

# 2015 ANNUAL REPORT FREUDENBERG GROUP



The Freudenberg Group is inspired by technology and innovation. Together with customers and research partners, Freudenberg employees develop leading-edge technologies, products, solutions and services. The innovative strength of Freudenberg has many facets. Having pioneered innovation throughout its history – from chrome tanning and the development of the Simmerring to sophisticated and high-tech medical devices – the company is an innovation

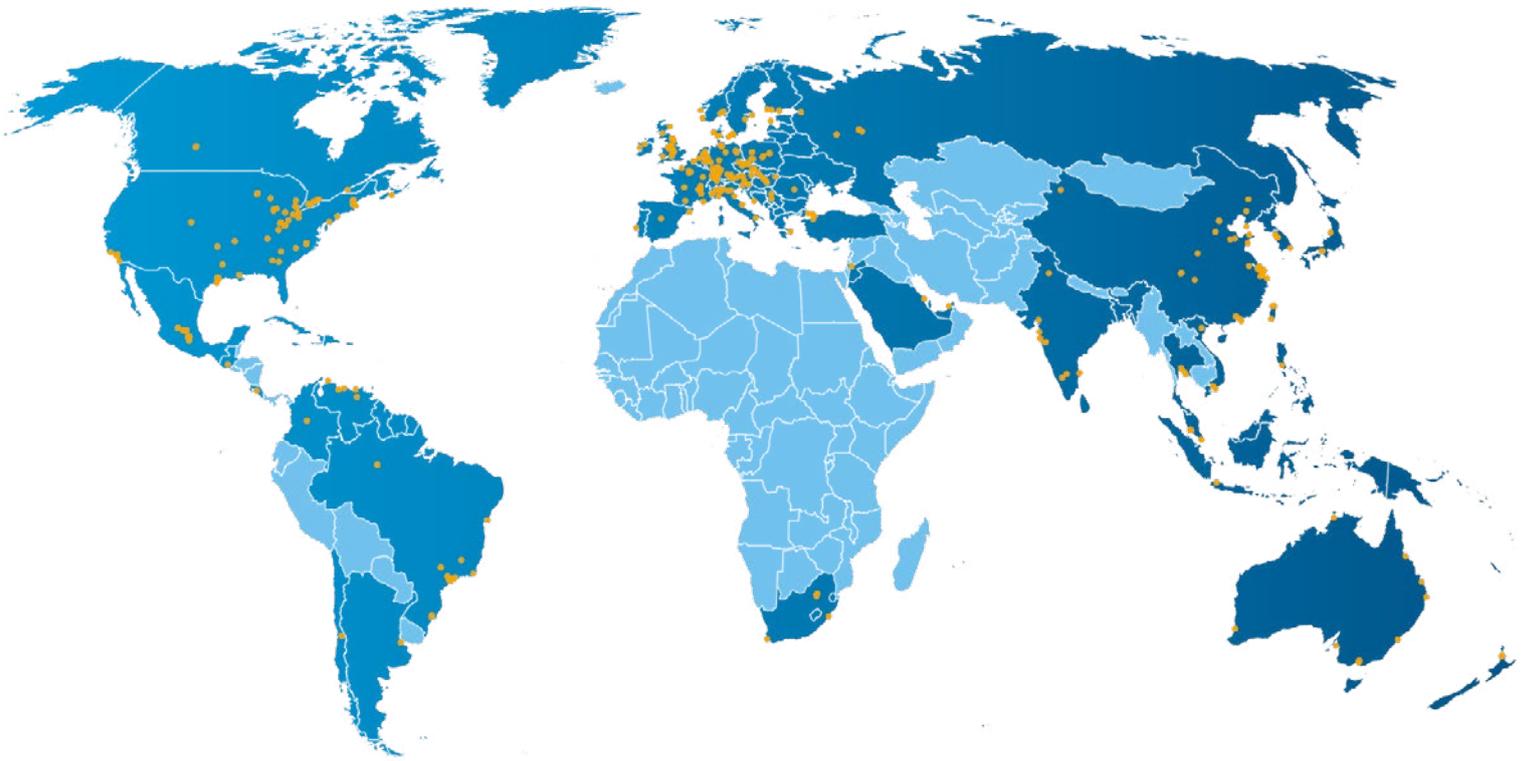
champion. For Freudenberg, striving together for solutions that support global sustainability is both motivation as well as the concept for success. It enables the Group to provide its customers with solutions and answers to tomorrow's questions, today. The company slogan "Innovating Together" embodies the Group's identity. This Annual Report brings you many examples of how Freudenberg brings "Togetherness" to life.

# HIGHLIGHTS

FREUDENBERG GROUP	EXTERNAL REPORTING			INTERNAL REPORTING		
	At-equity 2013	At-equity 2014	At-equity 2015	Pro-rata 2013	Pro-rata 2014	Pro-rata 2015
<b>Sales [€ million]</b>						
Germany	1,059	1,087	1,116	1,885	1,975	2,084
EU (excluding Germany)	1,553	1,657	1,700	1,570	1,681	1,725
Other European countries	327	334	308	327	336	310
North America	1,267	1,383	1,668	1,274	1,390	1,678
South/Central America	306	296	274	306	296	275
Asia	1,002	1,089	1,204	1,129	1,224	1,358
Africa/Australia	132	136	141	132	137	142
<b>Total sales</b>	<b>5,646</b>	<b>5,982</b>	<b>6,411</b>	<b>6,623</b>	<b>7,039</b>	<b>7,572</b>
Consolidated profit	399	478	521	402	478	522
Cash flow from operating activities	516	618	763	614	712	734
Cash flow from investing activities	-520	-339	-429	-571	-407	-504
Balance sheet total	5,873	6,667	7,238	6,284	7,113	7,811
Equity	2,775	3,211	3,700	2,775	3,224	3,714
Equity ratio	47 %	48 %	51 %	44 %	45 %	48 %
Workforce (as at Dec. 31)	33,245	34,030	34,007	39,897	40,456	40,474
Workforce (annual average)	33,293	34,094	34,312	39,979	40,614	40,982

Whilst joint ventures must be consolidated using the equity method for external reporting, for internal reporting purposes their consolidation is based on the pro-rata method as a tool for managing Group operations.

# WORLDWIDE LOCATIONS



The Freudenberg Group and its more than 40,000 employees are active in some 60 countries.

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# COMPANY BOARDS

## SUPERVISORY BOARD



From left: Kuhlich, Pott, Schildhauer, Schücking, Kammüller, Kurz, Freudenberg-Beetz, Wentzler, Thielen, Towfigh, Freudenberg and Kairisto

**Martin Wentzler, Großhesselohe**

Chairman  
Attorney

**Robert J. Koehler, Wiesbaden (until May 17, 2015)**

Chairman of the Supervisory Board of  
Benteler International AG

**Prof. Dr. Dieter Kurz, Lindau**

Deputy Chairman  
Chairman of the Shareholder Council of the Carl Zeiss  
Foundation

**Maeva Kuhlich, Chichilianne, France**

Project Manager in Supply Chain Management at  
Becton Dickinson France S.A.S.

**Martin Freudenberg, Heidelberg**

Managing Director of  
Jumag Dampferzeuger GmbH

**Dr. Richard Pott, Leverkusen**

Former member of the Board of Management of  
Bayer AG

**Dr. Maria Freudenberg-Beetz, Weinheim**

Biologist

**Walter Schildhauer, Stuttgart**

Managing Partner of  
speedwave GmbH

**Essimari Kairisto, Korschenbroich (since June 27, 2015)**

MA Business Management

**Dr. Christoph Schücking, Frankfurt am Main**

Attorney and Notary Public

**Dr. Mathias Kammüller, Ditzingen**

Managing Director of  
TRUMPF GmbH + Co. KG

**Mathias Thielen, Zürich, Switzerland**

Managing Director of Credit Suisse AG

**PD Dr. Emanuel V. Towfigh, Bonn**

Attorney

as at December 31, 2015

## BOARD OF MANAGEMENT



From left: Krauch, Sohi and Krieger

**Dr. Mohsen Sohi, Frankfurt am Main**  
Chief Executive Officer

**Dr. Tilman Krauch, Heidelberg**  
Member of the Board, CTO

**Dr. Ralf Krieger, St. Leon-Rot**  
Member of the Board, CFO

as at December 31, 2015

# EXECUTIVE COUNCIL

Members	Business Groups
Claus Möhlenkamp (CEO)	Freudenberg Sealing Technologies
Bruce R. Olson (CEO)	Freudenberg Performance Materials
Dr. Klaus Peter Meier (CEO)	Freudenberg Home and Cleaning Solutions
Hanno D. Wentzler (CEO)	Freudenberg Chemical Specialities
and the Board of Management	
Membership of the above-mentioned four CEOs in the Executive Council lends greater weight to the perspectives of the Business Groups with regard to overarching issues.	

# MANAGEMENT OF THE BUSINESS GROUPS

Management	Business Groups
Claus Möhlenkamp (CEO and Member of the Executive Council), Ludger Neuwinger-Heimes (CFO), Dieter Schäfer (COO)	Freudenberg Sealing Technologies
Richard Schmidt (CEO and President), Craig Barnhart (CFO)	Freudenberg Oil & Gas Technologies
Dr. Stefan Sacré (CEO), Jochen Strasser (CFO), Michael Stomberg (COO)	EagleBurgmann
Dr. Jörg Schneewind (CEO and President), Michael A. Hawkins (CFO), Dr. Max Gisbert Kley (President Europe and Global Business Development), Mitch Moeller (CEO of MedVenture)	Freudenberg Medical
Frank Müller (CEO), Norbert Schebesta (CFO), Jim Law (CTO)	TrelleborgVibracoustic
Bruce R. Olson (CEO and Member of the Executive Council), Dr. Frank Heislitz (CTO), Dr. René Wollert (CFO), Richard Shaw (COO)	Freudenberg Performance Materials
Dr. Andreas Kreuter (CEO), Thomas Herr (CFO), Dr. Jörg Sievert (COO)	Freudenberg Filtration Technologies
Dr. Klaus Peter Meier (CEO and Member of the Executive Council), Dr. Arman Barimani (CTO), Frank Reuther (CFO)	Freudenberg Home and Cleaning Solutions
Hanno D. Wentzler (CEO and Member of the Executive Council), Dr. Jörg Matthias Großmann (CFO)	Freudenberg Chemical Specialities
Horst Reichardt (CEO), Dr. Sebastian Weiss (CFO)	Freudenberg IT

# REPORT OF THE SUPERVISORY BOARD



Martin Wentzler (Chairman)

**In 2015, the Board of Management and the Supervisory Board held regular and detailed discussions on the progress of the Group and major individual business transactions on the basis of oral and written reports. Business policy was agreed in consultation between the Board of Management and the Supervisory Board and updated where necessary in joint deliberations. In addition, the Supervisory Board advised the Board of Management in its management of the company, and supervised and monitored the conduct of business. The Chairman of the Supervisory Board held regular discussions with the members of the Board of Management on current business developments.**

Seven meetings of the Supervisory Board were held in the year under review. These meetings addressed a detailed analysis of markets, sales and earnings development, liquidity status and the risk situation of the Freudenberg Group. The agenda also included strategy issues and major special projects.

Matters of particular relevance for the Supervisory Board included the approval of the findings of the Strategy Process 2015 to 2017, the DIALOG 2015 senior management conference held in Detroit, USA, where the new positioning of the Freudenberg global brand was presented and where the main themes for discussion were “Entrepreneurship and Efficiency”, the new compliance architecture designed to improve the framework for lawful and ethically unimpeachable conduct as an important element of corporate culture, the “Sustainability” project, and the new education and environmental protection initiative named “e2”.

In addition, the Supervisory Board also consulted on several acquisitions during the year under review – examples include the acquisition of the majority stake in Hemoteq AG, Würselen, Germany, and the acquisition of the business of BlueSky Process Solutions Ltd., Stoney Creek, Canada – and their integration in the Freudenberg Group. Furthermore, the Supervisory Board assisted in the acquisition of Japan Vilene Company, Tokyo, Japan, by Freudenberg and the joint venture partner Toray Industries, Inc., Tokyo, Japan.

The Audit Committee met four times in the year under review. The committee addressed matters such as the preparation of the annual financial statements for 2014 and the findings of the internal audit process. Priority areas were the Group’s risk and compliance management system, the key provisions of the German Corporate Governance Code, and the risk situation in some Business Groups.

The Audit Committee also consulted on further issues such as provisions – in particular provisions for pensions – as well as at-equity measurement of participations, and legal risks. The committee in addition reviewed and discussed the report of the Ethics Office, the strictly confidential point of contact for employees wishing to report infringements of the Code of Conduct or Freudenberg values.

The Personnel Committee met three times in the year under review. The committee consulted on matters such as leadership development, the talent management process, succession planning in the key bodies of the Freudenberg Group, and remuneration systems.

The annual financial statements, the consolidated financial statements drawn up pursuant to IFRS, the consolidated management report and the dependent company report of Freudenberg SE for 2015 were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Mannheim, Germany, and were approved without reservation. The members of the Supervisory Board were provided with the documentation relating to the annual financial statements and the audit reports in good time. Following intensive consultation with the auditors on all relevant findings, 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 annual financial statements of Freudenberg SE as at December 31, 2015 are therefore adopted.

The report on relations with affiliated companies (dependent company report) in accordance with Section 312 of the German Stock Corporation Act (AktG) submitted by the Board of Management of Freudenberg SE was audited by the auditors, who issued the following opinion:

"We render this report in accordance with the provisions of Section 313 AktG and conclude that the report of the Board of Management of Freudenberg SE on relations with affiliated companies for the 2015 financial year attached as an appendix complies with the provisions of Section 312 AktG. The Board of Management provided us with all the explanations and supporting documents requested. The dependent company report complies with the principles of a true and fair view. The company is a micro company as defined by Section 267a of the German Commercial Code (HGB). Pursuant to Section 267a, paragraph 2 HGB in conjunction with Section 26, paragraph 1, sentence 4 HGB, the preparation of a management report has therefore been dispensed with, and pursuant to Section 264, paragraph 1, sentence 5 HGB, the preparation of annual financial statements is not required. The concluding statement of the dependent company report has therefore been included in the balance sheet. Based on the results of our audit, the

dependent company report does not give rise to any reservations. We have therefore issued the following audit opinion:

Based on our audit and assessment, which were carried out in accordance with professional standards, we confirm that

1. the factual statements made in the report are correct,
2. the payments made by the company in connection with legal transactions detailed in the report were not unreasonably high,
3. there are no circumstances in favor of a significantly different assessment than that made by the Board of Management in regard to the measures listed in the report."

The Supervisory Board examined the report on relations with affiliated companies (dependent company report) and approved the report together with the auditor's conclusions. The examination of the dependent company report by the Supervisory Board did not result in any objections to the concluding declaration by the Board of Management in the dependent company report.

At the Shareholder's Meeting of Freudenberg SE in Weinheim on June 27, 2015, Essimari Kairisto was elected to the Supervisory Board of Freudenberg SE as the successor to Robert J. Koehler, who died in May. Dr. Mathias Kammüller, Martin Freudenberg, Maeva Kuhlich, Walter Schildhauer and Mathias Thielen were reelected. Furthermore, Dr. Mohsen Sohi was reelected as a member of the Board of Management of Freudenberg SE for a further term of five years and simultaneously appointed Chief Executive Officer.

The Supervisory Board expresses its thanks to all employees, Business Group managing bodies and the Board of Management. Their outstanding personal commitment and their exceptional ideas made an important contribution to the success of the Group in a demanding year.

Weinheim, March 22, 2016  
For the Supervisory Board



Martin Wentzler  
Chairman

# FOREWORD OF THE BOARD OF MANAGEMENT

2015 was a successful and eventful year for the Freudenberg Group. Our group performed well financially in a challenging environment. We also developed the company to be ready for the future with many long term projects. Thanks to the enormous commitment and excellent performance of our more than 40,000 employees worldwide we achieved profitable and sustainable growth and also progressed well with the strategic evolution of our company. Both our sales and consolidated profit saw a further increase.



Dr. Mohsen Sohi (CEO)

Under the IFRS financial reporting rules, joint ventures must be consolidated using the equity method. Based on these standards, sales in 2015 amounted to €6,410.9 million (previous year: €5,982.3 million), €428.6 million or 7 percent higher than the previous year.

Profit before income taxes amounted to €667.6 million (previous year: €625.1 million). This 7 percent improvement is above all attributable to increased sales, efficiency improvements, and positive exchange rate effects. Free cash flow amounted to €333.5 million (previous year: €279.1 million).

With an equity ratio of 51.1 percent (previous year: 48.2 percent) Freudenberg further strengthened its very good, comfortable equity base. Liquid funds at year-end amounted to €1,055.7 million (previous year: €917.7 million).

Freudenberg is a values-oriented company. Occupational health, safety and environmental protection,

and social responsibility are therefore firmly anchored in our corporate culture. The safety of our employees at the workplace has top priority, and we also further improved our performance in this field in 2015.

We reduced our LDIFR (an indicator that measures the number of accidents resulting in at least one day's absence from work per million working hours) from 1.5 to 1.4. In terms of the standard for manufacturing companies, we have therefore achieved first-class occupational safety.

2015 was characterized by the successful implementation of several strategic projects.

At the beginning of the year under review we signed off the findings of the strategy process for 2015 to 2017. A key element of the new strategic planning is the continuous further development of business through product and process innovations in order to grow profitably in existing Business Areas on a scale that outpaces the market.

Furthermore, it is planned to develop the portfolio through selectively targeted acquisitions in all Business Groups, thereby adding targeted new technologies and accessing new markets. We will continue with our successful buy-and-build strategy in the defined growth areas and leverage options to acquire new areas of business that complement the Freudenberg organization.

In the medium term we are aiming for a strategically balanced portfolio of cyclical and anti-cyclical business with sales evenly distributed among The Americas, Europe and Asia.

We therefore further expanded our portfolio in the year under review, and made the following major acquisitions:

**In its internal reporting, Freudenberg applies the pro-rata consolidation method for joint ventures as a tool for managing operating activities. Sales ran at €7,571.6 million (previous year: €7,039.1 million), a year-on-year increase of 7.6 percent. Consolidated profit totaled €522.0 million. The rise in sales is attributable on the one hand to the market success of our innovative products, our high degree of customer orientation and flexibility, and on the other to positive exchange rate effects. The sustained high earnings strength is a result of our systematic measures to increase productivity and efficiency. Almost all Business Group made a contribution.**

Freudenberg Performance Materials acquired Polymer Health Technology Limited, Ebbw Vale, UK, a leading specialist of polyurethane foams for advanced wound care, in January 2015. With this acquisition, Freudenberg Performance Materials is expanding its portfolio in the field of medical technology.

Freudenberg Oil & Gas Technologies acquired the business of BlueSky Process Solutions Ltd., Stoney Creek, Canada, in June 2015. BlueSky Process Solutions Ltd. is a designer of differentiated seal products, specifically for the upstream oil and gas segment. BlueSky develops high integrity connectors that are complementary to the Freudenberg Oil & Gas Technologies' Vector product line in this segment.

Freudenberg Medical acquired a stake of some 75 percent in Hemoteq AG, Würselen, near Aachen, Germany, in August 2015. Hemoteq AG is a world leader in highly innovative coating technologies and services for medical technology products. With this partnership, Freudenberg Medical is adding to its range of innovative medical technology combination products.

Freudenberg SE and Toray Industries, Inc. (Toray), Tokyo, Japan, made a joint public tender in 2015 to acquire all common shares in Japan Vilene Company Ltd. (JVC), Tokyo, Japan. JVC was delisted from the stock market on December 25, 2015. The remaining shareholders of JVC are Freudenberg and Toray. In January 2016, the EU anti-trust authority granted permission for the acquisition of the shares, which had still been outstanding.

Furthermore, in February 2016 a new joint venture agreement between Freudenberg and Toray under which Freudenberg gains control of JVC effective April 1, 2016 was signed by both partners. Based on this joint venture agreement, JVC will become a new Business Group within Freudenberg's Nonwovens and Filtration Business Area and will operate independently in the marketplace.

At the end of 2015 the 50 percent shareholdings in enmech GmbH & Co. KG, Weinheim, Germany, and enmech Hungary Bt, Pécel, Hungary, two joint ventures previously consolidated by the equity method, were sold to the long-standing joint venture partner NOK Corporation, Tokyo, Japan.

We again invested vigorously in machinery, plant and equipment in the year under review: For example, Freudenberg Chemical Specialities opened an ultra-modern factory in Mysore, India, Freudenberg Performance Materials inaugurated a pilot line for spunlaid in Kaiserslautern, and SurTec and Chem-Trend commissioned a new joint facility in Valhinos, Brazil. Investments in production halls and site infrastructure at the Oberwihl location, and construction of the large new administration building at Weinheim industrial park continued.

The most important foundation of our corporate success is innovation. The Business Groups' innovation activities benefit from our materials competence, which is constantly being expanded, among other things via technology platforms. We focus on the main cross-sectional technologies of relevance to several Business Groups. They reinforce our innovative strength.

Freudenberg concentrated on five technology platforms in particular in 2015: nonwovens, sealing technologies, molding, friction/wear & lubrication, and surface technologies. These are platforms for transferring knowledge and generating synergies.

We invested €315.3 million in innovation in 2015; more than ever before. We have steadily increased our investments in research and development by €144 million over the last six years and further strengthened Freudenberg's innovation capability. Freudenberg measures the effectiveness of R&D activities as the share of new products (products less than four years old) in total sales. This share has risen from 23.8 percent to 26.0 percent in the last six years.

There were two future-oriented issues on the agenda of DIALOG 2015, the internal senior management conference held in Detroit, USA, in July. 320 managers discussed “Entrepreneurship and Efficiency” on the first day of the event, working among other things on a common understanding of the right corporate and leadership culture for Freudenberg’s future success.

The new positioning of the Freudenberg global brand was presented on the second and third day. We are positioning ourselves as an innovative technology company with the following benefit statement: “Freudenberg is a values-based technology group that best serves its customers and society”.

The new global brand transports the values and goals of our company. It gives a clear benefit statement, strengthens our image, and raises the visibility of Freudenberg as an attractive employer. The company slogan “Innovating Together” makes the benefit statement visible to everyone.

In order to stay successful it is very important to attract talent, retain that talent within our company and develop it further. We made excellent progress with our global talent management process, organizing global and regional talent dialogs and highlighting cross-sector development perspectives for potentials.

The projects to redesign the compliance architecture have further enhanced our framework for impeccable lawful and ethical conduct as a key element of our corporate culture. Furthermore, we have drawn up a Code of Conduct for the Freudenberg Group which we are discussing with all of the company’s organizational units so that it is firmly anchored throughout the Group.

We define total success as financial success plus fulfilling our corporate social responsibility. That is a tradition in our company.

The “Sustainability” project we initiated at the end of 2014 addresses how the company can contribute to the sustainable management of natural resources. This has two dimensions. The first is how the company designs its processes and uses its plants to conserve resources. Freudenberg uses the term “footprint” to describe this aspect.

The second dimension relates to the numerous products and solutions Freudenberg offers customers to enable them to improve efficiency and sustainability as well as the eco balance of their own products. Freudenberg calls this the “handprint”, and the company is seeking to enlarge its handprint for customers.

Social responsibility is more than the commitment that goes with direct entrepreneurial action. That is why a senior management team comprising representatives from all global regions developed the e<sup>2</sup> (education and environment) initiative. The objective is to give people better access to education and work, and to encourage environmental protection. We support a broad range of projects from small actions to major education programs in the direct neighborhood of Freudenberg sites.

Our engagement and that of our employees in numerous projects to help refugees in Germany and Europe illustrates the way we are currently bringing our understanding of social responsibility to life.

We can look back with pride on the progress we made during 2015. We have become more efficient, we have expanded our excellence and leveraged further Group potential.

## OUTLOOK:

We are cautiously optimistic about our business development in 2016, although global economic conditions are challenging. We expect overall economic growth of between 1.0 and 3.0 percent in the markets of relevance to Freudenberg. However, this largely depends on the current geopolitical trouble spots and on economic development in Asia, particularly China, and in South America. Advanced economies with their moderate growth are more likely to be robust.

We expect business in the oil & gas, mining, construction, and in agriculture sectors to be especially challenging. The competitive environment remains dynamic, customer requirements are becoming ever more demanding as a result of technological advances.

For 2016, we plan to outpace the market once more in terms of growth and to derive above-average benefits from economic developments.

## THANKS:

The motivation and commitment of our employees will help to make our company even stronger. We would like to thank our employees for their dedication and their ideas. We would also like to extend our appreciation to all customers and business partners for their trust and good cooperation. Together with them we develop leading-edge technological products, solutions of the very best quality, and excellent processes and services – and thus play a key role in their success in the spirit of our company slogan “Innovating Together”.

Weinheim, March 22, 2016  
For the Board of Management



Dr. Mohsen Sohi  
Chief Executive Officer

# GROUP MANAGEMENT REPORT OF THE FREUDENBERG GROUP

In the 2015 financial year the Freudenberg Group reported sales of €6,410.9 million (previous year: €5,982.3 million). Consolidated profit ran at €520.8 million (previous year: €477.8 million). At December 31, 2015, the Freudenberg Group workforce totaled 34,007 employees (previous year: €34,030 employees).

## FUNDAMENTAL INFORMATION ABOUT THE GROUP

### BUSINESS MODEL OF THE GROUP

#### Organizational structure of the Group

Freudenberg is a global technology group that strengthens its customers and society long-term through forward-looking innovations. Together with its partners, customers and the world of science, the

ten Business Groups (previous year: twelve Business Groups, please refer to page 14 “Organizational changes” for further information) of the Freudenberg Group develop leading-edge technologies, and excellent products, solutions and services for more than 30 market segments and for thousands of applications: seals, vibration control components, nonwovens, filters, specialty chemicals, medical products, IT services and the most modern cleaning products.

Across the globe, the Freudenberg Group’s products and services make a valuable contribution to the success of its customers – rarely visible, but always indispensable in the spirit of the new positioning which states that “Freudenberg is a values-based technology group that best serves its customers and society”. Without Freudenberg, for example, indoor air would not be as clean, cars would not drive, suits would not sit properly on shoulders and wounds would not heal as quickly.

PARENT COMPANY (STRATEGIC MANAGEMENT) FREUDENBERG & CO. KOMMANDITGESELLSCHAFT			
PARENT COMPANY (BUSINESS OPERATIONS) FREUDENBERG SE			
Seals and Vibration Control Technology Business Area	Nonwovens and Filtration Business Area	Household Products Business Area	Specialties and Others Business Area
Business Groups	Business Groups	Business Group	Business Groups
Freudenberg Sealing Technologies	Freudenberg Performance Materials	Freudenberg Home and Cleaning Solutions	Freudenberg Chemical Specialities
Freudenberg Oil & Gas Technologies			Freudenberg IT
EagleBurgmann			enmech <sup>1,2</sup>
Freudenberg Medical	Freudenberg Filtration Technologies		<b>Divisions</b>
TrelleborgVibracoustic <sup>1</sup>		Freudenberg Business Services	
			Freudenberg Service

<sup>1</sup>Fully consolidated at-equity

<sup>2</sup>Deconsolidated following transfer of shares to NOK Group with effect from Dec. 31, 2015

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 excellent innovative technological products and services. In the year under review the customer base also included companies in the medical technology, civil aviation, and rail vehicles sectors.

Innovation strength, strong customer orientation, diversity and team spirit are the cornerstones of the Group. Commitment to excellence, reliability and pro-active, responsible action belong to the company's core values lived for more than 165 years.

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.

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

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

For further information on the Business Groups, please refer to the chapter "Review of Operations by Business Area" (page 44 ff).

<b>BUSINESS AREAS<sup>1</sup></b>		
	<b>Pro-rata 2014</b>	<b>Pro-rata 2015</b>
<b>Total sales [€ million]</b>	<b>7,039</b>	<b>7,572</b>
Seals and Vibration Control Technology <sup>2</sup>	4,028	4,331
Nonwovens and Filtration <sup>2</sup>	1,278	1,371
Household Products <sup>2</sup>	760	809
Specialties and Others <sup>2</sup>	1,135	1,235
<b>Workforce (as at Dec. 31)</b>	<b>40,456</b>	<b>40,474</b>
Seals and Vibration Control Technology	27,067	27,351
Nonwovens and Filtration	5,994	6,074
Household Products	2,880	2,637
Specialties and Others	4,515	4,412

<sup>1</sup> The figures for the Business Areas are presented in line with internal reporting procedures under which the joint ventures are consolidated on a pro-rata basis.

<sup>2</sup> Including intra-company sales

## **New positioning of the brand**

The Group presented the new positioning of the Freudenberg global brand – from the company slogan “Innovating Together” and the new logo through to the redesigned brand architecture – at DIALOG 2015, the internal senior management conference held in Detroit. This triggered a complex change process within the Freudenberg Group integrating every single employee and bringing the strategic positioning to life: “Freudenberg is a values-based technology group that best serves its customers and society.”

With this positioning, Freudenberg lays claim to technological leadership and to delivering best-quality products, processes and services for the success of its customers. Furthermore, the positioning underpins the company's value orientation and the quest to improve living conditions all over the world through its products and services as well as fostering social interaction.

## **Organizational changes**

During the year under review the Freudenberg Group worked intensively on aligning the organizational structure to the future demands of the market. Under the “Strategic Guide” leadership concept introduced in 2013, the Board of Management focuses more closely on strategy development, major investments and strategic guidelines. This has led to more transparency and faster decision-making. The Business Groups remain fully responsible for their business operations and for meeting targets.

Under the organizational realignment, the formerly independent Freudenberg Nonwovens and Freudenberg Politex Nonwovens Business Groups were combined to form a new Business Group named Freudenberg Performance Materials effective January 1, 2015.

In order to reinforce the innovation strength of the Freudenberg Group, the Corporate Innovation function was realigned during the year under review.

Among other things, this corporate function now focuses even more closely on bundling technological know-how – particularly as regards cross-sectional technologies. Corporate Innovation is also tasked with analyzing and developing new fields of business. The Corporate Innovation function comprises Corporate R&D, Corporate Scouting and Corporate New Business.

For further information on the sites of the Freudenberg Group, please refer to the chapter “Review of Operations by Business Area” (page 44 ff).

## **Business processes**

In 2015, the company continued to work intensively on improving the efficiency of administrative processes. Furthermore, the interaction between “Entrepreneurship and Efficiency” was one of the themes at the DIALOG 2015 senior management conference. The shared understanding of this interaction was that entrepreneurship and efficiency are not contradictory, but these two concepts are in fact tightly interconnected, since entrepreneurship without efficiency often leads to failure. For success to occur, a corporate and leadership culture which provides free room for entrepreneurial action and in which every individual may take on responsibility must also provide corresponding structures and processes as well as teamwork.

At the beginning of the year under review Freudenberg signed off the findings of the strategy process for 2015 to 2017 and further enhanced the framework for lawful and ethically unimpeachable conduct as a key element of corporate culture by implementing various projects to realign compliance, as well as drawing up a Code of Conduct valid throughout the Freudenberg Group.

During 2015, Freudenberg addressed how the company can contribute to the sustainable management of natural resources as part of the “Sustainability” project. There are two dimensions to this approach. The first is how the company designs its processes and uses its plants to conserve resources. The second

relates to the numerous products and solutions Freudenberg offers customers to enable them to improve efficiency and sustainability as well as the eco balance of their own products.

In addition, numerous Business Groups continued to work on responding to customer needs even more effectively and on optimizing business processes. EagleBurgmann, for example, continued with its efforts to improve the process chain from the receipt of a customer order to delivery. TrelleborgVibracoustic optimized the organizational structure and improved efficiency by introducing standardized tools and processes. Freudenberg IT offers customers comprehensive IT services of a global standard through the organizational integration of locations and processes.

**Internal control and risk management system  
(referred to the Group financial reporting process)**

The Group internal control and risk management system for the financial reporting process at Freudenberg is tasked with ensuring the functionality, compliance and effectiveness of financial reporting in the Group. The internal control system includes measures intended to ensure the 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. To this end, Freudenberg has initiated the following main measures: the Corporate Controlling & Accounting function is responsible for drawing up the consolidated financial statements and the consolidated management report of the Freudenberg Group. It defines minimum requirements regarding reporting content submitted by the companies, controls and monitors the time frame and process requirements. Corporate Controlling & Accounting is also responsible for the central administration of the shareholding structures and updates the list of companies included in the Freudenberg Group consolidation as appropri-

ate. The standards for IFRS reporting as regularly updated form the basis for compiling the IFRS reporting packages 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 Freudenberg employees involved in this process via the Freudenberg intranet. There are binding instructions for internal coordination and the preparation of financial statements.

Freudenberg uses a standard software tool for the Group financial reporting process. This tool is used throughout the company worldwide and clearly defines user rights observing the principle of the separation of functions. The system covers both reporting by Freudenberg companies and the consolidated financial statements. Additional controls are implemented in the consolidation process.

This process is also supported by a software tool for the automatic reconciling of balances throughout the Group. The individual companies have a local internal control system which is the responsibility of the respective Business Group and which must comply with uniform minimum requirements applicable throughout the Group. If Shared Service Centers are responsible for the financial processes, then the internal control system of the Shared Service Centers also applies.

Corporate Controlling & Accounting provides support for local contact partners throughout the entire reporting process. The corporate function organizes seminars for employees involved in this process in the event of important changes in financial reporting procedures and IT applications, thereby guaranteeing a consistently high standard of reporting. Some sections of the Health, Safety and Environment (HSE) reporting process are integrated in the central reporting system.

