

2012 ANNUAL REPORT  
FREUDENBERG GROUP





Freudenberg products are part of daily life all over the world. Usually invisible, but always indispensable, they play an important role in thousands of applications - for example in cars, commercial vehicles, machines, buildings, oil platforms, operating rooms, apparel and in the home.

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 - as a supplier and development partner Freudenberg uses its wealth of technological expertise and enormous innovative strength to create tailor-made solutions for its customers.

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

## HIGHLIGHTS

<b>FREUDENBERG GROUP</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2011 SE<sup>1)</sup></b>	<b>2012</b>
Sales [€ million]						
Germany	1,275	961	1,195	1,370	1,355	<b>1,494</b>
EU (excluding Germany)	1,768	1,440	1,639	1,754	1,754	<b>1,621</b>
Other European countries	235	186	236	277	277	<b>315</b>
North America	953	810	1,132	1,160	1,160	<b>1,342</b>
South/Central America	269	232	280	348	348	<b>351</b>
Asia	461	483	877	962	962	<b>1,057</b>
Africa/Australia	89	89	122	136	136	<b>142</b>
<b>Total sales</b>	<b>5,050</b>	<b>4,201</b>	<b>5,481</b>	<b>6,007</b>	<b>5,992</b>	<b>6,322</b>
Consolidated profit or loss						
	176	-250	322	358	370	<b>433</b>
Cash flow from operating activities						
	393	456	468	382	380	<b>532</b>
Cash flow from investing activities						
	-384	-195	-270	-264	-262	<b>-348</b>
Depreciation and amortization						
	272	302	255	248	245	<b>274</b>
Balance sheet total						
	4,861	4,688	5,398	5,734	5,701	<b>6,060</b>
Equity						
	2,278	2,087	2,560	2,841	2,567	<b>2,818</b>
Personnel expenses						
	1,534	1,481	1,606	1,704	1,647	<b>1,820</b>
Workforce (as at Dec. 31)						
	32,738	32,142	34,319	37,031	36,529	<b>37,453</b>
Workforce (annual average)						
	33,569	31,616	34,200	36,101	35,606	<b>37,684</b>
<b>BUSINESS AREAS</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2011 SE<sup>1)</sup></b>	<b>2012</b>
Sales [€million]						
Seals and Vibration Control Technology	2,846	2,226	3,112	3,464	3,464	<b>3,679</b>
Nonwovens	997	911	1,079	1,145	1,145	<b>1,149</b>
Household Products	656	627	677	687	687	<b>713</b>
Specialties and Others	809	688	890	998	934	<b>989</b>
Workforce (as at Dec. 31)						
Seals and Vibration Control Technology	20,454	20,757	22,273	24,150	24,150	<b>25,036</b>
Nonwovens	5,455	5,010	5,020	5,085	5,085	<b>5,135</b>
Household Products	2,381	2,309	2,347	3,082	3,082	<b>2,964</b>
Specialties and Others	4,448	4,066	4,679	4,714	4,212	<b>4,318</b>

<sup>1)</sup> For further details see "Notes to the Consolidated Financial Statements - Presentation of figures for the previous year" (page 97).

# FREUDENBERG GROUP

<b>Parent Company (strategic management)</b>		Freudenberg & Co. Kommanditgesellschaft	
<b>Parent Company (business operations)</b>		Freudenberg SE	
<b>Seals and Vibration Control Technology Business Area</b>	<b>Nonwovens Business Area*</b>	<b>Household Products Business Area</b>	<b>Specialties and Others Business Area</b>
<b>Business Group</b>	<b>Business Group</b>	<b>Business Group</b>	<b>Business Group</b>
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
Freudenberg Schwab Vibration Control			Freudenberg New Technologies
EagleBurgmann			<b>Division</b>
Dichtomatik			Freudenberg Real Estate Management
Helix Medical			Freudenberg Service Support
TrelleborgVibracoustic	Freudenberg Insurance		

\*From January 2013: Nonwovens and Filtration Business Area

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 passenger car and commercial vehicle industry, mechanical and plant engineering, textile and apparel, construction, mining and heavy industry, energy, chemical, and the 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. Consumers 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 57 countries around the globe. Freudenberg sees itself as an enterprise of entrepreneurs. Operational business is in the hands of independent companies whose management conducts business under their own responsibility. These individual companies in turn belong to Business Groups.

# CONTENTS

Freudenberg has two parent companies: Freudenberg & Co. Kommanditgesellschaft is the strategic parent company, Freudenberg Societas Europaea (Freudenberg SE) is the parent company with responsibility for managing business operations. The corporate bodies of Freudenberg & Co. Kommanditgesellschaft are the Management Board, the Board of Partners and the Partners' Meeting. The corporate bodies of Freudenberg SE are the Board of Management, the Supervisory Board and the General Meeting. The Management Board of Freudenberg & Co. Kommanditgesellschaft and the Board of Management of Freudenberg SE have the same members. This also applies to the Board of Partners of Freudenberg & Co. Kommanditgesellschaft and the Supervisory Board of Freudenberg SE.

The present consolidated financial statements have been drawn up for Freudenberg SE, which manages all of Freudenberg's business with the exception of Freudenberg & Co. Kommanditgesellschaft and the Freudenberg Service Support and Freudenberg Insurance Divisions, and are based on the 2011 consolidated financial statements of Freudenberg & Co. Kommanditgesellschaft, taking into account the adjustments in the consolidated group.

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

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## COMPANY BOARDS

### SUPERVISORY BOARD\*

Dr. Wolfram Freudenberg, Stuttgart Chairman Entrepreneur
Werner Wenning, Leverkusen Deputy Chairman Chairman of the Supervisory Board of E.ON AG
Martin Wentzler, Großhesselohe Second Deputy Chairman Attorney
Martin Freudenberg, Heidelberg Entrepreneur
Dr. Maria Freudenberg-Beetz, Weinheim Biologist
Dr. Mathias Kammüller, Ditzingen Managing Director of TRUMPF GmbH + Co. KG
Robert J. Koehler, Wiesbaden Chairman and Chief Executive Officer of SGL CARBON SE
Prof. Dr. Dieter Kurz, Lindau Chairman of the Shareholder Council of the Carl Zeiss Foundation
Walter Schildhauer, Stuttgart Managing Partner of Qn-Yachts GmbH
Dr. Christoph Schücking, Frankfurt am Main Attorney and Notary Public
Mathias Thielen, Prague, Czech Republic Chief Financial Officer of General Electric Capital Czech Republic
Dr. Emanuel Towfigh, Bonn Senior Research Fellow at Max-Planck-Institut and Attorney

### BOARD OF MANAGEMENT

Dr. Mohsen Sohi, Frankfurt am Main (Speaker)
Dr. Dr. Peter Bettermann, Weinheim (Speaker until June 30, 2012)
Dr. Ralf Krieger, St. Leon-Rot
Christoph Mosmann, Mannheim
Dr. Martin Stark, Weinheim

\*as at December 31, 2012

## MANAGEMENT OF THE BUSINESS GROUPS AND DIVISIONS\*

<b>Management</b>	<b>Business Group</b>
Claus Möhlenkamp (Speaker), Dr. Arman Barimani (CTO), Ludger Neuwinger-Heimes (CFO), Dieter Schäfer (COO)	Freudenberg Sealing Technologies
Yasuhiro Shimokawa (CEO), Dr. Ereik Speckert (CEO)	NOK-Freudenberg Group China
Richard Schmidt (CEO and President), Craig Barnhart (CFO)	Freudenberg Oil & Gas
Thomas Plingen (CEO), Carsten Storm (CFO), Jörn Clasen (COO)	Freudenberg Schwab Vibration Control
Dr. Stefan Sacré (Chairman), Dr. Walter Steinbach (CTO), Jochen Strasser (CFO)	EagleBurgmann
Ludger Patt (Speaker), Dr. Marco Leccese (CFO), Thomas Hahn (President Dichtomatik Americas)	Dichtomatik
Dr. Jörg Schneewind (CEO and President), Mike Hawkins (CFO), Dr. Max Gisbert Kley (President Europe & Global Business Development)	Helix Medical
Hans-Jürgen Goslar (Speaker), Norbert Schebesta (CFO), Lennart Johansson (Managing Director), Jim Law (Managing Director)	TrelleborgVibracoustic
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. Andreas Kreuter (Speaker), Thomas Herr (CFO), Dr. Jörg Sievert (COO)	Freudenberg Filtration Technologies
Dr. Klaus Peter Meier (Chairman), Arndt Miersch (CTO), Frank Reuther (CFO)	Freudenberg Household Products
Hanno D. Wentzler (Chairman), Dr. Jörg Matthias Großmann (CFO)	Freudenberg Chemical Specialities
Bruno Conrath (Speaker), Ludwig Neumann (CTO), Christophe Luciani (Sales, Purchasing and Quality Management)	Freudenberg NOK Mechatronics
Olaf Heyden (CEO), Dr. Sebastian Weiss (CFO)	Freudenberg IT
Dr. Jörg Böcking (CEO)	Freudenberg New Technologies
	<b>Division</b>
Ulrich Kerber (CEO), Gerhard Freiwald (CTO), Frank Schmitt (CFO)	Freudenberg Real Estate Management

\*as at December 31, 2012

## REPORT OF THE SUPERVISORY BOARD

Freudenberg realigned its corporate law structures in the year under review. In May 2012, Freudenberg Societas Europaea (Freudenberg SE) responsible for managing business operations was set up under the umbrella of the strategic management parent company Freudenberg & Co. Kommanditgesellschaft (Freudenberg & Co. KG), both Weinheim, Germany. At the end of June the Partners' Meeting approved the transfer of almost all shareholdings as well as other assets and liabilities of Freudenberg & Co. KG to Freudenberg SE. This was preceded by the successful conclusion of the employee involvement process in respect of the corporate law changes.



Dr. Wolfram Freudenberg (Chairman)

The company boards of Freudenberg & Co. KG remain the Board of Partners and the Management Board. The company boards of Freudenberg SE are the Supervisory Board and the Board of Management. Membership of the Board of Partners and the Supervisory Board is identical. The same applies for membership of the Management Board and the Board of Management.

The present consolidated annual financial statements were drawn up for Freudenberg SE based on the previous year's consolidated annual financial statements for Freudenberg & Co. KG and taking into account the adjustments in the consolidated group.

During the 2012 financial year, the Board of Management and the Supervisory Board 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 Board of Management. Business policy was agreed in consultation between the two bodies and updated where necessary in joint deliberations. In addition, the Chairman of the Supervisory Board discussed current business developments with the members of the Board of Management on a regular basis and in a spirit of partnership.

Three meetings of the Supervisory Board were held in the year under review. In close consultation with the Board of Management, the Supervisory Board was involved in intensive monitoring, discussion and reappraisal of the possible impact of the deteriorating economic situation and the difficult global financial markets. During this process, it became apparent that the work of the company bodies is moving away from the level of Freudenberg & Co. KG towards the level of Freudenberg SE. Consequently, the work of the Supervisory Board is gaining in significance compared to the work of the Board of Partners.

During the year under review, the Supervisory Board focused on the successful implementation of Freudenberg's long-term strategy. One key area in this context was expansion on the strategic growth markets under the buy and build strategy, particularly with reference to medical technology and the oil and gas market. Such activities included in particular the acquisition of MedVenture Technology Corporation, Jeffersonville, USA, by the Helix Medical Business Group, and preparations for the takeover of the Vector Technology Group, Lysaker, Norway, by Freudenberg Oil & Gas. A further focus lay on strengthening some of the Corporate Functions, especially in respect of innovation and technology and global HR management.

The Personnel Committee met three times in 2012. The Audit Committee met twice in the year under review, with

consultations focusing on risk management and compliance reporting in the company.

Mid-year, the Supervisory Board said farewell to Dr. Dr. Peter Bettermann who took retirement. He had been a member of the Management Board for a total of 18 years, for 15 of which he held the post of Management Board Speaker. During his term of office, he made progress with the internationalization of the company and intensified the development of the portfolio towards technically advanced products. The company and the shareholders have the greatest respect for his achievements and wish to express their thanks for his great service to the company.

His successor as Speaker of the Board of Management of Freudenberg SE is Dr. Mohsen Sohi, who took up the post on July 1, 2012. The Board of Partners had already named him as the designated Speaker of the Management Board of Freudenberg & Co. KG in June 2011.

Following intensive consultations, the relevant bodies accepted the request of Dr. Martin Stark to be allowed to step down from the position of Board of Management member. Dr. Martin Stark left the Board of Management effective January 31, 2013.

Dr. Michael Rogowski stepped down from the Supervisory Board effective June 30, 2012 having reached retirement age. The company and the Supervisory Board would like to thank him for the good and constructive cooperation. Robert J. Koehler became a new member of the Supervisory Board. The Chairman of the Supervisory Board is Dr. Wolfram Freudenberg. The Supervisory Board elected Werner Wenning as the new Deputy Chairman. The new Second Deputy Chairman is Martin Wentzler.

The consolidated financial statements and the management report for 2012 and the annual financial statements of Freudenberg SE were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Mannheim, Germany, and were approved without reservation. The Supervisory Board approved the consolidated financial statements and the management report and the annual financial statements of Freudenberg SE and, following examination, concurred with the auditor's findings.

The Supervisory Board examined the report on relationships with affiliated companies (dependent company report) and approved the report together with the auditor's conclusions. Following final review, the Supervisory Board has no reservations in respect of the closing statement by the Board of Management on the dependent company report.

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

Weinheim, March 21, 2013  
For the Supervisory Board



Dr. Wolfram Freudenberg  
Chairman

## FOREWORD OF THE BOARD OF MANAGEMENT

Freudenberg is active in almost 60 countries and Freudenberg products are used in thousands of applications. As a supplier and development partner, our company designs tailor-made solutions for its customers with great technical expertise and enormous innovative strength. Our products make a valuable contribution in more than 30 markets, such as the automotive industry, mechanical and plant engineering, the consumer business, in the textile and apparel industry and in the key future markets of medical technology, the oil and gas industry, rail and commercial vehicles, civil aviation and renewable energies.



Dr. Mohsen Sohi (Speaker)

Our widely diversified product portfolio and our global presence are the foundation for our success. Freudenberg is a value-based company with a long-term orientation. Ever since Freudenberg was founded in 1849, our innovations have shaped change. True entrepreneurship has always been an integral part of our culture.

These are good reasons why the Freudenberg Group performed well in the 2012 financial year despite the challenging economic environment. We worked hard on efficient workflows and on growth. Freudenberg reported record sales for the third year in succession. The Freudenberg Group recorded above-average growth in many areas in the year under review.

At €6,321.7 million, sales in 2012 clearly surpassed the 2011 level (previous year: €5,991.9 million). That represents an increase of 5.5 percent. Profit from operations amounted to €538.0 million (previous year: €516.7 million). Free cash flow totaled €184.1 million in the year under review. With an equity ratio of 46.5 percent, the Freudenberg Group remains in a very good, comfortable equity situation. Liquid funds amounted to €737.0 million. The company's good rating remains unchanged. Moody's rating agency confirmed Freudenberg's rating of Baa1, referred to Freudenberg & Co. Kommanditgesellschaft (hereinafter referred to as Freudenberg & Co. KG), Weinheim, Germany, and reaffirmed the outlook as "stable". Under the process, a rating for Freudenberg Societas Europaea (hereinafter referred to as Freudenberg SE), Weinheim, Germany, is planned for the first half of 2013.

The company made great progress in implementing its strategy and proactively developed its portfolio further. Our aim is to continue on our profitable and sustainable growth trajectory - with our accustomed financial prudence - in regard of both our established business and our strategic growth markets.

Based on megatrends, we have defined five focus areas - chemical surface treatment, medical technology, oil and gas, industrial filtration, and vibration control technology for high-growth industry segments and rail vehicles - for accelerated growth under a buy and build strategy. These strategic growth areas have investment priority.

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The strategy is in line with our principle to occupy niches where we can either become, or already are, a market leader.

Our medical technology and oil and gas activities in particular were strengthened through acquisitions. The Helix Medical Business Group took over MedVenture Technology Corporation, Jeffersonville, USA, a leading designer and manufacturer of medical technology solutions for minimally invasive surgical devices with facilities in Jeffersonville and Minnetonka, USA. In early 2013, Freudenberg Oil & Gas acquired the Vector Technology Group, Lysaker, Norway. The Vector Technology Group is a major global supplier of high integrity sealing solutions for the upstream segment of the oil and gas industry. Freudenberg Oil & Gas also acquired Scott-Matrix Ltd., Newcastle upon Tyne, United Kingdom, a manufacturer of elastomeric sealing solutions for the oil and gas industry. EagleBurgmann purchased the business of SealPots Inc., Romeo, USA, a manufacturer of supply systems for the oil and gas industry. The acquisition gives the Business Group access to the necessary supply systems know-how and the required production capacity to serve the dynamic markets in the Americas, particularly the USA, Colombia, Brazil and Venezuela. The Freudenberg Filtration Technologies Business Group acquired part of the business of filter manufacturer Pyramid Filters Private Limited, Pune, India. The company develops air filter elements and systems for cleanroom applications in the pharmaceutical, medical, chemical and food industries.

Furthermore, the new Freudenberg Schwab Vibration Control Business Group comprising Freudenberg Schwab and the Simrit® brand vibration control business of Freudenberg Sealing Technologies was set up effective January 1, 2012. The Business Group pools the vibration control expertise of the Freudenberg Group in the future markets of rail vehicles, wind energy, agricultural and construction machinery and drivetrain engineering.

We also expanded our position in established areas of business: The contribution of Vibracoustic and the automotive anti-vibration business of Trelleborg AB, Trelleborg, Sweden, to form a joint venture has created a clear world market leader. Furthermore, we are investing in future technologies: The 50:50 joint venture with the Schneegans Group gives us access to new know-how on the manufacture of high-quality thermoplastic products, a segment with promising growth opportunities.

The sale of the business in precision-molded parts for brake systems belonging to the Freudenberg Sealing Technologies Business Group to ContiTech Vibration Control GmbH, Hanover, Germany, marked the completion of Freudenberg's systematic multi-year, focused restructuring of its portfolio in the automotive business.

A further pillar of our strategy is expanding our business in the world regions. The Freudenberg Group has its sights firmly set on global markets and is making headway with its activities in Brazil, Russia, India and

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China in line with market opportunities. Freudenberg's increasingly pronounced international orientation calls for close cooperation between the regions and the Business Groups. The Freudenberg Regional Corporate Centers play an important role in this context. They help maximize the Group's strengths in the world regions and shape processes efficiently.

Freudenberg needs highly-motivated, well-trained and team-oriented employees for the successful implementation of its strategy. For that reason, we are realizing new strategic human resources measures. We have already launched an important initiative in the form of the global talent management process. Our employees are to be given the opportunity to contribute their performance and their knowledge to the company. This is best achieved in an open organizational culture where creativity and innovation can flourish. We promote cultural and gender equality.

Occupational health and safety and environmental protection are firmly anchored in Freudenberg's corporate values. We made further improvements in occupational safety, environmental protection, our perception of social responsibility, and site safety during the year under review.

Innovation has played a prominent role in corporate culture ever since Freudenberg was founded in 1849. The Business Groups are the chief innovation drivers. They work on customer-oriented technology and product development plans in their market segments and thus intensify Freudenberg's innovative strength. As internationalization progresses, the company's research and development activities are acquiring a greater local dimension, and are being conducted in the regions for the markets there. To provide the Business Groups with even more effective support, we appointed a Chief Technology Officer, whose task is to drive forward the innovation strategy worldwide, on January 1, 2013.

Under the umbrella of the Freudenberg New Technologies Business Group, Freudenberg Forschungsdienste SE & Co. KG, Weinheim, Germany, brings together technical know-how from all over the company, particularly cross-sector technologies, and offers services in the field of research and development. The New Business Development and Freudenberg Venture Capital units investigate and develop new areas of business and new technologies. The Freudenberg Idea Pool takes up employees' ideas and transforms them into concrete business.

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In 2013, we see good growth opportunities for Freudenberg in key markets in North America as well as renewed growth prospects in China, India and Brazil. For Europe, on the other hand, we expect more restrained development. We will continue to act with prudence, to monitor economic developments very closely and to respond swiftly and systematically to market changes. We will systematically implement our business policy with a high level of operating efficiency and flexibility combined with solid financing.

Our corporate success is in no small measure due to the dedication, performance and flexibility of our employees, who deserve our special thanks. We would also like to thank our customers and all our business partners. Day in, day out, our top priority is to make a valuable contribution to their success.

Weinheim, March 21, 2013  
The Board of Management



Dr. Mohsen Sohi



Dr. Ralf Krieger



Christoph Mosmann

## MANAGEMENT REPORT OF THE FREUDENBERG GROUP

In the 2012 financial year the Freudenberg Group reported sales of €6,321.7 million (previous year: €5,991.9 million), representing a year-on-year increase of €329.8 million or 5.5 percent. Consolidated profit ran at €432.7 million (previous year: €369.8 million). At December 31, 2012, the Freudenberg Group workforce totaled 37,453 employees (previous year: 36,529 employees).

### BUSINESS DEVELOPMENTS AND GENERAL ECONOMIC CONDITIONS

#### **Matters of particular significance in the 2012 financial year**

In 2012, the Freudenberg Group remained on its positive development trajectory in a particularly challenging market environment. Uncertainty over whether the financial and debt crisis might deepen was offset by positive macro-economic development in Asia and North America and by low interest rates. The Freudenberg Group continued its strong sales growth in 2012 thanks to innovative products, a high level of customer orientation and flexibility, and structured, sustained expansion in growth markets and strategic business areas. Combined with sound financial and balance sheet management, this successful business development in 2012 thus contributed to the long-term added value of the Freudenberg Group.

In addition, Freudenberg realigned its corporate law structures in the 2012 financial year with a view to greater simplicity and transparency. Under the new structure, Freudenberg & Co. Kommanditgesellschaft (hereinafter referred to as Freudenberg & Co. KG), Weinheim, Germany, retains the function of the strategic parent company. Under its umbrella, Freudenberg Societas Europaea (hereinafter referred to as Freudenberg SE), Weinheim, is responsible for managing business operations. Freudenberg SE was entered in the Register of Companies in May. Following approval from the Partners of Freudenberg & Co. KG, almost all shareholdings as well as other assets and liabilities of Freudenberg & Co. KG

were transferred to Freudenberg SE. The shareholdings in the Freudenberg Service Support and Freudenberg Insurance Divisions as well as Eagle Euroseals GmbH, Weinheim, remain part of Freudenberg & Co. KG. As Freudenberg SE replaces Freudenberg & Co. KG as the general partner, the legal form of the German limited partnerships also changes. The German companies in the Freudenberg Nonwovens, Freudenberg Filtration Technologies, Freudenberg Household Products, Freudenberg Chemical Specialities, Freudenberg IT and Freudenberg New Technologies Business Groups as well as Helix Medical Europe are now known as "SE & Co. KG" and no longer "KG".

Freudenberg further expanded its position in established areas of business in 2012. TrelleborgVibracoustic began operating on July 2, 2012. The 50:50 joint venture between Vibracoustic and the automotive antivibration business of Trelleborg AB, Trelleborg, Sweden, develops and produces vibration control solutions for all carmakers and all vehicle segments in all major automotive regions. Furthermore, Freudenberg Sealing Technologies acquired 50 percent of the shares in Schneegans GmbH, Emmerich am Rhein, Germany, and Schneegans-Silicon Ges.m.b.H, Losenstein, Austria. The acquisition gives Freudenberg access to know-how on the manufacture of high-quality thermoplastic products.

The Freudenberg Group also further expanded its activities in world regions. Freudenberg Filtration Technologies and Japan Vilene Company laid the foundation stone for the new production facility in Chengdu, China, which began manufacturing engine intake air filters and cabin

air filters in early 2013. NOK-Freudenberg Group China moved into a new factory in Wuxi, China. The main products at this location are Simmerrings, O-rings, bellows and sheet gaskets. Freudenberg Politex Nonwovens invested €20 million on adding a new spunlaid production line at its facility in Nizhniy Novgorod, Russia. As a result, the Business Group can offer the entire range of staple fiber and spunlaid roofing membranes on the growing Russian market. EagleBurgmann founded a sales company plus service center in Colombia. The Business Group thus complies with the requirements of the state-owned oil company Ecopetrol S.A., Bogotá, Colombia, and can tender for future projects as a state authorized supplier. In Germany, Freudenberg Sealing Technologies invested three million euros in a new mixing plant for fluorinated rubber formulations at its facility in Hamburg, Germany.

Freudenberg Sealing Technologies disposed of its business in precision-molded parts for brake systems to ContiTech Vibration Control GmbH, Hanover, Germany, effective June 30, 2012. Production in Andrézieux, France, as well as the molded brake parts business at Oberwihl, Germany, and Querétaro, Mexico, were also transferred to ContiTech Vibration Control GmbH, marking the completion of Freudenberg's systematic multi-year restructuring of its portfolio in the automotive business.

The Freudenberg Group further developed business in strategic growth markets during the year under review. The founding of Freudenberg Schwab Vibration Control came into effect on January 1, 2012. The Business Group was formed from Freudenberg Schwab and the Simrit® brand vibration control business of Freudenberg

Sealing Technologies. It brings together the vibration control expertise of the Freudenberg Group in the future markets of rail vehicles, wind energy, agricultural and construction machinery and drivetrain engineering.

In addition, Freudenberg concluded acquisitions to strengthen the strategic growth areas of medical technology and oil and gas. Helix Medical acquired MedVenture Technology Corporation, Jeffersonville, USA, a leading designer and manufacturer of medical technology solutions for minimally invasive surgical devices with facilities in Jeffersonville and Minnetonka, USA. Furthermore, Helix Medical also commissioned a production facility in San José, Costa Rica, which manufactures silicone tubing and silicone and thermoplastic molded components. Helix Medical acquired 50 percent of the shares of Cambus Teoranta, Spiddal, Ireland, effective January 1, 2013. The company manufactures high-quality precision components for medical instruments. Freudenberg Oil & Gas acquired the Vector Technology Group, Lysaker, Norway, effective early 2013. The company is a major global supplier of high integrity sealing solutions for the upstream segment of the oil and gas industry. Furthermore, Freudenberg Oil & Gas acquired Scott-Matrix Ltd., Newcastle upon Tyne, United Kingdom, a manufacturer of elastomeric sealing solutions for the oil and gas industry.

In addition, EagleBurgmann purchased the business of SealPots Inc., Romeo, USA, a manufacturer of supply systems for the oil and gas industry. The acquisition gives the Business Group access to the necessary supply systems know-how and the required production capacity to serve the dynamic markets in the Americas,

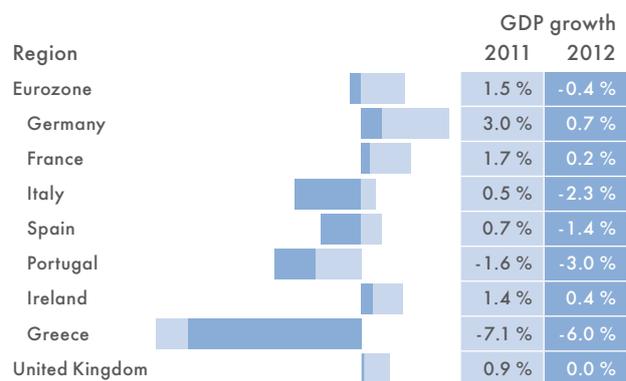
particularly the USA, Colombia, Brazil and Venezuela. The Freudenberg Filtration Technologies Business Group acquired part of the business of filter manufacturer Pyramid Filters Private Limited, Pune, India. The company develops air filter elements and systems for cleanroom applications in the pharmaceutical, medical, chemical and food industries.

Dr. Dr. Peter Bettermann retired mid-year 2012. His successor as Speaker of the Board of Management of Freudenberg SE is Dr. Mohsen Sohi, who took up the post on July 1, 2012. The Board of Partners named him as the designated Speaker in June 2011. Dr. Dr. Peter Bettermann, who celebrated his 65th birthday in May 2012, had been a member of the Management Board of Freudenberg & Co. KG for a total of 18 years, for 15 of which he held the post of Management Board Speaker. During his term of office, he made progress with the internationalization of the company and intensified the development of the portfolio towards technically advanced products.

### Global economic situation

In 2012, the global economy lost some of its momentum compared with the previous year. Measures to combat the financial and debt crisis in the eurozone only made little progress. High-debt eurozone member countries are still in the midst of recession. The situation only showed signs of stabilizing towards the end of the year. Although Germany felt the repercussions of the difficult situation in the eurozone, a recession was avoided. Gross domestic product grew 0.7 percent.

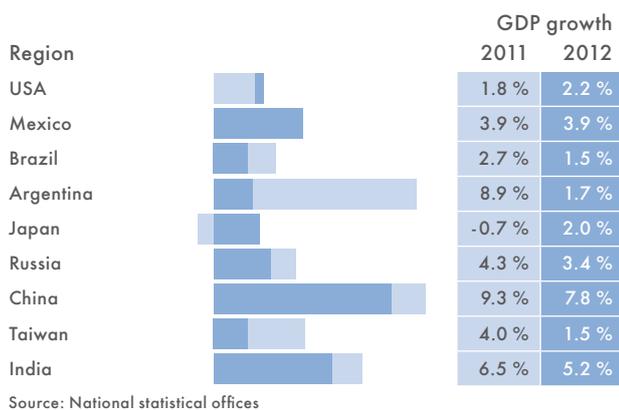
### EUROZONE



Source: National statistical offices

Momentum in key emerging economies in 2012 was unusually slack. Growth in China's gross domestic product was below the 8 percent mark (7.8 percent). Rising wages and the appreciation of the yuan impacted the performance of the world's leading export nation. In addition, the country's economic output has now reached a level where it is difficult to match the high growth rates of previous years. In India, the massive backlog of political reforms curbed economic development (5.2 percent). Industry was affected by a growing reluctance on the part of foreign investors. In Brazil, it was private consumption, which remains strong (1.5 percent), that saved the country from recession. However, industrial production turned negative as a result of structural problems. US economic development was comparatively stable (2.2 percent). Japan benefited from the special effects of reconstruction in the wake of the disasters in 2011, but also felt the effects of a strong national currency and conflicts with neighboring China (2.0 percent).

## WORLD REGIONS



The economic downturn in the eurozone also had an impact on key sales markets for Freudenberg in 2012. The international automotive industry recorded a drop in both new registrations (-8 percent) and production (-7 percent) in the region. Outside Europe, on the other hand, demand for and the production of new vehicles continued to recover. In the USA, where a delayed but robust catching-up process set in after the severe recession of 2008/2009, there was above-average growth of 13 percent for new registrations and 19 percent for production. Japan also reported double-digit growth rates for new registrations (30 percent) and production (21 percent), in part attributable to the very weak figures for the previous year.

There were pronounced regional differences in the mechanical and plant engineering sector in 2012. The rise in production in China was surprisingly weak. At 8 percent, the increase remained in single figures. In contrast, the upturn in the USA was surprisingly strong (7.5 percent).

Germany also managed to buck the negative trend in Europe, with a 1 percent growth rate not far off the long-term average. The sector reported further growth worldwide in 2012 (3 percent), but momentum was clearly weaker than the previous year.

