FRIWO

Figures, Dates, Facts
Annual Report 2022

FRIWO at a Glance
Key Figures

EUR m	**1–12 / 2022**	**1–12 / 2021**
Revenue	184.9	100.5
Earnings before interest and taxes (EBIT)	4.3	-8.0
EBIT margin in %	2.3	-7.9
Earnings before taxes (PBT)	1.8	-10.1
Earnings after taxes	0.5	-10.5
Statement of financial position	**Dec. 31, 2022**	**Dec. 31, 2021**
Total assets	105.0	75.7
Equity	24.9	9.0
Equity ratio in %	23.7	11.9
Investments	5.9	2.6
Employees (December 31)	2501	2182
Share		
Earnings per share in EUR	0.06	-1.37

Contents

Foreword by the Management Board

"Everything that we ourselves can influence is developing well"

FRIWO Management Board members Rolf Schwirz and Tobias Tunsch talking about the surge in growth in 2022, the joint venture for e-mobility solutions in India and the Group's future prospects

Mr. Schwirz, revenue growth of around 84%, a turnaround achieved in earnings: how did you achieve these results in 2022 despite adverse conditions?

Rolf Schwirz: In fact, we can be very happy with what we have achieved. FRIWO is experiencing profitable growth and we are convinced that this is sustainable. Last year too, this development was driven by e-mobility applications with our innovative power supply and drive solutions for e-bikes, e-scooters and motorbikes. The significant investment in this global future market is beginning to pay dividends. In 2022, e-mobility already accounted for a good third of consolidated revenue compared with a quarter in the previous year. But we also posted significant growth in all other target industries, i.e. tools and garden devices, medical as well as industrial applications. However, the 84% upturn in consolidated revenue must be put in context to some extent: it also included orders from the backlog dating back to 2021, which was still significantly affected by the coronavirus pandemic, and materials where the costs were passed on to third parties. If revenue is adjusted for these extraordinary factors, however, we still posted sharply increased growth of more than 40%.

In the previous year, apart from the production restrictions caused by coronavirus, FRIWO also had to contend with additional external problems: global supply problems with electronic components, rising commodity prices and shortages of freight capacity. Has the situation eased in 2022?

Schwirz: Yes and no. Production at our principal production site in Vietnam had largely normalized towards the end of 2021. We returned to full capacity utilization from the second quarter of this year and also rented a fourth plant in the industrial park close to Ho Chi Minh City to be prepared for further growth. The costs of freight and material remained high in 2022 but we were able to pass on these additional costs to our customers in some cases. We also had to spend more on warehousing costs, as uncertain procurement markets meant we had to stockpile more components to ensure we could process orders on time.

… which is likely to have depressed earnings …

Schwirz: Of course, these burdens reduced our margins. Otherwise the turnaround would have been even more dramatic. In this connection, I must emphasize that our teams throughout the world have – once again – done a fantastic job and, thanks to their impressive commitment and creativity, ensured that FRIWO was able to supply customers on time despite all the headwinds it was facing. We owe them our heart-felt thanks for this!

The establishment of the joint venture in India with the technology group UNO MINDA was undoubtedly a strategic highlight. Have your expectations been fulfilled to date?

Schwirz: Absolutely. The joint venture in which FRIWO AG holds an equity interest of 49.9% via FRIWO Gerätebau GmbH was established in October 2022 once all the approvals had been obtained and has been operating since the beginning of this year. Before the agreement with UNO MINDA, we had already realized that the drive and control technology that we had acquired in 2018 through the acquisition of Emerge Engineering and subsequently developed was generating a lot of interest in India. Accordingly we had already generated development orders from well-known companies via our own subsidiary in India, which led to our first sales in 2022. With the UNO MINDA Group as our partner, there are now entirely different opportunities to service the gigantic market for electrical two and three-wheel vehicles on the sub-continent. The response to our range of electric drive solutions is really overwhelming: the joint venture had already received numerous orders and declarations of intent from renowned Indian vehicle manufacturers at the beginning of 2023. These orders will lead to sales at the joint venture of more than EUR 400 million between 2023 and 2026. This shows the enormous potential offered by this collaboration.

What are the next steps in India?

Schwirz: It is a matter of priority that the joint venture can start production in its own new production facility. We assume that this will be the case in the second quarter of 2023. From this point, the joint venture will generate revenue that we already expect to be in the mid-double-digit millions for the current year.

Mr. Tunsch, UNO MINDA has invested in FRIWO AG via a capital increase and holds a share of 5.24%. Is a closer relationship between the two companies imminent here?

Tobias Tunsch: The investment by UNO MINDA served to underpin our long-term strategic cooperation. The cash inflow from the capital increase of around EUR 15 million, in addition to the financial contributions from our longstanding major shareholder Cardea Holding GmbH, helped considerably to strengthen the Group’s equity base once more. This had suffered significantly from losses in previous years and the burdens imposed by the coronavirus pandemic. At 23.7%, the equity ratio was back at an adequate level at the end of 2022.

If the joint venture in India has so much potential, why then has FRIWO been satisfied with a minority interest, meaning that the revenue will not be consolidated at FRIWO?

Tunsch: For us it was clear from the beginning that this partnership represents a major opportunity for FRIWO. With its international presence and more than 70 production facilities located around the world, the UNO MINDA Group is one of the leading direct suppliers for mobility companies in India, both for local Indian players and for renowned Japanese manufacturers such as Honda, Kawasaki or Suzuki. With its strong market position and substantial distribution capacity, UNO MINDA will open doors for us in India and elsewhere in the future that would otherwise possibly have remained closed to us – as is apparent from the positive trend in orders. And we shall benefit from rising revenue firstly via license fees on the joint venture’s sales generated from FRIWO products and secondly from the pro rata investment income accruing to FRIWO.

Notwithstanding this, the joint venture is very much based on partnership, including in terms of its governance: each partner appoints two dependent members to the Board of Directors and is entitled to nominate an additional independent member. To be sure, UNO MINDA has the final word via the Chairman of the Board in the event of a tied vote. However, there are a series of contractually defined transactions for which the consent of both partners is required.

Let’s stay with internationalization: At the end of November 2022, FRIWO announced that it will also open a sales base in the U.S.A. What do you expect from this?

Schwirz: The U.S.A is of course a very attractive market, especially for our products in the e-mobility and medical areas. Ultimately, the U.S. medical technology market is by far the largest in the world. If we are serious about making FRIWO’s business more international, we cannot ignore the U.S.A. We initially want to concentrate primarily on selling to the West and East Coast from our new office in Chagrin Falls in the State of Ohio, close to Cleveland, before developing other regions. In this connection, we shall of course benefit from the strong presence of many of our customers on the U.S. market.

FRIWO is expanding, becoming more international and consequently also more complex. How will you ensure that the Group structures follow this development?

Schwirz: That is a very important aspect in fact. Ultimately, it is a matter of ensuring that our customers are satisfied and attracting new customers – by supplying high-quality, faultless products, by always delivering on time and by repeatedly offering added value through technological innovations that only FRIWO can provide. This is why we started years ago, long before coronavirus, to focus our structures and processes more closely on the market: in research and development, in distribution, in production and also in communication with customers. Their response, which we regularly query, shows that things have improved significantly, that we have become faster, more agile and closer to our customers. With the Group-wide introduction of SAP software, which took place at the beginning of 2023, we have taken another important step to ensuring that we have efficient structures and processes even as our business volume expands and becomes increasingly complex.

What are your expectations for fiscal year 2023? Will FRIWO continue to grow?

Tunsch: I would say that we are cautiously optimistic at the current time – i.e. the beginning of the year. Everything that we, as FRIWO, can influence is developing well. The overriding issue is how the slowdown in economic activity and high inflation will impact demand and consumer behavior in our principal sales markets. At the end of 2022, orders on hand in the Group stood at EUR 83.6 million and therefore remained at a good level. However, many producers’ and dealers’ warehouses are well stocked – particularly with consumer goods – because a lot of components were stockpiled in view of market uncertainties last year. The trend in incoming orders in the future therefore remains to be seen. However, should there be a slump in demand, we see good opportunities to increase consolidated revenue further. Here, the previous year’s figure adjusted for the order backlog and the costs passed on to third parties must be used as a basis. In terms of operating earnings, i.e. EBIT, we expect to be able to achieve EBIT at the previous year’s level in 2023. Here, the fact that FRIWO must make significant advance payments associated with development for the Indian business on the cost side in 2023 must be taken into account. However, we expect that these will be translated into increasingly higher revenue from this equity interest in subsequent years.

Mr. Schwirz, if you are to put it in a nutshell, where does the FRIWO Group stand at present?

Schwirz: When asked this question a year ago, I said that our Group was at the start of a new period of growth. This is precisely what has happened. The renewal and expansion of our range of products and services, which we have successfully mastered in recent years, is proving a hit both with existing and new customers. Through the development of our e-mobility expertise and, of course, the joint venture in India, we have excellent chances of becoming one of the trendsetters in the much-cited shift to environmentally friendly transportation. The positive trend in the FRIWO share price, which increased in value by around a third last year, also shows that the capital market is rewarding all these developments. Despite all these external challenges that we cannot influence, we therefore have every reason to approach the coming years with confidence.

Report of the Supervisory Board

In the following report, the Supervisory Board of FRIWO AG reports on its activities in the period under review, in particular, its discussions in the full Supervisory Board, compliance with the German Corporate Governance Code, the audit of the non-financial declaration as well as the financial statements of FRIWO AG and of the Group.

Cooperation between the Management Board and the Supervisory Board

The Supervisory Board of FRIWO AG performed the tasks incumbent on it by law and the Articles of Association with great care in fiscal year 2022. It regularly advised the Management Board on the management of the company and monitored its management activities. The Supervisory Board was immediately included at an early stage in all decisions of fundamental importance to the Company. The Supervisory Board adopted the resolutions required by law or the Articles of Association in both its face-to-face meetings and by telephone, in writing or in text form by way of circular vote.

The Supervisory Board was kept informed by the Management Board through regular, prompt, and comprehensive written and verbal reports regarding all issues relevant to the company, especially strategy, planning, business performance, the risk situation, risk management, and compliance, both during its meetings and between these events. Significant events, such as deviations from plans and targets, were explained to the Supervisory Board in detail and examined in depth with the aid of the documents submitted.

Meetings of the Supervisory Board

In 2022, the Supervisory Board met for four scheduled meetings in the presence of the Management Board. The meetings took place as face-to-face meetings on March 17, May 12, September 29 and December 14. The ordinary meeting on March 17 also dealt with topics relating to fiscal year 2021.

In addition, the Supervisory Board adopted resolutions on six occasions in total in fiscal year 2022 by voting in writing or by telephone or voting in text form. These resolutions related to:

- the adjustment of rules governing the Management Board's variable remuneration,
- the appointment of Tobias Tunsch as a Management Board member and the conclusion of a Management Board contract of employment,
- the annual financial statements prepared by the Management Board and the consolidated financial statements including the management report and the Group management report and the non-financial Group declaration,
- the resolution on the share issue price as part of the cash capital increase by UNO MINDA,
- the extension of the syndicated loan agreement until December 31, 2023,
- other requests by the Management Board for the Supervisory Board to approve transactions that require approval.

With the exception of the meeting of the Supervisory Board on December 14, 2022, in which the Supervisory Board member Marco Erdt did not participate, all members of the Supervisory Board and the Management Board were present in all meetings. Each of the members of the Supervisory Board also participated in the circular resolutions.

The Audit Committee met for four meetings in fiscal year 2022, which also took place as face-to-face meetings on March 17, May 12, September 29 and December 14. The committee members were present at every meeting. Among other matters, the committee meetings discussed the annual financial statements and the audit of the 2021 annual financial statements as well as the preparation, planning and definition of the key areas for the audit of the 2022 financial statements.

Key Areas of the Board’s activity

In all its discussions, the Supervisory Board dealt with trends in revenue, earnings and employment as well as the financial position and net assets of FRIWO AG and the Group, various personnel matters, risk management, compliance and questions of sustainability (ESG). In particular, discussions concerned international activities, the Group’s strategic development up to 2027 and the global impact of the COVID-19 pandemic and the war in Ukraine on the development of the FRIWO Group’s revenue and earnings and consequently on its liquidity and its equity base.

A recurring subject of the ordinary meetings was the Management Board's written and verbal reports on the business situation of FRIWO AG and the Group, particularly the current revenue, earnings and employment development as well as the financial position and net assets and corporate governance, risk management and ESG-related issues.

The following issues, in particular, were also discussed in detail in the meetings of the Supervisory Board:

At its meeting in March 2022, in which the auditors participated, the Supervisory Board also dealt with the 2021 annual financial statements and consolidated financial statements, which were each given an unqualified audit report by Rödl & Partner GmbH, Wirtschaftsprüfungs- Steuerberatungsgesellschaft, Bielefeld, with the combined management report for FRIWO AG and the Group as well as the report on relations with affiliated companies and examined these documents. The report of the Supervisory Board for fiscal year 2021 was approved unanimously. The Supervisory Board also approved the proposed agenda for the ordinary 2022 Annual General Meeting including the proposed resolutions recorded there.

In May 2022, the Supervisory Board meeting took place after the Annual General Meeting. A key item on the agenda was the resolution on the establishment of a subsidiary in the U.S.A.

Key issues at the third ordinary meeting in September were the presentation of the strategy prepared by the Management Board up to 2027 and the resolution on the strategic five-year plan. The Board also resolved to waive the external audit of the non-financial (Group) declaration for fiscal year 2022 by the auditor.

The meeting in December 2022 involved the forecast for fiscal year 2022 and the budget for fiscal year 2023 in addition to the audit of the 2022 annual financial statements. Following detailed discussions and much debate about the annual planning for fiscal year 2023 presented by the Management Board, a need for amendments was identified meaning that a resolution was agreed by way of circular vote. The agenda also included the resolution on the submission of the declaration of conformity regarding the recommendations of the German Corporate Governance Code.

No members of the Supervisory Board or the Management Board have indicated that they are involved in any conflicts of interest nor have any become apparent in fiscal year 2022.

Changes in the Management Board

On March 1, 2022, Tobias Tunsch was appointed to the company's Management Board. Tobias Tunsch has been heading the Finance Department on a temporary basis since May 2021. The Supervisory Board is pleased that it was able to find a competent replacement for this position.

Corporate Governance

In the opinion of the Supervisory Board, the Board contains a sufficient number of people who can be classed as independent. The Board has extensive knowledge of the sector, is characterized by significant international experience and skills thanks to the varied professional backgrounds of its members and therefore has the necessary knowledge, skills and professional experience to perform its tasks.

Future proposals to the Annual General Meeting for the election of shareholder representatives are also to ensure, taking account of changes to the law, that the expertise and requirements profile developed by the Supervisory Board is applied to the composition of the Board. Among others, it includes the following criteria:

- Extensive knowledge of the sector,
- internationality and
- diversity, in terms of age, gender, educational and professional background.

The members of the Supervisory Board are solely responsible for ensuring that they undertake the training and professional development measures that they need to carry out their duties.

In May 2021, in accordance with Section 111(5) sentence 1 of the German Stock Corporation Act (Aktiengesetz — AktG), the Supervisory Board set the target of one of its six members being a woman by May 5, 2026. The target set was not achieved in fiscal year 2022. The target set has been achieved once more with the appointment of Sabine Vennekötter as a Supervisory Board member effective February 1, 2023. In December 2021, the Supervisory Board decided to maintain the current situation for the proportion of women in the composition of the Management Board until December 31, 2026. With regard to the intention of having a Board consisting of two Management Board members, the Supervisory Board does not consider that a candidate's gender alone is a suitable criterion for selection. On the contrary, professional qualifications are the primary consideration when filling positions on the Management Board.

The Supervisory Board is satisfied that FRIWO AG complied with the recommendations of the German Corporate Governance Code, as per its declaration of conformity from December 2022, in fiscal year 2022. The current declaration of conformity can be found on the company's website.

Audit of the Non-financial Group Declaration

In accordance with Section 171(1) sentence 4 of the German Stock Corporation Act (Aktiengesetz — AktG), the Supervisory Board examined the non-financial Group declaration, which supplements the management report. As in the previous year, it opted not to engage an additional external audit. Following an in-depth audit and discussion, the Supervisory Board came to the conclusion that it had no objections to raise against the non-financial Group declaration prepared by the Management Board. On this basis, the declaration was adopted by the Supervisory Board. The non-financial Group declaration can be found in the separate sustainability report on the company's website.

Audit of the Annual and Consolidated Financial Statements 2022

The annual financial statements of FRIWO AG prepared by the Management Board for fiscal year 2022 and the 2022 consolidated financial statements as well as the combined management report for FRIWO AG and the Group, have been audited by Rödl & Partner and given an unqualified audit report in each case. The audit by the auditor in accordance with Section 317 (4) HGB found that, with the exception of the reservations applicable to the following areas, the Management Board has implemented the measures required by Section 91 (2) AktG, in particular, to establish a suitable monitoring system and that the monitoring system is capable in all material respects of detecting developments that could jeopardize the company as a going concern with reasonable assurance at an early stage.

During the audit, the following material defects were identified in the areas of risk assessment and risk management: risks are assessed and aggregated on the basis of simplified measurement procedures without the support of suitable scenario analyses or IT-based simulations. Individual companies' ability to bear risk is determined mainly on the basis of qualitative analyses. There is no quantitative determination of the ability to bear risk. The decisions by the Management Board about suitable means to secure the company's existence as a going concern (e.g. risk avoidance, risk reduction, risk sharing and transfer) as well as continuous implementation and monitoring thereof are not fully documented for the risks that have been identified and measured. The Management Board had already started an appropriate project to expand the risk management system in 2022.

The documents relating to the financial statements and the reports of the auditor about the audit of the annual financial statements and the audit of the consolidated financial statements were submitted to all members of the Supervisory Board in good time. In the joint meeting with the auditor, the Supervisory Board obtained detailed information about the annual financial statements and the consolidated financial statements as well as the findings from the audit and were fully informed of the key facts pertaining to the annual financial statements of FRIWO AG and of the consolidated financial statements. The Supervisory Board examined the annual financial statements, the consolidated financial statements and the combined management report for FRIWO AG and the Group in depth and did not raise any objections. The annual financial statements and the consolidated financial statements were discussed in the presence of the auditor and subsequently approved by way of a circular vote. The annual financial statements have thus been adopted in accordance with Section 172 AktG. The Supervisory Board examined the disclosures in the management report pursuant to Section 289a (1) and Section 315a (1) HGB in depth. Issues applicable to the company were either disclosed or, if disclosures are not possible, a negative declaration was provided. The Supervisory Board approved the Management Board's management report.

In accordance with Section 162 AktG, the Management Board and Supervisory Board prepared a report on the remuneration granted and owed to each individual current or former member of the Management Board and the Supervisory Board by the company and by companies in the same Group (Section 290 of the German Commercial Code) in the last fiscal year.

The Remuneration Report was subjected to a formal audit by the auditor in compliance with Section 162 (3) AktG. The content of the Remuneration Report was not audited by the auditor in line with Section 162 (3) AktG. The audit report issued by the auditor is published with the Remuneration Report.

In accordance with Section 312 AktG, the Management Board also prepared a report on relations with affiliated companies. Rödl & Partner audited the report and issued the following audit report:

“Following our mandatory audit and examination, we confirm that

1. the factual statements made in the report are correct,
2. the consideration given by the company for the transactions specified in the report was not unreasonably high and any disadvantages incurred have been compensated,
3. amongst the measures listed in the report, there are no circumstances suggesting an assessment that differs significantly from that of the Management Board.”

The Supervisory Board, which also examined the report in depth, concurs with the findings of the audit by Rödl & Partner and has no objections to raise against the report on relations with affiliated companies produced by the Management Board including the declaration provided by the Management Board at the end of the report.

The Supervisory Board will propose to the 2023 Annual General Meeting that Rödl & Partner GmbH, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Bielefeld, are again elected as auditors for fiscal year 2023.

The strength and performance of the FRIWO Group became more apparent than ever in fiscal year 2022. The Group won its customers over as a reliable partner with pioneering technologies and consistently expanded its market position. FRIWO defied the problems on procurement markets through the outstanding commitment of all its employees meaning that production and delivery capability were maintained at all times in close collaboration with suppliers and customers. The growth in revenue significantly exceeded expectations and the operating earnings (EBIT) achieved provided impressive evidence of the company’s positive performance. Furthermore, with the conclusion of the joint venture in India and the measures initiated to boost liquidity and reinforce the equity base, the key requirements for sustained, profitable growth have been met. The Supervisory Board’s thanks are therefore due, in particular, to all the employees and the Management Board of the FRIWO Group for their outstanding performance and the very successful fiscal year 2022.

Ostbevern, March 2023

Richard G. Ramsauer
Chairman of the Supervisory Board

The Company's Governing Bodies

Supervisory Board	Memberships of Other Governing Bodies
Richard G. Ramsauer Chairman Managing Director VTC GmbH & Co. KG Member since 2008	• None
Jürgen Max Leuze Vice Chairman Managing Director VTC GmbH & Co. KG Member since 2008	• None
Marco Erdt Contract Manager FRIWO Member from 2021 until January 2023	• None
Johannes Feldmayer General Representative Heitec AG Member since 2013	• TGW Logistics Group GmbH, A-4614 Marchtrenk
Uwe Leifken Full-time Works Council Chairman Member since 2016	• None
Dr. Gregor Matthies Senior Advisor Bain & Company Germany, Inc. Member since 2018	• Liikennevirta Oy, 00180 Helsinki, Finland • ELEXIR AG, Saarbrücken
Sabine Vennekötter Project Manager Member since February 2023	• None

Management Board	Memberships of Other Governing Bodies
Rolf Schwirz (CEO)	• FRIWO Power Solutions Technology (Shenzhen) Co. Ltd., China • FRIWO Vietnam Co. Ltd., Vietnam • FRIEMANN & WOLF India Private Ltd., India • Advisory Board of PCO GmbH & Co. KG, Osnabrueck • Board of Directors of UNO MINDA EV SYSTEMS PVT. LTD.
Tobias Tunsch Member of the Management Board since March 2022	• Board of Directors of UNO MINDA EV SYSTEMS PVT. LTD. • Managing Director of Bonum Suisse GmbH

Combined Management Report of the FRIWO Group and FRIWO AG

Basic Information on the Group

Business Model and Group Structure

With its subsidiaries, FRIWO AG, based in Ostbevern in Westphalia and listed in the General Standard of the Frankfurt Stock Exchange, (FRIWO) is an international product and systems provider of power supply units, charging technology and digitally controlled drive solutions. In addition to technologically high-quality charging units, battery packs and power supply units, the product range also includes intelligent components and systems for electric drives. FRIWO can offer all the components of a modern drive train from a single source: from the display, engine control and battery pack through to control software, which will create significant value added.

As an international full-service provider of bespoke, innovative e-mobility solutions as well as power supply units, FRIWO creates sustainable value for its customers, employees and shareholders. The company covers numerous applications with its products and, in terms of e-mobility, is a key player in setting the course towards a climate-neutral mobility revolution. Its expertise in charging technology is particularly appreciated by customers in the demanding growth markets of e-mobility where FRIWO has secured a promising position as a supplier. It also provides customers with innovative e-charging technology for tools and robot lawn mowers. For power supply units, the focus is largely on applications in the medical technology and health, industry automation and mechanical engineering sectors as well as upmarket consumer electronics. The components for electronic drives are used primarily in the e-mobility sector, such as in battery-powered scooters. Its customer base includes well-known companies, the majority of which operate internationally and, in some cases, throughout the world. As a highly innovative technology enabler focusing on research & development, FRIWO is a reliable partner for its customers.

FRIWO AG is the Group’s management holding company and is responsible for strategic direction, risk management and investor relations. It holds all shares in FRIWO companies directly or indirectly. FRIWO Gerätebau GmbH is the central operating company, which is also based in Ostbevern. The FRIWO Group also owns a production company in Vietnam, a service company in China, which is of major importance for the procurement of components, as well as a subsidiary in India, whose role is to develop the local e-mobility market. Since October 2022, FRIWO has been operating a joint venture with the Indian technology group UNO MINDA in India to supply the large Indian market for two and three-wheel vehicles with electrical drive systems. The activities of the FRIWO subsidiary in India are being transferred to the joint company.

By bundling the production expertise and sales channels of UNO MINDA with the advanced technology offered by FRIWO, we have created a provider of e-drives which has outstanding prospects for participating in the forecast growth in this area,. FRIWO holds a stake of 49.9% in this joint venture.

FRIWO also established a subsidiary in the U.S.A at the beginning of 2023 to be able to service the growing demand overseas, particularly in the areas of e-mobility and medicine, in a targeted manner as well.

The Group’s structure means that the assets, financial position and earnings of FRIWO AG are largely shaped by the economic performance of the subsidiaries. The following management report on the company and the group also provides a complete overview of the position of FRIWO AG in this respect.

The FRIWO brand stands for innovation, safety, quality and efficiency throughout the world. The company is certified in accordance with DIN ISO 9001 (quality management), DIN ISO 14001 (environmental management) and DIN ISO 13485 (quality management for medical products).

Motivation, technical expertise and enthusiasm for our products and services provide the basis for our day-to-day activities, combined with a family-friendly HR policy. Our primary objective is to create sustained value for customers, shareholders and employees.

In addition to administration and sales, research and development and the capacity to manufacture prototypes and small series are located at the company's headquarters in Ostbevern in Westphalia. At the beginning of 2021, FRIWO also established a development center in Dresden, where complex products such as engine control systems for electric motors, battery packs or highly integrated drive systems, including modern software solutions, are developed. This makes FRIWO one of the few companies in the sector to have its own development and production site in Germany.

The majority of high-volume production takes place in four production facilities in an industrial park close to Ho Chi Minh City (Vietnam). The site combines German production expertise in flexible production processes with attractive production conditions in Asia.

As a result of vertical integration, the Vietnam site comprises three supplier plants in addition to the main plant, in which FRIWO produces winding goods, cables and plastic and metal stamped parts for its devices.

FRIWO purchases a small part of its products from selected contract manufacturers with production sites in China, India and Vietnam. In fiscal year 2022, a small portion of the products was also manufactured by a contract manufacturer in Poland.

Special Events in the Reporting Period

- On February 28, 2022, FRIWO announced that the Supervisory Board had appointed Mr. Tobias Tunsch as the company's Chief Financial Officer (CFO) with effect from March 1, 2022. Tobias Tunsch had been heading the Finance Department as an external advisor since May 2021. As a result, the Management Board of FRIWO AG, of which Rolf Schwirz is also a member as Chief Executive Officer (CEO), again consists of two people.

- On May 6, 2022, the company announced that, having received approval from the competent supervisory authorities in India, the establishment of a joint venture with the Indian UNO MINDA Group, which had been resolved at the end of 2021, could go ahead. The joint venture was subsequently established on October 12, 2022 and started its own production of components for e-mobility drive systems for two and three-wheel vehicles in an interim production facility in the first quarter of 2023. FRIWO holds an equity interest of 49.9% and will participate in the economic success of the joint venture in the future by means of licensing income for FRIWO technology and via investment income.

- FRIWO AG successfully completed the cash capital increase agreed with the UNO MINDA Group on June 28, 2022, when it was recorded in the Commercial Register. By subscribing for 448,162 newly issued FRIWO shares, UNO MINDA acquired a 5.24% stake in FRIWO AG. The equity interest underpins the companies' long-term strategic cooperation.

- On November 25, 2022, FRIWO announced that, in response to rapidly increasing demand in North America, the Group would service the market there from its own registered office from the beginning of 2023. FRIWO expects profitable growth in the U.S.A from the booming e-mobility business, in particular, but also from the medical area. FRIWO will initially concentrate primarily on selling to the West and East Coast from the new registered office in Chagrin Falls, close to Cleveland (Ohio), before developing other regions.

Management Systems

The FRIWO Group attaches great importance to the use of key indicators in managing its business. To manage the Group's finances, it uses a uniform reporting system in all companies, which utilizes revenue and earnings before interest and taxes (EBIT or EBIT margin) as fundamental management parameters (most important key performance indicators).

If necessary, these key management parameters are broken down into operating figures to provide information on operating performance and consequently to provide a broader base for operational decisions. These include the book-to-bill ratio (ratio of incoming orders to invoiced revenue) as an indicator for future growth, OTIF (“on time and in full”) as a figure to measure adherence to delivery dates, material savings or the capacity utilization of production facilities.

The achievement of an adequate cash flow is also a key criterion for all operational decisions.

Research and Development

The persistent global shortage of components and the challenges associated therewith for the entire electronics sector had a significant impact in terms of research and development (R&D) in fiscal year 2022. The most important tasks included the search for replacement components and seamless integration thereof into existing products while simultaneously maintaining production output and delivery reliability.

In organizational terms, the R&D activities follow the separation of FRIWO business into the Power Systems division, the regular business involving conventional power supply units and the E-Drives division, which focuses on e-mobility solutions.

In E-Drives, research activities are concentrated on the development and completion of the product portfolio. Numerous inquiries from the Indian market showed the need for different power categories to satisfy individual customer requirements. Here, the current market development around battery capacity for electric scooters and motorbikes, with a trend towards 60-volt or 72-volt batteries, played a key role (further information provided in the “Sector-specific conditions” chapter). FRIWO is presently preparing for the current market development by expanding the proportion of high-voltage systems in its portfolio. In combination with the current 48-volt technology, this will achieve far greater and more extensive market coverage in the future.

