

Press Release

Despite trade disputes and economic slowdown:

DEKRA Remains on Track

- Revenue up by almost 3% in 2019, staff headcount by around 500
- New foundation in eight service divisions and eight regions takes effect
- New business areas opened up thanks to digital services
- Vehicle inspection in 21 countries following market entry in China, Chile and Vatican City

DEKRA e.V.
Corporate Communications
Handwerkstraße 15
D-70565 Stuttgart

www.dekra.de/presse

In a challenging political and economic environment, DEKRA remained on track in 2019 and reinforced its standing. “We have further internationalized our business and are concentrating on the digital world of the future,” DEKRA Chief Executive Officer Stefan Kölbl told journalists in Stuttgart. Firstly, the global expert organization is involving itself in megatrends such as the Internet of Things, connected and automated driving, and sustainability. Secondly, the global investments and acquisitions of previous years are starting to pay off. As a result, economic downturns in some submarkets can be offset by successes in growth markets. Consolidated revenue is expected to rise by around 3% to roughly EUR 3.43 billion. Disregarding temp work, growth would be over 5%. 40% of revenue will be generated outside Germany. With almost 45,800 experts at the end of 2019, DEKRA will be employing around 500 more people than in 2018. The company has further consolidated its standing as the world’s leading unlisted expert organization in the TIC industry.

At the beginning of 2019, DEKRA combined its range of services into eight service divisions and eight regions. This new foundation quickly took effect. “Already this year we have been able to benefit from combining global knowledge and global capacities faster and more effectively into customer-specific solutions,” reported Stefan Kölbl. “We are leveraging the strength of the DEKRA Group, particularly with a view to innovation and quality associated with the diverse opportunities of digitalization.”

The digitalization of more and more areas of life and work is also connected with completely new security requirements. “As an innovative pioneer in the industry, it is not only our task to draw attention to new security issues, but also our aim to offer progressive solutions,” said the DEKRA CEO.

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Contact Dr. Torsten Knödler
Tel. (direct) +49-(0)711-7861-2075
Fax (direct) +49-(0)711-7861-742075
E-mail torsten.knoedler@dekra.com

Cyber security in a connected world

DEKRA is pursuing an innovative and integrated approach in the field of cyber security. “In a connected world, advanced cyber security is unimaginable without the functional safety of products and the security of user data,” explained Stefan Kölbl. That is why, in 2019, DEKRA formed a partnership with Argus Cyber Security, a specialist in automotive cyber security based in Israel. Together, the partners want to support automotive manufacturers in their efforts against cyber attacks. DEKRA brings to the partnership its cyber security expertise in the fields of consulting, training and product testing as well as its experience regarding regulatory issues, system and product certification, and functional security.

As a representative for other industries that are also being transformed by digitalization, DEKRA is asking other key questions in the automotive environment, such as: Who owns the user data? Who can use it, and for what purpose? “Data plays an important role in connected and automated driving – especially when it comes to future safety,” explained Stefan Kölbl. “That is why DEKRA needs unfiltered access to vehicle data relating to safety and the environment. In the interests of consumer protection, we need an independent and neutral data trustee who provides the necessary data in a legally regulated manner when it comes to road safety issues. The principle of the independent third party has proven its worth and should be upheld for good reason.”

Focus on digitalization

In addition to the topic of data, 2019 was also a year of digitalization being used to create growth opportunities for the future with new services and products. As an expert for elevator inspections, DEKRA has developed a trend-setting cloud solution with the DEKRA Lift Explorer. This enables elevator operators to optimize the safety of installations and maintenance.

