Figures, Dates, Facts.
Annual Report 2023

FRIWO at a glance
Key figures

In EUR million	**1–12 / 2023**	**1–12 / 2022**
	111.1	184.9
Revenue	-7.4	4.3
Earnings before interest and taxes (EBIT)	-6.6	2.3
EBIT margin in %	-11.1	1.8
Earnings before taxes (PBT)	-11.1	0.5
Earnings after taxes		
Statement of financial position	**12.31.2023**	**12.31.2022**
Total assets	74.3	105.0
Equity	12.7	24.9
Equity ratio in %	17.1	23.7
Investments / Employees (balance sheet date)	4.0	5.9
	1,701	2,501
Share		
Earnings per share in EUR	-1.29	0.06

Contents

Foreword by the Management Board

"We are active in markets that promise long-term growth and we are well on the way to increasingly capitalizing on our added value in technology worldwide."

Dear Shareholders; Dear friends of FRIWO,

2023 was a fiscal year with highs and lows for our company. On the one hand, we have made good strategic progress in establishing and launching our joint venture for e-mobility solutions in India, in expanding our range of services and products, and in broadening the international scope of our business. We are thus on the right track for growth in the coming years.

Difficult fiscal year

On the other hand, our expectations for the operating business were not fulfilled due to the economic situation, with the result that the FRIWO Group had to report a significant decline in revenue. We had already noted at the beginning of the year that the weak economy and high inflation could have a stifling effect on demand and consumer behavior in our main sales markets, not least in Germany. Unfortunately, this risk has materialized in the form of a massive drop in demand and the cancellation of orders on the books. This is especially the case for the e-mobility segment, which showed signs of saturation for electric bicycles in Europe. However, the industrial and tools segments also performed below expectations, while the medical segment showed solid growth in demand.

After record revenue of EUR 184.9 million in the previous year, the FRIWO Group is forecasting revenue of EUR 111.1 million for 2023. As a result of the slump in demand, the order backlog as of the end of the year under review was EUR 49.6 million, considerably below the previous year's figure of EUR 83.6 million. Due to the low business volume, we reported negative consolidated earnings before interest and taxes (EBIT) of EUR -7.4 million, after generating positive EBIT of EUR 4.3 million in 2022.

Successful start in India

Nevertheless, FRIWO can look to the future with confidence based on its achievements to date. This includes the very successful launch of operations for our joint venture with Indian automotive supplier UNO MINDA. Following the start of joint production in June 2023, we are in the process of meeting the high demand for e-drive solutions for two- and three-wheelers. As of the end of last year, the joint venture in which FRIWO holds a 49.9 percent stake had received significant incoming orders and letters of intent. FRIWO will share in the resulting revenue via the licensing income for our innovative drive technology and the investment income. Our goal remains to lead the market for system solutions together with our strategic partner in India's booming e-mobility market. The joint venture is already the market leader in basic charging solutions for e-scooters in India.

In fact, we are already growing outside the Indian market: We have been able to establish business relationships with renowned Japanese customers in 2023. We have also started to offer our innovative e-drive solutions in other Southeast Asian markets, such as Indonesia, Thailand and Vietnam, and have received a promising response. Overall, our company has made good progress towards its goal of increasing its international footprint and, in particular, reducing its dependence on the German market.

Production base made more flexible

In dynamic and price-sensitive markets such as those in which FRIWO operates, the ability and willingness to adapt remain essential for the company's long-term success. This also includes making our production base more flexible in order to respond appropriately to market changes and reduce costs and tied-up funds. For this reason, we decided at the end of 2023 to divest two of our four production facilities in Vietnam—inductive components and other components manufacturing for plastic and metal stamped parts and cables—and sell them to Group Intellect Power Technology Limited (GIPT) based in Hong Kong. In the future, GIPT will serve as a contract manufacturer for FRIWO.

In addition, we have decided to sell the production operations at our headquarters in Ostbevern to a German investment company as of March 1, 2024, in line with our strategic focus. This company will continue production and take on the approximately 60 employees affected by this measure. FRIWO will continue to be present in Ostbevern with the key areas of administration, research & development, product management, and sales. We will also retain ownership of the properties at our headquarters.

Innovations with added value

Our top priority remains the continuous development of our range of products and services. Last year, we continued to work on chargers and batteries for higher-performance classes in order to be prepared for future requirements in our areas of application. This also includes further promoting e-mobility with the use of state-of-the-art technology. Together with its partners, FRIWO has developed an e-bike charging station that is as powerful as it is attractive in appearance. It fills an important niche in the market by offering a concrete solution to the ever-growing demand for charging options for two-wheelers as well. When developing new solutions, we continue to focus on close communication with our customers in order to understand their needs and wishes as far as possible and translate them into tailor-made products. Generally speaking, customer satisfaction and customer proximity at FRIWO remained at a good level in 2023 despite the challenging environment. We wish to thank all employees at all of our Group locations for their unwavering level of commitment over the past year for the benefit of FRIWO.

Growth expected for 2024

As far as the current 2024 fiscal year is concerned, we are cautiously optimistic that FRIWO will find its way back into growth mode. The high back-stock levels of many customers are gradually returning to normal, and inflation in Europe is falling significantly as a result of the European Central Bank's interest rate changes.

However, the economy in the European Union—and particularly in Germany—continues to struggle.

We are encouraged by the fact that the long-term global growth catalysts for innovative power supply and charging technologies remain intact, regardless of economic fluctuations. Our joint venture with UNO MINDA will further increase revenue in 2024 on the basis of the high order backlog and make a positive contribution to earnings for the first time.

Provided that no unforeseen events occur and the economic environment does not enter another slump, we expect the FRIWO Group to generate revenue between EUR 100 and 120 million in the current year. We expect EBIT to break even, excluding one-off effects from the structural measures in the production area. Another very positive development is that, at the end of 2023, we were able to agree on an extension of the commitment from the banking syndicate that finances our company. This secures the financing of the FRIWO Group until the end of 2025.

FRIWO remains an innovative systems provider of intelligent, customized power supply and drive solutions. We are active in markets that promise long-term growth and we are well on the way to increasingly capitalizing on our added value in technology worldwide. Innovation, customer proximity and cost efficiency will remain the key parameters for our success in the future.

Yours sincerely,

FRIWO AG

The Management Board

Rolf Schwirz Chairman	Oliver Freund

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

In the 2023 fiscal year, the Supervisory Board of FRIWO AG performed the duties and tasks incumbent upon it in accordance with the law, the Articles of Association, and the Rules of Procedure with due diligence. 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. At the Supervisory Board meetings, the chairman of the Supervisory Board regularly reported on their discussions with the Executive Board that were held outside these Supervisory Board meetings. The Supervisory Board also regularly received detailed information from the Executive Board in preparation for the meetings. Significant events – for example, deviations from plans and targets – were explained to the Supervisory Board in detail. The Supervisory Board carefully reviewed and scrutinized these events using the documents provided. Therefore, the Supervisory Board always had the opportunity to closely examine and discuss in detail the reports and proposed resolutions of the Executive Board, and to adopt resolutions on this basis.

The Supervisory Board also conferred in the absence of the members of the Executive Board, particularly to discuss internal Supervisory Board matters as well as personnel and remuneration issues.

Meetings of the Supervisory Board and the Audit Committee

The Supervisory Board held four regular meetings in 2023. The meetings took place as face-to-face meetings on March 16, May 11, September 21 and December 14. The ordinary meeting on March 16 also dealt with topics relating to fiscal year 2022.

In addition, the Supervisory Board adopted resolutions on nine occasions in total in fiscal year 2023 by voting in writing or by telephone or voting in text form. These resolutions related to:

- The approval of the annual budget for the current 2023 fiscal year;
- 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 agreement on a special bonus for the Chairman of the Executive Board;
- the public invitation to tender for the audit of the annual and consolidated financial statements of FRIWO AG;
- the appointment of Dr. Walter Demmelhuber as a member of the Executive Board, the conclusion of a corresponding Executive Board employment contract, and the extension of the appointment of Mr. Rolf Schwirz as a member of the Executive Board;
- the adjustment of rules governing the Management Board’s variable remuneration;
- the hiring of consulting companies; and

- the extension of the syndicated loan agreement until December 31, 2025;
- the approval of a purchase agreement with Private Assets SE & Co KGaA for the sale of the Ostbevern production site.

All members of the Supervisory Board and Executive Board were present at all meetings. All members of the Supervisory Board also took part in the circular resolutions.

The Audit Committee met for four meetings in fiscal year 2023, which also took place as face-to-face meetings on March 16, May 11, September 21 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 2022 annual financial statements as well as the preparation, planning and definition of the key areas for the audit of the 2023 financial statements.

The Chairman of the Audit Committee regularly discussed the progress of the audit with the auditor for the 2022 and 2023 financial years, Rödl & Partner GmbH, Wirtschaftsprüfungsgesellschaft, and reported on this to the Committee.

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). The consultations focused in particular on international activities, the strategic development of the Group between now and 2028, and the effects of the global economic recession on the FRIWO Group's revenue and earnings performance and, accordingly, on its liquidity and 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:

In the attendance of the auditors, at its meeting in March 2023, the Supervisory Board also carefully reviewed and discussed at length the annual financial statements and consolidated financial statements for 2022, the Combined Management Report for FRIWO AG and the Group, and the report on relationships with affiliated companies, both of which received with an unqualified audit opinion by Rödl & Partner GmbH, Wirtschaftsprüfungsgesellschaft, Bielefeld. The report of the Supervisory Board for fiscal year 2022 was approved unanimously. The Supervisory Board also approved the proposed agenda for the ordinary 2023 Annual General Meeting including the proposed resolutions recorded there.

In May 2023, the Supervisory Board meeting followed up on the proceedings of the Annual General Meeting. Because the new Supervisory Board members were elected at this Annual General Meeting, the Supervisory Board also elected its Chairman and Deputy Chairman during its inaugural meeting.

The incumbents were re-elected for both positions. The Audit Committee was also confirmed in its current composition.

Key topics at the third ordinary meeting in September included the presentation of the strategy between now and 2028 developed by the Executive Board. The Board also resolved to waive the external audit of the non-financial (Group) declaration for fiscal year 2023 by the auditor.

The meeting in December 2023 involved the forecast for fiscal year 2023 and the budget for fiscal year 2024 in addition to the audit of the 2023 annual financial statements. The agenda also included the resolution on the submission of the declaration of conformity regarding the recommendations of the German Corporate Governance Code. The Supervisory Board also conferred in detail about strategic measures to further increase the flexibility of FRIWO's production base. To this end, it approved the sale of the production capacity in Ostbevern and the sale of the induction components and other components production at the Vietnam site.

Composition of the Supervisory Board

Shareholder representatives

Mr. Johannes Feldmayer resigned from the Supervisory Board as of the end of the 2023 Annual General Meeting on May 11, 2023. He was succeeded by Mr. Michael Jaeger, who was elected to the Supervisory Board by resolution of the AGM on May 11, 2023 for a term of office until the end of the 2028 Annual General Meeting.

Mr. Richard Georg Ramsauer, Mr. Jürgen Max Leuze and Dr. Gregor Matthies were elected by the AGM on May 11, 2023 for a further term of office in the Supervisory Board until the end of the 2028 Annual General Meeting.

Mr. Leuze then resigned from the Supervisory Board as of December 31, 2023. In his place, Dr. Thomas Robl was appointed as member of the Supervisory Board for the period until the end of the 2024 Annual General Meeting.

Employee representatives

The employee representative on the Supervisory Board of FRIWO AG, Mr. Marco Erdt, resigned from the Supervisory Board as of January 31, 2023 due to the termination of his employment contract with the company. With effect from February 1, 2023, Ms. Sabine Vennekötter was appointed by court order to the Supervisory Board for the period until the end of the 2027 Annual General Meeting. Mr. Uwe Leifken is serving as an additional employee representative on the Supervisory Board, with a term of office until the end of the 2027 Annual General Meeting.

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.

Changes in the Management Board

The Supervisory Board and Mr. Tobias Tunsch mutually agreed that Mr. Tunsch would resign from his position as a member of the Executive Board at his own request as of January 31, 2024. The Supervisory Board and Dr. Walter Demmelhuber, appointed with effect from October 1, 2023 to the Executive Board of the company, also mutually agreed that Dr. Demmelhuber would step down as a member of the Executive Board with effect from February 29, 2024. Mr. Tunsch and Dr. Demmelhuber resigned from office as agreed. With effect from February 1, 2024, Mr. Oliver Freund was appointed as a new member of the company's Executive Board as successor to Mr. Tobias Tunsch.

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.

In December 2023, the Executive Board and Supervisory Board issued the Declaration of Compliance in accordance with Section 161 of the German Stock Corporation Act (AktG) and made it permanently available on the company's website. For the 2023 fiscal year, the Supervisory Board is of the opinion that FRIWO AG has complied with the recommendations of the German Corporate Governance Code, with the exceptions stated in the Declaration of Compliance.

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 2023.

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 2023

Rödl & Partner GmbH, Wirtschaftsprüfungsgesellschaft, Bielefeld, was appointed as auditor for the annual financial statements and consolidated financial statements for the 2023 fiscal year by the company's Annual General Meeting on May 11, 2023 at the recommendation of the Supervisory Board. Rödl & Partner audited the annual financial statements of FRIWO AG prepared by the Executive Board for the 2023 fiscal year and the consolidated financial statements for 2023 as well as the Combined Management Report for FRIWO AG and the Group and issued an unqualified audit opinion in each case. The auditor's review in accordance with Section 317 (4) HGB - German Commercial Code found that, with the exception of the restrictions relating to the following areas, the Executive Board has taken the measures required by Section 91 (2) AktG - Stock Corporation Act, in particular with regard to the establishment of a monitoring system, in an appropriate form. The monitoring system is suitable in all material respects for identifying developments that could jeopardize the continued existence of the company with sufficient certainty as soon as possible. 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.

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. There were no circumstances that would call the independence of the auditor into question. 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 on April 11, 2024 and subsequently approved by 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 will be either disclosed or, if disclosures are not possible, a negative declaration will be 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 2023 fiscal year was a challenging year for our company. The global economic downturn, particularly in Europe, and the large number of subsequent order cancellations prevented our Group from achieving its original financial targets. On the strategy side, however, FRIWO made good progress thanks to the successful establishment of the joint venture with UNO MINDA in India, the expansion of the service range, and the introduction of greater flexibility in the production base. Despite the adverse market environment, the Group succeeded in maintaining its ability to deliver at all times during the reporting year. This is due, first and foremost, to the great and flexible commitment of all employees. The Supervisory Board would like to express its sincere thanks to them, as well as to the Executive Board and the entire management team, for their hard work.

Ostbevern, April 2024

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 from 2008 until December 2023	• None
Dr. Thomas Robl Vice Chairman Managing Director VTC GmbH & Co. KG Member since March 2024	• Munich Private Equity AG, Oberhaching • RWB PrivateCapital Emissionshaus AG, Oberhaching • Advisory Board of CapitalConcept Anlagen Holding GmbH, Oberhaching
Dr. Gregor Matthies Managing Partner, Dr. Gregor Matthies Consulting & Investment Switzerland GmbH Member since 2018	• Liikennevirta Oy, 00180 Helsinki, Finland • Rocsys BV, Delft, Netherlands
Johannes Feldmayer General Representative Heitec AG Member from 2013 until May 2023	• TGW Logistics Group GmbH, A-4614 Marchtrenk
Michael Jaeger CEO, Behr-Hella Thermocontrol GmbH Member since May 2023	• None
Uwe Leifken Full-time Works Council Chairman, FRIWO Member since May 2016	• None
Marco Erdt Contract Manager, FRIWO (until Jan. 2023) Member from 2021 until January 2023	• None
Sabine Vennekötter Project Manager, FRIWO 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 • FRIWO North America Inc., USA
Tobias Tunsch Member of the Executive Board from March 2022 until January 2024	• Board of Directors of UNO MINDA EV SYSTEMS PVT. LTD • Managing Director of Bonum Suisse GmbH
Dr. Walter Demmelhuber Member of the Executive Board from October 2023 until February 2024	• Hosokawa Alpine Aktiengesellschaft
Oliver Freund Member of the Executive Board since February 2024	• Managing Director of Freund-Interim

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 (hereafter referred to as FRIWO), based in Ostbevern in Westphalia and listed in the General Standard of the Frankfurt Stock Exchange, is an international product and systems provider of power supply units, charging technology and digitally controlled drive solutions. In addition to technologically sophisticated chargers, battery packs, and power supplies, the product and service range also includes intelligent components and systems for electric drives. FRIWO offers all the components of a modern drive train from a single source, from the display to the engine control systems, battery pack, and control software. FRIWO therefore demonstrates a high level of vertical integration.

