Driven by performance

Press release on the business development of the MAHLE Group in 2014

1. Business environment/economic situation in the automotive industry

Overall economic development

In its April report, the International Monetary Fund (IMF) estimated the growth of the global economy at 3.4 percent in 2014. This revision of the more optimistic forecast made at the beginning of 2014 relates in particular to the reduction in growth potential in both advanced economies and emerging markets, alongside geopolitical uncertainties such as the Ukraine crisis.

The economic situation in **Europe** continued to show little momentum. The fact that the euro zone did not slip back into recession in 2014 is mainly due to an expansive monetary policy and the incipient recovery of several previously crisis-stricken countries.

The **United States** was able to record unabated growth. According to the IMF, economic growth amounted to 2.4 percent in 2014—a slight increase compared with the previous year, backed by fiscal and monetary policy incentives along with the recovery of the real estate and labor market.

In **South America**, growth was inhibited by deteriorating terms of trade, induced by exchange rate movements, as well as weak domestic demand. Brazil, in particular, suffered from a restrained business and consumer climate, along with a decline in competitiveness. Consequently, the country's economic output contracted in 2014, the year under report.

In **Japan**, the VAT increase led to a decrease in consumption and investment demand, causing tangible damage to the economy. In **China**, the government was unable to maintain the previous year's economic growth level despite taking a series of small-scale measures, with the figure reaching 7.4 percent. Driven by positive impetus from investments and exports, **India** was one of the few major economies able to slightly increase its growth compared with the weak level of the previous year.

Compared with the previous year, the **exchange rates** of numerous major trading currencies partly depreciated markedly against the euro as measured by the average market price. The Brazilian real fell against the euro by around nine percent based on the market average, and the Japanese yen by around eight percent. The losses in value of the Argentine peso (48 percent) and the Russian ruble (20 percent) were even more apparent. There was practically no change in the U.S. dollar as measured by the average rate. However, it appreciated significantly in the second half of 2014 from 1.37 to 1.21. Exchange rate movements are not only of great importance for purchasing and sales transactions in foreign currencies, but they also affect the conversion of financial data for accounting purposes.

Economic situation in the automotive industry: passenger cars and light commercial vehicles

The passenger car and light commercial vehicle market continued to grow in the 2014. The global production of passenger cars and light commercial vehicles increased by 3.1 percent to 87.4 million units, but development varied strongly across the regions.

In **Europe**, vehicle production grew by 3.3 percent to around 20 million units in 2014. Overall, the western European market developed favorably with production growth of 5.1 percent. Development in Germany tended to follow this trend. Those countries particularly affected by the euro crisis of recent years, such as Spain and Italy, were able to recover and record strong growth rates in 2014, albeit starting from a very low level. Market development in central and eastern Europe was influenced by the ongoing conflict in eastern Ukraine. Compared with the previous year, production decreased markedly in 2014. Russia, in particular, recorded double-digit percentage declines in production.

North America saw the positive growth trend from the previous year continue. Driven by the dynamic economic development, the production of passenger cars and light commercial vehicles increased by 5.2 percent to around 17 million units. The United States, and also Mexico in particular, contributed to this trend. After a long dry spell, North America has now returned to the “precrisis level” of 2008.

In the midst of a gloomy economic environment, production in **South America** fell by 15.7 percent to 3.8 million units. Brazil, by far the biggest South American market, recorded a drop in production of 14.1 percent.

The entire **Asian market** grew by 3.5 percent to 44.4 million units. This region is therefore producing more than half of the world's passenger cars and light commercial vehicles. In China—the world's biggest single market—alone, 23.0 million units were produced. Having frequently recorded double-digit growth rates in previous years, China's growth in the year under report contracted to single figures at 8.1 percent. In Japan, production increased by 2.1 percent overall in 2014—anticipatory effects from the VAT increase led to a temporary boom in the first half-year, whereas significant declines were recorded in the second half.

Economic situation in the automotive industry: commercial vehicles (incl. buses)

The global production of medium-sized and heavy-duty commercial vehicles fell by 1.6 percent to 3.3 million units in the 2014 business year.