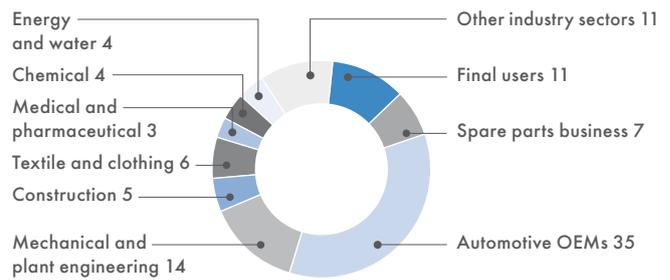
Even though the signs point to the relocation of production to other countries in Asia in the long term, China still remains the measure of all things in the textile and apparel industry for the time being. Following the poor figures of previous years, the textile segment again reported double-digit growth (12 percent) in 2012, while growth in the apparel industry (7 percent) could not match the strong performance of the previous year. There was a sharp decrease in the figures for the textile and apparel sector in the eurozone (-8 percent). Production also declined in Japan, although the downturn was much smaller (-3.5 percent).

While the situation for the construction industry remained difficult in Europe, and production declined by 5 percent in 2012, the sector recorded robust growth in the emerging economies in particular as a result of the rising standard of living and continued high demand for modern infrastructure. The market also recorded impressive growth in the USA (9 percent), while reconstruction in the disaster regions in Japan had a positive effect on growth (4 percent).

Growth rates in the medical technology sector were once again higher than the industrial average in 2012. However, cost pressure in the sector continues to intensify.

## SALES BY SECTORS

[%]



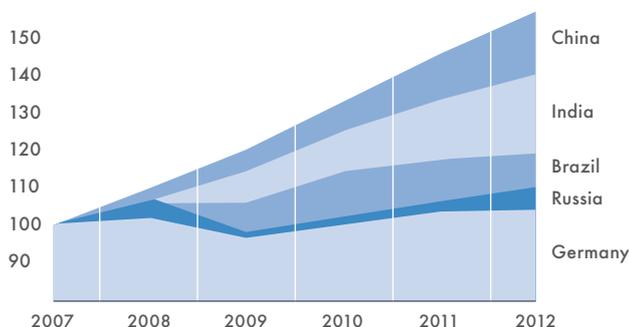
Consumer demand enjoyed strong growth. High employment and rising wages meant that private consumption was an important driver for economic output worldwide.

There were strong fluctuations in raw material prices in 2012. Crude oil prices took a big dip towards the middle of the year as a result of continued uncertainty about future economic developments. However, prices picked up again in the second half of the year. The annual average price for crude oil was 0.5 percent up on the previous year.

Driven by the financial and debt crisis in Europe, the value of the euro against the dollar dropped quite significantly in 2012. The annual average exchange rate was only 1.29 USD/EUR compared with 1.40 USD/EUR in the previous year.

## REAL GDP DEVELOPMENT IN BRIC COUNTRIES AND GERMANY SINCE 2007

Index 2007 = 100



Source: National statistical offices

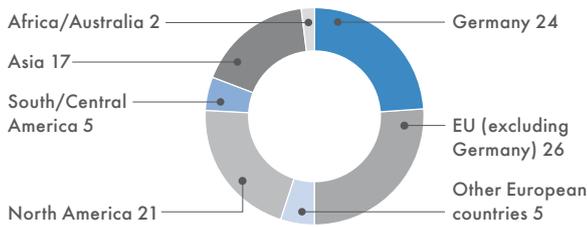
## Products and markets

Overall, the 2012 financial year was characterized by further growth, although the economy showed signs of cooling down in the second half of the year.

With a share of 35 percent (previous year: 33 percent) of total sales, the automotive OEM business once again accounted for the largest share of business, notwithstanding the regional fluctuations in the growth rates in this sector. The TrelleborgVibracoustic 50:50 joint venture established in July 2012 made a significant contribution to the increase in sales. Developments in the mechanical and plant engineering sector were satisfactory, despite a dip in the second half of the year. Accounting for 14 percent of sales (previous year: 15 percent), this sector remains the second largest customer grouping for the Freudenberg Group. Despite a gloomier and more volatile consumer climate in established markets, Freudenberg grew sales significantly in the final users sector, not least as a result of intensified activities in Asia. This sector now accounts for 11 percent (previous year: 12 percent) of total sales.

There were similar developments in the spare parts business, which accounted for 7 percent (previous year: 7 percent) and the textile and apparel industry, which accounted for 6 percent of total sales (previous year: 6 percent). The chemical sales market accounted for 4 percent (previous year: 4 percent). As a result of strong growth, the new strategic business areas of medical and pharmaceutical as well as energy and water together accounted for 7 percent of total sales (previous year: 7 percent).

SALES BY REGIONS  
[%]



With the exception of the markets in Southern Europe which were affected by the financial and debt crisis, sales by the Freudenberg Group rose in all regions. Germany accounted for 24 percent (previous year: 23 percent) of total sales. With an increase in sales of just under 10 percent, the share attributable to the Asia region rose from 16 to 17 percent. With sales growth of approximately 16 percent, business in North America increased by 2 percentage points to 21 percent, more than offsetting the decline in business in Southern Europe. The Freudenberg Group reported significant growth in Other European countries.

### Consolidated group

At year-end 2012, the number of companies in the Freudenberg Group totaled 507 located in 57 countries. 476 of these companies were included in the consolidation. 394 companies, including 123 production and 165 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, 2012, the headcount totaled 43,055 (previous year: 41,210). Sales by the NOK Group rose 2.4 percent (€107.4 million) year-on-year to €4,536.3 million. Adjusted for exchange rates, sales declined by 0.7 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 1,532 employees as at March 31, 2012 (previous year: 1,467). Sales declined by €5.1 million (-1.2 percent) year-on-year to €403.1 million. Adjusted for changes in currency parities, sales declined by 4.3 percent.

The two Japanese associated companies are consolidated on the basis of the interim financial statements as at December 31, 2012.

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.

Sales [€ million]

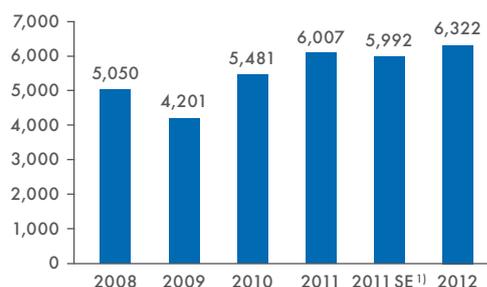
Profit from operations [€ million]

Consolidated profit [€ million]

Workforce

	2011	2012
Sales [€ million]	5,991.9	6,321.7
Profit from operations [€ million]	516.7	538.0
Consolidated profit [€ million]	369.8	432.7
Workforce	36,529	37,453

SALES DEVELOPMENT  
[€ MILLION]



<sup>1)</sup> For further details see "Notes to the Consolidated Financial Statements – Presentation of figures for the previous year" (page 97).

SALES AND EARNINGS POSITION  
OF THE FREUDENBERG GROUP

In the year under review, the Freudenberg Group grew sales year-on-year by 5.5 percent or €329.8 million, thus recording another all-time high. Adjusted for the effects of acquisitions and disinvestments to the amount of €48.0 million and exchange rate conversion effects, sales were 2.2 percent higher than the previous year. Sales increased in almost all Business Areas.

Profit from operations rose by €21.3 million year-on-year to €538.0 million. This increase is attributable to one-time high other income in connection with the contribution of the Vibracoustic Business Group to the joint venture with Trelleborg. Without this special transaction, profit from operations would have been below the prior-year level.

The increase in contribution margins in proportion to higher sales was below average, in particular because growth induced by positive currency effects generated smaller additional profit contributions. Another reason for this development is the slight change in the product mix. Selling costs and development costs rose in line with the growth path. The rise in administration expense is attributable to additional structural costs for further global expansion as well as individual restructuring measures. Consolidated profit improved by €62.9 million to €432.7 million.

FINANCIAL POSITION AND NET ASSETS  
OF THE FREUDENBERG GROUP

Financing management

Freudenberg SE is responsible for all the financing activities of the Freudenberg Group, thus ensuring the Freudenberg Group has sufficient liquid funds at all times. Freudenberg Group companies obtain the financing they require via cash pools or loans provided by the internal financing companies – for legal, fiscal and other reasons financing in some countries also takes the form of bank loans guaranteed by Freudenberg SE.

Freudenberg 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.

Although financing conditions have loosened significantly compared with previous years, the volatility on credit and capital markets generated by the financial and debt crisis continues. This also impacts the financing conditions 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 in the 2012 financial year amounted to €532.2 million, corresponding to a year-on-year increase of €152.0 million. This development is in particular attributable to the marked decrease in locked up working capital.

### **Cash flow from investing activities**

The outflow of funds from investing activities amounted to €348.1 million and is therefore significantly higher than the previous year (€262.1 million). Major investing activities focused on the Freudenberg Sealing Technologies, EagleBurgmann and TrelleborgVibracoustic Business Groups and the acquisition of companies.

### **Cash flow from financing activities**

Cash flow from financing activities in the 2012 financial year was negative at €-171.3 million (previous year: €-49.9 million).

Higher payments to shareholders and non-controlling interests as well as the repayment of financial debt were offset by cash inflow from disposals of loans and securities held as non-current assets.

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

## ASSETS, EQUITY AND LIABILITIES

	Dec. 31, 2011		Dec. 31, 2012		Change
	[€ million]	[%]	[€ million]	[%]	[%]
<b>ASSETS</b>					
Intangible assets, tangible assets and investment properties	2,208.7	38.7	2,401.5	39.6	8.7
Other non-current assets	926.5	16.3	965.9	15.9	4.3
<b>Non-current assets</b>	<b>3,135.2</b>	<b>55.0</b>	<b>3,367.4</b>	<b>55.5</b>	<b>7.4</b>
Inventories and current receivables	1,827.6	32.1	1,891.9	31.2	3.5
Other current assets	731.1	12.9	782.9	13.0	7.1
<b>Current assets</b>	<b>2,558.7</b>	<b>44.9</b>	<b>2,674.8</b>	<b>44.2</b>	<b>4.5</b>
<b>Non-current assets held for sale and disposal groups</b>	<b>7.1</b>	<b>0.1</b>	<b>17.4</b>	<b>0.3</b>	<b>145.1</b>
	<b>5,701.0</b>	<b>100.0</b>	<b>6,059.6</b>	<b>100.0</b>	<b>6.3</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>	<b>2,566.7</b>	<b>45.0</b>	<b>2,817.7</b>	<b>46.5</b>	<b>9.8</b>
Long-term provisions	414.9	7.3	429.6	7.1	3.5
Other non-current liabilities	1,022.5	17.9	739.7	12.2	-27.7
<b>Non-current liabilities</b>	<b>1,437.4</b>	<b>25.2</b>	<b>1,169.3</b>	<b>19.3</b>	<b>-18.7</b>
<b>Current liabilities</b>	<b>1,696.5</b>	<b>29.8</b>	<b>2,070.7</b>	<b>34.2</b>	<b>22.1</b>
<b>Liabilities in connection with non-current assets held for sale and disposal groups</b>	<b>0.4</b>	<b>0.0</b>	<b>1.9</b>	<b>0.0</b>	<b>375.0</b>
	<b>5,701.0</b>	<b>100.0</b>	<b>6,059.6</b>	<b>100.0</b>	<b>6.3</b>

At €6,059.6 million (previous year: €5,701.0 million), the total assets of the Freudenberg Group increased by €358.6 million.

The rise in the balance sheet total is chiefly attributable to the increase in non-current assets, mainly as a result of the acquisition-driven increase in intangible assets.

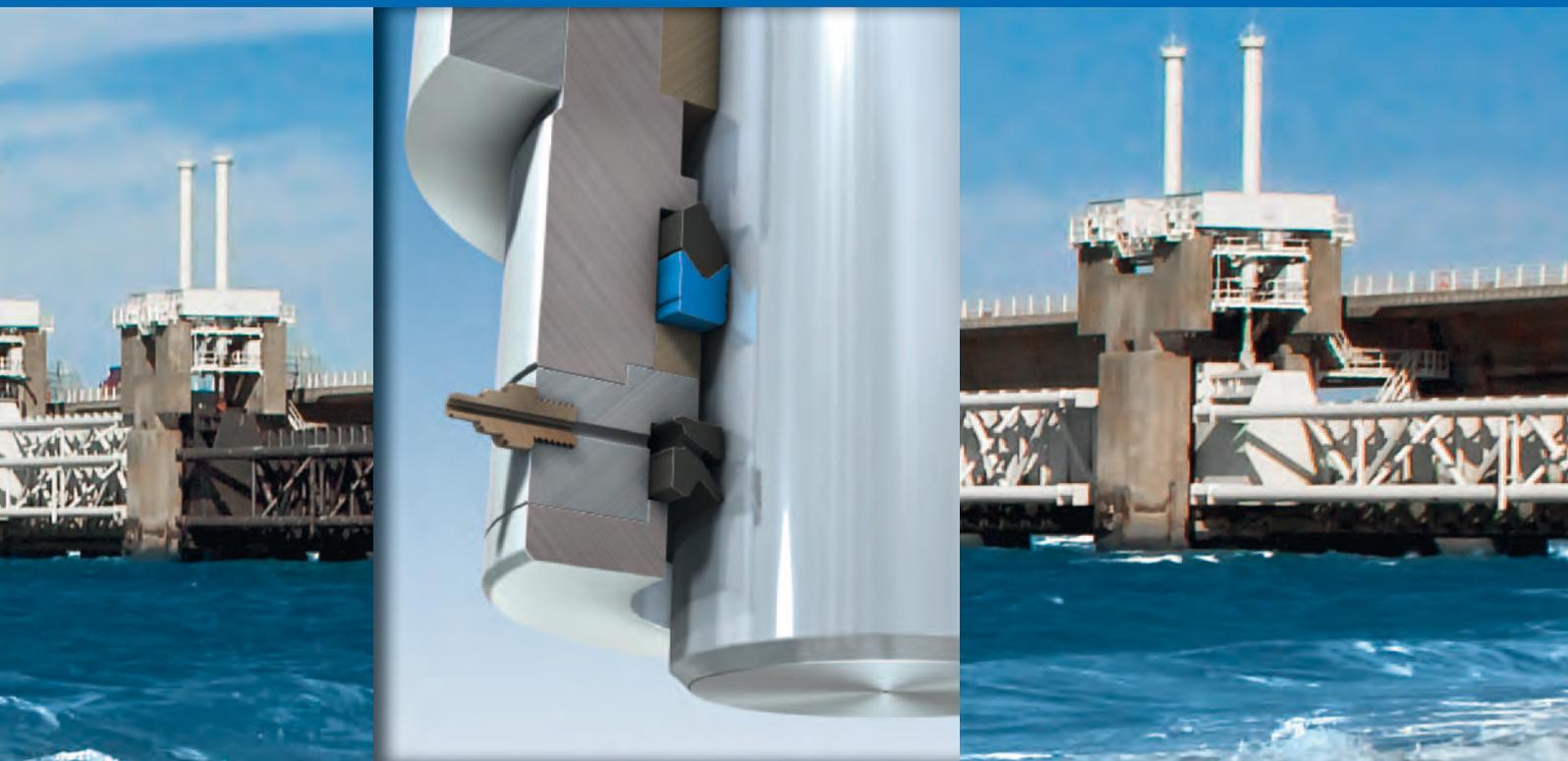
The rise in current assets is chiefly the result of the first-time consolidation of the TrelleborgVibracoustic joint venture. The increase in other current assets reflects the €20.2 million increase in the “Securities and cash at bank and in hand” item in the consolidated statement of financial position. This had a positive effect on net debt which remained at the prior-year level.

The equity ratio rose to 46.5 percent (previous year: 45.0 percent). This was chiefly attributable to the positive result. Currency developments and dividend payments to Freudenberg & Co. KG had a partially offsetting effect.

	<b>Dec. 31, 2011</b>	<b>Dec. 31, 2012</b>	<b>Change</b>
	[€ million]	[€ million]	[%]
Securities and cash at bank and in hand	716.8	737.0	2.8
Financial debt	1,334.2	1,357.8	1.8
Net debt	617.4	620.8	0.6

# Sealing solution for challenging application





The Oosterschelde storm surge barrier is part of the Delta Works, a series of constructions on the Dutch North Sea coast in the province of Zeeland built to protect the land and the people from storm surges and floods. Freudenberg products play a part in achieving this goal.

The barrier is an impressive structure. It features 62 moving steel gates which weigh up to 500 tonnes and can be closed in less than an hour - quite a challenge for lubricants, bearings and hydraulic systems. Since the barrier was commissioned in 1986, the massive hydraulic cylinders that operate the steel gates have shown evidence of leaks caused by vibrations which have also generated an extremely loud noise level. For 25 years, the original equipment manufacturer could not find a solution to this problem. Over a twelve-month test period, Freudenberg successfully proved the capability of its special system solution: Since 2012, all 124 cylinders have been equipped with seals made by Freudenberg.

Specialty lubricants manufactured by the Freudenberg company Klüber Lubrication are also used in the storm surge barrier. They guarantee reliable long-term lubrication and also effectively protect the massive floodgate bearings from the effects of seawater.

## REVIEW OF OPERATIONS BY BUSINESS AREA

Freudenberg's four Business Areas – Seals and Vibration Control Technology, Nonwovens, Household Products and Specialties and Others – focus on long-term, sustainable and profitable growth. We have an in-depth understanding of our customers' needs and can harness our high technical expertise 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 2012 financial year, the Seals and Vibration Control Technology Business Area comprised the following eight Business Groups:

- Freudenberg Sealing Technologies
- NOK-Freudenberg Group China
- Freudenberg Oil & Gas
- Freudenberg Schwab Vibration Control
- EagleBurgmann
- Dichtomatik
- Helix Medical
- TrelleborgVibracoustic

In 2012, roughly three quarters of sales in this Business Area were generated by the automotive industry and the mechanical and plant engineering industry. Sales in this Business Area rose to €3,679.1 million (previous year: €3,463.6 million). The headcount at year-end rose to 25,036 (previous year: 24,150).

#### FREUDENBERG SEALING TECHNOLOGIES



Freudenberg Sealing Technologies grew sales by 1.0 percent to €1,684.8 million (previous year: €1,667.5 million) in what was a difficult year with many challenges for the sealing business. The headcount at December 31, 2012 was 11,999 (previous year: 12,634), chiefly as a result of the sale of business in molded parts for brake systems.

For Freudenberg Sealing Technologies, performance in the year under review was not satisfactory in all sectors. The automotive business, however, developed well, particularly in North America. In Europe, there was a further slight increase in last year's good performance. There were regional variations in business in the general industry sector. While growth rates in North America

Freudenberg Sealing Technologies	2011	2012
Sales [€ million]	1,667.5	1,684.8
Workforce	12,634	11,999

were at times in the double-digit percentage range, demand in Europe declined.

There was a marked drop in sales in the general industry distribution business in particular. The main reasons for weak demand in this sector were the economic conditions as a result of the financial and debt crisis combined with continued uncertainty in the global economy. In addition, the markets in North and South America as well as China – key markets for the export industry in Europe – weakened in the second half of the year.

Freudenberg Sealing Technologies continued to expand its materials competence in the year under review. The sealing specialist commissioned a new mixing plant for fluorinated rubber formulations at its Hamburg facility. Furthermore, the Business Group acquired 50 percent of the shares in Schneegans GmbH and Schneegans-Silicon Ges.m.b.H.

For Freudenberg Sealing Technologies, this joint venture represents a strategic investment in new know-how in multi-component injection molding production technology and in forward-looking plastic products, particularly for the automotive industry. In 2011, the Schneegans Group had a headcount of some 280 employees and generated sales of approximately €45 million.

Effective June 30, 2012, the Business Group sold the business in molded parts for brake systems to ContiTech

Vibration Control GmbH. Production in Andrézieux and molded brake parts operations at the Oberwihl and Querétaro facilities were also transferred to ContiTech Vibration Control GmbH, marking the completion of Freudenberg's restructuring of its portfolio in the automotive business.

On the sales side, Freudenberg Sealing Technologies continued with in-depth business segmentation right down to applications level during the year under review in order to focus even more specifically on customers' needs. Business is broken down into defined market segments, thus facilitating the development of clearly-targeted solutions bringing commercial success and long-term customer benefit.

Freudenberg Sealing Technologies developed numerous new products in 2012, including special seals for the food industry. These seals protect against germ contamination, for example by preventing liquid from accumulating beneath the screw heads on drinks bottling lines, and also prevent the transfer of flavors from one batch to another. The seals are also resistant to the increasingly aggressive cleaning agents used in the food and beverage industry. Such developments are based on decades of materials competence.

At Husum WindEnergy 2012, Freudenberg Sealing Technologies presented a range of innovative products for the renewable energies sector, including profile rings,

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high temperature-resistant materials, a special insulating tape and maintenance service sets. During the year under review, Freudenberg Sealing Technologies also began development work on gas-lubricated mechanical seals for vehicles; these seals cut CO<sub>2</sub> emissions by up to 0.9 gram, bringing these emissions down to less than 0.1 gram per kilometer thus making a valuable contribution to more environmentally compatible mobility.

As a development partner for automakers the Business Group has already been supporting the trend towards downsizing – smaller engines with higher performance – for many years. One example is hydraulic accumulator technology in dual clutch transmissions: These accumulators combine lower consumption and lighter weight with an exceptionally long service life. Furthermore, they can be used very economically for reliable start-stop applications in all kinds of automatic transmission.

The world-leading Quantum seals for optimized variable valve control and new high-temperature materials used in turbocharger diaphragms that can withstand a temperature of 230 degrees Celsius are further promising developments for improving efficiency in automobiles.

Freudenberg Sealing Technologies anticipates a difficult first six months in 2013 and expects economic momentum to gather speed in the second half of the year so that sales growth in the sealing business can realize its

full potential in 2014. Growth momentum is likely to be strongest in China and the other emerging markets.

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**Profile:**

*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.*

NOK-Freudenberg Group China [based on pro-rata shareholding]	2011	2012
Sales [€ million]	114.4	113.6
Workforce	1,070	1,190

#### 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

#### Production locations

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

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#### NOK-FREUDENBERG GROUP CHINA



In 2012, the NOK-Freudenberg Group China joint venture recorded a year-on-year decline in sales from €228.9 million to €227.1 million as a result of a noticeable economic slowdown in China, particularly in business with industry, and the sale of the non-strategic water pump business.

Sales are accounted for in the consolidated financial statements on a pro-rata basis, i.e. a share of 50 percent, which corresponds to €113.6 million. The headcount at year-end rose to 2,379 (previous year: 2,139), with the increase chiefly attributable to the inclusion of the 162 employees at Wuxi Fukushima Precision Metal Co. Ltd., Wuxi, China; the metal stamping plant was previously wholly-owned by NOK Corporation. 1,190 associates

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are included in the Freudenberg consolidation in line with the 50 percent shareholding.

NOK-Freudenberg Group China's growth in the automotive sector was double the rate for the Chinese automotive industry. However, the Japan-China island dispute had a negative impact on sales to Japanese carmakers. Sales in the general industry segment were below the prior-year level as a drop in export demand and more cautious investment in infrastructure put the brakes on China's economic development. NOK-Freudenberg Group China worked on increasing the share of sales from in-house products, efficiency improvements and expanding local purchasing.

NOK-Freudenberg Group China successfully defended its leading position in the automotive industry. Strengthening the sales team and establishing additional development capacities brought a substantial increase in market share with Japanese customers and in the commercial vehicle segment. Further improvements in the market position in the general industry sector came from expanding the regional sales team and localizing new product groups. A further sales platform in Hong Kong systematically expanded the aftermarket business. The Business Group successfully mastered the relocation of "Production facility 1" in Wuxi with its workforce of approximately 1,200 as required by the authorities, taking the opportunity to modernize and optimize production. Series production of the two new product groups – seals for

power transmission engineering in Wuxi and accumulators in Changchun, China, – began as scheduled at the middle, respectively end, of 2012. The metal stamping plant in Wuxi acquired from NOK Corporation was successfully integrated in the group and brought significant cost savings.

In 2013, NOK-Freudenberg Group China will again have to deal with the heightened competitiveness of Chinese manufacturers and market expansion from international competitors. Furthermore, it will be necessary to offset rising labor costs.

NOK-Freudenberg Group China is extremely well positioned to face these challenges. New product groups such as membranes, Plug & Seal and liquid silicone will further strengthen this position. In addition, the Business Group will continue to systematically invest in total cost down measures, employee training and quality improvements.

Overall, NOK-Freudenberg Group China anticipates a successful year in 2013. However, the Business Group expects a weaker first half of 2013 because sales to Japanese carmakers will still be suffering from the effects of the Japan-China island dispute. Business in the general industry segment is expected to recover in the second half of the year as the programs to stimulate the economy initiated in 2012 began to take effect. Robust growth is expected from 2014.

**Profile:**

NOK-Freudenberg Group China is a 50:50 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.

*Locations*

China, Hong Kong

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[www.nfgc.com.cn](http://www.nfgc.com.cn)

Freudenberg Oil & Gas	2011	2012
Sales [€ million]	46.4	52.4
Workforce	319	349

## FREUDENBERG OIL & GAS



In 2012, Freudenberg Oil & Gas grew sales to €52.4 million (previous year: €46.4 million). At year-end, the Business Group had a headcount of 349 (previous year: 319).

Weaker energy markets were a typical feature of the business environment for Freudenberg Oil & Gas in 2012. Following several years of above-average growth, world gas production stagnated during the year under review. Demand even declined in North America, the most important market for the Business Group. There was a moderate rise in worldwide demand for oil.

The Business Group made significant progress in implementing Freudenberg's strategy to expand activities in the oil and gas sector based on a buy and build approach.

In August, the Business Group acquired Scott-Matrix Ltd., a manufacturer of elastomeric sealing solutions for the oil and gas industry. Furthermore, Freudenberg Oil & Gas

acquired the Vector Technology Group at the beginning of 2013. The company is one of the leading designers and manufacturers of engineered, innovative sealing solutions and differentiated seal products for the upstream segment of the oil and gas market. The Vector Technology Group possesses a high level of technical expertise, especially in the offshore segment. The company employed some 290 associates at locations in Australia, Brazil, Malaysia, Norway, the United Kingdom and the United States in 2012, and generated sales of roughly €80 million. The acquisition of the Vector Technology Group gives Freudenberg the opportunity to expand its expertise in developing applications-focused engineered products.

The Business Group also enjoyed organic growth in the year under review, for example through the founding of Freudenberg Oil & Gas FZE, Dubai, United Arab Emirates, a company that serves customers from the oil and gas industry in the Middle East.

Freudenberg Oil & Gas closed its operations in Atyrau, Kazakhstan, in the second quarter of 2012. The service center was set up for a major project. The project contract was not extended and there was no other business of note.

Several investment projects begun in 2011 were successfully concluded during the first half of the year under review, including a unit designed for the manufacture of large sealing elements for annular blowout preventers. In addition, a materials and products testing facility in Houston, USA, was expanded. The laboratory tests rubber mixtures for performance under extremely challenging conditions. The Business Group is in a position to perform in-house verification testing and certification of products

and materials. This gives Freudenberg Oil & Gas a major competitive edge.

The successive implementation of a global Enterprise Resource Planning system is proceeding to schedule with the system installed at the first sites in November 2012. Further sites will follow in 2013.

The Business Group expects robust sales growth in 2013 and 2014 on the back of organic growth and acquisitions.

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**Profile:**

*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 uses its extensive technical expertise to manufacture products that play a key role in helping customers solve the challenges they face.*

*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, Norway, Singapore, United Arab Emirates, UK, USA*

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# Holistic approach to noise





Statutory regulations and the demand for greater comfort play an ever-growing role in the field of agricultural and construction machinery. The objective is to reduce noise and vibrations while simultaneously guaranteeing safety. To obtain the desired results, it is not sufficient to optimize individual interfaces. Instead, the machine must be seen in its entirety and improved accordingly. The holistic vibration control system approach developed by Freudenberg Schwab Vibration Control does just that.

All of the vehicle's noise transmission paths are analyzed, the main noise sources are identified and solutions developed. These feature rubber-metal elastic decoupling components combined with vibration isolation materials.

This approach has been successfully used on agricultural machines (see illustration). The noise level in the driver's cab during operation was reduced by up to 20 decibels, and at the same time the ride comfort was improved. The project was realized in cooperation with the joint venture TrelleborgVibracoustic and the German company Carcoustics.

Freudenberg Schwab Vibration Control	2011	2012
Sales [€ million]	34.7	56.0
Workforce	67	252

## FREUDENBERG SCHWAB VIBRATION CONTROL



The Freudenberg Schwab Vibration Control Business Group was formed effective January 1, 2012, from Freudenberg Schwab and the Simrit® brand vibration control technology business of Freudenberg Sealing Technologies. The operations of the former Freudenberg Schwingungstechnik Industrie GmbH & Co. KG, Velten, and Freudenberg Schwab GmbH, Hennigsdorf, both Germany, were merged at the Velten location. Freudenberg Schwab Vibration Control brings together Freudenberg's vibration control technology expertise for high-growth industrial segments and rail vehicles.

The Business Group generated sales of €56.0 million (previous year: €34.7 million) in the year under review. The headcount at December 31, 2012 was 252 (previous year: 67). The figures for the previous year only include Freudenberg Schwab.

The organizational foundations were laid for further growth. With offices in Germany, France, United Kingdom,

Sweden, Russia and China, Freudenberg Schwab Vibration Control has a presence in the relevant countries. Manpower was increased at the Chinese location in particular in the year under review. China is the world's most important market for the rail sector and the construction industry.

By marketing innovative products at leading trade fairs such as Innotrans in Berlin and Modern Railways in Beijing, the new Business Group positioned itself as a technology leader with the highest quality standards. The "HALL" innovation in particular, a hydraulic axle-guide bearing for rail vehicles that reduces noise, wear-and-tear and energy consumption, met with great interest and accounted for an above-average share of the Business Group's growth. Other developments, such as hydraulic bearings for agricultural and construction machinery and special-material components for use at extremely low temperatures, received special recognition from the market. Freudenberg Schwab Vibration Control's holistic approach to vibration control technology made very promising progress. A holistic analysis was carried out on an agricultural machine for an international customer and cost-efficient improvements were made in respect of noise, vibrations and durability.

Further growth is planned for next year. Activities outside Europe are to be intensified further and there will be international expansion of the operational and logistic network. Furthermore, it is planned to launch products setting new technical standards.

EagleBurgmann	2011	2012
Sales [€ million]	752.8	815.6
Workforce	5,766	5,844

**Profile:**

Freudenberg Schwab Vibration Control is a leading supplier of technology for vibration control components and system solutions used in the rail vehicle industry, the wind energy industry, agricultural and construction machinery and other industries. Products made by Freudenberg Schwab Vibration Control are designed to reduce vibration in order to enhance safety, service life and the comfort of customer applications. Innovative products and a holistic approach to vibration control engineering make Freudenberg Schwab Vibration Control a development partner for prestigious industrial customers all over the world.

Freudenberg Schwab Vibration Control operates on global markets from its locations in Adliswil, Switzerland, Velten and Laudendach, both Germany, and Beijing, China, and has sales offices in the UK, France, Sweden and Russia.

*Products and services*

Vibration control components and systems for rail vehicles, energy generation, agricultural and construction machinery and other industries

*Locations*

China, Germany, Switzerland

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## EAGLEBURGMANN



EagleBurgmann sales in the 2012 financial year rose by 8.3 percent to €815.6 million (previous year: €752.8 million). The headcount in 2012 was 5,844 (previous year: 5,766), 78 higher than the previous year.