To improve road safety, DEKRA presented a prototype of a self-learning system based on artificial intelligence (AI) in New Zealand. “In the future, we want to be able to predict the failure of vehicle components with at least 90% accuracy,” said Stefan Kölbl. DEKRA has improved predictive maintenance on the Industrial Internet of Things with an online monitoring system, which continuously monitors sensitive objects – such as pressure vessels, pipelines and cranes – for safety-related parameters. DEKRA has also successfully brought a new self-learning system to the market in order to enhance safety awareness in large manufacturing companies. The Adaptive BBS (behavior-based safety) solution focuses on

safety-related aspects of employee behavior and provides occupational safety officers with digital tools to identify and eliminate risks.

Connected car innovation hub

The further expansion of DEKRA's international test network is also focusing on intelligent solutions for automated and connected driving. With its DEKRA Technology Center at the Lausitz race track in Klettwitz, Germany, DEKRA already operates the largest non-manufacturer-affiliated test and inspection center in Europe. In 2019, the Málaga site in Spain was strengthened through a cooperation agreement with Spain's leading mobile communications provider. Both partners are working to establish a connected car innovation hub there. Thanks to its strong market position in the field of secure connectivity for wireless technologies, DEKRA has also acquired a leading manufacturer of connected car solutions as a customer in Spain. The contract includes functional safety testing and type approval for more than 100 countries.

As well as connected driving, new means of urban transportation such as e-scooters and e-shuttles are gaining in importance in large cities as part of micro-mobility. In 2019, DEKRA not only carried out assessments of e-scooters and issued operating licenses, but was also the first expert organization to develop a standard for safe micro-mobility. "Our integrated approach to safety and sustainability in connection with new forms of inner-city mobility comprises around 120 testing items across eight areas – from technical safety to recycling," reported Stefan Kölbl. With regard to temp work, DEKRA has succeeded in opening up new business from the introduction of micro-mobility in Germany. As part of this, four nationwide e-scooter providers were supported in setting up their staff infrastructure. DEKRA Arbeit has supplied this field with around 600 temp workers in six months.

Thanks to its expertise, DEKRA has also positioned itself in the field of automated e-shuttle innovation. Expert appraisals were prepared for individual operating licenses for several projects – including for the EasyMile EZ10, which is in trial operation in Brandenburg, and for the autonomous e-shuttle as part of the HEAT project (Hamburg Electric Autonomous Transportation).

Entry into new testing markets

In addition to these new approaches and services, DEKRA also further consolidated its leading market position in traditional core markets. In the first half of 2019, the expert organization carried out 73,000 more regular vehicle inspections in Germany than in the same period of the previous year, thus increasing its market

share to 33.5%. One year after entering the vehicle inspection market in Denmark, DEKRA already has a network of 29 testing stations and a market share of 10%. In Sweden, the market share rose to more than 10%, putting DEKRA in fourth place. On a global scale, DEKRA has increased the number of annual general inspections from 22 million to 26 million in ten years. While inspections were carried out in 10 countries in 2009, by 2019 this figure has jumped to 20, with China and (since June) Vatican City as the latest newcomers. After winning a tender in 2019, the twenty-first country, Chile, will be added to the list in 2020. In doing so, DEKRA has underscored its exceptional position as global market leader. The second-largest provider in this field inspects around 14 million vehicles a year.

Two stations got up and running in China in 2019, including the world's largest DEKRA inspection station in Beijing, where around 100,000 vehicles are to be inspected annually. It has six lines for emissions testing and four lines for inspecting the technical safety of cars, trucks and buses. "Because vehicle inspection in China is organized by the division of labor and is partially automated, we can inspect around 20 vehicles per hour per inspection line," explained Stefan Kölbl. In Germany, this figure is two to three vehicles per hour per inspection line.

In addition to China and Vatican City – with the exclusive testing of a few hundred cars a year –, DEKRA has also succeeded in gaining market access in Chile. Following the awarding of the first licenses in 2019, vehicle inspections will begin in the second half of 2020. "Chile is an interesting market because vehicles there are inspected at a European level every year," said the DEKRA CEO. DEKRA will initially operate five inspection stations in Santiago, the capital region home to around eight million people. The aim in the medium term is to become one of the leading partners for vehicle inspection in Chile.

