

SAF-HOLLAND SE

Half-year financial report H1 2022



KEY FIGURES

Results of operations

in EUR thousands	Q1-Q2/2022	Q1-Q2/2021
Sales	773,253	608,124
Adjusted gross profit	128,010	113,226
Adjusted gross profit margin in %	16.6	18.6
Adjusted EBITDA	73,437	65,671
Adjusted EBITDA margin in %	9.5	10.8
Adjusted EBIT	55,617	46,953
Adjusted EBIT margin in %	7.2	7.7
Adjusted result for the period with non-controlling interests	38,280	31,174
Adjusted result for the period without non-controlling interests	37,977	31,115

Financial position

in EUR thousands	Q1-Q2/2022	Q1-Q2/2021
Net cash flow from operating activities	18,773	14,948
Net cash flow from investing activities	-37,473	-7,407
Free cashflow	-18,700	7,541
Net debt	237,790	200,374

Yield

in %	Q1-Q2/2022	Q1-Q2/2021
Return on capital employed (ROCE)	14.8	14.5

CAPEX ratio

in %	Q1-Q2/2022	Q1-Q2/2021
Investment rate	1.4	1.4

Net assets

in EUR thousands	06/30/2022	12/31/2021
Balance sheet total	1,156,375	1,014,267
Equity	431,128	371,070
Equity ratio in %	37.3	36.6

NOTE:

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

Free cash flow = Net cash flow from operating activities less net cash flow from investing activities.

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

KEY EVENTS IN THE FIRST SIX MONTHS OF THE YEAR 2022

CHANGES TO THE MANAGEMENT BOARD OF SAF-HOLLAND SE

At its meeting on May 6, 2022, the Supervisory Board of SAF-HOLLAND SE appointed Wilfried Trepels as the CFO, effective May 16, 2022, succeeding Inka Koljonen, who stepped down from the Management Board on January 31, 2022.

Wilfried Trepels already served as the CFO of SAF-HOLLAND S.A. from 2005 to 2016. He is in charge of Finance, Accounting and controlling, Internal Audit, IT, Legal, Compliance, Investor Relations, Corporate and ESG Communications.

SAF-HOLLAND TAKES OVER IMS LIMITED IN THE UK

In March 2022 SAF-HOLLAND acquired IMS Limited, Shepshed, England, from its former exclusive distribution partner, IMS Group. This entity has been consolidated in the consolidated financial statements of SAF-HOLLAND SE from April 2022.

IMS Limited is a provider of sustainable, efficient, competitive and innovative solutions for the transport industry which distributes the Group's own quality brands SAF-HOLLAND and SAUER Quality Parts, in the UK and Ireland. With this acquisition, SAF-HOLLAND reinforces its market position in the UK and Ireland and will endeavour to keep building up its market share in this major region in future.

SCOPE HAMBURG CONFIRMS INVESTMENT GRADE RATING

On April 26 SAF-HOLLAND SE published the rating report from Scope Hamburg GmbH ("Scope Hamburg"). In it, Scope Hamburg sets SAF-HOLLAND SE's rating at BBB- with a stable outlook, thus confirming the investment grade rating.

Scope Hamburg highlights in particular the principle growth potentials from the increase in global transport volumes and the steadily increasing importance of the online business. Furthermore, Scope Hamburg expects SAF-HOLLAND to also benefit from the regulatory requirements for trailers and trucks, which are intended to increase road safety and limit the effects of climate change.

Market and geopolitical risks resulting from the ongoing COVID19 pandemic and the Russia-Ukraine conflict, which Scope Hamburg believes will materialise in the short to medium term, may influence SAF-HOLLAND's profitability and financial development. However, the solid liquidity and financing base will have a stabilising effect. Also the structurally growing, more cyclically stable and higher margin aftermarket business will have a positive effect.

ANNUAL GENERAL MEETING RESOLVES DIVIDEND OF EUR 0.35 PER SHARE

On May 19, 2022, SAF-HOLLAND successfully completed the 2022 Annual General Meeting. Due to the pandemic situation, which is very difficult to forecast, the Management Board and Supervisory Board had decided at the time of convening the Annual General Meeting to hold it virtually without the physical presence of shareholders in Frankfurt am Main. Registered shareholders were able to follow the AGM via a livestream on the shareholder portal and exercise their shareholder rights. For the first time, a public broadcast of the opening of the Annual General Meeting and the speech by the Chairman of the Management Board of SAF-HOLLAND SE, Alexander Geis, was made via the company's website.

With a registration rate of around 58%, the Annual General Meeting of SAF-HOLLAND SE once again met with very pleasing interest. The shareholders approved all of the resolutions proposed by the Management Board and the Supervisory Board with a very large majority. Among other things, they approved the proposed resolutions on the discharge of the Management Board and the Supervisory Board and the appointment of the auditor for the 2022 financial year.

The shareholders of SAF-HOLLAND SE also approved the proposed distribution of a dividend of EUR 0.35 per no-par value share. This corresponds to a payout ratio of around 43% and is thus in line with SAF-HOLLAND SE's earnings-oriented dividend policy, which generally provides for a payout of 40% to 50% of the attributable result for the period. The dividend yield in relation to the 2021 closing price is 2.8%.

SAF-HOLLAND SE ANNOUNCES A RECOMMENDED CASH OFFER TO THE SHAREHOLDERS OF HALDEX AB

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

SAF-HOLLAND SE offers cash consideration of SEK 66 per share in Haldex. This is its best and final offer and it will not be increased. The offer represents a premium of 46.5 per cent to the closing share price of SEK 45.05 of the Haldex shares on the Nasdaq Stockholm on June 7, 2022, the last trading date before the announcement of the offer on June 8, 2022, and a premium of 64.8 per cent to the volume-weighted average share price of Haldex during the last three months prior to June 8, 2022.

The Board of Directors of Haldex unanimously recommends that the shareholders of Haldex accept the offer. The recommendation is supported by a fairness opinion provided by Lenner & Partners Corporate Finance AB.

The Offer is fully financed by cash available to SAF-HOLLAND as well as credit facilities.

To this end, SAF-HOLLAND has taken out a new master loan agreement that provides total credit lines of EUR 250 million and two annuity loans with a credit volume of EUR 300 million. The loan agreements are conditional upon the terms and conditions of the takeover offer being met.

The conditions for utilisation of these credit facilities are customary for credit facilities of this nature.

The Swedish offer documents pertaining to the offer were approved and registered by the Swedish Financial Supervisory Authority (Sw. Finansinspektionen) on June 30, 2022. The period allowed for accepting the offer began on July 4, 2022 and is expected to end on August 16, 2022 at 5:00 pm CEST.

In an announcement dated July 19, 2022, SAF-HOLLAND declares that it no longer reserves the right to waive the minimum acceptance ratio of 90 per cent for the offer. This implies that the takeover bid cannot be executed if the minimum acceptance ratio of 90 per cent is not attained.

All information on the offer submitted by SAF-HOLLAND SE to the shareholders of Haldex can be found at the following website: www.safh-offer.com.

INDUSTRY ENVIRONMENT

DEVELOPMENTS IN THE TRAILER AND TRUCK MARKETS DIVERGE WIDELY

The largest trailer and truck markets by volume showed very disparate developments in the first half year of 2022 compared to the same period of the previous year. The trailer markets in the regions of most relevance to SAF-HOLLAND – Europe, North America and India – developed very well. In the large truck markets by volume of Europe and North America, the chip shortage continued to have a noticeable impact.

