Annual Report 2021

SAF-HOLLAND SE

BY YOUR SIDE MILE FOR MILE

KEY FIGURES

RESULTS OF OPERATIONS

in EUR thousands

	Q1–Q4/2021	Q1–Q4/2020
Sales	1,246,583	959,519
Adjusted gross profit	216,738	178,831
Adjusted gross profit margin in %	17.4	18.6
Adjusted EBITDA	132,105	98,126
Adjusted EBITDA margin in %	10.6	10.2
Adjusted EBIT	93,128	58,799
Adjusted EBIT margin in %	7.5	6.1
Adjusted result for the period with non-controlling interests	61,281	34,494
Adjusted result for the period without non-controlling interests	61,222	34,113

NET ASSETS

in EUR thousands

	12/31/2021	12/31/2020
Balance sheet total	1,014,267	920,486
Equity	371,070	300,463
Equity ratio in %	36.6	32.6

FINANCIAL POSITION

in EUR thousands

	Q1–Q4/2021	Q1–Q4/2020
Operating free cash flow	16,123	114,247
Investments in fixed assets and intangible assets	–23,528	–23,675
Net debt	198,039	196,701

YIELD

in %

	Q1–Q4/2021	Q1–Q4/2020
Return on capital employed (ROCE)	15.7	11.1

EMPLOYEES

	12/31/2021	12/31/2020
Employees	3,572	3,369

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

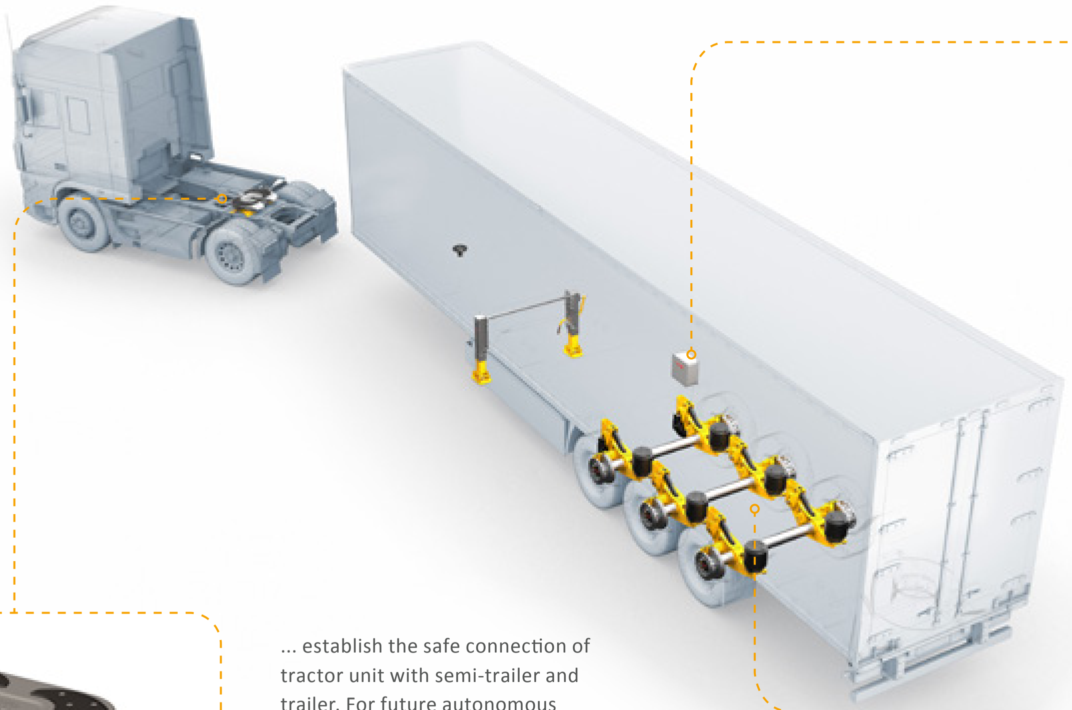
SAF-HOLLAND SE is a leading international manufacturer of chassis-related assemblies and components for trailers, trucks and buses. The product range includes, among other things, axle and suspension systems for trailers as well as fifth wheels for trucks and coupling systems for trucks, trailers and semi-trailers. 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, V.Orlandi, TrailerMaster, 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 3,600 dedicated employees worldwide are already working on the future of the transport industry.

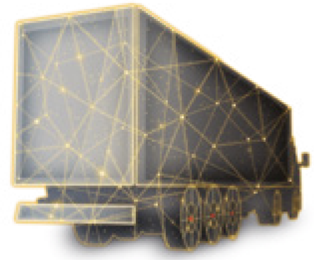
SAF-HOLLAND WORLDWIDE

Production locations
Research & Development locations

* Plant opening put on hold.

PRODUCT HIGHLIGHTS





Digital solutions

... provide drivers and fleet managers with data in real time and increase the efficiency, safety and environmental friendliness of commercial vehicles. In this way, SAF-HOLLAND is driving forward the digital networking of commercial vehicles and logistics chains.

Fifth wheels and coupling systems

... establish the safe connection of tractor unit with semi-trailer and trailer. For future autonomous driving, SAF-HOLLAND is developing a system that handles the coupling process automatically.

The broad portfolio offers a solution for every application. Innovative developments such as the SAF TRAK traction axle and the SAF TRAKr and TRAKe electric axles underscore SAF-HOLLAND's technology leadership.

Axle and suspension systems for trailers

MANAGEMENT BOARD

ALEXANDER GEIS
— Chairman of the Management Board and Chief Executive Officer

DR. ANDRÉ PHILIPP
— Member of the Management Board and Chief Operating Officer

INKA KOLJONEN
— Member of the Management Board and Chief Financial Officer (until January 31, 2022)

INTERVIEW WITH THE MANAGE-MENT BOARD

ALEXANDER GEIS AND DR. ANDRÉ PHILIPP
with a look back on 2021 and upcoming developments

Mr. Geis, in many respects, 2021 was a challenging one. What do you expect for 2022?
Geis: It can be assumed that the Russia-Ukraine war will have a massive impact on the global economy. We can already see this now in the rise in energy prices or freight rates. Of course, this has an impact on our day-to-day operations, where we will be confronted with the same issues as last year – availability of materials, high prices for materials and energy and high freight rates. The extent to which the war in Ukraine will have a lasting impact on our supply chains is currently difficult to assess. However, we will do everything in our power to get purchased parts to the production lines on time in the required quantity and quality. We do not have much influence on steel and energy prices or freight rates. This makes it even more important to adjust our prices as swiftly as possible. In the aftermarket business we can do this more rapidly than with our OE customers, with which we often have contractually agreed price escalation clauses, particularly for steel.

In the OE truck business, the scarcity of semiconductors, which crippled the automotive industry as a whole last year, will have a marked effect on our sales of fifth wheels. In the meantime, a huge production backlog has accumulated at our customers, which will hopefully be resolved by 2023 at the latest. Nevertheless, this OE business only accounts for roughly 13% of Group sales. Luckily, the scarcity of semiconductors has no big impact on our trailer customers. Here we are still seeing strong demand in all market segments, from standard trailers to special-purpose and specialty vehicles.

Alexander Geis
CEO

Mr. Geis, there is still a wide gap between the EBIT margins of the EMEA, Americas and APAC regions. How do you expect the individual regions to develop?

Geis: For a number of years now, the EMEA region has returned steadily high margins. We are clearly profiting from our excellent market position in the OE business and our strong aftermarket business. There are more SAF axles on the road in Europe than ever before. What's more, to make sure that the vehicles keep running reliably year after year, our end customers also rely on repairs and maintenance from SAF-HOLLAND. A closely-woven service network ensures rapid supplies of spare parts. This is an important purchase criterion for our OE end customers. At the same time, the aftermarket business represents an entry barrier for potential competitors and gives our business model greater resilience when it comes to cushioning cyclical fluctuations.

In the Americas region we have clearly occupied the number one position in the market for fifth wheels with our strong Holland brand. We already occupy second place in the market for axles and suspension systems for trailers. We are enjoying strong tailwinds due to the rising demand for disc brake technology in the Americas region, a technology that significantly shortens braking distance and makes a decisive improvement to road safety. It is also a technology that SAF-HOLLAND is associated with. No other company in the world installs more disc brakes than SAF-HOLLAND. We anticipate a further improvement in earnings in the region following the successful implementation of the FORWARD 2.0 programme.

Dr. André Philipp
COO

A more differentiated view is needed for the APAC region. In China, we thoroughly revised our product portfolio and have strengthened our market presence and are increasingly entering the market with air suspensions and disc break systems. In the meantime, these products have become mandatory for a range of vehicles, such as hazardous goods transports. In India, we are clearly the market leader. There has been a very pleasing development of this market and we expect to see large infrastructure projects and supporting legislation that foster growing demand for our sophisticated products. In order to meet this demand, we will move to a new factory building in the second half of 2022 and continue production with a higher capacity from the fourth quarter onwards. The prospects on the Australian market are also very pleasing. A high share of off-road products and special-purpose applications are already having a noticeably positive impact on the EBIT margin.

Dr. Philipp, how are the new plant start-ups and capacity expansions at existing production sites going?
Dr. Philipp: We intend to increase the capacity for trailer axles at our Turkish plant in Düzce by up to 70%. This will allow us to react even more flexibly to seasonal fluctuations in demand and supply our customers in Europe even faster. One thing is clear: the high quality of the products coming off the production lines is identical at all our plants.

At our Mexican site in Querétaro, we have completed the first stage of the expansion of the fifth wheel production lines for the spare parts business in the Americas region. In the next step we will expand the capacities for the original equipment business in Mexico.

In India we intend to realign our production this year and expand production capacity. As mentioned by Alexander Geis, it is not just the market projections that remain bright, but also that demand for our sophisticated products using disc brake technology and air suspension is on the rise. With our additional production capacities in Pune, we are perfectly equipped to meet customer wishes in the OE business and the aftermarket and to grow profitably.

Due to the Russian invasion of Ukraine, in contravention of international laws and conventions, we have put our new plant in Russia on hold. SAF-HOLLAND is closely monitoring developments in Russia and Ukraine and will continually adjust its business strategy to match the latest developments, taking account of the sanctions imposed on Russia.

Mr. Geis, new technologies play a major role in your Strategy 2025. How will this affect the product portfolio?
Geis: We are constantly developing our portfolio of mission-critical products and digital solutions. Our current focus lies on the digitalisation of trailers and the electrification of trailer axles. In terms of digitalisation, the focus of development activity lies on optimising operating time and improving safety. New laws and regulations are additional drivers. SAF Tire Pilot is already in use, a system for systematically monitoring the tire pressure of semi-trailers and trailers and making automated adjustments if the pressure is too low. Return on invest is after just a few months and has been fully amortised within one year. Our TrailerMaster telematics system provides the relevant operating data to drivers and fleet managers in real time. Fleet managers are thus able to view the condition of the entire fleet at a glance and can document and optimise their trailer and transport processes. As a result, we now offer the first digital solution which customers can subscribe to for a monthly fee, regardless of use. Such continuous revenue streams are new for traditional commercial vehicle suppliers and at the same time offer new opportunities for retaining customers.

In the field of trailer axle electrification, series production of our SAF TRAKr e-axles is about to kick off. This axle uses recuperation to generate energy during operation and thus reduce fuel consumption, CO_2 emissions and trailer noise. In addition, the SAF TRAKe electrified trailer axle provides traction assistance for the tractor unit in difficult road conditions. The strong demand for the test trailers which have already the new systems on board has confirmed that our customers are eagerly awaiting these solutions and already appreciate the benefits of electrified axles.

With our solutions for the digitalisation and electrification of trailers we will permanently secure our excellent market position and at the same time raise the share of SAF-HOLLAND products installed per vehicle.

«With our solutions for the digitalisation and electrification of trailers we will permanently secure our excellent market position and at the same time raise the share of SAF-HOLLAND products installed per vehicle.»

Alexander Geis
CEO

«Our plants in Bessenbach have developed impressively. There are no obstacles remaining to a successful start of series production of our first e-axle.»

— Dr. André Philipp
COO

And these efforts culminated in the European Transport Prize for Sustainability...
Geis: We are very happy about the recognition of the jury for our contribution towards electrifying heavy transport. We were also successful with the TrailerMaster telematics system and won second place in the German Telematics Award 2022 in the Trailer/Swap Body Technology category. We view these awards both as a stimulus and as confirmation to keep working on these forward-looking issues with our international development teams.

Dr. Philipp, series production of the SAF TRAKr e-axle represents a milestone in the production history of SAF-HOLLAND. Are the plants equipped for this?
Dr. Philipp: Of course, we are prepared for this! We will begin manufacturing the SAF TRAKr at the Bessenbach plant in the middle of the year. The development team and the Industrial Engineering Team began working closely together in the development phase already. The result is that the e-axle has become perfectly integrated in our existing production lines. Thanks to such early harmonisation procedures, our production is very flexible and can handle the high variety and quality that is typical of our axle systems, also for SAF TRAKr. Individual components, such as the transmission and motor, are not part of our production process. For this reason, cooperation with external development partners and suppliers remains of particular significance. This involves optimising processes across the entire value chain – or to put a name on it, operational excellence. Our plants in Bessenbach have developed impressively. There are no obstacles remaining to a successful start of series production of our first e-axle.

Sustainability is a part of your corporate strategy. What targets have you set in this regard?
Dr. Philipp: We are in the process of refining our sustainability strategy and are building on what we have already achieved. The latest ESG ratings show that we are on a very good path. For example, we were given the second-highest rating of AA from MSCI and a grade of 13.4 (low risk) in the ESG risk rating from Sustainalytics.

With our Sustainability Roadmap which lays out numerous short and mid-term action plans through to 2030 we have set course for our sustained success in future. In our CSR-Strategy-Workshop we defined to concentrate on the two fields of environment and social engagement, thereby supporting the Sustainable Development Goals of the United Nations. On the one hand, our goal is to position ourselves as an employer of choice worldwide and, on the other, to establish trend-setting goals for CO_2 emissions and the circular economy, which we intend to roll out globally.

e-Mobility

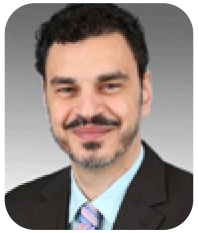
IT'S ALL ABOUT IMPROVED AIR QUALITY

THE "E-DELIVERY"

Brazil's latest innovation in inner-city transport

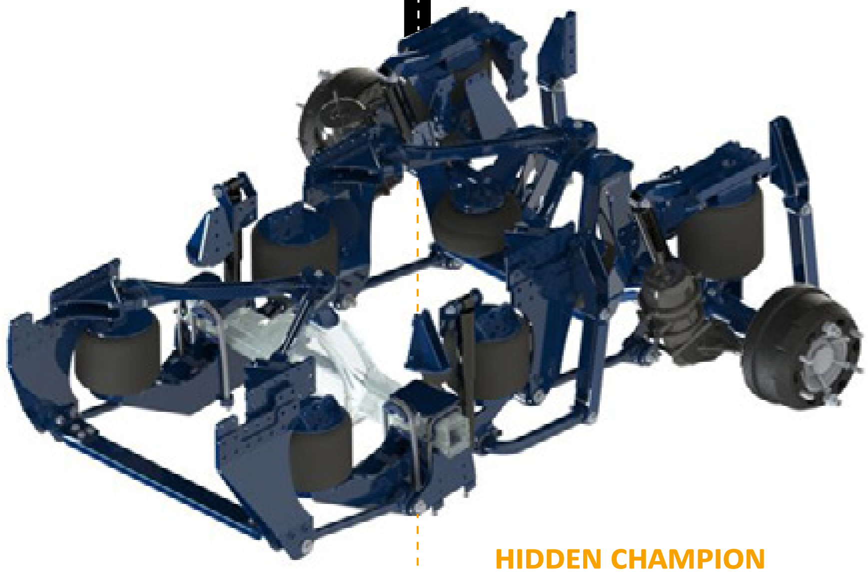
Region: Americas
Business: Original equipment
Customer: Volkswagen Caminhões e Ônibus

Brazil's cities are full of energy. And so is the country's latest innovation in inner-city transport: the „e-Delivery" by Volkswagen Caminhões e Ônibus (VWCO). This light urban truck runs on electric power, so that it moves through traffic silenty. It does not produce local emissions, which helps to improve the air quality in metropolitan areas. At the same time, drivers benefit from the impressive acceleration of the electric engine, which helps to maneuver traffic in the crowded streets. No wonder that companies like the brewery Ambev use the e-Delivery for urban transport.



«We needed a completely new pneumatic suspension for the rear axle. That is why we looked for partners to invest in this endeavor together with us.»

Walter Pellizzari Jr
Corporate Strategy and e-Mobility at VWCO



HIDDEN CHAMPION

KLL's special air suspension in full view

When Ambev drivers deliver beverages to clubs and pubs in metropolitan São Paulo, their workday is full of challenges. This includes busy traffic, urban noise, frequent stops, and a lot of bumpy roads.

The e-Delivery helps to solve these challenges. It is equipped with an innovative air suspension that makes driving safer and more comfortable. Thanks to its adjustable ride height, loading and unloading the truck also is much easier.

The air suspension was co-developed by VWCO and KLL, the Brazilian suspension specialist and part of the SAF-HOLLAND Group. Based on over 20 years of cooperation and a shared passion for innovation, the two companies cooperated to design a solution that is tailor-made for the e-Delivery in an urban setting.

"We needed a completely new pneumatic suspension for the rear axle," says Walter Pellizzari Jr, who is responsible for Corporate Strategy and e-Mobility at VWCO. "That is why we looked for partners to invest in this endeavor together with us. And KLL took part in this challenge: They funded the required tools, and together with our engineers, the companies developed a new suspension that is a perfect fit for the battery – and for the local road conditions."

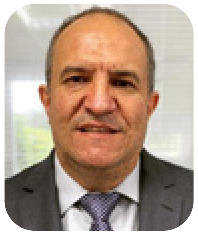
A STRING FULL OF AIR

The pneumatic suspension increases safety and comfort

These local conditions include potholes and strict regulations: Many Brazilian cities impose limits on the length of urban trucks. The e-Delivery is designed to provide maximum capacity under these conditions. That is why it comes in two versions: The 4x2 model has a gross vehicle weight of 11 tons and four air springs in the rear traction axle, while the 6x2 model with a gross vehicle weight of 14 tons adds four air springs in the liftable tag axle.

For Julio Costa, Managing Director of KLL, the result more than justifies the development efforts: "I am really proud of our common solution. We believe that the system for the e-Delivery is the best that is currently available in the market. It is clearly superior to any mechanical suspension and has much lower maintenance costs." Antonio Sartor, Manager of Sales at KLL, is especially content with the improvements for the drivers: "Thanks to our solution, the vehicle and the cargo are better protected from potholes, and it can be loaded and unloaded faster than before. There is less vibration in the driver cabin, which means less driver fatigue. The electronic management system constantly monitors axle load and even allows for raising the load on the drive axle, which increases traction. All of this means more safety on the road."

No wonder that the e-Delivery is a huge success in the Brazilian market. The complete production volume for 2021 was sold within a month. With CO_2 and noise reduction as main drivers for the electrification of the commercial vehicle industry, this innovative truck has the potential to become a bestseller. And KLL is part of this solution that brings better air quality to cities around the world.



«We believe that the system for the e-Delivery is the best that is currently available in the market.»

Julio Costa
Managing Director of KLL

Product innovation

THE TIME IS RIGHT FOR INTEGRATED SOLUTIONS

Region: EMEA
Business: Original equipment
Customer: Kögel

Europe is preparing itself for low-emission road traffic. The goal is clear: greenhouse gas emissions and noise must be effectively reduced. The logistics sector is obliged, both politically and in terms of public image, to contribute its share to the transformation in transportation.

Innovative companies have long since realised that this transformation is only possible with new technologies. Many of them are looking at alternative drives for the tractor units. But innovations can also be made in other areas – such as trailer axles.

SAF-HOLLAND, for one, is developing new axles that are specifically aimed at electrifying trailers. The new TRAKr series, for example, uses recuperation during trailer operation to generate electrical energy. Also new: the TRAKe series which uses an installed electric motor to actively provide traction assistance to the tractor unit.

For these innovative products SAF-HOLLAND was awarded the European Transport Prize for Sustainability 2022. This prize is awarded by “Transport”, a trade journal, and encourages companies in the commercial vehicles sector to act more sustainably. It is given in recognition of the fact that corporate responsibility not only helps to solve ecological and social problems but also promotes competitiveness and profitability.

The award shows: with TRAKe and TRAKr, the logistics industry can become more sustainable. Kögel is one market player who has recognised this. As one of the global leaders in trailer production, it very consciously places its bets on marrying economy and ecology in its innovations. The managing director, Thomas Eschey explains, “at Kögel, we want to do our bit to making transport and logistics processes more environmentally friendly and climate neutral in unison with politics and our customers. We have the expertise, the familiarity with the industry, the right products and the right partners to do this.”

SAF-HOLLAND for instance. Both companies have been working together successfully for years. They share a passion for product innovations and agree on one thing: the time is ripe for a generation of refrigerated trailers without any diesel power unit.

Not just to meet the coming tighter legislation on gas and noise emissions for urban transports, but also the market demands for new solutions, says Christoph Günter, President EMEA and Chief Technology Officer at SAF-HOLLAND: “Supermarket chains place great store on transporting sustainable products just as sustainably. That is why they are interested in electrified solutions. What’s more, as supermarket hours are extended, deliveries are shifting to the night-time hours, when neighbours need to be protected from noise.”

3 questions for THOMAS ESCHEY

COO, KÖGEL

What was the reason for developing the refrigerated trailer?

› Reducing the carbon footprint is the central goal of goods transport. This is due to EU legislation, customer desires for lower operating costs – and because manufacturers, suppliers and fleet operators want to own up to their social responsibilities. A key aspect in this regard is the electrification of refrigerated trailers. The core element of this is the TRAKr recuperation axle from SAF-HOLLAND.

What were the arguments in favour of choosing SAF-HOLLAND as your partner?

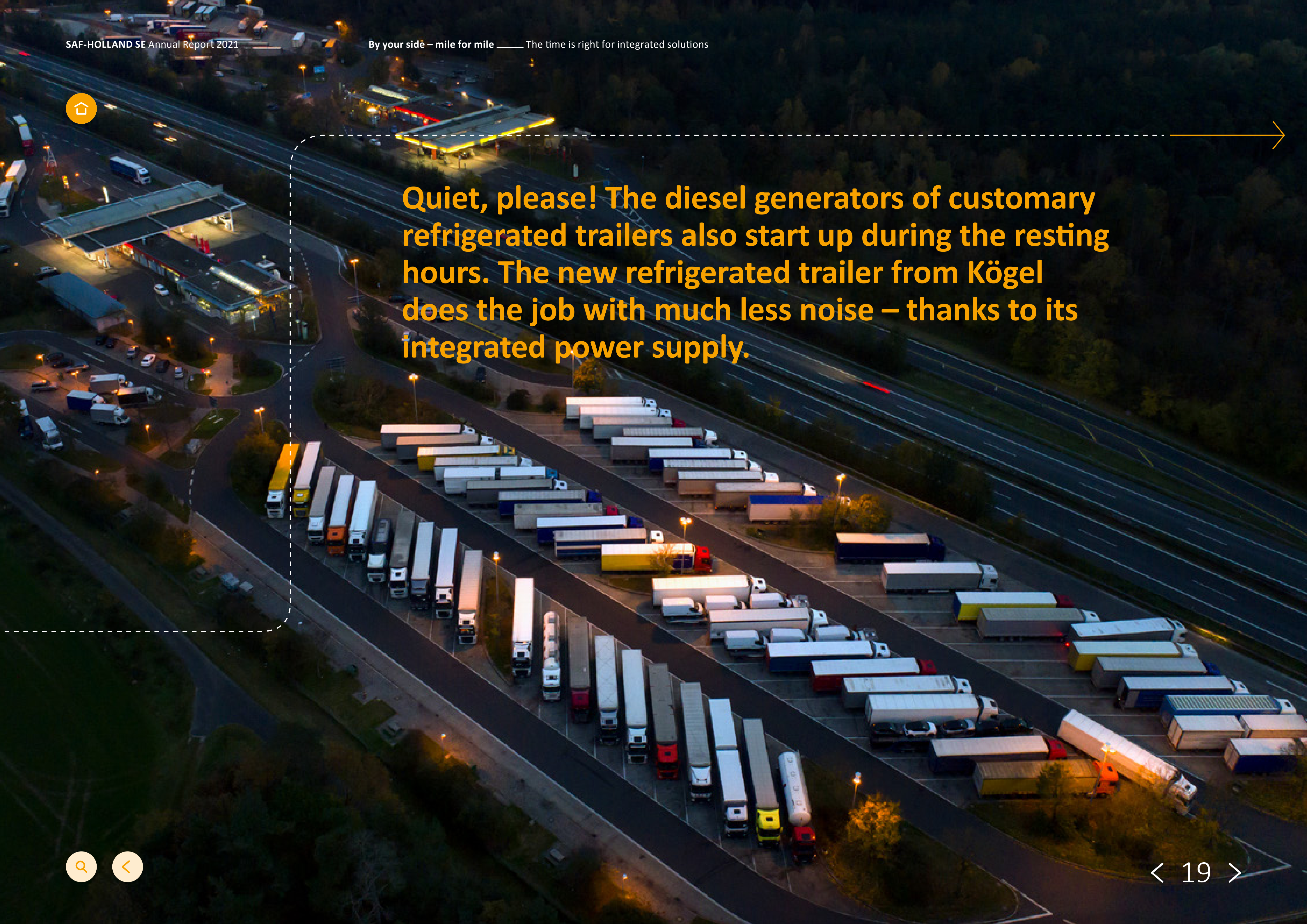
› Kögel has had a trusting working relationship with SAF-HOLLAND for years now. We really appreciate their high quality and technologically sophisticated components. For this reason, it was a small step to entering a close cooperation with one of the technological leaders in the axle segment when it came to the electrification of trailers. We are very happy to take the trailer into the future together and drive forward sustainability in road transport.

Were there any challenges to solve during development?

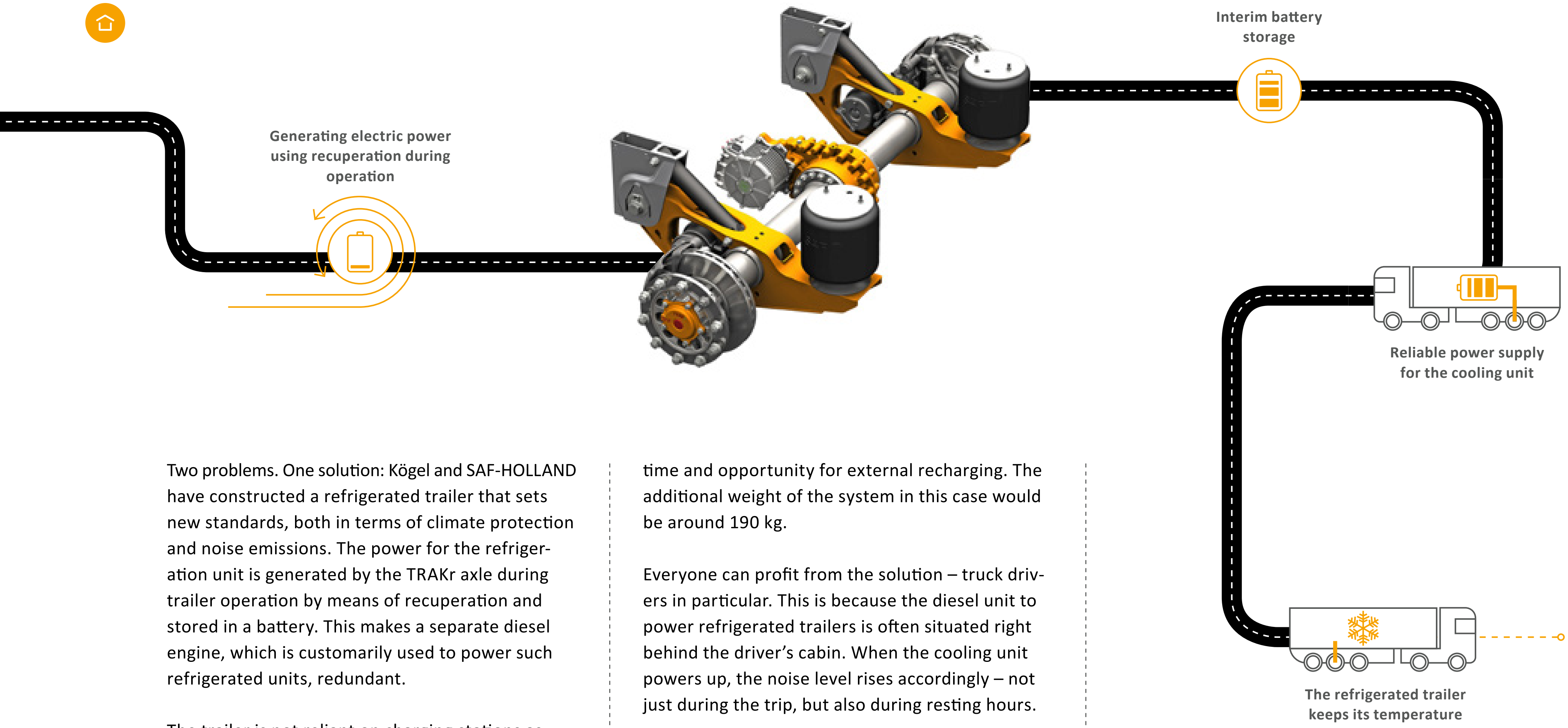
› Effective interaction between the recuperation axle, onboard electronics, battery storage and the cooling unit demanded a lot of expertise. The technology has to function perfectly on the road even when conditions are at their most challenging. Furthermore, this innovation has to be affordable for customers and pay off financially. These are very challenging goals. With SAF-HOLLAND at our side we have managed to make this technology ready for series production.

AWARD-WINNING!

The European Transport Prize for Sustainability 2022 goes to SAF-HOLLAND



Quiet, please! The diesel generators of customary refrigerated trailers also start up during the resting hours. The new refrigerated trailer from Kögel does the job with much less noise – thanks to its integrated power supply.



Two problems. One solution: Kögel and SAF-HOLLAND have constructed a refrigerated trailer that sets new standards, both in terms of climate protection and noise emissions. The power for the refrigeration unit is generated by the TRAKr axle during trailer operation by means of recuperation and stored in a battery. This makes a separate diesel engine, which is customarily used to power such refrigerated units, redundant.

The trailer is not reliant on charging stations as the battery charges itself independently during operation. It is large enough to reliably power the cooling unit overnight and the entire system only adds 70kg to the total weight of the system. For comparison: In order to ensure sufficient power for the cooling unit without the recuperation axles large batteries would be needed, as well as time and opportunity for external recharging. The additional weight of the system in this case would be around 190 kg.

Everyone can profit from the solution – truck drivers in particular. This is because the diesel unit to power refrigerated trailers is often situated right behind the driver's cabin. When the cooling unit powers up, the noise level rises accordingly – not just during the trip, but also during resting hours.

Kögel and SAF-HOLLAND have manufactured a test prototype that has been in use by selected customers since January 2022. These customers can test the trailer for a limited period at no risk. In return, the manufacturers obtain vital operating data from real-world conditions that they can use to rapidly commence series production.

Aftermarket

KEEP AUSTRALIA ROLLING

»In the last year, the truly great organizations stood out. And SAF-HOLLAND was one of those organizations.«

__ **Colin Brown**
Materials and Quality Manager, PACCAR Parts

ENDURANCE REQUIRED
With long distances to cover, Australian truck drivers rely on high-performance spare parts

Region: APAC
Business: Aftermarket
Customer: PACCAR Parts

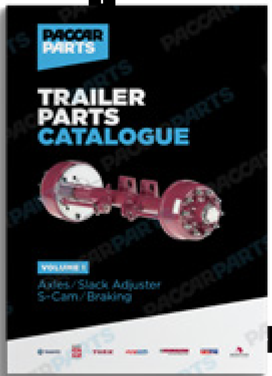
The year 2021 was an exceptional time for the Australian transport industry. Covid-related lockdowns pushed consumer online shopping, which kept logistics companies more than busy throughout the year. Due to global supply chain issues, truck and trailer manufacturers were unable to fully meet this growing market demand. And this, in turn, was good news for anyone in the spare parts business.

Especially for PACCAR Parts, a nation-wide distributor of trailer components of high quality truck parts and accessories. The company stocks over 6,000 part numbers in the trailer category and operates a high-tech warehousing and distribution facility with more than 250,000 parts available. It also has access to the largest network of aftermarket dealers in the country.

When Colin Brown thinks back at the last months, he remembers the many challenges he and his colleagues had to overcome. As Materials and Quality Manager for PACCAR Parts, he is in constant dialogue with suppliers. That is why he knows first-hand about the problems they face. “The

A BIG MOMENT

Damian Smethurst, PACCAR Parts General Manager, (right) hands the "Supplier of the year award" to Mario Colosimo, Managing Director, SAF-HOLLAND Australia (left)



GOOD READ

The PACCAR Parts Trailer Catalogue has over 500 pages

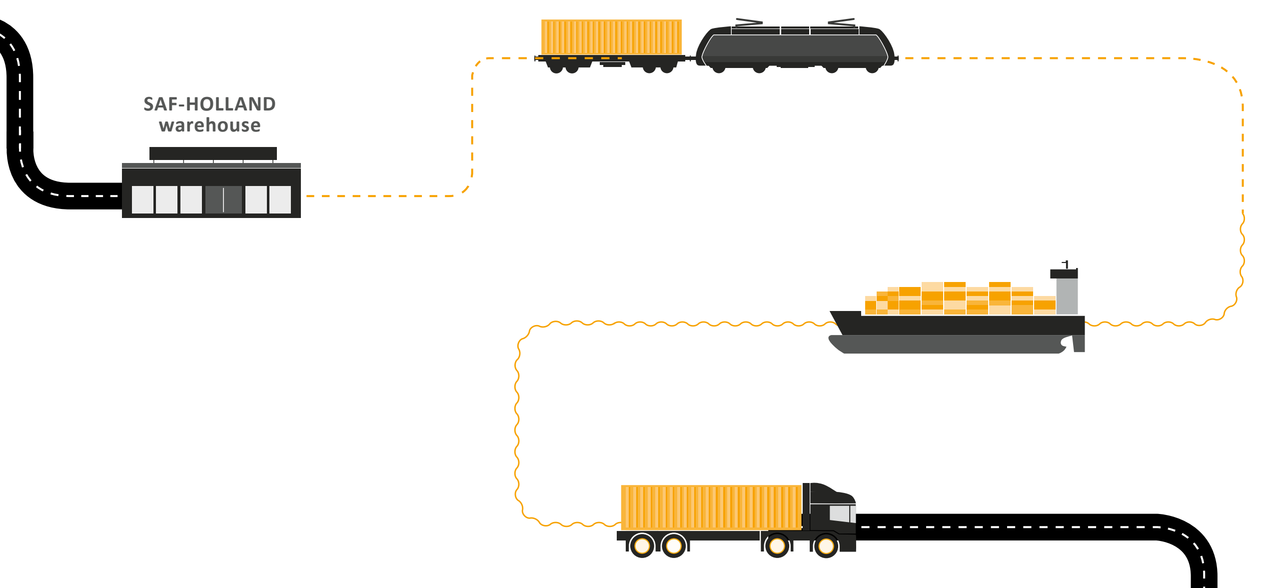
last 18 months or so have really been difficult. At PACCAR Parts, we had to do a lot of troubleshooting, because many of our suppliers had issues with their inventories. Also, their reaction times and services levels have suffered pretty much across the board."

However, there are exceptions, says Brown. "The environment in which we operated last year allowed the truly great organizations to clearly stand out above the rest. And SAF-HOLLAND was one of those organizations. With them, we were able to operate largely under a business-as-usual environment, which is a reflection on the team at SAF-HOLLAND and how they manage their business."

So what exactly did SAF-HOLLAND Australia do to support PACCAR Parts in these special times? For Mario Colosimo, Managing Director of SAF-HOLLAND Australia, the task is straightforward: "We have to keep the supply parts stores happy. That means their catalogues have to be up to date; we have to make sure they get the parts; and obviously pricing has to be right. So the job is actually not hard. But the point is: You have got to do it."

This is especially true during a pandemic-induced global logistics crisis. In these times, getting the job done means going the extra mile for a customer. SAF-HOLLAND Australia produces only a small number of parts domestically. The larger part of the product portfolio is imported, for example brake pads and the heavy-duty V.Orlandi couplings for the Australian mining industry. Many of these products originate from SAF-HOLLAND factories in Germany, Italy and North America. As anyone with a world map can confirm: These are long distances.

Getting the cargo to the customer on time is one part of the job. The other part is supporting his daily sales efforts. SAF-HOLLAND staff maintains strong relationships with the dealer network, regional sales managers, and product management team. This includes regular communication by phone and e-mail, but also personal visits



whenever the current Covid situation permits. The two companies are connecting via EDI (Electronic Data Interchange) to exchange purchase orders, acknowledgements, shipping notes and invoices seamlessly, which further supports sales activities. Also, SAF-HOLLAND Australia assisted PACCAR Parts in putting together the first catalogue devoted exclusively to trailer parts.

