FRIWO

Figures, Dates, Facts
Annual Report 2021

FRIWO at a Glance
Key Figures

EUR m	**1–12 / 2021**	**1–12 / 2020**
Revenue	100.5	99.4
Earnings before interest and taxes (EBIT)	-8.0	-3.8
EBIT margin in %	-7.9	-3.9
Earnings before taxes (PBT)	-10.1	-5.2
Earnings after taxes	-10.5	-5.5

Statement of financial position	**Dec. 31, 2021**	**Dec. 31, 2020**
Total assets	75.7	61.3
Equity	9.0	4.8
Equity ratio in %	11.9	7.7
Investments	2.6	3.1
Employees (December 31)	2,182	2,608
Share		
Earnings per share in EUR	-1.37	-0.72

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Interview with the CEO

“The progress achieved in our transformation is evident”

FRIWO CEO Rolf Schwirz on a very eventful year in 2021 and the start of a new period of growth for FRIWO

Mr. Schwirz, by any standards 2021 was a very eventful year for FRIWO. How would you characterize it?

Schwirz: As a successful year overall. That may seem paradoxical at first glance, as our business development was massively impacted by the global COVID-19 crisis. But I am a great believer in seeing the glass as half-full rather than half-empty. In 2021, we reported very encouraging demand in all four product areas, acquired new customers and closed the year with a record order backlog of EUR 97.2 million. This shows that the modernization and expansion of our range of products and services is proving a hit in the market, both with existing and new customers. We also made good progress with our internal processes in order to act more rapidly and be closer to our customers. And we have laid the foundation for expanding our expertise in e-mobility business with the joint venture with India’s UNO MINDA Group that was agreed in December. With UNO MINDA, we have also acquired a long-term strategic partner, which will underpin this role by holding a minority interest in FRIWO.

To what extent has the coronavirus pandemic affected FRIWO?

Given that our main production site, Vietnam, was subject to a strict lockdown from mid-July to the end of September, it is obvious that FRIWO was massively impacted. Production in our plants close to Ho Chi Minh City came to a standstill at times or could only be maintained at a low level. Production returned to virtually full utilization of capacity only towards the end of the year, allowing us to start processing the considerable order backlog. We were also faced with additional challenges: the ongoing global supply problems with electronic components, rapidly rising commodity prices, worldwide shortages of freight capacity. We were certainly hit by fairly strong headwinds.

How did you react to these challenges?

As you know well, a company can also grow in response to such challenges. FRIWO demonstrated its adaptability and resilience yet again last year. Our teams throughout the world, to whom I would like to express high praise and heart-felt thanks, demonstrated tremendous commitment in doing their utmost to find alternative procurement sources for components, to plan new freight routes and work with our customers to find pragmatic solutions. We also concluded agreements with contract manufacturers in China and India to make our production base, which is strongly focused on Vietnam, more flexible.

To maintain our delivery capability, we had no alternative but to build up inventories and accept additional costs and more funds being tied up...

… which further depressed economic performance.

Correct, although the FRIWO Group still achieved revenue of EUR 100.5 million in 2021, which is slightly up on the level of the previous year. At the same time, we recorded broadly-based growth in incoming orders of 41.2% on the previous year. However, at minus EUR 8.0 million, consolidated operating earnings before interest and taxes were slightly less than we had expected. At the same time, we also benefited from gains in efficiency and improvements in quality that were achieved thanks to the Group-wide transformation program initiated at the end of 2019. Incidentally, we successfully concluded the program, which essentially envisaged relocating production capacity to our sites in Vietnam and streamlining administration, as planned at the end of 2021.

Let's look to the future: at the 2021 Annual General Meeting, you announced that you would lead FRIWO into sustainable growth. How far has this process got?

We are still in the throes of change but progress is already evident. Our strategic goal was and is to position FRIWO in such a way that the company can profit as much as possible from the positive development in the global market for charging units and power supply units. We reached a milestone here with our successful entry into the systems and software business and the development of a portfolio of solutions for digitally controllable drive solutions, especially for e-vehicles. Today, we are already an attractive and sought-after partner for manufacturers of e-bikes, e-scooters or electrical drives. We can offer all the components of a modern electrical drive train from a single source: from the display, engine control, battery management system, battery through to a software environment that allows the drive system to adapt to the relevant requirements more quickly than any of our competitors.

Reinforcement of our research and development capacity (R&D) went hand in hand with the development of our product range. Innovation has been part of our company's DNA from the very beginning. We therefore invested heavily and almost doubled our development capacity compared with the beginning of the transformation process: at the end of 2021, we had 82 employees working in R&D in Ostbevern, in Vietnam and in India. Our project and product pipeline is currently well-filled with lots of ideas for solutions that offer customers real added value.

However, the improvements we have achieved in our sales organization and in project management are also very important. Particularly in uncertain times like these, in which delivery dates can only be met with difficulty, it is important to work with customers to draw up a transparent and realistic project plan and also to follow it consistently.

How did the joint venture with UNO MINDA, which was announced at the end of 2021, come about?

We started with our own subsidiary in India at the beginning of 2020 because we are convinced of the huge market potential for electric two and three-wheel vehicles on the sub-continent, where the innovative drive technology offered by FRIWO is increasingly favored. Our product range rapidly generated a positive response, meaning that we were able to acquire several development orders soon after our launch. The arrival of coronavirus then disrupted our timetable significantly. However, we obviously succeeded in leaving a good impression in the Indian market in only a short time. This led to discussions with the UNO MINDA Group, which is one of the leading direct suppliers to vehicle manufacturers, has a global outlook and is very interested in our technology.

What do you expect from the partnership?

The agreement with UNO MINDA is another milestone in the development of FRIWO. The partners will combine their technologies and production capacities and offer complete full-range solutions for e-vehicles via the new joint venture in which we hold a stake of 49.9%. This industrial partnership is the key to seizing a leading position among two and three-wheel e-vehicles on the Indian market and also opening up neighboring markets in the future. It also ensures that we are closer to our goal of expanding FRIWO's international presence and reducing the dominance of the European, particularly the German, market.

Why has UNO MINDA even taken a stake in FRIWO AG?

We see this decision as underpinning a long-term strategic partnership. Following the cash capital increase, UNO MINDA will have stake of a good 5% in the share capital of our company. The influx of funds of EUR 15 million gross associated with this will strengthen our equity base, which has of course suffered from the negative results of recent years, which are mainly attributable to the costs of the transformation program and the problems caused by coronavirus. I would, however, like to mention the tremendous commitment of our longstanding major shareholder VTC explicitly in this connection. Through a series of shareholder loans totaling EUR 23.2 million, VTC has made a very significant contribution to FRIWO being able to cope so well with the increased need for funding caused by the consequences of coronavirus and the tight procurement markets. The fact that VTC converted part of these loans into equity at the end of last year not only improved the quality of our statement of financial position but also shows that the shareholder believes in the growth prospects of our Group.

Is FRIWO now at the beginning of a new period of growth?

Very buoyant incoming orders, the positive market response to our product offensive and our internal improvements certainly support this. Of course, the tense situation on international procurement markets and the consequences of coronavirus will preoccupy us well into 2022 and will lead to problems. However, the fact that we are undoubtedly on the right course in strategic terms is crucial.

And we are already assuming sharp growth in consolidated revenue in the lower to mid-double digits compared with fiscal year 2021 and slightly positive EBIT for 2022. If conditions normalize once more, I am convinced that there is no longer anything standing in the way of a period of profitable growth.

Report of the Supervisory Board

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

Cooperation between the Management Board and the Supervisory Board

The Supervisory Board of FRIWO AG performed the tasks incumbent on it by law and the Articles of Association with great care in the reporting period. 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 its face-to-face meetings as well as by telephone, in writing or in text form by way of circular vote.

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

Meetings of the Supervisory Board

In 2021, the Supervisory Board met for four scheduled meetings in the presence of the Management Board, which took place on March 11, 2021, May 6, 2021, September 16, 2021 and December 10, 2021, two of which took place via video conference due to COVID-19. The ordinary meeting that took place in March 2021 also dealt with topics relating to fiscal year 2020.

In addition, the Supervisory Board adopted resolutions on four occasions in total in fiscal year 2021 by voting in writing or by telephone or voting in text form. These resolutions related to the Management Board's achievement of targets for fiscal year 2019, the annual financial statements prepared by the Management Board and the consolidated financial statements including the management report and Group management report, the Non-financial Group Declaration and the Report of the Supervisory Board, personnel decisions and requests by the Management Board for the Supervisory Board to approve transactions that require approval.

All members of the Supervisory Board were present at all four Supervisory Board meetings in the reporting year. Each of these members also participated in the circular resolutions.

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 of FRIWO AG and the Group, various personnel matters, risk management, compliance and questions of sustainability. In particular, discussions concerned international activities, the Group's strategic development up to 2026 and the global impact of the COVID-19 pandemic on the development of the FRIWO Group's revenue and earnings and consequently on its liquidity and its equity base.

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

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

At its meeting in March 2021, which took place as an online meeting and in which the auditors participated, the Supervisory Board also dealt with the 2020 annual financial statements and consolidated financial statements, which were each given an unqualified audit report by Rödl & Partner GmbH, Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Bielefeld, with the combined management report for FRIWO AG and the Group as well as the report on relations with affiliated companies and examined these reports. The report of the Supervisory Board for fiscal year 2020 was approved unanimously. The Supervisory Board also approved the proposed agenda for the ordinary 2021 Annual General Meeting including the proposed resolutions recorded there. Other items on the agenda were the resolution to extend the appointment of the Management Board member Rolf Schwirz and the cancellation contract with Ulrich Lammers.

In May 2021, the Supervisory Board meeting took place after the Annual General Meeting. Other items on the agenda were the presentation and status of the strategy process and the resolution on the target for the proportion of women in the Supervisory Board.

Key issues at the third ordinary meeting in September were the presentation of the strategy prepared by the Management Board up to 2026, the resolution on the strategic five-year plan and the global impact of the COVID-19 pandemic on the development of the FRIWO Group’s revenue and earnings, particularly that caused by the lockdown in Vietnam. Countermeasures were discussed in view of the resultant negative impact on the FRIWO Group’s liquidity and equity base. The Board was also informed for the first time that Indian investors were interested in working with FRIWO in the form of a joint venture and an equity contribution. The Board also resolved to waive engaging an external audit of the non-financial (Group) declaration for fiscal year 2021 by the auditor.

The meeting in December 2021, which was held online, involved the forecast for 2021 and budgeting for fiscal year 2022 in addition to the audit of the 2021 annual financial statements. Following detailed discussions and much debate, the Supervisory Board adopted the annual planning for fiscal year 2022 presented by the Management Board. The most extensive item on the agenda was the debates, discussions and resolutions to enter into a joint venture with UNO MINDA in India and the conclusion of a corresponding agreement to increase the capital in return for cash and non-cash contributions, making partial use of Authorized Capital 2018 for the first time. The agenda also included changes with regard to the German Corporate Governance Code, the resolution on the target in the Management Board and the election of an Audit Committee.

Changes in the Management Board

The CFO, Ulrich Lammers, resigned from his position on the Management Board on April 30, 2021 to take up a new challenge outside the company. The Supervisory Board was able to attract Tobias Tunsch, who ran the Finance Department on a temporary basis as an external manager and was appointed to the company's Management Board on March 1, 2022. The Supervisory Board is pleased that it was quickly able to find a competent replacement for this position despite the change.

Corporate Fovernance

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 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 Supervisory Board. Among others, it includes the following criteria:

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

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

In implementing the German Act on the Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector, the Supervisory Board did not achieve the target set for the proportion of women in its composition. In selecting the suitable candidate, male or female, to replace the employee representative Nadia Slouma, who resigned from the company in January 2021, the focus was primarily on applicants' professional qualifications and knowledge and not their gender. The Supervisory Board decided to maintain the current situation for the proportion of women in the composition of the Management Board. With regard to the intended Two Management Boards system, the Supervisory Board does not consider that a candidate's gender alone is a suitable criterion for selection. On the contrary, professional qualifications are the primary consideration when filling positions on the Management Board. These objectives apply accordingly to the Supervisory Board resolution adopted in 2021 until May 5, 2026 for the Supervisory Board and until December 31, 2026 for the Management Board.

The Supervisory Board is satisfied that FRIWO AG complied with the recommendations of the German Corporate Governance Code, as per its declaration of compliance from December 2021, in fiscal year 2021. The current declaration of compliance can be found in the management report in the annual report and on the company's website.

Audit of the Non-financial Group Declaration

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

Audit of the Annual and Consolidated Financial Statements 2021

The annual financial statements of FRIWO AG prepared by the Management Board for fiscal year 2021 and the 2021 consolidated financial statements as well as the management report, which was combined for FRIWO AG and the Group, have been audited by Rödl & Partner and given an unqualified audit report in each case. The audit by the auditor in accordance with Section 317 (4) HGB found that, with the exception of the reservations applicable to the following areas, the Management Board has implemented the measures required by Section 91 (2) AktG, in particular, to establish a suitable monitoring system and that the monitoring system is capable in all material respects of detecting developments that could jeopardize the company as a going concern with reasonable assurance at an early stage. The following material defects were identified in the areas of risk assessment and risk management: risks are assessed and aggregated on the basis of simplified measurement procedures without the support of suitable scenario analyses or IT-based simulations. Individual companies' ability to bear risk is determined mainly on the basis of qualitative analyses. There is no quantitative determination of the ability to bear risk. The decisions by the Management Board about suitable means to secure the company's existence as a going concern (e.g. risk avoidance, risk reduction, risk sharing and transfer) as well as continuous implementation and monitoring thereof are not fully documented for the risks that have been identified and measured. An appropriate project to expand the risk management system will be implemented in 2022. The documents relating to the financial statements and the reports of the auditor about the audit of the annual financial statements and the audit of the consolidated financial statements were submitted to all members of the Supervisory Board in good time. In the joint meeting with the auditor, the Supervisory Board obtained detailed information about the annual financial statements and the consolidated financial statements as well as the findings from the audit and were fully informed of the key facts pertaining to the annual financial statements of FRIWO AG and of the consolidated financial statements. The Supervisory Board examined the annual financial statements, the consolidated financial statements and the combined management report for FRIWO AG and the Group. The findings of the examination gave no grounds for objections. The Supervisory Board concurs with the findings of the audit of the financial statements and discussed the annual financial statements prepared by the Management Board and the consolidated financial statements in the presence of the auditor and subsequently approved them by way of a circular vote. The annual financial statements have thus been adopted in accordance with Section 172 AktG. The Supervisory Board examined the disclosures in the management report pursuant to Section 289a (1) and Section 315a (1) HGB in depth. Issues applicable to the company were either disclosed or, if disclosures are not possible, a negative declaration was provided. The Supervisory Board approved the Management Board's management report.

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

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

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

"Following our mandatory audit and examination, we confirm that

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

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

The Supervisory Board will propose to the 2022 Annual General Meeting that Rödl & Partner GmbH, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Bielefeld, are again elected as auditors for fiscal year 2022.

Fiscal year 2021 confronted FRIWO with very particular challenges. The global COVID-19 pandemic and the global supply bottlenecks for electronic components, significantly higher commodity prices as well as limited freight and logistics capacity severely impacted operations. Nevertheless, the Supervisory Board is convinced that key requirements for sustained, profitable growth have been met following the successful implementation of the transformation program, the conclusion of the joint venture in India, the measures that have been initiated to boost liquidity and reinforce the equity base plus the strong demand for FRIWO products. The Supervisory Board would like to thank the Management Board and all employees of the Group sincerely for their extraordinary commitment and hard work in this anything but simple environment.

Ostbevern, March 2022

Richard Ramsauer
Chairman of the Supervisory Board

The Company’s Governing Bodies

Supervisory Board	Memberships of Other Governing Bodies
Richard G. Ramsauer Chairman Managing Director VTC GmbH & Co. KG Member since 2008	• None
Jürgen Max Leuze Vice Chairman Managing Director VTC GmbH & Co. KG Member since 2008	• None
Nadia Slouma Manager Global Operation Projects FRIWO Member until January 31, 2021	• None
Marco Erdt Contract Manager FRIWO Member from May 6, 2021	• None
Johannes Feldmayer General Representative Heitec AG	• TGW Logistics Group GmbH, A-4614 Marchtrenk Member since 2013
Uwe Leifken Full-time Works Council Chairman Member since 2016	• None
Dr. Gregor Matthies Senior Advisor Bain & Company Germany, Inc. Member since 2018	• Liikennevirta Oy, 00180 Helsinki, Finland

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
Ulrich Lammers Member of the Management Board until April 30, 2021	• None
Tobias Tunsch Member of the Management Board from March 1, 2022	• None

Combined Management Report of the FRIWO Group and FRIWO AG

Basic Information on the Group

Business Model and Group Structure

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

As an international full-service provider of bespoke, innovative e-mobility solutions as well as power supply units, FRIWO creates sustainable value for its customers, employees and shareholders. The company covers numerous applications with its products and, in terms of e-mobility, is a key player in setting the course towards a climate-neutral mobility revolution. Its expertise in charging technology is particularly appreciated by customers in the demanding growth markets of e-mobility where FRIWO has secured a leading, promising position as a supplier. In addition, it provides customers with innovative e-charging technology for mobile 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 R&D, 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. In December 2021, the company entered into a joint venture agreement with India’s UNO MINDA Group. This relates to the manufacture and sale of two and three-wheel e-vehicles for the Indian market.

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 with outstanding prospects for participating in the forecast growth in this area. FRIWO holds a stake of 49.9% in this joint venture.

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

The FRIWO brand stands for innovation, safety, quality and efficiency throughout the world. The company is certified in accordance with DIN ISO 9001 (quality management), DIN ISO 14001 (environmental management) and DIN ISO 13485 (quality management for medical products). Motivation, technical expertise and enthusiasm for our products and services provide the basis for our day-to-day activities, combined with a family-friendly HR policy. Our primary objective is to create sustained value for customers, shareholders and employees.

In addition to administration and sales, research and development and the capacity to manufacture prototypes and small series are located at the company’s headquarters in Ostbevern in Westphalia.

This makes FRIWO one of the few companies in the sector to have its own development and production site in Germany, allowing last-minute assembly of standard products, which gives customers minimal delivery times.

The majority of high-volume production takes place in the ultra-modern production facility established in 2015 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 part of FRIWO's ongoing transformation process to achieve sustainable, profitable growth, parts of production were relocated from Ostbevern to Vietnam to take advantage of the production cost benefits there. This process was concluded, as planned, at the end of 2021.

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

FRIWO purchases a small part of its products from selected contract manufacturers with production sites in China, India and Vietnam. In fiscal year 2021, a small portion of the products was also manufactured by a contract manufacturer in Poland.

Special Events in the Reporting Period

- On March 12, 2021, FRIWO announced that the CFO, Ulrich Lammers, would resign from his position on the Management Board on April 30, 2021 to take up a new challenge outside the company. For the transition period until a successor is appointed, we attracted Tobias Tunsch, who ran the Finance Department on a temporary basis as an external manager. Tobias Tunsch has decades of experience in senior positions at well-known companies, including Siemens VDO Automotive, Takata-Petri and Grammer.

- On March 1, 2022, Tobias Tunsch was appointed to the company's Management Board.

- On May 6, 2021, the ordinary Annual General Meeting of the company for fiscal year 2020 was held as a purely online meeting for the second time because of the coronavirus restrictions. All agenda items were adopted by the shareholders almost unanimously.

- On August 4, 2021, FRIWO announced that, given the increasing pressures resulting from the coronavirus pandemic, it would suspend its previous financial forecast for fiscal year 2021 (revenue growth year-on-year in the mid to higher single digit percentage range, slightly positive Group EBIT).

- Having analyzed the figures for the third quarter and the month of October, FRIWO published a new forecast for fiscal year 2021 on November 10, 2021. Accordingly, the Management Board expected consolidated revenue to the order of EUR 100 million and negative consolidated EBIT in the mid-single-digit millions. The third quarter was massively affected by coronavirus-related restrictions at the production site in Vietnam, which was subject to a nationwide lockdown from mid-July until the end of September.

- On December 10, 2021, FRIWO announced that it had agreed a joint venture with the Indian automotive supplier UNO MINDA Group in which the company will hold a minority stake of 49.9%. Within the partnership, both companies will combine technologies and production capacities in order to offer complete full-range solutions in the e-drives sector for the Indian market. The Management Board and Supervisory Board also resolved a cash capital increase making use of authorized capital and a non-cash capital increase, with subscription rights excluded in each case. As part of the cash capital increase, UNO MINDA is expected to take a 5.24% stake in FRIWO. The non-cash capital increase will be used to convert part of the shareholder loan extended by FRIWO's main shareholder, Cardea Holding GmbH, into equity in the company.