Development of the trailer and truck markets H1 2022 to H1 2021

	Trailer	Trucks
Europe	10%	-13%
North America	27%	11%
Brazil	-10%	-7%
India	86%	55%
Australia	4%	9%
China	-68%	-68%

Source: ACT, ANFAVEA, ANFIR, SIAM, CV World, ARTSA, own estimates.

RESULTS OF OPERATIONS, NET ASSETS AND FINANCIAL POSITION

in EUR thousands

	Q1-Q2/2022	Total Adjustments	Q1-Q2/2022 adjusted	in % of sales	Q1-Q2/2021	Total Adjustments	Q1-Q2/2021 adjusted	in % of sales
Sales	773,253	–	773,253	100.0%	608,124	–	608,124	100.0%
Cost of sales	–646,509	1,266	–645,243	–83.4%	–496,103	1,205	–494,898	–81.4%
Gross profit	126,744	1,266	128,010	16.6%	112,021	1,205	113,226	18.6%
Other income	1,697	–7	1,690	0.2%	517	–	517	0.1%
Other expenses	–2,158	1,256	–902	–0.1%	–	–	–	0.0%
Selling expenses	–36,135	3,377	–32,758	–4.2%	–29,382	3,515	–25,867	–4.3%
Administrative expenses	–33,366	844	–32,522	–4.2%	–31,847	582	–31,265	–5.1%
Research and development costs	–8,839	162	–8,677	–1.1%	–10,626	389	–10,237	–1.7%
Operating profit	47,943	6,898	54,841	7.1%	40,683	5,691	46,374	7.6%
Share of net profit of investments accounted for using the equity method	776	–	776	0.1%	579	–	579	0.1%
Earnings before interest and taxes (EBIT)	48,719	6,898	55,617	7.2%	41,262	5,691	46,953	7.7%
Finance income	3,130	–	3,130	0.4%	1,043	–	1,043	0.2%
Finance expenses	–6,473	–	–6,473	–0.8%	–5,466	–	–5,466	–0.9%
Finance result	–3,343	–	–3,343	–0.4%	–4,423	–	–4,423	–0.7%
Result before taxes	45,376	6,898	52,274	6.8%	36,839	5,691	42,530	7.0%
Income taxes	–14,105	111	–13,994	–1.8%	–14,291	2,935	–11,356	–1.9%
Income taxes in %	31.0%		26.8%		38.8%		26.7%	
Result for the period	31,271	7,009	38,280	5.0%	22,548	8,626	31,174	5.1%

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 the first six months of 2022 net expenses totalling EUR 6.9 million (previous year: EUR 5.7 million) were eliminated from earnings before interest and taxes (EBIT). These consist of restructuring expenses of EUR 1.0 million (previous year: EUR 1.1 million), depreciation and amortisation of assets of EUR 4.6 million (previous year: EUR 4.6 million) arising from purchase price allocations and measurement effects relating to the put option for the acquisition of the outstanding shares in PressureGuard LLC of EUR 1.3 million (previous year: EUR 0.0 million).

Net expenses totalling EUR 1.3 million were eliminated from the cost of sales in the first six months of 2022 (previous year: EUR 1.2 million). These primarily relate to depreciation and amortisation of assets identified in purchase price allocations of EUR 1.0 million (previous year: EUR 1.0 million).

Under other expenses, the measurement effect of the put option for the acquisition of the outstanding shares in PressureGuard LLC of EUR 1.3 million (previous year: EUR 0.0 million) was eliminated. This only affects the Americas region.

Net expenses totalling EUR 3.4 million were eliminated from selling expenses in the first six months of 2022 (previous year: EUR 3.5 million).

These primarily relate to depreciation and amortisation of assets identified in purchase price allocations of EUR 3.4 million (previous year: EUR 3.4 million).

Moreover, expenses of EUR 0.8 million (previous year EUR 0.6 million) were eliminated from general administrative expenses, almost all of which relate to restructuring expenses.

Regarding research and development costs, an amount of EUR 0.2 million (previous year: EUR 0.4 million) was eliminated. These include depreciation and amortisation of assets identified in purchase price allocations of EUR 0.2 million (previous year: EUR 0.2 million). In the previous year an additional EUR 0.2 million was eliminated from restructuring expenses.

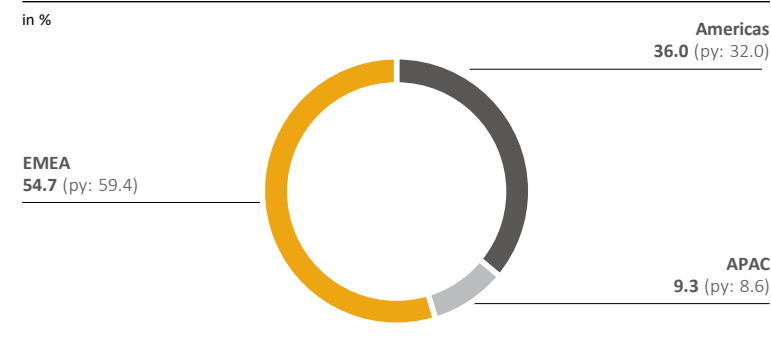
RESULTS OF OPERATIONS

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

GROUP SALES AT A RECORD LEVEL DUE TO HIGH DEMAND

Group sales in the first six months of 2022 came to EUR 773.3 million due to higher demand, marking a significant rise of 27.2 per cent on the comparable figure for the previous year of EUR 608.1 million. The effect of foreign currency translation and acquisitions came to EUR 35.3 million (previous year: EUR -24.0 million). After eliminating the effects of exchange rates and acquisitions, sales increased by 21.3 per cent to EUR 737.9 million.

Group sales by segment H1 2022



OE BUSINESS AND AFTERMARKET RECORD SIGNIFICANT GROWTH

Sales in the OE business increased by 27.6 per cent to EUR 563.3 million in the reporting period from January to June 2022. The share of Group sales accounted for by the OE business increased slightly from 72.6 per cent to 72.8 per cent.

Sales in the spare parts business increased by 26.0 per cent to EUR 210.0 million. The share of the spare parts business in Group sales decreased marginally from 27.4 per cent to 27.2 per cent.

in EUR thousands

	Q1-Q2/2022	Q1-Q2/2021	Change absolute	Change in %
Original equipment business	563,271	441,434	121,837	27.6%
Spare parts business	209,982	166,690	43,292	26.0%
Group sales	773,253	608,124	165,129	27.2%
Original equipment business in % of Group sales	72.8%	72.6%		
Spare parts business in % of Group sales	27.2%	27.4%		

ADJUSTED GROSS MARGIN AT 16.6 PER CENT

The adjusted cost of sales in the first half of 2022 rose more rapidly than sales, rising by 30.4 per cent on the same period of the previous year to EUR 645.2 million (previous year: EUR 494.9 million) due to higher demand, but most of all due to higher steel prices, freight charges and

energy costs, which were only passed on at some delay. This corresponds to an adjusted cost of sales ratio of 83.4 per cent (previous year: 81.4 per cent). Price adjustments and efficiency gains were only able to compensate the cost increases to some extent.

In this regard, adjusted gross profit improved by 13.1 per cent to EUR 128.0 million in the first six months of 2022 (previous year: EUR 113.2 million). The adjusted gross profit margin of 16.6 per cent is below the level of the previous year of 18.6 per cent.

