

**SAF-HOLLAND SE (previously SAF-HOLLAND S.A.)  
68-70, boulevard de la Pétrusse  
L-2320 Luxembourg**

**R.C.S. Luxembourg B 113.090**

**Annual Accounts as of 31 December 2019  
and  
Independent auditor's report**

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## Audit report

To the Shareholders of  
**SAF-Holland SE (previously SAF-Holland S.A.)**

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## Report on the audit of the annual accounts

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### Our opinion

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of SAF-Holland SE (the "Company") as at 31 December 2019, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Our opinion is consistent with our additional report to the Audit Committee or equivalent.

#### *What we have audited*

The Company's annual accounts comprise:

- the balance sheet as at 31 December 2019;
  - the profit and loss account for the year then ended; and
  - the notes to the annual accounts, which include a summary of significant accounting policies.
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### Basis for opinion

We conducted our audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the EU Regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the annual accounts" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts. We have fulfilled our other ethical responsibilities under those ethical requirements.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of the EU Regulation No 537/2014.



**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period.

These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
<p><i>Recoverability of financial assets</i></p> <p>Financial assets represent a significant amount of the Company's balance sheet (98% of total assets). Those investments are represented by shares held in SAF-Holland GmbH and loans granted to SAF-Holland GmbH and SAF-Holland Inc..</p> <p>These investments are illiquid by nature, therefore significant judgement and estimates are required to be applied by the Board of Directors in its assessment of the recoverability of those investments. Inappropriate judgements made in relation to the methodology and inputs used or the assumptions taken by them may have a material impact on the valuation of the investments.</p> <p>Financial assets are stated at historical acquisition costs. Write-downs are recorded if, in the opinion of Board of Director's, a permanent impairment in value has occurred.</p>	<p>Financial assets are stated at historical acquisition costs. Write-downs are recorded if, in the opinion of Board of Director's, a permanent impairment in value has occurred.</p> <p>Our procedures over the recoverability of the financial assets included, but were not limited to:</p> <p>We challenged the Board of Directors' no impairment assessment, which is based on a discounted cash-flow model, by reviewing the assumptions taken by the Board. In particular, we assessed the robustness of its impairment test, and the method for determining the future discounted cash flows. We focused our procedures primarily on the most significant investment being SAF-Holland GmbH and SAF-Holland Inc.. We also verified the methodology used by Management to determine the Weighted Average Cost of Capital (WACC). We challenged the reliability of the forecasted cash flows used for the determination of the recoverable value by comparing the budgeted figures to the actual figures for the year ended 31 December 2019.</p>



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### **Other information**

The Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated management report and the Corporate Governance Statement but does not include the annual accounts and our audit report thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### **Responsibilities of the Board of Directors and those charged with governance for the annual accounts**

The Board of Directors is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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### **Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the annual accounts**

The objectives of our audit are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. 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 annual accounts.



As part of an audit in accordance with the EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual accounts, 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 opinion. 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 control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- conclude on the appropriateness of the Board of 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

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 relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 annual accounts of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.



## **Report on other legal and regulatory requirements**

The consolidated management report is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the consolidated management report. The information required by Article 68ter Paragraph (1) Letters c) and d) of the Law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, which is included in the Corporate Governance Statement, is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

We have been appointed as “Réviseur d’Entreprises Agréé” of the Company by the General Meeting of the Shareholders on 26 April 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 4 years.

PricewaterhouseCoopers, Société coopérative  
Represented by

Luxembourg, 16 March 2020

Patrick Schon

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RCSL Nr. : B113090

Matricule : 2005 2231 338

eCDF entry date :