R&D activities in the Power Systems division were characterized by increased use of GaN technology. GaN (gallium nitride) is a semiconductor material that is increasingly used as an alternative to silicon in power supplies and charging units. It has excellent conductivity and resilience to high temperatures meaning that the charging unit is light and easy to store. The material also offers advantages with energy conversion and output. Thanks to the increase in the number of people using such charging units throughout the world, the price of components is gradually falling to economically viable levels.

A cross-divisional innovation initiative was implemented in R&D in 2022. It involved an external innovation coach advising on techniques to generate ideas easily. The techniques learned have already been used directly in several customer meetings. FRIWO therefore continues to be seen as an expert, innovative partner.

Notwithstanding the global problems, FRIWO expanded its research and development capacity in line with strategy in 2022. As of December 31, 2022, 90 employees were employed in product development and predevelopment throughout the world (previous year: 82 employees). At the year-end, 33 people were employed in R&D in Germany, 56 in Vietnam and one person in India.

In fiscal year 2022, expenditure on R&D increased to EUR 6.2 million across the Group (previous year: EUR 5.6 million).

Economic Report

Macroeconomic Conditions

According to provisional calculations by the German Federal Statistical Office, gross domestic product (GDP) in Germany increased by 1.9% year-on-year in 2022. In the previous year, GDP grew by 2.6%. Despite the lower growth rate, the German economy performed better than most experts had expected, given inflation, the energy crisis, war against Ukraine and ongoing supply problems with equipment and consumer goods.

On the demand side, private consumer spending was the most important element supporting the German economy in 2022. Adjusted for inflation it increased by 4.6% year-on-year, almost reaching the pre-crisis level of 2019. This was due to catch-up effects following the lifting o almost all protective measures imposed during the pandemic.

In Europe too, the economy performed better in 2022 than had initially been assumed. In the first half of the year, consumers' willingness to spend rose following the easing of the COVID-19 containment measures. Despite rising uncertainty due to geopolitical tensions, high energy prices, the erosion of purchasing power among private households and more restrictive financing conditions following the turnaround on interest rates initiated by the European Central Bank (ECB), the European Commission still expected growth in GDP of 3.3% in the EU (3.2% in the eurozone) in its fall forecast 2022. This figure is well up on the projection in the summer forecast (+2.7%).

Sources:

- German Federal Statistical Office, press release dated January 13, 2023
- European Commission, European Economic Forecast 2022: The EU economy is at a turning point, November 11, 2022

Sector-specific Conditions

With its products, the FRIWO Group is primarily active on the global markets for power supply units and charging technology. For the global market for power supply units, the market research company Transparency Market Research (TMR) forecasts a total volume of USD 46.5 billion in 2031, starting from USD 27.1 billion in 2020. This equates to an average annual growth rate (CAGR) of 5.1%. For the global market for charging units, TMR expects a total volume of USD 42.8 billion in 2030, starting from USD 24.5 billion in 2018, which equates to a CAGR of 5.8%.

Since FRIWO serves various sectors and applications, as a manufacturer of charging units, battery packs and power supply units, developments in the market for power supply units and charging technology as a whole are of only limited relevance. In contrast, the consideration of individual sub-markets is more relevant for the future development of FRIWO.

The rapidly expanding global market for e-mobility is of major strategic significance. Here the experts at Mordor Intelligence expect an average annual growth rate of 12.3% for e-bike engines in the period from 2022 to 2027. The market research company Fortune forecasts even stronger growth with an average increase of 16% up to 2028. Growth in the market for e-bikes will be driven primarily by increasing technological innovations in conjunction with rising awareness of efficiency, environmental-friendliness and comfort. Since engines are usually supplied to bike manufacturers as a complete system with an on-board computer, battery and charging unit, this forecast serves as a good indicator for the development of the charging unit market.

In addition to charging technology for e-bikes, FRIWO also supplies engine control systems and all other components for electrical drive trains as a complete system from a single source.

The system solutions are mainly used in e-scooters at present, for which very dynamic market growth is expected. This development will be driven by the expansion in micro-mobility, i.e. the use of cheaper and more environmentally friendly alternatives to the car, especially in dense urban areas in Asia and the U.S.A. This switch will also be promoted by more stringent government emissions standards, such as in the U.S.A, India and China.

Grand View Research forecasts an average annual growth rate of 7.6% for the global market for e-scooter engines from 2021 to 2028. Experts from Prescient & Strategic Intelligence expect 71.8 million units in the Asia-Pacific region up to 2025, which equates to a CAGR of 6.6% in the global region with the largest market. According to Markets and Markets' most probable scenario, growth in the global market for e-scooter engines is forecast at approximately 6.2 million units throughout the world in 2027, which equates to a CAGR of 33.1%. Asia-Pacific will remain the largest region with a market share of more than 85%. Market growth there is attributable to the significant sales volume of affordable e-scooters and the presence of leading OEMs in the region.

In the area of battery technology for two and three-wheel vehicles, continuous enhancements will result in attractive market opportunities in the years to come. Most entry-level e-scooters and motorbikes have a battery capacity of 36 volts or 48 volts, while powerful e-scooters and motorbikes use 60-volt or 72-volt batteries. Two-wheelers with 36-volt systems represent entry-level products that constitute an elementary standard in terms of performance and design and are therefore regarded more as an alternative to e-bikes. Because of the restrictions in terms of speed and range, there is expected to be less demand for 36-volt systems, as the trend towards more powerful and more efficient vehicles is accelerating. The market for 48-volt systems is expected to remain the largest segment in the Asia-Pacific region because of the combination of accessibility and performance (best price-performance ratio). At the present time, there is more demand for high-performance e-motorbikes in Europe and North America. Manufacturers of e-motorbikes and powerful e-scooters prefer systems with 60 volts or 72 volts that can cover the key factors of range and efficiency more effectively. Thanks to the latest developments in lithium-ion battery technology, manufacturers can now also achieve improvements in terms of design and weight for high-voltage batteries, such as the 72-volt segment, which is helping increase the energy efficiency and range per charge of electric two-wheelers still further.

The 48-volt segment will remain the largest market segment in the forecasts up to 2027. The 60-volt and 72-volt segments are expected to account for almost 50% of the entire market up to 2027. At the same time, the greatest regional share for all segments is forecast in the Asia-Pacific region. With regard to growth for the 60-volt system, the highest growth is expected in the Asia-Pacific region and for the 72-volt system in Europe and North America.

The market for medical power supply units is also of strategic importance; experts at the market research company Data Bridge Market Research expect a CAGR of 6.4% in the period from 2021 to 2028. Besides the constant progress in medical technology, the drivers are continuing improvements in medical care in developing and emerging countries as well as higher demand for mobile solutions and medical devices to be used at home.

The sub-markets for charging technology are also very significant for FRIWO's future development. In the case of power tools, the expectation is that battery driven devices will increasingly find a market as battery technology improves, meaning that charging will be faster and batteries will last longer. It is true that the global COVID-19 pandemic had a negative effect on demand in this sub-market. However, the experts at the market research company Fortune assume that the global market for wireless power tools will recover again and estimates a CAGR of 3.8% for the period up to 2028.

Sources:

- Transparency Market Research: Power Supply Market 2021–2031
- Transparency Market Research: Global Charger Market 2018–2030
- Mordor Intelligence: E-bike Market – Growth, Trends, COVID-19 Impact, and Forecasts (2022 – 2027)
- Fortune Business Insights: Electric Bike Market Size (2021–2028)
- Grand View Research: Electric Scooters Market Size, Share & Trends Analysis Report By Product, 2021–2028
- Prescient & Strategic Intelligence: Asia-Pacific (APAC) Low-Speed Electric Vehicle (LSEV) Market by Product to 2025
- Markets and Markets – electric Scooter and Motorcycle Market – Global Forecast to 2027
- Data Bridge Market Research: Global Power Supply Market – Industry Trends and Forecast to 2028
- Fortune Business Insights: Power Tools Market Size, Share & COVID-19 Impact Analysis, 2021–2028

General Business Performance

The FRIWO Group reported a very successful fiscal year in 2022. Revenue increased significantly in the face of sustained encouraging demand albeit this eased towards the end of the year. FRIWO also achieved a turnaround in earnings with a clearly positive result. Strategically, the incorporation of the joint venture in India agreed with the technology group UNO MINDA at the end of 2021 and the establishment of a sales branch in the U.S.A at the beginning of 2023 were vital in setting the course for future growth and for the increasing internationalization of FRIWO’s business.

Consolidated revenue increased from EUR 100.5 million in the previous year to EUR 184.9 million and therefore exceeded the original expectations of growth in the lower to mid-double digits from the previous year’s forecast and the updated forecast from November 2022 of approximately EUR 170 million. Adjusted for the order backlog from the previous year and costs passed on to third parties, growth in revenue still amounted to more than 40%. FRIWO definitely achieved a turnaround with consolidated earnings before interest and taxes (EBIT) of EUR 4.3 million (previous year: EUR -8.0 million) despite ongoing problems from increased warehousing costs, shortages of freight and material capacity and general cost increases. The previous year’s forecasts of slightly positive EBIT were therefore met.

Once again, growth was driven by e-mobility with its innovative power supply and drive solutions for electric two and three-wheel vehicles. But the other application areas, namely Tools, Medical and Industrial, also contributed to the company’s growth.

FRIWO significantly strengthened its equity and financing base through the cash capital increase completed half way through the year, which led to UNO MINDA acquiring a 5.24% share of FRIWO's share capital, the financial contributions from the major shareholder Cardea Holding GmbH and through the extension of the banks’ syndicated loan until the end of 2023.

Order Book Status

In 2022, the FRIWO Group’s incoming orders at EUR 156.2 million were 4.2% up on the previous year’s level of EUR 149.9 million. At 0.85, the book-to-bill ratio, i.e. the ratio of incoming orders to revenue, was well down on the level of the previous year (1.49), with the significantly increased revenue base to be invoiced. At EUR 83.6 million, the order backlog was 14.1% down on the previous year’s record level (EUR 97.2 million) on December 31, 2022. However, orders from the backlog that could be processed and invoiced only in 2022 must be taken into account here. FRIWO reported strong demand mainly from existing customers across all applications, especially from the e-mobility sector.

Incoming orders slowed in the fourth quarter. The reasons for this are sustained uncertainty triggered by the war in Ukraine, the increase in energy costs and significantly higher inflation across the board. Signs of market saturation and the rising expectation of a recession in Europe also had an impact.

The trend in incoming orders differed from region to region: in the “Other Europe” Group segment, which is now the largest, growth stood at 16.2% and was driven by very strong demand for e-bikes and tools in Europe. “Asia” recorded a fall incoming orders of 38.5% year-on-year due to changes in customers’ purchasing behavior. In the “Rest of the world” segment, incoming orders increased by 63.7%, particularly in the medical area. A reduction of 4.0% in the very high incoming orders in the previous year was reported in the “Germany” segment.

Revenue Development

The FRIWO Group achieved consolidated revenue of EUR 184.9 million in 2022, corresponding to growth of 84% compared with the previous year's figure of EUR 100.5 million. The trend in sales therefore not only exceeded the original forecast (increase in consolidated revenue in the lower to mid-double digits) but also exceeded the revised forecast in November (at least EUR 170 million). Revenue contains a revenue-boosting effect (EUR 5.6 million) from the change in contract assets (previous year: EUR 0 million).

Strong revenue growth was attributable in part to the order backlog and catch-up effects from the previous year because the coronavirus-related restrictions on capacity and the shortage of material meant that orders could be processed and invoiced only in the reporting year. FRIWO also generated income from passing on the increased costs of material. If consolidated revenue is adjusted for these extraordinary items, it results in revenue growth of approximately EUR 146 million, corresponding to an upturn of 45% on the previous year.

In each quarter, sales were well up on the corresponding figures in the previous year. In the third quarter, the increase amounted to as much as 177%.

Adjusted for currency effects, i.e. at the previous year's exchange rates, consolidated revenue was EUR 167.6 million in 2022, which corresponds to growth of 66.7% on the previous year.

The e-mobility sector achieved the highest growth in 2022, reporting a revenue upturn of 221.3%. Here, FRIWO mainly benefited from strong demand for e-bikes in Europe. Sales in the Tools segment rose by 24.9% year-on-year. The Industry segment achieved growth in revenue of 26.3%. Products for the medical industry, where sales had fallen by 16.5% in the previous year, again posted growth of 9.1%.

Revenue in the Distribution segment also increased by 29.8% thanks to increased capacity and improvements in the availability of materials. In the Consumer Products segment, FRIWO focused consistently on high-margin orders; nevertheless, sales rose by 19.4%.

The majority of FRIWO business was again attributable to the European market in 2022. However, the share of total revenue fell slightly from 89.2% to 86.9% due to stronger growth in other segments. Every segment reported growth. The “Germany” segment recorded an increase in revenue of 31.1% to EUR 57.7 million (previous year: EUR 44.0 million). Driven by strong demand for e-mobility solutions, sales in the “Other Europe” segment (Europe excluding Germany) rose by 125.2% to EUR 103.0 million (previous year: EUR 45.7 million). In the “Asia” segment, revenue increased to EUR 18.1 million (previous year: EUR 6.5 million). India and China were the main drivers here. In the other regions, sales increased by EUR 1.8 million, or 42.5%, to EUR 6.1 million.

If one looks at consolidated revenue (excluding revenue from chargeable development services, tool costs, licensing costs and freight costs) by production country, the proportion of revenue attributable to Vietnam increased even more significantly and reached 84.7% in the reporting year (previous year: 77.8%). This accordingly reflected the relocation of production from Europe to Vietnam since 2020. In contrast, China's share of total revenue decreased further to 0.4% (previous year: 0.6%). 11.8% of revenue was attributable to European production (Ostbevern site and Polish suppliers) (previous year: 21.3%). In absolute figures, in 2022 the share from European production more or less matched the previous year's figure.

Earnings performance

The very positive revenue trend led to a significant improvement in the FRIWO Group's earnings. All earnings figures were significantly improved year-on-year in fiscal year 2022 despite ongoing supply bottlenecks for key electronic components and COVID 19-related logistical problems. The first signs of an easing in the availability of materials and logistical capacity became apparent only from the third quarter.

Gross earnings increased from EUR 4.6 million in the previous year to EUR 17.7 million. Accordingly, the gross margin from revenue virtually doubled from 4.5% to 9.6%. The increase was due essentially to the lower upturn in expenses for production capacity in Asia and in Germany compared with the buoyant growth in revenue.

Selling costs moved up slightly in 2022 by EUR 0.2 million to EUR 3.9 million (previous year: EUR 3.7 million). General administration also posted a moderate rise of EUR 0.7 million to EUR 8.9 million (previous year: EUR 8.2 million), largely due to higher salary costs.

Operating earnings, that is gross earnings from revenue less selling and general administration expenses, came to EUR 4.9 million against EUR -7.3 million in the previous year and therefore improved significantly.

Other operating expenses and income largely contain currency expenses and income. Please refer to Note 14 of the notes to the consolidated financial statements for corresponding information.

Consolidated earnings before interest and taxes (EBIT) amounted to EUR 4.3 million following the negative figure of EUR -8.0 million in the previous year. They were therefore consistent with the original forecast and the forecast updated in November 2022 of slightly positive consolidated EBIT. Account should be taken of the fact that these earnings were depressed by up-front costs for the Indian business that were not yet offset by any significant sales in the past fiscal year.

The EBIT margin (in relation to revenue) improved to 2.3% (2021: -7.9%).

The financial result of EUR -2.5 million (2021: EUR -2.2 million) was largely shaped by higher interest expenses from factoring resulting from the increase in interest rates and increased revenue.

Profit before taxes (PBT) reached EUR 1.8 million after a figure of EUR -10.1 million in the previous year.

After taxes, the Group reported a positive result of EUR 0.5 million after a negative result of EUR -10.5 million in the previous year. This equates to earnings per share of EUR 0.06 compared with EUR -1.37 in 2021 (see Note 17 in the notes to the consolidated financial statements).

Financial Position

Capital structure
The FRIWO Group's financial management comprises the management of liquidity, hedging interest and currency fluctuations and financing the FRIWO Group. Responsibility for this lies with the Finance department and Controlling in the headquarters in Ostbevern. A key objective and the department's main responsibility is to safeguard the FRIWO Group's funding and ensure adequate levels of liquidity. Besides maintaining the Group's financial stability, it aims to minimize the financial risks and the costs of capital.

The Group's financial strategy builds on the principles and objectives of financial management and takes account of lender requirements in addition to the interests of equity providers. The development of clear priorities for the use of available liquidity is a key component of strategy.

FRIWO Gerätebau GmbH sells part of its receivables in the form of non-recourse factoring where the default risk is born by the factoring company. The percentage of sold receivables in the receivables portfolio shrank by 8.5 percentage points in 2022 and amounted to around 56.2% as of December 31, 2022 (end of 2021: 64.7%). In fiscal year 2022, FRIWO Gerätebau GmbH extended the factoring agreement until the end of 2023.

The syndicated loan agreed in the first quarter of 2020 consists of an amortizing term credit facility of EUR 10.4 million and two additional operating credit facilities of EUR 8.3 million and EUR 2.0 million respectively. An extension in the term until December 31, 2023 was agreed for all three tranches in 2022. No repayment of the operating credit facilities was required up to the end of 2020, before quarterly repayments of EUR 0.25 million each were made on the amortizing term credit line in fiscal year 2021. In 2022, the quarterly repayments increased to EUR 0.7 million in each case. Due to two special repayments, repayments for the whole of 2022 totaled EUR 3.6 million.

The liability from the syndicated loan therefore amounted to EUR 16.1 million as of December 31, 2022 (December 31, 2021: EUR 19.7 million).

The Vietnamese subsidiary also retained its existing bilateral credit facility with a local bank in Vietnam.

FRIWO has furnished various guarantees and collateral for the two loan agreements. Financial ratios were also defined for the syndicated loan (covenants) and reporting and documentation obligations agreed. The credit agreement also stipulates that FRIWO AG will not pay any dividends during the restructuring period, which will run until the end of 2023.

The shareholder loans provided by the major shareholder VTC GmbH & Co. KG, which made these loans available via its subsidiary Cardea Holding GmbH, Grünwald, in 2020 to 2022, also made a major contribution to securing the FRIWO Group’s liquidity. The FRIWO Group received an additional shareholder loan of EUR 0.5 million from Cardea Holding GmbH in fiscal year 2022. As of December 31, 2022, the balance of the shareholder loan including accrued interest totaled EUR 11.6 million (previous year: EUR 10.4 million).

By converting part of the loans granted into equity by means of a debt-equity swap of EUR 13.6 million in fiscal year 2021, the main shareholder Cardea Holding GmbH contributed to boosting the financial security and the quality of the statement of financial position of FRIWO AG and the FRIWO Group. As part of this capital increase, the share capital of FRIWO AG was increased by issuing 406,334 new ordinary shares by making use of authorized capital and excluding shareholders’ subscription rights. The new shares were issued at an issue amount of EUR 2.60 per share plus a premium. The capital measure was recorded in the Commercial Register on January 6, 2022, meaning that the special item recognized in equity of EUR 13.6 million was reversed and reclassified in subscribed capital (EUR 1.1 million) and the capital reserve (EUR 12.5 million).

The UNO MINDA Group also took a 5.24% interest in the share capital of FRIWO AG within a cash capital increase in fiscal year 2022. In the process, which involved excluding shareholders’ subscription rights, UNO MINDA acquired 448,162 new shares, which lead to a cash inflow of EUR 15.0 million and a corresponding increase in subscribed capital (EUR 1.2 million) and the capital reserve (EUR 13.8 million). The interest held by Cardea Holding GmbH decreased to 81.59% as a result of the capital measure. The cash capital contribution relates to the joint venture with the UNO MINDA Group. The new shares were issued at an issue amount of EUR 2.60 per share plus a premium. It was recorded in the Commercial Register on June 28, 2022.

At the time the financial statements are being prepared, the financing of the FRIWO Group is secured until December 31, 2023 through the existing syndicated loan agreement. The restructuring period also runs until the end of 2023. Compliance with the restructuring plans was again confirmed – as overwhelmingly likely – by external assessors as part of the preparation of the 2022 annual financial statements.

To ensure financing beyond 2023, FRIWO will enter into negotiations with potential financing partners in good time. It will aim to raise financing in the same amount as the existing syndicated loan. Initial discussions regarding this have already taken place. One of the banks involved in the previous syndicated loan agreement has indicated interest in being part of the new banking syndicate, subject to internal credit committee approval, an examination of the integrated multi-year business planning to be submitted by the FRIWO Group that satisfies the bank, mutual agreement on the future financing structure for FRIWO and support for the new syndicate structure from at least one additional financial institution. In view of these positive indications and the forecast positive business performance, the legal representatives assume that it is highly likely that they will be able to secure financing beyond 2023.

Investments
At EUR 5.9 million, the Group's investment was well up on the level of the previous year (EUR 2.6 million) in fiscal year 2022. Of this figure, EUR 1.6 million was used for the implementation of SAP software and EUR 3.3 million for property, plant and equipment. EUR 1.0 million was invested in the joint venture with UNO MINDA.

Investment in property, plant and equipment was largely concentrated in machinery and in the purchase of tools and served to expand capacity, boost productivity and modernize.

From a geographical perspective, 51.8% of investment in property, plant and equipment and intangible assets was attributable to the production site in Germany and 48.2% to went to Vietnam.

Liquidity
Cash flow from operating activities amounted to EUR -2.8 million in the year under review after negative cash flow of EUR -17.7 million in the previous year. The improvement was largely due to the increase in the consolidated result. On the other hand, the need to build up inventories and the increase in contract assets tied up funds.

Investing activities resulted in a cash outflow of EUR 5.8 million (2021: cash outflow of EUR 2.6 million). This increase was partly the result of implementing SAP software.

Net cash flow amounted to EUR -8.6 million after net cash flow of EUR -20.3 million in the previous year.

Financing activities led to a total cash inflow of EUR 12.6 million (previous year: EUR 19.0 million), primarily from the issue of new shares as part of the completed cash capital increase. As of December 31, 2022, the Group had cash and cash equivalents of EUR 6.9 million against cash and cash equivalents of EUR 2.9 million at the beginning of the year.

On the basis of the financing components secured and agreed in 2022 and in view of the positive indications from one of the banks involved in the existing syndicated loan agreement with regard to participating in the refinancing of the existing syndicated loan amount and the forecast positive business performance, it can be assumed with a high degree of probability that follow-up financing beyond 2023 will be concluded successfully. This would secure liquidity for 2023 and subsequent years.

Net Assets

As of December 31, 2022, the FRIWO Group's total assets came to EUR 105.0 million and were therefore EUR 29.3 million up on the figure on the same date in 2021 (EUR 75.7 million). The strong growth in total assets reflected the significant expansion in business volume.

The value of non-current assets increased from EUR 17.4 million at the end of December 31, 2021 to EUR 20.8 million at the end of 2022.

Intangible assets largely comprised advance payments, in particular, from the introduction of SAP software, as well as goodwill and other assets from the acquisition of Emerge Engineering GmbH in 2018. Goodwill is not subject to scheduled amortization but is tested for impairment once a year. The annual impairment test based on the new strategic plan did not indicate that recognition of impairment of the remaining goodwill was required.

Non-current assets also included right-of-use assets from leases, at EUR 4.7 million (previous year: EUR 2.5 million) and the deferral of deferred tax assets in the amount of EUR 2.7 million (previous year: EUR 4.1 million). The increase in right-of-use assets was attributable to the conclusion of a new lease agreement for a plant in Vietnam that will run until 2027.

Total current assets increased to EUR 84.1 million (previous year: EUR 58.3 million). Inventories increased by 13.8% in the process to EUR 37.9 million (December 31, 2021: EUR 33.3 million). This was largely due to stockpiling key components to ensure that FRIWO was able to deliver despite the tense situation on procurement markets. The recognition of revenue over time in accordance with IFRS 15 reduced inventories by EUR 5.2 million compared with an increase of EUR 0.2 million in the previous year.

Trade receivables increased to EUR 17.9 million (previous year's closing date: EUR 8.6 million). This increase reflected higher business volume at the year-end compared with the weaker fourth quarter in the previous year and a reduced factoring ratio. The contract assets resulting from the recognition of revenue over time in accordance with IFRS 15 increased to EUR 14.0 million (previous year: EUR 8.4 million).

At the end of the year, cash and cash equivalents stood at EUR 6.9 million (December 31, 2021: EUR 2.9 million).

On the liabilities side of the statement of financial position, the FRIWO Group's equity increased, largely as a result of the capital increase by UNO MINDA described above involving a cash inflow of EUR 15.0 million, from EUR 9.0 million as of December 31, 2021 to EUR 24.9 million at the end of the reporting year. The equity ratio increased accordingly year-on-year from 11.9% to 23.7%.

Non-current liabilities decreased to EUR 14.7 million at the end of 2022 (December 31, 2021: EUR 15.3 million). This is largely due to reclassifying the part of the shareholder loan limited until March 31, 2023 including accrued interest into current liabilities. The increase in non-current lease liabilities according to IFRS 16 to EUR 3.8 million (previous year: EUR 1.9 million) had the opposite effect. The increase in non-current lease liabilities was attributable to the conclusion of a new lease agreement for a plant in Vietnam until 2027.

Current liabilities increased by EUR 13.9 million year-on-year from EUR 51.5 million to EUR 65.4 million. In this connection, current financial liabilities decreased by EUR 1.4 million to EUR 22.0 million largely due to the scheduled repayment of the syndicated loan (December 31, 2021: EUR 23.4 million). Current provisions remained virtually at the level of the previous year. At EUR 29.6 million, trade payables were EUR 9.7 million up on the previous year's level (EUR 19.9 million) primarily due to the increase in inventories and higher business volume at the end of 2022 than on the previous year's closing date. The current part of the shareholder loan including accrued interest was reclassified into current liabilities in the amount of EUR 3.1 million.

Working capital, the balance of inventories, trade receivables and trade payables as well as contract assets and contract liabilities came to EUR 40.0 million as of December 31, 2022 against EUR 30.1 million on the previous year's closing date.

The increase was primarily attributable to higher inventories. In contrast, working capital in relation to sharply increased revenue fell from 30.0% at the end of 2021 to 21.6%.

Other current liabilities including other non-financial liabilities increased by EUR 1.7 million to EUR 7.9 million, primarily due to higher personnel-related obligations.

Overall, the Management Board assessed the Group’s net assets, financial position and earnings as manageable at the end of 2022.

Economic Situation of FRIWO AG

FRIWO AG acts as the holding company for the FRIWO Group. It achieves its earnings in the separate financial statements prepared in accordance with the accounting principles of the German Commercial Code largely from the profits received or losses absorbed of the subsidiary FRIWO Gerätebau GmbH, with which it has concluded a profit transfer and control agreement.

The holding company also incurs its own expenses, primarily for personnel and consultancy fees. Personnel expenses have increased year-on-year, essentially due to the appointment of Tobias Tunsch as CFO from March 2022. Consulting expenses trended in the opposite direction, as Mr. Tunsch had previously undertaken the tasks of CFO as a consultant on an interim basis. Overall, expenses in 2022 were slightly down on the previous year's level.

Together with the negative investment income of EUR -1.3 million (previous year: EUR -7.4 million), FRIWO AG reported a result of EUR -2.2 million in the reporting year (previous year: EUR -9.7 million). With the result carried forward from the previous year of EUR -31.0 million, the accumulated loss amounted to EUR -33.2 million.

In June 2022, the capital was increased through a cash contribution from the UNO MINDA Group of EUR 15.0 million. FRIWO AG also raised a further shareholder loan from Cardea Holding GmbH of EUR 0.5 million to finance its subsidiaries. The non-cash capital increase of EUR 13.6 million through the conversion of part of the existing shareholder loans resolved in the previous year was recorded in the Commercial Register in January 2022. Detailed information on the two capital increases can be found in Note
(28) of the notes to the consolidated financial statements and in the “Financial situation – capital structure” section in the combined management report for the Group and FRIWO AG.

Total assets of FRIWO AG amounted to EUR 49.1 million (previous year: EUR 34.7 million). Equity increased from EUR 21.6 million to EUR 34.4 million. Due to the non-cash capital increase, the equity ratio of 69.9% exceeded the level of the previous year (previous year’s closing date: 62.2%).

In conclusion, the results of company’s operations matched expectations.

The equity interest in FRIWO Gerätebau GmbH is the main asset of FRIWO AG. This equity interest was reported unchanged at its historical cost of EUR 28.3 million as of December 31, 2022. The carrying amount was again confirmed on the closing date. Measurement was based on a current earnings forecast covering several years using the discounted cash flow method where assumptions and estimates were made about the future trend in revenue and results at FRIWO Gerätebau GmbH.

On the basis of the capital increase completed in the fiscal year and subject to follow-up financing of the existing syndicated financing being obtained as expected, the company’s liquidity is also secured for 2023 and subsequent years.