At EagleBurgmann, the year under review was characterized by a strong rise in orders in the first half of the year which subsequently weakened during the second six months. The main drivers were stable standard business (large-series production) and international project business (customized applications). The regions with the strongest growth were Europe, North America and China.

EagleBurgmann grew sales and market share with original equipment manufacturers (OEMs) and operators in the USA in 2012. Familiarity with the name of EagleBurgmann was raised further. The Business Group moved into a new building in Houston, USA, in the second half of the year, with the relocation providing the opportunity to improve processes and workflows. As a result, EagleBurgmann can satisfy the demands of regional

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and global customers for products and services even more effectively. EagleBurgmann expanded its capacity in the USA with a view to strengthening competitiveness in the supply systems product segment on the American market. The Business Group purchased the business of SealPots Inc., a manufacturer of supply systems for the oil and gas industry. The acquisition gives the Business Group access to the necessary supply systems know-how and the required production capacity to serve the dynamic markets in the Americas, particularly the USA, Colombia, Brazil and Venezuela.

Last year also saw the founding of a sales company with an attached service center in Colombia in order to increase the global presence in the service business. Furthermore, preparations were made to integrate the EagleBurgmann companies in Australia and New Zealand in EagleBurgmann Australasia Pty Ltd., Ingleburn, Australia, effective 2013. The objective is to leverage synergies in sales and production. The Business Group will operate a sales office in New Zealand going forward.

Restructuring of IT systems to form a globally harmonized SAP landscape continued. The SAP rollout at the main production location in Wolfratshausen and in Eurasburg, both Germany, took place in November 2012. The aim is to optimize management and core business processes. In addition, the new production building in Eurasburg was completed and the phased relocation of production began. Interest in energy-efficient and environmentally-friendly technologies has grown substantially all over the world. In the year under review, EagleBurgmann launched an innovative solution in the form of the eCartex® cartridge

seal. The eCartex® utilizes DiamondFace®-coated seal faces that stand for extreme hardness, resistance to wear, and excellent thermal conductivity. The result is a reduction in energy consumption of up to 80 percent, and an increase in the operating period of up to 100 percent.

EagleBurgmann expects growth to continue at a low rate in 2013 and 2014. In light of the financial and debt crisis, proven cost and liquidity management will be systematically continued.

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**Profile:**

*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 employees in over 70 subsidiaries develops and produces EagleBurgmann seal solutions which customers around the world can rely on. A close-knit global sales and service network 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.*

Dichtomatik	2011	2012
Sales [€ million]	102.3	102.5
Workforce	461	483

#### 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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#### DICHTOMATIK



In 2012, Dichtomatik with its headcount of 483 (previous year: 461) generated sales of €102.5 million (previous year: €102.3 million).

The Business Group began the year well with good demand in Europe during the first quarter of 2012, but by the second quarter demand there was already a noticeable dip which turned into a severe downswing as the year progressed. In Europe, all countries and both distribution channels – industry and trade – were affected. In America, Dichtomatik generated growth throughout the year although economic momentum declined in the second six months. These developments could not, however, offset the decline in Europe.

In these difficult conditions, the Business Group nevertheless made progress on markets. Sales prices were adjusted in both Europe and America. Although sales with existing customers declined, numerous new customers were acquired. It is intended to harness this greater

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acceptance by the market as soon as economic conditions improve.

Dichtomatik systematically cultivated established markets in Europe and North America in 2012 and developed new approaches for the growth markets of Brazil and China. The Business Group set up its own company in Shanghai, China. In October, Dichtomatik's Chinese company introduced itself to customers at PTC, the major trade fair for industry. In Brazil, extensive project work was undertaken to restructure and realign business.

For the first half of 2013, Dichtomatik expected market demand to remain sluggish, but anticipates renewed economic momentum in the second half of the year which should generate moderate sales growth. The Business Group expects the positive trend to continue in 2014.

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**Profile:**

*Dichtomatik is Freudenberg'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, USA, for North and South America; the group also operates its own companies in a further eleven 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 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, China, France, Germany, Hungary, Italy, Mexico, Netherlands, Sweden, UK, USA*

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Helix Medical	2011	2012
Sales [€ million]	50.3	68.1
Workforce	529	818

## HELIX MEDICAL



Helix Medical grew sales in 2012 to €68.1 million (previous year: €50.3 million). At year-end, the Business Group had a headcount of 818 (previous year: 529).

The global medical technology market faced several challenges. The situation in the USA, the most important sales market for Helix Medical, was difficult as the industry prepared for the introduction of new taxes on medical products in 2013 and lower government reimbursements in respect of medical services and equipment. Nevertheless, Helix Medical grew sales significantly in the USA as in China and Europe. The Business Group launched new products and technologies in all regions during the year under review.

Helix Medical made substantial progress in implementing Freudenberg's strategy to expand its medical technology activities through a buy and build approach. The Business Group acquired MedVenture Technology Corporation,

a leading designer and manufacturer of medical technology solutions for minimally invasive surgical devices with facilities in Jeffersonville and Minnetonka. MedVenture Technology Corporation products are used in cardiovascular surgery, cardiology, neurology, urology, oncology, and gynecology. In addition, Helix Medical acquired 50 percent of the shares in Cambus Teoranta effective January 1, 2013. The joint venture manufactures high-quality precision components for medical instruments. Apart from advanced manufacturing technologies such as laser precision cutting, Cambus Teoranta also offers customers innovative coating technologies. Cambus Teoranta complements the special catheter products manufactured by VistaMed Ltd., Carrick-on-Shannon, Ireland, where Helix Medical also holds a 50 percent share.

Helix Medical commissioned the Business Group's first production facility in Central America, which is located in San José, Costa Rica, in September. The facility is certified to ISO 13485. It produces silicone tubing and silicone and thermoplastic molded components under cleanroom conditions. The Business Group is steadily acquiring new customers in the Caribbean and Central and South America region.

During the year under review, Helix Medical launched several new products, successfully validated major new projects with existing and new strategic customers, and began series production of the products under these projects.

Even though the market environment remains difficult, the Business Group expects to see significant sales growth in

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2013 and 2014 on the back of organic growth and the acquisitions already completed. The Business Group will continue to invest in expanding cleanroom capacity at all locations with a view to satisfying the needs of customers through innovative solutions.

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**Profile:**

*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 more than ten medical manufacturing operations located within the USA, Europe, South America and Asia.*

*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, Costa Rica, Germany, Ireland, USA*

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Vibracoustic	until July 1, 2012
Sales [€ million]	389.9
Workforce [as at June 30, 2012]	3,586

TrelleborgVibracoustic [based on pro-rata shareholding]	from July 2, 2012
Sales [€ million]	396.3
Workforce	4,101

## TRELLEBORGVIBRACOUSTIC



The TrelleborgVibracoustic joint venture, in which Freudenberg SE and Trelleborg AB each holds a 50 per cent share, began operating on July 2, 2012. Joint venture sales in the year under review totaled €792.5 million. Based on the pro-rata shareholdings, the proportion of sales included in the Freudenberg consolidated financial statements is €396.3 million. Vibracoustic sales for the first half of the year to the amount of €389.9 million are also included in the Freudenberg consolidated financial statements.

The headcount at TrelleborgVibracoustic at year-end 2012 was 8,201, of which 4,101 are included in the Freudenberg consolidation in line with the pro-rata shareholding.

TrelleborgVibracoustic performed well in a highly-competitive environment. The joint venture recorded a steady increase in new orders. From 2014, TrelleborgVibracoustic will be supplying the Volkswagen Group with transmission mounts and torsional vibration dampers for the MLB EVO, the successor to the present modular longitudinal toolkit. The Air Springs Division extended its leading market position in air springs for passenger cars with a major order for BMW's "35 up" platform. The joint venture is already supplying products and solutions for 19 of the world's 20 highest-volume platforms. The Asian automotive market, which accounts for some 50 per cent of growth in the global automotive market, is also a focal point of the Business Group's activities.

TrelleborgVibracoustic further expanded its position as a market leader in 2012 and successfully mastered the challenges that are typical of the automotive supplier industry such as intense competition, ever shorter product life cycles, and rising price pressure. The new joint venture participated both in market growth in China

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and in the marked revival in North America, thanks to a complementary regional presence and customer portfolio. Vibracoustic has a strong position with European premium automakers; Trelleborg's automotive antivibration business is well positioned with volume manufacturers in America and Asia. Moreover, the joint venture grew sales with European automakers in spite of the downward trend in Europe. This is chiefly attributable to the strong presence among premium automakers who continued on their growth trajectory on the Asian market. TrelleborgVibracoustic is systematically expanding its capacities in Asia and investing in the South African market.

Customer value also determines innovation development at TrelleborgVibracoustic. In particular measures to lower CO<sub>2</sub> emissions such as reducing weight, engine downsizing or start-stop functions bring additional challenges. This also holds true for electric or hybrid vehicles where high-frequency noise and vibrations would be much more noticeable to the occupants if there were no damping. TrelleborgVibracoustic can offer a wide-ranging portfolio of innovative solutions, including a space-, weight- and cost-saving double insulation mount patented in 2012 that eliminates a broad range of high-frequency vibrations even before they can be transmitted as annoying noise to the occupants via the chassis.

The constant search for materials that weigh less, have a long service life and are cost-efficient also forms part of innovation strategy at TrelleborgVibracoustic. By forming the joint venture, the Business Group has access to even broader plastics know-how. The first jointly-developed products will be rolled out in 2013. A new engine bracket for the BMW 1 and 3 Series where plastic entirely replaces metal has already gone into series production.

As a world market leader, TrelleborgVibracoustic is well positioned to realize additional opportunities for profitable growth in emerging automotive markets. The integration process is progressing as planned. A matrix organization combining the advantages of global business divisions with a regional structure that takes account of local conditions has been introduced. The complementary product and customer portfolios and regional presence of the two companies facilitates integration. Numerous synergies, for example in procurement and logistics, have been identified during the open and transparent integration process and will contribute to reducing costs. Global development and production capacities will be optimized and further synergies realized in the next step.

Thanks to an improved global position and a solid order situation as a result of the merger, TrelleborgVibracoustic

is well placed to continue its profitable growth trajectory in the next two years even if market conditions become more difficult.

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**Profile:**

*In fiscal 2012 a joint venture was formed between Vibracoustic and the automotive anti-vibration business of the Swedish Trelleborg Group to create TrelleborgVibracoustic, a worldwide market and technology leader for anti-vibration components and modules for the global automotive industry. The company's portfolio of products for passenger cars and commercial vehicles is unique on the automotive market. These pioneering products reduce unwanted vibration and noise and improve ride comfort.*

*Products and services*

*Engine mounts, components for chassis, air springs, torsional vibration dampers, isolators and dampers, bumpers made of MCU (micro-cellularurethane)*

*Locations*

*Brazil, China, Czech Republic, France, Germany, Hungary, India, Japan, Mexico, Poland, Romania, Russia, South Africa, South Korea, Spain, Sweden, Turkey, USA*

# Eco-friendly roofing





The “Juventus Stadium” in Turin is the home venue for Juventus Turin, the most successful club in Italian soccer. The roof of the stadium opened in September 2011 contains one of the products from the Freudenberg Politex Nonwovens range.

Freudenberg nonwovens are used as backing for bituminous roofing membranes. Freudenberg Politex Nonwovens is the world leader in this market segment. The company has a comprehensive range of products and unique know-how in spunbond and staple fiber technology, and can therefore satisfy the challenging demands of customers all over the world.

The best backing material for bituminous membranes is a polyester nonwoven reinforced with glass filaments. This material gives the membrane special properties such as excellent durability, great flexibility and high thermal resistance. The majority of nonwovens produced by Freudenberg Politex Nonwovens are made of polyester recycled from post-consumer PET bottles processed in the company’s own facilities. This integrated production cycle not only recycles waste, but also significantly reduces CO<sub>2</sub> emissions.

Freudenberg Nonwovens	2011	2012
Sales [€ million]	663.7	650.5
Workforce	3,156	2,976

## NONWOVENS BUSINESS AREA

The Nonwovens Business Area comprises the following Business Groups:

- Freudenberg Nonwovens
- Freudenberg Politex Nonwovens
- Freudenberg Filtration Technologies

In the year under review, the Business Area generated sales of €1,149.0 million (previous year: €1,144.8 million). At year-end 2012, the headcount was 5,135 compared with 5,085 at the close of the previous financial year. The major markets for the Nonwovens Business Area are textile and apparel, automotive, energy, health, horticulture, and construction.

### FREUDENBERG NONWOVENS



In 2012, the Business Group generated sales of €650.5 million (previous year: €663.7 million) and employed 2,976 associates (previous year: 3,156). Developments in spunlaid business were positive.

The Industrial Nonwovens and Interlinings Divisions, on the other hand, had to cope with falling demand as a result of growing competition and the financial and debt crisis.

The Industrial Nonwovens Division operated in a very heterogeneous market environment. Demand in the energy sector declined due to public spending cuts in infrastructure measures. As a result of the tense economic climate, there was a decline in demand for consumer-related products for shoe and hygiene applications, especially in Southern Europe. Tests on separators for lithium-ion batteries carried out in cooperation with customers from the automotive industry were promising. Work on further development and the market entry strategy for the battery separators is in full swing. In North America, new medical products in particular boosted business. Order books for the stretchable nonwoven used in Lidocain

plasters were already full prior to the official sales launch. The product has been developed in cooperation with Japan Vilene Company Ltd. The Division won new market segments, particularly in Europe, with new applications for advanced wound care. In Latin America, the hygiene business operated in an intensely competitive market. New developments for applications in mattresses and baby diapers will strengthen the position there. Developments on the Asian market were very positive on the back of higher headliner sales in China and as a result of the two new production lines for hygiene products in Korea.

The Interlinings Division also performed well in Asia; combined with the global growth initiative on the menswear market, this led to moderate growth. However, the fact remains that an increasing share of the market is migrating to woven and weft products, and market pressure is intensifying. The Business Group succeeded in following this trend with higher woven and weft sales, but restructuring measures are required to adapt capacities to changing demand. The first measures have already been initiated at the Weinheim facility. In Italy, too, interlinings business at Marelli & Berta has been restructured. The Interlinings Division will extend its position as a reliable partner with innovative high-elastic products for menswear.

In Europe, spunlaid business was successfully reorganized: Following the disposal of production lines in Kaiserslautern, Germany, to Freudenberg Filtration Technologies back at the end of 2011, this Division concentrated on its core business in the 2012 financial year. European business with carpet applications benefited from orders

from international customers, and machine utilization in 2013 will be good. Evolon® has paved the way for expanding production in Colmar, France, in 2013 with continued strong market growth. Thanks to robust demand from the automotive sector, sales of Lutradur® tuft-backing in particular rose. The successful launch of Lutraflor® carpeting for automotive applications marked a “green” milestone: International customers have already validated the lightweight carpeting based on recycled material. The global trend towards environmentally-friendly products is fostering research and development into sustainable products: Apart from Lutraflor®, Freudenberg Nonwovens has in addition launched a second environmentally-friendly product – Lutradur ECO® – which also has a high recycled content. A new application for sport shoes was developed in Taiwan: Vildona® insoles are manufactured without the use of binders and contain a high share of recycled raw materials. Their low weight and volume are a positive factor in the eco-balance.

Freudenberg Nonwovens expects market conditions to remain difficult for the next two years. Nevertheless, the Business Group will be making good use of 2013 in particular to press ahead with further process improvements and realignment measures in the Interlinings Division. As far as the Industrial Nonwovens Division is concerned, the focus is on generating growth with innovative products and market niches. Innovations and application-specific solutions will remain the Business Group’s main drivers for expanding its market position. Freudenberg Nonwovens therefore expects to generate moderate sales growth for 2013 and 2014.

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**Profile:**

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 Lutraflor®, 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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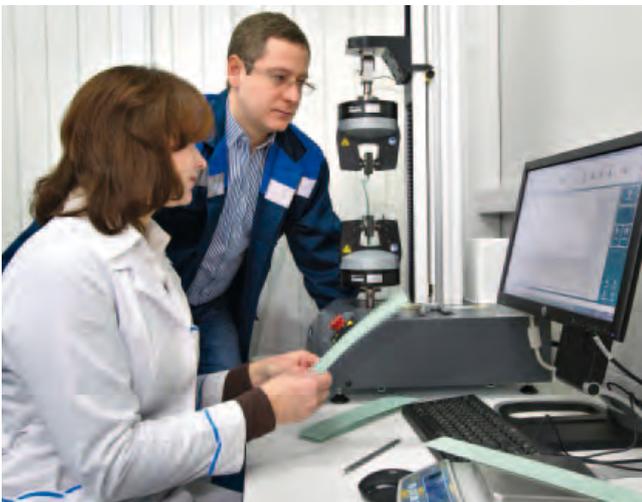
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Freudenberg Politex Nonwovens	2011	2012
Sales [€ million]	223.0	217.6
Workforce	611	626

## FREUDENBERG POLITEX NONWOVENS



In 2012, Freudenberg Politex Nonwovens generated sales of €217.6 million (previous year: €223.0 million). Sales in the core business sector of roofing reinforcements dropped slightly by 2.9 percent, while sales in the construction materials segment grew 10.3 percent year-on-year. The downward trend in the padding segment continued. The headcount increased from 611 to 626.

The difficult situation in the construction sector continued in Western Europe. Demand for roofing reinforcements in these regions was mainly driven by repairs and renovation. The markets in Russia, Turkey and the Middle East developed well as infrastructure was modernized and expanded. Thanks to its extensive range of products, its know-how in spunbond and polyester fiber technology and its close customer relations worldwide, Freudenberg Politex Nonwovens was able to consolidate its leading position on the global polyester roofing market.

The primary goal of Freudenberg Politex Nonwovens in the year under review was to respond to the challenging and volatile market situation by means of specific measures to maintain sales levels. Among other things, the Business Group expanded its range of special products for roofing reinforcements.

Freudenberg Politex Nonwovens opened a new spunlaid production line in Nizhniy Novgorod in July 2012. The Business Group can now serve the growing Russian market with the complete range of fiber and spunbond roofing reinforcements. Total investment in the expansion project amounted to some €20 million.

Freudenberg Politex Nonwovens again enhanced the sustainable and efficient handling of resources. One example is the 3 percent reduction in CO<sub>2</sub> emissions achieved by spunlaid production in Novedrate, Italy. Consumption of non-renewable resources used to manufacture spunlaid products in Pisticci, Italy, fell by 40 percent. Furthermore, over two thirds of production waste was either recycled or reused.

These improvements are attributable to an approach focusing on the continuous optimization of all links in the supply chain. During the year under review, the Business Group cut raw material consumption, implemented programs to optimize processes, reduce waste and improve energy efficiency and water management, and maintained a steady flow of research into innovative and environmentally compatible products for the construction industry.

Over the next two years, Freudenberg Politex Nonwovens does not expect any major changes in the market situation

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in Europe and North America, and does not therefore anticipate any increase in production volumes in these regions. Expansion of some production lines will improve the product offering which will further strengthen the Business Group's position as the global market leader. At the same time, Freudenberg Politex Nonwovens will expand business in the growth regions. Maintaining high production efficiency will be one priority. Overall, the Business Group expects moderate sales growth for 2013 and 2014.

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**Profile:**

*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<sub>2</sub> 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*

*Freudenberg Politex S.r.l.*

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Freudenberg Filtration Technologies	2011	2012
Sales [€ million]	258.1	280.9
Workforce	1,318	1,533

## FREUDENBERG FILTRATION TECHNOLOGIES



On the back of increases in all regions and market segments, Freudenberg Filtration Technologies continued its growth trajectory of the previous two years, growing sales by 8.8 percent to €280.9 million (previous year: €258.1 million). Sales developed particularly well in North America and China. Higher energy, raw material and transport costs were offset by sales growth, price increases, productivity improvements and technological innovations. The headcount increased from 1,318 in the previous year to 1,533.

The Business Group's market position in the BRIC countries – Brazil, Russia, India and China – was successfully expanded in 2012. In India, Freudenberg Filtration Technologies acquired part of the business of filter manufacturer

Pyramid Filters Private Limited. The company manufactures air filter elements and systems for process-critical clean-room applications in the pharmaceutical, medical, chemical and food industries. A subsidiary was established in Nizhny Novgorod, at the beginning of the current year with a view to participating in the growth momentum on the industrial filtration market in Russia. In Chengdu, a new production site manufacturing micronAir® automotive filters and Viledon® industrial filters under a joint venture with Japan Vilene Company Ltd. began operating. The new plant in the Province of Sichuan is the Business Group's third production location in China alongside the facilities in Suzhou and Changchun.

Demand in the industrial filtration sector was generally good, but volatile. Freudenberg Filtration Technologies launched innovative products such as the particularly energy-efficient Viledon® eMaxx cassette filters for use in gas turbines, Viledon® sinTexx Plus filter cartridges for dust removal, and high-performance filters for room air purifiers in Asia. Furthermore, the Business Group has added a new application to its portfolio; gas phase filtration technology is now offered to the pulp and paper, petrochemicals and mining industries. Investment in a production line for high-temperature filters has also opened the door on new sales opportunities in the surface technology segment.

Global sales of micronAir® cabin air filters to original equipment manufacturers (OEMs) and the aftermarket remained at a good level. The Business Group won major orders for new vehicle platforms where series production is scheduled to commence in the coming years. There was new momentum for business in North America as a result of the growing use of cabin air filters in new models built by domestic automotive brands. The "Sprinter" supply

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chain project aims to achieve the necessary progress in efficiency at the European plants in order to secure competitiveness.

By expanding its plant engineering business, the Business Group is aiming to evolve from a supplier of high-quality filter products to an all-round partner for holistic, energy-efficient filtration solutions. Significant progress has been made, particularly in India, North America and Europe.

Freudenberg Filtration Technologies expects demand over the next few years to continue to fluctuate quite significantly, particularly with regard to industrial filters, and is responding with further flexibilization measures. By focusing on attractive market segments, extending the product program, expanding regional business and making further acquisitions, the Business Group plans to achieve above-average growth rates over the coming years, too.

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**Profile:**

As a global technology leader in air and liquid filtration, Freudenberg Filtration Technologies develops and produces high-performance, energy-efficient filtration solutions which improve the efficiency of industrial processes, conserve resources, protect people and the environment and thus enhance the quality of life. With its Viledon® and micronAir® global brands, Freudenberg Filtration Technologies offers customers innovative filter elements and systems for the energy, health, and transport (automotive, rail, marine, aviation) sectors, general ventilation and cleanroom technology, and for highly-specialized applications. Viledon® stands for reliable process air optimization and high-quality liquid filtration solutions. micronAir® cabin air filters provide health protection and ride comfort,

micronAir® engine intake air filters improve engine performance. Products to improve indoor air quality in buildings and a comprehensive range of system solutions (e.g. the development and construction of air intake filtration systems) and services (e.g. Viledon® filterCair air quality management) round off the product portfolio.

*Products and services*

*Intake, exhaust and recirculating air filters for air conditioning, ventilation and cleanroom systems; filters and filter media for residential applications, air conditioning systems, office equipment, respiratory masks and vacuum cleaners; filter media for liquid filtration (coolants and lubricants, foodstuff, hydraulics and fuels); support media for membranes; cabin air filters; engine intake air filters; 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 Household Products	2011	2012
Sales [€ million]	687.2	712.6
Workforce	3,082	2,964

## 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



The business of Freudenberg Household Products is divided into the Consumer Division (some 85 percent of sales) and the Professional Division. Total sales rose by 3.7 percent to €712.6 million (previous year: €687.2 million), chiefly as a result of the first-time complete consolidation of the shares in the companies of the Trade & Investment in Asia-Pacific (TIA) Group acquired in 2011. The headcount at year-end was 2,964 (previous year: 3,082).

In 2012, the effects of the financial and debt crisis continued to impact the market environment for Freudenberg Household Products. Consumer income shrank further and high unemployment resulted in a downturn on the key markets of Southern and Eastern Europe as well as the US, with the drop sometimes running into double digits. In contrast, there was stable growth in Asia/Pacific, the Middle East, Latin America and Russia.

The Business Group responded to the difficult market conditions for high-quality mechanical cleaning products and intense competition with innovations and growth initiatives. As a result, almost all regions reported further growth in market share.

Freudenberg Household Products concentrated on intensifying the expansion of business in the growth regions of Asia/Pacific, India and Russia, product innovations and the associated advertising activities, cooperation with strategic partners, and a marketing strategy oriented to customer benefit and sustainability.

A further focus for the Business Group was the successful integration of the TIA Group acquired in 2011. The sales companies in Thailand, Malaysia, Indonesia and Taiwan were incorporated in the Freudenberg Household Products international sales network. Furthermore, a plant in China manufacturing mechanical household cleaning products was added to the production network.

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The acquisition contributed €24.7 million to the group's sales.

Freudenberg Household Products developed new products and improved existing product lines in the year under review. Various innovations from the Business Group received awards. The ViRobi robotic duster and the Easy Wring & Clean cleaning system were named "Product of the Year 2013" in a consumer survey conducted by the German trade journal "Lebensmittel Praxis". The ViRobi robotic duster, the 1-2 spray floor mop system, the 1-2 spray mini and the Geo metallic bin range won the "Red Dot Design Award", one of the world's most sought-after quality marks, presented by Design Zentrum Nordrhein Westfalen.

On the production side, the Business Group devoted particular attention to the use of alternative materials and recyclates in order to minimize the risks resulting from strong fluctuations in raw material prices and achieve sustainable production. Numerous measures improved productivity in sales, administration and production. The competitiveness of products was further strengthened and supported by continued process optimization in purchasing and logistics.

Freudenberg Household Products expects to see stable growth over the next two years in a stagnating market that remains difficult. Activities will focus on the market launch of innovative products and the realization of further progress in productivity. In this context, cooperation projects will play a key role.

**Profile:**

*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 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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Freudenberg Chemical Specialities	2011	2012
Sales [€ million]	695.6	737.8
Workforce	2,984	3,079

## SPECIALTIES AND OTHERS BUSINESS AREA

The Specialties and Others Business Area comprises the following Business Groups:

- Freudenberg Chemical Specialities
  - Freudenberg NOK Mechatronics
  - Freudenberg IT
- as well as
- Freudenberg New Technologies
  - Freudenberg Real Estate Management
- which primarily operate internally.

Following the corporate law restructuring, the Freudenberg Service Support and Freudenberg Insurance Divisions are not included in the Freudenberg SE consolidation. The figures for the 2011 financial year have been adjusted accordingly.

During the year under review, the companies in this Business Area generated sales of €989.3 million (previous year: €934.4 million). At year-end 2012, the headcount was 4,318 compared with 4,212 at year-end 2011. 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 manufactures products almost exclusively for the automotive industry, including mechatronic solutions based on large flexible printed circuits. 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 Freudenberg Chemical Specialities Business Group generated sales of €737.8 million (previous year: €695.6 million) in 2012, representing an increase of 6.1 percent. The headcount rose from 2,984 in the previous year to 3,079.

Freudenberg Chemical Specialities continued on its long-standing growth trajectory in 2012 and finished the financial year with a new sales record. The Business Group bucked the trend both as regards slacker demand in key industries and with reference to continuing uncertainty on the markets affected by the financial and debt crisis. Nevertheless, a downswing in what had previously been a very favorable economic climate in the automotive

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industry and general industry markets which are of key significance to all divisions of Freudenberg Chemical Specialities made itself felt in the second half of the year. This affected sales developments on European markets, while NAFTA countries (North America Free Trade Agreement) continued to report strong growth. Slower growth in China, India and Russia, coupled with a downswing in Brazil, prevented a stronger rise in sales.

Strategic factors of significance for the generally positive trend at Freudenberg Chemical Specialities were the broad product portfolio, the presence in all important regional markets, continued high innovative strength, a steady and strong innovation rate, exceptional loyalty on the part of existing customers, the systematic continuation of the successful niche policy, as well as the extremely high level of specialization with reference to products and services and the leading position in the relevant key technologies. Furthermore, the Business Group made headway with the technological use of renewable raw materials and the development of environmentally compatible, biodegradable products to meet customer wishes as well as regulatory requirements.

The integration of the SurTec Division acquired at the end of 2010 and the purchase of outstanding minority shareholdings in SurTec international companies were successfully completed. A milestone in the introduction of a standardized SAP system for Business Group companies in Europe was the operational roll-out at selected companies mid-year.

Maintaining and expanding the market position in core industrial markets and the sustained expansion of the market position in growth markets, together with strengthening the regional organizations, have top priority in

the group's future orientation. Comprehensive investment programs in India, China and Brazil are currently being implemented.

Even though demand in almost all markets and regions began to cool off at the end of the year, Freudenberg Chemical Specialities expects business to remain solid in 2013 and 2014. However, greater attention will be devoted to raw material markets and to economic developments in Europe – in light of government austerity programs – and in the BRIC countries. Planning security is being increasingly compromised by growing macroeconomic volatility.

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**Profile:**

*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 world's leading manufacturers of specialty lubricants. Its customized 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 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.*

Freudenberg NOK Mechatronics [based on pro-rata shareholding]	2011	2012
Sales [€ million]	33.0	24.2
Workforce	179	176

### 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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### FREUDENBERG NOK MECHATRONICS



A strong first quarter for Freudenberg NOK Mechatronics was followed by increasingly restrained sales development during the remaining course of the year, particularly with regard to the very volatile business with window connectors.

At €48.4 million, sales did not quite reach the prior-year level of €66.0 million, which also included sales from the disinvested actuator business for the first six months of the year; this is partly due to discontinued products. On the basis of the pro-rata consolidation, sales of €24.2 million are reported in the consolidated financial statements of Freudenberg SE. At year-end, the headcount at Freudenberg NOK Mechatronics was 351, of which a headcount of 176 (previous year: 179) is attributable to Freudenberg on the basis of the pro-rata consolidation.

Following the very good sales development of the last two years, the Business Group used 2012 to consolidate

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capacities. In cooperation with customers, Freudenberg NOK Mechatronics is now developing new applications for LED front headlights and turn signals in the fast-growing market for LED lights. In the interior lighting segment, newly-developed LED headliner lighting went into series production. Project work in the lithium-ion battery segment shows that customers expect swift global implementation in the event of series rollout. In this context Freudenberg NOK Mechatronics will seek to identify suitable partnerships to complement the very good technological opportunities. The Business Group offers wiring systems for lithium-ion batteries.

A new brand concept was developed in the year under review. The Berlin site is currently being expanded into a customer-oriented technology center.

The Business Group expects restrained sales development in 2013 and 2014. Projects on wiring systems for doors that are coming to an end will be replaced by new lighting projects. The first sales in the medical and battery segment will be generated. The focus will lie on concentrating all finishing activities at the plant in Hungary. This will simplify supply chain activities and thus improve working capital.

*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*

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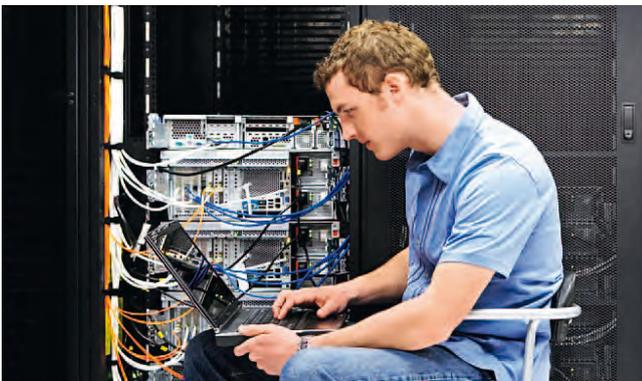
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#### **Profile:**

*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.*

Freudenberg IT	2011	2012
Sales [€ million]	116.8	134.7
Workforce	681	686

## FREUDENBERG IT



In the 2012 financial year, Freudenberg IT grew sales by 15.3 percent to €134.7 million (previous year: €116.8 million). 76.3 percent of sales were generated outside Freudenberg. At year-end 2012, 686 associates (previous year: 681) worked for the Business Group at 13 locations worldwide.

