20230628140226

Styrelsen för

Vibracoustic China Holding AB

Org nr 556052-1485

får härmed avge

Årsredovisning

för räkenskapsåret 1 januari - 31 december 2022

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Förvaltningsberättelse

Allmänt om verksamheten

Bolaget äger aktier i dotterbolag. Bolaget har ej haft några anställda under året och några löner eller arvoden har ej utbetalats. Bolaget är ett helägt dotterbolag till Vibracoustic Sweden Holding AB, 556730-4448 och har sitt säte i Värnamo kommun. Med hänvisning till Årsredovisningslagen 7:2§ upprättar bolaget ingen koncernredovisning, se vidare i not 4. Bolagets redovisningsvaluta är EUR.

Väsentliga händelser under räkenskapsåret

Inga väsentliga händelser har inträffat under räkenskapsåret.

Eget kapital

2021	Bundet eget kapital			Fritt eget kapital			
	Aktiekapital	*Uppskriv-ningsfond*	*Reservfond*	*Över-kursfond*	*Fond för verkligt värde*	*Bal.res. inkl årets resultat*	*Summa eget kapital*
Ingående balans	12 931	–	2 586	–	–	236 605	252 122
Årets resultat						-8 318	-8 318
Aktieägartillskott erhållna							–
Vid årets utgång	12 931	–	2 586	–	–	228 287	243 804

2022	Bundet eget kapital			Fritt eget kapital			
	Aktiekapital	*Uppskriv-ningsfond*	*Reservfond*	*Över-kursfond*	*Fond för verkligt värde*	*Bal.res. inkl årets resultat*	*Summa eget kapital*
Ingående balans	12 931	–	2 586	–	–	228 287	243 804
Årets resultat						26 278	26 278
Aktieägartillskott erhållna							–
Vid årets utgång	12 931	–	2 586	–	–	254 565	270 082

Förslag till disposition av företagets vinst eller förlust

Styrelsen föreslår att fritt eget kapital, EUR 254.565, disponeras enligt följande:

Balanseras i ny räkning, EUR	254 565
Summa	254 565

Vad beträffar resultat och ställning i övrigt, hänvisas till efterföljande resultat- och balansräkningar med tillhörande noter.

Vibracoustic China Holding AB

Org nr 556052-1485

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Resultaträkning

Belopp i EUR	*Not*	*2022*	*2021*
Nettoomsättning		–	–
Bruttoresultat		–	–
Administrationskostnader		-6 151	–
Övriga rörelsekostnader		-170	-23
Rörelseresultat		-6 321	-23
Resultat från finansiella poster			
Nedskrivningar av finansiella anläggningstillgångar och kortfristiga placeringar		-	0
Ränteintäkter och liknande resultatposter		5	1
Räntekostnader och liknande resultatposter		-12	-12
Resultat efter finansiella poster		-6 328	-34
Bokslutsdispositioner			
Koncernbidrag, erhållna		39 422	–
Resultat före skatt		33 094	-34
Skatt på årets resultat		-6 816	-8 284
Årets resultat		26 278	-8 318

Vibracoustic China Holding AB

Org nr 556052-1485

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Balansräkning

Belopp i EUR	*Not*	*2022-12-31*	*2021-12-31*
TILLGÅNGAR			
Anläggningstillgångar			
Finansiella anläggningstillgångar			
Andelar i koncernföretag	2	267 699	267 699
Uppskjuten skattefordran		–	–
Andra långfristiga fordringar	5	–	–
		267 699	267 699
Summa anläggningstillgångar		267 699	267 699
Kortfristiga fordringar			
Aktuell skattefordran		6 301	11 346
Övriga fordringar		4 753	1 971
		11 054	13 317
Kassa och bank			
Kassa och bank		457	472
		457	472
Summa omsättningstillgångar		11 511	13 789
SUMMA TILLGÅNGAR		279 210	281 488

Balansräkning

Belopp i EUR	*Not*	*2022-12-31*	*2021-12-31*
EGET KAPITAL OCH SKULDER			
Eget kapital	3		
Bundet eget kapital			
Aktiekapital		12 931	12 931
Reservfond		2 586	2 586
		15 517	15 517
Fritt eget kapital			
Balanserat resultat		228 287	236 605
Årets resultat		26 278	-8 318
		254 565	228 287
		270 082	243 804
Avsättningar			
Avsättningar för pensioner och liknande förpliktelser	6	–	–
		–	–
Kortfristiga skulder			
Skulder till koncernföretag		9 128	37 684
		9 128	37 684
SUMMA EGET KAPITAL OCH SKULDER		279 210	281 488

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Noter

Belopp i EUR om inget annat anges

Not 1 Redovisningsprinciper

Årsredovisningen har upprättats i enlighet med årsredovisningslagen och Bokföringsnämndens allmänna råd BFNAR 2012:1 Årsredovisning och koncernredovisning (K3).
Redovisningsprinciperna är oförändrade från föregående år.

Tillgångar, avsättningar och skulder har värderats till anskaffningsvärden om inget annat anges nedan.

Utländsk valuta

Poster i utländsk valuta
Monetära poster i utländsk valuta räknas om till balansdagens kurs. Icke-monetära poster räknas inte om utan redovisas till kursen vid anskaffningstillfället.

Finansiella tillgångar och skulder

Finansiella tillgångar och skulder redovisas i enlighet med kapitel 11 (Finansiella instrument värderade utifrån anskaffningsvärdet) i BFNAR 2012:1.

Redovisning i och borttagande från balansräkningen
En finansiell tillgång eller finansiell skuld tas upp i balansräkningen när företaget blir part i instrumentets avtalsmässiga villkor. En finansiell tillgång tas bort från balansräkningen när den avtalsenliga rätten till kassaflödet från tillgången har upphört eller reglerats. Detsamma gäller när de risker och fördelar som är förknippade med innehavet i allt väsentligt överförts till annan part och företaget inte längre har kontroll över den finansiella tillgången. En finansiell skuld tas bort från balansräkningen när den avtalade förpliktelsen fullgjorts eller upphört.

Värdering av finansiella tillgångar
Finansiella tillgångar värderas vid första redovisningstillfället till anskaffningsvärde, inklusive eventuella transaktionsutgifter som är direkt hänförliga till förvärvet av tillgången.

Finansiella anläggningstillgångar värderas efter första redovisningstillfället till anskaffningsvärde med avdrag för eventuella nedskrivningar och med tillägg för eventuella uppskrivningar.

Värdering av finansiella skulder
Finansiella skulder värderas till upplupet anskaffningsvärde. Utgifter som är direkt hänförliga till upptagande av lån korrigerar lånets anskaffningsvärde och periodiseras enligt effektivräntemetoden.

Andelar i dotterföretag

Andelar i dotterföretag, intresseföretag, gemensamt styrda företag och företag det finns ägarintresse i redovisas till anskaffningsvärde minskat med ackumulerade nedskrivningar.
I anskaffningsvärdet ingår förutom inköpspriset även utgifter som är direkt hänförliga till förvärvet.

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Ersättningar till anställda
Vid förmånsbestämda planer har företaget en förpliktelse att lämna de överenskomna ersättningarna till nuvarande och tidigare anställda. Företaget bär i allt väsentligt dels risken att ersättningarna kommer att bli högre än förväntat (aktuariell risk), dels risken att avkastningen på tillgångarna avviker från förväntningarna (investeringsrisk). Investeringsrisk föreligger även om tillgångarna är överförda till ett annat företag.
Pensionsförpliktelsernas värde är beroende av värdet på en kapitalförsäkring och redovisas därmed till värdet på kapitalförsäkringen justerat för upplupen löneskatt.

Bolaget har ej haft några anställda under året och några löner eller arvoden har ej utbetalats.

Skatt
Skatt på årets resultat i resultaträkningen består av aktuell skatt och uppskjuten skatt. Aktuell skatt är inkomstskatt för innevarande räkenskapsår som avser årets skattepliktiga resultat och den del av tidigare räkenskapsårs inkomstskatt som ännu inte har redovisats. Uppskjuten skatt är inkomstskatt för skattepliktigt resultat avseende framtida räkenskapsår till följd av tidigare transaktioner eller händelser.

Uppskjuten skatteskuld redovisas för alla skattepliktiga temporära skillnader, dock särredovisas inte uppskjuten skatt hänförlig till obeskattade reserver eftersom obeskattade reserver redovisas som en egen post i balansräkningen. Uppskjuten skattefordran redovisas för avdragsgilla temporära skillnader och för möjligheten att i framtiden använda skattemässiga underskottsavdrag. Värderingen baseras på hur det redovisade värdet för motsvarande tillgång eller skuld förväntas återvinnas respektive regleras. Beloppen baseras på de skattesatser och skatteregler som är beslutade per balansdagen och har inte nuvärdeberäknats.

Uppskjutna skattefordringar har värderats till högst det belopp som sannolikt kommer att återvinnas baserat på innevarande och framtida skattepliktiga resultat. Värderingen omprövas varje balansdag.

Avsättningar
En avsättning redovisas i balansräkningen när företaget har en legal eller informell förpliktelse till följd av en inträffad händelse och det är sannolikt att ett utflöde av resurser krävs för att reglera förpliktelsen och en tillförlitlig uppskattning av beloppet kan göras.

Vid första redovisningstillfället värderas avsättningar till den bästa uppskattningen av det belopp som kommer att krävas för att reglera förpliktelsen på balansdagen. Avsättningarna omprövas varje balansdag.

Eventualförpliktelser
En eventualförpliktelse är:
- En möjlig förpliktelse som till följd av inträffade händelser och vars förekomst endast kommer att bekräftas av en eller flera osäkra framtida händelser, som inte helt ligger inom företagets kontroll, inträffar eller uteblir, eller
- En befintlig förpliktelse till följd av inträffade händelser, men som inte redovisas som skuld eller avsättning eftersom det inte är sannolikt att ett utflöde av resurser kommer att krävas för att reglera förpliktelsen eller förpliktelsens storlek inte kan beräknas med tillräcklig tillförlitlighet.

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Intäkter
Det inflöde av ekonomiska fördelar som företaget erhållit eller kommer att erhålla för egen räkning redovisas som intäkt. Intäkter värderas till verkliga värdet av det som erhållits eller kommer att erhållas, med avdrag för rabatter.

Koncernbidrag och aktieägartillskott
Koncernbidrag som erhållits/lämnats redovisas som en bokslutsdisposition i resultaträkningen. Det erhållna/lämnade koncernbidraget har påverkat företagets aktuella skatt.

Aktieägartillskott som lämnas utan att emitterade aktier eller andra egetkapitalinstrument erhållits i utbyte redovisas i balansräkningen som en ökning av andelens redovisade värde.

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Not 2 Andelar i koncernföretag

	2022-12-31	*2021-12-31*
Ackumulerade anskaffningsvärden		
Vid årets början	267 699	267 700
Årets nedskrivningar	–	-1
Vid årets slut	–	-1
Redovisat värde vid årets slut	267 699	267 699

Spec av företagets innehav av andelar i koncernföretag

			2022-12-31	*2021-12-31*
Dotterföretag / Org nr / Säte	*Antal andelar*	*Andel i % i)*	*Redovisat värde*	*Redovisat värde*
Trelleborg Automotive Design (Shanghai) Co Ltd, CN		100,0	267 699	267 699
			267 699	267 699

i) Ägarandelen av kapitalet avses, vilket även överensstämmer med andelen av rösterna för totalt antal aktier.

Not 3 Disposition av vinst eller förlust

Förslag till disposition av företagets vinst eller förlust
Styrelsen föreslår att fritt eget kapital, EUR 254.565, disponeras enligt följande:

Balanseras i ny räkning	254 565
Summa	254 565

Not 4 Koncernuppgifter

Bolaget är helägt dotterföretag till Vibracoustic Sweden Holding AB, org nr 556730-4448, med säte i Värnamo. Moderföretag i den största koncern där företaget är dotterföretag och koncernredovisning upprättas är Freudenberg & Co.KG, 69465 Weinheim, DE813516802, Tyskland. Koncernredovisningen för den minsta koncern som bolaget ingår i upprättas av Vibracoustic SE, Europaplatz 4, 64293 Darmstadt, DE813973055, Tyskland.

Not 5 Andra långfristiga fordringar

	2022-12-31	*2021-12-31*
Ingående anskaffningsvärden	–	9 960
Avgående fordringar	–	-9 960
Utgående ackumulerade anskaffningsvärden	–	–
Utgående redovisat värde	–	–

Fordringen avser kapitalförsäkring för tryggande av pension.

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Not 6 Avsättningar för pensioner och liknande förpliktelser

	2022-12-31	*2021-12-31*
Belopp vid årets ingång	–	12 376
Under året avgående belopp	–	-12 376
Belopp vid årets utgång	–	–

Not 7 Händelser efter balansdagen

Inga väsentliga händelser har inträffat efter balansdagen.

Värnamo den 2023-06-12

Marco Altherr
Ordförande

Hans Windahl

Holger Auchter

Jesper Melin

Vår revisionsberättelse har lämnats 2023-06-15

Öhrlings PricewaterhouseCoopers AB

Frida Wengbrand
Auktoriserad revisor

Fastställelseintyg

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Undertecknad styrelseledamot i Vibracoustic China Holding AB, 556052-1485, intygar, dels att denna kopia av årsredovisningen överensstämmer med originalet, dels att resultaträkningen och balansräkningen fastställts på årsstämma 2023-06-20. Årsstämman beslöt att godkänna styrelsens förslag till vinstdisposition.

Forsheda, 2023-06-20

Underskrift

Jesper Melin

Namnförtydligande

20230628402236

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Revisionsberättelse

Till bolagsstämman i Vibracoustic China Holding AB, org.nr 556052-1485

Rapport om årsredovisningen

Uttalanden

Vi har utfört en revision av årsredovisningen för Vibracoustic China Holding AB för år 2022.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av Vibracoustic China Holding ABs finansiella ställning per den 31 december 2022 och av dess finansiella resultat för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen för Vibracoustic China Holding AB.

Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet Revisorns ansvar. Vi är oberoende i förhållande till Vibracoustic China Holding AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens ansvar

Det är styrelsen som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen ansvarar även för den interna kontroll som de bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen ansvarar styrelsen för bedömningen av bolagets förmåga att fortsätta verksamheten. De upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om huruvida årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

En ytterligare beskrivning av vårt ansvar för revisionen av årsredovisningen finns på Revisorsinspektionens webbplats: www.revisorsinspektionen.se/revisornsansvar. Denna beskrivning är en del av revisionsberättelsen.

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Rapport om andra krav enligt lagar och andra författningar

Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens förvaltning för Vibracoustic China Holding AB för år 2022 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter ansvarsfrihet för räkenskapsåret.

Grund för uttalanden

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet Revisorns ansvar. Vi är oberoende i förhållande till Vibracoustic China Holding AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation, och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt.

Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

En ytterligare beskrivning av vårt ansvar för revisionen av förvaltningen finns på Revisorsinspektionens webbplats: www.revisorsinspektionen.se/revisornsansvar. Denna beskrivning är en del av revisionsberättelsen.

Jönköping den 15 juni 2023

Öhrlings PricewaterhouseCoopers AB

Frida Wengbrand
Auktoriserad revisor

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Report

Vibracoustic SE
Darmstadt

Audit of the Consolidated Financial Statements
for the Period Ending December 31, 2022

Engagement: DEE00085300.1.1

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Appendices (see separate table of contents)

For computational reasons, rounding differences of ± one unit (€, %, etc.) can occur in the tables.

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List of Abbreviations

AG	Aktiengesellschaft [stock corporation]
AktG	Aktiengesetz [Stock Corporation Act]
Dawson	Dawson Manufacturing Company, Benton Harbor/USA
DRS	Deutscher Rechnungslegungsstandard [German Accounting Standard]
EU	European Union
Freudenberg & Co. KG	Freudenberg & Co. Kommanditgesellschaft, Weinheim
Freudenberg SE	Freudenberg SE, Weinheim
GmbH	Gesellschaft mit beschränkter Haftung [limited liability company]
HGB	Handelsgesetzbuch [German Commercial Code]
HR B	Handelsregister Abteilung B [Commercial Register Section B]
IAS	International Accounting Standard
IDW	Institut der Wirtschaftsprüfer in Deutschland e.V. [Institute of Public Auditors in Germany, Incorporated Association], Düsseldorf
IFRS IC	International Financial Reporting Standard Interpretations Committee
IFRS	International Financial Reporting Standard
ISA	International Standards on Auditing
KG	Kommanditgesellschaft [Limited Partnership]
n.F.	neue Fassung [new version]
ppa.	per procura
PS	Prüfungsstandard des IDW [IDW Auditing Standard]
SE	Societas Europaea
VC India	Vibracoustic India Pvt. Ltd., Mohali/India
VC KG	Vibracoustic SE & Co. KG, Weinheim
VC Noida	Vibracoustic Noida Pvt. Ltd., Mohali/India
VC SE	Vibracoustic SE, Darmstadt

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A. Audit Engagement

I. Audit Engagement

1. The supervisory board of

Vibracoustic SE, Darmstadt,

(hereinafter referred to as "VC SE", "the Company" or "the Parent Company")

engaged us to audit, pursuant to Section 316 et seqq. HGB, the **consolidated financial statements** of the Company for the financial year from January 1 through December 31, 2022, prepared in accordance with IFRS as to be applied in the EU.

The audit, which is not legally required, was conducted based on the engagement letter dated October 11, 2022.

2. This **engagement** and our liability, also in relation to third parties, are governed by the "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften" dated January 1, 2017 which are enclosed as an Appendix to this report.

3. We have prepared the following report on the nature and scope and the **results of our audit** in accordance with the principles set forth in IDW PS 450 new version (10.2021); the audited consolidated financial statements are attached to this report as Appendices. This report is addressed to the audited company.

II. Confirmation of Independence

4. In accordance with Section 321 (4a) HGB, we confirm that we conducted our audit of the consolidated financial statements with due regard to the applicable provisions on independence.

B. Copy of the Auditor's Report

5. Based on the final results of our audit we issued the following unqualified auditor's report dated February 21, 2023:

"INDEPENDENT AUDITOR'S REPORT

To Vibracoustic SE, Darmstadt

Audit Opinion

We have audited the consolidated financial statements of Vibracoustic SE, Darmstadt, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at and of its financial performance for the financial year from 1 January to 31 December 2022.

Pursuant to § [Article] 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements.

Basis for the Audit Opinion

We conducted our audit of the consolidated financial statements 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" 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 opinion on the consolidated financial statements.

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Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements

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 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 (i.e., fraudulent financial reporting and misappropriation of assets) 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.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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, as well as to issue an auditor's report that includes our audit opinion on the consolidated financial statements.

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.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit 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 controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements 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 this system.

- 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 or, if such disclosures are inadequate, to modify our audit 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 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an audit opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit."