Management Systems

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

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

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

Research and Development

The impact of COVID-19 and the challenges associated therewith were also felt in terms of research and development (R&D) in fiscal year 2021. Other key issues included the new Group structure involving the separation into two business units, ongoing digitalization of the development process, project business and preparations for a development process that complies with the requirements of the automotive standard.

The e-Drives business unit deals with the development of e-mobility products and predevelopment for both FRIWO's business units. A new site in Dresden was successively developed for predevelopment. Thanks to the measures to allow working from home that were implemented in 2020, collaboration between the Ostbevern and Dresden sites was very effective from the beginning. There were numerous enhancements for the Indian market in the battery management systems and engine control systems product groups (e.g. adjustments to allow for operating in hotter temperatures). Preparations were also made for the introduction of the automotive standard in the development process. This will mean that FRIWO is able to develop and offer safety-critical hardware and software that comply with globally recognized standards for the e-mobility sector.

The R&D activities of the Power Systems business unit deal with the power supplies, tool charger and e-bike charger product groups. They are developed and sold both as standard components and as OEM products. The collaboration between the two development teams in Germany and Vietnam was intensified in 2021, allowing a reduction in costs and improved efficiency. Another challenge facing R&D was to compensate for the global shortage of components for existing products as far as possible by searching for replacement components. FRIWO is pressing ahead with modular construction in order to be able to react more effectively to problems with procurement in the future. This will make it easier to implement replacement components in existing modules.

Notwithstanding the ongoing coronavirus pandemic and the global shortage of components, FRIWO expanded its research and development capacity in line with strategy in 2021. As of December 31, 2021, 82 employees were employed in product development and predevelopment throughout the world (previous year: 78 employees). Of this figure, 13 were worked in the e-Drives business unit and 69 to the Power Systems business unit. At the year-end, 31 people were employed in R&D in Germany, 49 in Vietnam and 2 in India.

In fiscal year 2021, expenditure on R&D totaled EUR 5.6 million across the Group (previous year: EUR 5.1 million).

Economic Report

Macroeconomic Conditions

The development of the global economy was significantly affected by the ongoing global coronavirus pandemic throughout the whole of 2021 and particularly towards the end of the year. At the same time, the economy recovered initially following the economic collapse in the previous year. Thus, gross domestic product (GDP) in the world's advanced economies returned to its pre-crisis levels for the first time in the third quarter of 2021 according to the ifo Institute. In Europe, in particular, the economy grew rapidly in the summer half-year of 2021 and recovered from the pandemic-induced stagnation in the previous winter. For 2021, the experts predicted growth in GDP of 4.9% for the advanced economies in December (2020: -4.7%).

According to ifo, the group of emerging economies had already exceeded the pre-crisis levels of GDP, primarily due to China's rapid recovery. However, China's economic downturn in the third quarter was not attributable to COVID-19 but, in particular, to the downturn in the real estate sector and the fall in construction investment. Expected growth in GDP in 2021 for this group of countries comes to 7.3% (2020: -0.4%).

The persistent supply bottlenecks and the fourth wave of coronavirus in the fourth quarter of the reporting year also slowed the German economy perceptibly. According to the ifo Institute, the strong recovery expected for 2022 has consequently been moved back. In December, it therefore expected growth in GDP of 2.5% for 2021. The experts predicted an increase in the inflation rate to 3.1% for 2021 and a further increase to 3.3% for 2022. The key factors driving this are rising costs associated with supply bottlenecks and the delayed adjustment to higher energy and commodity prices.

Source:
ifo Institute, Economic Forecast Winter 2021, December 2021

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 40.8 billion in 2030, starting from USD 29.2 billion in 2018. This equates to an average annual growth rate (CAGR) of 4.4%. 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%.

The global effects of the COVID-19 pandemic have had an adverse impact on the global market for power supply units, albeit temporarily, in the form of stagnant demand as a consequence of lockdowns, companies closing or short-time working. In the medium- and long-term, this market is still on course for stable growth.

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

The rapidly expanding global market for e-mobility is of major strategic significance. Here the experts at Mordor Intelligence expect an average annual growth rate of 12.3% for e-bike engines in the period from 2022 to 2027. The market research company Fortune forecasts even higher annual growth of 16% up to 2028. Here, increasing technological innovation in conjunction with growing awareness of their efficiency, environmental friendliness and comfort are having an excellent impact on growth in the market for e-bikes.

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 micromobility, 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 governments imposing more stringent emissions standards, such as the emissions standards for greenhouse gas emissions of the United States Environmental Protection Agency (EPA), BS-VI emission standard in India and China VI emissions limit. Grand View Research forecasts an average annual growth rate of 7.6% for the global market for e-scooter engines from 2021 to 2028. Experts from Prescient & Strategic Intelligence expect 71.8 million units in the Asia-Pacific (APAC) region up to 2025, which equates to a CAGR of 6.6% in the area with the largest market.

The market for medical power supply units is also of strategic importance; experts at the market research company Data Bridge Market Research expect average annual growth of 6.4% in the period from 2021 to 2028. Besides the constant progress in medical technology, the primary factors driving this 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 growth trend is basically confirmed by the market research company Mordor Intelligence (anticipated average annual growth of 6.5% from 2021 to 2026). In contrast to the largely negative impact of the COVID-19 pandemic on FRIWO's other sub-markets, the market for medical power supply units is benefiting from increased demand, for example, for ventilators.

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. However, the global COVID-19 pandemic had a negative effect on demand in this sub-market. An analysis by the market research company Fortune shows that the global market recorded negative growth of -0.9% in 2020 compared with average growth year-on-year from 2017 to 2019. The experts at Fortune assume that the global market for wireless power tools will recover again and will return to its pre-pandemic level once the pandemic ends and estimates a CAGR of 3.8% for the period from 2021 to 2028. With an average annual growth rate of 4.0% up to 2027, Qualiket Research forecasts similar growth for the global power tool market.

Sources:

- Transparency Market Research: Power Supply Market 2018–2030
- Transparency Market Research: Global Charger Market 2018–2030
- Mordor Intelligence: E-bike Market - Growth, Trends, COVID-19 Impact, and Forecasts (2022 - 2027)
- Fortune Business Insights: Electric Bike Market Size (2021–2028)
- Grand View Research: Electric Scooters Market Size, Share & Trends Analysis Report By Product, 2021–2028
- Prescient & Strategic Intelligence: Asia-Pacific (APAC) Low-Speed Electric Vehicle (LSEV) Market by Product to 2025
- Data Bridge Market Research: Global Power Supply Market – Industry Trends and Forecast to 2028
- Mordor Intelligence: Medical Power Supply Market – Growth, Trends, COVID-19 Impact, and Forecasts (2021–2026)
- Fortune Business Insights: Power Tools Market Size, Share & COVID-19 Impact Analysis, 2021–2028
- Qualiket Research: Global Power Tools & Hand Tools Market, 2020–2027

General Business Performance

The FRIWO Group reported both positive and negative business development in 2021. Apart from the global impact of the COVID-19 pandemic, business development in 2021 was affected by renewed supply bottlenecks for electronic components, very limited logistics and freight capacity and consequently significantly higher material and freight costs. During the national lockdown in Vietnam, which lasted from mid-July to the end of September, FRIWO succeeded in keeping many employees in production. Nevertheless, production in this period reached only 30% to 40% of maximum capacity. Consequently, in some cases deliveries to customers had to be postponed until 2022.

In terms of revenue and earnings, the Group was unable to achieve its original targets (increasing consolidated revenue year-on-year by a percentage rate in the mid to higher single digits, slightly positive Group EBIT) as a consequence of the COVID-19-driven market turbulence, especially because of the national lockdown at the Vietnam production site. The forecast was suspended on August 4, 2021.

The ramp-up of production from October when lockdown ended was also slower than expected. Following an internal reassessment of the revenue and earnings situation, FRIWO issued a new forecast for 2021. It anticipated consolidated revenue to the order of EUR 100 million and negative consolidated earnings before interest and taxes (EBIT) in the mid-single-digit millions.

FRIWO closed the reporting year with consolidated revenue of EUR 100.5 million, which is slightly up on the level of the previous year (EUR 99.4 million). Reported EBIT reached EUR -8.0 million (2020: EUR -3.8 million). Revenue was therefore within the forecast updated in November of consolidated revenue in the order of magnitude of EUR 100 million. EBIT was below the forecast updated in November of negative EBIT in the mid-single digit millions and was largely affected by the impairment of goodwill of EUR 2.3 million for the transformer factory in Vietnam.

In contrast to this, we experienced very strong demand for our products, and consequently rapid growth in incoming orders across all applications, which led to a record order backlog of EUR 97.2 million as of December 31, 2021.

The transformation program initiated at the end of 2019 to boost the FRIWO Group’s growth and profitability was concluded, as planned, at the end of the reporting year.

A new, long-term financing concept was agreed in the course of the transformation process. In this connection, the existing bilateral credit facilities with German banks were transferred into a syndicated loan, which will mature at the end of 2022. At the time annual financial statements and consolidated statements were being prepared, FRIWO reached agreement with the syndicate of financing banks to extend the restructuring period and consequently the term of the loan agreement by one year until the end of 2023. In this connection, the banks also agreed to adjust the covenants agreed as part of the syndicated loan agreement. Detailed disclosures can be found in the “Liquidity risks” section of the “Risk report” in the combined management report.

Order Book Status

In 2021, the FRIWO Group’s incoming orders at EUR 149.9 million were 41.2% up on the previous year’s level of EUR 106.2 million. At 1.49, the book-to-bill ratio, i.e. the ratio of incoming orders to revenue, was well up on the level of the previous year (1.07) and indicates revenue growth in 2022. The order backlog reached a record level on December 31, 2021 and, at EUR 97.2 million, was 116.2% up on the previous year’s figure of EUR 45.0 million.

Incoming orders gathered pace during the year. FRIWO reported strong demand from existing and new customers across all applications, especially from the e-mobility sector. Order backlog resulting from the limitations on production capacity caused by COVID-19 also contributed to the substantial orders on hand.

The trend in incoming orders differed from region to region: growth in the “Other Europe” segment stood at 67% and was driven by very strong demand for e-bikes in Europe. In the “Germany” segment, the Group’s largest segment, growth amounted to 29%, largely due to strong demand in the industrial applications sector. “Asia” recorded growth in incoming orders of 42% year-on-year. The previous year’s growth was not achieved in the “Rest of the world” segment, primarily due to the consequences of COVID-19, and amounted to -29%.

Revenue Development

Despite the ongoing substantial burdens imposed by the COVID-19 pandemic, the FRIWO Group achieved consolidated revenue of EUR 100.5 million in 2021, which was therefore slightly up on the level of the previous year (EUR 99.4 million) and was within the forecast updated in November (around EUR 100 million). Revenue does not contain any material effect from the change in contract assets (previous year: EUR 0.8 million).

Having been 7.8% up on the corresponding figure for the previous year after the first six months, revenue in the third quarter was seriously impacted by the significant disruptions caused by coronavirus at the FRIWO production site in Vietnam close to Ho Chi Minh City. From mid-July until the end of September, the lockdown imposed across the country led to production being interrupted or restricted. Since approximately 800 employees were prepared to live on-site during this period, between 30% and 40% of maximum production capacity was secured. Following the end of lockdown, capacity was gradually expanded once more in Vietnam and reached 100% again at the end of the year.

Adjusted for currency effects, i.e. at the previous year’s exchange rates, consolidated revenue was EUR 104.7 million in 2021, which corresponds to growth of 5.4% on the previous year.

The e-mobility sector remained at a high level in 2021, reporting a revenue upturn of 15.3%. Here, FRIWO mainly benefited from strong demand for e-bikes in Europe.

Sales in the Tools segment rose by 21.4% year-on-year. This meant that the reduction in demand recorded in the previous year, which was attributable to coronavirus-related short-time working and restrictions in capacity at manufacturers, has been reversed.

The Industry segment achieved growth in revenue of 2.2% and thus remained at a high level.

Products for the medical industry, which posted growth of 33.1% as a consequence of the COVID-19 pandemic starting, fell by 16.5% but remained above annual revenue before the pandemic. Here, the massively increased demand triggered by the COVID-19 pandemic in the first two waves of coronavirus fell back to a lower level in 2021, as hospitals and medical facilities had obtained sufficient quantities of medical devices.

The fall in revenue in the Distribution segment (-30.7%) was attributable to growth in direct sales by FRIWO to individual customers without involving distributors. In the lower-margin Consumer Products segment, revenue continued to decline in line with Group strategy (-14.1%).

The majority of FRIWO business was again attributable to the European market in 2021. The proportion of total revenue even increased from 86.7% in the previous year to 89.2%. The “Germany” segment recorded a slight fall in revenue of 3.7% to EUR 44.0 million (previous year: EUR 45.7 million). Sales in the “Other Europe” segment (Europe excluding Germany) rose by 12.9% to EUR 45.7 million (previous year: EUR 40.5 million). In the Asia segment, revenue decreased to EUR 6.5 million (previous year: EUR 6.9 million). In the other regions, revenue decreased by EUR 2 million, or 31.8%, to EUR 4.3 million.

If one looks at consolidated revenue (excluding revenue from chargeable development services, tool costs, licensing costs and freight costs) by production country, the proportion of revenue attributable to Vietnam increased even more significantly and reached 77.8% in the reporting year (previous year: 66.0%). This reflected the relocation of production from Europe to Vietnam as part of the transformation program.

In contrast, China’s share of total revenue decreased to 0.6% (previous year: 1.2%). 21.3% of revenue was attributable to European production (Ostbevern site and Polish suppliers) (previous year: 32.7%).

Results of Operations

In 2021, the results of the FRIWO Group’s operations were negatively impacted by lower than expected consolidated revenue and significant additional costs in its operating business. The effects of the COVID-19 pandemic and the associated disruptions to international supply chains led to significant additional expenses resulting from sharply increased prices for commodities, electronics components, freight and logistics capacity at the Vietnam site. FRIWO was able to at least mitigate the consequences of this development by yet more stringent cost and liquidity management across all areas of the Group and by making use of alternatives when procuring components. It was also able to pass on some of the additional costs to customers. In addition, FRIWO has agreed higher prices with customers, which had an impact, in part, from the second quarter.

Gross earnings fell from EUR 6.9 million in the previous year to EUR 4.6 million. Accordingly, the gross margin from revenue declined from 7.0% to 4.5%. The decline was due essentially to revenue increasing only slightly while expenses for production capacity in Asia and in Germany rose.

Selling costs fell slightly in 2021 by EUR 0.2 million to EUR 3.7 million (previous year: EUR 3.9 million). General administration expenses increased significantly by EUR 1.8 million to EUR 8.2 million (previous year: EUR 6.4 million). The increase is largely due to increased legal and consultancy fees.

Operating earnings, that is gross earnings from revenue less selling and general administration expenses, came to EUR -7.3 million against EUR -3.4 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.

The transformer factory acquired as an asset deal in 2017 was integrated in FRIWO Vietnam Co. Ltd., Bien Hoa City, Vietnam. The acquisition resulted in goodwill of EUR 2.5 million, which was reported at EUR 2.3 million, adjusted for currency effects, as of December 31, 2021 under intangible assets. When checking for impairment, FRIWO determines the recoverable amount of the unit as its value in use at the closing date by discounting expected cash flows. According to the calculation, the value in use was less than the carrying amount of the cash generating unit, meaning that an impairment of EUR 2.3 million was required, which was recognized as of December 31, 2021.
Consolidated earnings before interest and taxes (EBIT), which were significantly affected by the effects of the coronavirus pandemic, amounted to EUR -8.0 million against EUR -3.8 million in the previous year. This was less than the forecast updated in November 2021 of a loss in the mid-single-digit millions This deviation in earnings was due to the unscheduled impairment of goodwill of EUR 2.3 million on the production site in Vietnam mentioned above. Had the impairment not been necessary, EBIT would have been within the figure forecast.

The EBIT margin (in relation to revenue) was -7.9% in 2021 (2020: -3.9%).

The financial result was largely shaped by higher interest expenses for the syndicated loan concluded last year and for the shareholder loans successively extended in 2021. It increased to EUR -2.2 million against EUR -1.4 million in the previous year.

Profit before taxes (PBT) reached EUR -10.1 million after a figure of EUR -5.2 million in the previous year.

After taxes, the consolidated result amounted to EUR -10.5 million after a negative result of EUR -5.5 million in the previous year. This equates to earnings per share of EUR -1.37 compared with EUR -0.72 in 2020 (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. The Finance department and Controlling in the headquarters in Ostbevern are responsible for this. A key objective and the department’s main responsibility is to safeguard the FRIWO Group’s funding and ensure adequate levels of liquidity. Besides maintaining the Group’s financial stability, it aims to minimize the financial risks and the costs of capital.

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

FRIWO Gerätebau GmbH sells part of its receivables in the form of non-recourse factoring where the default risk is born by the factoring company. The percentage of sold receivables in the receivables portfolio shrank by 12.0 percentage points in 2021 and amounted to around 64.7% as of December 31, 2021 (end of 2020: 76.7%). As a result of the new financing concept concluded in 2020, FRIWO Gerätebau GmbH extended the factoring agreement until the end of 2022.

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. A term of up to December 31, 2022 was agreed for all three tranches. No repayment of the operating credit facilities was required up to the end of 2020, quarterly repayments totaling EUR 1.0 million were made on the amortizing term credit line from 2021. In 2022, the repayments will increase to a total of EUR 2.7 million, with the remaining repayment being due at the end of the term.

At the time annual financial statements and consolidated statements were being prepared, FRIWO reached agreement with the syndicate of financing banks to extend the restructuring period and consequently the term of the loan agreement by one year until the end of 2023.

The Vietnamese subsidiary also retained its existing bilateral credit facility with a local bank in Vietnam as part of the Group’s new funding arrangements in 2020. FRIWO has furnished various guarantees and collateral for the two loan agreements. New financial ratios were also defined for the syndicated loan (covenants) and extended reporting and documentation obligations agreed. The credit agreement also stipulates that FRIWO AG will not pay any dividends during the restructuring period.

In the context of updating the restructuring report, an adjustment of the EBITDA covenant was agreed with the banks on the basis of the figures on which the updated report and the Group’s forecast business development are based.

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 and 2021, made a major contribution to securing the FRIWO Group’s liquidity.

An initial shareholder loan of EUR 2.6 million, which runs until March 31, 2023, was disbursed in May 2020.

The FRIWO Group received additional shareholder loans totaling EUR 20.6 million from Cardea Holding GmbH, Grünwald, in the reporting year. This liquidity support from the major shareholder compensated for the substantial negative impact from the coronavirus pandemic and the corresponding negative operating cash flow.

By converting part of the loans granted into equity by means of a debt-equity swap of EUR 13.6 million, the main shareholder Cardea Holding GmbH contributed to boosting the financial security and the quality of the statement of financial position of FRIWO AG and the FRIWO Group. In this connection, the Management Board resolved, with the consent of the Supervisory Board, on December 10, 2021 to increase the share capital of FRIWO AG by issuing 406,334 new ordinary shares by making use of authorized capital and excluding shareholders’ subscription rights. The new shares will be issued at a price of EUR 33.47 per share.

In addition, the Management Board and Supervisory Board adopted the resolutions needed to offer UNO MINDA 448,162 new shares at the same price of EUR 33.47 per share. FRIWO will therefore make use of a further portion of authorized capital to offer 448,162 new shares to UNO MINDA exclusively and exclude existing shareholders' subscription rights in doing so. This cash capital increase of EUR 15 million is subject to approval by the supervisory authorities, including the Reserve Bank of India.

The new ordinary shares from the two transactions equate to 9.99% of FRIWO's future share capital. Following the conclusion of the two transactions, Cardea Holding GmbH will hold 81.59% of the total share capital of FRIWO AG at that time. UNO MINDA's stake in FRIWO AG will then amount to 5.24%.

At the time annual financial statements and consolidated statements were being prepared, FRIWO reached agreement with the syndicate financing banks to extend the restructuring period and consequently the term of the loan agreement by a further year until the end of 2023. In the course of preparing this extension, FRIWO AG prepared a restructuring report, which confirms the Group's ability to be restructured and continue as a going concern if the positive earnings trend anticipated by the Management Board occurs.

