

Press Release

Technology company presents figures

Resilient through the crisis: Freudenberg grows profitably, invests heavily

- Sales of more than €11.7 billion (increase of 17 percent)
- Operating profit of €941.8 million (increase of 7 percent)
- Despite the pandemic, more than €2 billion invested in research and development. In 2022 alone, €577 million (increase of 15 percent)
- Investments in future mobility technologies

Weinheim, March 29, 2023. The technology company Freudenberg demonstrated resilience in a difficult environment during fiscal year 2022. It was able to increase both sales and profits during the year. Aside from the impact of the war in Ukraine, the Freudenberg Group had to grapple with disrupted supply chains, high inflation, and the availability of energy and raw materials. “We have handled the current challenges well so far,” said Dr. Mohsen Sohi, CEO of the Freudenberg Group, as its financial figures were made public. “Freudenberg is growing profitably, investing heavily, and driving the energy transition.”

The figures in detail

At €11,753.1 million, sales for 2022 were significantly above the figure of €10,038.7 million for the previous year. The increase largely resulted from inflation-related price increases of about €700 million, positive exchange rate effects of about €500 million, and an increase in sales volume of about €400 million.

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In 2022, Freudenberg was able to achieve an operating profit of €941.8 million. This was significantly higher than the figure of €877.3 million for the previous year.

At €607.7 million, cash flow from ongoing business activities was below the amount for the previous year, which was €861.8 million. One reason for the change was a substantial rise in working capital. The already comfortable equity capital ratio increased again in the year under review and is now 54.0 percent (previous year: 50.2 percent).

The international ratings agency Moody's Deutschland GmbH, Frankfurt am Main, has continued to give Freudenberg an "A3" rating with a stable outlook. The Freudenberg Group has thus earned the excellent "Single-A Rating" once again.

Research and development

"Our business success enables us to invest in the future of the company – in research and development, machinery and equipment, and the technologies of the future," Sohi said. Freudenberg has significantly increased its spending on research and development. During fiscal year 2022, it invested €576.8 million (previous year: €500.2 million). That is an increase of about 15 percent. It brings the total investment in research and development to more than €2 billion since 2019. Out of our total sales, the proportion of new products – those less than four years old – is 31.6 percent (previous year: 32.4 percent).

Here are two examples: The hermetically sealed housings for lithium ion vehicle batteries require special attention to equalize pressure. DIAvent was developed by Freudenberg Sealing Technologies, one of our Business Groups, to meet this need. DIAvent combines several functions in a single part: It equalizes pressure during normal operation; opens up quickly and reliably for

emergency degassing, and then closes after the successful pressure equalization. The element not only ensures greater safety – it is also more robust than conventional solutions. During its development, DIAvent started out as a single product, but it has now become a complete product family for a wide array of potential uses. We have received numerous series orders from vehicle and battery manufacturers.

Freudenberg Performance Materials facilitates the transmission of clean energy with water blocking tapes that it produces for use in undersea cables. The newly developed materials for this application are indispensable for a successful energy transition. They ensure that high voltages can be reliably transported over great distances underwater from offshore wind turbines.

Investments

Adjusted for acquisitions, investments in intangible and tangible assets as well as real estate held as a financial investment amounted to €401.5 million (previous year: €304.8 million.)

The Freudenberg Group has invested worldwide: Formed in April 2022, the new Business Group Freudenberg e-Power Systems has started to build up its production and assembly capacity for battery systems in Midland, USA. In Parets des Vallès, Spain, Freudenberg Sealing Technologies has begun building a state-of-the-art factory for the production of elastomer products for the auto industry. Vibracoustic has expanded production and assembly capacity for bellows in Europe, the USA, and Mexico. And Freudenberg Performance Materials has continued to invest in facilities for needle-punched nonwovens at its Škofja Loka production facility in Slovenia.

The investments in Germany come to €144.3 million (previous year: €88.0 million). Freudenberg Performance Materials expanded its factory for gas diffusion layers – key components for

fuel cells – at its Weinheim facility to meet future demand in the fast-growing market for the systems. Production is due to begin this summer.

Vibracoustic increased its capacity for the production of air suspension systems in Hamburg. EagleBurgmann launched modernization projects at the Innovation Center at its Wolfratshausen site and for the production of mechanical seals and other products in Eurasburg.

Portfolio

In December 2022, the Freudenberg company SurTec International GmbH in Bensheim, Germany acquired Munich-based omniTECHNIK Mikroverkapselungs GmbH, which specializes in thread-locking products. The transaction included the acquisition of all shares of Precote USA LLC, East Lansing, Michigan, USA, by SurTec Inc. of Upper Arlington, Ohio, USA.

Employees

Last year, Freudenberg hired about 7,800 employees. That is about 1,000 more than during the previous year and an increase of 14 percent. Europe, North America, China and India were the main focuses of the hiring.

As of December 31, 2022, Freudenberg Group had more than 51,000 employees of 146 different nationalities, working in 60 countries. There was growth in every region: Employment rose to 12,413 in Germany (previous year: 11,918); to 14,924 in Europe, excluding Germany (previous year: 14,450); to 11,867 in North America (previous year: 11,528); to 10,711 in Asia (previous year: 10,474); to 543 in Africa/Australia (previous year: 542); and to 1,004 in South America/Central America (previous year: 924).

