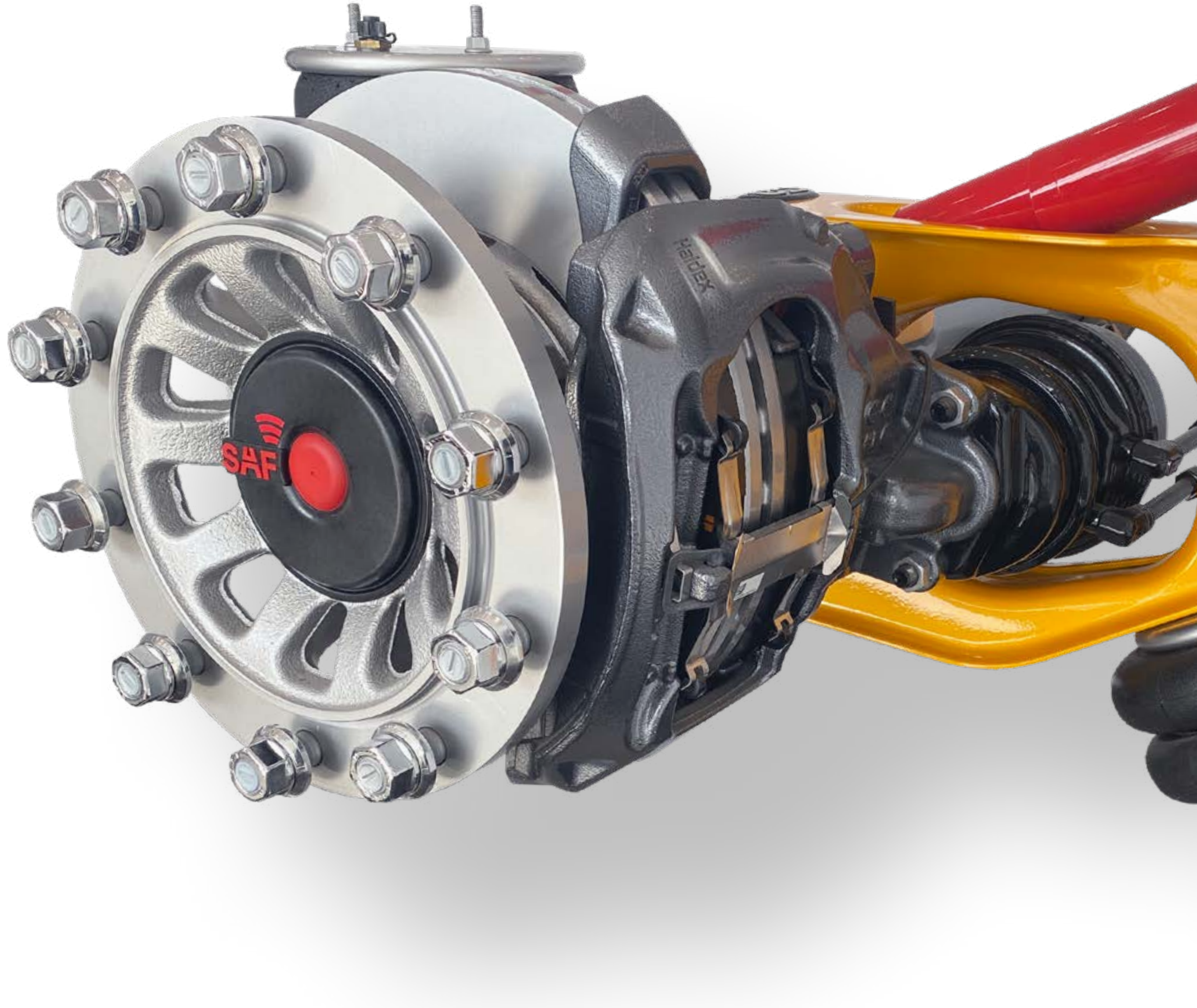
ANNUAL REPORT 2022

Building the future – stronger together



KEY FIGURES

RESULTS OF OPERATIONS

in kEUR	FY 2022	FY 2021	Change absolut	Change in %
Sales	1,565,089	1,246,583	318,506	25.6
Gross profit	259,550	209,085	50,465	24.1
Gross profit margin in %	16.6	16.8		
Adjusted gross profit	266,800	216,738	50,062	23.1
Adjusted gross profit margin in %	17.0	17.4		
EBITDA	151,488	124,991	26,497	21.2
EBITDA margin in %	9.7	10.0		
Adjusted EBITDA	162,695	132,105	30,590	23.2
Adjusted EBITDA margin in %	10.4	10.6		
EBIT	101,491	72,140	29,351	40.7
EBIT margin in %	6.5	5.8		
Adjusted EBIT	124,601	93,128	31,473	33.8
Adjusted EBIT margin in %	8.0	7.5		
Result for the period without non-controlling interests	61,081	36,737	24,344	66.3
Adjusted result for the period without non-controlling interests	82,489	61,222	21,267	34.7
Basic earnings per share in EUR	1.35	0.81	0.54	66.7
Diluted earnings per share	1.82	1.35	0.47	34.8

NET ASSETS (EQUITY + LIABILITIES)

in kEUR	12/31/2022	12/31/2021	Change absolut	Change in %
Balance sheet total	1,498,423	1,014,267	484,156	47.7
Equity	441,354	371,070	70,284	18.9
Equity ration in %	29.5	36.6		
Non-current and current liabilities	1,057,069	643,197	413,872	64.3

FINANCIAL POSITION

in kEUR	FY 2022	FY 2021	Change absolut	Change in %
Net cash flow from operating activities	**153,392**	**39,651**	**113,741**	**286.9**
Net cash flow from investing activities (property, plant and equipment/intangible assets)	–33,358	–23,528	–9,830	41.8
Operating free cash flow	**120,034**	**16,123**	**103,911**	**644.5**
Net cash flow from investing activities (acquisition of subsidiaries)	–289,650	–	–289,650	–
Total free cash flow	**–169,616**	**16,123**	**–185,739**	**–**

YIELD

in %	FY 2022	FY 2021
Return on capital employed (ROCE)	12.9	15.7

EMPLOYEES

	12/31/2022	12/31/2021	Change absolut	Change in %
Employees	3,768	3,572	196	5.5

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

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

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

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

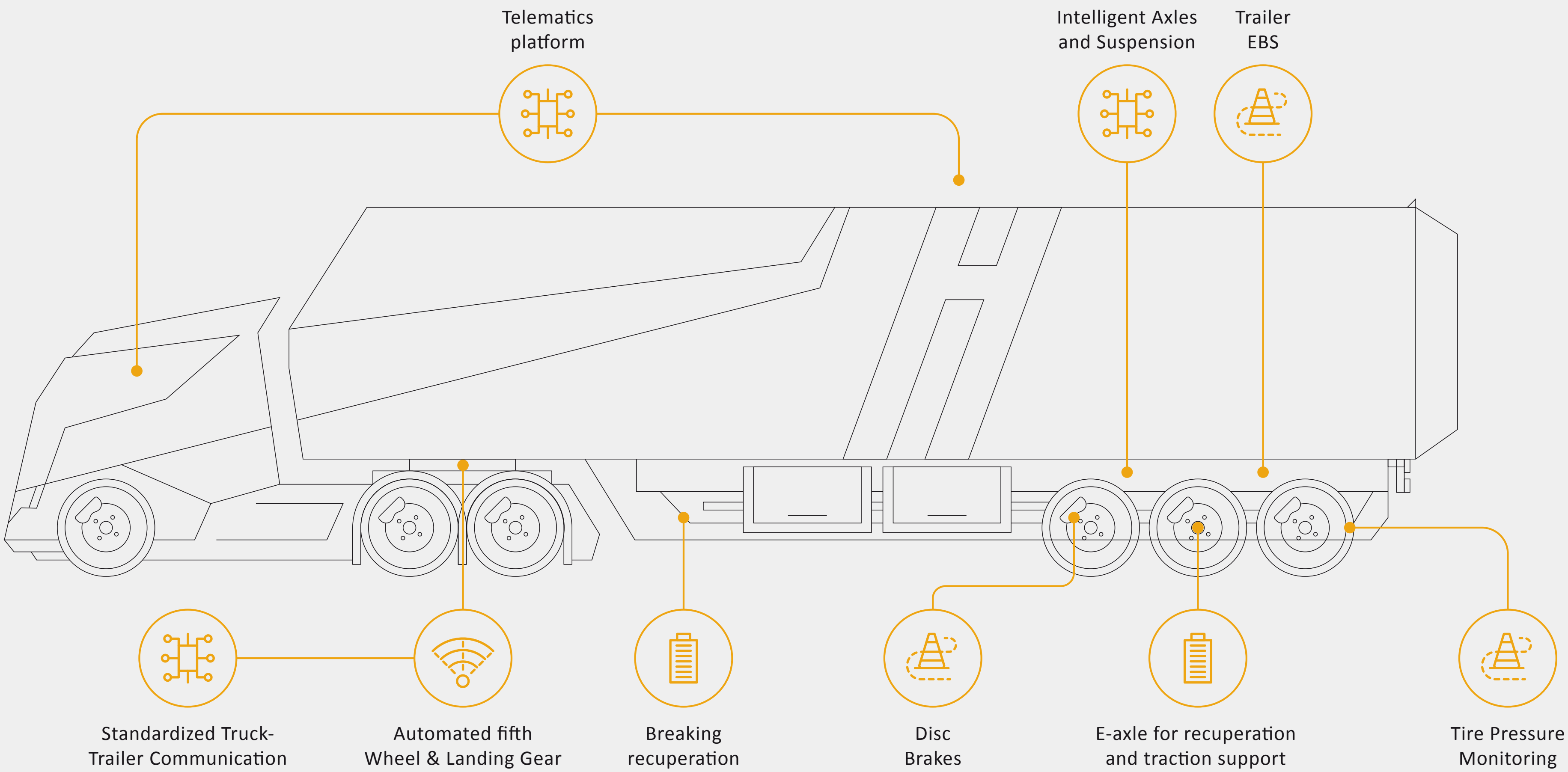
_Contents

PORTRAIT

SAF-HOLLAND SE is a leading international manufacturer of chassis-related assemblies and components for trailers, trucks and buses. The product range includes, among other things, axle and suspension systems for trailers, fifth wheels for trucks and coupling systems for trucks, trailers and semi-trailers as well as breaking and EBS systems. In addition, SAF-HOLLAND develops innovative products to increase the efficiency, safety and environmental friendliness of commercial vehicles. The focus here is on the digitalisation and networking of trailers as well as the electrification of axles. The products and solutions are marketed under the brands SAF, Holland, Haldex, V. Orlandi, Neway, KLL and York. SAF-HOLLAND supplies original equipment to vehicle manufacturers on six continents. In the aftermarket business, the company supplies spare parts to the manufacturers' service networks as well as to wholesalers and, through an extensive global distribution network, to end customers and service centers. Around 5,900 dedicated employees worldwide are already working on the future of the transport industry.

SAF-HOLLAND WORLDWIDE

THE INDUSTRY MEGATRENDS OF TOMORROW THOUGHT THROUGH TODAY



SAF-Holland Group & Haldex

ELECTRIFICATION/ALTERNATE DRIVES DIGITALIZATION AUTOMATED DRIVING TRAFFIC SAFETY

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 (from January 1, 2023)

Inka Koljonen
Member of the Management Board and Chief Financial Officer (until January 31, 2022)

Dr. André Philipp
Member of the Management Board and Chief Operating Officer (until December 31, 2022)

Wilfried Trepels
Member of the Management Board and Chief Financial Officer (until March 31, 2023)

_To our Shareholders

LETTER FROM THE CHAIRMAN OF THE MANAGEMENT BOARD

Alexander Geis
Chairman of the Management Board

DEAR SHAREHOLDERS,

As in the previous two years 2022 was filled with great uncertainty and challenges. The corona pandemic had not yet ended, and already another serious and unpredictable event was looming in the form of the Russian war of aggression on Ukraine. Tense supply chains met with massive cost inflation, primarily affecting steel, energy, and freight prices, ultimately making price increases inevitable also for SAF-HOLLAND.

In this environment, we performed much better than we had expected at the beginning of the year. We achieved this through our high level of flexibility, a clear focus on our customers' needs and efficiency gains in production and administration. Above all, we owe this to our employees throughout the entire Group, who were always prepared to go the extra mile in these difficult times.

Against this background and supported by better-than-expected customer demand and market share gains, we were able to raise our sales and margin targets several times during the year, despite the slowing global economy.

We increased Group sales by an impressive 26% to a new record level of EUR 1,565 million. This compares to EUR 1,247 million in the previous year. All Group regions contributed to this growth. We were particularly pleased with our performance in India, one of the world's fastest growing transport markets. In this market, we have further advanced our position as the leading axle system supplier. It has to be said that our performance was also supported by exchange rate developments, particularly the appreciation of the US dollar against the euro.

Earnings before interest and taxes adjusted for non-recurring effects reached EUR 124.6 million compared to EUR 93.1 million in the previous year. This corresponds to an adjusted EBIT margin of 8.0% compared to 7.5% in the previous year. The bottom line for the Group was a result for the period of EUR 61.2 million (previous year: EUR 36.8 million). This is an increase of 66% over the prior year.

In line with our long-term dividend policy of distributing 40% to 50% of the available result for the period, the Management Board and Supervisory Board will propose a dividend of EUR 0.60 per share to the Annual General Meeting on May 23, 2023. Based on the closing price of our share at the end of 2022, this represents an attractive dividend yield of 6.8%.

Our returns, as an important lever for value creation, also developed well. Our "Cash is King" program made a very significant contribution to this. The program is geared towards improving capital employed. We will continue to rigorously pursue it in the 2023 financial year and extend it to Haldex. Even after financing the Haldex transaction, we achieved a return on capital employed (ROCE) of 13% in the financial year and are targeting at least 15% mid-term. At this level, we are well above our cost of capital and creating value.

Besides, in 2022, we have taken a major strategic step forward. We successfully opened a new chapter in our company history with our acquisition of the Swedish braking system specialist Haldex. Through this acquisition, we are combining mechanics with electronics and sensor technology under the motto "Building the Future - Stronger Together."

With the approval of the Polish antitrust authority, the legal closing of the transaction took place on February 21, 2023. The acquisition of all untendered Haldex shares (squeeze-out) was successfully completed shortly afterward.

SAF-HOLLAND and Haldex are a perfect technological fit: axle and suspension systems, telematics and EBS control will now grow together to form one intelligent unit. Together, we will drive the future transformation of the transportation industry by developing innovative solutions for connectivity, electrification and autonomous driving. This will place us in the ideal position to address the most important growth areas of the future, including amongst others predictive maintenance.

Through Haldex, we are also improving the cyclical resilience of our business model. Together with Haldex, the high share of the spare parts business will become even more significant, rising from 27% of Group sales to more than one-third.

What can you expect from us this year? Our focus will be on the successful integration of Haldex, which is already well advanced. We will also focus on the joint transformation of the Group, which is now even better positioned technologically than before. This is where we can create value together. We are very confident that we will make good progress, as we have the strong impression that the two corporate cultures harmonize very well together.

The continued robust order intake at the beginning of the year and our promising positioning give us every reason to look forward to the new 2023 financial year with confidence, despite an uncertain political and economic environment that is likely to continue to place high demands on us in 2023.

We believe that we will be able to outperform the market in terms of sales, measured by production figures for trailers and trucks. With Haldex, our sales will reach a new magnitude of close to EUR 2 billion. In terms of adjusted EBIT margin, we aim to match the strong level achieved in 2022 or, depending on the conditions mentioned, slightly surpass it. In terms of our returns, we see further potential for improvement.

We are well positioned strategically and financially. We have a robust and viable business model, a global production network, and are among the top three in a number of product areas. The digitalization of our business is gaining noticeable momentum, and we can rely on our well-trained, highly motivated team of employees.

I would like to thank you, our shareholders, for your support and trust in the company, its employees and its management. We hope you will continue to join us for the journey ahead as we move into the exciting future of digital logistics. Stay with us.

Yours sincerely

Alexander Geis
Chairman of the Management Board

REPORT OF THE SUPERVISORY BOARD

Dr. Martin Kleinschmitt
Chairman of the Supervisory Board

DEAR SHAREHOLDERS,

The 2022 financial year was another year marked by a number of global crises. Particularly drastic was Russia's war of aggression against Ukraine, which started in February 2022, and has caused enormous suffering to millions of people and continues to do so. The war has also had a profound impact on the global economy. We have seen this directly reflected in energy and materials supplies and in inflationary effects, particularly in Europe. The COVID-19 pandemic persisted for the third consecutive year and global trade flows continued to be affected. Once again, it became clear that an environment impacted by volatility and multi-crises is becoming more and more common for companies and that the resilience of their business model has an increasing importance.

SAF-HOLLAND has already demonstrated its resilience in past crises and even more so in the 2022 financial year. Faced with a difficult environment overall, we achieved Group sales of EUR 1,565 million in the financial year, slightly above the forecast range of EUR 1,400 million to EUR 1,500 million. At 8%, the adjusted EBIT margin was at the upper end of the guidance range of 7% to 8%, thereby exceeding the previous year's level. The strength of our global footprint, accompanied this year by particularly positive developments in the Americas and APAC regions, strong growth in the aftermarket business and the successful execution of efficiency improvement measures, are just some of the success factors that contributed to this resilience.

In the 2022 financial year, the focus of the Management Board and the Supervisory Board was the further strategic development of the SAF-HOLLAND Group and particularly the acquisition of the Swedish Haldex Group. The Supervisory Board was already involved when initial consideration was being given to the fundamental and strategic issues in the run-up to starting the process. As the Supervisory Board, we were then closely involved in all considerations and in all steps of the process. We consulted closely with the Management Board and gave our approval to various milestones such as the start of the official process, the price determinations, the early acquisition of shares, the terms of the offer, and the transaction financing. During this process we considered opportunities and risks and received regular reports on developments from the Management Board. At an early stage, we attached importance to preparing the integration process and monitored and actively supported it through regular, in-depth reporting from the Management Board. From the perspective of the Supervisory Board, this acquisition is an important milestone in the implementation of Strategy 2025 with its strategic focus on (1) the growth and optimization of the product portfolio, (2) technology as a central driver, (3) the global backbone – particularly in terms of global standardization, infrastructure and the global leadership model, (4) operational excellence and (5) a focus on employees. The achievable synergies, the sustainable growth potential and the technological capabilities of the combined company will further strengthen the future viability and attractiveness of SAF-HOLLAND for our customers and our shareholders.

Our work also focused on technology and innovation as well as sustainability issues along the dimensions of environment, social and governance. This included further developing related activities within the Group. We received periodic reports on these topics and acquired an overview of the progress and the opportunities and risks for the Group. Both of these topics were also the subject of this year's Supervisory Board training sessions, where we continued to strengthen our expertise in the area of sustainability in an exchange with an recognized professional expert. We also visited a production site for our industry's intermediate products and gained insight into the further advances being made in the SAF-HOLLAND and Haldex product portfolios during the IAA Commercial Vehicles industry trade fair. As in the previous year, we regularly dealt with the actions being taken to expand and optimize the global production landscape in 2022, using Mexico, among others, as an example.

In addition to the range of topics we were involved in during the financial year, we kept an eye on the further development of our own work as a supervisory body and strove continuously to improve the effectiveness and efficiency of our activities and our contribution to monitoring and advising the Management Board of SAF-HOLLAND SE. Accordingly, this year's self-assessment of the Supervisory Board, which we conducted with the support of an independent external service provider, was once again on our agenda.

COOPERATION BETWEEN THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

During the past financial year, the Supervisory Board of SAF-HOLLAND SE diligently and dutifully carried out its responsibilities in accordance with the applicable laws, Articles of Association and Rules of Procedure. Moreover, it advised the Management Board in its management of the Company on a constant basis and monitored its work continuously. Cooperation between the Supervisory Board and Management Board was constructive, open and trusting at all times. The Management Board informed the Supervisory Board promptly, regularly and comprehensively about all material events and developments related to the Company, both in writing and verbally. The focus of reporting was on the development of business, the position of the Company as well as status reports on central corporate programs and initiatives. In addition, the Management Board and Supervisory Board closely consulted each other on the strategic alignment of the SAF-HOLLAND Group. Market developments, research and development, the financial situation and planning, were discussed jointly. Furthermore, the Supervisory Board addressed a number of sustainability issues and the non-financial reporting of SAF-HOLLAND in great depth. In this context, the Supervisory Board specifically discussed employee, social and environmental issues, the respect for human rights and the fight against corruption and bribery. Matters requiring approval were submitted by the Management Board in good time and approved after a review by the Supervisory Board. When resolutions had to be passed between meetings, this was done via circulation procedure based on written information and phone conversations. The Management Board also reported in writing or verbally between the meetings. In my role as Chairman of the Supervisory Board, I maintained intensive and regular contact with the Chairman of the Management Board. In addition, as Chairwoman of the Audit Committee, Ingrid Jägering regularly exchanged views with the CFO, the auditors and selected central corporate departments on current developments.

Members of the Supervisory Board of SAF-HOLLAND SE and their mandates in other bodies

Member	Year of birth	Nationality	Initial appointment	Term expiry	Main profession	Memberships on other boards: (a) listed companies (b) non-listed companies (c) Group companies
Dr. Martin Kleinschmitt	1960	German	04/2013	Annual General Meeting 2024	Partner Noerr Partnerschafts-gesellschaft mbB Member of the Management Board Noerr Consulting AG	(a) GRAMMER AG (since 05/2022) – Chairman of the Supervisory Board – Member of the Executive Committee, Personnel and Mediation Committee, Strategy Committee and Audit Committee (b) G&H Bankensoftware AG (since 2017) – Chairman of the Supervisory Board (c) SAF-HOLLAND GmbH (since 04/2014) – Chairman of the Supervisory Board
Martina Merz	1963	German	04/2014	Resigned Dec. 12, 2022	Chairwoman of the Management Board thyssenkrupp AG	(a) VOLVO AB (Sweden) (since 04/2015) – Member of the Board of Directors (b) No mandates (c) thyssenkrupp nucera AG & Co. KGaA
Matthias Arleth	1967	German	07/2020	Annual General Meeting 2024	Chairman of the Group Management Board MAHLE GmbH (until 06/2022) Senior Vice President & General Manager Automotive EMEA TE Connectivity (from 11/2022)	(a) No mandates (b) No mandates (c) No mandates
Ingrid Jägering	1966	German	10/2019	Annual General Meeting 2024	Member of the Management Board and CFO LEONI AG (until 03/2022) Member of the Management Board and CFO STIHL AG (since 05/2022)	(a) Hensoldt AG (since 09/2020) – Member of the Supervisory Board – Chairwoman of the Audit Committee (b) Wegmann Unternehmens-Holding GmbH & Co. KG (since 10/2021) – Vice Chairwoman of the Company Council (c) SAF-HOLLAND GmbH (since 07/2020) – Member of the Supervisory Board

Members of the Supervisory Board of SAF-HOLLAND SE and their mandates in other bodies

Member	Year of birth	Nationality	Initial appointment	Term expiry	Main profession	Memberships on other boards: (a) listed companies (b) non-listed companies (c) Group companies
Carsten Reinhardt	1967	German	04/2017	Annual General Meeting 2024	Independent senior consultant	(a) No mandates (b) Grundfos Holding A/S (Denmark) – Vice Chairman of the Board of Directors – Member of the Audit Committee – Member of the Remuneration and Management Development Committee – Member of the M&A Committee (b) tmax Holding GmbH (former 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 (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 the 2022 financial year, four of which were held in person and two of which were held virtually. The committees met a total of nine times during the financial year. In the case of the Audit Committee, two of the four meetings were held in person and two were held virtually. The Nomination and Remuneration Committee held five virtual meetings. The option of virtual participation was available for all meetings and was used in individual cases.

An average attendance rate of 96% was achieved at the meetings of the full Supervisory Board and the committees. A detailed overview of the attendance of Supervisory Board members at the plenum and committee meetings is provided below:

Summary of attendance

Member	Plenum	Audit Committee	Nomination & Remuneration Committee	Total rate of attendance
Dr. Martin Kleinschmitt	6/6	4/4	5/5	100%
Martina Merz	5/6		4/5	82%
Carsten Reinhardt	6/6	4/4		100%
Ingrid Jägering	6/6	4/4		100%
Matthias Arleth	6/6		5/5	100%
TOTAL	**97%**	**100%**	**93%**	**96%**

At each meeting of the Supervisory Board in the 2022 financial year, we received reports from the Management Board on the status of business operations and on major Group initiatives and projects, including on the areas of operational excellence and sustainability. Where committee meetings had taken place in advance, the committee chairs reported on the main content of the committee meetings and were available to answer questions. In addition, each Supervisory Board meeting generally includes various regular resolutions and an agenda item without the presence of the Management Board in order to contemplate and have a confidential exchange of views. Hereby we are following recommendation D.6 of the German Corporate Governance Code to meet regularly without the Management Board.

At the meeting on March 15, 2022 on the financial statements, we discussed in depth the annual and consolidated financial statements for 2021, together with the combined management report and the audit report for the Company for the 2021 financial year. The financial statements were approved by the Supervisory Board after a detailed examination. In approving the annual and consolidated financial statements, we followed the recommendation of the Audit Committee. The same applied to the review of the sustainability report and the non-financial statement. For a portion of the financial statement meeting, we met without the Management Board to have a discussion with the auditors. Due to internal rotation requirements, the new responsible audit partner from PricewaterhouseCoopers (PwC), Stefan Hartwig, introduced himself personally to the Supervisory Board at this meeting. We adopted the agenda and the proposed resolutions contained therein for the Annual General Meeting on May 19, 2022, which was again held in virtual form due to the COVID-19 pandemic. We resolved to propose to the Annual General Meeting that PwC be re-elected as auditors for the 2022 financial year. Other proposed resolutions included the approval of the remuneration system for the members of the Management Board and Supervisory Board. We approved the remuneration report, which was audited by PwC in accordance with Section 162 (3) of the German Stock Corporation Act (AktG), the Declaration of Compliance with the German Corporate Governance Code, and the updated Rules of Procedure for the Management Board and Supervisory Board. Furthermore, in the first meeting of the year, we defined the focus of our work for the financial year and received reports about the Human Resources function and the market in China. At the same time M&A projects were also part of the agenda. Various resolutions were also adopted in the context of Management Board remuneration on the basis of recommendations from the Nomination and Remuneration Committee. These included, for example, the level of target achievement in the previous year and the integration of ESG targets into the long-term incentive (LTI) component.

At the meeting on May 6, 2022, we focused on current business developments and discussed the quarterly statement for the first quarter of 2022. We held in-depth discussions on the key performance indicators and their development. We received a progress report on activities in the areas of ESG and regarding the M&A project and dealt with the topics of products and innovation. The Management Board also reported on the main developments taking place in the regions, and we dealt with different matters regarding the Management Board.

The focus of the meeting on August 8, 2022 was the discussion of the 2022 half-year financial report and the report on current business development and projects. We also addressed again the activities in the ESG area and development in connection with the Haldex transaction. Other items on the agenda were the upcoming refinancing of the promissory notes, which was successfully placed in the end, and the revised version of the German Corporate Governance Code and its impact on the work of the Management Board and Supervisory Board.

At the meeting on September 21, 2022, the agenda again included various regular reports on current business developments and selected focus areas on the agenda. We also dealt extensively with our business in China and its further development, and with business in the Americas region, including local manufacturing capacities. The M&A transaction was again part of our discussion. In addition, we passed various resolutions based on the recommendation of the Nomination and Remuneration Committee.

On the evening before the meeting on November 8, as part of a further training session for the Supervisory Board, we looked at ESG issues in the Company, relevant laws and frameworks, as well as climate strategies, among other things, and the implications of these for our work.

At the meeting on November 8, 2022, we primarily discussed the business development in the third quarter of 2022 and the third quarter 2022 quarterly report. The Management Board also informed us about current projects, and we approved the regular transactions requiring our consent. Various regular reports among others on operations, investor relations, and a status update on the Haldex transaction rounded off the reporting. One focal point in the board year with regard to our own work was the discussion of the report of the results from our regular self-assessment, which was carried out with the support of an external service provider. The report confirmed the positive level of maturity of our work and defined individual action areas that we would like to focus on in the future. We also addressed the further development of our competence profile.

On December 12, 2022, in addition to the regular reports, our agenda once again included a wide range of topics, such as a status update on Haldex and reports from the IT and HR departments. Traditionally, the focus was on the budget for the coming year, medium-term planning and the performance targets for the members of the Management Board, which we discussed on the basis of the report from the preceding meeting of the Nomination and Remuneration Committee. We also addressed the results of the reviews of the appropriateness of the remuneration of the Management Board and Supervisory Board, which were carried out with the support of external service providers. We adopted our new competence profile and skills matrix for the Supervisory Board, which are published as part of the corporate governance statement. We also passed resolutions on the reorganization of the Supervisory Board in view of the departure of Martina Merz and elected Ingrid Jägering as the new Vice Chair of the Supervisory Board and Carsten Reinhardt as a member of the Nomination and Remuneration Committee. We also dealt with the appointment of Martina Merz's successor.

WORK OF THE COMMITTEES

The Supervisory Board has established Supervisory Board committees to support the effectiveness of its work. To the extent permitted by law, individual decision-making powers have also been transferred to the committees. Two committees are currently in place. Due to the departure of Martina Merz from the Supervisory Board at the end of December 12, 2022, a new member joined the Nomination and Remuneration Committee in the course of the year:

Audit Committee:
- Ingrid Jägering (Chairwoman)
- Dr. Martin Kleinschmitt
- Carsten Reinhardt

Nomination and Remuneration Committee:
- Matthias Arleth (Chairman)
- Dr. Martin Kleinschmitt
- Martina Merz (until Dec. 12, 2022)
- Carsten Reinhardt (as of Dec. 13, 2022)

When needed, special committees can be set up at any time to deal with specific topics. No use was made of this option in the 2022 financial year.

Audit Committee

The Audit Committee met four times during the reporting year. The work of the Audit Committee focused on the audit of the annual and consolidated financial statements for the 2021 financial year, including the combined management report, as well as the review of the non-financial Group statement and the preparation of resolution recommendations for the Supervisory Board. The representatives of the auditors PwC also took part in the discussion of the annual and consolidated financial statements. In addition, the Audit Committee made recommendations to the Supervisory Board on the appointment of the auditors. In urgent cases, the Audit Committee adopted resolutions by circular resolution.

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

The committee also focused on financial and non-financial reporting, risk management, internal auditing, the internal control system (ICS), compliance and legal, tax, as well as financing and refinancing issues. The committee also dealt with the global finance organization, finance governance in the Group, and individual local finance areas with a view to meeting global requirements. The committee received regular reports from those responsible for the main control functions on current developments and the effectiveness and further development of the control systems. For example, there were regular reports on compliance in the Group, the global compliance organization and its further development, tax compliance, and the further development of the risk management system. In the presence of the Head of Internal Auditing, the committee also discussed the audit results for 2022 and the audit planning for the 2023 financial year. In the 2022 financial year, the Audit Charter of the Internal Audit function was also updated and discussed by the Audit Committee. This governs, among other things, the Audit Committee's monitoring function within the Company and detailed reporting obligations. The committee also focused on IT and cyber security in the Company and on the further development of non-financial reporting in view of increasing regulatory requirements.

In 2022, the Audit Committee dealt with the publication of the new version of the German Corporate Governance Code and the effect on its work. As in previous years, the Audit Committee focused on monitoring the quality of the audit of the financial statements. In this financial year, the progress made since the previous year's survey was discussed and an exchange held with the auditors on ways of continuously improving audit quality. In the course of the onboarding of the new audit partner in charge (as a result of internal rotation rules), the results from the Audit Committee assessment also played an important role. The positive maturity level of the audit was again confirmed and a range of improvements since the last survey were noted.

The content of the meetings was presented to the Supervisory Board in the oral reports from the committee meetings and, when necessary, submitted for decision. The auditors attended the meeting at which the 2021 audit report was explained as well as another meeting to discuss the audit procedure for the 2022 annual and consolidated financial statements. In addition, the Chairwoman of the Audit Committee is in regular contact with the auditors, also outside meetings. The auditors inform the Audit Committee without delay of all findings and events of importance to their duties that come to their attention during the performance of the audit. They shall inform the Audit Committee and make a note in the audit report if, during the performance of the audit, they ascertain facts that show a misstatement in the Declaration of Compliance with the German Corporate Governance Code issued by the Board of Management and Supervisory Board. The auditors have declared to the Audit Committee that there are no circumstances giving reason to assume a conflict of interest. The Audit Committee has obtained the required independence agreement from the auditors, reviewed their qualifications and concluded a fee agreement with them. The Audit Committee approves any non-audit services provided by the auditors. The Audit Committee includes two proven financial experts, Ingrid Jägering and Dr. Martin Kleinschmitt. 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 five meetings in 2022. It discussed current regulatory requirements for Management Board remuneration and developed changes to the remuneration system and report, which it addressed to the Supervisory Board in the form of recommendations. It prepared resolutions on all remuneration issues for the Management Board, including financial and non-financial targets, with a particular focus on ESG targets. It also discussed the results of the study to review the appropriateness of the structure and amount of Management Board remuneration and the remuneration of the Supervisory Board in advance of its referral to the Supervisory Board. The committee's work also focused on the changes at the Management Board level, the extension of the CEO's contract and the future composition of the Management Board. The committee also dealt with the filling of the vacant position on the Supervisory Board at the end of the year.

CORPORATE GOVERNANCE

SAF-HOLLAND SE has the legal form of a European Company (Societas Europaea, SE). As an SE with its registered office in Germany, SAF-HOLLAND SE is subject to European and German SE regulations and German stock corporation law. As a stock-listed company in Germany, the corporate governance of SAF-HOLLAND SE is based on the applicable version of the German Corporate Governance Code (GCGC). Corporate governance is further determined by the Articles of Association, Rules of Procedure and internal policies.

SAF-HOLLAND SE has a dualistic governance system, which provides a strict personnel and functional separation between the Management Board as the executive 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 and trustfully together for the benefit of the Company.

SAF-HOLLAND SE is a financial holding without any operating business of its own. The management of the Company's business by the Management Board focuses primarily on the strategic orientation of SAF-HOLLAND and monitoring the operations of each of its direct and indirect operating subsidiaries.

In 2022, the Supervisory Board and its committees again intensely dedicated themselves to the topic of corporate governance in addition to the ongoing further professionalization of the work of the boards. The Management Board and Supervisory Board of SAF-HOLLAND SE issued the 2023 Declaration of Compliance with the recommendations of the German Corporate Governance Code on March 24, 2023. The current declaration of compliance as well as those from previous years can be accessed on the Company's homepage.

Please refer to the Corporate Governance Statement for further information on the Company's corporate governance.

AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTS REVIEW MEETING

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), the auditors elected by the Annual General Meeting on May 19, 2022 to audit the financial statements for the 2022 financial year, have audited the annual and consolidated financial statements, including the combined management report, for the 2022 financial year prepared by the Management Board as of December 31, 2022, and issued an unqualified audit opinion. It was found that the annual and consolidated financial statements give a true and fair view of the net assets, financial position and results of operations. The responsible audit partner was Stefan Hartwig (starting with the 2022 financial statements).

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 requirements. The consolidated financial statements have been 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).

Following preliminary review by the Audit Committee, the Supervisory Board dealt with the annual and consolidated financial statements and the combined management report for the 2022 financial year at its meeting on March 24, 2023 and discussed them in detail with the Management Board. The auditors reported on the scope, focus and main findings of their audit, addressing in particular the key audit matters and the audit procedures performed. He reported both at the Audit Committee meeting and at the Supervisory Board meeting and was available to answer in-depth questions. In accordance with the FISG legislation, the Management Board's opportunities to participate in discussions with the auditors 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 the 2022 financial year. The annual financial statements are thus adopted.

The remuneration report was subjected to the legally required formal review by the auditor in accordance with Section 162 (1) and (2) of the German Stock Corporation Act (AktG).