Investments

At EUR 2.6 million, the Group's investment was down on the level of the previous year (EUR 3.1 million) in fiscal year 2021. Of this figure, EUR 1.0 million was used for the implementation of SAP software and EUR 1.6 million for property, plant and equipment.

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, property, plant and equipment at the production site in Germany accounted for 50.0%, while 49.0% went to Vietnam and 1.0% to the subsidiary in India.

Liquidity

Cash flow from operating activities amounted to EUR -17.7 million in the year under review after negative cash flow of EUR -3.1 million in the previous year. It therefore fell far short of expectations. Key factors here were negative operating earnings and the fact that more funds were tied up in building up inventories. In addition to the allocation of individual components with longer delivery times, this was largely due to the negative impact on production of the lockdown in Vietnam. This led to the fact that material ordered spent unusually long in store because it could not be installed as planned because capacity was so severely restricted.

Investing activities resulted in a cash outflow of EUR 2.6 million (2020: cash outflow of EUR 2.7 million).

Net cash flow amounted to EUR -20.3 million after net cash flow of EUR -5.8 million in the previous year.

Financing activities led to a total cash inflow of EUR 19.0 million (previous year: EUR 4.1 million). Shareholder loans of EUR 20.6 million are taken into account in this figure. As of December 31, 2021, the Group had cash and cash equivalents of EUR 2.9 million against cash and cash equivalents of EUR 4.2 million at the beginning of the year.

On the basis of the financing components secured and agreed in the previous year and if the agreed capital increase through a cash contribution from UNO MINDA Group is approved by the Indian Central Bank, liquidity is secured for 2022 and subsequent years.

Net Assets

As of December 31, 2021, the FRIWO Group's total assets came to EUR 75.7 million and were therefore EUR 14.4 million up on the figure on the same date in 2020 (EUR 61.3 million).

The value of non-current assets declined from EUR 19.4 million at the end of 2020 to EUR 17.4 million (10.3%) at the end of 2021.

At the previous year's closing date, intangible assets included the capitalized goodwill for the transformer factory in Vietnam of EUR 2.3 million. 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 led to an impairment charge of EUR 2.3 million. Apart from the impairment of capitalized goodwill, no further need to recognize impairment charges for other assets of cash generating units (CGUs) was identified.

Right-of-use assets from leases are also included, at EUR 2.5 million (previous year: EUR 2.1 million) and the deferral of deferred tax assets in the amount of EUR 4.1 million (previous year: EUR 4.5 million).

Total current assets increased to EUR 58.3 million (previous year: EUR 41.9 million). Inventories increased by 59.4% in the process to EUR 33.3 million (December 31, 2020: EUR 20.9 million). In addition to the allocation of individual components with longer delivery times, this was largely due to the negative impact on production of the lockdown in Vietnam. This led to the fact that material ordered spent unusually long in store because it could not be installed as planned because capacity was so severely restricted.

In gross terms, the FRIWO Group increased its inventories by EUR 13.4 million. The reduction in prepayments on inventories of EUR -1.0 million had the opposite effect. In the previous year, FRIWO had stocked a key electronic component to ensure its delivery capability, stocks of which were successively reduced over the course of 2021. The recognition of revenue over time in accordance with IFRS 15 affected inventories by EUR 0.2 million compared with the previous year.

Trade receivables increased to EUR 8.6 million (previous year’s closing date: EUR 4.1 million). This increase reflected higher business volume at the year-end compared with the weaker fourth quarter in the previous year and a reduced factoring ratio of 64.7% (previous year: 76.7%). The contract assets resulting from the recognition of revenue over time in accordance with IFRS 15 remained at the level of EUR 8.4 million.

At the end of the year, cash and cash equivalents stood at EUR 2.9 million (December 31, 2020: EUR 4.2 million).

On the liabilities side of the statement of financial position, the change in the FRIWO Group’s equity of EUR 13.6 million from EUR 4.8 million as of December 31, 2020 to EUR 9.0 million at the end of the reporting year was largely due to the consolidated loss (EUR -10.5 million) and the equity increase. The equity ratio increased accordingly year-on-year from 7.7% to 11.9%. The conversion of shareholders’ loans of EUR 13.6 million was reported as a special item in equity (contributions made to carry out the planned capital increase), since it was not recorded in the Commercial Register until January 2022.

Non-current liabilities decreased year-on-year to EUR 15.3 million at the end of 2021 (December 31, 2020: EUR 16.5 million). This was due to the shift of the non-current financing of EUR 9.4 million to current financial liabilities. In contrast to the reduction of EUR 9.4 million, the remaining increased shareholder loan of EUR 10.4 million (including accrued interest at the year-end) (previous year: EUR 2.7 million) is included in non-current liabilities. Non-current lease liabilities according to IFRS 16 increased to EUR 1.9 million (previous year: EUR 1.3 million).

Current liabilities increased by EUR 11.3 million year-on-year from EUR 40.1 million at the end of 2020 to EUR 51.4 million as of December 31, 2021. In the process, current financial liabilities increased by EUR 8.7 million to EUR 23.4 million largely through the reclassification from non-current financing (December 31, 2020: EUR 14.7 million). In contrast, current provisions decreased from EUR 4.1 million to EUR 0.1 million with the implementation of structural measures from the transformation program. AT EUR 20.1 million, trade payables were EUR 7.6 million up on the previous year’s level (EUR 12.5 million) primarily due to the significant reduction in inventories and higher business volume at the end of the reporting year than on the previous year’s closing date.

Working capital in relation to revenue came to 30.0% in the reporting year against 20.9% at the end of 2020.

Other current liabilities including other non-financial liabilities fell by EUR 0.9 million to EUR 6.2 million. In the previous year, this item included the deferral of import sales tax of EUR 2.4 million.

Overall, at the end of 2021, the Management Board assessed the Group’s earnings, net assets and financial position as strained but manageable, taking account of the joint venture with India’s UNO MINDA Group planned for the first quarter of 2022 and the planned equity increase through cash contribution for which approval from the Indian central bank is required.

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, which were up on the previous year’s level in 2021, largely due to higher consultancy fees.

Together with the negative investment income of EUR -7.4 million (previous year: EUR -4.8 million), FRIWO AG reported a result of EUR -9.7 million in the reporting year (previous year: EUR -6.0 million).

With the result carried forward from the previous year of EUR -21.3 million, the accumulated loss amounted to EUR -31.0 million.

In 2021, FRIWO AG raised further shareholder loans from Cardea Holding GmbH of EUR 20.6 million to finance its subsidiaries. Of this figure, EUR 13.6 million was converted into equity at the year-end in the course of a non-cash capital increase.

Total assets of FRIWO AG amounted to EUR 34.7 million (previous year: EUR 28.7 million). Equity increased from EUR 17.7 million to EUR 21.6 million. Due to the non-cash capital increase, the equity ratio of 62.2% matched the level of the previous year (previous year’s closing date: 61.7%).

In conclusion, in view of the loss for the year, the results of the company’s operations remained unsatisfactory.

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, 2021. The carrying amount was again confirmed on the closing date. Measurement was based on a current earnings forecast covering several years using the discounted cash flow method where assumptions and estimates were made about the future trend in revenue and results at FRIWO Gerätebau GmbH.

On the basis of the financing components secured and agreed in the previous year and if the agreed capital increase through a cash contribution from UNO MINDA Group is approved by the Indian Central Bank, liquidity is secured for 2022 and subsequent years.

Employees

Changes in the workforce
At the end of 2021, the FRIWO Group had 2,182 employees throughout the world (previous year’s closing date: 2,608). In Germany, 154 employees were involved in product development, production, sales and administration (previous year’s closing date: 200). At the closing date, this equated to 7.1% of the Group workforce (previous year’s closing date: 7.8%). The decline is a consequence of relocating part of the production to Vietnam and streamlining central functions as part of the transformation program initiated at the end of 2019. At the year-end, 2,028 people were working outside Germany (previous year’s closing date: 2,408), of whom 2,011 employees were at sites in Vietnam (previous year’s closing date: 2,394), 11 people in China (previous year’s closing date: 10) and 6 people at the subsidiary in India (previous year’s closing date: 4). Some employees returned to their hometowns during the lockdown in Vietnam. For a short period at the end of lockdown, when production was being ramped up, FRIWO increasingly fell back on temporary employees, who are not included in the personnel figures.

Advancing young talent
Training young people is just as much one of the core tasks of the FRIWO Group as is the search for qualified employees. On the 2021 closing date, the Group employed 16 apprentices and trainees (previous year: 15) in various fields such as mechanics, electronics, IT or in commerce. There was also one student on a combined vocational training and study course (2020: three). FRIWO also enabled several external students to write their bachelor’s or master’s theses in the company in fiscal year 2021. All students received extensive, practical induction training in their respective areas of responsibility. FRIWO employed some of these graduates when their finished their degrees. A round table was held for the first time in 2020 at which apprentices and trainees were given the option of discussing various topics with management and expressing their wishes and questions. This was repeated in 2021 and is to maintained.

Health management
Occupational health management is an important factor in reducing the costs caused by illness and improving employees’ well-being at work. Health management is therefore a vital task for FRIWO too. Additional measures to minimize absenteeism through an employee-focused system for reporting absences were taken in the reporting year. The focus was also concentrated on health promotion programs, on the subsidization of such measures, on better communication regarding health-related questions and coaching in coping with work. With regard to the COVID-19 pandemic, effective rules and changes were also retained in the labor organization in 2021. These included the obligation to wear face coverings, the reduction in the number of business trips, working from home wherever this was possible and staggered working hours. Dividing walls were also installed in offices and air filters purchased for heavily used rooms. Thus the number of people infected with coronavirus was kept to a minimum in Germany. In Vietnam, however, the number of people infected with coronavirus initially soared following lockdown but stabilized again towards the end of the year.

Since 2021, FRIWO has been offering employees in Ostbevern the option of using a company bicycle and this has been taken up by around 15% of the workforce.

HR development
FRIWO’s economic success is based not least on the commitment and expertise of its employees. In 2021, their participation in training was limited, as it was for managers, due to COVID-19. Nevertheless, the annual performance review took place as part of the discussions about the framework agreement on pay. At the beginning of the year, employees working in sales took part in a team-building exercise over two days aimed at boosting collaboration. FRIWO again carried out e-learning sessions to improve participants’ knowledge of English in all areas of the company. The management training course developed in 2020 was again postponed to 2022 because of COVID-19.

Organization of working hours
Against the backdrop of demographic change and changes to social legislation regarding pension levels and retirement ages, FRIWO had decided to invest in forward-looking concepts for organizing working lives flexibly. The long-term working account model introduced for this purpose in fiscal year 2016 will remain in place. A works agreement for working from home was concluded in 2021, which will apply regardless of the pandemic.

Environmental Report

With its environmental management system certified in accordance with DIN EN ISO 14001, FRIWO is committed to protecting the environment and the principle of sustainability at all its production sites. Environmental impacts and aspects are identified and systematically evaluated. Implementation of the resulting measures leads to continuous improvement and secures the development of our environmental management and compliance with the requirements of environmental legislation.

The European Directive 2011/65/EU “RoHS” (Restriction of certain Hazardous Substances) including the Delegated Directive EU 2015/863 (RoHS 3) stipulates that hazardous substances may not be used or used only to a limited extent in the processing and production of electrical and electronic equipment. The Directive is implemented in German law through the German Electrical and Electronic Equipment Act (Elektrogesetz - ElektroG), which governs the market launch, return and environmentally friendly 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. FRIWO complied with the legal requirements for the protection of people and the environment even before the introduction of the two European Directives.

The EU-Regulation 1907/2006 “REACH” (Registration, Evaluation, Authorisation and Restriction of Chemicals) stipulates the registration, evaluation, authorization and restriction of chemical substances. Annex II of the REACH Regulation was amended as of January 1, 2021 with the Regulation (EU) 2020/878. It contains the requirements for the preparation of safety data sheets for chemical substances based on Article 31 of the REACH Regulation. As a downstream user, FRIWO complies with all requirements imposed by the REACH Regulation. All FRIWO suppliers are therefore obliged to display all “Substances of Very High Concern” (SVHC) from the candidate list produced by the European Chemicals Agency (ECHA) in their products. In implementing the Regulation, FRIWO obtains the relevant REACH conformity certificates from its suppliers.

The United States Environmental Protection Agency (EPA) has specified the final rules of the Toxic Substances Control Act (TSCA) Section 6 (h), which came into law in March 2021. The sale of products that contain substances listed by the EPA is prohibited in the U.S.A. Their presence must be communicated along the supply chain similarly to the requirements of 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.

The European legal basis for placing batteries and rechargeable batteries on the market and for disposing thereof is provided by the Directive 2006/66/EC, which is implemented in national law through the German Battery Act (Batteriegesetz - BattG). In addition to stringent substance restrictions for the heavy metals mercury and cadmium, the Directive provides for all batteries ideally being collected separately and recycled. The first act to amend the German Battery Act came into effect on January 1, 2021; it obliges manufacturers of battery packs to register at Stiftung Elektro Altgeräte Register (EAR) with the respective brand and type of battery. FRIWO commissioned a certified return system for the registration and recovery of batteries in circulation in the reporting year.

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

The EU Ecodesign Directive (ErP Directive 2009/125/EC, Energy-related Products) defines environmentally specific requirements for the development of energy-using products. The adjustment of European limits to the U.S. standard was implemented with the Commission's Regulation (EU) 2019/1782 of October 1, 2019. Thereafter, the efficiency and standby losses of power supply units are subject to the same requirements in Europe as in the U.S.A. FRIWO has implemented these energy efficiency requirements and its products are still well below the specified limits.

Forecast

Macroeconomic Conditions

The coronavirus pandemic and supply bottlenecks will also determine the development of the global economy in 2022 and possibly beyond that. Contrary to previous assumptions, supply bottlenecks and shortages of materials have still not been resolved at the beginning of the year. According to information provided by the Munich-based ifo Institute, the proportion of companies that perceive a lack of materials to be inhibiting their production has in fact increased. On top of this, supply chains may be adversely affected by the Russia-Ukraine crisis. However, the experts see the opportunity to reduce the problems arising therefrom by adjusting production processes, the successive easing of the pandemic and by adjusting prices.

According to the ifo Institute, the noticeable inflationary pressures at the beginning of 2022 will ease as excess demand diminishes and will not compromise monetary policy significantly. Interest rates are not expected to rise in the U.S.A until the second half of 2022. In contrast, the experts at the European Central Bank (ECB) see no indications for raising interest rates.

The Munich-based Institute is forecasting that global GDP will rise by 4.4% in 2022 and 3.2% in 2023. It is forecasting growth rates of 3.9% (2022) and 3.0% (2023) for the eurozone. Accordingly, the German economy is expected to grow by 3.7% (2022) and 2.9% (2023).

Source:
ifo Institute, Economic Forecast Winter 2021, December 2021

Company-related Conditions

The FRIWO Group’s business development is again particularly dependent on external factors in 2022, in particular, from the ongoing global supply bottlenecks for electronic components, sharply increased commodity prices and limited freight and logistics capacity, over which the company has no or only very little influence. The fundamental growth drivers in the 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, development will depend on whether production will be restricted again through the future course of the COVID-19 pandemic and when the shortages of commodities, components and freight capacity will be resolved. Market experts do not expect any easing on international procurement markets until the second half of 2022. Wages are also expected to increase further at the Vietnam site. The future development in the exchange rate of the euro to the U.S. dollar also remains to be seen. On the other hand, after two years of the pandemic, customers will want to make up for the business they have lost and demand can be expected to pick up accordingly. The flourishing market for e-bikes and e-scooters throughout the world is expected to provide particular impetus.

Anticipated Business Development

The substantial order backlog at the end of 2021, the positive response by the market to FRIWO’s product offensive and the internal improvements that have been achieved provide a good basis for positive business development in 2022. The joint venture agreed with UNO MINDA to develop the Indian market for electrical two and three-wheel vehicles at the end of 2021 is also expected to start yielding positive results.

The tense situation on international procurement markets in the first quarter of 2022 and the future course of the COVID-19 pandemic plus the Russia-Ukraine crisis are the key risk factors for the Group’s business development.

If there are no further disruptions to business activity, if the substantial order backlog from 2021 can be reduced and if strong demand persists in all FRIWO’s application areas, the Management Board is assuming significant growth in consolidated revenue in the low to mid-double digit percentage range against fiscal year 2021 and a slightly positive Group EBIT for fiscal year 2022.

Risk Report

Risk Management

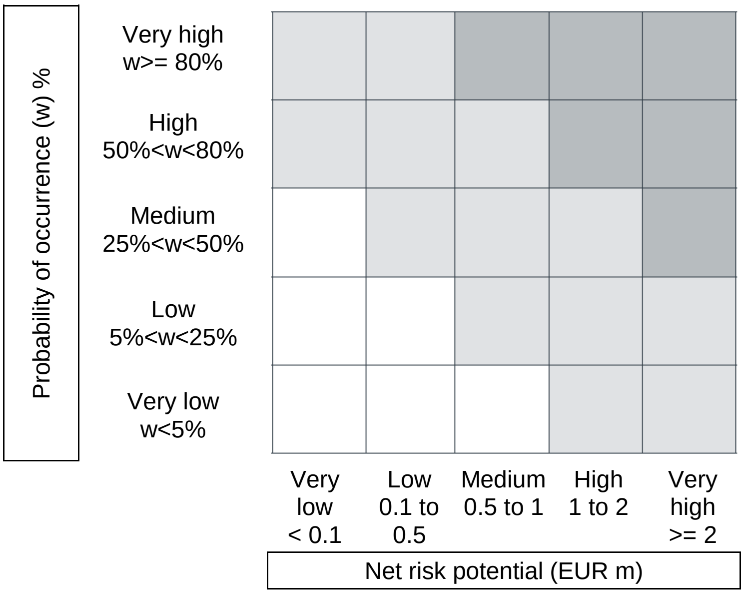
As an international company, FRIWO is exposed to a large number of specific risks with its business activities that may have an adverse impact on the Group's business development as well as its net assets, financial position and the results of its operations. Against this backdrop, a professional and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

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

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

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

Risk matrix



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

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

Risks that may have significantly negative effects on the FRIWO Group’s net assets, financial position and earnings are described below. The following 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 37 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 Types

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

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

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

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 COVID-19 pandemic had a negative impact on the business development of the FRIWO Group in 2021. Particularly impacted were procurement, production and sales. On the procurement side, FRIWO had to cope with bottlenecks in the supply of electronic components and also had difficulties accessing logistics and freight capacity. This led, firstly, to partial restrictions in production and in its ability to supply customers. Secondly, it incurred additional expenses from increases in the costs of material and freight rates. Furthermore, FRIWO had, where possible, to switch to alternative suppliers, components and processes when procuring materials and to increase inventories. Its primary objective was to prevent disruption to the supply chain and ensure it could meet its delivery dates to customers. This and higher freight rates lead to additional expenses of EUR 2.4 million in 2021.

Employees were infected with the COVID-19 virus at FRIWO sites, both in Germany and in Vietnam. In Germany, the few people affected were identified immediately meaning that there were no further infections. Employees' willingness to be vaccinated undoubtedly contributed to the small number of coronavirus outbreaks at the Ostbevern site. The stringent measures to prevent dissemination of the COVID-19 virus instigated at an early stage by the Vietnamese government had a positive impact at the largest production site in Vietnam for a long time. However, infection figures increased sharply towards the end of July 2021, with the result that the government imposed a strict lockdown throughout the south of the country.

At the end of July, the first cases of COVID-19 occurred at one of FRIWO's three sites in Vietnam where components and upstream products for FRIWO devices are produced. Subsequently, production was interrupted temporarily at this site, which in turn had a considerable impact on the Group's internal supply and service chains. To ensure that production was not disrupted in this period, FRIWO set up temporary overnight accommodation at the company site to accommodate FRIWO employees, who were not allowed to leave their place of residence because of the virus restrictions, at the production sites. If their work made it feasible, FRIWO also allowed employees to work from home. During this time, FRIWO offered vaccinations to all employees at the sites in Vietnam and achieved a vaccination rate of almost 100%. However, the number of people infected with coronavirus at the sites in Vietnam soared when production was ramped up again following lockdown but stabilized again towards the end of 2021.

