2011 Annual Report

Freudenberg Group

Freudenberg

Freudenberg is at home in many markets and applications all over the world – with 16 Business Groups in 58 countries, and a presence that goes back more than 160 years. As a supplier and development partner, the Group uses its wealth of technological expertise to create tailor-made solutions for its customers.

Seals, vibration control components, filters, nonwovens, surface treatment products, medical device components, mechatronic products, release agents, specialty lubricants, household products, software solutions and IT services – Freudenberg products are often invisible and always indispensible – in the automotive industry, the mechanical and plant engineering sector, the consumer business, the textile and apparel industry, and the key future markets of medical technology, the oil and gas industry, civil aviation, rail and commercial vehicles, renewable energies and filtration.

We have pleasure in presenting some examples in this Annual Report.

Highlights

FREUDENBERG GROUP [1]	2007	2008	2009	2010	2011
Sales [€ million]					
Germany	1,325	1,275	961	1,195	**1,370**
EU (excluding Germany)	1,839	1,768	1,440	1,639	**1,754**
Other European countries	271	235	186	236	**277**
North America	1,164	953	810	1,132	**1,160**
South/Central America	217	269	232	280	**348**
Asia	431	461	483	877	**962**
Africa/Australia	94	89	89	122	**136**
Total sales	5,341	5,050	4,201	5,481	**6,007**
Consolidated profit or loss	275	176	-250	322	**358**
Cash flow from operating activities	407	393	456	468	**382**
Cash flow from investing activities	-319	-384	-195	-270	**-264**
Depreciation and amortization	256	272	302	255	**248**
Balance sheet total	4,628	4,861	4,688	5,398	**5,734**
Equity	2,140	2,278	2,087	2,560	**2,841**
Personnel expenses	1,592	1,534	1,481	1,606	**1,704**
Workforce (as at Dec. 31)	34,330	32,738	32,142	34,319	**37,031**
Workforce (annual average)	35,060	33,569	31,616	34,200	**36,101**

BUSINESS AREAS	2007	2008	2009	2010	2011
Sales [€ million]					
Seals and Vibration Control Technology	3,008	2,846	2,226	3,112	**3,464**
Nonwovens	1,034	997	911	1,079	**1,145**
Household Products	650	656	627	677	**687**
Specialties and Others	927	809	688	890	**998**
Workforce (as at Dec. 31)					
Seals and Vibration Control Technology	22,136	20,454	20,757	22,273	**24,150**
Nonwovens	5,550	5,455	5,010	5,020	**5,085**
Household Products	2,348	2,381	2,309	2,347	**3,082**
Specialties and Others	4,296	4,448	4,066	4,679	**4,714**

[1] The figures include all companies in which Freudenberg & Co. owns directly or indirectly 50 % or more of the capital. Shareholdings of 50 % are consolidated to half the amount, shareholdings over 50 % in full.

Freudenberg Group

Parent Company Freudenberg & Co.

Seals and Vibration Control Technology Business Area	Nonwovens Business Area	Household Products Business Area	Specialties and Others Business Area
Business Group	**Business Group**	**Business Group**	**Business Group**
Freudenberg Sealing Technologies	Freudenberg Nonwovens	Freudenberg Household Products	Freudenberg Chemical Specialities
NOK-Freudenberg Group China	Freudenberg Politex Nonwovens		Freudenberg NOK Mechatronics
Freudenberg Oil & Gas	Freudenberg Filtration Technologies		Freudenberg IT
Vibracoustic			Freudenberg New Technologies
Freudenberg Schwab*			**Division**
EagleBurgmann			Freudenberg Service Support
Dichtomatik			Freudenberg Real Estate Management
Helix Medical			

* Since January 1, 2012 Freudenberg Schwab Vibration Control

Freudenberg is a family-owned group of companies active on the global stage. Its 16 Business Groups operate on various markets and in various sectors of industry.

Freudenberg offers its customers in the automotive, mechanical and plant engineering, textile and clothing, construction, mining and heavy industry, energy, chemical, oil and gas sectors tailor-made, innovative technological products and services. Customer groupings also include companies in the medical technology, civil aviation, rail vehicles and semiconductor sectors.

Freudenberg develops and manufactures seals, vibration control technology components, filters, nonwovens, surface treatment products, release agents and specialty lubricants, medical technology, and mechatronic products.

Freudenberg develops software solutions and IT services primarily for small- and medium-sized enterprises. Final users enjoy the benefits of Freudenberg's state-of- the-art household products marketed under the vileda®, O'Cedar®, Wettex®, Gala® and SWASH® brands.

Creativity, quality, diversity and innovative strength are the company's cornerstones. Reliability and responsible conduct rank among the basic values of the company which was founded over 160 years ago. Freudenberg is committed to partnerships with customers, and believes in a long-term orientation, financial solidity and the excellence of over 37,000 associates in 58 countries around the globe.

Freudenberg sees itself as an enterprising corporation. Operative business is the responsibility of stand-alone companies whose management conducts business autonomously. The individual companies belong to one of several Business Groups. The executive bodies of the parent company Freudenberg & Co. Kommanditgesellschaft – the Management Board, the Board of Partners, and the Partners' Meeting – have responsibilities similar to those of the Executive Board, the Supervisory Board and the Shareholders Meeting in German corporations. The parent company's Corporate Functions control, coordinate and monitor the activities of the Freudenberg Group and provide advice and support to Business Groups. The Management Board members are jointly responsible for the leadership of the Freudenberg Group.

Freudenberg is a family company. It is owned by some 320 heirs to the founding father Carl Johann Freudenberg.

Contents

Company Boards

BOARD OF PARTNERS*

Dr. Wolfram Freudenberg, Stuttgart
Chairman of the Board of Partners
Entrepreneur

Dr. Michael Rogowski, Heidenheim
Deputy Chairman of the Board of Partners
Chairman of the Foundation Council
of Hanns-Voith-Stiftung

Dr. Maria Freudenberg-Beetz, Weinheim
Second Deputy Chairman of the
Board of Partners
Biologist

Martin Freudenberg, Heidelberg
Entrepreneur

Dr. Mathias Kammüller, Ditzingen
Managing Partner
TRUMPF GmbH + Co. KG

Prof. Dr. Dieter Kurz, Oberkochen
Former President and CEO
of Carl Zeiss AG

Walter Schildhauer, Stuttgart
Managing Partner
Qn-Yachts GmbH

Dr. Christoph Schücking, Frankfurt am Main
Attorney and Notary Public

Mathias Thielen, Prague, Czech Republic
Chief Financial Officer
GE Money Bank AG

Dr. Emanuel Towfigh, New York, USA
Senior Research Fellow at Max-Planck-Institut and
Attorney

Werner Wenning, Leverkusen
Chairman of the Supervisory Board of E.ON AG

Martin Wentzler, Großhesselohe
Attorney

MANAGEMENT BOARD

Dr. Dr. Peter Bettermann, Weinheim
Speaker
General Partner

Dr. Ralf Krieger, St. Leon-Rot
(from October 1, 2011)

Christoph Mosmann, Mannheim
General Partner

Dr. Mohsen Sohi, Frankfurt am Main
General Partner

Dr. Martin Stark, Weinheim
General Partner

* as at December 31, 2011

MANAGEMENT OF THE BUSINESS GROUPS AND DIVISIONS*

Management	Business Group
Claus Möhlenkamp (Speaker), Dr. Arman Barimani (CTO), Ludger Neuwinger-Heimes (CFO)	Freudenberg Sealing Technologies
Yasuhiro Shimokawa (CEO), Dr. Erek Speckert (CEO)	NOK-Freudenberg Group China
Richard Schmidt (CEO and President), Craig Barnhart (CFO)	Freudenberg Oil & Gas
Hans-Jürgen Goslar (Chairman), Norbert Schebesta (CFO)	Vibracoustic
Thomas Plingen (CEO), Carsten Storm (CFO)	Freudenberg Schwab
Dr. Stefan Sacré (Chairman), Dr. Walter Steinbach (CTO), Jochen Strasser (CFO)	EagleBurgmann
Ludger Patt (Chairman), Thomas Herr (CFO), Thomas Hahn (President Dichtomatik Americas)	Dichtomatik
Dr. Jörg Schneewind (CEO and President), Mike Hawkins (CFO)	Helix Medical
Bruce R. Olson (Chairman), Dr. Frank Heislitz (CTO), Dr. René Wollert (CFO)	Freudenberg Nonwovens
Richard Shaw (Chairman), Dr. Rocco Marsico (CTO), Dr. Riccardo Forni (CFO)	Freudenberg Politex Nonwovens
Dr. Jörg Sievert (Chairman), Dr. Andreas Kreuter (CFO)	Freudenberg Filtration Technologies
Dr. Klaus Peter Meier (Chairman), Arndt Miersch (CTO), Volker Christ (CFO)	Freudenberg Household Products
Hanno D. Wentzler (Chairman), Dr. Jörg Matthias Großmann (CFO)	Freudenberg Chemical Specialities
Bruno Conrath (Speaker), Ludwig Neumann (CTO)	Freudenberg NOK Mechatronics
Olaf Heyden (Speaker), Dr. Sebastian Weiss (CFO), Dieter Kull (COO)	Freudenberg IT
Dr. Jörg Böcking (CEO)	Freudenberg New Technologies

	Division
Dr. Ulf Kürschner (CEO), Volker Kübler (CFO)	Freudenberg Service Support
Martin Obermüller (Speaker), Gerhard Freiwald (CTO), Gerald Reinisch (CFO), Dr. Dirk Mahler	Freudenberg Real Estate Management

* as at December 31, 2011

Report of the Board of Partners

During the 2011 financial year, the Management Board and the Board of Partners held regular and detailed discussions on the progress of the company, its Business Groups and Divisions and major individual business transactions on the basis of oral and written reports from the Management Board. Business policy was agreed in consultation between the two bodies and updated where necessary in joint deliberations. In addition, the Chairman of the Board of Partners discussed current business developments with the members of the Management Board on a regular basis and in a spirit of partnership.

Five meetings of the Board of Partners were held in the 2011 financial year. The global economic and financial situation and its possible impact on the Freudenberg Group were intensively discussed and reappraised in close consultation with the Management Board. The Board of Partners and the Management Board again reaffirmed that the company will continue its profitable growth trajectory on the basis of ethical principles by taking this as the motto for the senior management conference held mid-2011. In this context, the focus lies on expanding business in the growth regions – in particular Asia.

The Board of Partners participated in portfolio decisions and numerous other projects to safeguard the future viability and long-term success of the Group. During the year under review, this related in particular to the reorganization of the sealing business which was combined to form the new Freudenberg Sealing Technologies Business Group effective January 1, 2011, and the envisaged 50:50 joint venture between Vibracoustic and the automotive antivibration business of Trelleborg AB, Trelleborg, Sweden.

Furthermore, the Board of Partners was actively involved in the review of the Group's company law structures – for example, by means of the working group chaired by Dr. Christoph Schücking. The objective is to simplify structures and to turn Freudenberg Beteiligungs-AG, Weinheim, Germany, into an SE, a European public company, under the roof of Freudenberg & Co. Kommanditgesellschaft, Weinheim, Germany. The Partners' Meeting approved this change in the company's structure at the end of June. The employee involvement process that empowers the employees concerned to participate in these changes was launched in the summer. The process is proceeding as planned.

In addition, the Board of Partners coordinated extensive liaison with Partners in the form of regional meetings in various countries.

The Personnel Committee met three times in 2011. The foundations were laid for management succession following the departure of Dr. Dr. Peter Bettermann as Speaker of the Management Board when he steps down having reached retirement age in mid-2012. Dr. Mohsen Sohi will take over the post of Management Board Speaker from July 1, 2012. Dr. Sohi has been a member of the Management Board since May 1, 2010.
Dr. Ralf Krieger was appointed to the Management Board effective October 1, 2011. He was formerly Chief Operating Officer (COO) in the Freudenberg Sealing Technologies Management Board. Christoph Mosmann became a General Partner with effect from July 1, 2011. He has been a member of the Management Board since July 1, 2010.

The Audit Committee met twice in the 2011 financial year. Among other topics, it consulted on the further development of risk management in the Group.

The Consolidated Financial Statements and the Management Report for 2011 were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Mannheim, Germany, and were approved without reservation.
The Board of Partners approved the Consolidated Financial Statements and the Management Report of the Freudenberg Group and the annual financial statements of Freudenberg & Co. Kommanditgesellschaft and, following examination, concurred with the auditor's findings.

Prof. Dr. Wilhelm Simson and Prof. Dr. Hans-Christian von Baeyer both stepped down from the Board of Partners having reached retirement age, and Dr. Ulrich Freudenberg also left the Board of Partners. We would like to thank them for the positive and constructive cooperation. Martin Freudenberg, Walter Schildhauer and Werner Wenning were elected to the Board of Partners.

The Board of Partners expresses its thanks to all employees, the Management Board and the Business Group managing bodies. Their outstanding entrepreneurial dedication, enormous personal commitment and great professionalism have made a decisive contribution to the Group's success.

Weinheim, March 29, 2012
For the Board of Partners

Wolfram Freudenberg

Dr. Wolfram Freudenberg
Chairman

Foreword of the Management Board

2011 was the best year to date in Freudenberg's long history. This was in part attributable to the good macroeconomic situation in many countries. In addition, the Group continued to derive significant benefits from the measures initiated during the most recent global economic crisis. Moreover, the Group's commitment in growth regions also paid off, with the booming economies in Asia guaranteeing above-average growth rates. In contrast, the Group was obliged to cope with substantial increases in the price of materials and compensate for weak economic conditions in the Mediterranean countries.

Freudenberg reported above-average growth in many areas in the year under review. At €6,006.5 million, sales clearly surpassed the already high level of 2010 (€5,481.4 million), growing 9.6 percent. Profit from operations rose by €74.8 million (an increase of 17.4 percent) to €505.4 million. Free cash flow totaled €118.4 million in the year under review. With an equity ratio of 49.6 percent and liquid funds of €724.0 million, Freudenberg's strong balance sheet puts the company in a good position to face the future. All of these performance indicators represent new records in the long history of Freudenberg which could not have been achieved without the intensive restructuring undertaken during the 2008/2009 crisis. The Group's rating remains unchanged. Moody's rating agency confirmed Freudenberg's rating of Baa1 and reaffirmed the outlook as "stable".

One major organizational change came into effect on January 1, 2011. Freudenberg's classic sealing business, which had previously been conducted on a regional basis by the Freudenberg Seals and Vibration Control Technology Business Group in Europe and the Freudenberg-NOK General Partnership Business Group in North and South America, was brought together in the Freudenberg Sealing Technologies Business Group. This is an important step on the way to a global sealing business. The stand-alone Business Groups Freudenberg Oil & Gas, Helix Medical and Freudenberg Schwab (since January 1, 2012 Freudenberg Schwab Vibration Control) were also set up with effect from the beginning of the year; all focus on promising, high-margin market segments.

The portfolio was actively developed. On the one side, the Group sold its cylinder head and exhaust system gaskets business for OEMs and the vendor-specific aftermarket to ElringKlinger AG, Dettingen/Erms, Germany, effective January 1, 2011 as well as the actuator business of Freudenberg NOK Mechatronics to the partner company Eagle Industry Co. Ltd., Tokyo, Japan, with effect from June 30, 2011. On the other side, Freudenberg Household Products acquired the shares in 13 companies belonging to the Trade & Investment in Asia-Pacific (TIA) Group registered in Hong Kong, China, thus expanding its presence on the Asia-Pacific market. Furthermore, Freudenberg and Trelleborg AB, Trelleborg, Sweden, signed a memorandum of understanding affirming their intention to set up a 50:50 joint venture between Vibracoustic and the automotive antivibration business of Trelleborg AB. The contract was signed on January 31, 2012. The new company is conditional upon approval by the relevant bodies, especially the European anti-trust authorities.

Our corporate values have been the basis for our success ever since Freudenberg was established in 1849. Today, they are codified and publically accessible in the form of our Business Principles. Together with 300 senior managers from all over the Freudenberg community, we discussed these principles from the perspective of profitable growth in an increasingly globalized world at the "DIALOG" management conference which took place in Weinheim in July. The outcome was a sharper common understanding of our values; numerous regional events subsequently transferred this understanding to the Group's key regions around the world.

We enter 2012 with commitment and optimism. We are nevertheless also aware that the debt and finance crisis in the eurozone, as well as in other national economies, could place a major burden on the real economy this year. As a result, growth is likely to weaken and a recession cannot be ruled out. However, we are well prepared for such an event. Thanks to our early warning system, our broad diversification and our entrepreneurially-oriented business units, we can respond swiftly to changes in the underlying conditions. We will systematically continue to implement our business policy with its high operational capability and flexibility and its sound financing. As a supplier and development partner we will persist in our efforts to offer our customers tailor-made solutions embodying the highest technical competence.

Our corporate success is in no small measure attributable to the motivation and flexibility of our employees and their identification with our company. Regular surveys have confirmed that loyalty and commitment to their employer are exceptionally strong among Freudenberg employees. We would like to thank our employees for that. We also thank our customers and business partners who once again placed their trust in Freudenberg during the 2011 financial year.

Weinheim, March 29, 2012
The Management Board

Dr. Dr. Peter Bettermann

Dr. Ralf Krieger

Christoph Mosmann

Dr. Mohsen Sohi

Dr. Martin Stark

scaffolene – Nonwovens with therapeutic properties

The Freudenberg Group has developed a technology platform for applications such as surgery, wound treatment and regenerative medicine that offers highly innovative solutions addressing many challenges in the medical field: Bioresorbable nonwovens for medical applications.

scaffolene technology is used to produce 3D structures from natural or synthetic biopolymers known as 3D scaffolds. These nonwovens are manufactured under clean-room conditions in accordance with all the relevant quality standards. Furthermore, medication, enzymes, growth hormones and other substances can be integrated directly into the fibers so that these active ingredients are subsequently released in line with clinical requirements for local therapy over a longer period of time. These products are customer-specific solutions tailored to meet the individual requirements of companies in the pharmaceutical, biotechnology and medical devices industries.

This patented Freudenberg technology has the potential to create medical products that are extremely attractive for both patients and doctors. The range of applications is broad. scaffolene nonwovens are, for example, highly flexible, making them suitable for minimally invasive procedures where surgery is performed via small ports.

Our bioresorbable nonwovens open up entirely new therapeutic approaches – and represent a major step forward for doctors and patients.

Dr. Dirk Grafahrend, R&D Manager, Freudenberg New Technologies.

Management Report of the Freudenberg Group

In the 2011 financial year, the Freudenberg Group reported sales of €6,006.5 million (previous year: €5,481.4 million), representing a year-on-year increase of €525.1 million or 9.6 percent. The Group reported a consolidated profit of €358.2 million (previous year: €321.7 million). At December 31, 2011, the Group's workforce totaled 37,031 employees (previous year: 34,319 employees).

BUSINESS DEVELOPMENTS AND GENERAL ECONOMIC CONDITIONS

Matters of particular significance in the 2011 financial year

The 2011 financial year was marked by strong global economic growth associated with uncertainty about future economic developments as a result of the financial crisis and the crisis in the eurozone. Thanks to high capacity flexibility, Freudenberg was able to meet customer demand and reported another successful year on the back of the strong growth already reported for 2010.

The stand-alone Business Groups Freudenberg Oil & Gas, Helix Medical und Freudenberg Schwab (since January 1, 2012 Freudenberg Schwab Vibration Control) were set up effective the beginning of the year. The Group transferred its cylinder head and exhaust system gaskets business for automotive OEMs and the vendor-specific aftermarket to ElringKlinger AG, Dettingen/Erms, Germany, also with effect from January 1, 2011. Freudenberg disposed of the actuator business of Freudenberg NOK Mechatronics to Eagle Industry Co. Ltd., Tokyo, Japan, with effect from June 30, 2011. In addition, the Group sold its 20 percent share in Unimatec Chemicals Europe GmbH & Co. KG, Weinheim, Germany, to NOK Europa GmbH, Weinheim, Germany, effective December 30, 2011. Freudenberg Nonwovens disposed of its 50 percent joint venture share in Freudenberg Vitech L.P., Hopkinsville, USA, to the Japanese partner Japan Vilene Company Ltd., Tokyo, effective December 31, 2011.

The commitment in growth regions was systematically expanded in 2011. Freudenberg Household Products acquired the shares in 13 companies of the Trade & Investment in Asia-Pacific (TIA) Group registered in Hong Kong, China, and branches in China, Thailand, Indonesia, Malaysia and Taiwan, thus significantly extending its presence on the Asia-Pacific market. Freudenberg Gala Household Product Pvt. Ltd., Mumbai, India – the joint venture between Freudenberg Household Products and Gala Brush Limited, India – opened a new plant in Adas, Gujarat State.
This is the first milestone in strengthening Freudenberg Household Products' presence in India and abroad. The factory manufactures mechanical household cleaning products. Merkel NOK-Freudenberg Co. Ltd., Taicang, China, set up a new line for the local production of seals in Taicang near Shanghai in cooperation with the Freudenberg Sealing Technologies Fluid Technology Lead Center in Schwalmstadt, Germany. The line manufactures polyurethane (PU) seals for industrial applications.

Freudenberg also expanded its activities in other areas. Vibracoustic broadened its global network with a new plant producing engine mounts and chassis components in Querétaro, Mexico, thus enhancing the efficiency of activities on the North American market still further. In addition, Freudenberg Politex Nonwovens built a new spunlaid production line for construction materials in Nizhniy Novgorod, Russia, scheduled for commissioning in the first half of 2012.

Furthermore, Vileda Professional, a division of Freudenberg Household Products, and rothopro GmbH, Görwihl, Germany, a Rotho Group company, signed a strategic cooperation agreement relating to products for the growing waste management sector.

Freudenberg Household Products also successfully commissioned a plant in Nizhniy Novgorod.

The new Freudenberg Sealing Technologies plant was opened in the Berlin Adlershof Science and Technology Park in October. The relocation from the Friedrichshain district in Berlin is an important step towards strengthening Freudenberg's presence in the German capital.

In addition, Freudenberg and Trelleborg AB, Trelleborg, Sweden, signed a memorandum of understanding affirming their intention to set up a 50:50 joint venture between Vibracoustic and the automotive antivibration business of Trelleborg AB. The new company is conditional upon approval by the relevant bodies, especially the European anti-trust authorities.

Global economic situation

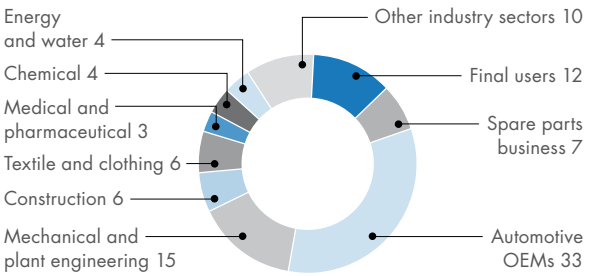
The strong upswing that followed the severe recession of 2008/2009 initially continued into the 2011 financial year in many regions and market segments. In the first half of the year, growth rates for gross domestic product and industrial production were for the most part significantly higher than the long-term average. However, the disturbing increase in national debt in many industrialized nations incurred as a result of the measures to fight the crisis led to major financing problems for many governments and growing market uncertainty. At the same time, the central banks in some emerging economies were compelled to initiate contractive measures to counter a worrying rise in inflation. As a result, the global economy cooled down quite significantly in the second half of 2011 as economic momentum returned to normal, in some cases triggering a strong temporary downturn. Japan, the world's second-largest economy, struggled severely in 2011. The major natural disaster and nuclear catastrophe plunged the country back into recession; the negative impact on the rest of the world, however, was soon offset. Across all regions and throughout the year, global gross domestic product in 2011 grew in real terms by an average 3.2 percent compared with the prior year.

With economic growth of 9.2 percent, China was once again one of the world's most dynamic economies. India, too, contributed an impressive 7.6 percent to growth. South Korea recorded a rise of 3.6 percent. In contrast, Japanese gross domestic product declined by 0.8 percent. The average growth rate for the eurozone was 1.5 percent, but the regional differences remained high. Germany was again the frontrunner with growth of 3.0 percent. In the USA, economic momentum of 1.7 percent was well below expectations. A systematic austerity policy in Brazil slowed down the gross domestic product growth rate to 3.1 percent, while Argentina reported 7.5 percent growth.

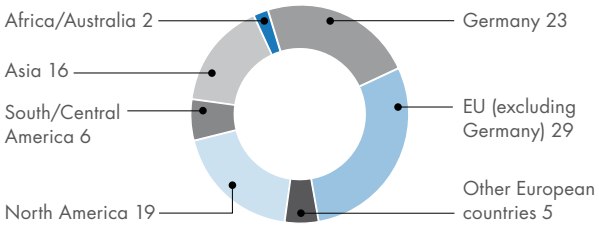
The Freudenberg Group reported further gains in key sales sectors in 2011 on the back of robust prior-year growth. Global demand for new cars rose as economic conditions improved. Growth rates in premium segment sales were above average. New registrations in China for the full year were up by 10.0 percent. Growth rates in the USA (10.0 percent), Brazil (3.0 percent) and Germany (9.0 percent) were similarly high. However, the significant downturns in Spain (-18.0 percent), Italy (-11.0 percent) and the UK (-4.0 percent) resulted in a 2.6 percent drop in total registrations for the EU-5 region compared with the prior year. Registration figures in Japan contracted by 25.0 percent as a result of the recession.

The international mechanical engineering sector also benefited from the global economic upswing. Increased capital spending on machinery and equipment resulted in 13.0 percent sales growth. Growth rates varied from 0.4 percent in Brazil to 17.4 percent in China.

Sales by sectors
[in %]



Sales by regions
[%]



In the textile and clothing industry, substantial rises in wage levels and capacity bottlenecks impacted China's position as the leading production location. At 8.3 percent, growth in textile production was unusually weak. Apparel manufacturers, on the other hand, reported 16.0 percent growth. Turkey, Poland and the Czech Republic won significant market share. Production in the USA rose by 4.1 percent. Japan also recorded an increase of 0.9 percent. In contrast, production in the 27 Member States of the EU declined by an average 3.8 percent.

Developments in the construction industry in 2011 were very mixed. In China, the industry recorded growth of 19.6 percent, still on the verge of overheating. In addition to developments in many emerging economies, several mature industrialized nations, including Germany (9.8 percent), Sweden (7.6 percent) and the UK (3.7 percent) also recorded significant growth. In contrast, many other regions reported only weak – or even negative – growth rates.

The international medical technology sector continued its robust growth trajectory in 2011. Growth rates were once again generally higher than those recorded in other sectors of industry.

The electrical and electronics industry continued its positive trend in 2011, although momentum was slightly down on the previous year. The same applied for the chemical industry, which was one of the first market segments to switch from boom to normal growth rates.

Raw material prices reflected economic developments in 2011. Following sharp rises in the first half of the year, crude oil prices dipped slightly from mid-year. The annual average price for crude oil was 1.8 percent up on the previous year. There was an almost steady drop in the euro (EUR)/dollar (USD) exchange rate in 2011. The annual average exchange rate was 1.40 USD/EUR (previous year: 1.32 USD/EUR).

Products and markets

The 2011 financial year was characterized by strong demand on almost all sales markets. With a share of 33 percent that remained unchanged year-on-year, the automotive OEM business was once again the most important customer grouping for Freudenberg. The Group generated 15 percent of its sales in the mechanical and plant engineering sector, slightly below the 16 percent prior-year share. This sector was therefore the Group's second largest customer grouping. The share of products retailed to final users accounted for a smaller double-digit share of 12 percent (previous year: 13 percent). Other major sales sectors were energy and water (four percent), chemical (four percent), textile and clothing (six percent), construction (six percent) and medical and pharmaceutical (three percent). The share of consolidated sales attributable to the spare parts sector increased slightly year-on-year from six to seven percent.

Sales by the Freudenberg Group rose in almost all regions in the year under review. The regions of Germany, Other European countries and South/Central America recorded growth. The share of sales generated in Germany was 23 percent (previous year: 22 percent), in Other European countries it was five percent (previous year: four percent) and in South/Central America this share was six percent (previous year: five percent). The EU (excluding Germany) region generated a 29 percent share of sales, one percentage point down on the previous year. The Asia region accounted for a significant share of consolidated sales (16 percent), on a par with the previous year. The increase in sales in the North America region was lower than that achieved in other regions, but sales in North America nevertheless developed positively, accounting for a share of 19 percent.

Consolidated group

At year-end 2011, the number of companies in the Freudenberg Group totaled 483 located in 58 countries. 453 of these companies were included in the consolidation. 414 companies, including 128 production and 174 sales companies, were fully consolidated.

Non-controlling interests and joint ventures

Freudenberg holds a non-controlling interest, either direct or via subsidiaries, in several companies, most of which are consolidated under the equity method. The most important non-controlling interests held by Freudenberg concern the Japanese companies NOK Corporation and Japan Vilene Company Ltd. (JVC), both registered in Tokyo, Japan, where Freudenberg holds an interest of approximately 25 percent in the former and an interest of approximately 28 percent in the latter company.

The NOK Group manufactures and supplies sealing products, flexible printed circuits, roll products for office equipment and further products such as specialty lubricants. At the reporting date of March 31, 2011, the NOK global headcount totaled 41,210. Sales by the NOK Group rose 39.7 percent (€1,258.3 million) year-on-year to €4,428.9 million. Adjusted for exchange rates, sales increased by 20.3 percent.

The JVC Group manufactures nonwovens for the clothing, automotive, electrical and consumer goods industries as well as for applications in the medical sector and filtration. Production facilities are located in China, Japan, South Korea, Taiwan, Thailand and the USA. The JVC Group employed 1,467 associates as at March 31, 2011. Sales rose by €57.7 million (16.5 percent) year-on-year to €408.1 million. Adjusted for changes in currency parities, sales rose by 0.3 percent.

The two Japanese associated companies are consolidated on the basis of the interim financial statements as at December 31, 2011.

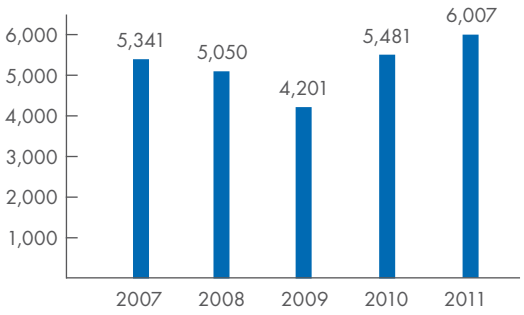
The proven partnership between Freudenberg and these two Japanese companies has lasted more than 50 years. Numerous activities in the USA, Asia (China and India) and in Europe have been jointly established during the decades-long partnership.

Japan was hit by a major earthquake and tsunami in March 2011. Associates of NOK Corporation were affected by the disaster. Some lost their homes, other had to repair serious damage to their houses. As a sign of deep solidarity and close partnership, Freudenberg associates and the company donated some €438,000 to help the NOK employees.

Freudenberg Group

	2010	2011
Sales [€ million]	5,481.4	6,006.5
Consolidated profit [€ million]	321.7	358.2
Profit from operations [€ million]	430.6	505.4
Workforce	34,319	37,031

Sales development
[€ million]



SALES AND EARNINGS POSITION OF THE GROUP

Sales and earnings reach all-time highs

In the year under review, the Freudenberg Group reported sales of €6,006.5 million, an all-time high. Sales were €525.1 million or 9.6 percent higher than the prior year. Adjusted for the effects of acquisitions and disinvestments to the amount of €15.2 million and exchange rate conversion effects, sales were 10.9 percent higher than the prior year. Sales increased in almost all Business Areas.