There is a clear demarcation of tasks between Corporate Controlling & Accounting and the companies. The separation of functions and the dual control principle

are systematically applied. Actuarial reports and evaluations are compiled by specialist service providers or appropriately qualified employees. It is standard procedure for the Group auditor and the auditors of the consolidated companies to review the functionality and compliance of the Group's reporting processes. Suggestions for improvements are regularly discussed and optimized in coordination with the relevant specialist departments and corporate bodies.

In addition, the functionality and compliance of processes of relevance to financial reporting are reviewed regularly under an internal auditing process. The complete package of processes, systems and controls adequately ensures that the Group's reporting process is in accordance with IFRS and other regulations and laws of relevance to financial reporting and is reliable.

### **Consolidated group**

At year-end 2015, the number of companies in the Freudenberg Group totaled 473 located in 57 countries. 453 of these companies were included in the consolidation. 375 companies, including 125 production and 166 sales companies, were fully consolidated. The remaining companies were holding or management companies.

### **Investments in joint ventures and associated companies**

The joint ventures with Trelleborg AB, Trelleborg, Sweden, and NOK Corporation, Tokyo, Japan, are of major importance for Freudenberg. The purpose of the TrelleborgVibracoustic joint venture with Trelleborg AB is to strengthen activities in the automotive business.

Trelleborg AB and Freudenberg SE, Weinheim, Germany, each hold a stake of 50 percent.

Freudenberg and NOK Corporation jointly hold shares in several companies, six of which, including Freudenberg-NOK General Partnership, Plymouth, USA, are fully consolidated. The companies grouped together in NOK-Freudenberg Group China are consolidated according to the equity method. NOK-Freudenberg Group China is a 50:50 joint venture between the Japanese NOK Corporation and Freudenberg with the objective of serving the high-growth Chinese market with both locally-produced and imported sealing technology products.

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.

The NOK Group manufactures and supplies sealing products, flexible printed circuits, roll products for office equipment and further products such as specialty lubricants.

JVC manufactures nonwovens for the clothing, automotive, electrical and consumer goods industries as well as for applications in the medical sector and filtration.

The proven partnership between Freudenberg and these two Japanese companies has already 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.

Further details can be found in note (4) Investments in joint ventures and note (5) Investments in associated companies in the Notes to the Consolidated Financial Statements.

**Acquisitions and disinvestments and discontinued operations**

Freudenberg Performance Materials acquired Polymer Health Technology Limited, Ebbw Vale, UK, a leading specialist of polyurethane foams for advanced wound care, in January 2015.

With this acquisition, Freudenberg Performance Materials is expanding its portfolio in the field of medical technology.

Freudenberg Oil & Gas Technologies acquired the business of BlueSky Process Solutions Ltd., Stoney Creek, Canada, in June 2015. BlueSky Process Solutions Ltd. is a designer of differentiated seal products, specifically for the upstream oil and gas segment. BlueSky develops high integrity connectors that are complementary to the Freudenberg Oil & Gas Technologies' Vector product line in this segment.

Freudenberg Medical acquired a stake of some 75 percent in Hemoteq AG, Würselen, near Aachen, Germany in August 2015. Hemoteq AG is a world leader in highly innovative coating technologies and services for medical technology products.

With this partnership, Freudenberg Medical is adding to its range of innovative medical technology combination products.

Freudenberg SE and Toray Industries, Inc. (Toray), Tokyo, Japan, successfully made a joint public tender in 2015 to acquire all common shares in Japan Vilene Company Ltd. (JVC), Tokyo, Japan. JVC was delisted from the stock market on December 25, 2015. The remaining shareholders of JVC are Freudenberg and Toray. In January 2016, the EU anti-trust authority granted permission for the acquisition of the shares, which had still been outstanding. Furthermore, in February 2016 a new joint venture agreement between Freudenberg and Toray under which Freudenberg gains control of JVC effective April 1, 2016 was signed by both partners. Based on this joint venture agreement, JVC will become a new Business Group within Freudenberg's Nonwovens and Filtration Business Area and will operate independently in the marketplace.

At the end of 2015 the 50 percent shareholdings in enmech GmbH & Co. KG, Weinheim, Germany, and enmech Hungary Bt, Pécel, Hungary, two joint ventures previously consolidated by the equity method, were sold to the long-standing joint venture partner NOK Corporation, Tokyo, Japan.

## RESEARCH AND DEVELOPMENT

In 2015, the Freudenberg Group conducted research and development activities in the amount of €315.3 million (previous year: €270.3 million) based on the pro-rata consolidation of the joint ventures. Based on the equity consolidation method for joint ventures, research and development activities in the amount of €252.7 million (previous year: €213.7 million) were conducted. In both cases, more than half of the sum is accounted for by the Freudenberg Sealing Technologies, EagleBurgmann and Freudenberg Chemical Specialties Business Groups.

During the year under review, an average of 2,772 employees (previous year: 2,582 employees) were employed in research and development throughout the Freudenberg Group based on the pro-rata consolidation of the joint ventures, with the regional focus in Germany, where 1,573 employees (previous year: 1,542 employees) were employed.

Based on the equity consolidation method for joint ventures this figure was 2,160 employees (previous year: 2,025 employees). Here, too, the regional focus was in Germany, where 1,176 employees (previous year: 1,153 employees) were employed.

### **Innovation and technology: important pillars of the Freudenberg Group**

“Innovation” is one of the Freudenberg Group’s six **Guiding Principles**: “As a multinational company of German origin competing in global markets, our established tradition of innovation and renewal benefits our customers.

Constant innovation in everything we do is essential for our long-term financial success. We are leaders in continuous improvement, and our culture encourages and rewards creativity and initiative from all our employees.”



The significance of innovation for Freudenberg is also reflected in the Group’s **new brand positioning** as set out in the benefit statement: “Freudenberg is a values-based technology group that best serves its customers and society” and in the company slogan “Innovating Together”.

### **Successful innovation needs a clear customer focus**

In 2015, Freudenberg invested 4.2 percent (previous year: 3.8 percent) of sales in research and development (R&D) based on the pro-rata consolidation of the joint ventures. Based on the equity consolidation method for joint ventures this share was 4.0 percent (previous year: 3.6 percent). The target is to maintain the R&D quota at a minimum of 4 percent. Freudenberg measures the effectiveness of R&D activities as the share of new products (products less than four years old) in total sales. Based on the pro-rata consolidation of the joint ventures this share was 26.0 percent (previous year: 28.2 percent). Based on the equity consolidation method for joint ventures the share was 23.6 percent (previous year: 25.3 percent).

As a leading technology group and innovative partner, Freudenberg works together with customers to develop excellent products, solutions and services that help ensure their ongoing success. The Business Groups are

the largest innovation drivers. They work on customer-oriented technology and product developments in their market segments. Within the Business Groups there is close cooperation between technical sales, development centers and the R&D functions – in line with the respective business model and business strategy. Products and technologies are developed systematically in multi-stage processes.

### **Cooperation between the Business Groups and the scientific community of technology experts**

Technological innovations have been and still are the driving force behind Freudenberg's success. The Business Groups have always invested in developments and technologies that have broken new ground for each particular Business Group. In addition to that, the Freudenberg Group has established **technology platforms** for the Group as a whole – these overarching platforms reflect the spirit of the new company slogan "Innovating Together". The aim is to further develop Freudenberg's materials and system competence beyond the boundaries of individual Business Groups. In the 2015 financial year, Freudenberg closely addressed five technology platforms: nonwovens, sealing technology, molding, friction/wear & lubrication, and surface technologies. These are knowledge transfer platforms and enable the creation of synergies.

**Corporate Innovation** was realigned during the year under review, and the corporate function is now tasked with fostering innovation and technology at Group level in line with the new positioning. To that end, Corporate Innovation identifies and implements tools, structures and processes for improving innovation-related competences and optimizing cooperation between the Business Groups. Corporate Innovation comprises Corporate R&D, Corporate Scouting and Corporate New Business.

The research specialists at **Corporate R&D** provide materials and technology expertise for projects undertaken jointly with the Business Groups as well as offering analytical services. Young scientific talent can become integrated in Freudenberg's scientific community through these projects (junior program for scientists).

**Corporate Scouting** involves translating new themes and ideas into projects and, ultimately, solutions that Freudenberg can use to generate lasting business in the future. One instrument for finding such themes – in addition to systematic analyses – is the **ideaTrophy** idea competition. This competition encourages internal and external experts to submit business ideas for the following defined search fields: renewable energies, water, health, surface technologies, oil & gas.

**Corporate New Business** contributes to reinforcing the innovative strength of the entire Freudenberg Group. The objective is to identify and develop new areas of business that are not directly focused on the Business Group's current main fields of activity. This is to be achieved by harnessing the Business Groups' core technologies and existing know-how.

The **Freudenberg Innovation Council** is a platform for exchange among the Business Group CTOs – with the aim of strengthening the Group's innovation and technology performance as well as driving forward the Freudenberg Group's innovation strategy and strategic initiatives (for example: "Globalization of Research & Development" and "Innovations for Sustainability"). In addition, the Council fosters exchange among young technical talent. Each Business Group compiles an annual Innovation Review in cooperation with Corporate Innovation, addressing its progress with regard to innovation and technology and defining its challenges. The Board of Management member responsible for Innovation chairs the Council and the Innovation Review.

## Awards

The Freudenberg Innovation Award is the highest **internal award** for innovation at Freudenberg. The award takes equal account of all types of innovation: product, material, process and service. The prize for the winning team includes a budget of €250,000 for a further initiative in the area of innovation. The award is presented at the Global Innovation Forum, an event held every two years attended by researchers, developers and technology experts from all the Business Groups.

In the 2015 financial year, the Group also again presented **external scientific awards** to the academic world for outstanding achievements in natural and engineering sciences:

- The 2015 Karl Freudenberg Prize went to the physicist Dr. Anna Böhmer from the Institute for Solid State Physics at Karlsruhe Institute of Technology for her research into super conductors. The findings of her work help gain a better understanding of the behavior of iron-based super conductors and drive research forward.
- The Carl Freudenberg Prize was presented on the occasion of the Carl Benz memorial lecture at Karlsruhe Institute of Technology to three engineering scientists – Dr.-Ing. Philipp Merkel, Dr.-Ing. Kai-Philipp Walter Pahl and Dr.-Ing. Hans-Georg Wahl.

## Innovation and technology: Key drivers for sustainability

The “**Sustainability**” project Freudenberg initiated at the end of 2014 addresses how the company can contribute to the sustainable management of natural resources. This has two dimensions. The first is how the company designs its processes and uses its plants to conserve resources. Freudenberg uses the term “footprint” to describe this aspect. The second dimension relates to the numerous products and solutions Freudenberg offers customers to enable them to im-

prove efficiency and sustainability or the eco balance of their own products. Freudenberg calls this the “handprint”, and the company is seeking to enlarge its handprint for customers.

Examples of innovations to achieve that goal are:

- The Levitex gas lubricated mechanical seal for crankshafts functions nearly friction-free. The primary ring interacts with a mating ring to form a cushion of air on which the primary ring independently floats. Air “lubrication” produces less friction than any oil and achieves an almost identical sealing performance. This minimal friction results in lower fuel consumption, less wear and a long operating life.
- SurTec developed a health-friendly chromium (III) coating to protect against corrosion for use in the surface treatment of metal, and won the 2013 “We all take care” Award (an internal Freudenberg accolade) with this innovation.
- Highly-efficient Viledon® air filters for the food industry not only reliably separate bacteria, spores and other harmful germs. These air filters also reduce electricity requirements by around 14.5 percent, thus lowering operating costs. Moreover, the filters have a longer service life than conventional filters.
- Klüber Lubrication developed and manufactures new high-performance specialty lubricants for the baking, confectionary and snack industries. Specialty lubricants made to precisely match specific production conditions contribute decisively to production line process and energy efficiency.

The development of ground-breaking and sustainable solutions for better living conditions not only contributes to the company’s business success, but also ensures that Freudenberg fulfils its responsibility for society.

## REPORT ON ECONOMIC CONDITIONS

### MACROECONOMIC ENVIRONMENT

The global economy, and therefore the markets of relevance for Freudenberg, recorded moderate year-on-year growth, despite the expectations of a downturn. While the industrialized nations, particularly in North America and the eurozone, continued on their growth trajectory, negative momentum persisted in the developing countries, with lower year-on-year growth rates. The Freudenberg Group achieved moderate growth by marketing innovative products, a high degree of customer orientation and flexibility, as well as structured expansion in attractive markets and strategic areas of business. In addition, there was a further slight downward trend in the cost price of key raw materials purchased by Freudenberg, including the oil price. Exchange rate effects also impacted the scale of growth by the Freudenberg Group.

Regional developments in the Freudenberg Group's business were mixed. Growth in Europe, particularly Germany, was at a lower level than the previous year, while business in Russia remained challenging. Business in North America continued the good development of the previous year. In contrast, the economic problems in the emerging markets of South America, particularly Brazil and Argentina, persisted. The growth trend in Asia was down year-on-year, primarily as a result of the situation in China, but nevertheless remained strongly positive.

#### Global economic situation

In 2015, gross domestic product grew worldwide year-on-year by 2.4 percent. (Figures sourced from: World

Bank) An important driver was the sharp drop in the price of oil where the annual average price was just under 54 US dollars per barrel, 54 percent lower than the previous year. (Figures sourced from: Handelsblatt)

The economy in the eurozone continued to recover thanks to a favorable exchange rate and the low oil price. In political terms, however, the situation remains tense. A new bailout package had to be negotiated for Greece, conditions in Russia remained uncertain, and EU Member States could not agree on a common refugee policy. The European Central Bank (ECB) proceeded with its controversial expansionary monetary course, which led to a boom on stock markets in 2015 while real-economy momentum was comparatively modest.

In the USA, on the other hand, the Federal Reserve Bank finally reversed its interest rate policy after a long period of hesitation and raised the benchmark interest rate towards the end of the year – but only by 0.25 percentage points so as not to place too great a burden on the domestic economy or on many developing countries and emerging economies with US dollar debt.

Economic growth again weakened significantly in China. Brazil and Russia were in the midst of deep recession with economic performance well below expectations.

In India the first reforms began to take effect although a new method of calculating gross domestic product contributed to the strong growth rate.

EUROPE		
Region	GDP growth 2014	GDP growth 2015
Eurozone	0.9 %	1.5 %
Germany	1.6 %	1.7 %
France	0.4 %	1.2 %
Italy	-0.4 %	0.7 %
Spain	1.4 %	3.2 %
Portugal	0.9 %	1.5 %
Ireland	4.8 %	6.9 %
Greece	1.0 %	0.0 %
United Kingdom	2.8 %	2.2 %

WORLD REGIONS		
Region	GPD growth 2014	GPD growth 2015
USA	2.4 %	2.4 %
Mexico	2.1 %	2.5 %
Brazil	0.1 %	-3.7 %
Argentina	-1.6 %	1.2 %
Japan	0.2 %	0.6 %
Russia	0.5 %	-3.7 %
China	7.4 %	6.9 %
Taiwan	3.5 %	0.9 %
India	7.3 %	7.4 %

Sources: Consensus, European Commission, International Monetary Fund

In 2015, momentum on almost all of the Freudenberg Group's key sales markets was slightly slower than the previous year. The global **automotive industry**, however, continued on its growth trajectory.

Passenger car production in China grew by some 6 percent, and demand increased by 6.5 percent. In the USA, automobile production grew by just under 4 percent, while new registrations increased by 5 percent.

The recovery among European car manufacturers continued, with production growing by 6 percent and new registrations increasing by almost 7 percent. (Figures sourced from: Information Handling Services)

After a brief high in 2014 the investment climate in the **mechanical and plant engineering** sector was again noticeably subdued in the year under review. Worldwide production only grew by 1 percent.

There was a decline of almost 2 percent in Germany, while the eurozone stagnated at a low level (0 percent). (Figures sourced from: Eurostat) Growth was similarly weak in Japan (1 percent) and China (2 percent).

At 0 percent, there was stagnation in the USA. (Figures sourced from: Verband Deutscher Maschinen- und Anlagenbau – German Engineering Association) In light of price erosion on the oil market and weak demand for raw materials as a result of the economic situation, business with equipment for the oil & gas industry and the mining industries was particularly poor.

In the **textile and apparel industry** China remained the world market leader and grew production by 7 percent in spite of rising costs. Manufacturers in the USA reported moderate year-on-year growth of almost 3 percent, while Europe saw a decrease of almost 2 percent in 2015. (Figures sourced from: National Bureau of Statistics of China, Federal Reserve Board, Eurostat)

Developments in the global **construction industry** in 2015 were very mixed. In the USA the industry resumed its role as an important pacesetter for the national economy with production rising by 10 percent.

In contrast, the real estate market in China cooled down quite considerably. After several years of double-digit growth, the increase in 2015 was only just short of 7 percent.

There was a slight 1 percent rise in the eurozone, although there were significant regional differences. (Figures sourced from: Eurostat, US Census, National Bureau of Statistics of China)

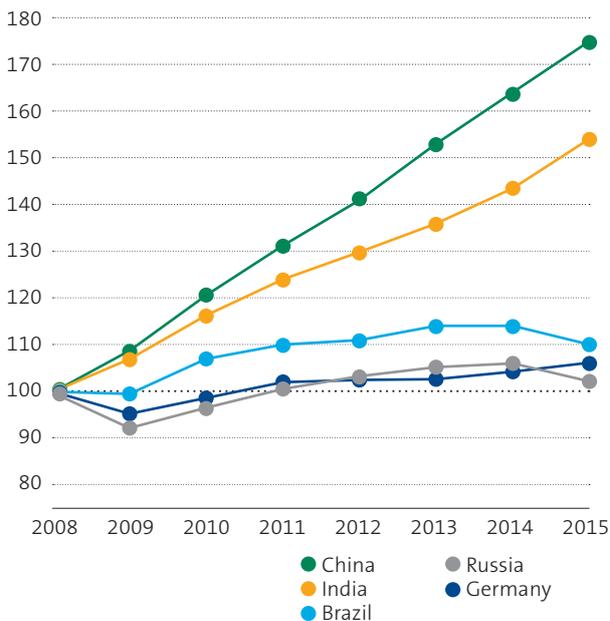
The robust momentum on the global market for **medical technology** continued. The USA, the world market leader, added a further 2 percent to production. Manufacturers in Germany recorded growth of just under 4 percent. (Figures sourced from: Eurostat, Federal Reserve Board)

**Private consumption** in many regions benefited from low energy costs and sustained high employment.

The euro continued its downward slide at the beginning of 2015, and then recovered slightly, only to fall again towards the end of the year. The annual average exchange rate was therefore US\$1.10/€. (Figures sourced from: European Central Bank)

DEVELOPMENT OF REAL GDP IN BRIC COUNTRIES AND GERMANY SINCE 2008

Index 2008 = 100



Source: National statistical offices

## BUSINESS DEVELOPMENT AND POSITION OF THE GROUP

FREUDENBERG GROUP		
	At-equity 2014	At-equity 2015
Sales [€ million]	5,982.3	6,410.9
Profit before income taxes [€ million]	625.1	667.6
Consolidated profit [€ million]	477.8	520.8
Workforce	34,030	34,007

The Freudenberg technology group continued its good business development in 2015. Freudenberg's growth in emerging markets was mixed, but in total remained dynamic. In established markets, growth was in line with expectations. Moreover, business was influenced by positive exchange rate effects. Overall, the impact of relatively stable raw material procurement prices on business and result was neutral.

The Freudenberg Group yet again reported increased sales and consolidated operating profit in 2015. All Business Areas as well as the major acquisitions at Freudenberg Sealing Technologies, Freudenberg Performance Materials and Freudenberg Medical contributed to this increase.

Growth was attributable to the marketing of innovative products, a high degree of customer orientation and flexibility, and structured expansion in attractive markets and strategic fields of business.

Furthermore, the Freudenberg Group maintained its high earning power through the systematic implementation of measures to increase productivity and efficiency.

Due to positive exchange rate effects, sales and operating result forecasts were exceeded.

FORECAST/ACTUAL COMPARISON FREUDENBERG GROUP <sup>1</sup>				
	ACTUAL 2014	Forecast for 2015	Change	ACTUAL 2015
Sales [€ million]	7,039.1	between 2 and 4 percent	+7.6 %	7,571.6
Operating result [€ million]	643.3	prior-year level	+6.6 %	685.5
Return on sales [percent]	9.1	slight decline	0.0 % points	9.1
LDIFR <sup>2</sup>	1.4	slight reduction	-7.1 %	1.3

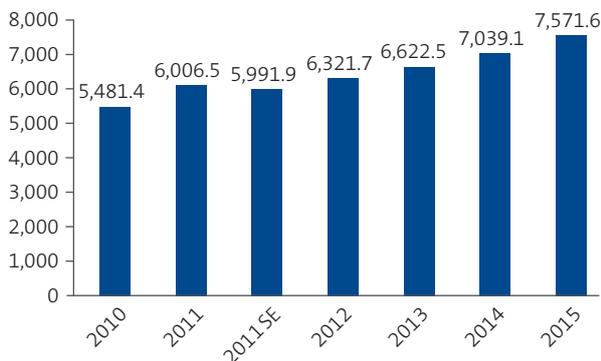
<sup>1</sup> For internal reporting, the Freudenberg Group key performance indicators are determined based on the pro-rata consolidation of the joint ventures.

<sup>2</sup> For further information on the Lost Day Incident Frequency Rate please refer to the chapter on "Corporate Responsibility".

### Earnings Position of the Group

The Board of Management uses sales and operating result as **key financial indicators** for the management of the Freudenberg Group; these figures are taken from internal reporting and are based on the pro-rata consolidation of the joint ventures. This provides greater transparency when comparing business performance since it also includes the activities of the joint ventures. The operating result is the performance indicator that describes the profit before income taxes excluding special effects. The 9.1 percent return on sales is determined from the two performance indicators of sales and operating result and represents a further key indicator of operating performance. These indicators are regularly made available to the Board of Management to assist in the timely identification of trends and changes. The key financial performance indicators are targeted towards sustainable earnings-oriented growth and a continuous increase in enterprise value. Furthermore, order levels at the beginning of the new year were appropriate.

SALES DEVELOPMENT [€ million]  
Pro-rata



Joint ventures are consolidated on a pro-rata basis in line with internal reporting procedures. Figures based on Freudenberg & Co. KG until 2011.

Applying the pro-rata consolidation for joint ventures, the Freudenberg Group generated **sales** of €7,571.6 million (previous year: €7,039.1 million) in 2015, thus setting a new record. Overall, sales increased by 7.6 percent or €532.5 million year-on-year. Adjusted for the effects of acquisitions and disinvestments to the amount of €63.1 million and exchange rate effects, sales were 0.8 percent or €53.0 million higher than the previous year. Sales increased in all Business Areas.

Under the IFRS financial reporting rules, joint ventures must be consolidated using the equity method. According to this method, sales during the year under review amounted to €6,410.9 million (previous year: €5,982.3 million). On this basis, sales were €428.6 million or 7.2 percent higher than the previous year.

Applying the pro-rata consolidation for joint ventures, **operating result** for the year under review amounted to €685.5 million, €42.2 million higher than the previous year. This was attributable to higher sales, productivity improvements, cost-saving programs, and favorable sectoral developments.

Based on the equity consolidation method for joint ventures, **profit before income taxes** in 2015 amounted to €667.6 million, a year-on-year improvement of €42.5 million.

Contribution margins rose slightly. This is attributable on the one hand to higher sales, and on the other to improved capacity utilization and measures to increase productivity in almost all Business Groups. Selling costs rose in the year under review, in part due to the launch of the new Freudenberg global brand. The administrative expenses ratio declined further as a result of further process and system optimization.

Research and development expenses increased by 17.7 percent from €211.6 million in 2014 to €249.1 million in 2015.

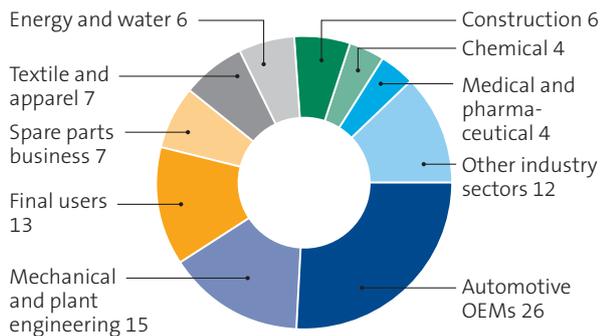
Consolidated profit was €520.8 million (previous year: €477.8 million).

### Sectors and regions

The 2015 financial year was characterized by a rise in demand on almost all markets, and developments were positive throughout the year.

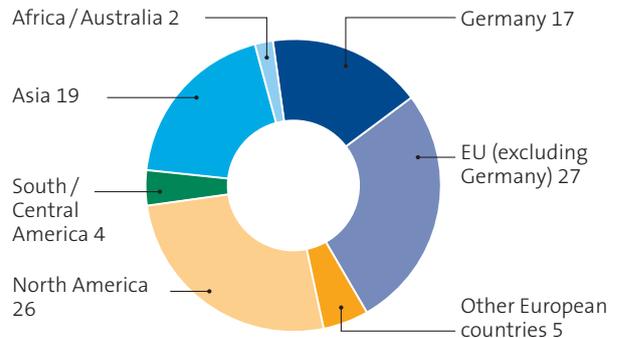
Under the IFRS financial reporting rules, joint ventures are consolidated using the equity method. Excluding sales by the joint ventures such as NOK-Freudenberg Group China and TrelleborgVibracoustic, which make a significant contribution to automotive OEM business, the share of automotive business in Freudenberg sales was 26 percent (previous year: 25 percent).

SALES BY SECTORS [%]  
At-equity



The second most important customer grouping for the Freudenberg Group was the mechanical and plant engineering sector accounting for a total share of 15 percent (previous year: 15 percent). Business with final users and spare parts business accounted for some 13 percent respectively 7 percent of total sales (previous year: 13 percent respectively 8 percent).

SALES BY REGIONS [%]  
At-equity



The regional distribution of sales was as follows: the Freudenberg Group generated 27 percent of total sales (previous year: 28 percent) in the European Union excluding Germany. Germany accounted for 17 percent (previous year: 18 percent) of total sales, while the Other European countries accounted for 5 percent (previous year: 6 percent). Business in North America accounted for 26 percent of total sales (previous year: 23 percent). The share attributable to the Asia region was 19 percent (previous year: 18 percent).

### Financial Position of the Group

#### Financing management of the Freudenberg Group

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. Companies obtain the financing they require via cash pool agreements 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. In order to ensure the identification and management of all financing risks, the Freudenberg Group pursues a holistic approach to financial risk management. The existing financial risks are identified and limited in an institutionalized control loop.

Although financing conditions have loosened compared with previous years, currency risks on currency markets remain high. In addition, there is volatility on

the credit and capital markets. 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.

A key element of external borrowing is a long-term shareholder loan where the interest payable is oriented to a forward interest rate swap plus a premium. As at December 31, 2015, Freudenberg had undrawn committed credit lines amounting to some €363 million. The interest payable on the certificates of indebtedness (“Schuldscheindarlehen”) included in the liabilities to banks is based on variable and fixed components.

Off-balance sheet contingent liabilities and other financial obligations of the Freudenberg Group mainly relate to guarantees.

In its rating published in May 2015, the rating agency Moody’s confirmed rated the issuer rating of Freudenberg SE (Baa1) and revised the outlook from “stable” to “positive”. This gives the Freudenberg Group very good creditworthiness at investment grade level.

CAPITAL STRUCTURE				
	Dec. 31, 2014	Dec. 31, 2015	Change	
	[€ million]	[€ million]	[percent]	[€ million]
Equity	3,211.0	3,699.6	15.2	488.6
Non-current liabilities	1,559.3	1,617.1	3.7	57.8
Current liabilities	1,896.2	1,921.2	1.3	25.0
<b>Equity and liabilities</b>	<b>6,666.5</b>	<b>7,237.9</b>	<b>8.6</b>	<b>571.4</b>

### Capital structure

The **equity ratio** rose from 48.2 to 51.1 percent. This was chiefly attributable to the positive result and exchange rate developments such as the development of the US Dollar. Dividends paid to the parent company Freudenberg & Co. KG had an offsetting effect. The rise in **non-current liabilities** to €1,617.1 million (previous year: €1,559.3 million) was mainly attributable to the increase in other non-current liabilities and provisions for pensions and similar obligations. At the same time, there was a reduction in long-term financial debt.

The €25.0 million rise in **current liabilities** to €1,921.2 million is attributable in particular to the increase in other current provisions in connection with guarantees and warranties, and the €7.0 million rise in trade payables as at December 31, 2015.

After eliminating exchange rate effects and the effects of acquisitions, current liabilities decreased by 7.3 percent.

## Liquidity

**Cash flow from operating activities** in the 2015 financial year amounted to €762.5 million, corresponding to a year-on-year increase of €144.7 million. The rise is primarily due to the increase (€42.5 million) in profit before income taxes as well as the appreciable decline in other expenditure and income not affecting payments. Developments in trade payables and other liabilities had an offsetting effect.

**Cash flow from investing activities** amounted to €-429.0 million as a result of the rise in acquisition sums under corporate transactions and an increase in

net balance sheet additions and was therefore significantly lower than the cash flow of €-338.7 million reported for the previous year. As in 2014, major investing activities focused on tangible assets.

**Cash flow from financing activities** in the 2015 financial year was €-198.9 million (previous year: €-47.3 million). As in the previous year the largest share was attributable to payments to shareholders and non-controlling interests.

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

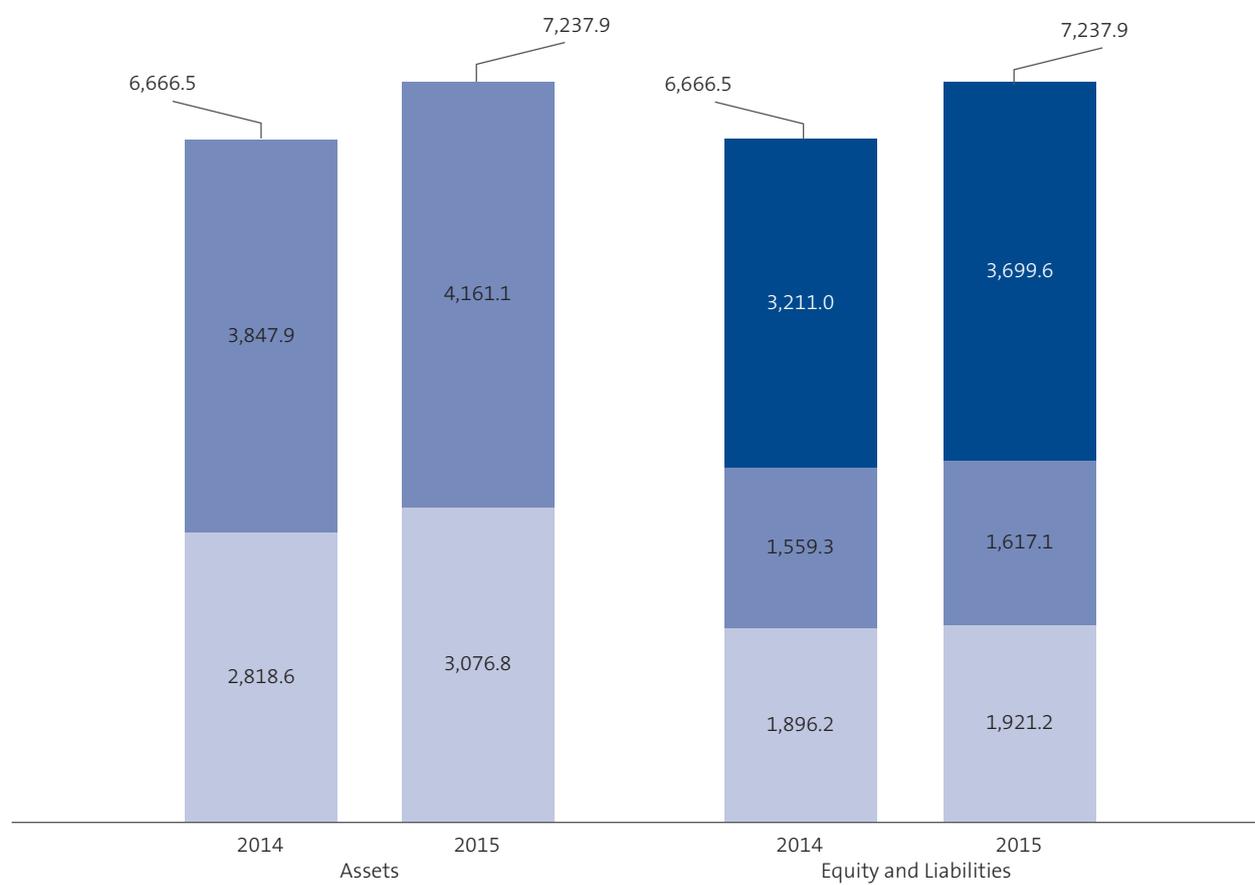
SUMMARY OF CASH FLOWS		
	2014	2015
	[€ million]	[€ million]
<b>Cash flow from operating activities</b>	<b>617.8</b>	<b>762.5</b>
<b>Cash flow from investing activities</b>	<b>-338.7</b>	<b>-429.0</b>
<b>Cash flow from financing activities</b>	<b>-47.3</b>	<b>-198.9</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>672.9</b>	<b>917.7</b>
Changes in cash and cash equivalents with effect on payments	231.8	134.6
Changes in cash and cash equivalents from changes in consolidated group	0.0	0.1
Changes in cash and cash equivalents from exchange rate differences	13.0	3.3
<b>Cash and cash equivalents at end of year</b>	<b>917.7</b>	<b>1,055.7</b>
<b>Securities and cash at bank and in hand</b>	<b>917.7</b>	<b>1,055.7</b>

## Assets, Equity and Liabilities of the Group

BALANCE SHEET STRUCTURE [€ million]

■ Non-current assets  
■ Current assets

■ Equity  
■ Non-current liabilities  
■ Current liabilities



At €7,237.9 million (previous year: €6,666.5 million), the total assets of the Freudenberg Group increased by €571.4 million.

