Consolidated financial statements as at 31 December 2022 and group management report

TRANSLATION – AUDITOR'S REPORT

Preh GmbH
Bad Neustadt a.d. Saale

KPMG AG
Wirtschaftsprüfungsgesellschaft

Consolidated Financial Statements as at 31 December 2022

Preh GmbH Bad Neustadt a.d. Saale

Preh GmbH, Bad Neustadt a.d. Saale

IFRS Consolidated Statement of Financial Position

Assets in EUR k	31 Dec 2022	31 Dec 2021	Notes
Intangible assets	182,328	169,948	7
Property, plant and equipment	303,244	299,378	8
Right-of-use assets	66,905	57,320	8
Other financial assets	120,991	120,950	10
Other receivables and assets	6,287	4,516	12
Deferred taxes	22,501	21,463	18
Non-current assets	**702,256**	**673,575**	
Inventories	267,525	242,621	11
Trade receivables	230,177	178,715	12
Other receivables and assets	18,778	14,987	12
Income tax receivables	3,471	1,035	
Cash and cash equivalents	75,262	80,089	13
Current assets	**595,213**	**517,448**	
Total assets	**1,297,469**	**1,191,023**	

Equity and liabilities in EUR k	31 Dec 2022	31 Dec 2021	Notes
Subscribed capital	10,000	10,000	14
Capital reserve	200,982	199,715	14
Revenue reserves	333,453	258,106	14
Equity	**544,435**	**467,822**	
Pension provisions	46,603	70,770	19
Other provisions	19,385	19,092	20
Financial liabilities	220,339	213,187	16
Other liabilities	3,939	3,603	17
Deferred taxes	11,971	5,949	18
Non-current liabilities	**302,237**	**312,602**	
Other provisions	77,450	69,381	20
Financial liabilities	127,005	130,767	16
Trade payables	192,657	164,295	17
Other liabilities	33,028	35,355	17
Prepayments received for inventories	16,592	6,399	17
Income tax liabilities	4,065	4,402	21
Current liabilities	**450,797**	**410,600**	
Total equity and liabilities	**1,297,469**	**1,191,023**	

Preh GmbH, Bad Neustadt a.d. Saale

IFRS Consolidated Statement of Profit or Loss

EUR k	01.01.-31.12.2022	01.01.-31.12.2021	Notes
Revenue	1,666,106	1,340,351	1
Increase in inventories of finished goods and work in process	17,154	14,677	11
Own work capitalized	54,053	43,690	
Total output	1,737,313	1,398,718	
Other operating income	49,030	32,441	2
Cost of materials	–1,136,911	–861,015	
Personnel expenses	–283,602	–261,863	4
Other operating expenses	–159,860	–130,534	3
thereof: impairment losses recorded on trade receivables and contract assets	*–785*	*–1,154*	
EBITDA	**205,970**	**177,747**	
Amortization of intangible assets and depreciation of property, plant and equipment	–116,849	–119,498	7,8
Operating result – EBIT	**89,121**	**58,250**	
Finance income	1,136	316	
Finance costs	–12,747	–11,022	
Investment result	100	15	
Financial result	**–11,512**	**–10,692**	**5**
Earnings before tax – EBT	**77,609**	**47,558**	
Income taxes	–12,730	–11,934	6
Consolidated net profit for the year	**64,879**	**35,623**	
thereof attributable to owners of the parent company	*64,879*	*35,623*	
thereof from continued operations	*64,879*	*35,623*	
thereof from discontinued operations	*0*	*0*	

Preh GmbH, Bad Neustadt a.d. Saale

Consolidated Statement of Comprehensive Income

EUR k	01.01.- 31.12.2022	01.01.- 31.12.2021	Reference to notes
Consolidated profit for the year	64,879	35,623	
thereof attributable to owners of the parent company	*64,879*	*35,623*	
Actuarial gains/losses (net of tax)	18,334	5,472	19
Items that may not be reclassified to profit or loss	**18,334**	**5,472**	
Exchange difference from currency translation	– 1,276	20,860	
Exchange difference from net investments in foreign operations (net of tax)	736	764	24
Cash flow hedges (net of tax) – effective portion of the change in fair value	891	– 682	15
Cash flow hedges (net of tax) – reclassified to profit or loss	682	– 116	15
Items that can be reclassified subsequently to profit or loss	**1,033**	**20,825**	
Other comprehensive income net of tax	**19,367**	**26,297**	
Total comprehensive income	**84,247**	**61,921**	
thereof attributable to owners of the parent company	*84,247*	*61,921*	

Preh GmbH, Bad Neustadt a.d. Saale

Consolidated Statement of Changes in Equity

EUR k	Notes	Subscribed capital	Capital reserve	
1 Jan 2021		**10,000**	**199,508**	
Distribution		0	0	
Other changes		0	207	
Consolidated profit for the year		0	0	
Other comprehensive income (net of tax)	19, 24	0	0	
Total comprehensive income		**0**	**0**	
31 Dec 2021		**10,000**	**199,715**	
1 Jan 2022		**10,000**	**199,715**	
Distribution		0	0	
Other changes		0	1,267	
Consolidated profit for the year		0	0	
Other comprehensive income (net of tax)	19, 24	0	0	
Total comprehensive income		**0**	**0**	
31 Dec 2022		**10,000**	**200,982**	

	Revenue reserves	Exchange difference from currency translation	Exchange difference from net investments in foreign operations	Actuarial gains/losses from pension obligations	Hedging reserve	Total revenue reserves	Equity
	236,883	**−10,922**	**−1,019**	**−30,742**	**116**	**194,316**	**403,824**
	0	0	0	0	0	0	0
	0	0	0	0	0	0	0
	1,869	0	0	0	0	1,869	2,076
	35,623	0	0	0	0	35,623	35,623
	0	20,860	764	5,472	−798	26,297	26,297
	35,623	**20,860**	**764**	**5,472**	**−798**	**61,921**	**61,921**
	274,376	**9,938**	**−255**	**−25,270**	**−682**	**258,106**	**467,822**
	274,376	**9,938**	**−255**	**−25,270**	**−682**	**258,106**	**467,822**
	−8,900	0	0	0	0	−8,900	−8,900
	0	0	0	0	0	0	0
	0	0	0	0	0	0	1,267
	64,879	0	0	0	0	64,879	64,879
	0	−1,276	736	18,334	1,574	19,367	19,367
	64,879	**−1,276**	**736**	**18,334**	**1,574**	**84,247**	**84,247**
	330,355	**8,662**	**481**	**−6,936**	**891**	**333,452**	**544,435**

Preh GmbH, Bad Neustadt a.d. Saale

Consolidated Statement of Cash Flows

EUR k		Notes	2022	2021
Earnings before interest and taxes (EBIT)			89,121	58,250
Depreciation, amortization and impairment charges on non-current assets		7, 8	116,697	119,346
Depreciation, amortization and impairment charges on non-current assets arising from purchase price allocation		7, 8	152	152
+ (./.)	Increase/decrease in pension provisions		–24,819	–6,557
+ (./.)	Increase/decrease in other provisions		8,299	28,420
(./.) +	Gain/loss from disposal of non-current assets		–379	599
+ (./.)	Increase/decrease in inventories		–24,905	–69,980
+ (./.)	Decrease/increase in trade receivables and other assets		–55,745	–35,876
+ (./.)	Increase/decrease in trade payables and other liabilities		36,695	42,983
+	Cash received from interest		222	316
(./.)	Cash paid for interest		–11,251	–10,632
+ (./.)	Income tax reimbursements/(payments		–15,082	–10,700
+ (./.)	Other non-cash-effective changes		25,333	11,215
Cash inflow from operating activities			**144,338**	**127,536**
+	Cash received from disposals of non-current assets		1,708	1,433
./.	Cash paid for investments in intangible assets	7	–59,531	–51,289
./.	Cash paid for investments in property, plant and equipment	8	–65,177	–41,458
./.	Cash paid for investments in financial assets		–41	–53
+	Cash received from disposals of subsidiaries		0	0
Cash outflow from investing activities			**–123,042**	**–91,367**
Free cash flow			**21,296**	**36,169**
+ (./.)	Change in receivables from factoring		–1,279	2,777
+	Cash received from the issue of other financial liabilities		1,911	1,704
./.	Cash paid for the repayment of other financial liabilities		–12,720	–10,959
+	Cash received from the issue of bank loans		168,319	42,995
./.	Cash paid for the repayment of bank loans		–172,370	–46,039
./.	Dividend payment		–8,900	0
+	Dividends received		100	100
Cash inflow from financing activities			**–24,939**	**–9,421**
Change in cash and cash equivalents			**–3,643**	**26,748**
Cash at the beginning of the period			**80,089**	**49,369**
Exchange difference			–1,185	3,973
Cash at the end of the period			**75,262**	**80,089**

Cash and cash equivalents are explained in note 14.

Preh GmbH, Bad Neustadt a.d. Saale

Notes to the Consolidated Financial Statements

Financial year from 1 January 2022 to 31 December 2022

Contents

I. General

Preh GmbH is a German limited liability company [“Gesellschaft mit beschränkter Haftung”: GmbH] domiciled in Bad Neustadt a.d. Saale (Schweinfurter Strasse 5-9, 97616 Bad Neustadt a.d. Saale). Ningbo Joyson Electronic Corp., which is listed on the Shanghai stock exchange, holds 100.0% of the shares in Preh GmbH and is the ultimate parent company of the Group. Preh GmbH represents the ultimate parent company in these IFRS consolidated financial statements of the Preh Group.

As at 31 December 2022, the Group’s product segments consist of Car HMI, E-Mobility and Commercial Vehicle HMI.

The consolidated financial statements of the Preh Group as at 31 December 2022 were prepared according to the standards issued by the International Accounting Standards Board (IASB), London. It complies with the International Financial Reporting Standards (IFRS) applicable as at the reporting date, as endorsed by the European Union, the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC) as well as the legal requirements of Sec. 315e (1) HGB [“Handelsgesetzbuch”: German Commercial Code]. All mandatory IFRS, IAS and interpretations of the IFRS IC that were binding within the European Union for the financial year 2022 were complied with.

The consolidated financial statements were prepared on a going concern basis.

The consolidated statement of profit or loss was classified using the nature of expense method.

The reporting year of the Preh Group and the Company ends on 31 December of the respective year.

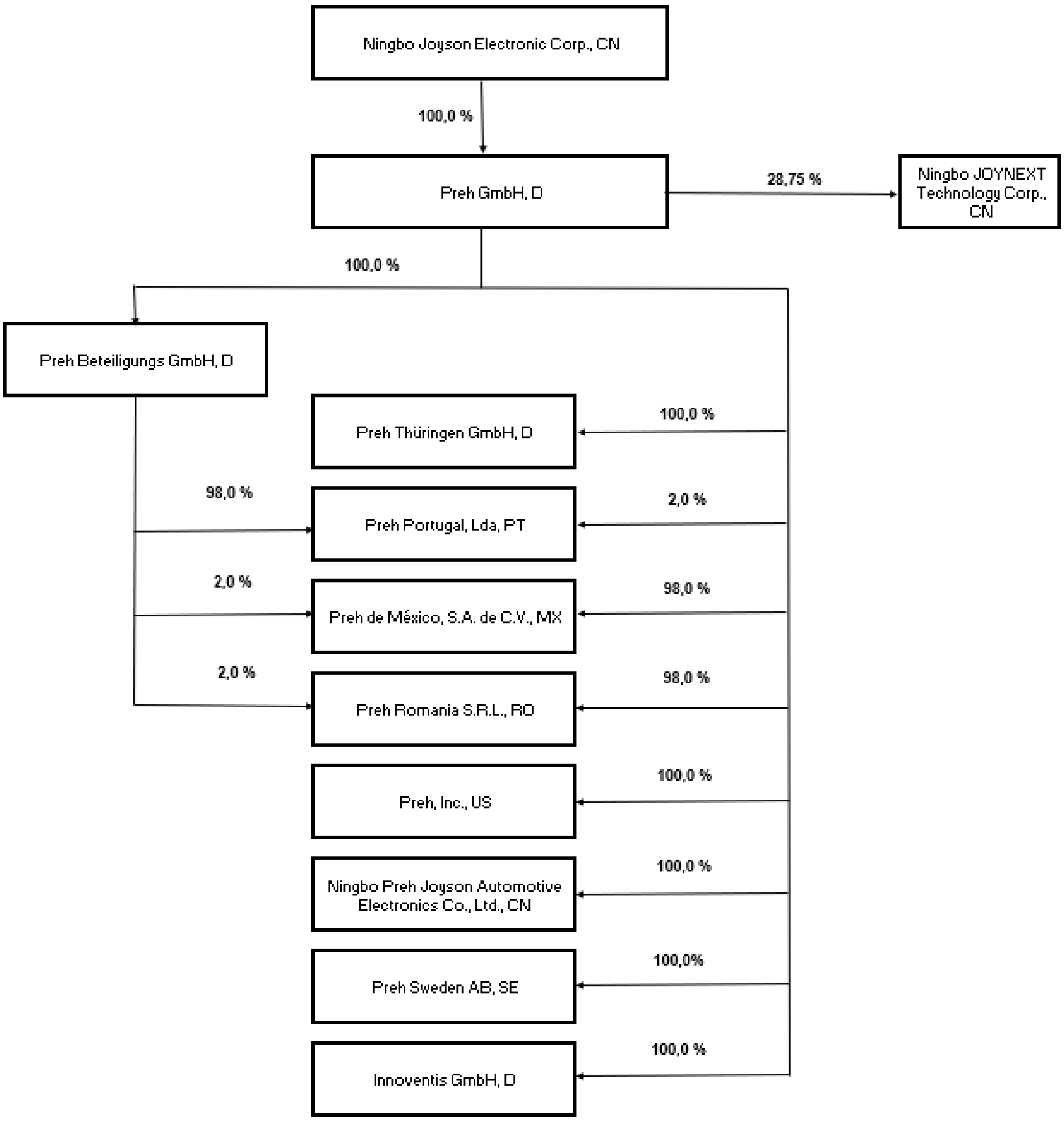
The group currency is the euro (“EUR”).

Sum totals may differ from each other due to rounding differences.

In addition to Preh GmbH, two German subsidiaries and six foreign subsidiaries are consolidated in the consolidated financial statements, as in the prior year. There were no changes to the basis of consolidation for the consolidated financial statements of Preh GmbH.

The following entities are expected to avail of the relief from reporting duties afforded by Sec. 264 (3) HGB on the basis of their inclusion in the consolidated financial statements of Preh GmbH for 2022: Preh Beteiligungs GmbH, Preh Thüringen GmbH.

Preh GmbH, Bad Neustadt a.d. Saale
IFRS Group shareholdings as at 31 Dec 2022



Changes in significant accounting policies

The following amended standards are applicable for all reporting periods beginning on or after 1 January 2022:

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". These costs can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Property, Plant, and Equipment: Proceeds Before Intended Use (Amendments to IAS 16)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. As in the past, the costs of any test runs to determine whether the property, plant or equipment functions properly are an example of directly allocable costs.

Annual Improvement Process IFRSs 2018-2020

Improvements to IFRS 1, IFRS 9, IFRS 16 and IAS 41

References to the Conceptual Framework (Amendments to IFRS 3)

The amendments update IFRS 3 so that the standard refers to the 2018 Conceptual Framework instead of the 1989 Framework. Furthermore, two additions have been made. When identifying the liabilities it has assumed in a business combination, a buyer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to any transactions and other events that fall within the scope of these standards. In addition, an explicit statement is made that contingent assets acquired in a business combination are not to be recognized.

The standards that apply for the first time do not have any impact on the consolidated financial statements.

New standards not yet applied

The IASB and IFRS IC have issued the following standards, amendments of standards and interpretations whose application is not yet mandatory. The Group has not yet applied these standards and interpretations and will not early adopt them either.

Standard	Interpretation	Published by the IASB	Mandatory application	Endorsement by the EU Commission		
				Endorse-ment	on	schedule d for
IFRS 17	Insurance contracts	18 May 2017	1 Jan 2023		19 Nov 2021	
IAS 1	Disclosure of accounting policies	12 Feb 2021	1 Jan 2023		2 Mar 2022	
IAS 8	Definition of accounting estimates	12 Feb 2021	1 Jan 2023		2 Mar 2022	
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	7 May 2021	1 Jan 2023		11 Aug 2022	
IAS 1	Classification of liabilities as current or non-current	23 Jan 2020	1 Apr 2024	Planned		Open
IFRS 16	Lease liabilities from a sale and leaseback transaction	22 Sep 2022	1 Apr 2024	Planned		Open
IAS 1	Non-current liabilities with covenants attached	31 Oct 2022	1 Apr 2024	Planned		Open

The amendments are not expected to have any significant impact on the Preh Group.

General presentation principles

To enhance the clarity and transparency of the consolidated financial statements individual items of the consolidated statement of profit or loss and the consolidated statement of financial position have been combined. These items are explained separately in the notes to the financial statements. The consolidated statement of profit or loss was prepared in accordance with the nature of expense method.

All items in the statement of financial position and the figures in the notes derived from these items were determined as at the reporting date on 31 December 2022. The line items in the statement of profit or loss, the statement of cash flows and the figures in the notes to the financial statements derived from the statements, relate to the period from 1 January to 31 December 2022. The financial year for all group entities equates with the calendar year. The consolidated financial statements are expected to be authorized for issue on 23 March 2023.

