Driven by performance

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

1. Business environment/economic situation in the automotive industry

Global economy: development below the previous year's level
In the last quarter of 2008, more and more national economies worldwide were affected by the significant cooling of the economic environment as a result of the financial crisis spreading throughout the world.

The two faces of the 2008 business year were particularly pronounced in the automotive industry. In the first half of 2008, it benefited from the dynamic development of the global economic situation up to that point—except in the NAFTA region. The rapid decline in order intake in the second half of the year caused the production for the whole year in most countries—and on a worldwide scale with 66.2 million passenger cars and light commercial vehicles—to fall below the previous year's level. The few positive exceptions included the BRIC countries (Brazil, Russia, India, China), where production increased by 6.4 percent to 14 million units.

With a high order backlog until the middle of the year, the worldwide production of medium-weight and heavy commercial vehicles rose by 2.1 percent to 3.1 million units despite the considerable decrease in order intake in the second half of 2008.

Europe: Weakening of the economic situation has substantial impact
20.7 million passenger cars and light commercial vehicles were produced, 5.1 percent below the previous year's volume.

Besides the impact of the financial crisis on Europe, this development was caused by the increased energy prices and the consumer uncertainty resulting from political events (e.g., from the announcement that car tax would be replaced by CO_2 tax). While production in the new and expanded plants in Central and Eastern Europe rose by 6 percent to 6.2 million units, the figure fell by 9.2 percent to 14.4 million units in Western Europe. The plants in Russia, Turkey, and Poland made a particularly strong contribution to the increase in production in Central and Eastern Europe, with above-average growth rates. In contrast, production fell short of the previous year's figure in all the large Western European manufacturing countries, by a considerable margin in some cases. While Germany and Great Britain were only moderately

affected, production in Sweden, Italy, and France decreased by a heavily disproportionate margin.

As a result of the positive economic development in Eastern Europe in 2008 and the accompanying rise in transport requirements—particularly in Russia—the European commercial vehicle manufacturers increased their production by 8.1 percent.

NAFTA: Financial and credit crisis has particularly dramatic impact

The reduced consumer confidence, the lending problems, the high fuel prices in the first half of the year, and the general economic weakness led to rapidly declining demand for passenger cars and light commercial vehicles in the NAFTA region. With fewer than 13 million units produced, the figure fell short of the previous year's by 16.2 percent. The unexpected and dramatic decline particularly affected the previously very popular sport utility vehicles and pickup trucks, bringing the total number of passenger cars and light commercial vehicles produced to the lowest level for ten years. In contrast, the trend toward smaller engines and vehicles with lower consumption intensified considerably. This change in consumer behavior primarily benefited the Asian passenger car suppliers, which are well-positioned in the various smaller vehicle classes.

The weakening construction activity, the financial crisis, and the high energy prices resulted in an unexpectedly heavy decline in the production of medium-weight and heavy commercial vehicles. Instead of the expected increase, commercial vehicle production fell by a further 17.3 percent in 2008, in comparison with the already weak figures recorded in 2007, to 449,701 units. Medium-weight commercial vehicles were affected to a disproportionately high degree.

South America: Growth comes to a standstill toward the end of 2008

As a result of the economic development in Brazil, where domestic demand was stable, production rose by 7.6 percent over the whole year to 2.9 million units. Besides Brazil, Argentina also made an important contribution to the positive development of the South American vehicle market.

In contrast, commercial vehicle production—supported by the still stable domestic economy—exceeded the previous year's value by 15.7 percent. Toward the end of the year, however, considerable declines in

passenger car and commercial vehicle production were likewise recorded in South America.

Asia/Pacific: Fewer and fewer Asian countries are able to defy the effects of the economic turbulence

The production of passenger cars and light commercial vehicles increased by only 1.7 percent to 27.4 million units. The automobile manufacturers in China were no longer able to achieve the double-digit growth rates of previous years, with production rising by 0.4 million to 7.4 million units. While the manufacturers in Japan were able to maintain the previous year's level of production, the plants in India and Indonesia increased their production by 0.1 million passenger cars and light commercial vehicles, the plants in Thailand by 0.2 million. In contrast, the production figures of the automotive industry in South Korea fell short of the previous year's level by 0.2 million units.

