ANNUAL REPORT
as at 31 December 2022

FRIEDRICH VORWERK GROUP SE
21255 Tostedt

Friedrich Vorwerk in figures

Financial year	2022	2021	Δ2022 /2021
	€k	€k	%
Order backlog	315,091	312,778	0.7
Order intake	370,474	285,341	29.8
Earnings figures (adjusted*)	**€k**	**€k**	**%**
Revenue	368,161	279,071	31.9
Operating performance	368,159	278,506	32.2
Total performance	391,910	288,459	35.9
Cost of materials	-188,582	-106,726	76.7
Staff costs	-119,235	-96,405	23.7
EBITDA	50,089	57,494	-12.9
EBITDA margin	*13.6%*	*20.6%*	
EBIT	33,754	44,539	-24.2
EBIT margin	*9.2%*	*16.0%*	
EBT	30,759	40,247	-23.6
EBT margin	*8.4%*	*14.5%*	
Consolidated net profit after non-controlling interests	17,341	29,889	-42.0
EPS in €	0.87	1.53	-43.3
Average number of shares outstanding	20,000,000	19,539,726	2.4
Earnings figures (IFRS)	**€k**	**€k**	**%**
EBITDA	50,089	54,480	-8.1
EBIT	33,426	41,436	-19.3
Group result	17,139	26,767	-36.0
EPS in €	0.86	1.37	-37.4
Figures from the statement of financial position (IFRS)	**31 Dec €k**	**31 Dec €k**	**%**
Non-current assets	131,070	107,003	22.5
Current assets	177,009	183,458	-3.5
thereof cash funds	45,876	108,282	-57.6
Issued capital	20,000	20,000	0.0
Other equity	143,181	132,470	8.1
Total equity	163,181	152,470	7.0
Equity ratio	*53.0%*	*52.5%*	
Non-current liabilities	54,751	59,383	-7.8
Current liabilities	90,147	78,608	14.7
Total assets	308,079	290,461	6.1
Net financial liabilities (net debt (-) / net cash (+))**	27,242	83,589	-67.4
Employees	**1,657**	**1,633**	1.5

* For a detailed account of the adjustments, please refer to the information provided in the section on results of operations, financial position and net assets.

** This figure includes the value of securities.

Contents

Report of the Supervisory Board

In the year under review, the Supervisory Board endured that it was continuously informed about the business and strategic development of the company and advised and monitored the Management Board in accordance with the tasks and responsibilities required of it by law, the Articles of Association. This meant that the Supervisory Board was informed about the strategy, business policy and planning, the risk situation as well as the net assets, financial position and results of operations of the FRIEDRICH VORWERK Group at all times. It also reviewed the company's risk management and compliance, and is of the opinion that these fully satisfy requirements. The Supervisory Board was directly involved in all decisions of particular significance to the company. The Supervisory Board granted its approval for individual transactions to the extent that this was necessary in accordance with the law, the Articles of Association or the Rules of Procedure.

The Management Board complied with its duties to provide information and reported to the Supervisory Board regularly, promptly and comprehensively, both verbally and in writing, on the economic and financial situation of the company, its strategic development, investment projects, risk management and compliance. The Supervisory Board discussed all measures requiring its approval in depth with the Management Board in advance. Between the meetings of the Supervisory Board as well, the Chairman of the Supervisory Board received detailed information and was therefore always aware of all key matters to the company and the Group. The strategic focus and development of the Group were jointly coordinated by the Management Borad and the Supervisory Board.

There were four ordinary meetings of the Supervisory Board in the 2022 financial year, some of which were still held virtually due to the COVID pandemic. The Management Board was represented at all meetings, unless the Supervisory Board was discussing matters concerning the Management Board itself. All members of the Supervisory Board attended all meetings.

In good time prior to the Supervisory Board meetings, the Management Board sent detailed reports and presentations to the members of the Supervisory Board. Where decisions requiring approval were necessary, the documents contained detailed decision and investment proposals.

Main issues discussed and resolutions of the Supervisory Board

At the individual meetings, the Supervisory Board analysed the company’s current business development together with the Management Board and discussed the strategic focus. The topics discussed included the economic situation of the company and the individual subsidiaries. The focus of the Supervisory Board's deliberations in the 2022 financial year was on the effects of the strong increase in energy and material prices as a result of the war in Ukraine, the challenging situation on the labour market, the extraordinary growth in the wake of the changed energy infrastructure requirements due to the war, and the cyberattack in November.

The meeting of the Supervisory Board on 14 March 2022 focused in detail on:

- the audit of the annual and consolidated financial statements
- the resolution on the application of the German Corporate Governance Code
- possible impact of the Ukraine war on the Group's business and order pipeline
- the post-merger integration as well as the restructuring of the Gottfried Puhlmann Group
- and the appointment and dismissal of managing directors and authorised signatories in subsidiaries of the Group.

In its meeting on 1 June 2022, the Supervisory Board dealt with the following topics following the Annual General Meeting:

- the evaluation of the course of the first Annual General Meeting after the IPO
- the focus topic of personnel recruitment and development
- the review of the effectiveness of the compliance management system
- the preparations and the available capacities for the upcoming award of contracts for the realisation of the High Voltage Direct Current transmission lines (HVDC)
- as well as advice on the contracts to be awarded in the short term in the course of the realisation of LNG terminals.

The meeting of the Supervisory Board on 19 September 2022 focused on the following:

- the status and progress of the major projects
- the investment planning for the year 2023
- a critical discussion on various real estate investments
- and the restructuring progress of the Gottfried Puhlmann Group.

At its meeting on 9 December 2022, the Supervisory Board dealt with:

- the cyberattack and measures to improve IT security
- the analysis of the working capital development in the 2022 financial year
- the strategic development of the Friedrich Vorwerk Group
- the discussion of individual investment projects
- and the evaluation of the results on the ongoing human resources projects.

The forecast for the 2022 business year scheduled for the fourth meeting could only be dealt with to a limited extent due to the cyberattack, and the 2023 budget planning had to be postponed. The Supervisory Board dealt with the deviation from the forecast for the 2022 financial year, the measures derived from it and the budget planning for 2023 in two extraordinary meetings on 30 January 2023 and 1 March 2023, both of which were attended by all Supervisory Board members.

Committees and composition of the Supervisory Board

The members of the Supervisory Board are:

- Dr Christof Nesemeier (Chairman)
- Dr Julian Deutz (Deputy Chairman)
- Heike von der Heyden

The Supervisory Board has three members. There is a separate Audit Committee, which includes all members of the Supervisory Board. Dr Julian Deutz was elected chairman of the audit committee. Due to its size and composition, the Supervisory Board currently sees no need for the formation of further committees.

Corporate Governance

In the awareness that corporate governance makes an essential contribution to responsible management and control of the company's management aimed at creating value, the Supervisory Board continued to deal with topics and issues in the area of corporate governance in 2022. Together with the Management Board, the Supervisory Board issued the annual declaration in accordance with section 161 of the *Aktiengesetz* (AktG - German Stock Corporation Act) on the recommendations of the German Corporate Governance Code. Further information on corporate governance can be found in the combined corporate governance declaration in accordance with section 315(5) in conjunction with section 289f of the *Handelsgesetzbuch* (HGB - German Commercial Code). The combined corporate governance declaration also contains the corporate governance report prepared by the Management Board and the Supervisory Board as well as the declaration on the recommendations of the German Corporate Governance Code. The combined corporate governance declaration can be accessed at all times on the Friedrich Vorwerk Group SE website at http://www.friedrich-vorwerk.de. The members of the Management Board and the Supervisory Board disclose any conflicts of interest to the Supervisory Board without delay.

Audit of annual and consolidated financial statements

The Supervisory Board duly awarded the audit mandate for the annual financial statements and the consolidated financial statements as well as for the combined management and group management report for the 2022 financial year to RSM GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Düsseldorf, which was elected as auditor by the Annual General Meeting on 1 June 2022. The auditor has confirmed to the Supervisory Board that there are no professional, financial or other relationships between the auditor, its executive bodies and audit managers on the one hand and the company and its executive body members on the other hand that could give rise to doubts about its independence.

The annual financial statements of Friedrich Vorwerk Group SE as at 31 December 2022 and the joint management report for Friedrich Vorwerk Group SE and the FRIEDRICH VORWERK Group were prepared in accordance with the principles of commercial law, the consolidated financial statements as at 31 December 2022 in accordance with the International Financial Reporting Standards (IFRS) and audited by

RSM GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Düsseldorf, which was elected by the Annual General Meeting and appointed by the Chairman of the Supervisory Board, and issued with an unqualified audit opinion dated 20 March 2023.

The Supervisory Board examined the annual financial statements prepared by the Management Board, the joint management report for Friedrich Vorwerk Group SE and the FRIEDRICH VORWERK Group, the proposal for the appropriation of net profit and the consolidated financial statements and discussed them with the auditor at its meeting on 20 March 2023. All questions of the Supervisory Board were answered comprehensively by the auditor. The Supervisory Board received the audit report in good time before the meeting. Following the completion of its examination, the Supervisory Board did not raise any objections to the annual financial statements, the management report and the consolidated financial statements. The consolidated financial statements were approved by the Supervisory Board on 20 March 2023. The annual financial statements of Friedrich Vorwerk Group SE have therefore been adopted.

The Supervisory Board shares the opinion of the Management Board as expressed in the combined management and Group management report and approves the proposal of the Management Board on the appropriation of the net profit, namely the distribution of a dividend of €0.12 per entitled share for the 2022 financial year.

The Supervisory Board would like to thank the Management Board, the management teams of the subsidiaries and all employees of the FRIEDRICH VORWERK Group for their enormous commitment to the company in these challenging times and for the growth achieved.

Tostedt, 20 March 2023

The Supervisory Board

Dr Christof Nesemeier
Chairman

Combined Management Report and Group Management Report

General information

The Friedrich Vorwerk Group SE, Tostedt, forms the FRIEDRICH VORWERK Group with its subsidiaries.

The individual financial statements of Friedrich Vorwerk Group SE were prepared in accordance with the provisions of the German Commercial Code, while the consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), including the interpretations of the IFRS Interpretations Committee (IFRS IC) on the IFRS, as adopted in the EU and the supplementary provisions of German commercial law in accordance with section 315e(1) HGB.

The combined management report comprises the FRIEDRICH VORWERK Group (also referred to as the "Group" or "FRIEDRICH VORWERK") as well as the parent company, Friedrich Vorwerk Group SE. It was prepared in accordance with the provisions of the German Commercial Code German Accounting Standard (GAS) No. 20. Additional information on the annual financial statements of Friedrich Vorwerk Group SE is included in the section on the results of operations, financial position and net assets.

Unless stated otherwise, all information in this report refers to 31 December 2022 or the financial year from 1 January to 31 December 2022. Percentages and figures in this report may be subject to rounding differences.

Purely to improve readability, this report refrains from the simultaneous use of masculine, feminine or other gender linguistic forms. All references to persons apply to all genders unless stated otherwise.

Business model

FRIEDRICH VORWERK is a major beneficiary of the European energy transition. Ever since the company was founded in 1962, our name has stood for technical expertise, reliable work and innovative solutions in designing, building and operating energy infrastructure in our three core markets of natural gas, electricity and hydrogen.

Thanks to our integrated turnkey approach and a number of own components and technologies, we are able to offer our customers high-quality and bespoke solutions from a single source. We thus enable utility companies, grid operators, industrial companies and municipalities to operate complex energy networks and systems.

As one of the most dynamic German companies in the areas of planning & design, energy grids, energy transformation and service & operations, we cover all essential steps of the value chain. This way, we are not only helping our customers to operate reliable and cost-efficient energy infrastructure, but also making a significant contribution to the security of energy supply in Europe. Our basis for this is the synthesis of state-of-the-art technology and the knowledge and experience of more than 1,600 qualified employees at 16 locations in Germany and Europe.

The energy transition will bring a fundamental reorganisation of the European energy markets, from which we will benefit significantly in our core markets of natural gas, electricity and hydrogen, and increasingly also district heating. FRIEDRICH VORWERK therefore continues to focus on dynamic and at the same time profitable growth - especially in those markets where holistic solutions are in demand.

Our goal is to keep aligning our service and product portfolio in line with the requirements of our core markets and the needs of our customers. We are pursuing this path not only through investments in our products and technologies as well as in our locations and employees, but also through selective and value-generating acquisitions.

Economic Report

General economic environment

After a far-reaching easing of the Corona measures and comprehensive political support programmes at the beginning of 2022 had still offered the prospect of strong growth in the global economy, the economic situation has clouded over significantly with the unexpected Russian invasion of Ukraine. Due to the acts of war and the associated political trade restrictions and sanctions, there were significant logistics and supply chain disruptions worldwide and in some cases dramatic price increases on the international commodity and energy markets. At the same time, the stringently pursued zero-covid strategy in China caused significant restrictions in all economic sectors and thus caused additional disruptions in global trade. As a result, there was a significant slowdown in economic growth and rapid inflation over the course of the year in most regions worldwide. Despite the strong economic headwinds, the International Monetary Fund expects global gross domestic product (GDP) to grow by 3.4% for 2022 as a whole, with economic development varying greatly from region to region and over the course of the year. In the previous year, global GDP grew by 6.0%. The global average annual inflation rate is estimated at 8.8% and is thus significantly higher than the already high value of 4.7% in the previous year.

The European Union is particularly affected by the outbreak of war in Ukraine due to its geographical proximity and high dependence on energy imports from Russia. On a full-year basis, the EU Commission calculates an increase in GDP of 3.6% for the European Union (EU-27) and thus a significantly lower growth rate compared to the previous year's value of 5.4%. The main driver of the continued positive growth is primarily the first half of the year, in which households boosted strongly their spending, especially on services, after the lifting of the COVID-19 measures. The second half of the year, however, was much weaker due to the increased uncertainty, the worsening energy crisis and the noticeable loss of purchasing power among private households, resulting in a stagnation of GDP in the fourth quarter. The persistently high inflation rates, particularly in the area of energy, are particularly significant here, leading to a noticeable reluctance to invest on the part of companies and private households and prompting the European Central Bank to raise key interest rates significantly. For 2022 as a whole, the EU Commission forecasts an average inflation rate of 9.2%, compared to 2.9% in the previous year, but at the same time assumes that the inflation trend have peaked for the time being. Meanwhile, the labour market is proving to be exceptionally robust, with continued high employment and labour force participation figures and a comparatively low unemployment rate of 6.1% at the end of the year.

In Germany, the gross domestic product increased by 1.9% in 2022, after growth of 2.6% in the previous year. In this country, too, higher energy prices, the worsening shortage of skilled workers and persistent supply chain problems weighed heavily on the economy and led to significantly reduced production output, especially in the industry-related sectors of the economy. At the same time, inflation rates climbed to new record levels in the course of the year and reached an average annual value of 7.9%, the highest value since the 1980s. It was not until the last quarter of the year that there were signs of a gradual improvement in the economic situation. Although economic output fell by 0.2% compared to the previous quarter, the ifo Business Climate Index rose steadily from September onwards, reaching a value of 88.6 by December, compared to the lowest value for the year of 84.3 in September. The reason for the growing confidence was, on the one hand, the German government's decisions on the gas and electricity price brake, which act as a kind of hedge for companies and private households against excessively high swings in energy costs. On the other hand, companies are still experiencing strong demand for their products and services and have high order backlogs that can be gradually worked off as production constraints diminish. Furthermore, the inflation rate at the end of the year also shows first signs of a gradual stabilisation. Although consumer prices remained at a very high level with an inflation rate of 8.1% in December compared to the previous year's value, prices showed a slight decline compared to the previous month, which is mainly due to a stabilisation of energy prices. All in all, there is hope that the recession that has begun could ultimately be milder than previously expected.

General industry environment

The FRIEDRICH VORWERK Group plays an active role in creating a safe and forward-looking sustainable energy infrastructure, and is thus a key player in the European energy revolution.

In 2022, the market for products and services in the field of energy infrastructure continued to be dominated by the advancing energy transition. Both the EU and the individual member states have made binding commitments to ambitious climate targets. In the European Union, greenhouse gases are to be reduced by 55 percent by 2030 compared to 1990, and in 2050 Europe is to achieve complete climate neutrality. In Germany, greenhouse gas neutrality is to be achieved as early as 2045, five years earlier than previously planned and envisaged at the pan-European level. By 2030, emissions are to be reduced by 65 percent compared to 1990.

In order to achieve these goals, the European countries, including Germany, are making massive investments in the development and transformation of their energy infrastructure. The BDEW (German Association of Energy and Water Industries) estimates investments of €498 billion by 2030. The investments are to flow into various areas of the energy industry. According to BDEW estimates, the expansion of electricity generation capacities with renewable energies will amount to €351 billion. Activities for the expansion of the electricity transmission grids are expected to amount to €126 billion. For the development of generation capacities for climate-neutral gases, €12 billion are envisaged. Finally, €9 billion will be needed to promote e-mobility by expanding the public electric charging infrastructure. The hydrogen industry is currently experiencing a rapid increase in investment volumes not only at the German level, but also at the European level in particular. In order to achieve the goals set within the framework of the EU Hydrogen Strategy, total investments of up to €430 billion by 2030 were already expected in 2020. The realisation of the almost 53,000 km long pan-European hydrogen backbone is expected to take up to €143 billion. In addition, the German government has promised a further €9 billion in funding in its national hydrogen strategy.

Russia’s invasion of Ukraine increased further the urgency of these energy policy measures. As a result of the unexpected loss of Russia as a cheap energy supplier, Germany, like many other European countries, was confronted with the challenge of developing alternative energy sources and creating the necessary infrastructure at record speed. First and foremost is the development of a functioning LNG import infrastructure, which was driven forward at a rapid pace with the help of the LNG Acceleration Act in 2022 and for which the federal government has pledged up to €3 billion in investments over the next ten years. In December, the first floating LNG terminal was commissioned in Wilhelmshaven, and the second in Lubmin in January 2023. Further large-scale projects are currently being implemented in Brunsbüttel and Stade. In the future, up to eleven liquefied natural gas terminals are to be built in Germany to ensure security of supply. In addition to the billions spent on the import terminals themselves, the construction requires considerable additional investment in large connection pipelines that allow the imported natural gas to be fed into the existing network on land. At the same time, the loss of Russian energy supplies will also put massive pressure on the expansion of renewable energies and the rapid ramp-up of the hydrogen economy. This will probably lead to a further acceleration of growth in the market for energy infrastructure solutions in the coming years.

Business development / significant events

As in previous years, the 2022 financial year was characterised by several major projects that were carried out in parallel. In the Energy Grids unit, these include above all the "Wilhelmshaven Connection Line (WAL)" for connecting the LNG terminal in Wilhelmshaven, the two district heating projects "District Heating Bremen" and "District Heating Hamburg" as well as the "Pipe Route Parchim", which connects the Vietlübbe and Parchim substations. In the Energy Transformation unit, the projects for the construction of the "Legden compressor station" and the "Elten compressor station" are particularly worth mentioning.

The project "Wilhelmshaven Connection Line (WAL)" in the "Energy Grids" unit, comprises the second lot of the connection of the LNG terminal in Wilhelmshaven, which was won at the end of the second quarter. In total, the second lot covers a length of approx. 14 kilometres. The particular challenge of this project was the extremely short completion time, as the pipeline had to go into operation before Christmas. The construction period from August to December 2022 is exceptional for the scope of this pipeline and demonstrates the FRIEDRICH VORWERK Group's competence in being able to implement challenging projects on schedule and to a high standard of quality. In addition to the Wilhelmshaven connection pipeline, further connection pipelines to LNG terminals are being built in Germany. Another project that FRIEDRICH VORWERK has already been able to acquire as a member of a joint venture (working group) is the construction of the connecting pipelines to the LNG terminal in Brunsbüttel. In the reporting year, a small part, ETL 185, was completed first, while the majority of the work for ETL 180 will take place in 2023.

The "Baltic Pipe" project in Denmark, which enables the transport of Norwegian natural gas to Denmark and Poland, was successfully completed in the second half of 2022 after a customer-related project delay in the previous year.

The projects "District Heating Bremen" and "District Heating Hamburg" comprise the construction of two district heating interconnectors in the Hanseatic cities of Bremen and Hamburg. The aim of both district heating pipelines is to transmit and distribute industrially generated heat to regions where the heat can be used for heating. After the installation of both pipelines, several hundred thousand tonnes of CO_2 can be saved annually. Both projects make an important contribution to achieving the climate targets. Around half of the district heating pipeline in Bremen was completed in 2022, while the majority of the work for the project in Hamburg will still take place in the coming years.

The project "Pipe Route Parchim" comprises the construction of an empty pipe route between the Vietlübbe substation and the Parchim substation over a total length of 13.8 kilometres. The work includes all the necessary civil engineering work, the pipe installation work and the pipe-laying work. In total, six cable conduits for high-voltage cables and two empty conduits for fibre optic cables are being laid in the route.

In the Energy Transformation unit, the projects for the construction of a compressor station in Legden and Elten are particularly worth mentioning. The compressor station in Legden, with a contract value of more than €50 million, is part of the ZEELINK project, in which FRIEDRICH VORWERK is significantly involved through various individual projects. The main components of the large-scale plant in Legden are two turbo compressor units with a gas turbine station, each with a mechanical output of approx. 13 MW. The contract for the construction of the compressor station in Elten was already concluded in 2020; however, the largest performance share is to be recorded for the 2022 financial year. In total, the project comprises a contract value of more than €20 million.

In the Service & Operation area, several new framework agreements were concluded or extended with network operators. The contracts include services in the areas of maintenance, cathodic corrosion protection, operational management and planning services.

Other significant events

On 27 April 2022, the FRIEDRICH VORWERK Group has acquired Hempel Aluminiumbau GmbH in Storkow, a supplier of aluminium control cabinets. The company, whose products are used in some of our Energy Transformation projects, represents a strategic expansion of our existing product and service portfolio and is thus part of our defined growth strategy. The company was consolidated for the first time on 30 April 2022.

The Management Board and Supervisory Board of Friedrich Vorwerk Group SE proposed to the Annual General Meeting on 1 June 2022 to distribute a dividend of €0.20 per entitled share for the 2021 financial year and to carry forward the remaining amount to new account. The Annual General Meeting approved the company's proposal with a large majority. The dividend was paid out on 7 June 2022.

The FRIEDRICH VORWERK Group acquired the remaining shares of 50% in SKS Straßenbau GmbH, Tostedt, on 12 October 2022. SKS Straßenbau GmbH was renamed Gottfried Puhlmann Hamburg GmbH as part of the bundling of activities in the areas of cable line and road construction in the Hanseatic City of Hamburg and the surrounding area, after the local branch of Gottfried Puhlmann was integrated into the company. The company has already been fully included in the consolidated financial statements since 1 January 2021 on the basis of a voting rights agreement.

In November 2022, the FRIEDRICH VORWERK Group was a target of a cyberattack, which was ultimately successfully averted. While the operational areas of the company were only affected to a limited extent by the cyberattack and project development could be maintained as far as possible, the defence and recovery work led to limited visibility and productivity in the administrative areas (finance and accounting, controlling, human resources, etc.). The directly attributable costs of the cyberattack are in the mid-six-figure range, while the indirect costs (reduced productivity, more difficult coordination) are estimated at more than €1 million. In addition, commercial visibility was at times severely limited, so that the annual results for 2022 could be determined late and the budget planning for 2023 had to be postponed into the new financial year.

Research and development

Innovation, increased efficiency and the continuous further development of our core competencies and technologies are central components of the corporate philosophy of the FRIEDRICH VORWERK Group. Global megatrends in technology and society additionally push our research and development activities.

Our research and development activities are generally project-based and in most cases carried out jointly with one or more customers to optimise an existing product or develop a new product for their specific needs. To a limited extent, we also conduct research and development activities that focus on technologies, equipment and processes that, due to their general applicability, have the potential to support or even increase the growth of our Natural Gas, Electricity, Clean Hydrogen and Adjacent Opportunities business areas. These include H_2 -enabled components and technologies for CO_2 reduction, as well as more efficient and feasible design processes and technologies to improve project execution and increase customer value. Our research and development efforts aim to deliver innovations with high market acceptance, rapid adoption potential and wide-ranging upgrade potential for existing infrastructure. In doing so, we strive to combine the real-world market experience of our engineers with scientific support from nearby universities in the form of project-based collaboration.

In order to consolidate our position as a leading provider of energy infrastructure, we are continuously working on a number of new technologies such as hydrogen-compatible flow measurement and control systems, automated welding processes, special near-surface HDD drilling processes, adapted biogas upgrading systems and hydrogen-compatible safety and control valves.

Group structure

Friedrich Vorwerk Group SE is the parent company of the FRIEDRICH VORWERK Group. In addition to Friedrich Vorwerk Group SE, a total of 17 subsidiaries (previous year: 16) are directly or indirectly included in the consolidated financial statements as at 31 December 2022.

Hempel Aluminiumbau GmbH, Storkow (Mark), was included in the consolidated financial statements for the first time as of 1 May 2022.

Companies included in the consolidated financial statements Name and registered office of the company	Shareholding in %
Subsidiaries (consolidated)	
Friedrich Vorwerk Management SE, Tostedt, Germany	100.00
Friedrich Vorwerk SE & Co KG, Tostedt, Germany	**89.93**
Bohlen & Doyen Anlagenbau Holding GmbH, Tostedt, Germany	**89.93**
Bohlen & Doyen Service und Anlagentechnik GmbH, Wiesmoor, Germany	89.93
Bohlen & Doyen Bau Holding GmbH, Tostedt, Germany	**89.93**
Bohlen & Doyen Bau GmbH, Wiesmoor, Germany	89.93
EAS Einhaus Anlagenservice GmbH, Geeste, Germany	89.93
European Pipeline Services GmbH, Tostedt, Germany	89.93
Gottfried Puhlmann GmbH Havelländische Bauunternehmung, Berlin, Germany	86.72
Gottfried Puhlmann GmbH, Marne, Germany	67.45
Gottfried Puhlmann Hamburg GmbH, Tostedt, Germany	89.93
Hempel Aluminiumbau GmbH, Storkow (Mark), Germany	89.93
KORUPP GmbH, Twist, Germany	89.93
Vorwerk - ASA GmbH, Herne, Germany	89.93
Vorwerk-EEE GmbH, Tostedt, Germany	89.93
Vorwerk Pipeline- und Anlagenservice GmbH, Petersberg, Germany	89.93
Vorwerk Verwaltungs GmbH, Tostedt, Germany	89.93

SKS Straßenbau GmbH was renamed Gottfried Puhlmann Hamburg GmbH in the reporting year.

In addition, we hold various participating interests in joint ventures (working groups), which are established temporarily in the course of the execution of (major) projects and are listed in the notes to the consolidated financial statements.

Segments

Given their different market prospects, FRIEDRICH VORWERK differentiates between the four business segments Natural Gas, Electricity, Clean Hydrogen and Adjacent Opportunities, which are described in more detail below.

Our **Natural Gas** segment comprises infrastructure services and product solutions for the transport and conversion of raw natural gas into treated natural gas for our customers. This takes place in a series of steps from the transport of natural gas through high-pressure pipelines to processing in filter and separation plants, compressor stations, storage and metering systems, LNG terminals and gas pressure control and metering systems. We typically design our natural gas infrastructure solutions according to our customers' individual requirements, so that they can benefit from lower CO_2 emissions when operating our facilities and maintain very high operational safety standards. We provide such energy infrastructure solutions for natural gas projects of many leading European transmission system operators and certain energy and industrial companies, including Gascade, Open Grid Europe and Ontras. Revenue in the Natural Gas segment in the financial year 2022 stays at the level of the previous year at €183.6 million (previous year: €183.8 million). The EBIT amounts to €24.2 million (previous year: €29.5 million). The EBIT margin was 13.2%, 2.8 percentage points below the previous year. The order backlog as of the balance sheet date was €104.4 million (previous year: €178.8 million). The decrease in order backlog is mainly due to a greater focus on the growth segments in the context of the energy transition.

Our **Electricity** segment focuses on providing the infrastructure for underground transport and conversion of electricity generated from climate-friendly, non-fossil energy sources such as wind, solar, hydro and renewable resources. Our expertise in electricity transport and conversion focuses on the landfall of offshore electricity and the installation of high-voltage underground cables through which this electricity is transported in transmission networks. At the end of these cables are connection points in the form of transformer stations and inverters, as well as power-to-heat plants, which connect the transmission networks to local energy distribution networks. The adoption of the amended *Energieleitungsausbaugesetz* (German Power Grid Expansion Act) in 2015 created the legal framework for the rapid expansion of underground power lines, which led to new projects to lay underground cables. As Germany is currently phasing out coal and nuclear power, renewable energy sources are becoming an increasingly important source of energy and a key factor in the clean energy transition. Similar to our Natural Gas segment, we develop customised solutions for our customers' individual applications. We provide such energy infrastructure solutions for the operations of many leading European transmission system operators and certain energy and industrial companies, including Amprion, 50Hertz, TenneT, Prysmian and ABB. Revenue in the Electricity segment increased significantly by 20.6% year-on-year to €56.2 million in the 2022 financial year (previous year: €46.6 million). The EBIT amounts to €2.1 million (previous year: €7.4 million). The EBIT margin was 3.8% significantly below the previous year's level of 15.8%. The decline in profitability in the reporting year is mainly due to the processing of loss-making old projects from the acquisition of the Gottfried Puhlmann Group. The order backlog increased slightly and amounted to €51.6 million as at the end of the reporting period (previous year: €42.8 million).

