

## **MAHLE surpasses own targets in first half of 2015**

- Double-digit growth in sales and operating profit
- Strategic acquisitions expand expertise in mechatronics and thermal management
- Innovations set new performance standards in engine and air conditioning technology

Stuttgart/Germany, September 7, 2015

In the first half of 2015, the MAHLE Group achieved sales of EUR 5.53 billion and has thereby grown by 12.5 percent compared with the same period in the previous year. At EUR 324.5 million, earnings before interest and taxes (EBIT) are also 17.2 percent above the previous year's value. The EBIT margin rose to 5.9 percent. "This half-year result has exceeded our own expectations. We need to bear in mind that the high exchange rate effects have had a positive impact on our business," says Wolf-Henning Scheider, Chairman of the Management Board and CEO.

For the year as a whole, MAHLE anticipates an overall growth of about 15 percent, amounting to approximately EUR 11.4 to 11.6 billion. "The course we have set ourselves is paying off," comments Scheider.

During the first half of the year, MAHLE has grown in all business segments and regions except in South America.

There is little momentum in the European vehicle market, where MAHLE currently generates around 51 percent of total sales. While the Italian and Spanish markets are showing clear signs of recovery, they cannot compensate the strong decline in eastern Europe and Russia in particular (minus 26 percent). "The present situation is less than encouraging. Nevertheless, one should not underestimate the potential

of this market. Above-average growth can be expected there in the medium term,” observes Scheider.

The development in North America was particularly pleasing. MAHLE increased sales by around 19 percent in the first half of 2015, and generates approximately 24 percent of group sales in this market. “We were able to take advantage of the boost in this region, which—at a rate of three percent for passenger cars and light commercial vehicles—is currently showing the strongest growth,” says Scheider. Production of medium-weight and heavy-duty commercial vehicles has even achieved a plus of 8.5 percent. A few weeks ago, MAHLE commissioned two new Mexican locations in Ramos Arizpe and Celaya, where air conditioning modules and air cleaner systems for the markets in North and South America are manufactured. By end of 2015, MAHLE will have more than 8,000 employees at ten locations in Mexico.

The Asian market has clearly lost momentum. Nevertheless, MAHLE was able to counteract the trend and increase sales by over 22 percent. While the decline in commercial vehicle production was particularly noticeable in China, the Indian market has recovered significantly in this segment. “Despite its current restrained performance, Asia still remains the number one growth market with approximately 19 percent of our group sales today. Consequently, we must and will continue to vigorously expand our business in this region,” says Scheider. The company was already able to record great success in recent weeks. Over the next few years, MAHLE will be supplying a major local manufacturer in China with cooling modules for two families of gasoline turbocharged engines.

Development remains difficult in the Latin American market, where MAHLE currently only generates around six percent of total sales. Nonetheless, the group performed well although vehicle production in the region is expected to shrink by around 16 percent this year. “South America still remains a market with great potential, even though the current situation is extremely difficult. It would therefore be a mistake to write off this region,” emphasizes Scheider.

Overall, the negative developments in the key regions of the world are having a dampening effect on global vehicle production. As a result, we are only expecting a subdued increase of 1.7 percent to about 89 million units, which still corresponds to a new all-time high in vehicle production.

As at June 30, MAHLE employed approximately 67,000 people at 170 locations worldwide—5.5 percent more than at the same time in the previous year.

### **Strategic cutting-edge fields of mechatronics and thermal management strengthened**

The half-year result includes the first-time consolidation of Letrika Group and Amovis, with sales totaling a good EUR 110 million. Not least, though, the integration of the latest company acquisitions is noticeably driving the technological advancement of the group. For example, in the business segment of mechatronics, MAHLE is currently using the expertise for electric machines, which was newly acquired from Letrika. “We are developing a series of electrically powered auxiliary accessories, such as coolant pumps and motors for electric steering, which operate independently of the combustion engine and improve CO<sub>2</sub> efficiency,” explains Scheider. Another contributing factor is the expertise from the Japanese company Kokusan Denki, of which MAHLE acquired more than 90 percent of the shares in June 2015; it was therefore not yet included in the half-year financial statements. “We see significant growth potential in the field of mechatronics and are targeting a sales volume of around EUR 500 million in this market segment in the medium term,” comments Scheider.

Also not included in the figures for the first half-year is the thermal business acquired from U.S. supplier Delphi in February. Its approximately 7,500 employees and 13 locations have become legally part of the MAHLE Group since June 30, 2015. In the past year, this company generated sales of around EUR 1 billion. “This acquisition now makes us the world’s second largest supplier of thermal management solutions in the automotive industry today,” stresses Scheider. The portfolio includes cooling systems for engines, cabin air conditioning, air conditioning technology for mobile and stationary applications, as well as solutions for electric drives. “High-performance batteries require a constantly tempered environment. Our

solutions not only meet this requirement but also make an important contribution to the further development of e-mobility and the diversification of MAHLE,” says Scheider. The financing of the purchase prices paid in June was already secured in May. Among other things, MAHLE was able to place a second bond with an overall volume of EUR 500 million, which was oversubscribed by a factor of four. “MAHLE is perceived as an interesting investment on the capital market,” emphasizes Scheider. Through the expansion of its activities, the company already generates more than 50 percent of its sales outside the traditional business of components and systems for combustion engines in the passenger car market.

#### **Revolutionary new development for charge air cooling exhibited at the IAA**

MAHLE also continues to focus on the gasoline and diesel engine business. At the IAA, the group will be introducing a number of exciting solutions that can significantly reduce fuel consumption and emissions. For instance, MAHLE developers have succeeded for the first time to connect the engine coolant circuit with the refrigerant circuit of the HVAC system. The charge air temperature can thus be lowered below all levels previously achieved in the industry. As a result, the engine’s responsiveness is significantly improved. At the same time, fuel consumption and emissions values are reduced.