The Supervisory Board had obtained a comprehensive picture of the quality of the audit in advance and adopted the resolution proposal to the Annual General Meeting on the basis of the Audit Committee's recommendation on the election of the auditor. This was based on the declaration by the Audit Committee that its recommendation was free from undue influence by third parties and that no clause restricting the choice of auditors within the meaning of Article 16 (6) of the EU Regulation on Statutory Auditors had been imposed on it. EU Regulation 537/2014 provides for a duty of regular external rotation of the auditor of the annual and consolidated financial statements. Such external rotation is planned for SAF-HOLLAND SE for the 2026 financial year. In the 2022 financial year, an internal rotation took place with the appointment of a new responsible audit partner.

The Supervisory Board has endorsed the Management Board's proposal for the appropriation of retained earnings and will propose to the Annual General Meeting on May 23, 2023 that a dividend of EUR 0,60 per share be paid for the 2022 financial year.

CHANGES IN THE MANAGEMENT BOARD AND SUPERVISORY BOARD

There were changes to the Management Board and Supervisory Board in the 2022 financial year.

Inka Koljonen resigned from the Management Board of SAF-HOLLAND SE as of the end of January 31, 2022. The Supervisory Board then worked intensively on the succession for the CFO position and was able to appoint Wilfried Trepels as interim CFO effective May 16, 2022. The search for a permanent CFO was continued immediately and, in November 2022, the successor Frank Lorenz-Dietz was appointed for three years with effect from January 1, 2023. The Supervisory Board also decided in 2022 to grant the early extension of the contract of the CEO Alexander Geis for a further three years until June 30, 2026.

As of December 31, 2022, Dr. André Philipp resigned from his mandate on the Management Board of SAF-HOLLAND SE and as COO of the Group. As the Supervisory Board, we have decided to initially keep the Management Board with two members in the positions of CEO and CFO. Operationally, the Management Board is supported by the Executive Committee with the Presidents of the regions as well as the CTO and, as of January 1, 2023, by the CPO. The operational and strategic management of the Group will be carried out by this extended management team.

Changes in the Supervisory Board also occurred in the 2022 financial year. Martina Merz resigned from her position on the Supervisory Board of SAF-HOLLAND SE as of the end of December 12, 2022. I would like to take this opportunity to thank Martina Merz, also on behalf of the other members of the Supervisory Board and the Management Board, for her many years of strong commitment to SAF-HOLLAND.

The Supervisory Board would like to express its gratitude to all employees, the employee representatives, and the Management Board for their tremendous dedication and hard work in the 2022 financial year.

Bessenbach, March 24, 2023

On behalf of the Supervisory Board

Dr. Martin Kleinschmitt

Chairman of the Supervisory Board

SAF-HOLLAND ON THE CAPITAL MARKET

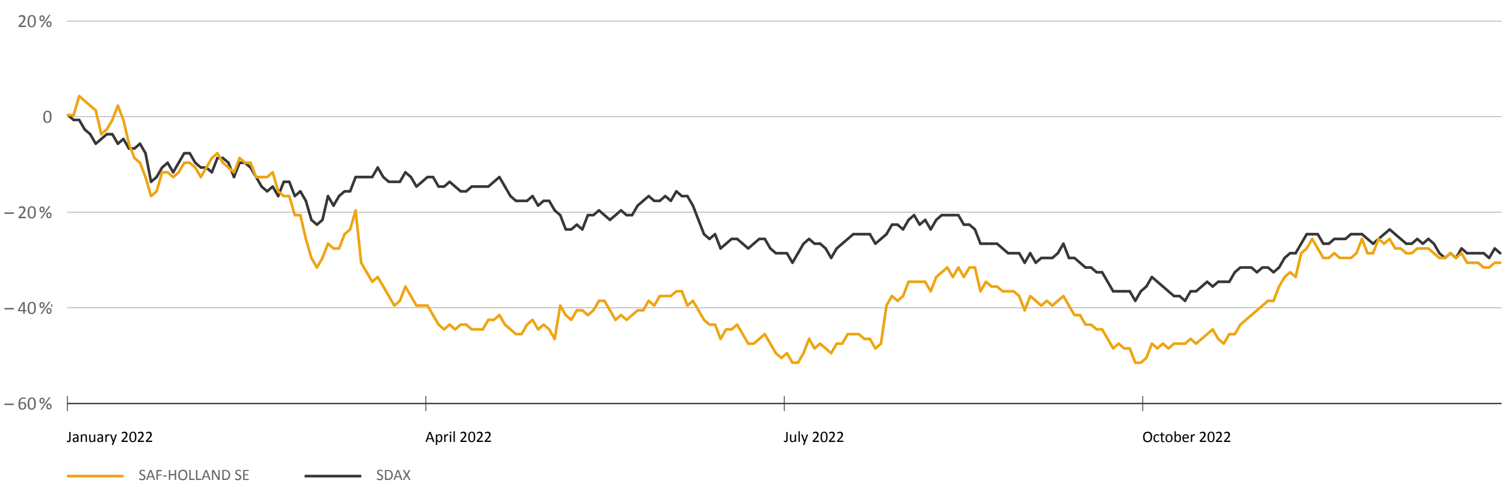
VOLATILE STOCK MARKET AND SHARE PRICE DEVELOPMENT IN 2022

SAF-HOLLAND SHARE PERFORMANCE COMPARABLE TO SDAX – OUTPERFORMANCE IN FOURTH QUARTER

The 2022 trading year was marked by a number of challenges, including Russia's war of aggression against Ukraine and the subsequent sanctions on Russia from the West. These led to a sharp reduction in natural gas supply from Russia, accompanied by steep increases in energy prices. These combined with the bottlenecks that already existed in global supply chains and the monetary expansion of recent years, resulted in a steep rise in inflation worldwide. Both the European Central Bank (ECB) and the US Federal Reserve responded in the form of repeated interest rate hikes, raising concerns on the stock markets of an impending recession. Against this backdrop, Germany's benchmark DAX index fell 12.3% in 2022, closing at 13,924 points on December 30, 2022. Deutsche Börse AG's SDAX index of smaller companies, which includes SAF-HOLLAND shares, recorded an ever sharper decline for the year of 27.3% to 11,926 points.

Performance of SAF-HOLLAND SE shares relative to SDAX

in %



From a closing price of EUR 12.30 per share on December 30, 2021, SAF-HOLLAND shares started the year 2022 in an uptrend, reaching a high for the year on January 5 at a Xetra closing price of EUR 13.21, which also marked the shares' high for the year. The shares were unable to escape the overall negative market environment, which also particularly affected cyclical stocks. The Company's own forecast of the year's further business development was therefore initially very cautious. On September 29, 2022, the shares marked their low for the year at a Xetra closing price of EUR 6.08. A brief recovery was followed by a further decline to the intraday low for the year of EUR 5.98. Overall, the performance in this period fell noticeably short of the benchmark SDAX index.

STRONG SHARE PRICE RECOVERY IN THE FOURTH QUARTER

A significant turnaround set in during the fourth quarter, driven by a two-fold increase of the guidance and stepped-up investor relations activities in connection with the acquisition and integration of Haldex. International investors in particular showed interest in SAF-HOLLAND's asset-light business model augmented by the technological expertise of Haldex. Amid increasing volumes and momentum, the share price gained 47.5% in the fourth quarter, significantly outperforming the benchmark index. The share price rally continuing in January 2023. For the 2022 trading year as a whole, however, the shares closed the year with a Xetra closing price of EUR 8.82, corresponding to a decline of 28.3%. Overall, the SAF-HOLLAND share price performance in 2022 was comparable to the SDAX.

Key share data

WKN/ISIN	SAFH00/DE000SAFH001
Ticker symbol	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 2022[1]	EUR 13.21/EUR 6.08
Year-end price 2022[1]	EUR 8.82
Market capitalization as of December 31, 2022	EUR 400.2 million

[1] Xetra closing price

HIGH LIQUIDITY FOR AN SDAX SHARE: TRADING VOLUME AND AVERAGE DAILY TURNOVER

According to a Bloomberg market share analysis, the Xetra platform continued to be the most important trading venue for SAF-HOLLAND shares in 2022. As in the prior year, Xetra accounted for 55.1% (previous year 55.4%) of the shares' traded volume. The average daily turnover in SAF-HOLLAND shares on Xetra alone rose significantly in 2022 to 166,886 shares (previous year: 118,226 shares), corresponding to an average trading volume of EUR 1.4 million (previous year EUR 1.5 million). Taking all German stock exchanges into account, the average daily turnover in shares rose to 212,689 (previous year 140,567). In addition, 90,265 SAF-HOLLAND shares traded daily on average on multilateral trading venues. Based on the above, SAF-HOLLAND shares have a high level of liquidity for an SDAX share and are liquid enough for trading by larger institutional investors.

INDEX RANKING: SOLIDLY POSITIONED IN THE SDAX

Based on the year-end share price on December 30, 2022, the free float market capitalization of SAF-HOLLAND SE totaled EUR 400.2 million (previous year EUR 558.3 million). Due to the SAF-HOLLAND's shares relative outperformance compared to other SDAX stocks, at the end of December 2022, the Company rose to position 147 (previous year: position 154) in the index ranking of Deutsche Börse AG, which determines the composition of the MDAX and SDAX indices.

DIVIDEND PROPOSAL REFLECTS EARNINGS STRENGTH

The goal of SAF-HOLLAND's corporate policy is to enable shareholders to participate appropriately in the Company's success through dividend distributions. The SAF-HOLLAND SE dividend policy generally provides for distributing 40% to 50% of the available result for the period. In line with this policy, the Management Board and Supervisory Board will propose to the Annual General Meeting on May 23, 2023 the distribution of a dividend of EUR 0.60 per share for the 2022 financial year (previous year: EUR 0.35 per share). This would amount to a total dividend payment of EUR 27.2 million and a corresponding payout ratio of approximately 44.6% of the result for the period attributable to shareholders.

INCREASED INVESTOR RELATIONS ACTIVITIES IN THE CONTEXT OF THE HALDEX ACQUISITION

IN CONTINUOUS CONTACT WITH ALL STAKEHOLDERS

SAF-HOLLAND's investor relations activities seek to inform all capital market participants in a comprehensive, prompt and transparent manner about its strategic objectives, current business development, and market developments. To this end, SAF-HOLLAND maintains a close dialog with existing shareholders, potential investors, and analysts. The Company regularly participates in capital market conferences and private investor events, conducts international roadshows, and provides information to fund managers and analysts on site as part of organized company visits, for example, to see the manufacturing or research and development facilities. SAF-HOLLAND also held numerous conference calls, mostly on current topics and events.

After it was necessary to hold these events virtually in 2021 due to the COVID-19 pandemic, in-person events were increasingly added to the agenda again, particularly starting with the fourth quarter of 2022. The focus of capital market communications in terms of content was on the acquisition of the Swedish company Haldex AB and the resulting opportunities and risks, as well as on the Ukraine war and its effect on SAF-HOLLAND's business operations. The key interest of the financial community was the economic development of the truck and trailer industry, innovation trends in the commercial vehicle industry and, increasingly, the Company's commitment to sustainability. All in all, the Management Board and IR management attended a total of nine capital market conferences in 2022, and the Company held six roadshows, all of which remained focused on the European market.

ABOVE-AVERAGE ANALYST COVERAGE OF SAF-HOLLAND SHARES

The SAF-HOLLAND share is regularly monitored and analyzed by seven banks and research houses, placing its analyst coverage significantly above the SDAX average. At year-end 2022, four analysts had a “Buy” recommendation on the SAF-HOLLAND shares or expected the shares to outperform the overall market. There were three "Hold" recommendations. The analysts' price targets averaged EUR 14.16, with the highest price target at EUR 20.00. In the early weeks of the 2023 financial year, there were several price target increases, although the rating remained unchanged.

Analyst ratings as of December 31, 2022

Bank	Recommendations
Berenberg	Buy
Deutsche Bank	Hold
Hauck Aufhäuser Lampe	Buy
Kepler Cheuvreux	Hold
Oddo BHF	Outperform
Stifel	Hold
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.

STRONG INTERNATIONAL SHAREHOLDER STRUCTURE

According to the definition of Deutsche Börse AG, 100% of the Company's shares outstanding are in free float. SAF-HOLLAND's shareholder base consists primarily of institutional investors, such as investment funds, asset managers, banks, and insurance companies, as well as private investors from Germany and abroad. The Company's largest shareholders currently include investment companies from Germany, France, the Netherlands, Scandinavia and the United States. The proportion of shares held internationally is a high 66.2%.

Based on the voting rights notifications received, as of the December 31, 2022, reporting date, five institutional investors held more than 3% of the SAF-HOLLAND SE share capital.

Voting rights notifications > 3% as of December 31, 2022

Shareholder name	Country of origin	% shares of notified voting rights
TimesSquare Capital	USA	5.19%
Universal Investment Company	Germany	5.07%
Kempen Oranje Participaties	Netherlands	5.07%
Union Investment	Germany	5.04%
Dimensional Fund Advisors	USA	3.52%

Members of the Management Board and the Supervisory Board of SAF-HOLLAND SE together held 1.1% of the outstanding shares as of December 31, 2022.

ANNUAL GENERAL MEETING 2022 APPROVES DIVIDEND OF EUR 0.35 PER SHARE

The 2022 Annual General Meeting of SAF-HOLLAND SE was held on May 19, 2022. Due to the unpredictability of the course of the pandemic, the Management Board and Supervisory Board decided at the time of convening the Annual General Meeting to hold it virtually without the physical participation of the shareholders in Frankfurt am Main. Registered shareholders were able to follow the AGM via a live webcast on the shareholder portal and exercise their shareholder rights. For the first time, the opening of the Annual General Meeting and the speech by the Chairman of the Management Board of SAF-HOLLAND SE, Alexander Geis, were publicly broadcast via the Company's website.

The Annual General Meeting was met with a gratifying level of high interest, with registered attendance of approximately 58%. All of the resolutions proposed by the Management Board and Supervisory Board were approved by shareholders with a large majority. Among others, this included the approval of the proposed dividend distribution of EUR 0.35 per share. This is equivalent to a dividend yield of 2.8% based on the closing price of EUR 12.30 on December 31, 2021. The proposed resolutions on the formal discharge of the Management Board and Supervisory Board, the election of the auditor for the 2022 financial year, and the changes to the remuneration system were also approved by a large majority.

EXTENSIVE INFORMATION AND DIRECT CONTACT DETAILS ON THE INVESTOR RELATIONS WEBSITE

Comprehensive up-to-date information on the SAF-HOLLAND share is published on the Investor Relations website of SAF-HOLLAND at https://corporate.safholland.com/en/investor-relations The website also contains the Company's latest financial news and reports, conference call presentations and recordings, as well as an overview of the current consensus estimates of analysts covering SAF-HOLLAND. The telephone and digital contact information for the Investor Relations team are also listed on the website.

SOLID CORPORATE RATING

"BBB-" INVESTMENT GRADE RATING – OUTLOOK STABLE

SAF-HOLLAND SE published the rating report of Scope Hamburg GmbH ("Scope Hamburg") on April 26, 2022. In this report, Scope Hamburg lowered SAF-HOLLAND SE's issuer rating by one notch from the previous rating of BBB to BBB-. At the same time, it confirmed the Company's investment grade rating and set the outlook to stable.

In explaining the rating, Scope Hamburg highlights the principal growth potential from the increase in global transport volumes and the steadily growing importance of online trade. In addition, Scope Hamburg expects SAF-HOLLAND to also benefit from the regulatory requirements for trailers and trucks, which aim to increase road safety and limit the effects of climate change.

Scope Hamburg also expects market and geopolitical risks from the downstream consequences of the COVID-19 pandemic and the Russia-Ukraine conflict to have a negative impact on the economy and costs in the short to medium term. It sees the solid liquidity and financing base, as well as the structurally growing, more resilient and higher-margin spare parts business, as stabilizing factors.

_Remuneration Report 2022

REMUNERATION REPORT 2022

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 2022. The report explains in detail the individual structure and amount of the various components of the Management 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). Compilation of the remuneration report pursuant to Section 162 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 2022. Inka Koljonen (CFO) left the Company on January 31, 2022. The Supervisory Board of SAF-HOLLAND SE appointed Wilfried Trepels as interim CFO with effect from May 16, 2022 at its meeting on May 6, 2022. Wilfried Trepels had already been the Chief Financial Officer of SAF-HOLLAND S.A. in the period 2005 to 2016. His responsibility includes the areas of Finance, Accounting and Controlling, Internal Audit, IT, Legal and Compliance as well as Investor Relations, Corporate & ESG Communications. The Management Board was therefore composed of the following three members in the 2022 financial year: the CEO (Alexander Geis), the CFO (Wilfred Trepels) and the COO (Dr. André Philipp).

MANAGEMENT BOARD REMUNERATION

BASIC PRINCIPLES OF REMUNERATION

The current system of Management Board remuneration was passed by resolution of the Supervisory Board. 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 makes amendments to the remuneration system. In the event of substantial changes, and at least every four years, the remuneration system will be 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, and Company's performance and future prospects.

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

REVIEW OF THE 2022 FINANCIAL YEAR FROM A REMUNERATION PERSPECTIVE

In order to meet the requirements of the German Act Implementing the Second Shareholders' Rights Directive (ARUG II) and the recommendations of the German Corporate Governance Code (GCGC), the remuneration system was adjusted in 2021. These changes remained in place in 2022.

SUMMARY OF MANAGEMENT BOARD REMUNERATION IN 2022

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 should 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, short-term variable remuneration also places sufficient emphasis on annual operating targets, which serve as the basis for future corporate development.

The financial performance criteria set for the STI at the beginning of the 2021 financial year were exceeded due to the very positive development of sales and earnings. The individual targets of each Management Board member were also met at the maximum, resulting in the payout of a total of 125% of the target value of the STI 2021 to Alexander Geis and Dr. André Philipp in 2022 (see the table "Remuneration granted and owed" on page 39).

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 payout for the LTI plan granted to the Management Board in 2018, which was due for payment in 2022, amounts to 54% of the target. (See the table “Calculation of LTI – PSUP 2018” on page 37).

No use was made in 2022 of the options provided in the remuneration system, which are in keeping with the legal requirements, to diverge temporarily from the remuneration system or claw back variable remuneration components.

The following table presents a summary of the components of the remuneration system applicable in 2022, 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 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 — Maximum amount (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 business.

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 2022:

Target remuneration and maximum remuneration of the Management Board members

		Alexander Geis		Inka Koljonen*		Wilfried Trepels*		André Philipp	
		Chairman of the Management Board since March 1, 2019		Ordinary Management Board member from September 1, 2020 to January 31, 2022		Ordinary Management Board member since May 16, 2022		Ordinary Management Board member since January 1, 2019	
All figures in kEUR		Target remuneration	Maximum remuneration	Target remuneration	Maximum remuneration	Target remuneration	Maximum remuneration	Target remuneration	Maximum remuneration
Non-performance-based remuneration	Base salary 2022	734	734	31	31	244	244	375	375
	Fringe benefits 2022	30	30	3	3	26	26	34	34
	Pension benefits 2022	0	0	0	0	0	0	0	0
Total		**764**	**764**	**34**	**34**	**270**	**270**	**409**	**409**
One-year variable remuneration	STI 2022	331	414	0	0	125	156	190	238
Multi-year variable remuneration	LTI 2022 - 2025	404	808	0	0	138	276	200	400
Total		**735**	**1,222**	**0**	**0**	**263**	**432**	**390**	**638**
Total remuneration		**1,499**	**1,986**	**34**	**34**	**533**	**702**	**799**	**1,047**

*proportionate remuneration

In accordance with Section 87a 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 the 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 target amount
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 the 2022 financial year is therefore not possible until 2025, when the last remuneration component for the 2022 financial year has been determined and accrues to the Management Board member.

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 to 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. In the course of the 2022 review, this consultancy 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. Changes in the ratio of Management Board remuneration to the remuneration paid to the entire workforce is also viewed over time (vertical comparison of management remuneration). In addition, the Company's economic position and performance also need to be taken appropriately 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:

Total remuneration paid (actual)

		2017	2018	2019	2020	2021	2022
Management Board remuneration (kEUR)							
	Alexander Geis since March 1, 2019			868.0	788.0	1,074.0	1,249.0
	YoY % change				–9.2	36.3	16.3
	Inka Koljonen from September 1, 2020 to January 31, 2022				139.0	514.0	393.3
	YoY % change					269.8	–23.5
	Wilfried Trepels since May 16, 2022						269.0
	YoY % change						
	André Philipp since January 1, 2019			341.0	504.0	595.0	727.0
	YoY % change				47.8	18.1	22.2
Supervisory Board remuneration (kEUR)							
	Dr. Martin Kleinschmitt since April 1, 2013	60.0	91.0	101.2	108.5	115.0	120.5
	YoY % change		51.7	11.2	7.2	6.0	4. 8
	Martina Merz since April 1, 2014	81.0	152.0	118.0	74.2	72.0	68.6*
	YoY % change		87.7	–22.4	–37.1	–3.0	–4.7
	Carsten Reinhardt since April 1, 2017	27.0	58.0	71.0	50.2	52.0	53.3
	YoY % change		114.8	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

Gap in information for the years 2017-2019 due to Board members that were either not yet appointed or other Board members were appointed during the period and have since departed and no longer received remuneration in 2021.

*Pro rata calculation due to departure at the end of December 12, 2022.

	2017	2018	2019	2020	2021	2022
Adjusted EBIT margin in %	8.0	6.9	6.2	6.1	7.5	8.0
YoY percentage point change		–1.1	–0.7	–0.1	1.4	6.7
SAF-HOLLAND SE result for the period in kEUR				2,027	20,624	23,985
YoY percentage point change					917.50	16.3

	2017	2018	2019	2020	2021	2022
Average employee remuneration in EUR	55,051.00	57,258.00	56,979.00	52,671.00	51,613.00	57,617.00
YoY % change		4.01	−0.49	−7.56	−2.01	11.63

The decline in employee remuneration in 2020 and 2021 resulted from the introduction of short-time work schedules due to the Covid-19 pandemic and the introduction of measures under the collective agreement to secure future viability.

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. To counterbalance this, the Company introduced a remuneration component in 2018 that is added to the base salary.

Fringe benefits

The taxable fringe benefits granted to the Management Board consist primarily of the use of a Company car and the costs of coverage for occupational accident insurance. Furthermore, D&O insurance coverage is provided. In addition, subsidies for health and pension insurance are paid in accordance with the provisions of social security law.

PERFORMANCE-BASED VARIABLE REMUNERATION

The performance-based remuneration components are the short-term incentive (STI), which relates to the performance in the respective financial 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 targets or the comparative parameters on which the variable remuneration is measured.

Both of the variable remuneration components in 2022 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 financial year and the degree to which the individual targets were attained. 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.

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 financial 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 financial 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**

Structure in 2022

Corporate targets

Three corporate targets were defined for the 2022 financial year

— Group sales
— Adjusted EBIT margin (%)
— Net working capital ratio in %

These take into consideration the overall responsibility of the Management Board and set incentives geared primarily towards the Company's continued growth, better profitability and stronger cash flow.

A core element of the corporate strategy is profitable growth, whereas sales 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 a suitable 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.

Individual and sustainability targets

For the 2022 financial year, 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 sustainable actions. The sustainability goal for 2022 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.

Due to the resignation of Inka Koljonen as of January 31, 2022, no targets were agreed at the beginning of the year for the 2022 financial year. In the case of Wilfried Trepels, who became SAF-HOLLAND's CFO on May 16, 2022, an actual target achievement of 100% was agreed to for the 2022 financial year on a pro rata basis.

The individual targets and the common sustainability target 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	With the entry of Wilfried Trepels on the Management Board on May 16, 2022, an actual target achievement of 100% was set for the 2022 financial year on a pro rata basis.		100%	100%

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

Target achievement

The following table presents the key performance indicators for the annual bonus 2022, their performance corridors and the corresponding target achievement, with the resulting overall target achievement, including the respective sums paid out, in detail:

			50%	75%	100%	125%	Weighting	Actual target achievement	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 %)	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 %)	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	With the entry of Wilfried Trepels on May 16, 2022, an actual target achievement of 100% was set for the 2022 financial year on a pro rata basis. The resulting payout amount was EUR 125,000.00.											
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] Reduced by 5% based on voluntary waiver under the collective agreement to secure future viability.

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 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 even more clearly aligned 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.

Participants receive phantom share units at the beginning of the performance period. With the existing LTI program, the remuneration system fulfills, from the perspective of the Supervisory Board, the requirements of comparable share ownership guidelines for the following reasons: (1) The performance of the phantom shares corresponds to the development of the real share price. (2) The members of the Management Board do not have any freedom with regard to the investments made from their remuneration but are, rather, obliged to invest in the phantom shares. (3) Due to the annual grant and four-year performance period, the value of the phantom shares held after a four-year build-up phase is equivalent to at least one year's base salary of a Management Board member.

The number of phantom 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 phantom shares granted is adjusted by multiplying it 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 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 phantom shares with the average share price during the last two months of the performance period and the target achievement factor.

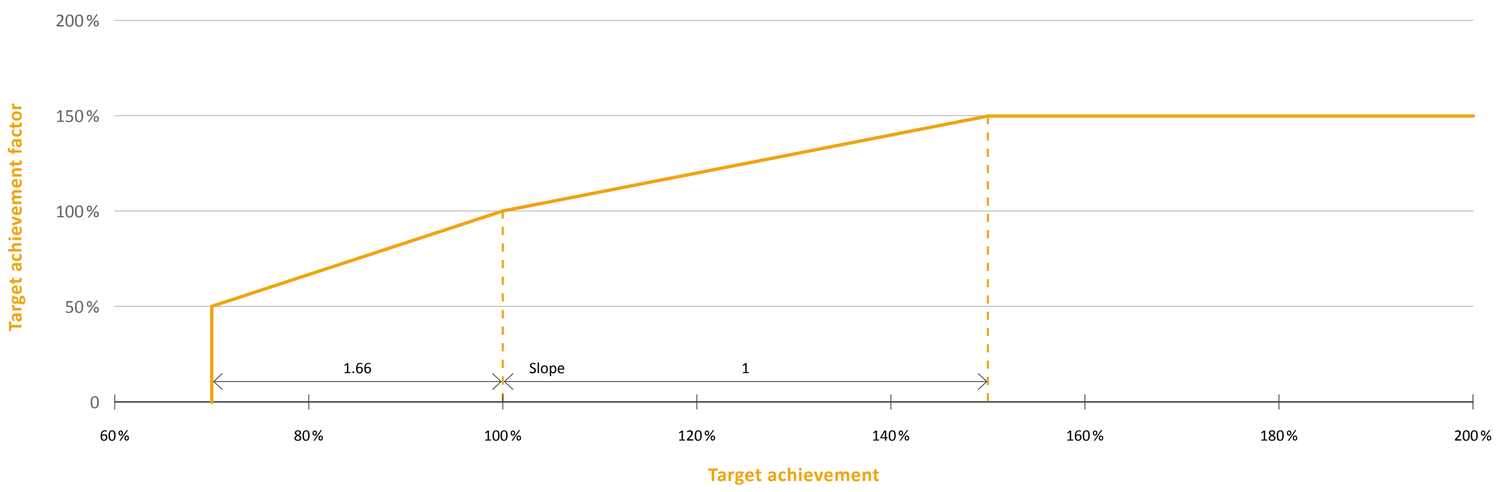
The calculation of the PSUP payout is as follows:

Endowment Performance Share Unit Plan (PSUP)		Multiplier based on target achievement curve		Average share price in November and December of the 4th year		Cap: 200 % of the annual base salary
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 the Management Board member would have been entitled to at the time of payment. This determination of the amount takes into account any pro rata reduction. In deviation from the above regulation, 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 the 2022 financial year

The LTI plan granted in 2022 is based on the following performance indicators (basis: mid-term planning 2022):

Performance period 2022 – 2025

Average target: Adjusted EBIT margin	8.33%
Average share price (issue price)	EUR 12.22
Sustainability target	Increase in employment conditions of 10%

Grants (target amount divided by issue price)

	Target amount In kEUR	No. of shares granted
Alexander Geis	404	33,061
Dr. André Philipp	200	16,367
Wilfried Trepels	138	12,935
Inka Koljonen	-	-

Target achievement and payout in 2022

The following overview shows the relevant indicators for the LTI plan allocated in 2018, the corresponding target achievement and the resulting payout amount in 2022:

Calculation of LTI – PSUP 2018

	2018	2018	2020	2021	Average
Earnings-adjusted EBIT margin	6.90%	6.20%	6.10%	7.50%	6.68%
Share price Nov./Dec. 2017	16.91				
PSUP target 2018	7.85%				
Target achievement	85.03				
Target achievement factor	74.95				

70% target achievement = 50% bonus
1% target achievement = 1.66% target achievement factor

	100% target achievement in kEUR	No. of shares granted	Target achievement factor	Grant price Nov/Dec 2021	Target achievement in kEUR	Target achievement in %
Alexander Geis	170	10,053	0.7495	12.22	92	54
Dr. André Philipp	170	10,053	0.7495	12.22	92	54
Inka Koljonen						

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 canceled 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 [39] AktG).

In the 2022 financial year, 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

The employment contracts of Mr. Geis and Dr. Philipp contain a post-contractual non-competition clause, which prohibits these Management Board members from working for or rendering services to a competitor for a period of one year after leaving the Company. As consideration, they receive non-contractual compensation in accordance with Section 74 (2) HGB of 50% of their last drawn contractual remuneration package.

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 current year. When determining variable remuneration (STI and LTI), the amount of variable remuneration granted in the prior financial 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 shall 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 2022.

Change of control

In the event of a change of control, each member of the Management Board has the right once to resign from office with 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

In its meeting on March 15, 2022 and following the preparation of the Nomination and Remuneration Committee, the Supervisory Board adopted a remuneration system that incorporates the existing regulations and additionally provides share ownership guidelines for the Management Board members. This further aligns the Management Board’s interests with those of the shareholders and additionally rewards the sustainable and long-term development of SAF-HOLLAND.

REMUNERATION GRANTED AND DUE

The following table presents the individual remuneration granted and due to the current members of the Management Board in the 2022 financial year pursuant to Section 162 (1) sentence 2 no. 1 AktG.

		Alexander Geis				Wilfried Trepels				Inka Koljonen				André Philipp			
		Chairman of the Management Board since March 1, 2019				Ordinary member of the Management Board since May 16, 2022				Ordinary member of the Management Board from September 1, 2020 to January 31, 2022				Ordinary member of the Management Board since January 1, 2019			
		2021		2022		2021		2022		2021		2022		2021		2022	
		In kEUR	In %	In kEUR	In %	In EUR	In %	In kEUR	In %	In kEUR	In %	In kEUR	In %	In kEUR	In %	In kEUR	In %
Non-performance-based remuneration	Base salary	734	68	734	59			244	90	375	73	31	8	375	58	375	52
	Fringe benefits	28	3	30	2			26	10	38	7	3	1	32	5	34	5
	Pension benefits	0	0	0	0			0	0	0	0	0	0	0	0	0	0
Total		**762**	**82**	**764**	**61**			**270**	**100**	**413**	**80**	**34**	**9**	**407**	**63**	**409**	**57**
One-year variable remuneration	STI 2019																
	STI 2020	225	21							63	12			123	19		
	STI 2021			393	31			0	0			209	53			226	31
Multi-year variable remuneration	LTI 2016 – 2019																
	LTI 2017 – 2020	87	8							38	8			65	10		
	LTI 2018 – 2021			92	8			0	0			150	38			92	12
Total		**312**	**29**	**485**	**39**	**0**	**0**	**0**	**0**	**101**	**20**	**359**	**91**	**188**	**29**	**318**	**43**
Other	Special bonus 2020	0	0	0	0	0	0	0	0	0	0	0	0	50	8	0	0
Total remuneration		**1,074**	**100**	**1,249**	**100**	**0**	**0**	**270**	**100**	**514**	**100**	**393**	**100**	**645**	**100**	**727**	**100**

[1] Including the amount deducted based on a voluntary waiver under the collective agreement to secure future viability.

To our Shareholders

Remuneration Report 2022

Remuneration Report 2022

Report of the Independent Auditor on the Formal Audit of the Remuneration Report pursuant to § 162 Abs. 3 AktG

Combined Management Report

Consolidated Financial Statements

Additional Information

The following table presents the respective target remuneration for the acting members of the Management Board for the financial years 2021/2022. This includes the target remuneration granted for the financial year upon 100% target achievement, supplemented by the disclosures for the individually attainable minimum and maximum remuneration. In addition, the remuneration received for the financial year pursuant to the definition given in the GCGC issued on February 7, 2017 is presented as the actual remuneration.

Target achievement and remuneration received in accordance with the German Corporate Governance Code (GCGC) for the 2022 financial year

In kEUR

	Alexander Geis					Wilfried Trepels					Inka Koljonen					Dr. André Philipp				
	2021 (target)	2022 (target)	2022 (Min)	2022 (Max)	2022 actual	2021 (target)	2022 (target)	2022 (Min)	2022 (Max)	2022 actual	2021 (target)	2022 (target)	2022 (Min)	2022 (Max)	2022 actual	2021 (target)	2022 (target)	2022 (Min)	2022 (Max)	2022 actual
Base salary	734	734	734	734	734	0	244	244	244	244	375	31	31	31	31	375	375	375	375	375
Special bonus	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Fringe benefits	28	30	30	30	30	0	26	26	26	26	38	3	3	3	3	32	34	34	34	34
Total	**762**	**764**	**764**	**764**	**764**	**0**	**270**	**270**	**270**	**270**	**413**	**34**	**34**	**34**	**34**	**407**	**409**	**409**	**409**	**409**
One-year variable remuneration	331	331	0	414	393	0	125	125	125	0	190	0	0	0	209	190	190	0	238	226
Multi-year variable remuneration	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LTI program 2018 – 2021	0	0	0	0	92	0	0	0	0	0	0	0	0	0	150	0	0	0	0	92
LTI program 2021 – 2024	404	0	0	0	0	0	0	0	0	0	200	0	0	0	0	200	0	0	0	0
LTI program 2022 – 2025	0	404	0	808	0	0	138	0	275	0	0	0	0	0	0	0	200	0	400	0
Total	**735**	**735**	**0**	**1,222**	**485**	**0**	**263**	**125**	**400**	**0**	**390**	**0**	**0**	**0**	**359**	**390**	**390**	**0**	**638**	**318**
Pension benefits	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total remuneration	**1,497**	**1,499**	**764**	**1,986**	**1,249**	**0**	**533**	**395**	**670**	**270**	**803**	**34**	**34**	**34**	**393**	**797**	**799**	**409**	**1,047**	**727**

REMUNERATION OF THE SUPERVISORY BOARD

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 and its chairperson receive a fixed annual remuneration payable after the end of the financial year, which means that the fixed annual remuneration for 2022 will be paid out in the year 2023. Performance-based or stock-based remuneration components are not granted.

- Each member of the Supervisory Board receives a fixed annual remuneration of EUR 40,000.
- The chair of the Supervisory Board receives a fixed annual remuneration of EUR 100,000.
- The deputy chairperson of the Supervisory Board receives a fixed annual remuneration of EUR 60,000.

The above considers the greater time expenditure of the chair and deputy chairperson when determining the amount of remuneration.

For their activities on Supervisory Board committees, each chairperson of a committee is also granted additional remuneration of EUR 20,000 and each additional member of a committee is granted additional annual remuneration of EUR 5,000. This also takes into sufficient account the greater time expenditure.

For their participation in meetings of the Supervisory Board, members receive an attendance fee of EUR 1,000 per meeting. For their participation in a committee meeting, members receive an attendance fee of EUR 500 per meeting.

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 financial year shall receive the appropriate remuneration on a pro rata basis. This also applies to the remuneration for the chairpersons of committees.

In 2022, no advances or loans were extended to Supervisory Board members or to former Supervisory Board members.

