Group Package Accounts

Low & Bonar Limited

Annual report and financial statements
Registered number SC008349
31 December 2020

Contents

Strategic report

Business Review

On 12 May 2020 100% of the Ordinary share capital was purchased by Freudenberg Performance Materials Service GmbH ("FPM Service", formerly FV Beteiligungs GmbH). Immediately prior to the acquisition, the Company ceased to be a Public Limited Company and was de-listed from the London Stock Exchange. Immediately after the acquisition the Company was reregistered as a private company limited by shares and the name of the Company was changed to Low & Bonar Limited. The financial year of 2020 is extended to 13 months ending 31 December 2020 (2019: 30th November 2019). After 2020 the financial year will be equal to the calendar year.

The loss for the period before taxation amounted to £9,168,000 (2019: £116,644,000). Prior to acquisition, the Company employed staff in its London head office and provided strategic and administrative services to the subsidiaries in the former Low & Bonar group. Following the acquisition, the London head office was closed, and the level of activities gradually reduced. The principal costs incurred during the period related to professional services incurred in relation to the acquisition of the Company and contingency planning in the event that the acquisition did not go ahead.

The Company now operates as a holding company, and performs some remaining administrative tasks for the other entities within the former Low & Bonar group. The principal risks and uncertainties affecting the Company include the following:

- Impairment of investments and inter-company receivables: The Company holds significant investments and inter-company receivables and should the underlying businesses of these investments and related parties decline, the balances could be at risk of impairment. Significant impairments were taken against such companies in the prior year.

Financial Performance Indicators

	2020	2019
	£000	£000
Net current assets	127,767	130,561
Net financial (asset)/debt calculated as follows:		
Interest bearing loans and borrowings	-	9,811
Less: Cash and cash equivalents	(3,653)	(3,435)
Net financial (asset)/debt	(3,653)	6,376

Future Prospects

Now that the Company is a subsidiary of FPM Service its role in performing strategic and administrative tasks for its subsidiaries is much reduced. Going forward the Company will continue to provide some central services as required, and will continue to administer the UK defined benefit scheme (refer to note 12).

By order of the board

Culbert

A Culbert
Director

c/o Harper Macleod LLP
Citypoint
65 Haymarket Terrace
Edinburgh
EH12 5HD

01 October 2021

Directors' report

Principal activities

The principal activity of the Company is to act as an intermediate holding company and provide central services to its subsidiaries.

Reregistration as a private company

The Company ceased to be a public limited company during the period and reregistered as a private company, effective from 16 June 2020.

Proposed dividend

The directors do not recommend the payment of a dividend *(2019: £nil)*.

Directors

The directors who held office during the period, and as at the date of this report, were as follows:

Antoinette Culbert (appointed 12 June 2020)
Thomas Herr (appointed 12 May 2020)
Frank Heislitz (appointed 12 May 2020, resigned 30 September 2020)
Matthew Joy (appointed 24 September 2007, resigned 14 September 2015)
Ian Ashton (resigned 26 June 2020)
Trudy Schoolenberg (resigned 12 May 2020)
Peter Bertram (resigned 12 May 2020)
Mike Powell (resigned 12 May 2020)
Daniel Dayan (resigned 12 May 2020)

Political contributions

The Company made no political donations or incurred any disclosable political expenditure during the year.

Going Concern

At the balance sheet date, the Company had net current assets of £127,813,000 and made a loss of £10,151,000 in the period to 31 December 2020.

The purpose of the Company is as an intermediate holding entity and to provide certain central services to subsidiary companies and other companies within the former Low & Bonar Group. At the balance sheet date, the company had receivables of £128,080,000 due from entities within the Group. Although not directly impacted by COVID-19, the impacts felt by the wider Group may have an impact on the ability of receivables from the Group companies to be recovered.

During the period, 100% of the share capital of the Company was purchased by Freudenberg Performance Materials Service GmbH ("FPM Service", formerly FV Beteiligungs-GmbH). The Directors are of the view that, to the best of their current knowledge, Covid-19 will not impact the Company's ability to continue as a going concern. Accordingly, the Directors have adopted the going concern basis in the preparation of these financial statements.

Qualifying third party indemnity provisions

In accordance with the Articles of Association, and to the extent permitted by law, Directors are granted an indemnity by the Company in respect of liability incurred as a result of their office. These qualifying third-party indemnity provisions were in force during the financial period. In addition, the Company maintained a Directors' and Officers' liability insurance policy throughout the period and will continue to do so for the benefit of the Directors.

Directors' report *(continued)*

Post Balance Sheet Event

There are no post balance sheet events to report.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Following the acquisition of Low & Bonar Ltd by Freudenberg Performance Materials Service GmbH (formerly FV Beteiligungs-GmbH) on 12 May 2020, all UK entities within the former Low & Bonar group changed their auditors to Rödl & Partner Limited. In accordance with Section 485 of the Companies Act 2006, a resolution to appoint Rödl & Partner Limited as auditor of the Company was proposed and passed at the AGM of the former ultimate parent company, Low & Bonar Ltd.

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed.

By order of the board

Culbert

A Culbert
Director

c/o Harper Macleod LLP
Citypoint
65 Haymarket Terrace
Edinburgh
EH12 5HD

01 October 2021

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent ;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Low & Bonar Limited

Opinion

We have audited the financial statements of Low & Bonar Limited (the 'company') for the period ended 31 December 2020, which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Effects of COVID-19

We draw attention to Note 1.2 of the financial statements, which describe the financial and operational consequences the company is facing as a result of COVID-19. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and,in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 that fact. We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities [set out on page 4], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are 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 directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) 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 financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Enquiry of management, those charged with governance around actual and potential litigation and claims;
- Enquiry of entity staff to identify any instances of non-compliance with laws and regulations;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 auditor's report to the related disclosures in the 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 auditor's report. 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 financial statements, including the disclosures, and whether the 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 or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company 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.

The use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

....

Imran Farooq (Senior Statutory Auditor)
For and on behalf of Rödl & Partner Limited,

170 Edmund Street
Birmingham
B3 2HB

Date:01 October 2021

Profit and loss account and other comprehensive income

for period ended 31 December 2020 (2019: period ended 30 November 2019)

	Note	2020 £m	2019 £m
Administrative expenses		(6,717)	(8,723)
Other operating income		4,027	4,213
Other operating expenses		(8,062)	(115,360)
Restructuring costs		(44)	(433)
Operating loss	2	(10,796)	(120,303)
Income from shares in group undertakings		-	1,744
Other interest receivable and similar income	4	4,045	6,711
Other interest payable and similar charges	5	(2,502)	(3,765)
Other gains/(losses)	6	85	(1,031)
Loss before taxation		(9,168)	(116,644)
Tax on loss	7	(983)	(1,164)
Loss for the financial period		(10,151)	(117,808)
Other comprehensive income			
Actuarial loss on defined benefit pension scheme		(3,253)	(10,323)
Deferred tax on defined benefit pension scheme		1,139	3,613
		(2,114)	(6,710)
Total comprehensive loss for the period		(12,265)	(124,518)

Balance sheet
at 31 December 2020 (2019 at 30 November 2019)

	Note	2020	2020	2019	2019
		£000	£000	£000	£000
Fixed assets					
Intangible assets	9		82		135
Property, plant and equipment	10		-		204
Investment in subsidiaries	11		74,006		74,006
Post-employment benefits	12		3,739		4,189
			77,827		78,534
Current assets					
Debtors	13	128,985		131,762	
Cash at bank and in hand		3,653		3,435	
Current tax receivable		-		54	
		132,638		135,251	
Creditors: amounts falling due within one year					
Trade and other payables	14	(4,486)		(4,544)	
Provisions	15	(385)		(146)	
Borrowings	16	-		-	
		(4,871)		(4,690)	
Net current assets			127,767		130,561
Total assets less current liabilities			205,594		209,095
Creditors: amounts falling due after one year					
Borrowings	16		(400)		(10,211)
Deferred tax liabilities	17		(1,309)		(1,466)
Loans from related parties	16		(108,871)		(90,498)
			(110,580)		(102,175)
Net assets			95,014		106,920
Capital and reserves					
Called up share capital	18		34,510		65,402
Share premium account	19		74,883		74,851
Other reserve	20		31,938		31,938
Capital redemption reserve	20		30,914		-
Profit and loss account			(77,231)		(65,270)
Shareholders' funds			95,014		106,920

These financial statements were approved by the board of directors on 01 October 2021 and were signed on its behalf by:

Culbert

A Culbert
Director

Company registered number: SC008349

Statement of changes in equity

	Called up share capital £000	Share premium £000	Other reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 December 2018	47,420	74,851	-	60,210	182,481
Total comprehensive loss for the year					
Loss for the year	-	-	-	(117,808)	(117,808)
Actuarial loss on defined benefit pension scheme	-	-	-	(10,323)	(10,323)
Deferred tax on defined benefit pension scheme	-	-	-	3,613	3,613
Total comprehensive loss for the year	-	-	-	(124,518)	(124,518)
Dividends paid to Ordinary Shareholders	-	-	-	(1,221)	(1,221)
Unclaimed dividends				204	204
Shares issued (net of costs)	17,982	-	31,938	-	49,920
Share based payment	-	-	-	55	55
	17,982	-	31,938	(125,481)	(75,561)
Balance at 30 November 2019	65,402	74,851	31,938	(65,270)	106,920

	Called up share capital £000	Share premium £000	Other reserve £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 December 2019	65,402	74,851	31,938	-	(65,270)	106,920
Total comprehensive loss for the period						
Loss for the period	-	-	-	-	(10,151)	(10,151)
Actuarial loss on defined benefit pension scheme	-	-	-	-	(3,253)	(3,253)
Deferred tax on defined benefit pension scheme	-	-	-	-	1,139	1,139
Total comprehensive loss for the period	-	-	-	-	(12,265)	(12,265)
Transition adjustment – IFRS 16	-	-	-	-	(28)	(28)
Repurchase of share capital	(30,914)	-	-	30,914	-	-
Share based payment	22	32	-	-	332	386
	(30,892)	32	-	30,914	(11,961)	(11,907)
Balance at 31 December 2020	34,510	74,883	31,938	30,914	(77,231)	95,014

Notes
(forming part of the financial statements)

1 Accounting policies

Low & Bonar Limited (the "Company") is a private company, limited by shares, which is incorporated and domiciled in Scotland. The registered number is SC008349 and the registered address is c/o Harper Macleod LLP, Citypoint, 65 Haymarket Terrace, Edinburgh, EH12 5HD.

These financial statements are presented in Great British Pounds and are rounded to the nearest thousand.

The financial year, originally from 1 December till 30 November, is adjusted in 2020 to fit the calendar year used within Freudenberg. The 2020 financial year is therefore 13 months, starting on 1 December 2019 and ending on 31 December 2020.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101")*.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking at the balance sheet date, Freudenberg SE, included the Company in its consolidated financial statements for the year ended 31 December 2020. As the Company was a wholly owned subsidiary of Freudenberg SE at 31 December 2020 the Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts. The consolidated financial statements of Freudenberg SE are prepared in accordance with International Financial Reporting Standards and are available from its registered office: 69465 Weinheim, Germany.

The Company applied IFRS 16 Leases from 1 December 2019.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- the requirements of paragraphs 10(d), 10(f) and 134-136 of IAS 1 *Presentation of Financial Statements*;
- the requirements of IAS 7 *Statement of Cash Flows*;
- the effects of new but not yet effective IFRSs; and
- the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*;

As the consolidated financial statements of Freudenberg SE include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- the requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement* and the requirements of IFRS 7 *Financial Instrument: Disclosures*.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 25.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

Notes *(continued)*

1 Accounting policies *(continued)*

1.2 Going concern

At the balance sheet date, the Company had net current assets of £127,813,000 and made a loss of £12,219,000 in the period to 31 December 2020.

The purpose of the Company is as an intermediate holding entity and to provide certain central services to subsidiary companies and other companies within the former Low & Bonar Group. At the balance sheet date, the company had receivables of £128,080,000 due from entities within the Group. Although not directly impacted by COVID-19, the impacts felt by the wider Group may have an impact on the ability of receivables from the Group companies to be recovered.

During the period, 100% of the share capital of the Company was purchased by Freudenberg Performance Materials Service GmbH ("FPM Service", formerly FV Beteiligungs-GmbH). The Directors are of the view that, to the best of their current knowledge, Covid-19 will not impact the Company's ability to continue as a going concern. Accordingly, the Directors have adopted the going concern basis in the preparation of these financial statements.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account

1.4 Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.5 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Notes *(continued)*

1 Accounting policies *(continued)*

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

1.5 Non-derivative financial instruments (continued)

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.6 Fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Intangible fixed assets are stated at cost less accumulated amortisation and accumulated impairment losses.

Depreciation and amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- leasehold improvements 3-7 years
- fixtures and fittings 3-7 years
- computer software 5 years
- HSE tool 5 years

Depreciation and amortisation methods, useful lives and residual values are reviewed at each balance sheet date.

Right of use assets under finance leases are classified within tangible fixed assets and depreciated on a straight-line basis. Refer to note 1.13.

1.7 Impairment excluding stocks

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

For trade receivables (which do not contain a significant financing component), the Company applies a simplified approach in calculating expected credit losses ("ECLs"). The Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

For inter-company receivables the ECL is determined based on the recoverability of the net assets of the counter-party, adjusted for forward-looking factors specific to the debtors and economic environment.

Notes *(continued)*

The Company transitioned to IFRS 9 effective from 1 December 2018. The adoption of IFRS 9 fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with the forward looking ECL approach.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.8 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit pension plan is one that specifies the amount of pension benefit that an employee will receive on retirement. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on AA credit-rated bonds that have maturity dates approximating to the terms of the Company's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

Where the calculation results in a benefit to the Company, the recognised asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

The Company determines the extent to which payments made which fulfil obligations to make future contributions to cover an existing shortfall will be available as a refund or reduction in future contributions after they are paid into the plan. To the extent that the contributions payable will not be available after they are paid into the plan, the Company recognises a liability when the obligation arises.

Actuarial gains and losses are recognised immediately in Other Comprehensive Income.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probably that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Notes *(continued)*

1 Accounting policies *(continued)*

1.8 Employee benefits (continued)

Equity and equity-related compensation benefits

The Company and Group have applied the requirements of IFRS 2. In accordance with the exemption available within the transitional provisions of IFRS 1, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

The Company operates various equity-settled and cash-settled share option schemes. Equity-settled share-based payments are measured at fair value at the date of the grant, and the fair value determined at the grant date of these payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured taking into account market conditions and by use of the Black-Scholes model or a Stochastic model, as appropriate. Measurement inputs include share price at the measurement date, exercise price of the instrument, expected volatility (based on historic volatility patterns), the expected dividend yield and the risk-free interest rate (calculated based on UK Gilts with a term commensurate with the expected term remaining of the performance period at grant). The fair values of cash-settled payments are re-measured at each balance sheet date and the cost of these payments is recognised over the vesting period, taking into account the re-measurement of fair value at each balance sheet date.

1.9 Provisions

A provision is recognised in the balance sheet when the Company or the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation. Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to the affected parties.

1.10 Other operating income

Other operating income represents income received by subsidiary companies for central services performed by the Company on their behalf. Income is charged based on actual costs incurred plus a mark-up according to intercompany agreements and Company and Group policy, and is recognised net of any refunds and value added tax.

1.11 Expenses

Interest receivable and Interest payable

Net financing costs comprise interest payable on borrowings calculated using the effective-interest rate method, dividends on redeemable preference shares, net interest in respect of defined benefit pension assets and liabilities, interest receivable on funds invested, dividend income and gains and losses on hedging instruments that are recognised in the income statement. Interest income is recognised in the income statement as it accrues, using the effective interest rate.

1.12 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes *(continued)*

1 Accounting policies *(continued)*

1.12 Taxation (continued)

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.13 Leases

The Company has adopted IFRS 16 'Leases' on 1 December 2019, effective for accounting periods beginning on or after 1 December 2019. IFRS 16 superedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 December 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

The effect of adoption of IFRS 16 as at 1 December 2019 resulted in the recognition of a £426,000 right of use asset and corresponding lease liability. As a consequence of being acquired by the Freudenberg Group the lease has been terminated as per 31 December 2020.

i) Right of use assets

The Company recognises right of use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The Company holds only one right of use asset, a building, which was effectively depreciated over the 4 year lease term.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Notes *(continued)*

1 Accounting policies *(continued)*

1.13 Leases (continued)

The Company also applied the available practical expedients wherein it:

- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Excluded the initial direct costs from the measurement of the right of use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The Company applies the lease of low-value assets recognition exemption to leases of assets that are considered to be low value. Lease payments on low-value assets are recognised as expense on a straight line basis over the lease term.

Effect on income statement

Lease costs are replaced by interest incurred on the liability, included within interest payable (2020: £21,000) and depreciation on the asset (2020: £426,000).

Effect on Statement of Financial Position

As per year end the lease has been terminated, dilapidation fees have been accrued.

1.14 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquire. and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the income statement as incurred

2 Loss for the financial year

Included in loss are the following:

	1-12-2019 / 31-12-2020	1-12-2018 / 30-11-2019
	£000	£000
Net foreign exchange losses	584	1,008
Payments made under operating leases	-	317
Depreciation of owned fixed assets	124	99
Depreciation of right of use asset	426	-
Loss on disposal of property, plant & equipment	80	-
Amortisation of intangible assets	54	97
Non-current asset impairment losses	-	599
Staff costs (see note 3)	2,919	3,452
Impairment loss recognised on intercompany receivables	-	6,192
Impairment loss recognised on investments (see note 9)	-	106,355
Acquisition and disposal related costs	7,741	1,973

Acquisition and disposal related costs during the period relate to costs incurred in relation to the takeover of the Low & Bonar Group by Freudenberg Performance Materials Service GmbH (formerly FV Beteiligungs-GmbH) and contingency planning in the event that the acquisition did not go ahead. Costs in the prior period relate to the disposal of the former Civil Engineering division.

Notes *(continued)*

Auditor's remuneration:

	1-12-2019 / 31-12-2020	1-12-2018 / 30-11-2019
	£000	£000
Audit of these financial statements	30	18

Disclosure of non-audit fees payable to the auditor is given in the consolidated financial statements of the ultimate parent company, copies of which can be obtained from the address given in note 1.

3 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the period, was 14 (2019: sixteen). The aggregate payroll costs of these persons were as follows:

	1-12-2019 / 31-12-2020	1-12-2018 / 30-11-2019
	£000	£000
Wages and salaries	2,413	2,943
Social security costs	331	402
Pension costs	175	107
	2,919	3,452

4 Other interest receivable and similar income

	1-12-2019 / 31-12-2020	1-12-2018 / 30-11-2019
	£000	£000
Loan interest receivable	3,961	6,346
Net interest on pension scheme net liabilities	84	365
	4,045	6,711

Of the above amount £3,961,000 *(2019: £6,324,000)* was receivable from group undertakings.

Notes *(continued)*

5 Interest payable and similar charges

	1-12-2019 / 31-12-2020	1-12-2018 / 30-11-2019
	£000	£000
Loan interest payable	(2,007)	(2,979)
Amortisation of bank arrangement fees	(37)	(191)
Write off of bank arrangement fees	(161)	-
Interest expense for leasing arrangements	(21)	-
Other interest payable	(276)	(595)
	(2,502)	(3,765)

Of the above amount £1,786,000 *(2019: £1,898,000)* was payable to group undertakings.

6 Other gains/(losses)

	1-12-2019 / 31-12-2020	1-12-2018 / 30-11-2019
	£000	£000
Profit on disposal – Low & Bonar Dundee Limited	909	-
Waiver of receivables – Low & Bonar Dundee Limited	(824)	-
Costs related to disposal of Civil Engineering divisions	-	(1,138)
Adjustment valuation subsidiaries	-	108
	85	(1,031)

Low & Bonar Dundee Limited was disposed of on 25 June 2020 for net consideration of £909,000 resulting in a profit on disposal of £909,000.

In 2019 the Low & Bonar Group disposed of its Civil Engineering division through the sale of its Construction Fibres business on 1 July 2019 and its Needle-Punched Non-Wovens business on 2 September 2019. The Company incurred related costs on these disposals of £1,138,000.

Notes *(continued)*

7 Taxation

Recognised in the profit and loss account

	1-12-2019 / 31-12-2020 £000	1-12-2018 / 30-11-2019 £000
UK corporation tax		
Current tax on income for the period	-	54
Prior year adjustments	(2)	2
Total current tax (charge)/credit	(2)	56
Deferred tax (note 17)	(982)	(1,219)
Total tax charge on loss	(983)	(1,164)

The amount of deferred tax relating to changes in tax rates is £nil (2019: £nil).

Reconciliation of effective tax rate

	1-12-2019 / 31-12-2020 £000	1-12-2018 / 30-11-2019 £000
Profit for the period	(9,168)	(116,644)
Tax using the UK corporation tax rate of 19% *(2019: 19%)*	1,742	22,162
Expenses not deductible	(736)	(22,097)
Current tax losses not utilised	(2,004)	(704)
Deferred tax not credited	18	(527)
Prior year tax adjustments	(2)	2
Total tax expense	(983)	(1,164)

Notes *(continued)*

7 Taxation *(continued)*

A 1% reduction in the main rate of UK corporation tax from 20% to 19% took effect from 1 April 2017. The 2% reduction in the main rate of UK corporation tax from 19% to 17% that was due to take effect from 1 April 2020 was reversed as part of the enactment of the Finance Bill 2020.

Deferred tax recognised directly in other comprehensive income

	1-12-2019 / 31-12-2020	1-12-2018 / 30-11-2019
	£000	£000
Actuarial losses relating to post-employment benefit obligations	**1,139**	3,613

8 Dividends

	1-12-2019 / 31-12-2020	1-12-2018 / 30-11-2019
	£000	£000
Final dividend for the period ended 30 November 2019 - nil (2018: 0.37 pence per share)	**-**	1,221

The Directors have proposed no final or interim dividend in respect of the financial period ended 31 December 2020 (2019: no interim or final dividend declared). Following the significant impairment of investments and inter-company receivables in the prior year the Company has no distributable reserves from which to pay a dividend.

During the prior year the Board declared a final dividend on Ordinary Shares in relation to the year ended 30 November 2018 of 0.37 pence per share which was paid to Ordinary Shareholders on the register of members at close of business on 15 February 2019.

9 Intangible fixed assets

	Computer software £000	**HSE tool £000**	**Total £000**
Cost	227	22	249
Amortisation			
Balance at 30 November 2019	(100)	(14)	(114)
Amortisation charge for the period	(48)	(5)	(54)
Balance at 31 December 2020	(148)	(18)	(168)
Net book value			
At 31 December 2020	**79**	**3**	**82**
At 30 November 2019	127	8	135

Notes *(continued)*

10 Property, plant and equipment

	Property ROU Asset £000	Leasehold improvements £000	Fixtures and fittings £000	Total £000
Cost				
Balance at 30 November 2019	-	612	116	728
IFRS 16 transition adjustment	426	-	-	-
Disposals	-	(612)	(116)	(728)
Balance at 31 December 2020	426	-	-	-
Depreciation and impairment				
Balance at 30 November 2019	-	(428)	(96)	(524)
Depreciation charge for the period	(426)	(113)	(11)	(441)
Disposal	-	541	107	648
Balance at 31 December 2020	-	-	-	-
Net book value				
At 31 December 2020	-	-	-	-
At 30 November 2019	-	184	20	204

Notes *(continued)*

11 Investment in subsidiaries

	Shares in Group undertakings £000
Cost	
At 30 November 2019	183,399
Disposal of subsidiary	(2,658)
At 31 December 2020	**180,741**
Provisions	
At 30 November 2019	(109,393)
Disposal of subsidiary	2,658
At 31 December 2020	**(106,735)**
Net book value	
At 31 December 2020 and 30 November 2019	**74,006**

The Company tests assets annually for impairment, or more frequently if there are indications that the assets might be impaired. The recoverable amounts of the investments are determined using the higher of value in use (based on projected cash flows, discounted to calculate the net present value) and fair value less costs of sale.

The disposal in the year was of the Company's investment in Low & Bonar Dundee Limited. This investment was impaired down to nil in previous years, and was sold for £1,006,000 generating a net profit on disposal of £909,000 after expenses.

A number of other entities were struck off during the period resulting in the investments being disposed of. All of these entities had a net book value of nil at the time of strike off.

Subsidiaries

Name	Principal product area	Registered address	%
Low & Bonar Euro Holdings Ltd	Holding company	c/o Knights Plc, 34 Pocklingtons Walk, Leicester, LE1 6BU	100
Bonar International Holdings Ltd	Holding company	c/o Harper Macleod LLP, Citypoint, 65 Haymarket Terrace, Edinburgh, EH12 5HD	100
LCM Construction Products Ltd	Dormant	c/o Knights Plc, 34 Pocklingtons Walk, Leicester, LE1 6BU	100
Bonar Rotaform Ltd	Dormant	c/o Knights Plc, 34 Pocklingtons Walk, Leicester, LE1 6BU	100
Low & Bonar Pension Trustees Ltd	Dormant	c/o Harper Macleod LLP, Citypoint, 65 Haymarket Terrace, Edinburgh, EH12 5HD	100
Bonar Silver Ltd	Dormant	c/o Knights Plc, 34 Pocklingtons Walk, Leicester, LE1 6BU	100

Notes *(continued)*

11 Investments in subsidiaries *(continued)*

Entities struck off during the period to 31 December 2020

Name	Principal product area	Registered address	%
Waddington Cartons Ltd	Dormant	1 Connaught Place, London, W2 2ET	100
Low & Bonar Pension Scheme (1986) Trustee Ltd	Dormant	Whitehall House, 33 Yeaman Shore, Dundee, DD1 4BJ	100
Lobex Ltd	Dormant	Whitehall House, 33 Yeaman Shore, Dundee, DD1 4BJ	100
Lobo Nominees Ltd	Dormant	Whitehall House, 33 Yeaman Shore, Dundee, DD1 4BJ	100
Low & Bonar UK Ltd (formerly Goldtide Ltd)	Dormant	1 Connaught Place, London, W2 2ET	100
Platinum Prestige Ltd	Dormant	1 Connaught Place, London, W2 2ET	100

Entities sold during the period to 31 December 2020

Name	Principal product area	Registered address	%
Low & Bonar Dundee Limited	Specialist yarns	Caldrum Works, St Salvador Street, Dundee, Tayside, DD3 7EU, Scotland	100

12 Defined benefit scheme

The defined benefit scheme is a funded pension scheme, closed to future accrual of benefits, providing benefits linked to inflation. The scheme is subject to the regulatory requirements that apply to registered UK pension schemes, and a Trustee board is responsible for ensuring it is operated in a manner compliant with the relevant regulations. The weighted duration of the expected benefit payments from the scheme is around 14 years.

The main reason for the reduction in surplus in the period was a fall in discount rates between 30 November 2019 and 31 December 2020 from 1.9% to 1.2%. This was mitigated by a reduction in the life expectancies which reduced the present value of the defined benefit obligation.

There is a risk that the Company may be required to increase its contributions into its defined benefit pension schemes to cover funding shortfalls. The funding may be affected by poor investment performance of pension fund investments, changes in the discount rate applied and longer life expectancy of members. This risk is mitigated by the main Company scheme being closed to new members and by actions taken to reduce investment risk, including the purchase of a buy-in policy. Regular dialogue also takes place with the scheme Trustee, and the Board regularly discusses pension fund strategy.

The scheme was independently valued by a qualified actuary at 31 March 2020 using the projected unit method. Following the 2020 valuation of the scheme, the Company agreed a schedule of contributions with the Trustee of the scheme under which the Company paid contributions of £3,000,000 by 30 June 2020 and then £155,000 monthly from April 2021 to March 2027 inclusive.

In applying IAS 19, the Company has considered the requirements of IFRIC 14 and whether the Company has an 'unconditional right' to a refund of surplus, in particular assuming the gradual settlement of the scheme liabilities over time until all members have left the scheme (i.e. on the death of the last beneficiary). The Company has concluded that it does have an effective unconditional right to a refund under these circumstances, and on these grounds IFRIC 14 does not require an adjustment to the net pension asset.

Notes *(continued)*

Guaranteed minimum pensions

The pension scheme provides guaranteed minimum pensions ("GMPs") in lieu of benefits under the State Earnings Related Pension Scheme ("SERPS") in respect of contracted-out service up to 5 April 1997. As a result of the ruling on 26 October 2018 relating to Lloyds Bank's pension schemes, the law requires our scheme (or any UK pension scheme providing GMPs) to adjust benefits to remove inequalities introduced by GMPs. In 2018, in conjunction with the Company's pension advisors, we made an initial assessment of the additional liability this ruling would give rise to and at 30 November 2018 estimated that the additional liability would be £4m.

The estimated additional liabilities as a result of GMP inequalities are kept under review as further information becomes available. During the year, a further ruling was handed down in November 2020 by the high court, affecting pension schemes with GMPs, and requiring payments to be made to former payments who have transferred out of the scheme. As a result of this ruling, the estimated liabilities for GMP inequalities were increased by £0.3m. This increase has been treated as a past service cost during 2020.

Financial assumptions

Management determines the assumptions to be adopted in discussion with their actuaries. The application of different assumptions could have a significant effect on the amounts reflected in the consolidated income statement, the consolidated statement of comprehensive income and the balance sheet in respect of post-employment benefits. The valuations require the exercise of judgement in relation to various assumptions, including the discount rate, future pension increases and employee and pensioner demographics.

The financial assumptions used to estimate defined benefit obligations are:

	2020 %	2019 %
Discount rate	**1.20**	1.90
Future pension increases (Retail Price Index "RPI")	**2.80**	2.70
Inflation increase (Consumer Price Index "CPI")	**2.10**	2.10

In assessing the Company's post-employment liabilities, management monitor mortality assumptions and use up-to-date mortality tables. Allowance is made for expected future increases in life expectancy. The figures assume that a male member, currently aged 65, will survive a further 20.9 years and a female member for a further 23.6 years (2018: male – 21.7 years, female – 23.7 years). They also assume that a scheme male member currently aged 45, will survive a further 42.2 years and a female member for a further 45.0 years (2018: male – 43.1 years, female – 45.2 years). Management consider that the assumptions used are appropriate estimates of the life expectancy of scheme members in the light of scheme-specific experience and more widely available statistics. The assumptions for inflation take account of the announcement in November 2020 that the RPI inflation measure is to be brought into line with the CPIH inflation measure from 2030.

Financial impact of schemes

The total amount recognised for defined benefit schemes is as follows:

	2020 £000	2019 £000
Fair value of scheme assets	**197,611**	194,887
Present value of defined benefit obligations	**(193,872)**	(190,698)
Net asset recognised in the balance sheet	**3,739**	4,189

Notes *(continued)*

Amounts recognised as a charge to the income statement in respect of the defined benefit pension schemes are as follows:

	2020 £000	2019 £000
Current service costs	-	-
Net interest (income) / costs	(84)	(364)
Past service costs	300	
Past service costs		
Total	216	(364)

The past service cost in 2020 relates to estimated additional costs following a High Court judgement handed down in November 2020 affecting pension schemes paying Guaranteed Minimum Pensions (GMPs).

In the prior year, the scheme's administration expenses were paid directly by the Company up to a cap of £500,000. Effective 2020 all administration costs were paid directly by the company. The pension administration expenses paid directly by the Company amounted to £6m (2019: £0.7m).

Amounts recognised in Other Comprehensive Income are as follows.

	2020 £000	2019 £000
Net actuarial gain/(loss) in the period due to:	(3,253)	(10,323)
– Changes in financial assumptions	(18,022)	(19,312)
– Changes in demographic assumptions	5,652	-
– Experience adjustments on benefit obligations	3,168	171
– Actual return on scheme assets less interest on scheme assets	5,949	8,818
Associated deferred tax	1,139	3,613

The changes in the net assets/(liabilities) recognised in the balance sheet are as follows:

	2020 £000	2019 £000
Opening balance sheet asset / (liability)	4,189	11,028
Amount recognised in income statement	(216)	364
Amount recognised in Other Comprehensive Income	(3,253)	(10,323)
Contributions paid	3,019	3,120
Closing balance sheet asset / liability	3,739	4,189

Notes *(continued)*

Changes in the present value of the defined benefit obligation are as follows:

	2020 £000	2019 £000
Opening defined benefit obligation	**190,698**	176,008
Current service costs	**-**	-
Interest costs	**3,824**	4,969
Actuarial loss / (gain) due to:		
– Changes in financial assumptions	**(18,055)**	(19,312)
– Changes in demographic assumptions	**5,652**	-
– Experience adjustments on benefit obligations	**3,168**	171
Benefits paid	**(10,185)**	(9,420)
Past service costs	**300**	-
Closing defined benefit obligation	**193,872**	190,698

Changes in the fair value of scheme assets are as follows:

	2020 £000	2019 £000
Opening fair value of scheme assets	**194,887**	187,036
Interest on scheme assets	**3,908**	5,333
Actual return on scheme assets less interest on scheme assets	**5,982**	8,818
Contributions by employers	**3,019**	3,120
Benefits paid	**(10,185)**	(9,420)
Closing fair value of scheme assets	**197,611**	194,887

The fair value of the scheme assets at the balance sheet date is analysed as follows:

	2020 £000	2020 %	2019 £000	2019 %
Debt securities	**8,425**	**4**	8,160	4
Diversified growth funds	**28,218**	**14**	27,517	14
LDI funds	**28,508**	**14**	24,048	12
Insurance policy	**107,919**	**56**	111,926	58
Private credit	**10,565**	**5**	14,846	8
Cash and other	**13,976**	**7**	8,390	4
Total	**197,611**	**100**	194,887	100

The insurance policies are two buy-in policies that match the benefits due to a group of pensioners within the scheme, and are valued at the amount of obligations covered. The remaining assets are invested in quoted pooled funds, apart from the investment in a segregated diversified growth fund for which quoted prices are not available; the valuation of this fund is provided by the fund manager. The scheme uses Liability Driven Investment ("LDI") funds to help manage investment risk, providing a hedge against nominal rate liabilities.

Notes *(continued)*

A sensitivity analysis of significant assumptions on the scheme is as follows:

	Decrease/(increase) in obligation (£000)			
	2020		2019	
Change in assumptions	**-0.5% pa**	**+0.5% pa**	**-0.5% pa**	**+0.5% pa**
Discount rate	(7,337)	8,378	(6,528)	7,433
Inflation and pension increases	5,320	(4,981)	4,736	(4432)
	-1 year	**+1 year**	**-1 year**	**+1 year**
Life expectancy	3,686	(3,622)	3,517	(3,488)

Consistent with the previous year's figures, these sensitivities have been calculated to show the movement in the net liability in isolation, taking into account the effects of the obligation on the matching annuity policy, and assume no other changes in market conditions at the accounting date.

13 Debtors

	2020 £000	2019 £000
Amounts owed by Group undertakings	172,120	175,430
Expected credit losses of receivables	(44,040)	(44,040)
Net amounts owed by subsidiaries	128,080	131,391
Other debtors	132	93
Prepayments and accrued income	778	283
	128,985	131,762

Debtors disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

14 Creditors: amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	105	832
Amounts owed to Group undertakings	3,650	2,029
Taxation and social security	101	151
Other creditors	630	1,532
	4,486	4,544

Notes *(continued)*

15 Provisions

	2020 £000	2019 £000
Restructuring provision	64	61
Other provisions	321	85
	385	146

	Restructuring Provision £000	Other Provisions £000	Total Provisions £000
At 30 November 2019	61	85	146
Created in the period	437	321	758
Utilised in the period	(434)	(85)	(519)
At 31 December 2020	**64**	**321**	**385**

Provisions created in the year relate to severance payable as part of the restructure of the parent Group.

16 Borrowings

	2020 £000	2019 £000
Unsecured borrowings at amortised cost		
Interest bearing loans and overdrafts	-	9,811
Loans from Group undertakings	108,871	90,498
Redeemable preference shares	400	400
	109,271	100,709
Secured borrowing at amortised cost		
Finance lease liabilities	-	-
Total borrowings	**109,271**	100,709

Loans from Group undertakings are available for varying periods, dependent upon the terms of the intercompany loan agreement. Up until 31 May 2020 interest was charged either at a fixed percentage or at the weighted average of external currency rates plus 3-month currency LIBOR plus 0.2%. From 1 June 2020 interest is charged as 1.25% plus currency LIBOR (with a floor of 0% for currency LIBOR).

Notes *(continued)*

17 Deferred tax

The Company has not recognised any deferred tax assets (2019: £nil) as the Directors do not believe it is probable that future taxable profits will be available against which the assets can be utilised as they reverse over the coming years, mainly attributable to tax losses.

The Company has the following deferred tax liabilities relating to the pension surplus.

	£000
At 30 November 2018	3,860
Recognised in Other Comprehensive Income	(3,613)
Recognised in Profit and loss	1,219
At 30 November 2019	1,466
Recognised in Other Comprehensive Income	(1,139)
Recognised in Profit and loss	983
At 31 December 2020	**1,309**

The Company has unrecognised deferred tax assets of £14,501,000 (2019: £12,319,000) in respect of tax losses, including an amount of £4,914,000 (2019: £4,397,000) in respect of capital losses. The tax losses have no expiry date.

18 Share capital

	2020 £000	2019 £000
Allotted, called up and fully paid		
690,193,129 (2019: 689,756,295) Ordinary Shares at £0.05 each	34,510	34,488
Nil (2019: 154,571,152) Deferred Shares at £0.20 each	-	30,914
	34,510	65,402

Capital reorganisation

On 11 March 2009, the Company's Ordinary Share capital was reorganised by means of a capital reorganisation involving: (i) the subdivision and reclassification of each issued Ordinary Share into one new Ordinary Share of 5 pence and one Deferred Share of 20 pence; and (ii) the subdivision of each authorised but unissued Ordinary Share into five new Ordinary Shares of 5 pence each. On completion of the capital reorganisation, each Ordinary Shareholder held one new Ordinary Share and one Deferred Share for each Ordinary Share previously held.

A Deferred Share: (i) does not entitle its holder to receive any dividend or other distribution; (ii) does not entitle its holder to receive notice of, nor to attend, speak or vote at, any general meeting of the Company; (iii) entitles its holder on a return of capital on a winding-up (but not otherwise) only to the repayment of the amount paid up on that share after payment of (a) the amounts entitled to be paid up to holders of the Preference Shares and (b) the capital paid up on each Ordinary Share of 5 pence in the share capital of the Company and the further payment of £10m on each such Ordinary Share; and, (iv) does not entitle its holder to any further participation in the capital, profits or assets of the Company.

Notes *(continued)*

Acquisition by Freudenberg Performance Materials Service GmbH (formerly FV Beteiligungs GmbH)

On 12 May 2020 all Ordinary Shares of the Company were acquired by Freudenberg Performance Materials Service GmbH ("FPM Service").

Subsequent to the acquisition, in accordance with the rights set out in its articles of association, on 29 September 2020 all Deferred Shares were purchased (for an aggregate consideration of one penny) by the Company. The consent of the holders of the Deferred Shares was not required for such purposes as set out in the articles. In order to fund this purchase, one Ordinary Share was issued for a nominal value of £0.05.

Following their purchase by the Company, the Deferred Shares were immediately cancelled and accordingly there are no Deferred Shares in issue at the balance sheet date.

Shares issued during the year resulting from share option schemes

During the period ended 31 December 2020, 436,834 shares (2019: none) were issued to employees under the 2019 SAYE grant.

Preference shares

	2020 £000	2019 £000
Allotted, called up and fully paid		
100,000 (2019: 100,000) 6% first cumulative preference stock of £1.00 each	100	100
100,000 (2019: 100,000) 6% second cumulative preference stock of £1.00 each	100	100
200,000 (2019: 200,000) 5.5% third cumulative preference stock of £1.00 each	200	200
	400	400

Preference Shares are included within borrowings. Preference Shares have priority over Ordinary Shares on a winding-up of the Company. Provided that preference dividends remain paid in accordance with the Company's Articles of Association, Preference Shares do not carry voting rights

Share Options

On acquisition of the Company by FPM Service GmbH all remaining share options lapsed. As such, at the balance sheet date there were no options for Ordinary Shares outstanding (2019: 3.0 million) and no options outstanding granted in the last financial year (2019: 2.0 million).

Details of the options included in the IFRS 2 charge are as follows:

Notes *(continued)*

Year of grant	Average fair value in pence	Exercise price in pence	Exercise period	Ordinary Shares of 5p each 1 Dec 2019	Granted	Exercised	Forfeited	31 Dec 2020
Share options								
2013	18.55	58.80	2016 to 2019	–	–	–	–	–
2013	20.29	58.80	2016 to 2019	–	–	–	–	–
2014	22.37	68.80	2018 to 2019	1,906	–	–	(1,906)	–
2014	21.89	68.80	2018 to 2019	39,464	–	–	(39,464)	–
2015	14.20	48.80	2019 to 2020	4,702	–	–	(4,702)	–
2015	13.47	48.80	2019 to 2020	–	–	–	–	–
2016	12.59	49.00	2019 to 2021	110,020	–	–	(110,020)	–
2016	11.84	49.00	2019 to 2021	238,243	–	–	(238,243)	–
2017	15.92	55.20	2020 to 2022	42,055	–	–	(42,055)	–
2017	15.98	55.20	2020 to 2022	61,180	–	–	(61,180)	–
2018	11.70	44.96	2021	507,579	–	–	(507,579)	–
2019	4.27	12.36	2022	2,000,379	–	(2,000,379)	–	–
Total				3,005,528	–	(2,000,379)	(1,005,149)	–

The weighted average exercise price of share options outstanding at 31 December 2020 was nil (2019: 23.04p). The weighted average exercise prices of share options granted, exercised and forfeited in the period to 31 December 2020 were nil, 12.36p and 44.28p, respectively (2019: 12.36p, nil and 41.04p, respectively). No share options were exercisable at 31 December 2020 (2019: 389,633).

There were no options granted in the period to 31 December 2020. The fair values of share options granted in the year to 30 November 2019 was 4.27p and was derived using the Black-Scholes model. The assumed future volatility was 51.66%, the dividend yield was 5.55%, the expected term was 3.30 years and the risk-free rate was 0.78%.

Long-term incentive plan awards

There were no awards for Ordinary Shares outstanding under the provisions of the long-term incentive plans at 31 December 2020 (2019: 11.0 million). There were no awards outstanding which were granted in the last financial year (2019: 8.2 million). All awards lapsed during the period as a result of the acquisition.

Details of the awards included in the IFRS 2 charge are as follows:

Notes *(continued)*

				Ordinary Shares of 5p each				
Year of grant	Average fair value in pence	Award price in pence	Vesting period	1 Dec 2019	Awarded	Exercised	Forfeited	31 Dec 2020
2015	48.27	57.25	2015 to 2019	-	-	-	-	-
2015	50.62	59.50	2015 to 2019	-	-	-	-	-
2015	62.24	71.00	2015 to 2019	-	-	-	-	-
2016	54.36	63.50	2016 to 2019	-	-	-	-	-
2016	51.54	63.50	2016 to 2019	-	-	-	-	-
2017	62.24	70.00	2018 to 2020	911,752	-	-	(911,752)	-
2017	63.31	77.00	2018 to 2020	-	-	-	-	-
2017	53.33	69.50	2018 to 2020	418,210	-	-	(418,210)	-
2018	50.15	59.40	2019 to 2021	1,466,308	-	-	(1,466,308)	-
2019	12.20	14.00	2020 to 2022	8,187,952	-	-	(8,187,952)	-
Total	**52.15**	**63.34**		**10,984,222**	-	-	**(10,984,222)**	-

None of the instruments awarded under the Group's long-term incentive plans were exercisable at 30 November 2019 (2018: nil). There were no awards made in the period to 31 December 2020. The fair values of awards made in the year to 30 November 2019 was 8.00p to 14.00p and were derived using the Black-Scholes or Stochastic models. The assumed future volatility was based on historical trends and was 48% the dividend yield was 0%, the expected term was 3 years and the risk-free rate was 0.77%-0.85%.

The total amount credited/charged to the Income Statement in respect of share-based payments was a credit of £0.3m (2019: £0.2m charge). Liabilities in respect of cash-settled share-based payments were not material at either 31 December 2020 or 30 November 2019.

19 Share premium account

	2020 £000	2019 £000
Opening balance	74,851	74,851
Premium on Ordinary Shares issued during the year	32	-
At balance sheet date	74,883	74,851

Notes *(continued)*

20 Other reserves

During the period the Company repurchased all of the Deferred Shares in issue and subsequently cancelled these shares, resulting in the creation of a Capital redemption reserve (also refer to note 17).

During the prior year, the Company raised net proceeds of £49.9m via an equity raise (consisting of £53.9m of gross proceeds less expenses of £4.0m). There was no tax impact on the fees. A cash box structure was used in such a way that merger relief was available under the Companies Act 2006, section 612. In this circumstance no share premium was recorded and the £31.9m excess of the net proceeds over the nominal value of the share capital issue was recorded as an Other reserve. The proceeds of this issue were used to reduce net indebtedness, provide working capital flexibility and to fund incremental capital expenditure across the wider Group. For amounts passed to entities in the Group by way of inter-company loans, this Other reserve is not immediately distributable. This reserve will qualify as distributable on settlement of these inter-company funding arrangements in the future.

21 Leases

At the balance sheet date the Company had no non-cancellable commitments under operating leases. During the period the Company transitioned to IFRS 16 'Leases' and as a result the only lease held by the Company, for the London office, was capitalised on to the balance sheet as a right-of-use asset and a corresponding lease liability was recognised.

Set out below are the carrying amounts of right of use asset recognised and the movements during the period:

	London Office £000
As at 1 December 2019	-
IFRS 16 transition (note 1)	426
Depreciation	(426)
At 31 December 2020	-

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	London Office £000
As at 1 December 2019	-
IFRS 16 transition (note 1)	454
Interest adjustments	21
Payments	(475)
At 31 December 2020	-

All lease liabilities are classified as current (note 14).

Notes *(continued)*

21 Leases *(continued)*

The following are the amounts recognised in profit or loss:

	London Office £000
Depreciation expense of right of use assets	426
Interest expense on lease liabilities	21
At 31 December 2020	447

At 31 December 2020 the Company had the following minimum lease payments under non-cancellable operating leases as set out below:

	2020 £000	2019 £000
Not later than one year	-	358
More than one year	-	123
	-	481

22 Related parties

Other related party transactions

	2020 £000	2019 £000
Income from subsidiaries in respect of management services provided	3,529	4,136
Interest income from related parties	3,961	6,324
Dividend income received from related parties	-	1,744
Interest expenses to related parties	(1,786)	(1,898)

	Receivables outstanding		Creditors outstanding	
	2020 £000	2019 £000	2020 £000	2019 £000
Subsidiaries of the Freudenberg Group	128,081	131,401	(112,538)	(92,527)

Notes *(continued)*

Directors remuneration

The remuneration of executive directors of the Group was:

	2020 £000	2019 £000
Short-term benefits	937	671
Post-employment benefits	32	83
Share-based payments	-	-
Termination benefits	233	228
Total	1,202	982

Due to the acquisition of the Company during the period, the company had no executive directors anymore as per 31 December 2020. During the year 3 executive directors where remunerated by the company (2019 4 executive directors).

The remuneration of the highest earning director is as follows:

	2020 £000	2019 £000
Short-term benefits	555	154
Post-employment benefits	-	-
Share-based payments	-	-
Termination benefits	233	-
Total	788	154

The Short term benefits include a deferred consideration of GBP 333k.

23 Post balance sheet events

There are no post balance sheet events to report.

Notes *(continued)*

24 Ultimate parent company and parent company of larger group

The immediate parent undertaking is Freudenberg Performance Materials Service GmbH (formerly FV Beteiligungs-GmbH), which as at 31 December 2020, held 100% of the issued share capital of Low & Bonar Limited.

The ultimate parent undertaking and controlling party is Freudenberg SE, a company registered in Germany. The smallest and largest group of undertakings in which the company is consolidated is Freudenberg SE.

Copies of its group financial statements, which include the company, are available from its registered office: 69465 Weinheim, Germany.

25 Accounting estimates and judgements

The preparation of financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgement areas for the Company include the impairment of investments in subsidiaries and intercompany receivables.

In performing the impairment reviews, the Company assesses the recoverable amount of its operating assets principally with reference to value in use, assessed using discounted cash flow models. These models are subject to estimation uncertainty and there is judgement in determining the assumptions that are considered to be reasonable and consistent with those that would be applied by market participants as outlined below.

The Company assesses at each reporting date whether there are any indicators that its assets and groups of cash generating units (CGUs) may be impaired. Operating and economic assumptions, which could affect the valuation of assets using discounted cash flows, are updated regularly as part of the Company's planning and forecasting processes. Judgement is therefore required to determine whether the updates represent significant changes in the service potential of an asset or CGU, and are therefore indicators of impairment or impairment reversal. The judgement also takes into account the Low & Bonar Group's long-term economic forecasts, market consensus and sensitivity analysis of the discounted cash flow models used to value the Company's asset.

The impairment tests undertaken with respect to investments and intercompany receivables use commercial judgement and key assumptions and estimates including the discount rate, the long-term growth rate and the cash flow projections to be used. Estimating a value in use amount requires management to make an estimate of the future expected cash flows from each group of cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

2020 ANNUAL REPORT FREUDENBERG GROUP

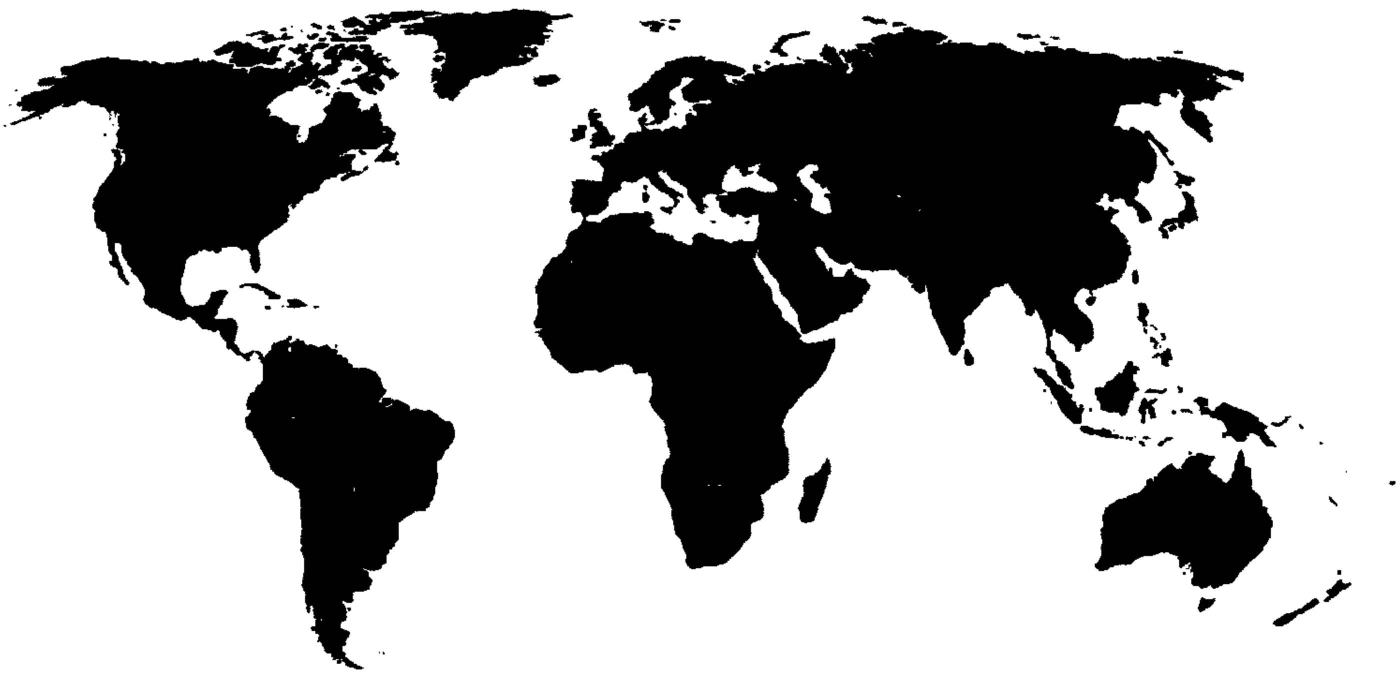
FREUDENBERG
INNOVATING TOGETHER

The Freudenberg Group stands for technology and innovation. Together with customers and research partners, Freudenberg employees develop leading-edge technologies, products, solutions and services. The innovative strength of Freudenberg has many facets. Having pioneered innovation throughout its history – from chrome tanning and the development of the Simmerring to sophisticated and high-tech medical devices – the company is an innovation champion. For Freudenberg, striving together for solutions that support global sustainability is both motivation as well as the concept for success. It enables the Group to provide its customers with solutions and answers to tomorrow's questions, today. The company slogan "Innovating Together" embodies the Group's identity. This Annual Report brings you many examples of what makes Freudenberg so unique and different.

