

Press release

Technology group publishes figures for 2020

Freudenberg manages the crisis well

Gradual recovery despite effects of pandemic

Weinheim, March 30, 2021. The global technology group Freudenberg, Weinheim, has managed the crisis well. “For Freudenberg, the past 12 months have been extraordinarily demanding and challenging,” said Dr. Mohsen Sohi, CEO of the Freudenberg Group, commenting on the results of the last financial year. “So far we have managed the crisis comparatively well,” Sohi continued. Although sales in the 2020 financial year, at €8,840.8 million, were significantly below the figure of €9,467.8 million for the previous year, the company reported a profit from operations of €669,9 million (previous year: €820,0 million). At €1,138.8 million, cash flow was significantly above the comparable figure of €956.9 million for the previous year. Despite the effects of the pandemic, the international rating agency Moody’s Deutschland GmbH, Frankfurt am Main, confirmed its credit rating of Freudenberg at A3, with a stable outlook, as in the previous year. The Group therefore continues to hold an excellent single A rating.

Research and development expenditure remained at a high level. Freudenberg continued to invest in future growth. 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).

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In addition to stringent cost management, the significant improvement in the economic environment at the beginning of the fourth quarter of 2020 helped Freudenberg achieve these financial results. Furthermore, the Group reacted rapidly in the crisis and implemented targeted measures that took effect.

Especially for the Business Groups producing for the automotive, textile and mechanical engineering sectors, the economic environment at the beginning of the year was extremely challenging. In contrast, there was considerable demand for products such as those of Freudenberg Home and Cleaning Solutions (FHCS) from the beginning of the crisis. For the first time, this Business Group reported sales of more than €1 billion. Freudenberg Filtration Technologies (FFT) also benefited from new product and service solutions such as special system checks for COVID-19 and hygiene audits. Demand at Freudenberg Medical (FM) also grew. “These different, and in some cases divergent, developments show just how important its broad-based positioning is for Freudenberg,” said Sohi, assessing the financial year. “Furthermore, we have continued a high level of research and development activities as an innovative technology group. We have also made good progress with our strategic focus topics of e-mobility, digitalization and sustainability.”

Figures in detail

At €8,840.8 million, total **sales** were considerably below the level for 2019 (previous year: €9,467.8 million). This figure includes negative currency effects amounting to €263.7 million. These chiefly result from the developments in the exchange rates of the Mexican peso, the Brazilian real and the US dollar. Acquisitions contributed about €314.2 million to sales, while divestment effects reached about €73.3 million.

On the basis of business developments, the Group generated **profit from operations** of €669.9 million, considerably below the prior-year figure of €820.0 million. This corresponds to a return on sales of 7.6 percent. The reasons for this fall included measures to combat the COVID-19 pandemic, the difficult macroeconomic environment at the beginning of the year and related to that the lower demand in the automotive industry.

The high **equity ratio** of 48.0 percent (previous year: 51.3 percent) ensures the company's stability.

As of December 31, 2020, Freudenberg had 47,777 **employees** (previous year: 48,851). Employee numbers included 11,625 people (previous year: 11,398) in Germany, 13,924 (previous year: 14,101) in Europe (excluding Germany), 10,516 (previous year 10,864) in Asia, 10,241 (previous year: 10,562) in North America, 905 (previous year: 1,359) in South/Central America and 566 (previous year: 567) in Africa/Australia.

Research and development

Research and development expenditure remained at a high level. Freudenberg continued to invest in future growth. 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). Freudenberg generates more than a third of its sales (34.1 percent; previous year: 34.7 percent) with products that are less than four years old.

One example: As demand for face masks rose in 2020, the Freudenberg Business Groups started to develop various materials for protective masks. Freudenberg Filtration Technologies began production of certified medical face masks with a filter ef-

efficiency of over 98 percent. In addition, filter media for FFP2 face masks providing high-level protection against viruses were developed. These masks have now also been certified by the FDA (Food and Drug Administration) in the USA.

Sustainability: 25 percent less CO₂ by 2025

The sustainability of products and processes has been part of Freudenberg's corporate responsibility for many years. In 2016, the Group developed a Group-wide sustainability strategy. In addition, sustainability was made an integral part of the strategy process. In the "Sustainability Drives Climate Action" project, the Group is developing a position with respect to the challenges and opportunities of climate change. Firstly, Freudenberg intends to reduce CO₂ emissions by 25 percent by 2025. Secondly, the opportunities and costs of climate neutrality for Freudenberg are to be identified in 2021. In this context, Freudenberg has adopted a four-stage strategy. The top priority will be to reduce energy consumption. The second stage will be to cover the remaining energy demand using electric power to the greatest extent possible. Thirdly, the Group's energy balance is to be improved by purchasing green electric power. Fourthly, Freudenberg is committed to offsetting CO₂ emissions.