The consolidated financial statements have been prepared in euro. All amounts, including the prior-year figures, are reported in thousands of euros (EURk), unless otherwise indicated.

The presentation of consolidated financial statements in accordance with IFRSs necessitates the use of discretionary judgment. Although these discretionary judgments and assumptions are made with great care on the basis of all available information, the actual results may deviate. The consolidated financial statements of the Preh Group include forward-looking assumptions which, under some circumstances, could necessitate an adjustment to the assets and liabilities presented in following reporting periods. This especially relates to the measurement of goodwill and provisions, assessments of the useful lives of property, plant and equipment and intangible assets, assessments of lease renewal options and also the measurement of inventories (see II.C).

II. Accounting and valuation policies

The key accounting policies used to prepare these consolidated financial statements are presented below:

A. Consolidation

Control is when an entity is exposed to variable returns from its involvement in an investee and has the rights to these returns and is able to use its power over the investee to affect the amount of these returns. The existence and effect of any potential voting rights that can be currently exercised or converted is taken into account when determining whether control exists. Subsidiaries are included in the consolidated financial statements (full consolidation) on the basis of the materiality principle as at the date on which control is transferred to the Group. They are deconsolidated as at the date on which control is extinguished. An entity is still consolidated even if a share of less than 50% is held in the voting rights if most of the risks and rewards accrue to the Group. Subsidiaries that do not have any material influence on the financial position, cash flows and financial performance of the Group are not considered in the course of consolidation. Each reporting date an assessment is made with regard to their materiality and need for consolidation. As at 31 December 2022, Innoventis GmbH, Würzburg, was not consolidated on grounds of immateriality.

Acquired subsidiaries are accounted for in accordance with the acquisition method. The cost of the business combination corresponds to the fair value of the assets given, the equity instruments issued and the liabilities incurred and assumed as at the transaction date. The costs associated with the business combination are expensed in the period in which they are incurred and the goods and services received. The consolidation of equity is performed in accordance with IFRS 10 in conjunction with IFRS 3. Identifiable assets, liabilities and contingent liabilities in the course of the business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The difference between acquisition costs and the Group's portion of net assets measured at fair value is recognized as goodwill. Goodwill is tested for impairment each year in accordance with IFRS 3 in conjunction with IAS 36 (Impairment of Assets). If the acquisition costs are lower than the fair value of the net assets of the acquired entity (bargain buy), the difference is recognized directly through profit or loss after being reviewed once again. A list of fully consolidated subsidiaries can be found in section III.30.

Intercompany transactions, balances and unrealized gains on transactions with other group entities are eliminated in the course of consolidation. Unrealized losses are also eliminated unless the transaction indicates that the transferred asset is impaired. Non-controlling interests in equity and earnings are presented separately.

B. Currency translation

1. Functional and reporting currency

The items in the financial statements of each group entity are measured in the currency of the primary economic environment in which the respective entity operates (functional currency).

2. Transactions and balances

Transactions in foreign currency are translated into the functional currency using the historical exchange rates on the date of the transaction. Gains and losses resulting from the settlement of such business transactions and from the translation of monetary assets and liabilities at the closing rate are disclosed in the statement of profit or loss.

3. Group companies

The results and line items of group entities that use a functional currency that is different to the Group's presentation currency are translated into the Group's presentation currency as follows:

- Assets and liabilities are translated using the closing rate on each reporting date.
- Equity components are translated at the historical rate on the date they were acquired from the Group's perspective.
- Income and expenses are translated using the average annual rate for each period of the statement of profit or loss.
- Any translation differences due to using the closing rates are presented separately under equity as "exchange rate differences".
- During consolidation, exchange differences arising from the currency translation of net investments in foreign operations, financial liabilities and other currency instruments used to hedge such investments are posted directly to equity without affecting profit or loss.

For the most important foreign currencies of the Preh Group, the following exchange rates apply:

		Closing rate		**Average rate**	
	1 EUR =	**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2022**	**31 Dec 2021**
China	CNY	7.358	7.195	7.084	7.639
Mexico	MXN	20.856	23.144	21.214	24.080
Romania	RON	4.950	4.949	4.935	4.921
USA	USD	1.067	1.133	1.056	1.185
Sweden	SEK	11.122	10.250	10.626	10.147

C. Key estimates, assumptions and discretionary judgments

In certain cases, estimates and premises that are sensitive to various inputs need to be made. These consist of complex and subjective assessments and estimates based on the latest knowledge of the matter, which are, inherently subject to uncertainty and could also be subject to change. Estimates and accounting policies can change over the course of time and influence the presentation of the financial position, cash flows and financial performance. The estimates primarily relate to setting useful lives, measuring provisions and realizing deferred tax assets as well as assumptions on future cash flows and discount rates. However, uncertainty about these assumptions and estimates could result in outcomes that require material adjustment to the carrying amounts of the asset or liability affected in future periods. These estimates and assumptions are regularly reviewed by management.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. Goodwill and other intangible assets with indefinite useful lives are tested for impairment at least once a year or whenever there is evidence that they might be impaired. Other non-financial assets are tested for impairment when there is evidence that their carrying amount might exceed the recoverable amount.

The sales price of financial assets less the costs to sell is measured using the discounted cash flow method. Future cash flows and interest trends are estimated using suitable business and market information. An appropriate discount rate is selected to calculate the net present value of these cash flows.

Deferred tax assets

Deferred tax assets are recognized when it becomes probable that taxable income will be available to utilize them. In this regard, management estimates relate to the amount of taxable income and the expected date of utilization. Other details can be found in the notes on deferred taxes (see III.18).

Pensions and phased retirement benefits

The obligations from pension benefit plans and phased retirement plans are determined using actuarial calculations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Other details are presented in the notes on pension provisions and other provisions for phase retirement plans (see III.19 and 20).

Other provisions

When recognizing provisions for warranties, the key parameters (such as the prospective utilization of warranties and their amount) need to be set by management (see III.20).

D. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation. Cost includes the directly allocable purchase costs. The manufacturing costs of internally constructed property, plant and equipment consist of material and labor costs as well as other directly attributable costs that are incurred to bring the asset into an operating condition.

Depreciation is charged on a straight-line basis for each asset using its historical cost as the point of departure.

Depreciation is not charged on land. All other assets are depreciated down to their residual value over their estimated useful lives.

Useful lives of property, plant and equipment	in years
Buildings	20 to 40
Plant and machinery	5 to 15
Operating equipment, furniture and fixtures	2 to 20

Expenditure for day-to-day repairs and maintenance is expensed as incurred as are replacements of immaterial items. Comprehensive renovations or improvements are recognized if they give rise to a future economic benefit. Renovations are also depreciated over the same useful lives as those stated above. Gains and losses upon disposal are calculated as the difference between their carrying amount and the costs to sell and posted through profit or loss.

Borrowing costs are capitalized as an element of the cost of a qualifying asset that is acquired, constructed or produced.

All property, plant and equipment that can no longer be used for its designated purpose and whose carrying amount is more likely than not to be realized in a sale is reclassified to current assets and presented separately as “non-current assets held for sale” and measured at the lower of their carrying amount or fair value less costs to sell. If disposal is very likely to be within the following twelve months, the assets are no longer depreciated. If there is no disposal in this period, the property, plant and equipment is reclassified back to the original line items and measured at the lower of its implied amortized cost on that date or its recoverable amount.

E. Intangible assets

1. Goodwill

Goodwill represents the excess paid in a business combination for the shares held by the Group in the net assets of the acquired entity measured at fair value on the date of acquisition. Goodwill that originates from a business combination is allocated to intangible assets.

Goodwill is not amortized over time but is subject instead to impairment testing at least once a year in accordance with IAS 36. Determining the recoverable amount of a field of business to which the goodwill was allocated involves estimates by management. The recoverable amount is the higher of an asset’s net selling price and its value in use. The Company generally uses measurement methods based on discounted cash flows to determine these figures. These discounted cash flows are based on three-year forecasts which are in turn based on plans approved by the Supervisory Board. The cash flow forecasts take past experience into account and are based on management’s best estimate of future developments. Cash flows outside the planning period are measured using individual growth rates. The Preh Group as a whole is identified as a cash-generating unit (the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets).

The most important assumptions underlying the determination of the net selling price and value in use are the estimated growth rates, weighted average cost of capital and tax rates. These premises and the underlying method can have an impact on the respective values and ultimately on the amount of a possible goodwill impairment.

Impairment losses recorded on goodwill are not reversed to write goodwill back up to amortized cost if the reasons for the impairment no longer apply.

Goodwill is tested for impairment at the end of the year. As in the prior year, there was no impairment.

A growth factor of 1.0% (2021: 1.0%) was applied for the period after the end of the detailed planning period. The after-tax discount rate was set at 10.04% (2021: 7.91%). The impairment test considered a growth factor and interest to calculate the value in use of free cash flow. Neither the increase of 0.5 percentage points in the interest rate nor the reduction of 0.5 percentage points in the growth factor led to a reduction in goodwill.

2. Purchased intangible assets

Acquisition costs and directly allocable expenses for patents and licenses acquired for a consideration are capitalized and amortized over their useful lives (3 to 8 years) on a straight-line basis.

Any intangible assets that can no longer be used for their designated purpose and whose carrying amount is more likely than not to be realized in a sale is reclassified to current assets and presented separately as “assets held for sale” and measured at the lower of their carrying amount or fair value less costs to sell. If disposal is very likely to be within the following twelve months, the assets are no longer depreciated. If there is no disposal in this period, the intangible asset is reclassified back to its original line item and measured at the lower of its implied amortized cost on that date or its recoverable amount.

3. Internally generated intangible assets

Research expenses are posted to profit or loss. Development costs are recognized as internally-generated intangible assets in accordance with the criteria defined in IAS 38.

From the beginning of series production, development costs are amortized through profit or loss on a straight-line basis over their useful lives of 4, 5 and 9 years or on the basis of the unit production figures. Capitalized development expenses are subjected to an annual impairment test. An impairment loss must be recognized when the recoverable amount, which is modeled over the forecast unit volume, lies below the carrying amount. As in the prior year, there was no need to record an impairment loss in 2022.

F. Impairment of assets

The carrying amounts of the non-financial assets of the Group are examined on the reporting date to determine whether there any indications for an impairment. If such indication exists, the Group estimates the asset’s recoverable amount. An impairment loss is recognized when the carrying amount of the asset or the cash-generating unit, to which the asset is allocated, exceeds its recoverable amount.

The recoverable amount of an asset or a cash-generating unit is the higher of its value in use and its fair value less costs to sell. When determining the value in use, the estimated future cash flows are discounted using a pre-tax interest rate, the latest assessment of the market regarding the time value of money and the risks inherent to the asset or cash-generating unit. For the purposes of reviewing impairment, assets are assessed at the level of the smallest cash-generating unit that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If plant and equipment and intangible assets are tested for impairment, the determination of the recoverable amount of the assets also involves estimates by management which can have a significant influence on the respective figures and ultimately on the amount of the possible impairment.

G. Financial assets

The financial instruments held by the Group break down into the following categories:

- Amortized cost
- At fair value through profit or loss or OCI

Allocation to these categories is based on

- the business model used by the company to manage its financial assets and
- the qualities of the contractual cash flows of the asset

Financial assets that are held within the framework of a business model whose objective is to collect contractual cash flows are allocated to the category of “at amortized cost”. In addition, the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (cash flow condition).

Financial assets that cannot be allocated to this category are measured at fair value.

Upon acquisition, a financial asset is measured at fair value, regardless of which category it is allocated to. Generally, fair value equates with the transaction price (the consideration paid). However, if part of the consideration paid is for something other than the financial instrument, the fair value of the financial instrument is estimated, using a valuation technique.

When subsequently measuring assets at amortized cost, the transaction costs upon initial measurement need to be considered. Moreover, any impairment losses must be recorded on these financial instruments in keeping with the impairment model of IFRS 9. The expected credit loss model requires the expected losses for all financial instruments falling under the scope of the impairment model to be recognized. When assessing the expected credit loss, IFRS 9 lays out a general (three-stage) impairment model and a simplified approach. The Preh Group applies the simplified approach. Trade receivables are generally short-term by nature and do not contain any significant interest components. This implies that the expected credit losses for the next twelve months generally equates with the expected credit losses for the residual terms of the receivables. Under the simplified approach the expected loss is calculated for the residual term of the receivable.

H. Leases

An assessment is made at the inception of a contract as to whether it constitutes or contains a lease. This is the case when a contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The assessment is based on the definition of leases found in IFRS 16.

A right-of-use asset and a lease liability are recognized on the commencement date. The right-of-use asset is initially measured at cost, which corresponds to the initial measurement of the lease liability. Adjustments are made for any payments made by or on the commencement date, any initial direct costs and the estimated costs of dismantling, removing or restoring the underlying asset or its location as well as for any lease incentives received.

Thereafter the right-of-use asset is depreciated over the period from the commencement date to the expected termination date of the lease. If title to the leased asset passes to the Preh Group at the end of the lease term or the fact that a purchase option is likely to be exercised at the end of the lease term has been considered in the cost of the right-of-use asset, the right-of-use asset is depreciated over the estimated useful life of the underlying asset. In addition, the right-of-use asset will be reduced by any impairment losses, if necessary, and by certain remeasurements of the lease liability.

The lease liability is initially measured at the net present value of the outstanding lease payments on the commencement date. The entities in the Preh Group apply the incremental borrowing rate for instruments of equivalent terms. The lease liability is measured at amortized cost using the effective interest rate method.

The Group has decided to not to recognize leases for low-value assets nor any short-term leases, including those for IT equipment. The Group expenses the costs associated with these leases over the term of the lease as incurred (see III.3).

I. Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is measured on the basis of the moving average price of the goods. The cost of finished goods and work in process includes raw materials, production labor, other direct costs and the overheads attributable to the product (based on normal utilization of capacity). It does not include borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

J. Trade receivables

Trade receivables are recognized at the face value of the original invoice less any expected credit loss. Bad debts are written off as soon as there are any objective indications that they will be defaulted on.

Trade receivables are sold within the framework of a factoring program. The risk of possible defaults on receivables that are not factored are partly reduced to the amount of the deductible under the credit insurance program (see III.12).

K. Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits and other short-term, highly liquid assets with an original term to maturity of no more than three months.

L. Financial liabilities

Financial liabilities are initially recognized at fair value. They are subsequently measured at amortized cost; any difference between the amount paid out (after deducting transaction costs) and the settlement amount is posted through profit or loss over the term of the financial liability using the effective interest rate method. Derivative financial instruments are measured at fair value through profit or loss.

M. Government grants

Government grants are recognized at fair value if there is reasonable assurance that the grants will be received and Preh Group companies will comply with the conditions attaching to them. Grants that are tied to expenses are segregated and posted through profit or loss over the period needed to offset the income from the grant over the associated expenses. Grants received as reimbursements of expenses are initially measured at fair value and carried as current liabilities. They are subsequently released to other operating income as the associated expenses are incurred.

N. Income taxes

Using the liability method, deferred taxes are recognized for all temporary differences between the tax base of the assets/liabilities and their carrying amounts pursuant to the IFRS financial statements. The most significant temporary differences arise from the recognition of development expenses, depreciation of property, plant and equipment, the measurement of securities, derivative financial instruments and pension provisions as well as any differences between the fair value of the assets acquired in a business combination and their tax bases. In addition, deferred tax assets are recognized on tax losses that can be utilized against taxable income in future.

Deferred taxes are measured using the tax rates that have been enacted or substantively enacted on the reporting date. Moreover, any future tax consequences that follow from the manner in which the deferred taxes are expected to be recovered or settled from the perspective of management on the reporting date are also considered.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Financial planning that has been derived from the business planning is relied on to determine the eligibility of deferred taxes for recognition and thereafter measure them. No deferred taxes are recognized on goodwill arising from business combinations unless portions thereof can be deducted from income for tax purposes.

O. Pension obligations and other employee benefits

1. Pension obligations

The Preh Group has entered into defined benefit plans. The benefits are based on individual commitments. They are generally measured on the length of service and the compensation paid to the employee concerned.

The provision for defined benefit obligations recognized in the statement of financial position corresponds to the present value of the defined benefit obligation (DBO) on the reporting date less the fair value of plan assets. The DBO is calculated on an annual basis by an independent actuary using the projected unit credit method. The present value of the DBO is calculated by discounting future cash outflows using the interest rate of high quality corporate bonds denominated in the currency in which the benefits are paid and whose terms equate with those of the pension obligations. The interest effect is posted to net financial income and the current and past service cost is presented in personnel expenses.

Actuarial gains and losses based on experience-based adjustments and changes to the actuarial assumptions are posted in full to other comprehensive income.

Past service cost is posted immediately through profit or loss regardless of whether the associated rights to receive a pension represent vested or unvested claims.

The discount rate used to calculate the pension obligations is also used to determine the expected return on plan assets.

The contributions made by group entities to defined contribution plans are posted to profit or loss in the period in which they are paid.

2. Employee-funded pension obligations

Employees have been offered the opportunity to receive pension entitlements via the deferred compensation model. Each year, the workforce has a right to convert their salary components into pension entitlements. Preh agrees on a guaranteed return with the individual employee concerned which remains binding over the term of the arrangement.

When an employee has rendered service to an enterprise during a period, the enterprise recognizes the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an enterprise recognizes that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another International Accounting Standard requires or permits the inclusion of the contribution in the cost of an asset.

