation method used	Amortised on a straight line basis over the useful life	Amortised on a straight line basis over the useful life	Amortised on a straight line basis over the useful life	No amortisation	Amortised on a straight line basis over the useful life	Amortised on a straight line basis over the useful life or over the period of the right
Useful life	15–40 years	8 – 13 years	8 – 10 years	Infinite	20 years	3–10 years

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

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

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

Ongoing maintenance and repairs are expensed immediately.

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

The useful lives and depreciation methods of the assets are reviewed and adjusted prospectively at the end of each fiscal year when appropriate.

Scheduled depreciation is generally based on the following useful lives:

	Buildings	Plant and equipment	Other equipment, office furniture and equipment
Amortisation method used	Amortised on a straight line basis over the useful life	Amortised on a straight line basis over the useful life	Amortised on a straight line basis over the useful life
Useful life	5–50 years	3–15 years	3–10 years

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

Borrowing costs

Borrowing costs consist of interest and other costs incurred by an entity when assuming liabilities. Borrowing costs directly attributable to the acquisition, construction or production of an asset that requires a substantial period of time to prepare for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they are incurred.

Leases

At the inception of a contract, the Group assesses whether the contract is or contains a lease. For all leases in which the Group acts as lessee, the Group recognizes a right-of-use asset and a corresponding lease liability. This does not apply to short-term leases with a term of 12 months or less or to leases of low-value assets. For these leases, the Group posts the lease payments as rental and lease expenses on a straight-line basis over the lease term.

The Group recognizes rights of use on the commencement date of a lease (i.e. the date on which the underlying leased asset is available for use). Rights of use are measured at cost of purchase less any accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liabilities. The costs of rights of use include the recognized lease liabilities, the initial direct costs incurred and the lease payments made at or before the commencement date, less any lease incentives received. Rights of use are depreciated on a straight-line basis over the shorter of the lease term or the expected useful life of the lease.

The lease liability is measured on the commencement date at the present value of lease payments not yet made at the inception of the lease, discounted using the interest rate implicit in the lease. Where this interest rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments include fixed payments less any lease incentives to be received, variable lease payments linked to an index or (interest) rate, and amounts expected to be paid under residual value guarantees. Lease payments also include the exercise price of a purchase option if it is reasonably certain that the Group will actually exercise it, and penalty payments for termination of the lease if the term is measured after taking into account that the Group will exercise the termination option.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and the right of use. Rather, these payments are recognized as an expense in the period in which the triggering event or condition occurs.

After the commencement date, the amount of the lease liability is increased to reflect the higher interest expense and decreased to reflect the lease payments made. In addition, the carrying amount of lease liabilities is remeasured upon any changes in the lease, such as a change in the lease term, changes in lease payments (changes in future lease payments as a result of a change in the index or interest rate used to determine those payments, for instance), or a change in the assessment of a purchase option for the underlying asset.

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

Investments in companies accounted for using the equity method
Under the equity method, investments in associates and joint ventures are recognized on the balance sheet at cost plus any changes in the Group's interest in the net assets of the equity investment following its acquisition. The Group's interest in the profit or loss of the associate or joint venture is reported separately in the result for the period. Any changes recognized directly in the equity of the associate or joint venture are recognized by the Group in the amount of its share and reported in accumulated other comprehensive income. Goodwill resulting from the acquisition of an associate or joint venture is included in the carrying amount of the investment in the associates or jointly controlled entities and is neither amortized nor tested separately for impairment. After applying the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investments in associates and joint ventures. At each reporting date, the Group determines whether there is any objective evidence indicating that investments in associates or joint ventures are impaired. If evidence exists, the Group calculates the amount of the impairment as the difference between the investment's fair value and carrying amount and recognizes the amount in profit and loss.

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

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

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

Financial instruments

Financial instruments

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

Financial assets – initial recognition and measurement

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

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

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

Subsequent measurement

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

— Financial assets measured at amortized cost (debt instruments),

— Financial assets measured at fair value through other comprehensive income with the reclassification of accumulated gains and losses (debt instruments),

— Financial assets measured at fair value through other comprehensive income without reclassification of accumulated gains and losses upon derecognition (equity instruments),

— Financial assets measured at fair value through profit or loss.

Financial assets measured at amortized cost

This category is the most significant for the Consolidated Financial Statements. The Group measures financial assets at amortized cost when the following two conditions are met:

— The financial asset is held as part of a business model whereby the objective is to hold financial assets for collection of the contractual cash flows, and

— the contractual terms of the financial asset give rise to cash flows at fixed dates that are solely payments of principal and interest on the principal amount outstanding.

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

Financial assets measured at fair value through other comprehensive income

The Group measures financial assets at fair value through other comprehensive income when the following two conditions are met:

— The financial asset is held as part of a business model whereby the objective is collection of contractual cash flows and the sale of financial assets, and

— the contractual terms of the financial asset give rise to cash flows at fixed dates that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value through other comprehensive income (equity instruments)

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

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

Financial assets measured at fair value through profit or loss

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

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

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

Derecognition

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

— The contractual rights to receive cash flows from the financial asset have expired.

— The Group has transferred its contractual rights to receive cash flows from the financial asset to third parties or has assumed a contractual obligation to pay the cash flow immediately to a third party under a transfer agreement and thereby either (a) transferred substantially all of the risks and rewards of ownership of the financial asset or (b) neither transferred nor retained substantially all of the risks and rewards of ownership of the financial asset but instead transferred control over the asset.

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

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

Impairment of financial assets

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

For trade receivables and contract assets, the Group applies the simplified approach in accordance with IFRS 9 to measure the expected credit losses; accordingly, the expected credit losses over the term are used for all trade receivables.

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

Financial liabilities – initial recognition and measurement

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

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification:

Financial liabilities measured at fair value through profit or loss

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

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

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

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

Loans

After initial recognition, interest-bearing loans are measured at amortized cost using the effective interest method.

Interest-bearing loans usually fall into this category. Further information is provided in Note 6.14.

Derecognition

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

Measurement of fair value

Fair value is the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants on the measurement date. Fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

— in the principal market for the asset or liability or

— in the absence of a principal market, in the most advantageous market for the asset or liability.

The Group must have access to the principal or most advantageous market.

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

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

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

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

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

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

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

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

An analysis of the fair value of financial instruments and further details on the method used to measure them are provided in Note 7.1.

Derivative financial instruments

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

The Group uses derivative financial instruments such as forward exchange contracts, interest rate swaps and caps to hedge risk positions arising from currency and interest rate fluctuations. The hedges cover financial risk from recognized underlying transactions, in the case of interest rate swaps and caps from future interest rate risks and, in the case of currency risks, also risks from pending delivery and service transactions.

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

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

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

In accordance with IAS 32.23, put options to shares that do not have any controlling interests attached are measured upon initial recognition at the present value of the estimated repurchase price and presented under other financial liabilities. As IAS 32 does not set any guidance on how put options with an indefinite date of exercise should be measured, the earliest possible date of exercise has been assumed to measure the other financial liabilities.

Inventories

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

Costs incurred in bringing inventories to their present location and current condition are accounted for as follows:

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

Cash and cash equivalents

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

Other provisions

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

Variable remuneration

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

Pensions and similar commitments

Defined benefit pension plans and similar obligations

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

Past service cost is recognized immediately in profit and loss.

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

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

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

Defined contribution pension plans

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

Other benefits after termination of the employment relationship

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

Other long-term employee benefits

The Group grants anniversary benefits to a number of employees for their length of service. The corresponding obligations are calculated using the projected unit credit method.

Taxes

Actual income taxes

Actual income tax assets and liabilities for the current and previous periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The calculation of the amount is based on the tax rates and tax legislation applicable on the reporting date.

Deferred taxes

Deferred tax assets and liabilities are generally recognized for temporary differences between the carrying amount in the balance sheet and the tax base as well as for tax loss carryforwards and interest carryforwards, with the following exceptions:

— deferred tax liabilities from the initial recognition of goodwill and deferred tax assets and liabilities from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the profit and loss according to IFRS nor the taxable profit and loss; and

— deferred taxes from temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, which are not to be recognized if the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the near future.

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

Deferred income taxes relating to items recognized directly in equity are recognized in other comprehensive income rather than in profit and loss.

Sales revenue

Sales are recognized when the control over the goods or services is transferred to the customer. Sales are recognized in the amount of consideration that the Group is expected to receive in exchange for these goods or services. The Group has basically come to the conclusion that it acts as the principal in its sales transactions, as it usually retains control over the goods or services before they pass to the customer. Revenue arising from the sale of goods and merchandise in the OEM and Aftermarket segments is recognized at a point in time, namely when control over the asset passes to the customer, i.e. the good is delivered to the customer and no outstanding performance obligation remains that could affect acceptance of the goods by the customer. Delivery occurs when the goods are handed over to the customer in accordance with the respective incoterms arranged with the customer, the risk of loss or damage has passed to the customer and the customer has either accepted the goods in accordance with the sales contract or the criteria for acceptance have been met, or the Group has objective evidence that all of the acceptance criteria have been met. The usual payment term is 30 to 120 days from delivery. The Group examines whether the contract contains other commitments that represent separate performance obligations to which part of the transaction price must be allocated.

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

The Group generally offers the warranties required by law to remedy any defects that existed at the time of sale. Such *assurance-type warranties* are recognized as warranty provisions.

In the course of the Haldex acquisition, yet another business model is applied with regard to revenue recognition. In this business model, the Group reconditions the company's products at the end of their respective useful lives and sells these reconditioned products in the aftermarket. These products are those that have a cast-iron housing/core, such as air disc brakes, drum brakes, brake adjusters or slack adjusters. As part of the reconditioning process, these products are cleaned and wear parts are replaced. To encourage customers to return these old products for reconditioning, the customer is granted a right of return. If the product can be reconditioned, the customer receives a credit note upon return, the amount of which depends on the condition of the returned product. The customer can only deduct the credit when purchasing new products. As this consideration is not fixed when the contract is concluded, the right of return results in a variable consideration. Based on the Group's past experience, a contract liability is recognized at the time of the original sale in the amount of the expected refunds. At the same time, the Group recognizes a contract asset by adjusting the cost of sales for its right to reclaim products from the customer upon settlement of the refund liability. No revenue is recognized in the amount of the expected refund.

The development of the contract balances is shown in the following table:

	12/31/2022	Additions from initial consolidation	Addition	Disposal	12/31/2023
Contractual assets	0	6,295	11,060	–11,461	5,894
Contractual liabilities	0	12,017	19,765	–20,520	11,262

Government grants

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

2.4 CHANGES IN ACCOUNTING AND VALUATION STANDARDS

Amendment to IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021, the IASB issued amendments to IAS 8 that introduce a new definition for accounting estimates. The amendment clarifies that a distinction must be made between changes in accounting policies and accounting estimates and corrections of an accounting error.

The amendments apply to reporting periods beginning on or after January 1, 2023. Earlier adoption is permitted provided this is disclosed.

The amendments did not have any effect on the Consolidated Financial Statements.

Amendment to IAS 12: Deferred taxes relating to assets and liabilities arising from a single transaction

In May 2021, the IASB released amendments to IAS 12 that narrow the scope of application with regard to the exception afforded to first-time recognition in order to rule out transactions that result in temporary differences resulting in both an asset and a liability of equal amount, such as leases and decommissioning obligations. The amendments apply to reporting periods beginning on or after January 1, 2023. At the beginning of the earliest comparative period presented, the reporting entity recognizes deferred taxes for all temporary differences related to leases and decommissioning obligations and recognizes the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity at that date. For all other transactions, the amendments apply to all transactions that occur after the beginning of the earliest comparative period presented.

In the past, the Group applied the initial recognition exemption and did not recognize deferred taxes on leases. In accordance with the amendment to IAS 12, the Group has now recognized separate deferred tax assets and liabilities on lease liabilities and rights of use. As of December 31, 2023, the taxable temporary difference with regard to the right of use amounts to EUR 49.2 million and the deductible difference with regard to the lease liability to EUR 50.2 million. In accordance with the amendments to the standard, the Group recognizes a separate deferred tax liability of EUR 12.6 million and a deferred tax asset of EUR 12.1 million net as of December 31, 2023. The application of the amendment resulted in an adjustment to retained earnings of EUR 0.1 million.

Amendment to IAS 12: International Tax Reform – Pillar 2 Model Rules

The amendments introduce a temporary exemption from the recognition of deferred taxes in IAS 12, so that the recognition of deferred taxes is excluded from the scope of the standard due to the structure of supplementary taxes under the Pillar 2 minimum taxation regime. In addition, this amendment requires specific disclosures in the notes on the impact of minimum taxation (see Note 5.4).

The mandatory exemption is to be applied retrospectively. However, as none of the countries in which the Group operates had a law introducing global minimum taxation as of December 31, 2023, and no associated deferred taxes were recognized at that time, the retrospective application has no effect on the Consolidated Financial Statements.

Amendment to IFRS 17 – Insurance Contracts

The IASB issued amendments to IFRS 17 in June 2020, postponing the effective date for the standard to reporting periods beginning on or after January 1, 2023. In addition, "Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendment to IFRS 17)" was issued in December 2021. This allows reporting entities that apply IFRS 17 and IFRS 9 for the first time simultaneously to present the comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had already previously been applied to this financial asset.

The amendments apply to reporting periods beginning on or after January 1, 2024.

These amendments do not have any effect on the Consolidated Financial Statements.

2.5 PUBLISHED BUT NOT YET MANDATORY STANDARDS

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

Amendments to IAS 1: Classification of liabilities as current or non-current

The amendments to IAS 1 released in the years 2020 and 2022 included clarifications of the criteria for classifying debt as current or non-current and require new disclosures on non-current liabilities that are subject to forward-looking covenants. The amendments are mandatory for fiscal years that begin on or after January 1, 2024.

The Group has bank loans that are subject to certain covenants. Although these liabilities are classified as non-current as of December 31, 2023, a future breach of the corresponding covenant could necessitate repayment of the liability before the contractual maturity date. The Group does not expect the changes to the standard to have any significant impact on the classification of the liabilities.

Amendments to IAS 7 and IFRS 7: Supplier Agreements

The IASB published amendments to IAS 7 and IFRS 7 on May 25, 2023. The amendments introduce new disclosures on supplier financing arrangements to help users of financial statements assess the impact of such arrangements on an entity's liabilities and cash flows and liquidity risk. The amendments apply to fiscal years beginning on or after January 1, 2024.

The Group is currently examining the effects of these amendments.

Amendments to IFRS 16: Lease liabilities from a sale and leaseback transaction

The amendments stipulate that when subsequently measuring the lease liability, the seller/lessee must determine the payments expected at the beginning of the lease term in such a way that no profit is realized on the retained right of use. In each period, the lease liability is reduced by the underlying expected payments and the difference to the actual payments is recognized in profit or loss.

The amendments are to be applied to fiscal years beginning on or after January 1, 2024.

The Group is currently examining the effects of these amendments.

Amendments to IAS 21: Lack of Exchangeability

The amendments require an entity to apply a consistent approach when assessing whether a currency is not exchangeable and, if this is the case, when determining the exchange rate to be used and the required disclosures in the notes. The amendment is to be applied for fiscal years beginning on or after January 1, 2025.

The Group does not expect the application of the amendments to have a material impact on the Consolidated Financial Statements, as no transactions are generally conducted in non-exchangeable currencies.

3. SCOPE OF CONSOLIDATION

The scope of consolidation has changed as follows compared to the Consolidated Financial Statements as of December 31, 2022:

COMPANY ACQUISITIONS IN 2023

Acquisition of Haldex AB

The Polish antitrust authorities unconditionally approved the acquisition of the Swedish brake and EBS company Haldex AB by SAF-HOLLAND SE on February 21, 2023, without any conditions. Beforehand, the European and US antitrust authorities had already declared their consent. Upon completion of the merger control clearance procedure, SAF-HOLLAND SE gained control over Haldex AB. Accordingly, Haldex AB and its subsidiaries were included in the scope of consolidation of SAF-HOLLAND SE as of February 21, 2023.

SAF-HOLLAND SE had already announced a cash offer to the shareholders of Swedish Haldex AB on June 8, 2022. The offer price amounted to SEK 66 per share in cash.

At the end of the extended acceptance period on August 31, 2022, SAF-HOLLAND SE held a total of 46.656.597 Haldex shares at the previous balance sheet date, corresponding to approximately 95.9 percent of the total number of Haldex shares outstanding.

Due to the time lag between the purchase price payment to the shareholders in August 2022 and the conclusion of the merger control clearance procedure and the associated acquisition of control in February 2023, the fair value of the consideration transferred was derived on the basis of a discounted cash flow model. At the time control was acquired, the fair value of the consideration transferred amounted to EUR 293.5 million.

The first-time consolidation of Haldex AB will be carried out in accordance with IFRS 3 using the acquisition method.

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

in EUR thousands	Fair value as of acquisition date
Brand	22,071
Other intangible assets	153,625
Property, plant and equipment	120,870
Investments accounted for using the equity method	2,754
Inventories	97,036
Trade receivables	82,513
Contractual assets	6,295
Other financial assets	3,506
Other assets	28,211
Cash and cash equivalents	42,579
	559,460
Deferred tax liabilities	34,412
Interest bearing loans and bonds	117,309
Trade payables	51,770
Contractual liabilities	12,017
Lease liabilities	26,534
Other liabilities	25,707
Pension liabilities	23,723
Other provisions	10,427
Income tax liability	2,468
	304,367
Total of identified net assets	**255,093**
Shares of non-controlling interests	–11,288
Goodwill from the acquisition	49,650
Consideration transferred	**293,456**

The gross amount of trade receivables came to EUR 83.9 thousand at the time of initial consolidation.