HIGHLIGHTS

[€ million]	2016	2017	2018	2019	2020
Sales					
Germany	1,269	1,557	1,641	1,477	1,378
EU (excluding Germany)	2,094	2,434	2,448	2,445	2,133
Other European countries	314	441	429	412	605
North America	2,093	2,502	2,434	2,526	2,259
South/Central America	281	326	285	284	194
Asia	1,700	1,907	2,016	2,115	2,073
Africa/Australia	149	179	202	209	199
					8,841
Consolidated profit	1,087	700	602	611	366
Cash flow from operating activities	945	929	828	957	1,139
Cash flow from investing activities	-1,510	-612	-581	-601	-241
Balance sheet total	10,224	10,194	10,239	11,355	11,855
Equity	4,603	4,835	5,312	5,820	5,696
Equity ratio	45 %	47 %	52 %	51 %	48 %
Workforce (as at Dec. 31)	46,266	47,653	49,137	48,851	47,777
Workforce (annual average)	40,951	47,657	48,894	49,108	47,909

LOCATIONS WORLDWIDE



The Freudenberg Group is active in some 60 countries with some 48,000 employees.

2020 FREUDENBERG ANNUAL REPORT

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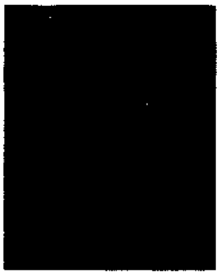
COMPANY BOARDS

SUPERVISORY BOARD










1st row from left:
Wentzler, Kurz, Freudenberg, Freudenberg-Beetz, Haas-Wittmüß

2nd row from left:
Kairisto, Pott, Purvis, Schildhauer, Schücking

3rd row from left:
Thielen, Towfigh, Zeschky

Martin Wentzler, Großhesselohe
Chairman of the Supervisory Board of Freudenberg SE, Attorney

Professor Dr. Dieter Kurz, Lindau
Deputy Chairman of the Supervisory Board of Freudenberg SE,
Chairman of the Shareholder Council of the Carl Zeiss Foundation

Martin Freudenberg, Heidelberg
Managing Director of Jumag Dampferzeuger GmbH

Dr. Maria Freudenberg-Beetz, Weinheim
Biologist

Martin Haas-Wittmüß, Dreieich
Vice President of KION GROUP AG

Essimari Kairisto, Korschenbroich
Member of the Supervisory Board of Applus+ Services S.A., Fortum Oyj, TenneT Holding B.V.

Dr. Richard Pott, Leverkusen
Chairman of the Supervisory Board of Covestro AG

David M. Purvis, Kansas City, Missouri, USA
Former Executive Vice President and CTO of Solectron Corp.

Walter Schildhauer, Stuttgart
Managing Partner of speedwave GmbH

Dr. Christoph Schücking, Frankfurt am Main
Attorney and Notary Public

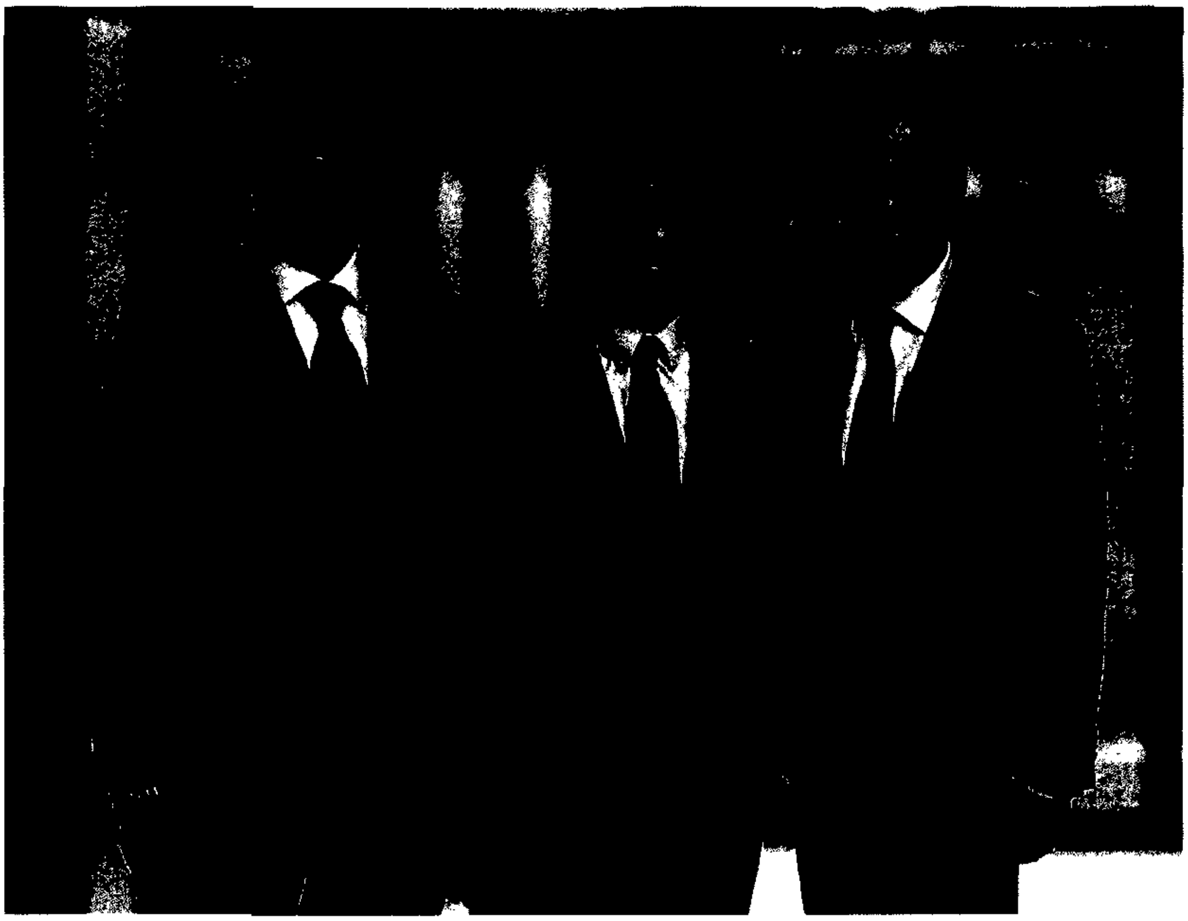
Mathias Thielen, Zürich, Switzerland
Managing Director of Credit Suisse AG

Professor Dr. Emanuel V. Towfigh, Bad Soden
Professor and Dean of Law School, EBS Universität für Wirtschaft und Recht

Dr. Jürgen Zeschky, Zug, Switzerland
CEO and Chairman of the Executive Board of HOERBIGER Holding AG

As at December 31, 2020

BOARD OF MANAGEMENT



From left: Krauch, Sohi and Krieger

Dr. Mohsen Sohi,
Frankfurt am Main
Chief Executive Officer

Dr. Tilman Krauch,
Heidelberg
Member of the Board of Management, CTO

Dr. Ralf Krieger,
St. Leon-Rot
Member of the Board of Management, CFO

As at December 31, 2020

EXECUTIVE COUNCIL

Members	Business Groups
Claus Möhlenkamp (CEO)	Freudenberg Sealing Technologies
Dr. Andreas Raps (CEO)	EagleBurgmann
Frank Müller (CEO)	Vibracoustic
Dr. Frank Heislitz (CEO)	Freudenberg Performance Materials
Karin Overbeck (CEO)	Freudenberg Home and Cleaning Solutions
Hanno D. Wentzler (CEO), Filip Krulis	Freudenberg Chemical Specialities
and the Board of Management	

Membership of the above-mentioned seven senior executives in the Executive Council takes stronger account of the perspectives of the Business Groups with regard to overarching issues.

As at December 31, 2020

MANAGEMENT OF THE BUSINESS GROUPS

Management	Business Groups
Claus Möhlenkamp (CEO and Member of the Executive Council), Dr. Theodore Duclos (CTO), Ludger Neuwinger-Heimes (CFO)	Freudenberg Sealing Technologies
Jason Kollatschny (CEO), Bozidar Grcevic (CFO)	**Freudenberg Oil & Gas Technologies**
Dr. Andreas Raps (CEO and Member of the Executive Council), Dr. Sebastian Weiss (CFO), Dr. Kai Ziegler (CTO)	EagleBurgmann
Frank Müller (CEO and Member of the Executive Council), Marco Altherr (CFO), Dr. Jörg Böcking (CTO)	**Vibracoustic**
Dr. Frank Heislitz (CEO and Member of the Executive Council), Thomas Herr (CFO), John McNabb (CTO), Dr. Alexander Rozmán (Chief Integration Officer)	Freudenberg Performance Materials
Dr. Andreas Kreuter (CEO), Frank Reuther (CFO), Dr. Jörg Sievert (COO)	**Freudenberg Filtration Technologies**
Satoshi Kawamura (CEO), Yasuhiro Esaki (COO), Yukiyasu Izuta (CFO), Atsushi Shimoda (CTO)	Japan Vilene Company
Karin Overbeck (CEO and Member of the Executive Council), Dr. Arman Barimani (CTO), Kerstin Borrs (CFO)	**Freudenberg Home and Cleaning Solutions**
Hanno D. Wentzler (CEO and Member of the Executive Council), Dr. Jörg Matthias Großmann (CFO)	Freudenberg Chemical Specialities
Dr. Max Gisbert Kley (CEO), Kurt Ziminski (CFO)	**Freudenberg Medical**

As at December 31, 2020

REPORT OF THE SUPERVISORY BOARD

Martin Wentzler (Chairman)

The COVID-19 pandemic brought swift and sweeping change throughout the world. In the year under review, it also had an immense impact on the Freudenberg Group and its employees, our customers and, of course, business development. Measures to protect all employees worldwide were taken quickly. Corporate management was adapted to the constantly-changing situation and conditions all over the world. The Supervisory Board was closely involved in these processes, and received constant updates on developments from the Board of Management. There was intensive coordination between the Chief Executive Officer and the Chairman of the Supervisory Board. In addition, the Supervisory Board advised the Board of Management on the management of the Group, and oversaw and monitored the conduct of business. Furthermore, the Chairman of the Supervisory Board, the Chairman of the Audit Committee and the Board member responsible for Finance exchanged information on a regular basis.

The Supervisory Board held seven meetings in 2020. One was a hybrid face-to-face/online event, all the others were held solely as video conferences. The markets, sales and earnings development, the financial situation and the Group's risk management were analyzed and discussed at all the meetings.

In addition, the Supervisory Board consulted on the Freudenberg Group's latest sustainability project. This project defines Freudenberg's positioning with regard to the challenges and opportunities of climate change based on the Group-wide sustainability strategy. Freudenberg's ambition under this project is to achieve a 25 percent reduction in CO_2 emissions by 2025.

A further topic was the expansion of activities in the battery and fuel cell business. Another item on the agenda was the results of the Group-wide "Guiding Principles and Engagement Survey". Overall, the results are very encouraging and are for the most part higher than those of the last survey conducted in 2017.

Furthermore, the Supervisory Board dealt in depth with acquisitions and their integration in the Group. Examples include the following: Freudenberg Performance Materials acquired the Filc Group, Škofja Loka, Slovenia, in December 2019. Filc is a producer of needle punch nonwoven textiles and laminated materials. Klüber Lubrication München SE & Co. KG (part of Freudenberg Chemical Specialities), Munich, Germany, acquired Traxit International GmbH, Schwelm, Germany, in January 2020. The company is one of the largest wire drawing lubricant producers in the world. In addition, Freudenberg Performance Materials acquired 100 percent of the shares in Low & Bonar PLC, London, United Kingdom (now Low & Bonar Limited, Edinburgh, United Kingdom), a global manufacturer of technical textiles, in May 2020.

The Audit Committee met four times in the year under review. The first two meetings focused on the annual financial statements and the consolidated financial statements as at December 31, 2019, and the reports concerning these annual financial statements prepared by the auditor. The auditor also presented its evaluation of the standard internal controls applied by Freudenberg. Other issues addressed by the Audit Committee included the Group's risk management and the work of the Ethics Office. The newly-appointed auditor PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Germany, explained its concept for auditing the annual financial statements and the consolidated annual financial statements for the Freudenberg Group for 2020. Corporate Audit reported on the status and outcomes of internal audits at each meeting of the Audit Committee. The Audit Committee reported to each plenary session of the Supervisory Board on issues addressed by the Audit Committee and the key outcomes of its consultations.

The Personnel Committee met four times in 2020. It consulted on matters such as leadership development, the talent management process, and succession planning in key bodies of the Freudenberg Group.

The Innovation and Technology Committee met twice. The topics addressed were digital solutions and technology developments in various Business Groups as well as the strategic realignment of the Committee.

The annual financial statements, the consolidated financial statements compiled pursuant to IFRS, the consolidated management report for Freudenberg SE and the Group as well as the dependent company report 2020 for Freudenberg SE were audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, Germany, and were approved without reservation. The members of the Supervisory Board were provided with the documentation for the annual financial statements and the audit reports in due time. The Supervisory Board approved the consolidated financial statements and the combined management report of Freudenberg SE and the Group as well as the annual financial statements of Freudenberg SE and, following examination, concurred with the auditor's findings. The annual financial statements of Freudenberg SE as at December 31, 2020 are therefore adopted. The report drafted by the Freudenberg SE Board of Management in compliance with Section 312 AktG (German Stock Corporation Act) regarding relations with affiliated companies (dependent company report) was audited by the auditor who issued the following opinion:

"Pursuant to Section 313 AktG, we have been engaged to audit the report of the Board of Management on relations with affiliated companies for the financial year from January 1 to December 31, 2020 prepared in accordance with the provisions of Section 312 AktG. Based on the results of our audit, the dependent company report does not give rise to any reservations. In accordance with Section 313 (3) 3rd sentence, we have therefore issued the following opinion:

Based on our audit and assessment, which were carried out in accordance with professional standards, we confirm that:

1. The factual statements made in the report are correct,
2. The payments made by the company in connection with legal transactions detailed in the report were not unreasonably high,
3. There are no circumstances in favor of a significantly different assessment than that made by the Board of Management in regard to the measures listed in the report."

The Supervisory Board examined and approved the report on relations with affiliated companies and took note of the auditor's report. The examination of the report on relations with affiliated companies by the Supervisory Board did not result in any objections to the concluding statement by the Board of Management in the dependent company report.

Dr. Maria Freudenberg-Beetz, Prof. Dr. Emanuel Towfigh and Martin Wentzler were reelected to the Supervisory Board of Freudenberg SE for a further term of four years. Dr. Jürgen Zeschky was elected to the Supervisory Board as a new member, also for a term of four years.

The Supervisory Board thanks the Business Group managing bodies and the Board of Management for their swift and prudent actions during the COVID-19 pandemic. Special thanks go to all Freudenberg employees for their outstanding personal commitment, their discipline in observing the hygiene and conduct rules, and for their creativity in finding the best possible solutions during this exceptionally challenging year.

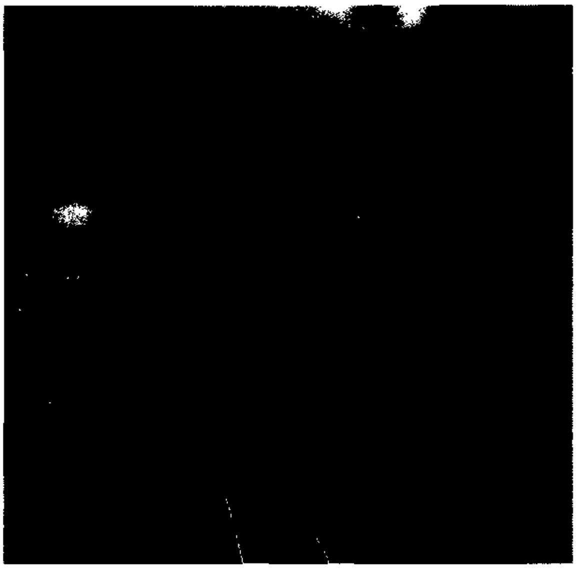
Weinheim, March 19, 2021
For the Supervisory Board

Martin Wentzler

Martin Wentzler
Chairman

BOARD OF MANAGEMENT FOREWORD

The outbreak of the COVID-19 pandemic had profound economic, political, social, and commercial effects. The impact on the Freudenberg Group's business performance was also significant with a dramatic decline in sales in April and May. Thereafter, in the course of 2020, the situation continually improved. In the year under review, alongside the swift and prudent action of our leadership, the commitment and flexibility of our nearly 48,000 employees enabled us to manage the crisis comparatively well.
Despite difficult circumstances and specific tasks arising from the pandemic, in 2020 we worked hard to position the Group for the future, particularly in the three key topics of the 2018 to 2020 Strategic Period: Mobility, Digitalization and Sustainability. As an innovative technology group, we also maintained our research and development activities at the same high level as in the previous years.



Dr. Mohsen Sohi (CEO)

Business performance figures

Overall, **sales** of €8,840.8 million were significantly below the previous year's figure of €9,467.8 million. This figure includes negative exchange rate effects of minus €263.7 million and was primarily due to the exchange rate development of the Mexican peso, the Brazilian real and the US dollar. Acquisitions contributed some €314.2 million in sales in the year under review. This was offset by divestment effects totaling some €73.3 million.

In addition to sales, **operating result** is a key indicator of our financial performance. Our business generated a profit of €669.9 million. This is well below the previous year's high level of €820.0 million and is equivalent to a return on sales of 7.6 percent. Reasons for the decline include the measures to contain the COVID-19 pandemic, the transformation in mobility and weaker demand in the automotive industry.

In 2020, despite considerable savings, we also invested in future growth. **Investments** in **research and development** amounted to €446.3 million (previous year: €480.9 million). This represents 5.0 percent of sales (previous year: 5.1 percent). In the year under review, we also established new sites, including Freudenberg Medical's new corporate headquarters in Beverly, Massachusetts, USA, and the Freudenberg Performance Materials facility in Nantong, China.

Freudenberg measures the effectiveness of research and development activities in the share of new products (those younger than four years) as a percentage of total sales. This now stands at 34.1 percent (previous year: 34.7 percent).

Consolidated profit totaled €366.1 million (previous year: €610.6 million).

Our **equity ratio** as of the reporting date was 48.0 percent (previous year: 51.3 percent). **Liquid funds** at year end totaled €2,021.4 million (previous year: €1,117.3 million).

The **rating agency** Moody's Deutschland GmbH, Frankfurt am Main, gave Freudenberg SE an "A3" rating with a stable outlook, as in the previous year. This is equivalent to an excellent single-A rating.

8,840.8	669.9	47,777
Sales € million	Operating profit € million	Freudenberg employees

Managing the crisis

In the year under review, two issues had absolute priority for the Freudenberg Group: Our aims were to successfully steer the company through the crisis and ensure the health of our employees in the workplace.

Alongside the relevant regulatory requirements, our conduct, health, and hygiene rules apply to all Freudenberg employees. We quickly provided facemasks to our employees – initially with the support of the Japan Vilene Company and later with the help of our Chinese sites, until we were able to scale up facemask production in Kaiserslautern, Germany, and in Durham, USA.

Many of our sites were either partially or completely closed in the year under review, due to government regulations or a lack of demand from the automotive or apparel industries, for example. Our Business Groups reacted swiftly to the situation and aligned the management of their companies with the constantly changing global circumstances. Throughout the Group, Freudenberg applied strict cost management. We also adopted a cautious approach to investment, and continue to do so, without jeopardizing future growth.

Strategy

The financial year-end also marked the completion of our 2018 to 2020 Strategic Period. We accomplished many of our goals, the pandemic slowed some of our activities and accelerated others. The last Strategic Period focused on three Group-wide topics: Mobility, Digitalization and Sustainability.

In the **mobility** market segment, we continued to expand our electric and fuel cell drive expertise. This applies particularly to sophisticated battery components, but also to those for fuel cells where we offer all the key components. In addition, we developed a special fuel cell system for heavy-duty trucks, creating a low-emission alternative to the commercially available heavy-duty diesel truck.

COVID-19 has accelerated the Group's **digital positioning**. This applies, above all, to our cooperation and communication measures, but also to production processes. We have made considerable progress and are focusing on services that provide added value to our customers, as well as those that significantly increase our efficiency.

We offer a wide range of applications that achieve these goals: a specific example are the new "EB Smart Product" solutions from EagleBurgmann. The Business Group offers its customers the ability to digitally monitor mechanical seal operating parameters, visualize their performance and use a web-based solution to store the relevant data. The technology is wireless and can be integrated into existing plant minimizing the potential for seal malfunction. Further selected Freudenberg Group innovations can be found on page 48 in the "Research and Development" chapter.

Sustainability at Freudenberg focuses on energy and material efficiency to reduce CO_2 emissions. The issue has two dimensions at the Group: One dimension is the design of processes and use of equipment to conserve resources (Footprint). The second dimension is the numerous Freudenberg products and solutions that make our customers' production more efficient and sustainable or allow products to be manufactured with greater resource efficiency (Handprint). Group-wide key performance indicators have been established for material efficiency, energy efficiency and the reduction of CO_2 emissions. Examples of successful sustainability projects can be found on pages 22 to 25 in the "Responsibility for Society" chapter. In the UN Global Compact Progress Report starting on page 14, we show the measures that Freudenberg has taken to implement the Global Compact principles in the past year, and which make a contribution to achievement of the UN Sustainable Development Goals.

Climate change is the major challenge of our time. Building on our sustainability strategy, we have therefore launched our far-reaching "Sustainability drives Climate Action" project. The project's goal is to develop a Freudenberg positioning on the challenges and opportunities of climate change. We aim to reduce our CO_2 emissions by 25 percent by 2025 and will use this target to measure our success. We will also outline the opportunities and costs of achieving carbon neutrality for Freudenberg.

Furthermore, in the year under review, all Business Groups submitted their plans for the 2021 to 2023 Strategic Period. The plans were discussed in detail before approval by the Supervisory Board in January 2021. The focus here is on so-called strategic business units that have developed their own very detailed strategies tailored to the relevant customer, market, and technology environments. The topics of mobility, digitalization, and sustainability, based on megatrends and changing customer behavior, continue to be key for the entire Freudenberg Group.

The strategic planning process is based on the Freudenberg Group's vision: In the medium term, Freudenberg strives to be one of the most innovative, diversified and globally active technology groups. All Group businesses should achieve a leading position in their respective market segments and develop forward-looking and sustainable solutions for better global living conditions.

Freudenberg uses two different planning cycles. The first extends over three years and is very precise. The second is a more long-term planning cycle focusing on the next 10 to 15 years.

In addition, as part of the future project "Odyssey" in 2015, the company took a look at the world in 2050 and asked itself what impact the assumed changes might have on its business. In 2020, the follow-up project "Janus" was launched to review the previous findings against the backdrop of the most recent political and economic developments. The goal is to identify new growth and business opportunities.

Portfolio development

The Freudenberg Group has continued to strengthen and expand its portfolio through acquisitions. Examples include:

In May 2020, Freudenberg Performance Materials acquired 100 percent of the shares in the nonwoven manufacturer, Low & Bonar PLC, London, United Kingdom, (now Low & Bonar Limited, Edinburgh, United Kingdom). Freudenberg Performance Materials had already purchased the Filc Group, Škofja Loka, Slovenia, in late December 2019. Filc manufactures needle-punched nonwovens and laminated materials. With Filc and Low & Bonar, the Business Group now has almost 50 percent more employees than in 2019. In the year under review, good progress was made with the integration of both acquisitions despite the COVID-19-related restrictions.

Furthermore, in January 2020, Klüber Lubrication München SE & Co. KG (part of Freudenberg Chemical Specialities), Munich, Germany, acquired Traxit International GmbH, Schwelm, Germany. The company is one of the world's largest wire drawing lubricant manufacturers and has been supplying the wire industry with a complete range of lubricants for all applications for some 140 years.

Efficiency and excellence expanded

In the year under review, we continued to work on our "Operational Excellence", making our processes, services, and products better, more efficient, and safer across all areas. One outstanding example is the Group-wide HR project, "PEOPLE+": The HR IT system, implemented in May 2020, has enabled the Group to improve transparency and to become more efficient with standardized HR processes. For the first time, we have a single common system that covers everything from HR master data and processes to talent management and compensation for the entire Group.

For a manufacturer, Freudenberg has first class **occupational safety**. The LDIFR value (accidents with at least one day of work lost per one million hours worked) was 1.5 in the year under review (previous year: 1.4).

Giving back to society

In the year under review, Freudenberg once again demonstrated that it provides support where help is needed. To alleviate the impact of the COVID-19 pandemic for the world's poorest, the Freudenberg Group responded immediately and has so far donated €2.25 million in food and masks for people in need to more than 100 aid organizations close to Freudenberg's sites worldwide.

Furthermore, in 2020, many Group companies, sites and employees around the world volunteered in small initiatives and complex projects. All activities are tailored to local requirements and, in general, Freudenberg employees engage in volunteering locally.

Outlook

In the 2021 financial year, we expect the macroeconomic environment to remain challenging. Following a significant weakening of the global economy in 2020, chiefly due to the spread of COVID-19, economic growth is expected to pick up in 2021. However, pre-crisis levels will not be achieved for several years. The economic and geopolitical variables for 2021 are considerable. A major cause of uncertainty is the future development of the COVID-19 pandemic, and its impact on the global economy and the Freudenberg Group's markets, particularly the automotive industry. Against this backdrop, we are planning cautiously for the coming year and anticipate a modest recovery in business performance on the markets relevant to the Freudenberg Group.

At the same time, we also intend to continue investing in long-term projects. The transformation in mobility, digitalization and sustainable solutions will remain key strategic topics for us. We continue to selectively and systematically expand our portfolio, strengthening it through acquisitions with promising technologies.

Thanks to employees and customers

2020 was one of the toughest years in Freudenberg's 171-year history and no-one can predict the course of the pandemic in 2021. We have navigated the crisis well so far, better than most comparable companies. Our control mechanisms are good, and we mostly have experienced managers who worked together during the 2008/2009 financial crisis. Building on this experience, our Business Groups could quickly take the right decisions.

Above all, however, we would like to thank our employees. Their commitment and dedication to Freudenberg – also when industry-benchmarked – is extremely high. Our employees admirably demonstrated their engagement in a Group-wide employee survey in the year under review, as well as with their performance in 2020.

We also wish to express appreciation to all our customers and business partners for their confidence in the company, and for the excellent cooperation in enormously challenging circumstances. Your success is our success.

Weinheim, March 19, 2021
For the Board of Management

Dr. Mohsen Sohi
CEO

LEADING TECHNOLOGY GROUP

As a leading technology group, excellence at Freudenberg means setting high standards in technology, innovation and quality.

Freudenberg is a global technology group that strengthens its customers and society long-term through forward-looking innovations. Working with customers and the world of science, Freudenberg employees develop leading-edge technologies, products, solutions and services.

They are experts in their fields and use their knowhow to develop excellent solutions for some 40 market segments and thousands of applications – seals, vibration control technology components, technical textiles, filters, cleaning technologies and products, specialty chemicals and medical technology devices.

Innovation is a common thread running through Freudenberg's history – from chrome tanning to Simmerrings and sophisticated, high-technology medical devices. Throughout the world, Freudenberg Group products and services make a valuable contribution to customer success – often invisible, but always essential and fully in keeping with the company's positioning "Freudenberg is a values-based technology group that best serves its customers and society".

The collaborative search for environmentally and socially sustainable solutions is both Freudenberg's motivation and the basis for the company's success. "Innovating Together" is put into practice across Business Groups and regional sites around the world.

Freudenberg employees act and think like entrepreneurs, show initiative and are willing to take on responsibility. They work in diverse teams on international projects to develop solutions that are both innovative and forward-looking.

Innovation, strong customer orientation and close cooperation, as well as diversity and team spirit are the cornerstones of the Group. The company holds strong to core values it has been putting into practice for 170 years: a commitment to excellence, reliability and pro-active, responsible action.

RESPONSIBILITY FOR SOCIETY
(UN GLOBAL COMPACT PROGRESS REPORT)

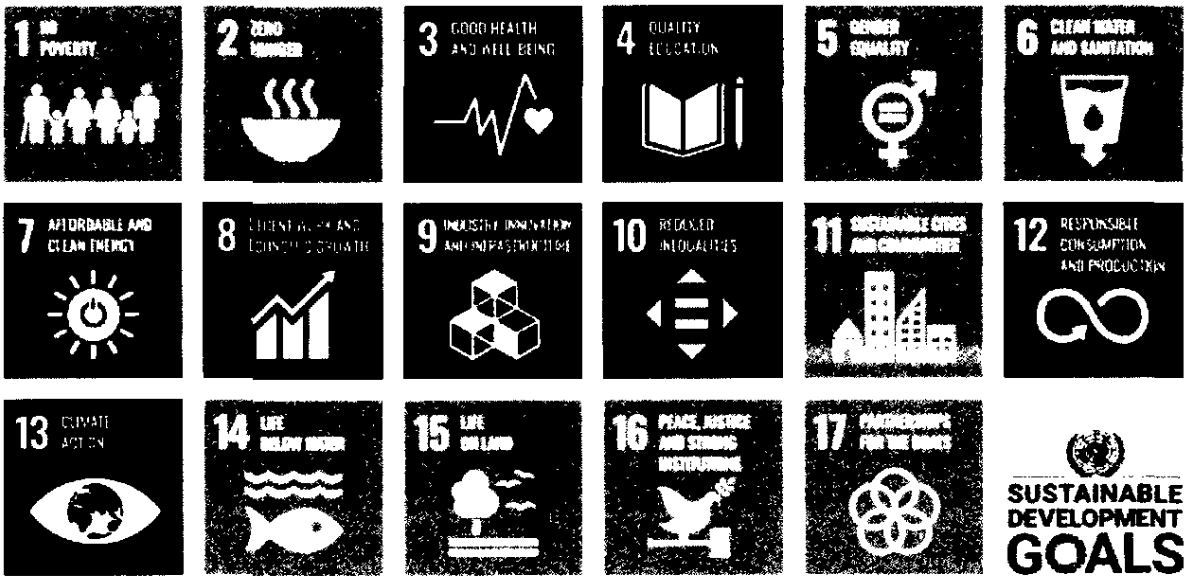
As a family-owned, values-based technology group, success for Freudenberg is financial success as well as fulfilling the company's responsibility for society. The two goals have been inextricably linked since the company's founding.

- Freudenberg Values & Principles
- Areas relevant to "Responsibility"
- Processes and initiatives along the value chain (based on the UN Global Compact)
- Initiatives that extend beyond the value chain

At Freudenberg, "Responsibility for Society" encompasses five areas: Sustainability, Health, Safety and Environmental Protection, Corporate Citizenship, Compliance and Human Rights & Labor. All five areas are firmly anchored in Freudenberg's Values and Principles and are closely interlinked.

Values have always been important in Freudenberg's partnerships with customers, businesses, neighbors and in taking care of the environment. Freudenberg employees pledge to uphold an internal Code of Conduct, take part in Freudenberg's "We all take care" initiative to improve environmental protection, health and occupational safety, and develop innovative, sustainable solutions to improve quality of life around the globe.

In 2014, the company signed the United Nations Global Compact to communicate its actions to customers, neighbors, potential employees and institutions. The principles that underlie the Global Compact are inscribed in the Freudenberg Group's Guiding Principles with different wording. The ten principles focus on four areas: human rights, labor standards, environmental protection and anti-corruption.



The Global Compact goes hand in hand with the Sustainable Development Goals. Launched by the United Nations in 2016, they have become a widely-accepted framework to which ever more companies and individuals are committed and use to publicly position themselves. In 2019, Freudenberg also analyzed to which of the 17 goals and their 169 subgoals the company had made a significant contribution. After extensive quantitative and qualitative analysis, the company identified and prioritized eight goals (see graphic above).

On the following pages, you can read more about the measures the company took over the past year to implement the Global Compact Principles and which contributed to achievement of the Sustainable Development Goals.

"We all take care" Group-wide initiative

Since launching in 2002, the internal "We all take care" initiative has encouraged employees around the world to make their work and workplace safer, healthier and more environmentally friendly, to volunteer in social projects and help improve safety at the company.

The initiative stands for putting corporate values into practice – across country borders, hierarchies and Business Groups. Each employee is encouraged to contribute their ideas and suggestions for improvements. The Group-wide intranet, the "Freudenberg Portal", provides employees with information about successful projects, which they can access to help accelerate the improvement process. Development of the initiative continues at Corporate Health, Safety, Security, and Environment meetings with the involvement of senior management and relevant Business Group managers. To date, more than 3,800 projects have been submitted.

Each year, Freudenberg honors employees who have successfully taken part in the initiative with the "We all take care" award. In the year under review, the award could not be presented in-person to the finalists, as in previous years, due to restrictions arising from the COVID-19 pandemic. For the first time, therefore, the event was held as a hybrid meeting. While jury members were present in-person at the required distance in the conference room in Weinheim, all the finalists attended via video.

This year, 13 projects from all over the Freudenberg world made it into the finals. They had previously been nominated as winners in their Business Groups and the five individual "We all take care" Groups. A total of 234 projects were submitted.

We all take care!

1st place: "W(e)arehouse project", Freudenberg Home and Cleaning Solutions

The Freudenberg Home and Cleaning Solutions project team from Monselice, Italy, succeeded in achieving first place in the "We all take care" award with its "W(e)arehouse" project.

Over a period of one and a half years, a 40-strong project team implemented numerous safety measures including a reorganization of the warehouse and a reduction in forklift and truck traffic. For example, a raw material shuttle now regularly supplies materials to specific production areas which reduces downtime. Suppliers and logistics companies are able to access an IT system enabling them to schedule ahead and reserve a time for loading or unloading, further minimizing the risks associated with traffic.

A customized fleet management system and new forklift trucks also reduce the risk of accidents. Wireless internet allows the deployment of smart devices for loading and unloading. The Business Group invested more than 140,000 euros and realized annual savings of 220,000 euros.

2nd place: Optimized packaging and warehouse processes, Freudenberg Oil & Gas Technologies

Well-designed packaging and processes not only save time and material, but also company and customer costs – clear benefits that speak for a close examination of shipping processes. The project team in Stavanger, Norway, therefore reviewed its packaging and warehouse processes and was delighted to win second place with its project in the "We all take care" awards.

In partnership with customers and based on orders placed over the past five years, the team developed new cardboard packaging designed to hold a fixed number of 10, 15, 20 or 50 units. Since implementing the new packaging, the number of individual shipments has been reduced and there are fewer purchase orders, freight bills and invoices leading to a reduction in labor and lower costs.

However, the new packaging boxes made of 20 percent recycled cardboard provide another significant advantage: In the future, seals will no longer need to be heat-sealed in plastic foil which, with less packaging waste, provides a further cost benefit and is a major plus for the environment.

3rd place: Crisis simulation at Freudenberg Home and Cleaning Solutions

The project team in Norrköping, Sweden, simulated a full-scale worst-case crisis at its site and critically examined its own crisis routines. The simulation included a chemical spill and fire with resulting injury to several employees. In its response to a total of 60 individual events, the crisis team focused on communication, maintenance and containment.

The outcome: The site gained valuable experience with which to optimize existing crisis routines, winning the team third place in the "We all take care" awards. In the future, a second, smaller crisis team will replace the core team in Norrköping and crises will be documented by several people.

In addition, crisis communication and the crisis management team will work together from the same room to improve the coordination process. Chemical descriptions are now also more easily accessible.

Dr. Tilman Krauch (left), Freudenberg Group CTO, presents the "We all take care" award on behalf of Dr. Arman Barimani, Freudenberg Home and Cleaning Solutions CTO. Due to the Corona pandemic, finalist teams were unable to travel to Weinheim in the year under review.

SUSTAINABILITY

Product and process sustainability have always been part of the responsibility that Freudenberg takes for the environment and society. In 2016, Freudenberg developed a Group-wide Sustainability Strategy, which was presented as a framework to all the Business Groups in 2017. Sustainability was also adopted as a systematic component of the strategic process. In late 2019, Freudenberg launched a wide-ranging project, in which the Group outlines its positioning on the challenges and opportunities of climate change.

Sustainability is part of Freudenberg's "Responsibility for Society" and has always been anchored in the Group's Values and Principles. In line with the Brundtland Report definition from the UN World Commission on Environment and Development, Freudenberg has defined sustainability as **"resource and energy efficiency"**. The aim is to safeguard resources to preserve them for future generations.

Sustainability has two dimensions at the Group: One dimension is how the company designs processes and uses equipment to conserve resources **(Footprint)**. The second dimension is the numerous Freudenberg products and solutions that make our customer's production more efficient and sustainable or allow products to be manufactured with greater resource efficiency **(Handprint)**. Freudenberg contributes to greater sustainability around the world by minimizing its Footprint and maximizing its Handprint. Handprint and Footprint are both concerned with resource and energy efficiency and thus always involve technology. Examples of successful Freudenberg Business Group sustainability projects can be found on pages **22 to 25**.

The five topics: materials, waste, energy, emissions and water have the greatest relevance to the Group as a whole, whereby not all topics are of equal importance to all Business Groups. For example, particularly where manufacturing is based in water-scarce regions such as India, water is barely used in some Business Groups, while playing a major role in others. The picture is also inconsistent when it comes to materials. Many materials are suitable for recycling, yet others, such as elastomers (rubber), are unsuitable.

The three most important areas of activity for all Business Groups are: **Energy efficiency, CO_2 emissions and waste**. Group-wide key performance indicators have been introduced for these areas, which have since led to transparency about improvements, and also support the advancement of sustainability at Freudenberg. You will find Key Performance Figures on page **21**.

Materials
Material efficiency
Recycled, renewable and replacement materials
End-of-Life-(EOL) handling of products

Emissions
Air pollution/ Emissions

Waste
Waste handling

Water
Water pollution
Water consumption

Energy
Energy efficiency
Renewable energy

SUSTAINABILITY DRIVES CLIMATE ACTION

Freudenberg's positioning on the challenges and opportunities of climate change

In late 2019, Freudenberg launched a far-reaching project called: Sustainability drives Climate Action. The project's goal is to develop a Freudenberg Group positioning on the challenges and opportunities of climate change. As part of the project, the Freudenberg Group emphasizes two aims: First, Freudenberg intends to reduce Group-wide CO_2 emissions by 25 percent by 2025 in relation to relative CO_2 indicators. Second, the opportunities and costs of climate neutrality for Freudenberg are to be identified in 2021.

To achieve these aims, Freudenberg is pursuing a four-stage strategy. The first priority is to reduce energy consumption. The second step is to electrify the remaining energy needs wherever possible. The third step involves improving the Group's energy footprint with the purchase of green energy. In a fourth step, Freudenberg is focusing on offsetting CO_2 emissions.

An interdisciplinary project team has been assigned the task of addressing issues such as energy efficiency, process technologies, procurement and renewable energy generation as well as energy-efficient building design.

A comparative analysis of customer and competitor sustainability programs and their positioning on CO_2 neutrality has also been conducted. In addition, extensive discussions about specific approaches to carbon neutrality were held with Bosch. Based on these discussions, Bosch then conducted several energy efficiency analyses at Freudenberg sites in Germany and the USA, which, alongside internal energy efficiency pilot projects, form the basis of project "Bee."

The goal of project Bee, which stands for "Be energy efficient" is to reveal further energy efficiency potential at the Freudenberg Group's global sites, identify and implement measures – and make a contribution to protecting the climate. Despite Corona-related restrictions, an analysis of the pilot phase was completed in 2020: At the sites in Durham, USA, (Freudenberg Performance Materials), Morganfield, USA, (Vibracoustic), Weinheim, Germany, (Freudenberg Performance Materials) and Oberwihl, Germany, (Freudenberg Sealing Technologies), Freudenberg's energy experts, together with site process experts, identified energy-saving potentials and CO_2 reductions of up to 50 percent.

In late 2020, the project entered its second phase with experience gained from the four pilots. The goal now is to transfer the findings to other Business Group sites.

Additional working groups in the "Sustainability drives Climate Action" project are tasked with issues such as reporting, key performance indicators and public funding, and are reviewing the scope of Freudenberg's investment guidelines.

The positioning project's goals and the above-mentioned aims will be taken into account in the upcoming 2021 to 2023 Strategic Period, in order to create added value for the environment, society and the Freudenberg Group.

Freudenberg is focusing primarily on energy expenditure and CO_2 emissions from either self-generated or purchased energy. These proportions are referred to as Scope 1 and Scope 2 emissions in the context of internationally recognized definitions (Greenhouse Gas Protocol).

AIMS

1.

Measures to reduce CO_2 emissions by 25 percent by 2025.

2.

Identification in 2021 of the opportunities and costs of carbon neutrality for Freudenberg.

Group-wide sustainability performance indicators

On this page you will find the **eight** Group-wide sustainability key performance indicators. The 2020 values form the **basis for the Freudenberg Group's aim** to reduce CO_2 emissions by 25 percent by 2025. This is why we are publishing 2020 figures only, even though Freudenberg has been collecting certain key performance indicators Group-wide for many years.

CO_2 EMISSIONS

770
(total in 1000 t)

87.1
(in tons/ million euros in sales)

WASTE

12.9
(in tons/ million euros in sales)

ENERGY USE

851
(direct in GWh)

1,459
(indirect in GWh)

2,310
(total in GWh)

20%
(Share of renewable energies in total electricity consumption)

0.26
(Energy efficiency in kWh/euro sales)

EXAMPLES OF SUCCESSFUL SUSTAINABILITY PROJECTS:

The Freudenberg Group's constant quest for increased sustainability strengthens innovation. At the same time, innovations make more sustainable processes and products possible. Innovation and sustainability are closely linked and drive each other. By exerting a direct positive impact on the Footprint and Handprint, innovations can contribute to sustainability.

Selected **Footprint examples** are listed on this two-page spread; selected **Handprint examples** can be found on the following two-page spread.

Footprint

The pursuit of sustainable production processes is an important part of Freudenberg's DNA and is firmly anchored in the principles of the values-based technology group. Topics such as energy and material efficiency, the sustainable use of resources and waste reduction are key to minimizing the company's Footprint. Freudenberg contributes to taking responsibility for society through continuous improvement in these areas.

ENERGY/EMISSIONS

The more efficient use of energy helps to protect the climate and improves the balance sheet

The aim of the "Be energy efficient" or "Bee" project is to identify potential for greater energy efficiency and lower CO_2 emissions at the Freudenberg Group's 200 global production sites. In the year under review, a pilot project was conducted at the Freudenberg Sealing Technologies site in Oberwihl, Germany. Experts examined the production technology, processes and the building infrastructure including the heating system, and proposed investments in energy-saving servo-hydraulic machine-drives or an even more stringent waste heat recovery system. The more efficient use of energy has two benefits: It helps to protect the climate and has a positive impact on the balance sheet.

One of the pilot projects, "Be energy efficient" was conducted in Oberwihl in the year under review.

Materials
Material efficiency
Recycled, renewable and replacement materials
End-of-Life-(EOL) handling of products

Waste
Waste handling

Energy
Energy efficiency
Renewable energy

Emissions
Air pollution/ Emissions

Water
Water pollution
Water consumption

ENERGY/EMISSIONS

Green electricity for sustainable production
Electricity use currently accounts for roughly 80 percent of the Freudenberg Group's CO_2 emissions, which is equivalent to some 595,000 tons each year. The systematic transition to green electricity therefore has enormous potential for increased climate protection. According to the suppliers' electricity mix, some 20 percent of the electricity used throughout the Group currently comes from renewable sources. In the year under review, the "Purchase Green Energy" project was launched in order to further increase this percentage. The project is part of the overarching "Sustainability drives Climate Action" project that outlines Freudenberg's positioning on climate protection. Read more on page 20.

ENERGY/MATERIALS

New environmentally friendly surface treatment
Freudenberg Oil & Gas Technologies' seals function under enormous pressure and intense heat. To meet such extreme demands, seals need to be elastic, while also remaining rigid. In 2020, the materials experts from Freudenberg Oil & Gas Technologies, introduced a new surface treatment and bonding process which ensures that the materials from which a seal is manufactured – a rigid high-performance thermoplastic and a specialty elastomer – provide improved adhesion. Using a wet chemical process to prepare the surface and improve adhesion is not only more environmentally friendly, but also improves seal functionality.

WASTE

Reduction of material waste in damper ring production
Since 2020, the Vibracoustic plant in Neuenburg, Germany, has used a narrow strip forming and laser welding technology system from Freudenberg Sealing Technologies to manufacture a new damper ring. Despite the relatively large outer diameter of the sheet metal ring of roughly 200 millimeters, the bending, welding and forming process makes high precision manufacture possible. Compared with conventional deep drawing, the process reduces sheet metal waste by up to 72 percent while also meeting high quality requirements.

WATER

Wastewater treatment conserves resources
Water is a key component in many industrial processes, for example, in the cooling process. However, in many countries, it is classified as environmentally harmful following its use. At its site in Barueri, Brazil, Klüber Lubrication, a Freudenberg Chemical Specialities company, treats the wastewater from industrial processes and in future will return it to the production cycle to clean boilers for example. This means that an annual 1,400 cubic meters of wastewater will be reused, helping to conserve this valuable resource.

EXAMPLES OF SUCCESSFUL SUSTAINABILITY PROJECTS:

Handprint

Responsibility for society also means that Freudenberg helps its customers to become more sustainable. Increased sustainability is achieved with innovative products and services which in turn help to improve our customers' efficiency. Maximizing the Handprint also has a positive impact on our customers' quality of life while making an improved contribution to sustainability in various areas outside of Freudenberg.

Selected **Handprint examples** are listed on this two-page spread, selected **Footprint examples** can be found on the previous two-page spread.

MATERIALS/WASTE

Biodegradable padding protects against the cold
Comfortemp® Tencel padding from Freudenberg Performance Materials remains unique on the market. The high-performance thermal insulation for sport and outdoor apparel is the first biodegradable padding made from sustainably produced cellulose fiber that degrades in the soil in just under 60 days. Once the garment has reached the end of its useful life, microorganisms found in the soil completely degrade the padding after roughly 60 days without polluting the soil. This eliminates waste and helps to protect the environment.

Freudenberg Performance Materials' biodegradable padding delivers high-performance without a footprint.

Materials
Material efficiency
Recycled, renewable and replacement materials
End-of-Life-(EOL) handling of products

Waste
Waste handling

Energy
Energy efficiency
Renewable energy

Emissions
Air pollution/ Emissions

Water
Water pollution
Water consumption

WASTE

Environmentally friendly protection with molded fibers made from recycled paper
Several years ago, Freudenberg Home and Cleaning Solutions began to systematically replace expanded polystyrene with molded fibers made from recycled paper in the packaging of its consumer electrical appliances. Today, the environmentally friendly alternative to the difficult-to-recycle plastic already protects many electronic household appliances. The molded fibers are a key component in the packaging of each new product, such as the Vileda JetClean floor cleaner, which was launched on the market in 2020. The packaging of this product alone allows the company to replace an annual 10,000 cubic meters of expanded polystyrene with an environmentally friendly and recyclable material.

EMISSIONS

Zero emissions in gas extraction
A mechanical seal from the Freudenberg Group Business Group, EagleBurgmann, reduces greenhouse gas and methane emissions to zero during natural gas extraction and transportation. A calculation demonstrates that the deployment of CobaDGS zero-emission seals to seal global natural gas pipelines could prevent the escape of an annual 750,000 tons of methane gas. An amount that is as harmful to the climate as 63 million tons of CO_2.

WATER/WASTE

Clean water – clean deal
Drinking water direct from the tap: In many parts of the world, drinking water straight from the tap is unthinkable. Freudenberg Filtration Technologies in China makes it possible. Whether for the sink, the bathtub or the shower – Freudenberg Apollo Filtration Technologies uses innovative purifying technology to provide the highest quality of water for the home, keeping people healthy and conserving resources, at the same time as removing the need for disposable plastic bottled water.

ENERGY/ EMISSIONS/ MATERIALS

Mobility solutions for greater distances and improved energy efficiency
Freudenberg supplies innovative technological solutions for all drivetrains. In the battery segment, the company offers components for lithium-ion powered vehicles and nickel-metal hybrid batteries. In close partnership with its customers, the Freudenberg Business Group, Japan Vilene Company, has continuously improved its products for nickel-metal hybrid batteries. Ongoing optimization of the existing portfolio and the development of new solutions enables the Japan Vilene Company experts to play a part in extending vehicle range while also improving energy efficiency.

OCCUPATIONAL HEALTH AND SAFETY ENVIRONMENTAL PROTECTION

Freudenberg's HSE (Health, Safety and Environment) Guideline includes the HSE principles and defines the Freudenberg Group's values and principles for HSE. The overarching goals are avoiding accidents, preventive health protection and continuously reducing the negative impact of its business on the environment.

Freudenberg is committed to its employees' wellbeing and their personal development. Occupational safety and health are supported and put into practice at all levels within Freudenberg. Health protection, occupational safety and environmental protection are a component of all processes.

This approach has enabled the Freudenberg Group to reduce and maintain the number of accidents to a low level relative to industry benchmarks. Existing measures are strengthened and enhanced with innovative continuous improvement approaches. Success in occupational safety serves as a benchmark for other areas in which Freudenberg also aims to continuously improve. In addition to reducing negative environmental effects, this also includes health protection.

In 2020, health-relevant advice and information were in considerable demand. The Freudenberg Safe Work COVID-19 Guideline provides practical support to Freudenberg sites in dealing with the pandemic. Practical examples from various Freudenberg sites on topics such as cleaning and disinfection procedures or employee training were made available on the Freudenberg Portal. At the same time, health promotion and prevention activities were also made available to employees. Demand was high for support in dealing with uncertainty, anxiety or new forms of *working such as remote working or management* from a distance.

The safety of our employees in the workplace has top priority. In addition, an annual HSE week is held in which all Freudenberg Group sites are called on to implement HSE initiatives that go beyond daily routines. In 2020, the focus was placed on preventive measures and behavior protocols to protect against COVID-19. Workshops were held on the topic of "Safety Culture", which also included safety culture self assessments.

Internal and external audit processes and standard HSE assessments at all Business Groups sites monitor the implementation of internal standards and programs to improve occupational safety, health and environmental protection, as well as fire prevention. The findings from such audits are systematically evaluated and remediation measures implemented within the respective Business Groups and across the Group.

Management systems

The roll-out of management systems for occupational health and safety (OHSAS 18001 and conversion to ISO 45001) and environmental protection (ISO 14001) continued in the 2020 year under review.

Many sites are implementing DIN EN ISO 50001-compliant management systems to reduce energy consumption and thus limit the environmental impact of industrial activities. The Freudenberg Sealing Technologies, Freudenberg Performance Materials, Freudenberg Filtration Technologies, EagleBurgmann, Vibracoustic and Freudenberg Home and Cleaning Solutions Business Groups established the relevant management systems at their German production sites. Other production sites at EagleBurgmann in Austria, Freudenberg Home and Cleaning Solutions in Sweden and Freudenberg Performance Materials in France followed the same example.

Investments

The proportion of direct investment in environmental protection, occupational health and safety as part of the overall investment in tangible assets, intangible *assets and investment properties was 6.1 percent* (previous year: 6.2 percent).

Environmental Protection

Freudenberg feels obligated to protect the environment and takes responsibility to ensure that its actions are as environmentally friendly as possible.

The goal is to continually reduce the company's negative impact along the entire value chain, by using resources more efficiently, reducing emissions, saving energy, water and other materials while optimizing transportation processes.

A project team from Freudenberg Oil & Gas Technologies in Stavanger, Norway, examined its packaging and warehouse processes. Boxes made from 20 percent recycled cardboard are now used to replace plastic outer packaging, thereby eliminating plastic packaging waste. The team was delighted to win second place in the Freudenberg "We all take care" initiative.

Freudenberg uses a variety of raw materials and processes in production. The materials and processes vary in their impact on occupational safety and the environment. The goal is to continually minimize physical hazards at a site and their environmental impact.

