

Press release on the business development of the MAHLE Group in 2012

Stuttgart, April 19, 2013

MAHLE benefits from its global presence. 53 percent of sales are now being generated outside of Europe.

Sales

While MAHLE Group sales rose by just under eight percent during the first half of 2012 in the year-on-year comparison, business was considerably more restrained during the second half-year. Overall, sales increased by almost three percent to EUR 6,159.5 million in the 2012 business year. Adjusted for positive foreign currency exchange rate effects, sales remained at around the previous year's level.

In view of the challenging market conditions seen particularly in Europe, MAHLE benefited during 2012 from the reinforcement of its non-European business, which has been systematically pursued in recent years; it proved to be a key stabilizing factor. As a result, the share of sales generated outside of Europe rose to 53 percent. Of the total sales, 47 percent was generated in Europe, 20 percent in North America, and 12 percent in South America, with 21 percent attributable to the Asia/Pacific region. In relation to the precrisis year of 2008, the European share of the MAHLE Group sales fell from 54 to 47 percent. It is only by allowing for acquisitions that the sales generated in Europe were able to maintain a constant level. Hence, the Group growth of 22.8 percent achieved during this five-year time frame was almost solely generated in the regions outside of Europe and primarily in Asia and North America.

The Engine Systems and Components business unit was not able to fully match the previous year's level, which can be ascribed to the particularly difficult market conditions in Europe and South America. In addition, the business unit generated a major proportion of sales in a globally declining commercial vehicle market. In contrast, the Filtration and Engine

Peripherals business unit turned out to be the Group's key growth driver in 2012. Despite the economic slowdown in several regions, its sales rose by 13.2 percent. The business unit thus generated 31.3 percent of Group sales. Sales from the Aftermarket business unit also exceeded the previous year's value. The Industry business unit was able to match the level of the previous year.

Profit

The timely introduction of cost adjustment and productivity improvement measures prevent the cost of sales from increasing disproportionately. This is reflected in an almost unchanged gross margin of 21.3 percent (previous year: 21.5 percent), which must be regarded all the more positively as the expenditure for prototypes is no longer reported as a research and development expense, but is included in the cost of sales.

Research and development expenses totaled EUR 289.4 million (previous year: EUR 322.8 million). This reduction is solely attributable to the changed reporting method of the expenditure for prototypes. The research and development budget was increased again in 2012 despite the challenging business environment.

The financial result has deteriorated by EUR 63.5 million to EUR –136.8 million. This can mainly be ascribed to a considerably lower result from associated enterprises, including the impact of extraordinary items for the Behr Group and increased expenditure arising from anticipated startup losses of Bosch Mahle Turbo Systems.

Consequently, the income from ordinary business activities totaled EUR 267.1 million and—when adjusted for extraordinary items—has clearly exceeded the previous year's figure despite the difficult market conditions. Therefore, business development in 2012 can be described as overall satisfactory.

Investments

MAHLE invested in the expansion and modernization of its output capacities at a level significantly above depreciation once again in 2012. 62 percent of capital expenditure on tangible fixed assets was invested in non-European markets. In particular, MAHLE strengthened its production capacities in Asia. In Kyushu/Japan, a new production plant for air intake and filtration systems was constructed in close proximity to major Japanese customers. In Thailand, both existing plants in Greater Bangkok were expanded. Moreover, the research and development centers in Shanghai/China and Detroit/USA were extended.

Human resources

As at the end of 2012, the number of employees in the MAHLE Group was 47,662, which is 1,156 fewer than in the previous year. Reflecting the development of sales, the number of employees decreased in Europe and South America, while it increased in North America and Asia. The proportion of employees working outside of Europe remained almost constant at 57.9 percent.

2012 saw the Group investing nearly EUR 7 million in the qualification and training of employees. In Germany, MAHLE received the 2012/2013 award for Top Employer Automotive from the CRF Institute.

Long-term trends

MAHLE Group sales have almost doubled over the last ten years, and the headcount has increased by approximately 17,000.

Development of the MAHLE Group

Holding in the Behr Group

Antitrust authorities in Europe and the USA have launched investigations against manufacturers of thermal systems for the automotive industry. As Behr is also affected by these investigations, MAHLE has delayed the majority acquisition originally scheduled for 2012 until all potential implications have been clarified both in legal and commercial terms. The positive strategic evaluation of a complete integration of Behr into the MAHLE Group is still unaltered.

The Behr Group generated sales of approximately EUR 3.6 billion for the 2012 business year. Considering the restrained market situation, the development of operating profit was satisfactory. The collaboration of the MAHLE and Behr development and sales teams has led to the acquisition of additional large customer projects, which is to be regarded positively.

Holding in Kokusan Denki Co., Ltd.

At the turn of the year, MAHLE acquired a share of approximately 30 percent in the Tokyo-listed company Kokusan Denki Co., Ltd., a specialist for mechatronic products. Kokusan Denki Co., Ltd. has about 820 employees in Japan and generated consolidated sales totaling JPY 23.4 billion (nearly EUR 190 million) during the 2011/2012 business year.

Acquisition of RTI Technologies, Inc.

Headquartered in York, Pennsylvania/USA, the company has specialized in automotive maintenance equipment. The acquisition of RTI, which generated sales of approximately USD 16.6 million (approximately EUR 13.3 million) in 2012, paves the way for strategically expanding the MAHLE Aftermarket activities in the workshop equipment sector.

Outlook for the 2013 business year

In order to achieve a higher level of production flexibility at the German locations, MAHLE has concluded an agreement with the advisory boards to safeguard employment until the middle of 2015, which in return enables the temporary reduction of working hours and an increase in the percentage of fixed-term and agency employees.

The Group's globalization strategy continuously pursued in the past few years represents a major competitive advantage. The impact of the challenging European market conditions will be offset at least to some extent by other regions. In 2013 and 2014, the production footprint, in particular, will be further expanded for the automotive business in Asia/Pacific. Specifically, expansion-related investments are planned for China and Indonesia.

As part of the long-term development of the Group, MAHLE is continuing to strive for a further diversification of the product range and the expansion of the nonautomotive sector in 2013. In addition to sustained investments in research and development, the Group is using strategic acquisitions to continuously expand its range of products.