

Press release on the business development of the MAHLE Group in the year 2007

1. Business environment/economic situation in the automotive industry	2
2. Business development in the year 2007	5
3. Group development	11
4. MAHLE technologies for CO₂ reduction.....	14
5. Powertrain technology trends of the coming decades	15
6. Global significance of OEs and suppliers	17
7. Outlook for the business year 2008	18

1. Business environment/economic situation in the automotive industry

Global economy: development at a high level

The 2007 business year was characterized by positive development in the global economy, as in the past three years. However, as a result of the real estate crisis in the USA, there was a regional slow-down of the overall economic development in 2007. Consequently, the growth rate of aggregate global production at 3.7 percent, and international trade at 6.6 percent, were slightly lower than in 2006.

The weakening economic dynamics in the United States were primarily compensated by the increase in the gross domestic product in the euro zone, Brazil, and the emerging markets of Southeast Asia. As a result of the overall robust development in the global economy, the dampening effects of the heavy increase in the price of oil in the course of the year, which at times reached almost USD 100 per barrel, and the upward revaluation of the euro against the USD, remained remarkably low.

Asia drives expansion of the global automotive industry

In 2007, the automotive industry benefited once again from the overall dynamic development of the global economy. As a result of the higher demand, not only in China and India, but also in South America and Eastern Europe, the worldwide production of passenger cars and light commercial vehicles increased by 5.4 percent to 69.9 million units.

With a rise of 6.2 percent to 2.9 million units, the worldwide production of medium-weight and heavy commercial vehicles was better than expected at the beginning of last year.

Europe

In Europe the production of passenger cars and light commercial vehicles increased by 5.5 percent to 21.9 million units in 2007. This increase was caused by the rise of 0.8 million units in automobile production in Central and Eastern Europe to 5.8 million vehicles, which corresponds to growth of 15.5 percent. New plants in Slovakia made a particularly important contribution to this increase, with production doubling to more than 0.5 million units. The production volumes for passenger cars and light commercial vehicles in Hungary, the Czech Republic, Poland, and Russia also exceeded the previous year's

values considerably. The number of passenger cars and light commercial vehicles produced in Western Europe rose by 0.4 million units to 16.1 million vehicles. The proportion of vehicles fitted with diesel engines in Europe increased sharply, with a rise of 3 percent to 50 percent in 2007.

The European commercial vehicles manufacturers were able to benefit from the positive economic development, particularly the Central and Eastern European countries, with an increase of 14.6 percent in production to 729,000 units. Russia was the only country in which commercial vehicle production increased by 39 percent; as a result, it almost closed the gap with Sweden, the second largest manufacturing country in Europe.

NAFTA region (USA, Canada, Mexico)

Significant increases in crude oil prices, the crisis in the real estate market, and reduced consumer confidence were the causes of a decline of 1.6 percent in the production of passenger cars and light commercial vehicles in North America to 15 million units. The increase in fuel prices was also the main reason for the weakened sales of large sport utility vehicles and pickup trucks. On the other hand, the Asian and European manufacturers were able to benefit from the relatively stable demand for vehicles with lower consumption.

The production of medium-weight and heavy commercial vehicles fell by 33 percent to 430,000 units as a result of purchases being brought forward by fleet operators and because of the weakened economic situation. This primarily affected heavy commercial vehicles, for which production decreased by even 43 percent to 217,000 units.

South America

Driven by the strong domestic demand, the production of passenger cars and light commercial vehicles in South America increased by 16.4 percent to 3.5 million units.

Also, the economic upturn led to a significant increase in production: at 193,000 units, the production of commercial vehicles in 2007 was 21.5 percent higher than the previous year.

Asia/Pacific

The Asian market also experienced above-average positive development with a rise of 8 percent to 27.6 million units, in comparison with the previous year. As before, China made the biggest contribution to this increase, with production of passenger cars and light commercial vehicles rising by 1.4 million units to 7.9 million vehicles. India and Korea recorded considerably lower growth, with a rise of 0.3 million units in both countries. Production in Japan was increased by 0.1 million units.