In the case of hazardous substances or substances that are under discussion as a result of legislation such as GHS (UN "Globally Harmonized System"), CLP (EU Regulation "Classification, Labelling and Packaging of Substances and Mixtures") and REACh (EU Regulation "European Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals"), alternatives or substitutes are proactively sought in advance of any statutory regulations while preventing any impact on production with possible substance bans. In addition, many products are developed in phased processes to ensure that the use of hazardous chemicals and the environmental impact of a new product is lower than its predecessor.

Incidents

In 2020, the Freudenberg Group had 38 environmental and crisis management incidents (previous year: 25 incidents).

The most significant incident was a major fire at a Freudenberg Performance Materials site in Hückelhoven, Germany. The incident occurred during the cleaning of containers using a solvent. A static discharge probably caused a flash fire which then led to a major fire.

In addition, small fires occurred at a Klüber Lubrication site in Dottignies, Belgium and a Freudenberg Performance Materials site in Macon, USA.

At the Freudenberg-NOK Sealing Technologies site in Midland, USA, severe flooding resulted in an operational shutdown and at Freudenberg sites in Mexico, an earthquake led to several shutdowns.

The majority of environmental and crisis management incidents, however, were attributable to false alarms at the German sites of EagleBurgmann, Freudenberg Performance Materials, Freudenberg Sealing Technologies, SurTec and Vibracoustic.

In the year under review, the COVID-19 pandemic had the most significant impact on global business activities and Freudenberg sites.

Resource consumption

In 2020, Freudenberg used 2.3 million megawatt hours of energy (previous year: 2.3 million megawatt hours). The energy usage was primarily distributed among the following sources:

- Third-party supplies (electricity, steam and district heating, which were produced external to the Freudenberg site; 1.46 million megawatt hours)
- Gas (0.82 million megawatt hours)
- Heating oil (0.03 million megawatt hours)
- Renewable energy produced in-house (79 megawatt hours)

The 2.3 million megawatt hours generated costs totaling roughly 159 million euros. Energy costs made up 1.8 percent of overall revenue (previous year: 1.8 percent).

Contaminated sites

Provisions for contaminated sites fell by 14 percent relative to the previous year.

The renovation of the former Freudenberg Sealing Technologies site in Pinerolo, Italy, continued, as did ongoing groundwater monitoring programs at Klüber Lubrication in São Paulo, Brazil and Freudenberg Sealing Technologies in Montrond, France, among others.

Official monitoring requirements were implemented at the Weinheim site and at Freudenberg Sealing Technologies in Bristol, USA.

Preventive healthcare

In the year under review, the ongoing COVID-19 pandemic restricted daily business life and changed the way in which we work. During the year, it was therefore particularly important to increase communication of the support that Freudenberg already provides to its employees. Furthermore, additional health-related activities and offerings were designed to provide employees with optimum assistance and information – whether in the office or at home. As a result, nutrition-related health activities, which were originally planned for 2020, were postponed. Instead, contact points, information and health-related offerings were adapted to the current situation and communicated via newsletters or webinars.

In the year under review, the Freudenberg-wide "We all take care" awards were presented for the first time in the form of a hybrid event. Both the jury meetings and the award ceremony took place remotely. The winning project in the "Occupational Health Management" group was dedicated to holistic health and the communication of health-related aspects.

Occupational Safety

Freudenberg's internal reporting uses the LDIFR (Lost Day Incident Frequency Rate) benchmark. The figure serves as a non-financial key performance indicator for the Freudenberg Group. All workplace incidents with at least one day of work lost per one million hours worked are measured. The LDIFR value was 1.5 in the year under review (previous year: 1.4).

The total number of incidents resulting in more than one day's absence in the year under review was 148 (previous year: 149). There were three serious accidents in 2020 (previous year: seven).

In occupational safety, the focus was on measures aimed at raising employee awareness of safe conduct as well as the design of safe working systems. The Freudenberg Home and Cleaning Solutions project team from Monselice, Italy, won first place in the "We all take care" award with its "W(e)arehouse" project. A 40-strong interdisciplinary project team implemented numerous safety measures over a period of around one and a half years. The measures include a warehousing restructure and a reduction in the volume of traffic from forklifts and trucks, with both making a significant contribution to lowering accident risks at the site.

In 2020, the internal Safety Boost initiative was also conducted. The initiative strengthens and creates a focus for occupational safety activities, allowing hazardous situations, workplace accidents, environmental events and high-risk fires to be examined and reported throughout Freudenberg. In 2020, the focus was on safety culture and particularly the use of tools for its evaluation and improvement. As an example, a "train-the-trainer" concept was devised and used to roll out relevant training courses in the Business Groups.

Occupational health and safety have top priority at Freudenberg.

CORPORATE CITIZENSHIP

Corporate Citizenship has always been integral to Freudenberg and practiced both inside and outside the company. The Group strives to be a good corporate citizen and good neighbor in all the countries, states and communities we call home. Corporate Citizenship at Freudenberg goes beyond the value chain – as seen in the hundreds of projects near our sites.

In 2020, many Group companies, sites and employees around the world volunteered in small initiatives and complex projects. All activities are tailored to local requirements and, in general, Freudenberg employees also volunteer locally.

Global program for education and environmental protection

Since the founding of the company, Freudenberg has been actively involved in the community. With the launch of the "e²" (education and environment) initiative, Corporate Citizenship has been expanded worldwide since 2015. The initiative's goal is to provide people with access to education and employment, and support environmental protection. The initiative complements existing individual initiatives that meet an established list of criteria. Freudenberg has already made available a total of 14 million euros.

In the year under review, Freudenberg once again demonstrated that it provides support where help is needed. In order to alleviate the impact of the COVID-19 pandemic for the world's poorest people, Freudenberg responded immediately and provided two million euros from the "e²" budget as early as spring 2020, which was increased by a further 250,000 euros in the fourth quarter of 2020. Freudenberg donated 1.5 million euros of this amount for food and some 750,000 euros for masks to more than one hundred aid organizations close to Freudenberg's sites.

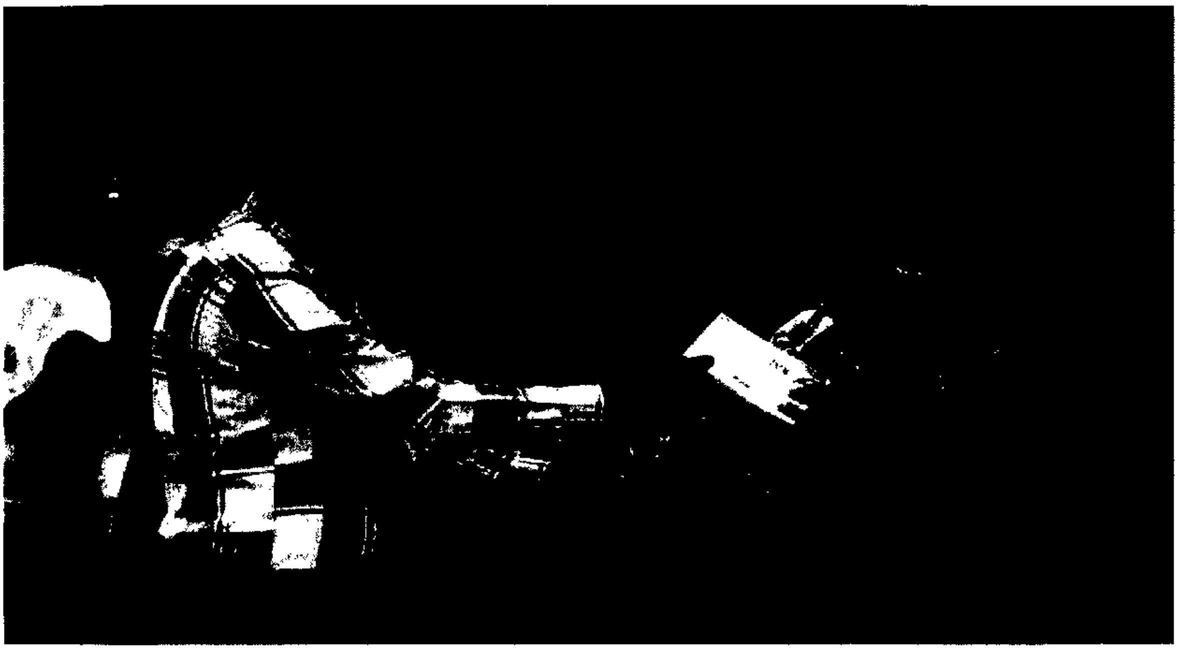
Since July, roughly three million masks have been donated to organizations worldwide. Employees at Freudenberg sites had previously assessed and identified which organizations, such as schools, student unions, senior citizens' homes, volunteer fire departments and many other charitable organizations – particularly in socially disadvantaged regions, needed the masks for those in need. Non-profit organizations and their partners can thus meet their facemask requirements and many people have had the opportunity to protect themselves and others from the virus using high-quality masks for the first time.

Company-wide initiative for refugees

The Freudenberg Group is donating 2.6 million euros as part of a company-wide initiative to help integrate refugees. By late 2016, the company had helped over 70 different initiatives in Germany and in crisis-plagued regions supporting children and young people, and teaching language skills.

Now, refugees need long-term prospects and apprenticeships. As donations are used to secure the funding, refugee traineeships can be created in addition to regular traineeships.

In 2017, the first refugees started their traineeships at Freudenberg. In the year under review, six further refugees started their traineeships.



Freudenberg masks were also distributed to people in need in India.

The following examples illustrate the long-term orientation of local aid projects at the Freudenberg Group:

Training center in India

Since 2009, Freudenberg has offered young people in a non-profit training center in Nagapattinam, India in the province of Tamil Nadu south of Chennai the opportunity to qualify as electricians, welders, plumbers, motor mechanics, and machinists in dual training programs. So far, more than 700 young people have had a successful start to their careers. Most have found a job in the large, well-known organizations in and around Chennai. The Nagapattinam region is poor, populated mainly by farmers and fishers, and suffered immensely from the 2004 Tsunami.

School project in China

In May 2008, an earthquake devastated the village of Haijin in Szechuan Province, China. Freudenberg helped rebuild an elementary school that reopened in 2009. The building has enough space for 300 students to start their education. Every year, Freudenberg employees visit the elementary school and organize various activities such as the summer school project, tutoring and a Christmas party.

"Service Day" in North America

For the seventh time, "Service Day" was held at Freudenberg sites in North America. Once again, the event demonstrated how keen employees are to volunteer. Even though this year's event differed from previous years due to the COVID-19 pandemic, one aspect remained constant: the spirit of contributing to a common goal and helping the community. In many respects, Service Day was expanded into a service week, with a number of sites organizing donations, ranging from food to school supplies and monetary donations. Service Day always takes place on the third Friday in September. More than 60 Freudenberg sites regularly take part in a wide range of social responsibility activities.

Despite the COVID-19 pandemic, "Service Day" was held in North America for the seventh time.

Civic Engagement Week

In the year under review, many Freudenberg employees were also involved in civic engagement activities in the vicinity of the company's sites in Germany. One example was Civic Engagement Week, which was held throughout Germany in mid-September. Many Freudenberg employees participated and, together with other volunteers, planted new trees in the Rhine-Neckar region or supported charitable projects ranging from building houses to helping refugees.

Exchange program for children of employees

In celebration of the company's 150th birthday in 1999, the youth exchange program TANNER was launched for children of employees. The goal is to expose young people to other cultures, expand their horizons and learn life lessons. Over the years, more than 1,300 young people have traveled the globe with TANNER. The young participants, their parents and the hosts all have a stronger feeling that they are part of the global Freudenberg community. In the year under review from March, the TANNER exchange trip program was discontinued due to the COVID-19 pandemic.

Freudenberg Foundation

Since 1984, the Freudenberg Foundation has been helping to bring about real, long-term change by promoting inclusion, education and democracy. As a non-profit company, the Foundation is a Partner in the Freudenberg & Co. KG. The primary focus of activities are children and young people and their social, linguistic, educational and professional integration.

COMPLIANCE

As early as 1887, when his sons joined the company, founder Carl Johann Freudenberg drafted his first business policy principles. The document forms the basis for the Freudenberg Group's 10 Business Principles with which Partners and employees identify. One principle stipulates that success must come from performance, another states that Freudenberg shall not engage in illegal or unethical business practices.

Business Principles and Guiding Principles

Supplemental Guiding Principles were derived from the Freudenberg Group's Business Principles and define the values used in conduct towards employees, business partners, stakeholders and third parties.

Compliance Structure

Freudenberg is a company where the Business Groups have general autonomy when making operational decisions. Along with the Group Holding company, the Business Groups are also generally responsible for compliance with laws and regulations. Both the Freudenberg SE Board of Management and Business Group senior managers are committed to this approach.

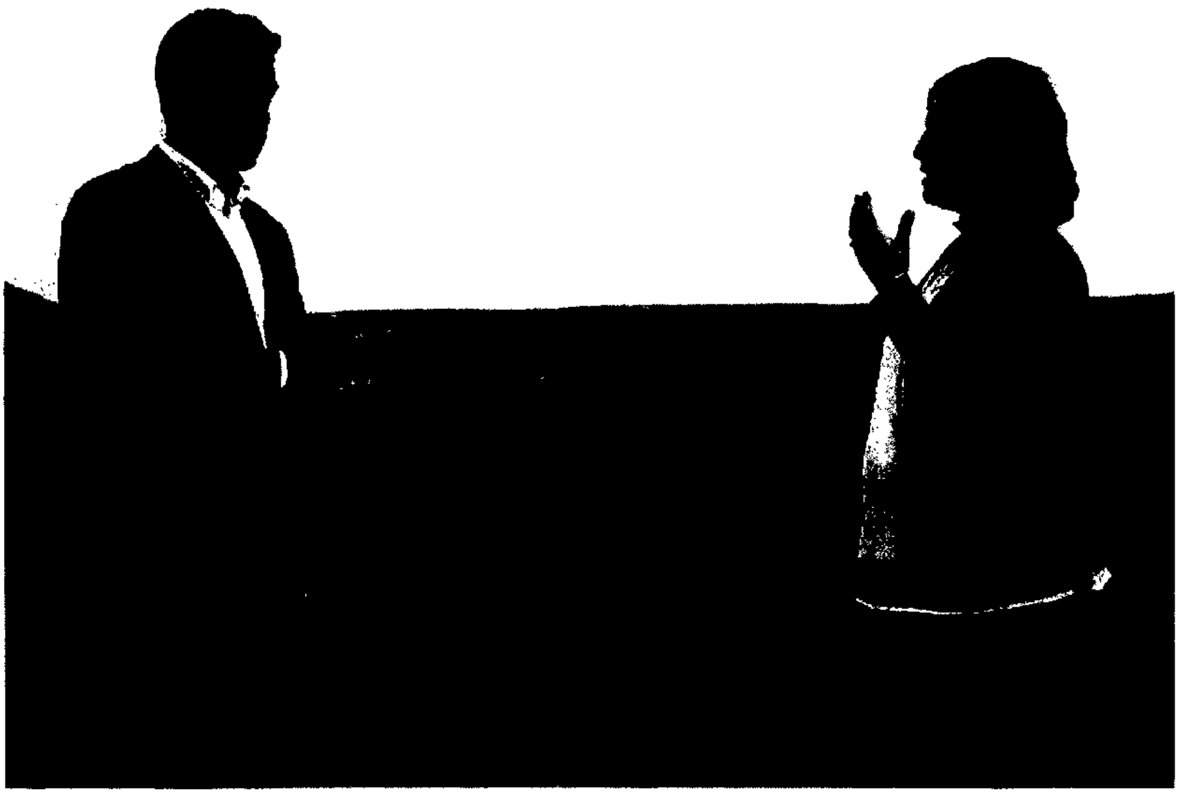
At the Holding level – and thus the duty of the Freudenberg Compliance Management Council – the focus is placed on key compliance issues which are of international and Business Group significance, and which might specifically pose a threat to Freudenberg's reputation.

Anti-corruption and cartel legislation risks have been classified as potentially dangerous due to the company's global presence and the Freudenberg Group's product and market diversity.

Freudenberg's goal is to continuously improve the compliance structure, documentation and the processes. In 2020, a function was introduced at the Holding level with particular focus on the coordination of Freudenberg-wide compliance activities. The aim is to consolidate and expand collaboration between areas established at Group level and Business Group compliance managers. Further developments will include the implementation of Freudenberg compliance standards, best practice exchange and the refinement of compliance programs.

Compliance training sessions were also held in 2020. The e-learning program represents an opportunity to train employees from defined departments and specific areas of responsibility in many individual topics.

Freudenberg provides regular employee compliance training in the form of personal meetings and e-learning sessions.



The Code of Conduct is available to all employees around the world in 26 languages, as a printed brochure and a digital document.

Code of Conduct

The Code of Conduct is derived from the Business Principles and Guiding Principles, with a focus on Responsibility. The Code of Conduct is uniform throughout the world and designed to ensure that respect for the law and responsible conduct remain a cornerstone of the way in which Freudenberg conducts its business.

The Code of Conduct is available to all employees around the world in 26 languages, as a printed brochure and a digital document. The Code has been communicated and explained to all employees. The Business Groups have made use of a wide-range of media available for communication, including presentation templates, FAQs and e-learning tools. The consistent and continuous communication clearly indicates that the Code of Conduct is binding even for new employees (as an annex to their employment agreement for example) and the need for compliance with the Code is emphasized. The global Freudenberg Code of Conduct e-learning tool is an appropriate medium with which all employees are able to learn more about the Code. The tool also enables the monitoring of participant attendance and performance and invites employees to provide feedback.

Freudenberg aims to maintain and further develop the role of the Code of Conduct as a central element of corporate culture and to extend the range of assistance and support offered to employees and their superiors. This includes regular interactions with compliance managers in the Business Groups and active cooperation with the Ethics Offices and their members.

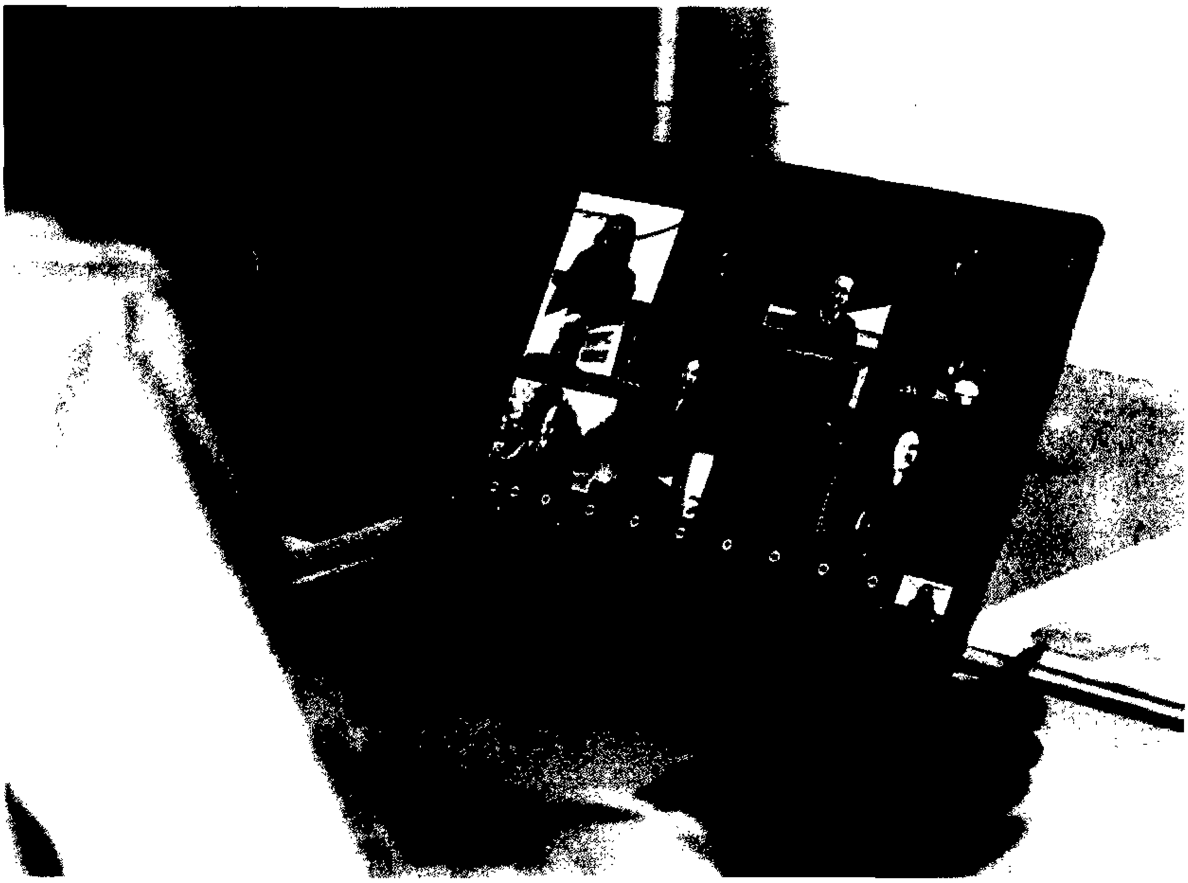
Ethics Offices

The Ethics Offices are an important part of Freudenberg's Compliance Management System. The offices provide a contact point for any employees who, for whatever reason, feel they cannot turn to their superiors, HR team or their employee representatives. The opportunity to confidentially and pro-actively report compliance violations or impending violations in a confidential environment helps to create a culture of trust and protects Freudenberg's internal Values and Principles.

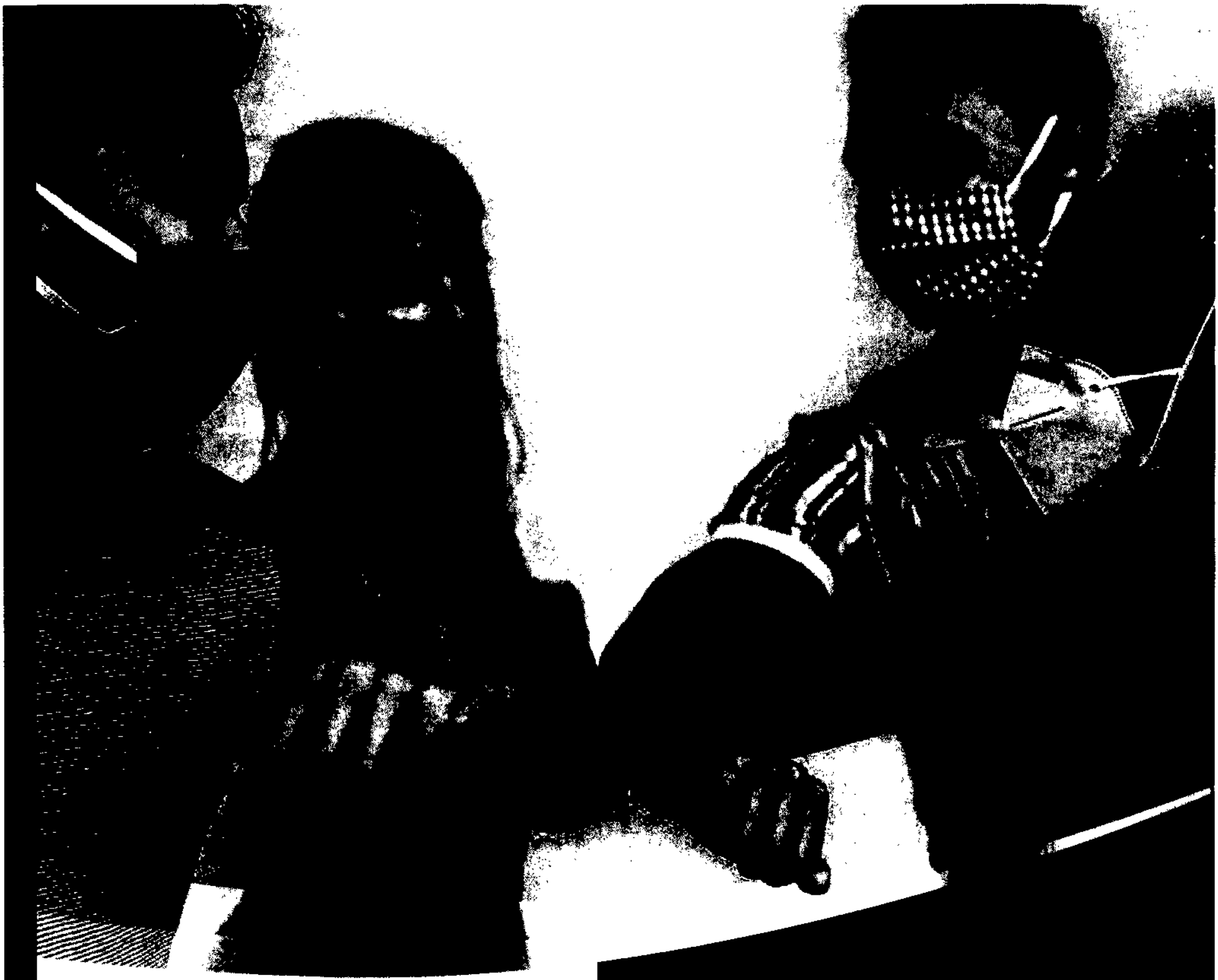
In 2020, the Corporate Ethics Office reported to the Freudenberg Compliance Management Council about its work over the past year and focused, in particular, on the identification of trends and procedures in the cases processed.

Risk Management and Corporate Audit

Fraud prevention and anti-corruption measures as well as the evaluation of their effectiveness also remained a component of risk management and the work of the Corporate Audit team. In addition to the main objective of reviewing the effectiveness of the implemented internal management control system, Corporate Audit focused on uncovering potential asset and corruption offenses, reviewing the effectiveness of countermeasures and making improvements where necessary.



Ethics Office members share information in online meetings.



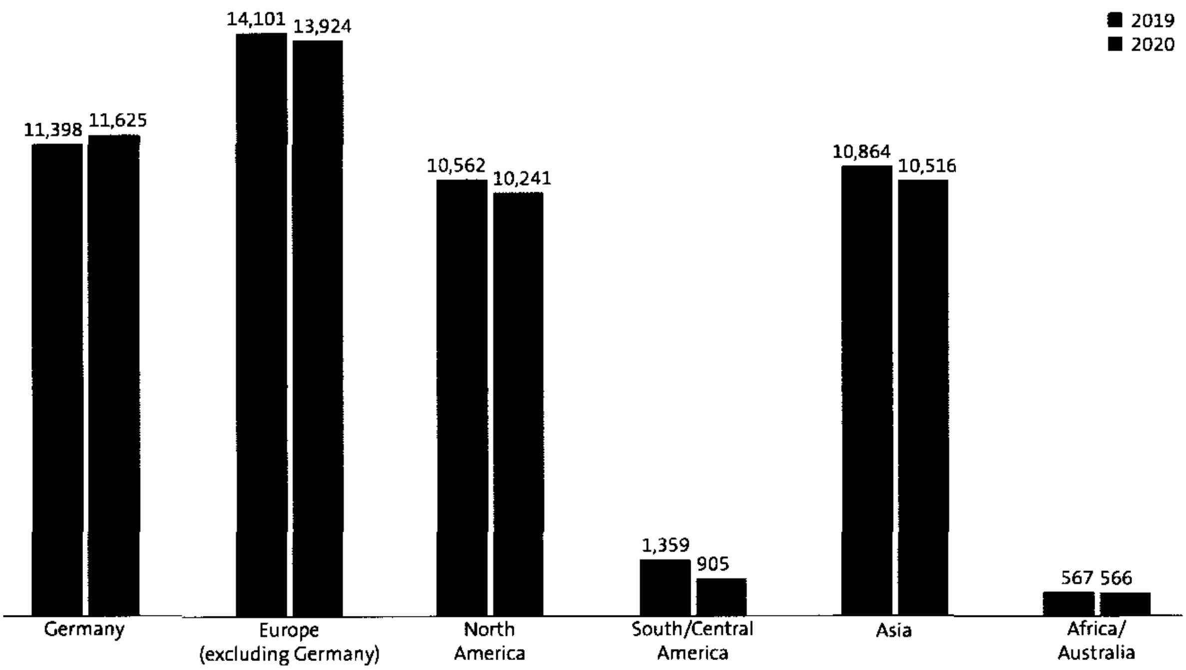
HUMAN RIGHTS & LABOR

Diverse teams drive innovation at Freudenberg. The best solutions and innovations occur when employees contribute their varied experience, knowledge and skills to a collaboration. Employees provide new ideas, generate imaginative solutions and create innovative products. Freudenberg employees all have a common foundation: entrepreneurship in their mindset and actions. This spirit unites the Group in roughly 60 countries.

Employees

As of Thursday, December 31, 2020 Freudenberg employed 47,777 employees (previous year: 48,851 employees).

FREUDENBERG GROUP EMPLOYEES BY REGION



In Germany, the employee headcount was 11,625 (previous year: 11,398), in Europe (excluding Germany) the number was 13,924 (previous year: 14,101), in North America 10,241 (previous year: 10,562), in Asia 10,516 (previous year: 10,864) and in Africa/Australia 566 (previous year: 567), in South America / Central America 905 (previous year: 1,359). You can find information about training at Freudenberg on page 43.

Corporate Principles

The Freudenberg Group Guiding Principles are Value for Customers, Leadership, Responsibility, Innovation, People and Long-Term Orientation. The principles form the basis and benchmark for everything the Group does.

A regular review of the implementation of this benchmark at the workplace is conducted in an employee survey, which was also the case in 2020. The high level of participation was very encouraging: Seventy-five percent of 48,000 employees participated in the survey. Over 81 percent of employees believe in the company's Guiding Principles and 76 percent are satisfied with the corporate culture. Seventy-nine percent are proud to work for Freudenberg, demonstrating a high degree of emotional commitment among Freudenberg employees. Particularly noteworthy was Freudenberg's responsibility to society and its high level of customer orientation.

The results form a basis for the identification of strengths and areas for improvement. Managers and employees of all Freudenberg Group units entered into an open dialog to jointly develop solutions and measures.

In Human Rights & Labor, the focus is on the principles governing People and Responsibility as they express the Freudenberg Group's fundamental interpretation of these topics. The Leadership Principles are part of the Group's Business Principles (see also page 34, Compliance).

Guiding Principle "People"

As a family company, we are devoted to our employees' well-being and personal development. We reject all forms of discrimination and harassment and show understanding and respect in our dealings with each other.

We promote a multi-cultural environment where employees work together in worldwide teams to enrich our culture and capability. We believe in the value of enduring relationships with customers, suppliers and industrial partners

Guiding Principle Responsibility

Our company and its family shareholders together are committed to protecting the environment. Our goal is to be a good corporate citizen and good neighbor in all the countries, states and communities we call home. We take all possible care to ensure the safety of the workplace and of our products.

As a family company, we strive for the highest standards of personal behavior. Fairness and integrity guide our conduct amongst ourselves, towards our business partners and the general public.

Management Principles

The Freudenberg Group has social responsibilities to all its staff, both in Germany and abroad. No one single standard can be applied here: what is needed is a flexible response attuned to the laws, customs, needs and possibilities in each individual country. Discrimination and exploitation of vulnerable people have no place in our company.

The Group's business policy requires adherence to behavioral principles with which both the partners and the staff feel able to identify:

We, too, have to hold our own against fierce competition. Success has to come from performance; we shall not agree to any business where illegal or unethical means are utilized.

Freudenberg promotes both understanding and mutual respect in its dealing with others.

We will not manufacture any products designed to harm people (e.g. weapons).

A responsible attitude to the environment and the safety of our staff are important corporate objectives, and must not be restricted to letter of-the-law compliance with the relevant statutory requirements.

Compliance with applicable laws and other regulations, as well as with the applicable Business and Guiding Principles of the Freudenberg Group and the observance of non-contradictory, supplementary in-house (e.g. Codes of conduct employee handbooks) and external local practices (together "Corporate Principles") is an indispensable condition for solid cooperation among all Group employees and is the foundation for relationships with third parties, specifically suppliers, customers and authorities. They thus form the basis for the economic success of the Group.

The Business principles are compulsory for all employees and must be actively put into practice and carried out at all levels, starting with the Management Board at Freudenberg SE, the Board of Partners, management at the Business Groups and all other leaders.

Infringements are not acceptable and may result in disciplinary action from the Board level down and include Business Group management and other superiors. This is especially true in cases of active and passive corruption, breaches of antitrust rules, violation of relevant legal environmental and technical safety and labor law rules (such as breaches of equal opportunity principles) and violations of employees' personal rights (such as personal degradation or sexual harassment).

Attractive Employer

Strengthening the employer brand

In the year under review, internal and external communication of the 2017 employer promise continued. The goal was to reach specific target groups and ensure that Freudenberg appealed to the right talented individuals in sufficient numbers in the future. In 2020, the focus was on a social media initiative in China. Employer Branding activities led to an increase in social network followers – primarily LinkedIn, WeChat and Facebook – and in visitors to the Freudenberg career website. In addition to the more externally-focused activities, employer branding community members worked in their Business Groups to strengthen the employer brand internally by holding workshops with colleagues and developing individual concepts to strengthen the employer brand.

Examples of awards

In 2020, the Freudenberg Group once again won various awards for successful human resource work. Examples include: For the ninth time in a row, the Freudenberg company, Chem-Trend of Michigan, USA, was named one of the 150 Top Employers in the Region. In the rating published by the Detroit Free Press newspaper, Freudenberg-NOK Sealing Technologies in Detroit, USA, was named "Top Work Place 2020" for the third time in succession.

Attractiveness

Freudenberg provides numerous benefits that are continuously expanded to attract new and retain existing employees. The benefits tend to vary from region to region and site to site, but on the whole are usually more generous in most cases than the minimum legal requirements in the relevant country.

As part of the Talent Management program (see Talent Management on this page) Freudenberg supports numerous continuing education programs at all hierarchical levels (see Employee Development, page 43). Freudenberg also considers maintenance of a good work-life balance as important in helping to ensure and improve employee health and well-being. As part of an occupational health management program, the Group provides the best possible medical support and sponsors numerous sport and fitness programs.

Talent Management

The goal of the talent management process is holistic and focuses on professional employee development as well as the successful identification and advancement of potential future executives. In the process, employees receive balanced and calibrated feedback from their superiors. They also discuss their next development steps with them. As part of talent management, succession candidates are systematically identified for expert and leadership functions, to ensure the long-term stability of the leadership team.

Diversity and inclusion

Diversity is anchored in the Group's Values and Principles and clearly positioned in the brand. Freudenberg is convinced that teams with people of various ages and genders and with diverse cultural backgrounds are more successful. An international working group is devising specific measures to further strengthen activities as part of an inclusive working environment, while also serving as a sounding board and multiplier. The goal of various initiatives is to create a working environment in which every person feels appreciated, respected and heard.

The balanced gender distribution is particularly noteworthy with a focus on the hiring process, early identification of female talent as well as the targeted career promotion of women in top executive positions. The trend here continues to be positive. The share of female experts and executives remained stable at 33 percent, the share of females in middle management was roughly 23 percent.

Employee development

In 2020, more than 500 employees from all regions participated in the Group-wide leadership development programs. During the year under review, Freudenberg began to expand its knowledge transfer in the virtual space. Work was carried out on new didactic formats, including in leadership development. The first pilot programs will be implemented in 2021.

In the year under review, the two very successful executive development programs that have been conducted with the INSEAD Business School for six years (the Strategic Leadership Program and the Business Leadership Program) were restructured.

Expanding the learning management system allowed Group-wide training content to be made available in all regions, such as training courses for the introduction of the new Workday HR system.

Launch of a new global employee information system.

In late May 2020, a cloud software solution for HR IT processes was launched on schedule, putting employees even more at the center of HR processes and ensuring efficient workflows. The project, "PEOPLE+", involved the introduction of global processes in the area of employee master data, talent management and compensation at all Group sites.

Vocational training at Freudenberg

In 2020, 120 young people (previous year: 124) started vocational training at Freudenberg companies in Germany. In total, 404 persons were in traineeships at Freudenberg in Germany as of December 31, 2020.
The spectrum ranges from 2-year commercial or technical traineeships to dual studies at a university of cooperative education. Neighboring companies send their young employees to Freudenberg in Weinheim for training, underlining the company's reputation for the high standard of its vocational training. The Training Center helps to ensure this quality, by providing innovative and contemporary learning concepts in a modern environment. One example is the Learning Factory 4.0, where trainees learn about company processes through production workflows, helping them gain a quicker grasp of interactions and better control of the processes using high-tech machines.

The new global employee information system has been live since May 26 – and has delighted Freudenberg employees in China.

UN-Global-Compact-Index

The UN Global Compact (UNGC) is the world's largest and most important initiative for responsible corporate leadership. Since signing in 2014, Freudenberg has voluntarily agreed to make sure its business is values-based and sustainable.

The following Global Compact Index provides an overview of the 10 principles in the Global Compact and illustrates the pages of the Annual Report where readers can find information about the progress we have made in implementing these principles.

UNGC PRINCIPLE	Content	Reference
Human Rights		15, 31, 36*, 40–42
Principle 1	Protection and compliance with international human rights	31, 36*, 40–42
Principle 2	**No violations of human rights**	**31, 36*, 40–42**
Labor standards		15, 26–29, 36*, 37, 40–43
Principle 3	Uphold the freedom of association and the right to collective bargaining	36*
Principle 4	**Elimination of all forms of forced labor**	**36***
Principle 5	Abolition of child labor	36*
Principle 6	**Elimination of discrimination**	**36*, 40, 42**
Environmental Protection		12, 15–17, 19–25, 27, 28, 31
Principle 7	**Environmental protection through care principle**	**19–25, 27, 28, 31**
Principle 8	Support for environmental awareness	16, 17, 19–25, 27, 31
Principle 9	**Development of environmentally friendly technologies**	**12, 16, 17, 19–25, 28**
Anti-corruption		34–37 (36*), 41
Principle 10	**Anti-corruption measures**	**34–37 (36*), 41**

*The parts of the Freudenberg Code of Conduct covering the relevant principles.

COMBINED MANAGEMENT REPORT

FUNDAMENTAL INFORMATION

BUSINESS MODEL

Organizational structure

The Freudenberg Group (Freudenberg) is a global technology group whose goal is to strengthen its customers and society long-term through forward-looking innovations.

At year-end 2020, the number of companies in Freudenberg totaled 501 located in 58 countries, 455 of these companies were included in the consolidation. 430 companies, including 170 sales companies and 167 production companies, were fully consolidated. The remaining companies were holding or management companies.

Together with partners, customers and the world of science, the ten Business Groups aspire to develop cutting-edge products, excellent solutions and services for some 40 market segments and for thousands of applications: Seals, vibration control components, technical textiles, filters, cleaning technologies and products, specialty chemicals, and medical products.

STRATEGIC MANAGEMENT PARENT COMPANY FREUDENBERG & CO. KOMMANDITGESELLSCHAFT

BUSINESS OPERATIONS PARENT COMPANY FREUDENBERG SE

Seals and Vibration Control Technology Business Area	Technical Textiles and Filtration Business Area	Cleaning Technologies and Products Business Area	Specialties Business Area
Business Groups	**Business Groups**	**Business Group**	**Business Groups**
Freudenberg Sealing Technologies	**Freudenberg Performance Materials**	**Freudenberg Home and Cleaning Solutions**	**Freudenberg Chemical Specialities**
Freudenberg Oil & Gas Technologies	**Freudenberg Filtration Technologies**		**Freudenberg Medical**
EagleBurgmann	**Japan Vilene Company**		
Vibracoustic			

As at December 31, 2020. For further details on Freudenberg companies, please refer to the chapter entitled "Review of Operations by Business Area".

Freudenberg builds on lasting and reliable relationships with customers and partners. The partnership with NOK Corporation, Tokyo, Japan, for example, already spans 60 years. Numerous activities in the Americas, Asia (China and India) and Europe have been jointly established during the decades-long partnership.

Freudenberg and NOK Corporation jointly hold shares in several companies. Particularly worthy of mention are Freudenberg-NOK General Partnership, Plymouth, USA, which is fully consolidated in the consolidated financial statements, as well as NOK-Freudenberg Singapore Co. Pte. Ltd., Singapore, which is disclosed at-equity as a 50:50 joint venture in the consolidated financial statements.

Further details can be found under "Investments in joint ventures" and "Investments in associated companies" in the Notes to the Consolidated Financial Statements.

Across the globe, the Freudenberg Group's products and services make a valuable contribution to the success of its customers – rarely visible, but always indispensable in the spirit of the positioning that reads **"Freudenberg is a values-based technology group that best serves its customers and society"**.

It is Freudenberg's goal to offer **customers** in the passenger car and commercial vehicle industry, mechanical and plant engineering, textile and apparel, construction, mining and heavy industry, energy, chemical, oil and gas industry, medical technology, civil aviation and rail vehicles sectors excellent technological and innovative products as well as services.

Innovation strength, strong customer orientation and close collaboration as well as diversity and team spirit are the cornerstones of the Group. Commitment to excellence, reliability and pro-active, responsible action have belonged to the company's core values ever since it was founded in 1849.

Freudenberg introduced the "Strategic Guide" **leadership concept** in 2013. Under this concept, the Board of Management concentrates on developing the Freudenberg Group strategy, approves major investments, draws up strategic guidelines, and defines strategic planning. Operational business is in the hands of independent companies whose management conducts business under their own responsibility. These individual companies in turn belong to Business Groups.

Freudenberg has two **parent companies**: Freudenberg & Co. Kommanditgesellschaft (Freudenberg & Co. KG), Weinheim, Germany, is the strategic parent company, Freudenberg SE, Weinheim, Germany, is the parent company with responsibility for managing business operations. The corporate bodies of Freudenberg & Co. KG are the Management Board, the Board of Partners and the General Meeting. The corporate bodies of Freudenberg SE are the Board of Management, the Supervisory Board and the Shareholders Meeting. The composition of the Management Board of Freudenberg & Co. KG and the Board of Management of Freudenberg SE is identical. This also applies to the Board of Partners of Freudenberg & Co. KG and the Supervisory Board of Freudenberg SE.

Freudenberg is a **family company** and is currently owned by some 350 heirs to the founding father Carl Johann Freudenberg.

Organizational changes

Acquisitions and disinvestments and discontinued operations

Klüber Lubrication München SE & Co. KG (part of Freudenberg Chemical Specialities), Munich, Germany, acquired Traxit International GmbH, Schwelm, Germany, in January 2020. The company is one of the largest wire drawing lubricant producers in the world and has been providing the wire drawing industry with a complete range of lubricants for all applications for some 140 years.

Freudenberg Performance Materials acquired 100 percent of the shares in Low & Bonar PLC, London, United Kingdom (now Low & Bonar Limited, Edinburgh, United Kingdom), a global manufacturer of technical textiles, in May 2020.

Business processes

In the year under review, Freudenberg conducted operational excellence activities in all areas with a view to making processes, services and products better, more efficient and safer. One outstanding example of these activities is the Group-wide "PEOPLE+" HR project: With the HR IT system that went live in May 2020, the Group has created greater transparency and enhanced efficiency through standardized HR processes. For the first time, processes and employee master data along with talent management and remuneration data for the entire Group are available within a single system.

Moreover, all Business Groups continued to work on responding to customer needs even more effectively and on optimizing business processes. Further details and information can be found in the chapter entitled "Review of Operations by Business Area".

RESEARCH AND DEVELOPMENT

As a global technology group Freudenberg aspires to strengthen its customers and society through forward-looking innovations. Cutting-edge products, excellent solutions and services for some 40 market segments are constantly developed further together with partners, customers and the scientific community. Three key areas in the year under review were mobility, digitalization and sustainability.

In the 2020 financial year, Freudenberg conducted research and development activities in the amount of €446.3 million (previous year: €480.9 million). This represents 5.0 percent of sales (previous year: 5.1 percent). Research and development activities also include development expenses for customer-specific development projects disclosed under cost of sales in the consolidated statement of profit or loss.

The Business Groups account for the largest share of funds for research and development activities. They cooperate closely with their customers on technology, product and service developments in their market segments. As a leading technology group and innovative partner, Freudenberg constantly strives to meet the most demanding requirements in terms of product, process and service quality.

The objective of all innovation activities is to constantly expand and refresh the portfolio of products and services. Freudenberg measures the effectiveness of research and development activities as the share of new products (products less than four years old) in total sales. This share is 34.1 percent (previous year: 34.7 percent).

Strategic innovation management

In the medium term, Freudenberg strives to be one of the most innovative, broadly diversified and globally active technology companies. Freudenberg focuses its innovation efforts in the areas of mobility, energy, digitalization, health and apparel. Freudenberg Technology Innovation supports the Business Groups. For example, the corporate function provides materials, process and simulation expertise, surface technology methods and an exchange platform for cross-sectional technologies such as tribology and electrochemistry. Freudenberg Technology Innovation also identifies new technologies and trends, establishes global innovation networks with universities, research institutes and start-ups and, together with the Business Groups, drives the advancement of Freudenberg's technology platforms and the protection of intellectual property.

Selected innovations

Vibracoustic's first proprietary electronic control unit plus software for an air spring system reached series production maturity in 2020. The air spring system providing excellent comfort and dynamic performance features innovative switchable three-chamber air springs with actively controlled shock absorbers, the electronic control unit including software and the integration of the system components into the full vehicle system. It has already gone into production at a European premium car brand.

A growing number of customers are switching to an innovative release agent from **Chem-Trend** (part of Freudenberg Chemical Specialities) for die casting parts used in the automotive industry. Based on a proprietary silicone polymer, this release agent not only achieves productivity gains and reduces downtimes, but also improves the surface quality of the parts.

Wherever a lot of computing is performed or high currents flow, large amounts of waste heat are generated. **Freudenberg Sealing Technologies** has developed a new material that combines seemingly contradictory properties: It conducts heat well but is also electrically insulating. The company is already testing initial applications for charging sockets, control units and batteries in electric cars. Freudenberg Sealing Technologies has also developed an advanced testing procedure and simulation methodology that offers performance improvements and better longevity in offshore wind energy component applications. The simulation process helps to identify optimal materials and designs for wind applications over the lifetime of a turbine.

With the new "EB Smart Product" solutions from **EagleBurgmann**, customers can digitally monitor mechanical seal operating parameters, visualize their performance and benefit from web-based data storage. The wireless technology can be integrated in existing systems and significantly reduces the risk of seal failures.

The "AlignLok HPHT" connector developed by **Freudenberg Oil & Gas Technologies** is an innovative connector based on a new patented metal-to-metal sealing technology for use in high pressure and high-temperature environments and subsea applications. The product is designed to adjust for up to 10 degrees misalignment and for pressures of up to 15,000 PSI.

SurTec (part of Freudenberg Chemical Specialities) began development of an innovative, decorative coating for products manufactured by one of the world's leading electronics and technology groups in the period under review. The material based on chromium (III) processes not only achieves the required deep black color and metallic haptic, but also complies with the customer's extremely high environmental and health standards.

The "Ranger Drug-Coated Balloon catheter" jointly developed by **Freudenberg Medical** and Boston Scientific is an innovative combination product for treating vessel occlusions in the leg area. The catheter is coated with a microcrystalline low-dose drug that guarantees high efficacity and safety and improves the patient's quality of life.

"comfortemp Tencel padding" from **Freudenberg Performance Materials** is the first fully biodegradable padding made from sustainably produced cellulose fiber that completely degrades in soil within just under 60 days. At the same time, it meets all requirements for high-performance thermal insulation for sports and outdoor clothing.

The "micronAir proTect line" cabin air filters from **Freudenberg Filtration Technologies** reduce the concentration of aerosols and thus also protect against viruses. This is achieved by a unique multi-layer design that filters noxious environmental gases as well as inorganic and biological particles and aerosols.

A new plaster from **Japan Vilene Company** adapts to the shape of the body and supports the wearer's leg movements. The material containing menthol and a carbonate gel was developed using hydro-entanglement technology, a nonwoven bonding process that employs fine jets of water at high pressure to entangle fibers.

The new "JetClean", an innovative "3-in-1 floor cleaner" from **Freudenberg Home and Cleaning Solutions** with separate water tanks for clean and dirty water removes 99 percent of bacteria on floors. The steam mop only uses water with no need for cleaning chemicals, is suitable for use on all hard floors and saves time and energy thanks to its three-in-one cleaning system – vacuuming, washing and drying.

As demand for face masks rose in 2020, the Freudenberg Business Groups began to develop various materials for protective masks. **Japan Vilene Company** launched a breathable backing material for nanofibers used in mask filters as well as an innovative skin-friendly, comfortable inner layer for masks. **Freudenberg Filtration Technologies** began production of certified medical face masks with a filter efficiency of over 98 percent. In addition, filter media for FFP2 face masks providing high-level protection against viruses were developed. In a further effort to meet increasing demand for masks, the Freudenberg Group reactivated its face mask production machinery and delivered numerous masks to Freudenberg locations in China and throughout the world.

Karl Freudenberg Prize

Each year, Freudenberg recognizes outstanding achievements in innovation by awarding the Karl Freudenberg Prize. In 2020, the €10,000 prize presented by Heidelberg Academy of Sciences and Humanities went to the American biologist Dr. Moises Exposito-Alonso for his thesis research on how plant species will evolve to keep pace with climate change. His work helped create the first genome-wide map of climate-driven pressures for a species, "Arabidopsis thaliana", which allowed predictions of genetic resilience of plants to future climate changes in Europe.

Freudenberg Technology Innovation employees working with the new atmospheric-pressure plasma jet device.

REPORT ON ECONOMIC CONDITIONS

MACROECONOMIC ENVIRONMENT

The COVID-19 pandemic plunged the global economy into recession in 2020. The necessary restrictions on contacts impacted supply and demand for goods and services. Many countries introduced financial assistance measures to mitigate the economic impact. The funds were frequently even more extensive than those available during the 2008/2009 financial crisis. This triggered an unexpectedly strong economic recovery in the 3rd quarter when the number of COVID-19 cases was contained at a low level. But this trend stalled somewhat in the final months of 2020.

There were significant national differences in the eurozone, mainly attributable to the respective measures to fight the pandemic and their success. The United Kingdom felt the effects of the protracted negotiations to leave the European Union and also of a particularly infectious mutation of the coronavirus at the end of the year. The USA largely refrained from imposing across-the-board shutdowns. As a result, the decrease in gross domestic product (GDP) was on a smaller scale than in other industrialized nations. Japan declared a state of emergency on several occasions, but did not order a hard lockdown.

China was able to contain the COVID-19 pandemic relatively swiftly and key economic indicators again returned to pre-crisis levels during the course of 2020. Growth momentum in China shored up export business in several other countries. Other large emerging economies, however, were less successful in fighting the pandemic: Brazil, Russia and India went through phases of very high infection rates and fell well behind with their progress in catching up on leading industrialized nations.

EUROPE		
Region	GDP growth 2019	GDP growth 2020
Eurozone	**1.3 %**	-7.3 %
Germany	0.6 %	-5.0 %
France	**1.5 %**	-9.2 %
Greece	1.9 %	-8.9 %
Ireland	**5.6 %**	-0.3 %
Italy	0.3 %	-9.0 %
Portugal	**2.2 %**	-8.4 %
Spain	2.0 %	-11.4 %
United Kingdom	**1.3 %**	-10.7 %

Sources: Consensus Inc., national statistical offices
GDP growth 2020 as at February 2021

WORLD REGIONS		
Region	GDP growth 2019	GDP growth 2020
Argentina	**-2.1 %**	-10.5 %
Brazil	1.1 %	-4.6 %
China	**6.1 %**	2.1 %
India	4.2 %	-8.0 %
Japan	**0.7 %**	-5.3 %
Mexico	-0.3 %	-9.0 %
Russia	**1.3 %**	-3.6 %
Taiwan	3.0 %	2.3 %
USA	**2.2 %**	-3.5 %

Sources: Consensus Inc., national statistical offices
GDP growth 2020 as at February 2021

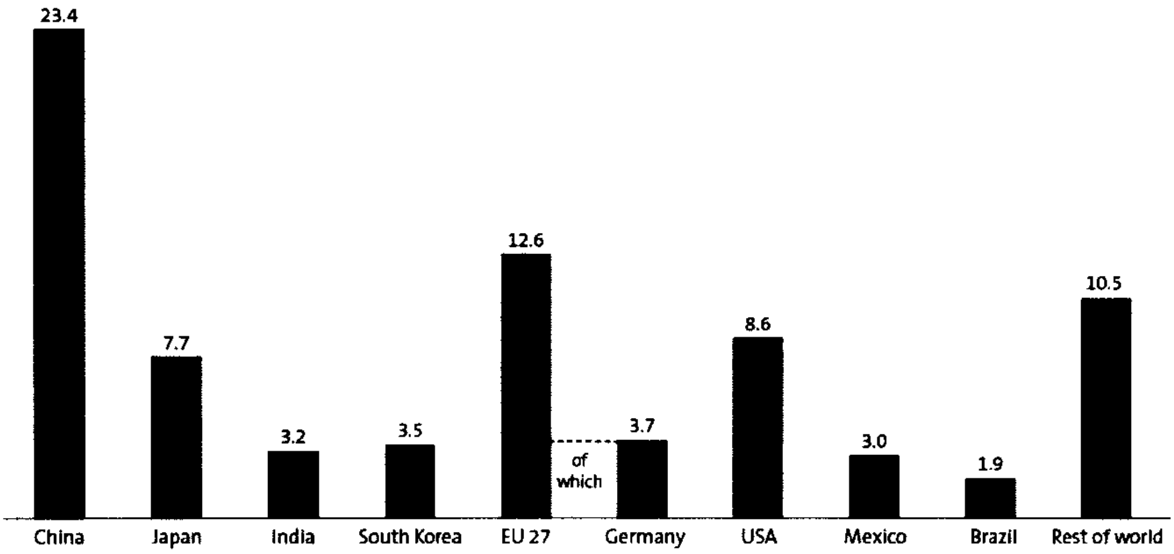
Sector-specific environment

The effect of the crisis on the Freudenberg Group's main markets varied.