The Group measured the lease liabilities it acquired at the net present value of the remaining lease payments on the date of acquisition. Right-of-use assets are measured at the same amount as the lease liabilities.

Goodwill in the amount of EUR 49.7 million is mainly based on sales and cost synergies. Sales synergies are expected in particular from the expansion of the product portfolio. Cost synergies are expected to be realized mainly in the areas of purchasing and general administration.

Through the addition of Haldex AB to the scope of consolidation of the SAF-HOLLAND Group, cash and cash equivalents amounting to EUR 42.6 million were acquired.

The cash outflow for the acquisition of the Haldex shares in the amount of EUR 286.5 million was incurred in 2022.

The transaction costs incurred in connection with the acquisition amounted to a total of EUR 5.9 million, of which EUR 5.6 million was incurred in 2022. The transaction costs were recognized in the income statement under administrative expenses.

The subsidiaries and associates were allocated to the EMEA, Americas or APAC regions depending on where they are based.

In the period between the closing of the transaction on February 21 and December 31, 2023, the acquired Haldex Group contributed sales revenue of EUR 399.4 million and earnings before taxes of EUR 13.8 million to the Group result before taking the effects of the purchase price allocation and integration costs into account.

If the acquisition had been included in the Consolidated Financial Statements as of January 1, the Group's sales and earnings before taxes would have been EUR 2,171.1 million and EUR 122.9 million in fiscal year 2023.

COMPANY ACQUISITIONS IN 2022

Acquisition of Industrial Machinery Supplies Limited

On April 1, 2022, SAF-HOLLAND GmbH acquired all of the shares in its UK distribution partner, Industrial Machinery Supplies Limited (IMS Ltd.) based in Shepshed, England. Because SAF-HOLLAND GmbH holds the majority of voting rights, it obtained control of IMS Ltd. as of the acquisition date. Following the acquisition, the entity was renamed SAF-HOLLAND UK Ltd.

The first-time consolidation of IMS Ltd. was carried out using the acquisition method in accordance with IFRS 3.

The purchase price of GBP 2.3 million was paid in cash on July 1, 2022.

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

in EUR thousands	**Fair value as of acquisition date**
Other intangible assets	495
Property, plant and equipment	5
Inventories	2,413
Trade receivables	5,803
Other assets	575
Cash and cash equivalents	723
	10,014
Trade payables	1,230
Other liabilities	6,178
	7,408
Total of identified net assets	2,606
Goodwill from the acquisition	–
Consideration transferred	**2,606**
in EUR thousands	
Cash outflow	2,606
Cash acquired	723
Actual cash inflow	**–1,883**

As the sum of the identifiable net assets equaled the total consideration paid, the business combination did not result in any goodwill.

The gross amount of trade receivables came to EUR 5.9 million at the time of acquisition.

The Group measured the lease liabilities it acquired at the net present value of the remaining lease payments on the date of acquisition. Rights of use are measured at the same amount as the lease liabilities.

In the period between the acquisition and the end of fiscal year 2022, the acquired entity generated sales revenue of EUR 17.1 million and net profit of EUR 0.1 million.

Transaction costs of EUR 0.1 million were recognized as an expense and included in administrative expenses.

IMS Ltd. was assigned to the EMEA region.

If IMS Ltd. had been included in the Consolidated Financial Statements as of January 1, 2022, the Group's sales would have been EUR 1,568.9 million and its earnings before tax EUR 61.3 million in fiscal year 2022.

DECONSOLIDATIONS

SAF-HOLLAND India Private Limited, India, was deconsolidated upon its liquidation on May 26, 2023.

The deconsolidation did not have any effect on the Group's asset, financial and earnings position.

The companies SAF-HOLLAND Bulgaria EOOD, Bulgaria, and Qingdao YTE Special Products Pte. Ltd., China, were both liquidated in the previous year.

OTHER CHANGES

Following completion of the cash tender offer to the shareholders of Haldex AB and the approval from the Polish antitrust authorities, SAF-HOLLAND acquired approximately 95.9 percent of the outstanding shares in Haldex AB. Subsequently, SAF-HOLLAND initiated a compulsory takeover procedure under Swedish company law to acquire all shares not tendered in the offer. The squeeze-out proceedings were completed on February 28, 2023. The remaining minority interests in Haldex AB were transferred to SAF-HOLLAND SE on March 1, 2023. Upon conclusion of the squeeze-out proceedings, SAF-HOLLAND now holds all the shares in Haldex AB.

In April 2023, SAF-HOLLAND Inc. acquired the remaining 49 percent of the shares in the American manufacturer of tire pressure management systems PressureGuard LLC for a purchase price of EUR 2.5 million. SAF-HOLLAND now holds all shares in PressureGuard LLC, having already acquired 51 percent of the shares in the first quarter of 2019.

As part of the integration of the Haldex companies into the SAF-HOLLAND Group, the investment of Haldex AB, Sweden, in Haldex GmbH, Germany, was sold to SAF-HOLLAND SE and subsequently merged into SAF-HOLLAND GmbH as part of a sideways merger on August 16, 2023.

Furthermore, as part of the integration of the Haldex Group, Haldex Brake Products AB, Sweden, was merged with Haldex AB, Sweden, as of December 27, 2023.

In addition, all shares in the joint venture Haldex VIE (China) Electromechanical Brake Systems Co. Ltd., which is included in the Consolidated Financial Statements using the equity method, were sold to the joint venture partner for a purchase price of EUR 0.7 million. Prior to the sale, the shares in the Haldex VIE (Kunshan) joint venture were transferred to Haldex VIE (China) Electromechanical Brake Systems Co. Ltd.

After SAF-HOLLAND do Brazil Ltda. acquired the outstanding 42.5 percent of the shares in KLL Equipamentos para Transporte Ltda. in 2021, KLL Equipamentos para Transporte Ltda. was merged into SAF-HOLLAND do Brazil Ltda. as part of an upward merger.

In August 2022, SAF-HOLLAND GmbH increased its stake in Axscend Group Ltd. from 93.6 percent to 100.0 percent. The purchase price for the shares acquired amounted to EUR 0.5 million.

4. SEGMENT INFORMATION

Company management and Group reporting are segmented into the “EMEA,” “Americas,” and “APAC” segments. The three regions cover both the original equipment business as well as the spare parts business.

Management monitors the regions’ operating results separately for the purpose of making decisions on resource allocation and performance assessment. The development of the regions is assessed on the basis of the adjusted operating result (adjusted EBIT). The determination of operating profit (EBIT) can deviate to a certain extent from the Consolidated Financial Statements because special effects such as depreciation and amortization of property, plant and equipment and intangible assets due to the purchase price allocation (PPA), reversals and impairments as well as restructuring and transaction costs and valuation effects from option valuations as well as other one-off effects such as the expenses in connection with the cyberattack or the post-merger-integration are not taken into account (see table below). Group financing (including finance expenses and finance income) and income taxes are managed on a Group, basis and not allocated to the individual regions. Transfer prices between the regions are determined under normal market conditions for transactions with third parties.

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

in EUR thousands	Q1-Q4/2023	Q1-Q4/2022
Operating result	162,591	99,614
Share of net profit of investments accounted for using the equity method	1,224	1,877
EBIT	**163,815**	**101,491**
Additional depreciation and amortisation from PPA	19,142	9,455
PPA step-up from inventory measuring of acquisitions	5,261	–
Valuation effects from call and put options	–	2,066
Impairment of tangible assets and intangible assets	3,626	2,447
Restructuring and transaction expenses	10,207	9,142
Adjusted EBIT	**202,051**	**124,601**

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

in EUR thousands	EMEA[1]		Americas[2]		APAC[3]		Total	
	Q1-Q4/2023	Q1-Q4/2022	Q1-Q4/2023	Q1-Q4/2022	Q1-Q4/2023	Q1-Q4/2022	Q1-Q4/2023	Q1-Q4/2022
Sales	946,338	815,305	890,332	590,591	269,500	159,193	2,106,170	1,565,089
Cost of sales	–768,302	–679,770	–706,147	–487,962	–218,962	–137,807	–1,693,411	–1,305,539
Gross profit	**178,036**	**135,535**	**184,185**	**102,629**	**50,538**	**21,386**	**412,759**	**259,550**
Gross profit margin in %	18.8	16.6	20.7	17.4	18.8	13.4	19.6	16.6
Selling and administrative expenses, research and development costs, other income and expenses, impairment goodwill, share of net profit of investments accounted for using the equity method	–126,304	–94,831	–105,227	–51,329	–17,413	–11,899	–248,944	–158,059
Adjustments	21,406	11,990	18,008	4,573	–1,178	6,547	38,236	23,110
Adjusted EBIT	**73,138**	**52,694**	**96,966**	**55,873**	**31,947**	**16,034**	**202,051**	**124,601**
Adjusted EBIT margin in %	7.7	6.5	10.9	9.5	11.9	10.1	9.6	8.0
Amortization and depreciation of intangible assets and property, plant and equipment (without PPA)	33,798	18,602	22,766	15,905	5,512	3,587	62,076	38,094
in % of sales	3.6	2.3	2.6	2.7	2.0	2.3	2.9	2.4
Purchase of property, plant and equipment and intangible assets	30,354	13,684	27,682	20,564	3,648	2,005	61,684	36,253
in % of sales	3.2	1.7	3.1	3.5	1.4	1.3	2.9	2.3

[1] Includes Europe, Middle East and Africa.
[2] Includes Canada, the USA as well as Central and South America.
[3] Includes Asia/Pacific, India and China.
[4] Sales include only external sales. The following internal sales revenues were generated between the regions: EMEA EUR 26.7 Mio (previous year EUR 19.1 Mio), Americas EUR 10.2 Mio (previous year EUR 7.0 Mio) and APAC EUR 29.0 Mio (previous year EUR 6.8 Mio).

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

Business in the EMEA region includes the manufacture and sale of axles, brakes, EBS and suspension systems for trailers and semi-trailers as well as fifth wheels for heavy trucks. In this region, the Group also provides spare parts for the trailer and commercial vehicle industry.

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

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

The following table shows the breakdown of non-current assets by geographical region:

in EUR thousands	12/31/2023	12/31/2022
Non-current assets		
Americas	351,140	172,523
EMEA	396,236	239,439
APAC	43,030	42,846
Total	**790,406**	**454,808**

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

5. NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

5.1 REVENUES

Revenues increased by 34.6 percent compared to the previous year. The reason for the increase in sales was, on the one hand, the integration of the Haldex companies into the Consolidated Financial Statements. On the other hand, the continued strong customer demand for truck and trailer components, the price adjustments made in the course of 2022 due to increased material, freight and energy costs contributed to sales growth. Organic growth amounted to 11.4 percent.

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

in EUR thousands	Q1-Q4/2023	Q1-Q4/2022
OEM	1,448,049	1,144,018
Aftermarket	658,121	421,071
Total	**2,106,170**	**1,565,089**

The distribution of sales by business segment shifted in favor of the spare parts business (aftermarket) in the past fiscal year. This development was largely due to the inclusion of the Haldex Group, which generates around half of its sales in the spare parts business.

The performance obligation is met through the delivery of axle, brake, EBS/ABS and suspensions systems, fifth wheel couplings, kingpins, landing gear, trailer couplings, slack adjusters (OEM products) and spare parts. Payment terms are usually 30 to 120 days following delivery.

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

5.2 COST OF SALES

The cost of sales is composed as follows:

in EUR thousands	Q1-Q4/2023	Q1-Q4/2022
Cost of materials	1,370,834	1,081,202
Personnel expenses	190,425	138,942
Amortisation and depreciation of intangible assets and property, plant and equipment	45,923	26,248
Property expenses	13,950	10,523
Expenses related to rent and leasing	5,578	3,549
Temporary employees expenses	9,970	10,475
Repair and maintenance expenses	18,677	13,399
FX-valuation	924	–539
Legal and consulting expenses	5,401	2,299
Travel expenses	3,140	1,880
Warranty expenses	18,224	10,153
Insurance	1,992	1,348
Loss from disposal of PPE	543	100
Restructuring and transaction expenses	3,343	5,191
Other	4,487	769
Total	**1,693,411**	**1,305,539**

In fiscal year 2023, cost of sales included inventory consumption of EUR 1.6 million (previous year: EUR 1.3 million).

As a result of the energy price crisis, various European countries have granted energy cost subsidies to cushion the impact of the rise in energy prices. The Group received energy cost subsidies amounting to EUR 2.5 million, which were recognized in cost of sales. These expense allowances are not subject to any conditions and are non-repayable.

5.3 OTHER INCOME AND EXPENSES

5.3.1 Other income

Other operating income breaks down as follows:

in EUR thousands	Q1-Q4/2023	Q1-Q4/2022
Gain from disposal of property, plant and equipment	957	1,663
Income from employee leasing	535	484
Income from export grants	485	180
Restructuring and transaction income	1,352	1,843
Other	1,323	274
Total	**4,652**	**4,444**

The restructuring and transaction income mainly includes the reversal of liabilities in the course of the liquidation of two companies in China. Restructuring and transaction income in the previous year mainly originated from the sale of a developed property in China.

5.3.2 Selling expenses

The following table presents a breakdown of selling expenses:

in EUR thousands	Q1-Q4/2023	Q1-Q4/2022
Personnel expenses	52,416	32,633
Expenses for advertising and sales promotion	10,672	7,595
Amortisation and depreciation of intangible assets and property, plant and equipment	17,512	11,310
Expenses related to rent and leasing	1,472	398
Expenses for distribution	3,719	4,898
Temporary employees expenses	657	770
Trade receivable allowance and write-off	3,678	198
Storage expenses	648	884
Commissions	2,003	1,307
Insurance	1,252	778
Legal and consulting expenses	3,045	1,979
FX-valuation	55	5,126
Repair and maintenance expenses	558	281
Property costs	567	416
Restructuring and transaction expenses	707	131
Other	4,167	2,783
Total	**103,128**	**71,487**

Selling expenses recorded an increase of 44.3 percent to EUR 103.1 million in fiscal year 2023. The increase is mainly due to the integration of the Haldex companies into the Consolidated Financial Statements and the additional amortization from the purchase price allocation for the Haldex acquisition.

5.3.3 General administrative expenses

The following table shows the general administrative expenses:

in EUR thousands	Q1-Q4/2023	Q1-Q4/2022
Personnel expenses	45,153	28,925
Temporary employees expenses	1,622	955
Licenses, software and hardware	13,805	8,113
Expenses for office and operating supplies	4,209	1,876
Amortisation and depreciation of intangible assets and property, plant and equipment	7,930	6,202
Legal and consulting expenses	11,563	5,971
Insurance	2,915	2,544
Travel expenses	2,241	828
FX-valuation	2,255	1,231
Repair and maintenance expenses	2,777	587
Property costs	1,430	955
Restructuring and transaction expenses	9,281	8,079
Other	6,818	5,353
Total	**111,999**	**71,619**

The 56.4 percent increase in general and administrative expenses to EUR 112.0 million is due to the inclusion of the Haldex Group in the Consolidated Financial Statements. In addition to the expenses for the Haldex integration, the expenses in connection with the cyberattack led to a slight increase in restructuring and transaction costs compared to the previous year.

5.3.4 Research and development expenses

Research and development expenses break down as follows:

in EUR thousands	Q1-Q4/2023	Q1-Q4/2022
Personnel expenses	19,013	10,214
Amortisation and depreciation of intangible assets and property, plant and equipment	4,960	2,415
Expenses related to rent and leasing	448	19
Testing expenses	2,863	2,190
Service costs	3,535	2,540
Impairment of R&D projects	1,267	399
Travel expenses	741	335
Repair and maintenance expenses	939	338
Property costs	582	148
Restructuring and transaction expenses	594	31
Legal and consulting expenses	2,338	307
Other	1,153	272
Total	**38,433**	**19,208**

Research and development costs rose by 100.1 percent year-on-year to EUR 38.4 million. With regard to this increase, it should be noted that the Haldex Group has a higher share of R&D costs in relation to sales than SAF-HOLLAND. Development costs of EUR 4.8 million (previous year: EUR 4.0 million) were capitalized in the fiscal year.

5.3.5 Other expenses

Other expenses mainly include expenses for the settlement of claims of a former minority shareholder, which are included in the restructuring and transaction costs of the reconciliation to adjusted EBIT. Other expenses in the previous year included the valuation effect of the put option for the acquisition of the remaining shares in PressureGuard LLC.