Business continued to develop well. In Germany, Freudenberg IT recorded sales growth of 3.6 percent. This was mainly attributable to infrastructure services. As in 2011, the Business Group again benefited from strong growth momentum in the USA, where sales grew by 90.8 percent. At 5.3 percent, sales growth in China was moderate compared with previous years. This was attributable to portfolio consolidation.

Orders were slightly up on the previous year, particularly as a result of above-average growth in hosting business. Here, the Business Group benefited from the mid-market's growing use of cloud computing and outtasking offerings (outsourcing individual tasks to external partners).

Freudenberg IT added further cloud computing services to its portfolio in the year under review. Furthermore, the

close partnership with SAP is paying off, because the market for SAP applications outperformed the overall IT market.

Freudenberg IT realigned its business at the beginning of 2012. The Business Group now concentrates on mid-market manufacturing companies with a special focus on the automotive, high-tech and mechanical and plant engineering sectors. The new strategy is to be successively implemented in the period to 2014. In the year under review, sales processes and the acquisition of new customers were improved. The Business Group also overhauled its external image and unveiled a new brand presence.

The "Customer First" quality optimization initiative launched in 2011 was successfully continued in 2012 and rewarded with greater customer satisfaction and customer retention.

Freudenberg IT's data centers were certified to DIN ISO 27001 for the first time in the year under review. Consequently, the Business Group's operations have now received a formal seal of approval for the quality of its information security management. Freudenberg IT was also once again certified to DIN EN ISO 9001.

Activities to improve customer satisfaction and increase customer retention will continue in 2013. A local business unit will be set up in Mexico with a view to supporting the above-average growth of Freudenberg IT companies in North America.

Freudenberg IT is well positioned and expects moderate sales growth in the 2013 and 2014 financial years.

Freudenberg New Technologies	2011	2012
Sales [€ million]	34.1	34.0
Workforce	270	272

**Profile:**

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, cloud computing, consulting for SAP and MES*

*Locations*

*China, Germany, Mexico, USA*

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FREUDENBERG NEW TECHNOLOGIES



In the 2012 financial year, sales by Freudenberg New Technologies amounted to €34.0 million (previous year: €34.1 million). The largest share of sales was generated by Freudenberg Forschungsdienste SE & Co. KG, Weinheim. At December 31, 2012, the headcount at Freudenberg New Technologies was 272 (previous year: 270).

The New Business Development Division of Freudenberg New Technologies progressed further with the internationalization of the Freudenberg Idea Pool, particularly in the USA and China. The Business Group also defined strategic search fields and allocated projects to these fields. For example, the topic of “components for super-condensers” was vigorously pursued in the „Renewable Energies” search-filed. This fast energy storage technology has high market potential in the field of electro mobility.

Furthermore, the scaffolene (bioresorbable nonwoven) project passed a major milestone with the completion of work on the industrial-scale web lay down technology for the rotatory spinneret, paving the way for the clinical

approval of scaffolene in cooperation with industrial partners.

Purtex® (PUR Technologies for Pure Textiles) was approved as a new polymer material in China in October 2012 and can now be launched on the market. The market launch has received support from a current Greenpeace campaign against high levels of environmentally damaging toxins in outdoor clothing. Greenpeace cites Purtex® as an environmentally-friendly alternative to fluorinated impregnations and testifies to the abrasion resistance and washing resistance of this Freudenberg product.

In 2012, Freudenberg Venture Capital GmbH, Weinheim, identified start-ups with innovative polymer-based product ideas and is supporting their growth via minority shareholdings as part of the "Regenerative Medicine" strategic project. The objective is to expand Freudenberg's technological basis in medical technology and maintain access to products with higher added value.

Hydrogen as a clean source of energy and fuel cells as efficient energy transformers for generating power and heat are an ideal and sustainable option for solving the energy issues of the future. These key technologies have the greatest potential for the energy industry in the power generation, cogeneration and transport sectors. Based on the core competences of the Freudenberg Group, Freudenberg FCCT SE & Co. KG, Weinheim, has been developing and marketing components for the global fuel cell market since 2002, and is a leading supplier with a unique portfolio of stack (seals, gas diffusion layer) and system components (filters, humidifiers). In October, a networking meeting was arranged by the National Organisation Hydrogen and Fuel

Cell Technology at Freudenberg in Weinheim on the occasion of the tenth anniversary of Freudenberg FCCT SE & Co. KG.

Freudenberg Forschungsdienste SE & Co. KG supports Freudenberg Business Groups in the development and introduction of new products and processes. In 2012, the volume of business amounted to €28.2 million, on a par with the previous year's level (€28.2 million). Medical technology projects are playing a growing role. Consequently, the expertise of Freudenberg Forschungsdienste SE & Co. KG in materials, surfaces, products, processes and validation methods for the medical technology sector is constantly growing and intensifying. One key project on fuel cell humidifiers for a leading carmaker conducted in global cooperation with NOK Corporation and Freudenberg FCCT SE & Co. KG was successfully concluded. The 100-module small series is functioning without incident.

The Business Group expects moderate growth for the next two years. One particular focus will be activities in the strategic areas defined by Freudenberg.

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**Profile:**

*Freudenberg New Technologies is primarily active for customers within the Freudenberg Group. The Business Group comprises the lead company Freudenberg New Technologies SE & Co. KG together with Freudenberg Forschungsdienste SE & Co. KG, Freudenberg FCCT SE & Co. KG and Freudenberg Venture Capital GmbH, all registered in Weinheim, Germany. This organizational structure allows a focused approach to innovation and new business at Freudenberg. The New Business*

Freudenberg Real Estate Management	2011	2012
Sales [€ million]	51.8	53.6
Workforce	54	57

Development Division at the lead company reinforces the innovative strength of Freudenberg. The Idea Pool takes up employees' ideas and transforms them into concrete business. In addition, Freudenberg New Technologies SE & Co. KG is responsible for cross-functional innovation activities and public funding. Freudenberg Forschungsdienste SE & Co. 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 SE & Co. KG develops fuel cell components such as seals, gas diffusion layers, humidifiers and filters. Freudenberg Venture Capital GmbH reviews participations in start-up companies offering innovations in fields related to Freudenberg activities and puts up venture 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

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## FREUDENBERG REAL ESTATE MANAGEMENT



Freudenberg Real Estate Management project: EagleBurgmann building in Houston

In the 2012 financial year, the Freudenberg Real Estate Management Division with its headcount of 57 (previous year: 54) generated sales of €53.6 million (previous year: €51.8 million). The rise is chiefly attributable to additional rental income from properties in Eurasburg, Chamborêt, France, and Hamburg and rent indexing.

The new factory building for EagleBurgmann in Eurasburg was completed during the second half of 2012 and handed over to the user. The new office building plus modernization of the existing building for EagleBurgmann in Houston were also completed and handed over to the tenant. The new Regional Corporate Center North America in Plymouth, USA, will be located in an existing building and is scheduled for completion by the end of the third quarter of 2013.

Construction work on a multi-function hall for Freudenberg Filtration Technologies began in Potvorice, Slovakia. The scheduled completion date is March 2013. Construction work on a multi-function hall at the TrelleborgVibracoustic plant in Środa Śląska, Poland, also commenced. The completion date is February 2013. A new production hall is being built for Freudenberg Spezialdichtungsprodukte GmbH & Co. KG, Weinheim, at the Reichelsheim, Germany, plant and is scheduled for completion mid-2013. Modernization of a logistics building at the TrelleborgVibracoustic plant in Hamburg, was finished at the end of 2012. The Division commenced with planning the modernization and maintenance measures as well as the construction of new offices at the Freudenberg Sealing Technologies plant in Chamborêt. The phased measures are scheduled for completion by 2015.

The risks associated with obligations undertaken to rehabilitate the contaminated site in Boxhagener Straße, Berlin, which was sold in 2011, are covered by provisions.

Freudenberg Real Estate Management's quality management systems was once again successfully audited to DIN EN ISO 9001 in November 2012.

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**Profile:**

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

The Division's activities include the purchase of land and erection of buildings, the purchase or sale, hire, rental or management 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

*Location*

Germany

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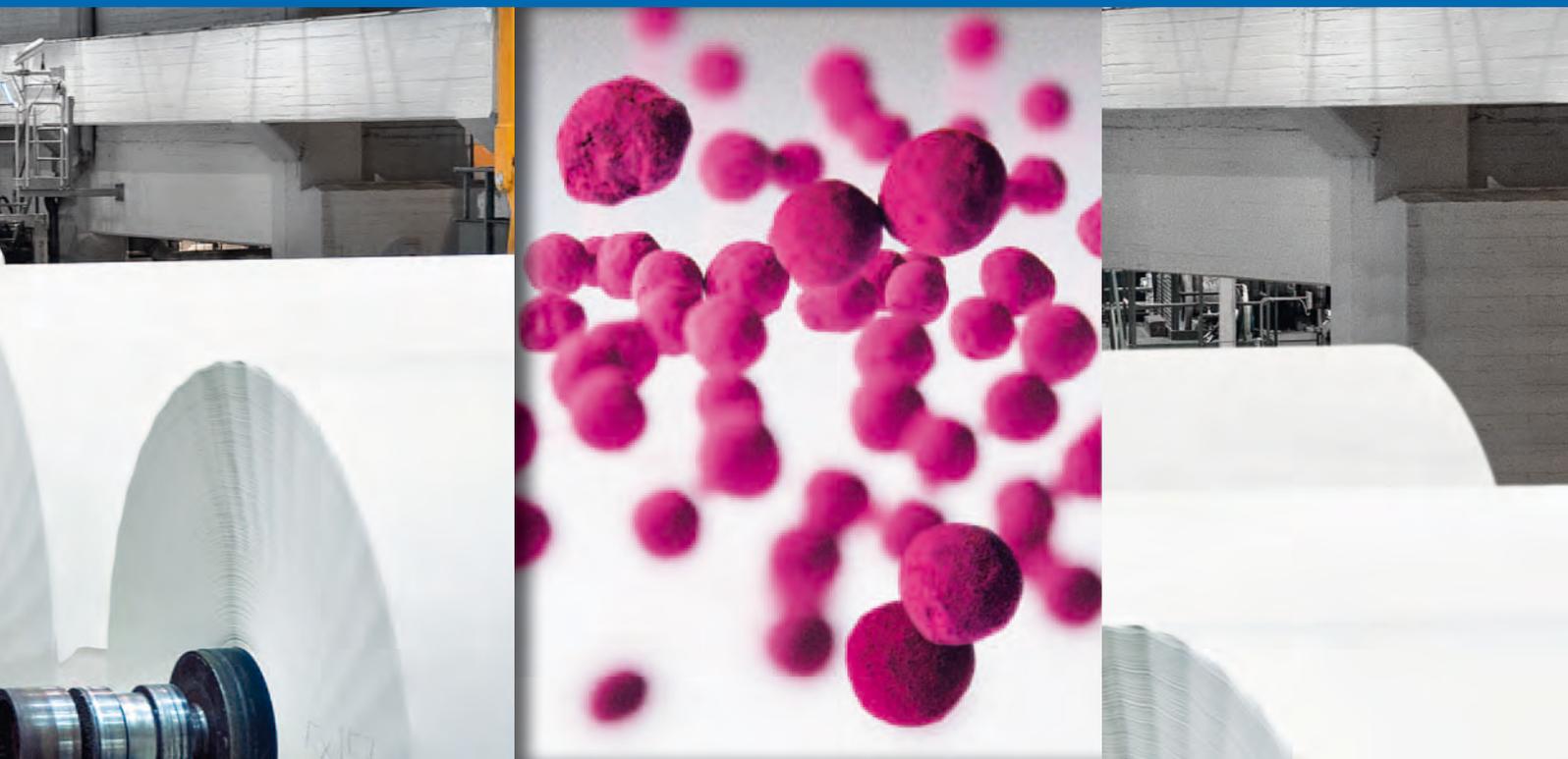
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# Corrosion protection for process-critical components





All over the world, pulp and paper production generates contaminant gases that have the potential to cause corrosive damage to plant and equipment. Even if electric and electronic components such as copper circuit boards are only slightly compromised this can result in interference signals, performance losses and, at worst, unscheduled downtimes.

For customers such as the Finnish-Swedish paper and packaging manufacturer Stora Enso (photo), Freudenberg Filtration Technologies has developed Viledon® ChemControl system solutions for gas phase filtration to protect from corrosive damage. Chemical processes convert contaminant gases into harmless salts. The filtration medium consists of pellets - small spheres of aluminum oxide or activated carbon impregnated with various substances such as potassium permanganate, hydroxides or other active components.

Pulp and paper manufacturers, refinery operators or Freudenberg customers in the chemical and pharmaceutical industry enjoy the benefits of a complete solution tailored to their specific application: Freudenberg Filtration Technologies designs and builds the entire filtration system including all particulate and contaminant gas filtration stages, as well as providing technical services. Corrosion tests, for example, ascertain whether the filtration system is operating at its optimal performance level, and capacity analyses determine when the pellets need to be replaced.

## RESEARCH AND DEVELOPMENT

In 2012, the Freudenberg Group expensed a total of €217.2 million (previous year: €205.4 million) for research and development, with more than half of this sum accounted for by the Freudenberg Sealing Technologies, Freudenberg Chemical Specialities and EagleBurgmann Business Groups. During the year under review, 2,244 associates (previous year: 2,187) were employed in research and development throughout the Freudenberg Group, with the regional focus in Germany, where 1,371 associates were employed.

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

Spearheaded by the New Business Development Division of the Freudenberg New Technologies Business Group, the Idea Pool, an initiative for new business ideas, acquired a broader international dimension in 2012. In addition, projects were allocated to the defined strategic search fields and existing projects such as scaffolene and Purtex® made further progress.

Research and development projects supported by the German government and the EU have become well-established among industrial companies in Germany. Freudenberg has also successfully deployed this instrument for many years because these funded collaborations between industrial companies and scientific institutions can address problems that could not be solved by individual enterprises. At the same time, the funding alleviates the economic risk. Freudenberg participates in a total of 18 collaborative research and development projects funded by the German government running until the end of 2012 and beyond.



In total, these projects, each with a term of approximately three years, have been granted funds amounting to some €6.9 million. In addition, two research and development projects with total EU funding of €0.9 million over a four-year period were ongoing in 2012.

The achievements of Freudenberg associates in research and development were once again honored in the 2012 financial year. The Freudenberg Group was awarded a prize by the F.A.Z.-Institut for holistic innovation management.

Idea generation was once again a topic at Freudenberg in the 2012 financial year. The New Business Idea Award 2012 was presented to an associate for an idea to develop a wound dressing with integrated enzymes that accelerates the healing process.

Another initiative honoring the achievements of Freudenberg associates is Klüber Lubrication's "Innovation Championship". This is an internal competition organized by the Klüber Lubrication business unit of Freudenberg Chemical Specialities. The participants generated a total of 190 ideas. The eight winning projects from all over the world dealt with issues such as conveyor system lubrication for the beverage industry, lubrication service for heavy-duty chains and environmentally-friendly recyclable packaging.

Alexander Konyukhov of Karlsruhe Institute of Technology (KIT) was awarded the 2012 Carl Freudenberg Prize. The jury honored the work of the Russian scientist in the field of mechanics. In addition to thermomechanics, his main area of work over the past few years has been contact mechanics. The Carl Freudenberg Prize, which includes a cash award of €5,000, is intended to support young scientists at Karlsruhe Institute of Technology. It is awarded every two years for the best scientific and technical work.

The new function of Chief Technology Officer (CTO) which was introduced in January 2013 aims to further reinforce Freudenberg's innovative strength. Along with the new Innovation Corporate Function, Freudenberg is driving forward its innovation strategy, innovation marketing and funding management.

## HUMAN RESOURCES

On December 31, 2012, the Freudenberg Group employed 37,453 associates (previous year: 36,529), an increase of 2.5 percent on the prior year. Personnel expenses increased by 10.5 percent to €1,820.1 million (previous year: €1,647.4 million). Of these personnel expenses, social security contributions and costs of pensions and assistance and related benefits amounted to €365.7 million, representing an increase of €35.7 million compared with the previous year.

Overall, headcount development was positive. The number of associates rose in North America to 7,739 (previous year: 6,983), in Asia to 7,848 (previous year: 7,291), in South/Central America to 1,859 (previous year: 1,639) and in the Other European countries region to 812 (previous year: 728). The headcount in Africa/Australia remained largely unchanged at 457 (previous year: 456). In Germany, the number of associates fell by 365 or 3.4 percent to 10,427 (previous year: 10,792). In the European Union (excluding Germany), the number of employees declined by 330 or 3.8 percent to 8,311 (previous year: 8,641).

These developments are mainly attributable to increases as a result of acquisitions and to the proportional allocation of associates under the TrelleborgVibracoustic joint venture. There were proportional additions in particular in North and South America and in Asia, while there were proportional decreases in Europe - above all in Germany.

In 2012, 181 young people began their training at Freudenberg's German companies. In total, 522 people were training at Freudenberg in Germany as at December 31, 2012. 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.

### Personnel strategy

Personnel strategy serves to support the strategy of the Freudenberg Group and focuses on three areas.

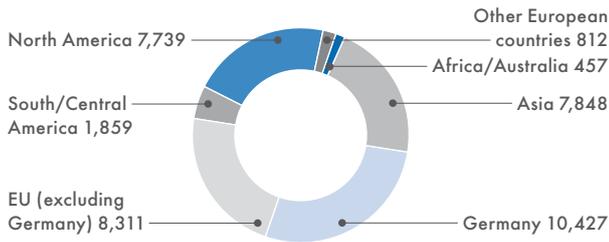


In the year under review, the Freudenberg Group set up regional human resources functions at the Freudenberg Regional Corporate Centers in North America, South America, China and India. The objective is to select and develop talent across the Business Groups in these growth regions.

The subject of the second focus is "Diversity". This refers among other things to the intensified recruitment, retention and advancement of women for and in senior management positions. At the same time, a larger number of international management teams are to be developed at all levels. Furthermore, Freudenberg plans to be an attractive employer for applicants and employees of all age groups.

The third focus is standardized international IT systems for human resources in the Freudenberg Group. These IT systems are to support the global talent management process as well as application and recruiting processes and to enhance efficiency.

## WORKFORCE BY REGION (AS AT DEC. 31, 2012)



### New global talent management process

The Freudenberg Group defined a standardized global talent management process in 2012. Performance management and potential identification systems were standardized with a view to strengthening the development of employees and managers beyond the boundaries of individual Business Groups. Going forward, there will be annual global talent management conferences, with additional "Regional Talent Dialogues" taking place in North America, South America, India and China. Among other things, these events will initiate strategic personnel development measures. In addition, talent management conferences based on the same processes will be held in all Business Groups.

### Regional activities

#### North America

A new leadership program was launched in 2012. Over an 18-month period, young people with potential from all Freudenberg Business Groups in North America learn how to prepare for future management responsibilities. One focus of the program is diversity, and the selection process concentrates in particular on female candidates and candidates from diverse ethnic groups.

All Business Groups in North America prepared for the launch of standardized human resources IT systems. In future, data on talents will be available to all Freudenberg companies in one common database. Furthermore, all job vacancies in North America will be posted on a career page in one common system, thus visibly positioning Freudenberg as an employer.

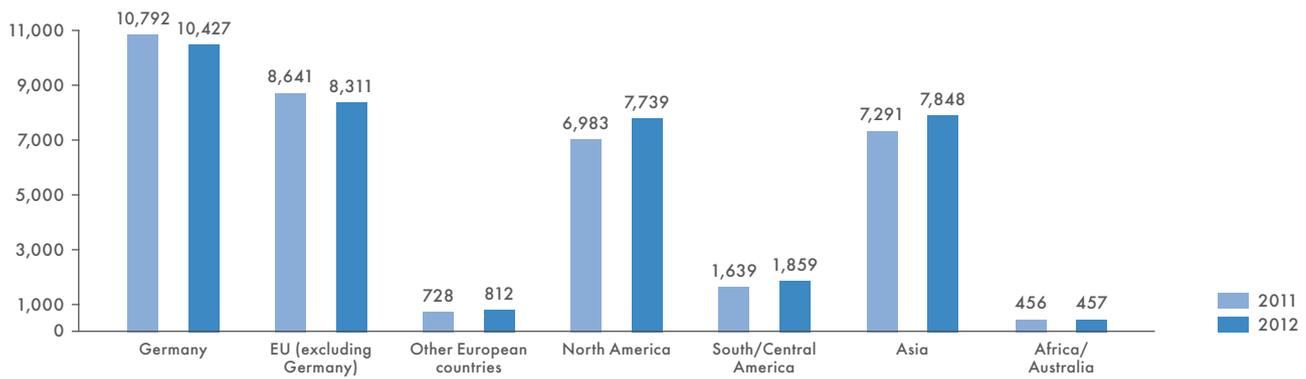
In addition, Freudenberg has intensified its contacts with universities and arranged numerous campus events at selected universities. A mentoring program for young potentials from all Business Groups in North America was again organized in the year under review. Under this program, young talent are mentored for one year by senior managers from other Freudenberg Business Groups and thus given support in their personal development and in building networks. In addition, the young managers can familiarize themselves with the diversity of the Freudenberg Group in North America, thus deepening their loyalty to the company.

#### South America

Freudenberg once again organized its leadership training for middle management in 2012. The program comprises six modules and was launched in 2010. A total of 82 managers has now successfully completed the program.

An initiative launched during the year under review aims at expanding individual development opportunities within the Freudenberg Group and advertising vacant posts throughout the company. This will heighten awareness of the company and help retain talent in the Freudenberg Group.

## WORKFORCE BY REGIONS (AS AT DEC. 31, 2012)



### China

An extremely high fluctuation rate unlike anything seen on Western labor markets is a typical feature of the labor market in China. This situation presents a permanent challenge for a corporate culture based on the sustainable development and training of employees. It results in significant expense in recruiting, onboarding and retaining qualified associates. Sustainable personnel management has been the key to stable, long-term development in the region and will remain so over the medium term. Freudenberg recognized this at an early stage. For several years now, a comprehensive package of measures focusing on recruitment, advanced training and employee retention has proved effective in reducing the willingness to switch employers and has stabilized operating processes.

Personnel development begins with recruiting employees. The Freudenberg Regional Corporate Center supports Freudenberg companies in the region in the recruitment process, for example by advertising campaigns at universities, administration of the online job database and drafting the framework agreements with personnel consultants.

Further relevant success factors are the vocational and advanced training programs offered by Freudenberg companies as well as career planning. Employees in this region, who are generally young, have an above-average willingness to learn and thirst for knowledge. The Freudenberg Group focuses on this fact, offering individual employees individual perspectives through further training qualifications, raising loyalty to Freudenberg in the process. The pace of growth, at times extremely rapid, and the associated speed of personnel recruitment, mean that young Freudenberg associates in China are tasked with

responsible duties at an earlier stage than in other regions. In this dynamic environment, senior managers face a particularly challenging brief because traditional personnel development patterns are either not applicable or are only of limited relevance.

The Freudenberg Regional Corporate Center Asia already recognized these challenges several years ago and supports all Freudenberg companies in the region not only with setting up business, but also with personnel development. The objective is to achieve a sustained significant reduction in fluctuation rates to a level well below the standard for local industry. The Freudenberg Regional Corporate Center also sees the development schemes as an effective employer branding tool. The building blocks include:

- Basic training, for example in presentation techniques and communication;
- Electronic learning content specifically for employees at production locations;
- The Freudenberg China Talent Summit, a 24-month program for management talent with intensive training modules, challenging project work and the targeted communication of perspectives throughout the Freudenberg Group;
- The High Value Contributor Forum, a multi-stage, one-year training program for experts and middle management.

Local senior managers and international top executives are involved in all the programs. The motto of all these building blocks is to challenge employees while at the same time not expecting too much of them. Content is

oriented to the individual abilities of employees and to the requirements of the various Freudenberg companies. A new initiative is the “HR Drive” program which introduces associates potentially interested in changing employer to their perspectives in the Freudenberg Group and which facilitates relocating to other Freudenberg companies.

#### India

Talent management in India is based on a combination of management development, retaining talent through individual training programs at various levels, and recruiting new talent from leading business schools in India.

A leadership development program oriented to talent selected by senior management supports Freudenberg companies in India. The program comprises ten training days over a one-year period. It includes detailed feedback at a meeting attended by the line manager and individual development plans for long-term development.

A special program on performance management and coaching focuses on personnel management. Participants can familiarize themselves with the challenges of leadership. A further training program specially tailored to the needs of the market concentrates on improving interpersonal skills in cooperation among companies in the Freudenberg Group. The core topics are giving and receiving feedback as well as “openness and the perception of others”. 176 persons completed the training, which raises the motivation and loyalty of talent, in 2011 and 2012.

The Freudenberg India Entrepreneurial Leadership Development Program is the flagship among the activities in

India to win talent from the best business schools in India for Freudenberg. The objective is to convince excellent graduates from all disciplines to join Freudenberg, in order to increase the number of potentials for future management tasks.

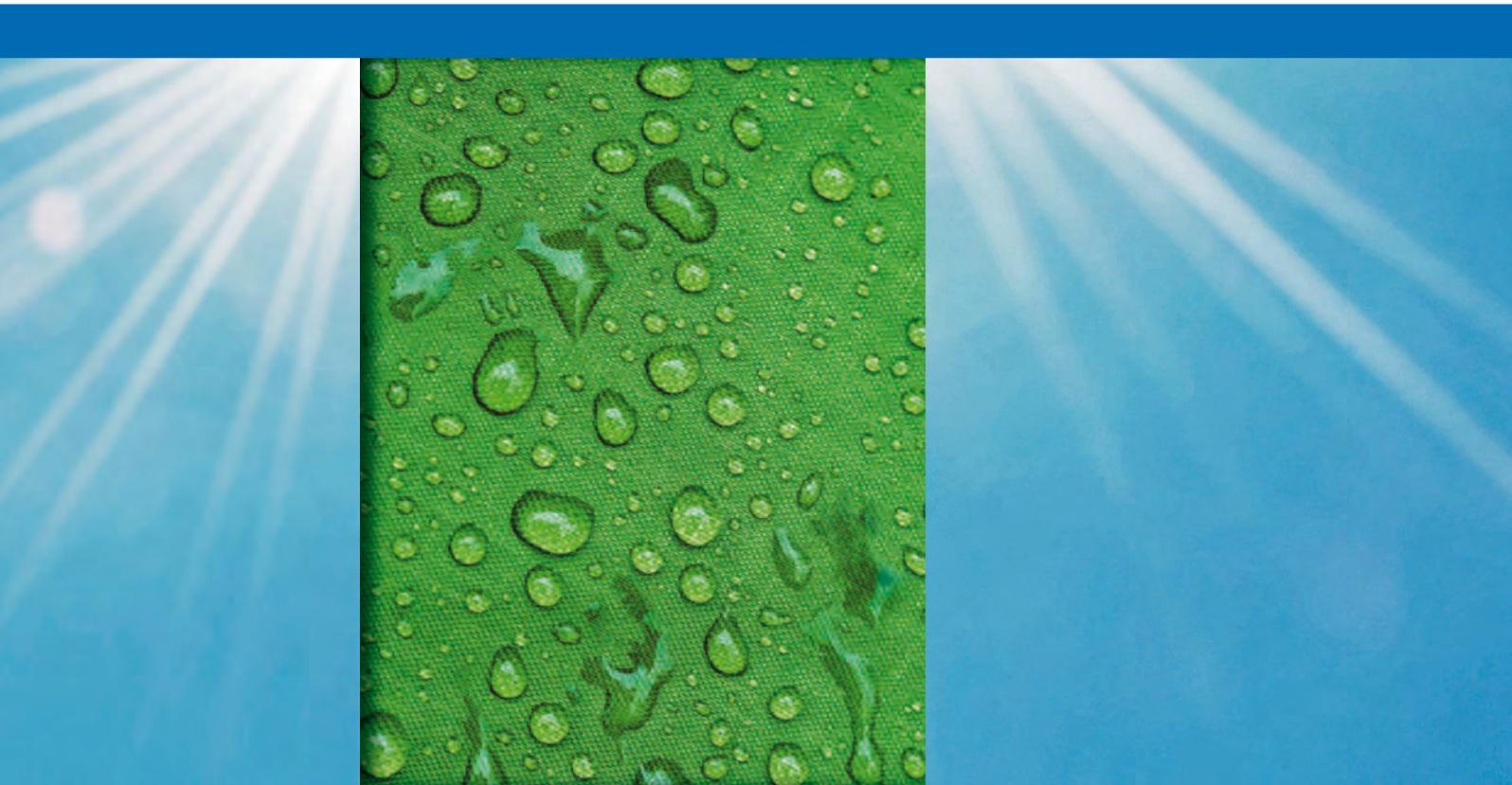
#### Europe

Leadership training for management talent again took place in Germany in 2012. This training activity for talent from throughout Freudenberg brings together young managers from various Freudenberg companies and creates a long-standing network. In addition, the Business Groups organize numerous management and specialist training programs that are systematically structured and qualify participants for senior management functions. An international leadership program for management talent at Freudenberg’s European companies was developed in 2012 and will be rolled out in 2013.

This overview demonstrates that Freudenberg has established management development programs in all the regions. These programs are specifically tailored to the needs of each region and create a common basis for a management career in a global company.

# Durable protection against water





Purtex® is an impregnation that provides textiles with tough protection from the elements and – unlike fluoro-carbon impregnations – is entirely free from detrimental effects both on human health and on the environment. This Freudenberg product is a pure water-based polyurethane emulsion that does not contain any solvents.

There are two types of Purtex®: Hydrophilic and hydrophobic. Purtex® Water Repellent (WR) provides textiles with durable protection against water, even following extreme loads and frequent washing. The textiles remain pleasantly soft and breathable. Purtex® WR has an exceptionally long service life and excellent abrasion resistance. That is a major advantage over other impregnations available on the market. It is not necessary to refresh the water-repellent properties after only a few washes by using a spray-on or wash-in product, as is the case for other types of impregnation.

The Freudenberg product can be tailored to the individual specifications of customers, and used wherever textiles must provide comfort, functionality and abrasion resistance. From specialist textiles for workwear to high-wear domestic fabrics or the ultimate in performance sports clothing; there is no limit to where this impregnation made by Freudenberg can be applied. The product is currently being launched on markets worldwide.

## RESPONSIBLE CONDUCT

Derived from the Business Principles and the Guiding Principles, the "Responsible Conduct" guideline sets out the standards for sustainability and social responsibility at Freudenberg. These include in particular the implementation of continuous improvement processes.

### **Environmental protection, occupational health and safety**

The priority goals of the Freudenberg Group in respect of environmental protection, occupational health and safety are the avoidance of all accidents, preventive health care, and reducing the impact of business activities on the environment. The "Responsible conduct: HSE guideline" detailing the principles and targets for environmental protection, occupational health and safety comes into effect in 2013.