Production in the global **automotive industry** plummeted by 16 percent in 2020 to a total of 74.5 million light vehicles as a result of massive production downtimes in the first corona wave and hesitant demand. Production in the EU fell by just short of minus 23 percent, with the decline at its sharpest in France, where production slumped by minus 40 percent. However, there were also substantial decreases in Germany (minus 24 percent), Spain (minus 21 percent) and Italy (minus 9 percent). The United Kingdom reported a drop of minus 28 percent. The decrease in North America was minus 20 percent, in Japan minus 16 percent. In contrast, at minus 4 percent, production in China only declined slightly compared with 2019. The other BRIC economies, on the other hand, reported above-average decreases (Brazil: minus 32 percent, Russia: minus 17 percent, India: minus 23 percent). The share of all-electric vehicles in global production in 2020 rose to 3 percent, the share of hybrid vehicles remained almost unchanged at 5 percent (Source: IHS Markit).

Production in the global **mechanical engineering** sector fell by an annual average of 6 percent in 2020. The decline in the eurozone was roughly minus 13 percent, with Germany (minus 15 percent), France (minus 13 percent) and Italy (minus 16 percent) reporting very similar rates. At minus 23 percent, the decrease was more pronounced in the United Kingdom, while the decline in the USA was more moderate at minus 8 percent. China recorded an increase of plus 5 percent despite the crisis. (Source: VDMA).

LIGHT VEHICLE DOMESTIC PRODUCTION
2020 production in million units (74.5 million units worldwide)



Source: IHS, February 2021

The **textile and apparel industry** was particularly hard hit by the pandemic because it cut demand for new apparel significantly. Nevertheless, world market leader China still reported a slight increase in production of just about 1 percent in 2020. Other countries, however, reported mostly double-digit decreases. The downturn in the USA was minus 10 percent, in Japan minus 13 percent and in the EU minus 20 percent. (Source: national statistical offices).

The picture in the **construction industry** in 2020 was even more mixed than in previous years. While construction activity increased in the USA (plus 4 percent), China (plus 4 percent) and Germany (plus 2 percent), it dipped significantly in France (minus 15 percent), Spain (minus 12 percent), United Kingdom (minus 17 percent) and Brazil (minus 7 percent). (Source: National statistical offices).

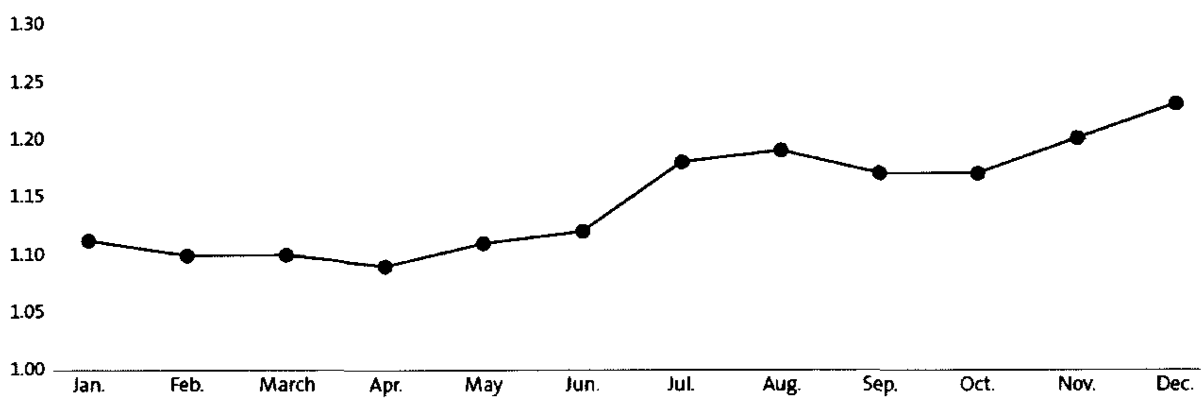
While the COVID-19 pandemic grew demand for **medical technology** components to fight the pandemic, it negatively impacted business in the rest of the health sector. For this reason, production in the medical technology sector, a sector that is independent of economic cycles, declined in 2020. The decrease was minus 3 percent in Germany, minus 11 percent in Japan and minus 9 percent in the USA. In contrast, China reported an increase of plus 5 percent. (Sources: National statistical offices, BMI Research).

Government assistance programs could not prevent **private consumption** from shrinking on a similar scale to GDP (Source: National statistical offices). Spending on private services was particularly hard hit (Sources: Federal Statistical Office/Eurostat). Inflation declined slightly in line with this development. The annual average rate of inflation in Germany was only 0.5 percent (Source: Federal Statistical Office).

In view of the significant decline in demand, the **oil price** in 2020 was 30 percent down on the level of the previous year. The average annual price was US$39.96 per barrel (WTI). (Source: New York Mercantile Exchange).

The **euro exchange rate** fluctuated at around US$1.10 per euro in the first half of the year and picked up during the second half to finish the year at over US$1.20 per euro. The annual average exchange rate was US$1.15 per euro, 2 percent higher than the level of the previous year (Source: Deutsche Bundesbank/European Central Bank).

EURO EXCHANGE RATE DEVELOPMENT IN 2020
US dollar per euro



Source: European Central Bank; month-end rates

BUSINESS DEVELOPMENT AND POSITION

For Freudenberg, **sales, operating result** and **return on sales** are the key financial performance indicators. The key performance indicator of operating result describes the result before income tax without special effects (for example, significant restructuring expenses), the profit or loss on disposals of assets, impairment of goodwill, or results of major associated companies. The return on sales is calculated from the two key performance indicators of sales and operating result.

In its internal reporting, Freudenberg uses the **LDIFR (Lost Day Incident Frequency Rate)** as a non-financial key performance indicator. It measures all accidents at work involving at least one day's absence per million working hours. Starting with the 2015 financial year, the indicator also includes data for temporary employees and agency staff.

The forecasts made at the beginning of the year with respect to the key financial and non-financial performance indicators are regularly reviewed and updated in the course of the year. The financial and non-financial key performance indicators presented are made available to the Board of Management on a monthly basis. This allows trends and changes to be identified in good time so that measures can be taken to counteract any detrimental developments.

The key financial performance indicators are used for assessing business success, the position and development of the Group, and focus on sustainable growth and a continuous increase in enterprise value as indicators for steering future, values-driven success.

Our performance indicators developed as follows:

FORECAST/ACTUAL COMPARISON, FREUDENBERG

	ACTUAL 2019	Forecast for 2020	Change	ACTUAL 2020
Sales [€ million]	9,467.8	at prior year level	-6.6 %	8,840.8
Operating result [€ million]	**820.0**	**slight decrease**	**-18.3 %**	**669.9**
Return on sales [percent]	8.7	slight decrease	-1.1 % points	7.6
LDIFR [LDI per million working hours]	**1.4**	**at prior year level**	**+0.1**	**1.5**

At €8,840.8 million, sales were noticeably down on the prior-year level of €9,467.8 million and as a result the forecast development was not achieved. The decrease is mainly attributable to the economic effects of the COVID-19 pandemic that led to a record downturn in the automotive and processing industries.

At €669.9 million, the operating result was well below the high level of €820.0 million in the previous year and lower than the forecast development. This corresponds to a return on sales of 7.6 percent. The decrease is attributable to lower earnings contributions associated with lower sales volumes that were in part offset by short-term, significant cost savings and lower material costs. In addition, startup costs for expanding the battery and fuel cell business continue to be incurred.

Once more, one focus at all levels of the company in the 2020 financial year lay on occupational safety. Measures in this area concentrated on rules for correct conduct and preventive measures to protect against the coronavirus. The internal Safety Boost initiative also continued in 2020. Under this initiative, occupational safety activities are continually intensified and focused. Unsafe situations, accidents at work, environmental incidents and fires with potentially high risks are analyzed and reported throughout the Freudenberg Group.

The LDIFR in the 2020 financial year was 1.5 (previous year: 1.4), just short of the forecast development. The slight rise coincides with the integration of newly-acquired companies that has not yet been fully completed.

Sales

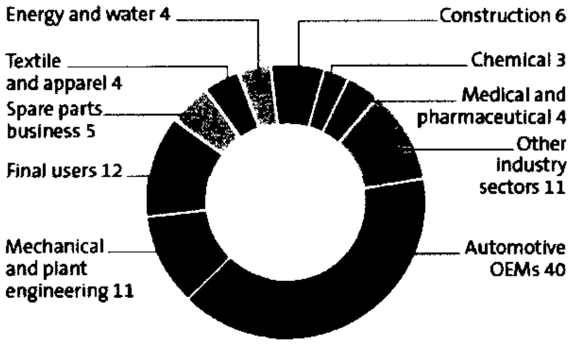
Freudenberg aims for profitable growth achieved both through its own efforts (organic) and through acquisitions (external). Key success factors are in particular the innovative product range, customer-oriented, flexible solutions to problems in the different sectors of industry, and structured expansion into attractive markets and strategic business areas.

In the 2020 financial year, Freudenberg reported sales of €8,840.8 million (previous year: €9,467.8 million). Exchange rate effects totaling €263.7 million had a negative effect on sales. These effects were primarily attributable to developments in the exchange rates of the Mexican peso, the Brazilian real and the US dollar. Acquisitions in the year under review accounted for sales of some €314.2 million. Disinvestment effects amounted to some € 73.3 million.

Sectors and regions

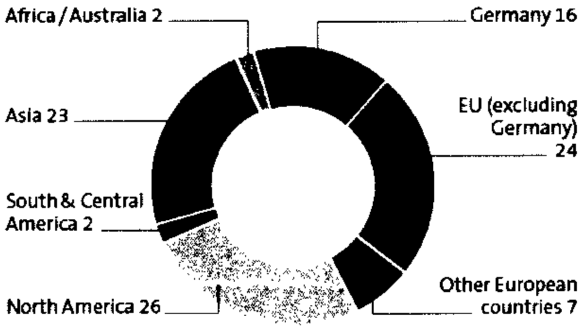
In the 2020 financial year, the share of automotive OEM business in total sales amounted to 40 percent (previous year: 44 percent). The share of the second most important customer grouping, mechanical and plant engineering, remained at the level of the previous year, with a total of 11 percent (previous year: 11 percent). The share of final user business in total sales increased from 10 percent to 12 percent, the share of construction business rose from 4 percent to 6 percent, and the share of business with other industry sectors grew from 10 percent to 11 percent. In contrast, the textile and apparel industry recorded a decrease from 5 percent to 4 percent. There was no change in the share in total sales compared with the previous year for the remaining sectors.

SALES BY SECTOR (in %)



North America accounted to 26 percent of total sales (previous year: 27 percent). Freudenberg generated a share of 24 percent (previous year: 26 percent) of total sales in the European Union excluding Germany. Asia accounted for 23 percent (previous year: 22 percent) of total sales.

SALES BY REGION (in %)



Earnings position

[€ million]	2019	2020
Sales	9,467.8	8,840.8
Cost of sales	**-6,480.5**	-6,093.3
Gross profit	**2,987.3**	**2,747.5**
Selling expenses	**-1,298.3**	-1,271.5
Administrative expenses	-638.6	-603.0
Research and development expenses	**-414.6**	-387.8
Other income and expenses	194.6	24.9
Income from participation in joint ventures	**14.3**	20.1
Profit from operations	**844.7**	**530.2**
Financial result	**-16.2**	-19.5
Profit before income taxes	**828.5**	**510.7**
Income taxes	**-217.9**	-144.6
[redacted]	[redacted]	366.1

At €8,840.8 million, sales in 2020 were below the level of the previous year. The cost of sales ratio rose by 0.5 percentage points while gross profit fell by 0.5 percentage points. The selling expenses ratio rose to 14.4 percent, while the administrative expenses ratio, at 6.8 percent, remained at the prior-year level.

Compared with the previous year, there was a fall in research and development expenses although the research and development expense to sales ratio remained at the prior-year level of 4.4 percent. This also reflects the continued growth in activities in battery cell and fuel cell business.

The balance of other income and expenses decreased by €169.7 million. The sharp fall was largely due to lower income from the disposal of financial assets, which in the previous year had included income from the sale of the Freudenberg IT Business Group and changes in the status of participations previously consolidated at equity. This effect was partially offset by the reduction in other expenses, which included impairment losses on goodwill in the previous financial year.

The financial result fell by €3.3 million. In the previous year, this figure had included income from the re-measurement of financial assets measured at fair value through profit or loss. There was a slight increase in the share of income from associated companies and income from investments also rose compared with the previous year. These developments were offset by the negative development of the interest result.

The consolidated profit was €244.5 million lower than the figure for the previous year.

Financial position

Financing management

Freudenberg SE and the central financing company Externa Handels- und Beteiligungsgesellschaft mit beschränkter Haftung, Weinheim, Germany, steer all the financing activities of Freudenberg, thus ensuring that Freudenberg has sufficient liquid funds. As a general principle, companies obtain the financing they require via cash pool agreements or internal loans – for legal, fiscal and other reasons, financing in some countries also takes the form of bank loans guaranteed by Freudenberg SE.

Freudenberg does not expose itself to financial risks through speculation with derivative financial instruments but uses such instruments only for hedging, and therefore reducing, risks in connection with underlying transactions and items. Future transactions are only hedged if there is a high probability of occurrence. In order to ensure the identification and management of all financing risks, the Freudenberg Group pursues a holistic approach to financial risk management. The existing financial risks are identified and limited in an institutionalized control loop.

Exchange rate risks on currency markets remain high. In addition, there continues to be volatility on the credit and capital markets. This also impacts the financing conditions for industrial companies. In the opinion of the Board of Management, Freudenberg is in a good position to tackle these challenges thanks to its conservative finance policy. Liquidity measures include high reserves of liquid funds and committed credit lines with core banks. Liquid funds are always invested on the basis of internal directives. These call for the risk-based, limit-oriented diversification of financial investments between issuers with an investment *grade rating and for investment only for short terms.*

A key element in external borrowing is a long-term shareholder loan where the interest payable is oriented towards market interest rates for the same terms plus a premium.

As at December 31, 2020, Freudenberg had undrawn committed credit lines amounting to some €1,025 million. The interest payable on the certificates of indebtedness ("Schuldscheindarlehen") included in the liabilities to banks is based on variable and fixed components. Further details on interest rate structure can be found in the section on interest rate risks in the Notes to the Consolidated Financial Statements.

As in the previous year, the rating agency Moody`s Deutschland GmbH, Frankfurt am Main, Germany, rated Freudenberg SE, Weinheim, Germany, at "A3", with a stable outlook. The Group therefore continues to hold a **single-A rating.**

This gives Freudenberg very good creditworthiness at investment grade level.

STATEMENT OF FINANCIAL POSITION STRUCTURE				
	Dec. 31, .2019	Dec. 31, 2020	Change	
	[€ million]	[€ million]	[Percent]	[€ million]
Assets structure				
Non-current assets	7,060.7	6,962.6	-1.4	-98.1
Current assets	**4,282.8**	4,892.2	**14.2**	**609.4**
Non-current assets held for sale and disposal groups	11.0	0.0	-100.0	-11.0
		11,854.8		
Capital structure				
Equity	**5,819.5**	5,696.1	**-2.1**	**-123.4**
Non-current liabilities	2,604.5	2,945.1	13.1	340.6
Current liabilities	**2,929.9**	3,213.6	**9.7**	**283.7**
Liabilities in connection with non-current assets held for sale and disposal groups	0.6	0.0	-100.0	-0.6
		11,854.8		

Capital structure

In comparison with the previous year, the **equity ratio** decreased from 51.3 percent to 48.0 percent. While the statement of financial position total rose by €500.3 million, **equity** fell by €123.4 million. The reduction is chiefly due to negative exchange rate developments. Furthermore, actuarial losses on the remeasurement of defined-benefit pension plans and dividend payments to the parent company Freudenberg & Co. KG and holders of non-controlling interests resulted in a reduction in equity. These effects were partially offset by the positive consolidated result and the development of deferred taxes recognized without impact on net income.

Non-current liabilities amounted to €2,945.1 million (previous year: €2,604.5 million). This change was mainly due to the rise in long-term financial debt, which includes an increase of €425.4 million in liabilities to banks. This rise was largely due to a certificate of indebtedness taken up in the year under review. These developments were partly offset by the reclassification of shareholder's loans in the amount of €150 million to short-term financial debt. In addition, provisions for pensions and similar obligations rose from €842.3 million in the previous year to €879.7 million, chiefly as a result of actuarial losses caused by a further fall in the discount rate.

The €283.7 million increase in **current liabilities** to €3,213.6 million was chiefly the result of the rise in other non-current provisions. Shareholder's loans also increased to €537.0 million (previous year: €372.0 million) mainly due to the reclassification from long-term financial debt mentioned above.

Adjusted for exchange rate effects and changes in the consolidated group, non-current liabilities rose by 6.8 percent while current liabilities rose by 5.9 percent. As regards the currency structure, reference is made to the "currency risk section" of the Notes to the Consolidated Financial Statements.

Investments

Adjusted for acquisitions, investments in intangible assets, tangible assets and investment properties amounted to €287.1 million (previous year: €362.1 million).

The Freudenberg Group invested worldwide. For example, the Freudenberg Performance Materials Business Group installed a new spunlaid production line in Taiwan, which started production in the fall. Furthermore, the Freudenberg Performance Materials Business Group invested in a new state-of-the-art production facility for shirt interlinings in Nantong, China, in connection with the relocation of production requested by the local government. The new facility was commissioned in the summer. Freudenberg Filtration Technologies continued work on the construction of a new production and office complex for Freudenberg Apollo Filtration Technologies in Shunde, China. Investments in Germany totaled €85.8 million (previous year: €110.5 million). Freudenberg Performance Materials invested in a state-of-the-art facility for the production of surgical face masks from meltblown nonwovens in Kaiserslautern and a facility for the processing of gas diffusion layers in Weinheim. In 2020, Vibracoustic invested in the initiation of air spring projects for customers at its Hamburg facility.

Investments planned for 2021 are likely to be financed from cash flow from operating activities and to have no major effect on net assets.

Liquidity

Cash flow from operating activities in the 2020 financial year amounted to €1,138.8 million, corresponding to a year-on-year increase of €181.9 million. This rise is due to the positive development in working capital and lower tax payments in connection with the lower pre-tax result. These positive effects were more than adequate to compensate for the negative impact of the lower pre-tax result.

As a result of lower cash outflows for acquisitions and disinvestments, the negative **cash flow from investing activities** decreased from €-600.9 million in the previous year to €-241.1 million.

Cash flow from financing activities in the 2020 financial year was €64.3 million (previous year: €-230.9 million). Cash inflows were largely characterized by the take-up of a certificate of indebtedness. The cash outflows mainly concerned payments to the shareholder and holders of non-controlling interests as well as the repayment of financial debts.

On the basis of the assessment of the Board of Management, the Group can meet all of its payment obligations without any restrictions.

Assets

The total assets of Freudenberg rose by €500.3 million to €11,854.8 million (previous year: €11,354.5 million).

Non-current assets fell from €7,060.7 million to €6,962.6 million. Adjusted for exchange rate effects and changes in the consolidated group, there was a decrease of €159.8 million in non-current assets. This reduction was the result of a decrease in almost all the statement of financial position items included in non-current assets. The lower carrying amount of investments in associated companies compared with 2019 was one factor. In addition, the systematic amortization of intangible assets of the Vibracoustic Group acquired in 2016 is worthy of note. Additions to intangible assets on the statement of financial position were lower than amortization.

Current assets rose by €609.4 million to €4,892.2 million. This rise was due chiefly to an increase of €904.1 million in the securities and cash at bank and in hand item in the statement of financial position. This reflects the positive development of cash flow from operating activities and the take-up of a certificate of indebtedness in the amount of €500.0 million. These positive developments were offset by a reduction of €181.0 million in other current assets especially as a result of the closure of the escrow account in connection with the purchase price payment for the acquisition of Low & Bonar PLC, London, United Kingdom (now Low & Bonar Limited, Edinburgh, United Kingdom). Adjusted for exchange rate effects and the change in the consolidated group, there was a total increase of €688.5 million in current assets.

Overall assessment

The 2020 financial year was characterized by a difficult economic and geopolitical environment chiefly affected by measures to combat the COVID-19 pandemic. Both the sales and the operating result of the Freudenberg Group were below the level of the previous year. This was chiefly attributable to the economic effects of the COVID-19 pandemic, which led to a marked downturn in the automotive and manufacturing industries.

Despite significant savings, Freudenberg also invested in the future viability of the Group in the 2020 financial year. Key strategic topics were once again the transformation in mobility, digitalization and sustainability. Investments in battery cell and fuel cell business are particularly noteworthy. Freudenberg aims for profitable growth which may come both from its own resources and from acquisitions. In a volatile environment and especially in times of crisis, it is beneficial to be a broadly diversified company. We continue to aim for a balanced portfolio of cyclical and non-cyclical businesses with sales distributed evenly among the regions of North and South America, Europe and Asia. Against this backdrop, we further strengthened various Business Groups through acquisitions in the year under review. Despite the adverse impact of the COVID-19 pandemic, Freudenberg's liquidity situation remains solid.

Furthermore, one of the main focuses of the Group in the 2020 financial year was once again occupational safety. Key topics in 2020 were the implementation of rules for conduct and the development of preventive measures to protect against COVID-19. In the year under review, the non-financial performance indicator LDIFR was 1.5 (previous year: 1.4).

Against the backdrop of our solid net assets and financial position and our high-earnings business, our overall assessment of the economic position of the Group is positive.

REVIEW OF OPERATIONS BY BUSINESS AREA

The Freudenberg Group's ten Business Groups are divided into four Business Areas: "Sealing and Vibration Control Technology", "Technical Textiles and Filtration", "Cleaning Technologies and Products", and "Specialties". They focus on long-term, sustainable and profitable growth.

Together with its partners, customers and the world of science, Freudenberg aspires to develop cutting-edge products, excellent solutions and services for some 40 market segments and thousands of applications in the spirit of the positioning that reads "Freudenberg is a values based technology group that best serves its customers and society".

SEALS AND VIBRATION CONTROL TECHNOLOGY BUSINESS AREA

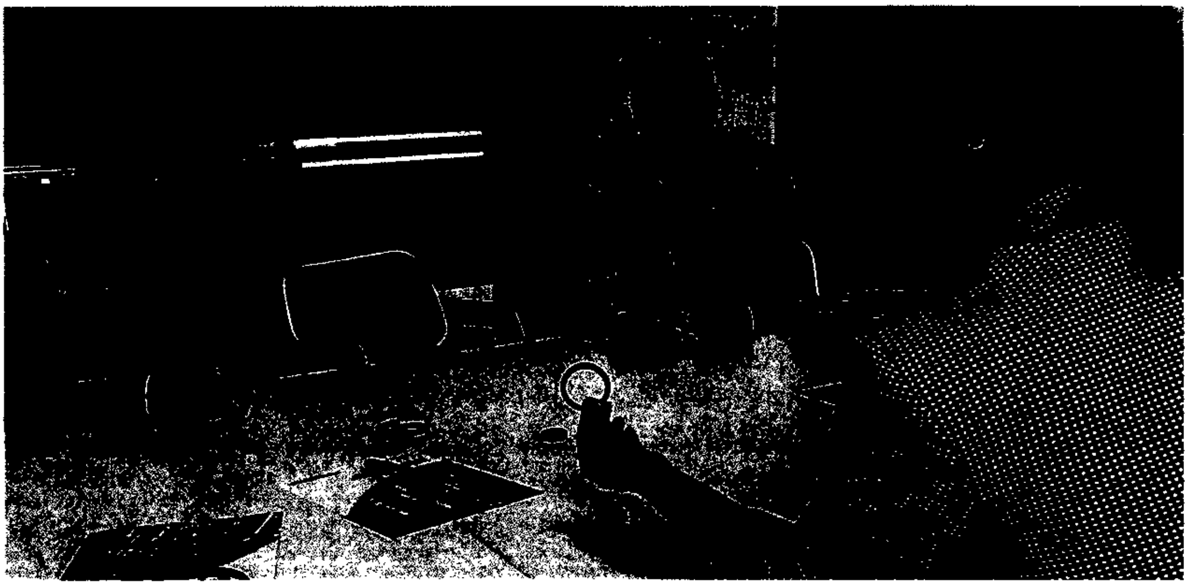
In the year under review, the Seals and Vibration Control Technology Business Area comprised the following Business Groups:

- Freudenberg Sealing Technologies
- Freudenberg Oil & Gas Technologies
- EagleBurgmann
- Vibracoustic

Sales in this Business Area amounted to €4,550.4 million (previous year: €5,325.8 million). The headcount at the close of the financial year was 28,436 (previous year: 30,569).

FREUDENBERG SEALING TECHNOLOGIES	2019	2020
Sales [€ million]	2,218.8	1,894.1
Workforce	**14,073**	**12,831**

FREUDENBERG SEALING TECHNOLOGIES



Business development

Sales at Freudenberg Sealing Technologies in 2020 were well below the level of the previous year. Sales fell dramatically in all regions from March. The automotive business was particularly hard hit, with sales shrinking by as much as some 75 percent. The decrease in the general industry sector was as much as 25 percent.

Production was cut back significantly at almost all of Freudenberg Sealing Technologies' manufacturing locations, in some cases entirely suspended, and adjusted to lower demand. Short-time working was introduced at many sites, shifts were cancelled and hours reduced.

The third quarter saw the first signs of a slow recovery. By the end of September sales in the automotive and industrial sectors had stabilized at around the pre-crisis level.

Only China bucked this trend. The economy there already began to recover in May. Business volumes improved noticeably and, adjusted for exchange rate effects, were some twelve percent up on the level of the previous year.

Key events

The technological shift, in particular in the automotive industry – from internal combustion engines to electric drives – further exacerbated the volatile situation in some divisions of Freudenberg Sealing Technologies that had already been evident for quite some time.

The sales and earnings problems affect the Oil Seals Industry, Damper & Steering and Powertrain & Driveline Divisions and the Components unit. This led to restructuring measures at the Weinheim location. 170 jobs were affected.

In addition, the radial shaft seals business at the factories in Kecskemét, Hungary, and Langres, France was realigned. Here, too, the shift in the automotive industry towards e-mobility necessitated restructuring. Production had to be adjusted in response to significantly lower demand for internal combustion engines and adapted to meet present and future market requirements. Some 250 jobs were affected.

In the year under review, the methanol-operated fuel cell system from Freudenberg Sealing Technologies was issued with the "Approval in Principle" by the classification society DNV GL. This sets the course for further testing: Systems backed by the "Pa-X-ell 2" research project will be installed on the AIDAnova cruise ship as soon as in 2021.

This approval in principle of the safety concept for fuel cells with an integrated methanol reformer is an important step for the Business Group because the solutions are not just suitable for cruise ships and yachts, but also all kinds of cargo ships and ferries. More than 95 percent of ships require a solution that will work on the high seas. The configuration as a hybrid fuel cell-battery system makes it possible to equip ships in all performance classes with 100 percent climate-neutral propulsion. Freudenberg offers its customers these hybrid solutions from one source.

In addition, Freudenberg Sealing Technologies has developed a material that combines seemingly contradictory properties: It conducts heat well but is also electrically insulating. Freudenberg Sealing Technologies is already testing initial applications for charging sockets, control units and batteries in electric cars. Engineers have developed an elastomer that merges relatively high heat capacity with electrically insulating properties by combining silicone rubber with special fillers. The material retains its properties over a very wide temperature range, from minus 50 to plus 250 degrees Centigrade, but it can be deformed with relatively low force.

The innovative material will be used primarily in electric car components because the combination of thermal conductivity and electrical insulation has great potential to make future generations of electric cars more efficient.

Location changes

In light of the persistently difficult market environment, in particular for the oil and gas business, production of piston and diaphragm accumulators was consolidated at the locations in Houston, Texas, USA, and Remagen, Germany. The facility in Bamberg, South Carolina, USA, was closed during the course of this production realignment. 40 jobs were affected.

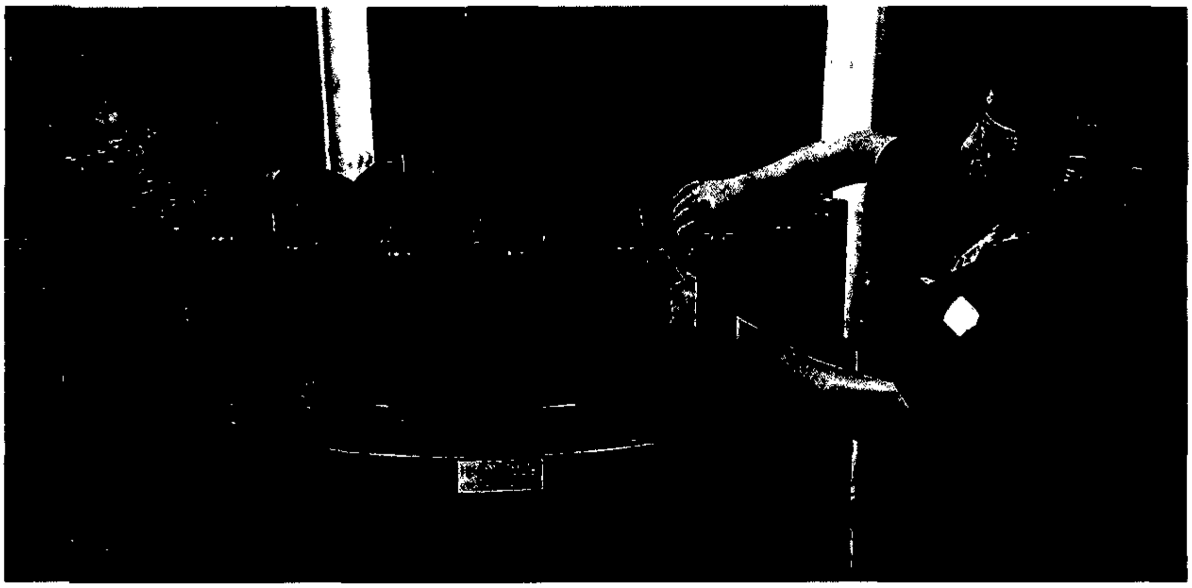
The Business Group closed its factory in Diadema, Brazil, in the period under review. The Brazilian market is volatile and was not able to meet Freudenberg Sealing Technologies' expectations in recent decades. The Brazilian economy has undergone a massive slump in recent years, developments on many markets in other regions of the world have been much more dynamic. In this difficult economic climate and in light of cost-cutting demands on the part of customers and the drastic increases in raw material prices, Freudenberg Sealing Technologies took the decision to close production in Diadema. The Corteco automotive aftermarket business is an important pillar of the remaining activities in Brazil.

Furthermore, essential parts of existing business in Brazil are to be continued and key Brazilian customers, particularly those in the automotive industry, will be supplied direct from North America and Europe. Some 350 jobs were affected.

Profile:
Freudenberg Sealing Technologies is a long-standing technology expert for sophisticated and novel applications in sealing technology and e-mobility solutions. The Business Group is also establishing itself as a full-service provider for fuel cell systems for the commercial vehicle industry. With its materials and technology expertise, the company is a proven supplier of products and applications, as well as a development and service partner to customers in the automotive industry and the general industry sector. Its subsidiary Dichtomatik is the sales organization in the market for technical seals. The Corteco brand is the specialist for the independent automotive aftermarket. With its XALT Energy brand, the Business Group produces large-scale lithium-ion battery cells, modules and systems for use in heavy-duty commercial vehicles, city and transit buses, in the marine industry and in industrial applications.

FREUDENBERG OIL & GAS TECHNOLOGIES		
	2019	2020
Sales [€ million]	107.0	67.9
Workforce	**491**	**402**

FREUDENBERG OIL & GAS TECHNOLOGIES



Business development

The market environment for Freudenberg Oil & Gas Technologies in 2020 was very challenging.

Towards the end of the first quarter, the oil industry was confronted with a price war between Saudi Arabia and Russia that led to excess supply flooding the world market. This price war, together with the gradual shutdown of national economies as a result of the COVID-19 pandemic, resulted in excess production between January and May totaling almost 47 million barrels.

A further consequence of excess production was an approximately 30 percent year-on-year reduction in investments by oil and gas production plant operators. Drilling activities were approximately 40 percent down on the previous year. Moreover, numerous new projects were delayed, and as a result the number of projects implemented in 2020 was the lowest since the 1950s.

In this market environment, sales at Freudenberg Oil & Gas Technologies in the year under review were some 37 percent lower than in 2019.

Key events

The drastic decline in market activities called for Freudenberg Oil & Gas Technologies to restructure business in order to reduce costs and adapt to the new market environment. The Business Group achieved this with several initiatives. These included adjusting manpower capacities worldwide and consolidating rubber molding production at the site in Nisku, Canada, as well as consolidating plug connector production at the facility in Port Talbot, Wales. Furthermore, Freudenberg Oil & Gas Technologies closed the sales and service office in Oklahoma City, USA, and reduced the size of the sales office in Aberdeen, Scotland.

In the year under review, Freudenberg Oil & Gas Technologies developed its strategy for the period 2021 to 2023. The objective is to diversify business with a view to serving the broader energy market and integrate adjacent alternative and renewable energy segments.

The Business Group marketed a number of new products in the year under review, resulting in orders to the value of some five million euros, the issuing of two new patents and one patent pending. These new proprietary products set Freudenberg Oil & Gas Technologies apart as an important supplier of highly-integrated plug connectors and special seal products for high-pressure and high-temperature oil and gas applications.

The "AlignLok HPHT" connector, for example, developed by Freudenberg Oil & Gas Technologies is an innovative connector based on a new patented metal-to-metal sealing technology for use in high-pressure and high-temperature environments and subsea applications. The product is designed to adjust for up to 10 degrees misalignment and for pressures of up to 15,000 PSI.

In addition, Freudenberg Oil & Gas Technologies continued to operate its value-adding prototype service launched in 2019, for example, to certify products for global oil field service companies for use in projects in the Middle East.

Location changes

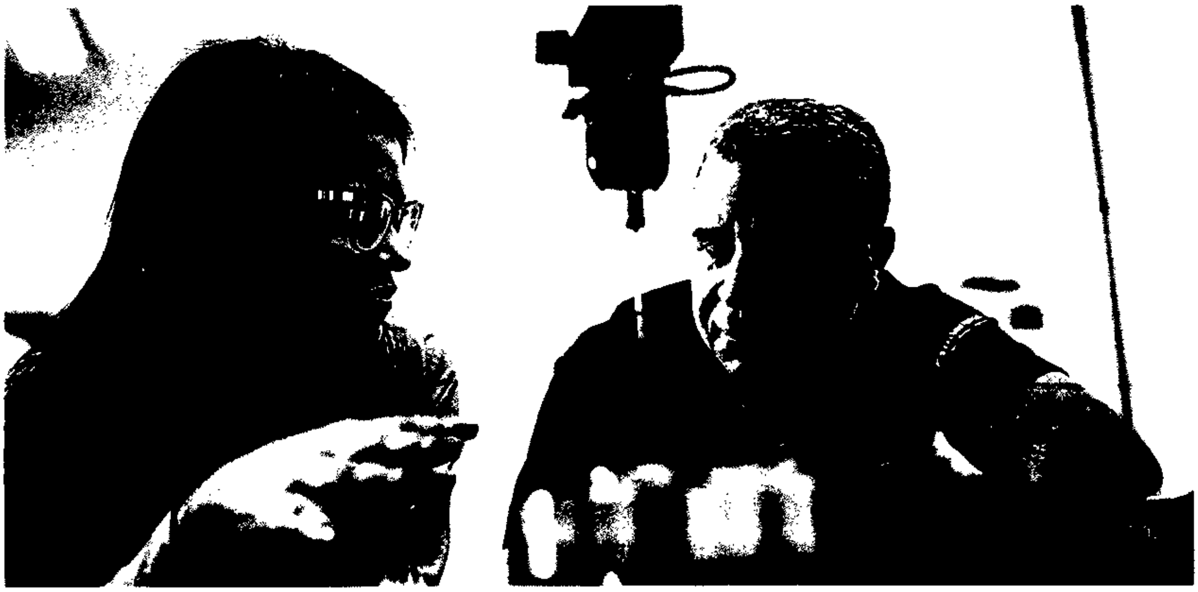
In November, Freudenberg Oil & Gas Technologies relocated its operation in Nisku, Alberta, Canada, to newly-leased premises in the same region. The new location has a better production layout and improves production efficiency. Furthermore, solar cells have been installed at the site, so that some 15 percent of energy requirements are generated from renewable sources.

Profile:
Freudenberg Oil & Gas Technologies is a global solutions provider of critical sealing and connector solutions, niche products and services to the global energy market – including the "oil and gas", "renewable energies" and "alternative energies" market segments. The products are used in the drilling, production and refining of oil and gas, and enable power generation from tidal and solar sources. Other applications include the transportation, storage and processing of oil and gas in refining and chemical processing.

Freudenberg Oil & Gas Technologies develops and delivers products, technologies and services for a wide range of customers including oil and gas producing companies, original equipment manufacturers (OEMs), and engineering and service companies that in turn provide technologies, equipment and services for onshore and offshore oil and gas production and power generation systems throughout the world. The Business Group has its own materials and product testing lab to develop and test new materials and solutions in Houston, Texas, USA, and operates production and service centers in Canada, Malaysia, Norway, Singapore, United Kingdom, United Arab Emirates and the USA.

EAGLEBURGMANN	2019	2020
Sales [€ million]	858.5	789.4
Workforce	**5,814**	**5,627**

EAGLEBURGMANN



Business development

Business Group sales in the year under review were lower than the previous year, although 2019 was the most successful year to date in the company's history.

The main factor impacting business development at EagleBurgmann was the global COVID-19 pandemic and the associated global economic downturn. Sectors of major significance for EagleBurgmann, such as the (petro-) chemical industry and "oil and gas", were particularly affected, and an additional factor was the downslide in oil prices. Good business development in markets such as the food processing industry and the pharmaceutical market counteracted sales losses in these sectors – although these losses could not be entirely offset. In 2020, the Business Group sold fewer products for agitators, mixers and kneaders, while expansion joint, pump and compressor seals sales remained stable.

From a regional perspective, EagleBurgmann saw business decline in Europe, India and America. The Business Group recovered rapidly from the effects of the COVID-19 pandemic on the Chinese market. Sales growth in Japan was moderate.

The figures from international projects were in line with expectations. Of particular note are three major projects relating to the delivery of several hundred seals and supply systems for a refinery in China and oil fields in Saudi Arabia.

All EagleBurgmann production sites and service centers remained fully operational during the COVID-19 pandemic. The supply of products and services to customers was guaranteed at all times.

Key events

EagleBurgmann continued to work on the digital transformation of the company in the year under review. The rollout of new digital sales channels, innovative smart products and instant services marked important milestones for the Business Group in 2020. With the new "EB Smart Product" solutions from EagleBurgmann, customers can digitally monitor mechanical seal operating parameters, visualize their performance and benefit from web-based data storage.

The multi-year "EagleBurgmann Complexity Management Program" was successfully developed further. EagleBurgmann has set itself the task of reducing complexity and managing it intelligently. The aim is to anticipate customer expectations while at the same time reducing the scale of vendor variants by means of modular, multiple-use components. For EagleBurgmann, this will make the entire process chain simpler, faster and leaner. Several subprojects were implemented in the first full year of the program, synergies were leveraged and positive effects achieved.

EagleBurgmann is seeking to put an ever stronger focus on the customer in everyday operations. The improvements under the programs and measures outlined above support the strategy for seamless customer centricity and to offer the optimal customer experience.

As an innovation leader and development partner in its target markets, EagleBurgmann offered new products and services to assist customers in enhancing the sustainability of their products, thereby making entire sectors of industry more sustainable in the long run, for example by reducing methane emissions during LPG transmission.

Furthermore, numerous activities by the Business Group in the year under review took the "ONE EagleBurgmann" corporate culture further forward.

Location changes

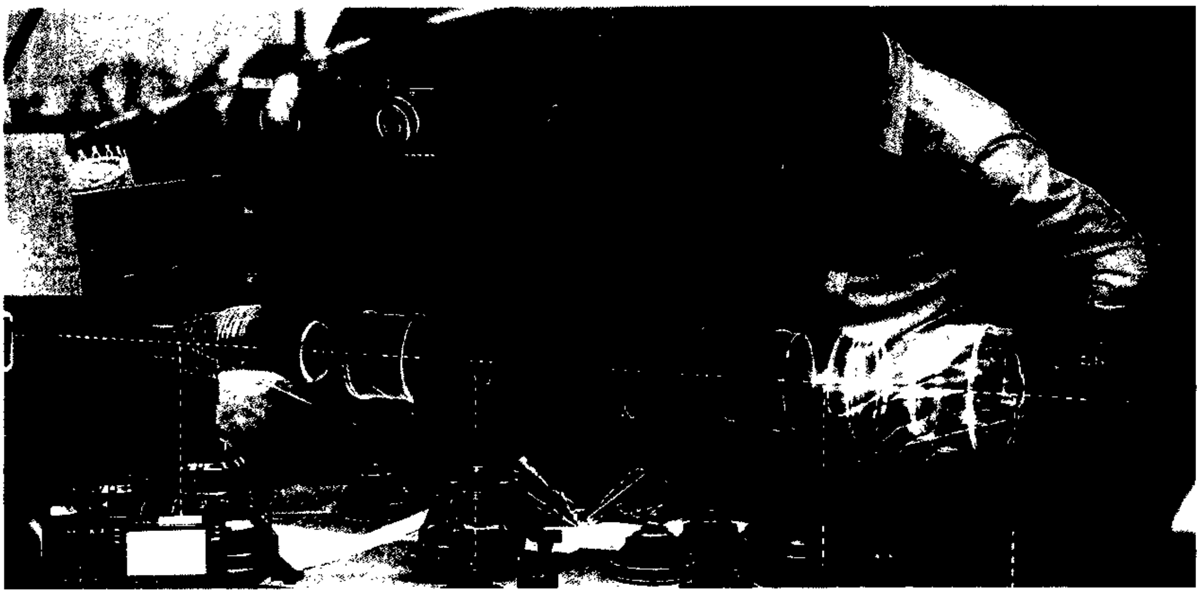
In the year under review, EagleBurgmann commenced production at a new site in Querétaro, Mexico, where mechanical seals for the American market are manufactured.

Furthermore, the services provided by the global network of service centers were continually updated to ensure an optimal customer focus and to proactively address market needs.

Profile:
EagleBurgmann is one of the leading international manufacturers of industrial sealing technology. The Business Group develops, manufactures and markets a broad range of high-quality products for pumps, compressors, agitators and special equipment. These sealing solutions are used when safety and reliability are most important, for example, in the (petro-)chemical industry and refineries, the pharmaceutical as well as the food processing industry, power plant technology or water applications. A dense sales and service network ensures the best possible customer proximity and is optimally complemented by digital offerings.

VIBRACOUSTIC		
	2019	2020
Sales [€ million]	2,141.5	1,799.0
Workforce	**10,191**	**9,576**

VIBRACOUSTIC



Business development

Accompanied by an increasing slowdown of the global economy, persistent trade disputes and growing pressure on car manufacturers' margins, the start of the COVID-19 pandemic at the beginning of the year triggered a significant decline in the production of passenger cars and light commercial vehicles in the first six months, and especially in the second quarter. This also had a direct impact on Vibracoustic sales.

The first signs of a stabilization already emerged in China in the first half of 2020, also generating new business. In addition, strong demand for air springs for passenger cars and light commercial vehicles mitigated a potential lengthier decline in volume as a result of lower vehicle production levels. The remaining global market stabilized in mid-2020. Global passenger car and light commercial vehicle production nevertheless fell by 17 percent. In this very challenging market environment, Vibracoustic outperformed the market in 2020.

Vibracoustic announced the temporary closure of several production locations in response to the sudden economic crisis as a result of the global COVID-19 pandemic in early 2020. Production in all regions resumed during the course of the year and capacity almost returned to the pre-pandemic level towards the end of the third quarter. The world's automotive markets only recovered slowly from the significant slump in demand as a result of the pandemic.

Key events

Vibracoustic develops innovative solutions based on the challenges of new mobility concepts. One example are active motor mount systems that neutralize the increased engine vibrations caused by downsizing, cylinder deactivation and higher combustion pressures for combustion engines. They apply electronically generated compensation movements to neutralize the incoming vibrations and reduce noise from combustion engines by up to 20dB.

Air spring suspensions are becoming more and more popular. Vibracoustic supports passenger car manufacturers in developing, producing and integrating complete air spring systems based on Vibracoustic's state-of-the-art air springs portfolio. This support includes the development of the electronic control unit including software and the supply of all air spring system components such as air springs, sensors, valves, compressors and air tanks. A European premium car brand launched the first vehicle, a sporty premium SUV, with a Vibracoustic air spring system including the electronic control unit complete with software in the second half of 2020. Further projects with Chinese electric vehicle manufacturers are already under development.

Initial investments for customer projects at the air springs production location in Hamburg, Germany, started in 2020. Furthermore, Vibracoustic acquired both the land and the buildings at the location in South Haven, Michigan, USA. The facility is the North American headquarters and technology center. This investment underscores the importance of the North American market and of a strong global engineering and production network for Vibracoustic.

Vibracoustic and Kunhwa terminated their cooperation in Vibracoustic Kunhwa Co. Ltd., Gyeongsan-si, South Korea, in July 2020. Both partners decided to conduct their business independently in future , thus focusing even closer on their respective customer and market strategy. For Vibracoustic, operating independently in South Korea is an important step for the further development of business with car manufacturers such as Hyundai Motor Company, General Motors or Renault Samsung Motors.

Location changes

Vibracoustic operates in an increasingly competitive market environment. A global downturn in vehicle production, new mobility trends, environmental requirements and new players are just some of the challenges facing car manufacturers and suppliers. In order to safeguard the long-term competitiveness of Vibracoustic, adjustments in manufacturing capacities in Russia and in the USA were decided and communicated to employees in 2020. The facility in Zavolzhye, Russia, was closed at the end of 2020 and remaining business transferred to other Vibracoustic locations. 44 jobs were affected by the closure. The closure of the US facility in Ligonier, Indiana, is planned for March 2021, affecting 105 jobs. The remaining business will also be transferred to other Vibracoustic locations.

Profile:
Vibracoustic is a leading global NVH expert (noise, vibration, harshness) for the automotive industry, providing customized solutions adding comfort and supporting the efficiency, safety and durability of vehicles. Its expertise along the entire product life cycle and on all vehicle systems as well as its broad product range enable Vibracoustic to solve current and future NVH challenges across all automotive segments.

TECHNICAL TEXTILES AND FILTRATION BUSINESS AREA

In the year under review, the Technical Textiles and Filtration Business Area comprised the following Business Groups:

- Freudenberg Performance Materials
- Freudenberg Filtration Technologies
- Japan Vilene Company

In total, the Business Area generated sales of €2,090.5 million (previous year: €1,969.9 million). At year-end 2020, the headcount was 10,357, compared with 9,447 at the close of the previous year.

FREUDENBERG PERFORMANCE MATERIALS

FREUDENBERG PERFORMANCE MATERIALS		
	2019	2020
Sales [€ million]	887.0	1,019.1
Workforce	**3,993**	**4,998**

Business development

2020 was a very challenging year for Freudenberg Performance Materials due to the COVID-19 pandemic. The business environment was extremely difficult. Demand in almost all key markets worldwide slumped. This resulted in a sharp year-on-year drop in Business Group sales, especially in the second and third quarter.

Numerous measures were successfully implemented in all areas of the Business Group in response to the substantial downturn in sales. Available production capacities at sites in Germany and France were, for example, used to manufacture base materials for mouth-nose face masks, thus generating additional sales. The Business Group invested in new machines for face mask production at the facility in Durham, USA.

Structural changes were a further significant factor for business development at Freudenberg Performance Materials in the year under review. These changes included in particular the acquisition of the Filc Group in December 2019 and Low & Bonar PLC, London, United Kingdom (now Low & Bonar Limited, Edinburgh, United Kingdom) in May 2020 as well as the implementation of restructuring activities as the foundation for future profitable growth.

The global apparel market was particularly hard hit by the COVID-19 pandemic in the year under review. Western brands, especially the USA, were reluctant to place regular orders for apparel. One trend with a significant impact on interlinings business is the downturn in menswear business. This trend is chiefly attributable to the increase in mobile working and the associated "casualization" in fashion.

The automotive sector was heavily affected by the pandemic in 2020. Many original equipment manufacturers and suppliers temporarily suspended production. Factories in China, Europe and North America were also closed for a while.

The construction segment also suffered heavily as a result of the COVID-19 pandemic. To a large extent, modernization projects were halted and mostly postponed indefinitely. Consequently, major investments as well as replacement investments in this sector of industry failed to materialize. A clear recovery began in September.

In spite of the difficult economic conditions, Freudenberg Performance Materials business in the healthcare segment was very positive – above all in the growth segment of advanced wound care and in ostomy. Both segments reported significant gains in market share.

The Energy Division at Freudenberg Performance Materials saw sales increase significantly, driven by the production of gas diffusion layers (GDL), an indispensable component for fuel cells. Freudenberg Performance Materials benefited from steady growth in the fuel cell market in the year under review.

Key events

Freudenberg Performance Materials worked successfully on the integration of two acquisitions in the year under review:

The Business Group acquired 100 percent of the shares of the Filc Group, effective December 31, 2019. The Slovenian company is a producer of needle punch nonwoven textiles and laminated materials with a focus on the automotive and construction industries. Filc operates three production sites in Slovenia as well as a sales office in Dayton, Ohio, USA. At year-end 2019 the company had some 360 employees. A cross-functional post-merger integration project team successfully drove the integration process that was essentially conducted virtually due to the COVID-19 pandemic and completed in the fall. Substantial synergies have already been leveraged. In spite of the difficult economic situation, Filc contributed significantly to the overall development of Freudenberg Performance Materials and expanded business in the construction industry.

In May 2020, Freudenberg Performance Materials acquired 100 percent of the shares in Low & Bonar PLC, London, United Kingdom (now Low & Bonar Limited, Edinburgh, United Kingdom). At year-end 2019, Low & Bonar had a global headcount of some 1,500. The company has a total of four divisions. Three regional Colbond divisions focus on the production and sale of technical textiles for the construction, interiors, automotive, filtration and technical specialties segments. The fourth global division, Mehler Texnologies, concentrates on the production and sale of technical coated fabrics for the truck tarpaulins, tents, industry, print, textile architecture and boot & pool segments. Here, too, a cross-functional post-merger integration team was set up, working on an exclusively virtual basis. The first synergies under this acquisition have also been leveraged. The integration project is expected to continue until the end of 2021.

Back in October 2019, Freudenberg Performance Materials acquired the activities of the startup FRICTins GmbH, Wolnzach, Germany. FRICTins developed a ground-breaking technology to increase the friction coefficient that is of particular relevance in e-mobility and its increasing performance requirements with regard to higher torque. An industrial-scale production line was set up at the location in Kaiserslautern, Germany, in the year under review. Furthermore, the European patent was issued.

