ANNUAL REPORT
as at 31 December 2023

FRIEDRICH VORWERK GROUP SE
21255 Tostedt

Friedrich Vorwerk in figures

Financial year	2023	2022	Δ2023 /2022
	€k	**€k**	**%**
Order backlog	1,000,803	315,091	217.6
Order intake	1,059,065	370,474	185.9
Earnings figures (adjusted*)	**€k**	**€k**	**%**
Revenue	**373,355**	**368,161**	1.4
Operating performance	373,278	368,159	1.4
Total performance	395,354	391,910	0.9
Cost of materials	-196,874	-188,582	4.4
Staff costs	-127,997	-119,235	7.3
EBITDA	31,992	50,089	-36.1
EBITDA margin	*8.6%*	*13.6%*	
EBIT	14,067	33,754	-58.3
EBIT margin	*3.8%*	*9.2%*	
EBT	12,876	30,759	-58.1
EBT margin	*3.4%*	*8.4%*	
Consolidated net profit after non-controlling interests	**10,241**	**17,341**	-40.9
EPS in €	0.51	0.87	-40.9
Average number of shares outstanding	20,000,000	20,000,000	0.0
Earnings figures (IFRS)	**€k**	**€k**	**%**
EBITDA	31,992	50,089	-36.1
EBIT	13,913	33,426	-58.4
Group result	10,149	17,139	-40.8
EPS in €	0.51	0.86	-40.8
Figures from the statement of financial position (IFRS)	**31 Dec €k**	**31 Dec €k**	**%**
Non-current assets	137,697	131,070	5.1
Current assets	173,579	177,009	-1.9
thereof cash funds	56,530	45,876	23.2
Issued capital	20,000	20,000	0.0
Other equity	151,542	143,181	5.8
Total equity	171,542	163,181	5.1
Equity ratio	*55.1%*	*53.0%*	
Non-current liabilities	46,004	54,751	-16.0
Current liabilities	93,730	90,147	4.0
Total assets	311,276	308,079	1.0
Net financial debt (net debt (-) / net cash (+))**	42,064	27,242	54.4
Employees (reporting date)	**1,695**	**1,657**	2.3

* 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.

The Supervisory Board held four ordinary and two extraordinary meetings in the 2023 financial year. 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, some of which were held in digital form.

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. In the 2023 financial year, the Supervisory Board's deliberations focused on the Group's earnings position in the fourth quarter of 2022 and in the reporting year, which was negatively impacted in particular by the sharp rise in energy and material prices but also by a single major plant construction project in the financial year, as well as contract negotiations and strategic capacity planning with regard to various major projects in the field of land cable construction.

The meeting of the Supervisory Board on 30 January 2023 focused in particular on

- Critical discussion of the preliminary earnings figures for the 2022 financial year
- Discussion of the forecast for the 2023 financial year
- the package of measures to improve project controlling
- and the recovery of IT systems after the cyberattack in November 2022.

The meeting of the Supervisory Board on 1 March 2023 focused on the following topics:

- analysing the development of working capital in the past financial year
- the status of implementation of the package of measures to improve project controlling
- the focus topic of personnel recruitment and development
- Optimisation of the calculation process
- and the preparation of the Annual General Meeting.

At its meeting on 20 March 2023, the Supervisory Board then dealt with

- the audit of the annual and consolidated financial statements
- the resolution on the application of the German Corporate Governance Code
- the extension of the Management Board contracts of Torben Kleinfeldt (CEO) and Tim Hameister (CFO) for Friedrich Vorwerk Group SE
- and the course of business as well as the status of major projects in the first quarter.

At its meeting on 1 June 2023, the Supervisory Board dealt with the following topics following the Annual General Meeting:

- the evaluation of the course of the Annual General Meeting
- Reviewing the effectiveness of the compliance management system
- the status of ongoing major projects and their earnings situation
- the preparations and available capacities for the upcoming award of contracts for the realisation of extra-high voltage direct current (HVDC) transmission lines
- the status of ongoing optimisation measures in the areas of costing, resource planning and personnel
- and the schedule of responsibilities of the Management Board.

The meeting of the Supervisory Board on 18 September 2023 focused in particular on

- Investment planning for the year 2024
- the status of ongoing major projects and their earnings situation
- the detailed range of services offered by the Halle site as well as an in-depth tour led by the manager responsible on site
- and the development of net cash and cash equivalents and working capital in the current financial year.

The meeting of the Supervisory Board on 8 December 2023 focused on the following topics:

- Critical discussion of the package of measures in the areas of costing and contract management
- the strategic development of the Group with regard to the allocation of resources to the numerous infrastructure projects in the areas of electricity, hydrogen and natural gas
- the detailed discussion of the 2024 budget
- and the discussion of the investment project in Ludwigsfelde.

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 2023. 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 www.friedrich-vorwerk-group.de. The members of the Management Board and the Supervisory Board disclose any conflicts of interest to the Supervisory Board without delay. In the year under review, the Supervisory Board received no reports or indications of conflicts of interest on the part of members of the Management Board and Supervisory Board.

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 2023 financial year to RSM GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Düsseldorf, which was elected as auditor by the Annual General Meeting on 1 June 2023. 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 auditor informed the Supervisory Board on 2 October 2023 that a part of the business operations of the former RSM GmbH had been transferred to Nexia GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft by way of universal succession as a result of a demerger agreement, which also includes the existing contractual relationship with the company.

The annual financial statements of Friedrich Vorwerk Group SE as of 31 December 2023 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 of 31 December 2023 in accordance with the International Financial Reporting Standards (IFRS) and audited by Nexia GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Düsseldorf (formerly: RSM GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Düsseldorf), which was elected by the Annual General Meeting and commissioned by the Chairman of the Supervisory Board, and issued with an unqualified audit opinion dated 18 March 2024.

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 18 March 2024. 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 18 March 2024. 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 2023 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.

Tostedt, 18 March 2024

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 (HGB), taking into account the supplementary provisions of the German Stock Corporation Act (AktG), 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 2023 or the financial year from 1 January to 31 December 2023. 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 around 1,700 qualified employees at 15 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

The global economy proved to be more robust than initially expected in 2023 against the backdrop of rising living costs and a massive tightening of monetary policy. For example, the United States and several large emerging and developing countries achieved better-than-expected economic growth in the second half of 2023. Rising government and private spending contributed to the upturn. There was also an expansion on the supply side, which was reflected in a broad increase in labour force participation and the elimination of bottlenecks in supply chains. In order to curb the strong growth in inflation, the major central banks raised key interest rates to a restrictive level in 2023, with significant consequences for debt refinancing, the availability of credit and corporate and residential construction investment.

In view of favourable global supply developments, inflation has fallen faster than expected and market expectations of future interest rate cuts have contributed to a fall in longterm interest rates and a recovery on the equity markets.

The International Monetary Fund (IMF) expects global gross domestic product (GDP) to grow by 3.1% in 2023 as a whole, with economic development varying greatly from region to region and over the course of the year. Compared to the previous year, in which global GDP grew by 3.5%, growth will therefore be somewhat weaker. The average annual global inflation rate for 2023 is estimated at 6.8%, which is significantly lower than the previous year's figure of 8.7%.

The upturn in momentum was not felt everywhere. Growth in the eurozone was particularly subdued, due to factors including subdued consumer sentiment, the ongoing impact of high energy prices and restrained corporate investment. For the year as a whole, the European Commission is forecasting GDP growth of 0.5% for the European Union, which is significantly lower than the previous year's figure of 3.6%. Overall economic output remained largely unchanged from the fourth quarter of 2022 to the fourth quarter of 2023. Nevertheless, the labour markets in the eurozone remain tense. The demographically induced shortage of labour is increasing search costs and reducing companies' recruitment opportunities. This is reflected in the EU labour market with persistently high employment and participation rates and a comparatively low unemployment rate of 5.9% at the end of the year. After seven months of declining inflation rates, inflation in the EU rose slightly to 3.4% in December 2023 compared to the same month of the previous year.

In Germany, price-adjusted gross domestic product fell by 0.3% in 2023, following growth of 1.9% in the previous year. Over the course of 2023, economic output essentially moved sideways, with the slight growth in the first half of the year being cancelled out by the downward trend in the second half. In terms of the year as a whole, the economic weakness was primarily due to declining consumption and weak foreign business. Construction activity also continued to trend downwards. Consumer prices in Germany increased by 5.9% on average in 2023 compared to 2022. According to the Federal Statistical Office (Destatis), the inflation rate for 2023 was therefore lower than in the previous year, when it was 6.9%. As in the previous year, inflation for 2023 was influenced by the effects of the war and crisis situations, but over the course of the year there was an easing in price trends, particularly for energy, in the form of lower inflation rates and a downward price trend in October and November 2023. The IMF is forecasting German economic growth of 0.5% for 2024.

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 2023, the market for products and services in the field of energy infrastructure continued to be characterised by the ongoing energy transition. According to the German government's plans, at least 80% of Germany's gross electricity consumption is to be covered by renewable energies by 2030 in order to achieve climate protection targets and become independent of fossil fuel imports. In the first half of 2023, legislative amendments were presented to accelerate certain approval procedures. In addition, the Heat Planning and Decarbonisation of Heating Networks Act was passed on 17 November 2023 and came into force on 1 January 2024. The Act obliges the federal states and municipalities to draw up municipal heating plans for a comprehensive, greenhouse gas-neutral heating supply.

The outbreak of the Russian war of aggression against Ukraine in 2022 further increased the urgency of these energy policy measures. As a result of the unexpected loss of Russia as a reliable and favourable energy supplier, the Federal Republic of Germany, like many other European countries, was confronted with the challenge of developing alternative energy sources at record speed and creating the necessary infrastructure. First and foremost is the development of a functioning import infrastructure for liquefied natural gas (LNG), which has been fast-tracked since 2022 with the help of the LNG Acceleration Act and for which the German government has pledged up to €10 billion in investment over the coming years. The first floating LNG terminal, the terminal in Wilhelmshaven, went into operation in December 2022, followed by two more in Lubmin and Brunsbüttel in January 2023. Six more floating or stationary terminals are currently in the planning or construction phase. In addition to the billions spent on the import terminals, considerable additional investment is required in large connection pipelines that allow the imported natural gas to be fed into the existing network on land.

At the same time, massive pressure is being exerted on the rapid development and expansion of renewable energies and the hydrogen economy. Hydrogen is considered crucial for a climate-neutral energy supply in the future. In the second half of 2023, important steps were taken to establish a 9,700-kilometre hydrogen core network in Germany. The core network will initially be used to transport hydrogen nationwide and, as the first network expansion phase, will form a basic framework for the whole of Germany. Between 2025 and 2032, the hydrogen pipelines will gradually go into operation. Existing natural gas pipelines can be converted for 60% of the network. Further regions and locations will then be connected in subsequent development stages and the network will be optimised and expanded in line with demand. To this end, an integrated network development plan for gas and hydrogen will be drawn up every two years on the basis of scenario and demand-based planning. The first integrated network development plan is to be confirmed by the Federal Network Agency in 2026. On 15 November 2023, the Federal Cabinet approved the legal framework for an integrated hydrogen and gas network development plan and core network financing. Although Germany is building its own hydrogen infrastructure, it plans to cover a large proportion of the hydrogen it needs (around 50 to 70% in 2030) through imports from abroad. To this end, the hydrogen core network is to be closely embedded in the European hydrogen network and further cooperation with other EU member states is to be established.

Business development / significant events

As in previous years, the 2023 financial year was characterised by several major projects that were carried out in parallel. In the Energy Grids segment, these primarily include the two district heating projects "Fernwärme Bremen" and "Fernwärme Hamburg" as well as the connecting pipeline to the LNG terminal in Brunsbüttel. In the Energy Transformation segment, the projects for the construction of the "Legden compressor station" and the "Elten compressor station" are particularly noteworthy.

The largest project in terms of production output in the 2023 financial year was the realisation of the ETL 180 connecting pipeline to the LNG terminal in Brunsbüttel, which FRIEDRICH VORWERK carried out as a member of a joint venture. The difficult ground conditions were particularly challenging here, which led to a significantly higher order volume. Nevertheless, the majority of the work was completed in the financial year; the pipeline was commissioned in the first quarter of 2024.

The "Fernwärme Bremen" and "Fernwärme Hamburg" projects involve the construction of two district heating connection pipelines in the Hanseatic cities of Bremen and Hamburg. The aim of both district heating pipelines is to transport and distribute industrially generated heat to regions where the heat can be used for heating. Following the installation of both pipelines, several hundred thousand tonnes of CO_2 can be saved each year. Both projects will make an important contribution to achieving the climate targets. The majority of the work on the district heating pipeline in Bremen was completed in 2023. The project will be completed in 2024, while the construction of the district heating pipeline in Hamburg is expected to extend into 2025.

The "Wilhelmshaven connection pipeline" project, which was mechanically completed under great time pressure in the previous year, was finalised in the reporting year, including the extensive recultivation work.

The Energy Grids division recorded by far the Group's largest order intake in 2023. In August 2023, the Group successfully completed phase 2 of the tendering process for the A-Nord underground cable route via its subsidiary Bohlen & Doyen. With the final agreement with the transmission system operator Amprion on the construction work to be performed and the associated reference price, the second phase was formally concluded and the contractors immediately entered the execution phase. In addition to the civil engineering work and the construction of the protective conduit systems required for the underground cables along the approximately 300 km long route, the project scope also includes the parallel construction of the offshore grid connection systems BorWin4 and DolWin4, which are also to be realised by Amprion, over a distance of around 100 km. Apart from Bohlen & Doyen, the consortium of contractors consists of six other partner companies. The agreed project volume is around €1.5 billion due to the expanded scope of the project. Bohlen & Doyen will be responsible for the majority of the work on the Lower Saxony side of the route, as well as the majority of the necessary horizontal drilling along the entire route. As a result, Bohlen & Doyen's share of the total project volume is expected to be around 40%. It should be emphasised that this contract is being handled as a multi-party agreement (IPA) based on a "cost-plus-incentive-fee" remuneration structure with a bonus-malus rule. Execution in the form of preparatory work began in the third quarter of 2023; completion is currently expected in the second half of 2026.

The "Energy Transformation" segment was characterised in particular by the major projects "Legden compressor station" and "Elten compressor station". The compressor station in Legden, with an order value of over €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 turbocompressor units with a gas turbine station, each with a mechanical output of approx. 13 MW. The "Energy Transformation" segment had a significant impact on the decline in the EBITDA margin in the reporting year. This is due in particular to the persistently high material and personnel costs, which primarily impacted the profitability of the projects calculated and acquired in this area in 2020 and 2021. The two major projects mentioned above were largely completed by the end of the reporting year, meaning that no further negative effects are expected in the future.

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

Other significant events

At its meeting on 20 March 2023, the Supervisory Board of Friedrich Vorwerk Group SE decided to extend the Management Board contracts of Torben Kleinfeldt and Tim Hameister. Torben Kleinfeldt was appointed CEO for a further six years until September 2029 and Tim Hameister was appointed CFO for a further four years until September 2027. In addition, the Supervisory Board of FRIEDRICH VORWERK Management SE, a subsidiary of FRIEDRICH VORWERK Group SE, resolved to appoint Torben Kleinfeldt and Kevin Loots for a further six years and Tim Hameister for a further four years as members of the Management Board of FRIEDRICH VORWERK Management SE. Klaus-Dieter Ehlen left the company as planned in October 2023 at his own request after 33 years with the Group and a three-year term of office as a member of the Management Board of FRIEDRICH VORWERK Management SE, but will continue to support him in an advisory capacity.

The Management Board and Supervisory Board of Friedrich Vorwerk Group SE proposed to the Annual General Meeting on 1 June 2023 that a dividend of €0.12 per dividend-bearing share be distributed for the 2022 financial year and that the remaining amount be carried forward to new account. The Annual General Meeting approved the company's proposal by a large majority. The dividend was paid out on 6 June 2023.

In the third quarter, the company 5C-Tech GmbH was also founded with two partners, in which FRIEDRICH VORWERK holds a 70% stake. The company focuses on the development, production and sale of solutions in the field of automated welding technology.

In September 2023, Friedrich Vorwerk SE & Co. KG acquired the non-controlling interests in Gottfried Puhlmann GmbH (25.00%) and Gottfried Puhlmann GmbH Havelländische Bauunternehmung (3.57%) and is now the sole shareholder of these companies.

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.

FRIEDRICH VORWERK bundles its development activities in the field of automated welding technology in the company 5C-Tech GmbH, which was founded in the reporting year. The current project involves the design and development of a welding robot for the so-called stem. With the help of the new technology, welding work can be carried out faster and therefore more environmentally friendly. The automated process also enables an even higher welding quality to be achieved.

Group structure

Friedrich Vorwerk Group SE is the parent company of the FRIEDRICH VORWERK Group. In addition to Friedrich Vorwerk Group SE, as at 31 December 2023 a total of 18 subsidiaries (previous year: 17) are included directly or indirectly in the consolidated financial statements.