The rise in the balance sheet total is attributable among other things to the increase in **non-current assets** to €4,161.1 million (previous year: €3,847.9 million), particularly as a result of the rise in tangible assets and the positive change in participations consolidated by the equity method. However, adjusted for exchange rate effects and acquisition-related changes, there was a 0.3 percent reduction in non-current assets.

The significant €258.2 million increase in **current assets** to €3,076.8 million in 2015 is once again chiefly attributable to the increase in securities and cash at bank and in hand – as a result of the appreciable rise in free cash flow – and the rise in receivables due to positive business development.

Equity and liabilities items are explained in the chapter “Capital structure” of the Group Management Report.

### Investments

Investments in intangible assets, tangible assets and investment properties rose during the year under review to a total of €302.5 million (previous year: €271.6 million) and were therefore higher than depreciation of €287.9 million. In terms of Freudenberg Group sales, this corresponds to an increase in the investment rate from 4.5 percent in the previous year to 4.7 percent in 2015.

The Freudenberg Group invested worldwide. For example, Freudenberg Chemical Specialities opened an ultra-modern factory in Mysore, India, SurTec and Chem-Trend commissioned the new joint location in Valinhos, Brazil. Freudenberg Performance Materials invested in a new line to produce automotive headliners in China.

€105.1 million (previous year: €79.1 million) was invested in Germany. Freudenberg Performance Materials inaugurated a pilot line for spunlaid in Kaiserslautern. Investments in production halls and site infrastructure at the Oberwihl location, and construction of the large new administration building at Weinheim industrial park continued. In Weinheim, the concept for building a new vocational training center – incorporating a forward-looking learning environment featuring state-of-the-art equipment – was approved.

Investments planned for 2016 are likely to be financed from cash flow from operating activities and have no major effect on net assets.

### Summary statement

The assets, liabilities, financial position and earnings position showed solid further development. The Freudenberg Group slightly exceeded forecast growth and business targets as a result of this development combined with positive exchange rate effects.

The events reported in the chapter “Report on Post-Balance Sheet Date Events” do not change this assessment.



**TOGETHER WITH OUR 40,000 COLLEAGUES  
ALL OVER THE WORLD**



Diverse teams fuel innovation at Freudenberg. Numerous scientific studies confirm that teams comprising people of different ages and genders from different cultures and backgrounds are more successful than those with a more homogeneous composition.

The best solutions and innovations emerge when employees bring their different experiences, knowledge and skills to their shared tasks. In this way, new ideas, imaginative solutions and innovative products come to life.

Our more than 40,000 employees share a common basis: entrepreneurship in thought and action. This fundamental attitude unites them in some 60 countries. At all sites, Freudenberg combines global presence with local expertise, and develops advanced products and leading-edge solutions that meet the specific needs of customers.

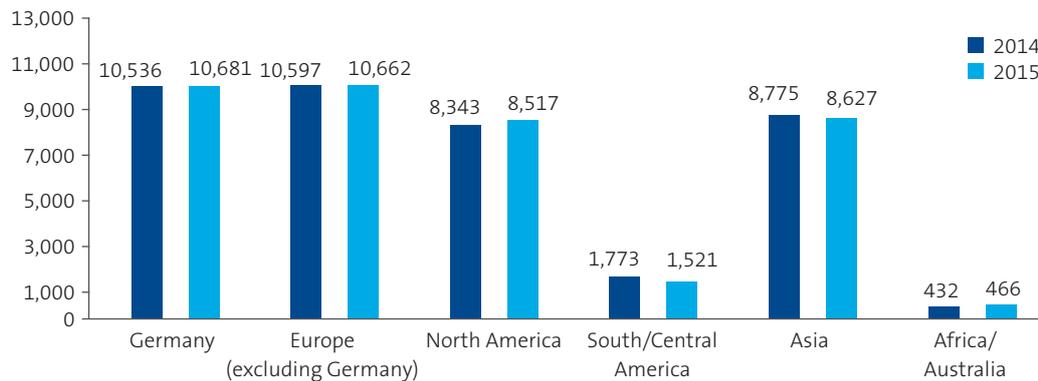
## HUMAN RESOURCES

In our internal reporting – where the joint ventures are consolidated on a pro-rata basis – the headcount as at December 31, 2015 was 40,474 employees (previous year: 40,456 employees). Based on the equity consolidation method for joint ventures, the Freudenberg Group employed 34,007 employees (previous year: 34,030 employees). Personnel

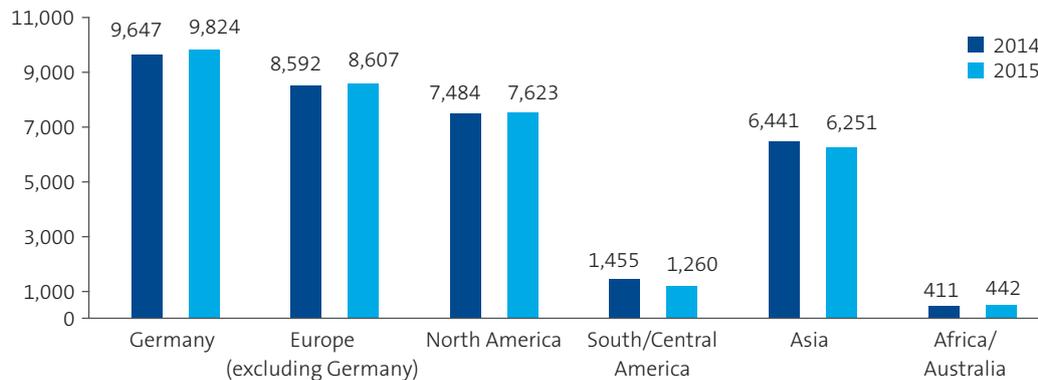
expenses increased to €1,980.8 million (previous year: €1,811.8 million).

The headcount developed well, rising in Germany to 9,824 (previous year: 9,647), in Europe (excluding Germany) to 8,607 (previous year: 8,592), and in North America to 7,623 (previous year: 7,484).

FREUDENBERG GROUP WORKFORCE BY REGION  
Pro-rata



FREUDENBERG GROUP WORKFORCE BY REGION  
At-equity



### Vocational training at Freudenberg

In 2015, 126 young people (previous year: 142) began their vocational training at Freudenberg's German companies. The decline in the number of vocational trainees is chiefly due to changes at Freudenberg Sealing Technologies. In previous years the Business Group trained in excess of its requirements at the Weinheim location and realigned the number of vocational trainees accordingly.

In total, 464 people were training at Freudenberg in Germany as at December 31, 2015. 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 vocational training, as is confirmed by the fact that companies located in the vicinity of Freudenberg operations send their young people to Freudenberg for training.

In July 2015, the Board of Management approved the concept for the new vocational training center. The objective is to teach in-depth technical competence combined with a state-of-the-art curriculum including content such as Industry 4.0 technologies in combination with a forward-looking learning environment featuring advanced equipment.

### Talent management



Competition to recruit the best minds is one of the biggest challenges facing any company. Freudenberg's response to this challenge is excellent talent management.

### Group-wide development programs for top management

The Group-wide development programs for the top two management levels below the Board of Management launched in 2014 continued in the year under review. Both the Strategic Leadership Program and the Business Leadership Program are key elements of the global talent management process and bring together employees from the various Business Groups. The objective is to create a network for top management throughout Freudenberg in order to meet the demands of increasing internationalization and to respond to market change. What is needed are international teams who share knowledge with one another, thus developing new ideas and solutions. Both programs are being implemented in cooperation with the internationally acknowledged INSEAD Business School, Fontainebleau, France.

### Freudenberg Leadership Development Program

In the year under review the Freudenberg Group prepared young managers in the various global regions for their first leadership tasks under the overarching Freudenberg Leadership Development Program (FLDP). In addition, Group-wide development perspectives for talent were discussed at regional talent dialogs. Freudenberg also further expanded the functional talent dialog which is designed to develop specialist talent.

2015 also saw the development of a "Leadership Framework" to facilitate cooperation in leadership development within the Freudenberg Group. Furthermore, the introduction of a learning management system has been instrumental in promoting collabo-

ration in training and development across the Business Groups.

### Examples of further activities in the regions



#### North America

The project to harmonize employer-sponsored health insurance plans and bundle the number of insured employees was successfully concluded. In addition, a

further project to harmonize the various corporate pension plans was started.

#### South America

As a consequence of the economic crisis in South America, and particularly in Brazil, the focus was primarily on programs to improve production; consequently the number of training and personnel development activities was limited.

#### China and Asia

On the back of the very successful pilot project in China, employees in South East Asia also had the opportunity to participate in the “Cross-Culture-Ambassador” program during the year under review. Employees from five countries learnt about different value systems and communication behaviors and formulated openings for achieving more effective cooperation.

#### India

The Freudenberg India Entrepreneurial Leadership Development Program remains the key measure for recruiting outstanding talent from the best business schools in India for Freudenberg. The objective is to recruit excellent graduates from all disciplines in order to increase the number of potentials for future management tasks.

## CORPORATE RESPONSIBILITY

The HSE Guideline contains the HSE principles and defines the stipulations laid down in the Freudenberg Group's values & principles in relation to HSE issues in more concrete terms. The primary objectives are the prevention of all accidents, preventive health care, and the continuous reduction in the negative impact of business activities on the environment. At the same time, positive environmental effects are to be intensified, for example by ensuring that the Group's products have less negative impact on the environment than their predecessors or competing products or make a positive contribution.

These objectives also form part of the Freudenberg Group's commitment to a values-based and sustainable approach to business as set out under the Global Compact. The Group published its second Communication on Progress in August 2015. This report describes how Freudenberg brings the ten Global Compact principles on human rights, labor, environmental protection and anti-corruption to life.

### **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 2015 financial year. Some 90 percent of the Freudenberg Group's production facilities now operate an occupational health and safety management system pursuant to OHSAS 18001 and some 90 percent of production sites operate an environmental management system pursuant to ISO 14001 or EMAS.

#### **Investments**

In the year under review, direct investments in occupational health and safety amounted to €12.1 million (previous year: €12.0 million). Direct investments in environmental protection amounted to €2.7 million (previous year: €1.8 million).

The share of direct investments in environmental protection, occupational health and safety in total investments in tangible assets, intangible assets and investment properties amounted to 4.9 percent (previous year: 5.1 percent).

#### **Preventive health care**

The Group further expanded preventive health care management in 2015, and the health care principles were implemented under various programs and initiatives. Health care performance indicators, such as the sickness rate, have been recorded since 2011 to identify improvement potential and derive suitable measures. The transparency brought by this process has already led to a series of improvement projects. Two examples are presented below:

At Freudenberg Home and Cleaning Solutions in the UK, office staff were encouraged to make small changes in their daily lives that were easy to adopt and to maintain over the long term. The project focused on two aspects: healthy eating, and sporting activities and physical wellbeing. The goal was to encourage a more active and balanced lifestyle – in the office and outside. The results were extremely positive: the number of sick days, for example, has been halved compared with the previous year.

Freudenberg Chemical Specialities in Zurich conducted workshops in partnership with an external consultant where employees learnt among other things how to recognize stress in the workplace as well as learning how to cope with stress in their own individual work and family environments.

### Occupational safety



Occupational safety measures focus on safety awareness among employees. One example of these efforts is the numerous projects implemented under the “We all take care” initiative. At the Freudenberg Performance Materials site in Parets del Vallés, Spain, for example, the safety culture was strengthened by en-

suring that all employees take personal responsibility for identifying safety deficiencies for the good of everyone. A mixed team of two or three people (supervisors, department heads, employees) was given the task of observing colleagues at work in defined situations once a week – for example, the use of tools, protective equipment, posture – and then giving direct feedback.

In 2015, Freudenberg began using the LDIFR (Lost Day Incident Frequency Rate) based on the pro-rata consolidation of the joint ventures in its internal reporting. On this basis, the LDIFR in 2015 was 1.3, representing a further improvement on the previous year (1.4). This indicator serves as a non-financial performance indicator for the Freudenberg Group. It measures all accidents at work involving at least one day’s absence per million working hours. Starting with the 2015 financial year, the indicator also includes data for temporary employees and agency staff. Based on the equity consolidation method for joint ventures, the LDIFR was 1.4 (previous year: 1.5).

The total number of accidents resulting in at least one day’s absence from work during the year under review was 96 (previous year: 95). There were seven serious accidents in 2015 (six in the previous year).

### Environmental protection

Numerous products manufactured by the Freudenberg Group help customers achieve efficient and sustainable resource management.

The “Energy Efficiency” service concept, winner of the Freudenberg Innovation Award, measures the energy saving potential of industrial plant. It is based on methods to analyze energy consumption and on the use of high-tech lubricants from Klüber Lubrication which reduce friction between individual components compared with conventional oils, thus saving energy. Projects to date indicate that energy costs can be cut by some five percent.

The Freudenberg Performance Materials facility in Novedrate, Italy, processes several million PET bottles

from all over Europe daily, turning them into plastic flakes. These flakes are the base material for various Freudenberg products, particularly household products and nonwovens. The integrated production cycle not only means that waste which would otherwise end up as landfill is recycled – it also brings a substantial 50 percent reduction in atmospheric carbon dioxide emissions. Using recycled polyester and polypropylene instead of virgin material also conserves natural resources and thus reduces the environmental impact.

### Group-wide “We all take care” initiative

“We all take care” is a Group-wide initiative launched in 2002 to foster the health and safety of all employees, environmental protection, social responsibility and site safety. Every employee is encouraged to put forward ideas and suggestions for improvement, thereby playing a personal role in putting the “Responsibility” Guiding Principle into practice in the working environment.

Each year, Freudenberg presents the “We all take care” Award to employees in recognition of their very successful commitment to the initiative. In the year under review, first place went to Freudenberg Home and Cleaning Solutions in the UK for its “We are what we eat!” project. EagleBurgmann came second with the “Global Awareness Drives” project from South Africa. Third place went to the “Handicapped persons in our canteen” inclusion project from Merkel Freudenberg in Germany. A total of 16 projects from all over the Freudenberg world took part in the final.

### Energy management

A growing number of Freudenberg sites is introducing energy management systems certified to DIN EN ISO 50001 to improve energy consumption. The Freudenberg Sealing Technologies and Freudenberg Performance Materials Business Groups established such management systems at their German production sites. In addition, energy audits pursuant to DIN

EN 16247-1 were conducted at all relevant European sites to identify energy saving potential.

### Key data

In 2015, Freudenberg consumed 1.6 million megawatt hours of energy (previous year: 1.6 million megawatt hours). The break-down by sources of energy is as follows:

- Outsourced energy supplies (power, steam and district heat generated outside Freudenberg; 1.05 million megawatt hours)
- Natural gas (0.52 million megawatt hours)
- Fuel oil (0.03 million megawatt hours)

This energy consumption of 1.6 million megawatt hours translates into costs totaling approximately €110 million. Energy costs accounted for 1.7 percent of total sales (previous year: 2.1 percent).

There were three events with an environmental impact in 2015 (previous year: one event): in September a fire broke out in a container of electronic waste at the site of Klüber Lubrication Austria Ges.m.b.H., Salzburg, Austria, in Salzburg. The fire department soon had the blaze under control and prevented the fire from spreading to the adjacent buildings. No one was injured. The fire was probably caused by the spontaneous combustion of a cell phone battery.

In November, there was a leak of liquid isocyanate on the premises of Freudenberg Filtration Technologies SE & Co. KG, Weinheim, Germany, in Weinheim. The production building was immediately evacuated. No one was injured. Contaminated material was neutralized and disposed of by the works fire service and Weinheim fire department. The leak was caused by a crack in one of the welds on the storage container.

Also in November there was a minor fire in one of the extractor systems at Freudenberg Haushaltsprodukte Augsburg GmbH, Augsburg, Germany, in Augsburg.

The production hall was evacuated, no one was injured. The Augsburg fire department quickly had the fire under control and production resumed after only a short delay. The fire was probably caused by the sparks from grinding work which ignited the deposits in the extractor system.

### Social responsibility

Social responsibility has always been a central issue for Freudenberg, and the Group develops groundbreaking and sustainable solutions for better living conditions, encourages social engagement at all sites, and protects the environment.

For Freudenberg social responsibility is more than the commitment that goes with direct entrepreneurial action: during the year under review the Group launched e<sup>2</sup>, the new international program to strengthen social engagement. The objective is to give people access to education and work and to encourage environmental protection. The initiative supports a broad range of projects from small actions to major education programs in the direct neighborhood of Freudenberg sites. e<sup>2</sup> complements existing individual initiatives based on a catalog of specific criteria. Over the next five years, Freudenberg is making available funds totaling ten million euros.

During the year under review, numerous projects to help refugees in Germany and Europe again demonstrated that Freudenberg offers support where aid is needed. Employees, retired former employees and Partners donated around €540,000. Freudenberg tripled that figure.

In addition, the company is making one million euros available for integrating refugees over the coming four years and donating a further half a million euros to the Freudenberg Foundation for its refugee initiatives. The projects aim at integration through education, and focus in particular on children and teenagers people, families with children, and older people. Furthermore, Freudenberg employees engage direct and indirect in

helping the refugees, for example by organizing fundraising at their sites or by teaching German.

Aside from this commitment, many of the Group's companies, sites and employees again engaged in local projects in 2015 – from small initiatives to complex projects. All activities are tailored to meet local needs and usually involve the engagement of local Freudenberg employees. Furthermore, numerous internal assistance and support programs are available to employees.



Examples in 2015 included the second Service Day organized by Freudenberg in North America. Employees in more than 50 locations in Canada, the USA and Mexico spent time helping in educational institutions, local communities and agricultural businesses – bringing social responsibility to life in their neighborhoods in many ways.

Another success story is the “Learn to Transform” educational program in Brazil. Since 2009, the Diadema plant of Freudenberg Sealing Technologies in Brazil has offered a free-of-charge six-month vocational preparation course for young people from low-income families. The initiative has been successful: many of

the former participants were able to obtain higher qualifications following the course. Some of them are now working for Freudenberg.

The following two examples illustrate the long-term nature of the local projects: Freudenberg gives young people the opportunity to complete dual study courses to qualify as welders, plumbers, engine mechanics and machine fitters at a nonprofit training center in Nagapattinam in the Indian state of Tamil Nadu south of Chennai opened in 2009. So far, more than 350 young people have successfully set out on a career since the center was founded. The Nagapattinam region, with a population chiefly comprising low-income agricultural workers and fishermen, was very hard hit by the tsunami in 2004.

An elementary school was rebuilt with Freudenberg's help and opened in 2009 in Haijin, a village in Sichuan province, China, almost completely destroyed by an earthquake in May 2008. The buildings provide some 300 students with the right setting for a successful start to their education. Freudenberg employees visit the school each year and organize various activities such as the summer school project, extra tuition and a Christmas party.

In the meantime the first children have graduated from the elementary school. "Freudenberg Help", the association established specially for the elementary school project, is therefore continuing its assistance and supporting students in Haijin – both financially and personally – as their education progresses.

TANNER, Freudenberg's youth exchange program, offers employees' children worldwide the opportunity to encounter different cultures, to broaden their horizons and to learn for life. Over the past 16 years, more than 1,000 young people have traveled the globe with TANNER. In the process, the young participants, their parents and their host families have gained a stronger sense of belonging to the global Freudenberg community.

Since 1984, Freudenberg Foundation has been promoting long-term structural change and contributing to more inclusion, education and democracy with its programs. As a nonprofit limited company, the foundation is a shareholder of Freudenberg & Co. KG. All projects focus primarily on children and young people and their social, language, educational and vocational integration.

Enactus, the world's largest student organization, focuses on social and ecological projects. The Freudenberg Group has been a committed Enactus partner for over ten years. In 2015, the team from the University of Mannheim again became the Enactus National Champion in Germany and reached the semi-final of the Enactus World Cup in Johannesburg. The winning team from the "city of squares" is mentored by Cornelius Bossers from Freudenberg Home and Cleaning Solutions. Freudenberg's engagement in Enactus is also being steadily intensified in China, for example through workshops with students at several Chinese universities.



**TOGETHER FOR SOCIETY**



For Freudenberg, responsibility for society has always been a very important issue: the Group develops ground-breaking, sustainable solutions for better living conditions, encourages social engagement at all sites, and protects the environment.

Freudenberg offers aid where it is needed. In the year under review, for example, the company engaged in numerous projects to help refugees in Germany and Europe. Employees, retired former employees, and Partners donated around €540,000. Freudenberg tripled that figure. In addition, Freudenberg is making one million euros available for integrating refugees over the next four years, and donating a further half a million euros to the Freudenberg Foundation for its refugee initiatives.

The projects aim at integration through education (photo), with assistance going primarily to children and teenagers, families with children and older people. Moreover, Freudenberg employees engage directly or indirectly in helping the refugees, for example by organizing fundraising at their sites, giving German lessons, and helping in many other ways.

## REVIEW OF OPERATIONS BY BUSINESS AREA

The Freudenberg Group's four Business Areas – Seals and Vibration Control Technology, Nonwovens and Filtration, Household Products, and Specialties and Others – focus on long-term, sustainable and profitable growth.

Together with its partners, customers and the world of science, the Freudenberg Group develops leading-edge technologies, and excellent products, solutions and services for more than 30 market segments and for thousands of applications in the spirit of the new positioning “Freudenberg is a values-based technology group that best serves its customers and society”.

Freudenberg uses sales data for the joint ventures based on the pro-rata consolidation method and the operating result as internal performance indicators. The sales and workforce data in the chapter entitled “Review of Operations by Business Area” are presented on a pro-rata basis.

In the consolidated financial statements, however, the joint ventures are consolidated by the equity method. Sales and workforce data as well as assets and liabilities items are therefore not taken into consideration. This primarily concerns the Freudenberg Sealing Technologies and TrelleborgVibracoustic Business Groups.

### SEALS AND VIBRATION CONTROL TECHNOLOGY BUSINESS AREA

**In the 2015 financial year, the Seals and Vibration Control Technology Business Area comprised the following five Business Groups:**

- Freudenberg Sealing Technologies
- Freudenberg Oil & Gas Technologies
- EagleBurgmann
- Freudenberg Medical
- TrelleborgVibracoustic

In 2015, roughly three quarters of sales in this Business Area were generated by the automotive industry and the plant and mechanical engineering industry.

Sales in this Business Area rose to €4,330.6 million (previous year: €4,028.3 million). The headcount at year-end rose to 27,351 (previous year: 27,067).

FREUDENBERG SEALING TECHNOLOGIES		
	2014	2015
Sales [€ million]	2,103.3	2,269.5
Workforce	14,906	15,146

## FREUDENBERG SEALING TECHNOLOGIES



### Annual figures

The Business Group grew sales in the year under review to €2,269.5 million (previous year: €2,103.3 million). The increase is above all attributable to acquisitions, positive exchange rate effects, and a favorable price-product mix.

There was also a noticeable year-on-year improvement in operating result. This positive trend is in part attributable to exchange rate effects and appreciable increases in productivity.

Freudenberg Sealing Technologies had a headcount of 15,146 as at December 31, 2015 (previous year: 14,906 employees).

### Business development

2015 was a very successful year for Freudenberg Sealing Technologies. There was positive development in almost all regions and market segments. The divisions expanded or consolidated business despite at times very difficult market conditions.

The Brazilian market remained difficult. There was an appreciable decline in demand, particularly in the industrial sector, as the year progressed due to the continuing uncertain economic and political situation in the country. Freudenberg Sealing Technologies adjusted capacities in line with economic developments and reduced costs. The only exception was business in automotive replacement parts, which showed very strong growth and bucked the general market trend.

In Europe, business in the industrial sector also felt the effects of moderately slower economic growth in China and weak demand in Europe. Consequently, volume effects could only be partly offset by strong growth in the automotive sector coupled with some price rises in the marketplace.

### Key events

In the year under review, the Business Group acquired Ludowici Sealing Solutions Pty Ltd., Brisbane, Australia. The company is the market leader in the distribution of hydraulic and pneumatic seals in Australia. The Business Group is thus widening its global distribution network for sealing solutions in the industrial sector and in the automotive replacement parts business. The acquisition also makes it possible for the Business Group to expand the Freudenberg Xpress business, an excellent service that offers machined seals from Freudenberg's regular production original materials and original profiles for replacement parts, prototypes and small production runs.

In 2015, Freudenberg Sealing Technologies firmed up plans to reorganize its liquid silicone business on the basis of current general economic and sector-specific developments. As a result, it is planned to relocate production from Öhringen, Germany to Losenstein, Austria, by the middle of 2017. Freudenberg employs some 140 people at the Öhringen site.

Strategic and structural changes are also planned at the Business Group's headquarters in Weinheim. 160 jobs are to be phased out in a socially compatible way in Simmerring production for industrial business, encoder production, as well as at the Competence Center Transmission und Driveline. To the greatest possible extent, compulsory redundancies for business reasons are to be avoided. Over the past four years, there has been a sharp fall in the world market prices of encoders for engine and transmission applications. Major projects are running down and Freudenberg Sealing Technologies has not been nominated for follow-up projects for cost reasons and as a result of high prices. In some cases, the manufacturing costs at Weinheim are already higher than the prices customers are prepared to pay and the quotations made by international competitors. The measures which have been agreed include the relocation of encoder production to the plant in Bursa, Turkey, and further relocations to the facilities in Kecskemet, Hungary, and Ceperka, Czech Republic.

Freudenberg Sealing Technologies won its first major order for its new generation of Levitex automotive seals. The new seals function with a cushion of air, reducing both fuel consumption and CO<sub>2</sub> emissions. With the delivery of a gas-lubricated crankshaft seal for the next generation of engines manufactured by a European carmaker, a technology is headed into series production that has been intensively researched since 2010. At present, there is no other known technology that allows the frictionless and secure sealing of the crankshaft. In view of ambitious CO<sub>2</sub> goals, in particular those set in the European Union which become effective in 2020, Levitex will make an important contribution going forward.

The Business Group invested several million US dollars in expanding its research and production capacities at its U.S. plants in Findlay (Ohio) and Morristown (Indiana). Expansion and modernization at these locations will create some 100 new jobs over the coming years.

The Business Group achieved market success in the year under review, among other things from the following innovations: Freudenberg Sealing Technologies

is supporting the auto industry in its work on alternative powertrains. One typical example of this support is the sealing solutions in the cooling circuits for electric motors. Plug & Seals made of EPDM (ethylene propylene diene rubber) are used here. These mechanically mountable, externally rubberized plug connections for housings, tube ends and assemblies ensure the secure transport of the coolant. They compensate for axial tolerances, seal even at high pressures, and contribute to acoustic and mechanical isolation.

An innovative Simmerring seal featuring electrically conductive nonwoven material helps protect electric vehicle drive systems from damage. The Simmerring Shaft Seal is a synonym for reliable shaft sealing. With innovative design, it has helped to shape technological change like no other sealing element. This particular variant was especially developed for vehicles with electric drives. It allows axle drives to be sealed extremely reliably, plus it drains off the electrical charge that normally builds up on the drive shaft, safely conducting it to the housing. In this way, the seal prevents the static charge from traveling along the shaft into the transmission and damaging machine elements as a result of dielectric breakdown. This means that manufacturers of drive components in electric vehicles now have a proven method to seal shafts while conducting away electrical charges. As a result, they no longer need additional measures to discharge the electrical build-up.

Ever-stricter emissions thresholds and the push for sustainability solutions call for new materials for seals. Freudenberg Sealing Technologies has therefore developed an EPDM rubber compound that is 45 percent bio-renewable and thus significantly reduces the manufacturing carbon footprint. What is special about the new EPDM rubber compound is that a sugarcane-based feedstock is used instead of fossil fuels. EPDM is normally manufactured using ethylene and propylene based on crude oil. Now, 45 percent of the ethylene is based on sugarcane. The new material is even suitable for use in modern injection molding processes. Possible applications for the new rubber include seals for coolants, as well as synthetic hydraulic and brake fluids for aerospace applications. The

newly developed material is capable of withstanding temperatures up to 150°C, and has outstanding compressive stress force retention.

Increasingly large facilities and ever more extreme locations place high demands on seals in wind turbines. They must not only withstand severe fluctuations in temperatures but above all must be resistant to the lubricants used in their drive units. Freudenberg Sealing Technologies has developed the “Ventoguard” material family to reliably seal the bearings of wind power plants. The seals manufactured from this material stand out for their special longevity. Especially in high seas, expensive maintenance work should be kept to a minimum during the 20-year lifespan that these facilities require.

**Profile:**

*Freudenberg Sealing Technologies is a supplier, development and service partner for customers in very diverse market segments, such as the automotive industry, civil aviation, mechanical engineering, shipbuilding, food and pharmaceuticals, and agricultural and construction machinery. Based on the Simmerring® which was developed by Freudenberg in 1932, Freudenberg Sealing Technologies has built up a broad and continuously expanding range of seals and vibration control technology products – from customized solutions to complete sealing packages. Together with its partners NOK Corporation, Japan, and Sigma Freudenberg NOK, India, Freudenberg Sealing Technologies forms a global network with the aim of offering products of the same high quality. NOK-Freudenberg Group China is a 50:50 joint venture between the Japanese NOK Corporation and Freudenberg. In addition, Schwab Vibration Control, Dichtomatik and*

*Corteco also come under the Freudenberg Sealing Technologies umbrella. Schwab Vibration Control is a leading supplier of technology for vibration control components and systems for rail vehicles, wind energy solutions, agricultural and construction machinery and other industries. Dichtomatik is Freudenberg’s sales organization in the market for technical seals. Corteco is the Freudenberg Group specialist for the independent automotive after-market specializing in spare parts for seals and vibration control as well as service parts such as cabin air filters.*

*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; vibration control components and systems for rail vehicles, energy generation, agricultural and construction machinery and other industries*

*Production locations*

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

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**TOGETHER WITH OUR CUSTOMERS**



As an innovative partner, the Freudenberg Group's commitment to excellence – in technology, innovation and in the quality of products, processes and services – helps make customers successful today and in the future.

One example of a successful partnership is the cooperation between Freudenberg Sealing Technologies and Evoguard, a subsidiary of Krones, one of Germany's leading specialists in filling and packaging technology for the food industry. Evoguard is responsible for the development, design and production of valves and pumps for bottling lines.

Seals are the most important aspect of any valve. Early in the design phase, the Evoguard development team works closely with experts from Freudenberg Sealing Technologies to identify the optimal design in combination with the right material for the particular seal. At the same time, Freudenberg supports Evoguard in both the layout and design of the seals and with material-related know-how. Evoguard also makes use of Freudenberg's materials expertise for damage analyses in the event of valve and pump failures in customer operation. Freudenberg's experts then investigate the reason for the failure and propose solutions to the problem.

FREUDENBERG OIL & GAS TECHNOLOGIES		
	2014	2015
Sales [€ million]	153.2	129.2
Workforce	753	619

## FREUDENBERG OIL & GAS TECHNOLOGIES



### Annual figures

In the year under review, Freudenberg Oil & Gas Technologies generated sales of €129.2 million (previous year: €153.2 million).

The Business Group's headcount at December 31, 2015 was 619 (previous year: 753 employees). The decrease is attributable to the present difficult market conditions caused by the low oil price.

### Business development

Market conditions for Freudenberg Oil & Gas Technologies were extremely challenging through 2015.

There was a surplus of oil supply during the year under review – caused by additional production activities in North America on top of unchanged production levels in OPEC states. This triggered an appreciable drop in the price per barrel which in turn led to lower investments by the oil and gas industry, since investments are a function of the price of oil. The lower level of investment activity had a negative impact on the Business Group's sales.

### Key events

Freudenberg Oil & Gas Technologies therefore implemented efficiency programs and cost-cutting measures to optimize production and improve internal workflows during the year under review. Manufacturing capacities were scaled back at some sites.

Improved rental and hire terms resulting in lower operating expenses were the decisive factor in relocating operations within the city of Sandnes, Norway, in December 2015. Furthermore, the Business Group consolidated elastomer business in the USA in a new petroleum elastomer facility in Houston.

Freudenberg Oil & Gas Technologies acquired the business of BlueSky Process Solutions Ltd. in June 2015. BlueSky is a designer of differentiated seal products, specifically for the upstream oil and gas segment.

The company develops high integrity connectors that are complementary to the Freudenberg Oil & Gas Technologies' Vector product line in this segment. BlueSky offers proprietary, patented products – products whereby the company owns the intellectual property rights – such as the RotaBall™ swivel connector, the FlexBall™ connector and the AlignLock™ misalignment flange.

In addition BlueSky's BlueLock™ connector is compatible with Freudenberg Oil & Gas Technologies' Techlok™, a two-piece, four-bolt connector, and enjoys a strong position in the Canadian market.