If contributions to a defined contribution plan do not fall due within twelve months after the end of the reporting date of the year in which the employee renders the service, they are discounted to their present value.

P. Provisions

Provisions are recognized when the Group has a legal or constructive obligation arising from a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If management expects that a payment obligation will be reimbursed by a third party, under an insurance policy, for instance, the right to indemnification is recognized as a separate asset, provided the reimbursement is almost certain.

1. Warranty provision

The Group recognizes a provision for the repair or exchange of goods that were covered by warranty obligations on the reporting date. This provision is measured on the basis of specific circumstances as well as past experience in recent years relating to the repair and exchange of assets.

2. Provisions for onerous contracts

The Group recognizes a provision for onerous contracts if the anticipated income from a contract lies below the unavoidable costs needed to fulfill the contractual obligations. The provision is measured at the least net cost of the expected expenses needed to fulfill the contract or the cost to exit from it.

3. Personnel-related provisions

Provisions for obligations towards personnel consist of: profit participation rights, step-up amounts and deferred compensation under phased-retirement obligations, severance payments, long-service awards and other obligations.

Personnel provisions are measured at the anticipated settlement amount based on estimates, calculations and past experience. The provisions for long-service awards and the expenses for phased-retirement plans are based on actuarial reports.

Q. Revenue recognition

Based on the provisions of IFRS 15, revenue for series parts is recognized as soon as a customer obtains control over the goods. The Preh Group has no alternative use for the series parts. As customer demand regularly fluctuates over the short-term call-offs on standing orders are generally only binding for very short periods and, as a result, there are no significant enforceable claims for payment for series products as at the reporting date. For this reason, the criteria of IFRS 15.35 (c) are not generally met with regard to the contract manufacturing of series products. As a result, revenue for series parts is recognized at a point in time.

Revenue recognition for development work and tools is also on a point-in-time basis (generally when the customer accepts the good or service or upon the start of production).

Customer payments are received in accordance with the individually agreed terms of payment.

Amounts payable to customers, that do not represent consideration for the transfer of goods or services, are deducted from revenue.

R. Derivative financial instruments

Derivative financial instruments are initially recognized at cost and subsequently measured at fair value. If they qualify as hedging instruments under IAS 39, hedge accounting as laid out in IAS 39 is applied. In all other cases, any changes in the fair value of derivative financial instruments are posted immediately to profit or loss.

S. Fair value measurement of financial instruments

The fair value of derivatives that are listed on a public exchange and of other financial assets measured at fair value is measured on the basis of the listed prices on the reporting date. The fair value of interest swaps is calculated at the present value of their expected future cash flows. The fair value of forward exchange contracts is determined by reference to the forward rates available on the market on the reporting date. The fair value of equity investments in entities that are not listed on a public exchange is measured on the basis of business valuations.

The face value of financial assets and financial liabilities that have a residual term of less than one year, less any anticipated defaults, generally corresponds to their fair value. The fair value of the financial liabilities presented in these notes is determined on the basis of the discounted contractually agreed cash flows using the current market interest rates that the Group would obtain for comparable financial instruments.

III. *Disclosures on the individual line items of the consolidated financial statements*

1. Revenue

Product groups	2022		2021	
	EUR m	%	EUR m	%
Car HMI	1,291.7	77.5	996.7	74.4
Commercial Vehicles	47.6	2.9	69.4	5.2
E-Mobility	326.8	19.6	274.3	20.5
Net revenue (=external revenue)	**1,666.1**	**100.0**	**1,340.4**	**100.0**

Revenue contains an amount of EUR 37,042k received for development work (2021: EUR 38,120k).

Regions	2022		2021	
	EUR m	%	EUR m	%
Europe	933.6	56.0	840.6	62.8
The Americas	340.7	20.5	242.8	18.1
Asia	380.8	22.9	246.8	18.4
Other	11.0	0.7	10.2	0.8
Net revenue (=external revenue)	**1,666.1**	**100.0**	**1,340.4**	**100.0**

The order backlog for development services and tools and the anticipated revenue from this order backlog are presented in the following tables.

31 Dec 2022

EUR m	2022 Order backlog	2023 Revenue	2024 Revenue	2025-2027 Revenue
Development services	57.8	27.3	24.7	5.8
Tools	93.0	39.2	42.7	11.1

31 Dec 2021

EUR m	2021 Order backlog	2022 Revenue	2023 Revenue	2024 - 2026 Revenue
Development services	53.2	30.2	12.0	11.0
Tools	82.5	31.3	42.9	8.3

The practical expedient of IFRS 15.121 was used to break down revenue from sales of series parts as the contractual term upon delivery is one year at a maximum.

In financial year 2022 provisions for sales deductions from prior years of EUR 30,655k were utilized or released to revenue. On the other hand, new provisions for sales deductions reduced revenue by EUR 34,394k.

2. Other income

	2022	2021
Exchange gains	12,558	11,736
Income from the reversal of provisions	11,165	5,130
Income from sales of scrap / reworking	8,895	2,947
Income from indemnification claims	3,799	432
Contributions to income	3,478	3,824
Proceeds from the disposal of non-current assets	1,647	893
Income from sales of scrap	560	363
Income from employee loss of earnings	357	398
Other rental and lease income	76	164
Income from affiliated companies / equity investments	3	527
Sundry other income	6,493	6,027
Total other operating income:	**49,030**	**32,441**

3. Other expenses

	2022	2021
Warranty costs (including additions to provisions)	24,549	25,047
Packaging and freight out	22,886	17,981
Third-party services	19,184	15,098
Exchange losses	15,226	8,181
Third-party design	13,835	6,402
Repairs by third parties	13,589	13,241
Other personnel incidental expenses	8,697	6,353
Expenses for affiliated companies / equity investments	7,422	6,077
Consulting fees	4,444	5,059
Insurance	4,318	3,257
Advertising, travel and hospitality expenses	4,022	2,415
Rent/leases	2,526	2,325
Product rejects and reworking costs	2,093	5,348
Other taxes	2,019	788
Losses from the disposal of assets	1,268	1,493
Communication	1,104	1,197
Patents	914	826
Specific bad debt allowances	668	45
Bank charges	507	425
Sundry other operating expenses	10,591	8,978
Total other operating expenses:	**159,860**	**130,534**

4. Personnel expenses

	2022	2021
Wages and salaries:		
Wages and salaries	241,536	215,841
German phased retirement scheme	4,219	4,685
Severance payments	1,806	5,553
Addition to the provision for long-service awards	– 1,363	277
Total wages and salaries	**246,198**	**226,356**
Social security, pension and other benefit costs		
Employer’s contribution to health insurance, unemployment insurance and pension insurance	33,953	31,983
Workmen’s compensation	1,234	1,187
Contributions to the insolvency protection fund	54	18
Welfare	187	32
Total social security and other benefit costs	**35,428**	**33,220**
Pension expenses	1,976	2,286
Total social security, pension and other benefit costs	**37,403**	**35,507**
	283,602	**261,863**

Personnel expenses do not contain any significant government refunds (2021: EUR 863k).

The average headcount (full-time equivalents, excluding apprentices and trainees, holiday workers and employees on long-term leave) in the reporting year, expressed both as an annual average and as at the reporting date, was as follows:

	Annual average		Cut-off date	
	2022	2021	2022	2021
Direct employees	5,102	5,190	5,214	5,045
Indirect employees	2,086	1,960	2,140	2,009
	7,188	**7,150**	**7,354**	**7,054**

The labor of direct employees can be directly allocated to customer contracts, while the labor of indirect employees cannot be directly allocated to customer contracts.

5. Financial result

	2022	2021
Finance income		
- other interest income	1,136	316
Total	**1,136**	**316**
Finance costs		
- Interest expenses for liabilities to banks/factoring	–6,532	–5,798
- other expenses arising from financial liabilities	–4,348	–3,816
- Interest expenses from lease liabilities to non-consolidated affiliated companies	–1,215	–1,015
- Interest expense for existing pension commitments	–652	–393
Total	**–12,747**	**–11,022**
Income from equity investments	**100**	**15**
Financial result	**–11,512**	**–10,692**

6. Income taxes

	2022	2021
Current tax expense (+) / income (-)	15,823	12,566
Deferred tax expense (+) / income (-)	–3,093	–632
	12,730	**11,934**

Current tax expenses for the reporting year include tax expenses from prior years of EUR 276k.

Deferred tax expenses and deferred tax income originate from temporary differences and unused tax losses carried forward.

An income tax rate of 29.13% (2021: 29.13%) was applied to calculate the expected tax expense for the financial year 2022 which is the combined rate for trade tax, corporate income tax and the solidarity surcharge incurred by the parent company.

Reconciliation of estimated tax expense to current income tax expense disclosure:

	2022	2021
Earnings before income taxes	77,609	47,558
Theoretical tax expense based on a tax rate of 29.13%	–22,608	–13,854
Effects of different tax rates in other countries	8,382	5,163
Tax-free income	163	1,129
Non-deductible expenses	–1,472	–932
Subsequently recognized deferred tax assets on loss carryforwards/ use of unused tax losses	3,639	1,373
Prior-year adjustments	–276	57
Foreign withholding tax	–671	–379
Losses in the current year for which no deferred tax assets were utilized	–3,370	–1,738
Impairments of deferred taxes	0	–4,681
Tax incentives	3,912	2,048
Other differences	–429	–120
Reported income tax expense	**–12,730**	**–11,934**
Effective tax rate	16.4%	25.1%

7. Intangible assets

Development 2022

	Goodwill	Licenses and similar rights and assets	Company produced and capitalized assets	Total
1 Jan 2022				
Cost	13,883	69,408	329,904	413,195
Accumulated depreciation and amortization	–232	–59,979	–183,036	–243,247
Carrying amount	**13,651**	**9,429**	**146,868**	**169,948**
Cost				
1 Jan 2022	**13,883**	**69,408**	**329,904**	**413,195**
Exchange difference from currency translation	0	66	–1,088	–1,023
Additions	0	7,533	51,998	59,531
Reclassifications	0	1,522	–1,520	2
Disposals	0	–10,944	–708	–11,651
31 Dec 2022	**13,883**	**67,585**	**378,586**	**460,055**
Depreciation and amortization				
1 Jan 2022	**232**	**59,979**	**183,036**	**243,247**
Exchange difference from currency translation	0	30	–507	–477
Depreciation and amortization	0	5,438	40,328	45,766
Disposals	0	–10,810	0	–10,810
31 Dec 2022	**232**	**54,637**	**222,857**	**277,726**
Carrying amount as at 31 Dec 2022	**13,651**	**12,948**	**155,729**	**182,328**

Development 2021

	Goodwill	Licenses and similar rights and assets	Company produced and capitalized assets	Total
1 Jan 2021				
Cost	13,883	62,205	282,220	358,308
Accumulated depreciation and amortization	–232	–53,487	–139,979	–193,698
Carrying amount	**13,651**	**8,718**	**142,241**	**164,610**
Cost				
1 Jan 2021	**13,883**	**62,205**	**282,220**	**358,308**
Exchange difference from currency translation	0	764	3,569	4,334
Additions	0	5,779	45,510	51,289
Reclassifications	0	935	–929	6
Disposals	0	–275	–466	–741
31 Dec 2021	**13,883**	**69,408**	**329,904**	**413,195**
Depreciation and amortization				
1 Jan 2021	**232**	**53,487**	**139,979**	**193,698**
Exchange difference from currency translation	0	641	706	1,347
Depreciation and amortization	0	6,126	42,352	48,478
Disposals	0	–275	0	–275
31 Dec 2021	**232**	**59,979**	**183,036**	**243,247**
Carrying amount as at 31 Dec 2021	**13,651**	**9,429**	**146,868**	**169,948**

Research and development expenses, including purchased development expenses amounted to EUR 148,101k in 2022 (2021: EUR 118,619k). Development expenses of EUR 49,838k were capitalized as internally developed intangible assets in the reporting year (2021: EUR 41,596k). These capitalized development expenses mainly consist of specific development services. Capitalized development expenses include borrowing costs of EUR 1,219k (2021: EUR 672k). The underlying incremental borrowing rate comes to 4.45% (2021: 2.37%). The amortization charge recorded on capitalized development work amounted to EUR 40,163k in 2022 (2021: EUR 42,239k) As in the prior year, there was no need to record any impairment losses on capitalized development expenses.

Likewise, there was no need to record any impairment losses on licenses and similar rights and assets in 2022 (2021: EUR 971k).

8. Property, plant and equipment and right-of-use assets

Development 2022

	Land and buildings	Plant and machinery	Operating equipment, furniture and fixtures	Prepayments and assets under construction	Right-of-use assets	Total
1 Jan 2022						
Cost	122,699	368,446	253,809	16,309	80,323	841,586
Accumulated depreciation and amortization	−49,863	−222,475	−189,547	0	−23,003	−484,888
Carrying amount	**72,835**	**145,971**	**64,262**	**16,309**	**57,320**	**356,698**
Cost						
1 Jan 2022	**122,699**	**368,446**	**253,809**	**16,309**	**80,323**	**841,586**
Exchange difference from currency translation	662	2,812	466	−70	414	4,283
Additions	5,236	24,635	17,292	18,014	24,212	89,389
Reclassifications	2,332	1,403	1,444	−5,180	0	−2
Disposals	−997	−17,639	−27,470	−106	−9,519	−55,731
31 Dec 2022	**129,932**	**379,657**	**245,541**	**28,966**	**95,430**	**879,525**
Depreciation and amortization						
1 Jan 2022	**49,863**	**222,475**	**189,547**	**0**	**23,003**	**484,888**
Exchange difference from currency translation	326	1,655	497	0	−19	2,459
Depreciation and amortization	4,689	35,696	21,827	0	8,871	71,083
Reclassifications	−27	−562	589	0	0	0
Disposals	−997	−16,972	−27,755	0	−3,330	−49,054
31 Dec 2022	**53,856**	**242,291**	**184,704**	**0**	**28,525**	**509,376**
Carrying amount as at 31 Dec 2022	**76,076**	**137,366**	**60,837**	**28,966**	**66,905**	**370,149**

Development 2021

	Land and buildings	Plant and machinery	Operating equipment, furniture and fixtures	Prepayments and assets under construction	Right-of-use assets	Total
1 Jan 2021						
Cost	116,753	340,445	235,207	20,272	74,890	787,567
Accumulated depreciation and amortization	−44,542	−187,926	−167,611	0	−18,259	−418,338
Carrying amount	**72,211**	**152,519**	**67,596**	**20,272**	**56,631**	**369,229**
Cost						
1 Jan 2021	**116,753**	**340,445**	**235,207**	**20,272**	**74,890**	**787,567**
Exchange difference from currency translation	1,889	13,853	4,221	690	3,667	24,319
Additions	2,471	20,767	17,331	889	5,983	47,441
Reclassifications	2,165	1,418	861	−4,450	0	−6
Disposals	−580	−8,036	−3,812	−1,091	−4,220	−17,739
31 Dec 2021	**122,699**	**368,446**	**253,809**	**16,310**	**80,320**	**841,583**
Depreciation and amortization						
1 Jan 2021	**44,542**	**187,926**	**167,611**	**0**	**18,259**	**418,338**
Exchange difference from currency translation	581	7,409	3,057	0	644	11,692
Depreciation and amortization	4,499	33,046	25,167	0	8,309	71,020
Reclassifications	807	−0	−807	0	0	−1
Disposals	−565	−5,905	−5,482	0	−4,212	−16,165
31 Dec 2021	**49,863**	**222,475**	**189,546**	**0**	**23,000**	**484,885**
Carrying amount as at 31 Dec 2021	**72,836**	**145,971**	**64,263**	**16,310**	**57,320**	**356,699**

There was no need to record an impairment loss on plant and machinery in 2022 (2021: EUR 2,649k)

9. Financial assets and liabilities by category

The categories are represented by corresponding line items in the statement of financial position.

31 Dec 2022

Financial assets

	at amortized cost	at fair value through OCI	at fair value through profit or loss	Total
Other financial assets	991	0	120,000	120,991
Trade receivables	230,177	0	0	230,177
Other receivables	17,776	1,258	0	19,034
Cash and cash equivalents	75,262	0	0	75,262
	324,206	**1,258**	**120,000**	**445,464**

Financial liabilities

	at amortized cost	at fair value through profit or loss	Total
Financial liabilities	347,344	0	347,344
Trade payables	192,657	0	192,657
Other liabilities	29,735	0	29,735
	569,736	**0**	**569,736**

31 Dec 2021

Financial assets

	at amortized cost	at fair value through OCI	at fair value through profit or loss	Total
Other financial assets	950	0	120,000	120,950
Trade receivables	178,715	0	0	178,715
Other receivables	12,055	150	250	12,455
Cash and cash equivalents	80,089	0	0	80,089
	271,809	**150**	**120,250**	**392,209**

Financial liabilities

	at amortized cost	at fair value through profit or loss	Total
Financial liabilities	343,331	623	343,954
Trade payables	164,295	0	164,295
Other liabilities	30,689	0	30,689
	538,315	**623**	**538,938**

10. Financial investment in Ningbo JOYNEXT Technology Corp.

The stake held in Ningbo JOYNEXT Technology Corp. (Joynext China) and the options are carried as financial assets in the fair value through profit or loss category.

