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AT A GLANCE

2022 was a difficult year for the Eberspächer Group. The aftermath of the cyber-attack, the impact of the Ukraine war, ongoing semiconductor shortages and supply chain disruptions, and rising inflation rates around the world required rapid adaptability. External influences negatively affected the profitability of the entire automotive supply industry. With increasing revenue, the Group recorded a consolidated net loss for the year.

2023 is characterized by intensified pressure for change and dynamic market development. Therefore, Eberspächer is focusing on fast and flexible processes and improving efficiency in the existing business. Eberspächer is shaping the transformation in a targeted manner with its technological expertise and the further expansion of the product portfolio for classic and new drive-types.

Performance indicators in EUR million	2022	Change on 2021 in %	2021	2020	2019
Net revenue	2,722.3	19.9	2,269.7	2,296.4	2,742.4
Consolidated revenue	6,437.5	7.3	6,000.0	5,063.7	5,193.7
Revenue generated abroad as a % of consolidated revenue	83.6		83.7	83.0	79.6
Cashflow from operating activities	187.7	>100	-74.9	194.0	218.9
Ratio of equity to total assets as a %	18.0		20.2	19.0	24.2
Research and development expenses	51.6	17.5	43.9	32.0	47.1
Net income / net loss for the year vs. profit for the year	-94.4	< -100	21.0	-42.9	65.8
EBIT*	-21.0	< -100	52.8	34.7	127.3
EBITDA	118.2	-35.6	184.2	165.8	262.1
Number of employees (average number of employees including trainees)	10,681	0.8	10,600	10,622	n/a

* Earnings before tax, investment, and financial result

THE GROUP

CORPORATE BOARDS OF THE GROUP

Supervisory Board

Mario Trunzer

Chairman

Franziska Beckmann

Deputy Chairperson

Christian Fürst

Klemens Schmiederer

Bernhard Wolf

Executive Board

Martin Peters

Chairman of the Executive Board /
Managing Partner

Volker Cwielong

Co-CEO Purem by Eberspächer

Marcus Knödler

Co-CEO Purem by Eberspächer

Pepjin Dinandt

CEO Climate Control Systems / Automotive Controls

Uwe Johnen

Chief Transformation Officer (CTO)

Dominic Waldeier

Chief Financial Officer (CFO)

Ulrike Wörz

Chief Strategy Officer (CSO)

THE GROUP DIVISIONS

as of Dezember 31, 2022

Purem by
Eberspächer

EUR **1,937** million*
(Gross revenue EUR 5,652 million)

For clean and quiet mobility: Exhaust technology and acoustic solutions for passenger cars and commercial vehicles.

Climate
Control
Systems

EUR **721** million*

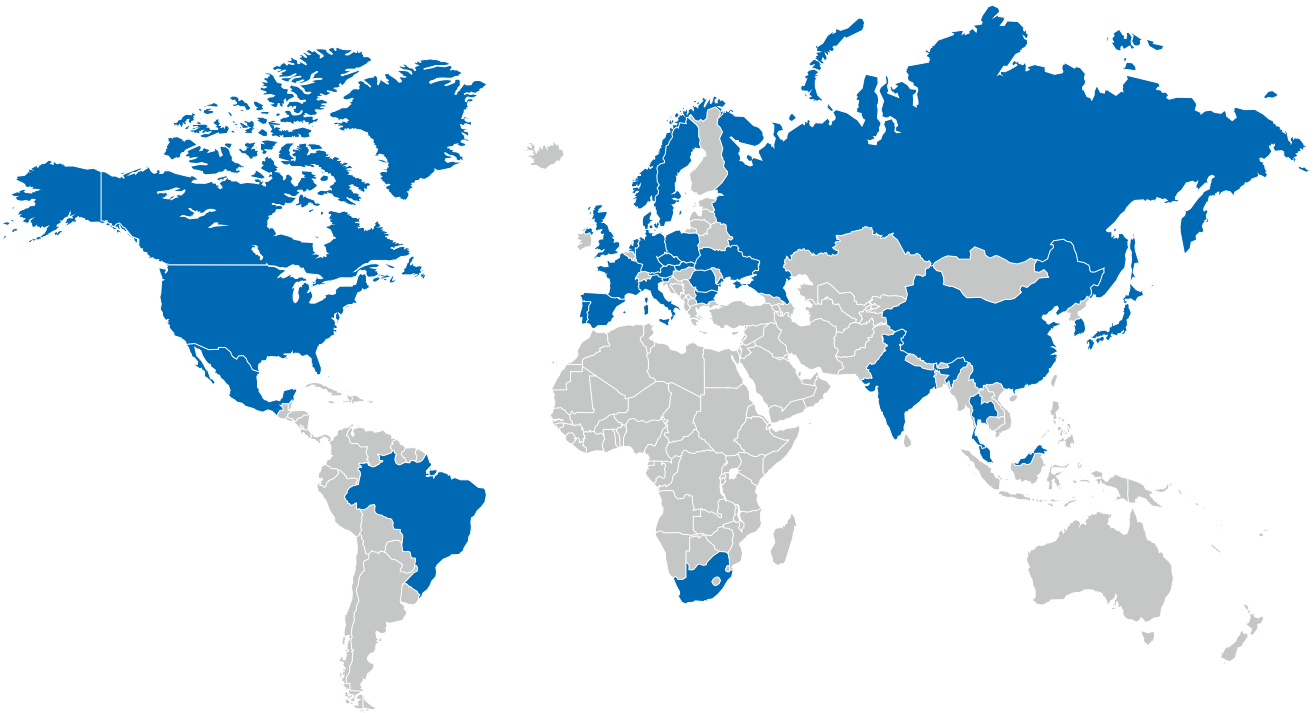
For comfortable thermal management: pre-heaters and auxiliary heaters for all types of vehicles, air conditioning for buses, and special vehicles.

Automotive
Controls

EUR **64** million*

For safe electronics: vehicle power and performance management, battery management systems, and control units for mobile, medical, and industrial applications.

GLOBAL FOOTPRINT



■ Purem by Eberspächer / ● Climate Control Systems / ▲ Automotive Controls / ◆ New Business
(Excluding sales representations, Version May 2023)

Europe

Austria <ul style="list-style-type: none"> ■ Graz ● Wiener Neudorf 	Germany <ul style="list-style-type: none"> ■ Emden ■●▲◆ Esslingen ● Hermsdorf ● Herxheim ■ Homburg ▲ Landau ● Liederbach ■ Neckarsulm ■ Neunkirchen ● Renningen ● Torgelow ■ Wilsdruff 	Poland <ul style="list-style-type: none"> ● Oława ● Poznań 	Slovenia <ul style="list-style-type: none"> ● Ljubljana
Bulgaria <ul style="list-style-type: none"> ● Ruse 		Portugal <ul style="list-style-type: none"> ■ Tondela 	Spain <ul style="list-style-type: none"> ● Getafe
Czech Republic <ul style="list-style-type: none"> ● Prague ■ Rakovník 		Romania <ul style="list-style-type: none"> ●▲ Cluj-Napoca ■ Oradea 	Sweden <ul style="list-style-type: none"> ● Nacka Strand ● Trollhättan
Denmark <ul style="list-style-type: none"> ● Copenhagen 	Italy <ul style="list-style-type: none"> ● Borgosatollo ■ Castellalto ■ Turin 	Russia <ul style="list-style-type: none"> ● Moscow ● St. Petersburg ■ Tolyatti ● Yekaterinburg 	Ukraine <ul style="list-style-type: none"> ● Kiev
France <ul style="list-style-type: none"> ■● Elancourt ● Pusignan ■ St. Michel 	Netherlands <ul style="list-style-type: none"> ■ Sittard 		United Kingdom <ul style="list-style-type: none"> ■ Cowley ● Ringwood
	Norway <ul style="list-style-type: none"> ● Trollåsen 	Slovak Republic <ul style="list-style-type: none"> ■ Nitra 	

The Americas

Brazil

- Sorocaba

Canada

- Concord
- Mississauga

Mexico

- Mexico City
- Monterrey
- Ramos Arizpe

USA

- ▲ Brighton, MI
- ◆ Lafayette, CO
- Louisville, KY
- Novi, MI
- Spartanburg, SC
- St. Louis, MO
- Wixom, MI

Africa

South Africa

- Port Elizabeth
- Rosslyn

Asia

China

- Beijing
- Changchun
- Chongqing
- Guangzhou
- Shanghai
- Shenyang
- Taizhou
- ▲ Tianjin
- Xi'an
- Yulin
- Zhang Jiakou
- Zhongshan

India

- Bangalore
- Pune

Japan

- Nagoya
- Odawara
- Yokohama

Malaysia

- Rawang

Republic of Korea

- Seoul

Singapore

- Singapore

Thailand

- Rayong

CHANGE AND TOGETHERNESS

These two concepts shaped the 2022 fiscal year. The political and economic developments of the past year showed us how quickly forecasts and plans can become obsolete. The world was changing at a speed never seen before. One result of the many influences was the sharply declining profitability of the entire automotive supply industry. This is also reflected in our annual report. With an increase in revenue, we recorded a negative operating result, mainly due to non-operational influences.

Therefore, the focus of our activities in the past year was on successfully managing the many challenges together. In order to consistently implement the abundance of tasks, we expanded our management team. With the additional resources and competences, we are even more resilient to external influences. We also created the necessary transparency throughout the Company to be able to act effectively and quickly.

The strength and loyalty of a family business was especially evident in the past year. Because for our customers, we are a reliable partner despite all external influences – with a convincing product portfolio for both e-mobility and classic drive systems. Technology openness remains crucial for us with regard to the transformation in the automotive industry. Our activities in the field of hydrogen underline this. In order to consistently pursue our global goal of Clean Mobility, we further expanded our presence last year and now operate in around 80 locations in 30 countries.

The past year once again demanded special commitment from our approximately 10,700 employees worldwide. On behalf of the shareholders, the advisory board and the entire management, I would like to thank them. Their actions were characterized by the trust placed in us and the unmistakable cohesion among them, especially in difficult times. This makes me very proud and underlines our distinctive corporate culture.

The efforts throughout the organization from 2022 are bearing fruit. In the current year, we are implementing our transformation in a focused and controlled manner in line with our corporate strategy. The course has been set and with targeted action we are already shaping the Clean Mobility of tomorrow.



Martin Peters
Chairman of the Executive Board / Managing Partner

GROUP MANAGEMENT REPORT

Fiscal year 2022 was difficult for the Eberspächer Gruppe GmbH & Co. KG (hereinafter referred to as “Eberspächer Group”). While the effects of the cyber-attack from last year were still clearly noticeable, external factors posed several challenges to the Group. The war in Ukraine, the ongoing semiconductor shortage, disruptions to the supply chain and the sharply rising inflation throughout the year required rapid adaptability and further accelerated the transformation in the automotive industry.

The net revenue of EUR 2,722.3 million (adjusted for the non-value-added share of revenue), which is decisive for the Company, nevertheless increased by 19.9 % compared to the previous year’s value (EUR 2,269.7 million). Consolidated revenue increased by 7.3 % to EUR 6,437.5 million. The lower increase in consolidated revenue is mainly due to the lower raw material prices for monoliths compared to 2021. These are installed in exhaust systems and are merely transitory items for the Eberspächer Group. Due to the difficult business landscape, the operating result is EUR -21.0 million. The consolidated net loss for the year amounts to EUR -94.4 million. Both key figures are primarily burdened by extraordinary items, in particular in connection with restructuring and the cyber-attack. In order to be able to present the Group’s operating earnings power, Eberspächer reports an adjusted EBIT in 2022. This amounts to EUR 26.6 million.

In order to take account of the transformation of the automotive industry and the increased pressure to change, the Eberspächer Group is continuously working on expanding its product portfolio and technological expertise. The dynamic market development also requires fast and flexible processes to ensure the Company’s long-term success. The focus of the Group is therefore on increasing efficiency in the existing core business and developing new business areas.

GROUP BUSINESS PROFILE

Group business model

The Eberspächer Group, headquartered in Esslingen am Neckar, develops, produces and sells complete systems and components in series production for vehicle manufacturers as well as exactly fitting retrofit solutions for the aftermarket. Founded in 1865 by Jakob Eberspächer, Eberspächer is now one of the leading system developers and suppliers to the automotive industry with around 10,700 employees and 80 locations worldwide. The Group is split into three Divisions: Purem by Eberspächer, Climate Control Systems and Automotive Controls. These Divisions are then supported by the Corporate Center. The New Business area includes the growth field of Hydrogen Mobility. This is where all activities related to hydrogen fuel cell systems are bundled and driven forward in a targeted manner.

Our overarching corporate strategy MOVE leads the way to the Group's development. In doing so, Eberspächer shapes the Clean Mobility of the future and inspires its customers with intelligent solutions that are developed and produced by Dedicated People. We are confidently and consistently facing global competition and changing market conditions in order to achieve profitable growth. We are continuously expanding our position in existing and new markets by promoting innovation as well as acquisitions and strategic partnerships.

The Eberspächer Group is aware of its responsibility towards the environment and society. The sustainable corporate governance focuses on three areas of activity: Green Footprint – Innovation – People. We conserve resources, protect the climate and assume responsibility for our employees and society. Our sustainability activities are anchored in our Corporate Strategy. The Eberspächer Sustainability Report of the Eberspächer Group (unaudited) is available online and can be downloaded from the website.

Purem by Eberspächer

Under the independent brand Purem by Eberspächer, Eberspächer produces and develops exhaust emission conversion systems and acoustic solutions for passenger cars, commercial vehicles and the non-road sector in coordination with vehicle manufacturers. The products target clean and quiet mobility and reduce noise emissions. Lightweight constructions contribute to the reduction of CO₂ emissions. In addition to the development of components and systems for optimized combustion engines, the expertise from exhaust gas aftertreatment also flows into alternative technologies, for example for hydrogen applications. The independent brand strengthens the operational independence of Purem by Eberspächer and expands the possibilities for global cooperation with other companies.

Climate Control Systems

The Climate Control Systems Division of the Eberspächer Group offers thermal management products and solutions for all types of vehicles. The product portfolio includes pre-heaters for passenger, commercial and non-road vehicles, and air-conditioning systems for buses and special vehicles. Another important component of the product range are auxiliary heaters, which are used in cars with combustion engines as well as with hybrid, electric or fuel cell drives and are becoming increasingly important in the context of the necessary CO₂ reduction. Further developments focus on digital service offers and energy management systems. This includes, for example, the new development Xellstor, which is a lithium-ion battery set that provides a self-sufficient energy supply in motor homes, workshop vans or ambulances.

Automotive Controls

The Automotive Controls Division offers standardized and customer-specific electronics solutions. The vehicle electronics applications comprise vehicle electric system and energy management, engine and drive train management, as well as control units and electronics modules for vehicle air-conditioning systems and extended vehicle functions. Battery management and energy storage systems for special vehicles which are used in the medical technology sector and in industrial applications complete the portfolio.

New Business

The Eberspächer Group's activities for hydrogen and fuel cell applications are located in the Hydrogen Mobility business area. The business area's tasks include defining and implementing the hydrogen strategy as well as business development and fuel cell system development, which is driven forward through cross-divisional cooperation. In the New Business area, the Next Shed brand has sought new business areas and technologies for Eberspächer in the past. These activities were terminated in 2022 and three growth fields were defined instead: Hydrogen Mobility, e-connected - Digital Platform & Services, and Energy Storage Systems. With the exception of the Hydrogen Mobility growth field, these were integrated into the Climate Control Systems Division. Previously closed investments in start-ups will be continued within the three defined growth areas. In the future, Next Shed will invest as an early customer in new technologies from start-ups that are close to the core business.