The Business Group's Materials Development and Product Testing Lab facility in Houston, USA, achieved the International Standard ISO/IEC 17025:2005 accreditation for testing and calibration laboratories in the year under review. Accreditation recognizes Freudenberg Oil & Gas Technologies' excellent technical expertise supporting both internal material de-

velopment processes and new product development capabilities for customers.

The lab sets the Business Group apart from its competitors and reinforces its good market reputation.

**Profile:**

*Freudenberg Oil & Gas Technologies provides innovative sealing solutions and differentiated sealing products to the global oil and gas industry. The Business Group focuses on solutions for applications in the upstream segment, i.e. exploration and production, such as the markets for drilling/BOP (pressure control) products, wellhead equipment, fracturing services, offshore oil and gas platforms, flow lines and subsea installations. With some 620 employees, Freudenberg Oil & Gas Technologies serves a wide range of customers including oil and gas producing companies, original equipment manufacturers (OEMs) and engineering and service companies that provide technologies, equipment and services for producing oil and gas from land-based and offshore platforms throughout the world. Freudenberg Oil & Gas Technologies has its own materials development and product testing lab where new materials and solutions are developed and tested.*

*Products and services*

*Elastomer O-rings and specialty seals, ram and annular blowout preventer seal elements and seal kits, engineered thermoplastic seals, seal stacks and assemblies, standard and proprietary metal seal gaskets, spiral wound gaskets and sheet gaskets. The product line of the Vector Technology Group acquired in 2013 features high-performance connectors and metal-to-metal seal technology for the most demanding offshore and subsea applications. Featured products are the SPO® Compact Flange, Techlok® Clamp Connector and the “Remote Operated Vehicle” Optima® Subsea Connector as well as the BlueSkyRotaBall™ swivel connector, the FlexBall™ connector, AlignLock™ misalignment flange and the BlueLock™ connector.*

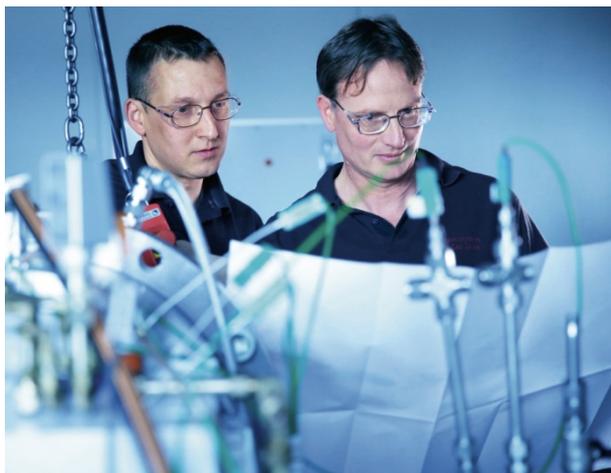
*Locations*

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EAGLEBURGMANN		
	2014	2015
Sales [€ million]	765.8	806.3
Workforce	5,908	5,771

## EAGLEBURGMANN



### Annual figures

Sales by the Business Group in 2015 increased to €806.3 million (previous year: €765.8 million). Positive exchange rate effects had a significant impact on sales.

EagleBurgmann's headcount at December 31, 2015 was 5,771 (previous year: 5,908 employees).

### Business development

In the year under review market development for the Business Group was generally slower and afflicted by uncertainty.

Developments in the Europe, Middle East, Asia/Pacific, India and Japan regions met expectations. For example, EagleBurgmann received orders for spare parts valued at over €10 million for one single refinery in the Middle East.

Deliveries under these orders already commenced in 2015. EagleBurgmann Japan invested as planned in the Nghi Son international refinery project in Vietnam which was won the previous year. Overall, there was a new record volume of orders from project business.

The Indian market made a slow recovery from a weak period lasting more than two years. In contrast, there was no market growth in the sealing business in China, so the price pressure on remaining business increased.

EagleBurgmann clearly felt the effect of the low level of investments by customers in the Americas region, e.g. for Canadian oil sands projects. The state-owned oil companies in Mexico and Brazil are currently being restructured. In contrast, the Business Group reported good incoming order levels in Venezuela and Ecuador.

Overall, the low oil price continued to impact business in the oil & gas and refinery sector in the year under review, because investment in new projects has either been cancelled or decelerated. However, the low price did bring openings in industries that use oil products as feedstock.

One example is the chemical industry, an important market for EagleBurgmann, which caught up on investment. Service business was stable, although here, too, there was noticeable cost pressure from customers.

In light of the general macroeconomic situation, the Business Group systematically continued with its established cost and liquidity management. A group-wide restructuring program to adjust existing capacities and infrastructure to business developments was launched.

## Key events

EagleBurgmann launched eMG1 and eMG – the new generation of pump seals – at AICHEMA 2015, the leading international trade fair for the process industry which takes place in Frankfurt. The eMG1 elastomer bellows seals is fully-compatible with the MG1 which has already proven itself millions of times.

Key features were optimized and new functions added. eMG is identical with eMG1, but its installation length is approx. 20 percent shorter. That gives manufacturers new openings in pump design, e.g. more compact architecture thanks to shorter shafts, which also saves material and improves efficiency.

In the year under review, EagleBurgmann strengthened the strategic orientation towards Chinese end-user business with an acquisition and expanded its competence in the field of compressor seals. The Business Group acquired Tianjin Nibot Seal Technology Co. Ltd., Tianjin, China, in mid-2015.

This company is an experienced specialist in the maintenance, retrofit, repair and service of gas seals used, for example in the oil & gas, petrochemical, and chemical industry sectors.

The Business Group worked on improving processes throughout the year under review. The projects to optimize the demand chain from the time the customer places an order to the time the products are delivered which were launched the previous year were systematically continued with a view to increasing responsiveness to customer demands still further and meeting the ever shorter delivery times dictated by the market.

Standardization of the main components for mechanical seal products combined with pooling engineering activities in global competence centers progressed further.

## 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 around 5,800 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.*

### 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, Denmark, Germany, India, Italy, Japan, Mexico, Turkey, USA*

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**TOGETHER WITH OUR PARTNERS**



A long-term perspective is one of the Group's biggest strengths. The Freudenberg Group is family-owned, and a long-term orientation is firmly anchored in the business principles. Financial independence is the basis for long-term commitment in different global regions. Freudenberg builds on lasting relationships with customers and partners.

The partnership between Freudenberg and the Japanese company NOK Corporation, for example, already spans more than 50 years. This partnership is not limited to joint marketing activities in the sealing sector, but also covers an intensive technology transfer beneficial to both partners.

The NOK subsidiary Eagle Industry and the Freudenberg subsidiary Burgmann form a joint venture in the field of mechanical seals (photo) which is part of the global EagleBurgmann Group.

FREUDENBERG MEDICAL		
	2014	2015
Sales [€ million]	116.4	154.7
Workforce	990	1,138

## FREUDENBERG MEDICAL



In the year under review, the Business Group's name was changed from Helix Medical to Freudenberg Medical as part of the new positioning of the Freudenberg global brand. The new name stands for a much broader strategic orientation. The aim is to establish a new brand identity as a technology partner for medical devices and align this new identity with the Freudenberg global brand.

### Annual figures

Freudenberg Medical generated sales of €154.7 million (previous year: €116.4 million) in the year under review.

Growth is primarily attributable to projects with major OEMs and higher order levels in strategic areas such as special components, minimally invasive solutions and innovative ear, nose and throat devices, as well as acquisitions.

At year-end, the Business Group had a headcount of 1,138 (previous year: 990 employees).

### Business development

The Business Group again served the majority of the most important global manufacturers of medical devices and instruments in the year under review. The health care market enjoyed steady, moderate growth worldwide in 2015.

The health care market saw several top-class mergers and acquisitions aimed at accessing new technologies and therapies for patient care in the year under review, in part due to low interest rates. Nevertheless, the market remained strongly fragmented.

Consolidation will continue. As a global supplier of technological solutions, Freudenberg Medical is well positioned to benefit from these developments.

### Key events

In the year under review, Freudenberg Medical supported customers with new engineering programs and the production launch of new products for the medical device industry.

In addition, Freudenberg Medical developed proprietary technologies – technologies whereby the Business Group owns the intellectual property rights – in 2015, and applied for several patents. Furthermore, Freudenberg Medical continued with the implementation of a global ERP system in 2015.

Freudenberg Medical acquired a stake of some 75 percent in Hemoteq AG, Würselen, Germany, in the year under review. Hemoteq AG is a world leader in coating technologies and services for medical technology products. With this partnership, Freudenberg is adding to its range of innovative medical technology combination products.

Hemotek AG manufactures among others combination products such as drug-eluting stents and drug-coated balloons using patented processes. In addition, Hemotek AG develops and produces a wide variety of other innovative solutions for the surface functionalization of medical devices such as hydrophilic coatings for catheters or contact lens applicators.

Freudenberg Medical also opened a new product development center at the facility in Baldwin Park, USA, in the year under review. Freudenberg Medical presents the Business Group's technological and engineering expertise to customers at the center.

Freudenberg Medical was recognized with two DeviceMed Awards as best supplier to the medical technology industry at Medica, the world's largest medical technology trade fair, and Compamed, the supplier trade fair held at the same time in Düsseldorf. With these awards, the jury of the DeviceMed trade journal recognized the strategic positioning of Freudenberg Medical as a development partner of the medical technology industry: the first award was made in the "Services" category for the Business Group's role as a component manufacturer, system supplier and development partner.

Moreover, Freudenberg Medical was among the DeviceMed award-winners for outstanding innovations in medical technology. This award honors equipment and service providers whose offerings have enabled pioneering developments and innovations in medical technology. With its technologies for the surface treat-

ment of medical devices, Freudenberg Medical serves the needs of physicians and patients as well as production technicians.

**Profile:**

*Freudenberg Medical is the global partner for the design, development and manufacture of innovative medical device technologies. The comprehensive technical capabilities range from the design and manufacture of minimally invasive, catheter technology to the development and production of medical components utilizing complex materials and processes. The company leads the way in manufacturing high-precision silicone and thermoplastic components and tubing as well as metal hypotubes.*

*Products and services*

*Thermoplastic molding, silicone molding (HCR, LSR), silicone and thermoplastic extrusions, complex diagnostic and therapeutic catheters, assembly, packaging, sterilization, and engineering services, drug coatings for combination products*

*Locations*

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TRELLEBORGVIBRACOUSTIC [PRO-RATA]		
	2014	2015
Sales [€ million]	889.6	970.9
Workforce	4,510	4,677

## TRELLEBORGVIBRACOUSTIC



### Annual figures

TrelleborgVibracoustic generated sales of €1,941.8 million (previous year: €1,779.3 million) in the 2015 financial year. Based on the 50 percent shareholding, pro-rata sales attributable to Freudenberg amounted to €970.9 million (previous year: €889.6 million).

The pro-rata headcount for Freudenberg was 4,677 (previous year: 4,510 employees), with a further appreciable increase in Asia accompanied by a decline in South America.

### Business development

TrelleborgVibracoustic continued on its sustainable growth trajectory in an environment characterized by persistently high price pressure and consolidation. The Business Group once again reported strong organic growth that outpaced the respective market segment, and further improved its earnings margin.

The regional comparison showed that business in North America enjoyed the highest growth by a clear margin.

The Business Group reported solid growth at a high level in Europe. In the Asia/Pacific region, China's cooling economy slowed down the longstanding upward trend. TrelleborgVibracoustic was nevertheless able to expand business in Asia further.

The Business Group had to deal with a drastic slump in sales of more than one third in Brazil as a result of the continued recession. Business in Russia also declined.

TrelleborgVibracoustic won numerous major orders for global vehicle platforms during the period under review. General Motors placed the largest order for the 2015 financial year for the Air Springs, Chassis Mounts, and Micro-Cellular Urethane Business Units. Cab mounts and chassis mounts for various models, primarily SUVs, will be produced at the plants in Morganfield, USA, and Toluca, Mexico, from September 2017.

These mounts weigh some 45 percent less than the present competing product. The plant in Lerma, Mexico, will supply air springs for the front and rear axles of the Cadillac CTS and Escalade.

A new high-tech line for passenger car air springs was commissioned at the Hamburg location and has already begun to produce air springs for the new BMW 7 Series. The same line will also produce air springs for the next generation of the Porsche Cayenne and Audi A6 at a later date, and TrelleborgVibracoustic was commissioned with developing these air springs during the period under review.

The Chassis Mounts, Engine Mounts, and Isolators and Dampers Business Units won further major orders from the Volkswagen Group for the new modular toolkits for longitudinal and transverse engines. The Air Springs, Chassis Mounts and Isolators and Dampers Business Units were successful with their intelligent solutions for Daimler's new BR 167 lightweight vehicle platform; delivery of components for the suc-

cessor models to the very popular Mercedes ML and GL SUVs will begin in 2018.

### Key events

In the 2015 financial year TrelleborgVibracoustic again moved forward with the development of product innovations that support automakers worldwide in serving megatrends – particularly growing demand for vehicles with greater comfort, enhanced safety and improved performance combined with reduced fuel consumption and lower costs.

The company is breaking new ground in terms of materials, design optimization and integrated functions.

The newly developed New Rubber Generation Disc (NRG Disc) is designed to offer an improved decoupling solution for prop shafts. Its task is to isolate torsional vibration occurring in the engine transferred to the prop shaft via the transmission. This cord-reinforced flexible coupling can be individually designed for optimal noise decoupling and damping torque vibration peaks without a change of geometrical dimensions.

It is also significantly more durable than current series-produced solutions. The tube-in-tube system ensures multi-functionality. Two steel tubes, one inside the other, with the inner tube surrounded by an isolating elastomer layer, reproduce the decoupling function of a flexible coupling around the prop shaft.

At the same time they function like a crash element, absorbing energy in the event of an accident, with predefined deformation. The system is perfectly suited for vehicles where installation space is tight such as hybrid vehicles.

TrelleborgVibracoustic engineers are working on developing a glass fiber reinforced damper bearing which weighs less, has improved vibration isolation and is also less expensive. It has the same resilience as an aluminum bearing, but weighs up to 25 percent less.

A further innovation in passenger car air springs went into series production in 2015. The Audi Q7 is the first vehicle to feature a new bellows technology on the rear axle. The newly developed cross-axial bellows, or ZAX bellows, combines the good torsion decoupling capability of the axial bellows with the dimensional stability of the cross-ply bellows. This improves the initial suspension response, thus bringing greater comfort and at the same time costing less to produce.

In the 2015 financial year, TrelleborgVibracoustic also continued its work on optimizing the organizational structure and increasing efficiency by introducing standardized tools and processes.

An important milestone was the roll-out of a single SAP system for the entire Asia/Pacific region, where all key business processes in Sales, Finance and Logistics are now mapped and managed via a standardized template, thus significantly enhancing transparency and efficiency.

TrelleborgVibracoustic has defined three strategic priorities – “best reach”, “best cost” and “best quality” – in order to expand its market-leading position. Implementation will be driven by initiatives for accelerated growth, cost leadership and process excellence.

### Location changes

In 2015, TrelleborgVibracoustic continued with the systematic optimization of the global production and development network to achieve a sustained increase in competitiveness. Realization of the “focussed factories” concept in Europe, together with the phased introduction of a global production system, play a key role in this context. Both contribute to improving capacity utilization.

Expansion of the Asian production network is progressing. The new location in Thailand commenced production of chassis, engine and cab mounts for customers such as Ford, GM, Nissan and Volvo in mid-2015. TrelleborgVibracoustic also expects the

presence in Thailand to improve access to Japanese OEMs who produce locally.

In Brazil, TrelleborgVibracoustic consolidated development and production at the Guarulhos plant in response to the drop in sales triggered by the recession. As a result, the Taubaté location was closed at the end of the year.

**Profile:**

*Trelleborg Vibracoustic is a worldwide market and technology leader for antivibration 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 and safety.*

*Products and services*

*Engine mounts, transmission mounts, components for chassis, air springs, torsional vibration dampers, isolators and dampers, MCU (microcellular urethane) components*

*Locations*

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

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[www.tbvc.com](http://www.tbvc.com)*

FREUDENBERG PERFORMANCE MATERIALS		
	2014	2015
Sales [€ million]	904.7	976.6
Workforce	3,810	3,803

### NONWOVENS AND FILTRATION BUSINESS AREA

In the year under review, the Nonwovens and Filtration Business Area comprised the following Business Groups:

- Freudenberg Performance Materials
- Freudenberg Filtration Technologies

In total, the Business Area generated sales of

€1,370.7 million (previous year: €1,277.8 million). At year-end 2015, the headcount was 6,074, compared with a headcount of 5,994 employees at the close of the previous year. The major markets for the Business Area are textile and apparel, automotive, energy, health, horticulture, agriculture, and construction.

### FREUDENBERG PERFORMANCE MATERIALS



As part of the organizational realignment of the Freudenberg Group, the two formerly independent Business Groups Freudenberg Nonwovens and Freudenberg Politex Nonwovens were brought together to form a new Business Group called Freudenberg Performance Materials effective January 1, 2015.

#### Annual figures

In 2015, Freudenberg Performance Materials generated sales of €976.6 million (previous year: €904.7 million). Exchange rate effects had a positive impact.

The headcount at December 31, 2015 was 3,803 (previous year: 3,810 employees).

#### Business development

Overall, business development for Freudenberg Performance Materials in the year under review was positive, although market conditions in the various global regions were mixed: in Asia, particularly Vietnam and Bangladesh, there was very strong momentum in the apparel market. The hygiene segment and sales of microfilament textiles for anti-allergy encasings based on Evolon® technology also developed well there.

In China, growth in the apparel market was subdued, while Freudenberg Performance Materials reported an appreciable rise in automotive business in the country.

In Europe, market conditions for Freudenberg Performance Materials were generally good. Apparel business was, however, affected by the Russia-Ukraine conflict, and demand in Southern Europe remained low. The construction industry in Western Europe and North America benefited from good weather conditions in the first half of the year. Demand slackened off in the second six months.

Furthermore, Freudenberg Performance Materials reported very satisfactory development in the growing market for carpet tiles in North America. The General Motors Malibu Program heralded an important breakthrough in automotive solutions for microfilament textiles based on Evolon® technology in 2015. The microfilament textile weighs less and offers better sound absorption than comparable products.

In South America, on the other hand, economic conditions were extremely challenging, particularly in Argentina and Brazil. Consequently, Freudenberg Performance Materials restructured business there in order to create a basis for future successful development.

### **Key events**

As a result of combining the two formerly independent Business Groups, Freudenberg Performance Materials can leverage technological and materials synergies more intensively, create more efficient processes and pool knowledge. In its first year, the Business Group established a new organizational structure for the global Apparel and Building Materials Divisions as well as the regional Business Units of Europe, North America, South America, and Asia/Pacific.

Freudenberg Performance Materials is thus in a position to serve key accounts even better.

Freudenberg Performance Materials reported appreciable sales growth in global apparel business during the year under review. This was to a large extent attributable to the acquisition in 2014 of the companies belonging to Hänsel Textil GmbH, Iserlohn, Germany, active in the Hänsel brand interlinings business, and to favorable exchange rate effects. The Business Group was able to expand its market share and consolidate its leading position in the global interlinings business.

At the Weinheim plant, Freudenberg Performance Materials invested in knitting mill, dye works and finishing technology; these investments focused primarily on machinery. 30 new jobs were created. The new production lines reinforce the Business Group's technical expertise and lay the foundation for future innovations in the knits and wovens product segment.

The Business Group was recognized with several awards in 2015. In Taiwan, the Interface Group presented Freudenberg Far Eastern Spunweb Comp. Ltd., Taoyuan, Taiwan, with its "Supplier Gold Award". In China, the city of Nantong recognized Freudenberg & Vilene Interlinings (Nantong) Co. Ltd., Nantong, China, as a "Green Company" for the 13<sup>th</sup> time.

In the Building Materials market segment, Freudenberg Performance Materials continued its intensive efforts to improve manufacturing process efficiency and progressed with the phased transition of production lines to manufacture high-quality glass fiber-reinforced spunlaid with a view to offering sustainable solutions to construction industry customers worldwide. Furthermore, special products, such as solutions for steep gabled roofs, were added to upgrade the product range. By converting the production lines in Pisticci, Italy, and Colmar, France, Freudenberg Performance Materials can offer customized solutions for underlays.

The Business Group also consolidated its position as the world market leader for polyester nonwovens for roofing applications by expanding its range of high-quality products, know-how in both spunlaid and stable fiber technology, and close ties with global customers.

Furthermore, Freudenberg Performance Materials built on existing achievements in sustainable and efficient resource management. Among other things, CO<sub>2</sub> emissions in staple fiber production at Novedrate, Italy, were reduced by 4 percent.

In the year under review, Freudenberg & Vilene Nonwovens (Suzhou) Co. Ltd., Suzhou, China, invested in a new state-of-the-art production line for automotive headliners at the Suzhou facility in Eastern China. Start of production is scheduled for summer 2016. The company began marketing printed headliners in 2010 and is currently the only manufacturer with in-house printing capabilities.

The Business Group acquired Polymer Health Technology Limited, a leading specialist of polyurethane foams for advanced wound care, in January 2015. With this acquisition, Freudenberg Performance Materials is systematically expanding its portfolio in the field of medical technology.

In September 2015, Freudenberg Performance Materials reinforced its activities in modern wound healing management and signed a long-term partnership agreement with a global market leader and customer with a long-term orientation active in this segment. The agreement lays the foundation for a joint investment in finishing technologies and for long-term, innovation-driven collaboration between both partners.

In the year under review, the Business Group inaugurated a pilot line for testing spunlaid at the Kaiserslautern facility. The new line enables Freudenberg Performance Materials to develop new fields of application as well as further innovative products to meet individual customer requirements.

**Profile:**

*Freudenberg Performance Materials is a leading global supplier of innovative solutions for a broad range of applications such as automotive interiors, apparel, building materials, filtration, hygiene, medical, shoe components, and specialties. The company has more than 25 manufacturing sites in 14 countries. Freudenberg Performance Materials has longstanding experience in the development and manufacture of technical textiles and applications. The company attaches great importance to its social and ecological responsibility as the basis for its entrepreneurial success.*

*Products and services*

*Backings for bituminous roofing membranes, for tufted carpet materials/carpet tiles, sound absorption, thermal insulation, nonwovens, woven and knitted fabrics for interlinings used in brand apparel, functional textiles, products for hobby tailoring and creative hobbies, automotive carpets, automotive headliners, sound absorption materials, car seats, function components for advanced wound care, stoma care and transdermal medication products, nonwovens for filtration solutions, acquisition distribution layers for baby diapers, incontinence and female hygiene, functional insole components for sports shoes, high fashion shoes, children's shoes, special shoes and leather goods, battery separators, fuel cell components, cable and electrical applications, anti-allergy encasings, packaging, printing applications*

*Production locations*

*Argentina, Brazil, China, France, Germany, India, Italy, Japan, Russia, South Africa, South Korea, Taiwan, UK, USA*

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## **HARNESSING THE GROUP'S TECHNOLOGICAL KNOW-HOW TOGETHER**



Technological innovations have been and still are the driving force behind Freudenberg's success. The individual Business Groups have always invested in developments and technologies that have broken new ground for them.

In addition to these activities, the Freudenberg Group has established technology platforms spanning the entire company, in the true spirit of the new company slogan "Innovating Together". The objective is to further develop Freudenberg's materials and system competence across Business Group boundaries to achieve excellent and innovative solutions that contribute to customers' success today and in the future.

Freudenberg concentrated on five technology platforms in particular in 2015: nonwovens (photo), sealing technologies, molding, friction/wear & lubrication, and surface technologies. These are platforms for transferring knowledge and generating synergies.

FREUDENBERG FILTRATION TECHNOLOGIES		
	2014	2015
Sales [€ million]	373.1	394.1
Workforce	2,184	2,271

## FREUDENBERG FILTRATION TECHNOLOGIES



### Annual figures

The Business Group generated sales of €394.1 million (previous year: €373.1 million) in the year under review. Favorable exchange rate effects contributed to the increase in sales.

At December 31, 2015, Freudenberg Filtration Technologies had a headcount of 2,271 (previous year: 2,184 employees).

### Business development

Filtration is an attractive growth market because the need for pure air and clean water is rising all over the world. The key market drivers are the growing importance of protecting people from pollution, and the need to optimize industrial processes with regard to operating cost efficiency and sustainability.

In the year under review, the Business Group consolidated its position in difficult market conditions.

Demand from OEMs and the aftermarket for automotive filters developed very well, particularly in North America, with Freudenberg Filtration Technologies also reporting increased sales in Europe. The downturn in sales with key accounts on the Chinese automotive market could not be offset by the Business Group's success in the non-branded aftermarket. The market environment in South America, particularly Brazil, was also challenging.

The Chinese filtration team won a major order from Zhejiang Geely Automobile Parts & Components Stock Co., Ltd., Hangzhou, China, to develop and supply engine intake air systems for a new platform for compact vehicles from the Volvo brand. This is the largest single order Freudenberg has won so far for the engine intake air filtration business in China.

For the Industrial Filtration Division, the year under review was characterized internally by setting up the new global market segment structure and improving global project management, and externally by generally volatile, extremely challenging market conditions.

Sales of filters for air purifiers and other household appliances in China and Korea decreased as a result of altered consumer behavior, more intense competition and changes in the purchasing patterns of key customers. The mining industry in Australia stagnated.

The market environment in South America also continues to be extremely challenging. In Europe there is strong demand fluctuation in many segments, and this calls for high flexibility in production and throughout the entire supply chain.

Freudenberg Filtration Technologies' engineering business developed well despite a somewhat subdued investment climate for the maintenance, conversion and expansion of filtration systems. The Business Group built twelve ultra-modern filter houses for gas turbines on three offshore platforms operated by a Brazilian oil company off the South American coast.

The key benefit for the customer is reliably high filtration performance in continuous operation. Despite extremely high flow rates, and extreme environmental conditions, Freudenberg air filters have a long service life.

New projects for the Viledon® eee.Sy filtration system (combined filtration and cooling solutions for large gas-driven turbines and compressors to improve efficiency) were won in South East Asia. Orders for new membrane bioreactors for the efficient, resource-saving treatment of water in the food and beverage industry were at a high level at the end of the year under review.

Expansion of engineering business lines up with Freudenberg Filtration Technologies' strategic goal to evolve from a supplier of high-quality filtration products into a competence partner for complete, energy-efficient filtration solutions.

Business with industrial activated carbon corrosion protection products acquired from the US company MeadWestvaco Corporation, Richmond, USA, in November 2014 generated good sales and earnings.

## Key events

A new global organizational structure became effective January 1, 2015. The former organizational structure with its pronounced regional focus transitioned to a divisional structure geared to customers and markets. To that end, Freudenberg Filtration Technologies set up two global divisions – “Automotive Filters” and “Industrial Filtration”. The existing “Water Solutions” global segment remains in operation and is to undergo expansion. The production plants were separated from the divisions and put under a single global management.

The global key account organization in the Automotive Filtration Division was successfully developed further as an important element in enhanced customer orientation and greater efficiency in global project management. Freudenberg Filtration Technologies was recognized with many awards, among other things for its excellent ties with customers.

The automotive filtration team was presented with the “After-Sales Delivery Performance” Award from the French car manufacturer PSA Peugeot Citroën. The Korean company Halla Visteon Climate Control (HVCC) Corporation recognized Freudenberg Filtration Technologies as “Best Overall European Supplier 2014”. Bosch gave the Business Group “Preferred Supplier 2014” status.

During the year under review, the Business Group invested in extending its innovative strength and

production capacity. For example, a new activated carbon coating line for filter media was built at the Suzhou factory, and a new line for cartridge filters was commissioned at the facility in Sanaswadi, near Pune.

In Weinheim, Freudenberg Filtration Technologies commenced with automation of pocket filter production (these filters are used in various industrial applications such as the food industry, in gas turbines or in paint shops), and investments were made in new machinery for cartridge filters for dust removal applications.

The Business Group is well positioned in a growing and increasingly competitive filtration market. Freudenberg Filtration Technologies can already lay claim to extensive consulting expertise in the field of filtration and application engineering which must now be expanded further. Key factors are innovation, quality and productivity leadership. A further strategic focus lies in expanding the service business and system solutions, including plant engineering, in the core segments.

The global positioning will improve the development and utilization of manufacturing technologies and engineering concepts for production and process technology as well as leveraging greater synergies in process and productivity optimization. Apart from the systematic expansion of existing business, it is also planned to strengthen the filtration business further through targeted acquisitions.

**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 in particular in the following areas of competence: mobility, gas turbines/compressors, food and beverages, surface technology, dust removal, corrosion protection and home appliances as well as special applications in the general ventilation and cleanroom technology sectors.*

*Viledon® stands for reliable process air optimization and high-quality liquid filtration solutions. micronAir® cabin air filters provide health protection and ride comfort, engine intake air filters improve engine performance.*

*Advanced system solutions such as the development, installation and operation of complete filtration systems as well as a comprehensive range of services for air and water quality management round off the product portfolio.*

*Products and services*

*Filtration elements, system solutions and services for intake and exhaust air in industrial processes and end user applications, water and membrane filtration systems, cabin air filters and engine intake air filters; filter measurement technology; training and consulting*

*Production locations*

*Australia, Brazil, China, Germany, India, Italy, Japan, Mexico, Slovakia, South Africa, South Korea, Thailand, USA*

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**TOGETHER WITH OUR CUSTOMERS**



Freudenberg is a global technology group that strengthens its customers and society long-term through forward-looking innovations and strives to improve living conditions with sustainable solutions.

One example is Viledon Water Solutions turnkey wastewater treatment plants from Freudenberg Filtration Technologies. These systems transform industrial wastewater into valuable process water, achieving a quality up to drinking water standard: that is good for the environment and good for business because companies can significantly reduce their fresh water and sanitation costs.

A flagship project is the wastewater treatment plant developed and built by Freudenberg Filtration Technologies for Wyke Farms, in Somerset, England, an award-winning cheese maker and milk processor. Wyke Farms enjoys the benefits of membrane bioreactor technology from Freudenberg Filtration Technologies for water recycling. The aerobic membrane bioreactor with reverse osmosis has already been proven in numerous wastewater treatment and recycling facilities and provides the security of operation required in the food industry.

FREUDENBERG HOME AND CLEANING SOLUTIONS		
	2014	2015
Sales [€ million]	760.2	808.8
Workforce	2,880	2,637

## HOUSEHOLD PRODUCTS BUSINESS AREA

The Household Products Business Area comprises the Freudenberg Home and Cleaning Solutions Business Group whose vileda®, O-Cedar®, Wettex®,

Gala®, Marigold® and SWASH® brands are active in the mechanical cleaning and laundry care segment for final users and professional cleaning companies.

## FREUDENBERG HOME AND CLEANING SOLUTIONS



### Annual figures

During the year under review, the Business Group generated sales of €808.8 million (previous year: €760.2 million). Exchange rate effects and better than market growth in business had a positive impact on sales.

The headcount at December 31, 2015 was 2,637 (previous year: 2,880 employees).

### Business development

Market conditions for Freudenberg Home and Cleaning Solutions improved slightly in 2015, but regional developments were mixed.

While demand in Europe and North America recovered and grew, particularly in the second half of the year, the consumer climate in China and some Asian growth markets cooled off appreciably. India and the Middle East continued on their robust growth trajectory. However, the Russia-Ukraine conflict, the war in Syria and Iraq, and the political crises in some areas of the Middle East impacted market growth in the relevant countries.

The Business Group responded to the challenging market situation with growth initiatives, product innovations and a significant increase in media expenditure, thereby improving the market position and achieving local currency sales growth in almost all regions. Adjusted for exchange rate, acquisition and consolidation effects, the Business Group outperformed the market in terms of growth.

## Key events

During the year under review, Freudenberg Home and Cleaning Solutions focused among other things on improving the distribution basis and implementing an efficiency and productivity program, specifically in the Asia/Pacific region, which led to significant synergies. The successful launch of product innovations was accompanied by a 30 percent boost in advertising activities.

The Easy Wring & Clean cleaning system was successfully rolled out in further countries and has now become the second-largest product group. Other successful new launches were the innovative polyvinyl alcohol (PVA) microfiber generation of cleaning cloths, the Windomatic window vacuum cleaner, and the new steam cleaners which gave a strong boost to business in electrical stores.

In India, the first TV advertising campaign for the innovative “No Dust” broom marketed under the GALA brand was launched. Furthermore, Freudenberg Home and Cleaning Solutions successfully continued the pan-Arabian vileda® advertising campaign.

The Business Group’s innovations won several awards in 2015. The Windomatic window vacuum cleaner, for example, was named “Product of the Year 2016” by the “Lebensmittel Praxis” trade journal, and “Bestseller 2015” by the “Rundschau für den Lebensmittelhandel” trade magazine. The “No-Dust” broom won the SPJIMR Marketing Impact Prize in India in the face of strong competition. Focus Money’s Germany test named vileda® and its products the “2015 customers’ favorite”.

E-commerce activities with partners and vileda®’s own online shop grew by over 60 percent with very positive development in all regions. The business model in China focused more closely on e-commerce and distributors.

## Location changes

The small sales companies in Indonesia and Malaysia were closed and Freudenberg Home and Cleaning Solutions business transferred to a distributor.