FRIWO was unable to meet all its delivery dates in the fiscal year because of limited availability of materials, higher prices for materials and a shortage of logistics and production capacity resulting from the COVID-19 pandemic, which meant that confirmed orders had to be postponed during the year and, in some cases, into 2022. However, very few orders were postponed or canceled by customers. Through vigorous countermeasures aimed at reducing costs and boosting liquidity, FRIWO succeeded to a large extent in offsetting the negative impact.

The future negative impact of the pandemic cannot be reliably estimated for fiscal year 2022. The considerable ongoing restrictions affecting global supply and logistics chains may continue to have negative effects on procurement, production and delivery at FRIWO or on demand from FRIWO's customers. There is a risk that there will be delays in processing orders and that the company cannot guarantee that it will meet its delivery dates to its customers. In any case, the future course of business in the Group is fraught with considerable uncertainty, which cannot be influenced by FRIWO or influenced only to a very limited extent. Currently, in view of the negative impact of the COVID-19 pandemic, the net risk potential is assumed to be high with a medium probability of occurrence.

The current Ukraine-Russia crisis poses new challenges for the company.

However, a review of the risks shows that FRIWO is not currently exposed to any material risks since FRIWO does not have any direct business relationships with suppliers or customers in the countries mentioned and will therefore be only indirectly affected by possible delays in delivery chains. However, based on the information currently available, the resulting risk to FRIWO is not material.

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.

The transformation program for the FRIWO Group planned to relocate major parts of products, which were previously manufactured in Ostbevern and by contract manufacturers in Poland, to the FRIWO plants in Vietnam and to streamline cost structures in Ostbevern significantly by the end of 2021. Both the shifts in production between plants and the cost adjustment measures planned for 2021 have been implemented in their entirety in terms of both time and content.

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, it is not always possible to guarantee that an adequate production or delivery quantity is secure (whether in terms of quantity and/or quality), especially if a single supplier strategy is pursued in the case of critical components. In this case, delivery and supply bottlenecks might occur, which would have a negative impact on business development.

The shortage of key electrical components on the global market, as occurred again towards the end of 2020 and is still ongoing, 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 in these countries were significantly increased in 2021 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 regular wage increases at the production sites, which cannot be compensated for or can be compensated for only in part by increased productivity, will have to be dealt with in the future. 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.

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. The currency risk is thus minimized through 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

Some European countries are still suffering from a structural debt crisis, which has an adverse impact on financial markets. The spread of the COVID-19 virus and the repercussions of the pandemic on the global economy make it difficult to assess future developments. In 2021, the European Central Bank (ECB) continued the very expansionary money market policy that it has pursued for years. At the beginning of 2022, there were still no signs of any change to the ECB's zero and low interest rate policy. The German government also provided substantial amounts of financial aid and government guarantees during the coronavirus pandemic to ensure that companies and businesses had sufficient liquidity and funding. Despite these extensive government measures it is possible that banks will tighten their lending policies. This would lead to higher financing costs for borrowers and would restrict companies' financial room for maneuver. If the banking industry's restrictive lending policy continues over a longer period, it is possible that FRIWO would also be affected by this.

At the time the annual financial statements and consolidated financial statements were being prepared, FRIWO reached agreement with the syndicate financing banks to extend the term of the loan agreement until the end of 2023 and to adjust the covenant regarding EBITDA.

As part of the process for confirming that the FRIWO Group could be restructured, the restructuring consultant decided that the restructuring period (and consequently the term of the credit agreement) needed to be extended by one year until December 31, 2023 and the agreed covenants regarding adjusted EBITDA needed to be amended on the basis of the figures on which the updated report and the Group's forecast business development are based.

As of December 31, 2021, the agreed covenants regarding adjusted EBITDA were not complied with. Furthermore, on the basis of the updated figures examined by the restructuring consultant, it was clear that as a consequence of continuing rampant COVID-19 infection rates and the negative effects on the Group's revenue, the figure for adjusted EBITDA specified by the loan agreement at the respective closing date will still not be complied with from the first quarter of 2022.

The banks' approval is subject to the inflow of capital from the planned capital measure, the capital increase of EUR 15 million from the UNO MINDA Group, being paid to a FRIWO AG account maintained by the syndicate banks.

The capital increase has not yet taken place at the time the annual financial statements and consolidated financial statements are being prepared. However, from today's perspective, the legal representatives see nothing that would prevent the capital increase and consequently the extension of the syndicated loan agreement.

Nevertheless, there is considerable uncertainty at the time the financial statements are being prepared, which may cast significant doubt on the company's ability to continue as a going concern, making it a risk that could jeopardize its continued existence.

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

Interest-rate risks
The FRIWO Group's risk in 2021 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 2021. 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 24 and Note 37 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 ruled out.

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

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

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

It is countering the risk of logistical processes not being interlinked in the current ERP system by introducing the current SAP S/4HANA ERP system throughout the world in order to automate the entire process landscape permanently and to make it more efficient.

Opportunity Report

The Management Board is convinced that the global market for power supply units will open up attractive opportunities for growth over the coming years. Notwithstanding the problems caused by the COVID-19 pandemic 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 where technological requirements are high and customers respect FRIWO's outstanding technical expertise because it so obviously adds value.

FRIWO plans to increase market share in these segments by further developing its core areas of technical expertise. 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 these markets successfully. Having switched production from Germany to Vietnam, the company can make even better use of the cost benefits in Asia and thus increase its competitiveness. According to the market analyses available to FRIWO, the sub-markets for e-mobility, wireless power tools and garden devices as well as medical power supply units offer particular opportunities for growth. As part of its strategic development, FRIWO will also look at how its positioning with the four segments, tools, industry, medicine and e-mobility can be usefully developed in the medium and long term.

The transformation of FRIWO into a systems provider, which was initiated after the acquisition of Emerge-Engineering GmbH at the end of 2018 allows it to offer digitally controlled power supply and drive solutions from a single source. FRIWO sees particularly exciting opportunities in India, the most rapidly expanding growth market for electric bikes in Asia. The positive response to the market launch in India at the beginning of 2020 and the joint venture with the Indian automotive supplier UNO MINDA agreed at the end of 2021 offer good opportunities to exploit the vast market potential available on the sub-continent.

The uses of the new control software 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. FRIWO sees this strategic development as the opportunity to occupy an outstanding market position in the respective target markets which will have a positive impact on revenue growth, earnings and its competitiveness.

Opportunities may also emerge from FRIWO's business becoming increasingly international. In 2021, some 89.2% of Group revenue was attributable to Europe, although FRIWO products can be marketed throughout the world. The Management Board aspires to generate revenue from a far larger geographical area in the medium to long term. The U.S.A, Australia and the Asian market feature high on its list of priorities here. It also aims to expand its sales channels through new sales partners and distributors.

FRIWO is working constantly on expanding its range of services through intensive research and development, since this is what will differentiate it from its competitors and is thus a key factor in the Group's success. In the future, technological development will continue to focus on rapid charging systems to reduce charging times, high-power devices in the output range up to 2,500 watts and contactless (inductive) solutions. The aim is to develop its own innovations, in addition to customer-specific solutions, which set trends in the respective target markets and therefore offer significant marketing potential. The introduction of predevelopment, that is research and development services that do not have to be capitalized immediately but target "products for the day after tomorrow", in 2020 also supported this goal.

Overall assessment of the risk and opportunities situation of the Group

The current risk situation is seen as tense. Whether it is manageable or not depends strongly on the repercussions of the COVID-19 pandemic and the global shortages of material and logistics. The Management Board assumes that the necessary liquidity and financing can be secured and that the company will therefore continue as a going concern. However, according to the relevant current agreements, financing is dependent on the capital increase through a cash contribution from the UNO MINDA Group being approved by the Indian central bank. Against this backdrop, there is considerable uncertainty, which may cast significant doubt on the company’s ability to continue as a going concern.

Compared with the presentation on December 31, 2020, the overall opportunities position has changed insofar as the substantial order backlog at the end of 2021, the positive response by the market to FRIWO’s product offensive and the internal improvements that have been achieved provide a good basis for positive business development in 2022. The joint venture agreed with UNO MINDA to develop the Indian market for electrical two and three-wheel vehicles at the end of 2021 is also expected to yield positive results.

Description of the Internal Control and Risk Management System

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 old version) issued by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer in Deutschland e.V.). An internal control system therefore comprises the principles, processes and measures introduced by company management to support the organizational realization of management decisions. This entails

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

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

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

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

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

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

- Identification of material risk fields and control areas relevant for the Group accounting process,
- Checks to monitor the Group accounting process and their results at the level of the Management Board and at the level of the companies included in the consolidated financial statements,
- Preventive checks in the Group's finance and accounting department and in the companies included in the consolidated financial statements. These also include operational performance-related corporate processes, which generate essential information for the preparation of the consolidated financial statements including the Group management report, including a separation of functions and pre-defined approval processes in relevant areas,
- Measures to ensure the proper IT-supported processing of facts and data relating to financial reporting in the Group and its subsidiaries and
- Measures to monitor the internal control and risk management system relating to financial reporting.

Disclosures Required by Takeover Law

The disclosures required by takeover law pursuant to Section 289a (1) and Section 315a (1) HGB are presented below. 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 20.02 million and is divided into 7.7 million bearer shares with equal rights. A 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 fiscal year 2021, nor did it change in the previous 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% of the voting rights in the capital of FRIWO AG on December 31, 2021:

	Direct share of voting rights in %	Indirect share of voting rights in %
Cardea Holding GmbH, D-Grünwald	85.37	
VTC GmbH & Co. KG, D-Munich		85.37

The voting shares stated are voluntary disclosures by the shareholders on December 31, 2021. There may have been changes to these voting shares after the date stated, which did not have to be reported to the company. Since the company's shares are bearer shares, the company only becomes aware of changes to share ownership, in principle, if they are subject to disclosure requirements.

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

Pursuant to Article 4 (4) of the Articles of Association, the Management Board is authorized, with the approval of the Supervisory Board to increase the share capital by up to EUR 10.01 million by issuing new bearer shares against cash and/or non-cash contributions on one or more occasions (Authorized Capital) up to May 14, 2023. The Management Board may, with the approval of the Supervisory Board, exclude shareholders' subscription rights for certain purposes. The Management Board made use of the authorization in fiscal year 2021: as part of a non-cash contribution, where a part of the existing shareholder loans provided by VTC GmbH & Co. KG via its subsidiary Cardea Holding GmbH was converted into equity, the Management Board resolved, with the consent of the Supervisory Board, to increase the share capital of FRIWO AG by EUR 1.06 million through the issue of 406,334 new ordinary shares, making use of authorized capital and excluding shareholders' subscription rights. The capital measure had still not been recorded in the Commercial Register at the closing date and was therefore not yet effective in law (see too Note 27). Furthermore, on December 10, 2021, FRIWO AG resolved on an investment of EUR 15 million in FRIWO AG by means of a capital increase in connection with the joint venture agreement reached with UNO MINDA. FRIWO will therefore make use of a further portion of authorized capital to offer 448,162 new shares, which corresponds to a cash contribution of EUR 1.17 million, to UNO MINDA exclusively and exclude existing shareholders' subscription rights in doing so. This cash capital increase is subject to approval by the supervisory authorities, including the Reserve Bank of India (see Note 44 for more details).

Both transactions, the establishment of the joint venture and the cash capital increase had not yet been completed by the closing date.

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

Article 7(1) of the Articles of Association states that the Management Board of the company is composed of one or more persons. Appointment of deputy members of the Management Board, who have the same rights as the ordinary members of the Management Board when representing the company externally, is permissible.

According to Article 7 (2), the Supervisory Board both stipulates the number and appoints or revokes the appointment of ordinary Management Board members and deputy Management Board members. It can also nominate a member of the Management Board as Chairman and other Management Board members as deputy chairpersons. As of December 31, 2021, the company's Management Board consisted of one Management Board member. 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 significant agreement that is subject to the condition of a change of control as a result of a takeover bid. There are also no company's compensation agreements with members of the Management Board or with employees in the event of a takeover bid. Otherwise, please refer to the disclosures in the Remuneration Report.

Corporate Governance Statement

Declaration of Conformity in Accordance with Section 161 AktG

The Management Board and Supervisory Board of FRIWO AG declare in accordance with Section 161 AktG, that, since the declaration of conformity was last submitted in December 2020, the company has complied with and will comply the recommendations of the German Corporate Governance Code (GCGC) as amended on December 16, 2019 ("GCGC 2020") and published in the official Section of the Federal Gazette (Bundesanzeiger) on March 20, 2020 with the exceptions specified below:

1. Description of succession planning (recommendation B.2 of the GCGC 2020)

According to the recommendation in Section B.2 of the GCGC 2020, the Supervisory Board is to work with the Management Board to ensure that there is long-term succession planning in place; the approach taken is to be described in the Corporate Governance Statement.

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

A departure from the recommendation in Section B.2 of the GCGC 2020 is therefore declared.

2. Composition of the Management Board (recommendation B.5 of the GCGC 2020)

According to the recommendation in Section B.5 of the GCGC 2020, an age limit is to be set for Management Board members and specified in the Corporate Governance Statement.

The company's objective is always to engage the best managers. This may prove difficult for a small publicly listed company like FRIWO AG. For this reason, the Supervisory Board would like to retain the greatest possible room for maneuver when appointing Management Board members and has therefore, contrary to the recommendation B.5 in the GCGC 2020, 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 2020 is therefore declared.

3. Age limit for members of the Supervisory Board (recommendation C.2. of the GCGC 2020)

According to the recommendation in Section C.2 of the GCGC 2020, an age limit is to be set for Supervisory Board members and specified in the Corporate Governance Statement.

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

A departure from the recommendation in Section C.2 of the GCGC 2020 is therefore declared.

4. Elections to the Supervisory Board (recommendations C.13 and C.14 of the GCGC 2020)

According to the recommendation in Section C.13 of the GCGC 2020, the Supervisory Board is to disclose the personal and business relations of each candidate with the company, the executive bodies of the company and any significant shareholder in the company when proposing candidates for election to the Annual General Meeting.

The recommendation on disclosure is restricted to those circumstances that a shareholder making an objective judgment would, in the opinion of the Supervisory Board, view as crucial for his vote. Significant shareholders for the purposes of this recommendation are those who hold more than 10% of the company's voting shares, directly or indirectly.

According to the recommendation in Section C.14 of the GCGC 2020, a curriculum vitae is to be attached to the name of the proposed candidate, which provides information about relevant knowledge, skills and professional experience; this is to be supplemented by an overview of the key activities in addition to membership of the Supervisory Board and, having been updated once a year for all Supervisory Board members, be published on the company's website.

To date, the recommendation in Section C.13 and C.14 of the GCGC 2020 has not been complied with and will not be complied with either in the future. The recommendations do not match the company's shareholder structure and the costs associated therewith are not proportionate to shareholders' need for information. A departure from the recommendations in Section C.13 and C.14 of the GCGC 2020 is therefore declared.

5. Publication of the rules of procedure for the Supervisory Board (recommendation D.1 of the GCGC 2020)

According to Section D.1, clause 2 of the GCGC 2020, 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 2020 is therefore declared.

6. Formation of committees in the Supervisory Board (recommendations C.10, D.2, D.3, D.4 and D.5 of the GCGC 2020)

According to the recommendation in Section D.2 of the GCGC 2020, 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.5 of the GCGC 2020, the Supervisory Board is expected to form a Nomination Committee that consists solely of representatives of the shareholders and nominates suitable candidates to the Supervisory Board for it to propose to the Annual General Meeting for the election of Supervisory Board members.

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

Accordingly, no committees, in particular, no Nomination Committee, has been and will be formed in future either above and beyond the committees prescribed by law. Therefore departures from the GCGC 2020 are declared in this respect.

Section D.3 of the GCGC 2020 recommends that the Supervisory Board should set up an Audit Committee, which will – unless another committee or the plenary session is entrusted with this – deal, in particular, with the audit of the accounting, the monitoring of 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. In particular, the accounting comprises the consolidated financial statements and the Group management report (including CSR reporting), financial information during the year and the separate financial statements in accordance with HGB.

In accordance with Section D.4 of the German Corporate Governance Code 2020, the Chairman of the Audit Committee is to possess extensive knowledge and experience in the application of accounting principles and internal control processes, know the details of the audit and be independent. The Chairman of the Supervisory Board is not to chair the Audit Committee.

According to Section C.10 of the GCGC 2020, the Chairman of the Supervisory Board, the Chairman of the Audit Committee and the Chairman of the committee dealing with Management Board compensation are to be independent of the company and the Management Board. The Chairman of the Audit Committee is also to be independent of the controlling shareholder.

The company has not established an Audit Committee to date. An Audit Committee will be established at the end of 2021 to fulfill the legal requirements that provide for the establishment of an audit company since the German Act to Strengthen Financial Market Integrity and the amendment of Section 107 (4) AktG came into effect. The recommendation in Section D.3 of the GCGC 2020 will therefore be complied with in the future. At present, it is still not decided whether a blanket exclusion of the Chairman of the Supervisory Board and members, who are not independent, is envisaged. Since the Audit Committee has not yet been established and the decision about membership of the Audit Committee has not yet been reached, it is therefore not yet foreseeable whether the recommendations in Section C.10 and D.4 of the GCGC 2020 will be met.

A departure from the recommendation in Section C.10 and D.4 of the GCGC 2020 is therefore declared as a precautionary measure.

7. Collaboration with the auditor (recommendation D.11 of the GCGC 2020)

According to the recommendation in Section D.11 of the GCGC 2020, the Audit Committee should assess the quality of the audit of the financial statements on a regular basis.

As explained, there has been no Audit Committee so far. The quality of the audit of the financial statements was assessed by the Supervisory Board as a whole within the 2021 annual accounts meeting. The Audit Committee will assume this task in the future. For the past, a departure from Section D.10 of the GCGC 2020 is therefore declared as a precautionary measure.

8. Training and professional development measures for members of the Supervisory Board (recommendation D.12 of the GCGC 2020)

According to recommendation D.12 of the GCGC 2020, the company should provide members of the Supervisory Board with appropriate support on their appointment and during any training and professional development measures and report on any measures undertaken in the Report of the Supervisory Board.

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

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

9. Self-assessment of the Supervisory Board (recommendation D.13 of the GCGC 2020)

According to the recommendation in Section D.13 of the GCGC 2020, the Supervisory Board should regularly assess how effectively the Supervisory Board as a whole and its committees fulfill their tasks. The Supervisory Board is to report on whether and how the self-assessment was carried out in the corporate government statement.

As explained, no committees have been set up to date. 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.13 sentence 1 of the GCGC 2020 is therefore declared.

10. Remuneration system (recommendations G.1 to G.16 GCGC 2020)

As disclosed in the last declaration of conformity, the remuneration system of the Management Board did not comply with recommendations of G.1 to G.16 GCGC 2020, which came into effect last year, in some respects. The remuneration system of the Management Board was revised taking account of the new recommendations of the GCGC and approved by the Annual General Meeting on May 6, 2021. However, the remuneration system still departs from the recommendations of the GCGC 2020 in the following respects:

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

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

A departure from the recommendation in Section G.2 of the GCGC 2020 is therefore declared as a precautionary measure.

b) According to the recommendation in Section G.3 of the GCGC 2020*, 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 2020 is therefore declared.

c) According to the recommendation in Section G.10 of the GCGC 2020*, the variable remuneration granted to Management Board members is to be largely invested by them in the company's shares, taking account of the respective tax charge, or granted as a share-based payment. The Management Board member is only to be able to dispose of long-term variable amounts granted after four years.*

The remuneration system does not provide for the variable remuneration amounts granted being made as share-based payments.

Variable remuneration is paid in cash. Given the small amounts traded, any sale of the shares once the holding period had expired would probably affect the share price. The Supervisory Board does not therefore follow this recommendation of the GCGC 2020. A departure from the recommendation in Section G.10 of the GCGC 2020 is therefore declared.