ADJUSTED EBIT MARGIN AT 7.2 PER CENT

SAF-HOLLAND improved its adjusted EBIT by 18.4 per cent to EUR 55.6 million in the first half of 2022 (previous year: EUR 47.0 million). This corresponds to an adjusted EBIT margin of 7.2 per cent (previous year: 7.7 per cent). The significant decline in the ratio of administrative expenses and research and development costs to sales largely compensated the higher cost of sales ratio.

FINANCIAL RESULT IMPROVED

The financial result improved in the reporting period from January to June 2022 to EUR -3.3 million (previous year: EUR -4.4 million). This is mainly due to higher finance income that primarily originates from an increase in the exchange gains realised on foreign currency loans (translation effects from repaying intercompany loans) as well as higher income from the fair value measurement of foreign currency derivatives as of June 30, 2022 (see "Financial result" in the notes to the consolidated financial statements on page 26).

UNADJUSTED RESULT FOR THE PERIOD 38.7 PER CENT ABOVE PREVIOUS YEAR

With an effective Group tax rate of 31.0 per cent (previous year: 38.8 per cent), the unadjusted result for the period from January to June 2022 comes to EUR 31.3 million (previous year: EUR 22.5 million). With a Group tax rate of 26.8 per cent (previous year: 26.7 per cent), the adjusted result for the period improved by 22.8 per cent to EUR 38.3 million (previous year: EUR 31.2 million).

Based on the unchanged number of approximately 45.4 million ordinary shares outstanding, unadjusted basic earnings per share for the first half

of 2022 amounted to EUR 0.68 (previous year: EUR 0.50) and adjusted basic earnings per share amounted to EUR 0.84 (previous year: EUR 0.69).

SEGMENT REPORTING

EMEA REGION: PRICE INCREASES BURDEN THE EBIT MARGIN

EMEA

in EUR thousands

	Q1-Q2/2022	Q1-Q2/2021	Change absolute	Change in %
Sales	423,452	361,010	62,442	17.3%
EBIT	20,535	32,815	-12,280	-37.4%
EBIT margin in %	4.8%	9.1%		
Additional depreciation and amortisation of property, plant and equipment and intangible assets from PPA	2,214	2,332	-118	-5.1%
Restructuring and transaction costs	746	197	549	278.7%
Adjusted EBIT	23,495	35,344	-11,849	-33.5%
Adjusted EBIT margin in %	5.5%	9.8%		
Depreciation and amortisation of property, plant and equipment and intangible assets (excluding PPA)	8,912	9,378	-466	-5.0%
in % of sales	2.1%	2.6%		
Adjusted EBITDA	32,407	44,722	-12,315	-27.5%
Adjusted EBITDA margin in %	7.7%	12.4%		

Sales in the EMEA region improved by 17.3 per cent to EUR 423.5 million in the first six months of 2022 (previous year: EUR 361.0 million), primarily on account of the strong OE business in the trailer segment. Adjusted for currency translation effects and acquisitions, sales growth of 15.7 per cent to EUR 417.6 million was recorded.

High steel prices as well as high freight charges and energy costs, which were only passed on at a delay, placed a heavy burden on the cost of sales ratio, while the ratio of administrative expenses and research and development costs to sales declined sharply. In sum, this led to an adjusted EBIT of EUR 23.5 million (previous year: EUR 35.3 million). This

corresponds to an adjusted EBIT margin of 5.5 per cent (previous year: 9.8 per cent).

AMERICAS REGION: VERY PLEASING TREND IN MARGINS

Americas

in EUR thousands

	Q1-Q2/2022	Q1-Q2/2021	Change absolute	Change in %
Sales	278,051	194,693	83,358	42.8%
EBIT	22,272	9,335	12,937	138.6%
EBIT margin in %	8.0%	4.8%		
Additional depreciation and amortisation of property, plant and equipment and intangible assets from PPA	1,134	1,086	48	4.4%
Valuation effects from call and put options	1,256	–	1,256	–
Restructuring and transaction costs	131	301	–170	–56.5%
Adjusted EBIT	24,793	10,722	14,071	131.2%
Adjusted EBIT margin in %	8.9%	5.5%		
Depreciation and amortisation of property, plant and equipment and intangible assets (excluding PPA)	7,369	7,038	331	4.7%
in % of sales	2.7%	3.6%		
Adjusted EBITDA	32,162	17,760	14,402	81.1%
Adjusted EBITDA margin in %	11.6%	9.1%		

Due to the strong OE trailer business and aftermarket business, sales in the Americas region increased by 42.8 per cent to EUR 278.1 million (previous year: EUR 194.7 million) in the first six months of 2022. After eliminating the effects of exchange rates, sales improved by 29.3 per cent to EUR 251.8 million.

The cost of sales ratio for the Americas region improved markedly due to the lower cost of materials ratio and personnel expenses ratio. In addition, the significant decline in the ratio of administrative expenses and research and development costs to sales was margin accretive. In sum, this led to an adjusted EBIT of EUR 24.8 million (previous year: EUR 10.7 million). This

corresponds to an adjusted EBIT margin of 8.9 per cent (previous year: 5.5 per cent).

APAC REGION: DOUBLE-DIGIT EBIT MARGIN

APAC

in EUR thousands

	Q1-Q2/2022	Q1-Q2/2021	Change absolute	Change in %
Sales	71,750	52,421	19,329	36.9%
EBIT	5,912	–888	6,800	–765.8%
EBIT margin in %	8.2%	–1.7%		
Additional depreciation and amortisation of property, plant and equipment and intangible assets from PPA	1,292	1,202	90	7.5%
Restructuring and transaction costs	125	573	–448	–78.2%
Adjusted EBIT	7,329	887	6,442	726.3%
Adjusted EBIT margin in %	10.2%	1.7%		
Depreciation and amortisation of property, plant and equipment and intangible assets (excluding PPA)	1,539	2,302	–763	–33.1%
in % of sales	2.1%	4.4%		
Adjusted EBITDA	8,868	3,189	5,679	178.1%
Adjusted EBITDA margin in %	12.4%	6.1%		

The APAC region generated sales of EUR 71.8 million in the first six months of 2022 (previous year: EUR 52.4 million). After eliminating the effects of exchange rates, sales increased by 30.7 per cent to EUR 68.5 million year-on-year. The main cause for the significant increase in sales was the strong upturn in the trailer OE business in India and Australia.

Compared to the strong increase in sales, growth in the cost of sales was relatively weak. The significant decline in the ratio of selling expenses and administrative expenses to sales also had a margin accretive effect. Adjusted EBIT improved from EUR 0.9 million to EUR 7.3 million. The adjusted EBIT margin came to 10.2 per cent (previous year: 1.7 per cent).

NET ASSETS

in EUR thousands				
	06/30/2022	12/31/2021	Change absolute	Change in %
Non-current assets	527,713	482,571	45,142	9.4%
of which intangible assets	238,161	235,889	2,272	1.0%
of which property, plant and equipment	206,170	201,334	4,836	2.4%
of which other (financial) assets	83,382	45,348	38,034	83.9%
Current assets	628,662	531,696	96,966	18.2%
of which inventories	237,029	193,971	43,058	22.2%
of which trade receivables	184,647	136,259	48,388	35.5%
of which cash and cash equivalents	172,998	165,221	7,777	4.7%
of which other (financial) assets	33,988	36,245	-2,257	-6.2%
Balance sheet total	1,156,375	1,014,267	142,108	14.0%

TOTAL ASSETS INCREASED BY 14.0 PER CENT

Total assets increased by EUR 139.2 million in comparison to December 31, 2021 to EUR 1,156.4 million. On the assets side, the main cause lies in a rise of trade receivables and inventories.