In **Europe**, the negative trend of the previous years continued; production declined by 6.2 percent to approximately 550,000 units. The decrease is mainly due to anticipatory effects in the run-up to the introduction of the new Euro VI emission standard at the beginning of 2014. Production in central and eastern Europe suffered a double-digit percentage slump.

Following the weak performance in the previous year, commercial vehicle production in **North America** was expanded significantly again in 2014 thanks to a recovery in demand, with high double-digit percentage growth rates.

In contrast, the worsening economic climate in **South America** led to significant declines in production of more than 20 percent.

The production of commercial vehicles in the **Asia/Pacific** region also dropped slightly during the business year. In the important Chinese market, slight anticipatory effects were still recorded in 2014 as a result of the introduction of the new China IV emission standard being further

postponed to January 2015. However, this could not compensate for the slowdown in the economic situation, which led to a decline of 4.7 percent in Chinese production. By contrast, in Japan, commercial vehicle production increased by 1.9 percent. In India, the negative trend from the previous year was curbed and the production of commercial vehicles rose slightly once again.

Development of the markets for off-highway applications

In 2014, the development of the markets for off-highway applications also suffered a further global decline. While 2013 saw a weakening of the market for construction machines in particular, agricultural machinery also remained below expectations in the year under report. Significant losses were recorded, mainly in Europe and North America. Negative developments in the Chinese and Japanese markets were offset thanks to an increase in production volumes in India and Southeast Asia. Overall, MAHLE achieved a stable market environment in the Asia/Pacific region.

2. Business development of the MAHLE Group in 2014

Sales (overview of business units and profit centers)
In the 2014 business year, MAHLE significantly increased its group sales by 43.2 percent to EUR 9,942.4 million.

Overall, MAHLE has thus achieved a yearly average sales growth (CAGR) of 20.8 percent over the last five years.

The development was marked by large regional differences in addition to considerable effects of first consolidation and overall negative exchange rate effects.

Changes in the consolidation group made a significant contribution to the increase in sales, with an overall impact of almost EUR 3 billion. The majority of this figure can be attributed to the first-time full-year inclusion of sales from the MAHLE Behr Group. Furthermore, the full consolidation of the Letrika Group as of September 2014 has also had a positive influence on sales. The completed divestment of sinter activities in Switzerland in the previous year has resulted in an adverse effect.

In contrast to the consolidation effect, exchange rate influences amounting to EUR 127.6 million had a negative impact on group sales compared with the previous year. The devaluation of the Brazilian real, the Argentine peso, and the Japanese yen had the strongest impact. Organically—i.e., adjusted for exchange rate effects as well as changes in the consolidation group—, MAHLE was able to increase sales by two percent in comparison with the previous year.

For the MAHLE Group, the 2014 business year as a whole was characterized by consolidation as well as the introduction of additional important strategic steps for future growth. The integration of the MAHLE Behr Group in all major subdivisions was completed. At the same time, the production footprint has been expanded considerably with the new plants in China, Indonesia, and Mexico. In addition, MAHLE strengthened its mechatronics and electrical activities through the acquisition of the Slovenia-based Letrika Group, thereby expanding its product portfolio.

The sales distribution between the respective business units is as follows:

- In this year under report, sales for the **Engine Systems and Components** business unit rose by about three percent in comparison with the previous year, after adjustment for exchange rate effects. The increase in sales volumes in the growth region of Asia/Pacific made a particularly positive contribution to the development of sales. In terms of products, alongside the ramp-up of series production for passenger car steel pistons, the hollow valve and assembled camshaft product groups played a particularly significant part in the sales growth. These exclusively comprise efficiency products aimed at improving fuel economy.

- The **Filtration and Engine Peripherals** business unit achieved a growth of three percent in 2014 after adjustment for exchange rate effects. Complex liquid filtration modules, valve cover modules, and air intake modules accounted for the largest increases in sales. The fledgling pump segment also made a significant contribution to sales growth with controlled oil pumps.