The total remuneration of the Supervisory Board members for 2022 amounted to EUR 378,900 (previous year: EUR 377,000). The 2022 Supervisory Board remuneration is distributed among the individual members as follows:

Remuneration granted and owed to the Supervisory Board in 2022 (kEUR)

	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	2022	in %	2021	in %	2022	in %	2021	in %	2022	in %	2021	in %	2022	2021
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 *	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**

OUTLOOK FOR THE 2023 FINANCIAL YEAR FROM A REMUNERATION PERSPECTIVE

MANAGEMENT BOARD REMUNERATION

Due to the merger of SAF-HOLLAND and Haldex, a renewed external review of the Management Board’s remuneration and the maximum remuneration in 2023 is necessary. For this purpose, the Supervisory Board has mandated an external consultant to review the remuneration. Based on the resulting findings, the next step will be to make an adjustment to the maximum compensation. The level of possible target achievement within the scope of the STI will also be adjusted to allow in the future for a target achievement level of 75%-150%.

LTI sustainability criteria

The Supervisory Board also decided to add an ESG target to the LTI agreement for the members of the Management Board.

Conducting an employee survey on the topic of "good working conditions" in 2022 was defined as a non-financial goal. Based on the results of this global survey, various measures to improve working conditions are scheduled to be implemented in 2023 and 2024. Subsequently, a new survey in 2025 seeks an improvement in the survey results of 10% compared to 2022. In general, the aim is to improve global working conditions and thereby increase the appeal of SAF-HOLLAND as an employer, particularly in the area of health-related factors.

SUPERVISORY BOARD REMUNERATION

On May 19, 2022, the Company's Annual General Meeting passed a resolution also on the remuneration of the Supervisory Board members and on the underlying remuneration system, with a majority of 99.95%.

In order to take into account the increased demands on supervisory board members of listed companies and the greater complexity of the Group due to the takeover of Haldex, changes in the Supervisory Board remuneration are to be proposed to the Annual General Meeting 2023. These changes are based on the customary remuneration structures in comparable companies and include the following:

- An increase in the annual fixed remuneration to EUR 120,000 for the chair of the Supervisory Board, to EUR 70,000 for the deputy chairperson, and to EUR 50,000 and for the members of the Supervisory Board
- An increase in the annual fixed remuneration to EUR 25,000 for the Chair of the Audit Committee
- An increase in the annual fixed remuneration to EUR 10,000 for the members of the Audit Committee and to EUR 7,500 for the members of the Nomination and Remuneration Committee

REPORT OF THE INDEPENDENT AUDITOR ON THE FORMAL AUDIT OF THE REMUNERATION REPORT PURSUANT TO SECTION 162 (3) AKTG

To SAF-HOLLAND SE, Bessenbach

AUDIT OPINION

We have formally audited the remuneration report of the SAF-HOLLAND SE, Bessenbach, for the financial year from January 1 to December 31, 2022 to determine whether the disclosures pursuant to Section 162 (1) and (2) of the German Stock Corporation Act (AktG) have been made in the remuneration report. In accordance with Section 162 (3) AktG, we have not audited the remuneration report in terms of its content.

In our opinion, the information required by Section 162 (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 AUDIT OPINION

We conducted our formal audit of the remuneration report in accordance with Section 162 (3) AktG and the Institute of Public Auditors in Germany (IDW) Auditing Standard: The formal audit of the remuneration report in accordance with Section 162 (3) AktG (IDW AuS 870). Our responsibility under that provision and the 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 Assurance Standard: Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard – IDW QS 1). 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 SUPERVISORY BOARD

The Management Board and Supervisory Board are responsible for the preparation of the remuneration report, including the related disclosures, that are in compliance with the requirements of Section 162 AktG. They are also responsible for such internal controls as they determine necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

RESPONSIBILITY OF THE AUDITOR

Our objective is to obtain reasonable assurance about whether the information required by Section 162 (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 Section 162 (1) and (2) AktG, the formal completeness of the remuneration report. In accordance with Section 162 (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 17, 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

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

_Combined Management Report

FUNDAMENTAL INFORMATION ABOUT THE GROUP

BUSINESS MODEL

SAF-HOLLAND SE 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 customer key issues from optimizing the total cost of ownership – which includes all recurring and non-recurring costs, as well as direct and indirect purchase costs – to increasingly important topics such as digitalization, electrification 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. As part of its innovation campaign "SMART STEEL – ENGINEER, BUILD, CONNECT", SAF-HOLLAND is also combining mechanics with sensors and electronics, driving forward the digital networking of commercial vehicles and logistics chains.

The Group generated 60.5% of its sales in the 2022 financial year 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 customer. By maintaining direct contact and exchanging regularly with these end customers, SAF-HOLLAND ensures that the Group's products and solutions keep pace with customers' changing requirements. The Group's business with truck manufacturers (truck OEMs) in the 2022 financial year accounted for 12.6% of Group sales.

In addition to the original equipment business, the aftermarket business represents another important pillar of the business model, contributing 26.9% to Group sales in 2022. 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 depends primarily 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 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 2022, the SAF-HOLLAND Group was operating a total of 18 production and assembly plants on six continents. In addition to plants in its core markets, Europe and North America, SAF-HOLLAND also maintains production facilities in Turkey, Brazil, India and China. The central development activities are concentrated at the sites in Bessenbach (Germany) and Muskegon (USA).

PRODUCT PORTFOLIO

The product range consists primarily of axle and suspension systems for trailers, fifth wheels for trucks, and kingpins and landing gear for trailers, 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. For many customers in emerging markets 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. In each of these markets, SAF-HOLLAND is among the top three suppliers in the two relevant product segments – trailer axles and fifth wheels. In Europe, SAF-HOLLAND is the market leader in axles and suspension systems for trailers and, in North America, it is a leading supplier of fifth wheels and trailer disc brake axles, as well as landing gear and kingpins. SAF-HOLLAND is also the market leader in India for trailer axles following its acquisition of the York Group in 2018.

The Group's main competitors are BPW Bergische Achsen and Jost-Werke from Germany, US-based companies Hendrickson and Fontaine, as well as Fuwa from China.

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
— (Semi-)autonomous driving
— Road safety

GLOBALIZATION

The transport and logistics sector is fundamentally a growth industry, with road transport playing a critical 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

The amount of CO_2 emissions from road transport is causing not only regulators to put more pressure on the transport and logistics sector but also consumers and investors. The focus is specifically on reducing fuel consumption, exhaust gas and brake dust emissions, and the mechanical stress on the roads. In China, for example, the permissible gross weight of a semitruck has been limited since 2020. 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. Here SAF-HOLLAND is a primary partner for its customers to support them in 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.

For an overview of SAF-HOLLAND's innovative solutions in response to these megatrends, please refer to the comments on research and development in the chapter "Non-financial Aspects", starting on page 73.

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. Other topics such as automated driving as a precursor to autonomous driving are also becoming increasingly important in the industry.

(SEMI-)AUTONOMOUS 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 tractor and trailer. The Group's offering in automated coupling systems is paving the way to fully automated driving in the future.

ROAD 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.

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

100 %

SAF-HOLLAND GmbH

- 100 % SAF-HOLLAND Polska Sp. z o.o.
- 100 % SAF-HOLLAND France S.A.S.
- 100 % SAF-Holland Sverige AB
- 100 % SAF-HOLLAND Romania SRL
- 100 % SAF-HOLLAND España S.L.U.
- 100 % SAF-HOLLAND Italia s.r.l. unipersonale
- 100 % SAF-HOLLAND Czechia spol.s.r.o.
  - 100 % SAF-Holland Russland OOO
- 100 % V.ORLANDI S.p.A.
  - 100 % Orlandi Russia
- 100 % SAF-HOLLAND South Africa Ltd.
- 100 % SAF-HOLLAND RUS OOO
- 100 % SAF-HOLLAND Otomotiv Sanayi ve Ticaret Limited Sirketi
- 100 % SAF-HOLLAND Middle East FZE
- 100 % Axscend Group Ltd, United Kingdom
  - 100 % Axscend Ltd., United Kingdom
- 100 % SAF-HOLLAND Suomi Oy
- 100 % SAF-HOLLAND UK Ltd (ehem. IMS Limited)
- 100 % SAF-HOLLAND do Brasil Ltda.
  - 100 % KLL Equipamentos para Transporte Ltda.
- 100 % York Transport Equipment (Asia) Pte Ltd, Singapore
  - 100 % York Transport Equipment (India) Pty Ltd, India
  - 100 % SAF-HOLLAND (Thailand) Co. Ltd, Thailand
  - 100 % YTE Special Products Pte Ltd, Singapore
- 100 % Corpco Tech, China
- 100 % SAF-HOLLAND (Shanghai) Investment Co., Ltd., China
  - 100 % SAF-HOLLAND (Yangzhou) Vehicle Parts Co., Ltd., China

100 %

SAF-HOLLAND Inc.

- 100 % SAF-HOLLAND Canada, Ltd.
- 100 % SAF-HOLLAND (Aust.) Pty., Ltd.
- 100 % SAF-HOLLAND (Malaysia) SDN BHD
- 100 % SAF-HOLLAND Verkehrstechnik GmbH
- 100 % SAF-HOLLAND International de Mexico S. de R.L. de C.V.
  - 100 % SAF-HOLLAND International Services Mexico S. de R.L. de C.V.
- 100 % SAF-HOLLAND Hong Kong Ltd.
- 50 % SAF-HOLLAND Nippon, Ltd.
- 34 % Castmetal FWI S.A.
- 100 % SAF-HOLLAND India Pvt. Ltd.
- 100 % SAF-HOLLAND (Xiamen) Co., Ltd.
- 51 % PressureGuard LLC

SAF-HOLLAND SE is the parent company of the SAF-HOLLAND Group. The Company is headquartered 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, which in turn holds the interests in all regional subsidiaries and majority shareholdings. The shares in Haldex AB are held by SAF HOLLAND SE.

SAF-HOLLAND Inc. has also held a strategic equity interest in just over one-third of the French company Castmetal FWI S.A. The remaining shares in the associated company are held by the SAFE Group, a manufacturer of technical components made of cast steel and plastic injection molding for various industrial applications. The associated company supplies SAF-HOLLAND with cast components for fifth wheels as well as suspension system components for the North American market.

CHANGES IN THE GROUP STRUCTURE

In March 2022, SAF-HOLLAND fully acquired Industrial Machinery Supplies Limited (IMS Ltd.), based in Shepshed, England, from the previously exclusive distributor IMS Group. This acquisition strengthens SAF-HOLLAND's market position in both the UK and Ireland. Subsequently, the company was renamed SAF-HOLLAND UK Ltd. More information on this transaction can be found in the notes to the consolidated financial statements, starting on page 131.

In September 2022, SAF-HOLLAND also acquired the remaining 6.4% stake in Axscend Group Ltd., which now operates under the name SAF-HOLLAND UK.

The companies SAF-HOLLAND Bulgaria EOOD, in Bulgaria, and Qingdao YTE Special Products Pte. Ltd., in China, were both liquidated in the course of 2022.

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 the 2022 financial year 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/company/corporate-governance/corporate-governance-statement. 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 employs 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 financial 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 regularly reviewed and analyzed at Management Board meetings.

A detailed presentation of the key performance indicators as well as other performance indicators and their development over the past financial year, can be found in the chapter "net assets, financial position and results of operations", starting on page 55 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 for depreciation and amortization of property, plant and equipment and intangible assets from purchase price allocations as well as restructuring and transaction 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 both at a Group level and at a segment level. The Group gives primary importance to the consolidated indicators at the Group level.

OTHER PERFORMANCE INDICATORS

SAF-HOLLAND uses other key performance indicators to assess its business performance for corporate 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 the order intake and the order backlog. These are gathered daily 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 continuously monitors and analyses statistics and forecasts on 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 UPDATED WITH TARGETS FOR 2027: LONG-TERM VALUE APPRECIATION AS CORPORATE OBJECTIVE

In November 2020, SAF-HOLLAND presented its Strategy 2025 at its Capital Markets Day. The goal of Strategy 2025 is to increase the Company's value in the long term and targets the following:

— 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%

With the acquisition of the Swedish company Haldex AB, announced in July 2022 and completed in February 2023, the SAF-HOLLAND Group set itself additional supplementary medium-term goals for the year 2027:

— Increase in 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%

— Achievement of an average 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 average investment ratio of 3.0%

Strategy 2025/2027 is based on five 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 others, through the acquisitions of KLL (Brazil), York (India), V.Orlandi (Italy), Axscend (Great Britain), PressureGuard (USA), the Stara Group (Finland/Sweden) and IMS (Great Britain).

With the completion of the acquisition of Haldex on February 21, 2023, SAF-HOLLAND has created a leading system supplier for "Smart Trailers". In the future, the Company will offer customers integrated solutions for axle and suspension systems, combined with telematics and EBS (electronic braking system) control-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 gains extensive capabilities in the technology areas of software engineering, sensor technology and electronic control, paying heed to the megatrends of electrification, (semi-)autonomous driving and digitalization.

By combining the two companies’ regional sales networks, cross-selling opportunities are expected to generate added sales growth. The acquisition also strengthens SAF-HOLLAND’s position in the more resilient global aftermarket business. From the standpoint of the Company, an ideal distribution of sales would be approximately two-thirds of Group sales from the original equipment business and one-third from the aftermarket business.

The focus in the years ahead will be on maximizing the joint global footprint, bundling Group-wide capabilities, realizing greater economies of scale and, ultimately, increasing profitability. SAF-HOLLAND initially expected potential synergies of more than EUR 10 million per year from the acquisition of Haldex. As part of the capital market event "Capital Markets Brush-up" 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 addressing megatrends as a central driver: 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), electrified axles (TRAKr and TRAKe axle family) as well as automated coupling systems (SAF-HOLLAND Automatic Coupling).

Partnerships with other companies play an important role in these areas. For core products, the Group also plans to establish global competence centers to increase efficiency.

Global backbone: SAF-HOLLAND intends to strengthen its global activities in the areas of standardization and harmonization, best practice and corporate governance, digitalization of operational processes and development activities and purchasing and compliance. It also plans to further develop and improve its global infrastructure and leadership model. These efforts will lay the foundation for future product platforms, reinforce the Group's core know-how and realize 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 (OpEx system) supports efficiency enhancements and improvements implemented in various divisions and is interlinked with the financial targets. A key focus of this system is on the Group's international manufacturing network. The OpEx system 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 OpEx-RoadMaps form the basis for corporate-wide standards in all six core areas (Leadership & Culture; Safety, Health & Environment; Total Quality; Material Supply; Product Development & Engineering; Production System).

Following the acquisition of Haldex AB and the new joint organizational structure, the responsibility for implementing the measures of the OpEx system will now lie directly with the Americas, EMEA and APAC regions and the regional presidents.

Employee focus: 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 fostering employee engagement, loyalty and productivity, the Group is taking various measures to increase the proportion of female managers, which is traditionally low in the industry, as well as raise the overall proportion of female employees within the Group. Another area to be enhanced as part of Strategy 2025, is training. To support this, corresponding targets have been defined in the area of human resources.

ESG: SAF-HOLLAND's ESG strategy concentrates on the following two areas:

— Positioning itself as an attractive employer

— Establishing and implementing leading-edge standards for CO_2 emissions and circular economy by 2030

The guiding principles for the implementation of the ESG strategy are the Sustainable Development Goals of the United Nations Global Compact. Of these goals, SAF-HOLLAND focuses on the following:

— 3: Good health and well-being

— 4: Quality education

— 8: Decent work and economic growth

— 13: Climate action

Through SAF-HOLLAND's technology, we are making continuous progress to achieve goal 13 in particular. Examples include our contribution to reducing fuel consumption, exhaust gas and brake dust emissions as well as lowering the mechanical load on roads. These contributions are reflected in concrete terms in the actions being taken in the areas of electrification and road safety.

REPORT ON ECONOMIC POSITION

ECONOMY AND INDUSTRY ENVIRONMENT

MACROECONOMIC ENVIRONMENT: GLOBAL ECONOMY GROWS BY 3.4%

After a strong recovery in the global economy from the COVID-19 pandemic in 2021, macroeconomic conditions in 2022 deteriorated significantly. Russia's war of aggression against Ukraine and the sanctions subsequently imposed on Russia by the West fueled concerns about bottlenecks in energy supplies, driving energy prices sharply higher. These factors, next to the already existing disruptions in global supply chains, caused a significant increase in inflation rates worldwide. Both the European Central Bank (ECB) and the US Federal Reserve responded with repeated interest rate hikes. Against this backdrop, according to forecasts by the International Monetary Fund (IMF), global economic growth slowed from 6.2% in 2021 to 3.4% in 2022.

Due to its strong dependence on Russian gas imports, Germany has been particularly affected by the repercussions of the war. In 2022, Germany's gross domestic product (GDP) growth reached only 1.9% (previous year: 2.6%), which was just about half the level of the euro area as a whole (3.5% compared with 5.3% the year before). In the United States, the restrictive policies of the US Federal Reserve also led to a noticeable slowdown in growth in 2022 to just 2.0% (previous year: 5.9%). China recorded an increase in economic output of 3.0% (previous year: 8.4%), which was sharply lower year-on-year mainly as a result of the repeated lockdowns amid the government's strict zero-COVID strategy. In India, an important region for SAF-HOLLAND, gross domestic product grew by a comparatively strong 6.8% in the past year (previous year: 8.7%).

Economic development in key markets

in %

	2021	2022
Euro area	5.3	3.5
Germany	2.6	1.9
United States	5.9	2.0
Brazil	5.0	3.1
Russia	4.7	–2.2
China	8.4	3.0
India	8.7	6.8
World	6.2	3.4

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

SECTOR DEVELOPMENT: STRONG REGIONAL DIFFERENCES IN THE DEVELOPMENT OF THE TRUCK AND TRAILER MARKETS

In SAF-HOLLAND's core markets, the overall environment in 2022 was favorable. Demand in North America, in particular, was extremely robust, with double-digit growth rates. The European trailer market recorded minor growth, despite the pressure from the Ukraine war. In the Indian market, which is also important for SAF-HOLLAND, strong demand continued to be fueled by government infrastructure programs. In 2022, the Chinese market was the only market to endure a significant downturn.

EUROPEAN TRUCK MARKET DECLINES

According to IHS Markit, production of heavy trucks in Europe declined by 5.1% in 2022. The main reason was the persistent supply bottlenecks for important intermediate products throughout the year. Important to note is that the European truck market is only of secondary importance for SAF-HOLLAND.

GROWTH IN THE WESTERN EUROPEAN TRAILER MARKET, EASTERN EUROPE IMPACTED BY RUSSIA

According to estimates by the market research institute CLEAR International Consulting (CLEAR), development in the European trailer market was very heterogeneous. In Eastern Europe, the Ukraine war led to a 13.5% decline in production, with the markets in Russia and Belarus recording particularly heavy losses. Trailer production in Western Europe, in contrast, increased by 5.7%, benefiting above all from the development in Germany. All in all, production in Europe as a whole increased slightly by 1.0%.

FURTHER INCREASE IN DEMAND FOR TRUCKS IN NORTH AMERICA

Demand in the North American truck market remained strong despite a cooldown in the overall economy. According to ACT Research, the production of heavy trucks (Class 8 trucks) in North America grew almost 20% year-on-year to around 316,000 units.

TRAILER MARKET IN NORTH AMERICA AT A HIGH LEVEL

Growth was even stronger in the North American trailer market in 2022. According to ACT Research, around 398,000 trailers were manufactured (+24.8% compared to 2021).

SOUTH AMERICA – CONSOLIDATION OF THE TRUCK AND TRAILER MARKETS

Following strong growth in the previous year, the South American commercial vehicle market consolidated in 2022. According to the industry association ANFAVEA, the production of heavy trucks increased by 1.9%, whereas, according to ANFIR data, 7.9% fewer trailers were produced.

PRODUCTION IN CHINA HEAVILY IMPACTED BY ZERO-COVID STRATEGY

The combination of weak economic growth and lockdowns due to the zero-COVID strategy weighed particularly heavily on the Chinese commercial vehicle market. As a result, the production of heavy trucks and trailers in 2022 dropped year-on-year by 51.8% and 57.9%, respectively.

INDIA RECORDS ANOTHER SIGNIFICANT INCREASE IN PRODUCTION

Supported by extensive government infrastructure programs, the Indian commercial vehicle market continued to grow rapidly in 2022. After the production of trucks and trailers had more than doubled in the previous year, the industry association SIAM (Society of Indian Automobile Manufacturers) reported that compared to 2021 another 52% more trucks and 97% more trailers rolled off the production lines in 2022.

TARGET ACHIEVEMENT

SALES AND MARGIN TARGETS REPEATEDLY RAISED

SAF-HOLLAND published its original forecast for the 2022 financial year on March 17, 2022. At that time, the recent breakout of Russia's war against Ukraine and the West's subsequent sanctions against Russia, as well as the continuing COVID-19 pandemic, prompted the Management Board to provide a cautious outlook for the expected business development. Assuming stable exchange rates, SAF-HOLLAND at that time had expected sales in a range of EUR 1.15 billion to EUR 1.3 billion for 2022 (2021: EUR 1,246.6 million).

Based on this sales forecast and the foreseeable sharp rise in costs – especially for steel, energy, and freight – SAF-HOLLAND expected the adjusted EBIT margin in the 2022 financial year to be significantly below the previous year (2021: 7.5%). To ensure that it implemented its strategic goals, the Company had planned investments in the range of 2.0% to 2.5% of Group sales in 2022.

Based on the strong demand in the first quarter, SAF-HOLLAND increased its sales guidance range to EUR 1.2 billion to EUR 1.35 billion (previously EUR 1.15 billion to EUR 1.3 billion) in an ad hoc announcement on May 5, 2022. At the same time, the forecast for the adjusted EBIT margin was narrowed to a range of 6.5% to 7.0% (previously: significantly below the previous year). The main reason for the revision was a notable decline in the administrative and research and development expense ratios.

After the Group achieved record sales in the second quarter of 2022 and business development continued to exceed management's expectations, SAF-HOLLAND again raised its full-year guidance on July 28, 2022. The guidance range for sales was raised to EUR 1.4 billion to EUR 1.5 billion (previously: EUR 1.2 billion to EUR 1.35 billion). For the adjusted EBIT margin, SAF-HOLLAND raised its guidance to a range of 7.0% to 8.0% (previously: 6.5% to 7.0%), despite the increase in freight and energy costs in the course of 2022.

With the publication of the results for the third quarter of 2022 on November 10, 2022, SAF-HOLLAND confirmed the adjusted EBIT margin guidance that was last raised in July. The sales guidance was specified insofar as Group sales were now expected to be around the upper end of the previously expected range of EUR 1.4 billion to EUR 1.5 billion.

Due to the high growth that also continued in the fourth quarter, particularly in the Americas and APAC regions, Group sales in the 2022 financial year reached EUR 1,565.1 million, exceeding the range of EUR 1.4 billion to EUR 1.5 billion. At 8.0%, adjusted EBIT margin reached the upper end of the target corridor last raised in July. At 2.1%, the capex ratio was in line with the guidance of 2% to 2.5% of Group sales provided in March 2022.

Comparison of actual and forecast business development

Indicator	Results 2021	Forecast 2022 on March 17, 2022	Adjustment on May 5, 2022	Adjustment on July 28, 2022	Results 2022
Sales (in EUR million)	1,246.6	1,150 to 1,300	1,200 to 1,350	1,400 to 1,500	1,565.1
Adjusted EBIT margin	7.5%	Significantly below previous year	6.5% - 7.0%	7.0% - 8.0%	8.0%
Capex ratio	2.0%	2.0% - 2.5%	2.0% - 2.5%	2.0% - 2.5%	2.1%

SIGNIFICANT EVENTS IN THE 2022 FINANCIAL YEAR

SAF-HOLLAND ACQUIRES BRITISH IMS LIMITED

In March 2022, SAF-HOLLAND acquired IMS Limited, Shepshed, England, from its previous exclusive distribution partner IMS Group. The company was included in the consolidated financial statements of SAF-HOLLAND SE as of April 1, 2022.

IMS Limited employs around 20 people and is a provider of sustainable, efficient, cost-effective and innovative solutions for the transport industry, distributing the Group's own quality brands, SAF-HOLLAND and SAUER Quality Parts, in the UK and Ireland. The acquisition increases SAF-HOLLAND's share of added value and strengthens its market position in these countries.

SAF-HOLLAND SUCCESSFULLY COMPLETES OFFER TO HALDEX SHAREHOLDERS WITH MORE THAN 96% ACCEPTANCE RATE

On June 8, 2022, SAF-HOLLAND SE announced a recommended cash offer to the shareholders of the Swedish company Haldex AB ("Haldex"), a leading manufacturer of braking and air suspension systems.

SAF-HOLLAND offered SEK 66 in cash per Haldex share. The offer represented a premium of 46.5% to the SEK 45.05 closing price of Haldex shares on Nasdaq Stockholm on June 7, 2022, the last trading day prior to the announcement of the offer on June 8, 2022. This represented a premium of 64.8% to the volume-weighted average price of Haldex shares during the three months prior to June 8, 2022. Haldex AB shareholders had the opportunity to accept SAF-HOLLAND SE's cash offer in the period from July 4, 2022 to August 16, 2022.

The Haldex Board of Directors unanimously recommended that Haldex shareholders accept the offer. This recommendation was supported by a fairness opinion from Lenner & Partners Corporate Finance AB.

On August 18, 2022, SAF-HOLLAND announced that the offer had been accepted by Haldex shareholders holding a total of 33,234,834 shares, corresponding to approximately 68.35% of the total number of outstanding Haldex shares. During the offer period and in the six months prior to the publication of the offer, SAF-HOLLAND had also purchased 12,159,387 Haldex shares (corresponding to 25.0% of the outstanding Haldex shares) at prices not above the offer price. As a result, SAF-HOLLAND held a total of 45,394,221 Haldex shares on that date, corresponding to approximately 93.35% of the total outstanding Haldex shares. During the extended acceptance period, which expired on August 31, 2022, the offer was accepted by Haldex shareholders holding a total of 1,352,376 shares (corresponding to approximately 2.78% of the total number of outstanding Haldex shares). At the end of the extended acceptance period, SAF-HOLLAND held a total of 46,746,597 Haldex shares, corresponding to approximately 96.14% of the total outstanding Haldex shares.

As of August 18, 2022, the Board of Directors of Haldex decided to submit an application to delist the company's shares from Nasdaq Stockholm, and the shares' final trading day was September 19, 2022.

Following the completion of the cash offer to the shareholders of Haldex AB, SAF-HOLLAND initiated squeeze-out proceedings under the Swedish Companies Act to acquire all of the shares in Haldex that were not already owned by SAF-HOLLAND. The interests of the remaining Haldex shareholders are represented by a trustee appointed by the Swedish Companies Registration Office.

SAF-HOLLAND fully financed the offer from available cash and credit facilities. This included the conclusion of a credit facility agreement for credit lines in the amount of EUR 250 million, as well as two annuity loans with a total credit volume of EUR 300 million.

While the required merger control clearance by the German and US antitrust authorities had been obtained by the closing date of December 31, 2022, clearance by the Polish antitrust authority was still outstanding at that date. With the granting of clearance by the Polish competition authority on February 21, 2023, the takeover was completed. As of that date, Haldex is included in the Group's scope of consolidation. Further details on the strategic objectives and the targeted synergies associated with the acquisition can be found in the chapter entitled Group fundamentals, starting on page 45.

PLACEMENT OF A PROMISSORY NOTE LOAN FOR REFINANCING

In November 2022, the SAF-HOLLAND Group placed a promissory note loan with a volume of EUR 176 million via the subsidiary SAF-HOLLAND GmbH. Due to the high demand and the resulting oversubscription, the original target volume of EUR 100 million was increased accordingly. The tranches of the promissory note loan have both fixed and variable interest rates and maturities of three and five years.

The issue proceeds were used for the early refinancing of the tranches of the promissory note loans issued in 2015 and 2020. In addition, an early repayment of EUR 10 million was made on the term loans taken out in August 2022 (total volume: EUR 300 million) to finance the acquisition of Haldex AB.

CHANGES IN THE MANAGEMENT BOARD OF SAF-HOLLAND SE

On November 17, 2022, SAF-HOLLAND announced that the Company's Supervisory Board had appointed Frank Lorenz-Dietz as Chief Financial Officer effective January 1, 2023. In his last position, Frank Lorenz-Dietz was the Chief Financial Officer at SEG Automotive Germany GmbH, the former Starter Motors and Generators division of the Robert Bosch Group, which was sold to a Chinese investor consortium in 2017. At SAF-HOLLAND, he is responsible for Finance, Accounting, Controlling, Corporate Audit, IT, Legal and Compliance, Strategic Projects as well as Investor Relations/Corporate Communications and ESG.

Frank Lorenz-Dietz succeeds Wilfried Trepels, who had held the position on an interim basis since May 2022 following the departure of Inka Koljonen. Wilfried Trepels was previously CFO of SAF-HOLLAND from 2005 to 2016. He remained available to SAF-HOLLAND until the end of March 2023 to ensure a smooth transition.

RESULTS OF OPERATIONS, NET ASSETS AND FINANCIAL POSITION

RESULTS OF OPERATIONS

Group sales rise to new record level

SAF-HOLLAND increased Group sales in the 2022 financial year by 25.6% to a new record level of EUR 1,565.1 million (previous year: EUR 1,246.6 million). Growth was driven by consistently solid production figures for trucks, and especially trailers, in the North America and EMEA core markets, and due to market share gains. The price adjustments necessary to reflect higher steel, freight and energy costs also contributed to the rise in sales.

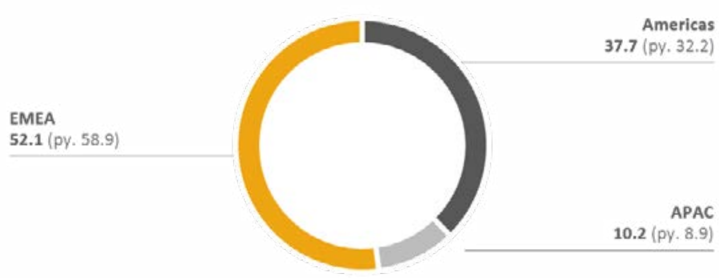
Currency translation also had a positive effect of EUR 78.7 million in 2022 (previous year: EUR –18.6 million). This was owed primarily to the appreciation in the US dollar against the euro.

Changes in the scope of consolidation resulted in additional sales of EUR 17.1 million (previous year: EUR 0.0 million). Sales in the 2022 financial year, adjusted for exchange rate effects and acquisitions, increased by 17.9%, or EUR 222.8 million.

Despite the challenging general economic environment and, in times, excessively strained supply chains, SAF-HOLLAND achieved strong growth over the course of the year 2022. Also in the fourth quarter, Group sales recorded considerable growth.

Group sales by segment 2022

in %



Group sales by region

in kEUR

	FY 2022	FY 2021	Change absolute	Change in %
EMEA	815,305	734,612	80,693	11.0%
in % of Group sales	52.1%	58.9%		
Americas	590,591	401,816	188,775	47.0%
in % of Group sales	37.7%	32.2%		
APAC	159,193	110,155	49,038	44.5%
in % of Group sales	10.2%	8.9%		
Group sales	**1,565,089**	**1,246,583**	**318,506**	**25.6%**

Double-digit growth in both the original equipment and aftermarket businesses

Group sales by customer segment

in kEUR

	FY 2022	FY 2021	Change absolute	Change in %
OEM Trailer	946,269	736,298	209,971	28.5%
in % of Group sales	60.5%	59.1%		
OEM Trucks	197,749	160,476	37,273	23.2%
in % of Group sales	12.6%	12.8%		
Aftermarket business	421,071	349,809	71,262	20.4%
in % of Group sales	26.9%	28.1%		
Group sales	**1,565,089**	**1,246,583**	**318,506**	**25.6%**

SAF-HOLLAND achieved double-digit growth in both the original equipment (OE) and aftermarket (AM) customer segments in the 2022 financial year. The sales growth in the original equipment business was slightly above average at 27.6% and sales reached EUR 1,144.0 million in 2022 (previous year: EUR 896.8 million). As a result, SAF-HOLLAND's sales growth outpaced the international truck and trailer markets, measured in terms of the number of vehicles manufactured. Contributing to this growth was increasing demand for trailer axle and suspension systems and truck components. The contribution of the original equipment business to Group sales increased from 71.9% to 73.1%.

In the aftermarket business, sales increased by 20.4% to EUR 421.1 million in the 2022 financial year (previous year: EUR 349.8 million). However, as a result of the stronger growth in the OE business, the share of sales accounted for by the aftermarket business decreased slightly from 28.1% to 26.9% for the 2022 financial year. The fourth quarter experienced weaker demand in Europe from customers being more cautious when restocking their inventories; sales however continued to increase.

Gross margin essentially stable despite higher procurement prices

The cost of sales increased by 25.8% to EUR 1,305.5 million in the 2022 financial year (previous year: EUR 1,037.5 million). The increase was primarily the result of significantly higher steel, logistics and energy costs as well as higher purchasing volumes due to higher sales. Depending on the respective contract structure, SAF-HOLLAND is able to largely pass on these increases in its own prices, but this generally occurs with a time lag. The strong increases in important input costs at times had a significant impact on earnings, particularly at the beginning of the year. In contrast, the successful efficiency improvements carried out in the production-related and administrative areas resulted in lower costs.

With the percentage increase in the cost of sales in the 2022 financial year roughly in line with sales growth, the gross margin remained essentially unchanged at 16.6% compared to the previous year (16.8%). The effect of gradually passing on the increases in steel, freight and energy costs was reflected in the development of the gross margin during the year. Whereas, at the beginning of the year, the gross margin was still noticeably below the prior year's level, it picked up noticeably again as the year progressed.

Important to note is that the cost of sales in 2022 includes depreciation and amortization of EUR 2.1 million (previous year: EUR 2.1 million) from purchase price allocations, an impairment loss of EUR 2.4 million at the Chinese subsidiary SAF-HOLLAND (Yangzhou) Vehicle Parts Co., Ltd., China, (previous year: EUR 4.4 million) and other restructuring costs of EUR 2.8 million (previous year: EUR 1.2 million). Adjusted for these special items, gross profit in the 2022 financial year would have increased by 23.1% to EUR 266.8 million (previous year: EUR 216.7 million) and the adjusted gross margin would have reached the level of 17.0% (previous year: 17.4%).

Development of earnings

in kEUR

	FY 2022	FY 2021	Change absolute	Change in %
Sales	1,565,089	1,246,583	318,506	25.6%
Cost of sales	–1,305,539	–1,037,498	–268,041	25.8%
Gross profit	259,550	209,085	50,465	24.1%
Gross profit margin	16.6%	16.8%		
Adjusted gross profit	266,800	216,738	50,062	23.1%
Adjusted gross profit margin	17.0%	17.4%		
Other income	4,444	2,151	2,293	106.6%
Other expenses	–2,066	–2,927	861	–29.4%
Selling expenses	–71,487	–58,674	–12,813	21.8%
Administrative expenses	–71,619	–62,193	–9,426	15.2%
Research & development costs	–19,208	–16,926	–2,282	13.5%
Operating result	**99,614**	**70,516**	**29,098**	**41.3%**

EBIT benefits from cost discipline and product mix

Earnings before interest and taxes (EBIT) improved by 40.7% in the 2022 financial year, rising to EUR 101.5 million (previous year: EUR 72.1 million). The higher percentage increase in EBIT compared to gross profit is primarily attributable to economies of scale and noticeably more efficient processes in the areas of sales, administration and research and development (R&D). The increase in selling and administrative expenses was therefore lower than sales growth. SAF-HOLLAND spent EUR 2.3 million more on R&D, however, the strong increase in sales triggered the R&D ratio to decline. As a result of the aforementioned effects, strict cost discipline and a favorable product mix, the EBIT margin rose to 6.5% in the 2022 financial year (previous year: 5.8%).