5C-Tech GmbH, Tostedt, was included in the consolidated financial statements for the first time as at 1 September 2023.

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**
5C-Tech GmbH, Tostedt, Germany	62.95
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	89.93
Gottfried Puhlmann GmbH, Marne, Germany	89.93
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

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 2023 with €165.1 million lays below the level of the previous year (€183.6 million). EBIT totalled €5.0 million (previous year: €24.2 million). The EBIT margin was 3.0% and is significantly below the EBIT margin of the previous year. The decline in the EBIT margin in the current financial year is due in particular to the persistently high cost of materials and personnel expenses, which are primarily impacting the projects and framework agreements calculated and acquired in 2020 and 2021. A single large-scale plant construction project has been particularly hard hit. The order backlog at the end of the reporting period totalled €83.8 million (previous year: €104.4 million). The decline in the 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 in the financial year 2023 increased by 11.9% compared to the previous year to €62.9 million (previous year: €56.2 million). EBIT totalled €4.5 million (previous year: €2.1 million). The EBIT margin was 7.1% well above the previous year's level of 3.8%. The order backlog increased significantly and totalled €806.7 million (previous year: €51.6 million). The positive development is attributable to the underground cable construction projects and the conversion work at the transformer stations. The A-Nord project in particular, which was awarded by the transmission system operator Amprion, made a positive contribution to the segment's development in terms of revenue, EBIT and order backlog.

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 declined from €27.8 million to €26.1 million. EBIT totalled €4.1 million (previous year: €2.2 million). The EBIT margin was 15.9% (previous year: 7.9%), well above the EBIT margin of the previous year. In addition to the successful completion of own projects, the higher margin in the financial year was characterised in particular by positive earnings contributions from joint ventures. The order backlog on the end of the reporting period totalled €14.1 million (previous year: €21.2 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 increased in the financial year 2023 by around 19% compared to the previous year to €119.2 million. EBIT in the reporting year of €0.4 million is significantly below the previous year's EBIT (previous year: €5.1 million). The EBIT margin is therefore 0.4% compared to 5.1% in the previous year. The decline in the EBIT margin in the current financial year is mainly due to cost pressure in the areas of materials and personnel. This relates in particular to old projects that were costed in previous years. The order backlog at the end of the reporting period totalled €96.2 million (previous year: €137.9 million).

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.

Last year, FRIEDRICH VORWERK already worked intensively on revising employee benefits and creating an employer brand. These topics were also pursued intensively in the 2023 reporting year. Additional benefits and perks were added in 2023. One particular highlight is the introduction of the so-called “Doppel-Wumms” (english translation:"double whammy"). FRIEDRICH VORWERK voluntarily doubles the allowance for all employees working away from home and pays the applicable income tax so that employees can be paid their full allowance. The development of the employer brand was also finalised. With the help of the employer brand, the FRIEDRICH VORWERK Group can present a uniform image both internally and externally and create a recognisable image.

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 1,695 as at 31 December 2022 and thus only slightly above the previous year's level (1,657). In addition, at the end of the year the FRIEDRICH VORWERK Group employed 119 trainees and dual students (previous year: 121). The increase in the workforce is the result of the Group's organic growth and was not higher solely due to the tight labour market situation. Recruiting, qualifying and retaining employees has become a key success factor for our company. Accordingly, the commitment to and investment in a sustainable and superior human resources policy has been significantly strengthened in order to secure the company's future growth.

Further information on employees can be found in the employee matters section of the non-financial statement in accordance with 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 2023 were 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).

Results of operations

Other operating income at Friedrich Vorwerk Group SE totalled €1.0 million (previous year: €0.6 million) and mainly includes costs passed on to subsidiaries and reversals of impairment losses on securities held as financial assets.

Other operating expenses in the financial year totalling €0.9 million (previous year: €0.9 million) mainly comprise legal and consulting costs, costs of the ongoing stock market listing and Supervisory Board remuneration.

Income from affiliated companies totalling €5.7 million (previous year: €12.2 million) includes the profit allocation from Friedrich Vorwerk SE & Co. KG.

Income from other securities held as financial assets totalling €0.2 million (previous year: €0.1 million) includes income from dividends and the sale of financial assets.

Other interest and similar income for the financial year totalled €6.6 million (previous year: €3.2 million) and resulted from intragroup loans to Friedrich Vorwerk SE & Co. KG.

The write-downs on financial assets in the amount of €0.0 million (previous year: €0.8 million) is attributable to impairments of listed securities.

After taking into account Income tax expenses of €2.0 million (previous year: €2.3 million), the net profit for the year totalled €10.5 million (previous year: €12.1 million).

Net assets and financial position

The issued capital of Friedrich Vorwerk Group SE amounts to €20.0 million as at 31 December 2023 (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 €129.0 million to €136.6 million. On the liabilities side, the increase is mainly due to the increase in equity. On the assets side, receivables from affiliated companies totalling €112.2 million (previous year: €101.8 million) are mainly reported.

Cash and cash equivalents at Friedrich Vorwerk Group SE totalled €0.5 million at the end of the financial year (previous year: €1.6 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 €1,059.1 million and is thus significantly above the previous year's value (€370.5 million). The order backlog at the end of the financial year of €1,000.8 million is also significantly above the previous year's level (previous year: €315.1 million). The significant increase in order intake is mainly due to the major projects won in the financial year in the area of underground cable construction, in particular the major A-Nord project with an order volume of around €600 million. Based on the high order backlog, the basic capacity utilisation of the FRIEDRICH VORWERK Group is secured for the coming years.

The FRIEDRICH VORWERK Group generated revenue of €373.4 million in the 2023 financial year (previous year: €368.2 million). This corresponds to an increase of 1%. The increase in revenue is due to the strong first half of the year. In the first quarter, a high proportion of output from major projects in plant construction (Energy Transformation) and inner-city construction led to an increase in revenue, as these projects are comparatively less affected by the weather. The second quarter was able to build on this momentum in terms of revenue. In the second half of the year, the high comparative figures could not be achieved, as several critical projects in the context of energy supply security had to be completed in the third and fourth quarters of the previous year under extraordinarily high time pressure and subcontractor utilisation.

The FRIEDRICH VORWERK Group generated other income in the amount of €22.1 million (previous year: €23.8 million). The decline is mainly due to lower income from Investments in joint ventures compared to the previous year (€14.7 million; previous year: €16.1 million) and lower income from the reversal of provisions (€0.7 million; previous year: €2.3 million). In addition, income from the offsetting of benefits in kind (€1.4 million; previous year: €1.2 million), income from own work capitalised (€1.2 million; previous year: €1.4 million), income from renting and leasing (€1.0 million; previous year: €1.0 million), income from insurance compensation (€0.4 million; previous year: €0.2 million), income from asset disposals (€0.2 million; previous year: €0.2 million) and other income (€2.4 million; previous year: 1.3 million) are included in the balance.

The cost of materials increased from €188.6 million in the previous year to €196.9 million in the reporting year. This includes the expenses of purchased services in the amount of €150.0 million (previous year: €154.7 million) and the cost of raw materials and supplies in the amount of €46.9 million (previous year: €33.9 million). The cost of materials ratio increased slightly compared to the previous year to 52.7% (previous year: 51.2%). This is due to higher purchase prices on the one hand and higher raw material requirements in absolute terms as a result of a change in the composition of the order backlog on the other. In contrast, the expenses of purchased services declined slightly (€150.0 million; previous year: €154.7 million).

Adjusted staff costs increased from €119.2 million in the previous year to €128.0 million in the reporting year. The increase is mainly due to the year-on-year rise in the average number of employees (+2%) as well as wage and salary increases. As a result of the reduced use of subcontractors, the personnel expenses ratio increased from 32.4% in the previous year to 34.3% in the reporting year. As at the end of the year, the FRIEDRICH VORWERK Group employed 1,695 (previous year: 1,657) employees.

Other operating expenses in the financial year 2023 increased to €38.5 million (previous year; adjusted: €34.0 million). This mainly includes rental and leasing expenses for short-term leases (€9.9 million; previous year: €9.4 million), maintenance expenses (€8.4 million; previous year: €8.5 million), travel and vehicle expenses (€4.1 million; previous year: €3.1 million), insurance premiums (€1.8 million; previous year: €1.3 million) and legal and consulting costs (€1.0 million; previous year: €1.0 million).

The FRIEDRICH VORWERK Group generated earnings before interest, taxes, depreciation and amortisation (EBITDA) of €32.0 million in the financial year 2023 (previous year: €50.1 million). This corresponds to a decrease compared to the previous year of 36.1%. The adjusted EBITDA margin fell by 5.0 percentage points to 8.6% (previous year: 13.6%). The decline in EBITDA and the EBITDA margin is due to cost increases in the areas of materials, energy and personnel, which are primarily impacting the projects and framework agreements calculated and acquired in 2020 and 2021. A single large-scale plant construction project in the Natural Gas segment has been particularly hard hit, as the lump-sum agreement concluded does not yet provide for the sometimes significant cost increases to be passed on. In this context, a provision of €7.4 million was recognised in the third quarter for charges still to be expected; the value as at the end of the reporting period is €2.1 million. In addition, the ongoing supplementary negotiations in connection with project delays and changes to the Brunsbüttel LNG connection pipeline have not yet been finalised despite significant progress.

Adjusted depreciation and amortisation in the amount of €17.9 million (previous year: €16.3 million) relates to scheduled depreciation and amortisation of property, plant and equipment and intangible assets. The increase compared to the previous year is due to the significant investments in property, plant and equipment as part of the growth strategy. Depreciation and amortisation of €2.5 million (previous year: €3.1 million) was incurred in the reporting year due to the application of IFRS 16. Adjusted for depreciation and amortisation of assets in the amount of €0.2 million (previous year: €0.3 million) that were capitalised as part of purchase price allocations.

This resulted in adjusted EBIT (earnings before interest and taxes) of €14.1 million (previous year: €33.8 million). This corresponds to an adjusted EBIT margin of 3.8% (previous year: 9.2%). EBIT before adjustments totalled €13.9 million (previous year: €33.4 million).

The financial result is €-1.2 million compared to €-3.0 million in the previous year. The balance of interest income and interest expenses totalled €-0.8 million (previous year: €-0.9 million). Earnings attributable to 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 - are also recognised in Net finance costs.

The adjusted earnings before taxes (EBT) totalled €12.9 million (previous year: €30.8 million). EBT before adjustments in the reporting year totalled €12.7 million (previous year: €30.5 million).

The reported adjusted tax expense totalled €2.5 million in the financial year (previous year: €13.7 million) and is mainly attributable to income taxes and deferred taxes. The tax expense for the reporting year includes various effects (utilisation of loss carryforwards, results from supplementary balance sheets and effects from foreign tax rates), which temporarily led to a lower tax rate. On balance, other taxes in the amount of €0.4 million (previous year: €0.4 million) are included.

In total, the adjusted consolidated net profit amounts to €10.2 million (previous year: €17.3 million). Consolidated net income before adjustments totalled €10.1 million (previous year: €17.1 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 2023 €k	1 Jan - 31 Dec 2022 €k
Revenue	III.1.	**373,355**	**368,161**
Increase (+), decrease (-) in finished goods and work in progress		-77	-2
Operating performance		**373,278**	**368,159**
Income from joint ventures and associates	III.2.	14,740	16,057
Other operating income and income from first-time consolidation	III.3.	7,336	7,694
Total performance		**395,354**	**391,910**
Cost of raw materials and supplies		-46,864	-33,872
Cost of purchased services		-150,009	-154,711
Cost of materials	III.4.	**-196,874**	**-188,582**
Wages and salaries		-97,976	-89,914
Social security and pension costs		-30,021	-29,321
Staff costs	III.5.	**-127,997**	**-119,235**
Other operating expenses	III.6.	-38,492	-34,004
Adjusted earnings before interest, taxes, depreciation and amortisation (EBITDA)		**31,992**	**50,089**
Depreciation and amortisation		-18,079	-16,663
Adjusted for the following effects:			
Depreciation and amortisation of assets acquired in business combinations		154	329
Adjusted earnings before interest and taxes (EBIT)		**14,067**	**33,754**
Finance income	III.7.	301	34
Finance costs	III.8.	-1,097	-961
Earnings attributable to non-controlling interests		-385	-2,046
Net finance costs		**-1,181**	**-2,973**
Adjusted for the following effects:			
Non-controlling interests		-10	-23
Adjusted earnings before taxes (EBT)		**12,876**	**30,759**
Income tax expense	III.9.	-2,044	-13,246
Other taxes	III.9.	-417	-393
Adjusted for the following effects:			
Deferred taxes on adjusted business transactions		-46	-73
Adjusted profit or loss for the period		**10,370**	**17,046**
Non-controlling interests		-129	295
Adjusted consolidated net profit		**10,241**	**17,341**
Adjusted earnings per share (in €)	III.10.	0.51	0.87

Achievement of targets by the Group

Target achievement of the Group	Forecast 2023 published Jan 23	Forecast 2023 published Jul 23	Achieved 2023
Adjusted revenue (€ million)	> €300 million	> €330 million	€373.4 million
Adjusted EBITDA margin (%)	13%	8-11%	8.6%

The forecast for the 2023 financial year originally published in January 2023 was updated in July on the basis of more recent findings and business development. The Group's forecast was significantly exceeded in terms of revenue, while profitability is in the lower third of the forecast range due to the aforementioned reasons.

Financial position

The equity of the FRIEDRICH VORWERK Group amounts to €171.5 million as at 31 December 2023 (31 December 2022: €163.2 million). In relation to the consolidated balance sheet total of €311.3 million (previous year: €308.1 million), the equity ratio as at the the end of the reporting period was 55.1% (previous year: 53.0%). The increase is mainly due to the current annual result. The payment of the dividend of €2.4 million for the 2022 financial year, which was approved by the Annual General Meeting on 1 June 2023, had the opposite effect.

The increase in property, plant and equipment to €110.3 million as at the end of the financial year 2023 (31 December 2022: 97.2 million €) is largely the result of investments in machinery and equipment as well as in the branches and locations of the FRIEDRICH VORWERK Group. Property, plant and equipment includes land and buildings in the amount of €36.8 million technical equipment and machinery (€36.2 million), operating and office equipment (€23.3 million) and assets under construction (€14.1 million) are included.

Financial assets decreased from €20.3 million in the previous year to €12.7 million in the reporting year. This mainly includes shares in joint ventures recognised at equity and securities. The decrease resulted in particular from a reduction in the carrying amounts of investments in joint ventures by €6.5 million. This includes distributions totalling €15.8 million as well as offsetting positive earnings effects of €9.3 million.

Inventories as at the end of the reporting period totalled €7.2 million (31 December 2022: €10.3 million) and largely comprise raw materials and supplies.

The change in trade receivables, contract assets and other current assets of €120.9 million as at 31 December 2022 to €109.8 million as at the end of the reportig period is primarily the result of a reduction in contract assets to €66.2 million (previous year: 95.4 million). Despite slight revenue growth, working capital fell significantly compared to the previous year, which is partly due to catch-up effects from the previous year, in which invoicing was not fully functional as a result of the cyber attack in the fourth quarter.

Cash and cash equivalents as at the end of the reporting period totalled €56.5 million compared to the previous year (€45.9 million) an thus increased by more than 20%. This is mainly due to the reduction in working capital at the end of the year. Further details on cash and cash equivalents can be found in the section on the financial position.

The Group's bank, lease and other financial liabilities as at 31 December 2023 amount to €16.5 million (31 December 2022: €21.2 million). The decrease in financial liabilities is due in particular to the scheduled repayment of financial liabilities (balance as at 31 December 2023: €12.7 million; previous year: €15.3 million) and a reduction in lease liabilities (balance as at 31 December 2023: €3.6 million; previous year: €5.9 million). As at the end of the reporting period, the Group had committed but unutilised credit lines amounting to €43.7 million.

The balance of the aforementioned liabilities and cash and cash equivalents, including the securities portfolio, therefore totalled €42.1 million (31 December 2022: €27.2 million). In addition, as at the end of the reporting period, there are off-balance sheet contingent liabilities in the amount of €180.3 million (31 December 2022: €161.7 million), which mainly consist of advance payment, contract fulfilment and warranty guarantees.

The profit participation capital as at the end of the reporting period totalled €10.2 million (31 December 2022: €10.2 million) and was provided by the charitable Irene and Friedrich Vorwerk Foundation, the founders of the Group. The profit participation rights receive a guaranteed interest rate of 2.5% above the respective 3-month Euribor. In addition, the holder of the profit participation rights participates in the adjusted consolidated earnings of the FRIEDRICH VORWERK Group in the form of a variable interest rate. The total interest rate in the reporting year was 6.0% (previous year: 3.5%). The profit participation rights can be terminated for the first time with effect from 31 December 2039.

As at the end of the reporting period, pension provisions remained unchanged at €2.0 million (31 December 2022: €2.0 million).

Deferred tax liabilities increased from €20.2 million in the previous year to €15.5 million. This is mainly due to lower temporary differences in fixed and current assets.