- The **Thermal Management** business unit, which originated from the first consolidation of the MAHLE Behr Group, accounted for around 30 percent of group sales, with approximately EUR 3 billion in 2014. Around half of its sales were generated in the two key product categories of powertrain cooling and air conditioning. Looking at the year as a whole, the business unit developed positively in operational terms and largely contributed to the growth of the MAHLE Group.

- Sales in the **Aftermarket** business unit were only slightly higher than the previous year due to relatively weak markets in South America, eastern Europe, and the Near East.

- Sales for the **Industry** business unit were down slightly for the business year due to difficult market conditions.

Looking at sales on a regional level, 52 percent of sales were generated in **Europe**. This increase in sales in comparison with the previous year is primarily due to the first consolidation effects of MAHLE Behr and the Letrika Group, which have a strong presence in the European markets. Adjusted for exchange rates and consolidation effects, sales in Europe remained at approximately the previous year's level. About 23 percent of group sales came from **North America**. Here, sales increased by a good five percent, adjusted for changes in the consolidation group and exchange rate effects. Seven percent of total sales were achieved in **South America**. Exchange rate effects and the weak market environment hampered sales, which fell below those of the previous year. In the **Asia/Pacific** region, sales growth was about nine percent after adjustment for consolidation and exchange rate effects. The Asian region thus contributed 18 percent of group sales.

Result (profit situation)

Gross profit was improved by just under EUR 500 million to EUR 1,905.7 million. Gross margin was thus at 19.2 percent. The slight percentage drop largely relates to effects from the first full-year inclusion of the Thermal Management business unit and the first consolidation of Letrika. Depreciation and amortization of hidden reserves that were obligatorily disclosed as part of the purchase price allocations for MAHLE Behr and the Letrika Group impaired gross profit by a total of EUR 95.4 million, thus dampening both gross profit and EBIT margins.

Both sales and administration expenses were slightly improved relative to sales. Research and development expenses, however, were again increased compared with the previous year. This was due to high expenses for new technologies to reduce fuel and CO_2. In addition, the balance of other operating income and expenses rose by EUR 55.9 million to EUR 102.2 million. This increase was driven notably by a substantial improvement in operational business activity, in addition to individual special effects.

At EUR 401 million, the result from ordinary activities far exceeded the previous year's level. The financial result improved marginally, although the contribution to profit made by the former Behr Group for nine months in

the previous year was omitted as a result of the full consolidation. The balance sheet volume also increased substantially. The income tax ratio rose to 23.1 percent from 17 percent in the previous year. Overall, the net income for the 2014 business year rose by EUR 43.6 million to EUR 279.2 million.

Despite high burdens from purchase price allocations for MAHLE Behr and Letrika, earnings before interest and taxes (EBIT) increased significantly from EUR 421.5 million to EUR 514.1 million. The EBIT margin relative to sales dropped to 5.2 percent, also due to the subsequent valuation resulting from the purchase price allocations. Adjusted for the effects of the purchase price allocations, EBIT amounted to EUR 610.4 million. As a result, the adjusted EBIT margin of 6.1 percent was close to the previous year's level of 6.4 percent. In 2014 once again, the EBIT ratio thus remained within our target corridor of six to seven percent.

Balance sheet structure (net assets position)

The MAHLE Group's balance sheet total rose by EUR 632.6 million to EUR 6,758.4 million in the 2014 business year. The main reasons for the balance sheet extension were the first consolidation of the Letrika Group, positive foreign currency exchange rate effects from the conversion to reference date rates, and high capital expenditure on tangible fixed assets. Despite an increase by 10.3 percent in the balance sheet volume, the equity ratio improved noticeably from 36.0 percent to 37.8 percent, while the net financial debt remained stable.

As at the balance sheet date, fixed assets rose by EUR 185.5 million to EUR 3,121.6 million. This development essentially relates to the fact that capital expenditure on tangible fixed assets clearly exceeded depreciation and amortization, as well as to the first consolidation of the Letrika Group.

As at the balance sheet date, current assets rose by EUR 384.6 million to EUR 3,409.8 million. This is primarily attributable to currency conversion effects due to the revaluation of some major foreign currencies against the euro toward the end of the year, which extended the balance sheet, along with the acquisition of the Letrika Group's assets.