Our **Clean Hydrogen** segment comprises product solutions and infrastructure services for the conversion of energy from climate-friendly energy sources into clean hydrogen and its transportation to consumers. This is done through a number of processing steps from the conversion of renewable energy through an electrolysis process to the processing and transport of the resulting clean hydrogen through storage facilities, compressor stations, pipelines and gas pressure control and measurement systems. We use our expertise in our Natural Gas segment in dealing with complex gases at high pressure and in large quantities and offer energy infrastructure solutions ranging from the construction of individual components to fully integrated turnkey solutions. We expect our Clean Hydrogen segment to play an increasingly important role in the growth of our business and we are committed to investing significant resources in developing this segment. We strive to offer such energy infrastructure solutions to the operations of many of leading European transmission network operators as well as certain energy and industrial companies, many of which are long-term customers or end-users of our solutions. In the Clean Hydrogen segment, the revenue in the reporting year increased again significantly by €10.4 million to €27.8 million. This corresponds to growth of around 167%. The growth is due to several plant construction projects (e.g. hydrogen mixing and feed-in plants) as well as pure hydrogen and H_2 -ready pipelines. The EBIT amounts to €2.2 million (previous year: €2.2 million). The EBIT margin is 7.9% (previous year: 21.4%). The high margin in the previous year was due to the successful completion of own projects and in particular to positive earnings contributions from joint ventures (working groups). The order backlog amounts to €21.2 million as at the end of the reporting period (previous year: €12.4 million).

Furthermore, in the **Adjacent Opportunities** segment, we concentrate on related turnkey technologies, such as the treatment and purification of biogenic and synthetic gases, heat extraction technologies used in district heating, solutions for the transport of district heating, drinking and waste water, as well as specialty solutions for the chemical and petrochemical industries. District heating is considered an essential building block for the sustainable decarbonisation of the building sector and therefore offers significant opportunities for FRIEDRICH VORWERK in the context of the energy transition. In the Adjacent Opportunities segment, revenue in the financial year 2022 increased very significantly compared to the previous year by around 163% to €100.6 million. The growth drivers in this segment were essentially the district heating connection pipelines in Hamburg and Bremen as well as further projects from the acquisition of the Gottfried Puhlmann Group. The latter had a significant negative impact on profitability in this segment, with the result that EBIT in the 2022 financial year was €5.1 million (previous year: €5.9 million). The EBIT margin is therefore 5.1% compared to 15.4% in the previous year. The order backlog amounts to €137.9 million as at the end of the reporting period (previous year: €78.8 million). The increase in order backlog is largely due to the major orders in the district heating sector.

Employees

The success of the FRIEDRICH VORWERK Group results in particular from the professional competence and commitment of its employees. For this reason, employees are at the heart of the company. We pursue the goal of attracting and retaining employees so that we are optimally prepared for the future requirements of the expansion of renewable energies.

To increase the attractiveness as a an employer and to retain employees, we have fundamentally revised the range of benefits this year. We are convinced that the FRIEDRICH VORWERK Group can present itself as an attractive employer in the future. In addition to the revision of the benefits, we are currently pushing ahead with the establishment of an employer brand. With the creation of an employer brand, the FRIEDRICH VORWERK Group will be able to present a uniform image internally and externally in the future and convey clear values.

In addition to the measures described for gaining new competences by hiring qualified specialists, the FRIEDRICH VORWERK Group is also interested in further training and promoting its own employees. The FRIEDRICH VORWERK Group sees the promotion, challenge and further training of its employees as a significant success factor. The management and senior employees who have a significant influence on the success of the business activity receive variable salary components, which are also dependent on the results achieved and the increase in value of the group.

Not including trainees, the number of employees was 1,657 as at 31 December 2022 and thus only slightly above the previous year's level (1,633). In addition, at the end of the year the FRIEDRICH VORWERK Group employed 121 trainees (previous year: 115). The increase in the workforce results from the organic growth of the Group and has not been higher solely due to the tense labour market situation. Recruiting, training and retaining employees has become the central success factor for our company. Accordingly, the commitment to and investment in a sustainable and excellent human resources policy has been significantly strengthened in order to secure the company's growth in the future.

Further information on employees can be found in the employee matters section of the non-financial statement pursuant to section 289b HGB.

Financial position and financial performance

In the following, Friedrich Vorwerk Group SE and then the FRIEDRICH VORWERK Group are described.

Notes to the separate financial statements of Friedrich Vorwerk Group SE (HGB)

The annual financial statements of Friedrich Vorwerk Group SE for the financial year 2022 have been prepared in accordance with the provisions of the German Commercial Code (HGB), taking into account the supplementary provisions of the German Stock Corporation Act (AktG).

Earnings situation

Other operating income of the Friedrich Vorwerk Group SE amounts to €0.6 million (previous year: €1.9 million) and mainly includes costs passed on to subsidiaries.

The staff costs of €2.7 million incurred in the previous year resulted from expenses for bonuses in conjunction with the IPO of the company. The Management Board of the company receives its regular remuneration from Friedrich Vorwerk Management SE.

The other operating expenses of €0.9 million in the financial year (previous year: €6.2 million) mainly result from legal and consultancy costs, costs of the current stock exchange listing and the remuneration of the Supervisory Board. In the previous year, various costs (mainly bank commissions) in conjunction with the IPO were also included.

The income from affiliated companies of €12.2 million (previous year: €14.1 million) includes the profit allocation of Friedrich Vorwerk SE & Co. KG.

The interest and similar income for the financial year amount to €3.2 million (previous year: €1.1 million) and result from intragroup lending to Friedrich Vorwerk SE & Co. KG.

The write-downs on financial assets amounting to €0.8 million (previous year: €0.0 million) are attributable to impairments of listed securities.

After taking into account taxes on income of €2.3 million (previous year: €0.0 million), the net profit for the year was €12.1 million (previous year: €8.2 million).

Net assets and financial position

The issued capital of Friedrich Vorwerk Group SE amounts to €20.0 million as at 31 December 2022 (previous year: €20.0 million).

The company's capital reserves remain unchanged at €89.7 million (previous year: €89.7 million).

Total assets increased from €121.4 million to €129.0 million. The increase in total equity and liabilities is mainly due to the increase in equity. Under assets, substantial receivables from affiliated companies amounting to €101.8 million (previous year: €97.1 million) are reported.

Cash and cash equivalents at Friedrich Vorwerk Group SE amount to €1.6 million at the end of the financial year (previous year: €1.5 million).

FRIEDRICH VORWERK Group

Results of operations

The earnings figures contain IFRS remeasurement effects and non-recurring expenses unrelated to the management of the company. The management therefore runs the Group on the basis of adjusted earnings figures that reflect the operating earnings power and the development of the Group much more transparently and more sustainably.

At the end of the business year, the cumulative order intake amounts to €370.5 million and is thus significantly above the previous year's value (€285.3 million). The order backlog at the end of the financial year of €315.1 million was at the same level as at the end of the previous year (previous year: €312.8 million). The significant increase in order intake is mainly due to the major projects in the areas of district heating, LNG and cable haulage won during the financial year.

The FRIEDRICH VORWERK Group generated revenue of €368.2 million in the 2022 financial year (previous year: €279.1 million). This corresponds to an increase of 32%. Revenue grew particularly in the second half of the year, in which numerous deadline-critical energy infrastructure projects such as the LNG connection pipelines in Wilhelmshaven and Brunsbüttel were realised. In addition, there was a further acceleration in revenue generation due to good project progress of the district heating projects in Hamburg and Bremen.

The FRIEDRICH VORWERK Group generated other income of €23.8 million (previous year: €10.0 million). The increase was mainly due to higher income from equity investments in joint ventures (€16.1 million; previous year: €5.1 million). In addition, income from the reversal of provisions (€2.3 million; previous year: €0.9 million), income from the offsetting of remuneration in kind (€1.2 million; previous year: €1.1 million), income from renting and leasing (€1.0 million; previous year: €0.9 million), income from asset disposals (€0.2 million; previous year: €0.4 million) and other income (€3.0 million; previous year: €1.5 million) are also included.

The cost of materials increased disproportionately from €106.7 million in the previous year to €188.6 million in the reporting year. This includes expenses for purchased services in the amount of €154.7 million (previous year: €103.1 million) and the cost of raw materials and supplies in the amount of €33.9 million (previous year: € 19.8 million). Compared to the previous year, the cost of materials ratio increased significantly to 51.2% (previous year: 38.2%). The increase in the cost of materials is mainly due to the significantly increased use of subcontractors, which was necessary in the course of the execution of the time-critical projects in the second half of the year. In addition, the cost of materials increased due to in part dramatic material price increase as well as higher energy costs, which could not be fully passed on to the clients.

Adjusted staff costs increased from €96.4 million in the previous year to €119.2 million in the reporting year. The increase is mainly due to the year-on-year increase in the average number of employees and wage and salary increases. The growth in the number of employees amounts to 17% on a monthly basis and 14% on a quarterly basis. The item was adjusted in the previous year for bonuses of €2.7 million in connection with the IPO. As a result of the increased use of subcontractors, the personnel expense ratio increased from 34.5% in the previous year to 32.4% in the reporting year. The FRIEDRICH VORWERK Group employed 1,657 people (previous year: 1,633) as at the end of the reporting period.

The other operating expenses in the financial year 2022 amount to €34.0 million (previous year; adjusted: €27.8 million). This mainly includes rental and leasing expenses for short-term leases (€9.4 million; previous year: €7.5 million), maintenance expenses (€8.5 million; previous year: €6.8 million), travel expense and vehicle costs (€3.1 million; previous year: €3.0 million), insurance premiums (€1.3 million; previous year: €1.3 million) as well as legal and consulting costs (€1.0 million; previous year: €1.1 million). No adjustments were made to other operating expenses in the reporting year. In the previous year, the adjustments related to consulting costs in connection with the IPO in the amount of €0.4 million.

The FRIEDRICH VORWERK Group thus generated EBITDA of €50.1 million in the financial year 2022 (previous year; adjusted: €57.5 million). This corresponds to a decline compared to the previous year of 12.9%. The adjusted EBITDA margin fell by 7.0 percentage points to 13.6% (previous year: 20.6%). The decline in the EBITDA margin is primarily the result of limited personnel resources, which had to be compensated for at short notice by subcontractors due to the high pressure to complete the critical infrastructure projects and the high scope of services. This led to a significant deviation in the results of the revenue-driving major projects. In addition, there were partly significant cost increases in material and energy procurement as well as a further burden on profitability due to the ongoing restructuring of the Gottfried Puhlmann Group. EBITDA before adjustments in the reporting year amounted to €50.1 million (previous year: €54.5 million). In the previous year, expenses in connection with the IPO of €3.2 million and income from negative goodwill of €0.1 million were adjusted for.

The adjusted depreciation and amortisation of €16.3 million (previous year: €13.0 million) relates to depreciation of property, plant and equipment and amortisation of intangible assets. The increase compared to the previous year results from the significant investments in property, plant and equipment as part of the growth strategy. The application of IFRS 16 resulted in depreciation of €3.1 million in the reporting year (previous year: €3.3 million). These figures have been adjusted for depreciation and amortisation on assets of €0.3 million (previous year: €0.1 million) capitalised in connection with purchase price allocation.

This results in adjusted EBIT of €33.8 million (previous year: €44.5 million). This corresponds to an adjusted EBIT margin of 9.2% (previous year: 16.0%). EBIT before adjustments amounts to €33.4 million (previous year: €41.4 million).

The financial result is €-3.0 million compared to €-4.3 million in the previous year. Net interest income and interest expenses amount to €-0.9 million (previous year: €-0.9 million). Furthermore, the financial result includes the non-controlling interests in Friedrich Vorwerk SE & Co. KG - essentially the 10% limited partnership interest attributable to the Chairman of the Management Board Torben Kleinfeldt.

The adjusted EBT in fiscal year 2022 amounts to €30.8 million (previous year: €40.2 million). EBT before adjustments amounts to €30.5 million (previous year: €37.1 million).

The reported adjusted tax expense in the financial year amounts to €13.7 million (previous year: €10.4 million) and is mainly attributable to income taxes and deferred taxes. The tax expense for the reporting year includes one-off effects that temporarily led to a higher tax rate. Tax expense includes other taxes in the amount of €0.4 million (previous year: €0.4 million).

In total, the adjusted consolidated net profit amounts to €17.3 million (previous year: €29.9 million). Consolidated net profit before adjustments amounts to €17.1 million (previous year: €26.8 million).

Calculation of adjusted earnings figures

As described in the section on the capital management system, the adjusted earnings figures provide a transparent view of the company's actual performance. The following table shows the reconciliation of the IFRS earnings figures to the adjusted earnings figures:

	Note	1 Jan - 31 Dec 2022 €k	1 Jan - 31 Dec 2021 €k
Revenue	III.1.	**368,161**	**279,071**
Increase (+) / decrease (-) in finished goods and work in progress		-2	-565
Operating performance		**368,159**	**278,506**
Income from joint ventures and associates	III.2.	16,057	5,122
Other operating income and income from first-time consolidation	III.3.	7,694	4,969
Adjustments:			
Income from initial consolidation		0	-138
Total performance		**391,910**	**288,459**
Cost of raw materials and supplies		-33,872	-19,795
Cost of purchased services		-154,711	-86,932
Cost of materials	III.4.	-188,582	-106,726
Wages and salaries		-89,914	-77,121
Social security and pension costs		-29,321	-22,028
Staff costs	III.5.	-119,235	-99,150
Other operating expenses	III.6.	-34,004	-28,241
Adjustments:			
Bonuses in connection with the IPO		0	2,745
Consulting services in connection with the IPO		0	408
Adjusted earnings before interest, taxes, depreciation and amortisation (EBITDA)		**50,089**	**57,494**
Depreciation and amortisation expense		-16,663	-13,045
Adjustments:			
Depreciation and amortisation of assets acquired in a business combinations		329	89
Adjusted earnings before interest and taxes (EBIT)		**33,754**	**44,539**
Finance income	III.7.	34	10
Finance costs	III.8.	-961	-910
Earnings attributable to non-controlling interests		-2,046	-3,395
Net finance costs		-2,973	-4,295
Adjustments:			
Non-controlling interests		-23	3
Adjusted earnings before taxes (EBT)		**30,759**	**40,247**
Income tax expense	III.9.	-13,246	-10,048
Other taxes	III.9.	-393	-351
Adjustments:			
Deferred taxes on adjustments		-73	15
Adjusted profit or loss for the period		**17,046**	**29,864**
Non-controlling interests		295	25
Adjusted consolidated net profit		**17,341**	**29,889**
Adjusted earnings per share (in €)	III.10.	0.87	1.53

Achievement of targets by the Group

Achievement of targets by the Group	Forecast for 2022 published in Mar 22	Forecast for 2022 published in Aug 22	Achieved in 2022
Adjusted revenue (€ million)	> €320 million	> €320 million	€368.2 million
Adjusted EBIT margin (%)	15%	13 - 15%	9.2%

The Group's forecast was missed with regard to the adjusted EBIT margin in the reporting year. This is due in particular to the profitability of the fourth quarter of 2022, in which a very high order volume in combination with limited personnel resources led to a temporarily increased use of subcontractor services, which resulted in a significant deviation in results for several revenue-driving major projects.

Net assets

The equity of the FRIEDRICH VORWERK Group amounts to €163.2 million as at 31 December 2022 (31 December 2021: €152.5 million). Based on total consolidated assets of €308.1 million (previous year: €290.5 million), the equity ratio is 53.0% as at the end of the reporting period (previous year: 52.5%). The increase results from the current annual result. This was offset by the payment of a dividend of €4.0 million for the financial year 2022, which was resolved by the Annual General Meeting on 1 June 2022.

The increase in property, plant and equipment to €97.2 million (31 December 2021: €80.6 million) results largely from investments in machinery and equipment as well as in the subsidiaries and locations of the FRIEDRICH VORWERK Group. In addition to land and buildings amounting to €33.9 million, property, plant and equipment also includes technical equipment and machinery (€34.7 million), operating and office equipment (€20.7 million) and assets under construction (€7.9 million).

Financial assets increased from €12.4 million in the previous year to €20.3 million in the reporting year. This mainly includes shares in joint ventures accounted for using the equity method and securities. The increase results in particular from an increase in the carrying amounts of equity investments of €8.6 million.

Inventories amount to €10.3 million € at the end of the reporting period (31 December 2021: €6.1 million) and essentially include raw materials, commodities and supplies.

The change in trade receivables, contractual assets and other current assets from €69.0 million as at 31 December 2021 to €120.9 million as at the end of the reporting period is mainly the result of an increase in contract assets to €95.4 million (previous year: €45.2 million). The higher working capital is mainly due to the strong growth in revenue in the second half of the year as well as temporary special effects (e.g. limited invoicing as a result of the cyberattack in the fourth quarter).

The cash funds of €45.9 million as at the end of the reporting period decreased significantly (previous year: €108.3 million). This is primarily the result of the temporary increase in working capital and the payments for investment and financing activities. Please refer to the comments in the section on the financial position.

As at 31 December 2022, the Group's bank and lease liabilities amount to €21.2 million (31 December 2021: €28.0 million). The decrease in financial liabilities results in particular from the scheduled repayment of financial liabilities (31 December 2022: €15.3 million; previous year: €19.0 million) and a reduction in lease liabilities (31 December 2022: €5.9 million; previous year: €9.0 million).

Accordingly, net cash from the above liabilities and cash items, including securities, amounts to €27.2 million at the end of the reporting period (31 December 2021: €83.6 million). Furthermore, as at the end of the reporting period, there are off-balance sheet contingent liabilities of €161.7 million (31 December 2021: €113.9 million), essentially consisting of advance payment, contract performance and performance guarantees.

Profit participation capital amounts to €10.2 million as at the end of the reporting period (31 December 2021: €10.2 million) and was provided by the charitable Irene and Friedrich Vorwerk Foundation of the founders of the group of companies. The profit participation rights grant a guaranteed rate of interest. Furthermore, the bearers of the profit participation certificates participate in the adjusted consolidated net profit of the FRIEDRICH VORWERK Group in the form of a floating-rate interest. The total interest rate in the reporting year was 3.5% (previous year: 4.2%). The profit participation rights can be cancelled for the first time effective 31 December 2039.

The reduction in pension provisions (€2.0 million; previous year: €2.7 million) is mainly due to actuarial gains as a result of the increased interest rate level.

Deferred tax liabilities increased from €19.3 million in the previous year to €20.2 million. This is mainly due to higher temporary differences in the area of fixed assets.

Contract liabilities, which primarily consist of prepayments received, decreased by €3.5 million as at the end of the reporting period. This is due in particular to a change in the composition of the order book. Offsetting this, trade payables increased by €4.1 million to €10.9 million as at the end of the reporting period.

Current liabilities to non-controlling interests contain withdrawable profit shares.

The reduction in other liabilities compared to the previous year is mainly due to lower VAT liabilities.

Financial position

The change in cash and cash equivalents in the reporting year amounts to €-62.4 million (previous year: €63.0 million) and breaks down as follows:

Net cash from operating activities decreased year-on-year from €29.8 million in the previous year to €-10.3 million in the reporting year. It essentially comprises the operating business of the subsidiaries and the related cash receipts. It also includes changes in assets and liabilities not attributable to investing or financing activities. The change compared to the previous year is primarily due to the increase in inventories, trade receivables and other assets (see comments in Net assets section), the effect for the net cash from operating activities in the reporting year amounts to €-55.5 million (previous year: €1.1 million). The increase in trade payables and other liabilities had an opposite positive effect (€18.7 million; previous year: €-10.8 million).

Net cash used in investing activities amounts to €-32.6 million (previous year: €-28.5 million) and results primarily from payments for property, plant and equipment. This includes in particular technical equipment and machinery, office furniture and equipment, and assets under construction. The purchase price payment for the acquisition of Hempel Aluminiumbau GmbH, reduced by the acquired cash and cash equivalents, amounts to €0.2 million (previous year: Gottfried Puhlmann Group and KOPRUPP GmbH: €3.2 million).

Net cash used in financing activities amounts to €-19.6 million (previous year: €61.7 million). This includes net cash outflows for the taking up and repayment of bank and leasing liabilities amounting to €10.3 million (previous year: net cash inflows of €3.3 million), payments for dividends to shareholders of Friedrich Vorwerk Group SE of €4.0 million, payments for dividends to non-controlling shareholders of €3.6 million, interest payments of €0.9 million and payments for the acquisition of shares in companies without a change of control of €0.8 million. The cash flow from financing activities in the previous year was characterised by the payment from the capital increase, less directly attributable costs, in the amount of €83.2 million.

Summary assessment

The Management Board assesses the development of the FRIEDRICH VORWERK Group in the financial year 2022 fundamentally positive. With the IPO and the associated capital increase in March 2021, the financial basis for further organic and inorganic growth was created. In the reporting year, a record turnover of € 368.2 million was achieved. This significant growth was mainly achieved through the time-critical execution of the LNG connection pipelines in the second half of 2022, which was, however, accompanied by a significant burden on profitability. The reasons for the lower margin compared to the previous year are primarily the limited personnel resources, which had to be compensated by subcontractors at short notice due to the high completion pressure for the critical infrastructure projects and the high scope of services. This led to a significant deviation in the results of the revenue-driving major projects. In addition, there were in part significant cost increases in material procurement as well as the ongoing restructuring of the Gottfried Puhlmann Group. As a result of an averted cyberattack at the end of the year, there was an additional burden on the margin and limited visibility with regard to project controlling.

In addition, numerous important investments were also made in the reporting year, which, together with a continued positive market development, point to sustained and profitable corporate growth, which is made possible by a very good equity and liquidity position.

Principles and objectives of financial management

The basic principles of the Group's financial policy are determined by the Management Board of Friedrich Vorwerk Group SE. The primary objectives of our financial management are to secure liquidity and to limit financial risks. In addition, it is our aim to achieve a return on the free liquidity of the Group. In this respect, some of these funds are invested to a small extent in short-term securities on a highly diversified basis, if and only to the extent that they are not required for further acquisitions, for example.

The FRIEDRICH VORWERK Group does not actively hedge other currencies at Group level as its transactions are typically performed on a euro basis. Similarly, the management of the credit risks of our contract partners is the responsibility of the individual subsidiaries. However, monitoring at Group level ensures options for timely intervention as necessary.

The main source of corporate financing is our operating activities with the cash inflows generated from them. In addition, liquid funds from various credit lines are available to the FRIEDRICH VORWERK Group as needed.

Controlling system

The FRIEDRICH VORWERK Group’s systematic focus on increasing enterprise value is also reflected in its internal controlling system. All relevant developments in the FRIEDRICH VORWERK Group are discussed at regular Management Board meetings. Furthermore, potential investment opportunities as well as the free liquid funds available for investment purposes are discussed in these meetings. The development of various key figures, in particular order intake, revenue, EBITDA and EBIT of the individual Group companies, but also the contribution margins and results of the individual projects are analysed. Friedrich Vorwerk Group SE defines consolidated revenue, adjusted EBITDA and adjusted EBIT as its key financial performance indicators relevant to the forecast. In the non-financial area, net CO_2 emissions was used as the central non-financial controlling parameter in the reporting year.

As a rule, the forecast for the following financial year is published at the latest with the publication of the annual report. This is based on detailed bottom-up planning of the individual contracts. The published forecast is reviewed regularly and adjusted by the Management Board if necessary. The earnings figures partly contain IFRS remeasurement effects. These include, for example, income from business combinations as well as write-downs on hidden reserves identified in conjunction with business combinations. These effects cannot be predicted, as they are related to future, unforeseeable investments. The FRIEDRICH VORWERK Group therefore forecasts a result adjusted for these and other non-operating income and expenses (which in the previous year also included the costs of the IPO), which reflects the operating profitability and development of the company in a much more transparent and sustainable manner. The earnings forecast for the 2023 financial year included in the forecast report, which is subject to further influences from the ongoing war waged by Russia against Ukraine, is also based on the adjusted earnings figures.

The key performance indicators for controlling the Group’s net assets and financial position are cash funds (including all cash equivalents), net cash/net debt and cash flow. Operating cash flow is calculated using the indirect method in accordance with IAS 7. Another key performance indicator is trade working capital, which consists of inventories, trade receivables, contract assets, prepayments received and trade payables.

Report on risks and opportunities

In the FRIEDRICH VORWERK Group, risk management is one of the key foundations for commercial operations and safeguards the company's competitive capability in the long term. When handling projects in the Energy Grids and Energy Transformation segments and with turnkey projects, the FRIEDRICH VORWERK Group is subject to a number of risks directly related to its business activities. The aim of risk management is to detect risks early on and to minimise them while also maintaining commercial earnings potential. The objective of risk management at the FRIEDRICH VORWERK Group is to keep on developing and improving organisational processes and controls with which to detect risks early on and to initiate countermeasures. The following section lists the key risks that could have a lasting impact on the financial position and financial performance of the company.

Market risk

Market risks result from changes in the macroeconomic conditions on key markets. In Energy Grids and Service & Operations, these mainly include our domestic market of Germany and neighbouring European countries. In Energy Transformation, while Germany is still our domestic market, business in this area is much more international. Competition in our business areas could become more intensive moving ahead, which might erode our earnings situation. We counter this risk with the ongoing expansion of our value chain, in particular in the area of specialty technologies such as the environmentally friendly horizontal drilling method.

Environmental risk

The environmental risk has a wide variety of aspects. On the one hand, it relates to the energy sector and the associated greenhouse gas emissions and, on the other hand, to resource and waste management. The FRIEDRICH VORWERK Group strives to reduce energy consumption, which is mainly due to the use of fossil fuels to operate of our technical equipment and machinery and the transport of this equipment. To achieve this goal, we are increasingly striving to implement sustainable and climate-neutral projects, increase the use of renewable energies, modernise our equipment and property portfolio, and optimise logistics planning. In its focus on resource management, FRIEDRICH VORWERK aims to achieve improved material reuse and resource efficiency - also with respect to water consumption across the Group.

Project risk

The monitoring of project risk extends across all operating units of the Group and is divided into the subareas of costing risk and implementation risk. All projects are analysed for specific technical, commercial and legal risks when preparing a bid through to the completion of the contract. Residual indeterminate risks in individual projects are taken into account by risk premiums when calculating an offer. The costing risks that arise when preparing bids are limited by binding Group-wide costing standards. All major projects undergo continuous variance analysis while being carried out. As soon as a project moves outside the target parameters, corresponding countermeasures are initiated, monitored by the project managers or the Management Board and checked for effectiveness.

Materials and external performance risks

Risks can arise if the necessary materials or services are not available on time or in line with market standards. We can ensure that our interests are treated as a priority thanks to long-term relationships with our suppliers and service providers. Inventories are monitored at all times to ensure that standard materials are available for our projects at short notice. In order to prevent strong price fluctuations on the procurement side, we always take into account corresponding price escalator clauses when processing offers. In the area of subcontractors and external services, significant financial risks can arise both from a lack of availability and from a higher price level.

Personnel risk

The successful management of personnel risks is a central element of corporate development. Personnel risks arise from staff turnover and the associated loss of expertise and shortages of new personnel. The FRIEDRICH VORWERK Group counters this risk of staff turnover with individual, performance-based bonus regulations and a broad range of development options within the Group. This safeguards the long-term loyalty of the company's top performers. In-house training and continuing professional development ensure the next generation of qualified employees and managers. The FRIEDRICH VORWERK group is countering the ever more intensive competition for highly qualified employees and managers with optimised recruitment measures and cooperations with universities. As part of the optimised recruiting measures, the FRIEDRICH VORWERK Group is increasingly consolidating its own employer brand to strengthen its own employee loyalty and increase its attractiveness for new and existing employees.

IT risks

The incidence of cybercrime is steadily increasing. Such cyberattacks are becoming increasingly complex due to evolving technologies and attack methods. Among other things, such attacks can lead to business interruptions, embezzlement or unauthorised access to confidential information, as well as reputational damage. IT risks are countered with comprehensive security concepts, which were also significantly expanded in the reporting year in response to the cyberattack in November 2022.

Financial risks

Financial risks are managed Group-wide by the parent company, Friedrich Vorwerk Group SE. Selected derivative hedging instruments are used in rare cases to minimise these risks as far as possible. Hedging is only used for operational risks and not for speculative purposes. Liquidity risk is the risk that liabilities cannot be settled when due. This risk is managed on the basis on a regularly updated financial plan. Cash funds are managed centrally through a cash pool. The interest rate risk arises from floating-rate financial liabilities. Any hedging transactions that may be required in future will be concluded centrally by the Management Board.

It is standard practice within the industry to issue various guarantees and warranties. These guarantees are typically issued by banks or credit insurance companies and essentially comprise contract performance, advance payment and performance guarantees. In the event that a guarantee is utilised, the banks have claims for recourse against the Group. Such guarantees have not given rise to claims against the Group either in the financial year or in the past. The availability and terms of these guarantees are a requirement for further growth. The Management Board oversees the management and use of these guarantees.