Employees

Changes in the workforce
At the end of 2022, the FRIWO Group had 2,501 employees throughout the world (previous year's closing date: 2,182). In Germany, 162 employees were involved in product development, production, sales and administration (previous year's closing date: 154). At the closing date, this equated to 6.5% of the Group workforce (previous year's closing date: 7.1%). At the year-end, 2,339 people were working outside Germany (previous year's closing date: 2,028), of whom 2,325 employees were at the four sites in Vietnam (previous year's closing date: 2,011), twelve people in China (previous year's closing date: eleven) and two people at the subsidiary in India (previous year's closing date: six).

Health management
Occupational health management is also of major significance at FRIWO. The aim is to focus on the health of all employees and to offer appropriate preventive measures to safeguard their performance. This is expected to reduce sickness rates and production downtime and consequently cut costs.

Employees were offered various vaccination programs including against COVID-19 and also influenza.

Employees also had the option of undergoing a medical examination, which included checking their back health and their responsiveness.

R&D workplace and processes of the future
A "Benchmarking R&D and Modern Workplace Design" project examined the potential need for action that can be seen in the FRIWO development process and the specific requirements for existing and future R&D infrastructure. The results of these investigations showed that the iterative working methods practiced are consistent with the current state of modern development. However, smaller process improvements such as an expansion of interdisciplinary project management from development, sales, procurement and production still offer potential for optimization.

Communication
Two new meeting formats were established at FRIWO last year to improve internal communication.

"LET'S TALK" stands for an informative meeting of a small group of people. The management invites roughly ten employees from different departments to a cosy event with an informal atmosphere up to four times a year. This gives them the opportunity to discuss the company, its visions and ambitions over a shared dinner. This forum produced an automation project, among others. The Extended Executive Meeting also improved the flow of information within the company. This event was recently established: it will take place four times at year at department manager level in the future.

Employee motivation
Setting targets helps motivate employees and gives them something to aim for in their work. FRIWO fundamentally revised the incentive system last year to ensure that everybody is working in the same direction. Targets were based more closely on corporate objectives and derived systematically. The number of targets was significantly reduced and set across divisions to make work more focused. This ensures that there are no conflicts of objectives in the company and several employees and departments work on the projects in question. The key targets are visualized in a matrix that can be viewed at any time. All employee targets have been agreed in the management team to ensure transparency and the correct focus.

Environmental Report

FRIWO is committed to protecting the environment and to the principle of sustainability at all its production sites. With its integrated environmental management system in accordance with DIN EN ISO 14001, the production processes in all stages of the value-added chain are subject to constant monitoring and continuous improvements. Environmental impacts and aspects are systematically identified and evaluated. The resultant measures are integrated in the continuous improvement process and ensure that the requirements of environmental legislation are met and environmental management is enhanced.

The European Regulation 2011/65/EU “RoHS” (Restriction of certain Hazardous Substances) including the Delegated Directive EU 2015/863 (RoHS 3) defines the restriction of hazardous substances in the processing and production of electrical and electronic equipment. The directive was implemented in German law through the German Electrical and Electronic Equipment Act (Elektrogesetz – ElektroG) and the EU Directive 2012/19/EU “WEEE” (Waste of Electrical and Electronic Equipment), which relates to the recycling and disposal of electrical and electronic equipment. FRIWO had complied with the legal requirements for the protection of the environment even before the introduction of the two directives.

The EU-Regulation 1907/2006 “REACH” (Registration, Evaluation, Authorisation and Restriction of Chemicals) with the Regulation (EU) 2020/878 relates to the registration, evaluation, authorization and restriction of chemical substances. FRIWO suppliers undertake to display all “Substances of Very High Concern” from the candidate list produced by the European Chemicals Agency (ECHA) on their products.

In addition to the REACH Regulation, the EU Directive (EU) 2021/1297 and Annex XVII of the REACH Regulation will also restrict the manufacture, use and placing of perfluorocarboxylic acids on the market from 2023. Per- and polyfluoroalkyl substances (PFAS) are used for example in semiconductors and cables because of their water, oil and dirt-repellent characteristics. Some PFAS are barely degradable in the environment and are regarded as injurious to health. The EU has therefore restricted the use of some PFAS; further regulations are in the pipeline. In implementing the regulations, FRIWO obtains the relevant conformity certificates from its suppliers.

The Directive 2006/66/EC, which is implemented in national law through the German Battery Act (Batteriegesetz - BattG), describes the legal basis in Europe for placing batteries and rechargeable batteries on the market and for disposing thereof. In addition to substance restrictions for heavy metals, the directive provides for all batteries ideally being collected separately and recycled. The latest amendment to the German Battery Act obliges manufacturers of battery packs to register at Stiftung Elektro-Altgeräte Register (EAR) with the respective brand and type of battery. FRIWO receives support from a certified partner with the registration and recovery of batteries in circulation.

The U.S. Environmental Protection Agency (EPA) specified the final rules of the Toxic Substances Control Act in March 2021. The sale of products that contain substances listed by the EPA is prohibited in the U.S.A. Similarly to the European REACH Regulation, information must be communicated along the supply chain. FRIWO involved its suppliers before the act came into effect and was therefore able to confirm to its customers at an early stage that the products did not contain any of the persistent, bioaccumulative and toxic (PBT) substances listed.

Under Article 1502 of the Dodd Frank Act in the U.S.A., companies must disclose whether their products contain conflict minerals. These are commodities such as tantalum, tin, gold and tungsten, if their extraction and trade in these commodities contribute to the financing of militant groups in the Democratic Republic of Congo or its neighboring states. FRIWO undertakes to comply with the provisions of the regulations governing conflict minerals and asks all suppliers to provide their current conflict minerals reports for this purpose. As part of the supply chain, FRIWO supports customers with the implementation of their conflict mineral programs.

The EU Directive 2009/125/EC (“Ecodesign Directive”) defines environmentally relevant requirements for the development of energy-using products. Since October 1, 2019, the European limits have been adjusted to the U.S. standard via an EU regulation. Therefore, the efficiency and standby losses of power supply units are subject to the same requirements in Europe as in the U.S.A. FRIWO’s products are well below the specified limits. The European Commission plans to revise the relevant regulation in 2023.

Forecast

Macroeconomic Conditions

The global economy has been suffering a downturn since the beginning of 2022. The geopolitical tensions in the wake of Russia's war against Ukraine sent energy prices soaring in many countries and the situation was exacerbated by a sharp increase in food prices. Significantly higher inflation led to tighter monetary policy in the U.S.A. and – somewhat later – in Europe too. The effects of the coronavirus pandemic weakened in most countries but are still perceptible, especially in China where infection figures increased dramatically at the beginning of 2023. In January, the International Monetary Fund (IMF) certainly forecast another difficult year for the global economy in 2023: However, it viewed the global economic outlook as stable and, at +2.7%, expected global growth to be only slightly weaker than in 2022.

The economic associations and institutes were virtually unanimous in assuming a slight fall in economic output even for Germany in 2023. The Munich-based Ifo Institute is forecasting production restrictions caused by bottlenecks in energy, upstream products and labor as well as persistently high inflation. The inflation rate is likely to fall slightly in Germany in 2023 as a consequence of the government's electricity and gas price brakes. However, experts do not expect any significant decline in pricing pressures until the following year. German gross domestic product was expected to shrink slightly by 0.1% and then grow again by 1.6% in 2024.

Sources:
- Ifo Institute, Munich: Economic Forecast Winter 2022, December 2022
- International Monetary Fund (IMF): Comments by the Director Kristalina Georgieva according to: https://www.sueddeutsche.de/wirtschaft/iwf-weltwirtschaft-wachstum-prognose-2023-1.5731442

Company-related Conditions

The FRIWO Group's business development is again heavily dependent on external factors in 2023, especially the uncertainties resulting from Russia's war against Ukraine with regard to energy prices over which the company has no or only very little influence. The fundamental growth drivers in those segments of the global market for power supply and drive solutions, in which FRIWO is involved, are still intact meaning that the prospects for growth are stable in the medium and long term (see the "Sector-specific conditions" chapter).

In the short-term, business development will depend on whether the business policy environment will deteriorate in the principal sales markets compared with 2022 and the extent to which the slowdown in incoming orders in the fourth quarter of 2022 will continue. The anticipated further easing in supply chains and many prices for materials is also a key factor.

Wages are also expected to increase further at the production sites in Asia. The future development in the exchange rate of the euro to the U.S. dollar also remains to be seen.

On the other hand, very strong demand for electric drive solutions for two and three-wheel vehicles in India is providing positive impetus, which FRIWO will benefit from in the medium-term via the joint venture established in 2022.

Anticipated Business Development

In the opinion of the Management Board, the FRIWO Group is on course for profitable growth. The buoyant trend in incoming orders recorded in 2022, considerable growth in revenue and the turnaround achieved in earnings show that the renewal and expansion of the range of products and services undertaken by FRIWO in recent years is proving a hit with both existing and new customers. Through the expansion of e-mobility expertise, today FRIWO sees itself as one of the technological trendsetters in the transport and mobility revolution to which more and more industrialized countries aspire.

In 2023, the focus is primarily on making the Group’s business more international. At the joint venture with UNO MINDA in India, the opening of the company’s own production facility south of New Delhi is scheduled for the second quarter. Initially, the facility is designed to be 15,000 square meters in area but can be significantly extended at short notice. It was clear that there was very strong demand for electric drive solutions for two and three-wheel vehicles even at the beginning of the year. The joint venture has received orders and declarations of intent from several renowned Indian vehicle manufacturers with a total volume of more than EUR 400 million, which are expected to lead to revenue between 2023 and 2026.

Once the joint venture reaches break-even point, FRIWO will receive licensing income of 4% for supplying the technological expertise. Assuming production starts successfully, it expects to receive this from the beginning of 2024. FRIWO is also entitled to a pro rata share of the results equal to its 49.9% share in the joint venture.

Since February, FRIWO has also been operating through its own subsidiary in the U.S.A. The Group expects high growth rates in the U.S.A from e-mobility business, in particular. FRIWO also believes it is very well placed to generate higher revenue from the medical segment in North America. FRIWO will initially concentrate primarily on selling to the West and East Coast from the new registered office in Chagrin Falls (Ohio), before developing other regions.

Ensuring proximity to customers and their satisfaction remains a key success factor. With the Group-wide introduction of SAP business software, which took place at the beginning of 2023, FRIWO has created the conditions for ensuring that it has efficient structures and processes even as its business volume expands and becomes increasingly complex.

The Management Board is cautiously optimistic regarding business development in 2023. Given the recessionary trends in the Group’s key sales markets, it is difficult to assess how demand will evolve in the first half of 2023. The record sales of e-mobility components from 2022, which was also characterized by catch-up effects from 2021, will not be repeated in the current year due to end consumers’ present cautious approach to spending. FRIWO believes that is a good chance that demand will revive sharply in the second half of the year. On the cost side, storage costs are expected to ease as the availability of materials and components on global procurement markets gradually improves.

Against the backdrop of these conditions, the Management Board is expecting consolidated revenue in the order of magnitude of EUR 140 to 160 million for fiscal year 2023. In line with strategy, this would correspond to further growth compared with the previous year’s figure adjusted for extraordinary effects of approximately EUR 146 million. As far as consolidated EBIT is concerned, FRIWO is expecting to match the previous year's level. This includes up-front costs for setting up the joint venture in India. This activity is not expected to make a significant contribution to earnings until fiscal year 2024.

The forecasts presume that macroeconomic conditions will not deteriorate significantly and that there will be no unpredictable events that will have a significantly negative impact on the FRIWO Group’s business situation.

Risk Management and Internal Control System

Risk Report

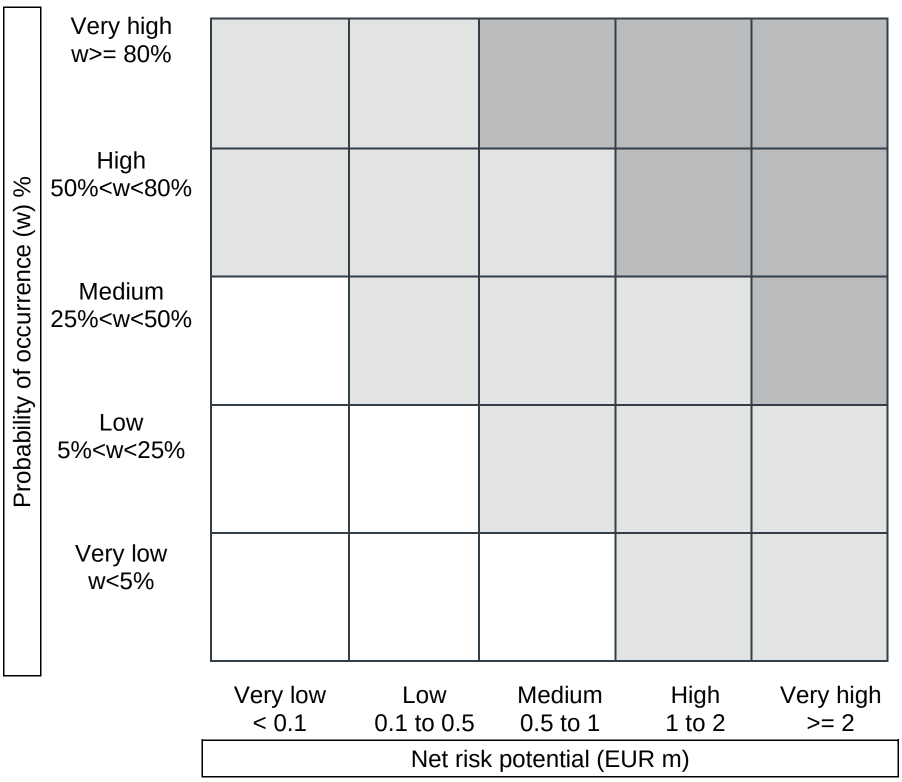
Risk Management
As an international company, FRIWO is exposed to a large number of specific risks with its business activities that may have an adverse impact on the Group's business development as well as its net assets, financial position and the results of its operations. Against this backdrop, a professional and effective risk management system is an essential component of corporate management and control.

The risk management system at FRIWO is designed to detect potential risks in good time, to analyze their causes and to avoid the risks with suitable countermeasures in advance or, in the event of their occurring, to minimize them. Risk management is a standardized process, which is constantly improved and refined. The system is not used to analyze and assess opportunities.

The systematic identification, assessment and management of risks and reporting thereof are set out in a policy, which provides the basis for an efficient risk management system across the Group.

Risk assessment is carried out three times a year by estimating the potential risk (in euro) and the probability of occurrence (in %) by the responsible "risk owners" (managers in all material areas of the Group).

Risk matrix



Risk controllers help them with this and ensure that, if certain thresholds are exceeded, risks are communicated to senior management and to the Supervisory Board. Risk reporting is fully integrated in the standardized planning and forecasting processes. This system ensures that all identified risks can be taken into account in line with their materiality. Risk awareness in the company is steadily raised by including all relevant management levels.

The methodology for assessing risk was adjusted particularly with regard to potential risk in fiscal year 2021. The respective countermeasures, which FRIWO has taken, are now also included in the assessment of the potential risk, meaning that total risk can be determined on the basis of net risks.

Risks that may have significantly negative effects on the FRIWO Group's net assets, financial position and earnings are described below. The overview contains the current assessment of the corporate risks described below. More information on risks in relation to the use of financial instruments and on risk management can be found in Note 38 of the notes to the consolidated financial statements. Even risks of which the Group is currently not yet aware or risks that are currently still classified as immaterial could have a negative impact on the company's business activities.

Risk type	**Risk potential (gross)**	**Risk potential (net)**	**Probability of occurrence**
Procurement, production and price risks			
Procurement of materials	High	Medium	Medium
Procurement of finished products and merchandise	Medium	Medium	Medium
Market risks			
Competitive risks	Medium	Low	Medium
Financial risks			
Currency risks	Low	Low	High
Liquidity risks	High	Medium	Medium
Interest-rate risks	Low	Low	Low
Risk of default	Low	Very low	Low
Legal risks and compliance risks	Low	Low	Low
HR risks	Low	Low	Low
IT risks	Medium	Medium	Low

Risk Types

Macroeconomic risks and specific risks for the FRIWO Group
A slowdown in economic activity in relevant sub-markets could depress demand in the market segments served by FRIWO. Depending on the intensity and duration of the slowdown, this could have a direct impact on the Group's financial position.

The increasing significance of energy efficiency, the battle against climate change and consumer protection are all resulting in an increased level of legal regulations. Early, rapid recognition and implementation of the relevant technical requirements and standards is therefore a success factor for FRIWO.

There are also country-specific risks at individual FRIWO locations or at those of its suppliers. In particular, the risk of inconsistent interpretation and application of legal sources must be mentioned, which relates in particular to employment law and tax and customs regimes in Vietnam and China.

The disruptions to international supply chains also had a negative impact on the business development of the FRIWO Group in 2022. Especially in the case of procurement, FRIWO still had to contend with bottlenecks in the supply of electronic components; access to logistics and freight capacity was also more difficult. This led to additional costs from increases in the costs of material and freight rates. In procuring materials, FRIWO had to switch to alternative suppliers, components and processes, where possible, and increase inventories to build up a safety cushion with regard to its ability to deliver. Its paramount objective was to avoid disruption to the supply chain and secure compliance with its delivery dates to customers.

Future problems in international supply chains cannot be reliably estimated for fiscal year 2023. The restrictions affecting global supply and logistics chains may continue to have negative effects on procurement, production and delivery at the FRIWO Group or on demand from FRIWO's customers. There is a risk that there will be delays in processing orders and that the company cannot guarantee that it will meet its delivery dates to its customers. In any case, the future course of business in the Group is fraught with considerable uncertainty, which cannot be influenced by FRIWO or influenced only to a very limited extent.

Russia's war against Ukraine is also leading to uncertainties, especially in the interplay between supply bottlenecks affecting certain commodities and primary materials and high inflation rates. Since the war started, there have been discussions about possible energy supply shortages, in particular, the repercussions of Russian gas deliveries to central and western Europe being halted.

The situation is exacerbated by the fact that almost half the global production of neon gas, which is needed to produce semiconductor components, comes from Ukraine. Semiconductor manufacturers' supplies of neon were disrupted by the war in 2022, which led to higher prices and longer delivery times. Accordingly, the existing disruptions to international supply chains have been further exacerbated by Russia's war against Ukraine. This resulted in higher purchasing prices and longer procurement and delivery times for the FRIWO Group.

FRIWO tries to identify supply bottlenecks in good time and, if possible to circumvent them through spot buys. To continue ensuring production operations and therefore supply capability, FRIWO compensates for delays in material procurement through alternative suppliers and processes. It also keeps in regular close contact with customers to secure reliability even under adverse conditions.

The supply of natural gas does not pose a material risk for FRIWO. The vast majority of its operating activities take place in Vietnam where neither gas shortages nor any cut-off in the gas supply are expected. FRIWO does not use gas for its production process at any of its locations. The extent to which business relationships with customers and/or suppliers in Europe are affected by reduced gas deliveries cannot be reliably estimated at present. Possible new risks to the FRIWO Group from disruptions in international supply chains cannot be ruled out. The consequences of the war in Ukraine are being closely monitored.

Procurement, production and price risks
FRIWO is exposed to procurement and production risks as well as volume and capacity utilization risks, which can place financial burdens on the Group.

When manufacturing products, FRIWO also processes other manufacturers' upstream products or components, some of which have a unique selling point. FRIWO works very closely with these suppliers to avoid supply bottlenecks. Under certain circumstances, an adequate production and delivery quantity (whether in terms of quantity and/or quality) cannot always be secured, especially if a single supplier strategy is pursued in the case of critical components. In this case, delivery and supply bottlenecks might occur, which would have a negative impact on business development.

The shortage of key electrical components on the global market poses a major challenge for FRIWO and the entire sector. There is still the risk of higher procurement costs. Delays in supplying FRIWO customers cannot be ruled out either. FRIWO tries to counter this risk by planning on a longterm basis, by expanding its manufacturer and supplier base, by using other assemblies and other designs of components and by managing processes more efficiently.

Higher prices for components and raw materials due to market bottlenecks or other reasons could also have a negative impact on the FRIWO Group's economic situation. In view of the intense competition still affecting the market for power supply units, there is no guarantee that FRIWO can pass on such price increases to customers entirely or at least in part.

The rate at which wage costs are increasing at the production site in Vietnam still poses a risk for FRIWO. The legal minimum wages there were significantly increased in 2022 too. This led to FRIWO incurring additional costs when manufacturing products itself and from higher purchasing prices for finished devices manufactured outside the Group. The assumption is that there will be regular wage increases at the production sites, which cannot be compensated for or can be only partly compensated for by increased productivity. It is not guaranteed that FRIWO can pass on the additional costs to customers by adjusting sales prices without delay.

Competitive risks
The FRIWO Group has a broad customer and product portfolio. For some customers, FRIWO is the sole supplier overall or for individual product groups. In the past, individual customers reduced the scope of their business with FRIWO by developing a multi-supplier strategy. FRIWO was able to counter any negative impact on revenue and results by adopting suitable measures, such as attracting new customers and extending its product portfolio.

Should additional customers press ahead with the development of a multi-supplier strategy, this could have a negative impact on the Group's business development.

As a supplier of components, the Group is also indirectly exposed to the general sales and market risk of customers supplied by FRIWO.

Currency risks
Since FRIWO, as a globally oriented company, settles a significant part of its business in foreign currencies (especially U.S. dollars), the Group is exposed to transaction risks.

Foreign currency risks result from foreign currency items in the statement of financial position and future transactions where incoming and outgoing payments are made in different currencies. The foreign currency risk is considered from the perspective of the respective company and its domestic currency compared with all foreign currencies.

Initially, a natural hedge is created in part at least for those foreign currency items that occur in the same currency in both accounts payable and receivable.

FRIWO reduces remaining foreign currency risks through targeted currency management. Ideally, companies are financed in their respective domestic currency or on a currency-hedged basis as far as possible. It is not permitted to raise or invest funds in foreign currencies for the purposes of speculation. The Group’s preferred method of reducing its currency risk from future transactions is by concluding transactions in the currency in which the majority of the manufacturing costs are incurred (“natural hedging”).

Nevertheless, changes in exchange rates, those transactions chiefly invoiced in U.S. dollars and the translation into the Group currency, the euro, can pose risks to the Group’s net assets, financial position and the result of its operations.

Since FRIWO has three operating companies in Asia, the Group is also exposed to the impact from translating these companies’ income statements into the reporting currency used in the consolidated financial statements, the euro, in addition to the transaction risks described above.

Liquidity risks
The European Central Bank has pursued an extreme low interest rate policy in recent years. The coronavirus pandemic and the Russian war of aggression against Ukraine resulted in sharply rising inflation in 2022. In response, the Fed, the U.S. central bank, even raised interest rates for the first time in years, and that on several occasions last year. In July 2022, the ECB also increased its key interest rates in response to higher inflation rates in Europe – for the first time in eleven years. There were three further adjustments up to the end of 2022. This more expansionary interest rate policy adopted by central banks may result in banks tightening their lending policies. This would lead to higher financing costs for borrowers and would restrict companies’ financial room for maneuver. If the banking industry’s restrictive lending policy continues over a longer period, it is possible that FRIWO would also be affected by this.

As of December 31, 2022, the agreed covenants in the existing syndicated loan agreement were complied with.

At the time the financial statements are being prepared, the financing of the FRIWO Group is secured until December 31, 2023 through the existing syndicated loan agreement. The restructuring period also runs until the end of 2023. Compliance with the restructuring plans was again confirmed – as overwhelmingly likely – by external assessors as part of the preparation of the 2022 annual financial statements.

To ensure financing beyond 2023, FRIWO will enter into negotiations with potential financing partners in good time. It will aim to raise financing in the same amount as the existing syndicated loan. Initial discussions regarding this have already taken place. One bank has indicated interest in being part of the new banking syndicate, subject to internal credit committee approval, an examination of the integrated multi-year business planning to be submitted by the FRIWO Group that satisfies the bank, mutual agreement on the future financing structure for FRIWO and support for the new syndicate structure from at least one additional financial institution. In view of these positive indications and the forecast positive business performance, the legal representatives assume that it is highly likely that they will be able to secure financing beyond 2023.

Nevertheless, there is considerable uncertainty concerning the conclusion of follow-up financing beyond December 31, 2023 at the time the financial statements are being prepared, which may cast significant doubt on the company's ability to continue as a going concern, making it a risk that could jeopardize its continued existence.

The liquidity risk is assessed as having a medium probability of occurrence.

Interest-rate risks
The FRIWO Group's risk in 2022 resulted largely from the existing syndicated loan and the local financing in Vietnam. A fixed rate of interest was agreed for the shareholder loan. A floating rate is payable on the syndicated loan meaning that it is exposed to the risk of a change in interest rates. The financing banks also increased their rates within the new concept, which has led to higher interest costs.

Risk of default
Risks of default mainly arise from trade receivables and contractual financial obligations with business partners. FRIWO did not record any significant defaults in 2022. However, despite the company taking great care in selecting new customers, bad debts cannot be ruled out in principle.

Please refer to the disclosure in Note 25 and Note 38 of the notes to the consolidated financial statements for management of the credit risk resulting from the receivables due from FRIWO customers at the closing date.

Legal and compliance risks
As part of its normal business activity, FRIWO is exposed to risks from legal disputes or proceedings, such as in relation to deliveries, product liability, product defects or problems with quality. Currently, there are no proceedings pending that might have negative effects on the Group's net assets, financial position and earnings. However, the fact that possible future legal disputes and proceedings may have negative effects cannot be excluded.

Compliance with laws and internal policies to avoid breaches of compliance legislation is a high priority at FRIWO. This is why FRIWO has established a system across the Group in which each employee is notified of existing policies at FRIWO on a regular basis. It is assumed that the company policies provide sufficient provision to ensure that the rules are complied with. However, information and training cannot entirely guarantee that employees do not breach laws or internal policies inadvertently, through negligence or intentionally. Such breaches may disrupt internal business processes, damage the company's reputation and have a negative impact on the financial position.

HR risks
FRIWO needs highly qualified technical employees and managers on an ongoing basis. If vacant roles are not filled sufficiently or there is a failure to ensure qualified employees remain with the company long-term, this could affect the Group's future development adversely. FRIWO tries to reduce HR risks significantly through the targeted recruitment of qualified technical employees and managers and early succession planning.

IT risks

The degree to which it is integrated within the global value chain means that FRIWO is heavily dependent on the information technology used. It is exposed to risk from unauthorized access to sensitive corporate data and systems not being available as a result of disruptions or targeted attacks. FRIWO counters these risks with a range of measures such as using virus scanners and firewall systems, restricting the allocation of access rights to systems and the redundant design of IT infrastructures.

It is countering the risk of logistical processes not being interlinked in the current ERP system by introducing the current SAP S/4HANA ERP system on January 1, 2023. It aims to automate the entire process landscape permanently and to make it more efficient.

Opportunity Report

The Management Board is convinced that the global market for power supply units and charging units will open up attractive opportunities for growth in the long-term. Notwithstanding the problems resulting from global crises and the usual fluctuations in customer demand, the general long-term growth drivers for the sector remain intact.

Opportunities will emerge for the FRIWO Group by focusing, in particular, on market segments and applications where technological requirements for products are high. In this way, customers can benefit from the renowned expertise that FRIWO has developed over many years. FRIWO is therefore working constantly on expanding its range of products and services, since this is what will differentiate it from its competitors and is thus a key factor in the Group's success.

The creation of technological and consequently economic added value by further boosting research and development capacity therefore remains a core element of Group strategy. The introduction of predevelopment, that is research and development services that do not have to be capitalized immediately but target "products for the day after tomorrow", in 2020 also supported this goal.

FRIWO's business model – in particular, the combination of German engineering expertise and flexible production options in Europe and Asia – provides an effective and flexible basis for servicing its target markets successfully. Having switched production from Germany to Vietnam since 2020, FRIWO can make better use of the cost benefits in Asia and thus increase its competitiveness. The Management Board sees particular opportunities for growth in sub-markets, such as e-mobility, wireless power tools and garden devices as well as medical power supply units. FRIWO regularly reviews whether and how its positioning with the four applications, e-mobility, tools, medicine and industrial, can be usefully developed in the medium and long term.

Following the successful transformation of FRIWO into a systems provider for digitally controlled power supply and drive solutions from a single source, FRIWO has particularly promising opportunities in India, the most rapidly growing market for electric two and three-wheel vehicles in Asia. Following the enthusiastic market response, which exceeded expectations, to the joint venture established with the UNO MINDA Group, FRIWO believes that it has a major opportunity to take a market-leading position with e-mobility drive solutions for two and three-wheel vehicles in India. The joint company seeks to achieve a substantial share of market volume on the sub-continent, which is estimated at around 4.5 million vehicles up to 2027. With the support of funding programs and initiatives by the Indian government to combat massive environmental pollution, the share of vehicles with electric drives is expected to stand at around 15% of the total market potential of up to 30 million two and three-wheel vehicles. Neighboring Asian markets will also be worth considering as target countries for the joint venture in the future.

Furthermore, the possible uses of digitally controlled power supply and drive solutions extend far beyond the e-mobility target market. By using software that can be individually configured, FRIWO will be able to equip virtually all devices and systems that are battery or electrically driven with new features and functions.

The Management Board aspires to generate revenue from a far larger geographical area in the medium to long term. The U.S.A., where FRIWO has had its own sales company since 2023, Europe outside the DACH region and the Asian market feature on the list of priorities here. It also aims to expand its sales channels through new sales partners and distributors.