5.3.6 Financial result

Financial income breaks down as follows:

in EUR thousands	Q1-Q4/2023	Q1-Q4/2022
Unrealised foreign exchange gains on foreign currency loans and dividends	4,648	1,868
Realised foreign exchange gains on foreign currency loans and dividends	6,702	2,382
Finance income due to derivatives	58	1,874
Financial income from plan assets	4,585	2,318
Interest income	3,643	1,333
Other	785	462
Total	**20,421**	**10,237**

Financial expenses break down as follows:

in EUR thousands	Q1-Q4/2023	Q1-Q4/2022
Interest expenses due to interest bearing loans and bonds	–34,182	–13,255
Amortisation of transaction costs	–2,468	–1,573
Finance expenses due to pensions and other similar benefits	–5,804	–2,505
Finance expenses due to derivatives	–724	–432
Realised foreign exchange losses on foreign currency loans and dividends	–3,539	–1,315
Unrealised foreign exchange losses on foreign currency loans and dividends	–11,611	–1,167
Finance expenses due to leasing	–2,543	–1,344
Other	–1,661	–1,639
Total	**–62,532**	**–23,230**

The increase in interest expenses in connection with interest-bearing loans and bonds resulted from additional financial liabilities taken out in August 2022 as part of the acquisition of Haldex. In addition, the higher interest rate level in the eurozone led to an increase in interest expenses for the variable interest-bearing financing lines.

Unrealized exchange gains and losses from loans and dividends denominated in foreign currency mainly result from the translation of intercompany loans denominated in foreign currency using the closing rate. The realized exchange rate gains primarily include transaction effects from the repayment of intercompany loans.

The amortization of transaction costs of EUR -2.5 million (previous year: EUR -1.6 million) relate to contract signing 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 a one-time additional amortization of transaction costs in the amount of EUR 1.0 million.

The financial expenses in connection with derivative financial instruments in the past fiscal year mainly include the effect from the measurement of foreign currency derivatives and interest rate swaps at fair value at the end of the year.

Further explanations can be found in Notes 6.14 and 7.1.

5.3.7 Employee benefit expenses

Expenses for employee benefits consist of the following:

in EUR thousands	Q1-Q4/2023	Q1-Q4/2022
Wages and salaries	–261,041	–182,204
Social insurance contributions	–43,122	–27,770
Pension expenses	–694	–619
Termination benefits[1]	–2,150	–1,406
Total	**–307,007**	**–211,999**

[1] EUR 1.9 million (prior year: EUR 1.3 million) of the expenses resulting from the termination of employment are reported under restructuring and transaction costs.

The increase in employee benefit expenses is mainly due to the first-time inclusion of Haldex AB and its subsidiaries in the Consolidated Financial Statements of SAF-HOLLAND SE.

Social insurance contributions include expenses from defined benefit plans of EUR 6.5 million (previous year: EUR 8.3 million).

5.3.8 Depreciation, amortization and impairments

Depreciation, amortization and impairments by function:

in EUR thousands	Depreciation of property, plant, and equipment		Amortisation of intangible assets		Total	
	Q1-Q4/2023	Q1-Q4/2022	Q1-Q4/2023	Q1-Q4/2022	Q1-Q4/2023	Q1-Q4/2022
Cost of sales	–40,943	–22,815	–4,980	–3,433	–45,923	–26,248
Selling expenses	–4,948	–4,105	–12,564	–7,205	–17,512	–11,310
Administrative expenses	–3,811	–1,880	–4,119	–4,322	–7,930	–6,202
Research and development expenses	–2,903	–1,230	–2,057	–1,185	–4,960	–2,415
Impairment of R&D projects	–	–	–1,267	–399	–1,267	–399
Impairment of intangible assets	–	–	–502[1]	–788[1]	–502[1]	–788[1]
Impairment of tangible assets	–3,124[1]	–2,634[1]	–	–	–3,124[1]	–2,634[1]
Total	**–55,729**	**–32,664**	**–25,489**	**–17,332**	**–81,218**	**–49,996**

[1] Included in the restructuring and transaction costs.

The increase in depreciation of property, plant and equipment and amortization of intangible assets before impairment was mainly due to the inclusion of the Haldex companies and additional depreciation and amortization from the purchase price allocations for the acquisition of the Haldex Group.

As part of the Haldex acquisition, depreciation and amortization of property, plant and equipment and intangible assets in connection with purchase price allocations increased to EUR 19.1 million (previous year: EUR 9.5 million).

5.4 INCOME TAXES

The main components of income taxes are:

in EUR thousands	Q1-Q4/2023	Q1-Q4/2022
Current income taxes incl. non-creditable foreign withholding tax	–52,923	–24,628
Deferred income taxes	11,741	–2,643
Income tax reported in the result for the period	**–41,182**	**–27,271**

The effective income tax rate for the Group for the year ended December 31, 2023, is 33.84 percent (previous year: 30.82 percent). The following table reconciles the tax expenses presented in the Consolidated Financial Statements and the expected income taxes for the Group after applying the Group's corporate income tax rate of 25.55 percent (previous year: 25.96 percent). The Group tax rate is the average weighted tax rate of the regions EMEA, Americas and APAC applied to the Group's earnings before taxes. For each of the three regions, the average weighted tax rate of the Group companies in that region was used (23.94 percent for EMEA, 26.66 percent for the Americas and 25.19 percent for APAC).

The expected income tax expenses (current and deferred) based on the Group's tax rate of 25.55 percent deviate from the reported income tax expenses as follows:

in EUR thousands	12/31/2023	12/31/2022
Result before income tax	**121,704**	**88,498**
Income tax based on Group's income tax rate of 25.55% (previous year: 25.96%)	–31,095	–22,974
Unused interest carry-forwards	–3,685	–1,604
Unused tax loss carry-forwards (including impairments)	–6,771	–3,452
Use of previously not recognised tax loss carry-forwards	1,049	5,325
Non-deductible operating expenses	–6,087	–4,651
Tax-Exempt income	1,746	570
Differences in tax rates	429	1,638
Income taxes resulting from previous year	5,487	–880
Tax effects from exchange rate fluctuations	–1,628	–886
Other	–462	–264
Effects from changes in foreign tax legislation	–165	–93
Income tax based on effective income tax rate of 33,84% (previous year: 30.82%)	–41,182	–27,271

The development of deferred income taxes in the tax loss carryforward item is characterized by impairment-related losses in mainly Swedish subsidiaries of the Haldex Group companies consolidated for the first time in 2023, for which no deferred tax assets were recognized.

Income taxes relating to other periods in the amount of EUR 3.97 million result from tax effects of SAF-Holland Inc, USA, which relate to previous years. These prior-year taxes include the use of tax benefits for research and development (so-called R&D credits). The possibility of utilizing these R&D credits from previous years only arose in the course of detailed analyses in 2023.

The development of deferred income taxes as of the reporting date was as follows:

in EUR thousands	12/31/2023	12/31/2022
Inventories	5,022	2,359
Pensions and other similar benefits	4,670	3,081
Lease liabilities	12,055	–
Other financial liabilities	65	28
Other provisions	7,477	3,936
Tax loss carry-forwards	23,405	9,556
Interest carry-forwards	1,556	959
Other	7,272	3,768
Deferred income tax assets	**61,522**	**23,687**
Intangible assets	–71,869	–31,162
Property, plant and equipment	–15,978	–12,873
Capitalised Rights of use	–12,560	–
Investments accounted for using the equity method	–474	47
Other assets	–313	–232
Interest bearing loans and bonds	–2,695	–3,718
Other	–4,674	–5,297
Deferred income tax liabilities	**–108,563**	**–53,235**

No deferred tax assets were recorded on the losses of Haldex AB, Sweden, for the current year 2023, which amount to EUR 6.8 million.

No deferred tax assets were recorded on the losses of SAF-Holland Yangzhou Vehicle Parts Ltd. China for the current year 2023, which amount to EUR 0.4 million (previous year: EUR 6.9 million).

As of the reporting date, deferred tax assets and liabilities of EUR 37.6 million (previous year: EUR 8.5 million) were offset, having met the requirements for offsetting. The balance sheet thus includes deferred tax assets of EUR 23.9 million (previous year: EUR 15.2 million) and deferred tax liabilities of EUR 70.9 million (previous year: EUR 44.7 million).

The Group has tax loss carryforwards of EUR 188.6 million (previous year: EUR 91.4 million). EUR 95.8 million of this amount is attributable to the companies of the Haldex Group consolidated for the first time in 2023. These loss carryforwards are available for a limited or unlimited period of time at various Group companies so that they can be offset against future taxable income at the respective company or other Group companies. Due to insufficient taxable income or offsetting options in the individual companies or other Group companies, no deferred tax assets were recognized on loss carryforwards amounting to EUR 73.7 million (previous year: EUR 56.8 million). Of this amount, EUR 28.8 million is attributable to the companies of the Haldex Group consolidated for the first time in 2023.

Unrecognized tax loss carryforwards expire as follows:

in EUR thousands	12/31/2023	12/31/2022
Expiry date		
Infinite	40,935	11,178
Within 5 years	32,786	45,644
Total	**73,721**	**56,822**

In addition to tax loss carryforwards, the Group has interest carryforwards of EUR 31.6 million (previous year: EUR 10.0 million), which are available indefinitely to various Group companies for use in the future as a tax deduction. They result from the interest barrier regulation in Germany and a comparable regulation in the US.

In fiscal year 2023, deferred income taxes amounting to EUR -0.3 million (previous year: EUR -2.1 million) were recognized in other comprehensive income.

Furthermore, no deferred taxes were recognized on taxable temporary differences of EUR -96.6 million (previous year: EUR -77.3 million) in connection with shares in companies. In addition, temporary differences associated with shares held in companies for which no deferred taxes have been recognized amounted to EUR 205.7 million. These deductible temporary differences amounting to EUR 205.7 million result from the investments in the Haldex Group companies consolidated for the first time in 2023.

The SAF-Holland Group and its parent company SAF-Holland SE are based in Germany. By law dated December 21, 2023 (published in the Federal Law Gazette on December 27, 2023), Germany adopted the global minimum taxation (so-called "Pillar 2" model) into German law.

The Group falls within the scope of the OECD minimum taxation model rules of the so-called "Pillar 2" model and has come to the conclusion that the global minimum tax (so-called "Pillar 2" tax), which is payable in accordance with the national legislation implementing the global minimum taxation rules, is an income tax within the scope of IAS 12.

The Group has therefore applied the temporary exemption published by the IASB in May 2023 from the accounting requirements for deferred taxes relating to income taxes in accordance with Pillar 2 rules in IAS 12. Accordingly, no deferred taxes relating to income taxes under Pillar 2 rules are recognized and no related information is disclosed.

The "Pillar 2" legislation was adopted in Germany by law on December 21, 2023 (promulgated in the Federal Law Gazette on December 27, 2023) and came into force on January 1, 2024.

As the national legislation to implement the regulations on global minimum taxation was not yet in force at the reporting date, the Group is not subject to any tax burden in this respect in fiscal year 2023.

In accordance with the provisions of the law that will come into force on January 1, 2024, the Group's parent company, SAF-HOLLAND SE in Germany, must pay an additional tax on the profits of its subsidiaries that are taxed at an effective tax rate of less than 15 percent. The effective tax rate is determined taking the special provisions of the "Pillar 2" legislation into account.

According to analyses that have not yet been completed, this additional tax (so-called top-up tax) may be levied on the earnings of the Group subsidiary in the United Arab Emirates (SAF-Holland Middle East) in the amount of EUR 0.4 million.

The Group is currently still in the process of assessing the impact of Pillar 2 once the legislation comes into force.

It is therefore possible that further companies will be subject to minimum taxation after the analysis has been completed.

Due to the complexity of the application of the legislation and the calculation of the so-called “GlobE income” on which “Pillar 2” taxation is based, the quantitative effects of the legislation that has been passed or entered into force cannot yet be reliably estimated.

6. NOTES TO THE CONSOLIDATED BALANCE SHEET

6.1 GOODWILL AND INTANGIBLE ASSETS

in EUR thousands	Customer relationship	Technology	Development costs	Brand	Service network	Licenses and software	Intangible assets	Goodwill
Historical costs								
As of 01/01/2022	**142,038**	**29,895**	**33,379**	**41,406**	**3,494**	**49,308**	**299,520**	**115,724**
Additions from initial consolidation	–	–	–	–	–	495	495	–
Additions	–	–	4,006	–	–	357	4,363	–
Disposals	–	–	1,618	–	–	425	2,043	–
Transfers	–	–	–	–	–	222	222	–
Foreign currency translation	3,191	510	1,122	950	–	1,198	6,971	2,008
As of 12/31/2022	**145,229**	**30,405**	**36,889**	**42,356**	**3,494**	**51,155**	**309,528**	**117,732**
Additions from initial consolidation	110,208	26,580	14,787	22,071	–	2,050	175,696	49,650
Additions	–	–	4,767	–	–	2,024	6,791	–
Disposals	–	62	–	–	–	4,538	4,600	–
Transfers	–	–	524	–	–	351	875	–
Foreign currency translation	–6,520	–802	–613	–596	–	–994	–9,525	–1,575
As of 12/31/2023	**248,917**	**56,121**	**56,354**	**63,831**	**3,494**	**50,048**	**478,765**	**165,807**
Accumulated amortisation								
As of 01/01/2022	**61,369**	**23,703**	**16,553**	**1,331**	**2,753**	**36,907**	**142,616**	**36,739**
Impairment	–	–	399	–	–	788	1,187	–
Additions	6,754	1,162	2,530	76	175	5,448	16,145	–
Disposals	–	–	618	–	–	404	1,022	–
Foreign currency translation	1,490	352	480	26	–	749	3,097	580
As of 12/31/2022	**69,613**	**25,217**	**19,344**	**1,433**	**2,928**	**43,488**	**162,023**	**37,319**
Impairment	–	–	1,267	–	–	502	1,769	–
Additions	12,624	2,871	4,509	74	175	3,467	23,720	–
Disposals	–	61	–	–	–	4,539	4,600	–
Foreign currency translation	–1,195	–244	–339	–5	–	–720	–2,503	–351
As of 12/31/2023	**81,042**	**27,783**	**24,781**	**1,502**	**3,103**	**42,198**	**180,409**	**36,968**
Carrying amount 12/31/2022	**75,616**	**5,188**	**17,545**	**40,923**	**566**	**7,667**	**147,505**	**80,413**
Carrying amount 12/31/2023	**167,875**	**28,338**	**31,573**	**62,329**	**391**	**7,850**	**298,356**	**128,839**

The increase in goodwill, brands, customer relationships and technologies is due in particular to the disclosure of hidden reserves as part of the purchase price allocation for the acquisition of the Haldex Group.

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

One development project was discontinued on account of a change in the allocation of resources. The development expenses incurred during the development phase for this project were written off by recording an impairment loss of EUR 1.3 million. The impairment loss for this project was allocated in full to the EMEA region.

Intangible assets with finite useful lives that are significant to the Group are presented in the following table:

	2023		2022	
in EUR thousands	Carrying amount	Useful life	Carrying amount	Useful life
Customer relationship "OEM"	24,293	23	23,322	24
Customer relationship "5th-Wheel"	9,400	15	8,840	16
Customer relationship "Americas"	89,488	15	–	0
Customer relationship "EMEA"	10,496	15	–	0
Customer relationship "APAC"	10,224	15	–	0

Impairment test for goodwill and intangible assets with indefinite useful lives

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

For the purpose of impairment testing, the goodwill and brands originating from business combinations, which have an indefinite useful life, were allocated to the "EMEA," "Americas" and "APAC" cash-generating units, which also constitute the reportable segments. The allocation of the brands "SAF," "Holland," "York," "V.ORLANDI" and "HALDEX" to the cash-generating units was done on the basis of the primary geographical use of these brands. The impairment test of the "SAF," "V.ORLANDI" and "HALDEX" brands was performed on the basis of the EMEA cash-generating unit and the impairment test of the "Holland" brand was performed on the basis of the Americas cash generating unit. The impairment test of the "York" brand was performed on the basis of the APAC cash-generating unit.

The recoverable amount of a cash-generating unit is determined on the basis of the value in use.

A discounted cash flow method was used to calculate the recoverable amount. A detailed five-year plan based on past experience, current operating earnings, management's best estimate of future development and market assumptions served as the basis for calculating cash flows. The value contribution as of 2028 is supplemented by the perpetual annuity. The basis for the calculation of the perpetual annuity is the assumed long-term sustainably achievable result given the market environment's cyclical nature.

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

The following table presents the discount factors before taxes as of October 1, 2023, that are applied during the impairment tests for goodwill and intangible assets with indefinite useful lives:

	Discount rate before tax	
	2023	2022
Americas	11.76%	12.38%
EMEA	12.20%	10.59%
APAC	13.43%	15.79%

In addition, specific peer group information for beta factors and leverage is taken into account.

The carrying amounts are as follows:

in EUR thousands	Americas		EMEA		APAC		Total	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Goodwill	65,243	27,475	51,492	45,451	12,104	7,487	128,839	80,413
Brand	12,725	13,229	46,587	24,568	3,017	3,126	62,329	40,923

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

An average growth rate of 2.1 percent was used for the five-year planning of the Americas cash generating unit.

An average growth rate of 3.6 percent is expected for the five-year planning of the EMEA cash generating unit.

At 6.6 percent, the APAC cash-generating unit reports the highest average growth rate among the cash-generating units. The comparatively high average growth rate is firstly attributable to the expected sharp rise in revenue following the removal of the corona restrictions in China, which is such an important market for the region. The anticipated increase in revenue is supported, among other factors, by expected changes in regulations that urge trailer manufactures to shift to weight-reduced and disc-brake technology, both a key competence of SAF-HOLLAND. Furthermore, the comparatively high average growth rate results from a further recovery of the Indian and Australian trailer market. After already falling by 65 percent in 2019, trailer production in India slumped by another 60 percent in 2020 on account of the COVID-19 pandemic. Due to the massive slump in production figures in the years 2019/2020, it is expected that the economic recovery that began in 2021 and carried on through to 2022 and 2023 and in the following years. Furthermore, infrastructure projects initiated by the Indian government provide additional growth impetus.