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C. Subject, Nature and Scope of the Audit

I. Subject of the Audit

6. The subject of our audit was the **consolidated financial statements** for the financial year from January 1 through December 31, 2022, consisting of the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements, prepared in accordance with IFRS as to be applied in the EU. The responsibility for the compliance of the consolidated financial statements with the applicable requirements lies with the Parent Company's executive directors. Our responsibility was to examine these documents to determine whether they comply with the provisions of IFRS. In particular, the audit included assessing the definition of the scope of consolidation, the propriety of the annual financial statements included in the consolidated financial statements, the propriety of the consolidation measures and the accounting and consolidation principles used.

II. Nature and Scope of the Audit

7. The **starting point** of our audit was the consolidated financial statements for the financial year from January 1 through December 31, 2021, which we had audited and provided with an unqualified auditor's report.

8. We conducted our audit in accordance with provisions of Section 316 et seqq. HGB and the **generally accepted standards for the audit of financial statements** as set forth in the IDW Auditing Standards. Pursuant to Section 317 (4a) HGB, the financial statement audit does not extend to whether the continued existence of the audited Group as a going concern or the effectiveness and efficiency of its management can be assured.

9. With regard to the main elements of our risk-driven audit approach, please refer to the section "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" in our auditor's report (cf. section B "Copy of the Auditor's Report").

10. In addition, we provide the following explanations on our **audit approach**: Based on the identification and assessment of the inherent risks for the consolidated financial statements, we first obtained an understanding of the accounting-relevant internal control system of VC SE.

On this basis, we identified the risks that may lead to material misstatements in the group accounting records and took this into account when determining our further audit procedures. The audit program defined the focus and timing of our audit and the composition of the audit team, including the deployment of specialists, and other auditors.

11. These are the **audit focal points** which we determined for our audit of the consolidated financial statements:

    1. Critical review of the consolidated financial statements and other documents received with regard to compliance with uniform Group accounting and valuation principles in accordance with IFRS as well as matters relevant to consolidation

    2. Impairment-testing of goodwill in accordance with IAS 36

    3. Verifying the accuracy of the data recorded in the reporting forms of the companies included in the consolidated financial statements

    4. Completeness of the disclosure in the notes.

12. Based on our understanding of the accounting-relevant control system, we conducted **tests of operation** in those areas in which the Group's management has established appropriate **internal controls** to limit the risks of material misstatement in order to satisfy ourselves as to the continuing effectiveness of those measures.

    To the extent that we could assume, based on the effectiveness of the internal controls in place at the Company and at the Group, that the figures to be audited and the additional disclosures made in the consolidated financial statements were correct, we subsequently conducted substantive audit procedures, i.e. analytical audit procedures, tests of details or a combination of both. In the case of effective controls, tests of details were reduced to what was deemed necessary at the auditor's discretion.

13. The majority of the financial statement items and consolidation measures audited centrally by the group audit team were audited using a combination of tests of operation and substantive audit procedures.

    In cases where we did not plan to conduct tests of operation or could not assume that there are effective controls, we mainly conducted substantive audit procedures.

14. We examined the unaudited annual financial statements of **subsidiaries** included in the consolidated financial statements in accordance with the principle of materiality pursuant to Section 317 (3) Clause 1 HGB to determine whether the IFRS were observed and whether the adjustments necessitated by consolidation were properly made. This also encompassed such interim financial statements which subsidiaries prepared as of a balance sheet date different from that of the consolidated financial statements.

15. Due to the **outsourcing of material areas of accounting to a service company**, the required audit procedures were performed partly by ourselves and partly by other auditors of the service provider. As a result of the audit procedures at the service company, an attestation report pursuant to

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SSAE 18 SOC I TYPE II and ISAE 3402 was submitted to us. We used the findings of the service provider's auditors to make an assessment of the consolidated financial statements on our own responsibility.

16. Auditing the pension provisions, provisions for anniversary bonuses and semi-retirement provisions, we relied on actuarial reports from **independent actuaries**, the findings of which we were able to use.

17. The executive directors of the Parent Company as well as the management boards or, respectively, management of the subsidiaries and their auditors, if any, supplied us with all **information and supporting documentation** which we requested.

    The executive directors of the Parent Company submitted to us a standard **letter of representation** relating to the consolidated financial statements.

D. Findings Regarding Group Accounting Records

I. Adequacy of Group Accounting Records

1. Legal Bases

18. Vibracoustic SE and its subsidiaries are included in the consolidated financial statements of Freudenberg & Co. KG and Freudenberg SE. The **statutory duty** to prepare consolidated financial statements pursuant to Section 290 et seqq. HGB does **not apply** to the subgroup of Vibracoustic SE if the other exemption requirements of Section 291 (1) and (2) HGB are satisfied. Vibracoustic SE prepared on a voluntary basis consolidated financial statements in accordance with IFRS as to be applied in the EU.

2. Consolidated Group and Financial Year End of the Consolidated Financial Statements

19. The group of five domestic companies and 36 foreign companies included in the consolidated financial statements in which VC SE had a direct or indirect long-term equity investment as of the balance sheet date is set forth in the notes to the consolidated financial statements.

20. In accordance with IAS 28 one foreign company (Dawson) has been included in the consolidated financial statements using the equity method because VC SE can exercise substantial influence on this company.

21. One full-consolidated entity (VC Noida) was merged into VC India in the financial year.

22. The information in the notes to the consolidated financial statements about the consolidated group is accurate. The principle of consistency was observed in regard to the inclusion of companies in the consolidated group. The requirements for the application of the equity method (IAS 28) are satisfied.

23. The **financial year end of the consolidated financial statements** (December 31, 2022) corresponds to the financial year end of the Parent Company's annual financial statements and the financial year end of the annual financial statements of all subsidiaries except for one entity (VC India) included in the consolidated financial statements.

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3. Principles of Consolidation

24. **Capital consolidation** was carried out in accordance with the provisions of IFRS 10. Accordingly, the acquisition costs of the shares in the subsidiaries included in consolidation are offset against the proportionate net assets based on the fair values of the assets and liabilities assumed from these companies at the date of acquisition or transfer of control. The costs arising in connection with the business combination are to be accounted for as expenditure in the periods in which the costs are incurred. Goodwill arising from the initial consolidation is capitalized and subject to an impairment test at least once a year pursuant to IAS 36.

25. Receivables, provisions and payables arising between the companies included in the consolidated financial statements were eliminated within the framework of **debt consolidation** in accordance with IFRS 10. As a result of foreign exchange rate differences in the consolidation of receivables and payables denominated in foreign currencies, elimination of valuation allowances for intercompany receivables and other consolidation measures required pursuant to IFRS 10.

26. The assets and liabilities of foreign financial statements (subsidiaries) were **translated** based on balance sheet date rates; income and expenses of the statement of comprehensive income were translated based on annual average rates. Equity was translated at historical rates. All translation differences resulting therefrom were recorded in other comprehensive income in a separate equity item with no effect on income.

27. The assets and liabilities of the consolidated companies which have been included in the consolidated financial statements were generally recognized and valued uniformly in accordance with the accounting principles applicable to the financial statements of the Parent Company. The valuation complies with the statutory provisions and was effected in accordance with principles which remained unchanged compared with the prior year.

28. The consolidation methods used comply with the statutory provisions. They were applied consistently.

4. Group Bookkeeping System

29. In order to ensure uniform accounting and valuation throughout the Group, VC SE has developed **group accounting guidelines** on the basis of which the companies included in the consolidated financial statements prepare complementary statements for purposes of preparing the consolidated financial statements (group reporting packages or reporting packages) in which the accounting and valuation principles of the Parent Company are applied.

30. According to our findings, the **group bookkeeping system** is properly maintained in all material respects.

5. Financial Statements Included in the Consolidated Financial Statements

31. The group reporting packages of the **significant domestic subsidiaries** included in the consolidated financial statements which were prepared in accordance with the VC SE accounting guideline were audited by us in accordance with Section 316 et seqq. HGB and provided with an unqualified audit opinion.

The group reporting packages of **significant foreign subsidiaries** included in the consolidated financial statements were audited in a manner corresponding to Section 316 et seqq. HGB, by auditors of the PwC network without any findings relevant for our audit considering appropriate materiality considerations.

In the case of specific subsidiaries of less importance, we conducted **specific audit procedures** with regard to what are probably the most significant risks or, respectively, instructed other auditors to do so; these auditors informed us about their findings in writing.

We conducted **analytical audit procedures at the group level** for the remaining subsidiaries which are insignificant in each individual case and as a whole.

The annual financial statements of the companies to be included in the consolidated financial statements were properly adjusted to the Group's uniform accounting and valuation in the consolidated financial statements.

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6. Consolidated Financial Statements

32. The consolidated financial statements of Vibracoustic SE for the financial year from January 1 through December 31, 2022, consisting of the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements, were prepared, in all material respects, in accordance with IFRS as to be applied in the EU. The consolidated financial statements were properly derived from the financial statements included in the consolidated financial statements.

33. The **notes to the consolidated financial statements** completely and accurately provide, in all material respects, the information required by IFRS as to be applied in the EU as well as the information which has not been included in the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity or the consolidated statement of cash flows due to the exercise of an option.

34. The cash flow statement was prepared in accordance with the principles of IAS 7.

35. Vibracoustic SE has solely applied those IFRS that are mandatory in the EU as of December 31, 2022.

II. Overall Impression given by the Consolidated Financial Statements

36. The consolidated financial statements comply, in all material respects, with IFRS as to be applied in the EU and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these provisions.

37. To provide a better understanding of the overall impression given by the consolidated financial statements, we present below, as required by law, the material valuation principles and the influence that changes to the valuation principles have had, as a whole, on the overall impression given by the consolidated financial statements (Section 321 (2) Clause 4 HGB).

Material consolidation methods

38. For a description of the **material consolidation methods**, please refer to the corresponding disclosures in the notes (Appendix I) and in section D.I.3.

Material valuation principles including changes thereof

39. The recoverability of **goodwill** was verified by the annual impairment test in accordance with IAS 36.90. The goodwill was tested for impairment at least once a year.

The impairment test was carried out on the basis of the cash flows planned for the respective cash-generating unit (CGU), which were extrapolated using long-term assumptions on sales and margin development and discounted using a cost of capital rate specific to the CGU. The Vibracoustic Group determines the recoverable amount of a CGU by calculating its value in use on the basis of the discounted cash flow method. This value is compared with the carrying amount of the net assets of the respective CGU recognized in the consolidated financial statements. The relevant group of CGUs for the purposes of goodwill impairment testing are the DRIVE Solutions and RIDE Solutions segments.

The Parent Company has disclosed the respective parameters for the calculation in the notes to the consolidated financial statements (see Appendix I). In addition, the Parent Company provides disclosures in the notes to the consolidated financial statements on the sensitivity to changes in the discount rate as well as sales growth and the EBIT margin.

40. **Pension provisions** were measured using the projected unit credit method prescribed by IAS 19 (revised 2011). For the German plans as of December 31, 2022, an actuarial interest rate of 3.8 % (previous year: 1.0 %) and a pension increase trend of 2.5 % (previous year: 1.75 %) were used.

    The pension provision is consistent with the actuarially determined defined benefit obligation (DBO). The calculation of pension provisions is based on recognized valuation methods, the assumptions made are justifiable and the calculations are appropriate.

Financing through a promissory note loan

41. With effect from November 19, 2015, the Company had taken out a promissory note loan with a total volume in the amount of € 210.0 million. The promissory note loan was based on six loan agreements with different terms.

In the reporting year, the last two loan agreements in the amount of € 47.0 million were due for repayment. These were settled as scheduled on November 23, 2022.

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New syndicated credit facility

42. With effect from October 4, 2022, a new syndicated revolving credit facility (RCF) was contracted. The new RCF has a volume of € 200.0 million and a term of three years after conclusion of the contract. In addition to an option to extend the facility by up to two years, there is also the option to increase the facility by up to € 150.0 million

The interest rate per loan is based on EURIBOR plus a fixed interest margin.

The Company did not draw any partial amount of the syndicated credit facility in the reporting year; as a result, there is no liability arising from this as of the balance sheet date.

Payables to Shareholders

43. Externa Handels- und Beteiligungsgesellschaft mbH as shareholder provided VC SE with several shareholder loans for refinancing purposes:

- As of March 10, 2017, a shareholder loan was concluded in the form of a cash pooling agreement, which may be terminated with one month's notice. This cash pooling agreement results in a balance of € 80.0 million as at 31 December 2022 (previous year € 130.0 million).

- On December 27, 2022, two further shareholder loans were concluded in the amount of € 60.0 million each. The terms of the loans are January 19, 2024, and January 17, 2025.

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E. Conclusion

We have prepared the above report on the audit of the consolidated financial statements of Vibracoustic SE, Darmstadt, for the financial year from January 1 through December 31, 2022 in accordance with the statutory provisions and the generally accepted standards for the preparation of long-form audit reports (IDW PS 450 new version (10.2021)).

The auditor's report is included in report section B "Copy of the Auditor's Report".

Frankfurt / Main, February 21, 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Michael Conrad
Wirtschaftsprüfer
(German Public Auditor)

ppa. Gilian Faust
Wirtschaftsprüfer
(German Public Auditor)

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft
WIRTSCHAFTS-PRÜFUNGS-GESELLSCHAFT
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Appendices

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Vibracoustic SE, Darmstadt

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Vibracoustic SE

Consolidated Income Statement

EUR million	Note	2022	2021
Revenue	7	2,509.0	2,042.1
Cost of sales	9, 12 & 13	-2,177.9	-1,750.6
Gross profit		**331.1**	**291.5**
Selling costs		-32.5	-30.2
Administration costs		-71.1	-65.6
Research and development costs		-87.3	-80.1
Income from at-equity investments	15	1.0	0.2
Other income	8	14.4	18.6
Other expenses	8	-1.4	-4.9
Earnings before interest and taxes (EBIT)		**154.2**	**129.5**
Financial income	10	6.3	3.0
Financial expenses	10	-11.2	-7.4
Profit before taxes		**149.3**	**125.1**
Income taxes	11	-36.9	-32.8
Profit for the period		**112.4**	**92.3**
Attributable to:			
Shareholders of the parent		110.4	89.3
Non-controlling interests	22	2.0	3.0

Vibracoustic SE

Consolidated Statement of Comprehensive Income

EUR million	Note	2022	2021
Profit for the period		**112.4**	**92.3**
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss			
Remeasurements of defined benefit obligations	23	18.8	2.3
Tax effect		-0.8	-0.5
		18.0	**1.8**
Items that have been or will be reclassified to profit or loss			
Cash flow hedges – effective portion of changes in fair value	30, 31	-0.3	0.1
Tax effect		0.1	0.0
Foreign currency translation differences		10.7	34.4
Foreign currency translation differences for non-controlling interests		-0.8	-1.5
		9.6	**33.0**
Other comprehensive income, net of tax		**-27.6**	**34.8**
Total comprehensive income		**140.0**	**127.1**
Attributable to:			
Shareholders of the parent	4	138.7	125.5
Non-controlling interests	22	1.3	1.5

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Vibracoustic SE

Consolidated Statement of Financial Position

EUR million	Note	Dec. 31, 2022	Dec. 31, 2021
Assets			
Intangible assets	12	137.2	138.7
Property, plant & equipment	13	383.2	358.3
Right-of-use assets	14	89.1	99.3
At-equity investments	15	8.2	6.8
Other non-current assets	18	3.0	3.9
Deferred taxes	11	39.0	34.4
Non-current assets		**659.7**	**641.4**
Inventories	19	228.4	197.1
Contract assets	16	7.7	6.7
Trade receivables	17	449.5	338.4
Current tax assets	18	16.1	11.5
Other current assets	18	41.8	37.4
Cash and cash equivalents	20	134.2	141.2
Current assets		**877.7**	**732.3**
		1,537.4	**1,373.7**

	Note	Dec. 31, 2022	Dec. 31, 2021
Equity and Liabilities			
Share capital	22	0.5	0.5
Capital reserves		216.5	216.5
Retained earnings		332.1	264.7
Accumulated other comprehensive income		-40.3	-68.6
Equity attributable to shareholders of the parent		508.8	413.1
Non-controlling interests	22	17.5	17.6
Total equity		**526.3**	**430.7**
Retirement benefit obligations	23	55.3	73.8
Other non-current provisions	24	15.1	16.9
Non-current loans and borrowings	26	120.2	0.2
Lease liabilities	27	76.4	87.5
Other non-current liabilities	25	4.5	5.5
Deferred taxes	11	20.0	21.6
Non-current liabilities		**291.5**	**205.5**
Other current provisions	24	116.4	118.8
Current loans and borrowings	26	93.0	214.2
Lease liabilities	27	18.3	17.6
Trade payables	25	361.1	243.7
Other current liabilities	25	130.8	143.2
Current liabilities		**719.6**	**737.5**
Total liabilities		**1,011.1**	**943.0**
		1,537.4	**1,373.7**

Vibracoustic SE

Consolidated Statement of Cash Flows

EUR million	Note	2022	2021
Profit before taxes		149.3	125.1
Depreciation, amortization and impairment charges on non-current assets	12,13	80.3	74.4
Gains (-) / losses (+) on disposal of non-current assets	12,13	-0.1	1.0
Other non-cash income (-) / expenses (+)		1.9	1.6
Share of profit of at equity investments	15	-1.0	-0.2
Dividends received from at-equity investments	15	-	-
Interest result	10	3.4	2.5
Interest paid	10	-7.3	-6.3
Interest received	11	6.3	3.0
Taxes paid		-45.1	-49.3
Change in trade receivables	17	-107.3	1.1
Change in trade payables	25	122.1	27.0
Change in inventories	19	-28.1	-55.3
Change in provisions	23,24	-9.9	9.9
Change in contract assets	16	-1.1	0.8
Change in contract liabilities	16	-11.9	9.8
Change in other receivables		-2.6	-3.2
Change in other liabilities	25	2.7	-6.2
Cash flow from operating activities		**151.6**	**135.7**
Proceeds from disposal of property, plant & equipment and intangible assets	12,13	0.7	3.7
Acquisition of intangible assets	12	-1.9	-1.6
Acquisition of property, plant & equipment	13	-78.5	-59.8
Desinvestments		-	-
Cash flow from investing activities		**-79.7**	**-57.7**
Repayment of borrowings	26	-121.3	-112.1
Proceeds from borrowings	26	119.5	38.9
Principal portion from lease payments	27	-18.5	-17.6
Loan receivable		-	-
Dividends and profit transfer paid to the shareholders of the parent	22	-50.1	-0.5
Dividends paid to non-controlling shareholders	22	-1.4	-1.0
Cash flow from financing activities		**-71.8**	**-92.3**
Net change in cash and cash equivalents		**0.1**	**-14.3**
Effect of changes in foreign exchange rates on cash and cash equivalents		**-7.2**	**7.6**
Cash and cash equivalents at the beginning of the year	20	141.2	147.9
Cash and cash equivalents at the end of the year	20	**134.2**	**141.2**

Vibracoustic SE
Consolidated Statement of Changes in Equity

EUR million	Note	Share capital	Capital reserves	Retained earnings	Accumulated other comprehensive income				Equity of the shareholders of the parent	Non-controlling interests	Total equity
					Currency translation reserve	Remeasurements of defined benefit obligations	Cash flow hedges	Total accumulated other comprehensive income			
As of Jan. 1, 2021		0.5	216.6	225.6	-71.3	-34.6	0.2	-105.7	336.9	17.1	354.0
Profit for the period		-	-	89.3	-	-	-	0.0	89.3	3.0	92.3
Other comprehensive income (loss)		-	-	-	34.3	1.9	0.0	36.2	36.2	-1.5	34.7
Total comprehensive income 2021		**0.0**	**0.0**	**89.3**	**34.3**	**1.9**	**0.0**	**36.2**	**125.5**	**1.5**	**127.0**
Dividends and profit transfer	22	-	-	-50.1	-	-	-	-	-50.1	-1.0	-51.1
Capital increase		-	-	-	0.9	-	-	0.9	0.9	0.0	0.9
Change of consolidation structure		-	-	-	-	-	-	-	-	-	-
Other changes		-	-	-0.1	-	-	-	-	-0.1	0.0	-0.1
As of Dec. 31, 2021		**0.5**	**216.6**	**264.7**	**-36.1**	**-32.7**	**0.2**	**-68.6**	**413.1**	**17.6**	**430.7**
As of Jan. 1, 2022		**0.5**	**216.6**	**264.7**	**-36.1**	**-32.7**	**0.2**	**-68.6**	**413.1**	**17.6**	**430.7**
Profit for the period		-	-	110.4	-	-	-	0.0	110.4	2.0	112.4
Other comprehensive income (loss)		-	-	-	10.8	17.8	-0.3	28.3	28.3	-0.7	27.6
Total comprehensive income 2022		**0.0**	**0.0**	**110.4**	**10.8**	**17.8**	**-0.3**	**28.3**	**138.7**	**1.3**	**140.0**
Dividends and profit transfer	22	-	-	-43.2	-	-	-	-	-43.2	-1.4	-44.6
Capital increase		-	-	-							
Change of consolidation structure		-	-	-	-	-	-	-	-	-	-
Other changes		-	-	0.2	-	-	-	-			0.2
As of Dec. 31, 2022		**0.5**	**216.6**	**332.1**	**-25.3**	**-14.9**	**-0.1**	**-40.3**	**508.8**	**17.5**	**526.3**

Appendix I

Vibracoustic SE, Darmstadt

Notes to the Consolidated Financial Statements

Basis of Presentation

1. General Information

Vibracoustic SE is the parent company of the Vibracoustic Group ("Company" or "Group"). Its registered office is located at Europaplatz 4, 64293 Darmstadt, and entered in the commercial register in Darmstadt local court under reference HRB 98601. Vibracoustic SE (stock company with 500,000 shares) is the strategic management holding of the Vibracoustic Group (referred to below as the Vibracoustic Group or the Company).