Preh GmbH holds a stake of 28.75% which was acquired in 2020 in the course of a capital increase in return for cash contribution. The carrying amount of the investment as at 31 December 2022 amounts to EUR 120,000k, corresponding to its fair value. As a result, no income or expenses from fair value adjustments were posted to profit or loss.

On a consolidated basis, (as reported in the consolidated financial statements of the JOYNEXT Group pursuant to PRC GAAP), Joynext China generated a preliminary net profit for the year of CNY 239,303k (2021: CNY 182,506k) and reports a preliminary equity of CNY 2,726,647k (2021: CNY 2,406,117k).

The following options were agreed in the course of the purchase of the shares:

- From 1 July 2021, Preh GmbH has a right to sell at any time up to 15% of the shares in Joynext China (corresponding to roughly 52% of the total stake) to Ningbo Joyson Electronic Corp. (Put Right 1).
- From 1 July 2021 Ningbo Joyson Electronic Corp. has a right to purchase at any time up to 15% of the shares in Joynext China (corresponding to roughly 52% of the total stake) from Preh GmbH (Call Right).
- If there has been no IPO of Joynext China by the end of 2024, Preh GmbH has the right from 1 January 2025 to sell its remaining stake (at most the entire shareholding) to Ningbo Joyson Electronic Corp. (Put Right 2).

The strike price for the options is denominated in euro and corresponds to the pro rata historical cost of the shares in Joynext China.

The changes in the fair values of Put Right 1 and the Call Right offset each other (the respective fair values measured using the Black-Scholes method amount to EUR 10,323k and EUR -10,323k as at 31 December 2022) and are therefore carried at EUR 0k as they are presented net. There was no impact on profit or loss as a result. The fair value of Put Right 2 amounts to EUR 0k as at 31 December 2022 (2021: EUR 250k).

The measurements are based on business valuations. These reveal that there have not been any significant movements in the value of the investment since Preh GmbH acquired it. All other investors acquired their shares at the same price as that paid by Preh GmbH for its shares. The shares are not listed on an active market as at 31 December 2022.

The fair value was therefore calculated using level 3 inputs as they could not be derived from observable market factors. These inputs primarily consisted of the most recent business valuation and an analysis of the conditions at which other investors acquired shares in Joynext China. No adjustments were made to these data inputs.

11. Inventories

31 Dec 2022

	Gross values	Impairments	Total
Raw materials, consumables and supplies	172,088	–15,289	156,799
Work in process	59,865	–1,482	58,383
Finished goods	39,341	–11,246	28,095
Merchandise	16,490	–689	15,801
Payments on account	12,296	0	12,296
Prepayments received for inventories	–3,849	0	–3,849
	296,231	**–28,706**	**267,525**

31 Dec 2021

	Gross values	Impairments	Total
Raw materials, consumables and supplies	170,421	–14,112	156,309
Work in process	48,602	–2,001	46,601
Finished goods	33,748	–11,023	22,725
Merchandise	16,993	–447	16,546
Payments on account	4,605	0	4,605
Prepayments received for inventories	–4,165	0	–4,165
	270,204	**–27,583**	**242,621**

Inventories are subject to the customary retention of title clauses.

12. Receivables

	2022	2021
Trade receivables with third parties	159,812	133,426
Trade receivables with affiliated companies	70,365	45,289
Other receivables and assets	25,065	19,503
	255,242	**198,218**

The loss allowances on trade receivables developed as follows:

	2022
1 Jan 2022	**2,034**
Net remeasurement of loss allowance	–802
31 Dec 2022	**1,232**

	2021
1 Jan 2021	**1,890**
Net remeasurement of loss allowance	144
31 Dec 2021	**2,034**

The loss allowances comprise the expected credit losses which are now measured using the simplified approach of IFRS 9. These amounted to EUR 312k as at 31 December 2022 (2021: EUR 261k). Loss allowances were recognized on receivables of EUR 920k (2021: EUR 1,773k) as there were objective indications of impairment. Most of these were disputed receivables which were no longer expected to be collected from the customers. They are derecognized as soon as the statute of limitations applies or it can be conclusively assumed that they will no longer be collected.

The trade receivables carried by Preh GmbH, Bad Neustadt a.d. Saale, Preh, Inc., USA, Preh Portugal, Lda, and Preh Romania S.R.L., are generally covered by credit insurance. In total, receivables of EUR 79,153k (2021: EUR 63,391k) are covered by credit insurance.

Receivables of EUR 35,796k (2021: EUR 37,075k) were factored as at the reporting date and derecognized from the statement of financial position.

Other receivables:

31 Dec 2022

	current	non-current	Total
Receivables from:			
Other taxes	8,549	0	8,549
Creditors with debit balances	615	0	615
Prepaid expenses	5,054	977	6,031
Actuarial reserve of insurance policies	0	321	321
Other	4,560	4,989	9,549
	18,778	**6,287**	**25,065**

31 Dec 2021

	current	non-current	Total
Receivables from:			
Other taxes	5,093	0	5,093
Payments on account	302	0	302
Creditors with debit balances	1,331	0	1,331
Prepaid expenses	5,204	1,844	7,048
Actuarial reserve of insurance policies	0	346	346
Other	3,057	2,326	5,383
	14,987	**4,516**	**19,503**

The carrying amounts of trade receivables and other receivables correspond to their fair values.

13. Cash and cash equivalents

Cash and cash equivalents are not restricted. Cash and cash equivalents correspond to the balance stated in the statement of cash flows. The fair value of cash and cash equivalents corresponds to the carrying amount. Cash and cash equivalents include:

	2022	2021
Checks and cash in hand	29	37
Bank balances	75,232	80,053
Cash and cash equivalents	**75,262**	**80,089**

14. Equity

The issued capital of Preh GmbH amounts to EUR 10,000k and, as in the prior year, is fully held by Ningbo Joyson Electronic Corp., Ningbo, China.

The capital reserves amount to EUR 200,982k (2021: EUR 199,715k).

The revenue reserves increased from EUR 258,106k to EUR 333,453k. The increase is largely due to the net profit of the Group for the year of EUR 64,879k. In addition, actuarial gains resulting from the remeasurement of pension provisions of EUR 18,334k were a major factor in the increase in revenue reserves. This was countered by losses from foreign currency translation of EUR 540k and the dividend payment of EUR 8,900k, which reduced revenue reserves accordingly.

Reserves subject to restrictions on disposal on account of the law amounted to EUR 13,742k (2021: EUR 14,028k).

15. Derivative financial instruments

The Preh Group applies IAS 39 when applying hedge accounting.

According to IAS 39 all derivative financial instruments such as swaps or forward exchange contracts should be accounted for at fair value. They are allocated to one of the three levels of the fair value hierarchy defined in IFRS 13: Level 1 applies to quoted prices in active markets for identical assets or liabilities. Level 2 relates to inputs that are observable on the market, either directly or indirectly, other than the quoted prices included within Level 1. Level 3 is defined for input factors that are not observable from market data but are used to measure the assets or liabilities. Within the Preh Group, interest hedges are measured on the basis of level 2 inputs.

The following hedges were in place on the reporting date:

			Nominal values		Market value	
Type	**Maturing on**	**Currency**	**2022**	**2021**	**2022**	**2021**
Interest rate swaps	2022	EUR	0	23,000	0	–63
Interest rate swaps	2024	EUR	34,000	34,000	1,258	–560
FX options	2022	MXN	0	384,000	0	150
Purchase options (Joynext China)	2025	EUR	120,000	120,000	0	250
					1,258	**–223**

16. Financial liabilities

	2022		2021	
	< 1 year	**>1 year**	**< 1 year**	**>1 year**
Financial institutions	117,058	155,250	120,429	155,750
Non-consolidated affiliated companies	235	0	192	0
Other	9,712	65,089	10,147	57,437
	127,005	**220,339**	**130,767**	**213,187**

Short-term liabilities to banks primarily consist of the funds drawn on a revolving credit facility provided under the medium-term syndicated bank loan. We refer to our comments under III.24.

As at 31 December 2022, non-current financial liabilities to financial institutions had residual terms of up to five years (2021: six years).

The financial liabilities to banks are unsecured.

The terms and conditions of financial liabilities are presented below. The stated carrying amounts of the loans from banks correspond to their fair values:

Liabilities to financial institutions

Interest conditions	Maximum term	2022	2021
Variable	2025	243,748	183,568
Fixed	2027	28,560	92,611
		272,308	**276,179**

Other financial liabilities:

	2022	2021
Leases	73,626	65,442
Non-interest-bearing investment subsidies	1,175	1,519
Negative market values of derivatives	0	623
	74,801	**67,583**

The maximum terms of the contracts underlying the lease liabilities expire in 2042. Non-interest-bearing investment subsidies expire in 2025.

The following table shows the development of financial liabilities:

	2022	2021
Balance at 1 Jan	343,954	349,631
Cash relevant repayments	– 185,090	– 56,998
Cash relevant borrowings	170,230	44,699
Other non-cash relevant changes	18,250	6,621
Balance at 31 Dec	**347,344**	**343,954**

Other non-cash changes originate chiefly from changes in lease liabilities.

The table below shows the contractually agreed (undiscounted) interest and principal payments for financial liabilities (excluding derivative financial instruments):

31 Dec 2022

		Cash flow 2023			Cash flow 2024			
	Carrying amount	Fixed interest	Variable interest	Repayment of principal	Fixed interest	Variable interest	Repayment of principal	
Liabilities to financial institutions	272,308	–342	–4,296	–117,558	–213	–4,199	–50,750	
Liabilities to non-consolidated affiliated companies	235	0	0	–235	0	0	0	
Other financial liabilities	74,801	–2,735	0	–9,712	–2,466	0	–7,604	
Trade payables	192,657	0	0	–192,657	0	0	0	

31 Dec 2021

		Cash flow 2022			Cash flow 2023			
	Carrying amount	Fixed interest	Variable interest	Repayment of principal	Fixed interest	Variable interest	Repayment of principal	
Liabilities to financial institutions	276,179	–703	–2,392	–120,929	–343	–2,296	–500	
Liabilities to non-consolidated affiliated companies	192	0	0	–192	0	0	0	
Other financial liabilities	66,961	–2,419	0	–9,524	–2,176	0	–8,735	
Trade payables	164,295	0	0	–164,295	0	0	0	

	Cash flow 2025			Cash flow 2026			Cash flow 2027		
	Fixed interest	Variable interest	Repayment of principal	Fixed interest	Variable interest	Repayment of principal	Fixed interest	Variable interest	Repayment of principal
	−86	−3,588	−100,000	−86	0	0	−43	0	−4,000
	0	0	0	0	0	0	0	0	0
	−2,222	0	−6,961	−1,983	0	−6,551	−1,746	0	−6,557
	0	0	0	0	0	0	0	0	0

	Cash flow 2024			Cash flow 2025			Cash flow 2026		
	Fixed interest	Variable interest	Repayment of principal	Fixed interest	Variable interest	Repayment of principal	Fixed interest	Variable interest	Repayment of principal
	−213	−2,099	−50,750	−86	−1,663	−100,000	−86	0	0
	0	0	0	0	0	0	0	0	0
	−1,992	0	−7,308	−1,635	0	−6,515	−1,453	0	−6,242
	0	0	0	0	0	0	0	0	0

17. Trade and other payables

	2022	2021
Trade payables	192,657	164,295
Other liabilities:		
Vacation accrued and flexi-time	8,246	7,102
from other taxes	4,128	4,916
Liabilities to personnel	4,547	3,642
Withheld social security contributions and other levies	2,195	1,090
Debtors with credit balances	154	40
Sundry other liabilities	10,465	13,898
Deferred income	7,232	8,270
thereof non-current	*3,939*	*3,603*
Total other liabilities	**36,967**	**38,959**
Payments received on account of orders	16,592	6,399
	246,216	**209,654**

Liabilities of EUR 3,939k (2021: EUR 3,603k) have a residual term of more than one year.

The carrying amounts of trade payables and other liabilities corresponds to their fair values.

18. Deferred taxes

Deferred taxes that originate from temporary differences or unused tax losses are calculated on the basis of the tax rates that have already been enacted. For financial year 2022, the combined tax rate in Germany comes to 29.13% (2021: 29.13%) based on a corporate income tax rate of 15% (2021: 15%), the solidarity surcharge of 5.5% (2021: 5.5%) and an average trade tax rate of 13.3% (2021:13.3%).

Deferred tax assets and liabilities are offset against each other if there is a legally enforceable right to set off the recognized amounts and the deferred taxes are levied by the same taxation authority.

	2022	2021
Deferred tax assets		
1 Jan (gross)	**39,571**	**49,858**
Exchange differences	421	674
Income (+) / expense (-) from deferred taxes posted to profit or loss	7,731	−8,535
Posted to equity	−8,498	−2,426
Deferred tax assets	**39,225**	**39,571**
Offsetting	−16,724	−18,108
Deferred tax assets as at 31 Dec	**22,501**	**21,463**
Deferred tax liabilities		
1 Jan	**−24,057**	**−33,212**
Exchange differences	0	−10
Income (+) / expense (-) from deferred taxes posted to profit or loss	−4,638	9,167
Posted to equity	0	−2
Deferred tax liabilities	**−28,695**	**−24,057**
Offsetting	16,724	18,108
Deferred tax liabilities - Balance at 31 Dec	**−11,971**	**−5,949**

As at 31 December, deferred tax assets and deferred tax liabilities can be allocated to the following line items of the statement of financial position:

	2022		2021	
	Assets	Equity and liabilities	Assets	Equity and liabilities
Losses available for offsetting against future taxable income	23,300	0	19,778	0
Fixed assets	9,188	39,784	8,865	39,690
Inventories and receivables	2,205	7,693	2,281	3,573
Pension provisions	3,133	0	11,154	0
Other provisions	12,929	15	9,134	0
Liabilities	6,880	1,017	3,488	374
Other	1,404	0	4,451	0
Gross amount	**59,039**	**48,509**	**59,151**	**43,637**
Offsetting	−36,538	−36,538	−37,688	−37,688
31 Dec	**22,501**	**11,971**	**21,463**	**5,949**

Of the total of deferred tax assets, an amount of EUR 2,932k (2021: EUR 10,451k) from pension provisions was posted directly to equity. Of the total of deferred tax liabilities, an amount of EUR 1,007k (2021: EUR 705k) from currency differences and EUR 367k (2021: deferred tax assets of EUR 285k) from financial instruments was posted directly to equity. Of the total of deferred tax liabilities, EUR 64k (2021: EUR 64k) from other provisions was posted directly to equity.

As at the reporting date, the Preh Group carries unused tax losses for corporate income tax purposes in Germany of EUR 126,934k (2021: EUR 120,624k) and unused tax losses for trade tax purposes in Germany of EUR 119,833k (2021: EUR 115,589k). Deferred tax assets of EUR 19,319k (2021: EUR 21,330k) on unused tax losses for corporate income tax purposes and unused tax losses for trade tax purposes were not recognized in Germany. In Germany, unused tax losses can be carried forward indefinitely. Due to the elevated level of planning uncertainty caused by the current economic environment, the planning period used to determine the recoverability of deferred tax assets on unused tax losses in Germany was reduced from eight to five years. In the rest of Europe (excluding Germany) there are unused tax losses of EUR 52,553k available (2021: EUR 39,683k). Deferred tax assets of EUR 2,334k (2021: EUR 578k) were not recognized on these. The recoverability of deferred tax assets is substantiated by the tax planning. The unused tax losses concerned lapse after seven years.

In the US, unused tax losses of EUR 1,651k (USD 1,761k) are carried (2021: EUR 2,914k, USD 3,301k). Deferred tax assets have been recognized for the full amount. The amount of EUR 1,651k (2021: EUR 2,914k) lapses after seven years. Deferred tax assets are recognized on unused tax losses at the amount at which the associated tax benefits are likely to be realized through future taxable profit.

As at the reporting date, there were temporary differences of EUR 9,203k (2021: EUR 7,763k) arising from outside basis differences as defined by IAS 12.39. Deferred tax liabilities of EUR 661k (2021: EUR 338k) were recognized.

19. Pension obligations

Of the total pension obligations, an amount of EUR 157k (2021: EUR 307k) is covered by insurance of the same amount. The fair value of plan assets is deducted from the pension obligations. The plan assets are employee-financed (via deferred compensation) in the form of life insurance policies. These are pledged to the employees.

Significant actuarial assumptions

	2022	**2021**
Discount rate		
Single average rate for employer-financed pension commitments		
Single average rate for the pension obligation	3.62%	1.23%
Single average rate for service cost	3.54%	1.29%
Single average rate for interest expenses	3.68%	1.00%
Single average rate for deferred compensation		
Single average rate for the pension obligation	3.80%	0.99%
Single average rate for interest expenses	3.75%	0.67%
Imputed retirement age	RV-AGAnpG 2007 *)	RV-AGAnpG 2007 *)
Average employee turnover	3.00%	3.00%
Calculation bases	2018 G mortality tables from Klaus Heubeck	2018 G mortality tables from Klaus Heubeck
Assumed long-term trends:		
Wage and salary trend	3.00%	3.00%
Fixed contribution trend	2.00%	2.00%
Pension trend	1.70%	1.70%
Rise in the measurement base applied by the statutory pension insurance	same as wage trend	same as wage trend

*) as in the prior year, reaching 64 years of age was used instead of reaching 63 years of age. For managers, 65 years of age is taken.