Overall assessment of the risk and opportunities situation of the Group

The current risk situation of FRIWO AG and the FRIWO Group is seen as manageable. Whether it is manageable or not depends strongly on the conclusion of follow-up financing beyond 2023. In view of the above-mentioned positive indications from one of the banks with regard to participating in the refinancing of the existing loan amount and the forecast business performance, it can be assumed with a high degree of probability that follow-up financing extending beyond 2023 will be concluded successfully.

As shown in the “Liquidity risks” section, the Management Board assumes with a high degree of probability the necessary liquidity and financing for the Group can be secured and that the company will therefore have a positive future as a going concern.

Compared with the presentation on December 31, 2021, the overall opportunities position has changed insofar as the growth achieved in 2022, the generally positive demand for FRIWO’s products and the better than expected market response to the joint venture in India provide a good basis for sustained positive business development.

Description of the Internal Control and Risk Management System relating to Financial Reporting

Key Features of the Internal Control and Risk Management System

According to the provisions of Section 91(3) AktG, the Management Board of a listed company must establish an effective internal control system and risk management system that is appropriate to the scope of the business it undertakes and the company’s risk situation. The Audit Committee of the Supervisory Board is responsible for monitoring the effectiveness of the internal control and risk management system (Section 107(3) sentence 2 AktG). Referring to this, Recommendation A.5 of the German Corporate Governance Code recommends that the key features of the entire internal control system and risk management system are described in the management report and a statement on the appropriateness and effectiveness of these systems is provided. Statements included in this section refer to the entire internal control and risk management system and therefore also to the internal control and risk management system related to financial reporting, which is described in more detail in the corresponding separate section.

The internal control and risk management system at FRIWO comprises all monitoring measures to minimize risks in corporate processes. It is designed to address all key operating and financial corporate risks and to manage the risks and opportunities for the achievement of business objectives, the correctness and reliability of financial reporting and compliance with the legal provisions of relevance to the company and internal policies. The internal control system extends over all material business processes, namely procurement, production, sales, financial accounting, human resources, treasury as well as warehouse and materials management and is documented in the form of working guidelines. The dual-control principle constitutes an important element that is applied, for example, to payments, the submission of major quotations and the approval of purchase requisitions. In addition to additional control mechanisms, the risk of fraudulent actions is to be reduced preventively through bespoke access rights and an appropriate separation of functions.

Significant processes that relate to the internal control system are reported to the Management Board on an ad hoc basis. Risks that exceed certain thresholds are reported to the Management Board on a scheduled basis three times a year as part of the budgeting and forecasting processes. If required, risks are also reported directly in addition to the continuous exchange of information between the risk managers and the Management Board. The Management Board assesses the appropriateness and effectiveness of the internal control and risk management system at regular intervals on the basis of the feedback it receives. The findings from these assessments are fed into the continuous enhancement of the internal control and risk management system. The entire internal control and risk management system is also adapted to business-specific risks and new legal requirements on an ongoing basis.

The Management Board sees nothing that would indicate that the internal control and risk management system was not appropriate or not effective as of December 31, 2022. However, it should be noted that neither the internal control system nor the risk management system can provide absolute certainty that the objectives associated therewith will be achieved.

Even if a system was judged to be appropriate and effective, it cannot guarantee that all risks that actually materialize are detected in advance, every violation is precluded and all incorrect disclosures are prevented or detected. Checks may not be effective in individual cases because of simple mistakes or errors or changes may be recognized too late despite their being monitored.

Key Features of the Internal Control and Risk Management System relating to Financial Reporting

As a capital market oriented joint stock company within the meaning of Section 264d HGB, FRIWO AG is obliged in accordance with Section 289 (5) and Section 315 (2) No. 5 HGB to describe the key features of the internal control and risk management system with respect to the accounting process followed by the company and the Group.

The internal control and risk management system with respect to the accounting process is not defined by law. FRIWO regards the internal control and risk management system as a comprehensive system and applies the definitions of an accounting-related internal control system (IDW PS 261(19) et seq.) and risk management system (IDW PS 340 new version) issued by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer in Deutschland e.V.). An internal control system therefore comprises the principles, processes and measures introduced by company management to support the organizational realization of management decisions. This entails

- ensuring the effectiveness and economic efficiency of operating activities (this also involves the protection of assets, including the prevention of and detection of damage to assets),
- the correctness and reliability of internal and external accounting as well as
- compliance with the legal provisions of relevance to the company.

The risk management system contains all organizational regulations and measures to detect risks and to deal with risks arising from entrepreneurial activity in their entirety.

The following structures and processes are implemented in the Group for the accounting processes:

The Management Board bears overall responsibility for the internal control and risk management system with respect to the accounting processes of the company and its subsidiaries. All companies included in the consolidated financial statements are included in a clearly defined management and reporting structure.

The Group’s material business processes are regularly reviewed to determine any risks they pose in relation to the accounting. All processes identified as relevant to risk are set out in binding policies and organizational instructions to be applied throughout the Group. These are amended in line with current external and internal developments at least once a year.

With the accounting processes, FRIWO considers the material features of the internal control and risk management system to be those features which it believes could significantly influence the financial reporting process and the overall view presented by the consolidated financial statements and Group management report. In particular, these are the following elements:

- Identification of material risk fields and control areas relevant for the Group accounting process,

- Checks to monitor the Group accounting process and their results at the level of the Management Board and at the level of the companies included in the consolidated financial statements,

- Preventive checks in the Group's finance and accounting department and in the companies included in the consolidated financial statements. These also include operational performance-related corporate processes, which generate essential information for the preparation of the consolidated financial statements including the Group management report, including a separation of functions and pre-defined approval processes in relevant areas,

- Measures to ensure the proper IT-supported processing of facts and data relating to financial reporting in the Group and its subsidiaries and

- Measures to monitor the internal control and risk management system relating to financial reporting.

Disclosures Required by Takeover Law

As a publicly traded company whose voting shares are listed in an organized market as defined by Section 2 (7) of the German Securities Acquisitions and Takeover Act (Wertpapierübernahmegesetz - WpÜG), FRIWO AG is obliged to disclose the information stipulated in Sections 289a (1) and 315a (1) of the German Commercial Code (HGB) in the management report and Group management report. The disclosures are intended to enable a third party interested in taking over a publicly traded company to inform itself about the company, its structure, and any obstacles to the takeover.

The share capital of FRIWO AG amounts to EUR 22.2 million and is divided into 8.6 million bearer shares with equal rights. A notional share in the subscribed capital of EUR 2.60 each is therefore attributable to each share. The number of shares issued has increased from 7.7 million to 8.6 million shares as a result of the two capital increases completed in fiscal year 2022. The contributions to the share capital are fully paid. FRIWO AG does not hold any treasury shares either directly or indirectly. The Management Board of FRIWO AG is not aware of any restrictions regarding voting rights or the transfer of shares.

As far as the company is aware, there were the following direct or indirect holdings of more than 10% of the voting rights in the capital of FRIWO AG on December 31, 2022:

	Direct share of voting rights in %	Indirect share of voting rights in %
Cardea Holding GmbH, D-Grünwald	81.59	
VTC GmbH & Co. KG, D-Munich		81.59

The voting shares stated are voluntary disclosures by the shareholders on December 31, 2022. There may have been changes to these voting shares after the date stated, which did not have to be reported to the company. Since the company’s shares are bearer shares, the company only becomes aware of changes to share ownership, in principle, if they are subject to disclosure requirements.

The shares issued do not grant special rights conferring control powers. The employees of FRIWO AG have no voting rights control.

Pursuant to Article 4 (4) of the Articles of Association, the Management Board is authorized, with the approval of the Supervisory Board to increase the share capital by up to EUR 10.01 million by issuing new bearer shares against cash and/or non-cash contributions on one or more occasions (Authorized Capital) up to May 14, 2023. The Management Board may, with the approval of the Supervisory Board, exclude shareholders’ subscription rights for certain purposes. The Management Board made use of the authorization in fiscal year 2021 within the framework of a cash capital contribution of EUR 1.17 million (448,162 shares) and within a non-cash contribution of EUR 1.06 million (406,334 shares). Neither capital measure had been entered in the Commercial Register as of December 31, 2021 and only became effective in law when entered in the register in fiscal year 2022. The remaining authorized capital of EUR 7.79 million remains in place.

The Cardea Holding GmbH claims of EUR 13.6 million against FRIWO for loan repayment were contributed as a non-cash contribution. The new shares were issued at an issue amount of EUR 2.60 per share plus a premium. The main shareholder, Cardea Holding GmbH was permitted to acquire the new shares; other shareholders’ subscription rights were excluded. It was recorded in the Commercial Register on January 6, 2022.

The cash capital contribution relates to the joint venture established with the UNO MINDA Group in 2022. Having received approval from the competent supervisory authorities in India in the reporting year, UNO MINDA acquired 448,162 shares in FRIWO AG at an issue price of EUR 2.60 per share plus a premium. The other shareholders' subscription rights were disapplied. It was recorded in the Commercial Register on June 28, 2022.

By resolution of the Annual General Meeting on May 6, 2021, the Management Board was authorized to acquire shares in the company representing up to 10% of the company's share capital in total on behalf of the company on one or more occasions. The authorization remains in effect until May 5, 2026. The Management Board has not made use of this authorization to date.

Article 7(1) of the Articles of Association states that the Management Board of the company is composed of one or more persons. Appointment of deputy members of the Management Board, who have the same rights as the ordinary members of the Management Board when representing the company externally, is permissible. According to Article 7 (2), the Supervisory Board both stipulates the number and appoints or revokes the appointment of ordinary Management Board members and deputy Management Board members. It can also nominate a member of the Management Board as Chairman and other Management Board members as deputy chairpersons.

As of December 31, 2022, the company's Management Board consisted of two Management Board members. The Annual General Meeting decides on amendments to the Articles of Association in accordance with Sections 119 (1) No. 5, 179 AktG. According to Article 12 (2) of the Articles of Association, the Supervisory Board is authorized to make amendments to the Articles of Association that relate solely to their wording.

The company has no agreement that is subject to the condition of a change of control as a result of a takeover bid. There are also no company's compensation agreements with members of the Management Board or with employees in the event of a takeover bid. Otherwise, please refer to the disclosures in the Remuneration Report.

Corporate Governance Statement

Declaration of Conformity in Accordance with Section 161 AktG

The Management Board and Supervisory Board of FRIWO AG declare in accordance with Section 161 AktG, that the recommendations of the Commission of the German Corporate Governance Code as published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette in the version applicable at the time have – with the exceptions specified below – been complied with and will be complied with.

For the period since submission of the last declaration of conformity on December 10, 2021, this was based on the version of the German Corporate Governance Code dated December 16, 2019, which was published in the Federal Gazette on March 20, 2020 ("GCGC 2020") and on the version of the German Corporate Governance Code dated April 28, 2022 ("GCGC 2022") for the period since its publication on June 27, 2022:

I. The recommendations of GCGC 2022 have been complied with since its publication in the Federal Gazette on June 27, 2022 and will be complied with in the future with the following exceptions:

1. Sustainability-related targets for corporate planning (Recommendation A.1 of the GCGC 2022)

According to the recommendation in Section A.1 of the GCGC 2022, the Management Board shall systematically identify and assess the risks and opportunities for the company associated with social and environmental factors as well as the ecological and social impacts of the company's activities. In addition to long-term economic objectives, corporate strategy shall also give appropriate consideration to ecological and social objectives. Corporate planning shall include corresponding financial and sustainability-related objectives.

Corporate planning is still focused on financial objectives and risks at present. However, the company is working on also identifying ecological and social impacts of its activities and plans to give consideration to these in corporate strategy and corporate planning in the future.

A departure from Recommendation A.1 of the GCGC 2022 is therefore declared as a precautionary measure.

2. Internal Control System and Risk Management System (Recommendation A.3 of the GCGC 2022)

According to the recommendation in Section A.1 of the GCGC 2022, the internal control system and risk system shall also cover sustainability-related objectives, unless already required by law. This should include processes and systems for collecting and processing sustainability-related data.

The company is working on a further expansion of its internal control system and risk management system meaning that the requirements of Recommendation A.3 of the GCGC 2022 are not yet implemented in full.

A departure from Recommendation A.3 of the GCGC 2022 is therefore declared as a precautionary measure.

3. Description of succession planning (Recommendation B.2 of the GCGC 2022)

According to the recommendation in Section B.2 of the GCGC 2022, the Supervisory Board is to work with the Management Board to ensure that there is long-term succession planning in place; the approach taken is to be described in the Corporate Governance Statement.

The issue of succession planning is dealt with on a regular basis in the Supervisory Board and in discussions with the Management Board. Contract terms and the options for extension are discussed with current Management Board members, as are possible candidates. To date, the Supervisory Board has not drawn up a specific plan for succession planning, which could be reported in the Corporate Governance Statement.

A departure from the recommendation in Section B.2 of the GCGC 2022 is therefore declared.

4. Composition of the Management Board (Recommendation B.5 of the GCGC 2022)

According to the recommendation in Section B.5 of the GCGC 2022, an age limit is to be set for Management Board members and specified in the Corporate Governance Statement.

The company's objective is always to engage the best managers. This may prove difficult for a small publicly listed company like FRIWO AG. For this reason, the Supervisory Board would like to retain the greatest possible room for maneuver when appointing Management Board members and has therefore, contrary to the Recommendation B.5 in the GCGC 2022, abstained from specifying an age limit for members of the Management Board and intends not to set an age limit for Management Board members in the future either. Accordingly, no age limit is disclosed in the Corporate Governance Statement.

A departure from the recommendation in Section B.5 of the GCGC 2022 is therefore declared.

5. Qualification matrix (Recommendation C.1 of the GCGC 2022)

According to the recommendation in Section C.1 of the GCGC 2022, the Supervisory Board's skills and expertise profile shall also comprise expertise regarding sustainability issues relevant to the company. The implementation status should be disclosed in the form of a qualification matrix in the Corporate Governance Statement.

The updated Recommendation C.1 according to the GCGC 2022 contains new elements with the Supervisory Board's skills and expertise profile that comprises sustainability issues and a qualification matrix. The company has therefore not complied with the recommendations to date, and it will also refrain from implementing this recommendation in the future. It will continue to report in general on the implementation of the skills and expertise profile. The company takes the view that the impact is not increased by a formal assessment based on a qualification matrix.

6. Age limit for members of the Supervisory Board (Recommendation C.2. of the GCGC 2022)

According to the recommendation in Section C.2 of the GCGC 2022, an age limit is to be set for Supervisory Board members and specified in the Corporate Governance Statement.

To date, an age limit has not been set by the company for Supervisory Board members and is not to be set in the future either. In the opinion of the Supervisory Board this has provided and will provide continuity and longstanding expertise in the Supervisory Board in the interests of the company and granted the greatest possible flexibility with regard to proposing professionally qualified candidates. Accordingly, no age limit is disclosed in the Corporate Governance Statement.

A departure from the recommendation in Section C.2 of the GCGC 2022 is therefore declared.

7. Elections to the Supervisory Board (Recommendations C.13 and C.14 of the GCGC 2022)

According to the recommendation in Section C.13 of the GCGC 2022, the Supervisory Board is to disclose the personal and business relations of each candidate with the company, the executive bodies of the company and any significant shareholder in the company when proposing candidates for election to the Annual General Meeting. The recommendation on disclosure is restricted to those circumstances that a shareholder making an objective judgment would, in the opinion of the Supervisory Board, view as crucial for his vote.

Significant shareholders for the purposes of this recommendation are those who hold more than 10% of the company's voting shares, directly or indirectly.

According to the recommendation in Section C.14 of the GCGC 2022, a curriculum vitae is to be attached to the name of the proposed candidate, which provides information about relevant knowledge, skills and professional experience; this is to be supplemented by an overview of the key activities in addition to membership of the Supervisory Board and, having been updated once a year for all Supervisory Board members, be published on the company's website.

To date, the recommendations in Section C.13 and C.14 of the GCGC 2022 has not been complied with and will not be complied with either in the future. The recommendations do not match the company's shareholder structure and the costs associated therewith are not proportionate to shareholders' need for information. A departure from the recommendations in Section C.13 and C.14 of the GCGC 2022 is therefore declared.

8. Publication of the rules of procedure for the Supervisory Board (Recommendation D.1 of the GCGC 2022)

According to Section D.1, clause 2 of the GCGC 2022, the Supervisory Board is expected to provide itself with rules of procedure and make these accessible on the company's website.

The rules of procedure for the Supervisory Board available in the company have not been made available on the company's website to date. Publication on the website is not envisaged in the future either. The rules of procedure are an internal document. The tasks and responsibilities of the Supervisory Board are already largely dealt with by law and in the Articles of Association. Detailed information on the work of the Supervisory Report is provided in the Report of the Supervisory Board. From the perspective of the Management Board and the Supervisory Board, publication does not bring any added value in this respect.

A departure from the recommendation in Section D.1, clause 2 of the GCGC 2022 is therefore declared.

9. Formation of committees in the Supervisory Board (Recommendations D.2, D.3 and D.4 of the GCGC 2022)

According to the recommendation in Section D.2 of the GCGC 2022, the Supervisory Board is to form technically qualified committees depending on the specific circumstances of the company and the number of its members. The respective committee members and the Chairmen of the committees are to be mentioned by name in the Corporate Governance Statement.

According to the recommendation in Section D.4 of the GCGC 2022, the Supervisory Board is expected to form a Nomination Committee that consists solely of representatives of the shareholders and nominates suitable candidates to the Supervisory Board for it to propose to the Annual General Meeting for the election of Supervisory Board members.

In accordance with the Articles of Association, the Supervisory Board consists of six members. All Supervisory Board members have the necessary expertise, suitability and experience to perform their role as a member of the Supervisory Board properly and have so far carried out all tasks and challenges to the benefit of the company and will do so in the future too. Since a quorate committee consists of at least three members, the formation of committees will not, from the perspective of the Supervisory Board, lead to its fulfilling its tasks more efficiently. To maintain the successful, proven work of the Supervisory Board in the future as well, the Management Board and the Supervisory Board together take the view that communication and discussion of all issues in the Supervisory Board are most properly achieved in plenary sessions. Fragmentation of the Supervisory Board's work and the work of individual Supervisory Board members through the establishment of Supervisory Board committees would only inhibit the trusting and effective work of the Supervisory Board.

Accordingly, no committees, in particular, no Nomination Committee, has been and will be formed in future either above and beyond the committees prescribed by law. A departure from the recommendations in Sections D.2 and D.4 of the GCGC 2022 is therefore declared in this respect.

According to the recommendation in Section D.3 of the GCGC 2022, the Corporate Governance Statement shall name the relevant members of the Audit Committee and provide details of their expertise in the areas mentioned (accounting and auditing).

The company established the Audit Committee at the end of 2021. The recommendation in Section D.3 of the GCGC 2022 was not yet effective at the date the last Corporate Governance Statement was submitted. The company could therefore not yet give consideration to the recommendations and did not name the relevant members of the Audit Committee or provide details of their expertise in the areas mentioned in the Corporate Governance Statement. The company shall comply with the recommendation of the GCGC 2022 in the future and provide the relevant disclosures.

A departure from the recommendation in Section D.3 of the GCGC 2022 is therefore declared as a precautionary measure for the past.

10. Training and professional development measures for members of the Supervisory Board (Recommendation D.11 of the GCGC 2022)

According to Recommendation D.11 of the GCGC 2022, the company should provide members of the Supervisory Board with appropriate support on their appointment and during any training and professional development measures and report on any measures undertaken in the Report of the Supervisory Board.

The Supervisory Board refrains from reporting on training and professional development measures as well as measures to support them on appointment in relation to individual members in the Report of the Supervisory Board. When taking their seats, new Supervisory Board members receive internal training and support appropriate to their previous knowledge on the work of supervisory boards. Supervisory Board members also attend training and professional development measures on their own initiative.

A departure from the recommendation in Section D.12 of the GCGC 2020 is therefore declared.

11. Self-assessment of the Supervisory Board (Recommendation D.12 of the GCGC 2022)

According to the recommendation in Section D.12 of the GCGC 2022, the Supervisory Board should regularly assess how effectively the Supervisory Board as a whole and its committees fulfill their tasks. The Supervisory Board is to report on whether and how the self-assessment was carried out in the corporate government statement.

To date, there has been no formalized, regular self-assessment of how effective the Supervisory Board is in fulfilling its tasks and this is not planned in the future either. In view of the size of the Supervisory Board and the intensity at which it works together, monitoring is carried out on an ongoing basis. The results of the Supervisory Board's work are visible. For this reason, the Supervisory Board sees no need to carry out additional formalized self-assessments. Accordingly, there is no such report in the Corporate Governance Statement.

A departure from the recommendation in Section D.12 of the GCGC 2022 is therefore declared.

12. Remuneration system (Recommendations G.1 to G.18 GCGC 2022)

As disclosed in the last declaration of conformity, the remuneration system of the Management Board did not comply with recommendations of G.1 to G.18 GCGC 2022, which came into effect last year, in some respects. The remuneration system of the Management Board was revised taking account of the new recommendations of the GCGC and approved by the Annual General Meeting on May 12, 2022. However, the remuneration system still departs from the recommendations of the GCGC 2022 in the following respects:

a) According to the recommendation in Section G.2 of the GCGC 2020*, the Supervisory Board is supposed first to set the specific target total remuneration for each Management Board member, which is to be commensurate with the tasks and performance of the Management Board member and the position of the company and is not to exceed the usual remuneration unless there are special reasons for it doing so.*

The Supervisory Board does not set a fixed amount for the target total remuneration but a percentage target. The background to this approach is that the long-term performance-related remuneration to be granted to the Management Board is calculated on the basis of various corporate key figures (including EBITDA and debt), which are only certain after the end of the respective fiscal year. However, the relevant corporate key figures can be obtained from corporate planning, meaning that it would be possible to calculate actual amounts.

A departure from the recommendation in Section G.2 of the GCGC 2022 is therefore declared as a precautionary measure.

***b) According to the recommendation in Section G.3 of the GCGC 2022**, the Supervisory Board is to use a suitable peer group of other companies to assess what is usual for the Management Board members' specific total remuneration compared with other companies, the composition of which it will disclose.*

The Supervisory Board ensures that the Management Board's remuneration is consistent with customary market practice and checks this on a regular basis. The Supervisory Board uses both a horizontal and a vertical comparison for this purpose. However, the Supervisory Board has abstained from using a peer group comparison. Given the company's business activity and size, the Supervisory Board takes the view that a relevant peer group of other listed companies can only be defined to a limited extent meaning that it is impossible to obtain further representative findings as to whether their remuneration is customary or not. A departure from the recommendation in Section G.3 of the GCGC 2022 is therefore declared.

***c) According to the recommendation in Section G.10 of the GCGC 2022**, the variable remuneration granted to Management Board members is to be largely invested by them in the company's shares, taking account of the respective tax charge, or granted as a share-based payment. The Management Board member is only to be able to dispose of long-term variable amounts granted after four years.*

The remuneration system does not provide for the variable remuneration amounts granted being made as share-based payments. Variable remuneration is paid in cash. Given the small amounts traded, any sale of the shares once the holding period had expired would probably affect the share price. The Supervisory Board does not therefore follow this recommendation of the GCGC 2022. A departure from the recommendation in Section G.10 of the GCGC 2022 is therefore declared.

***d) According to the recommendation in Section G.11 of the GCGC 2022,** in justified cases, it must be possible to retain any variable remuneration or ask for it to be returned.*

The remuneration system does not provide for any regulation under which the company can ask for variable remuneration to be returned. In the opinion of the Supervisory Board, extraordinary developments are taken into account adequately in that variable remuneration is based on short-term and long-term business development. The system also provides for only half of long-term incentives being paid initially and only paid in full once there is a further increase in the value of the company. The Supervisory Board also considers the legal provisions of Section 87 (2) AktG, whereby the Supervisory Board is entitled to reduce all elements of remuneration including variable elements in the event of a deterioration in the company's economic position as sufficient to assert any claims for repayment. A departure from the recommendation in Section G.11 of the GCGC 2022 is therefore declared.

***e) According to the recommendation in Section G.13 sentence 1 GCGC 2022**, payments to a Management Board member in the event of premature termination of their Management Board role must not exceed the value of their remuneration for two years (severance cap) and not compensate more than the remaining term of the contract of employment.*

The existing Management Board contract of employment does not state that the severance cap may not exceed the value of remuneration for two years. However, the obligation to pay variable remuneration in accordance with the rules of the contract will lapse pro rata temporis in such a case.

Since a severance payment will not realistically come into question after the first day of the beginning of the existing term of the Management Board contract of employment and it would approximate the severance cap permissible under the GCGC after approximately three months because of the reduction to the fixed remuneration envisaged in the contract, the Supervisory Board does not consider an explicit regulation to be necessary. A departure from the recommendation in Section G.13 sentence 1 of the GCGC 2022 is therefore declared.

***f) According to the recommendation in Section G.16 of the GCGC 2022**, the Supervisory Board is to decide whether and to what extent remuneration from Board members accepting seats on supervisory boards outside the Group is to offset against their remuneration from the company.*

The existing Management Board contract of employment states that the Management Board member may only engage in secondary employment if the Supervisory Board has previously given its consent in writing. However, it does not state explicitly that remuneration payments for accepting a seat on a supervisory board should be offset against the Board member's remuneration or that the Supervisory Board should decide on this. A departure from the recommendation in Section G.16 of the GCGC 2022 is therefore declared.

II. Since the last declaration of conformity was submitted on December 10, 2021, the recommendations of the GCGC 2020 have been complied with, as announced, with the exception of Recommendations B.2, B.5, C.2, C.13, C.14, D.1, D.2, D.5, D.12, D.13, G.2, G.3, G.10, G.13 and G.16 of the GCGC 2020. With regard to the reasons for the departure, please refer to the explanation for the departure from Recommendations B.2, B.5, C.2, C.13, C.14, D.1, D.2, D.4 (corresponds to D.5 GCGC 2020), D.11 (corresponds to D.12 DCGK 2020), D.12 (corresponds to D.13 GCGC 2020), G.2, G.3, G.10, G.13 and G.16 of the GCGC 2022 described under I. of this statement.

Since submission of the last declaration of conformity on December 10, 2021, the company has also departed from the recommendation in Section G.11 of the GCGC 2020 as follows.

*According to the **recommendation in Section G.11 of the GCGC 2020**, the Supervisory Board is to have the option of taking account of extraordinary developments within reasonable limits. In justified cases, it must be possible to retain any variable remuneration or ask for it to be returned.*

The remuneration system previously did not provide for the Supervisory Board having the option of taking account of extraordinary developments within the reasonable limits or retaining any variable remuneration or asking for it to be returned in justified cases. The remuneration system was recommended by resolution of the ordinary Annual General Meeting on May 12, 2022, and now gives the Supervisory Board the option of taking account of extraordinary developments within reasonable limits. It does not envisage retaining any variable remuneration or asking for it to be returned. With regard to the justification for this departure, please refer to the explanation of the departure from the recommendations G.11 of the GCGC 2022 described in Section I.

Ostbevern, December 2022

Rolf Schwirz	Tobias Tunsch	Richard Ramsauer
CEO	Management Board member	Chairman of the Supervisory Board

Disclosures about Corporate Practices

Corporate practices that extend beyond the legal requirements are not applied.

Working Methods of the Management Board

The Management Board as the governing body of FRIWO AG consisted of two members as of December 31, 2022, namely Rolf Schwirz (Chief Executive Officer, up to February 29, 2024) and Tobias Tunsch (up to February 28, 2025) Detailed information on the members of the Management Board is available on the FRIWO website under https://www.friwo.com/en/about/investor-relations/. The Management Board is committed to the company's interests and in this connection is guided by achieving a sustained increase in its value. It manages the business in accordance with the provisions of the law, the Articles of Association and the Rules of Procedure for the Management Board.

In 2022, the Management Board consisted solely of men. The Supervisory Board does not consider that gender is a characteristic that would particularly qualify a candidate, whether male or female, for a specific position and therefore disregards this criterion when selecting the most suitable candidate. When deciding on new appointments to the Management Board, applicants' qualifications should be considered primarily and not their gender. The Supervisory Board also based its specification of the targets for the proportion of women in the Management Board, which applied until December 31, 2026, on this principle.

The tasks of the Management Board include the strategic direction of the company, planning and setting the company budget, the allocation of resources and monitoring the management of subsidiaries. The Management Board is responsible for preparing the interim and annual financial statements for the company and the Group and for filling key positions. When filling management functions in the company, the Management Board takes account of the criterion "diversity".

To deal responsibly with the risks of business activity, a suitable and effective internal monitoring system is needed to ensure that developments that may jeopardize the company's continued existence are recognized at an early stage and a suitable control and risk management system. The Management Board is responsible for compliance with the law and internal policies, and ensures compliance with these in the company.

If the Management Board consists of several members, they are jointly responsible for management. Nevertheless the individual members manage the areas assigned to them on their own responsibility. If the Management Board consists of several persons, the allocation of tasks to members of the Management Board is based on a written fixed allocation of responsibilities. The Chief Executive Officer also coordinates the work of the Management Board members. The rules of procedure for the Management Board specify the details of the Management Board's work.

The Management Board in its entirety decides on all matters of fundamental and material significance and in cases clearly specified by law or otherwise. Meetings of the Management Board take place on a regular basis. The rules of procedure for the Management Board contain a catalog of measures that must be dealt with and decided by the whole Management Board.