### **Profile:**

*Freudenberg Home and Cleaning Solutions 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®, Marigold® 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 over 35 countries.*

### *Products and services*

*Floor cleaning systems, household cloths, cleaning articles, household gloves, mats, laundry care products such as ironing boards and clothes driers, cleaning systems for professional applications*

### *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, Russia, Serbia, Slovenia, Spain, Sweden, Taiwan, Thailand, Turkey, UK, USA*

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FREUDENBERG CHEMICAL SPECIALTIES		
	2014	2015
Sales [€ million]	881.4	963.0
Workforce	3,216	3,304

## SPECIALTIES AND OTHERS BUSINESS AREA

In the year under review, the Specialties and Others Business Area mainly comprised the following Business Groups:

- Freudenberg Chemical Specialties
- Freudenberg IT

The companies in this Business Area generated sales of €1,234.9 million (previous year €1,135.1 million) during the 2015 financial year. At year-end 2015,

the headcount was 4,412 compared with 4,515 at year-end 2014. Well over half of the sales generated by this Business Area are attributable to the Freudenberg Chemical Specialties Business Group, which supplies the automotive and mechanical and plant engineering industries as well as many other sectors. Freudenberg IT is an IT service provider for companies in various branches of industry and the trade sector.

## FREUDENBERG CHEMICAL SPECIALTIES



### Annual figures

The Business Group generated sales of €963.0 million (previous year: €881.4 million) in 2015. The rise in sales is attributable to the strong market position of the Freudenberg Chemical Specialties divisions and exchange rate effects.

The headcount rose from 3,216 in the previous year to 3,304.

### Business development

Overall, market conditions for Freudenberg Chemical Specialties in 2015 were difficult. However, the Business Group benefited from solid demand from the automotive supplier industry and a stable order situation in the general industry sector.

Additional momentum came from important growth segments such as the food industry, the energy sector including the renewable energies segment, as well as business with ship owners.

Market conditions in the various global regions were very mixed: North America and Europe developed well. In South America, Freudenberg Chemical Specialties' divisions held their own very well, but felt the effects of high inflation, weak exchange rates, and the slump in key sectors such as the automotive

industry. Developments in India were positive, while the slower pace of growth in industrial production in China curbed growth in the Asia region as a whole.

Freudenberg Chemical Specialities' international presence with its long-term orientation again proved to be the right concept for largely offsetting regional economic fluctuations. Other decisive factors were the systematic specialty strategy and project activities focused on market segments with particularly attractive growth potential.

### Key events

In the year under review the Business Group finalized major projects to expand the regional presence and deliver an even better customer service – including local research and development services. The joint Klüber Lubrication and Chem-Trend operation in Qingpu, China, was expanded, as was the facility jointly run by Klüber Lubrication, Chem-Trend and OKS in Mysore, India.

Construction of the new, joint SurTec and Chem-Trend facility in Valhinos, Brazil, was completed. The two divisions have begun operating there.

Construction work on the new European logistics center in Maisach, Germany, commenced. The center will house key logistics services and some of Klüber

Lubrication's product filling operations as well as a new technical center for Chem-Trend. This project is the largest single investment in the history of Freudenberg Chemical Specialities.

Capol conducted a SEDEX audit and received certification. This makes Capol the first company in the Freudenberg Chemical Specialities group to receive this internationally recognized certification for ethical procurement management.

The impact of regulatory requirements on Freudenberg Chemical Specialities' business extended further in 2015 and placed increasing demands on the Business Group's research, development and materials safety capabilities.

During the year under review, various products and services from Freudenberg Chemical Specialities supported customers' efforts to meet their sustainability targets. The selective substitution of biodegradable products for mineral-oil based solvents, for example, increased environmental compatibility.

Furthermore, customers saved energy through the use of adapted high-performance lubricants and the development of environmentally neutral substitution technologies to replace conventional environmentally-critical processes in chemical surface coating technologies.

**Profile:**

The Business Group comprises the operationally autonomous divisions of Klüber Lubrication, Chem-Trend, SurTec, OKS, and Capol.

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 chemical specialties for surface treatment and electroplating. OKS specializes in performance lubricants and in repair and maintenance products. Capol is one of the world's leading manufacturers of coatings for the confectionery industry and supplies glazes, release agents and sealing agents as well as other specialty products.

**Products and services**

Oils, greases, waxes, pastes, bonded coatings, dry lubricants, solid lubricants, anticorrosion products, chemo-

technical 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, glazes, release agents and sealing agents for the confectionery industry

**Locations**

Argentina, Australia, Austria, Belgium, Brazil, Chile, China, Croatia, Czech Republic, Denmark, Egypt, Finland, France, Germany, India, Italy, Japan, Malaysia, Mexico, Netherlands, Norway, Poland, Portugal, 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 IT		
	2014	2015
Sales [€ million]	136.2	152.8
Workforce	734	754

## FREUDENBERG IT



### Annual figures

Freudenberg IT generated sales of €152.8 million (previous year: €136.2 million). Organic sales growth is attributable to the expansion of regional business activities, above all in North America.

The Business Group had a headcount of 754 (previous year: 734 employees) as at December 31, 2015.

### Business development

Developments on the market for IT services in 2015 were positive. Key growth drivers were increased demand for in-memory databases and cloud services as well as the optimization of IT-based value chains and business models.

Freudenberg IT put up an above-average performance in this positive market environment. A customer focus based on the partnership of equals principle, a high standard with regard to quality and data security, the integrated global orientation, and coverage of innovation topics were well received by customers.

In the year under review, the Business Group invested in the Freudenberg IT private cloud infrastructure, dedicated environments for customers and innovative workplace concepts.

### Key events

A key element of Freudenberg IT's globalization strategy is the organizational integration of sites and processes in order to offer customers comprehensive, globally standardized IT services with clearly-defined, simple communication interfaces. Important milestones on the path toward this goal were achieved in 2015 with the roll out of the first three completely global organizational units "Product Management", "Operations", and "Information Systems".

Freudenberg IT received numerous certifications in the year under review, including certifications pursuant to ISO 9001, 20000 und 27001. The location in China was certified for the first time.

The decades-long close business relations with SAP were further intensified. Partner managed cloud (PMC) agreements were concluded in the Americas, Europe and Asia regions, making it possible to market a complete "SAP software as a service" package. Furthermore, Freudenberg IT's longstanding cooperation with SAP as a partner for hosting services was successfully expanded.

In the year under review, Freudenberg IT continued with the constant realignment of the product portfolio to suit changing customer requirements. The focus lay on the integrated offering of SAP and Microsoft products, expanding application management support in global 24/7 operations, and IT solutions for Industry 4.0, where the Business Group developed the first marketable products for produc-

tion and supply chain automation. In many cases this involved partnerships with specialized management consultants in order to present an overall picture of the consulting services offered for Industry 4.0.

### **Location changes**

In 2015, Freudenberg IT further expanded its global presence by further strengthening its sites, particularly in the USA, Mexico and China. In Germany, Freudenberg IT's workplace concept for the future was realized for the first time at the Eschborn location.

### **Profile:**

*Freudenberg IT is a global, full-service IT provider with more than 30 years of excellence as a reliable partner for quality- and security-aware customers. The portfolio of services covers all facets of the modern SAP landscape, from a variety of outsourcing offerings through system optimization and system operating services to process and SAP consulting. Freudenberg IT is an MES specialist*

*(MES is the acronym for Manufacturing Execution System), particularly for SMEs in the manufacturing and automotive industries, optimizing the integration between production control and the ERP system, and is a pioneer for Industry 4.0. The Business Group also offers cloud computing solutions which Freudenberg IT customers can use to outsource IT without any investment risk. That means users are free to focus completely on their core business without having to address IT issues.*

### *Products and services*

*Outsourcing, cloud computing, consulting for SAP and MES*

### *Locations*

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## REPORT ON POST-BALANCE SHEET DATE EVENTS

The Freudenberg Sealing Technologies Business Group acquired further shares in the Schneegans Group in the 2015 financial year. Furthermore, the terms of the existing joint venture were realigned. The above-mentioned changes came into effect in January 2016 following approval from the anti-trust authorities, and effective January 31, 2016, Freudenberg therefore gained control over the Schneegans Group, which has already been contributing know-how in the field of multi-component injection molding technology to the Freudenberg Sealing Technologies Business Group since 2012.

With respect to JVC, a company which has been included in the consolidated financial statements as an associated company to date, Freudenberg successfully made a public tender together with Toray for the acquisition of all the shares held by common shareholders in 2015. In January 2016, the EU anti-trust authority granted permission for the acquisition of the shares, which had still

been outstanding. Furthermore, in February 2016 a new joint venture agreement between Freudenberg and Toray under which Freudenberg gains control of JVC effective April 1, 2016, was signed by both partners.

Based on this joint venture agreement, JVC will become a new Business Group within Freudenberg's Nonwovens and Filtration Business Area and will operate independently in the marketplace. JVC manufactures nonwovens for the clothing, automotive, electrical and consumer goods industries as well as for applications in the medical sector and filtration, and generated sales of €450.8 million and earnings of €38.4 million in the 2015 calendar year.

There were no further events of major significance for the net assets, financial position and results of operations of the Freudenberg Group up to March 22, 2016 (the date when the annual report was approved for publication by the Supervisory Board).

## REPORT ON RISKS AND OPPORTUNITIES

Freudenberg is exposed to numerous risks and opportunities inseparably associated with entrepreneurial action. A risk management system is in place throughout the Freudenberg Group to help the company deal with risks.

### **Risk management system**

The Freudenberg Group's risk management system is a decentralized system oriented to the Group's organizational structure. The system covers all companies fully consolidated in the Freudenberg Group Annual Report, and includes all Group measures addressing the main risks. One such measure is the Freudenberg risk management process. This process in particular ensures the structured identification, assessment, control and monitoring of main risks that might jeopardize the continued existence of the company. The process also includes appropriate risk communication and the continuous improvement of the risk management system.

The objective of the risk management system is the prompt identification of risks that might jeopardize the continued existence of the company and the initiation of appropriate countermeasures. 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 essential information. The objective therefore also includes identifying and harnessing opportunities and thus safeguarding and enhancing the company's competitiveness.

The risk management strategy is derived from the general strategy of the Group.

The risk management system primarily addresses risks, while opportunities are addressed in the context of the annual planning process and monitored throughout the year. Long-term opportunities for profitable growth are primarily identified as part of the strategy process.

The risk management system – including its suitability and effectiveness – is reviewed by Internal Auditing. In addition, the system is also reviewed regularly by the external auditor.

## Risks

Risks are defined as all future developments, events or actions that could have a negative impact on the targets and strategies of the Freudenberg Group.

The following chapter deals with risks classified as significant for the Freudenberg Group ranked by their importance. These risks can have very differing impacts. They may occur individually and independent of one another or simultaneously. In all cases they have the potential to impact directly or indirectly on the net assets, financial position or results of operations of the Freudenberg Group. Quantitative data are not disclosed because qualitative factors affecting operating activities of the Freudenberg Group such as failure to meet corporate targets or damage to the company's reputation are included in impact classification.

### Demand-side risks

Freudenberg delivers solutions to many customers and sectors and is also active in many regions and countries. The broad diversification of the Group reduces dependence on individual customers, customer groupings, regions and countries. Nevertheless Freudenberg is dependent on the general economic situation, particularly with regard to general demand for its products and services, and dependent on some major customers. Even though the scale of this dependence decreased compared with the previous year as a result of the current economic situation and Group acquisitions, a slump in demand, for example, could lead to a substantial decline in sales and earnings and thus still exert a not insignificant impact on Freudenberg.

The Freudenberg Group has implemented several measures to limit the negative consequences of demand-side risks. In particular, the company has high capacity flexibility and practices active working capital management. Freudenberg regularly monitors several success indicators and can thus respond promptly to negative developments. In the context of a long-term response to demand-side risks, Freudenberg makes

targeted investments in research and development, in individual regions and customer relations as well as selected strategic growth areas.

### Legal risks

As a globally active manufacturer of functionally-relevant technical components, specialty chemicals and final user products as well as a service provider for industry, Freudenberg is exposed to various legal risks, including in particular product liability and warranty risks or risks relating to competition and antitrust law, anti-corruption regulations, export controls, intellectual property rights (patent law), tax law and environmental protection. These risks can affect Freudenberg in very different ways, such as payments to third parties, fines or penalties. In extreme cases, legal risks could have a very significant impact on Freudenberg.

Freudenberg has many measures in place to respond to these legal risks, mainly comprising comprehensive quality assurance mechanisms, clearly-defined product specifications, instructions, documentation or preventive contractual solutions containing provisions to limit liability, and flanks these measures with customary insurance cover. Compliance with laws, internal guidelines and Freudenberg's own code of values (Guiding Principles and Business Principles) has high priority and is the subject of regular training. Furthermore, the Business Groups take the initiative in sensitizing their employees' perception of the relevant legal risks.

In addition, the Corporate Functions and the Freudenberg Regional Corporate Centers ensure that laws and regulations as well as internal rules are observed and complied with. To that end, training events are held at regular intervals. Modern communication tools such as web-based training and e-learning tools are used to reach as many employees as possible.

The Freudenberg Compliance Management Council was established in early 2015, marking a further building block in a compliance management system

tailored to the structures and needs of the Freudenberg Group. As a result of expansion and growth within the Group – particularly in China – the significance of legal risks for Freudenberg rose compared with the previous year. Furthermore, a Code of Conduct valid for the entire Freudenberg Group was drawn up and discussed with all units in the organization in order to firmly anchor these guidelines throughout the company.

### **Contractual risks**

Freudenberg enters into contracts with third parties on a daily basis and makes continuous adjustments to its portfolio, latterly through a pronounced focus on the acquisition of companies and business units. During the course of these activities, obligations are assumed or commitments undertaken that cannot always be accurately quantified in advance, may change as time goes by, must be complied with over a longer period of time, or may prove impossible to meet as a consequence of unforeseen events (such as production interruptions). These activities could in retrospect prove disadvantageous and above all could negatively impact the earnings situation of the Group. Freudenberg has several measures in place to deal with these risks, including comprehensive upfront checks, dedicated management, or contractual solutions. Freudenberg also implements systematic contract management and contract monitoring in selected areas.

### **Financial risks**

As an internationally active company with major shareholdings in other countries Freudenberg is exposed to financial risks which may negatively impact the net assets, financial position or results of operations of the Group. Freudenberg employs various measures to manage these risks. The Group has several specialist functions and expert groups specifically

tasked with the identification, analysis and control of Freudenberg's financial risk profile. In addition, specific corporate bodies discuss and define existing and future processes concerning the methodology and control of financial risk management.

Various measures to safeguard liquidity are in place which allow Freudenberg to react swiftly to unexpected liquidity-related risks. Such risks are hedged by solid banking and Partners' financing and high liquid reserves. Freudenberg has an above-average equity ratio, a stable level of Partners' reserves, and comprehensive credit lines.

In addition, Freudenberg is exposed to currency and interest rate risks which are always meaningfully hedged. Monitoring of these risks is implemented by internal guidelines and processes. Because the currency risks of the various companies have a partially offsetting effect, the effective foreign exchange risk is determined for the Freudenberg Group as a whole and controlled by a central unit.

Interest rate risks arise from possible changes in the market rate and can lead to changes in the market value of fixed interest investments. Freudenberg supports subsidiaries to reduce interest rate risks, making funds available in the form of loans or cash pool agreements. Vice versa, Freudenberg companies channel surplus liquidity to the central finance department.

Binding internal guidelines 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 its rating published in May 2015, the rating agency Moody's rated Freudenberg SE as Baa1 and gave the outlook as "positive". This gives the Freudenberg Group very good creditworthiness at investment grade level.

### Risks from technological progress and third-party innovations

As a highly diversified technology company, Freudenberg is active in numerous product and market segments, some of which vary considerably. Moreover, Freudenberg conducts its entrepreneurial activities on the basis of different business models. Consequently, Freudenberg operates in a constantly changing environment and is exposed to technological progress and a wide range of innovations. In specific terms, this means that Freudenberg comes up against new products, technologies or organizational structures.

Freudenberg uses various measures, in particular in-house research and development and innovation, to manage the consequences of these risks. The most important pillar and key driver of innovation at Freudenberg is to be found in the Business Groups, whose research and development activities are closely geared to their customers. In addition, the Freudenberg Group acquires external companies or business units to add to the Group's technology and product portfolio and to enhance innovation capabilities.

With the Corporate Innovation function, Freudenberg has created an organizational unit that bundles the Group's technical knowledge – in particular through cross-sectional technologies via Corporate Research & Development, which also investigates and develops new areas of business. In total, Freudenberg invests a notable share of sales in research and development.

### Occupational health and safety and environmental risks

Freudenberg has sites in some 60 countries, some of which are exposed to very different physical risks. Furthermore, various raw materials and processes used by Freudenberg in production have differing effects on the environment and workplace safety. Freudenberg manages these risks in many ways. The objective is to continually reduce the physical risks for the site and their environmental impact. With regard to hazardous substances or substances which have become the subject of debate as a result of legislative initiatives such as REACH (European Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals), Freudenberg proactively engages in searching for alternatives or substitute substances before a statutory provision comes into effect while at the same time forestalling the effects on production of a possible ban on a given substance. In addition, many product developments are subject to a stage gate process which among other things ensures that new products have a better environmental performance than their predecessors.

Freudenberg's worldwide "We all take care" initiative calls on every employee to engage personally in improving environmental protection and occupational health and safety. The initiative is constantly evolving and is supported by the Group's top management and senior executives in the Business Groups. The Freudenberg Group is developing a growing number of occupational health measures for its older employees; these measures cater for national and regional factors.

Internal and external audit processes monitor the implementation of programs to improve occupational health and safety, environmental protection or fire protection by the Business Groups. One objective of these programs is to raise awareness for fire protection and to prevent personal injury, operational interruptions and the associated potential delivery disruptions. The findings of the audits are systematically evaluated and measures implemented throughout the relevant Business Groups. In spite of all the preventive measures, health, safety and environmental risks can nevertheless have a significant impact, particularly at the larger locations such as Weinheim.

### **Information security risks**

The Freudenberg Group relies extensively on information that is chiefly stored electronically and communicated by electronic means. In some cases, this information is crucial, both with reference to internal business processes and with regard to communication with customers and suppliers. Failure to access such information could, for example, lead to the interruption of operations at Freudenberg or at a third party. As a provider of IT services, Freudenberg offers its customers the usual guarantees regarding availability and performance. Freudenberg uses a wide range of measures to deal with the associated information security risks, for example by operating information security management systems oriented to the ISO/IEC 27001:2005(E) international standard. In addition, various measures such as redundant data centers in different geographical locations are implemented to deal with technical risks.

The aim of the guideline on information security issued by the Board of Management is to preserve the confidentiality, availability and integrity of information; the guideline sets out procedures to achieve this. The Business Groups, Corporate Functions and Freudenberg Regional Corporate Centers conduct comprehensive risk monitoring and implement the appropriate measures. An assessment of information

security in the Group is conducted on a regular basis. Numerous internal communication measures encourage heightened awareness on the part of employees with regard to the correct handling of information and information processing systems.

### **Overall assessment of the risk situation**

In our opinion, based on the probability of occurrence and potential impact of the risks described above, they do not individually or cumulatively present a risk to the continued existence of the Group.

### **Opportunities**

#### **Administrative excellence**

In 2013, Freudenberg launched an initiative to increase administrative excellence which comprises several projects to raise efficiency in the field of administration. Savings potential and efficiency enhancements under this initiative were again realized in 2015, with some of them exceeding expectations. This initiative will be continued in the coming years and it is possible that the cost savings and efficiency improvements realized under the projects will be higher than anticipated. Freudenberg would then be in a position to become even more competitive than in previous years.

#### **Freudenberg global brand**

In July 2015, the Freudenberg Group presented the redesigned global brand positioning the company as an innovative technology group. The new global brand transports the values and goals of the Freudenberg Group. It gives a clear benefit statement, strengthens the image, and raises the visibility of Freudenberg as an attractive employer. The company slogan “Innovating Together” makes the benefit statement visible to everyone.

### Talent Management

Freudenberg rolled out a new talent management process in 2013. The process establishes a uniform procedure for talent management throughout the entire Freudenberg Group. The process includes standardized assessment systems based on standardized skills profiles and definitions of potential. This enhances the comparability of assessments and facilitates personnel development. The process improves the basis on which Freudenberg can take personnel decisions in the future.

### Economic globalization

Due to its global presence, Freudenberg has for many years been able to offer products and services worldwide at uniform standards. As a result, Freudenberg can keep pace with the international strategies of its customers, for example in production or research and development. In the past, Freudenberg almost exclusively leveraged this expertise for customers from Europe or North America as they gained a foothold in emerging markets, most notably in Brazil, Russia, India or China. Over a year ago, Freudenberg encountered the reverse situation and successfully supported a customer from an emerging economy entering the market in western Europe. If this trend were to intensify in the future, Freudenberg could benefit from globalization to a significantly larger extent than anticipated.

### Harnessing Group potential

In 2015, Freudenberg implemented several projects to harness Group potential more effectively. Examples

included sharpening, strengthening and raising awareness of the brand profile. The entire Freudenberg Group, and the small units in particular, could benefit on a much greater scale than generally expected at present.

There are also several working forums active at Group-wide level addressing issues such as accounting, controlling, communications or human resources.

### Investment in strategic growth areas and regions

In 2015, Freudenberg signed off the findings of the 2015-2017 strategy process. A central element of the new strategic planning is the continuous evolution of existing business through product and process innovations with a view to achieving profitable growth at a pace significantly faster than the market in existing business areas.

Furthermore, it is planned to expand the portfolio by making selective, targeted acquisitions in all Business Groups in order to close identified technology gaps and develop access to new markets. The successful buy-and-build strategies in defined strategic growth areas are to be continued, for example in the Freudenberg Chemical Specialities, Freudenberg Oil & Gas Technologies, Freudenberg Filtration Technologies and Freudenberg Medical Business Groups. Options to acquire new areas of business that complement Freudenberg's existing organization are also being investigated. In the medium term Freudenberg's goal is a strategically balanced regional portfolio with sales distributed evenly among the regions of America, Europe and Asia.

## REPORT ON EXPECTED DEVELOPMENTS

Our assessment of the prospects for economic conditions<sup>1</sup> in the 2016 financial year is cautiously optimistic. We expect overall economic growth of between 1.0 and 3.0 percent in the markets of relevance to Freudenberg. However, this largely depends on the current geopolitical trouble spots and on economic development in Asia, particularly China, and in South America. Advanced economies with their moderate growth are more likely to be robust.

More specifically, we expect a further slightly favorable economic trend in Germany in 2016. The German economy will again produce an above-average performance compared with other EU countries, with gross domestic product (GDP) increasing by 1.8 percent. With reference to the eurozone, Freudenberg's largest sales region, we expect to see a rise in GDP of around 1.6 percent. We anticipate a stronger economic trend in the USA, and estimate that U.S. economic growth for the full year will run at 2.5 to 3.0 percent.

In contrast, our forecasts for the emerging economies are very mixed. We expect China, an important market for Freudenberg, to remain a key driver of business development despite lower growth rates. GDP in China is forecast to grow by 5.0 to 6.0 percent in 2016. We anticipate GDP growth of some 7.0 percent for India.

In Brazil, we anticipate – at best – only tentative implementation of the necessary structural reforms in 2016, and therefore expect the recessionary economic climate to continue with growth running at minus 1.0 percent. In light of the continuing conflict with Ukraine and its impact, and as a result of the low oil price, we do not expect to see any year-on-year economic growth in Russia.

Consequently, economic conditions are expected to be very volatile. Moreover, we anticipate further negative developments in the oil and gas industry as a result of the drastic reduction in the price of oil. We expect the impact of exchange rate effects and raw material prices on the Group in 2016 compared with 2015 to be neutral.

The Freudenberg Group plans to outpace the markets of relevance to the Group in terms of growth in almost all Business Groups and to derive above-average benefits from economic developments in the various regions. To that end, the individual Business Groups will execute their operational planning and respond appropriately to new challenges.

Freudenberg Sealing Technologies plans to expand business further, above all in North America and Asia, focusing on the automotive and industrial sector and on expanding the relevant product portfolio.

Freudenberg Oil & Gas Technologies anticipates a further decline in investments in the oil and gas industry as a consequence of the drastic drop in the price of oil. The lower oil price will negatively impact the Business Group's sales. In light of this, Freudenberg Oil & Gas Technologies has already introduced several restructuring measures to optimize production and improve internal processes.

EagleBurgmann expects business in Central and South America to be difficult and anticipates subdued demand for mechanical seals in Asia. The Business Group will therefore systematically continue with its global cost and liquidity management.

Freudenberg Medical will continue to drive forward the integration of the businesses acquired in recent years. In addition, the Business Group will continue investing in proprietary know-how for various medical applications.

<sup>1</sup> Sources: In this chapter, all figures relating to economic developments are based on data from Consensus Economics, the European Commission, the International Monetary Fund, and the market research and consultancy company Schlegel und Partner.

Freudenberg Performance Materials expects to see positive business development in 2016 underpinned by investments in new products, applications and technologies.

The Freudenberg Filtration Technologies Business Group will continue to focus on automotive filters and industrial filtration. It will also seize attractive openings to expand its market position in further filtration applications.

Freudenberg Home and Cleaning Solutions plans further geographic expansion and intends to benefit from expanding e-commerce business. At the same time, the Business Group will address negative developments in Russia and Asia.

Freudenberg Chemical Specialities expects flatter, but nevertheless positive business development in 2016. In line with economic conditions, expectations for the individual regions are very mixed.

Across the board, we will again be offering our customers new innovative solutions in 2016. We will drive our key projects forward and continue with the new initiatives in the fields of sustainability, non-financial key performance indicators, and social engagement. We will invest in the four strategic growth areas of chemical surface treatment, medical technology, the oil and gas industry, and industrial filtration wherever attractive opportunities arise, and we will intensify our activities in selected regions in line with market developments.

As an innovative technology group, the Freudenberg Group will again deliver on its commitment to responsible conduct in 2016 by implementing numerous HSE measures. We expect to achieve a further slight reduction in the number of accidents at work, measured by the "Lost Day Incident Frequency Rate" (LDIFR) (accidents resulting in at least one day's absence from work per million working hours) referred to the full year.

We will continue to act prudently, keep a careful watch on economic developments, and respond swiftly and systematically to market changes. We will also systematically pursue our business policy with high operating efficiency and flexibility, and with solid financial management.

The analysis of present risks concludes there are no risks which pose a threat to the continued existence of the Freudenberg Group. There were no major changes in the overall risk situation of the Group compared with the previous year.

From today's perspective and despite all challenges, we expect year-on-year sales growth of between 1.0 and 3.0 percent for the Freudenberg Group in the 2016 financial year accompanied by an operating result at the prior-year level. Almost all Business Groups are likely to contribute to this performance. On the basis of this forecast, we expect to see stable development of the return on sales.

Overall, we are confident we will be able to improve the excellence of our Group still further in the current financial year.

Weinheim, March 22, 2016

The Board of Management



# FINANCIAL REPORT – CONSOLIDATED FINANCIAL STATEMENTS FREUDENBERG SE

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# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

[€ million]	Note	Dec. 31, 2014	Dec. 31, 2015
<b>ASSETS</b>			
Intangible assets	(1)	860.6	871.0
Tangible assets	(2)	1,466.5	1,574.2
Investment properties	(3)	20.6	15.6
Investments in joint ventures	(4)	413.1	415.2
Investments in associated companies	(5)	820.0	978.5
Other financial assets		118.1	130.7
Financial assets		1,351.2	1,524.4
Other non-current assets	(7)	28.6	37.1
Deferred taxes	(19)	120.4	138.8
<b>Non-current assets</b>		<b>3,847.9</b>	<b>4,161.1</b>
Inventories	(6)	798.5	807.5
Trade receivables		929.5	982.2
Other current assets		142.4	155.7
Current receivables	(7)	1,071.9	1,137.9
Current tax assets		30.5	75.7
Securities and cash at bank and in hand	(8)	917.7	1,055.7
<b>Current assets</b>		<b>2,818.6</b>	<b>3,076.8</b>
		<b>6,666.5</b>	<b>7,237.9</b>
<b>EQUITY AND LIABILITIES</b>			
Subscribed capital		450.0	450.0
Capital reserves		50.2	50.2
Retained earnings		2,344.4	2,820.8
<b>Equity without non-controlling interests</b>		<b>2,844.6</b>	<b>3,321.0</b>
Non-controlling interests		366.4	378.6
<b>Equity</b>	<b>(9)</b>	<b>3,211.0</b>	<b>3,699.6</b>
Provisions for pensions and similar obligations	(10)	620.0	632.8
Other long-term provisions	(11)	69.7	78.0
Long-term provisions		689.7	710.8
Financial debt		677.5	661.8
Other non-current liabilities		78.3	113.3
Liabilities	(12)	755.8	775.1
Deferred taxes	(19)	113.8	131.2
<b>Non-current liabilities</b>		<b>1,559.3</b>	<b>1,617.1</b>
Other current provisions	(11)	437.0	474.7
Current tax liabilities		64.4	54.3
Financial debt		558.9	560.7
Trade payables		524.1	531.1
Other current liabilities		311.8	300.4
Liabilities	(12)	1,394.8	1,392.2
<b>Current liabilities</b>		<b>1,896.2</b>	<b>1,921.2</b>
		<b>6,666.5</b>	<b>7,237.9</b>

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

[€ million]	Note	2014	2015
Sales	(13)	5,982.3	6,410.9
Cost of sales	(14)	-3,672.1	-3,950.6
<b>Gross profit</b>		<b>2,310.2</b>	<b>2,460.3</b>
Selling expenses		-1,068.7	-1,175.8
Administrative expenses		-511.4	-529.3
Research and development expenses	(15)	-211.6	-249.1
Other income	(16)	85.1	116.5
Other expenses	(17)	-95.3	-110.0
Income from investments in joint ventures	(4)	55.1	71.3
<b>Profit from operations</b>		<b>563.4</b>	<b>583.9</b>
Income from investments in associated companies	(5)	92.8	94.8
Other investment result		-3.1	15.5
Other interest and similar income		12.3	12.0
Interest and similar expenses	(18)	-40.3	-38.6
<b>Financial result</b>		<b>61.7</b>	<b>83.7</b>
<b>Profit before income taxes</b>		<b>625.1</b>	<b>667.6</b>
Income taxes	(19)	-147.3	-146.8
<b>Consolidated profit</b>		<b>477.8</b>	<b>520.8</b>
Of which: attributable to Freudenberg		427.4	463.9
Of which: attributable to non-controlling interests	(20)	50.4	56.9

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

[€ million]	Note	2014	2015
<b>Consolidated profit</b>		<b>477.8</b>	<b>520.8</b>
<b>Other comprehensive income:</b>			
Remeasurement of defined benefit plans	(10)	-150.5	-0.6
Income tax relating to items that will not be reclassified to profit or loss	(9)	40.0	0.2
<b>Items that will not be reclassified to profit or loss</b>		<b>-110.5</b>	<b>-0.4</b>
Exchange rate differences	(9)	136.4	185.1
Changes in value of securities	(9)	12.5	5.4
Changes in value of derivative financial instruments	(9)	0.1	-0.8
Miscellaneous comprehensive income		-2.9	-40.0
Income tax relating to items that will be reclassified subsequently to profit or loss when specific conditions are met	(9)	-7.6	-15.6
Share in other comprehensive income of joint ventures	(4)	-0.1	-2.2
Share in other comprehensive income of associated companies	(5)	50.3	3.9
<b>Items that will be reclassified subsequently to profit or loss when specific conditions are met</b>		<b>188.7</b>	<b>135.8</b>
<b>Other comprehensive income for the year</b>		<b>78.2</b>	<b>135.4</b>
<b>Total comprehensive income for the year</b>		<b>556.0</b>	<b>656.2</b>
Of which: attributable to Freudenberg		483.1	574.9
Of which: attributable to non-controlling interests		72.9	81.3

## CONSOLIDATED STATEMENT OF CASH FLOWS

[€ million]	Note	2014	2015
Profit before income taxes		625.1	667.6
Current income taxes		-173.4	-173.6
Depreciation, amortization and impairment losses on intangible assets, tangible assets, investment properties and financial assets less write-ups		256.2	320.0
Profit or loss on disposal of intangible assets, tangible assets, investment properties and financial assets		-6.7	-4.5
Other expenditure and income not affecting payments		-111.7	-2.4
Changes in inventories, trade receivables and other assets		-72.8	-65.4
Changes in trade payables and other liabilities		53.6	-26.2
Changes in provisions		47.5	47.0
<b>Cash flow from operating activities</b>	<b>(21)</b>	<b>617.8</b>	<b>762.5</b>
Cash inflow from disposals of intangible assets, tangible assets and investment properties		34.8	22.2
Cash outflow from acquisitions of intangible assets, tangible assets and investment properties		-271.6	-302.5
Cash inflow from disposals of financial assets		1.2	11.2
Cash outflow from acquisitions of financial assets		-4.9	-22.1
Payments in connection with the disinvestment/investment of consolidated companies less cash acquired or disposed of		-98.2	-137.8
<b>Cash flow from investing activities</b>		<b>-338.7</b>	<b>-429.0</b>
Payments to shareholders/non-controlling interests	(22)	-119.9	-167.6
Cash inflow from the take-up/cash outflow from the repayment of financial debts		69.2	-33.7
Cash inflow from disposals of loans and securities held as non-current assets		4.2	3.6
Cash outflow from acquisitions of loans and securities held as non-current assets		-0.8	-1.2
<b>Cash flow from financing activities</b>		<b>-47.3</b>	<b>-198.9</b>
<b>Changes in cash and cash equivalents with effect on payments</b>	<b>(23)</b>	<b>231.8</b>	<b>134.6</b>
Changes in cash and cash equivalents from changes in consolidated group		0.0	0.1
Changes in cash and cash equivalents from exchange rate differences		13.0	3.3
<b>Cash and cash equivalents at beginning of year</b>		<b>672.9</b>	<b>917.7</b>
<b>Cash and cash equivalents at end of year</b>		<b>917.7</b>	<b>1,055.7</b>
<b>Securities and cash at bank and in hand</b>		<b>917.7</b>	<b>1,055.7</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, 2014</b>	<b>450.0</b>	<b>50.2</b>	<b>1,951.8</b>	<b>2,452.0</b>	<b>322.9</b>	<b>2,774.9</b>
Consolidated profit			427.4	427.4	50.4	477.8
Appropriation of profit			-90.5	-90.5	-29.4	-119.9
Other comprehensive income			55.7	55.7	22.5	78.2
<b>Status Dec. 31, 2014</b>	<b>450.0</b>	<b>50.2</b>	<b>2,344.4</b>	<b>2,844.6</b>	<b>366.4</b>	<b>3,211.0</b>
Consolidated profit			463.9	463.9	56.9	520.8
Appropriation of profit			-98.5	-98.5	-69.1	-167.6
Other comprehensive income			111.0	111.0	24.4	135.4
<b>Status Dec. 31, 2015</b>	<b>450.0</b>	<b>50.2</b>	<b>2,820.8</b>	<b>3,321.0</b>	<b>378.6</b>	<b>3,699.6</b>

See also the explanatory remarks on equity 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, oil and gas industries as well as the textile and apparel industries. The Group's portfolio also includes medical technology and consumer goods.