What sounds simple was indeed a great effort given that this publication has 506 pages. “It is probably the most comprehensive trailer-related catalogue ever released in Australia. We consider it a must-have guide for fleet managers, workshop mechanics, owner drivers and anyone working with trailers. SAF-HOLLAND took a keen interest in the conceptualization of this catalogue and provided valuable market feedback,” says Damian Smethurst, General Manager of PACCAR Parts.

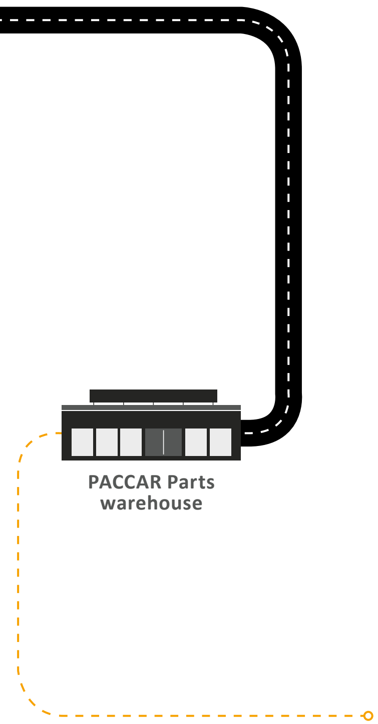
In April 2021, the excellent working relationship between the two corporations became official: SAF-HOLLAND was announced 2020 PACCAR Parts supplier of the year. For Damian Smethurst, this prestigious award is well-earned: “SAF-HOLLAND provide true priority service, as they always maintain supply performance and communicate closely with us. They are really a pleasure to deal with.”

GETTING OUR PRODUCTS FROM A TO B…

…is not a simple task these days. In the wake of the pandemic, the global economy suffers from immense supply chain issues. Freight costs are going through the roof, as the transportation sector suffers from a shortage of containers, vehicles, ships, and staff.

Markus Prössler, Director Aftermarket-Product Management, Quality & Logistics, explains how SAF-HOLLAND deals with this situation: “Thanks to our multi-supplier strategy, we were able to secure our material inflow even when individual suppliers had difficulties providing us with their products. At the same time, we made a conscious choice to increase our inventories. This way, we ensured that we could always deliver enough spare parts to our customers.”

Having material on stock is one thing. Getting it to the customer is another. This is where Marcus Schlosser, Director Logistics, and his team come into play. “We value long-standing relationships with a broad network of logistics partners. This approach pays off when transportation services are scarce. Also, planning ahead is crucial. This is especially true for transports from our European plants to customers in Australia, which can take 8-10 weeks.”



WHEN YOU ENTER A SUPERMARKET, WHAT DO YOU EXPECT TO FIND?

Fleet management

ONE-STOP SHOPPING FOR A RETAILER

Region: Americas
Business: Original equipment
Customer: Meijer

When you enter a supermarket, what do you expect to find? For most customers, a wide selection of fresh foods and fully stocked shelves are part of the normal shopping experience. But behind the scenes, a lot of work has to be done to keep those products coming.

Nobody knows this better than Meijer. This US supercenter chain headquartered in Michigan has

»For me, it's important to have the fleet, the OEM and the component supplier work in harmony as a team.«

Dave Granning
Fleet maintenance manager for Meijer

served customers since 1934 and operates 258 locations in six states. A network of 750 trucks covers over 70 million miles a year to supply all these stores. The company-owned fleet alone consists of 247 trucks and around 3,000 trailers.

Maintaining uptime in the delivery chain is vital to Meijer. As a mixed carrier of home goods and perishable or grocery food items, timely delivery is critical. At the same time, Meijer values environmental performance and energy efficiency. Since 2017, the company has received eight SmartWay Excellence Awards by the U.S. Environmental Protection Agency in recognition of its innovative measures to ensure the efficiency of its fleet. "We are pleased to do our part to reduce greenhouse gas emissions by the transportation sector. Innovation plays a major role in reducing our carbon footprint," says Tom McCall, Vice President of logistics for Meijer.

So, it seems only natural that Meijer relies on quality suppliers for its fleet. The company has been an SAF-HOLLAND customer for decades. For its most recent order of trailers, Meijer decided to partner with SAF-HOLLAND for a systems approach. The CIMC Vanguard trailers ordered by Meijer feature a complete suspension solution with lower maintenance requirements, higher durability, and readily available Aftermarket parts supply. "All of this was covered under one comprehensive warranty with one point of contact for procurement, warranty, and training," says Dan Kohn, Manager National Account Sales for SAF-HOLLAND. "This full systems approach eliminates finger pointing in case of any issues down the road. And it gives Meijer one number to call to get things resolved."

Dave Granning appreciates this hands-on approach. As Fleet maintenance manager for Meijer, he knows about the value of cooperation: "For me, it's important to have the fleet, the OEM and the component supplier work in harmony as a team, so that we end up with a quality product that meets our expectations."

HERE'S ANOTHER ONE! AROUND **3,000 trailers are on the road every day** TO SUPPLY MEIJER LOCATIONS IN SIX US STATES.

PARTNERS FOR EXCELLENCE
Dan Kohn, Manager National Account Sales for SAF-HOLLAND (left) and Dave Granning

And those expectations are high. That is why the SAF-HOLLAND sales team presented the solution they considered the best setup in the industry: the CBXA40 integrated air ride suspension with P89 air disc brakes and Tire Pilot Plus tire inflation system.

Meijer is accustomed to this type of setup. Most of the fleet has been equipped with air ride suspensions for years. “Our drivers appreciate the ride quality, and it is a perfect fit for our drop-and-hook operations,” says Dave Granning. Air disc brakes have also proven their worth for years: “Safety is number one at Meijer – not only for our drivers, but also for the communities we support,” he continues. “Disc brakes simply mean shorter stopping distances. Also, they require very little maintenance, and we get a lot more mileage out of disc brakes compared to drum brakes.” The Tire Pilot Plus further increases safety, as it reduces the risk of tire blowouts and warns drivers of leaks.

Another important aspect: minimizing downtime. The local SAF-HOLLAND team provides service and operation trainings to Meijer technicians and the supplying dealers, so they can do their job as efficiently as possible. This makes life easier for Dave Granning and his team: “Our technicians like the standardization of having the SAF suspension system product. When they pull a trailer in, they know what they have to work with.”

Expanded capacity

EVEN BETTER POSITIONED GLOBALLY

«With our operational excellence programme we ensure that product conditions are absolutely identical in our production network. Specifically, this means that the products rolling off the production lines are identical in terms of quality across all of our plants. Where a certain component is manufactured is only evident from its serial number – not from the product itself.»

__ **Dr. André Philipp**
COO

Serving local customers' needs, optimising work within the plant network, responding even more flexibly to changing markets – there are many good reasons why we have invested in expanding capacity at SAF-HOLLAND in 2021. Our Strategy 2025 sets the course for profitable growth. And naturally, we are working on our operational excellence targets at each of our plants. For if there is one thing that our customers can rely on, it is that products of the highest quality are manufactured by each of SAF-HOLLAND's locations. Here a summary of the current projects to expand capacity:

Turkey

Since 2016 we have manufactured INTRA DISC axles at our plant in Düzce for customers in Turkey and also for export customers abroad. We are expanding the capacity of this plant to profit from the good growth prospects of this region: a second production line will ensure that we can increase axle production by up to 70%. Our customers will profit from even shorter lead times and we at SAF-HOLLAND can react even more flexibly to seasonal fluctuations in demand in our European production network than we have previously been able to.

Moscow

Russia

To meet the new regulation for local content, we announced in 2021 that we would expand our location in the northern suburbs of Moscow to create a manufacturing location for our own axles. At present all investments in the new plant have been put on hold.

Düzce

Querétaro

Mexico

Our plant in Querétaro, Mexico, serves different markets in the Americas region. To ensure a constant supply of the aftermarket business with high-volume fifth wheel top plates, we expanded the production capacities in 2021. The plant now features an additional assembly line for fifth wheels for the aftermarket business in the Americas region that already works at full capacity.

India

With our York brand we are the market leader in trailer axles and suspension systems in India. At the same time, customer demand is on the rise for more sophisticated products that use disc brake technology and air suspension. The development team in Pune has drawn on the years of expertise accrued by SAF-HOLLAND in with these technologies and developed products wanted by the Indian market. To ensure that these roll off the production lines in sufficient numbers even as demand rises, we will move into a new production hall in the second half of 2022 and will manufacture them starting in the fourth quarter of 2022 on a number of production lines that offer expanded capacity. We are therefore perfectly equipped to supply our OE customers and provide them reliable service with a closely-meshed service network, thereby participating in the growth of the Indian transport market.

Pune

_To our Shareholders

LETTER FROM THE CHAIRMAN OF THE MANAGEMENT BOARD

Alexander Geis
Chairman of the Management Board

DEAR SHAREHOLDERS,

We can look back on a successful 2021. We reached the targets for both Group sales and the adjusted EBIT margin, which we raised last November, and this in spite of the ongoing COVID-19 pandemic, tight supply chains and massive price hikes for steel, energy and freight. Without such high cost inflation we would have achieved an even higher margin.

What have we achieved in 2021 specifically?

Group sales came to EUR 1,247 million, 29.9% up on the figure for the previous year of EUR 960 million. Adjusted EBIT improved disproportionately by 58.4% to EUR 93.1 million (previous year: EUR 58.8 million). This corresponds to an adjusted EBIT margin of 7.5% (previous year: 6.1%).

On the bottom line, the distributable result for the period available to the shareholders of SAF-HOLLAND SE came to EUR 36.7 million, representing earnings per share of 0.81.of The Management Board and Supervisory Board will propose a dividend of EUR 0.35 per share to the Annual General Meeting on May 19, 2022. This corresponds to a payout ratio of approximately 43% and is in line with our general dividend policy.

In light of the extreme difficulty at forecasting the future development of COVID-19 case rates, the Management Board and the Supervisory Board have decided to hold a virtual Annual General Meeting once again. I warmly invite you today already to attend this meeting and hope that we will be able to finally meet in person in the coming year.

We are also very well positioned in financial terms. Our equity ratio as of the reporting date of December 31, 2021 is very robust at 36.6%. The leverage ratio – defined as the ratio of net financial debt to EBITDA – stands at 1.58. At the end of the first half of 2020 it stood at 4.42. Our solid financial profile enables us to exploit any opportunities that may arise on the market.

Due to our forward-looking health management – comprising of self-testing kits and masks, the set-up of test centers and company vaccinations – we have succeeded in keeping the COVID-19 case rate in our global workforce at a very low level. At the same time, we have been able to adjust our production flexibly to match the demand of our customers and once again prove our outstanding delivery performance. The entire workforce of SAF-HOLLAND once again displayed tremendous team spirit and dedication in this challenging year. At this point, I would therefore like to express my special thanks to all employees.

What progress have we made on implementing our Strategy 2025?

At first, I would like to highlight our progress at optimising our global production network. We will increase the production capacity at our Turkish plant in Düzce by up to 70%. Other measures to expand capacity are planned at our locations in Mexico and India.

Due to the current political situation, we have put the investments in our new production site in Russia on hold. We are monitoring the developments in Russia and Ukraine very closely and will make targeted decisions on the next steps. I would like to emphasize that the Management Board of SAF-HOLLAND condemns the Russian invasion of Ukraine in the strongest terms. SAF-HOLLAND has been active for many years in both Russia and Ukraine and we have employees, customers and service partners in both countries to whom we feel closely attached. We believe that wealth and security can only be nurtured in conditions of normal international relationships and fair trade. We hope that this war will soon be over and our thoughts go out to the Ukrainian population.

Progress with our electrified recuperation axle SAF TRAKr is very pleasing. After running successful field trials with test trailers, series production is scheduled to start at the middle of the year. There are numerous fields of application for this innovation. A preferred field of application for SAF TRAKr are refrigerated vehicles where the cooling system can be temporarily operated fully electrically. This extends the lifetime of the individual components, and also noise and exhaust emissions can be significantly reduced during electrical operation. By using SAF TRAKr, semi-trailers can meet all the legal requirements for night-time refrigerated transports in urban areas.

Last but not least, we have worked intensively on developing our sustainability strategy. There are two focus areas. We would like to position ourselves globally as an employer of choice and establish and implement trend-setting standards for CO_2 emissions and the circular economy. In this regard, we will orient ourselves closely to the corresponding United Nations Sustainable Development Goals.

Our work on sustainability is confirmed by external ratings and positive assessments. Just some examples:

— SAF-HOLLAND obtained an AA rating on a scale of AAA to CCC during its first MSCI Environmental, Social and Governance Rating.

— During its initial rating by the rating agency Sustainalytics SAF-HOLLAND has achieved a score of 13.4 (low risk) on a scale of 0 to 40+ putting it among the Top-10 in the Auto Parts segment of the agency's analytical universe.

More information can be found in our current sustainability report on our website at https://corporate.safholland.com/en/investor-relations/publications/sustainability-report

What can you expect from us in the coming year?

We have started 2022 with high order intake in our key regions. However, we should not forget that the cost pressure from unparalleled increases of raw material costs, energy costs and freight rates will persist for the time being and that, we can typically only pass on the rise in raw material prices to our customers at some delay. Against this backdrop, the first quarter of 2022 will be particularly challenging. Further effects of the Russia-Ukraine war on supply chains, commodity and energy prices, freight rates and inflation, as well as global GDP development, cannot be predicted at present.

Overall, SAF-HOLLAND is strategically and financially well positioned. We have a robust and promising business model. We have a presence in the relevant commercial vehicle markets worldwide. We are a technological leader in numerous product fields. Moreover, the digitisation of our business is also advancing steadily and we have an excellent team. These are all good prerequisites for the future.

Dear shareholders, at this point I would like to express my gratitude for your support and your faith in us. I am very happy that you have chosen to join us on our journey.

Please, stay healthy!

Sincerely

Yours,

Alexander Geis
Chairman of the Management Board

REPORT OF THE SUPERVISORY BOARD

Dr. Martin Kleinschmitt
Chairman of the Supervisory Board

DEAR SHAREHOLDERS,

The economic environment 2021 continued to be affected by the COVID-19 pandemic. All the more I would like to point out that we can look back on a very positive year, despite the volatile environment. The ongoing transformation, our activities in the area of operational excellence and the solid financial profile of SAF-HOLLAND, which we could already report on positively last year, have substantiated the resilience of our business model, especially in light of the continuing pandemic. As a result, we were able to raise the guidance for 2021 after a strong first half-year and could confirm this over the further course of the year in spite of the high material and energy cost increases and the global supply chain challenges. In light of the continuing pandemic, we as the Supervisory Board have received regular reports on its development and impacts on employees at our global locations as well as the health protection measures undertaken.

The strategic focus of our work on the Supervisory Board has been derived from the Strategy 2025 published in 2020: (1) growth and optimisation of the product portfolio, (2) technology as the central driver, (3) global backbone, (4) operational excellence and (5) people focus. Consequently, we paid particular attention to monitoring the implementation of these strategic pillars and advising the Management Board on operationalising the given targets. In addition to a primary focus placed on technology and innovation, we closely addressed environmental, social and governance (ESG) issues within the terms of our sustainability strategy and the development of the corresponding activities in the organisation. This matter was also the focal point of this year's board training sessions and the subject of a joint workshop with the Management Board. In addition in 2021 we also regularly addressed the central measures to optimise the global production landscape and, in particular, the investments made in Russia, Turkey and Mexico. We will continue to focus on these points in 2022 as they remain highly relevant and will report on them again.

The work of the Supervisory Board was also affected by the implementation of a number of new laws, such as the Financial Market Integrity Strengthening Act (FISG), mainly with regards to the Audit Committee or Management Board remuneration, which we also discussed at regular intervals and considered in our work. We will continue to keep an eye on the development of our work as a governing body and will continuously strive to improve both the effectiveness and efficiency of our activities as well as our contribution to monitoring and advising the Management Board of SAF-HOLLAND SE.

COOPERATION BETWEEN THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

The Supervisory Board of SAF-HOLLAND SE conscientiously carried out its duties in the reporting year in accordance with the law, 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 programmes 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, but also topics such as risk management, compliance and the Group's financial position and planning, were discussed jointly. In addition, the Supervisory Board addressed sustainability issues and the non-financial reporting of SAF-HOLLAND. 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. 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 appointments in other boards

Member	Year of birth	Nationality	First appointment	Term expires in	Main professional activity	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 Partnergesellschaft mbH Management Board Noerr Consulting AG	(a) No mandates (b) G&H Bankensoftware AG (Germany) (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	Annual General Meeting 2024	CEO thyssenkrupp AG	(a) VOLVO AB (Sweden) (since 04/2015) – Member of the Board of Directors (b) No mandates (c) No mandates
Matthias Arleth	1967	German	07/2020	Annual General Meeting 2024	Deputy Chairman of the Management Board of Webasto SE (until 12/2021) Chairman of the Management Board MAHLE GmbH (since 01/2022)	(a) No mandates (b) No mandates (c) No mandates
Ingrid Jägering	1966	German	10/2019	Annual General Meeting 2024	CFO LEONI AG	(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) - Deputy 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 appointments in other boards

Member	Year of birth	Nationality	First appointment	Term expires in	Main professional activity	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) Garrett Motion Inc. (USA) (10/2018 - 04/2021) – Member of the Board of Directors – Chairman of the Remuneration Committee (b) Grundfos Holding A/S (Denmark) – Vice Chairman of the Board of Directors – Member of the Audit Committee – Member of the Remuneration and Executive Development Committee – Member of the M&A Committee (b) Tegimus Holding GmbH (Germany) (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 (Germany) (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 met eight times in total in 2021. Due to the COVID-19 pandemic and the resulting contact restrictions, we reduced the number of face-to-face meetings once again in the reporting year and held most of our meetings virtually or hybrid. The committees also met eight times in total, primarily virtually. When resolutions had to be passed urgently between meetings, this was done via circulation procedure. Attendance at the meetings of the full board and its committees stood at 100% in each case.

Below you will find the detailed summary of the attendance of the individual members of the Supervisory Board at the meetings of the board and its committees:

Summary of attendance

Member	Full board	Audit committee	Remuneration and nomination committee	Overall ratio
Dr. Martin Kleinschmitt	8/8	4/4	4/4	100%
Martina Merz	8/8		4/4	100%
Carsten Reinhardt	8/8	4/4		100%
Ingrid Jägering	8/8	4/4		100%
Matthias Arleth	8/8		4/4	100%
Overall ratio	**100%**	**100%**	**100%**	**100%**

We received reports on the status of operating business developments as well as on any significant corporate initiatives, particularly with regard to operational excellence in each meeting of the Supervisory Board in 2021. When meetings of the committees were held in advance, the chairpersons of the committees reported on the key content of the meetings and were available to respond to any questions. In addition, we usually provide for an agenda item without the Management Board to reflect on topics and for confidential discussions. In this way we comply with recommendation D.7 of the German Corporate Governance Code to meet on a regular basis without the Management Board. A matter of particular relevance in 2021 were the reports we obtained in each meeting on the impacts of the COVID-19 pandemic on SAF-HOLLAND SE and its employees at the international locations.

At the annual accounts meeting on March 22, 2021 we discussed the separate and the consolidated financial statements for 2020 along with the combined management report and the audit report for the company for the financial year 2020. The Supervisory Board approved the financial statements after examining them thoroughly. By approving the separate and consolidated financial statements we followed the recommendation of the Audit Committee. The same applied to the audit of the CSR report and the non-financial statement. We passed a resolution on calling and executing the Annual General Meeting on June 10, 2021, which was held virtually on account of the COVID-19 pandemic and drafted various resolutions for the Annual General Meeting. We passed a resolution to propose to the Annual General Meeting the re-election of PricewaterhouseCoopers (PwC) as the auditor of the financial statements for the financial year 2021.

Other proposed resolutions included the ratification of the remuneration system for the members of the Management Board and the remuneration of the Supervisory Board. Both remuneration systems were approved by the Annual General Meeting in June 2021 with majorities of more than 99%. We issued the Declaration of Compliance along with the intention to fully comply with the recommendations of the German Corporate Governance Code (GCGC) in future and the diversity concept for the Management Board and Supervisory Board. Moreover, at the first meeting of the year, we set the main focal points for our work in the financial year and received reports on the CSR strategy and plans to reduce CO_2 emissions. In addition, various resolutions were passed relating to the remuneration of the Management Board on the basis of the recommendations made by the Remuneration and Nomination Committee.

At the meeting on May 10, 2021, we focused primarily on the latest business developments and discussed the quarterly statement for the first quarter of 2021. This involved looking closely at the key figures and their development. We also approved the regular business transactions requiring our approval.

At our meeting on June 10, 2021, we looked back on the recent virtual Annual General Meeting and, in addition to the regular reporting, were informed of various current projects and activities in fields such as R&D, competition and capital markets.

The focus of the meeting on August 9, 2021, was on half-year financial report 2021. At the meeting, we also looked intensively at the strategy for the production site in Mexico and various business transactions requiring our approval.

The core items on the agenda of the face-to-face meeting held on September 20/21, 2021, were two workshops focusing on products & innovation as well as ESG and our sustainability strategy.

We also addressed the footprint of our activities in the APAC region and our Chinese facility, in particular. We discussed the international footprint and production capacities at regular intervals over the course of the year. We considered the changing framework conditions affecting many market players, in particular the disruptions of the global supply chains, cost trends and regulatory requirements in our deliberations. As one example, we approved an investment project in Mexico at this meeting.

Furthermore, the Management Board reported to us on various current projects, and selected functions, such as legal affairs and reported on their activities. We reviewed our statutes in light of the number of new regulatory requirements.

Thereafter we discussed the results of the annual performance evaluation without the participation of the Management Board and also the results of the external review of the Management Board remuneration in terms of its structure and amount as well as the assessment of the market conformity of the Supervisory Board remuneration. Based on the performance evaluation of the Management Board, two members of the Supervisory Board conducted feedback sessions with all three members of the Management Board.

In addition, during the training of the Supervisory Board in the evening of September 20, 2021, we primarily addressed the regulatory ESG requirements and the role and perception of SAF-HOLLAND in these fields.

At the meeting on November 10, 2021, we primarily dealt with the business performance in the third quarter of 2021 and the Q3 2021 quarterly statement. The Management Board also reported to us on current projects and we approved the regular business transactions requiring our approval.

On November 16, 2021, there were a number of issues on the agenda, in addition to the regular reporting, such as the latest projects of the Management Board, selected issues such as liquidity and cash management, an update from Investor Relations, as well as other matters. We also requested the Management Board to report to us on the strategic priorities for 2022 and beyond. In line with our regular cycle, we conducted a pulse check without the Management Board, to discuss the improvements and fields of action that we defined during our self-assessment in 2020 and the goals of the Management Board for 2022.

The final meeting of the year took place on December 15, 2021, held as a hybrid meeting. Traditionally, the focus of this meeting lies on the budget for the coming year, in addition to other reporting issues, the medium-term planning and the performance targets for the members of the Management Board, which we discussed on the basis of the prior report of the Remuneration and Nomination Committee.

WORK OF THE COMMITTEES

The Supervisory Board uses committees to make its work more effective. To facilitate this, the committees are delegated individual decision-making powers to the extent permitted by law. At present, two committees have been established, composed of the following members:

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

Remuneration and Nomination Committee:
- Matthias Arleth (Chairman)
- Martina Merz
- Dr. Martin Kleinschmitt

If necessary, special-purpose committees can be established at any time to address specific issues. There was no need to make use of this option in 2021.

Audit Committee

The Audit Committee met four times in the reporting year. The main focus of the work of the Audit Committee lay on the audit of the separate and consolidated financial statements for 2020 including the combined management report and the audit of the non-financial group statement as well as drawing up recommendations for resolutions to be passed by the Supervisory Board. Representatives from the auditor, PwC, also attended the discussion of the separate and consolidated financial statements. The Audit Committee also expressed its recommendations regarding the appropriation of the net income and choice of the auditor to the Supervisory Board.

At each meeting of the Audit Committee, the Chairwoman reported on her regular exchanges with the Management Board, the auditor and the significant functions in the company. The Chief Financial Officer reported on the latest issues concerning the Finance department and other departments under her control.

Other topics addressed by the committee were the financial and non-financial reporting, risk management, the internal audit, the internal control system, compliance & legal, tax and financing and refinancing issues. In addition, the committee looked at the global financial organisation and finance governance within the group. The committee obtained regular status reports from the officers in charge of the key control functions as well as assessments of the effectiveness and development of control systems. For example, it received regular reports on the development of the risk management system, inter alia in accordance with the requirements of Audit Standard IDW AuS 340 for the early recognition of risk. Among other matters, the committee also focused on IT and cyber-security within the organisation.

A number of new aspects arising from regulatory changes affected the work of the Audit Committee during the financial year. It dealt with the implications of the new Financial Market Integrity Strengthening Act (FISG) for SAF-HOLLAND, especially for its own committee work, and initiated the corresponding measures. One of the aspects arising from the FISG, that has already been adopted in the most recent version of the code by the Government Commission German Corporate Governance Code as Recommendation D.11, is the regular assessment of the statutory audit. In addition to the reporting by the auditor, PwC, on its quality assurance measures, the Audit Committee commissioned an independent quality review of the audit for the Group from Board Office Biedenbach. The survey included the views of the key financial functions within the Group and those of the regional Group companies about the financial statement audit and an assessment by the members of the Audit Committee on a number of quality assessment criteria. In sum, the survey confirmed that the audit has reached a positive degree of maturity and, in the view of the respondents, surpassed the requirements placed on an independent audit of the financial statements. The measures that have been identified to develop and improve the quality of the audit of the financial statements were discussed in depth and their implementation initiated.

The contents of the meetings were presented to the Supervisory Board within the course of the oral reports to the board by the committees and – where necessary – submitted to the board for a decision. The auditor attended the meeting at which the audit report was explained and also another meeting where the quality of the external audit was discussed in more depth. In addition, the Chair of the Audit Committee maintains regular contact with the auditor, also outside of the meetings. The auditor reports to the Audit Committee immediately on any significant audit findings and events that come to his attention during the execution of the audit. Furthermore, he informs the Audit Committee of any circumstances that he becomes aware of during the execution of the audit indicating non-compliance with the Declaration of Compliance with the German Corporate Governance Code issued by the Management Board and Supervisory Board. The auditor declared to the Audit Committee that he was not aware of any circumstances that would compromise his independence. The Audit Committee obtained the necessary independence agreement from the auditor, reviewed the auditor's qualifications and arranged a fee agreement. The Audit Committee approves any non-audit-related services rendered by the auditor. Two proven financial experts sit on the Audit Committee in the form of Ingrid Jägering and Dr. Martin Kleinschmitt.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee met four times in total in 2021. It deliberated on the latest regulatory requirements with regards to Management Board remuneration and drew up revisions to the remuneration system and report, which it passed on to the Supervisory Board in the form of recommendations. It prepared all the resolutions on remuneration issues for the Management Board including both the financial and non-financial targets and set a special emphasis on ESG objectives. Lastly, it discussed the results of the review of Management Board remuneration in terms of its structure and amount as well as Supervisory Board remuneration before passing on the matters to the Supervisory Board.

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 latest 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 strict personnel and functional firewalls 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 trustingly together for the benefit of the company.

SAF-HOLLAND SE is a financial holding without any active 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 2021 the Supervisory Board and its committees once again looked closely at the topic of corporate governance and making the board work even more professional. The 2022 Declaration of Compliance with the recommendations of the German Corporate Governance Code was issued by the Management Board and Supervisory Board of SAF-HOLLAND SE on March 15, 2022. The latest Declaration of Compliance and the declarations of past years can be found on the website of the company.

The Chairman of the Supervisory Board conducted individual discussions with investors on corporate governance issues over the course of the year. There were no conflicts of interest facing any member of the Supervisory Board in the financial year.

More information on corporate governance can be found in the corporate governance statement of the company.

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

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC), which was elected as the auditor for the financial year 2021 by the Annual General Meeting on June 10, 2021, audited the separate financial statements and the consolidated financial statements compiled by the Management Board as of December 31, 2021, including the combined management report for the financial year 2021, and rendered unqualified audit opinions thereon. It was found that the separate financial statements and consolidated financial statements give a true and fair view of the net assets, financial position and results of operations. The engagement partner was Christian Kwasni (commencing with the financial statements for 2016).

The financial statements of SAF-HOLLAND SE and the combined management report for the SAF-HOLLAND Group were compiled in accordance with German legally required accounting principles. The consolidated financial statements were compiled in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU, and the additional requirements of the German Commercial Code (HGB) set forth in Section 315e (1).

After preparation by the Audit Committee, the Supervisory Board has treated the separate financial statements, the consolidated financial statements and the combined management report for the financial year 2021 and discussed them in depth with the Management Board at its meeting on March 15, 2022. The auditor reported on the audit scope, the audit focus and the most significant audit findings and, in particular, the key audit matters and the audit procedures conducted. He reported both at the meeting of the Audit Committee as well as at the meeting of the Supervisory Board and was available for more detailed questioning. Furthermore, participation by the Management Board in the discussions with the auditor was restricted in accordance with the requirements of FISG. In line with the committee's recommendation, the Supervisory Board did not raise any objections and agreed with the results of the audit and approved the separate financial statements and consolidated financial statements for the financial year 2021. The financial statements are therewith ratified.

The formal requirements of the remuneration report were audited by the auditor in accordance with Section 162 (1) and (2) Stock Corporation Act.

The Supervisory Board obtained a comprehensive overview of the quality of the external audit in advance and ratified the proposed resolution for the election of the auditor on the basis of the recommendation of the Audit Committee for submission to the Annual General Meeting. This was based on the declaration issued by the Audit Committee that its recommendation was free of undue influence by third parties and that none of the restrictions on the available choices imposed by Art. 16 (6) of the EU Audit Regulation applied. Regulation (EU) 537/2014 imposes an obligation to regularly rotate the auditor of the separate financial statements or consolidated financial statements. Such a rotation is scheduled at SAF-HOLLAND SE for the financial year 2026. An internal rotation will be conducted in financial year 2022 upon the appointment of a new engagement partner.

The Supervisory Board follows the Management Board's proposal for the appropriation of retained earnings and proposes that the Annual General Meeting on May 19, 2022 passes a resolution to pay a dividend of EUR 0.35 per share for financial year 2021.

CHANGES TO THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

There were no changes to the Management Board or the Supervisory Board in financial year 2021.

The Supervisory Board would like to thank all of the employees, the employee representatives and the Management Board for their tremendous dedication and performance during the 2021 financial year.

Bessenbach, March 15, 2022

On behalf of the Supervisory Board

Dr. Martin Kleinschmitt
Chairman of the Supervisory Board

SAF-HOLLAND ON THE CAPITAL MARKET

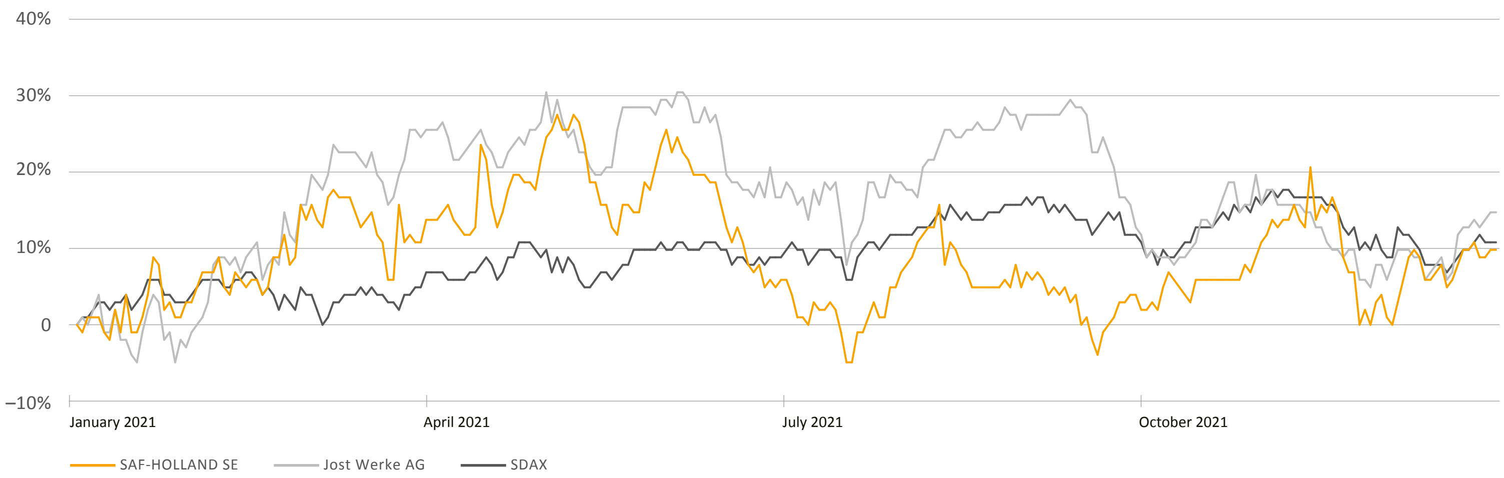
DEVELOPMENT OF STOCK MARKETS AND THE SHARE PRICE IN 2021

SAF-HOLLAND SHARE VOLATILE OVER THE COURSE OF THE YEAR

During the first six months of 2021, the rapid expansion of industrial production and global trade, the persistently expansionary monetary policies of the European Central Bank and the Federal Reserve, financial stimulus policies in the USA and a strong earnings season in the first quarter resulted in all-time highs in many international stock markets. In the second half of 2021 the economy flattened off sharply and the boom on the stock markets began to falter. Stock market performance was also dampened by significantly lower-than-expected vaccination rates and the appearance of the even more infectious virus variants Delta and Omicron. Moreover, commerce was severely impacted by disruptions of global supply chains and the scarcity of critical products, such as semiconductors. The sudden rise in inflation rates also placed a burden on performance as fears spread that the largest central banks would terminate their expansionary monetary policies, which have been the main driver of stock market in recent years.

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

in %



The SAF-HOLLAND share started 2021 with great momentum and outperformed the SDAX index significantly in the first months of 2021. On May 5, 2021 the share peaked for the year at a closing price of EUR 14.39 on the Xetra exchange. Share performance over the second half of the year was more volatile. On July 19, 2021 the share recorded its low for the year at a closing price of EUR 10.66 on the Xetra exchange. It finished the trading year on December 30, 2021 at a price of EUR 12.30. This represents a rise of 9.8% on the closing price for 2020. The SDAX index grew by 11.2% over the same period.

Basic data on the share

WKN/ISIN	SAFH00/DE000SAFH001
Ticker symbol	SFQ
First Listing	July 26, 2007
Stock exchange	Frankfurt
Transparency standard	Prime Standard
Index	SDAX
Number of shares	45,394,302
Free float	100%
Designated Sponsors	ICF Bank AG
Annual high/low 2021[1)]	EUR 14.39/10.66
Closing price 2021[1]	EUR 12.30
Market capitalisation as of December 31, 2021	EUR 558.3 million

[1] Xetra-closing price.

TRADING VOLUME AND DAILY TURNOVER

Based on market share analysis by Bloomberg, the most important trading platform for the SAF-HOLLAND share in the year 2021 was, as in the previous year, the Xetra trading platform, which accounted for 34.3% (previous year: 40.9%) of traded volume. On average, 118,226 SAF-HOLLAND shares (previous year: 219,309 shares) were traded over the Xetra exchange each day. In euro terms, SAF-HOLLAND shares in the amount of EUR 1.5 million were traded on Xetra each day on average (previous year: EUR 1.4 million).

POSITION IN THE INDEX RANKING

Based on the year-end share price on December 30, 2021, the free float market capitalisation of SAF-HOLLAND SE came to EUR 558.3 million (previous year: EUR 508.4 million). As a result, the company was ranked 154th (previous year: 148th) at the end of December 2021 in the index ranking issued by Deutsche Börse AG, which forms the basis of the composition of the MDAX and SDAX.

DIVIDEND PROPOSAL

The Management Board and Supervisory Board will propose a dividend for financial year 2021 of EUR 0.35 per share to the Annual General Meeting on May 19, 2022. With a total payout of EUR 15.9 million, this corresponds to a payout ratio of around 43% of the result for the period and thus to the dividend policy of SAF HOLLAND SE. This policy provides for the distribution of 40 to 50% of the result for the period. With this year's dividend proposal for the 2022 Annual General Meeting, the Management Board and Supervisory Board would like to continue the dividend policy. After the targeted dividend payment, sufficient liquid funds will remain in the company.

INVESTOR RELATIONS AND CAPITAL MARKET ACTIVITIES

IN CONSTANT CONTACT WITH ALL STAKEHOLDERS

With its investor relations activities, SAF-HOLLAND pursues the goal of providing all capital market participants with comprehensive, timely and transparent information on current business developments, strategic objectives, their implementation and the latest trends in the markets of relevance for the company. This is designed to foster appropriate pricing of the share. In addition, SAF-HOLLAND maintains intensive dialogue with its shareholders, potential investors and analysts. Due to the ongoing COVID-19 pandemic, these talks were held virtually on a regular basis in 2021 via video conference and conference calls, virtual roadshows and virtual capital market conferences. Main topics of capital market communication were the business development 2021, the impacts of the COVID-19 pandemic, innovations trends in the commercial vehicles sector, the sustainability performance of the company as well as capacity utilisation.