**BALANCE SHEET**

**Financial year from** <sup>01</sup> 01/01/2019 **to** <sup>02</sup> 31/12/2019 (in <sup>03</sup> EUR )

SAF-HOLLAND SE

68-70, Boulevard de la Pétrusse  
L-2320 Luxembourg

**ASSETS**

	Reference(s)	Current year	Previous year
<b>A. Subscribed capital unpaid</b>	1101 _____	101 _____	102 _____
I. Subscribed capital not called	1103 _____	103 _____	104 _____
II. Subscribed capital called but unpaid	1105 _____	105 _____	106 _____
<b>B. Formation expenses</b>	1107 _____	107 _____	108 _____
<b>C. Fixed assets</b>	1109 _____	109 <u>388.212.154,27</u>	110 <u>387.602.743,24</u>
I. Intangible assets	1111 _____	111 _____	112 _____
1. Costs of development	1113 _____	113 _____	114 _____
2. Concessions, patents, licences, trade marks and similar rights and assets, if they were	1115 _____	115 _____	116 _____
a) acquired for valuable consideration and need not be shown under C.I.3	1117 _____	117 _____	118 _____
b) created by the undertaking itself	1119 _____	119 _____	120 _____
3. Goodwill, to the extent that it was acquired for valuable consideration	1121 _____	121 _____	122 _____
4. Payments on account and intangible assets under development	1123 _____	123 _____	124 _____
II. Tangible assets	1125 _____	125 _____	126 _____
1. Land and buildings	1127 _____	127 _____	128 _____
2. Plant and machinery	1129 _____	129 _____	130 _____



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	Reference(s)	Current year	Previous year
3. Other fixtures and fittings, tools and equipment	1131 _____	131 _____	132 _____
4. Payments on account and tangible assets in the course of construction	1133 _____	133 _____	134 _____
<b>III. Financial assets</b>	1135 _____	135 <u>388.212.154,27</u>	136 <u>387.602.743,24</u>
1. Shares in affiliated undertakings	1137 _____ <u>3</u>	137 <u>313.238.381,02</u>	138 <u>313.238.381,02</u>
2. Loans to affiliated undertakings	1139 _____ <u>4</u>	139 <u>74.973.773,25</u>	140 <u>74.364.362,22</u>
3. Participating interests	1141 _____	141 _____	142 _____
4. Loans to undertakings with which the undertaking is linked by virtue of participating interests	1143 _____	143 _____	144 _____
5. Investments held as fixed assets	1145 _____	145 _____	146 _____
6. Other loans	1147 _____	147 _____	148 _____
<b>D. Current assets</b>	1151 _____	151 <u>7.947.033,16</u>	152 <u>21.526.267,15</u>
<b>I. Stocks</b>	1153 _____	153 _____	154 _____
1. Raw materials and consumables	1155 _____	155 _____	156 _____
2. Work in progress	1157 _____	157 _____	158 _____
3. Finished goods and goods for resale	1159 _____	159 _____	160 _____
4. Payments on account	1161 _____	161 _____	162 _____
<b>II. Debtors</b>	1163 _____	163 <u>7.503.300,00</u>	164 <u>21.003.300,00</u>
1. Trade debtors	1165 _____	165 _____	166 _____
a) becoming due and payable within one year	1167 _____	167 _____	168 _____
b) becoming due and payable after more than one year	1169 _____	169 _____	170 _____
2. Amounts owed by affiliated undertakings	1171 _____	171 <u>7.500.000,00</u>	172 <u>21.000.000,00</u>
a) becoming due and payable within one year	1173 _____ <u>5</u>	173 <u>7.500.000,00</u>	174 <u>21.000.000,00</u>
b) becoming due and payable after more than one year	1175 _____	175 _____	176 _____
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	1177 _____	177 _____	178 _____
a) becoming due and payable within one year	1179 _____	179 _____	180 _____
b) becoming due and payable after more than one year	1181 _____	181 _____	182 _____
4. Other debtors	1183 _____	183 <u>3.300,00</u>	184 <u>3.300,00</u>
a) becoming due and payable within one year	1185 _____	185 <u>3.300,00</u>	186 <u>3.300,00</u>
b) becoming due and payable after more than one year	1187 _____	187 _____	188 _____

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	Reference(s)	Current year	Previous year
III. Investments	1189 _____	189 _____	190 _____
1. Shares in affiliated undertakings	1191 _____	191 _____	192 _____
2. Own shares	1209 _____	209 _____	210 _____
3. Other investments	1195 _____	195 _____	196 _____
IV. Cash at bank and in hand	1197 _____	197 <u>443.733,16</u>	198 <u>522.967,15</u>
<b>E. Prepayments</b>	1199 _____	199 <u>187.832,00</u>	200 <u>333.465,11</u>
<b>TOTAL (ASSETS)</b>		201 <u>396.347.019,43</u>	202 <u>409.462.475,50</u>

