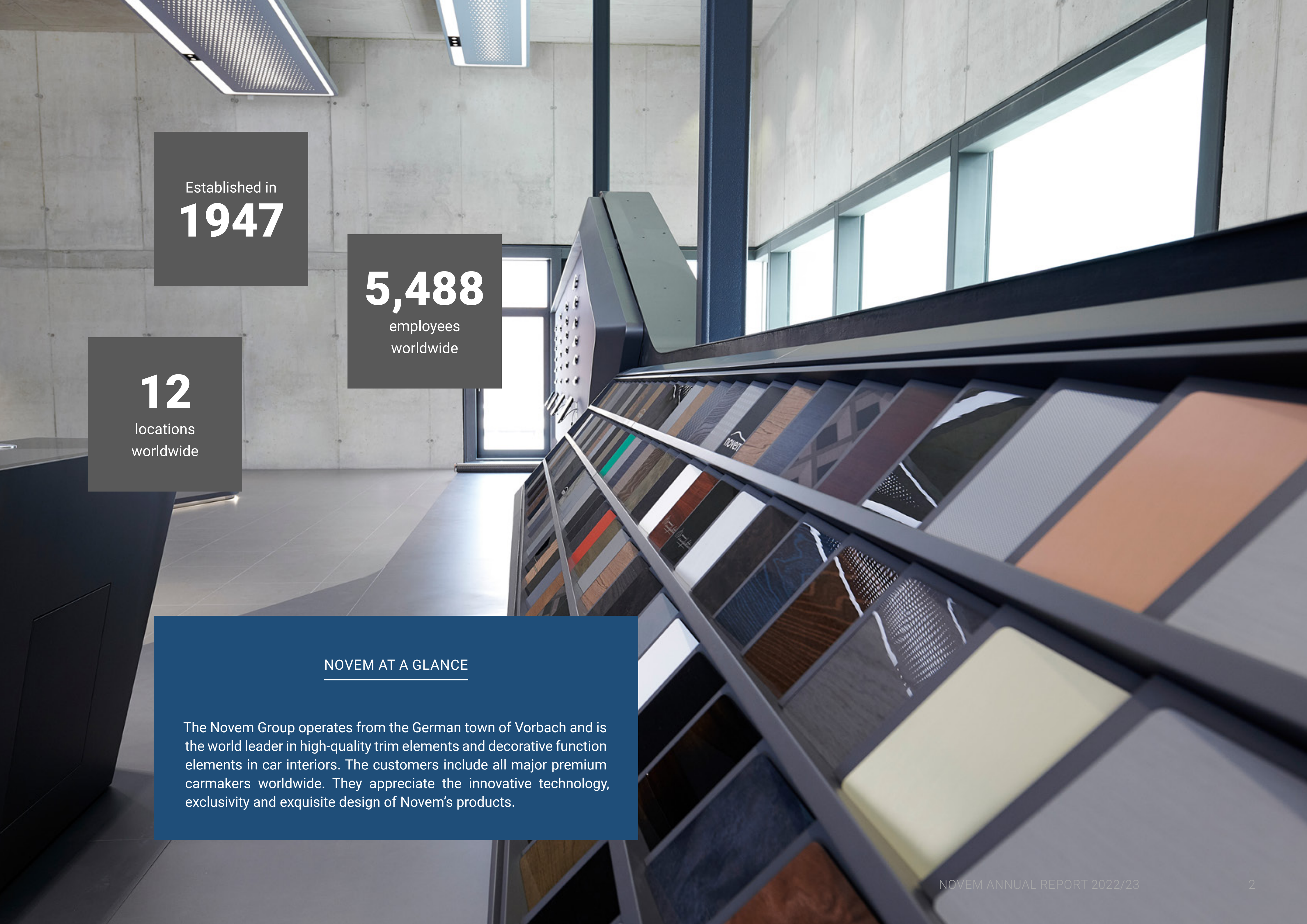
novem
PERFECT CAR INTERIOR

NOVEM ANNUAL REPORT 2022/23



Established in
1947

5,488
employees
worldwide

12
locations
worldwide

NOVEM AT A GLANCE

The Novem Group operates from the German town of Vorbach and is the world leader in high-quality trim elements and decorative function elements in car interiors. The customers include all major premium carmakers worldwide. They appreciate the innovative technology, exclusivity and exquisite design of Novem's products.

KEY RESULTS

In accordance with the European Securities and Markets Authority (ESMA) guidelines on Alternative Performance Measures (APMs), the Group provides a definition, the rationale for use and a reconciliation of APMs used. The Group uses the APMs shown in the following table. The definitions and required disclosures of all APMs are provided in the glossary of this Annual Report.

All mentioned APMs are used to track the Group's operating performance. It is neither required by nor presented in accordance with IFRS. It is also not a measure of financial performance under IFRS and should not be considered as an alternative to other indicators of operating performance, cash flow or any other measure of performance derived in accordance with IFRS.

in € million	FY 2021/22	FY 2022/23
Income statement		
Revenue	614.5[1]	700.3
Adj. EBIT	80.9	81.7
Adj. EBIT margin (%)	13.2%	11.7%
Adj. EBITDA	111.7	114.2
Adj. EBITDA margin (%)	18.2%	16.3%
Cash flow		
Capital expenditure	18.6	17.9
Capital expenditure as % of revenue	3.0%	2.6%
Free cash flow	65.0	84.5

1 Including revenue-related adjustments

in € million	31 Mar 22	31 Mar 23
Balance sheet		
Trade working capital	41.0	53.3
Total working capital	127.3	124.0
Net financial debt	165.6	123.0
Net leverage (x Adj. EBITDA)	1.5x	1.1x

ABOUT THIS REPORT

Novem Group publishes both financial and non-financial information in its Annual Report 2022/23. The financial year of Novem Group S.A. ends on 31 March and therefore covers the period from 1 April 2022 to 31 March 2023. This Annual Report includes a Non-financial Report in accordance with the Non-Financial Reporting Directive (NFRD), Luxembourg Law and with reference to the Global Reporting Initiative (GRI) Standards.

The consolidated financial statements of Novem Group S.A. and the stand-alone financial statements of Novem Group S.A. were audited by KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG).

EDITORIAL NOTE

The report is only available in English and solely published in digital form. All references to people such as *employees*, *shareholders*, etc. in this report apply equally to all identities.

TABLE OF CONTENTS

1 TO OUR SHAREHOLDERS

2 NON-FINANCIAL REPORT

3 GROUP MANAGEMENT REPORT

4 CONSOLIDATED FINANCIAL STATEMENTS

5 ANNUAL ACCOUNTS

6 ADDITIONAL INFORMATION

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1 To our shareholders


Günter Brenner
Chief Executive Officer

LETTER FROM THE CEO

Ladies and gentlemen,

the ongoing geopolitical situation of war in Europe has accompanied us throughout the past business year and continues to keep us on our toes. This situation confronts us with new challenges every day, flanked by an energy crisis not experienced for a long time. Higher material and transport costs as well as volatile inflation rates additionally require us to constantly find new solutions.

Despite the difficult circumstances, we can look back on a successful business year that was characterised by growth and proves our strategic positioning to be the right one. Thanks to the extraordinary commitment of our employees, we managed to reach a remarkable result in the financial year 2022/23: thus, we were again able to grow by 14% and achieve a consolidated revenue of €700 million.

I am pleased that consistently pursuing our strategic goals has paid off. Our emphasis remains on both winning new customers as well as growing our business with premium brands, an approach that has resulted in positive developments in orders on hand and customer acquisition. While our focus remains on the premium car market, premiumisation in cars is another growth driver for Novem's future. This trend shows volume brands increasingly equipping their flagship models with premium trims, which opens many doors.

In the European market, Novem has won Opel as a new customer whose flagship Insignia, an e-SUV, will be equipped by us, underlining the general trend towards premiumisation. On top of that, Novem has acquired the long-range SUV called Gravity from Silicon Valley-based EV start-up Lucid Motors. In Asia, Novem has secured the first electric vehicle from FAW after winning the contract for the Hongqi luxury SUV platform. This confirms our successful China strategy, resulting from the trust that customers place in Novem. More than three years ago, we started to establish a Program Management department including a Tech Centre at our Langfang site in China as an independent engineering hub for customers in the Asian market. In addition to newly acquired platforms, premium car manufacturers who want to position themselves more strongly in China are also looked after there.

We see it as our duty to increasingly exercise our responsibility for the environment and society. For us, sustainability is a fundamental attitude with which we act at all levels for the benefit of the environment, as well as for the benefit of our employees, our customers and our suppliers. It is crucial for Novem's success to ensure the health of our staff and to consistently adhere to workplace safety standards worldwide. We began the process of ISO 45001 occupational health and safety certification in March 2022 and completed it successfully for the sites Vorbach including central office (Germany), Eschenbach (Germany), Langfang (China) and Querétaro (Mexico). The site Pilsen (Czech Republic) will follow at the beginning of 2024.

On our path to greater sustainability, we see some things as key to Novem's future. As the production of carbon-neutral cars is the ultimate prospect for all those involved in the process, we stay committed to greenhouse gas neutrality and are developing a detailed roadmap to achieve this in Germany by 2025, in Europe by 2030 and globally by 2035. To exercise our responsibility across our supply chains, we pay more attention than ever to ensuring that our suppliers meet high environmental, social and sustainability standards.

The research we have conducted into the materials for our trim elements to make these even more environmentally compatible yields results towards suitability for series production.

We have received the first FSC certification *Preferred by Nature* for the Langfang site meeting the requirements of the FSC standard with the Chain of Custody and Controlled Wood system. At the Eschenbach site, we continued the reforestation we started last year and planted 4,500 trees. In order to give back to nature what we draw from it, we will launch further sustainability initiatives. These measures and activities are summarised in our Non-financial Report, which is part of this Annual Report.

It is with cautious optimism that we assess Novem's future business prospects. Depending on the development of the overall economic environment, we aim to continue our profitable growth with a mid-term Adj. EBIT margin of 14 to 15%. We are committed to these financial targets and combine sustainable growth with economic success.

Especially in these times, it is important for us to know that loyal and committed shareholders stand by the Novem Group. We truly appreciate your dedication to the best of Novem. On behalf of the Management Board and our employees, I would like to thank you for that.

We hope that we can continue to count on your trust and support. Be sure that we will put all our energy and passion into achieving our goals and meeting your expectations. I look forward to further cooperation and exchange with you in the new financial year.

Kind regards,

Günter Brenner
Chief Executive Officer

" Our passion for high-end quality makes us a preferred premium supplier worldwide. It pays off that we strive for growth in full awareness of our responsibility for people and the environment. "

— Günter Brenner (CEO)

REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

the financial year ending 31 March 2023 was significantly affected by the war in Ukraine and its direct and indirect effects on the automotive industry. The imposed international sanctions continued to stress the supply chains still tensed by the late effects of the Covid-19 pandemic and semiconductor shortages. Novem had to cope with significant cost increases regarding energy and material supply as well as logistic services. Accompanied by ongoing Covid-19 restrictions in China and the continuous volatile call-offs by OEMs, it was Novem's aim to safeguard the Company's ability to act economically and to improve costs as far as possible. As a result of excellent management, Novem has once more proven its resilience and forward-looking strategy when facing adverse market conditions.

In the financial year ending 31 March 2023, the Supervisory Board of Novem Group S.A. diligently fulfilled its tasks in accordance with the statutory requirements and the Articles of Association of Novem Group S.A. The Supervisory Board regularly advised and continuously monitored the work of the Management Board regarding strategic and operational decisions as well as governance topics and compliance. When required by the Articles of Association, the Supervisory Board approved the actions of the Management Board after carefully reviewing them. In the financial year ending 31 March 2023, the members of the Supervisory Board were Dr. Stephan Kessel (Chairman), Mark Wilhelms (Deputy Chairman), Natalie C. Hayday, Florian Schick and Philipp Struth.

The Supervisory Board held a total of five meetings and made two circular resolutions during the financial year ending 31 March 2023. In four of five of the Supervisory Board meetings, all members were present. In compliance with the social distancing requirements, some of the meetings were held partly via conference calls. In the meetings, the Management Board wholly and regularly informed the Supervisory Board about the status and performance of the Novem Group, including opportunities and risks, its market position, course of business as


Dr. Stephan Kessel
Chairman of the Supervisory Board

well as relevant financial data. The discussions were based on regular and extensive reports in verbal and written form presented by the Management Board. The Management Board and the Supervisory Board maintained close contact also outside of the regular meetings to exchange all important information related to the Novem Group. This close collaboration also included strategy discussions as well as information on organisational development. As Christine Hollmann resigned from the Management Board on 8 August 2022, the Supervisory Board appointed Mathias Rieger as a member of the Management Board effective as of 1 January 2023.

During the reporting period, the members of the Audit and Risk Committee were Mark Wilhelms (Chairman), Dr. Stephan Kessel and Natalie C. Hayday. Significant questions related to auditing, accounting, risk management, compliance and internal control systems were especially reviewed by the Audit and Risk Committee. The Audit and Risk Committee monitored the effectiveness of the internal control system, the risk management system, the internal auditing system and the compliance management system. The Audit and Risk Committee discussed the quarterly reports, the relationship with investors as well as the audit assignment to KPMG Luxembourg, including the focus areas of the audit. Furthermore, the Audit and Risk Committee monitored an examination of financial and non-financial information for the year ended 31 March 2022 by the CSSF, which did not lead to any findings. In the financial year ending 31 March 2023, the Committee held five meetings. In four of five meetings, all members were present. All meetings were held via conference calls.

In the reporting period, the members of the Remuneration and Nomination Committee were Dr. Stephan Kessel (Chairman), Mark Wilhelms and Natalie C. Hayday. The Committee discussed all remuneration and nomination-related topics. It prepared the Remuneration Report in accordance with the Luxembourg Law of 1 August 2020, the Second Shareholders' Rights Directive (SRD II, Directive (EU) 2017/828). The Remuneration and Nomination Committee held three meetings via conference calls. All meetings of the Remuneration and Nomination Committee were attended by all members.

None of the members of the Supervisory Board attended only half or fewer of the meetings of the Supervisory Board and the committees to which they belong.

The Supervisory Board examined the Company's annual accounts, the consolidated financial statements and the Group Management Report for the financial year ending 31 March 2023. Representatives of the auditor KPMG attended the meetings of the Audit and Risk Committee on 11 August 2022, 23 November 2022, 9 February 2023 and 25 May 2023, at which the financial statements were examined. The representatives of the auditor reported extensively on their findings, provided a written presentation and were available to give additional explanations and opinions. The Supervisory Board did not raise objections to the Company's annual accounts or to the consolidated financial statements drawn up by the Management Board for the financial year ending 31 March 2023 and to the auditors' presentation. Furthermore, the Supervisory Board approved the Non-financial Report of Novem Group S.A.

The Supervisory Board agreed to the proposal of the Management Board, recommended by the Audit and Risk Committee, and approved the Company's annual accounts and the consolidated financial statements for the financial year 2022/23. The auditor issued unqualified audit opinions on 22 June 2023.

During the financial year ending 31 March 2023, there were no conflicts of interest between the members of the Supervisory Board and the Company.

On behalf of the Supervisory Board, I would like to thank the Management Board of Novem Group S.A. for their remarkable performance throughout the last financial year and their open and effective collaboration. I would like to thank all employees for their outstanding contributions to the Company's success during challenging times and, last but not least, our shareholders for their continuous support.

Luxembourg, 22 June 2023
On behalf of the Supervisory Board of Novem Group S.A.

Yours sincerely,

Dr. Stephan Kessel
Chairman of the Supervisory Board

NOVEM AND THE CAPITAL MARKET

Dr. Johannes Burtscher
Chief Financial Officer

Stock market

Difficulties and upheavals marked the stock market year 2022. The strains on the global economy already caused by Covid-19 were exacerbated by Russia's invasion of Ukraine on 24 February 2022 and rising geopolitical concerns in Europe. Uncertainties about sanctions and thus supply chain issues as well as surging energy prices weighed on the stock market. With inflationary pressures mounting, this led to the highest inflation rates experienced for many years. In response, the Federal Reserve System (FED) began cautiously raising interest rates at the beginning of the year, a course that the European Central Bank (ECB) also took shortly afterwards. However, with inflation proving to be sticky even into 2023, more forceful interest rate hikes resulted, leading to the highest interest rates in about 15 years. While central banks showed a reasonably clear stance, the market did not appreciate the remaining uncertainties and closed its worst stock market year since 2008. With the start of 2023, lingering recession fears and emerging banking concerns following the collapse of three US banks and the second-largest Swiss bank within days of each other, this may not bode well for better stock market days. Surprisingly, the market seems to have largely factored in most of the negative circumstances and showed a strong recovery in the first quarter of 2023, with technology stocks performing particularly strongly.

Although Covid-19 was no longer the leading issue in Europe and Americas, it still was in Asia, particularly China. The strict zero-Covid policy, with its severe restrictions and eventual abrupt abolition, significantly impacted economic and stock development in 2022. When the eagerly awaited end of China's strict zero-Covid policy finally came in December 2022, the global market saw first encouraging signs of easing supply bottlenecks and transport routes. Despite this positive development, China experienced a weak year, with MSCI China marking a downturn of around -22.0% in 2022 and moving sideways in the first three months of 2023.

Of all the elements affecting the business environment in 2022, the semiconductor shortage remained the biggest concern for the automotive industry, resulting in volatile call-offs. As this made it challenging to manage staffing and utilisation safely, inefficiencies arose.

During the reporting period (1 April 2022 to 31 March 2023), the broad MSCI World Index recorded a moderately large price decline of around -8.7%. With a loss of roughly -9.6%, the S&P500 index recorded an even higher loss during the same period. Looking at Europe as the most substantial market in terms of revenue for Novem, the EURO STOXX 50 recorded a whopping increase of 10.1%. While the DAX at blue chip level recorded a rise of 8.2% (4.7% without dividends) in the reporting period, the associated small cap index SDAX performed much worse with -8.7%. On the other hand, the benchmark index DAXsubsector Auto Parts & Equipment recorded an increase of 15.8% in the reporting period.

Stock performance

Novem started its financial year 2022/23 with a share price of €10.40 on 1 April 2022. The share then hit not only its low for the financial year at €5.88 on 29 September 2022, but also its all-time low. From there, the stock was able to breathe again and recovered strongly to mark its high at €10.85 on 9 March 2023. It closed the financial year at €9.80 on 31 March 2023.

Annual General Meeting

Novem's first Annual General Meeting (AGM) took place on 25 August 2022. Since Covid-19 measures in Luxembourg were extended until the end of 2022, no physical presence of the shareholders was legally required. The effective participation and exercise of the shareholders' rights were guaranteed through distance voting. In total, 92.3% of the voting share capital was represented at the AGM, which approved each agenda item by a large majority. Amongst other things, the shareholders approved the dividend distribution of €0.40 per share for the financial year 2021/22.

Dividend

The Management Board, in agreement with the Supervisory Board, will propose distributing an ordinary dividend of €0.40 per share (PY: €0.40) for the financial year 2022/23 to the AGM on 24 August 2023. Additionally, the Management Board will propose a special dividend of €0.75 per share. Subject to the approval of the AGM, Novem's shareholders would receive a dividend of €1.15 per share (ordinary plus special) for the financial year 2022/23. This would correspond to a payout ratio of 99.0% of the consolidated net profit.

Investor Relations activities

Due to the ever-changing market environment with inflationary pressures and supply chain bottlenecks, it was crucial for the Investor Relations (IR) team to maintain an ongoing open dialogue with capital market stakeholders. Ensuring equal treatment, timely information and continuity meant numerous one-on-one meetings and conference calls alongside the regular quarterly investor and analyst conferences. As a sign of increasing interest in the investment case, Hauck Aufhäuser initiated coverage, joining four other active analysts. In addition, two roadshows were conducted, one physically in London and another digitally, to build long-term relationships and further increase awareness of the share. Novem was also represented at two conferences meeting existing shareholders and potentially interested parties in person.

" Novem delivered a strong performance under challenging trading circumstances. The results again proved its resilient business model. "

— Dr. Johannes Burtscher (CFO)

Since it is of the utmost importance to the IR team to actively listen to shareholders and potential investors and take their feedback seriously, an evaluation of the meetings to date showed a lot of potential regarding the comparatively low trading volume. As part of an initiative to tackle this, Novem appointed a second Designated Sponsor and has seen first satisfactory results ever since. Although the increase in trading volume is an area that requires more patience, the IR team will take the feedback into account and continue to work on improving the matter. Novem is particularly keen to bring investors and analysts to its central office to experience the products and production processes first-hand and to make the business model and potential even more tangible.

SHARE DATA
as of 31 March 2023

- Ticker symbol: NVM
- ISIN: LU2356314745
- WKN: A3CSWZ
- Frankfurt Stock Exchange
- Market segment: Prime Standard
- Number of shares: 43,030,303
- Dematerialised shares with no nominal value
- Market capitalisation: €421,696,969
- Highest price FY 2022/23: €10.85
- Lowest price FY 2022/23: €5.88
- Closing price: €9.80

2 Non-financial Report

ORGANISATION

Business model

Founded in 1947, Novem can look back on a success story lasting several decades. In this time, Novem has grown continuously, entering new markets and extending its product and material portfolio. Today we are the global market leader for high-quality trim parts such as centre consoles, beltlines or dashboards as well as decorative functional elements in car interiors. In 2022, we produced around 27.7 million components for a wide range of vehicles, especially in the premium car segment. We manufacture our products for a growing customer base that includes the world's leading premium car manufacturers.

Novem Group S.A. has been listed on the Frankfurt Stock Exchange since 19 July 2021.

Novem locations worldwide

- Americas: 1,807 employees | Honduras, Mexico, USA
- Europe: 2,893 employees | Czech Republic, Germany, Italy, Slovenia
- Asia: 788 employees | China

We manage our global network of production, logistics and sales locations from our central office in Vorbach in Bavaria, Germany. The parent company Novem Group S.A. is located in Contern, Luxembourg. We currently have 12 locations in Europe, Asia and Americas where we employ 5,488 people. Our international presence helps us to be close to our customers and to distribute our products worldwide.

Companies of the Novem Group

- Novem Group S.A.
- Novem Group GmbH
- Novem Beteiligungs GmbH
- Novem Deutschland GmbH
- Novem Car Interior Design GmbH
- Novem Car Interior Design Vorbach GmbH
- Novem Car Interior Design Metalltechnologie GmbH
- Novem Car Interior Design S.p.A. Bergamo
- Novem Car Interior Design k.s.
- Novem Car Interior Design d.o.o.
- Novem Car Interior Design, Inc.
- Novem Car Interior Design Mexico S.A. de C.V.
- Novem Car Interior Design S. de R.L.
- Novem Car Interiors Design (China) Co., Ltd.

Economic stability and capacity for transformation

The automotive industry is undergoing a fundamental transformation. Electrification, autonomation and digitalisation are changing the way vehicles are designed, manufactured and used. Along with these developments, the concept of the vehicle interior is also changing. New surfaces and spaces are emerging and with them the opportunity to redesign the interior. Autonomous driving is also making this space increasingly experiential, and consumers have ever higher expectations of functionality and comfort.

As the global industry leader, Novem wants to actively shape this change. We are responding to the transformation of the industry with targeted investments to prepare our employees and our locations for the challenges ahead and to drive forward the development of new technologies and innovation. Sustainability plays a key role here: with renewable and recycled raw materials, we are reducing our ecological footprint and creating sustainable values for our customers. For example, we are researching alternative materials such as bio-based synthetics, vegan adhesives and sustainable substrate. We are also developing new designs

INNOVATIONS FOR FUNCTIONALITY AND SUSTAINABILITY

Integrating technical functions like wireless charging into high-quality genuine materials is a real challenge, as the thinnest possible materials are needed. This is where our more than 75 years of experience and expertise in handling genuine materials come into play. Novem has developed an application as part of the centre console that integrates wireless charging into a sustainable, decorative wooden surface while providing front- and backlighting.

Centre console with sustainable lime wood panelling and integrated wireless charging application that cater to our customers' increasing demands for functionality, sustainability and quality. Our spirit of research is reflected in the large number of patents and utility models held by Novem.

A solid economic foundation enables us to make investments that secure our future viability as a company. In the financial year 2022/23, the Novem Group achieved sales of €700.3 million (PY: €614.6 million).

Addressing the EU taxonomy

In accordance with the European Non-Financial Reporting Directive (NFRD), companies are required to include taxonomy disclosures in their non-financial reporting as of 2021. This also applies to Novem. The EU taxonomy is a classification system for economic activities aimed at achieving the goals of the Paris Agreement by means of transparency in the capital market.

The Taxonomy Regulation with its corresponding delegated acts sets threshold values for economic activities, particularly in CO2-intensive sectors. These mainly relate to two of the six environmental objectives of the European Union (EU). Under the Regulation, an economic activity contributes substantially to the achievement of an environmental objective (taxonomy alignment) if the threshold values for this environmental objective are not exceeded, none of the other environmental objectives is negatively affected by the economic activity (Do No Significant Harm (DNSH)) and the Minimum Safeguards are met. This year, companies are required to report the extent of taxonomy eligibility and alignment on the objectives *climate change mitigation* and *climate change adaptation*.

In financial year 2021/22, Novem disclosed a part of its business activities, namely the manufacture of interior or trim components and other parts intended for use in electric vehicles, under economic activity 3.3 (manufacture of low carbon technologies for transport). This attribution was made in accordance with the widespread interpretation of the EU taxonomy for automotive suppliers at the time. Consequently, the related turnover, capital expenditure (capex) and operational expenditure (opex) were reported as taxonomy-eligible (see Non-financial Report as part of the Annual Report 2021/22 for further details).

For financial year 2022/23, a working group initiated at Group level consisting of specialists and executives from the Accounting, Controlling, Investor Relations and Central Quality & EHS (Environment, Health and Safety) departments reassessed all business activities at Novem together with a consultancy with regard to the requirements of the EU taxonomy. In doing so, all recent developments in the interpretation of the EU taxonomy as well as official statements from the EU Commission have been taken into account.

In light of the change in information, Novem refrains from re-designating sales made from components for use in electric vehicles under activity 3.3. The main reason for this decision was the clarification by the EU Commission that only OEMs are to report under activity 3.3.

The attribution to activity 3.6 (manufacture of other low-carbon technologies) was also thoroughly investigated, but Novem's business activities do not exactly match the definition.

Consequently, Novem does not report any taxonomy-eligible turnover or related opex. The analysis of the capital expenditures in financial year 2022/23 showed that no material investments made by Novem fall under the EU taxonomy either. Further information on turnover, opex and capex can be found in chapter Consolidated financial statements of the Annual Report.

Novem welcomes the EU Commission's announcement to address the treatment of key components for manufacturing activities in the low-carbon transport sector in future revisions of the regulation.

Since Novem is proactively addressing sustainability regulation, the working group also assessed the Minimum Safeguards. The analysis showed that Novem is already well prepared to fulfil the requirements in the areas of taxation, anticorruption, fair competition and human rights. With the changes in its supply chain management, which will take place this year as part of the preparation for the German Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz (LkSG)), Novem will even exceed the current status of compliance with the Minimum Safeguards in any future EU taxonomy reporting.

Product safety and quality

Our products are not components relevant to safety in the vehicle. Nevertheless, we are committed to high standards of quality and safety along the entire value chain – from planning and manufacturing to the delivery to our customers. We aspire to the highest quality and therefore use high-end materials and modern production processes. Novem has a Quality Management System certified in conformity with IATF 16949 in place at all its locations. This is how we consistently improve our processes and ensure that our products are in compliance with the high quality standards.

All safety and quality aspects are controlled by Central Quality Management, which defines the guidelines applicable to all locations in the Group. Each location has a dedicated Quality Manager that implements all central regulations.

In keeping with our commitment to quality, we process many of our products to a relatively high degree by hand, thereby lending them particular exclusivity. By combining different materials such as wood, aluminium, carbon and premium synthetics and by using renewable raw materials such as flax (linen) and bamboo, we create highly individual, innovative products. In addition, at our *Novem Interior World* design centre, we work on ideas for new and sustainable surfaces.

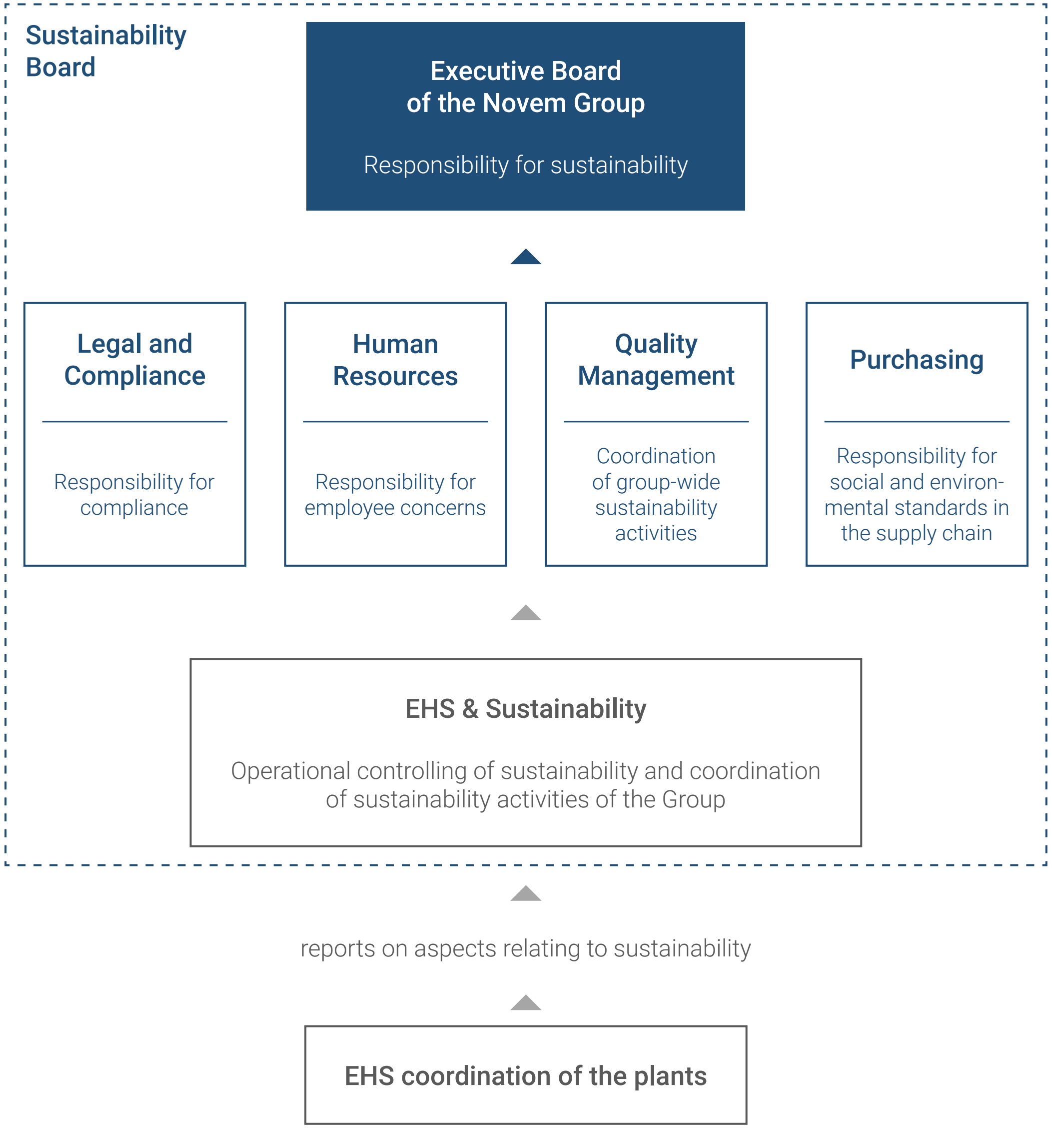
Sustainability management

Social, environmental and sustainable economic responsibility will empower Novem and the entire automobile industry to move forward into the future. The benchmark for this at Novem is provided by customer goals and consumer aspirations, alongside key social developments.

The strategic responsibility for sustainability at Novem lies with the Executive Board, which heads the Sustainability Board of the Novem Group. This body, comprising representatives from the central divisions, decides on the strategic direction in matters of sustainability. For this purpose, it is in constant exchange with the relevant specialist departments and is informed by all departments about sustainability-relevant matters on a monthly basis.

The sustainability agenda for our operational activities is managed by various departments: the EHS & Sustainability team, which is part of Central Quality Management, is responsible for coordinating global activities on the topics of environment, health and safety. The Human Resources department deals with all the concerns and requirements that affect the employees. Compliance with social and environmental standards in the supply chain is the responsibility of Purchasing.

Sustainability organisation of the Novem Group



Integration of stakeholders

As a globally active enterprise, we are in continuous communication with numerous stakeholder groups. These include our existing and potential employees, customers and consumers, suppliers and partners as well as policymakers and members of the general public. We keep our employees constantly informed about all important developments in the Group. We also seek close cooperation with customers, consumers and our suppliers and partners. Besides using digital and analogue media to facilitate communication, we also take the opportunity to meet stakeholders in person at events such as trade fairs and exhibitions. We maintain dialogue with politicians and business leaders, especially within the scope of our membership of numerous associations and initiatives, and we engage in direct communication at a local level.

Our formats for dialogue with stakeholders

Employees: employee newspaper *inside*, intranet *NovemNET*, Family Day, Open Day, website, social media, employee portal

Applicants: cooperation with universities (e.g. OTH Amberg-Weiden, University of Bayreuth), Code of Conduct, job advertisements, website, social media, regional career fairs at institutes of higher education or as organised by supra-regional associations

Customers and consumers: brochures, website, company presentations, corporate videos, roadshows (attendance or digital), personal customer appointments, dispatch of design samples and catalogues, trade fairs and exhibitions (e.g. with other suppliers or partners), presentations at international specialist conferences.

Suppliers and partners: supplier portal, membership of various networks, trade fairs and exhibitions

Politics: associations, direct communication with local representatives

Press and media: reports, website, press releases, social media

Investors and analysts: investor relations website, publications, capital market presentations, conferences, investor relations newsletter, roadshows, calls and meetings

Memberships and partnerships (selection)

- German Association of the Automotive Industry (Verband der Automobilindustrie (VDA))
- Association of the Wood Industry and Plastics Processing Bavaria/Thuringia (Verband der Holzwirtschaft und Kunststoffverarbeitung Bayern/Thüringen e.V.)
- BF/M Research Centre on Business Management for Questions of Medium-sized Companies (BF/M Betriebswirtschaftliches Forschungszentrum für Fragen der Mittelständischen Wirtschaft e.V. (BF/M Bayreuth))
- Federal Association for Supply Chain Management, Procurement and Logistics (Bundesverband Materialwirtschaft, Einkauf und Logistik e.V. (BME))
- Plastics Information Europe (Kunststoff Information Verlagsgesellschaft mbH)
- German-speaking SAP User Group (Deutschsprachige SAP Anwendergruppe e.V. (DSAG))
- VOICE – Federal Association of IT Users (VOICE – Bundesverband der IT-Anwender e.V.)
- ISELED (Intelligent Smart Embedded LED) Alliance
- Driving Vision News (DVN)
- Lüdenscheid Plastics Institute (Kunststoff-Institut Lüdenscheid)
- Partner Circle of the University of Applied Sciences (OTH) Amberg-Weiden
- Partner Duale Hochschule Gera-Eisenach

Determination of material sustainability topics

To identify material topics in the area of sustainability, we carried out an analysis in 2020. In this context, we evaluated a total of 13 topics in terms of their impact on people and the environment (inside-out perspective), taking into account the views of our stakeholders. We extended this analysis in 2021 to include the perspective of business relevance (outside-in perspective). For this purpose, we conducted an online survey among managers who are familiar with sustainability issues at Novem. We combined the results of these two analyses to obtain an initial assessment of the material topics.

In a final stage, the results were discussed, validated and partially adapted by the managers involved. From this, we derived a total of eight topics that can be classified as material both with regard to our impact on the environment and society and in terms of their relevance to our business. These topics were validated by management again at the beginning of 2023.

Material non-financial topics

Material non-financial topics	Chapter	Non-financial aspects according to the Non-Financial Reporting Directive (NFRD)
High-quality Products and Customer Satisfaction Economic Stability Transformation Capability	Business model	Business model
Compliance	Responsible corporate governance	Combating corruption and bribery
Procurement and Supply Chain Management	Supplier management and sustainable procurement	Human rights
Decent Working Conditions and Human Rights	Supplier management and sustainable procurement Employees and society	Human rights Employee matters Social issues
Occupational Health and Safety	Employees and society	Employee matters
Energy and Emissions	Climate protection	Environmental concerns

COMPLIANCE

Responsible corporate governance

Value-based action is the foundation for our global business activities. One of our four core values is *responsibility*. In concrete terms, this means that we take responsibility for the impact of our business and always consider our stakeholders' expectations. Conscious and ethically correct behaviour towards employees, colleagues, business partners, society and the environment is an essential component of Novem's system of values. Each and every individual is required to act responsibly, fairly and in accordance with the rules.

The foundation of our actions

As a global player and a partner of leading automotive manufacturers in the premium segment, we are subject to many different statutory regulations and the high standards prevailing in the automobile industry. We are committed to complying with the regulations in place and we take responsibility for our actions. Our Quality Management has been certified in conformity with IATF 16949. This international standard based on EN ISO 9001 combines existing general requirements for Quality Management Systems in the automobile industry.

We have defined how we live up to our responsibility throughout the Group in our Code of Conduct, which defines key statutory regulations, ethical principles, values and ideals, along with internal and external guidelines for integrity of conduct. It applies equally to all the employees, management staff and executive managers working at the Novem Group, as well as to the Supervisory Boards elected at the individual companies. We also expect our business partners, suppliers and sub-suppliers to act in accordance with the principles defined therein. Any breach or violation of those principles can be reported by internal or external persons via our web-based whistle-blower system, which can be used to submit reports anonymously and in encrypted form. These are then examined by the Corporate Legal and Compliance department and, where necessary, result in corrective measures being taken in close coordination with the specialist units and the management under strict confidentiality. We are not aware of any violations of the Code of Conduct principles in this reporting year.

Our commitment to universally valid human rights and recognised social standards constitutes the basis of our own corporate actions and our cooperation with suppliers and partners. Therefore, the Code of Conduct reflects the principles relating to human rights and decent working conditions in accordance with the United Nations Charter of Human Rights and the International Labour Organisation Declaration on Fundamental Principles and Rights at Work. Furthermore, the Code of Conduct adopts the content of various national regulations on conflict minerals as its guideline for a responsible procurement policy. The protection of the environment is likewise part of our Code of Conduct. As a result of the recent changes, our entire value chain is committed to ensuring compliance with all environmental regulations and further measures for continuous improvement of environmental and energy efficiency.

Elements of the Novem Code of Conduct

- Compliance with applicable laws on a local, national and international level
- General principles of conduct
- Working conditions and human rights
- Dealings with business partners and third parties
- Competition and corruption
- Protection of property
- Data privacy and data security
- Protection of the environment
- Communication and financial responsibility

Compliance

Conduct in accordance with integrity and statutory legislation forms the basis for our business operations. We have clearly formulated the ground rules for this behaviour in our Code of Conduct. Novem upholds fair and undistorted competition involving compliance with the relevant competition and antitrust regulations. Each employee at Novem is responsible for acting in accordance with these principles. Our employees are supported and advised by the relevant supervisors.

Novem manages the issue of compliance through the Corporate Legal and Compliance department, which reports directly to the Management Board. Compliance Management provides support for adherence to ethical conduct in conformity with statutory regulations in the course of routine day-to-day business and also ensures integrity at organisational level. For this purpose, Compliance Management works closely with the specialist departments and operational business units. Furthermore, local compliance partners are available to provide advice at all locations throughout the world. Employees and external business partners alike can report any breaches or infringements of these principles by telephone, email or via the web-based whistleblower system on our website www.novem.com.

Our Compliance Policy gives our employees concrete guidelines for acting in accordance with the rules and regulations. This document can be accessed at any time on the intranet. In the reporting year, we provided further training on the content of the Code of Conduct, on the issue of anti-bribery as well as on IT and information security and data privacy, each with high participation rates of well beyond 90%. We continue to provide all relevant employees with annual training on these topics. We are not aware of any incidence of corruption in the reporting year.

At regular intervals, we conduct workshops with the specialised departments to provide ongoing training on selected compliance-relevant topics. This business year, we held regular training sessions on competition and antitrust law for the relevant employees of the Purchasing, Sales, Quotation Management and Research and Development departments. These trainings help to sensitise our employees with regard to dealing with partners and suppliers with integrity and in compliance with the law.