The current Group structure and business was established in July 2012 when Freudenberg and Trelleborg combined their business areas for automotive AVS products, "Vibracoustic" and "Anti Vibration Solutions", in a joint venture under the company name "TrelleborgVibracoustic." In 2016, the 50% shareholding held by Trelleborg AB, Trelleborg, Sweden, in the joint venture Vibracoustic GmbH, Darmstadt (formerly TrelleborgVibracoustic GmbH), was transferred to the Freudenberg Group, resulting in the Freudenberg Group (Freudenberg SE (50%) and Externa Handels- und Beteiligungsgesellschaft mbH (50%)) being the sole shareholder of Vibracoustic SE. The ultimate controlling party of the Vibracoustic Group, which prepares consolidated financial statements, is Freudenberg & Co. KG, Weinheim, Germany.

The Vibracoustic Group is a global technology leader in engineering vibration control components and modules for the global automotive industry. The Company has two segments (DRIVE Solutions and RIDE Solutions) which manufacture and sell a unique range of products for light vehicles and commercial vehicles. These products reduce unwanted vibration and sound, and increase driving comfort while supporting efficiency, safety and durability. In particular, the Company manufactures engine mounts, chassis mounts, air suspensions, torsional vibration dampers, isolators, dampers and components made from Micro Cellular Urethane (MCU).

The Group is engaged in the areas of production, development and sales in all regions that are relevant for the automotive industry. It has locations in Brazil, China, the Czech Republic, France, Germany, Hungary, India, Japan, Mexico, Poland, Romania, Sweden, Spain, South Africa, Thailand, Turkey, and the US.

The consolidated financial statements were authorized for issue by the Management Board on February 21, 2023, and released for approval by the Supervisory Board.

The consolidated financial statements are presented in Euro. Amounts are stated in millions of Euros (EUR million), except where otherwise indicated for reasons of rounding discrepancies. Prior-year values are provided in brackets. Values less than EUR 50,000.00 are presented as EUR 0.0 million; zero values are denoted with –.

2. Basis of Preparation

The Vibracoustic Group consolidated financial statements for financial year 2022 were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), in force and adopted by the European Union as of the reporting date (December 31, 2022), and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC and SIC). Comparative figures from the previous year were determined in accordance with the same policies. The consolidated financial statements are generally prepared on the basis of historical cost. Certain assets and liabilities are measured at fair value, which is disclosed in the respective notes including note 6 (Accounting Policies).

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The consolidated financial statements were prepared on a "going concern" basis, which particularly assumes that the Group will be able to meet the mandatory repayment terms of the banking facilities as disclosed in note 26.

In its consolidated financial statements for the year ended December 31, 2022, the Group has not applied the following standards and interpretations which have been issued by the IASB but are not yet adopted by the EU in 2022:

Standard/Interpretation		Application requirement	Adopted by the EU	Anticipated impact
IAS 1	Changes to IAS 1- Classification of Liabilities as Current or Non-current	January 1, 2024	no	not material
IAS 1	Changes to IAS 1 – Non-current liabilities with Covenants	January 1, 2024	no	not material
IAS 8	Changes to IAS 8 – Definition of Accounting Estimates	January 1, 2023	no	not material
IAS 12	Changes to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023	no	not material
IFRS 16	Changes to IFRS 16 Lease and Liability in a Sale and Leaseback	January 1, 2024	no	not material
IFRS 17	Changes to IFRS 17 – Initial Application of IFRS 17 and IFRS 9 – Comparative Information	January 1, 2023	no	not material
IFRS 17	Insurance Contracts, including Amendments to IFRS 17	January 1, 2023	yes	not material
Several Standards	Changes to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies	January 1, 2023	no	not material

In its consolidated financial statements for the year ended December 31, 2022, the Group has applied the following standards and interpretations for the first time which have been issued by the IASB and are required to be applied in the EU as of December 31, 2022:

Standard/Interpretation		impact
IAS 16	Changes to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use	not material
IAS 37	Changes to IAS 37 – Onerous Contracts: Cost of Fulfilling a Contract	not material
IFRS 3	Changes to IFRS 3 – Reference to the Conceptual Framework	not material
Several Standards	Annual Improvements to IFRS Standards 2018-2020	not material

3. Principles of Consolidation

Subsidiaries are all entities over which the Group has control, as a result of which the Group is exposed to (has rights to) variable returns from its involvement with the subsidiary, and has the ability to affect those returns through its power over the subsidiary.

This generally includes equity investments where the Company has more than 50% of the voting rights. The Vibracoustic Group also reviews whether control exists when the parent company holds less than 50% of the voting rights but has the possibility to control the business on the basis of de-facto control. De-facto control can exist where the voting rights of the Group enable it to control the business relative to the number or distribution of voting rights of other shareholders.

Subsidiaries acquired in the course of the financial year are consolidated from the date on which control is obtained. Companies sold in the course of the financial year are deconsolidated from the date on which control is lost.

Business combinations are accounted for using the acquisition method. In accordance with IFRS 3, the identifiable assets and the liabilities, and any contingent liabilities assumed on the acquisition date are recognized separately from goodwill, irrespective of the extent of any non-controlling interests. The identifiable assets acquired and the liabilities assumed are measured at their fair value.

The amount recognized as goodwill is calculated as the amount by which the acquisition cost, the amount of non-controlling interests in the acquiree, and the fair value of all previously held equity interest at the acquisition date exceed the fair value of the acquiree's net assets. If the acquisition cost is lower than the fair value of the acquiree's net assets, the difference is recognized in income subsequent to a reassessment of the fair values of the assets and liabilities of the business acquired.

Acquisition-related costs are expensed as incurred. Contingent consideration is included at fair value at the date of acquisition when determining the purchase consideration.

For a business combination achieved in stages, previously held equity interests are recognized at the fair value at the acquisition date. The difference between their carrying amount and fair value is recognized in the consolidated income statement.

Intra-Group transactions, balances, income and expenses, and gains and losses on transactions between Group companies are eliminated. The financial statements of the companies included in the consolidated financial statements are prepared at the same reporting date as the consolidated financial statements and are based on uniform accounting policies.

Transactions with non-controlling interests are treated as shareholder transactions. Differences between the consideration paid for the acquisition of a non-controlling interest and the relevant proportion of the carrying amount of the subsidiary's net assets are recognized in equity. Gains and losses arising from the sale of non-controlling interests are also recognized in equity, provided there is no change in control.

Associates are all entities over which the Vibracoustic Group has significant influence but no control. Significant influence is presumed to exist with an interest of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. They are initially recognized at cost. The Group's carrying amount in associates includes goodwill identified as of the acquisition date (net of any accumulated impairment). Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income (loss) of equity-accounted investments until the date on which significant influence ceases.

At each balance sheet date, the Group reviews whether there are indications of impairment of the investment in associates. In this case, the difference between the carrying amount and the recoverable amount is recognized as an impairment in the result from associates in the consolidated income statement.

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4. Basis of Consolidation

In addition to Vibracoustic SE, the consolidated financial statements of the Vibracoustic Group include all subsidiaries over which Vibracoustic SE exercises control; these are fully consolidated in the consolidated financial statements.

Shareholdings by categories

	Jan. 1, 2022	Additions	Mergers/ liquidations/ deconsolidation	Dec. 31, 2022
Consolidated subsidiaries	**42**	**-**	**1**	**41**
Domestic	5	-	-	5
Foreign	37	-	1	36
At-equity investments in associates	**1**	**-**	**-**	**1**
Domestic	-	-	-	-
Foreign	1	-	-	1

The subsidiary Vibracoustic Noida Pvt. Ltd. was merged with Vibracoustic India Pvt. Ltd. in November 2022.

The number of shareholdings broken down by category is shown in the following table:

No.	Entity	Location	Country	Share %
1	Vibracoustic SE	Darmstadt	Germany	
I. Affiliated companies				
Production companies				
2	Vibracoustic SE & Co. KG[1]	Weinheim	Germany	100.00
3	Vibracoustic South America Ltda.	Guarulhos	Brazil	100.00
4	Vibracoustic (Yantai) Co. Ltd.	Yantai	China	100.00
5	Vibracoustic CV Air Springs (Yantai) Co. Ltd.	Yantai	China	65.0672
6	Vibracoustic (Wuxi) Vibration Isolators Co. Ltd.	Wuxi	China	100.00
7	Vibracoustic CZ s.r.o.	Melnik	Czech Republic	100.00
8	Vibracoustic Nantes S.A.S.	Carquefou	France	100.00
9	Vibracoustic India Pvt. Ltd.	Punjab	India	100.00
10	Vibracoustic Noida Pvt. Ltd.[2]	Noida	India	100.00
11	Vibracoustic CV Air Springs Magyarorszag Kft.	Nyiregyhaza	Hungary	65.0672
12	Vibracoustic de Mexico S.A. de C.V.	Lerma	Mexico	100.00
13	Vibracoustic Toluca S.A. de C.V.	Toluca	Mexico	100.00
14	Vibracoustic Polska Sp. z o.o.	Sroda Slaska	Poland	100.00
15	Vibracoustic Romania SRL	Dej	Romania	100.00
16	Vibracoustic Spain S.A.U.	Martorell	Spain	100.00
17	Vibracoustic Cascante S.A.U.	Cascante	Spain	100.00
18	Vibracoustic Forsheda AB	Forsheda	Sweden	100.00
19	Vibracoustic-Ikhwezi (Proprietary) Ltd.	East London	South Africa	70.00
20	Beltan Vibracoustic Titresim Elemanlari Sanayi ve Ticaret A.S.	Bursa	Turkey	100.00
21	Vibracoustic CV Air Springs Otomotiv Sanayi ve Ticaret A.Ş.	Gemlik	Turkey	65.0672
22	Vibracoustic Cerkezköy Otomotiv Sanayi ve Ticaret AS	Cerkezköy	Turkey	100.00
23	Vibracoustic North America LP	Plymouth	USA	100.00
24	Vibracoustic USA Inc.	South Haven	USA	100.00
25	Vibracoustic (Thailand) Limited	Rayong	Thailand	99.9999
26	Vibracoustic CV Air Springs USA Inc.	Wilmington	USA	65.0672
27	Vibracoustic (Chongqing) Co. Ltd.	Chongqing	China	100.00

[1] The general partner of Vibracoustic SE & Co. KG is Vibracoustic SE.

[2] Until November 2022

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Distribution companies				
28	Vibracoustic (Shanghai) Sales and Trading Co., Ltd.	Shanghai	China	100.00
29	Vibracoustic Japan K.K.	Yokohama	Japan	100.00
30	Trelleborg Automotive Design (Shanghai) Co. Ltd.	Shanghai	China	100.00
31	Vibracoustic CVAS Turkey Trading Otomotiv A.S..	Bursa	Turkey	65.0672
32	Vibracoustic Aftermarket GmbH	Darmstadt	Germany	100.00
Administrative and other companies				
33	Vibracoustic Cerkezköy Oto Parcalari Dis Ticaret A.S.	Cerkezköy	Turkey	100.00
34	Vibracoustic France S.A.S.	Carquefou	France	100.00
35	Vibracoustic Asia Holding GmbH	Weinheim	Germany	100.00
36	Vibracoustic CV Air Springs GmbH	Hamburg	Germany	65.0672
37	Vibracoustic Hong Kong Holdings Ltd.	Hong Kong	China	100.00
38	Vibracoustic Spain Holding S.L.U.	Martorell	Spain	100.00
39	Vibracoustic China Holding AB	Forsheda	Sweden	100.00
40	Vibracoustic Sweden Holding AB	Forsheda	Sweden	100.00
41	Vibracoustic Wuxi Holding AB	Forsheda	Sweden	100.00
42	Vibracoustic North America Holdings Inc.	Plymouth	USA	100.00
43	Vibracoustic Europe GmbH	Darmstadt	Germany	100.00
II. Associates accounted for using the at-equity method				
44	Dawson Manufacturing Company	Benton Harbor	USA	45.00

5. Foreign Currency Translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency concept of IAS 21 The Effects of Changes in Foreign Exchange Rates).

The assets and liabilities of foreign subsidiaries, including goodwill, are translated at the closing exchange rate on the reporting date. Income and expenses are translated at the annual average rate. All resulting translation differences are recognized in other comprehensive income (loss) until subsidiaries are disposed of.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, or at the measurement date in the case of revaluation. Monetary items are translated at the closing exchange rate. Depending on the allocation to operating or financing activities, foreign exchange gains and losses are presented in other income and other expenses or in financial income or financial expenses in the consolidated income statement.

The exchange rates underlying the translation of amounts denominated in foreign currencies for the consolidated financial statements have developed as follows:

Country	Currency	Closing rate		Average rate	
		Dec. 31, 2022	Dec. 31, 2021	2022	2021
Brazil	BRL	5.6386	6.3101	5.40514	6.37858
China	CNY	7.3582	7.1947	7.07435	7.60685
Czech Republic	CZK	24.116	24.858	24.5378	25.6486
Hong Kong	HKD	8.3163	8.8333	8.22231	9.18561
India	INR	88.171	84.2292	82.7154	87.3135
Japan	JPY	140.66	130.38	138.139	130.32
South Korea	KRW	1,344.09	1,336.0	1,354.16	1,354.66
Mexico	MXN	20.856	23.1438	21.0536	24.0516
Poland	PLN	4.6808	4.5969	4.6868	4.57202
Romania	RON	4.9495	4.949	4.93403	4.92511
Russia	RUB	76.7403	85.3004	72.6745	87.3296
Sweden	SEK	11.1218	10.2503	10.6571	10.1562
Thailand	THB	36.835	37.653	36.8001	37.8912
Turkey	TRY	19.9649	15.2335	17.4566	10.8104
USA	USD	1.0666	1.1326	1.04998	1.181560
United Kingdom	GBP	0.88693	0.8403	0.85482	0.8584
Hungary	HUF	400.87	369.19	393.111	358.608
South Africa	ZAR	18.0986	18.0625	17.2127	17.5922

6. Accounting Policies

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties, value-added tax, returns, rebates and discounts. The Group recognizes revenue when it transfers control over a product or service to a customer. In general product sales are invoiced based upon delivery of goods, whereas tooling sales and R&D sales are partially covered by milestone payments. Invoices are usually payable within 30 to 60 days.

i. Product sales

Revenue for product sales is recognized when the goods are delivered to the customer's premises. This is taken to be the point in time at which the customer accepted the goods and gained control over them. This results in revenue for these contracts being recognized according to IFRS 15.38, which is at a point in time.

ii. Tooling sales

Regarding revenue recognition for serial tools, Vibracoustic recognizes revenue at a point in time, i.e. at the time of acceptance of the tool. This is because all tools produced by Vibracoustic are tailored to the client's specifications,

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and, according to the definition of IFRS 15, Vibracoustic creates assets with no alternative use. Moreover, Vibracoustic has an enforceable right to claim cost without margin only.

Control of the tool in general will be transferred to the customer upon acceptance of the tool by the customer. However, when acceptance by the customer has not been achieved, tooling costs and revenue are recognized after the start of serial production.

Tools under construction are recognized under inventories and the corresponding customer advance payments shown in the balance sheet position "Contract liabilities."

iii. Research & Development (R&D) sales

For R&D services conducted according to strict customer specifications, Vibracoustic creates assets with no alternative use. As the entity has an enforceable right to payment for performance completed to date, revenue and associated costs for these contracts are recognized according to the percentage of completion of each individual project.

According to IFRS 15.35(c), Vibracoustic recognizes revenue concerning these types of contracts over time using the cost-to-cost method.

Cost of sales

The cost of sales comprises the cost of goods sold and services provided to customers. They include directly attributable overheads such as depreciation of production equipment and amortization of production related intangible assets, as well as impairment losses of inventories. The cost of sales also includes additions to warranty provisions, which are recognized in the amount of the estimated cost at the date on which the related product is sold.

Financial income and expenses

Financial income and expenses mainly consist of interest expenses on financial liabilities, interest income from financial receivables, gains and losses on financial instruments recognized through profit or loss, exchange rate gains and losses on financial activities, and the net interest expenses (income) on the net defined benefit liability (asset).

Interest income and expenses are recognized in profit or loss in accordance with the effective interest method.

Intangible assets

Goodwill

Goodwill has an indefinite useful life and is not amortized. Instead, it is tested for impairment in accordance with IAS 36 (Impairment of Assets) at least once a year, and more frequently if there are indications that the asset might be impaired.