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. FRIWO's expertise in the field of charging technology is valued not least by customers in the demanding growth markets for electromobility, where FRIWO has secured a supplier position with high potential. 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 with two and three-wheel vehicles with electrical drive systems. Nearly all activities of the FRIWO subsidiary in India have already been transferred to the joint venture.

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 percent 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.

The company's headquarters in Ostbevern, Westphalia, is home to administration, management, and sales as well as research and development. The remaining production facilities in Ostbevern were sold with effect from March 1, 2024 to the Hamburg-based investment company Private Assets SE & Co. KGaA (excluding the land and properties concerned).

In Ostbevern and in its own development office in Dresden, FRIWO develops complex products such as engine control systems for electric motors, battery packs and highly integrated drive systems, including modern software solutions. This makes FRIWO one of the few companies in the industry to have its own development facilities in Germany.

The majority of high-volume production takes place in two 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. With effect from May 1, 2024, as part of the flexibilization of the production base, induction component production and other components manufacturing will be transferred to the Hong Kong-based partner Group Intellect Power Technology Limited (GIPT), which will serve as a contract manufacturer for FRIWO in the future.

FRIWO purchases a small part of its products from selected contract manufacturers with production sites in China, India and Vietnam. In fiscal year 2023, a small portion of the products was also manufactured by a contract manufacturer in Poland.

Special Events in the Reporting Period

Adjustments to the forecast: In the wake of a significant drop in European demand, particularly in the e-mobility sector, FRIWO made adjustments on two occasions to its economic expectations for 2023 as a whole. On July 7, the Executive Board reduced its revenue target to between EUR 120 and 130 million following weaker development in the second quarter, combined with a break-even result before interest and taxes (EBIT). After business development in the third quarter also lagged significantly behind the previous year's level, in a statement issued on October 20, FRIWO further reduced its revenue forecast to around EUR 110 million and its EBIT target to a loss in the mid-single-digit million range.

Changes to the Executive Board: On October 4, 2023, FRIWO announced that Dr. Walter Demmelhuber had been appointed as an additional member of the Executive Board with responsibility for the Sales division of the core business and Operations (excluding India) with effect from October 1, 2023.

Syndicated loan extended: At the end of the reporting year, FRIWO reached an agreement with the financing consortium of banks to extend the existing syndicated loan agreement. This secures the Group's financing until the end of 2025.

Successful SAP rollout: The Group-wide rollout of SAP software at the start of 2023 was successfully completed in the reporting year. This is another important step towards ensuring efficient structures and processes throughout the company, even with growing business volume and increasing complexity.

Sale of production in Ostbevern: On December 29, FRIWO announced that it would divest the remaining production operations at its Ostbevern headquarters with effect from March 1, 2024. The new owner, the Hamburg-based investment company Private Assets SE & Co. KGaA, will act as a contract manufacturer for FRIWO's products manufactured in Europe. The affected employees in production were taken on by the buyer. Private Assets plans to expand the acquired production facilities by attracting additional customers in the coming years. The properties and the land in Ostbevern will remain in the possession of FRIWO.

Management Systems

The FRIWO Group attaches great importance to the use of key indicators in managing its business. A standardized reporting system is in place for financial management in all companies, which uses revenue and earnings before interest and taxes (EBIT, or EBIT margin) as the basic management parameters and therefore the KPIs.

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

After research and development (R&D) activities in 2022 were significantly impacted by the global shortage of components at the time and the associated efforts to find replacement components, the situation stabilized in the first quarter of 2023. The R&D resources that previously had to focus on the integration of replacement components in order to maintain series production could now be rededicated in full to the development of new products.

Organizationally, FRIWO's R&D activities are allocated firstly to the power systems division, with a focus on energy supply solutions for applications in tools, industry and medicine. Secondly, the e-mobility division continues to focus on drive train components for electromobility.

In e-mobility, the product portfolio consisting of engine control systems, battery management systems, battery packs, intelligent chargers and platform software for commissioning, diagnostics and service was successfully further expanded. The trend towards higher performance requirements continues unabated and is being met by FRIWO with corresponding new product developments. Furthermore, the development department is now able to create high-voltage products beyond the system's low-voltage limit of 60 volts. FRIWO can now also cover system voltages of 72 volts and 96 volts, which are typical for the electric minibike segment. Another focus in the expansion of the product portfolio was on developing the most cost-efficient system components possible for the mass market in India.

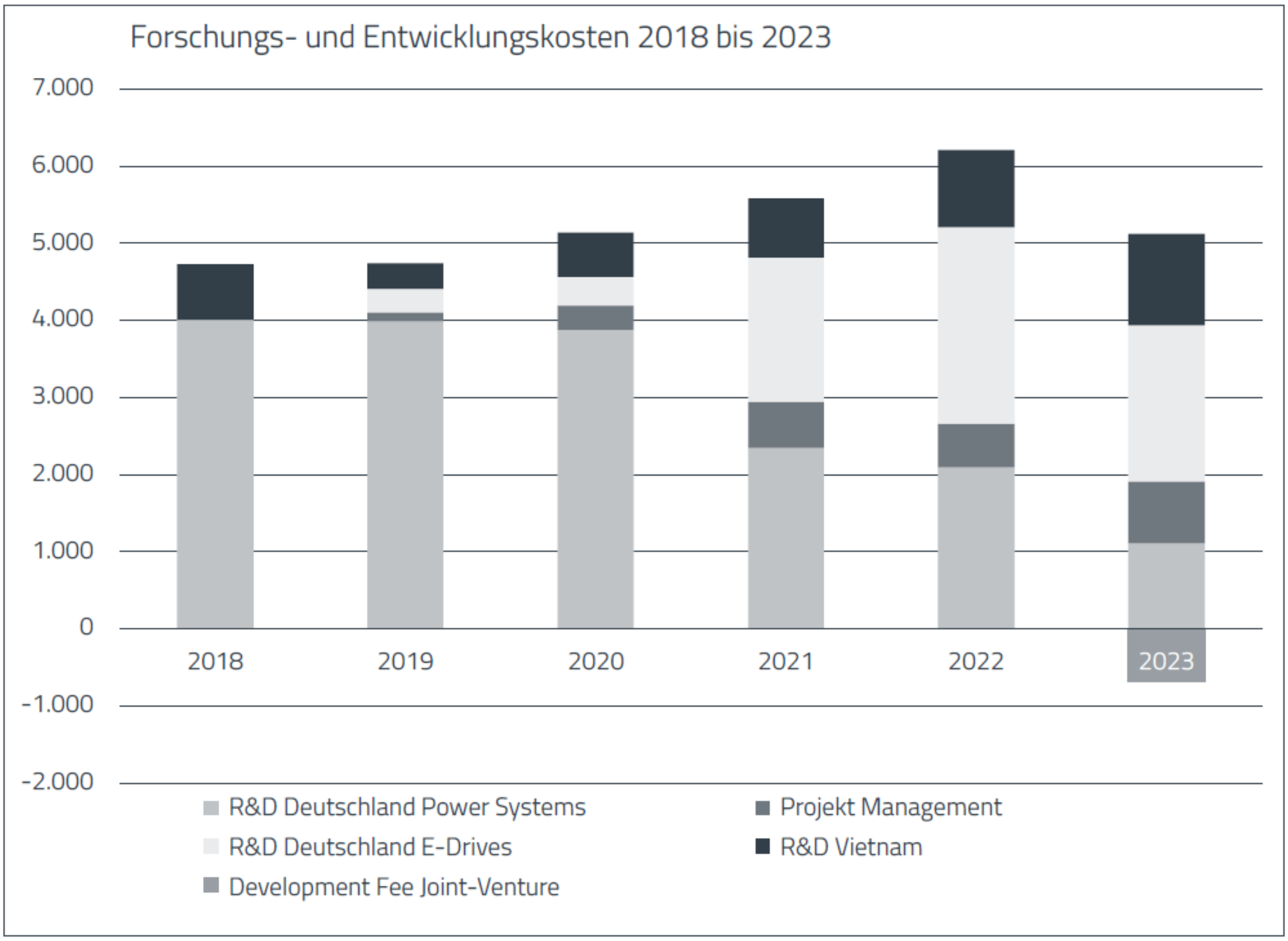
The power systems division worked successfully on new projects for existing customers who demonstrated their confidence in FRIWO's expertise from their long-standing cooperation. New customer projects were also acquired. As with e-mobility, there is a trend towards higher performance. The importance of network-compatible system software is increasing by the day, and will play an even greater role in the future. FRIWO meets the requirements for increased power density by using the latest circuit topologies from the field of power electronics, the use of efficient gallium nitride and silicon carbide semiconductors, and optimized thermal management.

The company's technological strength is based on continuous training and innovation skills; this was ensured once again by attendance at specialist conferences, industry trade shows and training sessions in the 2023 reporting year. In addition, participation in standardization committees and collaboration with universities in the form of cooperation projects promote FRIWO's technological leadership.

Despite the tense economic situation, the level of R&D capacity was unchanged in 2023. As of December 31, 2023, 91 people were employed in the R&D departments worldwide (previous year: 90 people).

In fiscal year 2023, expenditure on R&D decreased to EUR 5.9 million across the Group (previous year: EUR 6.2 million). A portion of the development costs (EUR 0.7 million) was charged to the joint venture in India and another portion of these costs was capitalized, leaving an adjusted value of EUR 4.4 million.

in EUR thou	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
R&D Germany Power Systems	1,117	2,093	2,350	3,880	3,988	4,012
R&D Germany E-Drives	2,032	2,552	1,872	374	309	0
R&D Vietnam	1,179	996	760	580	332	716
Project Management	793	565	596	306	113	0
Development Fee Joint Venture	-685	0	0	0	0	0
	4,436	**6,206**	**5,578**	**5,140**	**4,742**	**4,728**



	R&D Germany Power Systems
	R&D Germany E-Drives
	Development Fee Joint Venture
	Project Management
	R&D Vietnam

Economic Report

Macroeconomic Conditions

In 2023, the European economy was characterized by growing geopolitical tensions, lower—but still high—inflation, and the negative consequences of the rapid turnaround in interest rates for many sectors. In its winter economic forecast of February 15, 2024, the European Commission again slightly reduced its growth projections for 2023 to 0.5 percent for the EU as a whole. Inflation in the euro zone was 5.4 percent and fell more sharply than initially expected, primarily due to the drop in energy prices. For Germany, the EU Commission even forecast a decline in economic output of 0.3 percent in 2023, with a 6.0 percent increase in inflation.

Sources:
- EU Commission press release "Winter 2024 Economic Forecast," February 15, 2024
- Press release of the German Federal Statistical Office, January 30, 2024

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 percent. 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 percent.

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 8.2 percent for e-bike engines in the period from 2024 to 2029. The market research company Fortune forecasts even stronger growth with an average increase of 15.6 percent up to 2030. 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 9.9 percent for the global market for e-scooter engines from 2023 to 2030. 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 percent in the global region with the largest market. The experts at Markets and Markets believe that the most likely scenario is for the global market for e-scooter engines to grow at a CAGR of 24.8 percent between 2023 and 2028. Asia-Pacific will remain the largest region with a market share of more than 85 percent. 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 are entry-level products that are seen 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 optimize the shape and weight of high-voltage batteries, such as the 72-volt segment. This helps to further increase the energy efficiency and range per charge of electric two-wheelers.

The 48-volt segment remains the largest market segment worldwide, especially in Asia, for the forecasts up to 2027. The 60-volt and 72-volt segments are expected to account for almost 50 percent 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.

Current developments on the Indian e-scooter market are significantly outpacing previous forecasts. In light of growing environmental awareness, rising fuel prices, and increased government support in the form of subsidies and green mobility initiatives, demand for e-scooters in India has experienced an unexpected upturn. Registration statistics for e-scooters are rising steadily and exceeding the market forecasts, which indicates rapidly growing acceptance among consumers. This trend not only reflects the growing environmental awareness of the Indian population, but also the willingness to invest in sustainable and cost-efficient means of transportation. The higher-than-expected registration figures are a sending a clear message to manufacturers and investors that the Indian e-mobility market is ripe for expansion and innovation. The figures provide a sound basis for the further development and diversification of the range.

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 6.8 percent in the period from 2021 to 2029. 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. The global COVID-19 pandemic had a negative impact on demand in this submarket, unlike DIY and garden centers, which benefited from increased demand for DIY and gardening equipment during the COVID-19 pandemic to compensate for the mobility restrictions during the lockdown. FRIWO's products tend to be active in the higher price segment. 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 4.3 percent for the period from 2023 to 2030.

Sources:

- Transparency Market Research: Power Supply Market 2021–2031
- Transparency Market Research: Global Charger Market 2018–2030
- E-bike Market SIZE & SHARE ANALYSIS - GROWTH TRENDS & FORECASTS UP TO 2029
- Fortune Business Insights: Electric Bike Market Size (2023–2030)
- Grand View Research: Electric Scooters Market Size & Trends, 2024–2030
- 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 2028
- Data Bridge Market Research: Global Power Supply Market – Industry Trends and Forecast to 2029
- Fortune Business Insights: Power Tools Market Size, Share & COVID-19 Impact Analysis, 2023–2030
- SMEV – Society of manufacturers of electric vehicles – Electric two-wheeler sales FY2023

General Business Performance

The 2023 fiscal year was an economically challenging year for the FRIWO Group. The weak economy, particularly in Europe, and persistently high inflation significantly stifled demand and consumer behavior in the company's main sales markets. As a result, the economic risks that the Executive Board noted in its forecast at the beginning of the year materialized.

Subsequently, orders were canceled and order development was significantly behind plan. Incoming orders were nearly 50 percent below the figure for 2022. This primarily affected the e-mobility sector, which showed signs of saturation in the European market, but the industrial and tools sectors also performed below expectations. In contrast, the medical division remained on track for revenue growth.

As a result, FRIWO reduced its economic expectations twice in the reporting year. At EUR 111.1 million, Group revenues in 2023 were significantly below the previous year's figure of around EUR 146 million, adjusted for extraordinary items (adjusted for order backlogs and catch-up effects from 2021: Orders could not be processed and invoiced until 2022 due to the COVID-related capacity reductions and material shortages). Consolidated earnings before interest and taxes (EBIT) amounted to EUR -7.4 million after EUR 4.3 million in the previous year.

At a strategic level, however, FRIWO made important progress in the reporting year: The joint venture with the UNO MINDA Group in India went live with production in the second quarter of 2023 as planned. Demand for e-drive solutions from Indian and Japanese two- and three-wheeler manufacturers continued to rise, meaning that the joint ventures had incoming orders and letters of intent in the mid-triple-digit million-euro range at the end of 2023 and thus a very pleasing order situation. With the Group-wide introduction of SAP and the measures adopted as of year-end to make production at the Ostbevern and Vietnam sites more flexible via partner companies, the company was also able to take important steps to increase internal efficiency and secure a competitive cost base.