Research and development

In fiscal year 2022, research and development expenses amounted to EUR 51.6 million, constituting a considerable increase year-on-year (prior year: EUR 43.9 million). In addition, development costs of EUR 21.8 million were capitalized (prior year: EUR 23.6 million). This includes internal expenses plus external services for design, computer-aided engineering, testing, and prototypes. Furthermore, numerous customer development projects were recognized as revenue.

Expenses for direct product development are required in order to meet the increasing demand for series applications. This ensures the global sales targets are achieved. We also advance standards, processes and methods and continually invest in basic development (research).

Purem by Eberspächer

The development activities in the Purem by Eberspächer Division are mainly grouped together at the three sites in Esslingen (Germany), Novi (USA) and Shanghai (China).

The research and development activities focus on modern exhaust gas aftertreatment systems for the passenger car and commercial vehicle market. In 2022, the focus was on developments for the passenger car and commercial vehicle sector that contribute to meeting future emission standards. These include the Euro 7 standard, which is currently in regulatory coordination, and its global counterparts. The European Commission presented the draft Euro 7 standard in the fourth quarter of 2022 and confirmed the entry date in 2025. All development activities primarily involve new components for diesel engines in the passenger car and commercial vehicle segments and, where appropriate, for petrol engines. Since a large proportion of pollutant emissions are produced during the cold-start phase, the operating temperature of the exhaust system is to be reached or maintained more quickly after engine start-up with the help of these new components. We see great potential for this in Fractal Heaters. These confirm the first series nominations in the commercial vehicle sector.

In the field of hydrogen mobility, activities with the Karlsruhe Institute of Technology (KIT) and Allianz Wasserstoffmotor e. V. (Hydrogen Engine Alliance) were intensified in order to promote the hydrogen engine as another complementary technology for Clean Mobility. As such, Purem by Eberspächer is working on developing a robust exhaust aftertreatment system. In addition to topics such as material design, catalysis itself plays a

role here. Individual catalytic converters are evaluated and analyzed, the necessity of a filter is evaluated in relation to the legal standard and the optimum arrangement of catalytic converters and filters in the exhaust system is determined.

In the field of fuel cell applications, the foundations have been laid for further components matching the Purem by Eberspächer expertise and technology profile. These include, for example, flaps, catalytic converters, water separators, and acoustic solutions.

Climate Control Systems

In the Climate Control Systems Division, research and development activities are primarily carried out at the respective main sites of the individual product groups in Germany: for the Business Units Fuel Operated Heaters and Special Markets in Esslingen, for Electrical Heaters in Herxheim and Hermsdorf, and for Bus & Coach in Renningen.

In 2022, the Fuel Operated Heaters Business Unit continued the product development of new and additional fuel operated heating systems. The focus was on modularizing and standardizing the components for all product families. The market launch of the new Airtronic 3 air heater generation for the power classes from 2 kW to around 8 kW had to be stopped and postponed until 2023 due to the semiconductor shortage. Instead, the markets were supplied with the Airtronic 2 air heater as compensation. In addition, the Business Unit continued to push ahead with research into possible applications for fuel operated air or water heaters in hybrid vehicles. At low outside temperatures, this is intended to limit the loss of electric range.

The Special Markets Business Unit developed a new battery system with the Xellstor energy management system. This was presented to the public in 2022 and will go into series production from 2023. It enables self-sufficient power supply for motor homes, commercial vehicles and ambulances. Electrical devices can thus be operated independently of the power grid. In the field of thermal management for motor homes, the first systems with heat pumps were tested in 2022. The development of the next generation of the Eberspächer app started in cooperation with the Digital Solutions division. The app enables the battery system of roof-mounted air-conditioning-systems and many other systems to be controlled.

The development activities of the Electrical Heaters Business Unit focus on high-voltage water heaters. For the fourth generation of this type of heater, development was completed in 2022 and series production started. Further series production orders as well as additional volumes for existing projects for the third generation of the high-voltage water heaters were acquired in China, Europe and the USMCA region (United States-Mexico-Canada-Agreement). The necessary application development was initiated and completed in part. In order to drive growth in Asia, application development at the Chinese site in Tianjin was further expanded in 2022. In addition, the development of so-called Positive Temperature Coefficient (PTC) ceramics for 800-volt high-voltage heaters was started. The PTCs are ceramic elements that are components of intrinsically safe PTC heating solutions for automotive applications. They are used for battery conditioning and the quick availability of hot air in the passenger department. 800-volt applications are required to enable fast charging.

In 2022, the Bus & Coach Business Unit was able to significantly increase the maturity of heat pumps with the natural refrigerant CO₂ and prepare them for market launch. Production will start in 2023. Technology development continued to focus on establishing alternative suppliers for numerous components, with special attention being given to valuable components. From this, product cost optimizations could be implemented in the platforms.

Automotive Controls

The development activities of the Automotive Controls Division take place at the German sites in Esslingen and Landau, the Romanian site in Cluj-Napoca, and the Canadian site in Concord.

In the field of automotive electronics, the focus was on products for electric mobility. These are used for further CO₂ reduction, autonomous driving and comfort functions. For autonomous driving without a driver (level 5) as well as for highly automated vehicles (level 3), high-security switches were further developed in 2022. In Landau, the development of a highly complex battery management system for a 12-volt lithium-ion battery could be continued. The development of the supercap module (SCAP) for ensuring comfort in heavy electric vehicles achieved the required degree of maturity for the start of production. The new development center at the site in Cluj-Napoca (Romania), which was founded at the beginning of 2021, was strengthened by further increase in personnel and competence. It is developing into another center for software development and functional testing. The electronic platform developments for future fuel operated and electrical heaters were continued at the sites in Esslingen, Landau and Cluj in 2022.

At our Canadian site in Concord, the further development of large-format battery management systems for applications with higher voltages was driven forward. These standard solutions are used in various applications, such as forklifts and other commercial vehicles. A new development within the graphical user interface in 2022 serves to optimize the user-friendliness of the products.

New Business

In the field of Hydrogen Mobility, Eberspächer develops fuel cell compressors and the associated components in Lafayette (Colorado), USA. The performance of the fuel cell can be controlled by precisely controlling the air flow and air pressure. As such, the air compressor is a key component for the performance of fuel cells and makes a considerable contribution to the efficiency, optimum set-up and durability of the overall system. The requirements of fuel cells can currently be met in applications from under 3 kW to 30 kW. In order to serve the growing markets in goods and passenger transport with larger, stationary fuel cells, an expansion of the current product line for fuel cells up to 150 kW is under development. The Eberspächer Group is a member of Hydrogen Europe, a network of European companies and associations that aims to intensify the development of the hydrogen industry in Europe. The goal is to make hydrogen and fuel cell technologies usable and thus further advance the decarbonization of industry and transport.

Manufacturing, logistics, and procurement

The past year in the Eberspächer production plants was characterized by persistent procurement and supply bottlenecks, semiconductor shortages, and further shortages and price increases of preliminary products and raw materials. In addition, there were higher energy prices as a result of the Ukraine war and repeated lockdowns in China due to the zero-Covid strategy adopted there. Despite all these challenges, the Eberspächer Group further expanded the global production network in the reporting year, taking account of new customer projects and the further internationalization of the business.

Purem by Eberspächer

Production Business Unit Europe

The Europe Business Unit of the Purem by Eberspächer Division is responsible for passenger car and commercial vehicle business with European customers whose vehicles are offered globally. The Business Unit generates over half its revenue with passenger car exhaust systems at the Neunkirchen (Germany), Rakovník (Czech Republic), Oradea (Romania) and Tondela (Portugal) production plants. Especially at our Eastern European production sites, the extensive acquisition of new business in 2022 will ensure good capacity utilization in the future.

For the European commercial vehicle market, the Wilsdruff (Germany) site manufactures Euro 6 exhaust systems in series. Last year, the Wilsdruff site continued to focus on activities for improving competitiveness. Production at the Nyköping (Sweden) site was discontinued as planned in October 2022 due to the expiry of a large customer order. The plant was closed completely at the start of 2023.

The plant expansion in Sorocaba (Brazil) was completed in 2022. The new production area provides sufficient space for the production of hot-end and cold-end components for the local passenger car and commercial vehicle market. In Brazil, the new PL7 (passenger cars) and P8 (commercial vehicles) emission standards will come into force from 2022 and 2023 respectively. These are comparable to the European Euro 6 standard.

As part of the sanctions against Russia, two major European customers withdrew from Russia. As we do

not expect the situation to change in the foreseeable future, our plant in Saint Petersburg closed at the end of 2022 and the plant in Togliatti was partially shut down.

Production Business Unit Americas

The production plants of the Americas Business Unit are located in Brighton (Michigan, USA), Louisville (Kentucky, USA), Spartanburg (South Carolina, USA), St. Louis (Missouri, USA), Wixom (Michigan, USA) and Ramos Arizpe (Mexico). They manufacture exhaust systems for the passenger car and commercial vehicle market. The new exhaust technology plant in Ramos Arizpe, Mexico, fully reached its planned capacity in 2022. The completion of a plant expansion is planned for 2023. Construction of the two new plants in the USA at the locations in Louisville (Kentucky) and St. Louis (Missouri) has been completed. Both plants are prepared for the start of production or full ramp-up in 2023. Following the expiry of customer orders, the production plant in Northport (Alabama, USA) was completely closed in the reporting year.

Production Business Unit Asia

The Asian market continues to offer Purem by Eberspächer and the Asia Business Unit great growth potential. As a result, two more plants are being planned for the Asia Business Unit in addition to the nine existing production plants in China. In Thailand, a joint venture agreement was signed with AAPICO Hitech Public Company Limited (AAPICO). The new company operates under the name Purem Aapico Co., Ltd. and manufactures exhaust gas aftertreatment systems and components. In addition to developing the local market in Thailand, the company is focusing on growth in the ASEAN region (Association of Southeast Asian Nations) with products for passenger cars and commercial vehicles. As part of this, a new plant is scheduled to be commissioned at the AAPICO campus in Rayong in the third quarter of 2023. Together with AAPICO, Purem by Eberspächer is also expanding its activities for the Malaysian market. The newly founded company of Purem Aapico Sdn. Bhd., which is a fully owned subsidiary of Purem Aapico Co., Ltd., will also manufacture exhaust systems and exhaust gas aftertreatment components for passenger cars and commercial vehicles. For this purpose, a building with an area of 4,000 square meters was rented in Rawang in the greater Kuala Lumpur area. Series production is planned to start in September 2023. In addition, as part of the joint venture with Sharda Motor, the Asia Business Unit produces exhaust systems

for the commercial vehicle sector at to production sites in the Indian city of Pune. Overall, production in the Asia Business Unit in 2022 was affected by China's zero-Covid strategy, which led to repeated lockdowns and the impairments this caused. In some cases, the employees lived in the factories for several weeks due to these restrictions. In addition, supplier failures and changes in our customers' plans made the situation more difficult. Nevertheless, the Business Unit was able to cope well with these challenges.

Supply chain management

The situation in the procurement and transport markets continued to be shaped by numerous uncertainties in 2022. On the one hand, the situation with regard to the Coronavirus pandemic stabilized to a large extent, but on the other hand, there were recurring lockdowns in China. Global shortages and price increases in input materials, for example steel, plastics and precious metals, as well as additional logistical challenges regarding packaging and transport continued throughout the year and will continue into 2023. Imports from China are particularly affected by this. In order to maintain our supply, the affected products were technically modified in close coordination with our clients and long-term offtake agreements were concluded with customers and suppliers. The task force formed as part of this kept an eye on the short- and medium-term risks, as well as the delivery horizon. In addition, the supply chains were burdened by rising costs as a result of the Ukraine war and a tense supply situation with regard to electricity and gas. In order to identify risks early, action plans were drawn up together with the suppliers. At the same time, rising energy prices led to higher costs for our production, which could only partially be compensated.

Climate Control Systems

Fuel Operated Heaters production

In 2022, the Fuel Operated Heaters Business Unit manufactured its products exclusively at the Polish site in Oława. The plants relocated from Esslingen were successfully put into operation. Successful crisis management ensured that the partly considerable influences of the semiconductor shortage and the cyber-attack, as well as the consequences of the Ukraine war, could be minimized.

Electrical Heaters production

The Electrical Heaters Business Unit produces high-voltage and low-voltage heaters in Tianjin (China), Oława (Poland) and Herxheim (Germany). In addition, a new plant is under construction in Ruse (Bulgaria) together with the Automotive Electronics Business Unit of the Automotive Controls Division, which will create further production capacity. Due to the strong increase in customer demand for products for hybrid and electric vehicles, Eberspächer is striving for a high degree of automation and an increase in the number of units, particularly in Herxheim. The establishment of the Ruse (Bulgaria) site enables the low-voltage activities and the semi-automated systems to be consolidated. PTC elements for low- and high-voltage applications are manufactured at the German site in Hermsdorf.

Bus & Coach production

The products of the Bus & Coach Business Unit are manufactured in the plants in Oława (Poland), Bangalore (India) and Monterrey (Mexico). A new production line was installed and put in operation at the Indian production plant in 2022. This enabled the introduction of two new electric bus air-conditioning systems, which are sold mainly in Asia and Israel. The regional supply of all Latin American markets was bundled in the Mexican plant in Monterrey as a strategic location and as a result series production at the Sorocaba site (Brazil) was discontinued in the third quarter of 2022.

Special Markets production

In addition to an assembly plant for cable harnesses and customized products in Torgelow (Germany), the production of the Special Markets business unit includes the two locations of Pusignan (France) and Zhongshan (China). Both plants produce and assemble air-conditioning system components and complete systems. The site in Zhongshan is used as an upstream component plant for final assembly in France and also serves the Asian market. In 2022, the move to a new building offering three times the space was completed there. Series production is fully operational there.

Automotive Controls

Within the Automotive Controls division, the Automotive Electronics business unit produces vehicle electronics at the sites in Landau (Germany) and Tianjin (China). The Landau production site specializes in the production of control units in the area of on-board network management as well as supercap modules (SCAP). Control units for high-voltage heaters and fuel operated heaters from the Climate Control Systems division are manufactured in series in Tianjin. These are then installed directly on site in the electrical high-voltage heaters of the Electrical Heaters Business Unit. Essential investments were made at both sites in 2022 to increase the capacity required to successfully implement the project. In addition, a new site was commissioned in Ruse (Bulgaria) to expand the production capacity, together with the Electrical Heaters Business Unit. The necessary steps for the procurement of new production facilities were prepared for this purpose. The Battery Management Business Unit at the Concord (Canada) site specializes in the production of battery management systems for medical, military and industrial applications. Further market penetration was made in larger special applications in order to expand the product portfolio. These are used in forklifts and robots. Despite the continuing semiconductor shortage, the Business Unit was able to compensate for the bottlenecks in the supply chain last year by scaling production.

New Business

Hydrogen Mobility production

In the Hydrogen Mobility field, the Eberspächer Group in Lafayette (Colorado, USA) produces air compressors and the associated components for fuel cells. In the reporting year, the move to a larger building was completed, providing more space for product testing and production, among other things. With the expansion of capacity, the Eberspächer Group is underlining the intensification of its activities in hydrogen technology.

Logistics and procurement

The current shortage of semiconductors also continued to cause procurement and delivery bottlenecks in the Climate Control Systems and Automotive Controls Divisions. The Ukraine War and China's zero-Covid strategy also led to significant challenges for the global supply chain. This is especially evident in the material procurement times of up to six months and the ongoing material price increases in all regions around the world. The increase in energy costs in Europe in particular led to additional costs in 2022. In order to reduce our dependency and increase our flexibility, alternative components were continuously tested and purchased, especially with regard to semiconductors. In addition, we took advantage of so-called spot purchase opportunities, in which components in demand worldwide are offered at sometimes higher prices in order to establish availability. With regard to energy prices, we concluded long-term supply contracts that contain corresponding price escalator clauses. Furthermore, we channeled our measures in the 2022 fiscal year and initiated a comprehensive savings program. This helps us counteract the future price pressure on the market with design changes, supplier bundling and supplier portfolio streamlining.