The pension provisions are derived from the defined benefit obligation and plan assets as follows:

Development of the defined benefit obligation

	2022	2021
Defined benefit obligation as at 1 January	71,077	77,243
Current service cost	2,499	2,784
Interest expense	652	393
Benefits paid	–1,597	–1,622
Revaluations	–25,871	–7,721
Actuarial gains/losses from changes in financial assumptions	–25,531	–6,673
Actuarial gains/losses from experience-based adjustments	–340	–1,048
Defined benefit obligation as at 31 Dec	**46,760**	**71,077**
thereof not covered	*46,603*	*70,770*
thereof covered	*157*	*307*

Development of plan assets

	2022	2021
Fair value of plan assets as at 1 Jan	307	309
Interest income	1	2
Employee contributions	0	9
Benefits paid	–169	–18
Revaluations	18	5
Fair value of plan assets as at 31 Dec	**157**	**307**
Pension provision as at 31 Dec	**46,603**	**70,770**

The plan assets, which had a fair value of EUR 157k (2021: EUR 307k) on the reporting date, serve to cover the pension obligations and are offset against the defined pension obligation.

Pension payments as defined by IAS 19 of EUR 2,379k are expected in the financial year 2023. The actual return on plan assets amounted to EUR 1k (2021: EUR 2k).

The following amounts were recorded in the statement of profit or loss.

	2022	2021
Current service cost	2,499	2,784
Net interest	651	391
Total:	**3,150**	**3,175**

The following amounts were posted to the revaluation reserve in comprehensive income (gross amount prior to deferred taxes):

	2022	2021
Actuarial (gains)/losses	–25,871	–7,721
Total:	**–25,871**	**–7,721**

The total expense for defined benefit plans in the reporting year comes to EUR 2,548k (2021: EUR 2,776k).

Development

	2022	2021	2020
Defined benefit obligation	46,760	71,077	77,243
Fair value of plan assets	–157	–307	–309
Unfunded pension obligations	**46,603**	**70,770**	**76,934**
Experience adjustments from:			
Defined benefit obligation	–340	–1,048	704
plan assets	0	0	0

Assuming all other inputs remain constant, a change of 0.5 percentage points in the interest rate would have had the following impact on pension obligations at the end of the financial year:

	Decrease in the interest rate by -0.5 pp	DBO 31 Dec 2022	Increase in the interest rate by +0.5 pp
DBO on 31 Dec	50,851	46,760	43,293
Change in provision	4,091	0	–3,467

The average weighted term of the DBO of defined benefit plans comes to 17 years.

20. Provisions

Development of provisions 2022

	Personnel	Warranties	Onerous contracts	Other provisions	Total
1 Jan 2022	**35,768**	**24,683**	**1,035**	**26,986**	**88,473**
Reclassification	0	–29	0	29	0
Utilizations	–18,828	–8,887	–565	–18,228	–46,508
Reversal	–1,505	–5,920	–342	–3,398	–11,165
Addition	22,473	20,347	898	22,288	66,006
Exchange differences	–10	55	0	–16	29
31 Dec 2022	**37,899**	**30,249**	**1,026**	**27,661**	**96,835**
current	22,674	28,419	1,026	25,332	77,450
non-current	15,225	1,830	0	2,330	19,385
thereof 1-5 years	10,935	1,830	0	2,330	15,095
thereof > 5 years	4,290	0	0	0	4,290

Development of provisions 2021

	Personnel	Warranties	Onerous contracts	Other provisions	Total
1 Jan 2021	**27,064**	**17,771**	**700**	**14,492**	**60,027**
Utilizations	–15,361	–4,908	–505	–6,928	–27,702
Reversal	–1,046	–1,967	–167	–1,949	–5,130
Addition	25,096	13,364	1,008	21,298	60,765
Exchange differences	17	424	0	72	513
31 Dec 2021	**35,768**	**24,683**	**1,035**	**26,986**	**88,473**
current	20,534	23,001	1,035	24,811	69,381
non-current	15,234	1,682	0	2,176	19,092
thereof 1-5 years	9,727	1,682	0	2,176	13,586
thereof > 5 years	5,507	0	0	0	5,507

The amount added includes interest of EUR 63k (2021: EUR 39k).

Other provisions and accruals mainly relate to provisions for outstanding invoices.

Personnel-related provisions

With regard to phased retirement plans, the block model consisting of a phase of active service followed by a phase where the employee is released from service was agreed on, with a minimum term of 18 months and a maximum term of six years.

The provisions for long-service awards are determined using the following inputs:

Significant actuarial assumptions

	2022	2021
Discount rate	3.80%	0.80%
Imputed retirement age	RV-AGAnpG 2007 *)	RV-AGAnpG 2007 *)
Average employee turnover	3.00%	3.00%
Calculation bases	2018 G mortality tables from Klaus Heubeck	2018 G mortality tables from Klaus Heubeck
Assumed long-term trends:		
Wage and salary trend	3.25%	3.00%
Rise in the measurement base applied by the statutory pension insurance	same as wage trend	same as wage trend

*) reaching 64 years of age was used instead of reaching 63 years of age. For managers, 65 years of age is taken.

Non-performance-related indicators are relevant to determining performance-based bonuses. Their final amount has not yet been determined.

Severance payments are provided at the anticipated amounts.

Warranty provision

The Company issues guarantees on its goods and services and agrees to repair or replace those products that are defective. At year-end a provision for potential warranty obligations of EUR 30,249k (2021: EUR 24,683k) was established.

21. Income tax liabilities

Income taxes break down as follows:

	2022	2021
Domestic	518	494
Foreign	3,547	3,908
Income taxes:	**4,065**	**4,402**

22. Contingent liabilities

In an ongoing dispute with the Romanian tax authorities, Preh GmbH estimates the chances of a positive outcome for Preh Romania before the Court of Appeal in Brasov and in the ensuing case brought before the High Court of Cassation and Justice to be very good. No provision has been established.

After discussing the matter with our legal counsel, our assessment is based on the fact that the tax auditors acted unlawfully when analyzing the transfer prices, improperly eliminated the comparative figures and failed to observe the relevant OECD requirements. In addition, the tax auditors based their arguments on pure speculation without any legal foundation and made the adjustments unjustifiably. If, contrary to expectations, Preh Romania loses at court, the primary tax liability in the worst case scenario would come to RON 24,637,441 for corporate income tax, the tax losses carried forward by the Romanian subsidiary would be reduced and additional interest, penal fees and (court) costs would be incurred.

23. Leases

As the lessee, the Preh Group leases a range of assets, including real estate, plant and equipment, and other operating equipment, furniture and fixtures. The latter mainly includes IT equipment and vehicles.

The anticipated residual terms for leases of real estate range up to 20 years. Some of the leases provide for regular adjustments of the rental payments to match local price indexes. There are no sub-leases in place.

The lease agreements for plant and equipment have a residual term of up to five years. Vehicles and IT equipment are generally leased for up to four years. In addition, there are also short-term leases in place with a contractual term of up to 12 months and leases for low-value assets. The Group has decided not to recognize right-of-use assets or lease liabilities for these leases.

Right-of-use assets developed as follows:

	Real estate	Plant and equipment	Other operating equipment, furniture and fixtures	Total
1 Jan 2022	**52,843**	**405**	**4,073**	**57,321**
Depreciation and amortization	−6,853	−92	−1,926	−8,871
Additions	22,748	0	1,465	24,212
Disposals	−5,481	0	−708	−6,189
Exchange difference from currency translation	426	0	7	432
31 Dec 2022	**63,682**	**313**	**2,910**	**66,905**

	Real estate	Plant and equipment	Other operating equipment, furniture and fixtures	Total
1 Jan 2021	**51,904**	**497**	**4,230**	**56,631**
Depreciation and amortization	–6,340	–92	–1,877	–8,309
Additions	4,254	0	1,729	5,983
Disposals	0	0	–8	–8
Exchange difference from currency translation	3,024	0	–1	3,023
31 Dec 2021	**52,843**	**405**	**4,073**	**57,321**

Interest expenses of EUR 2,990k (2021: EUR 2,473k) on lease liabilities were posted to profit or loss as well as deferred tax expenses of EUR 277k (2021: deferred tax income of EUR 155k). Expenses for leases for low-value assets and short-term leases with a term of 12 months or less are immaterial for the consolidated financial statements.

Cash outflows of EUR 10,485k (2021: EUR 8,493k) originating from leases are presented in the statement of cash flows.

24. Financial instruments and financial risk management

Financial risk factors

Due to the operations conducted by the entities of the Preh Group, the Group is exposed to a range of financial risks, including, but not limited to, impacts from changes in the market prices of equity instruments and debt instruments, market fluctuations in foreign exchange rates and interest rates. The risk management of the Preh Group focuses on the inability to predict the financial markets and attempts to mitigate the negative impact on the result of the Preh Group.

Risk management is conducted by management in accordance with the approved policies and guidelines with reports made to the shareholders at regular intervals. The financial risks which have been identified are assessed and agreed on with management, if necessary. Written policies for general risk management are issued on the basis of the requirements set by management.

Currency risks

The Preh Group is a global player and is therefore exposed to foreign exchange risk in USD and CNY. The foreign exchange exposure is calculated on the basis of the global consolidated cash flows. This involves netting cash inflows against cash outflows and determining the net position. There were no forward exchange contracts in place at year-end (2021: forward currency options with a positive market value of EUR 150k before tax).

An appreciation of 10% in the USD against the functional currency on the reporting date would result in a positive impact on earnings of EUR 2,798k (2021: EUR 1,721k) due to the changes in receivables and liabilities. A depreciation of 10% in the USD against the functional currency on the reporting date would result in a negative impact on earnings of EUR 2,289k (2021: EUR 1,408k) due to the changes in receivables and liabilities.

An appreciation of 10% in the CNY against the functional currency on the reporting date would result in a positive impact on earnings of EUR 8,626k (2021: EUR 5,653k) due to the changes in receivables and liabilities. A depreciation of 10% in the CNY against the functional currency on the reporting date would result in a negative impact on earnings of EUR 7,058k (2021: EUR 4,625k) due to the changes in receivables and liabilities.

A portion of the loans to the North American subsidiary, which are denominated in USD, were designated as net investments in foreign operations. The exchange rate gain arising from currency translation on the reporting date (after tax) of EUR 736k (2021: EUR 764k) was presented under revenue reserves within equity.

Interest risk

The Preh Group does not carry any significant interest-bearing assets and takes out loans at variable interest rates. Three tranches of the promissory note loan issued in 2017 bear fixed interest rates. Borrowings correspond to the customary financing of day-to-day operations and are therefore not particularly suited to hedging.

A variable interest tranche of the promissory note loan of EUR 85,500k was repaid in the reporting year. The variable interest rate on the remaining tranches is pegged to the 6-month Euribor (with the floor set at 0%) plus an agreed fixed margin. To minimize interest risk at Preh GmbH, interest swaps were entered into, under the terms of which Preh GmbH can exchange the variable interest in return for a fixed interest rate with the swap partner, who then assumes the variable interest.

If the market interest as at 31 December 2022 had been 50 basis points higher, this would have had a negative impact on earnings of EUR 1,019k (2021: EUR 512k). If the market interest as at 31 December 2022 had been 50 basis points lower, without becoming negative, this would have had a positive impact on earnings of EUR 1,019k (2021: EUR 0k).

Credit risk

Credit risks arise from cash and cash equivalents, derivative financial instruments and deposits held at banks and financial institutions. The Preh Group only accepts contractual partners with high credit ratings for its business. The Preh Group does not anticipate any credit losses due to non-performance by its contractual partners.

Counterparty default risk

The Preh Group has introduced a process to ensure that goods and services are only sold to customers with adequate credit ratings.

Possible defaults on the part of customers or suppliers are generally reduced to the amount of the deductible payable under the credit insurance program for domestic and export deliveries. The volume of receivables that is not covered by domestic or export credit insurance amounts to EUR 151,024k (2021: EUR 115,324k). This includes receivables from affiliated and associated companies within the Joyson Group.

The receivables factored within the framework of the factoring program of EUR 35,796k (2021: EUR 37,075k) were deducted from trade receivables as the rights to receive payments from customers were transferred to the factor and control passed to the factoring companies (IFRS 9.3.2).

The carrying amounts represent the maximum risk of counterparty default.

Liquidity risk

Prudent management of liquidity risks includes the maintenance of an adequate cash reserve of cash and cash equivalents, keeping adequate credit lines available and also the ability to close market positions. The finance department has set itself the goal of maintaining a degree of financial flexibility that is commensurate to the dynamic development of the business divisions, primarily by means of keeping sufficient credit lines available. The medium-term credit line extended under the syndicated loan agreement was raised by EUR 85,000k in 2021 to a volume of EUR 385,000k and its term prolonged until 11 November 2025. There is an option to increase the volume over the term of the loan by an amount of EUR 65,000k and to prolong the term by another two years. The syndicated loan agreement is used for the sole purpose of ring-fencing the Preh Group in terms of its financing and liability exposures. The syndicated loan agreement allows other sources of financing to be drawn on (such as factoring, leases, bank guarantees and cash loans in the Group). In addition, there are medium and long-term promissory note loans totaling EUR 54,500k issued in the year 2017 (originally EUR 150,000k) that had original terms of five, seven and ten years. A promissory note loan with a term of five years and a principal of EUR 85,500 was repaid in June 2022 as scheduled. The available cash loan that had not been drawn on by the Group as at 31 December 2022 amounted to EUR 163,278k (2021: EUR 250,701k).

25. Capital management

The following indicators are used by management for capital management purposes:

				2022 %	2021 %
Equity ratio:	Equity Total equity and liabilities	544,435 1,297,469	=	42.0%	39.3%
Debt ratio (non-current):	Debt capital (non-current) Total equity and liabilities	220,339 1,297,469	=	17.0%	17.9%
Return on equity:	Operating result Equity	89,121 544,435	=	16.4%	12.5%

The Group monitors its debt capital (towards financial institutions) by means of its debt ratio, which is defined as the ratio of net debt to its earnings before interest and taxes, as defined in the syndicated loan agreement. Net debt is defined as interest-bearing loans and borrowings, interest-bearing liabilities and finance lease liabilities less any cash and cash equivalents.

Capital management requires compliance with the covenants and pursues the objective of reducing borrowings.

26. Cash flow statement

The statement of cash flows has been prepared pursuant to the provisions of IAS 7 and is classified into cash flows from operating, investing and financing activities.

The cash and cash equivalents presented in the statement of cash flows correspond to the liquidity available to the Group.

27. Other financial obligations

2022

	2023	2024-2027	after 2027	Total
Software and IT services	14,746	21,567	0	36,313
IT hardware and office equipment	1,165	3,186	0	4,351
Car leases	481	824	0	1,305
Other agreements	2,012	690	0	2,702
Non-cancellable minimum payments	**18,404**	**26,267**	**0**	**44,671**
Purchase obligations for investments in property, plant and equipment	5,163	0	0	5,163
Total:	**23,567**	**26,267**	**0**	**49,834**

2021

	2022	2023-2026	after 2026	Total
Software and IT services	13,231	22,014	10	35,255
Rent for buildings	49	0	0	49
Car leases	140	92	0	232
Other agreements	1,612	517	121	2,250
Non-cancellable minimum payments	**15,032**	**22,623**	**131**	**37,786**
Purchase obligations for investments in property, plant and equipment	571	0	0	571
Total:	**15,603**	**22,623**	**131**	**38,357**

28. Disclosures required by Sec. 314 (1) No. 9 HGB

Of the total fees charged by KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, EUR 545k was attributable to audit and assurance services and EUR 199k to tax advisory services.