As a matter of principle, we record potential corruption risks as part of our compliance risk management and assess them in terms of probability and damage consequences. In the reporting year, we also launched compliance risk workshops and analyses, first at our central office and then at all locations worldwide. The first round of these workshops is expected to be completed by mid-2023. The findings of the workshops will be integrated into the group-wide compliance management system in the future.

Risk management

Novem deals with any and all risks that may exist or arise from and for its business activities within the framework of its central risk management in the Controlling department. We intend to continuously improve this risk management to match the growth of the Group, for example, by also integrating sustainability aspects. This involves analysing matters such as transitory risks resulting from new statutory legislation and regulations on climate protection, such as the introduction of a CO2 tax or a ban on diesel vehicles in large cities. We also take technological innovations into account. From today's perspective, there are no ESG-related (Environmental, Social, Governance) risks or opportunities associated with Novem's own business activities, business relationships or products and services that could have a significant negative impact on the non-financial aspects in accordance with the NFRD. In the business year 2022/23, we integrated the *EcoVadis IQ* application into our Supplier Quality Management system. We intend to use this tool for ESG risk assessment for our own business area as well as the downstream value chain, among other things, to fulfil the obligations of the German Supply Chain Due Diligence Act (LkSG).

Taxes

As we operate globally, we are confronted with a wide range of complex tax regulations in the many countries we do business in. The Novem Group and its companies have both unrestricted and restricted tax liability in various countries. Complying with the applicable tax laws and meeting the associated tax obligations is part of our fundamental principles.

The Management Board at Novem is responsible for compliance with tax obligations. Based on the allocation of business activity, this responsibility is part of the remit of the Vice President Accounting and Tax. Continuous communication and consultation take place with all the stakeholder groups with an interest in this matter. Novem is regularly audited by the tax authorities in various jurisdictions. There is a regular exchange of information with the responsible local and national tax authorities. Within the Group, we constantly identify and assess tax risks on the basis of management and controlling systems. The Vice President Accounting and Tax reports to the Management Board on important tax issues and projects on a monthly basis. If complex decisions must be made, expert reports and opinions are obtained from outside the company. We shall make the area of Corporate Tax even more efficient by further developing process-oriented checks and balances.

Data protection and information security

Data protection and the confidentiality of information are fixed elements of our corporate principles. We consistently comply with the relevant laws and regulations on data protection whenever we collect, store, process or transfer personal data and information.

The protection of confidential and secret data is absolutely essential, particularly in cooperation with our business partners. When we exchange confidential information with customers and suppliers of Novem, we conclude appropriate non-disclosure agreements to protect the secrecy of this information. To live up to its responsibility, Novem has a dedicated IT and information security team that is made up of representatives from IT Security and Compliance. We have also established a central notification office at Novem

CONTENTS
1 TO OUR SHAREHOLDERS
2 NON-FINANCIAL REPORT
3 GROUP MANAGEMENT REPORT
4 CONSOLIDATED FINANCIAL STATEMENTS
5 ANNUAL ACCOUNTS
6 ADDITIONAL INFORMATION

for IT issues and malfunctions relevant to security. The Novem Group is also supported by an external Data Protection Officer.

To safeguard the necessary IT and information security, Novem has established a certified information security management system in accordance with the TISAX Standard (Trusted Information Security Assessment Exchange). This is based on the DIN EN ISO 27001 standard. In this context, we have implemented and tested technical and organisational measures. These are reviewed, improved and renewed continuously. After recertification in Vorbach in the previous reporting period, we also successfully carried out the planned certification in Atlanta (USA), Langfang (China) and Querétaro (Mexico) in conformity with TISAX in financial year 2022/23; this will remain valid until November 2025. Beyond that, we also continue to internally assess all plants and locations regarding IT and information security.

Each employee has an obligation to deal responsibly with personal data in compliance with the relevant statutory regulations and to protect confidential information. We have therefore summarised all provisions under data protection legislation and regulations on IT and information security in relevant guidelines. Online training sessions are used to provide our employees with information on the topics of data protection and IT and information security at regular intervals. In the reporting year, well beyond 90% of employees with PC workstations at the European locations took part in online training on data protection.

SUPPLY CHAIN

Supplier management and sustainable procurement

In view of the wide variety of materials we use, our value chain is highly diverse. It is therefore all the more important that we build stable, trusting and long-term relationships with our partners. This is the basis for purchasing materials that meet our demanding quality requirements. Close partnerships also enable us to respond rapidly to changing and more stringent requirements.

The supply chain at Novem

Novem maintains a global network of around 420 suppliers for the procurement of production materials. This includes small family-run companies as well as large corporations. During the reporting year, we purchased goods valued at €344 million for production. The largest product groups in terms of sales include untreated, galvanised and painted plastic parts, electrical components, surface materials, granules, aluminium panels and veneers. These account for around 82% of the total procurement volume.

Purchasing at Novem is carried out centrally on the basis of product groups. In addition, local Purchasing departments also provide support in the procurement of goods. The procurement strategy at Novem provides for sourcing the necessary materials for series production from national suppliers wherever possible. This enables us to reduce the risk of delivery bottlenecks, avoid long transport routes and promote the local economy. However, the high requirements placed on our products by our customers mean that this is only feasible to a certain extent in some countries. Novem improved the share of local sourcing by four percentage points to 44% compared to last year; the figure is 66% in the case of auxiliary and process materials.

Guidelines for procurement

The Novem Code of Conduct defines basic requirements that we apply to cooperation with our suppliers, such as the prohibition of child labour, respect for human rights, commitment to freedom of association and compliance with environmental regulations. In the reporting year, we were not aware of any infringements of these requirements throughout the Novem supplier network. In the course of supplier management, we review compliance with the Code of Conduct on a random basis. Suspected breaches can be reported to our Central Compliance Management either by internal personnel or by external parties. Business partners, suppliers and third parties can also submit reports via our web-based whistle-blower system. If infringements of the Code of Conduct are substantiated, Novem requires immediate compliance and reserves the right to apply sanctions as appropriate (e.g. new business on hold), even including termination of the business relationship.

We describe concrete, group-wide standards for our supplier relationships in our Supplier Manual. These include quality, environmental and health protection and compliance with the principles set out in our Code of Conduct. Against this background, we expect our suppliers to have an energy management system in place, implement the EU Chemicals Regulation (REACH), confirm the exclusion of conflict minerals and use reusable packaging.

Environmental and social standards

The Novem supplier network extends across many countries, which often have differing requirements in environmental and social matters. Naturally, we always comply with national legislation in these areas. Wherever our internal rules transcend the relevant statutory regulations, we apply our higher standards. We have established the social and environmental requirements applicable to our suppliers in the group-wide Novem procurement conditions, the Supplier Manual and the Code of Conduct. All Novem employees receive annual training on the Code of Conduct, which includes human rights in our value chain.

Novem requires all new suppliers of series materials to confirm compliance with the Code of Conduct and Supplier Manual. In line with these requirements, new suppliers can only be integrated into the system if they have made a commitment to compliance with the Code of Conduct. Environmental management is also an important aspect when selecting new suppliers. Certification of specific suppliers in conformity with ISO 14001 and ISO 50001 has therefore been defined as an objective. Relevant suppliers are determined each year on the basis of an assessment of the manufacturing processes for the supplied products.

The certification is included in the annual supplier assessment. Currently, 88% of the largest suppliers of series materials in terms of purchasing volume comply with the ISO 14001 standard and 57% comply with the ISO 50001 standard. Failure on the part of a supplier to comply with this requirement has a negative impact on the supplier assessment in accordance with IATF 16949. As of financial year 2021/2022, the evaluation of suppliers of relevant product groups will also take into account whether they have a certified occupational health and safety management system in place in accordance with the ISO 45001 standard.

In 2022, we successfully continued to evaluate our suppliers by EcoVadis platform. 74% of our suppliers based on the annual turnover had been evaluated by the end of financial year 2022/23. Our original target to evaluate 90% of suppliers by June 2024 is still valid. The Corporate Social Responsibility (CSR) assessment is incorporated into the general supplier assessment.

We have implemented the *EcoVadis IQ* tool as part of our risk-based approach as required by the German Supply Chain Due Diligence Act (LkSG). We consider the risk of human rights violations in our supply chains to be very low since the majority of our suppliers are renowned and globally active certified companies in the automotive industry.

EMPLOYEES AND SOCIETY

Decent working conditions

Our most important asset is our employees with their knowledge, their motivation and their commitment. The health and safety of our employees is our top priority. Our commitment to this objective is set out in our corporate policy. We offer all our employees at Novem a working environment based on fairness and trust, irrespective of the location. Our overarching personnel strategy is therefore based on the universally applicable corporate values of the Novem Group: *Responsibility*, *Excellence*, *Innovation* and *Commitment*.

Our way of working together across all locations is defined in our Code of Conduct. To safeguard the standards and principles for personnel work in the interests of the Group, human resources at Novem are managed both by the central office as well as decentrally so that all employees can be offered the best possible support and development at a local level. Every employee has a defined local contact whom they can consult for their issues and concerns. We promote international communication through an annual worldwide HR Conference, which was unable to take place in 2022 due to the pandemic but is planned for 2023.

At our locations across the world, a total of 5,488 people were employed at the end of the financial year 2022/23. During this period, we were able to recruit a total of 1,161 new employees.

The undesired fluctuation rate among employees was around 3.5% for the central office in the reporting year (PY: 3.2%). To keep this fluctuation at a low level, we are increasing our efforts to develop up-and-coming junior staff and are focusing our human resources work on further training for managers. Furthermore, the undesired fluctuation rate in the central office was included in the HR goals on a management level to increase the focus on this figure and to ensure we pay more attention to the reasons why employees decide to leave us. This information is gained through exit interviews and analysis with superiors. Where recommendable, we are also applying an instrument that allows us to detect the risk of employees leaving at an early stage. The findings are used to define further actions to prevent undesired fluctuation.

Employees by region and gender at the Novem Group

	FY 2020/21	FY 2021/22	FY 2022/23
Total for Europe	**3,010**	**2,969**	**2,893**
Of which female	43%	44%	44%
Of which male	57%	56%	56%
Total for Americas	**1,958**	**1,842**	**1,807**
Of which female	42%	44%	46%
Of which male	58%	56%	54%
Total for Asia	**749**	**729**	**788**
Of which female	37%	35%	36%
Of which male	63%	65%	64%
Total worldwide	**5,717**	**5,540**	**5,488**

Dialogue and communication

Our common purpose includes our commitment to collective freedom of association. We therefore promote close cooperation with employee representatives at the various levels. Taking account of employees' interests is anchored in our Code of Conduct and applies equally across all our locations. Over the reporting period, there were no business locations where the right to freedom of association and collective bargaining was infringed or put at risk.

The form of direct and indirect participation of employees at Novem varies depending on country and location. In Germany, the Works Constitution Act regulates the corporate co-determination of employees. We also cooperate on the basis of mutual trust with the individual local works councils at each location. The economic situation of the business is regularly discussed on the Economics Committee. Potential changes for the workforce are always discussed with the works council. We inform our employees in good time of any operational changes that may impact them by posting notifications on the bulletin board and on our intranet *NovemNET*. In the case of time-limited collective bargaining agreements and company agreements, we approach the respective contractual party in good time to initiate the conclusion of new agreements as necessary.

We are also committed to cooperating with employee representatives at our international locations, for example, with the local unions in Bergamo (Italy), Querétaro (Mexico) and Žalec (Slovenia). Our approach is guided by mutual respect and trust, and we work towards arriving at solutions to issues and challenges that adequately accommodate the interests of all parties involved.

Attractive employer

We offer our employees a working environment that also rewards their performance in financial terms. We provide performance-based compensation systems worldwide by means of bonus systems that we have established in the individual countries. In Germany, around 90% of all employees are remunerated under collective bargaining agreements. Furthermore, there are non-payscale components that take account of the individual operational situations in the various departments.

Our compensation package is complemented by additional benefits. In Germany, we fund the company pension plan for our employees. Furthermore, we offer them capital-forming benefits under the collective bargaining agreement. We also take account of the changing needs of our employees and support a healthy work-life balance for combining career and family. We therefore support flexible working models and offer individual solutions in consultation with our employees.

Likewise, at our international locations, we provide our employees with remuneration packages that frequently extend beyond the local statutory regulations. For example, Novem enables numerous employees in Mexico and Honduras to obtain health and life insurance. Novem also offers employees in these two countries financial benefits such as vacation and Christmas bonuses in addition to the statutory requirements.

Number of employees on parental leave

	FY 2020/21	FY 2021/22	FY 2022/23
Number of employees in Germany	1,309	1,329	1,271
Of which female on parental leave	12	14	31
Of which male on parental leave	25	40	36
Total	**37**	**54**	**67**

With our attractive conditions, we aim to retain our staff and attract new employees. This is increasingly important in view of the challenges on the labour market: demographic change and the associated shortage of skilled workers are also having an impact on Novem – especially when it comes to filling vacant positions. It is becoming particularly difficult to find specialists, especially in the fields of engineering and IT. To address new talents under these conditions, we are extending our personnel marketing activities to social media as part of a pilot project. In September 2022, we launched our Instagram account, which gives insights into working at Novem, the benefits we provide our employees and how we understand teamwork. This is, on the one hand, a platform to show and remind our own employees what Novem is providing. On the other hand, this allows us to better reach younger target groups, such as trainees, participants in dual study degree programmes and career starters. From September 2022 until the end of the financial year 2022/23, we created 66 posts and gained more than 470 followers.

Health and safety

We protect the health and safety of our employees through a comprehensive health and safety management system. The topics of workplace safety and health protection throughout the Novem Group are managed by the central EHS Team, which is integrated within Central Quality Management. In addition, each site has an EHS Officer that implements the central objectives and goals.

Novem has defined multilocational processes in the guideline for health and safety in order to comply with statutory requirements for health and safety. Novem has introduced a certified occupational health and safety system in conformity with ISO 45001 in the financial year 2022/23. In 2022, the German locations in Vorbach and Eschenbach as well as the production sites in Langfang (China), Querétaro (Mexico) and Žalec (Slovenia) were successively certified; the production site in Pilsen (Czech Republic) is scheduled to follow in 2023. All production sites worldwide are to be certified by 2025.

Safety in the workplace

We aim to comply with the legal requirements for health and safety. Furthermore, we want to contribute to improving systems and take appropriate action to prevent accidents from occurring. At Novem, we focus on the correct handling of hazardous substances such as paints, coatings and finishes.

The basis for hazard- and accident-free work is our risk assessment process. This is holistically designed and thus covers all the key steps: hazards are determined, the level of risk is assessed and protective measures

CONTENTS
1 TO OUR SHAREHOLDERS
2 NON-FINANCIAL REPORT
3 GROUP MANAGEMENT REPORT
4 CONSOLIDATED FINANCIAL STATEMENTS
5 ANNUAL ACCOUNTS
6 ADDITIONAL INFORMATION

are defined on this basis. The method is strictly regulated and takes national, international and Novem-specific requirements into account. This ensures an overall view of the workplace while at the same time guaranteeing the highest possible level of safety. It can therefore be applied to all Novem locations and is correspondingly implemented everywhere. We review and update the risk assessments at regular intervals, for example, when new work resources are introduced, new conditions come into force in the workplace, in response to accidents or in order to assess existing protective measures.

We consistently involve all our employees in matters related to workplace safety. Employees must immediately inform their supervisors of work-related risks or hazardous situations. As part of the occupational safety committee meetings held on a quarterly basis at our German locations, we provide an opportunity for employee and employer representatives to discuss current issues relating to health and safety. Similar meetings are also held at our international locations.

We also provide our employees with training on occupational safety matters at regular intervals. We make use of digital training methods and practical instruction sessions at relevant potential hazard points. The training sessions are prepared and carried out by the relevant EHS departments, partly in cooperation with the specialist departments. Our employees in administration at the Group's central office receive annual safety briefings.

We ensure that all third-party subcontractors can work as safely as possible at Novem locations. A leaflet provides them with information about all applicable location-specific regulations, with instructions on workplace and plant safety, fire prevention and environmental protection. At the same time, we expect our suppliers to comply with all the statutory and country-specific regulations and plant-specific rules at Novem.

Health promotion

In addition to workplace safety, we also actively promote the health of our employees. A central component of this is our integrated Company Healthcare Management (CHM), which extends beyond the statutory requirements. It comprises numerous measures for basic medical care and preventive health care.

All Novem employees have access to an occupational health service. Each of our locations has its own company doctor, for example, who carries out all functions under the workplace safety laws and participates in tours of inspection to assess ergonomic conditions. The locations of Tegucigalpa (Honduras) and Querétaro (Mexico) have a medical service that also carries out the functions of basic medical care. At the German sites and at many locations abroad, flu and Covid-19 vaccinations are also offered directly on-site through the occupational healthcare service.

Indicators for health and safety at the Novem Group

per 1 million hours worked	FY 2020/21	FY 2021/22	FY 2022/23
Number of occupational accidents with a period of absence	92	72	77
LTIF (Lost Time Injury Frequency)	8.1	6.8	7.0
Number of fatal occupational accidents	0	0	0

1 TO OUR SHAREHOLDERS
2 NON-FINANCIAL REPORT
3 GROUP MANAGEMENT REPORT
4 CONSOLIDATED FINANCIAL STATEMENTS
5 ANNUAL ACCOUNTS
6 ADDITIONAL INFORMATION

Equal opportunity and diversity

We support a work environment that promotes diversity and guarantees equal opportunities and equal treatment, irrespective of ethnic background, skin colour, gender, disability, beliefs, religion, nationality, sexual orientation or social origin. These principles are defined in our Code of Conduct.

The Novem Group is opposed to all forms of discrimination. Every superior is urged to be the first point of contact for possible cases of discrimination. Internal and external notifications and infringements can also be reported in confidence using the installed whistleblower system or by email to Corporate Legal and Compliance. Furthermore, any employee affected can consult the relevant works council. No cases of discrimination became known at Novem in the reporting year 2022/23.

We support the principle of equal opportunities and equal treatment. We pay our employees the same remuneration for equivalent work irrespective of gender. Across the world in 2022/23, the proportion of women on the highest level of management at Novem, which reports directly to the Management Board, was around 25% (PY: 29%). The share of women on the Management Board was 25% until August 2022; however, it decreased thereafter to 0% after a change in personnel. The share of women on the Supervisory Board is 20%.

We are also committed to enthusing young women for technical vocations and study courses, for example, in wood technology or mechanical engineering. As part of this initiative, Novem participated in *Girls' Day* in 2022 and will take part again in 2023. We can also report a balanced gender ratio among the participants in our dual study degree programmes.

Inclusion also plays an important role at Novem. During the year under review, we exceeded the statutory quota in Germany for employing people with disabilities by around 20% (PY: 20%). In Vorbach, we continue to enable cooperation with the social services organisation *Lebenswerk* in Bayreuth. People with disabilities are employed at our plant, which promotes their social participation.

Commitment to society

Novem sees itself as part of society. Consequently, we also want to shoulder responsibility beyond the boundaries of our Group and play our part in contributing to the sustainable development of the communities at our locations for the future. We make our contribution to a sustainable society above all in the form of cash and in-kind donations, but we are also actively involved with the communities we operate in. The donation and sponsoring volume for the financial year 2022/23 amounted to approximately €40,000. In accordance with our business principles, all activities were evaluated and approved by the Management Board.

Our donations and sponsoring focus on the promotion of local and regional facilities, associations and organisations at the individual sites where the Group is located. Our mission is to strengthen social, cultural and community life. The donations are typically carried out as financial payments. We support organisations such as the *SOS Children's Village*, *the Red Cross*, hospitals and public organisations in the local communities such as nurseries, fire brigades and football clubs. In the financial year 2022/23, for example, we supported the outdoor youth facility *Waldjugend Eschenbach* in reforesting a section of forest near Eschenbach by planting 4,500 trees over an area of more than 10,000 sqm.

ENERGY AND EMISSIONS

Climate protection

In our corporate policy, we define environmental protection, energy-saving and careful use of resources as part of our self-image. For us, the efficient use of energy in combination with the reduction of our greenhouse gas emissions is essential.

Group-wide responsibility for environmental concerns rests with the EHS Team, which is part of the Central Quality Management department. Each location also has one or more EHS managers responsible for implementing and monitoring central regulations and site-specific measures. They are appointed by the facility management and in agreement with the central EHS Management at the Novem Group. Group-wide targets are also set annually by the central EHS department in cooperation with the Management Board, on the basis of which the Novem locations define their own environmental targets and action plans.

All Novem production sites worldwide have certified environmental management systems in conformity with ISO 14001. This also extends to the identification of potential negative impacts. To record these throughout the individual stages, we have carried out a mandatory impact assessment at all our sites every year since 2009 in order to derive appropriate group-wide targets and measures. For each individual category of relevant environmental impact – including waste, water and emissions, for example – the severity and probability of occurrence are assessed along with the applicable legal framework.

The respective EHS coordinator reports the environmental impacts to the respective plant manager and the central EHS manager on a regular basis. We also actively monitor ESG-related risks and opportunities and furthermore all relevant regulatory environmental risks that impact our business. We monitor international and national environmental legislation as well as customer-specific requirements, for example, along with other regulations in order to preclude possible violations (Sustainability organisation of Novem).

Energy consumption

As a manufacturing company, the various stages in our production processes consume a considerable amount of energy. Most energy is used in surface manufacture, injection moulding, pressing and milling operations. Electricity and natural gas are the main energy sources used.

All energy management systems at our German facilities are certified in conformity with the ISO 50001 standard. To further extend our management system, we included our plant in Žalec (Slovenia) in the ISO 50001 certification in the financial year 2021/22. Novem also has an energy audit system at the European sites Bergamo (Italy) and Pilsen (Czech Republic) in conformity with ISO 16247.

In cooperation with the EHS coordinators at the plants, our central energy manager constantly reviews our overall energy consumption and the associated savings potential. At our sites in Vorbach and Eschenbach, we use an external energy data recording system for this purpose. In the course of implementing the ISO 50001 standard, this system was also installed at our location in Žalec. Further extension is planned at more plants for the coming business year. Our site in Mexico uses the Schneider metering system, in accordance with federal regulations.

When any new infrastructure is put in place or the manufacturing process is upgraded, modern and efficient technology is a top priority. This includes, for example, the installation of energy-efficient heating systems, air-heating pumps and LED lighting. We also implemented numerous new measures in the financial year 2022/23, which resulted in the following reduction in energy consumption (in kWh):

- **Bergamo plant:** Reduction of exhaust gas combustion by -10% through optimisation of shift models (-12,848 kWh)
- **Langfang plant:** revision of the piping system in exhaust gas combustion (-168,000 kWh)
- **Querétaro plant:** Optimisation of system on/off times in production (-170,990 kWh)
- **Pilsen plant:** Extension of open-space cold water-cooling system (-399,878 kWh)
- **Tegucigalpa plant:** Optimisation of exhaust gas combustion resulting in reduction of required filter capacity (-141,254 kWh), adjustment of the shift model (-225,000 kWh)
- **Žalec plant:** compressor replacement (-209,670 kWh), technical optimisation of the water-based paint booths (-76,608 kWh)
- **Vorbach plant:** Optimisation of the supply and exhaust air system in the laboratory area (-118,342 kWh)
- **Eschenbach plant:** Reduction of oil consumption through targeted shutdown in the summer months (-18,963 kWh), optimisation of system on/off times in production (-11,284 kWh)

Conventional lighting was replaced by LED technology in all plants (-605,890 kWh).

Energy consumption within the Novem Group by energy source

in kWh	FY 2020/21	FY 2021/22	FY 2022/23
Consumption of non-renewable fuels (oil and gas)	30,470,022	28,904,293	29,226,510
Electricity, heat and cooling energy and steam purchased for consumption, individually (electricity and district heating)	110,972,929	116,629,474	116,770,473
Total energy consumption	**141,442,951**	**145,533,767**	**145,996,983**

Energy intensity at the Novem Group

	FY 2020/21	FY 2021/22	FY 2022/23
Total consumption (in kWh)	141,442,951	145,533,767	145,996,983
Produced components	26,822,984	28,562,299	29,037,179
Energy intensity ratio (kWh/component)	**5.3**	**5.1**	**5.0**

Greenhouse gas emissions

We cause greenhouse gas emissions as a result of energy consumption at our production facilities. Emissions are also generated within our value chain in the course of our upstream and downstream activities. By continuously reducing our emissions, we aim to reach greenhouse gas neutrality in our German sites by 2025, in our European sites by 2030 and worldwide by 2035, and in doing so, help meet the target set by the Paris Agreement[1].

1 The Agreement of the UN Climate Change Conference (COP21) in Paris is a legally binding international treaty that obliges all nations to substantially reduce greenhouse gas emissions to limit the global temperature increase to 1.5°C above pre-industrial levels.

Since 2019, we have been using environmental footprint software from Sphera to determine our annual emissions. We record all the relevant climate gases[2] to determine CO2 equivalent values (CO2e). This calculation is based on the requirements of the Greenhouse Gas (GHG) Protocol. A distinction is drawn here between direct (Scope 1), indirect (Scope 2) and other indirect greenhouse gas emissions (Scope 3). Scope 1 emissions at Novem result, for example, from the combustion of fuels at our sites and from the fuel consumption of our own fleet of company cars. The overwhelming proportion of Scope 1 emissions at our own production facilities is due to the use of natural gas and heating oil. Our Scope 2 emissions are attributable to energy production at our electricity suppliers. The other indirect emissions – in the category of Scope 3 – are due to activities in the supply chain related to activities such as the production of raw materials or the manufacture of intermediate products. Currently, we systematically record only Scope 1 and Scope 2 emissions from our prioritised emission sources. Since 2022/23, we have started recording defined Scope 3 emissions from the German sites in Vorbach and Eschenbach with an external partner. We are planning to start reporting the defined Scope 3 emissions for the respective sites from financial year 2023/24. The accounting will be carried out in accordance with the Corporate Accounting and Reporting Standard of the Greenhouse Gas Protocol. Based on the results of the assessments, reduction potentials are to be identified and measures for reducing emissions are to be defined. Our aim is to obtain the *Climate Neutral Company* label for the German sites by 2025. In the future, we intend to apply the accounting methodology used at the German sites to other sites as well.

2 These include CO2, CH4, N2O, HFCs, PFCs, SF6, NF3 and all other volatile compounds from their chemical constituents.

In the reporting year, our Scope 1 and Scope 2 emissions increased by 7.2% above the levels of the previous reporting year. This is largely due to the normalisation of business after the pandemic. The Scope 1 emissions of the Novem Group amounted to 11,559 t CO2e. This is mainly due to the more accurate recording of emissions data of the refrigerants. Furthermore, a slight increase in production output and business travel also influenced the effect on Scope 1 emissions. There was also an increase of 5.5% in Scope 2 emissions compared to the previous year to a total of 67,269 t CO2e. This can be attributed on the one hand to the Ukraine war and the resulting changes in global energy supply, and on the other hand to the significant expansion of our production output and the associated increase in demand for electrical energy.

Our efforts are intended to meet the increasing requirements of our customers that we expect in future. In view of this situation, Novem is currently reviewing the various opportunities for effectively reducing its emissions. These include, amongst others, sourcing green electricity. We are also currently testing a new system to calculate our emissions in our logistics chain, the results of which will allow us to plan more efficient transport routes.

In order to continuously reduce our emissions, we are planning effective climate protection measures at our locations, which will be defined within this financial year. These measures could include converting our heating system to renewable energy and installing photovoltaic power plants. We also intend to offset greenhouse gas emissions by promoting regional and supra-regional environmental projects. We used the reporting period to examine the global market of environmental and green power projects for suitable cooperation partners.

Scope 1 – direct GHG emissions at the Novem Group

in tonnes	FY 2020/21	FY 2021/22	FY 2022/23
Natural gas	5,598	5,484	5,652
Heating oil	2,575	2,193	2,162
LPG	-	391	272
Refrigerants	-	577	2,018
Fuels (company car fleet) incl. flights	533	1,159	1,456
Total Scope 1 emissions	**8,705**	**9,803**	**11,559**

Scope 2 – indirect GHG emissions at the Novem Group

in tonnes of CO2 equivalents	FY 2020/21	FY 2021/22	FY 2022/23
Power[1]	61,255	63,762	67,269
Total Scope 2 emissions	**61,255**	**63,762**	**67,269**

1 The market-based method was applied for this calculation; value for FY 2022/2023 by location-based method: 68,565 t CO2 equivalents.

Scope 1 & 2 – Greenhouse gas emission intensity at the Novem Group

	FY 2020/21	FY 2021/22	FY 2022/23
Total GHG emissions (in tonnes)	69,960	73,565	78,828
Produced components	26,822,984	28,562,299	29,037,179
GHG emission intensity (t CO2 equivalent/component)	0.00261	0.00258	0.00271

CONTENTS
1 TO OUR SHAREHOLDERS
2 NON-FINANCIAL REPORT
3 GROUP MANAGEMENT REPORT
4 CONSOLIDATED FINANCIAL STATEMENTS
5 ANNUAL ACCOUNTS
6 ADDITIONAL INFORMATION

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3 Group Management Report

CORPORATE STRUCTURE AND BUSINESS ACTIVITIES

Novem Group S.A., Luxembourg, formerly Car Interior Design (Luxembourg) S.à r.l., hereafter also referred to as the "Company", is a public limited liability company (Société Anonyme) incorporated in Luxembourg and governed by Luxembourg Law. The registered office is 19, rue Edmond Reuter, L-5326 Contern, Grand Duchy of Luxembourg.

Novem Group S.A. is the parent company of the Novem Group (hereinafter also referred to as "Novem" or the "Group"). To ensure and maintain proximity to customers, the Group has a global presence with 12 locations in China, Czech Republic, Germany, Honduras, Italy, Luxembourg, Mexico, Slovenia and USA. The financial year of the Group is a 12-month period from 1 April until 31 March of the following year.

As the global market leader in high-end interiors, the Company and its subsidiaries operate as a developer, supplier and system supplier for trim parts and decorative functional elements in vehicle interiors. The products combine valuable raw materials with the latest technology and processing. The customers include all major premium carmakers worldwide. The Group has an extensive exclusive product portfolio of instrument panels, impact-resistant trim parts in the centre console, door trims, beltlines and decorative functional elements in the car interior. Premium materials are used to ensure high quality standards. The surfaces are versatile, ranging from fine woods, aluminium and carbon to premium synthetics or leather, and present a different feel depending on the selection.

For more than 70 years, the Group has successfully used wood as raw material, which has helped the Group become the world leader in fine woods through high quality and natural processing. With the help of new technologies, material combinations and surface finishes, there is a steady and consistent refinement of the processing of this raw material. Trims made of veneers are synonymous with exclusivity, as the natural growth and individual grain of the wood as raw material are unique.

The processing of lightweight metal aluminium is carried out through production processes that preserve the feel of this material. The trims are printed, painted, brushed, polished, galvanised or anodised using advanced processes. This creates surfaces that convey a feeling of sporty elegance and modernity in the vehicle interior.

Carbon is seen as the material of the future. Due to its lightweight, it is particularly suitable for fast, dynamic and energy-efficient driving. Furthermore, as a material made of carbon fibres, carbon entails the attributes of impact resistance and temperature resistance. Through high quality lacquering, priming and polishing processes, its premium finishing creates special 3D effects giving an impression of depth.

Premium synthetics enable versatile design and processing options. A variety of optical effects can be achieved through creative processing techniques. Modern injection moulding processes such as 2K technology ensure excellent profiling and customer-oriented adjustment.

Using novel materials such as rattan, linen or fibreglass, the Group creates a new atmosphere in the vehicle interior. In combination with light, this is how the Group trendsetting designs are created.

The special material properties not only directly influence the design and atmosphere of the interior, but are also specifically selected according to the criteria of sustainability, reduced weight and economy.

Due to expert knowledge in handling different materials, the Group is able to meet customer requirements at the desired level, as in the past. In order to continuously evolve further in terms of interior design, the Group always uses materials in an innovative manner. This is also underlined by the certification of the Group plants according to IATF 16949 as well as DIN EN ISO 14001 and DIN EN ISO 5001. This ensures environmentally friendly production for the customer, combined with up-to-date quality and environmental requirements.

KEY EVENTS

Novem's second year as a listed company was shaped by a persistently challenging market environment, impacted by multiple factors, including the Ukraine war, inflationary pressures and inefficiencies. Nonetheless, Novem was able to demonstrate its resilient business model through operational flexibility and adaptability.

Although the Ukraine war had no direct impact on Novem, it did indirectly through second-round effects. Tightened restrictions in export control processes, political and economic sanctions against Russian entities and huge barriers for importing or exporting goods between and through the war zones and the European Union or other third countries led to massive supply chain disruptions and rising transport costs. On top of that, a shortage of truck drivers in the EU area led to further aggravation of the transport situation. As a result of restrictions on gas supplies from Russia to the EU, energy prices have increased significantly, with the highest impact seen in Germany. However, the introduction of a price cap by the German government brought some easing. Also, the supply of strategic raw materials has been restricted and therefore became more expensive. One of the main issues was the shortage of electronic components and semiconductors, which led to production difficulties and had a major impact on the supply chain. Supply bottlenecks and inflationary pressures subsequently impacted call-offs, which remained volatile and continued to lead to inefficiencies in managing staff and production utilisation. In order to optimally incorporate scarce resources into production, the OEMs focused primarily on manufacturing premium vehicles, which proved advantageous for Novem due to its premium focus. However, the reduced production numbers directly impacted the Group's annual sales. Due to the increased energy and raw material costs, it was unavoidable for Novem to pass on part of the additional costs to the OEMs.

As the war in Ukraine affected the prices of commodities and goods worldwide and in particular in the EU, this led to high inflation rates far from the targets published by the central banks (e.g. ECB +2.0%). While the US Federal Reserve reacted to this development in March 2022 with significant steps, it took the ECB until the end of July 2022 to increase the prime rate. The discrepancy in timing and different expectations regarding inflation rates in the US and EU led to a strong development of the US Dollar compared to other currencies, eventually resulting in a US Dollar to Euro below-par situation. The last time such a value was reached dates back to 2002. With increases in the interest rate and a maintaining high inflation in the EU, the Euro regained strength and Euro to US Dollar traded above par again.

The challenging market environment mentioned above stressed the entire automotive industry throughout the year. This led to perceptible price increases for certain goods and for some suppliers even to insolvency proceedings, which also affected Novem's financial performance. Through continuous cost improvements and passing on certain additional costs, Novem managed to partially mitigate the impact. A significant improvement of these mostly unpredictable circumstances within the supply chains is currently not to be expected.

While the situation regarding Covid-19 has normalised in Europe and Americas, the effects were still clearly noticeable in Asia. Throughout the year, China's strict zero-Covid policy repeatedly showed its consequences with closed ports, limited availability of transport resources and high fluctuations in delivery times and customs clearances. The resulting price increases not only for transportation but also for gas and other purchased materials led to lower demand across the whole market. Nonetheless, price increases seem to settle back to normal levels. In December 2022, China announced a drastic overhaul of its previous approach by lifting the strict zero-Covid policy and thus most of its restrictions. Overall, this is seen as a positive development, but the number of positive cases and deaths rapidly soared as a result.

The European market in particular faced a significant shortage of carbon fabrics past summer. The issue was a missing chemical solution to produce the carbon thread. Even though there was very limited availability, Novem managed to secure the required quantities to fulfil the customer demands by using different sources and qualifying alternative products. Although the supply chain has improved somewhat, the situation is still far from an average availability level.

The easing of Covid-19 restrictions positively affected business relationships with OEMs. Personal meetings made it possible to acquire new customers. A milestone of the financial year 2022/23 was the award of the first order from Lucid Motors in the history of Novem. The nomination of the high-end electric, long-range SUV, Gravity, marks an important cornerstone for further cooperation with the Silicon Valley-based EV start-up. Furthermore, Novem was able to expand its presence in the Stellantis group through the first-time nomination of Opel. Adding premium trims to its flagship model Insignia is a prime example of the overall trend towards premiumisation in cars. In addition, the permitted or simplified entry into Japan and Korea enabled business relations on the Asian market to be further intensified, with the aim of even further expanding the Novem portfolio in this market in the long term.

As Novem's business requires a high level of technical know-how, investments in technology, new materials and innovation are crucial for long-term growth. In this respect, an even closer cooperation in the field of in-mould electronics and thus functionally integrated trim components was initiated through a Design and Innovate licence with TactoTek. With this technology, light and function can be integrated into surfaces made of wood, fabrics or premium synthetics, opening up new opportunities for interactive trim parts. Another cooperation in the area of innovation advancement with Bury makes it possible to develop the integration of wireless charging behind authentic materials for customers ready for series production. Following the successful market launch of the filler technology, the commissioning of a new fully automated sensor-supported 1K filler plant aims at massive efficiency increases in functionalising surfaces such as symbols for touch, anti-slip applications and seamless design symbols.

During the financial year 2022/2023, all plants of the Novem Group were successfully recertificated regarding the IATF 16949 certificate (International Automotive Task Force). Content of the IATF is a summary of several quality management systems. Holding the latest certificates is a mandatory requirement for contracts with customers from the automotive industry.

Another crucial accreditation for Novem as an automotive supplier is the TISAX certification. To ensure all Novem locations follow and implement the defined IT and information security standards, Novem started to roll out a global ISMS (Information Security Management System) with uniform technical measures and organisational procedures. At the first locations in Atlanta, Langfang and Querétaro, Novem has already successfully passed the needed TISAX certification. The certification process is currently running for the next sites in Eschenbach, Pilsen and Žalec. In parallel, Novem is improving its emergency management procedures to have valid and realistic plans in case of a major security incident or other emergency and crisis situations. To protect against identity breaches and fulfil additional TISAX requirements, Novem started enforcing multi-factor authentication for all mobile users. The users can choose between three different factors to secure the login on their notebook. In addition, several measures have been implemented to achieve higher IT security.

In November 2022, Novem achieved the FSC (Forest Stewardship Council®) certification for the production facility in China. The implemented processes ensure that only special purchased certified veneers are used throughout the production for a specific customer. The veneers are from controlled growing areas. To further advance the topic of sustainability in our products, a dedicated sustainability development team has been appointed to meet the increasing requirements for CO2 reduction. Furthermore, Novem continued its engagement regarding regional sustainability activities. In December 2022, a Novem team planted 4,500 trees on 10,000 square metres. The tree varieties were selected according to the highest criteria and a long lifespan of up to 140 years. With this event, Novem underlines its commitment to sustainability.

BUSINESS AND GENERAL ENVIRONMENT

World economy

The impact of the Covid-19 pandemic (especially China's zero-Covid strategy) and the Russian invasion of Ukraine on 24 February 2022 has determined supply problems in 2022, as the availability of raw materials as well as semiconductors has increasingly worsened. At the international level, Russia and Ukraine make an essential contribution to the supply of raw materials and energy and play a decisive role in subdued economic growth. The zero-Covid strategy has contributed to long waiting times in the world's ports and to many bottlenecks, thus affecting the security of the supply of raw materials and intermediate products in calendar year 2022. In the summer months, the zero-Covid strategy, a heat wave and a struggling real estate sector in China weighed on the economy. As a result, demand for goods and services has fallen and the economy has weakened. By contrast, the impact on production in the US and the Euro area was largely small.

Moreover, the consequences were already noticeable shortly after the outbreak of the war. A shortage of raw materials, supplier products and a lack of energy imports from Russia led to significant price increases in all sectors of the economy.

The inflation rate rose sharply over the course of calendar year 2022, peaking at 10.4% in Germany in October 2022. As a result of rising inflation rates, central banks have counteracted by raising their key interest rates significantly. The Federal Reserve System (FED) gradually raised the key interest rate in the USA from 0.50% to 3.25% by September. The interest rate was further raised and reached 5.25% in May 2023. The ECB has adjusted its key interest rate to 3.75% in seven steps. The last interest rate adjustment of 0.25% was announced on 4 May 2023. The consequence of the rise in inflation is the loss of purchasing power of private households and a burden on the economic development of Germany and many other European countries. The effects of rising key interest rates can already be seen in the granting of housing loans to private households. After a record month in March last year, the figure of housing loans granted in the first three months of 2023 posted a sharp decline of -50% compared to last year.

Meanwhile, the core inflation rate, which is calculated excluding volatile components like energy and food prices, has also risen sharply over the course of last calendar year. It is still above the central bank's inflation target almost everywhere.