Provisions with the nature of liabilities, which mainly include provisions for outstanding invoices, increased slightly as at the end of the reporting period to €25.1 million (31 December 2022: €24.6 million).

Contract liabilities, which mainly consist of advance payments received, increased by €18.2 million to €25.5 million. This is due in particular to a higher proportion of projects in the Energy Transition segment. Trade payables decreased by €7.1 million to €3.7 million.

Current liabilities to non-controlling shareholders include withdrawable profit shares.

The decrease in other liabilities compared to the previous year is mainly due to lower liabilities to joint ventures.

Financial position

The change in cash and cash equivalents in the reporting year totalled €10.6 million (previous year: €-62.4million) and breaks down as follows:

The cash flow from operating activities increased year-on-year from €-10.3 million in the previous year to €50.4 million in the reporting year. It is mainly made up of the operating business of the subsidiaries and the resulting cash inflows. It also includes changes in assets and liabilities that are not attributable to investing or financing activities. The change compared to the previous year is primarily due to the decrease in inventories, trade receivables and other assets (see comments on financial position). The effect on the net cash inflow from operating activities in the reporting year amounts to €18.6 million (previous year: €-55.5 million). Furthermore, the cash inflows from Investments in joint ventures had a positive effect on the cash flow from operating activities. Cash inflows in the financial year totalled €15.8 million (previous year: €9.3 million). This was offset by the non-cash results from equity investments (€-14.7 million; previous year: €-16.1 million).

Cash flow from investing activities totalled €-29.5 million (previous year: €-32.6 million) and resulted primarily from payments for property, plant and equipment. In particular, this includes technical equipment and machinery, operating and office equipment and assets under construction.

Cash flow from financing activities totalled €-10.3 million (previous year: €-19.6 million). This includes net payments for the raising and repayment of bank and lease liabilities totalling €5.4 million (previous year: net payment of €10.3 million), payments for dividends to shareholders of Friedrich Vorwerk Group SE of €2.4 million, payments for dividends to non-controlling interests of €1.4 million and interest payments of €1.1 million.

Summary assessment

The Management Board assesses the development of the FRIEDRICH VORWERK Group in the financial year 2023 generally positive, even though profitability in the reporting year was unable to match the previous year's high results. In the reporting year, record revenue were once again achieved in the amount of €373.4 million. The basis for this growth was the realisation of many energy infrastructure projects, which are essential for ensuring security of supply and the success of the energy transition. The order intake in particular was an absolute record year in the reporting year. By entering phase 3 of the major A-Nord project, the order backlog increased to over €1 billion as at the end of the reporting period, providing the ideal conditions for sustainable and profitable growth for the Group. The temporary decline in profitability in the reporting year resulted in particular from the persistently high material and personnel costs, which had a particularly negative impact on the projects and framework agreements calculated and acquired in 2020 and 2021. These primarily include two plant construction projects in the Energy Transformation segment.

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 and adjusted EBITDA 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 reflects the operating profitability and development of the company in a much more transparent and sustainable manner. The earnings forecast for the 2024 financial year contained in the forecast report 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

Risk management

Risk management is one of the most important foundations of the FRIEDRICH VORWERK Group's business activities and ensures the company's long-term competitiveness. FRIEDRICH VORWERK is exposed to a number of risks that are directly related to its business activities when handling projects in the areas of energy grids and energy transformation as well as turnkey projects. The aim of risk management is to identify risks at an early stage and minimise them while maintaining the company's earnings potential. The FRIEDRICH VORWERK Group's risk management aims to continuously develop and improve organisational processes and controls that can be used to identify risks at an early stage, as well as countermeasures.

The Management Board is responsible for managing risks and opportunities in cooperation with the operating units. The FRIEDRICH VORWERK Group has implemented a harmonised risk management system to implement its risk policy. Risk management emphasises the identification of opportunities and risks as well as the assessment, management and control of risks. FRIEDRICH VORWERK defines opportunities and risks as future events with a negative or positive deviation from the actual business activity.

The FRIEDRICH VORWERK Group maintains a risk matrix as part of the risk assessment process. The identified risks are categorised in terms of their probability of occurrence and potential impact on the forecast. The Management Board has categorised the probability of occurrence into low, medium and high. A low risk occurs with a probability of less than 25%. A medium risk has a probability of 25% to less than 50%. In the case of a high assessment, the Management Board assumes a probability of occurrence of 50% or more. When assessing the impact of the risks, they are also categorised as low, medium and high. A low assessment assumes an insignificant negative impact on the forecast. A medium assessment assumes a moderate negative impact and a high assessment assumes a significant negative impact on the forecast.

The identified risks can be categorised in the following risk matrix:

Probability of occurrence	Effects of the risks: Low	Medium	High
High		Personnel risk	
Medium		Environmental and climate risk	
Low	Financial risk	Market risk Risks from pandemics Geopolitical risks	Project risk Material and external service risk IT risk

Effects of the risks

The risks from the risk matrix are described below and the corresponding countermeasures are explained.

Personnel risk

The successful management of risks in the area of human resources is a key element of corporate development. Personnel risks arise from staff turnover and the associated loss of expertise and lack of young talent. The FRIEDRICH VORWERK Group counters the risk of staff turnover with individual performance-related bonus schemes and a wide range of development opportunities within the Group. This ensures that top performers remain with the company in the long term. In-house training and further education ensures the next generation of specialists and managers. The FRIEDRICH VORWERK Group counters the increasingly fierce competition for highly qualified specialists and managers with optimised recruiting measures and cooperation with universities. As part of its optimised recruiting measures, the FRIEDRICH VORWERK Group is increasingly consolidating its own employer brand to strengthen employee loyalty and increase its attractiveness for new and existing employees. The range of employee benefits is also constantly being revised and expanded to attract new employees. One particular highlight is the introduction of the so-called “Doppel-Wumms” (english translation:"double whammy"). FRIEDRICH VORWERK voluntarily doubles the allowance for all employees who work away from home and pays the wage tax incurred so that employees can be paid the full allowance. Another approach to staff recruitment is inorganic growth through company acquisitions. By acquiring companies, FRIEDRICH VORWERK not only strengthens its market position, but also secures new employees.

Environmental and climate 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, to resource and waste management. The FRIEDRICH VORWERK Group endeavours to reduce energy consumption, which is primarily due to the use of fossil fuels in the operation of our technical equipment and machinery and the transport of this equipment. To achieve this goal, we are increasing our efforts to implement sustainable and climate-neutral projects, increase the use of renewable energies, modernise our equipment and property portfolio and optimise our logistics planning. In terms of resource management, FRIEDRICH VORWERK is focussing on improved material recycling and resource efficiency - also with regard to Group-wide water consumption. The climate risk correlates with the environmental risk. Due to ongoing climate change and the associated global warming, the last few years in particular have shown that storms are occurring more frequently and more severely. Energy grid projects in particular are heavily dependent on weather conditions. If rainfall persists, projects may not be able to continue. The winter months in particular are characterised by bad weather. In order to avoid delays in completion, weather forecasts are checked at regular intervals and included in deployment planning.

Project risk

The monitoring of project risk extends across all of the Group's operating units and is divided into the areas of calculation and execution risk. All projects are checked for specific technical, commercial and legal risks in the course of tender processing through to contract conclusion. Residual risks that cannot be estimated for individual projects are taken into account by adding risk surcharges to the quotation calculation. The calculation risks arising in the course of preparing the quotation are limited by binding Group-wide calculation standards. During project execution, all major projects are subject to an ongoing target/actual comparison. As soon as a project moves outside the target parameters, appropriate countermeasures are initiated, monitored by the project managers or the Management Board and checked for effectiveness.

Material and external service risks

Risks may arise if the required materials or services are not available on time or in line with the market. By maintaining long-term relationships with our suppliers and service providers, we ensure that our interests are prioritised. Stock levels are continuously monitored to ensure that our projects are supplied with standard materials at short notice. In order to prevent major price fluctuations on the procurement side, we always include appropriate price escalation clauses when processing quotations. In the area of subcontractors and external services, significant financial risks can arise due to both a lack of availability and a higher price level.

IT risks

The frequency of cybercrime is constantly increasing. Cyberattacks are becoming more and more complex due to evolving technologies and attack methods. Such attacks can lead to business interruptions, embezzlement or unauthorised access to confidential information and reputational damage, among other things. IT risks are countered with comprehensive security concepts. The security concepts are constantly being expanded and harmonised with the state of the art.

Market risk

Market risks result from changes in the macroeconomic conditions in the key markets. In the Energy Grids and Service & Operations divisions, these primarily include our home market of Germany and neighbouring European countries. Although Germany is also our home market in the Energy Transformation segment, business in this area is much more international. Competition in our business areas could intensify in the future, which could lead to a deterioration in the earnings situation. We are countering this risk by continuously expanding our range of value-added services, particularly in the area of specialised technologies such as the environmentally friendly horizontal drilling method.

Risks from pandemics

The rapid spread of the COVID-19 pandemic has led to numerous measures in Germany and other countries relevant to the FRIEDRICH VORWERK Group. This has shown that pandemics as such can be considered significant. The spread of a pandemic may also result in a significant reduction or shutdown of the majority of economic activities in the future. This gives rise to macroeconomic risks that could impact economic growth and therefore also the development of the energy industry.

Geopolitical risks

Russia's current war of aggression against Ukraine is having a negative impact on the global economy. The halt in Russian gas supplies has led to rising energy prices in Germany. These effects are directly noticeable in the projects. Both our own production costs and the costs of external services and materials have risen due to higher energy prices. This specific geopolitical incident can also be transferred to other international tensions. As soon as existing supply chains are burdened by such restrictions, companies have to develop new supply chains. This usually puts a strain on the project schedule and can also lead to financial losses due to higher prices. In order to hedge against rising commodity prices, inventories of selected materials have been increased on a project-specific basis. In addition, framework agreements and fixed prices are agreed for the procurement of raw materials and supplies.

Financial risks

Financial risks are managed Group-wide by the parent company, Friedrich Vorwerk Group SE. In order to minimise these risks as far as possible, selected derivative hedging instruments are used in rare cases. In principle, only operational risks are hedged and no speculative transactions are concluded. The liquidity risk describes the risk that liabilities cannot be settled when they fall due. The management of this risk is based on a regularly updated financial plan. Cash and cash equivalents are managed centrally via a cash pool. The interest rate risk arises from financial liabilities with variable interest rates, most of which are hedged using interest rate swaps. Any hedging transactions required in the future are reviewed centrally by the Management Board.

It is customary in the industry to issue various guarantees and sureties. These guarantees are usually issued by banks or credit insurance companies and essentially comprise contract fulfilment, advance payment and warranty guarantees. In the event that a guarantee is utilised, the banks have recourse claims against the Group. No claims were made against the Group in the financial year or in the past. The availability and conditions of these guarantee lines are a prerequisite for further growth. The Management Board is responsible for managing and utilising these guarantee lines.

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 generally agreed in line with industry standards and monitored regularly. Furthermore, this risk is positively influenced by the structure of the customers, which is primarily made up of renowned companies in the energy industry. The carrying amount of the financial assets represents the maximum default risk. If default risks are recognisable for financial assets, these risks are taken into account through value adjustments.

Opportunities

The European energy transition towards a CO_2-neutral continent by 2050 entails a fundamental reorganisation 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, excellent reputation and customer relationships as well as its fully integrated business model, the FRIEDRICH VORWERK Group is ideally positioned to benefit sustainably from the significant investments in its core markets of underground natural gas, hydrogen and electricity pipeline construction as well as the associated plant construction projects (e.g. gas pressure control and measurement systems, compressor stations, cavern storage, LNG terminals and transformer stations).

The basis for this is above all the ability of the FRIEDRICH VORWERK Group to combine components and solutions developed and produced in-house as well as proprietary technologies with its strength as a fully integrated turnkey supplier.

In order to compensate for the decision to phase out nuclear and coal in Germany, considerable investment in the natural gas infrastructure is necessary to ensure the security of supply for German industry and the population in the long term through more decentralised structures and flexible gas-fired power plants. In the coming years, up to €9 billion is to be invested in the long-distance gas transmission network in Germany alone by 2030. The diversification of the supply of natural gas via LNG terminals has already shown since the 2022 financial year that the FRIEDRICH VORWERK Group can benefit from the realisation of new connection pipelines for LNG terminals.

Another key 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. A significant expansion of the transmission grids is essential for the distribution of renewable energies, particularly from the windy north to the consumer regions in the south of Germany, most of which is to be realised underground. The current 2037/2045 grid development plan envisages an investment volume of over €150 billion in the German onshore grid. With Bohlen & Doyen's experience in the realisation of underground cable projects, FRIEDRICH VORWERK is ideally positioned for these major projects. In the 2023 financial year, the FRIEDRICH VORWERK Group was awarded the major contract for the construction of the A-Nord underground cable route by the transmission system operator Amprion. Work on this major project started in the fourth quarter of 2023.

As a molecular energy carrier, green hydrogen is an essential component of a successful energy transition in Europe. Hydrogen is already essential for many processes in energy-intensive industries and will play a decisive role in the future, particularly in the industrial and mobility sectors, which are difficult to decarbonise. In addition to the massive construction of electrolysers across Europe for the production of green hydrogen from renewable energies, the expansion and construction of hydrogen-compatible pipelines and plants will also be necessary. The European Union assumes that up to €470 billion will be invested in the European hydrogen economy by 2050. As part of the European hydrogen strategy, 24 German hydrogen projects were approved in Germany at the beginning of 2024. These 24 projects are being funded as part of the IPCEI projects (Important Project of Common European Interest). The "IPCEI Hydrogen" is intended to promote and accelerate the expansion of the hydrogen infrastructure. The investment volume of the 24 German hydrogen projects totals around €8 billion.

The district heating market offers further growth opportunities. District heating is seen as a key building block for the sustainable decarbonisation of the building sector. By 2030, the technology is expected to account for at least 30% of heat generation in the building sector in Germany. Against this backdrop, the expansion and conversion of German district heating networks is expected to require substantial investment totalling €33 billion and numerous other major projects by 2030. FRIEDRICH VORWERK believes it is ideally positioned in this market thanks to its broad portfolio of services and technologies and decades of experience in the planning and realisation of district heating projects.

Against this backdrop, FRIEDRICH VORWERK is confident that there will be considerable growth opportunities in the core markets mentioned, particularly 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 consoli-dated 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.

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 18 March 2024, the Management Board and 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 202
32. 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.4 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.

- **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 Management 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-group.de.

The above declaration of compliance is published on our website at www.friedrich-vorwerk-group.de/en/investor-relations/corporate-governance 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-group.de/en/investor-relations/corporate-governance.

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-group.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.

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-group.de/en/investor-relations/corporate-governance. 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 2023 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	2	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 suitability			
Management experience	✓	✓	✓
Mergers & Acquisitions	✓	✓	✓
Sustainability & ESG	✓	✓	✓
Purchasing & 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 CFO 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 CEO of Qair Deutschland GmbH, 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 codetermination. 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 €20,000,000.00 as at 31 December 2023 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 transferability.

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 vowing rights:

	31 Dec 2023		31 Dec 2022	
	Number of shares	%	Number of shares	%
MBB SE	9,372,983	*46.86%*	7,200,000	*36.00%*
ALX Beteiligungsgesellschaft mbH	3,750,370	*18.75%*	3,600,000	*18.00%*
Other shareholders	6,876,647	*34.38%*	9200,000	*46.00%*
Total	**20,000,000**	**100%**	**20,000,000**	**100%**

MBB SE and ALX Beteiligungsgesellschaft mbH entered into a voting rights agreement on 6 February 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.

Section 11 (2) of the Articles of Association also stipulates: "The Supervisory Board is authorised to make amendments to the Articles of Association that only affect the wording. In particular, the Supervisory Board is authorised to amend the wording of the Articles of Association after full or partial implementation of the increase in share capital from authorised or conditional capital or after expiry of the respective authorisation periods in accordance with the scope of the capital increase from authorised or conditional capital".

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

The authorisations granted to the Management Board by the Annual General Meeting with regard to increasing the share capital and issuing shares are set out in Article 4 of the Articles of Association. For further information, please refer to the detailed disclosures on equity 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 the members of the Management Board or employees in 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

With regard to 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 was not disadvantaged by the fact that these measures were taken or omitted.

Report on expected development

Despite a recovery in 2023, the global economy continues to face a number of challenges. For example, there are currently pronounced geopolitical tensions and inflationary pressure that must be managed by a cautious monetary policy. Global economic growth will continue to vary greatly in different regions in 2024. The OECD is forecasting moderate growth of 2.9% in 2024 and a slight improvement to 3.0% in 2025. However, GDP growth in Europe will be lower. The European Commission is forecasting economic growth of 0.9% for 2024 and 1.7% for 2025. Growth for 2024 will be lower in Germany compared to Europe. German GDP growth in 2024 is estimated at 0.2%. This forecast is based on the current uncertainties in Germany, particularly those relating to the German federal budget. As a result, private and corporate investment is expected to be restrained. Economic growth of 1.5% is forecast for 2025.

