

BUSINESS PRINCIPLES THE FREUDENBERG GROUP

FREUDENBERG – A DIVERSIFIED FAMILY ENTERPRISE

1. The Freudenberg Group is a very widely diversified enterprise. It developed organically, by seizing favorable opportunities – like the invention of the Simmer ring and of nonwovens in the thirties – and by systematic expansion of its business activities – like the thrust into foreign markets undertaken during the fifties.
2. The Freudenberg Group must remain a one-hundred-percent family enterprise. This means a high equity capitalization of at least 40 % is essential. This in turn necessitates not only adequate profitability, but also a proper balance between capital investments and cash flow.

Today, the lines of business operating within the group are very different in terms of their markets, their technologies, and other special features. However, about three-quarters of our sales go to customers from the processing industries – and there is thus a shared core of business thinking.

The Freudenberg Group must remain broadly diversified; it is this structure which lends it its valuable stability. In belonging to the group as a whole, the various business operations gain a special, shared identity and a support permitting them to gear their strategy to long-term planning.

3. The group is open to joint ventures with other companies, if these will usefully complement or further strengthen our business operations. Relationships with our associates in these ventures must be based on fairness and personal trust.
4. The Freudenberg Group has its headquarters at the original Weinheim location, which forms part of its identity, and where substantial resources of knowledge, tradition and infrastructure are gathered in one place. Weinheim is to remain a significant production location in the future as well. This requires that the Weinheim-based facilities, like all the others at home and abroad, hold their own against their competitors in terms of performance and costs.

SUCCESS THROUGH PERFORMANCE AND INNOVATION

5. The measure of the Group's success in its markets and also in its internal structure is stable and upward trending profitability. This is crucial for achieving all other corporate goals in a wider social context.
6. Healthy growth is essential for the company's long-term survival. Maximized performance targeting customers' needs is the vital factor for success here. Structures and action must be geared to this objective.
7. Successful innovation for products and processes, in sales, in administration, and in the forms of cooperation will secure Freudenberg's future. Innovation demands receptiveness to new ideas. To turn innovation into successful business, customer-responsiveness and maximized competitive thrust are indispensable.
8. The group shall operate only in those lines of business where it is the market leader in the relevant market, or is placed a good second, – or at least has a very plausible chance of achieving this.

Where the group is operating in global or continental- scale markets, it must pursue the objective of being market leader, by the presence of its sales organization and (if necessary) by production companies in all important countries as well.

MANAGEMENT PRINCIPLES

9. To ensure the success of our diversified group, the organizational and management structure has to be based on broad entrepreneurial freedom of action for the managers and on placing the appropriate trust in all our staff.

Dealings between those employed in the Freudenberg Group must be marked by mutual respect, understanding and trust. Individualism, with a high degree of delegated responsibility, coupled with a minimum of necessary formalized rules, must characterize the group's special corporate style.

The professional advancement of its staff is a traditional concern in the Freudenberg Group, and a crucial factor in its success. Special priority is accordingly attached to staff training, and to international staff exchange schemes. We grant our staff, women and men alike, equal opportunities in terms of career advancement and delegation of responsibilities in all functions.

The Freudenberg Group has social responsibilities to all its staff, both in

Germany and abroad. No one single standard can be applied here: what is needed is a flexible response attuned to the laws, customs, needs and possibilities obtaining in each individual country. Discrimination and exploitation of the weak and helpless have no place in our company.

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

- We, too, have to hold our own against fierce competition. Success has to come from performance; we shall not agree to any business where illegal or unethical means are utilized.
- We will not manufacture any products intended for harming people (e.g. weapons).
- A responsible attitude to the environment and the safety of our staff are important corporate objectives, and must not be restricted to letter-of-the-law compliance with the relevant statutory requirements.

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Editorial Information

Freudenberg Group
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69469 Weinheim, Germany

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Corporate Communications
Phone: +49 6201 80 0
corporate.communications@freudenberg.com
www.freudenberg.com

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