Within the scope of a sensitivity analysis either an increase in the average cost of capital (after taxes) of 150 basis points, a decline of future cash flows (after taxes) of 10 percent or a one percent reduction in the long-term growth rate was assumed for the cash-generating units to which material goodwill and intangible assets with indefinite useful lives were allocated. Based on this method, SAF-HOLLAND determined that there was no need for impairment at any of the cash-generating units.

6.2 PROPERTY, PLANT AND EQUIPMENT

in EUR thousands

	Land and buildings	Plant and equipment	Other equipment, office furniture and equipment	Advance payments and construction in progress	Total
Historical costs					
As of 01/01/2022	**160,204**	**212,968**	**44,900**	**11,893**	**429,965**
Additions from initial consolidation	–	5	–	–	5
Additions	4,829	4,127	4,196	25,241	38,393[1]
Disposals	7,565	6,600	1,278	504	15,947[2]
Transfers	586	5,223	1,855	–7,886	–222
Foreign currency translation	2,237	5,150	514	73	7,974
As of 12/31/2022	**160,291**	**220,873**	**50,187**	**28,817**	**460,168**
Additions from initial consolidation	35,182	53,256	22,356	10,076	120,870
Additions	14,515	6,938	8,725	42,669	72,847[1]
Disposals	6,105	14,279	6,519	397	27,300[2]
Transfers	3,120	36,129	6,105	–46,225	–871
Foreign currency translation	–2,688	–4,958	–1,258	–1,190	–10,094
As of 12/31/2023	**204,315**	**297,959**	**79,596**	**33,750**	**615,620**
Accumulated amortisation					
As of 01/01/2022	**59,719**	**134,148**	**34,764**	**–**	**228,631**
Impairment	1,907	727	–	–	2,634
Additions	9,316	16,447	4,267	–	30,030
Disposals	4,089	6,301	1,013	–	11,403[3]
Foreign currency translation	771	3,263	513	–	4,547
As of 12/31/2022	**67,624**	**148,284**	**38,531**	**–**	**254,439**
Impairment	354	2,770	0	–	3,124
Additions	15,837	25,581	11,187	–	52,605
Disposals	4,522	13,737	6,431	–	24,690[3]
Transfers	–	–	4		4
Foreign currency translation	–962	–2,340	–567	–	–3,869
As of 12/31/2023	**78,331**	**160,558**	**42,724**	**–**	**281,613**
Carrying amount 12/31/2022	**92,667**	**72,589**	**11,656**	**28,817**	**205,729**
Carrying amount 12/31/2023	**125,984**	**137,401**	**36,872**	**33,750**	**334,007**

[1] The additions of the year include additions to right of use assets of EUR 17.9 Mio (previous year EUR 6.5 Mio).
[2] Including disposals of right of use assets of EUR 2.8 Mio (previous year EUR 1.9 Mio)
[3] Including disposals of right of use assets of EUR 1.7 Mio (previous year EUR 0.6 Mio).

The increase in property, plant and equipment compared to the previous year is mainly due to the inclusion of the Haldex Group in the Consolidated Financial Statements of SAF-HOLLAND. Due to the ongoing conflict in Ukraine and the related sanctions, an impairment loss of EUR 2.7 million on property, plant and equipment in accordance with IAS 36 was recognized in profit or loss for an asset in Russia (EMEA region). The expected net realizable value less costs to sell was used as the recoverable amount. In the previous year, an impairment loss on property, plant and equipment of EUR 1.7 million was recognized for China (APAC region), as the sales targets for fiscal year 2022 and the resulting lower assumed sales and earnings performance in subsequent years were not achieved. The impairment loss recorded on non-current assets mainly related to buildings, plant and equipment used in axle production.

6.3 LEASES

The Group has entered into leases for a range of office equipment, warehouse buildings, production buildings and plant and machinery, vehicles, other equipment, office furniture and equipment, all of which it uses for its operating activities. The leases for buildings generally have terms ranging between 5 and 15 years. The terms of the leases for technical equipment and machinery as well as vehicles, other equipment, office furniture and equipment generally range between 3 and 5 years. A series of real estate lease agreements of the Group include extension and termination options. Such terms and conditions are used to provide the Group with the greatest possible flexibility with regard to the leased assets. The majority of the existing options to extend or terminate the leases can only be exercised by the Group and not by the respective lessor.

Payments for short-term leases of technical equipment and machinery and vehicles, as well as leases of low-value assets are expensed through profit or loss on a straight-line basis. Short-term leases are those that have a residual lease term of twelve months or less. Low-value assets consist of IT equipment and smaller items of office furniture.

The following items are presented in the balance sheet in connection with leases:

Right-of-use assets

in EUR thousands

	12/31/2023	12/31/2022
Land and buildings	55,415	29,710
Plant and equipment	144	108
Other equipment, office furniture and equipment	5,835	3,576
Total	**61,394**	**33,394**

As of December 31, 2023, right-of-use assets recorded an increase of EUR 28.0 million compared to the previous year. The main reason for the increase is the inclusion of the Haldex Group in the Consolidated Financial Statements. As of December 31, 2023, the right-of-use assets attributable to the former Haldex Group amounted to EUR 21.7 million.

Additions to right-of-use assets during fiscal year 2023 mainly relate to the lease of the new plants in Mexico and India, and amounted to a total of EUR 18.0 million (previous year: EUR 6.5 million).

The age structure of lease liabilities breaks down as follows:

Aging of lease liabilities 2023

in EUR thousands

	Remaining term of up to 1 year	Remaining term of up to 2 years	Remaining term of up to 3 years	Remaining term of up to 4 years	Remaining term of up to 5 years	Remaining term of more than 5 years	Total
Land and buildings	10,715	10,520	7,977	5,776	5,271	20,688	60,947
Plant and equipment	253	307	53	50	42	575	1,280
Vehicles	2,320	1,580	851	335	113	24	5,223
Other equipment, office furniture and equipment	197	75	26	11	8	–	317
Total	**13,485**	**12,482**	**8,907**	**6,172**	**5,434**	**21,287**	**67,767**

Aging of lease liabilities 2022

in EUR thousands

	Remaining term of up to 1 year	Remaining term of up to 2 years	Remaining term of up to 3 years	Remaining term of up to 4 years	Remaining term of up to 5 years	Remaining term of more than 5 years	Total
Land and buildings	6,194	5,570	5,509	3,905	1,735	11,897	34,810
Plant and equipment	240	478	33	23	23	7	804
Vehicles	1,219	751	408	189	90	39	2,696
Other equipment, office furniture and equipment	42	15	12	9	5	–	83
Total	**7,695**	**6,814**	**5,962**	**4,126**	**1,853**	**11,943**	**38,393**

This had the following impact on the Consolidated Statement of Comprehensive Income:

Consolidated Statement of Comprehensive Income

in EUR thousands

	Q1-Q4/2023	Q1-Q4/2022
Amortisation of right of use assets	–14,330	–8,570
Interest expenses	–2,543	–1,344
Expenses related to short-term leases	–7,372	–4,027
Expenses related to low-value leases	–126	–56

The depreciation of right-of-use assets breaks down to the different classes of non-current assets as follows:

Amortisation of right of use assets

in EUR thousands

	Q1-Q4/2023	Q1-Q4/2022
Land and buildings	–11,827	–6,832
Plant and equipment	–63	–40
Other equipment, office furniture and equipment	–2,440	–1,698
Total	**–14,330**	**–8,570**

Total lease expenditure in fiscal year 2023 came to EUR 22.6 million (previous year: EUR 13.1 million).

The Group does not act as a lessor.

6.4 INVESTMENTS IN COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

The following companies are investments in companies accounted for using the equity method:

	Country of incorporation	% Equity interest
Associates		
Castmetal FWI S.A.	Luxembourg	34.09
Joint ventures		
SAF-HOLLAND Nippon, Ltd.	Japan	50.0
Shaanxi Fast Haldex Brake Products Co. Ltd.	China	49.0

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

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

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

in EUR thousands	Castmetal FWI S.A.	
	12/31/2023	12/31/2022
Current assets	32,639	40,242
Non-current assets	13,615	11,583
Current liabilities	–12,672	–21,355
Non-current liabilities	–5,389	–8,002
Sales	58,084	53,583
Net profit of the financial year from continuing operations	5,125	5,432
Total comprehensive income	**5,125**	**5,432**
Group's share in total comprehensive income	1,747	1,851
Other equity holders	3,378	3,581

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

in EUR thousands	12/31/2023	12/31/2022
Net assets of the associate	28,193	22,468
Equity interest of the Group	34.09%	34.09%
Other adjustments	–1,299	5,030
Carrying amount of the investment in Castmetal FWI S.A.	8,312	12,689

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

A dividend of EUR 4.3 million (previous year: EUR 4.3 million) was distributed by Castmetal FWI S.A. in the past fiscal year.

The shares in the joint ventures SAF-HOLLAND Nippon, Ltd. and Shaanxi Fast Haldex Brake Products Co. Ltd. are not material joint ventures in themselves. The financial information on these joint ventures is presented below:

in EUR thousands	12/31/2023	12/31/2022
Group's share in profit or loss	–523	26
Group's share in total comprehensive income	53	26
Aggregate carrying amount of Group's share in this company	3,296	1,138

SAF-HOLLAND Nippon, Ltd. distributed a dividend of EUR 0.2 million (previous year: EUR 0.2 million) in the past fiscal year.

6.5 NON-CURRENT FINANCIAL ASSETS

The non-current financial assets of the previous year included the investment in Haldex AB, as the Polish antitrust authorities had not yet given their approval as of December 31, 2022, and therefore control over Haldex AB had not yet been obtained within the meaning of IFRS 10.

The remaining non-current financial assets mainly consisted of a loan of EUR 110.0 million that SAF-HOLLAND SE extended to Haldex AB to refinance the bank loans that fell due for immediate repayment upon the change in ownership.

6.6 OTHER NON-CURRENT ASSETS

in EUR thousands	12/31/2023	12/31/2022
VAT reimbursement claims	633	610
Claims from reinsurance	879	983
Defined benefit assets	10,478	4,626
Insurance premiums	2,578	75
Other	3,028	1,040
Total	**17,596**	**7,334**

The increase in other non-current assets is mainly due to the inclusion of the Haldex Group in the Consolidated Financial Statements.

6.7 INVENTORIES

in EUR thousands	12/31/2023	12/31/2022
Raw materials	149,229	78,128
Semi finished goods	56,215	47,255
Finished and trading goods	70,924	58,228
Goods in transit	30,324	18,638
Total	**306,692**	**202,249**

The increase in inventories is influenced by the integration of the Haldex Group. As of December 31, EUR 89.2 million was attributable to the inventories of the former Haldex Group.

Cost of sales includes impairment of inventories of EUR 5.6 million (previous year: EUR 4.5 million) and is recognized in cost of sales. The inventory impairment is recorded in a separate impairment account and netted against the gross amount of inventories. The higher impairment amount on inventories compared to the previous year was mainly due to the first-time inclusion of the Haldex companies in the Consolidated Financial Statements.

in EUR thousands	Allowance account
As of 01/01/2022	**15,687**
Charge for the year	4,621
Utilised	5,455
Release	147
Foreign currency translation	185
As of 12/31/2022	**14,891**
Charge for the year	5,945
Additions from initial consolidation	6,164
Utilised	4,187
Release	386
Foreign currency translation	–583
As of 12/31/2023	**21,844**

6.8 TRADE RECEIVABLES

As of December 31, 2023, trade receivables increased by 51.0 percent compared to the previous year. This development is primarily due to the inclusion of Haldex AB and its subsidiaries in the Consolidated Financial Statements of SAF-HOLLAND SE. As of the reporting date, the trade receivables attributable to Haldex AB and its subsidiaries amounted to EUR 48.8 million.

Trade receivables are non-interest bearing and are generally on due within 30 to 120 days.

in EUR thousands

					Thereof partly impaired on the reporting date and past due in the following periods					
	Gross carrying amount	Impairment	Carrying amount	Thereof neither impaired nor past due on the reporting date	Less than 30 days	Between 31 and 60 days	Between 61 and 90 days	Between 91 and 120 days	Between 121 and 360 days	More than 360 days
Trade receivables as of 12/31/2023	227,354	7,615	219,739	194,943	19,698	3,055	351	151	1,541	–
Trade receivables as of 12/31/2022	150,528	5,784	144,744	129,355	10,578	2,390	1,566	212	511	132

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

in EUR thousands

	Allowance account
As of 01/01/2022	**7,246**
Additions from initial consolidation	130
Charge for the year	647
Utilised	1,578
Release	737
Foreign currency translation	76
As of 12/31/2022	**5,784**
Additions from initial consolidation	1,339
Charge for the year	5,351
Utilised	3,862
Release	957
Foreign currency translation	–40
As of 12/31/2023	**7,615**

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

The Group sold and fully derecognized receivables with a volume of EUR 37.3 million (previous year: EUR 52.7 million) as of the reporting date as part of factoring agreements. Assuming the legal validity of the receivables, the factor bears the risk of customer default for the purchased receivables.

6.9 OTHER CURRENT ASSETS

in EUR thousands

	12/31/2023	12/31/2022
VAT receivables	22,658	14,192
Prepaid expenses	14,011	4,378
Insurance premiums	1,083	335
Creditors with a debit balance	462	347
Deposits within the framework of factoring	2,333	567
Other tax claims without income tax	4,398	4,675
Contractual assets	5,894	–
Other current assets	6,676	4,490
Total	**57,515**	**28,984**

The increase in other current assets compared to the previous year should be viewed against the backdrop of the inclusion of the Haldex Group in the Consolidated Financial Statements.

6.10 CASH AND CASH EQUIVALENTS

in EUR thousands

	12/31/2023	12/31/2022
Cash on hand, cash at banks and checks	240,319	236,786
Short-term deposits	5,957	6,674
Total	**246,276**	**243,460**

Cash and cash equivalents include EUR 11.7 million (previous year: EUR 9.5 million), which the Group can only transfer to a limited extent.

Short-term investments consist of highly-liquid financial assets that have a residual term of not more than three months and are only exposed to insignificant fluctuations in value.

For further information on the development of cash and cash equivalents, please refer to the Statement of Cash Flows.

6.11 EQUITY

Share capital

The company's share capital has not changed compared to the previous year and amounted to EUR 45,394,302.00 (previous year: EUR 45,394,302.00) as of the balance sheet date. It is represented by 45,394,302 (previous year: 45,394,302) ordinary shares with a nominal value of EUR 1.00 each and is fully paid up.

Authorized capital

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

Articles of Association	Date of resolution/expiration	Euro/number of shares	Subscription rights excluded/ execution of capital increase
Article 5.3	May 20, 2020/valid until May 19, 2025	22,697,151.00 EUR = 22,697,151.00 Shares	Capital increases can be conducted, excluding the subscription rights of existing shareholders, under the certain circumstances defined in the articles of association and only to an upper limit of 20 percent of subscribed share capital

Capital reserve

As of December 31, 2023, the capital reserve was unchanged at EUR 224.1 million (previous year: EUR 224.1 million).

Retained earnings

Retained earnings include the result for the period attributable to shareholders of SAF-HOLLAND SE of EUR 79.9 million (previous year: EUR 61.1 million).

A dividend of 0.85 per share will be proposed for fiscal year 2023, corresponding to a total dividend distribution of EUR 38.6 based on 45,394,302 shares. This amounts to a payout ratio of the available net income attributable to equity holders of the parent company of 48.3 percent, which is within the targeted range. A dividend of EUR 0.60 was paid in the previous year. The total distribution thus amounted to EUR 27.2 million.

Accumulated other changes in equity

in EUR thousands

	Before tax amount		Tax income/expense		Net of tax amount	
	Q1-Q4/2023	Q1-Q4/2022	Q1-Q4/2023	Q1-Q4/2022	Q1-Q4/2023	Q1-Q4/2022
Exchange differences on translation of foreign operations	–20,658	12,688	–	–	–20,658	12,688
Net gain/loss on equity instruments measured at fair value through other comprehensive income	996	6,273	–	–	996	6,273
Remeasurements of defined benefit plans	963	8,057	–275	–2,073	688	5,984
Total	**–18,699**	**27,018**	**–275**	**–2,073**	**–18,974**	**24,945**

The total amount of exchange differences from the translation of foreign operations included in other comprehensive income amounts to EUR -21.5 million (previous year: EUR -0.9 million).

The total amount after taxes included in other comprehensive income that arises from the remeasurement of defined benefit plans is EUR -1.6 million (previous year: EUR -2.3 million).

6.12 PENSIONS AND SIMILAR COMMITMENTS

Germany

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

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

Future pension payments for the plan of SAF-HOLLAND Verkehrstechnik GmbH depend on the length of service and the individual's income. In February 2011, the company restructured its existing pension plans from a direct pension commitment to an indirect pension commitment in the form of a reinsured employee benefit fund. The conversion did not alter the benefits granted to employees. Pension commitments of the employee benefit fund are covered by a group insurance contract. As these reinsurance claims do not constitute plan assets because the employees' claims are not protected against insolvency, the asset value of the pension liability insurance of EUR 0.9 million (previous year: EUR 1.0 million) is recognized under other non-current assets in accordance with IAS 19.