From 2012, the TrelleborgVibracoustic joint venture is no longer included with reference to environmental protection, occupational health and safety.

#### 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 2012 financial year. Just under 85 percent of Freudenberg Group production facilities now operate an occupational health and safety management system pursuant to OHSAS 18001 and over 80 percent of Freudenberg Group production sites operate an environmental protection management system pursuant to ISO 14001 or EMAS.

#### Investments

In the year under review, direct investments in occupational health and safety amounted to €11.7 million (previous year: €12.0 million). Direct investments in environmental protection amounted to €1.9 million (previous year: €2.1 million).

The share of direct investments in environmental protection, occupational health and safety in total investments in tangible assets, intangible assets and investment properties increased to 6.3 percent (previous year: 5.0 percent). Since 2012, reporting only includes direct investments in environmental protection and occupational safety; data for previous years has been adjusted accordingly.

#### Preventive health care

Preventive health care management was expanded. Various programs implemented Freudenberg's health care principles throughout the company. Internal surveys on health care structures at sites were conducted with a view to identifying improvement potential and defining measures. In addition, health care performance indicators, such as the sickness rate, have been recorded throughout the company since 2011. These data help identify problems associated with demographic change and find solutions. In order to meet these demographic challenges, health care management projects continued at Freudenberg Nonwovens. These projects are concerned with the appropriate design of workplaces, particularly for older associates, as well as seminars on preventive health care. Supported by the occupational medicine and preventive health care department, Freudenberg Sealing Technologies again organized health weeks at the Weinheim facility in 2012.

#### Occupational safety performance indicators

Occupational safety measures now focus on changing the behavior of all associates. One example of these efforts is the numerous projects implemented under the "We all take care" environmental protection and

occupational safety initiative. In the year under review, for example, the project at Freudenberg Filtration Technologies called “We All Help” was one of the award winners. Every day, a different associate assesses his or her workplace for 15 minutes with respect to accident and environmental risks as well as energy wastage, presenting the findings to the production manager.

In 2012, the total number of accidents resulting in more than one day’s absence decreased to 108 (previous year: 128). The corresponding LDI rate (accidents > 1 day’s absence per 1,000 associates) improved to 3.2 (previous year: 3.5). Referred to one million working hours, the rate therefore improved to 1.7 (previous year: 1.8). The number of hours lost through accidents decreased by 32 percent to 14,206. The number of serious accidents, including a fatal accident involving a forklift truck, fell from ten to seven.

#### Environmental protection - Resources

Numerous products manufactured by Freudenberg help customers achieve efficient and sustainable resource management. Internally, Freudenberg fosters this approach both during the manufacture of products and with regard to the design of new buildings and the modernization of existing ones.

Freudenberg Household Products has, for example, introduced a new production process whereby complete broom bodies are entirely made of recycled material. This generates material savings of 30 percent and also cuts production time by 30 percent. The Business Group also continued with its ethical purchasing program that covers all material suppliers. A further example is Viledon® filter

systems from Freudenberg Filtration Technologies, used in equipment such as ventilation system. They consume roughly 28 percent less electricity than conventional filters.

#### Energy management

Many site projects and Business Group initiatives oriented to the Freudenberg “Responsible Conduct” guideline focused on sustainable energy use with a view to reducing the environmental impact of business activities. 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. At Freudenberg Nonwovens, the first sites have introduced a certified energy management system to achieve a sustainable reduction in energy consumption.

#### Key data

In 2012, Freudenberg consumed 1.6 million megawatt hours (previous year: 1.8 million megawatt hours) of energy. The break-down by sources of energy is as follows:

- Outsourced energy supplies (power, steam and district heat generated outside Freudenberg; 0.97 million megawatt hours);
- Natural gas (0.59 million megawatt hours);
- Fuel oil (0.04 million megawatt hours).

This energy consumption of 1.6 million megawatt hours translates into costs totaling approximately €121 million. Energy costs accounted for 2.0 percent of total sales (previous year: 2.1 percent).

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There were two events with a significant environmental impact in 2012 (previous year: three events):

As a result of an accident that occurred at an external tenant in Weinheim industrial park, brown printing ink was released into the waste water network in mid-June. The ink was retained in the mixed pond/storage pond and removed in batches by the end of July 2012. There were no threshold value infringements at the wastewater treatment plant.

Due to a technical defect at the TrelleborgVibracoustic plant in Hamburg, there was a hydraulic oil leak in one of the buildings. Most of the oil leaked into the foundations through joints and holes for anchoring lifting gear used to raise the base plates, and thus reached the soil. The contaminated soil was replaced.

## **Social responsibility**

The Freudenberg Group sees its social responsibility as an integral part of its corporate governance. Freudenberg'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 2012 financial year, many companies, sites and associates around the world again engaged in local projects and initiatives with the support of the Freudenberg Group in the spirit of responsible corporate citizenship.

The following examples illustrate the long-term nature of these local projects: In 2012, a further 31 young people completed their training at Freudenberg's non-profit training center opened in 2009 in Nagapattinam in the Indian state of Tamil Nadu south of Chennai and found employment. In total, 162 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 2012 one-week summer school project was again a big success. Over 60 Freudenberg associates were involved in the project and taught the children English, Chinese culture and sport. Furthermore, the participants in the High Value Contributor Forum, a development program for local managers, organized a Christmas party for the children.

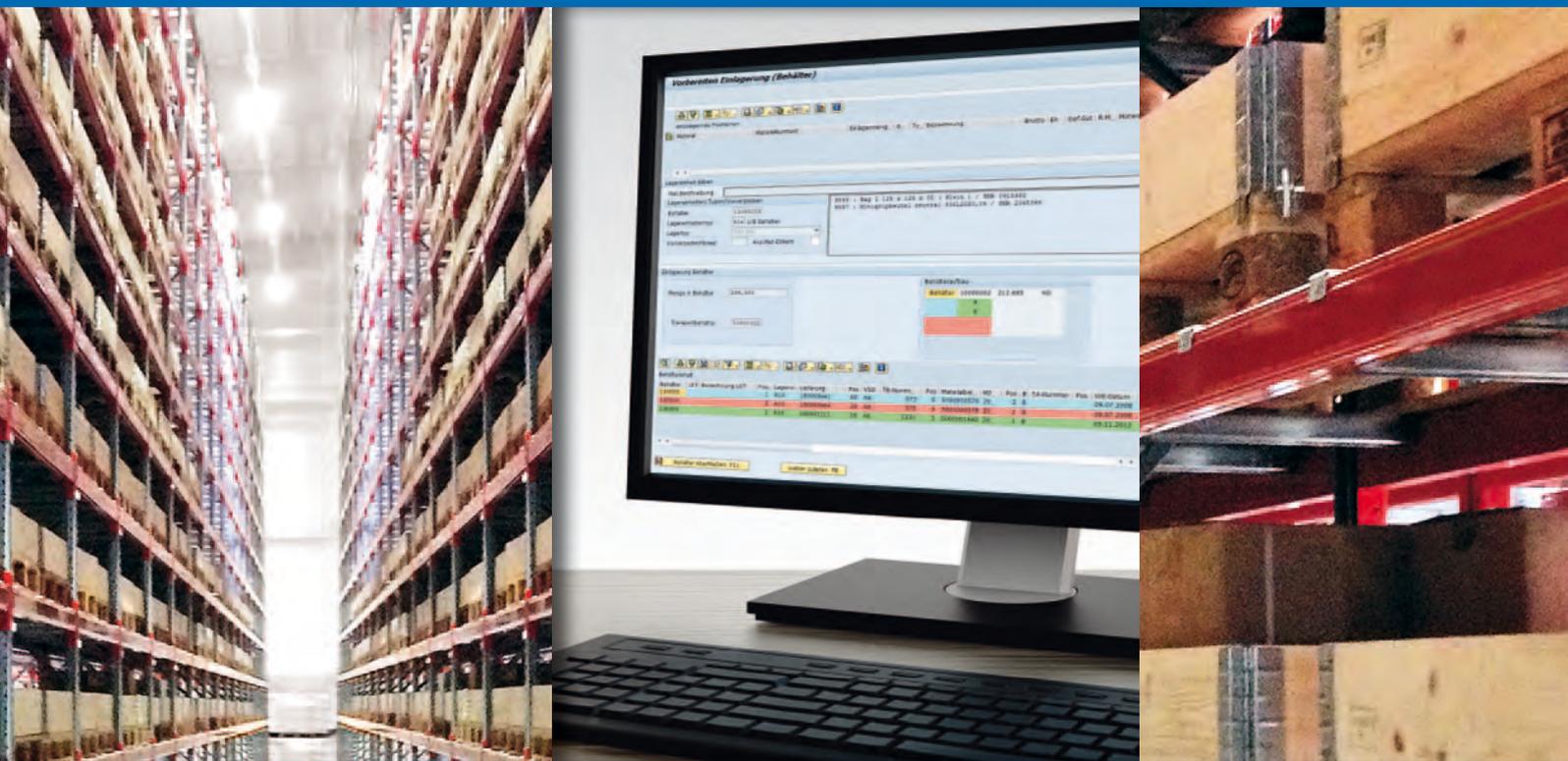


In the 2012 financial year, 54 young people gathered valuable experience in a foreign country under Freudenberg's TANNER youth exchange program. Since the program was launched in 1999, over 860 children of associates have spent time with host families at Freudenberg locations all over the world and gained a first-hand insight into a different culture. As a result, the young participants, their parents and host families have a greater sense of belonging to the worldwide Freudenberg community.

Freudenberg Stiftung is the largest Partner of Freudenberg & Co. KG. 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.

# Smart IT solutions for efficient business processes





Manual processes in the logistics chain generate high costs, redundant data and a susceptibility to error. Efficient logistics management therefore involves transferring complex business processes to a fully-integrated, automated and easy-to-use IT solution. Freudenberg IT specializes in developing and realizing such solutions together with its customers – one example is the international contract logistics service provider Panopa Logistik GmbH which operates a warehouse in Stockstadt, Germany.

An SAP total solution meeting all the requirements of highly-automated business processes – automated warehouse management and an automatic small part warehouse – was designed for the site within a short space of time based on an SAP template, which is an SAP solution for standardized logistics processes in spare parts warehousing. The high level of standardization for both the template and the processes ensured time- and cost-efficient project realization. Moreover, thanks to its expertise, Freudenberg IT was able to design the templates so that they can be used for spare parts logistics at all other Panopa sites.

Thanks to SAP consulting and hosting courtesy of Freudenberg IT, Panopa can focus on its core competence of “customized logistics services”.

## POST-REPORTING DATE EVENTS

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The Helix Medical Business Group completed the 50 percent acquisition of Cambus Teoranta effective January 1, 2013.

Furthermore, the Freudenberg Group acquired the Vector Technology Group at the beginning of January 2013. The company is a major global supplier of high integrity sealing solutions for the upstream segment of the oil and gas industry.

In January 2013, Klüber Lubrication, a business unit belonging to Freudenberg Chemical Specialities, acquired the PFPE grease business from Solvay Specialty Polymers Italy S.P.A., Bollate, Italy.

Effective March 1, 2013, Freudenberg Filtration Technologies acquired Aquabio Limited, Hallow, United Kingdom. Aquabio Limited is a leading specialist in turnkey membrane filtration systems for water and wastewater recycling.

The events reported above did not exercise any material effect on the net assets, financial position or results of operations.

Dr. Martin Stark left the Board of Management effective January 31, 2013.

## RISKS AND OPPORTUNITIES

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Freudenberg is exposed to numerous 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 throughout 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. The companies of the Freudenberg Group 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 Freudenberg 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 identified 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 company's broad diversification with regard to different markets, 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 used to handle quality risks and the appropriate programs are initiated.

Many countries continue to battle with significant structural problems. Not only countries in Europe, but also

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other economies are hit hard by the financial and debt crisis and have to deal with macroeconomic challenges such as sovereign debt or unemployment. 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. The Freudenberg 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 its five strategic growth areas of chemical surface treatment, filtration, oil and gas, medical technology, and vibration control technology for rail vehicles, wind power and agricultural and construction machinery 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 derivatives 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 effects of its business activities, and the company is committed to protecting employees 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 are now used as an internal threshold. The objective is to ban formaldehyde from Freudenberg products. As part of the implementation program for REACh (European Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals), REACh coordinators have been appointed at all European Business Groups. In the context of the internal "REACh Core Group", the coordinators from the various Business Groups meet once or twice a year to discuss current developments or the reaction of customers and suppliers to the REACh regulation and their impact on Freudenberg.

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 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 entire company. The implementation of HSE programs in the Business Groups is systematically monitored via internal audit processes.

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 Board of Management 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 company 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 shareholders' 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,

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Freudenberg makes funds available to the subsidiaries in the form of loans or via cash pools. Vice versa, these companies channel surplus liquidity to the central finance department. Currency and interest rate risks are hedged to a meaningful extent.

Internal directives for companies in the Freudenberg Group 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 August 2012, the rating agency Moody's reaffirmed the company's creditworthiness - referred to Freudenberg & Co. KG - 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. Under the process, a rating for Freudenberg SE is planned for the first half of 2013.

The objective of the internal control system with reference to the consolidated 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 Board of Management of the Freudenberg Group bears overall responsibility for the internal control system as it relates to the consolidated 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 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 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 employees 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 consolidated accounting process. This tool is used throughout the company 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 company.

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 employees 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 consolidated 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 employees. The Freudenberg Group auditor and the auditors of the various consolidated companies review the functionality and compliance of the 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 complete package of processes, systems and controls adequately ensures that the 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 company 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 areas as well as resource- and energy-saving manufacturing processes.

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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 Board of Management and the Supervisory Board.

## OUTLOOK

The market environment for the Freudenberg Group remains challenging. The world economy got off to a subdued start in 2013. Many countries still have major structural problems. European countries in particular are severely affected by the financial and debt crisis. There will be a further decline in gross domestic product in Italy and Spain – key sales markets for the Freudenberg Group. Business development in the first half of 2013 will be satisfactory as a result of the good order situation in almost all of our Business Areas, combined with the anticipated generally stable economic trend. The company does not expect to see growth momentum until the second half of the year.

The BRIC countries continue to drive the global economy. According to our estimates, China – a key sales market for Freudenberg – is expected to see 8.2 percent economic growth in 2013. We also anticipate further growth in India, which we estimate at 6 percent. Following last year's slight dip in economic development, Brazil is expected to regain momentum (3.5 percent) on the back of stronger investment activity. We put growth in Russia at 4 percent.

The economic forecasts for the eurozone, our largest sales region, remain cloudy. We expect last year's recession to be followed by minimal growth of 0.1 percent in 2013. Germany will once again perform better than the EU average, and we put growth in Germany at 0.9 percent, slightly above last year's level.

There has been a noticeable improvement in economic prospects for the US market. This is confirmed by early indicators. However, the US debt crisis remains an

underlying problem. Consequently, we anticipate macro-economic growth of 2 percent for the country.

We will continue to monitor economic developments very closely, to respond swiftly and systematically to market changes and to make our business even more resilient against cyclical fluctuations. The Freudenberg Group will continue to invest in the five strategic growth areas of chemical surface treatment, medical technology, oil and gas, industrial filtration and vibration control technology for high-growth industry segments and rail vehicles. Furthermore, we will intensify our activities in Brazil, Russia, India and China in line with market opportunities.

Risks arise from price trends and the availability of raw materials essential to Freudenberg's business, in particular steel, crude oil derivatives and rubber. We expect high price volatility. The companies in the Freudenberg Group are responding to this with a further increase in productivity, a review of openings to use substitute raw materials and targeted purchasing initiatives. We conclude long-term contracts wherever feasible and meaningful.

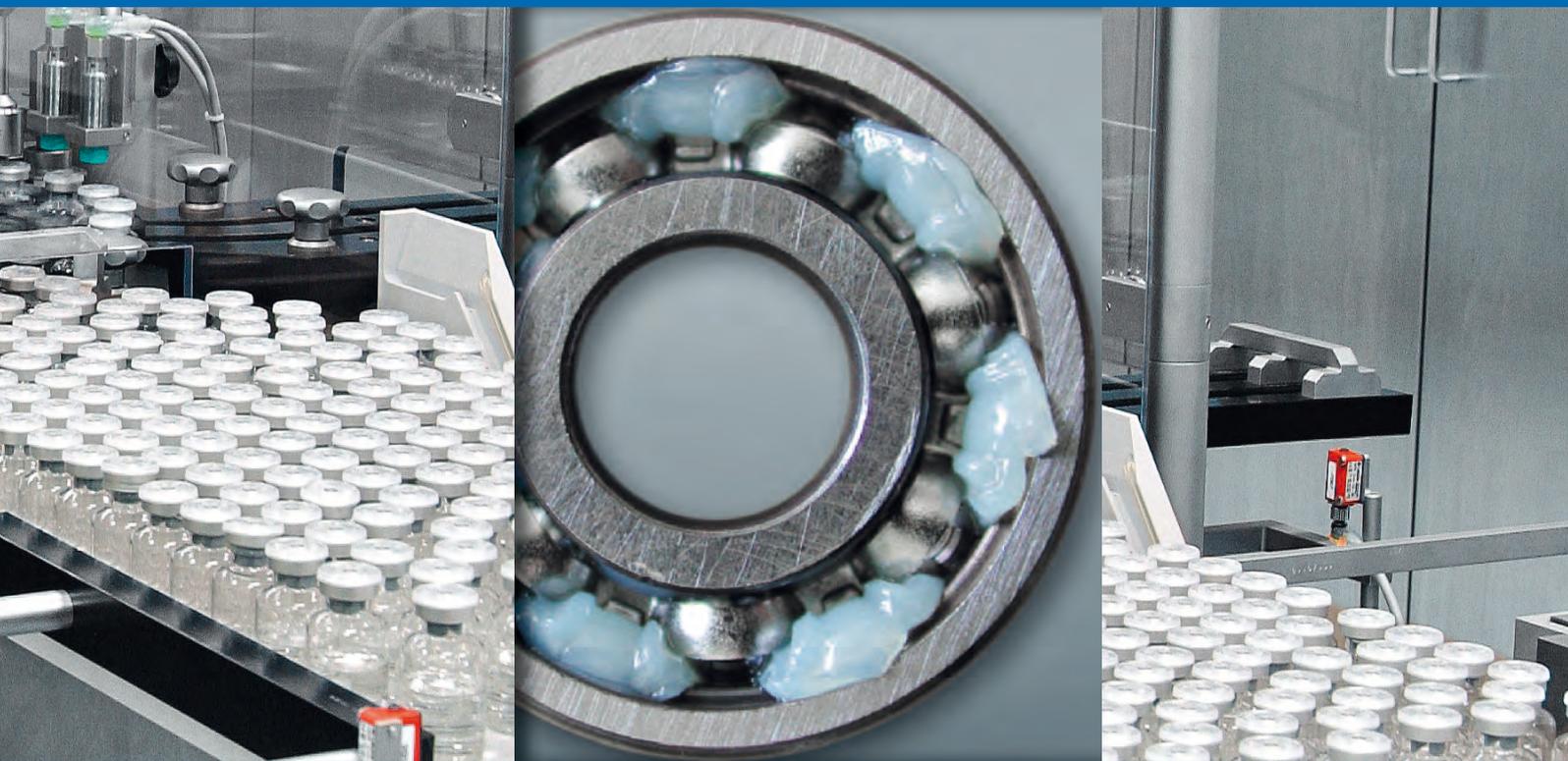
We anticipate moderate sales growth for the Freudenberg Group in 2013 and 2014, with all Business Areas likely to contribute to this growth. Our forecast is based on the assumption that the financial and debt crisis does not spread.

Weinheim, March 21, 2013

The Board of Management

# Clean solutions to meet the highest requirements





Greater safety in pharmaceutical production, lower operating costs and more extensive knowledge about lubricants - Klüber Lubrication supports the pharmaceutical company Boehringer Ingelheim in achieving these goals. The Freudenberg company has a comprehensive product portfolio of H1 lubricants plus specialized know-how to meet the pharmaceutical industry's stringent requirements.

Production plant at the Boehringer Ingelheim facility in Biberach, Germany, was converted to H1 lubricants which are particularly suited to use in the pharmaceutical industry; to comply with the industry's Good Manufacturing Practice Guidelines, Klüber Lubrication has developed specialty lubricants certified to the ISO 21469 international standard.

Boehringer Ingelheim also enjoyed the benefits of customized training in handling H1 lubricants. Correct dosage can, for example, reduce lubricant consumption and extend maintenance intervals, thus lowering costs.



# FINANCIAL REPORT – CONSOLIDATED FINANCIAL STATEMENTS

## FREUDENBERG SE

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## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

[€ million]	Note	Dec. 31, 2011	Dec. 31, 2012
<b>ASSETS</b>			
Intangible assets	(1)	582.3	750.5
Tangible assets	(2)	1,604.1	1,630.2
Investment properties	(3)	22.3	20.8
Investments valued at equity	(4)	710.5	689.3
Other financial assets		87.1	105.2
Financial assets		797.6	794.5
Other non-current assets	(6)	60.7	86.1
Deferred taxes	(19)	68.2	85.3
<b>Non-current assets</b>		<b>3,135.2</b>	<b>3,367.4</b>
Inventories	(5)	770.2	730.5
Trade receivables		923.2	936.3
Other current assets		134.2	225.1
Current receivables	(6)	1,057.4	1,161.4
Current tax assets		14.3	45.9
Securities and cash at bank and in hand	(7)	716.8	737.0
<b>Current assets</b>		<b>2,558.7</b>	<b>2,674.8</b>
<b>Non-current assets held for sale and disposal groups</b>	(8)	<b>7.1</b>	<b>17.4</b>
		<b>5,701.0</b>	<b>6,059.6</b>
<b>EQUITY AND LIABILITIES</b>			
Subscribed capital		450.0	450.0
Capital reserves		50.2	50.2
Retained earnings		1,767.1	2,004.2
<b>Equity without non-controlling interests</b>		<b>2,267.3</b>	<b>2,504.4</b>
Non-controlling interests		299.4	313.3
<b>Equity</b>	(9)	<b>2,566.7</b>	<b>2,817.7</b>
Provisions for pensions	(10)	322.8	331.2
Other long-term provisions	(11)	92.1	98.4
Long-term provisions		414.9	429.6
Financial debt		828.3	489.1
Other non-current liabilities		59.7	68.9
Liabilities	(12)	888.0	558.0
Deferred taxes	(19)	134.5	181.7
<b>Non-current liabilities</b>		<b>1,437.4</b>	<b>1,169.3</b>
Other current provisions	(11)	314.9	325.1
Current tax liabilities		74.4	82.8
Financial debt		505.9	868.7
Trade payables		546.3	529.7
Other current liabilities		255.0	264.4
Liabilities	(12)	1,307.2	1,662.8
<b>Current liabilities</b>		<b>1,696.5</b>	<b>2,070.7</b>
<b>Liabilities in connection with non-current assets held for sale and disposal groups</b>	(8)	<b>0.4</b>	<b>1.9</b>
		<b>5,701.0</b>	<b>6,059.6</b>

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

[€ million]	Note	2011	2012
Sales	(13)	5,991.9	6,321.7
Cost of sales	(14)	-3,899.6	-4,186.2
<b>Gross profit</b>		<b>2,092.3</b>	<b>2,135.5</b>
Selling expenses		-923.3	-976.6
Administrative expenses		-479.7	-541.3
Research and development expenses	(15)	-201.6	-213.8
Other income	(16)	92.5	219.4
Other expenses	(17)	-63.5	-85.2
<b>Profit from operations</b>		<b>516.7</b>	<b>538.0</b>
Income from investments in associated companies		44.3	47.9
Other interest and similar income		13.1	14.5
Interest and similar expenses	(18)	-52.0	-41.2
Other investment result		0.4	8.2
<b>Financial result</b>		<b>5.8</b>	<b>29.4</b>
<b>Profit before income taxes</b>		<b>522.5</b>	<b>567.4</b>
Income taxes	(19)	-152.7	-134.7
<b>Consolidated profit</b>		<b>369.8</b>	<b>432.7</b>
Profit attributable to Freudenberg		331.6	397.3
Profit attributable to non-controlling interests	(20)	38.2	35.4

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

[€ million]	Note	2011	2012
<b>Consolidated profit</b>		<b>369.8</b>	<b>432.7</b>
<b>Other comprehensive income:</b>			
Exchange rate differences		56.8	-113.7
Changes in value of securities		-7.2	-0.5
Changes in value of derivative financial instruments		2.5	4.0
Share in other comprehensive income of associated companies consolidated by the equity method	(4)	-38.1	27.5
Miscellaneous comprehensive income		14.6	-3.9
Income tax relating to components of other comprehensive income		-3.0	-0.1
<b>Other comprehensive income for the year</b>		<b>25.6</b>	<b>-86.7</b>
<b>Total comprehensive income for the year</b>		<b>395.4</b>	<b>346.0</b>
Of which attributable to Freudenberg		350.5	313.1
Of which attributable to non-controlling interests		44.9	32.9

## CONSOLIDATED STATEMENT OF CASH FLOWS

[€ million]	Note	2011	2012
Profit before income taxes		522.5	567.4
Current income taxes		-140.6	-130.3
Depreciation, amortization and impairment losses on non-current assets less write-ups		244.6	274.1
Profit or loss on disposals of intangible, tangible and financial assets		-9.7	-135.3
Other expenditure and income not affecting payments		-35.4	-35.9
Changes in inventories, trade receivables and other assets		-208.5	-4.3
Changes in trade payables and other liabilities		47.3	-37.4
Changes in provisions		-40.0	33.9
<b>Cash flow from operating activities</b>	(21)	<b>380.2</b>	<b>532.2</b>
Cash inflow from disposals of tangible and intangible assets		43.1	28.0
Cash outflow from acquisitions of tangible and intangible assets		-305.9	-322.1
Cash inflow/outflow from investment properties		-0.6	0.0
Cash inflow from disposals of financial assets		7.6	5.5
Cash outflow from acquisitions of financial assets		-3.2	-16.7
Cash inflow/outflow from disposals/acquisition of consolidated companies		-3.1	-42.8
<b>Cash flow from investing activities</b>		<b>-262.1</b>	<b>-348.1</b>
Payments to shareholders/non-controlling interests		-69.6	-95.0
Cash inflow from the take-up/cash outflow from the repayment of financial debts		20.7	-70.2
Cash inflow from disposals of loans and securities held as non-current assets		2.3	11.2
Cash outflow from acquisitions of loans and securities held as non-current assets		-3.3	-17.3
<b>Cash flow from financing activities</b>		<b>-49.9</b>	<b>-171.3</b>
<b>Changes in cash and cash equivalents with effect on payments</b>		<b>68.2</b>	<b>12.8</b>
Changes in cash and cash equivalents from changes in consolidated group		11.7	9.1
Changes in cash and cash equivalents from exchange rate differences		-4.5	-1.7
<b>Cash and cash equivalents at beginning of year</b>		<b>641.4</b>	<b>716.8</b>
<b>Cash and cash equivalents at end of year</b>		<b>716.8</b>	<b>737.0</b>
<b>Securities and cash at bank and in hand</b>		<b>716.8</b>	<b>737.0</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

[€ million]	Subscribed capital	Capital reserves	Retained earnings	Equity without non-controlling interests	Non-controlling interests	Equity
<b>Status Jan. 1, 2011</b>	<b>450.0</b>	<b>50.2</b>	<b>1,490.3</b>	<b>1,990.5</b>	<b>279.5</b>	<b>2,270.0</b>
Consolidated profit			331.6	331.6	38.2	369.8
Appropriation of profit			-73.7	-73.7	-25.0	-98.7
Other comprehensive income			18.9	18.9	6.7	25.6
<b>Status Dec. 31, 2011</b>	<b>450.0</b>	<b>50.2</b>	<b>1,767.1</b>	<b>2,267.3</b>	<b>299.4</b>	<b>2,566.7</b>
Consolidated profit			397.3	397.3	35.4	432.7
Appropriation of profit			-76.0	-76.0	-19.0	-95.0
Other comprehensive income			-84.2	-84.2	-2.5	-86.7
<b>Status Dec. 31, 2012</b>	<b>450.0</b>	<b>50.2</b>	<b>2,004.2</b>	<b>2,504.4</b>	<b>313.3</b>	<b>2,817.7</b>

See also the explanatory remarks in Note (9) to the Consolidated Financial Statements.

## 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 medical technology and consumer goods.

The consolidated financial statements of Freudenberg Societas Europaea (hereafter Freudenberg SE), Weinheim, Germany, for 2012 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, 2012). Comparative figures for the previous financial year were based on the same principles.

Freudenberg SE 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.

In the 2012 financial year, only the application of the amended standard IFRS 7: Amendments to IFRS 7 - *Disclosures: Transfers of Financial Assets* was binding for the first time.

The application of this amended standard for the first time had no effect on 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 2012 financial year. The application of these standards, interpretations and amendments is subject to endorsement by the EU which, in some cases, is still pending.

Standards/Interpretations		Application binding from*	Endorsed by EU	Probable impact
IFRS 1	Amendment to IFRS 1 – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters	July 1, 2011	Yes**	None
	Amendment to IFRS 1 – Government Loans	January 1, 2013	No	None
IFRS 7	Amendment to IFRS 7 – Disclosures: Offsetting Financial Assets and Financial Liabilities	January 1, 2013	Yes	No significant impact
IFRS 7 and IFRS 9	Amendments to IFRS 7 and IFRS 9 – Mandatory Effective Date and Transition Disclosures	January 1, 2015	No	Additional disclosures required in notes in first year of application
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	Yes**	No significant impact
IFRS 11	Joint Arrangements	January 1, 2013	Yes**	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	Yes**	On the basis of the information currently available, more comprehensive disclosures will probably be required in the notes
IFRS 10, IFRS 11 and IFRS 12	Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition Guidance	January 1, 2013	No	Provisions facilitating transition to new consolidation rules
IFRS 13	Fair Value Measurement	January 1, 2013	Yes	No significant impact
IAS 1	Amendment to IAS 1 – Presentation of Items of Other Comprehensive Income	July 1, 2012	Yes	Separate presentation of items of other comprehensive income which are recycled or not recycled in the statement of profit or loss; no significant impact
IAS 12	Amendment to IAS 12 – Recovery of Underlying Assets	January 1, 2012	Yes**	None
IAS 19	Amendment to IAS 19 – Employee Benefits	January 1, 2013	Yes	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	Yes**	None
IAS 28	Investments in Associates and Joint Ventures	January 1, 2013	Yes**	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	Yes	No significant impact
IFRS 10, IFRS 12 and IAS 27	Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities	January 1, 2014	No	None
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013	Yes	None
Various standards	Improvements to IFRSs (issued May 2012)	January 1, 2013	No	No significant impact

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

\*\*The binding date of first application in accordance with the EU endorsement differs from the date of first application stated in the standard.

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

## Presentation of figures for the previous year

A corporate law restructuring of the Freudenberg group of companies took place in the 2012 financial year. In the course of the restructuring, the existing company Freudenberg Beteiligungs-AG was converted into a European public company, Freudenberg SE. Subsequently, the main assets and liabilities of Freudenberg & Co. Kommanditgesellschaft (hereafter Freudenberg & Co.) were spun off from Freudenberg & Co. and transferred to Freudenberg SE in the form of an increase in capital by a contribution in kind.