29. Transactions with related parties

Related parties include:

- affiliated companies
- shareholders
- management
- the Supervisory Board

Arm’s length transactions were conducted with the following affiliated companies:

2022

EUR k	Revenue/ Provision of services as at 31 Dec 2022	Purchased materials/ services/ expenses as at 31 Dec 2022	Finance revenue (+) / finance costs (-) as at 31 Dec 2022
Ningbo Joyson Electronic Corp., *)		9,750	– 1,213
Ningbo JOYNEXT Technology Corp.	96,264	5,602	
JOYNEXT GmbH	173	3,080	
JOYNEXT Sp. z o.o.	1,887	22,533	
JOYSONQUIN Automotive Systems GmbH		358	
JoysonQuin Automotive Systems Polska Sp. z o.o.	8,343	2	
JOYSONQUIN Automotive Systems México S.A	5,729	6	
Joyson Safety Systems Arad S.R.L. (f.k.a. Takata Romania S.R.L.)	30,209	– 192	
Joyson Safety Systems Aschaffenburg GmbH	19,845	4	
Joyson Safety Systems Maroc S.à r.l.	8,628	89	
Joyson Safety Systems Acquisition LLC	2,694	1	
Ningbo Joyson Safety Systems Co., Ltd.	4,967		
Shanghai Lingang Joyson Safety Systems Co. Ltd.	4,114		
Joyson Safety Systems Brasil LTDA	4,622	23	
Joyson Anand Abhishek Safety Systems Pvt. Limited	1,013		
Ningbo Joyson Advanced Energy Institute Co. Ltd.	8	2,018	
Ningbo Joyson Automotive Trim Technology Co., Ltd		295	
PIA Automation Bad Neustadt GmbH	7	1,414	
Ningbo Sci-Tech Park Joyson Property Management Co., Ltd.		1,853	
PIA Automation Amberg GmbH		123	
Ningbo PIA Automation Holding Corp.		4,774	
Other entities	1	20	
Total	**188,504**	**51,753**	**– 1,213**

*) shareholder

	Receivables as at 31 Dec 2022	Liabilities as at 31 Dec 2022	Payments on account as at 31 Dec 2022	Payment received on account as at 31 Dec 2022	Shares in affiliated companies outside of the Preh Group as at 31 Dec 2022	Other receivables as at 31 Dec 2022
	147	4,907				
	47,706				120,000	
	250	3,631				
		5,143				
		39				
	249					
	1,243					
	10,436					
	3,425			82		
	557					
	2,872					
	825					
	1,525					
	968					
	103					
		851				
		106				
	52	153	13,147			
		229				
		6				
	6	1,917	3,300			147
	1	7				
	70,365	**16,989**	**16,447**	**82**	**120,000**	**147**

2021

EUR k	Revenue/ Provision of services as at 31 Dec 2021	Purchased materials/ services/ expenses as at 31 Dec 2021	Finance revenue (+) / finance costs (-) as at 31 Dec 2021
Ningbo Joyson Electronic Corp., *)		7,821	– 1,015
Ningbo JOYNEXT Technology Corp.	49,180	211	
JOYNEXT GmbH	605	377	
JOYNEXT Sp. z o.o.	4,976	22,310	
JOYSONQUIN Automotive Systems GmbH		356	
JoysonQuin Automotive Systems Polska Sp. z o.o.	9,217	1	
JOYSONQUIN Automotive Systems México S.A	5,025	6	
Takata South Africa (Pty.) Ltd.	1,028		
Joyson Safety Systems Arad S.R.L. (f.k.a. Takata Romania S.R.L.)	27,861	39	
Joyson Safety Systems Aschaffenburg GmbH	21,997	34	
Joyson Safety Systems Maroc S.à r.l.	7,434	160	
Joyson Safety Systems Acquisition LLC	1,923		
Ningbo Joyson Safety Systems Co., Ltd.	4,985	20	
Shanghai Lingang Joyson Safety Systems Co. Ltd.	7,114		
Joyson Safety Systems Brasil LTDA	3,591	1	
Joyson Anand Abhishek Safety Systems Pvt. Limited	446		
PIA Automation Bad Neustadt GmbH	8	4,975	
Ningbo Sci-Tech Park Joyson Property Management Co., Ltd.		1,553	
PIA Automation Amberg GmbH		163	
Ningbo PIA Automation Holding Corp.	6	4,341	
Other entities	47	26	
Total	**145,443**	**42,394**	**– 1,015**

*) shareholder

	Receivables as at 31 Dec 2021	Liabilities as at 31 Dec 2021	Payments on account as at 31 Dec 2021	Payment received on account as at 31 Dec 2021	Shares in affiliated companies outside of the Preh Group as at 31 Dec 2021	Other receivables as at 31 Dec 2021
	137	4,324				
	19,430				120,000	
	1,863	15				
		15,113				
		35				
	278					
	633					
	9,673					
	6,658					
	2,128					
	173					
	823			625		
	2,810					
	601					
	43					
		391	3,802			500
		860				
		16				
	6	146	2,155			150
	33	6		13		
	45,289	**20,906**	**5,957**	**638**	**120,000**	**650**

Software development services of EUR 1,571k (2021: EUR 1,644k) were purchased from Innoventis GmbH, Würzburg, in the reporting year. Trade payables amount to EUR 294k on the reporting date (2021: EUR 493k). In addition, Innoventis GmbH extended a loan to Preh GmbH which had an outstanding balance of EUR 235k on the reporting date (2021: EUR 192k). Preh GmbH incurred interest expenses of EUR 2k for this loan in financial year 2022.

Furthermore, Innoventis GmbH, Würzburg, distributed a dividend of EUR 100k (2021: EUR 100k) to Preh GmbH, Bad Neustadt a.d. Saale, in the reporting year.

At the end of the financial year, the shareholder of Preh GmbH is:

Ningbo Joyson Electronic Corp., Ningbo, China	100.00%

Management of Preh GmbH:

Zhengxin “Charlie” Cai
President (CEO)

Rui Alberto de Melo Marques Dias
Managing Director (CFO)

Jochen Ehrenberg
Managing Director (CTO)

Supervisory Board of Preh GmbH:

Shareholder representatives:

Jianfeng “Jeff” Wang, Chairman of the Supervisory Board, Chairman of the Management Board of Ningbo Joyson Electronic Corp.

Dr. Rolf Scheffels, former member of the Management Board of Deutsche Beteiligungs AG

Jürgen Weyer, former Vice President EMEA NXP

Tracy Li, CFO Ningbo Joyson Electronic Corp.

Kevin Liu, Vice President Ningbo Joyson Electronic Corp.

Uwe Vander Stichelen, Regional President EMEA Joyson Safety Systems

Employee representatives:

Joachim Kleinböhl, former Director Controlling Preh GmbH

Wolfgang Tandler, Chairman of the Works Council at Preh GmbH (until 1 August 2022)

Daniel Rossmann, Chairman of the Works Council at Preh GmbH (from 22 August 2022)

Christian Bubenik, member of the Works Council of Preh GmbH

Tobias Steuerwald, Head of Assembly at HMI & ECUs Preh GmbH

Nadine Knauff, representative of IG Metall

Uwe Laubach, Primary Representative of IG Metall, Eisenach Administrative Office

Remuneration of Management and the Supervisory Board

The remuneration paid to the members of management in the reporting year amounted to EUR 1,658k (2021: EUR 1,529k). Of this amount, EUR 1,622k (2021: EUR 1,439k) is made up of benefits that fall due in the short term. An amount of EUR 36k (2021: EUR 90k) was recorded for post-employment benefits.

Former members of management drew a total of EUR 198k (2021: EUR 2,089k) in the reporting period. A provision of EUR 2,819k (2021: EUR 3,776k) has been established to cover pension obligations to former members of management and their surviving dependents.

The remuneration paid to members of the Supervisory Board amounted to EUR 441k (2021: EUR 439k) in the reporting year.

30. Subsidiaries

Preh GmbH, Schweinfurter Strasse 5-9, 97616 Bad Neustadt a.d. Saale, holds equity interests in the following entities, all of which are fully consolidated apart from Innoventis GmbH, Würzburg:

	Share as a %
Preh Thüringen GmbH, Werra-Suhl-Tal Dippach district, Germany	100
Preh Beteiligungs GmbH, Bad Neustadt a.d. Saale, Germany	100
Preh Portugal, Lda, Trofa, Portugal	100
Preh, Inc., Novi, USA	100
Preh de México, S.A. de C.V., Guadalupe, Mexico	100
Preh Romania S.R.L., Brasov, Romania	100
Innoventis GmbH, Würzburg, Germany	100
Ningbo Preh Joyson Automotive Electronics Co., Ltd., Ningbo, China	100
Preh Sweden AB, Mölndal (Gothenburg), Sweden	100

The software developer, Innoventis GmbH, Würzburg, was not consolidated on account of their immateriality to the presentation of the financial position, cash flows and financial performance of the Group. Shares in Innoventis GmbH, Würzburg, measured at EUR 710k were presented at cost under non-current financial assets. Prior to the appropriation of profit, Innoventis GmbH, Würzburg, reported equity of EUR 591k as at 31 December 2022 (2021: EUR 661k) and a preliminary net profit pursuant to German GAAP of EUR 32k (2021: EUR 66k).

Reference is made to III.10 for comments on the investment in Ningbo JOYNEXT Technology Corp.

31. Subsequent events

No significant events occurred after the reporting date.

Bad Neustadt a.d. Saale, 20 March 2023

Zhengxin “Charlie” Cai
President (CEO)

Rui Alberto de Melo Marques Dias
Managing Director (CFO)

Jochen Ehrenberg
Managing Director (CTO)

Group Management Report as at December 31, 2022

Preh GmbH Bad Neustadt a.d. Saale

Preh GmbH, Bad Neustadt a.d. Saale

Group Management Report

for the Financial Year from 1 January to 31 December 2022

Contents

I. Background of the Group

Preh was founded in 1919 in Bad Neustadt an der Saale. Starting off as a manufacturer of hardware and components for the radio industry, the Company evolved over the years to become an automotive supplier. Today Preh is a global Tier-1 supplier to the automobile industry with a presence on the markets in Europe, North America and China.

The shares in the parent company Preh GmbH (that was founded upon certification of the articles of association on 30 April 2003) are held by Ningbo Joyson Electronic Corp., Ningbo, China.

1. Organizational structure of the Group

The parent company of the Preh Group is Preh GmbH, which is based in Bad Neustadt a.d. Saale (Schweinfurter Strasse 5-9, 97616 Bad Neustadt a.d. Saale).

The consolidated financial statements of Preh GmbH, Bad Neustadt a.d. Saale, for the year ended 31 December 2022 include the following entities:

	Share as a %
Preh Thüringen GmbH, Werra-Suhl-Tal Dippach district, Germany	100
Preh Beteiligungs GmbH, Bad Neustadt a.d. Saale, Germany	100
Preh Portugal, Lda, Trofa, Portugal	100
Preh, Inc., Novi, USA	100
Preh de México, S.A. de C.V., Guadalupe, Mexico	100
Preh Romania S.R.L., Brasov, Romania	100
Innoventis GmbH, Würzburg, Germany	100
Ningbo Preh Joyson Automotive Electronics Co., Ltd., Ningbo, China	100
Preh Sweden AB, Mölndal (Gothenburg), Sweden	100

As in the prior years, Innoventis GmbH, Würzburg, was not consolidated on grounds of its immateriality for the consolidated financial statements.

As at 31 December 2022 the Group's product segments consist of Car HMI, E-Mobility and Commercial Vehicles HMI.

2. Product range

The product spectrum of the Preh Group comprises Human Machine Interfaces (HMI) and controls for e-mobility applications. The Group develops and manufactures products for manufacturers of passenger cars and commercial vehicles. With its products, the Preh Group covers not just the requirements of current production series for OEMs but, with its pre-development concepts is also actively helping to shape new technologies for new industry trends. These include for example user concepts for the interiors of the car of the future (autonomous driving) and e-mobility components used to connect cars to smart grids (bidirectional onboard chargers).

Car HMI accounts for the majority of Preh's sales. The human machine interfaces we develop range from applications in climate control, center stacks, central controls and switches.

Climate control consists of the development and production of climate control systems and air conditioning devices, including fan-less internal temperature sensors and the corresponding climate control software.

In the field of center stacks, integrated user interfaces for infotainment are also a core competence of Preh. The latest example in this regard is a touch display with an integrated rotary knob ring bonded into the display in the Ford Mustang Mach-E.

Preh is a specialist in the development of central control systems that are integrated in center stacks.

With regards to switches, a wide range of multifunction controls have been developed and manufactured (e.g. for steering wheels).

A key objective for all HMI applications is to enable the most intuitive user-experience possible using a variety of technologies. This minimizes distractions for drivers, allowing them to concentrate on the traffic in the interests of road safety.

The Commercial Vehicle HMI product group addresses the special requirements of agricultural machinery and truck manufacturers. High-tech and outstanding endurance ensure that products are perfectly tailored to the rough operating conditions that agricultural machinery and trucks are exposed to, both on and off-road. A focus of development lies on platform concepts and complete operating consoles, which are delivered to AGCO-Fendt for series production.

The growing market of e-mobility is serviced by the product division of the same name. Important product applications are battery management, onboard-chargers, integrated boosters and DC/DC convertors. A particular focus of our development work lies on power electronics (400V/800V).

3. Research and development

Research and development expenses, including purchased development services, amounted to EUR 148.1 million in 2022 (2021: EUR 118.6 million).

Total research and development expenses of EUR 49.8 million were capitalized as internally-developed intangible assets in 2022 (2021: EUR 41.6 million). The amortization charge recorded on this capitalized development work amounted to EUR 40.2 million in 2022 (2021: EUR 42.3 million).

II. Significant events in the year under review

Russia attacked Ukraine on 24 February 2022, with armed conflict continuing on the date this report is issued. The Preh Group has no direct operations in either Ukraine or Russia, nor does it source any supplies directly from these countries or sell any products directly to them. The sanctions imposed on Russia had a negative impact on the financial year 2022 in the form of higher prices for oil and energy, inflation-driven price increases for materials, labor and other costs as well as higher interest expenses due to a rise in interest rates.

But apart from these factors, the year 2022 proved to be another challenging year for Preh. The Covid-19 pandemic has eased worldwide but nevertheless led to a massive loss of labor in the reporting year. The closed borders in China in response to Covid-19 resulted in a drop in sales volume that lasted for months. Since the end of 2020, the automobile industry has been facing a painful shortage of semiconductors. Mastering these challenges required enormous effort in the year 2022 and became a fixed item on the daily agenda. Higher inventory levels and lower global automobile production were the result.

In spite of all these circumstances, Preh managed to master the challenges, passing on the increase in operating expenses to customers – at least to some extent – and reach its budget targets for revenue, EBITDA and free cash flow in the year 2022.

In June 2022 two tranches of the promissory note loans amounting to EUR 85.5 million were repaid as scheduled.

III. Economic position

1. Business trends

Macroeconomic and sector-specific developments

The following passages are taken from the press release of the ifo Institute from 13 February 2023:

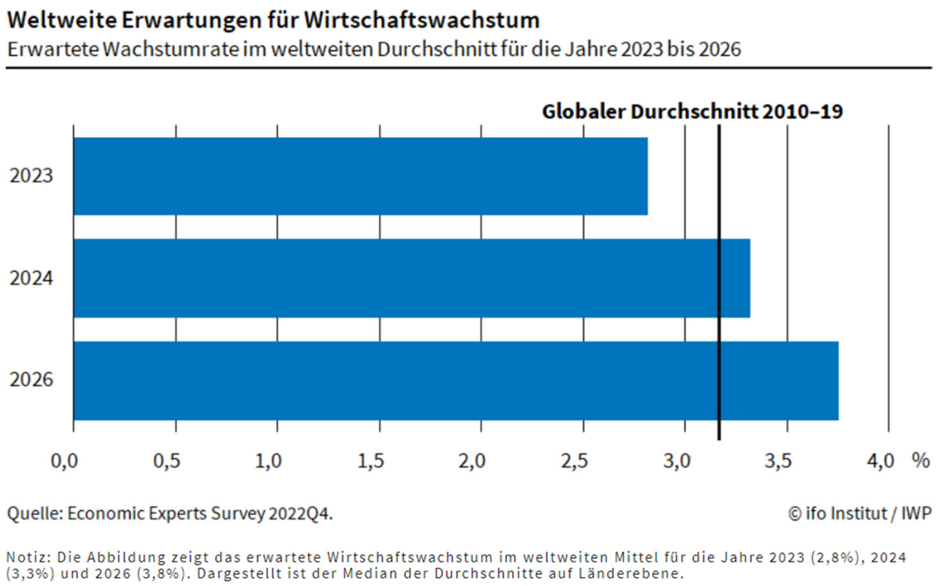
“All around the world, economic experts are reserved about the growth prospects in their respective countries in 2023. This is the finding of the Economic Experts Survey (EES), a quarterly global survey conducted by the ifo Institute and the Institute for Swiss Economic Policy. Aggregating the expectations for all the individual countries results in an average global growth rate of 2.8 percent. “In the view of our experts, a global recession is therefore becoming increasingly unlikely,” says ifo economist, Klaus Gründler.

Expectations are currently around 0.4 percentage points below the global growth rate over the last 10 years before the outbreak of the corona pandemic. In the coming years the experts participating in the survey are more optimistic and anticipate growth of 3.3 percent this year and even 3.8 percent in 2026.

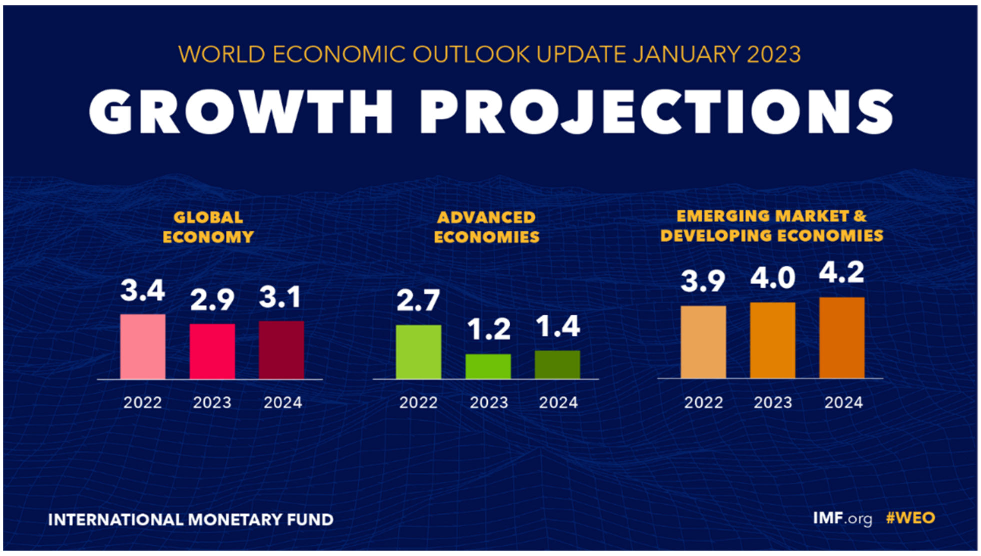
In contrast to the increasingly optimistic mood globally, economic experts in Europe are less positive. Slower growth in 2023 is forecast for Eastern Europe (0.1 percent) and Western Europe (0.7 percent), in particular, which will only slowly recover to match the generally positive mood worldwide by 2026. The experts are also projecting low growth of 1.6 percent in North America and 1.7 percent in Southern Asia.