In Asia, the production of medium-weight and heavy commercial vehicles exceeded the previous year's value by 256,000 units, i.e., 19.4 percent. This increase was driven primarily by the Chinese manufacturers, whose production volume grew by 39.1 percent to 814,000 units. India and Korea were able to increase their production by 3,000 and 11,000 units respectively to 285,000 and 52,000 vehicles.

2. Business development in the year 2007

Sales

In the 2007 business year, the MAHLE Group achieved sales of EUR 5.06 billion; this corresponds to an increase of EUR 746.4 million or 17.3 percent compared with the previous year.

Much of the growth in sales resulted from acquired companies and parts of companies included in the consolidated financial statements for the first time (EUR 541.9 million, 12.6 percent). The significant additions related to the acquisition of the engine parts business of the Dana Corporation and the air intake modules and air filtration business segment of Siemens VDO. Other acquisition activities included the forming of the majority joint venture MAHLE Tri-Ring Valve Train (Hubei) Co., Ltd., China, and the purchase of the shares in Edival S.A., Argentina, and Promotora de Industrias Mecánicas, S.A. de C.V. (Promec), Mexico.

Changes in exchange rates in comparison with the previous year had an unfavorable impact of EUR 105.3 million on sales denominated in euro in the year under report. These include effects on operational business as well as from converting sales produced and invoiced abroad into euro, the Group currency. Excluding exchange rate factors, the Group achieved growth of 20 percent, of which 7 percent was due to organic business expansion. The MAHLE Group's development thus considerably exceeded the development of the market as a whole. This growth was supported primarily by sales increases in Europe and South America as a result of gains of market share and further increases in sales of systems supplies, which were in heavier demand because of the technological competence of the MAHLE Group.

Sales generated in Germany rose by 4 percent in comparison with the previous year to EUR 1,285 million. Almost half this increase in sales was contributed by MAHLE GmbH. In addition, Kolbenring Barsinghausen GmbH, acquired as part of the takeover of the engine parts business of the Dana Corporation and consolidated for the first time in 2007, also produced a sales increase of EUR 7 million.

Profit

While the Group recorded growth of 17.3 percent in sales, the profit before tax rose by just 4.6 percent from EUR 294.6 million in 2006 to EUR 308.1 million in 2007.

In particular, significant increases in the costs of raw materials, which could not be passed on to the customers to a sufficient degree, reductions in sale prices, and foreign currency changes had an adverse effect on profit. In addition, some of the newly acquired units put a significant strain on profit, as expected. Far-reaching integration and restructuring measures were started as planned, which entailed considerable expenditure.

As a result of increased income from the reversal of other accruals and decreased amortization of goodwill, the net of other operating income and expenses was EUR 29.3 million higher than in the previous year.

The negative change in the financial result in comparison with 2006 is almost exclusively due to higher interest expenses.

The increase of 4.6 percent in the profit before tax was successfully converted into a rise of over 16 percent in the net income for the year (profit after tax). All product lines made positive profit contributions to the net income for the year of EUR 223 million. At a regional level, however, the profit contributions from North America were significantly lower in 2007. This was due to the general market weakness and the high restructuring and integration costs.

Balance sheet structure

The balance sheet total rose by EUR 464 million in comparison with the previous year (+14.2 percent) to EUR 3,740.8 million, primarily as a result of the significant expansion of the consolidation group. The structure of the major items on the assets and liabilities side of the balance sheet developed as follows in comparison with the previous year.

Besides an investment level that exceeds depreciation considerably, the expansion of the fixed assets is characterized by acquisitions included for the first time (EUR 160.3 million). In addition, the intangible fixed assets recorded an increase of EUR 119.5 million (+91.3 percent), which is primarily due to the goodwill from the inclusion of

newly acquired activities. The inventories rose by EUR 187 million (+38.2 percent) to EUR 676.1 million. In particular, the inventories incorporated into the Group balance sheet in connection with the first-time inclusion of newly acquired business units contributed to this increase.