Order Book Status

In 2023, the FRIWO Group’s incoming orders, at EUR 80.7 million, were 48.3 percent under the previous year’s level of EUR 156.2 million. At 0.73, the book-to-bill ratio, i.e. the ratio of incoming orders to sales, was slightly below the previous year's level (0.85). At EUR 49.6 million, the order backlog was 40.6 percent down on the previous year’s record level (EUR 83.6 million) on December 31, 2023. FRIWO recorded lower demand compared to the previous year across all applications.

The order numbers had already lost momentum in the fourth quarter of 2022 due to the ongoing uncertainties caused by the war in Ukraine, the rise in energy costs, and generally higher inflation and a recession in Europe.

Regionally, incoming orders developed negatively in all segments: The largest Group segment, "Rest of Europe," recorded a decline of 56.5 percent. It must be noted that, in the previous year, it was driven by the very high demand for electric bicycles and tools in Europe. “Asia” recorded a fall in incoming orders of 21.1 percent year on year due to changes in customers’ purchasing behavior. In the "Rest of the World" segment, incoming orders fell by 53.0 percent. A reduction of 40.2 percent 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 111.1 million in 2023, corresponding to growth of 39.9 percent compared with the previous year’s figure of EUR 184.9 million. Revenue development was therefore roughly in line with the forecast of approximately EUR 110 million, which was adjusted in October (original forecast: EUR 140 to 160 million). Revenue contains a revenue-boosting effect (EUR -0.3 million) from the change in contract assets (previous year: EUR 5.6 million).

Adjusted for currency effects, i.e. at the previous year's exchange rates, consolidated revenue was EUR 113.7 million in 2023, which corresponds to a decline of 38.5 percent on the previous year.

After a record year in 2022, business performance in 2023 was characterized by weak demand in all application areas due to the economic situation and the cancellation of existing orders.

The e-mobility sector achieved the highest decline in 2023, reporting a decrease in revenue of 64.1 percent. FRIWO was affected mainly by falling demand in Europe and the high back-stock of charging devices in customers' warehouses after the end of the COVID pandemic. Sales in the Tools segment fell by 26.2 percent year on year. The revenue in the industrial segment decreased by 14.4 percent.

The declines in revenue in distribution and consumer products amounted to 17.3 percent and 13.3 percent, respectively.

Only revenue for products in the medical industry showed an increase of 16.1 percent.
The majority of FRIWO business was again attributable to the European market in 2023. However, its share of total revenue fell from 86.9 percent to 80.2 percent in line with the strategy. Revenue in the "Rest of Europe" segment (Europe excluding Germany) fell by 56.5 percent to EUR 44.8 million (previous year: EUR 103.0 million), driven by the very high demand for e-mobility solutions in the previous year and full warehouses. The "Germany" segment recorded a loss of revenue of 23.2 percent, to EUR 44.3 million (previous year: EUR 57.7 million). In the "Asia" segment, revenue dropped to EUR 14.6 million (previous year: EUR 18.1 million). In the other regions, revenue increased by EUR 1.2 million, or 19.1 percent, to EUR 7.3 million, driven by the focus on medical customers in the United States.

Looking at Group revenue (excluding revenue from passing on the costs of development services, tool costs, approval costs and freight costs) by country of production, there were only minor changes in 2023. Vietnam's share fell from 84.7 percent in the previous year to 84.3 percent. Some 12.0 percent of revenue was attributable to European production (Ostbevern site and Polish suppliers) (previous year: 11.8 percent). In contrast, China's share of total revenue decreased further to 0.1 percent (previous year: 0.4 percent).

Earnings performance

The 2023 slump in demand in Europe in the e-mobility, industrial and tools segments in the wake of order cancellations was only partially offset by improved cost efficiency and immediate personnel adjustments. In addition, significant one-off expenses were incurred from the initiated sale of the production facility in Ostbevern and for the establishment and start of production of the joint venture in India.
Gross profit fell from EUR 17.7 million in the previous year to EUR 11.1 million in the reporting year. However, the gross margin from revenue rose from 9.6 percent to 10.0 percent. The slight increase in the margin was due mainly to lower material prices, the normalization of the supply chain situation, and an improved product mix. The improved availability of materials reduced the additional costs incurred in the previous year for the switch to alternative materials and supply chains. Selling costs moved up slightly in 2023 by EUR 0.3 million to EUR 4.2 million (previous year: EUR 3.9 million). General administrative expenses increased by EUR 2.6 million to EUR 11.5 million (previous year: EUR 8.9 million), mainly due to the one-off expenses for the sale of production in Ostbevern and the sale of components production in Vietnam, as well as consulting services in connection with the extension of Group financing.

The operating earnings, i.e. gross profit on sales minus selling and general administrative expenses, amounted to EUR - 4.6 million after EUR 4.9 million in the previous year.

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 -7.4 million following the positive figure of EUR 4.3 million in the previous year. It was therefore significantly below the original forecast at the beginning of the year, but was in line with the forecast updated in October 2023 for negative Group EBIT in the mid-single-digit range. It should be noted that this result was impacted heavily by the aforementioned one-off costs.

The EBIT margin (in relation to revenue) reached -6.6 percent (2022: 2.3 percent).

The financial result of EUR -3.7 million (2022: EUR -2.5 million) was mainly characterized by higher interest expenses from factoring and loan liabilities as a result of the general rise in interest rates.

Profit before tax (PBT) amounted to EUR -11.1 million after the previous year's positive figure of EUR 1.8 million.

After taxes, the Group reported a negative result of EUR -11.1 million after a positive result of EUR 0.5 million in the previous year.

This equates to earnings per share of EUR -1.29 compared with EUR 0.06 in 2022 (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 main objective is to ensure the best possible use of liquidity in accordance with the company's strategic guidelines.

FRIWO Gerätebau GmbH sells part of its receivables in the form of non-recourse factoring where the default risk is borne by the factoring company. The percentage of sold receivables in the receivables portfolio increased by 25.2 percentage points in 2023 and amounted to around 81.4 percent as of December 31, 2023 (end of 2022: 56.2 percent). In fiscal year 2023, FRIWO Gerätebau GmbH extended the factoring agreement until the end of 2025.

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, 2025 was agreed for all three tranches in 2023. 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. Further repayments totaling EUR 2.1 million were made in 2023. The liability from the syndicated loan therefore amounted to EUR 13.4 million as of December 31, 2023 (December 31, 2022: EUR 16.1 million).

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

FRIWO has provided various guarantees and collateral for both 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 2025.

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. In the 2023 fiscal year, FRIWO did not receive an additional shareholder loan from Cardea Holding GmbH. As of December 31, 2023, the balance of the shareholder loan including accrued interest totaled EUR 12.2 million (previous year: EUR 11.6 million).

At the time the financial statements are being prepared, the financing of the FRIWO Group is secured until December 31, 2025 through the existing syndicated loan agreement. The restructuring period also runs until the end of 2025. Compliance with the restructuring plan was reconfirmed by external experts during the preparation of the financial statements for 2023 and found to be very probable.

Further information can be found in the "Liquidity risks" section of the "Risk Report."

Liquidity
Cash flow from operating activities amounted to EUR 4.2 million in the year under review after negative cash flow of EUR -2.8 million in the previous year. The main reason for the improvement is the reduction in working capital.

Investing activities resulted in a cash outflow of EUR -3.8 million (2022: cash outflow of EUR -5.8 million). Investments amounted to EUR 4.0 million and proceeds from the disposal of assets to EUR 0.2 million. The previous year's figure included the rollout of SAP software.

Net cash flow amounted to EUR 0.3 million after net cash flow of EUR -8.6 million in the previous year.

Financing activities led to an overall cash outflow of EUR -2.5 million (previous year: cash inflow of EUR 12.6 million), primarily due to scheduled repayments of the syndicated loan and the repayment of lease liabilities. As of December 31, 2023, the Group had cash and cash equivalents of EUR 4.7 million against cash and cash equivalents of EUR 6.9 million at the beginning of the year.

Based on the financing components secured and agreed to in 2023, liquidity is assured for the year 2024 and the following year if the company adheres to the restructuring plan. For further information, please refer to the "Liquidity risks" section in the "Risk Report."

Investments

At EUR 4.0 million, the Group’s investment was below the level of the previous year (EUR 5.9 million) in fiscal year 2023. Of the total investments, EUR 2.0 million were attributable to tangible assets and EUR 1.0 million to intangible assets. 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, 69.9 percent of investments in tangible assets and intangible assets were made at the production site in Germany, 29.1 percent in Vietnam and 1.0 percent for the sales location in the USA.

Net Assets

As of December 31, 2023, the FRIWO Group’s total assets came to EUR 74.3 million and were therefore EUR 30.7 million below the figure on the same date in 2022 (EUR 105.0 million). The sharp decline in total assets reflects the significant reduction in business volume.

The value of non-current assets decreased from EUR 20.8 million at the end of December 31, 2022 to EUR 16.5 million at the end of 2023.

The intangible assets included in non-current assets mainly comprise concessions, intellectual property rights and similar assets as well as licenses, in particular from the rollout of SAP software in the reporting year, 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 1.4 million (previous year: EUR 4.7 million) and the deferred tax assets in the amount of EUR 3.1 million (previous year: EUR 2.7 million). The reduction in rights of use is due to the termination of a lease for a plant in Vietnam.

Total current assets decreased to EUR 57.8 million (previous year: EUR 84.1 million). Inventories decreased by 26.8 percent in the process to EUR 27.8 million (December 31, 2022: EUR 37.9 million). This was due primarily to the lower business volume in the reporting year pursuant to the economic situation and the strategic reduction in inventories, as higher back-stock was held in 2022 as a precaution. The recognition of revenue over time in accordance with IFRS 15 increased inventories by EUR 1.2 million compared with an decrease of EUR -5.2 million in the previous year.

Trade receivables decreased to EUR 3.1 million (previous year's closing date: EUR 17.9 million). This increase reflected lower business volume at the year-end compared with the weaker fourth quarter in the previous year and an increased factoring ratio. The contract assets resulting from the recognition of revenue over time in accordance with IFRS 15 decreased to EUR 13.8 million (previous year: EUR 14.0 million). Current assets also include those held for sale in the amount of EUR 3.1 million (previous year: EUR 0.0 million).

At the end of the year, cash and cash equivalents stood at EUR 4.7 million (December 31, 2022: EUR 6.9 million).

On the equity and liabilities side of the balance sheet, the FRIWO Group's equity decreased from EUR 24.9 million as of December 31, 2022 to EUR 12.7 million as of the end of the reporting year, primarily as a result of the negative consolidated net income. The equity ratio decreased accordingly year on year from 23.7 percent to 17.1 percent.

Non-current liabilities increased to EUR 17.2 million as of the end of 2023 (December 31, 2022: EUR 14.7 million). This is mainly due to the reclassification of a portion (EUR 1.8 million) of the syndicated loan agreement extended as of December 31, 2025 from current to non-current liabilities. The decrease in non-current lease liabilities according to IFRS 16 to EUR 0.8 million (previous year: EUR 3.8 million) had the opposite effect. The decline follows the termination of a lease agreement for a plant in Vietnam.

Current liabilities fell from EUR 65.4 million to EUR 44.4 million year on year. Current financial liabilities decreased to EUR 18.8 million (December 31, 2022: EUR 22.0 million), mainly due to the reclassification of EUR 1.8 million to non-current liabilities and the scheduled repayment of EUR 2.1 million. Current provisions increased from EUR 1.2 million to EUR 4.5 million. This mainly includes a provision for restructuring in the amount of EUR 2.2 million. At EUR 16.2 million, trade payables were EUR 13.4 million below the previous year's level (EUR 29.6 million), primarily due to the reduction in inventories and the significantly lower business volume at the end of 2023. The current portion of the shareholder loan from the previous year of EUR 3.1 million was reclassified to non-current liabilities, as the extension of the syndicated loan until the end of 2025 therefore also extended the shareholder loans until the end of 2025 by means of a new subordination agreement.

Working capital, the balance of inventories, trade receivables and trade payables as well as contract assets and contract liabilities came to EUR 27.9 million as of December 31, 2023 against EUR 40.0 million on the previous year's closing date. For the most part, the reduction is due to the lower inventories. In contrast, working capital rose from 21.6 percent at the end of 2022 to 25.1 percent in relation to the sharp drop in sales.

Other current liabilities including other non-financial liabilities fell by EUR 4.4 million to EUR 3.5 million, mainly due to a lower measurement of receivables in accordance with IFRS.

Overall, the Management Board assessed the Group's net assets, financial position and earnings as manageable at the end of 2023.

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. Compared to the previous year, personnel expenses fell by EUR 0.7 million, from EUR 1.6 million to EUR 0.9 million in the fiscal year. This is mainly due to a reduction in expenses for bonuses.

Legal and consulting costs were EUR 0.5 million higher than in the previous year, which is mainly due to consulting services for the extension of the Group financing. Other operating expenses include recruitment costs of EUR 0.2 million.

Overall, expenses in 2023 were significantly higher than in the previous year.

Together with the negative investment income of EUR -11.5 million (previous year: EUR -1.3 million), FRIWO AG reported a result of EUR -12.9 million in the reporting year (previous year: EUR -2.2 million). With the result carried forward from the previous year of EUR -33.3 million, the accumulated loss amounted to EUR -46.2 million.

Total assets of FRIWO AG amounted to EUR 36.3 million (previous year: EUR 49.1 million). Equity decreased from EUR 34.3 million to EUR 21.4 million.

At 59.0 percent, the equity ratio was below the previous year's level (previous year: 69.9 percent).

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, 2023.

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.

Based on the follow-up financing of the existing syndicated financing realized in the fiscal year, the company's liquidity has been secured for the year 2024 and the following year.

Employees

Changes in the workforce
At the end of 2023, the FRIWO Group had 1,701 employees throughout the world (previous year’s closing date: 2,501). The redundancy of 800 staff positions is due to the adjustment of employment as a result of declining demand, particularly at the locations in Vietnam. In Germany, 155 employees were involved in product development, production, sales and administration (previous year’s closing date: 162). At the closing date, this equated to 9.1 percent of the Group workforce (previous year’s closing date: 6.5 percent). As of year-end, 1,546 employees worked abroad (previous year's reporting date: 2,339), including 1,531 employees at the locations in Vietnam (previous year's reporting date: 2,325), 12 employees in China (previous year's reporting date: 12), two employees in the USA (previous year's reporting date: zero) and one employee at the subsidiary in India (previous year's reporting date: two).

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 also offered various vaccinations in 2023, including against influenza.

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 studies have shown that the iterative method of working, i.e. repetitive actions, represents the current state of modern development. However, there is still potential for optimization in process improvements, e.g. interdisciplinary project management from development, sales, purchasing and production.

Communication
To improve internal communications, two new meeting formats had been set up at FRIWO in the past, and these were also used in 2023.

“LET’S TALK” stands for an informative meeting of a small group of people. Several times a year, management invites approximately ten employees each from different departments to a casual get-together. The attendees can share their views of the company as well as visions and goals for FRIWO. The Extended Executive Meeting also improved the flow of information within the company. This event was revamped last year and was held four times at department head level.

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. To ensure transparency and correct focus, all employee targets were also agreed upon in 2023 in the management team.

Environmental Report

Under the environmental management system in accordance with DIN EN ISO 14001, FRIWO is committed to environmental protection and the principle of sustainable management at all production sites. The environmental impacts and aspects are identified and systematically evaluated. The adoption of the resulting measures leads to continuous improvement and ensures that environmental management is further developed and meets requirements under environmental legislation.

The European Directive 2011/65/EU "RoHS" (Restriction of the Use of Hazardous Substances) including Directive EU 2015/863 (RoHS 3) prescribes the restriction of hazardous substances in the production of electrical and electronic equipment. The directive has been transposed into German law with the Electrical and Electronic Equipment Act (ElektroG), which regulates the introduction, return and environmentally sound disposal of electrical and electronic equipment. This act also covers Directive 2012/19/EU “WEEE” (Waste of Electrical and Electronic Equipment) and relates to the recycling and disposal of electrical and electronic equipment. Even before the introduction of the two European directives, FRIWO had already met the legal requirements to protect people and the environment.