Despite many difficulties in 2022, global gross domestic product (GDP) increased by 3.2% compared to the previous calendar year. GDP grew by 3.5% in the Eurozone, 1.0% in Japan, 2.1% in the USA and 3.1% in China.

Automotive markets

The 2022 calendar year continued to be marked by disruptions in global supply chains due to the Covid-19 pandemic and semiconductor shortages, which also impacted the automotive industry. As a result, production was reduced or even discontinued in some areas.

The German market was able to recover compared to the previous year, rising by 10.7% to 3.7 million passenger cars produced for the year. The recovery is positive, but to get to the pre-crisis level of the year 2019, however, there is still a lack of approximately 26%.

The markets in Europe and Japan were able to maintain the previous year's production level, while the USA with 9.5% and China with 6.8% recorded strong year-on-year growth. Following Russia's invasion of Ukraine, many international automakers withdrew from Russia. As a result of the withdrawal, car production in Russia fell by about 64%. Around 82.3 million cars were produced worldwide in calendar year 2022, which marks an increase of 6.9% compared to 2021.[1]

Another existing problem was China's zero-Covid policy due to the spread of the Omicron variant. Many European companies sell and produce in China, and German car manufacturers are also affected. As a result, many Original Equipment Manufacturers (OEMs) had to stop production due to the lockdown and the strong spread.

Electric cars are one of the current trends in the automotive industry as an alternative to the classic combustion engine. The number of new registrations of electric cars has risen rapidly in the last years. In 2023, sales are expected to increase by 35.0% to 14 million electric cars. Car manufacturers assume that demand for electric vehicles will continue to rise over the next years and are adjusting their strategy accordingly.

Forecast for global economic development 2023/2024

The war between Russia and Ukraine continues to weigh on the global economy and brings great geopolitical uncertainty. The world market prices of many raw materials have risen sharply due to the war but are now falling again and improving. The result was a further reduction in inflation, which is expected to continue. After the import of Russian natural gas was sharply reduced, the alternative was to source it from other

1 According to GlobalData as per May 2023

CONTENTS
1 TO OUR SHAREHOLDERS
2 NON-FINANCIAL REPORT
3 GROUP MANAGEMENT REPORT
4 CONSOLIDATED FINANCIAL STATEMENTS
5 ANNUAL ACCOUNTS
6 ADDITIONAL INFORMATION

European countries instead, which was much more expensive. Due to its heavy dependence on natural gas from Russia, Germany continues to be affected by higher energy prices. However, this does not only affect Germany, as in general many countries in the Eurozone are dependent on Russian energy imports.

China has turned away from the zero-Covid policy, which means that supply bottlenecks and the economy are no longer inhibited but, on the contrary, supported. Affected companies in the manufacturing sector, which have been burdened by supply chain bottlenecks and disruptions and already have a high order backlog, can now process them, which can have a stabilising effect on growth. A major challenge is that many consider Germany as an internationally uncompetitive business location due to increased electricity and gas prices, the shortage of skilled workers and the tax burden.

The German Council of Economic Experts (SVR) expects an overall inflation rate of 6.6% for 2023 and 3.0% for 2024, which roughly matches the 2.0% price stability demanded by the ECB. The goal of price stability and a decline in inflation back to 2.0% is to be achieved through key interest rate hikes. In order to restore price stability, a slide into recession must be avoided.

According to SVR estimates, Germany's gross domestic product will increase by 0.2% in 2023 and 1.3% in 2024. Since wages are not growing as fast as other inflation-related costs, the share of real labour expenses in total costs has become significantly smaller. If high inflation leads to higher collective bargaining agreements and thus higher wage costs, this will continue to spiral upwards. Moreover, persistently high inflation has a negative impact on businesses and jobs. For the current year, GDP in the Eurozone is expected to grow by 0.9% and by 1.5% in 2024. For the global economy, a forecast of the SVR for GDP is issued with growth of 2.2% in 2023 and 2.7% in 2024.

FINANCIAL PERFORMANCE

in € million	FY 2021/22	FY 2022/23	Change	% change
Revenue	614.6	700.3	85.7	13.9%
Increase or decrease in finished goods and work in process	29.5	-7.5	-37.0	<-100.0%
Total operating performance	**644.1**	**692.8**	**48.7**	**7.6%**
Other operating income	20.1	25.8	5.7	28.6%
Cost of materials	-328.0	-354.7	-26.7	8.1%
Personnel expenses	-158.5	-168.6	-10.2	6.4%
Depreciation, amortisation and impairment	-31.4	-32.5	-1.1	3.5%
Other operating expenses	-73.5	-82.4	-8.9	12.1%
Operating result (EBIT)	**72.9**	**80.5**	**7.6**	**10.4%**
Finance income	3.4	3.6	0.2	5.2%
Finance costs	-25.8	-13.1	12.7	-49.3%
Financial result	**-22.4**	**-9.5**	**12.9**	**-57.5%**
Income taxes	-16.1	-15.7	0.4	-2.5%
Deferred taxes	9.7	-5.2	-14.9	<-100.0%
Income tax result	**-6.5**	**-20.9**	**-14.5**	**>100.0%**
Profit for the period attributable to the shareholders	**44.0**	**50.0**	**6.0**	**13.7%**
Differences from currency translation	9.2	0.2	-9.0	-97.6%
Items that may subsequently be reclassified to consolidated profit or loss	**9.2**	**0.2**	**-9.0**	**-97.6%**
Actuarial gains and losses from pensions and similar obligations (before taxes)	2.0	8.6	6.6	>100.0%
Taxes on actuarial gains and losses from pensions and similar obligations	-0.5	-2.2	-1.7	>100.0%
Items that will not subsequently be reclassified to consolidated profit or loss	**1.5**	**6.3**	**4.9**	**>100.0%**
Other comprehensive income/loss, net of tax	**10.7**	**6.6**	**-4.1**	**-38.4%**
Total comprehensive income/loss for the period attributable to the shareholders	**54.6**	**56.6**	**1.9**	**3.5%**

Earnings per share attributable to the equity holders of the parent (in €)				
basic	1.04[1]	1.16	0.12	11.4%
diluted	1.04[1]	1.16	0.12	11.4%

1 Adjusted according to IAS 8.42 as the calculation of the number of average weighted shares was different.

CONTENTS
1 TO OUR SHAREHOLDERS
2 NON-FINANCIAL REPORT
3 GROUP MANAGEMENT REPORT
4 CONSOLIDATED FINANCIAL STATEMENTS
5 ANNUAL ACCOUNTS
6 ADDITIONAL INFORMATION

Revenue

Total revenue of €700.3 million in financial year 2022/23 sharply increased by €85.7 million or 13.9% compared to last year. Based on prior year (constant) exchange rates, revenue would have been lower by -4.4% or €-31.0 million. This currency impact was primarily influenced by the strong US Dollar and Chinese Renminbi. On a segmental basis, revenue in 2022/23 was generated in Europe (€332.9 million), followed by Americas (€264.1 million) and Asia (€103.3 million).

Revenue development

in € million	FY 2021/22	FY 2022/23	% change
Revenue Series	565.0	618.2	9.4%
Revenue Tooling	49.6	82.1	65.4%
Revenue	**614.6**	**700.3**	**13.9%**

Revenue Series

Revenue Series developed favourably in financial year 2022/23 and recorded at €618.2 million, up 9.4% compared to last year (PY: €565.0 million). Revenue Series generated 88.3% of total revenue and remained the key pillar of the business.

Revenue Tooling

Revenue Tooling contributed €82.1 million to total revenue in financial year 2022/23 (PY: €49.6 million). This leads to a year-on-year increase of 65.4% or €32.5 million driven by a different project phasing.

Change in finished goods and work in process

Change of finished goods and work in process decreased by €-37.0 million (<-100%) from €29.5 million in financial year 2021/22 to €-7.5 million in financial year 2022/23 resulting from lower tooling inventories (€-34.0 million), work in process (€-1.7 million) as well as profit in stock elimination (€-1.0 million) and stock of finished goods (€-0.3 million).

Other operating income

Other income rose by €5.7 million from €20.1 million in financial year 2021/22 to €25.8 million in financial year 2022/23. The increase was primarily caused by higher currency translation gains (€+3.8 million) and other income (€+2.0 million).

Cost of materials

Cost of materials increased from €-328.0 million in financial year 2021/22 to €-354.7 million in financial year 2022/23, resulting in a year-on-year change of 8.1%. The cost of materials to output (total operating performance) ratio increased by 0.3 percentage points to 51.2% in financial year 2022/23 (PY: 50.9%) as a result of the unfavourable impact of higher raw material prices as well as energy and transport expenses.

Personnel expenses

Personnel expenses amounted to €-168.6 million in financial year 2022/23, up €-10.2 million or 6.4% compared to financial year 2021/22. Personnel expenses were again negatively affected by inefficiencies due to volatile customer call-offs. As a percentage of total operating performance, personnel expenses developed favourably and decreased by -0.3 percentage points year-on-year to 24.3% (PY: 24.6%), primarily attributable to increased revenue.

Depreciation, amortisation and impairment

Novem reported depreciation, amortisation and impairment of €-32.5 million in financial year 2022/23, an increase of 3.5% or €-1.1 million compared to previous financial year. The increase was driven by depreciation on buildings (€-1.0 million), other equipment (€-0.4 million) and depreciation on machinery (€-0.2 million); partly offset by accelerated depreciation (€+0.5 million) due to the impairment related to the property in Kulmbach in financial year 2021/22.

Other operating expenses

Other operating expenses rose from €-73.5 million in the financial year 2021/22 by €-8.9 million to €-82.4 million in the current financial year. This increase was mainly due to higher outgoing freights, lower release of accruals for other debtors as well as foreign currency translation losses and bad debt expenses.

Finance income and costs

The financial result amounted to €-9.5 million for financial year 2022/23, compared to last year's amount of €-22.4 million.

Finance income slightly increased from €3.4 million in financial year 2021/22 by €0.2 million or 5.2% to €3.6 million in the current financial year. The positive deviation was predominantly attributable to interest income.

Finance costs in financial year 2022/23 recorded at €-13.1 million (PY: €-25.8 million), a decrease of -49.3% or €12.7 million compared to previous year. The post-IPO refinancing structure resulted in lower interest expenses and accordingly lower financing costs, while higher losses from currency translation driven by hedging and cash pooling mitigated the positive effect to some extent.

Income tax result

Income tax result increased by €-14.5 million (>100.0%) from €-6.5 million prior financial year to €-20.9 million in financial year 2022/23. The increase was driven by deferred taxes (€-14.9 million), while lower income taxes (€0.4 million) partially offset the negative impact. The significant change in deferred taxes is primarily caused by a one-off tax asset recognition in financial year 2021/22.

Adjustments

Adj. EBIT

Adj. EBIT represents the operating result adjusted for exceptional non recurring items. As such, Novem adjusts certain one off effects to better show the underlying operating performance of the Group. The adjustments made follow a pre-defined and transparent approach and form part of the regular monthly closing and reporting routines.

Adjustments

Adjustments in the financial year 2022/23 included €0.3 million Covid-19 related costs and €0.5 million severance payments as well as €0.4 million Others.

In the financial year 2022/23, adjustments were considerably lower than prior year by €-6.8 million mainly driven by onerous contracts and transaction costs in financial year 2021/22 as well as lower Covid-19 expenses.

The Adj. EBIT margin of 11.7% for the financial year 2022/23 was 1.5 percentage points below prior year's margin of 13.2% resulting from higher input costs. Therefore, the Adj. EBITDA margin of 16.3% was also behind prior year's figure of 18.2%.

in € million	FY 2021/22	FY 2022/23	Change	% change
Revenue	**614.5[1]**	**700.3**	**85.8**	**14.0%**
EBIT	**72.9**	**80.5**	**7.6**	**10.4%**
EBIT margin	11.9%	11.5%		
Restructuring	-	-	-	-
Material quality claims	-0.1	-	0.1	-100.0%
Onerous contracts	3.1	-	-3.1	-100.0%
Covid-19 costs	1.4	0.3	-1.1	-76.4%
Transaction costs	2.1	-	-2.1	-100.0%
Others	1.5	0.9	-0.6	-38.3%
Exceptional items	8.0	1.3	-6.8	-84.1%
Discontinued operations	-	-	-	-
Adjustments	**8.0**	**1.3**	**-6.8**	**-84.1%**
Adj. EBIT	**80.9**	**81.7**	**0.8**	**1.0%**
Adj. EBIT margin	13.2%	11.7%		
Depreciation and amortisation	30.9	32.5	1.6	5.2%
Adj. EBITDA	**111.7**	**114.2**	**2.4**	**2.2%**
Adj. EBITDA margin	18.2%	16.3%		

1 Including revenue-related adjustments

FINANCIAL POSITION

Assets

in € million	31 Mar 22	31 Mar 23	Change	% change
Intangible assets	3.1	2.4	-0.7	-21.6%
Property, plant and equipment	184.9	185.1	0.2	0.1%
Trade receivables	47.5	46.3	-1.2	-2.5%
Other non-current assets	12.6	10.3	-2.3	-18.6%
Deferred tax assets	18.8	8.3	-10.5	-55.8%
Total non-current assets	**267.0**	**252.5**	**-14.5**	**-5.4%**
Inventories	129.4	116.3	-13.1	-10.1%
Trade receivables	37.7	47.5	9.8	26.1%
Other receivables	28.6	38.0	9.4	32.9%
Other current assets	13.7	18.2	4.6	33.4%
Cash and cash equivalents	117.0	165.5	48.5	41.5%
Assets held for sale	0.8	-	-0.8	-100.0%
Total current assets	**327.0**	**385.5**	**58.5**	**17.9%**
Assets	**594.0**	**638.0**	**44.0**	**7.4%**

Equity and liabilities

in € million	31 Mar 22	31 Mar 23	Change	% change
Share capital	0.4	0.4	0.0	0.0%
Capital reserves	539.6	539.6	-0.0	0.0%
Retained earnings/accumulated losses	-482.8	-443.4	39.4	-8.2%
Currency translation reserve	10.4	10.6	0.2	2.1%
Total equity	**67.7**	**107.3**	**39.6**	**58.5%**
Pensions and similiar obligations	34.9	27.0	-7.8	-22.4%
Other provisions	3.2	1.4	-1.8	-56.7%
Financial liabilities	247.7	248.2	0.5	0.2%
Other liabilities	29.8	33.3	3.5	11.8%
Deferred tax liabilities	3.6	0.6	-3.0	-82.2%
Total non-current liabilities	**319.1**	**310.6**	**-8.6**	**-2.7%**
Tax liabilities	13.8	19.1	5.3	38.0%
Other provisions	48.0	46.7	-1.3	-2.7%
Financial liabilities	1.4	1.2	-0.3	-18.0%
Trade payables	70.4	60.6	-9.8	-13.9%
Other liabilities	73.7	92.7	19.0	25.8%
Total current liabilities	**207.3**	**220.2**	**12.9**	**6.2%**
Equity and liabilities	**594.0**	**638.0**	**44.0**	**7.4%**

Total assets

Total assets amounted to €638.0 million as of 31 March 2023, an increase of 7.4% compared to the end of last financial year 2021/22 (31 March 2022: €594.0 million).

Non-current assets

Non-current assets decreased from €267.0 million as of 31 March 2022 by -5.4% to €252.5 million as of 31 March 2023. This movement resulted primarily from a decline in deferred tax assets of €-10.5 million or -55.8%, a decrease in other non-current assets (€-2.3 million) and lower trade receivables (€-1.2 million).

Current assets

Current assets increased to €385.5 million compared to the previous balance sheet date (€327.0 million), up €58.5 million or 17.9%. This change was mainly driven by a higher cash position (€+48.5 million) and an increase in trade receivables (€+9.8 million) due to higher revenue at the end of the financial year. The increase in other receivables of €9.4 million was due to higher outstanding Mexican VAT balances and their capitalised inflation effect. Through non-recourse factoring Novem sold trade receivables of €54.1 million as of 31 March 2023, exceeding the volume of €47.8 million as of 31 March 2022 by €6.3 million. Lower inventories with €-13.1 million or -10.1% had the largest counterbalancing impact.

Working capital

in € million	31 Mar 22	31 Mar 23	% change
Inventories	67.4	64.1	-4.9%
Trade receivables	35.2	43.7	24.0%
Trade payables	-61.6	-54.5	-11.5%
Trade working capital	**41.0**	**53.3**	**29.8%**
Tooling net	74.4	55.5	-25.4%
Contract assets	11.9	15.3	28.6%
Total working capital	**127.3**	**124.0**	**-2.6%**

Total working capital amounted to €124.0 million as of 31 March 2023, down -2.6% compared to 31 March 2022. This subtle change was largely driven by higher trade receivables and lower trade payables, with an offsetting effect in the tooling net position. The most significant change in tooling net was attributable to a decrease in tooling inventories of €-10.2 million. Total working capital in % of revenue thus decreased to 17.7% (31 March 2022: 20.7%).

Equity

As of 31 March 2023, the equity position of €107.3 million improved from €67.7 million at the end of the last financial year 2021/22 due to the profit generated in financial year 2022/23 and despite an offsetting effect from the dividend payment of €17.2 million in August 2022. Currency translation differences to Euro had a minor impact and increased by €0.2 million (+2.1%).

Non-current liabilities

Non-current liabilities decreased from €319.1 million as of 31 March 2022 by -2.7% or €-8.6 million to €310.6 million as of 31 March 2023. The decrease is mainly attributable to the valuation effect of pensions and similar obligations of €-7.8 million due to the increased interest rate.

Net financial debt

in € million	31 Mar 22	31 Mar 23	% change
Liabilities to banks	249.1	249.4	0.1%
Liabilities from derivatives (-)	1.3	-	-100.0%
Lease liabilities	34.9	39.1	12.1%
Gross financial debt	**282.6**	**288.5**	**2.1%**
Cash and cash equivalents	-117.0	-165.5	41.5%
Net financial debt	**165.6**	**123.0**	**-25.8%**

Gross financial debt as of 31 March 2023 amounted to €288.5 million (31 March 2022: €282.6 million) and thus posted an increase of €5.9 million or 2.1%. Compared to previous year, this change is mainly attributable to higher lease liabilities of €4.2 million. Cash and cash equivalents increased sharply by €48.5 million compared to the financial year 2021/22, leading to a net financial debt of €123.0 million (31 March 2022: €165.6 million).

Net leverage

in € million	31 Mar 22	31 Mar 23
Net financial debt	165.6	123.0
LTM Adj. EBITDA	111.7	114.2
Net leverage ratio	**1.5x**	**1.1x**

The net leverage ratio is defined as net financial debt divided by Adj. EBITDA for the last 12 months. The ratio significantly improved from 1.5x Adj. EBITDA at the end of the financial year 2021/22 to 1.1x Adj. EBITDA as of 31 March 2023 and fell to its lowest level since the post-IPO refinancing.

Current liabilities

Current liabilities amounted to €220.2 million on the reporting date of 31 March 2023, up 6.2% or €12.9 million compared to the end of the last financial year 2021/22. The increase was attributable to higher tax liabilities of €5.3 million and other liabilities of €19.0 million due to received advanced payments for unfinished tools and a provision for outstanding tooling invoices. This development was partly offset by lower trade payables of €-9.8 million or -13.9%.

CASH FLOWS

in € million	FY 2021/22	FY 2022/23	Change	% change
Cash flow from operating activities	**80.5**	**98.3**	**17.8**	**22.1%**
Cash flow from investing activities	**-15.5**	**-13.8**	**1.7**	**-11.0%**
Cash flow from financing activities	**-124.9**	**-35.5**	**89.3**	**-71.5%**
Net increase (+)/decrease (-) in cash and cash equivalents	**-59.8**	**49.0**	**108.8**	**<-100.0%**
Effect of exchange rate fluctuations on cash and cash equivalents	1.5	-0.5	-2.0	<-100.0%
Cash and cash equivalents at the beginning of the reporting period	175.3	117.0	-58.3	-33.3%
Cash and cash equivalents at the end of the reporting period	**117.0**	**165.5**	**48.5**	**41.5%**

Cash flow from operating activities

Cash flow from operating activities developed positively from €80.5 million by €17.8 million to €98.3 million in the financial year 2022/23. The development can be explained by considerably lower stock levels (€+43.9 million) and provisions (€+10.8 million) compared to the same reporting period last year. The change of trade receivables by €-29.4 million to €-9.4 million as well as the reduced trade payables by €-18.2 million in financial year 2022/23 had offsetting effects.

Cash flow from investing activities

Cash out-flow for investing activities reached €-13.8 million in the financial year 2022/23 (PY: €-15.5 million), resulting in a change of €1.7 million mainly attributable to the sale of the production premises in Kulmbach for a purchase price of €0.8 million and slightly lower investments in property, plant and equipment of €0.5 million.

Cash flow from financing activities

Cash out-flow for financing activities showed the largest deviation. Following a total of €-124.9 million in the previous year, cash flow from financing activities decreased by €89.3 million to €-35.5 million in financial year 2022/23. This change was largely driven by the new financing structure and thus lower interest paid of €4.5 million due to the improved interest rate structure with an offsetting effect from the dividend distribution of €-17.2 million.

SEGMENT REPORTING

Europe

External revenue in Europe increased from €317.8 million in the financial year 2021/22 to €332.9 million in the financial year 2022/23 and exceeded prior year by 4.8% or €15.1 million.

Europe accounted for 47.5% of total revenue in the financial year 2022/23 (PY: 51.7%).

Europe generated €23.1 million Adj. EBIT in the financial year 2022/23 and was thus -37.8% lower compared to the same reporting period last year (PY: €37.1 million). Adj. EBIT margin decreased to 6.0% from 10.4% last year.

The region's operating performance drop was predominantly driven by increased material prices and inflationary energy expenses as well as ongoing inefficiencies resulting from volatile customer call-offs.

in € million	FY 2021/22	FY 2022/23	% change
External revenue	317.8[1]	332.9	4.8%
Revenue between segments	40.9	51.5	25.9%
Total revenue	**358.7**	**384.4**	**7.2%**
Adj. EBIT	37.1	23.1	-37.8%
Adj. EBIT margin	10.4%	6.0%	

1 Including revenue-related adjustments

Americas

External revenue in Americas increased from €221.7 million in the financial year 2021/22 to €264.1 million in the same period of 2022/23 and outperformed prior year by 19.1% or €42.4 million. The currency translation impact amounted to €27.1 million.

Revenue from Americas equalled 37.7% of total revenue in the financial year of 2022/23 (PY: 36.1%).

Adj. EBIT generated in Americas reached €44.2 million in the financial year 2022/23 and was thus 60.0% higher than last year (PY: €27.6 million). Consequently, the Adj. EBIT margin increased from 9.6% in the previous year to 13.0%.

Contrary to the other two regions, Americas could strengthen its operating performance compared to prior year, primarily attributable to higher revenue and a positive impact from a favourable product mix.

in € million	FY 2021/22	FY 2022/23	% change
External revenue	221.7	264.1	19.1%
Revenue between segments	66.7	74.8	12.1%
Total revenue	**288.4**	**338.9**	**17.5%**
Adj. EBIT	27.6	44.2	60.0%
Adj. EBIT margin	9.6%	13.0%	

Asia

External revenue in Asia increased from €75.0 million to €103.3 million in the financial year 2022/23 and exceeded prior year by 37.6% or €28.2 million. Of this amount, €3.9 million was attributable to currency translation.

Asia contributed 14.7% of total revenue in the financial year of 2022/23 (PY: 12.2%).

Asia's Adj. EBIT came in at €14.5 million for the financial year of 2022/23, representing a year-on-year decline of -10.5% (PY: €16.2 million). Adj. EBIT margin fell from 16.2% last year to 11.8%.

The decline in Asia was mainly driven by inefficiencies in connection with China's zero-Covid policy and a negative impact from an unfavourable product mix.

in € million	FY 2021/22	FY 2022/23	% change
External revenue	75.0	103.3	37.6%
Revenue between segments	24.9	18.7	-24.7%
Total revenue	**99.9**	**122.0**	**22.1%**
Adj. EBIT	16.2	14.5	-10.5%
Adj. EBIT margin	16.2%	11.8%	

STAND-ALONE RESULTS OF OPERATIONS AND FINANCIAL POSITION OF NOVEM GROUP S.A.

In accordance with the provisions of Article 1720-1 (3) of the Luxembourg Company Law, the Company opted to present one annual report including the consolidated management report and the management report on the annual accounts as one annual report only. For the stand-alone annual accounts of Novem Group S.A., please refer to chapter Annual accounts.

Results of operations

The Company's other income amounted to €1.6 million (PY: €5.9 million) and resulted from services provided to other Novem Group entities based on the service agreement. The prior financial year contained a one-time effect from the reimbursement of transaction costs for the private placement and stock exchange listing (capital market transactions).

The external charges of €1.0 million (PY: €5.2 million) included mainly advisory and audit fees and a smaller amount of legal fees.

The income from participating interests of €18.0 million (PY: €0) derived from the dividend distribution.

The interest income of €6.6 million (PY: €12.3 million) derived from intercompany loans to another Novem Group entity. The total interest expenses of €6.4 million (PY: €10.2 million) occurred from interest expenses and fees to banks in loan-related terms.

The profit for the financial year 2022/23 amounted to €16.2 million (PY: €1.1 million).

Financial position

Total assets and total liabilities amounted to €933.6 million each (31 March 2022: €935.9 million).

Fixed assets essentially comprised shares in affiliated undertakings, which remained unchanged at €674.2 million (31 March 2022: €674.2 million) and a shareholder loan with a principal amount of €250.0 million (31 March 2022: €250.0 million).

In the course of the private placement and stock exchange listing in July 2021, the contribution of the past shareholder (intercompany) loan increased the shares in affiliated undertakings. The contribution in kind of a former intercompany loan to Novem Group GmbH was incorporated as part of the refinancing. This loan reflects with its principal amount the external bank facility. The loans given to Novem Group GmbH were used to replace the former bond.

Current assets amounted to €6.4 million (31 March 2022: €8.0 million) and included mainly the incorporated intercompany loan as part of the refinancing, receivables from the service agreement and the Company's cash position.

The Company's capital and reserves decreased slightly to €681.8 million (31 March 2022: €682.5 million).

The amounts owed to credit institutions carried €250.0 million (31 March 2022: €250.0 million). In the course of the private placement and stock exchange listing in financial year 2021/22, Novem Group S.A. entered into a facilities agreement comprising a term loan with a principal amount of €250.0 million and an undrawn revolving credit facility of €60.0 million. As part of the replacement of the former bond of Novem Group GmbH, the principal amount was transferred with the incorporation of a shareholder loan from Novem Group S.A. to Novem Group GmbH.

In the course of the private placement and stock exchange listing in the prior financial year, the contribution of the shareholder loans increased the capital and the term loan was incorporated as part of the refinancing.

RISKS AND OPPORTUNITIES

Risk and opportunity management

Within its global footprint, Novem is exposed to dynamic conditions and thus faces several opportunities and risks. These include political and sector-specific risks, the risk of ensuring appropriate liquidity, currency risks, financial risks, business process risks, research and development risks, litigation risks, loss of know-how and IT risks. Realising any of these risks could have a material and adverse effect on business, financial condition and results of operations. Sustainable success is ensured through active risk management and the ability to anticipate market trends and developments correctly. Operational management is responsible for identifying and exploiting opportunities. The aim is to identify opportunities in a timely manner and to take appropriate measures to utilise them. Novem states in its long-term strategy the high relevance of identifying risks and opportunities arising from operations at an early stage, assessing them appropriately and mitigating them by specific measures. Compliance with economic, social and environmental standards is deep-rooted in the corporate philosophy. The Management Board makes use of various tools and control systems to prevent and, in case of the occurrence of an event, minimise the impact on the Group. Amongst the key components are continuous and detailed internal reporting and controlling processes as a focus of risk management, which aim to identify risks to assets, income or liquidity as early as possible and to take appropriate and effective steps to manage risks and seize opportunities. By monitoring the market and all stakeholders, continuous optimisation and adaptation to current challenges are guaranteed. Novem's business opportunities and risks are recorded, analysed and evaluated through active multi-tiered planning, information and control processes. The effectiveness and efficiency of the system are continuously adapted to new circumstances to provide a holistic picture of the situation at all times.

Legal risks

The Group's companies are and could become involved in legal, administrative and arbitration proceedings. These proceedings or potential proceedings could involve, in particular in the United States, substantial claims for damages or other payments. Based on a judgment or a settlement agreement, Novem could be obligated to pay substantial damages. The litigation costs and those of third parties could also be significant.

Doing business on a worldwide basis requires Novem to comply with the laws and regulations of various jurisdictions. The international operations are subject to applicable anti-corruption laws and regulations and economic sanctions programs. Such programs may restrict business dealings with certain sanctioned countries. As a result of doing business in foreign countries, Novem is exposed to a risk of violating anti-corruption laws and sanctions regulations applicable in those countries where Novem, partners or agents operate. Worldwide operations increase the risk of violations of anti-corruption laws or similar laws. Some of the countries in which Novem operates still lack a developed legal system with high standards regarding anti-corruption and similar laws and are perceived to have high levels of corruption.

While there are policies and procedures in place that are designed to promote compliance with applicable anti-corruption laws and sanctions, there can be no assurance that the policies and procedures will be followed at all times or effectively detect and prevent violations of the applicable laws by one or more of the employees, consultants, agents or partners. As a result, Novem could be subject to penalties and material adverse consequences on the business, financial condition or results of operations if the Group failed to prevent any such violations.

Members of governing bodies, employees, authorised representatives or agents may intentionally or unintentionally violate applicable laws and internal standards and procedures, in particular in relation to anti-corruption, money-laundering, anti-trust and sanctions compliance, as well as compliance with laws and regulations regarding sales practices, products and services, environment, finance, employment and general corporate and criminal law. However, there can be no certainty that the internal controls, procedures, compliance systems and risk management systems will be able to identify such violations, ensure that they are reported in a timely manner, evaluate them correctly or take the appropriate countermeasures and that they will be adequate for an enterprise of Novem's scale and complexity.

There can further be no certainty that any countermeasures Novem implements will be appropriate to reduce the corresponding business risks effectively, that breaches of law, regulations or internal controls have not occurred in the past or that their discovery would not result in significant liability or reputational damage for the Group. Moreover, in light of continuously evolving legal and regulatory requirements and internal developments such as corporate reorganisations, there can be no certainty that the risk management systems, internal controls and compliance systems and related governance structures will adequately identify and address all relevant requirements.

Novem has to comply with different regulatory regimes across the world that change frequently and are continuously evolving and becoming more stringent, in particular with respect to environmental regulations, chemicals and hazardous materials, as well as health and safety regulations. This also applies to air, water and soil pollution regulations and to waste legislation and regulation, all of which have recently become more stringent through new laws.

Moreover, Novem globally faces increasing requirements regarding matters of corporate responsibility management and transparency, not only with respect to expectations from internal stakeholders, customers, investors and the general public but also concerning legal requirements.

In addition, for the manufacturing facilities and operations, Novem requires various permits and has to comply with the requirements specified therein. In the past, adjusting to new requirements has necessitated significant investments and the Group assumes that further significant investments in this regard will be required in the future.

The vehicle approval process (homologation) and the implementation of increasingly stringent emission and consumption regulations are becoming increasingly complex and time-consuming and may vary by country.

Furthermore, any additional requirements restricting or limiting car traffic with an aim at reducing greenhouse gas or other emissions could lead to a material decrease in car sales and consequently adversely affect demand for the Group's products and services.

Financial risks

Novem operates worldwide and is therefore exposed to financial risks arising from exchange rate changes. The primary exposure is to the Euro to US Dollar, US Dollar to Mexican Peso and Euro to Chinese Renminbi exchange rates. Currency exchange fluctuations could cause losses if assets denominated in currencies with a falling exchange rate lose value, while at the same time liabilities denominated in currencies with a rising exchange rate appreciate. In addition, fluctuations in foreign exchange rates could increase or reduce fluctuations in the prices of materials, since Novem purchases some of the raw materials with foreign currencies. As a result of these factors, fluctuations in exchange rates and, in particular, a significant appreciation of the Euro against other major currencies could affect the results of operations.

External and internal transactions involving the delivery of products and services to and/or by third parties result in cash in-flows and out-flows, denominated in currencies other than the Euro or the functional currency of the respective subsidiary dealing with such cash flow. To the extent that cash out-flows are not offset by cash in-flows resulting from operational business in such currency, the remaining net foreign currency exposure is not neutralised.

While the Group hedges a portion of the exposure to the exchange rate of the Euro to the US Dollar, Novem currently does not hedge all foreign exchange risks. In addition, a number of the consolidated companies report in currencies other than the Euro, which requires Novem to convert the respective financial information into Euro when preparing the consolidated financial statements.

Even if Novem enters into certain further hedging arrangements in the future, there can be no assurance that hedging will be available on commercially reasonable terms. In addition, if the Group were to use any hedging transactions in the future in the form of derivative financial instruments, such transactions may result in mark-to-market losses.

Liquidity and credit risks

Working capital requirements can vary, depending in part on the level, variability and timing of customers' vehicle production, the number of new platform launches and the payment terms with customers and suppliers. Liquidity could also be adversely impacted if suppliers were to suspend normal trade credit terms and require payment in advance or on delivery. If the available cash flows from operating activities are not sufficient to fund ongoing cash needs, Novem would be required to look to cash balances and availability for borrowings, including under the senior facilities agreement dated 18 June 2021, to satisfy those needs. There can be no assurance that Novem, its suppliers or customers will continue to have access to these or other sources of liquidity. This may increase the risk that the Group cannot produce products or will have to pay higher input prices which may not be recovered in selling prices.

Novem's suppliers typically seek to obtain credit insurance for deliveries of raw materials and components to Novem. If, for any reason, the suppliers were not able to obtain such credit insurance, or not at commercial terms, they may not be able to offer the same payment terms that the Group has historically received, which could significantly increase working capital requirements.

Any significant change in the needs for or the availability of working capital financing or credit insurance may have a material adverse effect on liquidity. To strengthen the working capital structure, Novem practices a silent and non-recourse factoring program with a limit of €65,000 thousand. In case of liquidity shortages, Novem possesses further facilities of €64,000 thousand.

Interest rate risks

Novem faces moderate interest rate risks, which mainly derive from obligations based on reference interest rates. Such variable interests affect the factoring program as well as the senior facility agreement. The two decisive reference interest rates are the 3-month Euribor relating to factoring fees for EUR-receivables and interest expenses for the senior facility agreement and the SOFR, which represents the base rate for factoring fees resulting from USD-receivables. The interest rate hikes by the European Central Bank, which started in July 2022, led to a material increase in financial expenses arising from the senior facility agreement. Nevertheless, a further 10% increase in both reference rates from today would have no material impact regarding the senior facility agreement and the factoring program.

The interest rate risk regarding pension obligations is also moderate as their share of total assets only amounts to approximately 5%.

Financial market opportunities

Favourable developments in interest rates and exchange rates can have a positive impact on Novem's financial result and earnings. The Group constantly monitors the financial markets in order to identify potential impacts in a timely manner and to determine any need for action.

Tax risks

Novem is subject to taxation in, and to the tax laws and regulations of, multiple jurisdictions as a result of the international scope of the operations and corporate and financing structure. The Group is also subject to intercompany pricing laws, including those relating to the flow of funds amongst companies pursuant to, for example, purchase agreements, licensing agreements or other arrangements. Adverse developments in these laws or regulations, or any change in position by the relevant authority regarding the application, administration or interpretation of these laws or regulations in any applicable jurisdiction, could adversely affect Novem's business, results of operations and financial condition. Furthermore, the effective tax rate varies in each jurisdiction where Novem conducts business. Changes in the mix of earnings between jurisdictions with lower tax rates and those with higher tax rates could have a material adverse effect on profitability.

In addition, the tax authorities in any applicable jurisdiction may disagree with the positions Novem has taken or intends to take regarding the tax treatment or characterisation of any transactions, including the tax treatment or characterisation of indebtedness, existing and future intercompany loans and guarantees or the deduction of interest expenses. The Group could also fail, whether inadvertently or through reasons beyond its control, to comply with tax laws and regulations relating to the tax treatment of various financing arrangements, which could result in unfavourable tax treatment for such arrangements. If any applicable tax authorities were to successfully challenge the tax treatment or characterisation of any of the intercompany loans or transactions, it could result in the disallowance of deductions, a limitation on the ability to deduct interest expenses, the imposition of withholding taxes, the application of significant penalties and accrued interest on intercompany loans or internal deemed transfers, the application of significant penalties and accrued interest or other consequences.

Pillar 2 foresees the implementation of an effective minimum taxation for large multinational groups. In order to raise the effective tax burden of low-taxed group companies to a uniform minimum tax level worldwide, a separate supplementary tax (top-up tax) is levied in the amount of the difference between the global minimum tax rate of 15% and the lower effective tax rate. This applies to legal entities and permanent establishments of all multinational groups with consolidated annual revenues exceeding €750 million. A significant challenge is the availability and sourcing of data. Much of the data relevant to the new regulation is not captured in other reportings, such as country-by-country reporting or linked to the financial statements. In order to collect this information efficiently, new processes and comprehensive adjustments to the information from group accounting are necessary. This can only be achieved through close international cooperation between the tax and accounting departments. Global minimum taxation will come into effect in EU countries in 2024.

Novem could accrue unanticipated tax expenses in relation to previous tax assessment periods which have not yet been subject to a tax audit or are currently subject to a tax audit. It cannot be ruled out that ongoing and/or future tax audits may lead to an additional tax expense and/or payment.

Customs risks and opportunities

The sales volume of Novem's products and services depends upon the general global economic situation. Particular risks to the economic environment, international trade and demand for the Group's products may arise from growing protectionist sentiment in key markets and the introduction of further tariff and non-tariff barriers or similar measures due to increasing protectionist tendencies.

Since the beginning of 2018, the previous US administration announced a series of potential measures relating to international trade that, individually or in aggregate, could have a material adverse impact on the global economy, international trade, or the automotive industry. The US administration enacted a number of measures aimed at restricting the access of Chinese companies to the US market. Therefore, they began to impose tariffs on certain products originating in China, including a 25% tariff on automotive trim parts and a 7.5% on imports of aluminium. The Chinese government retaliated by imposing tariffs on several US products. Even though the United States and China entered into an *Economic and Trade Agreement* in January 2020 as a first step, the trade conflict between the two countries has not been resolved until today. But the agreement in January 2022 on the import of steel and aluminium products from the EU into the US within the framework of a tariff quota and the resulting elimination of additional tariffs will enable a positive development for international trade between the EU and the US and is a first effort towards minimising trade barriers.

The US administration also replaced the North American Free Trade Agreement (NAFTA) with the new United States-Mexico-Canada Agreement (USMCA) in July 2020. The new USMCA includes more stringent rules of origin provisions (e.g. increase of regional value content) and requirements for a minimum percentage of manufacturing being made with labour above a certain minimum wage. Novem has substantial operations in Mexico, currently supplying customers located in the United States under a preferred tariff system. The imposition of additional import restrictions, non-tariff trade barriers and/or tariffs could adversely affect the ability to supply customers in the United States or elsewhere. In addition, new import restrictions, non-tariff trade barriers and/or tariffs could result in higher prices for vehicles, which could, in turn, harm the demand for vehicles and thereby indirectly Novem's products. In addition, the results of operations could also be affected by retaliatory measures from Europe, China or other countries imposing tariffs on the United States.

A global pandemic, like Covid-19, can lead to problems such as shortage of cargo space, extreme delays and fluctuations in delivery times and customs clearance, among others. This poses the risk of price increases, the normalisation of which can be unpredictable. Rising prices not only for transportation but also for gas and other purchased materials can negatively affect overall market demand and therefore Novem's results of operations.

In addition, the increase in regional or international trade barriers, including anti-dumping tariffs and the withdrawal of countries from bilateral and multilateral trade agreements could have a negative impact on the global economic environment and can thus lead to lower demand for the Group's products. The automotive industry supply chain has developed over decades and relies on existing trade arrangements to provide for cross-border supplies of raw materials, automotive parts and other components.

Extreme risks from acts of war can no longer be ruled out in the future and may also influence Novem's further development. This could lead to a tightening of export controls, political and economic sanctions against countries as well as entities and massive barriers to importing and exporting goods. Also, the supply of strategic raw materials could be restricted and thus become more expensive. The termination of existing trade agreements could significantly disrupt supply chains and lead to immediate shortages of crucial parts and components needed to manufacture cars and other vehicles. An example of this is the war in Ukraine, where all these disruptions became apparent.