The liabilities side of the MAHLE Group balance sheet is characterized by the preservation of a good equity base despite the high level of growth. As at December 31, 2007, the equity rose to EUR 1,538.3 million (EUR +174.8 million) in comparison with the previous year, supported by the net income (EUR 223 million). Foreign currency exchange rate effects in connection with the capital consolidation reduced the equity by EUR 14.6 million. Despite the increase in total assets and liabilities and the payments of purchase prices for the acquired business segments, the equity ratio fell only slightly by 0.5 percent in comparison with the previous year.

Besides the rise in equity, the main contribution to financing came from significant increases in accruals (EUR +254.8 million) and trade payables (EUR +112.3 million) resulting from acquisitions. As well as growth in tax and pension accruals, the rise in accruals resulted primarily from the increased accruals for restructuring measures—particularly for improving the cost structure of the newly acquired activities and for realizing potential synergies—and the increase in other accruals in Human Resources. The liabilities to banks were reduced by EUR 113 million despite the numerous and large acquisition projects, as a result of the positive cash inflow from operational business activity. As at December 31, 2007, they made up just 11.8 percent of the balance sheet total, compared with 16.9 percent in the previous year.

Investments

In 2007, with investments in new machinery, equipment, and buildings totaling EUR 309 million, the MAHLE Group once again invested significantly above the depreciation level of EUR 240 million. This reflects the continued efforts to modernize the production plant, to expand the research and development equipment, and to prepare for further organic growth. In comparison with the capital expenditure of EUR 264 million in 2006, this represents a rise of EUR 45 million, which is largely due to investments made by the newly acquired

companies after the acquisition date. In addition, an eight-figure carry-over sum was transferred to the investment budget for 2008. This procedure allows the Group units to postpone investment projects—which, for example, can no longer be completed in the budget year for capacity reasons—until the following year, thus ensuring that the investment budget is completely utilized.

With an investment ratio of 6.1 percent of sales, MAHLE has once again significantly exceeded the average investment level of the automobile industry and automotive supply industry. This long-term, strategically oriented investment approach pursued by the MAHLE Group clearly demonstrates the Group's sustainable growth strategy, on the basis of the latest production and process technologies and continuous innovations.

Of the total investments in 2007, approximately EUR 150 million was used in Europe, of which around EUR 67 million went toward the German locations, approximately EUR 8 million more than in the previous year. Besides preparations for new customer projects, a large proportion of the investments in Europe was directed toward further expansion of capacities, rationalization projects, and continuous improvement of processes and quality. In addition, millions of euro had already been invested in 2007 in the area of exhaust gas turbochargers—not just a new product line for MAHLE, which will be represented by a joint venture with Bosch from 2008, but also one of the most important key technologies for future generations of engines.

The investment level for the Group's South American locations was considerably higher than the previous year's value at approximately EUR 50 million, while euro investments in North America decreased by EUR 3 million to approximately EUR 49 million. However, this reduction resulted exclusively from the fact that the U.S. dollar was significantly weaker than in 2006, and therefore arose only upon conversion into euro, the Group currency. In local currency, the investments of the previous year were exceeded, even in this region. On the American continents, investments focused particularly on the extension of the foundry for camshafts in Brazil and the expansion of output capacities for connecting rod manufacturing in Mexico.

In the Asia/Pacific region, less was invested in new machinery, equipment, and buildings than in the previous year. The investments,

which nevertheless remained relatively high at approximately EUR 54 million, were primarily used for capacity and product portfolio expansions in China and Japan. One activity particularly worth mentioning is the construction of a new connecting rod manufacturing facility in Yingkou/China, which will supply customers locally from 2008.

Headcount development

MAHLE had 9,274 more employees (+24 percent) at the end of the 2007 business year than at the end of the previous year. This increase was primarily due to the first-time inclusion of the newly acquired companies, but also to the organic business expansion at the previous locations. At 12/31/2007, the total number of employees in the MAHLE Group was 47,877. All regions of the world contributed to this growth, albeit to differing extents.