The consolidated financial statements of Freudenberg SE, Weinheim, Germany, for 2015 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, 2015). 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.

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

In the 2015 financial year, the application of the new interpretation IFRIC 21: *Levies* and the amendments resulting from the *Annual Improvements to IFRSs 2011 – 2013 Cycle* was binding for the first time.

The first-time application of this interpretation and these amendments had no effect or no material effect on the consolidated financial statements.

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee have published additional standards, interpretations and amendments the application of which was not yet

binding for the 2015 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/amendments		Application binding from <sup>1</sup>	Endorsed by EU	Probable impact
IFRS 9	<i>Financial Instruments</i>	January 1, 2018	No	Changes in the classification and measurement of financial assets and liabilities, impairments, hedge accounting and extended disclosures in notes; it is expected that the impact of the changes will be slight
IFRS 10, IFRS 12 and IAS 28	Amendment to IFRS 10, IFRS 12 and IAS 28 – <i>Investment Entities: Applying the Consolidation Exception</i>	January 1, 2016	No	None
IFRS 11	Amendment to IFRS 11 – <i>Accounting for Acquisitions of Interests in Joint Operations</i>	January 1, 2016	Yes	None
IFRS 14	<i>Regulatory Deferral Accounts</i>	January 1, 2016	No <sup>2</sup>	None
IFRS 15	<i>Revenue from Contracts with Customers</i>	January 1, 2018	No	Effects on sales, mainly as a result of individual customer-specific project orders and extended disclosures in notes; no further significant changes are expected
IFRS 16	<i>Leases</i>	January 1, 2019	No	Effects on the balance sheet total and on the profit or loss statement as well as on extended disclosures as a result of the obligation to post the right to use the leased asset as an asset and a corresponding lease liability for most leases
IAS 1	Amendment to IAS 1 – <i>Disclosure Initiative</i>	January 1, 2016	Yes	No significant impact
IAS 16 and IAS 38	Amendment to IAS 16 and IAS 38 – <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	January 1, 2016	Yes	None
IAS 16 and IAS 41	Amendment to IAS 16 and IAS 41 – <i>Bearer Plants</i>	January 1, 2016	Yes	None
IAS 19	Amendment to IAS 19 – <i>Defined Benefit Plans: Employee Contributions</i>	July 1, 2014	Yes <sup>3</sup>	No significant impact
IAS 27	Amendments to IAS 27 – <i>Equity Method in Separate Financial Statements</i>	January 1, 2016	Yes	None
IAS 28 and IFRS 10	Amendments to IAS 28 and IFRS 10 – <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	January 1, 2016	No <sup>4</sup>	None
Various standards	<i>Annual Improvements to IFRSs 2010 – 2012 Cycle</i>	July 1, 2014	Yes <sup>3</sup>	No significant impact
Various standards	<i>Annual Improvements to IFRSs 2012 – 2014 Cycle</i>	January 1, 2016	Yes	No significant impact

<sup>1</sup> From this date or for reporting periods beginning after this date.

<sup>2</sup> This standard is not proposed for incorporation in EU law.

<sup>3</sup> The first date of binding application defined by the EU endorsement is different from the first date of application stated in the standard.

<sup>4</sup> Endorsement by the EU has been postponed.

## Consolidated group

Apart from Freudenberg SE, 62 (previous year: 67) German and 312 (previous year: 324) foreign **affiliated companies** with respect to which Freudenberg SE has the power to direct the relevant activities of the company, the right to variable returns from the company and the ability to affect such variable returns, are fully consolidated.

Freudenberg holds a 25-percent stake in EagleBurgmann Japan Co., Ltd., Tokyo, Japan, the partner in the joint venture in the field of mechanical seals operated within the EagleBurgmann Business Group. Eagle Industry Co., Ltd., Tokyo, Japan, also holds a 25-percent stake in EagleBurgmann Germany GmbH & Co. KG, Wolftratshausen, Germany. According to the Joint Venture Agreement, Freudenberg exercises control over affiliated companies of the EagleBurgmann Group in which Freudenberg holds less than half of the voting rights of the other company; such affiliated companies are therefore fully consolidated.

Eight (previous year: 10) German and 57 (previous year: 57) foreign **joint ventures** are included in the consolidated financial statements. These legally independent companies are managed jointly with the partner company in each case. Both parties hold rights to the net assets of the companies. The joint ventures are consolidated by the equity method.

In addition, 12 (previous year: 12) foreign **associated companies** are included in the consolidated financial statements. Freudenberg does not control these companies but only exercises a significant influence. These companies are consolidated by the equity method.

All affiliated companies, joint ventures and associated companies are listed under "Shareholdings".

In the year under review, six companies were included in the consolidated financial statements as fully consolidated affiliated companies for the first time. 23 companies which had previously been fully consolidated were no longer included as fully consolidated

affiliated companies 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.

Polymer Health Technology Limited, Ebbw Vale, United Kingdom, was acquired with effect from January 2, 2015. The company specializes in the development and sale of polyurethane foams for advanced wound care. Through this acquisition, the Freudenberg Performance Materials Business Group continued to expand its portfolio in the field of medical technology.

With effect from August 4, 2015, Freudenberg acquired about 75 percent of the shares in Hemoteq AG, Würselen, Germany. The purpose of this acquisition was to strengthen the Freudenberg Medical Business Group. Put and call options were agreed for the remaining shares. Hemoteq AG is a world leader in coating technologies and services for medical technology products.

In addition, the business of BlueSky Process Solutions Ltd., Stoney Creek, Canada, was acquired with effect from June 30, 2015 in the form of an asset deal. BlueSky Process Solutions Ltd. is a designer of differentiated seal products, specifically for the upstream oil and gas segment. This acquisition further strengthened the Freudenberg Oil & Gas Technologies Business Group within the strategic business area of seals and vibration control technology.

With effect from 31 December 2015, the 50-percent stakes in the companies enmech GmbH & Co. KG, Weinheim, and enmech Hungary Bt, Pécel, Hungary, which were consolidated by the equity method, were disposed of to the long-standing joint venture partner NOK Corporation, Tokyo, Japan.

In 2015, the balance of the amount expended on acquisition activities and the amount received as a result of disinvestment activities was €-137.8 million (previous year: €-98.2 million).

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

[€ million]	Dec. 31, 2014	Dec. 31, 2015
Non-current assets	93.9	150.4
Current assets	31.3	1.4
Non-current liabilities	18.9	15.1
Current liabilities	106.7	133.3
Sales	66.1	18.3

### Consolidation methods

The acquisition costs of the shareholdings concerned are set off against the pro-rata share in the fair value of the equity 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.

Inter-company 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 ventures and associated companies are consolidated by the equity method on the basis of financial statements drawn up in accordance with IFRS.

The differences arising from the acquisition of shareholdings in joint ventures and associated companies form part of the book value of the shareholding in the company concerned. Amortization is not recognized on goodwill in subsequent periods. An impairment test is carried out on the book value of the shareholding in the joint venture or associated company 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, 2015.

In accordance with IFRS 10, 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. The discount rates used are based on the weighted average cost of capital (hereafter WACC) 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 impairment test is carried out on such assets annually. 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 20 years
Other fixtures, fittings and office equipment	3 to 20 years

In addition to the impairment of goodwill, an impairment loss is recognized if the fair value less costs to sell or the value in use of a cash-generating unit falls below its 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. Investment properties 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.

Investments in joint ventures and associated companies are shown at acquisition cost on first-time consolidation and subsequently adjusted for changes in the share of the shareholder in the net assets of the company concerned.

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 which are not covered by credit insurance. Impairments are effected using a separate account if circumstances become apparent as a result of which the conclusion can be drawn that 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.

Securities carried as non-current or current assets that are available for sale are recorded at fair 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. Service cost and the net interest on the net defined benefit liability are recognized with an impact on profit or loss. Gains and losses from remeasurements of the net defined benefit liability are disclosed under other comprehensive income. Plan assets are measured at fair value.

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.

Put options granted to the holders of non-controlling interests for the sale of their shares are recognized as forward purchases. The item recorded in equity for these shares is de-recognized and a liability measured at fair value is recognized. As at each statement of financial position date, the liability is remeasured and any resulting changes in book value are recognized with an effect on net income.

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.

Fair value is determined on the basis of input factors in three defined categories. The following fair value measurement hierarchy is applied:

Level 1: Use of quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Determination of fair value using measurement procedures based on observed input factors for similar assets or liabilities in active markets or for identical assets or liabilities in markets that are not active.

Level 3: Measurement of assets and liabilities using measurement methods based on unobservable inputs as adequate observable market data are not available for the measurement of fair value.

### **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.

As a general principle, the annual financial statements of companies located in hyperinflationary economies are translated in accordance with the requirements of 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 exchange 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 investments in joint ventures and 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		
		1 Euro =	Dec. 31, 2014	Dec. 31, 2015	2014	2015
Brazil	BRL		3.2410	4.3139	3.1163	3.7418
China	CNY		7.5550	7.0724	8.1575	6.9434
United Kingdom	GBP		0.7818	0.7350	0.8028	0.7236
India	INR		77.4729	72.3087	80.7777	70.9623
Japan	JPY		145.2439	131.1173	140.5060	133.5530
Norway	NOK		9.0144	9.5991	8.3928	8.9680
USA	USD		1.2166	1.0892	1.3219	1.1039

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.

## NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### (1) Intangible assets

Changes in intangible assets from January 1 to December 31, 2014:

[€ million]	Concessions and licenses	Goodwill	Payments made on account	Total
<b>ACQUISITION/PRODUCTION COST</b>				
<b>Status Jan. 1, 2014</b>	<b>616.1</b>	<b>504.9</b>	<b>0.8</b>	<b>1,121.8</b>
Changes in consolidated group	46.1	32.0	0.0	78.1
Exchange rate differences	19.8	24.3	0.0	44.1
Additions	23.7	0.0	0.8	24.5
Write-ups/revaluations	0.0	0.0	0.0	0.0
Disposals	-13.7	0.0	0.0	-13.7
Reclassifications	1.3	0.0	-0.7	0.6
<b>Status Dec. 31, 2014</b>	<b>693.3</b>	<b>561.2</b>	<b>0.9</b>	<b>1,255.4</b>
<b>AMORTIZATION</b>				
<b>Status Jan. 1, 2014</b>	<b>309.0</b>	<b>26.1</b>	<b>0.0</b>	<b>335.1</b>
Changes in consolidated group	0.0	0.0	0.0	0.0
Exchange rate differences	10.5	0.7	0.0	11.2
Additions – systematic	58.0	0.0	0.0	58.0
Impairment losses	1.6	0.0	0.0	1.6
Write-ups/revaluations	-0.1	0.0	0.0	-0.1
Disposals	-11.0	0.0	0.0	-11.0
Reclassifications	0.0	0.0	0.0	0.0
<b>Status Dec. 31, 2014</b>	<b>368.0</b>	<b>26.8</b>	<b>0.0</b>	<b>394.8</b>
<b>Book value Dec. 31, 2014</b>	<b>325.3</b>	<b>534.4</b>	<b>0.9</b>	<b>860.6</b>
Book value Dec. 31, 2013	307.1	478.8	0.8	786.7

Changes in intangible assets from January 1 to December 31, 2015:

[€ million]	Concessions and licenses	Goodwill	Payments made on account	Total
<b>ACQUISITION/PRODUCTION COST</b>				
<b>Status Jan. 1, 2015</b>	<b>693.3</b>	<b>561.2</b>	<b>0.9</b>	<b>1,255.4</b>
Changes in consolidated group	29.1	31.8	0.0	60.9
Exchange rate differences	23.4	23.4	0.0	46.8
Additions	13.2	0.0	1.5	14.7
Write-ups/revaluations	0.0	0.0	0.0	0.0
Disposals	-6.4	-4.5	0.0	-10.9
Reclassifications	2.2	0.0	-0.6	1.6
<b>Status Dec. 31, 2015</b>	<b>754.8</b>	<b>611.9</b>	<b>1.8</b>	<b>1,368.5</b>
<b>AMORTIZATION</b>				
<b>Status Jan. 1, 2015</b>	<b>368.0</b>	<b>26.8</b>	<b>0.0</b>	<b>394.8</b>
Changes in consolidated group	-0.3	0.0	0.0	-0.3
Exchange rate differences	13.1	-2.1	0.0	11.0
Additions – systematic	65.6	0.0	0.0	65.6
Impairment losses	3.7	33.1	0.0	36.8
Write-ups/revaluations	0.0	0.0	0.0	0.0
Disposals	-5.9	-4.5	0.0	-10.4
Reclassifications	0.0	0.0	0.0	0.0
<b>Status Dec. 31, 2015</b>	<b>444.2</b>	<b>53.3</b>	<b>0.0</b>	<b>497.5</b>
<b>Book value Dec. 31, 2015</b>	<b>310.6</b>	<b>558.6</b>	<b>1.8</b>	<b>871.0</b>
Book value Dec. 31, 2014	325.3	534.4	0.9	860.6

Goodwill was subjected to an impairment test as at December 31, 2015. 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 WACCs ranging from 6.4 percent to 11.6 percent (previous year: ranging from 7.3 percent to 11.0 percent).

An impairment of goodwill was only identified in the case of the cash generating unit Freudenberg Oil & Gas Technologies. This is the result of changed business prospects following the price slump on the oil market. On the basis of a WACC of 6.4 percent (previous year: 7.5 percent) and the growth rate stated above, the book value following impairment loss was €50.0 million.

For the impairment test of the cash generating unit Freudenberg Sealing Technologies, to which the most significant goodwill, with a book value of €183.4 million (previous year: €176.6 million) is assigned, a growth rate of 2.0 percent (previous year: 2.0 percent) and a WACC of 11.6 percent (previous year: 11.0 percent) were used.

An impairment test was also carried out with a variation in the discount rate of up to plus/minus 2.0 percentage points. On this basis, it would only have been necessary to record a further impairment loss in the case of the cash generating unit Freudenberg Oil & Gas Technologies.

## (2) Tangible assets

Changes in tangible assets from January 1 to December 31, 2014:

[€ 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, 2014</b>	<b>1,003.9</b>	<b>1,988.4</b>	<b>709.5</b>	<b>9.4</b>	<b>85.7</b>	<b>3,796.9</b>
Changes in consolidated group	3.2	6.1	1.6	0.0	0.0	10.9
Exchange rate differences	28.8	54.0	18.1	0.8	4.0	105.7
Additions	23.6	57.3	45.6	19.1	98.5	244.1
Write-ups/revaluations	0.6	4.0	0.1	0.0	0.0	4.7
Disposals	-14.2	-70.4	-35.9	-0.2	-0.9	-121.6
Reclassifications	24.7	53.2	23.9	-13.8	-88.5	-0.5
<b>Status Dec. 31, 2014</b>	<b>1,070.6</b>	<b>2,092.6</b>	<b>762.9</b>	<b>15.3</b>	<b>98.8</b>	<b>4,040.2</b>
<b>DEPRECIATION</b>						
<b>Status Jan. 1, 2014</b>	<b>482.4</b>	<b>1,396.6</b>	<b>529.8</b>	<b>0.0</b>	<b>0.3</b>	<b>2,409.1</b>
Changes in consolidated group	0.2	2.9	1.2	0.0	0.0	4.3
Exchange rate differences	11.6	43.4	12.0	0.0	0.0	67.0
Additions – systematic	30.2	95.7	60.0	0.0	0.0	185.9
Impairment losses	1.8	5.5	0.2	0.0	0.0	7.5
Write-ups/revaluations	0.6	3.1	0.2	0.0	0.0	3.9
Disposals	-8.7	-61.9	-33.5	0.0	0.0	-104.1
Reclassifications	0.1	0.8	-0.8	0.0	0.0	0.1
<b>Status Dec. 31, 2014</b>	<b>518.2</b>	<b>1,486.1</b>	<b>569.1</b>	<b>0.0</b>	<b>0.3</b>	<b>2,573.7</b>
<b>Book value Dec. 31, 2014</b>	<b>552.4</b>	<b>606.5</b>	<b>193.8</b>	<b>15.3</b>	<b>98.5</b>	<b>1,466.5</b>
Book value Dec. 31, 2013	521.5	591.8	179.7	9.4	85.4	1,387.8

Changes in tangible assets from January 1 to December 31, 2015:

[€ 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, 2015</b>	<b>1,070.6</b>	<b>2,092.6</b>	<b>762.9</b>	<b>15.3</b>	<b>98.8</b>	<b>4,040.2</b>
Changes in consolidated group	9.2	6.9	2.6	0.0	0.1	18.8
Exchange rate differences	30.6	53.0	14.0	0.9	0.0	98.5
Additions	26.9	73.3	50.0	17.4	119.9	287.5
Write-ups/revaluations	0.0	0.4	0.0	0.0	0.0	0.4
Disposals	-8.3	-57.9	-22.1	-0.9	-0.3	-89.5
Reclassifications	30.3	62.3	20.1	-16.9	-94.9	0.9
<b>Status Dec. 31, 2015</b>	<b>1,159.3</b>	<b>2,230.6</b>	<b>827.5</b>	<b>15.8</b>	<b>123.6</b>	<b>4,356.8</b>
<b>DEPRECIATION</b>						
<b>Status Jan. 1, 2015</b>	<b>518.2</b>	<b>1,486.1</b>	<b>569.1</b>	<b>0.0</b>	<b>0.3</b>	<b>2,573.7</b>
Changes in consolidated group	1.7	0.0	1.0	0.0	0.0	2.7
Exchange rate differences	13.5	41.5	9.4	0.0	0.0	64.4
Additions – systematic	33.1	104.9	65.5	0.0	0.0	203.5
Impairment losses	0.9	12.1	0.5	0.0	0.1	13.6
Write-ups/revaluations	-0.6	-0.2	0.0	0.0	0.0	-0.8
Disposals	-4.8	-50.3	-19.4	0.0	0.0	-74.5
Reclassifications	1.4	2.5	-3.9	0.0	0.0	0.0
<b>Status Dec. 31, 2015</b>	<b>563.4</b>	<b>1,596.6</b>	<b>622.2</b>	<b>0.0</b>	<b>0.4</b>	<b>2,782.6</b>
<b>Book value Dec. 31, 2015</b>	<b>595.9</b>	<b>634.0</b>	<b>205.3</b>	<b>15.8</b>	<b>123.2</b>	<b>1,574.2</b>
Book value Dec. 31, 2014	552.4	606.5	193.8	15.3	98.5	1,466.5

In the financial year under review, Freudenberg received government grants for tangible assets in the amount of €2.2 million (previous year: €1.2 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, 2014	Dec. 31, 2015
Intangible assets	0.1	0.0
Land and buildings	4.3	4.6
Machinery and equipment	1.1	2.7
Other fixtures, fittings and office equipment	1.1	0.2
<b>Book value of leased assets recognized</b>	<b>6.6</b>	<b>7.5</b>

The finance lease contracts were concluded at arm's-length business conditions. Such leases normally include favorable purchase options. The lease con-

tracts 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, 2014	Up to 1 year	1 to 5 years	Over 5 years	Dec. 31, 2015
<b>Finance leases</b>								
Minimum lease payments	1.4	1.3	4.8	7.5	0.9	2.7	5.0	8.6
Discount	0.0	0.1	1.1	1.2	0.0	0.3	1.1	1.4
Present value	1.4	1.2	3.7	6.3	0.9	2.4	3.9	7.2
<b>Operating leases</b>								
Minimum lease payments	63.7	110.9	42.7	217.3	68.2	126.4	58.2	252.8

Lease payments totaling €86.5 million (previous year: €85.9 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
2014	100 %	4.0
2015	100 %	3.9

There were no significant direct operating expenses in the year under review or in the previous year.

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 investment properties going beyond its statutory obligations.

Changes in investment properties from January 1 to  
December 31, 2014:

[€ million]	
<b>ACQUISITION/PRODUCTION COST</b>	
<b>Status Jan. 1, 2014</b>	<b>48.2</b>
Changes in consolidated group	0.0
Exchange rate differences	0.0
Additions	2.8
Write-ups/revaluations	0.0
Disposals	0.0
Reclassifications	0.0
<b>Status Dec. 31, 2014</b>	<b>51.0</b>
<b>DEPRECIATION</b>	
<b>Status Jan. 1, 2014</b>	<b>28.9</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, 2014</b>	<b>30.4</b>
<b>Book value Dec. 31, 2014</b>	<b>20.6</b>
Book value Dec. 31, 2013	19.3

Changes in investment properties from January 1 to December 31, 2015:

[€ million]	
<b>ACQUISITION/PRODUCTION COST</b>	
<b>Status Jan. 1, 2015</b>	<b>51.0</b>
Changes in consolidated group	0.0
Exchange rate differences	0.0
Additions	0.3
Write-ups/revaluations	0.0
Disposals	-5.1
Reclassifications	0.0
<b>Status Dec. 31, 2015</b>	<b>46.2</b>
<b>DEPRECIATION</b>	
<b>Status Jan. 1, 2015</b>	<b>30.4</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	-1.4
Reclassifications	0.0
<b>Status Dec. 31, 2015</b>	<b>30.6</b>
<b>Book value Dec. 31, 2015</b>	<b>15.6</b>
Book value Dec. 31, 2014	20.6

The fair value of investment properties was €33.4 million (previous year: €43.8 million) and was calculated on the basis of discounted cash flows (level 3 inputs).

#### (4) Investments in joint ventures

The joint venture agreements with Trelleborg AB, Trelleborg, Sweden, and NOK Corporation, Tokyo, Japan, are of major importance for Freudenberg.

The purpose of the TrelleborgVibracoustic joint venture with Trelleborg AB is to strengthen activities in the automotive business. Trelleborg AB and Freudenberg SE each hold a stake of 50 percent.

NOK-Freudenberg Group China is a 50:50 joint venture between the Japanese NOK Corporation and Freudenberg SE with the objective of serving the high-growth Chinese market with locally-produced and imported sealing and vibration control products.

The summarized financial information of the joint venture parent companies is set out below:

[€ million]	TrelleborgVibracoustic GmbH, Darmstadt, Germany		NOK-Freudenberg Asia Holding Co. Pte. Ltd., Singapore	
	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015
Current assets	604.7	639.4	160.1	183.0
Of which: cash and cash equivalents	193.5	192.9	64.2	70.9
Non-current assets	707.2	760.9	134.2	146.2
Current liabilities	595.9	624.1	63.2	74.2
Of which: current financial liabilities	192.8	191.3	3.8	4.1
Non-current liabilities	174.0	404.8	0.0	0.0
Of which: non-current financial liabilities	1.9	210.9	0.0	0.0
Non-controlling interests	35.3	36.1	0.0	0.0
<b>Equity without non-controlling interests</b>	<b>506.7</b>	<b>335.3</b>	<b>231.1</b>	<b>255.0</b>
Freudenberg share	50.0 %	50.0 %	50.0 %	50.0 %
Pro-rata share in equity	253.4	167.6	115.6	127.5
Disproportionate capital measures of the shareholders	7.2	7.2	0.0	0.0
<b>At-equity measurement</b>	<b>260.6</b>	<b>174.8</b>	<b>115.6</b>	<b>127.5</b>

	2014	2015	2014	2015
Sales	1,779.3	1,941.8	277.7	308.2
Profit or loss from continuing operations	73.5	105.8	36.1	36.5
Other comprehensive income	32.5	14.3	16.7	12.5
<b>Total comprehensive income</b>	<b>106.0</b>	<b>120.1</b>	<b>52.8</b>	<b>49.0</b>
Of which: depreciation and amortization	-72.8	-77.4	-12.2	-15.1
Of which: interest income	3.5	4.2	0.5	0.9
Of which: interest expenses	-7.6	-8.0	-0.6	-0.6
Of which: income tax expense or income	-25.9	-45.7	-11.9	-16.5

Freudenberg received dividends in the amount of €145.0 million (previous year: €14.3 million) from TrelleborgVibracoustic GmbH and €13.6 million (previous year: €7.8 million) from NOK-Freudenberg Asia Holding Co. Pte. Ltd.

The total carrying amount of interests in all individual joint ventures which are not material was €112.9 million (previous year: €36.9 million). Among other items the increase was the result of the establishment of the joint venture company FT Holdings K.K., Tokyo, Japan, managed jointly with Toray Industries, Inc., Tokyo, Japan.

The pro-rata share of the profit or loss from continuing operations of all individual joint ventures classed as not material was €0.9 million (previous year: €0.8 million) and the pro-rata share in other comprehensive income was €1.8 million (previous year: €-0.1 million). The pro-rata share in total comprehensive income was therefore €2.7 million (previous year: €0.7 million).

## (5) Investments in associated companies

The most important non-controlling interests of Freudenberg were those in the Japanese companies NOK Corporation and Japan Vilene Company Ltd., (JVC) both with registered offices in Tokyo, Japan.

The NOK Group manufactures and supplies sealing products, flexible printed circuits, roll products for office equipment and further products such as specialty lubricants.

JVC manufactures nonwovens for the clothing, automotive, electrical and consumer goods industries as well as for applications in the medical sector and filtration.

These two significant associated companies gave the following figures in their consolidated interim financial statements as at December 31 in each case:

[€ million]	NOK Corporation		Japan Vilene Company Ltd.	
	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015
Current assets	2,584.7	2,707.8	191.2	214.6
Non-current assets	2,619.4	3,035.3	216.0	252.1
Current liabilities	1,437.1	1,392.8	96.9	102.6
Non-current liabilities	714.0	752.0	42.3	32.0
Treasury shares	-2.9	-17.3	-0.1	-0.1
Non-controlling interests	271.2	299.2	0.0	0.0
<b>Equity without treasury shares and non-controlling interests</b>	<b>2,784.7</b>	<b>3,316.4</b>	<b>268.1</b>	<b>332.2</b>
Freudenberg share	25.10 %	25.10 %	33.40 %	33.40 %
Pro-rata share in equity	699.0	832.5	89.6	111.0
Goodwill	7.1	7.1	0.6	0.6
Disproportionate capital measures of the shareholders	0.0	0.0	-15.5	-17.2
<b>At-equity measurement</b>	<b>706.1</b>	<b>839.6</b>	<b>74.7</b>	<b>94.4</b>

	2014	2015	2014	2015
Sales	4,779.6	5,791.1	399.9	450.8
Profit or loss from continuing operations	355.5	339.0	19.2	25.9
Other comprehensive income	319.4	-13.0	12.6	12.5
<b>Total comprehensive income</b>	<b>674.9</b>	<b>326.0</b>	<b>31.8</b>	<b>38.4</b>

The decrease in the other comprehensive income of NOK Corporation is due to exchange differences on translating the financial statement in foreign currency and to effects from the change in the value of securities available for sale.

Freudenberg received dividends in the amount of €19.3 million (previous year: €7.6 million) from NOK Corporation and €1.1 million (previous year: €2.6 million) from JVC.

As at December 31, 2015, the market value of the shareholding in NOK Corporation was €947.3 million (¥124,201.5 million) (previous year: €924.5 million; ¥134,283.7 million). JVC was delisted on December 25, 2015.

The total carrying amount of interests in all associated companies classed as not material was €44.5 million (previous year: €39.2 million).

The pro-rata share in the profit or loss from continuing operations of all individual associated companies classed as not material was €9.8 million (previous year: €7.0 million) and the pro-rata share in the other comprehensive income of these companies was €1.9 million (previous year €1.9 million). The pro-rata share in the total comprehensive income was therefore €11.7 million (previous year: €8.9 million).

**(6) Inventories**

Inventories break down as follows:

[€ million]	Dec. 31, 2014	Dec. 31, 2015
Raw materials and consumables	229.1	230.5
Work in progress	116.9	122.6
Finished goods and merchandise	447.6	452.5
Payments made on account	4.9	1.9
	<b>798.5</b>	<b>807.5</b>

Inventories rose by €9.0 million compared with the previous year. After eliminating the effects of changes in the consolidated group and exchange rate effects, inventories fell by about 2 percent.

Write-downs of inventories totaling €25.0 million (previous year: €15.9 million) were recognized as expenses in the reporting year.

Write-ups totaling €10.2 million (previous year: €10.9 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.

**(7) Receivables**

[€ million]	Dec. 31, 2014	Dec. 31, 2015
<b>Trade receivables</b>	<b>929.5</b>	<b>982.2</b>
Of which: Residual term up to 1 year	929.5	982.2
Of which: Residual term more than 1 year	0.0	0.0
<b>Other assets</b>	<b>171.0</b>	<b>192.8</b>
Of which: Residual term up to 1 year	142.4	155.7
Of which: Residual term more than 1 year	28.6	37.1

After adjustment for effects resulting from changes in the consolidated group and exchange rate effects, trade receivables rose by about 3 percent.

The other assets include pension plan assets in excess of the corresponding pension obligations in the amount of €6.6 million (previous year €1.7 million).

The other assets also include other tax receivables in the amount of €44.0 million (previous year: €39.8 million) and liability insurance claims totaling €5.6 million (previous year: €5.3 million).

The claims for reimbursement in connection with recognized provisions, which are included in other assets, are shown in the other provisions under note (11).

## (8) Securities and cash at bank and in hand

[€ million]	Dec. 31, 2014	Dec. 31, 2015
Securities	319.5	279.5
Checks and cash in hand	6.0	4.1
Cash at banks	592.2	772.1
	<b>917.7</b>	<b>1,055.7</b>

The securities mainly concern commercial papers issued by industrial companies.

## (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. Kommanditgesellschaft, Weinheim (hereafter: Freudenberg & Co. KG).

The **reserves** break down as follows:

[€ million]	Dec. 31, 2014	Dec. 31, 2015
Capital reserves	50.2	50.2
Retained earnings	2,344.4	2,820.8
	<b>2,394.6</b>	<b>2,871.0</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 net income.

The profit distributed in the reporting year amounted to €98.5 million (previous year: €90.5 million). This corresponded to a profit per share of €0.22 (previous year: €0.20).

The Board of Management proposes that the 2015 net retained profit in the amount of €1,188.1 million (previous year: €896.7 million) should be carried forward to new account.

In the reporting year, income (+) and expenses (-) which had previously been recorded without an effect on net income with respect to the following components of other comprehensive income were reclassified to the statement of profit or loss:

[€ million]	Dec. 31, 2014	Dec. 31, 2015
Exchange rate differences	-0.3	21.8
Securities	0.0	0.7
Derivative financial instruments	-0.3	-1.3
	<b>-0.6</b>	<b>21.2</b>

In the 2015 financial year, tax effects (income (+)/expenses (-)) recorded without effect on net income are attributable to the various items of other comprehensive income as follows:

[€ million]	Dec. 31, 2014	Dec. 31, 2015
Remeasurement of defined benefit plans	40.0	0.2
Derivative financial instruments	0.1	0.0
Securities and other items	-7.7	-15.6
	<b>32.4</b>	<b>-15.4</b>

### Non-controlling interests

The rise in non-controlling interests in the equity of consolidated affiliated companies from €366.4 million to €378.6 million is mainly the result of the allocation of profit for the year and exchange rate differences. Dividend payments had an offsetting effect.

In the case of the following affiliated company, the consolidated financial statements include significant non-controlling interests in the amount of 25 percent of the shares:

[€ million]		
Freudenberg-NOK General Partnership, Plymouth, USA	Dec. 31, 2014	Dec. 31, 2015
Profit (+)/loss (-) attributable to non-controlling interests	13.4	17.4
Total amount of non-controlling interests	109.1	96.9

This affiliated company is included in the consolidated financial statements with the following values:

[€ million]		
Freudenberg-NOK General Partnership	Dec. 31, 2014	Dec. 31, 2015
Current assets	348.5	258.2
Non-current assets	232.3	290.3
Current liabilities	90.9	106.2
Non-current liabilities	64.1	78.5
	2014	2015
Sales	529,2	638,0
Profit (+)/loss (-)	38,6	52,1
Total comprehensive income	85,8	97,9

Freudenberg-NOK General Partnership paid dividends in the amount of €44.0 million (previous year: €5.1 million) to the holder of the non-controlling interests.