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

The remuneration system does not provide for any regulation under which the company can ask for variable remuneration to be returned. In the opinion of the Supervisory Board, extraordinary developments are taken into account adequately in that variable remuneration is based on short-term and long-term business development. The system also provides for only half of long-term incentives being paid initially and only paid in full once there is a further increase in the value of the company. The Supervisory Board also considers the legal provisions of Section 87 (2) AktG, whereby the Supervisory Board is entitled to reduce all elements of remuneration including variable elements in the event of a deterioration in the company's economic position as sufficient to assert any claims for repayment. A departure from the recommendation in Section G.11 of the GCGC 2020 is therefore declared.

e) ***According to the recommendation in Section G.13 sentence 1 GCGC 2020****, payments to a Management Board member in the event of premature termination of their Management Board role must not exceed the value of their remuneration for two years (severance cap) and not compensate more than the remaining term of the contract of employment.*

The existing Management Board contract of employment does not state that the severance cap may not exceed the value of remuneration for two years. However, the obligation to pay variable remuneration in accordance with the rules of the contract will lapse pro rata temporis in such a case. Since a severance payment will not realistically come into question after the first day of the beginning of the existing term of the Management Board contract of employment and it would approximate the severance cap permissible under the GCGC after approximately three months because of the reduction to the fixed remuneration envisaged in the contract, the Supervisory Board does not consider an explicit regulation to be necessary. A departure from the recommendation in Section G.13 sentence 1 of the GCGC 2020 is therefore declared.

f) ***According to the recommendation in Section G.16 of the GCGC 2020****, the Supervisory Board is to decide whether and to what extent remuneration from Board members accepting seats on Supervisory Boards outside the Group is to offset against their remuneration from the company.*

The existing Management Board contract of employment states that the Management Board member may only engage in secondary employment if the Supervisory Board has previously given its consent in writing. However, it does not state explicitly that remuneration payments for accepting a seat on a supervisory board should be offset against the Board member's remuneration or that the Supervisory Board should decide on this. A departure from the recommendation in Section G16 of the GCGC 2020 is therefore declared.

Ostbevern, December 2021

Richard Ramsauer	Rolf Schwirz
Chairman of the Supervisory Board	CEO

Disclosures about Corporate Practices

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

Working Methods of the Management Board

The Management Board as the governing body of FRIWO AG consisted of one member as of December 31, 2021 and of two members up to April 30, 2021. The Management Board of FRIWO AG has had two members once more since March 1, 2022. The Management Board is committed to the company's interests and in this connection is guided by achieving a sustained increase in its value. It manages the business in accordance with the provisions of the law, the Articles of Association and the Rules of Procedure for the Management Board.

In 2021, the Management Board consisted solely of men. The Supervisory Board does not consider that gender is a characteristic that would particularly qualify a candidate, whether male or female, for a specific position and therefore disregards this criterion when selecting the most suitable candidate, whether male or female. When deciding on new appointments to the Management Board, applicants' qualifications should be considered primarily and not their gender. The Supervisory Board also based its specification of the targets for the proportion of women in the Management Board, which applied until December 31, 2026, on this principle.

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

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

If the Management Board consists of several members, they are jointly responsible for management. Nevertheless the individual members manage the areas assigned to them on their own responsibility. If the Management Board consists of several persons, the allocation of tasks to members of the Management Board is based on a written fixed allocation of responsibilities. The 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. Significant decisions are subject, through the catalog of transactions requiring approval, to the approval of the Supervisory Board. The Management Board and the Supervisory Board collaborate in a spirit of trust for the benefit of the company.

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

Working Methods of the Supervisory Board

The Supervisory Board of FRIWO AG has six members. In accordance with the German Act on One-Third Employee Participation in the Supervisory Board, two thirds of its members are representatives of the shareholders and one third are employee representatives. The shareholder representatives are elected by the Annual General Meeting, whereas the employee representatives are elected by the employees in an election process that is independent of the Annual General Meeting. 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.

A sufficient number of people on the Supervisory Board must be categorized as independent, since no member has material business or personal relations with the company or the Management Board, apart from in the capacity of shareholder or a close relationship with a shareholder of the company. Certainly, the current version of the German Corporate Governance Code (GCGC) stipulates new indicators for categorizing independence in Section C7. Here, it states, among other things, that a member of the Supervisory Board, who has been a member of the Board for more than twelve years cannot be categorized as independent, which has been the case in relation to Richard Ramsauer, who is also Chairman of the Supervisory Board, and Jürgen Leuze since 2020. However, in the opinion of the Supervisory Board, time spent as a member alone is not a suitable criterion for categorizing independence. Rather, criteria such as objectivity, sufficient distance and expertise are more important in ensuring that the Management Board is adequately monitored.

According to the expertise and requirements profile developed by the Supervisory Board, the Board has extensive knowledge of the sector, is characterized by significant international experience and skills thanks to the varied professional backgrounds of its members. It also fulfills the criterion diversity

in relation to age, educational and professional background and has the skills, expertise and experience necessary for the duties of the Supervisory Board.

The proportion of women in the Supervisory Board currently stands at zero. Nevertheless, it is possible that this will change with future changes in the Supervisory Board. 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. However, the Supervisory Board does not focus on gender but its guided primarily by candidates' knowledge and technical qualifications.

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. Significant decisions by the Management Board are subject to its approval.

The Supervisory Board has an Audit Committee, whose members are Jürgen Max Leuze (Chairman), Richard Georg Ramsauer and Dr. Gregor Matthies. 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.

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 pursuant to Section 87a (1) and (2) sentence 1 AktG and the last remuneration resolution pursuant to Section 113 (3) AktG are publicly accessible on the company's website at https://www.friwo.com/de/about/investor-relations/.

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

Report by the Management Board on Affiliated Companies

In its report on relations with affiliated companies in fiscal year 2021, the Management Board made the following declaration:

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

Non-financial Group Declaration

FRIWO AG has prepared a combined Non-financial Group Declaration for fiscal year 2021 in accordance with Section 315b (1) HGB. This declaration includes the following companies:

- FRIWO AG, Ostbevern, Germany
- FRIWO Gerätebau GmbH, Ostbevern, Germany
- FRIWO Vietnam Co. Ltd., Bien Hoa City, Vietnam
- FRIWO Power Solutions Technology (ShenZhen) Co. Ltd., Shenzhen, China
- FRIEMANN & WOLF INDIA PRIVATE LIMITED, Bangalore, Karnataka, India

The company opted not to have the Non-financial Group Declaration audited by the auditor.

In preparing the Non-financial Group Declaration, FRIWO was guided by the requirements of the German Sustainability Code (GSC), in particular, the description of concepts and the presentation of various key performance indicators (KPIs). In the process, the set of indicators specified by the requirements of the Global Reporting Initiative (GRI) was chosen.

The FRIWO Group’s business activities
With its subsidiaries, FRIWO AG is a leading manufacturer of high-quality charging units, power supply units, battery packs and digitally controlled drive solutions. The FRIWO Group’s business model is described in detail in the section “Basic information on the Group”.

Definition of the Material Non-financial Topics and Risks

FRIWO's understanding of sustainability
For FRIWO, sustainable management means taking account of all perspectives of sustainability when directing its entrepreneurial activities. As a listed company, FRIWO seeks to achieve profitable growth that reduces the utilization of resources and negative impact on the environment to a minimum and, in doing so, takes the greatest possible account of employees' concerns. Its strategic direction is focused on the four cornerstones of product efficiency, protecting the environment, entrepreneurial integrity and the promotion of employees.

FRIWO's detailed understanding of sustainability is publicly accessible on the Internet at the following address: https://www.friwo.com/de/about/unsere-philosophie/.

Process for preparing the non-financial declaration
For the preparation of the Non-financial Group Declaration, FRIWO went through an internal process in the fiscal year to analyze and assess relevant sustainability topics with regard to the legal requirements applicable to them. In the process, no fundamental changes compared with the previous year were identified for the key CSR topics, action fields and their potential risks.

Definition of the material CSR topics and action fields
The five overarching CSR topics, governance, environment, employees, product (product efficiency and supply chain) and society are still to be found in a materiality matrix. The topic society was of downstream relevance both for stakeholders and FRIWO's business activities in the fiscal year too.

The topics were transferred into the following action fields, which are described in detail in the individual sections.

Material topics for FRIWO	**Derived action fields**
Governance	Compliance
Environment and product efficiency (subsection of the product topic)	Environmental concerns Employee concerns
Employees	
Downstream topics for FRIWO	**Derived action fields**
Society	Social responsibility and community
Supply chain (subsection of the product supply chain topic)	Human rights

Definition of principal risks
The Group's business activities should have a positive impact on CSR topics and minimize associated risks. In particular, FRIWO addresses risks systematically and sustainably with various management approaches in the principal action fields.

A multistage process was used to define the principal risks. Taking account of the business model, product range and regional positioning, possible risks associated with the action fields were established. Discussions with the specialist departments ultimately led to a final description and initial assessment of the risks (gross assessment). Taking account of existing measures to avoid these risks, another assessment was undertaken to evaluate the remaining risk (net assessment).

The conclusion reached was that there are no material net risks that are associated with FRIWO's business activities and that very probably have or will have seriously negative impacts on the aspects mentioned in Section 289c (2) HGB (environmental concerns, employee concerns, social concerns, respect for human rights and combating corruption and bribery). There are also no material net risks that are associated with FRIWO's business relationships or FRIWO's products and that very probably have or will have seriously negative impacts on the aspects mentioned in Section 289c (2) HGB.

FRIWO's sustainability program

The following program was developed to develop and systematize sustainability-related activities.

GSC Section	GSC criterion	Measure	Timescale	Status
Strategy	Depth of the value chain	Extension of the value chain	Current	FRIWO is evolving from a pure-play product provider into a product and systems provider.
Process management	Control	Improvement in the data capture system and the quality of the data for sustainability indicators	Current	Data quality is improving steadily, successive expansion of CO_2 recording, CO_2 conversion factors were adjusted in the reporting year. The Indian company will be included in the data capture process in 2022.
	Stakeholder participation	Development of a methodical approach for stakeholder dialog, which comprises all stakeholders in all locations.	12/2022	Timescale was postponed from 12/2021 to 12/2022. Actions were still not implemented in the reporting year.
Environment	Climate relevant emissions	Reduction of 3% by 2022	12/2022	As of 12/2020 Ø 151 CO_2 g/km As of 12/2021 Ø 135 CO_2 g/km (estimates based on WLTP values)
		Reduction in the relative consumption of structural engineering materials by 2% by 2020; reduction in water consumption by 1% by 2020; reduction in relative energy consumption by 2% by 2020 (at the Ostbevern site); reduction in residual waste by 5% by 2020	12/2022	The savings were achieved by 2020. No additional reduction in the areas mentioned were achieved due to production increases and adjustments to the production strategy.
Society	Human rights	Improvement in the concept, which includes suppliers long-term.	Current	Raising awareness in the Purchasing department of the topic of human rights in the procurement process, FRIWO is starting to adapt to the new legal requirements and to prepare concepts.
	Compliance with the law and regulations	Carry out and develop compliance training across the Group.	Current	Further development of a Group-wide compliance management system

Strategy

Depth of the value chain
The relevance of sustainability topics for the supply chain is increasing due to the company's increasingly international focus with companies in Vietnam, China and India.

Overall, FRIWO can influence the early stages of the supply chain only indirectly, as the components to produce the end products are manufactured by third parties. However, FRIWO can actively influence certain risks in the production process and largely exclude them. For instance, new suppliers go through a qualification process before they can be approved for the purchase of materials or services. In addition to completing a self-disclosure questionnaire, this qualification process also includes an on-site audit for specific components. Suppliers must comply with their due diligence obligations on the basis of the FRIWO Code of Conduct for Suppliers.

Process Management

The development and implementation of CSR is a centrally managed process at FRIWO, which is coordinated and monitored by the Controlling department. In this connection, Controlling reports directly to the Management Board and together with the Board and the representative for legal matters forms the Steering Committee. It also informs the individual locations of conceptual changes and innovations. Those with overall responsibility are supported by people with specialist responsibilities from the respective CSR action fields. Managers from Vietnam and China are also represented here.

FRIWO communicates the rules and processes for managing sustainability in the Intranet to the individual topic areas and through a Group-wide CSR reporting system.

Control
FRIWO manages and controls the key action fields via non-financial performance indicators. These indicators can be found at the end of the Non-financial Report in the key figures overview. The persons responsible inform the Management Board about the results on an ad hoc basis when there are special grounds for doing so. The data capture system for sustainability indicators has been expanded and automated for all locations meaning consistency of the indicators is secured.

Stakeholder participation
FRIWO is open to discussing issues with all stakeholders. The company analyzes key stakeholders, when required, and identifies their expectations. Shareholders, employees, customers, suppliers and the regional environment in which the Group operates are considered as relevant stakeholders. There are currently still no established processes for discussing issues with the stakeholders. Interested parties can send their concerns to the following e-mail address: csr@friwo.com.

Incentive systems
Sustainability targets are not taken into consideration when agreeing targets with our managers. General information on remuneration policy can be found in the Remuneration Report included in the annual report.

Environmental Considerations

For FRIWO, protection of the environment is a matter of importance along the entire value chain. As a manufacturing company, the Group impacts the environment indirectly and directly, including through the consumption of resources and the use of environmentally harmful materials. It aims to reduce these negative impacts of its business activities in a targeted manner to treat the environment with care and to counter the risks associated therewith for FRIWO.

A key starting point for FRIWO as a processing company is the development of innovative, highly efficient and consequently environmentally-friendly products. Thus, with its business, FRIWO makes an indirect contribution to conserving resources.

When choosing suppliers, FRIWO takes account of whether the supplied components are compliant with the REACH regulation and the RoHS Directive (see section “Environmental report”). Results of supplier audits are also included in this selection process. Waste is also generated from its own business activities with which FRIWO deals in compliance with the law. For example, the concept for dealing with waste at the site in Ostbevern was further optimized in the reporting year.

In terms of protecting the environment, the relevant laws for FRIWO are, in particular, the Ecodesign Directive, the REACH regulation and the RoHS Directive as well as the EU’s Directive on Waste of Electrical and Electronic Equipment (WEEE). On the product side, FRIWO follows the Low Voltage Directive and the more stringent U.S. energy efficiency requirements for external power supply units in accordance with DOE Level VI. These specify the world’s strictest energy requirements. Compliance with the requirements is ensured and constantly improved through design and sample testing in production.

With its environmental management system certified in accordance with DIN EN ISO 14001, FRIWO pursues an overarching management approach at all production sites.

The company concentrates on the areas of the product life cycle that can be significantly influenced. The greatest potential impact lies in reducing the emissions generated when the power supply units and charging units are being used. This aspect is therefore considered, in particular, in research and development. In principle, FRIWO strives to use green, environmentally-friendly packaging, such as returnable or reusable packaging.

To reduce the environmental impact that arises in the wake of business activities, FRIWO vigorously strives to reduce its energy requirement, as this goes hand in hand with reducing emissions and also production costs. From fiscal year 2021, the Ostbevern site has been purchasing green electricity from the local energy supplier, meaning that the majority of CO_2 emissions – caused by the consumption of electricity – will be avoided. The total electricity consumed by the FRIWO Group shown in the following key figures overview has increased, which is due to higher quantities of devices being produced in Vietnam. The significant increase in water consumed also occurred in Vietnam as a result of the consequences of the national lockdown. To ensure that production was not disrupted in this period, FRIWO set up temporary overnight accommodation at the company site to accommodate FRIWO employees. In total, emissions increased significantly in the reporting year, since, unlike 2020, business trips restarted and production in Vietnam was stepped up. In Ostbevern, FRIWO pressed ahead with the electrification of the fleet of company vehicles. As a result, additional charging options were installed on the premises. In 2022, more vehicles were converted to hybrid drives.

Each employee at FRIWO is responsible for carrying out measures to protect the environment. Implementation of the environmentally relevant management systems is managed and controlled on a decentralized basis. The Environmental Officer is responsible for this and keeps the Management Board informed about developments once a year. In Vietnam, an Environmental Officer is also responsible for the location’s environmental concerns and reports these to the General Manager on site. In addition, an Environmental Committee at every manufacturing location develops proposals to improve the business’s environmental performance twice a year.

In the reporting year, no breaches of the law occurred in the FRIWO Group and there were no fines for environment-related issues.

Disclosures on “environmentally sustainable” revenue, investments and operating expenses
In accordance with the EU’s Taxonomy Regulation, FRIWO disclosed the proportion of revenue, of investment and operating expenses associated with environmentally sustainable economic activities that are consistent with the criteria of the EU’s taxonomy for the first time in fiscal year 2021.

In a first step for fiscal year 2021, this entails the revenue, investments (capex) and operating expenses (opex) associated with the activities that make a considerable contribution to achieving objectives 1 (climate change mitigation) and 2 (climate change adaptation) and do not significantly compromise the achievement of other environmental and social objectives.

From fiscal year 2022, the analysis of business activities will also be extended to include compliance with the Taxonomy for environmental objectives 3 (Sustainable use and protection of water and marine resources), 4 (Transition to a circular economy), 5 (Pollution prevention and control) and 6 (Protection and restoration of biodiversity and ecosystems).

The FRIWO Group cannot yet make a valid statement on revenue figures, capex and opex with regard to an “environmentally sustainable” classification for fiscal year 2021. In fact, FRIWO tries to make a contribution to a more climate neutral society in many respects. For instance, efficient charging units help bring renewable energies to end consumers. Charging devices for e-mobility solutions will become even more important with the mobility revolution in the future. Especially for the manufacture of technical devices that are produced in significant quantities, thought must be given to making recycling more consistent (objective 4: transition to a circular economy). A general offer to repair all products could provide a starting point here. FRIWO is aware that resources are finite and this is why raw materials, such as rare earths, must be dealt with even more carefully. It also needs to think about revising its administrative processes. In future, investments will be examined to determine the extent to which they can make a contribution to climate change mitigation (objective 1) and to climate change adaptation (objective 2). The globalized global economy means that international transport networks are normal. Nevertheless, ways to compensate for CO_2 emissions must be found here (objective 5: pollution prevention and control). The Group is already trying to minimize the consumption of raw materials by using returnable and reusable packaging. In the future, these business activities are to be recorded in more detail and classified using the EU Taxonomy Regulation.

The following “environmentally sustainable” revenue, opex and capex by the FRIWO Group which have been recorded to date can be shown (share as a percentage of the total value):

	2021
Revenue	0%
Opex	0%
Capex	0%

Employee Considerations

Employees are a crucial factor for the development of innovative products and for FRIWO’s economic success. The company has a direct impact on the working environment and employees’ opportunities for development as well as on their safety, health and wellbeing. Health protection is of considerable importance, particularly in the times of the COVID-19 pandemic. FRIWO organized vaccinations for its entire workforce both in Europe and in Asia and took measures to protect its employees above and beyond those required by law.

FRIWO takes employee concerns seriously but can exercise influence only to a limited degree, particularly in relation to suppliers. More attention is to be made to this topic at FRIWO within the framework of the German Supply Chain Act in the future.

FRIWO respects employee rights and, in particular, supports freedom from discrimination and employees’ freedom of association with various measures.

With regard to the General Act on Equal Treatment, the company offers a working environment that is characterized by equality of opportunity. In recent years, there were no complaints about breaches of the General Act on Equal Treatment.

Employees' occupational health and safety is a particular concern for FRIWO. Specific preventive and follow-up care measures are provided at the locations. Particularly in the course of the COVID-19 pandemic, the company made it easy for employees to work from home and found individual solutions.

In principle, national legislation establishes mandatory conditions for FRIWO's conduct towards its employees. Compliance with these laws of relevance to employees is self-evident for FRIWO.

Generally, the respective Human Resources department monitors fulfillment of the employer's legal obligations. In Germany, they find out about new developments in regular seminars organized by the employer association and receive support from external attorneys if applicable. In particular, the employee representation bodies and the officer responsible ensure that employees have effective legal protection in accordance with the General Act on Equal Treatment.

FRIWO pursues location-specific concepts to fulfill the legal requirements. Measures are tailored to local conditions but pursue a uniform objective: guaranteeing safety and health, freedom from discrimination, equality of opportunity and personal development for all employees.

The management, Works Council, the representative body for severely disabled employees and the representative body for young people and apprentices at the Ostbevern site work closely together. This is coupled with the commitment to create equality of opportunity between men and women. FRIWO's employees at all FRIWO locations are paid in accordance with their job description regardless of their gender.

To guarantee employees' health and safety, there is an Occupational Health and Safety Committee at the Ostbevern site and a Health and Safety Officer in Ho Chi Minh City. FRIWO also offers an active health management program. Other preventive health protection offers include subsidies for health promotion measures and improved health communication and for coaching in coping with work. The smooth resumption of work after sickness is secured with the company integration management.

Well trained employees are a major guarantee at all our locations that FRIWO can continuously demonstrate innovations and efficiency gains. Fair treatment of all employees is therefore more than a matter of course for FRIWO – it is a factor in its success. Company training programs, payment based solely on one's job description and fair opportunities for advancement are examples of measures implemented by FRIWO.