In addition to these acquisitions, Freudenberg Performance Materials continued to actively further develop its portfolio in the year under review. Examples include the following:

In February 2020, Freudenberg Performance Materials sold its South American Hygiene nonwoven business to the Brazilian nonwoven specialist Fitesa Não Tecidos S.A., Porto Alegre, Brazil. Fitesa is one of the main suppliers of nonwovens to the global hygiene market. Under this umbrella, the former regional business of Freudenberg Performance Materials can develop better and grow long-term in the new structures.

Due to the persistently volatile economic climate and several restrictions on trade in Argentina, the development of Freudenberg Performance Materials business was not satisfactory. The apparel and shoe business of Freudenberg Performance Materials suffered additionally from the impact of the COVID-19 pandemic. Despite all efforts to minimize the negative effects, an analysis concluded that the business model of Freudenberg Performance Materials could no longer be operated profitably in future. For this reason, local operations were terminated at the end of 2020.

Furthermore, the Business Group invested in its sites worldwide: Freudenberg Performance Materials has been producing in Nantong, China, since 1985. The factory was originally located in a residential area, which is why the decision was taken to relocate and build a new, cutting-edge production site for shirt interlinings. The new factory was commissioned in the summer.

At the Freudenberg & Vilene Nonwovens location in Suzhou, China, Freudenberg Performance Materials built a new production line for comfortemp, an innovative thermal insulation for technical textiles and sportswear.

Despite the pandemic, Freudenberg Performance Materials was also able to set up a new spunlaid line in Taiwan, where production commenced in the fall. Thanks to cutting-edge product and process technology, this investment is a fundamental milestone for further business growth in Asia in market segments such as automotive interiors, building materials, shoe components, and filtration.

Demand for medical masks surged in the year under review. Meltblown fabrics are an excellent base material for these masks. Freudenberg Performance Materials began work on installing a state-of-the-art meltblown line at the facility in Kaiserslautern; Germany in the fourth quarter of 2020. Commissioning is planned for the first quarter of 2021.

Freudenberg Performance Materials commenced medical and N95 face mask converting at the location in Durham, USA, working together with NC State University and its non-profit organization LINC. The site purchased the converting machines and commissioned them in the second quarter.

Freudenberg Performance Materials was recognized with several awards in the year under review. Examples include the following: In November, Freudenberg & Vilene Interlinings (Nantong) Co., Ltd. was honored with the "2020 China Dyeing and Printing Industry Excellent Fabric Award" for bi-elastic interlinings presented by the China Dyeing and Printing Association (CDPA). CDPA is the official association for the dyeing and printing industry in China and managed by the relevant State Council. In South Africa, Freudenberg Performance Materials was recognized with the Supplier Excellence Award from Pep Clothing, its largest customer in the South African apparel segment. This award honors consistently high quality and customer satisfaction. It also acknowledges the strong, long-standing partnership with Pep Clothing.

Profile:
Freudenberg Performance Materials is a leading global supplier of innovative technical textiles for a wide range of markets and applications, including automotive, construction, apparel, energy, filter media, healthcare, building interiors, footwear and leather goods, as well as special applications. The Business Group operates 35 production locations in 15 countries worldwide.

FREUDENBERG FILTRATION TECHNOLOGIES		
	2019	2020
Sales [€ million]	502.6	519.4
Workforce	**2,777**	**2,853**

FREUDENBERG FILTRATION TECHNOLOGIES

Business development

The financial year was characterized by the global COVID-19 pandemic. The Business Group saw orders fall, particularly in the first two quarters. Facilities in India, South Africa and Italy were temporarily closed. Short-time working came into effect at the German locations for several months.

Freudenberg Filtration Technologies initiated a timely response to the exceptional economic challenges, intensifying sales activities, launching a global liquidity and cost program and implementing measures for the flexible adjustment of production capacities.

As a supplier of high-quality filtration solutions, Freudenberg Filtration Technologies bore a special responsibility in the year under review. The Business Group addressed the two topics of "Hygiene" and "Protection against airborne pollutants" by developing new product and service solutions for its customers such as special system checks for COVID-19 and hygiene audits.

Following the unfavorable impact on sales caused by the pandemic, particularly in the second quarter, the Business Group was able to offset sales losses in the second half of the year. This good development in an extremely challenging market environment was above all attributable to the diversified segment portfolio in the three divisions of "Industrial", "Automotive" and "Consumer" as well as the agile response to new market requirements.

The acquisition in April 2019 of the Chinese market leader for indoor air filtration – operating under the name of Freudenberg Apollo Filtration Technologies – marked the start of the third business division called "Consumer Filters". The market and the largest customers are located in the Asia region where sales fell in the first months of the year under review. The order situation recovered appreciably in the second quarter; greater awareness of the need for air purification and virus protection was a major factor for strong growth in this new division. Despite the extremely adverse conditions, integration was very satisfactory thanks to good cooperation and solid project management.

In industrial filtration, good business in Europe and China offset sales losses in North America. Business with industrial water treatment systems also developed well. Positive sales development in Europe was primarily attributable to the activities with respiratory mask media and the masks themselves initiated at short notice, while most of the other industrial filtration segments reported a downturn.

In contrast, sales of filter solutions for automotive applications were well down on the previous year. In Europe in particular, lower new-vehicle production levels and weaker demand in the aftermarket had an unfavorable impact. The Business Group reported the first signs of a slight recovery in the fourth quarter.

Key events

In light of dynamic developments in the spread of coronavirus in spring, the Business Group swiftly decided to invest in its own mouth-nose mask production capacities in Germany, thus making an important contribution to meeting high demand. By mid-year, the facility at the site in Kaiserslautern, Germany, was already producing some 500,000 masks per day. Certification as a Type 2 medical face mask (EN 14683) was forthcoming in the third quarter. The masks were distributed to Freudenberg Group employees, with Freudenberg Home and Cleaning Solutions overseeing direct sales to retailers and consumers. Furthermore, the Business Group responded to increased demand for high-performance filter media for respiratory masks.

Numerous other innovations were developed to the market-ready stage in 2020, notably anti-virus filters for passenger cars, buses and mobile air purifiers as well as membrane-based cabin air filters with high-efficiency mechanical filtration properties. Viledon Process View, an app for data-driven filter performance measurement in paint shops, was also launched. In China, marketing of an innovative mini-water treatment unit for household water taps that effectively filters contaminants from the water commenced.

In addition to setting up mask production in Kaiserslautern, Germany, investments were also made at other sites; these projects included a new cabin air filter production line in Slovakia, and capacity expansion for automotive applications in South Korea. New production lines were commissioned in Thailand and Mexico to support the growing consumer business and capacities in Suzhou were expanded. The new production unit for innovative drinking water filter elements began operating in China.

Location changes

Ground-breaking for a new facility not far from the present Freudenberg Apollo Filtration Technologies location in Shunde, China, was celebrated. State-of-the-art production halls, warehousing and office space for the "Consumer" Division are being built on an area of 55,000 square meters. Commissioning is scheduled for mid-2021.

Profile:
Freudenberg Filtration Technologies is one of the world's leading specialists in the development and production of air and liquid filtration solutions and their applications. The innovative solutions help customers make industrial processes more economical, conserve resources, protect people and the environment and thus contribute to improving the quality of life.

JAPAN VILENE COMPANY		
	2019	2020
Sales [€ million]	580.3	552.0
Workforce	**2,677**	**2,506**

JAPAN VILENE COMPANY

Business development

Overall, the economic climate in 2020 proved challenging for Japan Vilene Company: There was a downturn in demand for air filter materials, automotive headliners and floor mats, particularly in North America.

In contrast, sales in apparel and medical materials increased, especially in Japan. This was mainly attributable to higher demand for isolation gowns, industrial respiratory masks, mask filters and backing materials for transdermal products. From February, mask production lines were operated on a seven-day week schedule in response to the rise in enquiries and orders for medical masks.

Due to COVID-19, production locations in China and Mexico were temporarily closed for periods of several days in the first half of the year to protect employees and to adjust to lower demand, particularly in the automotive sector. All locations are, however, now back in operation.

Key events

As a result of the COVID-19 pandemic, demand for the Business Group's medical masks has risen sharply since mid-January 2020. Since February 2020, Japan Vilene Company has also been operating mask production lines at weekends to ensure that all orders are promptly met.

The Business Group continued with its efforts to improve the organizational structure in 2020. Furthermore, Japan Vilene Company developed appropriate strategies for each division in the year under review to enable the divisions to recover from the COVID-19 pandemic faster than the market.

Japan Vilene Company signed off various initiatives designed to improve productivity and raise employee satisfaction in 2020. For example, a number of modern workplace environments such as collaboration spaces and concentration zones are to be set up at the Business Group's headquarters in Tokyo, Japan. Employees can choose how and where they wish to work; this includes the option for mobile work. At the same time, the Business Group is reducing office space from the present two floors to one. Japan Vilene Company is thus saving rental costs that have risen significantly in Tokyo in recent years.

Japan Vilene Company also plans cut the number of paper documents by 90 percent. The Business Group intends to achieve this target inter alia through workflow digitalization.

One goal that is firmly anchored in Freudenberg's Principles is sustainable production processes. Reducing the consumption of energy and materials as well as CO_2 emissions are key factors in minimizing the company's footprint. Japan Vilene Company's site producing automotive floor mats in Aguascalientes, Mexico, is one example of a successful sustainability project. Solar panels installed on the factory roof generate some 160,000 kWh of power per year, corresponding to roughly 10 percent of the factory's entire annual power consumption. Compared with CO_2 emissions generated by power stations, this project saves 79 tonnes of CO_2 per year.

In February, the customer KOBAYASHI Pharmaceutical Co., Ltd. recognized the Medical Materials Department of Japan Vilene Company for improvements in logistics efficiency. Moreover, numerous customers thanked Japan Vilene Company for donating face masks.

Japan Vilene Company celebrated its 60th anniversary in 2020. To celebrate this occasion the Business Group published a book on its history in November featuring the long-standing partnership with the Freudenberg Group.

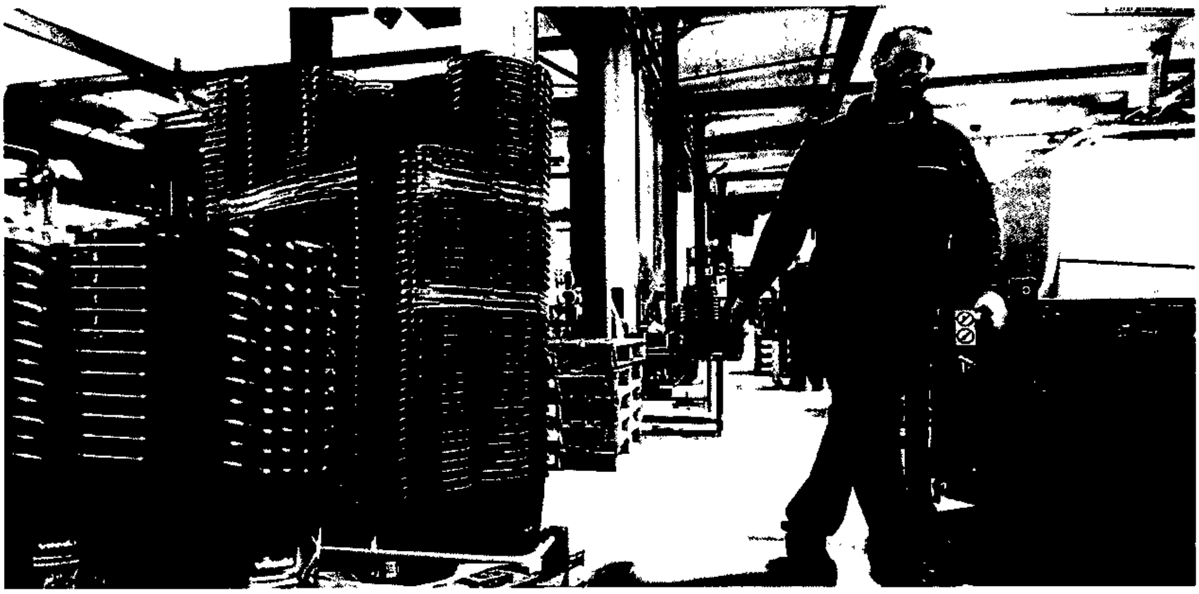
Profile:
Since it was established in 1960, Japan Vilene Company has maintained its position as the leading domestic manufacturer of nonwoven materials under the motto of "Engineering Fabric Innovation", utilizing its long-standing raw material expertise and considerable know-how in the fields of production processes and technologies as well as nonwoven converting. The Business Group's "Automotive", "Medical", "Electrical" and "Industrial" divisions offer a broad portfolio of products for a wide range of applications.

FREUDENBERG HOME AND CLEANING SOLUTIONS		
	2019	2020
Sales [€ million]	975.5	1,085.8
Workforce	3,218	3,215

CLEANING TECHNOLOGIES AND PRODUCTS BUSINESS AREA

The Cleaning Technologies and Products Business Area comprises the Freudenberg Home and Cleaning Solutions Business Group whose Vileda, Vileda Professional, O-Cedar, Oates, Gimi, Gala, Wettex and Marigold brands are active in the mechanical cleaning and laundry care segment for final users and professional cleaning companies.

FREUDENBERG HOME AND CLEANING SOLUTIONS



Business development

Demand for products from Freudenberg Home and Cleaning Solutions continued at a high level in 2020. As a result, the Business Group posted a significant increase in sales in the year under review and achieved the highest sales level in its history.

Freudenberg Home and Cleaning Solutions further expanded its position as market leader in the EMEA region (Europe, Middle East and Africa), and reported double-digit sales growth. The main driver was increased demand for floor cleaning products, gloves and cloths. Higher demand is due to the fact that consumers spent more time at home than usual in 2020 as a result of the pandemic. Furthermore, the Business Group expended its listings and successfully placed innovations such as the "Vileda JetClean" and the "Spin&Clean".

Freudenberg Home and Cleaning Solutions also generated additional business through the sale of mouth-nose face masks produced by Freudenberg Filtration Technologies. Apart from sales in Germany via the dm drugstore chain, the masks are now also sold to consumers in the United Kingdom, Portugal and Russia.

Freudenberg Home and Cleaning Solutions not only recorded double-digit growth in Europe, but also in North and South America; there, too, demand for floor cleaning products and cloths was very high. Additional business was also generated in the USA through retail sales of face masks.

In Asia, the Business Group reported slight growth, but failed to meet expectations. This trend was chiefly attributable to lockdowns and contact restrictions due to the COVID-19 pandemic, particularly in India and Thailand.

In global terms, Freudenberg Home and Cleaning Solutions achieved double-digit growth and gained market share in "Consumer Business" in 2020. With high double-digit growth, developments in online trade remained very positive.

In contrast, Vileda Professional business for professional cleaning companies failed to meet expectations. There was a sharp fall in demand in the food service and hotel segments during the course of the year. Lockdown measures had a negative impact on cleaning services for offices and public buildings, with sales down on the previous year. Professional business picked up again in the second half of the year, boosted in particular by growth in system-relevant customer sectors such as cleanrooms and healthcare. However, sales gains in these segments could not entirely offset sales losses in other customer segments.

Key events

Freudenberg Home and Cleaning Solutions became a signatory of the renowned Ellen MacArthur Foundation's "New Plastics Economy Global Commitment" in September 2020. The Business Group has therefore committed to even more sustainable packaging by 2025.

Furthermore, Freudenberg Home and Cleaning Solutions was recognized with prestigious awards such as the "Supplier of the Year" in Australia from the retailer Woolworths, and "Best Supply Partner" in India from the customer Spencer's Retail.

In addition, the popular floor cleaning products such as the "Turbo Smart" and the "Ultramax XL" received product awards in Italy, France and the Czech Republic. The innovative "JetClean 3in1" performed particularly well in Germany. The product was recognized as "Product of the Year" by the trade journal "Lebensmittelpraxis".

Location changes

Freudenberg Home and Cleaning Solutions closed its facility in Argentina effective December 31, 2020 and transferred business to a local distributor that has taken over day-to-day operations and the sale of brand products.

Profile:
Freudenberg Home and Cleaning Solutions is a leading international company for branded cleaning products and systems as well as laundry care products. The products are sold under the brand names Vileda, Vileda Professional, O-Cedar, Oates, Gimi, Gala, Wettex and Marigold. Detailed market expertise, innovations, effective new products and a strong customer focus all help the company succeed. International market and customer research, innovation centers and production facilities in all regions of the world, as well as a dedicated sales network in more than 35 countries, also help the company thrive.

FREUDENBERG CHEMICAL SPECIALITIES	2019	2020
Sales [€ million]	1,123.5	1,055.8
Workforce	**3,669**	**3,724**

SPECIALTIES BUSINESS AREA

In the year under review, the Specialties Business Area chiefly comprised the following Business Groups:

- **Freudenberg Chemical Specialities**
- **Freudenberg Medical**

Overall, the companies in this Business Area generated sales totaling €1,346.2 million (previous year: €1,435.2 million). At year-end 2020, the headcount was 5,769, compared with 5,617 at year-end 2019.

FREUDENBERG CHEMICAL SPECIALITIES

Business development

The Freudenberg Chemical Specialities divisions performed well in the year under review thanks to their very good market positions and broad coverage of major market segments and regional markets. Nevertheless, the decline in demand from key industrial users that persisted for several months during the year left its mark on sales. However, thanks to good business development in the first quarter and a pronounced recovery in demand from September, annual sales were only slightly down on the previous year.

The timely introduction of measures to safeguard business operations and competitiveness could not entirely offset the shortfalls due to the pandemic. The imperative organizational measures to protect against infection at 90 sites worldwide presented a particular challenge for the entire Business Group.

China saw a significant and sustained recovery from the end of March due to local measures to contain the pandemic and, as a result, sales by the Business Group were up on the level of the previous year.

In contrast, other Freudenberg Chemical Specialities markets, particularly in North and South America, initially fell significantly short of the previous year. However, they began to show signs of recovery from September, with South America recording dynamic growth.

In Western Europe, business grew steadily from September. Developments in South and South Eastern Europe were similar, albeit at a lower level.

In India, business felt the effects of the government's decision to lockdown large sections of the economy for a considerable part of the year.

Klüber Lubrication reported a very good sales performance attributable to its very broad-ranging portfolio and business in sectors of industry that are essential to public life. Traxit International GmbH, Schwelm, Germany, the lubricant specialist for the wire drawing industry acquired in January, performed very well in a challenging market environment.

The Chem-Trend division that depends to a greater extent on the automotive industry reported sharper downturns in sales, but nevertheless outperformed the overall market. The company rallied strongly towards the end of the year, but overall, sales were nevertheless down on the level for the previous year.

SurTec, another division with a marked dependence on the automotive sector, defended its good market position especially in market segments such as construction and electronics. Customer demand for new, sustainable products is growing, but these products need time to achieve broader market penetration. The company was able to turn customer projects with lengthy lead times into the first market successes. Although sales targets for the full year were not met as a result of the pandemic, sales losses were less pronounced than those of the overall market.

Capol sales were almost on a par with the previous year as demand from the confectionery industry remained stable for most of the year. The company benefited above all from sustained high demand from food producers at the beginning and the end of the year.

The retail business of OKS was hit by weak demand from specialist distributors for industrial maintenance products due to the shutdown in entire sectors of industry as a result of the pandemic. The company was nevertheless able to secure its entire customer base.

Key events

In January, Klüber Lubrication München, Germany, acquired Traxit International GmbH, Schwelm, Germany, including all assets and the international subsidiaries. Traxit has been providing the wire drawing industry with a complete range of lubricants for some 140 years and ideally complements the Klüber Lubrication portfolio.

In November, Traxit started operations at its new plant in Huzhou, China, for the manufacturing of dry drawing agents for the wire industry. In addition to manufacturing facilities, the plant also provides a quality assurance lab, logistics services with warehousing and offices, and will bring a further significant improvement in customer service in China. Traxit also operates a further factory in Tianjin, China.

The analytical laboratory of the surface specialist SurTec in Bensheim, Germany, is the decisive interface between the research and development department and cooperation with customers. The laboratory was completely rebuilt and extended. In the analytics laboratory, wet-chemical analysis methods such as volumetry and photometry are used as well as special methods of instrumental analysis.

Capol started operation of a new production line at its site in Saint Hubert, Canada. With the additional production capacities, the company is further expanding its global presence and strengthening customer supply in the North American market. In addition to natural aromas and color pigments, the Saint Hubert facility now also produces glazes, anti-sticking and sealing agents. The production facility in Saint Hubert is the company's second site, adding to the facilities at headquarters in Elmshorn, Germany.

Dedicated project groups in the five Business Group divisions deliver significant input to enhance sustainability, both in terms of internal added value and at customer level, thus achieving major progress in strategic portfolio and innovation management. Klüber Lubrication, Chem-Trend, OKS, SurTec and Capol document their commitment to advancing sustainability through sustainability reports. In the USA, the Chem-Trend and Klüber Lubrication divisions have repeatedly been recognized with awards as excellent employers.

Profile:
The Freudenberg Chemical Specialities Business Group comprises the operationally autonomous divisions of Klüber Lubrication, Chem-Trend, SurTec, OKS, and Capol. Klüber Lubrication is one of the world's leading manufacturers of specialty lubricants. Chem-Trend is one of the world's leading suppliers of release agents used to manufacture composite, rubber, plastic, metal and polyurethane molded parts. SurTec is a leading supplier of chemical specialties for surface treatment and electroplating. OKS specializes in performance lubricants and in repair and maintenance products. Capol is a world-leading provider of surface treatment products for the confectionery industry and pigments and natural flavors for the food industry.

FREUDENBERG MEDICAL		
	2019	2020
Sales [€ million]	171.5	188.3
Workforce	**1,561**	1,662

FREUDENBERG MEDICAL

Business development

After a positive start to 2020, the COVID-19 pandemic had a severe effect on the market for medical products: Capacity bottlenecks in the hospital sector and patients' concerns about the risk of COVID-19 infection in healthcare facilities led to the postponement of medical procedures, particularly in the second quarter.

This triggered a sharp downturn in sales for the medical products industry. This downturn also impacted the industry's suppliers because medical product manufacturers reduced their purchasing volumes. The market began to recover in the third quarter and returned to the long-term growth trend in the final quarter of the year.

Against this backdrop, development at Freudenberg Medical significantly outperformed the market. Sales by the Business Group in the year under review were higher the previous year.

Sales increases from new products and products in connection with COVID-19 such as diagnostic consumables, outweighed the Business Group's sales losses as a result of the downturn in medical procedures.

Negative factors that compromised growth in previous years no longer applied or were less pronounced.

Key events

The COVID-19 pandemic affected all Freudenberg Medical locations, starting with the Shenzhen, China, facility in March. The Business Group implemented a comprehensive crisis management and business continuity plan and was able to continue operations at all manufacturing locations throughout the year. Customers and authorities classed all plants as systemically important and the Business Group supported the fight against the pandemic with key diagnostic, respiratory and pharmaceutical components and devices.

Freudenberg Medical continued to successfully implement its strategy to offer innovative product and process platforms for medical technology applications in 2020. Investments in the digitalization of manufacturing processes and in-house automation paid off: Several fully-automated injection molding and assembly lines went into series production. The lines feature automated inline inspection, an important element for zero-defect manufacturing processes. The Business Group also drove forward with advanced research on Industry 4.0 catheter production in collaboration with external academic and industrial partners.

Based on its expertise in thermoplastic extrusion, Freudenberg Medical expanded its capabilities for manufacturing high-precision multi-layer tubing and launched ultra-thin-wall tubing for peripheral vascular applications. In November, a multi-national customer of Hemoteq AG, Würselen, Germany, a company belonging to Freudenberg Medical, received approval from the FDA in the USA for the innovative "Ranger Drug-Coated Balloon" catheter coated with low-dose drugs. The product features Hemoteq's proprietary TransPax coating technology and has an excellent risk profile.

In September 2020 Cambus Teoranta, a Freudenberg Medical company headquartered in Spiddal, Ireland, acquired the business of the hypotube manufacturer Merit Medical Systems, Galway, Ireland. The transaction includes manufacturing equipment for laser-cut hypotubes and access to additional technology for laser processing and coating capabilities. Hypotubes are metal micro-components used in catheter manufacturing.

Location changes

In November 2020, Freudenberg Medical opened its new global headquarters and manufacturing location for silicone components in Beverly, Massachusetts, USA. The newly-built operation includes ISO Class 8 state-of-the-art cleanroom space and has potential for further expansion in the coming years. The silicone operation in nearby Gloucester, Massachusetts, USA, was relocated to the new site with no major interruptions.

Profile:
Freudenberg Medical is the global partner for the design, development and manufacture of innovative medical products. The company's portfolio comprises catheter solutions for minimally-invasive procedures and components made from complex medical materials.

The company is a leader in the field of high-precision silicone and thermoplastic components and tubing as well as coatings and metal hypotubes.

REPORT ON EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

Major events after the date of the statement of financial position which are not included either in the statement of profit or loss or the statement of financial position are explained in the Notes to the Consolidated Financial Statements under the section "Major events after the date of the statement of financial position".

REPORT ON OPPORTUNITIES AND RISKS

Freudenberg is exposed to numerous opportunities and risks inseparably associated with business activities. Monitoring technological, political and social changes in particular is part of proactive entrepreneurship. This often generates opportunities to be harnessed in order to secure and specifically improve the company's competitiveness. Opportunities are addressed in the context of the annual planning process and pursued and reported throughout the year. Long-term opportunities for profitable growth are, inter alia, identified as part of the strategy process. Freudenberg operates a Group-wide risk management system to identify risks in a timely fashion and respond to them appropriately. Newly-acquired companies can temporarily increase the Group's risk profile as described below until the integration process has been completed. The following presentation is in line with the assessment of the Board of Management.

Opportunities

Global presence

Due to its global presence, Freudenberg has for many years been able to offer products and services at uniform worldwide standards. As a result, Freudenberg can keep pace with the international strategies of its customers, for example in production or research and development. Traditionally, Freudenberg has also leveraged this expertise for many customers from Europe or North America in emerging economics. With a significant presence in these countries, some progress is being made to successfully support the international strategy of customers from emerging economies entering the market in Western Europe. If this trend were to intensify in the future, Freudenberg could generate additional advantages from its global presence. With the Freudenberg global brand, the Group delivers a clear benefit statement, strengthens the image and raises visibility, for example as a solid supplier or an attractive employer.

Investments in strategic growth areas and regions

A central element of strategic planning is the continuous evolution of existing business through product and process innovations with a view to achieving profitable, significantly higher than market growth in existing business areas. This is also achieved by expanding the portfolio through selective, targeted acquisitions in order to close identified technology gaps and gain access to new markets. The successful growth strategy in the defined areas therefore continues. Examples in 2020 include the acquisition of Low & Bonar PLC, London, United Kingdom (now Low & Bonar Limited, Edinburgh, United Kingdom). Options to acquire new areas of business that complement Freudenberg are also examined. In the medium term, Freudenberg's goal is a strategically balanced portfolio of cyclical and non-cyclical businesses with sales distributed evenly among the regions of North and South America, Europe and Asia.

Trend- and regulation-oriented product development

Social trends are constantly changing. Changes in consumer behavior and growing expectations of products and services, for example with regard to the sustainability of products and their manufacture or to compliance with human rights throughout the supply chain, are key drivers in the search for innovative solutions and new raw materials. New regulations and standards reflect these changing trends. Freudenberg therefore closely aligns the further development of its products to regulatory requirements. Systematically focusing on regulatory changes with reference to trends and the Group's ensuing innovation activities offers significant market potential and opportunities for the future.

Mobility

The term "new mobility" as used by Freudenberg describes solutions offered to customers spanning the entire spectrum of drive technologies, such as improvements in internal combustion engines, hybrid solutions, all-electric vehicles, and fuel cells. Freudenberg's strength as a partner lies in the diversity of products and services as well as the technological and material expertise of numerous Business Groups.

Freudenberg makes classic internal combustion engines more efficient by offering sealing solutions that reduce CO_2 emissions. Special seals with an ultra-slim design for use in fuel cells help increase the amount of space available in vehicles powered by this technology. Air spring systems that optimize passive battery cooling are used in electric vehicles and hybrid models. Freudenberg's filter systems feature in all types of vehicle, including those powered by batteries or fuel cells. Gas diffusion layers from Freudenberg are a performance-defining component in fuel cells.

Freudenberg regards itself as well prepared for the changes in drive technologies given that other components and systems offset reductions in demand for products such as seals. Going forward, Freudenberg will remain a competent provider of solutions for high-tech innovations for all types of drivetrain.

Digitalization

At Freudenberg, digitalization centers on gaining a better understanding of customers' wishes, reducing cycle times, updating products and making them more innovative, and putting products onto the market faster. All efforts pursue at least one of two objectives: To enhance customer benefit or to leverage internal efficiencies.

New applications and products cover a broad spectrum, from intelligent filter systems that are activated exactly when the air must be purified through to the smart, precise measurement of lubricating oils to meet real requirements efficiently during maintenance work, for example on cable cars. Other examples of new digital applications include optical detection of unwanted accumulations of molten plastic where efficiency has been improved further through the use of artificial intelligence (AI). Robotics process automation optimizes internal business processes. Using AI-supported data evaluation, a specialist team captures and analyzes data to generate greater transparency, an important factor for the work of product developers, for example.

Harnessing synergies for strategic issues

Throughout the world regions, Freudenberg's know-how and innovation strength are used in some 40 market segments and for thousands of applications. The company engages in numerous activities specifically targeted at pooling this knowledge, because the potential thus generated makes a key contribution to securing the future. Synergies are harnessed to drive key strategic issues such as digitalization, sustainability and materials efficiency across the Business Groups. Joint projects and programs are always implemented under expert guidance and have already produced the first results.

The "Future Technologies" corporate unit bundles strategic know-how and works on numerous technology-oriented initiatives. These include a project with a very long-term perspective to determine future business opportunities for the Freudenberg Group. Based on several development scenarios, employees and external experts analyze growth fields for business opportunities thus identified and target specific strategic product developments. This unit also performs technology foresight tasks to determine trends and new technologies, and advises the Business Groups on their application, as well as searching for relevant universities, research institutions and funding, where applicable. The unit monitors the development of the Freudenberg Group's technology platforms, and bundles key cross-sectional topics with the aim of developing new technologies.

Talent management

A talent management process covering the majority of employees worldwide has been in place at Freudenberg for several years. The process establishes a uniform procedure for talent management throughout the entire Group. It includes harmonized assessment systems and is based on standardized skills profiles and definitions of potential. This enhances the comparability of assessments and facilitates personnel development. The process improves the basis on which Freudenberg can take personnel decisions.

Risk management system

The Group's risk management system is a decentralized system oriented to the organizational structure. It covers all fully-consolidated Freudenberg companies, and includes all Group measures addressing the main risks. This process in particular ensures the structured identification, assessment, control and monitoring of main risks. The process also includes appropriate risk communication and the continuous improvement of the risk management system.

The primary objective of the risk management system is the early identification of risks that might jeopardize the continued existence of the company and the initiation of appropriate countermeasures. The intention is not to avoid all potential risks, but rather to create the leeway for taking a deliberate decision to enter into a risk backed by a comprehensive knowledge of essential information.

The risk management strategy is derived from the general strategy of the Group. The risk management system is continually developed, refined and audited.

Controlling, internal auditing, the compliance organization, the Code of Conduct, the internal control system, various quality assurance systems as well as several corporate functions make a significant contribution to the success of the Group's risk management.

Risks

Risks are defined as all future developments, events or actions that could have a negative impact on the targets and strategies of the Group.

The following deals with risks classified as significant for Freudenberg ranked in descending order by their importance according to the potential level of damage. These quantifiable and non-quantifiable risks can have very differing impacts. They may occur individually and independent of one another or simultaneously. In all cases they have the potential to impact the net assets, financial position or results of operations of the Group directly or indirectly in the short or long term. Quantitative data are not disclosed because qualitative factors affecting operating activities such as failure to meet corporate targets or damage to the company's reputation are included in impact classification.

Legal risks and compliance

Freudenberg is a globally active manufacturer of functionally relevant technical components and system parts for the automotive industry and many other sectors of industry. The Group manufactures mechanical cleaning equipment and filter products for end users and is becoming increasingly active in the manufacture and sale of medical materials and components. Freudenberg also develops and produces specialty lubricants, release agents and a broad range of specialty chemicals for very diverse applications. Wide-ranging services in the various business segments round off the Freudenberg portfolio. Consequently, Freudenberg is exposed to several legal risks. These include in particular risks in the fields of data protection, competition and antitrust law, product liability risks, contractual warranty risks, tax and excise duty law, M&A transactions, asset misappropriation fraud, anti-corruption regulations, infringements of intellectual property rights (patents and brand law), export controls as well as risks in the fields of occupational health and safety and environmental protection. These risks can affect Freudenberg to various degrees and can lead not only to fines or other penalties or compensation, for example, but can also impact the reputation and image of the Group as a whole. In extreme cases, legal risks could have a substantial effect on Freudenberg.

Freudenberg has many measures in place to respond to these legal risks. These include comprehensive quality assurance mechanisms tailored to the requirements of the respective business models and value chains, clearly-defined product specifications, instructions, regular training for employees, documentation, and preventive contractual solutions containing provisions limiting liability and taking account of the parties' spheres of influence. These measures are flanked by customary insurance cover which is thoroughly analyzed and, where necessary, adapted to changed conditions on an annual basis.

The Group conducts its global business in many different jurisdictions under different legal and regulatory frameworks that are undergoing change and becoming steadily more complex. The scale and scope of the laws and regulations that must be observed are subject to constant changes that are sometimes difficult to predict, and call for the monitoring of legislative trends, interdisciplinary and cross-border communication as well as a swift response and proactive approach.

By tradition, compliance with laws and regulations as well as internal guidelines and Freudenberg's own Guiding Principles and Business Principles has very high priority at Freudenberg. Employees are made aware of and trained in the relevant legal risks for their respective Business Group and the regions of relevance for Freudenberg; they are expected to observe and comply with these requirements.

Freudenberg uses classic methods (documents in all the main relevant languages and attendance seminars) to communicate compliance issues through training, dialog and discussions. Modern communication instruments such as web-based training, e-learning tools, interactive video conferences, and similar, are also being increasingly used to reach as many employees as possible.

Despite all carefully applied control and prevention mechanisms in our compliance structure and compliance measures, there is a residual risk that is unavoidable given the size and complexity of our global organization. Furthermore, the possibility that Freudenberg or Freudenberg employees unconsciously infringe(s) third-party rights cannot be ruled out; this could trigger negative judicial consequences or damage the image or reputation of Freudenberg.

Macroeconomic and sectoral risks

Freudenberg delivers solutions to many customer segments and sectors and is active in many regions and countries. The broad diversification of the Group reduces dependence on individual customers, customer groupings, suppliers, raw materials, technologies, regions and countries. Freudenberg is actively involved in the rapid development of alternative automotive drivetrain technologies through intensified research and development activities in various product groups, and tests the findings in several cooperation projects with industrial partners. Notwithstanding, Freudenberg is dependent on the general economic situation, particularly with regard to the general demand for its products and services, and also exposed to the effects of geopolitical risks. In spite of sustained efforts to diversify further, a slump in demand in a specific region or sector or a persistent international trade conflict can lead to a substantial decline in sales and earnings for Freudenberg, as is the case for most other companies, and thus pose a significant risk for Freudenberg.

Freudenberg has taken several measures to limit the negative consequences of demand-side risks. In particular, the company has appropriate capacity flexibility and practices active working capital management. Freudenberg regularly monitors several success indicators and can thus respond promptly to negative developments. In the context of a long-term response to demand-side risks, Freudenberg makes targeted investments in research and development, in individual regions and customer relations, as well as in selected strategic growth areas.

At the end of January 2020, the United Kingdom exited the EU with a transition period (Brexit). The conclusion of a trade agreement at the end of 2020 reduced the anticipated effects of non-tariff barriers and border and customs checks. Negotiations on services and other issues are still pending. Freudenberg companies within and outside the United Kingdom will feel the effects of Brexit. Given the preparations made by the Freudenberg Group, these effects are on the whole considered to be of minor significance.

Information security risks

Modern business processes are to a significant extent based on information captured, processed, exchanged and stored digitally. Potential risks caused by faults in these processes could impact both internal business processes and communication with customers and suppliers, and could, for example, lead to the interruption of operations at Freudenberg or at a third party. Demands on the reliability and security of IT systems are intensifying as a result of technological progress and the trend towards greater process networking.

The aim of the guideline on information security issued by the Board of Management is to preserve the confidentiality, availability and integrity of information. Freudenberg deals with the relevant information security risks by operating information security management systems oriented to the ISO/IEC 27001:2013 international standard. The Business Groups and corporate functions conduct regular risk assessments and implement the appropriate measures. For example, measures such as geographically separate, redundant data centers are implemented to deal with technical risks. Various forms of internal training and communication measures encourage heightened awareness on the part of employees with regard to the correct handling of information and information processing systems. The effectiveness of the information management security system is regularly assessed and the system is upgraded where necessary. Currently, this is particularly relevant in light of the general trend towards increased cyber risks.

Interruption of operations and long-term disruptions

The classic risk of unplanned interruptions of operations has several possible causes. The main ones are interruptions in production, raw material availability, delivery delays, restricted availability of IT infrastructure, damage from natural hazards, or any combination of these causes. The possible consequences are loss of sales revenue and earnings, contract infringements, contractual penalties and claims for damages as well as reputational damage.

Freudenberg has taken numerous precautions to maintain and safeguard IT systems (back-up solutions, emergency data centers) as well as to meet contractual delivery obligations (dual/multi-sourcing, lead centers with interchangeable infrastructures, cross-plant tools, crisis training at relevant production locations) and to ensure delivery reliability and contract compliance, and has also taken out insurance cover for insurable individual risks. These concepts and their evolution have also proved their worth in light of the unique challenges posed by the ongoing pandemic conditions. Despite all the measures that have already been taken or will be taken in the event of an emergency, there is a residual risk of a temporary interruption in operations with a possible impact on the sales and earnings of the Group.

Financial risks

As an internationally active company with major shareholdings in other countries Freudenberg is exposed to financial risks which under certain circumstances could significantly impact the net assets, financial position or results of operations of the Group. Such risks include financial risks from the Group's M&A activities arising from the potential impairment of goodwill and investments or of unrecognized obligations. Freudenberg employs various measures to manage these risks. The Group has several expert groups specifically tasked with the identification, analysis and control of Freudenberg's financial risk profile. This also includes the regular review of financial risk management methodology and steering.

Various measures to safeguard liquidity are in place which allow Freudenberg to react swiftly to unexpected liquidity-related risks. Such risks are hedged by solid banking and Partners' financing and high liquid reserves. Freudenberg has a high equity ratio, a stable level of Partners' reserves, and comprehensive credit lines.

In addition, Freudenberg is exposed to exchange rate and interest rate risks. Managing these risks is implemented by internal guidelines and processes and monitored by a treasury management system. Exchange rate risks are determined on a decentralized basis in line with specific rules and steered by a central unit in a consultation process.

Interest rate risks arise from possible changes in the market rate and can lead to changes in the market value of fixed interest investments.

Funds for subsidiaries are made available in the form of loans or cash pool agreements. Freudenberg companies channel surplus liquidity to the central finance department.

Binding internal guidelines for Freudenberg companies clearly specify that derivative financial instruments may not be used for speculative purposes, but only for hedging risks in connection with underlying transactions and associated financing operations.

The Group's conservative finance strategy was one of several factors that led the rating agency Moody's Deutschland GmbH, Frankfurt am Main, Germany, to confirm its Freudenberg SE "A3" rating with a long-term "stable" outlook in May 2020. This gives Freudenberg very good creditworthiness at investment grade level.

Risks from technological progress and third-party innovations

As a highly diversified technology group, Freudenberg is active in numerous product and market segments, some of which differ considerably. Moreover, Freudenberg conducts its entrepreneurial activities on the basis of different business models. Consequently, Freudenberg operates in a constantly changing environment and is exposed to technological progress and a wide range of innovations. In specific terms, this means that Freudenberg comes up against new products, technologies or organizational structures.

Freudenberg addresses the implications of these customary risks in its regularly updated corporate strategy and limits these risks by various measures, in particular in-house research and development and innovation. The most important pillar and key driver of innovation at Freudenberg is to be found in the Business Groups, whose research and development activities are closely geared to their customers. In addition, the Freudenberg Group acquires companies or business units to add to the Group's technology and product portfolio and to enhance competitiveness through innovation.

With the Freudenberg Technology Innovation corporate function, Freudenberg has created an organizational unit that pools the Group's technical knowledge – in particular on cross-sectional technologies. At 5.0 percent, Freudenberg invested a substantial share of sales in research and development in the 2020 financial year. The share of sales attributable to new products totaled 34.1 percent.

Contractual risks

Freudenberg enters into contracts with third parties on a daily basis and makes continuous adjustments to its portfolio through acquisitions and disinvestments of companies and business units. During the course of these activities, obligations are assumed or commitments undertaken that may change as time goes by, must be complied with over a longer period of time, or may prove impossible to meet as a consequence of unforeseen events. These activities could in retrospect prove disadvantageous and, above all, could negatively impact the earnings situation of the Group. Freudenberg has several measures in place to deal with these significant risks, such as comprehensive upfront analyses and checks with regard to acquisitions supported by consultations with internal and external experts and consultants and, where appropriate, plausibility checks on the outcomes of the consultation process. This is complemented by interdisciplinary and supra-regional risk management resources established at both Business Group and holding company level, as well as the continuous improvement and further development of systematic contract management and contract monitoring in line with business demands. As a result of these measures the remaining risk is low.

Occupational safety, health protection and environmental risks

Freudenberg has production sites in some 60 countries, some of which operate under very different conditions. There are operational risks with regard to production processes in particular in terms of workflows, production equipment and the processing of hazardous materials. Freudenberg trains employees to comply with safety regulations and in the use of protective equipment, and fulfills all relevant safety requirements and guidelines.

Freudenberg locations are constantly exposed to natural hazards as a result of the presence in various regions and climate zones. In spite of the usual preventive measures, natural hazards such as earthquakes, floods, forest fires, mudslides or heavy snowfall can occasionally negatively impact the business operations of the units concerned. Natural hazards are taken into consideration as part of the site selection process and during the acquisition process.

Freudenberg has been monitoring the risk of a global pandemic for several years (SARS, avian influenza virus H5N1, zika virus) and initiated or prepared basic protective measures such as pandemic planning or holding stocks of mouth-nose protective masks. In spite of the precautions taken, with the international outbreak of the SARS-CoV-2 coronavirus from January 2020 it was not possible to avoid an impact, for example on employees, working conditions, supply chains as well as declining demand. Temporary plant closures and loss of sales in some areas contrasted with sales growth in other areas of the Group, highlighting the benefits of the Group's strong international and sectoral diversification.

We expect the COVID-19 virus to impact the working environment and business activities at least through 2021. The precautions and measures to fight the pandemic have been developed further on the basis of the experience gathered to date. Despite the hygiene measures in place at sites, Freudenberg employees could nevertheless be affected at work or in a private context. Depending on the course of events, in particular with regard to a further sharp global outbreak of this or another virus or lengthy quarantine measures, effects leading directly or indirectly to loss of sales revenue or earnings could not be excluded.

Group-wide standards in the fields of occupational safety, health, environment and fire protection define and implement the minimum requirements and guidelines for the Business Groups. Internal and external audit processes monitor the implementation of programs to constantly minimize risks in these fields at the Business Groups. The audit findings are systematically evaluated and measures implemented throughout the Group. Sites regularly conduct emergency and evacuation exercises. Despite all of these preventive measures, significant occupational health and safety and environmental risks cannot be entirely ruled out.

In the case of hazardous substances, efforts are, for example, made to identify substitutes for substances with proven, unacceptable risks before a statutory provision comes into effect with a view to minimizing potential and customary risks arising in connection with such hazardous substances. This also forestalls undesirable effects through a possible ban on a given substance. In addition, many product developments are subject to a stage gate process which among other things ensures that new products have a better environmental performance than their predecessors and that undesirable substances are not used in the development of new products.

Since it was launched in 2002, the worldwide "We all take care" initiative motivates Freudenberg employees to make their work and their workplaces safer, healthier and more environmentally friendly as well as taking responsibility for society. The initiative is supported by the Group's top management, employee representatives and senior executives in the Business Groups, and the best projects are honored each year.

Internal control and risk management system (referred to the Group financial reporting process)

The Group internal control and risk management system for the financial reporting process at Freudenberg is tasked with ensuring the functionality, compliance and effectiveness of financial reporting in the Group. The internal control system includes measures designed to ensure the complete, accurate and timely transmission and presentation of information of relevance for the preparation of the consolidated financial statements and the consolidated management report of the Group.

The consolidated financial statements and the consolidated management report of the Group are prepared centrally. The minimum requirements regarding reporting content submitted by the companies are defined and controlled centrally, and the time frame and process requirements are monitored. The regularly updated IFRS accounting guidelines form the basis for the IFRS reporting packages of the parent company and of all domestic and foreign subsidiaries included in the consolidation. There are binding instructions for Freudenberg's internal coordination and other preparatory work for the financial statements.

Freudenberg uses a standard software tool for the Group financial reporting process. This tool is used throughout the company worldwide and clearly defines user rights observing the principle of the separation of functions. The system covers both reporting by Freudenberg companies and the data for the consolidated financial statements. Additional controls are implemented in the consolidation process.

The consolidation process is also supported by a software tool for the automatic reconciliation of balances throughout the Group. The individual companies have a local internal control system which is the responsibility of the respective Business Group and which must comply with uniform minimum requirements applicable throughout the Group.

The Corporate Controlling & Accounting function organizes seminars for employees involved in this process in the event of important changes in financial reporting procedures and IT applications, thereby guaranteeing a consistently high standard of reporting. Actuarial reports and evaluations are compiled by specialist service providers.

There is a clear demarcation of tasks between the corporate function and the companies. The segregation of functions and the dual control principle are systematically applied. It is standard procedure for the auditor of the Freudenberg Group and the auditors of the consolidated companies to review the functionality and compliance of the relevant reporting process. Suggestions for improvements are regularly discussed and optimized. In addition, the functionality and compliance of processes of relevance to financial reporting are reviewed regularly under an internal auditing process. The complete package of processes, systems and controls adequately ensures that the Group's reporting process is in accordance with IFRS and other regulations and laws of relevance to financial reporting and is reliable.

Overall assessment of the opportunities and risks

Freudenberg has an in-depth understanding of the short- and long-term opportunities necessary for the further development of existing business areas and the development of new activities to secure the future of the Group, and actively pursues these opportunities.

In our opinion, based on the probability of occurrence and potential impact of the risks described above, they do not individually or cumulatively present a risk to the continued existence of Freudenberg.

REPORT ON EXPECTED DEVELOPMENTS

The assumptions made in the report on expected developments are based on the operative planning of the Freudenberg Group for 2021 and the strategic planning for the period 2021 to 2023 adopted by the Board of Management and the Supervisory Board. This planning is premised on our underlying expectations regarding macroeconomic conditions and developments in the markets of relevance to the Group. The assessments of future business development take their orientation from the targets set by our Business Groups as well as the opportunities and risks arising from expected market conditions and the competitive situation in the planning period. Set against this backdrop, we adjust our expectations for business development on a case-by-case basis in line with the latest forecasts.

We expect the generally challenging macroeconomic environment to continue in the 2021 financial year. Measured against a markedly weaker global economy in 2020, due above all to the spread of COVID-19, economic growth in 2021 is expected to recover, although it is anticipated that it will take some years to return to the pre-crisis level.[1] There are, however, very significant economic and geopolitical uncertainties for 2021. One key element is the further development of the COVID-19 pandemic and its effects on the global economy and on the Freudenberg Group's markets, in particular the automotive industry. Another major factor will be the extent to which local and international finance markets remain stable despite possible further support measures. Furthermore, the challenges that existed pre-coronavirus, namely a faltering global economy, trade barriers and mobility-related changes cause additional uncertainty. Against this backdrop, we expect business in the markets relevant to the Group to make a modest recovery.

With regard to developments in our regional core markets, we expect the German economy to show a marked recovery in 2021, with growth of 3.7 percent. In the eurozone, which remains the Group's largest sales region, we also expect to see growth recover again, with an increase of 4.4 percent in 2021. This can be primarily attributed to the expected easing-up of COVID-19 effects and to an expansive fiscal and monetary policy.

We expect economic growth of 4.4 percent in the USA. This forecast is based on broad political support for the policies of the new US President and the anticipated improvement in consumer and investor confidence.

In Japan, growth is expected to be a moderate 2.4 percent, bolstered by an expansive fiscal and monetary policy.

Economic developments in the emerging economies will present a mixed picture. China remains one of the most important growth regions for Freudenberg. Unlike most other nations, China achieved slight growth of 2.1 percent in 2020. Measured against this trend, we expect further growth of 8.3 percent in 2021, primarily on the back of a recovery in global demand. We forecast economic growth of 10.3 percent for India, and 3.0 percent for Russia.

Against the backdrop of the global economic recovery expected for 2021, developments in the sectors served by Freudenberg will be mixed. The automotive sector is a particularly important industry for Freudenberg. Measured against the very marked downturn of 16.2 percent in 2020, we expect production to increase worldwide by 13.7 percent. We anticipate growth in all regions, 25.1 percent in North America, 14.3 percent in Europe, 7.8 percent in Japan, and 6.1 percent in China.

[1] Sources: In this chapter, all figures related to economic developments are based on data from Consensus Economics, the European Commission, the International Monetary Fund, the World Bank, the OECD, and the marketing research and consulting company Schlegel und Partner.

We anticipate worldwide growth of 7.0 percent in the mechanical and plant engineering industry, Freudenberg's second most important sector. However, growth will probably only return to the previous year's level in a few years.

Private consumption is also expected to see positive development. We expect growth of 4.4 percent in the industrial nations, with the emerging economies even showing higher growth rates, for example, 10.0 percent in China and 11.3 percent in India.

Developments in the oil and gas industry are also of relevance to Freudenberg. The industry is likely to make a recovery in 2021 despite the substantial uncertainty triggered by COVID-19.

In order to manage economic and geopolitical uncertainties, we will stay agile at our locations throughout the world and continue to respond swiftly and flexibly to changing customer and market requirements. This principle applies to every sector and region. We will therefore continue to invest in long-term projects. The mobility transformation, digitalization and sustainable solutions remain our key strategic themes. We will adopt a selective and focused approach to developing our portfolio further and strengthening it through acquisitions relating to promising technologies. Our efforts in this context are guided by the findings of the foresight project named "Odyssey" that examined what the world might look like in 2050 and what business opportunities this might bring for Freudenberg. The project was launched in 2015, and a follow-up project called "Janus" started in the year under review to address the impact of the most recent political and economic changes on the framework set out in "Odyssey". Our goal is a balanced portfolio of cyclical and non-cyclical businesses with equal sales contributions from North and South America, Europe and Asia

In 2021, we will continue to drive forward with our projects in the fields of sustainability, non-financial key performance indicators, and our responsibility for society. As a responsible, innovative technology group, Freudenberg will once again implement numerous measures in environmental protection, occupational health and safety. As in the previous year, special attention will again be devoted to occupational safety in 2021. We expect to see the Lost Day Incident Frequency Rate (LDIFR) in the 2021 financial year on the level of the previous year.

In light of the opportunities and risks described in the previous chapter, or in the event that the expectations and assumptions described above do not materialize, the actual development of Freudenberg may show a positive or negative deviation from this report on expected developments.

Anticipated sales developments in our Business Groups reflect the regional and sectoral developments described above. We expect Group sales in the 2021 financial year to be slightly higher than the level of the previous year. Set against the backdrop of a persistently challenging macroeconomic environment, we anticipate a slightly higher operating result. On the basis of these forecasts, we expect a marginally increased return on sales for 2021.

Weinheim, March 19, 2021

The Board of Management

FREUDENBERG SE (HGB)

Freudenberg SE is a wholly-owned subsidiary of Freudenberg & Co. KG, Weinheim, and the parent company with responsibility for the operations of the Freudenberg Group.

The net assets, financial position and results of operations of Freudenberg SE are characterized by its holding function. The company holds interests in affiliated companies and it is the profit from these investments that dominates the earnings situation of Freudenberg SE.

The annual financial statements of Freudenberg SE are set up in accordance with the Handelsgesetzbuch (HGB – German Commercial Code) and the Aktiengesetz (AktG – German Stock Corporation Act).