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**CAPITAL, RESERVES AND LIABILITIES**

	Reference(s)	Current year	Previous year
<b>A. Capital and reserves</b>			
	1301 <u>6</u>	301 <u>295.081.302,99</u>	302 <u>308.623.941,22</u>
I. Subscribed capital	1303 _____	303 <u>453.943,02</u>	304 <u>453.943,02</u>
II. Share premium account	1305 _____	305 <u>276.854.899,23</u>	306 <u>276.854.899,23</u>
III. Revaluation reserve	1307 _____	307 _____	308 _____
IV. Reserves	1309 _____	309 <u>765.448,26</u>	310 <u>765.448,26</u>
1. Legal reserve	1311 _____	311 <u>45.361,11</u>	312 <u>45.361,11</u>
2. Reserve for own shares	1313 _____	313 _____	314 _____
3. Reserves provided for by the articles of association	1315 _____	315 _____	316 _____
4. Other reserves, including the fair value reserve	1429 _____	429 <u>720.087,15</u>	430 <u>720.087,15</u>
a) other available reserves	1431 _____	431 <u>720.087,15</u>	432 <u>720.087,15</u>
b) other non available reserves	1433 _____	433 _____	434 _____
V. Profit or loss brought forward	1319 _____	319 <u>10.122.214,80</u>	320 <u>9.633.394,26</u>
VI. Profit or loss for the financial year	1321 _____	321 <u>6.884.797,68</u>	322 <u>20.916.256,45</u>
VII. Interim dividends	1323 _____	323 _____	324 _____
VIII. Capital investment subsidies	1325 _____	325 _____	326 _____
<b>B. Provisions</b>	1331 _____	331 _____	332 _____
1. Provisions for pensions and similar obligations	1333 _____	333 _____	334 _____
2. Provisions for taxation	1335 _____	335 _____	336 _____
3. Other provisions	1337 _____	337 _____	338 _____
<b>C. Creditors</b>	1435 _____	435 <u>101.265.716,44</u>	436 <u>100.838.534,28</u>
1. Debenture loans	1437 _____	437 <u>100.104.335,18</u>	438 <u>100.106.016,58</u>
a) Convertible loans	1439 <u>7</u>	439 <u>100.104.335,18</u>	440 <u>100.106.016,58</u>
i) becoming due and payable within one year	1441 _____	441 <u>100.104.335,18</u>	442 <u>306.016,58</u>
ii) becoming due and payable after more than one year	1443 _____	443 <u>0,00</u>	444 <u>99.800.000,00</u>
b) Non convertible loans	1445 _____	445 _____	446 _____
i) becoming due and payable within one year	1447 _____	447 _____	448 _____
ii) becoming due and payable after more than one year	1449 _____	449 _____	450 _____
2. Amounts owed to credit institutions	1355 _____	355 _____	356 _____
a) becoming due and payable within one year	1357 _____	357 _____	358 _____
b) becoming due and payable after more than one year	1359 _____	359 _____	360 _____