Human Rights

Respect for human rights and a refusal to tolerate breaches of these rights is part of FRIWO's self-image. However, international networking with suppliers and business partners plus its business activities always pose the risk of breaching human rights directly or indirectly.

According to the materiality and risk analysis, the topic of human rights is not material to business activities. By complying with the relevant acts and applying FRIWO-specific individual measures, breaches of human rights can largely be excluded. In line with this assessment, there are no due diligence processes. Nevertheless, a summary of the efforts to avoid breaches of human rights is provided below.

Direct breaches of human rights may potentially occur within the company. The Management Board sees it as part of its duty of care to design this environment in such a way that tolerance and equal treatment of all FRIWO employees is guaranteed.

Indirect breaches of human rights may also potentially occur outside the company, i.e. in supply chains at business partners and suppliers.

They may, for example involve child labor or other breaches that may go hand in hand with the extraction and processing of raw materials.

FRIWO uses product components that contain rare earths. Some of these conflict minerals, as they are called, are extracted in politically unstable regions of Africa and are associated with humanitarian abuses, violence and environmental devastation. FRIWO condemns these circumstances characterized by breaches of human rights in the countries of origin of the raw materials and asks all suppliers to provide complete conflict minerals reports within the EICC/GeSI “Conflict Minerals Report” template every year.

FRIWO pursues various individual measures to fulfill its duty of care.

The Code of Conduct for Suppliers is the key measure to limit the risk of breaches of human rights in the upstream value chain. This obliges suppliers to comply with the laws, to respect employees’ basic rights and to refrain from child labor. The Code of Conduct is supplemented by a questionnaire on the topics of social responsibility, logistics, cooperation, quality assurance and environmental management, which was extended – as decided in the sustainability program. FRIWO’s Vice President Global Procurement is responsible for managing and controlling measures to avoid breaches of human rights in the supply chain centrally. He coordinates activities within the opportunities given in such a way that no material risks of indirect and direct breaches of human rights remain.

In fiscal year 2021, FRIWO was not aware of any breaches of human rights directly or indirectly associated with the company throughout the world.

Compliance with the Law and Regulations

Social responsibility/community
FRIWO wants to have a positive influence on the community. Compared with other areas of activity, however, commitment to society is viewed as less of a priority, as it is only indirectly linked to its core business.

By complying with relevant laws and through individual activities, risks in the area of social responsibility can generally be excluded meaning that due diligence processes and overarching concepts are not required.

Compliance
FRIWO wishes to be a reliable and responsible partner for its stakeholders. Business partners and the municipalities in which the company operates expect it to comply with the law at all times. As a global company, FRIWO must also respect prohibitions and licensing requirements imposed by foreign trade regulations.

In countries in which corruption is widespread, in particular, the Group’s international business activities pose the risk of illegal business practices. Particularly the areas of governance, procurement and sales may be exposed to the risk of such breaches through the direct link to the difficult tasks of negotiating tenders, awarding contracts and accounting for orders. Dishonest conduct may occur both within the company and in the upstream value chain in dealing with customers, suppliers or authorities. To live up to its understanding as a business partner of integrity at all times and to exclude penalties and reputational damage, FRIWO adopts the following preventive measures, in particular:

Political influence emanating from FRIWO’s employees and managers or affecting FRIWO is unacceptable. Measures to prevent corruption and bribery are in place to rule out this type of influence reciprocally.

It is also essential for business activities that the conduct of employees and managers complies with the law and regulations. FRIWO observes country-specific trade restrictions as well as bans and licensing requirements imposed by foreign trade regulations.

Compliance with laws with reference to the topic integrity and compliance is natural for FRIWO. As a responsible company, we comply with our duty of care and accountability – both internally and vis-à-vis the legislator and the public in general. The management of FRIWO therefore takes the prevention of corruption, bribery and other dishonest business practices in the Group as a whole very seriously and pursues a preventative approach.

FRIWO can address breaches of compliance and the law in the upstream stages of the value chain only indirectly and cannot entirely rule them out. FRIWO uses country-specific codes of conduct to comply with legal requirements and cross-site policies to regulate critical topics internally. The codes and policies provide the basis for employees' actions and are accessible to users at all times.

Generally, managers are responsible for mediating the compliance rules to their employees. Each employee is responsible for implementing the requirements. Decisions for all areas in which transactions involving an obligation are entered into or risks are assumed are also checked consistently in accordance with the dual-control principle.

FRIWO undertakes internal audits with regard to applicable legal provisions and official requirements. Annual controls also take place at the sites in Asia to ensure compliance with the compliance regulations.

The Compliance Officer reviews activities on a cross-site basis. He is responsible for consolidating the location-specific information and implementation in this area and reports regularly to the Management Board. For foreign trade matters, FRIWO has a global external consultant responsible for customs matters and internally a person responsible for foreign trade.

Employees of FRIWO can report indications of breaches of the law in confidence to the Compliance Officer via the e-mail address compliance@friwo.com and seek advice on questions regarding the Code of Conduct. All employees and outsiders also have access to a web-based whistleblower system in addition to the established reporting systems.

There were neither breaches of the law nor fines in relation to bribery, corruption or other dishonest practices in 2021.

The way in which the Group deals with compliance issues is to be standardized across the sites in the future.

Key Figures Overview

	GRI indicator	Unit	2021	2020
Units sold		Million units	9.4	8.4
Environment				
Total energy consumption	SRS 302-1	MWh	9,119	7,619
Electricity	SRS 302-1	MWh	7,816	6,542
Heating oil	SRS 302-1	MWh/t	1,302	1,076
Change in energy consumption	SRS 302-4	%	+16	+10
CO_2 direct	SRS 305-1	t	362	299
CO_2 indirect	SRS 305-2	t	6,088	3,693
CO_2 total	SRS 305-3	t	6,450	3,992
Water consumption	SRS 303-1	cbm	58,884	27,593
Total waste volume	SRS 306-2	t	203	246
Employees (December 31)			2,182	2,608
Average age	SRS 405-1		29	29
<30 years	SRS 405-1	Number	1,303	1,631
30 to 50 years	SRS 405-1	Number	814	882
> 50 years	SRS 405-1	Number	65	95
Proportion of women	SRS 405-1	%	55	55
Disabled employees	SRS 405-1	Number	6	6
Accidents	SRS 403-2	Number	4	4
Violations of the Act on Equal Treatment	SRS 406-1	Number	0	0
Society				
Donations	SRS 201-1	EUR	720	1,200
Compliance				
Proven cases of corruption	SRS 205-3	Number	0	0

Ostbevern, March 25, 2022

The Management Board

Rolf Schwirz
CEO

Tobias Tunsch
Management Board member

Consolidated Financial Statements

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Consolidated Income Statement

for fiscal year 2021

in EUR thou	Notes	**2021**	**2020**
Revenue	(11)	**100,546**	**99,356**
Cost of sales		-95,979	-92,425
Gross profit		**4,567**	**6,931**
Selling expenses	(12)	-3,672	-3,879
General administration expenses	(13)	-8,204	-6,456
Other operating expenses	(14)	-2,934	-3,460
Other operating income	(14)	4,622	3,015
Goodwill impairment	(21)	-2,350	0
Earnings before interest and taxes (EBIT)		**-7,971**	**-3,849**
Interest income	(15)	2	0
Interest cost	(15)	-2,181	-1,374
Earnings before taxes (PBT)		**-10,150**	**-5,223**
Income taxes	(16)	-400	-287
Consolidated net income		**-10,550**	**-5,510**
Earnings per share (basic and diluted) (in EUR)	**(17)**	**-1.37**	**-0.72**

Consolidated Statement of Comprehensive Income

for fiscal year 2021

in EUR thou	Notes	**2021**	**2020**
Consolidated net income		**-10,550**	**-5,510**
Remeasurement of net liability		-54	-33
from defined benefit plans	(28)		
Deferred tax	(16)	16	10
Net result from the change in the net liability from defined benefit plans		**-38**	**-23**
Total changes in value recognized in other comprehensive income not subsequently reclassified to the income statement		**-38**	**-23**
Gains / losses from the translation of foreign operations		**1,209**	**-646**
Total changes in value recognized in other comprehensive income which may subsequently be reclassified to the income statement if certain conditions are met		**1,209**	**-646**
Total changes in value recognized in other comprehensive income		**1,171**	**-669**
Total comprehensive Income		**-9,379**	**-6,179**

Consolidated Statement of Cash Flows

for fiscal year 2021

in EUR thou	Notes	**2021**	**2020**
Consolidated net income		**-10,550**	**-5,510**
Tax expenses/income recognized in profit or loss	(16)	400	287
Net interest recognized in profit or loss	(15)	2,179	1,373
Depreciation and amortization	(21)(22)	3,886	4,245
Goodwill impairment	(21)	2,350	0
Change in provisions	(28)(29)	-4,175	-4,884
Result from the disposal of fixed assets	(14)	1	-16
Changes in inventories	(23)	-12,419	1,383
Change in trade receivables and other assets not attributable to investing or financing activities	(24)(25)	-5,452	-3,073
Change in trade payables and other liabilities not attributable to investing or financing activities	(33)(34)(35)	6,747	4,506
Interest paid		-1,423	-1,264
Interest received		2	0
Income tax paid/received		152	-108
Other non-cash effects		565	-35
Cash flow from operating activities		**-17,737**	**-3,096**
Proceeds from disposals of property, plant and equipment/intangible assets		28	404
Payments for investments in intangible assets	(21)	-1,081	-499
Payments for investments in property, plant and equipment	(21)	-1,530	-2,575
Cash flow from investing activities		**-2,583**	**-2,670**
Taking up shareholder loans	(31)	20,600	2,722
Taking up non-current liabilities to banks	(30)	0	8,782
Repayment of current liabilities to banks (net)	(30)	-723	-6,498
Repayment of lease liabilities	(32)	-887	-892
Cash flow from financing activities		**18,990**	**4,114**
Net change in cash and cash equivalents		**-1,330**	**-1,652**
Cash and cash equivalents at the beginning of the year	(26)	4,203	5,855
Cash and cash equivalents at the end of the year	**(26)**	**2,873**	**4,203**

Consolidated Statement of Financial Position

as of December 31, 2021

Assets

in EUR thou	Notes	Dec. 31, 2021	Dec. 31, 2020
Non-current assets			
Goodwill	(21)	153	2,286
Other intangible assets	(21)	2,303	1,654
Property, plant and equipment	(21)	8,271	8,894
Right-of-use assets from leases	(22)	2,538	2,090
Deferred tax	(16)	4,124	4,510
		17,389	**19,434**
Current assets			
Inventories	(23)	33,309	20,890
Trade receivables	(24)	8,587	4,114
Contract assets	(24)	8,409	8,385
Other financial assets	(25)	2,598	1,876
Income tax receivables		0	121
Other non-financial assets	(25)	2,524	2,310
Cash and cash equivalents	(26)	2,873	4,203
		58,300	**41,899**
Total assets		**75,689**	**61,333**

Equity and liabilities

in EUR thou	Notes	**Dec. 31, 2021**	**Dec. 31, 2020**
Equity	(27)		
Subscribed capital		20,020	20,020
Capital reserves		2,002	2,002
Contributions made to carry out the planned capital increase		13,600	0
Revenue reserves		-27,085	-16,497
Other reserves		436	-773
		8,973	**4,752**
Non-current liabilities			
Shareholder loans	(31)	10,457	2,722
Non-current liabilities to banks	(30)	0	9,382
Non-current lease liabilities	(32)	1,875	1,306
Provisions for pensions	(28)	2,776	2,899
Other non-current provisions	(29)	143	143
		15,251	**16,452**
Current liabilities			
Other current provisions	(29)	894	4,868
Current liabilities to banks	(30)	23,352	14,693
Current lease liabilities	(32)	765	870
Trade payables	(33)	19,953	12,352
Contract liabilities	(24)	250	235
Other financial liabilities	(34)	4,763	6,053
Income tax liabilities		38	10
Other non-financial liabilities	(35)	1,450	1,048
		51,465	**40,129**
Liabilities		**66,716**	**56,581**
Total liabilities		**75,689**	**61,333**

Consolidated Statement of Changes in Equity

for fiscal year 2021

				Revenue reserves		Other reserves	
in EUR thou	**Subscribed capital**	**Capital reserves**	to carry out the planned	Other revenue reserves	Remeasurement of defined benefit pension plans	Currency translation	**Total equity**
As of Jan. 1, 2020	**20,020**	**2,002**	**0**	**-9,753**	**-1,211**	**-127**	**10,931**
Consolidated net income				-5,510			**-5,510**
Other consolidated comprehensive income					-23	-646	**-669**
Total comprehensive Income				**-5,510**	**-23**	**-646**	**-6,179**
As of Dec. 31, 2020	**20,020**	**2,002**	**0**	**-15,263**	**-1,234**	**-773**	**4,752**
Non-cash contribution			13,600				**13,600**
Consolidated net income				-10,550			**-10,550**
Other consolidated comprehensive income					-38	1,209	**1,171**
Total comprehensive Income				**-10,550**	**-38**	**1,209**	**-9,379**
As of Dec. 31, 2021	**20,020**	**2,002**	**13,600**	**-25,813**	**-1,272**	**436**	**8,973**

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

Notes to the Consolidated Financial Statements

General Information

(1) Information on the Company

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

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

The consolidated financial statements and the combined management report of FRIWO AG and the Group for fiscal year 2021 are published in the German Federal Gazette (Bundesanzeiger).

VTC GmbH & Co. KG, Munich, (VTC) 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 and its direct and indirect subsidiaries.

According to VTC GmbH & Co. KG, its subsidiary, Cardea Holding GmbH, Grünwald, held 85.37% of the shares in FRIWO AG as of December 31, 2021. The consolidated financial statements of FRIWO AG are included in the consolidated financial statements of VTC GmbH & Co. KG, which are published in *Bundesanzeiger*.

The consolidated financial statements of FRIWO AG were approved by the Management Board for publication on March 25, 2022 (date of approval for presentation to the Supervisory Board).

Accounting and Valuation Policies

(2) Declaration of Compliance with IFRSs

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

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

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

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

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

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

At the time the financial statements were prepared, there was material uncertainty with regard to ensuring the continuing financing of the FRIWO Group through the syndicated loan agreement, which currently expires at the end of 2022, which may cast significant doubts on the company’s ability to continue as a going concern. The legal representatives reacted to this situation with a cash capital increase concluded in December through the new strategic partner UNO MINDA, from which a cash inflow of EUR 15 million is expected. This requires approval from the Indian central bank, which had not been granted at the time the financial statements were being prepared. Approval is expected at the end of the first quarter of 2022. Within the framework of the negotiations with the banks providing the syndicated financing, approval was given at the time the annual financial statements were being prepared to extending the restructuring period and also the term of the loan agreement until the end of the 2023 albeit subject to the capital inflow from the capital measure mentioned being paid to a FRIWO AG account maintained by the syndicate banks. From today’s perspective, the legal representatives see nothing that would prevent the capital increase or the extension of the syndicated loan agreement. For this reason, the consolidated financial statements were prepared on the assumption of the company being a going concern. Detailed disclosures can be found in the “Liquidity risks” section of the “Risk report” in the combined management report.

(4) Significant Judgments by FRIWO

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

The significant judgments relate to the recoverability of non-current assets (see Note 21), the recognition and amount of provisions (see Notes 28 and 29), 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.

(6) Changes to Accounting and Measurement Policies

The consolidated financial statements of FRIWO as of December 31, 2021 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 2021, were also applied.

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

The following new or amended standards and interpretations were applied for the first time in fiscal year 2021:

The Group applied the following new and revised standards and interpretations for the first time as of January 1, 2021:

Amendments to IFRS 9 “Financial Instruments – Recognition and Measurement”, IAS 39 “Financial Instruments: Recognition and Measurement”, IFRS 7 “Financial Instruments – Disclosures”, IFRS 4 “Insurance Contracts” and IFRS 16 “Leases”: Interest Rate Benchmark Reform (Phase 2)
On August 27, 2020, the IASB published the finalized amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 from the IBOR Reform (Phase 2). The second phase focused on helping the creators show changes to contractual cash flows in the case of financial instruments and hedging relationships resulting from the transition to alternative reference interest rates in the financial statements. The amendments are effective for fiscal years beginning on or after January 1, 2021. The amendments were endorsed by the EU on January 13, 2021.

FRIWO has taken these amendments into account. At present, FRIWO is not affected.

Amendments to IFRS 4 “Insurance Contracts”: Deferral of IFRS 9
From June 25, 2020, the temporary exemption from applying IFRS 9 was extended for relevant users analogously to the deferral of the initial application date of IFRS 17, meaning that in these cases IFRS 9 is also effective for fiscal years beginning on or after January 1, 2023. The amendments are effective for fiscal years beginning on or after January 1, 2021. The amendment was endorsed by the EU on December 15, 2020.

FRIWO has taken these amendments into account. At present, FRIWO is not affected.

Amendments to IFRS 16 “Leases”: COVID -19-Related Rent Concessions beyond June 30, 2021
On March 31, 2020, the IASB published changes to IFRS 16, which will lead to the applicability of regulations resulting from the amendments to IFRS 16 in relation to COVID-19-related rent concessions being extended by a year from May 28, 2020 and therefore for rent concessions connected with payments due up to and including June 30, 2022. The amendments are effective for fiscal years beginning on or after April 1, 2021. The amendments were endorsed by the EU on August 30, 2021.

In the case of FRIWO, this had no impact on the consolidated financial statements.

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

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

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

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

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

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

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

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

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

FRIWO is currently not affected by these amendments.

Amendments to IAS 16 “Property, Plant and Equipment”: Proceeds before Intended Use
On May 14, 2020, the IASB published amendments to IAS 16. The amendments relate to the recognition of proceeds from the sale of goods produced during the period an asset is being manufactured, such as during test runs, in the financial statements. Under certain conditions, the previous rule allowed such proceeds to be deducted from the cost of manufacture or installation and also allowed heterogeneous application in practice. The option of deducting these proceeds is no longer available. Instead, such proceeds and the corresponding costs must be uniformly recognized in profit or loss. The amendments are effective for fiscal years beginning on or after January 1, 2022. The amendments were endorsed by the EU on June 28, 2021.

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

Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”: Onerous Contracts – Costs of Fulfilling a Contract
On May 14, 2020, the IASB published amendments to IAS 37. They help clarify which costs must be included when judging whether a contract is onerous.

Accordingly, both the direct additional costs incurred in fulfilling a contract and the additional costs directly attributable to fulfillment of the contract must be included here. The amendments are effective for fiscal years beginning on or after January 1, 2022. The amendments were endorsed by the EU on June 28, 2021.

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

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

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

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

Standard	Title	Mandatory application for financial years beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current	Jan. 1, 2023
Amendments to IAS 1 and IFRS Guidance Document 2	Disclosure of Accounting and Measurement Policies	Jan. 1, 2023
Amendments to IAS 8	Definition of Changes in Accounting Estimates	Jan. 1, 2023
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction	Jan. 1, 2023
Amendments to IFRS 17	Initial Application of IFRS 17 and IFRS 9 – Comparative Information	Jan. 1, 2023
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Initial application date deferred indefinitely

(7) Currency Translation

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

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

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

The following exchange rates were used in currency translation:

	Closing date		**Average**	
In foreign currency / euro	Dec. 31, 2021	Dec. 31, 2020	2021	2020
China (CNY)	7.1947	8.0225	7.6282	7.8745
U.S.A (USD)	1.1326	1.2271	1.1827	1.1421
Vietnam (VND)	25,298.43	27,872.20	26,609.19	25,991.90
India (INR)	84.2292	89.6605	87.4392	84.6219

(8) Summary of Significant Accounting and Measurement Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The classes of assets largely of relevance to FRIWO for the application of the impairment model are trade receivables and contract assets, for which the simplified approach pursuant to IFRS 9.5.15 is applied. Accordingly, the loss allowance is always measured at an amount equal to lifetime expected credit losses. See Note 37 in the “Credit Risk” section for more details on the calculation of expected credit losses. There were no significant expected credit losses for all other assets subject to the impairment model pursuant to IFRS 9.5.5.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Receivables and other assets are accounted for at amortized cost, which usually corresponds to their nominal value. Receivables in foreign currency are translated at the year-end rate in accordance with IAS 21. Differences from this translation are recognized in profit or loss.

Discernible risks on individual receivables are taken into account through appropriate specific valuation allowances on separate valuation allowance accounts.