In Europe, MAHLE recorded a total rise of 2,587 in the headcount, bringing the figure to 20,314. This included an increase of 335 employees (from 8,850 to 9,185) at the German locations. Besides an acquisition-related increase at the Barsinghausen location, the staffing level was built up primarily at the Gaildorf, Leibertingen, and Öhringen production plants as a result of the sales growth achieved. Additional employees were also taken on at the headquarters in Stuttgart, particularly because of the expansion of development activities. Other significant increases in the numbers of employees in Europe resulted from company acquisitions, primarily in Great Britain, France, Italy, and Slovakia. In connection with the further expansion of the Eastern European locations, additional employees were taken on, primarily in Poland (Krotoszyn).

The acquisition activities had the strongest effect in the NAFTA region, with an increase of 3,686 employees. Besides the USA, this also affected Mexico and Canada. This increase was counteracted by the weak economic situation in the USA; overall, the headcount in North America rose by 3,675 in 2007 to 7,325. In South America, the number of employees also increased in comparison with the previous year. With a rise of 1,779 employees, this region reached a staffing level of 11,649. The increase resulted on the one hand from new acquisitions, particularly in Argentina; on the other hand, the growth was driven by additional recruitment at the Brazilian locations in connection with the strong capacity utilization and the further increase in sales, which was due to the robust domestic economy.

In the Asia/Pacific region, where development is particularly dynamic, 1,233 more people were employed than in the previous year. While a slight decline was recorded in Japan, the headcount in China increased in particular, partly as a result of company acquisitions, but mainly because of organic growth—especially in the filtration activities.

Headcount per region	2006	2007
Europe	17.727	20.314
<i>of which Germany</i>	<i>8.850</i>	<i>9.185</i>
North America	3.650	7.325
South America	9.870	11.649
Asia/Pacific	7.356	8.589
Total	38.603	47.877

3. Group development

The development of the MAHLE Group in the past 10 years has been characterized by continuous profitable growth. Sales have developed from EUR 1.9 billion to EUR 5.1 billion, which corresponds to an average annual growth rate of 11.5 percent, significantly above general industry growth. Profit has risen from EUR 138 million to EUR 308 million, and we have been able to more than double the number of employees worldwide.

Today, MAHLE is the world's leading supplier of engine components and powertrain systems with an extensive product portfolio and, taking into account all its product groups, is one of the largest suppliers worldwide. With more than 100 production plants, MAHLE is comprehensively represented in all regions of the world and all major automobile-producing countries. The global presence is also demonstrated by the seven international research and development centers, where a total of more than 2,500 development engineers are employed.

In 2007, we were able to add further significant and—in the long term—strategically important building blocks for the Group's ongoing development. The acquisition of the Dana engine parts business with locations in 10 countries, approximately 5,000 employees, and annual sales of approximately USD 670 million primarily strengthened our Piston Rings, Engine Bearings, and Camshafts product groups, in which we have now achieved the second highest market share throughout the world. The acquisition was completed with the purchase of the existing majority shares in the Mexican company Promec, with three production plants for piston rings and cylinder liners. As regards our North American spare parts business, this acquisition also strengthens our position considerably. By acquiring the Siemens VDO intake modules and air filtration business segment, MAHLE was able to establish itself as the largest supplier worldwide of air management systems for combustion engines. The strongly complementary locations and customer programs will allow a considerable strengthening of our position in the long term through the utilization of synergy effects. In 2008, this MAHLE business segment will be able to generate sales of more than EUR 1 billion. The two acquisitions MAHLE Tri-Ring Valve Train (Hubei) in Macheng, China, and MAHLE Válvulas de Argentina (formerly Edival) in Rafaela, Argentina, have

represented almost a doubling of our capacities for engine intake and exhaust valves and introduced the possibility of setting up a global production network for this product group.