There was a disproportionately high rise of €74.8 million in profit from operations, which increased to €505.4 million. This was chiefly attributable to the increase in contribution margins as a result of higher sales. Higher material expenses impacted negatively on profit, although a large share of these expenses was passed on. Starting from a low level, administration expenses and selling expenses rose as a result of strong growth in business. Consolidated profit improved by €36.5 million to €358.2 million.

FINANCIAL POSITION AND NET ASSETS OF THE GROUP

Financing strategy

The parent company Freudenberg & Co. Kommanditgesellschaft (Freudenberg & Co.), Weinheim, Germany, is responsible for all the financing activities of the Freudenberg Group and also operates the cash management system for the entire Group. The Group companies obtain the financing they require via cash pools or loans provided by the internal financing companies or, in some countries, in the form of bank loans guaranteed by Freudenberg & Co.

Freudenberg & Co. does not expose itself to financial risks through speculation with derivative financial instruments but uses such instruments only for hedging, and therefore reducing, risks in connection with underlying transactions. Future transactions are only hedged if there is a high probability of occurrence.

The global economic and financial crisis continues to generate strong turbulence on credit and capital markets. This has a direct effect on financing costs and options for industrial companies. The Freudenberg Group is in a good position to tackle these challenges thanks to its conservative finance policy. Liquidity measures include high reserves of liquid funds and committed credit lines with core banks.

Cash flow from operating activities

Cash flow from operating activities for the 2011 financial year amounted to €381.9 million, corresponding to a year-on-year decline of €86.2 million. In particular locked up working capital as a result of growth masked the positive effect due to higher profit.

Cash flow from investing activities

The outflow of funds from investing activities amounted to €263.5 million and is therefore only slightly lower than the previous year (€269.8 million). Major investing activities focused on the Freudenberg Sealing Technologies, EagleBurgmann and Vibracoustic Business Groups.

Cash flow from financing activities

Cash flow from financing activities in the 2011 financial year was negative at €-49.2 million (previous year: €-73.5 million). Slightly lower payments to Partners and non-controlling interests were offset by the higher cash inflow from the uptake of financial debt.

The Freudenberg Group can meet all of its payment obligations at any time.

Assets, equity and liabilities

	Dec. 31, 2010		Dec. 31, 2011		Change
	[€ million]	[%]	[€ million]	[%]	[%]
ASSETS					
Intangible assets, tangible assets and investment properties	2,168.3	40.2	2,231.5	38.9	2.9
Other non-current assets	886.0	16.4	924.1	16.1	4.3
Non-current assets	**3,054.3**	**56.6**	**3,155.6**	**55.0**	**3.3**
Inventories and current receivables	1,628.0	30.1	1,833.2	31.9	12.6
Other current assets	664.3	12.3	738.4	12.9	11.2
Current assets	**2,292.3**	**42.4**	**2,571.6**	**44.9**	**12.2**
Non-current assets held for sale and disposal groups	**51.7**	**1.0**	**7.1**	**0.1**	**-86.3**
	5,398.3	**100.0**	**5,734.3**	**100.0**	**6.2**
EQUITY AND LIABILITIES					
Equity	**2,560.1**	**47.4**	**2,841.4**	**49.6**	**11.0**
Long-term provisions	514.1	9.5	509.7	8.9	-0.9
Other non-current liabilities	860.1	16.0	894.6	15.6	4.0
Non-current liabilities	**1,374.2**	**25.5**	**1,404.3**	**24.5**	**2.2**
Current liabilities	**1,450.7**	**26.9**	**1,488.2**	**25.9**	**2.6**
Liabilities in connection with non-current assets held for sale and disposal groups	**13.3**	**0.2**	**0.4**	**0.0**	**-97.0**
	5,398.3	**100.0**	**5,734.3**	**100.0**	**6.2**

At €5,734.3 million (previous year: €5,398.3 million), the total assets of the Freudenberg Group increased by €336.0 million.

The rise in the balance sheet total is chiefly attributable to the increase in current assets, mainly as a result of higher inventories and current receivables due to the rise in sales.

The €76.4 million rise in securities and cash at bank and in hand is also reflected by the increase in other current assets. This had an impact on net debt which declined by €42.8 million to €259.0 million.

Non-current assets rose by €101.3 million to €3,155.6 million. Adjusted for exchange rate effects and changes in the consolidation, however, non-current assets remained at the prior-year level.

The equity ratio rose to 49.6 percent (previous year: 47.4 percent). This was chiefly attributable to the positive result and exchange rate developments.

	Dec. 31, 2010	**Dec. 31, 2011**	**Change**
	[€ million]	[€ million]	[%]
Securities and cash at bank and in hand	647.6	724.0	11.8
Financial debt	949.4	983.0	3.5
Net debt	301.8	259.0	-14.2

Safe landfall for offshore power

Marine cable applications pose a big challenge because salt water affects the swelling properties of nonwovens. We have come up with a solution.

Dr. Matthias Schuster, Business Field Manager Cable and Electro Europe, Freudenberg Nonwovens.

The wind blows across the sea, strong and unceasing, driving giant turbines that generate thousands of megawatts of electricity. Getting this power from offshore wind farms to households is a major challenge. Many kilometers of offshore and onshore cables must be laid. Special nonwovens from Freudenberg are used for protecting and fitting out these cables.

Equipping underground energy and data cables is one of the Group's classic fields of application. Freudenberg nonwovens serve two purposes: On the one hand, they perform an important function in the protective sleeve, which is made of metal covers fixed by extremely stable and tear-resistant nonwovens.

On the other hand, the nonwovens are used for waterproofing in the cable core. If the cable were to tear, the swelling nonwoven fills the surrounding hollow space and prevents moisture from spreading. In the past, this type of special nonwoven could only be used in onshore applications. Now, though, developers at Freudenberg have found a way to use these swelling nonwovens for marine cables as well. Freudenberg products feature in major offshore projects such as the London Array wind farm off the UK's east coast and the Baltic 2 wind farm in the Baltic Sea.

Freudenberg Sealing Technologies

	2010	2011
Sales [€ million]	1,681.1	**1,667.5**
Workforce	12,336	**12,634**

REVIEW OF OPERATIONS BY BUSINESS AREA

The four Business Areas of the Freudenberg Group – Seals and Vibration Control Technology, Nonwovens, Household Products, and Specialties and Others – focus on long-term, sustainable and profitable growth. The product portfolio is balanced, broadly diversified and oriented to future markets as well as global megatrends. Our success is based on global cooperation within the Group, the exchange of know-how and strong local roots. All this gives us an in-depth understanding of our customers' needs and means we can harness our high technical competence and enormous innovative strength to constantly improve our products, thus making an important contribution to helping our customers solve the challenges they face.

Seals and Vibration Control Technology Business Area

In the 2011 financial year, the Seals and Vibration Control Technology Area comprised eight Business Groups: Freudenberg Sealing Technologies, NOK-Freudenberg Group China, Freudenberg Oil & Gas, Vibracoustic, Freudenberg Schwab, EagleBurgmann, Dichtomatik and Helix Medical. With effect from 2012, the Freudenberg Schwab Business Group expanded its portfolio and now operates under the name of Freudenberg Schwab Vibration Control.

Roughly three quarters of sales in this Business Group in 2011 were generated by the automotive industry and the mechanical and plant engineering industry. These sectors – like other customer sectors – developed well. Consequently, sales in this Business Area rose to €3,463.6 million (previous year: €3,112.0 million). The headcount at year-end rose to 24,150 (previous year: 22,273).

Freudenberg Sealing Technologies

The Technology Specialist Freudenberg Sealing Technologies is a supplier, development and service partner for worldwide customers in the automotive industry, civil aviation, mechanical engineering, shipbuilding, food and pharmaceuticals, agricultural and construction machinery, and many other sectors. Based on the Simmerring®, which was developed by Freudenberg in 1929, Freudenberg Sealing Technologies has built up a broad range of seals. Success is based on the in-depth knowledge of processes, innovative development methods and advanced materials – regardless of whether the product is a customized solution or a complete sealing package to meet complex specifications. A global network of production and sales companies brings Freudenberg Sealing Technologies close to its customers in 32 different market segments. Together with its long-standing partner NOK Corporation, Freudenberg Sealing Technologies is expanding its customer-oriented competence further, above all in the growth markets of China, India and Brazil, as well as in North America.

Products and services
Simmerrings, diaphragms, high-precision molded parts, bellows, dust boots, hydraulic accumulators, O-rings, seals for hydraulic and pneumatic applications, frame gaskets, silicone seals, shock

absorber seals, valve stem seals and various special seals; sealing packages for engines, gearboxes, brakes, axles and steering systems; rubber, plastic and PTFE components for suspensions; special seals for electrical and fuel systems; sealing solutions for special applications, e.g. the process and food industries and heavy industry, and for the renewable energy sector such as wind plants or solar technology.

Production locations
Austria, Brazil, Canada, Czech Republic, Estonia, France, Germany, Hungary, India, Italy, Mexico, Spain, Turkey, UK, USA

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With effect from January 1, 2011, Freudenberg Sealing Technologies combines the former separate business operations in Europe and America into one management organization. Sales and earnings in the Business Group in 2011 were very satisfactory, all regions benefited from the strong rise in demand from customers in the various sectors. Allowing for the spin-off of the oil and gas, medical, Vibracoustic, Dichtomatik and semiconductor activities in America, the Business Group reported sales of €1,667.5 million (previous year before spin-off: €1,681.1 million). On a like-for-like basis, sales rose by 9.8 percent. The headcount at year end 2011 was 12,634, up on the prior-year level of 12,336.

In the automotive sector, Freudenberg Sealing Technologies benefited from growth among automakers and major suppliers in Europe and more particularly the USA, and outperformed the market. Sales also grew significantly in the mechanical engineering industry and other sectors such as civil aviation and heavy industry. The rise in raw material prices was at least partly offset by price increases in 2011.

Freudenberg Sealing Technologies introduced in-depth customer segmentation right down to application level with a view to providing customers with the optimum service and addressing their very specific individual needs. Sealing experts who offer customers profound application knowledge, tailor-made consulting and access to Freudenberg Sealing Technologies' unique broad range of technologically mature products work for the global sales channels of Automotive Sealing, Simrit®, Process Seals, Merkel and Corteco®.

In order to move further forward with specialization and concentration on sealing technology, the industrial vibration control technology division was spun off effective January 1, 2012 and is now managed by the Freudenberg Schwab Vibration Control Business Group.

In 2011, very good progress at all levels was made in combining the activities in Europe and the USA into one management organization. Customers are already benefiting to a high degree from the close dialog and the standardization of technologies and processes.

Energy-saving sealing concepts such as LESS (Low Emission Sealing Solutions), where low-friction seals manufactured from special materials play an important role, were developed further. One of the highlights at Hannover Messe 2011, the world's largest industrial trade show, was innovations made of polyurethane such as "Clip & Seal" developed for a wind turbine manufacturer in China, which offer significant benefits to customers in the mechanical and plant engineering industry. This sealing system features several seal profiles precisely tailored to fit into each other. The modular concept allows for high variability in sealing dimensions.

NOK-Freudenberg Group China
[before pro-rata shareholding]

	2010	2011
Sales [€ million]	221.7	**228.9**
Workforce	1,905	**2,139**

A new method to produce the steel rings used in rubber-metal seals developed in Weinheim received several awards. These rings are no longer stamped, but manufactured by means of an innovative laser welding process. This reduces steel consumption by up to 70 percent. The new technology has been used to produce Simmerrings in Weinheim since spring 2011 and is gradually being phased in for other products and at other sites.

Freudenberg Sealing Technologies commissioned a new state-of-the-art factory in Berlin-Adlershof in fall 2011. Some 200 associates manufacture a range of products including axle boots made of thermoplastic elastomers for drive shafts in cars and machinery as well as sealing bellows for use in chassis and steering mechanisms. €20 million was invested in the new factory.

For 2012, Freudenberg Sealing Technologies is planning further growth in sales and earnings. Investment will focus in particular on the BRIC countries, i.e. Brazil, Russia, India and China.

NOK-Freudenberg Group China

NOK-Freudenberg Group China is an equal-share joint venture between NOK Corporation and Freudenberg serving the high-growth Chinese market with locally-produced and imported seal and vibration control technology products.

The joint venture supplies numerous European, US, Japanese and Chinese customers in the automotive and general industry sectors in China. In cooperation with the partners NOK Corporation and Freudenberg Sealing Technologies, the locally-manufactured product range is continuously expanded in line with market requirements. Market success is based on those factors which also account for the success of the Freudenberg/NOK Corporation network in other regions, namely technological leadership and quality.

Products and services
Production and sale of seals for the automotive industry such as Simmerrings, valve stem seals, shock absorbers, steering column seals, drivetrain seals, bellows, dust caps, O-rings, frame gaskets, membranes and torsional vibration dampers. The product range also includes seals for general mechanical engineering applications such as hydraulic and pneumatic seals or seals for washing machines as well as vibration control elements for the electronics and consumer goods industry which are either produced in China or imported from Europe, North America or Japan.

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China, Hong Kong

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In 2011, the NOK-Freudenberg Group China joint venture again grew sales, this time from €221.7 million to €228.9 million (3.2 percent) despite a marked

cooling-off of the Chinese economy as a result of the anti-inflationary measures introduced by the Chinese government. Sales are accounted for in the Freudenberg consolidated financial statements on a pro-rata basis (i.e. a share of 50 percent). The headcount at year-end also rose, increasing to 2,139 (previous year: 1,905) – primarily through the acquisition of the shares of NOK (Wuxi) Seal Products Co., Ltd., Wuxi, China, formerly wholly-owned by NOK Corporation, with its workforce of 180. 1,070 associates are included in the Freudenberg consolidation in line with the 50 percent shareholding.

NOK-Freudenberg Group China benefited from continued growth in both the automotive industry and the general industry sector. There was only slight positive growth in the Chinese automotive industry as key government sales incentive measures expired at the end of 2010. There was a very positive trend in orders from the automotive sector received by NOK-Freudenberg Group China towards the end of the year – in part attributable to new market share won with European customers. Sales in general industry segments developed extremely well in the first half of the year and more than compensated for weaker sales in the second six months as the construction machinery sector slackened.

NOK-Freudenberg Group China successfully expanded its leading position in the automotive industry and several general industry segments. In particular there was a strong rise in market share with strategically important Chinese automotive customers as Chinese sales was strengthened and product solutions were specifically developed to meet the needs of Chinese customers. In the core general industry segments, there was a sustainable strengthening of the market position through targeted market segmentation, the expansion of regional sales teams and a focus on new product groups. NOK (Wuxi) Seal Products Co., Ltd. in Wuxi acquired from NOK Corporation was successfully integrated in the group. The aftermarket business was systematically expanded by Corteco China Co. Ltd., Guangzhou, China, set up in 2009.

Constant improvements in process technology, the systematic expansion of local production, a higher share of local procurement, customer price initiatives in the marketplace and quality improvements offset the substantial rises in personnel and material costs and brought a slight rise in profitability.

The special challenge in 2012 will be responding successfully to the heightened competitiveness of Chinese manufacturers and the market entry of new international players. In addition, the ongoing issues of rising wages and raw material costs must also be addressed.

NOK-Freudenberg Group China is extremely well positioned to face these challenges because setting up new production capacities for transmission piston seals and accumulators from the end of 2012 offers excellent opportunities to expand the market position further. The relocation of the largest production site in Wuxi in mid-2012 will be used to modernize production. NOK-Freudenberg Group China will also continue to systematically invest in total cost down measures, employee training and quality improvements.

NOK-Freudenberg Group China expects 2012 to be another successful year. The Business Group anticipates a weaker first half of 2012, but analysts expect the government to ease monetary policy during the first six months so that the economy will again gather momentum during the second half of the year.

Sealing products for challenging applications

We are the right partner for the oil and gas industry when it comes to sealing solutions that can meet the challenges of demanding applications.

Richard Schmidt, CEO and President of Freudenberg Oil & Gas.

As an acknowledged sealing solutions provider, Freudenberg Oil & Gas supplies global producers in the upstream segment in particular. This is the segment that deals with the exploration and production of oil and gas and where the demands placed on materials and technology are particularly high.

That is mainly attributable to the pressures and temperatures the seals must be able to withstand. Deep sea wellbore pressures can be over 15,000 PSI with temperatures over 350°F. Sophisticated thermoplastic seals from the Freudenberg Oil & Gas Business Group are designed to withstand the stresses of permanent operation under these conditions. They enhance safety and drilling efficiency.

Quality and reliability are in demand for other products in the oil and gas industry, too. The range offered by the Freudenberg Group spans small O-rings, elastomeric seals and large-volume seal elements used onshore and offshore.

Freudenberg Oil & Gas

	2011
Sales [US $ million]	64.9
Workforce	319

Freudenberg Oil & Gas

Freudenberg Oil & Gas provides innovative seal solutions and differentiated seal products to the global oil and gas industry. The Business Group is focused on the exploration and production (upstream) segment. Freudenberg Oil & Gas serves a wide range of customers including oil and gas producing companies, original equipment manufacturers and the engineering and service companies that provide technologies, equipment and services for producing oil and gas from land-based and offshore platforms and deepwater subsea wells in regions throughout the world. Products range from simple elastomer O-rings and seals to large elastomer elements that work in controlling wellbore pressures during the drilling and completion process to highly engineered thermoplastic seals that perform at over 15,000 PSI and more than 350°F in well stimulation services. The Business Group has the years of experience and the global footprint necessary to serve the oil and gas industry.

Products and services
Elastomer O-rings and specialty seals; ram and annular blow-out preventer seal elements and seal kits; engineered thermoplastic seals; seal stacks and assemblies; standard and proprietary metal seal gaskets; spiral wound gaskets; sheet gaskets

Locations
Canada, Kazakhstan, Norway, Singapore, United Arab Emirates, UK, USA

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Freudenberg Oil & Gas officially began operating as a stand-alone Business Group at the beginning of 2011 and has since then been supplying sealing solutions to the upstream segment (exploration and production) in the energy industry. Under a buy and build strategy, Freudenberg Oil & Gas has taken over a total of six companies specializing in sealing solutions for the energy industry over the past few years.

Global demand for crude oil rose by 1.3 percent in 2011, stimulating the drilling business and demand for production plant and services in this sector. Sales by Freudenberg Oil & Gas totaled US$64.9 million, of which US$5.0 million was generated by the sealing company Offshore Seals (Asia) Pte. Ltd., Singapore, which was also integrated in the Freudenberg Group at the beginning of 2011. Sales in euros ran at €46.4 million. The headcount at year-end was 319.

As a result of the integration of the acquisitions, business by Freudenberg Oil & Gas in the drilling and production segment rose by 22 percent in North America and six percent internationally. Forecasts for 2012 indicate a further seven percent rise in global drilling business, with the increase in the USA even as high as 12 percent. Some sites were running at full capacity because of high demand. Significant investment was made in expanding capacity at the facilities in Houston, Texas, USA, Nisku, Alberta, Canada, and in Sandnes, Norway.

Vibracoustic

	2010	2011
Sales [€ million]	564.7	**695.1**
Workforce	3,057	**3,304**

The Freudenberg Group's long tradition in the sealing business makes the company a well-matched partner for the oil and gas industry when it comes to innovative materials and solutions that meet the challenges of new and demanding applications. The Freudenberg Oil & Gas Business Group offers the industry comprehensive know-how along with technological innovations and product enhancements. To this end, the company set up a materials and products testing lab in Houston which conducts tests based on the method approved by the industry's association and certifies materials and products. The lab sets Freudenberg Oil & Gas clearly apart from the competition.

Orders for 2012 are good. The production profile is changing as the production of shale gas and oil continues to develop, bringing a corresponding rise in demand for products such as thermoplastic seals. Freudenberg Oil & Gas is well positioned with its sites and products and ready to grow faster in 2012 and provide an even better service to its customers.

Vibracoustic

Vibracoustic is the technology specialist for vibration control modules and components for the international automotive industry. The company enjoys a good reputation as an original equipment developer thanks to its proven system capability and a comprehensive product and service program. Vibracoustic and its partners NOK Corporation and Pyung Hwa Co. Ltd., Taegu, South Korea, have a presence at 32 locations worldwide and products are supplied to all leading automakers.

Products and services
Vibration control modules and components for the global automotive industry

Locations
Brazil, China, Czech Republic, France, Germany, Hungary, India, Mexico, Poland, Russia, South Korea, Turkey, USA

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In 2011, Vibracoustic generated sales of €695.1 million (previous year: €564.7 million), an all-time high in the ten-year history of the company. This positive sales trend was the result of very good developments in the global automotive industry and numerous project start-ups. The headcount rose by 247 from 3,057 to 3,304.

One challenge facing all automotive suppliers in 2011 was the drastic rise in raw material prices. Vibracoustic was able to almost entirely offset these effects by reorganizing its raw material sourcing and through flexible logistics concepts.

Geographical proximity to the development and production facilities of global automotive customers is a prerequisite for successful business development. Vibracoustic therefore continued to expand its global presence, setting up a new production site for engine mounts and chassis components in Querétaro, Mexico. Vibracoustic also continues to expand production

capacity in Asia, and activities in Yantai, China, in particular have made considerable progress.

The gratifying initial success on the Chinese market was confirmed by the acquisition of further global and local projects. Vibracoustic was able to underscore its good reputation as an original equipment developer for challenging noise-vibration-harshness (NVH) solutions in the Chinese market, as elsewhere, thus shaping tomorrow's technology today. A motor mount project for an electric car built by Shenzhen BYD Daimler New Technology Co. Ltd., Peking, China, demonstrates the innovative strength of the Business Group.

Vibracoustic's technological capabilities again helped the company to win ground-breaking projects. General Motors, for example, will in future be equipping a top-class model in North America with Vibracoustic airsprings, thereby sending a signal that there is growing demand in the USA for greater drive comfort. This trend opens the door for Vibracoustic on a growing market for passenger car airsprings outside Europe. In Europe itself, the leading market position won through high technological competence was impressively confirmed by the acquisition of the largest platform order to date.

By transferring innovation leadership in passenger car applications to innovative and customized solutions for commercial vehicles, Vibracoustic remains a pioneer in airspring technology and makes a significant contribution to reducing CO_2 emissions. The new sleeve type airspring in the bionic airsprings range means customers can dispense with complex body parts, bringing weight savings of up to several hundred kilograms.

Vibracoustic also makes a contribution to reducing CO_2 in other product areas as well, thus proactively shaping this trend. The vibration technology specialists have succeeded in developing an innovative production method allowing the use of alternative materials that weigh less to create a new lightweight torsional vibration damper. The patented invention went into series production on a global platform in the fourth quarter of 2011.

Clear competences and responsibilities in an organizational structure that reflects the demands of customers worldwide give Vibracoustic a competitive edge. The successful series rollout of global platform orders for chassis components and engine mounts in China, Europe, India and the NAFTA countries (North America Free Trade Agreement) confirms the effectiveness of the organization based on standardized production methods and processes. This organizational principle was systematically applied at Vibracoustic do Brasil, Taubaté-SP, Brazil, when the company was taken over in early 2010. It is gratifying to note that both the product and customer structure in the region are already expanding and the foundations for the future can therefore be laid.

In light of numerous product rollouts in 2012, Vibracoustic again expects to outperform the market in spite of the macroeconomic uncertainty.

Preparations for the joint venture between Vibracoustic and the automotive antivibration business of Trelleborg AB are progressing in line with antitrust procedures.

Freudenberg Schwab

	2011
Sales [€ million]	34.7
Workforce	67

Freudenberg Schwab

Freudenberg Schwab is a supplier of vibration control components and a development partner for customers in the rail vehicle industry. The system solutions help both rail vehicle manufacturers and railway operators improve smooth-running characteristics and ride comfort as well as reducing wear-and-tear.

Since the 1950s, both Freudenberg and Schwab have systematically expanded their proven ability to develop, design and supply rail vehicle suspension system components. These competences were combined in a joint venture in 1999 and finally came under the Freudenberg umbrella in 2010. For many decades, the components and systems have enabled leading international rail vehicle manufacturers to achieve optimum performance in regard to service life and quality. Freudenberg Schwab operates on the global market from its two locations in Adliswil, Switzerland, and Hennigsdorf, Germany.

Products and services
Vibration control components and systems for rail vehicles

Locations
Germany, Switzerland

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Freudenberg Schwab successfully concluded its first year as a stand-alone Business Group, generating sales of €34.7 million. The headcount as at December 31, 2011 was 67.

Demand for vibration control components in the rail industry increased as a result of global infrastructure expansion and the desire for greater comfort at high speeds. Growth on the European market in 2011 ran at roughly five percent. In Asia, the sharp rise in population and the resulting urbanization make China the largest growth market with forecast annual growth of between seven and ten percent until 2016. Freudenberg Schwab began serving customers in China from a new branch in Beijing in December 2011. In the second half of the year the first series-produced hydraulic axle-guide bearings (HALL) which optimize driving performance and reduce wear on bogies in rail vehicles were delivered to customers in the UK. In light of further series orders and new projects during 2011, Freudenberg Schwab expects to see a rise in incoming orders in 2012. During the year under review, Freudenberg Schwab expanded its product portfolio to include airspring systems featuring Vibracoustic Aircruise® brand's new airspring bellows.

Work on setting up the Business Group which began in 2011 continued into 2012 when it took over the vibration control business activities of the Simrit® brand from the Freudenberg Sealing Technologies Business Group effective January 1, 2012. Going forward, Freudenberg's vibration control technology for the rail and general industry sectors will be

EagleBurgmann

	2010	2011
Sales [€ million]	678.7	**752.8**
Workforce	5,495	**5,766**

developed and marketed under the name of Freudenberg Schwab Vibration Control. Furthermore, the sites of Freudenberg Schwingungstechnik Industrie GmbH & Co. KG, in Velten and Freudenberg Schwab GmbH in Hennigsdorf, both Germany, will be merged at the Velten location.

EagleBurgmann

EagleBurgmann figures among the internationally leading companies for industrial sealing technology. The Business Group manufactures and markets a broad range of high-quality products – from individual designs right through to large-batch productions, irrespective of whether these are highly complex dynamic seal systems such as mechanical seals and supply units or special gaskets for a diversity of applications and sectors of industry. A workforce of some 6,000 creative and motivated employees in over 70 subsidiaries develops and produces EagleBurgmann seal solutions which customers around the world can rely on. A close-knit sales and service network all over the world testifies to an international presence and customer proximity. The products are installed wherever safety and reliability are major design considerations when sealing demanding mediums under the most challenging technical conditions, for example in the oil and gas, refinery, chemical, pharmaceutical, energy, food processing, paper, water, shipbuilding, aerospace and mining industries.

Products and services
Mechanical seals, gas lubricated seals, carbon floating ring seals, magnetic couplings, seal supply systems, stuffing box packings, flat gaskets, expansion joints, TotalSealCare® Services, environmentally-compatible solutions, standardization of sealing systems and application testing, after-sales service with assembly, commissioning, repair and damage analysis, sealing technology seminars and practical training

Production locations
Austria, Brazil, China, Czech Republic, Denmark, Germany, India, Italy, Japan, Mexico, Turkey, USA

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EagleBurgmann sales in the year under review rose by 10.9 percent to €752.8 million (previous year: €678.7 million). The headcount in 2011 was 5,766 (previous year: 5,495), 271 higher than the previous year.

For EagleBurgmann, the 2011 financial year was characterized by a sharp rise in orders in the first half of the year. Incoming orders stabilized at a high level during the second half of 2011. In contrast to 2010, where standard business also benefited from backlog effects, it was chiefly project business that determined the trend in 2011. China, India and the Middle East were the regions with the strongest growth. Business development in Europe was also positive as a result of the strong project business. Global production capacities were increased on a flexible basis.

In the USA, EagleBurgmann successfully continued its strategic growth project to increase market share which kicked off the previous year. Sales and market share with OEMs and operators rose and familiarity with the name of EagleBurgmann increased. Groundbreaking for a further building in Houston, Texas, USA, took place in spring 2011. The new building will improve processes and workflows, and the Business Group will be able to respond even more effectively to the requirements of regional and global customers as regards products and services.

Production capacity in the Middle East was expanded substantially in order to meet rising demand for products and services in the oil and gas, petrochemical and other sectors of industry. Two fully-equipped service centers were opened in the Saudi Arabian cities of Jubail and Yanbu in 2011. EagleBurgmann's sales in Saudi Arabia have risen by as much as 45 percent over the last five years.

Realignment of IT systems to create a global homogeneous SAP landscape continued in Germany. The objective is to optimize management and core business processes. Implementation will be completed on schedule next year. The skeleton of a new production building in Eurasburg is nearing completion and work on gradually relocating production will begin in fall 2012.

A new mechanical seal for mobile drilling platforms designed with underwater mountable/demountable positioning thrusters is a promising development for the future. These platforms can be exactly aligned with the wellbore in any weather conditions. EagleBurgmann developed the mechanical seals specifically for the positioning thrusters, but they are available in a range of diameters and can also be used on container ships, dredgers and tankers. They provide enhanced durability in seawater conditions as well as good immunity to vibration and pressure fluctuations. The Deepwater Champion Exploration drill ship with six underwater mountable/demountable positioning thrusters has been engaged in deep-sea oil exploration in the Black Sea off the Turkish coast since spring 2011. EagleBurgmann has now received multi-million orders for this mechanical seal.

The Business Group expects growth to continue in 2012, albeit at a slower rate. In light of the economic situation both in the eurozone and in other economies, EagleBurgmann will systematically continue with the cost and liquidity management built up over previous years in order to respond flexibly to changes in business and market conditions.

Dichtomatik

Dichtomatik is the Freudenberg Group's sales organization in the market for technical seals. The Dichtomatik group is a global organization with regional headquarters in Hamburg, Germany, for Europe and in Shakopee, Minnesota, USA, for North and South America; the group also operates its own companies in a further ten countries. Dichtomatik is the market leader as regards product range and depth as well as effective logistics. Some 55,000 standard articles are available ex warehouse and the product program also includes roughly 115,000 custom-tailored variants. The seals are used in numerous applications ranging from industry to the

Dichtomatik

	2010	2011
Sales [€ million]	76.6	**102.3**
Workforce	432	**461**

technical trade. Dichtomatik's service offering includes the procurement of special seals, technical consulting and customized deliveries.

Products and services
O-rings, back-up rings, cords, x-rings, cover seals, rotary shaft seals, v-rings, axial seals VRM, radial seals, circlips, piston seals, rod seals, u-rings, packings, wipers, guide rings, guide strips

Locations
Austria, Brazil, Canada, France, Germany, Hungary, Italy, Mexico, Netherlands, Sweden, UK, USA

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In 2011, Dichtomatik with its headcount of 461 (Previous year: 432) generated sales of €102.3 million (previous year: €76.6 million).

In the first half of the year, Dichtomatik recorded strong global demand that was once again noticeably higher than the previous year's good values. Growth momentum slacked in the second half of the year, but prior-year sales were nevertheless exceeded. Orders in the fourth quarter indicate consolidation at a high level for the coming months.

One particular challenge in the year under review was the situation on supply markets. Prices rose, at times drastically, and some suppliers even more than doubled delivery times. Dichtomatik initiated numerous special measures to ensure delivery capability and significantly increased inventories. Despite the difficult situation on procurement markets, the availability of standard seals was guaranteed in 2011. Furthermore, sales prices were systematically adjusted by means of active price management with a view to passing on the substantial purchase price increases to sales markets.