In the course of the merger of Haldex GmbH into SAF-HOLLAND GmbH, an active pension scheme for company pensions was also transferred. This is based on the company agreement dated August 22, 1991, in conjunction with the pension scheme of Grau GmbH (legal predecessor of Haldex GmbH) dated August 20, 1991, and was adopted and applied accordingly by Haldex. The monthly pension is granted after a waiting period of 5 full years of service and consists of a basic amount of EUR 51.13 plus an increase of EUR 2.20 for each year of service completed after 10 years. The period of service up to retirement age is taken into account for the disability pension. The early retirement pension is granted in the amount of the retirement pension reached by the time of retirement. The surviving dependants' pension amounts to 60 percent of the pension of the entitled person. In addition, there are two closed pension schemes in which the group of persons only consists of active pension recipients and retired persons with vested entitlements.

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

U.S.A.

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

In addition, SAF-HOLLAND Inc. maintains a plan for post-employment medical benefits. This is granted on a voluntary basis and covers the medical costs of eligible employees for a period of up to three years.

Canada

SAF-Holland Canada Ltd. operates a defined benefit plan in Canada that is still open to new entrants. Under the terms of Canada's Ontario Pension Benefits Act and the Canadian Revenue Agency, pension plans that are not fully funded and will not be fully funded in the near future have a minimum funding requirement of 85 percent.

Sweden

In Sweden, Haldex AB has defined benefit plans in accordance with the 1960 collective agreement (ITP). These defined benefit plans are active and new pension entitlements can be acquired. The scope of the pension benefits depends on the participant's length of service and salary. The pension plans are covered by a reinsurance policy.

In addition, there is a defined benefit plan for three former decision-makers, which is currently being paid out. The pension plan is partly financed by pension foundations and is covered by reinsurance. The pension plan is closed to new entrants.

United Kingdom

In the United Kingdom, Haldex Ltd. and Haldex Brake Product Ltd. maintain defined benefit plans that are closed to future service-related increases and new entrants.

The financing of the plans is determined by the provisions of the Finance Act of 2004. The defined benefit plans are administered by a trust company whose board of trustees represents the interests of the beneficiaries in accordance with the trust agreement and the law and ensures that the benefits can be paid in the future.

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

in EUR thousands	Defined benefit obligation (DBO)		Fair value of plan assets		Effects of asset ceiling		Net defined benefit balance	
	(I)		(II)		(III)		(I – II + III)	
	2023	2022	2023	2022	2023	2022	2023	2022
Balance as of the beginning of the period	**76,739**	**98,836**	**67,427**	**80,446**	**1,384**	**106**	**10,696**	**18,496**
Additions from initial consolidation	**55,473**	**–**	**31,750**	**–**	**–**	**–**	**23,723**	**–**
Beginning Balance	**132,212**	**98,836**	**99,177**	**80,446**	**1,384**	**106**	**34,419**	**18,496**
Current service cost	492	619	–	–	–	–	492	619
Past service cost	30	–	–	–	–	–	30	–
Settlement	172	–	–	–	–	–	172	–
Interest expenses	5,735	2,502	–	–	69	3	5,804	2,505
Interest income	–	–	4,585	2,318	–	–	–4,585	–2,318
Components of defined benefit costs recognised in the Consolidated Statements of income	**6,429**	**3,121**	**4,585**	**2,318**	**69**	**3**	**1,913**	**806**
Actuarial gains/losses	5,874	–23,990	6,723	–14,585	–	–	–849	–9,405
Effects of asset ceiling	–	–	–	–	–114	1,348	–114	1,348
Remeasurements recognised in the Consolidated Statements of Comprehensive Income	**5,874**	**–23,990**	**6,723**	**–14,585**	**–114**	**1,348**	**–963**	**–8,057**
Employer Contributions	–	–	1,023	320	–	–	–1,023	–320
Benefits paid	–7,156	–5,593	–5,837	–5,153	–	–	–1,319	–440
Foreign currency translation effects	–1,467	4,365	–1,660	4,081	–15	–73	178	211
Settlement	–474	–	–		–		–474	
Other reconciling items	**–9,097**	**–1,228**	**–6,474**	**–752**	**–15**	**–73**	**–2,638**	**–549**
Balance as of the end of the period	**135,418**	**76,739**	**104,011**	**67,427**	**1,324**	**1,384**	**32,731**	**10,696**
thereof provisions for pensions and similar obligations					**–**		**43,209**	**15,322**
thereof net assets (reported in other non-current assets)					**–**		**10,478**	**4,626**
thereof:								
Germany	19,897	10,868	12	12	–	–	19,885	10,856
Sweden	22,178	–	2,774	–	–		19,404	–
UK	27,850	–	30,388	–	–		–2,538	–
USA	47,493	49,291	52,783	50,641	–	–	–5,290	–1,350
Canada	13,417	12,793	17,390	16,627	1,324	1,384	–2,649	–2,450
Other countries	2,533	1,719	664	147	–	–	1,869	1,572
Post-employment medical plan	2,050	2,068	–	–	–	–	2,050	2,068
Actual return on plan assets	**–**	**–**	**11,308**	**–12,267**	**–**	**–**	**–**	**–**

The net method of accounting for defined benefit plans of EUR 32.7 million (previous year: EUR 10.7 million) is presented under the provision for pensions and similar obligations in an amount of EUR 43.2 million and in an amount of EUR 10.5 million under other non-current assets. The net interest expense amounted to EUR 1.2 million (previous year: EUR 0.2 million).

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

in EUR thousands	12/31/2023	12/31/2022
Experience losses/gains related to defined benefit obligation	592	551
Experience losses/gains related to plan assets	–6,723	14,586
Changes in demographic assumptions	1,894	83
Changes in financial assumptions	3,388	–24,625
Total	**–849**	**–9,405**

Actuarial assumptions

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

in %	12/31/2023	12/31/2022
Discount rate		
Germany pension plan	3.20	3.10
USA pension plan	4.97	5.19
Canada pension plan	4.65	5.05
Post-employment medical plan	4.87	5.09
Sweden pension plan	3.85	–
UK pension plan	4.60	–
Future salary increases	–	–
Germany pension plan	0.00/2.00[1]	0.00/2.00[1]
USA pension plan	3.00	3.00
Canada pension plan	–[2]	–[2]
Post-employment medical plan	n. a.	n. a.
Sweden pension plan	2.50	–
UK pension plan	3.00	–
Future pension increases	–	–
Germany pension plan	2.00	2.00
USA pension plan	–[3]	–[3]
Canada pension plan	–[2]	–[2]
Post-employment medical plan	n.a.	n. a.
Sweden pension plan	3.00	–
UK pension plan	2.00	–
Turnover rates	–	–
Germany pension plan	4.60	4.60
USA pension plan	2.88	2.88
Canada pension plan	–	–
Post-employment medical plan	Sarason T5	Sarason T5
Sweden pension plan	3.00	–
UK pension plan	n.a.	–

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

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

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

The following mortality tables were used:

Germany	Heubeck Richttafeln 2018G
USA	Sterbetafel Pri-2012(BC) mit generationsabhängiger projektiver Skala MP-2021
Canada	Sterbetafel RP-2014Priv mit generationsabhängiger projektiver Skala MI-2017
Sweden	DUS23
UK	106% S3PMA/S3PFA_M YoB

Healthcare cost inflation:

in %	12/31/2023	12/31/2022
Initial rate (health care cost trendrate assumed for next year)	5.25	5.50
Ultimate rate (health care cost trend rate assumed to reduce cost)	5.91	6.25
Year of ultimate	2027	2027

Sensitivity analyses

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

in EUR thousands	12/31/2023		12/31/2022	
	Increase	Decrease	Increase	Decrease
Total	**–11,551**	**13,196**	**–5,634**	**6,246**
thereof:				
Germany	–1,686	1,972	–998	1,179
USA	–3,116	3,512	–3,265	3,684
Canada	–1,369	1,369	–1,267	1,267
Sweden	–2,651	3,152	–	–
UK	–2,600	3,049	–	–
Other countries	–129	142	–104	116

A one percentage point change in the assumed trend in healthcare costs would have the following effects:

in EUR thousands	12/31/2023		12/31/2022	
	Increase	Decrease	Increase	Decrease
Effect on the aggregate current service cost and interest expenses	5	–5	5	–5
Effect on the defined benefit obligation	93	–85	96	–87

Future cash flows

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

in EUR thousands					2023
	2024	2025-2028	2029-2033	2033 ff.	Gesamt
Germany	1,140	4,481	5,472	20,172	31,265
USA	3,995	15,787	18,300	46,060	84,142
Canada	722	3,146	4,291	17,573	25,732
Sweden	1,051	2,217	2,940	11,630	17,838
UK	965	5,733	8,639	43,352	58,689
Other countries	146	628	3,956	1,583	6,313
Total	**8,019**	**31,992**	**43,598**	**140,370**	**223,979**
					2022
	2023	**2024-2027**	**2028-2032**	**2032 ff.**	**Gesamt**
Germany	536	2,277	2,982	13,705	19,500
USA	4,089	16,251	19,317	50,765	90,422
Canada	710	3,078	4,306	18,665	26,759
Other countries	85	204	3,867	1,210	5,366
Total	**5,420**	**21,810**	**30,472**	**84,345**	**142,047**

The weighted average duration of pension plans is shown below:

in years	12/31/2023	12/31/2022
Germany	14	14
USA	9	11
Canada	14	13
Sweden	15	-
UK	16	-
Other countries	7	10

The employer contributions to defined benefit plans expected for fiscal year 2024 amount to EUR 1.2 million.

Breakdown of plan assets

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

	12/31/2023		12/31/2022	
	%	in EUR thousands	%	in EUR thousands
Equities	54.67%	56,859	61.62%	41,549
Bonds	21.33%	22,188	32.38%	21,832
Cash and money market	1.42%	1,475	2.20%	1,483
Real estate	2.41%	2,506	3.57%	2,404
Insurance	20.17%	20,983	0.23%	159
Total	**100.00%**	**104,011**	**100.00%**	**67,427**

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

6.13 OTHER PROVISIONS

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

in EUR thousands

	Product warranty	Partial retirement	Other long-term employee benefits	Pending Litigation	Workers' compensation and health insurance benefits	Restructuring	Share based payment transactions	Other	Total
As of 01/01/2022	**10,876**	**480**	**758**	**839**	**1,112**	**705**	**2,626**	**1,148**	**18,544**
Additions	7,503	–	297	208	939	342	1,152	1,677	12,118
Utilised	2,908	141	69	107	603	507	317	163	4,815
Release	1,210	–	7	175	–	–	1,175	40	2,607
Foreign currency translation	186	–	–21	14	61	–2	48	331	617
As of 12/31/2022	**14,447**	**339**	**958**	**779**	**1,509**	**538**	**2,334**	**2,953**	**23,857**
Additions from initial consolidation	4,673	–	2,917	957	–	865	–	1,015	10,427
Additions	12,857	55	229	413	1,784	156	3,650	6,939	26,083
Utilised	3,039	–	375	389	1,143	474	851	1,346	7,617
Release	765	–	–	98	–	–	33	789	1,685
Foreign currency translation	–490	–	–13	–9	–66	–24	–38	–32	–672
As of 12/31/2023	**27,683**	**394**	**3,716**	**1,653**	**2,084**	**1,061**	**5,062**	**8,740**	**50,393**
Thereof in 2023									
Current	18,105	–	14	799	1,158	1,061	2,077	6,463	29,677
Non-current	9,578	394	3,702	854	926	–	2,985	2,277	20,716
Thereof in 2022									
Current	6,793	–	14	424	597	538	660	1,885	10,911
Non-current	7,654	339	944	355	912	–	1,674	1,068	12,946

Guarantees and warranties

Provisions are recognized for expected guarantees and warranty claims on products sold in past periods. The amount of the provision is based on past experience, taking the circumstances on the reporting date into account. Product warranties include free repairs and, at the Group's discretion, the free replacement of components conducted by authorized partner repair shops. The additions to this provision in the past fiscal year are mainly the result of a change in the risk assessment for current guarantee and warranty incidents.

Partial retirement

The Group offers a part-time retirement plan to employees in Germany going into early retirement. In Germany, the Group uses what is known as a block model, which divides part-time retirement into two phases. Under such an arrangement, employees generally work full-time during the first half of the transition period and leave the company at the start of the second half. The provision is discounted and recognized at its present value. Part-time retirement commitments are insured against potential insolvency.

Other long-term employee benefits

The provision for other long-term employee benefits includes long-service benefits and deferred compensation.

Disability and health insurance benefits for employees

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

Restructuring provision

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

Variable remuneration

Performance Share Unit Plan (PSU Plan)

Under the PSU plan, members of the Management Board and certain managers are entitled to receive cash awards depending on the achievement of certain performance targets. A PSU plan with a four-year term has been offered each year to the scheme's participants since 2013.

The goal of this plan is to sustainably link the interests of the management and executives with the interests of SAF-HOLLAND SE shareholders in a long-term increase in the company's value. The performance share unit plan takes both the company's performance and the share price development for a performance period of four years into account.

Participants receive virtual Share Units at the beginning of the performance period. The number of Share Units at the beginning of the performance period is determined by dividing the allowance value set annually by the Supervisory Board by the average share price in the last two months of the year preceding the allowance. Upon expiration of the performance period, the number of Share Units allowed is adjusted by the multiplication with a target achievement factor. The target achievement factor is the ratio of the company's average performance (adjusted EBIT margin) during the performance period versus the average target value previously set for the performance period.

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

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

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

Other provisions

The increase in other provisions is mainly due to contract termination costs for which provisions have been recognized and subsequent costs in connection with the cyber-attack.

The total of Share Units granted as of the reporting date amounts to 595,744 and comprises the following:

	Performance Share Unit Plan				
	Performance-Share-Unit-Plan 2019-2022	Performance-Share-Unit-Plan 2020-2023	Performance-Share-Unit-Plan 2021-2024	Performance-Share-Unit-Plan 2022-2025	Performance-Share-Unit-Plan 2023-2026
Share Units outstanding at the beginning of the period	89,420	157,071	119,361	115,846	–
Share Units granted during the period	–	–	–	–	226,431
Share Units forfeited during the period	–	3,429	2,523	4,092	12,921
Share Units exercised during the period	89,420	–	–	–	–
Share Units outstanding at the end of the period	**–**	**153,642**	**116,838**	**111,754**	**213,510**
Share Units exercisable at the end of the period	–	153,642	116,838	111,754	213,510

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

	Performance Share Unit Plan			
	Performance-Share-Unit-Plan 2020-2023	Performance-Share-Unit-Plan 2021-2024	Performance-Share-Unit-Plan 2022-2025	Performance-Share-Unit-Plan 2023-2026
Expected remaining contractual life (years)	0.00	1.00	2.00	3.00
Average share price on measurement date (in EUR)	15.20	15.24	15.08	14.90
Expected volatility	n/a	32.77%	39.98%	37.24%
Risk free interest rate	–	3.15%	2.39%	2.12%
Dividend return	3.00%	3.00%	3.00%	3.00%

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

The fair value is expensed over the contract term with recognition of a corresponding liability. As of December 31, 2023, provisions for these performance plans amounted to EUR 5.1 million (previous year: EUR 2.3 million). The net expense for the period of EUR -2.7 million (previous year: EUR -0.3 million) has been allocated to the relevant functional areas in the Consolidated Statement of Comprehensive Income.

6.14 INTEREST-BEARING LOANS AND BONDS

in EUR thousands	Non-current		Current		Total	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Interest bearing bank loans	193,750	299,466	9,311	–	203,061	299,466
Promissory note loan	379,000	274,000	–	97,500	379,000	371,500
Financing costs	–2,551	–4,575	–1,456	–1,730	–4,007	–6,305
Accrued interests	–	–	4,752	5,662	4,752	5,662
Other loans	45,054	45,227	808	109	45,862	45,336
Total	**615,253**	**614,118**	**13,415**	**101,541**	**628,668**	**715,659**

SAF-HOLLAND placed a promissory note loan in the amount of EUR 105 million on June 13. The tranches of the promissory note loan feature fixed as well as variable interest rates and maturities of three, five years and seven years.

An overview of the tranches of the newly issued promissory note loan is presented in the following table:

Overview of promissory note loans

Tranche	Volume	Interest rate	Expiry date
3 years fix	EUR 23.5 Mio.	4.59%	06/15/2026
3 years var.	EUR 35.5 Mio.	6M-Euribor + 1.3%	06/15/2026
5 years fix	EUR 20 Mio.	4.55%	06/13/2028
5 years var.	EUR 17.5 Mio.	6M-Euribor + 1.5%	06/13/2028
7 years fix	EUR 7.5 Mio.	4.78%	06/13/2030
7 years var.	EUR 1 Mio.	6M-Euribor + 1.8%	06/13/2030

The issue will contribute to optimizing the maturity profile as well as the borrowing costs. The issue proceeds were used for the early repayment of existing bank liabilities that were taken out in the course of the acquisition of Haldex AB.

To refinance the acquisition of the Haldex Group, SAF-HOLLAND SE concluded a new credit facility agreement in August 2022 with credit lines in the amount of EUR 250 million and two annuity loans with a credit volume of EUR 300 million. The terms of the annuity loans was 3 and 5 years.