BUSINESS REPORT

Overall economic development

The global economy already cooled noticeably at the beginning of 2022. According to the International Monetary Fund (as of April 2023), global gross domestic product rose by 3.4 % in 2022 as a whole (prior year: 6.1 %). In particular, the sharp rise in energy prices and the high level of economic uncertainty due to the Russian war of aggression in Ukraine weighed on economic development worldwide. In response to the high inflation rates, many central banks raised key interest rates, which further slowed growth. While the impact of the Coronavirus pandemic receded in most countries, China's strict zero-Covid policy led to production losses as well as further supply shortages. This further weakened the global economy in the first half of the year. As a result, the growth rate of the Chinese economy in 2022 fell short of the economic growth in the prior year. Substantial interest rate hikes led to a cooling of the economy and a decline in the growth rate in the USA. In the eurozone, economic output initially expanded in the first half of 2022, but the economic outlook deteriorated significantly in the second half of the year. This was due to the effects of the Ukraine war, the loss of purchasing power as a result of high inflation rates, and the cooling global economy, which put increasing pressure on the economies in the eurozone. The German economy was also affected by high energy prices. According to the International Monetary Fund (as at April 2023), growth in Germany was 1.8 % (prior year: 2.8 %).

Sector environment

Demand for passenger cars on par with the prior year

Global demand for passenger cars in 2022 was at the prior year's level. However, the automotive market was negatively affected by the ongoing shortage of preliminary and intermediary products and by the effects of the Ukraine war. According to the VDA (German Association of the Automotive Industry), the automotive market in Europe recorded a significant decline in new passenger car registrations compared to 2021 as a result. The number of new passenger car registrations in Germany was slightly above the prior year's level. The order intake of German OEMs decreased noticeably in the course of the year compared to the prior year, while at the same time the order backlog grew moderately at the end of the year. Both the production volume in Germany (3.5 million passenger cars) and the export of German automobiles (2.6 million passenger cars) recorded a strong increase. In the USA, the total number of new passenger vehicle registrations decreased moderately year-on-year. On the other hand, the passenger car business in China recorded a significant increase in new registrations.

In 2022, according to IHS Markit, the number of pure electric vehicles (BEVs) produced worldwide increased by 78.0 % year-on-year. This corresponds to a share of 10.8 % of the global passenger car production volume. With an increase in production figures of 74.8 %, the passenger car segment in Germany achieved a market share of 16.4 %. In China, production figures grew by 94.7 %, bringing the share of BEVs to 21.6 % of the domestic passenger car production volume. The number of hybrid vehicles (PHEV) produced also recorded a significant increase compared to the prior year.

Commercial vehicle market still heterogeneous

The number of new registrations in the commercial vehicle sector increased slightly in the USA and moderately in the European Union. In Germany, new registrations for trucks over six tons were slightly below the prior year's level. In China, on the other hand, the commercial vehicle sector recorded a considerable decline as a result of the zero-Covid policy, according to the VDA.

Bus market varies regionally

After the slumps in the two prior years, which were marked by the Coronavirus pandemic, the global demand for buses in 2022 developed differently from region to region. In Europe, there was a slight decline in new registrations compared to 2021, according to ACEA (European Automobile Manufacturers' Association) data. This affects important markets such as Germany, France and Italy. In Mexico, bus sales were also slightly behind the prior year. On the other hand, the bus business in the USA grew moderately. In Brazil and India, new registrations increased significantly compared to the prior year.

2023 outlook

The International Monetary Fund forecasts (as of April 2023) a decline in the growth rate of global GDP to 2.8% for 2023. The effects of the Ukraine war and the loss of purchasing power as a result of high inflation continue to negatively affect the global economy. Investments also tend to be negatively impacted by increased financing costs caused by higher key interest rates. At the same time, the high order backlogs accumulated by the industry during the pandemic are likely to be increasingly worked off. This factor has supported global

economic activity so far. A renewed economic slowdown is therefore forecast for the USA and the eurozone. The International Monetary Fund forecasts that Germany's gross domestic product will decline marginally by -0.1% (as at April 2023). Energy prices in Europe are expected to decline in the second half of 2023. However, if energy supplies become scarcer, the economy could develop much worse than previously assumed. On the other hand, the growth rate of the Chinese economy is expected to increase in 2023. The lifting of tight restrictions to prevent Coronavirus infections could have a positive effect on economic activity. In addition, government spending on infrastructure projects supports the economy. However, high infection numbers could negatively affect economic activity even without state restrictions, which represents an element of uncertainty in the forecast.

In 2023, the global automotive industry is expected to grow slightly compared with 2022. The market share for battery electric vehicles (BEV) and plug-in hybrid electric vehicles (PHEV) is forecast to increase. According to IHS Markit, this would account for 14.5% and 12.0% of total global passenger car production volume in 2023.

Business Trend

Trend in sales

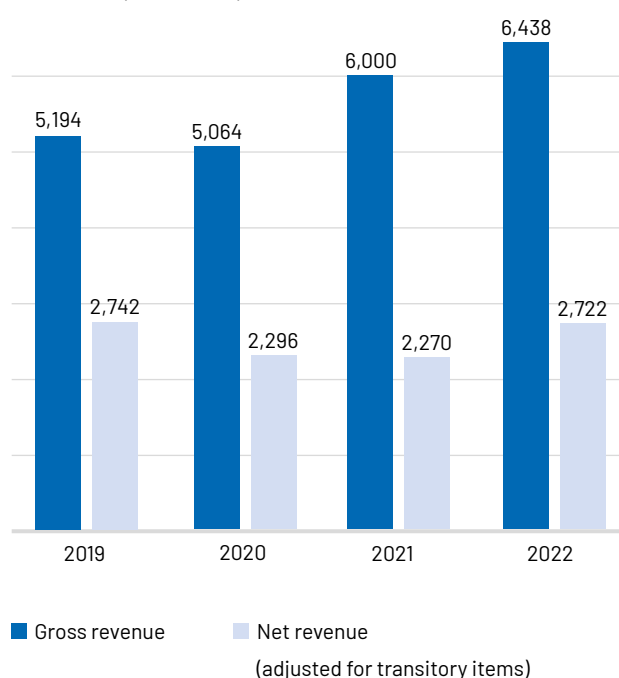
In fiscal year 2022, the consolidated revenue of the Eberspächer Group amounted to EUR 6,437.5 million (prior year: EUR 6,000.0 million), constituting an increase of 7.3%. Net revenue (adjusted for transitory items such as monoliths and third-party parts that do not contribute to value creation) increased by 19.9% in 2022. In the 2021 annual report, we forecast net revenue to be slightly above the prior year in 2022. The actual increase in revenue in 2022 significantly exceeded this forecast. The effects of the Ukraine war and the semiconductor bottlenecks had less of an impact on revenue than had been assumed.

Purem by Eberspächer

Revenue in the Purem by Eberspächer Division increased by 5.7% to EUR 5,652.4 million (prior year: EUR 5,348.6 million).

Revenue in the Purem by Eberspächer Division contains a large proportion of transitory items. These are mainly coated monoliths and additional purchased components that Purem by Eberspächer installs. In 2022, this share amounted to 65.7% (prior year: 69.7%). Net revenue, adjusted for these transitory items, amounted to EUR 1,937.1 million (prior year: EUR 1,618.5 million), an increase of 19.7% year-on-year. The division's net revenue therefore increased more steeply than gross revenue. The reason for this was the lower share of transitory items, which was mainly due to fallen monolith prices as well as changes in the product mix.

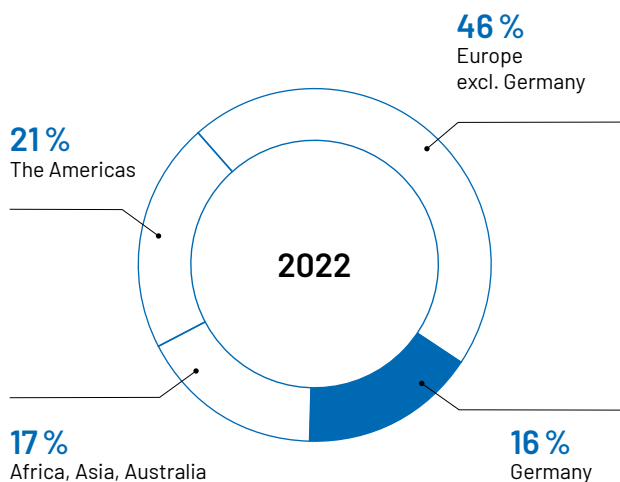
Gross revenue and net revenue
of the Eberspächer Group in EUR million



Global sales markets

The development of the Business Units within the Purem by Eberspächer Division was primarily impacted in 2022 by three factors: the consequences of the Coronavirus pandemic, the trend towards electrified drives as well as the ongoing supply issues concerning electronic components and the related effects on our OEM customers. Despite these challenges, the Europe Business Unit recorded revenue significantly above the prior year's level. The last few months in particular were the strongest of the year in terms of revenue. The increase in revenue results, among other things, from the fact that OEMs focused on the production of higher-value vehicles in 2022, which include more complex exhaust systems or products for exhaust emission conversion. Despite the difficult situation, the Americas Business Unit also achieved revenue significantly above the prior year's level. This is mainly due to the further ramp-up of the truck business at the Mexico location as well as to new OEM projects in the passenger car sector. Although the consequences of the Coronavirus pandemic in particular dampened business development in Asia, the Asia Business Unit nevertheless recorded revenue noticeably above the prior year's level.

Revenue of the Eberspächer Group by region



Climate Control Systems

In the Climate Control Systems Division, revenue in 2022 amounted to EUR 721.1 million (prior year: EUR 604.2 million), constituting a considerable increase year-on-year.

Fuel operated heaters revenue decreased significantly

Revenue development from fuel operated heaters was significantly impacted by major bottlenecks in the supply of semiconductor components and the consequences of the Ukraine war in 2022. All customers of the Fuel Operated Heaters Business Unit discontinued their activities with Russia in the wake of the sanctions. This had a corresponding impact on our revenue there. Moreover, the supply of semiconductor components to our customers only improved towards the end of the reporting year. The continued decline in demand for combustion engines in particular in Europe is affecting both the commercial vehicle and the passenger car OEM business of the Business Unit. Electrical heaters of the Eberspächer Group's Electrical Heaters Business Unit are often installed instead. The Business Unit's revenue for the whole of 2022 was significantly below the prior year's level.

Special Markets at the prior year's level

The Special Markets Business Unit pools the activities with subsidiaries and sales representations in Germany and abroad as well as OES and non-automotive OEM customers. Despite disrupted supply chains and Russian sanctions, the Business Unit's revenue in 2022 was at the prior year's level. Especially in the field of electrically operated air-conditioning solutions, the Business Unit benefited from some newly won long-term orders and tenders in the flourishing business of motor homes, utility vehicles and construction machinery. Revenue in the car and truck retrofit solutions segments was slightly lower in 2022 than in the prior year.

Electrical Heaters increased significantly

Despite the continued semiconductor crisis, the Electrical Heaters Business Unit once again saw a significant increase in revenue in 2022 year-on-year. This is due to the continuing high demand for high-voltage electrical heaters for plug-in hybrid and battery electric vehicles in Europe and China.

Bus & Coach recovered significantly

The revenue in the Bus & Coach Business Unit was once again clearly above the prior year's level. This is a result of revenue growth in the Israeli and Mexican markets especially. However, the effects of global mobility restrictions imposed due to the pandemic continued to be noticeable. The coach and intercity bus segments continue to be particularly affected by this. The pre-crisis level of registration figures has not yet been reached.

Automotive Controls

In the Automotive Controls Division, revenue amounted to EUR 64.0 million (prior year: EUR 47.1 million), considerably higher year-on-year. In 2022, demand for electronic control units, and in particular those installed in electrical heaters of electric vehicles, remained at a very high level. However, production was interrupted as a result of the continuing semiconductor shortage and the general disruptions in the supply chain. This meant not all customer requests could be fully completed.

New Business

As the Hydrogen Mobility department was first consolidated in July 2021, the revenue cannot be compared with the prior year. We see significant growth potential in the area of fuel cell applications in the coming years.

Financial performance indicators

Earnings before interest and taxes (EBIT) is a key financial performance indicator for the Group. The EBIT results from the operating profit before financial result and taxes. We forecast EBIT to be significantly below the prior year in last year's management report. At EUR -21.0 million, the Group's EBIT in 2022 was significantly down year-on-year (prior year: EUR 52.8 million). In 2022, EBIT was affected primarily by extraordinary items. On the one hand, the continuing semiconductor shortage, the Ukraine war and the high inflation rates led to an increase in procurement prices. On the other hand, significantly increased administrative expenses had a negative impact on the result. The increased expenses result from the after-effects of the cyber-attack in the previous year and refinancing expenses incurred in connection with the syndicated loan agreement, which was extended in mid-2022, as well as the initiated transformation process. Nevertheless, the Group was able to adapt relatively quickly to the changed external challenges. The Eberspächer Group's pure operating result, adjusted for extraordinary items in particular in connection with restructuring and the cyber-attack, amounts to EUR 26.6 million.

Net financial debt is another financial benchmark. It is the total value of financial liabilities less the total value of cash and cash equivalents and other current financial assets. The Group's net financial debt amounted to EUR 757.6 million (prior year: EUR 731.8 million). Compared to the prior year, the key figure has thus, contrary to the forecast of the prior year, only slightly deteriorated. The increase in net debt is mainly due to higher financial liabilities. The aforementioned extraordinary items, which also affected EBIT, led to increased capital requirements for the Eberspächer Group. This was taken into account with the conclusion of the new syndicated loan agreement. Improved free cash flow had a positive impact on the development of net debt.

Free cash flow is another financial performance indicator that has been used for management purposes since the 2022 fiscal year. It shows the amount of cash in a period that is available for distribution to equity and debt providers and is made up of cash flow from

operating activities and cash flow from investing activities. In 2022, free cash flow amounted to EUR 69.0 million (prior year: EUR -178.6 million) and increased significantly compared to the prior year, as forecast. The measures introduced to optimize our cash management had an effect and led to a significantly improved cash flow from operating activities.

Furthermore, trade working capital is also a financial benchmark. It is composed of trade receivables and inventories less trade payables. Contrary to forecasts, trade working capital in 2022 was significantly below the prior year's level at EUR 530.1 million (prior year: EUR 615.2 million). This is due to lower trade receivables, as a higher share of outstanding receivables was sold by means of factoring compared to the prior year.

Based on the description of our financial performance indicators, we examine the Group's net assets, financial position, and results of operations below.

Net assets, financial position, and results of operations

Net Assets

As at December 31, 2022, total assets increased by EUR 85.9 million (+3.2%) to EUR 2,778.8 million compared to December 31, 2021. The main increases in assets were in cash and cash equivalents (EUR +99.8 million), inventories (EUR +44.0 million) and property, plant and equipment (EUR +29.4 million). In contrast, trade receivables decreased by EUR 65.6 million. The build-up within inventories is due to a higher level of work in progress for customer developments, finished goods as well as higher safety stock due to disruptions in the supply chains. The increase in property, plant and equipment is partly due to the ramp-up of a customer program at Purem by Eberspächer in the USA.

With regard to non-current assets, increases were recorded for intangible assets and property, plant and equipment of EUR 41.4 million to EUR 910.8 million. Investments (without leasing and goodwill) of EUR 163.5 million (prior year: EUR 123.3 million) were offset by depreciation and amortization of EUR 139.5 million as well as disposals at carrying amounts of EUR 32.7 million. These also resulted from planned sale-and-lease-back transactions, particularly in the USA. Currency effects from the translation of fixed assets from local currency into euros had, in the amount of EUR 12.7 million, an influence on the accounting valuation of the fixed assets. The carrying amounts of the usage rights from leases increased year-on-year by EUR 20.2 million. The intangible assets (incl. goodwill) increased year-on-year by EUR 12.0 million. This increase mainly relates to the capitalization of costs for in-house developments in accordance with International Accounting Standard (IAS) 38.