As at the balance sheet date, the MAHLE Group held securities and liquid funds amounting to EUR 527 million. The year-on-year increase (EUR +61.4 million) is attributable not only to the coverage of the business expansion but also to a time lag between the inclusion and scheduled use of the funds.

The liabilities side of the consolidated balance sheet was marked by a sharp rise in equity as well as a change in the financing structure. As at December 31, 2014, equity grew by EUR 347.3 million to EUR 2,554.8 million, considerably raising the equity ratio.

To broaden its financing sources, MAHLE established a Medium Term Note Program on the Luxembourg Stock Exchange in April 2014, which puts the company in a position to issue bonds on the open market. As part of this program, the first bond was successfully issued in May 2014 with a volume of EUR 300 million, a term of seven years, and a coupon of 2.5 percent. This was followed by another issue of EUR 29 million as a five-year private placement. The proceeds were used to refinance existing financial liabilities.

Capital expenditure on tangible fixed assets (investments)
Group-wide capital expenditure on tangible fixed assets in 2014 rose to a record level of nearly half a billion euro. This significantly exceeded the previous year's value. The investment ratio in relation to sales was almost five percent. In comparison with depreciation, this resulted in a ratio of 135 percent.

Investments have continuously and significantly increased in recent years. From 2009 to 2014, they grew on average by 23.2 percent per year.

To strengthen its presence in major growth markets, MAHLE invested substantially in the expansion and construction of production locations in close proximity to markets and customers. In 2014, a total of three new plants in the Filtration and Engine Peripherals as well as the Thermal Management business units in China and Indonesia commenced production. In addition, the substantial investment in the third expansion of the research and development center in Shanghai/China was completed.

The Bosch Mahle Turbo Systems joint venture simultaneously started the production of exhaust gas turbochargers for the Chinese market on the same campus. In parallel, preparations were expedited for the construction of additional new plants in Mexico and China for the Filtration and Engine Peripherals as well as Thermal Management business units. These should start production during 2015, where they will create capacity for further growth.

During the 2014 business year, alongside its capital expenditure on tangible fixed assets, MAHLE set the course for future growth by making strategic acquisitions. Particularly worth mentioning here is the acquisition of the Letrika Group, which enabled MAHLE to expand its mechatronics and electrical activities. The group also continued to invest substantially in the Bosch Mahle Turbo Systems joint venture and increased its participation in the company Kokusan Denki Co., Ltd., listed on the Tokyo Stock Exchange, by a further 8.05 percent to 38.87 percent.

Cash flow development

In the 2014 business year, MAHLE was able to generate a cash flow of EUR 713.2 million from operating activities.

The very intense investment activities resulted in a sizable cash outflow. The cash flow from operating activities completely covered the cash requirements for investments and simultaneously finance an increase in the cash on hand.

Human resources (production and financial position)

As at the end of 2014, 66,234 people were employed by the MAHLE Group. The year-on-year increase of employees across the entire group amounted to 3.8 percent. This rise is largely due to the acquisition of the Letrika Group, which is also reflected in the higher number of employees in Europe.

In the past five years, the number of employees worldwide grew continuously by an average of just under nine percent per year. The growth in 2013 was greatly influenced by the employees of the current MAHLE Behr Group.

The headcount development by region was as follows:

- Europe: 31,431 (+1,681 in comparison with the previous year)
- North America: 10,534 (+177)
- South America: 9,926 (–967)
- Asia/Pacific: 13,454 (+1,018)
- Africa: 889 (–20)

The market environment in which MAHLE operates is highly dynamic and characterized by pronounced technological complexity. Motivated and qualified employees are the key to ensuring the sustainability of the company. For this reason, MAHLE once again invested heavily in qualification activities for its employees, spending over EUR 10 million.