As a result of economic development remaining positive in the first three quarters, the production of medium-weight and heavy commercial vehicles was 4.3 percent above the previous year's value at 1,550,945 units. This increase occurred primarily in China, where commercial vehicle production rose by 7.8 percent to 863,191 units, partly in connection with the Olympic Games. While commercial vehicle production by manufacturers in India and Korea fell by around 2 percent in comparison with the previous year, the volume produced in Japan grew by 4.3 percent to 198,997 units.

However, the Japanese passenger car and commercial vehicle manufacturers recorded substantial declines in the fourth quarter of 2008 as a result of their heavy dependency on exports.

2. Business development in 2008

Sales

In the past business year, despite the 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).

However, this was only possible as a result of the acquisitions made during the first half of the year, which offset the negative organic growth to a large extent. The reported sales include adverse exchange rate effects of EUR 141.1 million, arising from the conversion of sales generated and invoiced abroad into euro, the Group currency. In 2008, therefore, the business development of the MAHLE 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, while corresponding decreases in sales were recorded in Europe and North America.

Sales generated in Germany fell by 2 percent in comparison with the previous year to EUR 1,258 million. This decline was relatively moderate, partly as a result of the inclusion of the business volume of ENTEC GmbH as of July 1, 2008.

Profit

At EUR 85.3 million, the profit before tax fell considerably short of the previous year's figure (2007: EUR 308.1 million).

As a result of the decline in sales that started with the summer months of 2008, the result from ordinary activities could not be maintained at the previous year's level. While profit remained at roughly the previous year's level in the first half of the year, fixed cost effects put a considerable strain on profit in the last quarter of 2008, causing the cost of sales ratio to rise to 80.5 percent of sales. Depreciation on fixed assets rose in comparison with the previous year, by EUR 19.3 million to EUR 259.8 million. The selling, administration, and development costs ratio also increased to 16.9 percent of sales. This increase was partly due to the growth of selling expenses, which was a result of the expansion of the sales-intensive aftermarket business and the acquisition of the sales activities of the Amafilter Group. With an increasing personnel costs ratio, efforts were made to counteract in the

last quarter by cutting back flexitime accounts and unused holidays. However, unavoidable residual overhead costs and productivity losses were also incurred. Despite these effects, a significantly positive operating profit was achieved for the whole of 2008.

Besides the operational development in the last quarter of 2008, the turbulence on the financial and foreign exchange markets put a considerable strain on the profit of the MAHLE Group. An increase was recorded in both the interest expense and the accrual requirements for currency and raw material hedges. Increased accruals were also required for the pension plans in the USA and Great Britain covered by funds, as the interest for company bonds rose and the share prices on the stock markets fell. The financial result deteriorated, primarily as a result of the increased financing expenditure in connection with liabilities to banks and the losses from the valuation of pension funds.

The significant increase in the tax ratio shows that a large proportion of the expenses incurred by the tax authorities in accordance with commercial law in various countries is not regarded as tax expense in the year in which the accruals are recognized.

Balance sheet structure

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

Fixed assets

The significant rise of EUR 220.4 million in fixed assets in comparison with the previous year resulted, on the one hand, from the inclusion of newly acquired activities and, on the other hand, from the fact that the capital expenditure on fixed assets, which amounted to EUR 415 million, far exceeded depreciation. The high level of capital expenditure on fixed assets was largely due to the planned restructuring of the business segments acquired from the Dana Corporation and Siemens VDO, for example. In addition, until the second half of 2008, investments were used to expand capacities. From today's perspective, it appears that customer planning for 2009 and 2010 was far too optimistic, and that these expansions were therefore unnecessary. The main causes of the increase in intangible fixed assets were the acquisition of Mopisan Konya A.S. and the Amafilter Group, and the

rise in financial assets due to the founding of Bosch Mahle Turbo Systems.