The Management Board works closely, both in terms of time and content, with the Supervisory Board. It keeps the controlling body regularly, promptly and comprehensively informed of all questions of strategy of relevance to the company and implementation thereof, of business planning, business development and the financial and earnings position as well as about entrepreneurial risks and questions of compliance and sustainability. Significant decisions are subject, through the catalog of transactions requiring approval, to the approval of the Supervisory Board. The Management Board and the Supervisory Board collaborate in a spirit of trust for the benefit of the company.

The Management Board is also responsible for setting targets to increase the proportion of women in both management levels below the Management Board within FRIWO AG. Since operating business is located entirely in the subsidiaries of FRIWO AG, there are no management levels below the Management Board meaning that it would be impossible to set such targets.

Working Methods of the Supervisory Board

The Supervisory Board as the supervising body of FRIWO AG has six members. In accordance with the German Act on One-Third Employee Participation in the Supervisory Board, two thirds of its members are representatives of the shareholders and one third are employee representatives. The shareholder representatives are elected by the Annual General Meeting, whereas the employee representatives are elected by the employees in an election process that is independent of the Annual General Meeting. The shareholder representatives and the employee representatives are equally committed to the company’s interests. Supervisory Board members serve for a five-year term. The members of the Supervisory Board are solely responsible for ensuring that they undertake the training and professional development measures that they need to carry out their duties. The Chairman of the Supervisory Board is elected by the Supervisory Board from its members. He coordinates the work of the Supervisory Board and represents the Board externally.

The members of the Supervisory Board were as follows in the reporting period: Richard Ramsauer (Chairman), Jürgen Max Leuze (Vice Chairman), Johannes Feldmayer, Dr. Georg Matthies (each up until the end of the ordinary Annual General Meeting in May 2023), Marco Erdt and Uwe Leifken (each until the end of the ordinary Annual General Meeting in 2027). Marco Erdt resigned from the Supervisory Board as an employee representative as of January 31, 2023 following the termination of his contract of employment. Sabine Vennekötter was appointed as a Supervisory Board member effective February 1, 2023. Detailed information on the members of the Supervisory Board is available on the FRIWO website under https://www.friwo.com/en/about/investor-relations/. This includes details about their professional career, the year in which they were appointed and the period for which they were appointed, memberships of other governing bodies outside FRIWO AG, membership of committees and information about their expertise.

A sufficient number of people on the Supervisory Board must be categorized as independent, since no member has material business or personal relations with the company or the Management Board, apart from in the capacity of shareholder or a close relationship with a shareholder of the company. Certainly, the current version of the German Corporate Governance Code (GCGC) stipulates indicators for categorizing independence in Section C.7. Here, it states, among other things, that a member of the Supervisory Board, who has been a member of the Board for more than twelve years cannot be categorized as independent, which has been the case in relation to Richard Ramsauer, who is also Chairman of the Supervisory Board, and Jürgen Leuze since 2020. However, in the opinion of the Supervisory Board, time spent as a member alone is not a suitable criterion for categorizing independence. Rather, criteria such as objectivity, sufficient distance and expertise are more important in ensuring that the Management Board is adequately monitored.

According to the expertise and requirements profile developed by the Supervisory Board, the Board has extensive knowledge of the sector, is characterized by significant international experience and skills thanks to the varied professional backgrounds of its members. It also fulfills the criterion of diversity in relation to age, as well as educational and professional background and has the skills, expertise and experience necessary for the duties of the Supervisory Board. The members of the Supervisory Board in their entirety are familiar with the sector in which the company operates. In the discussions of its candidates for proposal to the Annual General Meeting, the Supervisory Board gives consideration to the criteria listed above.

In its previous resolution on the target for the proportion of women in the Supervisory Board, the Supervisory Board set itself the target of one of its six members being a woman by May 5, 2026. This target was not achieved in the reporting period. In selecting the suitable candidate, male or female, the focus was primarily on applicants’ professional qualifications and knowledge and not their gender in the last by-election. Nevertheless, it is possible that this will change with future changes in the Supervisory Board. However, the target set has now been achieved with the appointment of Sabine Vennekötter to the Supervisory Board effective February 1, 2023.

During the year, the Supervisory Board regularly meets at least four times (twice per half-year). The Supervisory Board has given itself rules of procedure that specify its tasks and working methods. The Supervisory Board monitors and advises the Management Board on its management of transactions. It discusses business development, planning, strategy and implementation thereof as well as questions of sustainability and compliance topics.

It adopts the annual planning as well as the annual financial statements of FRIWO AG and the Group, taking account of the audit reports produced by the auditor and checks the non-financial declaration by the company. The appointment of the members of the Management Board also falls within its remit. Here, the Supervisory Board decides on the number of Management Board members, the qualifications needed and the appropriate personalities to fill individual positions within the requirements of the law and the Articles of Association. The Supervisory Board ensures the minimum participation of the sexes specified by law or sets targets for the proportion of women in the Management Board within the legal requirements. Significant decisions by the Management Board are also subject to the approval of the Supervisory Board. It is also responsible for approving the company’s transactions with related parties. The Chairman of the Supervisory Board and the chairmen of the committees are also in close contact with the Management Board outside the regular Board meetings.

The Supervisory Board has an Audit Committee, whose members are Jürgen Max Leuze (Chairman), Richard Georg Ramsauer and Dr. Gregor Matthies. In accordance with Section 100(5) AktG, at least one member of the Supervisory Board must have expertise in the area of accounting and at least one further member of the Supervisory Board must have expertise in the area of auditing financial statements. This requirement is met through the members Leuze and Ramsauer Mr. Leuze has expertise in the area of accounting based on his degree and his professional experience. Mr. Ramsauer has expertise in the area of auditing annual financial statements based on his degree and his professional experience. This means that the requirements of the German Corporate Governance Code, whereby the chairman of the Audit Committee is expected to be knowledgeable about at least one of the areas mentioned and independent (see above) are also met at the same time.

The Audit Committee deals, in particular, with examining the accounting, monitoring the accounting process, the effectiveness of the internal control system, the risk management system and the internal audit system as well as the audit of the financial statements and compliance.

There are no other committees.

Detailed information about the work of the Supervisory Board and its committees can be found in the Report of the Supervisory Board.

Transparent corporate communications

The activities and decisions of the Management Board are reported in the regular annual reports, six-month interim reports and quarterly reports. The dates on which this information is published are available in the financial calendar on the FRIWO website under the following Internet address: https://www.friwo.com/en/about/investor-relations/

FRIWO also provides information on events in the Group of significance for the capital market in the form of press releases or ad hoc notifications. Employees are also kept informed via employee meetings or the Intranet.

Remuneration Report

With the Remuneration Report for the Management Board and the Supervisory Board, the company reports in accordance with Section 162 AktG on the remuneration granted and owed to the company's Management Board and Supervisory Board and on the principles of the remuneration system applied in each case for the past year. The report complies with the requirements of the German Stock Corporation Act (AktG).

The Remuneration Report for the last fiscal year, the audit report compiled by the auditor in accordance with Section 162 AktG, the applicable remuneration system for members of the Management Board pursuant to Section 87a (1) and (2) sentence 1 AktG, which was approved by the Annual General Meeting on May 12, 2022 and the last remuneration resolution by the Annual General Meeting on May 6, 2021 pursuant to Section 113 (3) AktG on the remuneration of Supervisory Board members are publicly accessible on the company's website at https://www.friwo.com/en/about/investor-relations/

Remuneration reports for previous fiscal years will also be made available pursuant to Section 162 (4) AktG under the above address in the future.

Further details on the remuneration of the governing bodies of FRIWO AG can also be found in the notes to the consolidated financial statements and in the notes to the annual financial statements of FRIWO AG.

Report by the Management Board on Affiliated Companies

In its report on relations with affiliated companies in fiscal year 2022, the Management Board made the following declaration:

“According to the circumstances known to us at the time at which the transactions stated in the report on relations with affiliated companies were executed, our company received appropriate consideration for every transaction and was not disadvantaged by the implementation or omission of any measures.”

Non-financial Group Declaration

With regard to the explanations within the meaning of Sections 289b, 315b of the German Commercial Code (HGB), please refer to the Sustainability Report 2022. At the same time, this constitutes the combined separate non-financial group report for the FRIWO Group and FRIWO AG for fiscal year 2022 within the meaning of paragraphs 315b, 315c in conjunction with 289b to 289e HGB and also contains the disclosures required by the EU Taxonomy Regulation. The Sustainability Report is made accessible to the public through publication on the website: https://www.friwo.com/en/about/investor-relations/

Ostbevern, March 24, 2023

The Management Board

Rolf Schwirz	Tobias Tunsch
CEO	Management Board member

Consolidated Financial Statements

Table of contents

Consolidated Income Statement

for fiscal year 2022

in EUR thou	Notes	**2022**	**2021**
Revenue	(11)	**184,869**	**100,546**
Cost of sales		-167,213	-95,979
Gross profit		**17,656**	**4,567**
Selling expenses	(12)	-3,866	-3,672
General administration expenses	(13)	-8,916	-8,204
Other operating expenses	(14)	-13,137	-2,934
Other operating income	(14)	12,574	4,622
Goodwill impairment	(21)	0	-2,350
Earnings before interest and taxes (EBIT)		**4,312**	**-7,971**
Income from investments recorded at equity	(22)	-160	0
Interest income	(15)	222	2
Interest cost	(15)	-2,594	-2,181
Earnings before taxes (PBT)		**1,780**	**-10,150**
Income taxes	(16)	-1,268	-400
Consolidated net income		**512**	**-10,550**
Earnings per share (basic and diluted) (in EUR)	**(17)**	**0.06**	**-1.37**

Consolidated Statement of Comprehensive Income

for fiscal year 2022

in EUR thou	Notes	**2022**	**2021**
Consolidated net income		**512**	**-10,550**
Remeasurement of net liability from defined benefit plans	(29)	299	-54
Deferred tax	(16)	-90	16
Net result from the change in the net liability from defined benefit plans		**209**	**-38**
Total changes in value recognized in other comprehensive income not subsequently reclassified to the income statement		**209**	**-38**
Gains/losses from the translation of foreign operations		**270**	**1,209**
Total changes in value recognized in other comprehensive income which may subsequently be reclassified to the income statement if certain conditions are met		**270**	**1,209**
Total changes in value recognized in other comprehensive income		**479**	**1,171**
Total comprehensive Income		**991**	**-9,379**

Consolidated Statement of Cash Flows

for fiscal year 2022

in EUR thou	Notes	**2022**	**2021**
Consolidated net income		**512**	**-10,550**
Income from investments recorded at equity	(22)	160	0
Tax expenses/income recognized in profit or loss	(16)	1,268	400
Net interest recognized in profit or loss	(15)	2,373	2,179
Depreciation and amortization	(21)	4,405	3,886
Goodwill impairment	(21)	0	2,350
Change in provisions	(29)(30)	-18	-4,175
Result from the disposal of fixed assets	(14)	113	1
Changes in inventories	(24)	-4,584	-12,419
Change in trade receivables and other assets not attributable to investing or financing activities	(25)(26)	-17,244	-5,452
Change in trade payables and other liabilities not attributable to investing or financing activities	(34)(35)(36)	11,347	6,747
Interest paid		-1,943	-1,423
Interest received		222	2
Income tax paid/received		453	152
Other non-cash effects		127	565
Cash flow from operating activities		**-2,809**	**-17,737**
Proceeds from disposals of property, plant and equipment/intangible assets		38	28
Payments for investments in intangible assets	(21)	-1,563	-1,081
Payments for investments in property, plant and equipment	(21)	-3,301	-1,530
Payments for investments in financial assets	(22)	-1,000	0
Cash flow from investing activities		**-5,826**	**-2,583**
Proceeds from the issue of new shares	(28)	15,000	0
Transaction costs for the issue of new shares	(28)	-52	0
Taking up shareholder loans	(32)	500	20,600
Taking up non-current liabilities to banks	(31)	0	0
Repayment of current liabilities to banks (net)	(31)	-1,356	-723
Repayment of lease liabilities	(33)	-1,442	-887
Cash flow from financing activities		**12,649**	**18,990**
Net change in cash and cash equivalents		**4,014**	**-1,330**
Cash and cash equivalents at the beginning of the year	(27)	2,873	4,203
Cash and cash equivalents at the end of the year	**(27)**	**6,887**	**2,873**

Consolidated Statement of Financial Position

as of December 31, 2022

Assets

in EUR thou	Notes	**Dec. 31, 2022**	**Dec. 31, 2021**
Non-current assets			
Goodwill	(21)	153	153
Other intangible assets	(21)	3,593	2,303
Property, plant and equipment	(21)	8,921	8,271
Right-of-use assets from leases	(23)	4,665	2,538
Deferred tax	(16)	2,651	4,124
Investments recorded at equity	(22)	842	0
		20,825	**17,389**
Current assets			
Inventories	(24)	37,893	33,309
Trade receivables	(25)	17,900	8,587
Contract assets	(25)	14,013	8,409
Other financial assets	(26)	4,011	2,598
Income tax receivables		0	0
Other non-financial assets	(26)	3,439	2,524
Cash and cash equivalents	(27)	6,887	2,873
		84,143	**58,300**
Total assets		**104,968**	**75,689**

Equity and liabilities

in EUR thou	Notes	**Dec. 31, 2022**	**Dec. 31, 2021**
Equity	(28)		
Subscribed capital		22,242	20,020
Capital reserves		28,328	2,002
Contributions made to carry out the planned capital increase		0	13,600
Revenue reserves		-26,365	-27,085
Other reserves		706	436
		24,912	**8,973**
Non-current liabilities			
Shareholder loans	(32)	8,532	10,457
Non-current lease liabilities	(33)	3,760	1,875
Provisions for pensions	(29)	2,287	2,776
Other non-current provisions	(30)	116	143
		14,694	**15,251**
Current liabilities			
Shareholder loans	(32)	3,054	0
Other current provisions	(30)	1,117	894
Current liabilities to banks	(31)	21,996	23,352
Current lease liabilities	(33)	1,078	765
Trade payables	(34)	29,631	19,953
Contract liabilities	(34)	204	250
Other financial liabilities	(35)	6,691	4,763
Income tax liabilities		353	38
Other non-financial liabilities	(36)	1,238	1,450
		65,362	**51,465**
Liabilities		**80,056**	**66,716**
Total liabilities		**104,968**	**75,689**

Consolidated Statement of Changes in Equity

for fiscal year 2022

				Revenue reserves		Other reserves	
in EUR thou	**Subscribed capital**	Capital reserves	to carry out the planned	Other revenue reserves	Remeasurement of defined benefit pension plans	Currency translation	**Total equity**
As of Jan. 1, 2021	**20,020**	**2,002**	**0**	**-15,263**	**-1,234**	**-773**	**4,752**
Non-cash contribution			13,600				**13,600**
Consolidated net income				-10,550			**-10,550**
Other consolidated comprehensive income					-38	1,209	**1,171**
Total comprehensive Income				**-10,550**	**-38**	**1,209**	**-9,379**
As of Dec. 31, 2021	**20,020**	**2,002**	**13,600**	**-25,813**	**-1,272**	**436**	**8,973**
Issue of new shares	2,222	26,378	-13,600				**15,000**
Transaction costs for the issue of new shares		-52					**-52**
Consolidated net income				512			**512**
Other consolidated comprehensive income					209	270	**479**
Total comprehensive Income	**0**	**0**	**0**	**512**	**209**	**270**	**991**
As of Dec. 31, 2022	**22,242**	**28,328**	**0**	**-25,301**	**-1,063**	**706**	**24,912**

Other reserves only contain results from the translation of foreign operations.

Notes to the Consolidated Financial Statements

General Information

(1) Information on the company

With its subsidiaries, FRIWO AG is an international full-service provider of bespoke, innovative e-mobility solutions as well as power supply units. The company covers numerous applications for various markets and sectors with its products.

Its address is:
FRIWO AG, Von-Liebig-Strasse 11, 48346 Ostbevern, Germany.
Registered office Ostbevern, Münster Local Court, HRB 11727.

The consolidated financial statements and the combined management report of FRIWO AG and the Group for fiscal year 2022 are published in the German Federal Gazette (Bundesanzeiger).

VTC GmbH & Co. KG, Munich, prepares the consolidated financial statements for the largest group of companies, in which FRIWO AG is included.

The company is therefore an affiliated company of VTC GmbH & Co. KG and its direct and indirect subsidiaries.

According to VTC GmbH & Co. KG, its subsidiary, Cardea Holding GmbH, Grünwald, held 81.59% of the shares in FRIWO AG as of December 31, 2022 (2021: 85.37%). The consolidated financial statements of FRIWO AG are included in the consolidated financial statements of VTC GmbH & Co. KG, which are published in Bundesanzeiger. Minda Industries Limited (a company in the UNO MINDA Group), New Delhi, India, took a 5.24% interest in FRIWO AG (2021: 0%) through a capital increase in fiscal year 2022.

The consolidated financial statements of FRIWO AG were approved by the Management Board for publication on March 24, 2023 (date of approval for presentation to the Supervisory Board).

Accounting and Valuation Policies

(2) Declaration of Compliance with IFRSs

With its equity instruments, FRIWO AG participates in a regulated market within the European Union. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the EU. In addition, the requirements standardized in Section 315a HGB are observed.

(3) Principles Applied in the Preparation of the Financial Statements

The consolidated financial statements have been prepared applying the historical cost system.

The main accounting policies applied in the preparation of these consolidated financial statements are presented below. Unless stated otherwise, the policies described were applied consistently to the reporting periods presented.

The consolidated financial statements were prepared in euro. Unless otherwise indicated, all amounts have been stated in thousands of euro (EUR thousand).

Financial reporting based on the principle of the ability to continue as a going concern

At the time the financial statements are being prepared, the financing of the FRIWO Group is secured until December 31, 2023 through the existing syndicated loan agreement. The restructuring period also runs until the end of 2023. Compliance with the restructuring plans was again confirmed – as overwhelmingly likely – by external assessors as part of the preparation of the 2022 annual financial statements.

To ensure financing beyond 2023, FRIWO will enter into negotiations with potential financing partners in good time. It will aim to raise financing in the same amount as the existing syndicated loan. Initial discussions regarding this have already taken place.

One bank has indicated interest in being part of the new banking syndicate, subject to internal credit committee approval, an examination of the integrated multi-year business planning to be submitted by the FRIWO Group that satisfies the bank, mutual agreement on the future financing structure for FRIWO and support for the new syndicate structure from at least one additional financial institution. In view of these positive indications and the forecast positive business performance, the legal representatives assume that it is highly likely that they will be able to secure financing beyond 2023. For this reason, the consolidated financial statements were prepared on the assumption of the company being a going concern.

Nevertheless, there is considerable uncertainty concerning the conclusion of follow-up financing beyond December 31, 2023 at the time the financial statements are being prepared, which may cast significant doubt on the company’s ability to continue as a going concern, making it a risk that could jeopardize its continued existence.

Detailed disclosures can be found in the “Liquidity risks” section of the “Risk report” in the combined management report.

(4) Significant Judgments by FRIWO

Preparation of the consolidated financial statements in compliance with IFRS requires that assumptions and estimates are made that have an impact on the amount and recognition of assets and liabilities in the statement of financial position, income and expenses, and contingent liabilities.

The significant judgments relate to the recoverability of non-current assets (see Note 21), the recognition and amount of provisions (see Notes 29 and 30), the recognition of deferred tax assets on loss carryforwards (see Note 16) and the calculation of fair values of assets acquired as part of business combinations (see Note 21).

(5) Principles of Consolidation

The financial statements of the German and foreign subsidiaries included in the consolidation were prepared using uniform accounting policies and valuation principles.
The fiscal year of all consolidated companies including FRIWO AG is the calendar year.

Receivables and liabilities between the Group companies are offset against each other. Revenue, interim results and all other intragroup expenses and income are eliminated.

The initial consolidation takes place on the acquisition date in accordance with the acquisition method. The acquisition date is the date on which the power to control the financial and operational actions of the acquired company passes to the FRIWO Group. The identifiable assets and liabilities acquired are measured at their acquisition-date fair values. If the purchase price exceeds the newly measured assets, this will result in goodwill, which has to be capitalized. Any negative difference is recognized in profit or loss. The income and expenses of acquired companies are included in the consolidated financial statements from the time at which control is acquired. In the event of a sale, the income and expenses of acquired companies are included in the consolidated financial statements until the time at which control is lost.

Joint ventures are recorded at equity in accordance with IFRS 11. The equity method assumes that the interest is recognized at historical cost at the time the shares were acquired. This is subsequently adjusted, in particular, by the changes in equity, for example from the current result less any distributions received. Goodwill is not shown separately for investments recorded at equity but recognized in the carrying amount of the investment. Should unscheduled impairments of the equity value become necessary, these are shown in the income from investments recorded at equity.

(6) Changes to Accounting and Measurement Policies

The consolidated financial statements of FRIWO as of December 31, 2022 were prepared according to the International Financial Reporting Standards (IFRS) as applicable in the EU and the guidelines of the International Accounting Standards Board (IASB) applicable on the closing date. The term IFRS also includes those International Accounting Standards (IAS) that are still valid. All interpretations (IFRIC) of the IFRS Interpretations Committee, for which application is compulsory for fiscal year 2022, were also applied.

The accounting and measurement policies are basically identical to those used in the previous year.

The following new or amended standards and interpretations were applied for the first time in fiscal year 2022:

Annual Improvements to IFRSs (2018–2020 Cycle)
On May 14, 2020, the IASB issued the Annual Improvements to IFRSs (2018–2020 Cycle). The amendments within the Annual Improvements help to improve existing IFRSs on an ongoing basis and, in principle, relate to narrowly defined issues. The amendments envisaged as part of the 2018–2020 cycle relate in detail to the following four standards:

IFRS 1: Permits subsidiaries that apply IFRS for the first time at a later date than the parent company to simplify measurement of cumulative translation differences in the context of applying IFRS 1.D16(a).

IFRS 9: Clarification of the fees to be included in the 10% test when assessing whether to derecognize financial liabilities.

IFRS 16: Amends the situation and deletes part of the text in the illustrative example 13 “Measurement by a lessee and accounting for a change in the lease term” in relation to reimbursement of leasehold improvements by the lessor. This helps avoid potential confusion when taking account of lease incentives in the financial statements.

IAS 41: Deletion of the requirement in IAS 41.22, whereby taxation cash flows are excluded when calculating the fair value of a biological asset using a present value technique. This ensures consistency with the requirements of IFRS 13.

Application of the amendments is mandatory for fiscal years beginning on or after January 1, 2022. The amendments were endorsed by the EU on June 28, 2021.

FRIWO has taken these amendments into account. They did not have any material impact on the consolidated financial statements.

Amendments to IFRS 3 “Business Combinations”: Reference to the Conceptual Framework
On May 14, 2020, the IASB published amendments to IFRS 3. The amendments relate to the updating and amendment of references to the conceptual framework. Accordingly, in the case of a business combination, in principle, the modified definition criteria for assets and liabilities contained in the revised conceptual framework from 2018 must be applied. The exceptions to this are situations covered by IAS 37 and IFRIC 21 for which the definitions in the respective standards must be used. An explicit statement prohibiting recognition of contingent liabilities from a business combination was also included. The amendments are effective for fiscal years beginning on or after January 1, 2022. The amendments were endorsed by the EU on June 28, 2021.

FRIWO has taken these amendments into account. This had no impact on the consolidated financial statements.

Amendments to IAS 16 “Property, Plant and Equipment”: Proceeds before Intended Use
On May 14, 2020, the IASB published amendments to IAS 16. The amendments relate to the recognition of proceeds from the sale of goods produced during the period an asset is being manufactured, such as during test runs, in the financial statements. Under certain conditions, the previous rule allowed such proceeds to be deducted from the cost of manufacture or installation and also allowed heterogeneous application in practice. The option of deducting these proceeds is no longer available. Instead, such proceeds and the corresponding costs must be uniformly recognized in profit or loss.

The amendments are effective for fiscal years beginning on or after January 1, 2022. The amendments were endorsed by the EU on June 28, 2021.

FRIWO has taken these amendments into account. This had no impact on the consolidated financial statements.

Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”: Onerous Contracts – Costs of Fulfilling a Contract
On May 14, 2020, the IASB published amendments to IAS 37. They help clarify which costs must be included when judging whether a contract is onerous. Accordingly, both the direct additional costs incurred in fulfilling a contract and the additional costs directly attributable to fulfillment of the contract must be included here. The amendments are effective for fiscal years beginning on or after January 1, 2022.

The amendments were endorsed by the EU on June 28, 2021.

FRIWO has taken these amendments into account. They did not have any material impact on the consolidated financial statements.

The International Accounting Standards Board (IASB) has adopted further changes, application of which was not yet mandatory in the reporting period and endorsement of which by the EU is still pending in some cases.

IFRS 17 “Insurance Contracts”
On May 18, 2017, the IASB published the standard IFRS 17 “Insurance Contracts”. The new standard aims to account for insurance contracts consistently and on the basis of principles and requires insurance liabilities to be measured at their current fulfillment value. This led to uniform measurement and presentation of all insurance contracts. The effective date was postponed by resolution of March 18, 2020 from January 1, 2021 to financial years beginning on or after January 1, 2023. It was endorsed by the EU on November 19, 2021.

FRIWO will take these amendments into account. Material impacts on the consolidated financial statements of FRIWO are not expected.

Amendment to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information
On September 9, 2021, the IASB published amendments to IFRS 17 Insurance Contracts. The amendments aim to increase the usefulness of the information provided when IFRS 17 and IFRS 9 are applied jointly by insurance companies for the first time in making decisions. The amendments are effective for fiscal years beginning on or after January 1, 2023. The amendments were endorsed by the EU on September 8, 2022.

FRIWO will take these amendments into account. Impacts on the consolidated financial statements of FRIWO are not expected.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
On May 7, 2021, the IASB published amendments to IAS 12 Income Taxes. The standard was amended to require companies to recognize deferred taxes for transactions which result from the initial recognition of taxable and deductible temporary differences of the same amount. The proposed amendments are typically relevant for leases at the lessee and asset retirement obligations. The amendments are effective for fiscal years beginning on or after January 1, 2023. The amendments were endorsed by the EU on August 11, 2022.

FRIWO will take these amendments into account. Material impacts on the consolidated financial statements of FRIWO are not expected.

Amendments to IAS 1 Presentation of Financial Statements: Disclosure of Accounting Policies
On February 12, 2021, the IASB published amendments to IAS 1 Presentation of Financial Statements. The amendments clarify the fact that companies will only have to disclose material accounting policies and will no longer have to disclose significant accounting policies in the future. Materiality is based on the importance of the information for the users in making decisions and is explained through examples in the standard. The amendments are effective for fiscal years beginning on or after January 1, 2023. The amendments were endorsed by the EU on March 2, 2022.

FRIWO will take these amendments into account. Material impacts on the consolidated financial statements of FRIWO are not expected.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Estimates
On February 12, 2021, the IASB published amendments to IAS 1 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments aim to make it easier for companies to distinguish between accounting policies and accounting-related estimates. This is relevant, as amendments to accounting policies are retrospective in principle, whereas amendments to accounting-related estimates must be recognized prospectively. The amendments are effective for fiscal years beginning on or after January 1, 2023. The amendments were endorsed by the EU on March 2, 2022.

FRIWO will take these amendments into account. Material impacts on the consolidated financial statements of FRIWO are not expected.

The IASB has also published the following statements that have not yet been endorsed by the EU and which FRIWO does not expect to have any significant impact on the consolidated financial statements.

Standard	Title	Mandatory application for financial years beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current	Jan. 1, 2024
Amendments to IFRS 16	Lease Liability in a Sale-and-Leaseback Transaction	Jan. 1, 2024

(7) Currency translation

The Group’s reporting currency is the euro. This corresponds to the reporting currency of FRIWO AG.

Each company within the Group determines its own functional currency. The items included in the financial statements of the respective company are measured using this functional currency. Foreign currency transactions are initially translated at the spot exchange rate between the functional currency and the foreign currency on the date of the transaction. Foreign currency monetary assets and liabilities in a foreign currency are translated into the functional currency at the year-end rate. All exchange differences are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items measured in a foreign currency at fair value are translated using the exchange rate valid at the time of the measurement of fair value.

The financial statements of foreign subsidiaries are translated using the functional currency concept in accordance with IAS 21 “The Effects of Changes in Foreign Exchange Rates”. The statements of financial position are translated at the year-end rate on the closing date and the income statements at average rates since these companies are financially, economically and organizationally autonomous. The functional currency of companies abroad therefore corresponds to the respective national currency. The exchange differences resulting from translation are recognized in other comprehensive income.

The following exchange rates were used in currency translation:

	Closing date		**Average**	
In foreign currency/euro	Dec. 31, 2022	Dec. 31, 2021	2022	2021
China (CNY)	7.3582	7.1947	7.0788	7.6282
U.S.A. (USD)	1.0666	1.1326	1.0530	1.1827
Vietnam (VND)	24,521.00	25,298.43	24,212.20	26,609.19
India (INR)	88.1710	84.2292	82.6864	87.4392

(8) Summary of Significant Accounting and Measurement Policies

The **income statement** is prepared using the function of expense method.