This was a transaction between companies under common control. For this reason, the previous book values of the assets and liabilities of Freudenberg & Co. were continued by Freudenberg SE. Figures for the previous year are stated on the basis of the published consolidated financial statements of Freudenberg & Co. as at December 31, 2011. In addition, the equity figures stated for the 2011 financial year already take into consideration the corporate law restructuring including the increase in capital from equity funds.

In the following table, the previous year figures from the consolidated statement of financial position of Freudenberg SE are compared with figures from the consolidated statement of financial position of Freudenberg & Co. as at December 31, 2011. Differences arise especially in connection with the consolidated groups used for the consolidated financial statements of Freudenberg SE, which do not include the Business Divisions Freudenberg Service Support and Freudenberg Insurance as these are not controlled by Freudenberg SE, and in connection with the presentation of equity.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

[€ million]	Freudenberg & Co. Dec. 31, 2011	Freudenberg SE Dec. 31, 2011
<b>ASSETS</b>		
Intangible assets	582.6	582.3
Tangible assets	1,626.6	1,604.1
Investment properties	22.3	22.3
Investments valued at equity	710.5	710.5
Other financial assets	84.7	87.1
Financial assets	795.2	797.6
Other non-current assets	60.8	60.7
Deferred taxes	68.1	68.2
<b>Non-current assets</b>	<b>3,155.6</b>	<b>3,135.2</b>
Inventories	771.6	770.2
Trade receivables	926.6	923.2
Other current assets	135.0	134.2
Current receivables	1,061.6	1,057.4
Current tax assets	14.4	14.3
Securities and cash at bank and in hand	724.0	716.8
<b>Current assets</b>	<b>2,571.6</b>	<b>2,558.7</b>
<b>Non-current assets held for sale and disposal groups</b>	<b>7.1</b>	<b>7.1</b>
	<b>5,734.3</b>	<b>5,701.0</b>
<b>EQUITY AND LIABILITIES</b>		
Subscribed capital*	450.0	450.0
Reserves	2,092.0	1,817.3
<b>Equity without non-controlling interests</b>	<b>2,542.0</b>	<b>2,267.3</b>
Non-controlling interests	299.4	299.4
<b>Equity</b>	<b>2,841.4</b>	<b>2,566.7</b>
Provisions for pensions	412.1	322.8
Other long-term provisions	97.6	92.1
Long-term provisions	509.7	414.9
Financial debt	697.5	828.3
Other non-current liabilities	62.3	59.7
Liabilities	759.8	888.0
Deferred taxes	134.8	134.5
<b>Non-current liabilities</b>	<b>1,404.3</b>	<b>1,437.4</b>
Other current provisions	328.8	314.9
Current tax liabilities	77.6	74.4
Financial debt	285.5	505.9
Trade payables	550.0	546.3
Other current liabilities	246.3	255.0
Liabilities	1,081.8	1,307.2
<b>Current liabilities</b>	<b>1,488.2</b>	<b>1,696.5</b>
<b>Liabilities in connection with non-current assets held for sale and disposal groups</b>	<b>0.4</b>	<b>0.4</b>
	<b>5,734.3</b>	<b>5,701.0</b>

\* Partners' capital in the case of Freudenberg & Co.

There are differences between the previous year's figures in the consolidated statements of profit or loss of Freudenberg SE and Freudenberg & Co. as at December 31, 2011. This especially concerns sales and cost of sales which are €14.6 million and €7.9 million respectively lower in the consolidated statement of profit or loss of Freudenberg SE as a result of differences in the consolidated group. For the same reason, administrative expenses are €18.9 million lower.

### Consolidated group

Apart from Freudenberg SE, 77 (previous year: 83) German and 316 (previous year: 325) foreign companies in which Freudenberg SE directly or indirectly holds a majority of the voting rights or the financial and business policy of which Freudenberg SE has the right to determine in accordance with articles of association, statutes or contracts are **fully consolidated** in the consolidated financial statements.

In addition, eight (previous year: one) German and 60 (previous year: 26) foreign companies have been consolidated by the **pro-rata method**.

In accordance with the stipulations concerning **associated companies**, 14 (previous year: 12) foreign companies are shown in the consolidated financial statements.

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

In the year under review, eight companies were included in the consolidated financial statements as fully consolidated affiliates for the first time. 23 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 Freudenberg SE started to exercise financial control.

MedVenture Technology Corporation of Jefferson, USA, became part of the Freudenberg Group with effect from November 1, 2012. This step further expanded the strategic business sector of medical technology.

The TrelleborgVibracoustic joint venture with Trelleborg AB, Trelleborg, Sweden, which groups together Trelleborg Antivibration Solutions and the Vibracoustic Business Group, was established on July 2, 2012. Trelleborg AB and Freudenberg SE each hold a 50 percent stake in the joint venture. The purpose of this transaction was to further strengthen activities in the automotive sector.

The Freudenberg Group has also acquired a 50 percent stake in the Schneegans Group of Emmerich am Rhein. This transaction heralds Freudenberg's entry to the high-technology segment of thermopolymers.

In 2012, the balance of the amount expended on acquisition activities and the amount received as a result of disinvestment activities was €42.8 million (previous year: €3.1 million).

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

[€ million]	Dec. 31, 2011	Dec. 31, 2012
Non-current assets	35.3	203.2
Current assets	21.8	51.5
Non-current liabilities	9.6	37.2
Current liabilities	13.4	223.3
Sales	15.2	48.0

In the financial year, the TrelleborgVibracoustic Group was included in the consolidated financial statements for the first time, with sales of €396.3 million and a balance sheet total of €477.7 million.

## 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 SE and the consolidated companies. All the annual accounts concerned were drawn up as at December 31, 2012.

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 statement of profit or loss.

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.

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.
- Statement of profit or loss 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, 2011	Dec. 31, 2012	2011	2012
Argentina	ARS	5.5670	6.4742	5.7959	5.9082
Brazil	BRL	2.4158	2.6953	2.3343	2.5288
India	INR	68.9828	72.2231	65.5838	69.0521
Japan	JPY	100.1168	113.6111	111.2940	103.4110
Singapore	SGD	1.6813	1.6116	1.7543	1.6072
USA	USD	1.2938	1.3183	1.3996	1.2918

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 profit or loss and other comprehensive income with respect to equity.

## (1) Intangible assets

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

[€ million]	Concessions and licenses	Goodwill	Payments made on account	Total
<b>ACQUISITION/PRODUCTION COST</b>				
<b>Status Jan. 1, 2011</b>	<b>441.4</b>	<b>372.8</b>	<b>4.2</b>	<b>818.4</b>
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
<b>Status Dec. 31, 2011</b>	<b>468.9</b>	<b>389.3</b>	<b>13.8</b>	<b>872.0</b>
<b>AMORTIZATION</b>				
<b>Status Jan. 1, 2011</b>	<b>226.8</b>	<b>26.1</b>	<b>0.0</b>	<b>252.9</b>
Changes in consolidated group	3.8	0.0	0.0	3.8
Exchange rate differences	1.6	0.8	0.0	2.4
Additions – systematic	38.7	0.0	0.0	38.7
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
<b>Status Dec. 31, 2011</b>	<b>262.8</b>	<b>26.9</b>	<b>0.0</b>	<b>289.7</b>
<b>Book value Dec. 31, 2011</b>	<b>206.1</b>	<b>362.4</b>	<b>13.8</b>	<b>582.3</b>
Book value Dec. 31, 2010	214.6	346.7	4.2	565.5

Changes in intangible assets from January 1 to December 31, 2012

[€ million]	Concessions and licenses	Goodwill	Payments made on account	Total
<b>ACQUISITION/PRODUCTION COST</b>				
<b>Status Jan. 1, 2012</b>	<b>468.9</b>	<b>389.3</b>	<b>13.8</b>	<b>872.0</b>
Changes in consolidated group	101.4	110.0	0.1	211.5
Exchange rate differences	-7.9	-4.2	0.0	-12.1
Additions	17.7	0.0	1.5	19.2
Write-ups/revaluations	0.0	0.0	0.0	0.0
Disposals	-10.3	-1.5	0.0	-11.8
Reclassifications	17.6	0.0	-14.9	2.7
<b>Status Dec. 31, 2012</b>	<b>587.4</b>	<b>493.6</b>	<b>0.5</b>	<b>1,081.5</b>
<b>AMORTIZATION</b>				
<b>Status Jan. 1, 2012</b>	<b>262.8</b>	<b>26.9</b>	<b>0.0</b>	<b>289.7</b>
Changes in consolidated group	3.6	0.0	0.0	3.6
Exchange rate differences	-3.5	-0.1	0.0	-3.6
Additions – systematic	49.1	0.0	0.0	49.1
Impairment losses	0.0	0.0	0.0	0.0
Write-ups/revaluations	0.0	0.0	0.0	0.0
Disposals	-7.8	0.0	0.0	-7.8
Reclassifications	0.0	0.0	0.0	0.0
<b>Status Dec. 31, 2012</b>	<b>304.2</b>	<b>26.8</b>	<b>0.0</b>	<b>331.0</b>
<b>Book value Dec. 31, 2012</b>	<b>283.2</b>	<b>466.8</b>	<b>0.5</b>	<b>750.5</b>
Book value Dec. 31, 2011	206.1	362.4	13.8	582.3

Goodwill was subjected to an impairment test as at December 31, 2012. The basic assumptions used for determining the value in use of the cash generating units included a growth rate of 2.0 percent (previous year: 2.0 percent) and the WACCs ranging from 6.0 per cent to 9.0 per cent (previous year: ranging from 6.8 per cent to 9.5 per cent). On this basis, no impairment loss was identified.

There is also no need to record an impairment loss on goodwill in the event of a variation of up to plus/minus 2.0 percentage points in the discount rate.

## (2) Tangible assets

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
<b>ACQUISITION/PRODUCTION COST</b>						
<b>Status Jan. 1, 2011</b>	<b>963.8</b>	<b>2,200.4</b>	<b>798.3</b>	<b>15.0</b>	<b>54.9</b>	<b>4,032.4</b>
Changes in consolidated group	12.5	0.0	3.7	0.0	0.0	16.2
Exchange rate differences	6.3	4.8	0.8	0.0	0.3	12.2
Additions	21.0	81.4	63.8	32.5	76.9	275.6
Write-ups/revaluations	0.0	0.2	0.0	0.0	0.0	0.2
Disposals	-21.8	-83.7	-42.4	-4.2	-1.7	-153.8
Reclassifications	11.0	33.5	12.6	-15.3	-42.7	-0.9
<b>Status Dec. 31, 2011</b>	<b>992.8</b>	<b>2,236.6</b>	<b>836.8</b>	<b>28.0</b>	<b>87.7</b>	<b>4,181.9</b>
<b>DEPRECIATION</b>						
<b>Status Jan. 1, 2011</b>	<b>431.0</b>	<b>1,465.7</b>	<b>579.5</b>	<b>0.0</b>	<b>0.2</b>	<b>2,476.4</b>
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	111.4	70.9	0.0	0.0	210.7
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	-38.3	0.0	0.0	-120.5
Reclassifications	0.7	-0.6	0.3	0.0	0.0	0.4
<b>Status Dec. 31, 2011</b>	<b>447.8</b>	<b>1,512.2</b>	<b>617.4</b>	<b>0.0</b>	<b>0.4</b>	<b>2,577.8</b>
<b>Book value Dec. 31, 2011</b>	<b>545.0</b>	<b>724.4</b>	<b>219.4</b>	<b>28.0</b>	<b>87.3</b>	<b>1,604.1</b>
Book value Dec. 31, 2010	532.8	734.7	218.8	15.0	54.7	1,556.0

## Changes in tangible assets from January 1 to December 31, 2012

[€ million]	Land and buildings	Machinery and equipment	Other fixtures, fittings and office equipment	Payments made on account	Work in progress	Total
<b>ACQUISITION/PRODUCTION COST</b>						
<b>Status Jan. 1, 2012</b>	<b>992.8</b>	<b>2,236.6</b>	<b>836.8</b>	<b>28.0</b>	<b>87.7</b>	<b>4,181.9</b>
Changes in consolidated group	25.6	25.3	-74.9	5.1	-1.3	-20.2
Exchange rate differences	-8.3	-19.3	-4.5	0.0	-1.0	-33.1
Additions	23.2	75.6	59.5	25.5	119.2	303.0
Write-ups/revaluations	0.0	0.0	0.7	0.0	0.0	0.7
Disposals	-14.6	-68.4	-42.9	-1.1	-4.4	-131.4
Reclassifications	27.3	73.9	28.5	-33.7	-98.3	-2.3
<b>Status Dec. 31, 2012</b>	<b>1,046.0</b>	<b>2,323.7</b>	<b>803.2</b>	<b>23.8</b>	<b>101.9</b>	<b>4,298.6</b>
<b>DEPRECIATION</b>						
<b>Status Jan. 1, 2012</b>	<b>447.8</b>	<b>1,512.2</b>	<b>617.4</b>	<b>0.0</b>	<b>0.4</b>	<b>2,577.8</b>
Changes in consolidated group	12.1	34.8	-54.7	0.0	0.0	-7.8
Exchange rate differences	-5.3	-14.6	-3.5	0.0	0.0	-23.4
Additions – systematic	29.6	116.7	75.4	0.0	0.0	221.7
Impairment losses	0.0	2.5	0.1	0.0	0.0	2.6
Write-ups/revaluations	0.0	-0.8	0.4	0.0	0.0	-0.4
Disposals	-6.3	-55.9	-39.7	0.0	0.0	-101.9
Reclassifications	0.9	1.4	-2.5	0.0	0.0	-0.2
<b>Status Dec. 31, 2012</b>	<b>478.8</b>	<b>1,596.3</b>	<b>592.9</b>	<b>0.0</b>	<b>0.4</b>	<b>2,668.4</b>
<b>Book value Dec. 31, 2012</b>	<b>567.2</b>	<b>727.4</b>	<b>210.3</b>	<b>23.8</b>	<b>101.5</b>	<b>1,630.2</b>
Book value Dec. 31, 2011	545.0	724.4	219.4	28.0	87.3	1,604.1

In the financial year under review, Freudenberg received government grants for tangible assets in the amount of €1.0 million (previous year: €0.0 million). The grants 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, 2011	Dec. 31, 2012
Intangible assets	0.7	0.5
Land and buildings	9.2	3.6
Machinery and equipment	0.4	0.4
Other fixtures, fittings and office equipment	0.8	3.8
<b>Book value of leased assets recognized</b>	<b>11.1</b>	<b>8.3</b>

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, 2011	Up to 1 year	1 to 5 years	Over 5 years	Dec. 31, 2012
<b>Finance leases</b>								
Minimum lease payments	0.8	1.1	0.0	1.9	2.4	3.3	0.0	5.7
Discount	0.0	0.1	0.0	0.1	0.1	0.2	0.0	0.3
Present value	0.8	1.0	0.0	1.8	2.3	3.1	0.0	5.4
<b>Operating leases</b>								
Minimum lease payments	57.9	99.9	37.9	195.7	66.4	118.4	51.4	236.2

Lease payments totaling €83.7 million (previous year: €78.1 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
<b>2011</b>	100 %	3.8	0.4
<b>2012</b>	100 %	3.8	0.0

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, 2011

[€ million]

**ACQUISITION/PRODUCTION COST**

<b>Status Jan. 1, 2011</b>	<b>47.3</b>
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
<b>Status Dec. 31, 2011</b>	<b>48.2</b>

**DEPRECIATION**

<b>Status Jan. 1, 2011</b>	<b>24.3</b>
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
<b>Status Dec. 31, 2011</b>	<b>25.9</b>

<b>Book value Dec. 31, 2011</b>	<b>22.3</b>
Book value Dec. 31, 2010	23.0

Changes in investment properties from January 1 to December 31, 2012

[€ million]	
<b>ACQUISITION/PRODUCTION COST</b>	
<b>Status Jan. 1, 2012</b>	<b>48.2</b>
Changes in consolidated group	0.0
Exchange rate differences	0.0
Additions	0.0
Write-ups/revaluations	0.0
Disposals	0.0
Reclassifications	0.0
<b>Status Dec. 31, 2012</b>	<b>48.2</b>
<b>DEPRECIATION</b>	
<b>Status Jan. 1, 2012</b>	<b>25.9</b>
Changes in consolidated group	0.0
Exchange rate differences	0.0
Additions – systematic	1.5
Impairment losses	0.0
Write-ups/revaluations	0.0
Disposals	0.0
Reclassifications	0.0
<b>Status Dec. 31, 2012</b>	<b>27.4</b>
<b>Book value Dec. 31, 2012</b>	<b>20.8</b>
Book value Dec. 31, 2011	22.3

The fair value of investment properties is €37.1 million (previous year: €32.1 million).

#### (4) Investments valued at equity

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

[€ million]	2011	2012
<b>Status Jan. 1</b>	<b>656.4</b>	<b>710.5</b>
Pro-rata share of profit	44.3	47.9
Dividends	-10.0	-14.9
Exchange rate effects	58.1	-85.8
Value changes without impact on profit or loss	-38.1	27.5
Other changes	-0.2	4.1
<b>Status Dec. 31</b>	<b>710.5</b>	<b>689.3</b>

The figures last published by the two most significant associated companies in their consolidated annual reports, as at March 31, 2011 and March 31, 2012, were as follows:

<b>March 31, 2011</b> [¥ million]	<b>Sales</b>	<b>Net income</b>	<b>Assets</b>	<b>Liabilities</b>
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

<b>March 31, 2012</b> [¥ million]	<b>Sales</b>	<b>Net income</b>	<b>Assets</b>	<b>Liabilities</b>
NOK Corporation, Tokyo, Japan	495,251	16,016	529,431	257,257
Japan Vilene Company Ltd., Tokyo, Japan	44,004	1,374	51,388	22,682

These associated companies were consolidated on the basis of their interim financial statements as at December 31, 2012.

As at December 31, 2012, the market values of the shareholdings were €511.8 million (¥58,146.1 million) (previous year: €574.3 million; ¥57,494.3 million) for NOK Corporation and €52.8 million (¥5,993.1 million) (previous year: €54.4 million; ¥5,443.7 million) for Japan Vilene Company Ltd.

**(5) Inventories**

Inventories break down as follows:

[€ million]	Dec. 31, 2011	Dec. 31, 2012
Raw materials and consumables	239.6	227.5
Work in progress	96.1	101.9
Finished goods and merchandise	431.8	397.1
Payments made on account	2.7	4.0
	<b>770.2</b>	<b>730.5</b>

Inventories fell by €39.7 million compared with the previous year, chiefly as a result of adaptation to falling market demand. After eliminating the effects of changes in the consolidated group and exchange rate effects, inventories fell by about 5 percent .

Write-downs of inventories totaling €22.9 million (previous year: €31.3 million) were recognized as expenses in the reporting year.

Write-ups totaling €8.5 million (previous year: €7.8 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, 2011	Residual term up to 1 year	Residual term more than 1 year	Dec. 31, 2012
Trade receivables	923.2	0.0	923.2	936.3	0.0	936.3
Other assets	134.2	60.7	194.9	225.1	86.1	311.2
	<b>1,057.4</b>	<b>60.7</b>	<b>1,118.1</b>	<b>1,161.4</b>	<b>86.1</b>	<b>1,247.5</b>

Trade receivables increased at a lower rate than sales, at about only 1 percent.

The other assets include pension plan assets in excess of the corresponding pension obligations in the amount of €59.6 million (previous year: €39.6 million).

The other assets also include tax receivables in the amount of €45.4 million (previous year: €47.2 million) and liability insurance claims totaling €6.5 million (previous year: €6.5 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, 2011	Dec. 31, 2012
Securities	85.1	96.2
Checks and cash in hand	7.1	7.1
Cash at banks	624.6	633.7
	<b>716.8</b>	<b>737.0</b>

The securities mainly concern commercial papers issued by industrial companies.

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

In the reporting year, this item includes assets and liabilities in connection with the sale of business with dust caps for double universal joints and bellows for use in the automotive sector, owned by the TrelleborgVibracoustic joint venture. This item also includes land in Berlin, Germany.

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

[€ million]	Dec. 31, 2011	Dec. 31, 2012
Intangible and tangible assets	7.1	10.4
Inventories	0.0	1.1
Trade receivables	0.0	2.8
Other assets	0.0	3.1
<b>Non-current assets held for sale</b>	<b>7.1</b>	<b>17.4</b>
Provisions for pensions	0.0	0.2
Trade payables	0.0	0.8
Other liabilities	0.4	0.9
<b>Liabilities in connection with non-current assets held for sale</b>	<b>0.4</b>	<b>1.9</b>

## (9) Equity

The subscribed capital in the amount of €450.0 million (previous year: €450.0 million) consists of 450 million no-par-value registered shares. The sole shareholder of Freudenberg SE is Freudenberg & Co. For further explanations, please refer to the presentation of the previous year's figures.

The **reserves** break down as follows:

[€ million]	Dec. 31, 2011	Dec. 31, 2012
Capital reserves	50.2	50.2
Retained earnings	1,767.1	2,004.2
	<b>1,817.3</b>	<b>2,054.4</b>

The capital reserves consist of contributions in kind made by the shareholder.

The retained earnings include net income earned by the Group in the past and not distributed as well as reserves of companies included in the consolidated financial statements including expenses and income recorded without effect on profit or loss.

The Board of Management proposes that the 2012 net retained profit in the amount of €592.9 million should be carried forward to new account.

In the reporting year, exchange rate differences in the amount of €2.6 million which had previously been recorded without an effect on net income were recognized in the statement of profit or loss. In the previous year, no amounts which had been recognized without an effect on net income were reclassified to the statement of profit or loss.

Tax effects in connection with income (+) and expenses (-) recorded without an effect on net income in 2012 break down as follows:

[€ million]	Dec. 31, 2011	Dec. 31, 2012
Derivative financial instruments	-0.5	0.4
Securities and other items	0.3	0.0

## Non-controlling interests

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

The rise in non-controlling interests from €299.4 million to €313.3 million is mainly the result of the allocation of profit for the year. These effects were offset by dividend payments and exchange rate differences.

## (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 €64.6 million in 2012 (previous year: €62.2 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, 2011	Dec. 31, 2012
Discount rate	5.25 %	3.30 %
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, 2011	Dec. 31, 2012
Discount rate	4.4 % - 5.6 %	3.3 % - 5.1 %
Salary trend	2.5 % - 3.6 %	3.3 % - 3.3 %
Pension trend	2.0 % - 3.1 %	2.0 % - 3.1 %
Expected return on plan assets	3.5 % - 7.0 %	4.9 % - 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, 2011	Dec. 31, 2012
Provisions for pensions	322.8	331.2
Other assets	39.6	59.6
<b>Net pension obligations</b>	<b>283.2</b>	<b>271.6</b>

Net pension obligations are calculated as follows:

[€ million]	Dec. 31, 2011	Dec. 31, 2012
Present value of funded defined benefit obligations	267.5	291.9
Fair value of plan assets	-244.0	-280.9
<b>Deficit</b>	<b>23.5</b>	<b>11.0</b>
Present value of unfunded defined benefit obligations	346.4	460.5
Unrecognized actuarial gains/losses	-87.3	-199.9
Unrecognized past service cost	0.6	0.0
<b>Net pension obligations</b>	<b>283.2</b>	<b>271.6</b>

Pension expenses consist of the following components:

[€ million]	Dec. 31, 2011	Dec. 31, 2012
Current service cost	6.8	7.4
Interest cost	30.1	30.0
Expected return on plan assets	-14.9	-14.6
Net actuarial gains/losses recognized	3.7	5.5
Past service cost	0.0	0.8
Gain/loss on curtailment and settlement	-1.2	-0.5
<b>Total pension expenses</b>	<b>24.5</b>	<b>28.6</b>

Pension expenses are included in the personnel expenses allocated to the appropriate functional areas of the statement of profit or loss.

The actual return on pension plan assets was €21.4 million (previous year: €15.0 million).

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

[€ million]	Dec. 31, 2011	Dec. 31, 2012
<b>Present value of defined benefit obligations, Jan. 1</b>	<b>591.8</b>	<b>613.9</b>
Current service cost	6.8	7.4
Interest cost	30.1	30.0
Actuarial gains (-) and losses (+)	9.7	127.7
Past service cost	0.0	0.8
Contributions by plan participants	0.6	0.3
Liabilities extinguished on settlements	-2.5	-3.2
Benefits paid	-29.1	-32.3
Reclassifications/other changes	-1.1	7.1
Exchange rate differences	7.6	0.7
<b>Present value of defined benefit obligations, Dec. 31</b>	<b>613.9</b>	<b>752.4</b>

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

[€ million]	Dec. 31, 2011	Dec. 31, 2012
<b>Fair value of plan assets, Jan. 1</b>	<b>228.3</b>	<b>244.0</b>
Expected return on plan assets	14.9	14.6
Actuarial gains (+) and losses (-)	0.1	6.8
Contributions by employer	8.0	24.4
Contributions by plan participants	0.6	0.3
Liabilities extinguished on settlements	-2.3	-2.7
Benefits paid	-11.6	-13.8
Reclassifications/other changes	-0.5	5.7
Exchange rate differences	6.5	1.6
<b>Fair value of plan assets, Dec. 31</b>	<b>244.0</b>	<b>280.9</b>

The fair value of plan assets is distributed as follows:

[€ million]	Dec. 31, 2011	Dec. 31, 2012
Equity instruments	93.5	108.8
Interest-bearing securities	142.6	155.9
Other assets	7.9	16.2
	<b>244.0</b>	<b>280.9</b>

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]	2008	2009	2010	2011	2012
Present value of defined benefit obligations	553.1	624.8	693.4	613.9	752.4
Fair value of plan assets	-173.1	-191.3	-228.3	-244.0	-280.9
Funded status	380.0	433.5	465.1	369.9	471.5

In 2013, contributions in the amount of €11.7 million (previous year: €13.5 million) will probably be made to the pension fund.

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

[€ million]	2008	2009	2010	2011	2012
Gain (+)/loss (-)	2.6	-4.4	6.9	-8.6	3.9

The deviation between actual return and expected return on plan assets was €6.8 million in 2012 (previous year: €0.1 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
<b>Status Jan. 1, 2012</b>	<b>239.3</b>	<b>37.6</b>	<b>19.7</b>	<b>110.4</b>	<b>407.0</b>
Increases	179.2	17.1	19.7	85.9	301.9
Unwinding of discount and effect of change in discount rate	-0.1	0.0	0.0	0.1	0.0
Amounts used	-146.2	-14.1	-15.8	-53.6	-229.7
Reversal	-13.7	-8.4	-2.0	-17.1	-41.2
Exchange rate differences	-1.4	-0.1	-0.3	-1.7	-3.5
Other changes	-7.9	-0.8	-0.2	-2.1	-11.0
<b>Status Dec. 31, 2012</b>	<b>249.2</b>	<b>31.3</b>	<b>21.1</b>	<b>121.9</b>	<b>423.5</b>
<b>Of which long-term</b>	<b>76.0</b>	<b>2.4</b>	<b>0.8</b>	<b>19.2</b>	<b>98.4</b>
<b>Of which short-term</b>	<b>173.2</b>	<b>28.9</b>	<b>20.3</b>	<b>102.7</b>	<b>325.1</b>
Reimbursement claims connected with provisions and shown in the statement of financial position under other assets	0.9	0.0	0.0	1.7	2.6

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, restructuring, advertising and environmental protection.

## (12) Liabilities

[€ million]	Residual term up to 1 year	Residual term 1 to 5 years	Residual term more than 5 years	Dec. 31, 2011	Residual term up to 1 year	Residual term 1 to 5 years	Residual term more than 5 years	Dec. 31, 2012
Liabilities to banks (= financial debt)	39.7	290.1	20.6	350.4	331.5	10.9	23.2	365.6
Other financial debt, including leasing	6.0	1.0	0.0	7.0	55.7	10.4	0.1	66.2
Shareholder's loans	330.0	398.8	0.0	728.8	320.0	300.0	0.0	620.0
Accounts of Freudenberg & Co. Partners	130.2	117.8	0.0	248.0	161.5	144.5	0.0	306.0
<b>Financial debt</b>	<b>505.9</b>	<b>807.7</b>	<b>20.6</b>	<b>1,334.2</b>	<b>868.7</b>	<b>465.8</b>	<b>23.3</b>	<b>1,357.8</b>
<b>Trade payables</b>	<b>546.3</b>	<b>0.0</b>	<b>0.0</b>	<b>546.3</b>	<b>529.7</b>	<b>0.0</b>	<b>0.0</b>	<b>529.7</b>
Advance payments received on orders	12.9	0.0	0.0	12.9	12.2	0.0	0.0	12.2
Miscellaneous liabilities	242.1	55.2	4.5	301.8	252.2	66.8	2.1	321.1
<b>Other liabilities</b>	<b>255.0</b>	<b>55.2</b>	<b>4.5</b>	<b>314.7</b>	<b>264.4</b>	<b>66.8</b>	<b>2.1</b>	<b>333.3</b>
	<b>1,307.2</b>	<b>862.9</b>	<b>25.1</b>	<b>2,195.2</b>	<b>1,662.8</b>	<b>532.6</b>	<b>25.4</b>	<b>2,220.8</b>

The average interest rate on long-term liabilities to banks was 1.92 percent (previous year: 3.28 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 will probably be as follows in 2013:

[€ million]	Book value	Cash flows	
	Dec. 31, 2011	2012	2013
Certificates of indebtedness	267.5	9.0	274.3
	Dec. 31, 2012	2013	
Certificates of indebtedness	267.5	272.5	

Apart from short-term bills of exchange and liabilities in connection with finance leasing, the other financial debt for the 2012 financial year includes loans to companies of the Trelleborg Group.

Interest on liabilities in connection with finance leases is currently payable at an average rate of 4.0 percent (previous year: 5.3 percent). Further details are given in the information on finance leases under note (2).

Interest on shareholder’s loans is payable at a rate between 1.30 percent and 4.15 percent.

The interest rates applicable to accounts of Freudenberg & Co. Partners vary between 1.0 percent and 5.5 percent (previous year: between 1.0 percent and 3.1 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, as well as liabilities in connection with social security.

## Contingent liabilities and other financial commitments

[€ million]	Dec. 31, 2011	Dec. 31, 2012
<b>Contingent liabilities</b>		
Liabilities in connection with notes	8.5	7.6
Liabilities in connection with guarantees	17.8	17.7
Liabilities in connection with warranty agreements	0.1	0.2
Miscellaneous contingent liabilities	2.6	6.8
	<b>29.0</b>	<b>32.3</b>
<b>Other financial commitments</b>		
Commitments arising from leasing contracts*	195.7	236.2
Purchase commitments connected with tangible assets	25.8	37.9
Purchase commitments connected with the delivery of goods and services	68.5	59.0
Miscellaneous commitments	4.4	3.7
	<b>294.4</b>	<b>336.8</b>

\* 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 unambiguously 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 statement of profit or loss with an effect on net income.

[€ 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
<b>ASSETS</b>					
Other financial assets	9.4	14.4	63.3		87.1
Trade receivables	923.2				923.2
Other assets	79.9				79.9
Securities and cash at bank and in hand	716.8				716.8
	<b>1,729.3</b>	<b>14.4</b>	<b>63.3</b>		<b>1,807.0</b>
<b>LIABILITIES</b>					
Financial debts				1,334.2	1,334.2
Trade payables				546.3	546.3
Other liabilities				144.9	144.9
				<b>2,025.4</b>	<b>2,025.4</b>

[€ 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, 2012
<b>ASSETS</b>					
Other financial assets	17.9	13.9	73.4		105.2
Trade receivables	936.3				936.3
Other assets	170.9				170.9
Securities and cash at bank and in hand	737.0				737.0
	<b>1,862.1</b>	<b>13.9</b>	<b>73.4</b>		<b>1,949.4</b>
<b>LIABILITIES</b>					
Financial debts				1,357.8	1,357.8
Trade payables				529.7	529.7
Other liabilities				140.2	140.2
				<b>2,027.7</b>	<b>2,027.7</b>

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 €13.9 million (previous year: €14.4 million) were determined on the basis of active markets for identical assets.

