

**SAF-HOLLAND S.A.**

*Société anonyme*

Siège social: 68-70, Boulevard de la Pétrusse, L - 2320 Luxembourg

R.C.S. Luxembourg: B113.090

**EXPLANATORY REPORT TO A PROPOSAL FOR CONVERSION TO A EUROPEAN  
COMPANY DATED [6 DECEMBER] 2019**

**THE UNDERSIGNED**

- **Jack GISINGER**, being a director of the Company;
- **Ingrid JÄGERING**, being a director of the Company;
- **Dr. Martin KLEINSCHMITT**, being a director of the Company;
- **Anja KLEYBOLDT**, being a director of the Company;
- **Martina MERZ**, being a director of the Company; and
- **Carsten REINHARDT**; being a director of the Company;

jointly constituting the board of directors (the "**Board**") of **SAF-HOLLAND S.A.**, a public limited liability company (*société anonyme*) under the laws of the Grand Duchy of Luxembourg, having its registered office at 68-70, Boulevard de la Pétrusse, L - 2320 Luxembourg, Grand Duchy of Luxembourg, and registered with the RCS Luxembourg under number B113.090 (the "**Company**").

**RECITALS**

- A.** The Company has come to the conclusion that it is desirable to convert itself into a European public limited liability company ("**SE**") in order to emphasize its international image through such conversion (the "**Conversion**").
- B.** The Board has drawn up draft terms of conversion in relation to the Conversion (the "**Conversion Plan**") to submit to the Company's extraordinary general meeting of shareholders for resolution.
- C.** Shortly following the Conversion, it is contemplated to transfer the seat of the Company from Luxembourg to Germany in accordance with Articles 490-1 et seqq. of the law of 10 August 1915 on commercial companies, as amended from time to time (the "**Law**").
- D.** Pursuant to Article 420-21, point 1° of the Law, the Board has drawn up this explanatory report for the Conversion (the "**Report**").

## **HEREBY DECLARE**

### **Reasons for the Conversion**

#### **Article 1**

The Board believes that the business of the Company can be conducted more effectively as an SE. The Company has significant business activities throughout Europe and subsidiaries in various European countries. The Company considers itself as an international company. The SE is considered as the best legal form to strengthen the importance of the Europe-wide and other international business activities. Therefore, the Conversion would allow emphasizing and promoting the Company's international and European image.

Moreover, the SE offers flexible structuring possibilities which are not available to companies with other legal forms: On the one hand, the registered office of an SE can be freely relocated within the European Union based on explicit statutory rules (as opposed to general legal principles developed by the European Court of Justice which apply to other legal forms as well). On the other hand, the SE offers the choice between a monistic system assigning the management and supervisory functions to a uniform body (so-called administrative board) and a dualistic system with a co-existing management board and supervisory board.

Following the Conversion and subject to approval of the Company's general meeting of shareholders, it is intended to benefit from the additional flexibility offered to SEs and to transfer the Company's registered seat to Germany. The Company is a holding company and closely connected to Germany through its direct subsidiary, SAF-HOLLAND GmbH, which acts as the main operating subsidiary of the Company and its group companies (the "**Group**"), and which has its registered seat at Hauptstraße 26, 63856 Bessenbach, Germany. SAF-HOLLAND GmbH employs approximately 1,200 people, of whom approximately 45 work in functions for the entire Group. The purpose of the transfer is to merge the headquarters of the holding company with its group management function and operational functions. This would facilitate the overall management of the Group and reduce administrative expenses. In addition, the transfer of the registered office will reduce further costs, e.g. with regard to financial reporting. In the course of the transfer of the registered seat, the Company's management system shall be transformed from a monistic to a dualistic management system, consisting of a Management Board as the management body and a Supervisory Board as the supervisory body, and thus adapted to the actual organizational structure of the Group. Moreover, the Company's shares are admitted to trading to the regulated market of the Frankfurt Stock Exchange in the sub-segment of the regulated market with additional post-admission obligations (Prime Standard). With the transfer the Company's registered seat to Germany, the Company would have its registered seat in the same country where its shares are listed. This could also help to reduce the legal complexity and related costs.