Goodwill is allocated to cash-generating units (CGU) for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Each unit or group of units to which goodwill is allocated represents the smallest identifiable group of assets that generate cash inflows from continuing use, which are largely independent

of cash inflows from other assets or group of assets. However, a CGU may not be larger than an operating segment as defined in IFRS 8 (Operating Segments).

The relevant group of CGUs for the purposes of goodwill impairment testing at the Vibracoustic Group are the DRIVE Solutions and RIDE Solutions segments.

The carrying amount of goodwill is compared to the recoverable amount, which is the higher of the fair value less costs to sell and value in use. The Vibracoustic Group determines the recoverable amount of a CGU by calculating its value in use on the basis of the discounted cash flow method. An impairment is immediately recognized as an expense and is not reversed in subsequent periods.

Other intangible assets

Other intangible assets with a definite useful life are carried at cost less accumulated amortization and accumulated impairment losses. Amortization of other intangible assets is recognized on a straight-line basis. If events or market developments suggest that an impairment has occurred, impairment tests are carried out. The carrying amount of an asset is compared with its recoverable amount, which is defined as the higher of its value in use and fair value less costs to sell. If the reasons for recognizing impairment losses in the past no longer apply, impairment losses are reversed up to the maximum amount of the amortized cost.

Costs for research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding are expensed as incurred.

The following useful lives are applied in determining the carrying amounts of other intangible assets:

Software	3 – 8 years
Patents, licenses	dependent on contract period
Acquired customer base	10 – 17 years

Property, plant & equipment

Property, plant & equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items and, if any, the present value of estimated costs for dismantling and removing the assets. Borrowing costs eligible for capitalization in the sense of IAS 23 are capitalized for certain items of property, plant & equipment whose acquisition or construction period exceeds one year as soon as the definition of a qualifying asset is met. Similar to previous years, there were no qualifying assets in 2022.

Subsequent costs are included in the asset's carrying amount or – where relevant – as separate assets only if it is probable that future economic benefits will flow to the Company, and the cost of the item can be measured reliably. Expenses for repairs and maintenance that do not represent a significant replacement investment are recognized in profit or loss in the year in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method, whereby the cost is depreciated as follows over the useful life to the residual value:

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Buildings	maximum of 50 years
Technical equipment and machinery	5 – 25 years
Other equipment, operating and office equipment	4 – 20 years

The residual values and useful economic lives are reviewed at each balance sheet date and adjusted where necessary. If the carrying amount of property, plant & equipment exceeds its estimated recoverable amount, the asset is immediately written-down to the latter.

Gains and losses on disposals are determined as the difference between disposal proceeds and the carrying amount and are recognized in the consolidated income statement item "Other income / other expenses."

The carrying amount of an asset is reviewed for impairment when events or changes in circumstances indicate that the carrying amount is not recoverable. An impairment loss is recognized in the amount that the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Assets will be combined and assessed for impairment at the lowest level for which separate cash flows can be identified (CGU). With the exception of goodwill, non-financial assets that have been subject to impairment in the past are reviewed at each reporting date for possible reversal of the impairment.

The Vibracoustic Group calculates the recoverable amount primarily on the basis of value in use. In determining value in use, the expected future cash flows are discounted using the risk-adjusted discount rate.

If an impairment test for an item of property, plant & equipment is performed at the level of a cash-generating unit to which goodwill is allocated and results in the recognition of an impairment loss, first the goodwill, and subsequently the assets, must be impaired in proportion to their relative carrying amounts. If the reason for an impairment loss recognized in prior years no longer applies, impairment losses not exceeding the amortized cost of the asset concerned are reversed. This does not apply to goodwill.

Right-of-use assets

Vibracoustic Group companies also lease property, plant & equipment, which are recognized as right-of-use assets under Land, leasehold rights and buildings and Other fixtures, fittings and equipment.

A lease is a contract in which the right to use an asset is granted for a period of time in exchange for consideration.

The right-of-use assets are initially measured at cost, which compromises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are subsequently depreciated using straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term and adjusted for impairment losses. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment.

Lease instalments for procurement leases relating to low-value assets, are expensed on a straight-line basis over the lease term.

The Group also exercises the option available for contracts comprising lease components and non-lease components not to split these components, except in the case of real estate leases.

At-equity investments

In accordance with the equity method, associates are measured as the proportion of the interest in the equity of the investee. They are initially carried at cost. Subsequently, the carrying amount of the equity investment is adjusted in line with any changes to the Vibracoustic Group's interest in the net assets of the investee. The Group's interest in profit or loss generated after acquisition is recognized in income.

If the Group's interest in the losses made by an associate exceeds the carrying amount of the proportionate equity attributable to the Group, no additional losses are recognized. Any goodwill arising from the acquisition of an associate is included in the carrying amount of the investment in the associate.

If there is evidence that an associate may be impaired, the carrying amount of the investment in question is tested for impairment. The carrying amount of the asset is compared with its recoverable amount. If the carrying amount is greater than the recoverable amount, an impairment loss is recognized for the equity investment.

Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price less applicable variable distribution costs. The cost of finished goods and work in progress includes, in addition to directly attributable expenses, an appropriate portion of the production and material overheads and production-related depreciation. Administrative costs and social insurance / employee benefits are included to the extent that they are attributable to the production process. Inventories belonging to the Group are not qualifying assets in accordance with IAS 23, so the acquisition or production costs do not include capitalized borrowing costs. The amount recognized is an average value determined using the weighted average cost formula.

Impairment losses are recognized for inventory risks resulting from duration of storage and impaired recoverability and are reversed up to a maximum of cost if the reasons for their recognition no longer apply.

Financial instruments

i. Recognition and initial measurement of financial instruments

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. At the Group, trade receivables do not contain a significant financing component and as a consequence they are measured at their transaction price.

ii. Classification and subsequent measurement of financial assets

IFRS 9 contains three principal classification categories for financial assets:

- Financial assets at amortized cost
- financial instruments measured at fair value through other comprehensive income (FVOCI):

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- debt instruments with recycling[2]
- equity instruments designated as FVOCI without recycling

- debt instruments, derivatives and equity instruments measured at FVTPL.

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

The business model refers to how an entity manages its financial assets in order to generate cash flows. The standard considers three different business models on whose basis the category of financial instruments is to be determined:

- Hold to collect – financial assets held with the objective to collect contractual cash flows.
- Hold to collect and sell – financial assets held with the objective of both collecting contractual cash flows and selling financial assets.
- Other – financial assets held with trading intent or that do not meet the criteria of either "hold to collect" or "hold to collect and sell."

The Group makes an assessment of the objective of the business model in which a financial asset is held at an aggregated level as this best reflects the way the business is managed and information is provided to management.

The business model within the Group is to hold the financial assets in order to collect the contractual cash flows from the financial asset rather than to sell the assets to realize a profit or loss.

The contractual cash flow criteria consider whether contractual cash flows from an asset are solely payments of principal and interest (SPPI). For contractual cash flows to be SPPI they must include returns consistent with a basic lending arrangement (e.g. including a return for equity price risk would not be consistent with SPPI). Interest can comprise a return not only for the time value of money and credit risk but also for other components such as a return for liquidity risk, amounts to cover expenses, and a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

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

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

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

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

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

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[2] *cumulative gains and losses reclassified to profit or loss upon derecognition*

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. The fair value option has not been exercised.

A reclassification of financial assets (to other measurement categories) is required only when there is a change in the business model for managing the assets. The reclassification should be applied prospectively from the reclassification date. Accordingly, any previously recognized gains, losses or interest should not be restated. Since an entity classifies a financial asset at initial recognition on the basis of the contractual cash flow terms over the life of the instrument, reclassification on the basis of a financial asset's contractual cash flows is not permitted, unless the asset is sufficiently modified that it is derecognized.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and Vibracoustic has transferred substantially all the risks and rewards of ownership.

Trade Receivables

Trade receivables are amounts due for merchandise sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. Subsequently, they are measured at amortized cost using the effective interest method less impairment, where applicable. Appropriate valuation allowances for identifiable individual risks are recognized. Low-interest or non-interest-bearing receivables due in more than one year are carried at their present value.

If settlement is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are accounted for as non-current assets.

Contract assets

The Group presents contract assets when the Group has transferred control of the promised goods or services to the customer but has not yet obtained unconditional rights to consideration. The contract asset reflects the Group's right to consideration in exchange for the goods or services transferred to the customer when that right is conditioned on something other than the passage of time.

For initial recognition, contract assets are carried at fair value including directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less impairment, where applicable. Appropriate valuation allowances for identifiable individual risks are recognized.

Impairment of trade receivables

The basis for the calculation of the lifetime expected credit losses ("ECL") is the amount of open trade receivables.

For trade receivables, the analysis is to be based on country risk and customer specific factors. The two factors include historical and forward-looking estimates that reflect current and forecast credit conditions.

The country risk includes factors like transfer and convertibility risk (e.g. embargoes, moratoriums, capital or exchange controls preventing an entity from converting local currency into foreign currency and /or transferring funds to creditors located outside the country) and cases of force majeure (e.g. war, expropriation, revolution, civil disturbance, floods, earthquake). Technically, the country from where the payment is to be effected (typically the customer's domicile country) is classified into one of eight classes from 0 (low risk) to 7 (high risk). For each country risk class an Expected Credit Loss rate (as %) is determined.

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The model considers forward-looking information regarding general economic conditions like:

- Financial situation: financial solvency indicators in a medium-term perspective such as total external debts and total external debt service that are typically related to aggregates such as gross domestic product and / or foreign exchange revenues.
- Economic situation: structural indicators of a longer-term nature that measure growth potential (such as income level, savings rates or realized economic growth rates) and vulnerability (such as export diversification, aid dependency or smallness) of the economy.

The customer-specific factor is based on the historical observed default rates of the trade receivables.

Due to the observed differences concerning default rates, the customers are divided into two groups:

- Original Equipment Manufacturers (OEMs); and
- non-OEMs.

With the exception of the initial transition effect, the ECL shall be recognized in profit or loss, as an impairment gain or loss. The loss allowance will reduce the carrying amount of the trade receivables in the statement of financial position.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or efforts. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased moderately if it is more than 180 days past due.

The Group considers a financial asset to be in default when there is:

- substantial financial difficulty on the part of the issuer or debtor;
- a breach of contract, such as being more than 360 days past due or delinquency in interest or principal payments;
- concessions that the Vibracoustic Group makes to creditors for economic or legal reasons in connection with the creditor's financial difficulties; or
- increased probability that the borrower will become insolvent or enter into other bankruptcy proceedings.

Backtesting of the model with historical data is to be performed on a regular basis to ensure a reasonable match with the actual provisioning requirements of the past. Differences may occur due to the comparison of historical data with the forward-looking perspective required by IFRS 9.

Impairment of contract assets

The contract assets relate to unbilled work in progress and essentially have the same risk characteristics as the trade receivables for the same types of contracts, therefore the impairment for contract assets is calculated on the basis of IFRS 9 impairment for trade receivables.

Cash and cash equivalents

Cash and cash equivalents include cash, credit balances with banks, and other short-term, highly liquid financial assets with an original term of up to three months. Cash and cash equivalents are classified and subsequently measured at amortized cost under IFRS 9.

Derivative financial instruments

Derivative financial instruments are measured at fair value and are reported as financial assets or financial liabilities as of the reporting date.

The Group has chosen as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9.

Currently, derivative financial instruments in the Vibracoustic Group mainly comprise foreign exchange forwards that are used for hedging purposes to mitigate currency risk, and foreign exchange swaps in connection with the Group's cash management. Thus, foreign exchange swaps are not formally accounted for as hedges in accordance with IAS 39.

Designated hedging relationships fundamentally fall into one of the following categories:

- hedging of the fair value of a recognized asset, a recognized liability or a firm commitment (fair value hedge)
- hedging of the risk of variability in cash flows associated with a particular recognized asset, a particular recognized liability or a future transaction that is highly likely to occur (cash flow hedge)
- hedging of a net investment in a foreign operation (net investment hedge).

Changes in the fair value of derivative financial instruments in a formally documented hedge are recognized in profit or loss (for fair value hedges and the ineffective portion of cash flow hedges) or in other comprehensive income (loss) (for the effective portion of cash flow hedges). The Vibracoustic Group currently only uses cash flow hedges.

When the transaction is undertaken, the hedging relationship, the objective of risk management and the hedging strategy of the hedging entity are documented. At the inception of the hedge and continuously, the Group also documents its assessment of whether the hedging instrument is effective in offsetting the risks arising from changes in the cash flows of the hedged item.

The effective portion of the change in fair value of a financial derivative in a hedging relationship of a cash flow hedge is recognized in other comprehensive income, while the ineffective portion of the change in fair value is recognized immediately in profit or loss. Cumulative amounts recognized in other comprehensive income are reclassified to profit or loss in the reporting period in which the hedged item has an effect on profit or loss.

The full fair value of a financial derivative designated as a hedging instrument is classified as a non-current asset or non-current liability for hedged items with a remaining term of more than one year. Hedged items with a remaining term of less than one year are classified as short-term assets or short-term liabilities.

If the criteria for hedge accounting are not satisfied, changes in the fair value of derivative instruments are recognized in profit or loss.

Further information on risk management and accounting for derivative financial instruments can be found in note 31.

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Foreign exchange swaps that do not form part of formally documented hedges are derivatives measured at fair value through profit or loss.

Financial assets measured at fair value through profit or loss are subsequently measured at fair value. Gains or losses arising from financial assets in the "assets at fair value through profit or loss" category are presented in the consolidated income statement under financial income or financial expenses during the period in which they arise.

iii. Classification and subsequent measurement of financial liabilities

Financial liabilities under IFRS 9 are either classified as:

- financial liabilities at amortized cost; or
- financial liabilities as at fair value through profit or loss

Financial liabilities are measured at amortized cost unless either:

- the financial liability is held for trading and is therefore required to be measured at FVTPL (e.g. derivatives not designated in a hedging relationship); or
- the entity elects to measure the financial liability at FVTPL.

Financial liabilities are never reclassified.

Trade payable

Trade payables are obligations to pay for goods or services that have been purchased in the ordinary course of business from suppliers. They are classified as current liabilities if payment is due within one year or less. Otherwise they are accounted for as non-current liabilities.

Trade payables are measured at fair value on initial recognition. Subsequent measurement occurs at amortized cost using the effective interest method. Non-current liabilities are discounted only if their discount amount is material.

Loans and borrowings

Loans and borrowings are recognized initially at fair value, net of transaction costs incurred. They are subsequently stated at amortized costs using the effective interest method.

Fees paid on the establishment of credit lines are recognized as transaction costs of the loan to the extent that it is probable that some or all of the credit line will be utilized. To the extent that it is probable that some or all of the credit line will be utilized, the fee is capitalized as a prepayment for credit services and amortized over the period of the facility to which it relates.

Loans and borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Lease liabilities

The lease liabilities are presented under a separate line in the balance sheet and initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group´s incremental borrowing rate. Generally, the Group uses the incremental borrowing rate as the discount rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method. They are remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a

change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Contract liabilities

The Group presents contract liabilities when the Group has an obligation to transfer goods or services to a customer for which the entity has already received consideration (or an amount of consideration is due). The concept of contract liabilities replaces the balance sheet position prepayments from customers.

Other financial liabilities

Other financial liabilities are initially recognized at fair value less transaction costs. In subsequent periods, they are measured at amortized cost using the effective interest method. Low-interest or non-interest-bearing liabilities due in more than one year are carried at their present value. Financial liabilities are classified as current liabilities unless the debtor has an unlimited right to extend payment of the obligation by at least twelve months after the balance sheet date.

Other financial liabilities also include derivative financial instruments. Derivative liabilities that do not form part of a formally documented hedge must be categorized as financial liabilities at fair value through profit or loss.

iv. Impairment

The Group has the following types of financial assets that are subject to IFRS 9's expected credit loss ("ECL") model:

- trade receivables
- contract assets
- loan receivables
- cash and cash equivalents
- other financial assets

Lifetime expected credit losses: expected present value measure of losses that arise if a borrower defaults on their obligation throughout the life of the financial instrument.

Twelve month expected credit losses: portion of lifetime expected credit losses resulting from default events on the financial instrument that are possible within the twelve months after the reporting date.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables and contract assets. Trade receivables and contract assets do not contain a significant financing component.

While cash and cash equivalents, loan receivables and other financial assets are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Retirement benefit obligations

Group companies operate different pension schemes. The Vibracoustic Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does

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not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. The major defined benefit plan is the German benefit plan in which the amount of pension benefit that an employee will receive after retirement depends on the years of service and compensation.

The retirement benefit obligation is calculated annually by independent actuaries in accordance with the projected unit credit method. The calculations include assumptions about future changes in certain parameters, such as expected salary and pension increases or biometric factors affecting the amount of future benefits. The present value of the defined benefit obligation (DBO) is calculated by discounting the expected future outflows at the interest rate of high-quality corporate bonds. The corporate bonds are denominated in the currency of the payment amount and have maturities which match the pension obligations. In countries which do not have a sufficiently developed market for such bonds, government bonds are utilized. The net interest expense (income) on the net defined benefit liability (asset) is recognized in financial results in the consolidated income statement.

The liability recognized in the consolidated statement of financial positions with respect to defined benefit pension plans is the present value of the defined benefit obligation on the balance sheet date less the fair value of plan assets – taking the asset ceiling into account. Plan assets are measured at fair value.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions, returns on plan assets which are not included within the net interest on the defined benefit liability, as well as the effect of the asset ceiling (if any, excluding interest) are recognized immediately in other comprehensive income.

Past service costs are fully recognized in the period of the related plan amendment.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefits expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other provisions

Other provisions are recognized where the Vibracoustic Group (a) has a current legal or constructive obligation resulting from a past event, (b) it is probable (more likely than not) that the settlement of the liability will negatively impact assets, and (c) the amount of the provision can be reliably estimated.

Provisions are measured at the present value of expected expenditures, where the discounting amount is material. In addition to the expected amount of cash outflows, uncertainties also exist regarding the time of outflows. If it is expected that the outflows will take place within one year, the relevant amounts are reported in the short-term provisions.

Current and deferred income taxes

The income tax expense for the period comprises current and deferred taxes. Taxes are recognized in profit or loss, except to the extent that they relate to items recognized in other comprehensive income or in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax expense is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically reviews tax returns with respect to situations in which applicable tax regulation is subject

to interpretation, and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxes are recognized for temporary differences arising between the tax base of assets and liabilities and their carrying amounts in IFRS financial statements (the liability method), and for loss carryforwards for which available future taxable earnings that can be used against tax losses are considered as given. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized, as well as for loss carryforwards for which available future taxable earnings that can be used against tax losses are considered as given.

Deferred tax liabilities (DTL), which arise through temporary differences related to investments in subsidiaries and associates, are recognized unless the timing of the reversal of temporary differences can be controlled by the Group and it is probable that the temporary differences will not be reversed in the foreseeable future due to this influence. As it is not intended to realize such temporary differences, and as it is not possible to determine the temporary differences with reasonable efforts, no DTL has been calculated.