## Credit risks

[€ 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	923.2	751.3	116.1	20.0	6.3	5.4	3.4
Other assets	79.9	72.8	1.9	0.9	0.1	0.2	3.7

[€ million]	Book value at Dec. 31, 2012	Thereof: neither past due nor impaired as at Dec. 31, 2012	Thereof: not impaired as at Dec. 31, 2012 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	936.3	749.8	135.3	22.1	6.4	3.2	2.6
Other assets	170.9	161.5	2.3	0.0	0.3	0.1	5.4

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]	2011	2012
<b>Impairment losses as at Jan. 1</b>	<b>21.6</b>	<b>21.6</b>
Changes in consolidated group	0.0	-0.8
Exchange rate differences	-0.2	-0.1
Additions (expenses for impairments)	7.7	7.9
Amounts used	-4.2	-3.9
Reversals (write-ups)	-3.3	-5.0
<b>Impairment losses as at Dec. 31</b>	<b>21.6</b>	<b>19.7</b>

Impairment losses to other assets developed as follows:

[€ million]	2011	2012
<b>Impairment losses as at Jan. 1</b>	<b>1.8</b>	<b>1.8</b>
Exchange rate differences	0.0	0.0
Additions (expenses for impairments)	0.0	0.0
Amounts used	0.0	0.0
Reversals (write-ups)	0.0	0.0
<b>Impairment losses as at Dec. 31</b>	<b>1.8</b>	<b>1.8</b>

In the year under review, impairment losses to receivables totaling €5.0 million (previous year: €3.3 million) were reversed as the reason for the impairment no longer applied and impairment losses in the amount of €7.9 million (previous year: €7.7 million) were set up. These impairment losses were recognized where payments were no longer expected or no longer expected in full.

## Derivative financial instruments

Freudenberg SE is responsible for all the financing activities of the Freudenberg Group and also operates the cash management system for the entire Freudenberg group of companies. 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 SE.

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. The Freudenberg Group 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 SE 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 statement of profit or loss. 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 statement of profit or loss when the underlying transactions concerned are effected. Ineffective portions of hedge transactions are always recognized in the statement of profit or loss.

The face value of derivatives entered into for interest rate hedging (long-term interest rate swaps) was €190.8 million (previous year: €191.4 million). As at December 31, 2012, the negative net fair value of the interest rate swaps was €6.1 million (previous year: €9.9 million). These derivatives were used for hedging rising interest rates and the cash flow risk of variable interest payables.

As at December 31, 2012, the face value of currency futures concluded for hedging foreign exchange risks and still open was €101.2 million (previous year: €1.8 million). The positive fair value of these instruments as at December 31, 2012 was €0.4 million (previous year: €0.1 million).

Of the total volume of derivatives, 65.3 percent (previous year: 98.8 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, 2011	Dec. 31, 2012
<b>Other assets</b>		
Currency futures	0.1	0.4
<b>Other liabilities</b>		
Interest rate swaps	9.9	6.1

The value changes (gains) in the case of interest rate swaps and currency futures (cash flow hedges), amounting to €4.0 million (previous year: €2.5 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 fair values of derivative financial instruments were determined on the basis of recognized market information systems or discounted cash flows, in the amount of €-5.7 million (previous year: €-9.8 million), for identical assets and liabilities.

### Risks in connection with financial instruments

The Freudenberg Group 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 Freudenberg 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, 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, 2012, equity would have been €1.0 million (previous year: €2.9 million) higher. If the average market interest rate had been one percentage point lower as of December 31, 2012, equity would have been €1.0 million (previous year: €3.0 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, 2012, the profit before income taxes would have been €5.5 million (previous year: €6.0 million) lower. If the value of the euro against major currencies (USD, GBP and JPY) had been 10.0 percent lower as of December 31, 2012, the profit before income taxes would have been €6.8 million (previous year: €14.5 million) higher.

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 Freudenberg'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 SE only concludes derivative financial instruments with national and international banks of at least investment grade rating. Credit risks are largely eliminated by distributing hedges between several banks.

## NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

### **(13) Sales**

Sales include revenue from the sale of goods amounting to €6,131.3 million (previous year: €5,843.9 million), services in the amount of €113.5 million (previous year: €86.4 million) and licenses in the amount of €35.0 million (previous year: €38.9 million). Other sales totaled €41.9 million (previous year: €22.7 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 occurring in the course of development projects.

### **(16) Other income**

Other income mainly includes income from disposals of financial assets, especially in connection with the disposal of the Vibracoustic Business Group, income from secondary business and income from disposals of non-current assets. Following the offsetting of exchange rate losses, the net exchange rate gain was €2.9 million (previous year: net exchange rate loss of €2.1 million).

### **(17) Other expenses**

Among other items, other expenses include losses on disposals of non-current assets and financial assets. Exchange rate losses were offset against exchange rate gains.

### **(18) Interest and similar expenses**

Interest expenses include interest on shareholder's loans and interest payable to the Partners of Freudenberg & Co. totaling €29.5 million (previous year: €27.6 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 Freudenberg 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]	2011	2012
Current taxes related to the reporting period	- 135.5	- 139.4
Current taxes related to prior periods	- 5.1	9.1
Deferred taxes	- 12.1	- 4.4
	<b>- 152.7</b>	<b>- 134.7</b>

In the course of the corporate law restructuring which took place during the 2012 financial year, new group structures were created. As a result, the profits of the German partnerships were also subject to corporation tax (plus solidarity surcharge).

The amount of deferred tax income related to changes in tax rates was €0.1 million (previous year: €0.6 million).

In the reporting year, deferred taxes related to transactions recognized directly under equity resulted in an increase in equity of €0.4 million (previous year: reduction in equity of €0.5 million).

As of December 31, 2012, tax losses carried forward amounted to €383.4 million (previous year: €334.8 million). Deferred tax assets were recognized in respect of tax losses carried forward totaling €19.8 million (previous year: €22.4 million). Deferred tax assets were not recognized in respect of tax losses carried forward with a total amount of €363.6 million (previous year: €312.4 million) as it is not expected that these losses will be usable.

In the reporting year, tax losses carried forward totaling €5.3 million (previous year: €24.1 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, 2011	Deferred tax liabilities Dec. 31, 2011	Deferred tax assets Dec. 31, 2012	Deferred tax liabilities Dec. 31, 2012
Intangible assets	5.6	52.8	7.3	82.5
Tangible assets	8.3	90.7	8.3	119.0
Financial assets	0.4	0.4	0.3	0.3
Inventories	18.5	1.0	25.8	1.0
Receivables	7.7	14.0	8.0	20.5
Other assets	2.0	0.0	4.9	0.7
Provisions for pensions	8.8	0.2	21.7	0.1
Other provisions	31.9	2.2	37.0	1.5
Liabilities	12.0	2.8	16.8	2.2
Other liabilities	0.3	2.5	1.3	6.0
Tax losses carried forward	4.8	0.0	6.0	0.0
	<b>100.3</b>	<b>166.6</b>	<b>137.4</b>	<b>233.8</b>
Offsetting	-32.1	-32.1	-52.1	-52.1
<b>Recognized in statement of financial position</b>	<b>68.2</b>	<b>134.5</b>	<b>85.3</b>	<b>181.7</b>

No deferred tax items were set up on temporary differences arising from shareholdings totaling €27.9 million (previous year: €29.9 million) as short-term dividend payments are not expected.

### Reconciliation of expected income tax with actual income tax expense

Freudenberg SE and its German subsidiaries are subject to corporation tax (plus solidarity surcharge) and the municipal trade tax on income. Income realized in other countries is taxed at the rates applicable in the countries concerned. The tax rate of 29 percent (previous year: 34 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 Freudenberg Group realized its main income.

[€ million]	2011	2012
Profit before income taxes	522.5	567.4
<b>Expected income tax expense (-)/income (+)</b>	<b>-177.7</b>	<b>-164.5</b>
Different tax rates:		
In Germany	14.0	0.2
In other countries	24.5	1.4
Tax portion of:		
Non-taxable income	26.1	87.8
Non-deductible expenses	-28.7	-38.0
Current taxes related to prior periods	-5.1	9.1
New assessment of deferred tax for corporation tax	0.0	-15.3
Tax portion of new tax losses carried forward for which no deferred tax assets were recognized	-7.7	-18.5
Tax portion of tax losses carried forward and used for which no deferred tax assets were recognized	7.0	0.2
Other taxation effects	-5.1	2.9
<b>Actual income tax expense</b>	<b>-152.7</b>	<b>-134.7</b>
Effective tax rate (percent)	29.2	23.7

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

[€ million]	2011	2012
Profit	40.8	40.2
Loss	-2.6	-4.8
	<b>38.2</b>	<b>35.4</b>

## (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 €191.1 million (previous year: €176.2 million), dividends received in the amount of €23.2 million (previous year: €10.5 million) – including dividends received from associated companies totaling €14.9 million (previous year: €10.0 million) – as well as interest paid of €41.1 million (previous year: €51.9 million) and interest received of €13.4 million (previous year: €12.9 million).

Payments to shareholders and non-controlling interests include dividends paid to the shareholders and to non-controlling interests in Group companies.

## FURTHER NOTES

### Application of Sec. 264 (3), HGB (Handelsgesetzbuch, “German Commercial Code”) and Sec. 264b, HGB

The following German companies of the Freudenberg Group took advantage of the exemption provisions of Sec. 264 (3), HGB, Sec. 264b, HGB:

Burgmann International GmbH, Wolfratshausen	Freudenberg Mechatronics GmbH & Co. KG, Weinheim
Chem-Trend (Deutschland) GmbH, Maisach/Gernlinden	Freudenberg New Technologies SE & Co. KG, Weinheim
Corteco GmbH, Weinheim	Freudenberg Oil & Gas GmbH, Weinheim
CT Beteiligungs-GmbH, Munich	Freudenberg O-Ring GmbH & Co. KG, Weinheim
Dichtomatik Vertriebsgesellschaft für technische Dichtungen mbH, Hamburg	Freudenberg PoliteX GmbH, Weinheim
DS Beteiligungs-GmbH, Weinheim	Freudenberg Process Consulting GmbH, Weinheim
DS Holding-GmbH, Weinheim	Freudenberg Process Seals GmbH & Co. KG, Weinheim
EagleBurgmann Espey GmbH, Moers	Freudenberg Schwab GmbH, Velten
EagleBurgmann Gaskets GmbH, Wolfratshausen	Freudenberg Schwab Vibration Control GmbH & Co. KG, Velten
EagleBurgmann Germany GmbH & Co. KG, Wolfratshausen	Freudenberg Sealing Technologies GmbH & Co. KG, Weinheim
Externa Handels- und Beteiligungsgesellschaft mit beschränkter Haftung, Heddesheim	Freudenberg Simmerringe GmbH & Co. KG, Weinheim
FCS-Munich GmbH, Weinheim	Freudenberg Spezialdichtungsprodukte GmbH & Co. KG, Weinheim
FFT Beteiligungs-GmbH, Weinheim	Freudenberg Stanz- und Umformtechnik GmbH & Co. KG, Weinheim
FHP Export GmbH, Weinheim	Freudenberg Venture Capital GmbH, Weinheim
FHP Holding GmbH, Weinheim	Freudenberg Vliesstoffe SE & Co. KG, Weinheim
FIT Service GmbH, Weinheim	FV Beteiligungs-GmbH, Weinheim
Freudenberg Chemical Specialities SE & Co. KG, Munich	FV Holding GmbH, Weinheim
Freudenberg Dichtungs- und Schwingungstechnik GmbH, Berlin	FV Logistik SE & Co. KG, Weinheim
Freudenberg DS Tooling Center GmbH & Co. KG, Weinheim	FV Service SE & Co. KG, Kaiserslautern
Freudenberg FCCT SE & Co. KG, Weinheim	FV Verwaltungs-SE & Co. KG, Weinheim
Freudenberg Filtration Technologies SE & Co. KG, Weinheim	Helix Medical Europe GmbH, Weinheim
Freudenberg Finance GmbH, Weinheim	Helix Medical Europe SE & Co. KG, Kaiserslautern
Freudenberg Forschungsdienste SE & Co. KG, Weinheim	Integral Accumulator GmbH & Co. KG, Weinheim
Freudenberg Gygli GmbH, Weinheim	Klüber Lubrication Deutschland SE & Co. KG, Munich
Freudenberg Handels- und Beteiligungs-GmbH, Weinheim	Klüber Lubrication GmbH, Weinheim
Freudenberg Haushaltsprodukte Augsburg SE & Co. KG, Augsburg	Klüber Lubrication München SE & Co. KG, Munich
Freudenberg Haushaltsprodukte SE & Co. KG, Weinheim	Lederer GmbH, Öhringen
Freudenberg Haushaltsprodukte Verwaltungs-GmbH, Weinheim	Merkel Freudenberg Fluidtechnik GmbH, Hamburg
Freudenberg Immobilien Management GmbH, Weinheim	OKS Spezialschmierstoffe GmbH, Maisach/Gernlinden
Freudenberg IT Information Services SE & Co. KG, Weinheim	Seal Trade Eurasburg GmbH, Eurasburg
Freudenberg IT SE & Co. KG, Weinheim	SurTec Deutschland GmbH, Zwingenberg
Freudenberg IT Solution Consulting SE & Co. KG, Weinheim	SurTec International GmbH, Bensheim
	Vileda Gesellschaft mit beschränkter Haftung, Weinheim

## Material expenses

[€ million]	2011	2012
Raw materials, consumables and merchandise purchased	2,352.8	2,534.5
Services purchased	207.6	211.3
	<b>2,560.4</b>	<b>2,745.8</b>

## Personnel expenses

[€ million]	2011	2012
Wages and salaries	1,317.4	1,454.4
Social security contributions and costs of pensions and assistance	330.0	365.7
	<b>1,647.4</b>	<b>1,820.1</b>

## Workforce

In the year under review, an average of 37,684 (previous year: 35,606) persons were employed in the following functions:

2012	Germany	Other countries	Total
Production	6,342	17,678	24,020
Sales	1,798	5,360	7,158
Research and development	1,371	873	2,244
Administration	1,170	3,092	4,262
	<b>10,681</b>	<b>27,003</b>	<b>37,684</b>

The above figures include a pro-rata share of the employees of companies consolidated on a pro-rata basis totaling 4,915 (previous year: 2,738).

## Research and development

In the year under review, expenses for research and development activities amounted to €217.2 million (previous year: €205.4 million). Of this amount, €33.1 million (previous year: €36.4 million) were charged to third parties. The figure includes government grants for research and development projects totaling €3.9 million (previous year: €5.0 million).

## Related party disclosure

Relations with the parent company Freudenberg & Co., associated companies, joint venture companies and other Group companies within the scope of normal business activities were as follows:

2011 [€ million]	Sales	Receivables			Payables		
		Residual term up to one year	Residual term more than one year	Dec. 31	Residual term up to one year	Residual term more than one year	Dec. 31
Parent company	5.2	0.0	0.0	0.0	330.0	398.8	728.8
Associated companies	19.9	3.7	0.5	4.2	24.6	3.3	27.9
Joint venture companies	31.8	17.5	0.0	17.5	7.9	0.0	7.9
Other Group companies	3.6	3.4	0.0	3.4	15.7	0.0	15.7
	<b>60.5</b>	<b>24.6</b>	<b>0.5</b>	<b>25.1</b>	<b>378.2</b>	<b>402.1</b>	<b>780.3</b>

2012 [€ million]	Sales	Receivables			Payables		
		Residual term up to one year	Residual term more than one year	Dec. 31	Residual term up to one year	Residual term more than one year	Dec. 31
Parent company	4.4	1.3	0.0	1.3	361.6	300.0	661.6
Associated companies	21.9	4.6	0.0	4.6	22.8	0.0	22.8
Joint venture companies	37.5	103.5	0.0	103.5	8.4	0.0	8.4
Other Group companies	3.6	1.5	0.0	1.5	25.4	0.0	25.4
	<b>67.4</b>	<b>110.9</b>	<b>0.0</b>	<b>110.9</b>	<b>418.2</b>	<b>300.0</b>	<b>718.2</b>

The total remuneration of members of the Board of Management amounted to €12.2 million (previous year: €10.8 million). Provisions for pensions for former members of the Board of Management amounted to €13.9 million (previous year: €0.0 million).

Loans to members of the Board of Management amounted to €0.6 million (previous year: €1.3 million). The interest rate is 2.25 percent and is to rise to 2.5 percent by 2014. The loans are due for repayment no later than June 2, 2014.

The members of the Supervisory Board and Board of Management of Freudenberg SE are listed under "Company Boards".

Dr. Dr. Peter Bettermann, Speaker of the Board of Management of Freudenberg SE until June 30, 2012, and Dr. Wolfram Freudenberg, Chairman of the Supervisory Board, 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 the parent company Freudenberg & Co. The interest income from these funds at normal market conditions amounting to €1.0 million (previous year: €0.9 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 2012 financial year:

[€ million]	2012
Auditing services	1.5
Other assurance services	0.2
Tax advisory services	0.1
Other services	0.3
<b>Fees of the Auditor</b>	<b>2.1</b>

### 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 21, 2013 (the date when the annual report was approved for publication by the Supervisory Board), the acquisition of the Vector Technology Group, Lysaker, Norway, at the beginning of January 2013 must be mentioned. This company is one of the leading developers and manufacturers of mature, innovative sealing solutions for the upstream sector of the oil and gas industry.

Weinheim, March 21, 2013

FREUDENBERG SE  
The Board of Management

## SHAREHOLDINGS OF THE FREUDENBERG GROUP AS AT DECEMBER 31, 2012

No.	Company	Country	Share of Capital [%]
<b>I. Affiliated companies</b>			
1	Freudenberg SE, Weinheim	Germany	-
<b>Production companies, Germany</b>			
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 SE & Co. KG, Weinheim	Germany	100.00
7	Freudenberg Haushaltsprodukte Augsburg SE & Co. KG, Augsburg	Germany	100.00
8	Freudenberg Schwab Vibration Control GmbH & Co. KG, Velten	Germany	100.00
9	Freudenberg Sealing Technologies GmbH & Co. KG, Weinheim	Germany	100.00
10	Freudenberg Simmerringe GmbH & Co. KG, Weinheim	Germany	100.00
11	Freudenberg Spezialdichtungsprodukte GmbH & Co. KG, Weinheim	Germany	100.00
12	Freudenberg Stanz- und Umformtechnik GmbH & Co. KG, Weinheim	Germany	100.00
13	Freudenberg Vliesstoffe SE & Co. KG, Weinheim	Germany	100.00
14	Helix Medical Europe SE & Co. KG, Kaiserslautern	Germany	100.00
15	Integral Accumulator GmbH & Co. KG, Weinheim	Germany	75.00
16	Klüber Lubrication München SE & Co. KG, Munich	Germany	100.00
17	Lederer GmbH, Öhringen	Germany	100.00
18	Merkel Freudenberg Fluidtechnic GmbH, Hamburg	Germany	100.00
19	OKS Spezialschmierstoffe GmbH, Maisach/Gernlinden	Germany	100.00
20	Simrax GmbH Gleitringdichtungen, Weinheim	Germany	60.00
21	SurTec Deutschland GmbH, Zwingenberg	Germany	100.00
<b>Production companies, other countries</b>			
22	Freudenberg S.A. Telas sin Tejer, Villa Zagala	Argentina	100.00
23	Klüber Lubrication Argentina S.A., Buenos Aires	Argentina	100.00
24	EagleBurgmann Australasia Pty. Ltd., Ingleburn	Australia	25.00
25	Freudenberg Filtration Technologies (Aust) Pty. Ltd., Braeside	Australia	55.00
26	Klüber Lubrication Benelux S.A./N.V., Dottignies	Belgium	100.00
27	Chem-Trend Industria e Comercio de Produtos Quimicos Ltda., Valinhos	Brazil	100.00
28	EagleBurgmann do Brasil Vedacoes Ltda., Campinas, São Paulo	Brazil	75.00
29	Freudenberg Nao-Tecidos Ltda., Jacarei	Brazil	100.00
30	Freudenberg-NOK-Componentes Brasil Ltda., São Paulo	Brazil	75.00
31	Klüber Lubrication Lubrificantes Especiais Ltda., Barueri	Brazil	100.00
32	SurTec do Brasil Ltda., São Bernardo do Campo, São Paulo	Brazil	100.00
33	Asia Shine (Ningbo) Co Ltd, Zhenjiang	China	100.00
34	Burgmann Dalian Co. Ltd., Dalian	China	40.00
35	Burgmann Shanghai Ltd., Shanghai	China	40.00
36	Chem-Trend Chemicals (Shanghai) Co., Ltd., Qingpu	China	100.00

No.	Company	Country	Share of Capital [%]
37	E&J Brushes (Ningbo) Co Ltd, Zhenjiang	China	100.00
38	Klüber Lubrication Industries (Shanghai) Co., Ltd., Qingpu	China	100.00
39	SurTec Metal Surface Treatment Technology Co. Ltd., Hangzhou	China	75.00
40	Helix Medical LATR srl., San José	Costa Rica	100.00
41	EagleBurgmann Bredan A/S, Ringkøbing	Denmark	75.00
42	EagleBurgmann KE A/S, Vejen	Denmark	75.00
43	Freudenberg Evolon s.a.r.l., Colmar	France	100.00
44	Freudenberg Joints Elastomères SAS, Langres	France	100.00
45	Freudenberg Joints Plats SAS, Chamboret	France	100.00
46	Freudenberg Politex S.A., Colmar	France	100.00
47	Freudenberg S.A.S., Langres	France	100.00
48	SurTec France S.A.S., Cugnaux	France	100.00
49	Freudenberg Nonwovens LP, Littleborough	United Kingdom	100.00
50	Freudenberg Technical Products LP, North Shields	United Kingdom	75.00
51	Scott-Matrix Limited, Newcastle Upon Tyne	United Kingdom	100.00
52	APEC (Asia) Limited, Hong Kong	Hong Kong	100.00
53	EagleBurgmann India Pvt. Ltd., Pune	India	50.00
54	EagleBurgmann KE Pvt. Ltd., Chennai	India	75.00
55	EagleBurgmann Mascot India Private Limited, Ambarnath	India	33.97
56	Freudenberg Filtration Technologies India Private Limited, Pune	India	100.00
57	Freudenberg Gala Household Product Pvt. Ltd., Mumbai	India	60.00
58	Freudenberg Nonwovens India Pvt. Ltd., Chennai	India	100.00
59	Klüber Lubrication India Pvt. Ltd., Bangalore	India	90.00
60	SurTec Chemicals India Pvt. Ltd., Pune	India	100.00
61	BT-Tenute Meccaniche Rotanti S.p.A., Arcugnano	Italy	75.00
62	Corcos Industriale S.a.s. di Externa Italia S.r.l., Pinerolo	Italy	100.00
63	FHP di R. Freudenberg S.A.S., Milan	Italy	100.00
64	Freudenberg Tecnologie di Filtrazione S.a.s. di Externa Holding S.r.l., Milan	Italy	100.00
65	M.B. Preform S.a.s. di Externa Holding S.r.l., Colonella	Italy	100.00
66	Marelli & Berta S.a.s. di Freudenberg S.p.A., Sant' Omero	Italy	100.00
67	Politex S.a.s. di Freudenberg Politex s.r.l., Novedrate	Italy	100.00
68	Trasfotex s.r.l., Quaregna	Italy	70.00
69	EagleBurgmann Japan Co., Ltd., Tokyo	Japan	25.00
70	Freudenberg Vileda Jordan Ltd., Amman	Jordan	51.00
71	Freudenberg Oil & Gas Canada Inc., Nisku	Canada	100.00
72	Freudenberg-NOK Inc., Tillsonburg	Canada	75.00
73	EagleBurgmann Manufacturing Malaysia SDN. BHD., Petaling Jaya	Malaysia	25.00
74	EagleBurgmann Mexico S.A. de C.V., Cuautitlán	Mexico	75.00
75	EagleBurgmann Production Center S.A. de C.V., Santiago de Querétaro	Mexico	75.00
76	Freudenberg Telas sin Tejer S.A. de C.V., León	Mexico	100.00
77	Freudenberg-NOK de Mexico S.A. de C.V., Cuautla	Mexico	75.00

No.	Company	Country	Share of Capital [%]
78	Freudenberg-NOK de Querétaro, S.A. de C.V., Querétaro	Mexico	75.00
79	Klüber Lubricacion Mexicana S.A. de C.V., Querétaro	Mexico	100.00
80	EagleBurgmann New Zealand Ltd., Auckland	New Zealand	25.00
81	Freudenberg Household Products B.V., Arnhem	The Netherlands	100.00
82	EagleBurgmann Production Center Judenburg GmbH, Judenburg	Austria	75.00
83	Freudenberg Spezialdichtungsprodukte Austria GmbH & Co. KG, Kufstein	Austria	100.00
84	Klüber Lubrication Austria Ges.m.b.H., Salzburg	Austria	100.00
85	Freudenberg Politex OOO, Nizhniy Novgorod	Russia	100.00
86	Freudenberg Household Products A.B., Norrköping	Sweden	100.00
87	SurTec Cacak d.o.o., Čačak	Serbia	70.00
88	Freudenberg Oil & Gas Pte. Ltd., Singapore	Singapore	100.00
89	Freudenberg Filtration Technologies Slovensko, s.r.o., Potvorice	Slovakia	90.00
90	Freudenberg Espana S.A., Componentes, S. en C. i.L., Barcelona	Spain	100.00
91	Freudenberg Espana S.A., Telas sin Tejer, S. en C., Barcelona	Spain	100.00
92	Freudenberg Iberica S.A., S. en C., Parets del Vallés	Spain	100.00
93	Klüber Lubrication GmbH Ibérica S. en C., Barcelona	Spain	100.00
94	EagleBurgmann Seals S.A. (Pty) Ltd., Edenvale	South Africa	75.00
95	Freudenberg Nonwovens (Pty.) Ltd., Cape Town	South Africa	100.00
96	SurTec South Africa Pty. Ltd., Pretoria	South Africa	70.00
97	Chem-Trend Korea Ltd., Anseong-si	South Korea	100.00
98	EagleBurgmann Taiwan Co., Ltd., Yenchao	Taiwan	25.00
99	Freudenberg Far Eastern Spunweb Comp. Ltd., Tayuan, Taoyuan	Taiwan	60.18
100	EagleBurgmann (Thailand) Co., Ltd., Rayong	Thailand	25.00
101	ALUCON s.r.o., Lázně Bělohrad	Czech Republic	100.00
102	EagleBurgmann Bredan s.r.o., Jílové u Prahy	Czech Republic	75.00
103	Tésneni a pruzne elementy k.s., Opatovice nad Labem	Czech Republic	100.00
104	Freudenberg Coskunöz Kalip Sanayi ve Ticaret A.S., Bursa	Turkey	75.00
105	Klüber Lubrication Yaglama Ürünleri Sanayi ve Ticaret A.S., Istanbul	Turkey	100.00
106	Freudenberg Simmerringe Kft., Kecskemét	Hungary	100.00
107	Freudenberg Tömítés Ipari Kft., Lajosmizse	Hungary	100.00
108	Chem-Trend Limited Partnership, Howell	USA	100.00
109	CST-SurTec Inc., Middleburg Heights	USA	100.00
110	Dichtomatik Americas, LP, Shakopee	USA	100.00
111	FHP-Berner USA LP, Aurora	USA	50.00
112	Freudenberg Filtration Technologies LP, Hopkinsville	USA	100.00
113	Freudenberg Household Products LP, Aurora	USA	100.00
114	Freudenberg Oil & Gas, LLC, Houston	USA	100.00
115	Freudenberg Spunweb Company, Durham	USA	100.00
116	Freudenberg Texbond L.P., Macon	USA	100.00
117	Freudenberg-NOK General Partnership, Plymouth	USA	75.00
118	Helix Medical, LLC, Carpinteria	USA	100.00

No.	Company	Country	Share of Capital [%]
119	International Seal Company, Inc., Santa Ana	USA	75.00
120	KL Texas L.P. dba SUMMIT INDUSTRIAL PRODUCTS, Tyler	USA	100.00
121	Klüber Lubrication North America LP, Londonderry	USA	100.00
122	Lakes Region Manufacturing, L.L.C., Belmont	USA	75.00
123	MedVenture Technology Corporation, Jeffersonville	USA	100.00
124	Freudenberg Oil and Gas FZE, Dubai	United Arab Emirates	100.00
<b>Sales companies, Germany</b>			
125	Access Textil Vertriebs GmbH, Weinheim	Germany	100.00
126	Corteco GmbH, Weinheim	Germany	100.00
127	Dichtomatik Vertriebsgesellschaft für technische Dichtungen mbH, Hamburg	Germany	100.00
128	EagleBurgmann Gaskets GmbH, Wolfratshausen	Germany	75.00
129	FHP Export GmbH, Weinheim	Germany	100.00
130	Freudenberg Gygli GmbH, Weinheim	Germany	100.00
131	Freudenberg Process Seals GmbH & Co. KG, Weinheim	Germany	100.00
132	Klüber Lubrication Deutschland SE & Co. KG, Munich	Germany	100.00
133	Seal Trade Eurasburg GmbH, Eurasburg	Germany	75.00
134	Technologiepark Weinheim KG, Weinheim	Germany	100.00
135	Vileda Gesellschaft mit beschränkter Haftung, Weinheim	Germany	100.00
<b>Sales companies, other countries</b>			
136	Chem-Trend Australia Pty Ltd, Victoria	Australia	100.00
137	Freudenberg Household Products Pty. Ltd., Melbourne	Australia	100.00
138	Freudenberg Pty. Ltd., Thomastown	Australia	100.00
139	Klüber Lubrication Australia Pty. Ltd., Melbourne	Australia	100.00
140	EagleBurgmann Belgium B.V.B.A., St.-Job-in't-Goor	Belgium	75.00
141	FHP Vileda S.C.S., Verviers	Belgium	100.00
142	Klüber Lubrication Belgium Netherlands S.A., Dottignies	Belgium	100.00
143	Freudenberg Productos del Hogar Ltda., Santiago de Chile	Chile	100.00
144	Klüber Lubrication Chile Ltda., Santiago de Chile	Chile	100.00
145	Chem-Trend (Shanghai) Trading Co. Ltd., Shanghai	China	100.00
146	Dichtomatik (China) Co., Ltd., Shanghai	China	100.00
147	EagleBurgmann Trading (Shanghai) Co. Ltd., Shanghai	China	50.00
148	Freudenberg Household Products (Suzhou) Co., Ltd., Suzhou	China	100.00
149	Freudenberg Politex Ltd., Shanghai	China	100.00
150	Freudenberg Spunweb (Shanghai) Trading Co., Ltd., Shanghai	China	60.18
151	Jump International Trading (Shanghai) Co Ltd, Shanghai	China	100.00
152	Klüber Lubrication (Shanghai) Co., Ltd., Shanghai	China	100.00
153	SurTec Chemical and Engineering (Hangzhou) Co. Ltd., Hangzhou	China	100.00
154	Klüber Lubrication Nordic A/S, Skovlunde	Denmark	100.00