The careful analysis of clients and, if necessary, the use of hedging instruments make bad debt risks manageable. The payment terms for receivables and liabilities are typically agreed in line with industry standards and are monitored regularly. Furthermore, this risk is positively influenced by the structure of clients, which are mainly composed of renowned companies in the energy industry. The carrying amount of financial assets represents the maximum risk of default. Discernible risks of default on financial assets are taken into account by impairment losses.

Risk from the COVID-19 pandemic and other pandemics

The rapid spread of the COVID-19 pandemic since the beginning of 2020 has led to numerous measures in Germany and other countries relevant to the FRIEDRICH VORWERK Group in wave movements of varying intensity. These are considered significant and may also result in a substantial reduction or shutdown of the majority of economic activities in the future, albeit with decreasing probability. This gives rise to macroeconomic risks that can impair economic growth and thus also the development of the energy industry. With the exception of partial delivery problems with individual components, which are mainly required for the Energy Transformation division, the impact of the COVID-19 pandemic on the earnings situation of the FRIEDRICH VORWERK Group in the reporting year was rather minor.

Risk from the war waged by Russia against Ukraine

Russia's current war waged against Ukraine is having a negative impact on the global economy. The halt in Russian gas deliveries has led to rising energy prices in Germany. These effects can be felt directly in the projects. Both our own production costs and the costs for external services and materials have risen due to increased energy prices. In order to hedge against rising raw material prices, inventories were increased for selected materials. Furthermore, framework agreements and fixed prices are agreed for the procurement of raw materials and supplies. In addition to setting prices for raw materials, absolute energy consumption is constantly monitored and measures are taken to reduce energy consumption.

Opportunities

The European energy transition towards a CO_2 -neutral continent by 2050 entails a fundamental realignment of the European energy markets, which will require enormous investments in existing and new energy infrastructure over the coming decades.

Thanks to its outstanding technological expertise, its excellent reputation and customer relationships and its fully integrated business model, the FRIEDRICH VORWERK Group is ideally positioned on its core markets of underground gas, hydrogen and power lines and the associated energy transformation projects (e.g. gas pressure control and measurement systems, compressor stations, cavern storage, LNG terminals and transformer stations) to benefit from this in the long term.

Above all, the basis for this is the FRIEDRICH VORWERK Group’s ability to combine components and solutions developed and produced in-house, and its proprietary technologies, with its strengths as a fully integrated turnkey provider.

To compensate for the decision to phase out nuclear power and fossil fuels in Germany, substantial investment in the natural gas infrastructure is required to guarantee the security of supply for German industry and the population in the long term through more decentralised structures and flexible gas power stations. Between now and 2030, up to €9.0 billion is to be invested in the gas transmission network in Germany alone. The diversification of the supply of natural gas via LNG terminals has already shown in the 2022 financial year that the FRIEDRICH VORWERK Group can benefit from the execution of new connection pipelines for LNG terminals.

Another essential component of the energy transition is the large-scale expansion of electricity generation capacities in the field of renewable energies, primarily wind and solar energy. For the distribution of renewable energies, especially from the windy north to the consumer regions in the south of Germany, a significant expansion of the transmission grids is indispensable, which is to be realised mostly underground. For the construction of the so-called "electricity highways" SüdLink, SüdOstLink and A-Nord alone, the German transmission grid operators are planning investments of up to €15 billion. With Bohlen & Doyen's experience in the realisation of underground cable projects, FRIEDRICH VORWERK is ideally positioned for these major projects. In the 2022 financial year, the first orders from the expansion of transmission grids were already won. In May 2022, the FRIEDRICH VORWERK Group was awarded the major contract for cable laying and cable logistics as part of the SüdLink extra-high voltage transmission line. The SüdLink transmission line planned by the transmission grid operators TenneT and TransnetBW is considered a central grid expansion project for a successful energy turnaround in Germany. Also in the 2022 financial year, a contract was concluded with the transmission system operator Amprion for the A-Nord cable route. The contract initially covers the second project phase, in which the reference construction target and the associated reference costs are determined.

As a molecular energy carrier, green hydrogen is an essential component of a successful energy transition in Europe. Hydrogen is already essential today for many processes in energy-intensive industry and, moving forward, will play a crucial role in the areas of industry difficult to decarbonise and mobility in particular. In addition to the massive pan-European emergence of electrolysers to produce green hydrogen from renewable energies, this will also require the construction and expansion of hydrogen-ready pipelines and systems. The European Union projects that up to €430 billion will be invested in the European hydrogen industry by as soon as 2030.

Further growth opportunities are offered by the district heating market, where several significant new incoming orders were recently recorded. District heating is considered an essential building block for the sustainable decarbonisation of the building sector. By 2030, the technology should account for at least 30% of heat generation in the building sector in Germany. Against this background, a substantial investment requirement of €33 billion and numerous other large-scale projects are expected for the expansion and conversion of the German district heating networks by 2030. Thanks to its broad portfolio of services and technologies as well as decades of experience in the planning and realisation of district heating projects, FRIEDRICH VORWERK considers itself ideally positioned in this market.

In light of this, FRIEDRICH VORWERK is confident that there will be considerable growth opportunities in the future in the core markets mentioned, especially in the areas of hydrogen, electricity and district heating.

Principles of the risk management system

The FRIEDRICH VORWERK Group takes the aforementioned risks into account through a risk management system implemented by the Management Board. The risk management system creates the framework for defining and shaping the risk culture as well as for identifying, assessing, controlling and communicating risks. The risk management system is continuously improved and optimised.

Measures are taken at an early stage to avert disadvantages for the subsidiaries and the Group. These include, among others:

- integrated project controlling that monitors the operating projects of the individual Group companies;
- regular management meetings with the managing directors and other executives at the subsidiaries;
- a regular external or internal audit to examine the focal areas determined in advance;
- structured merger & acquisitions tools;
- central group monitoring of key contractual risks and legal disputes by the Management Board and involvement of qualified law firms as necessary.

Accounting-related and non-financial internal control system

The Management Board of Friedrich Vorwerk Group SE is responsible for preparing the annual financial statements and the management report of Friedrich Vorwerk Group SE in accordance with the provisions of the Handelsgesetzbuch (HGB – German Commercial Code) and the Aktiengesetz (AktG – German Stock Corporation Act). Furthermore, the consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) and the Group management report applying German Accounting Standard (GAS) No. 20.

The Management Board has established an appropriate internal control system to guarantee that the disclosures in its reporting are correct and complete, including the compliance of its financial reporting. In 2022, the internal control system was expanded in that it now also covers non-financial aspects.

The internal control system is designed to ensure the timely, standardised and correct accounting of all business processes or transactions. This safeguards compliance with statutory norms and accounting regulations. Changes in laws, accounting standards and other pronouncements are continuously analysed for relevance and impact on the individual and consolidated financial statements as well as on non-financial reporting. The internal control system is also based on a series of integrated monitoring procedures. These integrated monitoring procedures include organisational safeguards, ongoing automatic measures (the separation of duties, access restrictions, organisational instructions such as deputational powers) and controls integrated into workflows. The effectiveness of the internal control system is further assured by monitoring procedures that are independent of processes. Accounting for a large part of the fully consolidated companies as well as consolidation measures are carried out centrally. Technical system controls are monitored by employees and supplemented by manual checks. The consolidation adjustments are carried out using a uniform consolidation system. The employees involved in the accounting process are regularly trained for this purpose. External specialists are called in on a case-by-case basis to manage individual accounting risks, for example in actuarial valuations. The Supervisory Board of Friedrich Vorwerk Group SE is required to regularly review the effectiveness of the management and monitoring systems. It receives regular reports on this from the Management Board. In this context, an auditing company was engaged in the 2022 financial year to review the internal control and monitoring systems with regard to the "Revenue recognition in accordance with IFRS 15" process at Friedrich Vorwerk Group SE. The results of the audit are presented to the Management Board and Supervisory Board in an audit report.

Adequacy of the internal control system and risk management system

The internal control system, related to financial and non-financial reporting, and the risk management system are continuously reviewed and adjusted accordingly. In assessing the adequacy, the results of external audits, such as the auditor's review of the internal control system for accounting, as well as internal sources were taken into account. Where issues are identified, the Group takes remedial action. No significant matters came to light in the financial year that would indicate that the internal control system and the risk management system are not adequate.

Declaration on corporate governance

The Supervisory Board and Management Board report on corporate management and corporate governance in accordance with Principle 23 of the German Corporate Governance Code and sections 289f and 315d of the German Commercial Code (HGB):

Declaration in accordance with section 161 AktG

On 20 March 2023, the Management Board and the Supervisory Board issued the most recent declaration of compliance in accordance with section 161 AktG. It reads:

The Management Board and Supervisory Board of Friedrich Vorwerk Group SE submitted the most recent compliance declaration in accordance with section 161 AktG in March 2022. The following declaration refers to the recommendations of the Code as amended 28 April 2022 (the "**Code**"), which was published in the German Federal Gazette on 27 June 2022.

The Management Board and the Supervisory Board of Friedrich Vorwerk Group SE declare that, with the following exceptions, the recommendations of the Code have been complied with since the last declaration of compliance was issued and will be complied with in future:

- **Recommendation D.4 of the Code - Nomination Committee**: Section D.5 of the Code recommends the formation of a nomination committee consisting solely of shareholder representatives.

  Given the current size and structure of the Supervisory Board, the Supervisory Board of the company does not consider it necessary to form a nomination committee to propose suitable candidates. Decisions on nominations for the Supervisory Board to be made to the Annual General Meeting are to be the responsibility of the Supervisory Board as a whole.

- **Recommendation D.12 of the Code - Self-assessment**: According to recommendation D.12 of the Code, the Supervisory Board shall regularly assess how effectively the Supervisory Board as a whole and its committees perform their duties. In the corporate governance statement, the Supervisory Board shall report whether and how a self-assessment was conducted.

  In order to be able to consider a sufficiently long period of time within the framework of the effectiveness review, the first effectiveness review was carried out within the framework of the first ordinary Supervisory Board meeting of the 2023 financial year on 20 March 2023.

- **Recommendations G.1 to G.11 of the Code - Management Board Remuneration**: Sections G.1 and G.2 of the Code state that the system of remuneration for the members of the Management Board to be developed by the Supervisory Board should contain further defined elements besides the binding statutory requirements, including in particular a defined target for total remuneration for each member of the Management Board.

  Sections G.3 to G.5 of the Code contain requirements that the Supervisory Board should take into account in developing such a remuneration system, in particular regarding a suitable peer group of other companies, the ratio of Management Board remuneration to senior management remuneration and the remuneration of the workforce as a whole, plus the independence of the external remuneration experts consulted.

Sections G.6 to G.11 contain recommendations for variable remuneration, in particular on the ratio of long-term to short-term targets, performance criteria, subsequent amendments to targets or comparative parameters, the measurement of achievement, the requirement to predominantly invest variable remuneration in shares of the company and the option of retaining or clawing back variable remuneration if this is warranted.

In the opinion of the Supervisory Board, the system of remuneration for the Management Board is appropriate at this time given the current size and structure of the company. The members of the Management Board have sufficient incentive to act in the interests of the Company and its shareholders. The Chairman of the Executive Board, Torben Kleinfeldt, as a major shareholder, does not receive variable compensation. Neither member of the Management Board currently receives any long-term variable remuneration, but Management Board member Tim Hameister (CFO) subscribed for shares in Friedrich Vorwerk Group SE as part of the IPO. For detailed information on the current remuneration system, reference is made to the company's remuneration report, which has been made available on the website www.friedrich-vorwerk.de.

The above declaration of compliance is published on our website at www.friedrich-vorwerk.de/de/investor-relations/corporate-governance.html and is available for download.

Remuneration report

The remuneration report issued in accordance with section 162 AktG and the auditor report have been published on our website at www.friedrich-vorwerk.de/de/investor-relations/corporate-governance.html.

Information on corporate governance practices

Compliance

FRIEDRICH VORWERK sees compliance with the statutory provisions relevant to its business activities and its own internal policies as a key element of corporate governance. Management responsibility in all the Group's units therefore also includes the duty to ensure and support compliance with the applicable statutory provisions in the respective areas of responsibility.

Workflows and processes must be designed in accordance with these regulations. The centrepiece of FRIEDRICH VORWERK's compliance management system (CMS) is a Code of Conduct that enshrines principles and recommendations for issues particularly relevant to compliance, such as conduct in respect of competitors, avoiding corruption, discrimination and conflicts of interest as well as how to handle sensitive business information and data subject to data protection. The Code of Conduct is supplemented by further Group policies, for instance on avoiding corruption and conduct in respect of competitors. A further element of the CMS is the systematic and ongoing analysis of compliance risks and the integration of corresponding procedures, such as employee training and process adjustments to minimise the corresponding risks. The general coordination of the CMS is the responsibility of the Group Compliance Officer, who reports directly to the Management Board. There are compliance officers and points of contact at the individual subsidiaries as well. The compliance officers are primarily in charge of advising employees on all issues relevant to compliance and for investigating reports of violations. Employees and third parties alike also have the option of reporting misconduct in the company. In the reporting period, the Audit Committee monitored the effectiveness of the CMS through regular reporting by the Management Board and the Group Compliance Officer. The system will also be refined continuously moving forward.

Risk management

The risk management system of the FRIEDRICH VORWERK Group has been presented in detail in the report on risks and opportunities within the combined management and Group management report.

Transparency

Promptly informing shareholders and interested members of the public about key issues is an integral element of good corporate governance at FRIEDRICH VORWERK. In particular, information on the economic situation of the company and major business events is provided in the financial reports (annual report, half-year financial report and quarterly statements), talks with analysts and the press, press releases, ad-hoc disclosures if necessary and Annual General Meetings. The website www.friedrich-vorwerk.de is a communication tool that can be used at all times and that it is always up to date. Relevant information is published on it in German and English. In addition to information on the FRIEDRICH VORWERK Group and the shares of Friedrich Vorwerk Group SE, it also provides a financial calendar with an overview of important dates.

Procedures of the Management Board and the Supervisory Board, and their composition

Two-tier management and control system: Management Board and Supervisory Board

A basic feature of the corporate governance structure of Friedrich Vorwerk Group SE is a two-tier system with the clear separation of management by the Management Board and control by the Supervisory Board. The Management Board is responsible for managing the company and represents it externally. It is a duty of the Supervisory Board to appoint, dismiss and monitor the members of the Management Board. Under German law, the Supervisory Board is not permitted to make any operational management decisions. However, the two bodies work together closely for the good of the company and uphold the common goal of sustainable, long-term growth prospects for its shareholders. The Annual General Meeting is the executive body of the company that represents shareholders' interests. The Management Board reports to the Supervisory Board on an ongoing basis, both verbally and in writing, and provides it with extensive information on the status of the company. Moreover, the Management Board submits the budget for the coming financial year and the medium-term planning to the Supervisory Board. The Management Board is also required to inform the Supervisory Board in good time of any business that could significantly influence the profitability or liquidity of the company. This allows the Supervisory Board to form an opinion on any such business before it goes ahead.

The Management Board

The Management Board of Friedrich Vorwerk Group SE manages the company on its own responsibility and represents Friedrich Vorwerk Group SE in its business dealings with third parties. The Management Board develops the strategic direction of the company, coordinates this with the Supervisory Board and ensures its implementation. The actions and decisions taken by the Management Board are guided by the company's interests. It is committed to the goal of a sustainable increase in enterprise value in line with the interests of its shareholders, employees and other stakeholders. Other professional activities, in particular positions on supervisory boards outside the Group, require the approval of the Supervisory Board. Material transactions between Group companies on the one hand and members of the Management Board or their related parties on the other similarly require the approval of the Supervisory Board and must be at arm's length. Conflicts of interest on the part of members of the Management Board must be disclosed to the Chairman of the Supervisory Board without delay and the other members of the Management Board must be informed of this. There were no such conflicts of interest in the year under review.

The Management Board performs its duties as a collegial body. The members of the Management Board work cooperatively and inform each other on an ongoing basis of key processes in their departments. Notwithstanding their joint responsibility for management, the individual members of the Management Board manage the departments assigned to them by the executive organisation chart on their own responsibility. Basic matters such as organisation, business policy and corporate planning, as well as procedures of elevated significance, are discussed and decided by the Management Board as a whole. The Chairman of the Management Board coordinates the work of the Management Board.

There is D&O insurance for the members of the Management Board in accordance with section 93(2) sentence 3 AktG.

When filling positions in the Management Board of Friedrich Vorwerk Group SE and the two management levels below the Management Board, the Supervisory Board complies with the requirements of the German Stock Corporation Act by ensuring that candidates have the skills, knowledge and experience that are required for the work of the management. FRIEDRICH VORWERK especially believes in affirmative action for women and is aiming to have women take on more responsibility in the Group. Nevertheless, the Supervisory Board must accept that the share of women, both in general and in management, in the sector in which FRIEDRICH VORWERK operates is significantly lower than in other industries and sectors. It is therefore more challenging to fill vacancies in the different divisions and levels of the company's hierarchy with women. Also, female candidates should only be given preferential treatment moving ahead if they have the same qualifications. Given the size of the Management Board and its long-term contracts, the Supervisory Board has set a target for the share of women on the Management Board of 20%, which is to be achieved in the medium term.

Diversity within the Management Board is also reflected by the individual educational and professional backgrounds of its members and the differences in their experience (e.g. industry experience). Members with different educational and professional backgrounds and a variety of experience are therefore expressly desirable. However, based on their personal and professional skillsets and experience, each member of the Management Board must be capable of performing the duties of a member of the management board of a listed international company and upholding the FRIEDRICH VORWERK Group's reputation to the public. The members of the Management Board should also have a profound understanding of FRIEDRICH VORWERK's business and typically have several years of management experience.

The age limit for members of the Management Board is 66. There is no minimum age. However, members of the Management Board should have several years of management experience at the time of their appointment. Within this framework – for reasons of diversity and in the interests of long-term succession planning – a mixed age structure within the Management Board is desired, though central importance is not attached to age as compared to the other criteria.

As currently composed, the Management Board fulfils the above goals with the exception of the share of women intended in the medium term. The Management Board currently consists of two persons with different professional background, experience and differing expertise. The age limit is not exceeded by either member of the Management Board.

Long-term succession planning for the Management Board

Together with the Management Board, the Supervisory Board ensures the long-term succession planning for the Management Board. This duty is performed by the Supervisory Board acting as a whole. The respective requirement profiles for the individual Management Board positions are derived from the goals for the composition and skillsets of its members as described above. The requirement profiles and the executive organisation chart are regularly reviewed by the Supervisory Board in relation to the current environment, business performance and corporate strategy.

The identification and development of internal candidates for future management roles is also a key part of long-term succession planning. The Management Board is responsible for identifying potential candidates early on who will then receive systematic guidance – by being assigned duties of growing responsibility and further training in line with requirements – with the result that, ideally, more and more internal candidates can be considered more closely when new vacancies arise.

The Supervisory Board

The Supervisory Board determines the composition of the Management Board, monitors and advises it on its management work and is involved in general and important decisions. In accordance with the Rules of Procedure for the Management Board, activities and transactions of fundamental significance require the approval of the Supervisory Board. Other key duties include reviewing and adopting the annual financial statements and approving the consolidated financial statements.

The requirements for the internal organisation of the Supervisory Board and its committees derive from the law, the Articles of Association and the Rules of Procedure for the Supervisory Board, which can be found on the website at www.friedrich-vorwerk.de/en/investor-relations/corporate-governance.html. The Chairman of the Supervisory Board coordinates the work of the Supervisory Board and represents its interests externally.

The members of the Supervisory Board have a commitment to the interests of the company. When making their decisions, members of the Supervisory Board must not pursue personal interests or exploit business opportunities open to the company. Conflicts of interest must be disclosed to the Chairman of the Supervisory Board without delay. The Supervisory Board provides details of any conflicts of interest that arise and their handling in its report to the Annual General Meeting. Consultancy and other service or work contracts between a member of the Supervisory Board and the company require the approval of the Supervisory Board. There were no such contracts in the 2022 financial year.

There is D&O insurance, without a deductible, for the members of the Supervisory Board.

The Supervisory Board performs its work both as a whole and in committees. The individual committees and their responsibilities are set out in the Rules of Procedure of the Supervisory Board. Given the size and composition of the Supervisory Board, there is only an Audit Committee at this time. The Chairman of the Audit Committee is Dr Julian Deutz.

According to the Articles of Association of the company, the Supervisory Board consists of three members to be elected by the Annual General Meeting.

Objectives for the competence profile of the supervisory board

Requirements for the individual members of the Supervisory Board

Each member of the Supervisory Board should be characterised by integrity and the ability to make independent decisions in order to fulfil the monitoring and auditing tasks. For the purpose of advising and supervising the Management Board, each Supervisory Board member should also have appropriate experience from management functions himself or herself or have acquired the necessary skills in some other way. Each member of the Supervisory Board should be particularly discreet, professional, capable of discussion, solution-oriented and capable of cooperation, which should be given particular attention in the context of election proposals to the general meeting. In addition, each member of the Supervisory Board must safeguard the public image of the FRIEDRICH VORWERK Group.

Each member of the Supervisory Board shall ensure on his or her own responsibility that he or she has sufficient time to properly exercise his or her mandate. It must be taken into account that at least four ordinary meetings of the Supervisory Board are held annually, each of which requires adequate preparation, sufficient time must be provided for the audit of the annual and consolidated financial statement's documentation, and additional time is required for membership in one or more Supervisory Board committees. In addition, extraordinary meetings of the Supervisory Board or of a committee may be necessary to deal with special issues and resolutions may have to be passed by circulation. Each Supervisory Board member should be prepared to be available at short notice with the necessary flexibility in case of urgency. Supervisory Board members shall comply with the limitation of Supervisory Board mandates recommended by the Code.

With regard to the age limit, the Supervisory Board has determined that Supervisory Board members shall retire from the Supervisory Board at the Annual General Meeting following their 75th birthday.

Requirements for the composition of the entire Board

The Supervisory Board as a whole should have the competences that are considered essential in view of the activities of the FRIEDRICH VORWERK Group. The following qualification matrix is based on the requirements for the members of the supervisory board:

Qualification matrix	Dr Christof Nesemeier	Dr Julian Deutz	Heike von der Heyden
Affiliation			
Member since	28 Jul 2020	10 Feb 2021	10 Feb 2021
Elected until	2026	2026	2026
Personal suitability			
Independence[1]		✓	✓
Other mandates	1	4	0
Committees	Audit Committee	Audit Committee	Audit Committee
Diversity			
Year of birth	1965	1968	1966
Gender	Male	Male	Female
Nationality	German	German	German
International experience	✓	✓	✓
Professional aptitude			
Leadership experience	✓	✓	✓
Mergers & acquisitions	✓	✓	✓
Sustainability & ESG	✓	✓	✓
Procurement & production	✓	✓	
Financial expert[2]	✓	✓	✓
Risk management	✓	✓	✓
Corporate Governance & Compliance	✓	✓	✓
HR		✓	✓
Business field / sector familiarity	✓		

[1] Within the meaning of the German Corporate Governance Code (the Code)

[2] Within the meaning of section 100 (5) AktG and recommendation D.3 of the Code

In addition, in accordance with the requirements of section 100(5) AktG, at least one member of the supervisory board must have expertise in the field of accounting and at least one other member of the supervisory board must have expertise in the field of auditing; the members as a whole must be familiar with the sector in which the company operates.

Dr Julian Deutz, as Chairman of the Audit Committee, has extensive experience as Chief Financial Officer of Axel Springer SE in all matters of accounting, auditing and internal control and risk management systems. Other members of the Audit Committee are Heike von der Heyden, who, as the former CFO of Green City AG, has extensive knowledge of accounting as well as sustainability reporting, and Dr Christof Nesemeier, who, as the founder and long-standing CEO of MBB SE, also has many years of experience in auditing.

The Supervisory Board strives for a composition that ensures qualified control of and advice to the Management Board at all times. The Supervisory Board is of the opinion that for an effective work of the supervisory board - and thus for the sustainable development of the company - diversity aspects play an important role in addition to professional and personal requirements. In this respect, the following objectives serve as a guideline for long-term succession planning and for the selection of suitable candidates.

Members of the Supervisory Board of Friedrich Vorwerk Group SE who are members of the management board of a listed company should typically not hold more than two supervisory board positions at non-Group listed companies or similar functions and should not be the chairperson of the supervisory board of a non-Group listed company. Members of the Supervisory Board of FRIEDRICH VORWERK who are not on the management board of a listed company should typically not hold more than five such external mandates, whereby chairmanship of a supervisory board counts double. In particular, similar functions include mandates on the supervisory bodies of foreign listed companies or mandates on the supervisory bodies of companies subject to statutory co-determination. However, membership on the supervisory or advisory boards of smaller companies typically entails a significantly lower time commitment and workload, hence such mandates are not considered a similar function.

Taking into account the specific corporate situation and ownership structure of FRIEDRICH VORWERK, the Supervisory Board considers it appropriate for more than half of the members of the Supervisory Board to be independent from the company and the Management Board. The Supervisory Board of Friedrich Vorwerk Group SE should consist of at least 30% women and 30% men. In addition, diversity within the Supervisory Board is also reflected by the individual professional backgrounds and areas of activity of its members, as well as by the differences in their experience. Thus, in the interests of diversity, the Supervisory Board strives to be composed in such a way that the backgrounds, experience and expertise of its members complement each other.

The current composition of the Supervisory Board fulfils all of the above objectives: The Supervisory Board is composed of persons with different professional backgrounds, experience and expertise. The requirement of 30% women is met. The age limit was not exceeded by any member at the time of the respective election. The mandate limits are complied with by all members of the Supervisory Board. The majority of the members of the Supervisory Board are independent from the company and the Management Board. The Supervisory Board conducted a self-assessment for the first time on 20 March 2023.

Disclosures in accordance with section 289a and section 315a HGB

Composition of issued capital

The issued capital of the company amounted to €20,000,000 as at 31 December 2022 and was divided into 20,000,000 no-par value bearer shares. Each share grants the bearer one vote at the Annual General Meeting.

Restrictions on voting rights or the transfer of shares

There are no restrictions on voting rights or the transfer of shares.

Direct or indirect equity interests exceeding 10% of the voting rights

The following table shows the direct or indirect equity interest exceeding 10% of the voting rights:

	31 Dec 2022		31 Dec 2021	
	Number of shares	%	Number of shares	%
MBB SE	7,200,000	*36.00%*	7,200,000	*36.00%*
ALX Beteiligungsgesellschaft mbH	3,600,000	*18.00%*	3,600,000	*18.00%*
Other shareholders	9,200,000	*46.00%*	9,200,000	*46.00%*
Total	**20,000,000**	**100%**	**20,000,000**	**100%**

MBB SE and ALX Beteiligungsgesellschaft mbH entered into a voting rights agreement on February 6, 2021, in which both parties agreed to exercise their voting rights uniformly. Resolutions on the manner in which voting rights are exercised in accordance with the voting rights agreement are passed by a simple majority on the basis of the voting rights held by the parties to the voting rights agreement in Friedrich Vorwerk Group SE. The voting rights agreement may be terminated by either party at any time and shall automatically terminate if one party holds less than 10% of the shares in the company or if both parties together hold less than 30% of the shares in the company.

Bearers of shares conferring special rights

No shares conferring special rights have been issued.

Nature of control of voting rights in the event of employee participation

There are no controls of voting rights of any kind.

Statutory provisions and provisions of the Articles of Association on the appointment and dismissal of members of the Management Board and on amendments to the Articles of Association

The Management Board is appointed and dismissed in accordance with the statutory regulations of sections 84 et seq. AktG.

In accordance with section 179(1) AktG, all amendments to the Articles of Association require a corresponding resolution by the Annual General Meeting. In accordance with Article 24 of the Articles of Association, amendments to the Articles of Association require a simple majority of the votes cast at the Annual General Meeting, to the extent that this is permitted by law; abstentions do not count as votes cast.

Article 11(2) of the Articles of Association also states that the Board is authorised to make amendments to the Articles of Association that relate solely to their wording. In particular, the Supervisory Board is authorised to amend the wording of the Articles of Association after a full or partial increase in share capital from authorised or contingent capital or after the respective authorisation periods expire to reflect the extent of the capital increase from authorised or contingent capital.

Powers of the Management Board, in particular its ability to issue or buy back shares

The authorisations issued by the Annual General Meeting to the Management Board to increase the share capital and to issue shares are governed by Article 4 of the Articles of Association. Please also refer to the detailed disclosures on equity presented in the notes to the consolidated financial statements.

Material agreements that are subject to a change of control following a takeover bid

There are no such agreements.

Compensation agreements with members of the Management Board or employees for the event of a takeover bid

There are no such compensation agreements.

The disclosures required in accordance with section 160 AktG(1) no. 2 can be found in the notes to the group financial statements section II.10.1 Equity in the notes to the consolidated financial statements.