The notes in the annex form an integral part of the annual accounts

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Matricule : 2005 2231 338

	Reference(s)	Current year	Previous year
3. Payments received on account of orders in so far as they are not shown separately as deductions from stocks	1361 _____	361 _____	362 _____
a) becoming due and payable within one year	1363 _____	363 _____	364 _____
b) becoming due and payable after more than one year	1365 _____	365 _____	366 _____
4. Trade creditors	1367 _____	367 <u>747.103,31</u>	368 <u>402.990,81</u>
a) becoming due and payable within one year	1369 _____	369 <u>747.103,31</u>	370 <u>402.990,81</u>
b) becoming due and payable after more than one year	1371 _____	371 _____	372 _____
5. Bills of exchange payable	1373 _____	373 _____	374 _____
a) becoming due and payable within one year	1375 _____	375 _____	376 _____
b) becoming due and payable after more than one year	1377 _____	377 _____	378 _____
6. Amounts owed to affiliated undertakings	1379 _____	379 _____	380 _____
a) becoming due and payable within one year	1381 _____	381 _____	382 _____
b) becoming due and payable after more than one year	1383 _____	383 _____	384 _____
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	1385 _____	385 _____	386 _____
a) becoming due and payable within one year	1387 _____	387 _____	388 _____
b) becoming due and payable after more than one year	1389 _____	389 _____	390 _____
8. Other creditors	1451 _____	451 <u>414.277,95</u>	452 <u>329.526,89</u>
a) Tax authorities	1393 _____ <u>8</u>	393 <u>414.129,31</u>	394 <u>327.856,37</u>
b) Social security authorities	1395 _____	395 <u>148,64</u>	396 <u>1.670,52</u>
c) Other creditors	1397 _____	397 _____	398 _____
i) becoming due and payable within one year	1399 _____	399 _____	400 _____
ii) becoming due and payable after more than one year	1401 _____	401 _____	402 _____
<b>D. Deferred income</b>	1403 _____	403 _____	404 _____
<b>TOTAL (CAPITAL, RESERVES AND LIABILITIES)</b>		405 <u>396.347.019,43</u>	406 <u>409.462.475,50</u>

**Annual Accounts Helpdesk :**

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RCSL Nr. : B113090

Matricule : 2005 2231 338

eCDF entry date :

**PROFIT AND LOSS ACCOUNT**

**Financial year from** <sup>01</sup> 01/01/2019 **to** <sup>02</sup> 31/12/2019 (in <sup>03</sup> EUR )

SAF-HOLLAND SE

68-70, Boulevard de la Pétrusse  
L-2320 Luxembourg

**PROFIT AND LOSS ACCOUNT**

	Reference(s)	Current year	Previous year
<b>1. Net turnover</b>	1701 _____	701 _____	702 _____
<b>2. Variation in stocks of finished goods and in work in progress</b>	1703 _____	703 _____	704 _____
<b>3. Work performed by the undertaking for its own purposes and capitalised</b>	1705 _____	705 _____	706 _____
<b>4. Other operating income</b>	1713 _____	713 _____ 0,00	714 _____ 631.557,10
<b>5. Raw materials and consumables and other external expenses</b>	1671 _____	671 _____ -2.185.219,45	672 _____ -2.270.489,48
a) Raw materials and consumables	1601 _____	601 _____	602 _____
b) Other external expenses	1603 _____ 10	603 _____ -2.185.219,45	604 _____ -2.270.489,48
<b>6. Staff costs</b>	1605 _____ 11	605 _____ -45.685,20	606 _____ -54.667,00
a) Wages and salaries	1607 _____	607 _____ -38.645,34	608 _____ -47.209,32
b) Social security costs	1609 _____	609 _____ -7.039,86	610 _____ -7.457,68
i) relating to pensions	1653 _____	653 _____ -5.200,12	654 _____ -5.193,05
ii) other social security costs	1655 _____	655 _____ -1.839,74	656 _____ -2.264,63
c) Other staff costs	1613 _____	613 _____	614 _____
<b>7. Value adjustments</b>	1657 _____	657 _____	658 _____
a) in respect of formation expenses and of tangible and intangible fixed assets	1659 _____	659 _____	660 _____
b) in respect of current assets	1661 _____	661 _____	662 _____
<b>8. Other operating expenses</b>	1621 _____ 13	621 _____ -974.178,45	622 _____ -552.496,96