In addition, in November 2022, SAF-HOLLAND SE successfully placed a promissory note transaction with a volume of EUR 176 million via its subsidiary, SAF-HOLLAND GmbH.

The tranches of the promissory note loan featured fixed as well as variable interest rates and maturities of three and five years.

The proceeds from the placement were used to refinance the 7-year tranche of the promissory note loan issued in November 2015, which had a volume of EUR 5 million and fell due on November 28, 2022, the 3-year tranche of the promissory note loan issued in March 2020, which had a volume of EUR 141 million and falls due on March 27, 2023, as well as the 3.5-year tranche of the promissory note loan issued in March 2020, which had a volume of EUR 20 million and falls due on September 27, 2023.

An overview of the tranches of the promissory note loan concluded in the previous year is presented in the following table:

Overview of promissory note loans 2022

Tranche	Volume	Interest rate	Expiry date
3 years var.	EUR 107.5 Mio.	6M-Euribor + 175 bps	11/04/2025
3 years fix	EUR 15 Mio.	4.61%	11/04/2025
5 years var.	EUR 40 Mio.	6M-Euribor + 200 bps	11/04/2027
5 years fix	EUR 13.5 Mio.	4.91%	11/04/2027

In addition, an early repayment of EUR 10 million was made in the previous year on the annuity loans taken out in August 2022 (total volume: EUR 300 million), which were used to finance the acquisition of Haldex AB.

The following table shows the total liquidity calculated as the sum of freely available credit lines valued at the rate as of the reporting date in addition to available cash and cash equivalents:

in EUR thousands				12/31/2023
	Amount drawn valued as at the period-end exchange rate	Agreed credit lines valued as at the period-end exchange rate	Cash and cash equivalents	Total liquidity
Revolving credit line	22,773	250,000	246,276	473,503
Total	**22,773**	**250,000**	**246,276**	**473,503**

				12/31/2022
	Amount drawn valued as at the period-end exchange rate	Agreed credit lines valued as at the period-end exchange rate	Cash and cash equivalents	Total liquidity
Revolving credit line	–	250,000	243,460	493,460
Total	**–**	**250,000**	**243,460**	**493,460**

6.15 TRADE PAYABLES FROM DELIVERIES AND SERVICES

Trade payables of EUR 228.6 million (previous year: EUR 159.0 million) are non-interest-bearing and are normally settled within two to six months. The Haldex Group, which was included in the Consolidated Financial Statements for the first time, accounted for EUR 63.0 million in trade payables.

6.16 OTHER FINANCIAL LIABILITIES (CURRENT)

The other financial liabilities in the previous year mainly resulted from the valuation of the put options for the acquisition of the remaining shares in PressureGuard LLC.

6.17 OTHER LIABILITIES

in EUR thousands	Current		Non-current	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Liabilities for salaries and social security contributions	29,477	15,580	–	–
Other taxes	8,658	11,687	–	–
Anniversary obligations	264	197	426	372
Liabilities from factoring	14,108	15,422	–	–
Deposits	1,322	1,299	–	–
Liability from pass-through agreements	1,912	3,302	–	–
Contractual liabilities	11,262	–	–	–
Other	10,738	4,600	–	10
Total	**77,741**	**52,087**	**426**	**382**

The increase in other liabilities is due to the inclusion of the Haldex Group. This accounted for EUR 32.4 million as of the reporting date.

7. OTHER INFORMATION

7.1 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

in EUR thousands						12/31/2023
			Amounts recognised in balance sheet according to IFRS 9			
	Measurement category in accordance with IFRS 9	Carrying amount	(Amortised) cost	Fair value recognised in equity	Fair value recognised in profit or loss	Fair value
Assets						
Cash and cash equivalents	FAAC	246,276	246,276	–	–	246,276
Trade receivables	FAAC	219,739	219,739	–	–	219,739
Other financial assets						
Derivatives without a hedging relationship	FAtPL	448	–	–	448	448
Other financial assets	FAAC	899	899	–	–	899
Other short-term investments	FAAC	–	–	–	–	–
Liabilities						
Trade payables	FLAC	228,630	228,630	–	–	228,630
Interest bearing loans and bonds	FLAC	628,668	628,668	–	–	616,160
Other financial liabilities						
Derivatives without a hedging relationship	FLtPL	127	–	–	127	127
of which aggregated by category in accordance with IFRS 9						
Financial assets measured at amortised cost	FAAC	466,914	466,914	–	–	466,914
Financial liabilities measured at amortised cost	FLAC	857,298	857,298	–	–	844,790
Financial assets at fair value through profit and loss	FAtPL	448	–	–	448	448
Financial Liabilities at fair value through profit and loss	FLtPL	127	–	–	127	127

in EUR thousands						12/31/2022
			Amounts recognised in balance sheet according to IFRS 9			
	Measurement category in accordance with IFRS 9	Carrying amount	(Amortised) cost	Fair value recognised in equity	Fair value recognised in profit or loss	Fair value
Assets						
Cash and cash equivalents	FAAC	243,460	243,460	–	–	243,460
Trade receivables	FAAC	144,744	144,744	–	–	144,744
Other financial assets						
Derivatives without a hedging relationship	FAtPL	1,479	–	–	1,479	1,479
Non-current loan receivables	FATOCI	292,172	–	292,172	–	292,172
Other financial assets	FAAC	110,000	110,000	–	–	105,192
Other short-term investments	FAAC	3,703	3,703	–	–	3,703
Liabilities						
Trade payables	FLAC	159,029	159,029	–	–	159,029
Interest bearing loans and bonds	FLAC	715,659	715,659	–	–	704,897
Derivatives without a hedging relationship	FLtPL	174	–	–	174	174
Other financial liabilities	FLtPL	2,557	–	–	2,557	2,557
of which aggregated by category in accordance with IFRS 9						
Financial assets measured at amortised cost	FAAC	501,907	501,907	–	–	497,099
Financial liabilities measured at amortised cost	FLAC	874,688	874,688	–	–	863,926
Financial assets at fair value through profit and loss	FAtPL	1,479	–	–	1,479	1,479
Financial liabilities held for trading	FATOCI	292,172	–	292,172	–	292,172
Financial Liabilities at fair value through profit and loss	FLtPL	2,731	–	–	2,731	2,731

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

in EUR thousands				12/31/2023
Financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Other financial assets	–	899	–	899
Derivative financial assets	–	448	–	448
Total financial assets	**–**	**1,347**	**–**	**1,347**
Financial liabilities				
Promissory note loan	–	373,985	–	373,985
Interest bearing loans and bonds	–	242,175	–	242,175
Derivative financial liabilities	–	127	–	127
Total financial liabilities	**–**	**616,287**	**–**	**616,287**

in EUR thousands				12/31/2022
Financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Not listed equity instruments	–	–	292,172	292,172
Non-current loan receivables	–	105,192	–	105,192
Other financial assets	–	3,703	–	3,703
Derivative financial assets	–	1,479	–	1,479
Total financial assets	**–**	**110,374**	**292,172**	**402,546**
Financial liabilities				
Promissory note loan	–	367,081	–	367,081
Interest bearing loans and bonds	–	337,816	–	337,816
Put option for non-controlling interests	–	–	2,529	2,529
Other financial liabilities	–	28	–	28
Derivative financial liabilities	–	174	–	174
Total financial liabilities	**–**	**705,099**	**2,529**	**707,628**

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

The Group applies the following methods and assumptions when measuring fair value:

— The fair value of unlisted shares was determined using the discounted cash flow method. These measurements require management to make certain assumptions regarding the input factors used in the model, including cash flow projections and the discount rate.
— Non-current fixed-interest loan receivables are measured by the Group using various parameters such as the interest rates, certain country-specific risk factors and the credit ratings of specific customers.
— The fair values of interest-bearing loans and the promissory note loan are calculated as the present value of the payments associated with the debt based on the applicable yield curve and currency-specific credit spreads.
— Derivative financial instruments such as interest rate swaps and forward exchange contracts are measured using a valuation technique that uses observable input factors from active markets. The most frequently applied valuation techniques include forward pricing and swap models calculated at net present value.
— The other liabilities from the valuation of the put options for non-controlling interests in the previous year in the amount of EUR 2.5 million were recognized at the present value of the expected redemption value in each case. The expected redemption value was determined on forecasted earning figures.

In the balance sheet as of December 31, 2023, only derivatives in the amount of EUR 0.3 million (previous year: EUR 1.3 million) were measured at fair value. In the previous year, unlisted shares in the amount of EUR 292.2 million were also measured at fair value.

The fair value of liabilities from interest-bearing loans, the promissory note loan and derivative financial assets and liabilities, was measured based on directly (e.g. prices) or indirectly (e.g. derived from prices) observable input factors. Under IFRS 7, this fair value measurement can, therefore, be allocated to Level 2 of the measurement hierarchy. Due to the fact that fair value measurement of shares in non-listed companies and put-option liabilities is not based on observable market data, these instruments were classified to Level 3 of the fair value hierarchy. The fair value hierarchy levels are described below:

Level 1: Quoted prices in active markets for identical assets or liabilities,

Level 2: Information other than quoted market prices that is observable either directly (e.g. prices) or indirectly (e.g. derived from prices), and

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

Net results break down by measurement categories as follows:

in EUR thousands					12/31/2023
		From subsequent measurement			
	From interest	At fair value	Currency translation	Impairment	Net result
Financial assets measured at amortised cost	3,151	–	–	–4,394	–1,243
Financial assets at fair value through profit and loss	–	58	–	–	58
Financial liabilities measured at amortised cost	–36,650	–	–3,800	–	–40,450
Financial liabilities held for trading	–	–724	–	–	–724
Total	**–33,499**	**–666**	**–3,800**	**–4,394**	**–42,359**

					12/31/2022
		From subsequent measurement			
	From interest	At fair value	Currency translation	Impairment	Net result
Financial assets measured at amortised cost	1,406	–	–	90	1,496
Financial assets at fair value through profit and loss	–	1,874	–	–	1,874
Financial liabilities measured at amortised cost	–14,828	–	1,768	–	–13,060
Financial liabilities held for trading	–	–432	–	–	–432
Total	**–13,422**	**1,442**	**1,768**	**90**	**–10,122**

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

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

Financial risks

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

To be adequately prepared for changes in competitive and environmental conditions and to efficiently control the creation of value within the Group, the Management Board has implemented a risk management system that is monitored by the Audit Committee. Risk management processes required limits and the use of financial instruments to manage risks are defined in the Group's risk management handbook and supplementary guidelines. The risk management system is aimed at identifying and assessing the risks that arise. The risks identified are communicated, managed and monitored in a timely manner.

The Group is exposed mainly to liquidity risk, credit risk, interest rate risk and foreign currency risk. The risk management of the Group has the objective of limiting the risks posed by operating and financing activities. This is primarily done using derivative and non-derivative hedging instruments.

Liquidity risk

The Group's liquidity risk is the risk that it will be unable to meet current or future payment obligations because of insufficient funds. Limiting and managing liquidity risk are among the management's primary tasks. The Group monitors the current liquidity situation on a daily basis. To manage future liquidity requirements, the Group uses a weekly 3-month forecast and a monthly rolling liquidity plan on a twelve-month basis. The management also continually monitors compliance with the financial covenants laid out in the long-term loan agreement.

in EUR thousands	12/31/2023			
	Total	Remaining term of up to 1 year	Remaining term of more than 1 year and up to 5 years	Remaining term of more than 5 years
Interest bearing loans and bonds	628,668	13,415	601,753	13,500
Lease liabilities	67,767	13,485	32,995	21,287
Trade payables	228,630	228,630	–	–
Derivatives without a hedging relationship	127	127	–	–
Financial liabilities	**925,192**	**255,657**	**634,748**	**34,787**

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

	12/31/2022			
	Total	Remaining term of up to 1 year	Remaining term of more than 1 year and up to 5 years	Remaining term of more than 5 years
Interest bearing loans and bonds	715,659	101,541	609,118	5,000
Lease liabilities	38,393	7,695	18,755	11,943
Trade payables	159,029	159,029	–	–
Other financial liabilities				
Other financial liabilities	2,557	2,557	–	–
Derivatives without a hedging relationship	174	174	–	–
Financial liabilities	**915,812**	**270,996**	**627,873**	**16,943**

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

in EUR thousands

	12/31/2023								
	Cashflows 2024			Cashflows 2025			Cashflows 2026–2030		
	Fixed interest rate	Variable interest rate	Repayment	Fixed interest rate	Variable interest rate	Repayment	Fixed interest rate	Variable interest rate	Repayment
Interest bearing loans and bonds	–4,694	–23,170	–10,119	–4,263	–20,432	–235,500	–6,165	–21,606	–382,304
Lease liabilities	–2,227	–	–13,485	–1,561	–	–12,482	–14,932	–	–41,800
Other financial liabilities									
Derivatives without a hedging relationship	–127	–	–	–	–	–	–	–	–

	12/31/2022								
	Cashflows 2023			Cashflows 2024			Cashflows 2025–2032		
	Fixed interest rate	Variable interest rate	Repayment	Fixed interest rate	Variable interest rate	Repayment	Fixed interest rate	Variable interest rate	Repayment
Interest bearing loans and bonds	–2,505	–18,725	–97,609	–2,505	–20,532	–9,466	–28,399	–28,363	–609,227
Lease liabilities	–673	–	–7,695	–282	–	–6,814	–11,508	–	–23,884
Other financial liabilities									
Derivatives without a hedging relationship	–174	–	–	–	–	–	–	–	–

All instruments are included that were held as of the reporting date and for which payments were already contractually agreed. Budgeted figures for future new debt are not included. Amounts denominated in foreign currency were translated at the spot rate as of the balance sheet date. Variable interest payments arising from financial instruments were calculated using the most recent interest rates determined ahead of the reporting date. All on-call financial liabilities are allocated to the earliest possible period in the table.

The following table shows the change in liabilities from financing activities:

in EUR thousands

12/31/2023	01/01/2023	Cash flows	Foreign exchange movement	Interest effect	IFRS 16	Other	12/31/2023
Interest bearing bank loans	299,466	–96,405	–	–	–	–	203,061
Promissory note loan	371,500	7,500	–	–	–	–	379,000
Other loans	45,336	526	–	–	–	–	45,862
Transaction costs paid	–6,305	–182	–	–	–	2,480	–4,007
Derivative financial instruments	1,653	1,025	–	–	–	–2,357	321
Lease liabilities	38,393	–15,109	–793	2,543	17,914	24,819	67,767

12/31/2022	01/01/2022	Cash flows	Foreign exchange movement	Interest effect	IFRS 16	Other	12/31/2022
Interest bearing bank loans	–	299,466	–	–	–	–	299,466
Promissory note loan	264,000	107,500	–	–	–	–	371,500
Other loans	58,255	–12,918	–	–	–	–1	45,336
Transaction costs paid	–2,114	–5,776	–	–	–	1,585	–6,305
Derivative financial instruments	331	127	–	–	–	1,195	1,653
Lease liabilities	41,060	–9,024	392	1,344	4,621	–	38,393

Credit risk

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

Any subsequent credit risk that arises is covered by individual and collective impairment on receivables carried on the balance sheet. The expected credit loss is calculated on each reporting date. In addition to the credit ratings of customers, the expected credit loss considers such criteria as country credit ratings as issued by rating agencies, the days sales outstanding and macroeconomic factors.

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

Interest rate risk

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

The Group is also exposed to the risk of the carrying amount of financial liabilities changing as a result of interest rate changes. The Group has no plans to measure these financial liabilities at their market price, therefore there is no related economic risk.

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

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

If market interest rates on December 31, 2023, had been 100 base points lower (higher), the result would have been EUR 4.5 million (previous year: EUR 2.6 million) higher (lower). All other variables are assumed to be constant.

Foreign currency risk

The international nature of the Group's investing, financing and operating activities exposes the Group to foreign currency risk. The individual subsidiaries predominantly conduct their operating activities and investments in their respective local currency. The Group uses foreign exchange forward contracts to hedge a portion of the remaining transaction risks. The foreign exchange forward contracts are not designated as hedging instruments to hedge cash flows. The period for which the foreign exchange forward contracts are entered into corresponds to the period in which the underlying business transaction is subject to foreign currency risk, which is usually up to a period of 12 months. Financing the Group's companies is conducted primarily by SAF-HOLLAND SE and SAF-HOLLAND GmbH. Loans granted to international Group companies are generally denominated in euros. The translation of intercompany loans as of the reporting date can result in unrealized foreign exchange gains and losses. Unrealized foreign exchange gains and losses as of the reporting date amounted to EUR 4.6 million (previous year: EUR 17.1 million) and EUR -11.6 million (previous year: EUR –6.3 million) respectively. Of the unrealized foreign exchange gains EUR 0 million (previous year: EUR 15.2 million) and EUR 0.1 million (previous year: EUR -5.1 million) of the unrealized foreign exchange losses were reclassified to other comprehensive income (OCI) as translation effects from the valuation of intercompany foreign currency loans, which are considered part of a net investment in a foreign operation and are therefore recognized directly in equity.