EU Regulation 1907/2006 "REACH" (Registration, Evaluation, Authorization and Restriction of Chemicals) governs the registration, evaluation, authorization and restriction of chemical substances. FRIWO suppliers are obliged to report all "Substances of Very High Concern" (SVHC) from the candidate list of the European Chemicals Agency (ECHA) for their products. In implementing the regulations, FRIWO obtains the relevant conformity certificates from its suppliers.

The EU Directive (EU) 2021/1297 and Annex XVII of the REACH Regulation restricts the manufacture, use and placing on the market of perfluorocarboxylic acids from 2023 onward. Due to their water, oil and dirt-repellent properties, per- and polyfluoroalkyl substances (PFAS) are used in electronic products. 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.

When implementing all regulations, FRIWO ensures that it obtains the relevant certificates of conformity from its suppliers.

Directive 2006/66/EG, which is transposed into National law by the German Battery Act (BattG), defines the legal basis in Europe for placing batteries and rechargeable batteries on the market as well as their disposal. 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. Their existence must be communicated along the supply chain in a similar way to the REACH Regulation. FRIWO involved its suppliers before the act came into effect, and was 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 the Dodd-Frank Act in the US, companies must disclose the extent to which their products contain conflict minerals. These "conflict minerals" are raw materials such as tantalum, tin, gold and tungsten, insofar as their extraction and trade in these raw materials contribute to the financing of armed groups in the Democratic Republic of the Congo or its neighboring states. FRIWO is committed to complying with the provisions of the Conflict Minerals Regulation and annually requests that suppliers provide up-to-date reports using the "Conflict Minerals Report" template. As part of the supply chain, FRIWO supports customers with the implementation of their conflict mineral programs.

The EU Directive 2009/125/EC defines environmental requirements for energy-consuming products. Since October 1, 2019, the European thresholds for external power supply units have been adapted to the US standard via EU Regulation 2019/1782. 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. Both the European and American regulations have been under revision since 2022; the first drafts have been published.

Forecast

Macroeconomic Conditions

Global growth proved to be surprisingly resilient in 2023, as lower energy prices and the stabilization of the supply chain situation caused inflation to decline faster than expected. However, according to the Organization for Economic Cooperation and Development (OECD), indicators at the start of 2024 pointed to a certain amount of stagnation. The geopolitical risks remain high, particularly in connection with the war against Ukraine and the conflict in the Middle East following the terrorist attacks by Hamas on Israel. The OECD expects inflation to return to the target level in most G20 countries by the end of 2025.

According to OECD estimates, global growth, which is estimated to have risen in 2023 by 3.1 percent, will slow to 2.9 percent in 2024 and then rise to 3.0 percent in 2025. This differs by world region. For example, there are signs that short-term momentum remains strong in India, developments are relatively weak in Europe, and that moderate short-term growth is being generated in most other major economies.

Due to the deterioration in the order situation in almost all sectors of the economy, the low order backlog, high illness rates and the ongoing strikes, business associations and institutes do not anticipate an economic turnaround for Germany. A noticeable overall economic recovery is not expected until the second half of the year. Overall, the Ifo Institute estimates that the price-adjusted gross domestic product will increase by just 0.2 percent as of this year compared to the previous year. Economic output will then increase by 1.5 percent in the coming year.

Sources:
- OECD - Economic Outlook, February 2024.
- Ifo Institute, Munich: Ifo Economic Forecast - March 6, 2024

Company-related Conditions

The FRIWO Group's business performance in 2024 is also heavily dependent on external factors that the company cannot influence, or can only influence to a limited extent—in particular, general consumer restraint, higher interest rates, price increases, government austerity measures, and the weak global economy. 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 recovery in the industrial economy originally expected for the winter half-year 2023/2024 will begin in the first half of 2024, and whether order volume will trend upward again.

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. At the beginning of the year, market analysts expected central banks to lower their key interest rates again over the course of the year, following the sharp increase in the previous year.

On the other hand, the very high demand for electric drive solutions for two- and three-wheeled vehicles in India is providing positive momentum, in which FRIWO will participate in the medium term in the form of license income and investment income via the joint venture with UNO MINDA.

Anticipated Business Development

Strategic priorities

The renewal and expansion of FRIWO's range of products and services in recent years continue to be well received by current and new customers. As of the beginning of 2024, there was a robust project pipeline; the first resulting revenues are expected in the current year 2024, with larger effects expected in the following year.

In 2024, the main focus will be on further developing the Group's international scope and thus reducing its dependence on Germany and other European countries.

The joint venture in India for innovative e-mobility solutions will pick up speed in 2024. Initially, the facility is designed to be 15,000 square meters in area but can be significantly extended on short notice. At the beginning of the year, the joint venture had received orders and letters of intent from several renowned Indian vehicle manufacturers with a total volume in the mid-three-digit million euro range, which will generate revenues in subsequent years.

FRIWO receives license income of 4 percent for its contribution of technological expertise. Assuming a successful production ramp-up, the Executive Board expects profitability to be achieved in mid-2024. FRIWO is also entitled to a pro rata share of the results equal to its 49.9 percent share in the joint venture.

In the current year, FRIWO will also step up its efforts to open up other markets in Southeast Asia for e-mobility system solutions outside the joint venture in India, such as Thailand, Vietnam, and Indonesia. The company is currently in talks with Japanese manufacturers.

The structural measures that have been resolved and already implemented to some extent with the sale of production in Ostbevern and the streamlining of production structures in Vietnam will noticeably improve the FRIWO Group's cost base, commitment of funds, and balance sheet quality.

Anticipated economic development

The Management Board is cautiously optimistic regarding business development in 2024. FRIWO is operating in a difficult and volatile environment again in 2024. 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 2024. FRIWO believes that is a good chance that demand will revive sharply in the second half of the year. On the cost side, the Executive Board anticipates a further decline in storage costs, as the availability of materials and components in the global procurement markets should continue to improve. Furthermore, there are positive effects from the improvement and streamlining of production structures.

Against the backdrop of these conditions, the Management Board is expecting consolidated revenue in the order of magnitude of EUR 100 to 120 million for fiscal year 2024. In terms of Group EBIT, FRIWO expects to break even for the year as a whole, with the operating break-even point to be reached again in the course of the year. This includes up-front costs for setting up the joint venture in India. This activity is expected to contribute to earnings for the first time in the 2024 fiscal year, which will have a positive impact on the financial result.

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

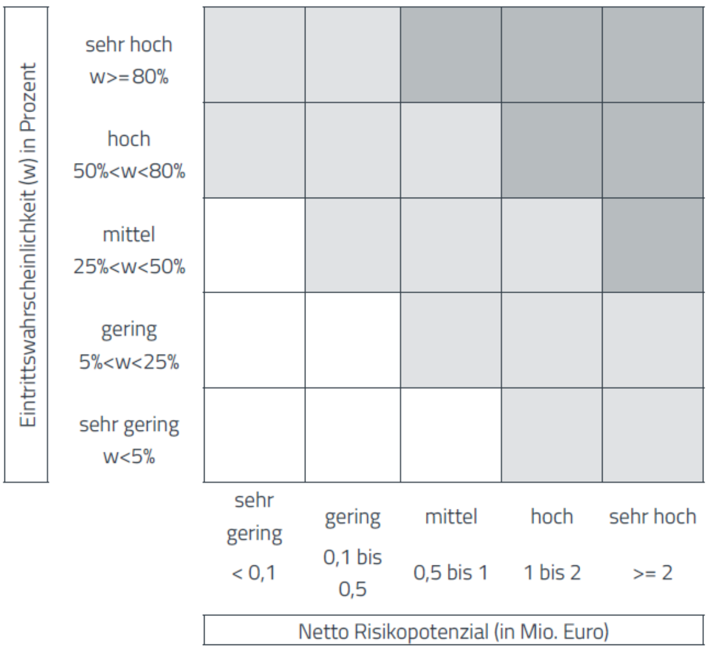
As an international company, FRIWO is exposed to a large number of specific risks with its business activities that may have an adverse impact on the Group's business development as well as its net assets, financial position and the results of its operations. Against this backdrop, a professional and 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 that they do occur, to minimize them. Risk management is a standardized process that is constantly improved and refined. The system is not used to analyze and assess opportunities.

The systematic identification, assessment and management of risks and the reporting thereof are set out in a policy that 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



	Probability of occurrence (w) %
	Net risk potential (EUR m)
	Very high w>= 80%
	High 50%<w<80%
	Medium 25%<w<50%
	Low 5%<w<25%
	Very low w<5%
	Very low < 0.1
	Low 0.1 to 0.5
	Medium 0.5 to 1
	High 1 to 2
	Very high >= 2

FRIWO generally assesses the potential impact on the net assets, financial position, and earnings using the EBIT indicator for a twelve-month period. Risks are initially analyzed on the basis of a gross assessment, followed by a net assessment, taking into account any risk-minimizing measures that have already been introduced. 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.

A new tool was introduced in the 2023 fiscal year to improve the effectiveness and efficiency of the risk management system. The improvements include the regular analysis of risk-bearing capacity, the expanded Group-wide identification of developments that could jeopardize the company's continued existence and their interaction with other risks, as well as the consistent tracking of the measures necessary to ensure the company's continued existence. The risk-bearing capacity represents the maximum extent of risk that the company can bear without jeopardizing its own continued existence. Based on a quantitative risk assessment, FRIWO's overall risk position is determined using risk aggregation, taking into account the net individual risks, and compared with the Group's risk coverage potential. FRIWO uses consolidated equity and liquidity as parameters for the risk cover potential on the respective balance sheet date of the period under review. The results of the risk-bearing capacity analysis are regularly monitored by the Executive Board. As of December 31, 2023, the overall risk position is fully covered by the risk cover potential of the FRIWO Group,

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 39 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**	**Probability of occurrence**	**Gross expected value**	**Net expected value**
Procurement, production and price risks				
Procurement of materials	Medium	Medium	Low	Low
Procurement of finished products and merchandise	Low	Low	Low	Low
Market risks				
Competitive risks	High	Medium	Medium	Low
Financial risks				
Currency risks	Low	High	Very low	Very low
Liquidity risks		Medium	Very high	Low
Interest-rate risks	Low	Low	Very low	Low
Risk of default	Low	Low	Very low	Very low
Legal risks and compliance risks	Low	Low	Very low	Very low
HR risks	Low	Medium	Low	Low
IT risks	Medium	Medium	Low	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. especially in light of the reorganization that the FRIWO Group is currently undergoing. A decisive factor for adherence to the recovery plan is increased demand in 2024 and further growth in subsequent years. Compliance with the restructuring plan is, in turn, a criterion for the FRIWO Group to maintain its sources of financing. The Executive Board assumes with a high degree of probability that the Group's financing can continue to be secured. Nevertheless, at the time of preparation, there was uncertainty regarding the effectiveness of the measures of the restructuring plan, which may cast doubt on the company's ability to continue as a going concern and therefore constitutes a going concern risk (see also the “Liquidity risks” section).

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 restrictions on global supply and logistics chains as a result of the COVID-19 pandemic and allocation no longer had a significant impact on the economic development of the FRIWO Group in the 2023 fiscal year. However, the conflict in the Middle East may lead to future disruptions in international supply and logistics chains and thus also have a negative impact on procurement, production and delivery by the FRIWO Group or on FRIWO customer demand. On the procurement side, the consequences would be limited material availability, high material prices and freight rates as well as logistics bottlenecks. In terms of sales, this could mean delayed processing of orders and delivery dates. In principle, the future business performance of the Group is subject to considerable uncertainty, which cannot be influenced by FRIWO, or only to a very limited extent.

On the sales side, FRIWO met with subdued demand in the 2023 fiscal year, which was primarily due to the sluggish economic phase in key sales countries and persistently high inflation. Many customers still have a high level of back-stock, which also contributed to a drop in demand. According to current forecasts, the order situation is not expected to stabilize until the seasonal business for 2024 begins and the warehouses need to be restocked.

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. 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. A continuation or intensification of the war could lead to supply bottlenecks for semiconductor manufacturers with neon and, consequently, to higher prices and longer delivery times for semiconductors. This resulted in higher purchasing prices and longer procurement and delivery times for the FRIWO Group.

FRIWO tries to identify supply bottlenecks as soon as possible and, to the best of its ability, avoid them by buying on spot markets (known as
"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 availability 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 long-term 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 2023 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 significant increases in key interest rates implemented by the US Federal Reserve and the European Central Bank (ECB) since 2022, after many years of zero or low-interest rates, may cause banks to tighten their lending policies. This would lead to higher financing costs for borrowers and would restrict companies’ financial room for maneuvering. 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 the date of preparation for the annual and consolidated financial statements for 2023, FRIWO reached an agreement with the syndicate banks to extend its financing until the end of 2025 and to adjust the covenants.

As part of the confirmation of the FRIWO Group's eligibility for restructuring, the restructuring consultant deemed it necessary to extend the restructuring period (and thus also the term of the loan agreement) by one year until December 31, 2025 and to adjust the agreed covenants for adjusted EBITDA. This is based on the figures derived from the Group's forecast business development, which form the basis of the updated expert opinion.

As described in the section "Macroeconomic risks and specific risks of the FRIWO Group," adherence to the restructuring plan is an important criterion for the Group's financing. As of the date of preparation of the financial statements, the effectiveness of the measures under the restructuring plan is uncertain. There is therefore a risk that the restructuring plan cannot be adhered to. In this case, suitable measures to secure liquidity would be necessary to ensure the continuation of the company's activities. These circumstances represent a going concern risk.

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

Interest-rate risks

The FRIWO Group’s risk in 2023 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 2023. 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 39 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 provisions 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, either 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.

FRIWO sees the pursuit of sustainability goals (known as ESG principles - Environmental, Social, and Governance) as a core task. In addition to opportunities, sustainability also entails several risks—FRIWO is largely active in the e-mobility sector, which is highly relevant to sustainability. On the operations side, FRIWO will be confronted with increased ESG reporting obligations in the future, which will require more detailed data collection. Additional costs for measures to reduce greenhouse gas emissions are also to be expected. Sustainability issues will also gain in relevance for the acquisition of new customers and the awarding of contracts by existing customers, and there is a risk that FRIWO will not meet the requirements in full. Accordingly, FRIWO must also take greater account of sustainability aspects in its value chain, e.g. when selecting components and suppliers. This may entail additional costs or require a switch to new suppliers.

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 attempts to largely reduce personnel risks through the strategic recruitment of qualified specialists and managers, early succession planning, and the provision of an attractive and respectful working environment.

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 with its introduction of 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 Executive Board firmly believes that the global market for power supplies, charging technology and digitally controlled drive solutions will open up attractive growth prospects for 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. This goal is also served by so-called pre-development, i.e. research and development services that do not have to be capitalized immediately, but are already aimed at “products of the day after tomorrow.”

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. Thanks to the production base in Vietnam, which has been established over the past few years and will be regularly adapted, FRIWO can utilize cost advantages in Asia and thus hone its competitive edge.

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 percent 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. To this end, the Executive Board is holding initial talks with Japanese manufacturers.

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 US, Europe outside the DACH region, and the Asian market are on the priority list. 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.

As shown in the “Liquidity risks” section, the Management Board assumes with a high degree of probability that 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.

Nevertheless, there is uncertainty as of the time of statement preparation with regard to the effectiveness of the measures of the restructuring plan. The decisive factor is primarily the extent to which demand picks up again in 2024, and whether the projects planned in India ramp up as expected. There is therefore a risk that the restructuring plan cannot be adhered to. In this case, suitable measures to secure liquidity would be necessary to ensure the continuation of the company's activities. These circumstances represent a going concern risk. Detailed information can be found in the "Risk Report" of the Combined Management Report.