EARNINGS SITUATION

[€ million]	2019	2020
Sales	24.3	29.8
Investment result	**561.7**	270.0
Other operating income	46.4	8.6
Material expenses	**-12.3**	-17.9
Personnel expenses	-11.9	-0.2
Other operating expenses	**-98.3**	-93.9
Financial result	-31.2	-28.1
[redacted]	[redacted]	168.3
Income taxes	-16.4	-1.5
[redacted]	[redacted]	166.8

The **sales** of Freudenberg SE largely result from the charging of services and from royalties for the Freudenberg global brand amounting to €11.2 million (previous year: €11.3 million).

The **investment result** decreased from €561.7 million to €270.0 million. The negative development in the results of individual affiliates had a corresponding impact on the overall result. This was partially offset by the rise in dividend payments from €36.8 million to €44.0 million.

Other operating income fell from €46.4 million to €8.6 million. The main factor in this development was income from the sale of affiliates in the previous year.

Material expenses rose from €12.3 million to €17.9 million and represent services purchased.

At €0.2 million, **personnel expenses** were considerably below the level for 2019 (previous year: €11.9 million). This was chiefly due to an extraordinary decrease in expenses for pension commitments.

The **other operating expenses** fell from €98.3 million to €93.9 million. This fall was chiefly due to lower administrative expenses.

The **financial result** increased by €3.1 million (previous year: decrease of €1.3 million). The result for the previous year had been negatively affected by an impairment loss on financial assets.

Income taxes fell by €14.9 million from €16.4 million to €1.5 million. This was chiefly due to the lower taxable income of Freudenberg SE and affiliates forming part of its group for tax purposes.

At €166.8 million (previous year: €462.3 million), the **profit for the year** of Freudenberg SE was below the level of the previous year.

ASSETS, LIABILITIES AND FINANCIAL POSITION

[€ million]	Dec. 31, 2019	Dec. 31, 2020
Intangible assets	10.9	9.5
Tangible assets	**1.4**	**1.6**
Financial assets	2,522.8	2,796.2
Receivables and other assets	**2,430.4**	**2,689.0**
Cash at bank and in hand	13.1	98.8
		5,595.1
Equity	3,464.3	3,538.6
Provisions	**157.0**	**136.4**
Liabilities	1,357.3	1,920.1
		5,595.1

The assets of Freudenberg SE as the holding company chiefly consist of shares and participations in companies and amounts receivable from these companies.

As at the statement of financial position date, **financial assets** had risen by €273.4 million to €2,796.2 million (previous year: €2,522.8 million) as a result of various capital increases.

Receivables and other assets mainly include amounts receivable from affiliates. As at the date of the statement of financial position, these had risen by €258.4 million to €2,654.6 million (previous year: €2,396.2 million). This is mainly the result of higher cash pool receivables from Externa Handels- und Beteiligungsgesellschaft mit beschränkter Haftung with headquarters in Weinheim.

Equity increased to €3,538.6 million (previous year: €3,464,3 million). The net retained profit from the previous year rose by €74.3 million from €2,719.1 million to €2,793.4 million. The profit for the year fell from €462.3 to €166.8 million. The net retained profit for the year was reduced by dividends paid in the amount of €92.5 million (previous year: €106.1 million).

Provisions fell by €20.6 million from €157.0 million to €136.4 million and chiefly include provisions for pensions.

Liabilities rose by €562.8 million from €1,357.3 million to €1,920.1 million chiefly as a result of the drawdown of loans.

SUMMARY STATEMENT

Against the backdrop of our sound situation with respect to net assets and financial position and the high earnings of our affiliates, we assess the general economic situation of Freudenberg SE as positive. This statement is not affected by any events reported in the chapter "Report on Events after the Date of the Statement of Financial Position".

REPORT ON EXPECTED DEVELOPMENTS

As the parent company of the Freudenberg Group responsible for business operations but without its own business operations, Freudenberg SE mainly receives income from its affiliates. As a general principle, expectations concerning business developments within the Freudenberg Group therefore also have an impact on the earnings of Freudenberg SE. For this reason, the assumptions and statements made in the report on expected developments for Freudenberg are equally relevant to Freudenberg SE.

NET RETAINED PROFIT AND DIVIDEND

In December 2020, the Shareholders Meeting resolved, as proposed by the Supervisory Board and the Board of Management, to pay a dividend of €92.5 million (previous year: €106.1 million) to the sole shareholder Freudenberg & Co. KG in 2020 from the net retained profit as at December 31, 2019, which amounted to €2,719.1 million.

The Board of Management proposes that the retained profit for the 2020 financial year, amounting to €2,793.4 million should be carried forward to new account.

SUMMARY CONCLUDING STATEMENT OF DEPENDENT COMPANY REPORT OF FREUDENBERG SE

"We hereby declare in accordance with Sec. 312, Para 3, AktG (German Stock Corporation Act) that, on the basis of the circumstances of which we were aware at the time when transactions with affiliated companies were implemented or acts or forbearances were taken, our company received consideration comparable with that obtainable from a non-affiliated company and did not suffer any disadvantage as a result of such acts or forbearances."

CONSOLIDATED FINANCIAL STATEMENTS OF FREUDENBERG SE

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

[€ million]	Note	Dec. 31, 2019	Dec. 31, 2020
ASSETS			
Intangible assets	**(1)**	**2,687.3**	**2,665.8**
Tangible assets	(2)	2,743.3	2,719.4
Investment properties	**(3)**	**18.1**	**16.7**
Investments in joint ventures	(4)	183.8	192.8
Investments in associated companies	**(5)**	**944.7**	**889.1**
Other financial assets		138.5	117.4
Financial assets		**1,267.0**	**1,199.3**
Other non-current assets	(7)	83.1	75.4
Deferred taxes	**(26)**	**261.9**	**286.0**
Non-current assets		**7,060.7**	**6,962.6**
Inventories	**(6)**	**1,218.3**	**1,179.8**
Trade receivables		1,482.1	1,402.9
Other current assets		**376.3**	**195.3**
Current receivables	(7)	1,858.4	1,598.2
Current tax assets		**88.8**	**92.8**
Securities and cash at bank and in hand	(8)	1,117.3	2,021.4
Current assets		**4,282.8**	**4,892.2**
Non-current assets held for sale and disposal groups	**(9)**	**11.0**	**0.0**
[redacted]		[redacted]	11,854.8

EQUITY AND LIABILITIES

[€ million]	Note	Dec. 31, 2019	Dec. 31, 2020
EQUITY AND LIABILITIES			
Subscribed capital		**450.0**	450.0
Capital reserves		50.2	50.2
Retained earnings		**4,902.1**	4,839.4
Equity without non-controlling interests		**5,402.3**	**5,339.6**
Non-controlling interests		**417.2**	356.5
Equity	**(10)**	**5,819.5**	**5,696.1**
Provisions for pensions and similar obligations	**(11)**	**842.3**	879.7
Other long-term provisions	(12)	115.2	91.0
Long-term provisions		**957.5**	970.7
Financial debt		1,132.3	1,474.2
Other non-current liabilities		**167.3**	170.4
Liabilities	(13)	1,299.6	1,644.6
Deferred taxes	**(26)**	**347.4**	329.8
Non-current liabilities		**2,604.5**	**2,945.1**
Other current provisions	**(12)**	**597.2**	734.1
Current tax liabilities		107.6	115.3
Financial debt		**1,052.8**	1,182.2
Trade payables		914.0	878.7
Other current liabilities		**258.3**	303.3
Liabilities	(13)	2,225.1	2,364.2
Current liabilities		**2,929.9**	**3,213.6**
Liabilities in connection with non-current assets held for sale and disposal groups	**(9)**	**0.6**	**0.0**
			11,854.8

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

[€ million]	Note	2019	2020
Sales	(14)	9,467.8	8,840.8
Cost of sales	(15)	-6,480.5	-6,093.3
Gross profit		**2,987.3**	**2,747.5**
Selling expenses	(16)	-1,298.3	-1,271.5
Administrative expenses	(17)	-638.6	-603.0
Research and development expenses	(18)	-414.6	-387.8
Other income	(19)	313.9	93.8
Other expenses	(20)	-119.3	-68.9
Income from investments in joint ventures	(4),(21)	14.3	20.1
Profit from operations		**844.7**	**530.2**
Income from investments in associated companies	(5),(22)	-15.9	-11.2
Other investment result	(23)	33.9	29.6
Other interest and similar income	(24)	20.8	20.0
Interest and similar expenses	(25)	-55.0	-57.9
Financial result		**-16.2**	**-19.5**
Profit before income taxes		**828.5**	**510.7**
Income taxes	(26)	-217.9	-144.6
			366.1
Of which: attributable to Freudenberg		571.0	336.2
Of which: attributable to non-controlling interests	(27)	39.6	29.9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

[€ million]	Note	2019	2020
Consolidated profit		**610.6**	**366.1**
Other comprehensive income			
Remeasurement of defined benefit plans	(11)	-121.0	-34.7
Changes in value of securities		-4.0	-5.3
Income tax relating to items that will not be reclassified subsequently to profit or loss	(10)	34.9	9.9
Share in other comprehensive income and loss of associated companies	(5)	5.0	8.2
Items that will not be reclassified subsequently to profit or loss		**-85.1**	**-21.9**
Exchange rate differences	(10)	75.4	-315.7
Changes in value of derivative financial instruments	(10)	-0.3	0.2
Miscellaneous comprehensive income		-8.2	3.4
Income tax relating to items that will be reclassified subsequently to profit or loss when specific conditions are met	(10)	-1.7	7.7
Share in other comprehensive income and loss of joint ventures	(4)	0.0	-0.1
Share in other comprehensive income and loss of associated companies	(5)	2.2	-11.3
Items that will be reclassified subsequently to profit or loss when specific conditions are met		**67.4**	**-315.8**
Other comprehensive income for the year		**-17.7**	**-337.7**
[illegible]		[illegible]	**28.4**
Of which: attributable to Freudenberg		549.9	29.8
Of which: attributable to non-controlling interests		43.0	-1.4

CONSOLIDATED STATEMENT OF CASH FLOWS

[€ million]	Note	2019	2020
Profit before taxes		828.5	510.7
Depreciation, amortization and impairment losses on intangible assets, tangible assets, investment properties and financial assets less write-ups		**559.0**	**513.2**
Income from investments and interest income		18.5	0.9
Income taxes paid		**-237.1**	**-189.2**
Profit or loss on disposal of intangible assets, tangible assets, investment properties and financial assets		-195.5	1.3
Dividends received		**44.0**	**41.9**
Other expenditure and income not affecting payments		-29.4	15.7
Changes in inventories, trade receivables and other assets		**40.1**	**127.7**
Changes in trade payables and other liabilities		-23.0	46.1
Changes in provisions		**-12.3**	**105.5**
Interest paid		-54.7	-53.4
Interest received		**18.8**	**18.4**
Cash flow from operating activities	**(28)**	**956.9**	**1,138.8**
Cash inflow from disposals of intangible assets, tangible assets and investment properties		25.8	24.0
Cash outflow from acquisitions in intangible assets, tangible assets and investment properties		**-362.1**	**-287.1**
Cash inflow from disposals of financial assets		29.6	15.3
Cash outflow from acquisitions of financial assets		**-161.9**	**-2.5**
Cash inflow in connection with the disposal of consolidated companies or other business units less cash disposed of		186.2	0.7
Cash outflows in connection with the acquisition of consolidated companies or other business units less cash acquired		**-318.5**	**8.5**
Cash flow from investing activities		**-600.9**	**-241.1**
Payments to shareholders/non-controlling interests	(29)	-157.6	-135.2
Cash inflow from the take-up of financial debts		**201.9**	**672.1**
Cash outflow from the repayment of financial debts		-274.5	-481.9
Cash inflow from disposals of loans and securities held as non-current assets		**3.0**	**13.3**
Cash outflow from acquisitions of loans and securities held as non-current assets		-3.7	-4.0
Cash flow from financing activities		**-230.9**	**64.3**
Changes in cash and cash equivalents with effect on payments	**(31)**	**125.1**	**962.0**
Changes in cash and cash equivalents from changes in consolidated group		-3.4	-2.1
Changes in cash and cash equivalents from exchange rate differences		**9.4**	**-57.7**
Cash and cash equivalents at beginning of year[1]		**988.1**	**1,119.2**
Cash and cash equivalents at end of year[1]		**1,119.2**	**2,021.4**

[1] The figures for 2019 include assets and groups of assets held for sale.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

[€ million]	Subscribed capital	Capital reserves	Currency translation	Remeasurement of defined benefit obligations	Fair value measurement of securities	Financial investments accounted for using the equity method
Status Jan. 1, 2019	***450.0***	***50.2***	***-85.8***	***-310.2***	***22.2***	***66.9***
Changes in consolidated group						**5.4**
Consolidated profit						
Appropriation of profit						
Other comprehensive income			69.3	-115.4	-3.9	8.3
Status Jan. 1, 2020	**450.0**	**50.2**	**-16.5**	**-425.6**	**18.3**	**80.6**
Changes in consolidated group						
Consolidated profit						
Appropriation of profit						
Other comprehensive income			**-279.8**	**-30.7**	**-4.8**	**-4.7**

[€ million]	Tax effects recognized in equity	Other retained earnings	Total retained earnings	Equity without non-controlling interests	Non-controlling interests	Equity
Status Jan. 1, 2019	**76.5**	**4,683.3**	**4,452.9**	**4,953.1**	**359.0**	**5,312.1**
Changes in consolidated group			5.4	5.4	65.9	71.3
Consolidated profit		571.0	571.0	571.0	39.6	610.6
Appropriation of profit		-106.1	-106.1	-106.1	-50.7	-156.8
Other comprehensive income	32.4	-11.8	-21.1	-21.1	3.4	-17.7
						5,819.5
Status Jan. 1, 2020	**108.9**	**5,136.4**	**4,902.1**	**5,402.3**	**417.2**	**5,819.5**
Changes in consolidated group					-15.9	-15.9
Consolidated profit		336.2	336.2	336.2	29.9	366.1
Appropriation of profit		-92.5	-92.5	-92.5	-43.4	-135.9
Other comprehensive income	20.2	-6.6	-306.4	-306.4	-31.3	-337.7
						5,696.1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General

Freudenberg is an international industrial group mainly active as a supplier to the automotive, mechanical engineering, oil and gas, and construction industries as well as the textile and apparel industries. The portfolio also includes medical technology and consumer goods.

The consolidated financial statements of Freudenberg SE, Weinheim, Germany (registered with Mannheim Local Court, HRB 714579), for 2020 have been drawn up in accordance with the International Financial Reporting Standards (IFRS) as they are to be applied in the European Union (EU) as of the date of the statement of financial position (December 31, 2020). Freudenberg SE, Weinheim, Germany, is included in the consolidated financial statements of Freudenberg & Co. Kommanditgesellschaft, Weinheim, Germany, which are published in the "Bundesanzeiger" (Federal Gazette).

Freudenberg SE has availed itself of the right as laid down in Sec. 315e (3) HGB ("Handelsgesetzbuch", German Commercial Code) to set up its consolidated financial statements in accordance with IFRS.

The Group currency is the euro. All amounts are indicated in million euros unless otherwise stated.

Accounting standards published but not yet applied

The following additional standards, interpretations and amendments published by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee are not yet binding. The application of these standards, interpretations and amendments is subject to endorsement by the EU which, in some cases, is still pending.

Standards/Interpretations/Amendments		Application binding from[1]	Endorsed by EU	Probable Impact
IAS 1	Amendments to IAS 1 – *Classification of Liabilities as Current or Non-current*	January 1, 2023	No	No material impact
IAS 16	**Amendments to IAS 16 – *Property, Plant and Equipment: Proceeds before Intended Use***	**January 1, 2022**	**No**	**No material impact**
IAS 37	Amendments to IAS 37 – *Onerous Contracts: Cost of Fulfilling a Contract*	January 1, 2022	No	No material impact
IFRS 3	**Amendments to IFRS 3 – *Reference to the Conceptual Framework***	**January 1, 2022**	**No**	**No material impact**
IFRS 16	Amendments to IFRS 16 – *COVID-19-Related Rent Concessions*	June 1, 2020	Yes	No material impact
IFRS 17	**Insurance Contracts**	**January 1, 2023**	**No**	**No material impact**
Various standards	*Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 und IFRS 16 – Interest Rate Benchmark Reform: Phase 2*	January 1, 2021	Yes	No material impact
Various standards	***Annual Improvements to IFRS Standards 2018 – 2020***	**January 1, 2022**	**No**	**No material impact**

[1] From this date or for reporting periods beginning after this date.

Accounting standards applied for the first time in the reporting year

In the 2020 financial year, the application of the following amended and new standards was binding for the first time:

Standards/Amendments	Title	Impact
IFRS 3	Amendments to IFRS 3 – *Business Combination: Definition of a Business*	No material impact
Various standards	Amendments to IAS 1 und IAS 8 – *Definition of Material*	No material impact
Various standards	Amendments to IFRS 9, IAS 39 und IFRS 7 – *Interest Rate Benchmark Reform*	No material impact
Various standards	Amendments to several standards – *References to the Conceptual Framework in IFRS Standards*	No material impact

Consolidated group

Apart from Freudenberg SE, 64 German (previous year: 60) and 365 foreign (previous year: 342) **affiliated companies,** with respect to which Freudenberg SE has the power to direct the relevant activities of the company, the right to variable returns from the company and the ability to affect such variable returns, are fully consolidated.

Freudenberg operates a joint venture in the field of mechanical seals within the EagleBurgmann Business Group together with the partner Eagle Industry Co., Ltd., Tokyo, Japan. Freudenberg holds a 25-percent stake in EagleBurgmann Japan Co., Ltd., Tokyo, Japan. The partner also holds a 25-percent indirect stake in EagleBurgmann Germany GmbH & Co. KG, Wolfratshausen, Germany. According to the joint venture agreement between the partners, Freudenberg exercises control over affiliated companies of the EagleBurgmann Group in which Freudenberg holds less than half of the voting rights of the other company; such affiliated companies are therefore fully consolidated.

In the consolidated financial statements 1 German (previous year: 0) and 13 foreign (previous year: 14) **joint ventures** are included. These legally independent companies are managed jointly with the partner company in each case. Both parties hold rights to the net assets of the companies. The joint ventures are consolidated by the equity method.

In addition, 10 foreign (previous year: 9) **associated companies** are included in the consolidated financial statements. Freudenberg does not control these companies but only exercises a significant influence. These companies are consolidated by the equity method.

All affiliated companies, joint ventures and associated companies are listed under "Shareholdings".

In the year under review, 43 companies were included in the consolidated financial statements as fully consolidated affiliated companies for the first time. 16 companies which had previously been fully consolidated were no longer included as fully consolidated affiliated companies due to sale, liquidation or merger. Of these companies, 4 affiliates which had been fully consolidated for the first time during the year were also deconsolidated in the course of the year. The timing of the initial consolidation is determined on the basis of the date when Freudenberg SE gained control. In the event of loss of control, deconsolidation is effected.

Acquisitions and disposals

With effect from May 12, 2020, the Freudenberg Performance Materials Business Group acquired 100 percent of the shares in Low & Bonar PLC, London, United Kingdom (now Low & Bonar Limited, Edinburgh, United Kingdom, "Low & Bonar"). Freudenberg had submitted an offer in September 2019. Prior to the acquisition, Low & Bonar was listed on the London Stock Exchange. The Low & Bonar shareholders approved the sale in November 2019 and the European Commission authorized the merger on April 17, 2020. Low & Bonar was delisted from the London Stock Exchange on May 13, 2020 at 8 a.m. London time. Low & Bonar is a global manufacturer of technical textiles. In the 2019 financial year, Low & Bonar reported sales of about €362.3 million, with some 1630 employees. The company will be integrated in the Freudenberg Performance Materials Business Group. The company is fully consolidated as part of the Freudenberg Group. The consideration for the acquisition was €121.3 million, which was transferred in full to an escrow account with effect on payments in 2019. The goodwill in the amount of €73.8 million resulting from the purchase price allocation, which is not deductible for tax purposes, chiefly represents synergy potential resulting from complementary competences in production, research and development for nonwovens. The goodwill will be allocated in full to the Freudenberg Performance Materials Business Group. Furthermore, Freudenberg can offer its customers a broader product range, especially with respect to existing applications for the construction, building interiors, home textiles and automotive sectors. Since the date of the acquisition, Low & Bonar has generated sales in the amount of €178.3 million and contributed a loss of €3.0 million to consolidated profit. If the acquisition had already taken place at January 1, 2020, sales would have been €112.4 million higher and consolidated profit would have been €13.5 million lower.

With effect from December 31, 2019, the Freudenberg Performance Materials Business Group acquired all of the shares in the Filc Group, Škofja Loka, Slovenia (Filc). Filc produces needle punch nonwoven textiles and laminated materials. As of the last statement of financial position date, the purchase price allocation was still provisional as the detailed analysis of the assets and liabilities acquired had not been finally completed. The provisional purchase price allocation was reviewed in the course of the financial year and corrected on the basis of more detailed information and a slight purchase price reduction. The retroactive adjustments resulted in a total reduction in goodwill of €41.0 million and an increase in intangible assets for customer lists/relations, technologies and brands of €49.0 million. Appropriate deferred tax liabilities were recognized in connection with the identification of undisclosed reserves. The changes in the other statement of financial position items were not material.

With effect from January 2, 2020, Freudenberg Klüber Lubrication München SE & Co. KG (part of the Freudenberg Chemical Specialities Business Group), Munich, Germany, acquired all of the shares in the specialist lubricants producer Traxit International GmbH, Schwelm, Germany. The company is fully consolidated as part of the Freudenberg Group. Assets in the amount of about €47.7 million were acquired. In the financial year, the companies contributed about €30.2 million to consolidated sales and €0.5 million to consolidated profit. From the Group point of view, this acquisition was not material.

The transaction costs arising in connection with the company acquisitions were, in each case, not significant and were recognized with effect on net income. As at the acquisition date, there was no significant difference in each case between the gross contractual amounts receivable and the fair value of the acquired receivables.

As experts' opinions are still outstanding, it was not possible to finalize the purchase price allocation for Low & Bonar. The fair values of the main asset and liability items of the companies acquired as at the acquisition dates were determined mainly on the basis of level 3 input factors. The cumulative values were as follows:

[€ million]	Low & Bonar
Intangible assets	116.9
Tangible assets	116.1
Other non-current assets	12.9
Inventories	70.7
Trade receivables	36.6
Other current assets	13.4
Cash and cash equivalents	17.7
Assets	**384.3**
Non-current liabilities	180.3
Current liabilities	82.7
Liabilities	**263.0**

Intangible assets identified in connection with purchase price allocations mainly concern customer lists/relations, technologies and brands. The fair values of the customer lists identified were measured by the residual value method on the basis of business planning with a useful life of 8 to 10 years. As regards technologies and brands, experts' opinions and the relief-from-royalty approach with a useful life of 8 to 10 years were applied.

Consolidation methods

The consolidated financial statements are based on the annual accounts of Freudenberg SE and the consolidated companies according to IFRS. All the annual accounts concerned were drawn up as at December 31, 2020. In accordance with IFRS 10, the accounts of the individual companies to be included in the consolidated financial statements were drawn up applying uniform accounting and measurement methods.

The acquisition costs of the individual consolidated companies are set off against the pro-rata share in the fair value of the equity of the companies concerned as of the date of acquisition according to the purchase method. Identifiable acquired assets and liabilities are also included in the consolidated statement of financial position at their fair values as of the acquisition date. Any remaining differences are shown as goodwill.

Inter-company profits and losses, sales, expenses and income and all receivables and payables between consolidated companies are eliminated. Deferred taxes are set up on consolidation transactions affecting net income.

Joint ventures and associated companies are consolidated by the equity method on the basis of financial statements drawn up in accordance with IFRS.

The differences arising from the acquisition of shareholdings in joint ventures and associated companies form part of the book value of the shareholding in the company concerned. Amortization is not recognized on goodwill in subsequent periods. An impairment test is carried out on the book value of the shareholding in the joint venture or associated company as a whole if there are indications that the carrying amount could be impaired.

Accounting and measurement principles

Acquired intangible assets are capitalized at acquisition cost and amortized on a systematic basis.

Systematic amortization is based on the following useful lives:

Software	**3 to 8 years**
Patents and licenses	**depending on contract term**

Intangible assets with finite useful lives acquired in a business combination are amortized on a systematic basis over useful lives of up to 25 years.

An impairment test is carried out on goodwill at least once per year. For the impairment test, the goodwill acquired is allocated to the groups of cash-generating units expected to benefit from the business combination. In line with internal management reporting, the groups of cash-generating units are represented by the Business Groups. An impairment loss is recognized if the carrying amount of the group of cash-generating units is higher than its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use of the group of cash-generating units.

For the determination of the recoverable amount, the value in use of the group of cash-generating units concerned is determined by the discounted cash flow method on the basis of a detailed planning period of 5 years. The discount rates used for the determination of the value in use are based on the weighted average cost of capital (hereafter WACC) determined separately for each group of cash-generating units.

Impairments of capitalized goodwill are shown under other expenses in the consolidated statement of profit or loss. Reversals of impairments are not recognized with respect to goodwill for which impairments have been recognized.

Impairment losses going beyond goodwill are recognized for individual assets of cash-generating units if the fair value less costs of disposal of such units or the value in use of such units has fallen below their carrying amount.

Provided that such assets meet the requirements of IAS 38, internally generated intangible assets are carried as assets at production cost and are amortized on a systematic basis over their useful lives, if their useful lives are finite.

If the useful life of intangible assets is not considered to be finite, no amortization is effected. An impairment test is carried out on such assets annually. An intangible asset may be regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the Group.

Expenditure in connection with development projects is capitalized as intangible assets if, in addition to meeting the criteria of IAS 38, a Group threshold is exceeded. Otherwise, development expenditure is shown as expenses. Capitalized development expenditure is amortized on a straight-line basis over the underlying useful life of the product concerned. Amortization of capitalized development expenditure is normally recognized in research and development expenses.

Tangible assets are capitalized at acquisition or production cost. In the case of assets produced by Group companies, production cost also includes directly attributable cost as well as pro-rata overheads and depreciation.

Borrowing costs are capitalized as part of acquisition or production cost in the case of qualifying assets.

Expenditure for repairs and maintenance is generally shown as expenses. Such expenditure is only capitalized if future economic benefits in connection with such expenditure are probable and the acquisition or production cost can be reliably measured.

Taxable grants and tax-free investment subsidies, normally paid by public bodies, are set off against acquisition or production cost or recognized in the statement of financial position as deferred income.

Movable non-current assets and industrial buildings are depreciated over their useful lives, normally on a straight-line basis.

Systematic depreciation is determined on the basis of the following useful lives:

Buildings	max. 50 years
Machinery and equipment	5 to 20 years
Other fixtures, fittings and office equipment	3 to 20 years

An impairment test on tangible and intangible assets assigned to cash-generating units is always carried out if circumstances or changed conditions indicate that the carrying amount of such cash-generating units may not be recovered. The composition of the cash-generating units is determined at the divisional or regional level as a function of the business model and differs between Business Groups. If the impairment of an asset reflected by a write-down in the past is reduced or eliminated, the impairment loss is reversed. The amortized acquisition or production cost represents the upper limit of measurement in such cases.

Under IFRS 16, right-of-use assets and corresponding payment obligations are recognized for all leased assets. The right-of-use asset represents the lessee's right to use a leased asset (the underlying asset) for an agreed term in return for a charge. In accordance with the relief options allowed by IFRS 16, Freudenberg recognizes lease payments associated with underlying assets of low value as expenses on a straight-line basis in the statement of profit or loss. Assets of low value are identified on the basis of classes of assets. Leased assets in the classes of machinery and equipment, IT equipment and other fixtures, fittings and office equipment are classed as of low value. In the case of leased assets in the other classes of assets land and buildings, passenger cars, fork lift trucks and IT infrastructure, right-of-use assets and corresponding lease liabilities are recognized even if the term of the lease is short (less than 12 months). In the case of contracts which include a lease component and another non-lease component, such as a service installment, Freudenberg recognizes such non-lease components as part of the lease in accordance with the practical expedient allowed by IFRS 16. Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the term of the lease. In the event that the exercise of a purchase option is assessed as reasonably certain, the right-of-use asset is depreciated over the useful life of the underlying asset irrespective of the term of the lease.

Land and buildings held to earn rentals from third parties are dealt with as investment properties. Such properties are measured at acquisition cost. Investment properties are depreciated over their useful lives. This approach normally corresponds to straight-line depreciation. Systematic depreciation is calculated on the basis of a maximum useful life of 50 years. The fair value is determined by the discounted cash flow method.

Participations are shown at fair value. In some cases, amortized cost represents the best estimate of fair value.

Investments in joint ventures and associated companies are shown at acquisition cost on first-time consolidation and subsequently adjusted for changes in the share of the shareholder in the net assets of the company concerned. In the event that the losses of a joint venture or associated company attributable to Freudenberg exceed the value of the share in that company, no further impairment losses are recognized. If there is objective evidence of impairment or value recovery in the case of such participations, assumptions concerning future business developments must be made with a view to determining the recoverable amount.

Long-term loans are discounted if the amount of such discount is significant.

Inventories are shown at acquisition or production cost or at net realizable value, where this is lower. Inventories of raw materials and consumables and merchandise are measured by the weighted average cost method. Production cost includes directly attributable costs as well as production and material overheads and depreciation.

Receivables and other assets are recognized at amortized cost. Loss allowances are made on the basis of the expected credit loss model. For trade receivables, the simplified approach to impairment losses is adopted. In this approach, the loss allowance is always calculated on the basis of the lifetime expected credit losses. In order to determine the expected credit losses, customers are assigned to groups with similar credit risks. Individual impairment losses are recognized if circumstances become apparent which allow the conclusion that certain receivables are subject to a credit risk in excess of the general credit risk. In the determination of loss allowances, credit insurance is taken into consideration. The amortized cost is approximately equivalent to the fair value of the assets concerned. Long-term receivables are discounted if the amount of such discount is significant.

Contract assets, which are mainly the result of realization of revenue over time for customer-specific products and development contracts, are recognized at amortized cost. For determining impairment losses, the simplified procedure for determining the expected credit losses is applied.

The other financial assets are classified and measured on the basis of the business model within which the financial assets are held and on the basis of contractual cash flows at the time of acquisition. There are differences between the treatment of equity and debt instruments. Investments in equity instruments which are held as long-term strategic participations, and which are not expected to be sold within the short- to medium-term future are measured in equity without effect on net income. Debt instruments with cash flows not consisting solely of interest payments and principal repayments, investments for which another measurement would result in an accounting mismatch and shares in partnerships are measured at fair value through profit or loss. An impairment test is carried out for debt instruments measured at amortized cost or at fair value through other comprehensive income.

Cash at bank or in hand is shown at its nominal value. Cash held in foreign currencies is converted using the exchange rate as of the statement of financial position date. The expected credit loss model is applied. Derivative financial instruments that do not meet the requirements for hedge accounting are measured at fair value through profit or loss.

Non-current assets and groups of assets held for sale are shown separately in the statement of financial position if they are available for immediate sale in their present condition and the sale of such assets is highly probable within the next 12 months. Such assets are shown at the lower of fair value less costs to sell and book value. Systematic depreciation is not recognized on such assets from the date of reclassification.

Liabilities included in a disposal group are shown separately under liabilities.

The requirement for the reversal of the impairment of assets has been complied with both for non-current and for current assets. Unless individual standards call for a different measurement, the amortized acquisition or production costs represent the upper limit of measurement in such cases.

Provisions for pensions and similar obligations are determined by the projected unit credit method using actuarial principles. Service cost and the net interest on the net defined benefit liability are recognized under personnel expenses with an impact on net income. Gains and losses from remeasurements of the net defined benefit liability are disclosed under other comprehensive income. Assets held to provide benefits for employees are measured at fair value.

Deferred taxes are calculated on temporary differences between the book values of assets and liabilities in the consolidated statement of financial position and their tax bases, taking into account the applicable national income tax rates valid on the date of realization and already in force on the statement of financial position date. In addition, deferred tax assets are recognized for tax losses carried forward if sufficient taxable income will be available in the future. Deferred tax assets and liabilities are only set off against each other in cases where the income taxes concerned are levied by the same tax authority and concern the same period. In the case of deferred tax assets which are not impaired following the offsetting, it is assumed that future taxable income will be sufficient to allow the realization of the deferred tax assets formed.

Other provisions allow for all recognizable risks and uncertain obligations towards third parties which will probably result in an outflow of resources which can be reliably estimated. Such provisions are recognized at their most probable settlement value and discounted if the amount of such discount is significant. Reimbursement rights in this connection are shown separately under other assets. In its contracts with customers, Freudenberg provides for warranty services for general repair obligations but does not provide for any extended warranties. In accordance with IFRS 15, the existing warranties are mainly classified as assurance-type warranties and are recognized in accordance with IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets.*

Liabilities are disclosed and measured in accordance with IFRS 9 except where another more specific standard is applicable. Financial liabilities are normally measured in accordance with IFRS 9 at amortized cost using the effective interest method.

Contract liabilities relate to considerations received from customers in advance of performance under a contract. Contract liabilities are recognized as sales as soon as the promised goods or services have been transferred to the customer.

Lease liabilities include fixed payments defined in the lease (less any lease incentives to be provided by the lessor), variable lease payments that depend on an index or a rate and amounts expected to be payable by the lessee under residual value guarantees. In addition, payments on the basis of purchase or extension options must be taken into consideration if the lessee is reasonably certain to exercise that option. In the case of termination options, penalties for terminating the lease are only to be included if the lease term reflects the lessee exercising an option to terminate the lease. Lease payments must be discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate must be used. This is normally the case with Freudenberg. The specific incremental borrowing rate for a lease is determined on the basis of an interest matrix. This matrix is based on interbank rates and takes into consideration the term and currency of the lease as well as a risk premium.

Put options granted to the holders of non-controlling interests for the sale of their shares are recognized as forward purchases. The item recorded in equity for these shares is de-recognized and a liability measured at fair value, which corresponds to the net present value of the price at the time of exercise, is recognized. As at each statement of financial position date, the liability is remeasured. The remeasurement depends on exchange rate changes, adjustments to corporate planning assumptions and the discount rate. Any resulting changes in book value are recognized with an effect on net income.

Sales are measured at the fair value of the consideration received or to be received. Sales are recognized when control of the promised good or service is transferred to the customer.

The delivery of goods normally represents a performance obligation that is satisfied at a specific point in time. In determining the timing of satisfaction, the transfer of significant risks and rewards of ownership of the asset is taken as the main criterion. Normally, this is the time when the goods are physically delivered to the customer.

Sales from the delivery of customer-specific products are recognized over time, provided Freudenberg has an enforceable right to payment from the customer in an amount that at least compensates Freudenberg for the performance completed to date plus a reasonable profit margin. The amount of revenue is based on the progress towards complete satisfaction of a performance obligation and measured on the basis of the units produced.

Sales from the performance of services are recognized in the accounting period in which the services are performed. Revenue is recognized in the amount which Freudenberg has a right to invoice, as this amount of consideration corresponds directly to the value to the customer of Freudenberg's performance completed to date. Customers are normally invoiced monthly.

Sales in connection with customer-specific development projects are realized over time. In the case of fixed-price contracts, the amount of sales is measured based on the cost incurred to date related to the total expected cost to be incurred in connection with the full satisfaction of the performance obligation. In the case of customer-specific development projects for which Freudenberg has a right to consideration from a customer in an amount that corresponds directly to the value to the customer of Freudenberg's performance completed to date, sales are recognized as a practical expedient in the amount of the consideration which Freudenberg has a right to invoice.

Invoices are normally issued following the physical delivery of goods to the customer or the performance of the service promised in the contract. Payments by customers under fixed-price contracts are based on a contractually agreed payment plan. There are no material contracts with customers under which the time between the transfer of a promised good or service and payment in connection with such transfer exceeds one year.

In the event that the service performed by Freudenberg exceeds the payments received or to be received by Freudenberg, a contract asset is recognized. As soon as the right to receive the consideration from the customer becomes unconditional, the contract asset is reclassified to trade receivables. If the payments received from the customer exceed the service performed by Freudenberg, a corresponding contract liability is recognized.

The performance obligations entered into by Freudenberg under contracts with customers normally have an expected original duration of one year or less. In the case of longer terms, Freudenberg is normally entitled to consideration corresponding directly to the performance of services completed to date. Accordingly, the performance obligations contracted but not yet (fully) fullfilled on the reporting date are not disclosed.

The consolidated statement of cash flows is broken down into cash flows from operating, investing and financing activities. Effects arising from changes in the consolidated group and the effects of exchange rate differences have been eliminated from the consolidated statement of cash flows. The influence of these effects on cash and cash equivalents is indicated separately. In the consolidated statement of cash flows, interest paid and interest received are allocated to cash flow from operating activities.

The exercise of judgment and estimates in the application of accounting and measurement methods

In some cases, it is necessary to apply accounting methods based on estimates or the exercise of discretion in connection with the establishment of the consolidated financial statements. Normally, these methods include complex, subjective assessments and the use of uncertain assumptions which may be subject to change. It is therefore conceivable that actual amounts in the future and future events may deviate from the forecasts made as estimates for the same reporting period could have been made differently for equally understandable reasons. Such accounting methods based on estimates and the exercise of discretion may therefore have a material impact on the net assets, financial position and results of operations in the consolidated financial statements and may also change over the course of time. The estimates used for the establishment of the consolidated financial statements and the underlying assumptions are regularly reviewed and any changes are taken into consideration as soon as better information is available.

The composition of a cash-generating unit and the determination of the recoverable amount for the performance of impairment tests is connected with assessments made by management concerning future developments and experience gained in the past. The cash flows predicted on the basis of these assessments may be affected by factors including volatility of capital markets, exchange rate fluctuations and expected economic development. The WACCs used for discounting take into account the market risk and the capital structure of companies comparable to the applicable group of cash-generating units. Changes in these factors may have significant impact on the existence or amount of a value impairment. Further details are given in note (1).

The actuarial assessments for the determination of provisions for pensions and similar obligations are based on major assumptions and estimates with respect to the discount rates used and expected future adjustments to salaries and pensions as well as life expectancy. All the parameters used are regularly reviewed as of the statement of financial position date.

Any changes in the parameters used may lead to changes in statement of financial position values. Further details are given in note (11).

The determination of the settlement amount of provisions for restructuring, environmental risks, guarantees and litigation is normally connected with estimates and uncertainty. For the measurement of such values, the assessments of local independent experts are used in some cases. In the future, deviations between actual events and the assumptions made may necessitate adjustments to the Group's provisions. More detailed information on provisions is given in note (12).

The measurement of leases is based in part on estimates and assessments concerning the term of the lease. Extension and termination options must be taken into consideration in the determination of the term if it is reasonably certain that the lessee will exercise an extension option or not exercise a termination option. In assessing whether the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease, all relevant facts and circumstances that create an economic incentive for the lessee to exercise or not exercise the option concerned must be taken into consideration. Such aspects may include penalties, fixtures installed on the leased asset by the lessee and the opportunity cost of exercising or not exercising the option concerned. Information on leased assets is given in note (2).

The measurement of certain derivative financial instruments without an active market such as put or call options and earn-out clauses is based on probability predictions and the best possible estimates of the expected settlement amount, taking into consideration recognized mathematical finance methods. The same applies to the determination of expected credit losses recognized as loss allowances in connection with financial instruments measured at amortized cost. Further information on financial instruments is given in note (13).

When determining whether sufficient taxable income will be available in the future for assessing the value of deferred tax assets and the usability of losses carried forward, various estimates, including the development of tax planning strategies, must be made. Deviations between the actual results and the estimates made may have an effect on the assets, liabilities and earnings situation. Further details are given in note (26).

The determination of the amount and timing of revenue from contracts with customers is affected by a number of estimations. Sales are recognized in the amount of the consideration to which Freudenberg expects to be entitled. Especially in the case of the delivery of goods the amount of consideration may vary as a result of variable consideration. The amount of variable consideration is based on estimates and is determined upon the inception of the contract and reassessed at the end of each reporting period. The variable consideration is estimated either by using the expected value method or by using the most likely amount method. This depends on which method Freudenberg expects to better predict the amount of consideration to which it will be entitled. Sales are only recognized to the extent that it is highly probable that a significant reversal will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Amounts which have been received (or are to be received) and which will probably have to be refunded are recognized as refund liabilities and disclosed under other liabilities.

For the recognition of sales from customer-specific development projects, estimates need to be made concerning the degree of completion or the total cost of the contract. A change in these estimates may lead to an increase or reduction in sales in the reporting period.

Fair value is determined on the basis of input factors in 3 defined categories. Determination is based on estimates and assumptions associated with uncertainty. The following fair value measurement hierarchy is applied:

Level 1: Use of quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Determination of fair value using measurement procedures based on observed input factors for similar assets or liabilities in active markets or for identical assets or liabilities in markets that are not active.

Level 3: Measurement of assets and liabilities using measurement methods based on unobservable inputs as adequate observable market data are not available for the measurement of fair value.

Currency translations

The financial statements of almost all companies included in the consolidated financial statements which are not located in the eurozone are drawn up in the national currencies concerned. This is the currency of the primary economic environment in which the companies concerned operate (concept of functional currency).

In the accounts of individual companies, foreign-currency receivables and liabilities are translated at the exchange rates as of the date of the statement of financial position.

Goodwill created as a result of acquisitions on or after March 31, 2004, is carried as an asset of the economically independent foreign companies concerned in their respective functional currencies.

In the consolidated financial statements, the financial statements of all companies not located in the eurozone are translated in accordance with the following principles:

- Statement of financial position items are translated at the exchange rate as of the date of the statement of financial position.
- Statement of profit or loss items are translated at average annual exchange rates.
- Differences arising from the use of different exchange rates are recognized in equity without an effect on net income.

The same principles are used in the case of investments in joint ventures and associated companies consolidated by the equity method.

The annual financial statements of companies located in hyperinflationary countries are translated in accordance with IAS 29. Gains or losses as a result of the adjustment of the carrying amounts of non-monetary items to reflect inflation are recognized in other income or other expenses. From the point of view of the Group, current inflation adjustments on the basis of historic acquisition and production costs had no material impact on the net assets, financial position or results of operations of the Group as at December 31, 2020.

The exchange rates of currencies used for currency conversion which are material to the annual financial statements developed as follows:

Country	Currency	Closing rate		Average rate	
	1 euro =	Dec. 31, 2019	Dec. 31, 2020	2019	2020
Brazil	BRL	4.5157	6.3735	4.4175	5.9988
China	**CNY**	**7.8205**	**8.0225**	**7.7237**	**7.8975**
United Kingdom	GBP	0.8508	0.8990	0.8759	0.8894
India	**INR**	**80.1870**	**89.6605**	**78.7754**	**84.9444**
Japan	JPY	121.9400	126.4900	121.9590	121.8840
Mexico	**MXN**	**21.2202**	**24.4160**	**21.6082**	**24.7300**
Turkey	TRY	6.6843	9.1131	6.3577	8.1579
USA	**USD**	**1.1234**	**1.2271**	**1.1195**	**1.1470**

Differences arising from the use of different exchange rates compared with the previous year are shown in the statement of changes in intangible and tangible assets with respect to non-current assets and in the consolidated statement of comprehensive income with respect to equity.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(1) Intangible assets

Changes in intangible assets from January 1 to December 31, 2019:

[€ million]	Internally generated software	Concessions, licenses and others[1]	Goodwill	Payments made on account	Intangible assets in course of construction	Total
ACQUISITION/PRODUCTION COST						
Status Jan. 1, 2019	**4.4**	**1,765.9**	**1,615.7**	**3.0**	**3.8**	**3,392.8**
Changes in consolidated group[3]	0.3	162.5	221.4	0.0	0.0	384.2
Exchange rate differences	0.1	11.6	7.0	0.0	0.0	18.7
Additions	0.1	12.8	0.5	0.7	2.8	16.9
Disposals	-0.3	-3.4	-1.0	0.0	0.0	-4.7
Reclassifications[2]	0.0	4.1	0.0	-1.5	-2.4	0.2
Status Dec. 31, 2019	**4.6**	**1,953.5**	**1,843.6**	**2.2**	**4.2**	**3,808.1**
AMORTIZATION						
Status Jan. 1, 2019	**3.4**	**768.5**	**145.6**	**0.0**	**0.0**	**917.5**
Changes in consolidated group	0.1	5.8	0.0	0.0	0.0	5.9
Exchange rate differences	0.1	7.9	2.4	0.0	0.0	10.4
Additions – systematic	0.4	110.7	0.0	0.0	0.0	111.1
Impairment losses	0.0	1.8	77.8	0.0	0.0	79.6
Disposals	-0.4	-3.3	0.0	0.0	0.0	-3.7
Status Dec. 31, 2019	**3.6**	**891.4**	**225.8**	**0.0**	**0.0**	**1,120.8**

[1] Intangible assets identified in connection with purchase price allocations mainly concern customer lists/relations, technologies and know-how.
[2] The reclassifications also include transfers to other statement of financial position items.
[3] Changes in consolidated group for concessions, licenses and others as well as for goodwill have been adjusted due to IFRS 3.

Changes in intangible assets from January 1 to December 31, 2020:

[€ million]	Internally generated software	Concessions, licenses and others	Goodwill	Payments made on account	Intangible assets in course of construction	Total
ACQUISITION/PRODUCTION COST						
Status Jan. 1, 2020	**4.6**	**1,953.5**	**1,843.6**	**2.2**	**4.2**	**3,808.1**
Changes in consolidated group	0.0	56.0	81.9	0.1	0.0	138.0
Exchange rate differences	**-0.4**	**-42.5**	**-38.7**	**0.0**	**-0.1**	**-81.7**
Additions	0.0	7.8	0.0	0.8	2.1	10.7
Disposals	**-0.1**	**-11.5**	**0.0**	**0.0**	**0.0**	**-11.6**
Reclassifications[2]	0.0	5.0	0.0	-1.3	-2.7	1.0
Status Dec. 31, 2020	**4.1**	**1,968.3**	**1,886.8**	**1.8**	**3.5**	**3,864.5**
AMORTIZATION						
Status Jan. 1, 2020	**3.6**	**891.4**	**225.8**	**0.0**	**0.0**	**1,120.8**
Changes in consolidated group	0.0	6.0	0.0	0.0	0.0	6.0
Exchange rate differences	**-0.3**	**-29.2**	**-13.0**	**0.0**	**0.0**	**-42.5**
Additions – systematic	0.2	110.4	0.0	0.0	0.0	110.6
Impairment losses	**0.0**	**14.8**	**0.0**	**0.0**	**0.0**	**14.8**
Disposals	-0.1	-10.9	0.0	0.0	0.0	-11.0
Status Dec. 31, 2020	**3.4**	**982.5**	**212.8**	**0.0**	**0.0**	**1,198.7**
						2,665.8

[1] Intangible assets identified in connection with purchase price allocations mainly concern customer lists/relations, technologies and know-how.
[2] The reclassifications also include transfers to other statement of financial position items.

The impairment losses with respect to concessions, licenses and others recognized in the year under review chiefly concern technologies. They are the result of a revised assessment of the future usefulness of these assets.

Goodwill was subjected to an impairment test in the 2020 financial year. Apart from the expected developments in sales and profit as well as net investments of the Business Groups concerned, the basic assumptions used for determining the value in use of the groups of cash-generating units included a growth rate ranging from 0.75 to 2.0 percent (previous year: 2.0 percent) and pre-tax WACCs ranging from 4.4 percent to 8.9 percent (previous year: ranging from 4.6 percent to 8.3 percent). On this basis, it was not necessary to recognize any impairment of goodwill.

The two significant goodwill items are assigned to the groups of cash-generating units Vibracoustic and Freudenberg Sealing Technologies. The WACCs used for the impairment test were 8.9 percent (previous year: 7.9 percent) for Vibracoustic and 7.2 percent (previous year: 7.8 percent) for Freudenberg Sealing Technologies. The assumed sustainable growth rate was 2.0 percent (previous year: 2.0 percent). The book values of these goodwill items are shown in the following table:

[€ million]	Goodwill	
	Dec. 31, 2019	Dec. 31, 2020
Vibracoustic	835.9	835.9
Freudenberg Sealing Technologies	220.5	210.8

The multi-year planning for the group of cash-generating units of Vibracoustic assumes growth in sales. The assumed growth rate is generally above the expected development of global automobile production derived from external studies. As in previous years, it is planned to compensate for cost increases by productivity improvements.

Following the significant decline in the reporting year as a result of COVID-19, Freudenberg Sealing Technologies expects a moderate recovery of markets and rising demand in the seal sector in the 2021 financial year. However, this is subject to the proviso that the COVID-19 pandemic is under control and there are no severe restrictions or shutdowns. Nevertheless, the expected business volume for 2021 will probably not yet reach the pre-crisis level.

The restructuring projects and efficiency improvement measures launched in 2020 already had an impact in the fourth quarter of 2020 and will develop their full effect in 2021. Activities for the transformation of the traditional seal business towards e-mobility continue to be given high priority. Furthermore, resources for the expansion of business with battery cells and fuel cells are being significantly increased again. On the basis of recent market success in this area, sales for 2021 are to grow by about 60.0 percent.

In the case of a variation in the WACC of up to +1.0 percentage points, it would have been necessary to recognize further impairments of all remaining goodwill for the group of cash-generating units of Japan Vilene Company in the amount of €20.8 million. There would have been no need for impairment with respect to other goodwill items.

(2) Tangible assets

Changes in tangible assets from January 1 to December 31, 2019:

[€ million]	Land and buildings	Machinery and equipment	Other fixtures, fittings and office equipment	Payments made on account	Construction in progress	Total
ACQUISITION/PRODUCTION COST						
Status Jan. 1, 2019	**1,835.5**	**3,463.4**	**854.1**	**30.8**	**179.8**	**6,363.6**
Changes in consolidated group	130.0	98.3	3.8	0.1	10.6	242.8
Exchange rate differences	**18.4**	**35.3**	**4.8**	**0.3**	**3.2**	**62.0**
Additions	61.7	88.0	74.1	31.3	163.8	418.9
Disposals	**-25.0**	**-82.7**	**-42.6**	**-0.8**	**-1.0**	**-152.1**
Reclassifications[1]	13.9	131.4	18.4	-30.9	-166.9	-34.1
Status Dec. 31, 2019	**2,034.5**	**3,733.7**	**912.6**	**30.8**	**189.5**	**6,901.1**
DEPRECIATION						
Status Jan. 1, 2019	**705.0**	**2,498.6**	**602.5**	**0.0**	**0.2**	**3,806.3**
Changes in consolidated group	**18.2**	**66.6**	**2.1**	**0.0**	**0.0**	**86.9**
Exchange rate differences	6.7	25.7	3.4	0.0	0.0	35.8
Additions – systematic	**106.6**	**171.6**	**87.0**	**0.0**	**0.0**	**365.2**
Impairment losses	0.0	2.2	0.1	0.0	0.1	2.4
Write-ups	**0.0**	**-0.9**	**0.0**	**0.0**	**0.0**	**-0.9**
Disposals	-9.7	-74.2	-36.4	0.0	0.0	-120.3
Reclassifications[1]	**-5.1**	**-12.4**	**-0.1**	**0.0**	**0.0**	**-17.6**
Status Dec. 31, 2019	**821.7**	**2,677.2**	**658.6**	**0.0**	**0.3**	**4,157.8**

[1] The transfers also include reclassifications to other statement of financial position items.

Changes in tangible assets from January 1 to December 31, 2020:

[€ million]	Land and buildings	Machinery and equipment	Other fixtures, fittings and office equipment	Payments made on account	Construction in progress	Total
ACQUISITION/PRODUCTION COST						
Status Jan. 1, 2020	**2,034.5**	**3,733.7**	**912.6**	**30.8**	**189.5**	**6,901.1**
Changes in consolidated group	85.0	232.4	33.6	2.8	10.6	364.4
Exchange rate differences	-76.0	-143.9	-26.1	-1.2	-6.3	-253.5
Additions	86.2	73.9	65.1	31.9	129.7	386.8
Disposals	-45.5	-81.9	-39.3	-0.3	-2.1	-169.1
Reclassifications[1]	39.0	139.3	17.4	-29.2	-168.3	-1.8
Status Dec. 31, 2020	**2,123.2**	**3,953.5**	**963.3**	**34.8**	**153.1**	**7,227.9**
DEPRECIATION						
Status Jan. 1, 2020	**821.7**	**2,677.2**	**658.6**	**0.0**	**0.3**	**4,157.8**
Changes in consolidated group	32.1	167.8	30.8	0.0	2.3	233.0
Exchange rate differences	-25.7	-96.6	-17.6	0.0	0.0	-139.9
Additions – systematic	112.6	188.0	85.2	0.1	0.2	386.1
Impairment losses	-23.3	-70.8	-33.8	0.0	-0.3	-128.2
Reclassifications[1]	0.0	0.0	-0.3	0.0	0.0	-0.3
Status Dec. 31, 2020	**917.4**	**2,865.6**	**722.9**	**0.1**	**2.5**	**4,508.5**
						2,719.4

[1] The transfers also include reclassifications to other statement of financial position items.