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

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

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

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

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

Other provisions are accounted for in accordance with IAS 37. They are recognized only when the company has a present (legal or constructive) obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated. The reported provisions sufficiently cover the risks in the consolidated financial statements resulting from obligations to third parties. The calculation is based on the probable utilization. Provisions with a probable residual term of more than one year are stated at present value if the effect is material. Provisions where utilization is expected within one year are reported under current provisions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(9) Scope of Consolidation

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

The scope of consolidation comprises two German and three foreign companies. Please refer to the shareholdings shown in Note 42.

Segment reporting of the FRIWO Group

(10) Segment Reporting

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

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

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

Segment information

in EUR thou	Germany	Other Europe	Asia	Other regions	Other business activities	**Total segments**	Reconciliation	**Group**
2021								
Revenue	43,995	45,717	6,525	4,309	0	**100,546**	0	**100,546**
Depreciation and amortization	1,862	1,582	241	188	13	**3,886**	0	**3,886**
Operating result	-1,507	-2,947	-733	-520	-1,602	**-7,309**	0	**-7,309**
2020								
Revenue	45,689	40,478	6,875	6,314	0	**99,356**	0	**99,356**
Depreciation and amortization	2,011	1,697	269	252	16	**4,245**	0	**4,245**
Operating result	-88	-2,293	-67	19	-975	**-3,404**	0	**-3,404**

Reconciliation of segment results

in EUR thou	**2021**	**2020**
Operating earnings of reportable segments	**-7,309**	**-3,404**
Reconciliation	0	0
Other operating expenses and income	1,688	-445
Restructuring expense	-2,350	0
Interest income	2	0
Interest expenses	-2,181	-1,374
Income taxes	-400	-287
Consolidated net income	**-10,550**	**-5,510**

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

Of the non-current fixed assets, 50% (previous year: 44%) of carrying amounts was attributable to German sites and 50% (previous year: 56%) to foreign sites.

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

In 2021, EUR 91.5 million (previous year: EUR 92.8 million) of revenue was recognized over time and EUR 9.0 million (previous year: EUR 6.6 million) at a point in time.

In 2021, FRIWO Group revenue broke down as follows: EUR 45.7 million to the power supply units (previous year: EUR 49.7 million), EUR 47.0 million to charging units (previous year: EUR 40.8 million) and EUR 7.8 million to “Others” (previous year: EUR 8.9 million).

In the year under review, 24.8% (previous year: 20.4%) of total revenue, namely EUR 24.9 million (previous year: EUR 20.3 million) was attributable to one customer, which is included in the geographical areas Germany, Other Europe and Asia. 13.4% (previous year: 14.0%) of total revenue, namely EUR 13.5 million (previous year: EUR 13.9 million) was attributable to another customer in the reporting year.

Notes to the Income Statement

(11) Revenue

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

The transaction price, which was allocated to (partially) unfulfilled performance obligations at the closing date, amounted to EUR 88.8 million (previous year: EUR 36.6 million). Of this figure, it is anticipated that EUR 64.4 million (previous year: EUR 23.4 million) will be realized as revenue in the coming period.

(12) Selling Expenses

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

(13) General Administration Expenses

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

(14) Other Operating Expenses and Income

in EUR thou	**2021**	**2020**
Currency losses	-1,488	-3,205
Other expenses	-1,446	-255
Other operating expenses	**-2,934**	**-3,460**
Currency gains	3,016	2,574
Other income	1,606	441
Other operating income	**4,622**	**3,015**
Other operating expenses/income (net)	**1,688**	**-445**

Other expenses and income largely contain additional costs and costs passed on from the procurement of material spot buys (EUR 1.3 million).

(15) Financial Result

in EUR thou	**2021**	**2020**
Other interest and similar income	2	0
Interest and similar expenses	-2,158	-1,349
Interest portion in the allocations to provisions for pensions and other post-employment benefits	-23	-25
Financial result	**-2,179**	**-1,373**

The deterioration in the financial result compared with the previous year is largely the result of concluding additional shareholder loans that were concluded at market interest rates.

Finance costs contain interest expenses for shareholder loans of EUR 735 thousand (previous year: EUR 93 thousand) and interest expenses for lease liabilities of EUR 73 million (previous year: EUR 96 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	**2021**	**2020**
Current income tax	-7	-13
Taxes from previous years	11	5
Deferred income taxes	-404	-279
	-400	**-287**

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

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

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

The data were as follows in the previous year:

	2020		2019	
in EUR thou	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Intangible assets	0	301	0	392
Inventories	84	39	102	81
Receivables, contract assets and other assets	12	442	188	346
Provisions for pensions	348	0	374	0
Other provisions	73	0	44	0
Other liabilities	0	192	0	72
Tax loss carryforwards	4,967	0	4,967	0
	5,484	**974**	**5,675**	**891**
Offset	-974	-974	-891	-891
Consolidated statement of financial position	**4,510**	**0**	**4,784**	**0**

	Netted			of which		
in EUR thou	**2020**	**2019**	Changes	In income statement	On transactions recognized in equity	Currency translation
Intangible assets	-301	-392	91	91	0	0
Inventories	45	21	24	24	0	0
Receivables, contract assets and other assets	-430	-158	-272	-267	0	-5
Provisions for pensions	348	374	-26	-36	10	0
Other provisions	73	44	29	29	0	0
Other liabilities	-192	-72	-120	-120	0	0
Tax loss carryforwards	4,967	4,967	0	0	0	0
Consolidated statement of financial position	**4,510**	**4,784**	**-274**	**-279**	**10**	**-5**

Deferred taxes were recognized on temporary differences on the closing date. Deferred tax assets of EUR 5.0 million (previous year: EUR 5.0 million) were recognized on losses incurred in Germany of EUR 16.3 million (previous year: EUR 16.3 million). No deferred tax assets (EUR 5.1 million; previous year: EUR 1.9 million) were recognized on the additional tax loss carryforwards of EUR 16.6 million (previous year: EUR 6.2 million), because it cannot be determined with reasonable assurance that the German income will be sufficient to fully offset the entire tax loss carryforward within the foreseeable future.

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

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

in EUR thou	**2021**	**2020**
Earnings before taxes	-10,150	-5,223
Forecast tax expense[1)]	-3,045	-1,567
Tax rate differences	-187	-99
Non-recognition of deferred tax assets	3,172	1,895
Non-deductible other expenses	59	42
Taxes for previous years	-10	180
Tax-free foreign earnings	-293	-157
Goodwill impairment	704	0
Other, net	0	-7
Actual tax expense	**400**	**287**

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

(17) Earnings per Share

In accordance with IAS 33, “earnings per share” are determined on the basis of the Group result and amounted to EUR -1.37 for 2021 (previous year: EUR -0.72). The number of shares (7.7 million shares) has not changed in either the reporting year or the previous year.

It is true that in December 2021, the Management Board made use of its authorization to increase the share capital by up to EUR 10.01 million by issuing new bearer shares on one or more occasions in return for cash and/or non-cash contributions (Authorized Capital), within the framework of a cash capital contribution of EUR 1.17 million (448,162 shares) and a non-cash contribution of EUR 1.06 million (406,334 shares). Neither capital measure had been entered in the Commercial Register as of December 31, 2021 and was therefore not yet effective in law.

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

in EUR thou	**2021**	**2020**
Number of shares issued	7,700,000	7,700,000
Consolidated net income	-10,550	-5,510
Earnings per share (in EUR)	**-1.37**	**-0.72**

Other Income Statement Disclosures

(18) Research and Development Costs

Expenses for research and development of EUR 5.6 million were recognized in the reporting year (previous year: EUR 5.1 million). The costs, which largely constitute expenses for the project-related development of the product range, are included in the cost of sales.

(19) Other Income Statement Disclosures

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

Depreciation and amortization

in EUR thou	**2021**	**2020**
Amortization of intangible assets	453	469
Depreciation of property, plant and equipment	2,529	2,851
Amortization and depreciation of right-of-use assets in accordance with IFRS 16	904	925
	3,886	**4,245**

Cost of materials

in EUR thou	**2021**	**2020**
Cost of raw materials, supplies, and merchandise purchased	61,272	55,738
Cost of purchased services	2,181	2,608
	63,453	**58,346**

Personnel expenses

in EUR thou	**2021**	**2020**
Wages and salaries	22,516	23,296
Expenses for social security	3,190	3,550
Expenses for pensions and other benefits	12	13
	25,718	**26,859**

Number of employees

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

Number of employees	**2021**	**2020**
Germany	156	209
Abroad	2,165	2,136
	2,321	**2,345**

As of December 31, 2021, 2,182 staff members (previous year: 2,608) were employed in the Group, of whom 154 (previous year: 200) were in Germany.

Notes to the Statement of Cash Flows

(20) Statement of Cash Flows

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

in EUR thou	Non-current bank liabilities	Shareholder loans	Current bank liabilities	Lease liabilities	**Total**
As of Jan. 1, 2020	600	0	21,192	1,691	**23,483**
Cash changes	8,782	2,722	-6,498	-892	**4,114**
Non-cash changes	0	0	0	1,377	**1,377**
As of Dec. 31, 2020	**9,382**	**2,722**	**14,693**	**2,176**	**28,973**
Cash changes	0	20,600	-723	-887	**18,990**
Non-cash changes	-9,382	-12,865	9,382	1,351	**-11,514**
As of Dec. 31, 2021	**0**	**10,457**	**23,352**	**2,640**	**36,449**

Notes to the Statement of Financial Position

(21) Non-current Assets

Statement of changes in assets of the FRIWO Group for the fiscal years 2021 and 2020:

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

2020	Cost of purchase					
in EUR thou	Jan. 1, 2020	Additions	Disposals	Reclassifications	Exchange differences	Dec. 31, 2020
Intangible assets						
Goodwill	2,489	0	0	0	-203	2,286
Commercial property rights and similar rights and assets	5,692	124	0	0	-16	5,800
Advance payments for intangible assets	0	375	0	0	0	375
	8,181	**499**	**0**	**0**	**-219**	**8,461**
Property, plant and equipment						
Land and buildings	9,998	327	0	0	-101	10,224
Technical equipment and machinery	15,519	1,078	1,050	117	-581	15,083
Other plant, factory and office equipment	15,847	908	276	59	-168	16,370
Prepayments made and assets under construction	294	262	0	-176	-10	370
	41,658	**2,575**	**1,326**	**0**	**-860**	**42,047**

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

Depreciation and amortization						Carrying amount	
Jan. 1, 2020	Additions	Disposals	Exchange differences	Dec. 31, 2020		Dec. 31, 2020	Dec. 31, 2019
0	0	0	0	0		2,286	2,489
4,062	469	0	-10	4,521		1,279	1,630
0	0	0	0	0		375	0
4,062	**469**	**0**	**-10**	**4,521**		**3,940**	**4,119**
8,338	165	0	-21	8,482		1,742	1,660
10,593	1,575	719	-347	11,102		3,981	4,926
12,772	1,111	217	-97	13,569		2,801	3,075
0	0	0	0	0		370	294
31,703	**2,851**	**936**	**-465**	**33,153**		**8,894**	**9,955**

Non-current assets are subject to collateral agreements, see Note 30.

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

The transformer factory acquired as an asset deal in 2017 was integrated in FRIWO Vietnam Co. Ltd., Bien Hoa City, Vietnam. This acquisition resulted in goodwill of EUR 2,531 thousand.

In 2017/2018, the clear EBIT separation of the transformer and power supply factory was largely undertaken in FRIWO Vietnam. In the process, direct costs were allocated to the products (power supplies and transformers) and, as a result, the absolute variable margin per factory was determined. Transformers used internally (transformers used for the company's own units which undergo further processing in the power supply factory) were assessed to determine the variable margin with comparative prices and taken into account. Subsequently, the indirect costs were separated on the basis of posting to cost centers that are clearly allocated to the individual factories and the profit or loss of the transformer factory determined.

Since the beginning of 2019, FRIWO Vietnam has increasingly focused on insourcing components and since then has also manufactured cables, cooling elements, coil bodies and housing that are used for its own units in a third factory. As a result of the development of the third factory and fluctuations in the utilization of capacity at the other two factories, direct employees were switched between the three factories. As a result, it was difficult to allocate direct costs clearly and the use of production factors is no longer independent of each other. Internal service areas were also merged to optimize internal processes, to pool purchasing volumes/processes and to improve communication channels between the indirect departments that are divided between different factories in some cases. This also made the previous allocation of indirect costs more difficult and thus the calculation of the earnings per factory at FRIWO Vietnam.

The products sold are therefore the result of different production sites, which rely on a uniform infrastructure and a common management. To determine the smallest cash generating unit, it is important that the cash flows can be seen as independent. This is no longer the case for the transformer factory. Because the internal service areas have been combined and merged and there is a uniform usage of infrastructure and common management, there is no clear definition of the CGU transformers factory. Furthermore, in case of doubt there is also a tendency to combine assets into larger rather than smaller CGUs. Therefore, the cash flows of FRIWO Vietnam as the smallest cash generating unit must now be used to measure the goodwill of the transformer factory. Since the CGU's functional currency is the Vietnamese dong, a currency-related devaluation of EUR 181 thousand was recognized in relation to the acquired goodwill on the closing date, which was recognized in other comprehensive income. The carrying amount of goodwill therefore amounted to EUR 2,350 thousand (previous year: EUR 2,133 thousand) at the closing date after currency adjustment and before testing for impairment.

Due to the persistent problems caused by coronavirus at the company's own production site close to Ho Chi Minh City in Vietnam and the national lockdown from mid-July to the end of September, production was interrupted or restricted meaning that orders could not be processed or could not be processed on time. Accordingly, production in this period was only 30% to 40% of maximum capacity. The ramp-up of production from October when lockdown ended was also slower than expected. At the same time, the global supply bottlenecks for electronic components, significantly higher commodity prices as well as limited freight and logistics capacity impacted the Group's business development.

The annual impairment test was carried out on the basis of the newly developed strategic planning, which was subsequently approved by the Supervisory Board. This led to an impairment of EUR 2,350 thousand.

Apart from the impairments of capitalized goodwill, no further need to recognize impairment charges for other assets of CGUs was identified.

When checking for impairment, FRIWO determines the recoverable amount of the unit as its value in use at the closing date by discounting expected cash flows. Among other things, the basis for estimating cash flows is provided by market observation, market data, if available, plan/actual deviations, detailed planning and past experience. Assumptions and estimates relate, in particular, to customers, quantities that can be sold, prices that can be achieved, corresponding changes in costs, the long-term growth rate and the capital cost rate used for discounting. An average EBITDA growth rate of 7.0% (previous year: 4.3%) over a planning period of five years is assumed.

A discount rate of 10.95% (previous year: 10.7%) is used to discount the cash flows.

These assumptions lead to a value-in-use that is lower than the carrying amount of the CGU, meaning that impairment must be recognized.

Apart from the impairment of capitalized goodwill mentioned, no further need to recognize impairment charges for other assets of CGUs was identified.

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

Testing assets and cash-generating units without goodwill for impairment

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

Likewise, having considered FRIWO’s business development in 2021, no indicators were identified, even taking account of the current COVID-19 situation, as triggers for carrying out an impairment test for CGUs without any goodwill or assets.

(22) Right-of-use Assets

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

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

The 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, 2020	2,138	50	334	2,522
Additions	1,408	78	51	1,537
Disposals	0	50	46	96
Currency translation	-275	0	0	-275
As of Dec. 31, 2020	**3,271**	**78**	**339**	**3,688**
Depreciation and amortization				
As of Jan. 1, 2020	738	46	99	883
Additions	793	17	115	925
Disposals	0	50	46	96
Currency settlement	-114	0	0	-114
As of Dec. 31, 2020	**1,417**	**13**	**168**	**1,598**
Carrying amount				
As of Dec. 31, 2020	**1,854**	**65**	**171**	**2,090**

The Group has concluded several real estate leases. These primarily related to foreign production sites and offices. The lease agreement for a plant in Vietnam was extended by a further five years in the reporting period.

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 (32) for notes on the corresponding lease liabilities.

(23) Inventories

in EUR thou	**Dec. 31, 2021**	**Dec. 31, 2020**
Raw materials and supplies	27,401	14,444
Unfinished goods and work in progress	5,503	4,368
Finished goods and products	403	1,108
Advance payments on inventories	2	970
	33,309	**20,890**

As of December 31, 2021, valuation allowances amounted to EUR 5.5 million (previous year: EUR 4.5 million). The carrying amount of inventories recognized at net realizable value amounted to EUR 0.0 million (previous year: EUR 0.2 million) at the end of the reporting year. During the fiscal year, EUR 1.0 million (previous year: EUR 0.8 million) was allocated to valuation allowances, which essentially represent expectations with regard to the marketability of certain products. Assets worth EUR 0.2 million were also scrapped.

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

Inventories are subject to collateral agreements, see Note 30.

(24) Trade Receivables and Contract Balances

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

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

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

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

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

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

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

in EUR thou	**Dec. 31, 2021**	**Dec. 31, 2020**
Valuation allowances based on receivables being past due	98	140
Valuation allowances recognized on an individual basis	121	90
Valuation allowances for trade receivables and contract assets	**219**	**230**

The **contract liabilities** of EUR 0.3 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 revenue in the reporting period.

Receivables are subject to collateral agreements, see Note 30.

(25) Other Assets

Other financial assets

in EUR thou	**Dec. 31, 2021**	**Dec. 31, 2020**
Purchase price retention from factoring	1,770	1,400
Rent deposits	315	244
Miscellaneous financial assets	513	232
	2,598	**1,876**

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

Miscellaneous financial assets contain unrealized currency gains from the measurement of receivables.

Other non-financial assets

in EUR thou	**Dec. 31, 2021**	**Dec. 31, 2020**
Other income tax receivables, customs duties	1,998	1,648
Accrued items	526	662
	2,524	**2,310**

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

(26) Cash and Cash Equivalents

in EUR thou	Dec. 31, 2021	Dec. 31, 2020
Checks and cash in hand	62	57
Bank balances	2,811	4,146
	2,873	**4,203**

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 0.2 million (previous year: EUR 2.5 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 30.

(27) Equity

The subscribed capital and capital reserve relate to FRIWO AG. The share capital of FRIWO AG of EUR 20.02 million is divided into 7.7 million no-par value bearer shares with equal rights. Each share therefore represents a share of subscribed capital of EUR 2.60. The number of shares issued has not changed in fiscal year 2021, nor did it change in the previous year. 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.

In accordance with the resolution by the Annual General Meeting on May 15, 2018, the Management Board of FRIWO AG was authorized, with the approval of the Supervisory Board to increase the share capital of the company by up to EUR 10.01 million by issuing new bearer shares against cash and/or non-cash contributions on one or more occasions (Authorized Capital) up to May 14, 2023. The Management Board may, with the approval of the Supervisory Board, exclude shareholders' subscription rights for certain purposes. The Management Board made use of the authorization in fiscal year 2021 within the framework of a cash capital contribution of EUR 1.17 million (448,162 shares) and a non-cash contribution of EUR 1.06 million (406,334 shares). Neither capital measure had been entered in the Commercial Register as of December 31, 2021 and was therefore not yet effective in law.

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

Since the non-cash capital increase was recorded in the Commercial Register on January 6, 2022, i.e. before the annual and consolidated financial statements of FRIWO AG for 2021 were prepared and therefore within the period for adjusting measurements, and an addendum to the contribution and assignment agreement, whereby Cardea Holding GmbH waives the condition precedent of assigning the claims to have the loans repaid (registration of the execution of the capital increase in the Commercial Register for FRIWO AG) as well as all rights to restitution, was concluded before the closing date, recognition as a special item within equity is possible and advisable. Accordingly, FRIWO recognizes a special item (contributions made to carry out the planned capital increase) of EUR 13.6 million within equity as of December 31, 2021. Of this figure, EUR 1.06 million is attributable to the nominal amount of the shares to be issued and EUR 12.54 million to the premium.

The cash capital contribution relates to the joint venture with the UNO MINDA Group, for which FRIWO AG passed all the necessary resolutions on December 10, 2021. In connection with the joint venture, UNO MINDA plans to invest EUR 15 million in FRIWO AG by means of a capital increase to reinforce the industrial partnership between the two groups. This cash capital increase of EUR 15 million is subject to approval by the supervisory authorities, including the Reserve Bank of India.

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, 2021 prepared under the German Commercial Code, FRIWO AG reported an accumulated loss of EUR-31,043 thousand (previous year: EUR-21,328 thousand) after offsetting against the results carried forward.