Other current assets decreased by EUR 37.0 million to EUR 117.2 million as at December 31, 2022. This was mainly due to lower tax refund claims in Mexico. An agreement was reached here with the authorities in the reporting year, which allows for a faster settlement of the claims. The trade receivables reduced year-on-year by EUR 65.6 million to EUR 849.8 million as at December 31, 2022, as a higher share of outstanding receivables was sold by means of factoring compared to the prior year.

The increase in assets held for sale from EUR 1.5 million to EUR 16.0 million as at December 31, 2022 relates to the residual book value of a plot of land in Esslingen (Plant 3). A partial sale was already made here at the end of the 2022 fiscal year. The rest of the plot of land is planned to be sold in the 2023 fiscal year.

On the liabilities side, the increase in non-current and current financial liabilities of EUR 126.1 million is mainly due to liabilities to banks (+EUR 105.3 million). These are based on the utilization of the syndicated loan agreement, which was increased and extended in July 2022.

Leasing liabilities grew by EUR 18.6 million to EUR 111.8 million, mainly due to sale-and-leaseback transactions of the Purem by Eberspächer Division in the USA and Germany.

In addition to trade payables (EUR +63.5 million), other long-term provisions increased (EUR +15.5 million). This includes the provision of EUR 18.5 million recognized in the fiscal year for restructuring at a German location of the Purem by Eberspächer Division.

Other current provisions decreased from EUR 76.3 million as at December 31, 2021, to EUR 59.9 million as at December 31, 2022. The decrease is mainly due to the utilization of restructuring provisions of a German company in the Climate Control Systems Division.

As a result of lower deferred income (EUR -5.4 million) and tax liabilities (EUR -5.2 million), other liabilities (current and non-current) decreased by a total of EUR 4.0 million. On the other hand, contractual liabilities increased (EUR +7.9 million).

Provisions for pensions decreased by EUR 55.6 million from EUR 172.4 million as at December 31, 2021 to EUR 116.8 million as at December 31, 2022. This was mainly due to the increase in the actuarial interest rate compared to the prior year. This positive valuation effect increased the accumulated other comprehensive income (OCI) without affecting profit or loss. However, equity decreased by EUR 43.5 million to EUR 501.1 million (December 31, 2021: EUR 544.6 million). This is due to the negative annual result of EUR -94.4 million (prior year: EUR +21.0 million). Currency conversion differences increased equity by EUR 5.9 million.

As of the reporting date, the equity ratio fell to 18.0 % after 20.2 % in the prior year. The equity ratio (including liabilities to partners) amounted to 19.1 % (December 31, 2021: 21.3 %).

Financial Position

Net financial debt consists of non-current and current financial liabilities less cash and cash equivalents and other current financial assets. It increased from EUR 731.8 million as at December 31, 2021, to EUR 757.6 million as at December 31, 2022. Cash flow from operating activities amounted to EUR 187.7 million. Trade working capital decreased by EUR 63.1 million compared to the prior year. The cash outflow from investing activities amounts to EUR -118.8 million. The main increase in net financial debt is due to the clearly negative cash flow from financing activities of EUR -96.6 million. The cash outflows were mainly for the repayment of bank loans under the syndicated loan agreement. On the other hand, payments amounted to EUR 43.0 million. Cash outflows from leases amounted to EUR 29.3 million and interest paid to EUR 35.4 million.

Revolving receivables are sold monthly and weekly for financing purposes as part of factoring agreements. As at the reporting date, these transactions in the amount of EUR 131.8 million (prior year: EUR 73.2 million) led to a balance sheet contraction. As at the reporting date, the Group had unused credit facilities of approximately EUR 91 million.

Results of operations

In the 2022 fiscal year, consolidated revenue grew to EUR 6,437.5 million (prior year: EUR 6,000.0 million). This represents growth of EUR 437.5 million or 7.3 % compared to the prior year. The revenue of the Purem by Eberspächer Division increased noticeably, which can mainly be attributed to a higher net output. Higher revenue in the Purem by Eberspächer Division was reported, for example, by the subsidiaries in the USA, Germany, China, the Czech Republic, Portugal and Romania. In contrast, the subsidiaries in Romania and Sweden showed a decline in revenue, the latter due to the expiry of a customer order. Despite problems with the supply chain and the semiconductor shortage, the Climate Control Systems Division increased revenue by EUR 116.9 million on the prior year. This the result of, among other things, the positive performance of the subsidiaries in Poland, USA and China. Despite the continuing tense situation in the semiconductor market, the Automotive Controls Division increased its revenue by 35.8 % compared to the prior year.

The net revenue of the Eberspächer Group increased by 19.9 % to EUR 2,722.3 million (prior year: EUR 2,269.7 million). This figure is calculated from the revenue recognized less transitory items that do not contribute to value creation, such as monoliths and additional purchased parts. This is due to the increased business activity of all Divisions.

Cost of sales increased mainly as a result of significantly higher raw material and energy prices as well as brokerage costs for semiconductor procurement. It amounted to EUR 6,113.9 million following EUR 5,691.2 million in the 2021 fiscal year. The resulting gross profit from revenue in 2022 was EUR 323.5 million, constituting a 4.8 % increase year-on-year.

The research and development expenses increased by EUR 7.7 million to EUR 51.6 million, also in order to fulfill future regulatory requirements. In addition, in-house developments of the Group were capitalized and depreciated and amortized as scheduled over subsequent years.

Selling expenses amounted to EUR 125.0 million and were therefore slightly above the previous year's level of EUR 120.1 million. The largest increase was personnel costs.

Administration expenses increased significantly by EUR 73.1 million to EUR 173.7 million. The consequences of the cyber-attack contributed significantly to this, as did the costs for extending the syndicated loan agreement and for implementing resulting information obligations.

Other operating income decreased by EUR 5.7 million to EUR 44.8 million. This includes a remaining insurance compensation from the cyber-attack of EUR 5.0 million as well as income from the disposal of property, plant and equipment of EUR 5.0 million.

Other operating expenses amounted to EUR 36.6 million and were thus EUR 5.9 million lower than in the prior year. Losses from the disposal of property, plant and equipment decreased in particular. On the other hand, this includes the provision for restructuring at a German company of the Purem by Eberspächer Division and a write-down of goodwill at a subsidiary of the Climate Control Systems Division.

Depreciation and amortization increased from EUR 131.4 million in 2021 to EUR 139.5 million in 2022. The resulting EBITDA was EUR 118.2 million, EUR 66.0 million below 2021.

The result from ordinary business activities before financial result and taxes (EBIT) amounted to EUR -21.0 million and is thus significantly below the EBIT of the prior year (EUR 52.8 million). The expenses related to refinancing and restructuring could not be compensated by the improved gross profit of the increased revenue. Adjusted for extraordinary items, in particular in connection with restructuring and the cyber-attack, the EBIT is EUR 26.6 million.

The financial result worsened by EUR 20.6 million from EUR -3.7 million to EUR -24.3 million. The interest result includes expenses for interest payments to banks of EUR 36.8 million. The other financial result improved as the currency result increased EUR 14.7 million on the prior year.

Earnings before taxes amounted to EUR -45.3 million, constituting a decrease of EUR 94.4 million year-on-year (prior year: EUR 49.1 million). Taxes on income increased by EUR 21.1 million compared to the prior year. This is mainly the result of current taxes; in addition, deferred tax assets had to be written off in accordance with IAS 12.

In the reporting period, the consolidated financial result amounted to EUR -94.4 million and was therefore significantly down year-on-year (2021: EUR 21.0 million). This was due to the decline in the reported operating result, which was mainly caused by one-off effects, the deterioration in the financial result and significantly higher taxes on income.

As a result of the operational challenges posed by increased raw material prices, the still scarce availability of semiconductors and the extraordinary items already described, only a negative result before financial result and income taxes of EUR -21.0 million could be achieved in 2022. The Group recorded a loss for the year of EUR -94.4 million following a profit in the prior year of EUR 21.0 million.

Opportunities and Risks Report

As a globally active company, the Eberspächer Group is faced with a great number of risks, which are inseparable from our business activity. However, this is also accompanied by different opportunities that can positively influence business developments.

The goal of our Group-wide risk management is to minimize the probability of occurrence of risks and related damages. It thereby contributes to securing the Company's future success and sustainably increases company value.

Risks within the Group are identified at Division level and assessed on the basis of the probability of occurrence and financial impact within the scope of risk management. This comprises all important risks. Risk management is concerned with the selection and implementation of measures to reduce risk in order to ultimately also deflect existential dangers. In addition, concretized potential damages (damages that have not yet occurred, but for whose potential occurrence in the near future there are sufficient indications) in excess of at least EUR 250,000 EUR is recorded and monitored on a monthly basis. Risk reporting is a component of the monthly report to the Executive Board.

The following risks are presented prior to the implementation of risk-limiting measures. We are aware of the risks and attempt to manage them actively with the following measures.

Our activities are linked with the following key risks and opportunities:

Procurement market risks and opportunities

As a manufacturing company, we are faced with a high risk of a lack of availability of pre- and intermediate products for our manufacturing. This shows especially in the current situation in the world markets and already existing delivery and supply bottlenecks as a consequence of the Coronavirus pandemic and the war in Ukraine. This will continue in 2023. In this context, a consistent observation and transparent analysis of our supply chains, intensive planning, and anticipatory adjustments between customers and suppliers is urgently required. We do everything in our power to counteract impending capacity bottlenecks at our suppliers with intensive bottleneck management and increased dualsourcing of work steps and components. Due to the already existing shortages, our control mechanisms were post-adjusted and safety stocks for certain groups of goods increased. In relation to the shortage of semiconductors, alternative components were tested and purchased, affected products modified technically through close exchanges with our customers and long-term acceptance agreements concluded. By setting up an area-wide task force, the best possible

availability and a fast response time for customers should be achieved.

There is also a risk that the development of the pandemic in China will once again have negative repercussions on the procurement market. For example, it can be assumed that our supply chains will be affected by short-term closures of important suppliers due to the pandemic. We expect sea freight availability to ease in 2023. Nevertheless, we keep alternatives such as rail and air freight as a risk hedging measure in case of failures.

To safeguard against price risks for our products, the procurement markets are continuously monitored and – as far as is possible in the current situation – the supplier portfolio and corresponding goods group strategies are planned in the long term. We also conclude long-term supply contracts with currency and, depending on the commodity group, energy and material price escalation clauses. These are intended, among other things, to counteract the advancing inflation as well as the increased energy prices. In addition, an extensive

savings program was initiated to alleviate the market's price pressure. These measures are required, as we consider the probability of this risk occurring to remain high.

Because of the current overall economic development, we see the financial stability of suppliers as a moderate risk. As part of our supply and sourcing strategies, we meet this with selective global dualsourcing and the expansion of our supplier base in global best-cost countries.

Price risks and opportunities

Due to multi-year price development agreements usually being entered into already when placing an order, the risk of a sudden price drop is rather low. At present, advancing inflation and the associated increases in material and energy prices make it necessary to raise selling prices accordingly. The Eberspächer Group is currently in negotiations with its customers on this.

The automobile manufacturers rely on broadly diversified model ranges in order to service numerous vehicle segments and various group brands. At the same time, the engine platforms of numerous OEMs are standardized throughout the entire group. The volumes for close-coupled systems are allocated in pools. This development results in numerous exhaust system variants, thus increasing unit costs.

Vehicle manufacturers try to partly compensate for cost increases from continually rising model varieties and electrification by reduced component prices. At the same time, it is difficult for suppliers to pass on increased development and production costs to the OEMs. A trend towards a shift in emphasis away from technical contents to the costs of components can be observed, even among the premium manufacturers.

Along with persistent price pressure on the part of automobile manufacturers, extensive development and service activities are relocated to the supplier. These are confronted with a continually increasing requirement for investment and financing.

However, the shift of development activities and services also provides suppliers with the opportunity of expanding their know-how further and strengthening their own technology portfolios. Thanks to a high level of competence along the entire value chain, a strengthening

of the competitive position can result along with potential savings through cost optimizations.

The overarching aim to reduce CO₂ and significantly increase battery electric vehicles is inevitably leading to high competitive pressure among suppliers of combustion components and systems.

Key market risks and opportunities

We have been able to expand our customer base in recent years and thus, reduce dependency on individual customers. Due to long-term supply contracts over the entire life-cycle of different model series, the risk of short-term discontinuations in business relationships with our customers can be classified as rather low. Through increased activities in growth markets, we are also achieving new market potentials.

However, the persistent semiconductor shortage can lead to our customers having to limit their production again. For Eberspächer this can lead to a new reduction in production volume, which can again have a negative impact on the sales of our products.

The mobility of the future presents new challenges for the entire automotive industry. In view of global trends and ever tougher emission standards, electric mobility is increasingly gaining in importance. In the long term, we see ourselves confronted by the risk of a shrinking market for combustion engines. We are countering this risk with the development of new business models: For example, the Eberspächer Group's activities in the New Business field for hydrogen and fuel cell applications as well as the simultaneous growth and increasing efficiency in the traditional business fields. Within the scope of this technological change, traditional drives must be optimized further and the development of new concepts for hybrid and electric drives advanced. We regard ourselves as well positioned for the future due to our development of innovative products, some of which are developed in cooperation with individual automobile manufacturers. The increasing globalization as well as technological and social change provide the Group with additional regional growth opportunities.

Financial risks and opportunities

The observance of law and order is the basis of every business transaction for the Eberspächer Group. The Group has set down the relevant standards for

employees in a Code of Conduct and continuously monitors internally the observation of competition and antitrust law.

In 2014, several antitrust authorities initiated investigations against manufacturers of exhaust systems for the automotive industry on the grounds of potential agreements that violate antitrust laws. The proceedings have been terminated in the meantime where jurisdictions in the core markets, Europe, America, and Asia, were concerned without any violations of antitrust law being found and without any penalties being imposed. Only one antitrust authority is still reviewing the further course of action. Independent of this, there is further risk of damage claims by third parties. Corresponding provisions were set aside for potential follow-up claims.

As part of its usual business activity, the Eberspächer Group is exposed to currency and interest rate risks. In these instances, where we intend to hedge against these risks, derivative financial instruments are deployed. These must be backed by items, cash investments and financing, which arise from the operating business. We therefore regard the probability of these risks occurring as moderate. Positive currency and interest rate changes represent at the same time financial and economic opportunities for the Group.

We assess existing default risks as moderate in total due to our customer portfolio. Above-average bad debts are not to be expected. We have nevertheless intensified our regular customer credit checks. The parts, Coronavirus and Ukraine war have temporarily led to supply chain disruptions and therefore made it harder to predict customers' call-off behavior. Due to the resulting increase in liquidity requirements, the existing syndicated loan was changed in the second quarter of 2022 and in this context the related accounting standards in use were changed to IFRS. As such, the volume and financial figures were adjusted and the term extended until mid-2025. The Group also has bilateral loans and factoring facilities. Our direct liquidity planning, which is updated every two weeks, was supplemented by rolling indirect liquidity planning for the next twelve months in order to be able to react early to liquidity fluctuations in the volatile business field. The Group's financial need are secured in the long term by our planning. This provides the necessary solid foundations for successfully implementing the growth strategy and the initiated transformation in the coming years.