Inventories
The inventories taken over in connection with the completed acquisitions contributed once again to a rise in inventories, which increased by EUR 83.6 million to EUR 759.7 million.

Receivables and other assets
In contrast, the decline of EUR 124.1 million in trade receivables (-16.2 percent in comparison with the previous year) was a consequence of the decreasing sales in the last quarter of 2008. The amount of receivables was also affected by the reduced factoring as at the reference date in connection with an asset-backed security program. The growth in other assets was due to an increase in deferred tax assets and a rise in tax refund claims.

Equity
Despite the positive net income for the year, the MAHLE Group's equity decreased slightly in comparison with the previous year, by EUR 27.1 million. This decline was largely caused by foreign currency exchange rate effects, with a balance of EUR -29.2 million from the conversion of the balance sheet items held by the Group in Polish zloty and Brazilian reais in particular.

Accruals
Despite the expansion of the consolidation group, accruals fell by EUR 28 million, with a significant increase in accruals for potential losses more than offset by the decline in personnel and other accruals. The decrease of EUR 49.8 million in other accruals compared with the previous year was primarily caused by the use of the restructuring accruals recognized in previous years for the business segments acquired in 2007.

Liabilities
As a result of the acquisitions and the integration of the newly acquired activities, liabilities to banks rose by EUR 245.9 million to EUR 687.3 million. As a result of the decline in orders for the first few months of 2009, trade payables—like the receivables—fell by EUR 52.3 million (-10.7 percent in comparison with the previous year).

Investments

The capital expenditure on fixed assets and payments of purchase prices for the acquired companies resulted in a cash flow from capital expenditure of EUR -506.7 million. These financial requirements were largely covered by the cash flow from ongoing business activity. However, because of the Group's weaker profit situation in the second half of 2008, the self-generated funds for financing investments and acquisitions were not sufficient, and bank loans and credit lines had to be utilized.

Headcount development

MAHLE had 1,385 more employees (+3 percent) at the end of the 2008 business year than at the end of the previous year. At 12/31/2008, the total number of employees in the MAHLE Group was 49,262.

While in some regions of the world the number of employees increased even further in the first half of 2008, primarily as a result of acquisitions, a considerable adjustment of staffing levels was necessary throughout the year in North America because of the changed market situation. MAHLE responded flexibly to the incipient spread of the sales crisis in the automotive industry beyond North America to Europe, South America, and even Asia in the fourth quarter. In September 2008, a mandatory 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. MAHLE responded to the new conditions by taking advantage of existing possibilities for making working hours more flexible and using other country-specific instruments to adjust the staffing level, but was not able to bring personnel ratios in line with the considerably reduced sales figures in the second half of the year and particularly in the fourth quarter of 2008. The accompanying productivity losses were partly responsible for the weak development in revenue in the second half of the year.

Despite adjusting the staffing level, MAHLE recorded a total rise of 1,166 in the headcount in Europe, bringing the figure to 21,480. This included an increase of 99 employees (from 9,185 to 9,284) at the German locations. The increase is connected with acquisitions and primarily relates to the Brattendorf and Crock locations in Thuringia. Other increases in the number of employees in Europe resulted from company acquisitions, primarily in the Netherlands, Great Britain,

France, Italy, and Turkey. MAHLE Mopisan alone contributed an increase of 580 in the headcount.

In South America, the number of employees also increased by around 440 in 2008. This increase was primarily caused by the acquisition of a Brazilian manufacturer of forged parts, and in particular forged connecting rod blanks for local automobile production, and its inclusion in the consolidation group.

The increase of around 300 employees in the Asia/Pacific region is primarily due to the first-time consolidation of the Indian joint venture MAHLE India Pistons.

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

3. Development of the MAHLE Group

In 2008, despite the considerable deterioration of economic conditions, the MAHLE Group was able to maintain its sales at around the previous year's level. In the last 10 years, sales have grown from EUR 1.9 billion to EUR 5 billion. In contrast, profit was below the 1999 level as a result of the significant decline in sales and the associated considerable under-utilization in almost all regions of the world in the second half of 2008. The number of employees worldwide has grown from around 25,000 to around 49,000 since 1999.