In the year under review, Freudenberg received government grants in the amount of €8.4 million. These mainly concerned investment promotion. In the previous year, Freudenberg had received government grants of an insignificant amount.

Additional disclosures on leased assets – Right-of-use assets

Following the introduction of IFRS 16, Freudenberg has recognized right-of-use assets in respect of leased assets since January 1, 2019. The following amounts are recognized in the statement of changes in tangible assets under the category "Land and buildings" (land and buildings) or "Other fixtures, fittings and office equipment" (passenger cars, forklift trucks and IT infrastructure):

[€ million]	Land and buildings	Passenger cars	Forklift trucks	IT infrastructure	Total
Acquisition/Production cost	**339.9**	**56.4**	**20.6**	**6.9**	**423.8**
Of which: additions	44.1	22.4	8.0	2.2	76.7
Depreciation	**59.9**	**19.2**	**5.7**	**2.2**	**87.0**

[€ million]	Land and buildings	Passenger cars	Forklift trucks	IT infrastructure	Total
Acquisition/Production cost	**389.4**	**68.9**	**26.0**	**8.9**	493.2
Of which: additions	76.3	22.9	8.7	3.0	110.9
Depreciation	**105.2**	**32.2**	**10.2**	**3.8**	151.4
					341.8

In the 2020 financial year, the interest expense for leased assets amounted to €7.7 million (previous year: €8.6 million). In addition, expenses for leased assets of low value and short-term leases were recognized in the statement of profit or loss in the amount of €17.4 million (previous year: €19.2 million). The total cash outflow for leasing in 2020 was €116.0 million (previous year: €118.1 million).

(3) Investment properties

Details of land and buildings held by Freudenberg as investment properties are shown in the table below:

[€ million]	2019	2020
Rent income	4.9	5.3

There were no significant direct operating expenses in the year under review or in the previous year.

In the previous year, real property rented to Syntax Systems GmbH & Co. KG, Weinheim, Germany, was included in investment properties for the first time. Some of these properties are entirely non-owner occupied while others are partly owner-occupied. The other land and buildings shown as investment properties in the previous year are entirely non-owner occupied.

There are no restrictions on the saleability of investment properties. There are no contractual obligations to purchase, build or develop investment properties. Furthermore, Freudenberg is not under any contractual obligations to repair or maintain such investment properties going beyond its statutory obligations.

Changes in investment properties from January 1 to December 31:

[€ million]	2019	2020
ACQUISITION/PRODUCTION COST		
Status Jan. 1	**43.3**	**56.3**
Changes in consolidated group	0.0	0.0
Exchange rate differences	**0.0**	**-0.1**
Additions	0.0	0.4
Write-ups/revaluations	**0.0**	**0.0**
Disposals	0.0	0.0
Reclassifications	**13.0**	**0.0**
Status Dec. 31	**56.3**	**56.6**
DEPRECIATION		
Status Jan. 1	**33.0**	**38.2**
Changes in consolidated group	0.0	0.0
Exchange rate differences	**0.0**	**0.0**
Additions - systematic	1.8	1.7
Impairment losses	**0.0**	**0.0**
Write-ups/revaluations	0.0	0.0
Disposals	**0.0**	**0.0**
Reclassifications	3.4	0.0
Status Dec. 31	**38.2**	**39.9**
		16.7

The fair value of investment properties was €48.0 million (previous year: €50.6 million) and was calculated on the basis of discounted cash flows (level 3 inputs).

(4) Investments in joint ventures

The joint venture agreement with NOK Corporation, Tokyo, Japan, is of major importance for Freudenberg.

NOK-Freudenberg Singapore Pte. Ltd., Singapore, is a 50:50 joint venture between the Japanese NOK Corporation and Freudenberg SE with the objective of serving the high-growth Chinese and Indian markets with locally-produced and imported sealing products.

The summarized financial information of this joint venture company is set out below:

[€ million]	NOK-Freudenberg Singapore Pte. Ltd.	
	Dec. 31, 2019	Dec. 31, 2020
Current assets	243.6	272.0
Of which: cash and cash equivalents	**61.5**	**84.3**
Non-current assets	269.5	246.4
Current liabilities	**166.4**	**138.6**
Of which: current financial liabilities	53.2	22.1
Non-current liabilities	**6.8**	**21.5**
Equity without non-controlling interests	**339.9**	**358.3**
Freudenberg share	**50.0 %**	**50.0 %**
Pro-rata share in equity	170.0	179.2
		179.2

	2019	2020
Sales	**418.7**	**449.3**
Profit or loss from continuing operations	**28.9**	**39.3**
Other comprehensive income	-0.9	-10.3
		29.0
Of which: depreciation and amortization	-22.4	-26.0
Of which: interest income	**1.3**	**1.2**
Of which: interest expenses	-2.7	-2.8
Of which: income tax expense or income	**-14.3**	**-15.1**

As in the previous year, Freudenberg did not receive any dividend from NOK-Freudenberg Singapore Pte. Ltd.

The total carrying amount of interests in all individual joint ventures which are not material was €13.6 million (previous year: €13.8 million).

The pro-rata share of the profit or loss from continuing operations of all individual joint ventures classed as not material was €0.4 million (previous year: €-0.1 million) and the pro-rata share in other comprehensive income was €-0.6 million (previous year: €0.1 million).

(5) Investments in associated companies

For Freudenberg, its most important investment in associated companies is its participation in the Japanese company NOK Corporation with its registered office in Tokyo, Japan. NOK Corporation applies Japanese GAAP. Adjustment to the financial reporting requirements of Freudenberg was effected on the basis of the information published by NOK Corporation.

The NOK Group manufactures and supplies sealing products, flexible printed circuits, roll products for office equipment and further products such as specialty lubricants.

This major associated company gave the following figures in its consolidated interim financial statements as at December 31:

[€ million]	NOK Corporation	
	Dec. 31, 2019	Dec. 31, 2020
Current assets	2,748.8	3,007.1
Non-current assets	**3,742.0**	3,389.5
Current liabilities	1,533.7	1,713.6
Non-current liabilities	**988.3**	957.8
Treasury shares	-1.9	-1.8
Non-controlling interests	**338.4**	337.1
Equity without treasury shares and non-controlling interests	**3,632.3**	**3,389.9**
Freudenberg share	**25.1 %**	25.1 %
Pro-rata share in equity	911.7	850.9
Goodwill	**7.1**	7.1
		858.0

	2019	2020
Sales	**5,159.6**	**4,764.2**
Profit or loss from continuing operations	**-85.0**	-53.4
Other comprehensive income	30.5	-18.1
		-71.5

The fall in the other comprehensive income of NOK Corporation is chiefly due to exchange rate differences in connection with the financial statements in a foreign currency.

Freudenberg received dividends in the amount of €8.8 million (previous year: €17.9 million) from NOK Corporation.

As at December 31, 2020, the market value of the shareholding in NOK Corporation was €381.0 million ¥48,194.4 million) (previous year: €584.8 million; ¥71,313.8 million).

The total carrying amount of interests in all associated companies classed as not material was €31.1 million (previous year: €25.9 million).

The pro-rata share in the profit or loss from continuing operations of all individual associated companies classed as not material was €5.8 million (previous year: €6.5 million) and the pro-rata share in the other comprehensive income of these companies was €-1.4 million (previous year: €0.8 million). The pro-rata share in the total comprehensive income was therefore €4.4 million (previous year €7.3 million).

(6) Inventories

Inventories break down as follows:

[€ million]	Dec. 31, 2019	Dec. 31, 2020
Raw materials and consumables	376.8	375.3
Work in progress	**162.8**	**168.2**
Finished goods and merchandise	621.7	571.8
Customer-specific tools in construction	**53.5**	**61.6**
Payments made on account	3.5	2.9
		1,179.8

Inventories fell by €38.5 million compared with the previous year. After eliminating the effects of changes in the consolidated group and exchange rate effects, inventories fell by about 5 percent.

Write-downs of inventories totaling €49.3 million (previous year: €29.4 million) were recognized as expenses in the reporting year.

Write-ups totaling €15.7 million (previous year: €17.3 million) were recognized as the reason for the impairment losses concerned no longer existed in accordance with the requirement to reverse write-downs.

The inventories shown are not subject to any significant restrictions on title or disposal.

(7) Receivables

[€ million]	Dec. 31, 2019	Dec. 31, 2020
Trade receivables	**1,482.1**	**1,402.9**
Of which: Residual term up to 1 year	1,482.1	1,402.9
Of which: Residual term more than 1 year	**0.0**	**0.0**
Other assets	**459.4**	**270.7**
Of which: Residual term up to 1 year	376.3	195.3
Of which: Residual term more than 1 year	**83.1**	**75.4**

After adjustment for effects resulting from changes in the consolidated group and exchange rate effects, trade receivables fell by about 2 percent.

Compared with the previous year, other assets decreased by €181.0 million. The prior-year value included a payment deposited in an escrow account in connection with the offer for the acquisition of Low & Bonar PLC, London, UK.

Since the 2019 financial year, contract assets have not been disclosed as a separate item but under other assets in the statement of financial position, because the amount concerned is not material. As at December 31, 2020, contract assets amounted to €8.1 million (previous year: €23.1 million). Changes in contract assets are mainly the result of the satisfaction of performance obligations laid down in contracts with customers. The fall in contract assets compared with the prvious year was the result of the fact that fewer contracts met the requirements for the realization of sales over time in the year under review.

The other assets include pension plan assets in excess of the corresponding pension obligations amounting to €7.4 million (previous year €4.5 million). The other assets also include other tax receivables in the amount of €73.6 million (previous year: €88.0 million) and liability insurance claims totaling €5.0 million (previous year: €5.1million).

The claims for reimbursement in connection with recognized provisions, which are included in other assets, are shown in the other provisions under note (12).

(8) Securities and cash at bank and in hand

[€ million]	Dec. 31, 2019	Dec. 31, 2020
Securities	201.7	97.0
Checks and cash in hand	**2.4**	**9.9**
Cash at banks	913.2	1,914.5
[illegible]	[illegible]	**2,021.4**

The fall in securities mainly concerns a reduction in the amount of commercial papers in favor of cash at banks.

(9) Assets and groups of assets held for sale

As at December 31, 2020, no assets or liabilities were classified as held for sale.

The assets (€11.0 million) and liabilities (€0.6 million) classified as held for sale in the previous year mainly concerned the South American business of the Freudenberg Performance Materials Business Group with nonwovens for the hygiene industry. The sale of this business to the Brazilian nonwoven specialist Fitesa Não Tecidos S.A., Porto Alegre, Brazil took effect in February 2020.

(10) Equity

The subscribed capital in the amount of €450.0 million (previous year: €450.0 million) consists of 450 million no-par-value registered shares. The sole shareholder of Freudenberg SE is Freudenberg & Co. Kommanditgesellschaft, Weinheim (hereafter: Freudenberg & Co. KG).

The reserves break down as follows:

[€ million]	Dec. 31, 2019	Dec. 31, 2020
Capital reserves	**50.2**	50.2
Retained earnings	4,902.1	4,839.4
		4,889.6

The capital reserves consist of contributions in kind made by the shareholder.

The retained earnings include net income earned by the Group in the past and not distributed as well as reserves of companies included in the consolidated financial statements including expenses and income recorded without effect on net income.

The profit distributed in the reporting year amounted to €92.5 million (previous year: €106.1 million). This corresponded to a profit per share of €0.21 (previous year: €0.24).

The Board of Management proposes that the 2020 net retained profit in the amount of €2,793.4 million (previous year: €2,719.1 million) should be carried forward to new account.

In the reporting year, income (+) and expenses (-) which had previously been recorded without an effect on net income with respect to the following components of other comprehensive income were reclassified to the statement of profit or loss:

[€ million]	Dec. 31, 2019	Dec. 31, 2020
Exchange rate differences	**-0.8**	-3.5
Derivative financial instruments	-0.1	0.0
		-3.5

In the 2020 financial year, tax effects (income (+) / expenses (-)) recorded without effect on net income are attributable to the various items of other comprehensive income as follows:

[€ million]	Dec. 31, 2019	Dec. 31, 2020
Remeasurement of defined benefit plans	**34.6**	10.0
Securities and other items	-1.4	7.6
		17.6

Non-controlling interests

The change in non-controlling interests in the equity of consolidated affiliated companies from €417.2 million to €356.5 million is mainly the result of the dividend payments and exchange rate differences as well as the disposal of Vibracoustic Kunhwa Co. Ltd., Gyeongsan-si, South Korea. Furthermore, the allocation of profit for the year resulted in an increase in non-controlling interests.

In the case of the following affiliated company, the consolidated financial statements include significant non-controlling interests in the amount of 25 percent of the shares:

[€ million]		
Freudenberg-NOK General Partnership, Plymouth, USA	Dec. 31, 2019	Dec. 31, 2020
Profit (+) / loss (-) attributable to non controlling interests	17.5	8.3
Total amount of non-controlling interests	**127.9**	**107.1**

This affiliated company is included in the consolidated financial statements with the following values:

[€ million]		
Freudenberg-NOK General Partnership	Dec. 31, 2019	Dec. 31, 2020
Current assets	299.7	272.2
Non-current assets	**296.0**	255.0
Current liabilities	79.0	83.0
Non-current liabilities	**45.2**	28.8

	2019	2020
Sales	**647.7**	539.7
Profit (+) / loss (-)	57.2	33.3
Total comprehensive income	**66.6**	-10.0

Freudenberg-NOK General Partnership paid dividends in the amount of €14.6 million (previous year: €24.5 million) to the holder of the non-controlling interests.

Other non-controlling interests especially concern the EagleBurgmann Business Group, where they arise especially as a result of the contractual agreements with the partner Eagle Industry Co. Ltd., Tokyo, Japan.

(11) Provisions for pensions and similar obligations

The Freudenberg pension scheme consists of both defined contribution and defined benefit pension plans. Defined benefit plans include both fixed salary and final salary plans. The provisions for pensions and similar obligations include obligations arising from current pensions and future pension entitlements.

The pension plans at Freudenberg Group mainly concern German, Japanese and British companies. The pension obligations of the German companies are commitments financed by provisions. These obligations are subject to the rules of the pension plan concerned and the applicable statutory provisions. The plans include benefit commitments dependent on service periods and on salaries and provide for disability benefits and benefits for surviving dependents as well as for retirement benefits.

The pension plans of British companies are managed by third party pension funds. The representatives of the pension funds are legally obliged to act in the interest of all participants in the plan. In cooperation with investment advisers, they are responsible for the development and regular review of investment strategies for the plan assets. Commitments based on age and years of service include both retirement benefits and certain forms of survivor benefits. Most of these plans are frozen and future entitlements can no longer be earned by plan participants. The pension obligations of these companies are mainly financed by plan assets, funded chiefly by employers' contributions.

The pension plans in Japan consist of benefit commitments based on age and years of service. These pension plans are managed by a third-party pension fund. The pension obligations of the Japanese companies are mainly financed by plan assets, funded solely by employers' contributions.

Apart from pension obligations, this item also includes obligations similar to pensions, such as amounts paid to employees upon the termination of their employment which do not constitute termination benefits. These benefits vary in accordance with the legal, tax and economic conditions in the countries concerned.

All defined benefit schemes of the Freudenberg Group are subject to typical actuarial risks, especially investment and interest risks.

Current service cost and net interest on the net defined benefit liability are disclosed in the statement of profit or loss under personnel expenses in the relevant functional areas.

In the case of the defined contribution plans, there are no additional obligations apart from the payment of contributions. Contributions paid are expensed under personnel expenses and amounted to €82.5 million in 2020 (previous year: €81.2 million).

The defined benefit obligations were calculated on actuarial principles by the projected unit credit method. The calculation was based on the following discount rates as major actuarial assumptions:

	Dec. 31, 2019	Dec. 31, 2020
Germany	**1.05 %**	**0.70 %**
Japan	0.42 %	0.50 %
United Kingdom	**1.97 %**	**1.35 %**

In the case of the other foreign companies, the discount rates ranged from 0.2 to 2.3 percent (previous year: 0.1 to 3.1 percent).

The Heubeck 2018 G actuarial tables were used in the case of the German companies. A uniform trend in salaries and pensions of 1.75 percent was defined for the relevant pension plans. As a result of the pension plan regulations, the assumed trend in salaries and pensions only has an effect on the value of pension obligations in exceptional cases.

Net obligations are shown in the following items of the statement of financial position:

[€ million]	Dec. 31, 2019	Dec. 31, 2020
Provisions for pensions and similar obligations	**842.3**	879.7
Other assets	4.5	7.4
[redacted]	[redacted]	**872.3**

Net obligations are calculated as follows:

[€ million]	Dec. 31, 2019	Dec. 31, 2020
Present value of funded obligations	**277.2**	515.0
Fair value of plan assets	-256.2	-485.2
Surplus (-)/deficit (+)	**21.0**	**29.8**
Present value of unfunded obligations	816.8	842.5
[redacted]	[redacted]	**872.3**

The increase in the present value of unfunded obligations is a result of the acquisition of the Low & Bonar companies in the United Kingdom.

Defined benefit obligations developed as follows:

[€ million]	Germany	Japan	United Kingdom	Miscella-neous	2019
Present value of defined benefit obligations, Jan. 1, 2019	**626.4**	**131.5**	**92.1**	**109.6**	**959.6**
Current service cost	14.8	4.4	0.0	4.7	23.9
Interest cost	**12.0**	**0.7**	**2.6**	**2.5**	**17.8**
Gains (-) and losses (+) from remeasurement of defined benefit obligations	108.3	1.6	16.0	9.3	135.2
Gains (-) and losses (+) on settlements	**0.0**	**0.0**	**0.0**	**-0.3**	**-0.3**
Past service cost	0.0	0.0	0.0	-0.1	-0.1
Contributions by plan participants	**0.0**	**0.0**	**0.0**	**0.4**	**0.4**
Liabilities extinguished on settlements	0.0	0.0	0.0	-0.1	-0.1
Benefits paid	**-19.4**	**-4.8**	**-7.2**	**-20.3**	**-51.7**
Changes in consolidated group	0.0	0.0	0.0	0.8	0.8
Other changes	**0.1**	**0.0**	**0.0**	**-1.9**	**-1.8**
Exchange rate differences	0.0	4.2	4.7	1.4	10.3

[€ million]	Germany	Japan	United Kingdom	Miscella-neous	2020
Present value of defined benefit obligations, Jan. 1, 2020	**742.2**	**137.6**	**108.2**	**106.0**	**1,094.0**
Current service cost	18.2	4.1	0.0	4.7	27.0
Interest cost	**7.8**	**0.5**	**3.7**	**1.6**	**13.6**
Gains (-) and losses (+) from remeasurement of defined benefit obligations	32.4	-3.4	17.5	2.8	49.3
Gains (-) and losses (+) on settlements	**0.0**	**0.0**	**0.0**	**0.0**	0.0
Past service cost	0.0	0.0	0.6	0.3	0.9
Contributions by plan participants	**0.0**	**0.0**	**0.0**	**0.5**	0.5
Liabilities extinguished on settlements	0.0	0.0	0.0	-0.1	-0.1
Benefits paid	**-27.6**	**-4.8**	**-9.5**	**-6.5**	-48.4
Changes in consolidated group	12.6	0.0	215.7	6.4	234.7
Other changes	**-0.2**	**0.0**	**0.0**	**-0.6**	-0.8
Exchange rate differences	0.0	-5.0	-5.9	-2.3	-13.2
					1,357.5

The plan assets of funded pension plans developed as follows:

[€ million]	Japan	United Kingdom	Miscella-neous	2019
Fair value of plan assets, Jan. 1, 2019	**108.2**	**92.4**	**46.5**	**247.1**
Interest income	0.6	2.7	0.8	4.1
Gains (+) and losses (-) from remeasurement of plan assets	1.5	12.2	0.5	14.2
Contributions by employer	6.7	2.4	3.2	12.3
Contributions by plan participants	0.0	0.0	0.4	0.4
Liabilities extinguished on settlements	0.0	0.0	-0.5	-0.5
Benefits paid	-4.3	-7.2	-16.9	-28.4
General plan administration costs	0.0	-0.1	-0.1	-0.2
Changes in consolidated group	0.0	0.0	-0.4	-0.4
Other changes	0.0	0.0	-1.5	-1.5
Exchange rate differences	3.5	4.7	0.9	9.1

[€ million]	Japan	United Kingdom	Miscella-neous	2020
Fair value of plan assets, Jan. 1, 2020	**116.2**	**107.1**	**32.9**	**256.2**
Interest income	0.5	3.8	0.2	4.5
Gains (+) and losses (-) from remeasurement of plan assets	-0.1	13.4	1.3	14.6
Contributions by employer	6.3	5.7	2.2	14.2
Contributions by plan participants	0.0	0.0	0.4	0.4
Liabilities extinguished on settlements	0.0	0.0	0.0	0.0
Benefits paid	-4.6	-9.5	-3.0	-17.1
General plan administration costs	0.0	-0.2	0.0	-0.2
Changes in consolidated group	0.0	218.9	4.0	222.9
Other changes	0.0	0.0	0.0	0.0
Exchange rate differences	-4.2	-5.7	-0.4	-10.3
				485.2

The fair value of plan assets with quoted prices in active markets was as follows:

[€ million]	Dec. 31, 2019	Dec. 31, 2020
Equity instruments	93.7	119.1
Interest-bearing securities	**59.1**	**108.1**
Other assets	78.4	95.9
[redacted]	[redacted]	323.1

The fair value of plan assets without quoted prices in active markets was as follows:

[€ million]	Dec. 31, 2019	Dec. 31, 2020
Equity instruments	1.2	1.2
Interest-bearing securities	**1.0**	**1.3**
Other assets	22.8	159.6
[redacted]	[redacted]	162.1

In the reporting year, gains and losses from the remeasurement of the defined benefit obligations and plan assets recognized in retained earnings developed as follows:

[€ million]	2019	2020
Gains (+) and losses (-) from remeasurement, Jan. 1	**-288.6**	**-413.7**
Gains (+) and losses (-) from remeasurement of defined benefit obligations	-135.2	-49.3
Of which: as a result of changed financial assumptions	**-133.4**	**-64.8**
Of which: as a result of changed demographic assumptions	-1.6	2.3
Of which: as a result of experience-based adjustments	**-0.2**	**13.2**
Gains (+) and losses (-) from remeasurement of plan assets	14.2	14.6
Reclassifications/other changes	**-1.8**	**0.8**
Exchange rate differences	-2.3	3.1
[redacted]	[redacted]	-444.5

In the following year, contributions in the amount of €11.4 million (previous year: €11.6 million) will probably be made to plan assets. Furthermore, an amount of €7.5 million was paid to the Board of Management from the existing pension obligations in the reporting year. The weighted average duration of defined benefit obligations as at the end of the reporting year was 17.1 years (previous year 17.6 years).

The possible changes in the defined benefit obligation as a result of changes in the discount rate, a major actuarial assumption, were calculated on the basis of the projected unit credit method. If the discount rate as at the statement of financial position date had been 0.50 percentage points lower, the present value of defined benefit obligations as at the statement of financial position date would have been €87.9 million (previous year: €102.2 million) higher. If the discount rate as at the statement of financial position date had been 0.50 percentage points higher, the present value of defined benefit obligations as at the statement of financial position date would have been €123.3 million (previous year: €90.4 million) lower.

(12) Other provisions

[€ million]	Personnel obligations	Warranties and guarantees	Restructuring	Miscellaneous	Total
Status Jan. 1, 2020	**337.5**	**66.7**	**58.6**	**249.6**	**712.4**
Increases	266.9	63.6	44.6	154.6	529.7
Unwinding of discount and effect of change in discount rate	**0.0**	**0.0**	**0.0**	**0.1**	**0.1**
Amounts used	-204.4	-11.0	-23.6	-100.6	-339.6
Reversal	**-18.8**	**-10.9**	**-3.5**	**-31.1**	**-64.3**
Exchange rate differences	-11.9	-1.9	-3.9	-18.7	-36.4
Changes in consolidated group	**10.5**	**1.7**	**0.2**	**10.8**	**23.2**
Other changes	0.3	0.5	0.0	-0.8	0.0
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	**825.1**
Of which: long-term	54.6	4.0	4.8	27.6	91.0
Of which: short-term	**325.5**	**104.7**	**67.6**	**236.3**	**734.1**
Reimbursement claims connected with provisions and shown in the statement of financial position under other assets	**0.4**	**0.0**	**0.0**	**0.5**	**0.9**

The provisions for personnel obligations mainly include provisions for other short-term employee benefits such as bonuses and commissions, provisions for vacation not taken and other long-term employee benefits such as long-term remuneration components as well as provisions for termination benefits.

The provisions for guarantees and warranties concern products supplied and services rendered. Provisions for restructuring are recognized if a detailed, formal restructuring plan has been prepared and communicated to the parties concerned. The provisions cover expenditure directly connected with the measures adopted.

The miscellaneous provisions include the following items:

[€ million]	Dec. 31, 2019	Dec. 31, 2020
Onerous contracts	**33.5**	**30.8**
Legal action	19.9	27.2
Environmental protection	**21.5**	**18.0**
Other	174.7	187.9
[redacted]	[redacted]	**263.9**

(13) Liabilities

	Residual term			Residual term		
[€ million]	Short-term	Long-term	Dec. 31, 2019	Short-term	Long-term	Dec. 31, 2020
Liabilities to banks (= financial debt)	243.5	170.1	413.6	191.1	595.5	786.6
Cash pool liabilities	134.7	0.0	134.7	129.0	0.0	129.0
Other financial debt	28.3	81.5	109.8	33.9	130.9	164.8
Lease liabilities	87.8	254.3	342.1	85.8	261.8	347.6
Shareholder's loans	372.0	300.0	672.0	537.0	150.0	687.0
Accounts of Freudenberg & Co. KG Partners	186.5	326.4	512.9	205.4	336.0	541.4
Financial debt	**1,052.8**	**1,132.3**	**2,185.1**	**1,182.2**	**1,474.2**	**2,656.4**
Trade payables	**914.0**	**0.0**	**914.0**	**878.7**	**0.0**	**878.7**
Contract liabilities	26.9	0.0	26.9	43.5	0.0	43.5
Miscellaneous liabilities	231.4	167.3	398.7	259.8	170.4	430.2
Other liabilities	**258.3**	**167.3**	**425.6**	**303.3**	**170.4**	**473.7**
						4,008.8

The average interest rate on long-term liabilities to banks is 1.17 percent (previous year: 0.91 percent). The other financial debt includes loans by third parties with an interest rate between 0.50 and 5.00 percent on the long-term portion.

The interest payable on the certificates of indebtedness included in the liabilities to banks is based on variable and fixed components. Cash flows for variable and fixed interest and repayment of principal will probably be as follows from 2021 to 2027:

[€ million]	Book Value	Cash Flows		
	Dec. 31, 2020	2021	2022	2023-2027
Certificates of indebtedness	557.0	6.2	53.2	529.7

The cash pool liabilities are towards the parent company and its affiliates not included in the consolidated group of Freudenberg SE and are of a short-term nature.

Lease liabilities have been recognized since 2019 as a result of the application of IFRS 16. As at December 31, 2020, possible future cash outflows in the amount of €27.2 million (previous year: €21.4 million) were not included in lease liabilities because a lease had been concluded but not yet incepted as at the date of the statement of financial position or because it was not assessed as reasonably certain that an extension option would be exercised.

The loans granted by the shareholder were extended during the reporting year. Interest is payable on these loans at rates between 1.00 and 3.35 percent (previous year: between 1.00 and 3.35 percent). The long-term portion of these loans has a term of more than five years.

The interest rates applicable to deposits in accounts of Freudenberg & Co. KG Partners as at the date of the statement of financial position vary between 0.50 and 3.00 percent depending on the individual agreements (previous year: between 1.00 and 4.00 percent). The long-term portion of these accounts has a term of between one year and five years.

Miscellaneous liabilities include liabilities for outstanding wages and salaries, holiday pay and special bonuses and liabilities for other taxes, as well as liabilities in connection with social security and other refund liabilities.

Contingent liabilities and other financial obligations

[€ million]	Dec. 31, 2019	Dec. 31, 2020
CONTINGENT LIABILITIES		
Guarantees	4.2	12.3
Warranty agreements	10.2	4.4
Miscellaneous	2.2	2.8
		19.5
OTHER FINANCIAL COMMITMENTS		
Purchase commitments in connection with intangible assets	0.5	0.5
Purchase commitments in connection with tangible assets	74.5	57.9
Purchase commitments in connection with the delivery of goods and services	178.4	182.9
Miscellaneous	9.9	4.8
		246.1

In addition, the following contingent liabilities and other financial commitments concern joint ventures:

[€ million]	Dec. 31, 2019	Dec. 31, 2020
CONTINGENT LIABILITIES		
Warranty agreements	8.5	13.4
		13.4
OTHER FINANCIAL COMMITMENTS		
Purchase commitments in connection with tangible assets	0.0	0.1
Miscellaneous	0.0	0.2
		0.3

Additional information on financial instruments

The term "financial instrument" is used to refer to any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. A distinction is made between primary and derivative financial instruments. Primary financial instruments in the case of the purchase or sale of assets are recognized at the settlement date, i.e. the delivery of the asset concerned. Derivative financial instruments are recognized as of the trade date. In the event of loss of control over the contractually agreed rights to a financial asset, the asset concerned is derecognized. Financial liabilities are derecognized on the statement of financial position when the commitment is discharged or cancelled, or expires.

According to IFRS 9, financial instruments are divided into the following categories:

- Measured at amortized cost

  This category includes debt instruments with cash flows consisting solely of principal and interest payments. They are held by Freudenberg in a business model whose objective is achieved by collecting the contractual cash flows.

- Measured at fair value through other comprehensive income

  This category includes both debt and equity instruments. Debt instruments are to be included in this category if the cash flows associated with these instruments consists solely of principal and interest payments and the business model has the objective of both collecting contractual cash flows and selling financial assets. Amounts recognized in other comprehensive income for those debt instruments are reclassified to the statement of profit or loss upon the later disposal of such instruments. Equity instruments not held for trading may be assigned to this category. The amounts recognized in other comprehensive income for those equity instruments are not reclassified to the statement of profit or loss in the event of the later disposal of such instruments.

- Measured at fair value through profit or loss

  This category includes both debt and equity instruments. Debt instruments are to be assigned to this category in the event that the cash flows associated with such instruments do not consist solely of principal and interest payments or if the business model is based mainly on short-term trading intentions. Equity instruments must also be assigned to this category if there are trading intentions. If there are no trading intentions, there is an option to classify equity instruments as measured at fair value through profit or loss. In addition, both debt and equity instruments are classified in this category if such classification prevents an accounting mismatch between assets and liabilities. The same applies to partnership shares. Those shares are not considered to be equity instruments and also do not meet the condition that the cash flows associated with them consist solely of principal and interest payments. Derivative financial instruments that do not meet the requirements for hedge accounting are also measured at fair value through profit or loss.

Freudenberg does not hold any financial assets or liabilities for short-term trading purposes.

Financial instruments

Financial instruments are assigned to categories on the basis of the relevant items in the statement of financial position. The allocation to the categories unambiguously defines the accounting and measurement of the instruments.

[€ million]	At amortized cost	At fair value through other comprehensive income	At fair value through profit or loss	Book value Dec. 31, 2019
ASSETS				
Other financial assets	**15.7**	**52.3**	**70.5**	**138.5**
Trade receivables	1,482.1			1,482.1
Other assets	**262.0**		**40.7**	**302.7**
Securities and cash at bank and in hand	1,117.3			1,117.3
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
LIABILITIES				
Financial debts	2,185.1			2,185.1
Trade payables	**914.0**			**914.0**
Other liabilities	276.7		2.7	279.4
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

[€ million]	At amortized cost	At fair value through other comprehensive income	At fair value through profit or loss	**Book value Dec. 31, 2020**
ASSETS				
Other financial assets	**3.2**	**45.8**	**68.4**	117.4
Trade receivables	1,402.9			1,402.9
Other assets	**116.3**		**34.0**	150.3
Securities and cash at bank and in hand	2,021.4			2,021.4
[redacted]	[redacted]	[redacted]	[redacted]	**3,692.0**
LIABILITIES				
Financial debts	2,656.4			2,656.4
Trade payables	**878.7**			878.7
Other liabilities	277.1		2.4	279.5
[redacted]	[redacted]	[redacted]	[redacted]	**3,814.6**

Loans and receivables are measured at amortized cost. The cash flows arising from these financial assets consist solely of principal and interest payments and they are held by Freudenberg within a business model whose objective is achieved by collecting the contractual cash flows. The fair values of financial assets and financial liabilities measured at amortized cost are approximately equal to the carrying amounts of such assets and liabilities.

The other financial assets measured at fair value through other comprehensive income as at the statement of financial position date consist solely of equity instruments not held for trading purposes. The greater part of these financial instruments, in the amount of €41.8 million (previous year: €47.4 million) were measured on the basis of active markets for identical assets (level 1 input factors). For the remaining equity instruments, in the amount of €4.0 million (previous year: €4.9 million), the amortized cost represents the best estimate of the fair value. The amounts recognized in other comprehensive income for equity instruments are not reclassified to the statement of profit or loss upon the later disposal of such instruments. In the reporting period, there were no disposals of significant equity instruments in this category.

The other financial instruments measured at fair value through profit or loss are debt instruments with an amount of €2.9 million (previous year: €2.9 million) with cash flows not consisting solely of principal and interest payments, investments for which another measurement would lead to an accounting mismatch with an amount of €8.8 million (previous year: €9.4 million) and shares in partnerships with an amount of €56.7 million (previous year: €58.2 million). These shares and the other financial assets measured at fair value through profit or loss are measured on the basis of active markets for identical assets (level 1 inputs). In the reporting year, the total effect of the remeasurement of such financial instruments on the statement of profit or loss was insignificant (previous year: income of €14.8 million). The other assets in this category solely include derivative financial instruments. These chiefly concern option rights for the acquisition of shares in companies with a value of €33.3 million (previous year: €40.6 million). The fair value of these assets is measured on the basis of developed, unobservable input factors (level 3 input factors). The other assets and other liabilities include derivative financial instruments used for hedging currency risks but do not meet the requirements for hedge accounting. Such derivatives are measured at fair value through profit or loss (see information on hedging transactions). The other liabilities also include put options granted to holders of non-controlling interests for the sale of their shares in the amount of €145.2 million (previous year €144.7 million), which are recognized as forward purchases..

Information on credit risks

In accordance with IFRS 9, expected credit losses are the key factor in measuring impairment losses. Impairment losses are recognized in accordance with IFRS 9 for all financial assets measured at amortized cost, for debt instruments measured at fair value without effect on net income, and for contract assets. IFRS 9 provides for a three-stage procedure. Loss allowances are measured either on the basis of the 12-month expected credit loss (stage 1) or on the basis of the lifetime expected credit loss if there has been a significant increase in credit risk since initial recognition (stage 2) or a credit impairment has been identified (stage 3).

Securities and cash at bank and in hand are debt instruments that are measured at amortized cost. Such assets held by Freudenberg mainly have a low credit risk and are due in the short-term. Such assets must therefore be assigned to stage 1 of the impairment model. The loss allowance for these assets as at the date of the statement of financial position was €1.6 million (previous year: €1.0 million).

For trade receivables, the simplified approach in accordance with IFRS 9 is adopted. In this approach, the loss allowance is always calculated on the basis of the lifetime expected credit losses. In order to determine the expected credit losses, customers are assigned to groups with similar credit risks. In the case of appropriate individual circumstances and risk indications, individual impairment losses are recognized. Information related to the past and to the future is taken into consideration in the measurement of impairment losses.

In order to determine the expected credit losses for a group of receivables, Freudenberg applies two factors. The first factor takes the country risk into account and the second factor accounts for the customer-specific default risk.

The centrally defined country risk factor covers factors such as transfer or convertibility risks, moratoriums, and capital or currency regulations which would prevent a company from converting its local currency into a foreign currency and/or transferring foreign currency to creditors in other countries. This specifically includes circumstances such as war, confiscation, revolution, insurrections, flooding and earthquakes. In addition the model considers forward looking information regarding the financial and economic situation. The financial information includes medium-term financial solvency indicators such as overall foreign debt and total payments in connection with external debts. These figures are typically connected with indicators such as the gross domestic product and/or foreign exchange revenues. Economic information includes long-term structural indicators that measure the growth potential such as income levels, savings rates or economic growth rates achieved as well as export diversification, dependence on subsidies or the size of economies.

The customer-specific risk is based on shared credit risk characteristics of receivable groups. It takes into consideration specific business models, customer experience, differences in local payment cultures and market knowledge. If there is a major difference between different due date ranges, impairment loss rates are calculated separately for the different due date ranges.

To a large extent (between 70 and 90 percent), trade receivables are covered by credit insurance. Credit insurance is taken into account in the calculation of the impairment losses. Otherwise, the carrying amount represents the maximum credit risk.

Trade receivables are de-recognized if, on the basis of an appropriate estimate, it is not to be expected that the receivable may be realized in full or in part. In this context, the information concerned must indicate that a debtor has financial problems and that there is no realistic prospect of the receipt of payments, for example if a debtor has been placed under liquidation or is subject to insolvency proceedings. As at the statement of financial position date, derecognized receivables in the amount of €3.8 million (previous year: €1.5 million) were still subject to enforcement activity.

The risk profile of trade receivables is summarized in the table below:

[€ million]	Gross carrying amount Dec. 31, 2019[1]	Weighted average loss rate[2]	Loss allowance
Current (not past due)	**1,220.2**	**0%**	**4.7**
1 – 60 days past due	218.1	3%	7.6
61 – 180 days past due	**50.0**	**14%**	**7.2**
181 – 360 days past due	15.2	28%	4.2
More than 360 days past due	**11.3**	**72%**	**8.1**

[1] The figures include assets and groups of assets held for sale.
[2] The weighted average loss rate was rounded to full percentage values.

[€ million]	Gross carrying amount Dec. 31, 2020	Weighted average loss rate[1]	Loss allowance
Current (not past due)	**1,235.5**	**0%**	**4.5**
1 – 60 days past due	144.4	3%	5.0
61 – 180 days past due	**26.9**	**22%**	**6.0**
181 – 360 days past due	12.8	30%	3.8
More than 360 days past due	**13.7**	**81%**	**11.1**

[1] The weighted average loss rate was rounded to full percentage values.

Loss allowance to trade receivables developed as follows:

[€ million]	2019	2020
Loss allowance Jan. 1	**26.9**	**31.8**
Changes in consolidated group	0.7	0.5
Exchange rate differences	**0.2**	**-1.9**
Additions (expenses for impairments)	16.5	18.2
Amounts used	**-8.4**	**-10.5**
Reversals (write-ups)	-4.1	-7.7
		30.4

As at the statement of financial position date, the loss allowance to other assets amounted to €0.5 million (previous year: €0.5 million). No significant impairment losses to contract assets were recognized in the year under review.

Hedging transactions

Freudenberg SE is responsible for all financing activities and also operates the cash management system for the entire group of companies. Group companies obtain the financing they require via cash pools or internal loans or, in some countries, in the form of bank loans guaranteed by Freudenberg SE.

The limits of action, responsibilities and control procedures in connection with derivative financial instruments are laid down in a binding form in internal directives for Group companies. Freudenberg does not expose itself to additional financial risks through speculation with derivative financial instruments but uses such instruments only for hedging purposes and therefore reducing risks in connection with transactions. Future transactions are only hedged if there is a high probability of occurrence. As a general principle Freudenberg uses derivative financial instruments for hedging interest rates and foreign exchange risks. Open risk items are primarily hedged via transactions within the Group. External hedging transactions are only concluded after consultation with the responsible corporate function.

The interest rate risk represents the risk that the fair value or future cash flows of financial instruments may fluctuate as a result of changes in market interest rates. As in the previous year, there were no derivatives entered into for the purpose of interest rate hedging as at December 31, 2020.

Freudenberg is active internationally and is subject to exchange rate risks resulting from transactions in foreign currencies. Currency risks arise from future business transactions and recognized assets and liabilities concluded in a currency which is not the functional currency of the relevant Group company. The objective of hedging transactions is to reduce the volatility resulting from foreign currencies. For this purpose, currency futures and currency swaps are concluded.

Derivative financial instruments for hedging recognized assets or liabilities (fair value hedges) are shown in the statement of financial position at fair value. Changes in the fair value are recorded in the statement of profit or loss.

Financial instruments for hedging future cash flows (cash flow hedges) are also included in the statement of financial position at fair value, but changes in the fair value of such instruments are recognized without effect on net income under retained earnings, taking into consideration the applicable income taxes and recognized in the statement of profit or loss when future cash flows are realized. Ineffective portions of hedge transactions are always recognized in the statement of profit or loss. The effectiveness of hedging transactions is determined regularly by prospective assessment upon the inception of the transaction. For hedging currency risks, the main hedging transactions concluded are based on contract terms that are congruent with the underlying transaction. Ineffectiveness may arise if parameters such as the timing of a planned transaction change compared with the original estimate.

Derivative financial instruments are used solely for hedging purposes. However, if the derivatives do not meet the requirements for hedge accounting, they must be assessed as "held for trading" for accounting purposes. Such instruments are measured at fair value through profit or loss.

As at December 31, 2020, the Group held the following currency futures:

[€ million]	Dec. 31, 2019	Dec. 31, 2020
DERIVATIVE FINANCIAL INSTRUMENTS – CASH FLOW HEDGES		
Other assets – book value (assets)	0.1	0.1
Notional amount	**3.0**	**3.7**
Maturity date	1/2020–7/2020	1/2021–11/2021
Hedge ratio	**1:1**	**1:1**
Change in exchange rate of outstanding hedging instruments	0.1	0.1
DERIVATIVE FINANCIAL INSTRUMENTS – FAIR VALUE HEDGES		
Other assets – book value (assets)	0.1	0.0
Other liabilities – book value (equity and liabilities)	**0.2**	**0.2**
Notional amount	17.1	2.1
Maturity date	**1/2020–12/2020**	**9/2022**
Hedge ratio	1:1	1:1
Change in exchange rate of outstanding hedging instruments	**-0.1**	**-0.2**
Change in value of hedged item	0.1	0.2
DERIVATIVE FINANCIAL INSTRUMENTS HELD FOR TRADING		
Other assets – book value (assets)	0.1	0.7
Other liabilities – book value (equity and liabilities)	**2.7**	**2.3**
Notional amount	240.1	198.3
Maturity date	**1/2020–12/2020**	**1/2021–12/2021**

In the reporting year, value changes in the case of currency futures (cash flow hedges) are recognized in equity in the amount of €0.2 million (previous year: €0.1 million).

The fair values of currency futures were determined on the basis of the quoted currency future prices for similar financial instruments (level 2 inputs).

Derivatives to hedge currency risks in connection with the US dollar represent a large part of the notional amount.

[€ million]	Dec. 31, 2019	Dec. 31, 2020
Notional amount currency pair USD/EUR	63.3	60.8
Weighted average hedged rate for the year USD/EUR	**1.12**	**1.23**

Risks in connection with financial instruments

Freudenberg is exposed to risks resulting from changes in exchange rates and interest rates and, as a *general principle, uses conventional derivative instruments* such as interest rate swaps, caps and currency futures to hedge risks in connection with business operations and financing to a limited extent. The use of these instruments is governed by Freudenberg directives within the risk management system which lay down limits on the basis of the value of the underlying transactions, define approval procedures, exclude the use of derivative instruments for speculative purposes, minimize credit risks and govern internal reporting and the separation of functions. Compliance with these directives and the proper handling and measurement of transactions are regularly verified, observing the principle of separation of functions. Furthermore, risk management for financial instruments is integrated in the Freudenberg Group risk management system.

The risks which are hedged are chiefly as follows:

Interest rate risk:

In the case of fixed-interest loans or investments, there is a risk that changes in the market interest rate will affect the market value of the item concerned (market value risk contingent on interest rates). In contrast, variable interest loans and investments are not subject to this risk as the interest rate is adjusted to reflect changes in the market situation with a very short delay. However, there is a risk with respect to future interest payments as a result of short-term fluctuations in market interest rates (cash flow risk contingent on interest rates).

Risks associated with interest rate changes mainly affect long-term items. If market interest rates had been 0.5 percentage points higher or lower, on average, as of December 31, 2020, this would have had only an insignificant impact on net income.

Currency risk:

The primary financial instruments are chiefly held in the functional currency.

Exchange rate differences caused by the conversion of financial statements into the Group currency are not taken into consideration.

If the value of the euro against major currencies held at the date of the statement of financial position (USD, GBP and JPY) had been 10 percent higher as at December 31, 2020, the profit before income taxes would have been €35.1 million (previous year: €17.2 million) lower. If the value of the euro against major currencies held (USD, GBP and JPY) had been 10 percent lower as at December 31, 2020, the profit before income taxes would have been €42.8 million (previous year: €21.0 million) higher.

Liquidity risk:

Risks connected with cash flow fluctuations are identified by the cash flow planning system already existing. As a result of Freudenberg's good rating ("A3") and the credit lines granted by banks on a binding basis, Freudenberg can access ample sources of funds at all times.

Credit risk:

Specific loss allowances are recognized to take account of identifiable risks not covered by credit insurance. In addition, a loss allowance is recognized for expected credit losses. Otherwise, the book value represents the maximum credit risk.

Freudenberg only concludes derivative financial instruments with national and international banks of investment grade rating. Credit risks are largely limited by distributing between several banks and a policy of applying caps to individual banks.

NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(14) Sales

[€ million]	2019	2020
Sales from sales of goods	9,217.6	8,656.4
Sales from research and development / research and development licenses	**87.2**	**82.6**
Sales from services	37.4	9.4
Sales from production-related licenses	**0.8**	**0.1**
Other sales	124.8	92.3
		8,840.8

Other sales include, inter alia, sales from the sale of customer-specific tools, sales from rental and lease contracts and sales from support and supplementary operations.

The breakdown of sales by sectors is given below:

[€ million]	2019	2020
Automotive OEMs	**4,134.5**	**3,482.9**
Final users	975.3	1,088.7
Mechanical and plant engineering	**1,084.0**	**939.7**
Construction	399.8	500.7
Spare parts business	**506.5**	**467.1**
Textile and apparel	439.7	389.2
Medicine and pharmaceuticals	**345.5**	**372.1**
Energy and water	413.6	367.3
Chemical	**273.8**	**244.0**
Other industry sectors	895.1	989.1
		8,840.8

In the 2020 financial year, sales in the amount of €12.2 million (previous year: €28.6 million) were recorded which had been recognized as contract liabilities at the beginning of the financial year.

(15) Cost of sales

Cost of sales, amounting to €6,093.3 million (previous year: €6,480.5 million), indicates the cost of goods and services sold. Apart from individual directly attributable costs, such as personnel expenses and material expenses, overheads including depreciation/amortization as well as development expenses for customer-specific development projects are also shown under cost of sales.

(16) Selling expenses

Selling expenses, amounting to €1,271.5 million (previous year: €1,298.3 million), include all expenses incurred in the sales area, for example personnel, advertising, carriage and packaging expenses.

(17) Administrative expenses

In 2020, administrative expenses amounted to €603.0 million (previous year: €638.6 million). Administrative expenses include all expenses which cannot be allocated to production, sales or research and development and concern, inter alia, personnel expenses and miscellaneous administrative expenses.

(18) Research and development expenses

Apart from personnel and material expenses, research and development expenses chiefly include the cost of licenses and patents occurring in the course of development projects.

(19) Other income

[€ million]	2019	2020
Income from recharges	**10.5**	13.3
Income from disposals of non-current assets	164.9	11.8
Income from other secondary business	**2.3**	1.2
Income from the change in status of investments previously consolidated at-equity	39.0	0.0
Currency and exchange gains[1]	**6.8**	0.0
Miscellaneous income	90.4	67.5
[redacted]	[redacted]	93.8

[1] After offsetting of exchange rate losses.

The decrease in other income is chiefly due to lower income from disposals of non-current assets. In the reporting here, the Freudenberg Performance Materials Business Group recorded sales from the disposal of its South American business with nonwovens for the hygiene industry. In the previous year, higher income was reported from the sale of Freudenberg IT.

(20) Other expenses

[€ million]	2019	2020
Losses resulting from disposals of non-current assets	**8.4**	13.1
Exchange rate loss[1]	0.0	7.6
Miscellaneous expenses	**110.9**	48.2
[redacted]	[redacted]	68.9

[1] After offsetting of exchange rate gains.

The decrease in other expenses was chiefly a result of the lower miscellaneous expenses compared with the previous year. In 2019, the miscellaneous expenses included the impairment loss on the goodwill of the group of cash-generating unit Freudenberg Medical in the amount of €77.8 million.

(21) Income from investments in joint ventures

The income from investments in joint ventures amounted to €20.1 million (previous year: €14.3 million).

(22) Income from investments in associated companies

The increase in income from investments in associated companies from €-15.9 million to €-11.2 million is a result of the higher pro rata profit of the associated company NOK Corporation, Tokyo, Japan.

(23) Other investment result

The fall in other investment result from €33.9 million to €29.6 million was chiefly the result of lower income from the re-measurement of financial assets measured at fair value through profit or loss.

(24) Other interest and similar income

The other interest and similar income amounted to €20.0 million (previous year: €20.8 million).

(25) Interest and similar expenses

In 2020, interest expenses amounted to €57.9 million (previous year: €55.0 million). This item chiefly includes interest on shareholder's loans in the amount of €13.0 million (previous year: €13.4 million) and interest payable to the Partners of Freudenberg & Co. KG in the amount of €12.5 million (previous year: €14.3 million).

(26) Income taxes

This item shows German corporation tax (plus solidarity surcharge) and municipal trade taxes as well as similar taxes on income payable in other countries.

The figure also includes deferred taxes on temporary differences between the tax balance sheets and commercial balance sheets of individual group companies, on adjustments to consistent measurement within the Freudenberg Group and on the consolidation procedure.

Deferred taxes are calculated at the tax rates applicable in the respective countries.

Income taxes break down as follows (expense (-) / income (+)):

[€ million]	2019	2020
Current taxes related to the reporting period	-240.7	-200.0
Current taxes related to prior periods	-7.7	6.4
Deferred taxes	30.5	49.0
		-144.6

The deferred tax expense related to changes in tax rates was €0.3 million (previous year: deferred tax income of €1.1 million). Deferred tax income includes income in the amount of €43.3 million (previous year: €30.9 million) resulting from the development or elimination of temporary differences. In the reporting year, impairment losses with respect to deferred tax assets on temporary differences were recognized in the amount of €18.6 million (previous year: €9.0 million).

In the reporting year, deferred taxes related to transactions recognized directly in equity resulted in an increase in equity of €17.6 million (previous year: €33.2 million).

As of December 31, 2020, tax losses carried forward amounted to €760.6 million (previous year: €624.5 million). Deferred tax assets were recognized in respect of tax losses carried forward totaling €57.5 million (previous year: €28.2 million). Deferred tax assets were not recognized in respect of tax losses carried forward with a total amount of €703.1 million (previous year: €596.3 million) as it is not expected that these losses will be usable. Of the tax losses carried forward, €22.2 million (previous year: €21.0 million) will be forfeited in the period up to 2030 if they are not used.

In the reporting year, tax losses carried forward totaling €11.2 million (previous year: €27.2 million) for which no deferred tax assets had been recognized were used.