3. Development of the MAHLE Group

On January 1, 2015, the Industry business unit was organizationally dissolved due to insufficient cross-divisional synergy effects. Its three subsegments are now being managed as independent profit centers. In addition, the new Engineering Services, Motorsports, and Special Applications profit center combines the previously separate Engineering Services with the activities in Motorsports and Special Engines. The Letrika Group was integrated into the group as the Electric Drives and Applications profit center in September 2014. The Thermostats and Valves profit center was integrated into the Thermal Management business unit in the fourth quarter of 2014 to strengthen systems competence.

The MAHLE Group invested extensively in strategic acquisitions and startups in the 2014 business year.

March 2014: new distribution and logistics center in Limeira
Just seven kilometers from the former location in Limeira/Brazil, a new 32,000 square meter distribution and logistics center opened after an investment of about EUR 14 million. This has nearly doubled the storage capacity of the Aftermarket business unit in South America. The center is a response to the addition of new products and increasing scope of supply.

May 2014: MAHLE Aftermarket in Russia
MAHLE opened a distribution and logistics center in Obninsk, south of Moscow, with 10,400 square meters of warehouse and nearly 2,000 square meters of office and training space. This opening is intended to meet the long-term rise in demand for high-quality automotive spare parts in the markets of Russia, Kazakhstan, and Belarus. The product range, service, price, and quality will be adapted to customer requirements despite the difficult conditions. The crisis in Ukraine and the resulting devaluation of the ruble at the end of 2014 caused turbulence that continued through the start of 2015, thus adversely affecting sales and profit.

June 2014: acquisition of majority shareholding in Letrika Group
MAHLE signed an agreement for the acquisition of the majority share in the Slovenian group Letrika d.d. In the meantime, 100 percent of shares have been acquired and the company was taken off the stock exchange at the start of the year. The company is of central importance to strengthening the MAHLE Group's mechatronics/electrics division. In 2014, the manufacturer of electric motors, generators, and electrical as well as mechatronic drive systems generated sales of around EUR 240 million with approximately 2,500 employees and production locations in Slovenia, Bosnia and Herzegovina, Belarus, Brazil, and China. MAHLE Letrika has now been integrated and consolidated into the group as the Electric Drives and Applications profit center.

August 2014: new plant for the Filtration and Engine Peripherals business unit opened in Wuhan/China
The new MAHLE filter plant in the Hubei province produces air intake modules, plastic cylinder head covers, oil mist separators, and heat exchangers for a large number of local automobile manufacturers. In the future, around two million products are expected to be delivered each year, generating sales of over EUR 120 million.

August 2014: new plant for the Thermal Management business unit opened in Shenyang/China
The new plant in Shenyang in northeast China is the fifth production location for the Thermal Management business unit in China. Following investments of about EUR 35 million, HVAC modules and engine cooling components are manufactured in the new plant.

October 2014: new plant for the Filtration and Engine Peripherals business unit opened in Cikarang/Indonesia
The new plant has a production area of 4,300 square meters and 1,300 square meters of office space—the entire premises comprise 29,000 square meters and offer plenty of room for future expansion. Air intake modules, air ducts, and cylinder head covers are manufactured here—primarily for MAHLE's Japanese key customers at first.

November 2014: third expansion of the research and development center in Shanghai/China completed

With a developed area of more than 35,000 square meters after the expansion, it is the largest MAHLE Tech Center in Asia. The location is also the headquarters of MAHLE in China. In addition, a Bosch Mahle Turbo Systems (BMTS) production plant, as well as production areas for industrial filtration and the manufacturing of tools for the Filtration and Engine Peripherals business unit, were opened on the campus.

April 2015: new plant for the Filtration and Engine Peripherals business unit in Celaya/central Mexico

Start of production in this new plant in central Mexico is planned for May 2015. The total investment amounts to around EUR 16 million. The number of employees is expected to rise from currently 100 to around 450 by 2019. After a product transfer and conclusion of selected program launches, sales of about EUR 100 million are expected in the medium term.