Revenue (revenue from contracts with customers) is recognized when control of the goods or services is transferred to the customers. At FRIWO, the performance obligation largely results from the manufacture and delivery of products. Services (development and tools) are not significant as a performance obligation. Revenue is recognized in the amount of consideration that the Group expects to receive in exchange for these goods and services. When revenue from customer-specific products that have no alternative use is recognized over time and there is a legal right to payment of the performance completed to date, revenue is calculated on the basis of the manufacturing costs incurred.

The specifics of the contract mean that this conveys an accurate picture of the transfer of the goods.

Payment terms usually provide for payment within 60 days of the invoice being issued at the latest. As a rule, there are no significant financing components. The period between transfer of the goods and the payment date is no more than twelve months.

As a rule, the transaction price corresponds to revenue. If a contract contains several performance obligations, the transaction price is allocated to the performance obligations on a relative stand-alone selling price basis.

FRIWO recognizes a provision for the obligation to repair or exchange defective products under service-type warranties. As a rule, there are no assurance-type warranties.

Cost of sales comprises the manufacturing costs of the products sold and the purchase costs of the merchandise sold. In accordance with IAS 2 “Inventories”, the costs of self-constructed products also include all production-related overheads including production-related depreciation and amortization in addition to directly attributable costs such as the cost of materials and labor costs.

Product-related development and logistics costs are also shown under this item.

Development costs are recognized as an expense in the period in which they are incurred. The conditions for capitalization of development costs in accordance with IAS 38.57 are not met. FRIWO does not create intangible assets, since its development work is concentrated largely on optimizing existing products and adapting products to customers’ individual requirements using existing technology.

Deferred taxes are calculated in accordance with IAS 12 on temporary differences between the carrying amounts stated in the consolidated statement of financial position and the carrying amounts for tax purposes and on any loss carryforwards that may be deductible against tax. The tax relief or tax charges that will probably occur because of these differences in the future are recognized as assets or liabilities. Deferred tax assets on tax loss carryforwards are recognized only if realization of the claims to a reduction in tax from the anticipated use of loss carryforwards is reasonably certain in subsequent years.

If the charges or relief based on deferred taxes is recognized in equity through other comprehensive income, the creation or reversal of deferred taxes also takes place through other comprehensive income. Consolidation measures also result in deferred tax measures.

Deferred taxes are calculated on the basis of the tax rates applicable or anticipated in the relevant countries at the time of realization in accordance with the current legal situation. A tax rate of 30% (previous year: 30%) is used for domestic companies.

If deferred tax assets exceed the amount of deferred tax liabilities, impairment is assessed on the basis of the anticipated trend in revenue at the respective Group company.

Deferred tax assets and liabilities are netted if the conditions for netting are met.

Financial instruments: financial assets within the meaning of IFRS 9 are classified as measured at amortized cost, at fair value through other comprehensive income (with or without recycling) or at fair value through profit or loss when recognized for the first time and when accounted for subsequently. Financial assets are measured at fair value when recognized for the first time.

The classification of financial instruments is based on the business model in which the instruments are held and the composition of the contractual cash flows.

Financial assets measured at amortized cost are non-derivative financial assets with contractual payments that consist solely of interest and principal payments on the outstanding nominal amount and that are held with the aim of receiving the contractually agreed cash flows, such as trade receivables or cash and cash equivalents.

Subsequent to initial recognition, these financial assets are measured at amortized cost using the effective interest method less impairment. Gains or losses are recognized in the consolidated profit or loss if loans and receivables are derecognized or impaired. The effects of currency translation are also recognized in profit or loss.

Impairment of financial assets: financial assets (except financial assets measured at fair value through profit or loss and equity instruments measured at fair value through other comprehensive income), contract assets pursuant to IFRS 15, lease receivables, loan commitments and financial guarantees are subject to the impairment model defined in IFRS 9.5.5.

The amount of impairment is measured in line with the expected loan losses. Expected loan losses result from the difference between the contractually agreed cash flows and the expected cash flows, measured at present value using the original effective interest rate. The expected cash flows also contain revenue from the sale of collateral held and other credit enhancements that are integral to the respective contract.

Expected credit losses are recognized in three stages. For financial assets for which there has been a significant increase in default risk since initial recognition, the loss allowance is measured at an amount equal to 12-month expected credit losses (stage 1). In the event of a significant increase in default risk, the expected credit loss for the remaining term of the asset is determined (stage 2). FRIWO assumes in principle that the credit risk has increased significantly if receivables are 30 days past due. This principle can be rebutted if, in the respective individual case, there is reliable and supportable information indicating that the credit risk has not increased. If there are objective indications of impairment, the underlying assets must be allocated to stage 3.

The classes of assets largely of relevance to FRIWO for the application of the impairment model are trade receivables and contract assets, for which the simplified approach pursuant to IFRS 9.5.15 is applied. Accordingly, the loss allowance is always measured at an amount equal to lifetime expected credit losses. See Note 38 in the “Credit Risk” section for more details on the calculation of expected credit losses. There were no significant expected credit losses for all other assets subject to the impairment model pursuant to IFRS 9.5.5.

In principle, FRIWO assumes a default if contractual payments are past due by more than 90 days. In individual cases, it also uses internal or external information that indicates that the contractual payments cannot be made in full. Financial assets are derecognized when there is no justifiable expectation of future payment.

Derecognition of financial assets: a financial asset (or a part of a financial asset or a part of a group of similar financial assets) is derecognized when the corresponding conditions of IFRS 9.3.2.3 et seq. are met. A financial liability is derecognized if the underlying obligation relating to the liability is settled, canceled or expires.

Intangible assets are recognized in accordance with the provisions in IAS 38 at the cost of purchase or manufacture and subject to scheduled straight-line amortization over their probable economic useful life. The useful life of intangible assets (excluding goodwill) amounts to three to six years. The amortization period and method are reviewed in each period. If there are indications of impairment and the recoverable amount is less than the amortized cost, the intangible assets are amortized on an unscheduled basis. If the reasons for the unscheduled amortization end, the assets are written up accordingly.

Amortization of intangible assets is recognized either in cost of sales or in selling or administration expenses in accordance with their objective allocation.

Goodwill is not subject to scheduled amortization but is tested for impairment once a year. It is also examined if events or circumstances occur that indicate the carrying amount may possibly not be recovered. Impairment charges on goodwill are not reversed.

Property, plant and equipment are measured at amortized cost in accordance with IAS 16. In the case of internally constructed equipment, the manufacturing costs include all production-related overheads including production-related depreciation and amortization in addition to direct costs. As a rule, borrowing costs are not included in the costs of purchase or manufacture. If they can be assigned directly to the acquisition, construction or manufacture of a qualified asset, they are capitalized in accordance with IAS 23 “Borrowing Costs”. There are currently no applications for this.

Scheduled straight-line depreciation is recognized for finite-lived property, plant and equipment in line with its anticipated economic useful life, unless the actual usage pattern suggests there are grounds for impairment.

Scheduled depreciation on property, plant and equipment is essentially based on the following useful lives:

Buildings	8 to 50 years
Technical equipment and machinery	3 to 15 years
Operating and office equipment	3 to 15 years
Vehicles	6 to 8 years

The useful lives used and depreciation methods are reviewed in each period to ensure that the depreciation methods and periods correspond to the expected economic benefits from the respective items of property, plant and equipment.

Depreciation of property, plant and equipment is recognized either in cost of sales or in selling or administration expenses in accordance with their objective allocation.

More complex property, plant and equipment that consist of clearly separable components with different useful lives are divided into these components for the purposes of determining depreciation. Depreciation is then calculated using the useful lives of the individual components.

Servicing and repair costs are recognized as an expense. Maintenance expenses that lead to the asset's future potential useful life being increased are capitalized.

Investments recorded at equity are initially measured at the historic cost of the investment. In subsequent years, the historic cost is amended to reflect the share of the net assets attributable to FRIWO. Here, the carrying amounts are adjusted each year by the pro rata results, distributions and all other changes in equity. Goodwill is not shown separately but recognized in the carrying amount of the investment. It is not depreciated on a scheduled basis. Investments recorded at equity are written down on an unscheduled basis if the recoverable amount is less than the carrying amount.

Impairment of non-current, non-financial assets: at each closing date, the Group assesses whether there is any indication that an asset may be impaired. If there are such indications of impairment or an annual impairment test of the asset is required, the Group estimates the recoverable amount. The recoverable amount for an asset is the higher of the fair value of an asset or cash-generating unit (CGU) less costs to sell and its value in use. The recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired, and its value is written down to its recoverable amount. To calculate the value in use, the estimated future cash flows are discounted to present value using an interest rate before taxes that reflects the present market assessment of the interest effect and the specific risks relating to the asset. Impairment losses of continuing operations are recognized in the expense categories that correspond to the function of the impaired asset.

At each reporting date, the Group assesses whether an impairment recognized in previous periods no longer exists or may have decreased; goodwill impairment is not included in these assessments. If there are indications that this is the case, the recoverable amount is estimated. An impairment loss recognized at an earlier time must then be reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount.

This increased carrying amount shall not exceed the carrying amount that would result after taking account of depreciation if no impairment loss had been recognized in previous years. Such an increase in the carrying amount must be recognized immediately in the profit or loss for the reporting period.

In accordance with IAS 2 Inventories, **inventories** are stated at the cost of purchase or manufacture or at the lower net realizable value on the closing date in compliance with the principle of case-by-case valuation. The average method is applied to items that are interchangeable in accordance with IAS 2.25.

Manufacturing costs comprise direct materials, production costs and all production-related overheads including production-related depreciation and amortization. Interest expenses are not included the costs of purchase or manufacture.

Contract balances: if one of the parties to the contract has performed their contractual obligations, a contract asset or contract liability is recognized – depending on whether FRIWO has supplied the service or the customer has made the payment. Contract assets and liabilities are shown as current as they have accrued within the normal business cycle. Receivables are shown if the claim to receive consideration is no longer subject to any condition.

Valuation allowances on contract assets are recognized in accordance with the measurement method for receivables.

Receivables and other assets are accounted for at amortized cost, which usually corresponds to their nominal value. Receivables in foreign currency are translated at the year-end rate in accordance with IAS 21. Differences from this translation are recognized in profit or loss. Discernible risks on individual receivables are taken into account through appropriate specific valuation allowances on separate valuation allowance accounts.

Miscellaneous trade receivables are measured in accordance with the simplified impairment model in compliance with IFRS 9. Here, the average default rates based on past due times are used to calculate the expected losses.

The item **cash and cash equivalents** in the statement of financial position comprises cash in hand, balances with banks and current deposits.

Provisions for pensions are reported on the liabilities side in accordance with the requirements of IAS 19.

Retirement benefit obligations from direct pension commitments are determined in accordance with the projected unit credit method taking account of future changes to salaries and pensions. The present value of the obligation (DBO) is calculated by discounting the anticipated future cash outflows by an interest rate based on the interest rates on high quality corporate bonds.

The interest portions of changes in provisions for pension are reported in the financial result and other expenses in the applicable positions in each case.

Other provisions are accounted for in accordance with IAS 37. They are recognized only when the company has a present (legal or constructive) obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated. The reported provisions sufficiently cover the risks in the consolidated financial statements resulting from obligations to third parties. The calculation is based on the probable utilization.

Provisions with a probable residual term of more than one year are stated at present value if the effect is material. Provisions where utilization is expected within one year are reported under current provisions.

Restructuring provisions: provisions for restructuring measures are recognized if the Group has prepared a detailed, formal restructuring plan and the parties involved have been advised of this.

Liabilities are measured at amortized cost. Liabilities in foreign currency are translated at the year-end rate. Any differences arising compared with the rate when they were first recognized are netted through profit or loss. Interest is paid at market rates on non-current financial liabilities meaning that the carrying amount practically corresponds to the fair value.

Leases: for all new contracts, which came into effect on or after January 1, 2019, the Group checks whether the contract constitutes or contains a lease. However, the regulations of IFRS 16 are not applied to rights of use to intangible assets by exercising the option in question.

A lease is defined as a contract or part of a contract that grants the right to use an asset for a specific period in return for a fee. To apply this definition, the Group assesses whether the contract fulfills the following three conditions:

- The contract relates to an identified asset.
- The Group has the right to obtain substantially all the economic benefits from use of the identified asset during the entire useful life taking account of its rights within the defined scope of the contract.
- The Group has the right to determine use of the identified asset during the entire useful life.

In the case of contracts with several separate lease components, each separate lease component is accounted for separately. In the case of contracts that contain non-lease components in addition to lease components, use is made of the option of not separating these components.

At the date the lease asset is made available, the Group recognizes a right-of-use asset and a lease liability in the statement of financial position. On initial recognition, the historical cost of the right-of-use asset corresponds to the amount of the lease liability, adjusted for the Group's initial direct costs, an estimate of the costs for dismantling and removing the asset at the end of the lease and the lease payments paid before the lease starts less possible lease incentives. In subsequent periods, the right-of-use asset is measured at amortized cost.

The lease liability is measured as the present value of the lease payments paid during the term of the lease, using the interest rate on which the lease is based or, if this is not available, the incremental borrowing rate. As part of the subsequent measurement, the carrying amount of the lease liability is increased using the interest rate used for discounting and reduced by the lease payments made.

The lease payments included in the measurement of the lease liability comprise fixed payments (including de facto fixed payments) and variable payments that are linked to an exchange rate.

At present, the existing contractual agreements do not contain any residual value guarantees, termination or extension options of relevance for measurement. Accordingly, there were no penalties for possible terminations to be taken into account.

In principle, changes to leases and remeasurements of lease liabilities are recognized through other comprehensive income against the right-of-use asset. They are recognized through profit or loss in the income statement if the carrying amount of the right-of-use assets has already been reduced to zero or this results because the lease has been partially terminated.

FRIWO depreciates the right-of-use assets on a straight-line basis from the date the lease asset is made available until the earlier of the end of the lease asset's economic life or until the end of the contract term. FRIWO also checks for impairment if there are indications to this effect.

FRIWO has opted to make use of the practical expedients for short-term leases and low-value leases, although there are presently no use cases for the latter. Instead of recording a right-of-use asset and a matching lease liability, the payments associated with these types of lease are recognized on a straight-line basis as expense in the income statement over the term of the lease.

Right-of-use assets and lease liabilities are shown separately in the statement of financial position.

When recognizing leases in the statement of financial position, the management of the Group takes the assumptions and estimates shown below as a basis with respect to determining the discount rate.

If the Group does not know the interest rate on which the lease is based, a matched-term, country- and currency-specific risk-equivalent incremental borrowing rate is determined on the basis of existing financing.

According to the management, contract-specific adjustments are not necessary within the existing leases and are therefore not taken into account.

FRIWO reviews the parameters for deriving the incremental borrowing rate as required (conclusion of major new contracts).

At present, the Group does not act as a lessor vis-à-vis third parties. Intragroup leases are not recognized in accordance with IFRS 16 but with treated similarly to the agreements previously classified as operating leases at the lessee.

Contingent liabilities are not recognized as liabilities in the consolidated financial statements until utilization is probable. They are stated in the notes to the consolidated financial statements if utilization is not remote. As an international company involved in various areas of business, FRIWO is exposed to a large number of legal risks. In particular, these may include risks from product liability, warranties, tax law, promised rights from corporate transactions and other legal disputes. The outcome of currently pending or future litigation cannot be predicted with reasonable assurance, hence court decisions might result in expenses that are not fully covered by the insurance in place and that could have a material impact on the company's business and its results.

In the assessment of the Management Board, no decisions that may have a material impact on the company's net assets, financial position and results of operations are expected in the legal proceedings pending at the closing date that are not accounted for.

Events after the closing date, which provide additional information on the position of the company at the closing date are taken into account in the statement of financial position. Events after the closing date that affect value are solely dealt with in the notes to the financial statements.

(9) Scope of Consolidation

Besides FRIWO AG, the consolidated financial statements include all German and foreign companies which are controlled by FRIWO AG through a majority of the voting rights, either directly or indirectly. According to IFRS 10, FRIWO AG controls an investee when it is exposed to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The scope of consolidation comprises two German and three foreign companies. Please refer to the shareholdings shown in Note
(43) Shareholdings.

A foreign joint venture was included in the consolidated financial statements using the equity method in 2022 (see Note (22)).

Segment reporting of the FRIWO Group

(10) Segment Reporting

A business segment within the meaning of IFRS 8 is characterized by, among other things, the fact that its operating results are regularly reviewed by the company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Accordingly, the FRIWO Group’s chief operating decision maker is the Management Board of FRIWO AG, which has central decision making powers about the allocation of major resources.

The Management Board has access to various analyses from the regular internal reporting from Group companies, which analyze the company’s performance from different perspectives in each case. Here, the regional aspect plays a very important role in various forms. In this respect, the Management Board views regional differentiation as the fundamental criterion pursuant to IFRS 8 for the segment report.

Segments are defined by revenue for the regions Germany, Other Europe, Asia (excluding Japan) and Others. Revenue is allocated regionally according to customers’ delivery addresses. Other business activities contains the expenses of the holding company that cannot be allocated to a regional segment.

Segment information

in EUR thou	Germany	Other Europe	Asia	Other regions	Other business activities	**Total segments**	Reconciliation	**Group**
2022								
Revenue	57,668	102,965	18,094	6,142	0	**184,869**	0	**184,869**
Depreciation and amortization	1,619	2,289	331	155	11	**4,405**	0	**4,405**
Operating result	3,563	3,663	-1,670	689	-1,370	**4,875**	0	**4,875**
2021								
Revenue	43,995	45,717	6,525	4,309	0	**100,546**	0	**100,546**
Depreciation and amortization	1,862	1,582	241	188	13	**3,886**	0	**3,886**
Operating result	-1,507	-2,947	-733	-520	-1,602	**-7,309**	0	**-7,309**

Reconciliation of segment results

in EUR thou	**2022**	**2021**
Operating earnings of reportable segments	**4,875**	**-7,309**
Reconciliation	0	0
Other operating expenses and income	-563	1,688
Goodwill impairment	0	-2,350
Income from investments recorded at equity	-160	0
Interest income	222	2
Interest expenses	-2,594	-2,181
Income taxes	-1,268	-400
Consolidated net income	**512**	**-10,550**

No business activities take place between the segments. The segments are assessed on the basis of operating earnings. Financing and tax effects are disregarded, as are other income or expenses. Since the internal reporting follows the principles of IFRS accounting, there are no reconciliation effects.

Of the non-current fixed assets, 43% (previous year: 50%) of carrying amounts was attributable to German sites and 57% (previous year: 50%) to foreign sites.

In determining the operating earnings of the reporting segments, asymmetrically to this break-down, depreciation and amortization are allocated to the segments in accordance with the revenue contribution the individual site makes to the respective segment.

In 2022, EUR 153.1 million (previous year: EUR 91.5 million) of revenue was recognized over time and EUR 31.8 million (previous year: EUR 9.0 million) at a point in time.

In 2022, FRIWO Group revenue broke down as follows: EUR 55.0 million to the power supply units (previous year: EUR 45.7 million), EUR 109.1 million to charging units (previous year: EUR 47.0 million) and EUR 20.8 million to “Others” (previous year: EUR 7.8 million).

In the year under review, 38.3% (previous year: 24.8%) of total revenue, namely EUR 70.9 million (previous year: EUR 24.9 million) was attributable to one customer, which is included in the geographical areas Germany, Other Europe and Asia. 11.5% (previous year: 13.4%) of total revenue, namely EUR 21.2 million (previous year: EUR 13.5 million) was attributable to another customer in the reporting year.

Notes to the Income Statement

(11) Revenue

The trend in revenue by region and product group is presented in the segment reporting in accordance with IFRS 8.

The transaction price, which was allocated to (partially) unfulfilled performance obligations at the closing date, amounted to EUR 69.5 million (previous year: EUR 88.8 million). Of this figure, it is anticipated that EUR 53.1 million (previous year: EUR 64.4 million) will be realized as revenue in the coming period.

(12) Selling expenses

In addition to the selling departments' personnel and material costs, selling expenses include the costs of advertising and commission expenses.

(13) General administration expenses

The personnel and material costs of administration and the costs for external services are shown here.

(14) Other operating expenses and income

in EUR thou	**2022**	**2021**
Losses from disposals of property, plant and equipment	-152	0
Currency losses	-12,665	-1,488
Other expenses	-319	-1,446
Other operating expenses	**-13,137**	**-2,934**
Income from disposals of property, plant and equipment	39	0
Currency gains	11,932	3,016
Other income	602	1,606
Other operating income	**12,574**	**4,622**
Other operating expenses/income (net)	**-563**	**1,688**

As in the previous year, other income contained largely additional costs and costs passed on from the procurement of material spot buys (EUR 0.3 million; 2021: EUR 1.3 million).

Currency gains and currency losses resulted from the foreign currency measurement of receivables and liabilities in VND and USD and virtually canceled each other out.

(15) Financial result

in EUR thou	**2022**	**2021**
Other interest and similar income	222	2
Interest and similar expenses	-2,571	-2,158
Interest portion in the allocations to provisions for pensions and other post-employment benefits	-23	-23
Financial result	**-2,372**	**-2,179**

The deterioration in the financial result year-on-year was largely the result of higher interest expenses from factoring of EUR 561 thousand (2021: EUR 195 thousand) because of the increase in revenue and the increase in interest rates. Interest income from tax receivables of EUR 222 thousand (previous year: EUR 2 thousand) had the opposite effect.

Finance costs also contained interest expenses for bank debts of EUR 1,212 thousand (previous year: EUR 645 thousand), interest expenses for shareholder loans of EUR 629 thousand (previous year: EUR 735 thousand) and interest expenses for lease liabilities of EUR 170 million (previous year: EUR 73 million).

(16) Income taxes

This item comprises the income taxes paid or accrued in the individual countries, plus deferred taxes. Income taxes are calculated in accordance with IAS 12 and break down as follows:

in EUR thou	**2022**	**2021**
Current income tax	-343	-7
Taxes from previous years	480	11
Deferred income taxes	-1,405	-404
	-1,268	**-400**

The deferred taxes reported relate to the following items in the statement of financial position:

	2022		2021	
in EUR thou	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Intangible assets	0	137	0	211
Inventories	96	68	0	93
Receivables, contract assets and other assets	57	1,916	9	784
Equity	23	0	0	0
Provisions for pensions	724	520	321	0
Other provisions	14	60	7	62
Other liabilities	0	529	0	30
Tax loss carryforwards	4,967	0	4,967	0
	5,881	**3,230**	**5,304**	**1,180**
Offset	-3,230	-3,230	-1,180	-1,180
Consolidated statement of financial position	**2,651**	**0**	**4,124**	**0**

	Netted			**of which**		
in EUR thou	**2022**	**2021**	Changes	In income statement	On transactions recognized in equity	Currency translation
Intangible assets	-137	-211	74	74	0	0
Inventories	28	-93	121	121	0	0
Receivables, contract assets and other assets	-1,859	-775	-1,084	-1,084	0	2
Equity	23	0	23	23	0	0
Provisions for pensions	204	321	-116	-27	-90	0
Other provisions	-46	-55	9	9	0	0
Other liabilities	-529	-30	-499	-499	0	0
Tax loss carryforwards	4,967	4,967	0	0	0	0
Consolidated statement of financial position	**2,651**	**4,124**	**-1,473**	**-1,383**	**-90**	**0**

The data were as follows in the previous year:

	2021		2020	
in EUR thou	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Intangible assets	0	211	0	301
Inventories	0	93	84	39
Receivables, contract assets and other assets	9	784	12	442
Provisions for pensions	321	0	348	0
Other provisions	7	62	73	0
Other liabilities	0	30	0	192
Tax loss carryforwards	4,967	0	4,967	0
	5,304	**1,180**	**5,484**	**974**
Offset	-1,180	-1,180	-974	-974
Consolidated statement of financial position	**4,124**	**0**	**4,510**	**0**

	Netted			of which		
in EUR thou	**2021**	**2020**	Changes	In income statement	On transactions recognized in equity	Currency translation
Intangible assets	-211	-301	90	90	0	0
Inventories	-93	45	-138	-138	0	0
Receivables, contract assets and other assets	-775	-430	-345	-347	0	2
Provisions for pensions	321	348	-27	-43	16	0
Other provisions	-55	73	-128	-128	0	0
Other liabilities	-30	-192	162	162	0	0
Tax loss carryforwards	4,967	4,967	0	0	0	0
Consolidated statement of financial position	**4,124**	**4,510**	**-386**	**-404**	**16**	**2**

Deferred taxes were recognized on temporary differences on the closing date. Deferred tax assets of EUR 5.0 million (previous year: EUR 5.0 million) were recognized on losses incurred in Germany of EUR 16.3 million (previous year: EUR 16.3 million). No deferred tax assets (EUR 4.5 million; previous year: EUR 5.1 million) were recognized on the additional tax loss carryforwards of EUR 14.8 million (previous year: EUR 16.6 million), because it cannot be determined with reasonable assurance that the German income will be sufficient to fully offset the entire tax loss carryforward within the foreseeable future.

The existing deferred tax asset is more than likely to be offset by sufficient future taxable income from the planned growth in revenue based on new strategic areas and markets combined with a simultaneous improvement in cost efficiency.

The following table shows the reconciliation from the notional to the actual tax expense:

in EUR thou	**2022**	**2021**
Earnings before taxes	1,780	-10,150
Forecast tax expense[1)]	534	-3,045
Tax rate differences	-498	-187
Non-recognition of deferred tax assets	2,294	3,172
Non-deductible other expenses	64	59
Capital increase transactions	-16	0
Taxes for previous years	-480	-10
Tax-free foreign earnings	-638	-293
Goodwill impairment	0	704
Other, net	8	0
Actual tax expense	**1,268**	**400**

[1)] Expected tax expense at a tax rate for FRIWO AG of 30% (previous year: 30%)

(17) Earnings per share

In accordance with IAS 33, “earnings per share” are determined on the basis of the Group result and amounted to EUR 0.06 for 2022 (previous year: EUR -1.37). The number of shares (8.6 million shares) has increased compared with the previous year (7.7 million shares) in the reporting year because of the two capital increases. More detailed information on these capital increases can be found in Note (28).

Since there are no finance instruments outstanding that can be converted into shares, basic and diluted earnings per share are identical.

in EUR thou	**2022**	**2021**
Number of shares issued	8,554,496	7,700,000
Consolidated net income	512	-10,550
Earnings per share (in EUR)	**0.06**	**-1.37**

Other Income Statement Disclosures

(18) Research and development costs

Expenses for research and development of EUR 6.2 million were recognized in the reporting year (previous year: EUR 5.6 million). The costs, which largely constitute expenses for the project-related development of the product range, are included in the cost of sales.

(19) Other Income Statement Disclosures

Cost of sales, selling expenses and general administration expenses include the following types of expenditure:

Depreciation and amortization

in EUR thou	**2022**	**2021**
Amortization of intangible assets	361	453
Depreciation of property, plant and equipment	2,531	2,529
Amortization and depreciation of right-of-use assets in accordance with IFRS 16	1,513	904
	4,405	**3,886**

Cost of materials

in EUR thou	**2022**	**2021**
Cost of raw materials, supplies, and merchandise purchased	133,884	61,272
Cost of purchased services	2,657	2,181
	136,541	**63,453**

Personnel expenses

in EUR thou	**2022**	**2021**
Wages and salaries	27,141	22,516
Expenses for social security	3,470	3,190
Expenses for pensions and other benefits	1	12
	30,612	**25,718**

Number of employees

On average, the Group's employee numbers in the fiscal year were as follows:

Number of employees	**2022**	**2021**
Germany	159	156
Abroad	2,388	2,165
	2,547	**2,321**

As of December 31, 2022, 2,501 staff members (previous year: 2,182) were employed in the Group, of whom 162 (previous year: 154) were in Germany.