EQUITY RATIO AT 37.3 PER CENT

in EUR thousands				
	06/30/2022	12/31/2021	Change absolute	Change in %
Equity	431,128	371,070	60,058	16.2%
Non-current liabilities	285,877	418,415	-132,538	-31.7%
of which interest-bearing loans and bonds	172,416	304,231	-131,815	-43.3%
of which finance lease liabilities	32,930	33,659	-729	-2.2%
of which other non-current liabilities	80,531	80,525	6	0.0%
Current liabilities	439,370	224,782	214,588	95.5%
of which interest-bearing loans and bonds	197,491	17,968	179,523	999.1%
of which finance lease liabilities	7,951	7,402	549	7.4%
of which trade payables	176,205	145,789	30,416	20.9%
of which other current liabilities	57,723	53,623	4,100	7.6%
Balance sheet total	1,156,375	1,014,267	142,108	14.0%

In comparison to December 31, 2021, equity has improved by EUR 60.1 million to EUR 431.1 million. This corresponds to an equity ratio of 37.3 per cent (December 31, 2021: 36.6 per cent).

Equity was mainly bolstered by the addition of the result for the period of EUR 31.3 million as well as exchange differences on the translation of foreign operations of EUR 34.4 million. The dividend payment of EUR 15.9 million reduced equity accordingly.

In comparison to December 31, 2021, non-current liabilities decreased significantly by EUR 132.5 million to EUR 285.9 million and accounted for 24.8 per cent (December 31, 2021: 41.3 per cent) of the balance sheet total. This is chiefly due to the reclassification of promissory note loans from non-current liabilities to current liabilities.

In comparison to December 31, 2021, current liabilities increased by EUR 214.6 million to EUR 439.4 million and accounted for 38.1 per cent (December 31, 2021: 22.2 per cent) of the balance sheet total. The main

reason once again lies in the reclassification of promissory note loans from non-current liabilities to current liabilities.

NET WORKING CAPITAL RATIO INCREASED SIGNIFICANTLY DUE TO DEMAND

Net working capital

in EUR thousands

	06/30/2022	12/31/2021	Change absolute	Change in %
Inventories	237,029	193,971	43,058	22.2%
Trade receivables	184,647	136,259	48,388	35.5%
Trade payables	-176,205	-145,789	-30,416	20.9%
Net working capital	245,471	184,441	61,030	33.1%
Sales (last 12 month)	1,411,712	1,246,583	165,129	13.2%
Net working capital ratio	17.4%	14.8%		

Net working capital came to EUR 245.5 million as of June 30, 2022 (December 31, 2021: EUR 184.4 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 14.8 per cent as of December 31, 2021 to 17.4 per cent due to demand. The increase in 12-month sales of 13.2 per cent was countered by a disproportionate increase in inventories (22.2 per cent), trade receivables (35.5 per cent) and trade payables (20.9 per cent).

FINANCIAL POSITION

Financial position

in EUR thousands

	Q1-Q2/2022	Q1-Q2/2021
Net cash flow from operating activities	18,773	14,948
Cash flow from investing activities	-37,473	-7,407
Free cashflow	-18,700	7,541
Other	-21,051	-11,214
Change in net financial liabilities (incl. lease liabilities)	-39,751	-3,673

FREE CASH FLOW AFFECTED BY THE ACQUISITION OF SHARES IN HALDEX AB

The net cash flow from operating activities reached a level of EUR 18.8 million in the first six months of 2022 (previous year: EUR 14.9 million). This development is largely attributable to the significant improvement in earnings before tax, the change in other assets and higher taxes paid.

The net cash flow from investing activities of EUR -37.5 million lay EUR 30.1 million above the comparable figure for the previous year. The investing focus was on measures to improve efficiency and optimise the global production network. In addition, the acquisition of shares in Haldex AB resulted in a significant cash outflow of EUR 28.4 million.

Consequently, free cash flow of EUR -18.7 million is well below the comparative figure of the previous year of EUR 7.5 million.

NET FINANCIAL DEBT INCREASED

Net financial liabilities (including lease liabilities) increased by EUR 39.8 million to EUR 237.8 million as of June 30, 2022 compared to the reporting date of December 31, 2021. As of June 30, 2022 SAF-HOLLAND carries cash and cash equivalents of EUR 173.0 million (December 31, 2021: EUR 165.2 million).

RISK AND OPPORTUNITY REPORT

In the assessment of the risks and opportunities for the SAF-HOLLAND Group, the following significant change has occurred compared to the risks and opportunities in the Annual Report 2021 (pages 101 to 112):

The prices of steel eased slightly over the past quarter but the overall situation on the market for materials and freight remains tight. Higher prices paid for purchases are passed on at a delay. In the OE business, the delay is typically from three to six months. In the spare parts business, it is faster. Due to the extraordinary circumstances, SAF-HOLLAND initiated and conducted talks with its customers aimed at a more rapid adjustment of prices.

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

OUTLOOK

MACROECONOMIC ENVIRONMENT: CONFLICT BETWEEN RUSSIA AND UKRAINE AFFECTS GLOBAL ECONOMIC GROWTH

The International Monetary Fund (IMF) expects the global economy to continue on its growth trajectory this year. In response to the war between Russia and Ukraine, the IMF revised its outlook for the global economy from April 2022 downwards once again and is now projecting a growth rate of 3.2 per cent for the year 2022 (most recently: 3.6 per cent). The latest adjustment mainly relates to the United States.

Economic development in key markets

in %

	2021	2022		
		January 2022	April 2022	July 2022
Euro zone	5.3	3.9	2.8	2.6
Germany	2.8	3.8	2.1	1.2
United States	5.7	4.0	3.7	2.3
Brazil	4.6	0.3	0.8	1.7
Russia	4.7	2.8	-8.5	-6.0
China	8.1	4.8	4.4	3.3
India	8.9	9.0	8.2	7.4
World	5.9	4.4	3.6	3.2

Source: IMF, World Economic Outlook.

SECTOR-SPECIFIC DEVELOPMENT: THE RUSSIAN-UKRAINIAN WAR HEAVILY AFFECTS THE EUROPEAN COMMERCIAL VEHICLES MARKET

The prospects for the year 2022 in the commercial vehicles markets of most relevance to SAF-HOLLAND remain bright overall, although the deceleration in the growth momentum of the global economy is most likely to dampen activity, particularly on the European trailer and truck markets, over the course of the year.

Development of the trailer and truck markets 2022 to 2021

	Trailer	Trucks
Europe	-7%	-12%
North America	27%	15%
Brazil	-8%	0%
India	69%	50%
Australia	1%	4%
China	-45%	-45%

Source: ACT, ANFAVEA, ANFIR, SIAM, CV World, ARTSA, own estimates.

BUSINESS OUTLOOK

Based on preliminary figures for the second quarter of 2022, the Management Board of SAF-HOLLAND SE has decided on July 28, 2022 to raise the guidance for Group sales and the adjusted EBIT margin for the financial year 2022. The implications of a potential massive energy shortage for economic activity in Germany have not been considered as these cannot be reliably determined or quantified at present.

Based on the current order backlog and the projections for both the macro-economy and the industry, the Management Board is forecasting, after weighing up potential risks and opportunities, that Group sales for the full financial year 2022 will lie in a corridor of between EUR 1.4 billion

and EUR 1.5 billion (formerly between EUR 1.2 billion and EUR 1.35 billion).