Adjusted EBIT margin increased to 8.0%

The adjusted EBIT in the 2022 financial year reached EUR 124.6 million (previous year: EUR 93.1 million) and at 33.8%, the year-on-year increase outpaced the percentage increase in Group sales. This corresponds to an adjusted EBIT margin of 8.0% (previous year: 7.5%). In addition to a favorable overall product mix, the efficiency improvements in manufacturing already described and the savings achieved in general and administrative expenses made a tangible contribution to the margin improvements.

In the same period, earnings before interest, taxes, depreciation and amortization (EBITDA) increased by 21.2% to EUR 151.5 million (previous year: EUR 125.0 million).

Reconciliation of operating profit to adjusted EBIT

in kEUR

	FY 2022	FY 2021	Change absolute	Change in %
Operating result	99,614	70,516	29,098	41.3%
Share of net profit of investments accounted for using the equity method	1,877	1,624	253	15.6%
EBIT	101,491	72,140	29,351	40.7%
EBIT margin	6.5%	5.8%		
Additional depreciation and amortisation from PPAs	9,455	9,145	310	3.4%
Restructuring and transaction expenses	9,142	4,187	4,955	118.3%
Other adjustments	4,513	7,656	–3,143	–41.1%
Adjusted EBIT	124,601	93,128	31,473	33.8%
Adjusted EBIT margin	8.0%	7.5%		
Amortization and depreciation of intangible assets and property, plant and equipment (without PPA	38,094	38,977	–883	–2.3%
Adjusted EBITDA	162,695	132,105	30,590	23.2%
Adjusted EBITDA margin	10.4%	10.6%		
EBITDA	151,487	124,991	26,496	21.2%
EBITDA margin	9.7%	10.0%		

Adjusted EBIT includes adjustment for transaction costs for Haldex acquisition

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

In the 2022 financial year, non-recurring, acquisition-related expenses and income totaling EUR 23.1 million (previous year: EUR 21.0 million) were incurred at the level of earnings before interest and taxes (EBIT).

Restructuring and transaction costs of EUR 9.1 million (previous year: EUR 4.2 million) primarily comprised transaction and legal fees of EUR 6.2 million in connection with the offer to acquire the shares in the Swedish braking systems specialist Haldex AB. Added to this were restructuring costs, most of which were attributable to the Chinese Group companies in the APAC region and, to a lesser extent, to the EMEA region.

At a total of EUR 9.5 million in 2022 (previous year: EUR 9.1 million), depreciation and amortization from purchase price allocations was largely at the level of the previous year.

In the 2022 financial year, other adjustments included a negative valuation effect from the put option for the acquisition of the outstanding shares in PressureGuard LLC in the amount of EUR 2.1 million (previous year: negative valuation effect from the put option for the acquisition of the outstanding shares in KLL of EUR 2.9 million). Adjustments also included an impairment loss recognized at the Chinese subsidiary SAF-HOLLAND (Yangzhou) Vehicle Parts Co., Ltd., China, in the amount of EUR 2.4 million. This compares to impairment losses of EUR 4.7 million on property, plant and equipment and intangible assets in China recognized in 2021.

Adjusted EBIT margin also at a high level in the fourth quarter

Despite the usual plant shutdowns by a number of customers towards the end of the year, the adjusted EBIT margin reached a solid level in the fourth quarter of 2022. The improvement compared to the previous year was mainly due to the aforementioned recovery in the gross margin from successively passing on the increases in steel, freight and energy costs. The improved margin in the fourth quarter also benefited from the reversal of provisions in the amount of EUR 1.2 million for long-term variable remuneration. The positive effect, however, was offset in the fourth quarter by even higher personnel expenses of around EUR 1.7 million. These resulted from the special payment of an inflation compensation premium as part of the German metal and electrical industry's collective wage agreement. This payment was recognized in EBIT and not adjusted. SAF-HOLLAND utilized the option to make the payment still in the year-end quarter 2022.

Currency effects had no significant impact on the adjusted EBIT margin in the 2022 financial year.

Finance result impacted by financing of Haldex offer

Assuming higher financial liabilities to finance the Haldex acquisition and the higher interest rates for variable lines of financing were the main reasons for the decline in the finance result to EUR –13.0 million in the 2022 financial year (previous year: EUR –9.4 million). The net interest result (interest expenses on interest-bearing loans and bonds and leases less interest income) therefore amounted to EUR –13.3 million, compared with EUR –7.6 million for the previous financial year.

The amortization of transaction costs resulted in an expense of EUR 1.6 million (previous year: EUR 0.9 million). This was offset by a positive balance of finance income and expenses in connection with derivative financial instruments amounting to EUR 1.4 million (previous year: EUR 0.4 million). There was also a positive balance of realized and unrealized exchange gains/losses on loans denominated in foreign currencies and dividends amounting to EUR 1.8 million (previous year: EUR –0.6 million).

Finance result

in kEUR

	FY 2022	FY 2021	Change absolute	Change in %
Finance income	10,237	4,424	5,813	131.4%
Finance expenses	–23,230	–13,869	–9,361	67.5%
Finance result	**–12,993**	**–9,445**	**–3,548**	**37.6%**

Result for the period benefits from normalized tax rate

The result before income tax increased by 41.2% to EUR 88.5 million in the 2022 financial year (previous year: EUR 62.7 million).

Based on a Group tax rate of 30.8% (previous year: 41.3%), the Group generated a result for the period of EUR 61.2 million in the 2022 financial year (previous year: EUR 36.8 million). The result for the period therefore grew at a faster rate (66.4%) than sales. It is important to take into account the fact that the effective Group tax rate in 2021 was significantly higher than the expected Group tax rate of 26.7% due to unrecognized deferred taxes on losses in 2021 and existing loss carryforwards at the SAF-HOLLAND subsidiary Yangzhou Vehicle Parts Ltd, China. The share of the result for the period attributable to the shareholders of the parent company increased from EUR 36.7 million in the previous year to EUR 61.1 million in the 2022 financial year.

Based on the unchanged number of 45.4 million ordinary shares outstanding, basic earnings per share for the 2022 financial year improved significantly to EUR 1.35 (previous year: EUR 0.81).

The adjusted result for the period increased 34.7% to EUR 82.6 million in the 2022 financial year (previous year: EUR 61.3 million) and adjusted basic earnings per share reached EUR 1.82 (previous year: EUR 1.35).

Reconciliation of EBT to basic earnings per share

in kEUR

	FY 2022	FY 2021	Change absolute	Change in %
Result before taxes	88,498	62,695	25,803	41.2%
Income taxes	–27,271	–25,899	–1,372	5.3%
Income tax rate	–30.8%	–41.3%		
Result for the period	61,227	36,796	24,431	66.4%
Result for the period without non-controlling interests	61,081	36,737	24,344	66.3%
Basic earnings per share in EUR	1.35	0.81	0.54	
Adjusted result for the period	82,635	61,281	21,354	34.8%
Adjusted result for the period without non-controlling interests	82,489	61,222	21,267	34.7%
Adjusted basic earnings per share	1.82	1.35	0.47	

SEGMENT REPORTING

EMEA region: Gradual improvement in adjusted EBIT margin during the year

The EMEA region increased sales in the 2022 financial year by 11.0% to EUR 815.3 million (previous year: EUR 734.6 million). Adjusted for exchange rate effects and changes in the scope of consolidation, sales grew by 7.8%. Both the original equipment business and the aftermarket business contributed to the low double-digit growth of the EMEA region in full-year 2022. Demand in the original equipment business benefited from the fact that numerous fleet operators had scaled back their investments during the COVID-19 pandemic. With the lifting of the pandemic restrictions and the largely normalized supply chain situation, there was a noticeable catch-up effect in terms of investments, particularly from customers in the OE business.

EMEA

in kEUR

	FY 2022	FY 2021	Change absolute	Change in %
Sales	815,305	734,612	80,693	11.0%
EBIT	**40,704**	**62,034**	**–21,330**	**–34.4%**
EBIT margin	5.0%	8.4%		
Additional depreciation and amortisation from PPAs	4,419	4,513	–94	–2.1%
Restructuring and transaction expenses	7,571	671	6,900	1028.3%
Adjusted EBIT	**52,694**	**67,218**	**–14,524**	**–21.6%**
Adjusted EBIT margin	6.5%	9.2%		
Amortization and depreciation of intangible assets and property, plant and equipment (without PPA)	18,602	17,650	952	5.4%
Adjusted EBITDA	71,296	84,868	–13,572	–16.0%
Adjusted EBITDA margin	8.7%	11.6%		

Also in the fourth quarter of 2022, sales in the EMEA region increased. Sales in this region were affected by the fact that many customers were very cautious in stocking up on spare parts due to the existing economic and industry-related uncertainties.

Adjusted EBIT in the EMEA region decreased to EUR 52.7 million in 2022 (previous year: EUR 67.2 million). Despite a gradual improvement during the year, the adjusted EBIT margin was still noticeably lower year-on-year at 6.5% (previous year: 9.2%). Earnings were impacted, above all, by high steel and intermediate prices as well as sharp increases in freight and energy costs. These could only be passed on with a noticeable time lag. As a result, adjusted EBIT margin in the EMEA region was significantly lower year-on-year, particularly in the first half of 2022. The transaction and legal advisory costs in connection with the offer to acquire Haldex, amounting to EUR 6.2 million, are included in the EBIT of the EMEA region.

In the fourth quarter of 2022, which tends to be a seasonally weaker quarter, the adjusted EBIT margin was slightly below the prior-year level. It should be noted that in the fourth quarter of 2022, the EMEA region had to bear additional and non-recurring personnel costs of EUR 1.7 million from the aforementioned special payment of the inflation compensation premium as part of the German metal and electrical industry's collective wage agreement.

Americas region: High growth and further margin improvement

The Americas region achieved high sales growth of 47.0% to EUR 590.6 million in the 2022 financial year (previous year: EUR 401.8 million). Contributing to this growth were positive exchange rate effects amounting to EUR 64.5 million, particularly from the appreciation of the US dollar against the euro. SAF-HOLLAND increased sales in the region on an organic basis by 30.9%.

Sales growth in the Americas region was primarily driven by the trailer original equipment business. In this business, SAF-HOLLAND benefited from both market share gains and the ongoing trend towards technologically more sophisticated and more effective disc brake axle systems for trailers. These systems allow for shorter braking distances and are increasingly being ordered by large fleets. The Company also recorded double-digit growth rates in the Americas region in the truck and aftermarket businesses.

Americas

in kEUR

	FY 2022	FY2021	Change absolute	Change in %
Sales	590,591	401,816	188,775	47.0%
EBIT	**51,300**	**15,989**	**35,311**	**220.8%**
EBIT margin	8.7%	4.0%		
Additional depreciation and amortisation from PPAs	2,351	2,213	138	6.2%
Restructuring and transaction expenses	156	2,871	–2,715	–94.6%
Other adjustments	2,066	2,927	–861	–29.4%
Adjusted EBIT	**55,873**	**24,000**	**31,873**	**132.8%**
Adjusted EBIT margin	9.5%	6.0%		
Amortization and depreciation of intangible assets and property, plant and equipment (without PPA)	15,905	16,021	–116	–0.7%
Adjusted EBITDA	71,778	40,021	31,757	79.4%
Adjusted EBITDA margin	12.2%	10.0%		

The Americas region was less affected by energy cost increases than the EMEA region. Earnings also benefited from the previous year’s price adjustments, declining material prices in some product areas, and the successfully implemented efficiency improvements and savings in overheads. The product mix was also favorable.

The adjusted EBIT in the Americas region grew overall to EUR 55.9 million in the 2022 financial year (previous year: EUR 24.0 million). The adjusted EBIT margin improved from 6.0% in the previous year to 9.5%.

The strong growth momentum in the Americas region also continued in the fourth quarter of 2022.

APAC region: Adjusted EBIT margin in the region above 10%

APAC

in kEUR

	FY 2022	FY2021	Change absolute	Change in %
Sales	159,193	110,155	49,038	44.5%
EBIT	**9,487**	**–5,883**	**15,370**	
EBIT margin	6.0%	–5.3%		
Additional depreciation and amortisation from PPAs	2,685	2,419	266	11.0%
Restructuring and transaction expenses	1,415	645	770	119.4%
Other adjustments	2,447	4,729	–2,282	–48.3%
Adjusted EBIT	**16,034**	**1,910**	**14,124**	**739.5%**
Adjusted EBIT margin	10.1%	1.7%		
Amortization and depreciation of intangible assets and property, plant and equipment (without PPA)	3,587	5,306	–1,719	–32.4%
Adjusted EBITDA	19,621	7,216	12,405	171.9%
Adjusted EBITDA margin	12.3%	6.6%		

The APAC region generated sales of EUR 159.2 million in 2022 (previous year: EUR 110.2 million). High growth rates in the trailer original equipment business in India and Australia were the main reason for sales in the region to jump by 44.5%. Adjusted for exchange rate effects, growth was still 37.5%. As the leading manufacturer of axle and suspension systems in India, SAF-HOLLAND benefited from the ongoing government infrastructure measures and the expansion in the transport sector. In 2022, SAF-HOLLAND began expanding its manufacturing capacities at the site of its Indian subsidiary York in Pune in order to keep pace with the anticipated growth. This is in contrast to China, where the weak market environment for trucks and trailers resulted in an inadequate level of capacity utilization at the SAF-HOLLAND Group’s Chinese site in Yangzhou. In Australia, demand for special purpose vehicles remained high, supported by high raw material prices. SAF-HOLLAND was also able to benefit from this with its supplied trailer components.

The aftermarket business of the APAC region, which still accounts for a significantly lower share of total sales compared to the EMEA and Americas segments, also increased significantly in the 2022 financial year, supported by SAF-HOLLAND's increasing axle population in the market.

Adjusted EBIT in the APAC region improved from EUR 1.9 million to EUR 16.0 million in 2022. Due to the ongoing difficult situation in China described above, SAF-HOLLAND recognized an impairment loss within the scope of regular impairment testing at the subsidiary in Yangzhou, China. The impairment loss in the amount of EUR 2.4 million in the 2022 financial year was adjusted for in adjusted EBIT. In addition, the segment's EBIT includes net restructuring costs of EUR 1.4 million (previous year: EUR 0.6 million). The main drivers of the segment's earnings improvement at an EBIT level were the effective implementation of cost-saving measures and a lower basis for depreciation and amortization. In India, the sharp rise in volumes and sales had a positive impact on the earnings situation on the subcontinent through a stronger operating leverage effect. Overall, the adjusted EBIT margin in the region increased to 10.1% (previous year: 1.7%).

In the fourth quarter of 2022, the APAC region continued uninterrupted to maintain the high sales growth of the previous quarters, increasing the latter significantly.

NET ASSETS

Significant increase in total assets due to acquisition of Haldex shares

Due to the pending approval of the Polish competition authority, the Haldex acquisition had not yet been completed as of the December 31, 2022 reporting date. Accordingly, Haldex AB was not consolidated in the balance sheet of the SAF-HOLLAND Group as of December 31, 2022. However, the purchase of Haldex shares prior to and as part of the takeover bid, as well as the financing of the purchases, had already led to a significant expansion in the consolidated balance sheet for the 2022 financial year. As a result, total assets increased by 47.7% to EUR 1,498.4 million as of December 31, 2022 (previous year: EUR 1,014.3 million).

Net assets: Assets

in kEUR

	12/31/2022	12/31/2021	Change absolute	Change in %
Non-current assets	**872,183**	**482,571**	**389,612**	**80.7%**
Intangible assets	227,918	235,889	–7,971	–3.4%
Property, plant and equipment	205,729	201,334	4,395	2.2%
Other (financial) assets	438,536	45,348	393,188	867.0%
Current assets	**626,240**	**531,696**	**94,544**	**17.8%**
Inventories	202,249	193,971	8,278	4.3%
Trade receivables	144,744	136,259	8,485	6.2%
Cash and cash equivalents	243,460	165,221	78,239	47.4%
Other (financial) assets	35,787	36,245	–458	–1.3%
Balance sheet total	**1,498,423**	**1,014,267**	**484,156**	**47.7%**

Purchase of Haldex shares increases non-current assets by more than 80%

On the assets side, the Haldex acquisition resulted in an increase in the line item non-current financial assets from EUR 0.1 million in the previous year to EUR 402.2 million. This line item includes the purchase of approximately 96% of the outstanding shares of Haldex AB in the amount of EUR 292.2 million and a financing line taken over by SAF-HOLLAND in the form of a EUR 110.0 million loan granted to Haldex.

Within non-current assets, property, plant and equipment increased from EUR 201.3 million to EUR 205.7 million in the course of 2022. This resulted from higher advance payments and assets under construction and mainly reflects investments in the expansion of production capacities. This was in contrast to other intangible assets, which decreased in the reporting year to EUR 147.5 million (previous year: EUR 156.9 million) due to depreciation and amortization. Goodwill increased slightly to EUR 80.4 million (previous year: EUR 79.0 million) due to positive currency translation effects.

Non-current assets amounted to EUR 872.2 million overall as of December 31, 2022, compared with EUR 482.6 million in the previous year. This equals an increase of EUR 389.6 million, or 80.7%.

Increase in current assets lower than sales growth

Current assets increased to EUR 626.2 million as of the December 31, 2022 reporting date (previous year: EUR 531.7 million). Cash and cash equivalents increased to EUR 243.5 million (previous year: EUR 165.2 million) and represented the largest item within current assets. In November 2022, SAF-HOLLAND issued a promissory note loan in the amount of EUR 176.0 million. This was used to refinance tranches of the existing promissory note loan. A portion of the funds were also used to finance the Haldex acquisition.

The 4.3% increase in inventories to EUR 202.3 million (previous year: EUR 194.0 million) and the 6.2% increase in trade receivables to EUR 144.7 million (previous year: EUR 136.3 million) were substantially lower than the growth in sales due to the strict management of net working capital. This contributed significantly to the successive improvement in the net working capital ratio in the 2022 financial year.

Equity ratio declines to 29.5% due to financing of Haldex transaction

Net assets: Equity + Liabilities

in kEUR

	12/31/2022	12/31/2021	Change absolute	Change in %
Total equity	**441,354**	**371,070**	**70,284**	**18.9%**
Non-current liabilities	**718,175**	**418,415**	**299,760**	**71.6%**
Interest-bearing loans and bonds	614,118	304,231	309,887	101.9%
Lease liabilities	30,698	33,659	–2,961	–8.8%
Other non-current liabilities	73,359	80,525	–7,166	–8.9%
Current liabilities	**338,894**	**224,782**	**114,112**	**50.8%**
Interest-bearing loans and bonds	101,541	17,968	83,573	465.1%
Lease liabilities	7,695	7,402	293	4.0%
Trade payables	159,029	145,789	13,240	9.1%
Other current liabilities	70,629	53,623	17,006	31.7%
Balance sheet total	**1,498,423**	**1,014,267**	**484,156**	**47.7%**

As of December 31, 2022, equity rose year-on-year by EUR 70.3 million in absolute terms to EUR 441.4 million. Equity was increased by the result for the period of EUR 61.2 million, exchange differences from the translation of foreign operations of EUR 12.7 million, and the remeasurement of defined benefit plans of EUR 8.1 million (after taxes). This was offset by the distribution of the dividend for the 2021 financial year in the amount of EUR 15.9 million.

The increase in the balance sheet from financing the Haldex acquisition led to a decline in the equity ratio to 29.5% (previous year: 36.6%).

Acquisition of Haldex shares financed mainly with long-term liabilities

Non-current liabilities in the 2022 financial year rose by EUR 299.8 million to EUR 718.2 million as of December 31, 2022. The main reason for the higher non-current liabilities was the increase in SAF-HOLLAND's interest-bearing loans and bonds to EUR 614.1 million (previous year: EUR 304.2 million) in order to finance the acquisition of Haldex shares and to refinance the loan granted to Haldex. This led to an increase in the ratio of non-current liabilities to balance sheet total to 47.9% as of December 31, 2022 (previous year: 41.3%).

Current liabilities to total assets at 22.6%

Current liabilities rose to EUR 338.9 million as of December 31, 2022 (previous year: EUR 224.8 million). Most of this increase was attributable to interest-bearing loans and bonds, which amounted to EUR 101.5 million at the end of 2022 (previous year: EUR 18.0 million). Trade payables increased to EUR 159.0 million (previous year: EUR 145.8 million) as a result of the significant rise in sales and volumes. The ratio of current liabilities to the Group's total equity and liabilities increased slightly to 22.6% as of December 31, 2022 (previous year: 22.2%).

Net financial debt expands by EUR 312.6 million; excluding Haldex, decrease of EUR 89.6 million

Net financial debt (including lease liabilities) increased to EUR 510.6 million as of December 31, 2022 (previous year: EUR 198.0 million) as a result of acquiring the majority of shares in Haldex AB. The leverage ratio (ratio of net financial debt to EBITDA) was 3.4x at the end of the 2022 financial year (previous year: 1.6x). As of the reporting date, the Haldex results were not included in the SAF-HOLLAND Group figures as the transaction had not yet been completed as of December 31, 2022.

When adjusting net financial debt for the financial assets – shares and loans – resulting from the Haldex transaction in the amount of EUR 402.2 million, which was financed through credit lines, the net financial debt at the end of 2022 would amount to just EUR 108.4 million. This means that, when excluding the Haldex transaction, net financial debt declined by EUR 89.6 million in the course of 2022. The leverage ratio adjusted for the effects of the Haldex transaction was therefore 0.7x as of December 31, 2022. A significant portion of the financial debt raised for the Haldex purchase is linked to EURIBOR in view of the financing conditions. Derivative instruments are used for risk management. Portions of the credit lines are subject to covenants depending on the leverage ratio, which can have a positive or negative impact on the interest rate scales.

Other acquisitions have limited impact on the balance sheet

In March 2022, SAF-HOLLAND fully acquired the company Industrial Machinery Supplies Limited (IMS Ltd.) in the United Kingdom. In September 2022, SAF-HOLLAND also acquired the remaining 6.4% of the shares in Axscend Group Ltd, United Kingdom, and now holds all of the shares in the company. The impact of these transactions on the balance sheet items was insignificant. Further information on this can be found in the notes to the consolidated financial statements, starting on page 131.

Change in net debt

in kEUR

	12/31/2022	12/31/2021	Change absolute	Change in %
Non-current interest bearing loans and bonds	614,118	304,231	309,887	101.9%
Current interest bearing loans and bonds	101,541	17,968	83,573	465.1%
Non-current lease liabilities	30,698	33,659	–2,961	–8.8%
Current lease liabilities	7,695	7,402	293	4.0%
Total financial liabilities	**754,052**	**363,260**	**390,792**	**107.6%**
Cash and cash equivalents	–243,460	–165,221	–78,239	47.4%
Net debt	**510,592**	**198,039**	**312,553**	**157.8%**

Net working capital ratio improved by 2.8 percentage points

Net working capital development

in kEUR

	12/31/2022	12/31/2021	Change absolute	Change in %
Inventories	202,249	193,971	8,278	4.3%
Trade receivables	144,744	136,259	8,485	6.2%
Trade payables	–159,029	–145,789	–13,240	9.1%
Net working capital	**187,964**	**184,441**	**3,523**	**1.9%**
Sales (last 12 months)	1,565,089	1,246,583	318,506	25.6%
Net working capital ratio	**12.0%**	**14.8%**	**–2.8**	**–18.9%**

Net working capital is defined as the sum of inventories and trade receivables less trade payables. Although the Group grew sales by 25.6% in the 2022 financial year, net working capital remained essentially constant at EUR 188.0 million compared to EUR 184.4 million in the previous year.

The net working capital ratio, measured as the ratio of net working capital to Group sales for the trailing twelve months, was reduced by 2.8 percentage points year-on-year from 14.8% to 12.0% with the help of consistent liquidity management. This significant improvement was mainly due to the below-average increase in funds tied up in inventories and trade receivables compared with sales growth.

As in previous years, to optimize liquidity, SAF-HOLLAND used factoring, which in the reporting year amounted to EUR 52.7 million (previous year: EUR 44.2 million).

FINANCIAL POSITION

Free cashflow

in kEUR

	FY 2022	FY 2021	Change absolute	Change in %
Net cash flow from operating activities	**153,392**	**39,651**	**113,741**	**286.9%**
Net cash flow from investments in fixed assets and intangible assets	–33,358	–23,528	–9,830	41.8%
Operating free cash flow	**120,034**	**16,123**	**103,911**	**644.5%**
Net cash flow from the acquisition of other financial assets and investments in equity instruments	–289,650	-	–289,650	-
Total free cash flow	**–169,616**	**16,123**	**–185,739**	**-**

Net cash flow from operating activities increased by EUR 113.7 million

Net cash flow from operating activities reached EUR 153.4 million in the 2022 financial year (previous year: EUR 39.7 million), up EUR 113.7 million on the previous year. This was mainly due to two developments. The first was a rise in cash flow before change in net working capital to EUR 178.5 million (previous year: EUR 125.2 million) due to a higher result before income tax. The second was a reduction in the capital tied up in net working capital in the 2022 financial year, which resulted in a cash inflow of EUR 2.1 million. This is in contrast to a cash outflow of EUR 65.5 million in the previous year. This positive development was largely due to the successful implementation of the "Cash is King" program to reduce capital tied up in current assets. The increase in inventories and trade receivables was kept well below the increase in sales and totaled EUR 10.5 million (previous year: EUR 100.3 million).

Net cash flow from investing activities, influenced primarily by the purchase of shares in Haldex AB, amounted to EUR –431.7 million in the 2022 financial year (previous year: EUR –21.9 million). This included payments for the acquisition of other financial assets (Haldex shares) and the loan granted to Haldex totaling EUR 397.8 million. The Group increased payments for the purchase of property, plant and equipment and intangible assets to EUR 36.3 million (previous year: EUR 24.7 million) as part of its business expansion and in preparation for planned further growth. During 2022, investments focused on further automating the production processes in Germany, building a new production line for fifth wheels in Mexico, and expanding capacity in India. In contrast, the Company received funds of EUR 2.9 million (previous year: EUR 1.1 million) from the sale of property, plant and equipment.

Free operating cash flow at EUR 120.0 million

Operating free cash flow (net cash flow from operating activities after deducting net investments in property, plant and equipment and intangible assets) increased significantly year-on-year by EUR 103.9 million from EUR 16.1 million to EUR 120.0 million. This was mainly the result of the aforementioned reduction in capital tied up in current assets.

Including the net investment to acquire shares in companies in the amount of EUR 1.9 million, which related to the purchase of IMS Ltd., United Kingdom, and the acquisition of other financial assets (Haldex shares) of EUR 287.8 million (previous year: EUR 0.0 million), total free cash flow in 2022 as a whole amounted to EUR –169.6 million (previous year: EUR 16.1 million).

Solid long-term financing structure

In the course of the debt-financed acquisition of the Haldex shares, there was a noticeable change in the financing structure of SAF-HOLLAND in the 2022 financial year. The majority of financial liabilities (interest-bearing loans and bonds plus lease liabilities) consisted of long-term loans and bonds (94.9%) at the end of the year. The promissory note loan of EUR 176 million issued in the 2022 financial year also contributed to the change in the financing structure. Current financial liabilities of EUR 109.2 million were offset by cash and cash equivalents of EUR 243.5 million at the end of 2022. The Group's aim is to achieve a balanced maturity profile and optimize borrowing conditions. Further details on the maturities and interest rates of the loans and bonds can be found in Note 6.14 in the consolidated financial statements.

Financial and capital management

The risks SAF-HOLLAND is exposed to are mainly liquidity risks, credit risks, interest rate risks and foreign currency risks. The objective of risk management is to limit these risks, especially through natural hedging as well as through the use of derivative and non-derivative hedging instruments. Further information can be found in the section "Overview of significant business risks," in the Risk and Opportunity Report, and in the notes to the consolidated financial statements under Note 7.1 with reference to financial instruments and financial risk management.

In addition to limiting financing risks and continuously safeguarding solvency, the key tasks of the Group's capital management are first and foremost to optimize the cost of capital and generate an appropriate return on capital employed. In the medium term, SAF-HOLLAND aims to achieve a return on capital employed (ROCE) of at least 15%. The decline in ROCE in the 2022 financial year resulted from a significant increase in capital employed due to the acquisition of the Haldex shares. As already described, since Haldex could not yet be included in the scope of consolidation of the SAF-HOLLAND Group as of December 31, 2022, there was no earnings contribution from Haldex to set in relation to the purchase price.

Financial return: ROCE

in kEUR

	12/31/2022	12/31/2021	Change absolute	Change in %
Equity	441,354	371,070	70,284	18.9%
Interest bearing loans and bonds current and non-current	715,659	322,199	393,460	122.1%
Lease liabilities current and non-current	38,393	41,061	–2,668	–6.5%
Pensions and other similar benefits	15,322	22,340	–7,018	–31.4%
Cash and cash equivalents	–243,460	–165,221	–78,239	47.4%
Capital employed	**967,268**	**591,449**	**375,819**	**63.5%**
Adjusted EBIT (last 12 months)	124,601	93,128	31,473	33.8%
ROCE	**12.9**	**15.7**	**–2.8**	**–17.8%**

OVERALL STATEMENT OF THE MANAGEMENT BOARD ON THE ECONOMIC SITUATION

Despite a challenging environment, SAF-HOLLAND recorded a successful 2022 financial year in which the original targets were significantly exceeded. This was accomplished as the result of higher-than-expected demand from truck and trailer manufacturers, from which the Group benefited disproportionately with its product offering. Consequently, the Group generated record sales in 2022. SAF-HOLLAND also achieved economies of scale, efficiency gains in production and cost savings in the administrative area. Instead of the decline expected at the beginning of the year, SAF-HOLLAND was therefore able to expand its adjusted EBIT margin from 7.5% to 8.0% in 2022.

In addition, the systematic implementation of the "Cash is King" program brought about a marked improvement in the level of funds tied up in current assets. The net working capital ratio decreased by 2.8 percentage points year-on-year from 14.8% to 12.0%. Accordingly, net financial debt adjusted for the effects of the Haldex transaction was reduced by EUR 89.6 million in the course of 2022. In the view of the Management Board, based on its balance sheet, SAF-HOLLAND is solidly positioned to integrate the acquired Haldex AB and move forward with their joint transformation.

SEPARATE FINANCIAL STATEMENTS OF SAF-HOLLAND SE

BALANCE SHEET AS OF DECEMBER 31, 2022

Assets

	12/31/2022	12/31/2021
	kEUR	kEUR
A. Fixed assets		
I. Financial assets		
1. Shares in affiliated companies	603,910	313,238
2. Loans to affiliated companies	152,894	42,894
	756,804	**356,132**
B. Current assets		
I. Receivables and other assets		
1. Receivables from affiliated companies	36,743	32,882
2. Other assets	23	52
	36,766	**32,934**
II. Cash at banks	18,087	90
	54,853	**33,024**
C. Prepayments	70	101
	811,726	**389,257**

Equity and liabilities

	12/31/2022	12/31/2021
	kEUR	kEUR
A. Equity		
I. Subscribed capital	45,394	45,394
II. Capital reserves	231,915	231,915
III. Retained earnings		
1. Legal reserve	45	45
2. Other retained earnings	720	720
IV. Unappropriated profit	47,756	39,660
	325,830	**317,733**
B. Provisions		
1. Provisions for pensions and other similar obligations	18	17
2. Other provisions	2,811	3,469
	2,829	**3,486**
C. Liabilities		
1. Trade payables	3,878	65
2. Liabilities to affiliated companies	479,046	67,720
3. Other liabilities	143	253
thereof from taxes kEUR 142 (previous year: kEUR 253)		
	483,067	**68,038**
	811,726	**389,257**

INCOME STATEMENT FOR THE 2022 FINANCIAL YEAR

		2022	2021
	kEUR	kEUR	kEUR
1. Sales	3,296		3,316
2. Other operating income	129		121
thereof income from currency translation kEUR 4 (previous year: kEUR 0)			
		3,425	**3,437**
3. Cost of materials			
b) Expenses for purchased services	767		895
4. Personnel expenses			
a) Salaries	4,683		5,453
b) Social security and pension expenses	357		355
thereof pension expenses of kEUR 0 (previous year: kEUR 2)			
5. Other operating expenses	3,693		1,825
thereof expenses from currency translation kEUR 0 (previous year: kEUR 0)			
		9,500	**8,528**
6. Income from investments	36,000		24,000
thereof from affiliated companies kEUR 36,000 (previous year: kEUR 24,000)			
7. Income from loans of financial fixed assets	2,753		2,009
thereof from affiliated companies kEUR 2,753 (previous year: kEUR 2,009)			
8. Interest and similar expenses	8,693		291
thereof from affiliated companies kEUR 8,693 (previous year: kEUR 291)			
thereof expenses from discounting kEUR 0 (previous year: kEUR 1)			
		30,060	**25,718**
9. Result after taxes		23,985	20,627
10. Other taxes	0.00		3
11. Result for the period		23,985	20,624
12. Profit carried forward		23,771	19,034
13. Retained earnings		**47,756**	**39,658**

BUSINESS AND OPERATING ENVIRONMENT

SAF-HOLLAND SE, based in Bessenbach, holds and manages directly and indirectly held investments and exercises the management and holding function. It provides administrative, financial, commercial and technical services for its associated companies.

The Company belongs to the global SAF-HOLLAND Group and is based in Bessenbach, Germany.

REPORT ON ECONOMIC POSITION

BUSINESS DEVELOPMENT

The business development of SAF-HOLLAND SE essentially corresponds to that of the Group and is described in detail in the chapter Report on Economic Position for the Group.

The results of SAF-HOLLAND SE determined in accordance with the German Commercial Code (HGB) are influenced foremost by the business development and results of the affiliated companies. These results are primarily reflected in the line item “income from investments”.

The key performance indicators that apply specifically to SAF-HOLLAND SE as a single entity are the result for the period and retained earnings to ensure the ability to pay dividends on an ongoing basis. For this reason, SAF-HOLLAND monitors and optimizes the ability of its subsidiaries to pay dividends. This is of particular relevance, as the Group’s available result for the period is the decisive factor for the amount of the dividend distribution to the shareholders. SAF-HOLLAND aims for a payout ratio of 40% to 50% of the Group’s available result for the period.

The result for the period in the reporting year equaled kEUR 23,985 (previous year: kEUR 2,027). The result for the period was higher than in the previous year, mainly due to higher income from investments. This is attributable to the positive development of the Group as a whole

RESULTS OF OPERATIONS

In the 2022 financial year, SAF-HOLLAND SE generated sales of kEUR 3,296 (previous year: kEUR 3,316). Sales were generated entirely from the provision of services to subsidiaries.

Other operating income of kEUR 129 (previous year: kEUR 121) resulted from the granting of non-cash benefits.

The cost of materials includes other expenses for purchased services amounting to kEUR 766 (previous year: kEUR 895), which are charged to other Group companies.

Due to lower provisions for bonuses and provisions for restructuring, personnel expenses decreased by kEUR 768 from kEUR 5,809 to kEUR 5,040.

Other operating expenses increased to kEUR 3,693 (previous year: kEUR 1,825). This resulted primarily from higher legal and consulting fees in connection with the Haldex acquisition.

The loss before interest and taxes (EBIT) for the financial year amounted to kEUR 6,075 (previous year: kEUR 5,091).

Income from investments includes a dividend from SAF-HOLLAND GmbH in the amount of kEUR 36,000 (previous year: kEUR 24,000).

Income from loans increased from kEUR 2,009 in 2021 to kEUR 2,753 as a result of loans granted to Haldex in November 2022 and the related interest incurred.

Interest and similar expenses in the reporting year increased from kEUR 8,403 to kEUR 8,694, mainly as a result of the financing of the Haldex acquisition via intercompany loans and the change in interest rates on intercompany financial obligations.

The result for the period for the 2022 financial year amounted to kEUR 23,985 (previous year: kEUR 20,627).

FINANCIAL SITUATION

As of December 31, 2022, total assets amounted to kEUR 811,726 (previous year: kEUR 389,257), amounting to a year-on-year increase of kEUR 422,469.