June 2015: new plant for the Thermal Management business unit in Chengdu/China

In mid-2015, MAHLE—via its joint venture company Shanghai Behr Thermal Systems Co. Ltd. (SBTS)—will officially open its first plant in Chengdu/southwest China, which is in the immediate vicinity of the Volkswagen and Volvo plants and not far from a Ford production location. HVAC modules as well as engine cooling components and systems will be manufactured there; part of the production area is reserved for Dongfeng Behr Thermal Systems Co. Ltd. (DBTS), a joint venture between MAHLE Behr GmbH & Co. KG and Dongfeng Motor Company Co., Ltd. The assembly of HVAC modules already started at the beginning of 2015.

July 2015: new plant for the Thermal Management business unit in Ramos Arizpe/Mexico

The second plant in Mexico of the Thermal Management business unit is being erected in close proximity to the plant of the Engine Systems and Components business unit as well as to an already existing plant of the Thermal Management business unit in Ramos Arizpe; construction started in July 2014. The plant will start series production in July 2015. The

product range will include HVAC modules as well as powertrain cooling components and systems. It will supply automobile manufacturers in the United States and the rising number of manufacturers who are producing directly in Mexico.

June 2014: BMTS starts subsidiary in China

Bosch Mahle Turbo Systems (BMTS), the 50/50 joint venture with Robert Bosch GmbH, has founded a wholly owned subsidiary in the People's Republic of China. The company is located on the MAHLE premises in Shanghai. In a first stage, turbochargers for gasoline engines will be produced for globally operating and local Chinese customers in a new building comprising 5,000 square meters. The annual capacity amounts to more than one million, which has been secured thanks to customer orders. Series production started in the fourth quarter of 2014.

4. Technology and product development

Due to the long-term need to significantly reduce energy consumption and thus CO_2 emissions, both for mobile and for stationary applications, MAHLE has been working for years on various new product developments and technological approaches including great financial investments.

While the greatest lever for reducing fuel consumption and CO_2 at a global level is further short- and medium-term optimization of the combustion engine, particularly for commercial vehicle and off-highway applications, various electrification strategies must also be implemented over the long term, either combined with hybrid drives (combustion engine and electric motor), or as a purely battery-powered drive or—alternatively—a fuel cell drive.

While pure optimization steps in the combustion engine still have the potential for 20 to 30 percent reduction in consumption and CO_2, even greater potential savings may be achieved especially with plug-in hybrid vehicles.

Because no final powertrain scenario is tangible from today's perspective—at least not for passenger cars—, MAHLE has started work in all directions for years. This has included development projects from in-house research and development departments, but also the latest focus on acquisitions in the areas of electrics and mechatronics as well as thermal management.

The following provides a few examples:

<u>Optimization of the combustion engine</u>
The forged steel piston is a key component of the future of passenger car engines. The lower frictional losses and thermodynamic benefits open the way for reduced fuel consumption by 3 to 5 percent, depending on the type of engine. With years of experience in steel piston development for racing engines, steel pistons from MAHLE also contain a significant portion of motorsport DNA. MAHLE was therefore the first manufacturer to launch this technology in large-scale production in 2014. The engines of

two European passenger car manufacturers already use this technology in series production. Investments have been made in the double-digit millions in the MAHLE plant in Rottweil for this product.

MAHLE hybrid technology

The cruising range of electrically powered vehicles is currently severely limited by the storage capacity of their batteries. Long charging times and often the lack of sufficient charging infrastructure also impact suitability for everyday use. One remedy is to add a combustion engine, known as a range extender, which provides energy to the electric powertrain when needed. This makes it possible to achieve long, “worry-free” travel distances. For this technology, MAHLE has developed its own combustion engine with a matching electric powertrain. In comparison with other technologies, the MAHLE solution is superior due to its low package and flexible installation position. This can reduce CO_2 emissions to less than 45 g/km.

Modern city vehicle

The MAHLE product portfolio, however, not only includes the ability to extend the cruising range of electric vehicles with the help of a combustion engine, but also provides the electric powertrain itself. The Renault Twizy, for example, is a city vehicle that is already equipped with a 15 kW electric drive from MAHLE Letrika. Work is currently underway on a new high-voltage application providing up to 160 kW of power output, making it suitable for medium-class passenger cars as well.