Other non-controlling interests especially concern the EagleBurgmann Business Group, where they arise as a result of the contractual agreements concerning control.

## (10) Provisions for pensions and similar obligations

The pension plans mainly concern German, US and British 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.

The pension obligations of German companies are commitments financed by provisions. These obligations are subject to the rules of the pension plan concerned and the applicable statutory provisions. The plans include benefit commitments dependent on service periods and on salaries and provide for disability benefits and benefits for surviving dependents as well as for retirement benefits.

The pension obligations of US and British companies are mainly financed by plan assets, funded chiefly by employers' contributions. These plans are managed by third party pension funds. The representatives of the pension funds are legally obliged to act in the interest of all participants in the plan. In cooperation with investment advisers, they are responsible for the development and regular review of investment strategies for the plan assets. Commitments based on age and years of service include both retirement benefits and certain forms of survivor benefits. Most US and British plans are frozen and future entitlements can no longer be earned by plan participants.

Apart from pension obligations, these provisions also include obligations similar to pensions, such as amounts paid to employees upon the termination of their employment which do not constitute termination benefits. These benefits vary in accordance with

the legal, tax and economic conditions in the countries concerned.

All defined benefit schemes of the Freudenberg Group are subject to typical actuarial risks, especially investment and interest risks.

Current service cost and net interest on the net defined benefit liability are disclosed in the statement of profit or loss under personnel expenses in the relevant functional areas.

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 €74.6 million in 2015 (previous year: €65.1 million).

The defined benefit obligations were 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, 2014	Dec. 31, 2015
Discount rate	2.20 %	2.25 %
Pension trend	2.00 %	2.00 %

As a result of the pension plan regulations, the assumed trend in salaries and wages only has 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, 2014	Dec. 31, 2015
Discount rate	1.2 % – 4.2 %	1.1 % – 4.5 %
Salary trend	0.0 % – 4.0 %	0.0 % – 2.4 %
Pension trend	0.0 % – 3.0 %	0.0 % – 3.0 %

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

[€ million]	Dec. 31, 2014	Dec. 31, 2015
Provisions for pensions and similar obligations	620.0	632.8
Other assets	1.7	6.6
	<b>618.3</b>	<b>626.2</b>

Net obligations are calculated as follows:

[€ million]	Dec. 31, 2014	Dec. 31, 2015
Present value of funded obligations	359.3	379.0
Fair value of plan assets	-327.0	-350.1
<b>Surplus (-)/Deficit (+)</b>	<b>32.3</b>	<b>28.9</b>
Present value of unfunded obligations	586.0	597.3
	<b>618.3</b>	<b>626.2</b>

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

[€ million]	2014	2015
<b>Present value of defined benefit obligations, Jan. 1</b>	<b>721.9</b>	<b>945.3</b>
Current service cost	15.9	18.0
Interest cost	29.1	25.9
Gains (-) and losses (+) from remeasurement of defined benefit obligations	150.8	-10.6
Gains (-) and losses (+) on settlements	-3.1	0.0
Past service cost	-0.2	-0.5
Contributions by plan participants	0.7	1.4
Liabilities extinguished on settlements	-11.4	0.0
Benefits paid	-36.1	-39.0
Reclassifications	28.1	0.0
Other changes	23.5	3.0
Exchange rate differences	26.1	32.8
<b>Present value of defined benefit obligations, Dec. 31</b>	<b>945.3</b>	<b>976.3</b>

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

[€ million]	2014	2015
<b>Fair value of plan assets, Jan. 1</b>	<b>281.4</b>	<b>327.0</b>
Interest income	14.6	12.3
Gains (-) and losses (+) from remeasurement of plan assets	0.3	-11.2
Contributions by employer	10.6	9.6
Contributions by plan participants	0.7	1.4
Liabilities extinguished on settlements	-11.4	0.0
Benefits paid	-15.7	-17.6
Reclassifications	1.1	0.0
Other changes	19.3	0.0
Exchange rate differences	26.1	28.6
<b>Fair value of plan assets, Dec. 31</b>	<b>327.0</b>	<b>350.1</b>

The fair value of plan assets with quoted prices in active markets was as follows:

[€ million]	Dec. 31, 2014	Dec. 31, 2015
Equity instruments	123.1	142.3
Interest-bearing securities	90.4	93.2
Other assets	12.4	4.6
	<b>225.9</b>	<b>240.1</b>

The fair value of plan assets without quoted prices in active markets was as follows:

[€ million]	Dec. 31, 2014	Dec. 31, 2015
Other assets	101.1	110.0
	<b>101.1</b>	<b>110.0</b>

In the reporting year, gains and losses from the re-measurement of the defined benefit obligations and plan assets developed as follows:

[€ million]	2014	2015
<b>Gains (+) and losses (-) from remeasurement, Jan. 1</b>	<b>-188.0</b>	<b>-344.2</b>
Gains (+) and losses (-) from remeasurement of defined benefit obligations	-150.8	10.6
Of which: as a result of changed financial assumptions	-126.7	3.3
Of which: as a result of changed demographic assumptions	-9.4	6.9
Of which: as a result of experience-based adjustments	-14.7	0.4
Gains (+) and losses (-) from remeasurement of plan assets	0.3	-11.2
Reclassifications/other changes	0.2	0.2
Exchange rate differences	-5.9	-10.3
<b>Gains (+) and losses (-) from remeasurement, Dec. 31</b>	<b>-344.2</b>	<b>-354.9</b>

In the following year, contributions in the amount of €4.0 million (previous year: €7.1 million) will probably be made to plan assets.

The weighted average duration of defined benefit obligations as at the end of the reporting year was 16.1 years (previous year: 16.1 years).

The possible changes in the defined benefit obligation as a result of changes in the discount rate, a major actuarial assumption, were calculated on the basis of the projected unit credit method. If the discount rate as at the statement of financial position date had been 0.25 percentage points lower, the present value of defined benefit obligations as at the statement of financial position date would have been €38.2 million (previous year: €39.9 million) higher. If the discount rate as at the statement of financial position date had been 1.00 percentage points higher, the present value of defined benefit obligations as at the statement of financial position date would have been €143.0 million (previous year: €132.7 million) lower.

**(11) Other provisions**

[€ million]	Personnel obligations	Warranties, guarantees and onerous contracts	Rebates, bonuses and commissions	Miscellaneous provisions	Total
<b>Status Jan. 1, 2015</b>	<b>244.3</b>	<b>51.3</b>	<b>29.7</b>	<b>181.4</b>	<b>506.7</b>
Increases	190.6	42.2	32.9	124.0	389.7
Unwinding of discount and effect of change in discount rate	-0.2	-0.4	0.0	0.7	0.1
Amounts used	-181.2	-14.8	-26.3	-79.2	-301.5
Reversal	-11.6	-8.1	-2.5	-22.8	-45.0
Exchange rate differences	4.4	1.1	1.2	-1.4	5.3
Other changes	-2.1	0.1	-0.4	-0.2	-2.6
<b>Status Dec. 31, 2015</b>	<b>244.2</b>	<b>71.4</b>	<b>34.6</b>	<b>202.5</b>	<b>552.7</b>
Of which: long-term	46.9	3.0	0.7	27.4	78.0
Of which: short-term	197.3	68.4	33.9	175.1	474.7
Reimbursement claims connected with provisions and shown in the statement of financial position under other assets	1.3	0.0	0.2	1.4	2.9

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

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

## (12) Liabilities

[€ million]	Residual terms			Dec. 31, 2014	Residual terms			Dec. 31, 2015
	Up to 1 year	1 to 5 years	More than 5 years		Up to 1 year	1 to 5 years	More than 5 years	
Liabilities to banks (= financial debt)	56.6	107.4	70.3	234.3	39.5	123.2	10.0	172.7
Other financial debt, including leasing	6.0	1.3	4.3	11.6	9.6	2.8	3.9	16.3
Shareholder's loans	340.0	225.0	75.0	640.0	350.0	0.0	300.0	650.0
Accounts of Freudenberg & Co. KG Partners	156.3	194.2	0.0	350.5	161.6	221.9	0.0	383.5
<b>Financial debt</b>	<b>558.9</b>	<b>527.9</b>	<b>149.6</b>	<b>1,236.4</b>	<b>560.7</b>	<b>347.9</b>	<b>313.9</b>	<b>1,222.5</b>
<b>Trade payables</b>	<b>524.1</b>	<b>0.0</b>	<b>0.0</b>	<b>524.1</b>	<b>531.1</b>	<b>0.0</b>	<b>0.0</b>	<b>531.1</b>
Advance payments received on orders	14.9	0.0	0.0	14.9	21.4	0.0	0.0	21.4
Miscellaneous liabilities	296.9	77.9	0.4	375.2	279.0	91.4	21.9	392.3
<b>Other liabilities</b>	<b>311.8</b>	<b>77.9</b>	<b>0.4</b>	<b>390.1</b>	<b>300.4</b>	<b>91.4</b>	<b>21.9</b>	<b>413.7</b>
	<b>1,394.8</b>	<b>605.8</b>	<b>150.0</b>	<b>2,150.6</b>	<b>1,392.2</b>	<b>439.3</b>	<b>335.8</b>	<b>2,167.3</b>

The average interest rate on long-term liabilities to banks is 1.80 percent (previous year: 1.93 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 from 2016 to 2023:

[€ million]	Book value	Cash flows		
	Dec. 31, 2014	2015	2016	2017 – 2023
Certificates of indebtedness	170.0	3.1	3.1	179.9
	Dec. 31, 2015	2016	2017	2018 – 2023
Certificates of indebtedness	132.0	2.5	2.6	137.9

The reduction of €38.0 million in the book value of certificates of indebtedness is due to the partial termination of variable tranches during the reporting year.

Other financial debt includes loans granted by third parties, on the long-term component of which interest

is payable at an average rate of 2.10 percent (previous year: 3.12 percent). This item also includes liabilities in connection with finance leasing, with an average interest rate of 3.56 percent (previous year: 3.57 percent). Further details are given in the information on finance leases under note (2).

The loans granted by the shareholder were extended during the reporting year. Interest is payable on these loans at rates between 1.07 and 3.13 percent (previous year: between 1.18 and 4.47 percent).

The interest rates applicable to accounts of Freudenberg & Co. KG Partners vary between 1.00 and 4.00

percent depending on the individual agreements (previous year: between 1.00 and 5.50 percent).

Miscellaneous liabilities include liabilities for tooling cost contributions, outstanding wages and salaries, holiday pay and special bonuses and liabilities for other taxes, as well as liabilities in connection with social security.

### Contingent liabilities and other financial obligations

[€ million]	Dec. 31, 2014	Dec. 31, 2015
<b>CONTINGENT LIABILITIES</b>		
Bills of exchange	7.2	4.0
Guarantees	1.2	134.2
Miscellaneous	2.7	2.9
	<b>11.1</b>	<b>141.1</b>
<b>OTHER FINANCIAL COMMITMENTS</b>		
Commitments arising from leasing contracts <sup>1</sup>	206.1	241.9
Purchase commitments in connection with intangible assets	0.6	0.5
Purchase commitments in connection with tangible assets	32.1	31.6
Purchase commitments in connection with the delivery of goods and services	65.9	63.6
Miscellaneous	4.2	2.9
	<b>308.9</b>	<b>340.5</b>

<sup>1</sup> See also the explanatory remarks on leased assets in note (2) to the Consolidated Financial Statements.

In addition, the following contingent liabilities and other financial commitments concern joint ventures:

[€ million]	Dec. 31, 2014	Dec. 31, 2015
<b>CONTINGENT LIABILITIES</b>		
Guarantees	2.0	6.0
Warranties	0.2	0.0
	<b>2.2</b>	<b>6.0</b>
<b>OTHER FINANCIAL COMMITMENTS</b>		
Commitments arising from leasing contracts <sup>1</sup>	31.0	31.8
Purchase commitments in connection with intangible assets	0.2	0.3
Purchase commitments in connection with tangible assets	4.3	8.1
Purchase commitments in connection with the delivery of goods and services	5.7	5.5
Miscellaneous	0.1	0.0
	<b>41.3</b>	<b>45.7</b>

<sup>1</sup> See also the explanatory remarks on leased assets in note (2) to the Consolidated Financial Statements.

## 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 Dec. 31, 2014
<b>ASSETS</b>					
Other financial assets	10.0	13.4	94.7		118.1
Trade receivables	929.5				929.5
Other assets	94.6				94.6
Securities and cash at bank and in hand	917.7				917.7
	<b>1,951.8</b>	<b>13.4</b>	<b>94.7</b>		<b>2,059.9</b>
<b>LIABILITIES</b>					
Financial debts				1,236.4	1,236.4
Trade payables				524.1	524.1
Other liabilities				178.5	178.5
				<b>1,939.0</b>	<b>1,939.0</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 Dec. 31, 2015
<b>ASSETS</b>					
Other financial assets	8.4	12.3	110.0		130.7
Trade receivables	982.2				982.2
Other assets	102.0				102.0
Securities and cash at bank and in hand	1,055.7				1,055.7
	<b>2,148.3</b>	<b>12.3</b>	<b>110.0</b>		<b>2,270.6</b>
<b>LIABILITIES</b>					
Financial debts				1,222.5	1,222.5
Trade payables				531.1	531.1
Other liabilities				179.9	179.9
				<b>1,933.5</b>	<b>1,933.5</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 were determined on the basis of active markets for identical assets (level 1 inputs) at €12.3 million (previous year: €13.4 million).

## Information on Credit risks

[€ million]	Trade receivables		Other assets	
	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015
<b>Book value</b>	<b>929.5</b>	<b>982.2</b>	<b>94.6</b>	<b>102.0</b>
Of which: neither impaired nor past due	748.0	795.3	87.9	93.7
Of which: not impaired as at statement of financial position date and past due within the following times				
Up to 60 days	133.0	124.1	2.2	5.6
Between 61 and 120 days	24.2	25.5	0.1	0.1
Between 121 and 180 days	11.4	10.7	0.4	0.1
Between 181 and 360 days	4.1	8.6	1.5	0.2
More than 360 days	2.1	9.0	0.8	0.5

In the case of trade receivables and other assets 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]	2014	2015
<b>Impairment losses as at Jan. 1</b>	<b>22.0</b>	<b>23.0</b>
Changes in consolidated group	1.9	-0.4
Exchange rate differences	0.9	0.5
Additions (expenses for impairments)	8.2	7.7
Amounts used	-4.3	-2.4
Reversals (write-ups)	-5.7	-9.0
<b>Impairment losses as at Dec. 31</b>	<b>23.0</b>	<b>19.4</b>

Impairment losses to other assets developed as follows:

[€ million]	2014	2015
<b>Impairment losses as at Jan. 1</b>	<b>1.9</b>	<b>2.4</b>
Exchange rate differences	0.0	-0.1
Additions (expenses for impairments)	0.9	0.2
Amounts used	0.0	0.0
Reversals (write-ups)	-0.4	-0.2
<b>Impairment losses as at Dec. 31</b>	<b>2.4</b>	<b>2.3</b>

In the year under review, impairment losses to receivables totaling €9.2 million (previous year: €6.1 million) were reversed as the reason for the impairment no longer applied and impairment losses in the amount of €7.9 million (previous year: €9.1 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 purposes and therefore reducing risks in connection with transactions. Future transactions are only hedged if there is a high probability of occurrence.

As a general principle 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.

Derivative financial instruments used for hedging purposes without any eligible underlying transaction are measured at fair value with an impact on net income.

As in the previous year, there were no derivatives entered into for the purpose of interest rate hedging as at December 31, 2015.

As at December 31, 2015, the face value of currency futures concluded for hedging foreign exchange risks and still open was €71.1 million (previous year €18.8 million). The positive fair value of these instruments as at December 31, 2015 was €0.5 million (previous year: €1.7 million).

Of the total volume of derivatives, 2.1 percent (previous year: 0.5 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, 2014	Dec. 31, 2015
<b>OTHER ASSETS</b>		
Currency futures	1.8	1.4
<b>OTHER LIABILITIES</b>		
Currency futures	0.1	0.9

In the reporting year, value changes in the case of currency futures (cash flow hedges) are recognized in equity in the amount of €-0.8 million. In the previous year, such changes were only recognized in equity with an insignificant value.

The fair values of currency futures were determined on the basis of the quoted currency future prices for similar financial instruments (level 2 inputs).

## 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).

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 market interest rates had been 0.5 percentage points higher or lower, on average, as of December 31, 2015, this would have had only an insignificant impact 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 percent higher as at December 31, 2015, the profit before income taxes would have been €5.0 million (previous year: €7.5 million) lower. If the value of the euro against major currencies (USD, GBP and JPY) had been 10 percent lower as at December 31, 2015, the profit before income taxes would have been €6.1 million (previous year: €9.2 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 and a policy of applying caps to individual banks.

## NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

### (13) Sales

Sales include revenue from the sale of goods amounting to €6,175.8 million (previous year: €5,783.0 million), services in the amount of €152.2 million (previous year: €137.8 million) and licenses in the amount of €29.2 million (previous year: €14.9 million). Other sales totaled €53.7 million (previous year: €46.6 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, 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 €36.1 million (previous year: €8.4 million).

### (17) Other expenses

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

### (18) Interest and similar expenses

Interest expenses include interest on shareholder's loans in the amount of €13.9 million (previous year: €15.6 million) and interest payable to the Partners of Freudenberg & Co. KG in the amount of €11.3 million (previous year: €11.6 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]	2014	2015
Current taxes related to the reporting period	-171.5	-175.6
Current taxes related to prior periods	-1.9	2.0
Deferred taxes	26.1	26.8
	<b>-147.3</b>	<b>-146.8</b>

The amount of deferred tax expenses related to changes in tax rates was €0.3 million (previous year: deferred tax income of €1.1 million).

In the reporting year, deferred taxes related to transactions recognized directly under equity resulted in a reduction in equity of €15.4 million (previous year: increase in equity of €32.4 million).

As of December 31, 2015, tax losses carried forward amounted to €307.5 million (previous year: €278.3 million). Deferred tax assets were recognized in respect of tax losses carried forward totaling €31.5 million (previous year: €25.0 million). Deferred tax assets were not recognized in respect of tax losses carried forward with a total amount of €276.0 million (previous year: €253.3

million) as it is not expected that these losses will be usable.

In the reporting year, tax losses carried forward totaling €10.7 million (previous year: €8.2 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, 2014	Deferred tax liabilities Dec. 31, 2014	Deferred tax assets Dec. 31, 2015	Deferred tax liabilities Dec. 31, 2015
Intangible assets	7.3	93.4	6.1	90.4
Tangible assets	7.1	100.1	7.5	101.0
Financial assets	1.1	0.9	1.4	1.7
Inventories	30.0	1.1	37.1	0.8
Receivables	8.0	6.4	7.4	4.2
Other assets	4.4	1.3	2.3	0.7
Provisions for pensions and similar obligations	97.1	0.0	102.1	0.0
Other provisions	49.9	2.8	54.2	1.0
Liabilities	18.3	7.5	11.7	20.8
Other liabilities	0.1	9.4	0.2	10.0
Tax losses carried forward	6.2	0.0	8.2	0.0
	<b>229.5</b>	<b>222.9</b>	<b>238.2</b>	<b>230.6</b>
Offsetting	-109.1	-109.1	-99.4	-99.4
<b>Recognized in statement of financial position</b>	<b>120.4</b>	<b>113.8</b>	<b>138.8</b>	<b>131.2</b>

No deferred tax items were set up on temporary differences arising from shareholdings totaling €44.8 million (previous year: €35.5 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: 29 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]	2014	2015
Profit before income taxes	625.1	667.6
<b>Expected income tax expense (-)/income (+)</b>	<b>-181.3</b>	<b>-193.6</b>
Different tax rates:		
In Germany	0.3	-0.3
In other countries	0.1	3.6
Tax portion of:		
Non-taxable income	58.2	81.0
Non-deductible expenses	-22.4	-35.4
Current taxes related to prior periods	-1.9	2.0
Tax portion of new tax losses carried forward for which no deferred tax assets were recognized	-5.4	-7.9
Tax portion of tax losses carried forward and used for which no deferred tax assets were recognized	2.0	2.5
Other taxation effects	3.1	1.3
<b>Actual income tax expense</b>	<b>-147.3</b>	<b>-146.8</b>
Effective tax rate (percent)	23.6	22.0

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

[€ million]	2014	2015
Profit	53.7	65.6
Loss	-3.3	-8.7
	<b>50.4</b>	<b>56.9</b>

## NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### **(21) Cash flow from operating activities**

The cash flow from operating activities takes into account payments for taxes amounting to €233.8 million (previous year: €141.6 million), dividends received from joint ventures totaling €158.9 million (previous year: €22.4 million) and dividends received from associated companies totaling €26.9 million (previous year: €14.4 million) – as well as interest paid of €38.6 million (previous year: €40.2 million) and interest received of €9.3 million (previous year: €11.0 million).

### **(22) Payments to shareholders/non-controlling interests**

Payments to shareholders and non-controlling interests include dividends paid to the shareholder, to the Partners of Freudenberg & Co. KG and to holders of non-controlling interests in Group companies.

### **(23) Cash and cash equivalents**

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. Cash and cash equivalents include funds with an amount of €3.1 million (previous year: €2.6 million) subject to restrictions on use. The funds subject to restrictions on use by Freudenberg largely concern cash and cash equivalents held by Group companies which can only be used with restrictions as a result of exchange controls.

## 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 regulations of Sec. 264 (3), HGB, Sec. 264b, HGB:

#### Companies

Burgmann International GmbH, Wolfratshausen

Capol GmbH, Elmshorn

Chem-Trend (Deutschland) GmbH, Maisach-Gernlinden

Corteco GmbH, Weinheim

CT Beteiligungs-GmbH, Munich

DS Beteiligungs-GmbH, Weinheim

DS Holding-GmbH, Weinheim

EagleBurgmann Espey GmbH, Moers

EagleBurgmann Germany GmbH & Co. KG, Wolfratshausen

Externa Handels- und Beteiligungsgesellschaft mit beschränkter Haftung, Weinheim

FCS-Munich GmbH, Weinheim

FFT Beteiligungs-GmbH, Weinheim

FHP Export GmbH, Weinheim

FHP Holding GmbH, Weinheim

FIT Service GmbH, Weinheim

Freudenberg Chemical Specialities SE & Co. KG, Munich

Freudenberg Dichtungs- und Schwingungstechnik GmbH, Berlin

Freudenberg DS Tooling Center GmbH & Co. KG, Weinheim

Freudenberg Filtration Technologies SE & Co. KG, Weinheim

Freudenberg Handels- und Beteiligungs-GmbH, Weinheim

Freudenberg Haushaltsprodukte Augsburg GmbH, Augsburg

Freudenberg Home and Cleaning Solutions GmbH, Weinheim

Freudenberg Interlining SE & Co. KG, Weinheim

Freudenberg IT GmbH & Co. KG, Weinheim

Freudenberg Mechatronics GmbH & Co. KG, Weinheim

Freudenberg New Technologies SE & Co. KG, Weinheim

Freudenberg Oil & Gas GmbH, Weinheim

Freudenberg Process Seals GmbH & Co. KG, Weinheim

Freudenberg Real Estate GmbH, Weinheim

Freudenberg Schwab GmbH, Velten

Freudenberg Schwab Vibration Control GmbH & Co. KG, Velten

Freudenberg Sealing Technologies GmbH & Co. KG, Weinheim

Freudenberg Venture Capital GmbH, Weinheim

Freudenberg Vliesstoffe SE & Co. KG, Weinheim

FV Beteiligungs-GmbH, Weinheim

## Companies

FV Logistik SE & Co. KG, Weinheim
FV Service SE & Co. KG, Kaiserslautern
FV Verwaltungs-SE & Co. KG, Weinheim
Freudenberg Medical Europe GmbH, Kaiserslautern
Integral Accumulator GmbH & Co. KG, Weinheim
Klüber Lubrication Deutschland SE & Co. KG, Munich
Klüber Lubrication GmbH, Weinheim
Klüber Lubrication München SE & Co. KG, Munich
Lederer GmbH, Öhringen
Merkel Freudenberg Fluidtechnik GmbH, Hamburg
OKS Spezialschmierstoffe GmbH, Maisach-Gernlinden
Seal Trade Eurasburg GmbH, Eurasburg
SurTec Deutschland GmbH, Zwingenberg
SurTec International GmbH, Bensheim
Vileda Gesellschaft mit beschränkter Haftung, Weinheim

## Material expenses

[€ million]	2014	2015
Raw materials, consumables and merchandise purchased	2,160.8	2,265.0
Services purchased	193.6	204.3
	<b>2,354.4</b>	<b>2,469.3</b>

Personnel expenses amounted to €1,980.8 million (previous year: €1,811.8 million).

## Research and development

In the year under review, research and development activities amounting to €252.7 million (previous year: €213.7 million) were performed. Of this amount, €23.4 million (previous year: €11.8 million) were charged to third parties. The figure includes government grants for research and development projects totaling €1.8 million (previous year: €2.3 million).

## Workforce and personnel expenses

In the year under review, an average of 34,312 (previous year: 34,094) persons were employed in the following functions:

2015	Germany	Other countries	Total
Production	5,708	15,006	20,714
Sales	1,801	5,878	7,679
Research and development	1,176	984	2,160
Administration	1,121	2,638	3,759
	<b>9,806</b>	<b>24,506</b>	<b>34,312</b>

## Related party disclosure

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

[€ million]	Sales 2014	Receivables			Payables		
		Residual term up to 1 year	Residual term more than 1 year	Dec. 31, 2014	Residual term up to 1 year	Residual term more than 1 year	Dec. 31, 2014
Parent company	5.6	1.3	0.0	1.3	416.5	300.0	716.5
Joint ventures	68.3	38.5	0.0	38.5	4.5	0.0	4.5
Associated companies	21.2	4.7	0.0	4.7	15.9	0.0	15.9
Other related parties	4.1	2.6	0.0	2.6	28.9	0.0	28.9
	<b>99.2</b>	<b>47.1</b>	<b>0.0</b>	<b>47.1</b>	<b>465.8</b>	<b>300.0</b>	<b>765.8</b>

[€ million]	Sales 2015	Receivables			Payables		
		Residual term up to 1 year	Residual term more than 1 year	Dec. 31, 2015	Residual term up to 1 year	Residual term more than 1 year	Dec. 31, 2015
Parent company	6.3	2.2	0.0	2.2	436.3	300.0	736.3
Joint ventures	62.6	33.7	2.6	36.3	3.2	0.0	3.2
Associated companies	22.9	6.0	0.0	6.0	17.2	0.0	17.2
Other related parties	3.2	2.4	0.0	2.4	29.4	0.0	29.4
	<b>95.0</b>	<b>44.3</b>	<b>2.6</b>	<b>46.9</b>	<b>486.1</b>	<b>300.0</b>	<b>786.1</b>

The total remuneration of members of the Board of Management amounted to €8.7 million (previous year: €9.7 million).

€42.7 million) was assigned to provisions for pension obligations to former members of the Board of Management.

The total remuneration of former members of the Board of Management was €1.4 million (previous year: €2.6 million). An amount of €44.5 million (previous year:

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

### Fees of the Auditor

The auditor, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, performed the following services in the 2015 financial year:

[€ million]	2015
Auditing services	1.7
Tax advisory services	0.1
Other services	0.6
	<b>2.4</b>

### Major events after the date of the statement of financial position

Effective January 31, 2016, the Freudenberg Group gained control over the Schneegans Group following approval by the anti-trust authorities. The Schneegans Group has already contributed know-how in the field of multi-component injection molding technology to the Freudenberg Sealing Technologies Business Group since 2012.

With respect to JVC, a company which has been included in the consolidated financial statements as an associated company to date, Freudenberg successfully

made a public tender together with Toray in 2015 to acquire all common shares in JVC. In January 2016, the EU anti-trust authority granted permission for the acquisition of the shares, which had still been outstanding. Furthermore, in February 2016 a new joint venture agreement between Freudenberg and Toray under which Freudenberg gains control of JVC effective April 1, 2016 was signed by both partners. Based on this joint venture agreement, JVC will become a new Business Group within Freudenberg's Nonwovens and Filtration Business Area and will operate independently in the marketplace. JVC manufactures nonwovens for the clothing, automotive, electrical and consumer goods industries as well as for applications in the medical sector and filtration.

There were no further events of major significance for the net assets, financial position and results of operations of the Freudenberg Group up to March 22, 2016 (the date when the annual report was approved for publication by the Supervisory Board).

Weinheim, March 22, 2016

Freudenberg SE

The Board of Management

# SHAREHOLDINGS

AS AT DECEMBER 31, 2015

No.	Company	Country	Share of capital [%]
	Freudenberg SE, Weinheim	Germany	-
<b>I. AFFILIATED COMPANIES</b>			
<b>Production companies, Germany</b>			
1	Capol GmbH, Elmshorn	Germany	100.00
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 GmbH, Augsburg	Germany	100.00
8	Freudenberg Interlining SE & Co. KG, Weinheim	Germany	100.00
9	Freudenberg Medical Europe GmbH, Kaiserslautern	Germany	100.00
10	Freudenberg Schwab Vibration Control GmbH & Co. KG, Velten	Germany	100.00
11	Freudenberg Sealing Technologies GmbH & Co. KG, Weinheim	Germany	100.00
12	Freudenberg Vliesstoffe SE & Co. KG, Weinheim	Germany	100.00
13	Hemoteq AG, Würselen	Germany	74.97
14	Integral Accumulator GmbH & Co. KG, Weinheim	Germany	75.00
15	Klüber Lubrication München SE & Co. KG, Munich	Germany	100.00
16	Lederer GmbH, Öhringen	Germany	100.00
17	Merkel Freudenberg Fluidtechnik GmbH, Hamburg	Germany	100.00
18	OKS Spezialschmierstoffe GmbH, Maisach-Gernlinden	Germany	100.00
19	PTFE Compounds Germany GmbH, Bördeland	Germany	90.00
20	SurTec Deutschland GmbH, Zwingenberg	Germany	100.00
<b>Production companies, other countries</b>			
21	Freudenberg S.A. Telas sin Tejer, Buenos Aires	Argentina	100.00
22	Klüber Lubrication Argentina S.A., Buenos Aires	Argentina	100.00
23	EagleBurgmann Australasia Pty. Ltd., Ingleburn	Australia	25.00
24	Freudenberg Filtration Technologies (Aust) Pty. Ltd., Caulfield North	Australia	100.00
25	Klüber Lubrication Benelux S.A./N.V., Dottignies	Belgium	100.00
26	Chem-Trend Industria e Comercio de Produtos Quimicos Ltda., Valinhos	Brazil	100.00
27	EagleBurgmann do Brasil Vedacoes Ltda., Campinas	Brazil	75.00
28	Freudenberg Nao-Tecidos Ltda., Jacarei	Brazil	100.00
29	Freudenberg-NOK-Componentes Brasil Ltda., Diadema	Brazil	75.00
30	Klüber Lubrication Lubrificantes Especiais Ltda., Barueri	Brazil	100.00
31	SurTec do Brasil Ltda., São Bernardo do Campo	Brazil	100.00
32	Burgmann Dalian Co. Ltd., Dalian	China	40.00
33	Burgmann Shanghai Ltd., Shanghai	China	40.00
34	Changchun Integral Accumulator Co., Ltd., Changchun	China	75.00
35	Chem-Trend Chemicals (Shanghai) Co., Ltd., Shanghai	China	100.00
36	Freudenberg & Vilene Filter (Changchun) Co., Ltd., Changchun	China	37.50

No.	Company	Country	Share of capital [%]
37	Freudenberg & Vilene Interlinings (Nantong) Co. Ltd., Nantong	China	50.00
38	Freudenberg & Vilene Nonwovens (Suzhou) Co. Ltd., Suzhou	China	50.00
39	Freudenberg Vilene Filter (Chengdu) Co. Ltd., Chengdu	China	50.00
40	Klüber Lubrication Industries (Shanghai) Co., Ltd., Shanghai	China	100.00
41	Ningbo E&J Brushes Co Ltd, Ningbo	China	100.00
42	SurTec Metal Surface Treatment Technology Co. Ltd., Hangzhou	China	100.00
43	Tianjin Nibot Sealing Technology Co., Ltd., Tianjin	China	50.00
44	Freudenberg Medical srl., San José	Costa Rica	100.00
45	EagleBurgmann KE A/S, Vejen	Denmark	75.00
46	OÜ Merinvest, Kuressaare-Mullutu	Estonia	100.00
47	Freudenberg Evolon S.A.S.U., Colmar	France	100.00
48	Freudenberg Joints Elastomères SAS, Langres	France	100.00
49	Freudenberg Joints Plats SAS, Chamborêt	France	100.00
50	Freudenberg Politex S.A., Colmar	France	100.00
51	Freudenberg S.A.S., Langres	France	100.00
52	Freudenberg Oil & Gas Technologies Ltd., Port Talbot	United Kingdom	100.00
53	Freudenberg Performance Materials LP, Littleborough	United Kingdom	100.00
54	Freudenberg Technical Products LP, North Shields	United Kingdom	100.00
55	Polymer Health Technology Limited, Ebbw Vale	United Kingdom	100.00
56	Scott-Matrix Limited, Newcastle Upon Tyne	United Kingdom	100.00
57	APEC (Asia) Limited, Hong Kong	Hong Kong	100.00
58	EagleBurgmann India Pvt. Ltd., Pune	India	50.00
59	EagleBurgmann KE Pvt. Ltd., Chennai	India	75.00
60	EagleBurgmann Mascot India Private Limited, Thane	India	50.00
61	Freudenberg Filtration Technologies India Private Limited, Pune	India	100.00
62	Freudenberg Gala Household Product Pvt. Ltd., Mumbai	India	60.00
63	Freudenberg Nonwovens India Pvt. Ltd., Chennai	India	100.00
64	Klüber Lubrication India Pvt. Ltd., Bangalore	India	90.00
65	SurTec Chemicals India Pvt. Ltd., Pune	India	100.00
66	Corcos Industriale S.a.s. di Externa Italia S.r.l., Pinerolo	Italy	100.00
67	EagleBurgmann BT S.p.A., Arcugnano	Italy	75.00
68	FHP di R. Freudenberg S.A.S., Milan	Italy	100.00
69	Freudenberg Tecnologie di Filtrazione S.a.s. di Externa Holding S.r.l., Milan	Italy	100.00
70	Marelli e Berta S.A.S. di Externa Holding s.r.l., Sant´ Omero	Italy	100.00
71	Politex S.a.s. di Freudenberg Politex s.r.l., Novedrate	Italy	100.00
72	EagleBurgmann Japan Co., Ltd., Tokyo	Japan	25.00
73	Freudenberg Vileda Jordan Ltd., Amman	Jordan	51.00
74	Freudenberg Oil & Gas Canada Inc., Nisku	Canada	100.00
75	Freudenberg-NOK Inc., Tillsonburg	Canada	75.00
76	EagleBurgmann Manufacturing Malaysia SDN. BHD., Shah Alam	Malaysia	25.00
77	Freudenberg Oil & Gas Technologies Sdn. Bhd., Kuala Lumpur	Malaysia	100.00
78	EagleBurgmann Mexico S.A. de C.V., Cuautitlán	Mexico	75.00
79	EagleBurgmann Production Center S.A. de C.V., Querétaro	Mexico	75.00
80	Freudenberg Filtration Technologies, S.A. de C.V., León	Mexico	100.00