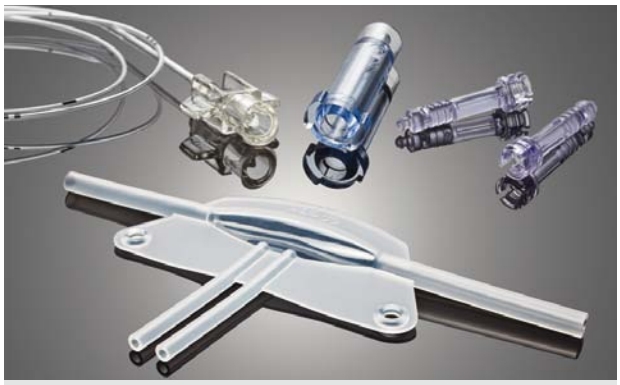
Dichtomatik's global activities were brought together in June 2010, and the organization was realigned to this global business in order to strengthen and further expand the successful business model worldwide. In addition to more intensive cooperation on established markets in Europe and North America, Dichtomatik has developed new approaches for the growth markets of Brazil and China; these approaches are currently being implemented.

For 2012, Dichtomatik expects growth momentum to slacken as a result of macroeconomic uncertainty and is forecasting only slight rises in sales.

Helix Medical

	2011
Sales [US $ million]	70.4
Workforce	529

Helix Medical



Helix Medical is a leading global manufacturer of medical devices for the biotech, healthcare and pharmaceutical industries, as well as in vitro diagnostics. The Business Group runs six medical manufacturing operations located within the US, Europe, and Asia with a seventh manufacturing facility commencing production in Costa Rica in 2012. Helix Medical provides custom manufacturing services for medical devices, components, and subassemblies – from a single component program to turnkey contract manufacturing. In addition to its custom manufacturing operations, Helix Medical also manufactures and markets the HelixMark® brand of platinum-cured silicone tubing and fluid handling components for the pharmaceutical and biotech industries.

The medical device division called InHealth Technologies develops and manufactures Blom-Singer™ voice restoration products that are distributed worldwide.

Products and services
Thermoplastic molding, silicone molding (HCR, LSR), silicone and thermoplastic extrusions, complex diagnostic and therapeutic catheters, assembly, packaging, sterilization, and engineering services

Locations
China, Germany, Ireland, USA

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For Helix Medical, 2011 was the first full financial year as one of Freudenberg's stand-alone Business Groups. Global sales totaled US$70.4 million or €50.3 million. At year-end the headcount was 529.

Helix Medical was exposed to various challenges worldwide which affected the entire medical technology sector. In the USA the market was subject to economic and regulatory requirements that impacted the growth rate in this sector. In contrast, sales in China and Europe developed particularly well. This trend was supported by the introduction of new products and technologies. Helix Medical will continue to invest in expanding cleanroom capacity at all locations so that the Business Group can continue to grow going forward and to satisfy the needs of its customers.

Construction work on the new plant in San José, Costa Rica, is making good progress. Production is expected to begin as early as the second quarter of 2012. Helix Medical is closely involved in planning new activities that reliably cater for the needs of customers in the booming South America region.

Helix Medical has also launched several new products in its thermoplastics and silicone business. Major new programs with existing and new strategic customers were successfully validated and went into series production. One example is consumables for in vitro diagnosis including an integrated automated injection molding, assembly and packaging process.

Freudenberg Nonwovens

	2010	2011
Sales [€ million]	633.3	**663.7**
Workforce	3,151	**3,156**

Furthermore, Helix Medical developed a unique silicone tubing solution for manufacturing light-sensitive pharmaceuticals.

InHealth Technologies, the medical device division specializing in voice restoration products, helps improve the quality of life for people who have undergone surgery to the larynx. Innovative products such as the Dual Valve voice prosthesis have a longer service life, lower total costs and are well received on the market.

Helix Medical expects to see further growth in 2012, albeit at a slightly lower rate. This is explained by the very challenging market and regulatory uncertainty as well as provisions governing health cost refunds and the future tax on medical equipment in the USA. Irrespective of the situation in this region, Helix Medical is nevertheless well positioned to offer innovative solutions to meet the steadily-growing international demand for medical technology.

Nonwovens Business Area

The Nonwovens Business Area comprises the Business Groups Freudenberg Nonwovens, Freudenberg Politex Nonwovens and Freudenberg Filtration Technologies.

In the year under review, the Business Area generated sales of €1,144.8 million (previous year: €1,078.6 million). At year-end 2011 the headcount was 5,085 compared with 5,020 at the close of the previous financial year. The major customer groupings for this Business Area are the textile and clothing industry (Freudenberg Nonwovens), the automotive industry (Freudenberg Filtration Technologies and Freudenberg Nonwovens), and the construction industry (Freudenberg Politex Nonwovens).

Freudenberg Nonwovens

Freudenberg Nonwovens develops, produces and markets nonwoven products for a wide range of applications. Nonwovens made by Freudenberg are used in interlinings for the garment industry and for technical applications such as battery separators, for acoustic purposes to provide sound absorption, as fireblockers in furniture and as cable insulation. In the medical and hygiene sector, nonwovens from Freudenberg offer the highest comfort and safety. Freudenberg was the first company to introduce nonwovens on the market and continues to set the

global standard with new ideas such as Lutradur ECO® and Vilene® Power Dot® Bonded. Freudenberg Nonwovens operates a global sales network and manufactures at 20 locations worldwide. The company has enjoyed very close cooperation with Japan Vilene Company Ltd., the Japanese market leader in nonwovens, for many decades.

Products and services
Interlinings, industrial nonwovens, spunlaid

Production locations
Argentina, Brazil, China, France, Germany, India, Italy, South Africa, South Korea, Spain, Taiwan, UK, USA

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In 2011, sales by Freudenberg Nonwovens rose to €663.7 million (previous year: €633.3 million) representing a year-on-year rise of 4.8 percent. While sales developed very well during the first six months of the year, the Interlinings and Industrial Nonwovens Division recorded a downturn in the second half of the year. The headcount rose from 3,151 at year-end 2010 to 3,156 as at December 31, 2011.

The financial year was characterized by sharply-rising raw material prices, the effects of the earthquake and tsunami disaster in Japan, slacker demand for industrial nonwovens plus a sharp downturn in the clothing industry in the second half of the year – particularly in the USA and Europe.

The Interlinings Division made a good start to the 2011 financial year and was able to pass on the substantial rises in raw material costs to customers. In particular sales to premium customers in Italy expanded as a result of the growth initiative in the men's apparel market. However, the global interlinings business was significantly affected by slacker demand in all regions from the middle of the year. The Business Group maintained margins despite falling demand thanks to systematic cost management and a customer- and value-oriented sales approach. The Interlinings Division is working on expanding the men's apparel business. The leading position as a reliable partner for the clothing industry was successfully expanded in 2011 with innovations such as Viltec® and high-elastic products. Freudenberg Nonwovens sold its 50 percent share in the Freudenberg Vitech L.P. joint venture to the Japanese partner Japan Vilene Company Ltd. effective December 31, 2011.

The Spunlaid Division grew sales significantly in Asia, the USA and Europe. Continued strong demand for spunlaid in Asia, the expansion of business in India and the development of a new product range for sports shoe applications further strengthened the market position in Asia. The overall rise in automotive production also boosted business in the USA. The trend towards environmentally-friendly products has become more pronounced in North America; as a result, the Business Group was very successful in its efforts to develop and market environmentally-friendly products based on recyclates. There was also a noticeable rise in spunlaid business in Europe. Raw material price rises were passed on to customers. The new Lutraflor® automotive carpet system was very well received by the market and received several innovation awards. The Kaiserslautern plant was reorganized to improve competitiveness. In the course of this reorganization, flat-sheet filter production lines were transferred to Freudenberg Filtration Technologies at the end of 2011.

The Industrial Nonwovens Division faced several challenges. Industrial business in Asia was weak following the disaster in Japan. Battery separator business in Asia also slackened as China's electrical equipment export business took a dip. Freudenberg Nonwovens laid the foundations for growing hygiene

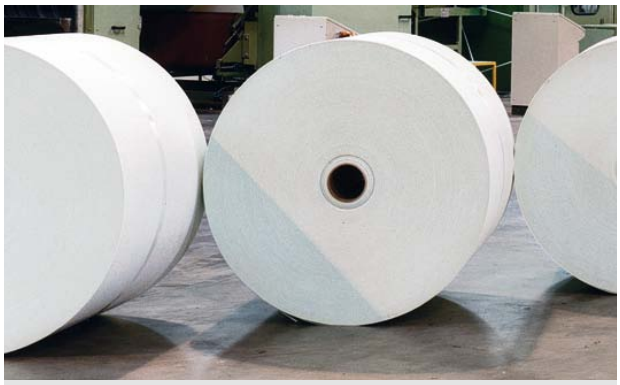
Freudenberg Politex Nonwovens

	2010	2011
Sales [€ million]	203.9	**223.0**
Workforce	609	**611**

product business in 2012 with the completion of two new hygiene product lines in Korea. The lines were successfully commissioned in April 2011 and capacity utilization was already good in the second half of 2011. The Business Group has provided its development partners in the battery and automotive industry with a forward-looking product innovation in the form of lithium-ion battery separator samples from a new coating line. Momentum on these markets has accelerated fast as electric car production volumes have increased.

In light of the financial and debt crisis in both the eurozone and other economies, Freudenberg Nonwovens expects to see a slight drop in demand in consumer business in the 2012 financial year. The automotive industry will have a decisive effect on further business development. On the cost side, the Business Group will continue with its site optimization and capacity flexibilization, particularly as regards the interlinings sites in Europe and Asia. Innovation efforts will continue to concentrate on the development of lithium-ion battery separators and nonwoven-based materials for fuel cells.

Freudenberg Politex Nonwovens



Freudenberg Politex Nonwovens, headquartered in Novedrate, Italy, is the world leader in the production and marketing of polyester nonwovens, mainly used as reinforcements for bituminous roofing membranes. A broad range of products is furthermore sold to the construction industry for different applications. Padding materials for the furniture and apparel industries round off the product range. The majority of products is manufactured with recycled polyester obtained inhouse from post-consumer PET bottles. This integrated production cycle not only recycles waste, but also significantly reduces CO_2 emissions.

Products and services
Roofing: Staple and spunbonded polyester nonwovens (standard or glass filament-reinforced) used as backing for bituminous roofing membranes
Construction materials: Products for waterproofing, thermal insulation, sound absorption, heat reflection, drainage, reinforcements and other applications
Padding: Voluminous polyester nonwovens for the apparel and furniture industries

Locations
China, France, Italy, Poland, Russia, USA

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In 2011, Freudenberg Politex Nonwovens generated sales of €223.0 million (previous year: €203.9 million). Sales of roofing reinforcements rose by 9.4 percent year-on-year. Sales in the construction materials segment increased by 13.4 percent. The headcount rose slightly from 609 to 611.

Overall, developments in the construction industry in Western Europe and North America remained sluggish. Demand for roofing reinforcements in these markets was shored up by repairs and renovations. The market rallied strongly in particular in Russia, South America and some regions in the Middle East, where infrastructure expansion lifted demand. Thanks to its comprehensive product range, its know-how in both spunbond and staple technology, and close ties with customers worldwide, Freudenberg Politex Nonwovens was able to reaffirm its global leadership in the polyester roofing market.

The first half of the 2011 financial year was characterized by an unparalleled exponential rise in prices – post-consumer PET bottles were particularly affected. Freudenberg Politex Nonwovens was therefore obliged to repeatedly raise sales prices in order to absorb raw material price increases. The situation eased in the second half of the year and raw material prices stabilized. The introduction of major innovations in process technology and reductions in raw material consumption also contributed to cutting costs.

The Business Group conducted an annual review of the ecobalances of its products in 2011; this review serves to assess the impact of its products and processes on the environment. The major European product lines (Texbond®, Terbond® and Ecozero®) were each certified to the EPD (Environmental Product Declaration). Products from Macon, Georgia, USA, received Underwriters Laboratories certification which validates the share of recycled materials. As a result of its environmental commitment, Freudenberg Politex Nonwovens was cited by the Sustainable Development Foundation in Italy as a leading example in the green economy. In the USA the company received the "Keeping America Beautiful" award for its commitment to protecting and preserving the environment.

For 2012, Freudenberg Politex Nonwovens expects difficult market conditions in the first half of the year in particular. Against this backdrop the Business Group will work on consolidating its position, extending market leadership, improving production efficiency and monitoring developments on growth markets. Expansion of production capacity in Nizhniy Novgorod, Russia, will be complete by the middle of the year. The Business Group's main drivers for maintaining market leadership in 2012 will be innovation and customer orientation.

Clean air for better performance

In project implementation, it is very important to factor in local conditions. That is how we found the right solution for the Meggle filter house in Wasserburg.

Jürgen Kempf, Engineering Projects Manager Germany, Freudenberg Filtration Technologies.

Freudenberg Filtration Technologies designed and built a filter house (photo) for the power plant at the Meggle (milk products company) headquarters in Wasserburg, Germany. This is a flagship project for the Engineering Projects business line of the Freudenberg Business Group.

The idea of these engineering projects is always the same – irrespective of the power plant location. Just as clean air improves human performance, gas turbines need air that is virtually free of particles, dry and heated to optimum operating temperature in order to function properly. In project implementation, it is important to factor in local conditions and to offer the customer individual solutions. The Freudenberg Group is an expert in this respect – regardless of whether the plant is located in India's hot and humid climate or the foothills of the Alps.

The new filter house at the milk products company's premises has some interesting technical features: It is positioned on supports and can be moved within the space of an hour if it is necessary to replace a turbine. In addition, a special anti-icing system developed by Freudenberg Filtration Technologies keeps the bird screens integrated in the weather protection enclosures and the filters themselves free from ice. And filters can be replaced as the need arises because they are continually supervised by differential pressure monitoring systems.

Freudenberg Filtration Technologies

	2010	2011
Sales [€ million]	241.4	**258.1**
Workforce	1,260	**1,318**

Freudenberg Filtration Technologies

Freudenberg Filtration Technologies develops and produces innovative filtration solutions worldwide which improve the efficiency of industrial processes, protect people and conserve resources, protect the environment and enhance the quality of life. Freudenberg filters are used successfully for intake, exhaust and recirculating air filtration in many industrial applications such as production and office ventilation as well as in the transport (rail vehicles, ships and planes), energy generation, healthcare and pharmaceutical sectors, food and beverage production and cleanroom technology. In the field of liquid filtration, Freudenberg Filtration Technologies provides solutions for coolant and lubrication applications, pool and spa, residential water filtration, beverages and foodstuffs as well as products for manufacturing membranes and filter candles. In the human protection filtration sector, the Business Group provides filter solutions for office equipment, respiratory masks, vacuum cleaners and air conditioning systems and other technologically challenging applications. As a development partner and manufacturer for the automotive industry, Freudenberg Filtration Technologies produces cabin air filters and engine intake air filters. A comprehensive range of system solutions (e.g. development and construction of filter plant) and services (e.g. filterCair air quality management) complement the product portfolio.

Products and services
Intake, exhaust and recirculating air filters for general ventilation applications; filters and filter media for residential applications, air conditioning systems, office equipment, respiratory masks and vacuum cleaners; filter media for liquid filtration; cabin air filters; engine intake air filters; filterCair air quality management; plant development and construction; filter testing; training and consulting

Production locations
Argentina, Australia, Brazil, China, Germany, India, Italy, Japan, Mexico, Slovakia, South Africa, South Korea, Thailand, USA

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Freudenberg Filtration Technologies expanded its market position in 2011, generating sales of €258.1 million (previous year: €241.4 million) with a headcount of 1,318 (previous year: 1,260). All regions and segments contributed to this positive development.

Operating margins in the first half of the year were affected by the sharp rise in raw material costs and higher energy and logistic expenses; these were only partly offset by price increases. Measures to save materials by improving processes and through technological innovations were stepped up and will be continued in 2012. Global sales of micronAir® cabin air filters for OEMs and the aftermarket progressed well. The Business Group won important orders for new vehicle platforms which go into series production over the next few years. Sales in China were especially high, leading to high capacity utilization at the Suzhou and Changchun plants and necessitating further capacity expansion: Freudenberg Filtration

Technologies and Japan Vilene Company Ltd. are investing in a new filter plant in Chengdu, South Western China, which will begin producing filters for the automotive industry in 2013. Global business with engine intake air filters also developed well; a growing number of top-class and mid-class vehicles are being equipped with micronAir® high-performance filters.

In the industrial filtration division, Freudenberg Filtration Technologies underscored its claim to technological leadership with numerous innovations: These include Viledon® compact pocket filters with new, high-performance nano jetSpin filter mediums, NEXX filter bags with Evolon® filter mediums and Hydrotexx filter mats for food and drinking water filtration made from 100 percent food-grade fibers. Orders in the liquid filtration business in Asia and Europe were high throughout the year. The Business Group launched a comprehensive air quality and filter management program under the name of Viledon® filterCair – designed especially for surface treatment lines – to assist customers in making maximum use of the high quality filters in their complex systems. The program has developed well in all regions.

By expanding its plant engineering business, Freudenberg Filtration Technologies is aiming to move away from its role as a supplier of high-quality filter products towards a position as an all-round partner for holistic, energy-efficient filtration solutions. A supra-regional project team won a strategically important major order: The Business Group has been commissioned to develop and build the complete filter house plus high-performance filter cartridges for a new air separation plant at a global manufacturer of industrial gases.

The Business Group is proceeding with great caution in its response to the ongoing financial crisis and global economic uncertainty. It is planning further flexibilization in order to handle ever more volatile demand. The main challenges for the Business Group in 2012 lie in compensating for rising raw material and energy costs by increasing prices, improving productivity and through innovations. The Business Group will seek to further enhance the attractiveness of a product offering that brings added value by expanding the product program and acquiring smaller businesses specializing in high-quality filtration concepts – particularly in the BRIC countries.

For 2012, Freudenberg Filtration Technologies expects to see a moderate rise in sales as a result of macroeconomic uncertainty.

Household Products Business Area

The Household Products Business Area comprises the Household Products Business Group, whose vileda®, O'Cedar®, Wettex®, Gala® and SWASH® brands are active in the mechanical cleaning equipment and laundry care segments for final users and commercial cleaning companies.

Freudenberg Household Products

Freudenberg Household Products is one of the leading international manufacturers of brand cleaning articles and systems and laundry care products. The company is the market leader in almost all

Freudenberg Household Products

	2010	2011
Sales [€ million]	676.8	**687.2**
Workforce	2,347	**3,082**

countries. Products are marketed under the brand names of vileda®, O'Cedar®, Wettex®, Gala® and SWASH®. The Business Group's success factors are detailed knowledge of the market, innovations, new and effective products and a pronounced customer orientation. These are complemented by international market and customer research, innovation centers and production facilities in all regions of the world and a dedicated sales network in 35 countries.

Products and services
Floor cleaning equipment, household cloths, cleaning articles, household gloves, mats, laundry care products such as ironing boards and clothes driers

Locations
Australia, Belgium, Canada, Chile, China, Croatia, Czech Republic, Denmark, Finland, France, Germany, Greece, Hong Kong, Hungary, India, Indonesia, Italy, Jordan, Malaysia, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Russia, Serbia, Slovenia, Spain, Sweden, Taiwan, Thailand, Turkey, UK, USA

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The business of Freudenberg Household Products is divided into the Consumer Division (some 85 percent of sales) and the Professional Division. Sales rose by 1.5 percent to €687.2 million (previous year: €676.8 million). The headcount at year-end increased by 735 to 3,082, chiefly as a result of the acquisition of shares in 13 companies of the Trade & Investment in Asia-Pacific (TIA) Group. These companies are not yet included in the consolidated sales and earnings figures.

In 2011, Freudenberg Household Products operated in mixed, stagnating markets worldwide. Lower consumer income as a result of the financial and debt crisis together with high unemployment in Southern Europe and the USA led to shrinking markets, some showing double-digit downturns. In contrast, the regions of Asia/Pacific, Middle East, Latin America and Russia were growth drivers.

The Business Group increased its competitiveness in almost all regions and recorded further sales growth in 2011.

In 2011, Freudenberg Household Products concentrated on the robust expansion of business in growth regions, product innovations with the corresponding advertising activities, cooperation with strategic partners and a marketing strategy geared to customer benefits and sustainability.

One focus for the Business Group in 2011 was successfully setting up distribution and a market presence in Asia/Pacific and Russia; this contributed to a 15 percent increase in sales in these areas and significant growth in all countries. The acquisition of TIA in October has added China's second largest factory for mechanical cleaning products, further established sales companies in Thailand, Malaysia, Indonesia and Taiwan, the SWASH® brand and some €20 million in additional sales to the Business Group's portfolio. Furthermore, a plant in Russia was successfully commissioned on the premises of the sister company Freudenberg Politex Nonwovens in Nizhniy Novgorod.

A further focus of activities was the successful launch of innovations such as the SuperMocio Revolution, the integrated mop-spray system 1-2 Spray, the rotating floor cleaning system Easy Wring & Clean and the first vileda® cleaning robot. All innovations, together with further product enhancements, contributed to solid growth in all categories.

Some of the patented products in Italy and Germany were honored with a coveted innovation prize and also received a brand award, both presented by independent institutions.

In the Professional Division, a strategic partnership for the exclusive marketing of innovative waste systems in Europe was agreed with rothopro GmbH.

In light of the sharp rises in raw material prices, efforts were undertaken together with strategic partners to intensify the use of alternative raw materials and recyclates in products in order to limit price increases for retailers and consumers. This, combined with active process, cost and environmental management, is aimed at further enhancing product efficiency and competitiveness.

Freudenberg Household Products expects to outperform the market again in 2012. The focus will lie on the integration of TIA and further expansion of the presence in growth regions, implementing the powerful innovation and strategic retail partners program, extending the basis for business in the USA, and streamlining the organizational structure in Europe including the necessary adjustments in Southern Europe. The Business Group will be focusing more closely on cooperation projects with a view to cutting costs and improving market position.

Specialties and Others Business Area

The Specialties and Others Business Area comprises the Business Groups Freudenberg Chemical Specialities, Freudenberg NOK Mechatronics, Freudenberg IT and Freudenberg New Technologies, Freudenberg Service Support and Freudenberg Real Estate Management, the latter three primarily operating internally. During the year under review, the companies in this Business Area generated sales of €998.4 million (previous year: €890.0 million). At year-end 2011, the headcount was 4,714 compared with 4,679 at year-end 2010. Well over half of the sales generated by this Business Area are attributable to the Freudenberg Chemical Specialities Business Group, which supplies the automotive and mechanical and plant engineering industries as well as many other sectors. The Freudenberg NOK Mechatronics Business Group produces almost exclusively for the automotive industry. Freudenberg IT is an IT service provider primarily serving small and medium-sized businesses in various branches of industry and the trade sector.

Freudenberg Chemical Specialities

The Business Group comprises the largely autonomous divisions of Klüber Lubrication, Chem-Trend, SurTec and OKS operating independently in their respective markets. Klüber Lubrication is one of the

Freudenberg Chemical Specialities

	2010	2011
Sales [€ million]	581.0	**695.6**
Workforce	2,406	**2,984**

world's leading manufacturers of specialty lubricants. Its tailormade tribological solutions are almost exclusively sold direct to customers in virtually all industries and markets. Chem-Trend is a world market leader for release agents used to manufacture composite, rubber, plastic, metal and polyurethane molded parts. SurTec International GmbH headquartered in Bensheim, Germany, and acquired at the end of 2010 is a leading supplier of surface treatment and electroplating products. OKS is a specialist for high-performance lubricants focusing on the maintenance and repair market. OKS serves customers in trade and industry through industrial distributors.

Products and services
Oils, greases, waxes, pastes, bonded coatings, dry lubricants, solid lubricants, anticorrosion products, chemotechnical products for MRO, hydraulic fluids, cleaning agents, release agents for die casting, composites, rubber and polymer processing, surface treatment products, industrial parts cleaning and electroplating

Locations
Argentina, Australia, Austria, Belgium, Brazil, Chile, China, Croatia, Czech Republic, Denmark, Egypt, Finland, France, Germany, India, Italy, Japan, Malaysia, Mexico, Netherlands, Norway, Poland, Romania, Russia, Serbia, Singapore, Slovakia, Slovenia, South Africa, South Korea, Spain, Sweden, Switzerland, Thailand, Turkey, United Arab Emirates, UK, USA, Vietnam

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The Freudenberg Chemical Specialities Business Group generated sales of €695.6 million in 2011 (previous year: €581.0 million), representing an increase of 19.7 percent. Sales generated by the SurTec group acquired at the end of 2010 are included for the first time. The headcount rose from 2,406 in the previous year to 2,984.

In 2011, the Business Group continued on the growth trajectory of 2010. The positive trend was driven by sustained high demand from key industries, above all the automotive industry and the general industry sector, throughout much of the year. The stable economic climate led to high demand for products for industrial and commercial maintenance and repair marketed by specialist retailers. The first signs that the economy was cooling off did not emerge until the fourth quarter – and orders declined accordingly.

The Business Group maintains a successful presence on all major regional markets and supplies almost all industries and sectors. The broad product portfolio, persistently high innovative strength and exceptional proximity to customers as evidenced by numerous development partnerships and customized solutions have a stabilizing effect that more than compensates for regional market or sector-specific fluctuations in demand. The industrial core markets in Europe and NAFTA countries (North America Free Trade Agreement) continue in their role as reliable sales drivers with as yet still unharnessed market potential. Furthermore, positive business development is also in particular attributable to the strong market presence on global emerging markets which was initiated at an early stage. In addition, numerous development projects to strengthen the regional organizations on a sustainable basis and to expand technical infrastructure were launched last year; examples include projects in China, India and Brazil.

Freudenberg Chemical Specialities gives top priority to the systematic further development of market segments with particularly attractive growth prospects for the Business Group's divisions. Various projects serve

Freudenberg NOK Mechatronics
[based on pro-rata shareholding]

	2010	2011
Sales [€ million]	28.2	**33.0**
Workforce	185	**179**

to strengthen the market position and optimize internal processes and cost structures over the long term. Examples include the ongoing introduction of a standardized SAP platform for the European companies. The consolidation of Chem-Trend production in Europe and the associated relocation of OKS to the Maisach facility were successfully completed without interrupting business.

The integration projects associated with the acquisition of SurTec International GmbH were almost fully completed during the course of the year. The consolidation of the SurTec group is also making excellent progress. Attention is now focusing on projects to increase operational capability and strengthen the market position in terms of both regions and market segments.

Despite a noticeable slackening of demand in certain markets and regions towards the end of the year, Freudenberg Chemical Specialities again expects to see moderate growth in 2012. However, greater attention will be devoted to dealing with the anticipated increase in raw material costs.

Freudenberg NOK Mechatronics

Freudenberg NOK Mechatronics is a 50:50 joint venture between Freudenberg and NOK Corporation. Business activities range from the development and production of mechatronic solutions based on large flexible printed circuits, ready-for-use SMD assembly flat wiring harnesses which can integrate switches, sensors, LED and other functional components, and connector technology. Experience in research, development and production drawn from the joint venture partners makes the company a competent and reliable development partner and supplier, particularly for the automotive industry, module suppliers and harness makers.

Products and services
Mechatronic solutions based on large flexible printed circuits including connector technology with and without SMD assembly, heating and antenna foils, component assembly

Locations
Germany, Hungary

Freudenberg NOK Mechatronics GmbH & Co. KG
69465 Weinheim | Germany
Phone: +49 (0) 6201 80-3896
Fax: +49 (0) 6201 88-3896
E-mail: mechatronics@freudenberg.de
www.freudenberg-mechatronics.de

Following the swift recovery in 2010, the positive business trend for Freudenberg NOK Mechatronics continued in 2011.

New orders and projects brought forward – particularly in the lighting segment – led to sales of €66.0 million (previous year: €56.4 million). On the basis of the pro-rata consolidation, sales of €33.0 million are disclosed in the consolidated financial statements of the Freudenberg Group. At year-end, the headcount at Freudenberg NOK Mechatronics was 357, of which a headcount of 179 (previous year: 185) is attributable to Freudenberg on the basis of the pro-rata consolidation. Adjusted for the transfer of the actuator business to the partner Eagle Industry Co. Ltd., this represents a rise of 15.9 percent.

Mechatronics business based on flexible circuit boards increased from €40.3 million to €49.9 million, which in turn represented an increase of 23.7 percent. This accelerated growth is chiefly attributable to an increase in final used demand for applications supplied by Freudenberg NOK Mechatronics. Despite initial procurement problems with regard to raw materials and components, capacity expansion was swiftly implemented without any delivery bottlenecks. New orders were won in the external lighting segment – where complete light modules were produced in series for the first time – and in ambient lighting for headliner applications. The first products for day running lights were produced in series using a new high-temperature material. Flat-wiring solutions for lithium-ion batteries are being tested by major customers. The Business Group is at the development stage for medical applications based on flexible printed circuits and has already delivered the first sensor samples.

The actuator business was sold to Eagle Industry Co. Ltd. – a subsidiary of the joint venture partner NOK Corporation – effective June 30, 2011.

Freudenberg NOK Mechatronics expects to see stable sales developments in 2012 and will be using the year to further consolidate capacity following the previous strong growth.

Freudenberg IT

Freudenberg IT is an internationally active outsourcing and consulting solutions provider for SAP and MES (Manufacturing Execution System). Preconfigured solutions offer the security of globally functioning standards. Freudenberg IT combines these standards with customized elements tailored to meet individual needs.

The company designs, implements and optimizes IT infrastructures, runs SAP application hosting and supplies the relevant application management services. Freudenberg IT offers SMEs and large companies the holistic MES adicom® Software Suite solution for planning and control in production and personnel.

Products and services
Outsourcing, consulting for SAP and MES

Freudenberg IT

	2010	2011
Sales [€ million]	88.2	**116.8**
Workforce	650	**681**

Locations
China, Germany, Hungary, Singapore, Spain, USA

Freudenberg IT KG
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In the 2011 financial year, Freudenberg IT grew sales by 32.4 percent to €116.8 million (previous year: €88.2 million). Some 76 percent of sales were generated outside the Freudenberg Group. At year-end 2011, 681 associates worked for the Business Group at 18 locations worldwide, 31 more than the previous year.

Orders in all divisions developed well in the 2011 financial year as a result of the continuing good macroeconomic situation. Outsourcing sales rose by 43.8 percent. Consulting (plus 17.4 percent) and Application Management Services (AMS) (plus 11.3 percent) also made a significant contribution to the increase in sales. The Business Group reaped above-average benefits from the growth momentum on the markets in the USA and China, thus putting the overall development of Freudenberg IT on a broader footing going forward.

The Business Group's order situation stabilized at last year's high level as a result of several major outsourcing orders from the mid-market. The noticeably higher interest in outsourcing shown by the mid-market was a contributory factor. This positive trend continued in 2011 following the difficult economic conditions in 2009 and 2010.

A sustained stabilization in the quality of the major outsourcing contracts won in 2009 and 2010 was achieved in the year under review. This is partly attributable to certification to ISAE 3402 Type II and DIN EN ISO 9001 and to the systematic implementation of IT infrastructure library processes.