CONSTANT NUMBER OF ANALYSTS ENSURE COMPREHENSIVE COVERAGE OF THE SAF-HOLLAND SHARE

The SAF-HOLLAND share is regularly monitored and analysed by various analysts. At the end of 2021 a total of seven analysts were monitoring the share of SAF-HOLLAND. Of these, four analysts recommended either buying the stock or believed that SAF-HOLLAND shares would outperform the overall market. There were three recommendations to hold the share. The analysts' price targets ranged between EUR 12.00 and EUR 22.00. The average price target came to EUR 16.69.

Analyst ratings as of December 31, 2021

Bank	Rating
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.

INTERNATIONAL SHAREHOLDER STRUCTURE

According to the definition of Deutsche Börse AG, 100% of the shares of the company are in free float. The shareholder base consists primarily of institutional investors such as fund managers, asset managers, banks and insurance companies, as well as private investors from both Germany and abroad. The largest shareholders at present consist of investment management companies in the USA, the Netherlands, Spain, France and Germany.

Based on voting rights notifications, eight institutional investors held more than 3% in the share capital of SAF-HOLLAND as of December 31, 2021.

Voting Rights Notifications > 3% as of December 31, 2021

Shareholder name	Country of origin	% share of notified voting rights
TimesSquare Capital	USA	5.19%
Kempen	Netherlands	5.07%
Union Investment	Germany	5.04%
Bestinver Gestion	Spain	4.95%
DWS Investment	Germany	3.62%
Dimensional Fund Advisors	USA	3.52%
Amiral Gestion	France	3.09%
Crédit Mutuel Asset Management	France	3.08%

The members of the Management Board and the Supervisory Board of SAF-HOLLAND SE together held a total of 1.0% of the outstanding shares as of December 31, 2021.

FIRST ANNUAL GENERAL MEETING AFTER THE TRANSFER OF THE REGISTERED OFFICE SUCCESSFULLY CONCLUDED

The 15th Annual General Meeting of SAF-HOLLAND SE was held on June 10, 2021. At the same time, it constituted the first Annual General Meeting held after the corporate headquarters had been moved from Luxembourg to Germany.

Against the backdrop of the ongoing COVID-19 pandemic, the Annual General Meeting was held as a virtual Annual General Meeting without the shareholders being physically present. To allow shareholders to follow the Annual General Meeting, a nine-head camera team ensured seamless live transmission via the internet. Shareholders had the opportunity to lodge questions in advance of the meeting via the SAF-HOLLAND shareholders' portal, which were then answered by the Management Board or Chairman of the Supervisory Board in the course of the Annual General Meeting.

With an attendance of 60.05%, the Annual General Meeting met with a very pleasing response. Apart from one exception, all the resolutions proposed by the Management Board and the Supervisory Board were passed with a large majority. The shareholders followed the proposal of the management to retain the profit of SAF-HOLLAND SE in full and approved the remuneration system for the members of the Management Board, which complies with the statutory provisions of the Second Shareholders' Rights Directive (SRD II) and considers the recommendations of the amendments to the German Corporate Governance Code. For the first time the remuneration system also includes sustainability/ESG targets.

EXTENSIVE INFORMATION AVAILABLE 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. At this site you can find the latest financial news and reports of the company, presentations and recordings of telephone conferences as well as an overview of the latest consensus estimates of the analysts currently monitoring the SAF-HOLLAND share. The telephone numbers and digital contact details of the Investor Relations team are also stated on the website.

COMPANY RATINGS

INVESTMENT GRADE RATING "BBB" CONFIRMED – OUTLOOK RAISED TO STABLE

On June 9, 2021, SAF-HOLLAND published the combined rating report from Scope Hamburg GmbH (formerly Euler Hermes Rating GmbH). The report confirms the investment grade rating and sets the outlook from negative to stable. In its rating, Scope Hamburg particularly emphasises the sustainable growth prospects from the increasing global transport volumes and the Group's leading market positions in the markets for axle and suspension systems for trailers in the EMEA region and India as well as fifth wheels in the Americas region and the less cyclical, high-margin spare parts business. The global production and service network, the broad customer base and the structural cost reduction and process optimisation measures are also viewed positively.

At the same time, the assessment of the slightly increased business risk reflects the high dependency on the cyclical commercial vehicle sector and the intense competition, which was recently once again briefly exacerbated by the COVID-19 pandemic.

Scope Hamburg rates the financial risk of SAF-HOLLAND as low to moderate, with reference to its high internal financial resources and solid capital structure and financing base.

_Remuneration Report 2021

REMUNERATION REPORT 2021

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 2021. The report explains in detail the individual structure and amount of the various components of Management Board and Supervisory Board remuneration. The report complies with the requirements of Section 162 German Stock Corporation Act (AktG) and the relevant accounting standards (HGB, IFRS) as well as the requirements of the German Corporate Governance Code (GCGC) as issued on December 16, 2019. 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 on the review of its formal requirements are contained in the Annual Report and can be obtained from the website of SAF-HOLLAND SE.

COMPOSITION OF THE MANAGEMENT BOARD

There was no change in the composition of the Management Board in 2021. The Management Board is therefore composed of the following three members: the CEO (Alexander Geis), the CFO (Inka Koljonen) 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 Remuneration and Nomination Committee. If necessary, the Remuneration and Nomination 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 a performance-based and sustainable corporate governance and ensuring the long-term success of the enterprise. The criteria for determining the appropriateness of remuneration consist of the individual duties of the members of the Management Board, their personal performance, the economic situation, the performance and future prospects of the company.

The Remuneration and Nomination 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 who concluded the market conformity of the remuneration (*see the section on the market conformity of remuneration for more details*).

REVIEW OF THE FINANCIAL YEAR 2021 FROM THE PERSPECTIVE OF REMUNERATION

The remuneration system was adjusted to comply with the requirements of the German Act to Implement the Second Shareholders' Rights Directive (ARUG II) and the recommendations of the German Corporate Governance Code. For example, non-financial performance targets in terms of environmental, social and governance (ESG) issues were incorporated as a fixed component of variable compensation and a malus or clawback rule was added. The maximum remuneration allowed to date, which had been set as a percentage, was replaced by a fixed cap in real terms. As a result, all the recommendations of the GCGC are now met.

The remuneration system for members of the Management Board was approved by a 99.16% majority of the votes cast at the Annual General Meeting on June 10, 2021. The remuneration system for members of the Supervisory Board was passed by a majority of 99.96%.

SUMMARY OF MANAGEMENT BOARD REMUNERATION 2021

The remuneration of the members of the Management Board of SAF-HOLLAND SE consists of fixed and variable components. The fixed, non-performance-based remuneration comprises 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 exceed the short-term ones, 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 for the STI, which were set at the beginning of 2020, could not be fully reached on account of the COVID-19 crisis. However, the individual goals for the members of the Management Board could be fully attained. Consequently, 81% of the targets set for the STI 2020 were paid out in the year 2021 for both Mr. Geis and Dr. Philipp. Ms. Koljonen, who only joined the Management Board on September 1, 2020, was assured a pro rata target achievement of 100% for 2020 in accordance with her service contract. (See the table “Remuneration granted and due” on page 53).

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 2017, which fell due for payment in 2021, amounts to 51% of the target. (See the table “Calculation of the LTI – PSUP 2017” on page 61).

No use was made in 2021 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 2021, 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
	– 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

TARGET REMUNERATION AND MAXIMUM REMUNERATION

The total target remuneration represents a target remuneration amount which 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 equate with the share of the fixed remuneration components (base salary plus fringe benefits), both of which have been set at 50%. The share of the long-term incentive exceeds the short-term incentive. As a result, 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 for these to take the form of variable components in order to keep increasing the share of variable remuneration components.

The following table presents the contractually agreed targeted remuneration and the composition of remuneration expressed as a percentage of the total target remuneration for 2021:

Target remuneration and maximum remuneration of members of the Management Board

		Alexander Geis		Inka Koljonen		Dr. André Philipp	
		Chairman of the Management Board since February 26, 2019		Ordinary member of the Management Board since September 9, 2020		Ordinary member of the Management Board since January 1, 2019	
All figures in kEUR		Target remuneration	Maximum remuneration	Target remuneration	Maximum remuneration	Target remuneration	Maximum remuneration
	Base salary 2021	734	734	375	375	375	375
Non-performance-based remuneration	Fringe benefits 2021	28	28	38	38	32	32
	Welfare components 2021	-	-	-	-	-	-
Total amount		**762**	**762**	**413**	**413**	**407**	**407**
One-year variable remuneration	STI 2020	331	414	190	238	190	238
Multi-year variable remuneration	LTI 2017-2020	404	808	200	400	200	400
Total amount		**735**	**1222**	**390**	**638**	**390**	**638**
Total remuneration		**1497**	**1984**	**803**	**1051**	**797**	**1045**

In accordance with Section 87a AktG, a 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 the members of the Management Board:

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

Whether the conditions have been met for the maximum remuneration for 2021 can therefore not be assessed or ascertained until the year 2025 as only then will the final remuneration component for 2021 be fixed and paid to the respective member of the Management Board.

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 member of the Management Board. The criteria for assessing the appropriateness of remuneration therefore lie in the individual tasks and performance of the members of the Management Board. When setting the 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 on the basis of the valuation criteria of sales, headcount and market capitalisation. Based on this positioning, the remuneration paid to the members of the Management Board is reviewed to ensure that it conforms with market practice. For this purpose, the Supervisory Board is supported by an independent external remuneration consultancy. In the course of the 2021 review, this consultancy confirmed that the remuneration paid to the members of the Management Board in office conformed to market standards and was therefore appropriate.

To assess the market conformity of total remuneration within the organisation, the Supervisory Board also considers the compensation and working conditions of the entire workforce of the Group 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 economic position and performance of the company needs to be appropriately considered.

The earnings of the company and the average remuneration paid to German employees on an FTE basis over the last five years compared to the annual change in Management Board remuneration is presented in the following table:

Total remuneration (actual)

		2017	2018	2019	2020	2021
Management Board remuneration (kEUR)						
	Alexander Geis since March 1, 2019			868	788	1,074
	Change on the previous year (%)				-9.2	36.3
	Inka Koljonen since September 1, 2020				139	514
	Change on the previous year (%)					269.8
	Dr. André Philipp since January 1, 2019			341	504	595
	Change on the previous year (%)				47.8	18.1
Supervisory Board remuneration (kEUR)						
	Dr. Martin Kleinschmitt since April 1, 2013	60	91	101.2	108.5	115
	Change on the previous year (%)		51.6	11.2	7.2	6.0
	Martina Merz since April 1, 2014	81	152	118	74.2	72
	Change on the previous year (%)		87.7	-22.4	-37.1	-3
	Carsten Reinhardt since April 1, 2017	27	58	71	50.2	52
	Change on the previous year (%)		114.8	22.4	-29.3	3.6
	Ingrid Jägering since October 1, 2019			12	64.5	69
	Change on the previous year (%)				437.5	7
	Matthias Arleth since July 1, 2020				34.4	69
	Change on the previous year (%)					100.6

The lack of figures for the years 2017-2019 is due to the circumstance that the members of the Board had either not been appointed yet or other members of the Board were appointed in this period, who have since left and received no further remuneration in 2021.

	2017	2018	2019	2020	2021
Adjusted EBIT margin in %	8,0	6,9	6,2	6,1	7,5
Change on the previous year in %-points		–1,1	–0,7	–0,1	1,4
Result for the period of SAF-HOLLAND SE in kEUR				2.027	20.624
Change on the previous year in %					917.5

	2017	2018	2019	2020	2021
Average employee remuneration in EUR	55,051	57,258	56,979	52,671	51,613
Change on the previous year in %		4.01	–0.49	–7.56	–2.01

The decrease in employee compensation in 2020 and 2021 results from the introduction of short-time work due to the COVID 19 pandemic and the introduction of the measures from the future collective agreement.

NON-PERFORMANCE-BASED FIXED REMUNERATION

Fixed annual base salary

The base salary represents fixed compensation 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 cover is provided. In addition, subsidies towards health and pension insurance are paid in accordance with the provisions of social security law.

PERFORMANCE-BASED VARIABLE REMUNERATION

The performance-based variable remuneration components are the short-term incentive (STI), which relates to performance in the respective financial year, and the long-term incentive (LTI), that 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 components of variable remuneration in 2021 are presented in detail below.

Short-term variable renumeration (STI)

General features

The annual bonus is a variable cash payment based on the measurable performance of the company over the past financial year and the degree to which individual targets are attained. The STI is calculated using financial and non-financial performance criteria, which are based on the key performance indicators explained below and individual targets derived from them. With the help of the individual targets, the individual performance of each Management Board member is taken into account in the remuneration.

The individual targets can 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. The share of business targets account for 75% in total and consist of three specific targets. The individual targets likewise 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%

In terms of target achievement, as a rule, the lower limit for the bonus is set at 75% and the upper limit at 125%. In exceptional cases, the Supervisory Board may set a lower limit of 50%. Due to the unpredictable developments related to the COVID-19 pandemic, the Supervisory Board decided in 2021 to take this opportunity and set the lower limit at 50%. If the sum of the weighted individual target achievement is below 50% (lower threshold), there is no pro rata payout of the bonus. 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.

Based on all the individual measured target achievement factors, the overall target achievement factor is calculated by weighting the individual factors. Multiplying the total target achievement factor by the STI target amount yields the STI payout amount. The upper and lower limits of 125% and 50% referred to above apply. Payment is made at the end of the first quarter of the financial year following the year for which the respective STI was granted.

Calculation of the STI payout:

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

Structure in 2021

Corporate targets

Three targets were defined as corporate targets for 2021

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

These consider the overall responsibility of the Management Board and primarily set incentives for further growth of the company, an improvement in profitability and reinforcement of cash flow.

A core element of the corporate strategy is profitable growth, whereby sales constitute an important instrument for planning the next steps for the organisation.

The adjusted EBIT margin sets an incentive to strengthen the operating earnings power of the Company. EBIT measures earnings before interest and tax. The EBIT indicator considers depreciation and amortisation in addition and encourages investments that provide a suitable return on the capital employed.

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

Individual targets and sustainability targets

For 2021 the Supervisory Board set two individual targets in the areas for which the respective member of the Management Board is directly responsible. It also agreed on a mutual target on sustainability. The individual targets contribute to raising the efficiency of project work within the Group and to realising further progress in diversity and digitalisation.

As a global player in the trailer and truck industry, SAF-HOLLAND seeks to make a valuable contribution towards society and the future with its innovative products and sustainable actions. In this context, the focus in 2021 was on lowering energy consumption at the SAF-HOLLAND locations.

The individual targets and the common sustainability target are listed in the following table:

Members of the Management Board	Focus area	Specific target	Target	Actual
Alexander Geis (CEO) since February 26, 2019	Business development	Development of a global CSR concept	100%	125%
	Diversity	Development of measures to increase female representatives		
	Sustainability	Implementing of specific measures to save energy		
Inka Koljonen (CFO) since September 1, 2020	Business development	Establishing a global operations controlling	100%	110%[1]
	Process optimisation	Repositioning of the IT department		
	Sustainability	Implementing of specific measures to save energy		
Dr. André Philipp (COO) since January 1, 2019	Business development	Facilitating the project Forward 2.0 USA	100%	125%
	Process optimisation	Conducting corporate OpEx assessments		
	Sustainability	Implementation of specific measures to save energy		

[1] Due to the resignation of Ms Koljonen on January 31, 2022, a flat-rate determination of the STI target achievement was made

To our Shareholders
Remuneration Report 2021
Remuneration Report 2021
Report of the Independent Auditor on the Formal Audit of the Remuneration Report pursuant to § 162 Abs. 3 AktG
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Additional Information

Target achievement

The following table presents the key performance indicators for the annual bonus 2021, 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 (%)	Weighted value	Target amount in EUR	Amount paid out in EUR
Alexander Geis - CEO	Corporate targets	Group sales (EUR m)	943.6	970	995.8	1,020.8	0.25	1,246.0	125.0%	31.3%		
		Adjusted EBIT margin (%)	5.6	5.8	6.1	6.6	0.25	7.50	125.0%	31.3%		
		Net working capital (% of sales)	16.50	16.00	15.50	15.00	0.25	14.80	125.0%	31.3%		
	Individual targets						0.25		125.0%	31.3%		
							100%			**125%**	**331,000**	**413,750[2]**
Dr. André Philipp - COO	Corporate targets	Group sales (EUR m)	943.6	970	995.8	1,020.8	0.25	1,246.0	125.0%	31.3%		
		Adjusted EBIT margin (%)	5.6	5.8	6.1	6.6	0.25	7.50	125.0%	31.3%		
		Net working capital (% of sales)	16.50	16.00	15.50	15.00	0.25	14.80	125.0%	31.3%		
	Individual targets						0.25		125.0%	31.3%		
							100%			**125%**	**190,000**	**237,500[3]**
Inka Koljonen - CFO[1]										110%	190,000	209,000

[1] Based on a settlement agreement due to her departure on January 31, 2022
[2] Will be reduced by 5% / EUR 20,687 due to the voluntary waiver in connection with the collective agreement to secure future viability
[3] Will be reduced by 5% / EUR 11,875 due to the voluntary waiver in connection with the collective agreement to secure future viability

Long-term variable remuneration (LTI)

General features

The long-term variable remuneration or long-term incentive (LTI) is a variable share-based remuneration component whose objective is to increase the value of the company in the long term and to create a sustainable connection between the interests of the company's management and senior management with those of the shareholders of SAF-HOLLAND SE. This is realised by a Performance Share Unit Plan (PSUP) introduced in 2013 that takes into account both company performance and share price performance. The PSUP provides for a performance period of four years. With the PSUP, the interests of the members of the Management Board and the shareholders should be more closely regarding a sustainable increase in the value of the company. In addition, the PSUP ensures long-term commitment of the Management Board to the company and increases its motivation.

Participants receive phantom share units at the beginning of the performance period. With the existing LTI programme, the remuneration system fulfils, 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.

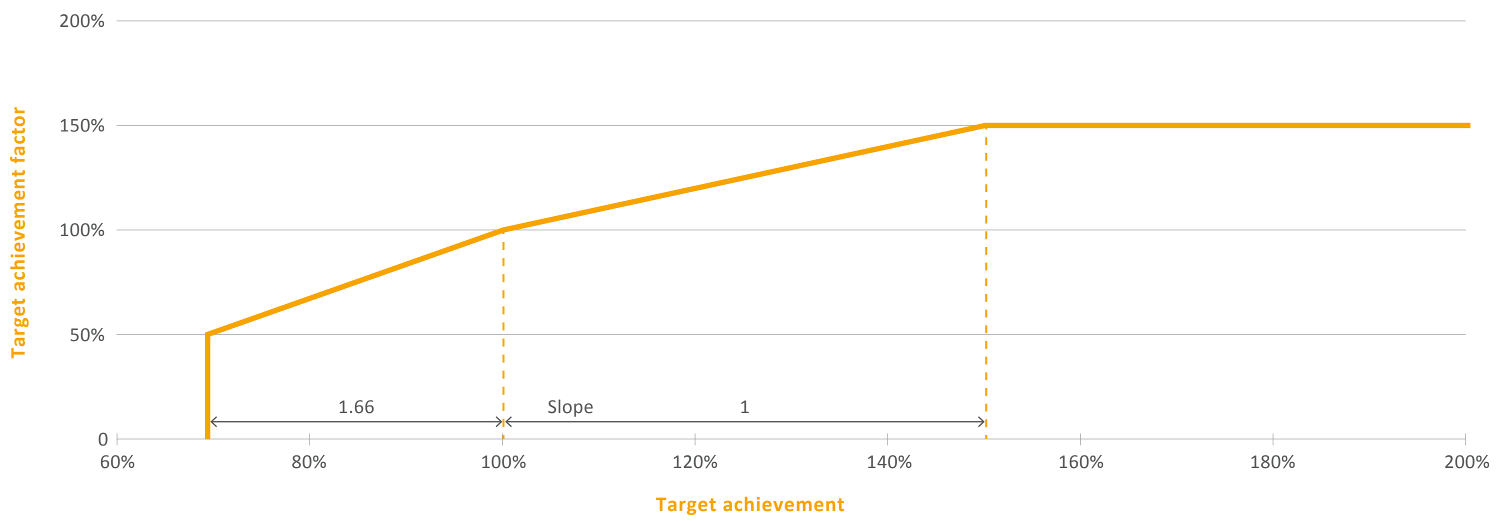
The calculation of the PSUP payout is as follows:

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	x	**Target achievement factor**	x	**Value of the share**	=	**PSUP pay-out**

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 margin". 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 a 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 of 125% of the short-term variable remuneration thereby constitute the maximum limit for the remuneration of the members of the Management Board.

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 temporis* basis on the due date for the payment.

The loss of all rights under the PSUP is limited to the case of termination for good cause by the company. If the service contract is terminated for other reasons, the amount paid out corresponds to the amount that the Management Board member would be entitled to on the date of the payout after deducting the pro rata temporis amount for the interim. Notwithstanding the above rule, the phantom shares granted for the years 2019, 2020 and 2021 are vested. This means that they will not be reduced on a pro rata temporis basis if the service contract is terminated before the end of the respective assessment period.

Grant in financial year 2021

The LTI plan granted in 2021 is based on the following performance indicators (basis: mid-term planning 2021):

Performance periods 2021 - 2024

Average target: Adjusted EBIT margin	7.63%
Average share price (issue price)	EUR 9.93

Grant (target amount divided by issue price)

	Target amount (kEUR)	Number of shares granted
Alexander Geis	404	40,685
Dr. André Philipp	200	20,141
Inka Koljonen	200	20,141

Target achievement and inflow 2021

The following summary presents the relevant indicators for the LTI plan granted in 2017, the corresponding target achievement and the resulting payout amount in 2021:

Calculation LTI - PSUP 2017

	2017	2018	2019	2020	Average
Earnings adjusted EBIT margin	8.00%	6.90%	6.20%	6.10%	6.80%
Share price Nov/Dec 2016	EUR 13.01				
PSUP target 2018	8.48%				
Target achievement	80.19				
Target achievement factor	66.91				

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

	kEUR upon 100% target achievement	Number of shares granted	Target achievement factor	Grant price Nov/Dec 2020	Target achievement (kEUR)	Target achievement (%)
Alexander Geis	170	13,067	0.6691	EUR 9.93	87	51
Dr. André Philipp	128	9,800	0.6691	EUR 9.93	65	51
Inka Koljonen	75	5,765	0.6691	EUR 9.93	38	51

Supplementary clauses

Malus and clawback clauses

The Supervisory Board is permitted to take into account extraordinary developments and events to an appropriate extent. In such cases, the service contracts with the members of the Management Board provide for a malus and a clawback provision. These mainly relate to performance-based variable remuneration components and, in this regard, primarily the LTI. In justified cases, entitlements to variable remuneration may be cancelled (malus). Another option is to reclaim a payment already made (clawback). If it transpires that a member of the Management Board has intentionally breached a material duty and this breach of duty meets the definition of a “gross breach of duty” justifying the dismissal from the Management Board (Section 84 (3) AktG)), the malus or clawback provision may apply.

The Supervisory Board did not identify any reason in 2021 to make use of the options to reduce the variable remuneration components, waive them entirely or to claw them back.

Post-contractual non-competition clause

The service 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 agreement

Whether a severance payment is granted or not in the event of premature termination of the service contract due to revocation of the appointment or due to any other premature termination lies at the discretion of the company. Any severance payment is limited to a maximum of two years’ total remuneration (i.e. annual base salary, short-term variable incentive (STI) and long-term variable incentive (LTI)). The calculation of the fixed annual remuneration is based on the previous year or the current year. When considering variable remuneration (STI and LTI), the amount of variable remuneration granted during the last financial year is to be applied.

No severance payment is made in the event of a termination of a contract with a member of the Management Board for culpable due cause on the part of that member or termination of the contract at the wish of the member of the Management Board.

Severance payments shall be credited against the non-contractual compensation.

Disclosures on benefits paid by third parties

No benefits were promised or granted to the members of the Management Board by third parties in 2021.

Change of control

In the event of a change of control, each member of the Management Board has a single right to resign from office upon three months’ notice 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.

REMUNERATION GRANTED AND DUE

The following table presents the individual remuneration granted and due to the current members of the Management Board pursuant to Section 162 (1) sentence 2 No. 1 AktG in financial year 2021.

		Alexander Geis				Inka Koljonen				Dr. André Philipp			
		Chairman of the Management Board since February 26, 2019				Ordinary member of the Management Board since September 1, 2020				Ordinary member of the Management Board since January 1, 2019			
		2020		2021		2020		2021		2020		2021	
		kEUR	in %	kEUR	in %	kEUR	in %	kEUR	in %	kEUR	in %	kEUR	in %
Non-performance-based remuneration	Base salary	618[1]	78	734	68	125	90	375	73	341[1]	68	375	63
	Fringe benefits	27	4	28	3	14	10	38	7	30	6	32	5
	Welfare expenses	0	0	0	0	0	0	0	0	0	0	0	0
Total amount		**645**	**82**	**762**	**71**	**139**	**100**	**413**	**80**	**371**	**74**	**407**	**68**
One-year variable remuneration	STI 2019	70	9			0	0			46	9		
	STI 2020			225	21			63	12			123	21
Multi-year variable remuneration	LTI 2016 - 2019	73	9			0	0			37	7		
	LTI 2017 - 2020			87	8			38	8			65	11
Total amount		**143**	**18**	**312**	**29**	**0**	**0**	**101**	**20**	**83**	**16**	**188**	**32**
Other	Special bonus 2020	0	0	0	0	0	0	0	0	50	9.92	0	0
Total remuneration		**788**	**100**	**1074**	**100**	**139**	**100**	**514**	**100**	**504**	**100**	**595**	**100**

[1] including voluntarily deduced waiver of salaries

The following table presents the respective target remuneration for the acting members of the Management Board for the financial year 2020/2021. This includes the target remuneration promised for the financial year upon 100% target achievement, supplemented by the disclosures for the individually attainable minimum and maximum remuneration. In addition, the inflow for the financial year pursuant to the definition given in the GCGC issued on February 7, 2017 is presented as the actual remuneration.

Target remuneration and inflow pursuant to the GCGC for 2021

kEUR

	Alexander Geis					Inka Koljonen					Dr. André Philipp					Total amount				
	2020 (target)	2021 (target)	2021 (min)	2021 (max)	2021 inflow	2020 (target)	2021 (target)	2021 (min)	2021 (max)	2021 inflow	2020 (target)	2021 (target)	2021 (min)	2021 (max)	2021 inflow	2020 (target)	2021 (target)	2021 (min)	2021 (max)	2021 inflow
Base salary	650	734	734	734	734	125	375	375	375	375	359	375	375	375	375	1,134	1,484	1,484	1,484	1,484
Special bonus	0	0	0	0	0	0	0	0	0	0	50	0	0	0	0	50	0	0	0	0
Fringe benefits	27	28	28	28	28	14	38	38	38	38	30	32	32	32	32	71	98	98	98	98
Total amount	**677**	**762**	**762**	**762**	**762**	**139**	**413**	**413**	**413**	**413**	**439**	**407**	**407**	**407**	**407**	**1,255**	**1,582**	**1,582**	**1,582**	**1,582**
One-year variable remuneration	293	331	0	414	225	63	190	0	238	63	160	190	0	238	123	516	711	0	889	411
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 2017 - 2020	0	0	0	0	87	75	0	0	0	38	0	0	0	0	65	75	0	0	0	190
LTI 2018 - 2021	0	0	0	0	0	100	0	0	0	0	0	0	0	0	0	100	0	0	0	0
LTI 2019 - 2022	0	0	0	0	0	125	0	0	0	0	0	0	0	0	0	125	0	0	0	0
LTI 2020 - 2023	357	0	0	0	0	175	0	0	0	0	170	0	0	0	0	702	0	0	0	0
LTI 2021 - 2024	0	404	0	808	0	0	200	0	400	0	0	200	0	400	0	0	804	0	1,608	0
Total amount	**650**	**735**	**0**	**1,222**	**312**	**538**	**390**	**0**	**638**	**101**	**330**	**390**	**0**	**638**	**188**	**1,518**	**1,515**	**0**	**2,497**	**601**
Welfare payments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total remuneration	**1,327**	**1,497**	**762**	**1,984**	**1,074**	**677**	**803**	**413**	**1,051**	**514**	**769**	**797**	**407**	**1,045**	**595**	**2,773**	**3,097**	**1,582**	**4,080**	**2,183**

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 and its Chairman receive a fixed annual remuneration after the end of the financial year, which means that the fixed annual remuneration for 2021 will be paid out in the year 2022. Performance-based or stock-based remuneration components are not granted.

- The members of the Supervisory Board receive a fixed annual fee of EUR 40,000.
- The Chairman of the Supervisory Board receives a fixed annual fee of EUR 100,000.
- The Deputy Chairwoman of the Supervisory Board receives a fixed annual fee of EUR 60,000.

This considers the greater amount of time invested by the chairman and his deputy.

Each chairperson of the Supervisory Board's committees receives a fixed fee of EUR 20,000 for their work on the committee in recognition of the additional work entailed. The ordinary members of the committees do not receive any fixed remuneration.

Each member of the Supervisory Board receives a per diem of EUR 1,000 for attending the meetings of the Supervisory Board and EUR 500 for each telephone conference. The chairpersons of committees do not receive any attendance fees for meetings or telephone conferences of the respective committees.

Members of the Supervisory Board who only sit on the Supervisory Board or one of its committees for part of the financial year or who occupy the position of Chairperson or Deputy Chairperson, receive the corresponding remuneration on a *pro rata temporis* basis.

The D&O group insurance also covers the members of the Supervisory Board. No advances or loans were made to current or former members of the Supervisory Board in 2021.

The total remuneration paid to the members of the Supervisory Board for 2021 amounts to EUR 377,000 (previous year: EUR 371,900).

The remuneration of the Supervisory Board for 2021 breaks down to the individual members as follows:

Remuneration granted and due to the Supervisory Board in 2021 (kEUR)

Member of the Supervisory Board	Components of total remuneration																Total remuneration	
	Fixed remuneration for the whole board (share in total remuneration %)				Remuneration for committee work (share in total remuneration %)				Attendance fees (share in total remuneration %)				Waiver of base salary Q2					
	2021	%	2020	%	2021	%	2020	%	2021	%	2020	%	2021	%	2020	%	2021	2020
Dr. Martin Kleinschmitt	100.0	87%	100.0	92%	0.0	0%	0.0	0%	15.0	13%	12.5	12%	0.0	0%	-4.1	-4%	115.0	108.5
Martina Merz	60.0	83%	60.0	81%	0.0	0%	10.0	13%	12.0	17%	7.5	10%	0.0	0%	-3.3	-4%	72.0	74.2
Carsten Reinhardt	40.0	77%	40.0	80%	0.0	0%	0.0	0%	12.0	23%	12.0	24%	0.0	0%	-1.8	-4%	52.0	50.2
Ingrid Jägering	40.0	58%	40.0	62%	20.0	29%	20.0	31%	9.0	13%	7.0	11%	0.0	0%	-2.6	-4%	69.0	64.5
Matthias Arleth (member from July 2020)	40.0	58%	20.0	58%	20.0	29%	10.0	29%	9.0	13%	4.5	13%	0.0	0%	-0.1	0%	69.0	34.4
Anja Kleyboldt (member until June 2020)	0.0	-	20.0	96%	0.0	-	0.0	0%	0.0	-	2.5	12%	0.0	-	-1.7	-8%	0.0	20.8
Jack Gisinger (member until May 2020)	0.0	-	16.7	86%	0.0	-	0.0	0%	0.0	-	4.0	21%	0.0	-	-1.3	-7%	0.0	19.4
Total amount	**280.0**	**74%**	**296.7**	**80%**	**40.0**	**11%**	**40.0**	**11%**	**57.0**	**15%**	**50.0**	**13%**	**0.0**	**0%**	**-14.8**	**-4%**	**377.0**	**371.9**

OUTLOOK FOR THE FINANCIAL YEAR 2022 FROM THE PERSPECTIVE OF REMUNERATION

REMUNERATION OF THE MANAGEMENT BOARD

The Annual General Meeting of the Company on June 10, 2021 approved the remuneration system for members of the Management Board with a majority of 99.16%. The following amendments will be proposed to the Annual General Meeting 2022 to bring the interests of the Management Board and those of the shareholders even closer together and honour the sustainable and long-term development of the Company in addition:

SHARE OWNERSHIP GUIDELINES

At its meeting on March 15, 2022 and after preparation by the Remuneration and Nomination Committee, the Supervisory Board passed a resolution approving a remuneration system that sets share ownership guidelines for members of the Management Board in addition to the existing rules. This brings the interests of the Management Board and the shareholders further into alignment and also rewards the sustained long-term development of SAF-HOLLAND.

SUSTAINABILITY CRITERIA IN THE LTI

In addition, the Supervisory Board passed a resolution to supplement the LTI agreement for members of the Management Board by adding an ESG target.

REMUNERATION OF THE SUPERVISORY BOARD

The Annual General Meeting of the Company on June 10, 2021 also passed a resolution on the remuneration of the Supervisory Board and the underlying remuneration system, with a majority of 99.96% in favour. To address the greater demands placed upon the activities of a supervisory board of a publicly listed company and the increasing digitalisation of the work of the Supervisory Board to handle the current situation, the following amendments to the Supervisory Board remuneration will be proposed to the Annual General Meeting 2022:

— Introduction of a fixed fee for memberships on committees of the Supervisory Board

— Introduction of a uniform payment for attendance fees for all members and chairpeople of the Supervisory Board and its committees and

— A rule on video conferences relating to the payment of attendance fees

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

To SAF-HOLLAND SE, Bessenbach

OPINION

We have formally audited the remuneration report of the SAF-HOLLAND SE, Bessenbach, for the financial year from 1 January to 31 December 2021 to determine whether the disclosures pursuant to § [Article] 162 Abs. [paragraphs] 1 and 2 AktG [Aktiengesetz: German Stock Corporation Act] have been made in the remuneration report. In accordance with § 162 Abs. 3 AktG, we have not audited the content of the remuneration report.

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

BASIS FOR THE OPINION

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

RESPONSIBILITY OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

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

AUDITOR’S RESPONSIBILITIES

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

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

Frankfurt am Main, March 11, 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Christian Kwasni	ppa. Jürgen Körbel
Wirtschaftsprüfer	Wirtschaftsprüfer

_Combined Management Report

FUNDAMENTAL INFORMATION ABOUT THE GROUP

BUSINESS MODEL

In terms of market share, SAF-HOLLAND SE is one of the world's leading manufacturers and suppliers of chassis-related assemblies and components – primarily for trailers, but also for trucks and buses.

The company concentrates on the key issues of its customers: optimising the total cost of ownership on the one hand – i.e. considering all non-recurring and recurring direct and indirect costs of an investment – and, on the other hand, digitalisation, electrification and sustainability, all of which are becoming increasingly important.

With its light-weight solutions SAF-HOLLAND enables weight-savings and therefore contributes towards lowering the CO_2 emissions of truck and trailer combinations. With the innovation campaign "SMART STEEL – ENGINEER, BUILD, CONNECT" – SAF-HOLLAND combines mechanics with sensors and electronics and drives the digital networking of commercial vehicles and logistics chains. With regard to electrification, start of series production of the electric trailer axle SAF TRAKr is scheduled for the middle of the year 2022.

SAF-HOLLAND generated 59.1% of Group sales with trailer OEMs in 2021. Generally, the specification of axle and suspension systems are set by the fleet operators, who are the end customers. By maintaining direct contact and constant exchange with these end customers, SAF-HOLLAND ensures that it always has the right solutions for ever-changing customer requirements. The business with truck OEMs accounted for 12.9% of Group sales in financial year 2021.

Apart from the original equipment business, another key component of the company's business model is the aftermarket business, which represented 28.1% of Group sales in 2021. SAF-HOLLAND serves its customers via a global network of roughly 12,000 spare parts and service stations, dealers and workshops. The rapid supply of spare parts is one of the criteria sought by fleet operators when selecting suppliers, making it a barrier to entry for potential competitors. Because demand in the aftermarket business trails that of the original equipment business, cyclical fluctuations in the original equipment business can be cushioned, thereby contributing to the resilience of SAF-HOLLAND's business model.

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 Bulgaria EOOD
- 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% SAF-HOLLAND do Brasil Ltda.
  - 100% KLL Equipamentos para Transporte Ltda.[1]
- 100% V.ORLANDI S.p.A.
  - 100% Orlandi Russia
- 100% SAF-HOLLAND South Africa Ltd.
- 100% SAF AL-KO Axle Co. (Xiamen formerly Jinan), Ltd. (in liquidation)
- 100% SAF-Holland RUS OOO
- 100% SAF-HOLLAND Otomotiv Sanayi ve Ticaret Limited Sirketi
- 100% SAF-HOLLAND Middle East FZE
- 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% Qingdao YTE Special Products Co Ltd, China
- 100% Corpco Tech, China
- 93.6% Axscend Group Ltd, United Kingdom
  - 100% Axscend Ltd., United Kingdom
- 100% SAF-Holland (Shanghai) Investment Co., Ltd., China
  - 100% SAF-Holland (Yangzhou) Vehicle Parts Co., Ltd., China
- 10% SQG S. u. G. gem. GmbH
- 100% SAF-Holland Suomi Oy
- 100% SAF-Holland Sverige AB

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

[1] SAF-HOLLAND GmbH increased its shares in KLL Equipamentos para Transporte Ltda. from 57.5% to 100% in May 2021.