As part of the electromobility boom, DEKRA received a contract from Mercedes-Benz to help a supplier – the Chinese company Farasis Energy – to develop carbon-neutral battery cell production and to monitor compliance with environmental standards. These standards apply to production sites in Germany, China and the USA. DEKRA is also providing consulting services for a French car company for the market launch of a multi-brand second-hand car brand.

Industry market position expanded

DEKRA has also been successful in industrial inspection and industry-related services in several countries, for example in its second domestic market of France. A major French automotive supplier entrusted DEKRA with both safety audits at its

plants and the testing of manufacturing processes. DEKRA also provides advice on how to improve production processes.

In Finland, VALTO360 – a DEKRA software for the inspection of industrial plants – was further improved in 2019. VALTO360 enables industrial plants and their measuring points, as well as the measurement results, to be digitally recorded. With release version 2.0, the app has recently been rolled out in Scandinavia, Germany and France.

In the USA, DEKRA has strengthened its market position in industrial testing through the acquisition of JAMKO, a company that specializes in remote-controlled visual inspection based in New York. DEKRA also received a major order from an energy supplier. In addition, a major US airline has significantly improved occupational safety with DEKRA's help. "Thanks to our expertise in organizational and process safety, we were able to reduce the number of injuries and downtimes by between 22% and 27%," reported Stefan Kölbl.

Electromobility training and qualification

In the training and qualification services business, demand from the automotive supplier industry for electromobility qualifications and training increased sharply in 2019. With DEKRA's expertise ranging from handling high-voltage components to working on live components, customers, employees in the company are being prepared for new requirements.

Following the positive experience in Europe, DEKRA took the first steps in transferring its expert migration program to other world regions in 2019. The program trains carers and prepares them for working in Germany. The launch in Brazil was promising and construction of an appropriate training center in São Paulo has already begun.

Success based on organic growth

All service divisions and regions contributed to the positive business development in 2019 with the exception of the temp work service division and the Southern Africa & Oceania region. This came as a result of the economic situation in South Africa. The anticipated growth was generated almost exclusively by organic means. The most important single markets are still the region of Germany with an expected volume of almost EUR 2.1 billion (up EUR 42 million) and the South-West Europe region with the second domestic market of France and an expected volume of around EUR 540 million (up EUR 15 million).

However, DEKRA achieved the highest growth rates in China in 2019 where, at around 18%, the company grew faster than the market and its competitors. The East & South Asia region generated revenue of more than EUR 100 million. This success is based on areas in which DEKRA has been active for many years, such as functional safety testing of automotive electronics. In addition, new business areas have been opened up or expanded. DEKRA has entered new testing markets such as solar and rail transport and has improved its position in the process industry for the safety of industrial parks.

Outlook for 2020

For 2020, DEKRA is anticipating a subdued economic situation in key submarkets, as well as continued political tensions. “Nevertheless, we are assuming that we will be able to compensate for economic and regulatory challenges in individual business areas through further growth in others thanks to our broad-based and regional positioning,” said DEKRA CEO Stefan Kölbl, who is expecting stable growth of 2% to 4% for 2020.

About DEKRA

DEKRA has been active in the field of safety for more than 90 years. Founded in 1925 in Berlin as Deutscher Kraftfahrzeug-Überwachungs-Verein e.V., it is today one of the world’s leading expert organizations. DEKRA SE is a subsidiary of DEKRA e.V. and manages the Group’s operating business. In 2019, DEKRA generated sales totaling more than 3.4 billion euros. The company currently employs around 46,000 people in more than 60 countries on all six continents. With qualified and independent expert services, they work for safety on the road, at work and at home. These services range from vehicle inspection and expert appraisals to claims services, industrial and building inspections, safety consultancy, testing and certification of products and systems, as well as training courses and temp work. The vision for the company’s 100th birthday in 2025 is that DEKRA will be the global partner for a safe world.