### **Consequences for the Company's activities**

#### **Article 2**

The Boards does not anticipate the Conversion to have any negative consequences for the Company's current activities.

### **Consequences for the shareholders**

#### **Article 3**

The Board does not expect any negative consequences for the Company's shareholders. The rights and obligations of shareholders of a Luxembourg public limited liability company (*société anonyme*) and an SE are identical.

## **Alternatives**

### **Article 4**

In the run-up to the Conversion, the Board has thoroughly discussed the possible alternatives to the Conversion.

Currently, the only supranational legal form of a corporation, which is comparable to a Luxembourg public limited liability company (*société anonyme*) and which permits a monistic and/or dualistic management structure as well as a stock exchange listing, is the SE. It emphasizes the importance of the Group's international business and offers an appearance corresponding to the Group's activities.

The Board has therefore come to the conclusion that there is no alternative to the Conversion and that the Conversion alone adequately takes into account the interests of the Company's shareholders and the Company itself.

### **Legal, economic, tax-related and employment-related implications**

#### **Article 5**

##### 1. *Legal implications*

In accordance with Article 37 (2) of the Council Regulation (EC) 2157/2001 of 8 October 2001 on the Statute for a European company (the "**SE Regulation**"), the conversion of a public limited liability company into an SE shall not result in the winding up of the Company or in the creation of a new legal person.

Considering that there will be no change to the Company's legal personality, the Conversion is not anticipated to adversely affect the rights of the creditors of the Company.

It is not intended to grant any special rights or other advantages to the Company's shareholders before the Conversion, during the Conversion or after the Conversion.

##### 2. *Economic implications*

The aim of the Conversion is to reduce ongoing annual costs incurred by maintaining the current structure of the Group. This is to be done, in particular, in connection with the possible transfer of the registered seat to Germany, which will be facilitated by the Conversion. The Group has strong ties to Germany and the rest of Europe and all group functions are situated in Germany. Further to that, the presence of legal executive functions in Germany is expected to result in a substantial reduction in costs and time necessary for regular travel to Luxembourg.

##### 3. *Tax-related implications*

At the level of the Company, the Conversion should be essentially neutral under Luxembourg tax law. At the level of the subsidiaries of the Company, possible tax consequences have not yet been investigated in detail.

At the shareholder level, no negative impacts should occur from a Luxembourg tax perspective (albeit a different view from the tax authorities cannot be fully excluded). With respect to tax implica-

tions in the respective shareholders' jurisdictions of residence (other than Luxembourg), it is recommended that the shareholders consult their own tax advisors regarding the tax implications of the Conversion.

4. *Employment-related implications*

The Company has no employees.

As a result of the Conversion, the Company will set up a works council (the "**SE Works Council**"). This SE Works Council will have the right to be informed and consulted and, for that purpose, to meet with the competent management body of the SE at least once a year.

In exceptional circumstances affecting the employees' interests to a considerable extent, particularly in the event of relocations, transfers, the closure of establishments or undertakings or collective redundancies, the SE Works Council shall have the right to be informed and to request meetings with the management body.

The SE Works Council will be composed of employees of the Company's subsidiaries and branches, elected and appointed in accordance with the provisions of Article L. 443-2 of the labor code (*Code du travail*) by the employee representatives or the entirety of employees respectively. It will be composed by members in proportion to the number of employees in each member state of the European Union and other states party to the Agreement on the European Economic Area, so as to permit the workers in each member state to have a proportional participation in the SE Works Council. The members of the SE Works Council will be elected for a period of five years.

Notwithstanding the foregoing, the applicable rules on employee representation to the Company continue to apply as a result of the foregoing.

The Board notes that no special rights or other advantages will be granted to the members of the Board or to the independent auditor (*réviseur d'entreprise*) as a result of the conversion into an SE.

It is expected that the Conversion will not have any negative repercussions on employment in the Group.

Signed in Luxembourg \_\_\_\_\_, on 6 December 2019 \_\_\_\_\_.

**For the board of directors of SAF-HOLLAND S.A.**

A handwritten signature in blue ink, appearing to be 'M. Kleinschmitt', written over a horizontal line.

Name: **Dr. Martin KLEINSCHMITT**

Title: director