SAF-HOLLAND SE is the parent company of the SAF-HOLLAND Group. The company's registered office is in Bessenbach, near Aschaffenburg. It acts as the holding company of the Group and is responsible for the strategic management of the business activities. In addition, central functions of the Group such as corporate finance, corporate accounting and controlling, internal audit, legal and compliance, human resources, IT, corporate social responsibility as well as investor relations, corporate and ESG communications are all organised centrally and managed directly by the Management Board.

SAF-HOLLAND SE holds all the shares in SAF-HOLLAND GmbH, which in turn holds the interests in all regional subsidiaries and majority shareholdings.

In addition, SAF-HOLLAND Inc. has held a strategic equity interest since 2006 of just over one-third in the French company Castmetal FWI S.A. The remaining shares in the associated company are held by the SAFE-Group, a producer of technical components made of cast steel and plastic injection moulding for various industrial applications. This associated company supplies SAF-HOLLAND with cast components for fifth wheels and suspension systems for the North American market.

CHANGES TO THE GROUP'S STRUCTURE

In May 2021 SAF-HOLLAND made use of a call option and acquired the remaining 42.5% shareholding in the Brazilian suspension specialist, KLL Equipamentos para Transporte Ltda (KLL). As a result, SAF-HOLLAND now holds all the shares, after already acquiring a stake of 57.5% in the third quarter of 2016.

Further information on this transaction can be found in the comments in the notes to the consolidated financial statements commencing on page 144.

GROUP MANAGEMENT

SAF-HOLLAND SE has a dualistic governance structure consisting of Management Board and Supervisory Board. The Management Board is responsible for managing the affairs of the company and is advised and monitored by the Supervisory Board. There were no changes to the Management Board or the Supervisory Board in 2021.

Detailed information on the composition of the Management Board and the Supervisory Board and the allocation of responsibilities can be found in the corporate governance statement on the company's website at https://corporate.safholland.com/en/company/corporate-governance/corporate-governance-statement. In addition to the declaration of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG) this contains a description of the procedures of the Management Board and the Supervisory Board as well as information on key corporate governance practices and the diversity concept to be published under the terms of the CSR Directive Implementation Act.

ORGANISATIONAL STRUCTURE OF THE GROUP

The operating business of SAF-HOLLAND is divided into three regions, which also constitute the reportable segments in the sense of IFRSs:

- EMEA (Europe, Middle East and Africa)
- Americas
- APAC (Asia Pacific)

The regions cover both the original equipment business and the aftermarket business. Each segment has full responsibility for its results and has the resources it needs to carry out its operating activities.

PRODUCT PORTFOLIO

The product range primarily consists of axle and suspension systems for trailers, fifth wheels for trucks as well as kingpins and landing gear for trailers and is marketed under multiple brands.

SAF-HOLLAND's Product Brands

SAF: Trailer axles and suspension systems

Holland: Towing and lifting technology

NEWAY: Suspensions for vocational trucks and buses

KLL: Air suspensions for trucks, buses, axles and suspension systems for trailers

Trailermaster: Smart trailer management

V.ORLANDI: Cuppling systems for trucks, semi-trailers, trailers and special applications

YORK: Trailer axles and suspension systems

SAF-HOLLAND ORIGINAL PARTS

Aftermarket brand for premium products

SAUER QUALITY PARTS AND GOLD LINE QUALITY PARTS

Aftermarket brands for quality products

LOCATIONS

At the end of 2021, SAF-HOLLAND was running a total of 22 production and assembly locations spread over six continents. In addition to the plants in its core markets, Europe and North America, SAF-HOLLAND also maintains production facilities in countries such as Turkey, Brazil, South Africa, India, China and Australia. The central development activities are concentrated at the locations in Bessenbach (Germany), Muskegon (USA) and Yangzhou (China).

MARKETS AND COMPETITIVE SITUATION

The business development of SAF-HOLLAND depends primarily on the production and sales of trailers and heavy-duty trucks in Europe, North and South America, India and Australia as well as China. More information can be found in the report on economic position under the section on the industry-specific environment.

The core markets – Europe and North America – generally feature oligopolistic competitive structures. In each of these markets, SAF-HOLLAND is one of the three leading 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. Moreover, in North America, SAF-HOLLAND occupies a leading position in fifth wheels, landing gear and kingpins.

The main competitors are BPW Bergische Achsen and Jost Werke from Germany, the US companies Hendrickson and Fontaine and Fuwa from China.

ECONOMIC AND REGULATORY FACTORS

The transport and logistics sector is primarily influenced by three megatrends:

— Globalisation
— Digitalisation
— Sustainability

GLOBALISATION

Fundamentally, the transport and logistics sector is a growth industry and road transport plays a critical role in this regard. Factors such as growth of the global population, accelerating urbanisation, ongoing industrialisation in emerging markets, rising disposable incomes and, finally, growth in global GDP, are positively influencing demand for trailers and trucks.

DIGITALISATION

Connectivity solutions (including telematics systems) for trucks and trailers are a key element of digitalisation as they enable fleet operators to analyse vehicle performance in detail. Vehicle connectivity helps to optimise uptime and capacity utilisation as well as costs for repairs and maintenance (keyword: predictive maintenance) and therefore the total cost of ownership for trailers and trucks. SAF-HOLLAND has developed innovative solutions for these and other issues such as automated driving as a precursor to fully autonomous driving (see section "research and development" in the chapter on non-financial aspects on page 91).

SUSTAINABILITY

Road transport is a major source of CO_2 emissions. For this reason, there is an increasing pressure on the transport and logistics sector, not just from regulatory authorities, but also from consumers and investors. Demand for greater cost-effectiveness, the vision of zero-emission urban centres and quieter vehicles as well as a concept of a zero-carbon footprint ensure that there will be rising demand for alternative drive concepts and therefore a shift towards electromobility. In addition to the electrification of the drive train of the tractor unit, the electrified trailer axles developed by SAF-HOLLAND demonstrate that trailers also display enormous potential (see section on "research and development" in the chapter on non-financial aspects on page 91).

In addition to these three megatrends, regulatory requirements could be of significance. These are primarily aimed at reducing fuel consumption and exhaust emissions of commercial vehicles, the particulate emissions generated during braking as well as the mechanical stress on the roads. This is especially driving demand for weight-reduced components, such as those offered by SAF-HOLLAND.

New legal requirements are also leading to more stringent safety requirements. For example, since 2020 a limit has been set on the maximum load of semi-trailers in China. Products with lightweight components from the portfolio of SAF-HOLLAND allow manufacturers to meet the new weight restrictions. Legal restrictions on the transport of hazardous goods (such as those in China from 2020) could also boost demand for disc brake technology. In addition to economic benefits, disc brakes offer technical advantages in comparison to traditional drum brakes. For instance, disc brakes reduce the braking distance compared to drum brakes. For SAF-HOLLAND this opens up promising opportunities, as the products can contribute to meeting more stringent safety standards.

KEY PERFORMANCE INDICATORS

GROUP INTERNAL CONTROL SYSTEM

The Management Board of SAF-HOLLAND SE primarily employs financial key performance indicators to assess the latest developments in its business and derive the associated decisions on its future strategy and investments. The objective is to exploit commercial and entrepreneurial success potentials.

Each year, SAF-HOLLAND internally 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 financial key performance indicators by analysing budget deviations and making forecasts. Moreover, the progress made in achieving the strategic objectives is reviewed and analysed regularly in the meetings of the Management Board.

A detailed presentation on the key performance indicators and other performance indicators is provided in chapter "results of operations, net assets and financial position" (page 79 of this report).

KEY PERFORMANCE INDICATORS

The most important financial performance indicators used to manage the Group include:

— Sales

— Adjusted EBIT margin (ratio of earnings before interest and taxes, adjusted for depreciation and amortisation 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 at both Group level and at segment level. However, from a Group perspective, most significance is given to the consolidated indicators (bottom-up approach).

OTHER PERFORMANCE INDICATORS

To assess its commercial performance, SAF-HOLLAND also applies additional indicators, both for management and financial reporting purposes. However, in contrast to the above indicators, no forecast is issued for these indicators as they are less significant for corporate management. They include, among others:

— Adjusted gross margin (ratio of adjusted gross profit to sales)

— Adjusted EBITDA margin (ratio of earnings before interest, taxes, depreciation and amortisation, especially the depreciation and amortisation of assets arising from purchase price allocations as well as 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 net cash flow from operating activities before tax 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)
- Debt 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 2020.

INDUSTRY AND COMPANY-SPECIFIC EARLY INDICATORS

In the view of SAF-HOLLAND, the key early indicators specific to the company are the order intake and the order backlog. These indicators are gathered by the respective Group companies on a daily basis and serve as an indicator of the capacity utilisation to be expected and the likely development of sales and earnings.

In addition, management continuously monitors and analyses the statistics and forecasts on overall economic development, as well as the trends in the global trailer and truck markets of the relevant countries and regions. This data includes production and registration figures, as well as order intake.

STRATEGY

STRATEGY 2025: LONG-TERM VALUE APPRECIATION AS CORPORATE OBJECTIVE

The objective of Strategy 2025 is on the long-term increase of the company value and includes: profitable sales growth, improving the adjusted EBIT margin to around 8% by 2023 at the latest, improving the cash flow generation and optimising the leverage ratio (ratio of net financial debt to EBITDA). Strategy 2025 is based on five main pillars:

Growth and portfolio optimisation: In recent years, the company has continued to expand its global presence and its product portfolio. This includes the acquisitions of KLL (Brazil), York (India), V.Orlandi (Italy), Axscend (UK), PressureGuard (USA) and the Stara Group (Finland/Sweden), all of which were realised in the period from 2016 to 2019. In this period, the North American and Chinese production networks were consolidated as well. The focus in the coming years is on optimising the global footprint, bundling Group-wide competencies and realising greater economies of scale and thereby improving profitability.

Technology as a central driver: To ensure the long-term success of the product portfolio and services, SAF-HOLLAND started in the two most-relevant product areas of axles and suspension systems and fifth wheels at an early stage to address the three global innovation trends affecting the commercial vehicle industry: digitalisation, electrification and autonomous driving. This includes products that combine mechanics with sensors and electronics (e.g. TrailerMaster), the TRAKe axle family and automated coupling systems (SAF-HOLLAND Automatic Coupling). Partnerships with other companies play an important role in this regard. In addition, it is planned to establish global competence centres for the core products to enhance efficiency.

Global backbone: SAF-HOLLAND aims to expand the global reach by strengthening its position in global standardisation and harmonisation, digitalisation of operational processes and development activities, purchasing and compliance, and by further improving and developing its global infrastructure and leadership model.

This provides the basis for future product platforms and equipment purchases, strengthens core know-how and realises ongoing cost reductions.

Operational Excellence: SAF-HOLLAND seeks to continuously improve its business processes in order to maximise safety, quality, flexibility and quantity. This considers protecting the environment and conserving scarce resources. Employee health and safety have the highest priority. The SAF-HOLLAND Operational Excellence System (OpEx System) supports these improvement measures in the various areas and is closely linked with financial targets. With the OpEx system global policies will be established and a focus on future development set. The system defines what “best-in-class” means and lays out detailed road maps for each step of implementation, providing orientation and guidance for the improvement activities along the way. The OpEx-RoadMaps forms 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).

People focus: As the company moves toward becoming an employer of choice, it will build up a skilled and motivated workforce, measured on its own assessments, by investing in its employees and encouraging them to engage in lifelong learning. SAF-HOLLAND believes that its future growth is based on relationships, collaboration and integrity. In addition to increasing employee engagement and efficiency, another aim of Strategy 2025 is to increase the proportion of female managers and female representation overall. Other components in the area of human resources involve increasing training efforts per employee and nurturing employee loyalty.

REPORT ON ECONOMIC POSITION

ECONOMY AND INDUSTRY ENVIRONMENT

MACROECONOMIC ENVIRONMENT: GLOBAL ECONOMY GROWS BY 5.9%

After the global economy slumped in the year 2020 (GDP -3.1%), a global recovery set in during 2021, despite the continuing burdens of the COVID-19 pandemic. While the International Monetary Fund (IMF) was still projecting growth of 5.5% in global gross domestic product (GDP) at the beginning of 2021, by the end of the year global economic output was 5.9% above the level of the previous year. Supported by the economic stimulus programme of the new US president, GDP growth in the United States came to 5.6% . The euro area recorded a growth rate of 5.2% , despite the rise in case rates of COVID-19. In India, an important region for SAF-HOLLAND, the economy grew (GDP) by 9.0% in the reporting year. China, which, in marked contrast to other regions, already recorded growth of 2.3% in the year 2020, saw GDP growth of 8.1% , according to data from the International Monetary Fund (IMF).

Economic development in key markets

in %

	2020	2021
Euro zone	–6.4	5.2
Germany	–4.6	2.7
United States	–3.4	5.6
Brazil	–3.9	4.7
Russia	–2.7	4.5
China	2.3	8.1
India	–7.3	9.0
World	–3.1	5.9

Source: IMF, World Economic Outlook Update, January 2022

SECTOR-SPECIFIC DEVELOPMENTS: TRUCK AND TRAILER MARKETS DISPLAY CONTRASTING TRENDS BETWEEN REGIONS

The largest truck and trailer markets – with the exception of China – developed positively in 2021. In spite of the on-going restrictions caused by the COVID-19 pandemic, SAF-HOLLAND's relevant regions Europe, North and South America and India recorded double-digit growth in production. However, growth lost momentum over the course of the year due to supply-chain issues. According to ACT Research, the scarcity of semiconductors and labour in certain regions of the United States proved to be determining factors in the production of heavy-duty trucks (Class 8 trucks).

EUROPEAN TRUCK MARKET ON GROWTH TRAJECTORY

Production of semi-trailer tractor units in Europe in 2021 was significantly higher than in the previous year on account of the economic situation. According to IHS Markit, growth came to 29.4% . The two highest-volume markets, Germany and the Netherlands, recorded growth of 30.5% and 12.3% respectively. It should be noted, however, that the European truck market is only of minor importance for SAF-HOLLAND.

RECOVERY IN THE EUROPEAN TRAILER MARKET

European trailer production also returned to its growth trajectory. According to estimates made by the market research institute CLEAR International Consulting, 21.4% more trailers were manufactured than in 2020.

RISING DEMAND FOR TRUCKS IN NORTH AMERICA

According to ACT Research, production of heavy-duty trucks (Class 8 trucks) in North America grew by a little more than 19% to approximately 256,000 units in a year-on-year comparison. Production growth in the USA and Canada reached 17.6% and 28.0% respectively.

NORTH AMERICAN TRAILER MARKET AT A HIGH LEVEL

The North American trailer market also recorded a positive trend in the year 2021. According to ACT Research, approximately 318,000 trailers were manufactured (+27.6% y-o-y).

SOUTH AMERICA – UPTURN IN THE TRUCK AND TRAILER MARKET

The growth rates on the South American market for commercial vehicles waned over the course of the year 2021. According to ANFAVEA, the industry association, roughly 75% more heavy-duty trucks were manufactured on the most important Brazilian market and, according to ANFIR, 35% more trailers.

CHINA BELOW PREVIOUS YEAR LEVEL

Due to the supply bottlenecks for important components, coupled with the high comparative base set in 2020, production of trucks and trailers in 2021 was down 19.5% and 9.9% , respectively, on the level of 2020.

INDIA EXHIBITS SIGNIFICANT INCREASE IN PRODUCTION

In spite of the massive spread of the COVID-19 virus and the emergence of new variants (Delta, Omicron), the Indian commercial vehicle market recorded a significant growth in production, according to SIAM (Society of Indian Automobile Manufacturers). For example, approximately 164% more trucks and roughly 114% more trailers rolled off the production lines in 2021 compared to 2020.

AUSTRALIA – MARKET AT A HISTORIC HIGH

In Australia, an important market for SAF-HOLLAND in the APAC region, 26.6% more trailers (approximately 14,000 units) and 23.8% more trucks (roughly 7,000 units) were registered in 2021 compared to the previous year (source: ARTSA).

TARGET ACHIEVEMENT

REVISED SALES AND MARGIN TARGETS SLIGHTLY SURPASSED OR ACHIEVED

Business over the course of 2021 developed better than expected at the beginning of the year. Due to the prevailing COVID-19 pandemic, the forecast issued in March 2021 was subject to a certain degree of uncertainty.

The order intake developed very positively over the year and SAF-HOLLAND recorded higher sales in 2021.

Group sales in 2021 of EUR 1,246.6 million were above the adjusted target corridor of EUR 1,100 million to EUR 1,200 million stated in the Half-Year Financial Report issued on August 12, 2021. The original forecast from March 2021 had assumed a range of between EUR 1,050 million and EUR 1,150 million.

Driven by the pandemic, the prices for materials, freight and energy rose very strongly and could not be fully compensated by cost-savings. The adjusted EBIT margin of 7,5% matches the adjusted guidance of 7.5% issued in the Half-Year Financial Report on August 12, 2021. Without this strong cost inflation, the adjusted EBIT margin would have easily surpassed the target. In the original forecast from March 2021, the Management Board anticipated an adjusted EBIT margin of around 7%.

The capex ratio for 2021 stood at 2,0% of Group sales and is therefore below the original forecast of 2.5% issued in March 2021. The main reason for this was in the unexpectedly strong sales growth. All of the planned investment projects were conducted or initiated as planned.

Comparison of the actual business results with the forecasts

Indicator	Results 2020	Forecast 2021 on March 25, 2021	Adjustment on August 12, 2021	Results 2021
Sales (in EURm)	959.5	1,050 to 1,150	1,100 to 1,200	1,246.6
Adjusted EBIT margin	6.1%	around 7%	around 7.5%	7.5%
Capex ratio	2.5%	around 2,5%	around 2.5%	2.0%

SIGNIFICANT EVENTS IN THE 2021 FINANCIAL YEAR

COVID-19 PANDEMIC

The COVID-19 pandemic impacted the business of SAF-HOLLAND in 2021. The increased volume of purchases over the internet and continuing growth in transport volumes had a positive impact on the transport and logistics industry and thus on the demand for trailer and truck components, even if truck production was impaired by the ongoing supply bottlenecks for semiconductors. The high demand resulted in significant price increases for steel, freight and energy. The impact on the course of business is explained in the section on net assets, financial position and financial performance.

ACQUISITION OF THE REMAINING SHARES IN THE BRAZILIAN KLL

In May 2021, SAF-HOLLAND acquired the outstanding 42.5% stake in the Brazilian suspension specialist, KLL Equipamentos para Transporte Ltda (KLL). As a result, SAF-HOLLAND now holds all the shares, after already acquiring a stake of 57.5% in the third quarter of 2016.

SCOPE HAMBURG CONFIRMS INVESTMENT GRADE RATING – OUTLOOK RAISED TO STABLE

The rating agency Scope Hamburg GmbH (formerly Euler Hermes Rating GmbH) confirmed the BBB investment grade rating of SAF-HOLLAND in 2021. The outlook was changed from negative to stable.

In its rating, Scope Hamburg particularly emphasises the sustainable growth prospects from the increasing global transport volumes and the Group's leading market positions in the markets for trailer axle and suspension systems in the EMEA region and India as well as fifth wheels in the Americas region and the less cyclical, high-margin spare parts business. The global production and service network, the broad customer base and the structural cost reduction and process optimisation measures are also viewed positively.

The assessment of the slightly increased business risk reflects the high dependency on the cyclical commercial vehicle sector and the intense competition, which was recently once again briefly exacerbated by the COVID-19 pandemic.

Scope Hamburg rates the financial risk of SAF-HOLLAND as low to moderate, with reference to its high internal financial resources and solid capital structure and financing base.

RESULTS OF OPERATIONS, NET ASSETS AND FINANCIAL POSITION

in kEURs	Q1–Q4/2021	Total Adjustments	Q1-Q4/2021 adjusted	in % of sales	Q1–Q4/2020	Total Adjustments	Q1-Q4/2020 adjusted	in % of sales
Sales	1,246,583	–	1,246,583	100.0%	959,519	–	959,519	100.0%
Cost of sales	–1,037,498	7,653	–1,029,845	–82.6%	–790,673	9,985	–780,688	–81.4%
Gross profit	**209,085**	**7,653**	**216,738**	**17.4%**	**168,846**	**9,985**	**178,831**	**18.6%**
Other income	2,151	–	2,151	0.2%	2,632	–641	1,991	0.2%
Other expenses	–2,927	2,927	–	0.0%	–2,489	2,489	–	0.0%
Selling expenses	–58,674	6,987	–51,687	–4.1%	–56,119	7,549	–48,570	–5.1%
Administrative expenses	–62,193	2,870	–59,323	–4.8%	–63,246	7,979	–55,267	–5.8%
Research and development costs	–16,926	551	–16,375	–1.3%	–19,468	336	–19,132	–2.0%
Operating profit	**70,516**	**20,988**	**91,504**	**7.3%**	**30,156**	**27,697**	**57,853**	**6.0%**
Share of net profit of investments accounted for using the equity method	1,624	–	1,624	0.1%	946	–	946	0.1%
Earnings before interest and taxes (EBIT)	**72,140**	**20,988**	**93,128**	**7.5%**	**31,102**	**27,697**	**58,799**	**6.1%**
Finance income	2,807	–	2,807	0.2%	2,275	–	2,275	0.2%
Finance expenses	–12,252	–	–12,252	–1.0%	–14,047	–	–14,047	–1.5%
Finance result	**–9,445**	**–**	**–9,445**	**–0.8%**	**–11,772**	**–**	**–11,772**	**–1.2%**
Result before taxes	**62,695**	**20,988**	**83,683**	**6.7%**	**19,330**	**27,697**	**47,027**	**4.9%**
Income taxes	–25,899	3,497	–22,402	–1.8%	–5,154	–7,379	–12,533	–1.3%
Income taxes in %	41.3%		26.8%		26.7%		26.7%	
Result for the period	**36,796**	**24,485**	**61,281**	**4.9%**	**14,176**	**20,318**	**34,494**	**3.6%**

EXTRAORDINARY ITEMS

SAF-HOLLAND eliminates certain income and expenses for the management of its operations. The adjusted earnings presented below correspond to the management perspective.

In 2021, net expenses of EUR 21.0 million (previous year: EUR 27.7 million) were eliminated from earnings before interest and taxes (EBIT). These consist of restructuring expenses of EUR 4.2 million (previous year: EUR 15.6 million), valuation effects arising from call and put options of EUR 2.9 million (previous year: EUR 1.9 million), depreciation and amortisation of EUR 9.1 million (previous year: EUR 10.2 million) arising from purchase price allocations and impairment losses of EUR 4.7 million (previous year: EUR 0.0 million). Restructuring expenses particularly result from the FORWARD 2.0 restructuring programme as well as expenses incurred within the framework of the ongoing liquidation of a number of entities in the APAC region. Impairment losses were incurred in the APAC region, as business in China failed to meet the original expectations (see notes to the financial statements, note 6.2).

Net expenses totalling EUR 7.7 million were eliminated within the cost of sales in 2021 (previous year: EUR 10.0 million). These consist of restructuring expenses of EUR 1.2 million (previous year: EUR 7.2 million), depreciation and amortisation of EUR 2.1 million (previous year: EUR 2.8 million) arising from purchase price allocations and impairment losses of EUR 4.4 million (previous year: EUR 0.0 million).

The valuation effects from call and put options of EUR 2.9 million (previous year: EUR 1.9 million) were eliminated from other income and expenses.

Net expenses totalling EUR 7.0 million were eliminated from selling expenses (previous year: EUR 7.5 million). These consist of restructuring expenses of EUR 0.3 million (previous year: EUR 0.6 million) and depreciation and amortisation of EUR 6.7 million (previous year: EUR 7.0 million) arising from purchase price allocations.

Expenses of EUR 2.9 million (previous year: EUR 8.0 million) were eliminated from general administrative expenses. These consist mainly of restructuring expenses of EUR 2.4 million (previous year: EUR 7.9 million) and impairment losses of EUR 0.4 million (previous year: EUR 0.0 million).

An amount of EUR 0.6 million (previous year: EUR 0.3 million) in research and development costs was eliminated. This consists of restructuring expenses of EUR 0.2 million (previous year: EUR 0.0 million) and depreciation and amortisation of EUR 0.3 million (previous year: EUR 0.3 million) arising from purchase price allocations.

RESULTS OF OPERATIONS

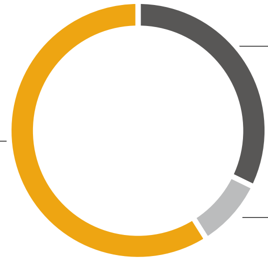
The development presented below describes the changes in the most significant line items of the income statement in 2021 after eliminating the extraordinary items above.

GROUP SALES SIGNIFICANTLY UP ON THE PREVIOUS YEAR DUE TO HIGHER DEMAND

Due to the high demand for SAF-HOLLAND products and price increases, Group sales in 2021 of EUR 1,246.6 million were significantly up on the previous year (EUR 959.5 million). Exchange rate effects amounted to EUR – 18.6 million (previous year: EUR -22.6 million) with the change in the exchange rate between the US dollar and the euro having the biggest impact. After eliminating the effects of exchange rates, sales increased by 31.9% to EUR 1,265.2 million.

Group sales by segment 2021

in %



OE BUSINESS AND AFTERMARKET GROW STRONGLY

in kEURs	Q1–Q4/2021	Q1–Q4/2020	Change absolute	Change in %
Original equipment business	896,774	673,353	223,421	33.2%
Aftermarket business	349,809	286,166	63,643	22.2%
Group sales	**1,246,583**	**959,519**	**287,064**	**29.9%**
Original equipment business in % of Group sales	71.9%	70.2%		
Aftermarket business in % of Group sales	28.1%	29.8%		

Sales generated by the OE business rose to EUR 896.8 million in 2021, representing growth of 33.2%. The share of Group sales accounted for by the OE business increased from 70.2% to 71.9%.

Sales in the aftermarket business increased by 22.2% to EUR 349.8 million. The share of total sales accounted for by the aftermarket business decreased from 29.8% to 28.1%.

ADJUSTED GROSS MARGIN OF 17.4%

The adjusted cost of sales rose disproportionately in comparison to Group sales in 2021 on due to higher demand, but mostly because of higher costs for materials, steel most of all, and higher freight and energy costs, increasing by 31.9% to EUR 1,029.8 million (previous year: EUR 780.7 million). Price adjustments, a positive effect from the product mix and efficiency gains could only partially compensate for cost increases.

The adjusted gross profit increased more slowly than sales in financial year 2021, rising by 21.2% to EUR 216.7 million (previous year: EUR 178.8 million). The adjusted gross profit margin of 17.4% is below the level of 2020 of 18.6%.

ADJUSTED EBIT MARGIN IMPROVED TO 7.5%

SAF-HOLLAND recorded a disproportionate increase in its adjusted EBIT in 2021 of 58.4% to EUR 93.1 million (previous year: EUR 58.8 million). This corresponds to an adjusted EBIT margin of 7.5% (previous year: 6.1%). Particularly the significantly lower ratio of selling expenses and administrative expenses to sales was margin accretive.

Exchange rate effects had no influence on the adjusted EBIT margin.

FINANCIAL RESULT IMPROVED

The financial result improved 2021 to EUR –9.4 million (previous year: EUR –11,8 million). This is mainly due to lower interest expenses in association with interest-bearing loans and bonds as well as the positive balance of realised/unrealised exchange gains/losses on loans denominated in foreign currencies and dividends.

UNADJUSTED RESULT FOR THE PERIOD 159.6% ABOVE 2020

With a Group tax rate of 41.3% (previous year: 26.7%), the unadjusted result for the period for 2021 comes to EUR 36.8 million (previous year: EUR 14.2 million).

Based on approximately 45.4 million ordinary shares outstanding, unchanged on the previous year, unadjusted basic earnings per share for the reporting period from January to December 2021 amounted to EUR 0.81 (previous year: EUR 0.30).

SEGMENT REPORTING

EMEA

in EUR thousands

	Q1–Q4/2021	Q1–Q4/2020	Change absolute	Change in %
Sales	**734,612**	**552,927**	**181,685**	**32.9%**
EBIT	**62,034**	**45,720**	**16,314**	**35.7%**
EBIT margin in %	8.4%	8.3%		
Additional depreciation and amortisation of property, plant and equipment and intangible assets from PPA	4,513	4,637	–124	–2.7%
Valuation effects from call and put options	–	–613	613	–100.0%
Restructuring and transaction costs	671	2,932	–2,261	–77.1%
Adjusted EBIT	**67,218**	**52,676**	**14,542**	**27.6%**
Adjusted EBIT margin in %	9.2%	9.5%		
Depreciation and amortisation of property, plant and equipment and intangible assets (excluding PPA)	17,650	19,555	–1,905	–9.7%
in % of sales	2.4%	3.5%		
Adjusted EBITDA	**84,868**	**72,231**	**12,637**	**17.5%**
Adjusted EBITDA margin in %	11.6%	13.1%		

EMEA REGION: ADJUSTED EBIT MARGIN ALMOST AT THE PRIOR-YEAR LEVEL DESPITE HIGH COST PRESSURE

In the EMEA region, sales improved by 32.9% in 2021, largely on account of the strong OE business, to EUR 734.6 million (previous year: EUR 552.9 million). Adjusted for exchange rate effects, sales growth of 33.8% was recorded.

High prices for steel and high freight and energy costs have put a disproportionate burden on the cost of sales ratio, while the share of selling expenses fell sharply. This led to an adjusted EBIT of EUR 67.2 million (previous year: EUR 52.7 million). The adjusted EBIT margin of 9.2% was maintained at almost the same level of the previous year of 9.5% despite the cost burdens.

AMERICAS REGION: ADJUSTED EBIT MARGIN IMPROVES TO 6.0%

Americas

in kEURs

	Q1–Q4/2021	Q1–Q4/2020	Change absolute	Change in %
Sales	**401,816**	**332,294**	**69,522**	**20.9%**
EBIT	**15,989**	**2,470**	**13,519**	**547.3%**
EBIT margin in %	4.0%	0.7%		
Additional depreciation and amortisation of property, plant and equipment and intangible assets from PPA	2,213	2,352	–139	–5.9%
Valuation effects from call and put options	2,927	2,489	438	–
Restructuring and transaction costs	2,871	6,148	–3,277	–53.3%
Adjusted EBIT	**24,000**	**13,459**	**10,541**	**78.3%**
Adjusted EBIT margin in %	6.0%	4.1%		
Depreciation and amortisation of property, plant and equipment and intangible assets (excluding PPA)	16,021	17,235	–1,214	–7.0%
in % of sales	4.0%	5.2%		
Adjusted EBITDA	**40,021**	**30,694**	**9,327**	**30.4%**
Adjusted EBITDA margin in %	10.0%	9.2%		

In the Americas region, sales rose by 20.9% in 2021 to EUR 401.8 million (previous year: EUR 332.3 million) on the back of strong aftermarket and truck OE business. After adjusting for exchange rate effects, sales improved by 25.0%.

Cost increases for steel and higher freight and energy costs also burdened the Americas region, but less heavily than in the EMEA region. Adjusted EBIT of EUR 24.0 million is up 78.3% on 2020 (EUR 13.5 million). The adjusted EBIT margin improved significantly from 4.1% to 6.0%.

APAC REGION: INDIA AND AUSTRALIA DRIVE SALES AND EBIT MARGIN

APAC

in kEURs

	Q1–Q4/2021	Q1–Q4/2020	Change absolute	Change in %
Sales	**110,155**	**74,298**	**35,857**	**48.3%**
EBIT	**–5,883**	**–17,088**	**11,205**	**–**
EBIT margin in %	–5.3%	–23.0%		
Additional depreciation and amortisation of property, plant and equipment and intangible assets from PPA	2,419	3,195	–776	–24.3%
Impairment of tangible and intangible assets	4,729	–	4,729	–
Restructuring and transaction costs	645	6,557	–5,912	–90.2%
Adjusted EBIT	**1,910**	**–7,336**	**9,246**	**–**
Adjusted EBIT margin in %	1.7%	–9.9%		
Depreciation and amortisation of property, plant and equipment and intangible assets (excluding PPA)	5,306	2,537	2,769	109.2%
in % of sales	4.8%	3.4%		
Adjusted EBITDA	**7,216**	**–4,799**	**12,015**	**–**
Adjusted EBITDA margin in %	6.6%	–6.5%		

The APAC region generated sales of EUR 110.2 million in 2021 (previous year: EUR 74.3 million), up 48.3%. Adjusted for exchange rate effects, sales increased by 47.9% in comparison to 2020. Main cause for the significant increase in sales was the strong upturn in OE business in India and the improved development of demand in Australia. The aftermarket business also contributed to the sales growth.

Compared to the strong increase in sales, growth in cost of sales was relatively weak. In addition, the lower ratio of selling expenses and administrative expenses to sales was margin accretive. Adjusted EBIT improved from EUR –7.3 million to EUR 1.9 million. The adjusted EBIT margin came to 1.7% (previous year: –9.9%).

NET ASSETS

TOTAL ASSETS INCREASED BY 10.2%

Total assets as of December 31, 2021 increased by EUR 93.8 million or 10.2% to EUR 1,014.3 million compared to the end of 2020.

in kEURs

	31.12.2021	12/31/2020	Change absolute	Change in %
Non-current assets	**482,571**	**495,372**	**–12,801**	**–2.6%**
of which intangible assets	235,889	239,900	–4,011	–1.7%
of which property, plant and equipment	201,334	207,123	–5,789	–2.8%
of which other (financial) assets	45,348	48,349	–3,001	–6.2%
Current assets	**531,696**	**425,114**	**106,582**	**25.1%**
of which inventories	193,971	126,424	67,547	53.4%
of which trade receivables	136,259	95,347	40,912	42.9%
of which cash and cash equivalents	165,221	170,982	–5,761	–3.4%
of which other (financial) assets	36,245	32,361	3,884	12.0%
Balance sheet total	**1,014,267**	**920,486**	**93,781**	**10.2%**

NON-CURRENT ASSETS DOWN SLIGHTLY

At the end of 2021, non-current assets came to EUR 482.6 million and therefore accounted for 47.6% of total assets (previous year: 53.8%). Compared to the closing balance in 2020 of EUR 495.4 million, they have decreased slightly.

Capital expenditure (additions to property, plant and equipment and intangible assets) reached EUR 24.7 million (previous year: EUR 24.5 million) and relate primarily to investments in production plants and projects to expand capacity.

Intangible assets as of December 31, 2021 include goodwill originating from acquisitions made in previous years. Goodwill, which amounts to EUR 79.0 million, is not amortised over time.

CURRENT ASSETS INCREASED BY 25.1% DUE TO STRONG GROWTH IN BUSINESS

Current assets as of December 31, 2021 came to EUR 531.7 million and are EUR 106.6 million above 2020 (EUR 425.1 million). They account for 52.4% of total assets (previous year: 46.2%).

Strong demand and the tight supply situation led to a need to stockpile inventories as a safety buffer. Combined with increases in material prices, this resulted in higher inventories and trade receivables than in t2020.

EQUITY RATIO AT 36.6 %

in kEURs

	31.12.2021	12/31/2020	Change absolute	Change in %
Equity	**371,070**	**300,463**	**70,607**	**23.5%**
Non-current liabilities	**418,415**	**448,896**	**–30,481**	**–6.8%**
of which interest-bearing loans and bonds	304,231	322,529	–18,298	–5.7%
of which finance lease liabilities	33,659	35,766	–2,107	–5.9%
of which other non-current liabilities	80,525	90,601	–10,076	–11.1%
Current liabilities	**224,782**	**171,127**	**53,655**	**31.4%**
of which interest-bearing loans and bonds	17,968	1,539	16,429	1067.5%
of which finance lease liabilities	7,402	7,849	–447	–5.7%
of which trade payables	145,789	107,172	38,617	36.0%
of which other current liabilities	53,623	54,567	–944	–1.7%
Balance sheet total	**1,014,267**	**920,486**	**93,781**	**10.2%**

In comparison to December 31, 2020, equity increased by EUR 70.6 million to EUR 371.1 million. This corresponds to an equity ratio of 36.6 % (previous year: 32.6 %).

Factors increasing equity were the result for the period of EUR 36.8 million, exchange differences from the translation of foreign operations of EUR 23.4 million (previous year: EUR –30.5 million) and the revaluation of pension plans of EUR 10.4 million (previous year: EUR –1.6 million).

NON-CURRENT LIABILITIES DECREASED BY 6.8%

In comparison to December 31, 2020, non-current liabilities decreased by EUR 30.5 million to EUR 418.4 million and accounted for 41.3% (previous year: 48.8%) of the balance sheet total. The main factor is the reclassification of a small portion of the loans and bonds to current liabilities, as these need to be repaid in 2022.

