

## Annual General Meeting

**SAF-HOLLAND SE**  
**Bessenbach**

**on June 11, 2024**

### **Report of the Management Board to the Annual General Meeting on agenda item 9 on the reasons for authorizing the Management Board to exclude subscription rights pursuant to Section 221(4) sentence 2 and Section 186(4) sentence 2 of the German Stock Corporation Act**

The resolution proposed under agenda item 9 of the Annual General Meeting on June 11, 2024 (Resolution on the creation of authorization to issue convertible bonds, bonds with warrants and/or participating bonds (or combinations of these instruments) with the possibility to exclude subscription rights, on the creation of 2024/I Conditional Capital and on the amendment of the Articles of Association to this effect) provides for the Management Board to be authorized, subject to the approval of the Supervisory Board, to issue convertible bonds, bonds with warrants and/or participating bonds (or combinations of these instruments) (collectively "**Bonds**") up to the end of June 10, 2029 on one or more occasions in bearer or registered form and with or without a limited term for a total nominal value of up to EUR 350,000,000.00 and to grant the holders or creditors of Bonds conversion and/or option rights to subscribe for up to 9,078,860 no-par value bearer shares in the Company equivalent to a total pro rata amount of the share capital of up to EUR 9,078,860.00 as set out in more detail in the terms and conditions of the Bonds and/or to establish obligations to convert the relevant Bond into such shares in the terms and conditions of the Bonds. The Bonds may be issued against contributions in cash or in kind.

The issue of Bonds as described above provide the Company with the opportunity to exploit attractive alternative financing on the capital markets in addition to the other options for raising debt and equity capital, depending on the market situation. In particular, the authorization to issue profit-related or profit-oriented instruments such as participating bonds makes it possible to strengthen the Company's financial resources by issuing so-called hybrid financing instruments and thereby contribute to securing the financial conditions for future business development.

The issue of Bonds enables debt capital to be raised which, depending on the terms and conditions of the Bond, can be classified as equity or equity-like for rating purposes as well as for accounting purposes. The conversion or option premiums generated as well as the equity crediting benefit the Company's capital base. In addition to the authorization to create conversion and/or option rights, the possibility of creating conversion obligations and the possibility of combining convertible bonds, warrant bonds and/or participating bonds extends the scope for structuring these financial instruments. Moreover, the authorization allows the Company to place the Bonds itself or via its directly or indirectly held domestic or foreign holdings. In addition to euros, Bonds can also be issued in other currencies, such as the legal currency of an OECD country, with or without a limited term.

In the case of Bonds that grant a conversion or option right, the terms and conditions of the Bonds may, in order to increase flexibility, stipulate that the Company does not grant the holder of a conversion or option right no-par value shares in the Company, but pays the equivalent value in cash.

For Bonds that grant a conversion or option right or stipulate a conversion obligation, the authorization proposes a minimum amount of 80% of the share price for determining the conversion or option price. The point of reference in each case is the market price of the Company's share at the time the Bond is placed. The conversion or option rights can, insofar as an adjustment is not already mandatory by law, be adjusted in a value-preserving manner, notwithstanding Section 9(1) of the German Stock Corporation Act ("**AktG**"), if dilution of the economic value of the existing conversion or option rights occurs during the term of the Bond (e.g. due to an increase in share capital) and no subscription rights are granted as compensation.

In principle, shareholders are to be granted subscription rights. However, it should be possible to exclude subscription rights under the following conditions:

- The Management Board should be authorized, subject to the approval of the Supervisory Board, to exclude fractional amounts from subscription rights. Such fractional amounts may result from the amount of the respective issue volume and the need to present a practicable subscription ratio. In such cases, the exclusion of subscription rights facilitates the handling of the issue. The fractional amounts excluded from shareholders' subscription rights are either sold on the stock exchange or otherwise utilized in the best possible way for the Company.
- Furthermore, the Management Board should be given the opportunity, with the approval of the Supervisory Board, to exclude shareholders' subscription rights in order to grant the holders or creditors of conversion and/or option rights or convertible bonds with conversion obligations subscription rights to the extent to which they would be entitled after exercising the conversion or option rights or after fulfilling the conversion obligations. The option and conversion conditions generally contain provisions that serve to protect the holders or creditors of option or conversion rights against dilution. This makes it easier to place these financing instruments on the market. A subscription right for holders of existing option or conversion rights offers the possibility of preventing the option or conversion price from having to be reduced for the holders of existing option or conversion rights if the authorization is exercised. This enables a higher issue price for the no-par value bearer shares to be issued when the option is exercised or the conversion is carried out. As this facilitates the placement of the issue, the exclusion of subscription rights serves the shareholders' interest in an optimal financing structure for their Company.
- Insofar as Bonds with conversion and/or option rights or conversion obligations are to be issued, the Management Board should be authorized, with the approval of the Supervisory Board, to exclude the subscription right in analogous application of Section 186(3) sentence 4 AktG, insofar as the Bonds are issued against cash payment and the shares to be issued upon exercise of the issued conversion