No.	Company	Country	Share of capital [%]
81	Freudenberg-NOK Sealing Technologies de Mexico, S.A. de C.V., Cuautla	Mexico	75.00
82	Klüber Lubricacion Mexicana S.A. de C.V., Querétaro	Mexico	100.00
83	Freudenberg Household Products B.V., Arnheim	Netherlands	100.00
84	Freudenberg Oil & Gas Technologies AS, Drammen	Norway	100.00
85	EagleBurgmann Production Center Judenburg GmbH, Judenburg	Austria	75.00
86	Freudenberg Spezialdichtungsprodukte Austria GmbH & Co. KG, Kufstein	Austria	100.00
87	Klüber Lubrication Austria Ges.m.b.H., Salzburg	Austria	100.00
88	Freudenberg Politex OOO, Zavolzhye	Russia	100.00
89	Freudenberg Home and Cleaning Solutions AB, Norrköping	Sweden	100.00
90	SurTec Cacak d.o.o., Čačak	Serbia	100.00
91	Freudenberg Oil & Gas Pte. Ltd., Singapore	Singapore	100.00
92	Freudenberg Filtration Technologies Slovensko, s.r.o., Potvorice	Slovakia	90.00
93	Freudenberg Espana S.A., Telas sin Tejer, S.en C., Parets del Vallès	Spain	100.00
94	Freudenberg Iberica S.A., S.en C., Parets del Vallès	Spain	100.00
95	Klüber Lubrication GmbH Ibérica S.en C., Parets del Vallès	Spain	100.00
96	EagleBurgmann Seals South Africa (Pty) Ltd., Edenvale	South Africa	75.00
97	Freudenberg Nonwovens (Pty.) Ltd., Cape Town	South Africa	100.00
98	SurTec South Africa Pty. Ltd., Pretoria	South Africa	100.00
99	Chem-Trend Korea Ltd., Anseong-si	South Korea	100.00
100	Korea Filtration Technologies Co., Ltd., Seoul	South Korea	50.00
101	EagleBurgmann Taiwan Co., Ltd., Yencho	Taiwan	25.00
102	Freudenberg & Vilene Nonwovens (Taiwan) Co. Ltd., Taoyuan	Taiwan	50.00
103	Freudenberg Far Eastern Spunweb Comp. Ltd., Taoyuan	Taiwan	60.18
104	EagleBurgmann (Thailand) Co., Ltd., Rayong	Thailand	25.00
105	Accu-Tech s.r.o., Chrastava	Czech Republic	36.75
106	ALUCON s.r.o., Lázně Bělohrad	Czech Republic	100.00
107	Těsnění a pružné elementy, k.s., Opatovice nad Labem	Czech Republic	100.00
108	Freudenberg Sealing Technologies Sanayi ve Ticaret A.S., Bursa	Turkey	100.00
109	Klüber Lubrication Yaglama Ürünleri Sanayi ve Ticaret A.S., Istanbul	Turkey	100.00
110	Freudenberg Simmerringe Kft., Kecskemét	Hungary	100.00
111	Freudenberg Tömités Ipari Kft., Lajosmizse	Hungary	100.00
112	Chem-Trend Limited Partnership, Howell	USA	100.00
113	Freudenberg Filtration Technologies LP, Hopkinsville	USA	100.00
114	Freudenberg Household Products LP, Aurora	USA	100.00
115	Freudenberg Medical MIS, Inc., Jeffersonville	USA	100.00
116	Freudenberg Medical, LLC, Carpinteria	USA	100.00
117	Freudenberg Oil & Gas, LLC, Houston	USA	100.00
118	Freudenberg Performance Materials LP, Durham	USA	100.00
119	Freudenberg TeXBond LP., Macon	USA	100.00
120	Freudenberg-NOK General Partnership, Plymouth	USA	75.00
121	International Seal Company, Inc., Santa Ana	USA	75.00
122	Klüber Lubrication NA LP, Tyler	USA	100.00
123	Lakes Region Manufacturing, L.L.C., Belmont	USA	75.00
124	SurTec, Inc., Brunswick	USA	100.00
125	Tobul Accumulator Incorporated, Bamberg	USA	75.00

No.	Company	Country	Share of capital [%]
126	Freudenberg Oil and Gas FZE, Dubai	United Arab Emirates	100.00
<b>Sales companies, Germany</b>			
127	Corteco GmbH, Weinheim	Germany	100.00
128	Dichtomatik Vertriebsgesellschaft für technische Dichtungen m.b.H, Hamburg	Germany	100.00
129	FHP Export GmbH, Weinheim	Germany	100.00
130	Freudenberg Process Seals GmbH & Co. KG, Weinheim	Germany	100.00
131	Klüber Lubrication Deutschland SE & Co. KG, Munich	Germany	100.00
132	Seal Trade Eurasburg GmbH, Eurasburg	Germany	75.00
133	Vileda Gesellschaft mit beschränkter Haftung, Weinheim	Germany	100.00
<b>Sales companies, other countries</b>			
134	Chem-Trend Australia Pty Ltd, Thomastown	Australia	100.00
135	Freudenberg Household Products Pty. Ltd., Surrey Hills	Australia	100.00
136	Freudenberg Pty. Ltd., Thomastown	Australia	100.00
137	Klüber Lubrication Australia Pty. Ltd., Thomastown	Australia	100.00
138	Ludowici Sealing Solutions Pty. Ltd, Brisbane	Australia	100.00
139	EagleBurgmann Belgium B.V.B.A., Sint-Job-in-'t-Goor	Belgium	75.00
140	FHP Vileda S.C.S., Verviers	Belgium	100.00
141	Klüber Lubrication Belgium Netherlands S.A., Dottignies	Belgium	100.00
142	Vector Tecnologia do Brasil Ltda., Rio de Janeiro	Brazil	99.90
143	Hänsel Textil Bulgaria ood, Rousse	Bulgaria	100.00
144	Freudenberg Productos del Hogar Ltda., Santiago de Chile	Chile	100.00
145	Klüber Lubrication Chile Ltda., Santiago de Chile	Chile	100.00
146	Chem-Trend (Shanghai) Trading Co. Ltd., Shanghai	China	100.00
147	Dichtomatik (China) Co., Ltd., Shanghai	China	100.00
148	EagleBurgmann Technology (Shanghai) Co., Ltd., Shanghai	China	50.00
149	Freudenberg & Vilene International (Shanghai) Trading Co., Ltd., Shanghai	China	50.00
150	Freudenberg Household Products (Suzhou) Co., Ltd., Suzhou	China	100.00
151	Freudenberg Politex Ltd., Shanghai	China	100.00
152	Freudenberg Spunweb (Shanghai) Trading Co., Ltd., Shanghai	China	60.18
153	Jump International Trading (Shanghai) Co Ltd, Shanghai	China	100.00
154	Klüber Lubrication (Shanghai) Co., Ltd., Shanghai	China	100.00
155	Klüber Lubrication Nordic A/S, Skovlunde	Denmark	100.00
156	SurTec Scandinavia ApS, Fredericia	Denmark	100.00
157	Freudenberg Filtration Technologies Finland Oy, Naantali	Finland	100.00
158	Freudenberg Household Products Oy Ab, Helsinki	Finland	100.00
159	Freudenberg Simrit Oy, Vantaa	Finland	100.00
160	KE-Burgmann Finland Oy, Vantaa	Finland	75.00
161	Chem-Trend France S.A.S.U., Entzheim	France	100.00
162	Corteco SAS, Nantiat	France	100.00
163	Dichtomatik S.A.S, Mâcon Loché	France	100.00
164	EagleBurgmann France S.A.S., Sartrouville	France	75.00

No.	Company	Country	Share of capital [%]
165	FHP Vileda S.A., Asnières Sur Seine	France	100.00
166	Freudenberg Filtration Technologies SAS, Les Ulis	France	100.00
167	Klüber Lubrication France S.A.S., Valence	France	100.00
168	SurTec France S.A.S., Toulouse	France	100.00
169	FHP Hellas S.A., Kifissia, Athens	Greece	100.00
170	Aquabio Ltd., Worcester	United Kingdom	100.00
171	Auto Suppliers Limited, Kidderminster	United Kingdom	100.00
172	Capol (U.K.) Limited, Huddersfield	United Kingdom	100.00
173	Chem-Trend (UK) LP, Huddersfield	United Kingdom	100.00
174	Corteco Ltd., Lutterworth	United Kingdom	100.00
175	Dichtomatik Ltd., Derby	United Kingdom	66.00
176	EagleBurgmann Industries UK LP, Warwick	United Kingdom	75.00
177	Freudenberg Filtration Technologies UK Limited, Crewe	United Kingdom	100.00
178	Freudenberg Household Products LP, Rochdale	United Kingdom	100.00
179	Freudenberg Oil & Gas UK Ltd., Aberdeen	United Kingdom	100.00
180	KE-Burgmann UK Ltd., Congleton	United Kingdom	75.00
181	Klüber Lubrication Great Britain Ltd., Huddersfield	United Kingdom	100.00
182	Freudenberg Textile Technologies, S.A., Guatemala City	Guatemala	100.00
183	E&J (HK) Co Ltd, Hong Kong	Hong Kong	100.00
184	Freudenberg & Vilene Int. Ltd., Hong Kong	Hong Kong	50.00
185	Freudenberg Household Products Ltd., Hong Kong	Hong Kong	100.00
186	Jump (Asia) Distributors Ltd, Hong Kong	Hong Kong	100.00
187	Klüber Lubrication China Ltd., Hong Kong	Hong Kong	100.00
188	XETEX Trading Limited, Hong Kong	Hong Kong	50.00
189	Chem-Trend Chemicals Co. Pvt. Ltd., Bangalore	India	100.00
190	PT EagleBurgmann Indonesia, Cikarang-Bekasi	Indonesia	24.98
191	PT. Freudenberg Household Products Indonesia, Jakarta	Indonesia	100.00
192	Chem-Trend Italy del Dr. Gian Franco Colori S.a.s., Milan	Italy	100.00
193	Corteco S.r.l. (a socio unico), Pinerolo	Italy	100.00
194	Dichtomatik S.a.s. di Externa Italia S.r.l., Genoa	Italy	100.00
195	EagleBurgmann Italia S.r.l., Osnago	Italy	75.00
196	Freudenberg S.p.A., Milan	Italy	100.00
197	Hänsel Textil Italia Srl, Rho	Italy	100.00
198	Klüber Lubrication Italia S.a.s. di G. Colori, Milan	Italy	100.00
199	Marelli & Berta Interfodere S.a.s. di Externa Holding S.r.l., Milan	Italy	100.00
200	Chemlease Japan K.K., Kobe	Japan	51.00
201	Freudenberg Spunweb Japan Company, Ltd., Osaka	Japan	60.18
202	SurTec MMC Japan KK, Tokyo	Japan	56.00
203	Dichtomatik Canada, Inc., Markham	Canada	100.00
204	EagleBurgmann Canada Inc., Milton	Canada	75.00
205	EagleBurgmann Nova Magnetics Ltd., Dartmouth	Canada	75.00
206	Freudenberg Filtration Technologies Inc., London	Canada	100.00
207	Freudenberg Household Products Inc., Laval	Canada	100.00
208	TOO Freudenberg Oil & Gas, Atyrau	Kazakhstan	100.00
209	EagleBurgmann Colombia, S.A.S., Bogotá	Colombia	75.00

No.	Company	Country	Share of capital [%]
210	SurTec d.o.o., Split	Croatia	100.00
211	EagleBurgmann (Malaysia) SDN. BHD., Shah Alam	Malaysia	25.00
212	Freudenberg Household Products (Malaysia) Sdn Bhd, Petaling Jaya	Malaysia	100.00
213	Klüber Lubrication (Malaysia) Sdn. Bhd., Petaling Jaya	Malaysia	100.00
214	Chem-Trend Comercial, S.A. de C.V., Querétaro	Mexico	100.00
215	Dichtomatik de Mexico S.A. de C.V., Querétaro	Mexico	95.50
216	Freudenberg Productos del Hogar, S.A. de C.V., Mexico City	Mexico	100.00
217	Dichtomatik B.V., Zwolle	Netherlands	66.66
218	EagleBurgmann Netherlands B.V., Veenendaal	Netherlands	75.00
219	SurTec Benelux B.V., Reuver	Netherlands	100.00
220	EagleBurgmann Norway AS, Skedsmokorset	Norway	75.00
221	Freudenberg Home and Cleaning Solutions AS, Skedsmokorset	Norway	100.00
222	Vestpak AS, Sandnes	Norway	100.00
223	Dichtomatik Handelsgesellschaft mbH, Vienna	Austria	100.00
224	EagleBurgmann Austria GmbH, Salzburg	Austria	75.00
225	SurTec Produkte und Systeme für die Oberflächenbehandlung GesmbH, Guntramsdorf	Austria	100.00
226	EagleBurgmann Philippines, Inc., Cavite	Philippines	25.00
227	Chem-Trend Polska sp. z o.o. spółka komandytowa, Kobylnica	Poland	100.00
228	EagleBurgmann Poland sp. z o.o., Warsaw	Poland	75.00
229	FHP Vileda Sp. z o.o., Warsaw	Poland	100.00
230	Freudenberg Politex Sp. z o.o., Lodz	Poland	100.00
231	Freudenberg Sealing Technologies Sp. z o.o., Warsaw	Poland	95.00
232	Klüber Lubrication Polska Sp. z o.o., Poznan	Poland	100.00
233	SurTec Polska Sp. z o.o., Wroclaw	Poland	100.00
234	ST Ibérica Sociedade Unipessoal, LDA, Albergaria-a-Velha	Portugal	100.00
235	Freudenberg Household Products Vileda Societate in Comandita, Braşov	Romania	100.00
236	Hänsel Textilrom srl, Bukarest	Romania	100.00
237	SurTec Romania s.r.l., Braşov	Romania	100.00
238	EagleBurgmann OOO, Zavolzhie	Russia	75.00
239	Freudenberg Filtration Technologies OOO, Nizhniy Novgorod	Russia	100.00
240	Freudenberg Household Products Eastern Europe OOO, St. Petersburg	Russia	70.00
241	Freudenberg Vileda Eastern Europe OOO, Moscow	Russia	100.00
242	Klüber Lubrication OOO, Moscow	Russia	100.00
243	OOO Freudenberg Sealing Technologies, Moscow	Russia	100.00
244	OOO SurTec, Moscow	Russia	100.00
245	EagleBurgmann Saudi Arabia Ltd., Al-Khobar	Saudi Arabia	51.00
246	Dichtomatik A.B., Landskrona	Sweden	85.00
247	EagleBurgmann Sweden AB, Norrköping	Sweden	75.00
248	Freudenberg Sealing Technologies AB, Stockholm	Sweden	100.00
249	EagleBurgmann (Switzerland) AG, Höri	Switzerland	75.00
250	Freudenberg Gygli AG, Zug	Switzerland	100.00
251	Freudenberg Schwab Vibration Control AG, Adliswil	Switzerland	100.00
252	Freudenberg Simrit AG, Zurich	Switzerland	100.00
253	Klüber Lubrication AG (Schweiz), Zurich	Switzerland	100.00

No.	Company	Country	Share of capital [%]
254	Freudenberg proizvodi za domacinstvo d.o.o., Belgrade	Serbia	100.00
255	Chem-Trend Singapore Pte. Ltd., Singapore	Singapore	100.00
256	EagleBurgmann KE Pte. Ltd., Singapore	Singapore	75.00
257	EagleBurgmann Singapore Pte. Ltd., Singapore	Singapore	25.00
258	Klüber Lubrication South East Asia Pte. Ltd., Singapore	Singapore	100.00
259	SurTec SK s.r.o., Vrable	Slovakia	100.00
260	Freudenberg Gospodinjski Proizvodi d.o.o., Maribor	Slovenia	100.00
261	SurTec Adria d.o.o., Ljubljana	Slovenia	100.00
262	EagleBurgmann Ibérica S.A., Madrid	Spain	75.00
263	Freudenberg Home and Cleaning Solutions Iberica, S.L.U., Parets del Vallès	Spain	100.00
264	Freudenberg & Vilene International Lanka (Private) Limited, Colombo	Sri Lanka	50.00
265	Hänsel Textil Lanka PVT Ltd., Colombo	Sri Lanka	100.00
266	Freudenberg Filtration Technologies (Pty) Ltd., Cape Town	South Africa	100.00
267	Klüber Lubrication (Pty.) Ltd., Alrode Alberton	South Africa	100.00
268	EagleBurgmann Korea Co., Ltd., Osan	South Korea	25.00
269	Freudenberg Home and Cleaning Solutions Korea Ltd., Seoul	South Korea	80.00
270	SurTec Korea Co., Ltd., Changwon-si	South Korea	100.00
271	Freudenberg Household Products (Taiwan) Co., Ltd., Taipei	Taiwan	100.00
272	Chem-Trend Trading (Thailand) Co. Ltd., Bangkok	Thailand	100.00
273	Jump Distributors (Thailand) Co Ltd, Nonthaburi	Thailand	100.00
274	Klüber Lubrication (Thailand) Co., Ltd., Bangkok	Thailand	100.00
275	Lucky Gecko Co Ltd, Bangkok	Thailand	100.00
276	EagleBurgmann Czech s.r.o., Prague	Czech Republic	75.00
277	Freudenberg Potreby pro domácnost, k.s., Prague	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.S., Istanbul	Turkey	100.00
282	Freudenberg Vilene Tela Sanayi ve Ticaret A.S., Istanbul	Turkey	100.00
283	Dichtomatik Kft., Budapest	Hungary	100.00
284	EagleBurgmann Hungaria Kft., Budapest	Hungary	75.00
285	Freudenberg Háztartási Cikkek Kereskedelmi BT, Budapest	Hungary	100.00
286	Capol LLC, Deerfield	USA	100.00
287	Dichtomatik Americas, LP, Shakopee	USA	100.00
288	EagleBurgmann Industries LP, Houston	USA	75.00
289	EagleBurgmann KE, Inc., Lakeside	USA	75.00
290	EagleBurgmann Venezuela, C.A., Caracas	Venezuela	41.25
291	EagleBurgmann Middle East FZE, Dubai	United Arab Emirates	60.00
292	Chem-Trend Vietnam Company Limited, Ho Chi Minh City	Vietnam	100.00
293	EagleBurgmann Vietnam Company Limited, Ho Chi Minh City	Vietnam	25.00
294	SurTec Viet Nam Co., Ltd., Ho Chi Minh City	Vietnam	100.00
<b>Administration and other companies, Germany</b>			
295	Beteiligungsgesellschaft Carl Freudenberg mbH, Weinheim	Germany	100.00

No.	Company	Country	Share of capital [%]
296	Blaesus Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Mainz	Germany	70.47
297	Burgmann Industries Holding GmbH, Wolfratshausen	Germany	75.00
298	Burgmann International GmbH, Wolfratshausen	Germany	100.00
299	Carl Freudenberg KG, Weinheim	Germany	100.00
300	CT Beteiligungs-GmbH, Munich	Germany	100.00
301	DS Beteiligungs-GmbH, Weinheim	Germany	100.00
302	DS Holding-GmbH, Weinheim	Germany	100.00
303	DS Verwaltungs-GmbH, Weinheim	Germany	100.00
304	EagleBurgmann Germany Verwaltungs-GmbH, Wolfratshausen	Germany	75.00
305	Externa Handels- und Beteiligungsgesellschaft mit beschränkter Haftung, Weinheim	Germany	100.00
306	FCS-Munich GmbH, Weinheim	Germany	100.00
307	FFT Beteiligungs-GmbH, Weinheim	Germany	100.00
308	FHP Holding GmbH, Weinheim	Germany	100.00
309	FIT Service GmbH, Weinheim	Germany	100.00
310	Freudenberg Chemical Specialities SE & Co. KG, Munich	Germany	100.00
311	Freudenberg Dichtungs- und Schwingungstechnik GmbH, Berlin	Germany	100.00
312	Freudenberg Handels- und Beteiligungs-GmbH, Weinheim	Germany	100.00
313	Freudenberg Home and Cleaning Solutions GmbH, Weinheim	Germany	100.00
314	Freudenberg IT GmbH & Co. KG, Weinheim	Germany	100.00
315	Freudenberg Mechatronics Beteiligungs-GmbH, Weinheim	Germany	100.00
316	Freudenberg Mechatronics GmbH & Co. KG, Weinheim	Germany	100.00
317	Freudenberg New Technologies SE & Co. KG, Weinheim	Germany	100.00
318	Freudenberg Oil & Gas GmbH, Weinheim	Germany	100.00
319	Freudenberg Real Estate GmbH, Weinheim	Germany	100.00
320	Freudenberg Schwab GmbH, Velten	Germany	100.00
321	Freudenberg Venture Capital GmbH, Weinheim	Germany	100.00
322	Freudenberg Verwaltungs- und Beteiligungs-GmbH, Weinheim	Germany	100.00
323	Freudenberg Wohnbauhilfe GmbH, Weinheim	Germany	100.00
324	FV Beteiligungs-GmbH, Weinheim	Germany	100.00
325	FV Logistik SE & Co. KG, Weinheim	Germany	100.00
326	FV Service SE & Co. KG, Kaiserslautern	Germany	100.00
327	FV Verwaltungs SE & Co. KG, Weinheim	Germany	100.00
328	Kaul GmbH, Elmshorn	Germany	100.00
329	Klüber Lubrication GmbH, Weinheim	Germany	100.00
330	SurTec International GmbH, Bensheim	Germany	100.00
<b>Administration and other companies, other countries</b>			
331	Freudenberg Produtos do Lar Ltda., São Paulo	Brazil	100.00
332	Freudenberg Servicos Corporativos da America do Sul Ltda., Barueri	Brazil	100.00
333	Freudenberg IT (Suzhou) Co., Ltd., Suzhou	China	100.00
334	Freudenberg Management (Shanghai) Co. Ltd., Shanghai	China	100.00
335	Freudenberg Real Estate (Yantai) Co. Ltd., Yantai	China	100.00
336	Chem-Trend A/S, Copenhagen	Denmark	100.00

No.	Company	Country	Share of capital [%]
337	EBI Atlantic A/S, Vejen	Denmark	75.00
338	EBI Middle-East A/S, Vejen	Denmark	60.00
339	SPECI-TEX ApS, Vejen	Denmark	75.00
340	Freudenberg Immobilier SAS, Chamborêt	France	100.00
341	Chem-Trend (UK) Ltd., Huddersfield	United Kingdom	100.00
342	Chem-Trend China Investments Ltd., Huddersfield	United Kingdom	100.00
343	EagleBurgmann Industries UK Ltd., Warwick	United Kingdom	75.00
344	FCS Interim UK Ltd., Huddersfield	United Kingdom	100.00
345	Filtamark Ltd., Crewe	United Kingdom	100.00
346	Freudenberg Limited, Littleborough	United Kingdom	100.00
347	Freudenberg Technical Products Ltd., North Shields	United Kingdom	100.00
348	Freudenberg Vileda Ltd., Rochdale	United Kingdom	100.00
349	Techlok Limited, Port Talbot	United Kingdom	100.00
350	Freudenberg Trading (Hongkong) Ltd., Hong Kong	Hong Kong	100.00
351	Freudenberg Regional Corporate Center India Pvt. Ltd., Bangalore	India	100.00
352	Externa Holding S.r.l., Milan	Italy	100.00
353	Externa Italia S.r.l., Pinerolo	Italy	100.00
354	Freudenberg Italia S.a.s. di Freudenberg S.p.A., Milan	Italy	100.00
355	Freudenberg-NOK St Malaysia Sdn. Bhd., Kuala Lumpur	Malaysia	75.00
356	Freudenberg IT, S.A. de C.V., Mexico City	Mexico	100.00
357	Vector Technology Group AS, Drammen	Norway	100.00
358	Freudenberg Austria GmbH, Kufstein	Austria	100.00
359	Chem-Trend Polska Sp. z o.o., Kobylnica	Poland	100.00
360	FIM Polska Sp. z o.o., Środa Śląska	Poland	100.00
361	Freudenberg Vilene Sp. z o.o., Lodz	Poland	100.00
362	Freudenberg Household Products SRL, Braşov	Romania	100.00
363	Freudenberg Management Imobiliar SRL, Braşov	Romania	100.00
364	Freudenberg Nonwovens Romania S.R.L., Braşov	Romania	100.00
365	EBI Asia Pacific Pte. Ltd., Singapore	Singapore	25.00
366	EBI Asia Pte. Ltd., Singapore	Singapore	50.00
367	Freudenberg Immobilienmanagement Slovakia, s.r.o, Potvorice	Slovakia	100.00
368	Freudenberg Espana S.A., Barcelona	Spain	100.00
369	Freudenberg Iberica S.A., Barcelona	Spain	100.00
370	Vileda Ibérica S.A., Barcelona	Spain	100.00
371	TPE správní s.r.o., Opatovice nad Labem	Czech Republic	100.00
372	Freudenberg IM Hungária Kft., Budapest	Hungary	100.00
373	Chem-Trend Holding LP, Howell	USA	100.00
374	EagleBurgmann Industries Inc., Houston	USA	75.00
375	FCS Holding Inc., Wilmington	USA	100.00
376	Freudenberg Business Services LP, Plymouth	USA	100.00
377	Freudenberg Household Products Inc., Aurora	USA	100.00
378	Freudenberg IT LP, Durham	USA	100.00
379	Freudenberg North America Limited Partnership, Plymouth	USA	100.00
380	Freudenberg Real Estate L.P., Wilmington	USA	100.00
381	Freudenberg-NOK Holdings, Inc., Manchester	USA	75.00

No.	Company	Country	Share of capital [%]
382	Intpacor Inc., Manchester	USA	100.00
383	Pellon Corporation, Plymouth	USA	100.00
384	Upper Bristol Ramp, LLC, Manchester	USA	75.00

## II. INVESTMENTS IN JOINT VENTURES (CONSOLIDATED BY EQUITY METHOD)

Germany			
385	Schneegans Freudenberg GmbH & Co. KG, Emmerich am Rhein	Germany	50.00
386	SF GmbH, Emmerich am Rhein	Germany	50.00
387	TrelleborgVibracoustic GmbH, Darmstadt <sup>1</sup>	Germany	50.00
Other countries			
388	Cambus Teoranta, Spiddal	Ireland	50.00
389	VistaMed Ltd., Carrick-on-Shannon	Ireland	50.00
390	Corfina s.r.l., Pinerolo	Italy	50.00
391	FT Holdings K.K., Tokyo	Japan	75.00
392	Schneegans Freudenberg Silicon Ges.m.b.H, Losenstein	Austria	50.00
393	NOK-Freudenberg Asia Holding Co. Pte. Ltd., Singapore <sup>2</sup>	Singapore	50.00
394	TETL Holdings, LLC, Dover	USA	41.25
395	TTKKE Holdings, LLC, Dover	USA	30.00

## INVESTMENTS IN ASSOCIATED COMPANIES (CONSOLIDATED BY EQUITY METHOD)

Germany			
Other countries			
396	Bicomfiber S.A., Buenos Aires	Argentina	24.00
397	Japan Vilene Company Ltd., Tokyo	Japan	33.40
398	NOK Corporation, Tokyo	Japan	25.10
399	NOK Klüber Co., Ltd., Tokyo	Japan	49.00
400	ZET Gaskets Sp.z.o.o., Śnieciska	Poland	35.00
401	Klüber Lubrication Korea Ltd., Seoul	South Korea	48.00
402	Korea Vilene Co., Ltd., Pyungtaek-si	South Korea	50.00
403	Freudenberg & Vilene Filter (Thailand) Co. Ltd., Chonburi	Thailand	50.00
404	Ishino Gasket North America L.L.C., Plymouth	USA	37.50
405	ISE Industrial Sealing Equipment JLT, Dubai	United Arab Emirates	36.75
406	SurTec Middle East (L.L.C.), Sharjah	United Arab Emirates	35.00

<sup>1</sup> Consolidated financial statements including  
Trelleborg Automotive do Brasil Indústria e Comércio de Autopeças Ltda.,  
Guarulhos, Brazil  
Vibracoustic do Brasil Indústria e Comércio de Artefatos de Borracha Ltda., Taubaté,  
Brazil  
Trelleborg Automotive Design (Shanghai) Co. Ltd., Shanghai, China  
Vibracoustic (Shanghai) Sales and Trading Co., Ltd., Shanghai, China  
Vibracoustic (Yantai) Co., Ltd., Yantai, China  
Vibracoustic CV Air Springs (Yantai) Co., Ltd., Yantai, China  
Wuxi Trelleborg Vibration Isolators Co. Ltd., Wuxi, China  
Zhangjiagang Trelleborg Kunhwa Automotive Components Co. Ltd.,  
Zhangjiagang, China  
Trelleborg Automotive Germany GmbH, Breuberg, Germany  
TrelleborgVibracoustic Europe GmbH, Darmstadt, Germany  
Vibracoustic Asia Holding GmbH, Weinheim, Germany  
Vibracoustic CV Air Springs GmbH, Hamburg, Germany  
Vibracoustic GmbH & Co. KG, Weinheim, Deutschland  
Trelleborg Automotive France SA, Carquefou, France  
Trelleborg Modyn SAS, Carquefou, France  
Trelleborg Hong Kong Holdings Ltd., Hong Kong, Hong Kong  
Trelleborg Automotive India Pvt Ltd, Noida, India  
TrelleborgVibracoustic (India) Pvt. Ltd., New Delhi, India  
Trelleborg Japan KK, Yokohama, Japan  
Trelleborg Automotive Mexico SA de CV, Toluca, Mexico  
Trelleborg Automotive Toluca SA de CV, Toluca, Mexico  
Vibracoustic de Mexico S.A. de CV., 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, Forsheda, Sweden  
Trelleborg Automotive Forsheda AB, Forsheda, Sweden  
Trelleborg Automotive Group AB, Trelleborg, Sweden  
Trelleborg Wuxi Holding AB, Forsheda, Sweden  
Trelleborg Automotive Cascante SAU, Cascante, Spain  
Trelleborg Automotive Spain SA, Martorell, Spain  
Trelleborg Participaciones SL, Martorell, Spain  
TrelleborgVibracoustic-Ikhwezi Ltd., East London, South Africa  
Trelleborg Kunhwa Co. Ltd., Gyeongsan, South Korea  
TrelleborgVibracoustic (Thailand) Ltd., Sriracha, Thailand  
Vibracoustic CZ s.r.o., Melnik, Czech Republic  
Beltan Vibracoustic Titresim Elemanlari Sanayi ve Ticaret A.S., Bursa, Turkey  
Blacktech Otomotiv Sanayi ve Ticaret A.S., Bursa, Turkey  
Trelleborg Cerkezköy İthalat ve İhracat Otomotiv Ticaret AS, Cerkezköy, Turkey  
Trelleborg Otomotiv Sanayi Ve Ticaret AS, Cerkezköy, Turkey  
Vibracoustic CV Air Springs Otomotiv Sanayi ve Ticaret A.S., Bursa, Turkey  
Vibracoustic CV Air Springs Magyarország Kft., Nyíregyháza, Hungary  
Trelleborg Automotive USA Inc., South Haven, USA  
Vibracoustic CV Air Springs USA Inc., Wilmington, USA  
Vibracoustic North America Holdings Inc., Plymouth, USA  
Vibracoustic North America LP, Plymouth, USA

<sup>2</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 Hong Kong Ltd., Kowloon, Hong Kong  
Sigma Freudenberg NOK PVT. Ltd., New Delhi, India

## AUDIT OPINION

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, 2015. 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 22, 2016

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Prof. Dr. Wollmert

Wirtschaftsprüfer  
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