Warranty risks

Through the continuing sharpening of the warranty requirements of the OEMs and the high-quality requirements of customers, the likelihood of warranty risks occurring continues to be estimated as high. These risks, especially for product development, are transferred largely by the OEM to the supplier as a system developer – a common practice in the automotive industry for quite some time. Therefore, the Eberspächer Group already respects in the production process the recognition and avoidance of possible warranty risks. In addition, early breakdowns during series ramp-up are analyzed in cooperation with the OEMs to counteract the causes of such breakdowns. The permanent observation of the warranty data of the OEMs contributes to possible errors being recognized early on and shortening of response times. Assessments of the experiences from field returns and warranty cases lead logically to a lessons-learned process. Furthermore, we are continually expanding our quality management and already check potential contracts several times legally in the quotation preparation stage.

In order to reduce expenses for warranty obligations along the supply chain, the warranty contracts with suppliers are synchronized in their conditions as far as possible with those of the OEMs. We continue to strive to prevent defective pre-products through optimized supplier management. Through this, we are reducing the expenses for warranty obligations. In addition, we are implementing quality assurance measures in collaboration with our suppliers. A high-quality level characterizes us as a reliable partner in the market and enables us to develop sustainable customer relationships.

We have measured the risk items in warranties and took precautions in the form of provisions or appropriate insurance cover.

The Automotive Controls Division is currently developing battery management systems, which require new and complex software developments, for the planned series delivery of a large OEM customer. Delays that occurred in software development as well as bottlenecks in internal and external developer resources represent an increased risk, so there could be delays in series production on the part of the customer and risks of damages for the Eberspächer Group. We consider this risk to be moderate. At the same time, the successful

development of these orders represents a growth opportunity for the Automotive Controls Division and the Eberspächer Group from the series supply of the OEM customer.

IT risks and opportunities

Electronic data processing enables the Group to design even more efficient and effective business processes within the organization, to improve the quality of work, and to supply customers just in time or just in sequence. Complex IT systems have to be implemented and operated for this purpose. However, a high penetration of business areas with information technologies contains risks, which can affect the entire Group.

A loss of availability or breach of integrity of digital information may temporarily disrupt Eberspächer Group's ability to supply, and therefore customers' production processes. The disclosure of confidential information and business secrets also constitutes a high risk, which can result in compensation claims being raised by partners and customers. Security aspects therefore play an important role in the continuous optimization of the IT landscape.

The continuing growing threat to IT security from cybercrime and thus the danger of becoming the target of an attack is estimated as high. Successful attacks have a big impact and cause great damage due to the growing dependency of the business processes on the IT infrastructure.

Eberspächer was the victim of a targeted cyber-attack in the fiscal year 2021 in which parts of the IT infrastructure was encrypted. As a response to this, a wide range of preventative and corrective measures were initiated and implemented.

Information security and data protection risks

The requirements of information security and data protection organizations are continually increasing. The information security position remains generally tense. To lower the high risks of security incidents, the information security organization that has existed since 2019 is continually expanded. This overarching organization is composed of different roles for information security, IT security and data protection. Through this, uniform and tailored standards and regulations can be defined within this network and the information security

management system can be managed. Risks with regard to the security of digital and analogue information are thereby identified and evaluated. The information security organization further advises IT and specialist departments in the implementation of suitable risk prevention measures and monitors their realization.

When handling data, in particular the inattention of users poses a high risk. In order to increase the risk awareness among employees, various target groups received information security trainings in 2022. In addition to classroom training and compulsory e-learning, Intranet news, training videos and flyers complement the offer. In combination with technical protective measures, this can minimize the risk of an information security incident.

As part of collaboration with third parties, information that is worthy of protection is shared with service providers and suppliers. To ensure information security within the supply chain, structural regulations were extended to service providers and suppliers and the implementation monitored through spot checks. In 2022, internal and external audits also verified our technical and organizational protection measures and management processes. This is to ensure compliance with contractual, legal and internal information security requirements.

In dealing with personal data, changes in legal requirements and conversions in the IT infrastructure result in procedural changes.

Data protection audits and training sessions should further minimize risks. The data protection area has been strengthened in order to be able to continue to meet risks appropriately.

Overall risks and opportunities

From today's perspective, the majority of the above risks can be easily controlled and do not endanger the Group's continued existence as a going concern. Nevertheless, the volatile geopolitical situation presents a challenge for the Group and its employees. The Eberspächer Group is exposed to more than the above risks. Risks that the Group is not yet aware of and risks that are still being regarded as less significant at present could also have a negative effect on the Eberspächer Group. The above opportunities could also have effects that offset the risks. These opportunities further provide numerous possibilities for strengthening the Eberspächer Group's position.

Forecast

The following outlook contains forward-looking statements. These are based on current plans, estimates, and expectations regarding future developments in our key markets and Eberspächer Group. They are subject to uncertainties that may harbor both risks and opportunities.

We expect Eberspächer Group's consolidated revenue in 2023 to be slightly up year-on-year (revenue 2022: EUR 6,437.5 million). We expect a moderate increase in net revenue compared to the prior year. Furthermore, we expect a positive EBIT for 2023 (EBIT 2022: EUR -21.0 million). The planned revenue increase in 2023 and the elimination of the extraordinary items that had a significant negative impact on EBIT in 2022 will lead to a considerable improvement in result in 2023. Net debt will nevertheless increase slightly in 2023 (net debt 2022: EUR 757.6 million). This is mainly due to a lower cash flow from operating activities compared to the prior year as a result of a significant increase in trade working capital. This increase relates to the build-up of our inventories as well as receivables and payables as a result of higher business volumes. Consequently, a significant reduction is also expected for the free cash flow financial performance indicator (free cash flow 2022: EUR 69.0 million). However, we anticipate a positive value.

Purem by Eberspächer

Positive revenue performance is expected for the Purem by Eberspächer Division. While we expect further growth in the Asia and America regions in the coming years, revenue in the European markets will remain at a constant level. In the medium term, combustion engines in passenger cars and commercial vehicles will continue to account for a significant share of our customers' sales forecasts, despite the promotion of battery electric mobility. The introduction of the future Euro 7 emission standard is expected to further reduce exhaust emission limits and positively influence revenue performance in Europe. Due to numerous new emission standards worldwide and the resulting increase in the complexity of

exhaust emission conversion, we expect further growth opportunities within Purem by Eberspächer. Operational excellence is the main focus for the Division in order to achieve profitable growth. There is differentiated management within the Division for the regionally varying market development. In addition, Purem by Eberspächer is working on innovations for the future and looking for targeted solutions as well as conventional and new drive technologies. The division is developing concepts to further reduce pollutant emissions with its Active Heating product range, which includes the Fractal Heater. In addition, activities in the field of hydrogen mobility are being driven forward.

Climate Control Systems

Electric mobility is a key growth driver for the Climate Control Systems Division. The Electrical Heaters Business Unit in particular will benefit from this trend in the coming years with its electrical high-voltage heaters. The new plant under construction in Ruse (Bulgaria) will create new production capacity for both the Business Unit and the Automotive Controls Division in order to realize the growth strategy of both Divisions. In order to map profitable revenue growth, one focus is on increasing the necessary operational excellence. For a more differentiated management of future developments, the Hermsdorf site, which develops and manufactures PTC ceramics for the low- and high-voltage range, will therefore be separated from the Electrical Heaters Business Unit. It will form the new Technical Ceramics Business Unit from 2023. Within the product area, new innovative solutions also expand the product portfolio and contribute to the growth of the Division.

Automotive Controls

The Automotive Controls Division, whose core competence is reliable switches, performance electronics and control units with complex software, is not only successful in direct customer business, but is also a strong partner for the Business Units of the Climate Control Systems Division. The increasing importance of electric mobility and autonomous driving, as well as the overarching goal of CO₂ reduction, are creating growing demand for the Division's products. We expect strong revenue growth in 2023 and the subsequent years. With its battery management systems, the Automotive Controls Division also generates revenue outside the automotive industry. Its battery management systems are used in medical technology and logistics, for example, and guarantee the reliable functioning of lithium-ion battery-driven systems and means of transport.

New Business business area

The Eberspächer Group wants to develop further in the long term with components for hydrogen technology and uses the expertise of the Divisions for this purpose through cross-divisional cooperation. We expect increasing revenue growth in this business area in the future.

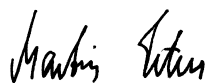
Outlook

Through the promotion of innovations, acquisitions and partnerships as well as our already existing, varied product portfolio, we see ourselves as being well positioned for the future. For 2023, we continue to plan significant expansion investments, the financing of which is secured by the syndicated loan agreement. Based on the revenue and result forecast, we expect Eberspächer Group's business in 2023 to develop very positively year-on-year. However, the consequences of persistently high inflation and supply and capacity bottlenecks will continue to be felt in the current business year. The geopolitical situation, especially in connection with the further development of the Ukraine war, and its consequences for the global economy and thus also for our future business performance, also

remain volatile and difficult to assess. The impacts already identified at the time of reporting are reflected in our forecasts.

Esslingen am Neckar, Tuesday, May 23, 2023

Eberspächer Gruppe GmbH & Co. KG
Eberspächer Holding-Verwaltungs-GmbH
- Chairman of the Executive Board /
Managing Partner -



Martin Peters

CONSOLIDATED INCOME STATEMENT

	2022 IN EUR K	2021 IN EUR K
Revenue	6,437,472	5,999,960
Cost of sales	-6,113,926	-5,691,195
Gross profit from revenue	323,546	308,765
Research and development expenses	-51,618	-43,934
Selling expenses	-124,957	-120,140
General and administrative expenses	-173,650	-100,564
Other operating income	44,818	50,505
Other operating expenses	-36,587	-42,444
Result from investments accounted for using the equity method and other financial assets	-2,517	645
EBIT	-20,966	52,833
Interest income	5,484	12,862
Interest expenses	-47,604	-19,662
Other financial results	17,806	3,075
Earnings before taxes	-45,280	49,108
Taxes on income and returns	-49,146	-28,090
Earnings after tax	-94,426	21,018
Consolidated profit attributable to equity holders of the parent company	-91,553	20,797
Group result attributable to non-controlling shares	-2,873	221

STATEMENT OF TOTAL GROUP RESULT

	2022 IN EUR K	2021 IN EUR K
Earning after tax	-94,426	21,018
Other results		
Changes of actuarial gains and losses	54,123	12,019
Income tax effects	-9,105	237
Items not reclassified to profit or loss	45,018	12,256
Difference from currency exchange	5,868	30,994
Derivative financial instruments	1,590	86
Income tax effects	21	-10
Items not reclassified to profit or loss	7,479	31,070
including result from investments accounted for using the equity method	989	910
Other results after tax	52,498	43,327
Total result	-41,928	64,345
Total result attributable to shareholders of the parent company	-40,001	63,295
Total result attributable to non-controlling shares	-1,927	1,049

CONSOLIDATED BALANCE SHEET

ASSETS	2022 IN EUR K	2021 IN EUR K
Intangible assets and goodwill	137,479	125,447
Tangible assets	773,287	743,908
Shares accounted for using the equity method and other financial assets	15,272	21,949
Other financial assets	5,019	2,737
Other assets	46,039	40,430
Deferred tax assets	26,947	33,135
Non-current assets	1,004,043	967,605
Inventories	599,094	555,072
Trade receivables	849,826	915,456
Other financial assets	3,585	3,102
Other assets	117,228	154,209
Income tax receivables	2,378	9,137
Cash and cash equivalents	186,642	86,851
Assets held for sale	15,978	1,489
Current assets	1,774,730	1,725,315
Balance sheet total	2,778,774	2,692,920

EQUITY AND LIABILITIES	2022 IN EUR K	2021 IN EUR K
General and limited partner interests	90,000	90,000
Reserves	399,200	492,355
Accumulated other equity	5,590	-45,962
Equity attributable to shareholders of the parent company	494,790	536,393
Non-controlling shares	6,291	8,220
Equity	501,081	544,613
Provisions for pensions and similar obligations	116,773	172,449
Other provisions	40,809	25,323
Financial liabilities	443,371	470,655
Other liabilities	13,753	6,984
Deferred tax liabilities	10,606	14,376
Non-current liabilities and provisions	625,313	689,787
Trade payables	918,787	855,310
Income tax liabilities	22,845	18,577
Other provisions	59,853	76,308
Financial liabilities	504,443	351,084
Other liabilities	146,451	157,240
Current liabilities and provisions	1,652,379	1,458,520
Balance sheet total	2,778,774	2,692,920

GROUP CASH FLOW STATEMENT

	2022 IN EUR K	2021 IN EUR K
Operating activities		
Earnings after tax	-94,426	21,018
Taxes on income and returns	49,146	28,090
Interest result	42,120	6,800
Depreciation, amortization and impairment	139,118	128,841
Other income/expenses not affecting the balance sheet	-19,219	-8,264
Change of provisions	-2,035	-458
Changes in inventories, trade receivables, other assets	81,604	-100,485
Changes in trade liabilities, other liabilities	44,836	-116,892
Loss from disposal of assets	-1,791	9,233
Income from allowances/allocations	-9,706	-7,306
Result from investments accounted for using the equity method and other income from investments	2,517	-645
Income tax paid	-44,419	-34,802
Cash flow from operating activities	187,746	-74,870
Investment activities		
Deposits from disposals of intangible assets	87	94
Disbursements for investments in intangible assets	-9,453	-10,544
Deposits from disposals of property, plant, and equipment	28,250	17,399
Disbursements for investments in property, plant, and equipment	-140,211	-94,753
Deposits from disposals of financial assets and other financial assets	1,991	75
Disbursements for investments in financial assets and other financial assets	-1,570	-7,438
Disbursements for the acquisition of subsidiaries	0	-10,896
Interest received	1,415	719
Dividends received	729	1,598
Cash flow from investment activities	-118,761	-103,746
Financing activities		
Deposits from borrowing	43,000	100,000
Disbursements from the repayment of loans	-84,322	-64,000
Disbursements from the repayment of leasing liabilities	-29,332	-28,115
Deposits from allowances/allocations received	9,476	5,073
Interest paid	-35,382	-14,426
Cash flow from financial activity	-96,560	-1,468
Cash and cash equivalents as at 1/1	-43,633	138,836
Net increase/decrease of cash and cash equivalents	-27,575	-180,084
Exchange rate-related change in cash and cash equivalents	-16,271	-2,386
Changes related to the scope of consolidation in cash and cash equivalents	633	0
Cash and cash equivalents as at 12/31	-86,846	-43,633

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

IN EUR K			ACCUMULATED OTHER EQUITY				THE EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY		
	GENERAL AND LIMITED PARTNER INTERESTS	RE-SERVES	Currency conversion	Revaluation of service-oriented procurement plans	Derivative financial instruments	Total	NON-CONTROLLING SHARES	TOTAL	
Position as at 1/1/2021	90,000	472,420	-55,483	-32,883	-94	-88,460	473,960	7,383	481,343
Group result	-	20,797	-	-	-	-	20,797	221	21,018
Other results	-	-	30,408	12,014	75	42,498	42,498	829	43,327
Total result	-	20,797	30,408	12,014	75	42,498	63,295	1,050	64,345
Credit notes on shareholder accounts in borrowed capital	-	-989	-	-	-	-	-989	-	-989
Distributions	-	-	-	-	-	-	-	-11	-11
Changes in the scope of consolidation and step acquisitions	-	-	-	-	-	-	-	-203	-203
Other equity changes	-	127	-	-	-	-	127	3	130
Position as at 12/31/2021 / 1/1/2022	90,000	492,355	-25,074	-20,869	-18	-45,962	536,394	8,220	544,614
Group result	-	-91,553	-	-	-	-	-91,553	-2,873	-94,426
Other results	-	-	5,801	44,140	1,611	51,552	51,552	946	52,498
Total result	-	-91,553	5,801	48,206	1,611	51,552	-40,001	-1,927	-41,928
Credit notes on shareholder accounts in borrowed capital	-	-1,824	-	-	-	-	-1,824	-	-1,824
Distributions	-	-	-	-	-	-	-	-6	-6
Changes in the scope of consolidation and step acquisitions	-	183	-	-	-	-	183	4	186
Other equity changes	-	39	-	-	-	-	39	1	40
Position as at 12/31/2022	90,000	399,200	-19,273	23,271	1,592	5,590	494,790	6,291	501,081

NOTES TO THE FINANCIAL STATEMENTS

Abbreviated summary for fiscal year 2022

General notes

Reporting company

The Eberspächer Gruppe GmbH & Co. KG (hereinafter referred to as "Company"), headquartered in Germany, Eberspächerstraße 24, 73730 Esslingen am Neckar, is entered in the commercial register of the Stuttgart local court under HRA 212143.