Deferred taxes concern temporary differences and tax losses carried forward in the following amounts:

[€ million]	Deferred tax assets Dec. 31, 2019[1]	Deferred tax liabilities Dec. 31, 2019[1]	Deferred tax assets Dec. 31, 2020	Deferred tax liabilities Dec. 31, 2020
Intangible assets	19.3	275.3	21.8	270.8
Tangible assets	**10.3**	**186.1**	**13.0**	**183.5**
Financial assets	1.1	2.0	0.4	1.9
Inventories	**50.7**	**1.0**	**51.3**	**1.9**
Receivables	16.6	9.0	12.3	12.9
Other assets	**4.6**	**7.1**	**3.4**	**2.6**
Provisions for pensions and similar obligations	150.9	0.2	158.2	0.3
Other provisions	**71.8**	**3.3**	**84.7**	**2.2**
Liabilities	90.7	17.8	96.8	14.7
Other liabilities	**0.6**	**5.7**	**0.7**	**5.6**
Tax losses carried forward	5.4	0.0	10.0	0.0
	422.0	**507.5**	**452.6**	**496.4**
Offsetting	**-160.1**	**-160.1**	**-166.6**	**-166.6**
			286.0	**329.8**

[1] The disclosure of deferred taxes from IFRS16 matters has been adjusted as a result of the gross presentation for the previous year.

No deferred tax items were set up on temporary differences arising from shareholdings totaling €41.5 million (previous year: €43.1 million) as short-term dividend payments are not expected.

No deferred tax liabilities were recognized in respect of differences in the retained earnings of affiliated companies amounting to €2,611.1 million (previous year: €2,317.5 million) as it is intended to use these funds for maintaining the substance and expanding the business of the companies concerned.

Reconciliation of expected income tax with actual income tax expense

Freudenberg SE and its German subsidiaries are subject to corporation tax (plus solidarity surcharge) and the municipal trade tax on income. Income realized in other countries is taxed at the rates applicable in the respective countries. The tax rate of 30.0 percent (previous year: 30.0 percent) used for calculating the expected tax expense is based on the structure of Freudenberg relevant for taxation. It is calculated as the weighted average of the tax rates for the regions in which Freudenberg realized its main income. Non-taxable income includes, inter alia, the profit after tax of participations consolidated by the equity method, dividends received from non-consolidated companies and income from the re-measurement of financial assets measured at fair value through profit or loss.

[€ million]	2019	2020
Profit before income taxes	828.5	510.7
Expected income tax expense (-)/ income (+)	**-248.6**	**-153.2**
Different tax rates:		
In Germany	**0.3**	0.0
In other countries	44.8	37.6
Tax portion of:		
Non-taxable income	51.5	29.5
Non-deductible expenses	**-59.7**	-52.0
Current taxes related to prior periods	-2.6	8.9
Tax portion of new tax losses carried forward for which no deferred tax assets were recognized	**-13.0**	-22.1
Tax portion of tax losses carried forward and used for which no deferred tax assets were recognized	2.8	1.1
Other taxation effects	**6.6**	5.6
[redacted]	[redacted]	-144.6
Effective tax rate (percent)	**26.3**	28.3

(27) Profit or loss attributable to non-controlling interests

[€ million]	2019	2020
Profit	**62.4**	53.4
Loss	-22.8	-23.5
[redacted]	[redacted]	29.9

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(28) Cash flow from operating activities

The cash flow from operating activities takes into account dividends received from joint ventures totaling €0.3 million (previous year: €0.3 million) and dividends received from associated companies totaling €14.0 million (previous year: €24.6 million).

(29) Payments to shareholders/non-controlling interests

Payments to shareholders and non-controlling interests include dividends paid to the shareholder, to the Partners of Freudenberg & Co. KG and to holders of non-controlling interests in Group companies.

(30) Reconciliation of financial debt

The table below shows the reconciliation of financial debt:

[€ million]	2019	With effect on payments	Without effect on payments				2020
			Additions	Acquisitions/ Disposals	Exchange rate effects	Others	
Liabilities to banks	**413.6**	**279.5**	**0.0**	**101.5**	**-8.0**	**0.0**	**786.6**
Liabilities from cash pool	134.7	-5.0	0.0	0.0	0.0	-0.7	129.0
Leasing liabilities	**342.1**	**-89.6**	**95.6**	**14.1**	**-14.6**	**0.0**	**347.6**
Other financial debt	109.8	-38.3	0.0	54.3	33.9	5.1	164.8
Shareholder's loans	**672.0**	**15.0**	**0.0**	**0.0**	**0.0**	**0.0**	**687.0**
Accounts of Freudenberg & Co. KG Partners	512.9	28.6	0.0	0.0	0.0	-0.1	541.4
							2,656.4

(31) Changes in cash and cash equivalents with effect on payments

Freudenberg recognizes checks, cash in hand, cash at bank and short-term securities with an original term of up to three months as cash and cash equivalents. Cash and cash equivalents include funds with an amount of €1.9 million (previous year: €2.5 million) subject to restrictions on use.

The funds subject to restrictions on use by Freudenberg largely concern cash and cash equivalents held by affiliates which can only be used by Freudenberg with restrictions as a result of exchange controls.

FURTHER NOTES

Material expenses

[€ million]	2019	2020
Raw materials, consumables and merchandise purchased	**3,880.4**	3,562.6
Services purchased	252.1	234.4
[redacted]	[redacted]	**3,797.0**

Workforce and personnel expenses

In the year under review, an average of 47,909 (previous year: 49,108) persons were employed in the following functions:

2020	Germany	Other countries	Total
Production	**6,279**	**25,077**	31,356
Sales	2,059	6,481	8,540
Research and development	**1,805**	**1,843**	3,648
Administration	1,383	2,982	4,365
[redacted]	[redacted]	[redacted]	**47,909**

[€ million]	2019	2020
Wages and salaries	**2,146.5**	2,089.3
Social security contributions and costs of pensions and assistance	531.1	503.1
[redacted]	[redacted]	**2,592.4**

Research and development

In the year under review, research and development activities amounting to €446.3 million (previous year: €480.9 million) were performed. Sales from research and development and research and development licenses amounted to €82.6 million (previous year: €87.2 million). In the reporting year, government grants for research and development projects totaling €8.7 million (previous year: €3.9 million) were received.

Related party disclosure

Relations with related parties concern the parent company Freudenberg & Co. KG, joint ventures, associated companies and other related parties.

Other related parties include other participations of the parent company and companies that are not included in the consolidated financial statements for reasons of materiality. Transactions with these parties in the course of the company's ordinary business are effected at normal market conditions and were as follows:

		Receivables			Payables		
[€ million]	Sales 2019	Residual term up to 1 year	Residual term more than 1 year	Dec. 31, 2019	Residual term up to 1 year	Residual term more than 1 year	Dec. 31, 2019
Parent company	**3.1**	**6.0**	**0.0**	**6.0**	**477.6**	**300.0**	**777.6**
Joint ventures	42.9	47.0	0.0	47.0	5.3	9.2	14.5
Associated companies	**16.5**	**5.2**	**0.0**	**5.2**	**10.3**	**0.0**	**10.3**
Other related parties	3.9	2.4	0.0	2.4	50.3	0.0	50.3

		Receivables			Payables		
[€ million]	**Sales 2020**	Residual term up to 1 year	Residual term more than 1 year	**Dec. 31, 2020**	Residual term up to 1 year	Residual term more than 1 year	**Dec. 31, 2020**
Parent company	**3.0**	**3.7**	**0.0**	**3.7**	**626.5**	**150.0**	**776.5**
Joint ventures	44.5	31.8	0.0	31.8	4.5	7.5	12.0
Associated companies	**14.4**	**5.5**	**0.0**	**5.5**	**9.0**	**0.0**	**9.0**
Other related parties	3.5	2.0	0.0	2.0	60.1	0.0	60.1
	65.4			**43.0**			**857.6**

Related parties also include the members of the Board of Management and the Supervisory Board. The members of these bodies are listed under "Company Boards".

The total remuneration of members of the Board of Management, including expenditure for short-term payments for members of the Board of Management amounted to €8.4 million (previous year: €8.7 million).

A current service cost of €4.1 million (previous year: €3.9 million) was incurred with respect to company pensions for Board of Management members.

An amount of €41.2 million (previous year: €52.8 million) was assigned to provisions for pension obligations to former members of the Board of Management.

Under a service agreement, Freudenberg SE paid an amount of €0.9 million (previous year: €1.2 million) to its parent company for the performance of key management functions.

Fees of the Auditor

The auditor, PriceWaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, performed the following services in the 2020 financial year:

[€ million]	2020
Auditing services	1.9
Tax services	0.5
Other services	0.2
	2.6

Major events after the date of the statement of financial position

There were no events of major significance for the net assets, financial position and results of operation of the group of companies up to March 19, 2021, the date when these consolidated financial statements were approved for publication by the Supervisory Board.

Weinheim, March 19, 2021

Freudenberg SE

The Board of Management

SHAREHOLDINGS

AS AT DECEMBER 31, 2020

Company	Location	Country	Share of capital [%]
Freudenberg SE	**Weinheim**	**Germany**	**-**
I. AFFILIATED COMPANIES			
Germany			
Blaesus Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG	Mainz	Germany	82.24
Bonar Xeroflor GmbH[1]	Erlenbach am Main	Germany	100.00
Burgmann International GmbH[1]	Wolfratshausen	Germany	100.00
Capol GmbH[1]	Elmshorn	Germany	100.00
Carl Freudenberg KG	Weinheim	Germany	100.00
Chem-Trend (Deutschland) GmbH[1]	Maisach-Gernlinden	Germany	100.00
Corteco GmbH[1]	Weinheim	Germany	100.00
CT Beteiligungs-GmbH[1]	Munich	Germany	100.00
Dichtomatik Vertriebsgesellschaft für technische Dichtungen m.b.H[1]	Hamburg	Germany	100.00
EagleBurgmann Atlantic GmbH	Wolfratshausen	Germany	75.00
EagleBurgmann Espey GmbH	Moers	Germany	75.00
EagleBurgmann Germany GmbH & Co. KG[1]	Wolfratshausen	Germany	75.00
EagleBurgmann Germany Verwaltungs-GmbH	Wolfratshausen	Germany	75.00
EagleBurgmann Middle-East GmbH	Wolfratshausen	Germany	60.00
Externa Handels- und Beteiligungsgesellschaft mit beschränkter Haftung[1]	Weinheim	Germany	100.00
FCS-Munich GmbH[1]	Weinheim	Germany	100.00
FFT Beteiligungs-GmbH[1]	Weinheim	Germany	100.00
FHP Export GmbH[1]	Weinheim	Germany	100.00
Freudenberg Chemical Specialities SE & Co. KG[1]	Munich	Germany	100.00
Freudenberg DS Tooling Center GmbH & Co. KG[1]	Weinheim	Germany	100.00
Freudenberg Filtration Technologies SE & Co. KG[1]	Weinheim	Germany	100.00
Freudenberg FST GmbH[1]	Weinheim	Germany	100.00
Freudenberg Haushaltsprodukte Augsburg GmbH[1]	Augsburg	Germany	100.00
Freudenberg Home and Cleaning Solutions GmbH[1]	Weinheim	Germany	100.00
Freudenberg Medical Europe GmbH[1]	Kaiserslautern	Germany	100.00
Freudenberg Oil & Gas GmbH[1]	Weinheim	Germany	100.00
Freudenberg Performance Materials Apparel SE & Co. KG[1]	Weinheim	Germany	100.00
Freudenberg Performance Materials Holding SE & Co. KG[1]	Weinheim	Germany	100.00
Freudenberg Performance Materials Logistics SE & Co. KG[1]	Weinheim	Germany	100.00
Freudenberg Performance Materials SE & Co. KG[1]	Weinheim	Germany	100.00
Freudenberg Performance Materials Service GmbH[1]	Weinheim	Germany	100.00
Freudenberg Performance Materials Service SE & Co. KG[1]	Kaiserslautern	Germany	100.00
Freudenberg Process Seals GmbH & Co. KG[1]	Weinheim	Germany	100.00
Freudenberg Real Estate GmbH[1]	Weinheim	Germany	100.00
Freudenberg Sealing Technologies GmbH[1]	Hamburg	Germany	100.00
Freudenberg Technology Innovation SE & Co. KG[1]	Weinheim	Germany	100.00
Freudenberg Verwaltungs- und Beteiligungs-GmbH[1]	Weinheim	Germany	100.00

Company	Location	Country	Share of capital [%]
Freudenberg Wohnbauhilfe GmbH	**Weinheim**	**Germany**	**100.00**
Hanns Glass GmbH & Co. KG[1]	Meuselwitz	Germany	75.00
Hanns Glass Immobilienverwaltung GmbH & Co. KG[1]	**Paderborn**	**Germany**	**75.00**
Hemoteq AG	Würselen	Germany	87.49
Integral Accumulator GmbH[1]	**Weinheim**	**Germany**	**100.00**
Japan Vilene Europe GmbH	Meuselwitz	Germany	75.00
JUBA Jutta Baumgartner GmbH	**Meuselwitz**	**Germany**	**75.00**
Kaul GmbH	Elmshorn	Germany	100.00
Klüber Lubrication Deutschland SE & Co. KG[1]	**Munich**	**Germany**	**100.00**
Klüber Lubrication GmbH[1]	Weinheim	Germany	100.00
Klüber Lubrication München SE & Co. KG[1]	**Munich**	**Germany**	**100.00**
Lederer GmbH[1]	Öhringen	Germany	100.00
Low & Bonar Germany GmbH & Co. KG	**Erlenbach am Main**	**Germany**	**100.00**
Low & Bonar GmbH[1]	Hückelhoven	Germany	100.00
Low & Bonar Logistics GmbH[1]	**Fulda**	**Germany**	**100.00**
Low & Bonar Production GmbH[1]	Erlenbach am Main	Germany	100.00
Low & Bonar Verwaltungs GmbH	**Erlenbach am Main**	**Germany**	**100.00**
OKS Spezialschmierstoffe GmbH[1]	Maisach-Gernlinden	Germany	100.00
PTFE Compounds Germany GmbH[1]	**Bördeland**	**Germany**	**100.00**
SF GmbH	Emmerich am Rhein	Germany	100.00
SurTec Deutschland GmbH[1]	**Zwingenberg**	**Germany**	**100.00**
SurTec International GmbH[1]	Bensheim	Germany	100.00
Traxit International GmbH	**Schwelm**	**Germany**	**100.00**
Vibracoustic AG[1]	Darmstadt	Germany	100.00
Vibracoustic AG & Co. KG[1]	**Weinheim**	**Germany**	**100.00**
Vibracoustic Asia Holding GmbH	Weinheim	Germany	100.00
Vibracoustic CV Air Springs GmbH	**Hamburg**	**Germany**	**65.07**
Vibracoustic Europe GmbH[1]	Darmstadt	Germany	100.00
Vileda Gesellschaft mit beschränkter Haftung[1]	**Weinheim**	**Germany**	**100.00**
Other countries			
Freudenberg S.A. Telas sin Tejer	Buenos Aires	Argentina	100.00
Klüber Lubrication Argentina S.A.	**Buenos Aires**	**Argentina**	**100.00**
Chem-Trend Australia Pty Ltd	Thomastown	Australia	100.00
E.D. Oates Pty. Ltd.	**Broadmeadows**	**Australia**	**100.00**
EagleBurgmann Australasia Pty. Ltd.	Ingleburn	Australia	25.00
Freudenberg Filtration Technologies (Aust) Pty. Ltd.	**Braeside**	**Australia**	**100.00**
Freudenberg Home and Cleaning Solutions Pty. Ltd.	Broadmeadows	Australia	100.00
Freudenberg Pty. Ltd.	**Thomastown**	**Australia**	**100.00**
Freudenberg Sealing Technologies Pty. Ltd.	Brendale	Australia	100.00
Klüber Lubrication Australia Pty. Ltd.	**Thomastown**	**Australia**	**100.00**
EagleBurgmann Belgium BV	Sint-Job-in-'t-Goor	Belgium	75.03
FHP Vileda SComm.	**Verviers**	**Belgium**	**100.00**

Company	Location	Country	Share of capital [%]
Klüber Lubrication Belgium Netherlands S.A.	**Dottignies**	**Belgium**	**100.00**
Klüber Lubrication Benelux S.A./N.V.	Dottignies	Belgium	100.00
Chem-Trend Industria e Comercio de Produtos Quimicos Ltda.	**Valinhos**	**Brazil**	**100.00**
EagleBurgmann do Brasil Vedacoes Ltda.	Campinas	Brazil	75.00
Freudenberg Nao-Tecidos Ltda.	**Jacareí**	**Brazil**	**100.00**
Freudenberg-NOK-Componentes Brasil Ltda.	São Paulo	Brazil	75.00
Klüber Lubrication Lubrificantes Especiais Ltda.	**Barueri**	**Brazil**	**100.00**
Low & Bonar Brasil Textil E Partipacoes Ltda.	São Paulo	Brazil	100.00
SurTec do Brasil Ltda.	**Valinhos**	**Brazil**	**100.00**
Vibracoustic South America Ltda.	Taubaté	Brazil	100.00
Hänsel Textil Bulgaria ood	**Rousse**	**Bulgaria**	**100.00**
Freudenberg Productos del Hogar Ltda.	Santiago de Chile	Chile	100.00
Klüber Lubrication Chile Ltda.	**Santiago de Chile**	**Chile**	**100.00**
Bonar High Performance Materials (Changzou) Co. Ltd.	Changzhou	China	100.00
Changchun Integral Accumulator Co., Ltd.	**Changchun**	**China**	**100.00**
Chem-Trend (Shanghai) Trading Co. Ltd.	Shanghai	China	100.00
Chem-Trend Chemicals (Shanghai) Co., Ltd.	**Shanghai**	**China**	**100.00**
Dichtomatik (China) Co., Ltd.	Shanghai	China	100.00
EagleBurgmann Dalian Co. Ltd.	**Dalian**	**China**	**40.00**
EagleBurgmann Shanghai Co., Ltd.	Shanghai	China	40.00
EagleBurgmann Technology (Shanghai) Co., Ltd.	**Shanghai**	**China**	**50.00**
EagleBurgmann Technology (Tianjin) Co., Ltd.	Tianjin	China	50.00
Freudenberg & Vilene Interlinings (Nantong) Co. Ltd.	**Nantong**	**China**	**87.50**
Freudenberg & Vilene International Trading (Shanghai) Co., Ltd.	Shanghai	China	87.50
Freudenberg & Vilene Nonwovens (Suzhou) Co. Ltd.	**Suzhou**	**China**	**87.50**
Freudenberg Apollo Filtration Technologies Co., Ltd.	Foshan	China	75.00
Freudenberg Home and Cleaning Solutions (Ningbo) Co., Ltd.	**Ningbo**	**China**	**100.00**
Freudenberg Home and Cleaning Solutions (Shanghai) Co., Ltd.	Shanghai	China	100.00
Freudenberg Management (Shanghai) Co. Ltd.	**Shanghai**	**China**	**100.00**
Freudenberg Medical Plastic & Metal Manufacturing (Shenzhen) Co., Ltd.	Shenzhen	China	100.00
Freudenberg Politex Ltd.	**Shanghai**	**China**	**100.00**
Freudenberg Real Estate (Yantai) Co. Ltd.	Yantai	China	100.00
Freudenberg Spunweb (Shanghai) Trading Co., Ltd.	**Shanghai**	**China**	**67.69**
Freudenberg Vilene Filter (Chengdu) Co. Ltd.	Chengdu	China	87.50
Klüber Lubrication (Shanghai) Co., Ltd.	**Shanghai**	**China**	**100.00**
Klüber Lubrication Industries (Shanghai) Co., Ltd.	Shanghai	China	100.00
Low & Bonar (Shanghai) Trading Co. Ltd.	**Shanghai**	**China**	**100.00**
SurTec Metal Surface Treatment Technology Co. Ltd.	Hangzhou	China	100.00
Tianjin VIAM Automotive Products Co., Ltd.	**Tianjin**	**China**	**75.00**
Traxit (Huzhou) Lubrication Co. Ltd.	Huzhou	China	100.00
Traxit (Tianjin) Chemical Co. Ltd.	**Tianjin**	**China**	**100.00**
Trelleborg Automotive Design (Shanghai) Co. Ltd.	Shanghai	China	100.00
Vibracoustic (Chongqing) Co. Ltd.	**Chongqing**	**China**	**100.00**
Vibracoustic (Shanghai) Sales & Trading Co., Ltd.	Shanghai	China	100.00
Vibracoustic (Wuxi) Vibration Isolators Co., Ltd.	**Wuxi**	**China**	**100.00**

Company	Location	Country	Share of capital [%]
Vibracoustic (Yantai) Co., Ltd.	**Yantai**	**China**	**100.00**
Vibracoustic CV Air Springs (Yantai) Co., Ltd.	Yantai	China	65.07
Freudenberg Medical srl.	**San José**	**Costa Rica**	**100.00**
Chem-Trend A/S	Søborg	Denmark	100.00
EagleBurgmann KE A/S	**Ringkøbing**	**Denmark**	**75.00**
Klüber Lubrication Nordic A/S	Skovlunde	Denmark	100.00
SurTec Scandinavia ApS	**Copenhagen**	**Denmark**	**100.00**
OÜ Merinvest	Mullutu	Estonia	100.00
Freudenberg Filtration Technologies Finland Oy	**Naantali**	**Finland**	**100.00**
Freudenberg Home and Cleaning Solutions Oy	Espoo	Finland	100.00
Chem-Trend France S.A.S.U.	**Entzheim**	**France**	**100.00**
Corteco SAS	Nantiat	France	100.00
EagleBurgmann France S.A.S.	**Sartrouville**	**France**	**75.00**
FHP Vileda S.A.	Asnières Sur Seine	France	100.00
Freudenberg Filtration Technologies SAS	**Villebon-sur-Yvette**	**France**	**100.00**
Freudenberg Immobilier SAS	Chamborêt	France	100.00
Freudenberg Joints Plats SAS	**Chamborêt**	**France**	**100.00**
Freudenberg Performance Materials S.A.S.	Colmar	France	100.00
Freudenberg Sealing Technologies SAS	**Langres**	**France**	**100.00**
Klüber Lubrication France S.A.S.	Valence	France	100.00
Low & Bonar Lyon SARL	**Francheville**	**France**	**100.00**
Low & Bonar Paris SARL	Paris	France	100.00
SurTec France S.A.S.	**Toulouse**	**France**	**100.00**
Vibracoustic France SAS	Carquefou	France	100.00
Vibracoustic Nantes SAS	**Carquefou**	**France**	**100.00**
FHP Hellas S.A.	Kifissia, Athens	Greece	100.00
Aquabio Ltd.	**Worcester**	**United Kingdom**	**100.00**
Bonar International Holdings Limited	Edinburgh	United Kingdom	100.00
Bonar Rotaform Limited	**Leicester**	**United Kingdom**	**100.00**
Bonar Silver Limited	Leicester	United Kingdom	100.00
Capol (U.K.) Limited	**Huddersfield**	**United Kingdom**	**100.00**
Chem-Trend (UK) Ltd.	Huddersfield	United Kingdom	100.00
Dichtomatik Ltd.	**Derby**	**United Kingdom**	**100.00**
EagleBurgmann Industries UK LP	Warwick	United Kingdom	75.00
EagleBurgmann Industries UK Ltd.	**Warwick**	**United Kingdom**	**75.00**
Filtamark Ltd.	Crewe	United Kingdom	100.00
Freudenberg Filtration Technologies UK Limited	**Crewe**	**United Kingdom**	**100.00**
Freudenberg Household Products LP	Rochdale	United Kingdom	100.00
Freudenberg Limited	**Littleborough**	**United Kingdom**	**100.00**
Freudenberg Oil & Gas Technologies Ltd.	Port Talbot	United Kingdom	100.00
Freudenberg Performance Materials LP	**Littleborough**	**United Kingdom**	**100.00**
Freudenberg Sealing Technologies Limited	North Shields	United Kingdom	100.00
Freudenberg Vileda Ltd.	**Rochdale**	**United Kingdom**	**100.00**
KE-Burgmann UK Ltd.	Congleton	United Kingdom	75.00
Klüber Lubrication Great Britain Ltd.	**Huddersfield**	**United Kingdom**	**100.00**

Company	Location	Country	Share of capital [%]
LCM Construction Products Ltd.	Leicester	United Kingdom	100.00
Low & Bonar Euro Holdings Limited	Leicester	United Kingdom	100.00
Low & Bonar Limited	Edinburgh	United Kingdom	100.00
Low & Bonar Oldham Ltd.	Leicester	United Kingdom	100.00
Low & Bonar Pension Trustees Limited	Edinburgh	United Kingdom	100.00
Techlok Limited	Port Talbot	United Kingdom	100.00
Freudenberg Textile Technologies, S.A.	Guatemala City	Guatemala	100.00
APEC (Asia) Limited	Hong Kong	Hong Kong	100.00
Freudenberg & Vilene Int. Ltd.	Hong Kong	Hong Kong	87.50
Freudenberg Household Products Ltd.	Hong Kong	Hong Kong	100.00
Freudenberg Trading (Hongkong) Ltd.	Hong Kong	Hong Kong	100.00
Japan Vilene (Hong Kong) Ltd.	Hong Kong	Hong Kong	75.00
Jump (Asia) Distributors Ltd	Hong Kong	Hong Kong	100.00
Klüber Lubrication China Ltd.	Hong Kong	Hong Kong	100.00
Vibracoustic Hong Kong Holdings Ltd.	Hong Kong	Hong Kong	100.00
Chem-Trend Chemicals Co. Pvt. Ltd.	Bangalore	India	100.00
Dichtomatik India Seals Private Limited	Kancheepuram	India	100.00
EagleBurgmann India Pvt. Ltd.	Pune	India	50.00
EagleBurgmann KE Pvt. Ltd.	Chennai	India	75.00
Freudenberg Filtration Technologies India Private Limited	Pune	India	100.00
Freudenberg Gala Household Product Pvt. Ltd.	Mumbai	India	60.00
Freudenberg Performance Materials India Pvt. Ltd.	Chennai	India	100.00
Freudenberg Regional Corporate Center India Pvt. Ltd.	Bangalore	India	100.00
Gimi India Pvt. Ltd.	Bangalore	India	100.00
Klüber Lubrication India Pvt. Ltd.	Bangalore	India	89.99
Low & Bonar India Private Limited	New Delhi	India	100.00
SurTec Chemicals India Pvt. Ltd.	Bangalore	India	100.00
Traxit Engineers Private Limited	Mumbai	India	70.00
Vibracoustic India Pvt. Ltd.	Mohali	India	100.00
Vibracoustic Noida Pvt. Ltd.	Mohali	India	100.00
PT EagleBurgmann Indonesia	Cikarang Selatan	Indonesia	24.98
PT Klüber Lubrication Indonesia	Jakarta	Indonesia	100.00
Cambus Teoranta	Spiddal	Ireland	90.00
VistaMed Ltd.	Carrick-on-Shannon	Ireland	90.00
Chem-Trend Italy del Dr. Gian Franco Colori S.a.s.	Milan	Italy	100.00
Corteco S.r.l. (a socio unico)	Pinerolo	Italy	100.00
Dichtomatik S.a.s. di Externa Italia S.r.l.	Genoa	Italy	100.00
EagleBurgmann Italia S.r.l.	Vimercate	Italy	75.00
Externa Holding S.r.l.	Milan	Italy	100.00
Externa Italia S.r.l.	Pinerolo	Italy	100.00
FHP di R. Freudenberg S.A.S.	Milan	Italy	100.00
Freudenberg Italia S.a.s. di Freudenberg S.p.A.	Milan	Italy	100.00
Freudenberg Performance Materials Apparel S.a.s. di Externa Holding S.r.l.	Milan	Italy	100.00
Freudenberg S.r.l.	Milan	Italy	100.00

Company	Location	Country	Share of capital [%]
Freudenberg Sealing Technologies S.a.s. di Externa Italia S.r.l.u.	Pinerolo	Italy	100.00
Freudenberg Tecnologie di Filtrazione S.a.s. di Externa Holding S.r.l.	Milan	Italy	100.00
Hänsel Textil Italia S.a.s. di Externa Holding S.r.l.	Rho	Italy	100.00
Klüber Lubrication Italia S.a.s. di G. Colori	Milan	Italy	100.00
Low & Bonar Italy S.r.l.	Settimo Milanese	Italy	100.00
Politex S.a.s. di Freudenberg Politex s.r.l.	Milan	Italy	100.00
Chem-Trend Japan K.K.	Kobe	Japan	100.00
EagleBurgmann Japan Co., Ltd.	Tokyo	Japan	25.00
Freudenberg Spunweb Japan Company, Ltd.	Osaka	Japan	67.69
Japan VIAM Co., Ltd.	Moriyama	Japan	75.00
Japan Vilene Company Ltd.	Tokyo	Japan	75.00
Oshitari Laboratory, Inc.	Sayama	Japan	75.00
Oyama Chemical Co., Ltd.	Oyama	Japan	75.00
Pacific Giken Co., Ltd.	Yasu	Japan	75.00
SurTec MMC Japan KK	Tokyo	Japan	56.00
Vibracoustic Japan KK	Yokohama	Japan	100.00
Vilene Create Co., Ltd.	Tokyo	Japan	75.00
VIS Co., Ltd.	Tokyo	Japan	75.00
Freudenberg Vileda Jordan Ltd.	Amman	Jordan	51.00
Bonar Offshore Canada Inc.	Toronto	Canada	100.00
Capol Inc.	Saint-Hubert	Canada	100.00
Dichtomatik Canada, Inc.	Markham	Canada	100.00
EagleBurgmann Canada Inc.	Milton	Canada	75.00
Freudenberg Filtration Technologies Inc.	London	Canada	100.00
Freudenberg Household Products Inc.	Laval	Canada	100.00
Freudenberg Oil & Gas Canada Inc.	Nisku	Canada	100.00
Freudenberg-NOK Inc.	Tillsonburg	Canada	75.00
TOO Freudenberg Oil & Gas	Atyrau	Kazakhstan	100.00
EagleBurgmann Colombia, S.A.S.	Cota, Cundinamarca	Colombia	75.00
Low & Bonar Latvia s.i.a.	Riga	Latvia	100.00
Bonar International Sarl	Luxembourg	Luxembourg	100.00
EagleBurgmann (Malaysia) SDN. BHD.	Shah Alam	Malaysia	25.00
Freudenberg Household Products (Malaysia) Sdn Bhd	Petaling Jaya	Malaysia	100.00
Freudenberg Oil & Gas Technologies Sdn. Bhd.	Kuala Lumpur	Malaysia	100.00
Freudenberg-NOK St Malaysia Sdn. Bhd.	Petaling Jaya	Malaysia	75.00
Klüber Lubrication (Malaysia) Sdn. Bhd.	Shah Alam	Malaysia	100.00
United Lubricants Industries (S.E.A) Sdn. Bhd.	Cheras	Malaysia	100.00
Chem-Trend Comercial, S.A. de C.V.	Querétaro	Mexico	100.00
Dichtomatik de Mexico S.A. de C.V.	Querétaro	Mexico	100.00
EagleBurgmann Mexico S.A. de C.V.	Cuautitlán	Mexico	75.00
Freudenberg Filtration Technologies, S.A. de C.V.	Silao	Mexico	100.00
Freudenberg Productos del Hogar, S.A. de C.V.	Mexico City	Mexico	100.00
Freudenberg-NOK Sealing Technologies de Mexico, S.A. de C.V.	Cuautla	Mexico	75.00
Klüber Lubricacion Mexicana S.A. de C.V.	Querétaro	Mexico	100.00

Company	Location	Country	Share of capital [%]
VIAM Manufacturing Mexico S.A. de C.V.	**Aguascalientes**	**Mexico**	**75.00**
Vibracoustic de México, S.A. de C.V.	Lerma	Mexico	100.00
Vibracoustic Nevado, S.A. de C.V.	**Toluca**	**Mexico**	**100.00**
Vibracoustic Toluca, S.A. de C.V.	Toluca	Mexico	100.00
Vitechmex Nonwovens S.A. de C.V.	**Aguascalientes**	**Mexico**	**75.00**
Colbond (Nederland) B.V.	Arnhem	Netherlands	100.00
Colbond Holding B.V.	**Arnhem**	**Netherlands**	**100.00**
Dichtomatik B.V.	Zwolle	Netherlands	100.00
EagleBurgmann Netherlands B.V.	**Veenendaal**	**Netherlands**	**75.00**
Freudenberg Household Products B.V.	Arnhem	Netherlands	100.00
Low & Bonar B.V.	**Arnhem**	**Netherlands**	**100.00**
Low & Bonar Technical Textiles Holdings B.V.	Arnhem	Netherlands	100.00
SurTec Benelux B.V.	**Reuver**	**Netherlands**	**100.00**
EagleBurgmann Norway AS	Gardermoen	Norway	75.00
Freudenberg Home and Cleaning Solutions AS	**Skedsmokorset**	**Norway**	**100.00**
Freudenberg Oil & Gas Technologies AS	Drammen	Norway	100.00
Vestpak AS	**Sandnes**	**Norway**	**100.00**
EagleBurgmann Austria GmbH	Salzburg	Austria	75.00
EagleBurgmann Production Center Judenburg GmbH	**Judenburg**	**Austria**	**75.00**
Freudenberg Austria GmbH	Kufstein	Austria	100.00
Freudenberg Sealing Technologies Austria GmbH & Co. KG	**Kufstein**	**Austria**	**100.00**
Klüber Lubrication Austria Ges.m.b.H.	Salzburg	Austria	100.00
SurTec Produkte und Systeme für die Oberflächenbehandlung GesmbH	**Salzburg**	**Austria**	**100.00**
EagleBurgmann Philippines, Inc.	Dasmarinas, Cavite	Philippines	25.00
Chem-Trend Polska Sp. z o.o.	**Kobylnica**	**Poland**	**100.00**
Chem-Trend Polska sp. z o.o. spólka komandytowa	Kobylnica	Poland	100.00
EagleBurgmann Poland sp. z o.o.	**Warsaw**	**Poland**	**75.00**
FHP Vileda Sp. z o.o.	Warsaw	Poland	100.00
FIM Polska Sp. z o.o.	**Środa Śląska**	**Poland**	**100.00**
Freudenberg Sealing Technologies Sp. z o.o.	Śnieciska	Poland	100.00
Freudenberg Vilene Sp. z o.o.	**Lodz**	**Poland**	**100.00**
Klüber Lubrication Polska Sp. z o.o.	Kobylnica	Poland	100.00
Low & Bonar Poland Sp.z.o.o	**Sosnowiec**	**Poland**	**100.00**
SurTec Polska Sp. z o.o.	Kobylnica	Poland	100.00
Vibracoustic Polska Sp. z o.o.	**Środa Śląska**	**Poland**	**100.00**
ST Ibérica Sociedade Unipessoal, LDA	Albergaria-a-Velha	Portugal	100.00
Chem-Trend Romania s.r.l.	**Sibiu**	**Romania**	**100.00**
Freudenberg Management Imobiliar SRL	Braşov	Romania	100.00
Freudenberg Performance Materials Apparel srl	**Bukarest**	**Romania**	**100.00**
Freudenberg Performance Materials SRL	Braşov	Romania	100.00
Klueber Lubrication Romania s.r.l.	**Sibiu**	**Romania**	**100.00**
Low & Bonar Romania SRL	Stefanestii de Jos	Romania	100.00
SurTec Romania s.r.l.	**Sibiu**	**Romania**	**100.00**
Vibracoustic Romania SRL	Dej	Romania	100.00
EagleBurgmann OOO	**Moscow**	**Russian Federation**	**75.00**

Company	Location	Country	Share of capital [%]
Freudenberg Filtration Technologies OOO	**Nizhniy Novgorod**	**Russian Federation**	**100.00**
Freudenberg Household Products Eastern Europe OOO	St. Petersburg	Russian Federation	70.00
Freudenberg Politex OOO	**Zavolzhye**	**Russian Federation**	**100.00**
Freudenberg Vileda Eastern Europe OOO	Moscow	Russian Federation	100.00
Klüber Lubrication OOO	**Moscow**	**Russian Federation**	**100.00**
Low & Bonar Technical Textiles OOO	Moscow	Russian Federation	100.00
OOO Freudenberg Sealing Technologies	**Moscow**	**Russian Federation**	**100.00**
OOO SurTec	Moscow	Russian Federation	100.00
Vibracoustic Volga OOO	**Zavolzhye**	**Russian Federation**	**100.00**
AlMozn National Co. For Home Appliances Limited	Jeddah	Saudi Arabia	75.00
EagleBurgmann Saudi Arabia Ltd.	**Al-Khobar**	**Saudi Arabia**	**51.00**
EagleBurgmann Sweden AB	Norrköping	Sweden	75.00
Freudenberg Home and Cleaning Solutions AB	**Norrköping**	**Sweden**	**100.00**
Freudenberg Sealing Technologies AB	Stockholm	Sweden	100.00
Vibracoustic China Holding AB	**Forsheda**	**Sweden**	**100.00**
Vibracoustic Forsheda AB	Forsheda	Sweden	100.00
Vibracoustic Sweden Holding AB	**Forsheda**	**Sweden**	**100.00**
Vibracoustic Wuxi Holding AB	Forsheda	Sweden	100.00
EagleBurgmann (Switzerland) AG	**Höri**	**Switzerland**	**75.00**
Freudenberg Sealing Technologies AG	Zurich	Switzerland	100.00
Klüber Lubrication AG (Schweiz)	**Zurich**	**Switzerland**	**100.00**
SurTec Cacak d.o.o.	Čačak	Serbia	100.00
Chem-Trend Singapore Pte. Ltd.	**Singapore**	**Singapore**	**100.00**
EagleBurgmann KE Pte. Ltd.	Singapore	Singapore	75.00
EagleBurgmann Singapore Pte. Ltd.	**Singapore**	**Singapore**	**25.00**
EBI Asia Pacific Pte. Ltd.	Singapore	Singapore	25.00
EBI Asia Pte. Ltd.	**Singapore**	**Singapore**	**50.00**
Freudenberg Oil & Gas Pte. Ltd.	Singapore	Singapore	100.00
Klüber Lubrication South East Asia Pte. Ltd.	**Singapore**	**Singapore**	**100.00**
Freudenberg Filtration Technologies Slovensko, s.r.o.	Potvorice	Slovakia	90.00
Freudenberg Immobilienmanagement Slovakia, s.r.o	**Potvorice**	**Slovakia**	**100.00**
Low & Bonar Slovakia a.s.	Ivanka pri Nitre	Slovakia	100.00
SurTec SK s.r.o.	**Vráble**	**Slovakia**	**100.00**
FILC tovarna filca d.o.o.	Škofja Loka	Slovenia	100.00
Freudenberg Gospodinjski Proizvodi d.o.o.	**Limbuš**	**Slovenia**	**100.00**
NELINTA podjetniško in poslovno svetovanje d.o.o.	Mengeš	Slovenia	100.00
SurTec Adria d.o.o.	**Ljubljana**	**Slovenia**	**100.00**
EagleBurgmann Ibérica S.A.	Madrid	Spain	75.00
Freudenberg Espana S.A.	**Parets del Vallès**	**Spain**	**100.00**
Freudenberg Espana S.A., Telas sin Tejer, S.en C.	Parets del Vallès	Spain	100.00
Freudenberg Home and Cleaning Solutions Iberica, S.L.U.	**Parets del Vallès**	**Spain**	**100.00**
Freudenberg Sealing Technologies, S.L.U.	Parets del Vallès	Spain	100.00
Klüber Lubrication GmbH Ibérica S.en C.	**Parets del Vallès**	**Spain**	**100.00**
Vibracoustic Cascante S.A.U.	Cascante	Spain	100.00
Vibracoustic Spain Holding S.L.U.	**Martorell**	**Spain**	**100.00**

Company	Location	Country	Share of capital [%]
Vibracoustic Spain S.A.U.	Martorell	Spain	100.00
Freudenberg & Vilene International Lanka (Private) Limited	**Colombo**	**Sri Lanka**	**87.50**
Hänsel Textil Lanka PVT Ltd.	Nugegoda	Sri Lanka	87.50
EagleBurgmann Seals South Africa (Pty) Ltd.	**Modderfontein/ Johannesburg**	**South Africa**	**55.50**
Freudenberg Filtration Technologies (Pty) Ltd.	Cape Town	South Africa	100.00
Freudenberg Nonwovens (Pty.) Ltd.	**Cape Town**	**South Africa**	**100.00**
Klüber Lubrication (Pty.) Ltd.	Alrode Alberton	South Africa	100.00
SurTec South Africa Pty. Ltd.	**Alrode Alberton**	**South Africa**	**100.00**
Vibracoustic-Ikhwezi (Pty) Ltd.	East London	South Africa	70.00
Chem-Trend Korea Ltd.	**Anseong-si**	**South Korea**	**100.00**
EagleBurgmann Korea Co., Ltd.	Osan	South Korea	25.00
Freudenberg Home and Cleaning Solutions Korea Ltd.	**Seoul**	**South Korea**	**100.00**
Freudenberg Vilene Filtration Technologies Korea Co., Ltd.	Pyeongtaek-si	South Korea	87.50
Korea Vilene Co., Ltd.	**Pyeongtaek-si**	**South Korea**	**87.50**
SurTec Korea Co., Ltd.	Changwon-si	South Korea	100.00
EagleBurgmann Taiwan Co., Ltd.	**Kaohsiung**	**Taiwan**	**25.00**
Freudenberg & Vilene Nonwovens (Taiwan) Co. Ltd.	Taoyuan	Taiwan	87.50
Freudenberg Far Eastern Spunweb Comp. Ltd.	**Taoyuan**	**Taiwan**	**67.69**
Chem-Trend Trading (Thailand) Co. Ltd.	Bangkok	Thailand	100.00
EagleBurgmann (Thailand) Co., Ltd.	**Rayong**	**Thailand**	**25.00**
Freudenberg & Vilene Filter (Thailand) Co. Ltd.	Chonburi	Thailand	87.50
Jump Distributors (Thailand) Co Ltd	**Nonthaburi**	**Thailand**	**100.00**
Klüber Lubrication (Thailand) Co., Ltd.	Bangkok	Thailand	100.00
Lucky Gecko Co Ltd	**Bangkok**	**Thailand**	**100.00**
VIAM Manufacturing (Thailand) Co., Ltd.	Prachin Buri	Thailand	75.00
Vibracoustic (Thailand) Ltd.	**Sriracha**	**Thailand**	**100.00**
Accu-Tech s.r.o.	Chrastava	Czech Republic	100.00
EagleBurgmann Czech s.r.o.	**Prague**	**Czech Republic**	**75.00**
Freudenberg Home and Cleaning Solutions s.r.o.	Prague	Czech Republic	100.00
Freudenberg Sealing Technologies s.r.o.	**Opatovice nad Labem**	**Czech Republic**	**100.00**
Hanns Glass CZ s.r.o.	Cheb	Czech Republic	75.00
Klüber Lubrication CZ, s.r.o.	**Prague**	**Czech Republic**	**100.00**
Low & Bonar Czech s.r.o.	Lomnice nad Popelkou	Czech Republic	100.00
SurTec CR s.r.o.	**Prague**	**Czech Republic**	**100.00**
TPE správni s.r.o.	Melnik	Czech Republic	100.00
Vibracoustic CZ s.r.o.	**Melnik**	**Czech Republic**	**100.00**
Beltan Vibracoustic Titresim Elemanlari Sanayi ve Ticaret A.S.	Bursa	Turkey	100.00
Eagle Burgmann Endüstriyel Sizdirmazlik Sanayi ve Ticaret Limited Şirketi	**Istanbul**	**Turkey**	**75.00**
Freudenberg Household Products Evici Kullanim Araclari Sanayi ve Ticaret A.S.	Istanbul	Turkey	100.00
Freudenberg Sealing Technologies Sanayi ve Ticaret A.S.	**Bursa**	**Turkey**	**100.00**
Freudenberg Vilene Tela Sanayi ve Ticaret A.S.	Istanbul	Turkey	100.00
Klüber Lubrication Yaglama Ürünleri Sanayi ve Ticaret A.S.	**Istanbul**	**Turkey**	**100.00**

Company	Location	Country	Share of capital [%]
Low & Bonar Turkey Teknik Tekstil Ticaret Limited Sirketi	Istanbul	Turkey	100.00
Vibracoustic Çerkezköy Oto Parçaları Dış Ticaret A.S.	Çerkezköy	Turkey	100.00
Vibracoustic Çerkezköy Otomotiv Sanayi ve Ticaret A.S.	Çerkezköy	Turkey	100.00
Vibracoustic CV Air Springs Otomotiv Sanayi ve Ticaret A.S.	Gemlik	Turkey	65.07
Vibracoustic CVAS Turkey Trading Otomotiv A.S.	Bursa	Turkey	65.07
EagleBurgmann Hungaria Kft.	Budapest	Hungary	75.00
Freudenberg Háztartási Cikkek Kereskedelmi BT	Budapest	Hungary	100.00
Freudenberg IM Hungária Kft.	Nyíregyháza	Hungary	100.00
Freudenberg Sealing Technologies Kft.	Kecskemét	Hungary	100.00
Freudenberg Tömítés Ipari Kft.	Lajosmizse	Hungary	100.00
Klüber Lubrication Hungaria Kft.	Budapest	Hungary	100.00
Vibracoustic CV Air Springs Magyarország Kft.	Nyíregyháza	Hungary	65.07
Capol LLC	Deerfield	USA	100.00
Chem-Trend Limited Partnership	Howell	USA	100.00
Dichtomatik Americas, L.P.	Shakopee	USA	100.00
EagleBurgmann Industries Inc.	Houston	USA	75.00
EagleBurgmann Industries LP	Houston	USA	75.00
Filc USA LLC	Durham	USA	100.00
Freudenberg Filtration Technologies LP	Hopkinsville	USA	100.00
Freudenberg Household Products Inc.	Aurora	USA	100.00
Freudenberg Household Products LP	Aurora	USA	100.00
Freudenberg Medical, LLC	Beverly	USA	100.00
Freudenberg North America Limited Partnership	Plymouth	USA	100.00
Freudenberg Oil & Gas, LLC	Houston	USA	100.00
Freudenberg Performance Materials LP	Durham	USA	100.00
Freudenberg Real Estate LP	Plymouth	USA	100.00
Freudenberg Texbond L.P.	Macon	USA	100.00
Freudenberg-NOK General Partnership	Plymouth	USA	75.00
Freudenberg-NOK Holdings, Inc.	Wilmington	USA	75.00
Intpacor Inc.	Plymouth	USA	100.00
Klüber Lubrication NA LP	Londonderry	USA	100.00
Low & Bonar Inc.	Dover	USA	100.00
Low & Bonar Martinsville Inc.	Virginia Beach	USA	100.00
Pellon Corporation	Plymouth	USA	100.00
SurTec, Inc.	Brunswick	USA	100.00
Tobul Accumulator Incorporated	Bamberg	USA	100.00
Traxit North America, LLC	Lyon	USA	100.00
Upper Bristol Ramp, LLC	Wilmington	USA	75.00
VIAM Holding, Inc.	Manchester	USA	75.00
VIAM Manufacturing, Inc.	Manchester	USA	75.00
Vibracoustic CV Air Springs USA, Inc.	Wilmington	USA	65.07
Vibracoustic North America Holdings, Inc.	Plymouth	USA	100.00
Vibracoustic North America LP	Plymouth	USA	100.00
Vibracoustic USA, Inc.	South Haven	USA	100.00
VICAM Inc.	Manchester	USA	75.00

Company	Location	Country	Share of capital [%]
VITECH Manufacturing L.P.	Hopkinsville	USA	75.00
VITECH Manufacturing, Inc.	**Hopkinsville**	**USA**	**75.00**
Walflor Industries Inc.	Spokane	USA	100.00
XALT Energy, LLC	**Midland**	**USA**	**50.10**
XALT Energy MI, LLC	Midland	USA	50.10
EagleBurgmann Gulf Mechanical LLC	**Abu Dhabi**	**United Arab Emirates**	**29.40**
EagleBurgmann Middle East FZE	Dubai	United Arab Emirates	60.00
Freudenberg Oil and Gas FZE	**Dubai**	**United Arab Emirates**	**100.00**
Low & Bonar Middle East Trading LLC	Dubai	United Arab Emirates	100.00
Chem-Trend Vietnam Company Limited	**Ho Chi Minh City**	**Vietnam**	**100.00**
EagleBurgmann Vietnam Company Limited	Ho Chi Minh City	Vietnam	25.00
Freudenberg & Vilene International Vietnam Co. Ltd.	**Ho Chi Minh City**	**Vietnam**	**87.50**
SurTec Viet Nam Co., Ltd.	Ho Chi Minh City	Vietnam	100.00

II. INVESTMENTS IN JOINT VENTURES (CONSOLIDATED BY EQUITY METHOD)

Germany			
CPW GmbH	Wuppertal	Germany	50.00
Other countries			
Corfina s.r.l.	**Pinerolo**	**Italy**	**50.00**
NOK-Freudenberg Singapore Pte. Ltd.[2]	Singapore	Singapore	50.00
TETL Holdings, LLC	**Dover**	**USA**	**41.25**
TTKKE Holdings, LLC	Dover	USA	30.00

III. INVESTMENTS IN ASSOCIATED COMPANIES (CONSOLIDATED BY EQUITY METHOD)

Germany			
Other countries			
Yihua Bonar Yarns & Fabric Co. Ltd.	Yangzhou	China	60.00
Hikotomi Industrial Co., Ltd.	**Hikone**	**Japan**	**24.98**
NOK Corporation	Tokyo	Japan	25.10
NOK Klüber Co., Ltd.	**Tokyo**	**Japan**	**49.00**
Shinwa Products Co., Ltd.	Tsuzuranuki	Japan	34.09
Klüber Lubrication Korea Ltd.	**Seoul**	**South Korea**	**48.00**
Dawson Manufacturing Company	Benton Harbor	USA	45.00
Ishino Gasket North America L.L.C.	**East Lansing**	**USA**	**37.50**
EagleBurgmann Venezuela, C.A.	Caracas	Venezuela	41.25
SurTec Middle East (L.L.C.)	Sharjah	United Arab Emirates	35.00

[1] Application of Sec. 264 (3), HGB (Handelsgesetzbuch, "German Commercial Code") and Sec. 264b, HGB
[2] Consolidated financial statements including
Changchun NOK-Freudenberg Oilseal Co., Ltd., Changchun, China
Corteco China Co. Ltd., Shanghai, China
Freudenberg-NOK Pvt. Ltd., New Delhi, India
NOK-Freudenberg Group Sales (China) Co., Ltd., Shanghai, China
NOK-Freudenberg Group Trading (China) Co., Ltd., Shanghai, China
NOK-Freudenberg Hong Kong Ltd., Hong Kong, Hong Kong
PT NOK Freudenberg Sealing Technologies, Kota Batam, Indonesia
Taicang NOK-Freudenberg Sealing Products Co., Ltd., Taicang, China
Wuxi NOK-Freudenberg Oilseal Co., Ltd., Wuxi, China

INDEPENDENT AUDITOR'S REPORT

To Freudenberg SE, Weinheim

Audit Opinions

We have audited the consolidated financial statements of Freudenberg SE, Weinheim, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the financial year from 1 January to 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Freudenberg SE, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2020.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

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

Other Information

The executive directors are responsible for the other information. The other information comprises the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

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

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

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

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

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

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

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

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

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

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

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

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. 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 of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

Frankfurt am Main, 19 March 2021

PricewaterhouseCoopers GmbH

Wirtschaftsprüfungsgesellschaft

Dr. Peter Bartels	Michael Conrad
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

EDITORIAL INFORMATION
Freudenberg Group
Hoehnerweg 2 – 4
69469 Weinheim, Germany

PUBLISHED BY:
Freudenberg & Co. Kommanditgesellschaft
Corporate Communications
Phone: +49 6201 80 0
CorporateCommunications@freudenberg.com
www.freudenberg.com

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PROJECT TEAM:
Corporate Communications:
Michael Scheuer (Lead)
Andreas Baldauf
Angela Gerhardt
Katrin Jacobi
Michelle Klöss

Corporate Controlling
and Accounting:
Dr. Jan Haaß (Lead)
Laura Brüning
Katrin Fanenbruck
Tobias Feldrappe
Agnes Jörger
Sabrina Luckart
Dr. Frank Multerer
Bodo Peisch
Frank Raetzer
Daniel Schwarz

DESIGN:
m&s communication, Düsseldorf,
Germany
GreenwoodFinch Corporate
Communications, Elmstein,
Germany

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ABT Print und Medien, Weinheim,
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To improve readability, the language forms male, female, diverse (m/f/d) are not used simultaneously. All references to persons apply equally to all genders.

Registered trademarks are omitted in the Annual Report, also to improve readability.

Please note that all photos were either taken before the coronavirus pandemic or, if taken during the pandemic, all persons complied with the valid hygiene guidelines.

FREUDENBERG
INNOVATING TOGETHER