The order backlog as at 31 December 2023 is at 1,000.8 million well above the high level of the previous year and therefore offers a very strong basis for sustainable company growth. Due to the solid order book and unbroken market demand, the Management Board is aiming for a slightly higher level of revenue in 2024. The Management Board expects consolidated revenue of more than €380 million for the 2024 financial year. Now that the high price increases have also been taken into account in the calculation of new projects, the Management Board expects the EBITDA margin to recover to 11-13%. The adjusted EBIT margin will increase at a comparable rate despite the higher depreciation and amortisation resulting from investment activity.

Events after the end of the reporting period

With regard to events after 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 2023 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 CO2 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 2023 combined management and group management report.

Stakeholders

Investors: Our shareholders expect FRIEDRICH VORWERK to act in a sustainable and responsible manner, with a clear strategic focus and transparent reporting.

Customers: Our customers are looking for reliable partners who can reliably support them with innovative solutions and at the same time fulfil their ecological and social responsibility.

Employees: Our employees value an attractive and secure workplace where they can utilise their skills in accordance with their training. Further training and employee development are part of FRIEDRICH VORWERK's sustainable human resources policy.

Materiality analysis

As part of the materiality analysis carried out for the first time in 2020, the areas of "environmental concerns", "social concerns" and "employee concerns" were identified as core topics of the FRIEDRICH VORWERK sustainability strategy. These aspects are discussed in more detail below. The topics of "respecting human rights" and "combating corruption and bribery" will also be addressed. As these topics are important but, in our view, of secondary importance for the FRIEDRICH VORWERK Group's sustainability strategy, they are only dealt with briefly. For an overview of key non-financial indicators, please refer to the table at the end of this section.

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.

The FRIEDRICH VORWERK Group also pursues the goal of continuously increasing the cost-effectiveness and efficiency of its vehicle fleet and technical systems. Fuel consumption and downtimes are constantly analysed and fleet management is adapted accordingly. Old vehicles, machines and equipment are constantly being replaced with new, more efficient and lower-emission ones, which reduces both pollutant and noise emissions. In addition, further electric solutions are constantly being tested in long-term use with the aim of being able to completely avoid emissions in the future. In selected everyday situations, individual appliances can be replaced with electric versions. Another example of this is the internally designed cable tube slide (KaRoSch). The design and construction of the KaRoSch has already been reported on in previous years. With the help of the KaRoSch, underground power cables can be laid more efficiently and in a particularly environmentally friendly manner. After completion, the KaRoSch was used on various construction sites in underground cable construction in 2023. The project demonstrated that the improvements designed can actually be implemented.

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.

FRIEDRICH VORWERK has been planning and developing a hydrogen electrolysis plant at the Wiesmoor site since the 2021 financial year. The renewable energy generated by a photovoltaic system is transformed into green hydrogen by means of electrolysis and stored. If required, the hydrogen is stored again and converted into heat via a combined heat and power plant (CHP). The majority of this work was completed in 2023. The remaining work in 2024 will involve connecting the hydrogen tanks. Once the work has been completed, hydrogen can be produced via the CHP unit. The administration building and the production halls will be heated via the connected heating network. Surplus hydrogen can then be stored in the hydrogen tanks and fed into the grid as required.

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. The LMRA has been translated into various languages since 2022. The LMRA is currently available in a total of nine languages.

To prevent accidents from happening in the first place, employees receive regular training on all legally prescribed topics relevant to our value creation. In addition to general recurring topics, such as the organisation of occupational health and safety, fire safety and first aid, the focus in 2023 was on a variety of other topics, such as the safe use of construction machinery, the safe execution of lifting work and learning from accidents and unsafe situations. In addition, the introduction of a separate collection of personal protective equipment (PPE), in particular multi-standard protective clothing, which began in 2022, was further expanded. Special occupational health and safety topics, as well as aspects of energy and environmental management, are presented in a concise and easy-to-understand manner in monthly HSEQ (Health, Safety, Environment and Quality) campaigns and made available to all employees in German and English. There are plans to offer further language versions in the future.

In the 2021 financial year, a fundamental change in strategy was implemented in the area of HSEQ with the pooling of resources within the FRIEDRICH VORWERK Group in a Group-wide HSEQ department. This change in strategy continued in the 2023 financial year. To strengthen our own HSEQ department, external HSEQ employees are constantly being replaced by internal employees.

After the energy industry focused on technical and organisational aspects of occupational safety in the past, future success in occupational safety can only be achieved through a strong safety culture. The so-called Safety Culture Ladder (SCL) is an assessment method for measuring the safety awareness and conscious safe behaviour of each individual employee in the company. The higher the safety awareness in an organisation, the higher the level assigned on the SCL.

The FRIEDRICH VORWERK Group believes that supporting and challenging employees is a key success factor. The qualification of our employees takes place through training and further education in all areas of the Group, as well as through high occupational health and safety standards and the targeted promotion of future managers. FRIEDRICH VORWERK currently employs 112 trainees (previous year: 113) and 7 students on dual study programmes (previous year: 8). Our fundamental aim is to offer permanent employment to all trainees and dual students who have completed their training with us. In order to remain an attractive employer, we invest in our employees, whether through direct support for employee training or the opportunity to work from home. Since 2022, we have been regularly introducing new benefits for employees, such as flexible working time models, tax-free fringe benefits or doubling their allowance, in order 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 able to slightly increase the proportion of female employees compared to the previous year (11.6%). For the 2023 financial year, the proportion is 11.9%.

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 combarring 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 concequences 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 figures on environmental issues can fluctuate greatly from year to year due to a divergent order structure. However, for the past three years, there has been a recognisable trend towards a reduction in energy intensity in relation to roup revenue and hours worked. As a growing company, it is sometimes unavoidable to consume more energy in absolute terms. However, the energy intensity clearly shows that new technologies can reduce energy in relation to the work performed.

	2023	2022
Employees		
Share of female employees in relation to total employees	12%	12%
Number of apprentices	112	113
Number of employees in cooperative study programs	7	8
Reportable work accidents	35	29
Fatal work accidents	0	0
LTIFR (Lost Time Injury Frequency Rate) / 1 million hours	12	10
Environmental concerns		
Energy intensity in MWh / € million revenue	125	152
Energy intensity in MWh / per 1,000 hours worked	16	20
CO_2 consumption Scope 1 + 2 in tonnes of CO_2	12,254	14,723
Own consumption of generated electricity of PV system in MWh	416	159
Saved CO_2 consumption Scope 1 + 2 in tonnes of CO_2 through PV system	152	58
Social concerns		
Charitable donations and sponsorship in €k*	5	24

* 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.

Reporting for taxonomy-compliant economic activities has been applicable since the 2022 financial year. Taxonomy-compliant economic activities fulfil the technical assessment criteria and 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 2023 financial year. In the opinion of the Management Board, the applicability of the technical measurement and minimum protection criteria is not applicable in operational practice. 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 figures.

EU taxonomy				Criteria for a significant contribution						DNSH criteria ("No significant impairment")									
Share of revenue associated with taxonomy-compliant economic activities	Codes	Absolute turnover	Revenue share	Climate protection	Adaptation to climate change	Water and marine resources	Circular economy	Environmental pollution	Biodiversity and ecosystems	Climate protection	Adaptation to climate change	Water and marine resources	Circular economy	Environmental pollution	Biodiversity and ecosystems	Taxonomy-compliant revenue share 2023	Taxonomy-compliant revenue share 2022	Category (enabling activities)	Category (transitional activities)
Economic activities		in € million	in %	in %	in %	in %	in %	in %	in %	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	in %	in %	E	T
A. Taxonomy-eligible activities **A.1 Ecologically sustainable activities (taxonomy-compliant)**																			
Revenue (A.1)	-	0.0	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Taxonomy-compliant but non-taxonomy-compliant activities																			
Transmission and distribution of electricity	4.9	51.7	13.9%																
Transmission and distribution networks for renewable low-CO_2 gases	4.14	44.6	11.9%																
Production of technologies for renewable energy	3.1	12.4	3.3%																
Construction, expansion and operation of water extraction, treatment and supply systems	5.1	17.2	4.6%																
District heating / cooling distribution	4.15	51.1	13.7%																
Revenue (A.2)		176.9	47.4%																
Total (A.1 + A.2)		**176.9**	**47.4%**																
B. Activities not eligible for taxonomy																			
Revenue of activities not eligible for taxonomy (B)		**196.4**	**52.6%**																
Total (A + B)		**373.4**	**100.0%**																

EU taxonomy CapEx share from goods and services associated with taxonomy-compliant economic activities				Criteria for a significant contribution						DNSH criteria ("No significant impairment")									
	Codes	Absolute turnover	Revenue share	Climate protection	Adaptation to climate change	Water and marine resources	Circular economy	Environmental pollution	Biodiversity and ecosystems	Climate protection	Adaptation to climate change	Water and marine resources	Circular economy	Environmental pollution	Biodiversity and ecosystems	Taxonomy-compliant CapEx share 2023	Taxonomy-compliant CapEx share 2022	Category (enabling activities)	Category (transitional activities)
Economic activities		in € million	in %	in %	in %	in %	in %	in %	in %	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	in %	in %	E	T
A. Taxonomy-eligible activities **A.1 Ecologically sustainable activities (taxonomy-compliant)**																			
CapEx (A.1)	-	0.0	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Taxonomy-compliant but non-taxonomy-compliant activities																			
Transmission and distribution of electricity	4.9	6.1	18.3%																
Transmission and distribution networks for renewable low-CO_2 gases	4.14	3.6	10.7%																
Production of technologies for renewable energy	3.1	2.4	7.3%																
Construction, expansion and operation of water extraction, treatment and supply systems	5.1	1.6	4.7%																
District heating / cooling distribution	4.15	4.1	12.2%																
CapEx (A.2)		17.7	53.1%																
Total (A.1 + A.2)		**17.7**	**53.1%**																
B. Activities not eligible for taxonomy																			
CapEx of activities not eligible for taxonomy (B)		**15.6**	**46.9%**																
Total (A + B)		**33.3**	**100.0%**																

EU taxonomy OpEx share from goods and services associated with taxonomy-compliant economic activities	Codes	Absolute turnover	Revenue share	Criteria for a significant contribution: Climate protection	Adaptation to climate change	Water and marine resources	Circular economy	Environmental pollution	Biodiversity and ecosystems	DNSH criteria ("No significant impairment"): Climate protection	Adaptation to climate change	Water and marine resources	Circular economy	Environmental pollution	Biodiversity and ecosystems	Taxonomy-compliant OpEx share 2023	Taxonomy-compliant OpEx share 2022	Category (enabling activities)	Category (transitional activities)
Economic activities		in € million	in %	in %	in %	in %	in %	in %	in %	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	in %	in %	E	T
A. Taxonomy-eligible activities **A.1 Ecologically sustainable activities (taxonomy-compliant)**																			
OpEx (A.1)	-	0.0	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Taxonomy-compliant but non-taxonomy-compliant activities																			
Transmission and distribution of electricity	4.9	2.5	13.9%																
Transmission and distribution networks for renewable low-CO_2 gases	4.14	2.2	11.9%																
Production of technologies for renewable energy	3.1	0.6	3.3%																
Construction, expansion and operation of water extraction, treatment and supply systems	5.1	0.8	4.6%																
District heating / cooling distribution	4.15	2.5	13.7%																
OpEx (A.2)		8.7	47.4%																
Total (A.1 + A.2)		**8.7**	**47.4%**																
B. Activities not eligible for taxonomy																			
OpEx of activities not eligible for taxonomy (B)		**9.6**	**52.6%**																
Total (A + B)		**18.3**	**100.0%**																

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 been publishing 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. The SASB aims to enable transparent communication between companies and investors on key information relating to ESG data through standardised sustainability accounting.

	Code	Comment
Environmental impact of the projects		
Number of incidents of non-compliance with environmental permits, standards and regulations	IF-EN-160a.1.	In 2023, there were no incidents of non-compliance with environmental permits, standards and other regulations. FRIEDRICH VORWERK has measures and controls in place to ensure compliance with the 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 impact of each project through the use of specific environmental management systems such as ISO 14001 and ISO 50001. In addition, the Group has industry-specific permits and licences and is certified as a specialist company in accordance with DVGW regulations and the German Water Resources Act.
Structural integrity and security		
Amount of defect- and safety-related rework costs	IF-EN-250a.1.	In 2023, the costs for warranty follow-up work amounted to €k 624 (0.17% of revenue).
Total amount of monetary losses resulting from legal proceedings related to deficiency and safety incidents	IF-EN-250a.2.	In 2023, there were no monetary losses as a result of legal proceedings in connection with 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.	In 2023, the accident rate (TRIR)* based on 200,000 working hours for direct employees was 2.4 and the work-related fatality rate was 0.0. The data for temporary workers are included in the accident frequency.
Life cycle impacts of buildings and infrastructure		
Number of (1) in-service projects certified to a third-party multidimensional sustainability standard and (2) active projects seeking such certification.	IF-EN-410a.1.	In 2023, 11 certified biogas upgrading plants were completed. A further 41 projects of this type are in the development and realisation phase for 2024.
Discussion of process to incorporate operational phase energy and water efficiency considerations into project planning and design	IF-EN-410a.2.	Our customers are always focussed on energy- and water-efficient solutions, which is why their objectives are incorporated into our project planning and design. In every project, we advise our customers on solutions for energy and water optimisation and are actively committed to innovation in order to meet 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 31 December 2023 amounted to €84 million for (1) hydrocarbon-related projects and €900 million for (2) renewable energy projects.
Level of cancellations of hydrocarbon-related projects	IF-EN-410b.2.	There were no cancellations in 2023.
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 at 31 December 2023 does not include any projects that are related to climate protection but not directly 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.	There are currently no projects in any of the 20 countries with the lowest ratings 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 2023, there were no monetary losses as a result of legal proceedings in connection with 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 2023 financial year. Non-compliance with the guidelines and regulations is expressly not tolerated.

* Includes only incidents recorded in connection with our operating business

Tostedt, 18 March 2024

The Management Board

Torben Kleinfeldt	Tim Hameister
Chief Executive Officer	Chief Financial Officer

IFRS Consolidated Financial Statements 2023

IFRS consolidated income statement

IFRS consolidated income statement	Note	1 Jan - 31 Dec 2023 €k	1 Jan - 31 Dec 2022 €k
Revenue	III.1.	**373,355**	**368,161**
Increase (+), decrease (-) in finished goods and work in progress		-77	-2
Operating performance		**373,278**	**368,159**
Income from equity investments	III.2.	14,740	16,057
Other operating income	III.3.	7,336	7,694
Total performance		**395,354**	**391,910**
Cost of raw materials and supplies		-46,864	-33,872
Cost of purchased services		-150,009	-154,711
Cost of materials	III.4.	**-196,874**	**-188,582**
Wages and salaries		-97,976	-89,914
Social security and pension costs		-30,021	-29,321
Staff costs	III.5.	**-127,997**	**-119,235**
Other operating expenses	III.6.	-38,492	-34,004
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**31,992**	**50,089**
Depreciation and amortisation	II.1.	-18,079	-16,663
Earnings before interest and taxes (EBIT)		**13,913**	**33,426**
Finance income	III.7.	301	34
Finance expenses	III.8.	-1,097	-961
Earnings attributable to non-controlling interests	III.8.	-385	-2,046
Net finance costs		**-1,181**	**-2,973**
Earnings before taxes (EBT)		**12,733**	**30,453**
Income tax expense	III.9.	-2,044	-13,246
Other taxes	III.9.	-417	-393
Profit or loss for the period		**10,273**	**16,814**
Non-controlling interests		-124	325
Consolidated net profit		**10,149**	**17,139**
Earnings per share (in €)	III.10.	0.51	0.86

IFRS consolidated statement of comprehensive income

IFRS consolidated statement of comprehensive income	Note	1 Jan - 31 Dec 2023 €k	1 Jan - 31 Dec 2022 €k
Profit or loss for the period		**10,273**	**16,814**
Items that may be subsequently reclassified to profit and loss			
Currency translation differences	II.10.3	31	-7
Items that cannot be subsequently reclassified to profit and loss			
Changes in the fair value of shares	II.10.3	478	-1,004
Pension reserve	II.10.3	-40	659
thereof deferred taxes		12	-161
Other comprehensive income after taxes		**481**	**-512**
Comprehensive income for the reporting period		**10,754**	**16,301**
thereof attributable to:			
- Shareholders of the parent company		10,601	16,506
- Non-controlling interests		152	-205