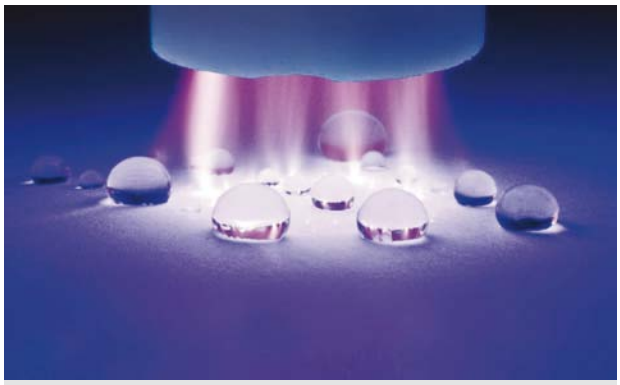
Successful recertification as an SAP Global Hosting Partner, SAP Global AMS Partner and SAP Partner in Cloud Services underscored the good partnership with SAP. Extensive investments in technical infrastructure and manpower in 2011 created the basis for further growth.

The "Customer First" initiative launched in 2011 brought the first positive results in the shape of increased customer satisfaction and customer retention. These customer-oriented activities will be one focus of work in 2012. Business expansion efforts will also concentrate on SAP core business in Europe and on continued above-average growth in business in other countries.

Freudenberg New Technologies

	2010	2011
Sales [€ million]	29.0	**34.1**
Workforce	248	**270**

Freudenberg New Technologies



The Business Group comprises the lead company Freudenberg New Technologies KG together with the companies Freudenberg Forschungsdienste KG, Freudenberg FCCT KG and Freudenberg Venture Capital GmbH, all registered in Weinheim. This organizational structure allows a focused approach to innovation and new business at Freudenberg. The New Business Development Division at the lead company reinforces the innovative strength of Freudenberg. The Idea Pool takes up the ideas of associates and transforms them into concrete business. Freudenberg New Technologies KG is also responsible for cross-functional innovation activities and public funding. Freudenberg Forschungsdienste KG functions as a partner for customers in the development of new and the optimization of existing materials and processes and as an experienced service provider for damage analysis and other research services. Freudenberg FCCT KG develops fuel cell components such as seals, gas diffusion layers, humidifiers and filters. Freudenberg Venture Capital GmbH reviews participations in startup companies offering innovations in fields related to Freudenberg activities, putting up risk capital where appropriate.

Products and services
Development, testing, computation, analysis of polymer materials, intellectual property rights management, patent and trade mark research, fuel cell components and venture capital

Location
Germany

Freudenberg New Technologies KG
69465 Weinheim | Germany
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In the 2011 financial year, sales by the Freudenberg New Technologies Business Group, which is mainly active for customers in the Freudenberg Group, rose by €5.1 million to €34.1 million (previous year: €29.0 million). The largest share of sales is generated by Freudenberg Forschungsdienste KG. At December 31, 2011, the headcount at Freudenberg New Technologies was 270, 22 more than in the previous year.

The New Business Development Division of Freudenberg New Technologies KG continued to encourage associates to submit ideas for new business with the "Your Idea – powered by Freudenberg" campaign. These ideas are reviewed internally and, if they appear promising, then launched as projects under the stage gate process. The business idea that made the most progress in 2011 is called "scaffolene" and the objective is to develop to market maturity special bioresorbable nonwovens with defined therapeutic properties. The first near-production scaffolene nonwovens have already undergone medical application tests in the cleanroom as part of joint cooperation projects with reputed manufacturers of medical technology and pharmaceutical products.

Efficient, CO_2-free technologies are indispensable for safeguarding sustainable energy supplies in the future. Fuel cells play a key role for mobile and stationary applications. Freudenberg FCCT KG develops

and manufactures components for the global fuel cell market for automotive, non-automotive and domestic energy supply applications.

The automotive industry as well as non-automotive power technology companies and energy suppliers now have market-ready products. Apart from the known types of fuel cell vehicles (passenger cars and buses), the first commercial fuel cells for non-automotive markets are now available, particularly in leisure applications. The number of series applications has risen compared with the previous year. Freudenberg FCCT KG is excellently positioned with its unique product portfolio of stack (seals, gas diffusion layer) and system components (filters, humidifiers), is already a series producer and has established itself as a leading supplier. The focus over the coming years will center mainly on series production and cutting costs.

Freudenberg Forschungsdienste KG supports Freudenberg Business Groups in the development and introduction of new products and processes. In 2011, the volume of business grew to approximately €28 million. Sales to external customers rose to over €6 million. The first projects in Freudenberg's new market segments of oil and gas and medical technology were successfully launched. One of these projects received prestigious innovation awards. The "smart plaster" project which is being jointly conducted with the Medical Technology Institute of Heidelberg University, Mannheim University of Applied Sciences and Mektec Europe GmbH, Weinheim, Germany, received an award from the State of Baden-Württemberg under the "Land of Ideas" initiative, as well as the Rhein-Neckar region innovation prize.

Freudenberg New Technologies will continue to work on promising fields in 2012, focusing in particular on the market development of fuel cells. Efforts will also address expanding market access for projects with a positive environmental impact ("Clean Tech").

Freudenberg Service Support

Freudenberg Service Support operates the industrial parks in Weinheim, Neuenburg and Laudenbach, all Germany. The Division comprises the companies Freudenberg Service KG and Freudenberg Verpflegungsdienste KG, both domiciled in Weinheim. Freudenberg Service KG supports its customers by providing a variety of services at the three industrial parks such as occupational health and preventive healthcare, accounting, energy management, infrastructure and communication technology, a pension service, plant security and fire services.

Freudenberg Service Support operates a trigeneration plant (CCHP) at the Weinheim site providing environmentally-friendly energy generation and supply. Freudenberg Verpflegungsdienste KG is responsible for works catering for all sections of the Freudenberg industrial complex in Weinheim.

Products and services
Industrial park operation, energy services, infrastructure and communication technology, shared service centers, catering

Freudenberg Service Support

	2010	2011
Sales [€ million]	53.7	**56.9**
Workforce	321	**324**

Location
Germany

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The Freudenberg Service Support Division is primarily an internal service provider and operates industrial parks at Freudenberg locations in Germany. In 2011, the Division generated sales of €56.9 million (previous year: €53.7 million).

The financial year of the energy management unit was characterized by low demand for heat energy as a result of the relatively warm weather in spring and fall 2011. The electricity required by a total of 21 sites was successfully procured. Freudenberg Service Support is planning to expand energy procurement services at national and international level over the coming years. Germany's new energy concept passed in 2011 is likely to increase the price of energy.

Due to rising demand, the plant security and fire services unit will be expanding core business such as security concepts and fire prevention consulting, and offering an extended service in 2012.

Freudenberg Verpflegungsdienste KG grew sales as the number of meals served by works catering in Weinheim rose and additional business such as conference and hospitably catering was won.

At year-end 2011, the headcount at Freudenberg Service Support was 324 (previous year: 321).

Freudenberg Real Estate Management

The Freudenberg Real Estate Management Division was set up in 2008. Under the guidance of the lead company Freudenberg Immobilien Management GmbH, Weinheim, the Division is responsible for all real estate issues relating to Freudenberg companies worldwide.

Activities include the purchase of land and erection of buildings, the purchase or sale, hire or rental of production buildings, warehouses or offices as well as consultancy and engineering services on all real estate issues. In addition, Freudenberg Immobilien Management GmbH develops entire production facilities and new development concepts, e.g. for Weinheim Technology Park or other unoccupied industrial space.

Products and services
The provision of real estate for Freudenberg companies and external firms; corporate real estate management – the structured and efficient management of real estate; planning, construction, purchase and sale of real estate; hire and letting of production, logistics and office space; infrastructure planning and technical facility management

Freudenberg Real Estate Management

	2010	2011
Sales [€ million]	47.7	**51.8**
Workforce	49	**54**

Location
Germany

Freudenberg Immobilien Management GmbH
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www.freudenberg-immobilien.com

In the 2011 financial year the Freudenberg Real Estate Management Division with its headcount of 54 (previous year: 49) generated sales of €51.8 million (previous year: €47.7 million). The rise is chiefly attributable to additional rental income from properties in China and the USA commissioned in 2010 and to the rise in the technical facility management business.

In March 2011, a 1,000 square meter production hall in Laudenbach was handed over to AWETIS Engineering + Manufacturing GmbH, Munich, Germany. Work on the new factory in Eurasburg, Germany, for EagleBurgmann which was mothballed in 2009 as a result of the economic and financial crisis resumed in March 2011. The 15,400 square meter factory will be completed by the end of June 2012. The 12,800 square meter new build in Berlin-Adlershof with offices and production halls was handed over to Freudenberg Spezialdichtungsprodukte GmbH & Co. KG, Weinheim, Germany, in June 2011. Work began on a new 2,300 square meter office building for EagleBurgmann in Houston. The building is scheduled for completion at the end of 2012.

A section of real estate not used for operations in Weinheim Technology Park was sold to a global engineering office for development.

Freudenberg Real Estate Management's quality management system was successfully audited to DIN EN ISO 9001 in December 2011.

Less wear and greater stability

Strong growth on the market for rail vehicles is forecast for the coming years in response to demand for greater comfort at high speed and improved noise insulation as well as an expanding rail infrastructure – especially in the BRIC countries. Freudenberg supplies this market with vibration control components and systems. One particularly innovative Group development is the hydraulic axle-guide bearing known as HALL.

This bearing simultaneously optimizes the driving performance of rail vehicles on the straight and in bends. It combines the low longitudinal stiffness needed for bends with the high longitudinal stiffness required for the straight in one single component. Optimum adjustment of the axle-guide bearing presents the biggest challenge in rail vehicle design. The lowest possible level of longitudinal stiffness is required for low-wear, quiet running properties in bends; on the other hand, the axle-guide bearing has to be very stiff in order to ensure that the vehicle runs smoothly on the straight. In the past, these conflicting demands led to compromise solutions being used.

Freudenberg Schwab Vibration Control has squared the circle with the help of an integrated hydraulic apparatus that generates frequency-dependent changes in longitudinal stiffness.

Our goal is to make rail vehicles safer, more comfortable and more efficient. A major role plays our hydraulic axle-guide bearing known as HALL.

Rossana Cisneros, Sales Support, Freudenberg Schwab Vibration Control.

RESEARCH AND DEVELOPMENT

In 2011, the Freudenberg Group expensed a total of €205.4 million (previous year: €181.3 million) for research and development, with more than half of this sum accounted for by the Freudenberg Sealing Technologies, Vibracoustic and Freudenberg Chemical Specialities Business Groups. During the year under review, 2,187 associates (previous year: 1,960 associates) were employed in research and development throughout the Group, with the regional focus in Germany, where 1,375 associates were employed.

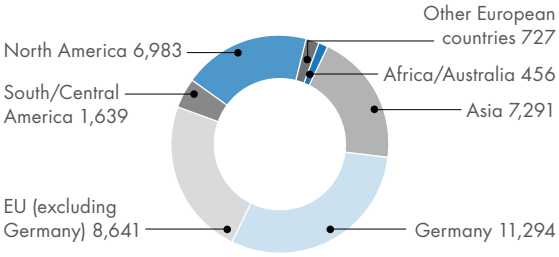
In the Freudenberg Group, the targeted, customer-orientated innovation activities of the Business Groups in the area of research and development are complemented by various strategic elements. The common goal is significantly boost the share of new products sales.

Spearheaded by the New Business Development Division of Freudenberg New Technologies, the Idea Pool, an initiative for new business ideas, was further extended in the 2011 financial year. Under the motto "Your Idea – powered by Freudenberg", over 200 ideas were collected from associates all over the Group; these were then assessed, selected and passed on to the Business Groups and the New Business Development Division for specific use.

Freudenberg makes specific use of the collaborative research and development approach supported by the German government and the EU to solve tasks relating to several stages of the value chain. This is done in cooperation with partners from industry and science where such funding does not reduce the technical risk but does alleviate the economic risk of these research and development projects. The German funding database lists 22 collaborative research and development projects running until the end of 2011 and beyond involving a total of eight Freudenberg companies. In addition, a new project with total funding of approximately half a million euros was launched in 2011 and is scheduled to run for a three-year period. Three other projects funded by the EU were ongoing at Freudenberg in 2011.

Group innovations were recognized with several awards in 2011. Freudenberg Sealing Technologies received an award from "Der Deutsche Innovationspreis" initiative for a method to produce the steel rings used in rubber-metal seals using an innovative laser welding process rather than stamping. This reduces steel consumption by up to 70 percent. The "intelligent plaster" co-developed by Freudenberg Forschungsdienste KG won two innovation awards – the Baden-Württemberg "Land of Ideas" Award and the Rhein-Neckar Region innovation prize. This "smart plaster" measures organ functions with the help of light signals in a quick and pain-free process.

Workforce by regions
[as at Dec. 31, 2011]



HUMAN RESOURCES

On December 31, 2011, the Freudenberg Group employed 37,031 associates (previous year: 34,319), an increase of 7.9 percent compared with the previous year. Personnel expenses increased by 6.1 percent to €1,703.6 million (previous year: €1,605.7 million). Of these personnel expenses, social security contributions and costs of pensions and assistance and related benefits amounted to €346.0 million, representing an increase of €17.5 million compared with the previous year.

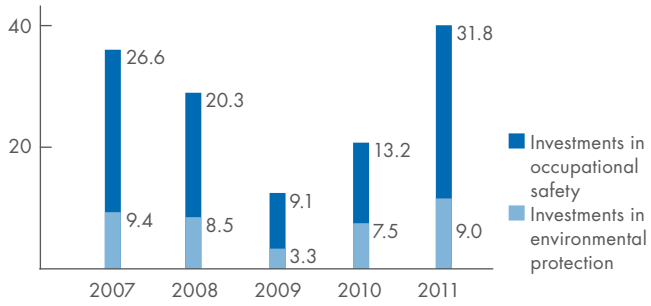
In light of continued dynamic growth in all regions, the headcount increased, particularly in North America, where the number of associates rose to 6,983 (previous year: 6,404), the European Union (excluding Germany), where the number of associates increased to 8,641 (previous year: 8,537) and in the Other European countries region, where the number of associates went up to 727 (previous year: 639).

In Germany, the headcount rose by 490 associates or 4.5 percent to 11,294.

There was a slight rise in headcount in the South/Central America region to 1,639 (previous year: 1,614). Africa/Australia remained largely unchanged at 456 (previous year: 453). The headcount in the Asia region rose to 7,291 (previous year: 5,868) on the back of strong regional growth.

In 2011, 185 young people began their training at Freudenberg's German companies. In total, 532 people were training at Freudenberg in Germany as at December 31, 2011. The spectrum ranges from a two-year commercial or technical apprenticeship to dual studies at a university of cooperative education. Freudenberg has acquired a reputation for the high standard of its training, as is confirmed by the fact that companies located in the vicinity of Freudenberg operations send their young people to Freudenberg for training.

Investments in environmental protection and occupational safety
Expenses including integrated technology and non-capitalized expenditure (€ million)



RESPONSIBLE CONDUCT

Environmental protection, occupational health and safety and sustainability

Continuous improvements in the areas of environmental protection, occupational health and safety were intensified. The overriding priorities are preventing all accidents, preventive health care and reducing the environmental impact of Freudenberg's business activities.

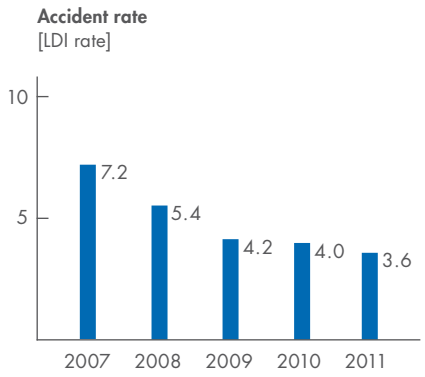
The Group's "Responsible Conduct" guidelines describe what sustainability means at Freudenberg and empower associates to act accordingly. The Business Principles and Guiding Principles of the Freudenberg Group, together with the "Responsible Conduct" guidelines lay the foundation for actions and conduct in the company.

The sustainable use of resources – for example in building and modernizing buildings and in the manufacture of products and their use by customers – is an important element of this sustainability policy and was again actively fostered in 2011. Freudenberg Politex Nonwovens is the largest processer of recycled PET flakes in the European construction industry, recycling over one billion post-consumer PET bottles at its two Italian plants. Freudenberg Nonwovens' Lutraflor® product for automotive carpets won the Innovation & Sustainability award in the nonwoven roll good category at the INDEX nonwovens exhibition in Geneva. It is based on recycled material and sets new standards in the industry. New products at Freudenberg Household Products undergo an evaluation process during the product development phase that factors in sustainability aspects. New products must demonstrate a better sustainability performance than their predecessors.

Investments
In the year under review, €31.8 million was invested in occupational health and safety, €18.6 million more than in the previous year (€13.2 million). Investments in environmental protection amounted to €9.0 million (previous year: €7.5 million). The share of investments in environmental protection and occupational safety in total investments in intangible assets, property, plant and equipment increased to 13.5 percent (previous year: 7.7 percent).

Management systems
The introduction of management systems relating to occupational health and safety (OHSAS 18001) and environmental protection (ISO 14001 or EMAS) continued in the 2011 financial year. 155 of the Freudenberg Group's 185 production facilities (84 percent) now operate an occupational health and safety management system pursuant to OHSAS 18001 and 147 Freudenberg Group sites (80 percent) operate an environmental protection management system pursuant to ISO 14001 or EMAS.

Energy management
Many site projects and Business Group initiatives oriented to the Freudenberg "Responsible Conduct" guidelines focused on sustainable energy use with a view to reducing the environmental impact of business activities. Freudenberg Politex Nonwovens addressed heat recovery measures during the energy-intensive cleaning stages of PET bottle recycling. Freudenberg Nonwovens also gave priority to heat recovery, optimizing steam generators and switching from oil to natural gas as an energy source. Freudenberg Real Estate Management implemented a constant stream of projects aimed at the energy-efficient modernization of existing buildings. Energy managers have begun their work at many Business Groups and initiated numerous improvements to existing plant such as heating systems, compressors, ventilation and steam generation units.



Preventive health care
An annual health statistics survey was introduced to encourage preventive health care. The preventive health management approach was intensified. Business Groups introduced their own instruments to promote the health of their associates. Freudenberg Sealing Technologies, for example, prepared ergonomic summaries of health risks in production with a view to preventing ergonomic risks.

Environmental protection key data
In 2011 Freudenberg again used 1.8 million megawatt hours (previous year: 1.8 million megawatt hours). The break-down by sources of energy is as follows:

- Outsourced energy supplies (power, steam and district heat generated outside the Freudenberg Group; 1.08 million megawatt hours)
- Natural gas (0.64 million megawatt hours)
- Fuel oil (0.04 million megawatt hours)

This energy consumption of 1.8 million megawatt hours translates into costs totaling approximately €125.9 million. Energy costs accounted for 2.1 percent of total sales (previous year: 2.3 percent).

There were three events with a significant environmental impact in 2011 (previous year: three events): A fire occurred in an outbuilding used to store seals at the Dichtomatik site in Hamburg. The main building where most of the goods are stored was not affected.

A fire broke out on a phosphating line at the Freudenberg Technical Products LP site in North Shields in England. No one was injured.

There was an infringement of the threshold for chemical oxygen demand in the wastewater treatment plant in Weinheim caused by external tenants. The adjacent river was not affected.

Occupational safety key data
As a consequence of numerous activities and measures at all levels of the company and as part of the "We all take care" environmental protection and occupational safety initiative, the total number of accidents resulting in more than one day's absence in 2011 declined to 136 (previous year: 142) at a 7.9 percent increase in headcount. The corresponding LDI rate (accidents ≥ 1 day's absence per 1,000 associates) improved to 3.6 (previous year: 4.0). Referred to one million working hours, the rate at Freudenberg therefore improved from 2.3 to 1.9. The already low accident rate was thus lowered further. The number of hours lost through accidents increased by 24 percent to 21,025. The number of serious accidents rose from ten to eleven including one fatal road accident during company service.

Social responsibility

The Freudenberg Group sees its social responsibility as an integral part of its corporate governance. The Group's "Responsibility" Guiding Principle states: "Our company and its family shareholders together are committed to protecting the environment and being responsible corporate citizens in all countries and communities where we do business …"

In the 2011 financial year, many companies, sites and associates around the world again engaged in local projects and initiatives providing concrete aid with the support of the Freudenberg Group in the spirit of responsible corporate citizenship.

Japan was hit by a severe earthquake and tsunami on March 11, 2011. Given the scale of the disaster it was almost a miracle that none of the associates of Freudenberg's partner companies NOK Corporation and JVC or their families was seriously injured. 620 families of NOK associates were affected; their homes were either completely destroyed or seriously damaged and in need of repair.

Freudenberg associates all over the world showed great creativity in their initiatives to help the affected NOK associates and collected €219,000 within a very short space of time. The Freudenberg Group doubled this sum, presenting NOK with a donation check as a sign of personal solidarity with the victims and a symbol of the close ties with the Japanese partner companies.

Some examples of the long-term orientation of local projects are described below:

In 2011, a further 52 young people completed their training at the non-profit training center opened in 2009 in Nagapattinam in the Indian state of Tamil Nadu south of Chennai and found employment. In total, 136 young people have so far made a successful start to their working lives. The Nagapattinam region, with a population chiefly comprising low-income agricultural workers and fishermen, was hardest hit by the tsunami in 2004. To give the young people in the area a sustainable basis for a better future and to meet the above-average need for high-quality training, the training center gives a maximum of 130 young people the opportunity to complete dual study courses that are unique in India to train as welders, plumbers, engine mechanics and machine fitters. Once they have completed their training, the young people stand a good chance of earning their own living while helping to improve the region's infrastructure.

An elementary school was rebuilt with Freudenberg's help and opened in 2009 in Haijin, a town in Sichuan province, China, almost completely destroyed by an earthquake in May 2008. The new building provides some 300 students with the right setting for a successful start to their education. The 2011 one-week summer school project was again a big success. Over 50 Freudenberg associates were involved in the project and taught the children English, Chinese culture and sport.

In the 2011 financial year, 36 young people gathered valuable experience in a foreign country under Freudenberg's TANNER youth exchange program. Since the program was launched, over 800 children of associates have spent time with host families at Freudenberg locations all over the world and gained a first-hand insight into a different culture.

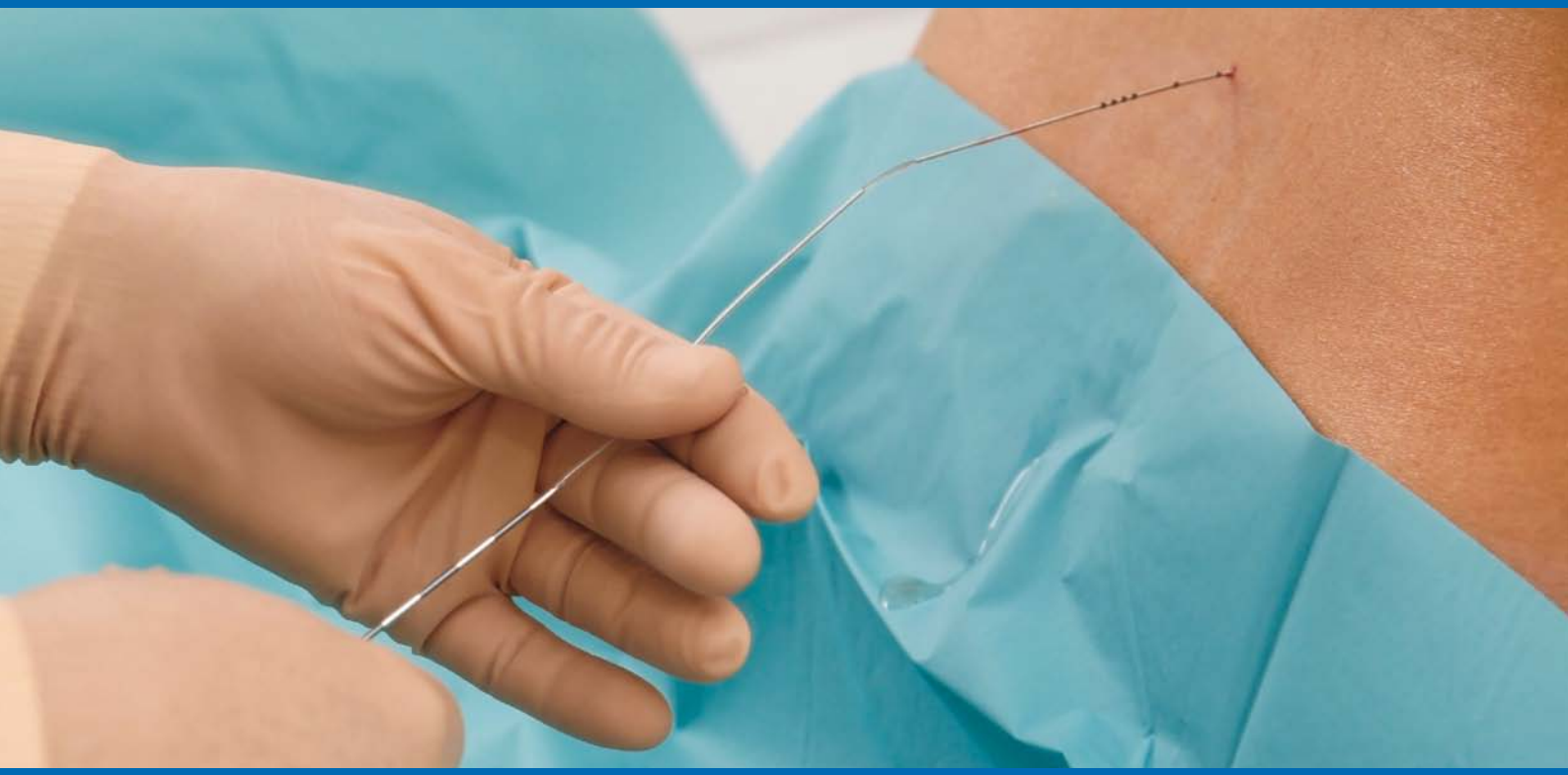
Freudenberg Stiftung (www.freudenbergstiftung.de) is the largest partner of the Freudenberg Group. In keeping with its statutes, earnings from the foundation are used to promote science and education, and to strengthen peaceful coexistence in society. The work of the foundation focuses on children and young people. All projects seek to integrate these groups in society. The projects are always motivated by a

specific need for action which is either drawn to the direct attention of the Foundation or stimulated by scientific research: Young people from immigrant families who cannot find a vocational training opportunity, children who find school difficult because of their lack of German language skills, right-wing extremist youth groups, small business entrepreneurs who cannot find advice or support from existing institutions, or schools wishing to open their doors to extra-curricular activities but lacking the necessary resources.

Catheters for modern pain management

Our catheters are very important for modern pain management. They give the patient greater mobility and shorten hospital times.

Liz Harper, Process Assurance Operator, VistaMed.



VistaMed is an Irish manufacturer of medical device components specializing in the development and production of complex catheter systems. Freudenberg's Helix Medical Business Group has a 50 percent stake in the company. One particular specialty is epidural catheters.

The catheters are used in a wide variety of surgical procedures. They are inserted into the body via introducers and are connected to a drug delivery system, normally a pump. These are often ambulatory systems which allow the patient full mobility. The catheters are used to dispense pain relief drugs with extremely accurate flow rates and targeting to the exact area of the body over extended periods of time. This functions very well because the drug feeds through micro holes drilled at controlled distances and radially dispersed on the catheter. As a result, the patient can receive pain relief for up to seven days, reducing the need and risk of removing and replacing the catheter.

A second important feature is the strength of the catheter and its resistance to kinking. As the catheter is placed in the body for extended periods, careful selection of materials is important, and many catheters feature internal profiles to minimize the risk of blockages whilst maintaining a relatively small size and low cost.

POST-REPORTING DATE EVENTS

Freudenberg and Trelleborg AB signed the contract establishing the new 50:50 joint venture on January 31, 2012, thus laying the foundation for the partnership between Vibracoustic and the automotive antivibration business of Trelleborg. The joint venture is conditional upon approval from the relevant authorities, in particular the European anti-trust authorities.

Freudenberg is also investigating whether to sell the business of precision molding parts for brake systems to ContiTech Vibration Control GmbH, Hanover, Germany. A final decision is expected in the first half of 2012.

The events reported above did not exercise any material effect on the net assets, financial position or results of operations of the Freudenberg Group in the year under review.

RISKS AND OPPORTUNITIES

Freudenberg is exposed to many risks inseparably associated with entrepreneurial action. A standardized risk management system for the timely identification and control of risks and the prompt initiation of countermeasures to safeguard the company is in place across the Freudenberg Group. The system classifies risks by risk category, likelihood and the scale of damage. Risk identification is decentralized. To ensure efficient decentralized risk identification and assessment, the business units are allocated to monitoring sections largely identical with their business responsibilities. Group companies supply information on the current status of major risks under a regular reporting procedure. Risk prevention or risk reduction measures are listed for each risk; early warning indicators are updated on a regular basis. This risk management system is appropriate for the timely identification of developments that could threaten the continued existence of the Group.

Furthermore, the Risk Committee in particular addresses the identification, analysis and control of the financial risk profile of the Freudenberg Group. This forms the basis for discussing and defining existing processes concerning the methodology and control of financial risk management and for establishing new processes.

It is not the objective of the risk management system to avoid all potential risks, but rather to create the leeway for taking a deliberate decision to enter into a risk backed by a comprehensive knowledge of the content and causes. Entrepreneurial action therefore also involves harnessing opportunities and thus safeguarding and expanding the company's competitiveness. The product portfolio structure, the regional orientation, strategic acquisitions, focused research and development, as well as various

strategic initiatives play a key role in achieving this goal. Entrepreneurial opportunities are included in the annual planning process and monitored throughout the year. They do not form part of reporting under the risk management system. Long-term opportunities for profitable growth are indentified as part of the strategy process.

As a supplier, Freudenberg is exposed in particular to the business- and product-related risks and opportunities associated with developments in the sectors the company serves. The Group's broad diversification with regard to different customer groupings and regions helps distribute risks. Freudenberg responds to the fluctuating order behavior of customers with increased capacity flexibility, supported by active working capital management.

The business activities of the companies in the Freudenberg Group are subject to legal provisions and the risk of litigation. In its capacity as a supplier, the focus in this context is on product liability risks. Freudenberg seeks to avoid these risks through extensive quality assurance measures and controls. Specific quality management strategies such as "Six Sigma" (zero defects) are deployed to handle quality risks.

Many countries continue to battle with significant structural problems. Not only the countries in the eurozone, but also other economies are hit hard by the financial and debt crisis and have to deal with higher unemployment and sovereign debt. The economies in Asia, on the other hand, continue to power the global economy, albeit on a less pronounced scale. Freudenberg has engaged in Asia for many years and further extended its activities in this potential growth market through acquisitions in 2011. The Group expects developments in this region to be significantly more dynamic than on markets in Europe, USA and Japan. Freudenberg will continue to invest in technically challenging market segments such as medical technology, the oil and gas industry and rail vehicles with a view to handling cyclical fluctuations more effectively going forward.

On the procurement market, Freudenberg faces risks relating to the availability and price of raw materials, particularly steel, crude oil and rubber. Operating units respond to these risks with global purchasing activities and by reviewing the utilization of substitute raw materials and alternative production processes. Long-term contracts are concluded where feasible and meaningful.