CURRENT LIABILITIES INCREASED BY 31.4%

Current liabilities as of December 31, 2021 came to EUR 224.8 million (previous year: EUR 171.1 million) and therefore accounted for 22.2% of the balance sheet total (previous year: 18.6%). The key factor for the increase is the rise in trade payables due to the positive development of business.

NET WORKING CAPITAL RATIO INCREASED BY 2.9 PERCENTAGE POINTS

Net working capital

in kEURs

	31.12.2021	12/31/2020	Change 12/31/2020 to 12/31/2021	Change in %
Inventories	193,971	126,424	67,547	53.4%
Trade receivables	136,259	95,347	40,912	42.9%
Trade payables	–145,789	–107,172	–38,617	36.0%
Net working capital	184,441	114,599	69,842	60.9%
Sales (last 12 month)	1,246,583	959,519	287,064	29.9%
Net working capital ratio	14.8%	11.9%		

Net working capital came to EUR 184.4 million as of December 31, 2021 (previous year: EUR 114.6 million). The amount consists of inventories and trade receivables less trade payables.

The net working capital ratio, measured as the ratio of net working capital to Group sales over the last twelve months, increased from 11.9% to 14.8% y-o-y. The increase in sales of 29.9% was countered by a disproportionate increase in inventories (53.4%), trade receivables (42.9%) and trade payables (36.0%).

INFLUENCE OF ACQUISITIONS ON LINE ITEMS OF THE BALANCE SHEET

In May 2021 SAF-HOLLAND acquired the outstanding 42.5% stake in the Brazilian suspension specialist KLL Equipamentos para Transporte Ltda (KLL) and now holds all the shares in the company (57.5% since the third quarter of 2016). This has not affected any line items of the balance sheet.

OFF-BALANCE SHEET INTANGIBLE ASSETS

We view the trust placed by our customers in our existing products and the ability of SAF-HOLLAND to continuously tailor existing products to meet their steadily rising technical specifications to be a key success factor for our business. In order to recognise future technical requirements of customers at an early stage and assess their impact, we rely primarily on our own global sales and distribution network, which maintains long-standing relationships to customers. Moreover, we see our years of experience in research and development as a competitive advantage.

FINANCIAL POSITION

Key duties of financial management in the SAF-HOLLAND Group are to secure solvency at all times, constantly optimise the costs of capital and reduce the risks of financing measures. Financial management for the SAF-HOLLAND Group is situated centrally at SAF-HOLLAND GmbH. There have not been any changes in comparison to the previous year.

CREDIT RATING

The rating agency Scope Hamburg GmbH (formerly Euler Hermes Rating GmbH) confirmed the BBB investment grade rating. The outlook was set from negative to stable. Scope Hamburg rates the financial risk of SAF-HOLLAND as low to moderate, with reference to its high internal financial resources and solid capital structure and financing base.

FINANCING STRUCTURE

SAF-HOLLAND possesses a strong financial base. Medium-term and long-term debt finance is primarily composed of promissory note loans and revolving credit facilities. The objective is to obtain a balanced maturity profile for our debt and optimise the terms and conditions of the debt finance provided. The promissory note loan of EUR 250 million placed in 2020 that is equipped with fixed and variable interest rates and tranches with different terms serves to refinance a convertible bond that fell due as well as the tranches of the promissory note loan placed in 2015 that had fallen due. Details on loans and bonds can be found in note 6.13 to the consolidated financial statements.

Financial position

in kEURs

	Q1–Q4/2021	Q1–Q4/2020
Net cash flow from operating activities	39,651	137,922
Net cash flow from investing activities (property, plant and equipment/ intangible assets)	–23,528	–23,675
Operating free cash flow	**16,123**	**114,247**
Net cash flow from investing activities (acquisition of subsidiaries)	–	–
Total free cash flow	**16,123**	**114,247**
Other	–17,461	–59,281
Change in net financial debt (incl. lease liabilities)	**–1,338**	**54,966**

POSITIVE OPERATING FREE CASH FLOW

The net cash flow from operating activities in 2021 of EUR 39.7 million was clearly positive but lay significantly below the cash flow in 2020 of EUR 137.9 million. The decrease can be attributed primarily to the development of net working capital. It should be noted that as of December 31, 2021, trade receivables of EUR 44.2 million (previous year: EUR 39.5 million) had been sold in the context of a factoring contract.

Net cash flow from investing activities in property, plant and equipment and intangible assets of EUR 23.5 million are at the same level as in 2020 (EUR 23.7 million). The focus of investment was on further automation of production processes, primarily in Germany, a new plant in Russia and capacity expansion in Turkey and Mexico.

Total net investment in property, plant and equipment and intangible assets were fully financed from the cash flow from operating activities in 2021 without any problems: Operating free cash flow (net cash flow from operating activities less net investments in property, plant and equipment and intangible assets) was positive at EUR 16.1 million, but lies significantly below 2020 (EUR 114.2 million).

The cash outflow associated with the purchase of the remaining shares in KLL Equipamentos para Transporte Ltda (KLL) of EUR 12.6 million is included in the line item Other.

NET FINANCIAL DEBT UNCHANGED

Net financial debt (including lease liabilities) as of December 31, 2021 comes to EUR 198.0 million and is virtually unchanged on the previous year of EUR 196.7 million. As of December 31, 2021 SAF-HOLLAND carries cash and cash equivalents of EUR 165.2 million (December 31, 2020: EUR 171.0 million).

LIMITS ON FINANCIAL RISK

The Group is exposed mainly to liquidity risks, credit risks, interest rate risks and foreign currency risks. 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. More details can be found in Note 7.1 to the consolidated financial statements on financial instruments and financial risk management. The Group reports on the potential risks related to a change in control in the Group management report in the section on "takeover-relevant information and explanations".

ANALYSIS OF INVESTMENTS

We mainly invest the net cash flow from operating activities in our existing plants to automate and optimise production. In 2021 we drove forward additional projects to expand capacity at various locations.

OVERALL STATEMENT OF THE MANAGEMENT BOARD ON THE ECONOMIC POSITION

Although 2021 continued to be affected by the COVID-19 pandemic, there was nevertheless a strong recovery in the global economy. The associated jump in demand coupled with supply chain problems led to a rise in material prices. Group sales developed positively, coming to EUR 1,246.6 million, just above the forecast corridor of EUR 1,100 million to EUR 1,200 million adjusted to the half-year. The adjusted EBIT margin of 7.5% matches the forecast of approximately 7.5%. Net financial debt was kept stable in comparison to the previous year.

The investment ratio was affected by the rise in Group sales with investment volumes remaining stable. At 2.0% it was below the budgeted ratio of 2.5%. Investments contain forward-looking expenditures to improve efficiency at the existing plants and to expand capacity.

The Management Board assesses the economic position of SAF-HOLLAND to have remained stable without change. This assessment is based on the results of the consolidated financial statements and the annual financial statements for 2021 and considers the course of business up until the combined management report was finalised.

SEPARATE FINANCIAL STATEMENTS OF SAF-HOLLAND SE

INCOME STATEMENT OF SAF-HOLLAND SE

EURO			Q1–Q4/2021	Q1–Q4/2020
1.	Sales		3,316,266	256,549
2.	Other operating income		121,186	28,063
			3,437,452	**284,612**
3.	Cost of materials			
	a)	Expenses for purchased services	894,925	6,560
4.	Personnel expenses			
	a)	Salaries	5,453,834	1,350,138
	b)	Social security and post-employment expenses	354,764	92,966
		thereof post-employment expenses EUR 1,532 (previous year: kEUR 15)		
5.	Other operating expenses		1,824,800	2,678,298
			8,528,323	**4,127,962**
6.	Income from investments		24,000,000	5,000,000
	thereof from affiliated undertakings EUR 24,000,000 (previous year: kEUR 5,000)			
7.	Income from long-term loans		2,009,217	2,932,781
	thereof from affiliated undertakings EUR 2,932,781 (previous year: kEUR 3,496)			
8.	Interest and similar expenses		290,890	1,765,306
	thereof from affiliated undertakings EUR 289,930 (previous year: kEUR 973)			
	thereof expenses from discounting EUR 640 (previous year: kEUR1)			
			25,718,327	**6,167,475**
9.	**Result before other taxes**		**20,627,456**	**2,324,125**
10.	Other taxes		3,307	297,021
11.	**Result for the period**		**20,624,149**	**2,027,104**
12.	Profit brought forward		19,034,116	17,007,012
13.	**Retained earnings**		**39,658,265**	**19,034,116**

BALANCE SHEET OF SAF-HOLLAND SE

EURO			12/31/2021	12/31/2020
Assets				
A.	**Fixed Assets**			
I.	Financial assets			
	1.	Shares in affiliated undertakings	313,238,381	313,238,381
	2.	Amounts owed by affiliated undertakings	42,893,803	42,893,803
			356,132,184	**356,132,184**
B.	**Current assets**			
I.	Receivables and other assets			
	1.	Amounts owed by affiliated undertakings	32,881,899	8,802,246
	2.	Other assets	51,794	32,010
			32,933,693	**8,834,256**
II.	Cash at banks		90,047	2,434,094
			33,023,740	**11,268,350**
C.	**Prepayments**		**101,464**	**66,576**
Total assets			**389,257,388**	**367,467,110**

EURO			12/31/2021	12/31/2020
Equity and liabilities				
A.	**Equity**			
I.	Subscribed share capital		45,394,302	45,394,302
II.	Share premium		231,914,541	231,914,541
III.	Retained earnings			
	1.	Legal reserve	45,361	45,361
	2.	Other reserve	720,087	720,087
			765,448	**765,448**
IV.	Retained earnings		39,658,265	19,034,116
			317,732,556	**297,108,407**
B.	**Provisions**			
	1.	Provisions for pensions and other similar benefits	17,156	14,984
	2.	Other provisions	3,469,289	2,420,940
			3,486,445	**2,435,924**
C.	**Liabilities**			
	1.	Trade payables	65,421	3,877
		Liabilities to affiliated undertakings	67,720,030	67,720,030
	2.	Other creditors	252,936	198,872
	3.	thereof from taxes EUR 252,861 (previous year: kEUR 130)		
			68,038,387	**67,922,779**
Total equity and liabilities			**389,257,388**	**367,467,110**

BUSINESS AND FRAMEWORK CONDITIONS

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

The company is a member of the global SAF-HOLLAND Group and is based in Bessenbach.

REPORT ON ECONOMIC POSITION

RESULTS OF OPERATIONS

In 2021 SAF-HOLLAND SE generated sales of kEUR 3,316 (previous year: kEUR 257). Sales originate solely from rendering services for subsidiaries.

Other operating income of kEUR 121 (previous year: kEUR 28) arose from offering non-cash benefits.

The cost of materials includes the cost of purchased services of kEUR 895 (previous year: kEUR 7), which were passed on internally.

Due to employee transfers from SAF-HOLLAND GmbH to SAF-HOLLAND SE (with effect for the full financial year for the first time in 2021) personnel expenses rose by kEUR 4,366 from kEUR 1,443 to kEUR 5,809.

Other operating expenses amount to kEUR 1,825 and are thus below the level of the previous year (kEUR 2,678).

The loss at EBIT level for the financial year comes to kEUR 5,091 (previous year: kEUR 3,843).

Investment income includes the dividend paid by SAF-HOLLAND GmbH of kEUR 24,000 (previous year: kEUR 5,000).

Income from loans decreased from kEUR 2,933 in 2020 to kEUR 2,009 due to the fact that a loan of SAF-HOLLAND GmbH was redeemed in September 2020 and the associated interest income was no longer received.

Interest and similar expenses decreased by kEUR 1,474 to kEUR 291 in t2021. The reduction is mainly due to the fact of the already repaid convertible bond and changes in interest rates on intragroup financial obligations.

The result for the period came to kEUR 20,624 in 2021 (previous year: kEUR 2,027).

NET ASSETS

Total assets as of December 31, 2021 come to kEUR 389,257 (previous year: kEUR 367,467), up kEUR 21,790 y-o-y.

Shares in affiliated companies have not changed on the previous year and remain at kEUR 313,238. The shares consist solely of the 100% stake held in SAF-HOLLAND GmbH.

The increase in receivables from affiliated companies from kEUR 8,802 to kEUR 32,882 is mainly due to the advance dividend of SAF-HOLLAND GmbH in the amount of kEUR 24,000

Loans to affiliated companies remained stable at kEUR 42,894 and now only relate to loans to SAF-HOLLAND Inc.

Provisions for pensions increased by kEUR 2 from kEUR 15 in 2020 to kEUR 17.

The increase in other provisions from kEUR 2,421 to kEUR 3,469 can be mainly attributed to the provision for the long-term employee incentive programme (kEUR 1,466; previous year: kEUR 988) and provisions for restructuring measures (kEUR 466; previous year: kEUR 0).

Liabilities to affiliated companies of kEUR 67,720 match the previous year's level and consist solely of liabilities towards SAF-HOLLAND GmbH.

FINANCIAL POSITION

Equity increased from kEUR 297,108 to kEUR 317,733 due to the result for the period of kEUR 39,658 (previous year: kEUR 19,034). The equity ratio increased by 0.77 percentage points to 81.6% (previous year: 80.9%).

The cash and cash equivalents of the company amount to kEUR 90 as of December 31, 2021 (previous year: kEUR 2,434). The reduction is primarily due to a delayed VAT reimbursement arising from the consolidated tax group with SAF-HOLLAND GmbH.

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

in kEURs	2021	2020
Result for the period	20,624	2,077
Change in provisions	1,048	1,772
Simplified cash flow from operating activities in the narrow sense	21,672	3,799

OVERALL STATEMENT

The Management Board views the position of the company positively. The company is well equipped to continue mastering the economic challenges successfully in future.

HUMAN RESOURCES

As of December 31, 2021 there were 24 employees at the company (previous year: 23).

NON-FINANCIAL ASPECTS

RESEARCH & DEVELOPMENT

INNOVATIVE SOLUTIONS SECURE TECHNOLOGICAL LEADERSHIP

SAF-HOLLAND is – based on market shares and patent applications – one of the technological leaders on the commercial vehicle market. Its development activities are of great strategic significance for the Group and make a decisive contribution towards securing its competitive position and viability for the long term. New developments and product enhancements are assessed on the degree to which they help to optimise existing processes, minimise the use of materials or improve the functionality or efficiency of the final products and therefore enhance customer benefits. The development focus is on solutions for the global challenges the commercial vehicles industry is facing.

By concentrating on the innovation trends most relevant to customers – digitalisation, electrification and automated driving – the SAF-HOLLAND Group is in a position to address trends at an early stage.

Regional market requirements and customer needs differ in the most important commercial vehicle markets of EMEA, North and South America, China and India. In order to meet the diverse legal requirements and approval criteria, another key focus of development activity is on adapting existing solutions to meet regional requirements in addition to developing new products and enhancing existing ones. For this reason, SAF-HOLLAND is present in the above markets with developers and engineers. Close proximity to customers ensures that the market expertise obtained by the local entities flows directly into the product development.

FOCUS ON OPTIMISING THE CUSTOMERS' TOTAL COST OF OWNERSHIP

The objective of SAF-HOLLAND's development activities is to offer products to the customers that lower their total cost of ownership (TCO), helping to ensure that their fleet operations are as efficient as possible. The focus lies primarily on the issues of safety, longevity, lightweight construction and the innovative trends of digitalisation, electrification and automated driving affecting the commercial vehicle industry. SAF-HOLLAND pays utmost priority to safety and product quality. Day-to-day quality inspections, commencing already in the development phase, are of fundamental importance. In addition, measures have been implemented in the product development phase to minimise product defects. SAF-HOLLAND is developing light-weight components to optimise the weight of trucks and trailers. Consistent use of lightweight construction leads to lower fuel consumption and lower CO_2 emissions of truck semi-trailer and truck trailer combinations. SAF-HOLLAND thus enables its customers to reach their own sustainability goals.

RESEARCH AND DEVELOPMENT FOCUS IN 2021

Once again in 2021, research and development activities were determined by the three mega trends of electrification, digitalisation and automated driving.

Since 2020, SAF-HOLLAND has been working on the electrified axles SAF TRAKr and SAF TRAKe which help customers to reduce their environmental footprint and contribute to reducing CO_2 emissions.

The SAF TRAKr recuperative axle reduces fuel consumption, CO_2 emissions and particulate emissions. The electrical trailer axles can be used, for instance, to permanently power refrigeration units fully electrically for refrigerated transports. In addition, the SAF TRAKe electrified trailer axle provides traction assistance for the tractor unit in difficult road conditions.

In November 2021, the trade journal "Transport" awarded SAF-HOLLAND the European Transport Award for Sustainability in the "Components and Assemblies" category for its electric trailer axles.

In 2021, the SAF TRAKr went into preproduction. Series production is scheduled for mid-2022.

Many current laws do not provide drive axles for trailers. Consequently, the use of the SAF TRAKe in Europe is only permitted with a special license. Outside of Europe, such as in North America, Australia/New Zealand and Africa, trailers with SAF TRAKe have already obtained operating licenses.

SAF-HOLLAND cooperates on a number of different committees aimed at securing the legal foundation for the approval of vehicles with traction assistance pursuant to UN/ECE-R13.

Moreover, SAF-HOLLAND is developing digital solutions for intelligent networked axles (smart axles). The focus has been placed on integrating sensors and electronics in mechanical products, such as axles, suspension systems and fifth wheels. In addition, intelligent combination of systems and analysing the collected data is another key focus of the development activities. The objective is to monitor the wear and tear of components, avoid damage to trailers, optimise maintenance intervals and minimise downtime. Fleet operators can access accurate, real-time information about the position of the trailer, the loading and the condition of the load, allowing them to further optimise their tour planning and service scheduling. The package of sensors and telematics has been provided to initial pilot project customers since the 2nd half of 2021 and will be successively rolled out to further customers in 2022.

The TrailerMaster telematics system from SAF-HOLLAND won second place in the German Telematics Award 2022 in the Trailer/Swap Body Technology category.

SAF-HOLLAND is intensively addressing such topics as automated driving. One step in this direction is automated coupling between the tractor unit and the semi-trailer. It is anticipated that this will be relevant at first for cargo hubs and logistics centers. Apart from greater efficiency, benefits could be in less vehicle damage and fewer accidents with drivers injuries.

R&D EXPENSES

Research and development expenses in 2021 amounted to EUR 16.9 million, slightly down y-o-y. In addition, capitalised development costs amounted to EUR 3.3 million. The R&D ratio therefore comes to 1.6% (previous year 2.3%). R&D subsidies were insignificant.

EMPLOYEES IN R&D

As of December 31, 2021 SAF-HOLLAND employed 168 employees worldwide in research and development. This corresponds to approx. 5% of the core workforce.

STRATEGIC COOPERATION WITH CUSTOMERS AND RESEARCH INSTITUTES

In some areas, SAF-HOLLAND works closely with its customers and with research and development institutes, suppliers and other external partners. In this way, customer needs can be addressed immediately and considered already in the development of new products and technologies, minimising development risks. This ensures a more rapid route to market. For competitive reasons, the specific contents of these development cooperations are not disclosed here.

INNOVATION CONTINUED DURING THE PANDEMIC

SAF-HOLLAND has retained its sustained innovative strength, even in the second year of the COVID-19 pandemic, a fact that is underscored by the 12 new priority applications – yet again in the double digits. A priority application is the term describing the initial filing of a patent or patent family at a patent office. These are usually accompanied by a number of partial or supplemental applications.

Multi-year overview of research and development

	2021	2020	2019	2018	2017
R&D expenses including capitalised development costs (in EUR millions)	20.2	22.3	25.7	23.9	24.6
R&D ratio (expenses as a percentage of sales)	1.6	2.3	2.0	1.8	2.2
Capitalisation ratio	16.1	12.5	19.2	18.1	17.2
Depreciation & amortisation	–2.8	–6.2	–3.5	–2.3	–2.2
Number of employees in development, design and testing	168	166	177	199	175
Number of priority applications	12	15	24	38	50

PRODUCTION

The SAF-HOLLAND Group maintains 22 production locations worldwide. In addition, it serves its customers in the aftermarket via a very extensive global network of spare parts and service stations, dealers and workshops and can therefore ensure prompt delivery of spare parts. A summary of our production locations can be found on page 5 of this annual report.

PRODUCTION NOT RESTRICTED BY THE COVID-19 PANDEMIC IN 2021

Global production was successfully maintained at the plants of the SAF-HOLLAND Group in 2021 despite the continuing pandemic and associated, in some cases, challenging framework conditions. To protect our own workforce, a global crisis team was established upon the outbreak of the pandemic in 2020 under the leadership of the Management Board member and Chief Operating Officer Dr. André Philipp, which developed hygiene concepts and took safeguards to ensure uninterrupted production. In 2021, these protective measures were once again tailored to the respective status of the pandemic and local conditions.

NEW PRODUCTION LOCATIONS, CAPACITY EXPANSIONS AND EFFICIENCY ENHANCING MEASURES

The company is investing in its production locations in Germany, Turkey, Mexico and India. At the Bessenbach location, SAF-HOLLAND invested in a new friction welding machine and a fully automated machine to process forged parts, aimed at improving efficiency and further increasing the share of inhouse manufacturing in German production.

In addition to a friction welding machine that was installed in 2021 already, the production equipment needed to expand production capacity of disc brake-equipped axles of the INTRA product line will also be put into operation in Turkey in the second quarter of 2022.

The new assembly line for fifth wheels at the plant in Querétaro, Mexico, already successfully manufactured its first products in December 2021. In 2022, investments will be made in another new hall that will be equipped with modern machinery until the fourth quarter of 2022.

Due to the healthy order situation, there are plans to shift production in India into a new manufacturing hall in the second half of 2022. As a result, SAF-HOLLAND will possess the necessary logistics and production space to integrate additional state-of-the-art machinery to meet the strong rise in demand.

At the beginning of 2021, SAF-HOLLAND started construction of a small manufacturing location in Russia for the production and assembly of SAF INTRA axles equipped with disc brakes and drum brakes in order to comply with the new local content legislation in Russia applicable from 2022. Due to Russia's invasion of Ukraine, in violation of international laws and conventions, investments in the new plant have been put on hold.

CONTINUOUS OPTIMISATION OF THE ENTIRE VALUE CHAIN

With the aid of the SAF-HOLLAND Operational Excellence (OpEx) System, which was introduced in 2020, all process steps along the value chain are continuously analysed for potential optimisation. This involves analysing existing processes, identifying potential improvements, implementing the corresponding measures and workshops and realising cost-optimisation projects.

This holistic system can be applied to flexibly sharpen processes and proactively exceed customer expectations. In the core area of Leadership & Culture, the company sets global standards for executives and employees regarding the working environment and interaction with each other. As a result, the OpEx system can be sustained on all levels of the hierarchy in future.

QUALITY MANAGEMENT

The highest-priority goal is to ensure that the products of the SAF-HOLLAND Group meet all customer expectations and quality standards. As the customers' end products are often function critical, the company rigorously pursues a zero-defect philosophy.

PRODUCT QUALITY AND SAFETY

The SAF-HOLLAND Group operates globally. A major challenge is in knowing and understanding the different customer requirements and the numerous and differing standards and market conditions. The company applies a number of performance indicators to measure quality, customer satisfaction and delivery performance. A very important indicator is the number of defective parts returned by customers. This indicator is reported to the Management Board on a monthly basis, along with other indicators, and discussed by the COO globally with the various production plants.

At the same time, causal analyses are performed at plant level and countermeasures decided on accordingly. In this regard, the QRQC method (Quick Response Quality Control), in which all employees receive regular training, provides useful support.

The number of defective parts per million (ppm) has been reduced by 82% over the last three years.

PROCUREMENT AND SUPPLIER MANAGEMENT

In addition to a central Global Sourcing unit, there are also regional units in the EMEA, Americas and APAC regions. This structure facilitates exchange between the regional and local procurement teams regarding the special local market conditions. In this way, the SAF-HOLLAND Group obtains competitive prices for the goods and services it sources. The company can operate optimally on the market and exploit price differentials, minimising supply bottlenecks and dependencies on individual suppliers by, for example, pursuing a multiple sourcing strategy. Despite the ongoing headwinds due to the impacts of the COVID-19 pandemic with regard to procurements and logistics, there were no supply interruptions or bottlenecks leading to production losses.

In the most important categories of steel, cast and forged parts, the SAF-HOLLAND Group was not able to shield itself from the rapid rise in prices. After a sharp slump in demand for steel was recorded in 2020 on account of the pandemic, steel producers profited from the strong upturn in economy in 2021. Not only did the order intake of steel foundries rise rapidly due to higher demand, but prices also hit new records. However, the availability of materials was secured at all times.

SUPPLIER MANAGEMENT AND STRUCTURE

Supplier performance is monitored continuously by the procurement organisation. A key instrument are regular supplier assessments. Criteria as quality, logistics and sustainability are applied.

In addition to commercial aspects when selecting suppliers, focus is also placed on finding a balance between consolidating suppliers to reduce complexity and avoiding any particular dependencies. This balance is optimised by procurement on a continuous basis. In 2021, roughly 35% (previous year: approximately 33%) of the volume of purchases was accounted for by the top 10 suppliers to the SAF-HOLLAND Group.

WORKFORCE

DECENTRAL ORGANISATION, SHARED CORPORATE CULTURE

The workforce of the SAF-HOLLAND Group makes a key contribution to the success of the Group. Therefore, HR management and personal development play a decisive role. The policies of global HR strategy and the internationally aligned organisation create the framework that applies across all locations. To nurture a uniform corporate culture, the SAF-HOLLAND Group published a binding culture code for all employees in 2020 that specifies the fundamental values and goals of the company. Generally, the strategic directives of the company and particularly its compliance policies must be observed.

As the executives at SAF-HOLLAND play a key role, a management manual was published in 2021. This manual establishes guidance for all new and existing executives at SAF-HOLLAND which they can use as orientation when performing the wide range of management tasks. The SAF-HOLLAND management manual contains important information on the leadership culture, internal procedures and processes, statutory frameworks and collective bargaining arrangements as well as legal issues. There are plans to extend the management manual to all regions.

HR management is decentralised and takes due account of the international character of the business. The decentral organisation allows each individual location to adjust flexibly to local conditions and to contribute their particular specifications, especially with regard to regional competence in personal development and recruiting.

In light of the ongoing COVID-19 pandemic, a global crisis team organised the continuous implementation of safety measures with support from the local crisis teams. Standardised emergency plans and internal COVID-19 guidelines were communicated at all management levels and the workforce. These regulate employee conduct in the workplace and are regularly tailored to meet the current local circumstances. Preventive measures and personal safety equipment to guard against infection provide additional safety for the employees on site.

DEVELOPMENT OF PERSONNEL AND DIVERSITY

HR work concentrates on the personal development of the existing workforce as well as attracting well-qualified professionals and managers and training young talents. Digital learning offers are an integral component of the diverse range of training measures.

SAF-HOLLAND intends to benefit from the diversity existing in modern society. Employee surveys were conducted in 2020 already within the course of a global campaign on diversity and equal opportunity. The first results were implemented in 2021. Among others, a Diversity Council was founded under the sponsorship of the CFO.

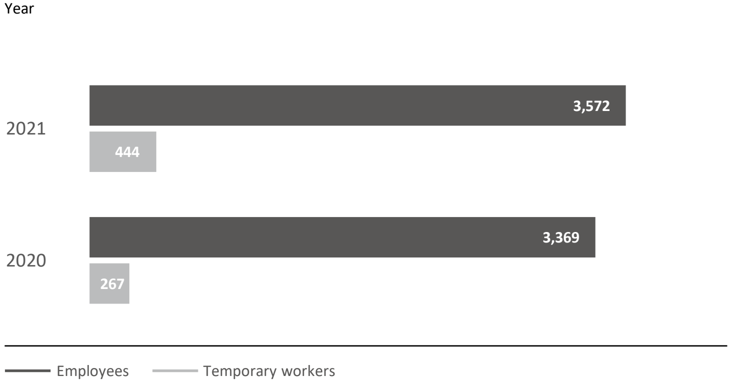
In Germany and the USA, the interests of our employees are represented by trade unions and works councils. In addition, at all of our locations, the employees have the right of association and collective bargain.

Qualified Employees are a key success factor in global competition today more than ever. In order to keep reinforcing this key success factor for the company, a new training programme is currently being developed and rolled out in Germany. As a result, employees displaying high development potential are given targeted personal development opportunities with a new and broadly diversified basic programme. The focus of the new and expanded programme should be on establishing a more diverse knowledge base across all divisions and units and securing underlying knowledge of business fundamentals. The commercial and professional competencies of selected employees in Germany should be developed further.

HEADCOUNT DEVELOPMENT

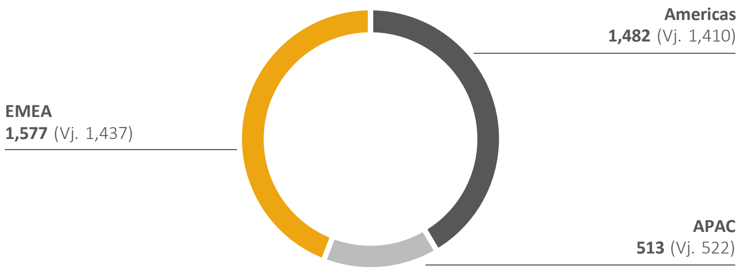
As of December 31, 2021, headcount of SAF-HOLLAND Group came to 3,572. The headcount has risen by 6% in comparison to 2020 (3,269 employees). In addition, 444 hired temps were employed worldwide as of December 31, 2021 (previous year: 267). As a manufacturing company, we have a high share of directly employed personnel, approximately 65% in 2021.

Headcount development



As of December 31, 2021, headcount of the EMEA region stood at 1,577 (previous year: 1,469). In the Americas, headcount came to 1,482 (previous year: 1,454) and in APAC to 513 (previous year: 346). The increase is largely due to the excellent order volumes and corresponding increase in the number of employees in production.

Headcount by region 2021



OUTLOOK

MACROECONOMIC CONDITIONS AND SECTOR ENVIRONMENT [1]

SUPPLY BOTTLENECKS AND THE CORONAVIRUS INFLUENCE GLOBAL ECONOMIC GROWTH

Leading economic institutes expect the global economy to continue on its growth trajectory in 2022. Due to rising inflation, material bottlenecks and the ongoing COVID-19 pandemic, the growth rate is likely to lose momentum in comparison to the previous year. The International Monetary Fund (IMF) is forecasting global GDP growth of 4.4% in 2022 (previous year: 5.9%).

For the euro area, the IMF anticipates economic growth of 3.9% (previous year 5.2%). Germany should record higher GDP growth than in 2021 (3.8% compared to 2.7%). For Russia, the IMF economic experts expect a GDP growth of 2.8% (previous year: 5.9%)

Supported by further economic stimulus programmes initiated by the US government, GDP growth in the US is assumed to reach 4.0% (2021: 5.6%). Brazil, the most important economy in South America, is expected to see a sharp slow-down in growth to 0.3% (previous year: 4.7%).

With regard to China, the experts of the IMF also forecast a significant decline in economic momentum (4.8% compared to 8.1% in the previous year). For India strong GDP growth comparable to 2021 (9.0%) is forecast.

1 The following sections provides the assessment of research institutes, which they published in the period from November 2021 to January 2022. SAF-HOLLAND SE did not have any updates on these assessments at the time of publication of this Annual Report.

Economic development in key markets

in %

	2021	2022
Euro zone	5.2	3.9
Germany	2.7	3.8
United States	5.6	4.0
Brazil	4.7	0.3
Russia	4.5	2.8
China	8.1	4.8
India	9.0	9.0
World	5.9	4.4

Source: IMF, World Economic Outlook Update, Janaury 2022

SECTOR ENVIRONMENT: GLOBAL RECOVERY CONTINUES

The prospects for 2022 remain positive in the commercial vehicle markets that are relevant for SAF-HOLLAND. According to ACT Research, North American production of Class 8 trucks and trailers is expected to rise, despite a shortage of labour and supply bottlenecks for some key components. Higher production figures are also forecast for Europe and India, while China is expected to see another reduction in production.

RELEVANCE OF THE MARKETS FOR SAF-HOLLAND

The significance of the trailer OE, truck OE and aftermarket customer segments differ in the various regions that are relevant to SAF-HOLLAND.

While the EMEA region (2021: 3.9% of Group sales) and the Americas region (2021: 8.4% of Group sales) are the most relevant for the truck OE segment, SAF HOLLAND operates worldwide in the trailer OE and aftermarket segments.

EUROPEAN TRUCK MARKET ABOVE 2021 LEVEL

After production of tractor units grew in 2021 by 29.4%, the analysts at IHS Markit are forecasting growth of 7.6% in Europe in 2022. It should be noted that the European truck market is basically only of minor importance for SAF-HOLLAND.

SOLID GROWTH IN TRAILERS IN EUROPE

The recovery of the European trailer market will continue in 2022. The market research company CLEAR International is projecting trailer production to increase to approximately 299,000 units (3.2%).

RISING DEMAND FOR TRUCKS IN NORTH AMERICA

According to ACT Research, approximately 300,000 Class 8 trucks will roll off the production lines in 2022, corresponding to growth of 17.4%. While growth of 16.5% is forecast for the USA, the strongest market in terms of volume, growth of 15.9% is forecast for Canada. The market for Class 8 trucks in Mexico is anticipated to grow by 53.9% to approximately 13,800 units.

SUSTAINED RECOVERY IN NORTH AMERICAN TRAILER MARKET

Prospects for the North American trailer market remain bright for 2022. ACT Research is projecting growth of 16.3% to almost 370,000 units. The forecast of higher production is primarily based on the sustained economic recovery in the United States.

HIGHER PRODUCTION IN BRAZILIAN COMMERCIAL VEHICLES MARKET TO SEE

Production of trucks and trailers is forecast to rise in Brazil once again in 2022. Industry association ANFIR anticipates growth of 5.2% in the trailer market. With regard to trucks, industry association ANFAVEA expects production figures to rise by 8.9% y-o-y.

CHINESE TRAILER MARKET ON A DOWNWARDS TREND

The stagnation in trailer production that began in China in 2020 is expected to continue in 2022. As a result, SAF-HOLLAND is projecting a reduction of 15.1% in trailer production over the coming 12 months. SAF-HOLLAND expects the Chinese truck market, which is currently of no relevance to the company, to contract by another 15.0% after already contracting by 19.5% in the year 2021.

INDIA REMAINS ON A GROWTH TRAJECTORY

In light of the sustained economic recovery (GDP growth of 9.0%), SIAM (Society of Indian Automobile Manufacturers) is projecting the Indian trailer market to record production growth of 41.1% and the truck market growth of 4.1%.

STABLE MARKET OUTLOOK FOR AUSTRALIA

New vehicle registrations on the Australian market, which is an important market for the Group, are projected to remain stable at the same level of 2021 on account of continuing supply bottlenecks and labour shortages. SAF-HOLLAND estimates that roughly 14,000 new trailers and roughly 7,000 new trucks will be registered in 2022.

BUSINESS OUTLOOK

FUTURE DEVELOPMENT OF SAF-HOLLAND

SAF-HOLLAND is not planning to make any significant changes to its corporate goals and strategy. The company intends to expand its position as one of the market leaders and retain its high-quality performance. Short-term and long-term focus is placed on continuing the Operative Excellence programme, cost reductions, improving profitability and the "Cash is King" programme.

The most important key performance indicators are:
— Sales
— Adjusted EBIT margin
— Capex ratio

The ongoing COVID-19-pandemic as well as the armed conflict between Russia and Ukraine is making it difficult to issue a forecast for SAF-HOLLAND as associated macroeconomic impacts are difficult to estimate.

The assumptions underlying this outlook assume no change in the positioning and composition of SAF-HOLLAND SE as a group.

Furthermore, the following assumptions are based on the macroeconomic and sector-specific conditions described. Moreover, the potential risks and opportunities have also been considered.

The Management Board currently expects demand for components for commercial vehicles to keep rising and that SAF-HOLLAND will continue to grow in both the OE business and in the aftermarket business. The first sales and earnings are expected to be generated from new innovative products, such as electrified axles, which will go into serial production in the second half of 2022. By contrast, a shift in the product mix towards standard products is anticipated, compared to 2021, when specialist solutions had a positive effect.

On the cost side, the company will be burdened by a significant rise in steel prices, higher freight and energy costs as well as inflation and salary increases. The rise in steel prices recorded in 2021 will largely be passed on to customers in 2022 based on customer contracts. However, the ability to pass on increases in material prices and to realise general cost-savings will only be able to partially compensate the cost increases.

Therefore, the Management Board expects financial year 2022 to develop as follows:

GROUP SALES

SAF-HOLLAND started 2022 with a very high order backlog. This will ensure a very good capacity utilisation in the first half year. The outlook is currently burdened by the Russian-Ukrainian conflict, as OE contracts from Russia have been put on hold and some customer contracts related to shipments of trucks and trailers to Russia could be cancelled. Taking the Russian-Ukrainian conflict into account and assuming exchange rates remain stable, the Management Board of SAF HOLLAND SE is currently forecasting Group sales to lie in a range between EUR 1.15 billion and EUR 1.3 billion in 2022.