or option rights and fulfilment of the conversion obligations do not exceed a total pro rata amount of the share capital of 10% either at the time the authorization becomes effective or – should this be lower – at the time the authorization is exercised. This maximum limit for the simplified exclusion of subscription rights is reduced by the pro rata amount of the share capital of the shares that were issued or sold during the term of the authorization with the exclusion of subscription rights in direct or analogous application of Section 186(3) sentence 4 AktG or are to be issued on the basis of convertible bonds or bonds with warrants issued during the term of the authorization, in the issue of which subscription rights were excluded in accordance with Section 186(3) sentence 4 AktG. The offsetting provision in this authorization also ensures that no Bonds are issued on its basis with the exclusion of subscription rights if this would lead to the exclusion of shareholders' subscription rights to new or treasury shares of the Company of more than 10% of the shares currently outstanding, taking into account capital increases or certain placements of treasury shares in direct or analogous application of Section 186(3) sentence 4 AktG.

In the event of an exclusion of subscription rights, the issue price of the Bond may not be set significantly below its market value in accordance with Section 186(3) sentence 4 AktG. This takes into account the shareholders' need for protection with regard to a dilution of their shareholding. In order to ensure that this requirement for the issue of Bonds is met, the theoretical market value of the Bond with conversion or option rights or conversion obligations is determined using recognized financial mathematical methods. The issue price to be determined may not be significantly lower than this market value. This ensures that shareholders are protected against a dilution of their shareholdings and that shareholders do not suffer any economic disadvantage as a result of the exclusion of subscription rights, as the value of a subscription right would fall to practically zero.

- Furthermore, the Management Board should be enabled to issue Bonds against contributions in kind (in particular of companies, parts of companies or equity interests in companies or other assets, including receivables). This possibility of issuing Bonds significantly increases the Management Board's scope for action in competition, as Bonds can also represent attractive consideration for the seller when acquiring companies and investments or receivables from the Company or its subsidiaries. Particularly in the case of the ever larger corporate units or receivables involved in such transactions, the consideration often cannot be paid in cash without placing too great a strain on the Company's liquidity. If Bonds are to be issued against contributions in kind, they can only be issued with the exclusion of shareholders' subscription rights. In such cases, the Management Board should therefore be authorized, with the approval of the Supervisory Board, to exclude shareholders' subscription rights to the Bonds. The relevant value ratios between the contribution object and the nominal amount of the Bonds to be issued as well as the relevant conversion or option price depend on the circumstances of the individual case. When determining the valuation ratios, the Management Board will in any case appropriately safeguard the interests of the shareholders and align itself with the interests of the Company. When determining the value of the Bonds granted as consideration, the Management Board will be guided by the market

price of the Company's shares. However, a schematic link to the stock market price is not envisaged, in particular in order not to jeopardize negotiation results once they have been achieved due to fluctuations in the stock market price.

If participating bonds without conversion rights, option rights or conversion obligations are to be issued, the Management Board should be authorized, with the approval of the Supervisory Board, to exclude shareholders' subscription rights altogether if these participating bonds have bond-like features, i.e. do not establish any membership rights in the Company, do not grant any participation in the liquidation proceeds and the amount of interest is not calculated on the basis of the amount of the annual surplus, the net profit or the dividend. It is also necessary that the interest rate and the issue amount of the participating bonds correspond to the current market conditions at the time of issue. If the aforementioned requirements are met, the exclusion of subscription rights does not result in any disadvantages for the shareholders, as the participating bonds do not establish any membership rights and do not grant any share in the liquidation proceeds or the Company's profit. It is possible to stipulate that the payment of interest depends on the existence of a net profit for the year, a balance sheet profit or a dividend. On the other hand, it would not be permissible to stipulate that a higher net profit for the year, a higher balance sheet profit or a higher dividend would lead to a higher interest rate. In addition, neither the voting rights nor the shareholders' participation in the Company and its profits are changed or diluted by the issue of participating bonds. Finally, there would be no significant subscription right value as a result of the issue conditions in line with the market, which are mandatory for this case of exclusion of subscription rights.

The above options for excluding subscription rights give the Company the flexibility to take advantage of favorable capital market situations at short notice and enable the Company to use a low interest rate level or a favorable demand situation flexibly and at short notice for an issue. If subscription rights are excluded – in contrast to an issue of Bonds with subscription rights – the issue price can only be set immediately before the placement, which avoids a considerable price change risk for the period of a subscription period and the issue proceeds can be maximized in the interests of all shareholders. In addition, the elimination of the lead time associated with the subscription right results in further advantages both with regard to the costs of raising funds and with regard to the placement risk. A placement without subscription rights can reduce the safety margin that would otherwise be required as well as the placement risk and reduce the cost of raising funds in favor of the Company and its shareholders by a corresponding amount.

If the proposed authorization is exercised, the Management Board will report on this at the General Meeting following the exercise.

The Conditional Capital 2024/I proposed for resolution under agenda item 9.2 and the corresponding amendment to the Articles of Association proposed under agenda item 9.3 are intended to enable the Company to issue the number of new shares owed to the holders or creditors of the Bonds issued on the basis of the authorization proposed under

agenda item 9.1 when the conversion or option right is exercised and the conversion obligation is fulfilled. Alternatively, treasury shares or new shares from the use of authorized capital can also be used to service these rights within the statutory limits.

**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