The significant milestones of the MAHLE Group's development in the 2008 business year were the following:

January

MAHLE acquires a majority holding in the engine components manufacturer Mopisan in Turkey
On January 22, 2008, the MAHLE Group announced that MAHLE GmbH had acquired a majority share of 60 percent in the Turkish engine components manufacturer Mopisan.

Mopisan has two production plants in Turkey, in Konya and Izmir, which produce engine components—in particular pistons, cylinder liners, and piston pins—for gasoline and diesel engines. In the future, these plants will operate as part of the MAHLE production network, primarily to produce engine components for the aftermarket.

The majority acquisition of Mopisan supplements MAHLE's flexible production capacities geared toward small lots. The companies, which operate as MAHLE Mopisan Izmir A.S. and MAHLE Mopisan Konya A.S., are thus an important building block of MAHLE's growth strategy in the free trade market for engine components.

More than 1.5 million pistons were produced in 2007. The company achieved sales of approximately EUR 24 million with around 580 employees.

May

On May 21, 2008, MAHLE confirms the founding of a majority joint venture with Hirschvogel in Brazil
The Brazilian subsidiary MAHLE Metal Leve S.A. and Hirschvogel Umformtechnik GmbH have founded the joint venture MAHLE Hirschvogel Forjas S.A. in Brazil. The joint venture is being created from the existing company Forjas Brasileiras S.A. in Queimados near Rio de Janeiro. The former shareholders are the Brazilian Adler family (76.8 percent), Hirschvogel Umformtechnik GmbH (15.4 percent), and MAHLE Brockhaus GmbH (7.8 percent).

MAHLE will hold 51 percent of the shares in the new company and Hirschvogel 49 percent. The company will be completely consolidated within MAHLE. It employs approximately 600 people and achieved sales of 196 million reais (approximately EUR 75 million) in 2007. MAHLE Hirschvogel Forjas S.A. is the third largest forge in Brazil and manufactures connecting rods, components for injection systems, and other components for the automotive industry.

On May 27, 2008, MAHLE confirms the anti-trust authorities' approval of the joint venture Bosch Mahle Turbo Systems. On September 18, 2008: Ground-breaking ceremony for the construction of a production plant for exhaust gas turbochargers

Robert Bosch GmbH and MAHLE GmbH have founded a 50/50 joint venture for the development, production, and sale of exhaust gas turbochargers. The European anti-trust authorities have approved the founding of the joint venture.

"Bosch Mahle Turbo Systems GmbH & Co. KG" has commenced business on June 2, 2008. The company's head office in Stuttgart will house the development, administration, and sales activities. Initially, around 100 employees will work here, with half drawn from each of the parent companies.

In September 2008, Bosch Mahle Turbo Systems starts construction work on a new production plant. From 2011, up to 1.5 million turbochargers per year will be manufactured and assembled in the Austrian town of St. Michael ob Bleiburg in Carinthia across an area of more than 10,000 square meters.

After a two-year period of development for a new series of exhaust gas turbochargers for gasoline and diesel engines, which was mainly carried out in Stuttgart, Germany, the industrialization phase of the turbochargers now follows at the Blaichach/Immenstadt, Germany and St. Michael ob Bleiburg, Austria locations.

Bosch Mahle Turbo Systems is initially building the first production hall for this purpose—with an area of 10,000 square meters—in St. Michael, on a newly acquired area of land measuring almost eight hectares. In 2011, more than 150 employees are scheduled to work for Bosch Mahle Turbo Systems in St. Michael. There are also plans to increase the staffing level to around 400 employees in the subsequent years. With the ground-breaking ceremony on September 18, all necessary arrangements were made for the setting up of the machines and installations to begin in the second quarter of 2009. The high level of vertical integration in St. Michael and in the sister plant in Blaichach, the delivery base for key components for the final assembly of the turbochargers, allows the highest level of quality to be achieved as well as flexibility and cost-effectiveness to be ensured at the same time.