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

	Change in exchange rate USD/EUR	Effect on earnings before taxes	Effect on equity after taxes
2023	5%	90	2,093
	–5%	90	–2,093
2022	5%	913	1,281
	–5%	–913	–1,281

	Change in exchange rate SEK/EUR	Effect on earnings before taxes	Effect on equity after taxes
2023	5%	4,311	4,146
	–5%	–4,311	–4,146
2022	5%	5,500	5,500
	–5%	–5,500	–5,500

	Change in exchange rate BRL/EUR	Effect on earnings before taxes	Effect on equity after taxes
2023	5%	1,429	1,174
	–5%	–1,429	–1,174
2022	5%	1,441	1,035
	–5%	–1,441	–1,035

7.2 EARNINGS PER SHARE

		Q1-Q4/2023	Q1-Q4/2022
Result for the period	**in EUR thousands**	**79,933**	**61,081**
Weighted average number of shares outstanding	thousands	45,394	45,394
Basic earnings per share	Euro	1.76	1.35
Diluted earnings per share	**Euro**	**1.76**	**1.35**

Undiluted earnings per share are calculated by dividing the result for the period attributable to shareholders of SAF-HOLLAND SE by the average number of shares outstanding. New shares issued during the period would be included pro rata for the period in which they are outstanding.

As of the reporting date, the Group does not carry any debt instruments with a dilutive effect on earnings per share.

7.3 CASH FLOW STATEMENT

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

The cash flow from operating activities was calculated using the indirect method. By contrast, the cash flow from investing activities was calculated using the direct method. Cash flows from investing activities are used to generate income over the long-term, generally for one year or more. Cash flows from financing activities were also calculated using the direct method and include cash flows from transactions with shareholders and the issue and repayment of financial liabilities.

Other non-cash transactions mainly included impairment losses recorded on other receivables and unrealized exchange gains and losses as of the reporting date.

7.4 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

Legal disputes

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

Minimum lease payments from leases

The Group's other financial obligations mainly consist of the minimum lease payments arising from leases of EUR 0.1 million (previous year: EUR 2.4 million).

Financial guarantees

Haldex AB has issued a performance bond of up to GBP 22.0 million to a pension trust for a defined benefit pension plan of Haldex Limited, United Kingdom.

7.5 NUMBER OF EMPLOYEES

The average number of employees broken down by region was as follows in the reporting period:

Average number of employees by region

	2023	2022
EMEA	2,192	1,626
Americas	2,473	1,581
APAC	1,053	521
Total	**5,718**	**3,728**
thereof industrial employees	3,184	1,996
thereof salaried employees	1,873	1,281
thereof temporary workers	661	451

7.6 INFORMATION ON RELATIONSHIPS WITH RELATED COMPANIES AND PERSONS

The Consolidated Financial Statements include the financial statements of SAF-HOLLAND SE and the following subsidiaries, associates and joint ventures:

Subsidiaries

	Country of incorporation	% Equity interest
SAF-HOLLAND GmbH	Germany	100.0
SAF-HOLLAND Polska Sp. z o.o.	Poland	100.0
SAF-HOLLAND France S.A.S.	France	100.0
SAF-HOLLAND Czechia spol.s.r.o.	Czechia	100.0
SAF-HOLLAND España S.L.U.	Spain	100.0
SAF-HOLLAND Italia s.r.l. unipersonale	Italy	100.0
SAF-HOLLAND Romania SRL	Romania	100.0
SAF-HOLLAND do Brasil Ltda.	Brazil	100.0
SAF-HOLLAND South Africa (Pty) Ltd.	South Africa	100.0
SAF (Xiamen) Axle Co., Ltd.	China	100.0
SAF-Holland RUS OOO	Russia	100.0
SAF-HOLLAND Middle East FZE	VAE	100.0
SAF-HOLLAND Otomotiv Sanayi ve Ticaret Limited Sirketi	Turkey	100.0
SAF-Holland Sverige AB	Sweden	100.0
SAF-Holland Suomi Oy	Finland	100.0
SAF-HOLLAND Inc.	USA	100.0
SAF-HOLLAND Canada Ltd.	Canada	100.0
SAF-HOLLAND (Aust.) Pty. Ltd.	Australia	100.0
SAF-HOLLAND (Malaysia) SDN BHD	Malaysia	100.0
SAF-HOLLAND (Thailand) Co., Ltd.	Thailand	100.0
SAF-Holland Verkehrstechnik GmbH	Germany	100.0
SAF-HOLLAND International de México S. de R.L. de C.V.	Mexico	100.0
SAF-HOLLAND Mexico S.A. de C.V.	Mexico	100.0
SAF-HOLLAND Hong Kong Ltd.	Hong Kong	100.0
SAF-HOLLAND (Xiamen) Co., Ltd.	China	100.0
Corpco Beijing Technology and Development Co., Ltd.	China	100.0
SAF-Holland Russland OOO	Russia	100.0
PressureGuard LLC	USA	100.0
V.ORLANDI S.p.A.	Italy	100.0
V. Orlandi Rus LLC	Russia	100.0
York Transport Equipment (Asia) Pte. Ltd.	Singapore	100.0

Subsidiaries

	Country of incorporation	% Equity interest
York Transport Equipment (India) Pty. Ltd.	India	100.0
YTE Special Products Pte. Ltd.	Singapore	100.0
Axscend Group Ltd.	Great Britain	100.0
Axscend Ltd.	Great Britain	100.0
SAF-Holland UK	Great Britain	100.0
SAF-HOLLAND (Shanghai) Investment Co., Ltd.	China	100.0
SAF-Holland (Yangzhou) Vehicle Parts Co., Ltd.	China	100.0
Haldex AB	Sweden	100.0
Haldex Financial Services Holding AB	Sweden	100.0
Haldex Financial Services AB	Sweden	100.0
Haldex Grau Ltd.	India	100.0
Haldex Holding AB	Sweden	100.0
Haldex I Halmstad AB	Sweden	100.0
Haldex Traction Holding II AB	Sweden	100.0
JSB Hesselman AB	Sweden	100.0
Haldex Ltd.	Great Britain	100.0
Haldex Brake Products Ltd.	Great Britain	100.0
Haldex Espana S.A.	Spain	100.0
Haldex Brake Products Corp.	USA	100.0
Haldex Acquisition Corp.	USA	100.0
Haldex Products de Mexico S.A. de C.V.	Mexico	100.0
Haldex Austria	Austria	100.0
Haldex NV	Belgium	100.0
Haldex Europe SAS	France	100.0
Haldex Hungary Kft.	Hungary	100.0
Haldex Italia Srl.	Italy	100.0
Haldex Sp.z.o.o.	Poland	100.0
Haldex Rus LLC	Russia	100.0
Haldex International Trading Co. Ltd.	China	100.0
Haldex Hong Kong Co. Ltd.	Hong Kong	100.0
Haldex Vehicle Products Co. Ltd.	China	100.0
Haldex India Ltd.	India	60.0
Haldex Korea Ltd.	South Korea	100.0
Haldex do Brasil Industria e Comercio Ltda	Brazil	100.0
Haldex Ltd.	Canada	100.0
Haldex Pty Ltd.	Australia	100.0

Associates and joint ventures

	Country of incorporation	% Equity interest
SAF-HOLLAND Nippon, Ltd.	Japan	50.0
Castmetal FWI S.A.	Luxembourg	34.1
Shaanxi Fast Haldex Brake Products Co. Ltd.	China	49.0

The table below shows the composition of the Management Board and the Supervisory Board of SAF-HOLLAND SE in the reporting year:

Management Board

Alexander Geis	Chief Executive Officer (CEO)
Frank Lorenz-Dietz	Chief Financial Officer (CFO)
Wilfried Trepels	Chief Financial Officer (CFO) (until 03/31/2023)

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 (since 04/03/2023)

The terms of office and other positions held by the members of the Supervisory Board and the Management Board can be found in the chapter "Mandates of the Supervisory Board / Management Board" in this Annual Report.

As of December 31, 2023, members of the Management Board directly or indirectly held ordinary shares in the nominal amount of EUR 0.5 million (previous year: EUR 0.5 million while members of the Supervisory Board directly or indirectly held ordinary shares in the nominal amount of EUR 0.6 million (previous year: EUR 0.6 million).

The following shows the transactions with associates / joint ventures:

in EUR thousands	Sales to related parties		Purchases from related parties	
	Q1-Q4/2023	Q1-Q4/2022	Q1-Q4/2023	Q1-Q4/2022
Joint Ventures	2,653	955	–	–
Associates	–	–	35,307	27,975
Total	2,653	955	35,307	27,975

in EUR thousands	Amounts owed by related parties		Amounts owed to related parties	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Joint Ventures	722	463	–	–
Associates	–	–	4,447	3,913
Total	722	463	4,447	3,913

The transactions with associates / joint ventures were conducted at arm's length. Outstanding balances as of December 31, 2023, are unsecured, interest-free and paid on time. No guarantees have been provided or received for any receivables or payables from related parties. As of December 31, 2023, and in the previous year, the Group did not record any impairment of receivables for amounts owed by related parties. An evaluation is carried out in each reporting period that examines the financial position of the related parties as well as the markets in which these parties operate.

7.7 MANAGEMENT BOARD REMUNERATION

7.7.1 Basis of remuneration

Every year, the Supervisory Board reviews the remuneration of each individual member of the Management Board in terms of amount and structure. Resolutions on remuneration are generally prepared by the Remuneration and Nomination Committee.

The remuneration system for the Management Board is geared towards the sustainable and long-term development of the company. The remuneration system also promotes the business strategy and long-term development of the company. In accordance with the recommendation of the GCGC, the Supervisory Board ensures that variable remuneration is structured on a multi-year basis. This means that the long-term variable components exceed the short-term components, generally by a small margin. At the same time, short-term variable remuneration also places sufficient emphasis on annual operating targets, which serve as the basis for the company's future development.

The following criteria applied to the individual components of the Management Board's remuneration in fiscal year 2023:

1. Fixed basic annual salary

The base salary is fixed for the entire year and is granted on a monthly basis. Unlike many other companies, the members of the Management Board do not receive pension benefits from the company for their services. To counterbalance this, the company introduced a remuneration component in fiscal year 2018 that is added to the base salary.

2. Fringe benefits

The taxable fringe benefits granted to the Management Board consist primarily of the use of company cars and the premiums for occupational accident insurance and directors and officers (D&O) insurance. In addition, subsidies towards health and pension insurance are paid in accordance with the provisions of social security law.

3. Variable short-term remuneration (STI)

The annual bonus is a variable cash payment that is based on the measurable performance of the company over the past fiscal year and the degree to which individual goals are attained. With the help of the individual targets, the individual performance of each Management Board member is taken into account when measuring remuneration. In terms of the company targets, the three parameters are Group sales, the net working capital ratio and the adjusted EBIT margin. In terms of goal attainment, the lower limit for the bonus is 75 percent and the upper limit 125 percent. If the sum of the weighted individual target achievement is below 75 percent (threshold), then there is no pro rata payout of the bonus. In exceptional cases, the Supervisory Board may set a lower limit of 50 percent. The amount of the remuneration to be paid is calculated by multiplying the percentage of target achievement with the target bonus. In the year of joining and leaving the company, the Management Board member is entitled to a bonus on a pro rata temporis basis. The short-term incentive is paid out in the following fiscal year.

In addition, non-financial performance goals were set for the CEO and COO for the fiscal year 2023 that are oriented towards energy savings and the sustainability of the company's activities.

4. Variable long-term remuneration (LTI)

The LTI is a variable remuneration component whose objective is the company's long-term appreciation in value, which sustainably links the interests of the company's management and executives with the interests of the shareholders of SAF-HOLLAND SE. The program used is a performance share unit plan (PSUP) introduced in 2013 that takes both the company's performance and the share price performance into account and stipulates a four-year performance period. For further information, please refer to Note 6.12.

7.7.2 Remuneration of the Management Board

The remuneration of the members of the Management Board in accordance with IFRS is as follows:

Remuneration of the Management Board

in EUR thousands	2023	2022
Short-term benefits due	2,193	2,305
Benefits after termination of the employment relationship	130	–
Share-based payment	1,236	233
Total remuneration according to IFRS	**3,559**	**2,538**

As of the balance sheet date, provisions of EUR 1.8 million (previous year: EUR 1.1 million) were recognized for the stock appreciation rights granted to members of the Management Board classified as share-based remuneration; of this amount, EUR 1.2 million (previous year: EUR 0.2 million) was recognized as an expense in 2023. The portion of the provision classified as current amounted to EUR 0.7 million (previous year: EUR 0.3 million).

7.8 REMUNERATION OF THE EXECUTIVE BODIES

The amounts shown below for the remuneration of the Management Board and the Supervisory Board of SAF-HOLLAND SE are based on the valuation principles defined in the German Commercial Code (HGB) and may differ from the amounts recognized in the IFRS Consolidated Financial Statements.

The remuneration of the Management Board and the Supervisory Board is as follows:

in EUR thousands	2023	2022
Total remuneration of the executive bodies	**2,920**	**3,067**
of which non-performance-related	1,338	1,384
of which market value of the share-based remuneration allocated to the Management Board in the financial year at the time of granting	727	762
Remuneration of the Supervisory Board	443	379

The remuneration paid to the members of the Supervisory Board is governed by Article 16 of the Articles of Association of SAF-HOLLAND SE. It is commensurate to the tasks of the Supervisory Board and the situation of the company.

Under the current remuneration system, the members of the Supervisory Board receive a fixed annual remuneration after the end of the fiscal year, which means that the fixed annual remuneration for the year 2023 will be paid out in 2024. No performance-based or stock-based remuneration components are granted.

7.9 CORPORATE GOVERNANCE

The Management Board and Supervisory Board have issued the Declaration of Compliance with the German Corporate Governance Code required by Section 161 of the German Stock Corporation Act (AktG). This can be found on the company's website at https://corporate.safholland.com/de/unternehmen/ueber-uns/corporate-governance.

7.10 CAPITAL MANAGEMENT

The overriding goal of the Group's capital management is to ensure that the Group's ability to repay debt and its financial substance is maintained in the future. The foundation for steering and optimizing the existing financing structure are EBIT, EBITDA and monitoring the development of net working capital and cash flow. Net debt is comprised of interest-bearing loans and bonds as well as lease liabilities less cash and cash equivalents.

in EUR thousands	12/31/2023	12/31/2022
Interest bearing loans and bonds	628,668	715,659
Lease liabilities	67,767	38,393
Cash and cash equivalents	–246,276	–243,460
Net debt	**450,159**	**510,592**
Equity attributable to equity holders of the parent	**473,046**	**440,535**
Equity and net debt	**923,205**	**951,127**

According to a financial covenant under the financing agreement signed in August 2022, the Group is obliged to maintain a certain level of net debt coverage (net debt divided by adjusted consolidated EBITDA).

When calculating the net debt coverage as of the reporting date, it has been assumed that the Haldex Group is included in the Consolidated Financial Statements of SAF-HOLLAND SE. In addition, the EBITDA of the Haldex Group has been considered on a 12-month basis.

7.11 AUDITOR'S FEES

The following expenses were incurred in fiscal year 2023 for services provided by the auditors and their related companies:

in EUR thousands	Q1-Q4/2023	Q1-Q4/2022
Auditing of financial statements	1,204	867
Other services	–	–
Total	**1,204**	**867**

The auditing firm, PricewaterhouseCoopers GmbH has been the appointed auditor of the Consolidated Financial Statements since fiscal year 2020. Mr. Stefan Hartwig has signed the auditor's report on the Consolidated Financial Statements for the second time as the responsible auditor. Of the total fee, an amount of EUR 0.5 million (previous year: EUR 0.4 million) is attributable to Wirtschaftsprüfungsgesellschaft PricewaterhouseCoopers GmbH, Germany.

7.12 EVENTS AFTER THE BALANCE SHEET DATE

Acquisition of IMS Group B.V.

On January 2, 2024, SAF-HOLLAND GmbH acquired 100 percent of the shares in its Dutch sales partner IMS Group B.V., based in Barneveld, the Netherlands. Because SAF-HOLLAND GmbH holds the majority of voting rights, it obtained control of IMS Ltd. as of the acquisition date.

The first-time consolidation of IMS Group B.V. was carried out using the acquisition method in accordance with IFRS 3.

The provisional purchase price of EUR 10.2 million was paid in cash on January 2, 2024.

It was not possible to fully conclude the preliminary purchase price allocation for the acquired assets and liabilities as of the date of first-time consolidation due to the short period of time between obtaining control and the publication of this report.

Acquisition of IMS Group Steering Systems B.V.

On January 2, 2024, SAF-HOLLAND GmbH acquired 100 percent of the shares in IMS Group Steering Systems B.V., a company based in Barneveld, the Netherlands, that specializes in the sale of special axles. Because SAF-HOLLAND GmbH holds the majority of voting rights, it obtained control of IMS Group Steering Systems B.V. as of the acquisition date.

The first-time consolidation of IMS Group Steering Systems B.V. was carried out using the acquisition method in accordance with IFRS 3.

The provisional purchase price of EUR 0.2 million was paid in cash on January 2, 2024.

It was not possible to fully conclude the preliminary purchase price allocation for the acquired assets and liabilities as of the date of first-time consolidation due to the short period of time between obtaining control and the publication of this report.