Deferred tax assets and liabilities are only offset where there is a legally enforceable right to offset current taxes, and when the deferred tax assets and liabilities refer to income taxes collected by the same tax authority for either the same taxable entity or different taxable entities intending to settle on a net basis.

Fair value measurement

The amendment to IFRS 7 for financial instruments that are measured at fair value in accordance with IFRS 13 requires disclosure of fair value measurements by level using the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (that is unobservable Inputs).

The level at which the fair value measurement is categorized in the fair value hierarchy is determined on the basis of the lowest level input that is significant to the fair value measurement in total. The different hierarchy levels require different disclosures in the notes to the consolidated financial statements.

Management estimates

The preparation of consolidated financial statements in accordance with IFRS requires the use of assumptions and estimates by management that affect recognition and measurement of assets and liabilities in the consolidated statement of financial positions and the recognition of income and expenses in the consolidated income statement.

All assumptions and estimates are based on the conditions prevailing at the balance sheet date. Actual future outcomes may deviate significantly from these assumptions and estimates. If this occurs, assumptions are adjusted and, to the extent necessary, the carrying amounts of affected assets and liabilities are also adjusted.

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The significant estimates and measurement decisions in the preparation of the consolidated financial statements are as follows:

i. Impairment testing of goodwill

The impairment testing of goodwill is made on the basis of forecasts of cash flows for the goodwill-carrying cash-generating units for the next three years under application of a risk-adjusted discount rate. These forecasts and valuation factors are a significant element of management judgment related to the impairment testing of goodwill. Further information on goodwill can be found in note 12.

ii. Revenue recognition from tooling

Tooling revenue is generally recognized at the point in time of acceptance of the tool by the customer. However in some cases, if the customer's approval has not been obtained by more than six months after the SOP date, the assumption is made that control has been transferred and tooling costs and revenues are recognized.

iii. Measurement of other provisions

Other provisions mainly include provisions for warranties and onerous contracts, environmental risk and for personnel costs and involve management judgement.

iv. Income tax

Management must make estimates and assumptions in the calculation of actual and deferred tax. Deferred tax assets are recognized to the extent that the realization of future tax benefits is probable. The actual utilization of deferred tax assets is dependent on the future actual taxable profit situation. To assess the probability of future utilization, various factors are used, including, among other items, previous results of operations, operational forecasts, loss carryforward periods, and tax planning strategies.

Notes to the Consolidated Income Statement

7. Revenue

Revenue generated by the Vibracoustic Group and broken down by significant category is as follows:

EUR million	2022	2021
Product sales	**2,374.2**	**1,916.4**
Research and development sales	**80.0**	**78.7**
Tooling sales	**54.8**	**47.0**
Total	**2,509.0**	**2,042.1**

Further information on revenue can be found in note 32 (Segment Reporting).

8. Other Income and other Expenses

Other income in the reporting period amounts to EUR 14.4 million (2021: EUR 18.6 million) and includes foreign exchange gains of EUR 5.3 million (2021: EUR 4.2 million), income from services provided to associates of EUR 2.5 million (2021: EUR 2.2 million) and, among others, income from supplier recharges. Other expenses in the reporting period amount to EUR 1.4 million (2021: EUR 4.9 million). The decrease to the previous year results mainly from higher environmental provisions for the entity in Brazil which was reported in the previous year.

9. Other Income Statement Disclosures

The cost of materials increased by EUR 532.9 million in the reporting period, to EUR 1,537.3 million (2021: EUR 1,177.5 million). The cost of materials is included in the "Cost of sales" and "R&D costs" positions in the consolidated income statement.

Personnel expenses increased by EUR 31.2 million to 425.9 million in 2022 (2021: EUR 394.7 million). The position includes wages and salaries of EUR 339.0 million (2021: EUR 311.9 million) and social security contributions of EUR 86.9 million (2021: EUR 82.8 million). Personnel expenses increased due to salary increases and restructuring costs, including provisions for termination payments. The net interest expense (income) on the net defined benefit liability is not recognized under personnel expenses and is instead reported under financial expenses. Personnel expenses are included in the "Cost of sales," "R&D costs" and "Administration costs" positions in the consolidated income statement.

The amounts recognized in profit or loss related to lease contracts according to IFRS 16 are reflected in the table below.

EUR million	2022	2021
Interest on lease liabilities	2.2	2.5
Variable lease payments not included in the measurement of lease liabilities	0.5	1.1
Expenses relating to leases of low-value assets	1.8	2.5

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10. Financial Income and Expenses

The net financial result of EUR -4.9 million in 2022 (2021: EUR -4.4 million) comprises interest expenses of EUR -11.2 million (2021: EUR -7.4 million) and interest income of EUR 6.3 million (2021: EUR 3.0 million). The interest expenses predominantly resulted from external financing activities amounting to EUR -7.9 million (2021: EUR -4.3 million), interest expense on leasing liabilities amounting to EUR -2.2 million (2021: EUR -2.5 million), and interest expenses on the defined benefit obligation of EUR -1.1 million (2021: EUR -0.6 million). Interest income in 2022 is mainly related to interest-bearing financial assets such as bank deposits, amounting to EUR 6.3 million (2021: EUR 3.0 million) – mainly coming from bank deposits in Germany, India, and China.

11. Income Tax

Based on their origin, income tax expenses recognized in profit or loss are broken down as follows:

EUR million	2022	2021
Current tax expense		
Current year	-42.4	-41.5
Adjustment for prior periods	-1.0	-0.7
	-43.4	**-42.2**
Deferred tax expense/income		
Origination and reversal of temporary differences	6.2	4.9
Expenses / Income related to tax loss carryforwards	0.3	4.5
	6.5	**9.4**
Total income tax expense	**-36.9**	**-32.8**

Deferred taxes are determined based on the tax rates that are enacted or have at least been substantively enacted as of the balance sheet date and will apply at the realization date in accordance with the current legal situation in each country concerned. The current corporate income tax rate in Germany is 15% (2021: 15%) plus the solidarity surcharge of 5.5% based on the corporate income tax. Considering the Vibracoustic Group's trade tax for German companies, the combined nominal tax rate for entities in Germany for Vibracoustic was 30% (2021: 30%). The income tax rates for foreign companies used in the calculation of deferred taxes are between 9% and 34% (2021: between 9% and 34%).

Profit and loss transfer agreement between Vibracoustic SE and Freudenberg SE

Since 2017, Vibracoustic SE has been (with its subsidiaries Vibracoustic SE & Co. KG and Vibracoustic Europe GmbH) part of the Freudenberg tax group in Germany. Vibracoustic SE and its shareholder Freudenberg SE concluded a profit and loss transfer agreement (Gewinnabführungsvertrag) on November 2, 2017, which became effective on January 1, 2017. The result of German tax grouping with Freudenberg SE is that certain current and deferred tax expenses related to 2020 are shown exclusively at the taxpayer level of Freudenberg SE and not at the level of Vibracoustic SE. The effect of 2022 from current taxes and deferred taxes shown in Freudenberg SE accounts due to the integration of Vibracoustic SE into the Freudenberg tax group amount to EUR 12.1 million (current tax expense) and EUR 0.3 million (deferred tax income).

Allocation of deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are allocated to the following items in the statement of financial positions:

	Dec. 31, 2022		Dec. 31, 2021		2022	2021
EUR million	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities	Recognized in profit or loss	Recognized in profit or loss
Intangible assets	0.3	23.9	0.4	24.0	0.6	-2.5
Property, plant & equipment	5.3	9.7	5.3	10.9	1.0	2.0
Non-current financial assets	0.0	0.7	0.0	0.6	-0.1	0.0
Inventories	3.3	0.1	3.0	0.5	-0.6	2.7
Financial and non-financial assets	3.4	5.8	0.5	2.3	0.6	-2.8
Pension provisions	3.2	0.0	3.7	0.0	0.1	0.6
Other provisions	11.9	0.0	10.3	0.0	1.5	0.5
Financial and non-financial liabilities	11.9	0.6	8.2	0.0	2.9	0.9
Other liabilities	14.0	0.0	13.6	0.0	0.1	3.5
Tax loss carryforwards	6.5	0.0	6.0	0.0	0.3	4.5
Gross value	59.8	40.8	51.0	38.3	6.4	9.4
of which to be recovered after more than 12 months	23.8	34.4	24.2	35.4		
Offsetting	-20.9	-20.9	-16.7	-16.7		
Amount recognized	38.9	19.9	34.3	21.6	6.4	9.4

In 2022, deferred taxes of EUR -0.3 million were recognized as other comprehensive income, resulting in a decrease of equity (2021: decrease of EUR -0.5 million). The amount of EUR -0.3 million is mainly attributable to the adjustment of net pension obligations in the reporting year (2021: EUR -0.5 million).

Following tax loss carryforwards exist at the Group:

EUR million	2022	2021
Expiry within 1 year	-	-
Expiry in 2-5 years	10.4	-
Expiry later than 5 years	-	-
Unlimited carryforward	71.0	88.5
Total	**81.4**	**88.5**

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The unlimited tax loss carryforwards as shown in the table above and the tax credits recognized and recorded as deferred tax assets are attributable substantially to tax loss carried forwards of entities in France of EUR 12.1 million and in Germany of EUR 2.2 million and in addition to tax credits in Spain of EUR 1.8 million and in USA of EUR 10.5 million.

The Group did not recognize deferred income tax assets for tax losses in Brazil in the amount of EUR 56.2 million and for temporary differences in the amount of EUR 7.6 million for Brazil which can be unlimited carried forward against future taxable income but are not usable within the next 5 years as no future taxable income to be offset is planned. The entity has a long loss making history and this year was the first profitable year.

The Vibracoustic entity in Brazil has been entitled to claim in general certain overpaid amounts resulting from the exclusion of local state taxes in the calculation of the tax basis for federal taxes. The realisation of income from this claim is depending on several uncertain future events, not wholly within the control of Vibracoustic. The benefits from this claim can currently not be assessed reliably. Therefore, this has not been recognized in the financial statements.

The Group did not recognize deferred income tax assets for tax losses in the amount of EUR 10.4 million for China as no use within the next 5 years based on corresponding future taxable income to be offset is expected.

The Group has recorded deferred tax assets in the amount of EUR 4.9 million (2021: EUR 3.9 million) at the level of its French subsidiary, despite the company incurred losses in 2022. The recognition of the deferred tax assets has been made based on the positive income expectations for FY 2023 onwards.

The 2022 Group tax rate amounts to 24.7%, in comparison to the Group tax rate of 26.2% in the prior year.

The following table shows the reconciliation between the expected (theoretical) income tax expense and effective income tax expense. The theoretical tax expense is determined by applying the statutory tax rate of 30.0% (2021: 30.0%) of a corporation headquartered in Germany.

EUR million	2022	2021
Profit before taxes	**149.3**	**125.1**
Expected income tax expense	**44.8**	**37.5**
Deviations from the expected tax rate (including foreign tax rate differences)	**-8.0**	**-7.3**
Losses for which deferred taxes have not been recognized	**-0.4**	**2.0**
Change in tax rates and tax legislation	**0.1**	**0**
Tax-free income	**-1.3**	**-2.5**
Non-deductible expenses	**10.3**	**12.9**
Tax credits / Tax holidays	**-1.4**	**-2.4**
Taxes relating to prior period	**0.5**	**0.7**
Other tax effects	**4.1**	**0.9**
Freudenberg tax grouping / Profit and loss transfer agreement	**-11.8**	**-0.9**
Reported income tax expense	**36.9**	**32.8**

The amount of non-deductible expenses decreased compared to 2021 (2021: EUR 12.9). The tax portion of non-deductible expenses includes foreign withholding taxes of EUR 6.1 million (2021: EUR 4.6 million).

Taxes relating to prior periods include tax expense coming from the true-up with tax returns 2021 for USA, China and Mexico.

The amount of "Freudenberg tax grouping" increased due to a tax profit of Vibracoustic SE amounting to EUR 39.3 million in 2022 allocated to Freudenberg SE.

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Notes to the Consolidated Statement of Financial Position

12. Intangible Assets

Development of intangible assets

January 1 to December 31, 2022

	Internally generated intangible assets		Other intangible assets			Total
EUR million	**Capitalized development costs**	**Capitalized development costs under construction**	**Concessions and licenses**	**Goodwill**	**Intangible assets under construction**	
At cost						
As of Jan. 1, 2022	**1.9**	**-**	**96.5**	**121.8**	**2.6**	**222.8**
Foreign currency translation differences	-	-	0.0	1.9	-	**1.9**
Additions	-	-	1.6	-	0.2	**1.8**
Disposals	-	-	-0.1	-	-	**-0.1**
Transfers	-	-	1.8	-	-1.7	**0.1**
As of Dec. 31, 2022	**1.9**	**-**	**99.8**	**123.7**	**1.1**	**226.5**
Accumulated amortization and impairment						
As of Jan. 1, 2022	**1.9**	**-**	**80.3**	**1.9**	**-**	**84.1**
Foreign currency translation differences	-	-	0.1	-	-	0.1
Amortization	-	-	5.2	-	-	**5.2**
Impairment	-	-	-	-	-	-
Disposals	-	-	-0.1	-	-	**-0.1**
Transfers	-	-	-	-	-	-
As of Dec. 31, 2022	**1.9**	**-**	**85.5**	**1.9**	**-**	**89.3**
Carrying amount as of Jan. 1, 2022	-	-	16.2	119.9	2.6	**138.7**
Carrying amount as of Dec. 31, 2022	**-**	**-**	**14.3**	**121.8**	**1.1**	**137.2**

January 1 to December 31, 2021

	Internally generated intangible assets		Other intangible assets			Total
EUR million	**Capitalized development costs**	**Capitalized development costs under construction**	**Concessions and licenses**	**Goodwill**	**Intangible assets under construction**	
At cost						
As of Jan. 1, 2021	**1.9**	**-**	**95.7**	**119.6**	**1.5**	**218.7**
Foreign currency translation differences	-	-	0.2	2.2	-	2.4
Additions	-	-	0.5	-	1.2	1.7
Disposals	-	-		-	-	
Transfers	-	-	0.1	-	-0.1	-
As of Dec. 31, 2021	**1.9**	**-**	**96.5**	**121.8**	**2.6**	**222.8**
Accumulated amortization and impairment						
As of Jan. 1, 2021	**1.9**	**-**	**74.5**	**1.9**	**-**	**78.3**
Foreign currency translation differences	-	-	0.3	-	-	0.3
Amortization	-	-	5.5	-	-	5.5
Impairment	-	-	-	-	-	-
Disposals	-	-		-	-	
Transfers	-	-	-	-	-	-
As of Dec. 31, 2021	**1.9**	**-**	**80.3**	**1.9**	**-**	**84.1**
Carrying amount as of Jan. 1, 2021	-	-	21.2	117.7	1.5	140.4
Carrying amount as of Dec. 31, 2021	**-**	**-**	**16.2**	**119.9**	**2.6**	**138.7**

The amortization expense on intangible assets was recognized in cost of sales in the amount of EUR 3.1 million (2021: EUR 3.4 million), in distribution expenses in the amount of EUR 0.1 million (2021: EUR 0.1 million), in administrative expenses in the amount of EUR 1.8 million (2021: EUR 1.7 million), and in R&D expenses in the amount of EUR 0.2 million (2021: EUR 0.3 million).

Except for goodwill, there are no intangible assets with an indefinite useful life.

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Impairment test for goodwill

Since 2016, the goodwill is reported and monitored at the level of the two segments: DRIVE Solutions and RIDE Solutions. Vibracoustic performed the annual goodwill impairment test at the level of its segments as there are no lower levels within Vibracoustic at which goodwill is monitored for internal management purposes. A summary of the goodwill allocation is presented below:

EUR million	Dec. 31, 2022	Dec. 31, 2021
DRIVE Solutions	41.2	39.5
RIDE Solutions	80.6	80.4
Total goodwill	**121.8**	**119.9**

The recoverable amount of a CGU is determined by calculating its value in use on the basis of the discounted cash flow method. These calculations use cash flow projections based on financial budgets approved by the management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rate of 2.0 % (2021: 2.0 %). The growth rate does not exceed our expectations for the long-term average growth rate of the respective CGUs.

The material assumptions rest on the assessment of the Management of the Vibracoustic Group in respect of the future developments in the relevant divisions. In particular, the operating forecast for 2023 and 2024 and the updated planning of the Vibracoustic Group are used as a basis to determine cash flows. The key assumptions relate to increasing operating EBIT based on an unchanged market share.

The cash flows of the CGUs are discounted using the weighted average cost of capital (WACC). The discount rate (after tax) applied was 8.1 % as of September 30, 2022, the date of impairment testing (2021: 6.14%). The respective pre-tax discount rate is 11.53 % (2021: 8.78%). The underlying capital structure for the CGUs is determined by comparing peer group companies in the same sector. The beta factor derived from the peer group was 1.13 (2021: 1.08). The market risk premium derived from empirical studies of the capital markets was set at 7.5 % (2021: 7.5%). The key assumptions used are similar for both CGUs.

The impairment test carried out on September 30, 2022, did not reveal a need to recognize impairment losses for the existing goodwill of the CGUs. Further, an EBIT sensitivity of 2.5%, WACC of 1%, and a growth rate of 1% would not cause an impairment as the recoverable amount would still exceed the book value.