Disclosures in accordance with section 312(3) AktG

In the legal transactions and measures listed in the report on relationships with affiliated companies, the company received appropriate consideration for each legal transaction according to the circumstances known to us at the time the legal transactions were carried out or the measures were taken or omitted, and has not been disadvantaged by the fact that these measures were taken or omitted.

Report on expected developments

Based on the overall deteriorating macroeconomic environment in 2022, the global economy faces exceptionally challenging conditions in 2023. Tighter monetary policy and higher real interest rates, continued high inflation, persistently high energy prices and weak real household income growth are expected to contribute to weakening global economic growth. According to the OECD, global GDP growth will weaken to 2.2% in 2023 and only rise again moderately to 2.7% in 2024. In Europe in particular, a noticeable slowdown in economic growth is expected, even leading to recession. European GDP growth is estimated at only 0.5% and 1.4% for 2023 and 2024, respectively. In Germany, too, there is great uncertainty in view of the high inflation rates, the uncertain energy supply and the worsening shortage of skilled workers. German GDP is expected to decrease by 0.3% in 2023 and only return to growth in 2024 with an expected GDP increase of 1.5%.

The order backlog as at 31 December 2022 was €315.1 million, slightly above the high level of the previous year and thus provides a strong basis for sustainable corporate growth. Despite the solid order book and unbroken market demand, the Management Board expects a lower revenue level for 2023, which takes into account the limited personnel resources. From 2024 onwards, there will also be numerous major projects in the Electricity segment for which significant planning and engineering capacities of the Group will already be tied up in 2023 without making any major contributions to revenue. Considering this, the Management Board expects Group revenue of more than €300 million for the 2023 financial year.

Due to the continuing cost pressure of materials and personnel as well as the ongoing restructuring of the Gottfried Puhlmann Group, the Management Board expects an EBITDA margin at the level of the previous year (13%). The adjusted EBIT margin is expected to be below the 2022 level due to higher depreciation as a result of investment activities.

Events after the end of the reporting period

With regard to events after the end of the reporting period, please refer to the corresponding disclosures in the notes to the consolidated financial statements.

Non-financial statement

The principle of sustainability forms a central component of the strategy and corporate policy of the FRIEDRICH VORWERK Group.

Accordingly, various sustainability aspects are integrated into its corporate strategy, Group-wide controlling and the regular meetings of the Management Board. FRIEDRICH VORWERK's philosophy is characterised by a business orientation accompanied by responsibility for the environment, employees and society. In our daily efforts to excel, we seek to combine sustainability targets with economic aspects.

In line with section 289d HGB, we examined which national, European or international frameworks could be applied in preparing the non-financial statement. However, no frameworks are applied comprehensively at present, as the cost of doing so would be disproportionate to the benefit in light of the FRIEDRICH VORWERK Group's corporate structure and we do not consider any of the existing frameworks to be suitable for us. The reporting period for the non-financial statement is the 2022 financial year. The quantitative information includes all consolidated subsidiaries of the FRIEDRICH VORWERK Group.

Business model

FRIEDRICH VORWERK is one of the leading providers of turnkey solutions for the transformation and transport of energy. We plan, build, install and operate critical energy infrastructure along the entire value chain, and ensure that energy sources such as raw natural gas, wind and solar energy can be converted into usable natural gas, electricity and clean hydrogen and then transported to the consumer.

We design and create power highways that connect wind energy sources in the north of Germany with consumers in the south of Germany, and gas lines that will prepare the European energy infrastructure for the future. Thanks to our hydrogen solutions, we are making the transition to clean, molecular energy sources of the future possible. We cover the entire range: from major turnkey projects to bespoke specialty solutions for customers. We are constantly striving for innovative product solutions that enable the lower CO_2 energy transport. Our product portfolio also includes services such as the maintenance and operation of our customers' energy infrastructure. Overall, FRIEDRICH VORWERK therefore plays a key role in the energy revolution and in safeguarding the energy supply.

Further information on the business model and the individual segments can be found in the "Segments" section in the FRIEDRICH VORWERK Group's 2022 combined management and group management report.

Stakeholder

Investors: Our shareholders expect FRIEDRICH VORWERK to act sustainably and responsibly, with a clear strategic focus and transparent reporting.

Customers: Our customers want reliable partners to reliably provide innovative solutions while exercising ecological and social responsibility.

Employees: Our employees value an attractive and secure workplace where they can apply their skills as trained. Continuing professional development is part of FRIEDRICH VORWERK's sustainable human resources policy.

Materiality analysis

The materiality analysis, which was performed for the first time in 2020, identified "environmental concerns", "social concerns" and "employee concerns" as the core issues of FRIEDRICH VORWERK's sustainability strategy. These aspects are explained in more detail below. The issues of "respecting human rights" and "combating corruption and bribery" are also described. As these issues are important but, in our opinion, secondary as regards the FRIEDRICH VORWERK Group's sustainability strategy, they will be discussed only briefly. Please see the table at the end of this section for an overview of key non-financial indicators.

Environmental concerns

FRIEDRICH VORWERK takes a holistic approach in its project business, by working on all phases of the project cycle and by also taking into account long-term use beyond the project's scope. As, by definition, infrastructure projects mean intervening in existing structures, our activities directly influence people and the environment. In order to minimise the resulting impact, we attach particular importance to forward-looking and comprehensive planning. Environmental factors include land usage, excavation, intervention in the water supply, the consumption of energy, water and raw materials in addition to the generation of noise, dust, vibrations, emissions, waste water and solid waste. These factors vary according to the type and extent of a project. For example, as a specialist in horizontal directional drilling (HDD), we are able to lay power lines with minimal landscape impact. Our goal is to protect and conserve the natural environment as far as possible, by integrating the special considerations of each project into individual project management. The extensive environmental protection activities required in major projects carried out by FRIEDRICH VORWERK are typically set out in a legally binding landscape conservation plan. In Germany, this plan maps out the measures planned for a project that entails encroachment on nature and the landscape, in the immediate vicinity of the project or nearby, to compensate for or minimise this encroachment. These measures are a part of the planning documentation necessary for a project's approval, and become legally binding when the zoning plan for the project is adopted. Measures for smaller projects can include tree protection activities, in particular in inner-city areas, which are also coordinated with the offices in charge of green areas.

It is not just about projects that will allow a sustainable energy supply and implementing these projects with minimal impact: a responsible approach to natural resources in general also plays a part. Operational decisions are considered in the context of their ecological repercussions at all levels of the FRIEDRICH VORWERK Group. This applies to the use of raw materials in addition to the energy efficiency of the individual subsidiaries. By using natural resources responsibly and ensuring high energy efficiency, the FRIEDRICH VORWERK Group makes an important contribution to environmental protection, and thus already have a strong interest in this topic for strategic reasons.

As a central element of our efforts, FRIEDRICH VORWERK operates an integrated management system in which quality is certified according to ISO 9001, occupational health and safety according to SCC regulations, environmental issues according to ISO 14001 and energy according to ISO 50001. This system forms the framework for our efforts for continuous improvement. FRIEDRICH VORWERK defines specific annual environmental and energy targets and analyses their achievement as part of a management review.

Furthermore, the FRIEDRICH VORWERK Group aims to continuously enhance the economy and efficiency of its vehicle fleet and technical equipment. Fuel consumption and downtimes are therefore analysed constantly and fleet management is adjusted accordingly. For example, old vehicles, machinery and equipment are constantly exchanged for newer, more efficient models with lower pollutant and noise emissions. In individual cases, new technologies are developed in-house. Within the 2022 financial year, a cable pipe sled (KaRoSch) was designed and manufactured at the Wiesmoor site. The KaRoSch speeds up the laying of power cables, which minimises the impact on the environment. Overall, the cable trenches are filled and recultivated more quickly and the absolute soil exchange is minimised.

Energy efficiency and sustainability are taken into account when sourcing materials, and we expect our suppliers and service providers to fulfil the same environmental standards as us. Environmental certificates are therefore requested from potential suppliers in the procurement process and assessed alongside quality, delivery time and price.

By providing regular training for employees in all departments, the FRIEDRICH VORWERK Group ensures that they have a high environmental impact awareness, adhere to systems for the separation and disposal of waste, are economical with all resources and comply with the applicable work instructions for the handling of hazardous substances and water pollutants.

In the previous financial year, FRIEDRICH VORWERK had already started planning and developing a hydrogen electrolysis plant at the Wiesmoor site. The renewable energy generated by a photovoltaic system is transformed into green hydrogen by means of electrolysis and stored. When needed, the hydrogen is converted into heat by a combined heat and power plant. The goal of the project, which is to be completed in 2023, is to supply the Wiesmoor site with electricity and heat from renewable sources.

Together with our employees at our headquarters in Tostedt, we maintain a 90-hectare forest area owned by the FRIEDRICH VORWERK Group, which has been left in its natural state according to the highest ecological standards.

Employee issues

Protecting and respecting each and every person is a top priority in the FRIEDRICH VORWERK Group. It goes without saying that we comply with international human rights and labour standards. We condemn any and all forms of discrimination, including for reasons of ethnic background, religion, political views, gender, physical capacity, appearance, age or sexual orientation.

Our employees are our Group's most important resource. It is therefore a central component of our sustainability strategy to attract new, motivated employees while attaining a high level of satisfaction and motivation with a low turnover within the staff body. We want to be an attractive employer for current and future employees, and so we deliberately position ourselves towards this target group as a sustainably growing company on the front lines of the energy revolution. We have enjoyed steady headcount growth over the past five years thanks to broad development opportunities and our consistent recruitment strategy.

Occupational safety is always a top priority for FRIEDRICH VORWERK. Employees in prefabrication or those who work on projects are subject to an elevated health risk. This is why we apply high standards when it comes to security, particularly with regard to handling hazardous materials and other potential hazards. By regularly providing training and continuing professional development, we foster the knowledge and expertise required by our employees to work safely. The FRIEDRICH VORWERK Group is SCCP-certified and therefore satisfies all the statutory requirements for a health and safety management system. Reportable work accidents are recorded and analysed at regular intervals. Work safety incidents are always investigated with all involved and the findings are incorporated into concrete action. New concepts are being devised and trialled in practice in cooperation with our customers. The Last Minute Risk Analysis (LMRA), which promotes a conscious approach to routine work by operational employees, plays a central role in our occupational safety concept. In the 2022 financial year, the LMRA card was revised and translated into a total of seven languages to facilitate communication with all employees on occupational safety issues.

To prevent accidents from happening in the first place, workers are trained at regular intervals. In 2022, the focus was on work in pits and trenches as well as the training of ushers. In addition, the topic of fire protection was prioritised in 2022 by intensively training fire protection assistants and revising the escape routes. Furthermore, the personal protective equipment (PPE) for the entire FRIEDRICH VORWERK Group was renewed. The new PPE impresses with new safety standards and better fits for safer work.

In the previous financial year 2021, a fundamental change of strategy in the area of HSEQ (Health, Safety, Environment and Quality) already took place and the resources of Bohlen & Doyen were bundled with those of the initial FRIEDRICH VORWERK Group in a Group-wide HSEQ department. This change in strategy continues also in the 2022 financial year. The goal in 2022 was to replace external safety specialists with internal safety specialists. The goal will be fully achieved when all external safety specialists are replaced by in-house employees.

While the energy industry has focused on the technical and organisational aspects of occupational health and safety in the past, future work safety success can only be achieved with a pronounced culture of safety. The Safety Culture Ladder (SCL) is an assessment method for measuring safety awareness and conscious safe acting by each individual employee in the company. The higher the safety awareness in an organisation, the higher the assigned ladder step. Level III certification was achieved for the 2022 financial year. For the coming year, Level IV certification is being sought. This shows the ambition of the FRIEDRICH VORWERK Group to establish an even stronger safety culture.

The FRIEDRICH VORWERK Group considers supporting and challenging its employees to be a key factor in its success. Our employees take part in training and continuing professional development in all areas of the Group, with high standards of occupational health and safety and the selective promotion of junior executives. FRIEDRICH VORWERK currently has 121 trainees and students on dual study programmes (previous year: 115). Our fundamental aim is to offer permanent employment to all trainees and dual study students who complete their training with us. To continue being an attractive employer, we invest in our employees, either directly by offering continuing professional development or by allowing them to work from home. In addition, numerous new benefits for employees were introduced in 2022 to further increase our attractiveness as an employer.

We are particularly committed to gender equality. Women, men and people with a non-binary gender identity have equal opportunities in our companies. We seek to ensure a balance between the genders at all hierarchical levels. The focus on technical professions that is inherent to our business model means that women are still underrepresented among students and job applicants, with the latter posing a challenge when it comes to filling vacant positions. The FRIEDRICH VORWERK Group was not able to increase the proportion of female employees compared to the previous year (13.4%). For the 2022 financial year, the proportion is 11.6%.

When selecting managers, the Management Board always seeks to ensure diversity and considers male and female applicants as well as applicants with a non-binary gender identity. Ultimately, appointments are always primarily based on the professional and personal qualifications of person in question.

Social concerns

Dealing with our customer and supplier stakeholders respectfully and in a socially responsible manner is one of our guiding principles. We firmly believe that continuous product innovation, acting fairly with respect to suppliers and entering into a constant dialogue with our customers are key elements of our business success. The FRIEDRICH VORWERK Group is involved in numerous voluntary social projects at municipal level. In addition to its role as an employer, the FRIEDRICH VORWERK Group also supports increasing the common good of these communities for the long-term, for example through partnerships with schools or sports clubs.

The Irene and Friedrich Vorwerk Foundation, an independent body created by the founders of the FRIEDRICH VORWERK Group and still closely associated with the FRIEDRICH VORWERK Group today, deserves a special mention in this regard. The social engagement of the Irene and Friedrich Vorwerk Foundation extends from the promotion of the next generation of young scientists to support for cultural events and aid for the needy. A number of cultural projects of various sizes, such as local theatre or church parishes, are sponsored. Two annual readings have become a fixed institution over the years and one of the cultural highlights for many guests. Here, too, the members of our society in need are not forgotten. The foundation supports both individuals and institutions locally.

Respecting human rights and combating corruption and bribery

Respecting human rights: The FRIEDRICH VORWERK Group has deep roots in Germany and Europe, and respects the human rights of employees, suppliers and business partners in its day-to-day operations. We have not identified any risks of non-standard remuneration, inappropriate working hours, restrictions on the freedom of assembly or equal rights at either ourselves or our suppliers. Disciplinary measures for potential violations have been determined and communicated. FRIEDRICH VORWERK is committed to upholding internationally recognised human rights standards and does not tolerate any form of slavery, forced labour, child labour, human trafficking or exploitation in its own business activities or its supply chain.

Combating corruption and bribery: We have always considered compliance with legal provisions and guidelines, in addition to correct conduct in business transactions, to be a core component of sustainable corporate governance. In order to uphold this long-standing principle, we have formulated our basic principles in our corporate policy, which is updated on an ongoing basis and communicated to all employees. The current Code of Conduct and the Group-wide anti-corruption policy serve as a framework for activities both within the company and in respect of third parties. The Code of Conduct is specified and defined in greater detail through guidelines and instructions. Using cyclical reporting structures, the respective management of the various Group companies is required to report regularly to the Management Board of the FRIEDRICH VORWERK Group on the effectiveness of the respective internal management system and any incidents occurring.

Data protection: When processing the data of employees, applicants, customers, suppliers and partners, we respect and protect the rights of these persons and safeguard the necessary security of their data. Among other things, we have taken the necessary precautions to comply with the European Union’s General Data Protection Regulation (GDPR) that became effective on 25 May 2018 and standardises data protection regulations in EU countries.

Negative consequences and risks in connection with business activities

In our opinion, there are no material risks in connection with our business activities, our products or our services that could have serious negative consequences in terms of employee, environmental or social concerns, or that could lead to a violation of human rights and to corruption.

Overview of key non-financial indicators

The key operating indicators for environmental concerns can fluctuate greatly from year to year on account of a divergent order structure.

	2022	2021
Employees		
Share of female employees in relation to total employees	12%	13%
Number of apprentices	113	109
Number of employees in cooperative study programs	8	6
Reportable work accidents	29	52
Fatal work accidents	0	0
LTIFR (Lost Time Injury Frequency Rate) / 1 million hours	10	17
Environmental concerns		
Energy intensity in MWh / € million revenue	152	205
Energy intensity in MWh / per 1,000 hours worked	20	21
CO2 consumption Scope 1 + 2 in tonnes of CO2	14,723	15,135
Own consumption of generated electricity of PV system in MWh	159	120
Saved CO2 consumption Scope 1 + 2 in tonnes of CO2 through PV system	58	44
Social concers		
Charitable donations and sponsorship in €k*	24	2

* Without Irene and Friedrich Vorwerk Foundation

EU taxonomy

In accordance with the EU Taxonomy Regulation and the supplementary delegated acts, we show below the share of our Taxonomy-eligible Group-wide revenue (turnover), capital expenditure (CapEx) and operating expenditure (OpEx) for the financial year 2022 in relation to the six EU environmental goals elaborated in the EU Taxonomy: "climate change mitigation", " climate change adaptation", "sustainable use and protection of water and marine resources", "transition to a circular economy", "pollution prevention and control" and "protection and restoration of biodiversity and ecosystems".

The aim of the EU taxonomy is to promote investment flows from the financial sector to companies engaged in environmentally sustainable activities. It should thus help the EU to implement the European Green Deal, which commits to climate neutrality by 2050. In doing so, the EU taxonomy should create a common understanding of the environmental sustainability of activities and investments. Furthermore, the EU taxonomy provides guidance on whether companies contribute to sustainable development with their economic activities. The regulation obliges companies to report on these economic activities.

For the 2021 financial year, the regulation with reporting relief came into force. The facilitation regulations provided for reporting on taxonomy-compliant economic activities for the 2021 financial year. For the 2022 financial year, reporting for taxonomy-compliant economic activities is to be applied for the first time. Taxonomy-compliant economic activities meet the technical assessment criteria as well as minimum protection criteria of the European Union.

The Management Board of the FRIEDRICH VORWERK Group has taken the decision to value the taxonomy-compliant revenues, capital expenditure (CapEx) and operating expenditure (OpEx) with zero for the 2022 financial year. In the opinion of the Management Board, the applicability of the technical valuation as well as minimum protection criteria is not applicable in operational practice. Furthermore, there are currently still open questions regarding the definition and interpretation of the technical valuation and minimum protection criteria, which have not yet been conclusively clarified by the EU Commission. In the following, only the reporting of taxonomy-eligible economic activities will be discussed.

Procedure for the affectedness analysis

In order to determine taxonomy eligibility, the first step was to identify the activities eligible for taxonomy at FRIEDRICH VORWERK with reference to the definitions in Annexes 1 and 2 of the NACE codes referenced in the legal act on Regulation (EU) 2020/852. In addition, the definitions of the key figures revenue, operating expenses (OpEx) and capital expenditure (CapEx) listed in Annex 1 to the Regulation were analyzed and the data for the respective reference figures (denominator of the key figure) were collected. In the area of operating expenses in particular, the relevant cost types were identified. Approaches for estimating and collecting the corresponding revenues, operating expenses and capital expenditures were then defined for the taxonomy-eligible activities.

Due to the ongoing dynamic developments with regard to the wording of the EU Taxonomy Regulation, there are currently still uncertainties of interpretation with regard to the wording and terms contained therein. Therefore, there may be adjustments to the impact analysis in the future.

Identified taxonomy-eligible economic activities

The following economic activities were identified as eligible for taxonomy:

- Transmission and distribution of electricity
- Transmission and distribution networks for renewable and low-carbon gases
- Manufacture of renewable energy technologies
- Construction, extension and operation of water collection, treatment and supply systems
- District heating /cooling distribution

Analysis and calculation

The analysis for taxonomy-eligibility of revenue is based on revenue as we define and report it in the consolidated financial statements of the FRIEDRICH VORWERK Group.

The definition of the EU taxonomy for determining the relevant operating expenses includes expenses for research and development, building renovation measures, short-term leasing, maintenance and repair, as well as other direct expenses in connection with the daily maintenance of property, plant and equipment, which are reported in the consolidated income statement under other operating expenses. In order to determine the proportion of operating expenses eligible for the taxonomy, the related operating expenses for a project with revenue eligible for the taxonomy were recognized on a pro rata basis as eligible for the taxonomy.

Capital expenditures include additions to property, plant and equipment as well as intangible assets (including acquisitions, excluding goodwill according to the EU taxonomy). Taxonomy-eligible capital expenditures relate to assets and projects associated with taxonomy-eligible economic activities. In addition, individual capital expenditures from the acquisition of assets from taxonomy-eligible economic activities and the implementation of individual measures to achieve climate targets have been taken into account. The various taxonomy-eligible capital expenditures were set in relation to the capital expenditures reported in the annual report.

Materiality aspects were taken into account when determining the relevant activities.

Results of the analysis

The following table lists the taxonomy-eligible key metrics.

EU-Taxonomy	Total in € million	Taxonomy-eligible in € million	Taxonomy-eligible in %
Turnover (revenue)	368.2	150.1	40.8%
Capital expenditure (CapEx)	34.8	15.2	43.7%
Operating expenditure (OpEx)	17.9	7.3	40.8%

By way of the Delegated Regulation of 2 February 2022, the European Commission resolved the inclusion of nuclear energy and natural gas in the Taxonomy of environmentally sustainable economic activities. However, the natural gas activities relevant to the FRIEDRICH VORWERK Group are linked to strict criteria that must be satisfied at the current time in order to qualify as Taxonomy-eligible.

It is therefore not conclusive at this time whether the capital expenditure by our business partners is Taxonomy-aligned. Such activities are therefore generally not considered to be Taxonomy-aligned under the Delegated Regulation of 2 February 2022. This applies to large areas of the activities of the FRIEDRICH VORWERK Group that can nonetheless be in line with the environmental objectives of the European Union.

Sustainability Accounting Standards Board (SASB) Index

We have published the Sustainability Accounting Standards Board (SASB) index in our annual report since the 2020 reporting year in order to ensure greater transparency in the area of sustainability. SASB aims to enable transparent communication between companies and investors on material information related to ESG data through standardised sustainability accounting.

	Code	Comment
Environmental impact of Projects		
Number of incidents of non-compliance with environmental permits, standards and regulations	IF-EN-160a.1.	In 2022, there were no incidents of non-compliance with environmental permits, standards and other regulations. FRIEDRICH VORWERK has procedures and controls in place to ensure compliance with applicable rules and regulations in its industry.
Discussion of processes to assess and manage environmental risks associated with project design, siting, and construction	IF-EN-160a.2.	FRIEDRICH VORWERK monitors the environmental impacts of each project with specific environmental management systems such as ISO 14001 and ISO 50001. Furthermore, the Group holds industry specific permits and licenses and is certified as a specialist in accordance with the regulations of the German Technical and Scientific Association for Gas and Water and the German Water Resources Act.
Structural integrity and security		
Amount of defect- and safety-related rework costs	IF-EN-250a.1.	Re-work cost under warranty amounted to €136k in 2022 (0.04% of revenue).
Total amount of monetary losses resulting from legal proceedings related to deficiency and safety incidents	IF-EN-250a.2.	In 2022, there were no monetary losses as a result of legal proceedings related to deficiency and safety-related incidents.
Workforce Health & Safety		
(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	IF-EN-320a.1.	The total recordable accident rate (TRIR)* for direct employees was 2.5 in 2022 with a fatality rate of 0.0. The data for temporary workers are included in the incident rate.
Structural integrity and security		
Number of (1) in-service projects certified to a third-party multi-dimensional sustainability standard and (2) active projects seeking such certification.	IF-EN-410a.1.	In 2022, 15 certified biogas processing plants were completed. In 2022, 11 more projects are under development.
Discussion of process to incorporate operational phase energy and water efficiency considerations into project planning and design	IF-EN-410a.2.	Energy and water efficiency considerations are based on customers' specifications and are incorporated into project planning and design. In every project, we advise our clients on energy and water optimisation solutions and actively engage in innovation to fulfill their requirements.

Climate impact of the business mix		
Level of backlog of (1) hydrocarbon-related projects and (2) renewable energy projects	IF-EN-410b.1.	The order backlog as at Dec 31, 2022 was €104 million for (1) hydrocarbon-related projects and €199 million for (2) renewable energy projects.
Level of cancellations of hydrocarbon-related projects	IF-EN-410b.2.	There were no cancellations in 2022.
Level of backlog of projects related to climate change mitigation but not directly related to the energy industry	IF-EN-410b.3.	The order backlog as of Dec 31, 2022 does not include any projects related to climate protection but not directly related to the energy industry.
Business Ethics		
(1) number of active projects and (2) order backlog in the 20 countries with the lowest scores in Transparency International's Corruption Perception Index	IF-EN-510a.1.	Currently, there is no project in any of the 20 countries that have the lowest scores in Transparency International's Corruption Perception Index.
Total amount of monetary losses as a result of legal proceedings associated with charges of (1) bribery or corruption and (2) anti-competitive practices	IF-EN-510a.2.	In 2022, there were no monetary losses as a result of legal proceedings related to allegations of (1) bribery or corruption and (2) anti-competitive practices.
Description of policies and practices for prevention of (1) bribery and corruption, and (2) anti-competitive behaviour in the project bidding processes	IF-EN-510a.3.	To prevent bribery, corruption, extortion and embezzlement and to ensure a high level of integrity in our business dealings, we applied the revised Compliance Management System from 2021 in the 2022 financial year. Non-compliance with the guidelines and regulations is explicitly not tolerated. In addition, a new whistleblower system was introduced in 2022.