Further expansion steps were taken at the beginning of 2008. The acquisition of the majority of shares in the Turkish company Mopisan, with the two locations Izmir and Konya, strengthens our competitiveness in the free trade market for engine components. The new Indian joint venture MAHLE India Pistons Ltd. in the Chennai area is under the industrial leadership of MAHLE and gives our Piston Systems product line significant access to the booming Indian vehicle and engine market. In taking this step, MAHLE is focusing on the future market for engines that already meet the strict European exhaust gas standards.

Overall, the acquisitions of 2007 and the companies founded at the beginning of 2008 have led to a significant growth spurt and a further strengthening of the MAHLE Group's global presence. While the MAHLE Group's production network comprised 80 locations at the end of 2006, the number of locations has increased to 110 at the beginning of 2008. However, plant consolidations will be undertaken in the next 24 months by utilizing synergy effects and focusing the production plants on specific product groups. This will affect a total of 8 locations (6 in North and South America and 2 in Europe). These steps are necessary in order to create cost-effective production units and eliminate redundancies in overhead functions.

In contrast, no cuts will be made in the area of product development; the two new development locations in Muskegon, Michigan (USA), and Rugby, England, are being fully integrated into MAHLE's existing network of R&D centers. With its 20 engine test benches, the Muskegon location will be given an important role as a test center, while the global product and process development for bearings will be concentrated at the Rugby location.

The founding of a 50/50 joint venture with Robert Bosch GmbH for the development, sale, and production of turbochargers represents another important building block in the long-term strategic development of the Group. Using exhaust gas turbochargers for charging the latest generations of engines is one of the key technologies that will allow future requirements relating to the reduction of fuel consumption and

CO₂ emissions to be met. While today's diesel engines already almost exclusively use exhaust turbocharging, this will be implemented to a rapidly increasing degree in gasoline engines in the next few years, in connection with direct injection. While the market for exhaust gas turbochargers amounted to approximately 15 million units in 2006, realistic estimates suggest that production figures will treble by 2020.

MAHLE and Bosch complement each other ideally as regards their systems know-how for the development of innovative generations of exhaust gas turbochargers. While Bosch brings its knowledge from the areas of engine control and injection technology, MAHLE is able to draw on many years of know-how in the manufacturing of turbocharger components and its experience in the production of high-precision engine parts from high temperature-resistant materials. The merger between MAHLE and Bosch to form "Bosch Mahle Turbo Systems" allows an overall acceleration of the market entry, with several production startups within a short period of time from 2010 to 2012. The operational start of the joint venture is currently scheduled for June 1, 2008. Stuttgart is set to be the new headquarters. Product and process development, prototype production, and sales activities will be based at these new premises at Löwentorstraße 68–70 in Stuttgart. A new production site near the MAHLE location in St. Michael, Austria, is planned as the main location for production, including final assembly, while the Bosch location Immenstadt in the Allgäu will supply components and subassemblies.

In the long term, the joint venture is set to produce several million exhaust gas turbochargers, which would then also be produced at further locations in other regions of the world.

4. MAHLE technologies for CO₂ reduction

MAHLE has responded to the increasingly intense debate on the necessity of reducing the quantity of man-made CO₂ with proactive research and development activities. Although land-based passenger and goods transport (passenger car and commercial vehicle traffic) only makes up approximately 12 percent of the world's man-made CO₂ production, MAHLE has made a commitment to achieving and demonstrating a significant reduction potential through its own developments. With a specially developed 3-cylinder gasoline engine, which—as a technology demonstrator—contains a large number of new MAHLE innovations, we have successfully shown that we can achieve savings of approximately 30 percent in fuel consumption, with no change in the performance potential and an improved torque curve in comparison with today's conventional 6-cylinder engines with a displacement of approximately 2.5 liters. With the MAHLE innovations used in this demonstrator, such as the reduced-friction power cell units, the variable valve train, optimized air and liquid management, fast-switching exhaust gas recirculation systems, exhaust turbocharging, and the specific lightweight casting process, new technologies will be available to our customers in the short and medium term, allowing them—in combination with direct gasoline injection and mild hybridization—to fulfill the CO₂ objectives set for the period up to 2012 and beyond.