The overall opportunities position has changed compared to the presentation on December 31, 2022: Following the sale of the Ostbevern production facility and the components production facility in Vietnam, FRIWO will significantly improve its balance sheet quality, working capital and cashflow in 2024 and will also increase its cost efficiency for the long term, as it will be able to react more flexibly to order fluctuations.

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, and 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, 2023. 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 actual risks will be detected in advance, that all violations are excluded and that all inaccurate information will be 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 Executive 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, with 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 not changed in the 2023 fiscal year. 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 percent of the voting rights in the capital of FRIWO AG on December 31, 2023:

	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, 2023. 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 11.12 million by issuing new bearer shares against cash and/or non-cash contributions on one or more occasions (Authorized Capital) up to May 10, 2028. The Management Board may, with the approval of the Supervisory Board, exclude shareholders' subscription rights for certain purposes. The Executive Board has not made use of the authorization in the 2023 fiscal year. The authorized capital in the amount of approximately EUR 11.12 million still exists.

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 percent 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. The 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, 2023, 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 with the German Corporate Governance Code, in accordance with Section 161 AktG - German Stock Corporation Act

The Executive Board and Supervisory Board of FRIWO AG declare in accordance with Section 161 AktG that the recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated April 28, 2022 ("GCGC 2022") published by the Federal Ministry of Justice and Consumer Protection on June 27, 2022 in the official section of the Federal Gazette have been complied with since the last Declaration of Compliance was issued on December 14, 2022 with the exceptions listed below and will be complied with in the future.

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.

The Executive Board works continuously to identify and measure risks and opportunities for the company resulting from social and environmental factors as well as the environmental and social impact of the company's activities.

Environmental and social objectives are also already taken into account in corporate planning. In the opinion of the Executive Board, however, the process has not yet been fully completed and the current status cannot yet be considered fully adequate. Until further aspects of the current analytical process and the subsequent implementation process have been completed, a deviation from Recommendation A.1 of the GCGC 2022 is therefore declared by way of precaution.

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

According to the recommendation in Section A.3 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 further expanding its internal control system and risk management system and has made progress this year. However, the process has not yet been completed, meaning that the requirements of Recommendation A.3 of the GCGC 2022 have not yet been fully implemented.

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 that 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 maneuvering 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 yet complied with the recommendations, but is making every effort to do so and the necessary steps are being taken. Complete implementation is to take place in the near future.

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

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 on the Supervisory Board in the interests of the company and has 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. Independence of Supervisory Board members (Recommendation C.10 sentence 2)

According to Section C.10 sentence 2 of the GCGC 2022, the Chairman of the Audit Committee should be independent, in particular from the controlling shareholder.

The Chairman of the Audit Committee is not to be classified as independent within the meaning of C.9 of the GCGC 2022, as he is a member of the executive body of the controlling shareholder. In the opinion of the Supervisory Board, however, the Chairman of the Audit Committee is able to fulfill his duties without restriction and his performance of his duties is in the interests of the company and the shareholders on the basis of his skills and special expertise.

As a precautionary measure, however, a deviation from Section C.10 sentence 2 of the GCGC 2022 is 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 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 trustworthy and effective work of the Supervisory Board.

Accordingly, no committees – in particular, no Nomination Committee – have been or will be formed in the future in addition to 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.

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.11 of the GCGC 2022 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 governance 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.16 GCGC 2022)

The remuneration system for the Executive Board deviates from the recommendations of the GCGC 2022 as follows:

a) According to the recommendation in Section G.2 of the GCGC 2022, *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 should 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. Therefore, the Supervisory Board does not 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. It is also envisaged that long-term incentives will initially only be paid out in half and will only be paid out in full if the company's value increases further. 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 service agreement does not stipulate that the severance payment cap may not exceed the value of two years' remuneration. 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 be 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.

Ostbevern, December 2023

Richard Ramsauer
Chairman of the Supervisory Board

Rolf Schwirz CEO	Tobias Tunsch Management Board member	Dr. Walter Demmelhuber Management Board member

Disclosures about Corporate Practices

Corporate practices that exceed the statutory requirements and the provisions of the German Corporate Governance Code are not applied.

Working methods and composition of the Executive Board

The Executive Board as the management body of FRIWO AG currently consists of the following members:

Rolf Schwirz,
Chief Executive Officer (CEO),
Term of office until December 31 2024

Oliver Freund (CFO), since February 1, 2024,
Term of office until December 31 2025

The Executive Board members Tobias Tunsch and Dr. Walter Demmelhuber (since October 2023), who also served in the 2023 fiscal year, resigned from their positions on the Executive Board by mutual agreement with the company with effect from January 31, 2024 (Mr.Tunsch) and February 29, 2024 (Dr. Demmelhuber).

Detailed information on the members of the Management Board is available on the FRIWO website at https://www.friwo.com/en/about/investor-relations/.

The Management Board is committed to the company's interests and, in this context, 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 2023 and to date, all of the Executive Board members are male. 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 primarily considered 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.

Through the catalog of transactions requiring approval, significant decisions are subject 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 and composition of the Supervisory Board and its committees

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 is 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 following members belonged to the Supervisory Board in the reporting period:

Richard Ramsauer (Chairman; member of the Supervisory Board since 2008; current term of office until the end of the 2028 Annual General Meeting),

Jürgen Max Leuze (Deputy Chairman; resignation from office as of December 31, 2023),

Dr. Thomas Robl (Deputy Chairman; member of the Supervisory Board since March 2024; current term of office until the end of the 2024 annual general meeting),

Johannes Feldmayer (resigned at the end of the Annual General Meeting in May 2023),

Michael Jaeger (member of the Supervisory Board since May 2023; current term of office until the end of the 2028 Annual General Meeting),

Dr. Gregor Matthies (member of the Supervisory Board since 2018; current term of office until the end of the 2028 Annual General Meeting),

Sabine Vennekötter (member of the Supervisory Board since February 2023; current term of office until the end of the 2027 Annual General Meeting),

Uwe Leifken (Member of the Supervisory Board since 2016; current term of office until the end of the 2027 Annual General Meeting),

Marco Erdt (resigned as of January 31, 2023 due to termination of his employment contract with the company)

Detailed information on the members of the Supervisory Board can be found on the FRIWO website at https://www.friwo.com/de/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 persons on the Supervisory Board of FRIWO are to be classified as independent. No member has any significant business or personal relationships with the company or the Executive Board, apart from their capacity as a 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 Mr. Ramsauer, who has also been Chairman of the Supervisory Board 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.

The Supervisory Board therefore considers Mr. Ramsauer to be independent.

According to the expertise and requirements profile developed by the Supervisory Board, the Board has extensive knowledge of the sector and 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 light of Recommendation C.1 of the GCGC 2022, which contains new elements in the form of a comprehensive skills profile for the Supervisory Board including sustainability issues and a training matrix, the Supervisory Board is working on revising the skills and requirements profile, and will also endeavor to disclose the implementation status in the form of a training matrix in the future.

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. In the period under review, this target figure was reached with the appointment of Sabine Vennekötter to the Supervisory Board with effect from February 1, 2023. When selecting a suitable candidate, however, the professional qualifications and knowledge of the applicants continue to be the primary consideration, and not gender.

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 Dr. Thomas Robl (Chairman, successor to Mr. Leuze), 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 fulfilled by the members Dr. Robl and Mr. Ramsauer. Mr. Robl 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 also fulfills the requirement of the German Corporate Governance Code that the Chairman of the Audit Committee should be an expert in at least one of the areas mentioned.

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 publication dates of this information can be found in the financial calendar on the FRIWO website at the following Internet address: https://www.friwo.com/de/ 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 relationships with affiliated companies in the 2023 fiscal year, the Executive Board issued the following statement:

“In the legal transactions listed in the report on relationships with affiliated companies, the company received appropriate consideration for each legal transaction according to the circumstances known to us at the time the legal transactions were carried out. The company was not disadvantaged by any measures taken or omitted."

Non-financial Group Declaration

With regard to the explanations within the meaning of Sections 289b and 315b of the German Commercial Code (HGB), please refer to the Sustainability Report 2023. At the same time, this constitutes the combined separate non-financial group report for the FRIWO Group and FRIWO AG for fiscal year 2023 within the meaning of paragraphs 315b and 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, April 24, 2024

The Management Board

Rolf Schwirz	Oliver Freund
CEO	Management Board member

Consolidated Financial Statements

Table of contents

Consolidated income statement
for the 2023 fiscal year

in EUR thou	Notes	**2023**	**2022**
Revenue	(11)	111,076	184,869
Cost of sales		-100,010	-167,213
Gross profit		**11,066**	**17,656**
Selling expenses	(12)	-4,163	-3,866
General administration expenses	(13)	-11,453	-8,916
Other operating expenses	(14)	-13,546	-13,137
Other operating income	(14)	10,728	12,574
Earnings before interest and taxes (EBIT)		**-7,368**	**4,312**
Income from investments recorded at equity	(22)	-280	-160
Interest income	(15)	12	222
Interest cost	(15)	-3,444	-2,594
Earnings before taxes (PBT)		**-11,081**	**1,780**
Income taxes	(16)	6	-1,268
Consolidated net income		**-11,075**	**512**
Earnings per share (basic and diluted) (in EUR)	(17)	**-1.29**	**0.06**

Consolidated statement of comprehensive income
for the 2023 fiscal year

in EUR thou	Notes	**2023**	**2022**
Consolidated net income		**-11,075**	**512**
Remeasurement of net liability from defined benefit plans	(30)	-32	299
Deferred tax	(16)	10	-90
Net result from the change in the net liability from defined benefit plans		**-22**	**209**
Total changes in value recognized in other comprehensive income not subsequently reclassified to the income statement		**-22**	**209**
Gains/losses from the translation of foreign operations		**-1,074**	**270**
Total changes in value recognized in other comprehensive income which may subsequently be reclassified to the income statement if certain conditions are met		**-1,074**	**270**
Total changes in value recognized in other comprehensive income		**-1,096**	**479**
Total comprehensive Income		**-12,171**	**991**

Consolidated cash flow statement
for the 2023 fiscal year

in EUR thou	Notes	**2023**	**2022**
Consolidated net income		**-11,075**	**512**
Income from investments recorded at equity	(22)	280	160
Tax expenses/income recognized in profit or loss	(16)	-6	1,268
Net interest recognized in profit or loss	(15)	3,433	2,373
Depreciation and amortization	(21)	4,856	4,405
Goodwill impairment	(21)	0	0
Change in provisions	(30)(31)	3,103	-18
Result from the disposal of fixed assets	(14)	3	113
Changes in inventories	(24)	7,920	-4,584
Change in trade receivables and other assets not attributable to investing or financing activities	(25)(26)	17,156	-17,244
Change in trade payables and other liabilities not attributable to investing or financing activities	(35)(36)(37)	-17,633	11,347
Interest paid		-2,754	-1,943
Interest received		12	222
Income tax paid/received		-357	453
Other non-cash effects		-778	127
Cash flow from operating activities		**4,158**	**-2,809**
Proceeds from disposals of property, plant and equipment / intangible assets		115	38
Payments for investments in intangible assets	(21)	-1,037	-1,563
Payments for investments in property, plant and equipment	(21)	-1,912	-3,301
Payments for investments in financial assets	(22)	-1,014	-1,000
Cash flow from investing activities		**-3,847**	**-5,826**
Proceeds from the issue of new shares	(29)	0	15,000
Transaction costs for the issue of new shares	(29)	0	-52
Taking up shareholder loans	(33)	0	500
Repayment of current liabilities to banks (net)	(32)	-1,378	-1,356
Repayment of lease liabilities	(34)	-1,121	-1,442
Cash flow from financing activities		**-2,499**	**12,649**
Net change in cash and cash equivalents		**-2,189**	**4,014**
Cash and cash equivalents at the beginning of the year	(27)	6,887	2,873
Cash and cash equivalents at the end of the year	**(27)**	**4,698**	**6,887**

Consolidated balance sheet
as of December 31, 2023

Assets

in EUR thou	Notes	**12.31.2023**	**12.31.2022**
Non-current assets			
Goodwill	(21)	153	153
Other intangible assets	(21)	3,780	3,593
Property, plant and equipment	(21)	6,575	8,921
Right-of-use assets from leases	(23)	1,370	4,665
Deferred tax	(16)	3,091	2,651
Investments recorded at equity	(22)	1,574	842
		16,543	**20,825**
Current assets			
Inventories	(24)	27,756	37,893
Trade receivables	(25)	3,073	17,900
Contract assets	(25)	13,775	14,013
Other financial assets	(26)	2,176	4,011
Income tax receivables		0	0
Other non-financial assets	(26)	3,181	3,439
Cash and cash equivalents	(27)	4,698	6,887
Assets held for sale and disposal groups	(28)	3,111	0
		57,770	**84,143**
Total assets		**74,314**	**104,968**

Equity and liabilities

in EUR thou	Notes	**12.31.2023**	**12.31.2022**
Equity	(29)		
Subscribed capital		22,242	22,242
Capital reserves		28,328	28,328
Revenue reserves		-37,462	-26,365
Other reserves		-368	706
		12,740	**24,912**
Non-current liabilities			
Shareholder loans	(33)	12,202	8,532
Non-current liabilities to banks	(32)	1,840	0
Non-current lease liabilities	(34)	836	3,760
Provisions for pensions	(30)	2,178	2,287
Other non-current provisions	(31)	113	116
		17,169	**14,694**
Current liabilities			
Other current provisions	(31)	4,404	1,117
Shareholder loans	(33)	0	3,054
Current liabilities to banks	(32)	18,778	21,996
Current lease liabilities	(34)	665	1,078
Trade payables	(35)	16,322	29,631
Contract liabilities	(35)	299	204
Other financial liabilities	(36)	2,322	6,691
Income tax liabilities		426	353
Other non-financial liabilities	(37)	1,189	1,238
		44,405	**65,362**
Liabilities		**61,574**	**80,056**
Total liabilities		**74,314**	**104,968**

Consolidated statement of changes in equity
for the 2023 fiscal year

in EUR thou	**Subscribed capital**	**Capital reserves**	**to carry out the planned**	**Revenue reserves**		**Other reserves**	**Total equity**
				Other revenue reserves	Remeasurement of defined	Currency translation	
As of Jan. 1, 2022	**20,022**	**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**
Consolidated net income				-11,075			-11,075
Other consolidated comprehensive income					-22	-1,074	-1,096
Total comprehensive Income	**0**	**0**	**0**	**-11,075**	**-22**	**-1,074**	**-12,171**
As of Dec. 31, 2023	**22,242**	**28,328**	**0**	**-36,377**	**-1,085**	**-368**	**12,740**

Notes to the Consolidated Financial Statements

General Information

(1) Information about 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 2023 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 percent of the shares in FRIWO AG as of December 31, 2023 (2022: 81.59 percent). 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 percent interest in FRIWO AG (2022: 5.24 percent) through a capital increase in fiscal year 2022.

The consolidated financial statements of FRIWO AG were approved by the Management Board for publication on April 24, 2024 (date of approval for presentation to the Supervisory Board).

Accounting and Valuation Policies

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

In December 2023, FRIWO drew up a turnaround concept together with the restructuring consultant Struktur Management Partner GmbH (SMP). SMP had previously prepared a restructuring report for FRIWO in 2020 as the basis for rearranging financing under a syndicated loan agreement in March 2020. This was last updated in March 2022 and provided for a restructuring period until the end of 2023. As follow-up financing for the end of 2023 was no longer likely due to significant deviations from the 2023 plan, the Executive Board of FRIWO AG commissioned an updated restructuring concept in July 2023. This updated restructuring concept contains the following key measures for the restructuring plan: renovation of the holding company site in Ostbevern, further outsourcing, efficiency improvements, and restructuring in Vietnam. The implementation of the necessary measures began in the 2023 reporting year, for example with the sales process for the Ostbevern site and the component production facility in Vietnam. A restructuring provision was recognized for conclusion of the measures as of December 2023 (see note (13)). On the basis of this restructuring, FRIWO was able to extend the existing financing until the end of 2025. At the same time, the restructuring consultant confirmed the eligibility for restructuring in a restructuring report.