The raw materials and processes used for the manufacture of products have a varying impact on the environment and the workplace. It is Freudenberg's aim to continuously reduce the impact of its business activities, and the Group is committed to protecting associates and the environment in the selection and further development of raw materials, processes and methods. This applies both to storing and processing raw materials and to the disposal of production residue. Many product developments are subjected to a gate process which not only ensures that new products have a better environmental performance than their predecessors, but also optimizes the use of raw materials. Over the last five years, for example, there has been a noticeable reduction in the use of formaldehyde in binders. The company takes a proactive approach towards complying with the more stringent legislation introduced in recent years. Starting in 2012, the Oeko-Tex® criteria as valid for the respective product applications will be used as an internal threshold. The objective is to ban formaldehyde from Freudenberg products.

Freudenberg's "We all take care" initiative launched in 2002 calls on every associate to engage personally in improving environmental protection and occupational health and safety. The Health, Safety and Environment Corporate Committee (HSE-CC), the

steering committee responsible for these activities, meets twice a year to discuss these issues at top management level with the HSE representatives of the Business Groups. The objective is the further development of environmental protection and occupational health and safety policy including the relevant HSE initiatives throughout the Freudenberg Group. Freudenberg has intensified the internal and external audit processes relating to fire protection with a view to increasing awareness for fire protection and, in the final analysis, to preventing production interruptions and delivery shortfalls. The findings of the audits are systematically evaluated and measures implemented within the relevant Business Groups.

The Freudenberg Group depends on data and information that is chiefly stored electronically and communicated by electronic means. This applies both with reference to internal business processes and to business processes with customers and suppliers. The Freudenberg Group responds to IT security risks by operating an IT security management system oriented to the ISO/IEC 27001:2005(E) international standard. The aim of the IT security guidelines issued by the Management Board is to preserve the confidentiality, availability and integrity of information, prescribing the procedures to this end. The Business Groups conduct an ongoing comprehensive risk monitoring and implement appropriate measures catering for the risks in the various business areas and factoring in the economic situation. An assessment of IT security in the Group regularly forms part of the annual reporting procedure. Numerous internal communication measures encourage a heightened awareness on the part of employees with regard to the correct handling of information and information processing systems.

In its capacity as a provider of IT outsourcing services, Freudenberg offers its customers the standard guarantees regarding the availability and performance of the hardware made available to them. Failure to comply with these guarantees could result in customers filing claims for damages. Technical risks are primarily covered by redundant data centers in different geographical locations.

As a result of the measures to safeguard liquidity initiated in recent years Freudenberg remains only marginally affected by the effects of the financial and debt crisis in the Western world. The Freudenberg Group hedges this risk with its solid banking and Partners' financing and its high liquid reserves. The company has an above-average equity ratio, a stable level of Partners' reserves and comprehensive credit lines.

Its international business activities mean the Freudenberg Group is exposed to currency and interest rate risks. Monitoring of these risks is implemented in the risk management process. Because the currency risks of the various companies have a partially offsetting effect, the effective foreign exchange risk for the Freudenberg Group is determined as part of the foreign exchange management process.

Interest rate risks arise from possible changes in the market rate and can lead to changes in the market value of fixed interest investments. To reduce interest rate risks, Freudenberg & Co. makes funds available to the subsidiaries in the form of loans or via cash pools. Vice versa, Group companies channel surplus liquidity to the central finance department. Currency and interest rate risks are hedged to a meaningful extent.

Internal directives for Group companies clearly specify that derivative financial instruments may not be used for speculative purposes, but only for hedging risks in connection with underlying transactions and associated financing operations.

In view of the general economic situation, Freudenberg constantly reviews and extends the present proven risk directives in order to respond even more effectively to future challenges.

In its rating published in mid-August 2011, the rating agency Moody's reaffirmed Freudenberg's creditworthiness as Baa1 and confirmed the outlook as "stable". The Baa1 rating gives Freudenberg very good creditworthiness at investment grade level. Companies with this rating standard have comparatively low interest costs because the likelihood of loan default is significantly lower. For that reason, banks and other credit institutions charge a lower risk premium.

The objective of the internal control system with reference to the Group accounting process is to establish an appropriate degree of security to ensure that financial statements are drawn up in compliance with the relevant accounting laws and standards by implementing controls. This system includes measures intended to ensure complete, accurate and timely transmission and presentation of information of relevance to the preparation of the consolidated financial statements and the consolidated management report of the Freudenberg Group. The Freudenberg Group Management Board bears overall responsibility for the internal control system as it relates to the Group accounting process.

To this end, Freudenberg has initiated the following main measures:

The Group Accounting & Controlling Corporate Function is responsible for compilation of the consolidated financial statements of Freudenberg & Co. Kommanditgesellschaft as the parent company of the Freudenberg Group.

The Corporate Function defines binding minimum requirements regarding reporting content submitted by the companies and at the same time controls and monitors the time frame and process requirements for the consolidated financial statements.

Group Accounting & Controlling is also responsible for the central administration of changes in shareholding structures and updates the list of companies included in the Freudenberg Group consolidation accordingly.

The Freudenberg Group's standards for IFRS reporting as regularly updated form the basis for compiling the IFRS financial statements of the parent company and of all domestic and foreign subsidiaries included in the consolidation.

The necessary information concerning the coordinated and punctual compilation of the consolidated financial statements in compliance with the relevant accounting laws and standards is available to all associates at Group Accounting & Controlling and in the companies via the Freudenberg intranet. There are binding instructions for internal coordination and the preparation of financial statements.

Freudenberg uses a standard software tool from Oracle for the Group accounting process. This tool is used throughout the Group worldwide and clearly defines user rights via an authorization concept on a need-to-have basis and observing the separation of functions. The system covers both reporting by individual companies and the consolidated financial statements. Additional controls are implemented in the consolidation process. This process is also supported by a software tool for the automatic reconciling of balances throughout the Group.

The individual companies have a local internal control system which is the responsibility of the respective Business Group. If a Shared Service Center is responsible for the financial process, then the internal control system of the Shared Service Center applies.

The Group Accounting & Controlling Corporate Function provides support for local contact partners throughout the entire reporting process. The Corporate Function organizes seminars for associates in the event of important changes in accounting procedures and IT applications, thereby guaranteeing a consistently high standard of reporting.

There is a clear demarcation of tasks between the department involved in the Group reporting process and the companies. The separation of functions and the four-eyes principle are systematically applied.

Complex actuarial reports and evaluations are compiled by specialist service providers or appropriately qualified associates.

The Group auditor and the auditors of the various consolidated companies review the functionality and compliance of the Group reporting process as part of the auditing procedure. Suggestions for improvement are published regularly in a management letter.

In addition, the functionality and compliance of processes of relevance to financial reporting are monitored regularly under an internal auditing process.

The entire package of processes, systems and controls adequately ensures that the Group reporting process is in line with IFRS and other regulations and laws of relevance to financial reporting and is reliable.

The Freudenberg Group attaches considerable importance to its research and development activities. By continually expanding these activities, the Group not only combats possible risks arising from rapid technological change, but also safeguards its competitive edge through its technology leadership and harnesses new opportunities in growth markets. Central topics are electro-mobility, the further development of the strategic growth fields of medical technology, rail vehicles and the oil and gas industry as well as resource- and energy-saving manufacturing processes.

The analysis of present risks concludes there are no risks which could pose a threat to the continued existence of the Freudenberg Group.

Freudenberg largely implements the rules of the German Corporate Governance Code on a voluntary basis. Restrictions relate in particular to the publication of individual executive compensation for the Management Board and the Board of Partners.

OUTLOOK

The overall economic trend in Germany and worldwide remains relatively robust – in spite of the sovereign debt crisis and uncertainty on financial markets. However, we expect global economic growth momentum to slacken further. Business in the first half of 2012 is expected to be satisfactory in light of the high level of orders on hand in all our Business Areas combined with the anticipated stable economic situation. In particular our new Business Groups Helix Medical (medical technology) and Freudenberg Oil & Gas will enjoy above-average growth. Developments in the second half of the year will depend to a significant extent on the impact of the sovereign debt crisis and the associated austerity measures in southern eurozone states and the USA on the real economy.

For the eurozone, our largest sales region, we expect growth to stagnate in almost all member states. Gross domestic product (GDP) growth rates in the individual countries are likely to be between 0 and 0.5 percent, in Germany between 0.5 and 1.0 percent. We anticipate a further decline in GDP in the European Mediterranean region. The USA is only recovering slowly from the economic crisis, although the upturn has slightly gathered momentum. We expect growth there to be of the order of 2.0 percent. Economic growth in China (7.5 percent) and India (6.5 percent) will be noticeably slower than the previous year.

Risks arise from price trends and the availability of raw materials essential to Freudenberg's business. Following at times dramatic price rises in 2011, raw material prices did stabilize towards the end of the year, although we expect price volatility to remain high. We are responding to this with a further increase in productivity, measures to reduce the consumption of materials and targeted purchasing initiatives. The most recent substantial increase in the price of oil will curb economic developments.

Freudenberg is to establish a European public company under the roof of Freudenberg & Co. in 2012, thus laying the foundation for the envisaged streamlining of the new company law structures. This will lead to lower fixed costs in subsequent years and therefore have a positive effect on earnings.

We are cautiously optimistic about the outlook for the next two financial years. Our forecast is based on the assumption that the sovereign debt crisis does not expand and that the countries affected show discipline in pruning their budgets. We expect to see growth in all Business Areas of the Freudenberg Group.

Weinheim, March 29, 2012

The Management Board

Transferring proven processes to the aerospace industry

For decades, cadmium coating systems were state-of-the-art for aircraft landing gear components. The main advantages of these systems lie in their excellent corrosion protection properties and their low tendency to crack formation, even under the most extreme temperature and pressure fluctuations. There is, however, one big drawback to cadmium coatings: They are very toxic and the aim therefore is to replace them as quickly as possible. Legislation plus voluntary commitments by the aerospace industry are aimed at abolishing the use of cadmium in the aeronautics sector by 2015.

The search for a suitable replacement for cadmium coatings came up with a solution from the automotive industry, where zinc-nickel coatings in particular are used to prevent corrosion and crack formation. The Freudenberg company SurTec is a technology leader in this field and supplies internationally renowned companies in the automotive business.

Transferring standard processes from other industries is especially interesting for the aerospace sector because reliability and long-term safety are the top priority. As a result, the history of such methods can be incorporated in decisions to roll out new production processes. Following exhaustive technical tests, well-known aircraft landing gear manufacturers have opted in favor of SurTec's technologically challenging zinc-nickel coating systems.

In order to meet the specific needs of our customers, we adapted a proven process from the automotive industry to suit the requirements of the aircraft sector.

Dr. Torsten Koerner, Head of Marketing Europe, SurTec (Freudenberg Chemical Specialities).

Consolidated Financial Statements

Consolidated Statement of Financial Position

[€ million]	Note	Dec. 31, 2010	Dec. 31, 2011
ASSETS			
Intangible assets	(1)	566.0	582.6
Tangible assets	(2)	1,579.3	1,626.6
Investment properties	(3)	23.0	22.3
Investments valued at equity	(4)	656.4	710.5
Other financial assets		96.4	84.7
Financial assets		752.8	795.2
Other non-current assets	(6)	54.2	60.8
Deferred taxes	(19)	79.0	68.1
Non-current assets		**3,054.3**	**3,155.6**
Inventories	(5)	659.7	771.6
Trade receivables		838.4	926.6
Other current assets		129.9	135.0
Current receivables	(6)	968.3	1,061.6
Current tax assets		16.7	14.4
Securities and cash at bank and in hand	(7)	647.6	724.0
Current assets		**2,292.3**	**2,571.6**
Non-current assets held for sale and disposal groups	(8)	**51.7**	**7.1**
		5,398.3	**5,734.3**
EQUITY AND LIABILITIES			
Partners' capital		450.0	450.0
Retained earnings		1,830.6	2,092.0
Partners' equity		**2,280.6**	**2,542.0**
Non-controlling interests		279.5	299.4
Equity	(9)	**2,560.1**	**2,841.4**
Provisions for pensions	(10)	409.1	412.1
Other long-term provisions	(11)	105.0	97.6
Long-term provisions		514.1	509.7
Financial debt		681.8	697.5
Other non-current liabilities		49.1	62.3
Liabilities	(12)	730.9	759.8
Deferred taxes	(19)	129.2	134.8
Non-current liabilities		**1,374.2**	**1,404.3**
Other current provisions	(11)	362.3	328.8
Current tax liabilities		78.7	77.6
Financial debt		267.6	285.5
Trade payables		515.9	550.0
Other current liabilities		226.2	246.3
Liabilities	(12)	1,009.7	1,081.8
Current liabilities		**1,450.7**	**1,488.2**
Liabilities in connection with non-current assets held for sale and disposal groups	(8)	**13.3**	**0.4**
		5,398.3	**5,734.3**

Consolidated Income Statement

[€ million]	Note	2010	2011
Sales	(13)	5,481.4	6,006.5
Cost of sales	(14)	-3,545.9	-3,907.5
Gross profit		**1,935.5**	**2,099.0**
Selling expenses		-855.3	-923.5
Administrative expenses		-490.2	-498.6
Research and development expenses	(15)	-177.9	-201.5
Other income	(16)	74.5	95.0
Other expenses	(17)	-56.0	-65.0
Profit from operations		**430.6**	**505.4**
Income from investments in associated companies		45.3	44.3
Other interest and similar income		9.6	13.1
Interest and similar expenses	(18)	-48.2	-51.8
Other investment result		4.4	0.5
Financial result		**11.1**	**6.1**
Profit before income taxes		**441.7**	**511.5**
Income taxes	(19)	-120.0	-153.3
Consolidated profit		**321.7**	**358.2**
Profit attributable to Freudenberg		286.5	320.0
Profit attributable to non-controlling interests	(20)	35.2	38.2

Consolidated Statement of Comprehensive Income

[€ million]	2010	2011
Consolidated profit	**321.7**	**358.2**
Other comprehensive income:		
Exchange rate differences	238.6	56.8
Changes in value of securities	17.3	-7.2
Changes in value of derivative financial instruments	0.5	2.5
Share in other comprehensive income of associated companies consolidated by the equity method	-11.8	-38.1
Miscellaneous comprehensive income	-5.0	10.8
Income tax relating to components of other comprehensive income	-0.5	-3.0
Other comprehensive income for the year	**239.1**	**21.8**
Total comprehensive income for the year	**560.8**	**380.0**
Of which attributable to Freudenberg	499.5	335.1
Of which attributable to non-controlling interests	61.3	44.9

Consolidated Statement of Cash Flows

[€ million]	Note	2010	2011
Profit before income taxes		441.7	511.5
Current income taxes		-126.0	-140.6
Depreciation, amortization and impairment losses on non-current assets less write ups		254.5	247.7
Profit or loss on disposal of intangible, tangible and financial assets		-4.0	-9.7
Other expenditure and income not affecting payments		-36.9	-35.5
Changes in inventories, trade receivables and other assets		-204.7	-216.0
Changes in trade payables and other liabilities		117.5	66.0
Changes in provisions		26.0	-41.5
Cash flow from operating activities	(21)	**468.1**	**381.9**
Cash inflow from disposals of tangible and intangible assets		25.8	43.0
Cash outflow from acquisitions of tangible and intangible assets		-240.1	-307.4
Cash inflow/outflow from investment properties		-1.1	-0.6
Cash inflow from disposals of financial assets		10.3	7.8
Cash outflow from acquisitions of financial assets		-24.5	-3.2
Cash inflow/outflow from disposal/acquisition of consolidated companies		-40.2	-3.1
Cash flow from investing activities		**-269.8**	**-263.5**
Payments to Partners/non-controlling interests		-73.3	-69.6
Cash inflow from the take-up/cash outflow from the repayment of financial debts		1.1	21.4
Cash inflow from disposals of loans and securities held as non-current assets		2.0	2.3
Cash outflow from acquisitions of loans and securities held as non-current assets		-3.3	-3.3
Cash flow from financing activities		**-73.5**	**-49.2**
Changes in cash and cash equivalents with effect on payments		**124.8**	**69.2**
Changes in cash and cash equivalents from changes in consolidated group		4.5	11.7
Changes in cash and cash equivalents from exchange rate differences		15.2	-4.5
Cash and cash equivalents at beginning of year		**503.1**	**647.6**
Cash and cash equivalents at end of year		**647.6**	**724.0**
Securities and cash at bank and in hand		**647.6**	**724.0**

Consolidated Statement of Changes in Equity

[€ million]	Partners' capital	Retained earnings	Partners' equity	Non-controlling interests	Equity
Status Jan. 1, 2010	**450.0**	**1,381.6**	**1,831.6**	**255.1**	**2,086.7**
Consolidated profit		286.5	286.5	35.2	321.7
Appropriation of profit		-50.5	-50.5	-36.9	-87.4
Other comprehensive income		213.0	213.0	26.1	239.1
Status Dec. 31, 2010	**450.0**	**1,830.6**	**2,280.6**	**279.5**	**2,560.1**
Consolidated profit		320.0	320.0	38.2	358.2
Appropriation of profit		-73.7	-73.7	-25.0	-98.7
Other comprehensive income		15.1	15.1	6.7	21.8
Status Dec. 31, 2011	**450.0**	**2,092.0**	**2,542.0**	**299.4**	**2,841.4**

Notes to the Consolidated Financial Statements

General

The Freudenberg Group is an international industrial group mainly active as a supplier to the automotive, mechanical engineering, textile and clothing industries throughout the world. The Group's portfolio also includes mechanical household cleaning and laundry care products.

The consolidated financial statements of Freudenberg & Co. Kommanditgesellschaft (hereafter Freudenberg & Co.), Weinheim, for 2011 have been drawn up in accordance with the International Financial Reporting Standards (IFRS) as they are to be applied in the European Union (EU) as of the date of the statement of financial position (December 31, 2011). Comparative figures for the previous financial year were based on the same principles.

Freudenberg & Co. has availed itself of the right as laid down in Sec. 315a (3) HGB (Handelsgesetzbuch, "German Commercial Code") to set up its consolidated financial statements in accordance with IFRS.

The application of the following new and amended standards and interpretations (IFRIC) was binding for the first time for the 2011 financial year:

– IFRS 1:	Amendment to IFRS 1 – *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*
– IAS 24:	IAS 24 (revised) – *Related Party Disclosures*
– IAS 32:	Amendment to IAS 32 – *Financial Instruments: Presentation: Classification of Rights Issues*
– IFRIC 14:	Amendment to IFRIC 14 – *Prepayments of a Minimum Funding Requirement*
– IFRIC 19:	*Extinguishing Financial Liabilities with Equity Instruments*
– Various standards:	*Improvements to IFRS (issued May 2010)*

The application for the first time of the amended standards and interpretations listed above had no significant impact on the presentation in the consolidated financial statements.

The IASB and the IFRIC have published additional standards, interpretations and amendments the application of which was not yet binding for the 2011 financial year. The application of these standards, interpretations and amendments is subject to endorsement by the EU which, in most cases, is still pending.

Standards/interpretations		Application binding from*	Endorsed by EU	Probable impact
IFRS 1	Amendment to IFRS 1 – *Severe Hyper-inflation and Removal of Fixed Dates for First-Time Adopters*	July 1, 2011	No	None
IFRS 7	Amendment to IFRS 7 – *Disclosures: Transfers of Financial Assets*	July 1, 2011	Yes	None
	Amendment to IFRS 7 – *Disclosures: Offsetting Financial Assets and Financial Liabilities*	January 1, 2013	No	No significant impact
IFRS 9	*Financial Instruments: Classification and Measurement*	January 1, 2015	No	Changes in the classification and measurement of financial assets, especially equity instruments; it is not yet possible to assess the scope of the effects.
IFRS 10	*Consolidated Financial Statements*	January 1, 2013	No	No significant impact
IFRS 11	*Joint Arrangements*	January 1, 2013	No	New definition of joint venture and joint arrangement; accounting for joint ventures in accordance with IAS 28 in future; it is not yet possible to assess the scope of the effects.
IFRS 12	*Disclosures of Interests in Other Entities*	January 1, 2013	No	On the basis of the information currently available, more comprehensive disclosures will probably be required in the notes.
IFRS 13	*Fair Value Measurement*	January 1, 2013	No	No significant impact
IAS 1	Amendment to IAS 1 – *Presentation of Items of Other Comprehensive Income*	July 1, 2012	No	Separate presentation of items of other comprehensive income which are recycled or not recycled in the income statement; no significant impact.
IAS 12	Amendment to IAS 12 – *Recovery of Underlying Assets*	January 1, 2012	No	None
IAS 19	Amendment to IAS 19 – *Employee Benefits*	January 1, 2013	No	Full disclosure of net pension obligations; immediate recognition of actuarial gains and losses in equity; determination of interest cost and income using uniform interest rate on the basis of net pension obligations; effect on pension plan assets, equity, provisions for pensions and pension expenses
IAS 27	*Separate Financial Statements*	January 1, 2013	No	None
IAS 28	*Investments in Associates and Joint Ventures*	January 1, 2013	No	Accounting for joint ventures by the equity method; it is not yet possible to assess the scope of the effects.
IAS 32	Amendment to IAS 32 – *Offsetting Financial Assets and Financial Liabilities*	January 1, 2014	No	No significant impact
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*	January 1, 2013	No	None

* From this date or for reporting periods beginning after this date

The Group currency is the euro. All amounts are indicated in million euros.

Consolidated group

Apart from Freudenberg & Co., 88 (previous year: 86) German and 325 (previous year: 296) foreign companies in which Freudenberg & Co. directly or indirectly holds a majority of the voting rights or the financial and business policy of which Freudenberg & Co. has the right to determine in accordance with articles of association, statutes or contracts are **fully consolidated** in the consolidated financial statements.

In addition, one (previous year: one) German and 26 (previous year: 29) foreign companies have been consolidated by the **pro-rata method**. Their overall effect on the consolidated financial statements is not significant.

In accordance with the stipulations concerning **associated companies**, 12 (previous year: seven) foreign companies are shown in the consolidated financial statements. In the previous year, two German companies were also included.

All Group companies, joint venture companies and interests in associated companies are listed under "Shareholdings of the Freudenberg Group".

In the year under review, 43 companies were included in the consolidated financial statements as fully consolidated affiliates for the first time. 12 companies which had previously been fully consolidated were no longer included as fully consolidated affiliates due to sale, liquidation or merger. The timing of the initial consolidation was determined on the basis of the date when the Freudenberg Group started to exercise financial control.

In the year under review, 27 companies of the SurTec Group were included in the consolidated group for the first time.

In order to expand its presence in the Asia-Pacific region, Freudenberg Household Products acquired the shares of 13 companies of the Trade & Investment in Asia-Pacific (TIA) Group with effect from October 1, 2011.

With effect from January 1, 2011, Freudenberg disposed of its cylinder head and exhaust gasket business for OEMs and the vendor-specific aftermarket to ElringKlinger AG, Dettingen/Erms.

With effect from June 30, 2011 the actuator business was sold to Eagle Industry Co. Ltd., Tokyo, Japan.

Freudenberg disposed of its 50 percent stake in Freudenberg Vitech L.P., Hopkinsville, U.S.A., a company previously consolidated by the pro rata method, with effect from December 31, 2011.

Freudenberg also disposed of its stake in Unimatec Chemicals Europe GmbH & Co. KG, Weinheim, previously included in the consolidated financial statements as an associated company, with effect from December 30, 2011.

In 2011, the balance amount expended on acquisition activities and the amount received as a result of disinvestment activities was €3.1 million (previous year: €40.2 million).

The changes in the consolidated group had the following effects on the net assets, financial position and results of operations:

[€ million]	Dec. 31, 2010	Dec. 31, 2011
Non-current assets	47.1	35.3
Current assets	18.1	21.8
Non-current liabilities	5.0	9.6
Current liabilities	61.8	13.4
Sales	292.4	15.2

Consolidation methods

The acquisition costs of the shareholdings concerned are set off against the pro-rata share in the fair value of the equity capital of the companies concerned as of the date of acquisition according to the purchase method. Assets and liabilities are also included in the consolidated statement of financial position at their fair values as of the acquisition date. Any remaining differences are shown as goodwill.

Intercompany profits and losses, sales, expenses and income and all receivables and payables between consolidated companies are eliminated. Deferred taxes are set up on consolidation transactions affecting net income.

Joint venture companies are consolidated on a pro-rata basis using the same principles.

The equity values calculated for associated companies are based on the purchase method. In such cases, adjustments have been made to individual accounts to reflect material differences from the measurement methods used in the consolidated financial statements.

The differences arising from the acquisition of shareholdings in associated companies form part of the book value of the shareholding in the associated company concerned. Amortization is not recognized on goodwill in subsequent periods. An impairment test is carried out on the book value of the shareholding as a whole.

Accounting and measurement principles

The consolidated financial statements are based on the annual accounts of Freudenberg & Co. and the consolidated companies. All the annual accounts concerned were drawn up as of December 31, 2011.

In accordance with IAS 27, the accounts of the individual companies to be included in the consolidated financial statements have been drawn up applying uniform accounting and measurement methods.

Acquired intangible assets are capitalized at acquisition cost and amortized on a systematic basis.

Amortization is based on the following useful lives:

Software	3 to 8 years
Patents and licenses	depending on contract term

An impairment test is carried out on goodwill at least once per year and an impairment loss is shown if the value of such assets is found to have been impaired.

For the impairment test, the value in use of the cash-generating unit to which the goodwill is allocated is determined in accordance with IAS 36 on the basis of a five-year plan, applying the discounted cash flow method. In line with internal management reporting, the cash-generating units are determined on the basis of the Business Groups of the Freudenberg Group. The discount rates used are based on the WACC ("weighted average cost of capital") determined separately for each cash-generating unit. An impairment loss is recognized if the carrying amount of the cash-generating unit is in excess of discounted future cash flows.

Impairments of capitalized goodwill are shown under other expenses in the consolidated income statement.

Provided that such assets meet the requirements of IAS 38, internally generated intangible assets are carried as assets at production cost and are amortized on a systematic basis over their useful lives, if their useful lives are finite.

If the useful life of intangible assets is not considered to be finite, no amortization is effected. An intangible asset may be regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the Group.

Tangible assets are capitalized at acquisition or production cost. In the case of assets produced by Group companies, production cost also includes directly attributable cost as well as pro-rata overheads and depreciation.

Borrowing costs are capitalized as part of acquisition or production cost in the case of qualifying assets.

Expenditure for repairs and maintenance is generally shown as expenses. Such expenditure is only capitalized if future economic benefits in connection with such expenditure are probable and the acquisition or production cost can be reliably measured.

Movable non-current assets and industrial buildings are depreciated over their useful lives. This approach normally corresponds to straight-line depreciation.

Systematic depreciation is determined on the basis of the following useful lives:

Buildings	max. 50 years
Machinery and equipment	5 to 25 years
Other fixtures, fittings and office equipment	4 to 20 years

In addition, an impairment loss is recognized if the fair value less costs to sell or value in use of an asset falls below the book value. If the impairment of an asset reflected by a write-down in the past is reduced or eliminated, the impairment loss is reversed. The updated acquisition or production cost represents the upper limit of measurement in such cases.

Taxable grants and tax-free investment subsidies, normally paid by public bodies, are set off against acquisition or production cost.

In accordance with IAS 17, tangible assets leased under finance leases are recognized as assets and written off over their economic useful life if substantially all the risks and rewards associated with the ownership of the leased asset lie with the lessee. Such assets are carried at the fair value of the leased asset at the inception of the lease or, if lower, at the present value of the minimum lease payments. A liability of the same amount is also shown on the statement of financial position.

In the case of operating leases, lease payments are recognized as expenses.

Land and buildings held to earn rentals from third parties are dealt with as investment properties. Such properties are measured at acquisition cost. Financial investments which consist of movable assets and buildings are depreciated over their useful lives. This approach normally corresponds to straight-line depreciation. As a general principle, systematic depreciation is calculated on the basis of a maximum useful life of 50 years and effected on a straight-line basis. The fair value is determined by the discounted cash flow method.

Participations are shown at acquisition cost or, if lower, at fair value.

Shares in associated companies are stated at their updated pro-rata equity plus goodwill if applicable.

Long-term loans are discounted if the amount of such discount is significant.

Inventories are shown at acquisition or production cost or at net realizable value, where this is lower. Inventories of raw materials and consumables and merchandise are measured by the weighted average cost method. Production cost includes directly attributable costs as well as production and material overheads and depreciation.

Receivables and other assets are recognized at amortized cost. Impairments are recognized for individual risks identified on the basis of analyses which are not covered by credit insurance. Impairments are effected using a separate account if circumstances become apparent as a result of which certain receivables are subject to risks in excess of the general credit risk. The amortized cost is approximately equivalent to the fair value of the assets concerned. Long-term receivables are discounted if the amount of such discount is significant.

In principle, securities carried as non-current or current assets are available for sale. Such securities are therefore recorded at the market value as of the statement of financial position date. Value changes are shown under equity without an effect on net income.

Cash at bank or in hand is shown at its nominal value. Cash held in foreign currencies is converted using the exchange rate as of the statement of financial position date.

Non-current assets and groups of assets held for sale are shown separately in the statement of financial position if they are available for immediate sale in their present condition and the sale of such assets is highly probable within the next 12 months. Such assets are shown at the lower of fair value less costs to sell and book value. Systematic depreciation is not recognized on such assets from the date of reclassification. Liabilities included in a disposal group are shown separately under liabilities.

The requirement for the reversal of the impairment of assets has been complied with both for non-current and for current assets. Unless individual standards call for a different measurement, the updated acquisition or production cost represents the upper limit of measurement in such cases.

The criteria for the distinction between equity instruments and financial liabilities are stated in IAS 32. According to IAS 32.16 and 17, a financial instrument cannot be considered to be an equity instrument if the financial assets received by the reporting entity place it under a potential obligation to make payments. If the reporting entity does not have an unconditional right to refuse making payments, the financial instrument must be classed as a financial liability under IAS 32.19. In view of the special nature of the provisions in its Partnership Agreement and the structure of the Partners in the Freudenberg Group, it can be stated that Freudenberg & Co. has an unconditional right to refuse payment in the event of termination or withdrawal by a Partner. An obligation of Freudenberg & Co. to make payments which could be detrimental to the classification of its capital as equity instruments could only arise in a highly improbable extreme case and therefore need not be considered in accordance with IAS 32.25. The statement of financial position of Freudenberg & Co. as at December 31 in accordance with IFRS therefore shows the Partners' capital and non-distributable Partners' reserves as equity.

Provisions for pensions and similar obligations are determined by the projected unit credit method using actuarial principles, taking into account future income and pension trends.

Deferred taxes are calculated on temporary differences between the book values of assets and liabilities in the consolidated statement of financial position and their tax bases, taking into account the applicable national income tax rates valid on the date of realization and already in force on the statement of financial position date. In addition, deferred tax assets are recognized for tax losses carried forward if it is likely that such losses will be usable by the company. Deferred tax assets and liabilities are only set off against each other in cases where the income taxes concerned are levied by the same tax authority and concern the same period.

Other provisions allow for all recognizable risks and uncertain obligations towards third parties which will probably result in an outflow of resources which can be reliably estimated. Such provisions are recognized at their most probable settlement value and discounted if the amount of such discount is significant. Reimbursement rights in this connection are shown separately under other assets.

Liabilities are shown at their face value or at the repayment or settlement value, where this is higher. Non-current liabilities are discounted if the amount of such discount is significant.

Sales and other income are recognized at the fair value of the consideration received or receivable when the services are performed or the goods or products concerned are delivered.