* Includes only incidents recorded in connection with our operating business

Tostedt, 20 March 2023

The Management Board

Torben Kleinfeldt	Tim Hameister
Chief Executive Officer	Chief Financial Officer

IFRS Consolidated Financial Statements 2022

IFRS consolidated income statement

IFRS consolidated income statement	Note	1 Jan - 31 Dec 2022 €k	1 Jan - 31 Dec 2021 €k
Revenue	III.1.	**368,161**	**279,071**
Increase (+), decrease (-) in finished goods and work in progress		-2	-565
Operating performance		**368,159**	**278,506**
Income from initial consolidation		0	138
Income from equity investments	III.2.	16,057	5,122
Other operating income	III.3.	7,694	4,831
Total performance		**391,910**	**288,597**
Cost of raw materials and supplies		-33,872	-19,795
Cost of purchased services		-154,711	-86,932
Cost of materials	III.4.	**-188,582**	**-106,726**
Wages and salaries		-89,914	-77,121
Social security and pension costs		-29,321	-22,028
Staff costs	III.5.	**-119,235**	**-99,150**
Other operating expenses	III.6.	-34,004	-28,241
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**50,089**	**54,480**
Depreciation and amortisation	II.1.	-16,663	-13,045
Earnings before interest and taxes (EBIT)		**33,426**	**41,436**
Finance income	III.7.	34	10
Finance expenses	III.8.	-961	-910
Earnings attributable to non-controlling interests	III.8.	-2,046	-3,395
Net finance costs		**-2,973**	**-4,295**
Earnings before taxes (EBT)		**30,453**	**37,140**
Income tax expense	III.9.	-13,246	-10,048
Other taxes	III.9.	-393	-351
Profit or loss for the period		**16,814**	**26,742**
Non-controlling interests		325	25
Consolidated net profit		**17,139**	**26,767**
Earnings per share (in €)	III.10.	0.86	1.37

IFRS consolidated statement of comprehensive income

IFRS consolidated statement of comprehensive income	Note	1 Jan - 31 Dec 2022 €k	1 Jan - 31 Dec 2021 €k
Profit or loss for the period		**16,814**	**26,742**
Items that may be subsequently reclassified to profit and loss			
Currency translation differences	II.10.3	-7	-3
Items that cannot be subsequently reclassified to profit and loss			
Changes in the fair value of shares	II.10.3	-1,004	201
Pension reserve	II.10.3	659	20
thereof deferred taxes		-161	-32
Other comprehensive income after taxes		**-512**	**186**
Comprehensive income for the reporting period		**16,301**	**26,928**
thereof attributable to:			
- Shareholders of the parent company		16,506	26,959
- Non-controlling interests		-205	-31

IFRS consolidated statement of financial position

IFRS consolidated statement of financial position Assets	Note	31 Dec 2022 audited €k	31 Dec 2021 audited €k
Non-current assets			
Concessions, industrial property rights and similar rights and assets	II.3.	273	772
Goodwill	II.2.	4,276	1,692
Intangible assets		**4,549**	**2,464**
Land and buildings including buildings on third-party land	II.4.	33,916	32,225
Technical equipment and machinery	II.4.	34,722	32,778
Other equipment, operating and office equipment	II.4.	20,732	15,067
Advance payments and assets under construction	II.4.	7,862	544
Property, plant and equipment		**97,233**	**80,614**
Equity investments	II.5.	17,072	8,470
Investment securities	II.5.	2,560	3,295
Other loans	II.5.	627	610
Financial assets		**20,259**	**12,375**
Deferred tax assets	II.16.	**9,029**	**11,550**
		131,070	**107,003**
Current assets			
Raw materials and supplies	II.6.	10,165	6,031
Work in progress	II.6.	100	114
Inventories		**10,266**	**6,146**
Trade receivables	II.7.	17,683	15,809
Contract assets	II.8.	95,428	45,227
Other current assets	II.9.	7,756	7,995
Trade receivables and other current assets		**120,867**	**69,031**
Cash in hand	V.	31	85
Bank balances	V.	45,845	108,196
Cash in hand, bank balances		**45,876**	**108,282**
		177,009	**183,458**
Total assets		**308,079**	**290,461**

IFRS consolidated statement of financial position Equity and liabilities	Note	31 Dec 2022 audited €k	31 Dec 2021 audited €k
Equity			
Issued capital	II.10.1	20,000	20,000
Reserves	II.10.2	76,204	76,204
Retained earnings and other reserves	II.10.3	66,602	55,208
Non-controlling interests	II.10.4	374	1,058
		163,181	152,470
Non-current liabilities			
Liabilities to banks	II.12.	12,912	15,295
Liabilities to non-controlling interests	II.12.	6,820	5,860
Liabilities from participation rights	II.12.	10,213	10,213
Lease liabilities	II.15.	2,646	5,979
Pension provisions	II.11.	1,991	2,727
Deferred tax liabilities	II.16.	20,168	19,308
		54,751	59,383
Current liabilities			
Liabilities to banks	II.12.	2,388	3,689
Contract liabilities	II.12.	7,296	10,817
Trade payables	II.12.	10,888	6,818
Liabilities to non-controlling interests	II.12.	2,534	4,997
Other liabilities	II.13.	22,757	20,101
Lease liabilities	II.15.	3,247	3,024
Provisions with liability character	II.14.1	24,640	12,676
Tax provisions	II.14.2	11,697	10,921
Other provisions	II.14.1	4,700	5,565
		90,147	78,608
Total equity and liabilities		308,079	290,461

IFRS consolidated statement of cash flows

IFRS consolidated statement of cash flows	1 Jan - 31 Dec 2022 €k	1 Jan - 31 Dec 2021 €k
1. Cash flow from operating activities		
Earnings before interest and taxes (EBIT)	33,426	41,436
Adjustments for non-cash transactions:		
Depreciation and amortisation	16,663	13,045
Increase (+), decrease (-) in provisions	-4,018	-3,855
Losses (+), gains (-) from disposal of property, plant and equipment	-224	-364
Results from equity investments	-16,057	-5,122
Other non-cash expenses and income	-290	-204
	-3,926	3,500
Change in working capital:		
Increase (-), decrease (+) in inventories, trade receivables and other assets	-55,502	1,126
Decrease (-), increase (+) in trade payables and other liabilities	18,695	-10,790
	-36,807	-9,664
Income taxes paid	-12,281	-9,952
Interest received	17	10
Cash receipts from dividends paid by equity investments	9,309	4,496
	-2,955	-5,446
Cash flow from operating activities	-10,262	29,825
2. Cash flow from investing activities		
Investments (-), divestments (+) in intangible assets	-95	-154
Investments (-), divestments (+) in property, plant and equipment	-32,014	-21,403
Investments (-), divestments (+) in financial assets and securities	-268	-3,705
Acquisitions (less cash received)	-181	-3,196
Cash flow from investing activities	-32,559	-28,458
3. Cash flow from financing activities		
Proceeds from contributions to equity from shareholders of the parent company	0	90,000
Profit distribution to shareholders	-4,000	-25,116
Payments for transaction costs for issuing equity instruments	0	-3,655
Payments to non-controlling interests	-3,584	-1,772
Payments for additions (-), payments received (+) from the disposal of shares in subsidiaries without change of control	-780	0
Proceeds from borrowing financial loans	4,992	10,550
Repayments of financial loans	-11,493	-2,156
Repayments of lease liabilities	-3,777	-5,098
Interest payments	-941	-1,092
Cash flow from financing activities	-19,584	61,661

Cash and cash equivalents at the end of the period		
Change in cash and cash equivalents	-62,405	63,028
Cash and cash equivalents at the beginning of the period	108,282	45,254
Cash and cash equivalents at the end of the period	**45,876**	**108,282**
Composition of cash and cash equivalents		
Cash in hand	31	85
Bank balances	45,845	108,196
Reconciliation to liquidity reserve on 31 Dec	2022	2021
Cash and cash equivalents at the end of the period	45,876	108,282
Investment securities	2,560	3,295
Liquidity reserve on 31 Dec	**48,436**	**111,577**

IFRS consolidated statement of changes in equity

IFRS consolidated statement of changes in equity

			Retained earnings						
	Issued capital	Reserves	Currency translation	Fair value reserve	Pension reserve	Generated group equity	Attributable to sharehol-ders	Non-control-ling inte-rests	Consolidated equity
	€k	€k	€k	€k	€k	€k	€k	€k	€k
1 Jan 2021	**3,120**	**6,739**	**0**	**0**	**-66**	**53,810**	**63,604**	**0**	**63,604**
Distributions to shareholders	0	0	0	0	0	-25,116	-25,116	0	-25,116
Amounts recognised in other comprehensive income	0	0	-3	169	26	0	192	-6	186
Consolidated net profit	0	0	0	0	0	26,767	26,767	-25	26,742
Total comprehensive income	**0**	**0**	**-3**	**169**	**26**	**26,767**	**26,959**	**-31**	**26,928**
Capital increase	16,880	69,465	0	0	0	0	86,345	0	86,345
Change in consolidated group	0	0	0	0	0	0	0	709	709
Change in non-controlling interests	0	0	0	0	0	-379	-379	379	0
31 Dec 2021	**20,000**	**76,204**	**-3**	**169**	**-40**	**55,082**	**151,412**	**1,058**	**152,470**
Distributions to shareholders	0	0	0	0	0	-4,000	-4,000	0	-4,000
Amounts recognised in other comprehensive income	0	0	-7	-971	346	0	-632	121	-512
Consolidated net profit	0	0	0	0	0	17,139	17,139	-326	16,814
Total comprehensive income	**0**	**0**	**-7**	**-971**	**346**	**17,139**	**16,506**	**-205**	**16,301**
Change in consolidated group	0	0	0	0	0	0	0	-811	-811
Change in non-controlling interests	0	0	0	0	0	-1,113	-1,113	333	-780
31 Dec 2022	**20,000**	**76,204**	**-10**	**-802**	**306**	**67,109**	**162,806**	**374**	**163,181**

Notes to the Consolidated Financial Statements 2022

I. Methods and principles

1. Basic accounting information

1.1 Information on the company

Friedrich Vorwerk Group SE is headquartered at Niedersachsenstrasse 19-21, 21255 Tostedt, Germany. It is entered in the commercial register of the Tostedt District Court under HRB 208170. It is the parent company of the FRIEDRICH VORWERK Group. Friedrich Vorwerk Group SE has been listed in the Prime Standard of the Frankfurt Stock Exchange under the securities identification number A255F1 since 25 March 2021.

The FRIEDRICH VORWERK Group is a medium-sized group whose business model essentially comprises designing, creating and operating energy infrastructure.

All figures in the notes to the consolidated financial statements relate to 31 December 2022 or the fiscal year from 1 January to 31 December 2022, unless otherwise stated. Percentages and figures in this report may be subject to rounding differences.

The consolidated financial statements of Friedrich Vorwerk Group SE for the 2022 financial year are approved by the Supervisory Board of Friedrich Vorwerk Group SE on 20 March 2023.

1.2 Accounting principles

The consolidated financial statements of the FRIEDRICH VORWERK Group for the period ended 31 December 2022 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted in the European Union (EU). The term “IFRS” includes the International Accounting Standards (IAS) still applicable, the International Financial Reporting Standards (IFRS) and the interpretations of the Standing Interpretations Committee (SIC) and of the International Financial Reporting Interpretations Committee (IFRS IC). The consolidated financial statements are supplemented by a combined management report in accordance with section 315 HGB and additional disclosures in accordance with section 315e HGB.

Application of new and amended standards

There were no significant amendments to financial reporting standards that affect these consolidated financial statements in the 2022 financial year.

The following newly issued standards, standards endorsed by the EU Commission in the year under review or amended standards or interpretations that were not yet effective were not applied early in these consolidated financial statements. Where amendments affect the FRIEDRICH VORWERK Group, their future effect on the consolidated financial statements is still being examined or is not material.

Regulation	Title	Application	Impact
IFRS 17	Insurance contracts	1 Jan 2023	No material impact
IAS 1	Amendment - Classification of liabilities	1 Jan 2023	No material impact
IAS 1	Amendment - Disclosure of Accounting Policies	1 Jan 2023	No material impact
IAS 8	Amendment - Definition of Accounting Estimate	1 Jan 2023	No material impact
IAS 12	Amendment - Deferred tax from a single transaction	1 Jan 2023	No material impact
IFRS 3	Amendment - References to the Conceptual Framework	1 Jan 2022	No material impact
	Annual Improvements 2018-2020	1 Jan 2022	No material impact
IAS 16	Amendment - Property, plant and equipment: Proceeds before intended use	1 Jan 2022	No material impact
IAS 37	Amendment - Onerous contracts - Cost of fulfilling a contract	1 Jan 2022	No material impact
	Amendment - Interest Rate Benchmark Reform	1 Jan 2021	No material impact
IFRS 16	Amendment - COVID-19-related rent concessions	1 Apr 2021	No material impact

Any standards not listed here are of minor significance to the FRIEDRICH VORWERK Group.

1.3 Business combinations

There was one business combination carried out in the financial year:

Hempel Aluminium Construction

A purchase agreement to acquire of 100% of the shares in Hempel Aluminiumbau GmbH, Storkow (Mark), was signed on 27 April 2022. Hempel Aluminiumbau GmbH is a supplier of aluminium control cabinets, some of whose products are used in Energy Transition projects. The initial consolidation of the company took place on 30 April 2022. This business combination resulted in goodwill of €150 thousand.

The acquisition costs can be allocated to the assets acquired and liabilities assumed, measured at their fair values, as follows:

Hempel Aluminiumbau GmbH €k	Carrying amount before PPA	Fair value according to PPA
Assets and liabilities		
Intangible assets	0	5
Property, plant and equipment	68	82
Current assets	190	192
Cash and cash equivalents	149	149
Liabilities and provisions	233	246
Deferred tax liabilities	0	2
Identified net assets acquired	**174**	**180**
Calculation of difference		
Purchase price for acquired shares		330
Total purchase price		**330**
Identified net assets acquired (100%)		180
Goodwill (+)		**150**
Net cash outflow from the acquisition		181

The business combination was carried out using the purchase method. The value of the remeasured equity was €180 thousand at the time of initial consolidation. The receivables acquired as part of the transaction, which essentially consist of trade receivables, have a fair value of €83 thousand, which also corresponds to the gross value of the receivables. The best estimate made at the time of acquisition of the contractual cash flows, which are not expected to be collectible, amounts to €0 thousand. Furthermore, there were no contingent assets or liabilities. Incidental transaction costs amounted to €5 thousand. Since the date of initial consolidation, revenue of €772 thousand and a profit of €90 thousand have been recognised from the acquired company. If the company had already been included in the consolidation at the beginning of 2022, projections show that revenue of €976 thousand and a loss of €83 thousand from this company would have been included in the consolidated financial statements. The purchase price for the acquired shares amounted to €330 thousand and was paid entirely in cash.

The goodwill arising mainly results from efficiency and synergy gains. No tax deductibility is expected for the goodwill resulting from the acquisition.

The purchase price allocation used as a basis for the initial consolidation is provisional, as findings may arise after the purchase price allocation has been prepared that would lead to a subsequent adjustment within one year of acquisition. The changes may arise in particular in the valuation of intangible assets and deferred taxes.

Overall impact of business combination

The consolidated result includes profits of €90 thousand from the company included in the consolidated financial statements for the first time in the financial year. Revenue includes €772 thousand from the subsidiary consolidated for the first time in the financial year. If the business combination had taken place on 1 January 2022, projections show that the consolidated revenue would have increased by €204 thousand and the consolidated result would have decreased by €173 thousand (both before non-controlling interests).

Goodwill in the amount of €150 thousand was recognised from the business combination. Companies included for the first time are consolidated at a date close to the date of acquisition, provided that this does not result in any significant changes compared to inclusion at the time of acquisition.

Finalisation of the purchase price allocation of the companies Gottfried Puhlmann GmbH and Gottfried Puhlmann GmbH Havelländische Bauunternehmung

Within the valuation period as defined by IFRS 3.45, the company has adjusted the purchase price allocation due to the now finalised valuation of intangible assets and liabilities (order backlog). Compared to the preliminary purchase price allocation and the presentation published in the Annual Report 2021, the intangible assets have decreased by €361 thousand and the contract assets by €766 thousand, and the liabilities have increased by €3,014 thousand. Taking into account deferred taxes and a reduction in non-controlling interests, goodwill increased by €2,434 thousand to €3,812 thousand.

1.4 Corporate and structural changes in 2022

On 12 October 2022, Friedrich Vorwerk SE & Co KG acquired the remaining 50% of the share capital of Gottfried Puhlmann Hamburg GmbH (formerly: SKS Straßenbau GmbH), so that the shareholding from the Group's point of view was 89.93% at the end of the reporting period.

2. Scope of consolidation

In addition to the parent company Friedrich Vorwerk Group SE, the companies listed below are included in consolidation in the consolidated financial statements. The ownership interests are calculated by multiplying the number of shares held in the respective company. The companies listed in bold hold direct or indirect interests in the companies below them.

Companies included in the consolidated financial statements Name and registered office of the company	Shareholding in %
Subsidiaries (consolidated)	
Friedrich Vorwerk Management SE, Tostedt, Germany	100.00
Friedrich Vorwerk SE & Co KG, Tostedt, Germany	**89.93**
Bohlen & Doyen Anlagenbau Holding GmbH, Tostedt, Germany	**89.93**
Bohlen & Doyen Service und Anlagentechnik GmbH, Wiesmoor, Germany	89.93
Bohlen & Doyen Bau Holding GmbH, Tostedt, Germany	**89.93**
Bohlen & Doyen Bau GmbH, Wiesmoor, Germany	89.93
EAS Einhaus Anlagenservice GmbH, Geeste, Germany	89.93
European Pipeline Services GmbH, Tostedt, Germany	89.93
Gottfried Puhlmann GmbH Havelländische Bauunternehmung, Berlin, Germany	86.72
Gottfried Puhlmann GmbH, Marne, Germany	67.45
Gottfried Puhlmann Hamburg GmbH, Tostedt, Germany	89.93
Hempel Aluminiumbau GmbH, Storkow (Mark), Germany	89.93
KORUPP GmbH, Twist, Germany	89.93
Vorwerk - ASA GmbH, Herne, Germany	89.93
Vorwerk-EEE GmbH, Tostedt, Germany	89.93
Vorwerk Pipeline- und Anlagenservice GmbH, Petersberg, Germany	89.93
Vorwerk Verwaltungs GmbH, Tostedt, Germany	89.93

The following table shows the associates and joint ventures included in the consolidated financial statements. The ownership interests are shown from the sub-group perspective of Friedrich Vorwerk SE & Co. KG.

Name and registered office of the company	Shareholding in %
Joint ventures (working groups)	
ARGE Bavaria Loop South	33.33%
ARGE CCP II Step 1	50.00%
ARGE DOW Ohrensen K28	50.00%
ARGE EGL 442	58.00%
ARGE EmCo KÜA	50.00%
ARGE ETL 178 Walle - Wolfsburg	50.00%
ARGE EUGAL Los 7+8	37.50%
ARGE Flugplatz WTM IT-Ltg	50.00%
ARGE Glasfaserbau Kronprinzenkoog	33.33%
ARGE Kabeltrasse GSH	40.00%
ARGE Kabeltrasse WMC	40.00%
ARGE Katharina	50.00%
ARGE LNG Brunsbüttel	25.00%
ARGE NEP Werne RB	33.33%
ARGE NWKG - 3. BA	50.00%
ARGE NWKG K301/K603	50.00%
ARGE NWKG K302/K308	50.00%
ARGE RamBO SuedLink	50.00%
ARGE Reha Südfeld Los 2 BA 3+4	33.33%
ARGE STORAG ETZEL VT 8 / VT 16	50.00%
ARGE VS Würselen - MCC-I	45.00%
ARGE VS Würselen - Vorabmaßnahmen	50.00%
ARGE Werne-Schlüchtern	50.00%
ARGE Zeelink 3+5 (Beistellung)	50.00%
Dach-ARGE Abschnittsweise Außerbetriebsnahme FGL 201.09 & 103.02	50.00%
Dach-ARGE BORWIN 5	50.00%
Dach-ARGE Elbchaussee 1. BA	36.00%
Dach-ARGE Fehlstellensanierung	50.00%
Dach-ARGE Fehlstellensanierung 2021 - Stationssanierung AS Asbeck	50.00%
Dach-ARGE Fehlstellensanierung 2021 - Stationssanierung AS Frömern, AS Bötersen	50.00%
Dach-ARGE Fehlstellensanierung 2021 - Stationssanierung Campus Rehden	50.00%
Dach-ARGE Fehlstellensanierung 2021 - Umbau K 460 BASF	50.00%
Dach-ARGE Fehlstellensanierung 2021 - Umhüllungen	50.00%
Dach-ARGE FGL 105	50.00%
Dach-ARGE GDRM Anlagen Zeelink	50.00%
Dach-ARGE HD-Leitung Iserlohn	52.34%
Dach-ARGE HD-Leitung Kaisersesch	50.00%
Dach-ARGE Kabeltrasse Ganderkesee - St. Hülfe	50.00%
Dach-ARGE Kabeltrasse WMC	50.00%
Dach-ARGE KoRü BAB 14 FGL 064/110/302	60.00%
Dach-ARGE RV Ruhrtalleitung BA 2+3	45.00%
Dach-ARGE Stadtbeleuchtung II	50.00%
Dach-ARGE TAV	50.00%
Dach-ARGE Technische Dienstleistung Gasunie Deutschland	33.30%
Dach-ARGE Thyssengas STEAG Leitung	63.70%
Dach-ARGE ZEELINK Los 3 - 5	25.00%
Dach-ARGE Zollvereinring	33.33%
JV Baltic Pipe	33.33%

3. Principles of consolidation

The consolidated financial statements comprise the financial statements of Friedrich Vorwerk Group SE and its subsidiaries as at 31 December of each financial year. The financial statements of the subsidiaries are prepared using uniform accounting policies and for the same reporting period as the financial statements of the parent company.

The reporting date for all subsidiaries included in the consolidated financial statements is 31 December of the relevant financial year.

3.1 Subsidiaries

Subsidiaries are the companies controlled by Friedrich Vorwerk Group SE. A company controls another when there are rights embodying a present ability to control the significant activities of the other entity. Significant activities are those activities affecting the return generated by an entity. Subsidiaries are consolidated from the date on which the parent can control the subsidiary and ends when this is no longer possible.

Capital consolidation is performed using the purchase method in accordance with IFRS 3, under which the acquisition cost of the acquired shares is offset against the proportion of the acquired subsidiary's equity attributable to the parent company at the acquisition date. All identifiable assets, liabilities and contingent liabilities are recognised at fair value and included in the consolidated statement of financial position. If the cost exceeds the fair value of the net assets attributable to the Group, the difference is capitalised as goodwill.

If the fair value of the net assets attributable to the Group is higher than the acquisition cost of the shares, this results in a bargain purchase. If this bargain purchase remains after another review of the purchase price allocation/determination of the fair value of the acquired assets, liabilities and contingent liabilities, it must be recognised in profit or loss immediately. If not all the shares in a subsidiary were acquired, non-controlling interests are initially measured at the proportionate share of the acquiree's identifiable net assets as at the acquisition date.

Receivables and liabilities between the consolidated companies are offset against each other. This also applies to intragroup transactions and to intragroup revenue, income and expenses. Accordingly, the earnings of the subsidiaries acquired or disposed of during the financial year are included in the consolidated statement of comprehensive income from the date the acquisition becomes effective or until the disposal date respectively.

3.2 Associated companies

Companies in which the FRIEDRICH VORWERK Group holds an interest in the share capital of between 20.0% and 50.0% are usually classified as an associate if the FRIEDRICH VORWERK Group has significant influence but does not control them. Companies in which the FRIEDRICH VORWERK Group holds an interest in the share capital of between 20.0% and 50.0% are consolidated if the FRIEDRICH VORWERK Group controls them.

Associated companies are included in the consolidated financial statements using the equity method. Under this method, the pro rata profits and losses of the associated company are added to or deducted from the reported carrying amount of the equity investment. The amount of the loss allocation is limited to the amount of the acquisition cost of the associated company. If the equity investment reports a loss after its carrying amount has been reduced to a pro mem value of €1.00, these losses are recognised in an auxiliary account. For acquisitions of associated companies, the purchase method is applied in the same way. Associated companies that were acquired or disposed of during the financial year are included in the consolidated financial statements from the acquisition date or until the disposal date respectively. Associates not accounted for using the equity method due to immateriality are measured at amortised cost.

3.3 Joint arrangements

Joint ventures are those in which the Group has joint control with a third party. Joint control is when decisions on business and financial policy require the unanimous consent of the parties that collectively control the arrangement. Joint ventures are accounted for at the FRIEDRICH VORWERK Group using the equity method and reported under “Financial assets”. Joint ventures not accounted for using the equity method due to immateriality are measured at amortised cost.

Working groups are common in Germany in particular. According to a statement by the Institute of Public Auditors in Germany, a typical German working group satisfies the requirements for classification as a joint venture. The results of working groups are reported pro rata under income from equity investments. In particular, receivables from and liabilities to working groups include cash receipts and payments and cost allocations, and are reported under trade receivables and other liabilities.

4. Presentation of accounting policies

4.1 General information

The consolidated financial statements were prepared using the historical cost method. Historical cost is generally based on the fair value of the consideration paid in exchange for the asset.

The statement of financial position is structured according to current and non-current assets and liabilities. The statement of comprehensive income is prepared in line with the nature of expense method for calculating the consolidated net profit for the period.

4.2 Reporting currency

The consolidated financial statements are prepared in euro, as the majority of Group transactions are conducted in this currency. Unless stated otherwise, all figures are rounded up or down to thousands of euro in line with standard commercial practice. The amounts are stated in euro (€), thousands of euro (€ thousand) and millions of euro (€ million).

4.3 Currency translation

Each company within the Group determines its own functional currency. The items included in the financial statements of the respective company are measured using this functional currency. The functional currency of all significant Group companies is euro. Foreign currency transactions are then translated into the functional currency at the spot exchange rate on the date of the transaction.

Foreign currency monetary assets and liabilities are translated into the functional currency at the end of each reporting period using the closing rate. All exchange differences are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

The assets and liabilities of the foreign operations are translated into euro at the closing rate. Income and expenses are translated at the average exchange rate for the financial year. The resulting exchange differences are recognised as a separate component of equity.

4.4 Intangible assets

Intangible assets not acquired as part of a business combination are initially carried at cost. The cost of an intangible asset acquired in a business acquisition corresponds to its fair value at the acquisition date.

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the asset will be received by the enterprise and the cost of the asset can be measured reliably.

For the purposes of subsequent measurement, intangible assets are recognised at cost less cumulative amortisation and cumulative impairment losses (reported under amortisation). Intangible assets (not including goodwill) are amortised on a straight-line basis over their estimated useful life. The amortisation period and amortisation method are reviewed at the end of each financial year.

Aside from goodwill, the Group does not have any intangible assets with indefinite useful lives.

The cost of acquisition of new software is capitalised and treated as an intangible asset unless it forms an integral part of the associated hardware. Software is amortised on a straight-line basis over a period of three to five years.

Costs incurred in order to restore or maintain the future economic benefits that the company had originally expected are recognised as an expense.

Gains and losses from the disposal of intangible assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised in profit or loss in the period in which the asset is disposed of.

4.5 Goodwill

Goodwill from business combinations is the residual amount of the excess of the cost of the business combination over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is not amortised but instead is tested for impairment at least once a year in accordance with IAS 36. For the purposes of impairment testing, the goodwill acquired in the business combination is allocated to the cash-generating units (CGUs) of the Group that benefit from the combination starting from the acquisition date. Goodwill is then written down if the recoverable amount of a cash-generating unit is lower than its carrying amount. Once recognised, impairment losses on goodwill are not reversed in future periods.

4.6 Property, plant and equipment

Property, plant and equipment is recognised at cost less cumulative depreciation and cumulative impairment losses. The cost of an item of property, plant and equipment consists of the purchase price and other non-refundable purchase taxes incurred in connection with the purchase as well as all directly attributable costs incurred to bring the asset to its location and to bring it to working condition for its intended use. Subsequent expenditure, such as servicing and maintenance costs, that is incurred after the non-current asset is put into operation is expensed in the period in which it is incurred. If it is likely that expenditure will lead to additional future economic benefits to the company in excess of the originally assessed standard of performance of the existing asset, the expenditure is capitalised as an additional cost.

Assets newly identified in the course of acquisitions are measured at the fair value (market value) calculated at the acquisition date, which is then depreciated over the subsequent periods.

Depreciation is calculated on a straight-line basis over the expected useful economic life, assuming a residual value of €0.00. The following estimated useful lives are used for the individual asset groups:

- Buildings and exterior installations: 5 to 50 years
- Technical equipment and machinery: 1 to 21 years
- Computer hardware: 3 years
- Other office equipment: 2 to 23 years

Land is not depreciated.

The useful life, the depreciation method for property, plant and equipment and the residual values are reviewed periodically.

If items of property, plant and equipment are disposed of or scrapped, the corresponding cost and the cumulative depreciation are derecognised. Any realised gain or loss from the disposal is reported in the statement of comprehensive income. The profit or loss resulting from the sale of an item of property, plant and equipment is determined as the difference between the proceeds from the sale and the carrying amount of the asset and is recognised in profit or loss.

4.7 Leases

All contracts that transfer the right to use a specific asset for a period of time in return for consideration are deemed leases. This also applies to contracts that do not expressly describe the transfer of such a right. In particular, the Group uses properties, vehicles and other technical equipment and machinery as a lessee.

As a lessee, the Group recognises right-of-use assets for leased assets and liabilities for the payment obligations entered into for all leases at present value in its statement of financial position. Lease liabilities include the following lease payments:

- fixed payment, including in-substance fixed payments, less lease incentives yet to be paid by the lessor;
- variable payments that depend on an index or a rate;
- amounts expected to be payable on the basis of residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Variable lease payments are not included in the measurement of the lease liability. Lease payments are discounted at the interest rate implicit in the lease, if this can be readily determined. Otherwise they are discounted using the incremental borrowing rate. The FRIEDRICH VORWERK Group uses the incremental borrowing rate. This incremental borrowing rate is a risk-adjusted interest rate derived for the specific term and currency, also taking into account the credit rating of the individual Group companies.

The right-of-use asset is initially measured at cost as at the commencement date. This consists of the amount of the initial measurement of the lease liability, the lease payments made at or before the commencement date of the lease less any incentives received, any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The right-of-use asset is subsequently measured at cost less cumulative depreciation and adjustments required to remeasure the lease liability upon the occurrence of certain events. The right-of-use asset is depreciated on a straight-line basis over the term of the lease.

For contracts that contain lease and non-lease components, these components are separated.

Some leases, in particular those for real estate, include extension options. These contractual terms offer the Group the greatest possible flexibility. When determining the lease term, all facts and circumstances that create an economic incentive to exercise extension options are taken into account. When determining the term of the lease, such options are only taken into account if they are reasonably certain. The assessment of whether options are reasonably certain to be exercised affects the term of the lease and can therefore have a significant influence on the measurement of the lease liabilities and the right-of-use assets.

The FRIEDRICH VORWERK Group exercises the option under IFRS 16 not to recognise right-of-use assets and lease liabilities for low-value (i.e. value of underlying asset €5,000 or less when new) and short-term leases (remaining term not longer than twelve months). The lease payments associated with these leases are recognised as an expense on a straight-line basis over the term of the lease.

In rare cases, the FRIEDRICH VORWERK Group is the lessor if the Group company agrees subleases for properties with third parties. These leases are not material to the company’s consolidated financial statements.

The FRIEDRICH VORWERK Group does not hold any investment property (IAS 40).

4.8 Borrowing costs

Borrowing costs are expensed in the period in which they are incurred, unless they are incurred for the acquisition, construction or manufacture of qualifying assets. In this case, the borrowing costs are added to the cost of these assets. Interest expenses are capitalised for qualifying assets.

4.9 Impairment of non-financial assets

Non-financial assets are tested for impairment when facts or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For impairment testing, the recoverable amount of the asset or the cash-generating unit (CGU) must be determined. The recoverable amount is the higher of the fair value less costs to sell and the value in use. The fair value less costs to sell is defined as the price obtainable from the sale of an asset or CGU between knowledgeable, willing and independent parties less costs of disposal. The value in use of an asset or CGU is determined by the present value of an estimated anticipated cash flow on the basis of its current use. If the recoverable amount falls below the carrying amount, an impairment loss in the amount of the difference is immediately recognised in profit or loss.