Shares in affiliated companies increased by kEUR 290,671 in the financial year and amounted to kEUR 603,910; the increase is due to the acquisition of the Haldex shares and the related acquisition costs.

Shares in affiliated companies refer to a 100% interest in SAF-HOLLAND GmbH and a 96% interest in Haldex AB.

Receivables from affiliated companies increased from kEUR 32,882 to kEUR 36,744, mainly due to an advance dividend from SAF-HOLLAND GmbH in the amount of kEUR 36,000.

Loans to affiliated companies increased from kEUR 42,894 to kEUR 152,894 as a result of loans in the amount of kEUR 110,000 to Haldex AB. The remaining kEUR 42,894 represent loans to SAF-HOLLAND Inc.

Provisions for pensions increased by kEUR 1 from kEUR 17 in 2021 to kEUR 18 in the reporting year.

The increase in trade payables of kEUR 3,813 from kEUR 65 to kEUR 3,878 originated mainly due to obligations from the Haldex acquisition.

The decrease in other provisions from kEUR 3,469 to kEUR 2,811 is mainly attributable to provisions for the long-term employee incentive program of kEUR 1,281 (previous year: kEUR 1,466) and restructuring provisions of kEUR 466 (previous year: kEUR 106).

Liabilities to affiliated companies amounted to kEUR 479,046 and were significantly above the previous year's level of kEUR 67,720. The increase of kEUR 411,326 is attributable to the assumption of a loan by SAF-HOLLAND GmbH to finance the Haldex transaction.

FINANCIAL POSITION

Equity increased from kEUR 317,733 to kEUR 325,830. This resulted from the higher level of unappropriated profits of kEUR 47,756 (previous year: kEUR 39,658).

The equity ratio decreased by 41.49 percentage points to 40.14% (previous year: 81.63%).

The Company's cash and cash equivalents amounted to kEUR 18,086 as of December 31, 2022 (previous year: kEUR 90). The increase was mainly due to the deposit of kEUR 17,100 for the squeeze out of the remaining Haldex shares.

OVERALL STATEMENT

In the view of the Management Board, the economic situation of the Company remained stable. The Company considers itself well equipped to continue to master economic challenges successfully.

HUMAN RESOURCES

As of December 31, 2022, there were 24 employees (previous year: 24).

RISKS AND OPPORTUNITIES

SAF-HOLLAND SE functions as the Group's holding company. Its development as well as its risks and opportunities therefore essentially 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 chapter on risk and opportunity management. This chapter also contains the description of the SAF-Holland's internal control system that is required under Section 289 (4) of the German Commercial Code (HGB).

SAF-HOLLAND SE income is primarily generated from the investment income of its direct and indirect subsidiaries. Due to its holding function, SAF-HOLLAND SE is therefore exposed to the risk of receiving lower investment income in the event of declining profits at its subsidiaries. Events such as the Russia-Ukraine conflict could have a particularly negative impact on the global economy and, directly or indirectly, on the business activities of SAF-HOLLAND. Due to the solid financial position of the SAF-HOLLAND companies and the possibility to control distributions of the subsidiaries, the opportunities and risks in connection with investment income are not considered material.

GUIDANCE AND OUTLOOK

For the 2023 financial year, SAF-HOLLAND SE anticipates higher interest expenses than in 2022 as a result of the aforementioned loans. The SAF-HOLLAND SE Management Board assumes personnel expenses and other cost factors will remain at the same levels reported for 2022.

Taking into consideration the result expected from SAF-HOLLAND SE's subsidiaries as well as the projected interest result for 2023, the result for the period is expected to be slightly higher than in 2022. This assumes that the retained earnings will be sufficient to ensure the Company's continued ability to pay dividends.

NON-FINANCIAL ASPECTS

RESEARCH AND DEVELOPMENT

FOCUS ON TECHNOLOGICAL MEGATRENDS AND TCO REDUCTION

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 attaches great strategic importance to 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 therefore 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 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 quality of the products have top priority for SAF-HOLLAND. Ongoing quality tests already in the development process are essential. In addition, measures are implemented in the product development phase to minimize the product defect rate. 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 key 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 existing solutions to regional requirements. Therefore, SAF-HOLLAND is present in the above-mentioned markets with developers and engineers. The direct proximity to the customer ensures that the market knowledge of the locally based units flows directly into product development.

RESEARCH AND DEVELOPMENT PRIORITIES 2022

Research and development activities in fiscal year 2022 were again determined by the two megatrends electrification and digitalization. A particular focus was the development of two electrified axles, the SAF TRAKr and SAF TRAKe.

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

The SAF TRAKr went into pre-series production in 2021. In financial year 2022, the focus was on process optimization and further development based on feedback from fleet operators who are using the axle on a test basis. The start of series production of the SAF TRAKr is planned for the first half of 2023. Currently, the sales focus for the TRAKr is still on Europe, although initial orders have already been won from Australia and New Zealand. Additional technical adjustments are still required for use in North America. A demo version was presented at the TMC (Technology & Maintenance Council) conference held in Orlando, Florida, in February 2023.

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 more traction and stability for the truck and trailer combination. Due to the all-electric drive, noise and particulate matter emissions can be significantly reduced 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 at an earlier stage of development and the focus is currently on testing the axle in the field. In addition, SAF-HOLLAND is working on further optimizations and the qualification of the axle at customers.

In Europe, the use of drive axles on trailers is currently only possible with special approval. Together with associations and other stakeholders, SAF-HOLLAND is using various bodies to create the legal basis for approval of vehicles with traction assistance in accordance with Regulation 13 of the United Nations Economic Commission for Europe (UN/ECE). In other regions of the world, such as North America or South Africa, the use of trailers with traction assistance in the axle could take place within the framework of self-certifications.

In addition, SAF-HOLLAND develops digital solutions for intelligent, networked axles (Smart Axles). Here, the focus is on the integration of sensors and electronics in mechanical products such as axles, suspension systems and fifth wheels. The goal in the development of Smart Axles is to monitor the wheel end and provide information to the vehicle operator about the condition of the respective components.

In addition, the intelligent linking of systems and the evaluation of the data obtained in the process is another key focus of development activities. The TrailerMaster telematics system from SAF-HOLLAND networks selected trailer components with each other and provides digital vehicle and movement data in real time. The goal is, among other things, to monitor component wear, prevent trailer damage, optimize maintenance intervals (keyword: predictive maintenance), and minimize downtime. Fleet operators can obtain precise information on the trailer's position, loading and the condition of the load, thus further improving their route and service planning. The combination of sensors and telematics has been available to initial pilot customers since 2021 and was successively rolled out to other customers in 2022.

Another development focus of SAF-HOLLAND is tire pressure monitoring systems. In Europe, such systems, which inform the driver about 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. In the SAF-HOLLAND Group, the US subsidiary PressureGuard has developed the SAF TIRE PILOT system, which permanently monitors tire pressure and independently inflates the tire when necessary. The software-controlled system thus helps to save fuel and reduce tire wear. With the upcoming mandatory use in Europe, the task now is to adapt the existing technology to the specific requirements of the UN ECE R 141 regulation and to integrate additionally required functionalities.

Together with Knorr-Bremse AG, SAF-HOLLAND is also currently developing a new generation of disc brakes. By optimizing the basic structure, material and thus unnecessary weight can be saved. In the case of the NexTT33, the weight saving amounts to around 5 kilograms per brake or 10 kilograms per axle. With the larger NexTT45 brake, the weight saving is around 5 kilograms per axle.

SAF-HOLLAND is also working intensively on topics such as automated driving. A first important step is automated coupling at the interface between tractor unit and semi-trailer. This will probably be relevant first in loading and forwarding yards. In addition to greater efficiency due to the time saved in the coupling process, the main advantages could be less damage to the vehicle, greater comfort for the driver and fewer accident-related injuries.

STRATEGIC COOPERATION WITH CUSTOMERS AND RESEARCH INSTITUTIONS

SAF-HOLLAND works closely with its customers in all areas of product development and also with research and development institutes, suppliers, and other external partners. In this way, customer requirements can 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

In financial year 2022, research and development costs were EUR 19,2 million. In addition, development costs in the amount of EUR 4 million were capitalized. In relation to Group sales, the R&D ratio (including capitalized development costs) amounted to 1.5% (previous year: 1.6%).

EMPLOYEES IN THE R&D AREA

As of December 31, 2022, SAF-HOLLAND employed 188 people worldwide in research and development. This corresponds to around 5% of the workforce.

PRIORITY APPLICATIONS

SAF-HOLLAND again recorded a double-digit number of priority applications in financial year 2022 with 12 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 numerous further partial or supplementary applications.

Multi-period overview research and development

	2022	2021	2020	2019	2018
R&D expenses including capitalized development costs (in EUR million)	23.2	20.2	22.3	25.7	23.9
R&D ratio (expenses as % of sales)	1.5	1.6	2.3	2.0	1.8
Capitalization rate (as % of R&D expenses)	20.9	16.1	12.5	19.2	18.1
Depreciation, amortization and impairment	-2.8	-2.5	-6.2	-3.5	-2.3
Number of employees in development, design and testing	188	168	166	177	199
Number of priority applications	12	12	15	24	38

PRODUCTION

At the end of 2022, the SAF-HOLLAND Group had 18 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.

NO IMPAIRMENT OF PRODUCTION DUE TO COVID-19 PANDEMIC IN 2022

The protective measures and safety precautions that SAF-HOLLAND had taken with the outbreak of the pandemic in 2020 were adapted again in 2022 to reflect the respective pandemic situation and local conditions. For example, in the first months of 2022, SAF-HOLLAND operated a testing center in Bessenbach, where unvaccinated employees could be tested by rapid test before starting work. Due to the increasing availability of effective vaccines, the impact of the pandemic on Group-wide processes was significantly lower in the reporting year than in previous years.

CAPACITY EXPANSIONS AND EFFICIENCY-ENHANCING MEASURES

In financial year 2022, SAF-HOLLAND invested primarily in its production sites in Germany, Mexico and India. In Germany, for example, a new welding line was installed in Plant 3 at the Bessenbach location starting in August. The line allows for an 50% increase in the number of axles produced per shift with a simultaneous reduction in the number of employees. In addition, the line has full enclosure, which significantly reduces noise and welding gas emissions. The new line was commissioned in the first quarter of 2023.

In Mexico, SAF-HOLLAND began the construction of an additional production line for fifth wheels in Piedras Negras in 2022. In addition to expanding production capacities, the new line also enables efficiency improvements and cost reductions. 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.

In India, SAF-HOLLAND constructed a new production building at the Pune location in financial year 2022. The move to the new building took place at the beginning of 2023. This was accompanied by an expansion of the logistics and production area for the integration of additional machines. With the expansion of production capacities for axles by around 50% at the Pune location, SAF-HOLLAND is well prepared to serve the expected increase in demand in the course of numerous state infrastructure projects, in particular for sophisticated products with disc brake technology and air suspension in the country.

SAF-HOLLAND had begun in 2021 with the construction of a smaller production site for the manufacture and assembly of SAF INTRA series axles with disc and drum brakes in Russia in order to comply with the new regulations for the promotion of local production in Russia, which apply since 2022. Due to Russia's invasion of Ukraine in violation of international law, investments in the new plant have been suspended until further notice.

QUALITY MANAGEMENT, PRODUCT QUALITY AND SAFETY

The primary goal is to ensure that SAF-HOLLAND's products meet all of its customers' expectations and 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 numerous 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. This metric, along with other metrics, is reported to the Management Board on a monthly basis.

Root cause analyses are also carried out at 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.

The number of defective parts per million (PPM) has fallen by 62% over the last three years.

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 or local purchasing teams to exchange information on specific local market conditions. In this way, SAF-HOLLAND ensures the achievement of competitive prices for goods and services and at the same time minimizes both supply bottlenecks and dependencies on individual suppliers, for example through the expansion of supply sources ("multiple sourcing").

In the reporting period, considerable challenges arose on the procurement side, mainly due to price developments and the limited availability of important intermediate products. There were sharp rises in purchasing prices for the main commodity groups steel, castings and forgings. This also applied to other intermediate materials such as lubricants. Due to existing price escalation clauses in the supply contracts with most customers, SAF-HOLLAND was able to pass on the additional costs in its own prices, but often only with a time lag. This led to a reduction of earnings, particularly in the first half of 2022. There were also significant price increases in the purchase of energy, in particular electricity and gas. This mainly affected the Group's European sites.

SUPPLIER MANAGEMENT AND STRUCTURE

The performance of suppliers is continuously 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 supplier selection is a balance of consolidation of suppliers to reduce complexity and avoid strong dependencies. In financial year 2022, the top 10 suppliers of the SAF-HOLLAND Group accounted for around 26% (previous year: around 35%) of the purchasing volume.

Information on the preparations for 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.

EMPLOYMENT

DECENTRALIZED ORGANIZATION, CORPORATE CULTURE IN PRACTICE

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 corporate culture, in 2020 the Group published a culture code that is binding for all employees and sets out the Group's basic values and objectives in concrete terms. Particular importance is attached to the strategic corporate guidelines and the compliance guidelines.

In this context, managers at SAF-HOLLAND bear a special responsibility. Therefore, a management handbook was published in Germany and in China in 2021, which creates a guideline for all new and existing managers at SAF-HOLLAND and thus serves as orientation in the fulfillment of the diverse management tasks. The SAF-HOLLAND Management Handbook contains important information on management culture, internal procedures and processes, legal and collective bargaining framework conditions as well as legal issues. An expansion of the management handbook for all regions is planned.

Human resources management is organized on a decentralized basis and takes account of the international orientation of the business. The decentralized organization enables the individual sites to adapt flexibly to local conditions and to contribute their specifications, particularly with regard to regional competence in personnel development and recruiting.

In Germany and the USA, 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.

Against the backdrop of the COVID-19 pandemic continuing in financial year 2022, a global crisis team with the support of local crisis teams organized the ongoing implementation of safety measures. Standardized emergency plans and internal COVID-19 guidelines were communicated at all management and staff levels.

PERSONNEL DEVELOPMENT AND DIVERSITY

Human resources work at SAF-HOLLAND focuses on the further development of the existing employee base as well as on the recruitment of well-trained specialists and managers and on the training of young talents. Digital learning opportunities are an integral part of the diverse further training measures.

Qualified employees are increasingly becoming a decisive success factor in global competition. Within the framework of SAF-HOLLAND's training and development programs, attractive development opportunities are therefore offered especially to employees with high potential. The focus of this program is on building up a broad range of knowledge from all areas of the Group and providing basic business knowledge.

In addition, SAF-HOLLAND wants to leverage the existing diversity in the workforce. In financial year 2022, initiatives in the area of diversity and equal opportunities were therefore continued. In March 2022, SAF-HOLLAND signed the Diversity Charter, a Group commitment to actively implement and promote equal opportunities and diversity. In addition, leadership and mentoring programs specifically for women were introduced.

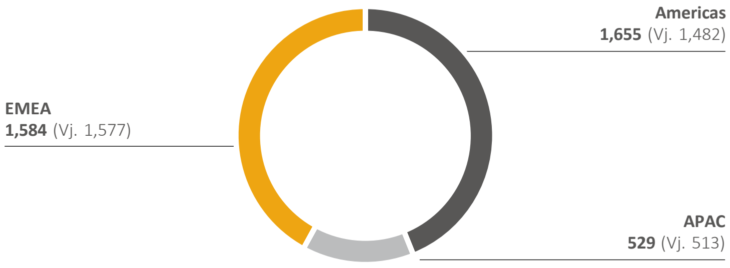
Another focus in 2022 was the pending acquisition of Haldex. In order to enable a mutual acquaintance and an initial exchange of ideas, workshops were held in Germany, Hungary, and the USA. In addition, the goal of the workshops was to create a basis of trust and to communicate the strategy of SAF-HOLLAND to future colleagues at Haldex.

SLIGHT INCREASE IN THE NUMBER OF EMPLOYEES THROUGHOUT THE GROUP

As of December 31, 2022, the SAF-HOLLAND employed 3,768 people worldwide. The number of employees thus increased by 5.5% compared to the previous year (3,572 employees). The total number of employees included 402 temporary and agency employees as of December 31, 2022 (previous year: 444).

Headcount development

Headcount by region 2022



In the EMEA region, the number of employees as of December 31, 2022 remained virtually unchanged from the previous year (1,577) at 1,584. This means that 42.0% (previous year: 44.2%) of the workforce was employed in this region. After a stronger increase at the beginning of the year, the EMEA region slightly reduced the number of temporary workers and employees with fixed-term employment contracts again at the end of the year in view of the further market development in the region, which was still characterized by uncertainty.

The largest proportion of the Group's employees now work in the Americas region. Americas had 1,655 employees as of December 31, 2022 (previous year: 1,482), representing 43.9% (41.5%) of the Group's total workforce. This represents an increase of 11.7% and reflects strong sales growth in the region, which also includes Canada, Mexico and Brazil.

In the APAC region, the number of employees remained almost stable at 529 at year-end 2022 (previous year: 513), despite the sales growth. Accordingly, the region's share of employees in the total workforce also remained almost unchanged at 14.9% (14.4%).

OUTLOOK

MACROECONOMIC CONDITIONS AND SECTOR ENVIRONMENT

INTEREST RATE HIKES AND THE UKRAINE WAR WEIGH ON THE GROWTH OUTLOOK FOR THE GLOBAL ECONOMY

In its January 2023 update, the International Monetary Fund (IMF) projected global GDP growth of 2.9% in 2023 (previous year: 3.4%). This would be the second consecutive year of global economic growth below the long-term trend (2000-2019 average: 3.8% per annum).

In the IMF's view, the interest rate hikes implemented worldwide by the major central banks to combat inflation and the ongoing war in Ukraine and its significant economic impact are the main factors weighing on the global economy in 2023. Nevertheless, the outlook has brightened somewhat recently, prompting the IMF to raise its forecast for global growth slightly by 0.2 percentage points versus its October 2022 forecast.

For the euro area, the IMF expects sharply weaker but positive economic growth of 0.7% in 2023 (previous year: 3.5%). Germany, however, is expected to face a recession according to the IMF – at least in technical terms. German GDP growth in 2023 is expected to come in at a mere 0.1% (previous year: 1.9%).

A continuation of the restrictive interest rate policy of the US Federal Reserve is anticipated to further slow growth in the United States. The IMF forecasts GDP growth of 1.4% in 2023 (previous year: 2.0%). Brazil, the most important economy in South America, is also expected to lose momentum and grow by 1.2% (previous year: 3.1%).

Economic output in China, in contrast, is expected by IMF experts to recover following the phase-out of the strict government lockdown measures to combat the COVID-19 pandemic at the beginning of 2023. Consequently, GDP growth is expected to accelerate to 5.2% (previous year: 3.0%). India is expected to stand out again and achieve the highest growth rates internationally. India's gross domestic product is projected to increase by 6.1% in 2023. For the emerging markets as a whole, the latest IMF forecasts predict growth of 4.0% in 2023.

Economic development in key markets

in %

	2022	2023
Euro area	3.5	0.7
Germany	1.9	0.1
United States	2.0	1.4
Brazil	3.1	1.2
Russia	–2.2	0.3
China	3.0	5.2
India	6.8	6.1
World	3.4	2.9

Source: IMF, World Economic Outlook Update, January 2023

SECTOR ENVIRONMENT: CONSOLIDATION IN EUROPE AND NORTH AMERICA; GROWTH IN INDIA AND CHINA

The majority of commercial vehicle markets in which SAF-HOLLAND operates are signaling moderate declines for 2023. Important to understand is that particularly the North American market is expected to consolidate at a high level. The market volume in Brazil is also expected to decline. In India and China, in contrast, market research institutes are expecting production to increase and, in parts, significantly.

RELEVANCE OF THE REGIONAL MARKETS

The customer segments trailer OE, truck OE and aftermarket feature different levels of importance in the regions served by SAF-HOLLAND. While SAF-HOLLAND operates globally in both the trailer OE (2022: 60.5% of Group sales) and aftermarket (2022: 26.9% of Group sales) customer segments, the Americas region is of greater relevance for the truck OE customer segment. Whereas the truck OE business in the EMEA region accounted for 3.4% of Group sales in 2022, sales generated with truck components in the Americas region amounted to a significantly higher share of 8.9% of Group sales.

MARKET EXPECTATION FOR HEAVY TRUCKS IN EUROPE IS STABLE TO SLIGHTLY DECLINING

Following a decline in the production of tractor units in 2022 (-5.1%), analysts at information services provider IHS Markit expect production in Europe to consolidate at a high level and remain largely unchanged in 2023. Depending on general economic developments, other market research institutes are assuming a mid-single-digit percentage decline in the truck markets in Europe. Important to note, however, is that, due to its comparatively small share in SAF-HOLLAND's total Group sales, the European truck business is of minor importance for SAF-HOLLAND as a whole.

MODERATE DECLINE IN THE EUROPEAN TRAILER MARKET

Due to the difficult overall economic environment and the uncertainties of the Ukraine conflict, the European trailer market, measured in terms of new vehicle production, will decline moderately in 2023 according to the expectations of the market research company CLEAR International. In Western Europe, CLEAR expects a decline in trailer production of 8.5% and in Eastern Europe of 8.4%.

DEMAND FOR TRUCKS IN NORTH AMERICA REMAINS HIGH

ACT Research expects Class 8 truck production in 2023 to reach approximately 304,000 units. This would be a decline of 3.8% compared with the strong prior-year figure. Whereas a decline of 5.6% is forecast for the United States, North America's highest-volume market, a drop of 1.1% is expected for Canada. The market for Class 8 trucks in Mexico, in contrast, is expected to grow by 14.9%.

NORTH AMERICAN TRAILER MARKET EXPECTED TO DECLINE SLIGHTLY

ACT Research expects the North American trailer market to develop similarly to the truck market in 2023. According to estimates, approximately 381,000 trailers are expected to roll off the production lines (-4.4%). Measured against the high prior-year level (+24.8%), this would still represent a solid production volume in absolute terms. SAF-HOLLAND should see a benefit in this market from the growing fitting rate of trailers with disc brakes.

CONSOLIDATION OF COMMERCIAL VEHICLE MARKET IN BRAZIL

For the most important commercial vehicle market in South America, Brazil, industry association ANFAVEA expects a decline in market volume in 2023. The production of heavy trucks is expected to drop by up to 15.0% from a high level. In the case of trailers, industry association ANFIR is estimating a decline in production of around 10.0% in 2023.

CHINESE TRAILER MARKET ON THE VERGE OF RECOVERY

After the sharp slump seen in 2022, signs of a recovery are starting to emerge in the truck and trailer markets in China in 2023. The China Association of Automobile Manufacturers expects the production of heavy trucks to increase by 15.0% and trailers by 14.9% in 2023.

INDIA REMAINS ON A GROWTH TRAJECTORY

Following two years of substantial growth, the Society of Indian Automobile Manufacturers (SIAM) expects the growth trend in the Indian commercial vehicle market to continue in 2023. Supported by the continued strong investment of India's government in infrastructure expansion, trailer production in 2023 is expected to rise 17.1%, and truck production is predicted to increase 14.1%.

OUTLOOK FOR BUSINESS DEVELOPMENT

FUTURE DEVELOPMENT OF THE SAF-HOLLAND GROUP

SAF-HOLLAND has taken a significant step forward in executing its long-term corporate strategy and realizing corporate goals through its successful acquisition of Haldex AB on February 21, 2023. This is particularly true when it comes to the Group's future technology prospects and growth opportunities resulting from the megatrends of electrification, autonomous driving and digitalization already described. The targets defined in Strategy 2025 and the medium-term vision for 2027 form the basis for the Company's further development.

Operationally, the focus will continue to be on the successful Operational Excellence program under the responsibility of the regional organizations. This program is closely linked to the ongoing measures undertaken to increase profitability by reducing costs and the "Cash is King" program.

From realizing synergies from the integration and transformation of the acquired Haldex Group, SAF-HOLLAND expects a positive effect on adjusted EBIT of EUR 10 million to EUR 12 million in the 2023 financial year.

The primary key performance indicators are:

— Sales
— Adjusted EBIT margin
— Capex ratio

As already described in the chapter "Group fundamentals," the Group has also defined target thresholds to be achieved for net working capital and ROCE for its Vision 2027.

High volatility in energy prices, supply chains that are still tense in some areas, and continued high inflation, combined with uncertainties surrounding the ongoing conflict between Russia and Ukraine, make it difficult to issue a precise forecast for the 2023 financial year. The associated potential macroeconomic effects and fluctuations in demand remain difficult to predict.

The following assumptions are based on the forecasts described for the overall economic and sector environments. An analysis of potential opportunities and risks has also been incorporated. In formulating the outlook for the financial year, management already assumes the inclusion of the acquired Haldex AB, as the transaction was completed with the approval of the Polish antitrust authority on February 21, 2023.

The Management Board currently expects demand for commercial vehicle components in the core markets of North America and Europe to decline moderately in 2023. The aftermarket business, in contrast, is expected to remain stable based on current estimates. The e-axles, which entered series production in the second half of 2022, are still expected to make a modest contribution to sales and earnings. New product ramp-ups with disc brake systems (air disc brakes) at two major European trailer manufacturers, as well as a European manufacturer of heavy trucks, will begin successively in the fourth quarter of 2023 and in the first quarter of 2024. However, this is not expected to contribute significantly to Group sales until 2024. SAF-HOLLAND also expects increasing contributions from a higher share of deliveries and orders relating to the new fourth generation of Haldex's EBS systems. This should enable SAF-HOLLAND and Haldex to slightly outperform the market trend.

On the cost side, steel, freight and energy prices eased again from their peak levels slightly in the course of 2022, but further developments remain difficult to predict. The persistently high inflation rates and the noticeable increase in labor cost in many markets are having a negative impact. Wages under collective bargaining agreements at the important German production site will see an increase of 5.2% in 2023. In addition, there will be one-time payments.

With the approval of the Polish antitrust authority, which was only granted on February 21, 2023, and the ensuing completion of the Haldex transaction, the first-time consolidation of the acquired company could not take place until February 21, 2023. In this context, SAF-HOLLAND will roll out its group accounting and valuation principles to Haldex and, where applicable, align Haldex with the group accounting and reporting principles of the SAF-HOLLAND Group. Any effects that may potentially result will merely be reflected in the separately prepared consolidated financial statements of Haldex AB. They will therefore have no impact on the following outlook given for the combined SAF-HOLLAND Group.

Overall, based on the expectations described above, the Management Board is assuming the following developments in the 2023 financial year:

GROUP SALES GROWTH TO OUTPACE THE MARKET

Assuming a moderate decline in production figures in the mid single-digit percentage range in the European and North American truck and trailer markets, the Management Board expects the SAF-Holland Group to be able to achieve Group sales in the range of EUR 1,800 million to EUR 1,950 million in the 2023 financial year. This outlook assumes stable exchange rates and comprises Haldex AB, which has been included in the Group's scope of consolidation as of February 21, 2023.

The unit volumes and sales development of both Haldex and SAF-HOLLAND are subject to similar variables in terms of underlying markets and product portfolio. For this reason, it is reasonable to assume a comparable trend in sales, which could start to pick up as of the fourth quarter of 2023 due to the new ramp-ups already described.

Taking into account the sales contributions from Haldex as of January 1, 2023, the Management Board is assuming Group sales on a pro-forma basis to be in the range of EUR 1,850 million to EUR 2,000 million in the 2023 financial year. It deserves mentioning that methodically the sales contribution from Haldex from the beginning of the 2023 financial year to the date of Haldex's first-time consolidation is included on a pro-rata basis.

ADJUSTED EBIT MARGIN INCLUDING HALDEX EXPECTED BETWEEN 7.5% AND 8.5%

The development of sales volumes, the product mix between standard products and tailored solutions, and the segment mix of the OE and aftermarket business will all have a noticeable impact on margin development. Other relevant influential factors are input costs and pricing. Based on the expected market development already described and the ongoing transformation of Haldex, the Group, including Haldex, is planning an adjusted EBIT margin in the range of 7.5% to 8.5% for the period as of the initial consolidation of Haldex AB on February 21, 2023 to the end of the 2023 financial year, as well as on a pro forma basis for the full financial year from January 1, 2023 to December 31, 2023.

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

To achieve the growth targets, position the Company for the future with its product portfolio, and realize the identified synergy potential from the Haldex integration, the Group, including Haldex, plans expenditures for investments of up to 3% of Group sales in the 2023 financial year. This estimate applies to both of the guidance periods already described. This would result in a slight increase in the capex ratio going forward (previous target: 2.5% of Group sales). The increase can be attributed mainly to the expected development of the more capex-intensive Haldex portfolio. However, compared to the automotive supplier industry, which is often used as a peer group, the business model is by comparison significantly less capex-intensive (asset light).

The investments planned are centered on establishing and expanding production capacities in Mexico, Brazil and India. In the EMEA region, the Group is significantly expanding its capacity for the production of disc brake systems. Production capabilities of the new generation of EBS systems is also being enhanced. Further investments are also planned in automation projects and in improving process efficiency in production, particularly in the core markets of Germany and North America. With the rollout of the S4 HANA enterprise resource planning (ERP) system scheduled over the coming years, the Group has set another investment focus. Implementing this will establish a global standard and imbed best practice processes with maximum synergy potential throughout the Group.

2023 outlook for the Group, including Haldex

Sales	Period from Feb. 21 to Dec. 31, 2023	EUR 1,800 – 1,950 million
Sales (pro forma)	Period from Jan. 1 to Dec. 31, 2023	EUR 1,850 – 2,000 million
Adjusted EBIT margin		7.5% –8.5%
Capex ratio		≤ 3%

OVERALL STATEMENT OF THE MANAGEMENT BOARD ON EXPECTED PERFORMANCE

At the time of preparing the 2022 combined management report, the expectation of the Management Board is that SAF HOLLAND will also be able to operate successfully in a moderately declining truck and trailer market in 2023. Based on the stronger positioning of the technology and product portfolio with Haldex, and the contributions from new products, as well as the targeted market share gains, the Management Board sees the Group in a promising position.

The outlook for the truck and trailer market in early 2023 varied considerably by region. The slight market declines expected in North America and Europe in 2023 are expected to be offset by the projected strong development in India and by a recovery in China. However, incoming orders from North American OEMs in the trailer sector in the final three months of 2022 have been somewhat higher than expected. In the EMEA region, SAF-HOLLAND has also had a solid start to the new year. Production is running at capacity for the foreseeable future. As far as the Brazilian market is concerned, the Management Board is assuming that SAF-HOLLAND will be able to grow on the strength of its new orders, despite a declining market trend.

In addition to persistent high inflation, geopolitical and global economic uncertainties continue to be among the burdening factors affecting 2023. These include the trade conflict between the US and China and the further course of the Ukraine conflict. Should the war end, this could trigger sharp demand in the Eastern European transport market, including the unleashing of pent-up demand.

Megatrends such as increasing urbanization, digitalization, sustainability, and increasing mobility are leading to rising technological requirements. The resulting transformation in the commercial vehicle industry is also creating considerable opportunities.

Subject to fluctuations, the commercial vehicle market, measured in terms of truck and trailer production, is expected to grow by 2.0% to 2.5% per year until 2027. SAF-HOLLAND stands to reap significant benefits from the fundamental growth trend in the global commercial vehicle industry, steadily increasing demand for sustainable transport capacities in the e-commerce sector, and technological megatrends in the commercial vehicle sector, including electrification, connectivity and automated driving – particularly in combination with Haldex. The Management Board is therefore assuming that the Company’s performance will be able to exceed the performance of the underlying market in the years ahead.

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 suitable 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 primary focus is to assess any possible deviation in the key 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 Haldex acquisition. A breach of the financial covenant could result in the loan amounts becoming due. In this case, the Group's liquidity and financial independence could no longer be assumed as given. In addition to EBITDA, the risk management system also identifies and assesses risks that concern the result for the period in order to ensure 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 corporate risk manager is responsible for defining and 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 in the routine audit activities of the Internal Audit department.

PROCESS OF COMPANY-WIDE RISK MANAGEMENT

The SAF-HOLLAND risk management process 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 recognized. 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 recognition, 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 as well as risk managers at regional and Group level at the end of each quarter. It is their duty to regularly check whether all risks have been recorded. The corporate risk manager initiates the quarterly risk survey process.

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

Within the risk management framework, suitable risk mitigating control measures are developed, initiated and their implementation is monitored. The strategy and aim 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 suitable 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 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.

In addition, the Haldex Group, which was not yet part of the Group at the end of 2022, has risks and opportunities that have already been considered in order to obtain a realistic risk and opportunity profile of the future overall Group.

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, tax, 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 kEUR 400
- More than kEUR 400 and less than kEUR 1,500
- More than kEUR 1,500 and less than kEUR 3,000
- More than kEUR 3,000 and less than kEUR 5,000
- More than kEUR 5,000

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				
Risks and opportunities from the Haldex transaction	x			n/a
Cybersecurity deficiencies		x		→
Supply chain disruptions		x		→
New assembly line in Mexico		x		→
IT-based business interruptions			x	↓
COVID-19 pandemic			x	↓
Rising energy prices			x	↓
Rising material prices			x	→
Strategic risks/elementary risks				
Russia-Ukraine conflict	x			→
Economic, political and geopolitical environment		x		→
Compliance risks				
Data protection		x		→
Financial and reporting risks				
Interest rate risks (EAT risks)		x		↑
Exchange rate 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 net assets, financial position, results of operations and 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:

Russia-Ukraine conflict – Level A risk – Strategic risks/elementary risks

From the context of the war in Ukraine, the overall political situation remains tense, particularly 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. It is also conceivable that further sanctions and embargoes may be imposed on Russia and Belarus by the Western community.

After the 28% slump in trailer production in both Russia and Belarus in 2022, market forecasts are indicating a stabilization at a low level in 2023. Despite this, the indirect effects of the slump may still ultimately be felt in other countries. Western European fleet operators, for example, often sell their trailers to Russia after reaching a certain age. Should this sales channel no longer be available, fleet operators may 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 may be seized or nationalized by the Russian government as part of retaliatory measures. SAF-HOLLAND presence in Russia is 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 may 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 5.3 million as of the December 31, 2022 reporting date. The short-term assets of the Russian companies of the SAF-HOLLAND Group amounted to EUR 24.3 million as of the December 31, 2022 reporting date. Based on the Group's current knowledge, it does not see any material need to take an impairment on current assets.

Risks from the integration of Haldex – Level A risk – project and process risks

With the acquisition of Haldex, SAF-HOLLAND is acquiring a company that is estimated to contribute approximately one-quarter of the combined sales of both companies, based on the sales in the 2022 financial year. Due to its size, the successful integration of Haldex, measured by the achievement of the acquisition's goals, is of significant importance to SAF-HOLLAND.

When integrating an acquisition – particularly a large and strategically important acquisition like Haldex – there are risks, including the risk of customers migrating to competitors or losing people in key positions from the acquired company. Consequently, acquisitions demand a relatively high degree of SAF-HOLLAND's management capacities. In addition, it is conceivable that development projects taken over as part of the acquisition will be discontinued, either because SAF-HOLLAND sees a lower probability of their success, or it is already developing its own product solutions for these applications. This may result in a need for impairment, particularly on capitalized development costs. Furthermore, it may be determined that additional transformation measures need to be implemented in order to realize the targeted cost synergies. This could also result in additional restructuring costs.

The acquisition-specific risk did not exist in the previous year.

Interest rate risks – Level B 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 as planned. This resulted in an increase in net financial liabilities, excluding leasing, of EUR 315.2 million, bringing the total to EUR 472.2 million as of December 31, 2022.

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. At the end of 2022, slightly more than EUR 300 million of the variable-interest financial liabilities were hedged with corresponding derivatives.

Due to the planned increase in financial liabilities, the risk increased compared with the previous year.

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 computer 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, for example 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.

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 others, 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 become compromised or impaired 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 may 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 results of operations.

If confidential or private data is compromised, the Company may be confronted with contractual penalties or official fines or other sanctions under non-disclosure agreements or data protection legislation and regulations may 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 results of operations.