Based on these assumptions, SAF-HOLLAND now also projects an adjusted EBIT margin of between 7.0 and 8.0 per cent (formerly: between 6.5 and 7.0 per cent).

To support its strategic objectives, the company is still planning investments of 2 per cent to 2.5 per cent of sales for the 2022 financial year. The focus of investment will be placed on continuing with the plans to establish production capacity in Turkey and Mexico and expand existing capacity in India. Furthermore, the company plans to keep investing in efficiency-enhancing measures, particularly in Germany and in the USA.

Forecast business development

Indicator	Forecast 2022 on March 17, 2022	Adjustment on May 5, 2022	Adjustment on July 28, 2022
Sales	EUR 1.15 – 1.3 billion	EUR 1.2 – 1.35 billion	EUR 1.4 – 1.5 billion
Adjusted EBIT margin	significantly below previous year	6.5% - 7.0%	7.0% - 8.0%
Capex ratio	2% - 2.5%	2% - 2.5%	2% - 2.5%

EVENTS AFTER THE BALANCE SHEET DATE

There have not been any events of relevance since the reporting date that would require reporting here.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

in EUR thousands					
	Notes	Q1-Q2/2022	Q1-Q2/2021	Q2/2022	Q2/2021
Sales	(5)	773,253	608,124	403,546	322,504
Cost of sales		-646,509	-496,103	-334,783	-265,944
Gross profit		126,744	112,021	68,763	56,560
Other income		1,697	517	1,354	241
Other expenses	(6)	-2,158	-	-2,158	-
Selling expenses		-36,135	-29,382	-19,006	-14,690
Administrative expenses		-33,366	-31,847	-17,095	-16,000
Research and development expenses		-8,839	-10,626	-4,576	-4,592
Operating result		47,943	40,683	27,282	21,519
Share of net profit of investments accounted for using the equity method		776	579	398	290
Earnings before interest and taxes		48,719	41,262	27,680	21,809
Finance income	(7)	3,130	1,043	2,230	116
Finance expenses	(7)	-6,473	-5,466	-2,775	-2,861
Finance result	(7)	-3,343	-4,423	-545	-2,745
Result before income tax		45,376	36,839	27,135	19,064
Income tax	(8)	-14,105	-14,291	-8,950	-7,783
Result for the period		31,271	22,548	18,185	11,281
Attributable to:					
Equity holders of the parent		30,968	22,489	17,973	11,530
Shares of non-controlling interests		303	59	212	-249

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR thousands					
	Notes	Q1-Q2/2022	Q1-Q2/2021	Q2/2022	Q2/2021
Result for the period		31,271	22,548	18,185	11,281
Attributable to:					
Equity holders of the parent		30,968	22,489	17,973	11,530
Shares of non-controlling interests		303	59	212	-249
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Net gain/loss on equity instruments measured at fair value through other comprehensive income		2,958	-	2,958	-
Remeasurements of defined benefit plans	(11)	9,906	256	9,906	-
Income tax effects on items recognised in other comprehensive income	(11)	-2,613	-234	-2,613	-
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	(11)	34,424	11,813	28,040	-1,633
Other comprehensive income		44,675	11,835	38,291	-1,633
Comprehensive income for the period		75,946	34,383	56,476	9,648
Attributable to:					
Equity holders of the parent		75,569	34,290	56,203	9,791
Shares of non-controlling interests		377	93	273	-143
Basic earnings per share in EUR		0.68	0.50	0.39	0.26
Diluted earnings per share in EUR		0.68	0.50	0.39	0.26

CONSOLIDATED BALANCE SHEET

in EUR thousands			
	Notes	06/30/2022	12/31/2021
Assets			
Non-current assets		527,713	482,571
Goodwill		80,885	78,985
Other intangible assets		157,276	156,904
Property, plant and equipment		206,170	201,334
Investments accounted for using the equity method		18,420	16,331
Financial assets	(15)	31,396	74
Other non-current assets		10,644	6,582
Deferred tax assets		22,922	22,361
Current assets		628,662	531,696
Inventories	(9)	237,029	193,971
Trade receivables	(9)	184,647	136,259
Income tax receivables		3,143	1,454
Other current assets		28,738	32,687
Financial assets	(15)	2,107	2,104
Cash and cash equivalents	(10)	172,998	165,221
Balance sheet total		1,156,375	1,014,267

in EUR thousands			
	Notes	06/30/2022	12/31/2021
Equity and liabilities			
Total equity	(11)	431,128	371,070
Equity attributable to equity holders of the parent			
Subscribed share capital		45,394	45,394
Share premium		224,104	224,104
Retained earnings		139,315	124,235
Accumulated other comprehensive income		21,088	-23,513
Shares of non-controlling interests		1,227	850
Non-current liabilities		285,877	418,415
Pensions and other similar benefits	(12)	16,820	22,340
Other provisions	(13)	9,683	9,910
Interest bearing loans and bonds	(14)	172,416	304,231
Lease liabilities		32,930	33,659
Other financial liabilities	(15)	463	463
Other liabilities		507	458
Deferred tax liabilities		53,058	47,354
Current liabilities		439,370	224,782
Other provisions	(13)	11,284	8,634
Interest bearing loans and bonds	(14)	197,491	17,968
Lease liabilities		7,951	7,402
Trade payables	(9)	176,205	145,789
Income tax liabilities		6,314	6,429
Other financial liabilities	(15)	2,048	650
Other liabilities		38,077	37,910
Balance sheet total		1,156,375	1,014,267

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR thousands

	Attributable to equity holders of the parent						Shares of non-controlling interests	Q1-Q2/2022
	Subscribed share capital	Share premium	Retained earnings	Accumulated other comprehensive income	Total amount	Total equity (Note 11)		
As of 01/01/2022	45,394	224,104	124,235	-23,513	370,220	850	371,070	
Result for the period	-	-	30,968	-	30,968	303	31,271	
Other comprehensive income	-	-	-	44,601	44,601	74	44,675	
Comprehensive income for the period	-	-	30,968	44,601	75,569	377	75,946	
Dividend	-	-	-15,888	-	-15,888	-	-15,888	
06/30/2022	45,394	224,104	139,315	21,088	429,901	1,227	431,128	

in EUR thousands

	Attributable to equity holders of the parent						Shares of non-controlling interests	Q1-Q2/2021
	Subscribed share capital	Share premium	Retained earnings	Accumulated other comprehensive income	Total amount	Total equity (Note 11)		
As of 01/01/2021	45,394	224,104	84,423	-56,102	297,819	2,644	300,463	
Result for the period	-	-	22,489	-	22,489	59	22,548	
Other comprehensive income	-	-	-	11,801	11,801	34	11,835	
Comprehensive income for the period	-	-	22,489	11,801	34,290	93	34,383	
Transactions with non-controlling interests	-	-	3,075	-1,143	1,932	-1,932	-	
06/30/2021	45,394	224,104	109,987	-45,444	334,041	805	334,846	