The consolidated statement of cash flows is broken down into cash flows from operating, investing and financing activities. Effects arising from changes in the consolidated group and the effects of exchange rate differences have been eliminated from the consolidated statement of cash flows. The influence of these effects on cash and cash equivalents is indicated separately.

In connection with the drawing-up of the consolidated financial statements, it has been necessary to make assumptions and estimates concerning certain assets and liabilities (for example, as regards the useful life of assets with a finite useful life or the parameters for determining pension liabilities). Actual future figures may deviate from these estimates.

Currency translations

The financial statements of all companies included in the consolidated financial statements which are not located in the eurozone are drawn up in the national currencies concerned. This is the currency of the primary economic environment in which the companies concerned operate (concept of functional currency).

In the accounts of individual companies, foreign-currency receivables and liabilities are translated at the exchange rates as of the date of the statement of financial position.

Goodwill created as a result of acquisitions on or after March 31, 2004, is carried as an asset of the economically independent foreign companies concerned in their respective functional currencies.

The financial statements of companies located in hyperinflationary economies are restated in accordance with IAS 29.

In the consolidated financial statements, the financial statements of all companies not located in the eurozone are translated in accordance with the following principles:

- Statement of financial position items are translated at the middle rate as of the date of the statement of financial position.
- Income statement items are translated at average annual exchange rates.
- Differences arising from the use of different exchange rates are recognized in equity without an effect on net income.

The same principles are used in the case of associated companies consolidated by the equity method.

The exchange rates of currencies used for currency conversion which are material to the annual financial statements developed as follows:

Country	Currency	Closing rate		Average rate	
		Dec. 31, 2010	Dec. 31, 2011	2010	2011
Brazil	BRL	2.2102	2.4158	2.3237	2.3343
China	CNY	8.7697	8.1485	8.9329	9.0285
India	INR	59.6528	68.9828	60.4041	65.5838
Japan	JPY	108.5936	100.1168	115.2190	111.2940
Turkey	TRY	2.0625	2.4424	1.9975	2.3533
USA	USD	1.3282	1.2938	1.3213	1.3996

Differences arising from the use of different exchange rates compared with the previous year are shown in the statement of changes in intangible and tangible assets with respect to non-current assets and in the consolidated statement of comprehensive income with respect to equity.

(1) Intangible assets

Changes in intangible assets from January 1 to December 31, 2010

[€ million]	Concessions and licenses	Goodwill	Payments made on account	Total
ACQUISITION/PRODUCTION COST				
Status Jan. 1, 2010	**384.2**	**347.2**	**8.0**	**739.4**
Changes in consolidated group	21.7	10.2	0.0	31.9
Exchange rate differences	22.9	15.9	0.0	38.8
Additions	17.9	0.0	3.2	21.1
Write-ups/revaluations	0.0	0.0	0.0	0.0
Disposals	-5.8	0.0	-0.3	-6.1
Reclassifications	6.1	-0.3	-6.7	-0.9
Status Dec. 31, 2010	**447.0**	**373.0**	**4.2**	**824.2**
AMORTIZATION				
Status Jan. 1, 2010	**198.5**	**26.7**	**0.0**	**225.2**
Changes in consolidated group	-1.9	-0.1	0.0	-2.0
Exchange rate differences	5.4	-0.3	0.0	5.1
Additions – systematic	35.4	0.0	0.0	35.4
Impairment losses	0.0	0.0	0.0	0.0
Write-ups/revaluations	0.0	0.0	0.0	0.0
Disposals	-5.0	0.0	0.0	-5.0
Reclassifications	-0.5	0.0	0.0	-0.5
Status Dec. 31, 2010	**231.9**	**26.3**	**0.0**	**258.2**
Book value Dec. 31, 2010	**215.1**	**346.7**	**4.2**	**566.0**
Book value Dec. 31, 2009	185.7	320.5	8.0	514.2

Changes in intangible assets from January 1 to December 31, 2011

[€ million]	Concessions and licenses	Goodwill	Payments made on account	Total
ACQUISITION/PRODUCTION COST				
Status Jan. 1, 2011	**447.0**	**373.0**	**4.2**	**824.2**
Changes in consolidated group	23.8	15.3	0.0	39.1
Exchange rate differences	1.7	1.2	0.0	2.9
Additions	19.1	0.0	10.2	29.3
Write-ups/revaluations	0.0	0.0	0.0	0.0
Disposals	-18.1	0.0	0.0	-18.1
Reclassifications	1.0	0.0	-0.6	0.4
Status Dec. 31, 2011	**474.5**	**389.5**	**13.8**	**877.8**
AMORTIZATION				
Status Jan. 1, 2011	**231.9**	**26.3**	**0.0**	**258.2**
Changes in consolidated group	3.8	0.0	0.0	3.8
Exchange rate differences	1.5	0.8	0.0	2.3
Additions – systematic	39.0	0.0	0.0	39.0
Impairment losses	0.0	0.0	0.0	0.0
Write-ups/revaluations	0.0	0.0	0.0	0.0
Disposals	-8.2	0.0	0.0	-8.2
Reclassifications	0.1	0.0	0.0	0.1
Status Dec. 31, 2011	**268.1**	**27.1**	**0.0**	**295.2**
Book value Dec. 31, 2011	**206.4**	**362.4**	**13.8**	**582.6**
Book value Dec. 31, 2010	215.1	346.7	4.2	566.0

(2) Tangible assets

Changes in tangible assets from January 1 to December 31, 2010

[€ million]	Land and buildings	Machinery and equipment	Other fixtures, fittings and office equipment	Payments made on account	Work in progress	Total
ACQUISITION/PRODUCTION COST						
Status Jan. 1, 2010	**919.3**	**2,233.5**	**774.6**	**6.0**	**32.5**	**3,965.9**
Changes in consolidated group	0.9	6.4	-2.6	0.3	2.3	7.3
Exchange rate differences	33.5	81.5	15.3	0.4	1.3	132.0
Additions	41.7	56.9	59.9	15.6	45.0	219.1
Write-ups/revaluations	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	-11.4	-85.7	-28.2	-0.4	-1.4	-127.1
Reclassifications	-19.8	-8.6	3.6	-6.9	-24.6	-56.3
Status Dec. 31, 2010	**964.2**	**2,284.0**	**822.6**	**15.0**	**55.1**	**4,140.9**
DEPRECIATION						
Status Jan. 1, 2010	**407.5**	**1,443.7**	**547.9**	**0.0**	**0.7**	**2,399.8**
Changes in consolidated group	-4.5	3.0	-4.0	0.0	0.0	-5.5
Exchange rate differences	13.0	50.8	10.9	0.0	0.0	74.7
Additions – systematic	28.9	117.7	70.5	0.0	0.0	217.1
Impairment losses	0.0	1.0	0.1	0.0	0.0	1.1
Write-ups/revaluations	-0.1	-0.6	0.0	0.0	0.0	-0.7
Disposals	-7.9	-74.9	-23.9	0.0	0.0	-106.7
Reclassifications	-5.6	-8.4	-3.7	0.0	-0.5	-18.2
Status Dec. 31, 2010	**431.3**	**1,532.3**	**597.8**	**0.0**	**0.2**	**2,561.6**
Book value Dec. 31, 2010	**532.9**	**751.7**	**224.8**	**15.0**	**54.9**	**1,579.3**
Book value Dec. 31, 2009	511.8	789.8	226.7	6.0	31.8	1,566.1

Changes in tangible assets from January 1 to December 31, 2011

[€ million]	Land and buildings	Machinery and equipment	Other fixtures, fittings and office equipment	Payments made on account	Work in progress	Total
ACQUISITION/PRODUCTION COST						
Status Jan. 1, 2011	**964.2**	**2,284.0**	**822.6**	**15.0**	**55.1**	**4,140.9**
Changes in consolidated group	12.5	0.0	3.7	0.0	0.0	16.2
Exchange rate differences	6.3	4.9	0.9	0.0	0.3	12.4
Additions	21.0	81.7	65.6	32.5	77.2	278.0
Write-ups/revaluations	0.0	0.2	0.0	0.0	0.0	0.2
Disposals	-21.8	-83.8	-43.6	-4.2	-1.7	-155.1
Reclassifications	11.0	33.5	12.8	-15.3	-42.9	-0.9
Status Dec. 31, 2011	**993.2**	**2,320.5**	**862.0**	**28.0**	**88.0**	**4,291.7**
DEPRECIATION						
Status Jan. 1, 2011	**431.3**	**1,532.3**	**597.8**	**0.0**	**0.2**	**2,561.6**
Changes in consolidated group	3.9	-1.2	3.7	0.0	0.0	6.4
Exchange rate differences	3.8	6.6	1.0	0.0	0.0	11.4
Additions – systematic	28.4	113.4	72.2	0.0	0.0	214.0
Impairment losses	0.0	1.5	0.3	0.0	0.2	2.0
Write-ups/revaluations	-7.7	-1.3	0.0	0.0	0.0	-9.0
Disposals	-12.3	-69.9	-39.5	0.0	0.0	-121.7
Reclassifications	0.7	-0.6	0.3	0.0	0.0	0.4
Status Dec. 31, 2011	**448.1**	**1,580.8**	**635.8**	**0.0**	**0.4**	**2,665.1**
Book value Dec. 31, 2011	**545.1**	**739.7**	**226.2**	**28.0**	**87.6**	**1,626.6**
Book value Dec. 31, 2010	532.9	751.7	224.8	15.0	54.9	1,579.3

In the financial year under review, Freudenberg did not receive any government grants for tangible assets. In the previous year, grants totaling €1.2 million were received. These mainly concerned investment promotion and were netted against acquisition costs.

Leased assets

Leased assets are recognized under non-current assets at the following book values:

[€ million]	Dec. 31, 2010	Dec. 31, 2011
Intangible assets	0.0	0.7
Land and buildings	9.4	9.2
Machinery and equipment	0.6	0.4
Other fixtures, fittings and office equipment	0.4	0.8
Book value of leased assets recognized	**10.4**	**11.1**

The finance lease contracts were concluded at arm's-length business conditions. Such leases normally include favorable purchase options. The lease contracts do not provide for any contingent rent payments or significant restrictions.

[€ million]	Up to 1 year	1 to 5 years	Over 5 years	Dec. 31, 2010	Up to 1 year	1 to 5 years	Over 5 years	Dec. 31, 2011
Finance leases								
Minimum lease payments	1.3	3.4	0.0	4.7	0.8	1.1	0.0	1.9
Discount	0.1	0.2	0.0	0.3	0.0	0.1	0.0	0.1
Present value	1.2	3.2	0.0	4.4	0.8	1.0	0.0	1.8
Operating leases								
Minimum lease payments	49.3	85.0	21.7	156.0	58.5	100.8	37.9	197.2

Lease payments totaling €79.0 million (previous year: €76.8 million) under operating leases were recognized with an effect on net income.

(3) Investment properties

Details of land and buildings held by the Freudenberg Group as investment properties are shown in the table below:

[€ million]	Third-party use	Rent income	Direct operating expenses
2010	100 %	3.6	0.6
2011	100 %	3.8	0.4

There are no restrictions on the saleability of investment properties. Freudenberg is not under any contractual obligations to purchase, build or develop investment properties. Furthermore, Freudenberg is not under any contractual obligations to repair or maintain such properties going beyond its statutory obligations.

Changes in investment properties from January 1 to December 31, 2010

[€ million]

ACQUISITION/PRODUCTION COST	
Status Jan. 1, 2010	**40.2**
Changes in consolidated group	0.0
Exchange rate differences	0.0
Additions	1.1
Write-ups/revaluations	0.0
Disposals	0.0
Reclassifications	6.0
Status Dec. 31, 2010	**47.3**
DEPRECIATION	
Status Jan. 1, 2010	**21.8**
Changes in consolidated group	0.0
Exchange rate differences	0.0
Additions – systematic	1.6
Impairment losses	0.0
Write-ups/revaluations	0.0
Disposals	0.0
Reclassifications	0.9
Status Dec. 31, 2010	**24.3**
Book value Dec. 31, 2010	**23.0**
Book value Dec. 31, 2009	18.4

Changes in investment properties from January 1 to December 31, 2011

[€ million]

ACQUISITION/PRODUCTION COST	
Status Jan. 1, 2011	**47.3**
Changes in consolidated group	0.0
Exchange rate differences	0.0
Additions	0.7
Write-ups/revaluations	0.0
Disposals	0.0
Reclassifications	0.2
Status Dec. 31, 2011	**48.2**
DEPRECIATION	
Status Jan. 1, 2011	**24.3**
Changes in consolidated group	0.0
Exchange rate differences	0.0
Additions – systematic	1.6
Impairment losses	0.0
Write-ups/revaluations	0.0
Disposals	0.0
Reclassifications	0.0
Status Dec. 31, 2011	**25.9**
Book value Dec. 31, 2011	**22.3**
Book value Dec. 31, 2010	23.0

The fair value of investment properties is €32.1 million (previous year: €31.1 million).

(4) Investments valued at equity

The book value of investments valued at equity is as follows:

[€ million]	2010	2011
Status Jan. 1	**517.1**	**656.4**
Pro-rata share of profit	45.3	44.3
Dividends	-8.4	-10.0
Exchange rate effects	114.5	58.1
Value changes without impact on profit or loss	-19.9	-38.1
Other changes	7.8	-0.2
Status Dec. 31	**656.4**	**710.5**

The figures last published by the two most significant associated companies in their consolidated annual reports, as at March 31, 2010 and March 31, 2011, were as follows:

March 31, 2010 [¥ million]	Sales	Net income	Assets	Liabilities
NOK Corporation, Tokyo, Japan	414,753	1,279	547,255	290,752
Japan Vilene Company Ltd., Tokyo, Japan	45,837	1,266	50,549	23,048

March 31, 2011 [¥ million]	Sales	Net income	Assets	Liabilities
NOK Corporation, Tokyo, Japan	498,932	16,685	525,553	263,069
Japan Vilene Company Ltd., Tokyo, Japan	45,979	2,233	50,416	22,088

These associated companies were consolidated on the basis of their interim financial statements as at December 31, 2011.

As at December 31, 2011, the market values of the shareholdings were €574.3 million (¥57,494.3 million) (previous year: €677.3 million; ¥73,545.3 million) for NOK Corporation and €54.4 million (¥5,443.7 million) (previous year: €64.2 million; ¥6,975.3 million) for Japan Vilene Company Ltd.

(5) Inventories

Inventories break down as follows:

[€ million]	Dec. 31, 2010	Dec. 31, 2011
Raw materials and consumables	201.6	240.4
Work in progress	94.9	96.3
Finished goods and merchandise	360.0	432.2
Payments made on account	3.2	2.7
	659.7	**771.6**

Inventories rose by about 17 percent, chiefly as a result of the increase in sales, higher raw material prices and the need to ensure delivery capabilities.

Write-downs of inventories totaling €31.3 million (previous year: €32.9 million) were recognized as expenses in the reporting year.

Write-ups totaling €7.8 million (previous year: €7.1 million) were effected on inventories as the reason for the impairment losses concerned no longer existed.

The inventories shown are not subject to any significant restrictions on title or disposal.

(6) Receivables

[€ million]	Residual term up to 1 year	Residual term more than 1 year	Dec. 31, 2010	Residual term up to 1 year	Residual term more than 1 year	Dec. 31, 2011
Trade receivables	838.4	0.0	838.4	926.6	0.0	926.6
Other assets	129.9	54.2	184.1	135.0	60.8	195.8
	968.3	**54.2**	**1,022.5**	**1,061.6**	**60.8**	**1,122.4**

The increase in trade receivables was chiefly the result of sales.

The other assets include pension plan assets in excess of the corresponding pension obligations in the amount of €39.6 million (previous year: €34.2 million).

The other assets also include emission rights received at no charge with an amount of €0.2 million (previous year: €1.1 million). These emission rights were issued on the basis of the Greenhouse Gas Emissions Trading Act and the Allocation Act.

Furthermore, the other assets include other tax receivables in the amount of €47.2 million (previous year: €36.9 million) and liability insurance claims totaling €6.5 million (previous year: €6.8 million).

The claims for reimbursement in connection with recognized provisions, which are included in other assets, are shown in the statement of changes in provisions.

(7) Securities and cash at bank and in hand

[€ million]	Dec. 31, 2010	Dec. 31, 2011
Securities	72.2	89.5
Checks and cash in hand	3.4	7.1
Cash at banks	572.0	627.4
	647.6	**724.0**

The securities mainly concern commercial paper issued by industrial companies.

(8) Non-current assets held for sale and disposal groups

In 2011, this item includes assets and liabilities in connection with the sale of land in Berlin.

The book values of the assets and liabilities included in the disposal group break down as follows:

[€ million]	Dec. 31, 2010	Dec. 31, 2011
Intangible and tangible assets	32.7	7.1
Inventories	7.8	0.0
Trade receivables	9.9	0.0
Other assets	1.3	0.0
Non-current assets held for sale	**51.7**	**7.1**
Provisions for pensions	1.5	0.0
Other provisions	3.7	0.0
Trade payables	5.0	0.0
Other liabilities	3.1	0.4
Liabilities in connection with non-current assets held for sale	**13.3**	**0.4**

(9) Equity

Partners' capital consists of:

[€ million]	Dec. 31, 2010	Dec. 31, 2011
General Partners' capital	0.0	0.0
Limited Partners' capital	450.0	450.0
	450.0	**450.0**

Retained earnings consist of:

[€ million]	Dec. 31, 2010	Dec. 31, 2011
Non-distributable Partners' reserves	135.7	269.9
Group reserves	1,694.9	1,822.1
	1,830.6	**2,092.0**

Non-distributable Partners' reserves are intended to secure the continued existence of the Group and are used especially for capital increases or, should the need arise, to absorb losses.

Group reserves include the reserves and retained earnings of companies included in the consolidated financial statements.

In the year under review, no changes in the value of securities which had been recorded without an effect on net income were recognized on the income statement. Furthermore, no changes in the value of derivative financial instruments which had been recorded without an effect on net income (previous year: €0.1 million) were recognized on the income statement.

Tax effects in connection with income (+) and expenses (-) recorded without an effect on net income in 2011 break down as follows:

[€ million]	Dec. 31, 2010	Dec. 31, 2011
Derivative financial instruments	0.0	-0.5
Securities and other items	0.0	0.3

Non-controlling interests

This item concerns non-controlling interests in the equity capital of consolidated subsidiaries.

The rise in non-controlling interests from €279.5 million in 2010 to €299.4 million in 2011 is mainly the result of the allocation of profit for the year. These effects were offset by dividend payments.

(10) Provisions for pensions

The provisions for pensions mainly concern German companies. This item includes obligations arising from current pensions and future pension entitlements.

The Freudenberg Group pension scheme consists of both defined contribution and defined benefit pension plans. Defined benefit plans include both fixed salary and final salary plans. In the case of the defined contribution plans, there are no additional obligations apart from the payment of contributions. Contributions paid are expensed under personnel expenses and amounted to €64.8 million in 2011 (previous year: €61.9 million). Contributions paid mainly include employers' contributions to the statutory pension scheme.

The value of provisions for defined benefit plans was calculated on actuarial principles by the projected unit credit method. For the German companies, the calculation was based on the following actuarial assumptions:

	Dec. 31, 2010	Dec. 31, 2011
Discount rate	5.10 %	5.25 %
Pension trend	2.00 %	2.00 %

As a result of the pension plan regulations, the assumed trend in salaries and wages only had an effect on the value of pension obligations in exceptional cases.

In the case of the foreign companies, the actuarial assumptions used for the calculations were within the following ranges:

	Dec. 31, 2010	Dec. 31, 2011
Discount rate	4.5 % – 6.0 %	4.4 % – 5.6 %
Salary trend	2.0 % – 4.0 %	2.5 % – 3.6 %
Pension trend	1.5 % – 3.5 %	2.0 % – 3.1 %
Expected return on plan assets	5.0 % – 7.5 %	3.5 % – 7.0 %

Actuarial gains and losses are recognized as expenses if they exceed 10 percent of the greater of the present value of pension obligations and the fair value of the pension plan assets (the "corridor approach"). The amount in excess of this figure is expensed over the average remaining working lives of the employees participating in the plan.

Net pension obligations are shown in the following items of the statement of financial position:

[€ million]	Dec. 31, 2010	Dec. 31, 2011
Provisions for pensions	409.1	412.1
Other assets	34.2	39.6
Net pension obligations	**374.9**	**372.5**

Net pension obligations are calculated as follows:

[€ million]	Dec. 31, 2010	Dec. 31, 2011
Present value of funded defined benefit obligations	252.5	267.5
Fair value of plan assets	-228.3	-244.0
Deficit	**24.2**	**23.5**
Present value of unfunded defined benefit obligations	440.9	453.1
Unrecognized actuarial gains/losses	-90.8	-104.7
Unrecognized past service cost	0.6	0.6
Net pension obligations	**374.9**	**372.5**

Pension expenses consist of the following components:

[€ million]	Dec. 31, 2010	Dec. 31, 2011
Current service cost	7.0	7.5
Interest cost	35.5	35.0
Expected return on plan assets	-13.7	-14.9
Net actuarial gains/losses recognized	4.0	3.9
Past service cost	0.5	0.0
Gain/loss on curtailment and settlement	0.0	-1.2
Total pension expenses	**33.3**	**30.3**

Pension expenses are included in the personnel expenses allocated to the appropriate functional areas of the income statement.

The actual return on pension plan assets was €15.0 million (previous year: €21.8 million).

In the year under review, defined benefit obligations developed as follows:

[€ million]	2010	2011
Present value of defined benefit obligations, Jan. 1	**624.8**	**693.4**
Current service cost	7.0	7.5
Interest cost	35.5	35.0
Actuarial gains (-) and losses (+)	40.1	15.3
Gains (-) and losses (+) on curtailment and settlement	0.1	0.0
Past service cost	-0.1	0.0
Contributions by plan participants	0.6	0.6
Liabilities extinguished on settlements	-0.8	-2.5
Benefits paid	-32.4	-35.3
Reclassifications/other changes	5.4	-0.9
Exchange rate differences	13.2	7.5
Present value of defined benefit obligations, Dec. 31	**693.4**	**720.6**

In the year under review, plan assets developed as follows:

[€ million]	2010	2011
Fair value of plan assets, Jan. 1	**191.3**	**228.3**
Expected return on plan assets	13.7	14.9
Actuarial gains (+) and losses (-)	8.1	0.1
Contributions by employer	13.4	8.0
Contributions by plan participants	0.6	0.6
Liabilities extinguished on settlements	-2.4	-2.3
Benefits paid	-8.8	-11.6
Reclassifications/other changes	2.3	-0.5
Exchange rate differences	10.1	6.5
Fair value of plan assets, Dec. 31	**228.3**	**244.0**

The fair value of plan assets is distributed as follows:

[€ million]	Dec. 31, 2010	Dec. 31, 2011
Equity instruments	110.0	93.5
Interest-bearing securities	105.1	142.6
Other assets	13.2	7.9
	228.3	**244.0**

The expected return on plan assets is calculated on the basis of the market prices of plan assets as of the respective date.

Over the past five years, the present value of defined benefit obligations, the fair value of plan assets and funded status have changed as follows:

[€ million]	2007	2008	2009	2010	2011
Present value of defined benefit obligations	619.7	553.1	624.8	693.4	720.6
Fair value of plan assets	-220.0	-173.1	-191.3	-228.3	-244.0
Funded status	399.7	380.0	433.5	465.1	476.6

In 2012, contributions in the amount of €13.5 million (2011: €8.2 million) will probably be made to the pension fund.

Experience adjustments to the present value of defined benefit obligations have been as follows:

[€ million]	2007	2008	2009	2010	2011
Gain (+) / loss (-)	-4.6	2.6	-4.4	6.9	-15.8

The deviation between actual return and expected return on plan assets was €0.1 million in 2011 (previous year: €8.1 million).

(11) Other provisions

[€ million]	Provisions for personnel obligations	Provisions for warranties, guarantees and onerous contracts	Provisions for rebates, bonuses and commissions	Miscellaneous provisions	Total
Status Jan. 1, 2011	**250.6**	**40.9**	**17.6**	**158.2**	**467.3**
Increases	148.2	25.5	16.8	67.2	257.7
Unwinding of discount and effect of change in discount rate	0.0	0.1	0.0	0.4	0.5
Amounts used	-136.1	-16.5	-12.6	-73.7	-238.9
Reversal	-15.1	-11.7	-2.3	-33.9	-63.0
Exchange rate differences	0.2	-0.3	0.3	-1.2	-1.0
Other changes	3.6	-0.3	-0.1	0.6	3.8
Status Dec. 31, 2011	**251.4**	**37.7**	**19.7**	**117.6**	**426.4**
Of which long-term	80.5	2.1	0.7	14.3	**97.6**
Of which short-term	170.9	35.6	19.0	103.3	**328.8**
Reimbursement claims connected with provisions and shown in the statement of financial position under other assets	1.1	0.0	0.1	1.0	2.2

The provisions for personnel obligations mainly include other long- and short-term employee benefits, especially for vacation not taken, social security contributions and partial retirement.

The miscellaneous provisions include, inter alia, provisions for litigation risks, advertising, environmental protection and restructuring.

(12) Liabilities

[€ million]	Residual term up to 1 year	Residual term 1 to 5 years	Residual term more than 5 years	Dec. 31, 2010	Residual term up to 1 year	Residual term 1 to 5 years	Residual term more than 5 years	Dec. 31, 2011
Liabilities to banks (= financial debt)	65.7	292.1	20.7	378.5	39.7	290.1	20.6	350.4
Other financial debt, including leasing	4.4	3.3	0.0	7.7	6.0	1.0	0.0	7.0
Partners' accounts *	197.5	365.7	0.0	563.2	239.8	385.8	0.0	625.6
Financial debt	**267.6**	**661.1**	**20.7**	**949.4**	**285.5**	**676.9**	**20.6**	**983.0**
Trade payables	**515.9**	**0.0**	**0.0**	**515.9**	**550.0**	**0.0**	**0.0**	**550.0**
Advance payments received on orders	10.5	0.0	0.0	10.5	12.9	0.0	0.0	12.9
Miscellaneous liabilities	215.7	48.0	1.1	264.8	233.4	57.8	4.5	295.7
Other liabilities	**226.2**	**48.0**	**1.1**	**275.3**	**246.3**	**57.8**	**4.5**	**308.6**
	1,009.7	**709.1**	**21.8**	**1,740.6**	**1,081.8**	**734.7**	**25.1**	**1,841.6**

* following appropriation of profit for reporting year

The average interest rate on long-term liabilities to banks was 3.28 percent (previous year: 2.90 percent).

The interest payable on the certificates of indebtedness ("Schuldscheindarlehen") included in the liabilities to banks is based on variable and fixed components. Cash flows for variable and fixed interest and repayment of principal are distributed as follows between the years 2012 and 2013:

[€ million]	**Book value**	**Cash flows**		
	Dec. 31, 2010	**2011**	**2012**	**2013**
Certificates of indebtedness	267.5	7.6	8.8	277.8

	Dec. 31, 2011	**2012**	**2013**
Certificates of indebtedness	267.5	9.0	274.3

Other financial debt also includes short-term bills of exchange and liabilities in connection with finance leases. The average interest rate on these liabilities is 5.27 percent (previous year: 2.49 percent).

Mainly the liabilities under leasing contracts included in other financial debt are discounted. Further details are given in information on finance leases under note (2).

The interest rates applicable to Partners' accounts vary between 5.5 percent and 7.0 percent (previous year: between 5.5 percent and 7.0 percent) and between 1.0 percent and 3.1 percent (previous year: between 1.0 percent and 2.5 percent), depending on the agreements concerned.

Miscellaneous liabilities include liabilities for tooling cost contributions, other taxes, outstanding wages and salaries, holiday pay and special bonuses.

Contingent liabilities and other financial commitments

[€ million]	Dec. 31, 2010	Dec. 31, 2011
Contingent liabilities		
Liabilities in connection with notes	7.7	8.5
Liabilities in connection with guarantees	15.3	17.8
Liabilities in connection with warranty agreements	0.1	0.1
Collateral for third-party liabilities	0.1	0.0
Miscellaneous contingent liabilities	2.9	2.6
	26.1	**29.0**
Other financial commitments		
Commitments arising from leasing contracts*	156.0	197.2
Purchase commitments connected with intangible assets	0.0	0.0
Purchase commitments connected with tangible assets	10.1	25.8
Purchase commitments connected with the delivery of goods or services	60.7	68.5
Miscellaneous commitments	5.5	4.4
	232.3	**295.9**

* see also note (2) "Tangible assets" as regards leased assets

Additional information on financial instruments

The term "financial instrument" is used to refer to any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. A distinction is made between primary and derivative financial instruments. Primary financial instruments in the case of the purchase or sale of assets are recognized at the settlement date, i.e. the delivery of the asset concerned. Derivative financial instruments are recognized as of the trade date. In the event of loss of control over the contractually agreed rights to a financial asset, the asset concerned is derecognized. Financial liabilities are derecognized on the statement of financial position when the commitment is discharged or cancelled, or expires.

Under IAS 39, financial instruments are divided into the following categories:

- Loans and receivables
  This category includes financial assets with fixed or determinable payments that are not quoted in an active market.

- Held-to-maturity investments
  Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

- Available-for-sale financial assets
  This category includes all the other financial assets which cannot be allocated to any of the categories mentioned above.

- Financial assets or financial liabilities at fair value through profit or loss
  These include:
  – financial assets or financial liabilities held for trading and
  – financial assets or financial liabilities designated by the entity as at fair value through profit or loss upon initial recognition.

The Freudenberg Group does not hold any financial assets or financial liabilities for trading purposes.

Freudenberg did not avail itself of the fair value option under IAS 39 under which it is possible to measure any financial asset or financial liability at fair value through profit or loss.

Primary financial instruments

Primary financial instruments are assigned to categories on the basis of the relevant items in the statement of financial position. The allocation to the categories defines the accounting and measurement of the instruments.

Loans, receivables and liabilities are recognized at amortized cost. Available-for-sale financial assets are recognized at fair value without effect on net income except where the fair value of such assets cannot be reliably determined. In such cases, these assets are recognized at acquisition costs. Any impairments are shown in the income statement with an effect on profit or loss.

[€ million]	Loans and receivables at amortized cost	Available-for-sale financial assets at fair value without effect on profit or loss	Available-for-sale financial assets at amortized cost	Other financial liabilities at amortized cost	Book value at Dec. 31, 2010
ASSETS					
Other financial assets	6.3	13.7	76.4		96.4
Trade receivables	838.4				838.4
Other assets	86.7				86.7
Securities and cash at bank and in hand	647.6				647.6
Total	**1,579.0**	**13.7**	**76.4**		**1,669.1**
LIABILITIES					
Financial debts				949.4	949.4
Trade payables				515.9	515.9
Other liabilities				131.5	131.5
Total				**1,596.8**	**1,596.8**

[€ million]	Loans and receivables at amortized cost	Available-for-sale financial assets at fair value without effect on profit or loss	Available-for-sale financial assets at amortized cost	Other financial liabilities at amortized cost	Book value at Dec. 31, 2011
ASSETS					
Other financial assets	6.9	14.4	63.4		84.7
Trade receivables	926.6				926.6
Other assets	80.7				80.7
Securities and cash at bank and in hand	724.0				724.0
Total	**1,738.2**	**14.4**	**63.4**		**1,816.0**
LIABILITIES					
Financial debts				983.1	983.1
Trade payables				550.0	550.0
Other liabilities				137.1	137.1
Total				**1,670.2**	**1,670.2**

The Freudenberg Group currently does not hold any held-to-maturity investments.