Sustainability has two dimensions for Freudenberg. Firstly, the sustainability strategy is concerned with how Freudenberg develops its own processes and uses plants to conserve resources. Secondly, Freudenberg develops products and solutions that make customers' production more efficient and sustainable or allow products to be manufactured with greater resource efficiency. Two examples: Since 2020, the Vibracoustic plant at Neuenburg, Germany, has used a narrow band forming and laser welding unit for the production of a new damper ring. Despite

the relatively large outer diameter of about 200 millimeters, the bending, welding and forming process allows highly precise production. Compared with conventional deep drawing, this process reduces metal waste by up to 72 percent at the same time as meeting high quality requirements.

Comfortemp Tencel padding from Freudenberg Performance Materials remains unique in the marketplace: the high-performance thermal insulation for sport and outdoor clothing is the first fully biodegradable padding made from sustainably produced cellulose fiber that completely degrades in soil within just under 60 days. When the garment has reached the end of its useful life, microorganisms in the soil degrade the padding completely in about 60 days without polluting the soil. That avoids waste and helps protect the environment.

Investments

After eliminating acquisitions, investments in intangible assets, tangible assets and investment property amounted to €287.1 million (previous year: €362.1 million). 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. 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.

Furthermore, the Freudenberg Sealing Technologies Business Group expanded its system competence in the field of fuel cells. In this context, the Freudenberg Business Group established a new division for battery and fuel cell technology. At the new fuel cell technology center in Munich, about 100 experts are working on fuel cells for mobile applications. The Business Group's focus is on the market for buses, trucks and shipping, "heavy-duty, applications". For the mobility of the future, Freudenberg offers the manufacturers of such applications complete electric power systems from a single source. From the battery to highly-efficient mobile fuel cell systems – including all the components, modules and subsystems required for operation. Integrated hybrid drive systems have also been added to the range. For example, Freudenberg is cooperating with Europe's largest bus company Flixbus. As regards shipping, the Group is working together with Meyer Werft, the world's largest cruise ship builder, on the development of a new generation of fuel cells for use on ocean-going cruise liners.

Portfolio

"We have further expanded the portfolio of the Freudenberg Group through acquisitions on the basis of our strategy and strengthened our business," said Dr. Mohsen Sohi. In May, Freudenberg acquired 100 percent of the shares in Low & Bonar PLC, London, United Kingdom, now Low & Bonar Limited, Edinburgh, United Kingdom. Low & Bonar is a global manufacturer of technical textiles. The company will be integrated in the Freudenberg Performance Materials Business Group. "Through this acquisition, Freudenberg is strengthening its business with performance materials and will further expand its technical know-

how with the innovative technology of Low & Bonar,” said Dr. Mohsen Sohi, CEO of the Freudenberg Group.

At the end of December 2019, Freudenberg Performance Materials had already acquired the Filc Group, Škofja Loka, Slovenia. Filc produces needle punch nonwoven textiles and laminated materials. Despite the restrictions due to COVID-19, very good progress has been made with the integration of the two acquisitions.

Furthermore, Klüber Lubrication München SE &Co. KG (part of Freudenberg Chemical Specialities), Munich, Germany, acquired Traxit International GmbH, Schwelm, Germany, in January 2020. This company is one of the world’s largest producers of wire drawing lubricants and has supplied a full range of lubricants for all applications to the wire drawing industry for about 140 years.

Corporate Citizenship

In order to mitigate the effects of the COVID-19 pandemic on the world’s poorest people, Freudenberg reacted immediately and provided funds of €2.25 million. Freudenberg donated €1.5 million for food and about €750,000 for masks to more than a hundred aid organizations in the vicinity of Freudenberg plants. These included schools, student organizations, senior citizens’ homes, voluntary fire services and many other charitable institutions – especially in socially deprived regions. This way, charitable organizations and their partners can cover their mask requirements. In many places, people have the opportunity to protect themselves and others against the virus using high-quality masks for the first time.

Outlook

For the 2021 financial year, Freudenberg once again expects a generally challenging overall economic environment. Following a

significant downturn in the world economy in 2020, especially as a result of the spread of COVID-19, economic growth is expected to recover in 2021. However, it will probably take a few years to reach the pre-crisis level. The geopolitical and economic uncertainties faced in 2021 are especially severe. One major uncertainty is the further development of the COVID-19 pandemic and its effects on the global economy and on the markets of the Freudenberg Group, especially in the automotive industry.

Against this backdrop, we are planning cautiously for the year ahead and expect a slight recovery of business in the markets relevant for the Group. We will continue to invest in long-term projects. Key strategic topics will remain the transformation in mobility, digitalization and sustainable solutions. We are developing our portfolio selectively and in a targeted way and will strengthen it with highly promising technologies through acquisitions.

About the Freudenberg Group

Freudenberg is a global technology group that strengthens its customers and society long-term through forward-looking innovations. Together with its partners, customers and research institutions, the Freudenberg Group develops leading-edge technologies and excellent products and services for about 40 markets and for thousands of applications: seals, vibration control components, technical textiles, filters, cleaning technologies and products, specialty chemicals and medical products.

Innovation strength, strong customer orientation, diversity, and team spirit are the cornerstones of the Group. The more than 170-year-old company lives by its core values: a commitment to excellence, reliability and pro-active, responsible action. In 2020, the Freudenberg Group employed some 48,000 people in around 60 countries worldwide and generated sales of more than €8.8 billion. For more information, please visit www.freudenberg.com.