Statements on capital management can be found in the section on financial risk management (37)

(28) 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 0.86% (previous year: 0.82%), a salary trend of 2.00% (previous year: 2.00%) and, besides individually agreed pension adjustments, a pension trend of 1.5% (previous year: 1.5%). Pensions and the pension trend are reviewed every three years. The mortality tables 2018 G of Dr. Klaus Heubeck were used with regard to life expectancy. The development of pension obligations is documented by actuarial reports.

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

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

in EUR thou	**2021**	**2020**
Defined benefit obligation (DBO) as of Jan. 1	**2,899**	**3,039**
Current service cost (present value of the pension claims earned in the fiscal year)	5	5
Interest cost	23	25
Remeasurement effects		
Actuarial gains (-)/losses (+) from changes in financial assumptions	-11	11
Actuarial gains (-)/losses (+) from changes in demographic assumptions	0	0
Experience adjustment	65	22
Benefits paid	-205	-203
Defined benefit obligation (DBO) as of Dec. 31	**2,776**	**2,899**

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 202 thousand.

The weighted average term of the obligation was nine years at the closing date (previous year: ten 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
2021	Discount rate +/- 1%-pt.	-237	277
	Salary and pension trend +/- 0.25%-pt.	54	-52
2020	Discount rate +/- 1%-pt.	-257	302
	Salary and pension trend +/- 0.25%-pt.	59	-57

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 957 thousand (previous year: EUR 1,145 thousand).

(29) Other Provisions

in EUR thou	As of Jan. 1, 2021	Utilization	Reversal	Allocation	As of Dec. 31, 2021
Other non-current provisions					
Personnel and social obligations	143	0	0	0	143
	143	**0**	**0**	**0**	**143**
Other current provisions					
Guarantees	402	402	0	250	250
Anticipated losses	217	217	0	392	392
Others	135	21	0	36	150
Restructuring	4,114	4,012	0	0	102
	4,868	**4,652**	**0**	**678**	**894**

Non-current provisions relate to service anniversary obligations.

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

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

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

(30) Liabilities to Banks

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

Dec. 31, 2020:		Current	Non-current	
in EUR thou	**Carrying amount**	**Up to 1 year**	**1 to 5 years**	**More than 5 years**
Non-current syndicated loan	9,382	0	9,382	0
Current syndicated loan	11,292	11,292		0
Other current	3,401	3,401	0	0
	24,075	**14,693**	**9,382**	**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 3.74% in 2021 (previous year: 3.14%).

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

in EUR thou	**Credit facilities**	**Utilization**	**Free credit facilities**
Dec. 31, 2021	23,448	23,352	96
Dec. 31, 2020	24,163	24,075	88

The Group financing agreed with the banks in March 2020 specified that the previous bilateral credit facilities with German lenders were transferred into a syndicated loan. The syndicated loan consists of an amortizing term credit facility of EUR 10.4 million and two additional revolving operating credit facilities of EUR 8.3 million and EUR 2.0 million respectively. A term of up to December 31, 2022 was agreed for all three tranches. No repayment of the operating credit facilities was required in the previous year, quarterly repayments totaling EUR 1.0 million were made in 2021. In 2022, the repayments will increase to EUR 2.7 million in total and the remaining amount is due at the end of 2022.

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

FRIWO has furnished various guarantees and collateral for the two loan agreements. New financial ratios were also defined for the syndicated loan (covenants) and extended reporting and documentation obligations agreed. The credit agreement also stipulates that FRIWO AG will not pay any dividends during the restructuring period.

At the time the consolidated financial statements were being prepared, FRIWO reached agreement with the syndicate financing banks to extend the term of the loan agreement by one year until the end of 2023. The restructuring report was updated in the course of preparing these negotiations. It is evident from the updated restructuring report that the Group can still be restructured. However, as a condition for confirming its forecast that the Group can continue as a going concern, the restructuring consultant considered it necessary that the restructuring period (and consequently the term of the credit agreement) be extended by one year until December 31, 2023 and the agreed covenants regarding adjusted EBITDA be amended on the basis of the figures on which the updated report and the Group's forecast business development are based.

As of December 31, 2021, the agreed covenants regarding adjusted EBITDA were not complied with. Furthermore, on the basis of the updated figures examined by the restructuring consultant, it was clear that as a consequence of continuing rampant COVID-19 infection rates and the negative effects on the Group's revenue, the figure for adjusted EBITDA specified by the loan agreement at the respective closing date will still not be complied with from the first quarter of 2022. FRIWO has negotiated an adjustment to the EBITDA covenant with the banks based on the restructuring consultant's updated planning so that the covenant is not expected to have any impact on the loan relationship.

The restructuring report sees the closing of the capital measure and the joint venture project with the UNO MINDA Group as essential conditions for the future development of the FRIWO Group. FRIWO will receive a cash inflow of EUR 15 million from the capital measure. Approval from the Indian central bank is essential for this. The approval of the syndicated banks involved to extend the term of the loan agreement until the end of the 2023 was provided on condition that the capital inflow from the capital measure mentioned was paid to a FRIWO AG account maintained by the syndicate banks.

The capital increase has not yet taken place at the time the consolidated financial statements are being prepared. However, from today's perspective, the legal representatives see nothing that would prevent the capital increase and consequently the extension of the syndicated loan agreement. Nevertheless, there is considerable uncertainty at the time the financial statements are being prepared, which may cast significant doubt on the company's ability to continue as a going concern, making it a risk that could jeopardize its continued existence.

(31) Shareholder Loans

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

FRIWO's main shareholder VTC GmbH & Co. KG increased the company's financial soundness and the quality of its statement of financial position through a debt-equity swap of EUR 13.6 million via its subsidiary Cardea Holding GmbH. In this connection, the Management Board resolved, with the consent of the Supervisory Board, to increase the share capital of FRIWO AG by issuing 406,334 new ordinary shares by making use of authorized capital and excluding shareholders' subscription rights. The new shares will be issued at a price of EUR 33.47 per share. A portion of existing shareholder loans were converted into equity with this transaction. However, the capital measure was not recorded in the Commercial Register until after December 31, 2021 (see Note 27).

The remaining shareholder loans amounting to EUR 9.6 million will run until December 31, 2023.

In 2021, interest of EUR 735 thousand (previous year: EUR 93 thousand) was incurred on the shareholder loans.

As of the closing date, the balance of the shareholder loan including accrued interest amounted to EUR 10.4 million (previous year: EUR 2.7 million).

(32) Lease Liabilities

Lease liabilities break down as follows:

in EUR thou	Dec. 31, 2021	Dec. 31, 2020
Land and buildings	2,526	1,939
Other operating and office equipment	49	65
Vehicle fleet	65	172
	2,640	**2,176**

No material expenses for short-term leases were incurred in fiscal year 2021. The total cash outflow from leases for fiscal year 2021 came to EUR 960 thousand (previous year: EUR 996 thousand).

A maturity analysis of lease liabilities is provided in Note 37 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 2,538 thousand (previous year: EUR 2,090 thousand). See Note 22 “Right-of-use assets” for details.

(33) 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.

(34) Other Financial Liabilities

in EUR thou	Dec. 31, 2021	Dec. 31, 2020
Personnel-related liabilities	3,587	2,703
Income tax holidays	0	2,420
Debtors with credit balances	483	114
Miscellaneous financial liabilities	693	816
	4,763	**6,053**

(35) Other Non-financial Liabilities

in EUR thou	Dec. 31, 2021	Dec. 31, 2020
Deferred personnel-related liabilities	1,109	926
Other taxes	17	4
Other liabilities	324	118
	1,450	**1,048**

Other Disclosures in the Notes

(36) Other Financial Obligations and Contingent Liabilities

Other financial obligations
As of December 31, 2021, the purchase commitment for intangible assets and property, plant and equipment was EUR 42 thousand (previous year: EUR 37 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.

(37) Financial Risk Management and Derivative Financial Instruments

Credit risk
Credit risk is the risk that business parties do not fulfill their contractual obligations and FRIWO incurs a financial loss as a result. FRIWO is exposed to default risks, especially for trade receivables, as part of its business activities. Receivables are due from a large number of customers. These regularly include substantial individual receivables due from major customers (see Note 10 for more details). The credit default risks resulting from receivables is countered by a systematic process when selecting customers, by analysis of payment history and by setting appropriate credit limits. FRIWO companies sell their products only to customers that have previously undergone a credit check. Certain receivables are also sold under a factoring agreement, meaning that significant credit risks are transferred. If default risks are discernible among financial assets, these risks are recognized through valuation allowances. Due to the good credit standing of its customers, FRIWO estimates that credit risk is generally low. Valuation allowances for trade receivables and contract assets are calculated using the simplified approach permitted by IFRS 9.5.5, where stage 1 of the recognition of expected credit losses is omitted. Instead these assets are written down either in accordance with level 2 or level 3. All trade receivables and contract assets where there are no indications of creditworthiness being impaired are recognized at level 2. In the process, average default rates determined on the basis of past due times and other factors are used to calculate the expected losses. The expected losses are a product of the default rates and the loss on default, which is stated at 100% of the amount of the receivable. If there are indications of impaired creditworthiness, the receivable is transferred to level 3. In particular, awareness of the debtor's financial difficulties combined with an increased likelihood of insolvency should be taken as indications of impaired creditworthiness. For trade receivables and contract assets where creditworthiness is impaired, the expected credit loss is estimated on an individual basis.

For other financial assets and cash and cash equivalents covered by the impairment model of IFRS 9, which are subject to the general approach, the probability of default was viewed as very 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 30 and Note 32). Variable rate interest payments on financial instruments were based on interest rates last fixed before December 31, 2021.

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

Dec. 31, 2020:		**2021 cash flows**		**2022 cash flows**		**2023ff cash flows**	
in EUR thou	2020 carrying amount	Interest paid	Principal paid	Interest paid	Principal paid	Interest paid	Principal paid
Liabilities to banks	**24,075**	**935**	**14,693**	**352**	**9,382**	**0**	**0**
Lease liabilities	**2,176**	**61**	**870**	**27**	**511**	**42**	**795**

There are various guarantees and collateral provided by FRIWO for the syndicated loan and for the Vietnamese subsidiary's bilateral working capital financing. New financial ratios were also defined for the syndicated loan (covenants: minimum liquidity and adjusted EBITDA) and extended reporting and documentation obligations agreed. The credit agreement also stipulates that FRIWO AG will not pay any dividends during the restructuring period.

The agreed covenants were not complied with at the end of the year. An adjustment to the covenants from the fourth quarter of 2021, which relate to adjusted EBITDA, was agreed with the banks meaning that to date the syndicated loan has not been affected and it can be assumed that there will be no impact on the syndicated loan.

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 2021. Therefore, as in the previous year, there were no forward exchange transactions as of December 31, 2021. A residual risk results from possible changes in the U.S. dollar, HK dollar and INR Indian rupee to the euro for the positions that are not hedged. Subject to possible tax effects or deferred taxes, the profit or loss before taxes and equity exhibit the following sensitivities with regard to this risk:

	Changes in the exchange rates of the USD, HKD, INR	Effects on profit/loss before taxes	Effects on equity
		in EUR thou	in EUR thou
2021	+5%	283	283
	-5%	-313	-313
2020	+5%	72	72
	-5%	-79	-79

The Group is mainly exposed to the exchange rate risk of the U.S. dollar against the euro. At the closing date, the U.S. dollar net position was around EUR 5.6 million (previous year: approx. EUR 1.1 million). The sensitivity analysis also contains the outstanding monetary items denominated in foreign currency in U.S. dollar, HK dollar and INR Indian rupee. The effect of a 5% deviation in foreign exchange rates to the euro on the closing date is calculated. The effect on equity is identical to the effect on profit/loss due to the non-existent cash flow hedges. Differences resulting from the translation of financial statements from a foreign currency into the Group currency are disregarded.

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

Movements in market interest rates are monitored and analyzed continuously.

Interest rate risks were not hedged as of December 31, 2021.

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

	Increase/reduction in basis points	Effects on profit/loss before taxes	Effects on equity
		EUR thou	EUR thou
2021	+100	-359	-359
	-100	359	359
2020	+100	-346	-346
	-100	346	346

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 3.74% in the fiscal year (previous year: 3.24%). 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, 2021.

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

in EUR thou	**Dec. 31, 2021**	**Dec. 31, 2020**
Equity	**8,973**	**4,752**
as % of total capital	12%	8%
Non-current liabilities	15,251	16,452
Current liabilities	51,465	40,129
Total liabilities	**66,716**	**56,581**
as % of total capital	88%	92%
Total liabilities and shareholders‘ equity	**75,689**	**61,333**

(38) 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, 2021	Carrying amount December 31, 2020
Financial assets			
Trade receivables	AC	8,587	4,114
Contract assets	AC	8,409	8,385
Other financial assets	AC	2,598	1,876
Cash and cash equivalents	AC	2,873	4,203
Financial liabilities			
Shareholder loans	FLaAC	10,457	2,722
Non-current liabilities to banks	FLaAC	0	9,382
Current liabilities to banks	FLaAC	23,352	14,693
Lease liabilities		2,640	2,176
Trade payables	FLaAC	19,953	12,352
Contract liabilities	FLaAC	250	235
Other financial liabilities	FLaAC	4,763	6,053
Summary per category			
Financial assets measured at amortized cost (AC)		22,467	18,578
Financial liabilities measured at amortized cost (FLaAC)		58,775	45,437

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

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

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

The figures were as follows in the previous year:

2020	**Net results from**				
	Interest paid		Subsequent measurement		Currency translation
			Impairment		
in EUR thou					
FI category under IFRS 9	Income	Expense	Reversal	Allocation	
AC	0		0	-5	
FLaAC		-1,349			-632
Total	**0**	**-1,349**	**0**	**-5**	**-632**

(39) Related Parties

Cardea Holding GmbH, Grünwald, holds a majority stake in FRIWO AG. Cardea Holding GmbH and its parent company, VTC GmbH & Co. KG, Munich, and their subsidiaries are therefore related parties of FRIWO AG within the meaning of IAS 24. In May 2020, Cardea Holding GmbH had already granted FRIWO AG a subordinated shareholder loan of EUR 2.6 million. Interest is payable on it at market rates. Further shareholder loans totaling EUR 20.6 million were also concluded in 2021. Interest costs on the shareholder loans came to EUR 735 thousand in 2021 (previous year: EUR 93 thousand). In the context of a non-cash capital increase, 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 10.4 million (previous year: EUR 2.7 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.

The Management Board and Supervisory Board are classified as natural related parties. Please refer to Note 40 for information on the compensation of the Board of Management and Supervisory Board. As in the previous year, there were no transactions with other related parties in the reporting year.

(40) 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 72 thousand for fiscal year 2021 (previous year: EUR 75 thousand). As in the previous year, members of the Supervisory Board received no variable remuneration for fiscal year 2020 and 2019 in fiscal year 2021.

With regard to the emoluments of the Management Board, it should be noted that a resolution by the ordinary Annual General Meeting of FRIWO AG with regard to waiving disclosure of the individualized remuneration in accordance with Section 285 sentence 1 No. 9 HGB and Section 314 (1) No. 6 HGB for the company's annual and consolidated financial statements is no longer possible. In this respect, please refer to the 2021 Remuneration Report on the company's website.

For fiscal year 2021, the total emoluments of the Management Board came to EUR 462 thousand (previous year: EUR 883 thousand), of which EUR 462 thousand was fixed (previous year: EUR 654 thousand) and EUR 0 million variable (previous year: EUR 229 thousand).

Former members of the Management Board and their surviving dependents received pension payments of EUR 180 thousand in 2021 (previous year: EUR 177 thousand). Total provisions of EUR 2,355 thousand were recognized for pension obligations to former members of the Management Board and their surviving dependents in accordance with IAS 19 (previous year: EUR 2,466 thousand).

(41) Auditor's Fees

The fees and expenses charged for fiscal year 2021 by the auditor, Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Bielefeld, comprised the following services:

in EUR thou	**2021**	**2020**
Auditing services	101	93
Tax consultancy services	0	10
Other assurance services	2	0
	103	**103**

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

(42) 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 2021**
FRIWO Gerätebau GmbH, Ostbevern, Germany	100.00%	6,534	-7,399 1)
FRIWO Power Solutions Technology (Shenzhen) Co. Ltd., Shenzhen, China	100.00%	1,202	-1 2)3)
FRIWO Vietnam Co. Ltd., Bien Hoa City, Vietnam	100.00%	10,550	1,512 2)3)
FRIEMANN & WOLF INDIA PRIVATE LIMITED, Bangalore, Karnataka, India	100.00%	-86	-141 2)3)

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

(43) 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/.

(44) Events After the End of the Reporting Period

On December 10, 2021, FRIWO AG and the main shareholder, Cardea Holding GmbH, resolved to convert part of the shareholder loans into equity within a non-cash capital increase. The non-cash capital increase was recorded in the Commercial Register on January 6, 2022. Since the non-cash capital increase was recorded in the Commercial Register before the annual financial statements and consolidated financial statements of FRIWO AG for 2021 were prepared and therefore took place within the period for adjusting measurements, recognition as a special item within equity is possible and advisable. Accordingly, FRIWO recognizes a special item (contributions made to carry out the planned capital increase) of EUR 13.6 million within equity as of December 31, 2021. Of this figure, EUR 1.06 million is attributable to the nominal amount of the shares to be issued and EUR 12.54 million to the premium. Once the entry in the Commercial Register on January 6, 2022 becomes effective in law, the company's share capital will amount to EUR 21.08 million, divided into 8,106,334 shares.

Furthermore, on December 10, 2021, FRIWO AG passed all the resolutions needed for a joint venture with UNO MINDA. FRIWO will hold a minority stake of 49.9% and consolidate income from the joint venture via the company's financial result. UNO MINDA also plans to invest EUR 15 million in FRIWO AG by means of a capital increase to reinforce the industrial partnership between the two groups. FRIWO will therefore make use of a further portion of authorized capital to offer 448,162 new shares to UNO MINDA exclusively and exclude existing shareholders' subscription rights in doing so. This cash capital increase of EUR 15 million is subject to approval by the supervisory authorities, including the Reserve Bank of India. As of the current date, neither transaction, the establishment of the joint venture or the cash capital increase, has yet been completed.

Following the conclusion of the transactions, UNO MINDA will hold 5.24% of the total share capital of FRIWO AG then existing.

The COVID-19 pandemic is still dominating world affairs in 2022. Its effects are still being felt in the FRIWO Group. Delays in supply chains and a lack of logistics capacity persisted in the early weeks of 2022 and are still leading to production being restricted and problems with logistics and consequently to revenue being deferred slightly. As previously, FRIWO is responding, where possible, by switching to alternative components, suppliers and processes to counter production and revenue being rescheduled.

The focus is still on COVID-19 and the global shortage of materials and logistics; possible risks to the FRIWO Group which result are monitored closely and countermeasures initiated when necessary.

The current Ukraine-Russia crisis poses new challenges for the company. Possible risks to FRIWO have been examined. It is apparent that FRIWO is not currently exposed to any material risks.

On February 28, 2022, FRIWO announced that the Supervisory Board of FRIWO AG had appointed Mr. Tobias Tunsch as the company's Chief Financial Officer (CFO) with effect from March 1, 2022. Tobias Tunsch had been working for FRIWO since May last year. Following the resignation of the former CFO Ulrich Lammers, he supported the FRIWO Group as an external advisor in the Finance Department. As a result, the Management Board of FRIWO AG, of which Rolf Schwirz is also a member as Chief Executive Officer (CEO), will again consist of two people.

At the time annual financial statements and consolidated statements were being prepared, FRIWO reached agreement with the syndicate of financing banks to extend the restructuring period and consequently the term of the loan agreement by one year until the end of 2023. In this connection, the banks also agreed to adjust the covenants agreed as part of the syndicated loan agreement. Detailed disclosures can be found in the "Liquidity risks" section of the "Risk report" in the combined management report.

No other events of material significance for the Group's earnings, net assets and financial position, occurred between the end of fiscal year 2021 and the day on which the consolidated financial statements were approved.

Ostbevern, March 25, 2022 The Management Board

Rolf Schwirz	Tobias Tunsch
CEO	Management Board member

Responsibility Statement

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

Ostbevern, March 25, 2022

Rolf Schwirz	Tobias Tunsch
CEO	Management Board member

Addresses and Dates

Financial calendar 2022

Fiscal year Jan. 1 – Dec. 31

Press release for Q1 2022	May 11, 2022
Annual General Meeting	May 12, 2022
Six-month interim report 2022	August 11, 2022
Press release for Q3 2022	November 10, 2022

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