Exhaust gas turbochargers are one of the key technologies for reducing fuel consumption and CO_2 emissions in future generations of engines. After exhaust gas turbochargers have already been successfully used in diesel engines, in particular, they will be used increasingly in gasoline engines in the future, in combination with direct gasoline injection for downsizing concepts. This will allow smaller engines to achieve better efficiency with comparable power output.

June

On June 26, 2008, MAHLE opens the new R&D center in Brazil
MAHLE has opened a new, state-of-the-art research and development center in Jundiaí (near São Paulo) in Brazil. The brand-new building includes laboratories and test benches for research and development, spread across a developed area of 16,800 square meters.

MAHLE has operated a research and development center in Santo Amaro near São Paulo since 1978, which was originally set up for the development of pistons and bearings. Over the years, activities for piston rings, filters, and valve train products, as well as MAHLE engineering services, have been added. As the capacities on the

existing premises were no longer adequate, a completely new research and development center was built, incorporating both the existing and new activities.

The R&D center has assumed responsibility for all of the MAHLE Group's research and development activities in South America, as well as the design and sales departments. In addition, activities connected with the use of second- and third-generation biofuels are based in Jundiaí as a focal point of research. The customers are both local and international vehicle and engine manufacturers.

Around 260 people are employed there, primarily engineers, researchers, and qualified technicians.

July

MAHLE acquires Thuringian pump manufacturer ENTEC
On July 1, 2008, the MAHLE Group announced that it acquired all the shares of ENTEC GmbH in Thuringia, Germany. ENTEC is a developer and manufacturer of controlled oil pumps and coolant pumps for combustion engines.

In its current organization, ENTEC developed controlled oil pumps on customer order and produced prototypes and small lots for special applications and motorsport. These activities generated sales of around EUR 7 million in the 2007 business year with a total of about 60 employees. In addition, licenses for controlled pumps have been issued to contract manufacturing companies for large lot orders. While development is currently concentrated in the Crock/Thuringia location, production principally takes place at the Brattendorf/Thuringia location.

Development trends in modern generations of combustion engines are focused strongly on the topic of significant reductions in fuel consumption, especially in light of imminent CO_2 regulations and legislation. In the future, controlled oil pumps will make significant contributions in this area, since they can be precisely tuned to provide only the amount of oil that is needed at different engine operating points. Potential fuel savings due to optimization of the entire oil circuit system, using controlled oil pumps, range at up to three percent.

MAHLE expects a significant increase in the usage of controlled oil pumps by 2015. In Europe, classical, uncontrolled pumps are replaced almost entirely by controlled oil pumps. In the medium and long term, MAHLE plans to tap the high growth potential for controlled oil pumps with its own production facilities, and acquired the first large lot orders from European passenger car manufacturers in the second half of 2008. However, controlled oil pumps are also meeting with great interest outside Europe and are ideally suited for use in commercial vehicle and industrial engines as well.

MAHLE acquires Amafilter Group Holding BV

On July 24, 2008, the Industrial Filtration business division of MAHLE Filtersysteme GmbH signed an agreement for the acquisition of Amafilter Group Holding BV with its headquarters in Alkmaar, Netherlands.

The Amafilter Group expects sales of EUR 80 million for 2008 and employs around 450 people. MAHLE acquired 100 percent of the shares and integrated the company into the MAHLE Group on September 1, 2008. The company manufactures integrated filtration solutions for process technology.

The Amafilter Group has production plants in the Netherlands, England, France, Italy, and the USA, and thus complements the existing production plants of the MAHLE Industrial Filtration business division perfectly. It is also an excellent fit with the existing business division in terms of its product portfolio and customer structure. In the next few years, MAHLE plans to achieve significant sales growth as a result of utilizing the expanded capacities and considerably enlarged product range, particularly in the growth markets of foodstuffs, energy technology, oil and gas, and chemicals.