We have thus proved that with economically maintainable additional expenditure on higher-quality technology components, the combustion engine—in both its diesel and gasoline variants—represents the most suitable drive system for sustainable and environmentally friendly mobility in the coming decades.

5. Powertrain technology trends of the coming decades

Despite the potential already shown by further possibilities for the optimization of fuel consumption and CO₂ in the combustion engine, in both its gasoline and diesel variants, work is being carried out to develop alternatives that work primarily as part of "zero-emission vehicles" and do not produce any CO₂ output. For the foreseeable future, this is only possible with a purely electric drive, ruling out the possibility of a hybrid drive featuring the combination with a combustion engine.

However, with limited vehicle safety and a considerably restricted operating mode because of the insufficient energy storage capacity, the technical solutions made available by current and future battery technologies are only expected to be sold in small quantities and be used exclusively for short journeys (<100 kilometers) in inner-city environments.

However, depending on the different topographies, average mileages, and areas of application in different regions of the world, up to 10–12 percent of new vehicles are expected to have hybrid vehicle drives by 2020, comprising a combination of an electric motor/battery and a combustion engine. The main savings potential of these combined drives relies on the fact that, as a result of the supporting function of the electric motor, the combustion engine can run at the optimum operating point in terms of consumption over a much greater range of its normal driving cycle, thus creating even greater potential savings. This additional savings potential is higher in the combination gasoline engine/electric motor than in the combination diesel engine/electric motor; nevertheless, considerable added costs are incurred in both cases. However, a purely electric drive type, which many sources currently see as the way forward, is—regardless of technical feasibility and costs—by no means a CO₂-reducing drive technology for future generations of vehicles, when considered as part of the entire energy chain.

Taking Germany as a basis, with an average cross-section of different power plant technologies for generating electricity, it appears that only around a third of all electricity production today is CO₂-free—and this is largely due to the 22-percent contribution that nuclear power currently makes to electricity production in Germany. Only a very small

percentage of the new power plant capacities planned in the medium term, which will be used, for instance, to replace today's nuclear power plants, are CO₂-free, as they are generally based on conventional technology (coal, natural gas, crude oil). Consequently, driving purely electrical vehicles will by no means decrease CO₂ output on a global or regional scale, but merely shift it from the automobile to the power plant. It is also worth remembering that the average efficiency of a coal power plant, for example, is no greater than that of a combustion engine. This means that with the introduction of purely electric drive technologies, a reduction in CO₂ production can only be achieved if electricity is produced in a purely renewable way (e. g., wind, water, solar) or nuclear technology is used to a greater extent. In view of this, it is worth investigating whether, in the long term, it would actually make more sense to satisfy the future energy needs of land-based mobility (passenger cars and commercial vehicles) with second-generation biofuels. Their CO₂ output is just 10 percent of that of today's diesel and gasoline fuels, which are based on crude oil, and they do not conflict with the needs of the human food chain. According to today's estimates, around 30–50 percent of the total quantity of fuel required could be provided by second-generation biofuels within approximately 10–20 years from now. The use of biofuels would then make it possible to draw on the proven powertrain technology of the combustion engine without introducing extremely expensive additional infrastructures.

6. Global significance of OEs and suppliers

In connection with the politically established fuel consumption and CO₂ limits, the significance of the national automotive industry (both OE manufacturers and first-tier suppliers) is extremely important for the various regions, as industrial-political conflicts of interest may arise.

Taking a simplified view of the significance of the automotive industry for the major countries on the basis of the annual sales generated in 2006, it emerges that OE manufacturers in the USA have a global market share of 32 percent, followed by Japan with 26 percent, and Germany with 22 percent. The remaining European countries, including France, Italy, and Sweden, enjoy a global market share of 15 percent, while all other companies, including Korea, China, and India, have a worldwide market share of just 5 percent. In relation to the total gross domestic product of the countries concerned, it is clear that the automotive industry has outstanding significance for Germany on an international scale.