Bessenbach, March 7, 2024

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

MANDATES OF THE SUPERVISORY BOARD/MANAGEMENT BOARD

SUPERVISORY BOARD

Dr. Martin Kleinschmitt

- Chairman of the Supervisory Board, SAF-HOLLAND SE, Bessenbach, Germany (first appointed in 2013, Chairman since 2019, term of office until the 2024 Annual General Meeting)
- Chairman of the Supervisory Board, SAF-HOLLAND GmbH, Bessenbach, Germany
- Member of the Management Board, Noerr Consulting AG, Berlin, Germany
- Partner, Noerr Partnergesellschaft mbB, Munich, Germany
- Chairman of the Supervisory Board, G&H Bankensoftware AG, Berlin, Germany
- Chairman of the Supervisory Board, GRAMMER AG, Ursensollen, Germany

Matthias Arleth

- Member of the Supervisory Board, SAF-HOLLAND SE, Bessenbach, Germany (first appointment in 2020, term of office until the 2024 Annual General Meeting)
- Senior Vice President & General Manager Automotive EMEA, TE Connectivity, Bensheim, Germany

Ingrid Jägering

- Member of the Supervisory Board, SAF-HOLLAND SE, Bessenbach, Germany (first appointment in 2019, term of office until the 2024 Annual General Meeting)
- Member of the Supervisory Board, SAF-HOLLAND GmbH, Bessenbach, Germany
- Member of the Board of Management, STIHL AG, Waiblingen, Germany
- Member of the Supervisory Board, Hensoldt AG, Taufkirchen, Germany
- Deputy Chairwoman of the Board of Directors, Wegmann Unternehmens-Holding GmbH & Co. KG, Fürstenfeldbruck, Germany

Jurate Keblyte

- Member of the Supervisory Board, SAF-HOLLAND SE, Bessenbach, Germany (first appointment in 2023, term of office until the 2024 Annual General Meeting)
- Member of the Management Board and CFO, GRAMMER AG, Ursensollen, Germany
- Member of the Supervisory Board, Ottobock SE & Co. KGaA, Duderstadt, Germany
- Member of the Supervisory Board, HAWE Hydraulik SE, Aschheim, Germany

Carsten Reinhardt

- Member of the Supervisory Board, SAF-HOLLAND SE, Bessenbach, Germany (first appointment in 2017, term of office until the 2024 Annual General Meeting)
- Independent Senior Consultant
- Member of the Board of Directors, Stoneridge, Inc., Novi, MI, USA
- Deputy Chairman of the Board of Directors, Grundfos Holding A/S, Bjerringbro, Denmark
- Chairman of the Advisory Board, tmax Holding GmbH (formerly Tegimus Holding GmbH), Mannheim, Germany
- Member of the Advisory Board, Beinbauer Automotive GmbH & Co. KG, Büchlberg, Germany
- Member of the Advisory Board, WEZAG GmbH & Co. KG, Stadtallendorf, Germany
- Member of the Advisory Board, Michigan Capital Advisors, Bloomfield Hills, Michigan, USA
- Member of the Strategic Advisory Board, Braemar Energy Ventures, New York, NY, USA

MANAGEMENT BOARD

Alexander Geis

— Chairman of the Management Board and Chief Executive Officer (CEO), SAF-HOLLAND SE, Bessenbach, Germany

— Managing Director of SAF-HOLLAND GmbH, Bessenbach, Germany, other mandates at Group companies

Frank Lorenz-Dietz

— Member of the Management Board and Chief Financial Officer (CFO), SAF-HOLLAND SE, Bessenbach, Germany

— Managing Director of SAF-HOLLAND GmbH, Bessenbach, Germany, other mandates at Group companies

Wilfried Trepels

— Member of the Management Board and Chief Financial Officer (CFO), SAF-HOLLAND SE, Bessenbach, Germany (until 03/2023)

— Managing Director of SAF-HOLLAND GmbH, Bessenbach, Germany, other mandates at Group companies (until 03/2023)

INDEPENDENT AUDITOR'S REPORT

To SAF-HOLLAND SE, Bessenbach

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

AUDIT OPINIONS

We have audited the consolidated financial statements of SAF-HOLLAND SE, Bessenbach, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2023, and notes to the consolidated financial statements, including material accounting policy information. In addition, we have audited the group management report of SAF-HOLLAND SE, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2023. In accordance with the German legal requirements, we have not audited the content of the disclosures marked as unaudited contained in the subsection "Adequacy and effectiveness of the overall risk management and internal control system" of the section "Risk and opportunity report" as well as in the subsection "Focus of sustainability activities" of the section "Sustainability" of the group management report..

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2023, and of its financial performance for the financial year from 1 January to 31 December 2023, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of the disclosures in the subsection "Adequacy and effectiveness of the overall risk management and internal control system" of the section "Risk and opportunity report" as well as in the subsection "Focus of sustainability activities" of the section "Sustainability" referred to above.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

❶ Accounting treatment of the first-time consolidation of Haldex AB

❷ Recoverability of goodwill

Our presentation of these key audit matters has been structured in each case as follows:

① Matter and issue

② Audit approach and findings

③ Reference to further information

Hereinafter we present the key audit matters:

❶ Accounting treatment of the first-time consolidation of Haldex AB

① In the previous finincal year 2022, SAF-HOLLAND SE acquired 46,656,597 shares or 95.9% of the shares in Haldex AB, based in Landskrona, Sweden. With the closure of the merger control clearance procedure on 21 Februrary 2023, SAF -HOLLAND SE has gained control over Haldex AB and accounted for the acquisition as a business combination using the acquisition method in accordance with IFRS 3. In the context of the purchase price allocation, the identifiable assets as well as assumed liabilities and contingent liabilities of the company acquired were recognized at their fair values. Due to the time lag between the payment of the purchase price in August 2022 and the first-time consolidation, the consideration transferred has been determined as fair value using a discounted cash flow model and amounted to € 293 million. Taking into account the acquired net assets of € 255 million (in realtion to 100%) that are to be allocated to the Company, this resulted in a positive difference from capital consolidation of € 50 million. Due to the uncertainties in the estimations made in connection with the measurement of assets and liabilities as part of the purchase price allocation, as well as the overall material impact of the amounts involved in the acquisition on the assets, liabilities, financial position and financial performance of the SAF-HOLLAND Group, this matter was of particular significance in the context of our audit

② As part of our audit of the accounting treatment of the acquistion we inspected the respective contractual agreements of the acquisition as well as the anti-trust clearance and verified the determination of the consideration transferred. Based on that, we assessed the opening balance sheet underlying the acquisition based on the fair values at the time of first-time consolidation. This involved, among other things, assessing the appropriateness of the models on which the valuation were based as well as the valuation parameters and assumptions used. Given the special features relating to the calculation of the fair values within the context of the purchase price allocation, we received support in our assessment from our valuation specialists. We also evaluated the disclosures in the notes to the financial statements as required by IFRS 3. Overall, we were able to satisfy ourselves that accounting treatment of the acquisition was presented appropriately and that the estimates and assumptions made by the executive directors are comprehensible and adequately substantiated.

③ The Company's disclosures on the first-time consolidation are included in sections 3, subsection "Acquisition of Haldex AB" of the notes to the consolidated financial statements.

❷ Recoverability of goodwill

① In the Company's consolidated financial statements goodwill amounting in total to € 128,839 thousand (7.8% of total assets or 27.0% of equity) is reported under the "Goodwill" balance sheet item. Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. The impairment test is carried out at the level of the groups of cash-generating units to which the relevant goodwill is allocated. The carrying amount of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally determined using the value in use. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. For this purpose, the adopted medium-term business plan of the Group forms the starting point which is extrapolated based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors on the business activities of the Group are also taken into account. The discount rate used is the weighted average cost of capital for the respec-tive group of cash-generating units. The impairment test determined that no write-downs were necessary.

The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore, subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

② As part of our audit, we assessed the methodology used for the purposes of performing the im-pairment test, among other things. After matching the future cash inflows used for the calcula-tion against the adopted medium-term business plan of the Group, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. In this connection, we also evaluated the assessment of the executive directors regarding the effects of the macroeconomic factors on the business activities of the Group and examined how they were taken into account in determining the future cash flows.In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model. In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company. In doing so, we determined that, taking into account the information available, the carrying amounts of the cash-generating units, including the allocated goodwill, were adequately covered by the discounted future cash flows.

Overall, the valuation parameters and assumptions used by the executive directors are comprehensible overall and are also within what we consider to be reasonable ranges.

③ The Company's disclosures on the "Goodwill" balance sheet item are contained in section 6.1 of the notes to the consolidated financial statements.

OTHER INFORMATION

The executive directors are responsible for the other information. The other information comprises the disclosures marked as unaudited contained in the subsection "Adequacy and effectiveness of the overall risk management and internal control system" of the section "Risk and opportunity report" as well as in the subsection "Focus of sustainability activities" of the section "Sustainability" of the group management report as an audited part of the group management report.

The other information comprises further

— the statement on corporate governance pursuant to § 289f HGB and § 315d HGB

— the separate non-financial report to comply with §§ 289b to 289e HGB and §§ 315b to 315c HGB

— the remuneration report pursuant to § 162 AktG [Aktiengesetz: German Stock Corporation Act], for which the supervisory board is also responsible

— all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

— is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or

— otherwise appears to be materially misstated.

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

— Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

— Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

— Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

— Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

— Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

REPORT ON THE ASSURANCE ON THE ELECTRONIC RENDERING OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT PREPARED FOR PUBLICATION PURPOSES IN ACCORDANCE WITH § 317 ABS. 3A HGB

ASSURANCE OPINION

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file SAF-HOLLAND_SE_KA+LB_ESEF-2023-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2023 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

BASIS FOR THE ASSURANCE OPINION

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QMS 1 (09.2022)).

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE ESEF DOCUMENTS

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

GROUP AUDITOR'S RESPONSIBILITIES FOR THE ASSURANCE WORK ON THE ESEF DOCUMENTS

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

— Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

— Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.

— Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.

— Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as group auditor by the annual general meeting on 23 May 2023. We were engaged by the supervisory board on 2 November 2023. We have been the group auditor of the SAF-HOLLAND SE, Bessenbach, without interruption since the financial year 2020.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

REFERENCE TO AN OTHER MATTER– USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Stefan Hartwig.

Frankfurt am Main, 7 March, 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

sgd. Stefan Hartwig Wirtschaftsprüfer	sgd. Richard Gudd Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

DECLARATION OF THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable financial reporting principles, the consolidated financial statements give a true and fair view of the sales and earnings performance, net assets and cash flows of the Group, and the combined Group's management report includes a fair review of the development and performance of the Group's business and position, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Bessenbach, March 7, 2024

SAF-HOLLAND SE

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

_Additional Information

MULTI-YEAR OVERVIEW

In kEUR

Results of operations	Q1-Q4 2023	Q1-Q4 2022	Q1-Q4 2021	Q1-Q4 2020	Q1-Q4 2019
Sales	2,106,170	1,565,089	1,246,583	959,519	1,284,155
Adjusted gross profit	425,518	266,800	216,738	178,831	217,598
Adjusted gross profit margin in %	20.2%	17.0%	17.4%	18.6%	16.9%
Adjusted EBITDA	264,127	162,695	132,105	98,126	114,129
Adjusted EBITDA margin in %	12.5%	10.4%	10.6%	10.2%	8.9%
Adjusted EBIT	202,051	124,601	93,128	58,799	79,816
Adjusted EBIT margin in %	9.6%	8.0%	7.5%	6.1%	6.2%
Adjusted result for the period with non-controlling interests	119,075	82,635	61,281	34,494	49,756
Adjusted result for the period without non-controlling interests	118,486	82,489	61,222	34,113	48,438
Net assets (equity + liabilities)					
in kEUR	**12/31/2023**	**12/31/2022**	**12/31/2021**	**12/31/2020**	**12/31/2019**
Balance sheet total	1,651,739	1,498,423	1,014,267	920,486	979,244
Equity	475,969	441,354	371,070	300,463	318,007
Equity ratio in %	28.8%	29.5%	36.6%	32.6%	32.5%
Financial position					
in kEUR	**Q1-Q4 2023**	**Q1-Q4 2022**	**Q1-Q4 2021**	**Q1-Q4 20201**	**Q1-Q4 20191**
Net cash flow from operating activities	**202,726**	**153,392**	**39,651**	**137,922**	**90,546**
Net cash flow from investing activities (property, plant and equipment / intangible assets)	-60,005	-33,358	-23,528	-23,675	-47,727
Operating free cash flow	**142,721**	**120,034**	**16,123**	**114,247**	**42,819**
Net cash flow from investing activities (acquisition of subsidiaries)	42,579	-289,650	-	-	-10,852
Total free cash flow	**185,300**	**-169,616**	**16,123**	**114,247**	**31,967**
Yield					
in %	**Q1-Q4 2023**	**Q1-Q4 2022**	**Q1-Q4 2021**	**Q1-Q4 2020**	**Q1-Q4 2019**
Return on Capital Employed (ROCE)	20.8%	12.9%	15.7%	11.1%	5.5%
Employees					
	12/31/2023	**12/31/2022**	**12/31/2021**	**12/31/2020**	**12/31/2019**
Employees on the balance sheet date	5,927	3,768	3,572	3,369	3,924

All figures shown are rounded; minor discrepancies may arise from additions to these amounts.

The figures presented show the currently valid figures. Due to changes in accounting standards, the introduction of IFRS 16, the previous year's figures may only be comparable with figures from previous years' publications, for example, to a limited extent

EXPLANATION OF FINANCIAL RATIOS AND ALTERNATIVE PERFORMANCE MEASURES

SAF-HOLLAND SE prepares its financial reporting in accordance with International Financial Reporting Standards (IFRS). In addition, SAF-HOLLAND SE uses "alternative performance measures" (APM). APMs are company-specific key figures whose calculation does not result directly from statutory regulations or accounting standards. They are calculated in part by making company-specific adjustments to certain financial performance indicators, such as adjusting financial performance indicators for special effects. APMs are used both internally for management purposes and for external communication and reporting purposes to various stakeholders.

A

Adjusted EBIT
Earnings before interest and taxes (EBIT) are adjusted for non-recurring effects such as depreciation and amortisation of property, plant and equipment and intangible assets due to the purchase price allocation (PPA), reversals and impairments, restructuring and transaction costs as well as valuation effects from option valuations.

Adjusted EBIT margin
Adjusted EBIT / sales x 100.

Adjusted EBITDA
Adjusted EBIT plus depreciation and amortisation of property, plant and equipment and intangible assets (excluding PPA).

C

Capital Employed
Equity plus current and non-current loans and borrowings, current and non-current lease liabilities and pensions less cash and cash equivalents.

Cash conversion rate
Ratio of cash flow from operating activities before income tax payments to EBITDA.

E

EBIT
Earnings Before Interest and Taxes

EBITDA
Earnings Before Interest, Taxes and Depreciation / Amortization

Equity ratio
Ratio of equity to total capital (= balance sheet total)

F

FAAC (Financial assets at amortized cost)
Financial assets measured at amortized cost.

Free cash flow
Net cash flow from operating activities less investments in property, plant and equipment and intangible assets.

Free operating cash flow
Net cash flow from operating activities less net cash flow from investing activities (acquisition of property, plant and equipment and intangible assets less proceeds from the sale of property, plant and equipment).

FLAC (Financial liabilities at amortized costs)
Financial liability measured at amortized cost

FLtPL (Financial liabilities at fair value through profit and loss)
Financial liability measured at fair value with an effect on profit and loss.

FLHfT (Financial liabilities held for trading)
Financial liabilities held for trading

G

Gross margin
Gross profit on sales / sales revenue x 100

I

Investment ratio
Investments in property, plant and equipment and intangible assets / sales x 100.

L

Leverage ratio
Net financial debt / EBITDA

N

Net financial debt
Total non-current and current liabilities from interest-bearing loans and bonds as well as current and non-current lease liabilities less cash and cash equivalents.

Net working capital
Inventories plus trade receivables less trade payables.

Net working capital ratio
Ratio of net working capital to sales over the last twelve months.

P

Payout ratio
Share of the total dividend (distribution amount) in relation to the profit for the period or the profit for the period attributable to the shareholders of the parent company.

Purchase price allocation (PPA)
Distribution of the acquisition costs of a company acquisition to the identifiable assets, liabilities and contingent liabilities of the (acquired) subsidiary.

R

R&D ratio
R&D costs plus capitalized development costs / sales revenue x 100

Restructuring and transaction expenses
Restructuring and transaction expenses are defined as expenses incurred outside of normal operating activities. These expenses include expenses for the acquisition of companies, restructuring within the Group, one-time expenses such as expenses in connection with cyberattacks or post-merger integration as well as value adjustments and impairments and severance payments for executives. The definition of restructuring and transaction costs used is not congruent with the definition of restructuring used in IAS 37.

ROCE (Return on Capital Employed)
Adjusted EBIT of the last twelve months in relation to average capital employed.

T

Tax ratio
Income taxes according to the income statement / earnings before taxes x 100.

Total liquidity
Total cash and cash equivalents and other short-term investments as well as the agreed credit line.

W

WACC (Weighted Average Cost of Capital)
Weighted average cost of capital.

FINANCIAL CALENDAR AND CONTACTS

FINANCIAL CALENDAR

May 8, 2024
Publication of the Quarterly Statement Q1 2024

June 11, 2024
Annual General Meeting 2024

August 8, 2024
Publication of the Half-Year Financial Report 2024

November 12, 2024
Publication of the Quarterly Statement Q3 2024

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DISCLAIMER

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