Freudenberg is investing in training for young people: During 2022, 123 people began training programs (previous year: 91) at

Freudenberg companies in Germany. That is roughly one-third higher than the figure for the previous year. In all, 351 people were in training programs in Germany alone. The company also provides training in 14 other countries.

Mobility: Preparing the battery and fuel cell businesses for the future

Freudenberg products are driving forward-looking topics like the energy transition. The Freudenberg Group is investing in the mobility of the future – in battery, hydrogen and fuel cell technologies, along with high-tech components for commercial vehicles. The strategy is working, as shown by a sales increase of about 50 percent for components, for example.

Based on opportunities for growth, a new Business Group – Freudenberg e-Power Systems – was formed in April 2022. Building on its extensive experience and expertise in battery and fuel cell technologies, the company is offering emission-neutral energy systems for heavy-duty applications. About 100 experts are already working at Freudenberg's fuel cell technology center in Munich. The Business Group has achieved a milestone with the world's first type-tested methanol-fueled fuel cell system for the maritime sector. The system makes it possible for oceanic shipping to operate climate-neutrally, efficiently and safely.

Freudenberg e-Power Systems has also finalized a collaborative project with the automotive supplier ZF Friedrichshafen. The goal is to develop a fuel cell and battery drive system as well as the components for it. These emission-free fuel cells will replace conventional diesel powertrains in buses and trucks and find uses in maritime applications. Road tests of the first prototype vehicles and the launch of series production are expected this year.

Freudenberg e-Power Systems and LG Energy Solution have signed a multiyear contract for the delivery of lithium ion battery cell modules, enabling Freudenberg to expand its capacity and keep up with rising demand.

In early January 2023, the Business Group acquired the remaining shares of XALT Energy, LLC, Wilmington, Delaware, USA. To that point, Freudenberg had held 50.1 percent of the shares in the joint venture. XALT Energy manufactures lithium ion battery cells, and its subsidiary Freudenberg Battery Power Systems, LLC, Wilmington, Delaware, USA, develops and produces complete battery systems.

Climate-neutral by 2045 – a multistep strategy

“We are driving the energy transition,” Sohi said. “One example is the expansion of the battery and fuel cell business. Another is our ambition to be [climate-neutral](#) by 2045.” Freudenberg is turning to a multistep strategy of energy savings, electrification, and purchases, along with compensation for CO₂ emissions and its own production of green electricity. This is making the in-house generation of green electricity increasingly important. The approach mainly relies on photovoltaic systems on the roofs of buildings at Freudenberg facilities around the world – from China to Mexico to Spain.

Freudenberg is supplementing its in-house power generation programs with the purchase of green energy. The Freudenberg Group is considered to be a reliable partner, enabling it to conclude long-term contracts with energy companies for the supply of green energy. In one case, solar energy is being supplied by the Tramm-Göthen Solar Park, the largest facility of its kind in Germany. In another, the company receives a share of the electricity produced by the Offshore Windpark Nordsee Ost. At the end of 2022, Freudenberg sites in Denmark, Sweden and Austria were

purchasing 100 percent green electricity. Other sites will follow in 2023. In Germany, the company's facilities in Berlin, Hamburg, Oberwihl and Emmerich are among its CO₂-neutral facilities. During 2022, Freudenberg increased its share of electricity from renewable sources from 21 to 30 percent of its total electric power consumption.

Social commitment

Freudenberg has been socially committed since its founding. With its "Education and Environment" program, its social involvement is being strengthened. The goal is to give people access to jobs and education while promoting environmental protection. Since the start of the program in 2015, the Freudenberg Group has provided €18 million to promote charitable projects and has funded 170 of them, including 40 in Europe.

Here's one way the funds are being used: Many children in Vietnam live in harsh social and economic conditions. Abandoned by their families or orphaned, they are on their own. SOS Children's Villages in Vietnam cares for children in these situations. Last year, Klüber Lubrication employees in Vietnam supported the work of SOS Children's Villages in Ben Tre and Da Lat in South Vietnam.

Outlook

We can expect economic and political uncertainties to continue. Challenges and risks are emerging, sometimes exacerbated by the war in Ukraine and the COVID 19 pandemic. They include the energy supply, raw material bottlenecks, price increases, suppliers' delivery problems, and labor shortages. To deal with these challenges, we will continue to be agile at each of our locations and respond quickly and flexibly to the constantly changing requirements – with an unflinching customer focus. This principle

applies to every industry and region. We will meanwhile continue to invest in long-term projects. For us, the key strategic themes continue to be the transformation of mobility, digitalization and sustainable solutions.

About the Freudenberg Group

Freudenberg is a global technology group that strengthens its customers and society long-term through forward-looking innovations. Together with its partners, customers and research institutions, the Freudenberg Group develops leading-edge technologies and excellent products and services for about 40 markets and for thousands of applications:

seals, vibration control components, batteries and fuel cells, technical textiles, filters, cleaning technologies and products, specialty chemicals and medical products.

Innovation strength, strong customer orientation, diversity, and team spirit are the cornerstones of the Group. The 170-year-old company lives by its core values: a commitment to excellence, reliability and pro-active, responsible action. In 2022, the Freudenberg Group employed over 51,000 people in around 60 countries worldwide and generated sales of more than €11.7 billion. For more information, please visit www.freudenberg.com.