ADJUSTED EBIT MARGIN

Sales volume, product mix and cost development have an impact on margin development. The forecast sales volume and costs, especially for steel, energy and freight, are negatively affected by the Russia-Ukraine conflict and cannot be fully forecast at this point in time. Steel price increases can only be passed on in part and with a time lag. Therefore, SAF-HOLLAND currently expects the adjusted EBIT margin to be significantly below the previous year.

CAPEX RATIO

In order to support its strategic objectives, the company is planning investments of approximately 2% to 2.5% of Group sales also for 2022. The focus of investment will be on continuing the capacity expansions already started in Turkey and Mexico and on a capacity expansion in India. Investments in the plant in Russia have been put on hold. Furthermore, the Company plans to keep investing in efficiency-enhancing measures in Germany and in the USA.

Guidance 2022

Sales	EUR 1.15 - 1.3 billion
Adjusted EBIT margin	significantly below previous year
Capex ratio	2% - 2.5%

OVERALL STATEMENT OF THE MANAGEMENT BOARD ON EXPECTED PERFORMANCE

As of the date on which the combined management report 2021 was compiled, the Management Board expects that SAF-HOLLAND will once again operate successfully on the market in 2022.

The prospects for the truck and trailer market remain bright at the beginning of 2022. SAF-HOLLAND started well in the new year and capacity utilisation was good to excellent. Megatrends, such as increasing urbanisation, sustainability, digitalisation and mobility are leading to more stringent requirements placed on the commercial vehicle industry. These include safety, electrification, connectivity and automated driving. 2022 should once again open up opportunities for the entire industry as rarely so many transformative trends come together as they did in the years 2020 and 2021. As in 2021 the factors burdening 2022 include geopolitical and global economic trends, such as the trade conflicts between the USA and China, the Russia-Ukraine conflict and the future development of the COVID-19 pandemic.

SAF-HOLLAND will continue to benefit from the underlying long-term growth trends in the commercial vehicle industry.

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 a 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.

ORGANISATION 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 recognised and analysed at an early stage using a uniform system, from which measures are derived to optimise the risk position. Risk management is a central element of Group-wide corporate governance.

The Management Board of SAF-HOLLAND SE is responsible for an effective risk management system. Anchoring risk management within Group Controlling allows the risk management system to be integrated in a holistic fashion in the planning and reporting process. The main focus when using risk management instruments lies on assessing any possible deviation in the key performance indicator EBITDA (Group earnings before interest, taxes, depreciation and amortisation).

The primary responsibility for risks as well as risk recognition and risk management along the value chain lies with the persons responsible in the operating units and the central departments. The corporate risk manager is responsible for defining and refining the processes and coordinating their execution. The risk manager draws up the quarterly risk reports and coordinates the assessment of the risk-bearing capacity. The corporate risk manager is also the addressee for ad hoc notifications and forwards these to the Management Board without delay.

The Supervisory Board is responsible for monitoring the effectiveness of the risk management system. In addition, compliance by the Group entities and the Group's departments with the Group's internal risk management policies is integrated in the regular activities of the internal audit department.

PROCESS OF COMPANY-WIDE RISK MANAGEMENT

The risk management process of SAF-HOLLAND comprises the core elements of risk recognition, risk assessment and risk management and monitoring. The risk management process is fully reflected in an integrated software solution. In this tool, the risk owners record the risks that have been recognised and assess these. Thereafter, the software is 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 corporate level. The process of risk recognition, assessment and management is accompanied by continuous monitoring and communication of the reported risks by the risk owners.

Risks are recognised at SAF-HOLLAND by the risk owners and risk managers at regional or Group level at the end of each quarter. It is their duty to regularly test whether all risks have been recorded. The corporate risk manager initiates the quarterly risk survey process.

During the risk assessment, the recognised risks are determined using a systematic assessment process and quantified in terms of their financial impact and probability of occurrence.

Within the framework of risk management, suitable risk mitigation measures are worked out and initiated and their implementation tracked. These primarily include the strategy to avoid, reduce or hedge against risks. The latter involves the development measures that minimise the financial impact or likelihood of occurrence of the risks. The risks are managed in accordance with the principles of risk management, which are laid out in the Group's risk management policy.

To our Shareholders
Remuneration Report 2021
Combined Management Report
Fundamental Information about the Group
Report on Economic Position
Separate Financial Statements of SAF-HOLLAND SE
Non-financial Aspects
Outlook
Risk and Opportunity Report
Sustainability
Corporate Governance Statement
Takeover-relevant Information and Explanation
Consolidated Financial Statements
Additional Information

The Group-wide recognition and assessment of risks is reported to the Management Board on a quarterly basis, 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, any risks recognised during a quarter that are expected to have a substantial impact on the earnings of one of the Group's business units are reported to the Management Board on an ad hoc basis and communicated to the Supervisory Board if necessary.

In order to analyse 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 consolidated group for risk management corresponds to the consolidated group 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 recognised and managed, thus allowing the risk factors for certain risk categories to be influenced and reduced. Unless stated otherwise, the risk assessment applies to all three regional segments.

THE RISK PROFILE OF SAF-HOLLAND SE

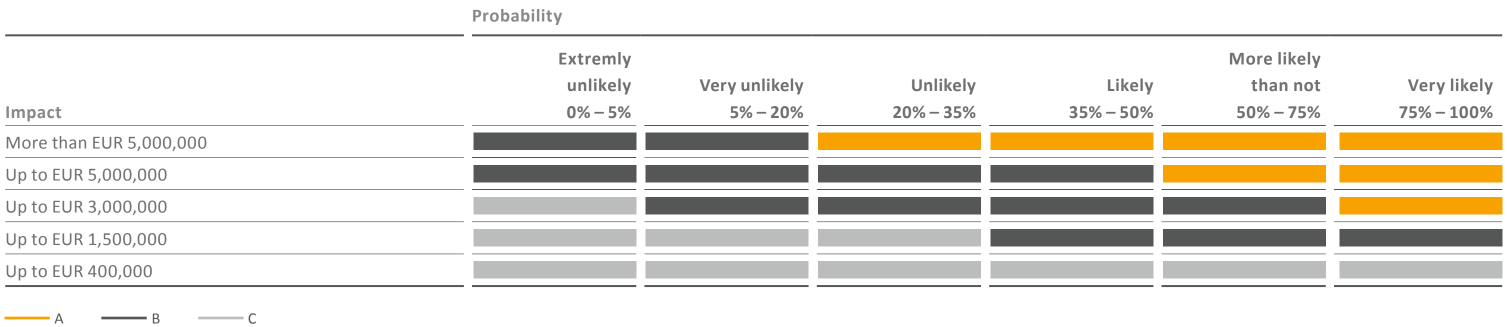
In the course of developing and monitoring the risk profile, SAF-HOLLAND assesses risks on the basis of their financial impact and likelihood of occurrence. The financial impacts of risks are quantified on the basis of their impact on the Group's earnings before interest, tax, depreciation and amortisation (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 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 the probability of occurrence, SAF-HOLLAND's risks are broken down into A-, B- and C-risks.



OVERVIEW OF SIGNIFICANT BUSINESS RISKS

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 are oriented on the globally recognised framework of the "Committee of Sponsoring Organizations of the Treadway Commission" (COSO):

— Strategic risks/natural hazards
— Compliance risks
— Process and project risks
— Financial and reporting risks

The risks which could have the most serious impact on net assets, the financial position and results of operations or the reputation of SAF-HOLLAND over the next four years are described below relative to the severity of the risk. The sequence in which the risks are presented reflects the current assessment of the relevant severity of the 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 faces other risks that do not qualify as A- or B-level risks due to their likelihood of occurrence and/or potential impact. These include the following risks, which were still listed as B-level risks in the previous year, namely "risks of non-compliance with antitrust requirements" and "project-related risks due to the new factory in Russia".

Russia-Ukraine conflict - A-risk - Strategic risks/natural hazard

Due to the military conflict in Ukraine and the associated sanctions that have been imposed on Russia and will continue to be imposed, risks arise for SAF-HOLLAND.

It can be assumed that a low percentage of the expected Group sales will be lost from the OEM Russia business. As a consequence, this would mean a decrease in the planned EBIT in the amount of a low single-digit EUR million.

Due to current developments, SAF-HOLLAND has decided to put the investments in the new production site in Russia on hold. The carrying amount of the fixed assets invested in Russia amounts to EUR 5.3 million as at the balance sheet date of 31 December 2021.

The current assets of the Russian companies of the SAF-HOLLAND Group amount to EUR 33 million as at the balance sheet date of 31 December 2021. According to current knowledge, the Group currently sees no need for an impairment with regard to the current assets.

The risk did not exist in the previous year.

Cybersecurity deficiencies– B-level risk – process and project risks

Information technology (IT) is a core component of the business model. SAF-HOLLAND relies on systems running efficiently without any disruptions. Moreover, the company relies on IT services from third-party providers. In the recent past an increase in cybersecurity threats and growing professionalism on the part of computer criminals have been observed. This represents a risk to the security of computer systems, networks and products as well as to the secrecy, 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 as well as by social engineering, data manipulation to critical applications or the loss of critical resources.

It cannot be guaranteed that the measures that the company or its IT service providers take to ensure uninterrupted and efficient operation (e.g. firewalls, penetration testing, etc.) will be able to successfully protect the systems against these risks in all circumstances. Such attacks could have a negative impact on operations, especially on smart factories, which demonstrate a relatively high level of automation.

Risks associated with cyber risks that could have a direct impact on products and services could also have a negative impact. 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 and solutions become compromised or affected by disruptions, including any of the events described above, to name just a few, the company may become liable to pay damages to customers. Furthermore, reputation could suffer.

Moreover, there is a risk that confidential or private data, including third-party data, are leaked, stolen, manipulated or compromised in some other way, including any of the 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 triggered.

Furthermore, cyber-attacks and other disruptions could lead to unauthorised access being wilfully obtained to the company's locations or systems, or these being used illegally. Likewise, they could culminate in a loss of production and delivery bottlenecks. This could have a negative impact on reputation, competitiveness and on the results of operations.

SAF-HOLLAND attempts to counter these risks with a range of measures, including employee training, monitoring its networks and systems with the use of cybersecurity teams and maintaining back-up and security systems, such as firewalls and virus scanners. The risk has generally remained unchanged in comparison to 2020.

IT risks arising from the failure of a component of the IT applications environment – B-level risk – process and project risks

IT risks could arise from the failure of a component of the IT applications environment that could lead to an interruption of production. Such failures could arise in a heterogeneous applications environment – due to the lack of an all-encompassing applications architecture, shared guidelines and insufficient monitoring. In addition, a lack of personnel or insufficiently qualified personnel could have a negative impact for certain applications.

SAF-HOLLAND attempts to counter these risks by harmonising the IT infrastructure and recruiting additional qualified personnel. The risk has generally remained unchanged in comparison to 2020.

Energy price risks – B-level risk – process and project risks

The increase in global demand for energy commodities, such as crude oil, natural gas and coal, has driven their prices rapidly upwards. The Russian-Ukrainian conflict could contribute to a further increase in energy prices. This affects both private individuals and companies. In addition, the price of CO_2 allowances issued as part of the current climate protection action is also driving prices upwards. In sum, this led to a strong increase in energy prices in 2021. To counter this risk, SAF-HOLLAND seeks contracts with the respective energy providers with as long a term as possible and monitors the development of prices on a continuous basis. This ensures that short-term price fluctuations do not have a material impact on business activities.

The risk was not rated as either A-level or B-level in 2020 both in terms of likelihood of occurrence and in terms of its potential impact.

Risks of non-compliance with data privacy requirements – B-level risk – compliance risks

As a global player SAF-HOLLAND is subject to a broad spectrum of legislative and regulatory requirements in a range of different jurisdictions which significantly affects its daily operations and processes. Legal action against the company in terms of data protection requirements could result in painful penalties.

To offset this risk, the Data Protection Officer is available for the employees of SAF-HOLLAND and supports them with corresponding training offers and a specific code of conduct. The risk was not carried in either A-level or B-level risks in 2020

Deterioration in the economic, political and geopolitical environment – B-level risk – strategic risks/natural hazards

As a global player, the company's business is dependent on developments in the global economy. A global downturn – particularly in the markets the company serves – could lead to it being unable to reach its sales and earnings targets. In addition, risks could arise from political and social changes, especially in countries where the company manufactures and/or distributes its products.

Disputes over trade and tariffs as well as protectionism, particularly when pursued by the USA and China, could restrict global trade and dampen global economic growth. Furthermore, the sanctions imposed by the EU and USA against Russia will dampen global economic growth. Causes may lie in political tensions or trade wars between individual countries or regions, which could impact sales and results of operations as sudden and unforeseeable decisions are made.

Furthermore, slowing growth in the Chinese economy could have a negative impact on the business planning of SAF-HOLLAND for the Chinese market.

The situation of sovereign debt worldwide has been sustainably exacerbated due to the stimulus packages to cushion the consequences of the COVID-19 pandemic.

Regardless of the assessed scenarios and possible responses in this complex risk field, the above developments could negatively impact the sales and margins development of SAF-HOLLAND.

The business model of SAF-HOLLAND has proven to be very resilient in this volatile market environment, primarily on account of its high-margin aftermarket business. The risk has risen in comparison to 2020 but is still graded as a B-level risk.

COVID-19 pandemic – B-level risk – process and project risks

In response to the rise in the incident numbers of COVID-19 in the winter of 2021/2022, governments and local authorities once again installed countermeasures to contain the pandemic. These range from recommending social distancing and maintaining minimum hygienic standards through to a repeat of the lock-down measures and restrictions on opening certain sectors of the economy. Even when widespread lockdowns are becoming increasingly unlikely, there is a risk that a higher number of sick employees due to a more contagious variant of the virus could lead to loss of production or process disruptions.

The extent and duration of the individual measures make it difficult to assess the impacts on the company's business and therefore whether the risk mitigation measures already initiated are sufficient or not. The Group could be confronted once again with unexpected closures of locations, factories or office buildings at suppliers and customers, which would particularly affect its original equipment business. From the company's perspective, the significant uncertainties associated with the COVID-19 crisis are its duration – including, for example, possible additional waves of infection or mutations of the virus – and the economic costs of the lock-down measures.

Other potential consequences are a rise in public and private sector debt, which will hamper any post-crisis economic recovery, serious disruptions to the financial system and insolvencies among customers and suppliers. As early as March 2020, a cross-departmental task force was set up at Group level to advise the Management Board on the situation, prepare and coordinate the materials needed for their decisions and monitor communications and operational measures. In this regard, travel rules and a provision for mobile working were implemented at an early stage and measures taken to ensure social distancing, with the focus being on employee health and safety and business continuity.

Regardless of the assessed scenarios and possible responses in this complex risk field, a continuation of the COVID-19 pandemic could negatively impact the sales and margins development of SAF-HOLLAND.

The business model of SAF-HOLLAND has proven to be resilient in the volatile market environment in 2020. In addition, the programme launched at the end of September 2019 to sustainably reduce selling and administrative expenses relative to sales made a positive contribution to cushioning the company from the consequences of the pandemic. However, the risk is assessed at a lower level than in the previous year and is therefore rated as a B-level risk (previous year: A-level).

IT risks arising from the failure of IT infrastructure components – B-level risk – process and project risks
IT risks that might lead to a loss of productivity can also arise from the failure of IT infrastructure components (networks, computer centres, hardware components, cloud operations/infrastructure-as-a-service). Such failures could be caused by aging IT infrastructure and the sheer diversity of hardware components due to the corporate acquisitions made in recent years. In addition, a lack of personnel or insufficiently qualified personnel could have a negative impact.

SAF-HOLLAND counters such risks by setting up a mid-term programme to replace critical IT components and has entered into service level agreements with suppliers of an extended scope. The risk has generally remained unchanged in comparison to the previous year.

Supply chain disruptions – B-level risk – process and project risks
Disruptions to the supply chain, caused mainly by the scarcity in semiconductors, has dampened growth of the global commercial vehicle market over recent months. This has mainly affected manufacturers of trucks who have suffered a drop in unit sales, significantly so in some cases. Due to their low dependence on semiconductors, manufacturers of trailers have only been marginally affected. Consequently, the impact varied between fifth wheels (trucks), trailer axles and suspension systems (trailers).

This risk did not exist in this form in 2020.

Project-related risks due to the new assembly line in Mexico – B-level risk – project and process risks
To support the strategic goals, a new assembly line for fifth wheels will be 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 billing. 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. There may also be delays in acceptance and settlement dates.

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.

This risk did not exist in the previous year.

Steel price risk – C-level risk – material price risks
The increase in commodity prices, particularly for steel, constitutes a significant risk for SAF-HOLLAND. Developments on the corresponding markets are therefore monitored constantly with regular exchange with suppliers.

Over the past year, the prices for steel have risen sharply. Higher prices paid for purchases of steel were passed on to customers at a delay. In the OE business, the delay is typically from three to six months. In the aftermarket business, higher prices are passed on faster. Due to the extraordinary circumstances, SAF-HOLLAND conducted talks with its customers aimed at a more rapid adjustment of prices.

Due to the continuing high demand, the Russian-Ukrainian conflict, and strong increase in energy costs it is not expected that there will be any significant decrease in steel prices in the short term. In comparison to 2020, this risk has gained in significance over the course of 2021, both in terms of likelihood of occurrence as well as the possible financial impacts.

The effects of a change in the price of steel are passed on to customers at some delay. For this reason, this issue is currently classified as a potential risk in the event that the prices continue to rise and as a potential opportunity, if the prices start to decline. In sum, the risk is assessed as a C-level risk. Taken in isolation, both of these effects would be graded as a B-level risk/opportunity, which is why they are listed here. This issue was not listed as either an A-level or B-level risk in the previous year.

OVERALL STATEMENT OF THE MANAGEMENT BOARD: NO GOING CONCERN RISKS AT SAF-HOLLAND

From a current perspective there are no risks that could lead to overindebtedness or insolvency of the company. The maximum risk-bearing capacity of SAF-HOLLAND is set by compliance with the financial covenant “Net financial debt to EBITDA” agreed on in the syndicated loan agreement from October 2, 2019. Compliance with the financial covenant is continuously monitored in order to be able to take appropriate measures at an early stage if necessary and to avoid a breach of the covenants.

	Risk classification			Change versus 2021
Risk	**A**	**B**	**C**	
Process and project risks				
Cybersecurity deficiencies		x		→
Failure of a component of the IT applications environment		x		→
Rising energy prices		x		n/a
COVID-19 pandemic		x		↓
Failures of IT infrastructure components		x		→
Supply chain disruptions		x		n/a
New assembly line in Mexico		x		n/a
Rising steel prices			x	n/a
Strategic risks/natural hazards				
Russia-Ukraine conflict	**x**			**n/a**
Economic, political and geopolitical environment		x		→
Compliance risks				
Data privacy		x		↑

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 recognise potential opportunities arising from positive developments in our business as early as possible and to make the best possible use of sustainable measures. Seizing such opportunities will ensure that the planned targets are met or even outperformed. Within the framework of opportunities management, realisable opportunities that have not yet been used as planning inputs are considered.

BETTER ECONOMIC PERFORMANCE THAN EXPECTED

If the general economic conditions should develop better than expected, we assume that global demand for trucks and trailers will also develop better than we expect. Due to the associated increase in demand for our products that this would entail from truck and trailer OEMs, Group sales could rise more strongly than anticipated, with a positive impact on earnings arising from economies of scale.

SUPPORT FROM THE GLOBAL MEGATRENDS AND GROWTH IN INTERNATIONAL FREIGHT TRANSPORTATION

Worldwide freight transportation and, consequently, the markets for trucks and trailers, are reaping the long-term benefits from several global megatrends. The growing world population, especially in developing and emerging countries, as well as the globalisation of the economy, are leading to growing international trade. This makes a global transportation infrastructure a mandatory requirement. Urbanisation is also attracting an increasing number of people to cities. Trucks and trailers are the most important means of transportation for supplying these metropolitan areas.

Another factor is the increasing population of the middle class, especially in the Asia-Pacific region. Rising incomes in the years to come will result in a rise in the purchasing power of the global middle class, which in turn will lead to an increase in freight volumes. In the developed economies, trends such as the ever-increasing share of e-commerce are driving the demand for transport capacity even higher.

CONTINUOUS GROWTH IN DEMAND FOR SPARE PARTS

Due to the sales development in recent years, especially in SAF-HOLLAND's core markets of Europe and North America, fleet sizes in these markets have increased. With the increasing age of the vehicles, demand for spare parts also rises. Therefore, rising demand for spare parts can be expected in the next several years, regardless of the development in the original equipment business. This should have a positive effect on the profitability of the Group in the medium term as margins in the aftermarket business are generally higher than in the original equipment business.

With the 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 characterise trucks and trailers in these markets: robustness, reliability and a low price.

OPPORTUNITIES ARISING FROM INDUSTRY-SPECIFIC MEGATRENDS

Autonomous driving, digitisation and alternative drive concepts open up growth opportunities for SAF-HOLLAND in the medium to long term. In the area of autonomous driving, the company already presented the SAF-HOLLAND Automated Coupling (SHAC) concept study at the IAA Commercial Vehicles in 2018. In close cooperation with its development partners, the company is working on the development of a pilot vehicle which will then be tested in cooperation with truck manufacturers. The ambitious goal: Automated coupling systems should also be used outside of closed perimeter logistic hubs on public roads. Due to the fact that the highest safety standards of the ASIL (Automated Safety Integrity Level) level D apply, SAF-HOLLAND expects the test phase to last until 2025, before the system is ready for market.

The Group offers digitisation solutions for fleet managers via its UK subsidiary, Axscend. For example, the TrailerMaster information system provides operating data in real time and enables fleet managers to exploit their resources. From SAF-HOLLAND's perspective, the most important functionalities that can be integrated include: lighting function control, load testing and optimisation, maintenance condition testing, data evaluation from the tire pressure control system and electronic braking systems (EBS), patented performance data and 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 appliances on the trailer. In the TRAKe system, the power generated by the system can be used to power the electrical motor itself, contributing to the motion 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 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 semitrailer at slow speed without making any noise.

OPPORTUNITIES ARISING FROM NEW REGULATORY REQUIREMENTS

New commercial vehicle standards 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 as of when old vehicles that do not meet the specifications will no longer be allowed, the GB 7258 standard should have a significant effect on demand in the Chinese market. SAF-HOLLAND's products provide competitive solutions for these requirements and place the company in an advantageous position to increase its market share in China.

Stricter emission 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

As part of its Rail Freight Master Plan, the German government is encouraging freight traffic towards the German rail network by reducing track charges by an amount of EUR 350 million annually in the period from July 1, 2018 to June 30, 2023. An increase in government subsidies could lead to higher sales of vehicles suitable for intermodal transport and thus positively influence demand for SAF-HOLLAND's products.

The installation of a Tire Pressure Monitoring System (TPMS) has become mandatory upon 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. From 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.

INCREASING DEMAND FOR DISC BRAKE TECHNOLOGY

Whereas the majority of trailers in Europe has 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 semitrailer equipped with disc brakes, for example, needs 20% less braking distance (dropping from 129 metres to 104 metres at a speed of 75 mph) compared to drum brakes.

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

With the acquisitions of KLL, York and V.Orlandi, SAF-HOLLAND has already proven its ability to consolidate its market position and accelerate its growth through acquisitions. In seeking these opportunities, SAF-HOLLAND continuously monitors the markets and conducts potential analysis in the relevant regions for both the original equipment and aftermarket business.

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 characterised by durability and relatively low prices. The Group sees excellent sales potential for these types of products in other emerging markets, which should open up some cross-selling opportunities.

SAF-HOLLAND also pursued its strategic objectives by taking over the York Group in 2018, the market leader for trailer axles in India. 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 company also expects these markets to shift towards technologically more sophisticated solutions. With the York acquisition, SAF-HOLLAND has gained a foothold for itself and its product portfolio at an early stage and is in a strong position to exploit the available market potential.

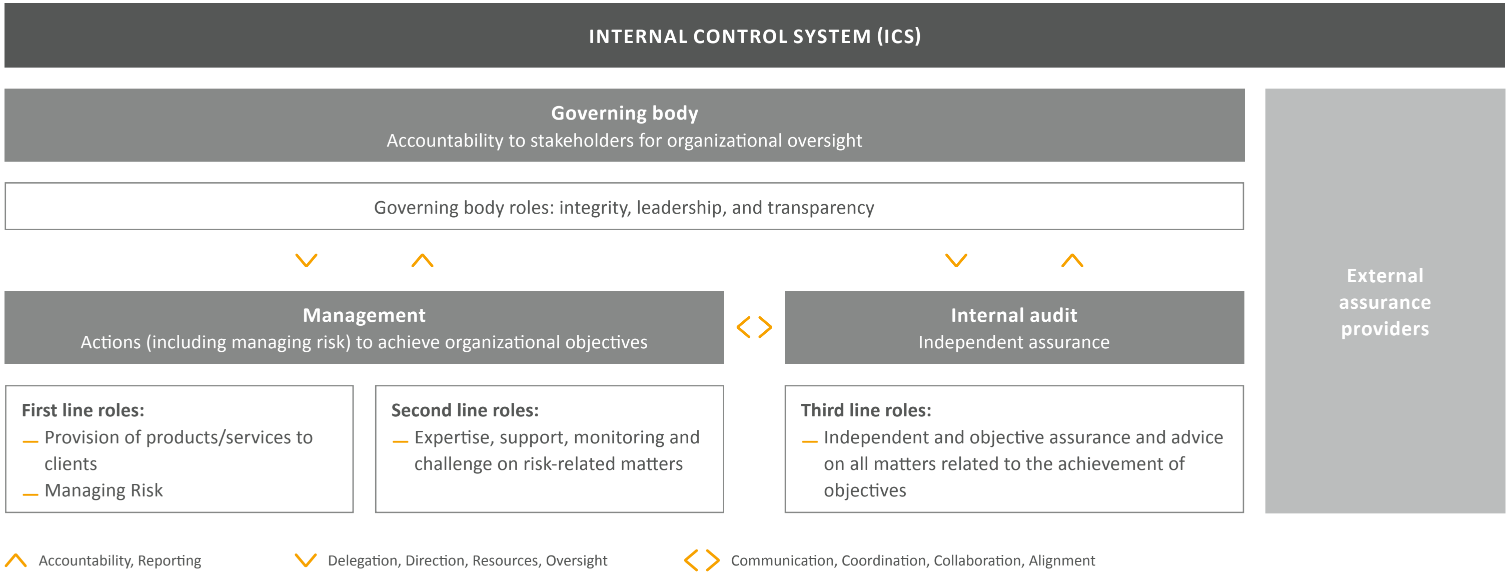
OPPORTUNITIES FROM PENETRATING NEW MARKETS

In 2021, SAF-HOLLAND generated 91.2% of its sales in its traditional regions 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 FOR 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 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 fulfil the requirements. Risks that could impact the accounting process can arise, for example, from transactions being recorded too late or incorrectly, or when accounting standards are not observed. The failure to record transactions also constitutes a potential risk. To minimise 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 within the risk management system of SAF-HOLLAND SE. This ensures that accounting-related risks are recognised at an early stage and that measures to avoid or mitigate them can be taken without delay.

Accounting-related processes are regularly reviewed by the internal audit to ensure the effectiveness of the internal control system and risk management. 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 in the system of controls via the Audit Committee. First and foremost, the Audit Committee monitors the accounting, 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.

The IFRS Accounting Manual lays the foundation for corporate accounting processes and financial reporting. 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 intragroup clearing accounts are settled on the basis of defined guidelines and time plans by means of balance confirmations. Group entities submit their financial reporting via the SAP-BPC reporting system.

Responsibility for the finance function is borne by both the financial officers at the Group's parent company as well as the regional CFOs in the respective regions in accordance with the regional segmentation of SAF-HOLLAND. These officers are integrated in the quality assurance process for the financial statements of consolidated entities. The central department Group Consolidation & Controlling, which is responsible for compiling the consolidated financial statements, is responsible for overall quality assurance of the Group entities' separate financial statements included in the consolidated financial statements. Responsibility for the Group management report lies with Investor Relations, who also report directly to the Chief Financial Officer of SAF-HOLLAND.

The financial accounting systems used by the Group entities of SAF-HOLLAND are being successively harmonised.

SUSTAINABILITY

Sustainability is an integral component of the corporate philosophy and corporate strategy of SAF-HOLLAND. Sustainability means operating in a sustainable manner and assuming corporate social responsibility. SAF-HOLLAND is convinced that this approach will increase its innovative strengths and enhance its future viability. With its sustainability strategy the company ensures that sustainability issues are managed across the entire Group and make a meaningful contribution to the company's performance.

PUBLICATION OF THE NON-FINANCIAL STATEMENT

SAF-HOLLAND will publish the 2021 Sustainability Report on March 17, 2021. The Non-Financial Statement will be rendered upon publication of this report.

The Sustainability Report 2021 will be available to the public from the website of the company at https://corporate.safholland.com/en/investor-relations/publications/sustainability-report in accordance with Section 315c in conjunction with Sections 289c to 289e of the German Commercial Code (HGB) and Art. 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

The Sustainability Report also contains the UN Global Compact Progress Report of SAF-HOLLAND. The company has been a signatory to the UN Global Compact, a world-wide initiative for sustainability and corporate social responsibility, since 2018.

SUSTAINABILITY REPORTING TAKEN A STEP FURTHER

SAF-HOLLAND continued developing its sustainability reporting in 2021. By making the collection of sustainability data more precise, the foundation has been laid for meeting increasing reporting requirements.

Various external rating agencies have assessed the sustainability performance of SAF-HOLLAND positively. For example, Sustainalytics issued a "low risk" rating in June 2021, MSCI ESG issued an AA rating in October and ISS ESG has issued a C-rating.

CORPORATE GOVERNANCE STATEMENT

At SAF-HOLLAND, corporate governance stands for responsible management and supervision geared towards sustainable value creation that includes all divisions of the SAF-HOLLAND Group. Cornerstones of this corporate culture are transparent reporting and corporate communications, corporate governance aligned with the interests of all stakeholders, trusting cooperation between the Management Board, Supervisory Board and employees, and compliance with applicable law.

Due to the abolition of the corporate governance report by the new German Corporate Governance Code that was issued on December 16, 2019, the Corporate Governance Statement pursuant to Sections 289f and 315d HGB has become the core reporting instrument on corporate governance.

In this statement, both the Management Board and the Supervisory Board report on corporate governance at SAF-HOLLAND.

The Corporate Governance Statement can be found on our website at https://corporate.safholland.com/en/company/corporate-governance/corporate-governance-statement.

TAKEOVER-RELEVANT INFORMATION AND EXPLANATION

The disclosures required by Art. 9 (1) lit. c) ii) Regulation 2157/2001 (SE Regulation) in conjunction with Section 289a and Section 315a HGB as of December 31, 2021 are presented below.

I. COMPOSITION OF SUBSCRIBED CAPITAL

The share capital of SAF-HOLLAND SE amounted to EUR 45,394,302.00 as of December 31, 2021, split into 45,394,302 bearer no-par value shares, each with an imputed share in capital of EUR 1.00. 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 (Art. 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 (Art. 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 (Art. 8 (2) sentence 2 of the Articles of Association). According to Art. 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 Art. 9 (1) lit. c) ii) SE Regulation in conjunction with Section 85 AktG.

Amendments to the Articles of Association are governed by Art. 59 SE Regulation, Section 179 AktG and the Articles of Association. According to Art. 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 authorised to make amendments to the Articles of Association which only concern their wording (Sec. 179 (1) sentence 2 AktG and Art. 13 (3) of the Articles of Association).

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

The Management Board is authorised, 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 (Authorised Capital 2020).

In principle, the new shares are to be offered to the company's shareholders for subscription; they may also be underwritten by one or more credit institution(s) or companies within the meaning of 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 (so-called indirect subscription right).

However, the Management Board is authorised, subject to the approval of the Supervisory Board, to exclude the shareholders' subscription rights for one or more capital increases under the Authorised 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 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, against transfer of shares;

d) insofar as, in the event of a cash capital increase, the part of the share capital attributable to the new shares, for which the subscription right is excluded does not exceed a total of 10% of the share capital both at the time of the authorisation becoming effective and at the time of the authorisation 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 within the meaning of Section 203 (1) and (2), Section 186 (3) sentence 4 AktG; the following shall be counted towards this 10% threshold (i) the part of the share capital attributable to shares issued or sold as from May 20, 2020 in direct or analogous application of Section 186 (3) sentence 4 AktG, and (ii) the part of the 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, which are issued under exclusion of subscription rights in accordance with Section 186 (3) sentence 4 AktG as from May 20, 2020.

The part of the share capital attributable to the new shares for which the subscription right is excluded in accordance with clauses a) to d) above must not exceed a total of 20% of the company's share capital both at the time of the authorisation becoming effective and at the time of its exercise. The above 20% threshold with regard to all possibilities for excluding subscription rights in accordance with the above letters a) to d) shall include shares which (i) are used as from May 20, 2020 on the basis of an authorisation to use treasury shares in accordance with Sections 71 (1) no. 8 sentence 5, 186 (3) sentence 4 AktG under the exclusion of subscription rights, i.e. not via a sale on the stock exchange or via 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, which are issued under the exclusion of subscription rights as from May 20, 2020.

The Management Board is authorised to lay down the further contents of the share rights and the details of the execution of the capital increase.

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

a) The company shall be authorised until June 9, 2026 to acquire 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 authorisation 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 acquired on the basis of this authorisation 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 authorisation is exercised. Acquisition for the purpose of trading in treasury shares is excluded.

The authorisation 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 by means of 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 acquisition 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, to the partial exclusion of possible tender rights of shareholders. The offer to purchase or the invitation to tender a sales offer may set further terms and conditions.

b) The Management Board is authorised to use shares in the company that are acquired on the basis of this authorisation for all legally permissible purposes, including, but not limited to, the following purposes:

aa) The acquired treasury shares may also be sold in a way 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 which is not significantly lower than the stock market price of shares of the same class of the company 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 authorisation 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 authorisation becomes effective or at the time it is exercised ("**maximum limit**"). Shares issued from authorised capital during the term of this authorisation in accordance with Sections 203 (2), 186 (3) sentence 4 AktG, excluding subscription rights, shall be counted towards 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 option bonds, profit participation rights and/or income bonds (or combinations of these instruments), provided that the underlying bonds were issued during the term of this authorisation on the basis of an authorisation to issue convertible bonds and/or option bonds, profit participation rights and/or income bonds (or combinations of these instruments) applying Section 186 (3) sentence 4 AktG accordingly, excluding subscription rights. Such offsetting shall not apply if authorisations to issue new shares from authorised 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 warrant bonds, 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 authorisations which led to the offsetting.

bb) The acquired 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 equity investments 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 fulfil conversion rights or obligations of holders or creditors of convertible bonds and/or warrant bonds, 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 acquired treasury shares may be cancelled 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 proportionate nominal value 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 acquired. If the cancellation is affected by simplified procedure, the Management Board is authorised to adjust the number of no-par value shares in the Articles of Association.

c) The authorisations under b) also cover the use of shares in the company acquired on the basis of Section 71d sentence 5 AktG.

d) The authorisations under b) may be exercised once or several times, in whole or in part, individually or jointly; the authorisations 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.

VIII. SIGNIFICANT AGREEMENTS OF THE COMPANY THAT ARE CONTINGENT UPON A CHANGE OF CONTROL

The company took out two promissory note loans, one in 2015 and the other in 2020 with a volume of EUR 200 million and EUR 250 million, respectively, that fall due at different times depending on the terms of their individual tranches. The promissory note loan taken out in the year 2015 still has tranches of EUR 14 million outstanding. In the case of a change of control, the contractual terms of the note taken out in 2015 and the note taken out in 2020, as described in detail in Article 13 (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 at the nominal value plus any interest that may have accrued and 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 drawn and undrawn lines of credit of a total volume of EUR 200 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 this 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, § 12 of the loan agreement allows for a prolongation of the contract in good time to the mutual satisfaction of both parties.

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 single right to resign from office upon 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 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.

For further details, please refer to the corresponding disclosures in the notes to the consolidated financial statements (Note 6.13).

IX. COMPENSATION AGREEMENTS IN THE EVENT OF A TAKEOVER BID

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

Agreements do, however, exist between the company and individual employees in the respective departments that provide compensation arrangements for these employees under certain circumstances in the case of a takeover bid if the employment relationship while in their respective position is terminated as a direct result of a takeover. From a financial standpoint, these agreements are of minor importance from the perspective of the company and include an extension of the statutory notice period for a further three months and/or the assurance of severance pay in the amount of one average gross monthly salary per year of employment.