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	Reference(s)	Current year	Previous year
<b>9. Income from participating interests</b>	1715	<u>7.500.000,00</u>	<u>21.000.000,00</u>
a) derived from affiliated undertakings	1717 <u>3, 5</u>	<u>7.500.000,00</u>	<u>21.000.000,00</u>
b) other income from participating interests	1719		
<b>10. Income from other investments and loans forming part of the fixed assets</b>	1721	<u>3.496.368,34</u>	<u>4.662.102,49</u>
a) derived from affiliated undertakings	1723 <u>4</u>	<u>3.496.368,34</u>	<u>4.662.102,49</u>
b) other income not included under a)	1725		
<b>11. Other interest receivable and similar income</b>	1727	<u>0,00</u>	<u>155.482,01</u>
a) derived from affiliated undertakings	1729	<u>0,00</u>	<u>155.482,01</u>
b) other interest and similar income	1731		
<b>12. Share of profit or loss of undertakings accounted for under the equity method</b>	1663		
<b>13. Value adjustments in respect of financial assets and of investments held as current assets</b>	1665		
<b>14. Interest payable and similar expenses</b>	1627	<u>-996.418,08</u>	<u>-2.651.122,41</u>
a) concerning affiliated undertakings	1629		
b) other interest and similar expenses	1631 <u>7</u>	<u>-996.418,08</u>	<u>-2.651.122,41</u>
<b>15. Tax on profit or loss</b>	1635		
<b>16. Profit or loss after taxation</b>	1667	<u>6.794.867,16</u>	<u>20.920.365,75</u>
<b>17. Other taxes not shown under items 1 to 16</b>	1637 <u>8</u>	<u>89.930,52</u>	<u>-4.109,30</u>
<b>18. Profit or loss for the financial year</b>	1669	<u>6.884.797,68</u>	<u>20.916.256,45</u>

SAF-HOLLAND SE  
Société Européenne  
(previously SAF-HOLLAND S.A., Société anonyme)

**Notes to the annual accounts**  
31 December 2019

**Note 1 - Organisation**

SAF-HOLLAND SE (previously SAF-HOLLAND S.A.) (the “Company”) is a commercial company incorporated in Luxembourg on December 21, 2005, under the legal form of a “Société Anonyme”. The registered office of the Company is at 68-70, boulevard de la Pétrusse, L-2320 Luxembourg and the Company is registered with the Register of Commerce of Luxembourg under the section B number 113.090.

As of February 14, 2020, the legal form of the Company has been changed from a public limited liability company (S.A.) to an European company (SE).

The Company’s purpose is to acquire directly or indirectly shareholdings (including but not limited by way of setting-up new companies) and interests, in any form whatsoever, in any connection with its subsidiaries (the “Group Companies”) and any other company being in the same line of business, to acquire any securities and rights through participation, contribution, underwriting firm purchase or option, negotiation or any other way in Group Companies or other companies being in the same line of business, and generally to hold, manage, develop, sell or dispose of the same, in whole or in part, for such consideration as the Company may think fit. The Company may further grant to, or for the benefit of, any holding company, subsidiary, or fellow subsidiary, or any other company associated in any way with Group Companies, any assistance such as pledges, loans, advances or guarantees. The Company may borrow and raise money in any manner for the purpose of its investment in Group Companies and secure the repayment of any money borrowed. The Company may further borrow funds and issue bonds and other securities to a limited number of subscribers. The Company can perform all commercial, technical and financial operations, connected directly or indirectly in all areas as described above in order to facilitate the accomplishment of its purpose.

The Company prepares consolidated accounts and files these accounts with the Luxembourg Trade Registry.

The accounting year begins on January 1 and ends on December 31.

The Company is listed on the Prime Standard of the Frankfurt Stock Exchange and trades under the symbol “SFQ” (ISIN: LU0307018795). The shares of the Company have been included in the SDAX since 2010.

In accordance with article 1720-1 (3) of the amended Luxembourg law of 10 August 1915 the Company does not prepare a single management report on stand-alone basis. The required information are presented in the consolidated management report.

**Notes to the annual accounts**  
31 December 2019

**Note 2 - Summary of significant accounting policies**

The Company maintains its books in Euro ("EUR") and the annual accounts have been prepared in conformity with legal and regulatory requirements in Luxembourg under the historical cost convention as well as with generally accepted accounting principles in Luxembourg including the following significant accounting policies.

The annual accounts of SAF-HOLLAND SE (previously SAF-HOLLAND S.A.) are prepared under the assumption that the Company is a going concern.

Accounting policies and valuation rules are, besides the ones laid down by the amended law of 19 December 2002, determined and applied by the Board of Directors.

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise their judgment in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions changed. Management believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*a) Formation expenses*

The formation expenses, which include the fees and costs for the incorporation and capital increases of the Company, are directly charged to the profit and loss account of the year in which they are incurred.