4. MAHLE innovations to reduce fuel consumption and emissions

Optimized piston-cylinder unit—power cell unit (PCU)
With its piston and cylinder systems, MAHLE is making an important contribution to reducing fuel consumption and emissions in numerous new customer projects. The components in the piston-cylinder unit (PCU), which are optimally tuned to one another, allow additional weight and friction optimization and also fulfill the strict requirements in terms of temperature and pressure resistance in modern combustion processes. With innovative low-friction ring sets from MAHLE, our customers will be able to reduce CO_2 emissions in modern combustion engines by up to 2 percent in the future.

Minimizing frictional loss in the valve train
The new low-friction camshaft with rolling bearing based on the proven concept of the MAHLE composite camshaft allows a considerable reduction of frictional loss in the valve train and therefore a reduction of up to 2 percent in fuel consumption. This is due to the considerably lower volume flow rate of lubricating oil required, as well as the direct friction reduction.

Optimized charge exchange
On the basis of the composite camshaft concept, MAHLE has successfully industrialized the CamInCam® camshaft and offers a cost-effective solution for OHV, SOHC, and DOHC engines that optimizes the charge exchange with new degrees of freedom. The result: Fuel consumption and emissions are further reduced with minimal installation space required.

Innovative temperature management
A new module for targeted cooling and heating of the transmission oil can significantly shorten the warm-up phase for numerous automatic transmissions. This reduces the cycle-relevant fuel consumption by up to 2 percent.

Controlled oil and coolant pumps
With its new controlled oil and coolant pumps, MAHLE is making a significant contribution to reducing energy loss in the auxiliary drives of modern engines. These pumps allow fuel consumption to be reduced by up to 3 percent. The controlled oil pumps developed by MAHLE are already used by Audi, BMW, and Mercedes.

New high EGR systems

Innovative EGR systems for high EGR strategies in diesel engines significantly reduce NO_x raw emissions without affecting fuel consumption and thus minimize complexity, costs, and weight in exhaust gas aftertreatment. MAHLE assumes that with a new system approach—based on a fast-switching valve technology—the Euro 6 limits can be achieved for both commercial vehicles and larger passenger cars without the costly urea technology (SCR).

Systems competence for complete air duct system

On the basis of many years of experience in the field of intake air filtration and air intake modules, MAHLE rounds off its product portfolio in the area of engine air management: Innovative charge air lines and the new electric wastegate actuator allow optimal management of the charge air in turbocharged engines.

With its EGR systems, MAHLE now introduces its EGR expertise at an early stage of the development process as part of a systemic approach for gasoline engines and offers the customer complete EGR systems optimally tuned to the complete air duct system. The EGR poppet valve with the patented toggle lever principle ensures precise dosing of the exhaust gas while maintaining very high opening forces.

5. Outlook for the 2009 business year

In view of the fact that all large industrial nations are currently in recession, the global economy is expected to experience negative growth in 2009. At present, the effects of the ongoing financial crisis on the real economy cannot be assessed with certainty. Positive economic impetus could come from further decreases in raw material prices and the continuing low price of oil.

Since the European economy is highly dependent on exports, current economic forecasts suggest that economic output in the euro zone will decline significantly in 2009. The national economic stimulus and rescue packages for the financial and real economy, planned in many European countries, offer positive prospects. As consumer confidence remains low, however, a significant increase in domestic demand in Europe is unlikely. The visible recession in the USA will continue in 2009, and the effects on budgetary policy resulting from the necessary support for the banking sector in combination with the heavy public deficit could restrict the U.S. government's ability to act in terms of further support measures. In contrast, positive economic growth, albeit more subdued than in previous years, is anticipated for the South American national economies. While the appreciation of the Japanese yen against the U.S. dollar and the euro are likely to put a considerable strain on the Japanese economy—and particularly its export share—during the coming year, moderate growth is considered a possibility for other Asian countries, particularly China and India.

2009 will prove to be a difficult year for the entire automotive industry. In particular, any forecasts of the probable production figures in the various regions and market segments are linked with a number of very uncertain factors. In view of this, current planning must consider a variety of scenarios, covering a relatively large range of possibilities.