An adjustment in profit or loss of impairment recognised in profit or loss in previous years is carried out for an asset (except for goodwill) if there are indications that the impairment no longer exists or could have decreased. The reversal is recognised in the income statement as income. However, the increase in value (or reduction in impairment) of an asset is only recognised to the extent that it does not exceed the carrying amount that would have resulted if no impairment loss had been recognised in the previous years (taking depreciation into account).

4.10 Financial instruments - Initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

I) Financial assets

Initial recognition and measurement

On initial recognition, financial assets are classified as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss.

The classification of financial assets on initial recognition is dependent on the characteristics of the contractual cash flows of the financial assets and the Group's business model for managing its financial assets. Except for trade receivables that do not contain a significant financing component, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price calculated in accordance with IFRS 15.

To ensure that a financial asset can be classified and measured at amortised cost or fair value through other comprehensive income, cash flows must consist solely of payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at the level of the individual financial instrument.

The Group's business model for managing financial assets reflects how an entity manages its financial assets to generate cash flows. Depending on the business model, cash flows arise from collecting contractual cash flows, the sale of financial assets or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For the purposes of subsequent measurement, financial assets are classified in four categories:

- financial assets at amortised cost (debt instruments);
- financial assets at fair value through other comprehensive income with the reclassification of cumulative gains and losses (debt instruments);
- financial assets at fair value through other comprehensive income without the reclassification of cumulative gains and losses on derecognition (equity instruments);
- financial assets at fair value through profit or loss;

Financial assets at amortised cost (debt instruments)

The financial assets recognised in the consolidated financial statements of the FRIEDRICH VORWERK Group are mainly classified as financial assets measured at amortised cost. The Group measures financial assets at amortised cost when both the following conditions are met:

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

Financial assets measured at amortised cost are subsequently measured using the effective interest rate method and are tested for impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or becomes impaired.

The Group's financial assets measured at amortised cost essentially comprise trade receivables.

Financial assets at fair value through other comprehensive income (equity instruments)

On initial recognition, the Group can irrevocably elect to classify its equity instruments as equity instruments designated at fair value through other comprehensive income if they satisfy the definition of equity in accordance with IAS 32 and are not held for trading. This classification decision is made individually for each instrument.

Gains and losses from these financial assets are not reclassified to profit or loss. Dividends are recognised in profit or loss as other income when the right to receive payment of the dividend is established, unless the dividend represents a recovery of part of the cost of the financial asset, in which case the gains are recognised in other comprehensive income. Equity instruments at fair value through other comprehensive income are not tested for impairment. The Group has elected to assign all its listed equity instruments to this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated at fair value through profit or loss on initial recognition and financial assets that must be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss regardless of the business model. Notwithstanding the above criteria for classifying debt instruments as "at amortised cost" or "at fair value through other comprehensive income", debt instruments can be classified as at fair value through profit or loss on initial recognition if this would eliminate or significantly reduce an accounting mismatch.

Financial assets at fair value through profit or loss are recognised in the statement of financial position at fair value with net changes in fair value presented in the income statement.

As in the previous year, the carrying amounts of the financial assets and liabilities not measured at fair value are essentially their fair values.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises impairment for expected credit losses on all debt instruments that are not measured at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows payable and the total cash flows the Group expects to receive. The forecasted cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Expected credit losses are recognised in two stages. For financial instruments for which the risk of default has not increased significantly since initial recognition, a loss allowance is recognised in the amount of the expected cash shortfalls from an event of default within the next twelve months (12-month ECL). For financial assets for which the risk of default has increased significantly since initial recognition, an entity must recognise the lifetime expected credit losses regardless of when the default event occurs (lifetime ECL).

The Group uses a simplified method to calculate the expected credit losses on trade receivables and contract assets. It therefore does not track changes in credit risk, and instead recognises a loss allowance at the end of each reporting period based on the lifetime ECL. On the basis of its past experience of credit losses, the Group has prepared a provision matrix that is adjusted for future factors if specific future factors for the borrower and the economic environment can be determined at reasonable expense.

The Group considers a financial asset to be in default if contractual payments are 90 days past due and a subsequent detailed review of the debtor does not reveal other information. Moreover, it can assume in certain cases that a financial asset is in default if internal or external information indicates that it is unlikely that the Group will receive the outstanding contractual amounts in full before all credit enhancements held are taken into account. A financial asset is written down when there is no valid expectation that the contractual cash flows will be collected.

II) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, contract liabilities, other liabilities and loans, including overdrafts.

Subsequent measurement

The measurement of financial liabilities is dependent on their classification:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated on initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement.

Financial liabilities designated on initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

The Group has not designated any financial liabilities as at fair value through profit or loss.

Loans and liabilities

After initial recognition, these financial liabilities are measured at amortised cost using the effective interest method less impairment. Gains and losses are recognised in profit or loss when the liabilities are derecognised and in conjunction with amortisation applying the effective interest rate (EIR) method.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. EIR amortisation is shown in the income statement as under finance costs.

Derecognition

A financial liability is derecognised when the obligation underlying the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

III) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

4.11 Derivative financial instruments

The Group uses derivative financial instruments to a limited extent, such as commodity or interest swaps, to hedge commodity or interest risks from current and future transactions. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments with a positive fair value are recognised as financial assets, while derivative financial instruments with a negative fair value are recognised as financial liabilities. These derivative financial instruments are not designated as hedges, but instead are classified as held for trading.

4.12 Inventories

Inventories are reported at the lower of cost or net realisable value (less costs necessary to make the sale) taking their planned use into account. Raw materials, consumables, supplies and purchased goods are measured at cost using the average price method or, if lower, at their market prices at the end of the reporting period. The cost of finished goods and work in progress, in addition to the cost of materials used in construction, labour and pro rata material and production overheads, is taken into account assuming normal capacity utilisation. Appropriate write-downs were recognised for inventory risks from storage periods and reduced usability.

4.13 Contract assets and contract liabilities

Revenue in the Energy Grids unit

In accordance with IFRS 15, revenue from the Energy Grids unit is recognised over time as the projects are built on the customers' land, and the customers therefore always have control of the assets created or improved. Work is carried out on the basis of individual contracts. The transaction price is allocated to separate performance obligations on the basis of cost estimates. The FRIEDRICH VORWERK Group uses the value of a contract agreed with the principal to determine the transaction price for projects.

Revenue from these projects is recognised over time using the output method on the basis of work performed to date. The work performed and the corresponding revenue are calculated at the level of the individual items according to the cost estimate. The direct derivation of progress from work performed to date is the best indicator due to unforeseen deviations in budget costs. Work performed must be ascertained directly by the project team each month.

Contract assets represent the Group's claims to consideration from contracts with customers. If the contract asset for a project exceeds the advances received on it, it is recognised as an asset under "Contract assets". If the reverse is true, amounts are reported under "Contract liabilities".

If it is likely that the cost will exceed the recoverable amount, a provision for onerous contracts is recognised in accordance with IAS 37. This is analysed on a case-by-case basis to recognise the amount required to settle the present obligation under the construction contract. In such cases, impairment is recognised up to the amount of the respective contract asset or – if the contract asset is exceeded – a provision for onerous contracts is recognised under current provisions.

Inventories not yet used in construction but already available at project sites are reported separately under inventories. Work already invoiced is recognised under trade receivables.

Supplementary work in connection with these contracts is work that cannot be charged under existing contractual agreements, whose chargeability or acknowledgement has yet to be agreed with the principal. While the costs are recognised immediately in profit or loss when they are incurred, the revenue from supplementary work is only recognised after the principal's written acknowledgement has been received or on payment of the supplementary work, if payment is received before written acknowledgement.

Revenue in the Energy Transformation unit

The consideration for revenue in the Energy Transformation unit, which is recognised over time on the basis of work already performed as at the end of the reporting period, is recognised under "Contract assets". The contract asset represent the Group's claim.

Revenue is recognised over time when a contractual arrangement precludes any alternative use and there is a claim to payment including a profit margin on work already performed. The comments on revenue from the Energy Grids unit apply to the Energy Transformation unit as well.

Advance payments are deducted from the contract asset. If the advances received exceed the contract asset, they are reported under "Contract liabilities". In this business area, prepayments prior to the rendering of services are customary for individual projects.

4.14 Cash and cash equivalents

Cash and cash equivalents shown in the statement of financial position comprise cash in hand, bank balances and short-term deposits with an original term of less than three months. Cash and cash equivalents are measured at cost.

Cash and cash equivalents in the consolidated statement of cash flows are defined in line with the above.

4.15 Provisions

Provisions are reported when the Group has a current (legal or constructive) obligation due to a past event, it is probable that fulfilment of the obligation will lead to an outflow of resources embodying economic benefits and the amount of the obligation can be reliably estimated. If the Group expects at least a partial refund of a provision recognised as a liability, the refund is recognised as a separate asset provided the receipt of the refund is virtually certain. The expense from recognising the provision is reported in the income statement less the refund.

Provisions are reviewed at the end of each reporting period and adjusted to the current best estimate. The amount of the provision corresponds to the present value of the expenses expected to be required to fulfil the obligation where the time effect of money is material. The increase in the provision reflecting the passage of time is recognised as interest expense.

Provisions with the nature of a liability are recognised for obligations for which an exchange of services has taken place and the amount of the consideration is established with sufficient certainty. Provisions with the nature of a liability are reported under liabilities.

4.16 Pensions and other post-employment benefits

Pension obligations are recognised in accordance with IAS 19. Payments for defined contribution pension plans are expensed. For defined benefit pension plans, the obligation is recognised in the statement of financial position as a pension provision. These pension commitments are regarded as defined benefit plan commitments and are therefore measured in line with actuarial principles using the projected unit credit method.

Actuarial gains and losses are reported in other comprehensive income. The interest expense from pension discounting is reported in net finance costs.

4.17 Revenue recognition

Revenue is recognised to show the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised when the customer acquires control of the goods or services.

Sale of goods and products, performance of services

The customer achieves control when the goods and products are delivered or accepted. Revenue from service transactions is only recognised when it is sufficiently probable that the economic benefits associated with the transaction will flow to the Group. It is recognised in the accounting period in which the services in question are performed, thereby giving the customer control of the service.

Revenue from contracts with customers (Energy Grids)

Revenue from contracts with customers is recognised over time in accordance with IFRS 15. Revenue is recognised over time using the output method on the basis of work performed to date.

Please see the information on contract assets for further details.

Revenue from contracts performed in working groups is recognised over time based on the work actually performed as at the end of the reporting period. Anticipated losses from the further course of the project are taken into account by corresponding write-downs.

Revenue from projects in the Energy Transformation unit

Revenue in the Energy Transformation unit is recognised over time on the basis of the work performed by the end of the reporting period, if a contractual arrangement precludes the FRIEDRICH VORWERK Group from having an alternative use and the contractual arrangement establishes a claim to payment including a profit margin on work already performed.

Interest income

Interest income is recognised when the interest arises (using the effective interest rate, i.e. the computational interest rate at which estimated future cash inflows are discounted to the net carrying amount of the financial asset over the expected term of the financial instrument).

Dividends

Income is recognised when the legal right to payment arises.

4.18 Taxes

a) Current income taxes

Current tax assets and liabilities for the current period and earlier periods are measured at the amount of the refund expected to be received from the tax authority or the payment expected to be made to it. The calculation is based on tax rates and tax laws applicable at the end of the reporting period.

b) Deferred taxes

In accordance with IAS 12, deferred taxes are recognised using the liability method for temporary differences as at the end of the reporting period between the carrying amount of an asset or liability in the statement of financial position and its tax base and for tax loss carryforwards.

Deferred tax liabilities are recognised for all taxable temporary differences with the exception of deferred tax liabilities from the initial recognition of goodwill or of an asset or liability from a transaction that does not constitute a business combination and, as at the transaction date, influences neither the accounting profit before taxes nor the taxable profit.

Deferred tax assets are recognised for all deductible temporary differences and unused tax credits to the extent that it is probable that taxable income will be available against which the deductible temporary differences and unused tax loss carryforwards and tax credits can be applied. Deferred tax assets from deductible temporary differences due to the initial recognition of an asset or liability from a transaction that does not constitute a business combination and, as at the transaction date, influences neither the accounting profit before taxes nor the taxable profit, are not recognised.

At individual companies, deferred tax assets and liabilities are offset to the extent that they can be allocated to future charges or reductions of the same taxable entity with respect to the same tax authority.

The carrying amount of deferred tax assets is tested at the end of each reporting period and reduced to the extent that it is no longer probable that a sufficient taxable result will be available against which the deferred tax asset can be at least partly utilised. Unrecognised deferred tax assets are tested at the end of each reporting period and recognised to the extent that it has become probable that taxable result in future will allow the realisation of deferred tax assets.

Deferred tax assets and liabilities are measured at the tax rates which are expected to apply in the periods in which an asset is realised or a liability is settled. This is based on the tax rates and tax laws applicable at the end of the reporting period. Future changes in the tax rates must be taken into account at the end of the reporting period if the material conditions for validity in a legislative process are fulfilled.

Deferred taxes are reported as tax income or tax expense in the statement of comprehensive income unless they relate to items reported directly in equity, in which case the deferred taxes are also reported in equity. Deferred taxes and tax liabilities are offset against each other if the Group has a legally enforceable right to set off tax assets against tax liabilities and they relate to income taxes of the same taxable entity levied by the same tax authorities.

4.19 Contingent liabilities and contingent assets

Contingent liabilities are either potential obligations that could lead to an outflow of resources but whose existence will be determined by the occurrence or non-occurrence of one or more future events, or current obligations that do not fulfil the criteria for recognition as a liability. They are disclosed separately in the notes unless the probability of an outflow of resources embodying economic benefits is low. In the year under review, there were no contingent liabilities apart from guarantees and other commitments.

In the context of business combinations, contingent liabilities are recognised in accordance with IFRS 3.23 if their fair value can be reliably determined.

Contingent assets are not reported in the financial statements, and instead are disclosed in the notes when receipt of economic benefits is probable.

4.20 Classification of expenses

Expenses recognised in the income statement are classified by nature using the nature of expense method.

Other taxes include taxes other than income taxes and are presented separately in the item "Other taxes".

5. Material judgements, estimates and assumptions

For the preparation of the consolidated financial statements in accordance with IFRS, estimates and assumptions must occasionally be made. These influence the amounts of assets, liabilities and financial obligations calculated as at the end of the reporting period and the reporting of expenses and income. The actual amounts can differ from these estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period resulting in a considerable risk that a major adjustment to the carrying amounts of assets and liabilities will be required within the next financial year are explained below.

a) Impairment of non-financial assets

The Group determines whether there are indications of impairment of non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indications that the carrying amount is higher than the recoverable amount. To estimate the value in use, management measures the expected future cash flows of the asset or cash-generating unit and selects an appropriate discount rate to determine the present value of these cash flows.

b) Pensions and other post-employment benefits

The expense from defined benefit plans post-employment is determined using actuarial calculations. The actuarial calculation is based on assumptions regarding discount rates, future increases in wages and salaries, mortality and future pension increases. In line with the long-term orientation of these plans, such estimates are subject to significant uncertainty.

c) Provisions

Other provisions are recognised and measured on the basis of an assessment of the probability of a future outflow of benefits, using values based on experience and circumstances known at the end of the reporting period. The actual obligation can differ from the amounts recognised as provisions.

d) Deferred tax assets

Deferred tax assets are recognised for all unused tax loss carryforwards and for temporary differences to the extent that it is probable that taxable income will be available for this, meaning that the loss carryforwards can actually be used. In calculating the amount of deferred tax assets, management must make judgements with regard to the expected timing and amount of future taxable income and the future tax planning strategies.

e) Revenue from contracts with customers

The majority of the transactions conducted by the companies of the FRIEDRICH VORWERK Group are construction contracts over time, for which revenue is recognised by reference to the percentage of completion. This method requires an estimate of the percentage of completion. Depending on the method applied in determining the percentage of completion, the material estimates comprise work already performed, the total contract costs, the costs to be incurred until completion, the total contract revenue, the contract risks and other judgements. The estimates are continuously reviewed by the company's management and adjusted as necessary.

II. Notes to the consolidated statement of financial position

1. Non-current assets

Changes in intangible assets and property, plant and equipment are shown in the following statement of changes in non-current assets.

1.1 Statement of changes in non-current assets of the FRIEDRICH VORWERK Group as at 31 December 2022

31 Dec 2022	Cost as at 1 Jan €k	Additions €k	Business acquisition €k	Reclassification €k	Disposals €k	Cost as at 31 Dec €k	Acc. depreciation as at 1 Jan €k	Additions €k	Disposals €k	Acc. depreciation as at 31 Dec €k	Net book value as at 1 Jan €k	Net book value as at 31 Dec €k
I. Intangible assets												
1. Concessions, industrial property rights and similar rights and assets	1,835	95	-356	41	11	1,604	1,062	279	11	1,331	772	273
2. Goodwill	1,692	0	2,585	0	0	4,276	0	0	0	0	1,692	4,276
	3,526	95	2,229	41	11	5,880	1,062	279	11	1,331	2,464	4,549
II. Property, plant and equipment												
1. Land and buildings including buildings on third-party land	35,139	2,954	0	-134	1	37,958	2,914	1,127	0	4,041	32,225	33,916
2. Technical equipment and machinery	46,583	12,136	18	21	5,284	53,475	13,805	9,442	4,495	18,752	32,778	34,722
3. Other equipment, operating and office equipment	22,331	11,566	64	-21	2,647	31,293	7,264	5,729	2,433	10,561	15,067	20,732
4. Advance payments and assets under construction	544	7,824	0	93	599	7,862	0	0	0	0	544	7,862
	104,597	34,480	82	-41	8,531	130,587	23,983	16,299	6,928	33,354	80,614	97,233
Total	108,123	34,575	2,311	0	8,542	136,467	25,045	16,579	6,939	34,685	83,078	101,782

1.2 Statement of changes in non-current assets of the FRIEDRICH VORWERK Group as at 31 December 2021

31 Dec 2021	Cost as at 1 Jan €k	Additions €k	Business acquisition €k	Reclassification €k	Disposals €k	Cost as at 31 Dec €k	Acc. depreciation as at 1 Jan €k	Additions €k	Disposals €k	Acc. depreciation as at 31 Dec €k	Net book value as at 1 Jan €k	Net book value as at 31 Dec €k
I. Intangible assets												
1. Concessions, industrial property rights and similar rights and assets	1,274	154	514	0	108	1,835	1,009	162	108	1,062	265	772
2. Goodwill	0	0	1,692	0	0	1,692	0	0	0	0	0	1,692
	1,274	**154**	**2,206**	**0**	**108**	**3,526**	**1,009**	**162**	**108**	**1,062**	**265**	**2,464**
II. Property, plant and equipment												
1. Land and buildings including buildings on third-party land	19,831	2,822	3,138	9,829	481	35,139	2,265	1,119	469	2,914	17,566	32,225
2. Technical equipment and machinery	34,207	13,376	5,412	-311	6,101	46,583	11,998	7,536	5,729	13,805	22,208	32,778
3. Other equipment, operating and office equipment	17,570	5,591	2,878	310	4,018	22,331	6,763	4,228	3,728	7,264	10,807	15,067
4. Advance payments and assets under construction	9,238	1,158	0	-9,828	24	544	0	0	0	0	9,238	544
	80,846	**22,947**	**11,428**	**0**	**10,624**	**104,597**	**21,026**	**12,883**	**9,926**	**23,983**	**59,820**	**80,614**
Total	**82,120**	**23,101**	**13,634**	**0**	**10,732**	**108,123**	**22,035**	**13,045**	**10,034**	**25,045**	**60,085**	**83,078**

2. Goodwill

The book value of goodwill amounts to €4,276 thousand (previous year: €1,692 thousand).

Goodwill is subject to an annual impairment test. For the purpose of impairment testing, goodwill acquired through business combinations was allocated to the cash-generating units (CGU) Korupp (€314 thousand), Hempel (€150 thousand) and the CGU group Gottfried Puhlmann (€3,812 thousand).

In the 2022 financial year, the impairment test was carried out for all CGUs or CGU groups as at 31 December 2022. The impairment test confirmed the recoverability of the capitalised goodwill.

The recoverable amount of the cash-generating units is determined on the basis of a value-in-use calculation using cash flow projections based on medium-term planning approved by management for a period of five years. Current and future probabilities, expected economic development and other circumstances were taken into account when determining the planning figures. The pre-tax discount rate applied to the cash flow projections is between 9.6% and 10.3% (previous year: 8.0%). Following the detailed planning period, a long-term growth rate of 1.0% is assumed.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

The calculation of the value in use of the cash-generating units is most sensitive to the following assumptions:

- EBIT margins;
- discount rates;
- growth rates used to extrapolate cash flows beyond the detailed forecast period.

EBIT margins: EBIT margins are based on average values achieved in the three financial years preceding the beginning of the budget period. The values calculated thus are adjusted for the detailed planning period, if necessary, if management receives better information about their amount. The EBIT margins from the detailed planning period are extrapolated at a constant level. A decrease in the EBIT margin by 0.5 percentage points would not lead to an impairment for any CGU or CGU group.

Discount rates: Discount rates represent the market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group. Adjustments to the discount rate are made to factor in the specific amount and timing of tax flows in order to reflect a pre-tax discount rate. A 0.5 percentage point increase in the pre-tax discount rate would not result in an impairment for any CGU or CGU group.

Growth rates: The estimated growth rates are based on past experience and growth assumptions for the target markets of the respective CGUs. The Group acknowledges that possible new competitors or a changing market environment can have a significant impact on growth rate assumptions. Such a development could yield a reasonably possible alternative to the estimated long-term growth of 1.0%. A reduction in the growth rate by one percentage point would not result in an impairment for any CGU or CGU group.

3. Intangible assets

Please see the statement of changes in non-current assets for information on the development of intangible assets.

4. Property, plant and equipment

Please see the statement of changes in non-current assets for information on the development of property, plant and equipment. Borrowing costs for qualifying assets were not recognised in either the year under review or the previous year.

The following table provides an overview of the capitalised right-of-use assets in each asset class as at 31 December 2022:

Right-of-use assets	31 Dec 2022 €k	31 Dec 2021 €k
Land and buildings	199	325
Technical equipment and machinery	4,385	6,156
Other equipment, operating and office equipment	388	944
Total	**4,971**	**7,425**

The right-of-use assets presented separately here are also included in the statement of changes in non-current assets in note II.1. Additions to right-of-use assets amounted to €710 thousand in the 2022 financial year (previous year: €3,667 thousand), of which €14 thousand (previous year: €3,055 thousand) are attributable to business combinations.

5. Financial assets

Financial assets	31 Dec 2022 €k	31 Dec 2021 €k
Equity investments	17,072	8,470
Investment securities	2,560	3,295
Other loans	627	610
Carrying amount as at 31 Dec	**20,259**	**12,375**

The development of financial assets is shown in the following tables.

Securities	31 Dec 2022 €k	31 Dec 2021 €k
Carrying amount as at 1 Jan	**3,295**	**0**
Additions in the period	1,152	3,095
Disposals in the period	-896	0
Remeasurement	-991	201
Carrying amount as at 31 Dec	**2,560**	**3,295**

At-equity financial assets	31 Dec 2022 €k	31 Dec 2021 €k
Carrying amount as at 1 Jan	**8,469**	**5,403**
Additions to consolidated group	0	84
Proportionate annual results	17,977	7,478
Reversal of hidden reserves	-84	0
Distributions	-9,290	-4,496
Carrying amount as at 31 Dec	**17,072**	**8,469**

Working group disclosures

In the Group, working groups are classified as joint ventures and their results are reported in the result from equity investments. The table below shows the ten biggest working groups in terms of output for the 2022 financial year.

Working groups	Shareholding in %
(BPI) Joint Venture ENERGINET Funen (Baltic Pipe)	33.33%
(WAL) Dach-ARGE WAL Los 2	50.00%
(442) ARGE EGL 442	58.00%
(FWB) Dach-ARGE Fernwärme Bremen	50.00%
(ELB) Dach-ARGE Elbchaussee 1. BA	36.00%
(FEH) Dach-ARGE Fehlstellensanierung	50.00%
(GAZ) Dach-ARGE GDRM Anlagen Zeelink	50.00%
(RTL) Dach-ARGE RV Ruhrtalleitung BA 2+3	45.00%
(ZVR) Dach-ARGE Zollvereinring	66.66%
(WWO) ARGE ETL 178 Walle - Wolfsburg	50.00%

The financial information for these working groups for the 2022 financial year is presented at 100%.

Working group	Revenue	Non-current assets	Current assets	thereof cash funds	Non-current liabilities	Current liabilities
	€k	€k	€k	€k	€k	€k
(BPI)	98,487	261	10,570	2,992	0	4,705
(442)	34,387	46	176,059	7,548	0	162,134
(EFA)	11,951	0	2,169	1,101	0	2,173
(FEH)	6,925	0	3,386	1	0	3,387
(GAZ)	6,874	0	38,774	63	0	38,778
(RTL)	6,716	0	446	233	0	446
(ZVR)	6,196	0	14,128	0	0	14,130
(WWO)	6,190	0	25,898	727	0	15,976
(KOR)	6,159	0	1,713	9	0	1,713
(BRU)	5,835	0	20,747	8,535	0	19,867

Financial assets at fair value through other comprehensive income

The financial assets of the FRIEDRICH VORWERK Group recognised at fair value through other comprehensive income comprise securities. No impairment was recognised either in the year under review or in the previous year. Income from securities (dividends) of €46 thousand was generated in the financial year 2022 (previous year: €6 thousand), which is reported in other operating income.

6. Inventories

Inventories	31 Dec 2022 €k	31 Dec 2021 €k
Raw materials and supplies	10,165	6,031
Work in progress	100	111
Advance payments	0	3
Carrying amount as at 31 Dec	**10,266**	**6,146**

Impairment losses of €16 thousand were recognised on inventories during the reporting period (previous year: €73 thousand). Impairment losses on inventories were reversed in the amount of €13 thousand (previous year: €53 thousand).

7. Trade receivables

	31 Dec 2022 €k	31 Dec 2021 €k
Trade receivables	20,476	10,682
Receivables from working groups	1,301	7,463
Less specific valuation allowances	-4,081	-2,320
less expected credit loss	-13	-15
Carrying amount as at 31 Dec	**17,683**	**15,809**

The trade receivables are all due within one year. The trade receivables are written down for impairment as necessary. Indications of impairment include unpaid cash receipts and information on changes in customers' credit rating. Given the broad customer base, there is no significant concentration of credit risk. The specific valuation allowances essentially include the effects of the remeasurement of working groups as at the end of the reporting period.

8. Contract assets and contract liabilities

Contract assets comprise the claims for remuneration from contracts from customers and plant engineering projects for work already performed at the end of the reporting period. If the advance payments received exceed the claim to payment, they are reported under Contract liabilities.

	31 Dec 2022 €k	31 Dec 2021 €k
Gross contract assets	313,588	240,139
thereon advance payments	-218,159	-194,912
Contract assets	**95,428**	**45,227**
Contract liabilities (incl. advance payments)	7,296	10,817

No costs of contract initiation or contract fulfilment were capitalised as separate assets in the financial year (previous year: none).

9. Other current assets

Other assets, the majority of which maturing within one year, break down as follows:

	31 Dec 2022 €k	31 Dec 2021 €k
Tax receivables	4,246	3,426
Receivables from personnel	1,254	2,446
Prepaid expenses	263	276
Other current assets	1,994	1,847
Carrying amount as at 31 Dec	**7,756**	**7,995**

Tax receivables consist of corporate income tax and trade tax refunds of €4,180 thousand (31 December 2021: €2,361 thousand) and input tax refunds of €66 thousand (31 December 2021: €1,065 thousand). Receivables from personnel are essentially for employee loans.

10. Equity

Please see the “Consolidated statement of changes in equity” for information on the development of equity.

10.1 Issued capital

The issued capital of Friedrich Vorwerk Group SE amounts to €20,000 thousand as at 31 December 2022 (previous year: €20,000 thousand). It is divided into 20,000,000 no-par value bearer shares, each with a notional interest in the issued capital of €1.00.

Authorised capital and contingent capital

By way of resolution of the Annual General Meeting on 10 February 2021, the Management Board was authorised, with the approval of the Supervisory Board, to increase the share capital of the company by up to €9,000,000 in total by issuing, on one or more occasions, new no-par value bearer shares by 9 February 2026 (Authorised Capital 2021/I). The new shares must be offered to shareholders for subscription; they can also be bought by one or more credit institutions or companies as referred to by section 186(5) sentence 1 AktG subject to the obligation that they are offered to shareholders for subscription. The Management Board is authorised, with the approval of the Supervisory Board, to disapply shareholders’ pre-emption rights in certain cases. The profit participation rights of the new shares can be arranged in a way that deviates from section 60(2) AktG.

Authorised Capital 2021/I amounts to € 9,000,000.00 as at 31 December 2022.