By contrast, the experts are much more optimistic about Southeast Asia and parts of Africa, than they are for the rest of the world. In Eastern Africa, growth of 8.0 percent is expected, with growth of 4.7 percent in Southeast Asia, 4.7 percent in Central Africa and 5.2 percent in Western Africa. Without these strongly growing regions, the anticipated global growth rate would come to just 1.7 percent for the current year.

This survey was conducted between 7 December 2022 and 21 December 2022. 1,537 economic experts from 133 countries participated in the survey.”



The World Economic Outlook issued by the IMF on 30 January 2023, assumes that global growth will slow to 2.9 percent in the year 2023, only to rise again to 3.1 percent in the year 2024. The forecast for 2023 is 0.2 percentage points higher than predicted in the October 2022 World Economic Outlook (WEO) but below the historical average of 3.8 percent. The rise in interest rates and the war in Ukraine continue to weigh on economic activity. The recent reopening of China has paved the way for a faster-than-expected recovery. Global inflation is expected to fall to 6.6 percent in 2023 and 4.3 percent in 2024, still above pre-pandemic levels.



Source: IMF World Economic Outlook January 2023

2. Financial performance indicators

The key financial performance indicators used to steer the Company are revenue, EBITDA and free cash flow.

Net revenue for the period from 1 January to 31 December 2022 comes to EUR 1,666.1 million (2021: EUR 1,340.4 million). Germany accounts for 37.1% (2020: 43.3%). The following table presents the development of revenue by product line:

Product segments

	2022		2021	
	EUR m	**%**	**EUR m**	**%**
Car HMI	1,291.7	77.5	996.7	74.4
Commercial Vehicles	47.6	2.9	69.4	5.2
E-Mobility	326.8	19.6	274.3	20.5
Net revenue (=external revenue)	**1,666.1**	**100.0**	**1,340.4**	**100.0**

There was a rapid rise in revenue in 2022, which jumped 24.3% in comparison to the prior year. Revenue is 8.9% above the budgeted level.

The EBITDA of the Preh Group increased to EUR 206.0 million in 2022 (2021: EUR 177.7 million). This corresponds to an EBITDA margin of 12.4% measured on revenue (2021: 13.3%). The EBITDA margin has decreased slightly due to cost increases in purchases of material, energy, transport and packaging. These cost increases could be partially compensated by negotiating offsetting measures and new prices with customers. In spite of the higher EBITDA, free cash flow fell to EUR 21.3 million (2021: EUR 36.1 million). The decline can be largely attributed to higher receivables and inventories as well as a higher level of investment activity.

3. Financial performance

	2022		2021		Change
	EUR m	%	EUR m	%	EUR m
Revenue	1,666.1	100.0	1,340.4	100.0	325.7
Changes in inventories	17.1	1.0	14.6	1.1	2.5
Own work capitalized	54.1	3.2	43.7	3.3	10.4
Total output	**1,737.3**	**104.3**	**1,398.7**	**104.3**	**338.6**
Other operating income	49.0	2.9	32.4	2.4	16.6
Operating income	**1,786.3**	**107.2**	**1,431.1**	**106.8**	**355.2**
Cost of materials	(1,136.9)	(68.2)	(861.0)	(64.2)	(275.9)
Personnel expenses	(283.6)	(17.0)	(261.9)	(19.5)	(21.7)
Other operating expenses	(159.8)	(9.6)	(130.5)	(9.7)	(29.3)
Expenses	**(1,580.3)**	**(94.9)**	**(1,253.4)**	**(93.5)**	**(326.9)**
EBITDA	**206.0**	**12.4**	**177.7**	**13.3**	**28.3**
Depreciation and amortization	(116.9)	(7.0)	(119.5)	(8.9)	2.6
Operating result	**89.1**	**5.3**	**58.2**	**4.3**	**30.9**
Financial result	**(11.5)**	**(0.7)**	**(10.7)**	**(0.8)**	**(0.8)**
Earnings before income taxes	**77.6**	**4.7**	**47.5**	**3.5**	**30.1**
Income taxes	(12.7)	(0.8)	(11.9)	(0.9)	(0.8)
Consolidated net profit for the year	**64.9**	**3.9**	**35.6**	**2.7**	**29.3**

For more information on revenue, reference is made to section 2 (financial performance indicators).

The global supply bottlenecks, particularly in the semiconductor industry, and the rise in inflation rates left their mark on the cost of materials. The ratio of the cost of materials relative to revenue rose from 64.2% in the prior year to 68.2%. A significant increase of EUR 5.8 million was recorded in energy costs (up 51%). Incoming freight and customs duties also increased by EUR 6.0 million (up 32.4%).

The increase in other operating income was mainly caused by higher income from the reversal of provisions, income from reworking and indemnification payments for damages.

The ratio of personnel expenses to revenue is slightly lower in comparison to the prior year. As an annual average, the headcount of the Preh Group came to 7,188. This represents an increase on the prior year of 38 employees.

Other operating expenses increased by 22.5% compared to the prior year. In particular, the costs for purchased engineering and other services rose by EUR 11.5 million. Additionally, exchange losses increased by EUR 7.0 million and packaging and freight costs by EUR 4.9 million. The costs of product rejects and reworking were scaled back by EUR 3.3 million (down 60.9%) on the prior year.

Income tax expenses increased slightly to EUR 12.7 million, which translates into an effective tax rate of 16.4% for the reporting year.

The consolidated net profit for the year rose by EUR 29.3 million from EUR 35.6 million to EUR 64.9 million. This represents a return on sales of 3.9%.

4. Financial position

	31 December 2022		31 December 2021		Change	
	EUR m	%	EUR m	%	EUR m	%
Intangible assets	182.3	14.1	169.9	14.3	12.4	7.3
Property, plant and equipment	303.3	23.4	299.4	25.1	3.9	1.3
Right-of-use assets	66.9	5.2	57.3	4.8	9.6	16.8
Financial assets	121.0	9.3	121.0	10.2	0.0	0.0
Fixed assets	**673.5**	**51.9**	**647.6**	**54.4**	**25.9**	**4.0**
Net book value of inventories	267.5	20.6	242.6	20.4	24.9	10.3
Receivables and other assets	281.2	21.7	220.7	18.5	60.5	27.4
Cash and cash equivalents	75.3	5.8	80.1	6.7	(4.8)	(6.0)
Current and other assets	**624.0**	**48.1**	**543.4**	**45.6**	**80.6**	**14.8**
Total assets	**1,297.5**	**100.0**	**1,191.0**	**100.0**	**106.5**	**8.9**
Subscribed capital	10.0	0.8	10.0	0.8	0.0	0.0
Capital reserve	201.0	15.5	199.7	16.8	1.3	0.7
Revenue reserves	268.5	20.7	222.5	18.7	46.0	20.7
Consolidated net profit for the year [*)]	64.9	5.0	35.6	3.0	29.3	82.3
Equity	**544.4**	**42.0**	**467.8**	**39.3**	**76.6**	**16.4**
Pension provisions	46.6	3.6	70.8	5.9	(24.2)	(34.2)
Other provisions (non-current)	19.5	1.5	19.1	1.6	0.4	2.1
Financial liabilities	220.3	17.0	213.2	17.9	7.1	3.3
Liabilities and other debt capital (non-current)	15.9	1.2	9.5	0.8	6.4	67.4
Mid to long-term debt capital	**302.3**	**23.2**	**312.6**	**26.2**	**(10.3)**	**(3.3)**
Other provisions (current)	77.5	6.0	69.4	5.8	8.1	11.7
Liabilities to financial institutions and other financial liabilities (current)	127.0	9.9	130.8	11.1	(3.8)	(2.9)
Other liabilities (current)	246.3	19.0	210.4	17.7	35.9	17.1
Current liabilities	**450.8**	**34.8**	**410.6**	**34.5**	**40.2**	**9.8**
Total equity and liabilities	**1,297.5**	**100.0**	**1,191.0**	**100.0**	**106.5**	**8.9**

[*)] Consolidated net profit attributable to the owners of the parent company.

Change in assets

Total assets increased by EUR 106.5 million on the prior year.

The increase in right-of-use assets can be primarily attributed to the rise of EUR 22.7 million for buildings leased in Romania, Mexico and China. Depreciation of right-of-use assets amounted to EUR 8.9 million.

The increase in net inventories amounts to EUR 24.9 million and is primarily related to stocking-up materials in response to the bottlenecks in global supply chains.

Trade receivables are EUR 51.5 million higher than in the prior year, mainly due to higher sales in December (up 8.5% in comparison to the same month of the prior year), and a rise of 55.4% in receivables from affiliated companies of the Joyson Group.

The change in net liquidity and net liabilities to banks is explained under point 5 (cash flows).

Change in equity and liabilities

Revenue reserves increased from EUR 258.1 million to EUR 333.4 million. The increase is largely due to the profit for the year of EUR 64.9 million. In addition, revenue reserves were also boosted by actuarial gains of EUR 18.3 million from the remeasurement of pension provisions. A dividend of EUR 8.9 million was distributed to the shareholder in the reporting year.

The sharp decrease of EUR 24.2 million in pension provisions is largely a result of an increase of approximately 2.4% in the discount rate. The effect of this rise in the discount rate comes to EUR 25.5 million.

The increase of EUR 5.6 million in provisions for warranty obligations was a key factor in the rise in other current provisions with an increase of EUR 2.1 million in personnel-related provisions being another.

The increase in other current liabilities relates primarily to an increase of EUR 28.4 million in trade payables. There was also an increase of EUR 10.2 million in payments received on account.

Capital expenditure

Capital expenditure on intangible assets and property, plant and equipment amounted to EUR 124.7 million in 2022 (2021: EUR 92.8 million), of which EUR 65.2 million (2021: EUR 41.5 million) was invested in property, plant and equipment, EUR 52.0 million (2021: EUR 45.5 million) on development expenses and other own work capitalized and EUR 7.5 million (2021: EUR 5.8 million) on other intangible assets.

5. Cash flows

Despite the substantial burdens of the bottlenecks in global supply chains and the rise in costs, free cash flow of EUR 21.3 million was generated. Higher capital expenditures for property, plant and equipment and capitalized development expenses burdened free cash flow. This effect was partly compensated by higher cash flow from operating activities. The rebound after a period of suppressed capital spending in the prior year is particularly evident in the volume of investments in property, plant and equipment.

A dividend of EUR 8.9 million was distributed to the shareholder in the financial year 2022.

The change in net liquidity and net liabilities to banks breaks down as follows:

	2022 EUR m	2021 EUR m	Change EUR m
Cash flow from operating activities	**144.3**	**127.5**	**16.8**
Cash flow from investing activities in property, plant and equipment	(65.2)	(41.5)	(23.7)
Cash flow from investing activities in other intangible assets	(9.7)	(9.7)	0.0
Cash flow from investing activities in capitalized development work	(49.8)	(41.6)	(8.2)
Cash flow from other investing activities	1.7	1.4	0.3
Cash flow from investing activities	**(123.0)**	**(91.4)**	**(31.6)**
Free cash flow	**21.3**	**36.1**	**(14.8)**
Cash flow from dividend payments	(8.9)	0.0	(8.9)
Cash flow from (other) financing activities	(16.0)	(9.4)	(6.6)
Change in net liquidity/net liabilities to banks	**(3.6)**	**26.7**	**(30.3)**

Net loan repayments in 2022 amount to EUR 4.1 million (2021: EUR 3.0 million).

Preh GmbH, Bad Neustadt a.d. Saale, is financed for the medium term via a syndicated bank loan that was arranged in 2011. The syndicated loan is used for the sole purpose of ring-fencing the Preh Group in terms of its financing and liability exposures. The credit line amounts to a total volume of EUR 385.0 million and expires on 11 November 2025. There is an option to increase the volume over the term of the loan by EUR 65.0 million and to prolong the term by another two years. The syndicated loan agreement allows other sources of financing to be drawn on (such as factoring, leases, bank guarantees and cash loans in the Group). Among other parameters, borrowing costs are linked to an external sustainability rating in the form of a sustainability-linked loan (SLL). Reference is made to V.1 (non-financial statement) for more explanations.

The loan agreement was signed by Preh GmbH and Preh Thüringen GmbH as the borrowers and Preh Beteiligungs GmbH as joint and several debtor. The syndicated loan agreement serves to refinance the existing commitments under the promissory note loan and also to finance working capital requirements and capital expenditure.

In addition, medium and long-term promissory note loans of EUR 150.0 million were issued on 28 June 2017. The senior unsecured promissory note loans break down into five tranches with original terms of 5, 7 and 10 years. Promissory note loans with a total volume of EUR 10.0 million were redeemed in 2020. Promissory note loans of EUR 85.5 million were repaid on schedule in financial year 2022. As at the reporting date, the outstanding promissory note loans amount to EUR 54.5 million.

The planning underlying the financing arrangements is substantiated to a large degree by contracts with customers.

There was sufficient liquidity available at all times in the past.

As at the reporting date, cash of EUR 35.8 million had been drawn on via the factoring program (2021: EUR 37.1 million).

As at 31 December 2022 there were freely available cash loans of EUR 163.3 million available (2021: EUR 250.7 million). The lines of bank guarantees were drawn on by EUR 11.0 million (2021: EUR 6.0 million).

IV. Forecast, risks and opportunities

1. Forecast of the management

For the year 2023, the Preh Group is forecasting a low double-digit percentage increase in revenue and EBITDA in each case compared to financial year 2022. In spite of the high level of capital expenditure, free cash flow is forecast to lie in a range of double-digit-millions once again.

Overall, Preh expects business to develop positively in 2023, despite the continuing global challenges. Nevertheless, a downwards trend in the wider economy and a simultaneous rise in costs could place a substantial burden on earnings. The goal is to negotiate new sales prices with all customers to offset the substantial buy-side cost pressure. Focus remains on stringent cost discipline as well as permanent monitoring of the free cash flow, once again in 2023.

The forecasts have been drawn up on the basis of the going concern assumption.

2. Risk report

Risk management

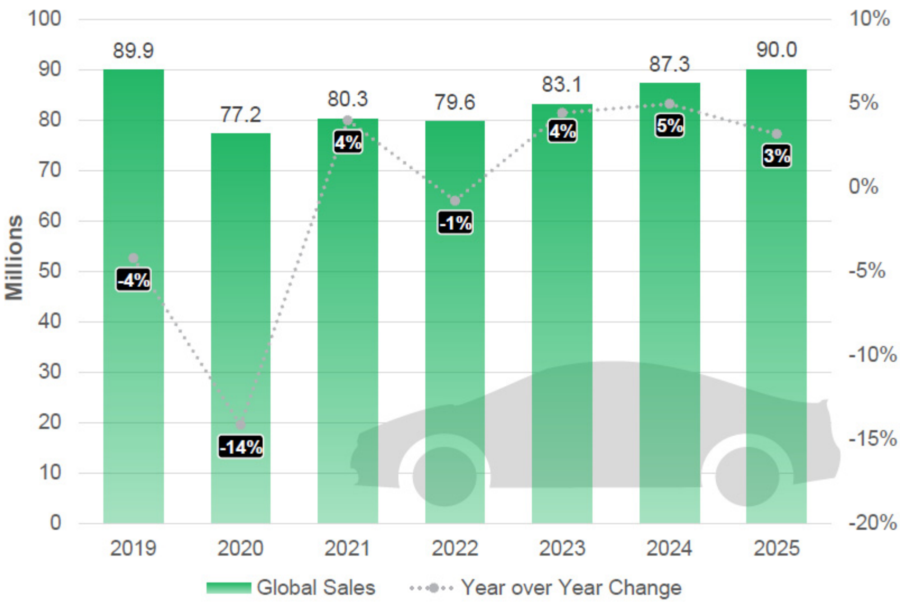
The Preh Group is integrated in the risk management and control system of the Joyson Group. As a publicly-listed company, Joyson is subject to Chinese SOX regulations. The Preh Group has undertaken the following measures to comply with these regulations:

- implementation and development of an effective internal system of controls based on regular risk assessments
- conducted management tests to review the effectiveness of the system of internal controls
- commissioned an external firm of auditors to review the effectiveness of the key controls for the financial reporting within the audit of the consolidated financial statements of the ultimate parent.

Market opportunities and risks

In its analysis from November 2022, the market analysts at S&P report that 2022 was a year of stagnating automobile sales. In terms of sales, there is cautious optimism for the coming three years, even if growth is expected to slow significantly until 2025. S&P names various market risks that need to be considered, such as the sustained risks in sourcing important raw materials (e.g. nickel, palladium, platinum). In addition, continuing high prices for raw materials are leading to higher prices for new cars. Positive factors are the end of the COVID-related border restrictions in China and the government stimulus packages for the automobile industry.

