Annual General Meeting

SAF-HOLLAND SE
Bessenbach

on June 11, 2024

Report of the Management Board to the Annual General Meeting on agenda item 8 on the reasons for authorizing the Management Board to exclude subscription rights pursuant to Section 203(2) sentence 2 and Section 186(4) sentence 2 of the German Stock Corporation Act

The resolution proposed under agenda item 8 of the Annual General Meeting on June 11, 2024 (Resolution on cancellation of the 2020 Authorized Capital, on the creation of new 2024/I Authorized Capital with the possibility to exclude subscription rights and on an amendment to the Articles of Association to this effect) provides for the cancellation of the 2020 Authorized Capital subject to the condition precedent of the effectiveness of the new 2024/I Authorized Capital and the commercial register entry regarding the amendment of Article 5(3) of the Articles of Association and the creation of a new 2024/I Authorized Capital. Accordingly, the Management Board is to be authorized to increase the share capital up to the end of June 10, 2029 on one or more occasions in installments by up to a total of EUR 9,078,860.00 with the consent of the Supervisory Board by issuing new no-par value bearer shares against contributions in cash and/or in kind (2024/I Authorized Capital).

The 2024/I Authorized Capital is intended to enable the Company to swiftly access the capital required for further expansion by issuing new shares on the capital markets and to capitalize on favorable market conditions quickly and flexibly to cover future financing requirements. As decisions on covering future capital requirements generally have to be made at short notice, it is crucial for the Company to operate independently of the Annual General Meeting's schedule and the long period of notice required to convene an Extraordinary General Meeting. The legislature has taken these circumstances into account by providing the instrument of "Authorized Capital".

When using the 2024/I Authorized Capital to issue shares against cash contributions, shareholders generally have a subscription right (Section 203(1) sentence 1 in conjunction with Section 186(1) of the German Stock Corporation Act ("**AktG**")), whereby an indirect subscription right within the meaning of Section 186(5) AktG is also deemed sufficient. The issue of shares with the granting of such an indirect subscription right should not be considered a statutory exclusion of subscription rights. Shareholders are in effect granted the same subscription rights as they would have with a direct subscription. For practical reasons, the transaction only involves one or more banks.

However, the Management Board is to be authorized, with the consent of the Supervisory Board, to exclude subscription rights in certain cases.

- The Management Board is to be able to exclude subscription rights for fractional amounts with the consent of the Supervisory Board. The purpose of this exclusion of subscription rights is to simplify the management of share issues that uphold shareholders' subscription rights in principle, by enabling a technically feasible subscription ratio. The value of the fractional amounts per shareholder is generally low, thus the potential dilution effect is also considered to be low. Conversely, the costs of issuing shares without this exclusion are significantly higher. This exclusion therefore enhances practicability and facilitates the easier execution of share issues. The fractional amounts of shares on which subscription rights are disallowed will either be sold on the stock exchange or otherwise disposed of to achieve maximum benefit for the Company. The Management Board believes that possibly excluding subscription rights for these reasons is objectively justified and, considering the interests of the shareholders, also reasonable.

- In addition , the Management Board is to be authorized, subject to the Supervisory Board's consent, to exclude the subscription right to the extent necessary to grant holders or creditors of convertible bonds, bonds with warrants and/or participating bonds (or combinations of these instruments) (referred to collectively as "**Bonds**") a subscription right to new shares. Bonds with conversion or option rights or conversion or option obligations regularly include dilution protection in their issue conditions, which grants bondholders or creditors a right to subscribe to these new shares in the event of subsequent share issues and certain other measures. This puts them in the same position as if they were shareholders from the outset. In order to provide the Bonds with such dilution protection, it is necessary to exclude shareholders' subscription rights to these shares. This serves to facilitate the placement of the Bonds and thus aligns with the interests of the shareholders in an optimized financial structure for the Company. In addition, by excluding subscription rights granted in favor of bondholders or creditors of Bonds, the Company has the advantage that, in the event the authorization is exercised, it avoids the need to reduce the conversion or option price for the bondholders or creditors of existing Bonds in accordance with the relevant terms and conditions of the Bonds. This enables a greater inflow of funds and is therefore in the interests of the Company and its shareholders.

- The subscription right can also be excluded in the case of capital increases against contributions in kind. In particular, the Company should retain the ability to acquire companies, parts of companies, interests in companies or other assets or respond to offers for acquisitions or mergers in order to drive its further growth and increase its profitability and company value. Furthermore, the exclusion of subscription rights is intended to facilitate the servicing of conversion or option rights or conversion or option obligations in respect of Bonds issued against contributions in kind.

  Practice shows that the shareholders of attractive acquisition targets sometimes have a strong interest in acquiring no-par value shares in the Company as consideration, particularly to maintain a certain level of influence over the assets contributed. From the perspective of an optimal financial structure, the ability to offer consideration not only in cash but also in shares, or only in shares, is advantageous; in this context, using new shares as a form of currency for acquisitions can preserve the Company's liquidity, avoid the need for external financing and allow the seller(s) to participate in future price opportunities. This leads to an improvement in the Company's ability to compete when it comes to acquisitions.