The consolidated financial statements of the Eberspächer Gruppe GmbH & Co. KG comprise the company itself as well as its subsidiaries (together called the "Group"). In the presentation of shareholdings (see page 61) shares in the capital of the subsidiaries as well as their name and headquarters are listed.

The Group is primarily active as a system developer and provider in the automotive industry. The production also comprises retrofit solutions for the aftermarket, along with complete systems and components in series production for car manufacturers. The Group is divided into three Divisions. Purem by Eberspächer specializes in exhaust technology and acoustic solutions for passenger cars and commercial vehicles. The Climate Control Systems Division comprises pre- and auxiliary heaters for passenger cars and commercial vehicles as well as thermal management solutions for buses and special vehicles. Activities in the area of vehicle power and performance management as well as battery management systems and steering devices for mobile, medical, and industrial applications are brought together in the Automotive Controls Division.

Basis of the accounting

The consolidated financial statements as at December 31, 2022 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and approved for use in the European Union as at the balance sheet date. The term IFRS includes the International Accounting Standards (IAS), which are also effective at the balance sheet date, as well as the interpretations of the Standing Interpretation Committee (SIC) and the International Financial Reporting Standard Interpretations Committee (IFRS IC). As these consolidated financial statements are exempting financial statements, the provisions of Section 315e (3) HGB (German Commercial Code) also apply.

With the exception of the standards and interpretations the application of which is mandatory for the first time in fiscal year 2022, the accounting policies are the same as those applied in the previous year.

Find more details about the IFRS accounting methods on page 44.

Functional currency and presentation currency

The consolidated financial statements are presented in the functional currency of the company, the euro. All of the financial information presented in euros is, unless otherwise stated, rounded to the nearest thousand euros, which may result in rounding differences. It can therefore occasionally happen that percentages cannot be determined from the values shown or that values cannot be added up exactly to the sum indicated.

Essential accounting methods

Consolidation principles

The financial statements of the company itself and all significant domestic and foreign subsidiaries are included in the consolidated financial statements. Subsidiaries controlled by the Group are fully consolidated. Control exists when the group is exposed to fluctuating returns or has rights to these returns and has the ability to affect these returns through its power over the company. The financial statements of subsidiaries are contained in the consolidated financial statements from the time the control begins and until the time the control ends.

Business combinations are accounted for in the Group using the purchase method. In the course of capital consolidation, the acquisition costs of the shares acquired are offset against the equity of the subsidiaries attributable to the Group. The identifiable net assets acquired and the consideration transferred are generally measured at fair value. Any positive difference arising on initial consolidation between the cost of the shares acquired and the identifiable net assets is recognized as goodwill. Any goodwill arising is not amortized but tested annually for impairment. Any negative difference is recorded immediately in profit or loss.

Any contingent consideration obligation is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and a settlement is accounted for in equity. Otherwise, other contingent considerations are measured at fair value at each reporting date and subsequent changes in the fair value of the contingent considerations are recorded in profit or loss.

Non-controlling interests are measured at the acquisition date at their proportionate share of the acquiree's identifiable net assets.

Associated companies are companies over which the Group has significant influence, but not control or joint control, of the financial and operating policies. A joint venture is an arrangement over which the Group has joint control, whereby it has rights to the net assets of the arrangement rather than rights to its assets and obligations for its liabilities.

Shares in associated companies and joint ventures are accounted for using the equity method and are therefore initially estimated at cost including transaction costs. After the initial approach, the consolidated financial statements include the Group's share of comprehensive income less distributions received from equity method investments until the date that significant influence or joint control ceases.

All internal Group receivables and liabilities, and expenses and income are eliminated as part of the debt, expenses and income consolidation. The elimination of intercompany results consolidates internal Group profits and losses from the sale of assets within the Group. Unrealized gains on transactions with companies accounted for using the equity method are closed out against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only if there is no indication of impairment.

Foreign currency conversion

Business transactions in foreign currency

Transactions denominated in a currency other than the Group's functional currency are initially recorded using the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the respective Group company at the balance sheet date or at the time of their realization. Non-monetary items are translated at historical rates. Currency conversion differences are generally recorded in profit or loss for the period.

Foreign business operations

If the functional currency of a subsidiary differs from the Group currency, the euro, assets, including goodwill and liabilities are translated at the closing rate (spot rate), equity items are translated at historical rates, and income statement items are translated at the weighted average rate for a given period. The resulting translation differences are recorded in other comprehensive income and reported in accumulated other comprehensive income. When the subsidiary leaves the scope of consolidation, the currency conversion effects recorded in equity are reversed through profit or loss.

Measurement of fair value

Predefined asset values are measured at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In measuring fair value, it is assumed that the transaction takes place either in the principal market or, if there is no principal market, in the most advantageous market for the asset or liability. The prerequisite is that the Group must have access to the main or most advantageous market.

Revenue

Product sales and services resulting from the ordinary business activities of the company are reported as revenue. The Group records as revenue from customer contracts (IFRS 15) the amount received as consideration for the transfer of goods or services to customers. With regard to the determination of the point in time or the period, the transfer of control of the goods or services to the customer is taken into account (control approach).

The five-step model is used to determine when and in what amount revenue is recorded. This involves identifying the existing independently definable performance obligations within the contracts with customers. The transaction price is determined in

accordance with the rules of IFRS 15 and, if necessary, allocated to the existing performance obligations. The variable price components from customer contracts, such as discounts, customer bonuses and other price reductions, are analyzed, determined and taken into account in revenue recording. Whenever possible, observable stand-alone selling prices are used to allocate the transaction price to multiple performance obligations, if any. Otherwise, adjusted market prices or costs plus an expected margin are used. For each performance obligation, which according to IFRS 15 is abstract and can be delimited independently in the context of the contract, the type of revenue recording is set at the time of recording.

Financial result

Interest income and interest expenses are recognized on an accrual basis.

Income taxes

Tax expense includes both current and deferred taxes. Current tax and deferred tax are recognized in profit or loss, except to the extent that it relates to a business combination or to an item recorded directly in equity or in other comprehensive income.

Intangible assets and goodwill**Goodwill**

Goodwill arising from business combinations is measured at cost less any accumulated impairment losses. It is not subject to amortization.

Research and development

Expenses for research activities are recognized in profit or loss. Development expenditure is capitalized only if the requirements for capitalization of internally generated intangible assets in accordance with IAS 38 are met. Expenses for research activities are recognized in profit or loss. Capitalized development expenditure is measured at cost less accumulated amortization and impairment losses.

Other intangible assets

Other intangible assets acquired by the Group that have finite useful lives are measured at cost less accumulated amortization and impairment losses.

Impairment of non-financial assets

At each balance sheet date, a review is carried out to determine whether there are any indications of impairment (so-called triggering events) of non-financial assets of the Group – with the exception of inventories and deferred tax assets. In addition, an impairment test is also performed during the year if facts or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If this is the case, the recoverable amount of the asset is estimated.

Goodwill and intangible assets with indefinite useful lives are tested annually for impairment. Impairment testing is generally performed on December 31.

Impairment losses are recorded in the income statement. The impairment loss is initially recognized in the goodwill of the cash-generating unit. Any additional impairment losses are allocated to the carrying amounts of the assets of the cash-generating unit (or group of cash-generating units) on a pro rata basis.

Reversals of amortization recorded as part of goodwill impairment tests are not permitted.

Property, plant, and equipment

Property, plant and equipment, with the exception of leasing rights within the meaning of IFRS 16, are measured at cost on initial recognition. Borrowing costs attributable to items of property, plant and equipment that take a substantial period of time to acquire and/or bring to working condition (“qualifying assets”) are capitalized as part of the cost of the asset in accordance with IAS 23. In subsequent periods, property, plant

and equipment are carried at cost less accumulated depreciation and impairment losses. Scheduled depreciation is charged over their expected useful lives. Immovable assets are predominantly depreciated using the straight-line method, while movable assets are depreciated using the straight-line method or, if required by actual use, using the declining-balance method, depending on the type of use. When major maintenance is performed, the costs are recorded in the carrying amount of the item of property, plant and equipment if the approval criteria are met.

Assets held for sale

Non-current assets or disposal groups comprising assets and liabilities are classified as held for sale if it is highly probable that they will be realized primarily through sale rather than through continuing use.

Generally, these assets or the disposal group are recognized at the lower of their carrying amount and fair value less costs to sell. Impairment losses thus incurred on initial classification as held for sale are recorded in the income statement. Similarly, subsequent gains and losses are recorded in the income statement as part of a revaluation.

Once intangible assets and property, plant and equipment are classified as held for sale, they are no longer depreciated or amortized.

Leases

At the inception of a lease, the Group assesses whether the lease contains or contains an element of a lease as defined in IFRS 16. This is the case when the contract gives the right to control the use of an identified asset for a specified period of time in return for payment of a fee. In order to assess whether a contract conveys the right to control an identified asset, the Group applies the definition of a lease in accordance with IFRS 16.

Financial instruments

Generally, financial assets and financial liabilities are recognized when the Group becomes a party to a contract. Standard purchases and sales of financial instruments are shown in the balance sheet on the trade date.

Financial instruments are initially measured at fair value. If financial instruments are not subsequently measured at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue must be taken into account upon initial recording. Current trade receivables are initially measured at transaction price.

Inventories

Inventories comprise raw materials and supplies, purchased merchandise, and work in process and finished goods. They are measured at the lower of cost or net realizable value.

Raw materials and supplies, and purchased merchandise are measured at cost using the average cost method or lower net realizable value at the balance sheet date. Net realizable value is determined from the estimated selling price in the ordinary course of business less any costs of completion and selling expenses necessarily incurred.

The cost of work in progress and finished goods includes not only the cost of production materials and direct labor, but also a proportion of material and production overheads based on the assumption of normal capacity utilization.

Provisions for pensions and similar obligations

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the future benefits that employees have earned in the current and prior periods. This amount is discounted and the fair value of any plan assets is deducted from it.

Other provisions

Other provisions are recognized if, at the balance sheet date, a present legal or constructive obligation to a third party has arisen as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

Provisions are measured in accordance with IAS 37 using the best estimate of the amount of the obligation. Where provisions do not fall due until after one year and a reliable estimate can be made of the amounts to be paid or the dates on which they will be paid, the present value of the non-current portion is determined by discounting. The accrued interest is recorded in interest expense on an accrual basis.

Restructuring provisions are estimated when the constructive obligation to restructure has been incurred in accordance with the criteria set out in IAS 37.72.

Accruals are not reported under provisions, but under liabilities.

Government grants

Government grants related to assets are recognized as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions attaching to the grant. Subsequently, these other government grants are recorded as other operating income in profit or loss on a systematic basis over the period of the asset's useful life.

Expense-related grants are recognized on a scheduled basis as other operating income over the period corresponding to the expenses they are intended to compensate. This does not include reimbursements of employer contributions to social security in the context of short-time working. These are netted against personnel expenses.

Significant accounting judgments, estimates and assumptions

In preparing the consolidated financial statements, management makes significant judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. However, the uncertainty associated with these judgments, estimates and assumptions could give rise to events that result in material adjustments to the carrying amounts of the assets and liabilities affected in future periods.

The most important judgments, estimates and assumptions relate to: the determination of useful lives for intangible assets and property, plant and equipment, the recoverability of goodwill and intangible assets and property, plant and equipment, in particular the cash flow forecasts and discount rates used for this purpose, the assessment of how collectible receivables and other assets are, the identification and determination of the timing or period of performance of individual performance obligations under customer contracts as well as the determination of the transaction price under customer contracts. Furthermore, the realizability of tax receivables, and the recognition and measurement of liabilities or provisions, in particular the actuarial parameters for pensions and similar obligations, the parameters for measuring restructuring provisions, and the probability of occurrence and amount of warranty and litigation risks.

The discretionary decisions, estimates and assumptions are based on premises that reflect the current state of knowledge available at the time the consolidated financial statements were prepared. The premises are regularly monitored and, if necessary, adjusted to actual developments.

Accounting standards

The Group has prepared these financial statements in accordance with IFRS. All IFRSs required to be applied in the European Union (EU) as of December 31, 2022 have been considered.

The new standards, interpretations to published standards and amendments that are mandatory for the first time from fiscal year 2022 (presented below) had no material impact on these financial statements.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

Revenue

Breakdown of revenue from contracts with customers

Sales revenues mainly result from the sale of products to automotive manufacturers and suppliers. The following shows the revenue from contracts with customers, broken down by main geographical markets and divisions.

Abbreviated summary as of December 31, 2022 and December 31, 2021

REVENUE	2022 IN EUR K			
	PUREM BY EBERSPÄCHER	CLIMATE CONTROL SYSTEMS	AUTOMOTIVE CONTROLS	SUMME
Germany	873,224	154,353	31,009	1,058,586
European Union countries	2,503,192	235,133	13,890	2,752,215
Rest of Europe	138,019	57,250	77	195,346
The Americas	1,167,234	148,169	15,607	1,331,011
Africa, Asia, Australia	970,692	126,201	3,421	1,100,314
Total	5,652,362	721,107	64,004	6,437,472

REVENUE	2021 IN EUR K			
	PUREM BY EBERSPÄCHER	CLIMATE CONTROL SYSTEMS	AUTOMOTIVE CONTROLS	SUMME
Germany	823,776	133,226	18,356	975,359
European Union countries	2,489,194	192,388	12,667	2,694,249
Rest of Europe	189,633	63,394	121	253,148
The Americas	816,855	108,443	11,219	936,517
Africa, Asia, Australia	1,029,181	106,747	4,760	1,140,687
Total	5,348,640	604,199	47,122	5,999,960

A high proportion of the Purem by Eberspächer Division's revenue is dominated by the sale of coated monoliths and other supplier parts:

	2022 IN EUR K	2021 IN EUR K
Sales revenue with monoliths and other supplier parts	3,715,223	3,730,305
Sales revenue of Purem by Eberspächer Division	5,652,362	5,348,640
Share in percent	65.7	69.7

Contractual assets and contractual liabilities (contractual balances)

The following table presents the receivables, contractual assets and contractual liabilities arising from contracts with customers:

	2022 IN EUR K	2021 IN EUR K
Trade receivables	849,826	915,456
Contract assets*	16,564	26,742
Contract liabilities**	77,923	70,013

* The contract assets are included in other assets (see page 53)

** The contract liabilities are included in other liabilities (see page 60)

The contract assets as at December 31, 2022 mainly relate to claims for consideration from customer-funded development projects that are remunerated via amortization, as in this case the contractually agreed consideration is paid by the customer downstream of the transfer of control over the results (during the series via an increased parts price). Contract assets are reclassified as receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer or the customer issues a credit note.

Contract liabilities mainly resulted from advance payments received from customers.