*b) Financial assets and dividends*

Financial assets are stated at historical acquisition cost. Write-downs are recorded if, in the opinion of the Board of Directors, a permanent impairment in value has occurred. Dividends receivable from affiliated undertakings are recognised in the period in which they are declared by the entity. However, dividends receivable from affiliated undertakings may be recognised in the profit and loss account in the period in which the subsidiary proposes their allocation of profits, if the following conditions are met:

- the Company is the sole shareholder of the entity and controls it;
- the Company and the subsidiary entities form a group; and
- the financial year ends of the two entities coincide.



**Notes to the annual accounts**  
31 December 2019

**Note 2 - Summary of significant accounting policies (continued)**

- the annual accounts of the subsidiary for the financial year in question were approved by the Annual General Meeting before the approval of the annual accounts of the parent company;
- the annual accounts of the subsidiary, for the financial year in question, show that the subsidiary appropriated profits to the Company and; and
- the annual accounts of the subsidiary show a true and fair view of the financial position and of the results of its operations for the financial year concerned.

*c) Receivables, cash at banks and debts*

Receivables, cash at banks, and debts are stated at their nominal value less allowance for doubtful accounts.

*d) Foreign currency translation*

Monetary assets and liabilities stated in currencies other than EUR are translated at the exchange rates prevailing at the balance sheet date. Income and expenses denominated in foreign currency have been translated at the exchange rate prevailing at the transaction date. Realised and unrealised exchange losses and realised exchange gains are recorded in the profit and loss account.

*e) Presentation*

The presentation of the annual accounts is that required by the amended Law of December 19, 2002. The annual accounts of the Company have been established in accordance with the laws and regulations of the Grand-Duchy of Luxembourg and with generally accepted accounting principles.

**Note 3 - Shares in affiliated undertakings (in EUR)**

As of December 31, 2019 and 2018, the Company held the following participation:

Name of the Company	Country	% of ownership	Acquisition cost		Shareholders' equity	
			2019	2018	2019	2018
SAF-HOLLAND GmbH	Germany	100%	313,238,381.02	313,238,381.02	179,485,817.76	168,102,552.05

The shareholder's equity disclosed above includes the profit for the year ending on December 31, 2019 and amounting to EUR 32,383,265.71 (2018: profit amounting to EUR 17,785,415.63).

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***Note 3 - Shares in affiliated undertakings (in EUR) (continued)***

SAF-HOLLAND GmbH, having its registered office at Hauptstraße 26, D-63856 Bessenbach, Deutschland, decided to distribute a dividend for the year 2019, to the Company, for an aggregate amount of EUR 7,500,000.00 (2018: EUR 21,000,000.00). The dividend receivable has been booked in the caption “amounts owed by affiliated undertakings” (please refer to note 5).

As of December 31, 2019, in the opinion of the Board of Directors, no impairment is deemed to be necessary.

***Note 4 - Fixed assets – Loans to affiliated undertakings (in EUR)***

On October 31, 2013, the Company granted a loan amounting to EUR 42,893,803.39 to SAF-Holland Inc. This loan is repayable on April 26, 2022 but can be prepaid partially or fully before maturity date without penalty. During the year 2014, this loan was amended to reduce the annual interest rate from 8.3% to 4.62% starting from October 1, 2014. On January 29, 2015, the Company entered into an amendment agreement with SAF Holland Inc. in order to cancel the capitalization of the annual unpaid interest with effect on April 25, 2014 and to organise monthly payment of the interest with effect from January 1, 2015. As of December 31, 2019, the outstanding nominal of the loan amounted to EUR 42,893,803.39 (2018: EUR 42,893,803.39).

On October 1, 2014, the Company granted a loan amounting to EUR 99,448,500.00 to SAF-Holland GmbH, bearing an annual interest rate of 4.62% and repayable on September 12, 2020 (the unpaid interest are capitalized on April 27 of each year). This loan can be prepaid partially or fully before maturity date without penalty. On March 9, 2016, the Company decided to contribute into the free capital reserve of SAF Holland GmbH for an amount of EUR 47,600,000.00 by reduction of the principal of this loan. During the year ended December 31, 2018, this loan has been partly repaid for an amount of EUR 20,377,941.17. On October 1, 2019, unpaid interest have been capitalized for EUR 1,102,571.01 and following a set-off agreement signed on January 21, 2020, with retroactive effect as of December 31, 2019, a decrease has been booked for EUR 493,159.98. As of December 31, 2019, the outstanding nominal of the loan amounted to EUR 32,079,969.86 (2018: EUR 31,470,558.83).