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. This risk remained essentially unchanged compared with the prior year.

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

Deterioration in the economic, political and geopolitical environment – Level B 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 – may 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.

For 2023, market research institutes are not ruling out a recession in SAF-HOLLAND's most important regions – North America and Europe. In light of these forecasts, SAF-HOLLAND's sales and earnings targets assume a scenario of a moderate 4% to 5% 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. 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.

The war in Ukraine led to massive price increases for raw materials and energy in the 2022 financial year, causing a sharp rise in inflation rates worldwide. The reaction of many central banks was to abandon their low interest rate policies. As a result, many economists and market research institutes now expect a noticeable slowdown in economic momentum in 2023. The further development of the Ukraine conflict, and particularly a possible increase in sanctions against Russia or further reductions in gas and oil supplies from Russia, could have a significant impact on further economic development. Any consequences are currently very difficult to assess.

The zero-COVID strategy still pursued in China last year, entailing numerous lockdowns in key regions, led to a slowdown in growth in the Chinese economy. As of today, it not yet possible to reliably assess the extent to which the departure from this policy will be able to sustainably boost growth in 2023.

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

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.

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. This risk remained unchanged compared with 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.

This risk essentially remained unchanged compared with the prior year, despite some recent relief in the global situation.

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

With the construction of this new assembly line, SAF-HOLLAND is exposed to project-related risks in terms of planning, costing, executing and processing. There is a risk of delays, unexpected technical problems, capacity or delivery bottlenecks, quality problems or higher-than-expected start-up costs, or the failure to meet budgeted production costs.

In order to keep these risks under control, coordination between the SAF-HOLLAND departments concerned (in particular production, procurement, sales, quality assurance, R&D, and IT) and the corresponding departments on the customer and supplier side takes place during the start-up phase. Project management, project milestones, review stages for the respective project phases and extensive quality management measures, as well as the appropriate drafting of contracts, can limit these risks, but not completely eliminate them.

Although this risk continues to be categorized as a Level B risk, the probability of occurrence and amount of loss have declined considerably compared to the previous year now that production has started.

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

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

IT risks from failures of IT infrastructure or IT application landscape components – Level B risk – Process and project risks
Information technology risks that may lead to productivity losses may also result from the failure of IT infrastructure components (networks, data centers, hardware components, cloud operations/infrastructure as a service). Such failures may 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.

This risk was assessed as lower compared to the prior year and is therefore categorized as a Level C risk (Level B risk in the prior year).

COVID-19 pandemic – Level C risk – Process and project risks
A clear easing is emerging with regard to the COVID-19 pandemic. SARS-CoV-2 continues to circulate, but the proportion of severe illnesses and deaths is no longer as high as in the pandemic's first wave of infections. Only very few countries are still implementing severe restrictions (e.g., large-scale lockdowns), following the shift away from the zero-COVID strategy in China. SAF-HOLLAND's business model has also proven to be resilient amid the volatile market environment of the past few years.

This risk was assessed as lower than in the prior year and is therefore lowered to a Level C risk (Level B risk in the prior year).

Energy price risk – Level C risk – Process and project risks
Due to the temporary limited availability and scarcity of energy raw materials such as oil, gas and coal, their prices have risen sharply. This has affected both consumers as well as companies. The CO_2 price increase as part of the current climate protection measures have also driven prices higher. Overall, this led to a sharp rise in energy prices in the course of 2022. These developments were also taken into account in the financial planning for 2023.

In order to categorically mitigate this risk, SAF-HOLLAND strives to conclude long-term contracts with the respective energy suppliers to the greatest extent possible and continuously monitors price developments. These measures ensure that short-term price fluctuations have no significant impact on business activities.

Due to the electricity and gas price limits introduced by the German government, this risk is considered to be significantly lower than in the prior year and is therefore categorized as a Level C risk (Level B risk in the prior year).

Material price risk – Level C risk – Material price risks
An increase in the prices of raw materials, particularly for steel, represents a significant risk for SAF-HOLLAND. The Company therefore continuously monitors the developments in the corresponding markets and communicates regularly with its suppliers.

Steel prices have been particularly volatile in recent years. A time lag occurs before higher purchase prices can be passed on to customers. This time lag is three to six months in the original equipment business, and shorter in the aftermarket business. Due to the exceptional circumstances, SAF-HOLLAND had successful discussions with its customers in an effort to implement price adjustments at a faster pace.

Due to persistently high demand and higher energy costs, price volatility is not expected to decrease significantly in the short term.

Passing the effects of changes in material prices to customers continues to take place with a time lag. This issue is currently categorized as both a potential risk should prices rise, and as a potential opportunity should prices fall. Overall, this results in a Level C risk rating. Considered individually, the effects would both be categorized as a Level B risk/opportunity and are the reason they are listed here. This risk remained unchanged compared to the prior year.

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

The general risk situation of the SAF-HOLLAND Group increased in the 2022 financial year. The cause for this was, in part, the strategic risks related to the ongoing war in Ukraine. The Haldex transaction added new risks, such as integration risks, or increased existing risks, including interest rate risks. However, these risks are also offset by considerable opportunities arising from the integration of Haldex. 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 Haldex acquisition. 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 best as possible by taking suitable measures. Seizing such opportunities will ensure that the planned targets are met or even outperformed. Within the framework of opportunities 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 synergy potential 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.

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 2023 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 in the course of 2023. 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. In addition, after supply chain problems during the COVID-19 pandemic had led to significant production losses at original equipment manufacturers and with the fleet age for trucks and trailers averaging slightly higher than usual, a release in pent-up demand could lead to catch-up effects. Although these are difficult to assess, they may prop up demand.

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 Ukraine war. 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 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. To supply these growing metropolitan areas, trucks and trailers are key.

A further trend is the long-term expansion in society's middle class, 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. In the developed economies, it is the predominant trends, such as the rising share of e-commerce, that are providing an added boost to the demand for transport capacity.

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, has 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 spare parts 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 penetrated another segment of 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 comparatively older vehicles on the roads. These brands deliver the special qualities that characterize trucks and trailers in these markets: robustness, reliability and a low 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: Automated coupling systems are 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 an intensive test phase to 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 real-time assessment 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. 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. TRAKe allows deliveries to be made by night, as the electric motor has enough power to drive the complete truck and trailer combination at slow speed without making any noise.

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 onwards. 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

In Germany and in the European Union, the installation of a tire pressure monitoring system (TPMS) becomes mandatory with the introduction of Regulation (EU) 2019/2144 on the type approval requirements for motor vehicles and their trailers, which came into force on January 5, 2020. 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 sales 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.

Meanwhile, the interest in disc brake technology is also picking up in the United States and Canada. For example, orders for axle systems with integrated disc brake technology were won from XTRA Lease, which is ordering additional new trailers under a long-term lease agreement, as well as fleet orders from a food wholesaler and a Canadian fleet management company.

Additional capacity is installed at the Warrenton location to address the growing demand. The proportion 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 possesses long-standing 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 and V.Orlandi. 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 selective 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 has 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 a crucial role. With York's product portfolio, SAF-HOLLAND precisely meets the current market demand as a first step. However, as already seen in China, 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.

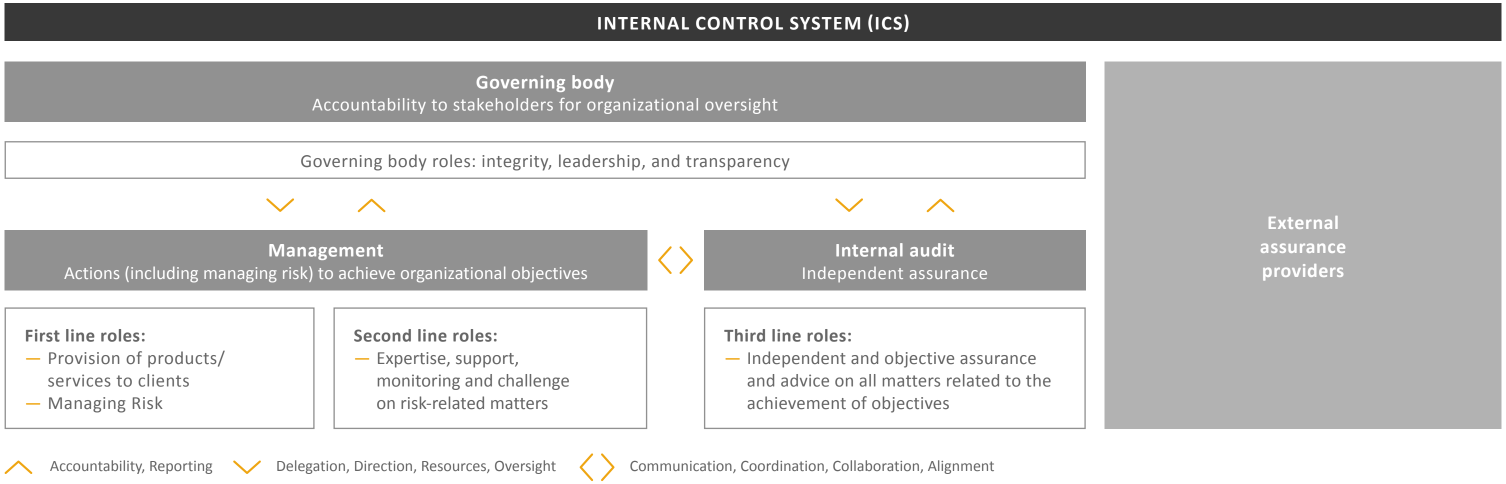
OPPORTUNITIES THROUGH ENTRY INTO NEW MARKETS – STRATEGIC OPPORTUNITIES

In the 2022 financial year, SAF-HOLLAND generated 89.8% 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 RELATED 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 the need to communicate complete and accurate information within the given 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 principle of dual control is rigorously observed during the compilation of the separate financial statements of the consolidated entities as well as the consolidation measures based on them.

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 regularly reviewed 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.

The Supervisory Board is also integrated into the system of controls via the Audit Committee. First and foremost, 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. Within this review, the auditor assesses whether the Management Board is able to use this system to identify any risks early on that may jeopardize the Company's continued existence.

The basis for the Group's accounting and reporting processes is the IFRS accounting manual. 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 separate financial statements of the Group entities are compiled in accordance with local GAAP. Intragroup transactions are recorded on separate 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 being successively standardized.

ADEQUACY AND EFFECTIVENESS OF THE RISK MANAGEMENT SYSTEM

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. In the context of the 2022 annual financial statements and in the future 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 is currently being expanded in order to transfer it to a Group-wide, IT-supported ICS tool.

The Management Board of SAF-HOLLAND has no indication whatsoever that the risk management system or internal control systemwere not appropriate or effective as of December 31, 2022.[1]

[1] This statement is unaudited.

SUSTAINABILITY

Sustainability means operating in a sustainable manner and assuming corporate social responsibility. SAF-HOLLAND is convinced that this approach increases its own innovative strength and future viability. This is the reason SAF-HOLLAND has made sustainability an integral part of its corporate philosophy and corporate strategy.

With its sustainability strategy, revised in 2022, the SAF-HOLLAND ensures that sustainability issues are managed throughout the Group and make a contribution to corporate performance.

PUBLICATION OF THE NON-FINANCIAL STATEMENT

SAF-HOLLAND published its Sustainability Report 2022 on March 30, 2023. The Group's non-financial statement is contained in this report.

The Sustainability Report 2022 will be made publicly available on the Company's website at https://corporate.safholland.com/en/investor-relations/publications/sustainability-report in accordance with Section 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 establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088.

The Sustainability Report also contains SAF-HOLLAND's UN Global Compact Progress Report. The Company has been a signatory to the UN Global Compact, the global initiative for sustainable and responsible corporate governance, since 2018.

SUSTAINABILITY REPORTING TAKEN A STEP FURTHER

In the reporting year, SAF-HOLLAND took steps to further evolve its sustainability reporting. By specifying the collection of sustainability data, a foundation was laid for meeting the growing reporting requirements and particularly the provisions of the Corporate Sustainability Reporting Directive (CSRD), which will apply as of the 2024 financial year.

Various external rating agencies assess SAF-HOLLAND's sustainability performance positively. For example, the Company was awarded a "low risk" rating by Sustainalytics in June 2022, an AA rating from MSCI ESG in December 2021, as well as a C rating from ISS ESG in July 2022.

CORPORATE GOVERNANCE STATEMENT

As the central instrument of corporate governance reporting, the German Corporate Governance Code stipulates the provision of a corporate governance statement in accordance with Sections 289f and 315d of the German Commercial Code (HGB). In this statement, the Management Board and Supervisory Board report on SAF-HOLLAND's corporate governance.

At SAF-HOLLAND, corporate governance stands for responsible corporate management and supervision geared towards sustainable value creation that includes all of the Group's areas. The essential cornerstones of SAF-HOLLAND's corporate culture include transparent reporting and corporate communication, corporate governance aligned with the interests of all stakeholders, the faithful cooperation of the Management Board, Supervisory Board and employees, and compliance with applicable laws.

The Corporate Governance Statement is available on the Company's website at https://corporate.safholland.com/en/company/corporate-governance/corporate-governance-statement.

TAKEOVER-RELEVANT INFORMATION AND EXPLANATION

The disclosures as of December 31, 2022 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, 2022, the share capital of SAF-HOLLAND SE amounted to EUR 45,394,302.00, split into 45,394,302 no-par value bearer shares, each with imputed notional interest in the share in capital of EUR 1.00 per share. All shares are equipped with 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) 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 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). According to Article 9 (1) lit. c) ii) of the SE Regulation in conjunction with Section 84 AktG, an appointment to the Management Board may be revoked by the Supervisory Board in the case of good cause, such as a gross breach of duty by the Management Board member. 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 AktG.

Amendments to the Articles of Association are governed by Article 59 SE Regulation, Section 179 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 which only concern their wording (Section 179 (1) sentence 2 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 through the issuance of 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 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) to the extent necessary to compensate fractional 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 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 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 AktG that are issued under exclusion of subscription rights in accordance with Section 186 (3) sentence 4 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 must 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 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 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 the 2022 financial year, 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. On June 10, 2021, the Annual General Meeting passed the following resolutions:

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 is excluded.

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 acquisition 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 trading day of 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 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 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 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 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 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 b) also cover the use of shares in the Company purchased on the basis of Section 71d sentence 5 AktG.

d) The authorizations under b) may be exercised once or several times, in whole or in part, individually or jointly; the authorizations under 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 the 2022 financial year, 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 and 2022, with a volume of EUR 200 million, EUR 250 million and EUR 176 million respectively. These promissory notes become due at different times, depending on the terms of their individual tranches. There are still tranches outstanding in the amount of EUR 5 million for the promissory note issued in 2015 and EUR 186.5 million for the promissory note from 2020. In the case of a change of control, the contractual terms of the notes issued in 2015, 2020 and 2022, as described in detail in Article 13 (3) and (4) and Article 14 (3) and (4) of the respective terms and conditions, grant each noteholder the right to declare due in whole the noteholder's portion of the note and to demand immediate repayment of the nominal value plus any interest that may have accrued as well as any other amounts owed in accordance with the respective promissory note agreement.

The current credit agreements with various banks (syndicated loans) also include provisions in the event of a change of control. These agreements pertain to term loans A with EUR 140 million, term loans B, with EUR 150 million, as well as to drawn and undrawn lines of credit totaling EUR 250 million. Following a change of control, the Company is required to inform the paying agent of that event immediately. The creditors have the discretionary right to declare due via the paying agent all outstanding credit lines plus any interest that may have accrued and all other amounts owed in accordance with the respective loan agreements, provided they notify the paying agent within a period of 30 days. The paying agent is obliged to inform the Company of such notification within 10 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 case of a change of control, the contractual terms of the respective loans, as described in detail in Article 11 of the respective loan agreement, state that the bank may terminate the loan within 15 days of receiving the notice of a change of control and demand repayment in full, effective immediately.

In the year 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 a 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-off right to resign from office with three months' notice to the end of the respective month and to terminate the service contract on that same date. This singular 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 a further 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

With regard to subsequent events occurring after the reporting date, and particularly the approval and closing of the acquisition of Haldex AB, we refer to the corresponding comments in the notes to the consolidated financial statements on page 178.

_Consolidated Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

.

in EUR thousands	Notes	Q1-Q4/2022	Q1–Q4/2021
Sales	(5.1)	1,565,089	1,246,583
Cost of sales	(5.2)	–1,305,539	–1,037,498
Gross profit		**259,550**	**209,085**
Other income	(5.3.1)	4,444	2,151
Other expenses	(5.3.5)	–2,066	–2,927
Selling expenses	(5.3.2)	–71,487	–58,674
Administrative expenses	(5.3.3)	–71,619	–62,193
Research and development expenses	(5.3.4)	–19,208	–16,926
Operating result		**99,614**	**70,516**
Share of net profit of investments accounted for using the equity method	(6.4)	1,877	1,624
Earnings before interest and taxes		**101,491**	**72,140**
Finance income	(5.3.6)	10,237	4,424
Finance expenses	(5.3.6)	–23,230	–13,869
Finance result		**–12,993**	**–9,445**
Result before income tax		**88,498**	**62,695**
Income tax	(5.4)	–27,271	–25,899
Result for the period		**61,227**	**36,796**
Attributable to:			
Equity holders of the parent		61,081	36,737
Shares of non-controlling interests		146	59

in EUR thousands	Notes	Q1-Q4/2022	Q1–Q4/2021
Result for the period		**61,227**	**36,796**
Attributable to:			
Equity holders of the parent		61,081	36,737
Shares of non-controlling interests		146	59
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Change in the fair value of financial investments in equity instruments that are measured at fair value through other comprehensive income	(6.11)	6,273	–
Remeasurements of defined benefit plans	(6.11)	8,057	13,824
Income tax effects on items recognised in other comprehensive income	(6.11)	–2,073	–3,453
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	(6.11)	12,688	23,440
Other comprehensive income		**24,945**	**33,811**
Comprehensive income for the period		**86,172**	**70,607**
Attributable to:			
Equity holders of the parent		85,977	70,469
Shares of non-controlling interests		195	138
Basic earnings per share in EUR	**(7.2)**	**1.35**	**0.81**

CONSOLIDATED BALANCE SHEET

in EUR thousands	Notes	12/31/2022	12/31/2021
Assets			
Non-current assets		**872,183**	**482,571**
Goodwill	(6.1)	80,413	78,985
Other intangible assets	(6.1)	147,505	156,904
Property, plant and equipment	(6.2)	205,729	201,334
Investments accounted for using the equity method	(6.4)	13,827	16,331
Financial assets	(6.5) / (7.1)	402,214	74
Other non-current assets	(6.6)	7,334	6,582
Deferred tax assets	(5.4)	15,161	22,361
Current assets		**626,240**	**531,696**
Inventories	(6.7)	202,249	193,971
Trade receivables	(6.8)	144,744	136,259
Income tax receivables		1,663	1,454
Other current assets	(6.9)	28,984	32,687
Financial assets	(7.1)	5,140	2,104
Cash and cash equivalents	(6.10)	243,460	165,221
Balance sheet total		**1,498,423**	**1,014,267**

in EUR thousands	Notes	12/31/2022	12/31/2021
Equity and liabilities			
Total equity	**(6.11)**	**441,354**	**371,070**
Equity attributable to equity holders of the parent		**440,535**	**370,220**
Subscribed share capital		45,394	45,394
Share premium		224,104	224,104
Retained earnings		169,648	124,235
Accumulated other comprehensive income		1,389	–23,513
Shares of non-controlling interests		819	850
Non-current liabilities		**718,175**	**418,415**
Pensions and other similar benefits	(6.12)	15,322	22,340
Other provisions	(6.13)	12,946	9,910
Interest bearing loans and bonds	(6.14)	614,118	304,231
Lease liabilities	(6.3)	30,698	33,659
Other financial liabilities	(6.16)	–	463
Other liabilities	(6.17)	382	458
Deferred tax liabilities	(5.4)	44,709	47,354
Current liabilities		**338,894**	**224,782**
Other provisions	(6.13)	10,911	8,634
Interest bearing loans and bonds	(6.14)	101,541	17,968
Lease liabilities	(6.3)	7,695	7,402
Trade payables	(6.15)	159,029	145,789
Income tax liabilities		4,900	6,429
Other financial liabilities	(6.16)	2,731	650
Other liabilities	(6.17)	52,087	37,910
Balance sheet total		**1,498,423**	**1,014,267**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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**

in EUR thousands							12/31/2021
	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 01/01/2021	**45,394**	**224,104**	**84,423**	**–56,102**	**297,819**	**2,644**	**300,463**
Result for the period	–	–	36,737	–	36,737	59	36,796
Other comprehensive income	–	–	–	33,732	33,732	79	33,811
Comprehensive income for the period	**–**	**–**	**36,737**	**33,732**	**70,469**	**138**	**70,607**
Transactions with non-controlling interests	–	–	3,075	–1,143	1,932	–1,932	–
As of 12/31/2021	**45,394**	**224,104**	**124,235**	**–23,513**	**370,220**	**850**	**371,070**

CONSOLIDATED STATEMENT OF CASH FLOWS

in EUR thousands		Notes	Q1-Q4/2022	Q1–Q4/2021
Cash flow from operating activities				
Result before income tax			**88,498**	**62,695**
–	Finance income	(5.3.6)	–10,237	–4,424
+	Finance expenses	(5.3.6)	23,230	13,869
+/–	Share of net profit of investments accounted for using the equity method	(6.4)	–1,877	–1,624
+/–	Other non-cash transactions	(7.3)	7,317	2,927
+	Amortisation and depreciation of intangible assets and property, plant and equipment	(5.3.8)	46,175	44,999
+	Impairment of other intangible assets and property, plant and equipment	(5.3.8)	3,821	7,852
+	Allowance of current assets	(6.7)/ (6.8)	4,384	2,290
+/–	Change in other provisions and pensions		5,667	716
+/–	Change in other assets		3,270	–9,621
+/–	Change in other liabilities		4,995	5,091
+/–	Loss/Gain on disposal of property, plant and equipment		–1,024	–238
+	Dividends from investments accounted for using the equity method	(6.4)	4,281	660
Cash flow before change of net working capital			**178,500**	**125,192**
+/–	Change in inventories		–5,533	–61,690
+/–	Change in trade receivables[1]		–4,997	–38,639
+/–	Change in trade payables		12,651	34,837
Change of net working capital			**2,121**	**–65,492**
Cash flow from operating activities before income tax paid			**180,621**	**59,700**
–	Income tax paid	(5.4)	–27,229	–20,049
Net cash flow from operating activities			**153,392**	**39,651**
Cash flow from investing activities				
–	Proceeds from sale of other short term investments		–	1,094
–	Purchase of property, plant and equipment	(6.2)	–31,889	–20,902
–	Purchase of intangible assets	(6.1)	–4,363	–3,752

in EUR thousands		Notes	Q1-Q4/2022	Q1–Q4/2021
+	Proceeds from sales of property, plant and equipment		2,894	1,126
–	Purchase of other financial assets		–287,767	–
–	Payments for acquisition of subsidiaries net of cash		–1,883	–
–	Granting of loans		–110,000	–
+	Interest received		1,333	572
Net cash flow from investing activities			**–431,675**	**–21,862**
Cash flow from financing activities				
–	Dividend payments to shareholders of SAF-HOLLAND SE	(6.11)	–15,888	–
+	Proceeds from long-term borrowings	(6.14)	476,000	–
–	Repayments of current and non-current financial liabilities		–78,500	–
–	Paid transaction costs relating to financing agreements		–5,776	–87
+/–	Proceeds and payments from hedging instruments		127	–43
–	Payments for lease liabilities	(7.1)	–9,024	–8,852
–	Interest paid		–9,680	–6,839
+/–	Change in drawings on the credit line and other financing activities	(6.14)	–3,452	–3,166
+/–	Transactions with non-controlling interests		–509	–12,598
Net cash flow from financing activities			**353,298**	**–31,585**
Net increase/decrease in cash and cash equivalents			**75,015**	**–13,796**
+/–	Effect of changes in exchange rates on cash and cash equivalents		3,224	8,035
Cash and cash equivalents at the beginning of the period		(6.10)	**165,221**	**170,982**
Cash and cash equivalents at the end of the period		(6.10)	**243,460**	**165,221**

[1] As of December 31, 2022 and 2021, trade receivables were sold in the context of a factoring contract (cp. Section 6.8 in the Notes to the Consolidated Financial Statements).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year January 1 through December 31, 2022

1. CORPORATE INFORMATION

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 68–70, Boulevard de la Pétrusse, 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 Managment Board on March 17, 2023 and are scheduled for publication by the Management Board after being reviewed and approved by the Supervisory Board on March 24, 2023.

The financial statements, the consolidated financial statements and the combined management report of SAF-HOLLAND SE for the financial year 2022 will be published in the Federal Gazette. The financial statements of SAF-HOLLAND SE for 2022 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

The SAF-HOLLAND SE consolidated financial statements 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 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 otherwise stated, all amounts are presented in euro thousands (kEUR). Due to rounding, individual figures may not add up precisely to the totals provided.

2.2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing the consolidated financial statements, 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 consequences of the Ukraine conflict, which are difficult to foresee at present, and other political and economic uncertainties, the estimates and judgements are subject to an elevated degree of uncertainty. This applies in particular to the assumptions about the future development of cash flows made during the impairment testing of goodwill. The actual values 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 recognised 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 financial 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. Due to the significant increase in market interest rates over the last quarter of 2022, the Group conducted an additional impairment test on December 31, 2022, in addition to the annual impairment test conducted on October 1. The Group's impairment tests as of October 1, 2022 and December 31, 2022 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 major 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 net assets, financial position and results of operations. 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, 2022, the carrying amount of goodwill totalled EUR 80.4 million (previous year: EUR 79.0 million), and that of intangible assets with indefinite useful lives amounted to EUR 40.9 million (previous year: EUR 40.1 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, 2022, the carrying amount of property, plant and equipment totalled EUR 205.7 million (previous year: EUR 201.3 million), and that of intangible assets with indefinite useful lives amounted to EUR 106.6 million (previous year: EUR 116.8 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 recognised 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 inputs for these models are taken from observable markets when possible; If these are not available, fair value measurement relies heavily on management's judgement. Changes to assumptions made could affect the recognised fair value of financial and equity instruments. Reference is made to Note 7.1 for more information.

Income taxes

Tax positions are calculated using the locally applicable tax legislation and any relevant official interpretations and decrees. 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 (e.g. transfer prices). Such matters are considered by the management when they make their estimate.

At each reporting date, the Group assesses whether the realisation of future tax benefits is probable enough to recognise deferred tax assets. Among others, this requires management to assess the tax benefits arising from the available tax strategies and future taxable income and to take into account any other positive or negative factors. 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 recognised 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 utilised. Deferred tax assets for all unused interest carryforwards are recognised to the extent that it is probable that they can be used in the future to reduce taxable income. As of December 31, 2022, the carrying amount of deferred tax assets recognised on unused loss carryforwards came to EUR 9.6 million (previous year: EUR 9.0 million). Unrecognised tax loss carryforwards amounted to EUR 68.8 million (previous year: EUR 77.8 million). In addition, as of December 31, 2022, the carrying amount of deferred tax assets recognised on interest carryforwards was EUR 1.0 million (previous year: EUR 4.0 million). Further details are provided in Note 5.4.

Lease 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 recognised.

Pensions and other similar obligations

The expense of defined benefit pension plans and post-employment medical benefits is determined using actuarial calculations. These actuarial valuations are based on assumptions about discount rates, future salary and wage increases, mortality rates, future pension increases, expected staff turnover and 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 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, 2022, the carrying amount of pensions and other similar obligations was EUR 15.3 million (previous year: EUR 22.3 million). Further details, including a sensitivity analysis, are given 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 recognised under other provisions.

As of December 31, 2022, other provisions amounted to EUR 23.9 million (previous year: EUR 18.5 million). Further details are provided in Note 6.13.

Guarantees and warranties

The provision for guarantees and warranties is recognised 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 14.4 million as of the reporting date (previous year: EUR 10.9 million). Further details are provided in Note 6.13.

Variable remuneration

The Group initially recognises 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 incorporates 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 forecast dividend yield. The period of volatility is based on the remaining period of the performance share unit plans. As of December 31, 2022, the carrying amount of obligations was EUR 2.3 million (previous year: EUR 2.6 million). Further details are provided in Note 6.13.

Derivative financial instruments

Where the fair value of financial assets and financial liabilities recognised in the balance sheet cannot be derived from an active market, it is determined by using valuation models. The inputs for these models are taken from observable markets when possible; otherwise determining the fair value requires a degree of judgement. This judgement considers inputs such as liquidity risk, credit risk and volatility. Changes in the assumptions about these factors could affect the recognised fair value of financial instruments. As of December 31, 2022, the carrying amount of derivative financial instruments was EUR 1.3 million (previous year: EUR 0.0 million). Further details are provided in Note 7.1.

2.3 SUMMARY OF KEY 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 unrealised 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 recognised at fair value at the acquisition date. Subsequent changes in the fair value of contingent consideration, which represents an asset or liability, are recognised 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 recognised 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

— derecognise the assets (including goodwill) and liabilities of the subsidiary

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

— derecognise the accumulated translation differences recognised in equity

— recognise the fair value of the consideration received

— recognise the fair value of any investment retained

— recognise 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.

Investments 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 significant influence by participating in the entity's financial and operating policy decisions, but cannot exert control or joint control over those policies. Significant influence is generally assumed when the Group holds between 20 per cent and 50 per cent 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 significant influence or joint control exists are similar to those for determining control over the 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 significant influence or participates in the joint control over decision processes. The Group's share in any gains and losses on transactions between the Group and an associate or joint venture are eliminated.

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 recognised 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 financial year. The exchange differences arising from translation are recognised in equity. On disposal of a foreign operation, the accumulated amount recognised in equity relating to that particular foreign operation is recognised in profit and loss. Exchange differences from foreign currency loans that are part of a net investment in a foreign operation are recognised directly in equity until disposal of the net investment, at which time they are recognised in profit and loss.

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	
	12/31/2022	12/31/2021	Q1-Q4/2022	Q1–Q4/2021
Australian Dollar	0.63618	0.64082	0.65970	0.63513
Brazilian Real	0.17727	0.15649	0.18438	0.15697
Chinese Renminbi	0.13531	0.13862	0.14139	0.13110
Indian Rupee	0.01132	0.01187	0.01211	0.01145
Canadian Dollar	0.69168	0.69104	0.73054	0.67459
Polish Zloty	0.21376	0.21776	0.21374	0.21928
Russian Rouble	0.01281	0.01185	0.01418	0.01148
US-Dollar	0.93677	0.88308	0.95060	0.84556

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 synergies 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 capitalised 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 any 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 amortised cost less any accumulated impairment losses.

For capitalised development costs, amortisation begins when development is complete, 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 amortised over their useful lives and tested for impairment whenever an indication of impairment exists. The useful life and the amortisation method used for an intangible asset with a finite useful life are reviewed at the end of each financial year at a minimum. Amortisation is recognised 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 amortisation but are 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 summarised 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	25 – 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 realisable value and the carrying amount of the asset and are recognised in profit and loss in the period in which the asset is derecognised.

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 capitalised only when there is a direct link to production.

Ongoing maintenance and repairs are expensed immediately.

The cost of replacing components or of overhauling plant and equipment are capitalised 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 financial 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 derecognised 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 realisable value and the carrying amount of the asset and are recognised in profit and loss in the period in which the item is derecognised.

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 capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period 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 recognises 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 through profit or loss as rental and lease expenses on a straight-line basis over the lease term.

The Group recognises right-of-use assets on the commencement date of a lease (i.e. the date on which the underlying leased asset is available for use). Right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liabilities. The cost of right-of-use assets includes the recognised lease liabilities, the initial direct costs incurred and the lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets 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 asset. Rather, these payments are recognised 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 (e.g. changes in future lease payments as a result of a change in the index or interest rate used to determine those payments), 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 accounted for using the equity method
Under the equity method, investments in associates and joint ventures are recognised 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 recognised directly in the equity of the associate or joint venture are recognised by the Group according to 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 amortised nor separately tested for impairment. After applying the equity method, the Group determines whether it is necessary to recognise 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 recognises 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 financial year. In addition, whenever there are specific indications of impairment, an impairment test is carried out. 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 recognised 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 recognised 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 recognised for the asset (the cash-generating unit) in previous years. Such a reversal is recognised through profit and loss.

Financial instruments

Financial instruments

A financial instrument is any 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 amortised 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 amortised cost or at fair value through other comprehensive income, the cash flows may only consist of 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 (debt instruments) measured at amortised cost

— 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 amortised cost

This category is the most significant for the consolidated financial statements. The Group measures financial assets at amortised cost when the following two conditions are met:

— the financial asset is held under a business model whose objective is to hold financial assets to collect 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 amortised cost are measured in subsequent periods using the effective interest method and should be tested for impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets measured at amortised 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 under a business model whose objective is both the 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 (equity instruments) measured at fair value through other comprehensive income

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 recognised 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 recognised 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 recognised 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 at fair value through profit or loss are recognised 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, which 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 derecognised (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 and nor transfers control over the asset, it will continue to recognise the transferred asset to the extent of its continuing involvement. In this case, the Group also recognises 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 recognises 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 recognised in two steps. For financial instruments whose default risk has not significantly increased since their initial recognition, a risk provision is recognised 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 recognise a risk provision at the amount of the credit losses expected over the remaining term, irrespective of when the default event occurs (total term ECL).

For trade receivables and contractual assets, the Group applies the simplified approach under IFRS 9 to measure the expected credit losses. As a result, the credit losses expected 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 realised.

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 valuation 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 recognised 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 recognised 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 recognised 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 amortised 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 derecognised when the underlying obligation is met, cancelled or extinguished.

Fair value measurement

Fair value is the price that would be received to sell an asset or 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 maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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 recognised in the financial statements on a recurring basis, the Group determines whether reclassifications have occurred between levels in the hierarchy by reassessing their categorisation (based on the lowest level of input 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 of their measurement 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 recognised 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 recognised underlying transactions, future interest rate and currency risks (hedged with interest rate swaps and caps) and risks from pending goods 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 recognised 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 liability.

Inventories

Inventories are measured at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs 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) as well as 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 recognised 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 recognised as a separate asset only when the reimbursement is virtually certain. The expense relating to the formation of a provision is recognised in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax 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 recognised as a finance 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 recognising 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 recognised 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 derecognised through profit and loss.

Pensions and other similar obligations

Defined benefit 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 recognises the remeasurement of defined benefit plans in other comprehensive income. All other expenses under defined benefit plans are immediately recognised in the result for the period.

Past service cost is recognised immediately in profit and loss.

The amount recognised 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 into account the minimum funding requirements yet to be paid.

The effects of closure or curtailing plans are recognised 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 plans

The Group's obligations under defined contribution plans are recognised in profit and loss within operating profit. The Group has no further payment obligations once the contributions have been paid.

Other post-employment benefit plans

The Group grants its employees in Germany the option of concluding phased retirement agreements. The 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 benefit plans

The Group grants long-service awards to a number of employees. The corresponding obligations are measured 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 income taxes

Deferred income tax assets and liabilities arise from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases and tax loss carryforwards and interest carryforwards with the exception of

- 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 recognised 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 foreseeable future.

Deferred income tax assets are recognised only if it is probable that sufficient taxable profit will be available to allow the deductible temporary difference to be utilised. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised, 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 recognised directly in equity are recognised in other comprehensive income rather than in profit and loss.

Sales

Sales are recognised when the control over the goods or services is transferred to the customer. Sales are recognised at 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 recognised 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 recognised 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 recognised as warranty provisions.

Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Expense-related grants are recognised as income over the same period as the corresponding expenses. Where the grant relates to an asset, it is recognised as deferred income and recognised as income in equal amounts over the expected useful life of the related asset.