IFRS consolidated statement of financial position

IFRS consolidated statement of financial position Assets	Note	31 Dec 2023 audited €k	31 Dec 2022 audited €k
Non-current assets			
Concessions, industrial property rights and similar rights	II.3.	1,147	273
Goodwill	II.2.	4,276	4,276
Intangible assets		**5,423**	**4,549**
Land and buildings, including buildings on third-party land	II.4.	36,758	33,916
Technical equipment and machinery	II.4.	36,154	34,722
Other equipment, operating and office equipment	II.4.	23,310	20,732
Advance payments and assets under construction	II.4.	14,118	7,862
Property, plant and equipment		**110,340**	**97,233**
Equity investments	II.5.	10,591	17,072
Investment securities	II.5.	2,068	2,560
Other loans	II.5.	0	627
Financial assets		**12,659**	**20,259**
Deferred tax assets	II.16.	**9,276**	**9,029**
		137,697	**131,070**
Current assets			
Raw materials and supplies	II.6.	7,241	10,165
Work in progress	II.6.	7	100
Inventories		**7,249**	**10,266**
Trade receivables	II.7.	37,431	17,683
Contract assets	II.8.	66,174	95,428
Other current assets	II.9.	6,194	7,756
Trade receivables and other current assets		**109,800**	**120,867**
Cash in hand	V.	28	31
Bank balances	V.	56,503	45,845
Cash in hand, bank balances		**56,530**	**45,876**
		173,579	**177,009**
Total assets		**311,276**	**308,079**

IFRS consolidated statement of financial position Equity and liabilities	Note	31 Dec 2023 audited €k	31 Dec 2022 audited €k
Equity			
Issued capital	II.10.1	20,000	20,000
Capital reserve	II.10.2	76,204	76,204
Retained earnings and other reserves	II.10.3	75,293	66,602
Non-controlling interests	II.10.4	45	374
		171,542	**163,181**
Non-current liabilities			
Liabilities to banks	II.12.	10,333	12,912
Liabilities to non-controlling interests	II.12.	6,591	6,820
Liabilities from participation rights	II.12.	10,213	10,213
Lease liabilities	II.15.	1,364	2,646
Pension provisions	II.11.	1,990	1,991
Deferred tax liabilities	II.16.	15,513	20,168
		46,004	**54,751**
Current liabilities			
Liabilities to banks	II.12.	2,370	2,388
Contract liabilities	II.12.	25,541	7,296
Trade payables	II.12.	3,695	10,888
Liabilities to non-controlling interests	II.12.	1,821	2,534
Other liabilities	II.13.	19,221	22,757
Lease liabilities	II.15.	2,267	3,247
Provisions with liability character	II.14.1	25,100	24,640
Tax provisions	II.14.2	6,811	11,697
Other provisions	II.14.1	6,904	4,700
		93,730	**90,147**
Total equity and liabilities		**311,276**	**308,079**

IFRS consolidated statement of cash flows

IFRS consolidated statement of cash flows	1 Jan - 31 Dec 2023 €k	1 Jan - 31 Dec 2022 €k
1. Cash flow from operating activities		
Earnings before interest and taxes (EBIT)	**13,913**	**33,426**
Adjustments for non-cash transactions:		
Depreciation and amortisation	18,079	16,663
Increase (+), decrease (-) in provisions	2,163	-4,018
Losses (+), gains (-) from disposal of property, plant and equipment	-203	-224
Results from equity investments	-14,740	-16,057
Other non-cash expenses and income	90	-290
	5,389	**-3,926**
Change in working capital:		
Increase (-), decrease (+) in inventories, trade receivables and other assets	18,637	-55,502
Decrease (-), increase (+) in trade payables and other liabilities	7,925	18,695
	26,562	**-36,807**
Income taxes paid	-11,576	-12,281
Interest received	301	17
Cash receipts from dividends paid by equity investments	15,834	9,309
	4,559	**-2,955**
Cash flow from operating activities	**50,424**	**-10,262**
2. Cash flow from investing activities		
Investments (-), divestments (+) in intangible assets	-708	-95
Investments (-), divestments (+) in property, plant and equipment	-30,362	-32,014
Investments (-), divestments (+) in financial assets and securities	1,597	-268
Acquisitions (less cash received)	0	-181
Cash flow from investing activities	**-29,473**	**-32,559**
3. Cash flow from financing activities		
Profit distribution to shareholders	-2,400	-4,000
Payments to non-controlling interests	-1,445	-3,584
Payments for additions (-), payments received (+) from the disposal of shares in subsidiaries without change of control	0	-780
Proceeds from borrowing financial loans	15,371	4,992
Repayments of financial loans	-17,771	-11,493
Repayments of lease liabilities	-2,986	-3,777
Interest payments	-1,077	-941
Cash flow from financing activities	**-10,309**	**-19,584**

Cash and cash equivalents at the end of the period		
Change in cash and cash equivalents	10,643	-62,405
Effects of exchange rate changes (non-cash)	12	0
Cash and cash equivalents at the beginning of the period	45,876	108,282
Cash and cash equivalents at the end of the period	**56,530**	**45,876**
Composition of cash and cash equivalents		
Cash in hand	28	31
Bank balances	56,503	45,845
Reconciliation to liquidity reserve on 31 Dec	2023	2022
Cash and cash equivalents at the end of the period	56,530	45,876
Investment securities	2,068	2,560
Liquidity reserves on 31 Dec	**58,598**	**48,436**

IFRS consolidated statement of changes in equity

IFRS consolidated statement of changes in equity

			Retained earnings						
	Issued capital	Capital reserve	Currency translation	Fair value reserve	Pension reserve	Generated group equity	Attributable to shareholders	Non-controlling interests	Consolidated equity
	€k	€k	€k	€k	€k	€k	€k	€k	€k
1 Jan 2022	**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**
Distributions to to shareholders	0	0	0	0	0	-2,400	-2,400	0	-2,400
Amounts recognised in other comprehensive income	0	0	31	477	-55	0	452	28	481
Consolidated net profit	0	0	0	0	0	10,149	10,149	124	10,273
Total comprehensive income	**0**	**0**	**31**	**477**	**-55**	**10,149**	**10,601**	**152**	**10,754**
Change in consolidated group	0	0	0	0	0	0	0	8	8
Change in non-controlling interests	0	0	0	0	104	386	490	-490	0
31 Dec 2023	**20,000**	**76,204**	**21**	**-325**	**354**	**75,243**	**171,497**	**45**	**171,542**

Notes to the Consolidated Financial Statements 2023

I. Methods and principles

1. Basic accounting information

1.1 Information on the company

The Friedrich Vorwerk Group SE is headquartered at Harburger Straße 19, 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 2023 or the fiscal year from 1 January to 31 December 2023, 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 2023 financial year are approved by the Supervisory Board of Friedrich Vorwerk Group SE on 18 March 2024.

1.2 Accounting principles

The consolidated financial statements of the FRIEDRICH VORWERK Group for the period ended 31 December 2023 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 changes to the accounting standards that affect these consolidated financial statements in the 2023 financial year.

The following amended standards were required to be applied for the first time in the 2023 financial year.

Regulation	Title	Effects
IAS 1	Amendment - Disclosure of accounting policies	none
IAS 8	Amendment - Definition of accounting estimates	none
IAS 12	Amendment - Deferred taxes on assets and liabilities resulting from a single transaction	none
IAS 12	Amendment - International Tax Reform - Pillar Two Model Rules	none
IFRS 17	Insurance contracts	none
IFRS 17	Amendment - First-time application of IFRS 17 and IFRS 9 - Comparative information	none

The following newly issued standards or standards that have been approved for application by the EU Commission, or amendments to 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	Effects
IAS 1	Amendment - Non-current liabilities with covenants	1 Jan 2024	no material effects
IFRS 16	Amendment - Lease liabilities from sale and leaseback transactions	1 Jan 2024	no material effects

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

1.3 Business combinations

No business combinations were carried out in the financial year.

1.4 Corporate and structural changes in 2023

In the third quarter the company 5C-Tech GmbH was founded with two partners, in which Friedrich Vorwerk SE & Co. KG holds a 70% share. The company focuses on the development, production and sale of solutions in the field of automated welding technology.

On 21 September 2023, Friedrich Vorwerk SE & Co. KG acquired the non-controlling interests in Gottfried Puhlmann GmbH (25.00%) and Gottfried Puhlmann GmbH Havelländische Bauunternehmung (3.57%) and is now the sole shareholder of these companies.

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**
5C-Tech GmbH, Tostedt, Germany	62.95
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	89.93
Gottfried Puhlmann GmbH, Marne, Germany	89.93
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 of the company	Shareholding in %
Joint ventures (working groups)	
ARGE Bavaria Loop Süd	33.33%
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 Lot 7+8	37.50%
ARGE Flugplatz WTM IT-Ltg	50.00%
ARGE Get H2 Lingen	10.00%
ARGE Kabeltrasse A310	50.00%
ARGE Kabeltrasse GSH	40.00%
ARGE Kabeltrasse Mehringen	45.00%
ARGE Kabeltrasse WMC	40.00%
ARGE Konverter A-Nord	33.33%
ARGE KÜA A310	50.00%
ARGE KÜA Beverbruch	50.00%
ARGE LNG Brunsbüttel	50.00%
ARGE NWKG - 3. BA	50.00%
ARGE NWKG K301/K603	50.00%
ARGE NWKG K302/K308	50.00%
ARGE RamBO SuedLink	50.00%
ARGE SEL 01	50.00%
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 A310 Tunnel Henstedt	33.73%
Dach-ARGE Ausbau Mantelrohre 2023/2024	50.00%
Dach-ARGE Baltrum Büsum	33.33%
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 GDRM Anlagen Zeelink	50.00%
Dach-ARGE HD-Leitung Iserlohn	52.34%
Dach-ARGE HD-Leitung Kaisersesch	50.00%
Dach-ARGE Kabeltrasse A250 Mehringen	50.00%
Dach-ARGE Kabeltrasse Ganderkesee - St. Hülfe	50.00%
Dach-ARGE Kabeltrasse WMC	50.00%
Dach-ARGE Ostwind 3 Lot 1 Anlandung	33.33%
Dach-ARGE RamBo WMC Kabelzug	38.68%
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 Lot 3 - (bis) 5	25.00%
Dach-ARGE Zollvereinring	66.67%
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 over which Friedrich Vorwerk Group SE exercises control. Control exists when a company has power over another company. This is the case when rights exist that confer the current ability to direct the relevant activities. 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 carried out in accordance with IFRS 3 using the purchase method. Any excess of the acquisition costs over the fair value of the net assets attributable to the Group 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.

3.2 Associated companies

Companies in which FRIEDRICH VORWERK Group holds between 20.0% and 50.0% of the share capital are generally classified as associates if FRIEDRICH VORWERK Group exercises a significant but not a controlling influence. In cases of a controlling influence, the respective companies are fully consolidated (see section 3.1).

Associated companies are included in the consolidated financial statements using the equity method. Associated companies that are 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 exercises joint control together with a third party in accordance with IFRS 11. Joint ventures are accounted for in the FRIEDRICH VORWERK Group using the equity method and recognised under financial assets. Joint ventures that are not accounted for using the equity method due to immateriality are measured at amortised cost and also reported under financial assets.

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 have been prepared on a going concern basis and, with the exception of the revaluation of certain financial instruments, on the basis of historical cost. 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 year.

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 Foreign currency translation

Currency translation differences are recognised in accordance with the provisions of IAS 21.

The items included in the financial statements of the respective company are measured using the functional currency of the Group company.

Foreign currency transactions are initially converted into the functional currency at the spot rate valid on the date of the transaction.

Monetary assets and liabilities in a foreign currency are translated into the functional currency on each reporting date using the closing rate. All currency differences are recognised in profit or loss.

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

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

The assets and liabilities of 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 translation differences are recognised as a separate component of equity.

4.4 Intangible assets

Intangible assets are recognised and initially measured at cost in accordance with the criteria of IAS 38 and, in the case of business combinations, at fair value in accordance with IFRS 3.

Costs for research activities are recognised as an expense in the period in which they are incurred, whereas development costs must be capitalised if the capitalisation criteria of IAS 38 are cumulatively met.

If the criteria are not met, the development costs are recognised as an expense in the period in which they are incurred.

Intangible assets are subsequently measured using the cost model in accordance with IAS 38. Intangible assets (excluding goodwill) are amortised on a straight-line basis over their estimated useful life.

With the exception of goodwill, the Group has no intangible assets with indefinite useful lives.

The cost fo acquisition of new software is capitalised and treated as an intangible asset unless these costs are an integral part of the associated hardware. Software is amortised on a straight-line basis over a period of 3 to 5 years.

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

Gains and losses from the disposal of intangible assets are calculated 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 acquired company.

Goodwill is not subject to the scheduled amortisation, but is allocated to a cash-generating unit ("CGU") as part of the business combination, the carrying amount of which is tested for impairment at least once a year in accordance with the provisions of IAS 36.

If a subsidiary is sold, the amount of goodwill attributable to the subsidiary is taken into account when determining the gain or loss on disposal.

4.6 Property, plant and equipment

Property, plant and equipment is recognised and initially measured at cost in accordance with the criteria of IAS 16 and, in the case of business combinations, at fair value in accordance with IFRS 3.

Depreciation is calculated on a straight-line basis over the expected useful 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.

Advance payments made and property, plant and equipment under construction are not subject to scheduled depreciation until completion.

If items of property, plant and equipment are sold or scrapped, the corresponding acquisition costs and accumulated depreciation are derecognised; any gain or loss realised on disposal is recognised in profit or loss.

4.7 Leasing

Leases are identified in accordance with the provisions of IFRS 16. Leases are recognised by capitalising a right-of-use asset and recognising the present value of the lease payments as a liability (lease liability).

As a lessee, the Group primarily leases real estate, motor vehicles and other technical equipment and machinery.

The lease payments are discounted at the interest rate implicit in the lease, if this can be determined. Otherwise, they are discounted using the incremental borrowing rate. The FRIEDRICH VORWERK Group generally applies the incremental borrowing rate. This incremental borrowing rate as a risk-adjusted interest rate is derived for specific maturities and currencies and also takes into account the creditworthiness of the individual Group companies.

The right-of-use asset is initially measured at cost in accordance with IFRS 16.24 at the commencement date. Subsequent measurement is based on the cost model with straight-line depreciation of the right-of-use asset and any remeasurements due to impairment losses or remeasurements of the lease liabilities from contract modifications.

In the case of contracts that contain both lease and non-lease components, these components are always separated.

Some leases, particularly property leases, contain renewal options. When determining the lease term, such options are only taken into account if they are sufficiently certain. The assessment of whether the options are exercised with sufficient certainty has an impact on the term of the lease and can therefore significantly influence the measurement of the lease liabilities or rights-of-use assets.

The FRIEDRICH VORWERK Group makes use of the IFRS 16 rule with regard to the non-recognition of right-of-use assets and lease liabilities in the context of leases with a low value (i.e. the value of the underlying asset is €5,000 or less when new) and short-term leases (remaining term no longer than twelve months). The lease instalments 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 acts as lessor. These contracts are immaterial for the company's consolidated financial statements.

4.8 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, unless the borrowing costs 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 the impairment test, the recoverable amount of the asset or cash-generating unit (CGU) as defined in IAS 36.6 must be determined. If the recoverable amount is less than the carrying amount, the difference is immediately recognised in profit or loss as an impairment loss.

The reversal of the impairment for non-financial assets other than goodwill is recognised in profit or loss under the conditions specified in IAS 36.110 and the carrying amounts and limits specified in IAS 36.117 and IAS 36.122.

4.10 Financial instruments - initial recognition and subsequent measurement

The classification, measurement and impairment of financial instruments and the derecognition are carried out in accordance with the provisions of IFRS 9. 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

With the exception of trade receivables, the Group measures financial assets at fair value on initial recognition.

Trade receivables that do not contain a significant financing component are measured at the transaction price determined in accordance with IFRS 15.

Purchase or sale of financial assets is measured on the trade date, i.e. the date on which the Group entered into the obligation to purchase or sell the asset.

On initial recognition, financial assets must be classified in accordance with the criteria of IFRS 9.4.1 for the purposes of subsequent measurement. Further information on the classification criteria and subsequent measurement is presented below.

Subsequent measurement

Financial assets are classified into four categories for subsequent measurement:

- financial assets at amortised cost (debt instruments)
- financial assets at fair value through other comprehensive income with reclassification of cumulative gains and losses (debt instruments)
- financial ssets at fair value through other comprehensive income without 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 Group measures financial assets at amortised cost if the following two conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- the contractual cash flows from the financial assets represent solely payments of principal and interest on the outstanding principal amount.

Financial assets measured at amortised cost are measured in subsequent periods 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 impaired.

The Group's financial assets measured at amortised cost include mainly 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 at fair value through other comprehensive income if they fulfil the definition of equity in accordance with IAS 32 and are not held for trading. Classification is made individually for each instrument.

Gains and losses from these financial assets are never reclassified to the income statement. Dividends are recognised in the income statement as other income if the legal claim to payment exists. Equity instruments at fair value through other comprehensive income are not tested for impairment.

The Group has decided to categorise all of its listed equity instruments in this category.

Financial assets at fair value through profit or loss

In accordance with IFRS 9.4.1.4, the group of financial assets at fair value through profit or loss includes:

- financial assets "held for trading" according to the definition of IFRS 9, including derivatives not designated as hedging instruments,
- financial assets designated upon initial recognition as at fair value through profit or loss, or
- financial assets that must be measured at fair value.