_Consolidated Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR thousands	Notes	Q1–Q4/2021	Q1–Q4/2020
Sales	(5.1)	1,246,583	959,519
Cost of sales	(5.2)	–1,037,498	–790,673
Gross profit		**209,085**	**168,846**
Other income	(5.3.1)	2,151	2,632
Other expenses	(5.3.5)	–2,927	–2,489
Selling expenses	(5.3.2)	–58,674	–56,119
Administrative expenses	(5.3.3)	–62,193	–63,246
Research and development expenses	(5.3.4)	–16,926	–19,468
Operating result		**70,516**	**30,156**
Share of net profit of investments accounted for using the equity method	(6.4)	1,624	946
Earnings before interest and taxes		**72,140**	**31,102**
Finance income	(5.3.6)	2,807	2,275
Finance expenses	(5.3.6)	–12,252	–14,047
Finance result		**–9,445**	**–11,772**
Result before income tax		**62,695**	**19,330**
Income tax	(5.4)	–25,899	–5,154
Result for the period		**36,796**	**14,176**
Attributable to:			
Equity holders of the parent		36,737	13,795
Shares of non-controlling interests		59	381
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit plans	(6.10)	13,824	–1,594
Income tax effects on items recognised in other comprehensive income	(6.10)	–3,453	355
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	(6.10)	23,440	–30,485
Other comprehensive income		**33,811**	**–31,724**
Comprehensive income for the period		**70,607**	**–17,548**
Attributable to:			
Equity holders of the parent		70,469	–17,122
Shares of non-controlling interests		138	–426
Basic earnings per share in EUR	**(7.2)**	**0.81**	**0.30**

CONSOLIDATED BALANCE SHEET

in EUR thousands	Notes	12/31/2021	12/31/2020
Assets			
Non-current assets		**482,571**	**495,372**
Goodwill	(6.1)	78,985	77,119
Other intangible assets	(6.1)	156,904	162,781
Property, plant and equipment	(6.2)	201,334	207,123
Investments accounted for using the equity method	(6.4)	16,331	15,400
Financial assets	(7.1)	74	1,289
Other non-current assets	(6.5)	6,582	2,483
Deferred tax assets	(5.4)	22,361	29,177
Current assets		**531,696**	**425,114**
Inventories	(6.6)	193,971	126,424
Trade receivables	(6.7)	136,259	95,347
Income tax receivables		1,454	3,449
Other current assets	(6.8)	32,687	26,743
Financial assets	(7.1)	2,104	2,169
Cash and cash equivalents	(6.9)	165,221	170,982
Balance sheet total		**1,014,267**	**920,486**

in EUR thousands	Notes	12/31/2021	12/31/2020
Equity and liabilities			
Total equity	**(6.10)**	**371,070**	**300,463**
Equity attributable to equity holders of the parent		**370,220**	**297,819**
Subscribed share capital		45,394	45,394
Share premium		224,104	224,104
Retained earnings		124,235	84,423
Accumulated other comprehensive income		–23,513	–56,102
Shares of non-controlling interests		850	2,644
Non-current liabilities		**418,415**	**448,896**
Pensions and other similar benefits	(6.11)	22,340	31,415
Other provisions	(6.12)	9,910	8,713
Interest bearing loans and bonds	(6.13)	304,231	322,529
Lease liabilities	(6.3)	33,659	35,766
Other financial liabilities	(6.15)	463	905
Other liabilities	(6.16)	458	1,551
Deferred tax liabilities	(5.4)	47,354	48,017
Current liabilities		**224,782**	**171,127**
Other provisions	(6.12)	8,634	11,945
Interest bearing loans and bonds	(6.13)	17,968	1,539
Lease liabilities	(6.3)	7,402	7,849
Trade payables	(6.14)	145,789	107,172
Income tax liabilities		6,429	4,022
Other financial liabilities	(6.15)	650	9,950
Other liabilities	(6.16)	37,910	28,650
Balance sheet total		**1,014,267**	**920,486**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR thousands

Q1–Q4/2021

	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 6.10)
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	–
12/31/2021	**45,394**	**224,104**	**124,235**	**–23,513**	**370,220**	**850**	**371,070**

in EUR thousands

Q1–Q4/2020

	Attributable to equity holders of the parent								
	Subscribed share capital	Share premium	Legal reserve	Other reserve	Retained earnings	Accumulated other comprehensive income	Total amount	Shares of non-controlling interests	Total equity (Note 6.10)
As of 01/01/2020	**454**	**269,044**	**45**	**720**	**59,903**	**–25,185**	**304,981**	**13,026**	**318,007**
Result for the period	–	–	–	–	13,795	–	13,795	381	14,176
Other comprehensive income	–	–	–	–	–	–30,917	–30,917	–807	–31,724
Comprehensive income for the period	**–**	**–**	**–**	**–**	**13,795**	**–30,917**	**–17,122**	**–426**	**–17,548**
Reclassification	44,940	–44,940	–45	–720	765	–	–	–	–
Transactions with non-controlling interests	–	–	–	–	9,960	–	9,960	–9,956	4
12/31/2020	**45,394**	**224,104**	**–**	**–**	**84,423**	**–56,102**	**297,819**	**2,644**	**300,463**

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CONSOLIDATED STATEMENT OF CASH FLOWS

in EUR thousands	Notes	Q1–Q4/2021	Q1–Q4/2020
Cash flow from operating activities			
Result before income tax		**62,695**	**19,330**
– Finance income	(5.3.6)	–2,807	–2,275
+ Finance expenses	(5.3.6)	12,252	14,047
+/– Share of net profit of investments accounted for using the equity method	(6.4)	–1,624	–946
+/– Other non-cash transactions	(7.3)	2,927	1,876
+ Amortisation and depreciation of intangible assets and property, plant and equipment	(5.3.8)	44,999	45,381
+ Impairment of other intangible assets and property, plant and equipment	(5.3.8)	7,852	5,609
+ Allowance of current assets	(6.6)/ (6.7)	2,290	11,353
+/– Change in other provisions and pensions		716	928
+/– Change in other assets		–9,621	–2,591
+/– Change in other liabilities		5,091	2,429
+/– Loss/Gain on disposal of property, plant and equipment		–238	230
+ Dividends from investments accounted for using the equity method	(6.4)	660	2,021
Cash flow before change of net working capital		**125,192**	**97,392**
+/– Change in inventories		–61,690	23,055
+/– Change in trade receivables[1]		–38,639	23,457
+/– Change in trade payables		34,837	1,203
Change of net working capital		**–65,492**	**47,715**
Cash flow from operating activities before income tax paid		**59,700**	**145,107**
– Income tax paid	(5.4)	–20,049	–7,185
Net cash flow from operating activities		**39,651**	**137,922**
Cash flow from investing activities			
– Proceeds from sale of other short term investments		1,094	–
– Purchase of property, plant and equipment	(6.2)	–20,902	–20,500
– Purchase of intangible assets	(6.1)	–3,752	–3,963
+ Proceeds from sales of property, plant and equipment		1,126	788
+ Proceeds from sales of financial assets		–	1,075
+ Interest received		572	651
Net cash flow from investing activities		**–21,862**	**–21,949**
Cash flow from financing activities			
+ Proceeds from promissory note loan	(6.13)	–	250,000
– Repayments of current and non-current financial liabilities		–	–84,500
– Payments for repayment of bonds		–	–99,800
– paid transaction costs relating to financing agreements		–87	–3,024
– Proceeds from foreign currency derivatives		–43	–604
– Payments for lease liabilities	(6.3)	–8,852	–8,647
– Interest paid		–6,839	–5,637
+/– Change in drawings on the credit line and other financing activities	(6.13)	–3,166	–90,543
+/– Transactions with non-controlling interests	(3)	–12,598	–22,141
Net cash flow from financing activities		**–31,585**	**–64,896**
Net increase/decrease in cash and cash equivalents		**–13,796**	**51,077**
+/– Effect of changes in exchange rates on cash and cash equivalents		8,035	–11,261
Cash and cash equivalents at the beginning of the period	**(6.9)**	**170,982**	**131,166**
Cash and cash equivalents at the end of the period	**(6.9)**	**165,221**	**170,982**

[1] As of December 31, 2020 and 2021, trade receivables were sold in the context of a factoring contract (cp. Section 6.7 in Notes to the Consolidated Financial Statements).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year January 1 through December 31, 2021

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 in the SDAX of the Frankfurt Stock Exchange.

The consolidated financial statements for SAF-HOLLAND SE and its subsidiaries (the "Group") as of December 31, 2021 were authorised for submission to the Supervisory Board by the Management Board on March 15, 2022.

The annual financial statements of SAF Holland SE, the consolidated financial statements of SAF and the management report for the financial year 2021 are published in the Federal Gazette. The annual financial statements 2021 of SAF Holland SE as well as the consolidated financial statements and the management report are available for download at 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 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 JUDGMENTS, 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 currently difficult to foresee consequences of the COVID-19 pandemic, the Ukraine conflict and the tense supply chain situation, estimates and discretionary decisions 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 reveal that there is still sufficient headroom for all three regions, EMEA, America 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. The Group's impairment tests as of October 1, 2021 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, 2021, the carrying amount of goodwill totalled 79.0 EUR million (previous year: 77.1), and that of intangible assets with indefinite useful lives amounted to EUR 40.1 million (previous year: 38.9).

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 judgment. As of December 31, 2021, the carrying amount of property, plant and equipment totalled EUR 201.3 million (previous year: 207,1), and that of intangible assets with finite useful lives amounted to EUR 116.8 million (previous year: 123.8). Further details are provided in Notes 6.1 and 6.2.

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, 2021, the carrying amount of deferred tax assets for tax loss carryforwards amounted to EUR 9.0 million (previous year: 11.0). Unrecognised tax loss carryforwards amounted to EUR 77.8 million (previous year: 53.4). In addition, as of December 31, 2021, the carrying amount of deferred tax assets recognised on interest carryforwards was EUR 4.0 million (previous year: 6.2). 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, 2021, the carrying amount of pensions and other similar obligations was EUR 22.3 million (previous year: 31.4). Further details, including a sensitivity analysis, are given in Note 6.11.

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, 2021, other provisions amounted to EUR 18.5 million (previous year: 20.7). Further details are provided in Note 6.12.

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 10.9 million as of the reporting date (previous year: 11.0). Further details are provided in Note 6.12.

Variable compensation

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 compensation 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, 2021, the carrying amount of obligations was EUR 2.6 million (previous year: 1.7). Further details are provided in Note 6.12.

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 judgment. This judgment 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, 2021, the fair value of derivative financial instruments was EUR 0 million (previous year: EUR –0.5 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, including the amount of any non-controlling interest in the acquired company. 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, if required by IFRS

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% and 50% 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.

In the financial year 2021, no functional currency of a consolidated entity was classified as hyperinflationary within the meaning 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	
	12/31/2021	12/31/2020	Q1–Q4/2021	Q1–Q4/2020
Australian Dollar	0.64082	0.62389	0.63513	0.60472
Brazilian Real	0.15649	0.17235	0.15697	0.15664
Chinese Renminbi	0.13862	0.12479	0.13110	0.12718
Indian Rupee	0.01187	0.01112	0.01145	0.01188
Canadian Dollar	0.69104	0.63700	0.67459	0.65464
Polish Zloty	0.21776	0.21982	0.21928	0.22539
Russian Rouble	0.01185	0.01097	0.01148	0.01223
US-Dollar	0.88308	0.81417	0.84556	0.87777

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 repair expenses are immediately recognised as expenses.

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 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

The category “loans” has the greatest importance for the consolidated financial statements. 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 6.13.

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	– directly allocable material and production costs or services, an appropriate proportion of production or material overheads based on normal operating capacity (but excluding borrowing costs), as well as production-related conveyance and administrative cost

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 compensation
Members of the Management Board and certain managers of the Group receive variable compensation in the form of share units (share appreciation rights) in return for services rendered; these share appreciation rights can only be settled in cash (cash-settled payment transactions). The cost of cash-settled payment transactions is measured initially at fair value at the grant date using a "Monte Carlo" simulation. The fair value is expensed over the period recognizing a corresponding liability until the vesting date. The liability is remeasured at each reporting date up to and including 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 cannot be exercised. 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. Sales from the sale of goods and merchandise in the OEM and aftermarket areas are recognised at the time when the control over the asset is transferred to the customer, i.e. the asset has been delivered to the customer and no outstanding obligation remains that could affect the customer's acceptance of the goods. Delivery is considered to have taken place when the goods have been handed over to the customer in accordance with the relevant Incoterms agreed with the customer, the risks of loss and destruction have been transferred to the customer and either the customer has accepted the goods in accordance with the contract of sale or the acceptance criteria have been met or the Group has objective evidence that all 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 in the contract that represent separate performance obligations to which a 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 IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated group of activities and assets must include at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. It is further clarified that an integrated group of activities and assets may be considered a business even if the business combination does not include all of the resource inputs and processes necessary to generate the output. These changes had no impact on the consolidated financial statements, but could have an impact in future periods if the Group carries out any business combinations.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

Amendments to IFRS 9 and IAS 39 Financial Instruments: The amendments provide for various practical expedients in the recognition and measurement policies applying to all those hedging relationships directly affected by the interbank offered rate reform (IBOR). Such hedging relationships can be identified by the fact that the reform leads to uncertainties regarding the timing and/or amount of the reference rate-based cash flows from the hedged item or hedging instrument. These amendments have no impact on the consolidated financial statements as the Group has not entered into any hedging relationships to hedge its interest rate exposures.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments include a new definition of the term “material”. The amendments specify that materiality depends on the nature or extent of the information, either in isolation or in combination with other information, against the background of the financial statements as a whole. Misstated information is material if, under normal circumstances, it can be expected to influence the decisions of the primary users of the financial statements. These amendments had no impact on the consolidated financial statements and are not expected to have any impact on the Group in the future.

Amendments to IFRS 16: COVID-19-Related Rent Concessions

On May 28, 2020, the IASB issued “COVID-19-Related Rent Concessions (Amendment to IFRS 16)”. The amendments grant lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification under IFRS 16. As a practical expedient, a lessee may elect to suspend judgment as to whether a lessor’s pandemic-related lease concession constitutes an amendment to the lease. A lessee that makes this election accounts for any qualifying change in lease payments arising from the corona pandemic-related lease concession in the same way as it would account for the modification under IFRS 16 if it were not a lease modification. The amendments apply to reporting periods beginning on or after June 1, 2020. However, early adoption is also permissible. 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

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to clarify the requirements for classifying liabilities as current or non-current.

The amendments make the following clarifications:

- The right to defer the settlement of a liability is explained.
- The right to defer settlement of a liability must exist at the reporting date.
- For classification purposes, it is irrelevant whether the company expects to actually exercise this right.
- Only if a derivative embedded in a convertible debt instrument qualifies as an equity instrument that must be accounted for separately do the terms of the debt instrument not have to be taken into account in its classification.

The amendments are applicable for reporting periods beginning on or after January 1, 2023 and have to be applied retrospectively. The Group is currently assessing the impact the amendments will have on current accounting practices and whether existing loan agreements may need to be renegotiated.

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

In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts - Costs of Fulfilling a Contract to specify which costs an entity should consider when assessing whether a contract is onerous.

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 fulfillment costs, unless the contract expressly allows for such costs to be passed on to the customer.

The amendments apply to reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which not all obligations have been settled at the beginning of the reporting year in which it first applies the amendments.

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

Amendment 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. This amendment is effective for reporting years beginning on or after January 1, 2022. Early application is permitted. The Group will apply the amendment to financial liabilities that are modified or replaced on or after the beginning of the reporting year in which it first applies the amendment.

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

Amendments to IAS 16: Proceeds before Intended Use

The IASB issued “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 by an asset while bringing that 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 Group assumes that the amendments will not have a significant impact on the consolidated financial statements.

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.

3. BASIS OF CONSOLIDATION

The Group's basis of consolidation changed as follows when compared to the consolidated financial statements as of December 31, 2020.

BUSINESS ACQUISITIONS

As in the previous year, there were no business acquisitions in the reporting year.

DECONSOLIDATIONS

As part of integrating the York Group acquired in 2018, a number of locations were combined in the previous year. As a result, the entities, YTE Transport Equipment (SA) (Pty) Ltd., South Africa, York Transport Equipment PTY. Ltd., Australia, and York Transport Equipment (Shanghai) Co Ltd., China, were liquidated and deconsolidated in the previous year.

In addition, Orlandi Australia PTY Ltd., Australia, was deconsolidated effective upon its liquidation on April 23, 2020. Prior to the liquidation, the operations and all assets and liabilities were transferred to SAF-HOLLAND (Aust.) Pyt. Ltd. in the course of an asset deal.

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

OTHER CHANGES

In May 2021, SAF-HOLLAND do Brazil Ltda. acquired the remaining 42.5% of the shares in KLL Equipamentos para Transporte Ltda., for a purchase price of kEUR 12,598. As a result, SAF-HOLLAND now holds all the shares in KLL Equipamentos para Transporte Ltda., after acquiring a stake of 57.5% in the third quarter of 2016.

In addition, SAF-HOLLAND GmbH increased its stake in Axscend Group Ltd. from 69.9% to 93.6% in the previous year. The purchase price for the shares acquired amounted to kEUR 1,114.

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 integration 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–Q4/2021	Q1–Q4/2020
Operating result	70,516	30,156
Share of net profit of investments accounted for using the equity method	1,624	946
EBIT	**72,140**	**31,102**
Additional depreciation and amortisation from PPA[1]	9,145	10,184
Valuation effects from call and put options	2,927	1,876
Impairment of tangible and intangible assets	4,729	–
Restructuring and transaction expenses[2]	4,187	15,637
Adjusted EBIT	**93,128**	**58,799**

[1] The decrease compared to the previous year is mainly due to the fact that the assets from the CorpCo PPA were already fully written off at the beginning of the fiscal year.
[2] Restructuring and transaction costs of EUR 4.2 million (previous year EUR 15.6 million) include unscheduled depreciation of property, plant and equipment of EUR 1.7 million (previous year EUR 1.5 million).

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

in EUR thousands	EMEA[1]		Americas[2]		APAC[3]		Total	
	Q1–Q4/2021	Q1–Q4/2020	Q1–Q4/2021	Q1–Q4/2020	Q1–Q4/2021	Q1–Q4/2020	Q1–Q4/2021	Q1–Q4/2020
Sales[4]	734,612	552,927	401,816	332,294	110,155	74,298	1,246,583	959,519
Cost of sales	–590,599	–431,306	–345,076	–283,192	–101,823	–76,175	–1,037,498	–790,673
Gross profit	**144,013**	**121,621**	**56,740**	**49,102**	**8,332**	**–1,877**	**209,085**	**168,846**
Gross profit margin in %	19.6	22.0	14.1	14.8	7.6	–2.5	16.8	17.6
Selling and administrative expenses, research and development costs, other income and expenses, impairment goodwill, share of net profit of investments accounted for using the equity method	–81,979	–75,901	–40,751	–46,632	–14,215	–15,211	–136,945	–137,744
Adjustments	5,184	6,956	8,011	10,989	7,793	9,752	20,988	27,697
Adjusted EBIT	**67,218**	**52,676**	**24,000**	**13,459**	**1,910**	**–7,336**	**93,128**	**58,799**
Adjusted EBIT margin in %	9.2	9.5	6.0	4.1	1.7	–9.9	7.5	6.1
Amortization and depreciation of intangible assets and property, plant and equipment (without PPA and impairments)	–17,650	–19,555	–16,021	–17,235	–5,306	–4,016	–38,977	–40,806

[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 15,861 thousand (previous year EUR 13,096 thousand), America EUR 8,439 thousand (previous year EUR 5,642 thousand) and APAC EUR 4,540 thousand (previous year EUR 4,466 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 North America, 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 North America, 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	12/31/2021	12/31/2020
Non-current assets		
Americas	163,620	159,092
EMEA	244,620	249,142
APAC	51,896	56,672
Total	**460,136**	**464,906**

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–Q4/2021	Q1–Q4/2020
OEM	896,774	673,353
Aftermarket	349,809	286,166
Total	**1,246,583**	**959,519**

The performance obligation is met through the delivery of axle and suspensions systems, fifth wheel couplings, kingpins, 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 customer reached a share of 10% of the Group’s total sales.

5.2 COST OF SALES

Cost of sales consists of the following:

in EUR thousands	Q1–Q4/2021	Q1–Q4/2020
Cost of materials	850,274	618,305
Personnel expenses	118,725	111,278
Amortisation and depreciation of intangible assets and property, plant and equipment	26,543	25,549
Impairment of tangible and intangible assets	4,726	–
Expenses related to rent and leasing	2,027	1,646
Temporary employees expenses	9,242	2,725
Repair and maintenance expenses	11,512	9,560
FX-valuation	–1,936	862
Legal and consulting expenses	2,357	2,452
Travel expenses	996	724
Warranty expenses	6,733	6,705
Insurance	1,395	1,048
Restructuring and transaction expenses	1,226	7,174
Other	3,678	2,645
Total	**1,037,498**	**790,673**

In the 2021 financial year, cost of sales included inventory consumption of kEUR 850,274 (previous year: 618,305).

5.3 OTHER INCOME AND EXPENSES

5.3.1 Other income

Other operating income consists of the following:

in EUR thousands	Q1–Q4/2021	Q1–Q4/2020
Gain from disposal of property, plant and equipment	643	359
Income from option valuation	–	613
Income from employee leasing	484	617
Income from insurance	15	193
Income from reimbursements	277	–
Restructuring and transaction income	–	28
Other	732	822
Total	**2,151**	**2,632**

5.3.2 Selling expenses

The following table presents a breakdown of selling expenses:

in EUR thousands	Q1–Q4/2021	Q1–Q4/2020
Personnel expenses	28,597	26,599
Expenses for advertising and sales promotion	4,529	3,596
Amortisation and depreciation of intangible assets and property, plant and equipment	10,914	11,552
Expenses related to rent and leasing	149	149
Expenses for distribution	5,091	4,167
Temporary employees expenses	410	169
Trade receivable allowance and write-off	83	1,793
Storage costs	630	310
Commissions	622	613
Insurance	666	648
Legal and consulting expenses	1,321	1,274
FX-valuation	1,481	1,073
Restructuring and transaction expenses	281	589
Other	3,900	3,587
Total	**58,674**	**56,119**

5.3.3 Administrative expenses

Administrative expenses are shown in the following table:

in EUR thousands	Q1–Q4/2021	Q1–Q4/2020
Personnel expenses	29,163	27,063
Expenses for office and operating supplies	7,901	8,521
Amortisation and depreciation of intangible assets and property, plant and equipment	6,165	6,186
Impairment of tangible and intangible assets	356	–
Expenses related to rent and leasing	234	333
Legal and consulting expenses	5,459	4,648
Insurance	2,170	1,969
Travel expenses	519	546
FX-valuation	852	517
Temporary employees expenses	1,205	146
Restructuring and transaction expenses	2,448	7,899
Other	5,721	5,418
Total	**62,193**	**63,246**

5.3.4 Research and development costs

Research and development costs consist of the following:

in EUR thousands	Q1–Q4/2021	Q1–Q4/2020
Personnel expenses	9,260	8,880
Amortisation and depreciation of intangible assets and property, plant and equipment	1,377	2,094
Expenses related to rent and leasing	24	41
Testing expenses	2,075	1,444
Service costs	2,147	1,465
Impairment of R&D projects	1,085	4,130
Impairment of tangible and intangible assets	232	3
Other	726	1,411
Total	**16,926**	**19,468**

Development costs of kEUR 3,254 (previous year: 2,789) were capitalised in the financial year.

5.3.5 Other expenses

Other expenses include the valuation effect of the put option for the acquisition of the remaining shares in KLL Equipamentos para Transporte Ltda. which occurred in 2021.

5.3.6 Financial result

Finance revenue breaks down as follows:

in EUR thousands	Q1–Q4/2021	Q1–Q4/2020
Unrealised foreign exchange gains on foreign currency loans and dividends	1,130	324
Realised foreign exchange gains on foreign currency loans and dividends	154	632
Finance income due to derivatives	767	367
Finance income due to pensions and other similar benefits	7	6
Interest income	573	651
Other	176	295
Total	**2,807**	**2,275**

Finance costs break down as follows:

in EUR thousands	Q1–Q4/2021	Q1–Q4/2020
Interest expenses due to interest bearing loans and bonds	–6,832[1]	–8,038[1]
Amortisation of transaction costs	–938	–1,144
Finance expenses due to pensions and other similar benefits	–428	–566
Finance expenses due to derivatives	–363	–1,013
Realised foreign exchange losses on foreign currency loans and dividends	–573	–440
Unrealised foreign exchange losses on foreign currency loans and dividends	–1,345	–1,170
Finance expenses due to leasing	–1,291	–1,296
Other	–482	–380
Total	**–12,252**	**–14,047**

[1] In the previous year, this position included the non-cash interest expenses of kEUR 474 for the convertible bond. The convertible bond was redeemed in fiscal year 2020.

The amortisation of transaction costs of kEUR –938 (previous year: –1,144) 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 6.13 and 7.1.

5.3.7 Expenses for employee benefits

Expenses for employee benefits consist of the following:

in EUR thousands	Q1–Q4/2021	Q1–Q4/2020
Wages and salaries	–159,918	–148,135
Social insurance contributions	–24,100	–21,979
Pension expenses	–734	–395
Termination benefits	–993	–3,311
Total	**–185,745**	**–173,820**

Social insurance contributions include expenses from defined benefit pension plans of kEUR 7,709 (previous year: 7,524).

5.3.8 Depreciation and amortisation and impairment

Breakdown of depreciation and amortisation by function:

in EUR thousands	Depreciation of property, plant, and equipment		Amortisation of intangible assets		Total	
	Q1–Q4/2021	Q1–Q4/2020	Q1–Q4/2021	Q1–Q4/2020	Q1–Q4/2021	Q1–Q4/2020
Cost of sales	–23,889	–23,035	–2,654	–2,514	–26,543	–25,549
Selling expenses	–4,521	–4,856	–6,393	–6,696	–10,914	–11,552
Administrative expenses	–1,949	–2,146	–4,216	–4,040	–6,165	–6,186
Research and development expenses	–1,343	–1,165	–34	–929	–1,377	–2,094
Impairment of intangible assets	–	–	–1,441	–4,130	–1,441	–4,130
Impairment of property, plant and equipment	–6,411[1]	–1,479[1]	–	–	–6,411[1]	–1,479[1]
Total	**–38,113**	**–32,681**	**–14,738**	**–18,309**	**–52,851**	**–50,990**

[1] In the year 2021 EUR 1.7 million (previous year 1.5 million) were 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 9,145 (previous year: 10,184).

5.4 INCOME TAXES

Income taxes primarily consist of the following:

in EUR thousands	Q1–Q4/2021	Q1–Q4/2020
Current income taxes	–24,579	–11,459
Deferred income taxes	–1,320	6,305
Income tax reported in the result for the period	**–25,899**	**–5,154**

The effective income tax rate for the Group for the year ended December 31, 2021 is 41.31% (previous year: 26.67%). 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 26.77% (previous year: 26.65%). 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 %, consisting of a corporate income tax of 15.83 % (including the solidarity surcharge) and a trade tax of 11.57 %, was used for the EMEA region. The tax rate for the Americas region was equivalent to the US tax rate of 25.00%, which consists of a federal tax rate of 21.00 % and a state tax rate of 4.00 %. The weighted average tax rate applied by the Group entities in the APAC region came to 26.46%.

The expected income tax expenses (current and deferred) based on the Group’s tax rate of 26.77% deviate from the reported income tax expenses as follows:

in EUR thousands	12/31/2021	12/31/2020
Result before income tax	**62,695**	**19,330**
Income tax based on Group's income tax rate of 26.77% (previous year: 26.65%)	–16,783	–5,151
Unused interest carry-forwards	–115	169
Unused tax loss carry-forwards	–7,138	–2,157
Use of previously not recognised tax loss carry-forwards	166	85
Non-deductible operating expenses	–3,154	–3,415
Tax-Exempt income	672	1,133
Differences in tax rates	1,524	1,639
Income taxes resulting from previous year	–134	2,635
Tax effects from exchange rate fluctuations	–448	–
Other	–489	–92
Income tax based on effective income tax rate of 41.31% (previous year: 26.67%)	–25,899	–5,154

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	12/31/2021	12/31/2020
Inventories	2,908	2,722
Pensions and other similar benefits	4,715	6,724
Other financial liabilities	42	115
Other provisions	3,156	3,071
Tax loss carry-forwards	8,950	10,957
Interest carry-forwards	4,001	6,220
Other	4,237	4,504
Deferred income tax assets	**28,009**	**34,313**
Intangible assets	–33,186	–33,653
Property, plant and equipment	–13,468	–14,612
Investments accounted for using the equity method	–423	–282
Other assets	–244	–274
Interest bearing loans and bonds	–2,575	–1,598
Other	–3,106	–2,734
Deferred income tax liabilities	**–53,002**	**–53,153**

In the year 2021 the Group recorded an impairment loss in accordance with IAS 12.35 on the deferred tax assets carried by SAF-HOLLAND Yangzhou Vehicle Parts Ltd, China, which amounted to of kEUR 2,403 as of December 31, 2020 and originated from unused tax losses of kEUR 10,099. In addition, no deferred tax assets were recorded on the losses of SAF-HOLLAND Yangzhou Vehicle Parts Ltd, China, for the reporting year 2021, which amount to kEUR 15,636.

As of the reporting date, deferred tax assets and liabilities of kEUR 5,648 (previous year: 5,136) were offset, having met the requirements for offsetting. The balance sheet thus includes deferred tax assets of kEUR 22,361 (previous year: 29,177) and deferred tax liabilities of kEUR 47,354 (previous year: 48,017).

The Group has tax loss carryforwards of kEUR 117,272 (previous year: 104,050) 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 77,821 (previous year: 53,433) 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	12/31/2021	12/31/2020
Expiry date		
Infinite	19,346	21,141
Within 5 years	57,115	29,179
Within 10 years	1,360	3,113
Total	**77,821**	**53,433**

In addition to tax loss carryforwards, the Group has interest carryforwards of kEUR 20,860 (previous year: 23,378), 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 2021, deferred income taxes amounting to kEUR –3,453 (previous year: –357) 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 –65.0 million (previous year: –32.8).

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 12/31/2019	**142,795**	**29,973**	**28,212**	**41,784**	**3,494**	**42,752**	**289,010**	**115,674**
Additions	–	2	2,789	–	–	1,172	3,963	–
Disposals	–	–	14	–	–	34	48	–
Transfers	–	4	–	–	–	5,172	5,176	–
Foreign currency translation	–5,274	–1,008	–1,703	–1,665	–	–2,046	–11,696	–2,558
As of 12/31/2020	**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**
Accumulated amortisation								
As of 12/31/2019	**48,463**	**21,515**	**8,447**	**1,175**	**2,403**	**27,908**	**109,911**	**36,848**
Impairment	–	12	4,118	–	–	–	4,130	–
Additions	6,676	1,098	1,837	103	175	4,290	14,179	–
Disposals	–	–	–	–	–	34	34	–
Foreign currency translation	–2,083	–533	–726	–91	–	–1,128	–4,561	–851
As of 12/31/2020	**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**
Carrying amount 12/31/2020	**84,465**	**6,879**	**15,608**	**38,932**	**916**	**15,980**	**162,780**	**77,119**
Carrying amount 12/31/2021	**80,669**	**6,192**	**16,826**	**40,075**	**741**	**12,401**	**156,904**	**78,985**

A number of development projects were discontinued on account of a change in the allocation of resources. The development expenses incurred during the development phase for these projects were written off by recording an impairment loss of kEUR 1,085. The impairment loss for the projects was allocated in full to the EMEA region. Moreover, an impairment loss of kEUR 356 (previous year: kEUR 0) was recognized in profit or loss for licenses and software in China (APAC region) in accordance with IAS 36. The discount rate used was 10.15% and the recoverable amount (value in use) was calculated at EUR 24.8 million. The reason for the impairment loss in China lies in the failure to reach the sales targets in the financial year 2021 and the judgment that the budgeted targets for 2022 will not be reached. 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:

	2021		2020	
	Carrying amount	Useful life	Carrying amount	Useful life
Customer relationship "OEM"	24,294	25	25,265	26
Customer relationship "5th-Wheel"	9,392	17	9,952	18

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.

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 2026 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% was applied for the perpetual annuity.

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

	Discount rate before tax	
	2021	2020
Americas	8.75%	9.82%
EMEA	7.30%	9.51%
APAC	10.55%	13.42%

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	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Goodwill	26,139	24,425	45,451	45,451	7,395	7,243	78,985	77,119
Brand	12,514	11,625	24,614	24,590	2,947	2,717	40,075	38,932

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 5.3% was used for the five-year planning of the Americas cash generating unit. The Group expects to see some catch-up investments on the North American truck and trailer market in the coming years after it slumped by almost 39% in 2020 compared to the previous year. The Group assumes that sales will return to the level seen before the pandemic by 2023 at the latest.

For the five-year planning of the EMEA cash generating unit an average growth rate of 0.6% is expected. As a result of the economic recovery, sales in 2021 returned to the level last seen before the COVID-19 pandemic – as targeted.

At 20.5%, the APAC cash-generating unit reports the highest average growth rate among the cash-generating units. The comparatively high average growth rate can be attributed to the fact that sales in the year 2020 were below the original expectations on account of the slump in the Chinese market for tank and hazardous goods trailers, which is important for the region. A significant rise in sales is expected in China from winning new customers and intensifying existing customer relationships, coupled with an upturn in the market for tank and hazardous goods trailers. 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 an expected recovery of the Indian and Australian trailer market. After already falling by 65% in 2019, trailer production in India slumped by another 60% 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 will continue through into 2022 and the following years. The Group was able to return to the level of sales seen prior to the pandemic earlier than expected in 2021 on account of the sales growth in the reporting year.

Within the scope of a sensitivity analysis either an increase in the average cost of capital (after taxes) of 100 basis points, a decline of future cash flows (after taxes) of 10% or a one % 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 12/31/2019	**138,120**	**187,016**	**40,625**	**24,675**	**390,436**
Additions	18,724	4,136	3,278	13,986	40,124
Disposals	3,233	7,274	1,809	47	12,363
Transfers	2,075	18,912	97	–26,260	–5,176
Foreign currency translation	–5,876	–10,646	–1,313	–476	–18,311
As of 12/31/2020	**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**
Accumulated amortisation					
As of 12/31/2019	**37,194**	**109,013**	**27,493**	**–**	**173,700**
Impairment	674	805	–	–	1,479
Additions	11,592	14,608	5,002	–	31,202
Disposals	2,044	6,577	1,643	–	10,264
Foreign currency translation	–1,742	–5,821	–967	–	–8,530
As of 12/31/2020	**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**
Carrying amount 12/31/2020	**104,136**	**80,116**	**10,993**	**11,878**	**207,123**
Carrying amount 12/31/2021	**100,485**	**78,820**	**10,136**	**11,893**	**201,334**

[1] The additions of the year include additions to right of use assets of 4,340 kEUR (previous year: kEUR 19,624).
[2] Including disposals of right of use assets of 1,791 kEUR ((previous year: kEUR 2,968).
[3] Including disposals of right of use assets of 1,171 kEUR (previous year: kEUR 1,874).

An impairment loss of kEUR 4,644 (previous year: kEUR 0) on property, plant and equipment was recognized in profit or loss for China (APAC region) in accordance with IAS 36. The discount rate used was 10.15% and the recoverable amount (value in use) was calculated at EUR 24.8 million. The reason for the impairment loss in China lies in the failure to reach the sales targets in the financial year 2021 and the judgment that the budgeted targets for 2022 will not be reached. The impairment loss recorded on non-current assets mainly related to buildings and plant and equipment used in axle production. In addition, an impairment loss of kEUR 1,767 (previous year: kEUR 0) was recorded on buildings, plant and machinery in the Americas region.

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 vehicles, other equipment, office furniture and equipment customarily range between 3 and 5 years. Many of the 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

	12/31/2021	12/31/2020
Land and buildings	33,656	38,105
Plant and equipment	58	70
Other equipment, office furniture and equipment	2,977	3,436
Total	**36,691**	**41,611**

Additions to right-of-use assets during the financial year 2021 mainly relate to the lease of the new plant in Russia and the expanded storage space at the Cincinnati location in the USA and amounted to kEUR 4,340 (previous year: kEUR 19,624).

The age structure of lease liabilities breaks down as follows:

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**

Aging of lease liabilities 2020

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	6,091	5,224	4,771	4,611	4,568	14,831	40,096
Plant and equipment	419	164	35	27	7	3	655
Vehicles	1,179	782	367	187	134	3	2,652
Other equipment, office furniture and equipment	160	34	14	3	1	–	212
Total	**7,849**	**6,204**	**5,187**	**4,828**	**4,710**	**14,837**	**43,615**

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

Consolidated Statement of Comprehensive Income

in EUR thousands

	2021	2020
Amortisation of right of use assets	–8,532	–9,364
Impairment of right-of-use assets land and buildings	–1,252	–
Interest expenses	–1,291	–1,296
Expenses related to short-term leases[1]	–2,425	–1,846
Expenses related to low-value leases[1]	–77	–323

[1] Part of the expenses related to low value / short term lease payments are included in restructuring costs

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

	2021	2020
Land and buildings	–6,591	–7,304
Plant and equipment	–27	–33
Other equipment, office furniture and equipment	–1,914	–2,027
Total	**–8,532**	**–9,364**

Total lease expenditure in the 2021 financial year came to kEUR 11,354 (previous year: 10,816).