CONSOLIDATED STATEMENT OF CASH FLOWS

in EUR thousands			
	Notes	Q1-Q2/2022	Q1-Q2/2021
Cash flow from operating activities			
Result before income tax		45,376	36,839
- Finance income	(7)	-3,130	-1,043
+ Finance expenses	(7)	6,473	5,466
+/- Share of net profit of investments accounted for using the equity method		-776	-579
+/- Other non-cash transactions		2,158	-
+ Amortisation and depreciation of intangible assets and property, plant and equipment		22,460	23,338
+ Allowance of current assets		5,213	2,760
+/- Change in other provisions and pensions		1,824	2,904
+/- Change in other assets		5,441	-1,550
+/- Change in other liabilities		-3,553	-971
+/- Loss/Gain on disposal of property, plant and equipment		160	-51
+ Dividends from investments accounted for using the equity method		19	19
Cash flow before change of net working capital		81,665	67,132
+/- Change in inventories		-33,018	-48,898
+/- Change in trade receivables ¹		-39,153	-51,720
+/- Change in trade payables		23,129	54,457
Change of net working capital		-49,042	-46,161
Cash flow from operating activities before income tax paid		32,623	20,971
- Income tax paid		-13,850	-6,023
Net cash flow from operating activities		18,773	14,948
Cash flow from investing activities			
- Purchase of property, plant and equipment		-8,628	-7,353
- Purchase of intangible assets		-1,958	-1,039

in EUR thousands			
	Notes	Q1-Q2/2022	Q1-Q2/2021
+ Proceeds from sales of property, plant and equipment		512	251
- Purchase of other financial assets		-28,362	-
- Cash and cash equivalents received from company acquisitions		723	-
+ Proceeds from sales of financial assets		-	480
+ Interest received		240	254
Net cash flow from investing activities		-37,473	-7,407
Cash flow from financing activities			
- Dividend payments to shareholders of SAF-HOLLAND SE	(11)	-15,888	-
- paid transaction costs relating to financing agreements		-	-9
+/- Proceeds and payments from hedging instruments		194	-242
- Payments for lease liabilities		-4,283	-4,481
- Interest paid		-3,895	-4,032
+/- Change in drawings on the credit line and other financing activities	(14)	41,287	-559
+/- Transactions with non-controlling interests		-	-8,051
Net cash flow from financing activities		17,415	-17,374
Net increase/decrease in cash and cash equivalents		-1,285	-9,833
+/- Effect of changes in exchange rates on cash and cash equivalents		9,062	3,752
Cash and cash equivalents at the beginning of the period	(10)	165,221	170,982
Cash and cash equivalents at the end of the period	(10)	172,998	164,901

¹ As of June 30, 2022, trade receivables in the amount of € 45.0 million (previous year: € 42.3 million) were sold in the context of a factoring contract. Assuming the legal validity of receivables, no further rights of recourse to SAF-HOLLAND exist from the receivables sold.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for the period from January 1 to June 30, 2022.

1. CORPORATE INFORMATION

SAF-HOLLAND SE (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). The registered office of the Company has been in Germany since July 1, 2020. The Company is entered in the commercial register of the local court of Aschaffenburg under the number HRB 15646. The Company’s shares are listed in the SDAX of the Frankfurt Stock Exchange.

2. SIGNIFICANT ACCOUNTING AND VALUATION PRINCIPLES

The consolidated financial statements of SAF-HOLLAND SE and its subsidiaries (the “Group”) were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and applicable as of the reporting date.

The interim consolidated financial statements for the first half of 2022 were prepared in accordance with IAS 34 “Interim Financial Reporting.” Generally, the same accounting and valuation principles and consolidation methods were applied as those applied to the consolidated financial statements for the 2021 financial year unless explicit reference is made to changes. The interim consolidated financial statements should therefore be read in conjunction with the consolidated financial statements as of December 31, 2021.

In preparing the interim consolidated financial statements, management is required to make assumptions and estimates that affect the reported amounts of assets, liabilities, income, expenses and contingent liabilities as of the reporting date. In certain cases, actual amounts may differ from these assumptions and estimates.

Income and expenses that occur irregularly during the financial year are accrued or deferred when it is appropriate to recognise these expenses at the end of the financial year.

The most important functional currencies of foreign operations are listed in the following table:

	Closing rate		Average rate	
	06/30/2022	06/30/2021	Q1-Q2/2022	Q1-Q2/2021
Australian Dollar	0.65670	0.63266	0.65817	0.64018
Brazilian Real	0.18204	0.17025	0.18088	0.15436
Chinese Renminbi	0.14231	0.13002	0.14129	0.12825
Indian Rupee	0.01210	0.01133	0.01202	0.01132
Canadian Dollar	0.74047	0.67910	0.71943	0.66547
Polish Zloty	0.21366	0.22167	0.21601	0.22064
Russian Rouble	0.01811	0.01158	0.01224	0.01117
US-Dollar	0.95337	0.84003	0.91461	0.82979

The interim consolidated financial statements and the interim group management report have not been audited by an auditor.

3. SEASONAL EFFECTS

Seasonal effects during the year can result in variations in sales and the resulting earnings. For information on earnings development, please refer to the explanations contained in the interim group management report.

4. BASIS OF CONSOLIDATION

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

BUSINESS ACQUISITIONS

Acquisition of Industrial Machinery Supplies Limited

On April 1, 2022, SAF-HOLLAND GmbH acquired all of the shares in its UK distribution partner, Industrial Machinery Supplies Limited (IMS Ltd.) based in Shepshed, England. Because SAF-HOLLAND GmbH holds the majority of voting rights, it obtained control of IMS Ltd. as of the acquisition date.

The first-time consolidation of IMS Ltd. was carried out using the acquisition method in accordance with IFRS 3.

The preliminary purchase price of GBP 2.2 million was paid in cash on July 1, 2022.

The following table shows the preliminary purchase price allocation and the amounts of the main groups of acquired assets and assumed liabilities at the time of acquisition:

in EUR thousands	Fair value as of acquisition date
Other intangible assets	495
Property, plant and equipment	5
Inventories	2,413
Trade receivables	5,803
Other assets	575
Cash and cash equivalents	723
	10,014
Trade payables	1,230
Other liabilities	6,178
	7,408
Total of identified net assets	2,606
Goodwill from the acquisition	–
Consideration transferred	2,606
<hr/>	
in EUR thousands	
Cash outflow	–
Cash acquired	723
Actual cash inflow	723

As the sum of the identifiable net assets exceeds the total consideration paid, the business combination did not result in any goodwill.

DECONSOLIDATIONS

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

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

5. SEGMENT REPORTING

For the purposes of corporate management and Group reporting, the Group is organised into the regional segments of “EMEA”, “Americas” and “APAC”. The three regions cover both the original equipment business as well as the spare parts business.

The management assesses the performance of the regional segments based on the adjusted EBIT. The reconciliation from the Group’s operating result to the adjusted EBIT is as follows:

in EUR thousands		
	Q1-Q2/2022	Q1-Q2/2021
Operating result	47,943	40,683
Share of net profit of investments accounted for using the equity method	776	579
EBIT	48,719	41,262
Additional depreciation and amortisation from PPA	4,640	4,620
Valuation effects from call and put options	1,256	–
Restructuring and transaction expenses	1,002	1,071
Adjusted EBIT	55,617	46,953

Information on segment sales and results for the period from January 1 to June 30, 2022:

in EUR thousands	EMEA ¹		Amerika ²		APAC ³		Total	
	Q1-Q2/2022	Q1-Q2/2021	Q1-Q2/2022	Q1-Q2/2021	Q1-Q2/2022	Q1-Q2/2021	Q1-Q2/2022	Q1-Q2/2021
Sales	423,452	361,010	278,051	194,693	71,750	52,421	773,253	608,124
Adjusted EBIT	23,495	35,344	24,793	10,722	7,329	887	55,617	46,953
Adjusted EBIT margin in %	5.5	9.8	8.9	5.5	10.2	1.7	7.2	7.7
Amortization and depreciation of intangible assets and property, plant and equipment (without PPA)	8,912	9,378	7,369	7,038	1,539	2,302	17,820	18,718
in % of sales	2.1	2.6	2.7	3.6	2.1	4.4	2.3	3.1
Adjusted EBITDA	32,407	44,722	32,162	17,760	8,868	3,189	73,437	65,671
Adjusted EBITDA margin in %	7.7	12.4	11.6	9.1	12.4	6.1	9.5	10.8
Purchase of property, plant and equipment and intangible assets	5,166	4,682	5,231	1,200	189	2,510	10,586	8,392
in % of sales	1.2	1.3	1.9	0.6	0.3	4.8	1.4	1.4
Employees at the reporting date	1,642	1,514	1,580	1,545	517	533	3,739	3,592

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.