Interest income for the year on the above two loans amounting to EUR 3,496,368.34 (2018: EUR 4,662,102.49) have been classified under the item “Income from other investments and loans forming part of the fixed assets - derived from affiliated undertakings”.

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**Note 5 - Debtors - Amounts owed by affiliated undertakings (in EUR)**

As of December 31, 2019, the Company recorded a dividend receivable for the year 2019, from SAF-HOLLAND GmbH, for an amount of EUR 7,500,000.00 (2018: EUR 21,000,000.00) which is also included under the item "Income from participating interests - derived from affiliated undertakings" of the profit and loss account.

**Note 6 - Capital and reserves (in EUR)**

**Movements for the year on the capital and reserve items**

	Subscribed capital (in EUR)	Share premium account (in EUR)	Legal reserve (in EUR)	Other reserve (in EUR)	Profit or loss brought forward (in EUR)	Profit or loss for the financial year (in EUR)
<b>As of 01.01.2019</b>	<b>453,943.02</b>	<b>276,854,899.23</b>	<b>45,361.11</b>	<b>720,087.15</b>	<b>9,633,394.26</b>	<b>20,916,256.45</b>
Capital increase	-	-	-	-	-	-
Appropriation of profit or loss						
- Allocation of prior year result	-	-	-	-	488,820.54	(488,820.54)
- Allocation to the special reserve	-	-	-	-	-	-
- Dividend distribution in 2019	-	-	-	-	-	(20,427,435.91)
Profit for the year ending on December 31, 2019	-	-	-	-	-	6.884.797,68
<b>As of 31.12.2019</b>	<b>453,943.02</b>	<b>276,854,899.23</b>	<b>45,361.11</b>	<b>720,087.15</b>	<b>10,122,214.80</b>	<b>6.884.797,68</b>

*a) Subscribed capital and authorised share capital*

As of December 31, 2019, the share capital of the Company amounted to EUR 453,943.02 (2018: EUR 453,943.02) represented by 45,394,302 ordinary shares with a par value of EUR 0.01, fully paid-in.

During the year, the Company did not acquire any of its own shares.

*b) Legal reserve*

Under Luxembourg law, an amount equal to at least 5% of the net profit must be allocated annually to a legal reserve until such reserve equals to 10% of the share capital. This reserve is not available for dividend distribution.

*c) Other reserves*

The annual general meeting resolved to allocate the following amounts to a special reserve in order to reduce the net worth tax liability of the Company on:

- April 28, 2011, for EUR 232,525.00;
- April 26, 2012, for EUR 203,750.00; and
- April 28, 2016, for EUR 283,812.15.

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**Note 6 - Capital and reserves (in EUR) (continued)**

The special reserve is based on article 5, 1°, par. 8a of net worth tax law. The reserve amounts to five times the annual net worth tax deducted from the corporate income tax, and is not distributable for five years subsequent to the year in which the deduction was made.

As of December 31, 2019, the restricted position of “other reserves” is as follows:

	<b>Restricted reserve</b>
	<b>EUR</b>
Allocation for 2010 net worth tax reduction	232,525.00
Allocation for 2011 net worth tax reduction	203,750.00
Allocation for 2016 net worth tax reduction	283,812.15
<b>Restricted reserve as of 31.12.2019</b>	<b>720,087.15</b>

**Note 7 - Debenture loans, convertible loans (in EUR)**

On September 12, 2014, within the scope of a private placement, the Company issued an unsecured senior convertible bond with SAF-HOLLAND SE (previously SAF-HOLLAND S.A.) share conversion rights. The convertible bonds have an original issue volume of EUR 100,200,000.00, a term of six years (maturity: September 12, 2020) and an interest coupon of 1.0% per annum, payable semi-annually in arrears on March 12 and September 12.

The conversion right can generally be exercised at any time within the period from October 23, 2014 to September 3, 2020 in accordance with the terms and conditions of the convertible bonds at a fixed conversion price in the amount of EUR 12.3706 initially.

