

## **Press release on the business development of the MAHLE Group in the year 2009**

Stuttgart/Germany, April 19, 2010

- **Decrease in total Group sales of almost 23 percent in 2009**
- **Restructuring measures yield results**
- **Second half-year marked by positive trend in profit development**

### **Business development**

Due to the economic crisis, sales of the MAHLE Group dropped to EUR 3,864 million in 2009. For comparison purposes: in the year 2008, sales totaled EUR 5,014 million. This corresponds to a decline of approximately 23 percent. Such a dramatic decrease in sales is unprecedented in the history of the Company.

Drops in sales were experienced in all regions, but were far less severe in South America and Asia/Pacific than in North America and Europe. Sales in Germany amounted to EUR 851.7 million; this represents a decrease of approximately 30 percent (2008: EUR 1,258 million).

Apart from the general weakness of the market, this was particularly due to the fact that, with its product portfolio, MAHLE traditionally holds large market shares in products for extremely efficient commercial vehicle engines and highly advanced, low-consumption, passenger car diesel engines. However, both areas exhibited a much stronger decline than the market as a whole, especially in Western Europe, where the use of very small and cost-effective gasoline engines was promoted by national incentive schemes and, as a result, the diesel market share dropped by approximately 20 percent.

In the second half-year—particularly in the fourth quarter—sales in Asia/Pacific and South America returned to normal. Europe and North America, however, only showed weak signs of recovery.

Over the course of the year, it was possible to adjust variable expenses to the notably lower required capacities. In the area of personnel costs, particular use was made of measures for reducing working hours in Europe, whereas staff reductions were unavoidable in the other regions of the world, sometimes to a considerable extent.

As only moderate growth can be expected, even in the medium and long term, the Group structure was adjusted to the changed market conditions and synergy potentials were realized also in central functions. The formerly five product lines were grouped into two "Engine Systems and Components" and "Filtration and Engine Peripherals" business units. These and further cost-cutting measures already yielded considerable results over the course of the year. Whereas consistently negative figures were recorded on a monthly basis in terms of operating profit (EBIT) during the first half of the year, the second half-year was characterized by a clearly positive EBIT trend. Overall, however, operating business activities recorded a loss of EUR 165 million. In addition, an extraordinary result from expenses and accruals for restructuring measures amounting to EUR –150 million was recorded for the period from 2009 to 2011.

The balance sheet total showed a year-on-year decrease by EUR 381.4 million from EUR 3,907.4 to 3,526.0 million. This corresponds to a decline of 9.8 percent. The equity ratio continues to remain at an extremely sound level at almost 33 percent. Consistent management of working capital almost brought the Group's net liquidity back to its level prior to the economic crisis by the end of the year and almost eliminated the need to incur additional credit facilities.

By the end of 2009, 43,489 employees (2008: 49,262) were working for MAHLE. The personnel costs ratio grew globally despite considerable adjustments in staff numbers—particularly in the regions outside Europe—, extensive use of flexible working-time schemes, as well as cuts to variable compensation. A reversal of the trend was observed by mid-year. However, further improvement and a recovery to the personnel cost level prior to the crisis can only be expected for 2010 and subsequent years, when all adopted restructuring measures will have been completed.

## Headcount development by region

	2008	2009	Variance in %
Europe	21,480	19,512	-9.2
<i>Thereof Germany</i>	9,284	8,631	-7.0
North America	6,788	5,428	-20.0
South America	12,090	10,314	-14.7
Asia/Pacific	8,904	8,235	-7.5
<b>Total</b>	<b>49,262</b>	<b>43,489</b>	<b>-11.7</b>

## Significant milestones of the Group's development

### October 2009: MAHLE acquires automotive business of KTM-Kühler

Through the acquisition of the automotive business of KTM-Kühler GmbH at its Mattinghofen (Upper Austria) location, MAHLE intensified its involvement in the area of thermal management and rounded out its global activities regarding oil-water heat exchangers for engine and transmission applications and oil filter modules. Fuel consumption and CO<sub>2</sub> emissions of combustion engines can be optimized using intelligent thermal management solutions. Further fields of application can be found in the area of alternative drives. The acquired unit currently generates total sales of approximately EUR 15 million and has 120 employees. It is intended to continue production in Mattinghofen.

### February 2010: MAHLE takes over a 60 percent of shares in Behr Industry GmbH & Co. KG

In 2009, the Industry division of the Behr Group achieved sales of approximately EUR 180 million and currently has around 860 employees at five locations in Germany and the United States. Main products include cooling and air-conditioning systems for railway and special vehicles, buses, ships, construction and agricultural machinery, the aerospace industry, and stationary large engines for power generation.

Behr Industry will henceforth operate under the name of MAHLE Behr Industry; it is planned to bundle the current activities for large engines and industrial filtration in a new business unit, "MAHLE Industry," with an annual sales volume of approximately EUR 500 million. Thanks to the globalization of business activities in the industrial sector and cross-selling effects between the single divisions, significant growth is expected in the medium term. The acquisition is still subject to approval by the antitrust authorities.

In addition, MAHLE and Behr are exploring the options of entering into a further strategic partnership in the automotive business. For quite some time, thermal management and mechatronics have been recognized as growth markets. A cooperation would open up synergy potentials and strengthen the systems-related know-how of both companies in the automotive sector.

### **March 2010: First high-volume orders for Bosch Mahle Turbo Systems**

18 months after its foundation, the 50/50 joint venture Bosch Mahle Turbo Systems (BMTS) has received its first high-volume orders for exhaust gas turbochargers. The turbo technology of BMTS will be applied in a downsized gasoline engine and a common rail diesel engine; approximately one million turbochargers will be produced from end of 2011. Further production ramp-ups are anticipated for the years 2012/2013, as new developments are being planned with various customers.

In combination with direct gasoline injection, turbochargers play a major role in designing a much more efficient combustion engine by means of downsizing without losses in performance, and thereby contributes to marked reductions in CO<sub>2</sub> emissions and fuel consumption. An increasing number of automobile manufacturers concentrate on downsizing concepts for their present and future engine generations. The need for exhaust gas turbochargers will therefore steadily increase over the coming years.

In the course of the business year 2009, BMTS made some substantial investments: The development unit in Stuttgart and the production plants in Blaichach/Immenstadt (Germany) and St. Michael (Austria) were established. In the summer of 2009, the construction of a new machine shop with a production area of approximately 10,000 square meters was completed in St. Michael. Currently, state-of-the-art production equipment is being installed, so that preseries exhaust gas turbochargers can already be produced in the facilities for series production.

### **Outlook for 2010**

In view of the cautiously optimistic outlook for the global market, the MAHLE Group anticipates moderate sales growth for 2010, which will mainly be driven by the markets in South America and Asia. Furthermore, a recovery of the passenger car market is most likely to occur in North America—coming from a historical low. By contrast, the development in both the European passenger car market and the global commercial vehicle market in 2010 will likely remain comparatively moderate.

For the year 2010, MAHLE anticipates a significant increase in profit and the return to a positive earnings situation. The restructuring measures and capacity adjustments that were undertaken in 2009 with great consistency will have a significant impact. Nevertheless, capacities and cost structures will have to be adjusted to the level of demand. In this context, it has already been decided that the instrument of short-time work will continue to be applied in Germany during the first two quarters of 2010.