Income and expenses

Expenses by type of expense

	2022 IN EUR K	2021 IN EUR K
Changes in inventories of finished goods and work in progress	-25,237	-41,319
Cost of materials	5,474,896	5,118,190
Personnel expenses	581,260	542,965
Depreciation, amortization and impairment	136,557	131,368
Other distribution expenses	51,246	31,957
Other administrative expenses	67,455	40,099
Expenses for third-party services	44,880	42,268
Expenses for Personnel leasing	74,292	53,357
Expenses for maintenance and repair	27,778	26,258
Other expenses	31,025	10,691
Total cost of sales, selling expenses, administrative expenses and research and development expenses	6,464,152	5,955,833

Other operating income

Other operating income is made up as follows:

	2022 IN EUR K	2021 IN EUR K
Investments and other grants	9,706	7,306
Income from the reversal of impairments on trade receivables	1,660	-
Warranty revenues	3,278	3,049
Income from disposal of assets	5,036	1,255
Income from write-ups on fixed assets	407	2,524
Customer compensation	1,323	8,934
Income from compensation and damage	5,638	10,801
Other income	17,770	16,637
Total	44,818	50,505

Other operating expenses

The other operating expenses are made up as follows:

	2022 IN EUR K	2021 IN EUR K
Close out of trade receivables	2,092	1,202
Losses from disposal of assets	3,245	10,489
Consultancy expenses	2,314	1,769
Impairment loss Goodwill	2,564	-
Impairment loss on trade receivables	-	7,562
Restructuring expenses	19,088	407
Other expenses	7,283	21,015
Total	36,587	42,444

Financial result

	2022 IN EUR K	2021 IN EUR K
Interest income from banks	1,339	12,081
Interest and similar income, associated companies	205	104
Other interest receivable and similar income	3,940	676
Interest income	5,484	12,862
Interest expenses from banks	-36,790	-13,858
Expenses from compounding of provisions	-1,654	-925
Interest expenses from factoring	-4,734	-766
Interest expenses from leasing	-1,861	-1,940
Other interest expenses and similar expenses	-2,565	-2,172
Interest expenses	-47,604	-19,662
Interest result	-42,120	-6,800
Net foreign currency gains or losses	10,373	-1,830
Result from derivatives – measured at fair value through profit or loss	7,975	5,108
Other	-542	-202
Other financial results	17,806	3,075
Financial result	-24,314	-3,725

Due to an effective interest rate measurement of bank loans in accordance with IFRS 9, interest expenses from banks increased in the fiscal year 2022, following an increase in interest income in the previous year.

Taxes on income and revenue

Taxes recorded in consolidated net income

Income taxes recorded in the consolidated statement of income are composed as follows:

	2022 IN EUR K	2021 IN EUR K
Actual tax expense	-55,103	-38,042
Current year	-55,723	-39,723
Adjustments for previous years	620	1,681
Deferred tax expense or income	5,957	9,952
Taxes on income and revenue	-49,146	-28,090

NOTES TO THE CONSOLIDATED BALANCE SHEET

Intangible assets and goodwill

IN EUR K	GOODWILL	OTHER INTANGIBLE ASSETS			TOTAL
		Concessions, industrial property rights, licenses	Capitalized development costs	Advance payments on intangible assets and intangible assets not yet available for use	
Costs of acquisition and production					
1/1/2022	38,338	54,014	64,778	43,654	200,785
Additions	-	1,089	4	21,785	22,878
Reclassifications	-	1,380	4,191	-4,330	1,241
Disposals	-	-3,751	-	-	-3,751
Changes in the scope of consolidation	-	453	-	-	453
Foreign currency conversion differences	633	-406	35	44	306
12/31/2022	38,971	52,778	69,009	61,153	221,911
Accumulated amortization and impairment losses					
01/01/2022	-5,506	-46,628	-18,993	-4,211	-75,338
Amortizations	-	-4,073	-6,659	-	-10,732
Impairment losses / reversals	-2,564	-	-	-	-2,564
Depreciation and amortization reclassifications	-	-9	-	-	-9
Disposals	-	3,730	-	-	3,730
Changes in the scope of consolidation	-	-6	-	-	-6
Foreign currency conversion differences	29	422	35	-	486
12/31/2022	-8,040	-46,564	-25,617	-4,211	-84,432
Carrying amounts					
01/01/2022	32,832	7,386	45,785	39,444	125,447
12/31/2022	30,931	6,214	43,392	56,943	137,479

IN EUR K	OTHER INTANGIBLE ASSETS				TOTAL
	GOODWILL	Concessions, industrial property rights, licenses	Capitalized development costs	Advance payments on intangible assets and intangible assets not yet available for use	
Costs of acquisition and production					
1/1/2021	27,937	51,643	48,040	39,940	167,561
Additions	9,968	1,621	36	23,600	35,225
Reclassifications	-	1,166	19,768	-19,949	984
Disposals	-	-910	-3,109	-	-4,019
Changes in the scope of consolidation	-	156	-	-	156
Foreign currency conversion differences	433	337	44	64	878
12/31/2021	38,338	54,014	64,778	43,654	200,785
Accumulated amortization and impairment losses					
1/1/2021	-5,510	-43,311	-16,532	-4,211	-69,564
Amortizations	-	-3,886	-5,616	-	-9,502
Impairment losses / reversals	-	41	-	-	41
Depreciation and amortization reclassifications	-	-18	-	-	-18
Disposals	-	844	3,109	-	3,953
Changes in the scope of consolidation	-	-45	-	-	-45
Foreign currency conversion differences	5	-253	46	-	-202
12/31/2021	-5,506	-46,628	-18,993	-4,211	-75,338
Carrying amounts					
01/01/2021	22,427	8,332	31,508	35,729	97,997
12/31/2021	32,832	7,386	45,785	39,444	125,447

Property, plant, and equipment

IN EUR K	LAND AND BUILDINGS	RIGHTS OF USE BUILDINGS	TECHNICAL EQUIPMENT AND OFFICE EQUIPMENT	RIGHTS OF USE OF TECHNICAL EQUIPMENT AND OFFICE EQUIPMENT	ADVANCES PAID AND ASSETS UNDER CONSTRUCTION	TOTAL
Costs of acquisition and production						
01/01/2022	318,468	93,531	1,275,692	48,504	76,347	1,812,542
Additions	4,333	23,778	47,928	25,466	88,402	189,908
Reclassifications in the disposal of certain assets	-26,428	-	-158	-	-	-26,585
Reclassifications	841	-11	51,556	-14	-53,613	-1,241
Disposals	-8,415	-20,311	-114,016	-9,175	-18,056	-169,974
Changes in the scope of consolidation	2	-	898	-	389	1,288
Foreign currency conversion differences	2,800	2,901	13,759	651	956	21,068
12/31/2022	291,602	99,888	1,275,660	65,432	94,424	1,827,005
Accumulated amortization and impairment losses						
01/01/2022	-136,333	-36,869	-876,956	-18,469	-8	-1,068,634
Amortization, depreciation and write-downs	-8,463	-16,928	-89,682	-10,420	-	-125,492
Reclassifications in the disposal of certain assets	11,497	-	50	-	-	11,547
Impairment losses / reversals	-289	407	-259	-	-190	-330
Depreciation and amortization reclassifications	86	2	-93	5	9	9
Disposals	4,572	16,310	109,218	8,580	-	138,679
Changes in the scope of consolidation	-	-	-348	-	-	-348
Foreign currency conversion differences	-1,506	-855	-6,602	-185	-1	-9,149
12/31/2022	-130,435	-37,933	-864,672	-20,488	-190	-1,053,718
Carrying amounts						
01/01/2022	182,136	56,662	398,736	30,035	76,339	743,908
12/31/2022	161,167	61,954	410,988	44,944	94,234	773,287

IN EUR K	LAND AND BUILDINGS	RIGHTS OF USE BUILDINGS	TECHNICAL EQUIPMENT AND OFFICE EQUIPMENT	RIGHTS OF USE OF TECHNICAL EQUIPMENT AND OFFICE EQUIPMENT	ADVANCES PAID AND ASSETS UNDER CONSTRUCTION	TOTAL
Costs of acquisition and production						
01/01/2021	305,827	88,500	1,226,563	32,207	84,904	1,738,002
Additions	6,354	33,820	41,591	20,834	50,065	152,664
Reclassifications	1,892	-	47,693	-3	-50,566	-984
Disposals	-477	-32,368	-69,055	-4,949	-11,220	-118,069
Changes in the scope of consolidation	18	-	469	-	-	488
Foreign currency conversion differences	4,854	3,579	28,430	415	3,163	40,440
12/31/2021	318,468	93,531	1,275,692	48,504	76,347	1,812,542
Accumulated amortization and impairment losses						
01/01/2021	-126,359	-47,395	-828,044	-12,767	-7	-1,014,572
Amortization, depreciation and write-downs	-8,229	-16,387	-88,186	-9,994	-	-122,796
Impairment losses / reversals	-13	2,120	1,309	-	-	3,416
Depreciation and amortization reclassifications	29	-	-11	-	-	18
Disposals	362	26,082	53,720	4,415	-	84,580
Changes in the scope of consolidation	-5	-	-323	-	-	-328
Foreign currency conversion differences	-2,118	-1,289	-15,422	-123	-	-18,952
12/31/2021	-136,333	-36,869	-876,956	-18,469	-8	-1,068,634
Carrying amounts						
01/01/2021	179,468	41,105	398,519	19,441	84,897	723,430
12/31/2021	182,136	56,662	398,736	30,035	76,339	743,908

Shares accounted for using the equity method and other financial assets

	2022 IN EUR K	2021 IN EUR K
Shares accounted for using the equity method	10,514	14,482
Other financial assets	4,758	7,467
Total	15,272	21,949

The joint ventures and associated companies accounted for using the equity method and the other investments were of minor importance with regard to the Group's results of operations, financial position and net assets at the balance sheet date.

The share of profit for the year amounted to EUR -2,523 k in fiscal year 2022 (previous year: EUR 645 k) and in other comprehensive income EUR 989 k (previous year: EUR 910 k). Other financial assets relate to shares in non-consolidated subsidiaries, which are of minor importance for the Group.

Other financial assets

	2022 IN EUR K	2021 IN EUR K
Non-current		
Receivables from finance leases	224	790
Investments	1,094	1,189
Securities	344	307
Derivative financial instruments	2,115	17
Other financial assets	1,243	433
Total	5,019	2,737
Current		
Derivative financial instruments	1,802	838
Receivables from finance leases	626	589
Financial receivables from related undertakings	1,058	1,158
Other financial assets	100	517
Total	3,585	3,102

Other assets

	2022 IN EUR K	2021 IN EUR K
Sales tax and other tax assets (excluding income taxes)	72,440	93,538
Contractual assets	16,564	26,742
Prepaid expenses and deferred charges	6,402	6,755
Advance payments on inventories and other assets	2,751	5,434
Other financial assets	65,110	62,170
Other assets	163,267	194,638
Non-current	46,039	40,430
Current	117,228	154,209

Miscellaneous other assets include, among other things, advance payments made. Tax assets and the remaining other tax receivables decreased compared to the prior year. There was an increase in capitalized contract costs (+ EUR 12,429 k; previous year: EUR 36,570 k), which are reported under other miscellaneous assets. In the prior year, this included the reimbursement claim from the cyber attack in the amount of EUR 10,000 k.

Assets held for sale

In 2020, a building in Brazil no longer used by the Purem by Eberspächer Division was reclassified to assets held for sale. Sales efforts have already begun and the intention was to sell the building within twelve months. Due to the Corona pandemic, there were delays in the sales process, so that the sale could not be completed within fiscal year 2022. However, the negotiations are in the final stage, so a sale can be expected in 2023. The impairment resulting from the measurement at the lower of fair value less disposal costs and carrying amount in the amount of EUR 646 k was already recognized as profit or loss in the cost of sales in 2020.

In 2022, the decision was taken to sell a site that was no longer in use, which included the building of a German subsidiary of the Climate Control Systems division. Part of the factory site had already been sold in 2022. Efforts to sell the remaining part have already started and the sale is expected to be concluded in 2023. A fair value measurement was made. This showed that the fair value less disposal costs exceeded the carrying amount, which is why no impairment was recognized. The carrying amount of EUR 13,611 k was reclassified from property, plant and equipment to assets held for sale.

After the acquisition and the start of construction of a building for a German subsidiary of the Climate Control Systems division, the decision was taken to sell the site again. A sale in mid-2023 was agreed with the buyer, who was also the original seller of the property. The buyer pays the original amount of the purchase price, which is why an impairment of 405 EUR k was recognized as profit or loss in the cost of sales in 2022.

The non-recurring measurement at fair value less disposal costs was classified as Level 2 fair value based on the inputs to the valuation techniques used. Purchase bids were taken into account on an indicative basis.

Inventories

Inventories were composed as follows:

	2022 IN EUR K	2021 IN EUR K
Raw materials, consumables and supplies	223,986	210,887
Work in process	214,693	206,739
Finished goods and merchandise	160,415	137,446
Inventories	599,094	555,072

Trade receivables

The trade receivables that are allocated to the measurement category “at amortized cost” are composed as follows:

	2022 IN EUR K	2021 IN EUR K
Trade receivables from third parties	847,440	910,011
Trade receivables from associated companies and persons	2,386	5,445
Trade receivables	849,826	915,456
Current	849,826	915,456

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks, cash in hand and current deposits.

	2022 IN EUR K	2021 IN EUR K
Bank balances	186,642	86,851
Cash and cash equivalents in the consolidated balance sheet	186,642	86,851
Overdrafts used for cash management purposes	-273,489	-130,484
Cash and cash equivalents presented in the cash flow statement	-86,846	-43,633

Equity

As in the previous year, **the general partner's and limited partner's capital** amounted to EUR 90,000 k in the year under review.

In addition to retained earnings, **reserves** also include legal and statutory reserves, other reserves such as reserves resulting from the first-time application of IFRS standards. In addition, the balance sheet profit and the differences from capital consolidation are also shown within the reserves.

The **accumulated other equity** includes the effects of currency conversion due to the translation of financial statements of foreign operations. In addition, accumulated other comprehensive income includes the remeasurement of defined benefit plans and the accumulated net changes in the fair value of derivative financial instruments designated for hedging purposes.

The **non-controlling shares** in the reporting years result from investments in which Eberspächer Gruppe GmbH & Co. KG directly or indirectly holds less than 100.0 % of the equity. The corresponding companies are listed in the notes (see page 61).

Provisions for pensions and similar obligations

	2022 IN EUR K	2021 IN EUR K
Net liabilities from defined benefit plans	116,738	172,411
Debts for social security contributions	35	38
Provisions for pension obligations	116,773	172,449

Other provisions

IN EUR K	OBLIGATIONS FROM OTHER TAXES	OBLIGATIONS FROM THE PERSONNEL AREA	OBLIGATIONS FROM THE PRODUCTION AREA	OBLIGATIONS FROM THE SALES AREA	OTHER OBLIGATIONS	TOTAL
Position as at 1/1/2022	436	32,102	38,913	8,066	22,112	101,631
Non-current	292	10,505	5,901	2,844	5,781	25,323
Current	145	21,598	33,012	5,222	16,331	76,308
Additions	267	26,333	13,566	3,262	17,848	61,276
Consumption	-79	-17,143	-11,583	-1,427	-9,544	-39,777
Reversals	-306	-3,476	-12,456	-2,027	-2,594	-20,859
Foreign currency conversion differences	17	23	497	124	-541	120
Addition of accrued interest	0	-1,732	2	0	0	-1,730
Position as at 12/31/2022	335	36,108	28,940	7,998	27,281	100,662
Non-current	0	27,440	5,688	2,166	5,516	40,809
Current	335	8,668	23,252	5,832	21,765	59,853

IN EUR K	OBLIGATIONS FROM OTHER TAXES	OBLIGATIONS FROM THE PERSONNEL AREA	OBLIGATIONS FROM THE PRODUCTION AREA	OBLIGATIONS FROM THE SALES AREA	OTHER OBLIGATIONS	TOTAL
Position as at 1/1/2021	411	38,312	33,484	12,379	13,462	98,048
Non-current	270	10,565	4,409	7,127	5,822	28,193
Current	141	27,747	29,075	5,252	7,640	69,855
Additions	141	5,969	22,709	3,009	8,850	40,678
Consumption	-144	-11,694	-9,434	-2,359	-665	-24,296
Reversals	-	-501	-8,810	-5,074	-638	-15,023
Foreign currency conversion differences	29	15	956	110	1,132	2,242
Addition of accrued interest	-	-18	8	0	0	-11
Changes in scope of consolidation and reclassifications	-	19	0	0	-27	-8
Position as at 12/31/2021	436	32,102	38,913	8,066	22,112	101,631
Non-current	292	10,505	5,901	2,844	5,781	25,323
Current	145	21,598	33,012	5,222	16,331	76,308

Personnel-related obligations mainly include long-service awards and early retirement obligations as well as obligations in connection with restructuring measures. The non-current personnel-related obligations are expected to be utilized within the next five years.