2.4 AMENDMENTS TO ACCOUNTING POLICIES

The accounting policies applied are essentially unchanged compared to those applied in the previous year, with the following exceptions:

Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract

An onerous contract is a contract in which the unavoidable costs (i.e. the costs the Group cannot avoid due to the existence of the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendment focuses on costs that are directly related to the contract (directly related cost approach). The costs associated with the performance of contracts for the supply of goods or the rendering of services include both the directly attributable (incremental) costs of fulfilling the contract and overheads that relate directly to activities performed in fulfilling the contract. General administrative costs are not directly related to the contract and therefore do not fall under contract fulfilment costs, unless the contract expressly allows for such costs to be passed on to the customer. The amendments did not have any effect on the consolidated financial statements.

Amendment to IFRS 3: Reference to the Conceptual Framework

This amendment replaces the reference found in IFRS 3 to the conceptual framework for the preparation and presentation of financial statements (the 1989 framework) with a reference to the new conceptual framework for financial reporting issued in March 2018. In addition, an exception has been specified by which separately recognised liabilities and contingent liabilities that fall within the scope of IAS 37 or IFRIC 21 should be accounted for under the applicable standards (and not the conceptual framework). At the same time, the amendment clarifies that the existing guidance for contingent assets found in IFRS 3 is not affected by the changes to the reference to the conceptual framework.

These amendments did not have any effect on the consolidated financial statements.

Amendments to IFRS 9: Fees in the '10 per cent' test for derecognition of financial liabilities

The IASB published an amendment to IFRS 9 Financial Instruments as part of its annual improvements to the IFRS Standards 2018-2020 cycle. The amendment clarifies which fees an entity should include when it assesses whether the terms and conditions of a new or modified financial liability differ materially from the original financial liability. Only those fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf, should be included. An entity shall apply the amendment to financial liabilities that are modified or replaced on or after the beginning of the reporting year in which the entity first applies the amendment.

The amendments did not have any effect on the consolidated financial statements.

Amendments to IAS 16: Proceeds before Intended Use

The IASB issued "IAS 16: Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)" in May 2020. This prohibits a reporting entity from deducting any proceeds from selling items produced while bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management from the cost of that asset.

The amendments did not have any effect on the consolidated financial statements.

2.5 PUBLISHED STANDARDS THAT ARE NOT YET MANDATORY

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 year 2020 included clarifications of the criteria for classifying debt as current or non-current. They are mandatory for reporting years beginning on or after January 1, 2023. However, the IASB has proposed additional amendments to IAS 1 and to postpone the date of first-time application to reporting periods beginning on or after January 1, 2024 at the earliest. Due to these recent developments, the Group cannot currently assess the impact of first-time application. Further developments are being closely monitored.

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 Group assumes that the amendments will not have a significant impact on the consolidated financial statements.

Amendment to IAS 12: Deferred Taxes Related 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 recognises deferred tax for all temporary differences related to leases and decommissioning obligations and recognises 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.

The Group is currently examining the effects of these amendments.

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, 2023.

The Group is currently examining the effects of these amendments.

3. BASIS OF CONSOLIDATION

The Group's basis of consolidation changed as follows when compared to the consolidated financial statements as of December 31, 2021:

BUSINESS ACQUISITIONS

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 provisional 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 equals the total consideration paid, the business combination did not result in any goodwill.

The gross amount of trade receivables came to kEUR 5,933 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. Right-of-use assets are measured at the same amount as the lease liabilities.

In the period between the acquisition and the end of the reporting period, the acquired entity generated revenue of EUR 17.1 million and a net profit of EUR 0.1 million.

Transaction costs of kEUR 10 were recognised 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 the financial year 2022.

DECONSOLIDATIONS

The entities SAF-HOLLAND Bulgaria EOOD, Bulgaria, and Qingdao YTE Special Products Pte. Ltd., China, were deconsolidated upon their liquidation on May 26, 2022 and June 22, 2022.

The deconsolidations did not have any effect on the Group's assets, liabilities, financial position or financial performance.

OTHER CHANGES

In August 2022, SAF-HOLLAND GmbH increased its stake in Axscend Group Ltd. from 93.6 per cent to 100.0 per cent. The purchase price for the shares acquired amounted to kEUR 509.

In the previous year, SAF-HOLLAND do Brazil Ltda. acquired the remaining 42.5 per cent of the shares in KLL Equipamentos para Transporte Ltda., for a purchase price of kEUR 12,598.

In connection with the offer submitted on June 8, 2022 to acquire all the issued and outstanding shares in the listed Swedish company Haldex AB, SAF-HOLLAND acquired 95.9 per cent of the outstanding shares in Haldex AB as of the reporting date.

Although SAF-HOLLAND SE acquired more than 50 per cent of the shares in Haldex AB, Haldex AB and its subsidiaries have not been consolidated as the merger had not yet been approved from an antitrust perspective by the Polish supervisory authorities on the reporting date. Due to the missing antitrust approval, SAF-HOLLAND SE is restricted in exercising its voting rights and therefore had not obtained control as defined by IFRS 10 by the reporting date.

4. SEGMENT INFORMATION

Corporate management and group reporting is 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 about resource allocation and performance assessment. Regional performance is evaluated based on adjusted EBIT. The determination of operating profit (EBIT) may deviate to a certain extent from the consolidated financial statements. The reason for this deviation may be due to adjustments made for special items such as depreciation and amortisation of property, plant and equipment and intangible assets from purchase price allocation (PPA), impairment and reversals of impairment and restructuring and transaction costs and effects from the valuation of options (see the 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 provided as follows:

in EUR thousands	Q1-Q4/2022	Q1–Q4/2021
Operating result	99,614	70,516
Share of net profit of investments accounted for using the equity method	1,877	1,624
EBIT	**101,491**	**72,140**
Additional depreciation and amortisation from PPA	9,455	9,145
Valuation effects from call and put options	2,066	2,927
Impairment losses on property, plant and equipment and intangible assets	2,447	4,729
Restructuring and transaction expenses	9,142	4,187
Adjusted EBIT	**124,601**	**93,128**

Segment information for the periods from January 1 through December 31:

in EUR thousands	EMEA[1]		Americas[2]		APAC[3]		Total	
	Q1-Q4/2022	Q1–Q4/2021	Q1-Q4/2022	Q1–Q4/2021	Q1-Q4/2022	Q1–Q4/2021	Q1-Q4/2022	Q1–Q4/2021
Sales	815,305	734,612	590,591	401,816	159,193	110,155	1,565,089	1,246,583
Cost of sales	–679,770	–590,599	–487,962	–345,076	–137,807	–101,823	–1,305,539	–1,037,498
Gross profit	**135,535**	**144,013**	**102,629**	**56,740**	**21,386**	**8,332**	**259,550**	**209,085**
Gross profit margin in %	16.6	19.6	17.4	14.1	13.4	7.6	16.6	16.8
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	–94,831	–81,979	–51,329	–40,751	–11,899	–14,215	–158,059	–136,945
Adjustments	11,990	5,184	4,573	8,011	6,547	7,793	23,110	20,988
Adjusted EBIT	**52,694**	**67,218**	**55,873**	**24,000**	**16,034**	**1,910**	**124,601**	**93,128**
Adjusted EBIT margin in %	6.5	9.2	9.5	6.0	10.1	1.7	8.0	7.5
Amortization and depreciation of intangible assets and property, plant and equipment (without PPA)	18,602	17,650	15,905	16,021	3,587	5,306	38,094	38,977
in % of sales	2.3	2.4	2.7	4.0	2.3	4.8	2.4	3.1
Purchase of property, plant and equipment and intangible assets	13,684	15,646	20,564	5,960	2,005	3,049	36,253	24,655
in % der Umsatzerlöse	1.7	2.1	3.5	1.5	1.3	2.8	2.3	2.0

[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 19,122 thousand (previous year EUR 15,861 thousand), Americas EUR 6,977 thousand (previous year EUR 8,439 thousand) and APAC EUR 6,797 thousand (previous year EUR 4,540 thousand).

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 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 and suspension systems, 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 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 information by geographic region:

in EUR thousands	12/31/2022	12/31/2021
Non-current assets		
Americas	172,523	163,620
EMEA	239,439	244,620
APAC	42,846	51,896
Total	**454,808**	**460,136**

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 SALES

The following table presents the breakdown of sales by business unit that the Group has generated from contracts with customers:

in EUR thousands	Q1-Q4/2022	Q1–Q4/2021
OEM	1,144,018	896,774
Aftermarket	421,071	349,809
Total	**1,565,089**	**1,246,583**

The performance obligation is met through the delivery of axle and suspensions systems, fifth wheel couplings, kingpins, landing gears, trailercouplings (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 per cent of the Group's total sales.

5.2 COST OF SALES

Cost of sales consists of the following:

in EUR thousands	Q1-Q4/2022	Q1–Q4/2021
Cost of materials	1,091,725	850,274
Personnel expenses	138,942	118,725
Amortisation and depreciation of intangible assets and property, plant and equipment	26,248	26,543
Expenses related to rent and leasing	3,549	2,027
Temporary employees expenses	10,475	9,242
Repair and maintenance expenses	13,399	11,512
FX-valuation	–539	–1,936
Legal and consulting expenses	2,299	2,357
Travel expenses	1,880	996
Warranty expenses	10,153	6,733
Insurance	1,348	1,395
Restructuring and transaction expenses	5,191	5,952
Other	869	3,678
Total	**1,305,539**	**1,037,498**

In the 2022 financial year, cost of sales included inventory consumption of kEUR 1,267,390 (previous year: kEUR 1,004,784).

5.3 OTHER INCOME AND EXPENSES

5.3.1 Other income

Other operating income consists of the following:

in EUR thousands	Q1-Q4/2022	Q1–Q4/2021
Gain from disposal of property, plant and equipment	1,663	643
Income from employee leasing	484	484
Income from insurance	–	15
Income from refunds	–	277
Restructuring and transaction income	1,843	–
Other	454	732
Total	**4,444**	**2,151**

Restructuring and transaction income mainly originates 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-Q4/2022	Q1–Q4/2021
Personnel expenses	32,633	28,597
Expenses for advertising and sales promotion	7,595	4,529
Amortisation and depreciation of intangible assets and property, plant and equipment	11,310	10,914
Expenses related to rent and leasing	398	149
Expenses for distribution	4,898	5,091
Temporary employees expenses	770	410
Trade receivable allowance and write-off	198	83
Storage expenses	884	630
Commissions	1,307	622
Insurance	778	666
Legal and consulting expenses	1,979	1,321
FX-valuation	5,126	1,481
Restructuring and transaction expenses	131	281
Other	3,480	3,900
Total	**71,487**	**58,674**

5.3.3 Administrative expenses

Administrative expenses are shown in the following table:

in EUR thousands	Q1-Q4/2022	Q1–Q4/2021
Personnel expenses	28,925	29,163
Expenses for office and operating supplies	9,989	7,901
Amortisation and depreciation of intangible assets and property, plant and equipment	6,202	6,165
Expenses related to rent and leasing	117	234
Legal and consulting expenses	5,971	5,459
Insurance	2,544	2,170
Travel expenses	828	519
FX-valuation	1,231	852
Temporary employees expenses	955	1,205
Restructuring and transaction expenses	8,079	2,804
Other	6,778	5,721
Total	**71,619**	**62,193**

5.3.4 Research and development costs

Research and development costs consist of the following:

in EUR thousands	Q1-Q4/2022	Q1–Q4/2021
Personnel expenses	10,214	9,260
Amortisation and depreciation of intangible assets and property, plant and equipment	2,415	1,377
Expenses related to rent and leasing	19	24
Testing expenses	2,190	2,075
Service costs	2,540	2,147
Impairment of R&D projects	399	1,085
Travel expenses	335	129
Impairment losses on property, plant and equipment and intangible assets	–	232
Restructuring and transaction expenses	31	–
Legal and consulting expenses	307	65
Other	758	532
Total	**19,208**	**16,926**

Development costs of kEUR 4,006 (previous year: kEUR 3,254) were capitalised in the financial year.

5.3.5 Other expenses

Other expenses mainly include the valuation effect of the put option for the acquisition of the remaining shares in PressureGuard LLC.

5.3.6 Financial result

Finance revenue breaks down as follows:

in EUR thousands	Q1-Q4/2022	Q1–Q4/2021
Unrealised foreign exchange gains on foreign currency loans and dividends	1,868	1,130
Realised foreign exchange gains on foreign currency loans and dividends	2,382	154
Finance income due to derivatives	1,874	767
Finance income due to pensions and other similar benefits[1]	2,318	1,624
Interest income	1,333	573
Other	462	176
Total	**10,237**	**4,424**

[1] In the previous year, the financial income in connection with pensions was reported net. Since the 2022 financial year, the figure is reported gross.

Finance costs break down as follows:

in EUR thousands	Q1-Q4/2022	Q1–Q4/2021
Interest expenses due to interest bearing loans and bonds	–13,255	–6,832
Amortisation of transaction costs	–1,573	–938
Finance expenses due to pensions and other similar benefits[1]	–2,505	–2,045
Finance expenses due to derivatives	–432	–363
Realised foreign exchange losses on foreign currency loans and dividends	–1,315	–573
Unrealised foreign exchange losses on foreign currency loans and dividends	–1,167	–1,345
Finance expenses due to leasing	–1,344	–1,291
Other	–1,639	–482
Total	**–23,230**	**–13,869**

[1] In the previous year, the financial expenses in connection with pensions were reported net. Since the 2022 financial year, the figure is reported gross.

Unrealised 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 realised exchange gains result from the repayment of intercompany loans.

The amortisation of transaction costs of kEUR –1,573 (previous year: kEUR –938) represents the contract closing fees recognised as expenses in the period in accordance with the effective interest method.

Finance expenses related to derivative financial instruments in the past financial year resulted primarily from the fair value measurement of currency derivatives as of the end of the year.

Further information on the above is presented in Notes 6.14 and 7.1.

5.3.7 Expenses for employee benefits

Expenses for employee benefits consist of the following:

in EUR thousands	Q1-Q4/2022	Q1–Q4/2021
Wages and salaries	–182,204	–159,918
Social insurance contributions	–27,770	–24,100
Pension expenses	–619	–734
Termination benefits[1]	–1,406	–2,235
Total	**–211,999**	**–186,987**

[1] EUR 1,285 thousand (prior year: EUR 1,243 thousand) of the expenses resulting from the termination of employment are reported under restructuring and transaction costs.

Social insurance contributions include expenses from defined benefit plans of kEUR 8,296 (previous year: kEUR 7,709).

5.3.8 Depreciation and amortisation and impairment

Depreciation and amortisation and impairment by function:

in EUR thousands	Depreciation and impairment of property, plant, and equipment		Amortisation and impairment of intangible assets		Total	
	Q1-Q4/2022	Q1–Q4/2021	Q1-Q4/2022	Q1–Q4/2021	Q1-Q4/2022	Q1–Q4/2021
Cost of sales	–22,815	–23,889	–3,433	–2,654	–26,248	–26,543
Selling expenses	–4,105	–4,521	–7,205	–6,393	–11,310	–10,914
Administrative expenses	–1,880	–1,949	–4,322	–4,216	–6,202	–6,165
Research and development expenses	–1,230	–1,343	–1,185	–34	–2,415	–1,377
Impairment of R&D projects	–	–	–399	–	–399	–
Impairment of intangible assets	–	–	–788[1]	–1,441	–788[1]	–1,441
Impairment of tangible assets	–2,634[1]	–6,411[1]	–	–	–2,634[1]	–6,411[1]
Total	**–32,664**	**–38,113**	**–17,332**	**–14,738**	**–49,996**	**–52,851**

[1] Included in the restructuring and transaction costs.

The increase in depreciation and amortisation of property, plant and equipment and intangible assets prior to impairment results from a higher volume of capital expenditure in the preceding financial years.

Depreciation of property, plant and equipment and amortisation of intangible assets arising from purchase price allocations amounted to kEUR 9,455 (previous year: kEUR 9,145).

5.4 INCOME TAXES

Income taxes primarily consist of the following:

in EUR thousands	Q1-Q4/2022	Q1–Q4/2021
Current income taxes	–24,628	–24,579
Deferred income taxes	–2,643	–1,320
Income tax reported in the result for the period	**–27,271**	**–25,899**

The effective income tax rate for the Group for the year ended December 31, 2022 is 30.82 per cent (previous year: 41.31 per cent). 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 25.96 per cent (previous year: 26.77 per cent). The Group tax rate is the average weighted tax rate of the regions EMEA, Americas and APAC applied to the Group's earnings before tax. The German corporate tax rate of 27.39 per cent, consisting of a corporate income tax of 15.83 per cent (including the solidarity surcharge) and a trade tax of 11.57 per cent, was used for the EMEA region. The tax rate for the Americas region was equivalent to the US tax rate of 25.00 per cent, which consists of a federal tax rate of 21.00 per cent and a state tax rate of 4.00 per cent. The weighted average tax rate applied by the Group entities in the APAC region came to 25.54 per cent.

The expected income tax expenses (current and deferred) based on the Group's tax rate of 25.96 per cent deviate from the reported income tax expenses as follows:

in EUR thousands	Q1-Q4/2022	Q1–Q4/2021
Result before income tax	**88,498**	**62,695**
Income tax based on Group's income tax rate of 25.96% (previous year: 26.77%)	–22,974	–16,783
Unused interest carry-forwards	–1,604	–115
Unused tax loss carry-forwards (including impairments)	–3,452	–7,138
Use of previously not recognised tax loss carry-forwards	5,325	166
Non-deductible operating expenses	–4,651	–3,154
Tax-Exempt income	570	672
Differences in tax rates	1,638	1,524
Income taxes resulting from previous year	–880	–134
Tax effects from exchange rate fluctuations	–886	–448
Other	–264	–489
Effects from changes in foreign tax legislation	–93	–
Income tax based on effective income tax rate of 30.82% (previous year: 41.31%)	–27,271	–25,899

The development of deferred income taxes in the items tax loss carryforwards is impacted by losses resulting from impairments predominantly in Chinese subsidiaries, on which no deferred tax asset have been built.

The development of deferred income taxes as of the reporting date was as follows:

in EUR thousands	12/31/2022	12/31/2021
Inventories	2,359	2,908
Pensions and other similar benefits	3,081	4,715
Other financial liabilities	28	42
Other provisions	3,936	3,156
Tax loss carry-forwards	9,556	8,950
Interest carry-forwards	959	4,001
Other	3,768	4,237
Deferred income tax assets	**23,687**	**28,009**
Intangible assets	–31,162	–33,186
Property, plant and equipment	–12,873	–13,468
Investments accounted for using the equity method	47	–423
Other assets	–232	–244
Interest bearing loans and bonds	–3,718	–2,575
Other	–5,297	–3,106
Deferred income tax liabilities	**–53,235**	**–53,002**

No deferred tax assets were recorded on the losses of SAF-HOLLAND Yangzhou Vehicle Parts Ltd, China, for the current year 2022, which amount to kEUR 6,882.

As of the reporting date, deferred tax assets and liabilities of kEUR 8,526 (previous year: kEUR 5,648) were offset, having met the requirements for offsetting. The balance sheet thus includes deferred tax assets of kEUR 15,161 (previous year: kEUR 22,361) and deferred tax liabilities of kEUR 44,709 (previous year: kEUR 47,354).

The Group has tax loss carryforwards of kEUR 91,443 (previous year: kEUR 117,272) that are available indefinitely or with defined time limits to several Group companies to offset against future taxable income of the companies in which the losses arose or of other Group companies. Deferred tax assets have not been recognised with respect to tax loss carryforwards of kEUR 68,820 (previous year: kEUR 77,821) due to insufficient taxable income or opportunities for offsetting at the individual companies or other Group companies.

Unrecognised tax loss carryforwards expire as follows:

in EUR thousands	12/31/2022	12/31/2021
Expiry date		
Infinite	11,178	19,346
Less than 5 years	35,631	–
Within 5 years	22,011	57,115
Within 10 years	–	1,360
Total	**68,820**	**77,821**

In addition to tax loss carryforwards, the Group has interest carryforwards of kEUR 10,034 (previous year: kEUR 20,860), which are available indefinitely to various Group companies for use in the future as a tax deduction. Interest carryforwards result from the interest limitation rules introduced by the business tax reform in Germany as well as a comparable regulation in the US.

In financial year 2022, deferred income taxes amounting to kEUR -2,073 (previous year: kEUR -3,453) were recognised in other comprehensive income.

Furthermore, temporary differences associated with shares held in subsidiaries for which no deferred taxes have been recognised amounted to EUR -77.3 million (previous year: EUR -65.0 million).

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 01/01/2021	**137,521**	**28,971**	**29,284**	**40,119**	**3,494**	**47,016**	**286,405**	**113,116**
Additions	–	4	3,254	–	–	494	3,752	–
Disposals	–	–	553	–	–	3	556	–
Transfers	–		–	–	–	–135	–135	–
Foreign currency translation	4,517	920	1,394	1,287	–	1,936	10,054	2,608
As of 12/31/2021	**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**
Accumulated amortisation and impariment								
As of 01/01/2021	**53,056**	**22,092**	**13,676**	**1,187**	**2,578**	**31,036**	**123,625**	**35,997**
Impairment	–	–	1,085	–	–	356	1,441	–
Additions	6,371	1,080	1,126	97	175	4,448	13,297	–
Disposals	–	–	–	–	–	4	4	–
Foreign currency translation	1,942	531	666	47	–	1,071	4,257	742
As of 12/31/2021	**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**
Carrying amount 12/31/2021	**80,669**	**6,192**	**16,826**	**40,075**	**741**	**12,401**	**156,904**	**78,985**
Carrying amount 12/31/2022	**75,616**	**5,188**	**17,545**	**40,923**	**566**	**7,667**	**147,505**	**80,413**

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 kEUR 399. The impairment loss for this project was allocated in full to the Americas region. Moreover, an impairment loss of EUR 0.8 million (previous year: EUR 0.4 million) was posted through profit or loss in accordance with IAS 36 on licenses and software in China (APAC region). A discount rate of 9.53 per cent was applied, resulting in a recoverable amount (value in use) of EUR 19.5 million. The reason for the impairment loss in China lies in the failure to reach the sales targets in the financial year 2022 and the ensuing assumption that lower sales and earnings would be generated in subsequent years. Further information on the above is presented in Note 6.2.

Intangible assets with finite useful lives that are significant to the Group are presented in the following table:

in EUR thousands	2022		2021	
	Carrying amount	Useful life	Carrying amount	Useful life
Customer relationship "OEM"	23,322	24	24,294	25
Customer relationship "5th-Wheel"	8,840	16	9,392	17

Impairment testing of goodwill and intangible assets with indefinite useful lives

The Group carries out its annual impairment tests of recognised goodwill and intangible assets with indefinite useful lives as of October 1. Due to the significant increase in market interest rates over the final quarter of 2022, the Group decided to conduct another impairment test as of December 31, 2022.

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” and “V.ORLANDI” to the cash-generating units was done on the basis of the primary geographical use of these brands. The impairment test of the SAF and V.ORLANDI brand 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 per cent was applied for the perpetual annuity.

The following table presents the discount factors before taxes as of December 31, 2022 that are applied during the impairment tests for goodwill and intangible assets with indefinite useful lives:

	Discount rate before tax	
	2022	2021
Americas	12.38%	11.54%
EMEA	10.59%	9.64%
APAC	15.79%	13.83%

In addition, specific peer group information was considered in the form of beta-factors and debt ratios.

The carrying amounts are as follows:

in EUR thousands	Americas		EMEA		APAC		Total	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Goodwill	27,475	26,139	45,451	45,451	7,487	7,395	80,413	78,985
Brand	13,229	12,514	24,568	24,614	3,126	2,947	40,923	40,075

In addition, the Group owns other brands that are being amortised over their intended useful lives on the basis of the brand strategy pursued.

An average growth rate of 4.1 per cent was used for the five-year planning of the Americas cash generating unit.

For the five-year planning of the EMEA cash generating unit an average growth rate of 2.2 per cent is expected.

At 8.3 per cent, 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 per cent in 2019, trailer production in India slumped by another 65 per cent 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 will continue through into 2023 and the following years.

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 per cent or a one per cent 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 01/01/2021	**149,810**	**192,144**	**40,878**	**11,878**	**394,710**
Additions	4,586	6,930	3,338	10,388	25,242[1]
Disposals	1,458	2,729	877	40	5,104[2]
Transfers	2,621	8,521	432	–11,439	135
Foreign currency translation	4,645	8,102	1,129	1,106	14,982
As of 12/31/2021	**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**
Accumulated amortisation and impariment					
As of 01/01/2021	**45,674**	**112,028**	**29,885**	**–**	**187,587**
Impairment	2,663	3,714	34	–	6,411
Additions	10,420	16,632	4,650	–	31,702
Disposals	930	2,502	716	–	4,148[3]
Foreign currency translation	1,892	4,276	911	–	7,079
As of 12/31/2021	**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**
Carrying amount 12/31/2021	**100,485**	**78,820**	**10,136**	**11,893**	**201,334**
Carrying amount 12/31/2022	**92,667**	**72,589**	**11,656**	**28,817**	**205,729**

[1] The additions of the year include additions to right of use assets of kEUR 6,504 (previous year kEUR 4,340).
[2] Including disposals of right of use assets of kEUR 1,882 (previous year: kEUR 1,791).
[3] Including disposals of right of use assets of kEUR 622 (previous year: kEUR 1,171).

An impairment loss of EUR 1.7 million (previous year: EUR 4.6 million) on property, plant and equipment was posted through profit or loss for China (APAC region) in accordance with IAS 36. A discount rate of 9.53 per cent was applied, resulting in a recoverable amount (value in use) of EUR 19.5

million. The reason for the impairment loss in China lay in the failure to reach the sales targets in the financial year 2022 and the ensuing assumption that lower sales and earnings would be generated in subsequent years. 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 customarily range between 3 and 5 years. Many of the real estate leases entered into by the Group contain options to extend or terminate the lease. 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 which 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

	12/31/2022	12/31/2021
Land and buildings	29,710	33,656
Plant and equipment	108	58
Other equipment, office furniture and equipment	3,576	2,977
Total	**33,394**	**36,691**

Additions to right-of-use assets during the financial year 2022 mainly relate to the lease of the new plant in Mexico and the lease of additional storage space at the main plant in Bessenbach, Germany, and amounted to a total of kEUR 6,504 (previous year: kEUR 4,340).

The age structure of lease liabilities breaks down as follows:

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**

Aging of lease liabilities 2021

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	6,198	5,377	4,984	5,019	3,585	13,166	38,329
Plant and equipment	185	175	50	27	22	29	488
Vehicles	972	711	270	158	28	–	2,139
Other equipment, office furniture and equipment	47	26	15	12	5	–	105
Total	**7,402**	**6,289**	**5,319**	**5,216**	**3,640**	**13,195**	**41,061**

This had the following impact on the statement of comprehensive income:

Consolidated Statement of Comprehensive Income

in EUR thousands

	Q1-Q4/2022	Q1-Q4/2021
Amortisation of right of use assets	–8,570	–8,532
Impairment on rights of use land and buildings	–	–1,252
Interest expenses	–1,344	–1,291
Expenses related to short-term leases	–4,027	–2,425
Expenses related to low-value leases	–56	–77

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-Q4/2022	Q1-Q4/2021
Land and buildings	–6,832	–6,591
Plant and equipment	–40	–27
Other equipment, office furniture and equipment	–1,698	–1,914
Total	**–8,570**	**–8,532**

Total lease expenditure in the 2022 financial year came to kEUR 13,107 (previous year: kEUR 11,354).

The Group does not act as a lessor.

6.4 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The following investments in other entities were 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

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 summarises the financial information for Castmetal FWI S.A. This summarised 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.	
	12/31/2022	12/31/2021
Current assets	40,242	56,549
Non-current assets	11,583	10,852
Current liabilities	–21,355	–17,608
Non-current liabilities	–8,002	–8,218
Sales	53,583	44,115
Net profit of the financial year from continuing operations	5,432	4,674
Total comprehensive income	**5,432**	**4,674**
Group's share in total comprehensive income	1,851	1,593
Other equity holders	3,581	3,081

The following is a reconciliation between the reported summarised financial information and the carrying amount of the investment in Castmetal FWI S.A. as shown in the consolidated financial statements:

in EUR thousands	12/31/2022	12/31/2021
Net assets of the associate	22,468	41,575
Equity interest of the Group	34.09%	34.09%
Other adjustments	5,030	924
Carrying amount of the investment in Castmetal FWI S.A.	12,689	15,097

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 amortisation.

A dividend of kEUR 4,260 (previous year: kEUR 640) was distributed by Castmetal FWI S.A. in the past financial year.

The following presents the summarised financial information for the "SAF-HOLLAND Nippon Ltd." joint venture:

in EUR thousands	12/31/2022	12/31/2021
Group's share in profit or loss	26	31
Group's share in total comprehensive income	26	31
Aggregate carrying amount of Group's share in this company	1,138	1,234

A dividend of kEUR 21 (previous year: kEUR 20) was distributed by SAF-HOLLAND Nippon, Ltd. in the financial year.

6.5 NON-CURRENT FINANCIAL ASSETS

In connection with the offer submitted on June 8, 2022 to acquire all the issued and outstanding shares in the listed Swedish company Haldex AB, SAF-HOLLAND acquired 95.9 per cent of the outstanding shares in Haldex AB as of the reporting date, which led to a total increase EUR 292.2 million in non-current financial assets after remeasuring them on the reporting date.

The investment in Haldex AB is therefore presented as a non-current financial asset in the balance sheet and measured at fair value through other comprehensive income.

The remaining non-current financial assets mainly consist 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	12/31/2022	12/31/2021
VAT reimbursement claims	610	830
Claims from reinsurance	983	937
Defined benefit assets	4,626	3,844
Insurance premiums	75	72
Other	1,040	899
Total	**7,334**	**6,582**

6.7 INVENTORIES

in EUR thousands	12/31/2022	12/31/2021
Raw materials	78,128	90,168
Work in progress	47,255	37,194
Finished and trading goods	58,228	49,430
Goods in transit	18,638	17,179
Total	**202,249**	**193,971**

Cost of sales includes impairment of inventories of kEUR 4,474 (previous year: kEUR 1,317). The inventory impairment is recorded in a separate impairment account and netted against the gross amount of inventories. The high impairment loss recorded on inventories is primarily related to the streamlining of the product portfolio in China and higher inventory adjustments and write-downs for slow-moving goods in the United States.

in EUR thousands	Allowance account
As of 01/01/2021	**18,488**
Charge for the year	4,271
Utilised	5,066
Release	2,954
Foreign currency translation	948
As of 12/31/2021	**15,687**
Charge for the year	4,621
Utilised	5,455
Release	147
Foreign currency translation	185
As of 12/31/2022	**14,891**

6.8 TRADE RECEIVABLES

Trade receivables are non-interest bearing and are generally on due within 30-120 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 12/31/2022	150,528	5,784	144,744	129,355	10,578	2,390	1,566	212	511	132
Trade receivables as of 12/31/2021	143,505	7,246	136,259	125,859	7,282	1,563	751	74	405	325

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 01/01/2021	**6,914**
Charge for the year	1,864
Utilised	926
Release	891
Foreign currency translation	285
As of 12/31/2021	**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**

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 USA to insure against the default risk.

The Group disposed of receivables with a volume of kEUR 52,708 as of the reporting date (previous year: kEUR 44,152) under a factoring agreement and derecognised them in full. 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

	12/31/2022	12/31/2021
VAT receivables	14,192	19,558
Prepaid expenses	4,378	5,585
Insurance premiums	335	301
Creditors with a debit balance	347	381
Deposits within the framework of factoring	567	1,544
Other tax claims without income tax	4,675	1,587
Other current assets	4,490	3,731
Total	**28,984**	**32,687**

The increase in “other tax receivables” can be attributed to a ruling handed down by the Brazilian Supreme Federal Tribunal. As a result of this ruling, KLL and SAF-HOLLAND do Brasil have a right to a refund of the excess social security and other taxes paid in the past.

6.10 CASH AND CASH EQUIVALENTS

in EUR thousands

	12/31/2022	12/31/2021
Cash on hand, cash at banks and checks	236,786	164,022
Short-term deposits	6,674	1,199
Total	**243,460**	**165,221**

Cash and cash equivalents include EUR 9.4 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

Issued capital

The Company's subscribed share capital has remained unchanged compared to the previous year and amounted to EUR 45,394,302.00 as of the reporting date (previous year: EUR 45,394,302.00). Subscribed share capital is fully paid-in and consists of 45,394,302 (previous year: 45,394,302) ordinary shares with a nominal value of EUR 1.00 per share.

Authorised capital

As of the reporting date, existing authorised 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% of subscribed share capital

Capital reserve

As of December 31, 2022, the capital reserve was unchanged at kEUR 224,104 (previous year: kEUR 224,104).

Retained earnings

Retained earnings include the result for the period attributable to shareholders of SAF-HOLLAND SE of kEUR 61,081 (previous year: kEUR 36,737).

A dividend of 0,60 per share will be proposed for the 2022 financial year, corresponding to a total dividend distribution of kEUR 27,237 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 44.6 per cent, which is within the targeted range. A dividend of EUR 0.35 was paid in the previous year. The total distribution thus amounted to kEUR 15,888.

Other comprehensive income

in EUR thousands

	Before tax amount		Tax income/expense		Net of tax amount	
	Q1-Q4/2022	Q1-Q4/2021	Q1-Q4/2022	Q1-Q4/2021	Q1-Q4/2022	Q1-Q4/2021
Exchange differences on translation of foreign operations	12,688	23,440	–	–	12,688	23,440
Change in the fair value of financial investments in equity instruments that are measured at fair value through other comprehensive income	6,273	–	–	–	6,273	–
Remeasurements of defined benefit plans	8,057	13,824	–2,073	–3,453	5,984	10,371
Total	**27,018**	**37,264**	**–2,073**	**–3,453**	**24,945**	**33,811**

The total amount of exchange differences from the translation of foreign operations included in other comprehensive income comes to kEUR -878 (previous year: kEUR -13,566).

The total amount after taxes included in other comprehensive income that arises from the remeasurement of defined benefit plans is kEUR -2,291 (previous year: kEUR -8,725).

6.12 PENSIONS AND OTHER SIMILAR OBLIGATIONS

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 kEUR 983 (previous year: kEUR 937) is recognised under other non-current assets in accordance with IAS 19.

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 per cent 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 foreseeable future have a minimum funding requirement of 85 per cent.

The development of the defined benefit pension plans as of December 31 is as follows:

in EUR thousands	Defined benefit obligation (DBO) (I)		Fair value of plan assets (II)		Effects of asset ceiling (III)		Net defined benefit balance (I – II + III)	
	2022	2021	2022	2021	2022	2021	2022	2021
Balance as of the beginning of the period	**98,836**	**99,156**	**80,446**	**67,839**	**106**	**98**	**18,496**	**31,415**
Current service cost	619	734	–	–	–	–	619	734
Interest expenses	2,502	2,042	–	–	3	3	2,505	2,045
Interest income	–	–	2,318	1,624	–	–	–2,318	–1,624
Components of defined benefit costs recognised in the Consolidated Statements of income	**3,121**	**2,776**	**2,318**	**1,624**	**3**	**3**	**806**	**1,155**
Actuarial gains/losses	–23,990	–5,066	–14,585	8,755	–	–	–9,405	–13,821
Effects of asset ceiling	–	–	–	–	1,348	–3	1,348	–3
Remeasurements recognised in the Consolidated Statements of Comprehensive Income	**–23,990**	**–5,066**	**–14,585**	**8,755**	**1,348**	**–3**	**–8,057**	**–13,824**
Employer Contributions	–	–	320	383	–	–	–320	–383
Benefits paid	–5,593	–4,583	–5,153	–4,152	–	–	–440	–431
Foreign currency translation effects	4,365	6,553	4,081	5,997	–73	8	211	564
Other reconciling items	**–1,228**	**1,970**	**–752**	**2,228**	**–73**	**8**	**–549**	**–250**
Balance as of the end of the period	**76,739**	**98,836**	**67,427**	**80,446**	**1,384**	**106**	**10,696**	**18,496**
thereof provisions for pensions and similar obligations							**15,322**	**22,340**
thereof net assets (reported in other non-current assets)							**4,626**	**3,844**
thereof:								
Germany	10,868	16,154	12	12	–	–	10,856	16,142
USA	49,291	61,461	50,641	61,249	–	–	–1,350	212
Canada	12,793	16,795	16,627	19,028	1,384	106	–2,450	–2,127
Other countries	1,719	1,919	147	157	–	–	1,572	1,762
Post-employment medical plan	2,068	2,507	–	–	–	–	2,068	2,507
Actual return on plan assets	**–**	**–**	**–12,267**	**10,379**	**–**	**–**	**–**	**–**

The net method of accounting for defined benefit plans of kEUR 10,696 (previous year: kEUR 18,496) is presented under the provision for pensions and similar obligations at an amount of kEUR 15,322 and at an amount of kEUR 4,626 under other non-current assets. The net interest expense amounted to kEUR 187 (previous year: kEUR 421).