13. Property, Plant & Equipment

Development of property, plant & equipment

January 1 to December 31, 2022

EUR million	Land, leasehold rights and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Advance payments	Construction in progress	Total property, plant & equipment
At cost						
As of Jan. 1. 2022	**81.5**	**720.4**	**103.2**	**13.2**	**41.0**	**959.3**
Deconsoliation	-	-0.2	-	-	-	**-0.2**
Foreign currency translation differences	0.5	9.5	-0.4	0.2	0.0	**9.8**
Additions	0.3	13.4	3.4	7.7	53.7	**78.5**
Disposals	-0.2	-23.0	-6.6	-0.0	-0.2	**-30.0**
Transfers	2.5	39.5	4.6	-1.0	-45.7	**-0.1**
As of Dec. 31. 2022	**84.6**	**759.6**	**104.2**	**20.1**	**48.8**	**1,017.3**
Accumulated depreciation and impairment						
As of Jan. 1. 2022	**27.2**	**496.6**	**77.2**	**-**	**-**	**601.0**
Deconsolidation	-	-0.2	-	-	-	**-0.2**
Foreign currency translation differences	0.3	5.9	-0.2	-	-	**6.0**
Depreciation	3.1	47.4	6.3	-	-	**56.8**
Impairment	-	-	-	-	-	**-**
Disposals	-0.2	-22.7	-6.6	-	-	**-29.5**
Transfers	-	0.0	-0.0	-	-	**-0.0**
As of Dec. 31. 2022	**30.4**	**527.0**	**76.7**	**-**	**-**	**634.1**
Carrying amount as of Jan. 1. 2022	54.3	223.8	26.0	13.2	41.0	**358.3**
Carrying amount as of Dec. 31. 2022	**54.2**	**232.6**	**27.5**	**20.1**	**48.8**	**383.2**

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January 1 to December 31, 2021

EUR million	Land, leasehold rights and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Advance payments	Construction in progress	Total property, plant & equipment
At cost						
As of Jan. 1, 2021	**76.4**	**670.4**	**103.1**	**17.7**	**35.2**	**902.8**
Deconsoliation	-	-0.4	-	-	0.4	-
Foreign currency translation differences	5.0	20.6	1.0	0.5	0.6	27.7
Additions	0.3	11.4	3.4	8.1	36.6	59.8
Disposals	-2.6	-21.0	-7.1	-0.3	-	-31.0
Transfers	2.4	39.4	2.8	-12.8	-31.8	-
As of Dec. 31, 2021	**81.5**	**720.4**	**103.2**	**13.2**	**41.0**	**959.3**
Accumulated depreciation and impairment						
As of Jan. 1, 2021	**25.1**	**461.1**	**77.6**	**-**	**-**	**563.8**
Deconsolidation	-	-0.2	-	-	-	-0.2
Foreign currency translation differences	1.3	12.4	0.5	-	-	14.2
Depreciation	2.7	42.1	5.9	-	-	50.7
Impairment	-	-	-	-	-	-
Disposals	-1.9	-18.8	-6.8	-	-	-27.5
Transfers	-	-	-	-	-	-
As of Dec. 31, 2021	**27.2**	**496.6**	**77.2**	**-**	**-**	**601.0**
Carrying amount as of Jan. 1, 2021	51.3	209.3	25.5	17.7	35.2	**339.0**
Carrying amount as of Dec. 31, 2021	**54.3**	**223.8**	**26.0**	**13.2**	**41.0**	**358.3**

The total depreciation expense on property, plant & equipment includes amounts for right-of-use assets and was recognized in cost of sales in the amount of EUR 60.0 million (2021: EUR 53.8 million), distribution expenses in the amount of EUR 0.6 million (2021: EUR 0.6 million), administrative expenses in the amount of EUR 8.0 million (2021: EUR 7.9 million), and R&D expenses in the amount of EUR 6.6 million (2021: EUR 6.7 million).

Disposals mainly result from German, Spain and US plants by replacing by new machineries.

Investments in property, plant & equipment and other equipment were particularly driven by investments in Germany and Eastern Europe, the US and in China. Investments in assembly facilities and the expansion of capacity

accounted for the largest share. As in the previous years, the Group does not have items of machinery under non-cancellable finance lease agreements.

14. Right-of-use assets

Development of right-of-use assets

January 1 to December 31, 2022

EUR million	Right-of-use assets: land, leasehold rights and buildings	Right-of-use assets: other fixtures, fittings and equipments	Total right-of-use property, plant & equipment
At cost			
As of Jan. 1, 2022	**126.5**	**14.6**	**141.1**
Deconsolidation	-	-	-
Foreign currency translation differences	1.0	0.1	**1.1**
Additions	9.2	3.0	**12.2**
Disposals	-6.3	-4.5	**-10.8**
Transfers	-	-	-
As of Dec. 31, 2022	**130.4**	**13.2**	**143.6**
Accumulated depreciation and impairment			
As of Jan. 1, 2022	**34.0**	**7.8**	**41.8**
Foreign currency translation differences	0.0	0.2	**0.2**
Depreciation	14.2	4.2	**18.4**
Impairment	-	-	-
Disposals	-1.5	-4.4	**-5.9**
Transfers	-	-	-
As of Dec. 31, 2022	**46.7**	**7.8**	**54.5**
Carrying amount as of Jan. 1, 2022	92.5	6.8	**54.5**
Carrying amount as of Dec. 31, 2022	**83.7**	**5.4**	**89.1**

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January 1 to December 31, 2021

EUR million	Right-of-use assets: land, leasehold rights and buildings	Right-of-use assets: other fixtures, fittings and equipments	Total right-of-use property, plant & equipment
At cost			
As of Jan. 1, 2021	**118.2**	**14.8**	**133.0**
Deconsolidation	-	-	-
Foreign currency translation differences	2.5	0.1	2.6
Additions	12.7	4.4	17.1
Disposals	-6.9	-4.7	-11.6
Transfers	-	-	-
As of Dec. 31, 2021	**126.5**	**14.6**	**141.1**
Accumulated depreciation and impairment			
As of Jan. 1, 2021	**22.0**	**7.4**	**29.4**
Foreign currency translation differences	0.6	-	0.6
Depreciation	13.6	4.8	18.4
Impairment	-	-	-
Disposals	-2.2	-4.4	-6.6
Transfers	-	-	-
As of Dec. 31, 2021	**34.0**	**7.8**	**41.8**
Carrying amount as of Jan. 1, 2021	96.2	7.4	**103.6**
Carrying amount as of Dec. 31, 2021	**92.5**	**6.8**	**99.3**

The asset class "Right-of-use assets: Land, leasehold rights and buildings" includes mainly real estate leases for office and industrial buildings. As a rule, the leases are entered into for defined periods of time, although they may contain extension and termination options.

Extension and termination options exist for a number of real estate leases. In determining lease terms, all facts and circumstances offering economic incentives for exercising extension options or not exercising termination options are taken into account.

Further, the Group leases forklift trucks, passenger cars and IT infrastructure, with lease terms of three to five years. Such leases belong to the right of use asset class: other fixtures, fittings and equipments.

15. At-equity Investments

The Vibracoustic Group holds 45% of the voting rights in Dawson Manufacturing Company, Benton Harbor, USA. This company is not listed and produces and sells vibration engineering solutions for the automotive industry.

The following table contains summarized financial information on the interest in Dawson Manufacturing Company.

Summarized financial information on Dawson Manufacturing Company

EUR million	As of and for the period ended Dec. 31, 2022	As of and for the period ended Dec. 31, 2021
Current assets	21.9	20.0
Non-current assets	4.6	5.1
Current liabilities	6.4	7.9
Non-current liabilities	1.8	2.0
Revenue	42.5	34.7
Other Comprehensive income	-	0
Net income	2.1	0.2

Changes in the carrying amount of the equity investment are shown as follows:

EUR million	2022	2021
Carrying amount of the investment as of Jan. 1	6.8	6.1
Net income attributable to the Group	1.0	0.2
Dividend received	-	-
Foreign currency translation differences	0.4	0.5
Carrying amount of the investment as of Dec. 31	**8.2**	**6.8**

16. Contract balances

The following table provides information about receivables, contract assets, and contract liabilities from contracts with customers.

EUR million	2022	2021
Receivables, included in trade and other receivables	449.5	338.4
Contract assets	7.7	6.7
Contract liabilities	19.2	30.4

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The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract liabilities relate to the advance consideration received from customers for tooling and development projects.

The Group presents contract assets when it has transferred control of the promised goods or services to the customer but has not yet obtained unconditional rights to consideration. The contract assets are transferred to receivables when the rights become unconditional. The contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts, therefore the impairment for contract assets is calculated on the basis of the IFRS 9 impairment model for trade receivables.

Significant changes in the contract assets and the contract liabilities balances during the period are as follows:

Contract assets **EUR million**	**2022**	**2021**
Amount as of Jan. 1	**6.7**	**7.5**
Transfers from contract assets recognized at the beginning of the period to receivables	**-7.0**	**-0.9**
Increases as a result of changes in the measure of progress	**8.1**	**0.1**
Exchange rate differences	**-0.1**	**0.0**
Amount as of Dec. 31	**7.7**	**6.7**

The increase in contract assets in 2022 results mainly from more customer projects progressing but not yet fully invoiced.

Contract liabilities **EUR million**	**2022**	**2021**
Amount as of January 1	**30.4**	**20.3**
Revenue recognized and included in the contract liabilities balance at the beginning of the period	**-21.3**	**-0.7**
Increases due to cash received, excluding amounts recognized as revenue during the period	**9.4**	**11.8**
Exchange rate differences, change in consolidation structure and other changes	**0.7**	**-1.0**
Amount as of December 31	**19.2**	**30.4**

The decrease in contract liabilities resulted from several customer projects being finalized and a smaller number of customer prepayments received at the beginning of the period.

17. Trade Receivables

Trade receivables increased from EUR 338.4 million in 2021 to EUR 449.5 million as of December 31, 2022. In 2022 trade receivables in the amount of EUR 52.4 million (2021: EUR 20.5 million) were overdue, thereof EUR 43.6 million less than 30 days overdue and EUR 8.8 million more than 30 days overdue. These trade receivables relate to transactions with several unrelated customers with no recent history of default.

Trade receivables are partly insured with trade credit insurance. Apart from that, the carrying amount represents the maximum credit risk.

The allowances for receivables developed as follows:

	2022	2021
Balance at Jan. 1	1.4	1.4
Exchange rate differences	-0.0	0.0
Receivables written off during the year as uncollectible	-0.1	-0.3
Net remeasurement of loss allowance	0.9	0.3
Level of allowances as of Dec. 31	**2.2**	**1.4**
Thereof individual impairment	**1.5**	**0.9**
Thereof collective impairment	**0.7**	**0.5**

The recording and reversal of allowances for impaired trade receivables have been included in the consolidated income statement in the respective expense areas.

During the period, the Group made write-offs mainly relating to a customer project in Germany and a customer in Russia. The Group does not expect to receive future cash flows or recoveries from the collection of cash flows previously written off.

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18. Tax Assets and Other Assets

EUR million	Dec. 31, 2022	Dec. 31, 2021
Derivative financial instruments	**0.1**	**0.2**
Loan receivables	**0.0**	**0.0**
Total other financial assets	**0.1**	**0.2**
Thereof non-current	0.0	0.0
Thereof current	0.1	0.2
Tax assets	**16.1**	**11.5**
Other assets	**44.7**	**41.0**
Total other non-financial assets	**60.8**	**52.5**
Thereof non-current	2.9	3.9
Thereof current	57.9	48.6
Total tax assets and other assets	**60.9**	**52.7**

The other current non-financial assets contain reimbursement claims for value-added tax of EUR 26.8 million (2021: EUR 26.0 million), other tax repayment claims of EUR 1.5 million (2021: EUR 1.1 million), advance payments for inventories of EUR 0.2 million (2021: EUR 0.1 million) and other prepaid expenses of EUR 3.2 milion (2021: EUR 2.7 milion).

Further information for accounting for derivative financial instruments can be found in notes 31.

19. Inventories

EUR million	Dec. 31, 2022	Dec. 31, 2021
Raw materials and supplies	**93.5**	**73.2**
Work in progress	**16.5**	**15.4**
Finished goods and goods for resale	**74.5**	**61.2**
Tools under construction	**43.9**	**47.3**
Total	**228.4**	**197.1**

Inventory write-downs that were recognized as expenses in the reporting period amount to EUR 14.6 million (2021: EUR 8.7 million). Reversals of impairment losses were made in line with the requirement to reverse write-downs where the reasons for such write-downs no longer existed, e.g. due to new customer orders. Those reversals of write-downs amounted to EUR 1.0 million (2021: EUR 0.8 million).

20. Cash and Cash Equivalents

EUR million	Dec. 31, 2022	Dec. 31, 2021
Cash on hand and checks	0.0	0.1
Cash at banks	134.2	141.1
Total	**134.2**	**141.2**

21. Capital Management

The primary objectives of capital management are to ensure the solvency of all Group entities at any time, to sustainably increase corporate value, and to preserve a strong credit profile for the Vibracoustic Group. The Group aspires to optimize its capital structure with respect to a staggered maturity profile of its external financing.

Sufficient cash reserves are secured by implementing various capital cost reduction and optimization measures and effective risk management.

The main Key Performance Indicator (KPI) concerning the Group's capital management is the ratio of net debt to adjusted EBITDA, known as the net leverage ratio, as this ratio applies to the Syndicated Revolving Credit Facility (SRCF) related to the margin determination.

All the financial and non-financial covenants were complied with in the past financial year.

22. Equity

The individual components of equity as well as their development in 2021 and 2022 are stated in the consolidated statement of changes in equity of the Vibracoustic Group.

Share capital

The share capital of Vibracoustic SE amounted to EUR 0.5 million as of December 31, 2022 (2021: EUR 0.5 million). The share capital is fully paid.

Capital reserve

The capital reserve largely relates to cash contributed by shareholders.

Retained earnings

Retained earnings include the Group's results generated in the past, provided they were not distributed, as well as the reserves of companies included in the consolidated financial statements, including accumulated other comprehensive income (loss) recognized as not affecting profit (loss) for the period. Accumulated other comprehensive income (loss) comprises the currency translation differences arising from the translation of the financial statements of foreign subsidiaries, the effects of the fair value measurement of derivative financial instruments, the impact of changes in accounting policies, and remeasurement gains and losses in connection with defined benefit pension liability. Remeasurements of defined benefit obligations have a direct effect on the consolidated statement of financial position and, taking other comprehensive income into account, lead to an

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increase in retained earnings (less deferred taxes, which have an offsetting effect) of EUR 17.8 million (2021: EUR 1.9 million).

Dividends

For the year 2022, the profit to be transferred to Freudenberg SE under the profit and loss transfer agreement amounted to EUR 43,238,893.32 (2021: EUR 50.1 million). With 500,000 no-par-value shares, the dividend per share for the year 2022 amounts to EUR 86.48.

Non-controlling interests

The shares of other shareholders concern the net assets of:

- Vibracoustic CV Air Springs (Yantai) Co., Ltd., Yantai, China
- Vibracoustic CV Air Springs Magyarorszag Kft., Nyiregyhaza, Hungary
- Vibracoustic CV Air Springs Otomotiv Sanayi ve Ticaret A.S., Gemlik, Turkey
- Vibracoustic CVAS Turkey Trading Otomotiv A.S., Bursa, Turkey
- Vibracoustic CV Air Springs GmbH, Hamburg, Germany
- Vibracoustic CV Air Springs USA Inc., Wilmington, USA
- Vibracoustic-Ikhwezi (Proprietary) Ltd., East London, South Africa.

The following table shows a summary of the subsidiaries that have significant non-controlling interests (before adjusting for intra-Group eliminations).

As of and for the period ended Dec. 31, 2022	Vibracoustic CV Air Springs Magyaror-szag Kft.	Vibracoustic CV Air Springs Otomotiv Sanayi ve Ticaret A.S.	Vibracoustic CV Air Springs GmbH	Other separately considered subsidiaries of minor significance
EUR million				
Percentage, non-controlling interests	34.933	34.933	34.933	
Non-current assets	3.3	3.9	35.0	2.9
Current assets	10.6	22.6	12.0	19.7
Non-current liabilities	0.4	1.4	0.4	0.3
Current liabilities	7.0	16.1	3.2	9.5
Net assets	**6.6**	**9.0**	**43.4**	**12.8**
Carrying amount of non-controlling interests	2.3	3.2	15.1	4.3
Revenue	38.5	62.7	-	35.7
Profit (loss)	2.7	2.8	3.6	1.4
Other comprehensive income (loss)	0.0	-2.9	0.1	-0.2
Total comprehensive income (loss)	**2.7**	**-0.1**	**3.7**	**1.2**
Profit (loss) attributable to non-controlling interests	0.9	1.0	1.3	0.5
Other comprehensive income (loss) attributable to non-controlling interests	0.9	-1.0	0.0	-0.1

As of and for the period ended Dec. 31, 2021	Vibracoustic CV Air Springs Magyaror-szag Kft.	Vibracoustic CV Air Springs Otomotiv Sanayi ve Ticaret A.S.	Vibracoustic CV Air Springs GmbH	Other separately considered subsidiaries of minor significance
EUR million				
Percentage, non-controlling interests	34.933	34.933	34.933	
Non-current assets	3.8	3.6	35.0	3.1
Current assets	9.3	24.9	12.2	17.9
Non-current liabilities	0.7	0.6	0.4	0.7
Current liabilities	6.4	17.1	3.1	8.7
Net assets	6.0	10.8	43.6	11.6
Carrying amount of non-controlling interests	2.1	3.8	15.2	3.9
Revenue	35.1	58.6	-	28.7
Profit (loss)	2.1	8.5	8.1	1.2
Other comprehensive income (loss)	-0.0	-8.3	-0.0	0.6
Total comprehensive income (loss)	2.1	0.1	8.1	1.7
Profit (loss) attributable to non-controlling interests	0.7	3.0	2.8	0.4
Other comprehensive income (loss) attributable to non-controlling interests	-0.0	-2.9	-0.0	0.2

In 2022, Vibracoustic CV Air Springs GmbH paid dividends of EUR 1.4 million to non-controlling interests (2021: EUR 1.0 million).

23. Provisions for Pensions and Similar Obligations

Provisions for pensions relate to European subsidiaries in Germany, Turkey, Poland, Hungary, and France, as well as Asian subsidiaries in India, and subsidiaries in the US and Mexico. These are primarily retirement benefit obligations from company pension schemes, as well as obligations arising in accordance with local legal requirements. A medical benefit plan is administered in the US.

Obligations from current pensions and accrued future pension rights are presented in the respective contribution plans. The company pension scheme in the Vibracoustic Group comprises defined benefit pension systems which have already been partially closed to new employees.

The largest of the Group's defined benefit plans – accounting for 89.8% of the global defined benefit obligation (2021: 93.5%) – are in Germany and France. The plans of all other countries are combined and hereinafter referred to as "Other".

The defined benefit obligation plans in Germany consist of plans for five German entities.

Actuarial assumptions

In accordance with IAS 19 (Employee Benefits), pension provisions are recognized to cover obligations arising from the current and future pension entitlements of active and former employees of the Vibracoustic Group and their

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surviving dependents. The discount rate used to calculate the defined benefit obligation at each reporting date is determined on the basis of current capital market data and long-term assumptions about future salary and pension increases in accordance with the best-estimate principle. These assumptions vary depending on the economic conditions affecting the currency in which benefit obligations are denominated and in which fund assets are invested, as well as capital market expectations.

Benefit obligations are calculated on the basis of current biometric probabilities as determined in accordance with actuarial principles. The calculations also include assumptions about future employee turnover based on employee age and years of service, and the probability of retirement. The defined benefit obligation is calculated on the basis of the significant weighted-average assumptions as of the reporting date shown in the following table:

	Germany		**France**		**Other**	
	2022	2021	**2022**	2021	**2022**	2021
Discount rate	**3.8**	1.0	**3.8**	1.0	**10.7**	9.1
Future wage, salary and pension increases	**2.5**	1.75	**2.7**	2.5	**8.8**	7.6

The assumed discount rates are determined on the basis of the yield as of the reporting date on AA-rated, investment-grade, fixed-interest corporate bonds with maturities that match the expected maturities of the pension obligations. Pension obligations in foreign countries are in line with local circumstances such as inflation and interest rates. The discount rates shown for other countries are average discount rates for several plans.

Future increases in wages and salaries are estimated on an annual basis, taking into account factors such as inflation and the overall economic situation.

