

Press release

Annual press conference

Technology Group continues to expand in China, increases investment

Freudenberg posts another year of growth in a challenging market environment / Innovating together with customers to develop fuel cell solutions for the Chinese market

Beijing, May 29, 2019. The global technology group Freudenberg continued its good business development in 2018 in a volatile and difficult environment and recorded strong organic growth of 4.3 percent in euros over the previous year. The Group increased sales to €9,455 million or CNY 73,897 million in 2018. Freudenberg's innovative strength is illustrated by the one third of sales (33.6 percent) earned from products less than four years old. The Group's more than 70 sites in Greater China also performed well in 2018, generating sales of CNY 8.5 billion, a 2.9 percent increase compared to a year ago. As a long-term partner to its Chinese customers, Freudenberg increased investment in China last year to nearly CNY 300 million – some 29 percent more than in 2017.

“Our strong strategic and operative planning are the keys to Freudenberg's success, along with the team spirit of more than 49,000 employees as well as close and agile cooperation with our customers,” said Dr. Mohsen Sohi, CEO of the Freudenberg Group, at the press conference in Beijing.

Press contact

Dr. Astrid Kasper
Freudenberg & Co. KG
Deputy Head of Corp. Communications
Phone +49 6201 80-6688
Fax +49 6201 88-6627
astrid.kasper@freudenberg.com
www.freudenberg.com

Roy Li
Corporate Communications China
Phone +86 (21) 5036 6796
roy.li@freudenberg.com.cn
www.freudenberg.com

Innovation: The backbone of Freudenberg's success

Innovation is the key to Freudenberg's long-term corporate success. In the year under review, the Group invested more than ever before in innovation and spent CNY 3,470 million (previous year: CNY 3,275 million, +3.7 percent) on research and development. This equals 4.7 percent of total sales (previous year: 4.6 percent). The objective of all these activities is to further increase the share of sales for new products.

In 2018, an average 3,590 employees (previous year: 3,445 employees) worked in research and development.

Continued investment in local innovations and technology

"This year, Freudenberg celebrates its 170th anniversary, and we proudly look back on over 100 years of partnerships in China. We weathered numerous periods of market volatility in this time. But we were able to reinvent ourselves and respond rapidly to a changing environment, ensuring our long-term growth," said Dr. Sohi. "We strongly believe in and support the country's long-term development. Our investment strategy provides clear evidence of this commitment, as we continue to expand our presence in this important market," adds Bettina Schoen-Behanzin, Freudenberg Regional Representative Asia.

Continued investment in high-tech manufacturing infrastructure, local R&D facilities and new acquisitions are integral to the Group's long-term approach and innovation strategy in China. Overall investment in Greater China amounted to almost CNY 300 million in 2018, up nearly 29 percent compared to 2017.

The large investments in state-of-the-art production facilities include a new factory in Chongqing for Vibracoustic. The plant will

produce NVH (Noise, Vibration, Harshness) solutions for automotive customers. NOK-Freudenberg (China) is also building a new facility in Changchun for sealing products. Two new lines are under construction in Suzhou and Taiwan, which will produce components for the automotive interior and apparel businesses. In March 2019 Freudenberg Performance Materials started up a new production line for high-quality car headliners in Suzhou.

More than half of Freudenberg sites in China have their own on-site R&D. “We are aware of the strength of China’s R&D culture and invested nearly CNY 204 million in our local R&D activities last year,” said Schoen-Behanzin.

The Group’s latest investment underscores Freudenberg’s long-term commitment to China. At the end of March, Freudenberg Filtration Technologies finalized the acquisition of a 75 percent majority stake in Foshan City’s Apollo Air-Cleaner Co., Ltd., a leading supplier of air and water filtration solutions in China. The new joint venture, Freudenberg Apollo Filtration Technologies, began operations in April, strengthening the Group’s position in China’s rapidly growing market for filtration solutions.

Fueled up for the future: Supporting China’s fuel cell targets

As part of wider efforts to promote green energy in the world’s largest automotive market, China is pushing ahead with the development of its hydrogen energy and fuel cell vehicle industry. In its Energy Saving and New Energy Vehicle Technology Roadmap, the government has set a target of having 1 million such vehicles on China’s roads by 2030.

Freudenberg has over 20 years of experience in fuel cell research and has been at the forefront of innovations in this field. The

company has the technological know-how and production capacity to economically manufacture fuel cell components, paving the way for large scale use of the future technology. Freudenberg companies in China and across the world have been and continue to work together with customers to develop fuel cell solutions.

Freudenberg's fuel-cell expertise covers a wide range of essential components, including special sealing solutions that optimize hydrogen proton flow through the membrane, gas diffusion layers (GDLs), and filters that help maximize fuel cell performance. The Group's portfolio also includes humidifiers that use the water vapor emitted by the fuel cell to humidify the dry incoming air.

Responsibility for Society and Corporate Citizenship

As a values-based, family-owned technology group, success for Freudenberg is not merely defined in terms of financial success, but also always goes hand-in-hand with taking responsibility for society. Last year was a special year for Freudenberg's Corporate Citizenship initiative in China, as the Group's "Love Beyond Donation" campaign for the Ke De Bao primary school celebrated its tenth anniversary. Following the 2008 Sichuan earthquake, Freudenberg invested in rebuilding the primary school, which was one of the first to be reconstructed through donations and private initiatives. Since its reopening, Freudenberg employees have been organizing the campaign to teach and financially support students for example through private sponsorships. To date, nearly 1,000 Freudenberg employees and partners have participated in the project.

Beyond the "Love Beyond Donation" campaign, Freudenberg employees are also active in many other Corporate Citizenship activities as part of its "e²" (education and environment) program, first launched in 2015. The goal is to provide people with access to

education and employment and support environmental protection. Freudenberg has already donated a total of 109 million CNY to the program. By the end of last year, “e2” was supporting some 70 projects, from small activities to major education programs in the direct neighborhood of Freudenberg sites.

About the Freudenberg 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 research institutions, the Freudenberg Group develops leading-edge technologies and excellent products and services for about 40 markets and for thousands of applications: seals, vibration control components, technical textiles, filters, specialty chemicals, medical products and the most modern cleaning products.

Strength of innovation, strong customer orientation, diversity, and team spirit are the cornerstones of the Group. The 170-year-old company holds strong to its core values: a commitment to excellence, reliability and pro-active, responsible action. In 2018, the Freudenberg Group employed more than 49,000 people in some 60 countries worldwide and generated sales of more than €9.4 billion.

Freudenberg has held business ties with customers and partners in China for more than 100 years. The Group has a workforce of some 6,800 people at more than 70 sites in the country. In 2018 Freudenberg generated sales of around CNY 8.5 billion in Greater China.

For more information, please visit www.freudenberg.com