Notes to the Statement of Cash Flows

(20) Statement of Cash Flows

A reconciliation between the opening and closing figures for liabilities from financing activities is shown below:

in EUR thou	Non-current liabilities	Shareholder loans	Current liabilities	Lease liabilities	**Total**
As of Jan. 1, 2021	9,382	2,722	14,693	2,176	**28,973**
Cash changes	0	20,600	-723	-887	**18,990**
Non-cash changes	-9,382	-12,865	9,382	1,351	**-11,514**
As of Dec. 31, 2021	**0**	**10,457**	**23,352**	**2,640**	**36,449**
Cash changes	0	500	-1,356	-1,442	**-2,298**
Non-cash changes	0	629	0	3,641	**4,269**
As of Dec. 31, 2022	**0**	**11,586**	**21,996**	**4,838**	**38,420**

Notes to the Statement of Financial Position

(21) Non-current Assets

Statement of changes in assets of the FRIWO Group for the fiscal years 2022 and 2021:

2022	**Cost of purchase**					
in EUR thou	Jan. 1, 2022	Additions	Disposals	Reclassifications	Exchange differences	Dec. 31, 2022
Intangible assets						
Goodwill	2,503	0	0	0	0	2,503
Commercial property rights and similar rights and assets	5,898	85	18	0	5	5,970
Advance payments for intangible assets	1,393	1,478	0	85	0	2,957
	9,794	**1,563**	**18**	**85**	**5**	**11,430**
Property, plant and equipment						
Land and buildings	10,356	66	0	0	39	10,461
Technical equipment and machinery	16,170	1,469	252	0	213	17,600
Other plant, factory and office equipment	17,648	1,454	233	64	54	18,987
Prepayments made and assets under construction	276	311	0	-149	2	440
	44,450	**3,301**	**485**	**-85**	**308**	**47,488**

2021	**Cost of purchase**					
in EUR thou	Jan. 1, 2021	Additions	Disposals	Reclassifications	Exchange differences	Dec. 31, 2021
Intangible assets						
Goodwill	2,286	0	0	0	217	2,503
Commercial property rights and similar rights and assets	5,800	62	1	0	37	5,898
Advance payments for intangible assets	375	1,018	0	0	0	1,393
	8,461	**1,080**	**1**	**0**	**254**	**9,794**
Property, plant and equipment						
Land and buildings	10,224	17	0	0	115	10,356
Technical equipment and machinery	15,083	475	47	0	659	16,170
Other plant, factory and office equipment	16,370	878	117	266	251	17,648
Prepayments made and assets under construction	370	161	0	-266	11	276
	42,047	**1,531**	**164**	**0**	**1,036**	**44,450**

Depreciation and amortization					Carrying amount	
Jan. 1, 2022	Additions	Disposals	Exchange differences	Dec. 31, 2022	Dec. 31, 2022	Dec. 31, 2021
2,350	0	0	0	2,350	153	153
4,988	361	18	3	5,334	636	910
0	0	0	0	0	2,957	1,393
7,338	**361**	**18**	**3**	**7,684**	**3,746**	**2,456**
8,720	186	0	11	8,917	1,544	1,636
12,727	1,063	136	152	13,806	3,794	3,443
14,732	1,282	198	27	15,843	3,144	2,916
0	0	0	0	0	439	276
36,179	**2,531**	**334**	**190**	**38,566**	**8,921**	**8,271**

Depreciation and amortization					Carrying amount	
Jan. 1, 2021	Additions	Disposals	Exchange differences	Dec. 31, 2021	Dec. 31, 2021	Dec. 31, 2020
0	2,350	0	0	2,350	153	2,286
4,521	452	1	16	4,988	910	1,279
0	0	0	0	0	1,393	375
4,521	**2,802**	**1**	**16**	**7,338**	**2,456**	**3,940**
8,482	206	0	32	8,720	1,636	1,742
11,102	1,229	36	432	12,727	3,443	3,981
13,569	1,094	100	169	14,732	2,916	2,801
0	0	0	0	0	276	370
33,153	**2,529**	**136**	**633**	**36,179**	**8,271**	**8,894**

Non-current assets are subject to collateral agreements, see Note (31).

Testing cash-generating units (CGUs) with goodwill for impairment

The goodwill that arose from the acquisition of a transformer factory in Vietnam as part of an asset deal in 2017 of EUR 2,531 thousand originally was fully written off in the last fiscal year.

Insignificant goodwill compared to total goodwill of EUR 153 thousand (previous year: EUR 153 thousand) is allocated to the CGU FRIWO Germany. No impairment was required for the CGU. The relocation of production capacity from Ostbevern to Vietnam as part of the transformation process and the relocation of the relevant fixed assets does not indicate that recognition of impairment is required.

Testing assets and cash-generating units without goodwill for impairment

FRIWO checks whether there are any indicators that non-current assets require recognition of impairment. In accordance with IAS 36, an impairment test as part of the measurement of non-current assets is triggered by a triggering event. In recent years, there were no indicators that would have had any impact on the recoverability of non-current assets.

Likewise, having considered FRIWO’s business development in 2022, no indicators were identified, even taking account of the global economic situation with higher inflation rates and energy prices as well as the ongoing war in Ukraine, as triggers for carrying out an impairment test for CGUs without any goodwill or assets.

(22) Investments recorded at equity

The only company recorded at equity is the joint venture UNO MINDA EV SYSTEMS PVT. LTD., North West Delhi, Delhi, India, with the UNO MINDA Group, in which FRIWO holds an interest of 49.9%. The object of the joint venture is the development and sale of e-mobility drive solutions for two and three-wheel vehicles in India. The closing date for the joint venture is March 31 of each fiscal year, which corresponds to the closing date of the joint venture partner.

The material items of the aggregated statement of financial position and the aggregated income statement of the company recorded at equity are shown in the following tables.

Investments recorded at equity – statement of financial position data as at December 31

in EUR thou	**Dec. 31, 2022**	**Dec. 31, 2021**
Non-current assets	561	0
Current assets	1,247	0
Current liabilities (including provisions)	510	0
Non-current liabilities (including provisions)	134	0
Cash and cash equivalents	38	0
Current financial liabilities	510	0
Non-current financial liabilities	134	0
Equity	1,165	0
% shareholding	49.9	0
Pro rata equity	581	0
Group adjustments	0	0
Carrying amount of the investment	842	0

Investments recorded at equity – earnings data

in EUR thou	**2022**	**2021**
Revenue	0	0
Annual result from continuing operations	-320	0
Scheduled depreciation and amortization	0	0
Interest income	0	0
Interest expenses	0	0
Income taxes	0	0
Dividend paid to FRIWO	0	0
Other comprehensive income	0	0
Total comprehensive income	-320	0
% shareholding	49.9	0
Pro rata annual result after taxes	-160	0
Pro rata other comprehensive income after taxes	0	0
Pro rata total comprehensive income after taxes	-160	0
Group adjustments	0	0
Income from investments recorded at equity	-160	0

(23) Right of use assets

The following table shows the changes in right-of-use assets accounted for by the Group.

in EUR thou	Land and buildings	Other office equipment	Vehicle fleet	Total
Cost of purchase				
As of Jan. 1, 2022	4,809	78	280	5,167
Additions	3,478	0	113	3,591
Disposals	1,620	0	230	1,850
Remeasurement	0	0	0	0
Currency translation	124	0	0	124
As of Dec. 31, 2022	**6,791**	**78**	**163**	**7,032**
Depreciation and amortization				
As of Jan. 1, 2022	2,383	29	217	2,629
Additions	1,416	16	81	1,513
Disposals	1,620	0	230	1,850
Currency translation	75	0	0	75
As of Dec. 31, 2022	**2,254**	**45**	**68**	**2,367**
Carrying amount				
As of Dec. 31, 2022	**4,537**	**33**	**95**	**4,665**

The figures were as follows in the previous year:

in EUR thou	Land and buildings	Other office equipment	Vehicle fleet	Total
Cost of purchase				
As of Jan. 1, 2021	3,271	78	339	3,688
Additions	1,144	0	0	1,144
Disposals	0	0	59	59
Remeasurement	0	0	0	0
Currency translation	394	0	0	394
As of Dec. 31, 2021	**4,809**	**78**	**280**	**5,167**
Depreciation and amortization				
As of Jan. 1, 2021	1,417	13	168	1,598
Additions	780	16	108	904
Disposals	0	0	59	59
Currency translation	186	0	0	186
As of Dec. 31, 2021	**2,383**	**29**	**217**	**2,629**
Carrying amount				
As of Dec. 31, 2021	**2,426**	**49**	**63**	**2,538**

The Group has concluded several real estate leases. These primarily related to foreign production sites and offices. The option to terminate a lease agreement for a plant in Vietnam, which was scheduled to run until 2027, was exercised by FRIWO in the reporting period to conclude an agreement with another lessor, which will also run until 2027, on more favorable terms.

Right-of-use assets recognized under operating and office equipment are primarily photocopiers.

There are also several vehicle leases.

In some cases, maintenance, servicing and/or insurance obligations are associated with the leases.

Please see the “Leases” Section (33) for notes on the corresponding lease liabilities.

(24) Inventories

in EUR thou	**Dec. 31, 2022**	**Dec. 31, 2021**
Raw materials and supplies	27,730	27,401
Unfinished goods and work in progress	8,796	5,503
Finished goods and products	1,367	403
Advance payments on inventories	0	2
	37,893	**33,309**

As of December 31, 2022, valuation allowances amounted to EUR 4.0 million (previous year: EUR 5.5 million). The carrying amount of inventories recognized at net realizable value amounted to EUR 0.8 million (previous year: EUR 0.0 million) at the end of the reporting year. Valuation allowances were reduced by EUR 1.5 million in the reporting year (previous year: allocation of EUR 1.0 million). Assets recognized at EUR 0.6 million were also scrapped (previous year: EUR 0.2 million).

In determining the sales market-related valuation allowances, in addition to current price trends on the sales side, inventory coverage, expected consumption and marketability are also included in the measurement to determine net realizable value. To this end, assumptions were made as to future revenue expectations at product level.

Inventories are subject to collateral agreements, see Note 31.

(25) Trade Receivables and Contract Balances

FRIWO sells some of its **trade receivables** in the form of non-recourse factoring. This means that the assigned receivables no longer feature in FRIWO’s statement of financial position, since all opportunities and risks, especially the delcredere risk, are transferred to the factor.

FRIWO has not retained control either according to IFRS 9.3.2.6, since the factor has the ability and is legally able to sell the receivable to a third party.

FRIWO retains neither the contractual obligations and rights, since control passes to the factor according to IFRS 9.3.2.6, nor does it acquire any new obligations and rights from the transfer or sale of receivables to the factor. Therefore, there is no continuing involvement as defined in IFRS 7.

The factor makes most of the purchase price available to FRIWO as cash. For the period between purchase and payment being received, the factor receives an interest rate of a reference interest rate plus a 1.5% interest margin.

There are no receivables that are more than 360 days past due that have not been written down. For receivables that are neither past due nor impaired, no indications were identified that the respective debtors will default on their payment obligations.

Contract assets will be fully realized or fulfilled within the next year. The contract assets of EUR 14.0 million (previous year: EUR 8.4 million) relate to products that have not yet been invoiced and largely have the same risk characteristics as trade receivables.

The following table shows the valuation allowances calculated on the basis of expected credit losses.

in EUR thou	**Dec. 31, 2022**	**Dec. 31, 2021**
Valuation allowances based on receivables being past due	106	98
Valuation allowances recognized on an individual basis	201	121
Valuation allowances for trade receivables and contract assets	**307**	**219**

The contract liabilities of EUR 0.2 million (previous year: EUR 0.3 million) relate to advance payments for development costs, which are realized in revenue and profit or loss for the following series production. The balances reported at the beginning of the reporting period were fully recognized in revenue in the reporting period.

Receivables are subject to collateral agreements, see Note 31.

(26) Other assets

Other financial assets

in EUR thou	**Dec. 31, 2022**	**Dec. 31, 2021**
Purchase price retention from factoring	2,483	1,770
Rent deposits	530	315
Miscellaneous financial assets	998	513
	4,011	**2,598**

The purchase price retention from factoring is an amount amounting to a percentage rate on the value of the gross receivable sold and serves to protect the factor vis-à-vis the company in order to cover the usual discount and bonus payments, the general fees and the risk associated with the legal validity of the receivables.

Miscellaneous financial assets contain largely sales tax receivables, which increased significantly compared with the previous year’s closing date because of the increase in business volume.

Other non-financial assets

in EUR thou	**Dec. 31, 2022**	**Dec. 31, 2021**
Other income tax receivables, customs duties	2,546	1,998
Accrued items	893	526
	3,439	**2,524**

The increase resulted primarily from higher receivables from input taxes and accrued items for service contracts.

There were no write-downs of financial and non-financial assets on the closing dates.

(27) Cash and cash equivalents

in EUR thou	Dec. 31, 2022	Dec. 31, 2021
Checks and cash in hand	4	62
Bank balances	6,883	2,811
	6,887	**2,873**

Bank balances contain the credit balance with the factor for the portion of the purchase price of the receivables assigned to the factor, which has not yet been utilized but is callable at any time amounting to EUR 0.1 million (previous year: EUR 0.2 million).

This definition of cash and cash equivalents is also used in the statement of cash flows.

Cash and cash equivalents are subject to collateral agreements, see Note 31.

(28) Equity

The subscribed capital and capital reserve relate to FRIWO AG. The share capital of FRIWO AG of EUR 22.2 million is divided into 8.6 million no-par value bearer shares with equal rights. Each share therefore represents a share of subscribed capital of EUR 2.60. The contributions to the share capital are fully paid. FRIWO AG does not hold any treasury shares either directly or indirectly. The capital reserve is available to offset possible future losses and, in part, to increase the share capital within the restrictions of Section 150 AktG, but not for disbursements. The number of shares issued increased from 7.7 million to 8.6 million shares as a result of the two capital increases undertaken in fiscal year 2022.

In accordance with the resolution by the Annual General Meeting on May 15, 2018, the Management Board of FRIWO AG was authorized, with the approval of the Supervisory Board to increase the share capital of the company by up to EUR 10.01 million by issuing new bearer shares against cash and/or non-cash contributions on one or more occasions (Authorized Capital) up to May 14, 2023. The Management Board may, with the approval of the Supervisory Board, exclude shareholders’ subscription rights for certain purposes. The Management Board made use of the authorization in fiscal year 2021 within the framework of a cash capital contribution of EUR 1.17 million (448,162 shares) and a non-cash contribution of EUR 1.06 million (406,334 shares). Neither capital measure had been entered in the Commercial Register as of December 31, 2021 and only became effective in law when entered in the register in fiscal year 2022. The remaining authorized capital of EUR 7.79 million remains in place.

The Cardea Holding GmbH claims of EUR 13.6 million against FRIWO for loan repayment were contributed as a non-cash contribution. The new shares were issued at an issue amount of EUR 2.60 per share plus a premium. The main shareholder, Cardea Holding GmbH was permitted to acquire the new shares; other shareholders’ subscription rights were excluded. Transaction costs of EUR 18 thousand were incurred with the capital increase, which were accounted for as a deduction from the capital reserve with an offsetting tax effect of EUR 5 thousand. It was recorded in the Commercial Register on January 6, 2022.

The cash capital contribution relates to the joint venture with the UNO MINDA Group, for which FRIWO AG passed all the necessary resolutions on December 10, 2021. Having received approval from the competent supervisory authorities in India in the reporting year, the UNO MINDA Group invested EUR 15 million. The new shares were issued at an issue amount of EUR 2.60 per share plus a premium. The other shareholders’ subscription rights were disapplied. Transaction costs of EUR 57 thousand were incurred with the capital increase, which were accounted for as a deduction from the capital reserve with an offsetting tax effect of EUR 17 thousand. It was recorded in the Commercial Register on June 28, 2022.

The capital reserve is the statutory minimum reserve of FRIWO AG.

The revenue reserves contain the differences from the capital consolidation, the results of the reporting year and previous years, reduced by dividends paid in the past and parts of other comprehensive income not reclassified to the income statement.

The cumulative results of changes in equity recognized in other comprehensive income, which may subsequently be reclassified to the income statement if certain conditions are met, are shown in other reserves.

In its separate financial statements as of December 31, 2022 prepared under the German Commercial Code, FRIWO AG reported an accumulated loss of EUR-33,288 thousand (previous year: EUR-31,043 thousand) after offsetting against the results carried forward.

Statements on capital management can be found in the section on financial risk management (38)

(29) Provisions for pensions

The majority of the obligations, which only apply to Germany, are retirement benefits linked to length of service based on fixed amounts. There is also a commitment based on income and length of service. These commitments are solely individual agreements.

Actuarial measurement is based on various assumptions. These include determining the discount rates, future increases in wages and salaries, the mortality rates and future increases in pensions. All assumptions are reviewed at each closing date.

The actuarial calculation is based on the following parameters: a discount rate of 3.42% (previous year: 0.86%), a salary trend of 3.80% (previous year: 2.00%) and, besides individually agreed pension adjustments, a pension trend of 1.9% (previous year: 1.5%). Pensions and the pension trend are reviewed every three years. The mortality tables 2018 G of Dr. Klaus Heubeck were used with regard to life expectancy. The development of pension obligations is documented by actuarial reports.

Past service cost and interest expense is recognized in the income statement, while changes in actuarial gains and losses are a component of other consolidated comprehensive income.

The present value of the defined benefit obligation developed as follows:

in EUR thou	**2022**	**2021**
Defined benefit obligation (DBO) as of Jan. 1	**2,776**	**2,899**
Current service cost (present value of the pension claims earned in the fiscal year)	-2	5
Interest cost	23	23
Remeasurement effects		
Actuarial gains (-)/losses (+) from changes in financial assumptions	-460	-11
Actuarial gains (-)/losses (+) from changes in demographic assumptions	0	0
Experience adjustment	161	65
Benefits paid	-211	-205
Defined benefit obligation (DBO) as of Dec. 31	**2,287**	**2,776**

The present value of the defined benefit obligation corresponds to the deficit in the plan since there are no plan assets.

The pension payments expected next year amount to EUR 214 thousand.

The weighted average term of the obligation was eight years at the closing date (previous year: nine years).

Given the complexity of the measurement, the underlying assumptions and their long-term nature, any defined benefit obligation reacts very sensitively to changes in these assumptions. FRIWO is exposed to these actuarial risks.

An increase or decrease in the key actuarial assumptions would have the following effects:

in EUR thou		Increase	Decrease
2022	Discount rate +/- 1%-pt.	-164	189
	Salary and pension trend +/- 0.25%-pt.	38	-37
2021	Discount rate +/- 1%-pt.	-237	277
	Salary and pension trend +/- 0.25%-pt.	54	-52

The effects were established using the same methods as were used to measure the obligation at the end of the year. In the process, the effects were considered in isolation in each case, i.e. any dependencies that may exist between the parameters that were investigated were disregarded.

Employer contributions for the statutory pension system, defined as a defined contribution pension plan, were EUR 964 thousand (previous year: EUR 957 thousand).

(30) Other provisions

in EUR thou	As of Jan. 1, 2022	Utilization	Reversal	Allocation	As of Dec. 31, 2022
Other non-current provisions					
Personnel and social welfare-related	143	40	0	13	116
	143	**40**	**0**	**13**	**116**
Other current provisions					0
Warranties	250	250	0	690	690
Anticipated losses	392	392	0	294	294
Other	150	47	0	30	133
Restructuring	102	0	102	0	0
	894	**689**	**102**	**1,014**	**1,117**

Non-current provisions relate to service anniversary obligations.

Non-current provisions were calculated by discounting. The increase in the discounted amount during the reporting period due to the passage of time amounted to EUR 1 thousand (previous year: EUR 1 thousand). A maturity-matched interest rate was chosen for discounting. The effect of the change in interest rates was immaterial.

Provisions for guarantees serve to cover guarantee obligations based on products/services provided. The anticipated losses relate to onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

FRIWO Gerätebau GmbH offers its employees the option of placing wage and salary components in long-term accounts. The value of provisions from employee-financed long-term accounts is determined in accordance with the performance of the capitalized value of the matching life insurance policy. A net value is reported.

(31) Liabilities to banks

Dec. 31, 2022: in EUR thou	Carrying amount	Current	Non-current	
		Up to 1 year	**1 to 5 years**	**More than 5 years**
Non-current syndicated loan	0	0	0	0
Current syndicated loan	16,061	16,061	0	0
Other current	5,935	5,935	0	0
	21,996	**21,996**	**0**	**0**

Dec. 31, 2021: in EUR thou	Carrying amount	Current	Non-current	
		Up to 1 year	**1 to 5 years**	**More than 5 years**
Non-current syndicated loan	0	0	0	0
Current syndicated loan	19,654	19,654	0	0
Other current	3,698	3,698	0	0
	23,352	**23,352**	**0**	**0**

Liabilities to banks are collateralized.

They are collateralized by a land charge, a global assignment of receivables that cannot be factored, the transfer of ownership of movable non-current and current assets, the transfer of commercial property rights by way of security and the pledging of bank accounts. The provision of collateral amounts to EUR 20.7 million of the carrying amounts reported in the statement of financial position.

The weighted average interest rate for liabilities to banks was 4.06% in 2022 (previous year: 3.74%).

The credit facilities were as follows at the end of the year:

in EUR thou	Credit facilities	Utilization	Free credit facilities
Dec. 31, 2022	23,093	21,996	1,097
Dec. 31, 2021	23,448	23,352	96

The Group financing agreed with the banks in March 2020 specified that the previous bilateral credit facilities with German lenders were transferred into a syndicated loan. The syndicated loan consists of an amortizing term credit facility of EUR 10.4 million and two additional revolving operating credit facilities of EUR 8.3 million and EUR 2.0 million respectively. A term of up to December 31, 2023 was agreed for all three tranches. No repayment of the operating credit facilities was required up to the end of 2020, before quarterly repayments of EUR 0.25 million each were made on the amortizing term credit line in fiscal year 2021. In 2022, the quarterly repayments increased to EUR 0.7 million in each case. Due to two special repayments, repayments for the whole of 2022 totaled EUR 3.6 million. The remaining amount is due at the end of 2023.

The Vietnamese subsidiary has also retained a bilateral credit facility with a local bank in Vietnam.

FRIWO has furnished various guarantees and collateral for the two loan agreements. New financial ratios were also defined for the syndicated loan (covenants) and extended reporting and documentation obligations agreed.

The credit agreement also stipulates that FRIWO AG will not pay any dividends during the restructuring period.

At the time the financial statements are being prepared, the financing of the FRIWO Group is secured until December 31, 2023 through the existing syndicated loan agreement. The restructuring period also runs until the end of 2023. Compliance with the restructuring plans was again confirmed – as overwhelmingly likely – by external assessors as part of the preparation of the 2022 annual financial statements.

To ensure financing beyond 2023, FRIWO will enter into negotiations with potential financing partners in good time. It will aim to raise financing in the same amount as the existing syndicated loan. Initial discussions regarding this have already taken place. One bank has indicated interest in being part of the new banking syndicate, subject to internal credit committee approval, an examination of the integrated multi-year business planning to be submitted by the FRIWO Group that satisfies the bank, mutual agreement on the future financing structure for FRIWO and support for the new syndicate structure from at least one additional financial institution. In view of these positive indications and the forecast positive business performance, the legal representatives assume that it is highly likely that they will be able to secure financing beyond 2023.

(32) Shareholder loans

A subordinated shareholder loan from the main shareholder Cardea Holding GmbH of EUR 2.6 million, which was disbursed in May 2020 and runs until March 31, 2023 also contributed to securing the FRIWO Group's liquidity. Further shareholder loans were concluded in fiscal years 2021 (EUR 20.6 million) and 2022 (EUR 0.5 million).

FRIWO's main shareholder , VTC GmbH & Co. KG used part of the shareholder loans to increase the company's financial soundness and the quality of its statement of financial position through a debt-equity swap of EUR 13.6 million via its subsidiary Cardea Holding GmbH. In this connection, the Management Board resolved, with the consent of the Supervisory Board, to increase the share capital of FRIWO AG by issuing 406,334 new ordinary shares by making use of authorized capital and excluding shareholders' subscription rights. The new shares were issued at a price of EUR 33.47 per share. A portion of existing shareholder loans were converted into equity with this transaction. The capital measure was recorded in the Commercial Register on January 6, 2022 (see Note (28)).

Of the remaining shareholder loans of EUR 10.1 million, EUR 2.6 million is current and EUR 7.5 million non-current.

In 2022, interest of EUR 629 thousand (previous year: EUR 735 thousand) was incurred on the shareholder loans.

As of the closing date, the balance of the shareholder loan including accrued interest amounted to EUR 11.6 million (previous year: EUR 10.4 million).

(33) Lease liabilities

Lease liabilities break down as follows:

in EUR thou	Dec. 31, 2022	Dec. 31, 2021
Land and buildings	4,694	2,526
Other operating and office equipment	34	49
Vehicle fleet	110	65
	4,838	**2,640**

No material expenses for short-term leases were incurred in fiscal year 2022. The total cash outflow from leases for fiscal year 2022 came to EUR 1,612 thousand (previous year: EUR 960 thousand).

A maturity analysis of lease liabilities is provided in Note 38 with the disclosures about liquidity risk.

As a rule, lease liabilities are secured by the leased asset on which the lease is based.

The corresponding right-of-use assets are shown in the statement of financial position under the item “right-of-use assets” with a carrying amount of EUR 4,665 thousand (previous year: EUR 2,538 thousand). See Note 23 “Right-of-use assets” for details.

(34) Trade payables

Depending on when payment is due, payment obligations are reported as non-current or current. The payment obligations reported under trade payables are all due within a year and must be reported as current in this respect.

(35) Other financial liabilities

in EUR thou	Dec. 31, 2022	Dec. 31, 2021
Personnel-related liabilities	4,102	3,587
Income tax holidays	0	0
Debtors with credit balances	75	483
Miscellaneous financial liabilities	2,514	693
	6,691	**4,763**

In particular, miscellaneous financial liabilities contained liabilities from factoring because of the foreign currency measurement on the reporting date and import sales tax.

(36) Other non-financial liabilities

in EUR thou	Dec. 31, 2022	Dec. 31, 2021
Deferred personnel-related liabilities	1,135	1,109
Other taxes	86	17
Other liabilities	17	324
	1,238	**1,450**

Other Disclosures in the Notes

(37) Other Financial Obligations and Contingent Liabilities

Other financial obligations
As of December 31, 2022, the purchase commitment for intangible assets and property, plant and equipment was EUR 110 thousand (previous year: EUR 42 thousand).

Guarantees and contingent liabilities
FRIWO AG or one of its subsidiaries are not involved in current or foreseeable court or arbitration proceedings that could have a considerable impact on the economic position.

(38) Financial Risk Management and Derivative Financial Instruments

Credit risk
Credit risk is the risk that business parties do not fulfill their contractual obligations and FRIWO incurs a financial loss as a result. FRIWO is exposed to default risks, especially for trade receivables, as part of its business activities. Receivables are due from a large number of customers. These regularly include substantial individual receivables due from major customers (see Note 10 for more details). The credit default risks resulting from receivables is countered by a systematic process when selecting customers, by analysis of payment history and by setting appropriate credit limits. FRIWO companies sell their products only to customers that have previously undergone a credit check. Certain receivables are also sold under a factoring agreement, meaning that significant credit risks are transferred. If default risks are discernible among financial assets, these risks are recognized through valuation allowances. Due to the good credit standing of its customers, FRIWO estimates that credit risk is generally low. Valuation allowances for trade receivables and contract assets are calculated using the simplified approach permitted by IFRS 9.5.5, where stage 1 of the recognition of expected credit losses is omitted.

Instead these assets are written down either in accordance with level 2 or level 3. All trade receivables and contract assets where there are no indications of creditworthiness being impaired are recognized at level 2. In the process, average default rates determined on the basis of past due times and other factors are used to calculate the expected losses. The expected losses are a product of the default rates and the loss on default, which is stated at 100% of the amount of the receivable. If there are indications of impaired creditworthiness, the receivable is transferred to level 3. In particular, awareness of the debtor’s financial difficulties combined with an increased likelihood of insolvency should be taken as indications of impaired creditworthiness. For trade receivables and contract assets where creditworthiness is impaired, the expected credit loss is estimated on an individual basis.

For other financial assets and cash and cash equivalents covered by the impairment model of IFRS 9, which are subject to the general approach, the probability of default was viewed as minor both within the next twelve months and within the entire term based on past figures. There were no indicators either that the default risk had increased significantly compared with past information. The amount of the maximum default risk corresponds to the carrying amount of the trade receivables, contract assets and other financial assets recognized on the closing date.

Liquidity risk
FRIWO regularly carries out a liquidity planning process for the Group in order to be able to identify any possible liquidity bottleneck in good time. The maturities of financial assets and financial liabilities and estimates of operating cash flows are included in short- and medium-term liquidity management. FRIWO manages its liquidity by the Group holding sufficient cash and cash equivalents in addition to the cash inflow from operating activities and maintaining credit facilities with banks. The option of selling receivables also reduces the Group’s liquidity risk.

The following liquidity analysis shows the maturities of the contractually agreed undiscounted interest and principal payments on liabilities to banks and the maturity structure of leases (see Note 31 and Note 33). Variable rate interest payments on financial instruments were based on interest rates last fixed before December 31, 2022.

Dec. 31, 2022:		**2023 cash flows**		**2024 cash flows**		**2024ff cash flows**	
in EUR thou	Carrying amount	Interest paid	Principal paid	Interest paid	Principal paid	Interest paid	Principal paid
Liabilities to banks	**21,996**	**858**	**21,996**	**0**	**0**	**0**	**0**
Lease liabilities	**4,838**	**249**	**1,078**	**73**	**1,305**	**137**	**2,454**

Dec. 31, 2021:		**2022 cash flows**		**2023 cash flows**		**2024ff cash flows**	
in EUR thou	Carrying amount	Interest paid	Principal paid	Interest paid	Principal paid	Interest paid	Principal paid
Liabilities to banks	**23,352**	**829**	**23,352**	**0**	**0**	**0**	**0**
Lease liabilities	**2,640**	**62**	**765**	**34**	**587**	**74**	**1,288**

There are various guarantees and collateral provided by FRIWO for the syndicated loan and for the Vietnamese subsidiary's bilateral working capital financing. New financial ratios were also defined for the syndicated loan (covenants: minimum liquidity and adjusted EBITDA) and extended reporting and documentation obligations agreed.

The credit agreement also stipulates that FRIWO AG will not pay any dividends during the restructuring period.

The agreed covenants were complied with at the end of the year.