The life expectancies used to determine retirement benefit obligations for plans in Germany are based on the 2018 G mortality tables of Professor Dr. Klaus Heubeck. Obligations abroad are also determined on a country by country basis, in line with the local mortality tables and economic conditions prevailing in each country (i.e. France: TV / TD 2016-2018).

Further actuarial assumptions such as turnover rate and pension progression are determined in accordance with recognized forecasts in each country, taking into account the circumstances and forecasts in the companies concerned.

For significant pension plans, actuarial valuations are obtained.

Defined benefit obligation

The development of defined benefit obligations is as follows:

	Germany		France		Other		Total	
EUR million	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Present value of defined benefit obligations as of Jan. 1	**60.8**	61.7	**8.2**	8.1	**4.8**	4.8	**73.8**	74.6
Current service cost	**0.8**	0.9	**0.5**	0.6	**0.6**	0.5	**1.9**	2.0
Interest expense	**0.6**	0.5	**0.1**	0.1	**0.4**	0.4	**1.1**	1.0
Past service cost/ settlement/curtailment/ termination	**-**	-	**-**	-	**0.0**	0.0	**0.0**	0.0
Actuarial gains/losses (remeasurement component)	**-16.8**	-1.1	**-1.8**	-0.5	**-0.1**	-0.8	**-18.7**	-2.4
of which based on financial assumptions	**-17.8**	-1.6	**-2.6**	-0.2	**-0.4**	-0.3	**-20.8**	-2.1
of which based on demographic assumptions	**-**	-	**0.0**	0.0	**0.0**	-0.0	**0.0**	0.0
of which based on experience gains and losses	**1.0**	0.5	**0.8**	-0.2	**0.3**	-0.5	**2.1**	-0.2
Pension payments	**-1.7**	-1.5	**-1.1**	-0.1	**-0.1**	-0.3	**-2.9**	-1.9
Reclassifications / other movements	**0.0**	0.3	**-**	-	**-**	-	**0.0**	0.3
Exchange rate differences	**-**	-	**-**	-	**0.1**	0.2	**0.1**	0.2
Present value of the defined benefit obligations as of Dec. 31	**43.7**	60.8	**5.9**	8.2	**5.7**	4.8	**55.3**	73.8

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Net defined benefit liability

The development of the net defined benefit liability is as follows:

	Germany		France		Other		Total	
EUR million	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Net defined benefit liability as of Jan. 1	**60.8**	61.7	**8.2**	8.1	**4.8**	4.8	**73.8**	74.6
Current service cost	**0.8**	0.9	**0.5**	0.6	**0.6**	0.5	**1.9**	2.0
Net interest expense	**0.6**	0.5	**0.1**	0.1	**0.4**	0.4	**1.1**	1.0
Past service cost/ settlement/curtailment/ termination	**-**	-	**-**	-	**0.0**	0.0	**0.0**	0.0
Remeasurement	**-16.8**	-1.1	**-1.8**	-0.5	**-0.1**	-0.8	**-18.7**	-2.4
Employer contributions	**-**	-	**-**	-	**-**	-	**-**	0.0
Administrative expenses	**-**	-	**-**	-	**0.0**	0.0	**0.0**	0.0
Pension payments	**-1.7**	-1.5	**-1.1**	-0.1	**-0.1**	-0.3	**-2.9**	-1.9
Reclassifications / other movements	**0.0**	0.3	**-**	-	**0.0**	0.0	**0.0**	0.3
Exchange rate differences	**-**	-	**-**	-	**0.1**	0.2	**0.1**	0.2
Net defined benefit liability as of Dec. 31	**43.7**	60.8	**5.9**	8.2	**5.7**	4.8	**55.3**	73.8

The defined benefit liability is derived as follows:

	Dec. 31, 2022	Dec. 31, 2021
EUR million		
Present value of partially or fully funded retirement benefit obligations	0.0	0.0
Fair value of plan assets	0.0	0.0
Shortfall	**0.0**	**0.0**
Present value of unfunded retirement benefit obligations	55.3	73.8
Net defined benefit liability	**55.3**	**73.8**

As of December 31, 2022, the weighted average duration of the obligation was 14.5 years in Germany (2021: 17.6 years), 12.6 years in France (2021: 12.4 years), and 12.6 years in other countries (2021: 13.1 years).

Expected contributions to post-employment benefit plans for the next reporting period are EUR 2.1 million.

As the obligations are not covered by external assets, payments to beneficiaries are made directly by the Company and therefore have an impact on cash flow from operating activities.

Sensitivity analysis

	Germany		**France**		**Other**	
	2022	2021	**2022**	2021	**2022**	2021
EUR million						
Impact on the gross obligation due to an increase of the weighted discount rate	**0.50%**	0.50%	**0.50%**	0.50%	**0.5%**	**0.50%**
Change in the provision	**-3.10**	-4.96	**-0.22**	-0.33	**0.36**	**-0.32**
Impact on the gross obligation due to a reduction of the weighted discount rate	**-0.5%**	-0.50%	**-0.5%**	-0.50%	**-0.5%**	-0.50%
Change in the provision	**3.00**	5.66	**0.53**	0.76	**0.33**	**0.36**

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognized in the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Statement of the amounts included in the income statement

In accordance with IAS 19, actuarial assumptions are performed for benefit obligations to determine the amount to be expensed in each period. The expenses recognized in profit or loss consist of a number of components that must be calculated and disclosed separately.

The breakdown of the net cost of the defined benefit obligation recognized in profit or loss is shown in the following table:

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EUR million	2022	2021
Current service cost	**1.9**	**2.0**
Net interest expense (income)	**1.1**	**0.9**
Past service cost	**0.0**	**0.0**
Administrative expenses	**0.0**	**0.0**
Gain / loss from the curtailment or settlement of retirement benefit obligations	**0.0**	**0.0**
Net expense for post-retirement expenses	**3.0**	**3.0**

24. Other Provisions

EUR million	Restructuring provision	Other personnel expenses	Product warranties and onerous contracts	Discounts, bonuses and commissions	Environmental risks	Other obligations	Total
As of Jan. 1, 2022	**1.3**	**39.8**	**34.3**	**28.6**	**11.0**	**20.7**	**135.7**
Additions	0.4	24.4	9.2	16.2	0.0	29.4	79.6
Utilization	-0.3	-28.5	-7.5	-8.1	-0.3	-6.6	-51.3
Reversal	-0.6	-5.0	-13.9	-8.3	-0.9	-8.7	-37.4
Exchange rate differences	0.0	0.2	1.0	0.1	1.4	0.0	2.6
Other changes	0.0	-0.1	0.0	3.9	-1.5	0.0	2.3
As of Dec. 31, 2022	**0.7**	**30.8**	**23.1**	**32.4**	**9.7**	**34.8**	**131.5**
of which current	0.7	28.8	22.2	31.2	3.0	30.5	116.4
of which non-current	0.0	2.0	0.9	1.2	6.7	4.3	15.1

Restructuring provision built in 2019 and 2020 was almost fully utilized in 2021 already. The remaining amount is related to formal agreements with few individual employees. The costs recognized in the provision only include the direct expenditures arising from the restructuring activities. It is expected that this results in payments within a year.

Provisions for other personnel expenses mainly include other current and non-current personnel obligations, in particular provisions for compensation and rewards, vacation, partial retirement models, termination payments, and jubilees. Provisions for partial retirement models are calculated using a discount rate of 0.59% (2021: 0.4%). It is expected to use the major part of the provision within a year.

Provisions for product warranties and onerous contracts mostly comprise contractual and legal obligations from the sale of products and from customer complaints. The Group expects to make use of the major part of the provision in the coming year. The changes in provision for warranties and onerous contracts include utilization of

EUR 7.5 million and reversals of EUR 13.9 million, which are offset by additions of EUR 9.2 million, especially for individual cases in various countries.

Provisions for environmental risks includes obligations to rectify environmental damages at a former production site in Brazil. There are uncertainties regarding the amount and timing of the outflows. Changes due to cost inflation and an increased interest rate both decrease the provision.

Other provisions comprise various items, in particular provisions for services and goods received but not invoiced by the supplier, as well as provisions for risks arising from price negotiations with customers for supplies that have already occurred, mainly from customers in the region Europe. Provisions that were no longer required were reversed and recognized through profit or loss. The Group expects to make use of the major part of the provision in the coming year.

25. Trade Payables and Other Liabilities

	Remaining term			Dec. 31, 2022	Remaining term			Dec. 31, 2021
EUR million	**up to 1 year**	**1 to 5 years**	**more than 5 years**		**up to 1 year**	**1 to 5 years**	**more than 5 years**	
Trade payables	361.1	-	-	**361.1**	243.7	-	-	**243.7**
Other financial liabilities	53.1	0.0	-	**53.1**	62.2	0.2	-	**62.4**
Other non-financial liabilities	76.1	4.4	-	**80.5**	81.0	5.3	-	**86.3**
Total liabilities	490.3	4.4	-	**494.7**	386.9	5.5	-	**392.4**

Other non-financial liabilities are presented in the table below:

	Remaining term			Total	Remaining term			Total
EUR million	**up to 1 year**	**1 to 5 years**	**more than 5 years**	**Dec. 31, 2022**	**up to 1 year**	**1 to 5 years**	**more than 5 years**	Dec. 31, 2021
Liabilities to employees	33.8	0.7	-	**34.5**	30.4	1.0	-	**31.4**
Liabilities from taxes	22.7	3.7	-	**26.4**	19.4	3.8	-	**23.2**
Contract liabilities	19.2	-	-	**19.2**	30.4	-	-	**30.4**
Others	0.4	0.0	-	**0.4**	0.8	0.5	-	**1.3**
Total	**76.1**	**4.4**	-	**80.5**	**81.0**	**5.3**	-	**86.3**

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26. Loans and Borrowings

EUR million	Remaining term up to 1 year	Remaining term 1 to 5 years	Remaining term more than 5 years	Dec. 31, 2022	Remaining term up to 1 year	Remaining term 1 to 5 years	Remaining term more than 5 years	Dec. 31, 2021
Promissory notes	-	-	-	**-**	47.0	-	-	**47.0**
Loans from shareholders	80.0	120.0	-	**200.0**	130.0	-	-	**130.0**
Other loans and borrowings	13.0	0.1	-	**13.1**	37.2	0.2	-	**37.4**
Total loans and borrowings	93.0	120.1	-	**213.1**	214.2	0.2	-	**214.4**

The underlying currency of the loans and borrowings is Euro.

In October 2022, Vibracoustic SE concluded a EUR 200.0 million Syndicated Revolving Credit Facility (SRCF) with an initial term of three years, which comprises an extension option of up to two years and an increase option of up to EUR 150.0 million in addition. The SRCF bears interest at a variable interest rate based on the respective EURIBOR reference rate plus the applicable margin in accordance with the facility documentation. As of the reporting date, the SRCF was not drawn upon, thus leaving the full amount of EUR 200.0 million as committed liquidity reserves.

The other loans and borrowings include mainly short-term and long-term Shareholder loans in an amount of EUR 200.0 million as well as bank overdrafts in an amount of EUR 13.0 million (2021: EUR 37.4million).

Changes in net financial debt

The Vibracoustic Group uses its net financial debt as a key internal figure for analyzing the changes in its financial liabilities. Net financial debt is defined as the difference between financial liabilities and cash including cash equivalents.

The table below gives a breakdown of the Group's net financial debt as of December 31:

Net financial debt

EUR million	**Dec. 31, 2022**	Dec. 31, 2021
Promissory notes – floating rate (2015 – 2022)	-	27.0
Promissory notes – fixed rate (2015 – 2022)	-	20.0
Shareholder loan – floating rate	200.0	130.0
Lease liabilities	94.8	105.1
Interest-bearing liabilities and profit sharing agreement	43.2	50.1
Other bank loans	13.1	37.4
Interest charge	-	0.1
Financial debt	351.1	369.7
Cash and cash equivalents	-134.2	-141.2
Net financial debt	216.9	228.5

The change in net financial debt is primarily caused by the matured promissory note (in October 2022), a decrease in the lease liabilities and other bank loans and an increase in the Shareholder loan. Non-cash changes resulted from the profit transfer agreement to Freudenberg SE to transfer the 2022 profit of Vibracoustic SE to Freudenberg SE (EUR 43.2 milion).

In connection with the SRCF, the Vibracoustic Group is not obliged to comply with a specific financial covenant during the term of the agreement. The ratio of net debt to Adjusted EBITDA (net leverage ratio) is used in connection with the determination of the applicable margin.The net leverage ratio is reviewed on a quarterly basis. All financial and non-financial covenants in connection with the new SRCF and the old SRCF were complied with in the past financial year.

27. Lease Liabilities

The lease liabilities are presented under a separate line in the balance sheet and initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group´s incremental borrowing rate. Generally, the Group uses the incremental borrowing rate as the discount rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method. They are remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The table below includes liabilities owned to Freudenberg group companies.

EUR million	Dec. 31, 2022	Dec. 31, 2021
Maturity analysis – contractual undiscounted cash flows of lease liabilities		
Due within one year	**18.0**	**17.7**
Due within one to five years	**54.8**	**57.3**
Due in more than five years	**30.6**	**39.6**
Total undiscounted lease liabilities at 31 December	**103.4**	**114.6**

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The Group paid EUR 20.7 million for leases in 2022 (2021: EUR 20.1 million), consisting of principal portion from lease payments of EUR 18.5 million (2021: EUR 17.6 million) and interest expenses of EUR 2.2 million (2021: EUR 2.5 million). There are no significant future possible Cash outflows in combination with leases, that are not included in the lease liabilities.

28. Contingent Liabilities and Other Financial Obligations

As of the balance sheet date, there are no significant contingent liabilities arising from bill commitments, liabilities for guarantees, liabilities arising from indemnity agreements, or from providing collateral for third-party obligations.

The Group companies are party to a number of pending lawsuits. The Group believes it is unlikely that the ongoing lawsuits will require a significant outflow of resources that have not yet been accounted for.

Other financial obligations

EUR million	Dec. 31, 2022	Dec. 31, 2021
Capital expenditure commitments for tangible and intangible assets	**21.1**	15.9
Purchase obligations for the supply of goods / contracts for service	**27.2**	35.0
	48.3	50.9

29. Additional Financial Instrument Disclosures

The following table shows the measurement categories defined by IFRS 9. In line with IFRS 7, the table shows carrying amounts and fair values of financial assets and liabilities.

Most of cash and cash equivalents, loans and receivables as well as other non-derivative receivables and liabilities, trade receivables and payables held by the Group have short remaining terms to maturity of up to one year, except the SRCF, which has a remaining maturity of three years. The carrying amounts of these financial instruments correspond to their fair values. The fair value of liabilities to banks which is to be disclosed was derived from public information on interest rate curves, as well as information received from the banks as of the reporting date. Except for derivative financial instruments, all financial assets and liabilities are measured at amortized cost.

Carrying amounts broken down by class and category

as of December 31, 2022

EUR million		Categories			
	Carrying amount	Financial assets at amortized cost	Financial liabilities at amortized cost	Cash flow hegdes and other derivatives	Fair value
Classes					
Financial assets					
Trade receivables	449.5	449.5	-	-	449.5
Loan receivables	0.0	0.0	-	-	0.0
Derivative financial instruments	0.1	-	-	0.1	0.1
Cash and cash equivalents	134.2	134.2	-	-	134.2
Financial liabilities					
Loans and borrowings	213.1	-	213.1	-	213.1
Trade payables	361.1	-	361.1	-	361.1
Derivative financial instruments	0.2	-	-	0.2	0.2
Other financial liabilities	52.9	-	52.9	-	52.9

as of December 31, 2021

EUR million		Categories			
	Carrying amount	Financial assets at amortized cost	Financial liabilities at amortized cost	Cash flow hegdes and other derivatives	Fair value
Classes					
Financial assets					
Trade receivables	338.4	338.4	-	-	338.4
Loan receivables	0.0	0.0	-	-	0.0
Derivative financial instruments	0.2	-	-	0.2	0.2
Cash and cash equivalents	141.1	141.1	-	-	141.1
Financial liabilities					
Loans and borrowings	214.4	-	214.4	-	214.2
Trade payables	243.7	-	243.7	-	243.7
Derivative financial instruments	0.1	-	-	0.1	0.1
Other financial liabilities	62.3	-	62.3	-	62.3

The fair values of the amortized cost of recognized financial assets and financial liabilities mostly correspond to the carrying amounts. As contract liabilities are not considered financial instruments according to IFRS 15, they are not included in this disclosure. In 2022 contract liabilities amounted to EUR 19.2 million (2021: EUR 30.4 million).

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The following table shows the net gains and losses of loans and receivables and liabilities at amortized cost:

EUR million	2022	2021
Financial assets at amortized costs		
Interest income	**6.3**	**3.0**
Effect of impairments	**-0.1**	**-0.3**
	6.2	**2.7**
Financial liabilities at amortized cost		
Interest expenses	**-7.9**	**-2.4**
Financial assets and financial liabilities at amortized cost		
Foreign exchange rate gains	**6.8**	**6.3**
Foreign exchange rate losses	**-6.9**	**-2.1**
	-0.1	**4.2**
Net result	**-1.8**	**4.5**

30. Fair Value Measurement

The following tables provide an overview of the classification of financial assets and liabilities measured at fair value in the fair value hierarchy under IFRS 13 as of December 31, 2022, and December 31, 2021, respectively. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value (see note 29).

Financial instruments

measured at fair value as of December 31, 2022

	Fair Value Hierarchy			
EUR million	**Level 1**	**Level 2**	**Level 3**	**Dec. 31, 2022**
Financial assets				
Cash flow hedges	-	0.0	-	0.0
Other derivatives	-	0.1	-	0.1
Other financial instruments	-	-	-	-
Financial liabilities				
Cash flow hedges	-	0.2	-	0.2
Other derivatives	-	0.1	-	0.1
Other financial instruments	-	-	-	-

measured at fair value as of December 31, 2021

	Fair Value Hierarchy			
EUR million	**Level 1**	**Level 2**	**Level 3**	**Dec. 31, 2021**
Financial assets				
Cash flow hedges	-	0.2	-	0.2
Other derivatives	-	0.0	-	0.0
Other financial instruments	-	0.0	-	0.0
Financial liabilities				
Cash flow hedges	-	-	-	-
Other derivatives	-	0.1	-	0.1
Other financial instruments	-	0.0	-	0.0

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The fair value of foreign exchange forward contracts, spot contracts and other derivatives is determined using appropriate valuation methods on the basis of observable and published market data at the reporting date. Both contractually agreed payments and forward rates are used to calculate the future values of the forward legs of foreign exchange swaps, which are then discounted on the basis of a yield curve that is observable in the market and published accordingly. The fair value of foreign exchange swaps is calculated by using the same valuation method as used for the valuation of the foreign exchange forward contracts.

If events or changes in circumstances require a reclassification of financial instruments to a different level, they are reclassified at the end of a reporting period. No transfers between the different levels occurred in 2022.