No.	Company	Country	Share of Capital [%]
155	SurTec Scandinavia ApS, Fredericia	Denmark	100.00
156	Freudenberg Filtration Technologies Finland Oy, Naantali	Finland	100.00
157	Freudenberg Household Products Oy Ab, Helsinki	Finland	100.00
158	Freudenberg Simrit Oy, Vantaa	Finland	100.00
159	KE-Burgmann Finland Oy, Vantaa	Finland	75.00
160	Chem-Trend France S.A.R.L., Illkirch-Graffenstaden	France	100.00
161	Corteco SAS, Nantiat - La Couture	France	100.00
162	Dichtomatik S.A.S, Mâcon Loché	France	100.00
163	EagleBurgmann S.A.S. (France), Sartrouville	France	75.00
164	FHP Vileda S.A., Gennevilliers	France	100.00
165	Freudenberg Filtration Technologies SAS, Les Ulis-Courtaboeuf	France	100.00
166	Klüber Lubrication France S.A.S., Valence	France	100.00
167	FHP Hellas S.A., Kifisia-Athens	Greece	100.00
168	Chem-Trend (UK) LP, Halifax	United Kingdom	100.00
169	Corteco Ltd., Lutterworth	United Kingdom	100.00
170	Dichtomatik Ltd., Derby	United Kingdom	66.00
171	EagleBurgmann Industries UK LP, Warwick	United Kingdom	75.00
172	Freudenberg Filtration Technologies UK Limited, Elland	United Kingdom	100.00
173	Freudenberg Household Products LP, Rochdale	United Kingdom	100.00
174	Freudenberg Oil & Gas UK Ltd., Aberdeen	United Kingdom	100.00
175	Freudenberg Simrit LP, Lutterworth	United Kingdom	75.00
176	KE-Burgmann UK Ltd., Congleton	United Kingdom	75.00
177	Klüber Lubrication Great Britain Ltd., Halifax	United Kingdom	100.00
178	SurTec Chemicals UK Ltd., Birmingham	United Kingdom	51.00
179	VC UK LP, New York	United Kingdom	100.00
180	Freudenberg Textile Technologies, S.A., Guatemala City	Guatemala	100.00
181	E&J (HK) Co Ltd, Hong Kong	Hong Kong	100.00
182	Freudenberg Household Products Ltd., Hong Kong	Hong Kong	100.00
183	Jump (Asia) Distributors Ltd, Hong Kong	Hong Kong	100.00
184	Klüber Lubrication China Ltd., Hong Kong	Hong Kong	100.00
185	TIA (HK) Co Ltd, Hong Kong	Hong Kong	100.00
186	Chem-Trend Chemicals Co. Pvt. Ltd., Bangalore	India	100.00
187	PT EagleBurgmann Indonesia, Bekasi, West Java Province	Indonesia	24.98
188	PT. Jump Distributors Indonesia, Jakarta	Indonesia	100.00
189	BT-Burgmann S.p.A., Arcugnano	Italy	75.00
190	Chem-Trend Italy del Dr. Gian Franco Colori S.a.s., Milan	Italy	100.00
191	Corcos Simrit S.a.s. di Externa Italia S.r.l., Pinerolo	Italy	100.00
192	Corteco S.r.l. (a socio unico), Pinerolo	Italy	100.00
193	Dichtomatik S.a.s. di Externa Italia S.r.l., Genoa-Voltri	Italy	100.00
194	EagleBurgmann Italia S.r.l., Osnago	Italy	75.00
195	Freudenberg S.p.A., Milan	Italy	100.00

No.	Company	Country	Share of Capital [%]
196	Klüber Lubrication Italia S.a.s. di G. Colori, Milan	Italy	100.00
197	Marelli & Berta Interfodere S.a.s. di Externa Holding S.r.l., Milan	Italy	100.00
198	Chemlease Japan K.K., Kobe	Japan	51.00
199	Chem-Trend Japan K.K., Osaka	Japan	100.00
200	Freudenberg Spunweb Japan Company, Ltd., Osaka	Japan	60.18
201	Dichtomatik Canada, Inc., Markham	Canada	100.00
202	EagleBurgmann Canada Inc., Milton, Ontario	Canada	75.00
203	EagleBurgmann Nova Magnetics Ltd., Dartmouth	Canada	75.00
204	Freudenberg Household Products Inc., Laval	Canada	100.00
205	Freudenberg Nonwovens Inc., London, Ontario	Canada	100.00
206	TOO Freudenberg Oil & Gas, Atyrau	Kazakhstan	100.00
207	EagleBurgmann Colombia, S.A.S., Bogotá	Colombia	75.00
208	Freudenberg Kucanski proizvodi d.o.o., Zagreb	Croatia	100.00
209	SurTec d.o.o., Split	Croatia	100.00
210	EagleBurgmann (Malaysia) SDN. BHD., Petaling Jaya	Malaysia	25.00
211	Freudenberg Household Products (Malaysia) Sdn Bhd, Puchong	Malaysia	100.00
212	Klüber Lubrication (Malaysia) Sdn. Bhd., Kuala Lumpur	Malaysia	100.00
213	Chem-Trend Comercial, S.A. de C.V., Querétaro	Mexico	100.00
214	Dichtomatik de Mexico S.A. de C.V., Querétaro	Mexico	95.50
215	Freudenberg Productos del Hogar, S.A. de C.V., Mexico City	Mexico	100.00
216	Dichtomatik B.V., Zwolle	The Netherlands	66.60
217	EagleBurgmann Netherlands B.V., Veenendaal	The Netherlands	75.00
218	SurTec Benelux B.V., Reuver	The Netherlands	55.00
219	EagleBurgmann Norway AS, Skedsmokorset	Norway	75.00
220	Freudenberg Household Products AS, Skedsmokorset	Norway	100.00
221	Vestpak AS, Sandnes	Norway	100.00
222	Dichtomatik Handelsgesellschaft mbH, Vienna	Austria	95.00
223	EagleBurgmann Austria GmbH, Salzburg	Austria	75.00
224	SurTec Produkte und Systeme für die Oberflächenbehandlung GesmbH, Guntramsdorf	Austria	100.00
225	EagleBurgmann Philippines, Inc., Cavite	Philippines	22.58
226	Chem-Trend Polska sp. z o.o. spółka komandytowa, Janikowo	Poland	100.00
227	EagleBurgmann Poland sp. z o.o., Warsaw	Poland	75.00
228	FHP Vileda Sp. z o.o., Warsaw	Poland	100.00
229	Freudenberg Politex Sp. z o.o., Lodz	Poland	100.00
230	Freudenberg Simrit Polska Sp. z o.o., Warsaw	Poland	95.00
231	Freudenberg Vilene Sp. z o.o., Lodz	Poland	100.00
232	Klüber Lubrication Polska Sp. z o.o., Poznan	Poland	100.00
233	SurTec Polska Sp. z o.o., Wroclaw	Poland	100.00
234	Freudenberg Household Products Vileda Societate in Comandita, Bucharest	Romania	100.00
235	SurTec Romania s.r.l., Braşov	Romania	55.00

No.	Company	Country	Share of Capital [%]
236	EagleBurgmann OOO, Zavolzhie	Russia	75.00
237	Freudenberg Filtration Technologies OOO, Nizhniy Novgorod	Russia	100.00
238	Freudenberg Household Products Eastern Europe OOO, St. Petersburg	Russia	70.00
239	Freudenberg Vileda Eastern Europe OOO, Moscow	Russia	100.00
240	Klüber Lubrication OOO, Moscow	Russia	100.00
241	OOO Freudenberg Simrit, Moscow	Russia	100.00
242	OOO SurTec, Moscow	Russia	100.00
243	EagleBurgmann Saudi Arabia Ltd., Khobar	Saudi Arabia	51.00
244	Dichtomatik A.B., Landskrona	Sweden	85.00
245	EagleBurgmann Sweden AB, Norrköping	Sweden	75.00
246	Freudenberg Simrit A.B., Stockholm	Sweden	100.00
247	EagleBurgmann (Switzerland) AG, Höri	Switzerland	75.00
248	Freudenberg Gygli AG, Zug	Switzerland	100.00
249	Freudenberg Schwab Vibration Control AG, Adliswil	Switzerland	100.00
250	Freudenberg Simrit AG, Zurich	Switzerland	100.00
251	Klüber Lubrication AG (Schweiz), Zurich	Switzerland	100.00
252	Freudenberg proizvodi za domacinstvo d.o.o., Belgrade	Serbia	100.00
253	Chem-Trend Singapore Pte. Ltd., Singapore	Singapore	100.00
254	EagleBurgmann KE Pte. Ltd., Singapore	Singapore	75.00
255	EagleBurgmann Singapore Pte. Ltd., Singapore	Singapore	25.00
256	Jump Singapore Distributors (Pte) Ltd, Singapore	Singapore	100.00
257	Klüber Lubrication South East Asia Pte. Ltd., Singapore	Singapore	100.00
258	Freudenberg Simrit spol. s.r.o., i.L., Vel'ký Krtíš	Slovakia	100.00
259	SurTec SK s.r.o., Vráble	Slovakia	100.00
260	Freudenberg Gospodinjski Proizvodi d.o.o., Maribor	Slovenia	100.00
261	SurTec Adria d.o.o., Radovljica	Slovenia	100.00
262	EagleBurgmann Ibérica S.A., Madrid	Spain	75.00
263	Vileda Ibérica S.A., S.en C., Parets del Vallés	Spain	100.00
264	Freudenberg Filtration Technologies (Pty) Ltd., Cape Town	South Africa	100.00
265	Klüber Lubrication (Pty.) Ltd., Randhart	South Africa	100.00
266	EagleBurgmann Korea Co., Ltd., Gyeonggi-Do	South Korea	25.00
267	SurTec Korea Co., Ltd., GyeongNam	South Korea	100.00
268	Jump (Taiwan) Distributors Co Ltd, Taipeh	Taiwan	100.00
269	Chem-Trend Trading (Thailand) Co. Ltd., Bangkok	Thailand	100.00
270	Jump Distributors (Thailand) Co Ltd, Nonthaburi	Thailand	74.00
271	Klüber Lubrication (Thailand) Co., Ltd., Bangkok	Thailand	100.00
272	Lucky Gecko Co Ltd, Nonthaburi	Thailand	100.00
273	SurTec Asia Pacific Co., Ltd., Bangkok	Thailand	100.00
274	EagleBurgmann Czech s.r.o., Prague	Czech Republic	75.00
275	Freudenberg Potreby pro domácnost, k.s., Prague	Czech Republic	100.00
276	Freudenberg Simrit, spol. s.r.o., i.L., Prague	Czech Republic	100.00

No.	Company	Country	Share of Capital [%]
277	Freudenberg Vilene s.r.o., Prostějov	Czech Republic	100.00
278	Klüber Lubrication CZ, s.r.o., Brno	Czech Republic	100.00
279	SurTec CR s.r.o., Vrané nad Vltavou	Czech Republic	100.00
280	EagleBurgmann Endüstriyel Sızdırmazlık Sanayi ve Ticaret Ltd., Istanbul	Turkey	75.00
281	Freudenberg Household Products Evici Kullanım Araçları Sanayi ve Ticaret A.Ş., Istanbul	Turkey	100.00
282	Freudenberg Vilene Tela Sanayi ve Ticaret A.Ş., Istanbul	Turkey	100.00
283	Dichtomatik Kft., Budapest	Hungary	80.00
284	EagleBurgmann Hungaria Kft., Budapest	Hungary	75.00
285	Freudenberg Háztartási Cikkek Kereskedelmi BT, Budapest	Hungary	100.00
286	EagleBurgmann Industries LP, Houston	USA	75.00
287	EagleBurgmann KE, Inc., Hebron	USA	75.00
288	Freudenberg Nonwovens Limited Partnership, Durham	USA	100.00
289	EagleBurgmann Venezuela, C.A., Caracas	Venezuela	41.25
290	EagleBurgmann Middle East FZE, Dubai	United Arab Emirates	60.00
291	EagleBurgmann Vietnam Company Limited, Ho Chi Minh City	Vietnam	25.00
292	SurTec Viet Nam Co., Ltd., Ho Chi Minh City	Vietnam	51.00
<b>Administration and other companies, Germany</b>			
293	2. Freudenberg Beteiligungs-GmbH, Weinheim	Germany	100.00
294	Beteiligungsgesellschaft Carl Freudenberg mbH, Weinheim	Germany	100.00
295	Burgmann Industries Holding GmbH, Wolfratshausen	Germany	75.00
296	Burgmann International GmbH, Wolfratshausen	Germany	100.00
297	Carl Freudenberg KG, Weinheim	Germany	100.00
298	CT Beteiligungs-GmbH, Munich	Germany	100.00
299	Dichtomatik Holding GmbH, Weinheim	Germany	100.00
300	DS Beteiligungs-GmbH, Weinheim	Germany	100.00
301	DS Holding-GmbH, Weinheim	Germany	100.00
302	DS Verwaltungs-GmbH, Weinheim	Germany	100.00
303	EagleBurgmann Germany Verwaltungs-GmbH, Wolfratshausen	Germany	75.00
304	Externa Handels- und Beteiligungsgesellschaft mit beschränkter Haftung, Heddesheim	Germany	100.00
305	FCS-Munich GmbH, Weinheim	Germany	100.00
306	FFT Beteiligungs-GmbH, Weinheim	Germany	100.00
307	FHP Holding GmbH, Weinheim	Germany	100.00
308	FIT Service GmbH, Weinheim	Germany	100.00
309	Fremecs GmbH & Co. KG, Weinheim	Germany	100.00
310	Fremecs Holding GmbH, Weinheim	Germany	100.00
311	Freudenberg Anlagen- und Werkzeugtechnik GmbH, Laudenbach	Germany	100.00
312	Freudenberg Chemical Specialities SE & Co. KG, Munich	Germany	100.00

No.	Company	Country	Share of Capital [%]
313	Freudenberg Dichtungs- und Schwingungstechnik GmbH, Berlin	Germany	100.00
314	Freudenberg FCCT SE & Co. KG, Weinheim	Germany	100.00
315	Freudenberg Finance GmbH, Weinheim	Germany	100.00
316	Freudenberg Forschungsdienste SE & Co. KG, Weinheim	Germany	100.00
317	Freudenberg Handels- und Beteiligungs-GmbH, Weinheim	Germany	100.00
318	Freudenberg Haushaltsprodukte SE & Co. KG, Weinheim	Germany	100.00
319	Freudenberg Haushaltsprodukte Verwaltungs-GmbH, Weinheim	Germany	100.00
320	Freudenberg Immobilien Management GmbH, Weinheim	Germany	100.00
321	Freudenberg IT Information Services SE & Co. KG, Weinheim	Germany	100.00
322	Freudenberg IT SE & Co. KG, Weinheim	Germany	100.00
323	Freudenberg IT Solution Consulting SE & Co. KG, Weinheim	Germany	100.00
324	Freudenberg Kleve GmbH, Weinheim	Germany	100.00
325	Freudenberg Mechatronics Beteiligungs-GmbH, Weinheim	Germany	100.00
326	Freudenberg Mechatronics GmbH & Co. KG, Weinheim	Germany	100.00
327	Freudenberg New Technologies SE & Co. KG, Weinheim	Germany	100.00
328	Freudenberg Oil & Gas GmbH, Weinheim	Germany	100.00
329	Freudenberg Politex GmbH, Weinheim	Germany	100.00
330	Freudenberg Process Consulting GmbH, Weinheim	Germany	100.00
331	Freudenberg Schwab GmbH, Velten	Germany	100.00
332	Freudenberg Venture Capital GmbH, Weinheim	Germany	100.00
333	Freudenberg Wohnbauhilfe GmbH, Weinheim	Germany	100.00
334	FSVC Verwaltungs-GmbH, Velten	Germany	100.00
335	FV Beteiligungs-GmbH, Weinheim	Germany	100.00
336	FV Holding GmbH, Weinheim	Germany	100.00
337	FV Logistik SE & Co. KG, Weinheim	Germany	100.00
338	FV Service SE & Co. KG, Kaiserslautern	Germany	100.00
339	FV Verwaltungs-SE & Co. KG, Weinheim	Germany	100.00
340	Helix Medical Europe GmbH, Weinheim	Germany	100.00
341	Klüber Lubrication GmbH, Weinheim	Germany	100.00
342	SurTec International GmbH, Bensheim	Germany	100.00
343	WOR Pensionsgesellschaft mbH, Wolfratshausen	Germany	75.00
<b>Administration and other companies, other countries</b>			
344	Freudenberg Produtos do Lar Ltda., São Paulo	Brazil	100.00
345	Freudenberg Servicos Corporativos da America do Sul Ltda., São Paulo	Brazil	100.00
346	EagleBurgmann (Shanghai) Investment Management Co. Ltd., Shanghai	China	50.00
347	Freudenberg IT (Suzhou) Co., Ltd., Suzhou	China	100.00
348	Freudenberg Management (Shanghai) Co. Ltd., Shanghai	China	100.00
349	Freudenberg Real Estate (Yantai) Co. Ltd., Yantai	China	100.00
350	Chem-Trend A/S, Copenhagen	Denmark	100.00
351	EBI Atlantic A/S, Vejle	Denmark	75.00

No.	Company	Country	Share of Capital [%]
352	EBI Middle-East A/S, Vejen	Denmark	60.00
353	SPECI-TEX ApS, Vejen	Denmark	75.00
354	Freudenberg Immobilier SAS, Chamboret	France	100.00
355	Alantechologies Ltd., Birmingham	United Kingdom	51.00
356	Chem-Trend (UK) Ltd., Halifax	United Kingdom	100.00
357	Chem-Trend China Investments Ltd., Halifax	United Kingdom	100.00
358	EagleBurgmann Industries UK Ltd., Warwick	United Kingdom	75.00
359	FCS Interim UK Ltd., Halifax	United Kingdom	100.00
360	Filtamark Ltd., Elland	United Kingdom	100.00
361	Freudenberg Limited, Littleborough	United Kingdom	100.00
362	Freudenberg Technical Products Ltd., North Shields	United Kingdom	75.00
363	Freudenberg Vileda Ltd., Rochdale	United Kingdom	100.00
364	VC UK Ltd., New York	United Kingdom	100.00
365	Freudenberg Trading (Hong Kong) Ltd., Hong Kong	Hong Kong	100.00
366	Corfina Industriale S.a.s. di Externa Italia S.r.l., Pinerolo	Italy	100.00
367	Externa Holding S.r.l., Milan	Italy	100.00
368	Externa Italia S.r.l., Pinerolo	Italy	100.00
369	Freudenberg Politex S.r.l., Novedrate	Italy	100.00
370	Freudenberg-NOK Sd Malaysia Sdn. Bhd., Kuala Lumpur	Malaysia	75.00
371	Freudenberg Austria GmbH, Kufstein	Austria	100.00
372	Freudenberg Schuh GmbH, Marchtrenk	Austria	100.00
373	Chem-Trend Polska Sp. z o.o., Kobylnica	Poland	100.00
374	FIM Polska Sp. z o.o., Środa Śląska	Poland	100.00
375	Freudenberg Household Products SRL, Bucharest	Romania	100.00
376	Freudenberg Management Imobiliar SRL, Bucharest	Romania	100.00
377	Freudenberg Nonwovens Romania S.R.L., Braşov	Romania	100.00
378	EBI Asia Pacific Pte. Ltd., Singapore	Singapore	25.00
379	EBI Asia Pte. Ltd., Singapore	Singapore	50.00
380	Freudenberg IT Singapore Pte. Ltd., Singapore	Singapore	100.00
381	Freudenberg Immobilienmanagement Slovakia, s.r.o., Potvorice	Slovakia	100.00
382	Freudenberg Espana S.A., Barcelona	Spain	100.00
383	Freudenberg Iberica S.A., Barcelona	Spain	100.00
384	Vileda Ibérica S.A., Barcelona	Spain	100.00
385	Arnot Burgmann (Pty) Ltd., Edenvale	South Africa	75.00
386	TPE správní s.r.o., Opatovice nad Labem	Czech Republic	100.00
387	Freudenberg IM Hungária Kft., Budapest	Hungary	100.00
388	Freudenberg IT Hungary Kft., Budapest	Hungary	100.00
389	Chem-Trend Holding LP, Wilmington	USA	100.00
390	EagleBurgmann Industries Inc., Houston	USA	75.00

No.	Company	Country	Share of Capital [%]
391	FCS Holding Inc., Wilmington	USA	100.00
392	FHP-Berner USA Inc., Wilmington	USA	50.00
393	Freudenberg Household Products Inc., Aurora	USA	100.00
394	Freudenberg IT LP, Durham	USA	100.00
395	Freudenberg North America Limited Partnership, Manchester	USA	100.00
396	Freudenberg Real Estate L.P., Wilmington	USA	100.00
397	Freudenberg Texbond Inc., Delaware	USA	100.00
398	Freudenberg U.S.A. Holdings, Inc., Manchester	USA	100.00
399	Freudenberg-NOK Holdings, Inc., Manchester	USA	75.00
400	Intpacor Inc., Manchester	USA	100.00
401	Klüber Lubrication North America Inc., Londonderry	USA	100.00
402	Lutrabond Company LP, Durham	USA	100.00
403	Lutrabond Corporation, Wilmington	USA	100.00
404	Lutradur Corporation, Wilmington	USA	100.00
405	Lutradur LP, Durham	USA	100.00
406	MedVenture Holding Corp., Jeffersonville	USA	100.00
407	Pellon Corporation, Durham	USA	100.00
408	Upper Bristol Ramp, LLC, Wilmington	USA	75.00
<b>II. Joint ventures consolidated on a pro-rata basis</b>			
<b>Germany</b>			
409	Freudenberg NOK Mechatronics GmbH & Co. KG, Weinheim	Germany	50.00
410	Schneegans Freudenberg GmbH & Co. KG, Emmerich am Rhein	Germany	50.00
411	TrelleborgVibracoustic GmbH, Weinheim <sup>1)</sup>	Germany	50.00
<b>Other countries</b>			
412	Freudenberg & Vilene Nonwovens (Suzhou) Co. Ltd., Suzhou <sup>2)</sup>	China	50.00
413	Freudenberg Vilene Filter (Chengdu) Co. Ltd., Chengdu	China	50.00
414	Freudenberg & Vilene Int. Ltd., Hong Kong <sup>3)</sup>	Hong Kong	50.00
415	VistaMed Ltd., Carrick-on-Shannon	Ireland	50.00
416	Corfina s.r.l., Pinerolo	Italy	50.00
417	Schneegans Freudenberg Silicon Ges.m.b.H, Losenstein	Austria	50.00
418	NOK-Freudenberg Asia Holding Co. Pte. Ltd., Singapore <sup>4)</sup>	Singapore	50.00
419	Korea Filtration Technologies Co., Ltd., Seoul	South Korea	50.00
420	Korea Vilene Co., Ltd., Pyeongtaek-si	South Korea	50.00
421	Freudenberg & Vilene Nonwovens (Taiwan) Co. Ltd., Yangmei, Taoyuan	Taiwan	50.00
422	Freudenberg & Vilene Filter (Thailand) Co. Ltd., Chonburi	Thailand	50.00
423	Freudenberg NOK Mechatronics Hungary Bt., Pécel	Hungary	50.00

No.	Company	Country	Share of Capital
			[%]
<b>III. Associated companies (consolidated at equity)</b>			
<b>Germany</b>			
<b>Other countries</b>			
424	Bicomfiber S.A., Buenos Aires	Argentina	24.00
425	OÜ Merinvest, Kuressaare-Mullutu	Estonia	80.00
426	Euro China Socks Ltd, Hong Kong	Hong Kong	29.00
427	Japan Vilene Company Ltd., Tokyo	Japan	27.68
428	NOK Corporation, Tokyo	Japan	25.10
429	NOK Klüber Co., Ltd., Tokyo	Japan	49.00
430	SurTec Mexico S.A. de C.V., Iztapalapa	Mexico	51.00
431	ST Ibérica Lda., Albergaria-a-velha	Portugal	49.00
432	Klüber Lubrication Korea Ltd., Seoul	South Korea	48.00
433	Beta Seals Sizmirmazlik Elemanlari Sanayi ve Ticaret A.S., Bursa	Turkey	50.00
434	Ishino Gasket North America L.L.C., Plymouth	USA	37.50
435	ISE Industrial Sealing Equipment JLT, Dubai	United Arab Emirates	49.00
436	SurTec Middle East (L.L.C.), Sharjah	United Arab Emirates	35.00

<sup>1)</sup> Consolidated financial statements including

Trelleborg Automotive do Brasil Industria e Comercio de Autopecas Ltda., São Paulo, Brazil  
 Vibracoustic do Brasil Indústria e Comércio de Artefatos de Borracha Ltda., Taubaté-SP, Brazil  
 Trelleborg Automotive Design (Shanghai) Co. Ltd., Shanghai, China  
 Vibracoustic (Shanghai) Sales and Trading Co., Ltd., Shanghai, China  
 Vibracoustic (Yantai) Co., Ltd., Yantai, China  
 Wuxi Trelleborg Vibration Isolators Co. Ltd., Jiangsu, China  
 Zhangjiagang Trelleborg Kunhwa Automotive Components Co. Ltd., Zhangjiagang, China  
 Trelleborg Automotive Breuberg GmbH, Breuberg, Germany  
 Trelleborg Automotive Germany GmbH, Breuberg, Germany  
 Vibracoustic Asia Holding GmbH, Weinheim, Germany  
 Vibracoustic Germany Holding GmbH, Weinheim, Germany  
 Vibracoustic GmbH & Co. KG, Weinheim, Germany  
 Trelleborg Automotive France SA, Carquefou, France  
 Trelleborg Modyn SAS, Nantes, France  
 Trelleborg Hongkong Holdings Ltd., Hong Kong, Hong Kong  
 Sigma Vibracoustic (India) PVT. LTD., Mohali, India  
 Trelleborg Japan KK, Yokohama, Japan  
 Trelleborg Servicios SA de CV, Toluca, Mexico  
 Trelleborg YSH SA de CV, Toluca, Mexico  
 Vibracoustic de Mexico S.A. de C.V., Lerma, Mexico  
 Vibracoustic Polska Sp. z o.o., Środa Śląska, Poland  
 Trelleborg Automotive S.r.l., Dej, Romania  
 Trelleborg Automotive OOO, Zavolzhie, Russia  
 Trelleborg Automotive China Holding AB, Trelleborg, Sweden  
 Trelleborg Automotive Forsheda AB, Trelleborg, Sweden  
 Trelleborg Automotive Group AB, Trelleborg, Sweden  
 Trelleborg Wuxi Holding AB, Trelleborg, Sweden  
 Trelleborg Automotive Spain SA, Martorell (Barcelona), Spain

Trelleborg Navex SA, Cascante, Spain

Trelleborg Participaciones SL, Barcelona, Spain  
 Trelleborg Kunhwa Co. Ltd., Gyeongsan City, South Korea  
 Vibracoustic CZ s.r.o., Mělník, Czech Republic  
 Beltan Vibracoustic Titresim Elemanlari Sanayi ve Ticaret A.S., Bursa, Turkey  
 Trelleborg Cerkezköy Ithalat ve Ihracat Otomotiv Ticaret AS, Çerkezköy/Tekirdağ, Turkey  
 Trelleborg Otomotiv Sanayi Ve Ticaret AS, Çerkezköy, Turkey  
 Vibracoustic Magyarország Légrugó Technológia Kft., Nyíregyháza, Hungary  
 Trelleborg Automotive USA Inc., South Haven, USA  
 Vibracoustic North America Holdings Inc., Plymouth, USA  
 Vibracoustic North America LP, Plymouth, USA

<sup>2)</sup> Consolidated financial statements including

Freudenberg & Vilene Filter (Changchun) Co., Ltd., Changchun, China

<sup>3)</sup> Consolidated financial statements including

Freudenberg & Vilene Interlinings (Nantong) Co. Ltd., Nantong, China  
 Freudenberg & Vilene International (Shanghai) Trading Co., Ltd., Shanghai, China  
 Attrix Company Limited, Kowloon, Hong Kong  
 XETEX Trading Limited, Hong Kong, Hong Kong  
 Freudenberg & Vilene International Lanka (Private) Limited, Colombo, Sri Lanka

<sup>4)</sup> Consolidated financial statements including

Changchun NOK-Freudenberg Oilseal Co., Ltd., Changchun, China  
 Corteco China Co. Ltd., Guangzhou, China  
 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  
 Wuxi NOK-Freudenberg Oilseal Co., Ltd., Wuxi, China  
 NOK-Freudenberg Hongkong Ltd., Kowloon, Hong Kong  
 Sigma Freudenberg NOK PVT. Ltd., New Delhi, India

## 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 SE, Weinheim, comprising the Consolidated Statement of Financial Position, the Consolidated Statement of Profit or Loss, the Consolidated Statement of Profit or Loss and Other 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, 2012. 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 21, 2013

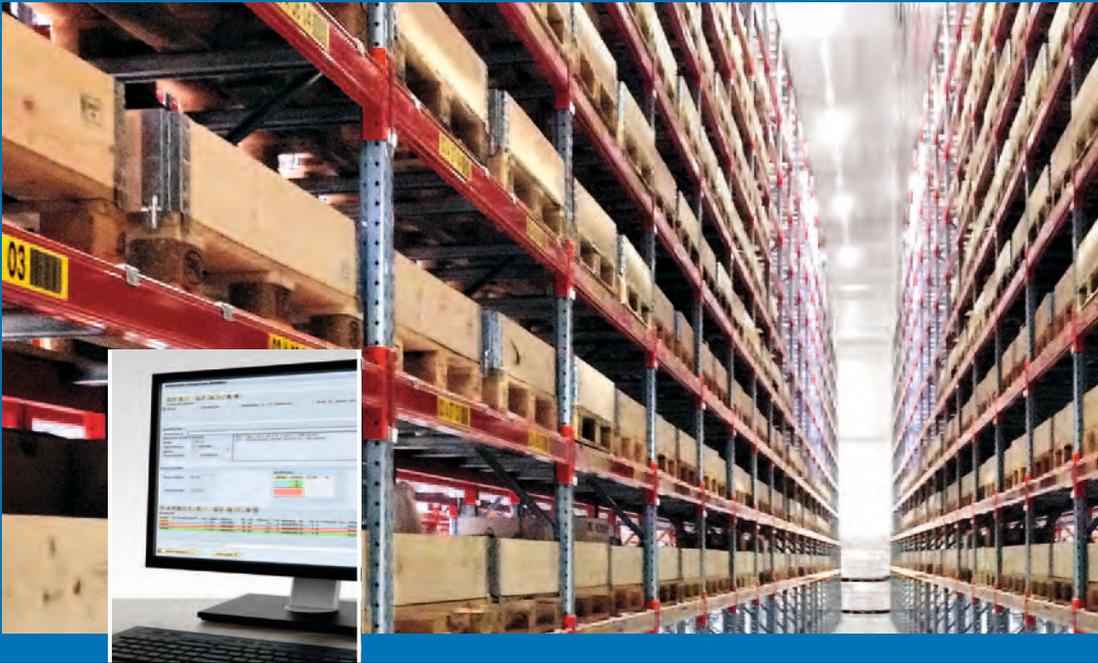
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