MAHLE is thus working on all efficiency technologies for combustion engines and future alternative drive concepts in every direction.

Particularly as a result of the acquisition projects in recent years, the dependency of the MAHLE Group's sales on passenger car combustion engines is already significantly less than 50 percent, and will continue to drop in coming years. Pistons now make up only about 10 percent of group sales.

5. Outlook for the 2015 business year (outlook and forecast)

Global economy (overall economic development)
According to the International Monetary Fund (IMF), the global economy will see a positive growth impulse in 2015 due to falling oil prices. On the other hand, regional crises and geopolitical risks as well as a renewed increase in the volatility of the financial markets could impact global economic activities. Based on this estimate, the IMF predicts that the global economy will expand by 3.5 in its April forecast for 2015.

Passenger cars and light commercial vehicles
In 2015, the market research institute IHS anticipates a global increase of 2.4 percent in the production of passenger cars and light commercial vehicles. Cautious market development is anticipated for the **European market**. This is attributable to further recovery trends in some southern European countries. By contrast, geopolitical uncertainties arising from the Ukraine crisis have dampened the market in the entire eastern European region. In **North America**, the growth trend is expected to continue, albeit at a reduced rate. Rather than an increase, a further drop is expected in the **South American market**. The **Asia/Pacific** region is expected to show a mid-single-digit increase in the volume produced in 2015. Growth rates in China are projected to be at a slightly lower level than in 2014.

Commercial vehicles
Analysts expect a slight rise in the global production figures for medium-sized and heavy-duty commercial vehicles in 2015. Following the successful introduction of the Euro VI emission standard, the forecast for the **European commercial vehicle market** remains heavily affected by the industrial economic environment and, as a whole, indicates a somewhat more stable climate than in the previous year. Forecasts predict strong growth to continue in the **North American market**, but not to the extent of the previous year. In contrast, a further loss of momentum has been forecast for the **Asia/Pacific** region. This is essentially dominated by the Chinese market: along with the nationwide introduction of the China IV emission class in January 2015, a slowdown in economic growth is expected to bring about a decline in production, especially in the first half of the year.

Off-highway applications

As regards off-highway applications, MAHLE anticipates a renewed downturn in the markets for agricultural and construction machinery in 2015. While in Europe this can be traced primarily to geopolitical uncertainties, in North America the low oil and gas prices are dampening the market for construction machinery.

MAHLE

With an eye on the near future, MAHLE is striving to strengthen and expand its market position among the world's 20 largest automotive suppliers. The aim is to secure or maintain a position among the top three global suppliers in all of the group's core product segments.

In this connection, MAHLE concluded a contract with U.S. automotive supplier Delphi Automotive PLC in February 2015 to take over their thermal management operating line. The company comprises a sales volume of around USD 1.2 billion and has approximately 7,600 employees at 13 locations worldwide. This acquisition supports the consistent expansion of the important thermal management growth sector, which will play an increasingly substantial role in all potential alternative drive systems in the future. After approval by the relevant antitrust authorities, a closing of the deal is anticipated for the summer of 2015. In a subsequent step, it is intended to acquire the joint venture of Delphi Thermal in China.

Progress will also continue on the targeted expansion of the product portfolio. With the acquisition of the Slovenian Letrika Group in 2014, MAHLE took an important step toward strategically expanding its mechatronics and electrical activities. Through the expansion of global development and production activities, MAHLE is planning to generate sales in excess of EUR 500 million in this area in the medium term.

In the first quarter of 2015, MAHLE has substantially increased sales again, which rose by a total of EUR 320 million in comparison with the previous year. This corresponds to sales growth of over 13 percent. The exchange rate development in the first quarter, particularly for the U.S. dollar, positively supported organic growth.

For 2015, the MAHLE Group expects sales to rise to a range of EUR 10.5 to 11.5 billion. This is subject to exchange rate movements and is based on cautiously optimistic expectations for developments in the global automotive markets. The wide corridor of sales is also attributable to the lack of a precise date for the first consolidation of Delphi Thermal activities.

6. MAHLE 2014 business year—at a glance