Despite various trade barriers and unpredictable events, such as the Russia-Ukraine war, the implementation of new free trade agreements between the EU and other third countries (such as Canada, Japan, Vietnam and Singapore in the past years) and efforts to build new trade relations could reduce existing tariff barriers as well as non-tariff measures.

Research and development risks and opportunities

Future success depends on the ability to anticipate market trends as well as technological changes and to develop and bring to the market new and improved products in a timely manner. The automotive market, in particular, is characterised by progressive development towards more driver and passenger comfort features, digital user experience and assistance systems.

There can be no assurance that Novem will be successful in developing new products or systems or in bringing them to market in a timely manner or at all. Further, it cannot be guaranteed that products or

CONTENTS
1 TO OUR SHAREHOLDERS
2 NON-FINANCIAL REPORT
3 GROUP MANAGEMENT REPORT
4 CONSOLIDATED FINANCIAL STATEMENTS
5 ANNUAL ACCOUNTS
6 ADDITIONAL INFORMATION

technologies developed by others will not render offerings obsolete or non-competitive or that customers will not substitute the Group's products with competing products. Additionally, there is no certainty that the market will accept Novem's innovations, competitors will not be able to produce non-patented products more inexpensively from other sources or that the Group will be able to adjust cost structure in the event of contraction of demand. Should Novem fail to develop appropriate strategies as a response to these or other market trends and should fail to enhance existing products, develop new products or keep pace with developing market trends or technology, growth opportunities could be lost or the Group could lose the opportunity to win new platforms from existing customers. Furthermore, if Novem devotes resources to the pursuit of new technologies and products that fail to be accepted in the marketplace or that fail to achieve high process robustness, all or part of these engineering and development expenses may be lost.

A trend to highly integrated products on the OEM side, including mechanical and electronic components, can lead to a trend where only full system suppliers will be Tier-1 suppliers. Novem's business requires a high level of technical expertise for the design, development and manufacture of products. Novem invests in technology, new materials and innovation, which the Group believes will be critical to long-term growth and furthermore needs to continually adapt its expertise in response to technological innovations, industry standards and customer requirements or preferences.

The ability to anticipate changes in technology and market trends and to successfully develop and introduce new and enhanced products or manufacturing processes on a timely basis will be a significant factor in the ability to remain competitive. New technologies, materials or changes in industry and customer requirements may render one or more of the current offerings obsolete, excessively costly or otherwise unmarketable.

If there is a shift away from the use of materials or technologies in which Novem is investing, the costs may not be fully recovered, including, for example, the costs and expenses incurred in connection with the development of or investment in such material or technology. Novem may be placed at a competitive disadvantage if other materials or technologies emerge as industry-leading. One of the most important future challenges is sustainability, where OEMs already demand a high degree of recycled raw materials and a precise action plan towards CO2-neutrality. The focus on sustainability of the business is seen as essential for the long-term success of the Group. Additionally, private users increasingly use modes of transportation other than the private automobile, especially in connection with growing urbanisation and car sharing. The increased use of car sharing concepts and new city-based car rental schemes could reduce dependency on private automobiles and demand for customised premium vehicles. On the other hand, the trend towards shared mobility can lead to a need for more premium interiors as a differentiation method for mobility providers.

Customer and market risks and opportunities

Novem's products are highly competitive in respect of price, quality, delivery performance, innovation, product design, engineering capability and service, facing significant competition in all regions within each major product category.

Some of Novem's competitors, in particular in the Asian market, have in the past engaged, and may in the future continue to engage, in highly competitive strategies, such as predatory pricing or mergers and acquisitions, to gain market share. While Novem currently has a strong market position in the market for premium decorative interior trim elements, if consolidation continues in the automotive components sector, the Group may have to compete against growing competitors who benefit from increased economies of scale or are part of large integrated groups and who may have greater financial and other resources or a broader global footprint. Such competitors may also be less margin sensitive than Novem and attempt to increase their market share through pricing below cost. In addition, suppliers that do not currently compete with Novem could expand their product portfolios to include products that compete directly with ours. Changes in the product focus of larger suppliers could also result in such suppliers establishing relationships with customers that reduce or entirely replace Novem's business with those customers. Given the Group's strong market position, OEMs have in the past awarded and may in the future award certain platforms to competitors to diversify their supplier portfolio, which has resulted or may result in the loss of nominations in the future and which may limit the potential for future growth of Novem's market share.

The financial condition of customers is affected by the sales of their vehicles, which may be impacted by several factors, including general economic conditions. In particular, purchases of the customers' products may be limited by their customers' inability to obtain adequate financing for such purchases or by decreasing customer demand for light vehicles in general.

The Group may not fully or accurately assess the creditworthiness of customers. In particular, the financial condition of and demand for Novem's products from OEM customers have been and continue to be affected by the consequences of the Covid-19 pandemic and the Russia-Ukraine war. Significantly lower global production levels, tightened liquidity and increased cost of capital have in the past combined to cause financial distress amongst many OEMs and other customers as well as suppliers in the automotive industry and could have a similar impact in the future.

Although Novem supplies products to almost all leading premium OEMs, the Group depends on certain large customers for a significant proportion of revenue. In the financial year 2022/23, the three largest customers represented approximately 75% of revenue. The loss of all or a substantial portion of the revenue with any large-volume customers could have a material adverse impact on Novem's business, financial condition and results of operations. This risk could also materialise if the content per vehicle awarded to Novem were to decrease or if a lower amount of content per vehicle than expected is awarded. While Novem generally has benefitted from an increasing content per vehicle in the past, there have also been platforms with a decreasing content per vehicle.

In addition, the market for premium vehicles is significantly consolidated with a limited number of premium OEMs primarily based in Europe. The amount of business with Asian-based OEMs generally lags that of the largest customers in Europe, partly due to the existing relationships between these Asian-based OEMs and their preferred suppliers.

Consolidation amongst customers could result in an increasingly concentrated client base of large customers, which could, among others, increase the bargaining power of current and future customers. Mergers of customers with entities that are not Novem's customers could also materially impact the financial position and results of operations.

Market-specific opportunities primarily relate to consumer spending trends concerning the automotive industry. The trend for interior design is to view the car more as a wellness oasis on wheels. Interior design and details are setting standards and decisively influencing consumer behaviour. Novem's objective is to stabilise and maintain its attained growth and to generate future, profitable growth. Management pays close attention to how the automotive market responds to developments in consumer confidence. The Group's product and service range put Novem in a good position to benefit from expected future trends. Its global presence allows it to shift activities in markets in order to realise its cost-cutting potential and further enhance its proximity to the customer.

Material and supplier risks

Prices of certain raw materials and the energy the Group relies on are linked to commodity markets and thus subject to fluctuation. The primary raw materials and components used in the products are chrome and plastic parts, wood, aluminium, granulates, glue and synthetic materials. The prices of such raw materials have fluctuated significantly in recent years and have further increased in the last year. In addition, Novem uses large amounts of energy in the manufacturing process, the price of which is also subject to significant volatility. Such volatility in the prices of these commodities could increase the costs of manufacturing products. In addition, supply shortages or delays in the delivery of raw materials, components or energy can also result in increased costs of manufacturing products. Novem does not actively hedge against the risk of rising prices of raw materials or energy. Contracts with customers do not include pass-through mechanisms regarding inflationary price increases on raw materials or energy prices and if Novem is not able to compensate for such price increases or undertake cost-saving measures elsewhere in operations, they could have a material adverse impact on the financial results.

Logistics risks

Complex supply and delivery chains make logistics processes in Novem's industry very vulnerable to disruptions. As a result, Novem has experienced temporary decreases in orders from customers due to supply chain disruptions in the past and expects this to continue in the future.

In general, supply chain disruptions may result from many reasons, including closures of supplier facilities or critical manufacturing facilities due to strikes, mechanical breakdowns, electrical outages, fire and explosions, as well as logistical complications resulting from weather or other natural disasters, mechanical failures, border controls, health checks and delayed customs processing or due to limitation of travel in logistics caused by the Covid-19 or another pandemic. The Covid-19 pandemic has harmed the Group's supply chain, for example, as a result of production suspensions at suppliers or additional border or import checks. While Novem has not experienced material difficulties in maintaining the supply chain, the Group had to take countermeasures such as using air freight instead of sea freight and increasing inventory, which in turn negatively impacted profitability.

In recent years, Novem has broadened its supplier base to include new suppliers in local markets, particularly the United States, Mexico, Canada and Asia, that have not yet proven their ability to meet the Group's requirements consistently. The lack of even a small single sub-component or raw material necessary to manufacture one of the products, for whatever reason, could force Novem to cease production, possibly for a prolonged period. Similarly, a potential quality issue could force Novem to halt deliveries while validating the products. Even where products are ready to be shipped or have been shipped, delays may arise before they reach the customer. If Novem ceases timely deliveries, the Group has to absorb its own costs for identifying and solving the cause of the problem, as well as expeditiously producing and shipping replacement products.

If Novem is unable to deliver products to the customers on time, the customers may be forced to cease production and may seek to recoup losses, which could be significant. Thus, any supply chain disruption could cause the complete shutdown of an assembly line of one of Novem's customers, which could expose the Group to material claims for compensation.

In addition, the Group is exposed to the risk of lower order volumes from customers due to a disruption to their supply chain, which is unrelated to Novem's products. For example, OEMs still face a global semiconductor shortage, resulting in lower production volumes and temporary production suspensions at many OEMs, including some of Novem's customers.

Rising prices in the supply chain could also be caused by the requirements of the German Supply Chain Due Diligance Act (LkSG), which must be implemented by 1 January 2024.

Personnel risks and opportunities

Novem's success depends on attracting and retaining managing directors, executive officers, senior management, key employees and other skilled and unskilled personnel. The loss of key employees, including management, directors, executives and other skilled personnel, could have a material adverse effect on the Group's market position. Due to intense competition within the industry, there is a risk of losing qualified employees to competitors or being unable to find a sufficient number of appropriate new employees. Considerable expertise could be lost or access thereto gained by competitors.

There is no assurance that the Group will be successful in retaining its executives and employees in key positions or in attracting new employees with corresponding qualifications. Although Novem tries to retain the commitment of qualified executives and key employees through performance-based remuneration systems, there is a risk that any such individuals will leave the Group, including as a result of collective bargaining on terms that may be considered below-market standard by employees.

The manufacture of many of the Group's products requires significant technical skills and expertise. The success of the operations and growth strategy will therefore also depend on attracting and retaining skilled and qualified personnel maintaining high quality standards globally. The labour markets for production staff in some regions where Novem is active, such as the Czech Republic, Germany, Mexico or Slovenia, are characterised by very low unemployment rates and strong historic employment growth, resulting in intense competition for qualified personnel and an increased turnover rate.

The business could be adversely impacted by strikes, labour disputes and natural disasters.

Novem operates a large, global business with 5,488 employees as of 31 March 2023. The labour force in the automotive industry, including Novem's, is highly unionised, especially in Europe and Mexico. Over the past several years, the Group's industry and the industries in which Novem's customers operate have experienced strikes, lockouts, refusals to work or plant seizures. Although in the recent past the Group has not experienced, and at present is not experiencing any major labour disputes, the relationships with employees and unions at various locations could deteriorate in the future and the Group could experience strikes, further unionisation efforts or other types of conflicts with labour unions or employees. Refusals to work or work downtime experienced by customers or other suppliers could result in delays, decreased productivity or closures of assembly facilities where the Group's products are needed for assembly.

Although Covid-19 is still present, Novem's hygiene concept has proven itself, which is why the employees have not been affected heavily by the virus. At all times, Novem was able to maintain production and deliver the products to the customers.

The labour market has also changed. It is becoming increasingly challenging to find the employees needed to fill vacancies.

Increasing labour costs due to inflation in certain low-cost countries in which the Group operates, such as China, the Czech Republic, Honduras, Mexico or Slovenia, may erode the profit margins and compromise price competitiveness. Recent wage increases have increased average wage expenses per employee.

Although Novem undertakes various incentive programs to improve the productivity of employees, as well as cost-effective automation initiatives designed to reduce labour costs, these measures may be insufficient to offset increases in personnel costs or the Group may be unable to manage these increases in the future effectively.

Personnel development and apprenticeship programs are a specific chance to retain a high standard and knowledge within Novem's workforce.

The development of employees is a key issue. This is all about giving people the skills to pursue entrepreneurial goals while simultaneously combining this with the specific development aspirations of individual needs. Alongside the annual employee appraisal interviews, regular feedback talks are held at Novem. As part of their discussions, supervisors and their employees identify the necessary areas for action and therefore create individually tailored programmes.

Novem believes that the responsibility for independent career development is with individual employees. Supervisors and Human Resources see themselves as facilitators by making instruments, training courses and feedback talks available. These include, amongst others, development meetings that enable Novem to identify employees' career-progression aspirations and agree on a plan of action. Through continuous learning, the Group prepares its employees for future challenges. Thinking ahead and strengthening the development of individuals is a key strategy for Novem to shape future talents.

Quality risks and opportunities

As a supplier of premium decorative interior trim products, one of the determining factors for Novem's customers in purchasing components and systems is the high quality of products and manufacturing processes. A decrease in the actual or perceived quality of products and processes could damage Novem's image and reputation as well as those of the products. In addition, defective products could result in loss of sales, loss of customers and loss of market acceptance or could damage the Group's reputation and market perception.

At some locations, certain product certifications with regard to specifications and quality standards are considered a necessity or premise for the acceptance of products by customers and markets. As such, Novem must obtain and maintain the relevant certifications to be nominated as a supplier as well as for an ongoing business relationship. Maintaining such standards, which are regularly reviewed by customers, is essential to building long-term customer relationships.

As a manufacturer, Novem is subject to product liability lawsuits and other proceedings alleging violations of due care, violation of warranty obligations (implied and expressed), treatment errors, safety provisions and claims arising from breaches of contract or fines imposed by government or regulatory authorities. Given the large amounts of products manufactured and distributed to a variety of customers in the automotive sector, Novem is from time to time faced with liability claims related to actual or potentially deficient charges of products and may therefore be held liable in cases of death, bodily injury or damage to property caused by a defective product manufactured by the Group. The risks arising from such warranty and product liability lawsuits, proceedings and other claims are insured up to levels the Group considers economically reasonable. Still, the insurance coverage could prove insufficient in individual cases.

Furthermore, Novem manufactures many products pursuant to customer specifications and quality requirements. If the products manufactured and delivered do not meet the requirements stipulated by the customers at the agreed date of delivery, production of the relevant products is generally discontinued until the cause of the product defect has been identified and remedied. Furthermore, Novem's customers could potentially claim damages for breach of contract, even if the cause of the defect is remedied at a later point in time. In addition, failure to perform with respect to quality requirements could negatively affect the market acceptance of the Group's other products and market reputation in various market segments.

Environmental, health and safety risks

Many of the sites at which Novem operates have been used for industrial purposes for many years, leading to contamination risks and resulting in site restoration obligations. In addition, under federal and state environmental laws and regulations (including state property transfer laws), the Group could be held responsible for the remediation of offsite areas impacted by its sites and operations, natural resource damages, and/or third-party claims (e.g. for bodily injury or property damage). Regulatory authorities could assert claims against Novem, as the current or former owner or tenant (operator) of the affected sites or as the party that caused or contributed to the contamination, for the investigation or remediation or containment of such soil or groundwater contamination or other environmental media (e.g. surface waters), including related to Novem's use of non-owned treatment, storage and disposal sites or order the Group to dispose of or treat contaminated soil excavated or water encountered in the course of construction. Novem could also be liable to the owners or occupants of sites leased, sites the Group sells, or other impacted properties. Costs typically incurred in connection with such claims are generally difficult to predict. Also, if any contamination were to become a subject of public discussion, there is a risk that the reputation or relations with customers could be harmed.

Greenhouse gas emissions have increasingly become the subject of substantial international, national, regional, state and local attention. Greenhouse gas emission laws and regulations have been promulgated in some of the jurisdictions in which Novem operates, and additional greenhouse gas requirements are in various stages of development. In addition, the US Environmental Protection Agency (EPA) has issued regulations limiting greenhouse gas emissions from mobile and stationary sources pursuant to the US Clean Air Act. The final Carbon Pollution Standards for new, modified and reconstructed power plants reflect the degree of emission limitation achievable through the application of the best system of emission reduction that the EPA has determined has been adequately demonstrated for each type of unit. Novem's customers may seek price reductions to account for their increased costs resulting from greenhouse gas requirements.

As one of the measures intended to meet national climate targets, Germany recently expanded its national CO2 pricing and trading system to include emissions from burning fossil fuels by vehicles. The system entails mandatory emission certificates that must be acquired by sellers of fossil fuels and the costs of which are expected to be passed on to end consumers, i.e. vehicle users. The initial price for an emission certificate has been set at €25 per ton of CO2 for 2021 and is expected to step up to approximately €55 to €65 per ton of CO2 in 2026. The new system has already resulted in higher fuel prices in Germany and is expected to have a further significant impact in the future, which could in turn have a negative effect on the demand for vehicles in Germany.

Growing pressure to reduce greenhouse gas emissions from mobile sources could reduce automobile sales, thereby reducing demand for products and ultimately revenue.

The nature of operations subjects Novem to various statutory and regulatory compliance and litigation risks under health, safety and employment laws. There can be no assurance that there will be no accidents or incidents suffered by employees, contractors or other third parties on the Group's sites. If any accidents or incidents occur, Novem could be subject to prosecution and litigation, which could result in fines, penalties and other sanctions and could cause damage to the reputation.

The implementation and maintenance of management systems for environment, health and safety are required to fulfil legal and customer obligations. Ongoing audits from third parties must confirm the effectiveness of these systems to validate these certificates and thus be considered as a supplier.

IT risks

Novem relies heavily on centralised, standardised information technology systems and networks to support business processes, as well as internal and external communications. Any failure in the operation of these IT systems could result in material adverse consequences, including disruption of operations, loss of information or an unanticipated increase in costs. In addition, from time to time, the Group is required to make investments to maintain and/or upgrade the IT systems and networks and such investments may be significant.

The risk of computer viruses, cyber-attacks and security breaches is further increased as a growing number of employees work remotely. A significant or large-scale malfunction or interruption of one or more IT systems could adversely affect the ability to keep operations running efficiently or at all and affect product availability. Furthermore, it is possible that a malfunction of data security measures or a cyber-attack could enable unauthorised persons to access sensitive business or personal data, including information on the Group's intellectual property or business strategy or those of customers. Such failure could cause economic loss for which Novem could be liable and may expose the Group to governmental investigations, disciplinary actions and fines. A failure of the IT systems could also cause damage to Novem's reputation, which could harm the business.

CORPORATE GOVERNANCE STATEMENT

The Company is a Luxembourg public limited company (Société Anonyme) and as such is subject to the corporate governance regime as set forth in particular in the Companies' Law.

As the Company's shares are listed on a regulated market, the Company is further subject to the provisions of the Shareholder Rights Law.

Being a Luxembourg public limited company, with its shares exclusively listed on a regulated market in Germany, the Company is neither required to adhere to the Luxembourg corporate governance regime applicable to companies admitted to the regulated market in Luxembourg nor to the German corporate governance regime applying to stock corporations organised in Germany.

The Company has set up its own corporate governance structure in order to address its own specific needs and interests and has, for such purpose, adopted and chosen to abide by its own corporate governance rules, as further described below, rather than to voluntarily apply either of the Luxembourg or Germany governance regimes, and to set up its corporate governance structure.

As the German corporate governance code (GCGC) does not apply to the Company, it does not have to issue a declaration of conformity with the GCGC under section 161 of the German Stock Corporation Act (Aktiengesetz).

Solely for purposes of section 4.1.1.1 of the Guide to the DAX Equity Indices of STOXX Ltd., the Company declares that it does not deviate from recommendations C.10, D.3, D.9 and D.11 of the GCGC, in each case applied accordingly to a public limited company (Société Anonyme) with a two-tier governance system under Luxembourg Law.

The Company's Supervisory Board or its Audit and Risk Committee arranges for the Company's external auditors to inform it and note in the Audit Report if, during the performance of the audit, the external auditors identify any facts that indicate an inaccuracy in adhering to the recommendations in C.10, D.3, D.9 or D.11 of the GCGC, in each case applied accordingly to a public limited company (Société Anonyme) with a two-tier governance system under Luxembourg Law.

For the avoidance of doubt, the Company is subject to Luxembourg Law with respect to the accounting principles relating to its financial statements and therefore does not fall within the application of the German Commercial Code (Handelsgesetzbuch). As a result, recommendation D.3 of the GCGC was followed by the Company to the extent possible.

By virtue of European and Luxembourg Law, Novem Group is obliged to report on non-financial and diversity information relating to it. Novem's Non-financial Report will be published together with this Annual Report, i.e. on 29 June 2023. In accordance with Article 7bis of the Shareholder Rights Law, the Company must further draw up a Remuneration Policy for the Supervisory Board and the Management Board of Novem Group S.A. reflecting the principles and measurement for the remuneration of the members of such boards. The Company must as well publish a Remuneration Report, which will be published separately from this Annual Report on the Novem IR website on 25 July 2023. The Remuneration Policy can already be accessed on the Novem IR website.

The internal control systems and risk management for the establishment of financial information are described in the section Risk and opportunity management. According to the Articles of Association, the Management Board must be composed of at least two members, whereas the Supervisory Board must be composed of at least three. The Supervisory Board has set up the following committees in accordance with the Articles of Association: the Audit and Risk Committee and the Nomination and Remuneration Committee. The Audit and Risk Committee is responsible for the consideration and evaluation of the auditing and accounting policies and the Company's financial controls and systems. The Remuneration Committee is responsible for making recommendations to the Supervisory Board and the Management Board on the terms of appointment and the benefits of the members of the Management Board of the Company. Further details on the composition and purpose of these committees and the Supervisory Board are described in the section Report of the Supervisory Board as well as in the section Setup and organisation of the Management Board regarding the Management Board. The Annual General Meeting shall be held at such time as specified by the Management Board and/or the Supervisory Board in the convening notice.

The Management Board and Supervisory Board may convene extraordinary general meetings as often as the Company's interests so require. An extraordinary general shareholders' meeting must be convened upon the request of one or more shareholders who together represent at least one-tenth of the Company's share capital.

Each share entitles the holder to one vote.

The right of a shareholder to participate in a General Meeting and to exercise the voting rights attached to their shares are determined with respect to the shares held by such shareholder on the 14th day before the General Meeting.

Each shareholder can exercise their voting rights in person, through a proxy holder or in writing (if provided for in the relevant convening notice).

The information required pursuant to Article 10.1 of Directive 2004 / 25 / EC on takeover bids which has been implemented by Article 11 of the Takeover Law is set forth here below under *Disclosure Regarding Article 11 of the Luxembourg Law on Takeovers of 19 May 2006*.

Disclosures pursuant to Article 11 of the Luxembourg Law on Takeovers of 19 May 2006

A) For information regarding the structure of capital, reference is made to section 3.8 of the consolidated financial statements.

B) The Articles of Association of the Company do not contain any restrictions on the transfer of shares of the Company.

C) According to the voting rights notifications received until 31 March 2023, the following shareholders held more than 5% of total voting rights attached to Novem shares: COFRA Holding (indirect: 33,505,583 voting rights attached to shares or 77.87% of total voting rights) and AVGP Limited, St. Helier, Jersey (direct: 2,409,424 voting rights attached to shares or 5.60% of total voting rights).

D) The Articles of Association of the Company do not contain any restrictions on voting rights.

E) There are no agreements with shareholders which are known to the Company and may result in restrictions on the transfer of securities or voting rights within the meaning of the Transparency Directive.

F) Rules governing the appointment and replacement of Management Board members and the amendment of the Articles of Association:

- The members of the Management Board are appointed by the Supervisory Board, or in the case of a vacancy, by way of a decision adopted by a majority of the remaining Management Board members for the period until the next Supervisory Board Meeting.
- Management Board members are appointed for a term not exceeding six years and are eligible for re-appointment.
- Management Board members may be removed at any time with or without cause by the Supervisory Board by a simple majority of the votes.
- Resolutions to amend the Articles of Association may be adopted in the manner foreseen by the Companies' Law, i.e. by a majority of two-thirds of the votes validly cast, without counting the abstentions, if the quorum of half of the share capital is met. If the quorum requirement of half of the share capital of the Company is not met at the Annual General Meeting, the shareholders may be re-convened to a second General Meeting. No quorum requirements apply with respect to such second General Meeting and the resolutions are adopted by a majority of two-thirds of the votes validly cast, without counting the abstentions.

G) Powers of the Management Board:

- The Company is managed by a Management Board under the supervision of the Supervisory Board.
- The Management Board is vested with the broadest powers to perform or cause to be performed any actions necessary or useful in connection with the purpose of the Company.
- All powers not expressly reserved by the Companies' Law or by the Articles of Association to the General Meeting or the Supervisory Board fall within the authority of the Management Board.
- Certain measures are subject to the prior approval of the Supervisory Board on the terms set out in the Articles of Association and the Rules of Procedure of the Management Board.
- The Management Board may appoint one or several persons, including but not limited to members of the Management Board or shareholders, at the exclusion of any member of the Supervisory Board, who shall have full authority to act on behalf of the Company in all matters pertaining to the daily management and affairs of the Company.
- The Management Board is also authorised to appoint one or several persons, either members of such board or not, at the exclusion of any member of the Supervisory Board, for the purposes of performing specific functions at every level within the Company.
- The Management Board may also appoint committees to which it may delegate some of its tasks and the members of which may, but do not have to be members of the Management Board, at the exclusion of any member of the Supervisory Board.

- The Management Board is authorised to issue shares in the Company under the Articles of Association, which set the authorised capital of the Company, including the issued share capital at €520,000, represented by 52,000,0000 shares. Such authorisation has been granted for a period of five years beginning on 30 June 2021. During such period the Management Board, with the consent of the Supervisory Board, may issue new shares under the authorised share capital, limit or cancel any preferential subscription rights.
- The Articles of Association of the Company allow for a redemption of shares within the limits of the law, however, there is currently no buyback authorisation to the Management Board in place.

H) The Company is, given the nature of its business and its field of activity, party to agreements which would take effect, alter or terminate upon a change of control of the company following a takeover bid, as is usual in the sector in which it operates.

I) There are no agreements between the Company and its Management Board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

SUBSEQUENT EVENTS

There were no events or developments that could have materially affected the measurement and presentation of the Group's assets and liabilities as of 31 March 2023 other than disclosed in note 5.15 of the consolidated financial statements.

OUTLOOK

Given the difficult trading conditions, macroeconomic volatility and ongoing concerns about the war in Ukraine, uncertainty remains high. Amid this, strained supply chains, sharply increased input costs and inflation are affecting overall economic growth.

As for the economic outlook, global car production also faces the above challenges, ultimately leading to volatile call-offs and inefficiencies. Nevertheless, recent market data suggests solid growth in light vehicle production for 2023/24 as supply chains are expected to ease over time, partly due to the end of China's zero-Covid policy. To cope with the challenging market environment, Novem will continue to closely monitor developments and take all necessary precautions to adapt to the situation.

Due to the many unpredictable factors and remaining uncertainties, providing a reasonable outlook is not possible. On the back of its proven resilience, however, the Group confirms its mid-term guidance and expects a stable development of key performance indicators in the year ahead.

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4 Consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 March 2023

in € thousand	Note	FY 2021/22	FY 2022/23
Revenue	4.1	614,628	700,304
Increase or decrease in finished goods and work in process		29,471	-7,491
Total operating performance		**644,100**	**692,813**
Other operating income	4.2	20,071	25,817
Cost of materials	4.3	-327,998	-354,689
Personnel expenses	4.4	-158,483	-168,645
Depreciation, amortisation and impairment	4.5	-31,372	-32,467
Other operating expenses	4.6	-73,454	-82,377
Operating result (EBIT)		**72,864**	**80,452**
Finance income	4.7	3,380	3,555
Finance costs	4.7	-25,821	-13,087
Financial result		**-22,440**	**-9,532**
Income taxes	4.8	-16,131	-15,728
Deferred taxes	4.8	9,679	-5,209
Income tax result		**-6,452**	**-20,937**
Profit for the period attributable to the shareholders		**43,972**	**49,983**
Differences from currency translation	3.8	9,177	224
Items that may subsequently be reclassified to consolidated profit or loss		**9,177**	**224**
Actuarial gains and losses from pensions and similar obligations (before taxes)	3.9	1,978	8,572
Taxes on actuarial gains and losses from pensions and similar obligations		-487	-2,229
Items that will not subsequently be reclassified to consolidated profit or loss		**1,491**	**6,343**
Other comprehensive income/loss, net of tax		**10,668**	**6,567**
Total comprehensive income/loss for the period attributable to the shareholders		**54,640**	**56,551**
Earnings per share attributable to the equity holders of the parent (in €)			
basic	4.9	1.04[1]	1.16
diluted	4.9	1.04[1]	1.16

1 Adjusted according to IAS 8.42 as the calculation of the number of average weighted shares was different.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 31 March 2023

Assets

in € thousand	Note	31 Mar 22	31 Mar 23
Intangible assets	3.1	3,100	2,429
Property, plant and equipment	3.2	184,905	185,116
Trade receivables	3.4	47,541	46,329
Other non-current assets	3.7	12,619	10,276
Deferred tax assets	4.8	18,845	8,332
Total non-current assets		**267,009**	**252,482**
Inventories	3.3	129,388	116,306
Trade receivables	3.4	37,671	47,510
Other receivables	3.5	28,584	37,999
Other current assets	3.7	13,667	18,235
Cash and cash equivalents	3.6	116,967	165,474
Assets held for sale		760	-
Total current assets		**327,036**	**385,524**
Assets		**594,045**	**638,006**

Equity and liabilities

in € thousand	Note	31 Mar 22	31 Mar 23
Share capital	3.8	430	430
Capital reserves	3.8	539,630	539,594
Retained earnings/accumulated losses	3.8	-482,826	-443,414
Currency translation reserve	3.8	10,422	10,646
Total equity		**67,656**	**107,256**
Pensions and similiar obligations	3.6	34,871	27,044
Other provisions	3.11	3,172	1,373
Financial liabilities	3.12	247,683	248,220
Other liabilities	3.13 3.14 3.16	29,753	33,273
Deferred tax liabilities	4.8	3,635	648
Total non-current liabilities		**319,113**	**310,558**
Tax liabilities	3.10	13,805	19,056
Other provisions	3.11	47,974	46,693
Financial liabilities	3.12	1,404	1,151
Trade payables	3.15	70,384	60,597
Other liabilities	3.13 3.14 3.16	73,708	92,694
Total current liabilities		**207,275**	**220,191**
Equity and liabilities		**594,045**	**638,006**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 March 2023

in € thousand	Note	FY 2021/22	FY 2022/23
Profit for the period		43,972	49,983
Income tax expense (+)/income (-)	4.8	16,131	15,728
Financial result (+)/(-) net		21,674	7,126
Depreciation, amortisation and impairment (+)	4.5	31,372	32,467
Other non-cash expenses (+)/income (-)		884	-9,134
Increase (-)/decrease (+) in inventories		-30,741	13,201
Increase (-)/decrease (+) in trade receivables		19,967	-9,438
Increase (-)/decrease (+) in other assets		2,896	-3,184
Increase (-)/decrease (+) in deferred taxes		-10,118	5,245
Increase (-)/decrease (+) in prepaid expenses/ deferred income		1,022	1,921
Increase (+)/decrease (-) in provisions		-8,075	2,675
Increase (+)/decrease (-) in trade payables		8,158	-10,048
Increase (+)/decrease (-) in other liabilities		702	10,431
Gain (-)/loss (+) on disposals of non-current assets		20	74
Cash received (+) from/cash paid (-) for income taxes		-17,330	-8,721
Cash flow from operating activities		**80,536**	**98,326**
Cash received (+) from disposals of property, plant and equipment		7	795
Cash paid (-) for investments in intangible assets		-443	-288
Cash paid (-) for investments in property, plant and equipment		-18,147	-17,646
Interest received (+)	4.7	3,095	3,361
Cash flow from investing activities		**-15,487**	**-13,779**

in € thousand	Note	FY 2021/22	FY 2022/23
Cash received (+) from loans		247,649	-
Cash in-flow (+)/out-flow (-) from shareholders of the parent company		48,827	-
Cash repayments (-) of bond/cash received (+) from issuance of bond	5.6	-400,000	-
Cash paid (-) for subsidies/grants		-4	-4
Cash paid (-) for lease liabilities	3.13	-8,366	-9,797
Interest paid (-)		-12,994	-8,533
Dividends paid (-)	3.8	-	-17,212
Cash flow from financing activities		**-124,889**	**-35,546**
Net increase (+)/decrease (-) in cash and cash equivalents		**-59,840**	**49,000**
Effect of exchange rate fluctuations on cash and cash equivalents		1,508	-493
Cash and cash equivalents at the beginning of the reporting period		175,299	116,967
Cash and cash equivalents at the end of the reporting period		**116,967**	**165,474**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 March 2023

in € thousand	Note	Share capital	Capital reserves	Other retained earnings/ accumulated losses	Currency translation reserve	**Equity**
Balance as of 01 Apr 21		**62**	**21,891**	**-528,289**	**1,245**	**-505,091**
Profit or loss for the year		-	-	43,972	-	43,972
Other comprehensive income or loss	3.8	-	-	1,491	9,177	10,668
Comprehensive income or loss for the year		**-**	**-**	**45,463**	**9,177**	**54,640**
Issue of new shares	3.8	368	48,459	-	-	48,827
Contribution of shareholder loan	3.8	-	469,280	-	-	469,280
Balance as of 31 Mar 22		**430**	**539,630**	**-482,826**	**10,422**	**67,656**
Balance as of 01 Apr 22		**430**	**539,630**	**-482,826**	**10,422**	**67,656**
Profit or loss for the year		-	-	49,983	-	49,983
Other comprehensive income or loss	3.8	-	-	6,343	224	6,567
Comprehensive income or loss for the year		**-**	**-**	**56,327**	**224**	**56,551**
Other capital-related transactions		-	-36	-	-	-36
Contribution of shareholder loan		-	-	-	-	-
Dividends	3.8	-	-	-17,212	-	-17,212
Reclassifications		-	-	298	-	298
Balance as of 31 Mar 23		**430**	**539,594**	**-443,414**	**10,646**	**107,256**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 General information

1.1 Reporting entity

Novem Group S.A. was originally formed as a private company (société à responsabilité limitée) for an unlimited period of time under the laws of Luxembourg on 12 July 2011 pursuant to a deed of incorporation published in the Mémorial, Recueil des Sociétés et Associations C on 28 September 2011, number 2306. At that time, the Company's legal name was Car Interior Design (Luxembourg) S.à r.l.

On 30 June 2021, the extraordinary General Shareholders' Meeting converted the Company's corporate form from a private limited liability company (société à responsabilité limitée) to a public company limited by shares (société anonyme). As a consequence, the shares (parts sociales) were also converted and became actions with no nominal value. The Company's corporate name was amended to Novem Group S.A.

Novem Group S.A. (hereinafter also referred to as the "Company") is domiciled in Contern, Luxembourg, and is registered in the commercial register of Luxembourg under register file number B 162.537. The Company's registered office is at 19, rue Edmond Reuter, 5326 Contern, Luxembourg. The Group's principal place of business is Vorbach, Germany.

The Company's financial year is from 1 April to 31 March of the following year (12-month period). The consolidated financial statements include Novem Group S.A. and its subsidiaries (hereinafter also referred to as "Novem" or the "Group").

Novem operates as a developer, supplier and system supplier for trim parts and decorative functional elements in vehicle interiors in the premium sector. The products combine valuable raw materials with the latest technology and processing. Typically, the products are used as instrument panels, impact-resistant trim parts in the centre console, door trims, beltlines and decorative functional elements in the car interior.

The consolidated financial statements were authorised for issue by the Management Board on 22 June 2023.

Under Luxembourg Law, the consolidated financial statements are approved by the shareholders at their Annual General Meeting.

The official version of the accounts is the ESEF version available with the Officially Appointed Mechanism (OAM) tool.

1.2 Basis of preparation and presentation method

These consolidated financial statements have been prepared on the basis of historical costs. This excludes derivative financial instruments and trade receivables that are sold under factoring agreements. These are measured at fair value through profit or loss.

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. The fair value can either be directly observable or otherwise be estimated using a valuation technique. When measuring fair value using a valuation technique, it has to be categorised into one of the following levels depending on the available observable parameters and the significance of these parameters for measurement as a whole:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, or can be derived indirectly from other prices.
- Level 3 inputs are unobservable inputs for the asset or liability.

The Group recognises reclassifications between different levels at the end of the reporting period in which the change occurred.

The Group classifies assets and liabilities as current if they are expected to be realised or settled within 12 months after the reporting date. If assets and liabilities have both a current and non-current component, they are broken down into their maturity components and reported as current and non-current assets or liabilities in accordance with their accounting classification.

These consolidated financial statements are presented in Euro, the Company's functional currency. All amounts are rounded to the nearest thousand Euro unless otherwise indicated. Totals in tables were calculated on the basis of exact figures and rounded to the nearest thousand Euro. For computational reasons, there may be rounding differences to the exact mathematical values in tables and references (monetary units, percentages, etc.). The Group has consistently applied the accounting and consolidation policies to all periods presented in these consolidated financial statements.

The consolidated statements of profit or loss and other comprehensive income have been prepared using the nature of the expense method.

The consolidated financial statements as of 31 March 2023 have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the European Union (EU). The term IFRS includes all applicable International Accounting Standards (IAS) as well as all interpretations and amendments by the International Financial Reporting Standards Interpretations Committee (IFRS IC) – formerly the International Financial Reporting Interpretations Committee (IFRIC).

Novem Group S.A. has prepared the consolidated financial statements as of 31 March 2023 on a going concern basis. From the current perspective, there are no risks to the continued existence of the Company. In its assessment, management considered the profit for the last years as well as the strong cash positions. The management also considered the positive cash in-flow from operating activities. Reference is also made to section 3.6 and section 3.8.

1.3 Effects of new financial reporting standards

The IASB has issued or revised a number of reporting standards and interpretations that will not become effective until a future date. These new standards and interpretations will not be applied by the Group before they become effective in the EU.

The following table shows the new or amended standards, including their effects expected from first-time adoption. If the Group does not expect any effects on the consolidated financial statements from first-time adoption, this is due to the fact that the transactions, other events or conditions affected by the new IFRSs do not currently exist within the Group.

Effective date	New standards or amendments	Potential impact on the consolidated financial statements
Annual periods beginning on or after 1 January 2023	Amendments to IAS 8: Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	negligible
Annual periods beginning on or after 1 January 2023	Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies	negligible
Annual periods beginning on or after 1 January 2023	IFRS 17 Insurance Contracts: Replacement of IFRS 4 and Amendments to IFRS 17	no impact
Annual periods beginning on or after 1 January 2023	Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from Single Transaction	negligible
Annual periods beginning on or after 1 January 2023[1]	Amendment to IAS 12 Income Taxes: Pillar 2 model rules	negligible
Annual periods beginning on or after 1 January 2024[1]	Amendments to IAS 1: Classification of Liabilities as Current or Non-current (with Covenants)	negligible
Annual periods beginning on or after 1 January 2024[1]	Amendments to IFRS 16: Clarification how a seller-lessee subsequently measures sale and leaseback transactions	negligible
Annual periods beginning on or after 1 January 2024[1]	Amendment to IAS 7 and IFRS 7: Supplier finance arrangements	negligible
Deferred indefinitely	Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	negligible

1 EU endorsement still pending

The Group observed all standards and interpretations adopted by the International Accounting Standards Board (IASB) and the EU that are mandatory as of 1 January 2022. The following table shows the new or amended standards effective in 2022. Applying the new standards has not significantly impacted these financial statements.

Effective date	New standards or amendments	Impact on the consolidated financial statements
Annual periods beginning on or after 1 January 2022	Annual Improvements 2018-2020 Narrow-scope amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	negligible
Annual periods beginning on or after 1 January 2022	Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets Onerous Contracts – Costs of Fulfilling a Contract	negligible
Annual periods beginning on or after 1 January 2022	Amendments to IAS 16: Property, Plant and Equipment Proceeds before Intended Use	negligible
Annual periods beginning on or after 1 January 2022	Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework	negligible

1.4 Consolidated entities and basis of consolidation

Consolidated entities

In addition to Novem Group S.A., the consolidated financial statements include all subsidiaries that can be controlled by the Group. According to IFRS 10, a company controls an entity when it has the power over the entity, is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The consolidated financial statements include Novem Group S.A. as well as 13 international subsidiaries.