Looking at the importance of the automotive supply industry leads us to an even more fundamental statement. Again, for the purposes of taking a simplified view, only the annual sales of the 100 largest global first-tier manufacturers have been taken into account. This shows that the German automotive supply industry has by far the greatest significance on a global scale. Over 30 percent of the entire worldwide sales of the automotive supply industry is generated by German companies. They are then followed by the total of American and Japanese companies, with shares of 26 and 22 percent respectively. The significance of the German automotive supply industry in the market as a whole is even considerably greater than that of the German automobile manufacturers; this is essentially due to its technological leadership. The innovative strength of the German automotive supply industry is thus essential to achieving goals in relation to significant reductions in fuel consumption and CO₂ on a global basis.

7. Outlook for the business year 2008

According to consistent estimates, global economic development will weaken in 2008, particularly as a result of the development of the economic situation in the USA and its impact on other market regions. Further increases in raw material and energy prices are also putting a strain on growth. Nevertheless, on a global level, a moderate rise in the world gross domestic product is anticipated.

Therefore, despite the economic weakening mentioned previously, global growth is expected for the automotive industry and its production; nevertheless, the growth rates will vary significantly in the different regions of the world. While we anticipate a further decline in production in the NAFTA region, particularly among the American manufacturers, after an already weak 2007, and stagnating production figures are on the horizon in the traditional triad markets of Western Europe and Japan, we expect disproportionately strong production increases in the BRIC countries (Brazil, Russia, India, China) once again in 2008, with double-digit growth rates. Therefore, we expect overall worldwide production figures for passenger cars and light commercial vehicles to increase from approximately 70 million in 2007 to approximately 72.5 million units in 2008.

For commercial vehicles (including buses), we anticipate overall stable development. In contrast to the declining development in the passenger car segment, we expect that the emissions guideline cycles will be the primary cause of a resumption in the growth of production figures in the NAFTA region by the second half of the year at the latest. Because the new, further tightened guidelines come into force from January 1, 2010, considerable prebuy effects will lead to a rise in production figures, starting from the second half of 2008 and then continuing into 2009.

On the basis of the recognized innovative strength of the MAHLE Group and the launch of new products, as well as the further improved international presence, we expect the MAHLE Group's business development in 2008 to fully participate in the forecast growth of the automotive industry, particularly in the growth markets. In the first quarter of 2008, MAHLE was able to achieve sales of EUR 1,320 billion, corresponding to growth of 11.5 percent. However, this is essentially due to the fact that the dates of first consolidation of the new acquisitions fell within 2007, and therefore this level of growth cannot

be achieved for the whole of 2008. Provided that exchange rates remain stable, and particularly that the average exchange rate of the dollar to the euro does not exceed 1:1.45 over the year, we believe that we can achieve potential sales of approximately EUR 5.5 billion. This takes into account the first consolidation of the new acquisitions MAHLE Mopisan (Turkey) and MAHLE India Pistons Ltd. mentioned above, as well as other potential new, smaller acquisitions in the course of the year.

In 2008, the MAHLE Group's profit situation will be characterized by the rapidly progressing integration of the larger units acquired in 2007, particularly the business segments taken over from the Dana Corporation and Siemens VDO. The cost-intensive integration and restructuring measures already started will be continued consistently, in order that the anticipated synergy potential can be realized as quickly as possible. Adverse effects on profit in 2008 are also expected in connection with further heavy increases in costs of materials. Rising personnel costs and higher expenditure for expanded research and development activities will also affect profits negatively. We plan to compensate for these effects by means of an ambitious package of measures to increase productivity and efficiency. Our goal for 2008 is therefore to maintain the earnings level of 2007 and improve it significantly in subsequent years following the full realization of synergy effects.