However, on the basis of the current situation, a significant decline in worldwide vehicle production and vehicle sales, of both commercial vehicles and passenger cars, is expected in any case. Considering the decreasing order levels in the commercial vehicles segment, it is anticipated that this market segment will experience disproportionately heavy declines in 2009, because the commercial vehicle market is particularly affected by the prevailing investment restraint in many countries as a result of the financial crisis and the associated credit

restrictions. Further declines in the production of passenger cars and light commercial vehicles are expected, primarily in the traditional European and U.S. automobile markets. In the first quarter of 2009, a decline of up to 35 percent in European vehicle production is anticipated. For the whole of 2009, a decline of between 15 and 22 percent is likely. As regards unit sales, the noticeable purchasing restraint among private consumers resulting from the financial crisis appears unlikely to ease. For Germany, the industry association VDA forecasts, for example, that in 2009 the domestic passenger car market will reach its lowest level since reunification, with around 2.9 million passenger cars. The environmental bonus now agreed in Germany and comparable purchase incentives in other European countries could nevertheless have a positive effect and provide stimulus for the lower vehicle segments in particular.

In view of the overall economic development described, forecasts regarding the U.S. automobile market are currently associated with great uncertainty. It was already clear in 2008 that the export-oriented Japanese automobile manufacturers were also greatly affected by the unit sales crisis, a situation being intensified by the yen's current unfavorable exchange rate situation. If no countermovement occurs in the exchange rate regime, the situation surrounding the export shares of Japanese automobile producers is unlikely to improve.

As regards global automobile production, a production decline of between 13 and 20 percent is anticipated in the passenger cars and light commercial vehicles segment. For heavy commercial vehicles, a global decline of up to 17 percent is imminent, with a decline of more than 30 percent expected in Europe.

Given the negative prospects for the automotive industry, the MAHLE Group expects the market as a whole to dwindle considerably in 2009. 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. Even an increase in market shares in certain countries and regions will not compensate for this decline. Efforts will be made to increase market shares in the North American market in particular, where the leading German automotive suppliers were yet again able to expand their market share despite the extremely weak market environment on account of their strong technological position. MAHLE will also intensify its focus on Asian and Latin American markets, in which a less severe

decline is expected in comparison with worldwide production as a whole.

As regards the profit situation, a significant decline in the MAHLE Group's profit is also anticipated. The cost-intensive restructuring measures and plant consolidations to adjust capacities, which are continuing with the same level of consistency, are also putting a strain on profits. The weak sales figures are being tackled with intensive programs to reduce costs and adjust capacities to the demand: The instrument of short-time work is being used throughout Germany and is likely to be extended even further. Similar instruments for temporary adjustment of capacities, according to the country-specific circumstances, are being utilized intensively in the other countries in which the MAHLE Group is active. Further measures to adjust staffing levels will be taken during the year in North and South America as well as in parts of Asia. The overall staffing levels are to be adjusted by more than 10 percent worldwide. Other extensive measures to reduce equipment costs, initiated throughout the Group several months ago, will also help to curb the decline in the earnings level. In the short term, MAHLE has also responded to the significantly reduced market demand with a streamlined Group structure that offers considerable cost-saving potential in the medium term.

The MAHLE Group has once again hedged against fluctuating raw material prices and exchange rates by means of financial instruments and it will therefore be some time before the Group benefits from the developments on the foreign exchange and raw material markets, which are positive for the Group overall. The Group's position in terms of sales and unit sales suggests a negative Group result in the first half of 2009. In contrast, the diverse restructuring and consolidation measures that have been initiated should allow the Group to break even again in the second half of 2009. If no significant market recovery occurs during the second half of 2009, additional adjustments will be necessary besides the restructuring measures already planned.

Despite a potential operating loss for the whole of 2009, MAHLE anticipates a positive operating cashflow on the basis of current planning. All the key measures to reduce current assets have been taken. New investment in machinery and equipment is being limited to around two thirds of the depreciation level of around EUR 300 million.