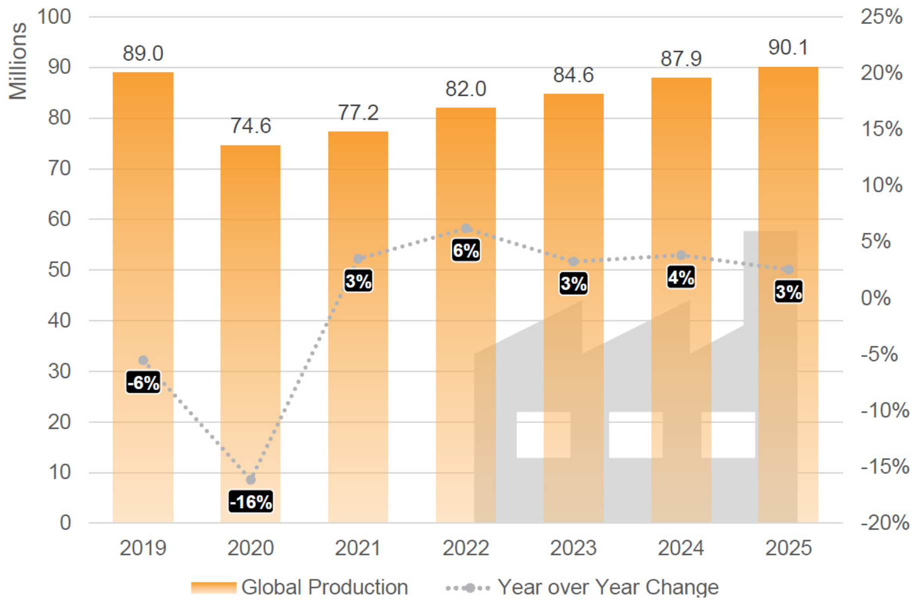
Global Light Vehicle Sales Forecast



Source: S&P Global, IHS Markit Global sales forecast, 15 November 2022

The impacts on automobile production are less volatile, but result in a similar slow-down in growth rates. S&P quantified automobile production in 2022 at 82 million units, representing growth of 6% on the prior year. The growth rate between 2023 and 2025 is anticipated to slow to just 3 to 4 percent each year. In the year 2021 the S&P analysts projected production of 98.9 million units in the year 2025. The projection made in November 2022 is for just 90.1 million units. This indicates that whatever the current expectations may be for such factors as sourcing materials, logistics, or restrictive trading policies, the overall development is highly volatile and mid-range forecasts are not particularly reliable in such a volatile environment.

Global Light Vehicle Production Forecast



Source: S&P Global, IHS Markit Global production forecast, 15 November 2022

The market risk is considered to be medium.

Currency risk

The objective here is to net purchases and sales denominated in foreign currency to minimize the foreign exchange exposure. In addition, currency indexation clauses have been arranged with most customers. No currency hedges were in place on the reporting date.

The currency risk is considered to be medium.

Credit risk

Possible defaults by customers are generally reduced to the amount of the deductible payable under the credit insurance program for domestic and export deliveries. The economic development of customers is monitored on a regular basis.

The risk of default is considered to be low.

Warranty risk

There is insurance cover for the risks associated with warranties, product liability and recall actions as well as for any losses from business interruption. The scope of the insurance is reviewed at regular intervals and adjusted to match the new circumstances where needed.

The warranty risk is considered to be medium.

Tax risks

Due to the global nature of its business activities, the Preh Group is subject to a number of different national tax regimes and jurisdictions. Changes to the relevant tax laws could have an impact on the way group entities are taxed.

The entities of the Group based in Germany and abroad are exposed to the risk of the local fiscal authorities conducting audits of their tax returns and tax payments. The associated risks relate principally to all tax assessment periods that have not yet been finally assessed and relate mostly to the fiscal authorities interpreting existing tax legislation differently or more restrictively, which could result in financial burdens for the Group.

Professional issues are addressed and analyzed in cooperation with external tax advisers. Suitable provisions have been established to cover the existing tax risks from prior years.

The tax risk is considered to be medium.

Personnel risk

The individual motivation and professional skills of the workforce are key success factors for Preh. However, it could become increasingly difficult to recruit sufficiently qualified staff worldwide and bind them to the company. The lack of human resources, particularly in development, could lead to a worsening bottleneck that could hinder more rapid growth at Preh.

Preh has set up a number of measures to promote the training and personal development of the workforce and to recruit new staff, such as the uniform digital training platform (trainings@preh), apprenticeships and internships for dual-track students as well as regular employee performance assessments at which development goals are agreed on.

The personnel risk is considered to be medium.

IT risks

Preh develops and manufactures innovative products and must protect them and all its corporate data from the risk of unauthorized digital access. Our guidelines, processes and systems are based on the requirements of international standards, customer requirements and our own experience in terms of data protection and data security.

The Preh Information Security Policy constitutes the principle guideline for the information security management system. It describes the company’s policy and strategy for managing information security. Group-wide, a team of information security specialists address the daily challenges. In addition to guidelines, processes and systems that are oriented towards fostering quality and efficiency, Preh also actively encourages a corporate culture and working methods that are imbued with an awareness of information security. In this context, cybersecurity is an elementary component of information security. Employees from all departments are given regular training on these issues and made aware of the dangers.

The IT risk is considered to be medium.

Summary of the risk position

There were no going concern risks within the Preh Group in the financial year 2022. There were no risks from a financial, sales or operational perspective that, taken alone or together, could pose an acute risk to the ability of the Group to continue as a going concern. As a result, from a current perspective there are no discernible going concern risks for the future or risks that would burden the Group’s financial performance, cash flows or financial position for the long term.

Overall, the risks are assessed as low to medium. No quantification has been made of the risks discussed above as this could significantly jeopardize the position of the Group on the market vis à vis its competitors and, moreover, such quantification is only vaguely accurate and does not therefore offer knowledgeable users of the financial statements any informative added-value.

3. Management report on opportunities

Preh concentrates on the product segments of Car HMI, E-Mobility and Commercial Vehicle HMI.

It remains our declared goal to successively expand our customer base in all product segments and advance regionally. This lays the foundation for the continued success of our business development, which is complemented by constant development of our infrastructure. In addition, optimizing internal processes and digitalization will continue to be driven forward.

The product development process and all the associated processes are being continuously extended, particularly into low-cost countries, in order to support global vehicle platforms in all the relevant regional markets at low cost. Moreover, this creates an opportunity to generate additional business, both with existing customers and also new customers. Our strong customer contacts coupled with our excellent reputation enable us to participate in the pre-development phase at customer-technology-workshops and keep our finger on the pulse of the latest trends in the segments of E-Mobility and Car HMI. On this basis we focus our resources primarily on technologies that can be applied in customer projects in the not-so-distant future.

In the field of Car HMI, Preh remains an established supplier and partner for the automobile industry. The objective is to defend our market position by developing innovative product solutions. The radical changes made to vehicle interiors and HMI architecture in the latest models have become visible, also for consumers. The recent BEV models, such as the BMW iX, i7 or the Mercedes EQS display even more radical changes to the interior and incorporate the trends of the future. Past interior generations had already made massive progress in terms of displays, touch screens and ambient lighting. The upcoming and latest HMI architectures reveal the next evolutionary step in which displays, touchscreens and decorative elements are combined into larger and more intelligent systems. Holistic HMI architectures are more flexible, only display those functions that are needed for the particular situation, making tasks easier for the driver and offering a more comfortable atmosphere for the passengers. Interior illumination is becoming an increasingly important factor, moving away from more static ambient lighting towards dynamic lighting scenarios, not just for vehicle comfort, but also to communicate information and alerts. In the past, a vehicle interior was a combination of several components. New interiors pursue a more holistic approach in which touch functions, decorative elements and lighting are found everywhere. However, market research also shows that touchscreens are not the optimal solution, as they are a source of greater distraction. An intelligent combination of touchscreens and a reduced number of haptic controls, such as dials on a touch display or scroll wheels integrated in steering wheel shifters brings together the best of digital and traditional HMI solutions.

Electromobility remains the business field exhibiting the most rapid growth. An increasing number of OEMs are offering hybrid powertrains and pure electric vehicles. On the one hand, consumer demand is rising, not least because of the ever-shorter charging cycles and greater range of the vehicles. In addition, charging infrastructure is being steadily expanded. However, it is apparent that recent demand is strongly correlated to government incentives, such as purchase rebates. Preh will continue to expand its market position in both battery management systems and power electronics (e.g. 400V/800V boosters, DC/DC converters and on-board chargers).

In the field of Commercial Vehicle HMI, Preh mainly offers HMI concepts for trucks and agricultural vehicles, such as tractors. Increasing digitization of the cockpit and cabins offers additional growth opportunities. Commercial Vehicles HMI has successfully adapted multi-functional components with integrated haptic feedback commonly used in the Car HMI segment for commercial vehicle applications. In future, another point of focus will be placed on platform solutions such as the one that has already been successfully implemented for Fendt. Preh has established high brand recognition for itself on the HMI market and is widely respected accordingly.

V. Non-financial statement , consolidated statement on corporate governance and remuneration report

1. Non-financial performance indicators, sustainability report and external sustainability rating(unaudited)

Sustainability is a fixed element of Preh's corporate vision: "WE passionately strive for excellence creating smarter and sustainable solutions in everything we do."

Preh GmbH has described the principles, activities and efforts it undertakes in terms of sustainability to reach the strategic goals of the company in its external sustainability report for the Preh Group for the preceding year (the most recent report is for the year 2021 and can be found at https://www.preh.com/en/company/corporate-sustainability).

Furthermore, in order to allow the development of its environmental, social and governance performance to be measured using a globally recognized benchmark, the Preh Group decided to join the EcoVadis platform in 2021. In the most recent external rating in the year 2022, Preh was awarded a silver medal. The rating has therefore improved on the first rating in the year 2021, when it was awarded a bronze medal. The rating obtained by the Preh Group puts it among the top 13% (2021: 26%) of the companies evaluated by EcoVadis in the segment of "Manufacturing automobile parts and accessories". The EcoVadis certificate can be viewed on the website of the Preh Group (https://www.preh.com/unternehmen/corporate-sustainability).

EcoVadis assessments concentrate on 21 criteria broken down into the four categories of environment, labor & human rights, ethics and sustainable procurement. The 21 criteria are based on international sustainability standards such as the principles of the Global Compact, the conventions of the International Labor Organization (ILO), the Global Reporting Initiative (GRI), the ISO 26000 standard and the CERES principles.

In the environment category, operating factors (e.g. energy consumption, waste management) and product responsibility (e.g. end-of-life issues, health and customer safety) are both considered.

In the category of labor & human rights, the factors considered include internal human resources (e.g. health & safety, working conditions, career management) as well as human rights concerns (e.g. discrimination and child labor).

With regard to ethics, the primary concern is corruption and bribery but it also considers unfair trade practices and responsible information management.

The category of sustainable procurement concentrates on both social and ecological issues within the company's supply chain.

The fact that sustainability has been assigned a very high priority at Preh can also be seen in the 7th supplement to the syndicated loan agreement signed in the year 2021. For the first time, the borrowing costs are pegged to the EcoVadis rating of the company. Preh is therefore one of the first automotive suppliers to use this new form of financing linked to an external sustainability rating. For the Preh Group, this type of finance is a logical progression from its own sustainability strategy. It underscores the great ambition of the company and its commitment to sustainability, thereby creating a foundation for sustainable and green financing. The borrowing costs arising from the factoring program in 2022 are also linked to the EcoVadis rating.

2. Female representation (unaudited)

In accordance with the Act on the Equal Opportunities for Women and Men in Leadership Positions in the Private Sector and the Public Sector, the Supervisory Board of Preh GmbH set a target in 2017 of 16.6% for female representation on the Supervisory Board and 0% in management. The review of progress towards this target in 2022 revealed that both targets had been reached.

New targets were passed by resolution, setting a target of 16.6% for female representation on the Supervisory Board and 0% for management. Naturally, any female candidates for vacant management positions will be treated equally to male candidates. The criteria for being appointed to management are gender-neutral and are based solely on the professional qualifications for the management of the respective department, a proven track record over the course of the candidate's career and strong leadership qualities. Diversity in the management team is important. Consequently, the team should be composed of members who complement each other in terms of their professional and international experience. These criteria, coupled with the candidate profile for vacant management positions and the qualification of the candidates and their leadership qualities are the most important factors when it comes to setting the composition of the management team at Preh.

In 2017, the management has set a target of 6.7% for the first management level underneath executive management and 12.3% for the second management level. During the review of these targets in 2022, it was found that the first level of middle-management exhibited a female representation of 15.8%. This is well above the target of 6.7% that had been set. At the second level of middle-management, female representation came to 10.8%. This lies just under the set target of 12.3%. This is largely due to the fact that a female Head of Department was promoted to Divisional Head. The vacant position of Head of Department was left empty.

In 2022, the management has set a target of 15.8% for the first management level underneath executive management and 13.5% for the second management level.

A period of five years has been set to meet these targets.

3. Gender equality and equal pay (unaudited)

The EntgTranspG Act ["Gesetz zur Förderung der Entgelttransparenz zwischen Frauen und Männern": German Act to Promote Transparency in Remuneration between Men and Women] came into force on 6 July 2017. This law requires employers with a workforce of more than 500 employees to issue a report on gender equality and equal pay, if they are required to issue a management report pursuant to Sec. 264 and Sec. 289 HGB. This report should present any measures that have been undertaken to promote equal opportunity between men and women and the impact of these measures as well as any measures to promote equal pay between men and women. The report must disclose the average number of employees broken down by gender as well as the average number of FTEs and part-time employees.

We have met the statutory requirement in the following section.

Measures to promote equal opportunity between men and women and their impact

Fairness, respect and trust are essential qualities for both ourselves and our workforce. During all our activities and business relationships these qualities form the cornerstones of approaching all people on an equal footing, regardless of their ethnic background, the color of their skin, their culture, religion, age, disabilities, sexual identity or orientation, world view or gender. To meet these requirements we comply with our Code of Conduct that we established many years ago, which gives us both an ethical and a legal compass in dealings with others.

Another measure that we have undertaken to foster equal opportunity between men and women is to highlight the requirements of the AGG ["Allgemeines Gleichbehandlungsgesetz": German Equal Treatment Act] during our training seminars for executives on recruitment and labor law.

In accordance with the FüPoG ["Gesetz zur gleichberechtigten Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft": Act on Equal Opportunity between Men and Women in Leadership Positions in the Public Sector], which came into force in the year 2015, the Supervisory Board and management regularly set targets for female representation on the Supervisory Board, in executive management and at the top two levels of middle management underneath executive management. Reference is made to V.2 for more explanations.

We continue to work on promoting equality between men and women and to put more focus on this matter in our human resources processes, for example,

- during the strategic succession planning with an emphasis on the rules for new appointments
- when structuring flexible working models, such as flexi-time, part-time, family caregiver leave, parental leave, caregiver leave, mobile working solutions from home or on the road as well as extended leave and sabbaticals.

Measures to promote equal pay and their impact

As a rule, our employees are approached, hired and promoted on the basis of their qualifications and skills.

Preh GmbH is a member of a collectively-bargained industrial agreement. Compensation is therefore based on the nature and scope of the work performed and not the employee's gender. When setting individual compensation, our employees are allocated to a category laid out in the compensation tables of the collective agreements arranged by the Bavarian Association of Metal and Electrical Companies. We ensure gender-neutral compensation by applying the relevant collective agreements and other labor-management agreements with our works' council.

In accordance with the EntgTranspG we inform our managers, HR staff and members of the works' council of any changes to the law and the associated duties. In this way, we ensure that our employees receive compensation that is independent of their gender, age or nationality.

Key statistics

Statistics on the number of employees at Preh GmbH:

Average	2021	2017
Headcount	**1,876**	**1,667**
thereof women	568	483
thereof men	1,308	1,184
Headcount full-time employees	**1,634**	**1,542**
thereof women	388	371
thereof men	1,246	1,171
Headcount part-time employees	**242**	**125**
thereof women	180	112
thereof men	62	13

Bad Neustadt a.d. Saale, 20 March 2023

Zhengxin “Charlie” Cai
President (CEO)

Rui Alberto de Melo Marques Dias
Managing Director (CFO)

Jochen Ehrenberg
Managing Director (CTO)

Independent Auditor's Report

To Preh GmbH, Bad Neustadt a.d. Saale

Opinions

We have audited the consolidated financial statements of Preh GmbH, Bad Neustadt a.d. Saale and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Preh GmbH for the financial year from 1 January to 31 December 2022.

In accordance with German legal requirements, we have not audited the content of those components of the group management report specified in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2022, and of its financial performance for the financial year from 1 January to 31 December 2022, and

the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of those components of the group management report specified in the "Other Information" section of the auditor's report. The group management report contains references not required by law. Our audit opinion does not extend to the cross-references in the "Other Information" section or to the information to which the cross-references refer.

Pursuant to Section 322 (3) sentence 1 of the German Commercial Code [HGB], we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and the group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW) and in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Other Information

Management is responsible for the other information.

The other information comprises the following components of the group management report, whose content was not audited:

- discretionary non-financial information contained in the section "Non-financial performance indicators, sustainability report and external sustainability rating" marked as unaudited,
- The parent company's corporate governance statement pursuant to Section 289f (4) HGB (disclosures on the quota for women on executive boards), which is included in Section V.2 of the group management report, and
- information extraneous to management reports and marked as unaudited.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and in supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Frankfurt am Main, 20 March 2023

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Riedmann Wirtschaftsprüfer [German Public Auditor]	Beck Wirtschaftsprüfer [German Public Auditor]