Currency risk
FRIWO is exposed to currency risks through its international activities. Initially, a natural hedge is created through currency items that occur in the same currency in both accounts payable and receivable. Remaining foreign currency risks are mitigated through targeted currency management. Ideally, companies are financed in their respective domestic currency or on a currency-hedged basis as far as possible. It is not permitted to raise or invest funds in foreign currencies for the purposes of speculation. The Group maintains a Treasury function, which regularly assesses the currency risks in the statement of financial position and, in the event of a material consolidated risk, hedges these risks through forward exchange transactions. Risks resulting from the USD (U.S. dollar) and CNY (Chinese renminbi) exchange rates and the USD (U.S. dollar) and VND (Vietnamese dong) exchange rates are not hedged. The preferred method FRIWO uses to counter the risks from future transactions is concluding transactions in the currency in which the manufacturing costs are incurred.

No forward exchange transactions were concluded in fiscal year 2022. Therefore, as in the previous year, there were no forward exchange transactions as of December 31, 2022. A residual risk results from possible changes in the U.S. dollar, HK dollar and INR Indian rupee to the euro for the positions that are not hedged. Subject to possible tax effects or deferred taxes, the profit or loss before taxes and equity exhibit the following sensitivities with regard to this risk:

	Changes in the exchange rates of the USD, HKD, INR	Effects on profit/loss before taxes	Effects on equity
		in EUR thou	in EUR thou
2022	+5%	294	294
	-5%	-325	-325
2021	+5%	283	283
	-5%	-313	-313

The Group is mainly exposed to the exchange rate risk of the U.S. dollar against the euro. At the closing date, the U.S. dollar net position was around EUR 5.6 million (previous year: approx. EUR 5.6 million). The sensitivity analysis also contains the outstanding monetary items denominated in foreign currency in U.S. dollar, HK dollar and Indian rupee. The effect of a 5% deviation in foreign exchange rates to the euro on the closing date is calculated. The effect on equity is identical to the effect on profit/loss due to the non-existent cash flow hedges. Differences resulting from the translation of financial statements from a foreign currency into the Group currency are disregarded.

Interest rate risk
Interest is payable at variable rates on the syndicated loan and on the Vietnamese subsidiary’s bilateral working capital financing. A fixed interest rate was agreed for the shareholder loans.

Movements in market interest rates are monitored and analyzed continuously.

Interest rate risks were not hedged as of December 31, 2022.

There is a residual risk regarding possible changes in interest rates from the assets and liabilities carrying a variable interest rate. Subject to possible tax effects or deferred taxes, the profit or loss before taxes and equity exhibit the following sensitivities with regard to this risk:

	Increase/reduction in basis points	Effects on profit/loss before taxes	Effects on equity
		In EUR thou	In EUR thou
2022	+100	-436	-436
	-100	436	436
2021	+100	-359	-359
	-100	359	359

To determine interest rate sensitivity, net interest from the assets and liabilities carrying a variable interest rate was compared with the average interest rate of 4.06% in the fiscal year (previous year: 3.74%). Subsequently, the change in net interest based on an increase/decrease in the average percentage rate of 100 basis points was determined. The effect on equity is identical to the effect on profit/loss.

Derivative financial instruments
As in the previous year, FRIWO had concluded no derivative financial instruments as of December 31, 2022.

Capital management
The Group manages its capital structure with regard to the return on capital employed, taking account of rating targets. Its aim is to satisfy both the interests of shareholders and lenders. In addition, it includes the macroeconomic situation in addition to current individual conditions, such as planned dividends and investments in determining the respective target capital structure.

in EUR thou	**Dec. 31, 2022**	**Dec. 31, 2021**
Equity	**24,912**	**8,973**
as % of total capital	24%	12%
Non-current liabilities	14,694	15,251
Current liabilities	65,362	51,465
Total liabilities	**80,056**	**66,716**
as % of total capital	76%	88%
Total liabilities and shareholders‘ equity	**104,968**	**75,689**

(39) Further Disclosures on Financial Instruments

The following table shows the carrying amount of financial instruments by items in the statement of financial position:

in EUR thou	Category under IFRS 9	Carrying amount December 31, 2022	Carrying amount December 31, 2021
Financial assets			
Trade receivables	AC	17,900	8,587
Contract assets	AC	14,013	8,409
Other financial assets	AC	4,011	2,598
Cash and cash equivalents	AC	6,887	2,873
Financial liabilities			
Shareholder loans	FLaAC	11,586	10,457
Non-current liabilities to banks	FLaAC	0	0
Current liabilities to banks	FLaAC	21,996	23,352
Lease liabilities		4,838	2,640
Trade payables	FLaAC	29,631	19,953
Contract liabilities	FLaAC	204	250
Other financial liabilities	FLaAC	6,691	4,763
Summary per category			
Financial assets measured at amortized cost (AC)		42,810	22,467
Financial liabilities measured at amortized cost (FLaAC)		70,108	58,775

At the closing date, the carrying amounts represent a reasonable approximation of the fair value, since these are largely short-term or no significant differences emerge from the proximity between the recognition date and the closing date.

The net results from financial instruments were as follows at the closing date:

2022	**Net results from**				
	Interest paid		Subsequent measurement		Currency translation
in EUR thou			Impairment		
FI category under IFRS 9	Income	Expense	Reversal	Allocation	
AC	0	0	0	19	0
FLaAC	0	-2,571	0	0	-733
Total	**0**	**-2,571**	**0**	**19**	**-733**

The figures were as follows in the previous year:

2021	**Net results from**				
	Interest paid		Subsequent measurement		Currency translation
in EUR thou			Impairment		
FI category under IFRS 9	Income	Expense	Reversal	Allocation	
AC	0	0	21	0	0
FLaAC	0	-2,152	0	0	1,528
Total	**0**	**-2,152**	**21**	**0**	**1,528**

(40) Related Parties

Cardea Holding GmbH, Grünwald, holds a majority stake in FRIWO AG. Cardea Holding GmbH and its parent company, VTC GmbH & Co. KG, Munich, and their subsidiaries are therefore related parties of FRIWO AG within the meaning of IAS 24. In May 2020, Cardea Holding GmbH had already granted FRIWO AG a subordinated shareholder loan of EUR 2.6 million. Interest is payable on it at market rates. Further shareholder loans of EUR 20.6 million and EUR 0.5 million were concluded in 2021 and 2022, respectively. Interest costs on the shareholder loans came to EUR 629 thousand in 2022 (previous year: EUR 735 thousand). In the context of a non-cash capital increase in fiscal year 2021, Cardea Holding GmbH contributed part of its loan repayment claims against FRIWO AG. Existing shareholder loans totaling EUR 13.6 million were converted into equity with this transaction. The capital measure was recorded in the Commercial Register on January 6, 2022

As of the closing date, the balance of the shareholder loan including accrued interest amounted to EUR 11.6 million (previous year: EUR 10.4 million).

There were no other transactions between FRIWO AG and Cardea Holding GmbH or VTC GmbH & Co. KG or a company affiliated with VTC GmbH & Co. KG in the reporting year.

Transactions were conducted with the joint venture established with UNO MINDA in 2022 under supply and service agreements that led to income of EUR 266 thousand in fiscal year 2022. Receivables of the same amount were recognized as of December 31, 2022.

The Management Board and Supervisory Board are classified as natural related parties. Please refer to Note 41 for information on the compensation of the Board of Management and Supervisory Board. A Management Board member (since 03/2022) invoiced fees of EUR 62 thousand (2021: EUR 232 thousand) under a consultancy agreement in January and February of fiscal year 2022. These consultancy services were provided prior to his appointment to the Management Board.

Therefore, as in the previous year, there were no transactions with other related parties in the reporting year.

(41) Total Emoluments of the Supervisory Board and the Management Board

Fixed remuneration per Supervisory Board member was EUR 10 thousand per year. Variable remuneration is determined by the amount of the dividends resolved by the Annual General Meeting. The total amount of Supervisory Board remuneration is limited to three times the fixed amount. The Chairman of the Supervisory Board receives double and his deputy one and a half times the fixed remuneration. Committee members each receive additional remuneration of EUR 1 thousand. The Chairman and his deputy are excluded from these payments. The fixed remuneration for members of the Supervisory Board was EUR 76 thousand for fiscal year 2022 (previous year: EUR 72 thousand). As in the previous year, members of the Supervisory Board received no variable remuneration for fiscal years 2019 to 2021 in fiscal year 2022.

For more detailed information, please refer to the 2022 Remuneration Report on the company's website.

For fiscal year 2022, the total emoluments of the Management Board came to EUR 1,355 thousand (previous year: EUR 462 thousand), of which EUR 625 thousand was fixed (previous year: EUR 462 thousand) and EUR 730 million variable (previous year: EUR 0 thousand).

Former members of the Management Board and their surviving dependents received pension payments of EUR 185 thousand in 2022 (previous year: EUR 180 thousand). Total provisions of EUR 1,935 thousand were recognized for pension obligations to former members of the Management Board and their surviving dependents in accordance with IAS 19 (previous year: EUR 2,355 thousand).

(42) Auditor's Fees

The fees and expenses charged for fiscal year 2022 by the auditor, Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Bielefeld, comprised the following services:

in EUR thou	**2022**	**2021**
Auditing services	115	101
Other assurance services	2	2
	117	**103**

The other assurance services relate to agreed investigations of financial covenants.

(43) Shareholdings

FRIWO Gerätebau GmbH, Ostbevern, is linked to FRIWO AG through a profit transfer agreement and makes use of the expedients permitted by Section 264 (3) HGB.

in EUR thou	**Interest held**	**Equity**	**Result 2022**
FRIWO Gerätebau GmbH, Ostbevern, Germany	100.00%	6,534	-1,310 [1]
FRIWO Power Solutions Technology (Shenzhen) Co. Ltd., Shenzhen, China	100.00%	1,184	8 [2] [3]
FRIWO Vietnam Co. Ltd., Bien Hoa City, Vietnam	100.00%	15,169	4,339 [2] [3]
FRIEMANN & WOLF INDIA PRIVATE LIMITED, Bangalore, Karnataka, India	100.00%	-282	-213 [2] [3]
UNO MINDA EV SYSTEMS PVT. LTD., North West Delhi, Delhi, India	49.90%	1,165	-320 [2] [3]

[1] Before profit/loss transfer
[2] According to IFRS
[3] Indirectly via FRIWO Gerätebau GmbH, Ostbevern

(44) Disclosure on the Corporate Governance Statement

The declaration in accordance with Section 161 AktG was issued by the Management Board and the Supervisory Board and is made permanently accessible to the public on the company's website at:

https://www.friwo.com/en/about/investor-relations/

(45) Events after the End of the Reporting Period

On November 25, 2022, FRIWO announced that, in response to rapidly increasing demand in North America, the Group will service the market there from its own registered office from the January 1, 2023. FRIWO expects profitable growth in the U.S.A from the booming e-mobility business, in particular, but also from the medical area. FRIWO will initially concentrate primarily on selling to the West and East Coast from the new registered office in Chagrin Falls, close to Cleveland (Ohio), before developing other regions.

No other events of material significance for the Group's earnings, net assets and financial position, occurred between the end of fiscal year 2022 and the day on which the consolidated financial statements were approved.

Ostbevern, March 24, 2023

The Management Board

Rolf Schwirz	Tobias Tunsch
CEO	Management Board member

Responsibility Statement

“To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and earnings of the FRIWO Group, and the combined management report and Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the company and the Group.”

Ostbevern, March 24, 2023

Rolf Schwirz	Tobias Tunsch
CEO	Management Board member

Independent Auditor's Report

Report on the Audit of the Consolidated Financial Statements and the Combined Management Report

Audit Opinions
We have audited the consolidated financial statements of FRIWO AG, Ostbevern and its subsidiaries (the Group), comprising the consolidated statement of financial position as at December 31, 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year from January 1 to December 31, 2022, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we audited the combined management report of FRIWO AG, Ostbevern, for the fiscal year from January 1 to December 31, 2022. In accordance with the provisions of German law, we have not audited the content of the elements of the combined management report mentioned in the annex.

In our opinion, based on the findings of our audit:

- the attached consolidated financial statements comply in all material respects with IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to Section 315e (1) HGB and, in accordance with these requirements, give a true and fair view of the Group's net assets and financial position as of December 31, 2022, and of its results of operations for the fiscal year from January 1 to December 31, 2022, and

- the attached combined management report as a whole presents an accurate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements and with German legal requirements, and accurately presents the risks and opportunities of future development. Our audit opinion on the combined management report does not extend to the content of the elements of the combined management report set out in the annex.

In accordance with Section 322(3) sentence 1 HGB, we declare that our audit has not led to any objections to the compliance of the consolidated financial statements or the combined management report.

Basis for the Audit Opinions
We conducted our audit of the consolidated financial statements and the combined management report in accordance with Section 317 HGB, the EU Audit Regulation (No. 537/2014; hereinafter "EU-AR"), and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW).

Our responsibility under these provisions and policies is described further in the section of our auditor's report entitled "Responsibility of the Auditor for the Audit of the Consolidated Financial Statements and the Combined Management Report". We are independent from the Group companies in accordance with the commercial and professional regulations of European and German law and have fulfilled our other German professional obligations in accordance with these requirements. Furthermore, in accordance with Article 10(2)(f) of the EU Audit Regulation, we declare that we have not performed any prohibited non-audit services as defined by Article 5(1) of the EU Audit Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to serve as a basis for our audit opinions on the consolidated financial statements and the combined management report.

Considerable uncertainty associated with the ability to continue as a going concern
We refer to the disclosures in the “Principles Applied in the Preparation of the Financial Statements” and “Liabilities to Banks” sections of the notes to the consolidated financial statements and in the “Financial Situation” section of the “Risk Report” chapter and the “Overall assessment of the risk and opportunities situation of the Group” chapter in the combined management report, in which the legal representatives describe the fact that at the time the financial statements are being prepared, the financing of the FRIWO Group is not currently secured beyond the end of the restructuring period on December 31, 2023, however, the legal representatives assume with a high degree of probability, according to their current knowledge and on the basis of forecast business development that financing can be secured beyond 2023.

As is explained in the “Principles Applied in the Preparation of the Financial Statements” and “Liabilities to Banks” sections of the notes to the consolidated financial statements and in the “Financial Situation” section of the “Risk Report” chapter and the “Overall assessment of the risk and opportunities situation of the Group” chapter in the combined management report, these events and circumstances show that there is considerable uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern and which constitutes a risk that could jeopardize its continued existence within the meaning of Section 322(2) sentence 3 HGB.

Pursuant to Article 10(2)(c)(ii) of the EU Audit Regulation, we summarize our reaction in relation to this risk as follows:

In the context of our audit, we discussed whether the assessment of the legal representatives on the Group’s ability to continue as a going concern at the time the financial statements and the combined management report were being prepared is appropriate, whether there is considerable uncertainty regarding this assessment and whether the disclosures required to explain the considerable uncertainty in the notes to the financial statements and in the combined management report are adequate.

We examined the Group-wide corporate and financial planning including the current short-term liquidity planning at the end of the audit and, in particular, the planned and initiated responses to the financing situation on which these plans are based. In doing so, we took the extent to which the FRIWO Group has succeeded in achieving the budgeted figures in recent years into account. We also evaluated the appraisal by an external assessor on compliance with the restructuring program and checked how plausible it was and confirmed that the assessor has the necessary technical qualifications and professional independence. We held discussions with him on measures that Management Board has already initiated or carried out to secure the follow-up financing, in particular, on discussions with a bank and examined the relevant documents and agreements and subjected them to a critical appraisal.

Our audit procedures also comprised an evaluation of the restructuring report and confirmation of compliance with the restructuring program by the external assessor as well as evidence of a bank’s willingness to participate in any follow-on financing. We have determined whether there are events or circumstances that indicate the existence of any considerable uncertainty that could cast significant doubt on the Group’s ability to continue as a going concern.

Our audit opinions are not modified with regard to these circumstances.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are such matters that, in our professional judgment, were the most significant in our audit of the consolidated financial statements for the fiscal year from January 1 to December 31, 2022. These matters were taken into account in the context of our audit of the consolidated financial statements as a whole and in the formation of our audit opinion; we have not issued a separate opinion on these matters. In addition to the circumstances described in the “Considerable uncertainty associated with the ability to continue as a going concern” section, we have determined the circumstances described below as the key audit matters that must be disclosed in our auditor’s report.

Recognition of revenue

Reasons for stipulation as a key audit matter

Revenue constitutes a material item in the consolidated financial statements and is used as a key performance indicator (KPI) for corporate management purposes. A significant portion of the Group’s business activities takes the form of customer-specific products. In accordance with IFRS 15, Revenue from Contracts with Customers, revenue from customer-specific products is usually recognized over time. From our perspective, accounting for customer-specific contracts is an area with a significant risk of material misstatement (including the potential risk of managers bypassing controls) and is therefore a key audit matter.

Our approach in the audit

In the context of our audit of the financial statements, we dealt with reviewed the company’s internal methods, procedures and revenue recognition control mechanisms. We also assessed the design and effectiveness of accounting-related internal controls by tracking specific business transactions from the time they arise to their presentation in the consolidated financial statements, and by testing controls. Our audit procedures included reviewing the principles on which contracts are based. As part of our assessment of the recognition of revenue by the legal representatives, we assessed, in particular, whether the requirements of revenue recognition over time for customer-specific contracts had been developed correctly from the previous year and recognized on an accrual basis on the basis of our understanding of the business model and the contractual arrangements.

Reference to related disclosures
With regard to the accounting and measurement bases, we refer to the “Summary of Significant Accounting and Measurement Policies” section in the notes to the consolidated financial statements. With regard to revenue, contract assets and contract liabilities, we refer to the “Segment Reporting”, “Notes to the Income Statement” and “Notes to the Statement of Financial Position” sections in the notes to the consolidated financial statements.

Other information
The legal representatives or the Supervisory Board are responsible for the other information. The other information includes

- the Report of the Supervisory Board,
- the elements of the combined management report where the content was not audited specified in the annex to the audit report,
- the other parts of the annual report, with the exception of the audited consolidated financial statements and combined management report and our audit report,
- the statement in accordance with Section 297(2) sentence 4 HGB on the consolidated financial statements and the statement in accordance with Section 289(1) sentence 5 HGB in conjunction with Section 315(1) sentence 6 HGB on the combined management report.

The Supervisory Board is responsible for the Report of the Supervisory Board. The legal representatives and the Supervisory Board are responsible for the declaration in accordance with Section 161 AktG on the German Corporate Governance Code, which is an element of the Group declaration on corporate governance included in the “Corporate Governance Statement” section of the combined management report. Otherwise, the legal representatives are responsible for the other information.

Our audit opinions on the consolidated financial statements and the combined management report do not extend to the other information, and accordingly we do not offer any audit opinion or any other form of audit conclusion on it.

As part of our audit of the consolidated financial statements, we have a responsibility to read the above-mentioned other information and to evaluate whether it

- contains material inconsistencies with the consolidated financial statements, with the information in the combined management report where we audited the content or with our findings from the audit; or
- otherwise seems significantly incorrect.

If we reach the conclusion that this other information is significantly incorrect on the basis of the work we have carried out, we are obliged to report this. We have nothing to report in this connection.

Responsibility of the Legal Representatives and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The legal representatives are responsible for the preparation of the consolidated financial statements that, in all material respects, comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law in accordance with Section 315e(1) HGB, and that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group. Furthermore, the legal representatives are responsible for the internal controls that they have deemed necessary to enable the preparation of consolidated financial statements that are free from material misstatements based on fraud (i.e. manipulation of the accounting and damage to assets) or errors.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They are also responsible for disclosing matters in connection the continuation of business activities, if relevant. Furthermore, they are responsible for accounting on the basis of the going concern principle, unless they intend to liquidate the Group or discontinue its business operations, or there is no realistic alternative.

Moreover, the company's officers are responsible for the preparation of the combined management report that, on the whole, provides a suitable view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and with German legal requirements, and accurately presents the risks and opportunities of future development. Also, the legal representatives are responsible for the precautions and measures (systems) that they deem necessary to enable the preparation of a combined management report in accordance with the applicable German legal requirements to provide sufficient suitable evidence for the statements in the combined management report.

The Supervisory Board is responsible for monitoring the Group's accounting process for the preparation of the consolidated financial statements and the combined management report.

Responsibility of the Auditor for the Audit of the Consolidated Financial Statements and the Combined Management Report

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatements based on fraud or errors and whether the combined management report as a whole provides a suitable view of the Group's position and, in all material respects, is consistent with the consolidated financial statements, audit findings and German legal requirements, and accurately presents the risks and opportunities of future development, and to issue an auditor's report containing our audit opinions on the consolidated financial statements and the combined management report.

Reasonable assurance is a high degree of assurance, but not a guarantee that an audit performed in accordance with Section 317 HGB, the EU Audit Regulation and the German generally accepted standards for the audit of financial statements promulgated by the IDW will always reveal a material misstatement. Misstatements can result from fraud or errors, and are considered material if they could reasonably be expected, individually or collectively, to influence the economic decisions that users make on the basis of these consolidated financial statements and the combined management report.

We exercise due discretion during the audit and maintain a critical attitude. In addition,

- we identify and evaluate the risk of material misstatements in the consolidated financial statements and the combined management report based on fraud or errors, plan and implement audit procedures in response to these risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk that material misstatements resulting from fraud are not uncovered is higher than the risk that material misstatements resulting from errors are not uncovered, as fraud can entail fraudulent collaboration, falsifications, deliberate omissions, misleading depictions or the suspension of internal controls

- We gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and of the systems relevant to the audit of the combined management report in order to plan audit procedures that are appropriate under the given circumstances, but not with the objective of expressing an opinion on the effectiveness of these systems;

- We assess the appropriateness of the accounting policies applied by the company's officers and the reasonableness of the estimates and related disclosures by the legal representatives;

- We draw conclusions about the appropriateness of the going concern principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether there is material uncertainty about events or circumstances that can give rise to significant doubts about the Group's ability to continue as a going concern. If we come to the conclusion that material uncertainty exists, we are required to refer to the relevant disclosures in the consolidated financial statements and the combined management report in the auditor's report or, if these disclosures are inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit report. However, future events or circumstances can lead to the Group being unable to continue its business activities;

- We assess the presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements present the underlying transactions and events in such a way that the consolidated financial statements, in accordance with the IFRSs as adopted by the EU and the additional requirements of German commercial law in accordance with Section 315e(1) HGB, give a true and fair view of the net assets, financial position and results of operations of the Group;

- We obtain sufficient, suitable audit evidence for the accounting information of the companies or business activities within the Group in order to issue audit opinions on the consolidated financial statements and the combined management report. We are responsible for designing, supervising and performing the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions;

- We assess that the combined management report is consistent with the consolidated financial statements and the law, and the view of the position of the Group that it provides;

- We perform audit procedures on the forward-looking statements made in the combined management report by the legal representatives. In particular, on the basis of sufficient and suitable audit evidence, we analyze the significant assumptions on which the forward-looking statements are based, and assess whether the forward-looking statements have been properly derived from these assumptions. We do not provide a separate audit opinion regarding the forward-looking statements or the underlying assumptions. There is a considerable yet unavoidable risk that future events will deviate materially from the forward-looking statements.

Among other things, we discuss with those responsible for overseeing the audit the planned scope and scheduling of the audit and significant audit findings, including any significant deficiencies in the internal control system that we identify during our audit.

We declare to those responsible for overseeing the audit that we complied with the relevant independence requirements and discuss with them all relationships and other matters that can reasonably be assumed to affect our independence, and the precautions taken against this and, if relevant, the actions undertaken to eliminate any threats to our independence or protective measures taken.

Of the matters we discussed with those responsible for overseeing the audit, we determine which matters were most significant in the audit of the consolidated financial statements for the current reporting period and that are therefore the key audit matters. We describe these matters in our auditor's report, unless the public disclosure of such matters is prevented by law or other legal provisions.

Other Statutory and Legal Requirements

Report on the assurance on the electronic rendering of the consolidated financial statements and the combined management report prepared for publication purposes in accordance with Section 317 (3a) HGB

Audit Opinion

Pursuant to Section 317(3a) HGB, we have performed assurance work to obtain reasonable assurance about whether the rendering of the consolidated financial statements and of the combined management report contained in the electronic file "Friwo_AG_KA+KLB_ESEF_2022 12 31.zip" (hash value: 91e0d901059ef798ba806196 ae7622b63a0deacc027804579d2bde829fcb49eb) made available and prepared for publication purposes (also referred to hereinafter as the "ESEF documents") satisfies the requirements of Section 328(1) HGB relating to the electronic reporting format ("ESEF format") in all material respects. In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and of the combined management report contained in the file made available, identified above, and prepared for publication purposes meet the requirements of Section 328(1) HGB relating to the electronic reporting format in all material respects. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from January 1 to December 31, 2022 contained in the preceding "Report on the Audit of the Consolidated Financial Statements and the Combined Management Report", we do not issue any assurance opinion whatsoever on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the Audit Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and of the combined management report contained in the file made available and identified above in accordance with Section 317(3a) HGB and the IDW assurance standard: Assurance work on the electronic rendering of financial statements and management reports prepared for publication purposes in accordance with Section 317(3a) HGB (IDW PS 410) (06.2022)). Our responsibility according to these provisions is described in further detail under "Responsibility of the Auditor for the Audit of the ESEF Documents". Our audit practice has applied the requirements for quality assurance systems set out in the IDW standard on quality management: Requirements for quality management in audit firms (IDW QS 1). Our audit practice has applied the requirements for quality management systems set out in the IDW standard on quality management: Requirements for quality management in audit firms (IDW QMS 1 (09.2022)).

Legal Uncertainty about the Conformity of the Interpretation of Relevant European Provisions

The consolidated financial statements converted into ESEF format is not entirely analyzable electronically with regard to the information in the notes in iXBRL format ("block tagging") because of the conversion process chosen by the company. The legal conformity of the legal representative's interpretation that the Delegated Regulation (EU) 2019/815 does not explicitly require the structured information in the notes to be analyzable electronically when block tagging the notes to the financial statements is subject to significant legal uncertainty, which therefore also constitutes an inherent uncertainty in our audit.

Responsibility of the Legal Representatives and the Supervisory Board for the ESEF Documents
The legal representatives are responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the legal representatives are responsible for such internal controls that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the creation of the ESEF documents as part of the financial reporting process.

Responsibility of the Auditor for the Audit of the ESEF Documents
Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material violations, whether due to fraud or error, of the requirements of Section 328(1) HGB. We exercise due discretion during the audit and maintain a critical attitude. In addition,

- We identify and assess the risks of material breaches of the requirements of Section 328(1) HGB, whether due to fraud or error, plan and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to form the basis of our audit opinion;

- We gain an understanding of internal controls relevant to the audit of the ESEF documents 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 these controls;

- We assess the technical validity of the ESEF documents, i.e. whether the file made available containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815, as amended as at the end of the reporting period, relating to the technical specification for this file;

- We assess whether the ESEF documents enable the audited consolidated financial statements and the audited combined management report to be reproduced in XHTML with the same contents;

- We assess whether the mark-up of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with Article 4 and Article 6 of the Delegated Regulation (EU) 2019/815 as amended at the end of the reporting period enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction to be made.

Other Disclosures pursuant to Article 10 of the EU Audit Regulation

We were elected as the auditor of the consolidated financial statements by the Annual General Meeting on May 12, 2022. We were engaged by the Supervisory Board on October 10, 2022. We have been the auditor of the consolidated financial statements of FRIWO AG, Ostbevern without interruption since fiscal year 2010.

We declare that the audit opinions contained in this auditor’s report are consistent with the additional report to the Audit Committee according to Article 11 of the EU Audit Regulation (audit report).

Other Matter – Use of the Auditor's Report

Our auditor’s report must always be read in conjunction with the audited consolidated financial statements, the audited combined management report and the audited ESEF documents. The consolidated financial statements and combined management report converted into ESEF format –including the versions to be published in the companies register – are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our audit opinion contained therein can be used only in conjunction with the audited ESEF documents provided in electronic format.

Responsible Auditor

The auditor responsible for the audit is Alexander Bickmann.

Bielefeld, March 30, 2023.

Rödl & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

(Signature) Schumacher
German Public Auditor

(Signature) Bickmann
German Public Auditor

Annex to the audit report: elements of the combined management report where the content was not audited

We have not audited the content of the following elements of the combined management report:

- the Corporate Governance Statement in accordance with Section 289f and Section 315d HGB included in the "Corporate Governance Statement" section and

- the non-financial declaration included in the combined management report

We have not audited the content of the information extraneous to the management report listed below either. Information extraneous to the management report in the combined management report is information that is neither prescribed in accordance with Sections 315, 315a or in accordance with Sections 315b to 315d HGB nor required by DRS 20.

- The information contained in the "Employees" section in the combined management report

- The information included in the "Environmental Report" section of the combined management report

- The information contained in the "Key Features of the Internal Control and Risk management system" section in the combined management report

Addresses and Dates

Financial calendar 2023

Fiscal year January 1 – December 31

Press release for Q1 2023	May 10, 2023
Annual General Meeting	May 11, 2023
Six-month interim report 2023	August 10, 2023
Press release for Q3 2023	November 9, 2023

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On our website https://www.friwo.com/en/about/investor-relations/ we provide detailed information about FRIWO shares and the company. Among other items, you can find dates, current financial reports, information about the Annual General Meeting and financial communications there.

Please note:

To make this report more readable, we have opted not to use male and female genders simultaneously in this report and used the generic masculine. All personal references apply equally to all genders.