The **obligations from the production area** mainly include provisions for warranties. The provision for warranties is based on estimates based on historical warranty data of similar products and services. The Group expects to settle the majority of the provision in the next two years.

Obligations from sales mainly include provisions for contingent losses from pending sales transactions. The contract is expected to run for ten years.

Other obligations mainly include provisions for claims for damages from third parties in connection with completed antitrust proceedings and for litigation risks. Also included are obligations in connection with restructuring measures.

Financial liabilities

	2022 IN EUR K	2021 IN EUR K
Non-current		
Liabilities to banks	331,651	371,135
Leasing liabilities	82,931	70,494
Liabilities to shareholders	26,310	26,793
Liabilities of non-controlling shares partnerships	626	604
Other financial liabilities	1,854	1,629
Total	443,371	470,655
Current		
Refund liabilities	108,387	123,478
Liabilities to banks	339,639	194,806
Leasing liabilities	28,821	22,609
Liabilities from factoring	18,722	32
Liabilities to shareholders	4,267	3,306
Derivative financial instruments	3,287	5,981
Other financial liabilities	1,319	873
Total	504,443	351,084

Liabilities to banks

	CREDIT LINES		AMOUNT DRAWN		TERM	CURRENT INTEREST RATE DRAWN LINES
	2022 IN EUR K	2021 IN EUR K	2022 IN EUR K	2021 IN EUR K		
Syndicated loans	713,000	678,000	628,356	560,170	2025	4.2-4.5 %
Bilateral loans	-	20,000	-	20,000		
Credit line	-	8,829	-	-		
Other credit lines	46,327	9,432	39,121	2,211	FTTB	3.75 %

Other liabilities

	2022 IN EUR K	2021 IN EUR K
Contract liabilities	77,923	70,013
Personnel-related liabilities	44,071	40,580
Sales tax and other tax liabilities	26,590	31,791
Government grants	4,042	3,554
Sundry other liabilities	7,579	18,287
Other liabilities	160,205	164,224
Non-current	13,753	6,984
Current	146,451	157,240

The public grants are investment subsidies within the framework of the joint task "Improvement of the regional economic structure" (GRW).

Miscellaneous other liabilities include, among other things, deferred income, accrued liabilities for annual financial statement and audit costs.

Trade payables

	2022 IN EUR K	2021 IN EUR K
Trade receivables from third parties	783,705	749,030
Trade receivables from associated companies and persons	340	698
Liabilities for outstanding invoices	134,742	105,581
Trade payables	918,787	855,310
Current	918,787	855,310

Other Information

List of shareholdings

The subsidiaries and investments of the Group are listed below.

As of December 31, 2022

GERMANY		SHARE-HOLDING ¹⁾
catem Holding GmbH & Co. KG	Herxheim	100 %
Eberspächer Beteiligungs-GmbH	Esslingen am Neckar	100 %
Eberspächer catem GmbH & Co. KG	Herxheim	100 %
Eberspächer catem Hermsdorf GmbH & Co. KG	Hermsdorf	100 %
Eberspächer catem Verwaltungs-GmbH	Herxheim	100 %
Eberspächer CC RUS Beteiligungs-GmbH	Esslingen am Neckar	100 %
Eberspächer Climate Control Systems GmbH	Esslingen am Neckar	100 %
Eberspächer Climate Control Systems International Beteiligungs-GmbH	Esslingen am Neckar	100 %
Eberspächer Controls Esslingen GmbH & Co. KG	Esslingen am Neckar	100 %
Eberspächer Controls Esslingen Verwaltungs-GmbH	Esslingen am Neckar	100 %
Eberspächer Controls International GmbH	Esslingen am Neckar	100 %
Eberspächer Controls Landau GmbH & Co. KG	Landau	100 %
Eberspächer Controls Landau Verwaltungs-GmbH	Landau	100 %
Eberspächer digital solutions GmbH	Esslingen am Neckar	100 %
Eberspächer Heizung Vertriebs-GmbH & Co. KG	Torgelow	100 %
Eberspächer Heizung Vertriebs-Verwaltungs-GmbH	Torgelow	100 %
Eberspächer Insurance Services GmbH	Esslingen am Neckar	100 %
Eberspächer Sütrak GmbH & Co. KG	Renningen	100 %
Eberspächer Sütrak Verwaltungs-GmbH	Renningen	100 %
Eberspächer Torgelow GmbH & Co. KG	Torgelow	60 %
Eberspächer Torgelow Verwaltungs-GmbH	Torgelow	60 %
Eberspächer Venture Capital GmbH	Esslingen am Neckar	100 %
Eberspächer Vermögensverwaltung GmbH	Esslingen am Neckar	92 %
Eberspächer Verwaltungs-GmbH	Esslingen am Neckar	100 %
EM Emissions Technology GmbH	Esslingen am Neckar	100 %
Menesa Verwaltungs-GmbH	Neunkirchen/Saar	100 %
Montagewerk Abgastechnik Emden GmbH	Emden	50 % ²⁾
PACE Telematics GmbH	Karlsruhe	28,20 % ²⁾
Purem GmbH	Neunkirchen/Saar	100 %
Purem International GmbH	Esslingen am Neckar	100 %
Purem Service Parts GmbH & Co. KG	Neunkirchen/Saar	100 %
Purem Service Parts Verwaltungs-GmbH	Neunkirchen/Saar	100 %
Purem Technology GmbH	Esslingen am Neckar	100 %
Purem Wilsdruff GmbH	Wilsdruff	100 %

EUROPE

Eberspächer AB	Trollhättan / Sweden	100 %
Eberspächer Avtovazagregat Exhaust Systems LLC	Tolyatti / Russia	100 % 1)
Eberspaecher Bulgaria EOOD	Ruse / Bulgarien	100 %
Eberspächer Climate Control Systems Sp. z o.o.	Oława / Poland	100 %
Eberspaecher Controls Ro S.R.L.	Oradea / Romania	100 %
Eberspächer Danmark ApS	Copenhagen / Denmark	100 %
Eberspächer GmbH	Wiener Neudorf / Austria	100 %
Eberspächer Kalori SAS	Pusignan / Frankreich	100 %
Eberspächer Praha s r.o.	Prague / Czech Republic	100 %
Eberspaecher RO S.R.L.	Gilău / Romania	100 %
Eberspacher S.A.S.	Elancourt / France	100 %
Eberspaecher S.r.l.	Borgosatollo / Italy	100 %
Eberspaecher Sp. z o.o.	Wysogotowo / Poland	100 %
Eberspächer Sutrak S.A.	Madrid / Spain	100 %
Eberspacher Turkey Egzoz Teknolojisi Sanayi Ve Ticaret Limited Şirketi	Bursa / Turkey	100 %
Eberspaecher Ukraine OOO	Kiev / Ukraine	100 %
Eberspacher (UK) Holdings Ltd.	Ringwood / UK	100 %
Eberspacher (UK) Ltd.	Ringwood / UK	100 %
Joint-Stock Company Eberspaecher Climate Control Systems RUS	Moscow / Russia	100 %
Purem Castellato S.p.A.	Castellalto / Italy	100 %
Purem Cowley Ltd.	Ringwood / UK	100 %
Purem Nitra s.r.o.	Nitra / Slovak Republic	100 %
Purem Nyköping AB	Nyköping / Sweden	100 %
Purem Oradea SRL	Oradea / Romania	100 %
Purem Rakovník spol. sr. o.	Rakovník / Czech Republic	100 %
Purem St. Michel SAS	St. Michel / France	100 %
Purem Togliatti OOO	Moscow / Russia	100 %
Purem Tondela, Unipessoal LDA	Tondela / Portugal	100 %

SOUTH AFRICA

Eberspacher Rosslyn (Pty.) Ltd.	Pretoria / South Africa	100 %
Purem Properties (Pty.) Ltd.	Port Elizabeth / South Africa	100 %
Purem Port Elizabeth (Pty.) Ltd.	Port Elizabeth / South Africa	100 %

THE AMERICAS

Eberspaecher Climate Control Systems Canada Inc.	Mississauga / Canada	100 %
Eberspaecher Climate Control Systems Ltda.	Sorocaba / Brazil	100 %
Eberspächer Climate Control Systems S.A. de C.V.	Monterrey / Mexico	100 %
Eberspaecher Climate Control Systems USA Inc.	Novi / USA	100 %
Eberspaecher Controls North America Inc.	Novi / USA	100 %
Eberspaecher Exhaust Systems Canada Inc.	Brampton / Canada	100 %
Eberspaecher Vecture Inc.	Concord / Canada	100 %
Eberspaecher Victori LLC	Lafayette / USA	100 %
Purem Automotive Technology Sorocaba Ltda.	Sorocaba / Brazil	100 %
Purem Novi Inc.	Novi / USA	100 %
Purem Ramos Arizpe S.A. de C.V.	Ramos Arizpe / Mexico	100 %

ASIA

Eberspaecher Automotive Technology (Beijing) Co. Ltd.	Beijing / China	100 %
Eberspaecher catem Japan Ltd.	Nagoya / Japan	100 % 1)
Eberspaecher Climate Control Systems South East Asia Pte. Ltd.	Singapore	100 %
Eberspaecher Mikuni Climate Control Systems Corporation	Odawara-City / Japan	87,50 %
Eberspaecher Suetrak Bus Climate Control Systems India Private Limited	Bangalore / India	100 %
Eberspaecher VAIREX asia pacific CO., LTD	Tokio / Japan	100 %
Exhaust Technology Pvt. Ltd.	New Delhi / India	50 % 1)
Guangxi Purem Yuchai Automotive Technology Co., Ltd. (former: Eberspächer Yuchai Exhaust Technology Co., Ltd.)	Yulin / China	51 % 2)
Purem Aapico Co., Ltd.	Rayong / Thailand	51 % 2)
Purem Aapico Sdn. Bhd.	Rawang / Malaysia	51 % 1)
Purem Automotive Technology (Chongqing) Co., Ltd.	Chongqing / China	100 %
Purem Automotive Technology (Shanghai) Co., Ltd.	Shanghai / China	100 %
Purem Automotive Technology (Taizhou) Co., Ltd.	Taizhou / China	100 %
Purem Automotive Technology (Xi'an) Co., Ltd.	Xi'an / China	49 % 2)
Purem Automotive Technology (Zhang Jiakou) Co., Ltd.	Zhang Jiakou / China	100 %
Purem Seoul Co., Ltd.	Seoul / Korea	100 %
Purem (Shanghai) Management Co., Ltd.	Shanghai / China	100 % 1)
Purem Yokohama K.K.	Yokohama / Japan	100 %
Zhongshan Eberspächer Kalori Air Conditioning Industry Co., Ltd.	Zhongshan / China	100 %

1) Non-consolidated

2) At-equity financed

In fiscal year 2022, the Eberspächer Finanz GmbH, Esslingen, and the Eberspächer Climate Control Systems GmbH, Esslingen, were merged. In the first quarter of 2022, Eberspaecher Bulgaria EOOD, Sofia, Bulgaria was founded to produce electric vehicle heaters. Purem (Shanghai) Management Co., Ltd., Shanghai/China, which was founded in the third quarter of 2022, performs administrative tasks. In the third and fourth quarters of 2022, Purem Aapico Sdn. Bhd., Rawang, Malaysia, and Purem Aapico Co., Ltd, Rayong, Thailand, were established to manufacture exhaust systems and exhaust gas purification components for passenger cars and commercial vehicles locally.

The number of fully consolidated entities increased by a total of two units year-on-year to 85.

For the following fully consolidated subsidiaries, we make use of exemption options pursuant to section 264 para 3 HGB (German Commercial Code):

- Eberspächer Climate Control Systems GmbH, Esslingen am Neckar
- Purem International GmbH, Esslingen am Neckar
- Purem Technology GmbH, Esslingen am Neckar
- Eberspächer Climate Control Systems International Beteiligungs-GmbH, Esslingen am Neckar
- Purem GmbH, Neunkirchen/Saar
- Purem Wilsdruff GmbH, Wilsdruff

For the following fully consolidated subsidiaries, we make use of exemption options pursuant to section 264b HGB (German Commercial Code):

- Einzelabschluss der Konzernmuttergesellschaft Eberspächer Gruppe GmbH & Co. KG, Esslingen am Neckar
- Eberspächer Controls Esslingen GmbH & Co. KG, Esslingen am Neckar
- Purem Service Parts GmbH & Co. KG, Neunkirchen/Saar
- Eberspächer catem GmbH & Co. KG, Herxheim
- catem Holding GmbH & Co. KG, Herxheim
- Eberspächer catem Hermsdorf GmbH & Co. KG, Hermsdorf
- Eberspächer Controls Landau GmbH & Co. KG, Landau
- Eberspächer Sütrak GmbH & Co. KG, Renningen
- Eberspächer Torgelow GmbH & Co. KG, Torgelow
- Eberspächer Heizung Vertriebs-GmbH & Co. KG, Torgelow

Leases

Leases as lessee

The rights of use capitalized under leases mainly relate to the leasing of real estate, technical equipment and machinery, and operating and office equipment.

Future minimum lease payments under leases that cannot be canceled are payable as follows:

	2022 IN EUR K	2021 IN EUR K
Up to one year	30,833	24,979
Longer than one year and up to five years	73,388	58,520
Longer than five years	17,056	19,971
Total undiscounted cash flows	121,277	103,471
thereof included in balance sheet:	111,752	93,103
Non-current	82,931	70,494
Current	28,821	22,609

Leases as lessor

In 2022, the Group partially subleased a building, which is recorded as a right-of-use asset in property, plant and equipment. The Group has classified this sublease as a finance lease from the lessor's perspective.

In 2022, the Group recognized income from the disposal of a right of use in the amount of EUR 1,173 k (prior year: EUR 530 k) as part of the profit on the disposal of property, plant and equipment.

Associated companies and persons

Parent company and ultimate controlling party

In the course of its ordinary business activities, the parent company Eberspächer Gruppe GmbH & Co. KG maintains relationships with the subsidiaries listed in note (see page 61) to these consolidated financial statements and with other associated parties (joint ventures, associates and associated companies) and persons.

Other business transactions with associated companies and persons

Transactions with associated companies and the receivables and liabilities existing at the balance sheet date result without exception from ordinary business activities under usual market conditions and are as follows:

	VALUES OF BUSINESS TRANSACTIONS		BALANCES OUTSTANDING	
	2022 IN EUR K	2021 IN EUR K	2022 IN EUR K	2021 IN EUR K
Sale of goods / services rendered				
Joint ventures	4,249	3,180	1,609	590
Associated companies	-	-	-	24
Non-consolidated subsidiaries	1,113	5,188	6,893	6,286
Other				
Joint ventures	638	678	151	235
Other related companies	1	-	40	-
Non-consolidated subsidiaries	131	1,557	50	1,477

In the prior year, a receivable in the amount of EUR 4,858 k from an affiliated non-consolidated company in the Purem by Eberspächer division was impaired.

Employees

The average number of employees during the fiscal year is shown below:

	2022	2021
Direct employees	4,334	4,397
Indirect employees	6,120	5,981
Trainees and apprentices	227	222
Total	10,681	10,600

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