Financial assets at fair value through profit or loss are recognised in the statement of financial position at fair value, with changes in fair value recognised on a net basis in the income statement. This category includes derivative financial instruments and listed equity instruments held for trading.

Derecognition

A financial asset is mainly derecognised if, in accordance with IFRS 9.3.2, the contractual rights to receive cash flows from the financial asset have either expired or have been transferred. In the event of a transfer, the associated transfer of significant risks and rewards or the transfer of control leads to the derecognition of the asset.

Impairment of financial assets

The Group recognises an allowance for expected credit losses in accordance with IFRS 9.5.5.1 (ECL) for all debt instruments that are not measured at fair value through profit or loss.

The measurement period of the expected credit loss is generally dependent on a significant increase in the default risk since initial recognition of the financial instrument. It is based on the expected 12-month credit loss if there is no significant increase in the default risk and on the remaining term (total term ECL) if there is a significant increase.

For trade receivables and contract assets, the Group applies the accounting option to generally recognise a loss allowance based on the total lifetime ECL without examining changes in risk. The Group has created an impairment matrix based on its previous experience with credit losses 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 assumes that a financial asset is in default if contractual payments are 90 days overdue and a subsequent detailed review of the debtor does not lead to any other findings. In addition, in certain cases, it may assume 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 of the credit collateral it holds is taken into account. A financial asset is written down if there is no reasonable expectation that the contractual cash flows will be realised.

II) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified on initial recognition as financial liabilities at fair value through profit or loss, as loans, as liabilities or as derivatives that are designated as hedging instruments and are effective as such.

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

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

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

In accordance with IFRS 9.4.2.1 and IFRS 9.4.2.2, financial liabilities at fair value through profit or loss include financial liabilities "held for trading" as defined in IFRS 9 as well as financial liabilities classified as at fair value through profit or loss upon initial recognition.

This category also includes derivative financial instruments concluded by the Group that are not designated as hedging instruments in hedging relationships in accordance with IFRS 9 and effective as such.

Gains or losses from financial liabilities held for trading are recognised in profit or loss.

The Group has no financial liabilities classified 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 rate method. Fees paid between the contracting parties as well as transaction costs, premiums and discounts are included in the calculation of the effective interest rate. Gains and losses are recognised in profit or loss when the liabilities are derecognised and as well as finance costs as part of the amortisation using the effective interest rate method.

Derecognition

A financial liability is derecognised in accordance with IFRS 9.3.3 when the underlying obligation is discharged, cancelled or expires. If an existing financial liability is replaced by another financial liability from the same lender with substantially different contractual terms, or if the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between 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 such as commodity swaps or interest rate swaps to a small extent to hedge against commodity price and interest rate risks from existing and future underlying transactions and recognises them in accordance with IFRS 9. 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 are recognised as financial assets if their fair value is positive and as financial liabilities if it is negative. These derivative financial instruments are not designated as hedging relationships, but are classified as held for trading.

4.12 Inventories

Inventories are recognised in accordance with IAS 2 and measured at the lower of cost and net realisable value (less necessary selling costs), taking into account their planned use. Raw materials, consumables and supplies as well as purchased goods are recognised at the lower of cost using the average price method or market price at the end of the reporting period. In addition to the cost of production materials and production wages, the production costs of work in progress and finished goods also include pro rata material and production overheads, assuming normal capacity utilisation. Appropriate write-downs were recognised for inventory risks arising from the storage period and reduced usability.

4.13 Contract assets and contract liabilities

Contract assets and contract liabilities are recognised in accordance with IFRS 15. If revenue is recognised due to the fulfilment of a contractual performance obligation before the conditions for invoicing have been met or the customer has made a payment, the corresponding claim is recognised as a contract asset.

If payments are made by customers or if receivables from a customer are contractually due before a contractual performance obligation has been fulfilled and revenue has therefore been recognised, future revenue must be measured in accordance with IFRS 15 and deferred as contract liabilities. Contract liabilities are then added to revenue in accordance with the fulfilment of the contractual performance obligations.

If the contract asset value of a customer order exceeds the advance payments received on it, it is recognised as an asset under contract assets. In the opposite case, it is recognised as a separate liability under contract liabilities.

If it is probable that the production costs of construction contracts will exceed the recoverable amount, the expected losses are recognised immediately as an expense. In such cases, an impairment loss 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 on the liabilities side under current provisions in accordance with IAS 37. This is recognised on a case-by-case basis at the amount required to fulfil the current obligation from the customer contract.

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-oriented method on the basis of the work already performed. The work performed and the corresponding revenue are determined at the level of the individual items in accordance with the cost estimates. Due to unforeseen deviations from the planned costs, the best indicator is the direct derivation of the performance progress from the work actually performed. It is mandatory for the project team to determine performance directly on a monthly basis.

Inventories that have not yet been utilised but are already present in the projects are reported separately under inventories. Work already invoiced is recognised as 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 realised over time on the basis of the services already rendered as at the reporting date, is recognised under contract assets. The contract asset represents the Group's claim.

Revenue is recognised over time if there is no alternative use due to a contractual agreement and there is a claim to remuneration including a profit margin on the service provided. The comments on revenue in the Energy Grids segment apply accordingly.

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 recognised in accordance with IAS 37 for current obligations arising from past events that are likely to lead to an outflow of resources embodying economic benefits in the future in the amount of the reliably estimable expense.

Provisions that do not lead to an outflow of resources in the following year are recognised at their settlement amount discounted at the discount rate applicable at the end of the reporting period. The settlement amount also includes expected cost increases. Provisions are not offset against rights of recourse. If the Group expects at least a partial reimbursement for a provision recognised as a liability, the reimbursement is recognised as a separate asset if the inflow of the reimbursement is virtually certain.

Provisions with the liability character are recognised for obligations for which an exchange of services has taken place and the amount of the consideration is reasonably certain. Provisions with the liability character are recognised under liabilities.

4.16 Pensions and other post-employment benefits

Pension obligations are recognised in accordance with IAS 19. Payments for defined contribution plans are recognised as an expense. In the case of defined benefit plans, the obligation is recognised as a pension provision in the statement of financial position. The pension commitments are regarded as defined benefit plans and are therefore actuarially valued using the projected unit credit method.

Actuarial gains and losses are recognised in other comprehensive income. The interest expense resulting from the compounding of pensions is recognised in net finance costs.

4.17 Revenue realisation

Revenue is recognised in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the promised goods or services when the goods or services are transferred to the customer. Revenue is recognised when the customer obtains control of the goods or services.

In the case of projects with variable remuneration, either the expected value or the most probable value is recognised, depending on the specific contractual structure. In principle, both estimation methods can be used in a single contract. In addition, the amount determined in this way is reduced by a risk-adjusted discount in order to avoid a significant reversal of the cumulative revenue already recognised when the uncertainty is resolved.

Sale of goods and products, performance of services

The customer generally obtains control upon delivery of the goods and products or upon final acceptance by the customer. Revenue from service transactions is only recognised when it is sufficiently probable that the economic benefits associated with the transaction will flow to the customer. This occurs in the accounting period in which the respective services are rendered, whereby the customer obtains control over the service.

Revenue from contracts with customers (Energy Grids)

Revenue from contracts with customer is generally recognised over time in accordance with the provisions of IFRS 15. Revenue is recognised over time using the output method on the basis of the service already rendered as at the reporting date.

For further details, please refer to the information on contract assets.

The realisation of results for orders that are carried out in joint ventures is carried out over time in accordance with the work actually performed as at the end of the reporting period. Impending losses from the further course of the project are recognised through 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 service already provided as at the reporting date if there is no alternative use for the FRIEDRICH VORWERK Group due to a contractual agreement and the contractual agreement provides for a remuneration claim including a profit margin on the service already provided.

Interest income

Interest income is recognised when the interest has accrued (using the effective interest rate, i.e. the discount 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 claim 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

Deferred tax liabilities are recognised in accordance with IAS 12 for all taxable temporary differences, with the exception of the deferred tax liability from the initial recognition of goodwill.

Deferred tax assets are recognised for all deductible temporary differences and unused tax loss carryforwards to the extent that it is probable that taxable income will be available against which the deductible temporary differences and unused tax loss carryforwards can be utilised.

Investment-related tax credits are recognised by analogous application of the provisions of IAS 12. They are not offset against the corresponding investment.

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.

Deferred taxes are measured using tax rates that fulfil the requirements of IAS 12.47 and following articles. Deferred taxes are recognised as tax income or expense in the statement of comprehensive income and, if they relate to items recognised directly in equity, are also recognised directly in equity.

4.19 Contingent liabilities and contingent assets

Contingent liabilities are disclosed separately in the notes unless the possibility of an outflow of resources embodying economic benefits is remote.

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

Contingent assets are not recognised in the financial statements. However, they are disclosed in the notes if the inflow of economic benefits is probable.

4.20 Classification of expenses

The expenses recognised in the statement of comprehensive income are broken down using the nature of expense method.

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

5. Significant 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 2023

31 Dec 2023	Cost as at 1 Jan €k	Additions €k	Reclassi-fication €k	Disposals €k	Exchange rate diff. €k	Cost as at 31 Dec €k	Acc. deprecia-tion as at 1 Jan €k	Additions €k	Disposals €k	Exchange rate diff. €k	Acc. deprecia-tion 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	1,604	708	413	0	0	2,725	1,331	248	0	0	1,579	273	1,147
2. Goodwill	4,276	0	0	0	0	4,276	0	0	0	0	0	4,276	4,276
	5,880	**708**	**413**	**0**	**0**	**7,002**	**1,331**	**248**	**0**	**0**	**1,579**	**4,549**	**5,423**
II. Property, plant and equipment													
1. Land and buildings including buildings on third-party land	37,958	2,402	1,973	630	20	41,722	4,041	1,398	477	2	4,964	33,916	36,758
2. Technical equipment and machinery	53,475	11,057	1,052	1,772	36	63,848	18,752	10,504	1,569	8	27,695	34,722	36,154
3. Other equipment, operating and office equipment	31,293	8,871	30	2,957	11	37,248	10,561	5,929	2,554	3	13,938	20,732	23,310
4. Advance payments and assets under construction	7,862	10,226	-3,469	508	7	14,118	0	0	0	0	0	7,862	14,118
	130,587	**32,556**	**-413**	**5,867**	**74**	**156,936**	**33,354**	**17,831**	**4,601**	**12**	**46,597**	**97,233**	**110,340**
Total	**136,467**	**33,264**	**0**	**5,867**	**74**	**163,938**	**34,685**	**18,079**	**4,601**	**12**	**48,175**	**101,782**	**115,763**

1.2 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	Reclassi-fication €k	Disposals €k	Cost as at 31 Dec €k	Acc. deprecia-tion as at 1 Jan €k	Additions €k	Disposals €k	Acc. deprecia-tion 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	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**

2. Goodwill

The carrying amount of goodwill amounts to €4,276 thousand (previous year: €4,276 thousand).

Goodwill is subject to an annual impairment test. Goodwill acquired as part of business combinations is allocated to cash-generating units (CGUs). The allocation and parameters used for the impairment test are shown in the table below.

The impairment test confirmed the recoverability of the capitalised goodwill.

Estimation uncertainties in the impairment test

The recoverable amount of the cash-generating units is determined on the basis of a value-in-use calculation using cash flow forecasts based on medium-term planning approved by the management of the respective CGU for a period of five years. Following the medium-term planning, the calculation is transferred to perpetuity, taking into account an unchanged sustainable growth rate of 1.0%. Current and future probabilities, the expected economic development and other circumstances are taken into account when determining the budget figures. The forecast cash flows are discounted using a pre-tax discount rate (WACC), the values and underlying parameters of which are shown in the following table.

31 Dec 2023 CGU	Goodwill €k	Market risk premium in %	Risk-free interest rate in %	WACC before taxes in %	Revenue growth rate* in %
Gottfried Puhlmann	3,812	7.5	2.7	11.1	4.4
(31 Dec 2022)	*3,812*	*7.5*	*2.0*	*9.6*	*7.7*
Korupp	314	7.5	2.7	11.7	1.0
(31 Dec 2022)	*314*	*7.5*	*2.0*	*10.3*	*3.1*
Hempel	151	7.5	2.7	11.7	9.7
(31 Dec 2022)	*151*	*7.5*	*2.0*	*10.2*	*3.0*

* Planned revenue growth including changes in finished goods and work in progress (operating performance), average of the next five years years

Estimation uncertainties in the impairment test

The assumptions underlying the calculation of the value in use of the CGU are subject to the greatest estimation uncertainties with regard to the following factors:

- EBITDA margins
- discount rates
- Revenue groth rates

EBITDA margins: The EBITDA margins are based on the medium-term planning of the respective cash-generating unit. A decrease in the EBITDA margin of 0.5 percentage points would not result in an impairment for any CGU or CGU Group.

Discount rates: The discount rates represent the market assessments of the specific risks attributable to the cash-generating units, taking into account the time value of money and the specific risks of the assets for which the estimated future cash flows have not been adjusted. The calculation of the discount rate takes into account the specific circumstances of the Group. To determine a pre-tax discount rate, the discount rate is adjusted for the corresponding amount and timing of taxable cash flows. An increase in the pre-tax discount rate of 0.5 percentage points would not lead to an impairment for any CGU or CGU Group.

Revenue growth rates: The forecasted revenue groth rates are based on past experience and growth assumptions for the target markets of the respective CGU. The Group recognises that potential new competitors or a changed market environment could have a significant impact on the revenue development assumptions. Such a development could lead to a different reasonably possible development for the cash-generating units. A deviation from the forecasted revenue development of one percentage point would not lead to 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.

The FRIEDRICH VORWERK Group's capitalised development expenses in the financial year amounted to €372 thousand (previous year: €413 thousand).

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 2023:

Rights-of-use assets	31 Dec 2023 €k	31 Dec 2022 €k
Land and buildings	407	199
Technical equipment and machinery	2,469	4,385
Other equipment, operating and office equipment	103	388
Total	**2,980**	**4,971**

The rights-of-use assets presented separately here are also included in the statement of changes in non-current assets in note II.1. Additions to rights-of-use assets amounted to €486 thousand in the 2023 financial year (previous year: €710 thousand), of which €0 thousand (previous year: €14 thousand) are attributable to business combinations.

5. Financial assets

Financial assets	31 Dec 2023 €k	31 Dec 2022 €k
Equity investments	10,591	17,072
Investment securities	2,068	2,560
Other loans	0	627
Carrying amount as at 31 Dec	**12,659**	**20,259**

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

Securities	31 Dec 2023 €k	31 Dec 2022 €k
Carrying amount as at 1 Jan	**2,560**	**3,295**
Additions in the period	0	1,152
Disposals in the period	-794	-896
Remeasurement	302	-991
Carrying amount as at 31 Dec	**2,068**	**2,560**

At-equity financial assets	31 Dec 2023 €k	31 Dec 2022 €k
Carrying amount as at 1 Jan	**17,072**	**8,469**
Proportionate annual results	9,353	17,977
Reversal of hidden reserves	0	-84
Distributions	-15,834	-9,290
Carrying amount as at 31 Dec	**10,591**	**17,072**

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 2023 financial year.

Working groups	Shareholding in %
(BRU) ARGE LNG Brunsbüttel	50.00%
(442) ARGE EGL 442	58.00%
(KAN) ARGE Konverter A-Nord	33.33%
(ELB) ARGE Elbchaussee 1. BA	36.00%
(KTM) ARGE Kabeltrasse Mehringen	45.00%
(GSH) ARGE Kabeltrasse GSH	40.00%
(3BA) ARGE NWKG 3. BA	50.00%
(KT3) ARGE Kabeltrasse A310	50.00%
(ZEE) Roof ARGE ZEELINK Lot 3 - (to) 5	25.00%
(DOW) ARGE DOW Ohrensen K28	50.00%

The financial information on these working groups for the 2023 financial year is presented at 100%.

Working group	Revenue €k	Non-current assets €k	Current assets €k	thereof cash funds €k	Non-current liabilities €k	Current liabilities €k
(BRU)	211,391	0	271,758	9,422	0	257,653
(442)	12,899	38	153,422	3,202	0	133,965
(KAN)	11,501	0	6,799	3,732	0	6,345
(EFA)	6,894	0	1,270	150	0	1,274
(KTM)	6,405	0	8,422	1,054	0	7,399
(GSH)	5,259	1,263	72,162	1,318	0	64,769
(3BA)	4,612	6	3,451	1,203	0	3,313
(KT3)	4,436	21	5,422	38	0	5,744
(ZEE)	3,537	0	257	0	0	411
(DOW)	2,607	0	4,414	820	0	3,992

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 losses were recognised in either the reporting year or the previous year. Income from securities (dividends) of €8 thousand (previous year: €46 thousand) was generated in the financial year and is reported in other operating income.

6. Inventories

Inventories	31 Dec 2023 €k	31 Dec 2022 €k
Raw materials and supplies	7,241	10,165
Work in progress	7	100
Carrying amount as at 31 Dec	**7,249**	**10,266**

Impairment losses of €4 thousand were recognised on inventories during the reporting period (previous year: €16 thousand). Impairment losses on inventories were not reversed in the reporting period (previous year: €13 thousand).

