



**Frank B. Jehle**

**Deputy CEO & CFO of the MANN+HUMMEL Group**

**Speech on the occasion of the financial press conference**

**on 3 April 2014**

Not for release until: 3 April 2014, 10.00 a.m.

- Check against delivery -

Ladies and Gentlemen,

Please allow me to also welcome you to this year's financial press conference. Following Mr Weber's comments, I would like to present you the most important key figures from our financial statements for 2013 and transport you into the wonderful world of figures.

I am certain that everyone here in the room is mathematically well versed. You will therefore no doubt be receptive to my explanations.

The satisfactory trend with regard to our sales figures is reflected in the other key financial indicators for the Group in the financial year 2013:

- Sales: 2.68 billion euros.
- Earnings before interest and taxes: 151 million euros.
- EBIT margin of 5.6 percent.
- Net income: 102 million euros.

In 2013, we succeeded in slightly increasing our sales and earnings in very mixed markets and have invested extensively, particularly in penetrating and growing new markets.

In 2013, MANN+HUMMEL **Group sales** increased by 2.3 percent from 2.62 billion euros to 2.68 billion euros. The increase is principally attributable to the positive development in the automotive original equipment and aftermarket business.

The **exchange rate effect** in relation to total sales represents 72 million euros and stems mainly from Brazil and the US. Despite these negative currency effects, our sales grew by 60 million euros in 2013.

In terms of our **regional sales spread**, our targets are distributed as follows: Europe, 50 percent, Asia and America, each 25 percent.

Germany contributed 24 percent of Group sales, Asia 20 percent and North & South America 26 percent. This regional distribution comes very close to our strategic objective.

In detail, the **sales trends** are as follows:

We recorded increased sales in virtually all regions in 2013. As predicted, sales were primarily up in Asia and North America. Overall, the trends were very mixed according to region.

In Germany, we were able to increase our sales by around 2 percent, despite a decline in car registration figures.

In Europe, we recorded a slight fall of 2 percent in 2013 compared to 2012. In the Czech Republic and Spain, we were able to compensate the weak economy and in Russia and Italy, the aftermarket business was positive.

In the Americas, we posted growth of 3 percent, mainly in the North American area. Here, sales rose by around 7 percent in the US. In South America, the situation is less pleasing. Particularly in Brazil and Argentina, high inflation in particular caused us difficulties.

In Asia, the business trend was very positive overall, but the picture was fairly heterogeneous. A sales increase of more than 10 percent is pleasing here. The very uplifting developments on the Chinese market, a successful start of production in Thailand and a fairly satisfying performance in India were somewhat muted by the weak business trends in Japan and Korea.

Our results provide us with the necessary financial scope for making decisive strategic decisions in the future: 98 million euros, which represent some 4 percent of our sales, were expended on research and development in 2013. We invested 126 million euros in tangible assets. This is more than ever before. Investments are synonymous with the future.

In 2013, investments included two production locations in the US as well as an innovation centre at North Carolina State University. This provides us with a further forge for ideas, combining entrepreneurial thinking and university research.

In the US, we are also involved in the Center for Filtration Research (CFR) at the University of Minnesota in Minneapolis. This institute is concerned with fundamental research on filtration/separation and measurement technology.

In China, we cooperate with one of the most renowned universities in the People's Republic, Tongji University in Shanghai, where we operate a joint research laboratory.

Moreover, we offer doctoral thesis projects in conjunction with our academic partner, the "Graduate School of Excellence advanced Manufacturing Engineering" (GSaME) at the University of Stuttgart.

As a leading global filtration specialist, our aspirations are quality, service and innovation. We summarise this performance under the term "Operational Excellence". And we strive not only for excellence in thought, but also for excellence in production.

In September, we began construction work for a new cabin filter plant at Uherský Brod in the Czech Republic. The investment volume for the project amounts to some eight million euros. The plant will be completed and ready to move into in a few weeks' time.

At our second location in the Czech Republic, Okrisky, we opened a new Logistics and Testing Centre covering an area of 8,000 m<sup>2</sup> in the third quarter of last year.

In the context of our further strategic expansion in China, we inaugurated a new production plant in Changchun, also in September.

The state-of-the-art production facility allows us to expand our range of offerings for filter elements, filter systems and components for motor vehicles, to adapt production capacity to the increased demand among the Chinese automotive manufacturers and thereby to increase the share of products produced in the Chinese target market.

A quarter of our investments were made in Germany in 2013. These include the Technical Centre in Ludwigsburg for injection moulding and welding of plastic parts as a link between development and series production, which makes us more independent of suppliers and saves time.

The beginning of 2013 was characterised by considerable insecurity, with the situation brightening during the fourth quarter. In view of these general conditions, we can be satisfied with the stable development of the financial year.

In 2013, the automotive business developed very heterogeneously in the various sales markets. China and the US continued their dynamic growth. Western Europe has at least gained in stability over the course of the past half year.

Our **balance sheet total** amounted to 1.85 billion euros in 2013, which represents an increase of 11.2 percent compared to the previous year.

This rise is primarily attributable to the acquisition of the remaining shares of MANN+HUMMEL PUROLATOR FILTERS NA, LLC, Fayetteville, NC/USA.

Allow me to move on to the profit and loss statement:

**Total operating performance** rose by 3.1 percent in nominal terms.

The **cost-of-materials ratio** fell, primarily owing to the relative decline in standard parts and to product mix effects. Successfully implemented streamlining measures also impacted on the cost-of-materials ratio, which was 0.7 percentage points lower than in the previous year. In absolute terms, material costs increased by 28.4 million euros. As in 2012, high material prices are a permanent fixture in our invoices, even if not all purchase prices have risen.

**Personnel costs** were higher by 44 million euros compared to 2012. Worldwide, MANN+HUMMEL is represented at 60 locations. We now have a workforce of 15,231 employees. The staffing levels quoted reflect the status on 31 December of a given year in accordance with the German Commercial Code.

"Not everything that counts can be counted, and not everything that can be counted counts." to quote a brilliant mind in the person of Albert Einstein. We count what counts.

Which brings me to the earnings figures. At 151 million euros, **EBIT** remained at a stable level.

Based on the earnings before interest and taxes, we can report a profit margin on turnover of 5.6 percent.

The **financial result** (-29.4 million euros) has declined compared to 2011, principally due to one-off effects from 2012, by a total of 11 million euros. In the previous year, we suffered one-off effects from a regrouping of securities, which will not be repeated, as well as a negative interest balance of 3.7 million euros. The main burden on the financial result continues to derive from the interest on pension provisions.

In 2013, **net income** was 7 percent higher than the previous year, largely due to the slightly improved EBIT.

Ladies and Gentlemen,

My conclusions regarding the figures for 2013 are as follows:

For us, as elsewhere, we did not reach dizzying heights in 2013. Nevertheless, we are satisfied: We have experienced solid growth in difficult markets, have invested and brought new employees on board - and all this while maintaining a stable profit situation.

We have won new orders and expanded our production capacities, particularly in the growth markets. This will allow us to further grow and further expand our position as a global market leader in filtration during 2014. Provided the economy plays along, 2014 will also be a decent year for MANN+HUMMEL.

"Mathematics is the science of the infinite", said the mathematician Hermann Weyl. This is the adventure we embark on again year-after-year. I hope I have succeeded in guiding you through our numerical adventure. I will be pleased to answer any questions you may have later.

Many thanks for listening so attentively. I would now like to hand you back to Mr Weber for a brief outlook for 2014.

###