	Registered office	Ownership interest in %
Novem Group GmbH	Vorbach, Germany	100
Novem Beteiligungs GmbH[1]	Vorbach, Germany	100
Novem Car Interior Design GmbH[1]	Vorbach, Germany	100
Novem Car Interior Design Metalltechnologie GmbH[1]	Vorbach, Germany	100
Novem Car Interior Design Vorbach GmbH[1]	Vorbach, Germany	100
Novem Deutschland GmbH	Vorbach, Germany	100
Novem Car Interiors (China) Co., Ltd.	Langfang, China	100
Novem Car Interior Design k.s.	Pilsen, Czech Republic	100
Novem Car Interior Design S.de R.L.	Tegucigalpa, Honduras	100
Novem Car Interior Design S.p.A.	Bergamo, Italy	100
Novem Car Interior Design S.A. de C.V.	Querétaro, Mexico	100
Novem Car Interior Design d.o.o.	Žalec, Slovenia	100
Novem Car Interior Design Inc.	Detroit, USA	100

1 Entities included in the consolidated financial statements according to IFRS that have exercised the exemption clauses under §264 (3) HGB.

Basis of consolidation

Subsidiaries are entities controlled by Novem Group S.A., Luxembourg. A company controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Company's returns.

In assessing control, all facts and circumstances are considered. This particularly includes the purpose and structure of the investee. For example, changes to decision-making rights can mean that the relevant activities are no longer directed through voting rights, but instead, other agreements, such as contracts, give another party or parties the current ability to direct the relevant activities. The assessment of control requires taking into account all facts and circumstances in the management's judgment.

Acquisitions of subsidiaries in the course of business combinations are accounted for using the acquisition method pursuant to IFRS 3. On initial consolidation, the identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair values. The fair values of property, plant and equipment and employee benefits and similar obligations are determined on the basis of expert opinions, while the fair values of financial instruments, as well as inventories, are based on available market information. The fair value of significant intangible assets is measured using adequate valuation techniques based on estimated future cash flows or multiples. Acquisition-related costs are expensed as incurred.

For each business combination, the Group decides on an acquisition-by-acquisition basis whether to recognise the acquisition date components of non-controlling interests in the acquiree at fair value or based on the proportionate share of the acquiree's net assets.

Goodwill is the positive difference between the consideration transferred and the fair value of the identifiable assets acquired and the liabilities assumed in a business combination. If the measured amount is negative, the difference is recognised directly in profit or loss after reexamination. Goodwill is not amortised but tested for impairment at least annually – or more frequently if required – and, if necessary, written down to the residual value after deduction of the impairment loss. Subsidiaries are fully consolidated from the date of acquisition, i.e. from the date the group entity obtains control. They are deconsolidated as soon as the group entity loses control. If control is lost at a later date, profit or loss is recognised in the consolidated financial statements for the part of the reporting year during which the Group entity had control.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Intercompany profit or loss on trade receivables that have not yet been realised from the Group's perspective is eliminated in the consolidated financial statements. Receivables, payables, provisions, revenue, expenses and income between group entities are eliminated. Differences resulting from the elimination of intercompany payables and receivables (genuine elimination differences) are presented under other operating expenses.

Taxes were deferred as required on temporary differences arising from consolidation measures in accordance with IAS 12.

If necessary, the financial statements of group entities are adapted to the accounting policies of Novem Group S.A. The financial statements of the group entities Novem Car Interiors (China) Co., Ltd., China, and Novem Car Interior Design S.A. de C.V., Mexico, whose reporting date is 31 December, are adapted to the parent company's reporting date. The deviating reporting dates compared to the parent company result from the respective national legislation.

1.5 Foreign currency translation

The consolidated financial statements are prepared in accordance with the functional currency concept. The consolidated financial statements are presented in Euros, the parent company's functional currency. In addition, the functional currency of each subsidiary is determined. The items contained in the financial statements of the respective subsidiary are then translated into the functional currency of the parent company.

Transactions in foreign currencies are translated into Euros at the exchange rate applicable on the transaction date. In subsequent reporting periods, monetary assets and liabilities denominated in foreign currency are translated at the closing rate. Any resulting gains and losses are recognised in consolidated profit or loss. Non-monetary assets and liabilities are translated into Euros at the exchange rate applicable on the transaction date.

Assets and liabilities of foreign subsidiaries whose functional currency is not the Euro are translated into Euros at the closing rate on each reporting date. Equity items are translated at historical exchange rates. The income statements and statements of cash flows are translated into Euros at the applicable average exchange rates for the period. The resulting foreign currency translation differences are presented in the translation currency reserve in accumulated other comprehensive income.

The Group used the following major exchange rates for currency translation:

Currency	Closing rate		Average rate	
EUR 1 equals	31 Mar 22	31 Mar 23	2021/22	2022/23
CNY	0.14115	0.13343	0.13425	0.13958
CZK	0.04101	0.04266	0.03949	0.04118
HNL	0.03678	0.03728	0.03571	0.03895
MXN	0.04526	0.05099	0.04237	0.04892
USD	0.90082	0.91954	0.86178	0.95743

2 Accounting policies

2.1 Use of judgments and estimates

In preparing the financial statements in accordance with IFRS, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Due to unforeseeable developments beyond the control of management, the actual figures may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in accordance with IAS 8 in the period in which they occur and in each subsequent period affected by the revisions.

The most important forward-looking assumptions and other major sources of estimation uncertainty on the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year are explained below.

Measuring the fair value of financial instruments

If the fair values of financial assets and financial liabilities cannot be measured using quoted prices in active markets, they are determined by applying valuation techniques, including the discounted cash flow method. The inputs used in the model are based – to the extent possible – on observable market data. If such data is unavailable, fair value is determined to a considerable extent based on judgment. Judgments concern such inputs as liquidity risk, credit risk and volatility. Changes in the assumptions for these inputs may affect the recognised fair values of financial instruments. Please refer to section 5.2 for an overview of the financial instruments measured at fair value.

Impairment of non-financial assets

Management assesses at the end of each reporting period whether there is any objective evidence that assets are impaired. Any intangible assets not yet available for use as of the reporting date in the form of capitalised development costs are also tested for impairment annually. Further tests are conducted when there is objective evidence of impairment. Other non-financial assets or cash-generating units are tested for impairment when there is evidence that the carrying amount is not recoverable. The recoverable amount of an asset or a cash-generating unit is the higher of fair value less costs to sell and value in use. The measurement of fair value less costs to sell is based on available data from binding sales transactions between independent business partners for similar assets or observable market prices less costs directly attributable to the sale of the asset. The discounted cash flow method is used to measure the value in use. Cash flows are derived from the budget for the next five years, which does not include restructuring measures to which the Group has not yet committed and material future investments that will increase the profitability of the tested cash-generating unit. The recoverable amount depends on the discount rate used in the discounted cash flow method as well as the expected future cash in-flows and the growth rate used for extrapolation purposes.

Capitalisation of development costs

When capitalising development costs, management's estimates regarding the technical and economic feasibility of the development projects are considered in the recognition decision. This is usually the case when an internal development project has reached a specific milestone in the existing project management model. Measurement of the capitalised development costs depends on assumptions regarding the amount and period of expected future cash flows as well as discount rates to be applied. For more details, please see section 3.1.

Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. The measurement of net realisable value requires assumptions by management, particularly on the development of sales prices and costs still to be incurred until sale. Please refer to section 3.3 for further information.

Loss allowances on receivables

Estimates regarding the amount and necessary scope of loss allowances on receivables sometimes require subjective assessments with regard to the creditworthiness of customers. These are therefore subject to the inherent uncertainty of judgment. Please refer to section 3.4 and section 5.4 for further information.

Deferred tax assets on tax loss carry-forwards

Deferred tax assets are recognised for tax loss carryforwards to the extent that it is considered likely that the related tax benefits will be realised through future taxable profits based on management's profit forecasts for the group entities. The determination of deferred tax assets requires significant judgment by management with regard to the expected occurrence and amount of future taxable income as well as future tax. Please refer to section 4.8 for further information.

Provisions

Significant estimates are required in the determination of provisions related to pensions and other obligations, contract losses, warranty costs and legal proceedings. Please refer to section 2.11 and section 2.13 for further information.

Determination of the term of leases with extension/ termination options

The Group determines the term of its leases based on the non-cancellable period of the lease as well as the periods arising from the option to extend the lease, provided it is reasonably certain that it will exercise this option, or the periods arising from the option to terminate the lease provided it is reasonably certain that it will not exercise this option. The Group has concluded several leases that include extension and/or termination options. It exercises judgment in determining whether it is reasonably certain that the option to extend or terminate the lease will or will not be exercised. That is, it considers all relevant criteria that create an economic incentive for it to exercise either the extension or termination option. After the commencement date, the Group re-determines the lease term if there is a significant event or change in circumstances that is within its control and has an effect on whether or not it will exercise the option to extend or terminate the lease (e.g. major leasehold improvements or material adjustment of the underlying asset).

Please refer to section 5.10 for details on potential future lease payments for periods after the date of exercising the extension and termination options that are not taken into account in the lease term.

Revenue recognition

For the purpose of revenue recognition, it is necessary to identify all distinct performance obligations within a contract with a customer. The assessment of whether a performance obligation is distinct requires judgments by management.

Moreover, determining and allocating the transaction price to distinct performance obligations of a contract requires assumptions and estimates by management. This particularly concerns scenarios in which a stand-alone selling price for a good or service is not directly observable, and must therefore be estimated or cases in which the transaction price includes variable components. In addition, management must assess whether there is participation in the development costs of automobile manufacturers in exchange for goods or services transferred by customers to the Group, which is customary in the automotive industry. Should this not be the case, estimates of the future contract volume under the contracts with customers involving such participation are necessary.

Furthermore, determining whether a performance obligation is satisfied at a point in time or over time also requires management judgment. This particularly concerns the assessment of whether the criteria for recognition of revenue over time are satisfied in the individual case. Please refer to section 2.15 and section 2.7 for further information.

Climate change

Increasing expectations from stakeholders require explaining how climate-related matters are considered in preparing the financial statements to the extent they are material. Climate change and potential future developments on the entity, including the sustainability of its current business model, are for sure important but not expected to have a significant impact on the financial reporting judgments and estimates so far, consistent with the assessment that climate change is also not expected to have a significant impact on the Group's going concern assessment nor viability of the Group. There are certainly potential risks (e.g. limitations on car traffic with the aim of reducing greenhouse gases potentially affecting the overall demand), but also clear opportunities (e.g. expansion of the product portfolio with bio-based, recycled or upcycled decors) which may change in the future both in terms of materiality and likelihood of occurrence and may have a corresponding impact on judgments and estimates. Still, these have been classified as not material for this year's financial statements. Any trends and developments are continuously monitored and investigated in order to identify any effects on the business model at an early stage. This involves analysing matters such as transitory risks resulting from new statutory legislation and regulations on climate protection, such as the introduction of a CO2 tax or a ban on diesel vehicles in large cities. We also take technological innovations into account.

Underlying, the Group actively contributes to reducing the footprint of production by converting manufacturing processes to CO2-neutral with modern and efficient technology. Sustainability is also reflected in product innovations and concepts, which potentially can even create a competitive advantage with customers in awarding new projects.

Russia-Ukraine war

While management sees no direct impact from the Ukraine war on Novem, indirect consequences could be observed. The indirect impact mainly resulting from political and economic sanctions against Russian entities and huge barriers for importing or exporting goods between and through the war zones and the European Union or other third countries led to massive supply chain disruptions and rising transport costs. Since the beginning of the war on 24 February 2022, management has regularly reviewed the implications of the changing geopolitical and macroeconomic conditions and has not identified a going concern or significant issue, beyond the general scope of impact, on the performance and financial position of the Group as of today. Management continues to monitor the current developments and their potential impact on the Group.

2.2 Intangible assets

Purchased intangible assets

Intangible assets acquired for valuable consideration are recognised at cost. If they have a determinable useful life, these intangible assets are amortised on a straight-line basis over these useful lives. Straight-line amortisation begins when the asset is in the condition necessary for it to be capable of operating in the manner intended by management. After initial recognition, intangible assets are recognised at cost less accumulated amortisation and any accumulated impairment losses. Amortisation and impairment losses are recognised in profit or loss.

Identifiable intangible assets acquired in a business combination are recognised at fair value at the acquisition date.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenses are recognised as expenses in the period they are incurred.

The useful lives of software and licenses are estimated at two to five years.

Amortisation methods and useful lives are reviewed at each reporting date and adjusted as necessary.

Internally generated intangible assets

Expenditures relating to development projects are recognised as intangible assets pursuant to IAS 38 if the following can be demonstrated:

1. the technical feasibility of completing the intangible asset so that it will be available for use or sale;
2. the intention to complete the intangible asset and use or sell it;
3. the ability to use or sell the intangible asset;
4. how the intangible asset will generate probable future economic benefits;
5. the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
6. the ability to measure reliably the expenditure attributable to the intangible asset during its development. The cost of an internally generated intangible asset is the sum of expenditure incurred from the date when the intangible asset first meets the abovementioned recognition criteria.

If the above criteria are not satisfied, the development expenditure is recognised immediately in profit or loss in line with the treatment of research expenditure.

In order to continuously assess the need to capitalise development expenditure, ongoing development projects are monitored at a central level and broken down into multi-stage project phases. If the aforementioned requirements are fulfilled by a particular project phase, the associated expenditure is capitalised as internally generated intangible assets.

Capitalised development expenditure is amortised on a straight-line basis over its useful life of three to seven years. The useful life is determined based on the estimated use of the technologies in line with technical progress or on the basis of the specific application of the development on current platforms. Amortisation methods and useful lives are reviewed at each reporting date and adjusted as necessary.

Internally generated intangible assets are tested for impairment when facts or changes in circumstances indicate that their carrying amount may not be recoverable. Intangible assets from development projects not yet available for use are tested for impairment annually.

2.3 Property, plant and equipment

Property, plant and equipment, except from right-of-use assets under leases (IFRS 16), are measured at cost less any accumulated depreciation and any accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended. Rebates, discounts or bonuses are deducted from the purchase price. The cost of internally generated assets includes all costs directly attributable to the production process as well as proportionately attributable production overheads. Borrowing costs are usually not recognised as part of cost. However, if they are directly attributable to the acquisition, construction or production of a qualifying asset, they are capitalised pursuant to IAS 23. Repair and maintenance costs are recognised in profit or loss as incurred if they generate no additional economic benefits.

To the extent relevant, cost includes the estimated costs of site dismantlement, removal and restoration of the asset.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their useful lives and is generally recognised in profit or loss. Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Useful lives of property, plant and equipment	
Buildings	10 to 33 years
Furniture and fixtures, office equipment	3 to 13 years
IT equipment	4 years
Leasehold improvements	10 years

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment. These gains and losses are recognised in other operating income or other operating expenses.

The residual values, useful lives and depreciation methods of assets are reviewed at the end of each financial year and adjusted as necessary.

2.4 Impairment of assets

Non-financial assets

According to IAS 36, non-financial assets with finite useful lives are assessed at the end of each reporting period to determine whether there is any indication that an asset may be impaired, e.g. particular events or market developments indicating a possible impairment. The carrying amounts of intangible assets with indefinite useful lives as well as intangible assets not yet available for use are tested for impairment at the end of each reporting period.

For impairment testing, assets that cannot be individually assessed are grouped into the smallest identifiable group of assets generating cash in-flows through continuing use, which are largely independent of the cash in-flows from other assets or groups of assets (cash-generating units).

Within the Group, the smallest identifiable group of assets is usually at the level of individual entities.

If any such indication exists, or in cases where annual impairment testing is required, the recoverable amount of the asset is estimated. If the recoverable amount of an asset or corresponding cash-generating unit is less than its carrying amount, an impairment loss is recognised. The resulting difference between the carrying amount and recoverable amount is recognised as an expense in profit or loss.

Measuring recoverable amount

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. Value in use is measured by discounting the estimated future cash flows expected to arise from the continuing use of an asset and its disposal at the end of its useful life. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For assets to which cash flows cannot be directly allocated, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

Reversing an impairment loss

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount, i.e. the expected recoverable amount has increased. However, the increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

Financial assets

The Group mainly recognises allowances for expected credit losses for:

- trade receivables measured at amortised cost
- contract assets

CONTENTS
1 TO OUR SHAREHOLDERS
2 NON-FINANCIAL REPORT
3 GROUP MANAGEMENT REPORT
4 CONSOLIDATED FINANCIAL STATEMENTS
5 ANNUAL ACCOUNTS
6 ADDITIONAL INFORMATION

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit losses (ECL). Lifetime expected credit losses are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

To assess whether the credit risk of a financial asset since initial recognition has significantly increased and to evaluate expected credit losses, the Group considers reasonable and supportable information which is relevant and available without undue cost or effort. This covers both quantitative and qualitative information and analysis, which is based on past experience of the Group and in-depth assessments, including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly when it is more than 30 days past due.

The Group considers a financial asset in default when it is unlikely that the borrower will be able to repay its loan commitment to the Group in full without the Group having to resort to measures such as sale of collateral (should it exist).

Measurement of expected credit losses

Expected credit losses are defined as the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between all contractual cash flows that are due to an entity in accordance with the contract and all cash flows that the entity expects to receive).

Expected credit losses are measured within the Group based on a classification of trade receivables and assets by customer (see section 5.4 for further details).

Presentation of impairment for expected credit losses in the statements of financial position and consolidated statement of comprehensive income

Impairment losses on trade receivables measured at amortised cost and on financial assets are deducted from the gross carrying amount of the assets.

The impairment for expected credit losses is presented in other operating expenses of the Consolidated statement of comprehensive income.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired also includes the following observable data:

- significant financial difficulty of the issuer or the borrower
- breach of contract, such as default
- restructuring of a loan or credit by the Group which would not otherwise have been considered
- if it is probable that the borrower will become insolvent or enter into other bankruptcy proceedings
- the disappearance of an active market for a security because of financial difficulties

Impairment

The gross carrying amount of a financial asset is fully or partially impaired if – according to an appropriate assessment – the Group does not assume that the financial asset can be partly or wholly recovered. In this regard, the Group makes an individual assessment as to the point in time and amount of the impairment.

2.5 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To identify whether the contract includes the right to control the use of an identified asset, the Group uses the definition of a lease according to IFRS 16.

At the commencement date or on modification of a contract that contains a lease, the Group splits up the contractually agreed transaction price generally based on the relative stand-alone selling price and presents the lease and non-lease components separately. For all classes of assets in the context of leases, however, the Group has decided – pursuant to IFRS 16.15 – not to separate non-lease components and instead to recognise lease and non-lease components as a single lease component.

At the commencement date, the Group recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost commensurate with the initial measurement of the lease liability, adjusted by the payments made on or before the commencement date plus any initial direct costs and estimated costs for the dismantling or removal of the underlying

CONTENTS
1 TO OUR SHAREHOLDERS
2 NON-FINANCIAL REPORT
3 GROUP MANAGEMENT REPORT
4 CONSOLIDATED FINANCIAL STATEMENTS
5 ANNUAL ACCOUNTS
6 ADDITIONAL INFORMATION

assets or the restoration of the underlying assets or site where the asset is located, less any received lease incentives.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term unless the lease transfers ownership of the underlying asset to the Group at the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case, the right-of-use asset is depreciated over the useful life of the underlying asset, which is determined in line with the requirements for property, plant and equipment (refer in this regard to section 2.3). In addition, the right-of-use asset is continually tested for impairment where necessary and adjusted by specified remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

To determine its incremental borrowing rate, the Group obtains interest rates from a bank and makes corresponding adjustments to account for the lease conditions and type of asset.

The lease payments contained in the measurement of the lease liability include:

- fixed payments, including de facto fixed payments
- variable lease payments which are linked to an index or (interest) rate, initially measured using the applicable index or (interest) rate at the commencement date
- amounts which are expected to be paid, based on a residual value guarantee
- the exercise price of a purchase option that the Group is reasonably certain to exercise, lease payments for a renewal option if the Group is reasonably certain to exercise this option, and payments of penalties for early termination of the lease unless the Group is reasonably certain that it will not terminate the lease early

The lease liability is measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. It is remeasured when there is a change in future lease payments resulting from a change in an index or (interest) rate, when there is a change in the Group's estimate of the amounts expected to be payable under a residual value guarantee when the Group changes its assessment of whether it will exercise a purchase, renewal or termination option or when there is a revised in-substance fixed lease payment.

The amount of the remeasurement of the lease liability is recognised as an adjustment to the carrying amount of the right-of-use asset or, if this is reduced to zero, any remaining amount of the remeasurement is recognised in profit or loss.

The Group presents right-of-use assets for leases in property, plant and equipment and lease liabilities in other financial liabilities.

Furthermore, the Group has decided not to report right-of-use assets and lease liabilities for leases based on low-value assets as well as for short-term leases pursuant to IFRS 16.6. The Group recognises the lease payments associated with these leases in the Consolidated statement of comprehensive income as other operating expenses on a straight-line basis over the term of the lease.

2.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price realisable in the ordinary course of business less necessary costs of completion and the expected costs until completion.

Cost is determined using the weighted average cost method. The cost of finished goods and work in process includes, in addition to materials, production and special direct costs of production, also an appropriate share of overheads directly attributable to production as well as production-related depreciation. Production overheads are measured on the basis of normal capacity utilisation.

2.7 Other assets

One-off participations in the development costs of automobile manufacturers are recognised as assets by the Group. The exclusive position occupied vis-à-vis business partners means these payments are recouped through future serial business and the resulting revenue. Based on these contract conditions, payments are recognised continually as reducing revenue from the start of serial production and the asset is correspondingly written down. The write-down is recognised in this regard as the ratio of goods already supplied to the expected total amount of goods to be provided.

Furthermore, contract assets are created by producing customised serial parts, as there is no alternative use for these serial parts. In this regard, a legal claim exists for payment of the work rendered thus far should the customer terminate the contract. Consequently, control over these goods (pursuant to IFRS 15) is transferred over time, which is also why the corresponding revenue is to be recognised over time. If the Group has not yet received consideration in this regard for the transferred goods and at the same time there is no unconditional right to payment, the corresponding contract assets are recognised.

2.8 Cash and cash equivalents

Cash and cash equivalents mainly include cash and other current highly-liquid financial investments with a term of not more than three months. Petty cash and cash in banks are stated at nominal value.

2.9 Assets held for sale

Non-current assets or disposal groups that contain assets and liabilities are classified as held for sale if it is highly probable that their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

These assets or the disposal group are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment losses upon initial classification as held for sale and any subsequent gains and losses on remeasurement are recognised in profit or loss.

Intangible assets and property, plant and equipment are no longer amortised or depreciated once they have been classified as held for sale.

2.10 Financial instruments

Definition of initial recognition

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument in another entity. Financial instruments are recognised as soon as the Group becomes a party to the financial instrument contract. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value. In the case of an item not measured at fair value through profit or loss, transaction costs are added that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Derivative financial instruments

The Group uses derivative financial instruments to hedge currency risks resulting during the course of operations.

Derivative products are measured at fair value upon initial recognition. Derivatives are subsequently measured at fair value. Any changes therein are generally recognised in other operating expenses or other operating income. The Group does not apply hedge accounting according to IFRS 9.

Financial assets

All purchases and sales of financial assets are recognised as of the trading day, i.e. on that date upon which the Group is obliged to acquire the assets. Financial assets with a remaining maturity of more than one year are classified as non-current.

On initial recognition, a financial asset is classified and measured as follows:

- financial assets measured at amortised cost (FAAC)
- debt instruments at fair value through other comprehensive income (FVOCI debt instruments)
- equity instruments measured at fair value through other comprehensive income (FVOCI equity instruments)
- financial assets recognised at fair value through profit or loss (FAFVTPL)

Financial assets are not reclassified subsequently to their initial recognition unless the Group changes its business model for managing the financial assets. In this case, all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

A financial asset is measured at amortised cost (FAAC) if it meets both of the following conditions and is not designated as at FAFVTPL:

- the financial asset is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as at FAFVTPL:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

On initial recognition of an equity instrument that is not held for trading, the Group can irrevocably elect to present subsequent value changes in the investment's fair value in other comprehensive income. This decision is made on a case-by-case basis for each investment.

All financial assets not classified as measured at amortised cost or FVOCI are classified as FVTPL. This includes all derivative financial assets and trade receivables sold in the context of factoring agreements. Upon initial recognition, the Group may irrevocably classify a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces accounting mismatches that would otherwise arise.

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes the following:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash out-flows or realising cash flows through the sale of the assets
- how the profit/loss of the portfolio is assessed and reported to management
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed
- how the managers are remunerated – for instance, whether the remuneration is based on the fair value of the managed assets or on the collected contractual cash flows – and
- the frequency, volume and timing of sales of financial assets in prior periods and expectations about future sales activity

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

For the purposes of this assessment, *principal* is defined as the fair value of the financial asset on initial recognition. *Interest* is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

When assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would no longer meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows
- terms that may adjust the contractual interest rate, including variable-rate features
- prepayment and extension features and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features)

The following is applicable for the subsequent measurement of financial assets and the associated gains and losses:

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

CONTENTS
1 TO OUR SHAREHOLDERS
2 NON-FINANCIAL REPORT
3 GROUP MANAGEMENT REPORT
4 CONSOLIDATED FINANCIAL STATEMENTS
5 ANNUAL ACCOUNTS
6 ADDITIONAL INFORMATION

For derivatives not designated as hedging instruments according to IFRS 9, see comments at the top of this section.

Financial assets at amortised cost are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, as well as impairment losses, are recognised as other operating expenses or income. A gain or loss from derecognition is recognised in profit or loss (in other operating income or other operating expenses).

Debt instruments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment losses are recognised in other operating expenses or income (with the exception of income, which is shown under *Net finance income*). Other net gains or losses are recognised in OCI. Upon derecognition, accumulated other comprehensive income is reclassified to profit or loss (in other operating income or other operating expenses).

Equity instruments at FVOCI are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividends clearly represent cover of a part of costs of the investment. Other net gains or losses are recognised in other comprehensive income and are never reclassified to profit or loss. This category was not relevant within the Group thus far.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred.

Assets are also derecognised when the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the transferred asset.

In order to recognise incoming payments in a timely fashion, the Group partially sells its trade receivables – mainly from automobile manufacturers and their suppliers – to a bank. Due to Novem's continuing involvement, the trade receivables are to be derecognised except for the amount of the first loss guarantee. The so-called Seller Guarantee is a limited default guarantee under which Novem is liable for up to 2% of the average monthly outstanding trade receivables in the total portfolio. This amount continues to be recognised as an asset and as a liability to banks.

Financial liabilities

Financial liabilities include especially trade payables, liabilities to banks, liabilities to shareholders and other liabilities.

Financial liabilities are classified and measured at amortised cost or at fair value through profit or loss (FLFVTPL). A financial liability is classified as at FLFVTPL if it is classified as held for trading, it is a derivative or designated as FLFVTPL on initial recognition.

IFRS 9 requires an entity to recognise a financial asset or a financial liability in its statement of financial position when it becomes party to the contractual provisions of the instrument. At initial recognition, an entity measures a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expenses and foreign currency translation differences are recognised in profit or loss. Gains or losses (in other operating income or other operating expenses) from derecognition are also recognised in profit or loss.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

Upon derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss (in other operating income or other operating expenses).

Cost of initial public offering

The transaction costs of an equity transaction are accounted for as a deduction from equity, but only to the extent that they are incremental costs directly attributable to the equity transaction that would otherwise have been avoided. The costs of an equity transaction that is abandoned are recognised as an expense.

2.11 Other provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation whose amount can be estimated reliably, and it is probable that an out-flow of economic benefits will be required to settle the obligation (probability of occurrence is greater than 50%).

Warranty obligations may arise on account of statutory stipulations, an agreement or ex-gratia arrangements. Provisions are recognised for expected claims arising from warranty obligations. Utilisation of the provision can be expected in particular if the warranty has not yet expired if warranty expenditure was incurred in the past or if there are specific signs of warranty cases. Depending on the facts of the situation, the warranty risk is derived either using individual estimates or empirical values from the past, for which a corresponding provision is recognised. The Group does not offer any further warranties beyond this in terms of additional maintenance and services. Thus, the warranties are Assurance Type Warranties, which – in accordance with IAS 37 – are to be recognised and which do not fall within the scope of IFRS 15.

Provisions for restructuring expenses are recognised when the Group has set up and communicated a detailed formal plan for restructuring and has no realistic possibility of withdrawing from these obligations.

Provisions for onerous contracts are recognised when the expected benefits from a contract are lower than the unavoidable cost of meeting the obligations under the contract.

Should the recognition criteria for provisions not be satisfied, then a contingent liability is shown in the notes if certain conditions are met.

Non-current provisions are recognised at present value. For this purpose, the expected future cash flows are discounted using a pre-tax discount rate that reflects current market expectations of the time value of money and the risks specific to the liability. The effects of movements in interest rates are shown under *Finance income/costs*.

2.12 Deferred liabilities

Deferred liabilities refer to future expenditures, the amount and date of which are uncertain, however less uncertain than for provisions. These are liabilities relating to received or supplied goods and services which have been neither paid nor invoiced. These also include current amounts owed to employees (such as bonuses and leave entitlements). Deferred liabilities are recognised in the amount of anticipated expenditures.

2.13 Employee benefits

There are defined benefit obligations within the Group. Pursuant to IAS 19, pension obligations are measured using the projected unit credit method on the basis of actuarial reports. The present value of beneficiaries' future claims is estimated using actuarial methods on the basis of the benefits earned by staff in the current and preceding periods. The liability recognised in the consolidated statements of financial position is the present value of the defined benefit obligations adjusted for any actuarial gains or losses not yet offset and less any past service cost not yet recorded. The discount rate is determined by the capital market and takes into account the expected maturity of the obligation. The required actuarial calculations are made in the Group by external actuaries.

If benefits from the pension plan are expanded, then the share of vested additional benefits from the employee's past years of service are recognised immediately in profit or loss.

Actuarial gains and losses from measuring the obligation are – just like the difference between plan asset returns determined at the beginning of the period and plan asset returns actually realised – recognised in other comprehensive income and shown separately in the consolidated statement of comprehensive income. Expenses from the unwinding of discounts on defined benefit obligations as well as interest income from plan assets (net interest expense) are shown under *Net finance income/costs*. The service cost is taken into account in personnel expenses, although past service costs from plan amendments are recognised immediately in profit or loss.

Payments to defined contribution plans are recognised as an expense when employees have rendered the work entitling them to the benefits. To the extent necessary, these are shown as a liability on the reporting date.

2.14 Profit-sharing rights of members of management

The Group established cash-settled share-based payment agreements for members of the Management Board. The Performance Share Plan is granted in annual tranches of virtual shares with a respective performance period of four years.

According to IFRS 2, for cash-settled share-based payment transactions, the Group has to measure the liability incurred at the fair value of the liability. The fair value of the share-based payments of the Performance Share Plan has been measured at the end of each quarter by using a Monte-Carlo-Simulation. Any changes in the liability are recognised in profit or loss.

2.15 Revenue recognition

Revenue is recognised for all contracts with customers on the sale of goods or rendering of services according to the five-step model specified under IFRS 15.

The model specifies that revenue as of a point in time (or over time) of transfer of control of the goods or services from the entity to the customer is to be recognised in that amount to which the entity is expected to be entitled.

The Group usually concludes multiple-element contracts with customers which contain more than one performance obligation. In this regard, two or more agreements are generally combined as these are negotiated as a package with one single economic purpose. The agreements relate to the sale of trim and function elements, the provision of development services as well as construction of tools necessary for the production of the trim and function elements. Whereas in the case of the agreements for providing development services and the construction of tools, signing of the contract generally satisfies the criteria of an agreement pursuant to IFRS 15, a contract within the meaning of IFRS 15 is typically established for agreements for the delivery of serial parts only as of the date of initial delivery of serial parts. In the case of subsequent, later deliveries, this then involves contract modifications that are to be accounted for separately from the contracts.

As part of multiple-element contracts, the Group has identified the following performance obligations:

- the provision of development services and the sale of tools necessary for the production of serial parts
- sale of serial parts
- with respect to the sale of tools, the Group carries out maintenance of these tools, which will be invoiced separately to the OEM

As mentioned in section 2.11, warranty obligations always constitute assurance-type warranties that are recognised according to IAS 37.

The transaction price includes the fair value of the received or receivable consideration, taking into account rebates or volume discounts granted in the serial process, which – to the extent necessary – are estimated based on historical experience, as well as an appropriate allocation of one-off payments rendered upfront (e.g. participation in the development work of the OEM). When determining the transaction price, the promised consideration is adjusted for the interest effect of any potentially existing financing component.

To account for the time value of money (adjustment of promised consideration), the group uses a discount rate that would be reflected in a separate financing transaction.

In subsequent periods, interest income is recognised on an accrual basis using the effective interest method and presented as finance income.

The expected-cost-plus-a-margin approach is used for estimating the stand-alone selling prices as part of allocating the transaction price to the individual performance obligations.

For the one-off payments to be paid by the Group, which grant the Group an exclusive position as supplier and which can be recouped through sales from the related agreement, see the comments in section 2.7.

In terms of type of revenue recognition, it is necessary to differentiate between performance obligations that are fulfilled over time and those that are fulfilled at a point in time.

Performance obligations that are satisfied at a point in time

The Group is commissioned by customers to develop special tools, which are sold to the customer upon completion. In such constellations, the development work and subsequent sale of the tools constitute one single performance obligation. The associated revenue is recognised upon completion and sale of the tool to the customer, i.e. at a point in time.

The point in time of revenue recognition from the sale of tools generally corresponds – depending on the respective customer contract and respective order – to the date of delivery or acceptance, as control of the good transfers as of this point in time to the customer and the Group has thus fulfilled its contractual performance obligation.

Advance payments received from customers for tools are shown as contract liabilities under other liabilities.

Performance obligations that are satisfied over time

The Group is commissioned by the customer to manufacture customised serial parts. An asset with no alternative use generally arises when the serial part is highly customised for a particular customer. Furthermore, in such cases, the Group has an enforceable right to payment for services rendered to date. As a result, revenue for these serial parts is recognised over time and the contract asset for this is recognised, amounting to at least any costs of performance completed to date plus a reasonable profit margin.

The payment terms contractually agreed on with all customers (series and tools) are generally between 30 and 90 days.

Revenue from service agreements is recognised over time in those periods in which the service is rendered.

2.16 Other income and expenses

Other income comprises income out of all business activities which cannot be allocated to revenue. Other income, such as from realised exchange gains, is shown under *Other operating income*.

Expenses are recognised when they arise or at the time they are incurred. Other expenses, such as from realised exchange losses, are shown under *Other operating expenses*.

2.17 Expenses for research and non-capitalised development services

Expenses for research and non-capitalised development services are recognised in the period in which they were incurred.

2.18 Operating result (EBIT)

Operating earnings (EBIT) are defined as earnings before finance income, finance costs and income taxes.

2.19 Net finance income/costs

The Group's finance income and finance costs include:

- interest income
- interest expenses
- foreign currency gains and losses
- expenses and income from measuring certain financial instruments at fair value

Interest income and expense are recognised on an accrual basis using the effective interest method.

2.20 Income taxes

The tax assessment is generally made at the level of the individual circumstances, taking into account any interactions that may exist. If the recognition of the tax treatment is probable, the current and deferred taxes are recognised on this basis. If, on the other hand, recognition is uncertain (not probable), the most probable amount that would be recognised for tax purposes is used, unless the expected value of different scenarios leads to more meaningful results. Full knowledge of the facts by the tax authorities is always assumed. The assumptions and decisions made are reviewed at each reporting date and, if necessary, adjusted on the basis of new findings.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the financial year, based on the tax rates applicable or shortly to become applicable on the reporting date, and any adjustment to tax payable for prior years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are only offset under certain conditions.

Deferred taxes

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future and
- taxable temporary differences arising on the initial recognition of goodwill

CONTENTS
1 TO OUR SHAREHOLDERS
2 NON-FINANCIAL REPORT
3 GROUP MANAGEMENT REPORT
4 CONSOLIDATED FINANCIAL STATEMENTS
5 ANNUAL ACCOUNTS
6 ADDITIONAL INFORMATION

A deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Future taxable profits are determined based on the individual business plans of subsidiaries. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the associated tax benefits will be realised. Impairment losses are reversed if the probability of generating taxable earnings in the future increases.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets or liabilities.

Deferred tax assets and deferred tax liabilities are offset if certain conditions are fulfilled.

2.21 Contingent liabilities

A contingent liability is a possible obligation to third parties that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or a present obligation that arises from past events for which an out-flow of resources is not probable or the amount cannot be reliably estimated. Contingent liabilities pursuant to IAS 37 are generally not recognised.

3 Notes to the consolidated statements of financial position

3.1 Intangible assets

The development of the Group's carrying amounts of intangible assets is shown below for financial years 2021/22 and 2022/23.

in € thousand	Concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets acquired for a consideration	Internally generated intangible assets	**Intangible assets**
Cost			
As of 01 Apr 21	6,766	2,206	**8,973**
Currency differences	30	-	**30**
Additions	344	65	**409**
Disposals	4	-	**4**
Reclassifications	4	-	**4**
As of 31 Mar 22	7,148	2,271	**9,420**
As of 01 Apr 22	7,148	2,271	**9,420**
Currency differences	-	-	**-**
Additions	288	-	**288**
Disposals	7	-	**7**
Reclassifications	-	-	**-**
As of 31 Mar 23	**7,430**	**2,271**	**9,702**
Accumulated amortisation			
As of 01 Apr 21	5,155	202	**5,356**
Currency differences	16	-	**16**
Depreciation expenses	727	218	**945**
Disposals	4	-	**4**
As of 31 Mar 22	5,901	420	**6,320**
As of 01 Apr 22	5,901	420	**6,320**
Currency differences	2	-	**2**
Depreciation expenses	682	274	**957**
Disposals	7	-	**7**
As of 31 Mar 23	**6,579**	**694**	**7,272**
Carrying amount			
As of 31 Mar 22	**1,247**	**1,851**	**3,100**
As of 31 Mar 23	**851**	**1,577**	**2,430**

Additions to intangible assets in the financial year 2022/23 amounted to €288 thousand compared to €409 thousand in the financial year 2021/22.

Purchased intangible assets

Purchased concessions, patents, licenses, trademarks and similar rights and assets mainly concern expenses for third parties in connection with the acquisition of application software.

No impairment losses were recognised in the financial year 2022/23 (PY: €57 thousand).

Internally generated intangible assets

Research costs and non-capitalisable development costs are expensed as incurred. The development expenses to be capitalised amounted to €1,577 thousand (PY: €1,851 thousand). This largely involves the development of processes for applying polyurethane systems for high-volume platforms, development in the area of trims with integrated lighting designs and lighting concepts in car interiors and the development of sensor elements.

The Group differentiates between customer-based and non-customer-based (internal) development work in this regard. Internal development work that can be used across customers is recognised as internally generated intangible assets if the corresponding recognition criteria are met and the assets are amortised over their expected useful life.

No impairment losses were recognised for internally generated intangible assets in the financial years 2021/22 and 2022/23.

The Group recognised €1,288 thousand (PY: €1,931 thousand) in research and development expenses in the financial year 2022/23. Amortisation of capitalised internal development projects amounted to €274 thousand (PY: €218 thousand).

3.2 Property, plant and equipment

in € thousand	31 Mar 22	31 Mar 23
Land, leasehold rights and buildings, including buildings on third-party land	80,797	82,131
Thereof right-of-use assets from leases	29,661	32,757
Technical equipment and machinery	84,212	82,135
Thereof assets from leases	54	-
Other equipment, operating and office equipment	12,083	13,921
Thereof right-of-use assets from leases	4,173	6,160
Advance payments and assets under construction	7,814	6,929
Property, plant and equipment	**184,905**	**185,116**

Property, plant and equipment include right-of-use assets due to the application of IFRS 16 (Leases). Please refer to section 5.10 for additional information on future lease payments.

During the financial year 2022/23, the Group invested €33,758 thousand (PY: €23,546 thousand) in property, plant and equipment. The additions included €4,894 thousand (PY: €3,978 thousand) from advance payments and assets under construction.

In addition to depreciation, there were impairment losses on property, plant and equipment amounting to €10 thousand (PY: €464 thousand) due to the reduction in the purchase price of the production facility in Kulmbach, which can be allocated to the Europe region.