31. Derivative Financial Instruments

Vibracoustic SE is responsible for all financing activities of the Vibracoustic Group, and in this context, manages and monitors the cash management for the entire Group. Group companies are principally financed via loans from Vibracoustic SE if necessary and, in exceptional cases, to a negligible extent by local bank loans. For Group entities, frameworks for action, responsibilities, and controls in respect of the conclusion and processing of derivative financial instruments are defined in binding internal guidelines. The Vibracoustic Group uses derivative financial instruments solely to hedge or manage existing financial risk related to underlying transactions. Future transactions are only hedged if their occurrence is highly probable.

To hedge and limit certain foreign currency risks, the Group uses foreign exchange forward contracts concluded on the respective foreign exchange markets under the supervision and control of the centralized Group Treasury department. These transactions include cash flow hedges.

As of December 31, 2022, the Group had no foreign exchange forward contracts in EUR against INR (2021: EUR 0.3 million nominal amount) and foreign exchange forward contracts with USD 7.2 million (2021: USD 4.7 million) against INR, and a fair value of EUR -0.2 million (2021: EUR 0.1 million) for USD against INR, and remaining terms between one month and nine months. The average hedge rate for outstanding hedging instruments is USD 80.873 against INR.

As of December 31, 2022, the Group had foreign exchange swaps contracts with nominal amounts of EUR 89.1 million (2021: EUR 70.7 million), and a fair value of EUR 0.0 million (2021: -0.1 million), and remaining terms between one month and four months.

For those foreign exchange forward contracts that apply to hedge accounting a specific underlying, e.g. a portion of planned revenues that is budgeted on a monthly basis, is designated as the hedged transaction. The probability of revenues matching the amount of the hedged portion is estimated as being sufficiently high. The critical terms of the hedged item and the hedge contract concluded in each case match, so that full effectiveness of the hedge can be assumed. Valuation of foreign exchange forward transactions as of the reporting date occurs using the market comparison method based on published interest rates and foreign exchange rates.

During the reporting period, changes in fair value of cash flow hedges of EUR -0.3 million (2021: EUR 0.1 million) were recognized in "Other comprehensive income." In the reporting period, there were no significant transfers affecting profit or loss from the "Other comprehensive income" item on the consolidated income statement.

Risks associated with financial instruments

The Vibracoustic Group is subject to risks arising from changes in foreign exchange rates and interest rates. Hence, to a limited extent, it uses forward contracts that are typical for the market to hedge risks arising from the operating business. Foreign exchange swap contracts are used only in connection with the cash management in different currencies. The use of these instruments is governed by corporate policy as part of the risk management system. Authorization procedures are defined which preclude using derivative instruments for speculative purposes, minimize credit risks, and govern the internal reporting system and segregation of duties. Compliance with these policies, and the proper processing and valuation of transactions, is regularly reviewed by Group Treasury, Group Accounting and Controlling functions with due regard for the separation of functions. The risk management of financial instruments is also embedded in the Group-wide risk management system of the Vibracoustic Group.

The following risks apply to the Vibracoustic Group:

Interest rate change risks

The Vibracoustic Group is exposed to the risk of rising interest rates on money and capital markets, which might lead to an increase in interest expenses on outstanding bank loans bearing interest at variable interest rates. Falling interest rates on money markets might lead to reduced interest income from investments in cash and cash equivalents in the various currencies of the Vibracoustic Group. As of the reporting date, cash and cash equivalents to a material extent equate to floating rate financial liabilities. For this reason, the net interest rate risk is considered to be insignificant.

The Vibracoustic Group is subject to additional interest rate risks arising from negative changes in the net leverage ratio used to determine the credit margins. The change in the key ratio which was agreed with the lending banks solely impacts the applicable credit margin.

As of the reporting date, the interest-bearing debt of the Vibracoustic Group totals EUR 351.1 million. This debt bears interest based on variable interest rates only. Based on the assumption of an increase in variable interest rates of 50 basis points, the Vibracoustic Group interest expenses would increase by EUR 1.1 million per year. This increase in interest expenses would be partly offset by higher interest income in connection with money market deposits and available cash held in bank accounts by various Group companies.

Currency risks

The Vibracoustic Group companies settle a part of their revenues and costs in currencies other than the respective functional currency.

To hedge and control existing transactions in foreign currencies, or transactions in foreign currencies that are to be expected with reasonable probability, the Vibracoustic Group uses foreign exchange forward contracts that are common and typical for the market. In the event of the underlying transaction lapsing, a loss or gain could arise on the then-uncovered foreign exchange contract. The extent of this would depend on changes in market values. The following tables provide an overview of possible changes in valuation that would result from a change in the spot rate of plus or minus 10%:

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FX forward contracts	EUR million	USD million
Nominal values of derivative contracts	-	7.2

Fair value of derivative contracts	-	-0.2
Fair value in the case of a 10% appreciation of derivative contracts	-	-0.7
Fair value in the case of a 10% devaluation of derivative contracts	-	0.7

Hedge ineffectiveness was negligible and therefore a change in the spot rate would only lead to a change in the other components of equity.

FX swap contracts	USD million	CNY million	CZK million	SEK million
Nominal values of derivative	80.5	6.1	1.1	1.4

Fair value of derivative contracts	-0.0	0.0	0.0	-0.0
Fair value in the case of a 10% appreciation of derivative contracts	-8.0	-0.6	-0.1	-0.1
Fair value in the case of a 10% devaluation of derivative contracts	8.0	0.6	0.1	0.1

This change in the fair value of derivative contracts would let to a change in profit and loss, with an opposing effect of the underlying instrument balancing the change in profit and loss.

Liquidity risks

Liquidity risks are risks associated with the Vibracoustic Group probably not being able to meet its financial obligations, as per agreement, through settlement using cash or other financial assets. The Vibracoustic Group's liquidity management strives to ensure that sufficient cash is always available to meet payment obligations as they fall due, under normal conditions as well as tight conditions, without suffering losses or damaging the reputation of the Vibracoustic Group. Due to the SRCF provided by banks, additional bilateral overdraft facilities and additional Shareholder loans, the management of the Vibracoustic Group considers the Group's cash cushion to be sufficient. The loan agreements impose no obligations on the Group to comply with certain key ratios. Furthermore, additional cash is available in the form of account balances and short-term investments. In this regard, we refer to notes 20 and 26.

The cash and cash equivalents of the Vibracoustic Group are distributed between several banks with adequate creditworthiness in accordance with approved counterparty limits so that no concentration risk arises. The creditworthiness of the banks is monitored using external bank ratings.

Credit risk

Identifiable risks are accounted for by expected credit loss and individual impairments. Otherwise, the carrying amount of all receivables and contract assets represents the maximum credit risk. The Group considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. The Group has immaterial balances which are overdue more than 180 days; the average percentage of customers that are more than 180 days overdue is less than 1%. Details of concentration of revenue are included in note 32.

The Vibracoustic Group only concludes derivative financial instruments with banks that have sufficient creditworthiness. Distribution across several bank partners ensures that the counterparty risk is largely eliminated in management's view.

As of December 31, 2022, the exposures to credit risk for trade receivables by geographic region were as follows:

EUR million	**2022**	**2021**
Europe	180.1	135.8
of which Germany	60.8	45.1
North America	104.9	90.7
of which USA	76.7	69.1
South America	8.0	5.0
Asia-Pacific	140.6	98.5
of which China	129.9	98.1
India	15.9	8.4
Total	**449.5**	**338.4**

As of December 31, 2022, the exposures to credit risk for trade receivables by type of counterparty were as follows:

EUR million	**2022**	**2021**
OEM – Original Equipment Manufacturers	291.5	196.3
Non-OEMs – non-Original Equipment Manufacturers	158.0	142.1
Total	**449.5**	**338.4**

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Other Disclosures

32. Segment Reporting

The Management Board monitors the Vibracoustic Group on the basis of two reportable segments: DRIVE Solutions and RIDE Solutions. Segment reporting follows this management approach, taking into account the relevant organizational structures and the corporate strategy of the Vibracoustic Group.

The two segments are each composed of similar or related products and product groups. This can be seen in product requirements, market trends, and customer groups. The two segments are relatively independent of each other – in particular, there are no significant intersegment sales.

Description of the segments

DRIVE Solutions: The DRIVE Solutions segment covers the development, manufacturing and selling of motor and transmission mounts, torsional vibration dampers, shaft dampers, and exhaust mounts for all types of vehicles.

RIDE Solutions: The RIDE Solutions segment is focused on the development, manufacturing and selling of chassis mounts, air suspensions and components made from Micro Cellular Urethane (MCU) for all types of vehicles.

Corporate

Other activities which are not part of our two reportable segments are summarized in the Corporate category. This comprises certain headquarter functions and centrally managed subsidiaries and affiliates, such as holding companies. It also contains the management of certain risks, particularly contractual and litigation risks.

EUR million	DRIVE Solutions 2022	DRIVE Solutions 2021	RIDE Solutions 2022	RIDE Solutions 2021	**Total segments DRIVE Solutions and RIDE Solutions 2022**	Total segments DRIVE Solutions and RIDE Solutions 2021
Total Sales	790.4	665.8	1,718.5	1,375.5	**2,508.9**	2,041.3
Thereof:						
Product Sales	725.5	634.4	1,621.7	1,282.0	**2,374.2**	1,916.4
Tooling Sales	15.4	15.1	39.4	31.9	**54.8**	47.0
R&D Sales	22.6	16.3	57.4	61.5	**80.0**	77.9
Result from at-equity investments	0.0	0.0	0.9	0.1	**0.9**	0.1
Total sales organic growth	13.4%	6.5%	22.2%	18.7%	-	-
Adjusted EBIT (segment result)*	50.9	32.3	114.9	110.5	**165.8**	142.8
Adjusted EBIT margin (on Total sales)	6.4%	4.9%	6.7%	8.0%	**6.6%**	7.0%

EUR million	Corporate 2022	Corporate 2021	**Total segments 2022**	Total segments 2021
Total Sales	0.1	0.8	**2,509.0**	2,042.1
Total sales organic growth		-	**19.3%**	14.5%
Adjusted EBIT (segment result) *	-9.3	-7.9	**156.6**	134.9
Adjusted EBIT margin (on Total Sales)	-	-	**6.2%**	6.6%

* For definition, see "Segment management"

Segment management

The Group's management reporting systems use accounting policies that are the same as those described in note 6 in the summary of significant accounting policies according to IFRS.

The KPIs used to manage the segments are referred to as "Total Sales organic growth" and "Adjusted EBIT margin." The segment result is presented as Adjusted EBIT.

Revenues from each segment are generated from product sales, tooling, and R&D services. There are no intersegment sales. Total sales organic growth is calculated after elimination of currency effects.

Adjusted earnings before interest and tax (Adjusted EBIT) is the net total of sales and costs plus income from at-equity investments, before interest and income taxes and certain items are eliminated. It does not take into account the Group's amortization of intangible assets from acquisitions and certain non-operating items, described for each

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period. Adjusted EBIT includes segment depreciation and amortization of fixed assets and intangible assets. Depreciation and amortization may also include impairments as far as they do not relate to goodwill. Adjusted EBIT margin is calculated as Adjusted EBIT divided by Total Sales.

Reconciliation to Vibracoustic Group figures		
EUR million	**2022**	2021
Total Adjusted EBIT for the segments	**156.6**	**134.9**
Other non-reccuring items includ. exchange rate differences	0.5	-2.3
Amortization effects from acquisitions	-2.9	-3.1
EBIT of the Vibracoustic Group	**154.2**	**129.5**
Financial income	6.3	3.0
Financial expenses	-11.2	-7.4
Profit before tax	**149.3**	**125.1**

Non-recurring items consist mainly of expenses related to restructuring risks, effects from environmental provisions and reclassification of exchange rate differences.

External sales broken down by manufacturing location

EUR million	**2022**	2021
Europe	1,337.5	1,126.5
of which Germany	606.9	466.6
North America	704.8	554.0
of which USA	357.1	273.0
South America	51.4	29.7
Asia-Pacific	343.1	282.0
of which China	316.7	259.0
India	72.1	50.0
	2,508.9	**2,042.2**

The non-current assets per country include non-current assets less deferred tax assets, derivative financial instruments and post-employment benefit assets as follows:

EUR million	**Dec. 31, 2022**	Dec. 31, 2021
Europe	382.0	371.2
of which Germany	219.5	216.1
North America	113.4	104.4
of which USA	66.3	62.1
South America	5.8	5.9
Asia-Pacific	88.8	90.2
India	30.7	35.2
	620.7	**606.9**

We offer customized NVH products for many major OEM and Tier 1 suppliers in the light vehicles and commercial vehicles customer segments worldwide.

In the financial year ended December 31, 2022, we generated 39.0% (2021: 37.3%) of our product sales with our top three customers. The following table shows our product sales allocated by customer in the financial year ended December 31, 2022:

	Segment DRIVE Solutions		**Segment RIDE Solutions**		**Total product sales**	
EUR million	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Customer A	81.5	59.8	236.5	173.1	318.0	232.9
Customer B	97.2	78.3	236.4	190.3	333.6	268.6
Customer C	52.5	94.2	199.9	115.9	252.4	210.1
Total	**231.2**	**232.3**	**672.8**	**479.3**	**904.0**	**711.6**

33. Employees (voluntary disclosure, unaudited)

On average for the financial year 2022, 10,026 (2021: 9,612) people were employed. At year end 2022, the following number of people were employed at Vibracoustic Group in the below areas:

	Germany	**Other countries**	**Total**
Production	891	7,391	8,282
Sales	107	102	209
Administration	210	312	522
Research and development	467	547	1,013
	1,675	**8,351**	**10,026**

34. Related Party Disclosures

The shareholders of Vibracoustic SE are Freudenberg SE and Externa Handels- und Beteiligungsgesellschaft mbH. Freudenberg SE publishes its consolidated financial statements on the company website. The ultimate controlling party is Freudenberg & Co. KG, Germany.

The Group holds a 45% at-equity interest in Dawson Manufacturing Company. This is included in the consolidated financial statements as an at-equity investment.

The following table includes information relating to transactions with the shareholders and their subsidiaries, and the at-equity investment.

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As of and for the period ended Dec. 31, 2022	Revenue	Receivables			Liabilities		
EUR million		<= 1 year	> 1 year	Dec. 31	<= 1 year	> 1 year	Dec. 31
Shareholders of Vibracoustic SE	-	-	-	-	-	-	-
Other Freudenberg group companies	13.3	1.3	-	1.3	136.4	171.6	308.0
Dawson Manufacturing Company	-	0.5	-	0.5	-	-	-
	13.3	**1.8**	**-**	**1.8**	**136.4**	**171.6**	**308.0**

As of and for the period ended Dec. 31, 2021	Revenue	Receivables			Liabilities		
EUR million		<= 1 year	> 1 year	Dec. 31	<= 1 year	> 1 year	Dec. 31
Shareholders of Vibracoustic SE	-	-	-	-	-	-	-
Other Freudenberg group companies	9.3	0.9	-	0.9	191.4	57.6	249.1
Dawson Manufacturing Company	-	0.5	-	0.5	-	-	-
	9.3	**1.4**	**-**	**1.4**	**191.4**	**57.6**	**249.1**

The receivables and liabilities result mainly from sales and goods purchase transactions as well as services, further the Group also has financing transactions with Freudenberg SE (see notes 22 and 26). The terms and conditions of agreements with other customers and other suppliers to the Group also apply to these transactions. Several Group subsidiaries rent production and office facilities from Freudenberg affiliates.

The total remuneration of the Management Board is set out in the table below, in aggregate for each of the categories required by IAS 24 (Related Parties Disclosures). There are no loans to members of the Management Board or to former members of the Management Board.

EUR million	2022	2021
Short-term employee benefits (including variable salaries)	2.5	3.1
Long-term employee benefits	1.0	1.0
Post-employment benefits	0.6	0.9
Remuneration of Management Board members	**4.1**	**5.0**

Members of the Supervisory Board received remuneration from the Company in the amount of EUR 0.8 million (2021: EUR 0.8 million) in financial year 2022.

Voluntary disclosures, unaudited

Post-employment benefits for former Management Board members amount to EUR 0.1 million (2021: EUR 0.1 million).

The pension provision amounts to EUR 1.7 million (2021: EUR 2.7million) for current Management Board members and EUR 2.1 million (2021: EUR 1.5 million) for former Management Board members, both according to IAS 19 actuarial valuation.

35. Auditor's Fees

The auditor PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, provided the following services in the financial year:

EUR million	2022	2021
Auditing service	0.3	0.4
Tax advisory services	-	-
Other attestation services	0.1	-
Other services	0.1	0.1
Auditor's fees	**0.5**	**0.5**

36. Subsequent Events

In February 2023, VC SE has applied to change its registered office from Europaplatz 4, 64293 Darmstadt to Höhnerweg 2-4, 69465 Weinheim. This change is expected to be entered in the commercial register in Mannheim local court at the beginning of March 2023.

37. Boards of Vibracoustic SE

Supervisory Board

Dr. Mohsen Sohi, Frankfurt am Main, Germany
Chairman
CEO of the Board of Management, Freudenberg SE

Dr. Ralf Krieger, Leimen, Germany
Vice Chairman
Member of the Board of Management of Freudenberg SE, Weinheim

Dr. Tilman Krauch, Heidelberg, Germany
Member of the Board of Management of Freudenberg SE, Weinheim

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Dr. Verena Volpert, Lennestadt, Germany
Tax Advisor

Prof. Dr. h.c. Winfried Vahland, Potsdam-Babelsberg, Germany
Chairman of the Supervisory Board of Eldor Corporation S.p.A, Italy

Curt Clawson, Bonita Springs, USA
Independent Consultant

Nelda J. Connors, Chicago, USA
CEO, Pine Grove Holdings, LLC, USA

Esther Loidl, Heidelberg, Germany
Member of the Board of Management, Freudenberg SE, Weinheim

Management

- Frank Müller (Chief Executive Officer), Chairman, Schwäbisch Hall, Germany
- Marco Altherr (Chief Financial Officer), Lambsheim, Germany
- Dr. Jörg Böcking (Chief Technology Officer), Lorsch, Germany
- Axel Wersel (Chief Operational Officer), Glinde, Germany

Darmstadt, February 21, 2023

Vibracoustic SE

The Management

Frank Müller | Marco Altherr | Dr. Jörg Böcking | Axel Wersel

Original is available

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[Translator's notes are in square brackets]

General Engagement Terms
for
Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften
[German Public Auditors and Public Audit Firms]
as of January 1, 2017

1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [*Translators Note: The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

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(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party

b) examination of tax assessments in relation to the taxes referred to in (a)

c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)

d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)

e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;

b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;

c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and

d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon t complete satisfaction of his claims. Multiple engaging parties are jointly a severally liable.

(2) If the engaging party is not a consumer, then a set-off against t German Public Auditor's claims for remuneration and reimbursement expenses is admissible only for undisputed claims or claims determined be legally binding.

14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settl ment procedures before a consumer arbitration board (*Verbraucherschlic tungsstelle*) within the meaning of § 2 of the German Act on Consum Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.

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