The ability to use shares in the Company as a form of currency for acquisitions gives the Company the necessary agility and flexibility to capitalize on acquisition opportunities quickly and enables it to acquire even larger business units in return for shares. It should also be possible to acquire assets in exchange for shares. It must be possible to exclude shareholders' subscription rights in both transactions. As such acquisitions often have to be made quickly, it is impractical to wait for approval from the Annual General Meeting, which takes place only once a year. The Company needs to have Authorized Capital that the Management Board can access quickly with the consent of the Supervisory Board.

The same applies to the servicing of conversion or option rights or conversion or option obligations in respect of Bonds issued for the purpose of acquiring companies, parts of companies or interests in companies or other assets with the exclusion of shareholders' subscription rights. The new shares are issued against contributions in kind, either in the form of the Bond to be contributed or in the form of the contribution in kind made to the Bond. This leads to an increase in the Company's flexibility in servicing the conversion or option rights or conversion or option obligations. Issuing Bonds instead of or in addition to offering shares or cash payments can be an attractive alternative that increases the Company's competitive edge in acquisitions due to its additional flexibility. Shareholders are protected by the subscription rights to which they are entitled when Bonds with conversion or option rights or conversion or option obligations are issued.

The cases in which subscription rights for Bonds with conversion or option rights or conversion or option obligations can be excluded are detailed in the Management Board's report on agenda item 9 of the Annual General Meeting on June 11, 2024. If opportunities arise to merge with other companies or acquire companies, parts of companies or interests in companies or other assets, the Management Board will carefully examine in each case whether to utilize the authorization to increase capital by issuing new shares. This includes, in particular, assessing the valuation relationship between the Company and the acquired interest or other assets and setting the issue price of the new shares along with other conditions of the share issue. The Management Board will only use the Authorized Capital if it is convinced that the merger with or acquisition of companies, parts of companies or interests in companies in exchange for issuing new shares is in the best interests of the Company and its shareholders.

- Subscription rights can also be excluded in instances of cash capital increases if the shares are issued at a price not significantly lower than the market price and if such an increase does not exceed 10% of the share capital (simplified exclusion of subscription rights in accordance with Section 186(3) sentence 4 AktG). This authorization enables the Company to react quickly and flexibly to favorable capital market conditions and to place the new shares at very short notice, thus eliminating the need for a subscription offer to last at least two weeks. The ability to exclude subscription rights enables very fast action and the placement of shares close to the market price, avoiding the usual discount associated with rights issues. This creates the basis for maximizing the proceeds from disposals and strengthening equity to the greatest possible extent. The authorization for the simplified exclusion of subscription rights is objectively justified by the potential to often generate a greater inflow of funds.

Such a capital increase may not exceed 10% of the share capital existing at the time the authorization becomes effective or at the time it is exercised. The proposed resolution also provides for an offsetting clause. Shares issued or to be issued to service Bonds with conversion or option rights or with conversion or option obligations are to be counted towards the limit of 10% of the share capital affected by this exclusion of subscription rights, provided that these Bonds are issued in accordance with Section 186(3) sentence 4 AktG during the term of the 2024/I Authorized Capital excluding the shareholders' subscription rights. Furthermore, the sale of treasury shares must be offset if they are sold during the term of the 2024/I Authorized Capital pursuant to an authorization in accordance with Section 71(1), no. 8 sentence 5, clause 2 in conjunction with Section 186(3) sentence 4 AktG subject to exclusion of subscription rights. Shares issued during the term of the 2024/I Authorized Capital from other Authorized Capital pursuant to Section 203(2) sentence 1 in conjunction with Section 186(3) sentence 4 AktG or on the basis of other capital measures by analogy with Section 186(3) sentence 4 AktG are also to be offset.

The simplified exclusion of subscription rights requires that the issue price of new shares is not significantly lower than the market price. Any discount on the current stock exchange price or a volume-weighted stock exchange price over a reasonable number of trading days before setting the final issue price is not expected to exceed approximately 5% of the relevant stock exchange price, subject to special circumstances in individual cases. This also takes into account the shareholders' need for protection against the dilution of their share value. By setting the issue price near the market price, it is ensured that the value that a subscription right would have for the new shares is in practice very low. Shareholders have the option of maintaining their proportional shareholding by purchasing additional shares through the stock exchange.

New shares excluding the shareholders' subscription rights may only be issued according to this authorization if the sum of the new shares together with shares issued or transferred by the Company during the term of the 2024/I Authorized Capital under another authorization excluding the shareholders' subscription rights or convertible bonds and/or bonds with warrants that are to be issued during the term of the 2024/I Authorized Capital based on utilization of another authorization excluding the right to subscribe do not account in total for more than 10% of the Company's share capital, this both at the time this authorization becomes effective and – if this amount is lower – at the time this authorization is exercised. This restriction goes beyond the statutory requirements. In this way, the adverse effect on shareholders is to be kept within narrow limits and shareholders are to be protected against any excessive dilution of their shares when new shares are issued, whether from authorized or conditional capital.

There are currently no specific plans to utilize the 2024/I Authorized Capital. The Management Board will in each case carefully determine whether the use of the authorization is in the interests of the Company and its shareholders.

If the Management Board makes use of one of the above authorizations to exclude subscription rights during a financial year as part of a capital increase from 2024/I Authorized Capital, it will report on this at the subsequent General Meeting.

Bessenbach, April 2024

Alexander Geis Member of the Management Board and Chief Executive Officer	**Frank Lorenz-Dietz** Member of the Management Board and Chief Financial Officer