The development of the Group's carrying amounts of property, plant and equipment is shown below for the financial years 2021/22 and 2022/23.

in € thousand	Land, leasehold rights and buildings, including buildings on third-party land	Technical equipment and machinery	Other equipment, operating and office equipment	Advance payments and assets under construction	**Property, plant and equipment**
Cost					
As of 01 Apr 21	137,024	273,009	48,398	6,412	**464,843**
Currency differences	5,106	6,987	1,003	134	**13,230**
Additions	6,148	9,147	4,273	3,978	**23,546**
Disposals	1,976	4,961	2,305	69	**9,311**
Reclassifications	64	2,188	343	-2,600	**-4**
As of 31 Mar 22	146,366	286,370	51,712	7,855	**492,303**
As of 01 Apr 22	146,366	286,370	51,712	7,855	**492,303**
Currency differences	1,948	-1,481	362	-136	**693**
Additions	12,357	9,306	7,200	4,894	**33,758**
Disposals	4,657	5,912	4,759	37	**15,365**
Reclassifications	201	4,803	604	-5,608	**-**
As of 31 Mar 23	**156,215**	**293,086**	**55,118**	**6,969**	**511,388**
Accumulated amortisation					
As of 01 Apr 21	56,193	185,952	35,374	535	**278,054**
Currency differences	1,870	4,879	773	1	**7,523**
Depreciation expenses	9,364	15,455	5,565	43	**30,426**
Thereof impairment losses	451	13	-	-	**464**
Disposals	1,859	4,624	2,082	43	**8,608**
Reclassifications	-	496	-	-496	**-**
As of 31 Mar 22	65,569	202,158	39,629	41	**307,397**
As of 01 Apr 22	65,569	202,158	39,629	41	**307,397**
Currency differences	1,160	-1,014	233	-1	**378**
Depreciation expenses	9,902	15,643	5,965	-	**31,510**
Thereof impairment losses	10	-	-	-	**10**
Disposals	2,547	5,837	4,630	-	**13,014**
Reclassifications	-	-	-	-	**-**
As of 31 Mar 23	**74,084**	**210,950**	**41,198**	**40**	**326,272**
Carrying amount					
As of 31 Mar 22	**80,797**	**84,212**	**12,083**	**7,814**	**184,905**
As of 31 Mar 23	**82,131**	**82,135**	**13,920**	**6,929**	**185,116**

3.3 Inventories

in € thousand	31 Mar 22	31 Mar 23
Raw materials and consumables	36,499	33,409
Work in process	13,204	13,125
Finished goods and merchandise	17,664	17,530
Tools	61,141	50,955
Advance payments for tools	851	1,259
Advance payments for raw materials	29	28
Inventories	**129,388**	**116,306**

The majority of inventories consisted of tools as well as raw materials and consumables.

Inventories that are expected to be turned over within 12 months amounted to €116,306 thousand (31 March 2022: €129,388 thousand). The write-downs recognised on inventories amounted to €7,401 thousand in the financial year 2022/23 (PY: €6,069 thousand). In the case of write-downs, marketability, age as well as all apparent storage and inventory risks are taken into account.

Since there is no alternative use option for the finished parts on stock as of the reporting date, for which there are also firm purchase commitments by the OEMs, an adjustment was made to the inventories in the amount of €12,129 thousand (31 March 2022: €9,418 thousand) based on recognition of revenue over time under IFRS 15, together with the recognition of contract assets amounting to €14,124 thousand (31 March 2022: €11,466 thousand).

3.4 Trade receivables

Trade accounts receivable include the following items:

in € thousand	31 Mar 22	31 Mar 23
Trade receivables	86,326	95,448
Expected credit losses on trade receivables	-1,115	-1,609
Trade receivables	**85,211**	**93,839**
Non-current	47,540	46,329
Current	37,671	47,510

Trade receivables are mainly receivables from contracts with customers.

The increase in receivables was especially driven by higher business volumes and higher demand among OEMs.

Factoring

Two of the Group's subsidiaries, Novem Car interior Design GmbH and Novem Car Interior Design Inc., participate in a revolving multi-seller securitisation vehicle for its trade receivables.

In conjunction with a factoring agreement, receivables were sold to a bank at a purchase price of €54,022 thousand as of 31 March 2023 (31 March 2022: €47,805 thousand), of which €1,046 thousand (31 March 2022: €1,016 thousand) representing a limited Seller Guarantee (2% of the average outstanding nominal amount of the European sold receivables). The Seller Guarantee represents the Group's maximum exposure to any losses in respect of trade receivables previously sold under the factoring program.

These receivables were carried at fair value through profit or loss until the date of their disposal.

The Group concluded that it does not control, and therefore should not consolidate, the securitisation vehicle. Taken as a whole, the Group does not have power over the relevant activities of the securitisation vehicle.

Expected credit losses

Trade receivables are written down in full or in part when there are indications that they are not recoverable. Furthermore, in accordance with IFRS 9, expected credit losses for trade receivables which are not measured at fair value through profit or loss are calculated on a portfolio basis (refer here also to section 5.4). For this purpose, Novem groups the receivables by individual customers. The expected default rates are provided for each counterparty by an external rating agency. This individual probability of default per customer is applied uniformly throughout the Novem Group. Current external credit information and ratings that reflect the prevalent expectations regarding the potential impact of global economic developments, e.g. Ukraine war, were used for the consolidated financial statements as of 31 March 2023. An additional adjustment of the valuation allowance was thus not required under this model.

The allowances for trade accounts receivables developed as follows:

in € thousand	FY 2021/22	FY 2022/23
	Loss allowance	Loss allowance
As of 01 Apr	1,535	1,115
Additions	102	515
Reversals	-598	-27
Used	-	-
Exchange rate effects	76	6
As of 31 Mar	**1,115**	**1,609**

3.5 Other receivables

The Group's other receivables comprise the following components:

in € thousand	31 Mar 22	31 Mar 23
From VAT	23,609	33,695
From employees	379	539
From payroll tax	34	14
From advance payment receivables	417	319
Others	4,145	3,432
Other receivables	**28,584**	**37,999**

The majority were receivables from tax authorities. This is the result of regular offsetting and notification of paid and received VAT. The amounts shown in the column *Others* include income tax receivables in the amount of €2,459 thousand (PY: €3,019 thousand) and other operative receivables amounting to €973 thousand (PY: €1,126 thousand).

3.6 Cash and cash equivalents

in € thousand	31 Mar 22	31 Mar 23
Cash on hand	43	34
Cash at banks	116,924	165,440
Cash and cash equivalents	**116,967**	**165,474**

Cash and cash equivalents are not subject to any restrictions. The amount corresponds to the value shown in the Consolidated statement of cash flows. Cash and cash equivalents are concentrated at Novem Beteiligungs GmbH, which operates a group-wide cash pooling system.

3.7 Other non-current/current assets

in € thousand	31 Mar 22			31 Mar 23		
	Current	Non-current	**Total**	Current	Non-current	**Total**
Prepaid expenses	289	13	**302**	800	14	**814**
Miscellaneous other assets	-	304	**304**	600	351	**951**
Contract assets	11,853	-	**11,853**	14,669	-	**14,669**
Contribution to develop for later supply contracts	1,525	12,302	**13,827**	2,166	9,911	**12,077**
Other non-financial assets	**13,667**	**12,619**	**26,286**	**18,235**	**10,276**	**28,511**

Other non-financial, non-current assets of €10,276 thousand (31 March 2022: €12,619 thousand) include development contributions for later supply contracts.

The presented other non-financial current assets amounting to €18,235 thousand (31 March 2022: €13,667 thousand) mainly include development contributions for later supply contracts as well as contract assets, i.e. acquired right to consideration for already satisfied performance obligations from contracts with customers as of the reporting date. Contract assets are reclassified as trade receivables as soon as there is an unconditional right to receive cash, which is obtained upon invoicing the customer for the quantities actually delivered. In this regard, €11,783 thousand were reclassified in 2022/23 (31 March 2022: €12,017 thousand) from contract assets to trade receivables.

Furthermore, the current assets included derivatives with a positive market value of €600 thousand resulting from forward exchange contracts entered into.

The expected credit losses on contract assets (refer here also to section 5.4), which are shown within other operating expenses, developed as follows on Group level:

in € thousand	FY 2021/22	FY 2022/23
As of 01 Apr	30	30
Additions	3	2
Reversals	-3	-20
Used	-	-
As of 31 Mar	**30**	**12**

3.8 Equity

Please refer to the Consolidated statement of changes in equity for detailed information on changes in consolidated equity. Overall, the equity position improved from €67,656 thousand at the end of the last financial year to €107,256 thousand, which mainly resulted from profit for the year.

Share capital

As of 31 March 2023, the share capital of the Company amounted to €430 thousand (31 March 2022: €430 thousand) and is divided into 43,030,303 ordinary shares in a dematerialised form with no nominal value. All ordinary shares rank equally with regard to the Company's residual assets. Each share of the Company represents a par value of €0.01 in the Company's share capital. All shares are fully paid.

The authorised capital of the Company is set at €520,000 thousand divided into 52,000,000 shares with no nominal value. The Management Board is

CONTENTS
1 TO OUR SHAREHOLDERS
2 NON-FINANCIAL REPORT
3 GROUP MANAGEMENT REPORT
4 CONSOLIDATED FINANCIAL STATEMENTS
5 ANNUAL ACCOUNTS
6 ADDITIONAL INFORMATION

authorised to increase the current issued capital up to the amount of the authorised capital, in whole or in part, from time to time during five years after IPO.

Authorisation for repurchase of own shares

On 30 June 2021, the extraordinary General Shareholders' Meeting of the Company resolved to authorise the Management Board to effect on one or several occasions repurchases and disposals of shares on the regulated market on which the Company's shares are admitted for trading, or by such other means resolved by the Management Board during a period of five years from the date of the General Shareholders' Meeting, for a maximum number corresponding to 20% of the ordinary shares of the Company, within a price range from a price per share not lower than 10% below the shares' official price reported in the trading session on the day before carrying out each individual transaction; to a price per share no higher than 10% above the shares' official price reported in the trading session on the day before carrying out each individual transaction.

During the financial year 2022/23, the Company did not buy any of its own shares.

Capital reserves

The capital reserves amounted to €539,594 thousand as of 31 March 2023 (31 March 2022: €539,630 thousand). Directly attributable transaction costs of €1,209 thousand (31 March 2022: €1,172 thousand) are recognised and thus diminish the capital reserves. In this context, deferred tax assets amounted to €267 thousand (31 March 2022: €438 thousand) were recognised.

Other retained earnings

Retained earnings amounted to €-443,414 thousand as of 31 March 2023 (31 March 2022: €-482,826 thousand). Retained earnings comprise the past undistributed net income and other comprehensive income of the companies included in the consolidated financial statements. The negative amount primarily results from a recapitalisation and a related Group re-organisation in the financial year 2019/20.

Difference in equity from currency translation

The statement of financial position and of total comprehensive income for all foreign subsidiaries whose functional currency is not the Euro are translated into Euro. The currency translation differences arising are recognised in other comprehensive income and reported in the *Currency translation reserve* in equity; they amounted to €10,646 thousand as of 31 March 2023 (31 March 2022: €10,422 thousand). The change resulted from differences in currency translation of €224 thousand (31 March 2022: €9,177 thousand).

Dividend

The Management Board, in agreement with the Supervisory Board, propose the distribution of an ordinary dividend of €0.40 per share (PY: €0.40) for the financial year 2022/23 to the Annual General Meeting on 24 August 2023. Furthermore, the Management Board decided to propose an additional special dividend in the amount of €0.75 per share for the financial year 2022/23. Subject to the approval of the Annual General Meeting, Novem's shareholders would receive a total dividend of €1.15 per share (ordinary plus special) for the financial year 2022/23. The total dividend would amount to €49,485 thousand (PY: €17,212 thousand), thus corresponding to a payout ratio of 99.0% (PY: 39.1%) of the consolidated net profit.

3.9 Employee benefits

The Group grants its staff in and outside of German pension and other post-employment benefit entitlements, which are either defined-contribution or defined-benefit pension plans. In this regard, besides the ongoing contributions, the defined contribution plans do not lead to any further payment obligations. The pension provision for the defined benefit plans is generally calculated using the projected unit credit method. Under this projected unit credit method, expected future increases in salaries and pensions are taken into account in addition to the pensions and vested entitlements known as of the reporting date. The present value of the obligation (Defined Benefit Obligation or DBO) is determined by discounting the future expected cash out-flows using a discount rate that is based on the returns on high-quality fixed-rate corporate bonds in the same currency. In doing so, the underlying corporate bonds are used to derive a yield curve and the related discount rate is determined using the term of the future obligations.

Defined benefit plans

The significant defined benefits are in Germany and include staff's entitlements to retirement benefits in the case of disability or upon reaching retirement age – and also in the event of death in individual cases. The general commitment specifies payments for a standard basic sum, which rises by a fixed amount for each year of service completed. Furthermore, there are various individual commitments in Germany based on final salary. The benefit entitlements applicable to Germany encompassed defined benefit obligations amounting to €23,849 thousand as of 31 March 2023 (31 March 2022: €31,552 thousand) and thus accounted for 88.0% of the total obligation (31 March 2022: 90.0%). There are retirement benefit obligations in Italy, Slovenia and Mexico with entitlement to capital sums based on statutory regulations. In addition, employees in Mexico are entitled to a statutory seniority provision termination benefit, which functions in a similar way to the retirement indemnity and is also included with an amount of €350 thousand (31 March 2022: €273 thousand).

The risks associated with the defined benefit plans essentially include the usual risks of defined benefit pension plans relating to possible changes to the discount rate and, to a lesser extent, inflation trends and longevity. In order to limit the risks of changing capital market conditions and demographic developments, the most recent general pension plan was closed to new entrants in Germany in 2015. The specific risks of salary-based obligations are minimal within the Group.

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

in € thousand	FY 2021/22	FY 2022/23
Present value of the benefit obligations on 01 Apr	34,644	34,871
Current service cost	1,123	826
Past service cost	1,260	-
Interest expense	568	802
Employer's direct benefit payments	-811	-989
Actuarial gains (-)/ losses (+)	-1,978	-8,572
Thereof on account of changes to demographic assumptions	29	1
Thereof on account of changes to financial assumptions	-1,866	-8,279
Thereof on account of experience-based adjustments	-141	-294
Effects of changes in foreign exchange rates	65	106
Present value of the benefit obligations on 31 Mar	**34,871**	**27,044**

The employee benefits expense for defined benefit plans recognised in profit or loss consisted of the following items:

in € thousand	FY 2021/22	FY 2022/23
Current service cost	1,123	826
Past service cost	1,260	-
Service cost	**2,383**	**826**
Interest expense	568	802
Pension and similar obligations expense for benefit plans	**2,951**	**1,628**

The pensions and similar obligations provision was as follows:

in € thousand	FY 2021/22	FY 2022/23
Present value of benefit entitlements from benefit plans	34,871	27,044
Financing status	**34,871**	**27,044**
Pension and similar obligations provision on 31 Mar	**34,871**	**27,044**

The benefits paid out in the financial year 2022/23 amounted to €989 thousand (PY: €811 thousand). Payments amounting to €1,049 thousand are expected for 2023/24, which are directly rendered by the employer.

The pensions and similar obligations provision developed as follows:

in € thousand	FY 2021/22	FY 2022/23
Pension and similar obligations provision on 01 Apr	34,644	34,871
Pension expense	2,951	1,628
Actuarial gains (-)/losses (+) recognised in other comprehensive income	-1,978	-8,572
Employer's direct benefit payments	-811	-989
Effects of changes in foreign exchange rates	65	106
Pension and similar obligations provision on 31 Mar	**34,871**	**27,044**

Actuarial gains and losses are recognised directly in other comprehensive income. They are part of retained earnings and will never be reclassified to the profit or loss.

The actuarial assumptions for calculating the Group's pension and similar obligations are shown below:

	31 Mar 22	31 Mar 23
Discount rate	2.3%	4.3%
Salary trend/growth of pension expectancies	2.4%	2.7%
Future pension growth	2.0%	2.2%
Life expectancy from age 65 (in years) – Germany obligations		
Retiring today (member age 65) – male/female	20.6 / 24.0	20.8 / 24.2
Retiring in 20 years (member age 45) – male/female	23.4 / 26.3	23.5 / 26.4

The financial assumptions shown above are weighted averages. A discount rate of 4.1% was set for Germany (31 March 2022: 2.2%). For the remaining Eurozone countries, i.e. Italy and Slovenia, the discount rates used on 31 March 2023 were 4.2% and 4.0% respectively (31 March 2022: 2.0% for both). For Mexico, the discount rate of 9.4% was set on 31 March 2023 (31 March 2022: 8.5%).

Heubeck's 2018 G guideline tables were used as the demographic basis for calculations in Germany – the resulting life expectancy figures are shown above as of 31 March 2023 and 31 March 2022 for comparison.

An increase or decrease in the discount rate by 25 basis points would impact the present value of the total benefit entitlements as of 31 March 2023 as follows:

in € thousand	31 Mar 23
Change in present value of the benefit entitlements if the	
discount rate were to be 25 basis point higher	-943
discount rate were to be 25 basis point lower	1,000

A decrease or increase in assumed life expectancy by one year would impact the present value of the benefit entitlements in Germany[1] as of 31 March 2023 as follows:

in € thousand	31 Mar 23
Change in present value of the benefit entitlements if the	
life expectancy were to be 1 year higher	942
life expectancy were to be 1 year lower	-962

An increase or decrease in the pension progression by 25 basis points would impact the present value of the benefit entitlements as of 31 March 2023 as follows:

in € thousand	31 Mar 23
Change in present value of the benefit entitlements if the	
pension progression were to be 25 basis points higher	688
pension progression were to be 25 basis points lower	-659

The weighted average duration of the defined benefit obligations on 31 March 2023 is 15 years (31 March 2022: 17 years).

Defined contribution plans

The amounts for the Group's statutory pension insurance are treated as defined contribution plans pursuant to IAS 19. Expenses amounting to €10,306 thousand

1 Since changes in life expectancy have no or minimal impact on capital commitments outside of Germany, the benefit entitlements abroad are not taken into account.

were reported in the financial year 2022/23 (PY: €9,836 thousand) in Germany, Italy, the Czech Republic, Slovenia, Luxembourg and the US.

3.10 Tax liabilities

in € thousand	Current	**Income tax liabilities**
Change in tax liabilities		
As of 01 Apr 21	14,887	**14,887**
Used	-8,618	**-8,618**
Addition	7,386	**7,386**
Exchange rate difference	150	**150**
As of 31 Mar 22	13,805	**13,805**
As of 01 Apr 22	13,805	**13,805**
Used	-2,171	**-2,171**
Addition	7,412	**7,412**
Exchange rate difference	10	**10**
As of 31 Mar 23	**19,056**	**19,056**

The Group is subject to income taxes in different jurisdictions. Therefore, key assumptions are necessary to consider the various tax legislations and determine the global income tax liability.

The Group might be subject to tax risks attributable to previous tax assessment periods and might be subject to unanticipated tax expenses in relation to previous tax assessment periods that have not yet been subject to a tax audit or are currently subject to a tax audit. It cannot be ruled out that tax authorities may apply a different approach in ongoing and/or future tax audits from the one adopted by the Group, which may lead to an additional tax expense and/or payment, which could have a material and adverse effect on our business, financial condition and results of operations.

The Group recognises potential risks related to uncertain tax positions in accordance with IFRIC 23.

3.11 Other provisions

The provisions cover all identifiable risks and other uncertain obligations. The provisions are shown in the following in each case broken down into non-current and current provisions.

The non-current provisions developed as follows:

in € thousand	Obligations from sales	Employee benefits	Other risks	**Other non-current provision**
As of 01 Apr 21	3,422	1,402	345	**5,169**
Used	-	-15	-345	**-360**
Reversal	-	-9	-	**-9**
Addition	-	-73	-	**-73**
Discounting of provision	-	-20	-	**-20**
Reclassification to current provisions	-1,555	-	-	**-1,555**
As of 31 Mar 22	1,867	1,305	-	**3,172**
As of 01 Apr 22	1,867	1,305	-	**3,172**
Used	-1,600	-105	-	**-1,705**
Reversal	-	-	-	**-**
Addition	-	-67	-	**-67**
Discounting of provision	-	-27	-	**-27**
Reclassification to current provisions	-	-	-	**-**
As of 31 Mar 23	**267**	**1,106**	**-**	**1,373**

The non-current provisions amounted to €1,373 thousand as of 31 March 2023 (31 March 2022: €3,172 thousand) and are expected to fall due between one and five years.

Of this amount, €1,106 thousand (31 March 2022: €1,305 thousand) were fully attributable to provisions in the personnel area. These personnel-related obligations relate to long-service awards, which are calculated using actuarial reports. The provisions attributable to the sales area primarily included risks arising from warranty claims. The usage of €1,600 thousand in the financial year 2022/2023 was a quality claim.

The development of current provisions is set out in the table below:

in € thousand	Employee benefits	Obligations from sales	Other risks	**Other current provisions**
As of 01 Apr 21	2,018	36,500	15,384	**53,902**
Used	-1,184	-8,756	-11,889	**-21,829**
Reversal	-	-6,779	-504	**-7,283**
Addition	818	16,934	2,884	**20,636**
Exchange rate difference	89	787	117	**993**
Reclassification from non-current provisions	-	1,555	-	**1,555**
As of 31 Mar 22	1,741	40,241	5,992	**47,974**
As of 01 Apr 22	1,741	40,241	5,992	**47,974**
Used	-1,267	-12,703	-3,320	**-17,290**
Reversal	-51	-8,768	-2,263	**-11,082**
Addition	1,328	22,698	2,816	**26,842**
Exchange rate difference	102	128	19	**249**
Reclassification from non-current provisions	-	-	-	**-**
As of 31 Mar 23	**1,853**	**41,596**	**3,244**	**46,693**

Current provisions as of 31 March 2023, which were recognised for uncertain obligations within one year, included in particular provisions from obligations from the personnel and sales areas as well as other risks of €46,693 thousand (31 March 2022: €47,974 thousand).

The personnel-related obligations related largely to provisions for partial retirement benefits, severance payments and performance-based obligations.

The provisions attributable to the sales area included especially risks arising from warranty claims, price risks and not yet finalised customer debit notes.

Management's best estimate was used as a basis when measuring warranty provisions. These are estimated based on past experience with respect to the Group's liability. Specific individual cases are also taken into account.

The outstanding customer debit notes recognised in the consolidated financial statements relating to price or quantity differences, as well as quality deficiencies, were based on assumptions or estimates made on account of ongoing customer negotiations or past experience with customers.

The remaining risks primarily involved a number of discernible individual risks and uncertain liabilities that were accounted for at their probable settlement amounts.

It is expected that all current provisions will be used during the course of the following financial year.

3.12 Financial liabilities

in € thousand	31 Mar 22			31 Mar 23		
	Current	Non-current	**Total**	Current	Non-current	**Total**
Liabilities to banks	1,404	247,683	**249,087**	1,151	248,220	**249,371**
Financial liabilities	**1,404**	**247,683**	**249,087**	**1,151**	**248,220**	**249,371**

Total current and non-current financial liabilities amounted to €249,371 thousand as of 31 March 2023 (31 March 2022: €249,087 thousand).

In June 2021, a new term loan agreement for €310,000 thousand in total (€250,000 thousand as a term loan and €60,000 thousand as a revolving credit facility) was entered into between Novem Group S.A. and an international syndicate of banks. Accordingly, the refinancing was implemented as of 23 July 2021 by the drawdown of the term loan of €250,000 thousand and matures in July 2026.

After the deduction of transaction costs and pro rata interest incurred, €248,220 thousand (31 March 2022: €247,683 thousand) of the liabilities to banks of €249,371 thousand (31 March 2022: €249,087 thousand) relate to the utilised term loan. The remaining amount of €1,151 thousand (31 March 2022: €1,404 thousand) mainly resulted from the Seller Guarantee derived from factoring as described in section 3.4.

3.13 Other financial liabilities

Other financial liabilities are composed as follows:

in € thousand	31 Mar 22	31 Mar 23
Other current financial liabilities		
Lease liabilities	7,855	7,938
Other non-current financial liabilities		
Lease liabilities	27,002	31,143
Loan (benefits fund)	8	4
Other financial liabilities	**34,865**	**39,085**

The liabilities to leases changed due to cash out-flow of €9,797 thousand in the financial year 2022/23 (31 March 2022: €8,366 thousand). The changes to the lease liability occurred primarily from contract modifications and current leases as well as from a currency translation effect in the amount of €152 thousand.

The lease liabilities of €39,081 thousand as of 31 March 2023 (31 March 2022: €34,857 thousand) are largely from leasing land and buildings (refer to section 5.10).

3.14 Other non-financial liabilities

Other non-financial liabilities breakdown as follows:

in € thousand	31 Mar 22	31 Mar 23
Other current liabilities		
Employee-related liabilities	7,306	7,420
VAT	1,824	5,029
Other liabilities	3,563	4,643
Contract liabilities	23,100	31,562
Other current liabilities	**35,793**	**48,654**
Other non-current liabilities		
Other liabilities	1,148	360
Other non-current liabilities	**1,148**	**360**

Current non-financial liabilities amounted to €48,654 thousand as of 31 March 2023 (31 March 2022: €35,793 thousand). This item included especially contract liabilities in the form of advance payments received for tools, VAT liabilities as well as personnel-related liabilities, which were recognised in the context of social security for social insurance contributions still outstanding. In addition, the OEM's development contributions are shown under *Other liabilities*.

Non-current non-financial liabilities amounted to €360 thousand as of the reporting date (31 March 2022: €1,148 thousand). These pertain primarily to the OEMs' development contributions.

The following table shows the significant changes in contract liabilities which always have a duration of less than one year:

in € thousand	FY 2021/22	FY 2022/23
Revenue recognised in the financial year that was included in the carrying amount of the contract liabilities at the beginning of the financial year	13,390	8,405
Increase in the financial year on account of advance payments for tools	20,999	16,867

3.15 Trade payables

Trade payables comprise outstanding obligations from the exchange of the Group's goods and services. Trade payables amounted to €60,597 thousand on the reporting date (31 March 2022: €70,384 thousand). The change was mainly driven by cash flow management and the maturity of liabilities.

3.16 Deferred liabilities/accruals

in € thousand	31 Mar 22	31 Mar 23
Personnel-related accruals	11,704	12,843
Outstanding invoices for trade payables	15,929	20,920
Costs related to the year-end audit and annual financial statements	1,780	1,815
Other deferred liabilities	2,243	2,292
Deferred liabilities/accruals	**31,656**	**37,870**
Non-current	1,594	1,767
Current	30,062	36,103

Accruals are disclosed under *Other liabilities*. Accruals are liabilities to pay for goods or services already received which have not been paid or invoiced by the supplier.

These largely comprised outstanding obligations within the Group from the exchange of goods and services as well as on account of personnel-related accruals, which mainly include matters such as leave not yet taken, Christmas and holiday pay or performance-related salary components.

4 Explanatory notes on the consolidated statements profit or loss and other comprehensive income

4.1 Revenue

In the financial year 2022/23, Novem generated total revenue of €700,304 thousand (PY: €614,628 thousand), which marks a 13.9% increase compared to last year. The distribution of revenue among the locations is provided in *Geographical information* in section 5.9. As in previous years, the wood surface area accounted for the largest share of Novem's success, followed by aluminium and premium synthetics. Revenue can be broken down by the surface areas mentioned below:

in € thousand	FY 2021/22	FY 2022/23
Wood	457,863	520,900
Aluminium	127,309	135,604
Premium synthetics	29,456	43,799
Revenue	**614,628**	**700,304**

Revenue Series developed positively in the financial year 2022/23 and recorded at €618,226 thousand, up by 9.4% compared to the same reporting period last year (PY: €565,015 thousand). Revenue Series generated 88.3% of total revenue (PY: 85.8%) and remained the key pillar of the business.

Revenue Tooling, which comprises performance obligations for development work and the subsequent sale of tools as well as maintenance activities, contributed €82,077 thousand to total revenue for the financial year 2022/23 (PY: €49,613 thousand). This corresponds to a year-on-year increase of 65.4% or €32,464 thousand, mainly attributable to a different project phasing. Revenue within the Group can be allocated to business areas as follows:

in € thousand	FY 2021/22	FY 2022/23
Revenue Series	565,015	618,226
Revenue Tooling	49,613	82,077
Revenue	**614,628**	**700,304**

This following breakdown of revenues also determines the type of revenue recognition, as revenue from Series and maintenance activities are considered to be goods and services transferred over time, while revenue from the development work and the subsequent sale of tools must be classified as goods and services transferred at a point in time.

in € thousand	FY 2021/22	FY 2022/23
Goods and services transferred over time	567,757[1]	620,775
Goods and services transferred at a point in time	46,871[1]	79,529
Revenue	**614,628**	**700,304**

1 Adjusted according to IAS 8.42 as an amount of *revenue recognised over time* has been disclosed as *recognised at a point in time*.

There was also a corresponding adjustment of revenue in the amount of €1,510 thousand (PY: €2,732 thousand) on account of current contract terms, whereby, on the start of production (SOP) on some platforms, the revenue recognised is reduced in line with the units delivered and the asset for the development contribution is reversed accordingly.

Novem expects that revenue for its delivery obligations not (or only partially) fulfilled at the end of the financial year will be recognised within a year and therefore applies the practical expedient in IFRS 15.121.

4.2 Other operating income

in € thousand	FY 2021/22	FY 2022/23
Income from the disposal of property, plant and equipment and intangible assets	29	13
Foreign currency translation gains	5,582	9,369
Income from charging out to third parties	3,358	5,337
Other income	11,102	11,097
Other operating income	**20,071**	**25,816**

Other operating income increased in the financial year 2022/23 by €5,745 thousand from €20,071 thousand to €25,816 thousand year-on-year. Other operating income mainly included €9,369 thousand (PY: €5,582 thousand) currency translation effects as well as €5,337 thousand (PY: €3,358 thousand) income from charging out to third parties. Other income also included €7,985 thousand (PY: €8,440 thousand) income from reversal of provisions, €2,830 thousand (PY: €2,603 thousand) income from other periods as well as €282 thousand (PY: €56 thousand) insurance reimbursements.

4.3 Cost of materials

The cost of materials includes the expenses for raw materials, consumables and purchased goods/services. For further information on inventories, refer to section 3.3.

in € thousand	FY 2021/22	FY 2022/23
Cost of raw materials and consumables and of purchased goods	305,588	329,364
Cost of purchased services	22,410	25,325
Cost of materials	**327,998**	**354,689**

The reported cost of materials increased by 8.1% year-on-year. The increase contrasts with a growth in sales of 13.9%. Hence, the cost of materials to output (total operating performance) ratio increased slightly to 51.2% (PY: 50.9%). This development reflects the ongoing challenging situation on the world market and the associated price increases.

4.4 Personnel expenses

The high level of vertical integration means personnel expenses in the Group account for a considerable portion of total expenses. The personnel expenses include social security, pension and other benefits.

Management's compensation as well as those of staff in managerial positions is designed with variable components in differing proportions. The variable payments are based on fulfilling the Group's revenue and earnings targets as well as on individual objectives.

in € thousand	FY 2021/22	FY 2022/23
Wages and salaries	130,071	140,378
Social security	25,086	26,476
Pension expense	3,326	1,791
Personnel expenses	**158,483**	**168,645**

The personnel expenses ratio (personnel expenses to total operating performance) decreased slightly compared to the previous year and equalled 24.3% (PY: 24.6%).

The table below sets forth the number of employees (by headcount including headquarters and excluding leased workers, interns and students) we employed as of the dates indicated for each of the regions in which we operate:

	31 Mar 22	31 Mar 23
Europe	2,969	2,893
Americas	1,842	1,807
Asia	729	788
Number of employees	**5,540**	**5,488**

4.5 Amortisation, depreciation and impairment losses

in € thousand	FY 2021/22	FY 2022/23
Intangible assets	931	957
Property, plant and equipment	30,441	31,510
Thereof impairment losses	464	10
Thereof right-of-use assets from leases	7,953	8,982
Amortisation, depreciation and impairment losses	**31,372**	**32,467**

Amortisation and depreciation of €32,467 thousand was recognised in the financial year 2022/23 (PY: €31,372 thousand). Of this amount, €10 thousand (PY: €521 thousand) were attributable to impairment losses.

4.6 Other operating expenses

Other operating expenses include especially:

in € thousand	FY 2021/22	FY 2022/23
Order-related expenses	18,045	23,714
Legal and advisory fees	11,594	11,051
Maintenance expenses	8,977	9,677
Personnel-related expenses	7,414	6,870
Leasing and rent expenses	3,300	3,247
Expenses for insurance, feeds and contribution	4,171	3,644
Other services	4,793	4,751
Expenses for environmental protection	1,900	1,815
Expenses from foreign currency translation	6,893	8,901
Expenses relating to other periods	1,040	1,484
Loss allowance on receivables and contract assets	-163	1,269
Other expenses	5,460	5,953
Other operating expenses	**73,454**	**82,376**

Other operating expenses increased in the financial year 2022/23 by €9,263 thousand from €73,454 thousand to €82,717 thousand. Other operating expenses mainly include order-related expenses, which consist mostly of outgoing freight expenses amounting to €17,248 thousand (PY: €14,592 thousand), as well as legal and advisory fees in an amount of €11,051 thousand (PY: €11,594 thousand). The remaining expenses amounting to €6,294 thousand (PY: €5,460 thousand) primarily include IT, vehicle and office material costs.

4.7 Net finance income/costs

The financial result amounted to €9,532 thousand in the financial year 2022/23 (PY: €22,440 thousand).

Finance income

in € thousand	FY 2021/22	FY 2022/23
Interest income	3,095	3,361
Income from currency translation	285	194
Finance income	**3,380**	**3,555**

Finance income amounted to €3,555 thousand in the financial year 2022/23 (PY: €3,380 thousand) and was largely attributable to interest income from customer tooling of €2,820 thousand (PY: €2,953 thousand). This item also included income from foreign currency translation of €194 thousand (PY: €285 thousand).

Finance costs

in € thousand	FY 2021/22	FY 2022/23
Interest paid to banks	2,974	6,710
Interest paid on shareholder loans	7,389	-
Interest paid on bond	6,825	-
Transaction costs directly attributable to the issue of a financial liability	5,757	613
Interest expense from discounting of provisions	588	829
Interest expense arising from leases	539	546
Other interest expenses	698	1,790
Expenses from currency translation	1,051	2,600
Finance costs	**25,821**	**13,088**

The finance costs of €13,087 thousand in the financial year 2022/23 (PY: €25,821 thousand) mainly arose from interest expenses for banks and from expenses from currency translation. The high deviation from the previous year is due to the interest payment for bonds (PY: €6,825 thousand) and the interest paid on shareholder loans (PY: €7,389 thousand), which were no longer incurred in the financial year 2022/23. With the exception of the interest expense from the discounting of provisions, interest expenses were calculated using the effective interest method.

4.8 Tax expense

The income tax expense for the financial years 2021/22 and 2022/23 can be broken down as follows:

in € thousand	FY 2021/22	FY 2022/23
Current taxes	14,393	13,927
Current taxes prior years	1,738	1,800
Deferred taxes	-9,679	5,209
Taxes on income	**6,452**	**20,937**

The Group tax rate changed slightly year-on-year from 27.0% to 26.9%. The Group tax rate of 26.9% (PY: 27.0%) is based on a corporation tax rate of 15.0% and a solidarity surcharge of 5.5% on the corporation tax as well as a trade tax rate of 11.1% (PY: 11.2%).

Reconciliation of the income taxes in the financial years 2022/23 and 2021/22, using a total tax rate of 26.9% (PY: 27.0%) (corporation tax and trade tax of the main country of operations being Germany) to the income tax expense shown in the statements of profit or loss was as follows:

in € thousand	FY 2021/22	FY 2022/23
Profit/loss before tax	50,424	70,920
Group tax rate (%)	27.0%	26.9%
Tax expense at Group tax rate	13,622	19,085
Causes for additional amounts/shortfalls		
Non-deductible expenses	3,712	1,566
Tax-exempt income	-1,941	-1,347
Tax income/expense relating to other periods	-6,401	3,269
Tax rate differential	-2,383	-1,873
Other effects	-156	238
Disclosed expense for income taxes	**6,452**	**20,937**

The disclosed income tax expense of €20,937 thousand is higher than the expected income tax expense of €19,085 thousand that results from applying the Group tax rate of 26.9% to the Group's consolidated profit before income tax.

The tax effect of non-deductible expenses consisted primarily of expenses that are non-deductible in the determination of the taxable profits in Germany as well as effects resulting from the Mexican maquiladora structure.

The tax effect relating to other periods was related to the tax audit for the financial years 2015/16 till 2017/18 in Germany and a deferred tax adjustment in China.

The tax effect reported as a tax rate differential reflects the difference between the Group tax rate of 26.9% relevant to the Group and the tax rates applicable to the individual subsidiaries in varying countries.

Other effects amounting to €238 thousand comprised €705 thousand of not capitalised deferred tax assets on current year tax losses in Italy, Luxembourg and Slovenia and a counteracting effect of €427 thousand relating to the reversal of a valuation allowance on tax credits in the US.

For the current financial year, deferred tax assets were recognised for the interest carry-forwards of €19,784 thousand (PY: €32,935 thousand).

Tax losses carried forward, which can be applied indefinitely, existed of €10,603 thousand in total in Italy, Luxembourg and Slovenia. Deferred tax assets of €2,229 thousand have not been recognised because it is not probable in the short-term perspective that future taxable profits will be available against which the Group can use the benefits therefrom.

Deferred tax assets and liabilities result from temporary differences in the following items in the statements of financial position and are broken down as follows:

in € thousand	FY 2021/22	FY 2022/23
Property, plant and equipment and intangible assets	5,237	5,935
Receivables and other assets	652	620
Tax interest carry forward	7,976	4,776
Liabilities	182	232
Provisions	12,233	6,119
Deferred income tax assets (gross)	26,280	17,682
Offset	7,435	9,350
Deferred income tax assets	**18,845**	**8,332**
Property, plant and equipment and intangible assets	4,317	4,643
Receivables and other assets	3,830	3,575
Liabilities	215	1,131
Provisions	2,708	650
Deferred income tax liabilities (gross)	11,070	9,998
Offset	7,435	9,350
Deferred income tax liabilities	**3,635**	**648**
Deferred income tax asset (net)	**15,210**	**7,684**

In accordance with IAS 12.81(f), deferred taxes on outside basis differences were not recognised in the current year and in the previous year and amount to €12,641 thousand (PY: €10,848 thousand). No income tax consequences arose from the distribution of dividends to the Company's shareholders.

In financial year 2022/23, deferred taxes of €2,229 thousand (PY: €487 thousand) resulting from defined benefit plans were recognised in other comprehensive income and €36 thousand (PY: €379 thousand) directly in equity.

Amounts recognised in other comprehensive income

in € thousand	FY 2021/22	FY 2022/23
Remeasurements of defined benefit liability (before taxes)	1,978	8,572
Tax expense	-487	-2,229
Net of tax	1,491	6,343

To address concerns about uneven profit distribution and tax contributions of large multinational corporations, various agreements have been reached at global level, including an agreement by over 135 jurisdictions to introduce a global minimum tax rate of 15%. In December 2021, the Organisation for Economic Cooperation and Development (OECD) released a draft legislative framework, followed by detailed guidance released in March 2022, that is expected to be used by individual jurisdictions that signed the agreement to amend their local tax laws. Once changes to the tax laws in any jurisdictions in which the Group operates are enacted or substantively enacted, the Group may be subject to the top-up tax. At the date when the financial statements were authorised for issue, none of the jurisdictions in which the Group operates had enacted or substantively enacted the tax legislation related to the top-up tax. Management closely monitors the progress of the legislative process in each jurisdiction the Group operates in. On 31 March 2023, the Group did not have sufficient information to determine the potential quantitative impact.

4.9 Earnings per share

The earnings per share for the financial year ended 31 March 2023 amounted to €1.16 (PY: €1.04[2]). Earnings per share are calculated by dividing the profit for the period attributable to shareholders of the parent by the weighted average numbers of shares issued in the reporting period.