By way of resolution of the Annual General Meeting on 10 February 2021, the Management Board was authorised, with the approval of the Supervisory Board, to issue bearer or registered convertible bonds or bonds with warrants of a total amount of up to €180,000,000 and a maximum term of ten years by 9 February 2026, and to grant the creditors of these bonds conversion rights for new no-par value bearer shares in Friedrich Vorwerk Group SE with a pro rata interest in the share capital of up to €9,000,000 in total (Contingent Capital 2021/I). The share capital is contingently increased by up to €9,000,000. The contingent capital increase is to be implemented only to the extent that creditors of convertible bonds or bonds with warrants issued by the company on the basis of the authorisation resolved by the Annual General Meeting of 10 February 2021 by 9 February 2026 have exercised their conversion rights and the company cannot otherwise fulfil the right to conversion, or to the extent that these creditors are subject to a conversion obligation. The new shares are entitled to share in profits from the start of the financial year in which they are issued.

Contingent Capital 2021/I amounts to € 9,000,000.00 as at 31 December 2022.

Acquisition of treasury shares

The Annual General Meeting on 10 February 2021 authorised the company to purchase and sell treasury shares equivalent to up to 10% of the share capital as at the authorisation date while upholding the principle of equal treatment (section 53a AktG) in the period until 9 February 2026. The authorisation can be exercised on one or more occasions, in part or in full. The shares can also be purchased by dependent Group companies or by third parties on the company’s account. The authorisation cannot be used for the purposes of trading in treasury shares. Friedrich Vorwerk Group SE did not exercise this authorisation in the year under review.

10.2 Capital reserves

Capital reserves as at the end of the reporting period remain unchanged at €76,204 thousand (31 December 2021: €76,204 thousand).

10.3 Profit and other reserves

Difference in equity due to currency translation

The difference in equity due to currency translation results from translation according to the modified reporting date method.

The difference arises from the translation of items of the income statements of subsidiaries that prepared their accounts in a foreign currency at the average rate and conversion of the statement of financial position items at the closing rate on the one hand, and the conversion of the equity of the respective subsidiaries at the historical rate on the other. As at the end of the reporting period, there is one branch in the group of consolidated companies that prepares its accounts in Polish zloty.

Fair value reserve

The fair value reserve results from the remeasurement of financial assets at fair value at the end of the reporting period. In the statement of comprehensive income, other comprehensive income is broken down depending on whether these remeasurement gains/losses can be reclassified to profit or loss when they are realised.

Pension reserve

In accordance with IAS 19 (rev. 2011), actuarial gains/losses (adjusted for the associated deferred tax effects) are recognised in the reserve for pensions and reported in the statement of comprehensive income under other income.

Generated group equity

This item comprises the gains generated by the FRIEDRICH VORWERK Group less the dividends distributed. A dividend of €0.20 per entitled share, which was resolved by the Annual General Meeting on 1 June 2022, was paid in the 2022 financial year.

10.4 Non-controlling interests

Non-controlling interests result from the shareholdings in Gottfried Puhlmann GmbH and Gottfried Puhlmann GmbH Havelländische Bauunternehmung. The shareholding in Gottfried Puhlmann Hamburg GmbH (formerly: SKS Straßenbau GmbH) was increased to 100% in the reporting year, so that there are no longer any non-controlling interests in this company as at the end of the reporting period.

In accordance with IAS 32, the non-controlling interests in Friedrich Vorwerk SE & Co. KG are reported under current and non-current liabilities rather than in equity.

11. Provisions for pensions and similar obligations

The pension obligations in conjunction with defined benefit pension plans relate to Friedrich Vorwerk SE & Co KG and Gottfried Puhlmann GmbH. They comprise claims to a lifetime old-age pension together with survivors' benefits equal to the amount of the provision in the financial accounts as at the end of the month of death. There are 115 people benefiting from the pension plan as at 31 December 2022 (31 December 2021: 121). The pension agreement is closed, meaning that no further occupational pension agreements are entered into for new hires.

	31 Dec 2022 €k	31 Dec 2021 €k
Pension provisions at the beginning of the period	**2,727**	**427**
Addition due to business combinations	0	2,343
Utilisation	-121	-17
Addition to provisions (service cost)	21	0
Addition to provisions (interest cost)	28	1
Actuarial gains (-)/losses (+)	-659	-27
Other changes	-6	0
Pension provisions at the end of the period	**1,991**	**2,727**
- Plan assets	0	0
Pension provision recognised in the statement of financial position	**1,991**	**2,727**

The following actuarial assumptions were applied:

	2022	2021
Actuarial interest rate	3.12% - 3.17%	0.85% - 1.10%
Salary trend	0.00%	0.00%
Pension trend	0.00% - 2.00%	0.00% - 2.00%

The post-employment benefit plans are unfunded. The liability is equal to the obligation (DBO).

The expenses and income recognised in the income statement are as follows:

	31 Dec 2022 €k	31 Dec 2021 €k
Addition to provisions (service cost)	-21	0
Addition to provisions (interest cost)	-28	-1
Total	**-49**	**-1**

The expected pension payments from the pension plans for 2023 amount to €125 thousand.

The maximum potential sensitivity of the total pension obligation (DBO) to changes in the weighted main assumptions is as follows:

	Change of assumption	Increase in assumption	Impact on DBO Increase in assumption
Interest rate	0.25%	-2.8%	+3.0%
Pension growth rate	0.25%	0.4%	-0.4%
Life expectancy	1 year	4.2%	-4.3%

The sensitivity of the defined benefit obligation to actuarial assumptions was calculated using the same method as the measurement of the pension provision on the statement of financial position. The sensitivity analysis is based on the change in an assumption while all other assumptions remain constant. It is unlikely that this would occur in reality. There could be a correlation between changes in some assumptions.

12. Liabilities

The liabilities mature as follows:

31 Dec 2022	Up to 1 year €k	More than 1 year and up to 5 years €k	Over 5 years €k	Total €k
Liabilities to banks	2,388	9,186	3,726	15,300
Trade payables	10,888	0	0	10,888
Provisions with liability character	24,640	0	0	24,640
Other liabilities	22,757	0	0	22,757
Contract liabilities	7,296	0	0	7,296
Lease liabilities	3,247	2,637	9	5,893
Liabilities to non-controlling interests	2,534	0	6,820	9,355
Liabilities from participation rights	0	0	10,213	10,213
As at 31 Dec 2022	**73,750**	**11,823**	**20,768**	**106,342**

31 Dec 2021	Up to 1 year €k	More than 1 year and up to 5 years €k	Over 5 years €k	Total €k
Liabilities to banks	3,689	10,240	5,056	18,985
Trade payables	6,818	0	0	6,818
Provisions with liability character	12,676	0	0	12,676
Other liabilities	20,101	0	0	20,101
Contract liabilities	10,817	0	0	10,817
Lease liabilities	3,024	5,960	18	9,003
Liabilities to non-controlling interests	4,997	0	5,860	10,857
Liabilities from participation rights	0	0	10,213	10,213
As at 31 Dec 2021	**62,122**	**16,200**	**21,147**	**99,469**

Liabilities to banks have both fixed and floating interest rates between 0.65% and 3.29% (previous year: 0.00% and 2.55%). The weighted average interest rate for 2022 is 1.02% (previous year: 1.00%).

Land charges with a value of €16,180 thousand as at the end of the reporting period were pledged as collateral for liabilities to banks (31 December 2021: €17,080 thousand).

Trade payables include liabilities to MBB SE of €104 thousand (31 December 2021: €549 thousand).

As at the end of the reporting period, there is profit participation capital of €10,213 thousand in total (31 December 2021: €10,213 thousand) issued by Friedrich Vorwerk SE & Co. KG. The profit participation rights grant a guaranteed interest rate of 2.5% above the applicable 3-month EURIBOR. Furthermore, the bearer of the profit participation certificates participates in the profitability of the FRIEDRICH VORWERK Group in the form of floating-rate interest. The total interest rate on profit participation rights was 3.5% in the period under review (previous year: 4.2%). The profit participation rights can be cancelled for the first time effective 31 December 2039.

Liabilities to non-controlling interests comprise profit shares. The claims to profit shares that can be withdrawn are reported as current.

13. Other liabilities

Other liabilities break down as follows:

	31 Dec 2022 €k	31 Dec 2021 €k
Current		
Value added tax	3,911	9,623
Working groups	14,725	3,296
Wage tax	1,198	1,688
Social security benefits	1,162	899
Capital gains tax	0	710
Wages and salaries	552	469
Debtors with credit balances	829	422
Prepaid expenses	0	2
Other	380	2,992
Total	**22,757**	**20,101**

14. Provisions

14.1 Other provisions

Current provisions and provisions with the nature of a liability are composed as follows:

	31 Dec 2021	First-time con-solidation	Reclassification	Utilisation	Reversal	Additions	31 Dec 2022
	€k	€k	€k	€k	€k	€k	€k
Current provisions							
Outstanding invoices	7,374	0	180	-7,477	0	18,163	18,239
Holiday	3,931	154	0	-2,943	-227	3,678	4,593
Personnel costs	253	0	0	-165	0	434	523
Warranty costs	2,052	0	0	-136	-604	547	1,860
Variable salary and commission	1,415	46	0	-859	-295	550	858
Accounting and audit costs	461	0	0	-410	-44	238	246
Provision for onerous contracts	0	3,014	0	-2,699	0	0	315
Employers‘ liability insurance association	249	0	0	-159	-91	572	572
Flexitime	407	18	0	-169	0	211	467
Miscellaneous	2,097	4	-180	-301	-1,025	1,072	1,667
	18,241	**3,236**	**0**	**-15,317**	**-2,285**	**25,466**	**29,340**

	31 Dec2020	First-time con-solidation	Reclassification	Utilisation	Reversal	Additions	31 Dec 2021
	€k	€k	€k	€k	€k	€k	€k
Current provisions							
Outstanding invoices	11,073	250	-156	-10,735	0	6,942	7,374
Provisions for subsequent costs	3,879	0	0	-3,879	0	0	0
Holiday	3,319	477	0	-3,279	-25	3,440	3,931
Personnel costs	383	0	0	-134	-46	50	253
Warranty costs	1,914	262	0	-530	-147	553	2,052
Variable salary and commission	859	0	-725	-34	-3	1,318	1,415
Accounting and audit costs	480	47	0	-315	-154	403	461
Provision for onerous contracts	58	0	0	-58	0	0	0
Legal disputes and damage repair	1,026	180	-1,026	-180	0	0	0
Employers‘ liability insurance association	511	52	-336	-63	-113	197	249
Flexitime	435	0	0	-186	0	158	407
Miscellaneous	158	586	2,243	-1,043	-363	516	2,097
	24,096	**1,854**	**0**	**-20,436**	**-851**	**13,577**	**18,241**

The outflow of resources for current provisions is expected in the following financial year.

14.2 Tax provisions

Tax provisions break down as follows:

	31 Dec 2022 €k	31 Dec 2021 €k
Corporate income tax	5,814	5,968
Trade income tax	5,883	4,953
Carrying amount as at 31 Dec	**11,697**	**10,921**

15. Leases

Lease liabilities according to right-of-use asset class	31 Dec 2022 €k	31 Dec 2021 €k
Land and buildings	199	323
Technical equipment and machinery	4,411	6,179
Other equipment, operating and office equipment	390	947
Total	**5,000**	**7,448**

Taking into account the contracts recognised as finance lease liabilities, total lease liabilities are as follows as at the end of the reporting period:

Lease liabilities according to maturity	31 Dec 2022 €k	31 Dec 2021 €k
Non-current	2,646	5,979
Current	3,247	3,024
Total	**5,893**	**9,003**

The following amounts were recognised in the consolidated statement of comprehensive income in connection with leases in the 2022 and 2021 financial years:

Amounts recognised in the consolidated statement of comprehensive income	2022 €k	2021 €k
Depreciation and amortisation	3,112	3,325
thereof land and buildings	211	290
thereof technical equipment and machinery	2,334	2,359
thereof other equipment, operating and office equipment	566	676
Interest expense	43	41
Expenses for short-term leases	9,408	7,450
Total	**12,562**	**10,816**

The cash outflows for leases (including payments for short-term and low-value leases) amount to €13,184 thousand in the 2022 financial year (previous year: €12,548 thousand).

16. Deferred taxes

Deferred tax assets and liabilities from temporary differences break down as follows as at 31 December 2022 and 31 December 2021.

	31 Dec 2022 €k	31 Dec 2021 €k
Deferred tax assets	9,029	11,550
Deferred tax liabilities	20,168	19,308
Total	**-11,139**	**-7,758**

	31 Dec 2022 €k	31 Dec 2021 €k
Temporary differences from:		
Pension provisions	141	375
Intangible assets	6,821	6,790
Liabilities	1,845	2,175
Property, plant and equipment	1,199	1,514
Provisions	113	194
Receivables	730	1,636
Other	39	223
Netting	-1,859	-1,357
Deferred tax assets	**9,029**	**11,550**

	31 Dec 2022 €k	31 Dec 2021 €k
Temporary differences from:		
Receivables	12,224	13,360
Securities	93	47
Intangible assets	14	156
Property, plant and equipment	3,437	4,090
Financial assets	4,959	2,440
Liabilities	123	334
Inventories	1,177	185
Other	0	53
Netting	-1,859	-1,357
Deferred tax liabilities	**20,168**	**19,308**

III. Notes to the statement of comprehensive income

1. Revenue

Revenues amounts to €368,161 thousand in the 2022 financial year (previous year: €279,071 thousand).

The following table shows revenue broken down by region:

Region	2022 €k	2021 €k
Germany	349,926	264,412
Europe excluding Germany	16,033	10,415
Miscellaneous	2,201	4,244
Total	**368,161**	**279,071**

16.9% of revenue (previous year: 20.7%) relates to Service & Operations.

Please refer to the combined management and Group management report for information on the development of revenue.

The Group has an order backlog of €315.1 million as at 31 December 2022, which is divided among the segments as follows:

Segment	31 Dec 2022 €k	31 Dec 2021 €k
Natural Gas	104,394	178,784
Electricity	51,639	42,819
Clean Hydrogen	21,196	12,393
Adjacent Opportunities	137,862	78,782
Total	**315,091**	**312,778**

2. Income from equity investments

	2022 €k	2021 €k
Net income from equity investments recognised in financial assets	17,977	7,478
Net income from equity investments recognised in receivables and liabilities	-1,920	-2,356
Total	**16,057**	**5,122**

Shares of the FRIEDRICH VORWERK Group in cumulative profits from working groups classified as joint ventures are reported in financial assets under equity investments. The FRIEDRICH VORWERK Group's proceeds from trade receivables from and work done for working groups are recognised under revenue. The capital paid in to a working group is reported together with any trade receivables from the working groups after deduction of capital withdrawals and cumulative losses under trade receivables or, if the net amount is negative, under other liabilities.

3. Other operating income

	2022 €k	2021 €k
Income from the reversal of provisions	2,285	851
Income from own work capitalised	1,429	109
Income from offsetting remuneration in kind	1,180	1,054
Income from rentals and leasing	1,004	919
Income from securities	332	60
Income from insurance compensation	242	255
Income from asset disposals	224	374
Prior-period income	5	23
Income from initial consolidation	0	138
Income from other items	992	1,186
Total	**7,694**	**4,969**

Please refer to the statement of changes in provisions for details of income from the reversal of provisions.

4. Cost of materials

	2022 €k	2021 €k
Cost of raw materials and supplies	-33,872	-19,795
Cost of purchased services	-154,711	-86,932
Total	**-188,582**	**-106,726**

5. Staff costs

	2022 €k	2021 €k
Wages and salaries	-89,914	-77,121
Social security contributions	-28,617	-21,637
Other staff costs	-704	-391
Total	**-119,235**	**-99,150**

In the reporting year, the FRIEDRICH VORWERK Group received government grants in the form of social security contribution refunds of €0 thousand (previous year: €371 thousand), which were recognised in the income statement under staff costs in accordance with IAS 20.29 (reported net).

6. Other operating expenses

	2022 €k	2021 €k
Rental agreements and leasing	-9,408	-7,450
Maintenance expenses	-8,476	-6,809
Travel costs / vehicle costs	-3,132	-2,992
Other personnel-related expenses	-1,449	-763
Insurance	-1,325	-1,269
Contributions and fees	-1,295	-821
Legal and consulting	-953	-1,454
Education and training	-717	-733
Costs for telephone, post and data communication	-590	-515
Advertising costs	-359	-251
Office supplies	-269	-212
Loss of receivables and bad debt allowances	-148	-372
Incidental costs for monetary transactions	-88	-67
Foreign currency losses	-13	-15
Priod-period expenses	-2	-13
Miscellaneous other operating expenses	-5,781	-4,505
Total	**-34,004**	**-28,241**

7. Finance income

	2022 €k	2021 €k
Other interest and similar income	34	10
Total	**34**	**10**

8. Finance expenses

	2022 €k	2021 €k
Bank interest	-366	-225
Interest expense from leases	-43	-42
Interest expense from pension	-28	-13
Other interest and similar expenses	-524	-631
Total	**-961**	**-910**

There are non-controlling interests of 10.1% at the level of Friedrich Vorwerk SE & Co KG that arose in conjunction with the reorganisation of the company's structure in 2020. These interests accounted for a result of €2.0 million in the year under review (previous year: €3.4 million).

9. Taxes

Details on deferred tax assets and liabilities can be found in section I.4.18 b) "Deferred taxes". The income tax rate of the parent company is 29.1% (previous year: 29.1%) and is slightly above the weighted average tax rate of the FRIEDRICH VORWERK Group of 28.7% (previous year: 27.2%). The future local tax rate is applied when recognising deferred taxes.

As at 31 December 2022, the following tax loss carryforwards exist, for which no deferred tax assets were recognised in the financial year, as in previous years:

	2022 €k	2021 €k
Trade Tax	17,003	8,559
Corporation Income Tax	9,075	2,668

The reconciliation of income tax expense and the accounting net profit multiplied by the applicable tax rate of the Group for the financial years 2022 and 2021 is as follows:

	2022 €k	2021 €k
Corporate income tax	-3,401	-3,170
Trade income tax	-5,578	-6,993
Deferred taxes	-4,267	116
Total	**-13,246**	**-10,048**

	2022 €k	2021 €k
Consolidated net profit before income taxes	30,060	36,790
Income tax expense	-13,246	-10,048
Current tax rate	**44.1%**	**27.3%**

	2022 €k	2021 €k
Earnings before taxes (EBT)	30,453	37,140
Other taxes	-393	-351
Applicable (statutory) tax rate	29.1%	29.1%
Expected tax expense	**8,755**	**10,715**
Effects of non-deductible expenses and tax-exempt income	268	140
Tax effect from IPO	0	-530
Taxes relating to other periods	2,482	-17
Effects due to the utilization and addition of loss carryforwards	1,708	374
Other tax effects	33	-634
Actual income tax expense	**13,246**	**10,048**

10. Earnings per share

Basic earnings per share are calculated by dividing the profit or loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The following table shows the amounts used in the calculation of basic earnings per share:

	2022	2021
Result attributable to the holders of ordinary shares (in €)	17,139,108	26,766,636
Weighted average number of ordinary shares (undiluted, in shares)	20,000,000	19,539,726
Earnings per share (in €)	**0.86**	**1.37**

IV. Segment reporting

1. Information by segments

The segment reporting was prepared in accordance with IFRS 8 (Operating Segments), under which operating segments are defined as the components of an entity for which discrete financial information is available and under which the segment's operating results are reviewed regularly by the segment's chief operating decision maker to allocate resources to the segment and assess its performance.

The composition of the business segments as at the end of the reporting period is as follows:

Natural Gas

The Natural Gas segment comprises infrastructure services and product solutions for the transport and conversion of raw natural gas into treated natural gas for our customers. This is done through a number of steps: transporting the natural gas through high-pressure pipelines to processing in filtering and separation plants, compressor stations, storage and measurement systems, LNG terminals and gas pressure control and measurement systems.

Electricity

The Electricity segment concentrates on providing the infrastructure for the underground transport and conversion of electricity, which is generated from climate-friendly, non-fossil energy sources such as wind, solar, hydro and regenerative resources. Our expertise in electricity transport and conversion focuses on landing offshore electricity and installing high-voltage underground cables through which this electricity is transported to transmission networks. At the end of these cables are connection points in the form of transformer stations, inverters and power-to-heat systems, which connect the transmission networks to local energy distribution networks.

Clean Hydrogen

The Clean Hydrogen segment comprises product solutions and infrastructure services for the conversion of energy from climate-friendly energy sources into clean hydrogen and its transportation to consumers. This is done through a number of processing steps: from the conversion of renewable energy by electrolysis to the processing and transportation of the clean hydrogen produced through storage systems, compressor stations, pipelines and gas pressure control and measurement systems.

Adjacent Opportunities

Furthermore, in the Adjacent Opportunities segment, we concentrate on related turnkey technologies, such as the treatment and cleaning of biogenic and synthetic gases, heat extraction technologies used in district heating, solutions for the transportation of drinking and waste water and specialty solutions for the chemical and petrochemical industry.

Segment figures

The accounting policies applied in segment reporting are as described under I. 4. Segment earnings are based on the EBIT of the individual segments, as this is the basis on which the segments are managed.

1 Jan – 31 Dec 2022	Natural Gas €k	Electricity €k	Clean Hydrogen €k	Adjacent Opportunities €k	Reconciliation €k	Group €k
Revenue from third parties	183,562	56,203	27,816	100,580	0	368,161
Earnings (EBIT)	**24,235**	**2,143**	**2,188**	**5,112**	**-251**	**33,426**
EBIT margin (in %)	13.2%	3.8%	7.9%	5.1%		9.1%
Revenue share	49.9%	15.3%	7.6%	27.3%		

1 Jan – 31 Dec 2021	Natural Gas €k	Electricity €k	Clean Hydrogen €k	Adjacent Opportunities €k	Reconciliation €k	Group €k
Revenue from third parties	183,810	46,592	10,404	38,264	0	279,071
Earnings (EBIT)	**29,468**	**7,351**	**2,223**	**5,902**	**-3,507**	**41,436**
EBIT margin (in %)	16.0%	15.8%	21.4%	15.4%		14.8%
Revenue share	65.9%	16.7%	3.7%	13.7%		

Reconciliation of EBIT to consolidated net profit	2022 €k	2021 €k
Total EBIT of the segments	**33,677**	**44,943**
Reconciliation to Group EBIT	-251	-3,507
Net finance cost	-2,973	-4,295
EBT	30,453	37,140
Taxes on income	-13,246	-10,048
Other taxes	-393	-351
Non-controlling interests	325	25
Consolidated net profit	**17,139**	**26,767**

2. Information by region

The FRIEDRICH VORWERK Group’s non-current assets are predominantly located in Germany.

3. Information on main customers

In the reporting year, the revenue with one customer (previous year: zero) amounted to more than 10% of the Group's revenue. The majority of the revenue with this customer is assigned to the Natural Gas segment.

Customer	2022 €k	2021 €k
Customer A	92,854	26,505
Total	**92,854**	**26,505**

V. Notes to the consolidated statement of cash flows

The statement of cash flows is presented separately. It shows the changes in cash and cash equivalents at the FRIEDRICH VORWERK Group. The reported cash funds are not subject to any third-party restrictions. The Group made no payments for extraordinary transactions. Payments for income taxes and interest are reported separately. The statement of cash flows was prepared in accordance with IAS 7 and breaks down the changes in cash and cash equivalents into cash flows from operating, investing and financing activities. Cash flow from operating activities is presented using the indirect method.

The following table shows the changes in liabilities from financing activities.

	Non-current liabilities to banks €k	Current liabilities to banks €k	Non-current lease liabilities €k	Current lease liabilities €k	Total €k
Statement of financial position as at 1 Jan 2021	**6,864**	**1,466**	**4,210**	**4,863**	
Borrowing	10,550	0	0	68	10,618
Redemption	-2,065	-91	0	-5,166	-7,321
Cash changes	**8,485**	**-91**	**0**	**-5,098**	**3,297**
Reclassifications	-1,189	1,189	-2,145	2,145	0
Deferred interest	0	-189	0	0	-189
Changes in consolidated group	1,135	1,315	3,752	802	7,003
New leases	0	0	272	339	612
Disposal of leases	0	0	-111	-27	-138
Non-cash changes	**-54**	**2,315**	**1,768**	**3,259**	**7,288**
Statement of financial position as at 31 Dec 2021	**15,295**	**3,689**	**5,979**	**3,024**	
Borrowing	0	4,997	0	0	4,997
Redemption	-2,375	-6,307	0	-3,777	-12,458
Cash changes	**-2,375**	**-1,310**	**0**	**-3,777**	**-7,461**
Reclassifications	-9	9	-3,752	3,752	0
Changes in consolidated group	0	0	2	24	25
New leases	0	0	418	224	642
Non-cash changes	**-9**	**9**	**-3,333**	**4,000**	**667**
Statement of financial position as at 31 Dec 2022	**12,912**	**2,388**	**2,646**	**3,247**	

VI. Additional disclosures on financial instruments

Financial instruments break down as follows as at the end of the reporting period:

		31 Dec 2022	
€k	Classification according to IFRS 9*	Carrying amount	Fair value
Assets			
Investment securities	FVTOCI	2,560	2,560
(31 Dec 2021)		3,295	3,295
Trade receivables	AC	17,683	
(31 Dec 2021)		15,809	
Non-hedge derivatives	FVTPL	321	321
(31 Dec 2021)		52	52
Cash funds	AC	45,876	
(31 Dec 2021)		108,282	
Liabilities			
Liabilities to banks	FLaC	15,300	14,271
(31 Dec 2021)		18,985	19,448
Liabilities from participation rights	FLaC	10,213	13,607
(31 Dec 2021)		10,213	17,451
Non-hedge derivatives	FVTPL	0	0
(31 Dec 2021)		16	16
Tade payables	FLaC	10,784	
(31 Dec 2021)		6,270	
Other current loans	FLaC	0	
(31 Dec 2021)		2,916	
Other financial liabilities	FLaC	14,725	
(31 Dec 2021)		3,296	
Liabilities to non-controlling interests	FLaC	9,355	
(31 Dec 2021)		10,857	
Aggregated according to category			
Financial assets	AC	63,559	
Financial assets	FVTOCI	2,560	
Financial assets	FVTPL	321	
Financial liabilities	FLaC	60,377	

* AC: amortised cost; FLaC: financial liabilities at amortised cost. FVTPL: fair value through profit and loss; FVTOCI: fair value through other comprehensive income

The fair value of financial instruments for which the carrying amount is a reasonable approximation of fair value is not disclosed separately.

Investments in equity instruments are measured in equity at fair value, which is based on the market price quoted on an active market. For the derivatives measured at fair value, the fair value is calculated based on the expected future cash flows, discounted applying the generally observable market data for the corresponding yield curves.

Cash funds, other financial assets and trade receivables predominantly have short remaining terms. Their carrying amounts as at the end of the reporting period are therefore approximately their fair value.

Trade payables, other current loans and other financial liabilities are typically short-term; the amounts recognised are approximately the fair values. The fair values of financial liabilities and liabilities from profit participation rights are calculated at the present value of the expected future cash flows. Discounting uses standard market interest rates based on the corresponding maturities and credit ratings.

VII. Objectives and methods of financial risk management

1. Financial assets and financial liabilities

The Group's main financial liabilities are current and non-current liabilities to banks, liabilities from profit participation rights, current trade payables and other current and non-current liabilities. The Group's financial assets consist mainly of cash and cash equivalents and trade receivables. The carrying amount of the financial assets less impairment losses reported in the consolidated financial statements represents the maximum exposure to credit risk. It totals €66,119 thousand in the year under review (31 December 2021: €127,386 thousand). Business relationships are only entered into with partners of good credit standing. Trade receivables relate to a diverse set of customers in the energy sector. Ongoing credit assessments are performed for the financial receivables portfolio. Payment terms of 30 days without deduction are usually granted. Impairment was not recognised for trade receivables that were past due at the end of the reporting period if no material changes in the customer's creditworthiness were observed and it is assumed that the outstanding amount will be paid.

For details of the maturities of financial liabilities, see II.12. “Liabilities” and II.13 “Other liabilities”.

2. Capital risk management

The Group manages its capital (equity plus liabilities less cash and cash equivalents) with the aim of achieving its financial goals while simultaneously optimising its finance costs by way of financial flexibility. In this respect, the overall strategy is the same as in the previous year.

Management reviews the capital structure at least once every half-year. The cost of capital, the collateral provided, open lines of credit and available credit facilities are reviewed.

The capital structure in the year under review is as follows:

	31 Dec 2022	31 Dec 2021
Equity in €k	163,181	152,470
- in % of total capital	53.0%	52.5%
Liabilities in €k	144,898	137,990
- in % of total capital	47.0%	47.5%
Current liabilities in €k	90,147	78,608
- in % of total capital	29.3%	27.1%
Non-current liabilities in €k	54,751	59,383
- in % of total capital	17.8%	20.4%
Net gearing*	-0.2	-0.5

* Calculated as the ratio of financial liabilities less cash funds to equity.

3. Financial risk management

Financial risk is monitored centrally by management. The individual financial risks are reviewed at least four times per year.

The material Group risks arising from financial instruments include liquidity risks and credit risks. Business relationships are only entered into with partners of good credit standing.

Assessments from independent rating agencies, other financial information and trading records are used to assess credit, especially for major customers. In addition, receivables are monitored on an ongoing basis to ensure that the FRIEDRICH VORWERK Group is not exposed to major credit risks. The maximum default risk is limited to the respective carrying amounts of the assets reported in the statement of financial position.