The Group sales of the SAF-HOLLAND Group in the first half of 2022 amounted to EUR 773.3 million, surpassing the sales of the same period of the previous year (H1 2021: EUR 608.1 million) by 27.2 per cent. All regions contributed to the positive development in sales in the first half of 2022.

The adjusted EBIT margin of the Group came to 7.2 per cent, 0.5 percentage points below the figure of the previous year of 7.7 per cent. The reason for the decline in the margin compared to the same period of the previous year lies in the significant rise in the prices of raw materials and higher freight charges and energy costs – particularly in the EMEA region – as a result of the Ukrainian conflict.

For more information on the sales and earnings development of the individual segments, please refer to the related explanations contained in the interim group management report.

6. OTHER EXPENSES

Other expenses mainly include the valuation effect of the put option for the acquisition of the remaining shares in PressureGuard LLC and an impairment loss recorded on a receivable carried under other receivables.

7. FINANCIAL RESULT

Finance revenue breaks down as follows:

in EUR thousands	Q1-Q2/2022	Q1-Q2/2021
Unrealised foreign exchange gains on foreign currency loans and dividends	851	382
Realised foreign exchange gains on foreign currency loans and dividends	955	17
Finance income due to derivatives	899	299
Finance income due to pensions and other similar benefits	28	–
Interest income	240	254
Other	157	91
Total	3,130	1,043

Finance costs break down as follows:

in EUR thousands	Q1-Q2/2022	Q1-Q2/2021
Interest expenses due to interest bearing loans and bonds	–3,725	–3,592
Amortisation of transaction costs	–373	–555
Finance expenses due to pensions and other similar benefits	–111	–207
Finance expenses due to derivatives	–266	–221
Realised foreign exchange losses on foreign currency loans and dividends	–202	–15
Unrealised foreign exchange losses on foreign currency loans and dividends	–602	–13
Finance expenses due to leasing	–688	–647
Other	–506	–216
Total	–6,473	–5,466

Unrealised exchange gains and losses from loans and dividends denominated in foreign currency mainly result from the translation of intercompany loans denominated in foreign currency using the closing rate. The realised exchange gains mainly consist of the translation effects arising from the repayment of intercompany loans.

The amortisation of transaction costs of kEUR -373 (previous year: kEUR -555) represents the contract closing fees for financing measures that were recognised as expenses in the period in accordance with the effective interest method.

Finance income and finance expenses related to derivative financial instruments generally originate from the fair value measurement of foreign currency derivatives as of June 30, 2022.

8. INCOME TAXES

The Group's average tax rate has remained more or less unchanged and stands at 26.8 per cent on the closing date (previous year: 26.7 per cent).

The Group's effective tax rate based on the actual tax expense for the reporting period relative to the result before tax decreased by 7.7 percentage points over the previous year to 31.0 per cent (previous year: 38.7 per cent). The reduction in the Group's effective tax rate results first and foremost from a reduction in losses in some foreign subsidiaries for which no deferred tax assets were recognised on grounds of prudence. In addition, the negative effects on the Group's effective tax rate from differences between the local mandatory tax rates and the Group's average tax rate were lower than in the previous year. As in the comparative period of the previous year, no deferred tax assets were recognised on unused tax losses in the reporting period on grounds of prudence.

The difference between the Group's effective tax rate and the Group's average tax rate, which amounts to 4.2 percentage points (previous year: 12.0 percentage points), is primarily a result of unrecognised deferred tax assets on tax loss carryforwards as well as tax rate differences between local tax rates applicable to individual entities and the average weighted group tax rate and non-deductible operating expenses.

9. NET WORKING CAPITAL

Net working capital as of June 30, 2022 (inventories plus trade receivables less trade payables) increased by 33.1 per cent in comparison to December 31, 2021. This development is primarily due to the seasonal increase in working capital over the first six months and the order backlog, which remains high. In addition to the healthy order backlog, the tight supply chains and resulting need to maintain buffer stocks resulted in higher stock levels. Consequently, inventories rose by EUR 43.1 million or 22.2 per cent in comparison to December 31, 2021. Trade receivables increased to EUR 184.6 million in the first six months of 2022 with trade payables increasing to EUR 176.2 million due to seasonal effects.

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents developed as follows:

in EUR thousands		
	06/30/2022	12/31/2021
Cash on hand, cash at banks and checks	171,456	164,022
Short-term deposits	1,542	1,199
Total	172,998	165,221

11. EQUITY

The Company's subscribed share capital has remained unchanged compared to December 31, 2021 and amounts to EUR 45,394,302.00 as of June 30, 2022. Subscribed share capital is fully paid-in and consists of 45,394,302 (previous year: 45,394,302) ordinary shares.

The changes in accumulated other comprehensive income as of the balance sheet date is as follows:

in EUR thousands	Before tax amount		Tax income/expense		Net of tax amount	
	Q1-Q2/2022	Q1-Q2/2021	Q1-Q2/2022	Q1-Q2/2021	Q1-Q2/2022	Q1-Q2/2021
	Exchange differences on translation of foreign operations	34,424	11,813	–	–	34,424
Net gain/loss on equity instruments measured at fair value through other comprehensive income	2,958	–	–	–	2,958	–
Remeasurements of defined benefit plans	9,906	256	–2,613	–234	7,293	22
Total	47,288	12,069	–2,613	–234	44,675	11,835

At the Annual General Meeting on May 19, 2022, a dividend of EUR 0.35 per share was decided on, corresponding to a total dividend distribution of EUR 15.9 million based on 45,394,302 shares. This amounted to a payout ratio of the available net income attributable to equity holders of the parent company of 43.2 per cent, which is within the targeted range of 40 per cent to 50 per cent. No dividend was distributed in the previous year.

12. PENSIONS AND OTHER SIMILAR OBLIGATIONS

Pension obligations were remeasured on the reporting date of June 30, 2022. In particular, the higher interest rates in Europe and North America resulted in a decrease of EUR 5.5 million in pension obligations to EUR 16.8 million.

13. OTHER PROVISIONS

Other provisions as of June 30, 2022 amount to EUR 21.0 million and have therefore risen by EUR 2.5 million in comparison to December 2021 (EUR 18.5 million). The increase is mainly due to higher warranty expenses.