The Company is entitled to cancel and make early repayment on all outstanding convertible bonds, if the aggregate principle amount of the outstanding convertible bonds at any time falls 15% below the aggregate nominal amount of the originally issued convertible bond. In addition, the Company is entitled, as from September 27, 2018, to repay the entire convertible bonds at the nominal amount including the interest accumulated to date, if the share price exceeds the respectively valued conversion price by at least 30% on at least 20 of 30 sequential trading days.

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***Note 7 - Debenture loans, convertible loans (in EUR) (continued)***

On December 27, 2017, the Company converted 400,000 bonds into 33,100 new shares with a nominal value of EUR 0.01 each. Due to this issuance of shares, the Company increased its share capital for an amount of EUR 331.90, the share premium for an amount of EUR 399,607.60 and the premium on conversion of bonds into shares for an amount of EUR 60.50.

As of December 31, 2019, the principal of the issued bonds amounted to EUR 99,800,000.00 (2018: EUR 99,800,000.00) and the accrued and unpaid interest amounted to EUR 304,335.18 (2018: EUR 306,016.58).

The total interest for the year on the bonds amounting to EUR 996,318.60 (2018: EUR 996,773.49) have been classified under the item "interest payable and similar expenses – other interest and similar expenses".

The fees and expenses in connection with the above remaining bonds issued amounting to EUR 100,242.33 (2018: EUR 241,545.58) are recorded as prepaid expenses under the item "Prepayments" and are amortized over the life of the bonds.

***Note 8 - Taxes (in EUR)***

The Company is subject to all taxes applicable to commercial companies in Luxembourg.

***Note 9 - Dividends paid (in EUR)***

During the year 2019, the Company distributed a dividend of EUR 0.45 per share to its shareholders for an aggregate amount of EUR 20,427,435.91 (2018: EUR 20,427,435.91).

SAF-HOLLAND SE  
Société Européenne  
(previously SAF-HOLLAND S.A., Société anonyme)

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**Note 10 - Other external expenses (in EUR)**

As of December 31, 2019, other external expenses can be detailed as below:

	<b>2019</b>	<b>2018</b>
Bank fees	7,062.86	1,791.24
Administrative fees	211,742.06	198,468.70
Investor relation fees	100,867.05	106,128.30
Purchases of advertising services	13,767.88	228,304.91
Handling fees and costs	205,022.66	647,557.10
Issuance costs of the convertible bonds	137,409.91	135,852.05
Other fees	1,509,347.03	952,387.18
<b>Total</b>	<b>2,185,219.45</b>	<b>2,270,489.48</b>

**Note 11 - Staff costs**

The Company had one permanent employee from January 1, 2019 to December 6, 2019 (2018: 1 employee).

**Note 12 - Audit fees**

Art. 65 paragraph (1) 16° of the law of December 19, 2002 on the register of commerce and companies and the accounting and annual accounts of undertakings (the “law”) requires the disclosure of the independent auditor fees. In conformity with the law these details have been omitted as the Company prepares consolidated accounts in which this information is disclosed and these consolidated accounts and the related consolidated management report and auditor’s report thereon have been lodged with the Luxembourg Trade Registry.

**Note 13 - Board of Directors’ remuneration**

The other operating expenses also included director’s fees for attendance at Board and Committee meetings for an amount of EUR 554,700.00 (2018: EUR 286,356.16).

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***Note 14 - Off balance sheet***

The Company guaranteed some loans granted by financial institutions to SAF Holland GmbH and guaranteed to reimburse the loans in the case of SAF Holland GmbH does not satisfy its commitments.

The first guarantee given is on a loan granted to SAF Holland GmbH in relation to a facilities agreement dated June 2016 for a total amount of EUR 50,000,000.00.

The second guarantee given is on a loan granted to SAF Holland GmbH in relation to a loan agreement dated October 2015 for a total amount of EUR 120,000,000.00 and USD 35,000,000.00.

On October 2, 2018, this guarantee has been replaced by a credit revolving facility agreement for an amount of EUR 200,000,000.00 between SAF-Holland GmbH and SAF-Holland Inc. including subsidiaries.

***Note 15 - Subsequent events***

As of February 14, 2020, the legal form of the Company has been changed from a public limited liability company (S.A.) to an European company (SE).