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.	
	12/31/2021	12/31/2020
Current assets	56,549	50,534
Non-current assets	10,852	9,910
Current liabilities	–17,608	–14,818
Non-current liabilities	–8,218	–6,953
Sales	44,115	27,662
Net profit of the financial year from continuing operations	4,674	2,619
Total comprehensive income	**4,674**	**2,619**
Group's share in total comprehensive income	1,593	893
Other equity holders	3,081	1,726

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	12/31/2021	12/31/2020
Net assets of the associate	41,575	38,673
Equity interest of the Group	34.09%	34.09%
Other adjustments	924	960
Carrying amount of the investment in Castmetal FWI S.A.	15,097	14,144

The reconciliation item "other adjustments" resulted primarily from disclosure of hidden reserves in the context of the acquisition of the investment and its amortisation.

A dividend of kEUR 640 (previous year: 2,000) 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	12/31/2021	12/31/2020
Group's share in profit or loss	31	53
Group's share in total comprehensive income	31	53
Aggregate carrying amount of Group's share in this company	1,234	1,256

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

6.5 OTHER NON-CURRENT ASSETS

in EUR thousands	12/31/2021	12/31/2020
VAT reimbursement claims	830	938
Claims from reinsurance	937	893
Defined benefit assets	3,844	–
Insurance premiums	72	88
Other	899	564
Total	**6,582**	**2,483**

6.6 INVENTORIES

in EUR thousands	12/31/2021	12/31/2020
Raw materials	90,168	46,255
Work in progress	37,194	29,992
Finished and trading goods	49,430	38,758
Goods in transit	17,179	11,419
Total	**193,971**	**126,424**

Cost of sales includes impairment of inventories of kEUR 1,317 (previous year: 9,595). The inventory impairment is recorded in a separate impairment account and netted against the gross amount of inventory. The high impairment loss recorded on inventories in the previous year was chiefly attributable to the realignment of the product portfolio in China and the USA in the course of the consolidation of locations and the FORWARD 2.0 project.

in EUR thousands	Allowance account
As of 12/31/2019	**13,368**
Charge for the year	9,950
Utilised	3,246
Release	355
Foreign currency translation	–1,229
As of 12/31/2020	**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**

6.7 TRADE RECEIVABLES

Trade receivables are non-interest bearing and are generally on 30-120 day terms.

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 12/31/2021	143,505	7,246	136,259	125,859	7,282	1,563	751	74	405	325
Trade receivables as of 12/31/2020	102,261	6,914	95,347	86,101	5,413	1,203	723	353	790	764

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 12/31/2019	**6,966**
Charge for the year	2,386
Utilised	1,412
Release	628
Foreign currency translation	–398
As of 12/31/2020	**6,914**
Charge for the year	1,864
Utilised	926
Release	891
Foreign currency translation	285
As of 12/31/2021	**7,246**

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 and derecognised receivables with a volume of kEUR 44,152 as of the reporting date (previous year: 39,537) under a factoring agreement. Assuming the legal validity of the receivables, the factor bears the risk of customer default for the purchased receivables.

6.8 OTHER CURRENT ASSETS

in EUR thousands

	12/31/2021	12/31/2020
VAT receivables	19,558	10,642
Prepaid expenses	5,585	5,551
Insurance premiums	301	359
Creditors with a debit balance	381	365
Deposits within the framework of factoring	1,544	4,849
Other tax claims without income tax	1,587	915
Other	3,731	4,062
Total	**32,687**	**26,743**

6.9 CASH AND CASH EQUIVALENTS

in EUR thousands

	12/31/2021	12/31/2020
Cash on hand, cash at banks and checks	164,022	168,848
Short-term deposits	1,199	2,134
Total	**165,221**	**170,982**

The change in cash and cash equivalents is mainly due to the higher cash outflows for net working capital and the acquisition of the non-controlling interests in KLL Equipamentos para Transporte Ltda. For further information on the development of cash and cash equivalents, please refer to the statement of cash flows.

6.10 EQUITY

Issued capital

Within the course of transferring the registered office of SAF-HOLLAND SE from Luxembourg to Germany in the previous year, the nominal value per share was increased from EUR 0.01 to EUR 1.00 which led to an increase in the subscribed share capital of the Company from EUR 453,943.02 to EUR 45,394,302.00. The increase in the subscribed share capital was financed from company funds by drawing on the capital reserve. It is represented by 45,394,302 ordinary shares (previous year: 45,394,302) and is fully paid in.

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, 2021, the capital reserve was unchanged at kEUR 224,104 (previous year: 224,104).

Statutory reserve

Upon the transfer of the registered office of SAF-HOLLAND SE from Luxembourg to Germany in the previous year, the statutory reserve required by Luxembourg law was reclassified to retained earnings.

Other reserves

Upon the transfer of the registered office of SAF-HOLLAND SE from Luxembourg to Germany in the previous year, the other reserves were reclassified to retained earnings.

Retained earnings

Retained earnings include the result for the period attributable to shareholders of SAF-HOLLAND SE of kEUR 36,737 (previous year: 13,795).

A dividend of EUR 0.35 per share will be proposed for the 2021 financial year, corresponding to a total dividend distribution of kEUR 15,888 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 43.2 %, which is within the targeted range. No dividend has been distributed to the shareholders from the profit for the financial year 2020.

Other comprehensive income

in EUR thousands

	Before tax amount		Tax income/expense		Net of tax amount	
	Q1–Q4/2021	Q1–Q4/2020	Q1–Q4/2021	Q1–Q4/2020	Q1–Q4/2021	Q1–Q4/2020
Exchange differences on translation of foreign operations	23,440	–30,485	–	–	23,440	–30,485
Remeasurements of defined benefit plans	13,824	–1,596	–3,453	357	10,371	–1,239
Total	**37,264**	**–32,081**	**–3,453**	**357**	**33,811**	**–31,724**

The total amount of exchange differences from the translation of foreign operations included in other comprehensive income comes to kEUR –13,566 (previous year: –37,006).

The total amount after taxes included in other comprehensive income that arises from the remeasurement of defined benefit plans is kEUR –8,725 (previous year: –19,096).

6.11 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 amount of the pension liability insurance of kEUR 937 (previous year: 893) 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% 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 pension 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%.

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)	
	2021	2020	2021	2020	2021	2020	2021	2020
Balance as of the beginning of the period	**99,156**	**100,844**	**67,839**	**70,054**	**98**	**104**	**31,415**	**30,894**
Current service cost	734	535	–	–	–	–	734	535
Past service cost	–	–140	–	–	–	–	–	–140
Interest expenses	2,042	2,629	–	–	3	3	2,045	2,632
Interest income	–	–	1,624	2,072	–	–	–1,624	–2,072
Components of defined benefit costs recognised in the Consolidated Statements of income	**2,776**	**3,024**	**1,624**	**2,072**	**3**	**3**	**1,155**	**955**
Actuarial gains/losses	–5,066	7,052	8,755	5,454	–	–	–13,821	1,598
Effects of asset ceiling	–	–	–	–	–3	–2	–3	–2
Remeasurements recognised in the Consolidated Statements of Comprehensive Income	**–5,066**	**7,052**	**8,755**	**5,454**	**–3**	**–2**	**–13,824**	**1,596**
Employer Contributions	–	–	383	450	–	–	–383	–450
Benefits paid	–4,583	–4,520	–4,152	–4,100	–	–	–431	–420
Foreign currency translation effects	6,553	–7,244	5,997	–6,091	8	–7	564	–1,160
Other reconciling items	**1,970**	**–11,764**	**2,228**	**–9,741**	**8**	**–7**	**–250**	**–2,030**
Balance as of the end of the period	**98,836**	**99,156**	**80,446**	**67,839**	**106**	**98**	**18,496**	**31,415**
thereof provisions for pensions and similar obligations							**22,340**	**31,415**
thereof net assets (reported in other non-current assets)							**3,844**	**–**
thereof:								
Germany	16,154	17,349	12	12	–	–	16,142	17,337
USA	61,461	61,069	61,249	51,988	–	–	212	9,081
Canada	16,795	16,362	19,028	15,733	106	98	–2,127	727
Other countries	1,919	1,747	157	106	–	–	1,762	1,641
Post-employment medical plan	2,507	2,629	–	–	–	–	2,507	2,629
Actual return on plan assets	**–**	**–**	**10,379**	**7,526**	**–**	**–**	**–**	**–**

The net method of accounting for defined benefit plans of kEUR 18,496 (previous year: kEUR 31,415) is presented under the provision for pensions and similar obligations at an amount of kEUR 22,340 and at an amount of kEUR 3,844 under other non-current assets. The net interest expense amounted to kEUR 421 (previous year: 560).

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

in EUR thousands	12/31/2021	12/31/2020
Experience losses/gains related to defined benefit obligation	–475	–1,274
Experience losses/gains related to plan assets	–8,755	–5,454
Changes in demographic assumptions	179	–248
Changes in financial assumptions	–4,770	8,574
Total	**–13,821**	**1,598**

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 %	12/31/2021	12/31/2020
Discount rate		
Germany pension plan	1.00	0.70
USA pension plan	2.70	2.32
Canada pension plan	2.95	2.50
Post-employment medical plan	2.47	1.99
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 %	12/31/2021	12/31/2020
Initial rate (health care cost trend rate assumed for next year)	5.75	6.25
Ultimate rate (health care cost trend rate assumed to reduce cost)	5.00	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	12/31/2021		12/31/2020	
	Increase	Decrease	Increase	Decrease
Total	**–9,169**	**10,371**	**–9,666**	**11,012**
thereof:				
Germany	–1,940	2,378	–2,192	2,708
USA	–4,945	5,692	–5,167	5,981
Canada	–2,154	2,154	–2,184	2,184
Other countries	–130	147	–123	139

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

in EUR thousands	12/31/2021		12/31/2020	
	Increase	Decrease	Increase	Decrease
Effect on the aggregate current service cost and interest expenses	4	–3	3	–2
Effect on the defined benefit obligation	134	–121	150	–134

Future cash flows

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

in EUR thousands					2021
	2021	2022–2025	2026–2030	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**

					2020
	2020	2021–2024	2025–2029	2030 ff.	Total
Germany	467	2,028	2,776	14,588	19,859
USA	3,561	14,180	17,405	49,804	84,950
Canada	559	2,592	3,762	17,025	23,938
Other countries	57	246	2,988	1,178	4,469
Total	**4,644**	**19,046**	**26,931**	**82,595**	**133,216**

The weighted average duration of pension plans is described below:

in years	12/31/2021	12/31/2020
Germany	18	19
USA	12	11
Canada	18	18
Other countries	11	11

The employer contributions to defined benefit plans expected for the 2022 financial year amount to kEUR 398.

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:

	12/31/2021		12/31/2020	
	%	in EUR thousands	%	in EUR thousands
Equities	63.36%	50,967	62.42%	42,344
Bonds	29.99%	24,123	32.47%	22,028
Cash and money market	2.07%	1,665	1.30%	880
Real estate	4.38%	3,522	3.64%	2,469
Insurance	0.21%	169	0.17%	118
Total	**100.00%**	**80,446**	**100.00%**	**67,839**

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.

6.12 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 12/31/2019	**11,262**	**351**	**2,000**	**47**	**1,255**	**3,455**	**1,125**	**694**	**20,189**
Additions	3,612	187	228	446	1,148	3,516	1,223	168	10,528
Utilised	2,013	–	838	10	718	4,303	654	–757	7,779
Release	1,277	–	–	15	–	–	–	137	1,429
Foreign currency translation	–547	–	–69	–3	–116	–28	–10	–78	–851
As of 12/31/2020	**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**	**18,543**
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
Thereof in 2020									
Current	5,984	–	348	224	790	2,640	347	1,612	11,945
Non-current	5,053	538	973	241	779	–	1,337	–208	8,713

Guarantees and warranties

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.

German phased retirement scheme

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.

Occupational disability and health insurance benefits for employees

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 virtual share units at the beginning of the performance period. The number of share units at the beginning of the performance period is determined by dividing the allowance value set annually by the Supervisory Board by the average share price in the last two months of the year preceding the allowance. Upon expiration of the performance period, the number of share units allowed is adjusted by the multiplication with a target-achievement factor. The target-achievement factor is the ratio of the Company's average performance (adjusted EBIT margin) during the performance period versus the average target value previously set for the performance period.

The amount of the participant's 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% 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 434,781 and consists of the following:

	Performance Share Unit Plan				
	2017–2020	2018–2021	2019–2022	2020–2023	2021–2024
Share Units outstanding at the beginning of the period	54,380	49,823	103,615	184,505	–
Share Units granted during the period	–	5,027	–	4,287	124,397
Share Units forfeited during the period	–	–	11,153	25,720	–
Share Units exercised during the period	54,380	–	–	–	–
Share Units outstanding at the end of the period	**–**	**54,850**	**92,462**	**163,072**	**124,397**
Share Units exercisable at the end of the period	–	54,850	92,462	163,072	124,397

The share units granted are classified and accounted for as cash-settled, variable compensation. 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			
	2018–2021	2019–2022	2020–2023	2021–2024
Expected remaining term (years)	0.00	1.00	2.00	3.00
Share price on measurement date (in EUR)	12.25	11.88	11.52	11.19
Expected volatility	n/a	31.28%	48.30%	49.78%
Risk free interest rate	–	–0.82%	–0.69%	–0.59%
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, 2021, provisions for these performance plans amounted to EUR 2.6 million (previous year: 1.7). The net expense for the period of EUR –1.3 million (previous year: –1.2) has been allocated to the relevant functional areas in the consolidated statement of comprehensive income.

6.13 INTEREST-BEARING LOANS AND BONDS

in EUR thousands

	Non-current		Current		Total	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Promissory note loan	259,000	264,000	5,000	–	264,000	264,000
Financing costs	–1,350	–2,073	–764	–907	–2,114	–2,980
Accrued interests	–	–	2,058	1,823	2,058	1,823
Other loans	46,581	60,602	11,674	623	58,255	61,225
Total	**304,231**	**322,529**	**17,968**	**1,539**	**322,199**	**324,068**

In the previous year, SAF-HOLLAND SE issued a promissory note loan with a volume of EUR 250 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, three and a half, five, seven and ten years.

An overview of the tranches is presented in the following table:

Overview of promissory note loans

Tranche	Volume	Interest rate	Expiry date
3 years var.	EUR 61 million	6M-Euribor + 145bps	03/27/2023
3 years fix	EUR 80 million	1.45%	03/27/2023
3.5 years fix	EUR 20 million	1.50%	09/23/2023
5 years var.	EUR 49 million	6M-Euribor + 160bps	09/23/2025
5 years fix	EUR 20 million	1.50%	09/23/2025
7 years fix	EUR 15 million	6M-Euribor + 180bps	03/29/2027
10 years fix	EUR 5 million	2.75%	03/27/2030

In addition to providing general financing for the organisation, the proceeds were mainly used to refinance the convertible bond of EUR 99.8 million that fell due on September 12, 2020 and the five-year tranche of EUR 52 million of the promissory note loan issued in November 2015, which fell due on November 27, 2020.

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	12/31/2021			
	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**

	12/31/2020			
	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	170,982	370,982
Total	**–**	**200,000**	**170,982**	**370,982**

6.14 TRADE PAYABLES

Trade payables of kEUR 145,789 (previous year: 107,172) are non-interest-bearing and are normally settled within two to six month.

6.15 OTHER FINANCIAL LIABILITIES

Other financial liabilities of kEUR 942 (previous year: 10,382) reflect primarily the value of the put options for the outstanding shares of Axscend Group Ltd. as well as PressureGuard LLC.

6.16 OTHER LIABILITIES

in EUR thousands	Current		Non-current	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Liabilities for salaries and social security contributions	14,509	10,003	–	–
Other taxes	8,015	6,104	–	–
Anniversary obligations	267	276	458	698
Liabilities from factoring	6,807	7,325	–	–
Prepayments received	–	713		
Other	8,312	4,229	–	853
Total	**37,910**	**28,650**	**458**	**1,551**

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						12/31/2021
			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

in EUR thousands						12/31/2020
		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	170,982	170,982	–	–	170,982
Trade receivables	FAAC	95,347	95,347	–	–	95,347
Other financial assets						
Other financial assets	FAAC	3,458	3,458	–	–	3,458
Liabilities						
Trade payables	FLAC	107,172	107,172	–	–	107,172
Interest bearing loans and bonds	FLAC	324,068	324,068	–	–	321,488
Other financial liabilities						
Derivatives without a hedging relationship	FLtPL	456	–	–	456	456
Other financial liabilities	FLtPL	10,399	–	–	10,399	10,399
of which aggregated by category in accordance with IFRS 9						
Financial assets measured at amortised cost	FAAC	269,787	269,787	–	–	269,787
Financial liabilities measured at amortised cost	FLAC	431,240	431,240	–	–	428,660
Financial Liabilities at fair value through profit and loss	FLtPL	10,855	–	–	10,855	10,855

The following table shows the allocation to the three levels of the fair value hierarchy for financial assets and liabilities measured at fair value:

	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[1]	–	–	942	942
Derivative financial assets	–	160	–	160
Derivative financial liabilities	–	171	–	171

[1] In the previous year, this item includes the put option for the remaining shares in KLL Equipamentos para Transporte Ltda. in the amount of EUR 9,477 thousand. These shares were acquired in the 2021 financial year.

	12/31/2020			
	Level 1	Level 2	Level 3	Total
Promissory note loan	–	261,963	–	261,963
Interest bearing loans and bonds	–	59,525	–	59,525
Put-Option for non-controlling interests	–	–	10,382	10,382
Derivative financial liabilities	–	456	–	456

Cash and cash equivalents, trade receivables and payables, as well as noncurrent, non-derivative financial assets and liabilities, mainly have short remaining maturities. For this reason, their carrying amounts as of the reporting date approximate their fair values.

The 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. Foreign exchange forward contracts are the main category of derivatives measured using valuation methods based on inputs observable on the market. The valuation methods applied include forward pricing models using present value calculations.

The fair value of other financial assets and liabilities is calculated based on interest rates with matching maturities. On the balance sheet as of December 31, 2021, only derivatives of kEUR –11 (previous year: –456) were measured at fair value. Other financial liabilities associated with the measurement of put options for shares without any controlling interests attached of kEUR 942 (previous year: 10,382) were recognised at the present value of their respective estimated redemption amount. The estimated redemption amount is measured on the basis of projected earnings. Since this information is not based on observable market data, the put options have been assigned to level 3 of the measurement hierarchy.

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. 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.

Net results break down by measurement categories as follows:

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**

	12/31/2020				
		From subsequent measurement			
	From interest	At fair value	Currency translation	Impairment	Net result
Financial assets measured at amortised cost	683	–	–	–1,758	–1,075
Financial assets at fair value through profit and loss	–	–1,013	–	–	–1,013
Financial liabilities measured at amortised cost	–9,182	–	–654	–	–9,836
Financial liabilities held for trading	–	367	–	–	367
Total	**–8,499**	**–646**	**–654**	**–1,758**	**–11,557**

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	12/31/2021			
	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**

	12/31/2020			
	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	324,068	1,539	302,529	20,000
Lease liabilities	43,615	7,849	20,929	14,837
Trade payables	107,172	107,172	–	–
Other financial liabilities				
Other financial liabilities	10,399	9,494	905	–
Derivatives without a hedging relationship	456	456	–	–
Financial liabilities	**485,710**	**126,510**	**324,363**	**34,837**

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

									12/31/2021
	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	–	–	–	–	–	–	–	–

									12/31/2020
	Cash flow 2021			Cash flow 2022			Cash flow 2023–2030		
	Fixed interest rate	Variable interest rate	Repayment	Fixed interest rate	Variable interest rate	Repayment	Fixed interest rate	Variable interest rate	Repayment
Interest bearing loans and bonds	–4,761	–1,669	–623	–13,241	–1,669	–	–8,873	–2,256	–324,601
Lease liabilities	–916	–	–7,849	–652	–	–6,204	–1,241	–	–11,730
Other financial liabilities									
Derivatives without a hedging relationship	–474	–	–	–	–	–	–	–	–

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	12/31/2021					
	01.01.2021	Cash flow	Foreign exchange movement	Interest effect	IFRS 16	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

	31.12.2020					
	01.01.2020	Cash flow	Foreign exchange movement	Interest effect	IFRS 16	31.12.2020
Interest bearing bank loans	95,395	–95,395	–	–	–	–
Convertible bond	99,326	–99,800	–	474	–	–
Promissory note loan	98,500	165,500	–	–	–	264,000
Other loans	56,018	4,852	355	–	–	61,225
Leasing	33,647	–8,647	–2,305	1,296	19,624	43,615

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, 2021 had been 100 base points lower (higher), the result would have been kEUR 507 (previous year: 514) 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 14,529 (previous year: 5,227) and kEUR –5,057 (previous year: –12,164) respectively. Of the unrealised foreign exchange gains kEUR 13,399 (previous year: 5,552) and kEUR –3,712 (previous year: –10,994) 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 table below shows the Group's sensitivity to a 5% increase or decrease in the euro versus the US dollar. 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% change in exchange rates.

	Change in exchange rate USD/EUR	Effect on earnings before taxes	Effect on equity after taxes
2021	5%	2,953	4,651
	–5%	–2,953	–4,651
2020	5%	2,946	4,906
	–5%	–2,946	–4,906

	Change in exchange rate CNY/EUR	Effect on earnings before taxes	Effect on equity after taxes
2021	5%	554	1,050
	–5%	–554	–1,050
2020	5%	441	917
	–5%	–441	–917

7.2 EARNINGS PER SHARE

		Q1–Q4/2021	Q1–Q4/2020
Result for the period	**in EUR thousands**	**36,737**	**13,795**
Weighted average number of shares outstanding	thousands	45,394	45,394
Basic earnings per share	Euro	0.81	0.30
Diluted earnings per share	**Euro**	**0.81**	**0.30**

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.

After repayment of the convertible bond on September 12, 2020, the Group no longer carries any debt instruments that would have 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 transaction mainly included the valuation effect from the remeasurement of the liabilities resulting from the put options 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 asset, financial position or results of operations.

Minimum lease payments from operating leases

The group's other financial obligations essentially include minimum lease payments from operating leases (kEUR 1,454, previous year: 1,141).

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

	2021	2020
EMEA	1,513	1,452
Americas	1,488	1,467
APAC	540	542
Total	**3,541**	**3,461**

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 Bulgaria EOOD	Bulgaria	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

Subsidiaries

	Country of incorporation	% Equity interest
PressureGuard LLC	USA	51.0
V.ORLANDI S.p.A.	Italy	100.0
V.Orlandi Rus LLC	Russia	100.0
York Transport Equipment (Asia) Pte. Ltd.	Singapore	100.0
York Transport Equipment (India) Pty. Ltd.	India	100.0
YTE Special Products Pte. Ltd.	Singapore	100.0
Qingdao YTE Special Prodcuts Pte. Ltd.	China	100.0
Axscend Group Ltd.	Great Britain	93.6
Axscend Ltd.	Great Britain	93.6
SAF-HOLLAND (Shanghai) Investment Co., Ltd.	China	100.0
SAF-Holland (Yangzhou) Vehicle Parts Co., Ltd.	China	100.0
PT York Engineering Ltd.	Indonesia	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 as of the reporting date:

Management Board

Alexander Geis	Chief Executive Officer (CEO)
Inka Koljonen	Chief Financial Officer (CFO) (until 01/31/2022)
Dr. André Philipp	Chief Operating Officer (COO)

Supervisory Board

Dr. Martin Kleinschmitt	Chairman of the Supervisory Board
Martina Merz	Deputy Chairman of the Supervisory Board
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 "Other Mandates of Members of the Supervisory Board / Management Board" in this annual report.

As of December 31, 2021, members of the Management Board directly or indirectly held ordinary shares amounting to kEUR 450.5 (previous year: 448.5) while members of the Supervisory Board directly or indirectly held ordinary shares of kEUR 5.5 (previous year: 5.5).

The following shows the transactions with associates / joint ventures:

in EUR thousands	Sales to related parties		Purchases from related parties	
	Q4/2021	Q4/2020	Q4/2021	Q4/2020
Joint Ventures	2,392	655	–	–
Associates	–	–	30,599	20,201
Total	2,392	655	30,599	20,201

in EUR thousands	Amounts owed by related parties		Amounts owed to related parties	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Joint Ventures	485	43	–	–
Associates	–	–	1,665	128
Total	485	43	1,665	128

Transactions with associates/joint ventures are conducted on an arm's length basis. Outstanding balances as of December 31, 2021 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, 2021 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 2021 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. To offset this, the base salary has contained a compensatory component since the 2018 financial year.

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 to 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 business targets, the three parameters are Group sales, the net working capital ratio and the adjusted EBIT margin. In terms of goal attainment, the lower limit for the bonus is 75% and the upper limit 125%. If the sum of the weighted individual target achievement is below 75 % (threshold), then there is no pro rata payout of the bonus. In exceptional cases, the Supervisory Board may set a lower limit of 50%. The amount of the incentive 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 variable remuneration is paid out in the following financial year.

In addition non-financial performance goals were set for the CEO, CFO and COO for the financial year 2021 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 1,296 has been accrued for appreciation rights granted to the members of the Management Board (previous year: 857); thereof kEUR 528 (previous year: 638) was recognised in profit and loss in 2021. Of the total accrual, an amount of kEUR 241 (previous year: 183) is classified as current provisions. The appreciation rights are a variable compensation.

Total short-term remuneration for the Management Board members in the reporting year amounted to kEUR 2,469 (previous year: 1,608). The remuneration paid in the previous year consists of salaries and severance payments totalling kEUR 287 to members of the Group Management Board who left the Company in the year 2020. Remuneration from the performance share unit plans, in contrast, is not included in the total remuneration presented.

The Management Board and Supervisory Board have issued the Declaration of Compliance with the German Corporate Governance Code as required by Section 161 AktG. The declaration can be found on the website of the company at https://corporate.safholland.com/en/company/about-us/corporate-governance/corporate-governance.

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 2021 will be paid out in the year 2022. Performance-based or stock-based remuneration components are not granted.

Total remuneration for the Supervisory Board was kEUR 374 (previous year: 372) in the reporting year and was recognised in profit or loss.

7.9 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 optimizing the existing financing structure are EBIT, EBITDA and monitoring the development of net working capital and cash flow. Net debt is comprised of interest-bearing loans, bonds and lease liabilities less cash and cash equivalents.

in EUR thousands	12/31/2021	12/31/2020
Interest bearing loans and bonds	322,199	324,068
Lease liabilities	41,061	43,615
Cash and cash equivalents	–165,221	–170,982
Net debt	**198,039**	**196,701**
Equity attributable to equity holders of the parent	**370,220**	**297,819**
Equity and net debt	**568,259**	**494,520**

According to a financial covenant under the financing agreement signed on October 2, 2018, the Group is obliged to maintain a certain level of net debt coverage (net debt divided by adjusted consolidated EBITDA).

Net debt is defined as the aggregate principal amount of Group's financial liabilities as of the balance sheet date less debt from derivatives to hedge against price or currency exchange risk, backup obligations from guarantees, and option liabilities or any other financial instruments issued by financial institutions.

7.10 AUDIT FEES

The following expenses were incurred in the 2021 financial year for services provided by the auditors and their related companies:

in EUR thousands	Q1–Q4/2021	Q1–Q4/2020
Auditing of financial statements	787	780
Other services	–	24
Total	**787**	**804**

The auditing firm, PricewaterhouseCoopers GmbH has been the appointed auditor of the consolidated financial statements since the 2020 financial year. The engagement partner, Mr. Christian Kwasni, has signed the independent auditor's report since the 2020 financial year.

7.11 SUBSEQUENT EVENTS

Due to the military conflict in Ukraine and the associated sanctions that have been imposed and will continue to be imposed on Russia, there are risks for SAF-HOLLAND that are also mentioned in the risk report.

It can be assumed that a low percentage of the expected Group turnover will be lost from the OEM Russia business. As a consequence, this would mean a decrease in the planned EBIT in the amount of a low single-digit million EUR figure.

Due to current developments, SAF-HOLLAND has decided to put the investments in the new production site in Russia on hold. The carrying amount of the fixed assets invested in Russia amounts to EUR 5.3 million as at the balance sheet date of 31 December 2021.

The current assets of the Russian companies of the SAF-HOLLAND Group amount to EUR 33 million as at the balance sheet date of 31 December 2021. Based on current knowledge, the Group sees no need for impairment in relation to current assets.

Bessenbach, March 11, 2022

Alexander Geis
Chief Executive
Officer (CEO)

Dr. André Philipp
Chief Operating
Officer (COO)

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

Martina Merz

— Deputy Chairwoman of the Supervisory Board, SAF-HOLLAND SE, Bessenbach, Germany (first appointment 2014, Deputy Chairwoman since 2019, term expires: Annual General Meeting 2024)
— CEO, thyssenkrupp AG, Essen, Germany
— Member of the Board of Directors, VOLVO AB, Gothenburg, Sweden

Matthias Arleth

— Member of the Supervisory Board, SAF-HOLLAND SE, Bessenbach, Germany (first appointment 2020, term expires: Annual General Meeting 2024)
— Deputy Chairman of the Management Board, Webasto SE, Stockdorf, Germany (until December 2021)
— Chairman of the Group Management of MAHLE GmbH (since January 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
— CFO, LEONI AG
— Member of the Supervisory Board, Hensoldt AG, Taufkirchen, Germany
— Deputy Chairwoman of the Shareholders' Council, Wegemann Unternehmens-Holding GmbH & Co. KG

Carsten Reinhardt

— Member of the Supervisory Board, SAF-HOLLAND SE, Bessenbach, Germany (first appointment since 2017, term expires: Annual General Meeting 2024)
— Chairman of the Advisory Board, Tegimus Holding GmbH, Mannheim, Germany
— Deputy Chairman of the Board of Directors, Grundfos Holding A/S, Bjerringbro, Denmark
— Member of the Board of Directors, Garret Motion Inc., Morristown, NJ, USA (until April 2021)
— 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
- Chief Executive Officer (CEO), SAF-HOLLAND SE, Bessenbach, Germany
- Managing Director SAF-HOLLAND GmbH, Bessenbach, Germany, further mandates in group companies

Inka Koljonen
- Member of the Management Board and Chief Financial Officer (CFO), SAF-HOLLAND SE, Bessenbach, Germany (until January 31, 2022)
- Managing Director SAF-HOLLAND GmbH, Bessenbach, Germany, further mandates in group companies (until January 31, 2022)

Dr. André Philipp
- Chief Operating Officer (COO), SAF-HOLLAND SE, Bessenbach, Germany
- 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 2021, 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 2021, 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 2021.

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 2021, and of its financial performance for the financial year from 1 January to 31 December 2021, 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.

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 2021. 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 matter of most significance in our audit was as follows:

❶ Recoverability of goodwill

Our presentation of this key audit matter has been structured as follows:

① Matter and issue

② Audit approach and findings

③ Reference to further information

Hereinafter we present the key audit matter:

❶ Recoverability of goodwill

① In the Company's consolidated financial statements goodwill amounting in total to T€ 78.985 (7,8% of total assets or 21,3% 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 as well as the expected effects of the ongoing Corona crisis on the business activities of the Group are also taken into account. The discount rate used is the weighted average cost of capital for the respec-tive group of cash-generating units. The impairment test determined that no write-downs were necessary.

The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore, also against the background of the effects of the Corona crisis, subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

② As part of our audit, we assessed the methodology used for the purposes of performing the im-pairment test, among other things. After matching the future cash inflows used for the calcula-tion against the adopted medium-term business plan of the Group, we assessed the appropriate-ness of the calculation, in particular by reconciling it with general and sector-specific market expectations. In this connection, we also evaluated the assessment of the executive directors regarding the effects of the Corona crisis on the business activities of the Group and examined how they were taken into account in determining the future cash flows. In addition, we assessed the appropriate consideration of the costs of Group functions. 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.

OTHER INFORMATION

The executive directors are responsible for the other information.

The other information comprises

— the statement on corporate governance pursuant to § 289f HGB and § 315d HGB, which we obtained prior to the date of our auditor’s report

— the separate non-financial group report pursuant to § 315b Abs. 3 HGB and § 315b Abs. 3 HGB, which is expected to be made available to us after the date of the auditor’s report

— the remuneration report pursuant to § 162 AktG [Aktiengesetz: German Stock Corporation Act], for which the supervisory board is also responsible, which we obtained prior to the date of our auditor’s report

— all remaining parts of the annual report, which are expected to be made available to us after the date of the auditor’s 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 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, the related safeguards.

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 AC-CORDANCE 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-2021-12-31.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 2021 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 (10.2021)) 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

We were elected as group auditor by the annual general meeting on 10 June 2021. We were engaged by the supervisory board on 17 December 2021. 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 published in the Federal Gazette – 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 Christian Kwasni.

Frankfurt am Main, March 11, 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Christian Kwasni	ppa. Jürgen Körbel
Wirtschaftsprüfer	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 Group's management report, which is combined with the management report of SAF-HOLLAND SE, 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 11, 2022

SAF-HOLLAND SE

Alexander Geis	**Dr. André Philipp**
Chief Executive Officer (CEO)	Chief Operating Officer (COO)

QUARTERLY OVERVIEW

in EUR thousands

Results of operations	Q4/2021	Q3/2021	Q2/2021	Q1/2021
Sales	321,821	316,638	322,504	285,620
Adjusted gross profit	49,175	54,337	57,241	55,985
Adjusted gross profit margin in %	15.3	17.2	17.7	19.6
Adjusted EBITDA	33,092	33,342	34,629	31,042
Adjusted EBITDA margin in %	10.3	10.5	10.7	10.9
Adjusted EBIT	21,852	24,323	24,996	21,957
Adjusted EBIT margin in %	6.8	7.7	7.8	7.7
Adjusted result for the period with non-controlling interests	13,871	16,235	16,300	14,875
Adjusted result for the period without non-controlling interests	13,880	16,226	16,549	14,567
Net assets	**12/31/2021**	**09/30/2021**	**06/30/2021**	**03/31/2021**
Balance sheet total	1,014,267	1,022,885	1,010,357	998,598
Equity	371,070	353,738	334,846	325,198
Equity ratio in %	36.6	34.6	33.1	32.6
Financial position	**Q4/2021**	**Q3/2021**	**Q2/2021**	**Q1/2021**
Operating free cash flow	6,848	2,468	6,310	497
Investments in fixed assets and intangible assets	–11,541	–3,846	–2,940	–5,201
Net debt	198,039	200,681	200,374	195,614
Yield	**Q4/2021**	**Q3/2021**	**Q2/2021**	**Q1/2021**
Return on capital employed (ROCE)	15.7	15.6	14.5	11.3

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).

MULTY-YEAR OVERVIEW

in EUR thousands

Results of operations	Q1-Q4 2021	Q1-Q4 2020	Q1-Q4 2019	Q1-Q4 2018	Q1-Q4 2017
Sales	1,246,583	959,519	1,284,155	1,300,555	1,138,900
Adjusted gross profit	216,738	178,831	217,598	207,149	217,180
Adjusted gross profit margin in %	17.4	18.6	16.9	15.9	19.1
Adjusted EBITDA	132,105	98,126	114,129	110,262	110,561
Adjusted EBITDA margin in %	10.6	10.2	8.9	8.5	9.7
Adjusted EBIT	93,128	58,799	79,816	89,578	91,200
Adjusted EBIT margin in %	7.5	6.1	6.2	6.9	8.0
Adjusted result for the period with non-controlling interests	61,281	34,494	49,756	55,507	52,700
Adjusted result for the period without non-controlling interests	61,222	34,113	48,438	55,543	54,627
Net assets	**12/31/2021**	**12/31/2020**	**12/31/2019**	**12/31/2018**	**12/31/2017**
Balance sheet total	1,014,267	920,486	979,244	977,416	998,108
Equity	371,070	300,463	318,007	318,072	300,975
Equity ratio in %	36.6	32.6	32.5	32.5	30.2
Financial position	**Q1-Q4 2021**	**Q1-Q4 2020**	**Q1-Q4 2019**	**Q1-Q4 2018**	**Q1-Q4 2017**
Operating free cash flow	16,123	114,247	37,565	–6	29,625
Investments in fixed assets and intangible assets	–23,528	–23,675	–52,981	–40,786	–27,122
Net debt	198,039	196,701	251,667	213,615	105,524
Yield	**Q1-Q4 2021**	**Q1-Q4 2020**	**Q1-Q4 2019**	**Q1-Q4 2018**	**Q1-Q4 2017**
Return on capital employed (ROCE)	15.7	11.1	5.5	9.9	9.5
Employees	**12/31/2021**	**12/31/2020**	**12/31/2019**	**12/31/2018**	**12/31/2017**
Employees	3,572	3,369	3,924	4,470	3,566

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

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.

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).

FINANCIAL CALENDAR AND CONTACT

FINANCIAL CALENDAR

May 10, 2022
Publication of the Quarterly Statement Q1 2022

May 19, 2022
Annual General Meeting 2022

August 11, 2022
Publication of the Half-Year Financial Report 2022

November 10, 2022
Publication of the Quarterly Statement Q3 2022

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DISCLAIMER

The annual report is also available in German. In cases of doubt, the German version shall prevail. The key figures in the report have been rounded in accordance with standard commercial practice. In individual cases, rounding may result in values in this report not adding up exactly to the totals given and percentages not being derived from the values shown. 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. 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.

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