

Press release on the business development of the MAHLE Group in 2008

Stuttgart, April 27, 2009—**Group result for 2008 still positive despite
considerable deterioration of economic conditions**

1. Business development

In the 2008 business year, despite the already considerable deterioration of economic conditions, the MAHLE Group was able to maintain its sales at around the previous year's level, at EUR 5,014 million (2007: EUR 5,060 million)—albeit only because of the acquisitions made in the first half of the year, which offset the negative organic growth to a large extent. In 2008, therefore, the business development of the Group once again exceeded the development of the market as a whole. Sales increases were achieved primarily in South America and the Asia/Pacific region. Europe and North America suffered declines; as a result of the inclusion of the business volume of ENTEC GmbH as of July 1, 2008, the decline in Germany remained relatively moderate—a decrease of two percent to EUR 1,258 million.

At EUR 85.3 million, the profit before tax fell considerably short of the previous year's figure (EUR 308.1 million), but was nevertheless positive. Besides the decline in sales that started in the summer months, the turbulence on the financial and foreign exchange markets also had a considerable impact. Both the interest expense and the accrual requirements for currency and raw material hedges increased; the pension plans in the USA and Great Britain covered by funds also necessitated increased accruals.

The balance sheet total increased by EUR 166.6 million in comparison with the previous year to EUR 3,907.4 million. This is primarily due to the acquisitions made in the 2008 business year.

The financial requirements for capital expenditure on fixed assets and payments of purchase prices for acquired companies were largely covered by ongoing business activity. However, because of the weaker profit situation in the second half of 2008, the self-generated funds

were not sufficient, and bank loans and credit lines therefore had to be utilized.

At the end of 2008, MAHLE had a headcount of 49,262 employees worldwide—three percent more than in the previous year. In some regions, the number of employees increased in the first half of the year, primarily as a result of acquisitions, while a considerable adjustment of staffing levels was necessary in North America. In September 2008, a recruitment freeze was put in place worldwide. In addition, measures were introduced to decrease overtime and adjust the number of temporary employees and agency workers to the changed requirements. Possibilities for making working hours more flexible and other country-specific instruments for adjusting the staffing level were also utilized. Nevertheless, the personnel ratios could not be brought in line with the considerably reduced sales figures in the second half of the year and particularly in the fourth quarter of 2008. Accompanying productivity losses are partly responsible for the weak development in revenue in the second half of the year.

Headcount by region	2007	2008
Europe	20,314	21,480
<i>Thereof Germany</i>	<i>9,185</i>	<i>9,284</i>
North America	7,325	6,788
South America	11,649	12,090
Asia/Pacific	8,589	8,904
Total	47,877	49,262

2. Development of the MAHLE Group

In the last ten years, the number of employees worldwide has risen from 25,000 to around 49,000 and sales from EUR 1.9 billion to EUR 5 billion. The significant milestones of the Group's development in the 2008 business year were the following:

- **Acquisition of a majority share in Mopisan:** The Turkish engine components manufacturer produces primarily pistons, cylinder liners, and piston pins for gasoline and diesel engines at the Konya and Izmir locations. In 2007, the company achieved sales of approximately EUR 24 million with around 580 employees. In the future, the plants will complement the MAHLE production network in the area of engine components for the aftermarket.
- **Majority joint venture with Hirschvogel in Brazil:** MAHLE Hirschvogel Forjas S.A. is the third largest forge in Brazil. The company manufactures connecting rods, components for injection systems, and other components for the automotive industry, employs around 600 people, and achieved sales of EUR 75 million in 2007.
- **Bosch Mahle Turbo Systems:** The 50/50 joint venture between Robert Bosch GmbH and MAHLE GmbH, based in Stuttgart/Germany, commenced business at the beginning of June, with initially 100 employees. From 2011, up to 1.5 million turbochargers per year will be manufactured and assembled in St. Michael ob Bleiburg in Carinthia/Austria across an area of more than 10,000 square meters. The ground-breaking ceremony for the new production location took place in September 2008. Exhaust gas turbochargers are one of the key technologies for reducing CO₂ emissions; in the future, they will be used increasingly in gasoline engines as part of downsizing concepts.
- **New research and development center in Brazil:** In Jundiaí near São Paulo/Brazil, a new R&D center covering an area of 16,800 square meters has been opened, housing all research and development activities in South America, as well as the design and sales departments. The use of second- and third-generation biofuels forms a focal point of research.
- **Acquisition of ENTEC:** The company based in Thuringia/Germany, with 60 employees, develops and produces controlled oil pumps and coolant pumps, achieving sales of around EUR 7 million in 2007. MAHLE expects the use of controlled oil pumps to increase

considerably until 2015, as these pumps can also contribute substantially to reducing fuel consumption.

- **Acquisition of Amafilter Group Holding BV:** The company with its headquarters in Alkmaar/Netherlands, manufactures integrated filtration solutions for process technology, with around 450 employees in the Netherlands, England, France, Italy, and the USA; it thus complements the existing production plants of the MAHLE Industrial Filtration business division perfectly.

3. Product innovations

Numerous MAHLE product innovations allow fuel consumption and CO₂ emissions to be reduced further in modern combustion engines:

- **The optimized piston-cylinder unit (PCU) with innovative low-friction ring sets** allows optimization in terms of weight and friction.
- **The new low-friction camshaft with rolling bearing** significantly reduces frictional loss in the valve train.
- **The successfully industrialized CamInCam[®] camshaft** offers optimized charge exchange for OHV, SOHC, and DOHC engines.
- **A new module for targeted cooling and heating of the transmission oil** can significantly shorten the warm-up phase for numerous automatic transmissions.
- **Controlled oil and coolant pumps** reduce the energy loss in the auxiliary drives of modern engines.
- **With new high EGR systems**, based on a fast-switching valve technology, the Euro 6 limits can be met for both commercial vehicles and larger passenger cars without the costly urea technology (SCR).
- **Innovative charge air lines** and the new electric **wastegate actuator** allow optimal management of the charge air in turbo-charged engines. MAHLE also offers **complete EGR systems** for gasoline engines, with a **poppet valve with patented knee lever principle**, which ensures precise dosing of the exhaust gas while maintaining very high opening forces.

4. Outlook for the 2009 business year

For 2009, the MAHLE Group expects the market as a whole to dwindle considerably. A double-digit percentage decline in Group sales will be unavoidable in 2009, with the first half of the year expected to be particularly weak. The cost-intensive restructuring measures and plant consolidations, which are continuing unabated, will also put a strain on profits.

The weak sales figures are being tackled with intensive cost reduction programs and capacity adjustments: The instrument of short-time work is being used throughout Germany and is likely to be extended even further. Similar country-specific instruments are being used in other regions. Further measures to adjust staffing levels are to be taken in North and South America as well as in parts of Asia. Overall, the headcount will decrease by more than ten percent worldwide. In addition, extensive measures to reduce equipment costs, initiated throughout the Group several months ago, will help to curb the decline in the earnings level. The streamlining of the Group structure in the short term also offers considerable cost-saving potential.

In the first half of 2009, the Group result will be negative. However, the diverse restructuring and consolidation measures that have been initiated should allow the Group to break even again in the second half of the year. If no significant market recovery occurs during the second half of 2009, additional adjustments will be necessary besides the restructuring measures already planned.