	FY 2021/22	FY 2022/23
Profit attributable to shareholders of the parent (in € thousand)	43,972	49,983
Number of weighted shares	42,158,572	43,030,303
Earnings per share basic (in €)	1.04[1]	1.16
Earnings per share diluted (in €)	1.04[1]	1.16

1 Adjusted according to IAS 8.42 as the calculation of the number of average weighted shares was different.

2 Adjusted according to IAS 8.42 as the calculation of the number of average weighted shares was different.

5 Other disclosures

5.1 Working capital

Trade working capital is, amongst others, a key performance indicator to track the Group's operating performance. It is neither required by nor presented in accordance with IFRS as adopted by EU. It is also not a measure of financial performance under IFRS as adopted by EU and should not be considered as an alternative to other indicators of operating performance, cash flow or any other measure of performance derived in accordance with IFRS as adopted by EU.

The following table shows the amounts of the working capital broken down by balance sheet class position:

in € thousand	31 Mar 22	31 Mar 23
Inventories – non tooling	67,396	64,092
Receivables from third parties	35,238	43,703
Payables to third parties (-)	61,612	54,541
Trade working capital	**41,023**	**53,253**
Tooling net	74,392	55,492
Contract assets	11,883	15,281
Working capital	**127,298**	**124,026**

The following table shows the reconciliation of the working capital:

in € thousand	31 Mar 22	31 Mar 23
Inventories	129,388	116,306
Tools	-61,142	-50,955
Advanced payment for tools	-850	-1,259
Inventories – non tooling	**67,396**	**64,092**
Receivables from third parties	85,211	93,839
Trade receivables > 1 year	-47,541	-46,329
Trade receivables tooling	-2,432	-3,807
Receivables from third parties	**35,238**	**43,703**
Trade payables < 1 year	70,384	60,597
Trade payables and services tooling	-8,772	-6,056
Payables to third parties (-)	**61,612**	**54,541**
Trade working capital	**41,023**	**53,254**
Tooling inventories	61,141	50,955
Current tooling trade receivables	2,432	3,807
Non-current tooling trade receivables	47,541	46,329
Tooling related trade payables	-8,772	-6,056
Advance payment tooling	851	1,259
Tooling received advanced payment current	-23,100	-31,562
Other provisions	-5,700	-9,241
Tooling net	**74,392**	**55,491**
Contract asset	11,853	15,269
ECL contract asset < 1 year	30	12
Contract asset	**11,883**	**15,281**
Working capital	**127,298**	**124,026**

Total working capital amounted to €124,026 thousand as of 31 March 2023 and was therefore nearly stable compared to 31 March 2022 with €127,298 thousand. The decrease of €3,272 thousand was driven by lower safety stock and tooling net.

5.2 Financial instruments

The following table shows the carrying amounts and fair values of the financial instruments broken down by balance sheet class and category:

in € thousand		31 Mar 22		31 Mar 23	
Financial assets by classification	Category	Carrying amount	Fair value	Carrying amount	Fair value
Trade receivables	FAAC	81,785	81,785	88,711	88,711
Trade receivables within the scope of factoring agreements	FAFVTPL	3,426	3,426	5,128	5,128
Seller Guarantee	FVPL	-	-	1,046	1,046
Derivatives with positive market values	FAFVTPL	-	-	600	600
Cash and cash equivalents	FAAC	116,967	116,967	165,474	165,474
Financial liabilities by classification					
Trade payables	FLAC	70,384	70,384	60,597	60,597
Liabilities to banks (non-derivative)	FLAC	247,746	247,746	249,371[1]	251,152
Liabilities to banks (derivative)	FLFVTPL	1,342	1,342	-	-
Summary by category					
FAAC		198,752	198,752	259,314	260,360
FAFVTPL		3,426	3,426	5,728	5,728
FVPL		-	-	1,046	1,046
FLAC		318,130	318,130	309,968	309,968
FLFVTPL		1,342	1,342	-	-

1 Including the Seller Guarantee in the amount of €1,046 thousand.

The fair value for liabilities to banks (non-derivative) was calculated by discounted cash flows. The valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate.

The following table provides an overview of the classification of financial instruments presented above in the fair value hierarchy:

in € thousand	31 Mar 22			31 Mar 23		
	Level 1[1]	Level 2[2]	Level 3[3]	Level 1[1]	Level 2[2]	Level 3[3]
Financial assets						
Trade receivables within the scope of factoring agreements	-	3,426	-	-	5,128	-
Seller Guarantee	-	-	-	-	1,046	-
Derivatives with positive market values	-	-	-	-	600	-
Financial liabilities						
Derivative financial instruments	-	1,342	-	-	-	-

1 Measurement of fair value based on quoted prices (non-adjusted) for these or identical instruments on active markets.
2 Measurement of fair value based on inputs that are either directly (i.e. as prices) or indirectly (i.e. derived from prices) observable on active markets.
3 Measurement of fair value based on inputs that do not represent any observable market data.

There were no transfers between the different levels of the fair value hierarchy in the financial year 2022/23.

Fair value is the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. The following methods and assumptions were used to estimate fair values in the financial year:

The invoice amount of receivables is used as a reasonable approximation for the fair value of trade receivables in conjunction with factoring agreements.

For trade receivables not subject to factoring arrangements and for cash and cash equivalents, given their maturity, it is assumed that the carrying amount is a reasonable approximation of fair value due to their predominantly short-term nature. Similarly, for trade payables and other financial liabilities, it is assumed that the carrying amount is the fair value.

The fair values of the derivative financial instruments in the form of forward exchange contracts with banks are determined using the present value method based on market prices.

The following table shows net gains and losses from financial instruments by category:

in € thousand	Interest	Fair value measurement	Currency translation	Impairment	Derivatives with positive market values	Seller Guarantee
FY 2021/22						
FAAC	3,095	-	-1,311	-163	-	-
FLAC	22,944	-	-	-	-	-
FLFVTPL	-	1,342[1]	-	-	-	-
FY 2022/23						
FAAC	3,361	-	468	1,269	-	-
FLAC	7,322	-	-	-	-	-
FLFVTPL	-	-	-	-	-	-
FVPL	-	-	-	-	-	1,046
FAFVTPL	-	-	-	-	600[2]	-

1 In addition to the €1,342 thousand financial liabilities from derivatives reported as of 31 March 2022, €1,209 thousand in realised losses were generated during the financial year 2021/22.
2 In addition to the €600 thousand derivatives with positive market values reported as of 31 March 2023, €7,075 thousand in realised losses were generated during the financial year 2022/23.

Interest income and expense on financial assets and liabilities accounted for at amortised cost is included in interest income on financial assets and in interest expense on financial debt (refer to section 4.7).

5.3 Share-based payments

The Management Board members of Novem Group S.A. participate in a long-term incentive (Performance Share Plan) in the form of virtual shares. The Performance Share Plan is classified according to IFRS 2 as cash-settled share-based payment.

The Performance Share Plan is granted in annual tranches of virtual shares with a respective performance period of four years. Deviating from this, the performance period of the tranche 2021 started on the day of the listing of Novem Group S.A. (IPO) and will end on 31 March 2025. The second tranche (tranche 2022) started at the beginning of financial year 2022/23 and will end on 31 March 2026.

The conditionally granted number of virtual shares at the beginning of the performance period is calculated for each tranche by dividing a contractually defined individual target amount by the start share price of the share of Novem Group S.A. (arithmetic mean of the closing prices of the stock during the last 60 trading days prior to the start of the performance period).

The final number of virtual shares is determined by multiplying the total target achievement by the conditionally granted number of virtual shares. The total target achievement depends on the target achievement of the two financial figures relative Total Shareholder Return (70% weighting) and EBIT margin (30% weighting). Thereby, the target achievement of relative Total Shareholder Return and EBIT margin can range between 0% and 150%.

In order to determine the payout in cash, the final number of virtual shares is multiplied by the end share price of the share of Novem Group S.A. (arithmetic mean of the closing prices of the stock during the last 60 trading days prior to the end of the performance period) plus the sum of the dividends disbursed during the performance period. The payout is capped at 200% of the contractually defined individual target amount.

The first tranche of the Performance Share Plan was allocated to Management Board members of Novem Group S.A. for the financial year 2021/22 and the number of conditionally granted virtual shares amounted to 40,826, resulting in a provision of €170 thousand as of 31 March 2023 (31 March 2022: €69 thousand).

The second tranche was awarded for the financial year 2022/23 with a total number of 60,384 conditionally granted virtual shares, corresponding to a provision of €140 thousand as of 31 March 2023 (31 March 2022: €0).

These provisions have been included in *Non-current deferred liabilities* (refer to section 3.16).

In total, the expenses for financial year 2022/23 amounted to €241 thousand (PY: €69 thousand).

The fair value of the Performance Share Plan to calculate expenses and provisions was determined by using a Monte-Carlo-Simulation. The expected volatility has been based on the average of the median volatility of SDAX companies (term-congruent) and the historical volatility of Novem for the period available. The fair value and the inputs used in the assessment of the fair value as of 31 March 2023 were as follows:

Valuation as of 31 March 2023	Tranche 2021	Tranche 2022
Performance period	19 Jul 21 – 31 Mar 25	1 Apr 22 – 31 Mar 26
Start share price Novem Group S.A.	€16.46	€11.25
Remaining duration of performance period	2.0 years	3.0 years
Expected annual volatility	45.8%	47.6%
Risk-free annual interest rate	2.7%	2.5%
Expected target achievement for internal target EBIT margin	100%	100%
Fair value per virtual share	**€8.82**	**€8.85**

For comparative purposes, the fair value and inputs used in the assessment of the fair value as of 31 March 2022 were as follows:

Valuation as of 31 March 2022	Tranche 2021
Performance period	19 Jul 21 – 31 Mar 25
Start share price Novem Group S.A.	€16.46
Remaining duration of performance period	3.0 years
Expected annual volatility	44.9%
Risk-free annual interest rate	0.1%
Expected target achievement for internal target EBIT margin	100%
Fair value per virtual share	**€8.96**

5.4 Risk reporting

Management of financial risks

The Group is exposed to a wide range of risks and opportunities within the scope of its business activities. Its business operations are focused on seizing opportunities and identifying and controlling the related risks early on. Group-wide risk management aims to identify risks based on operations as early as possible to take appropriate and effective steps to manage or avoid these risks. The Group is exposed to the following risks in particular:

- liquidity risks
- credit risk
- financial market risks (exchange rate risks and interest rate risks)

The Group's management has overall responsibility for establishing and overseeing the Group's risk management system. The Finance department is responsible for developing and monitoring the risk management system and reports regularly on these matters to management.

At the core of risk management is an internal reporting system that continually optimises monitoring of all business-relevant key data and is adapted to current challenges. In addition, the business opportunities and risks are recorded, analysed and evaluated in a multi-tiered planning, information and control process, allowing changes to the business environment and deviations from plan to be recognised early and countermeasures introduced in advance. Additionally, important Alternative Performance Measures (metrics such as order intake, revenue, Adj. EBIT, EBITDA, staffing level, fluctuation and quality data) are reported monthly and evaluated by management.

Liquidity risks

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity risks arise from current liabilities due to long-term rental agreements, interest and repayments.

Funds are largely generated from operations and used to cover financing needs.

To ensure and monitor liquidity, the Corporate Treasury department permanently tracks, optimises and documents the current cash flows of all entities and has established a rolling 12-month liquidity planning. The planning takes into account the maturities of financial investments and financial assets (e.g. receivables and other financial assets) as well as expected cash flows from the operating activities. Both the liquidity status (weekly) and the liquidity plan (monthly) are regularly reported to management, and if this results in changes in financing needs, measures are initiated at an early stage. This approach allows the entire Group's needs and those of individual group companies to be addressed optimally.

The Group ensures compliance with the financing requirements of its operating business and with financial obligations by means of cash pooling agreements, intragroup loans and credit lines based on the respective legal and tax regulations. As of 31 March 2023, the Group has a total of €60,000 thousand (31 March 2022: €60,000 thousand) in unused revolving credit facility from the term loan agreement to ensure liquidity. Additionally, the Group possesses a €4,000 thousand credit line drawn in the amount of €3,132 thousand as a guarantee facility.

The following overview shows the contractually agreed terms of financial liabilities, which represent expected future cash out-flows:

in € thousand	Less than one year	Between one and five years	More than five years	**Financial liabilities**
As of 31 Mar 22				
Liabilities to banks (non-derivative)	4,560	273,012	-	**277,572**
Liabilities to banks (derivative)	1,342[1]	-	-	**1,342**
Trade payables	70,384	-	-	**70,384**
Lease liabilities	8,280	19,667	8,807	**36,754**
As of 31 Mar 23				
Liabilities to banks (non-derivative)	12,594	274,001	-	**286,595**
Liabilities to banks (derivative)	-	-	-	**-**
Trade payables	60,597	-	-	**60,597**
Lease liabilities	7,938	20,482	10,661	**39,081**

1 The amount stated relates to the market value and results from the difference between the purchase of EUR in the amount of €69,896 thousand and the sale of USD in the translated amount of €68,554 thousand.

The contractually agreed cash flows related to non-derivative banks include a variable interest as well as the repayment amount of the loan. No cash flows for derivative liabilities to banks are expected in the form of forward exchange contracts due to the positive development of the exchange rates. Based on the current state of knowledge, the cash out-flows presented are not expected to occur significantly earlier or to considerably deviate in amount from the values shown in the table.

Credit risk

Credit risk is the risk of financial losses if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises mainly from trade receivables, with the maximum credit risk corresponding to the carrying amount of the financial assets. Impairment losses are also recorded for contract assets.

The following tables give information on the carrying amounts of trade receivables and contract assets arising from contracts with customers:

in € thousand	31 Mar 22	31 Mar 23
Trade receivables	85,211	93,839
Contract assets	11,853	15,281

CONTENTS
1 TO OUR SHAREHOLDERS
2 NON-FINANCIAL REPORT
3 GROUP MANAGEMENT REPORT
4 CONSOLIDATED FINANCIAL STATEMENTS
5 ANNUAL ACCOUNTS
6 ADDITIONAL INFORMATION

Accumulated impairment losses on trade receivables and contract assets were as follows:

in € thousand	FY 2021/22	FY 2022/23
Trade receivables	1,115	1,609
Contract assets	30	12
Impairment losses	**1,145**	**1,621**

Trade receivables

Credit risk relates in particular to a receivable being repaid late, partially or not at all. The Group uses a number of measures to minimise this risk. As part of receivables management, the Group continuously monitors open positions, conducts maturity analyses and contacts the customer at an early stage if payment delays emerge. The highest priority is placed on monitoring early indicators. On the statements of financial position, the residual risk for trade receivables is accounted for by calculating expected credit losses. In general, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Trade receivables are spread essentially over the major manufacturers in the automotive industry, which, due to solid sector performance in Americas, Europe and Asia, is assessed as representing relatively low default risk for the Group. This assessment is based primarily on long-standing business relationships with most customers and the ratings of the major rating agencies. Historical default rates for these receivables are extremely low. In the event that one of the three largest customer defaults (currently assessed as unlikely), credit risk arising from open receivables as of 31 March 2023 would be between €5,688 thousand and €14,079 thousand (31 March 2022: €7,366 thousand and €15,373 thousand).

Expected credit losses for trade receivables recognised at amortised cost are measured based on the lifetime expected credit losses. This involves the receivables being grouped according to the individual customers. For these customers, a one-year default probability is determined via a credit agency. Expected credit losses per customer are calculated ultimately as the product of the gross carrying amount of the receivable, the customer's probability of default (maturity-adjusted as required) and an appropriate insolvency ratio.

The gross carrying amounts and related probabilities of default of customers for trade receivables measured at amortised cost are as follows:

	FY 2021/22		FY 2022/23	
in € thousand	Gross carrying amount	Probability of default	Gross carrying amount	Probability of default
	44,700	< 1%	59,819[1]	< 1%
	3,492	1% < x < 2%	1,400	1% < x < 2%
	27,530	2% < x < 5%	20,751	2% < x < 5%
	10,604	> 5%	13,478	> 5%
Trade receivables	**86,326**		**95,448**	

1 Thereof trade receivables within the scope of factoring agreements amounting to €5,127 thousand (31 March 2022: €3,426 thousand) were measured at fair value through profit or loss. No expected credit losses were recognised for this portion.
Thereof Seller Guarantee within the scope of factoring agreement amounting to €1,046 thousand. No expected credit losses were recognised for this portion.

Contract assets

As of 31 March 2023, contract assets were recognised amounting to €13,689 thousand (31 March 2022: €11,883 thousand). These assets have arisen with the right to consideration acquired from contractual obligations already satisfied. Contract assets are reclassified to trade receivables as soon as an unconditional right to payment arises, which is obtained by invoicing the customer for the quantities actually delivered.

Expected credit losses for contract assets are measured using the lifetime expected credit losses. This involves the contract assets being grouped according to the individual customers. For these customers, a one-year default probability is determined via a credit agency. Expected credit losses per customer are calculated ultimately as the product of the gross carrying amount of the contract asset, the customer's probability of default (maturity-adjusted as required) and an appropriate insolvency ratio.

CONTENTS
1 TO OUR SHAREHOLDERS
2 NON-FINANCIAL REPORT
3 GROUP MANAGEMENT REPORT
4 CONSOLIDATED FINANCIAL STATEMENTS
5 ANNUAL ACCOUNTS
6 ADDITIONAL INFORMATION

The gross carrying amounts and related probabilities of default of customers for contract assets are as follows:

in € thousand	FY 2021/22		FY 2022/23	
	Gross carrying amount	Probability of default	Gross carrying amount	Probability of default
	4,990	< 1%	10,746	< 1%
	206	1% < x < 2%	1	1% < x < 2%
	4,078	2% < x < 5%	2,792	2% < x < 5%
	2,609	> 5%	150	> 5%
Contract assets	**11,883**		**13,689**	

Cash and cash equivalents

As of 31 March 2023, the Group had cash and cash equivalents of €165,474 thousand (31 March 2022: €116,967 thousand). Thus, this amount represents the maximum exposure to credit risk in terms of these assets. The cash and cash equivalents are held at banks with Fitch ratings of BBB to AAA. For reasons of materiality, no expected credit losses were recognised for cash and cash equivalents by the Group. Moreover, external ratings indicate that these assets have only low credit risk.

Derivatives

Derivatives are concluded with banks with a rating from Fitch Ratings of at least BBB+. As of 31 March 2023, all derivatives in the form of forward exchange contracts have a positive market value totalling €600 thousand. In comparison to the prior financial year, the market value from derivatives was negative and amounted to €1,342 thousand.

Finance market risks

Finance market risks are the risks of changes in market prices, such as exchange rates or interest rates, that affect the Group's earnings or the value of the financial instruments it holds. The objective of managing finance market risks is to manage and control market risk exposure within an acceptable range while optimising income.

Exchange rate risk

Foreign currency risks arise when Group companies settle transactions in currencies other than their functional currency. Through its subsidiaries, the Group has assets and liabilities outside the Eurozone. These assets and liabilities are denominated in local currencies. If the value of net assets is translated into Euro, exchange rate fluctuations from one period to the next result in changes to these net asset values. Accordingly, the Corporate Treasury department undertakes actions to minimise the resulting foreign currency risks. The Group mainly has foreign currency exposure to Chinese Renminbi (CNY), Czech Koruna (CZK), Honduran Lempira (HNL), Mexican Peso (MXN) and US Dollar (USD), which arise from trade receivables/payables and from procurement. The Group counters its foreign currency risks through natural hedging, i.e. by raising the purchase volume in the foreign currency area or increasing local production. To further secure operating activities, the option of group netting foreign currency exposures within the Group is used. A further measure taken is to manage the volume of excess liquidity arising from the respective hedged items in foreign currency based on incremental FX spot transactions within a prescribed scope.

A sharp appreciation of the Euro against currencies of other exporting countries could, however, negatively impact the Group's competitiveness.

A reasonably possible change in exchange rates would influence consolidated earnings due to the fair values of the monetary assets and liabilities. The following table is based on the exchange rates determined at the reporting date. It illustrates the effects of appreciation or depreciation of the main currencies to be considered (CNY, CZK, MXN, USD) of +10% or -10% against the respective functional currency. The overall result for each currency thus includes effects calculated based on the appreciation or depreciation of the Euro, where the functional currency corresponds to the currency stated in the table.

in € thousand	31 Mar 22		31 Mar 23	
Changes in foreign exchange rates (gain)	+10%	-10%	+10%	-10%
CNY	-124	119	-126	122
CZK	627	-627	31	-31
MXN	-555	556	-522	522
USD	11,182	-12,970	9,170	-10,535

To further reduce foreign currency risk from US Dollar exposures, the Group concluded a number of forward exchange contracts with UniCredit, HSBC and JP Morgan. Using these derivative instruments, the significant part of the forecast net foreign currency exposures for the respective next 12 months is hedged in US Dollar. In this case, they are not presented as hedges: instead, the derivatives are measured at fair value through profit or loss.

Interest rate risks

Net finance income/costs and financial performance can be positively influenced by favourable interest rate and exchange rate developments. To allow prompt reactions to positive developments, the financial markets are monitored continuously.

As of 31 March 2023, the Group's interest-bearing financial instruments can be aggregated as follows with regard to the basic structure of the respective interest rate:

in € thousand	31 Mar 22	31 Mar 23
Variable rate instruments *Financial liabilities*	250,000	250,000
Interest rate exposure	**250,000**	**250,000**

As of 31 March 2023, financial liabilities with fixed rates amount to zero. Interest rate risk exists for the syndicated loan as it is linked to the 3-month Euribor. In view of the interest rate appreciation by the European Central Bank and the current outlook due to still high inflation rates, there are slight risks that interest rates may increase even more.

Further moderate interest rate risks exist for pension obligations and the factoring program. The factoring program depends on the 3-month Euribor relating to factoring fees for EUR-receivables and the SOFR, which represents the base rate for factoring fees resulting from USD-receivables. A 1% change in the reference interest rates would have no material impact regarding factoring fees.

The interest rate risk regarding our pension obligations is also manageable as their share of total assets only amounts to approximately 5%.

5.5 Capital management

The objective of the Novem Group's capital management is to ensure the ability to continue as a going concern and to maintain a stable capital case to maintain investor, creditor and market confidence. Opportunities to repay and refinance liabilities and finance future business activities and future investments depend on how the total operating revenue of the Group develops and its ability to obtain sufficient liquidity. Due to the business model and the operations on global markets, the Group generates predictable and sustainable cash flows under normal business conditions. The Group therefore manages its capital structure and makes necessary adjustments based on the prevailing business conditions.

The Group has a total of €60,000 thousand in unused revolving credit facility. Additionally, the Group possesses a €4,000 thousand credit line, which was drawn in the amount of €3,132 thousand as a guarantee facility.

For monitoring the capital structure, the Group utilises, amongst others, the ratio of net financial debt and Adj. EBITDA, which is also used as a covenant in the senior facilities agreement. Regular quarterly monitoring of the financial ratios has been implemented. The Group does not expect a breach of this covenant.

In order to maintain or adjust the capital structure, the Group may increase or decrease the dividends, issue new shares or return capital to the shareholders, and raise additional or reduce parts of the outstanding debt.

5.6 Consolidated statement of cash flows

The statement of cash flows is prepared in accordance with IAS 7 and is broken down into cash flows from operating, investing and financing activities. In-flows and out-flows from operating activities are presented in accordance with the indirect method and those from investing and financing activities by the direct method.

Cash held comprises current available funds and cash equivalents less bank liabilities due on demand (current account liabilities). With profit for the period as the starting point, the non-cash expenses and changes in net working capital are accounted for to calculate cash flows from operating activities. Income tax payments of €8,721 thousand (PY: €17,330 thousand) are also recognised in cash flows from operating activities.

Investing activities comprise payments to acquire intangible assets, property, plant and equipment and financial assets as well as proceeds from the sale of intangible assets, property, plant and equipment and financial assets. Financing activities include the repayment of bonds and borrowings. Interest payments of €8,533 thousand (PY: €12,994 thousand) are also reflected in cash out-flows from financing activities.

The table below shows the details of changes in the Group's financial liabilities, which are classified in the Group's consolidated statement of cash flows as cash flows from financing activities:

in € thousand	Liability from bonds	Liabilities to banks	Liabilities to shareholders	Lease liabilities	Dividends
As of 01 Apr 21	397,442	441	461,885	36,111	-
Changes from financing cash flows	-400,000	247,649	-	-8,366	-
Effect of changes in foreign exchange rates	-	-	-	-845	-
Changes in fair values	-	935	-	-	-
Other changes	2,558	62	-461,885	7,957	-
As of 31 Mar 22	-	249,087	-	34,857	-
As of 01 Apr 22	-	249,087	-	34,857	-
Changes from financing cash flows	-	-	-	-9,797	-17,212
Effect of changes in foreign exchange rates	-	-	-	152	-
Other changes	-	-	-	13,869	-
As of 31 Mar 23	**-**	**249,087**	-	**39,081**	**-17,212**

5.7 Operating segments

Segment information is provided on the basis of the Group's internal reporting in order to assess the type and financial impact of the Group's business activities as well as the economic environment in which it operates. Transactions between the operating segments based on transfer prices are determined according to arm's length conditions typical for the market.

The Group is structured into divisions, with business activities organised over the geographical sales regions of Europe, Americas and Asia.

The Chief Operation Decision Maker (CODM) makes the assessment. The CODM within the meaning of IFRS 8 is the management of the parent company, as it regularly reviews the segments in terms of their profitability and resource allocation using internal management reporting.

The management of the parent company evaluates the performance of the operating segments based on a measure for segment earnings (performance indicator) designated as Adj. EBIT, as this provides the most relevant information for assessing the earnings of specific segments in relation to other companies operating in these sectors.

Adj. EBIT is EBIT adjusted by management primarily for business transactions of a one-off and non-recurring nature. The accounting policies for segment reporting are based on the IFRSs applied in these consolidated financial statements.

Segment reporting as determined by management is disclosed for the segments Europe, Americas and Asia. There are no further segments within the Group.

Reportable segments	Business activities
Europe	Production, processing and sale of high-quality trims and decorative functional elements in vehicle interior
Americas	Production, processing and sale of high-quality trims and decorative functional elements in vehicle interior
Asia	Production, processing and sale of high-quality trims and decorative functional elements in vehicle interior

5.8 Reporting by region

The Group is organised and managed at regional level. The three reportable operating segments of the Group are Europe, Americas and Asia. The product portfolio is broadly similar in these three regional segments.

in € thousand	Europe	Americas	Asia
FY 2021/22			
Revenue generated from third parties[1]	317,907	221,685	75,042
FY 2022/23			
Revenue generated from third parties[1]	332,932	264,091	103,280

1 Breakdown of revenue according to parent company location (i.e. from the *invoiced by* perspective)

In the financial year 2022/23, between 28.4% and 47.0% (PY: 21.6% and 49.3%) in the three regions were attributable to the respective most significant customers.

Overall, revenue of between 6.1% and 34.3% (PY: 6.2% and 38.1%) was generated with three major customers in all segments.

Revenue was spread over the individual segments according to surfaces as follows:

in € thousand	Europe	Americas	Asia
FY 2021/22			
Wood	223,213	170,534	64,116
Aluminium	66,067	50,316	10,926
Premium synthetics	28,621	835	-
FY 2022/23			
Wood	226,558	204,538	89,804
Aluminium	71,347	51,992	12,265
Premium synthetics	35,027	7,561	1,211

Revenue was distributed among the individual segments according to business areas as follows:

in € thousand	Europe	Americas	Asia
FY 2021/22			
Revenue Series	272,218	218,152	74,645
Revenue Tooling	45,683	3,533	397
FY 2022/23			
Revenue Series	280,485	249,473	88,269
Revenue Tooling	52,447	14,619	15,011

The breakdown of revenue between the individual segments according to the category of revenue recognition was as follows:

in € thousand	Europe	Americas	Asia
FY 2021/22			
Goods and services transferred over time[1]	273,619	219,123	75,015
Goods and services transferred at a point in time[1]	44,282	2,562	27
FY 2022/23			
Goods and services transferred over time	281,786	250,557	88,432
Goods and services transferred at a point in time	51,146	13,535	14,848

1 Adjusted according to IAS 8.42 as an amount of *revenue recognised over time* has been disclosed as *recognised at a point in time.*

5.9 Reconciliation of information on reportable segments

The following table shows further information on the Adj. EBIT performance indicator, which is used to assess the performance of the operating segments:

Adjustments

in € thousand	Europe		Americas		Asia	
	FY 2021/22	FY 2022/23	FY 2021/22	FY 2022/23	FY 2021/22	FY 2022/23
Restructuring	**-**	**-**	**-**	**-**	**-**	**-**
Material quality claims	-104	-	-	-	-	-
Onerous contracts	3,096	-	-	-	-	-
Covid-19 costs	916	-12	306	59	207	289
Transaction costs	2,093	-	-	-	-	-
Others	1,111	825	409	114	-	-
Exceptional items	**7,112**	**813**	**715**	**173**	**207**	**289**
Discontinued operations	**-**	**-**	**-**	**-**	**-**	**-**
Adjustments	**7,112**	**813**	**715**	**173**	**207**	**289**

For both financial years 2021/22 and 2022/23, the most significant effects were related to Europe. The financial year 2022/23 contained severance payments in the amount of €520 thousand, project costs amounting to €295 thousand, refunds from Covid-19 costs in the amount of €12 thousand, as well as €10 thousand accelerated depreciation. In 2021/22, a single provision for anticipated impending losses related to a specific platform in Vorbach amounting to €3,096 thousand and transaction costs in the amount of €2,093 thousand because of the stock market listing were the most significant effects within Europe.

Segment reporting

in € thousand	Europe		Americas		Asia		Total segments		Other/consolidation		**Group**	
	FY 2021/22	FY 2022/23	FY 2021/22	FY 2022/23	FY 2021/22	FY 2022/23	FY 2021/22	FY 2022/23	FY 2021/22	FY 2022/23	FY 2021/22	FY 2022/23
External revenue	317,797[1]	332,932	221,685	264,091	75,042	103,281	614,524	700,304	-	-	614,524	700,304
Revenue between segments	40,884	51,484	66,712	74,775	24,880	18,733	132,476	144,992	132,476	144,992	-	-
Total revenue	**358,681**	**384,416**	**288,397**	**338,866**	**99,922**	**122,014**	**747,000**	**845,296**	**132,476**	**144,992**	**614,524**	**700,304**
Adj. EBITDA	**51,614**	**38,551**	**38,827**	**56,062**	**21,308**	**19,571**	**111,749**	**114,184**	**-**	**-**	**111,749**	**114,184**
Depreciation and amortisation	14,489	15,454	11,209	11,887	5,153	5,116	30,851	32,457	-	-	30,851	32,457
Adj. EBIT	**37,125**	**23,097**	**27,618**	**44,175**	**16,155**	**14,455**	**80,898**	**81,727**	**-**	**-**	**80,898**	**81,727**
Adjustments	7,112	813	715	173	207	289	8,034	1,275	-	-	8,034	1,275
Operating Result (EBIT)	**30,013**	**22,284**	**26,903**	**44,002**	**15,948**	**14,166**	**72,864**	**80,452**	**-**	**-**	**72,864**	**80,452**

1 Including revenue-related adjustments

The amounts shown above in the *Other/consolidation* column include the elimination of transactions between the segments and specific items at group level that relate to the Group as a whole and cannot be allocated to the segments.

Within the segment reporting in the three regions of Europe, Americas and Asia and in relation to recognition of revenue over time according to IFRS 15, €3,422 thousand related to Europe, €8,010 thousand to the Americas region and €2,450 thousand to Asia (PY: €4,702 thousand to Europa, €5,024 thousand to the Americas region and €1,740 thousand to Asia).

Geographical information

Revenue is spread over the different locations as follows:

in € thousand	FY 2021/22	FY 2022/23
Czech Republic	398	204
Germany	298,718	313,494
Italy	18,416	19,154
Slovenia	264	80
Europe	**317,797**	**332,932**
Honduras	-	7
Mexico	375	436
USA	221,310	263,648
Americas	**221,685**	**264,091**
China	75,042	103,280
Asia	**75,042**	**103,280**
Revenue	**614,524**	**700,304**

Breakdown of revenue according to Novem company location (i.e.from the *invoiced by* perspective)

The table below provides information on the breakdown of non-current assets by Novem location:

in € thousand	31 Mar 22	31 Mar 23
Czech Republic	24,344	24,565
Germany	42,743	45,140
Italy	1,430	952
Luxembourg	23	124
Slovenia	30,470	30,316
Europe	**99,010**	**101,097**
Honduras	9,995	8,565
Mexico	42,070	37,746
USA	3,262	7,132
Americas	**55,327**	**53,443**
China	33,668	33,005
Asia	**33,668**	**33,005**
Non-current assets	**188,005**	**187,545**

Non-current assets consist of intangible assets and property, plant and equipment.

Reconciliation of Adj. EBITDA to earnings before taxes

The following table shows the reconciliation of Adj. EBIT to EBIT and to earnings before taxes for the financial years 2021/22 and 2022/23:

in € thousand	FY 2021/22	FY 2022/23
Adj. EBITDA	**111,749**	**114,184**
Depreciation and amortisation	30,851	32,457
Adj. EBIT	**80,898**	**81,727**
Adjustments	8,034	1,275
EBIT	**72,864**	**80,452**
Finance income	3,380	3,555
Finance costs	25,821	13,088
Earnings before taxes	**50,423**	**70,919**

Adj. EBIT include transactions with a one-off and non-recurring nature that occurred in the ordinary course of business.

5.10 Leases

In the ordinary business, the Novem Group is the lessee in different leases of land and buildings as well as parts of operating and office equipment. The lease term for land and buildings is typically between one and 20 years. Leases of operating and office equipment usually have a term of between one and 20 years. The Group applied the practical expedient in IFRS 16.6 by not accounting for short-term leases (leases with a lease term of less than 12 months) and low-value assets (underlying assets <5,000€/$, e.g. printers and copiers) as right-of-use assets. For all leases, respective lease term options (e.g. renewal options) are considered. The majority of the current options to extend or terminate the leases can only be exercised by the Novem Group and not by the respective lessor. The future undiscounted lease payments from lease term options not yet exercised amount to €65,982 thousand.

Some leases of land and buildings provide for additional lease payments based on a change in the local price indices.

Future cash out-flow from variable lease payments not incorporated into the measurement of the lease liability amount to €2,361 thousand (31 March 2022: €3,546 thousand). These relate mainly to leases of buildings.

There are no leases in which the Novem Group S.A. acts as a lessor. Information on leases in which the Group is the lessee is presented below.

Right-of-use assets

in € thousand	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	**Right-of-use assets**
Depreciation FY 2021/22	5,090	166	2,697	**7,953**
Additions to right-of-use assets	3,715	-	1,616	**5,331**
Carrying amount as of 31 Mar 22	29,661	54	4,173	**33,888**
Depreciation FY 2022/23	5,937	12	3,032	**8,982**
Additions to right-of-use assets	11,076	-	5,035	**16,112**
Carrying amount as of 31 Mar 23	**32,757**	**-**	**6,160**	**38,917**

Amounts recognised in profit and loss and cash flows

in € thousand	FY 2021/22	FY 2022/23
Interest expense for lease liabilities	559	546
Short-term lease expenses	2,267	1,771
Lease expenses for low value assets except short-term leases for low value assets	820	1,180
Expense for variable lease payments not included in the measurement of lease liabilities	243	296
Total cash out-flow for leases	11,666	12,817

As of 31 March 2023, the lease liabilities amounted to €39,081 thousand (31 March 2022: €34,857 thousand). Thereof €7,938 thousand are due within the next financial year 2023/24.

5.11 Other financial liabilities and contingent liabilities

There were no significant other financial obligations occurring after the reporting date. There are just financial obligations within the usual range resulting from the purchase commitment for €28,950 thousand on 31 March 2023. The total amount includes tooling business costs of €15,620 thousand and €13,330 thousand for series business (PY: Tooling €18,564 thousand and Series €14,056 thousand).

Contingent liabilities constitute off-balance sheet contingent liabilities recognised for valuation as of the reporting date. It includes securities and guarantees assumed for third parties increased to €3,132 thousand on 31 March 2023 (PY: €2,670 thousand). This is mainly due to the guarantee against the Mexican tax office of about €2,706 thousand. The amount of the guarantee comprises Mexican VAT, for which the tax authorities rejected an appeal.

Furthermore, tax risks are also included in contingent liabilities. The Group might be subject to tax risks attributable to previous tax assessment periods and might be subject to unanticipated tax expenses in relation to previous tax assessment periods, which have not yet been subject to a tax audit or are currently subject to a tax audit. It cannot be ruled out that tax authorities may apply a different approach in ongoing and/or future tax audits from the one adopted by the Group, which may lead to an additional tax expense and/or payment. This could have a material and adverse effect on the business, financial condition and results of operations.

5.12 Related party transactions

Holding company

The direct holding company of the Group is Rokoko Automotive Holdings (Jersey) Limited, Jersey. During 2022/23, there were no transactions or outstanding balances with Rokoko Automotive Holdings (Jersey) Limited, Jersey.

Related parties

According to IAS 24, the Group has to disclose specific information about transactions between the Group and other related parties. Balances and transactions between the Group and its fully consolidated subsidiaries, which constitute related parties within the meaning of IAS 24, have been eliminated in the course of consolidation and are therefore not commented on in this note. The consolidated financial statements do not include any associated companies that are accounted for using the equity method.

In the financial year 2022/23, no transactions occurred with direct and indirect shareholders. Throughout the last two financial years 2021/22 and 2020/21, the Company incurred costs in connection with the private placement, listing and its preparation. Due to a cost sharing and indemnity agreement entered into with its direct and indirect shareholders, the costs incurred were invoiced to its shareholders (with the percentage of the secondary shares), so that these costs represent a pass-through item (amounted to €8,032 thousand already settled).

Related party transactions with other companies occurred in financial year 2022/23 regarding the purchase of components such as base frames. Kunststoff Schwanden AG and the Group belong to the same group of companies pursuant to IAS 24.9b (i). The transaction volume with Kunststoff Schwanden AG was €118 thousand (PY: €145 thousand). The balance as of 31 March 2023 amounted to €16 thousand (31 March 2022: €8 thousand).

All outstanding balances and transactions with this related party are priced on an arm's length basis and are to be settled in cash within two months. None of the balances are secured. No guarantees have been given or received.

For the remuneration of and other transactions with key management personnel constitute related party transactions pursuant to IAS 24, please refer to section 5.3, section 5.13 and the Remuneration Report. The Remuneration Report will be published separately from this Annual Report on the Novem IR website on 25 July 2023.

5.13 Remuneration of key management personnel

The key management personnel are the members of the Management and Supervisory Board of Novem Group S.A. The total remuneration paid to the Management Board members is calculated as the sum of short-term benefits and pensions, as well as the fair value of the share-based Performance Share Plan. For further information regarding the share-based Performance Share Plan, please refer to section 5.3.

The Group is obliged by Luxembourg Law to draw up a Remuneration Policy as well as a Remuneration Report for the members of the Supervisory Board and Management Board of Novem Group S.A. The Remuneration Policy and Remuneration Report are prepared in accordance with Art. 7bis and Art. 7ter of the Luxembourg Law of 24 May 2011 on Shareholder Rights, as amended.

The total remuneration of the Management Board during the reporting period was as follows:

in € thousand	FY 2021/22[1]	FY 2022/23
Short-term employee benefits	1,854	2,259
Post-employment benefits	1,502	-
Share-based payments	69	241
Remuneration	**3,425**	**2,500**

1 Remuneration displayed for Management Board members for full financial year 2021/22. In deviation to this, the corresponding Remuneration Report provides information on the pro-rated compensation of the Management and Supervisory Board members of Novem Group S.A. since the IPO of Novem Group S.A., i.e. for the period from 19 July 2021 to 31 March 2022.

The present value of the pension entitlements of the Management Board amounted to €3,946 thousand (31 March 2022: €5,502 thousand).

The total remuneration paid to the Supervisory Board members, classified as short-term benefits, is calculated as the sum of fixed and committee compensation. For this period, the total remuneration for the members of the Supervisory Board amounted to €320 thousand (PY: €240 thousand).

5.14 Audit fees and services

The following fees for the Group auditor only concern services directly related to the Group parent Novem Group S.A. and its subsidiaries.

in € thousand	FY 2021/22	FY 2022/23
Audit services	881	744
Other assurance services	1,515	109
Tax advisory services	501	-
Fees	**2,897**	**853**

5.15 Subsequent events

There were no events or developments that could have materially affected the measurement and presentation of the Group's assets and liabilities as of 31 March 2023.