7. Trade receivables

	31 Dec 2023 €k	31 Dec 2022 €k
Trade receivables	20,757	20,476
Receivables from working groups	18,838	1,301
less specific valuation allowances	-2,105	-4,081
less expected credit loss	-59	-13
Carrying amount as at 31 Dec	**37,431**	**17,683**

The total amount of trade receivables is 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 2023 €k	31 Dec 2022 €k
Gross contract assets	411,440	313,588
thereon advance payments	-345,266	-218,159
Contract assets	**66,174**	**95,428**
Contract liabilities (incl. advance payments)	25,541	7,296

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

The amount of €6,513 thousand included in contract liabilities at 31 December 2022 has been recognised as revenue in 2023.

9. Other current assets

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

	31 Dec 2023 €k	31 Dec 2022 €k
Tax receivables	3,600	4,246
Receivables from personnel	1,319	1,254
Prepaid expenses	303	263
Other current assets	973	1,994
Carrying amount as at 31 Dec	**6,194**	**7,756**

Tax receivables consist of corporate income tax and trade tax refunds of €3,519 thousand (31 December 2022: €4,180 thousand) and input tax refund claims of €81 thousand (31 December 2022: €66 thousand). Receivables from personnel are essentially for employee loans.

10. Equity

With regard to the development of equity, please refer to the separate appendix "Consolidated statement of changes in equity" to these notes.

10.1 Issued capital

The issued capital of Friedrich Vorwerk Group SE amounts to €20,000 thousand as at 31 December 2023 (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 conditional 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' preemption 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 reserve

Capital reserves as at the end of the reporting period remain unchanged at €76,204 thousand (31 December 2022: €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 reserves

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 contains the profits generated by the FRIEDRICH VORWERK Group less the dividends distributed. A dividend of €0.12 per entitled share, which was resolved by the Annual General Meeting on 1 June 2023, was paid in the 2023 financial year.

10.4 Non-controlling interests

In the reporting year, the shareholdings in Gottfried Puhlmann GmbH and Gottfried Puhlmann GmbH Havelländische Bauunternehmung were increased to 100%, so that as at the end of the reporting period there were only non-controlling interests in 5C-Tech GmbH, which was newly founded in the reporting year.

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 113 people benefiting from the pension plan as at 31 December 2023 (31 December 2022: 115). The pension agreement is closed, meaning that no further occupational pension agreements are entered into for new hires.

	31 Dec 2023 €k	31 Dec 2022 €k
Pension provisions at the beginning of the period	**1,991**	**2,727**
Utilisation	-114	-121
Addition to provisions (service cost)	14	21
Addition to provisions (interest cost)	61	28
Actuarial gains (-)/losses (+)	38	-659
Other changes	0	-6
Pension provisions at the end of the period	**1,990**	**1,991**
- Plan assets	0	0
Pension provision recognised in the statement of financial position	**1,990**	**1,991**

The following actuarial assumptions were applied:

	2023	2022
Actuarial interest rate	3.64% - 3.69%	3.12% - 3.17%
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 statement of comprehensive income are as follows:

	31 Dec 2023 €k	31 Dec 2022 €k
Addition to provisions (service cost)	-14	-21
Addition to provisions (interest cost)	-61	-28
Total	**-75**	**-49**

The expected pension payments from the pension plans for 2024 amount to €123 thousand.

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

		Impact on DBO	
	Change in assumption	Increase in assuption	Reduction in assumption
Interest rate	0.25%	-2.9%	+3.0%
Pension groth rate	0.25%	0.3%	-0.3%
Life expectancy	1 year	4.0%	-4.1%

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 2023	Up to 1 year €k	More than 1 year and up to 5 years €k	Over 5 years €k	Total €k
Liabilities to banks	2,370	7,755	2,577	12,702
Trade payables	3,695	0	0	3,695
Provisions with liability character	25,100	0	0	25,100
Other liabilities	19,221	0	0	19,221
Contract liabilities	25,541	0	0	25,541
Lease liabilities	2,267	1,322	42	3,631
Liabilities to non-controlling interests	1,821	0	6,591	8,412
Liabilities from participation rights	0	0	10,213	10,213
As at 31 Dec 2023	**80,015**	**9,077**	**19,423**	**108,516**

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**

Liabilities to banks have both fixed and variable interest rates between 0.65% and 4.51% (previous year: 0.65% and 3.29%). The weighted average interest rate for 2023 is 1.28% (previous year: 1.02%).

Land charges with a value of €22,696 thousand as at the reporting date (31 December 2022: €16,180 thousand) were provided as collateral for liabilities to banks.

Trade payables include liabilities to MBB SE of €0 thousand (31 December 2022: €104 thousand).

As at the end of reporting period, there is profit participation capital of €10,213 thousand (31 December 2022: €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 the profit participation rights was 6.0% in the reporting period (previous year: 3.5%). 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 2023 €k	31 Dec 2022 €k
Current		
Value added tax	7,089	3,911
Working groups	8,946	14,725
Other loans	200	0
Wage tax	1,413	1,198
Social security benefits	539	1,162
Wages and salaries	120	552
Debtors with credit balances	302	829
Other	611	380
Total	**19,221**	**22,757**

14. Provisions

14.1 Other provisions

Current provisions and provisions with the liability character are composed as follows:

	31 Dec 2022 €k	Utilisation €k	Reversal €k	Additions €k	31 Dec 2023 €k
Current provisions					
Outstanding invoices	18,239	-18,164	0	18,036	18,111
Holiday	4,593	-4,449	-22	4,882	5,004
Personnel costs	523	-48	0	76	551
Warranty costs	1,860	0	-122	624	2,361
Variable salary and commission	858	-578	-280	343	343
Accounting and audit costs	246	-246	0	398	398
Provision for onerous contracts	315	-315	0	2,093	2,093
Employer‘s liability insurance association	572	-394	-178	586	586
Flexitime	467	-214	0	197	450
Miscellaneous	1,667	-1,172	-128	1,740	2,107
	29,340	**-25,581**	**-731**	**28,976**	**32,004**

	31 Dec 2021 k€	First-time consolidation €k	Reclassification €k	Utilisation €k	Reversal €k	Additions €k	31 Dec 2022 €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
Employer‘s 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**

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 2023 €k	31 Dec 2022 €k
Corporate Income Tax	3,791	5,814
Trade Tax	3,020	5,883
Carrying amount as at 31 Dec	**6,811**	**11,697**

15. Leases

Lease liabilities according to right-of-use asset class	31 Dec 2023 €k	31 Dec 2022 €k
Land and buildings	410	199
Technical equipment and machinery	2,494	4,411
Other equipment, operating and office equipment	104	390
Total	**3,008**	**5,000**

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 2023 €k	31 Dec 2022 €k
Non-current	1,364	2,646
Current	2,267	3,247
Total	**3,631**	**5,893**

The following amounts were recognised in the consolidated statement of comprehensive income in connection with leases in the 2023 and 2022 financial years:

Amounts recognised in the consolidated statement of comprehensive income	2023 €k	2022 €k
Depreciation and amortisation	2,462	3,112
thereof land and buildings	254	211
thereof technical equipment and machinery	1,916	2,334
thereof other equipment, operating and office equipment	292	566
Interest expense	41	43
Expenses for short-term leases	9,874	9,408
Total	**12,377**	**12,562**

The cash outflows for leases (including payments for short-term and low-value leases) amount to €12,860 thousand in the 2023 financial year (previous year: €13,184 thousand).

16. Deferred taxes

Deferred tax assets and liabilities from temporary differences break down as follows as at 31 December 2023 and 31 December 2022:

	31 Dec 2023 €k	31 Dec 2022 €k
Deferred tax assets	9,276	9,029
Deferred tax liabilities	15,513	20,168
Total	**-6,237**	**-11,139**

	31 Dec 2023 €k	31 Dec 2022 €k
Temporary differences from:		
Pension provisions	119	141
Intangible assets	6,259	6,821
Liabilities	2,038	1,845
Property, plant and equipment	1,219	1,199
Provisions	640	113
Receivables	731	730
Other	44	39
Netting	-1,776	-1,859
Deferred tax assets	**9,276**	**9,029**

	31 Dec 2023 €k	31 Dec 2022 €k
Temporary differences from:		
Receivables	10,834	12,224
Securities	50	93
Intangible assets	8	14
Property, plant and equipment	2,766	3,437
Financial assets	3,074	4,959
Liabilities	0	123
Inventories	557	1,177
Netting	-1,776	-1,859
Deferred tax liabilities	**15,513**	**20,168**

III. Notes to the statement of comprehensive income

1. Revenue

Revenue amounts to €373,355 thousand in the 2023 financial year (previous year: €368,161 thousand).

The following table shows a breakdown of revenue by region:

Region	2023 €k	2022 €k
Germany	361,797	349,926
Europe excluding Germany	8,645	16,033
Miscellaneous	2,913	2,201
Total	**373,355**	**368,161**

15.2% of revenue (previous year: 16.9%) 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 €1,000.8 million as at 31 December 2023, which is broken down by segment as follows:

Segment	31 Dec 2023 €k	31 Dec 2022 €k
Natural Gas	83,804	104,394
Electricity	806,711	51,639
Clean Hydrogen	14,094	21,196
Adjacent Opportunities	96,194	137,862
Total	**1,000,803**	**315,091**

2. Income from equity investments

	2023 €k	2022 €k
Net income from equity investments recognised in financial assets	9,353	17,977
Net income from equity investments recognised in receivables and liabilities	5,387	-1,920
Total	**14,740**	**16,057**

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

	2023 €k	2022 €k
Income from offsetting remuneration in kind	1,379	1,180
Income from own work capitalised	1,234	1,429
Income from rentals and leasing	1,014	1,004
Income from the reversal of provisions	731	2,285
Income from insurance compensation	394	242
Income from refunds	342	283
Income from asset disposals	203	224
Income from securities	8	332
Prior-period income	5	5
Income from other items	2,026	709
Total	**7,336**	**7,694**

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

4. Cost of materials

	2023 €k	2022 €k
Cost of raw materials and supplies	-46,864	-33,872
Cost of purchased services	-150,009	-154,711
Total	**-196,874**	**-188,582**

5 Staff costs

	2023 €k	2022 €k
Wages and salaries	-97,976	-89,914
Social security contributions	-28,816	-28,617
Other staff costs	-1,205	-704
Total	**-127,997**	**-119,235**

6. Other operating expenses

	2023 €k	2022 €k
Rental agreements and leasing	-9,874	-9,408
Maintenance expenses	-8,432	-8,476
Travel costs / vehicle costs	-4,112	-3,132
Insurance	-1,822	-1,325
Other personnel-related expenses	-1,776	-1,449
Loss of receivables and bad debt allowances	-1,435	-148
Education and training	-989	-717
Legal and consulting	-973	-953
Contributions and fees	-914	-1,295
Costs for telephone, post and data communication	-487	-590
Advertising costs	-343	-359
Office supplies	-264	-269
Expenses from derivative financial instruments	-149	0
Ancidental costs for monetary transactions	-84	-88
Foreign currency losses	-19	-13
Prior-period expenses	0	-2
Miscellaneous other operating expenses	-6,818	-5,781
Total	**-38,492**	**-34,004**

7. Finance income

	2023 €k	2022 €k
Other interest and similar income	301	34
Total	**301**	**34**

8. Finance expenses

	2023 €k	2022 €k
Bank interest	-284	-366
Interest expense from pensions	-61	-28
Interest expense from leases	-41	-43
Other interest and similar expenses	-712	-524
Total	**-1,097**	**-961**

At the level of Friedrich Vorwerk SE & Co. KG, there are non-controlling interests of 10.1%, which arose as part of the reorganisation of the company structure carried out in 2020. There interests accounted for a result of €0.4 million in the reporting period (previous year: €2.0 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 28.5% (previous year: 28.7%). The future local tax rate is applied when recognising deferred taxes.

As at 31 December 2023, the following tax loss carryforwards exist, for which no deferred tax assets were recognised in the financial year, as in previous years:

	2023 €k	2022 €k
Trade Tax	17,770	17,003
Corporate Income Tax	8,942	9,075

The reconciliation of income tax expense and the accounting net profit multiplied by the applicable tax rate of the Group for the financial years 2023 and 2022 is as follows:

	2023 €k	2022 €k
Corporate Income Tax	-4,286	-3,401
Trade Tax	-2,649	-5,578
Deferred taxes	4,891	-4,267
Total	**-2,044**	**-13,246**

	2023 €k	2022 €k
Consolidated net profit before income taxes	12,316	30,060
Income tax expense	-2,044	-13,246
Current tax rate	**16.6%**	**44.1%**

	2023 €k	2022 €k
Earnings before taxes (EBT)	12,733	30,453
Other taxes	-417	-393
Applicable (statutory) tax rate	29.1%	29.1%
Expected tax expense	**3,587**	**8,755**
Effects of non-deductible expenses and tax-exempt income	-436	268
Taxes relating to other periods	243	2,482
Effects due to the utilisation and addition of loss carryforwards	-303	1,708
Other tax effects	-1,046	33
Actual income tax expense	**2,044**	**13,246**

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:

	2023	2022
Result attributable to the holders of ordinary shares (in €)	10,148,883	17,139,108
Weighted average number of ordinary shares (undiluted, in shares)	20,000,000	20,000,000
Earnings per share (in €)	**0.51**	**0.86**

IV. Segment reporting

1. Information by segment

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 operating 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 2023	Natural Gas €k	Electricity €k	Clean Hydrogen €k	Adjacent Opportunities €k	Reconcili-ation €k	Group €k
Revenue from third parties	165,135	62,908	26,074	119,239	0	373,355
Earnings (EBIT)	**5,026**	**4,490**	**4,145**	**438**	**-185**	**13,913**
EBIT margin (in %)	3.0%	7.1%	15.9%	0.4%		3.7%
Revenue share	44.2%	16.8%	7.0%	31.9%		

1 Jan – 31 Dec 2022	Natural Gas €k	Electricity €k	Clean Hydrogen €k	Adjacent Opportunities €k	Reconcili-ation €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%		

Reconciliation of EBIT to consolidated net profit	2023 €k	2022 €k
Total EBIT of the segments	**14,098**	**33,677**
Reconciliation to Group EBIT	-185	-251
Net finance costs	-1,181	-2,973
EBT	12,733	30,453
Income tax expense	-2,044	-13,246
Other taxes	-417	-393
Non-controlling interests	-124	325
Consolidated net profit	**10,149**	**17,139**

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 period, there were no customers (previous year: one) from which the revenue amounted to more than 10% of the Group's revenue.

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	Current liabilities to banks	Non-current lease liabilities	Current lease liabilities	Other loans	Total
	€k	€k	€k	€k	€k	€k
Statement of financial position as at 1 Jan 2022	**15,295**	**3,689**	**5,979**	**3,024**	**0**	
Proceeds	0	4,997	0	0	0	4,997
Repayments	-2,375	-6,307	0	-3,777	0	-12,458
Cash-effective changes	**-2,375**	**-1,310**	**0**	**-3,777**	**0**	**-7,461**
Reclassifications	-9	9	-3,752	3,752	0	0
Changes in the scope of consolidation	0	0	2	24	0	25
New leases	0	0	418	224	0	642
Non-cash changes	**-9**	**9**	**-3,333**	**4,000**	**0**	**667**
Statement of financial position as at 31 Dec 2022	**12,912**	**2,388**	**2,646**	**3,247**	**0**	
Proceeds	0	13,971	0	0	1,400	15,371
Repayments	-2,601	-13,971	0	-2,986	-1,200	-20,758
Cash-effective changes	**-2,601**	**0**	**0**	**-2,986**	**200**	**-5,387**
Reclassifications	22	-22	-1,432	1,432	0	0
Accrued interest	0	3	0	0	0	3
New leases	0	0	151	590	0	740
Derecognitions	0	0	0	-16	0	-16
Non-cash changes	**22**	**-19**	**-1,281**	**2,006**	**0**	**728**
Statement of financial position as at 31 Dec 2023	**10,333**	**2,370**	**1,364**	**2,267**	**200**	

VI. Additional disclosures on financial instruments

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

31 Dec 2023 €k	Classification according to IFRS 9 [1]	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Assets						
Investment securities	FVTOCI	2,068	2,068			2,068
(31 Dec 2022)		2,560	2,560			2,560
Trade receivables	AC	37,431				
(31 Dec 2022)		17,683				
Other assets [2]	AC	2,119				
(31 Dec 2022)		2,926				
Non-hedge derivatives	FVTPL	172		172		172
(31 Dec 2022)		321		321		321
Cash funds	AC	56,530				
(31 Dec 2022)		45,876				
Liabilities						
Liabilities to banks	FLaC	12,702		12,084		12,084
(31 Dec 2022)		15,300		14,271		14,271
Liabilities from participation rights	FLaC	10,213		13,845		13,845
(31 Dec 2022)		10,213		13,607		13,607
Trade payables	FLaC	3,695				
(31 Dec 2022)		10,784				
Other loans	FLaC	200				
(31 Dec 2022)		0				
Other liabilities [2]	FLaC	8,946				
(31 Dec 2022)		14,725				
Provisions with liability character	FLaC	25,100				
(31 Dec 2022)		24,640				
Liabilities to non-controlling interests	FLaC	8,412				
(31 Dec 2022)		9,355				
Aggregated according to category						
Financial assets	AC	96,081				
Financial assets	FVTOCI	2,068				
Financial assets	FVTPL	172				
Financial liabilities	FLaC	69,269				

1) AC: amortised cost; FLaC: financial liabilities at amortised cost; FVTPL: fair value through profit and loss; FVTOCI: fair value through other comprehensive income
2) Other assets and liabilities that are not financial assets or liabilities are not included.