On the basis of the measures and the expert opinion, the Executive Board assumes that the company will continue as a going concern and the consolidated financial statements are prepared on a going-concern basis.

Nevertheless, there is uncertainty as of the time of statement preparation with regard to the effectiveness of the measures of the restructuring plan. The decisive factor is primarily the extent to which demand picks up again in 2024, and whether the projects planned in India ramp up as expected. There is therefore a risk that the restructuring plan cannot be adhered to. In this case, suitable measures to secure liquidity would be necessary to ensure the continuation of the company's activities. These circumstances represent a going concern risk.

Detailed information can be found in the "Risk Report" of 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 30 and 31), 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. In particular, this is subsequently adjusted 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 Policies

The consolidated financial statements of FRIWO as of December 31, 2023 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 2023, were also applied.

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

New and revised standards and interpretations applied for the first time in the reporting period

The following standards, amendments to standards and interpretations were applied for the first time in the reporting period.

Standard	Title
IFRS 17 including amendments to IFRS 17	Insurance Contracts
Amendments to IAS 1 and IFRS Guidance Document 2	Specification of Accounting Policies
Amendments to IAS 8	Definition of changes in accounting estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International tax reform - Pillar 2 model rules

The amendments were applied for the first time in the 2023 fiscal year.

They did not have any material impact on the consolidated financial statements.

New and revised standards and interpretations already adopted into EU law

In addition, the IASB has published the following announcements:

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

FRIWO will apply all of the standards listed only from the date of mandatory first-time application. According to the analyses carried out, there will be no significant effects on accounting and measurement on consolidated financial statements in future financial years.

New and amended standards and interpretations not yet adopted into EU law

The following revisions, which will enter into force in the coming years, have not yet been transposed into applicable EU law:

Standard	Title	Mandatory application for financial years beginning on or after
Amendments to IAS 7 and IFRS 7	Supplier financing agreements	Jan. 1, 2024
Amendments to IAS 21	Lack of exchangeability	Jan. 1, 2025
IFRS 18	Presentation and disclosures in financial statements	Jan. 1, 2027

The effects of the amendments and changes that have not yet been adopted into EU law on FRIWO's consolidated financial statements are still being examined.

(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	12.31.2023	12.31.2022	2023	2022
China (CNY)	7.8509	7.3582	7.6591	7.0788
U.S.A. (USD)	1.1050	1.0666	1.0816	1.0530
Vietnam (VND)	26,235.00	24,521.00	25,155.99	24,212.20
India (INR)	91.9045	88.1710	89.3249	82.6864

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.

This item also includes product-related development costs (minus capitalized development costs) and logistics costs.

Development costs are recognized as an expense in the period in which they are incurred. A significant change compared to previous reporting periods is that FRIWO capitalized internally generated intangible assets for the first time as of June 30. These are product developments from the development departments in Germany and Vietnam.

Following the introduction of the new ERP system, all expenditures during the development period can now be reliably assessed and allocated to the projects. In the case of capitalized projects that meet the capitalization requirements for internally generated intangible assets in accordance with IAS 38.57, FRIWO therefore complies with the capitalization obligation for these projects.

As of December 31, 2023, development expenses amounting to EUR 0.8 million were capitalized, which were incurred in 2023 and are allocated to eleven development projects. Capitalized development expenses are reported on the assets side of the balance sheet under intangible assets. The capitalized expenses are amortized on a straight-line basis over the useful life after the development project is completed. The useful life on which the amortization of capitalized development costs is based depends on the product life cycle and generally amounts to three to five years. The conclusion of the development project constitutes the start of series production. There was no depreciation in the reporting year because the capitalized projects had not yet been put into series production. The first depreciation on capitalized development costs is expected in 2024.

The assets or disposal groups held for sale are assets that are highly likely to be sold. The sale must be expected to be completed within one year from the date of classification as a completed sale.

These may be individual non-current assets or groups of assets (disposal groups) (discontinued operations).

Before reclassification to "assets held for sale," an impairment test is carried out for the last time in accordance with IAS 36.

Assets intended for sale are no longer depreciated according to schedule, but are instead valued at their fair value minus selling costs if this is lower than the book value.

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 percent (previous year: 30 percent) 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 39 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. A review is also carried out if events or circumstances occur that indicate that the carrying amount may not be recoverable. Impairment charges on goodwill are not reversed.

Property, plant and equipment is 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.

Property, plant and equipment with a limited useful life is depreciated on a straight-line basis over its expected useful life, unless there are indications of impairment based on the actual useful life.

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 in 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 drawn up a detailed, formal restructuring plan and this has been communicated to the parties concerned or implementation has begun before the reporting date.

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 are 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 disclosed in the notes to the consolidated financial statements unless it is unlikely that they will be utilized. 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) Consolidated Companies

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 four foreign companies. Please refer to the shareholdings shown in
(44).

A foreign joint venture was included in the consolidated financial statements using the equity method in 2023 (see Note (22)).

Segment reporting of the FRIWO Group

(10) Segment Reporting

A business segment within the meaning of IFRS 8 is characterized, among other things, by 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**
2023								
Revenue	44,297	44,813	14,648	7,318	0	**111,076**	0	**111,076**
Depreciation and amortization	2,362	1,759	456	279	0	**4,856**	0	**4,856**
Operating result	906	-1,074	-2,758	182	-1,805	**-4,550**	0	**-4,550**
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**

Reconciliation of segment results

in EUR thou	**2023**	**2022**
Operating earnings of reportable segments	**-4,550**	**4,875**
Reconciliation	0	0
Other operating expenses and income	-2,819	-563
Goodwill impairment	0	0
Income from investments recorded at equity	-280	-160
Interest income	12	222
Interest expenses	-3,444	-2,594
Income taxes	6	-1,268
Consolidated net income	**-11,075**	**512**

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 is 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, 46 percent (previous year: 43 percent) of carrying amounts was attributable to German sites and 54 percent (previous year: 57 percent) to foreign sites.

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

In 2023, EUR 100.0 million (previous year: EUR 153.1 million) of revenue was recognized over time and EUR 11.1 million (previous year: EUR 31.8 million) at a point in time.

In 2023, FRIWO Group revenue broke down as follows: EUR 50.6 million to the power supply units (previous year: EUR 55.0 million), EUR 52.3 million to charging units (previous year: EUR 109.1 million) and EUR 8.2 million to “Others” (previous year: EUR 20.8 million).

In the year under review, 18.0 percent (previous year: 38.3 percent) of total revenue, namely EUR 20.0 million (previous year: EUR 70.9 million) was attributable to one customer, which is included in the geographical areas Germany, Other Europe and Asia. At EUR 18.8 million, another customer accounted for 16.9 percent of total sales in the reporting year (previous year: EUR 21.2 million; 11.5 percent).

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 35.9 million (previous year: EUR 69.5 million). Of this figure, it is anticipated that EUR 29.2 million (previous year: EUR 53.1 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 Administrative Expenses

The personnel and material costs of administration and the costs for external services are shown here. In the 2023 fiscal year, this includes restructuring expenses of EUR 2.2 million. These are attributable to the restructuring report from December 2023, which was updated with the restructuring expert and provides for the Ostbevern site to be restructured into a pure holding, sales and development site. The sale of the Ostbevern production site has eliminated a large part of the restructuring costs envisaged in the restructuring plan, but the plan still provides for further restructuring of individual functional areas. The implementation of further measures began in December 2023 and the associated expenses were recognized as a provision.

(14) Other Operating Expenses and Income

in EUR thou	**2023**	**2022**
Losses from disposals of property, plant and equipment	-3	-152
Currency losses	-11,003	-12,665
Other expenses	-2,540	-319
Other operating expenses	**-13,546**	**-13,137**
Income from disposals of property, plant and equipment	0	39
Currency gains	10,174	11,932
Other income	553	602
Other operating income	**10,728**	**12,574**
Other operating expenses/income (net)	**-2,819**	**-563**

Other expenses include extraordinary expenses in connection with the sale of the Ostbevern production facility and the component production facility in Vietnam (see note (28)). These include legal and consulting costs (EUR 888 thousand) and the assumption of loss coverage (EUR 960 thousand) for the M&A transaction with the Ostbevern site as well as severance payments, relocation costs and legal and consulting costs (EUR 463 thousand) for the M&A transaction for the component production facility in Vietnam.

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	**2023**	**2022**
Investment result	-280	-160
Other interest and similar income	12	222
Interest and similar expenses	-3,370	-2,571
Interest portion in the allocations to provisions for pensions and other post-employment benefits	-75	-23
Financial result	**-3,713**	**-2,532**

The deterioration in the financial result year on year was largely the result of higher interest expenses from factoring of EUR 1,037 thousand (2022: EUR 561 thousand) because of the increase in revenue and the increase in interest rates.

Finance costs also contained interest expenses for bank debts of EUR 1,550 thousand (previous year: EUR 1,212 thousand), interest expenses for shareholder loans of EUR 616 thousand (previous year: EUR 629 thousand) and interest expenses for lease liabilities of EUR 167 million (previous year: EUR 170 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	**2023**	**2022**
Current income tax	-448	-343
Taxes from previous years	22	480
Deferred income taxes	431	-1,405
	6	**-1,268**

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

	2023		2022	
in EUR thou	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Intangible assets	0	290	0	137
Inventories	41	89	96	68
Receivables, contract assets and other assets	61	1,508	57	1,916
Equity	0	0	23	0
Provisions for pensions	710	551	724	520
Other provisions	16	5	14	60
Other liabilities	0	180	0	529
Tax loss carryforwards	4,886	0	4,967	0
	5,715	**2,624**	**5,881**	**3,230**
Offset	-2,624	-2,624	-3,230	-3,230
Consolidated statement of financial position	**3,091**	**0**	**2,651**	**0**

	Netted			of which		
in EUR thou	**2023**	**2022**	Changes	In income statement	On transactions recognized in equity	Currency conversion
Intangible assets	-290	-137	-153	-153	0	0
Inventories	-48	28	-76	-76	0	0
Receivables, contract assets and other assets	-1,447	-1,859	412	412	0	0
Equity	0	23	-23	-23	0	0
Provisions for pensions	159	204	-45	-54	10	0
Other provisions	11	-46	57	57	0	0
Other liabilities	-180	-529	349	349	0	0
Tax loss carryforwards	4,886	4,967	-81	-81	0	0
Consolidated statement of financial position	**3,091**	**2,651**	**440**	**431**	**10**	**0**

The total loss carryforwards amount to EUR 50.9 million. Deferred tax assets of EUR 4.9 million were recognized on losses incurred in Germany in the amount of EUR 16.0 million (previous year: EUR 16.3 million). No deferred tax assets were recognized on the additional tax loss carryforwards of EUR 34.9 million (previous year: EUR 14.8 million) (EUR 10.6 million; previous year: EUR 4.5 million).

This formation is based on the assumption of partial utilization of loss carryforwards over a period of five years, starting from the 2024 fiscal year.

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	**2023**	**2022**
Earnings before taxes	-11,081	1,780
Expected tax expense [1)]	-3,374	534
Tax rate differences	-112	-498
Non-recognition of deferred tax assets	3,419	2,294
Non-deductible other expenses	99	64
Capital increase transactions	0	-16
Taxes for previous years	22	-480
Tax-free foreign earnings	-38	-638
Other, net	-22	8
Actual tax expense	**-6**	**1,268**

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

(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 -1.29 for 2023 (previous year: EUR 0.06). The number of shares (8.6 million shares) did not change in the reporting year compared to the previous year.

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

	2023	**2022**
Number of shares issued	8,554,496	8,554,496
Consolidated net income in EUR thousand	-11,075	512
Earnings per share (in EUR)	**-1.29**	**0.06**

Other Income Statement Disclosures

(18) Research and Development Costs

Expenses for research and development of EUR 4.4 million were recognized in the reporting year (previous year: EUR 6.2 million). Expenses were reduced by charges passed on to the joint venture in India (EUR 0.7 million) and from the capitalization of development costs in intangible assets (EUR 0.8 million). Group-wide expenditures for research and development, not adjusted for these effects, amounted to EUR 5.9 million. The costs, which largely constitute expenses for the project-related development of the product range, are included in the cost of sales.

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	**2023**	**2022**
Amortization of intangible assets	848	361
Depreciation of property, plant and equipment	2,351	2,531
Amortization and depreciation of right-of-use assets in accordance with IFRS 16	1,081	1,513
Impairment under IFRS 5	577	0
	4,856	**4,405**

Please refer to note (28) for information on impairment losses under IFRS 5.

Cost of materials

in EUR thou	**2023**	**2022**
Cost of raw materials, supplies and merchandise purchased	64,562	133,884
Cost of purchased services	1,312	2,657
	65,874	**136,541**

Personnel expenses

in EUR thou	**2023**	**2022**
Wages and salaries	23,702	27,141
Expenses for social security	3,464	3,470
Expenses for pensions and other benefits	3	1
	27,169	**30,612**

Number of employees

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

Number of employees	**2023**	**2022**
Germany	160	159
Abroad	1,779	2,388
	1,939	**2,547**

As of December 31, 2023, 1,701 staff members (previous year: 2,501) were employed in the Group, of whom 155 (previous year: 162) were in Germany.

Notes to the Statement of Cash Flows

(20) Cash Flow Statement

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, 2022	0	10,457	23,352	2,640	**36,449**
Cash changes	0	500	-1,356	-1,442	**-2,299**
Non-cash changes	0	629	0	3,641	**4,269**
As of Dec. 31, 2022	**0**	**11,586**	**21,996**	**4,838**	**38,420**
Cash changes	0	0	-1,378	-1,121	**-1,981**
Non-cash changes	1,840	616	-1,840	-2,215	**-2,117**
As of Dec. 31, 2023	**1,840**	**12,202**	**18,778**	**1,502**	**34,321**

Notes to the Statement of Financial Position

(21) Fixed Assets

Statement of changes in assets of the FRIWO Group for the fiscal years 2023 and 2022:

2023	**Cost of purchase**						
in EUR thou	Jan. 1, 2023	Additions	Disposals	IFRS 5 held for sale 5 [1]	Reclassifications	Exchange differences	12.31.2023
Intangible assets							
Goodwill	2,503	0	0	0	0	0	2,503
Commercial property rights and similar rights and assets	5,970	285	0	0	2,957	-18	9,194
Advance payments for intangible assets	2,957	0	0	0	-2,957	0	0
Capitalized development costs	0	752	0	0	0	0	752
	11,430	**1,037**	**0**	**0**	**0**	**-18**	**12,448**
Property, plant and equipment							
Land and buildings	10,461	142	0	0	225	-104	10,724
Technical equipment and machinery	17,600	311	0	-5,041	261	-593	12,538
Other plant, factory and office equipment	18,987	764	0	0	101	-241	19,610
Prepayments made and assets under construction	440	695	115	0	-587	-11	422
	47,488	**1,912**	**115**	**-5,041**	**0**	**-950**	**43,293**

2022	**Cost of purchase**						
in EUR thou	Jan. 1, 2022	Additions	Disposals	IFRS 5 held for sale	Reclassifications	Exchange differences	12.31.2022
Intangible assets							
Goodwill	2,503	0	0	0	0	0	2,503
Commercial property rights and similar rights and assets	5,898	85	18	0	0	5	5,970
Advance payments for intangible assets	1,393	1,478	0	0	85	0	2,957
	9,794	**1,563**	**18**	**0**	**85**	**5**	**11,430**
Property, plant and equipment							
Land and buildings	10,356	66	0	0	0	39	10,461
Technical equipment and machinery	16,170	1,469	252	0	0	213	17,600
Other plant, factory and office equipment	17,648	1,454	233	0	64	54	18,987
Prepayments made and assets under construction	276	311	0	0	-149	2	440
	44,450	**3,301**	**485**	**0**	**-85**	**308**	**47,488**

[1)] This relates to the balance sheet item "assets held for sale and disposal groups"

Depreciation and amortization						Carrying amount	
Jan. 1, 2023	Additions	Disposals	IFRS 5 held for sale 5[1]	Exchange differences	12.31.2023	12.31.2023	12.31.2022
2,350	0	0	0	0	2,350	153	153
5,334	848	0	0	-16	6,165	3,028	636
0	0	0	0	0	0	0	2,957
0	0	0	0	0	0	752	0
7,684	**848**	**0**	**0**	**-16**	**8,515**	**3,933**	**3,746**
8,917	175	0	0	-44	9,048	1,676	1,544
13,806	803	0	-3,571	-411	10,626	1,912	3,794
15,843	1,375	0	0	-174	17,044	2,566	3,144
0	0	0	0	0	0	422	439
38,566	**2,352**	**0**	**-3,571**	**-629**	**36,718**	**6,575**	**8,921**

Depreciation and amortization						Carrying amount	
Jan. 1, 2022	Additions	Disposals	IFRS 5 held for sale	Exchange differences	12.31.2022	12.31.2022	12.31.2021
2,350	0	0	0	0	2,350	153	153
4,988	361	18	0	3	5,334	636	910
0	0	0	0	0	0	2,957	1,393
7,338	**361**	**18**	**0**	**3**	**7,684**	**3,746**	**2,456**
8,720	186	0	0	11	8,917	1,544	1,636
12,727	1,063	136	0	152	13,806	3,794	3,443
14,732	1,282	198	0	27	15,843	3,144	2,916
0	0	0	0	0	0	439	276
36,179	**2,531**	**334**	**0**	**190**	**38,566**	**8,921**	**8,271**

[1] This relates to the balance sheet item "assets held for sale and disposal groups"

The development projects taken into account for capitalized development costs are currently still under development. For this reason, no depreciation has been recognized in 2023.