CONTENTS
1 TO OUR SHAREHOLDERS
2 NON-FINANCIAL REPORT
3 GROUP MANAGEMENT REPORT
4 CONSOLIDATED FINANCIAL STATEMENTS
5 ANNUAL ACCOUNTS
6 ADDITIONAL INFORMATION

RESPONSIBILITY STATEMENT

We, Günter Brenner (Chief Executive Officer), Dr. Johannes Burtscher (Chief Financial Officer), Mathias Rieger (Director Internal Audit) and Frank Schmitt (Director Consolidation), confirm, to the best of our knowledge, that the consolidated financial statements which have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Novem Group S.A. and the undertakings included in the consolidation taken as a whole and that the Group Management Report includes a fair review of the development and performance of the business and the position of the Novem Group S.A. and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Luxembourg, 22 June 2023

Novem Group S.A.
Management Board

Günter Brenner Dr. Johannes Burtscher

Mathias Rieger Frank Schmitt

SETUP AND ORGANISATION OF THE MANAGEMENT BOARD

In the financial year ending 31 March 2023, the Management Board of Novem Group S.A. diligently fulfilled its tasks in accordance with the statutory requirements, the Articles of Association of Novem Group S.A. as well as the Rules of Procedure of the Management Board of the Company, approved by the Management Board and the Supervisory Board on 1 July 2021. It regularly made decisions regarding strategic and operational topics. In the financial year ending 31 March 2023, the members of the Management Board were Günter Brenner (Chairman and CEO), Dr. Johannes Burtscher (CFO), Mathias Rieger (Director Internal Audit) and Frank Schmitt (Director Consolidation).

The Management Board held in total 14 regular meetings during the financial year ending 31 March 2023. Eleven meetings were attended by all of the members of the Management Board. In the meetings, the Management Board regularly discussed the status and performance of the Group including risks and opportunities, its market position, course of business as well as relevant financial data. The discussions were based on regular and extensive reports in verbal and written form presented by the relevant members of the Management Board. The Management Board maintained close contact also outside of the regular meetings to exchange all important information related to the Novem Group. This close collaboration also included strategy discussions as well as information on the organisational development.

During the financial year ending 31 March 2023, there were no conflicts of interest between the members of the Management Board and the Company.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Novem Group S.A.
19, rue Edmond Reuter
L - 5326 Contern
Luxembourg

REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Novem Group S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 March 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier* ("CSSF"). Our responsibilities under the EU Regulation N° 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of "réviseur d'entreprises agréé" for the audit of the consolidated financial statements » section of our report. We are also independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition for Tooling

a) *Why the matter was considered to be one of most significant in our audit of the consolidated financial statements for the year ended 31 March 2023*

As mentioned in notes *2.15 Revenue recognition* and *4.1. Revenue*, the Group's revenues are generated from the sales of serial parts, the provision of development services and the sale of tools necessary for the production of serial parts, whereas the sale of tools amounted to €82,1 million in financial year ended 31 March 2023.

Novem Group S.A. has determined that the development work and subsequent sale of the tools constitute one single performance obligation. The associated revenue is recognised upon completion and transfer of the tool to the customer. An asset is considered to be transferred when the customer obtains control of that asset. Novem Group S.A. recognises revenue for Tooling at a point in time, in the amount to which Novem Group S.A. expects to be entitled.

The Management Board has presented the criteria for the recognition of revenue from the sale of Tooling in a group-wide accounting policy and implemented specific recognition and cut-off procedures. Although there exist defined criteria in Novem's process for revenue recognition for Tooling, the process includes manual accounting steps and is complex as control is transferred without that the customer obtains physical possession of the tool.

There is the risk for the consolidated financial statements that revenue for Tooling is not correctly recognised throughout the period and that at year-end such revenues are overstated since the tools were not transferred to the customer at year-end.

b) *How the matter was addressed during the audit*

In order to assess whether Tooling revenue is recognised in the correct financial year, our audit procedures consisted of, but were not limited, to:

- We assessed the design and implementation of internal key controls relating to the revenue recognition process in relation to Tooling, and in particular the determination and verification of the actual transfer of control.
- We assessed compliance of the group-wide accounting policy regarding revenue recognition with IFRS 15 and have verified the correct application of the latter while recognising revenues.
- For a sample of Tooling transactions recorded in the general ledger we reconciled those selected sales records with customer invoices, the underlying order, the proof of transfer of control and the payments received from customers.
- We assessed the adequacy of the Group's disclosures in respect of the accounting policies on revenue recognition as disclosed in notes 2.15 and 4.1. of the consolidated financial statements.

Other matter relating to comparative information

The consolidated financial statements of the Group for the year ended 31 March 2022 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 27 June 2022.

Other information

The Management Board is responsible for the other information. The other information comprises the information stated in the consolidated report including the consolidated management report and the Corporate Governance Statement but does not include the consolidated financial statements and our report of the "réviseur d'entreprises agréé" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Management Board and Those Charged with Governance for the consolidated financial statements

The Management Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Management Board is responsible for presenting and marking up the consolidated financial statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format ("ESEF Regulation").

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Responsibilities of the réviseur d'entreprises agréé for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

CONTENTS
1 TO OUR SHAREHOLDERS
2 NON-FINANCIAL REPORT
3 GROUP MANAGEMENT REPORT
4 CONSOLIDATED FINANCIAL STATEMENTS
5 ANNUAL ACCOUNTS
6 ADDITIONAL INFORMATION

Our responsibility is to assess whether the consolidated financial statements have been prepared in all material respects with the requirements laid down in the ESEF Regulation.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as "réviseur d'entreprises agréé" by the Shareholders on 25 August 2022 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is one year.

The consolidated management report on pages 33 to 61 of the annual report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the consolidated management report. The information required by Article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014 were not provided and that we remained independent of the Group in conducting the audit.

We have checked the compliance of the consolidated financial statements of the Group as at 31 March 2023 with relevant statutory requirements set out in the ESEF Regulation that are applicable to consolidated financial statements.

For the Group it relates to:

- Consolidated financial statements prepared in a valid xHTML format;
- The XBRL markup of the consolidated financial statements using the core taxonomy and the common rules on markups specified in the ESEF Regulation as described in Note 1.

In our opinion, the consolidated financial statements of Novem Group S.A. as at 31 March 2023, identified as *Novem-2023-03-31-en.zip*, have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

Our audit report only refers to the consolidated financial statements of Novem Group S.A. as at 31 March 2023, identified as *Novem-2023-03-31-en.zip*, prepared and presented in accordance with the requirements laid down in the ESEF Regulation, which is the only authoritative version.

Luxembourg, 22 June 2023

KPMG Audit S.à r.l.
Cabinet de révision agréé

Yves Thorn
Partner


Aluminium damascene brushed

5 Annual accounts

BALANCE SHEET

as of 31 March 2023

Assets

in € thousand	Note	31 Mar 23	31 Mar 22[1]
Formation expenses	3	**2,854**	**3,713**
Fixed assets		**924,283**	**924,182**
Tangible assets	4	124	23
Other fixtures and fittings, tools and equipment		124	23
Financial assets	5	924,159	924,159
Shares in affiliated undertakings	5.1	674,159	674,159
Loans to affiliated undertakings	5.2	250,000	250,000
Current assets		**6,404**	**7,962**
Debtors	6	5,911	7,047
Amounts owed by affiliated undertakings	6.1	5,478	6,683
becoming due and payable within one year		5,478	6,683
Other debtors	6.2	433	365
becoming due and payable within one year		433	365
Cash at bank and in hand		493	915
Prepayments		**64**	**-**
Total assets		**933,605**	**935,858**

1 Adjustment in the presentation. Reclassifications between *Amounts owed by affiliated undertakings* and *Loans to affiliated undertakings* as well as *Other creditors* and *Other provisions*.

Capital, reserves and liabilities

in € thousand	Note	31 Mar 23	31 Mar 22
Capital and reserves	7	**681,796**	**682,483**
Subscribed capital		430	430
Share premium account		540,803	540,803
Reserves		484	149
Legal reserve		43	6
Other non-available reserves		441	143
Profit or loss brought forward		123,851	140,025
Profit or loss for the financial year		16,228	1,075
Provisions	8	**519**	**85**
Other provisions		519	85
Creditors	9	**251,290**	**253,290**
Amounts owed to credit institutions	9.1	250,105	250,063
becoming due and payable within one year		105	63
becoming due and payable after more than one year		250,000	250,000
Trade creditors	9.2	16	560
becoming due and payable within one year		16	560
Amounts owed to affiliated undertakings		1	813
becoming due and payable within one year		1	813
Other creditors	9.3	1,168	1,854
Tax authorities		355	1,195
Social security debts		13	8
Other creditors		800	651
becoming due and payable within one year		800	651
Total capital, reserves and liabilities		**933,605**	**935,858**

The accompanying notes form an integral part of these stand-alone financial statements.

PROFIT AND LOSS ACCOUNT

for the financial year ended 31 March 2023

in € thousand	Note	FY 2022/23	FY 2021/22
Other operating income	10	**1,649**	**5,879**
Raw materials and consumables and other external expenses		**1,014**	**5,216**
Raw materials and consumables		7	9
Other external expenses	11	1,007	5,208
Staff costs	12	**965**	**475**
Wages and salaries		914	443
Social security costs		51	32
Value adjustments		**955**	**537**
in respect of formation expenses and on tangible and intangible fixed assets		955	537
Other operating expenses		**373**	**228**
Income from participating interests	13	**18,000**	**-**
derived from affiliated undertakings		18,000	-
Other interest receivable and similar income	14	**6,595**	**12,331**
derived from affiliated undertakings		6,595	12,331
Interest payable and similar expenses	15	**6,382**	**10,180**
concerning affiliated undertakings		-	7,404
other interest and similar expenses		6,382	2,776
Tax on profit	16	**2**	**487**
Other taxes		**325**	**13**
Profit or loss for the financial year		**16,228**	**1,075**

The accompanying notes form an integral part of these stand-alone financial statements.

NOTES TO THE ANNUAL ACCOUNTS

1 General

Novem Group S.A. (the "Company", formerly Car Interior Design (Luxembourg) S.à r.l.) was originally formed as a private company (société à responsabilité limitée) for an unlimited period of time under the laws of Luxembourg on 12 July 2011 pursuant to a deed of incorporation published in the Mémorial, Recueil des Sociétés et Associations C on 28 September 2011, number 2306.

In June 2021, the extraordinary General Shareholders' Meeting converted the Company from a private limited liability company (société à responsabilité limitée) to a public company limited by shares (société anonyme). As a consequence, the shares (parts sociales) were also converted and became shares with no nominal value. The Company's corporate name was amended to Novem Group S.A. The Company is registered under the number B 162.537 in the Luxembourg trade register.

The Company is managed by a Management Board under the supervision of the Supervisory Board.

The Company is formed for an unlimited duration.

The purpose of the Company is the taking of participating interests in whatsoever form in other, either in Luxembourg or foreign companies and the management, control and development of such participating interests. The Company may, in particular, acquire all types of transferable securities, either by way of contribution, subscription, option, purchase or otherwise, as well as realise them by sale, transfer, exchange or otherwise. The Company may also acquire and manage all patents, trademarks, connected licenses and other rights deriving from these patents or complementary thereto. The Company may borrow and grant any assistance, loan, advance or guarantee to companies in which it has participation or in which it has a direct or indirect interest. The Company may, for its own account as well as for the account of third parties, carry out any commercial, industrial or financial activities which may be useful or necessary to the accomplishment of its purposes or which are related directly or indirectly to its purpose.

The Company became listed on 19 July 2021 with its shares listed on the Frankfurt stock exchange under the ISIN code *LU2356314745*.

The Company's financial year begins on 1 April and ends on 31 March of each year.

The Company also prepared consolidated financial statements in accordance with EU regulation 1606/2002, which are available at the registered office of the Company.

The Company's annual accounts are presented in Euro, the Company's functional currency. All amounts are rounded to the nearest thousand Euro unless otherwise indicated. Totals in tables were calculated on the basis of exact figures and rounded to the nearest thousand Euro. For computational reasons, there may be rounding differences to the exact mathematical values in tables and references (monetary units, percentages, etc.).

The board has made an assessment of the Company's ability to continue its activities as a going concern. It concluded that, as of the establishment of these annual accounts, it is reasonable to assume that the Company will be able to continue as a going concern. However, market conditions subsequent to year-end and related uncertainties could result in outcomes that require an adjustment to the carrying amount of assets and liabilities affected in future periods.

While management sees no direct impact of the Ukraine war on Novem Group S.A., indirect consequences could be observed. The indirect impact mainly resulting from political and economic sanctions against Russian entities and huge barriers for importing or exporting goods between and through the war zones and the European Union or other third countries led to massive supply chain disruptions and rising transport costs. Additional impacts also result indirectly from high energy prices and rising interest rates as well as volatility of commodity prices.

Management has regularly reviewed the implications of the changing geopolitical and macroeconomic conditions and has not identified a going concern or a significant issue, beyond the general scope of impact, on the performance and financial position of the Group as of today. Management continues to monitor the current developments and their potential impact on the Group.

The official version of the accounts is the ESEF version available with the Officially Appointed Mechanism (OAM) tool.

2 Summary of significant valuation and accounting policies

Basis of preparation

The annual accounts were prepared in accordance with Luxembourg's legal and regulatory requirements under the historical cost convention and the going concern assumption. Accounting policies and valuation rules are, besides the ones laid down by the Commercial Law dated 10 August 1915 as amended and the amended Law of 19 December 2002, determined and applied by the Management Board.

From the current perspective, there are no risks to the continued existence of Novem Group S.A. and its affiliated companies.

In preparing the annual accounts in accordance with Luxembourg Generally Accepted Accounting Principles, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Due to unforeseeable developments beyond the control of management, the actual figures may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

Foreign currency translation

The Company maintains its books and records in Euro. The balance sheet and the profit and loss account are expressed in this currency.

Formation expenses, tangible and financial fixed assets denominated in currencies other than Euro are translated at the historical exchange rates.

Cash at bank denominated in currencies other than Euro is translated at the exchange rates prevailing at the date of the balance sheet.

Current assets and liabilities denominated in currencies other than Euro are translated separately respectively at the lower or at the higher of the value converted at the historical exchange rate or the value determined on the basis of the exchange rates effective at the balance sheet date. Solely the unrealised exchange losses are recorded in the profit and loss account. The exchange gains are recorded in the profit and loss account at the moment of their realisation.

Long-term debts denominated in currencies other than Euro are translated at the historical exchange rates.

As a result, realised exchange gains and losses and unrealised losses are recorded in the profit and loss account. Unrealised exchange gains are not recognised.

Formation expenses

The position carries expenses arising from the context of the private placement and stock exchange listing (capital market transactions) of the Novem Group S.A. relating to the newly issued shares and the refinancing. Formation expenses are measured at cost less accumulated value adjustments and are written off on a straight-line basis over a period of 5 years.

Intangible and tangible assets

Intangible and tangible assets are used for business purposes and are measured at cost less accumulated value adjustments. Depreciation on intangible and tangible assets is recorded on a straight-line basis in accordance with its utilisation and based on the useful life of the asset. The residual value, depreciation methods and useful life are reviewed annually and adjusted, if necessary.

Useful life of tangible assets (Other fixtures and fittings, tools and equipment): 6 years

Financial assets

Shares in affiliated undertakings, participating interests and securities held as fixed assets are stated at acquisition cost including the expenses incidental thereto. Write-downs are recorded if a durable reduction in the fair value is expected. The impairment analysis is done individually for each investment.

Loans to affiliated undertakings are recorded at their nominal value. Loans are written down to their recoverable amount if there is a durable impairment.

These value adjustments may not be continued if the reasons for which the value adjustments were recognised have ceased to exist.

Debtors

Current receivables are recorded at their nominal value. They are subject to value adjustments where their recovery is compromised.

These value adjustments may not be continued if the reasons for which the value adjustments were recognised have ceased to exist.

Cash

Cash at bank and in hand is recorded at its nominal value and comprises bank current accounts.

Provisions

Provisions are made at year-end and in the event the Company has a legal or implicit obligation resulting from a past event, where it is likely that an amount will have to be paid out to meet this obligation and where the amount of the obligation can be reliably determined. The amount of the provision corresponds to the most accurate estimate of the expenditure required to meet the obligation existing on the last day of the year.

Creditors

Debts are recorded at their reimbursement value. Where the amount repayable on account exceeds the amount received, the difference is shown as an asset and is written off over the period of debt.

Dividend income

Dividend income is recognised at the moment the Company obtains legal entitlement to such income.

3 Formation expenses

Formation expenses comprised expenses arising from the context of the private placement and stock exchange listing of the Novem Group S.A. relating to the newly issued shares and the refinancing.

Formation expenses were written off on a straight-line basis over a period of five years (60 months).

in € thousand	Total
Gross value	
Balance as of 01 Apr 22	4,247
Additions	-
Disposals	-
Balance as of 31 Mar 23	**4,247**
Accumulated value adjustments	
Balance as of 01 Apr 22	534
Additions	859
Disposals	-
Balance as of 31 Mar 23	**1,393**
Net book value	
Balance as of 01 Apr 22	3,713
Balance as of 31 Mar 23	**2,854**

4 Fixed assets

Tangible assets

Fixed assets were written off on a straight-line basis over a period of up to six years.

in € thousand	Total
Gross value	
Balance as of 01 Apr 22	26
Additions	121
Disposals	-
Balance as of 31 Mar 23	**147**
Accumulated value adjustments	
Balance as of 01 Apr 22	4
Additions	20
Disposals	-
Balance as of 31 Mar 23	**24**
Net book value	
Balance as of 01 Apr 22	22
Balance as of 31 Mar 23	**123**

The tangible fixed assets comprise office equipment and vehicles. The Management Board assessed that no value adjustment was required on the Company's tangible assets.

5 Financial assets

5.1 Shares in affiliated undertakings

The shares in affiliated undertakings of the Company consist of an investment in the Novem Group GmbH. The Company is the sole shareholder of Novem Group GmbH (the “Subsidiary”).

Subsidiary	Registered office	Percentage of ownership	Closing date of the last approved accounts
Novem Group GmbH	Weiden i.d. Oberpfalz (Germany)	100%	31 Mar 23

in € thousand	Shareholder’s equity	Result of the financial period	Book value at 31 Mar 21	Book value at 31 Mar 22
Novem Group GmbH	674,156	37,125	674,159	674,159

The Management Board has the opinion that no value adjustment was required on the Company’s financial assets as at 31 March 2023.

5.2 Loans to affiliated undertakings

As of 31 March 2023, amounts owed by affiliated undertakings consisted of the loan agreements with Novem Group GmbH. The stated principal amount is €250,000 thousand (31 March 2022: €250,000 thousand) and matures on 20 July 2026. The interest as of 31 March 2023 amounting to €35 thousand (31 March 2022: €35 thousand) is calculated on the basis of a 360 days-year with months of actual days.

The figures for the year ended 31 March 2022 relating to the items *Loans to affiliated undertakings* and *Amounts owed by affiliates undertakings* have been reclassified to ensure comparability with the figures for the year ended 31 March 2023. This reclassification had no impact on the result for the financial year 2021/22.

6 Debtors

6.1 Amounts owed by affiliates undertakings

Receivables from affiliated companies of €5,478 thousand (31 March 2022: €6,683 thousand) resulted largely from cash pooling receivables from affiliated undertakings.

The figures for the year ended 31 March 2022 relating to the items *Loans to affiliated undertakings* and *Amounts owed by affiliates undertakings* have been reclassified to ensure comparability with the figures for the year ended 31 March 2023. This reclassification had no impact on the result for the financial year 2021/22.

6.2 Other debtors

The amount of €433 thousand (31 March 2023: €365 thousand) mainly related to receivables from the tax authorities.

7 Capital and reserves

There were the following changes in equity in financial years 2021/22 and 2022/23:

in € thousand	Subscribed capital	Share premium and similar premiums	Legal reserve	Special reserve net wealth tax	Results brought forward	Profit for the financial year	**Total equity**
Balance as of 01 Apr 21	63	21,891	6	143	138,992	-	**161,095**
Additions	367	-	-	-	-	-	**367**
Contributions	-	518,912	-	-	-	-	**518,912**
Allocation of the result 2020/21	-	-	-	-	1,034	-	**1,034**
Profit for the financial year	-	-	-	-	-	1,075	**1,075**
Balance as of 31 Mar 22	**430**	**540,803**	**6**	**143**	**140,025**	**1,075**	**682,483**
Balance as of 01 Apr 22	430	540,803	6	143	140,025	1,075	**682,483**
Movement for the year							
Allocation of previous year's profit	-	-	-	-	1,075	-1,075	**-**
Dividend distributions	-	-	-	-	-17,212	-	**-17,212**
Allocation to the legal reserve	-	-	37	-	-37	-	**-**
Allocation to the net wealth tax reserve	-	-	-	298	-	-	**298**
Profit or loss for the year	-	-	-	-	-	16,228	**16,228**
Balance as of 31 Mar 23	**430**	**540,803**	**43**	**441**	**123,851**	**16,228**	**681,796**

Subscribed capital

As of 31 March 2023, the issued and fully paid-up subscribed capital amounted to €430 thousand (31 March 2022: €430 thousand) and was represented by 43,030,303 shares of €0.01 each (31 March 2022: 43,030,303 shares of €0.01 each).

Share premium and similar premiums

As of 31 March 2023, the share premium and similar premiums account of the Company amounted to €540,803 thousand (31 March 2022: €540,803 thousand).

Legal reserve

In accordance with Luxembourg Law, the Company is required to appropriate a minimum of 5% of the net profit after tax for the year to a legal reserve until the balance of such reserve is equal to 10% of the issued share capital. The legal reserve is not available for distribution to shareholders except upon the dissolution of the Company. The legal obligation was fulfilled for the last financial year and will likewise be done for the current financial year.

Authorised capital

The authorised capital of the Company is set at €520,000 thousand divided into 52,000,000 shares with no nominal value. The Management Board is authorised to increase the current issued capital up to the amount of the authorised capital, in whole or in part, from time to time during five years after IPO.

Special reserve net wealth tax (NWT)

In accordance with paragraph 8a of the 16 October 1934 Law as amended, the Company is entitled to reduce the net wealth tax due for the year by an amount which cannot exceed the corporate income tax due for the year. In order to avail of the above, the Company must set up a restricted reserve equal to five times the amount of the net wealth tax credited. This reserve has to be maintained for a period of five years following the year in which it was created. In case of distribution of the restricted reserve, the tax credit falls due during the year in which it was distributed.

NWT of the year	Reserve to be created in FS	Amount in € thousand
2016	2016	10,525
2017	2017	29,375
2018	2018	32,325
2019	2019	35,425
2020	2020	46,075
2021	2021	26,650
2022	2022	52,475
2023	2023	208,075
Total		**440,925**

8 Provisions

Provisions comprised primarily share-based payments of €310 thousand (31 March 2022: €69 thousand) (refer to section 18) and provisions for bonuses of €128 thousand (31 March 2022: €16 thousand).

9 Creditors

9.1 Amounts owed to credit institutions

In June 2021, a new term loan agreement for €310,000 thousand in total (€250,000 thousand as a term loan and €60,000 thousand as a revolving credit facility) was entered into between Novem Group S.A. and an international syndicate of banks. Accordingly, the refinancing was implemented as of 23 July 2021 by the drawdown of the term loan of €250,000 thousand and matures in July 2026. The revolving credit facility of €60,000 thousand has not been used to date. For the drawn term facility, the margin range is between 2.0% and 1.0% per annum, depending on the total net leverage of the Group. Additionally, the respective 3-month Euribor is reflected in the all-in rate.

9.2 Trade creditors

Trade accounts payable amounted to €16 thousand (31 March 2022: €560 thousand) and mainly consisted of invoices for insurance and advisory services.

9.3 Other creditors

The position of other creditors amounting to €1,168 thousand (31 March 2022: €1,854 thousand) contained mainly accruals for annual accounts costs and Supervisory Board. In addition, they included taxes amounting to €355 thousand (31 March 2022: €1,195 thousand) relating to the prior financial year.

The figures for the year ended 31 March 2022 relating to the items *Other creditors* and *Other provisions* have been reclassified to ensure comparability with the figures for the year ended 31 March 2023. This reclassification had no impact on the result for the financial year 2021/22.

10 Other operating income

The other operating income included reimbursements for management services provided by Novem Group S.A. to other Novem Group companies amounting to €1,649 thousand (PY: €5,879 thousand). The prior financial year contained cost reimbursements of €5,181 thousand according to the initial public offering.

11 Other external expenses

The amount of €1,007 thousand (PY: €5,208 thousand) mainly included legal, advisory and audit fees as well as tax services. The prior financial year was mainly driven by legal and advisory fees and a minor amount of audit fees related to the private placement and stock exchange listing.

12 Employees

The Company employed four employees as of 31 March 2023 (31 March 2022: four employees). The average number of employees in the financial year 2022/23 was four (PY: four employees), containing two full-time employees (PY: two full-time employees).

13 Income from participating interests

The income from participating interests amounting to €18,000 thousand (PY: €0) derived from the dividend distribution.

14 Other interest receivable and similar income

The income from other interest receivable and similar income derived from affiliated undertakings of €6,595 thousand (PY: €12,331 thousand) comprised the interest from an intercompany loan. The reduction originated from the contribution of the existing shareholder loans related to the private placement and stock exchange listing in prior financial year.

15 Interest payable and similar expenses

The position carried no amounts concerning affiliated undertakings (PY: €7,404 thousand) and interest payables to banks amounting to €6,382 thousand (PY: €2,776 thousand) for the incorporated term loan. The decreased amount from affiliated undertakings resulted from the contribution of the existing shareholder loans related to the private placement and stock exchange listing in the prior financial year.

16 Taxation

The Company is subject to Luxembourg Company Tax Law. For detailed information on special reserve net wealth tax refer to section 7.

17 Related parties

Novem Group S.A. is obliged by the European directive and Luxembourg Law to draw up a Remuneration Policy for the Supervisory Board as well as the Management Board. The principles and measurement of the Remuneration Policy for the Management Board and Supervisory Board of the Novem Group S.A. are prepared in accordance with Article 7bis of the Luxembourg Law of 24 May 2011 on Shareholders.

In the financial year 2022/23, no transactions occurred with direct and indirect shareholders. Throughout the last two financial years 2021/22 and 2020/21, the Company incurred costs in connection with the private placement, listing and its preparation. Due to a cost sharing and indemnity agreement entered into with its direct and indirect shareholders, the costs incurred were invoiced to its shareholders (with the percentage of the secondary shares) so that these costs represented a pass-through item (amounted to €8,032 thousand which have already been settled).

18 Share-based payments

The Management Board members of Novem Group S.A. participated in a long-term incentive (Performance Share Plan) in the form of virtual shares. The Performance Share Plan is classified according to IFRS 2 as a cash-settled share-based payment.

The Performance Share Plan is granted in annual tranches of virtual shares with a respective performance period of four years. Deviating from this, the performance period of the tranche 2021 started on the day of the listing of Novem Group S.A. and will end on 31 March 2025. The second tranche (tranche 2022) started at the beginning of financial year 2022/23 and will end on 31 March 2026.

The conditionally granted number of virtual shares at the beginning of the performance period is calculated for each tranche by dividing a contractually defined individual target amount by the start share price of the share of Novem Group S.A. (arithmetic mean of the closing prices of the stock during the last 60 trading days prior to the start of the performance period).

The final number of virtual shares is determined by multiplying the total target achievement by the conditionally granted number of virtual shares. The total target achievement depends on the target achievement of the two financial figures relative Total Shareholder Return (70% weighting) and EBIT margin (30% weighting). Thereby, the target achievement of relative Total Shareholder Return and EBIT margin can range between 0% and 150%.

In order to determine the payout in cash, the final number of virtual shares is multiplied by the end share price of the share of Novem Group S.A. (arithmetic mean of the closing prices of the stock during the last 60 trading days prior to the end of the performance period) plus the sum of the dividends disbursed during the performance period. The payout is capped at 200% of the contractually defined individual target amount.

The first tranche of the Performance Share Plan was allocated to Management Board members of Novem Group S.A. for financial year 2021/22 and the number of conditionally granted virtual shares amounted to 40,826, resulting in a provision of €170 thousand as of 31 March 2023 (31 March 2022: €69 thousand).

The second tranche was awarded for financial year 2022/23 with a total number of 60,384 conditionally granted virtual shares, corresponding to a provision of €140 thousand as of 31 March 2023 (31 March 2022: €0).

These provisions have been included in *Other provisions*.

In total, the expenses for financial year 2022/23 amounted to €241 thousand (PY: €69 thousand).

The fair value of the Performance Share Plan to calculate expenses and provisions was determined by using a Monte-Carlo-Simulation. The fair value and the inputs used in the assessment of the fair value as of 31 March 2023 were as follows:

Valuation as of 31 March 2023	Tranche 2021	Tranche 2022
Performance period	19 Jul 21 – 31 Mar 25	1 Apr 22 – 31 Mar 26
Start share price Novem Group S.A.	€16.46	€11.25
Remaining duration of performance period	2.0 years	3.0 years
Expected annual volatility	45.8%	47.6%
Risk-free annual interest rate	2.7%	2.5%
Expected target achievement for internal target EBIT margin	100%	100%
Fair value per virtual share	**€8.82**	**€8.85**

For comparative purposes, the fair value and inputs used in the assessment of the fair value as of 31 March 2022 were as follows:

Valuation as of 31 March 2022	Tranche 2021
Performance period	19 Jul 21 – 31 Mar 25
Start share price Novem Group S.A.	€16.46
Remaining duration of performance period	3.0 years
Expected annual volatility	44.9%
Risk-free annual interest rate	0.1%
Expected target achievement for internal target EBIT margin	100%
Fair value per virtual share	**€8.96**

19 Commitments, contingencies and pledges

The Company entered into an English law governed intercreditor agreement together with some of its subsidiaries and several financial institutions, with the Company as the original borrower of the facilities agreement and an external bank as the original facility agent and security agent. In connection with this agreement, the Company additionally entered into an account pledge agreement, a share pledge agreement and a security assignment agreement in order to guarantee the underlying nominal amount of the facilities agreement.

Contingent liabilities constitute off-balance-sheet contingent liabilities recognised in the amount of the valuation as of the reporting date. Contingent liabilities included a guarantee assumed for third parties amounting to €17 thousand. The probability of claims on this guarantee was assessed as low based on past experience.

20 Subsequent events

There were no events or developments that could have materially affected the measurement and presentation of the Company's assets and liabilities as of 31 March 2023.

CONTENTS
1 TO OUR SHAREHOLDERS
2 NON-FINANCIAL REPORT
3 GROUP MANAGEMENT REPORT
4 CONSOLIDATED FINANCIAL STATEMENTS
5 ANNUAL ACCOUNTS
6 ADDITIONAL INFORMATION

RESPONSIBILITY STATEMENT

We, Günter Brenner (Chief Executive Officer), Dr. Johannes Burtscher (Chief Financial Officer), Mathias Rieger (Director Internal Audit) and Frank Schmitt (Director Consolidation), confirm, to the best of our knowledge, that the annual accounts which have been prepared in accordance with the legal requirements and generally accepted accounting principles applicable in the Grand Duchy of Luxembourg, give a true and fair view of the assets, liabilities, financial position and profit and loss of Novem Group S.A. and that the Group Management Report includes a fair review of the development and performance of the business and the position of Novem Group S.A., together with a description of the principal risks and uncertainties that they face.

Luxembourg, 22 June 2023

Novem Group S.A.
Management Board

Günter Brenner Dr. Johannes Burtscher

Mathias Rieger Frank Schmitt

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Novem Group S.A.
19, rue Edmond Reuter
L - 5326 Contern
Luxembourg

REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

Report on the audit of the annual accounts

Opinion

We have audited the annual accounts of Novem Group S.A. (the "Company"), which comprise the balance sheet as at 31 March 2023, and the profit and loss account for the year then ended, and notes to the annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of the Company as at 31 March 2023 and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Basis for opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier ("CSSF"). Our responsibilities under the EU Regulation N° 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of "réviseur d'entreprises agréé" for the audit of the annual accounts » section of our report. We are also independent of the Company in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of the audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Shares in affiliated undertakings and Loans to affiliated undertakings

a) *Why the matter was considered to be one of most significant in our audit of the annual accounts of the current period*

Refer to note 2 Summary of significant valuation and accounting policies and note 5 Financial assets of the annual accounts.

Novem Group S.A. is the ultimate holding entity of a group of entities which are specialised in the supply of trim parts and decorative functional elements of vehicle interiors in the premium automotive sector.

As a holding entity, the Company holds as at 31 March 2023, a direct investment in Novem Group GmbH and has granted to it an intercompany loan. As at 31 March 2023, the Company's direct investment amounts to €674,159 thousand, and is disclosed under *Shares in affiliated undertakings*, whereas the intercompany loan amounts to €250,000 thousand and is disclosed under *Loans to affiliated undertakings*, both amounts representing in aggregate 99% of the total assets. Both the *Shares in affiliated undertakings* and the *Loans to affiliated undertakings* are recorded at their nominal value including any incidental costs thereto, if any, value adjustments if the recoverable amount is durably impaired.

At least annually, the Management Board of the Company evaluates the carrying value of the *Shares in affiliated undertakings* and the *Loans to affiliated undertakings*.

The evaluation of the carrying value of the *Shares in affiliated undertakings* and the *Loans to affiliated undertakings* is considered a key audit matter due to their weight of the total assets. In addition, the market capitalisation of Novem has decreased from the date of the stock listing, this being 19 July 2021, to the 31 March 2023, leading to an impairment trigger. In order to assess the potential durable reduction in value, the Management Board prepared a valuation of the Novem Group GmbH and its subsidiaries using a Discounted Cash Flow (DCF) model. Certain aspects of the DCF model require significant judgement, such as the estimation of the Weighted Average Cost of Capital (WACC), the estimated cash flow projections including the growth rates and the expected margins.

b) *How the matter was addressed during the audit*

Our audit procedures in relation to the assessment of the valuation of the *Shares in affiliated undertakings* and the *Loans to affiliated undertakings* performed by Management Board, consisted of but were not limited to:

- Assessing the appropriateness of the valuation methodology applied by the Management Board regarding valuation of *Shares in affiliated undertakings* and the *Loans to affiliated undertakings*.
- Gaining an understanding of the Management Board's process and controls related to the identification of impairment indicators and the impairment test in relation to the *Shares in affiliated undertakings* and *Loans to affiliated undertakings* (financial assets), through inquiries.
- Gaining an understanding of the Board of Management's process in relation to budgeting and reconciling the budget used in the DCF model with the budget approved by the Supervisory Board.
- Auditing the key parameters of the DCF model applied by the Management Board, such inputs consisting among others of the WACC, the estimated cash flow projections, including the growth rates and the expected margins as well as the net debt as at 31 March 2023.
- Verifying the mathematical accuracy of the DCF model
- Comparing the equity value of the *Shares in affiliated undertakings* determined by the Management Board through the DCF model with the carrying amount of the *Shares in affiliated undertakings* as recorded in the annual accounts as at 31 March 2023.

We also assessed the adequacy of the Company's disclosures in respect of the accounting policies on impairment as disclosed in Note 2 and Note 5 to the annual accounts.

Other matter relating to comparative information

The annual accounts of the Company for the year ended 31 March 2022 were audited by another auditor who expressed an unmodified opinion on those annual accounts on 27 June 2022.

Other information

The Management Board is responsible for the other information. The other information comprises the information stated in the management report and the Corporate Governance Statement but does not include the annual accounts and our report of the "réviseur d'entreprises agréé" thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Management Board and Those Charged with Governance for the annual accounts

The Management Board is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Management Board determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

The Management Board is responsible for presenting the annual accounts in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format ("ESEF Regulation").

In preparing the annual accounts, the Management Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the réviseur d'entreprises agréé for the audit of the annual accounts

The objectives of our audit are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

Our responsibility is to assess whether the annual accounts have been prepared in all material respects with the requirements laid down in the ESEF Regulation.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as "réviseur d'entreprises agréé" by the Shareholders on 25 August 2022 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is one year.

The management report, which is include on page 47 of the Group Management Report, itself included in the Novem Annual Report, is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement is included in the Group Management Report. The information required by Article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014 were not provided and that we remained independent of the Company in conducting the audit.

We have checked the compliance of the annual accounts of the Company as at 31 March 2023 with relevant statutory requirements set out in the ESEF Regulation that are applicable to annual accounts.

For the Company it relates to:

- Annual accounts prepared in a valid xHTML format.

In our opinion, the annual accounts of Novem Group S.A. as at 31 March 2023, identified as *Novem-2023-03-31-en.zip*, have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

Our audit report only refers to the annual accounts of Novem Group S.A. as at 31 March 2023, identified as *Novem-2023-03-31-en.zip*, prepared and presented in accordance with the requirements laid down in the ESEF Regulation, which is the only authoritative version.

Luxembourg, 22 June 2023

KPMG Audit S.à r.l.
Cabinet de révision agréé

Yves Thorn
Partner

Birch open pore

6 Additional information

FINANCIAL CALENDAR

17 August 2023	Q1 2023/24 Results
24 August 2023	Annual General Meeting 2023
29 November 2023	HY 2023/24 Results
15 February 2024	Q3 2023/24 Results
29 May 2024	FY 2023/24 Preliminary Results
27 June 2024	FY 2023/24 Results

All information is constantly updated and available.
Please visit the investor section on the Company website:
https://ir.novem.com

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Published by

Novem Group S.A.
19, rue Edmond Reuter
5326 Contern, Luxembourg
www.novem.com

Concept and layout

Novem Group

Date of publication

29 June 2023

GLOSSARY

Adj. EBIT is defined as EBIT as adjusted for certain adjustments which management considers to be non-recurring in nature, as Novem believes such items are not reflective of the ongoing performance of the business.

Adj. EBIT margin is defined as Adj. EBIT divided by revenue.

Adj. EBITDA is defined as profit for the year before income tax result, financial result and amortisation, depreciation and write-downs as adjusted for certain adjustments which management considers to be non-recurring in nature, as Novem believes such items are not reflective of the ongoing performance of the business.

Adj. EBITDA margin is defined as Adj. EBITDA divided by revenue.

Articles of Association means the articles of association of the Company.

Capital expenditure is defined as the sum of cash paid for investments in property, plant and equipment and cash paid for investments in intangible assets excluding currency translation effects.

Companies' Law is the Luxembourg Law of 10 August 2015 on commercial companies, as amended.

Days inventory outstanding (DIO) is defined by dividing inventories (as shown in the consolidated statement of financial position, but excluding tooling) by revenue generated from the sale of series trim elements in the last three months.

Days payables outstanding (DPO) is defined by dividing trade payables (as shown in the consolidated statement of financial position, but excluding tooling) by net costs series incurred in the three months.

Days sales outstanding (DSO) is defined by dividing trade payables (as shown in the consolidated statement of financial position, but excluding tooling) by revenue generated from the sale of series trim elements in the last three months.

EBIT is defined as profit for the year before income tax result and financial result.

EBITDA is defined as profit for the year before income tax result, financial result and amortisation and depreciation.

FAAC stands for Financial assets measured at amortised cost.

FAFVTPL stands for Financial assets measured at fair value through profit or loss.

FLAC stands for Financial liabilities measured at amortised cost.

FLFVTPL stands for Financial liabilities measured at fair value through profit or loss.

Fluctuation is defined as the number of employees who left the Group per year in relation to the total workforce.

Free cash flow is defined as the sum of cash flow from operating and investing activities.

Gross financial debt is defined as the sum of liabilities to banks, hedging and lease liabilities.

LkSG stands for Lieferkettensorgfaltspflichtengesetz.

LMC is an independent and exclusively automotive-focused global forecasting and market intelligence service provider.

Net financial debt is defined as gross financial debt less cash and cash equivalents.

Net leverage ratio is defined as the ratio of net financial debt to Adj. EBITDA.

Order intake is defined as all offers for goods and services processed within a certain period of time.

Quality data includes, for example, key figures such as scrap and rework rates as well as PPM (parts per million).

Shareholder's Rights Law is the Luxembourg Law of 24 May 2011 on the exercise of certain shareholder rights in listed companies, as amended.

Staffing level is defined as the number of employees working at any one time.

Takeover Law is the Luxembourg Law on Takeovers of 19 May 2006.

Total operating performance is defined as the sum of revenue and increase or decrease in finished goods.

Total working capital is defined as the sum of inventories, trade receivables and contract assets excluding expected losses less trade payables, tooling received advance payments received and other provisions related to Tooling.

Trade working capital is defined as the sum of inventories non-tooling and trade receivables related to non-tooling less trade payables related to non-tooling.

Transparency Directive is the Directive 2004 / 109 / EC, as amended.

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NOVEM ANNUAL REPORT 2022/23