The actuarial gains (–) and losses (+) included in the revaluation resulted from:

in EUR thousands	12/31/2022	12/31/2021
Experience losses/gains related to defined benefit obligation	551	–475
Experience losses/gains related to plan assets	14,586	–8,755
Changes in demographic assumptions	83	179
Changes in financial assumptions	–24,625	–4,770
Total	**–9,405**	**–13,821**

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 table below.

in %	12/31/2022	12/31/2021
Discount rate		
Germany pension plan	3.10	1.00
USA pension plan	5.19	2.70
Canada pension plan	5.05	2.95
Post-employment medical plan	5.09	2.47
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.
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.
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

[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 applied:

Germany	Heubeck Richttafeln 2018G
USA	Pri-2012(BC) mortality table with MP-2021 generational projection
Canada	RP-2014Priv mortality table with MI-2017 generational projection

Healthcare cost inflation:

in %	12/31/2022	12/31/2021
Initial rate (health care cost trend rate assumed for next year)	5.50	5.75
Ultimate rate (health care cost trend rate assumed to reduce cost)	6.25	5.00
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	12/31/2022		12/31/2021	
	Increase	Decrease	Increase	Decrease
Total	**–5,634**	**6,246**	**–9,169**	**10,371**
thereof:				
Germany	–998	1,179	–1,940	2,378
USA	–3,265	3,684	–4,945	5,692
Canada	–1,267	1,267	–2,154	2,154
Other countries	–104	116	–130	147

A one percentage point change in the assumed trend in healthcare costs would have the following effects:

in EUR thousands	12/31/2022		12/31/2021	
	Increase	Decrease	Increase	Decrease
Effect on the aggregate current service cost and interest expenses	5	–5	4	–3
Effect on the defined benefit obligation	96	–87	134	–121

Future cash flows

Future payments of defined benefit obligations are summarised in the following table:

in EUR thousands					2022
	2023	2024 -2027	2028 -2032	2032 ff.	Total
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**

					2021
	2022	2023-2026	2027-2031	2031 ff.	Total
Germany	493	2,094	2,822	14,035	19,444
USA	3,857	15,376	18,585	50,887	88,705
Canada	662	2,925	4,160	17,616	25,363
Other countries	56	251	3,405	1,259	4,971
Total	**5,068**	**20,646**	**28,972**	**83,797**	**138,483**

The weighted average duration of pension plans is described below:

in years	12/31/2022	12/31/2021
Germany	14	18
USA	11	12
Canada	13	18
Other countries	10	11

The employer contributions to defined benefit plans expected for the 2023 financial year amount to kEUR 204.

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:

	12/31/2022		12/31/2021	
	%	in EUR thousands	%	in EUR thousands
Equities	61.62%	41,549	63.36%	50,967
Bonds	32.38%	21,832	29.99%	24,123
Cash and money market	2.20%	1,483	2.07%	1,665
Real estate	3.57%	2,404	4.38%	3,522
Insurance	0.23%	159	0.21%	169
Total	**100.00%**	**67,427**	**100.00%**	**80,446**

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	Variable compensation	Other	Total
As of 01/01/2021	**11,037**	**538**	**1,321**	**465**	**1,569**	**2,640**	**1,684**	**1,404**	**20,658**
Additions	4,198	–	48	471	368	705	1,124	593	7,507
Utilised	2,219	58	–	110	808	2,649	232	753	6,829
Release	2,628	–	639	–	111	–	–	120	3,498
Foreign currency translation	488	–	28	13	94	9	50	24	706
As of 12/31/2021	**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**
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
Thereof in 2021									
Current	5,478	–	354	567	383	705	714	433	8,634
Non-current	5,398	480	404	272	729	–	1,912	715	9,910

Product warranty

Provisions are recognised for expected guarantees and warranty claims on products sold during 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 authorised partner repair shops.

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 recognised at its present value. Part-time retirement commitments are insured for potential insolvency.

Other long-term employee benefit plans

The provision for other long-term employee benefits includes long-service awards and deferred compensation.

Workers' compensation and health insurance benefits

Occupational disability and health insurance benefits are recognised at the amount of the claims made. In addition, overall liability for claims of this kind is estimated based on past experience and taking into account stop-loss insurance coverage.

Restructuring provision

Provisions include mainly personnel costs in the form of severance payments.

Variable compensation

Performance Share Unit Plan (PSU plan)

Under the PSU plan, members of the Management Board and selected managers are entitled to receive cash awards depending on the achievement of certain performance targets. Since 2013, a PSU plan with four-year term has been offered each year to the scheme's participants.

The goal of this plan is to sustainably link the interests of the management and executives with the interests SAF-HOLLAND SE shareholders of a long-term increase in enterprise value. The performance share unit plan takes into account both the Company's performance and the share price development for a performance period of four years.

Participants receive phantom 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. An entitlement to shares of SAF-HOLLAND SE does not exist.

Payment under the performance share unit plan is limited to 200 per cent 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 fulfilled if during the entitlement period the Group has achieved an average minimum operating performance measured by the performance indicator "adjusted EBIT".

The total of share units granted as of the reporting date amounts to 481,698 and consists of the following:

	Performance Share Unit Plan				
	2018–2021	**2019–2022**	**2020–2023**	**2021–2024**	**2022–2025**
Share Units outstanding at the beginning of the period	54,850	92,462	163,072	124,397	–
Share Units granted during the period					115,846
Share Units forfeited during the period		3,042	6,001	5,036	–
Share Units exercised during the period	54,850				–
Share Units outstanding at the end of the period	**–**	**89,420**	**157,071**	**119,361**	**115,846**
Share Units exercisable at the end of the period	–	89,420	157,071	119,361	115,846

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			
	2019–2022	**2020–2023**	**2021–2024**	**2022–2025**
Expected remaining contractual life (years)	0.00	1.00	2.00	3.00
Average share price on measurement date (in EUR)	8.86	8.79	8.78	8.74
Expected volatility	n/a	45.61%	39.12%	47.44%
Risk free interest rate	–	2.56%	2.74%	2.55%
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, 2022, provisions for these performance plans amounted to EUR 2.3 million (previous year: EUR 2.6 million). The net expense for the period of EUR -0.3 million (previous year: EUR -1.3 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	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Interest bearing bank loans	299,466	–	–	–	299,466	–
Promissory note loan	274,000	259,000	97,500	5,000	371,500	264,000
Financing costs	–4,575	–1,350	–1,730	–764	–6,305	–2,114
Accrued interests	–	–	5,662	2,058	5,662	2,058
Other loans	45,227	46,581	109	11,674	45,336	58,255
Total	**614,118**	**304,231**	**101,541**	**17,968**	**715,659**	**322,199**

In order to fund the acquisition of the Haldex Group, SAF-HOLLAND SE entered into a new master loan agreement in August 2022 that provides the Group with total credit lines of EUR 250 million and two annuity loans with a total credit volume of EUR 300 million. The terms of the annuity loans range between 3 and 5 years.

In addition, SAF-HOLLAND SE in November 2022 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 feature 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.

The issue will contribute to optimising the maturity profile and will widen the investor base of the SAF-HOLLAND Group. The promissory note loan was placed with a total of 13 banks and institutional investors in Germany and abroad.

An overview of the tranches of the newly issued promissory note loan 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 + 175bps	11/04/2025
3 years fix	EUR 15 Mio.	4.61%	11/04/2025
5 years var.	EUR 40 Mio.	6M-Euribor + 200bps	11/04/2027
5 years fix	EUR 13.5 Mio.	4.91%	11/04/2027

At the same time, it will also be used to prematurely repay EUR 10 million of the annuity loan taken out in August 2022 (with a total volume of EUR 300 million) 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 including available cash and cash equivalents:

in EUR thousands

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**

12/31/2021	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	–	200,000	165,221	365,221
Total	**–**	**200,000**	**165,221**	**365,221**

6.15 TRADE PAYABLES

Trade payables of kEUR 159,029 (previous year: kEUR 145,789) are non-interest-bearing and are normally settled within two to six months.

6.16 OTHER FINANCIAL LIABILITIES (CURRENT)

Other financial liabilities of kEUR 2,731 (previous year: kEUR 942) reflect primarily the value of the put options for the outstanding shares of PressureGuard LLC.

6.17 OTHER LIABILITIES

in EUR thousands

	Current		Non-current	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Liabilities for salaries and social security contributions	15,580	14,509	–	–
Other taxes	11,687	8,015	–	–
Anniversary obligations	197	267	372	458
Liabilities from factoring	15,422	8,900	–	–
Deposits	1,299	1,259	–	–
Liability from pass-through agreements	3,302	–	–	–
Other	4,600	4,960	10	–
Total	**52,087**	**37,910**	**382**	**458**

7. OTHER NOTES

7.1 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Carrying amounts, amounts recognised and fair values by measurement category are as follows:

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
Not listed equity instruments	FATOCI	292,172	–	292,172	–	292,172
Non-current loan receivables	FAAC	110,000	110,000	–	–	105,192
Other financial assets	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
Other financial liabilities						
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 assets at fair value without impact on profit and loss	FATOCI	292,172	–	292,172	–	292,172
Financial Liabilities at fair value through profit and loss	FLtPL	2,731	–	–	2,731	2,731

in EUR thousands						12/31/2021
			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	165,221	165,221	–	–	165,221
Trade receivables	FAAC	136,259	136,259	–	–	136,259
Other financial assets						
Derivatives without a hedging relationship	FAtPL	160	–	–	160	160
Other financial assets	FAAC	2,018	2,018	–	–	2,018
Liabilities						
Trade payables	FLAC	145,789	145,789	–	–	145,789
Interest bearing loans and bonds	FLAC	322,199	322,199	–	–	317,089
Other financial liabilities						
Derivatives without a hedging relationship	FLtPL	171	–	–	171	171
Other financial liabilities	FLtPL	942	–	–	942	942
of which aggregated by category in accordance with IFRS 9						
Financial assets measured at amortised cost	FAAC	303,498	303,498	–	–	303,498
Financial liabilities measured at amortised cost	FLAC	467,988	467,988	–	–	462,878
Financial assets at fair value through profit and loss	FAtPL	160	–	–	160	160
Financial Liabilities at fair value through profit and loss	FLtPL	1,113	–	–	1,113	1,113

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				12/31/2022
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**

in EUR thousands				12/31/2021
	Level 1	**Level 2**	**Level 3**	**Total**
Promissory note loan	–	261,894	–	261,894
Interest bearing loans and bonds	–	55,195	–	55,195
Put option for non-controlling interests	–	–	942	942
Derivative financial assets	–	160	–	160
Derivative financial liabilities	–	171	–	171

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.

When measuring fair value, the Group applied the following methods and assumptions:

- The fair value of unlisted shares was determined using the discounted cash flow method. These measurements require management to make certain assumptions regarding the inputs used in the model, including the cash flow projections and the discount rate.
- Non-current fixed-interest loan receivables are measured by the Group using various inputs such as the interest rates, 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 swaps and forward exchange contracts are measured using a valuation technique using observable inputs from active markets. The most frequently applied valuation techniques include forward pricing and swap models calculated at net present value.
- Other financial liabilities associated with the measurement of put options for shares without any controlling interests attached of kEUR 2,529 (previous year: kEUR 942) were recognised at the

present value of their respective estimated redemption amount. The estimated redemption amount is measured on the basis of projected earnings.

In the balance sheet as of December 31, 2022, only derivatives of kEUR 1,305 (previous year: kEUR -11) and unlisted shares of kEUR 292,172 (previous year: kEUR 0) have been 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) and 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 are 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 are 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.

The following table summarises the quantitative disclosures on the most significant non-observable inputs used to measure the fair value of instruments classified to level 3 of the fair value hierarchy:

Description	**Fair value as of**		**Not observable input factors**	**Range of input factors (weighted average)**		**Ratio of unobservable input factors at fair value**
	12/31/2022 kEUR	**12/31/2021 kEUR**		**2022**	**2021**	
Unlisted equity instruments	292,172	n/a	Discount rate	0.5-1.5% (1%)	k.A.	A higher growth rate (+50 basis points) and a lower discount rate (-100 basis points) would increase the fair value by EUR 93 million; a lower growth rate (-50 basis points) and a higher discount rate (+100 basis points) would reduce the fair value by EUR 64 million.
			Risk-adjusted discount rate	8.0-9.0% (8.5%)	k.A.	

Net results break down by measurement categories as follows:

in EUR thousands					12/31/2022
		From subsequent measurement			
Financial assets	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**

in EUR thousands					12/31/2021
		From subsequent measurement			
	From interest	At fair value	Currency translation	Impairment	Net result
Financial assets measured at amortised cost	486	–	–	–973	–487
Financial assets at fair value through profit and loss	–	–363	–	–	–363
Financial liabilities measured at amortised cost	–7,770	–	–634	–	–8,404
Financial liabilities held for trading	–	767	–	–	767
Total	**–7,284**	**404**	**–634**	**–973**	**–8,487**

The components of the net result are recognised 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 amortised cost" primarily consists of interest expenses on interest-bearing loans and bonds and the amortisation 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 efficiently control the creation of value within the Group, the Management Board has implemented a risk management system, which 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 strives to identify and assess the risks that arise. Identified risks 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 existing 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.

The maturity structure of the Group's financial liabilities is as follows:

in EUR thousands				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**
				12/31/2021
	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	322,199	17,968	284,231	20,000
Lease liabilities	41,061	7,402	20,464	13,195
Trade payables	145,789	145,789	–	–
Other financial liabilities				
Other financial liabilities	942	942	–	–
Derivatives without a hedging relationship	171	171	–	–
Financial liabilities	**510,162**	**172,272**	**304,695**	**33,195**

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									12/31/2022
	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	–	–	–	–	–	–	–	–

in EUR thousands									12/31/2021
	Cash flow 2022			Cashflows 2023			Cashflows 2024–2031		
	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	–4,750	–1,669	–16,674	–2,621	–1,005	–161,000	–6,290	–1,372	–144,581
Lease liabilities	–784	–	–7,402	–505	–	–6,289	–12,612	–	–27,370
Other financial liabilities									
Derivatives without a hedging relationship	–171	–	–	–	–	–	–	–	–

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 financial liabilities:

in EUR thousands	01/01/2022	Cash flow	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
Leasing	41,060	–9,024	392	1,344	4,621	–	38,393

in EUR thousands	01/01/2021	Cash flow	Foreign exchange movement	Interest effect	IFRS 16	Other	12/31/2021
Promissory note loan	264,000	–	–	–	–	–	264,000
Other loans	61,225	–3,166	196	–	–	–	58,255
Leasing	43,615	–8,852	2,636	1,291	2,371	–	41,060

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 minimise 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 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 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 so 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, 2022 had been 100 base points lower (higher), the result would have been kEUR 2,575 (previous year: kEUR 507) 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 may result in unrealised foreign exchange gains and losses. Unrealised foreign exchange gains and losses as of the reporting date amounted to kEUR 17,068 (previous year: kEUR 14,529) and kEUR -6,291 (previous year: kEUR –5,057) respectively. Of the unrealised foreign exchange gains kEUR 15,200 (previous year: kEUR 13,399) and kEUR -5,124 (previous year: kEUR -3,712) of the unrealised 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 recognised directly in equity.

The tables below show the Group's sensitivity to a 5 per cent 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 per cent change in exchange rates.

	Change in exchange rate USD/EUR	Effect on earnings before taxes	Effect on equity after taxes
2022	5%	913	1,281
	–5%	–913	–1,281
2021	5%	2,953	4,651
	–5%	–2,953	–4,651

	Change in exchange rate CNY/EUR	Effect on earnings before taxes	Effect on equity after taxes
2022	5%	541	943
	–5%	–541	–943
2021	5%	554	1,050
	–5%	–554	–1,050

7.2 EARNINGS PER SHARE

		Q1-Q4/2022	Q1–Q4/2021
Result for the period	**in EUR thousands**	**61,081**	**36,737**
Weighted average number of shares outstanding	thousands	45,394	45,394
Basic earnings per share	Euro	1.35	0.81
Diluted earnings per share	**Euro**	**1.35**	**0.81**

Basic 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 the valuation effect from the remeasurement of the liabilities resulting from the put options, impairment losses recorded on other receivables and unrealised exchange gains and losses as of the reporting date.

7.4 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

Litigation

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 net assets, financial position or results of operations.

Minimum lease payments

The Group's other financial obligations mainly consist of the minimum lease payments arising from leases of kEUR 2,386 (previous year: kEUR 1,454).

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

	2022	2021
EMEA	1,626	1,513
Americas	1,581	1,488
APAC	521	540
Total	**3,728**	**3,541**
thereof industrial employees	1,996	1,888
thereof salaried employees	1,281	1,245
thereof temporary workers	451	408

7.6 RELATED PARTY DISCLOSURES

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
KLL Equipamentos para Transporte 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 International Services México S. de R.L. 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
SAF-HOLLAND India Pvt. Ltd.	India	100.0
PressureGuard LLC	USA	51.0

Subsidiaries

	Country of incorporation	% Equity interest
V.ORLANDI S.p.A.	Italy	100.0
V. Orlandi Rus LLC	Russia	100.0
York Transport Equipment (Asia) Pte. Ltd.	Singapore	100.0
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 Ltd.	Great Britain	100.0
SAF-HOLLAND (Shanghai) Investment Co., Ltd.	China	100.0
SAF-HOLLAND (Yangzhou) Vehicle Parts Co., Ltd.	China	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

The table below shows the composition of the Management Board and the Supervisory Board of SAF-HOLLAND SE in the year under review:

Management Board

Alexander Geis	Chief Executive Officer (CEO)
Inka Koljonen	Chief Financial Officer (CFO) (until 01/31/2022)
Wilfried Trepels	Chief Financial Officer (CFO) (05/16/2022 until 03/31/2023)
Frank Lorenz-Dietz	Chief Financial Officer (CFO) (since 01/01/2023)
Dr. André Philipp	Chief Operating Officer (COO) (until 12/31/2022)

Supervisory Board

Dr. Martin Kleinschmitt	Chairman of the Supervisory Board
Martina Merz	Deputy Chairman of the Supervisory Board (until 12/12/2022)
Ingrid Jägering	Member of the Supervisory Board
Carsten Reinhardt	Member of the Supervisory Board
Matthias Arleth	Member of the Supervisory Board

The terms of office and other positions held by the members of the Supervisory Board and the Management Board are described in the chapter "Mandates of the Supervisory Board / Management Board" in this annual report.

As of December 31, 2022, members of the Management Board directly or indirectly held ordinary shares in the nominal amount of kEUR 475.5 (previous year: kEUR 450.5) while members of the Supervisory Board directly or indirectly held ordinary shares in the nominal amount of kEUR 6.0 (previous year: kEUR 5.5).

The following shows the transactions with associates / joint ventures:

in EUR thousands	Sales to related parties		Purchases from related parties	
	Q1-Q4/2022	Q1-Q3/2021	Q1-Q4/2022	Q1-Q3/2021
Joint Ventures	955	2,392	–	–
Associates	–	–	27,975	30,559
Total	955	2,392	27,975	30,559

in EUR thousands	Amounts owed by related parties		Amounts owed to related parties	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Joint Ventures	463	485	–	–
Associates	–	–	3,913	1,665
Total	463	485	3,913	1,665

The transactions with associates / joint ventures were conducted at arm's length. Outstanding balances as of December 31, 2022 are unsecured, interest-free and paid on time. There have been no guarantees provided or received for any receivables or payables from related parties. As of December 31, 2022 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 which 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 Fundamental aspects 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 ones, 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 future corporate development.

The following criteria applied to the individual components of the Management Board's remuneration in the 2022 financial year:

1. Fixed annual base 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 the 2018 financial year 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. Short-term incentive (STI)

The annual bonus is a variable cash payment pegged based on the measurable performance of the Company over the past financial 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, 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 per cent and the upper limit 125 per cent. If the sum of the weighted individual target achievement is below 75 per cent (threshold), then there is no pro rata payout of the bonus. In exceptional cases, the Supervisory Board may set a lower limit of 50 per cent. 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 financial year.

In addition non-financial performance goals were set for the CEO and COO for the financial year 2022 that are oriented towards energy savings and the sustainability of the company's activities.

4. Long-term incentive (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' management and executives with the interests of the shareholders of SAF-HOLLAND SE. The programme used is a performance share unit plan (PSUP) introduced in 2013 that takes into account both company performance and share price performance and stipulates a four-year performance period. For further information, please refer to Note 6.12.

7.7.2 Management Board remuneration

As of the reporting date, an amount of kEUR 1,121 has been accrued for appreciation rights granted to the members of the Management Board (previous year: kEUR 1,296); thereof kEUR 233 (previous year: kEUR 528) was recognised in profit and loss in 2022. Of the total accrual, an amount of kEUR 311 (previous year: kEUR 241) is classified as current provisions. The appreciation rights are a variable payment.

Total short-term remuneration for the Management Board members in the reporting year amounted to kEUR 2,221 (previous year: kEUR 1,993). Remuneration from the performance share unit plans, in contrast, is not included in the total remuneration presented.

7.8 REMUNERATION OF THE SUPERVISORY BOARD

The remuneration paid to the members of the Supervisory Board is governed by Art. 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 financial year, which means that the fixed annual remuneration for the year 2022 will be paid out in the year 2023. Performance-based or stock-based remuneration components are not granted.

Total remuneration for the Supervisory Board was kEUR 379 (previous year: kEUR 374) in the reporting year and was recognised in profit or loss.

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 AktG. This can be found on the website of the company at https://corporate.safholland.com/en/company/about-us/corporate-governance/declaration-of-compliance.

7.10 CAPITAL MANAGEMENT

The overriding aim 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 optimising 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	12/31/2022	12/31/2021
Interest bearing loans and bonds	715,659	322,199
Lease liabilities	38,393	41,061
Cash and cash equivalents	–243,460	–165,221
Net debt	**510,592**	**198,039**
Equity attributable to equity holders of the parent	**440,535**	**370,220**
Equity and net debt	**951,127**	**568,259**

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 cover 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 AUDIT FEES

The following expenses were incurred in the 2022 financial year for services provided by the auditors and their related companies:

in EUR thousands	Q1-Q4/2022	Q1-Q4/2021
Auditing of financial statements	867	787
Other services	–	–
Total	**867**	**787**

The auditing firm, PricewaterhouseCoopers GmbH has been the appointed auditor of the consolidated financial statements since the 2020 financial year. As the new engagement partner, Mr. Stefan Hartwig, has signed the report of the independent auditor this year.

Of the total fee, an amount of kEUR 388 (previous year: kEUR 360) is attributable to Wirtschaftsprüfungsgesellschaft PricewaterhouseCoopers GmbH, Germany.

7.12 SUBSEQUENT EVENTS

Conclusion of the squeeze-out proceedings

SAF-HOLLAND SE ("**SAF-HOLLAND**") had already announced a cash offer to the shareholders of Haldex AB on June 8, 2022, for the purchase of all of their shares at a price of SEK 66, which was recommended to them. As of the reporting date, the Group holds 95.9 per cent of the shares in Haldex AB.

After conclusion of the cash offer recommended by SAF-HOLLAND to the shareholders of Haldex AB, SAF-HOLLAND initiated squeeze-out proceedings under Swedish stock corporation law in order to acquire the remaining shares not in its possession. The squeeze-out proceedings were completed on February 28, 2023. Upon conclusion of the squeeze-out proceedings, SAF-HOLLAND now holds all the shares in Haldex AB.

Approval from the Polish antitrust authorities

The Polish antitrust authorities unconditionally approved the acquisition of the Swedish brake and EBS specialist, Haldex AB by SAF HOLLAND SE on February 21, 2023 without conditions. Beforehand, the European and US antitrust authorities had already declared their consent. The merger control clearance procedures have thus been concluded.

With these approvals in place, the transaction was closed and the business combination considered in the consolidation basis of the SAF-HOLLAND Group effective February 21, 2023.

The first-time consolidation of Haldex AB will be carried out in accordance with IFRS 3 using the acquisition method.

The preliminary purchase price for the shares in Haldex AB amounted to EUR 297.8 million. Upon conclusion of the takeover, the preliminary fair value of the business combination pursuant to IFRS 13 amounted to EUR 304.7 million.

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. Significant intangible assets already identified in the course of the purchase price allocation relate to customer bases, brands and patents. These intangible assets have not yet been valued.

Bessenbach, March 17, 2023

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

MANDATES OF THE SUPERVISORY BOARD/ MANAGEMENT BOARD

Dr. Martin Kleinschmitt
- Member of the Supervisory Board, SAF-HOLLAND SE, Bessenbach, Germany (first appointment 2013, Chairman since 2019, term expires: Annual General Meeting 2024)
- Chairman of the Supervisory Board, SAF-HOLLAND GmbH, Bessenbach, Germany — Management Board, Noerr Consulting AG, Berlin, Germany
- Partner, Noerr Partnergesellschaft mbH, Munich, Germany
- Chairman of the Supervisory Board G&H Bankensoftware AG, Berlin, Germany
- Chairman of the Supervisory Board, GRAMMER AG, Ursensollen, Germany

Martina Merz
- Deputy Chairwoman of the Supervisory Board, SAF-HOLLAND SE, Bessenbach, Germany (first appointment 2014, Deputy Chairwoman since 2019, stepped down December 12, 2022)
- CEO, thyssenkrupp AG, Essen, Germany
- Member of the Board of Directors, VOLVO AB, Gothenburg, Sweden
- thyssenkrupp nucera AG & Co. KGaA, Dortmund, Germany

Matthias Arleth
- Member of the Supervisory Board, SAF-HOLLAND SE, Bessenbach, Germany (first appointment 2020, term expires: Annual General Meeting 2024)
- Chairman of the Group Management of MAHLE GmbH (until June 2022)
- Senior Vice President & General Manager Automotive EMEA, TE Connectivity, Bensheim, Germany (since November 2022)

Ingrid Jägering
- Member of the Supervisory Board, SAF-HOLLAND SE, Bessenbach, Germany (first appointment 2019, term expires: Annual General Meeting 2024)
- Member of the Supervisory Board, SAF-HOLLAND GmbH, Bessenbach, Germany
- Member of the Board and CFO LEONI AG (until March 2022)
- Member of the Board and CFO STIHL AG, Waiblingen, Germany (since May 2022)
- Member of the Supervisory Board, Hensoldt AG, Taufkirchen, Germany
- Deputy Chairwoman of the Shareholders' council, Wegemann Unternehmens-Holding GmbH & Co. KG, Fürstenfeldbruck, Germany

Carsten Reinhardt
- Member of the Supervisory Board, SAF-HOLLAND SE, Bessenbach, Germany (first appointment since 2017, term expires: Annual General Meeting 2024)
- Independent Senior-Advisor
- Deputy Chairman of the Board of Directors, Grundfos Holding A/S, Bjerringbro, Denmark
- Chairmen 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, Stadtallendorf, Germany
- Member of the Advisory Boards, Michigan Capital Advisors, Bloomfield Hills, Michigan, USA
- Member of the Strategic Advisory Boards, Braemar Energy Ventures, New York, NY, USA

Alexander Geis

— Chairmen of the Group Management Board and Chief Executive Officer (CEO), SAF-HOLLAND SE, Bessenbach, Germany
— Managing Director SAF-HOLLAND GmbH, Bessenbach, Germany, further mandates in group companies

Frank Lorenz-Dietz

— Member of the Group Management Board and Chief Financial Officer (CFO), SAF-HOLLAND SE, Bessenbach, Germany (since January 01, 2023)
— Managing Director SAF-HOLLAND GmbH, Bessenbach, Germany, further mandates in group companies
—

Wilfried Trepels

— Member of the Group Management Board and Chief Financial Officer (CFO), SAF-HOLLAND SE, Bessenbach, Germany (since May 16, 2022)
— Managing Director SAF-HOLLAND GmbH, Bessenbach, Germany, further mandates in group companies

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 2022, 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 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. 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 2022. In accordance with German legal requirements, we have not audited the content of the disclosure marked as unaudited contained in the subsection "Adequacy and effectiveness of the risk management system" of the section "Risk and opportunity report" 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 2022, and of its financial performance for the financial year from 1 January to 31 December 2022, 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 risk management system" of the section "Risk and opportunity report" referred 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 2022. 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 Recoverability of goodwill

❷ Accounting for the acquisition of the shares in Haldex AB

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 Recoverability of goodwill

① In the Company's consolidated financial statements goodwill amounting in total to € 80.4 million (5.4% of total assets or 18.2% 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 respective 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 impairment test, among other things. After matching the future cash inflows used for the calculation 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 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 and carried out our own sensitivity analyses for those groups of cash-generating units with low headroom (recoverable amount compared to carrying amount). Taking into account the information available, we determined that 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 in line with our expectations and are also within the ranges considered by us to be reasonable.

③ The Company's disclosures on impairment testing on goodwill are contained in section 6.1 of the notes to the consolidated financial statements.

❷ Accounting for the acquisition of the shares in Haldex AB

① In financial year 2022, SAF-HOLLAND SE acquired 46,656,597 shares or 95.9% of the shares in Haldex AB, based in Landskrona, Sweden, through a public takeover. The purchase price amounted to € 286.5 million. Due to a lack of antitrust clearance, which took place on 21 February 2023, the execution of the voting rights was not possible as at 31 December 2022. As at 31 December 2022, the shares were recognised at fair value less costs to sell as a financial asset in the amount of € 292.2 million and the changes in value were recognised directly in equity as a component of the statement of comprehensive income. The valuation is based on the present value of future cash flows, which was determined using discounted cash flow models. The medium-term planning forms the starting point, which is extrapolated with assumptions about long-term growth rates. Due to the estimation uncertainties in the determination of the fair value as well as the overall material impact of the share acquisition on the assets, liabilities, financial position and financial performance of SAF-HOLLAND SE, this matter was of particular significance in the context of our audit.

② As part of our audit of the acquisition of the shares in Haldex AB, we first inspected and understood the contractual agreements and reconciled the purchase price paid as consideration for the shares with the evidence provided to us of the payments made. Based on this, we assessed the determination of the fair value as at 31 December 2022. In doing so, we have, among other things, assessed the methodology for carrying out the valuation as well as the applied valuation parameters and assumptions, in particular by reconciling them with general and sector-specific market expectations, and assessed their appropriateness. In this context, we have also assessed the assessment of the executive directors regarding the effects of macroeconomic factors on the business activities of the Company and examined how they were taken into account in deremining the future cash flows. Considering the estimation uncertainties in determining the fair value of the shares, we included internal valuation specialists for support. 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 modelIn addition, we evaluated the disclosures required by IFRS 9 and IFRS 13.

Overall, we were able to satisfy ourselves that the accounting treatment of the share acquisition was appropriate, taking into account the available information, and that the estimates and assumptions made by the executive directors are comprehensible and adequately substantiated.

③ The Company's disclosures on the balance sheet item “Financial assets” are included in sections 6.5 and 7.1 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 risk management system” of the section “Risk and opportunity report” of the group management report, as an audited part of the group management report that has not been audited in terms of content.

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 with §§ 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-2022-12-31.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 2022 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 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

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 renderings 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 19 May 2022. We were engaged by the supervisory board on 20 October 2022. 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, March 17, 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Stefan Hartwig Wirtschaftsprüfer	ppa. Richard Gudd Wirtschaftsprüfer

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 17, 2023

SAF-HOLLAND SE

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

_Additional Information

MULTI-YEAR OVERVIEW

Results of operations

in kEUR	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
Sales	1,565,089	1,246,583	959,519	1,284,155	1,300,555
Adjusted gross profit	266,800	216,738	178,831	217,598	207,149
Adjusted gross profit margin in %	17.0%	17.4%	18.6%	16.9%	15.9%
Adjusted EBITDA	162,695	132,105	98,126	114,129	110,262
Adjusted EBITDA margin in %	10.4%	10.6%	10.2%	8.9%	8.5%
Adjusted EBIT	124,601	93,128	58,799	79,816	89,578
Adjusted EBIT margin in %	8.0%	7.5%	6.1%	6.2%	6.9%
Adjusted result for the period with non-controlling interests	82,635	61,281	34,494	49,756	55,507
Adjusted result for the period without non-controlling interests	82,489	61,222	34,113	48,438	55,543

Net assets (equity + liabilities)

in kEUR	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018
Balance sheet total	1,498,423	1,014,267	920,486	979,244	977,416
Equity	441,354	371,070	300,463	318,007	318,072
Equity ratio in %	29.5%	36.6%	32.6%	32.5%	32.5%

Financial position

in kEUR	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
Net cash flow from operating activities	**153,392**	**39,651**	**137,922**	**90,546**	**40,780**
Net cash flow from investing activities (property, plant and equipment/ intangible assets)	–33,358	–23,528	–23,675	–47,727	–39,478
Operating free cash flow	**120,034**	**16,123**	**114,247**	**42,819**	**1,302**
Net cash flow from investing activities (acquisition of subsidiaries)	–289,650	–	–	–10,852	–58,691
Total free cash flow	**–169,616**	**16,123**	**114,247**	**31,967**	**–57,389**

Yield

in%	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
Return on Capital Employed (ROCE)	12.9%	15.7%	11.1%	5.5%	9.9%

Employees

	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018
Employees at the reporting date	3,768	3,572	3,369	3,924	4,470

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

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

ROCE = Adjusted EBIT / (total equity + financial liabilities (excl. refinancing costs, incl. lease liabilities) + pension and other similar benefits - cash and cash equivalents).

The figures presented show the values reported in the respective year. Due to changes in accounting standards, for example the introduction of IFRS 16, these may only be comparable to a limited extent.

FINANCIAL CALENDAR AND CONTACT

FINANCIAL CALENDAR

May 26, 2023
Publication of the Quarterly Statement Q1 2023

May 23, 2023
Annual General Meeting 2023

August 3, 2023
Publication of the Half-Year Financial Report 2023

November 9, 2023
Publication of the Quarterly Statement Q3 2023

CONTACT

Stephan Haas
Phone: + 49 6095 301-803

Alexander Pöschl
Phone: + 49 6095 301-117

E-MAIL

ir@safholland.de

WEBSITE

www.safholland.com

IMPRINT

PUBLISHER

SAF-HOLLAND SE
Hauptstraße 26
D-63856 Bessenbach

DATE OF PUBLICATION

March 30, 2023

PICTURE CREDITS

SAF-HOLLAND SE

Produced inhouse using firesys.

DISCLAIMER

The annual report is also available in German. In cases of doubt, the German version shall prevail. This report contains certain statements that are neither reported financial results nor other historical information. This report contains forward-looking statements. Such forward-looking statements are based on certain assumptions, expectations and forecasts made at the time of publication of this report. Consequently, they are inherently subject to risks and uncertainties. Moreover, the actual events could diverge significantly from the events described in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond the ability of SAF-HOLLAND SE to control or estimate precisely, such as future market conditions and economic developments, the behaviour of other market participants, the achievement of anticipated synergies, and legal and political decisions. Readers are cautioned that these forward-looking statements only apply as of the date of this publication. Likewise, SAF-HOLLAND SE does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of publication of these materials.