14. INTEREST-BEARING LOANS AND BONDS

Interest-bearing loans and bonds consisted of the following:

in EUR thousands	Non-current		Current		Total	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021	06/30/2022	12/31/2021
	Promissory note loan	118,000	259,000	146,000	5,000	264,000
Financing costs	-986	-1,350	-768	-764	-1,754	-2,114
Accrued interests	-	-	1,931	2,058	1,931	2,058
Other loans	55,402	46,581	50,328	11,674	105,730	58,255
Total	172,416	304,231	197,491	17,968	369,907	322,199

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	06/30/2022			
	Amount drawn valued as at the period-end exchange rate	Agreed credit lines valued as at the period-end exchange rate	Cash and cash equivalents	Total liquidity
Revolving credit line	50,000	200,000	172,998	322,998
Total	50,000	200,000	172,998	322,998

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

15. FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITIES

Fair values and carrying amounts of financial assets and financial liabilities as of the reporting date:

Financial Instruments

in EUR thousands

	Measurement category in accordance with IFRS 9	06/30/2022		12/31/2021	
		Fair value	Carrying amount	Fair value	Carrying amount
Assets					
Cash and cash equivalents	FAAC	172,998	172,998	165,221	165,221
Trade receivables	FAAC	184,647	184,647	136,259	136,259
Other financial assets					
Derivatives without a hedging relationship	FAHfT	320	320	160	160
Derivatives with a hedging relationship	FAHfT	129	129	–	–
Listed equity instruments	FAFV	31,321	31,321	–	–
Other financial assets	FAAC	1,733	1,733	2,018	2,018
Equity and liabilities					
Trade payables	FLAC	176,205	176,205	145,789	145,789
Interest bearing loans and bonds	FLAC	365,989	369,907	322,199	317,089
Other financial liabilities					
Derivatives without a hedging relationship	FLtPL	22	22	171	171
Other financial liabilities	FLtPL	2,489	2,489	942	942
of which aggregated by category in accordance with IFRS 9					
Financial assets measured at amortised cost	FAAC	359,378	359,378	303,498	303,498
Financial liabilities measured at amortised cost	FLAC	542,194	546,112	467,988	462,878
Financial assets held for trading	FAHfT	449	449	160	160
Financial assets at fair value without impact on profit and loss	FAFV	31,321	31,321	–	–
Financial Liabilities at fair value through profit and loss	FLtPL	2,511	2,511	1,113	1,113

In connection with the offer submitted on June 8, 2022 to acquire all the issued and outstanding shares in the listed Swedish company Haldex AB, SAF-HOLLAND acquired 11.2 per cent of the outstanding shares in Haldex AB as of the reporting date, which led to an increase in other financial assets.

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

	06/30/2022			
	Level 1	Level 2	Level 3	Total
Listed equity instruments	31,321	–	–	31,321
Promissory note loan	–	261,882	–	261,882
Interest bearing loans and bonds	–	104,107	–	104,107
Put option for non-controlling interests	–	–	2,289	2,289
Other financial assets	–	1,733	–	1,733
Other financial liabilities	–	200	–	200
Derivative financial assets	–	449	–	449
Derivative financial liabilities	–	22	–	22

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

The listed equity instruments consist of the shares purchased in Haldex AB. Due to the fact that their fair value was measured using the listed prices on the reporting date, the shares are allocated to Level 1 of the fair value hierarchy.

Other liabilities from the measurement of put options for the shares of non-controlling interests of kEUR 2,289 (previous year: kEUR 942) consist of the put options for the outstanding shares in PressureGuard LLC and Axcend Group Ltd. and were measured at the present value of the anticipated repurchase value in each case. 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 other 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.

16. EARNINGS PER SHARE

		Q1-Q2/2022	Q1-Q2/2021
	in EUR thousands		
Result for the period		30,968	22,489
Weighted average number of shares outstanding	thousands	45,394	45,394
Basic earnings per share	Euro	0.68	0.50
Diluted earnings per share	Euro	0.68	0.50

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.

After repayment of the convertible bond on September 12, 2020, the Group no longer carried any debt instruments that could have a dilutive effect on earnings per share.

17. RELATED PARTY DISCLOSURES

The tables below show 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)
Wilfried Trepels	Chief Financial Officer (CFO)
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 following shows the transactions with associates and joint ventures:

	in EUR thousands			
	Sales to related parties		Purchases from related parties	
	Q2/2022	Q2/2021	Q2/2022	Q2/2021
Joint Ventures	1,207	1,125	–	–
Associates	–	–	17,688	14,887
Total	1,207	1,125	17,688	14,887

	in EUR thousands			
	Amounts owed by related parties		Amounts owed to related parties	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Joint Ventures	536	485	–	–
Associates	–	–	1,660	1,665
Total	536	485	1,660	1,665

The transactions with associates / joint ventures consist of transactions with Castmetal FWI S.A. and SAF-HOLLAND Nippon Ltd. The transactions were conducted at arm's length.

18. CONTINGENT LIABILITIES

On June 8, 2022 SAF-HOLLAND SE announced an offer to acquire all of the shares issued and outstanding in the listed Swedish company, Haldex AB for a cash payment of SEK 66 per share. This corresponds to a total value of SEK 3,209 million (EUR 306.1 million) for the offer to buy the shares of Haldex AB. The cash offer is subject to the condition that SAF-HOLLAND acquires more than 90 per cent of all issued and outstanding shares of Haldex AB.

The offer began on July 4 and is scheduled to close on August 16, 2022. The procedure to obtain official approval from the antitrust authorities has already been initiated. The corresponding approvals are expected to be received before the offer closes. Assuming that the offer becomes unconditional by August 18, 2022 at the latest, the work needed to close the deal is likely to begin on August 24, 2022. SAF-HOLLAND reserves the right to extend the offer and delay the date on which the deal is to be closed.

SAF-HOLLAND has signed a new master loan agreement that provides total credit lines of EUR 250 million and two annuity loans offering a total credit volume of EUR 300 million in connection with the offer extended to the shareholders of Haldex AB for the purchase of all outstanding shares. The loan agreements are conditional upon the terms and conditions of the takeover offer being met.

Likewise in connection with the takeover offer, SAF-HOLLAND and Knorr-Bremse signed an agreement on June 8, 2022 governing the purchase of the 9.2 per cent stake in Haldex AB held by Knorr-Bremse AG.

19. SUBSEQUENT EVENTS

There were no significant events after the reporting date.

Bessenbach, August 11, 2022

Alexander Geis	Wilfried Trepels	Dr. André Philipp
Chairman of the Management Board and Chief Executive Officer (CEO)	Member of the Management Board and Chief Financial Officer (CFO)	Member of the Management Board and Chief Operating Officer (COO)

DECLARATION OF THE LEGAL REPRESENTATIVES

To the best of our knowledge and in accordance with the applicable financial reporting principles, the Interim Consolidated Financial Statements give a true and fair view of the results of operations, net assets and financial position of the Group, and the Group Interim Management Report includes a fair review of the development and performance of the Group's business and position, together with a description of the principal opportunities and risks associated with the development of the Group expected for the remaining financial year.

Bessenbach, August 11, 2022

SAF-HOLLAND SE
Management Board

Alexander Geis	Wilfried Trepels	Dr. André Philipp
Chairman of the Management Board and Chief Executive Officer (CEO)	Member of the Management Board and Chief Financial Officer (CFO)	Member of the Management Board and Chief Operating Officer (COO)

FINANCIAL CALENDAR AND CONTACT INFORMATION

FINANCIAL CALENDAR

November 10, 2022

Publication of the Quarterly Statement Q3 2022

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DISCLAIMER

The half-year financial report is also available in German. In cases of doubt, the German version shall prevail. The figures in this report have been rounded using commercial principles. In isolated instances, this can lead to rounding differences in the sum totals and percentages.

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 and economic conditions, the behaviour of other market participants, the achievement of anticipated synergies, and the actions of government regulators. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this publication. Likewise, SAF-HOLLAND SE does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of publication of these materials.