Non-current assets are subject to collateral agreements; see Note (32).

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

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 transfers of the fixed assets concerned in connection with the disposals (production in Ostbevern and component production in Vietnam) do not indicate any need for impairment.

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.

The decision to sell the Ostbevern production site and the component production facility in Vietnam constitute triggering events that required an impairment test in accordance with IAS 36 (see section (28)).

In recent years, there were no indicators that would have had any impact on the recoverability of non-current assets.

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 percent. 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.

Investments accounted for using the equity method equity investments - Reconciliation

in EUR thou	Equity interest, Jan. 1	Addition of proportionate equity from capital increase	Proportionate result	Other changes in equity	Equity interest, Dec. 31
2022	0	1,000	-160	0	840
2023	840	1,014	-280	0	-1,574

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	**12.31.2023**	**12.31.2022**
Non-current assets	7,938	561
Current assets	11,184	1,247
Current liabilities (including provisions)	9,808	510
Non-current liabilities (including provisions)	6,809	134
Cash and cash equivalents	236	38
Current financial liabilities	9,680	510
Non-current financial liabilities	6,731	134
% shareholding	49.9	49.9
Group adjustments	0	0
Carrying amount of the investment	1,574	842

Investments recorded at equity – earnings data

in EUR thou	**2023**	**2022**
Revenue	1,755	0
Annual result from continuing operations	-561	-320
Scheduled depreciation and amortization	-44	0
Interest income	0	0
Interest expenses	-382	0
Income taxes	-209	0
Dividend paid to FRIWO	0	0
Other comprehensive income	0	0
Total comprehensive income	-561	-320
% shareholding	49.9	49.9
Pro rata annual result after taxes	-280	-160
Pro rata other comprehensive income after taxes	0	0
Pro rata total comprehensive income after taxes	-280	-160
Group adjustments	0	0
Income from investments recorded at equity	-280	-160

(23) Rights-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, 2023	6,791	78	163	7,032
Additions	0	0	54	54
Disposals	0	0	51	51
Remeasurement	-2,100	0	0	-2,100
Currency translation	-335	0	0	-335
As of Dec. 31, 2023	**4,355**	**78**	**167**	**4,600**
Depreciation and amortization				
As of Jan. 1, 2023	2,254	45	68	2,367
Additions	1,007	16	58	1,081
Disposals	0	0	51	51
Currency translation	-166	0	0	-166
As of Dec. 31, 2023	**3,095**	**61**	**75**	**3,231**
Carrying amount				
As of Dec. 31, 2023	**1,260**	**18**	**91**	**1,370**

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, 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 Group has concluded several real estate leases. This primarily includes leased foreign production facilities and offices. In the reporting period, FRIWO exercised the option to terminate a lease agreement for a plant in Vietnam, which was scheduled to run until 2027, due to the sale of component production in Vietnam. Due to the termination of this lease, the right-of-use asset was remeasured.

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.
"Lease liabilities“ (34).

(24) Inventories

in EUR thou	**12.31.2023**	**12.31.2022**
Raw materials and supplies	21,468	27,730
Unfinished goods and work in progress	5,157	8,796
Finished goods and products	1,104	1,367
Advance payments on inventories	27	0
	27,756	**37,893**

The raw materials, consumables and supplies have been reduced by the assets held for sale (see note (28)).

As of December 31, 2023, valuation allowances amounted to EUR 5.9 million (previous year: EUR 4.0 million). The carrying amount of inventories recognized at net realizable value amounted to EUR 1.2 million (previous year: EUR 0.8 million) at the end of the reporting year. Valuation allowances were increased by EUR 1.8 million in the reporting year (previous year: reduction of EUR 1.5 million). Assets recognized at EUR 0.5 million were also scrapped (previous year: EUR 0.6 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.

in EUR thou	**12.31.2023**	**12.31.2022**
Revaluation of raw materials	-4,302	-3,599
Revaluation of semi-finished products	-325	-88
Revaluation of finished products	-268	-239
Revaluation of merchandise	-956	-110
	-5,850	**-4,036**

Inventories are subject to collateral agreements; see Note 32.

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 del credere 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 1.7 percent 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 13.8 million (previous year: EUR 14.0 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	**12.31.2023**	**12.31.2022**
Valuation allowances based on receivables being past due	144	106
Valuation allowances recognized on an individual basis	149	201
Valuation allowances for trade receivables and contract assets	**293**	**307**

The contract liabilities of EUR 0.2 million (previous year: EUR 0.2 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 full as revenue in the reporting period.

Receivables are subject to collateral agreements; see Note 32.

(26) Other Assets

Other financial assets

in EUR thou	**12.31.2023**	**12.31.2022**
Purchase price retention from factoring	1,536	2,483
Rent deposits	490	530
Miscellaneous financial assets	151	998
	2,176	**4,011**

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

The other financial assets mainly include receivables from value-added tax and accruals for payments relating to other periods.

Other non-financial assets

in EUR thou	**12.31.2023**	**12.31.2022**
Other income tax receivables, customs duties	2,468	2,546
Accrued items	713	893
	3,181	**3,439**

The decrease is mainly due to lower receivables from import sales tax for the import of merchandise.

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

(27) Cash

in EUR thou	12.31.2023	12.31.2022
Checks and cash in hand	5	4
Bank balances	4,693	6,883
	4,698	**6,887**

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 32.

(28) Assets held for Sale and Disposal Groups

The asset groups held for sale are two disposal groups for which the intention to sell was resolved in 2023:

1. FRIWO Ostbevern production site and
2. Component production, FRIWO Vietnam.

Separate items are recognized in the balance sheet:

in EUR thou		2023	2022
Sale of Ostbevern production site	Property, plant and equipment	0	0
	Inventories	0	0
Sale of component production, Vietnam	Property, plant and equipment	893	0
	Inventories	2,218	0
Assets held for sale		**3,111**	**0**

Allowances in connection with assets held for sale are recognized in the cost of sales (note (19)).

Expenses incurred in connection with the disposals are disclosed under (14).

1. Sale of Ostbevern production site

On December 29, 2023, FRIWO announced that it was divesting its remaining production activities at the Ostbevern site. This transaction was preceded by a resolution of the Executive Board in November 2023. The new owner, the Hamburg-based investment company Private Assets SE & Co. KGaA (Private Assets), will take over production in Ostbevern, including other overhead structures, and will also act as a contract manufacturer for FRIWO products manufactured in Europe.

The approximately 60 employees will be taken on by the buyer. The assets attributable to production are also being transferred to the buyer. Private Assets plans to expand the acquired production facilities by attracting additional customers in the coming years.

FRIWO Gerätebau GmbH and its remaining employees will remain at the Ostbevern site.

The other activities of the company located there, i.e. Group administration, sales and product management and research & development, are largely unaffected by the transaction.

The land and property are still owned by FRIWO.

Before the reclassification of assets as "held for sale" at the time of the Executive Board's resolution in November 2023, an impairment test was carried out for the last time in accordance with IAS 36, which did not result in any impairment.

In accordance with the provisions of IFRS 5, the scheduled depreciation and amortization of assets classified as held for sale were suspended from the date of the decision to sell and a valuation allowance was recognized at the fair value fair value in the amount of EUR -577.3 thousand.

The commercial transfer of the sold business and all assets and rights belonging to and transferred with the sold business took place as of March 1, 2024.

2. Divestment of component production in Vietnam

On March 21, 2024, FRIWO announced that the company would be streamlining its production structures in Vietnam. This transaction was preceded by a resolution of the Executive Board in November 2023.

For this purpose, an asset deal was signed with Group Intellect Power Technology (GIPT), under which the Hong Kong company will take over assets and inventories for component production near Saigon. In the future, GIPT will act as a supplier of subcomponents for FRIWO's products and system solutions manufactured in Vietnam.

FRIWO will retain two Vietnamese production sites for the production and configuration of e-mobility power systems and power supply solutions.

This step will already significantly improve the balance sheet quality, working capital and cashflow of FRIWO through the transfer of significant assets and inventories as well as substantial goodwill in 2024.

Before the reclassification of assets as "held for sale" at the time of the Executive Board's decision, an impairment test was carried out for the last time in accordance with IAS 36, which did not result in any impairment.

The scheduled depreciation and amortization of the assets and asset groups held for sale were suspended in accordance with the provisions of IFRS 5 from the date of the decision to sell.

The impairment test following the classification as "held for sale" based on the difference between the adjusted book value and the fair value fair value minus costs to sell did not result in any impairment.

The commercial transfer of the sold business and all assets and rights belonging to and transferred with the sold business is scheduled for May 1, 2024.

(29) 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 has not changed in the 2023 fiscal year.

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 11.12 million by issuing new bearer shares against cash and/or non-cash contributions on one or more occasions (Authorized Capital) up to May 10, 2028. The Management Board may, with the approval of the Supervisory Board, exclude shareholders' subscription rights for certain purposes. The Executive Board has not made use of the authorization in the 2023 fiscal year. The authorized capital of EUR 11.12 million therefore remains in place.

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, 2023 prepared under the German Commercial Code, FRIWO AG reported an accumulated loss of EUR-46,225 thousand (previous year: EUR-33,288 thousand) after offsetting against the results carried forward.

Statements on capital management can be found in the section on financial risk management (39)

(30) 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 percent (previous year: 3.42 percent), a salary trend of 3.80 percent (previous year: 3.80 percent) and, besides individually agreed pension adjustments, a pension trend of 1.90 percent (previous year: 1.90 percent).

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	**2023**	**2022**
Defined benefit obligation (DBO) as of Jan. 1	**2,287**	**2,776**
Current service cost (present value of the pension claims earned in the fiscal year)	0	-2
Interest cost	75	23
Remeasurement effects		
Actuarial gains (-)/losses (+) from changes in financial assumptions	0	-460
Actuarial gains (-)/losses (+) from changes in demographic assumptions	0	0
Experience adjustment	32	161
Benefits paid	-215	-212
Defined benefit obligation (DBO) as of Dec. 31	**2,178**	**2,287**

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 seven years at the closing date (previous year: eight 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
2023	Discount rate +/- 1%-point	-151	173
	Salary and pension trend +/- 0.25%-points	35	-34
2022	Discount rate +/- 1%-point	-164	189
	Salary and pension trend +/- 0.25%-points	38	-37

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 996 thousand (previous year: EUR 964 thousand).

(31) Other Provisions

in EUR thou	As of Jan. 1, 2023	Utilization	Reversal	Allocation	As of Dec. 31, 2023
Other non-current provisions					
Personnel and social welfare related	116	3			113
	116	**3**	**0**	**0**	**113**
Other current provisions					
Warranties	690	107			582
Anticipated losses	294	294		37	37
Other	133	133		1,552	1,552
Restructuring	0			2,234	2,234
	1,117	**535**	**0**	**3,822**	**4,404**

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 2 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.

Miscellaneous other current provisions mainly include the assumption of loss coverage (EUR 960 thousand) from the sale of production in Ostbevern and severance payments, relocation costs and legal and consulting costs (EUR 463 thousand) in connection with the sale of component production in Vietnam.

The restructuring item includes restructuring expenses of EUR 2.2 million. The restructuring measures are attributable to the restructuring report from December 2023, which was updated together with the restructuring expert and provides for the Ostbevern site to be restructured into a pure holding, sales and development site. Restructuring measures began with the sale of the Ostbevern production site. In order to implement the restructuring of the Ostbevern site, more extensive restructuring of individual functional areas is necessary. Implementation is planned for 2024, and the associated restructuring expenses have been taken into account as at December 31, 2023.

(32) Liabilities to Banks

12.31.2023: in EUR thou	Carrying amount	Current Up to 1 year	Non-current 1 to 5 years	More than 5 years
Non-current syndicated loan	1,840	0	1,840	0
Current syndicated loan	11,603	11,603	0	0
Other current	7,175	7,175	0	0
	20,618	**18,778**	**1,840**	**0**
12.31.2022: in EUR thou	**Carrying amount**	**Current** **Up to 1 year**	**Non-current** **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**

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 6.9 percent in 2023 (previous year: 4.06 percent).

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

in EUR thou	Credit facilities	Utilization	Free credit facilities
12.31.2023	22,210	20,618	1,592
12.31.2022	23,093	21,996	1,097

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, 2025 was agreed for all three tranches in 2023. Repayments of tranche A of EUR 0.45 million per quarter were agreed in 2024. The remaining EUR 1.84 million will be repaid in 2025.

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. Further repayments totaling EUR 2.1 million were made in 2023. The liability from the syndicated loan therefore amounted to EUR 13.4 million as of December 31, 2023 (December 31, 2022: EUR 16.1 million). The transaction costs in connection with the extension of the syndicated loan agreement (EUR 0.5 million) were deferred and charge(d) directly to equity and will be amortized over the remaining term.

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

FRIWO has provided various guarantees and collateral for both 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 2025.

At the time the financial statements are being prepared, the financing of the FRIWO Group is secured until December 31, 2025 through the existing syndicated loan agreement.

The restructuring period also runs until the end of 2025. Compliance with the restructuring plans was again confirmed – as overwhelmingly likely – by external assessors as part of the preparation of the 2023 annual financial statements.

(33) Shareholder Loans

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. In the 2023 fiscal year, FRIWO did not receive an additional shareholder loan from Cardea Holding GmbH.

In 2023, interest of EUR 616 thousand (previous year: EUR 629 thousand) was incurred on the shareholder loans.

The balance of the shareholder loan including accrued interest is EUR 12.2 million as of December 31, 2023.