The fair values of financial assets and liabilities recognized at amortized cost are approximately equal to their book values.

The fair values of financial instruments held by the Freudenberg Group and measured at fair value in the amount of €14.4 million (previous year: €13.7 million) were determined on the basis of active markets for identical assets.

Credit risks

[€ million]	Book value at Dec. 31, 2010	Thereof: neither past due nor impaired as at Dec. 31, 2010	Thereof: not impaired as at Dec. 31, 2010 and due and payable within the following time from the statement of financial position date				
			up to 60 days	between 61 and 120 days	between 121 and 180 days	between 181 and 360 days	more than 360 days
Trade receivables	838.4	683.9	100.6	20.7	3.9	5.8	2.6
Other assets	86.7	84.2	0.2	0.1	0.0	0.2	0.8

[€ million]	Book value at Dec. 31, 2011	Thereof: neither past due nor impaired as at Dec. 31, 2011	Thereof: not impaired as at Dec. 31, 2011 and due and payable within the following time from the statement of financial position date				
			up to 60 days	between 61 and 120 days	between 121 and 180 days	between 181 and 360 days	more than 360 days
Trade receivables	926.6	753.7	116.9	20.0	6.3	5.3	3.4
Other assets	80.7	73.7	1.9	0.9	0.1	0.2	3.7

In the case of trade and other receivables for which no impairments have been recognized and which are not past due, no defaults are expected. The major part of trade receivables (normally between 70 and 90 percent of each receivable) is covered by credit insurance. Otherwise, the book value represents the maximum credit risk associated with each receivable.

Impairment losses to trade receivables developed as follows:

[€ million]	2010	2011
Impairment losses as of Jan. 1	**27.1**	**23.8**
Exchange rate differences	0.9	-0.1
Additions (expenses for impairments)	5.2	7.7
Amounts used	-5.3	-4.2
Reversals (write-ups)	-4.1	-3.3
Impairment losses as of Dec. 31	**23.8**	**23.9**

Impairment losses to other assets developed as follows:

[€ million]	2010	2011
Impairment losses as of Jan. 1	**1.6**	**1.8**
Exchange rate differences	0.0	0.0
Additions (expenses for impairments)	0.3	0.0
Amounts used	-0.1	0.0
Reversals (write-ups)	0.0	0.0
Impairment losses as of Dec. 31	**1.8**	**1.8**

In the year under review, impairment losses to receivables totaling €3.3 million (previous year: €4.1 million) were reversed as the reason for the impairment no longer applied and impairment losses in the amount of €7.7 million (previous year: €5.5 million) were set up. These impairment losses were recognized where payments were no longer expected or no longer expected in full.

Derivative financial instruments

The parent company Freudenberg & Co. is responsible for all the financing activities of the Freudenberg Group and also operates the cash management system for the entire Group. The Group companies obtain the financing they require via cash pools or loans provided by internal financing companies or, in some countries, in the form of bank loans guaranteed by Freudenberg & Co.

The limits of action, responsibilities and control procedures in connection with derivative financial instruments are laid down in a binding form in internal directives for Group companies. Freudenberg & Co. does not expose itself to additional financial risks through speculation with derivative financial instruments but uses such instruments only for hedging, and therefore reducing, risks in connection with underlying transactions. Future transactions are only hedged if there is a high probability of occurrence.

Freudenberg & Co. uses derivative financial instruments for hedging interest rate and foreign exchange risks.

Fair values are determined on the basis of quoted prices, accepted market information systems or discounted cash flows.

Derivative financial instruments for hedging recognized assets or liabilities (fair value hedges) are shown in the statement of financial position at fair value. Changes in the fair value are recorded in the income statement. Financial instruments for hedging future cash flows (cash flow hedges) are also included in the statement of financial position at fair value, but changes in the fair value of such instruments are recognized without effect on net income under retained earnings, taking into consideration the applicable income taxes. Such changes are recognized in the income statement when the underlying transactions concerned are effected. Ineffective portions of hedge transactions are always recognized in the income statement.

The face value of derivatives entered into for interest rate hedging (long-term interest rate swaps) was €191.4 million (previous year: €191.7 million). As at December 31, 2011, the negative net fair value of the interest rate swaps was €9.9 million (previous year: €12.4 million). These derivatives were used for hedging rising interest rates and the cash flow risk of variable interest payables.

As of December 31, 2011, the face value of currency futures concluded for hedging foreign exchange risks and still open was €1.8 million (previous year: €4.7 million). All these transactions were conventional currency futures. The positive fair value of these instruments as of December 31, 2011 was €0.1 million (previous year: balanced fair value).

Of the total volume of derivatives, 98.8 percent (previous year: 98.9 percent) had a term of more than one year.

The following fair values of derivative financial instruments are included in the other assets and other liabilities respectively:

[€ million]	Dec. 31, 2010	Dec. 31, 2011
Other assets		
Currency futures	0.1	0.1
Other liabilities		
Currency futures	0.1	0.0
Interest rate swaps	12.3	9.9

The value changes (gains) in the case of interest rate swaps and currency futures (cash flow hedges), amounting to €2.5 million (previous year: €0.5 million), are recognized in equity.

The interest rate swaps are mainly intended to hedge risks of interest changes with respect to variable-interest loans on a long-term basis. The transactions are expected to occur in the period up to 2013.

The fair values of derivative financial instruments were determined on the basis of recognized market information systems or discounted cash flows, in the amount of €-9.8 million (previous year: €-12.3 million), for identical assets and liabilities.

Risks in connection with financial instruments

Freudenberg is exposed to risks resulting from changes in exchange rates and interest rates and uses conventional derivative instruments such as interest rate swaps, caps and currency futures to hedge risks in connection with business operations and financing to a limited extent. The use of these instruments is governed by Group directives within the risk management system which lay down limits on the basis of the value of the underlying transactions, define approval procedures, exclude the use of derivative instruments for speculative purposes, minimize credit risks and govern internal reporting and the separation of functions. Compliance with these directives and the proper handling and measurement of transactions are regularly verified by both the Finance and Projects, and Group Accounting and Controlling functions, observing the principle of separation of functions. Furthermore, risk management for financial instruments is integrated in the Freudenberg Group risk management system.

The risks which are hedged are chiefly as follows:

Interest rate risk:

In the case of fixed-interest loans or investments, there is a risk that changes in the market interest rate will affect the market value of the item concerned (market-value risk contingent on interest rates). In contrast, variable interest loans and investments are not subject to this risk as the interest rate is adjusted to reflect changes in the market situation with a very short delay. However, there is a risk with respect to future interest payments as a result of short-term fluctuations in market interest rates (cash flow risk contingent on interest rates).

To hedge risks resulting from interest rate changes, Freudenberg primarily concludes long-term interest rate swaps and caps.

Risks associated with interest rate changes mainly affect long-term items. A fall in long-term interest rates results in a decrease in the fair value shown on the statement of financial position for derivative financial instruments concluded for interest rate hedging.

If the average market interest rate had been one percentage point higher as of December 31, 2011, equity would have been €2.9 million (previous year: €4.7 million) higher. If the average market interest rate had been one percentage point lower as of December 31, 2011, equity would have been €3.0 million (previous year: €4.9 million) lower. There would have been no effect on net income.

As a general principle, external borrowings are repaid when due. The only interest rate risk related to these borrowings is therefore associated with variable-interest borrowings.

Currency risk:

The primary financial instruments are chiefly held in the functional currency.

Exchange rate differences caused by the conversion of financial statements into the Group currency are not taken into consideration.

If the value of the euro against major currencies (USD, GBP and JPY) had been 10.0 percent higher as of December 31, 2011, the profit before income taxes would have been €14.5 million higher (previous year: €12.4 million higher). If the value of the euro against major currencies (USD, GBP and JPY) had been 10.0 percent lower as of December 31, 2011, the profit before income taxes would have been €6.0 million lower (previous year: €7.5 million lower).

Liquidity risk:

Risks connected with cash flow fluctuations are identified at an early stage by the cash flow planning system already in place. As a result of the Group's good rating (Baa1) and the credit lines granted by banks on a binding basis, Freudenberg can access ample sources of funds at all times.

Credit risk:

Specific provisions and individualized generic provisions are recognized to take account of identifiable risks not covered by credit insurance. Otherwise, the book value represents the maximum credit risk.

Freudenberg & Co. only concludes derivative financial instruments with national and international banks of at least investment grade rating. Credit risks are minimized by distributing hedges between several banks.

Notes to the Consolidated Income Statement

(13) Sales

Sales include revenue from the sale of goods amounting to €5,843.9 million (previous year: €5,353.0 million), services in the amount of €101.2 million (previous year: €80.2 million) and licenses in the amount of €38.7 million (previous year: €24.8 million). Other sales totaled €22.7 million (previous year: €23.4 million).

(14) Cost of sales

Cost of sales indicates the cost of goods and services sold. Apart from individual directly attributable costs, such as personnel expenses and material expenses, overheads, including depreciation/amortization, are also shown under cost of sales.

(15) Research and development expenses

Apart from personnel and material expenses, research and development expenses chiefly include the cost of licenses and patents created in the course of development projects.

(16) Other income

Other income mainly includes income from other secondary business and income from disposals of financial assets and non-current assets. Exchange rate gains were set off against exchange rate losses.

(17) Other expenses

Among other items, other expenses include losses on disposals of non-current assets and financial assets. Following the offsetting of exchange rate gains, exchange rate losses amounted to €2.1 million (previous year: exchange rate gains of €2.6 million).

(18) Interest and similar expenses

Interest expenses include interest on Partners' accounts totaling €27.6 million (previous year: €26.2 million).

(19) Income taxes

This item shows German corporation tax (plus solidarity surcharge) and municipal trade taxes and similar taxes on income payable in other countries.

The figure also includes deferred taxes on temporary differences between the tax balance sheets and commercial balance sheets of individual companies, on adjustments to uniform measurement within the Group and on consolidation transactions.

Deferred taxes are calculated at the tax rates applicable in the countries concerned.

Income taxes break down as follows (expense (-) / income (+)):

[€ million]	2010	2011
Current taxes related to the reporting period	-125.3	-135.5
Current taxes related to prior periods	-0.7	-5.1
Deferred taxes	6.0	-12.7
	-120.0	**-153.3**

The amount of deferred tax income relating to changes in tax rates was €0.6 million (previous year: €0.4 million).

In the reporting year, deferred taxes relating to transactions recognized directly under equity resulted in a reduction in equity of €0.5 million (previous year: reduction of €0.1 million).

As of December 31, 2011, tax losses carried forward amounted to €340.2 million (previous year: €387.2 million). Deferred tax assets were recognized in respect of tax losses carried forward totaling €22.4 million (previous year: €68.7 million). Deferred tax assets were not recognized in respect of tax losses carried forward with a total amount of €317.8 million (previous year: €318.5 million) as it is not expected that these losses will be usable.

In the reporting year, tax losses carried forward totaling €24.1 million (previous year: €37.0 million) for which no deferred tax assets had been recognized were used.

Deferred taxes concern temporary differences and tax losses carried forward with the following amounts:

[€ million]	Deferred tax assets Dec. 31, 2010	Deferred tax liabilities Dec. 31, 2010	Deferred tax assets Dec. 31, 2011	Deferred tax liabilities Dec. 31, 2011
Intangible assets	5.3	53.0	5.5	52.8
Tangible assets	7.3	88.3	8.3	91.3
Financial assets	0.3	0.7	0.4	0.4
Inventories	19.5	0.9	18.6	1.0
Receivables	6.9	11.5	7.7	14.0
Other current assets	1.9	0.0	2.0	0.0
Provisions for pensions	10.5	0.0	9.1	0.2
Other provisions	28.6	3.3	32.5	3.0
Liabilities	17.8	3.9	12.3	3.0
Other liabilities	0.7	0.6	0.3	2.5
Tax losses carried forward	13.2	0.0	4.8	0.0
	112.0	**162.2**	**101.5**	**168.2**
Offsetting	-33.0	-33.0	-33.4	-33.4
Recognized in statement of financial position	**79.0**	**129.2**	**68.1**	**134.8**

No deferred tax items were set up on temporary differences arising from shareholdings totaling €29.9 million (previous year: €25.9 million) as short-term dividend payments are not expected.

Reconciliation of expected income taxes with actual income taxes

Freudenberg & Co. and its German subsidiaries are subject to the municipal trade tax on income. In addition, many German subsidiaries registered as corporations are subject to corporation tax (plus solidarity surcharge). Income realized in other countries is taxed at the rates applicable in the countries concerned. The tax rate of 34 percent (previous year: 35 percent) used for calculating the expected tax expense is based on the structure of the Freudenberg Group relevant for taxation. It is calculated as the weighted average of the tax rates for the regions in which the Group realized its main income.

[€ million]	2010	2011
Profit before income taxes	441.7	511.5
Expected income tax expense (-) / income(+)	**-154.6**	**-173.9**
Different tax rates:		
in Germany	8.3	11.2
in other countries	16.7	24.5
Tax portion of:		
non-taxable income	26.6	26.1
non-deductible expenses	-24.6	-28.7
Current taxes related to prior periods	-0.7	-5.1
Tax portion of new tax losses carried forward for which no deferred tax assets were recognized	-6.5	-7.7
Tax portion of tax losses carried forward and used for which no deferred tax assets were recognized	8.3	7.0
Other taxation effects	6.5	-6.7
Actual income tax expense	**-120.0**	**-153.3**
Effective tax rate (percent)	27.2	30.0

(20) Profit or loss attributable to non-controlling interests

[€ million]	2010	2011
Profit	37.2	40.8
Loss	-2.0	-2.6
	35.2	**38.2**

(21) Notes to the Consolidated Statement of Cash Flows

Freudenberg recognizes checks, cash in hand, cash at bank and short-term securities with an original term of up to three months as cash and cash equivalents.

The cash flow from operating activities takes into account payments for taxes amounting to €176.8 million (previous year: €82.5 million), dividends received in the amount of €10.5 million (previous year: €12.8 million) – including dividends received from associated companies totaling €10.0 million (previous year: €8.4 million) – as well as interest paid of €51.7 million (previous year: €48.2 million) and interest received of €12.9 million (previous year: €9.2 million).

Payments to Partners and non-controlling interests include withdrawals by Partners in Freudenberg & Co. and dividends paid to non-controlling interests in Group companies. Payments made in connection with Partners' taxes are also included.

Further Notes

Application of Sec. 264 (3), HGB (Handelsgesetzbuch, "German Commercial Code"), Sec. 264b, HGB and Sec. 5 (6), PublG (Publizitätsgesetz, "German Disclosures Act") in connection with Sec. 264 (3), HGB

The following German companies of the Group took advantage of the exemption provisions of Sec. 264 (3), HGB, Sec. 264b, HGB and Sec. 5 (6), PublG in connection with Sec. 264 (3), HGB:

Chem-Trend (Deutschland) GmbH, Maisach/Gernlinden
Corteco GmbH, Weinheim
Dichtomatik Vertriebsgesellschaft für technische Dichtungen mbH, Hamburg
DS Holding-GmbH, Weinheim
EagleBurgmann Germany GmbH & Co. KG, Wolfratshausen
Externa Handels- und Beteiligungsgesellschaft mit beschränkter Haftung, Heddesheim
FHP Export GmbH, Weinheim
FHP Holding GmbH, Weinheim
Freudenberg Dichtungs- und Schwingungstechnik GmbH, Berlin
Freudenberg DS Tooling Center GmbH & Co. KG, Weinheim
Freudenberg Finance GmbH, Weinheim
Freudenberg Immobilien Management GmbH, Weinheim
Freudenberg Mechatronics GmbH & Co. KG, Weinheim
Freudenberg O-Ring GmbH & Co. KG, Weinheim
Freudenberg Process Seals GmbH & Co. KG, Viernheim
Freudenberg Process Consulting GmbH, Weinheim
Freudenberg Schwingungstechnik Industrie GmbH & Co. KG, Velten
Freudenberg Sealing Technologies GmbH & Co. KG, Weinheim
Freudenberg Simmerringe GmbH & Co. KG, Weinheim
Freudenberg Simrit GmbH & Co. KG, Weinheim
Freudenberg Spezialdichtungsprodukte GmbH & Co. KG, Weinheim
Freudenberg Stanz- und Umformtechnik GmbH & Co. KG, Weinheim
Freudenberg Venture Capital GmbH, Weinheim
Freudenberg Versicherungsservice GmbH, Weinheim
Freudenberg Vliesstoffe KG, Weinheim
FV Holding GmbH, Weinheim
Integral Accumulator GmbH & Co. KG, Weinheim
Klüber Lubrication München Kommanditgesellschaft, Munich
Lederer GmbH, Öhringen
Merkel Freudenberg Fluidtechnic GmbH, Hamburg
OKS Spezialschmierstoffe GmbH, Munich
Vibracoustic GmbH & Co. KG, Weinheim
Vileda Gesellschaft mit beschränkter Haftung, Weinheim

Material expenses

[€ million]	2010	2011
Raw materials, consumables and merchandise purchased	2,071.7	2,356.0
Services purchased	198.9	215.1
	2,270.6	**2,571.1**

Personnel expenses

[€ million]	2010	2011
Wages and salaries	1,277.2	1,357.6
Social security contributions and costs of pensions and assistance	328.5	346.0
	1,605.7	**1,703.6**

Workforce

In the year under review, an average of 36,101 (previous year: 34,200) persons were employed in the following functions:

2011	Germany	Other countries	Total
Production	6,575	16,169	22,744
Sales	1,784	4,831	6,615
Research and development	1,375	812	2,187
Administration	1,470	3,085	4,555
	11,204	**24,897**	**36,101**

The above figures include a pro-rata share of the employees of companies consolidated on a pro-rata basis totaling 2,738 (previous year: 2,496).

Research and development

In the year under review, expenses for research and development activities amounted to €205.4 million (previous year: €181.3 million). Of this amount, €36.4 million (previous year: €26.2 million) were charged to third parties. The figure includes government grants for research and development projects totaling €5.0 million (previous year: €4.3 million).

Related party disclosure

Relations with other participations and associated companies within the scope of normal business activities were as follows:

		Receivables			Payables		
2010 [€ million]	Sales	Residual term up to 1 year	Residual term more than 1 year	Dec. 31	Residual term up to 1 year	Residual term more than 1 year	Dec. 31
Other participations	30.4	28.9	1.6	30.5	10.2	0.0	10.2
Associated companies	20.6	2.5	0.5	3.0	22.6	0.0	22.6
	51.0	**31.4**	**2.1**	**33.5**	**32.8**	**0.0**	**32.8**

		Receivables			Payables		
2011 [€ million]	Sales	Residual term up to 1 year	Residual term more than 1 year	Dec. 31	Residual term up to 1 year	Residual term more than 1 year	Dec. 31
Other participations	32.0	20.7	0.0	20.7	8.0	0.0	8.0
Associated companies	19.9	3.7	0.5	4.2	24.6	3.3	27.9
	51.9	**24.4**	**0.5**	**24.9**	**32.6**	**3.3**	**35.9**

The total remuneration of members of the Board of Partners amounted to €0.9 million (previous year: €0.4 million).

The total remuneration of members of the Management Board amounted to €7.9 million (previous year: €4.9 million). Provisions for pensions for members of the Management Board amounted to €15.3 million (previous year: €14.0 million).

In the year under review, loans in the amount of €1.3 million were granted to members of the Management Board. The interest rate is 2.0 percent and is to rise to 2.5 percent by 2014. The loans are due for repayment on June 1, 2012 or no later than June 2, 2014 by the latest.

The remuneration paid to former members of the Management Board or their surviving dependants totaled €8.8 million (previous year: €7.2 million). Provisions for pensions for former members of the Management Board and their surviving dependants amounted to €63.4 million (previous year: €64.4 million).

The members of the Board of Partners and Management Board of Freudenberg & Co. are listed under "Company Boards".

Dr. Dr. Peter Bettermann, Speaker of the Management Board of Freudenberg & Co., and Dr. Wolfram Freudenberg, Chairman of the Board of Partners, are also shareholders of Freudenberg Stiftung GmbH, Weinheim (hereafter "Freudenberg Stiftung").

Freudenberg Stiftung is a foundation established with the object of holding a donated participation of €12.7 million (previous year: €12.7 million) in Freudenberg & Co. and using the income from this participation for benevolent and charitable purposes. Any surplus liquid funds held by the foundation are invested in Freudenberg & Co. The interest income from these funds at normal market conditions amounting to €0.9 million (previous year: €0.8 million) was used for the purposes of the foundation.

Fees of the Auditor

The auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, performed the following services in the 2011 financial year.

[€ million]	2010	2011
Auditing services	1.4	1.4
Other assurance services	0.1	0.2
Tax advisory services	0.1	0.3
Other services	0.8	0.3
Fees of the Auditor	**2.4**	**2.2**

Major events after the date of the statement of financial position

As a major event occurring between the date of the statement of financial position and March 29, 2012 (the date when the annual report was approved for publication by the Board of Partners), the conclusion of the joint venture contract between Freudenberg and Trelleborg AB on January 31, 2012 must be mentioned. The approval of the competent authorities, in particular the European antitrust authority, is still outstanding.

Weinheim, March 29, 2012

FREUDENBERG & CO.
KOMMANDITGESELLSCHAFT
The Management Board

Shareholdings of the Freudenberg Group

as at December 31, 2011

No.	Company	Country	Share of capital [in %]
I. Affiliated companies			
1	Freudenberg & Co. Kommanditgesellschaft, Weinheim	Germany	-
Production companies, Germany			
2	Chem-Trend (Deutschland) GmbH, Maisach/Gernlinden	Germany	100.00
3	EagleBurgmann Espey GmbH, Moers	Germany	75.00
4	EagleBurgmann Germany GmbH & Co. KG, Wolfratshausen	Germany	75.00
5	Freudenberg DS Tooling Center GmbH & Co. KG, Weinheim	Germany	100.00
6	Freudenberg Filtration Technologies KG, Weinheim	Germany	100.00
7	Freudenberg Haushaltsprodukte Augsburg KG, Augsburg	Germany	100.00
8	Freudenberg O-Ring GmbH & Co. KG, Weinheim	Germany	100.00
9	Freudenberg Schwingungstechnik Industrie GmbH & Co. KG, Velten	Germany	100.00
10	Freudenberg Sealing Technologies GmbH & Co. KG, Weinheim	Germany	100.00
11	Freudenberg Simmerringe GmbH & Co. KG, Weinheim	Germany	100.00
12	Freudenberg Spezialdichtungsprodukte GmbH & Co. KG, Weinheim	Germany	100.00
13	Freudenberg Stanz- und Umformtechnik GmbH & Co. KG, Weinheim	Germany	100.00
14	Freudenberg Vliesstoffe KG, Weinheim	Germany	100.00
15	Helix Medical Europe KG, Kaiserslautern	Germany	100.00
16	Integral Accumulator GmbH & Co. KG, Weinheim	Germany	75.00
17	Klüber Lubrication München Kommanditgesellschaft, Munich	Germany	100.00
18	Lederer GmbH, Öhringen	Germany	100.00
19	Merkel Freudenberg Fluidtechnic GmbH, Hamburg	Germany	100.00
20	OKS Spezialschmierstoffe GmbH, Maisach/Gernlinden	Germany	100.00
21	Simrax GmbH Gleitringdichtungen, Weinheim	Germany	60.00
22	SurTec Deutschland GmbH, Zwingenberg	Germany	100.00
23	Vibracoustic GmbH & Co. KG, Weinheim	Germany	100.00
Production companies, other countries			
24	Freudenberg S.A. Telas sin Tejer, Villa Zagala	Argentina	100.00
25	Klüber Lubrication Argentina S.A., Buenos Aires	Argentina	100.00
26	EagleBurgmann Australia Pty. Ltd., Ingleburn	Australia	25.00
27	Freudenberg Filtration Technologies (Aust) Pty. Ltd., Braeside	Australia	55.00
28	Klüber Lubrication Benelux S.A./N.V., Dottignies	Belgium	100.00
29	Chem-Trend Industria e Comercio de Produtos Quimicos Ltda., Valinhos	Brazil	100.00
30	EagleBurgmann do Brasil Vedacoes Ltda., Campinas, São Paulo	Brazil	75.00
31	Freudenberg Nao-Tecidos Ltda., Jacarei	Brazil	100.00
32	Freudenberg-NOK-Componentes Brasil Ltda., São Paulo	Brazil	75.00
33	Klüber Lubrication Lubrificantes Especiais Ltda., Barueri	Brazil	100.00
34	SurTec do Brasil Ltda., São Bernardo do Campo, São Paulo	Brazil	100.00
35	Vibracoustic do Brasil Ltda., Taubaté-SP.	Brazil	100.00
36	Asia Shine (Ningbo) Co Ltd, Zhenjiang	China	100.00

No.	Company	Country	Share of capital [in %]
37	Burgmann Dalian Co. Ltd., Dalian	China	40.00
38	Burgmann Shanghai Ltd., Shanghai	China	25.50
39	Chem-Trend Chemicals (Shanghai) Co., Ltd., Qingpu	China	100.00
40	E&J Brushes (Ningbo) Co Ltd, Zhenjiang	China	100.00
41	Klüber Lubrication Industries (Shanghai) Co., Ltd., Qingpu	China	100.00
42	SurTec Metal Surface Treatment Technology Co. Ltd., Hangzhou	China	75.00
43	Vibracoustic (Yantai) Co., Ltd., Yantai	China	100.00
44	Helix Medical LATR srl., San José	Costa Rica	100.00
45	EagleBurgmann Bredan A/S, Ringkøbing	Denmark	75.00
46	EagleBurgmann KE A/S, Vejen	Denmark	75.00
47	Freudenberg Evolon s.a.r.l., Colmar	France	100.00
48	Freudenberg Joints Elastomères SAS, Langres	France	100.00
49	Freudenberg Joints Plats SAS, Chamborêt	France	100.00
50	Freudenberg Politex S.A., Colmar	France	100.00
51	Freudenberg PSPE S.A.S., Andrezieux-Bouthéon	France	100.00
52	Freudenberg S.A.S., Langres	France	100.00
53	SurTec France S.A.S., Cugnaux	France	100.00
54	Freudenberg Nonwovens LP, Littleborough	United Kingdom	100.00
55	Freudenberg Technical Products LP, North Shields	United Kingdom	75.00
56	APEC (Asia) Limited, Hong Kong	Hong Kong	100.00
57	EagleBurgmann India Pvt. Ltd., Pune	India	50.00
58	EagleBurgmann KE Pvt. Ltd., Chennai	India	75.00
59	EagleBurgmann Mascot India Private Limited, Ambernath	India	34.00
60	Freudenberg Nonwovens India Pvt. Ltd., Chennai	India	100.00
61	Klüber Lubrication India Pvt. Ltd., Bangalore	India	90.00
62	SurTec Chemicals India Pvt. Ltd., Pune	India	100.00
63	BT-Tenute Meccaniche Rotanti S.p.A., Arcugnano	Italy	75.50
64	Corcos Industriale S.a.s. di Externa Italia S.r.l., Pinerolo	Italy	100.00
65	Fapam S.a.s. di Externa Italia S.r.l., Luserna San Giovanni	Italy	100.00
66	FHP di R. Freudenberg S.A.S., Milan	Italy	100.00
67	Freudenberg Tecnologie di Filtrazione S.a.s. di Externa Holding S.r.l., Milan	Italy	100.00
68	M.B. Preform S.a.s. di Externa Holding S.r.l., Colonella	Italy	100.00
69	Marelli & Berta S.a.s. di Freudenberg S.p.A., Sant' Omero	Italy	100.00
70	Politex S.a.s. di Freudenberg Politex s.r.l., Novedrate	Italy	100.00
71	Trasfotex s.r.l., Quaregna	Italy	70.00
72	EagleBurgmann Japan Co., Ltd., Tokyo	Japan	25.00
73	Freudenberg Vileda Jordan Ltd., Amman	Jordan	51.00
74	Freudenberg Oil & Gas Canada Inc., Nisku	Canada	100.00
75	Freudenberg-NOK Inc., Tillsonburg	Canada	75.00
76	EagleBurgmann Manufacturing Malaysia SDN. BHD., Petaling Jaya	Malaysia	25.00

No.	Company	Country	Share of capital [in %]
77	EagleBurgmann Mexico S.A. de C.V., Cuautitlán	Mexico	75.00
78	EagleBurgmann Production Center S.A. de C.V., Santiago de Querétaro	Mexico	75.00
79	Freudenberg Telas sin Tejer S.A. de C.V., León	Mexico	100.00
80	Freudenberg-NOK de Mexico S.A. de C.V., Cuautla	Mexico	75.00
81	Freudenberg-NOK de Queretaro, S.A. de C.V., Querétaro	Mexico	75.00
82	Klüber Lubricacion Mexicana S.A. de C.V., Querétaro	Mexico	100.00
83	Vibracoustic de Mexico S.A. de C.V., Lerma	Mexico	100.00
84	EagleBurgmann New Zealand Ltd., Auckland	New Zealand	25.00
85	Freudenberg Household Products B.V., Arnhem	The Netherlands	100.00
86	EagleBurgmann Production Center Judenburg GmbH, Judenburg	Austria	75.00
87	Freudenberg Spezialdichtungsprodukte Austria GmbH & Co. KG, Kufstein	Austria	100.00
88	Klüber Lubrication Austria Ges.m.b.H., Salzburg	Austria	100.00
89	Vibracoustic Polska Sp. z o.o., Sroda Slaska	Poland	100.00
90	Freudenberg Politex OOO, Nizhniy Novgorod	Russia	100.00
91	Freudenberg Household Products A.B., Norrköping	Sweden	100.00
92	SurTec Cacak d.o.o., Cacak	Serbia	70.00
93	Offshore Seals (Asia) Pte. Ltd., Singapore	Singapore	100.00
94	Freudenberg Filtration Technologies Slovensko, s.r.o., Potvorice	Slovakia	90.00
95	Freudenberg Espana S.A., Componentes, S.en C. i.L., Barcelona	Spain	100.00
96	Freudenberg Espana S.A., Telas sin Tejer, S.en C., Barcelona	Spain	100.00
97	Freudenberg Iberica S.A., S.en C., Parets del Vallés	Spain	100.00
98	Klüber Lubrication GmbH Ibérica S.en C., Barcelona	Spain	100.00
99	EagleBurgmann Seals S.A. (Pty) Ltd., Edenvale	South Africa	75.00
100	Freudenberg Nonwovens (Pty.) Ltd., Cape Town	South Africa	100.00
101	SurTec South Africa Pty. Ltd., Pretoria	South Africa	51.00
102	Chem-Trend Korea Ltd., Ansong-si	South Korea	100.00
103	EagleBurgmann Taiwan Co., Ltd., Yenchao	Taiwan	25.00
104	Freudenberg Far Eastern Spunweb Comp. Ltd., Tayuan, Taoyuan	Taiwan	60.18
105	EagleBurgmann (Thailand) Co., Ltd., Rayong	Thailand	25.00
106	ALUCON s.r.o., Lázne Belohrad	Czech Republic	100.00
107	EagleBurgmann Bredan s.r.o., Jilove u Prahy	Czech Republic	75.00
108	FAW s.r.o., i.L., Trebechovice Pod. O	Czech Republic	100.00
109	Tésneni a pruzne elementy k.s., Opatovice nad Labem	Czech Republic	100.00
110	Vibracoustic CZ s.r.o., Melnik	Czech Republic	100.00
111	Freudenberg Coskunöz Kalip Sanayi ve Ticaret A.S., Bursa	Turkey	75.00
112	Klüber Lubrication Yaglama Ürünleri Sanayi ve Ticaret A.S., Istanbul	Turkey	100.00
113	Freudenberg Simmerringe Kft., Kecskemet	Hungary	100.00
114	Freudenberg Tömítés Ipari Kft., Lajosmizse	Hungary	100.00
115	Vibracoustic Magyarország Légrugó Technológia Kft., Nyíregyháza	Hungary	100.00

