

Göran Tidström
Chairman of the EFRAG Supervisory Board

19 September 2008

Dear Mr Tidström,

Re: Proposals on „Strengthening the European Contribution to the International Standard-Setting Process“

We appreciate the opportunity to comment on EFRAG’s proposals on strengthening the European contribution to the international standard-setting process. This letter expresses the view of Freudenberg & Co. Kommanditgesellschaft, Weinheim, Germany.

We welcome the efforts of EFRAG to strengthen Europe’s contribution to international standard-setting. As a family-owned non-publicly listed company we attach eminent importance to two main issues of your proposals: the balanced involvement of European stakeholders in EFRAG and the enhancement of the EU’s proactive input to the IASB.

Already today, the application of IFRSs is widely spread among European non-publicly listed companies and an important number of those companies are currently considering a first time application of IFRSs in their financial statements. Since financial reporting standards around the world converge and the importance of IFRSs is rising steadily in this context, the special requirements of family-owned non-publicly listed entities as important stakeholders have to be considered when developing rules for financial reporting. Therefore, it is our understanding that the relevant bodies should be staffed with at least a minimum of representatives of family-owned non-publicly listed entities. Additionally, an advisory board, modelled on the Private Company Financial Reporting Committee in the US and consisting of representatives of European family-owned entities, should be established to support EFRAG in identifying and considering the needs of family businesses. With this in mind, we would like to comment on the planned changes in the EFRAG governance structure as follows.

Considering the chart on page 12 of the proposals, the planned changes seem to add a far bit of complexity to the structure of EFRAG. Furthermore, we would again like to recommend to carefully watch an adequate consideration of representatives of family-owned non-publicly listed companies when staffing a Consultative Group.

Freudenberg & Co.
Kommanditgesellschaft

Group Accounting and Controlling

Amtsgericht Mannheim, HRA 431000

69465 Weinheim
Germany

www.freudenberg.de

Dr. Christian Fink/He

Phone: (0 62 01) 80-4714

Fax: (0 62 01) 88-4714

christian.fink@freudenberg.de

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Taking into account the above-mentioned issues should principally result in an enhancement of the input to the IASB. With concern we notice the focus of the IASB's activities on issues regarding publicly listed companies and the flawed understanding of the problems arising thereof, especially for small and medium-sized family businesses. Therefore, it is our understanding that the relevant bodies (IASB, IFRIC, SAC etc.) should be staffed with or at least advised by a minimum of representatives of family-owned non-publicly listed entities. As already mentioned, an international advisory board consisting of representatives of family-owned entities worldwide could be helpful in identifying and considering the needs of family businesses in financial reporting. This could result in the development of high quality financial reporting standards that are based on clear and concise principles and are applicable for companies regardless of their legal form.

To achieve this purpose, EFRAG has to be provided with the resources to pursue further in-depth research and field tests to support the IASB with a conceptual basis to the issues discussed and improve the overall standard-setting process. In this context, EFRAG should enhance its influence on the IASB's agenda-setting to stronger participate in directing the course of international financial reporting at the earliest stage of the process.

Overall, we believe that strengthening the attendance of representatives of family-owned non-publicly listed entities would help EFRAG as well as the international standard-setting bodies to develop high quality standards for all kinds of companies regardless of their legal form or industry and across various jurisdictions.

Kind regards,

Freudenberg & Co.
Kommanditgesellschaft

A handwritten signature in black ink, appearing to read 'Frank Reuther'.

Frank Reuther
Senior Vice President
Group Accounting and Controlling

A handwritten signature in blue ink, appearing to read 'i.A. Ch. Fink'.

Dr. Christian Fink
Manager Accounting Regulations
Group Accounting and Controlling