(34) Lease Liabilities

Lease liabilities break down as follows:

in EUR thou	**12.31.2023**	**12.31.2022**
Land and buildings	1,380	4,694
Other operating and office equipment	18	34
Vehicle fleet	103	110
	1,502	**4,838**

In the reporting period, FRIWO exercised the termination option of a lease agreement for a plant in Vietnam, which was scheduled to run until 2027, in connection with the sale of the component production facility in Vietnam, so that a remeasurement of the lease liability for land and buildings was taken into account.

No material expenses for short-term leases were incurred in fiscal year 2023. The total cash outflow from leases for fiscal year 2023 came to EUR 1,288 thousand (previous year: EUR 1,612 thousand).

A maturity analysis of lease liabilities is provided in Note 39 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 1,370 thousand (previous year: EUR 4,665 thousand).

See Note 23, "Right-of-use assets," for details.

(35) 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.

(36) Other Financial Liabilities

in EUR thou	**12.31.2023**	**12.31.2022**
Personnel-related liabilities	1,875	4,102
Income-tax holidays	0	0
Debtors with credit balances	139	75
Miscellaneous financial liabilities	308	2,514
	2,322	**6,691**

Personnel liabilities include provisions for bonuses. The reduction as of the end of 2023 is due to below-average target achievement for the variable salary components for the 2023 fiscal year.

The other financial liabilities include in particular liabilities from factoring due to the foreign currency valuation as of the reporting date. The decline in 2023 is due to the lower sales volume and therefore the lower utilization of factoring.

(37) Other Non-Financial Liabilities

in EUR thou	**12.31.2023**	**12.31.2022**
Deferred personnel-related liabilities	817	1,135
Other taxes	321	86
Other liabilities	51	17
	1,189	**1,238**

Other Disclosures in the Notes

(38) Other Financial Commitments and Contingent Liabilities

Other financial obligations
As of December 31, 2023, the purchase commitment for intangible assets and property, plant and equipment was EUR 3 thousand (previous year: EUR 110 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.

(39) 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 percent 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 32 and Note 34). Variable rate interest payments on financial instruments were based on interest rates last fixed before December 31, 2023.

12.31.2023:		**2024 cash flows**		**2025 cash flows**		**Cashflows 2026+**	
in EUR thou	Carrying amount	Interest paid	Principal paid	Interest paid	Principal paid	Interest paid	Principal paid
Liabilities to banks	**20,618**	**1,775**	**18,778**	**521**	**1,840**	**0**	**0**
Lease liabilities	**1,502**	**92**	**758**	**46**	**460**	**17**	**284**
12.31.2022:		**2022 cash flows**		**2023 cash flows**		**Cashflows 2024+**	
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**

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) 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 2023. Therefore, as in the previous year, there were no forward exchange transactions as of December 31, 2023. 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:
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 1.9 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 percent 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, 2023.

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:

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 6.48 percent in the fiscal year (previous year: 4.06 percent). 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, 2023.

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	**12.31.2023**	**12.31.2022**
Equity	**12,740**	**24,912**
as % of total capital	17.1%	23.7%
Non-current liabilities	17,169	14,694
Current liabilities	44,405	65,362
Total liabilities	**61,574**	**80,056**
as % of total capital	82.9%	76.3%
Total liabilities and shareholders‘ equity	**74,314**	**104,968**

(40) 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, 2023	Carrying amount December 31, 2022
Financial assets			
Trade receivables	AC	3,073	17,900
Contract assets	AC	13,775	14,013
Other financial assets	AC	2,176	4,011
Cash and cash equivalents	AC	4,698	6,887
Financial liabilities			
Shareholder loan FLaAC		12,202	11,586
Non-current liabilities to banks	FLaAC	1,840	0
Current liabilities to banks	FLaAC	18,778	21,996
Lease liabilities		1,502	4,838
Trade payables	FLaAC	16,322	29,631
Contract liabilities	FLaAC	299	204
Other financial liabilities	FLaAC	2,322	6,691
Summary per category			
Financial assets measured at amortized cost (AC)		23,722	42,810
Financial liabilities measured at amortized cost (FLaAC)		51,762	70,108

The carrying amounts of the financial instruments represent a reasonable approximation of the fair value as at the reporting date, as these are essentially short-term and there are no significant differences due to the proximity in time between the date of recognition and the reporting date.

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

2023	**Net results from**				
in EUR thou	Interest paid		Subsequent measurement		
			Impairment		
FI category under IFRS 9	Income	Expense	Reversal	Allocation	Currency translation
AC	0	0	0	145	0
FLaAC	0	-3,370	0	0	-829
Total	**0**	**-3,370**	**0**	**145**	**-829**

The figures were as follows in the previous year:

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

(41) Relationships with related companies and persons

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 616 thousand in 2023 (previous year: EUR 629 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.

As of the closing date, the balance of the shareholder loan including accrued interest amounted to EUR 12.2 million (previous year: EUR 11.6 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.

With the joint venture established with UNO MINDA in 2022, UNO MINDA EV SYSTEMS PVT. LTD, North West Delhi, Delhi, India, which was established in 2022, transactions were carried out as part of operating supply and service relationships that resulted in income of EUR 810 thousand in the 2023 fiscal year. As of December 31, 2023, receivables amounted to EUR 885 thousand (previous year: EUR 74 thousand).

The Management Board and Supervisory Board are classified as natural related parties. Please refer to Note 42 for information on the compensation of the Board of Management and Supervisory Board. Therefore, as in the previous year, there were no transactions with other related parties in the reporting year.

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 2023 (previous year: EUR 76 thousand).

As in the previous year, members of the Supervisory Board received no variable remuneration for fiscal years 2019 to 2022 in fiscal year 2023.

For more detailed information, please refer to the 2023 Remuneration Report on the company's website.

For fiscal year 2023, the total emoluments of the Management Board came to EUR 856 thousand (previous year: EUR 1,355 thousand), of which EUR 781 thousand was fixed (previous year: EUR 625 thousand) and EUR 75 million variable (previous year: EUR 730 thousand).

Former members of the Management Board and their surviving dependents received pension payments of EUR 187 thousand in 2023 (previous year: EUR 185 thousand).

Total provisions of EUR 1,841 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 1,935 thousand).

(43) Auditor's Fees

The fees and expenses charged for fiscal year 2023 by the auditor, Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Bielefeld, comprised the following services:

in EUR thou	**2023**	**2022**
Auditing services	122	115
Other assurance services	2	2
	124	**117**

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

(44) 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 2023**
FRIWO Gerätebau GmbH, Ostbevern, Germany	100.00%	6,534	-11,497 [1]
FRIWO Power Solutions Technology (Shenzhen) Co. Ltd., Shenzhen, China	100.00%	1,111	2 [2][3]
FRIWO Vietnam Co. Ltd., Bien Hoa City, Vietnam	100.00%	14,882	737 [2][3]
FRIEMANN & WOLF INDIA PRIVATE LIMITED, Bangalore, Karnataka, India	100.00%	-886	-633 [2][3]
FRIWO North America, Inc., Chagrin Falls, Ohio, USA	100.00%	220	206 [2][3]
UNO MINDA EV SYSTEMS PVT. LTD., North West Delhi, Delhi, India	49.90%	1,250	-280 [2][3]

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

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/

(46) Events after the End of the Reporting Period

On December 28, 2023, FRIWO Gerätebau GmbH concluded a lease agreement for commercial space in Ostbevern with Brook Capital Drei GmbH (now known as Bever Elektronik GmbH) for a period of five years starting March 1, 2024 in relation to the purchase agreement for the sale of the production site. There is an option to extend the tenancy for a further five-year fixed lease period.

In February 2024, FRIWO signed an asset deal with Group Intellect Power Technology (GIPT), under which the Hong Kong company will acquire assets and materials for component manufacturing near Saigon. In the future, GIPT will act as a supplier of subcomponents for FRIWO's products and system solutions manufactured in Vietnam.

FRIWO will retain two Vietnamese production sites for the production and configuration of e-mobility power systems and power supply solutions. This step will already significantly improve the balance sheet quality, working capital and cashflow of FRIWO by transferring significant assets and inventories in 2024.

Cost efficiency will also increase after deducting the costs for contract manufacturing of components, as the number of employees working at FRIWO Vietnam will be reduced by around 500 to approximately 1,100.

The geopolitical risks remain high, particularly with regard to the war against Ukraine and the conflict in the Middle East following the terrorist attacks by Hamas on Israel, as well as the Houthi attacks on the movement of goods through the Suez Canal. These pose challenges to companies.

Possible risks for FRIWO were examined and countermeasures introduced where necessary.

The Supervisory Board of FRIWO has appointed Oliver Freund as a new member of the Executive Board and CFO (Chief Financial Officer) of the company with effect from February 1, 2024.

Oliver Freund succeeds Tobias Tunsch, who asked the Supervisory Board to terminate his Executive Board contract prematurely for personal reasons.

With effect from the end of February 29, 2024, Dr. Walter Demmelhuber left the Executive Board.

No other events of material significance for the Group's earnings, net assets and financial position occurred between the end of fiscal year 2023 and the day on which the consolidated financial statements were approved.

Ostbevern, April 24, 2024
The Management Board

Rolf Schwirz	Oliver Freund
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, April 24, 2024

Rolf Schwirz	Oliver Freund
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, 2023, 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, 2023, 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, 2023. 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, 2023, and of its results of operations for the fiscal year from January 1 to December 31, 2023, 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 information in the "Basis of preparation" and "Liabilities to banks" sections of the Notes to the Consolidated Financial Statements and in the "Financial position" section of the "Economic Report" chapter as well as in the "Macroeconomic risks and specific risks of the FRIWO Group" and "Liquidity risks" sections of the "Risk Report" chapter and in the "Overall statement on the Group's opportunity and risk situation" section of the Combined Management Report, in which the legal representatives state that at the time of preparation of the financial statements, the financing of the FRIWO Group until the end of the restructuring period as of December 31, 2025 is secured in their opinion and, in this context, the eligibility for restructuring was confirmed by a restructuring consultant in an expert opinion. Based on the measures defined in the expert opinion, the Executive Board assumes that the company will continue as a going concern and the consolidated financial statements have been prepared on a going concern basis. However, there are uncertainties with regard to the effectiveness of the measures set out in the restructuring path in the report, the extent to which demand will pick up again in 2024, and whether the projects planned in India will ramp up as expected. In the opinion of the Executive Board, there is therefore a risk that the restructuring plan cannot be adhered to. In this case, further suitable measures to secure liquidity would be necessary to ensure the continuation of the company's activities.

As 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 position" section of the "Economic Report" chapter as well as in the "Macroeconomic risks and specific risks of the FRIWO Group" and "Liquidity risks" sections of the "Risk Report" chapter and in the "Overall Statement on the Group's Opportunity and Risk Situation" chapter of the Combined Management Report, these events and circumstances indicate that there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. That constitutes a going concern risk within the meaning of Section 322 (2) sentence 3 of the German Commercial Code (HGB).

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

As part of our audit, we considered whether the legal representatives' assessment of the application of the going concern basis of accounting in preparing the financial statements and the Combined Management Report is appropriate, whether a material uncertainty exists related to this assessment, and whether the disclosures required to explain the material uncertainty in the notes to the financial statements and the Combined Management Report are appropriate.

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 have critically assessed the measures that the Executive Board has already initiated or implemented to comply with the restructuring plan.

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, 2023. 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.

1. 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 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.

2. Measurement and recognition of assets and disposal groups held for sale

Reasons for stipulation as a key audit matter

a. Sale of the Ostbevern production site
On December 29, 2023, FRIWO announced in a press release that it was divesting its remaining production activities at the Ostbevern site. The Executive Board passed a resolution on this in November 2023. The contract with the buyer was concluded in December of 2023. The commercial transfer of the asset group, as well as all assets and rights belonging to the asset group and transferred with it, took place during the preparation period as of March 1, 2024.

b. Divestment of component production in Vietnam
Also in November of 2023, the Executive Board decided that the company would like to streamline its production structures in Vietnam. An asset deal has already been signed with a buyer for this purpose during the preparation period. The buyer is taking over assets and inventories for component production. In the future, the buyer will act as a supplier of sub-components for FRIWO's products and system solutions manufactured in Vietnam. The commercial transfer of all assets and rights belonging to the asset group is planned as of May 1, 2024.

Assets and disposal groups held for sale amounted to EUR 3.1 million on the balance sheet date.

To be classified as assets or disposal groups held for sale, the assets must be available for sale in their present condition, the sale must be highly probable, and the sale must be expected within one year. If these three requirements are met, the special recognition and measurement provisions of IFRS 5 apply.

The classification as assets or disposal groups held for sale and the measurement of the corresponding disposal group in accordance with IFRS 5 are complex and discretionary.

There is a risk for the consolidated financial statements that the sale is not highly probable within twelve months and therefore the classification and recognition as assets held for sale and the corresponding disposal group in accordance with IFRS 5 is not appropriate.

There is also the risk that the fair value less costs to sell is lower than the book value of the disposal group assets. With regard to the explanatory disclosures in the Notes to the Consolidated Financial Statements, there is a risk that this information is not factual.

Our approach in the audit
We first assessed whether the classification and recognition of the transactions as assets held for sale and disposal groups in accordance with IFRS 5 was appropriate. To this end, we surveyed the Executive Board and specialist departments responsible for the project on the status of the sales process and assessed the internal and external reporting as well as the contractual agreements with the respective buyers.

We assessed the appropriateness of the key assumptions used to determine the fair value less costs to sell of the assets held for sale. In addition, we discussed the sales price agreed with the respective buyers with the Executive Board and the responsible employees of the specialist departments. We also performed plausibility assessments based on the internal documentation.

We also assessed whether the disclosures in the Notes to the Consolidated Financial Statements on assets held for sale and disposal groups are appropriate.

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. Information on assets and disposal groups held for sale can be found in the Notes to the Consolidated Financial Statements, in the section "Assets and disposal groups held for sale."

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 with 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

Declaration of non-issuance of an audit opinion
We have been engaged to conduct an audit in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the presentation of the consolidated financial statements and the Combined Management Report (hereinafter also referred to as "ESEF documents") prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format").

We do not express an opinion on the ESEF documents. Due to the significance of the matter described in the section "Basis for our opinion," we have not been able to obtain sufficient appropriate audit evidence to provide a basis for our opinion on the ESEF documents.

Basis for the declaration of non-issuance of an audit opinion
As the legal representatives have not provided any ESEF documents for audit as of the date of issuing the auditor's report, we do not express an opinion on the ESEF documents.

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
It is our responsibility to perform an audit of the ESEF documents in accordance with Section 317 (3a) HGB and IDW Auditing Standard: Audit of Electronic Reproductions of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW PS 410 (06.2022)). As a result of the matter described in the section "Basis for non-issuance of an audit opinion," we have not been able to obtain sufficient appropriate audit evidence to provide a basis for our opinion on the ESEF documents.

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 11, 2023. We were engaged by the Supervisory Board on November 2, 2023. 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).

Responsible Auditor

The auditor responsible for the audit is Alexander Bickmann.

Bielefeld, April 25, 2024.

Rödl & Partner GmbH
Auditing company

signed Groll	signed Bickmann
German Public Auditor	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 2024

Fiscal year January 1–December 31

Press release for Q1 2024	May 8, 2024
Annual General Meeting	June 13, 2024
Six-month interim report 2024	August 8, 2024
Press release for Q3 2024	November 7, 2024

Addresses

FRIWO AG
Von-Liebig-Strasse 11
D-48346 Ostbevern, Germany

Tel.: +49 (0) 25 32/81 – 0
Fax: +49 (0) 25 32/81 – 112

E-mail: ir@friwo.com
Internet: https://www.friwo.com

WKN 620110
ISIN DE0006201106

On our website https://www.friwo.com/de/about/investor-relations/, we provide you with a comprehensive range of information on the FRIWO share and the company. Among other items, you can find dates, current financial reports, information about the Annual General Meeting and financial communications there.

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 pronouns apply equally to all genders.