Impairment on trade receivables and contract assets is determined using the simplified approach.

The Group manages liquidity risks by holding appropriate reserves, monitoring and maintaining loan agreements and planning and coordinating cash inflows and outflows.

4. Market risks

Market risks can result from changes in exchange rates (exchange rate risks) or interest rates (interest rate risks). The Group's invoices are essentially issued in euro or the respective local currency, thereby largely avoiding exchange rate risks.

The Group is exposed to interest rate risks as a result of borrowing at floating interest rates. The FRIEDRICH VORWERK Group manages these risks by maintaining an appropriate ratio between fixed and floating interest rate agreements. Derivatives (e.g. interest rate swaps or interest rate futures) were only used in hedging as an exception. The Group had liabilities with floating interest rates in the amount of €1,313 thousand (previous year: €1,663 thousand) as at the end of the reporting period. There were hedges in the form of three interest rate swaps with a nominal volume of €4,366 thousand and two interest rate floors with a nominal volume of €3,750 thousand. If, all else being equal and assuming corresponding average indebtedness, interest rates had been two percentage points higher (lower), pre-tax earnings would have been €30 thousand lower (higher).

5. Liquidity risk

Liquidity risk describes the risk that the Group will be unable to meet its payment obligations on maturity. The high level of cash and cash equivalents means there is no liquidity risk from financial liabilities. The Group and its subsidiaries manage liquidity risks by maintaining adequate reserves, continuously monitoring forecast and actual cash flows and coordinating the maturity profiles of financial assets and liabilities.

IFRS 7 also requires a maturity analysis for financial liabilities. The following maturity analysis shows how the undiscounted cash flows in connection with the liabilities as at 31 December 2022 affect the future liquidity situation of the Group.

Type of liability	Carrying amount as at 31 Dec 2022 €k	Up to 1 year €k	More than 1 year and up to 5 years €k	Over 5 years €k
Liabilities to banks	15,300	2,712	9,754	3,812
Liabilities from participation rights	10,213	775	2,863	19,069
Trade payables	10,888	10,888	0	0
Other financial liabilities	14,725	14,725	0	0
Liabilities to non-controlling interests	9,355	2,534	0	6,820
Lease liabilities	5,893	3,316	2,634	9
Total	**66,374**	**34,951**	**15,251**	**29,710**

If the contract partner can call a payment at different points in time, the liability relates to the earliest possible maturity date. Interest payments of floating-rate financial instruments are calculated on the basis of forward interest rates. In the case of performance-based interest, the interest rate for the reporting year is generally used as a basis, unless better information is available. The cash flows of financial and lease liabilities consist of their undiscounted payments of principal and interest.

VIII. Other mandatory information

1. Executive bodies

Management Board of Friedrich Vorwerk Group SE

- Torben Kleinfeldt, engineering graduate, business graduate, Chief Executive Officer (CEO)
- Tim Hameister, business management graduate (M.Sc.), Chief Financial Officer (CFO)

Torben Kleinfeldt, Chief Executive Officer, is in charge of the areas of Strategic Development & Internationalisation, Strategic Sales, Procurement, Engineering, Investor Relations and Legal & Compliance. As the Chief Financial Officer, Tim Hameister is in charge of Finance, Controlling and HR.

Supervisory Board of Friedrich Vorwerk Group SE

- Dr Christof Nesemeier, business graduate, Chairman
- Dr Julian Deutz, business graduate, Deputy Chairman
- Heike von der Heyden, business graduate

Disclosures on further mandates on other statutory supervisory boards and similar controlling bodies in Germany and abroad

Dr Christof Nesemeier is also the Chairman of the Board of MBB SE, Berlin.

Dr Julian Deutz is also the President of the Board of Directors of Axel Springer Beteiligungen AG, Switzerland, member of the Board of Directors of Axel Springer Schweiz AG, Switzerland, member of the Supervisory Board of Digital Classifieds France SAS, France, and member of the Supervisory Board of N26 AG, Berlin.

2. Remuneration of members of the Management Board and the Supervisory Board

The total remuneration granted to members of the Management Board amounted to €0.9 million in the financial year (previous year: €1.7 million), while the remuneration granted to the members of the Supervisory Board amount to €0.1 million (previous year: €0.1 million).

3. Business transactions with related companies and persons

Parties are considered to be related if they have the ability to control the FRIEDRICH VORWERK Group or exercise significant influence over its financial and operating decisions.

3.1 Related persons

The FRIEDRICH VORWERK Group also reports on transactions with related parties and their relatives in accordance with IAS 24. The members of the Management Board of Friedrich Vorwerk Group SE and their relatives were identified as related parties as defined by IAS 24. There were no business transactions with relatives in either the financial year or the previous year.

The remuneration of management in key positions to be disclosed in accordance with IAS 24 comprises the remuneration of members of the Management Board and the Supervisory Board.

Their remuneration was as follows:

	2022 €k	2021 €k
Salaries and other short-term benefits	1,006	2,049
Total	**1,006**	**2,049**

The Management Board was partially remunerated through the subsidiary Friedrich Vorwerk Management SE in the year under review.

Management Board

As at the end of the reporting period, there is an arm’s length lease with KLEH Immobilien GmbH & Co. KG for residential space for Friedrich Vorwerk SE & Co. KG. The total transactions in the 2022 financial year from this rental agreement amounts to €26 thousand (previous year: €20 thousand). The net amount from transactions with KLEH Immobilien GmbH & Co. KG at the end of the reporting period is € 0 thousand (previous year: € 0 thousand). KLEH Immobilien GmbH & Co. KG is attributed to the CEO Torben Kleinfeldt and a member of the Management Board of Friedrich Vorwerk Management SE.

In addition, reference is made to the comments on the compensation of the executive bodies and the separate compensation report.

Notification of transactions in accordance with section 15a WpHG

Persons with management duties, especially the Management Board and the members of the Supervisory Board of Friedrich Vorwerk Group SE, and their related parties in accordance with section 15a of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act), are required to disclose their transactions involving shares of Friedrich Vorwerk Group SE or related financial instruments. Notifications of relevant transactions are published on our website at www.friedrich-vorwerk.de/de/investor-relations/corporate-governance.html.

3.2 Related companies

Subsidiaries are considered to be related companies irrespective of whether they are included in the consolidated financial statements or not. Transactions between the company and its subsidiaries are eliminated in consolidation and are not shown in this note, or are of subordinate significance and typical for the industry. Related companies are also considered to be those companies described as associated with the above related persons.

Furthermore, MBB SE, the parent company of Friedrich Vorwerk Group SE, and the companies of MBB SE’s consolidated group are also considered related parties. Transactions with these companies were conducted at arm’s length conditions.

There is a consultancy agreement at arm's length conditions with MBB SE as the contractor as at the end of the reporting period. The total of transactions in the 2022 financial year amounted to €560 thousand (previous year: €958 thousand). In addition, costs for D&O insurance, IT systems and other services amounting to €63 thousand (previous year: €56 thousand) were recharged to the FRIEDRICH VORWERK Group by MBB SE. Total balance of €63 thousand is outstanding as at the end of the financial year.

The FRIEDRICH VORWERK Group has commissioned DTS Systeme GmbH, an indirect subsidiary of MBB SE, with various IT-specific services at standard market conditions. The total of the transactions in the 2022 financial year amounted to €115k (previous year: €8k). Total balance of €115k is outstanding as at the end of the financial year.

Please refer to note II.4 (Working group disclosures) for information on working groups

4. Employees

The Group had the following employees in the financial year:

Average number of employees	2022 Headcount	2021 Headcount
Technical staff and employees	1,644	1,444
Total	**1,644**	**1,444**

As at the end of the reporting period	31 Dec 2022 Headcount	31 Dec 2021 Headcount
Technical staff and employees	1,657	1,633
Total	**1,657**	**1,633**

The FRIEDRICH VORWERK Group has 121 trainees as at 31 December 2022 (previous year: 115), who are not included in the above figures.

5. Auditor's fees

The auditor's fee recognised in the 2022 and 2021 financial years break down as follows:

	2022 €k	2021 €k
Audit services	192.5	200.0
Tax advisory services	0.0	0.0
Other services	0.0	70.0
Total	**192.5**	**270.0**

6. Events after the end of the reporting period

There were no significant events after the end of the reporting period.

7. Contingent liabilities and off-balance sheet transactions

It is standard practice within the industry, and necessary, to issue various guarantees and warranties to secure contractual obligations. These guarantees are typically issued by banks or credit insurance companies and essentially comprise contract performance, advance payment and performance guarantees. In the event that a guarantee is utilised, the banks have claims for recourse against the Group. There is only a risk of a guarantee being utilised if the underlying contractual obligations are not properly fulfilled. Such guarantees have not given rise to claims against the Group either in the financial year or in the past.

Obligations and probable risks under such guarantees are recognised in the statement of financial position as liabilities or provisions.

Furthermore, as is customary within the industry, there is joint and several liability with other partners for working groups in which interests are held by companies in which the FRIEDRICH VORWERK Group holds investments.

8. Other financial obligations

Right-of-use assets and lease liabilities were recognised in the statement of financial position for a majority of operating leases. This does not include short-term leases, leases for low-value assets or leases with variable payments.

In addition, the FRIEDRICH VORWERK Group entered into contracts to purchase property, plant and equipment in 2022 that have not been delivered and/or invoiced as at 31 December 2022.

The off-balance sheet obligations as at 31 December 2022 and in the previous period are as follows:

Other financial obligations	31 Dec 2022 €k	31 Dec 2021 €k
Up to one year	3,444	5,666
More than one year and up to five years	58	0
Over five years	0	0
Total	**3,502**	**5,666**

9. Declaration in accordance with section 161 AktG

As a listed stock corporation in accordance with section 161 AktG, Friedrich Vorwerk Group SE is required to submit a declaration on the extent to which the recommendations of the German Corporate Governance Code of the German Government Commission have been complied with. The Management Board and the Supervisory Board submitted the latest version of this declaration on 20 March 2023. It forms part of the combined management and Group management report and is published online at www.friedrich-vorwerk.de/de/investor-relations/corporate-governance.html.

10. Appropriation of earnings

The Management Board and the Supervisory Board propose to distribute a dividend in the amount of €2,400,000.00 or €0.12 per entitled share and to carry the remaining amount forward to new account.

11. Group affiliation

Friedrich Vorwerk Group SE, Tostedt, prepares the consolidated financial statements for the smallest group of companies. These will be published in the electronic Federal Gazette. MBB SE, Berlin, prepares the consolidated financial statements for the largest group of companies. The consolidated financial statements are published on the website www.mbb.com.

12. Voting rights notifications

Friedrich Vorwerk Group SE, Tostedt, received the following notifications in accordance with section 40 (1) WpHG in the period from 1 January 2022 to 13 March 2023:

Amundi S.A., Paris, France, notified us that its share of the voting rights in Friedrich Vorwerk Group SE dropped below the threshold of 3% of voting rights on 31 January 2022 and amounted to 2.96% (591,207 voting rights) on this date. 2.96% (591,207 voting rights) were indirectly attributable to Amundi S.A. in accordance with section 34 WpHG.

Amundi S.A., Paris, France, notified us that its share of the voting rights in Friedrich Vorwerk Group SE exceeded the threshold of 3% of voting rights on 1 February 2022 and amounted to 3.10% (619,893 voting rights) on this date. 3.10% (619,893 voting rights) were indirectly attributable to Amundi S.A. in accordance with section 34 WpHG.

Amundi S.A., Paris, France, notified us that its share of the voting rights in Friedrich Vorwerk Group SE dropped below the threshold of 3% of voting rights on 3 February 2022 and amounted to 2.85% (569,063 voting rights) on this date. 2.85% (569,063 voting rights) were indirectly attributable to Amundi S.A. in accordance with section 34 WpHG.

Mr Peter Zaldivar notified us that on 28 April 2022 his share of the voting rights in Friedrich Vorwerk Group SE dropped below the threshold of 5% of voting rights and amounted to 4.998% (999,640 voting rights). 4.998% (999,640 voting rights) were indirectly attributable to Mr Peter Zaldivar in accordance with section 34 WpHG.

Amundi S.A., Paris, France, notified us that its share of the voting rights in Friedrich Vorwerk Group SE exceeded the threshold of 3% of voting rights on 8 June 2022 and amounted to 3.18% (636,049 voting rights) on this date. 3.18% (636,049 voting rights) were indirectly attributable to Amundi S.A. in accordance with section 34 WpHG.

AVGP Limited, St. Helier, Jersey, notified us that its share of the voting rights in Friedrich Vorwerk Group SE dropped below the threshold of 5% of voting rights on 27 June 2022 and amounted to 4.92% (983,770 voting rights) on this date. 4.92% (983,770 voting rights) were indirectly attributable to AVGP Limited in accordance with section 34 WpHG.

M&G plc, London, United Kingdom, notified us that on 8 July 2022 its share of the voting rights in Friedrich Vorwerk Group SE dropped below the threshold of 3% of voting rights and amounted to 2.996% (599,208 voting rights). 2.996% (599,208 voting rights) were indirectly attributable to M&G plc in accordance with section 34 WpHG.

M&G plc, London, United Kingdom, notified us that on 11 July 2022 its share of the voting rights in Friedrich Vorwerk Group SE exceeded the threshold of 3% of voting rights and amounted to 3.05% (610,563 voting rights). 3.05% (610,563 voting rights) were indirectly attributable to M&G plc in accordance with section 34 WpHG.

M&G plc, London, United Kingdom, notified us that its share of the voting rights in Friedrich Vorwerk Group SE dropped below the threshold of 3% of voting rights on 13 July 2022 and amounted to 2.999% (599,727 voting rights) on this date. 2.999% (599,727 voting rights) were indirectly attributable to M&G plc in accordance with section 34 WpHG.

M&G plc, London, United Kingdom, notified us that on 29 July 2022 its share of the voting rights in Friedrich Vorwerk Group SE exceeded the threshold of 3% of voting rights and amounted to 3.01% (601,293 voting rights). 3.01% (601,293 voting rights) were indirectly attributable to M&G plc in accordance with section 34 WpHG.

Amundi S.A., Paris, France, notified us that its share of the voting rights in Friedrich Vorwerk Group SE dropped below the threshold of 3% of voting rights on 15 August 2022 and amounted to 2.997% (599,456 voting rights) on this date. 2.997% (599,456 voting rights) were indirectly attributable to Amundi S.A. in accordance with section 34 WpHG.

KBI Global Investors Ltd, Dublin, Ireland, notified us that its share of the voting rights in Friedrich Vorwerk Group SE exceeded the threshold of 3% of voting rights on 17 August 2022 and amounted to 3.14% (627,650 voting rights) on this date. 3.14% (627,650 voting rights) were indirectly attributable to KBI Global Investors Ltd. in accordance with section 34 WpHG.

Amundi S.A., Paris, France, notified us that its share of the voting rights in Friedrich Vorwerk Group SE exceeded the threshold of 3% of voting rights on 19 September 2022 and amounted to 3.01% (602,993 voting rights) on this date. 3.01% (602,993 voting rights) were indirectly attributable to Amundi S.A. in accordance with section 34 WpHG.

Kabouter International Opportunities Fund II, LLC, Chicago, United States of America, notified us that on 21 September 2022 its share of the voting rights in Friedrich Vorwerk Group SE dropped below the threshold of 3% of voting rights and amounted to 2.98% (596,976 voting rights) on this date. 2.98% (596,976 voting rights) were directly attributable to Kabouter International Opportunities Fund II, LLC in accordance with section 33 WpHG.

Mr Peter Zaldivar notified us that on 26 September 2022 his share of the voting rights in Friedrich Vorwerk Group SE dropped below the threshold of 3% of voting rights and amounted to 2.99% (597,390 voting rights). 2.99% (597,390 voting rights) were indirectly attributable to Mr Peter Zaldivar in accordance with section 34 WpHG.

Amundi S.A., Paris, France, notified us that its share of the voting rights in Friedrich Vorwerk Group SE dropped below the threshold of 3% of voting rights on 12 January 2023 and amounted to 2.98% (595,593 voting rights) on this date. 2.98% (595,593 voting rights) were indirectly attributable to Amundi S.A. in accordance with section 34 WpHG.

Janus Henderson Group Plc, St. Helier, Jersey, notified us that its share of the voting rights in Friedrich Vorwerk Group SE dropped below the threshold of 3% of voting rights on 31 January 2023 and amounted to 1.38% (275,312 voting rights) on this date. 1.38% (275,312 voting rights) were indirectly attributable to Janus Henderson Group Plc in accordance with section 34 WpHG.

For further details, please refer to our individual publications on the voting right notifications received on our website www.friedrich-vorwerk.de.

13. Exemption from disclosure requirements

In accordance with section 264(3) in conjunction with section 264b HGB, the following companies included in the consolidated financial statements of Friedrich Vorwerk Group SE are exempt from the obligation to disclose their annual financial statements for the 2022 financial year:

- Bohlen & Doyen Anlagenbau Holding GmbH; Tostedt
- Bohlen & Doyen Bau GmbH, Wiesmoor
- Bohlen & Doyen Bau Holding GmbH, Tostedt
- Bohlen & Doyen Service und Anlagentechnik GmbH, Wiesmoor
- EAS Einhaus Anlagenservice GmbH, Geeste
- European Pipeline Services GmbH, Tostedt
- Friedrich Vorwerk SE & Co KG, Tostedt
- KORUPP GmbH, Twist
- Vorwerk - ASA GmbH, Herne
- Vorwerk-EEE GmbH, Tostedt
- Vorwerk Pipeline- und Anlagenservice GmbH, Petersberg

Tostedt, 20 March 2023

Torben Kleinfeldt	Tim Hameister
CEO	CFO

Assurance of the legal representatives

To the best of our knowledge, and in accordance with the applicable accounting principles for financial reporting, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the combined management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the coming financial year.

Tostedt, 20 March 2023

Torben Kleinfeldt	Tim Hameister
Chairman of the Board	Board of Directors

Independent Auditor's Report

To Friedrich Vorwerk Group SE, Tostedt

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of Friedrich Vorwerk Group SE and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January 2022 to 31 December 2022, and the notes to the consolidated financial statements, including a description of the accounting policies. We have also audited the group management report of Friedrich Vorwerk Group SE, which is combined with the management report of the company, for the financial year from 1 January 2022 to 31 December 2022. In accordance with German legal requirements, we have not audited the content of the components mentioned in "Other information" section of our auditor's report.

In our opinion, based on the findings of our audit

- the accompanying consolidated financial statements comply in all material respects with IFRS as adopted by the EU and the additional requirements of German law in accordance with section 315e(1) HGB and give a true and fair view of the financial position of the Group as at 31 December 2022 and of its financial performance for the financial year from 1 January 2022 to 31 December 2022 in accordance with these requirements; and
- the accompanying combined group management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined group management report is consistent with the consolidated financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development. Our audit opinion on the combined group management report does not cover the content of the components of the combined group management report mentioned in the section "Other information".

In accordance with section 322(3) sentence 1 HGB, we declare that our audit has not led to any reservations concerning the correctness of the consolidated financial statements and the combined group management report.

Basis for Audit Opinions

We conducted our audit of the consolidated financial statements and of the Group management report in accordance with section 317 HGB and the EU Audit Regulation (No. 537/2014; hereinafter "EU-APrVO") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany - IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent from the Group Entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, we declare pursuant to Article 10 (2) (f) of the EU-APrVO that we have not provided any prohibited non-audit services pursuant to Article 5 (1) of the EU-APrVO. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the Group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January 2022 to 31 December 2022. These matters were considered in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

In our view, the following key audit matter was the most relevant for our audit:

- Revenue recognition from construction contracts and projects with customers

We have structured our presentation of these key audit matters as follows:

1. Matter and issue
2. Audit approach and findings
3. Reference to further information

In the following, we present the particularly important audit matters:

Revenue recognition from construction contracts and projects with customers

1. A significant part of the Group's business is conducted through construction contracts and projects. Revenue recognition under IFRS 15 is dependent on the fulfilment of the performance obligation and must be evaluated based on the underlying contracts. Due to its complexity, revenue recognition is an area of significant risk of material misstatement (including the potential risk of managers bypassing controls) and is therefore a key audit matter. The Group's revenue amounts to €368,161 thousand in 2022. €95,428 thousand of contract assets and €7,296 thousand of contract liabilities from construction contracts and projects are recognised as at 31 December 2022.
2. To address this risk, we critically assessed management's assumptions and estimates and performed the following audit procedures, among others:
   - In the context of our audit, we reviewed the company’s internal methods, procedures and project management control mechanisms in the bidding and performance phase of construction contracts. We also assessed the design and effectiveness of accounting-related internal controls by tracking business transactions specific to contract manufacturing, from the time they arise to their presentation in the consolidated financial statements, and by testing controls.
   - Using samples selected on a risk-oriented basis, we assessed the estimates and assumptions made by the company’s officers in the context of individual audits. Our audit procedures also included a review of the contractual basis and contractual conditions, including contractually agreed regulations on partial delivery of goods and services, termination rights, default and contractual penalties and damages. For the selected projects, in order to assess the calculation of revenue on an accrual basis, we also examined the revenue billable as at the end of the reporting period and the associated costs of sales recognized in profit or loss in line with the percentage of completion and reviewed the accounting of the related balance sheet items.
   - Furthermore, we interviewed project management (both commercial and technical project managers) on the development of projects, the reasons for discrepancies between planned costs and actual costs, the current assessment of the costs expected to be incurred by the time of completion and the assessments of the company’s officers of potential contract risks.

   Our audit procedures have not led to any reservations regarding the recognition of revenue from construction contracts.
3. The Company's disclosures on the accounting policies applied in accounting for construction contracts are included in Note I.4.17 to the consolidated financial statements.

Other information

The legal representatives are responsible for the other information. The other information includes:

- the group declaration on corporate governance in accordance with section 315d HGB in conjunction with section 289f HGB,
- the non-financial statement in accordance with sections 289b HGB and 315b HGB,
- the remaining parts of the Annual Report, with the exception of the audited consolidated financial statements and the combined group management report and our audit opinion; and
- the assurance in accordance with section 297(2) sentence 4 HGB on the consolidated financial statements and the assurance in accordance with section 315(1) sentence 5 HGB on the combined group management report.

Our audit opinions on the consolidated financial statements and the combined group management report do not cover the other information and the other parts of the annual report and, accordingly, we do not express an audit opinion or any other form of conclusion thereon.

In connection with our audit of the financial statements, we have a responsibility to read the other information referred to above and, in doing so, consider whether the other information

- contains material inconsistencies with the consolidated financial statements, the group management report or our findings from the audit; or
- otherwise appears to be materially misstated.

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

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the IFRS, as adopted by the EU, and the additional requirements of German law in accordance with section 315e(1) HGB and 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 German Legally Required Accounting Principles. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error (i.e. manipulation of the accounting system or misstatement).

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined group management report that, as a whole, provides an appropriate view of the Group’s position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with section 317 HGB and the EU-APrVO and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

During the audit, we exercise professional judgement and maintain a critical attitude. Furthermore we

- identify and assess the risks of material misstatement of the consolidated financial statements and the combined group management report 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 the risk of not detecting a material misstatement resulting from error because fraud may involve collusion, forgery, intentional omissions, misleading representations, or the override of internal controls;

- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of the arrangements and actions relevant to the audit of the combined group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of those systems;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of the going concern basis of accounting used by management and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or conditions may result in the Group being unable to continue as a going concern.

- assess the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRS as adopted by the EU and the additional requirements of German law in accordance with section 315e(1) HGB;

- obtain sufficient appropriate audit evidence regarding the accounting information of the entities or business activities within the Group to express opinions on the consolidated financial statements and the group management report. We are responsible for directing, supervising and performing the audit of the consolidated financial statements. We are solely responsible for our audit opinions;

- assess the consistency of the combined group management report with the consolidated financial statements, its compliance with the law and the understanding of the group's position given by it;

- perform audit procedures on the prospective information presented by the executive directors in the combined group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements and discuss with them all relationships and other matters that can reasonably be expected to affect our independence and the safeguards put in place to protect it.

From the matters that we have discussed with those charged with governance, we have identified those matters that were most significant in the audit of the consolidated financial statements of the current reporting period and are therefore the key audit matter. We describe these matters in our audit opinion unless laws or regulations preclude public disclosure of the matters.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Assurance report in Accordance with sec. 317 (3a) HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group management report Prepared for Publication Purposes

Reasonable Assurance Conclusion

We have performed an assurance engagement in accordance with section 317(3a) HGB to obtain reasonable assurance about whether reproduction of the consolidated financial statements and the combined group management report (hereinafter “ESEF documents”) contained in the attached electronic file “Vorwerk_SE_IFRS_2022” and prepared for publication purposes complies in all material respects with the requirements of section 328(1) HGB for the electronic reporting format (“ESEF-Format”) in accordance with German legal requirements, this audit only covers the conversion of the information in the consolidated financial statements and the combined group management report into the ESEF format and therefore neither the information contained in these reproductions nor any other information contained in the aforementioned file.

In our opinion, the reproductions of the consolidated financial statements and the combined group management report contained in the aforementioned attached file and prepared for the purpose of disclosure comply in all material respects with the electronic reporting format requirements of section 328(1) HGB. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying combined group management report for the financial year from 1 January 2022 to 31 December 2022 contained in the preceding "Report on the audit of the consolidated financial statements and the combined group management report", we do not express any audit opinion on the information contained in these reproductions or on the other information contained in the aforementioned file.

Basis for the Reasonable Assurance Conclusion

We conducted our audit of the reproductions of the consolidated financial statements and the combined group management report contained in the above mentioned attached file in accordance with section 317(3a) HGB and in compliance with the IDW Auditing Standard: Audit of Electronic Reproductions of Financial Statements and Management Reports Prepared for the Purposes of Disclosure in accordance with section 317(3a) HGB (IDW PS 410 (06.2022)). Our responsibility thereafter is further described in the section "Group Auditor’s Responsibilities for the Assurance Engagement on the ESEF-Documents". Our audit firm has applied the IDW Standard for quality Management in the Audit Firm (IDW QS 1).

Responsibilities of Executive Directors and the Supervisory Board for the ESEF documents

The executive directors of the company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the Group management report in accordance with section 328(1) sentence 4 Nr. 1 HGB and the tagging of the consolidated financial statements in accordance with section 328(1) sentence 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal controls as they have considered necessary to enable the preparation of ESEF documents free from material non-compliance with the requirements of section 328(1) HGB for the electronic reporting format, whether due to fraud our error.

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

The executive directors of the company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached consolidated financial statements and audited group management report as well as other documents that shall be published to the operator of the German Federal Gazette (Bundesanzeiger).

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Engagement on the ESEF-Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements section 328(1) HGB, whether due to fraud or error. We exercise professional judgement and maintain professional skepticism throughout the assurance engagement. We also:

- identify and assess the risks of material non-compliance with the requirements of section 328(1) HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.

- obtain an understanding of the internal controls relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.

- evaluate the technical validity of the ESEF documentation, i.e. whether the file containing the ESEF documentation complies with the requirements of Delegated Regulation (EU) 2019/815, as amended at the reporting date, for the technical specification of that file.

- evaluate whether the ESEF documents enable the audited consolidated financial statements and the audited Group management report to be reproduced in XHTML with the same contents.

- assess whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of Delegated Regulation (EU) 2019/815 as applicable on the reporting date enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction to be made.

OTHER INFORMATION ACCORDING TO ARTICLE 10 OF THE EU-AUDIT REGULATION

We were appointed as auditors by the Annual General Meeting on 1 June 2022. We have audited the consolidated financial statements as at 31 December 2021 and the Group management report for the financial year 2021, which are required by law to be prepared and audited, as auditors of the consolidated financial statements. We have served as auditors of the financial statements and consolidated financial statements of the Company since the 2019 financial year.

We declare that the audit opinions contained in this audit report are consistent with the additional report to the Supervisory Board in accordance with Article 11 EU-APrVO (audit report).

Other matters – use of the auditor's report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined group management report as well as the assured ESEF documents. The consolidated financial statements and the consolidated group management report converted to the ESEF format – including the versions to be published in the Bundesanzeiger [German Federal Gazette] – are merely electronic renderings of the audited consolidated financial statements and the audited combined group management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

RESPONSIBLE AUDITOR

The German Public Auditor responsible for the engagement is Christian Klatt.

Düsseldorf, 20 March 2023

RSM GmbH

Wirtschaftsprüfungsgesellschaft

Steuerberatungsgesellschaft

Grote Wirtschaftsprüfer [German Public Auditor]	Klatt Wirtschaftsprüfer [German Public Auditor]

Financial calendar

Annual Report 2022
30 March 2023

Quarterly report Q1 2023
15 May 2023

Annual General Meeting
1 June 2023

Half-year financial report 2023
15 August 2023

Quarterly report Q3 2023
14 November 2023

End of financial year
31 December 2023

Conferences

Jefferies Pan-European Conference
28 March 2023

Berenberg Conference USA
23 May 2022

Deutsches Eigenkapitalforum
27 to 29 November 2023

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Legal notice

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