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.

There were no changes between levels in either the current financial year or the previous financial year.

The following tables show the measurement methods used to determine fair values.

Financial instruments measured at fair value

Financial instrument	Valuation technique	Material, unobservable input factors	Relationship between key unobservable input factors and fair value measurement
Securities	The fair value is based on the market price of equity and debt instruments as at 31 December 2023.	Not applicable	Not applicable
Interest rate swaps	The fair value is calculated as the present value of the estimated future cash flows.	Not applicable	Not applicable

Financial instruments not measured at fair value

Financial instrument	Valuation technique
Liabilities to banks Liabilities from participation rights	Discounted cash flows: the valuation model takes into account the present value of the expected payments, discounted using a risk-adjusted discount rate.

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 €96,029 thousand in the year under review (31 Dec 2022: €66,119 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 every six months. The cost of capital, the collateral provided, open credit lines and available credit facilities are reviewed.

The capital structure in the reporting year is as follows:

	31 Dec 2023	31 Dec 2022
Equity in €k	171,542	163,181
- in % of total capital	55.1%	53.0%
Liabilities in €k	139,734	144,898
- in % of total capital	44.9%	47.0%
Current liabilities in €k	93,730	90,147
- in % of total capital	30.1%	29.3%
Non-current liabilities in €k	46,004	54,751
- in % of total capital	14.8%	17.8%
Net gearing ratio*	-0.2	-0.2

* Calculated as financial liabilities less cash funds in relation 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 €963 thousand (previous year: €1,313 thousand). There were hedges in the form of three interest rate swaps with a nominal volume of €3,531 thousand and two interest rate floors with a nominal volume of €3,000 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 €23 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 2023 affect the future liquidity situation of the Group.

31 Dec 2023		Undiscounted cash flows		
	Carrying amount as at 31 Dec 2023	Up to 1 year	More than 1 year and up to 5 years	Over 5 years
Type of liability	€k	€k	€k	€k
Liabilities to banks	12,702	2,606	8,046	2,624
Liabilities from participation rights	10,213	637	2,481	17,736
Trade payables	3,695	3,695	0	0
Other loans	200	200	0	0
Other financial liabilities	8,946	8,946	0	0
Liabilities to non-controlling interests	8,412	1,821	0	6,591
Lease liabilities	3,631	2,298	1,346	52
Total	**47,801**	**20,204**	**11,872**	**27,004**

31 Dec 2022		Undiscounted cash flows		
	Carrying amount as at 31 Dec 2022	Up to 1 year	More than 1 year and up to 5 years	Over 5 years
Type of liability	€k	€k	€k	€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 charge of Finance, Controlling and Human Resources.

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 President of the Board of Directors of Axel Springer Beteiligungen AG, Switzerland (until June 2023), member of the Board of Directors of Axel Springer Schweiz AG, Switzerland, member of the Supervisory Board of Digital Classifieds France SAS, France (until August 2023), and a 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 €0.6 million in the financial year (previous year: €0.9 million), while the remuneration granted to members of the Supervisory Board amounted 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 parties

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:

	2023 €k	2022 €k
Salaries and other short-term benefits	697	1,006
Total	**697**	**1,006**

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

Management Board

As at the end of the reporting period, there was an arm's length lease with KLEH Immobilien GmbH & Co. KG for residential space for Friedrich Vorwerk SE & Co. The total transactions in the 2023 financial year from this rental agreement amounts to €22 thousand (previous year: €26 thousand). The balance as at the end of the reporting period from transactions with KLEH Immobilien GmbH & Co. KG amounts to €0 thousand (previous year: €0 thousand). KLEH Immobilien GmbH & Co. KG is attributed to the Chairman of the Management Board of Friedrich Vorwerk Group SE.

Please also refer to the information on the remuneration 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-group.de/en/investor-relations/corporate-governance/ veröffentlicht.

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.

As at the end of the reporting period, there was a consultancy agreement at standard market conditions with MBB SE as the contractor. The total transactions in the 2023 financial year amounted to €560 thousand (previous year: €560 thousand). In addition, costs for D&O insurance, IT systems and other services amounting to €63 thousand (previous year: €63 thousand) were charged to the FRIEDRICH VORWERK Group by MBB SE. The total balance as at the end of the reporting period with MBB SE was €0 thousand (previous year: €63 thousand).

The FRIEDRICH VORWERK Group has commissioned DTS Systeme GmbH, an indirect subsidiary of MBB SE, to provide various IT-specific services at standard market conditions. The total of the transactions in the 2023 financial year amounts to €156 thousand (previous year: €115 thousand). As at the end of the reporting period, a total balance of €0 thousand (previous year: €115 thousand) was outstanding.

The FRIEDRICH VORWERK Group has commissioned Aumann AG, a subsidiary of MBB SE, to provide recruiting services at standard market conditions. The total of the transactions in the 2023 financial year amounted to €40 thousand (previous year: €0 thousand). As at the end of the reporting period, a total balance of €0 thousand (previous year: €0 thousand) was outstanding.

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	2023 Headcount	2022 Headcount
Technical staff and employees	1,681	1,644
Total	**1,681**	**1,644**

As at the end of the reporting period	31 Dec 2023 Headcount	31 Dec 2022 Headcount
Technical staff and employees	1,695	1,657
Total	**1,695**	**1,657**

The FRIEDRICH VORWERK Group has 119 trainees and persons in dual study programmes (previous year: 121), which are not included in the above employee figures.

5. Auditor's fees

The auditor’s fees recognised in the 2023 and 2022 financial years break down as follows:

	2023 €k	2022 €k
Audit services	222.5	192.5
Tax advisory services	0.0	0.0
Other assurance services	0.0	0.0
Other services	0.0	0.0
Total	**222.5**	**192.5**

6. Events after the end of the reporting period

On 29 February 2024, Friedrich Vorwerk SE & Co. KG acquired 100% of the shares in Seyde und Coburg Kathodischer Korrosionsschutz GmbH, based in Ludwigsfelde. Seyde und Coburg generates profitable annual revenue of around €1.0 million.

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 of property, plant and equipment in 2023 that have not been delivered and / or invoiced as at 31 December 2023.

The off-balance sheet obligations as at 31 December 2023 and in the previous period are as follows

Other financial obligations	31 Dec 2023 €k	31 Dec 2022 €k
Up to one year	4,317	3,444
More than one year and up to five years	41	58
Over five years	0	0
Total	**4,358**	**3,502**

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 18 March 2024. It is part of the summarised management and Group management report and is published on the Internet at www.friedrich-vorwerk-group.de/de/investor-relations/corporate-governance.

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 2023 to 15 March 2024:

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 the 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 the 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.

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 the voting rights on 9 March 2023 and amounted to 2.96% (591,459 voting rights) on this date. 2.96% (591,459 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 exceeded the threshold of 3% of the voting rights on 10 March 2023 and amounted to 3.37% (674,809 voting rights) on this date. 3.37% (674,809 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 the voting rights on 12 April 2023 and amounted to 2.30% (460,860 voting rights) on this date. 2.30% (460,860 voting rights) were indirectly attributable to M&G plc 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 dropped below the threshold of 3% of the voting rights on 13 June 2023 and amounted to 3.00% (599,353 voting rights) on this date. 3.00% (599,353 voting rights) were indirectly attributable to KBI Global Investors Ltd. in accordance with section 34 WpHG.

AVGP Limited, St. Helier, Jersey, notified us that its share of voting rights in Friedrich Vorwerk Group SE dropped below the threshold of 3% of the voting rights on 29 November 2023 and amounted to 0.07% (13,586 voting rights) on this date. 0.07% (13,586 voting rights) were indirectly attributable to AVGP Limited 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-group.de.

13. Exemption from disclosure requirements

In accordance with section 264b HGB, Friedrich Vorwerk SE & Co. KG, Tostedt, is exempt from the obligation to disclose its annual financial statements for the 2023 financial year.

Tostedt, 18 March 2024

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, 18 March 2024

Torben Kleinfeldt	Tim Hameister
CEO	CFO

Independent Auditor's Report

To Friedrich Vorwerk Group SE:

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 bstatement of financial position as at 31 December 2023, 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 2023 to 31 December 2023, and notes to the consolidated financial statements, including the description of 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 2023 to 31 December 2023. In accordance with the German legal requirements, we have not audited the content of the components listed in the "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, in compliance with these requirements, give a true and fair view of the financial position of the Group as at 31 December 2023 and of its financial performance for the financial year from 1 January 2023 to 31 December 2023, 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 2023 to 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and 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

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

We present the key audit matters below:

Revenue recognition from construction contracts and projects

1. A significant portion of the Group's business activities is conducted via construction contracts and projects. The recognition of revenue in accordance with IFRS 15 is dependent on the fulfilment of the performance obligation and must be evaluated on the basis of the underlying contracts. Due to its complexity, revenue recognition is an area with a significant risk of material misstatement (including the potential risk of managers circumventing controls) and is therefore a key audit matter. The Group's revenue amounted to €373,355 thousand in 2023. €66,174 thousand in contract assets and €25,541 thousand in contract liabilities from construction contracts and projects were reported as at 31 December 2023.
2. In order to address this risk, we critically assessed management's assumptions and estimates and performed the following audit procedures, among others:
   - As part of our audit, we analysed the internally defined methods, procedures and control mechanisms for project management in the bidding and execution phase of construction contracts. In addition, we assessed the design and effectiveness of the accounting-related internal controls by reviewing contract-specific transactions from their origination to their presentation in the consolidated financial statements and by testing controls.
   - We assessed the estimates and assumptions made by the legal representatives on the basis of random samples selected on a risk-oriented basis as part of our case-by-case audit. Our audit procedures included, among other things, a review of the contractual basis and contractual conditions, including contractually agreed provisions on partial deliveries or services, cancellation rights, default and contractual penalties and damages. For the selected projects, we also examined the revenue recognisable as at the reporting date and the related cost of sales to be recognised in income statement based on the percentage of completion and the accounting treatment of the related balance sheet items in order to assess the determination of income for the period.
   - Furthermore, we conducted interviews with project management (both commercial and technical project managers) on the development of the projects, the reasons for deviations between planned costs and actual costs, the current assessment of the costs expected to be incurred until completion and the assessments of the legal representatives on possible contract risks.

     Our audit procedures did not lead to any reservations relating to the realisation of revenue from construction contracts.
3. The Company's disclosures on the accounting policies applied in the context of recognising construction contracts are included in Note I.4.17 of 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 group report in accordance with section 315b HGB in conjunction with section 289b HGB and all references thereto,
- the remaining parts of the Annual Report (in particular the report of the Supervisory Board), with the exception of the audited consolidated financial statements and the combined group management report and our auditor's report, and
- the responsibility statement in accordance with section 297 (2) sentence 4 HGB for the consolidated financial statements and the responsibility statement in accordance with section 315 (1) sentence 5 HGB for 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, our responsibility is 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, with the audited group management report or our knowledge obtained in the audit, or
- otherwise appear to be materially misstated.

Responsibility of the legal representatives and the Supervisory Board for the consolidated financial statements and the combined group management report

Management is responsible for the preparation of the consolidated financial statements that 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 that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the financial position and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e. manipulation of accounting system or misstatement) or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. Furthermore, they are responsible 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 are factual or legal circumstances to the contrary.

Furthermore, management is 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, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined 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 combined 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 summarised Group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined 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 combined 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 opinions on the consolidated financial statements and on the combined 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 Audit Regulation 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 the combined group management report.

During the audit, we exercise professional judgement and maintain professional scepticism. Furthermore we:

- identify and assess the risks of material misstatement of the consolidated financial statements and of the combined group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. 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, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the 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 these systems;

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

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

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the financial position and financial performance of the Group in compliance 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 financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined group management report. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions;

- evaluate the consistency of the combined group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides;

- perform audit procedures on the prospective information presented by the executive directors in the combined group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management 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 opinion on the forward-looking statements or on the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

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 provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the audit of the Electronic Reproduction of the Consolidated Financial Statements and the Combined Group Management Report prepared for publication purposes in accordance with section 317 (3a) HGB

Audit judgement

We have performed an assurance engagement in accordance with section 317 (3a) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the combined group management report (hereinafter also referred to as "ESEF documents") contained in the attached file "Vorwerk_SE_IFRS_2023" 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 extends to the conversion of the information contained in the consolidated financial statements and the combined group management report into the ESEF format and therefore does not extend to the information contained in these reproductions or any other information contained in the file mentioned above.

In our opinion, the reproduction of the consolidated financial statements and the combined group management report contained in the above-mentioned attached file and prepared for publication purposes complies in all material respects with the requirements of section 328 (1) HGB for the electronic reporting format. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and on the accompanying combined group management report for the financial year from 1 January 2023 to 31 December 2023 contained in the "Report on the audit of the consolidated financial statements and the combined group management report" above, we do not express any audit opinion on the information contained in these reproductions or on the other information contained in the above-mentioned file.

Basis for the audit opinion

We conducted our audit of the reproduction 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 the IDW Auditing Standard: Audit of the Electronic Reproductions of Financial Statements and Management Reports Prepared for the Purposed of Disclosure in accordance with section 317 (3a) HGB (IDW PS 410 (06.2022)). Our responsibilities under those requirements are further described in the "Group Auditor's Responsibility for the Assurance Engagement on the ESEF documents" section. Our audit practice has applied the requirements of the IDW Quality Management Standards.

Responsibility of the legal representatives and the Supervisory Board for the ESEF documents

The company's management is responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the combined group management report in accordance with section 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements in accordance with section 328 (1) sentence 4 no. 2 HGB.

Furthermore, the company's management is responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material non-compliance, whether due to fraud or error, with the requirements of section 328 (1) HGB for the electronic reporting format.

The legal representatives of the company are also responsible for submitting the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited combined group management report as well as other documents to be disclosed to the operator of the Federal Gazette.

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

Group Auditor's Responsibility for the Assurance Engagement on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material - intentional or unintentional - non-compliance with the requirements of section 328 (1) HGB. During the audit, we exercise professional judgement and maintain professional scepticism. In addition:

- 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 audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion;

- obtain an understanding of internal control relevant to the audit of the ESEF documentation 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 these controls;

- we assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents fulfils the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable at the reporting date for the technical specification for this file;

- evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited combined group management report;

- we assess whether the labelling of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with Articles 4 and 6 of the Delegated Regulation (EU) 2019/815 in the version applicable at the reporting date provides an adequate and complete machine-readable XBRL copy of the XHTML reproduction.

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

RSM GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft was appointed as auditor by resolution of the Annual General Meeting of the parent company on 1 June 2023. RSM GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft was appointed as auditor by the Supervisory Board on 19 September 2023. Nexia GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft carried out the audit engagement as a successor. We have been the auditor and group auditor of Friedrich Vorwerk Group SE since the 2019 financial year.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the Supervisory Board in accordance with Article 11 of the EU Audit Regulation (audit report).

Other matters - use of the auditor’s report

Our audit opinion should always be read in conjunction with the audited consolidated financial statements, the audited combined group management report and the audited ESEF documents. The consolidated financial statements and the combined group management report converted into the ESEF format - including the versions to be filed in the Unternehmensregister [German Federal Gazette] - are merely electronic reproductions of the audited consolidated financial statements and the audited combined group management report and do not replace them. In particular, the ESEF report and our audit opinion contained therein can only be used together with the audited ESEF documents provided in electronic form.

RESPONSIBLE AUDITOR

The German Public Auditor responsible for the engagement is Philip Elpel.

Düsseldorf, 18 March 2024

Nexia GmbH

Wirtschaftsprüfungsgesellschaft

Steuerberatungsgesellschaft

Grote
Wirtschaftsprüfer
[German Public Auditor]

Elpel
Wirtschaftsprüfer
[German Public Auditor]

Financial calendar

Annual Report 2023
26 March 2024

Quarterly report Q1 2024
15 May 2024

Annual General Meeting
3 June 2024

Half-year financial report 2024
14 August 2024

Quarterly report Q3 2024
14 November 2024

End of financial year
31 December 2024

Conferences

Berenberg European Conference, Manhattan
23 May 2024

Berenberg and Goldman Sachs German Corporate Conference, Munich
24 September 2024

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Legal notice

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