No.	Company	Country	Share of capital [in %]
116	Chem-Trend Limited Partnership, Howell	USA	100.00
117	CST-SurTec Inc., Middleburg Heights	USA	51.00
118	FHP-Berner USA LP, Aurora	USA	50.00
119	Freudenberg Filtration Technologies LP, Hopkinsville	USA	100.00
120	Freudenberg Household Products LP, Aurora	USA	100.00
121	Freudenberg Oil & Gas LLC, Houston	USA	100.00
122	Freudenberg Spunweb Company, Durham	USA	100.00
123	Freudenberg Texbond L.P., Macon	USA	100.00
124	Freudenberg-NOK General Partnership, Plymouth	USA	75.00
125	Helix Medical, LLC, Carpinteria	USA	100.00
126	International Seal Company, Inc., Santa Ana	USA	75.00
127	KL Texas L.P. dba SUMMIT INDUSTRIAL PRODUCTS, Tyler	USA	100.00
128	Klüber Lubrication North America LP, Londonderry	USA	100.00
129	Lakes Region Manufacturing, L.L.C., Belmont	USA	75.00
130	Merkel Freudenberg Inc., Spencer	USA	75.00
131	Vibracoustic North America LP, Plymouth	USA	100.00
Sales companies, Germany			
132	Access Textil Vertriebs GmbH, Weinheim	Germany	100.00
133	Corteco GmbH, Weinheim	Germany	100.00
134	Dichtomatik Vertriebsgesellschaft für technische Dichtungen mbH, Hamburg	Germany	100.00
135	EagleBurgmann Gaskets GmbH, Wolfratshausen	Germany	75.00
136	FHP Export GmbH, Weinheim	Germany	100.00
137	Freudenberg Gygli GmbH, Weinheim	Germany	100.00
138	Freudenberg Process Seals GmbH & Co. KG, Weinheim	Germany	100.00
139	Freudenberg Schwab GmbH, Hennigsdorf	Germany	100.00
140	Freudenberg Simrit GmbH & Co. KG, Weinheim	Germany	100.00
141	Klüber Lubrication Deutschland KG, Munich	Germany	100.00
142	Seal Trade Eurasburg GmbH, Eurasburg	Germany	75.00
143	Technologiepark Weinheim KG, Weinheim	Germany	100.00
144	Vileda Gesellschaft mit beschränkter Haftung, Weinheim	Germany	100.00
Sales companies, other countries			
145	Chem-Trend Australia Pty Ltd, Victoria	Australia	100.00
146	Freudenberg Household Products Pty. Ltd., Melbourne	Australia	100.00
147	Freudenberg Pty. Ltd., Thomastown	Australia	100.00
148	Klüber Lubrication Australia Pty. Ltd., Melbourne	Australia	100.00
149	EagleBurgmann Belgium B.V.B.A., St.-Job-in't-Goor	Belgium	75.00
150	FHP Vileda S.C.S., Verviers	Belgium	100.00
151	Klüber Lubrication Belgium Netherlands S.A., Dottignies	Belgium	100.00

No.	Company	Country	Share of capital [in %]
152	Freudenberg Productos del Hogar Ltda., Santiago de Chile	Chile	100.00
153	Klüber Lubrication Chile Ltda., Santiago de Chile	Chile	100.00
154	Chem-Trend (Shanghai) Trading Co. Ltd., Shanghai	China	100.00
155	EagleBurgmann Trading (Shanghai) Co. Ltd., Shanghai	China	50.00
156	Freudenberg Household Products (Suzhou) Co., Ltd., Suzhou	China	100.00
157	Freudenberg Politex Ltd., Shanghai	China	100.00
158	Freudenberg Spunweb (Shanghai) Trading Co., Ltd., Shanghai	China	60.18
159	Jump International Trading (Shanghai) Co Ltd, Shanghai	China	100.00
160	Klüber Lubrication (Shanghai) Co., Ltd., Shanghai	China	100.00
161	SurTec Chemical and Engineering (Hangzhou) Co. Ltd., Hangzhou	China	75.00
162	Vibracoustic (Shanghai) Sales and Trading Co., Ltd., Shanghai	China	100.00
163	Freudenberg Simrit A/S, i.L., Herlev	Denmark	100.00
164	Klüber Lubrication Nordic A/S, Skovlunde	Denmark	100.00
165	SurTec Scandinavia ApS, Fredericia	Denmark	51.00
166	Freudenberg Filtration Technologies Finland Oy, Naantali	Finland	100.00
167	Freudenberg Household Products Oy Ab, Helsinki	Finland	100.00
168	Freudenberg Simrit Oy, Vantaa	Finland	100.00
169	KE-Burgmann Finland Oy, Vantaa	Finland	75.00
170	Chem-Trend France S.A.R.L., Illkirch-Graffenstaden	France	100.00
171	Corteco SAS, Nantiat - La Couture	France	100.00
172	Dichtomatik S.A.S, Mâcon Loche	France	100.00
173	EagleBurgmann S.A.S. (France), Sartrouville	France	75.00
174	FHP Vileda S.A., Gennevilliers	France	100.00
175	Freudenberg Filtration Technologies SAS, Les Ulis/Courtaboeuf	France	100.00
176	Freudenberg Simrit S.A.S, Mâcon	France	100.00
177	Klüber Lubrication France S.A.S., Valence	France	100.00
178	FHP Hellas S.A., Kifisia-Athens	Greece	100.00
179	Chem-Trend (UK) LP, Halifax	United Kingdom	100.00
180	Corteco Ltd., Lutterworth	United Kingdom	100.00
181	Dichtomatik Ltd., Derby	United Kingdom	66.00
182	EagleBurgmann Industries UK LP, Warwick	United Kingdom	75.00
183	Filtration Engineering Ltd., Elland	United Kingdom	100.00
184	Freudenberg Household Products LP, Rochdale	United Kingdom	100.00
185	Freudenberg Oil & Gas UK Ltd., Aberdeen	United Kingdom	100.00
186	Freudenberg Simrit LP, Lutterworth	United Kingdom	75.00
187	KE-Burgmann UK Ltd., Congleton	United Kingdom	75.00
188	Klüber Lubrication United Kingdom Ltd., Halifax	United Kingdom	100.00
189	SurTec Chemicals UK Ltd., Birmingham	United Kingdom	51.00
190	VC UK LP, New York	United Kingdom	100.00
191	Freudenberg Textile Technologies, S.A., Guatemala City	Guatemala	100.00
192	E&J (HK) Co Ltd, Hong Kong	Hong Kong	100.00

No.	Company	Country	Share of capital [in %]
193	Freudenberg Household Products Ltd., Hong Kong	Hong Kong	100.00
194	Jump (Asia) Distributors Ltd, Hong Kong	Hong Kong	100.00
195	Klüber Lubrication China Ltd., Hong Kong	Hong Kong	100.00
196	TIA (HK) Co Ltd, Hong Kong	Hong Kong	100.00
197	Chem-Trend Chemicals Co. Pvt. Ltd., Bangalore	India	100.00
198	Freudenberg Filtration Technologies India Private Limited, Pune	India	100.00
199	Freudenberg Gala Household Product Pvt. Ltd., Mumbai	India	60.00
200	PT EagleBurgmann Indonesia, Bekasi, West Java Province	Indonesia	24.98
201	PT. Jump Distributors Indonesia, Jakarta	Indonesia	100.00
202	Burgmann Pars Sealing Systems Co., Teheran	Iran	75.00
203	BT-Burgmann S.p.A., Arcugnano	Italy	75.50
204	Chem-Trend Italy del Dr. Gian Franco Colori S.a.s., Milan	Italy	100.00
205	Corcos Simrit S.a.s. di Externa Italia S.r.l., Pinerolo	Italy	100.00
206	Corteco S.r.l. (a socio unico), Pinerolo	Italy	100.00
207	Dichtomatik S.a.s. di Externa Italia S.r.l., Genoa-Voltri	Italy	100.00
208	EagleBurgmann Italia S.r.l., Osnago	Italy	75.00
209	Freudenberg S.p.A., Milan	Italy	100.00
210	Klüber Lubrication Italia S.a.s. di G. Colori, Milan	Italy	100.00
211	Marelli & Berta Interfodere S.a.s. di Externa Holding S.r.l., Milan	Italy	100.00
212	Chemlease Japan K.K., Kobe	Japan	51.00
213	Chem-Trend Japan K.K., Osaka	Japan	100.00
214	Freudenberg Spunweb Japan Company, Ltd., Osaka	Japan	60.18
215	Dichtomatik Canada, Inc., Markham	Canada	100.00
216	EagleBurgmann Canada Inc., Milton, Ontario	Canada	75.00
217	Freudenberg Household Products Inc., Laval	Canada	100.00
218	Freudenberg Nonwovens Inc., London, Ontario	Canada	100.00
219	Nova Magnetics-Burgmann Ltd., Dartmouth	Canada	75.00
220	TOO Freudenberg Oil & Gas, Atyrau	Kazakhstan	100.00
221	Freudenberg Kucanski proizvodi d.o.o., Zagreb	Croatia	100.00
222	SurTec d.o.o., Split	Croatia	100.00
223	EagleBurgmann (Malaysia) SDN. BHD., Petaling Jaya	Malaysia	25.00
224	Jump (Malaysia) Distributors Sdn Bhd, Puchong	Malaysia	100.00
225	Klüber Lubrication (Malaysia) Sdn. Bhd., Kuala Lumpur	Malaysia	100.00
226	Chem-Trend Comercial, S.A. de C.V., Querétaro	Mexico	100.00
227	Dichtomatik de Mexico S.A. de C.V., Querétaro	Mexico	95.50
228	Freudenberg Productos del Hogar, S.A. de C.V., Mexico City	Mexico	100.00
229	Dichtomatik B.V., Zwolle	The Netherlands	66.60
230	EagleBurgmann Netherlands B.V., Veenendaal	The Netherlands	75.00
231	SurTec Benelux B.V., Reuver	The Netherlands	55.00
232	EagleBurgmann Norway AS, Skedsmokorset	Norway	75.00
233	Freudenberg Household Products AS, Skedsmokorset	Norway	100.00

No.	Company	Country	Share of capital [in %]
234	Vestpak AS, Sandnes	Norway	100.00
235	Dichtomatik Handelsgesellschaft mbH, Vienna	Austria	95.00
236	EagleBurgmann Austria GmbH, Salzburg	Austria	75.00
237	SurTec Produkte und Systeme für die Oberflächenbehandlung GesmbH, Vienna	Austria	100.00
238	EagleBurgmann Philippines, Inc., Cavite	Philippines	22.58
239	Chem-Trend Polska sp. z o.o. spólka komandytowa, Janikowo	Poland	100.00
240	EagleBurgmann Poland sp. z o.o., Warsaw	Poland	75.00
241	FHP Vileda Sp. z o.o., Warsaw	Poland	100.00
242	Freudenberg Politex Sp. z o.o., Lodz	Poland	100.00
243	Freudenberg Simrit Polska Sp. z o.o., Warsaw	Poland	95.00
244	Freudenberg Vilene Sp. z o.o., Lodz	Poland	100.00
245	Klüber Lubrication Polska Sp. z o.o., Poznan	Poland	100.00
246	SurTec Polska Sp. z o.o., Wroclaw	Poland	70.00
247	EagleBurgmann RO S.R.L., Bucharest	Romania	75.00
248	Freudenberg Household Products Vileda Societate in Comandita, Bucharest	Romania	100.00
249	SurTec Romania s.r.l., Brasov	Romania	55.00
250	EagleBurgmann OOO, Zavolzhie	Russia	75.00
251	Freudenberg Household Products Eastern Europe OOO, St. Petersburg	Russia	70.00
252	Freudenberg Vileda Eastern Europe OOO, Moscow	Russia	100.00
253	Klüber Lubrication OOO, Moscow	Russia	100.00
254	OOO Freudenberg Simrit, Moscow	Russia	100.00
255	OOO SurTec, Moscow	Russia	100.00
256	EagleBurgmann Saudi Arabia Ltd., Khobar	Saudi Arabia	51.00
257	Dichtomatik A.B., Landskrona	Sweden	85.00
258	EagleBurgmann Sweden AB, Norrköping	Sweden	75.00
259	Freudenberg Simrit A.B., Stockholm	Sweden	100.00
260	EagleBurgmann (Switzerland) AG, Höri	Switzerland	75.00
261	Freudenberg Gygli AG, Zug	Switzerland	100.00
262	Freudenberg Simrit AG, Zurich	Switzerland	100.00
263	Klüber Lubrication AG (Schweiz), Zurich	Switzerland	100.00
264	Schwab Schwingungstechnik AG, Adliswil	Switzerland	100.00
265	Freudenberg proizvodi za domacinstvo d.o.o., Belgrade	Serbia	100.00
266	Chem-Trend Singapore Pte. Ltd., Singapore	Singapore	100.00
267	EagleBurgmann KE Pte. Ltd., Singapore	Singapore	75.00
268	EagleBurgmann Singapore Pte. Ltd., Singapore	Singapore	25.00
269	Jump Singapore Distributors (Pte) Ltd, Singapore	Singapore	100.00
270	Klüber Lubrication South East Asia Pte. Ltd., Singapore	Singapore	100.00
271	Freudenberg Simrit spol. s.r.o., Velky Krtis	Slovakia	100.00
272	SurTec SK s.r.o., Vráble	Slovakia	50.00

No.	Company	Country	Share of capital [in %]
273	Freudenberg Gospodinjski Proizvodi d.o.o., Maribor	Slovenia	100.00
274	SurTec Adria d.o.o., Radovljica	Slovenia	60.00
275	EagleBurgmann Ibérica S.A., Madrid	Spain	75.00
276	Vileda Ibérica S.A., S.en C., Parets del Vallés	Spain	100.00
277	Freudenberg Filtration Technologies (Pty) Ltd., Cape Town	South Africa	100.00
278	Klüber Lubrication (Pty.) Ltd., Randhart	South Africa	100.00
279	EagleBurgmann Korea Co., Ltd., Gyeonggi-Do	South Korea	25.00
280	SurTec Korea Co., Ltd., GyeongNam	South Korea	100.00
281	Jump (Taiwan) Distributors Co Ltd, Taipei	Taiwan	100.00
282	Chem-Trend Trading (Thailand) Co. Ltd., Bangkok	Thailand	100.00
283	Jump Distributors (Thailand) Co Ltd, Nonthabur	Thailand	65.00
284	Klüber Lubrication (Thailand) Co., Ltd., Bangkok	Thailand	100.00
285	Lucky Gecko Co Ltd, Nonthabur	Thailand	100.00
286	SurTec Asia Pacific Co., Ltd., Bangkok	Thailand	100.00
287	EagleBurgmann Czech s.r.o., Prague	Czech Republic	75.00
288	Freudenberg Potreby pro domácnost, k.s., Prague	Czech Republic	100.00
289	Freudenberg Simrit, spol. s.r.o., i.L., Prague	Czech Republic	100.00
290	Freudenberg Vilene s.r.o., Prostejov	Czech Republic	100.00
291	Klüber Lubrication CZ, s.r.o., Brno	Czech Republic	100.00
292	SurTec CR s.r.o., Vrane n/Vltavou	Czech Republic	50.00
293	EagleBurgmann Endüstriyel Sizdirmazlik Sanayi ve Ticaret Ltd., Istanbul	Turkey	75.00
294	Freudenberg Household Products Evici Kullanim Araclari Sanayi ve Ticaret A.S., Istanbul	Turkey	100.00
295	Freudenberg Vilene Tela Sanayi ve Ticaret A.S., Istanbul	Turkey	100.00
296	Dichtomatik Kft., Budapest	Hungary	80.00
297	EagleBurgmann Hungaria Kft., Budapest	Hungary	75.00
298	Freudenberg Háztartási Cikkek Kereskedelmi BT, Budapest	Hungary	100.00
299	Freudenberg Simrit Kft., i.L., Budapest	Hungary	100.00
300	EagleBurgmann Industries LP, Houston	USA	75.00
301	EagleBurgmann KE, Inc., Hebron	USA	75.00
302	Freudenberg Nonwovens Limited Partnership, Durham	USA	100.00
303	Ishino Gasket North America L.L.C., Plymouth	USA	37.50
304	EagleBurgmann Venezuela, C.A., Caracas	Venezuela	41.25
305	EagleBurgmann Middle East FZE, Dubai	United Arab Emirates	60.00
306	EagleBurgmann Vietnam Company Limited, Ho Chi Minh City	Vietnam	25.00
307	SurTec Viet Nam Co., Ltd., Ho Chi Minh City	Vietnam	51.00
Administration and other companies, Germany			
308	2. Freudenberg Beteiligungs-GmbH, Weinheim	Germany	100.00

No.	Company	Country	Share of capital [in %]
309	Beteiligungsgesellschaft Carl Freudenberg mbH, Weinheim	Germany	100.00
310	Burgmann Industries Holding GmbH, Wolfratshausen	Germany	75.00
311	Burgmann International GmbH, Wolfratshausen	Germany	100.00
312	Carl Freudenberg KG, Weinheim	Germany	100.00
313	CT Beteiligungs-GmbH, Munich	Germany	100.00
314	Dichtomatik Holding GmbH, Weinheim	Germany	100.00
315	DS Beteiligungs-GmbH, Weinheim	Germany	100.00
316	DS Holding-GmbH, Weinheim	Germany	100.00
317	DS Verwaltungs-GmbH, Weinheim	Germany	100.00
318	Eagle Euroseals GmbH, Weinheim	Germany	100.00
319	EagleBurgmann Germany Verwaltungs-GmbH, Wolfratshausen	Germany	75.00
320	Externa Handels- und Beteiligungsgesellschaft mit beschränkter Haftung, Heddesheim	Germany	100.00
321	FCS-Munich GmbH, Weinheim	Germany	100.00
322	FFT Beteiligungs-GmbH, Weinheim	Germany	100.00
323	FHP Holding GmbH, Weinheim	Germany	100.00
324	FIT Service GmbH, Weinheim	Germany	100.00
325	Fremecs GmbH & Co. KG, Weinheim	Germany	100.00
326	Fremecs Holding GmbH, Weinheim	Germany	100.00
327	Freudenberg Anlagen- und Werkzeugtechnik GmbH, Laudenbach	Germany	100.00
328	Freudenberg Beteiligungs-AG, Weinheim	Germany	100.00
329	Freudenberg Chemical Specialities KG, Munich	Germany	100.00
330	Freudenberg Dichtungs- und Schwingungstechnik GmbH, Berlin	Germany	100.00
331	Freudenberg FCCT KG, Weinheim	Germany	100.00
332	Freudenberg Finance GmbH, Weinheim	Germany	100.00
333	Freudenberg Forschungsdienste KG, Weinheim	Germany	100.00
334	Freudenberg Handels- und Beteiligungs-GmbH, Weinheim	Germany	100.00
335	Freudenberg Haushaltsprodukte KG, Weinheim	Germany	100.00
336	Freudenberg Haushaltsprodukte Verwaltungs-GmbH, Weinheim	Germany	100.00
337	Freudenberg Immobilien Management GmbH, Weinheim	Germany	100.00
338	Freudenberg IT Information Services KG, Weinheim	Germany	100.00
339	Freudenberg IT KG, Weinheim	Germany	100.00
340	Freudenberg IT Solution Consulting KG, Weinheim	Germany	100.00
341	Freudenberg Kleve GmbH, Weinheim	Germany	100.00
342	Freudenberg Mechatronics Beteiligungs-GmbH, Weinheim	Germany	100.00
343	Freudenberg Mechatronics GmbH & Co. KG, Weinheim	Germany	100.00
344	Freudenberg Mektec Beteiligungs-GmbH, Weinheim	Germany	100.00
345	Freudenberg New Technologies KG, Weinheim	Germany	100.00
346	Freudenberg Oil & Gas GmbH, Weinheim	Germany	100.00
347	Freudenberg Politex GmbH, Weinheim	Germany	100.00
348	Freudenberg Process Consulting GmbH, Weinheim	Germany	100.00

No.	Company	Country	Share of capital [in %]
349	Freudenberg Rückversicherung AG, Weinheim	Germany	100.00
350	Freudenberg Service KG, Weinheim	Germany	100.00
351	Freudenberg Venture Capital GmbH, Weinheim	Germany	100.00
352	Freudenberg Verpflegungsdienste KG, Weinheim	Germany	100.00
353	Freudenberg Versicherungsservice GmbH, Weinheim	Germany	100.00
354	Freudenberg Wohnbauhilfe GmbH, Weinheim	Germany	100.00
355	FV Beteiligungs-GmbH, Weinheim	Germany	100.00
356	FV Holding GmbH, Weinheim	Germany	100.00
357	FV Logistik KG, Weinheim	Germany	100.00
358	FV Service KG, Kaiserslautern	Germany	100.00
359	FV Verwaltungs-KG, Weinheim	Germany	100.00
360	Klüber Lubrication GmbH, Weinheim	Germany	100.00
361	Schwingungstechnik Industrie Verwaltungs-GmbH, Velten	Germany	100.00
362	SurTec International GmbH, Bensheim	Germany	100.00
363	Vibracoustic Asia Holding GmbH, Weinheim	Germany	100.00
364	Vibracoustic Germany Holding GmbH, Weinheim	Germany	100.00
365	Vibracoustic Holding GmbH, Weinheim	Germany	100.00
366	WOR Pensionsgesellschaft mbH, Wolfratshausen	Germany	75.00
Administration and other companies, other countries			
367	Freudenberg Produtos do Lar Ltda., São Paulo	Brazil	100.00
368	EagleBurgmann (Shanghai) Investment Management Co. Ltd., Shanghai	China	50.00
369	Freudenberg IT (Suzhou) Co., Ltd., Suzhou	China	100.00
370	Freudenberg Management (Shanghai) Co. Ltd., Shanghai	China	100.00
371	Freudenberg Real Estate (Yantai) Co. Ltd., Yantai	China	100.00
372	Chem-Trend A/S, Copenhagen	Denmark	100.00
373	EBI Atlantic A/S, Vejen	Denmark	75.00
374	EBI Middle-East A/S, Vejen	Denmark	60.00
375	SPECI-TEX ApS, Vejen	Denmark	75.00
376	Freudenberg Immobilier SAS, Chamborêt	France	100.00
377	Alantechnologies Ltd., Birmingham	United Kingdom	51.00
378	Chem-Trend (UK) Ltd., Halifax	United Kingdom	100.00
379	Chem-Trend China Investments Ltd., Halifax	United Kingdom	100.00
380	EagleBurgmann Industries UK Ltd., Warwick	United Kingdom	75.00
381	FCS Interim UK Ltd., Halifax	United Kingdom	100.00
382	Filtamark Ltd., Elland	United Kingdom	100.00
383	Freudenberg Limited, Littleborough	United Kingdom	100.00
384	Freudenberg Technical Products Ltd., North Shields	United Kingdom	75.00
385	Freudenberg Vileda Ltd., Rochdale	United Kingdom	100.00
386	VC UK Ltd., New York	United Kingdom	100.00
387	Freudenberg Trading (Hong Kong) Ltd., Hong Kong	Hong Kong	100.00

No.	Company	Country	Share of capital [in %]
388	Corfina Industriale S.a.s. di Externa Italia S.r.l., Pinerolo	Italy	100.00
389	Externa Holding S.r.l., Milan	Italy	100.00
390	Externa Italia S.r.l., Pinerolo	Italy	100.00
391	Freudenberg Politex S.r.l., Novedrate	Italy	100.00
392	Freudenberg Austria GmbH, Kufstein	Austria	100.00
393	Freudenberg Schuh GmbH, Marchtrenk	Austria	100.00
394	Chem-Trend Polska Sp. z o.o., Kobylnica	Poland	100.00
395	FIM Polska Sp. z o.o., Sroda Slaska	Poland	100.00
396	Freudenberg Household Products SRL, Bucharest	Romania	100.00
397	Freudenberg Management Imobiliar SRL, Bucharest	Romania	100.00
398	Freudenberg Nonwovens Romania S.R.L., Brasov	Romania	100.00
399	EBI Asia Pacific Pte. Ltd., Singapore	Singapore	25.00
400	EBI Asia Pte. Ltd., Singapore	Singapore	50.00
401	Freudenberg IT Singapore Pte. Ltd., Singapore	Singapore	100.00
402	Freudenberg Immobilienmanagement Slovakia, s.r.o, Potvorice	Slovakia	100.00
403	Freudenberg Espana S.A., Barcelona	Spain	100.00
404	Freudenberg Iberica S.A., Barcelona	Spain	100.00
405	Vileda Ibérica S.A., Barcelona	Spain	100.00
406	Arnot Burgmann (Pty) Ltd., Edenvale	South Africa	75.00
407	TPE správni s.r.o., Opatovice nad Labem	Czech Republic	100.00
408	Freudenberg IM Hungária Kft., Budapest	Hungary	100.00
409	Freudenberg IT Hungary Kft., Budapest	Hungary	100.00
410	Chem-Trend Holding LP, Wilmington	USA	100.00
411	Dichtomatik Americas, LP, Shakopee	USA	100.00
412	EagleBurgmann Industries Inc., Houston	USA	75.00
413	FCS Holding Inc., Wilmington	USA	100.00
414	FHP-Berner USA Inc., Wilmington	USA	50.00
415	Freudenberg Household Products Inc., Aurora	USA	100.00
416	Freudenberg IT LP, Durham	USA	100.00
417	Freudenberg North America Limited Partnership, Manchester	USA	100.00
418	Freudenberg Real Estate L.P., Wilmington	USA	100.00
419	Freudenberg Texbond Inc., Delaware	USA	100.00
420	Freudenberg U.S.A. Holdings, Inc., Manchester	USA	100.00
421	Freudenberg-NOK Holdings, Inc., Manchester	USA	75.00
422	Intpacor Inc., Manchester	USA	100.00
423	Klüber Lubrication North America Inc., Londonderry	USA	100.00
424	Lutrabond Company LP, Durham	USA	100.00
425	Lutrabond Corporation, Wilmington	USA	100.00
426	Lutradur Corporation, Wilmington	USA	100.00
427	Lutradur LP, Durham	USA	100.00
428	Pellon Corporation, Durham	USA	100.00
429	Upper Bristol Ramp, LLC, Wilmington	USA	75.00

No.	Company	Country	Share of capital [in %]
II. Joint ventures consolidated on a pro-rata basis			
Germany			
430	Freudenberg NOK Mechatronics GmbH & Co. KG, Weinheim	Germany	50.00
Other countries			
431	Freudenberg & Vilene Nonwovens (Suzhou) Co. Ltd., Suzhou[1)]	China	50.00
432	Freudenberg & Vilene Int. Ltd., Hong Kong[2)]	Hong Kong	50.00
433	Sigma Vibracoustic (India) PVT. LTD., Mohali	India	50.00
434	VistaMed Ltd., Carrick-on-Shannon	Ireland	50.00
435	Corfina s.r.l., Pinerolo	Italy	50.00
436	NOK-Freudenberg Asia Holding Co. Pte. Ltd., Singapore[3)]	Singapore	50.00
437	Korea Filtration Technologies Co., Ltd., Seoul	South Korea	50.00
438	Korea Vilene Co., Ltd., Pyungtaek	South Korea	50.00
439	Freudenberg & Vilene Nonwovens (Taiwan) Co. Ltd., Yang-Mei, Tao-Yuan	Taiwan	50.00
440	Freudenberg & Vilene Filter (Thailand) Co. Ltd., Chonburi	Thailand	50.00
441	Beltan Vibracoustic Titresim Elemanlari Sanayi ve Ticaret A.S., Bursa	Turkey	50.00
442	Freudenberg NOK Mechatronics Hungary Bt., Pécel	Hungary	50.00
III. Associated companies (valued at equity)			
Other countries			
443	Bicomfiber S.A., Buenos Aires	Argentina	24.00
444	OÜ Merinvest, Kuressaare-Mullutu	Estonia	20.00
445	Euro China Socks Ltd, Hong Kong	Hong Kong	29.00
446	Japan Vilene Company Ltd., Tokyo	Japan	27.68
447	NOK Corporation, Tokyo	Japan	25.10
448	NOK Klüber Co., Ltd., Tokyo	Japan	49.00
449	SurTec Mexico S.A. de C.V., Iztapalapa	Mexico	38.26
450	ST Ibérica Lda., Albergaria-a-velha	Portugal	49.00
451	Winpower International Ltd., Apia	Samoa	25.10
452	Klüber Lubrication Korea Ltd., Seoul	South Korea	48.00
453	Beta Seals Sizdirmazlik Elemanlari Sanayi ve Ticaret A.S., Bursa	Turkey	50.00
454	SurTec Middle East (L.L.C.), Sharjah	United Arab Emirates	35.00

[1)] Consolidated financial statements including
Freudenberg & Vilene Filter (Changchun) Co., Ltd., Changchun, China

[2)] Consolidated financial statements including
Freudenberg & Vilene Interlinings (Nantong) Co. Ltd., Nantong, China
Freudenberg & Vilene International (Shanghai) Trading Co., Ltd., Shanghai, China
XETEX Trading Limited, Hong Kong, Hong Kong
Attrix Company Limited, Kowloon, Hong Kong
Freudenberg & Vilene International Lanka (Private) Limited, Colombo, Sri Lanka

[3)] Consolidated financial statements including
Changchun NOK-Freudenberg Oilseal Co., Ltd., Changchun, China
Wuxi NOK-Freudenberg Oilseal Co., Ltd., Wuxi, China
Sigma Freudenberg NOK PVT. Ltd., New Delhi, India
NOK-Freudenberg Hong Kong Ltd., Kowloon, Hong Kong
Merkel NOK-Freudenberg Co. Ltd., Taicang, China
NOK-Freudenberg Group Sales (China) Co., Ltd., Shanghai, China
NOK-Freudenberg Group Trading (China) Co., Ltd., Shanghai, China
Corteco China Co. Ltd., Guangzhou, China

Independent Auditor's Report

We have issued the following opinion on the Consolidated Financial Statements and the Group Management Report:

"We have audited the Consolidated Financial Statements prepared by the Freudenberg & Co. Kommanditgesellschaft, Weinheim, comprising the Consolidated Statement of Financial Position, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity, and the Notes to the Consolidated Financial Statements, together with the Group Management Report for the fiscal year from January 1 to December 31, 2011. The preparation of the Consolidated Financial Statements and the Group Management Report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": "German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the Consolidated Financial Statements and on the Group Management Report based on our audit.

We conducted our audit of the Consolidated Financial Statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the Consolidated Financial Statements in accordance with the applicable financial reporting framework and in the Group Management Report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the Consolidated Financial Statements and the Group Management Report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the Consolidated Financial Statements and the Group Management Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the Consolidated Financial Statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group Management Report is consistent with the Consolidated Financial Statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Mannheim, March 29, 2012

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Wollmert	Grathwol
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

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