

MAHLE strengthens its balance sheet and presses ahead with the reorientation of the group

- MAHLE publishes strong annual financial statements for 2018
- Operational growth of 4.4 percent
- New projects: 2018 shaped by technological change
- 2019: economic decline necessitates cost reduction program
- Adjustment of staffing level required in Stuttgart

Stuttgart/Germany, May 13, 2019 – MAHLE closes the 2018 business year with a strong balance sheet. Despite an economic slowdown in the last quarter, the group improved its major key figures—significantly, in some cases. This year, the group anticipates a decline in market conditions.

Balance sheet strengthened

MAHLE achieved solid organic sales growth of 4.4 percent, well ahead of global market growth. Before adjustments, sales totaled EUR 12.6 billion, i.e., 1.6 percent below the previous year’s value, as a result of negative exchange rate effects (EUR –393 million) and changes to the consolidation group (EUR –359 million).

MAHLE improved the result from business activities very substantially in the 2018 business year, from EUR 262 million to EUR 614 million. The likewise significant increase in EBIT from EUR 355 million to EUR 773 million and thus also in the EBIT margin from 2.8 percent to 6.1 percent was primarily due to disposal gains.

The group’s net income for the year rose from EUR 102 million to EUR 446 million. “Even if we take into account special effects—particularly from the sale of our shares in Hella Behr Plastic Omnium (HBPO)—we have achieved an improvement despite the developments toward the end of the year,” said Dr. Jörg Stratmann, Chairman of the Management Board and CEO of MAHLE, at the press conference on the Financial Statements in

Stuttgart. Operating profit and performance were impaired by a weakening in major markets and business segments from the fourth quarter onward. The main drivers were the development of the Chinese market, the introduction of the WLTP cycle, and a decline in call-off orders in the diesel segment.

The number of employees grew by 1.6 percent to 79,564 people worldwide. A similarly positive picture is presented by the MAHLE Group's equity, which rose significantly in the year under review by EUR 382 million to EUR 3,014 million. This led to a corresponding increase in the equity ratio, from 32.1 percent to 36.4 percent. Net debt fell by 6.9 percent in comparison with the previous year.

Projects expedited, new customer orders won

From a strategic and technological perspective, 2018 was another year marked by significant change for MAHLE. "Our transformation—in which we have invested significantly over the past years and in which we will continue to invest in the future—has really started to take shape. MAHLE global is getting a new look. Our portfolio is constantly growing, and we're tapping into new business segments and expanding our competences. This became appreciable and tangible in 2018," stated Stratmann. Key milestones included the inauguration of the global research and development center for vehicle electronics in Valencia/Spain and the opening of MAHLE's first ever production plant for e-compressors in Balassagyarmat/Hungary. The opening of the plant was supported by a number of customer orders for this strategically important product, which releases the air conditioning system from its dependence on the combustion engine.

Alongside acquisitions in the area of transmission development and service solutions for the aftermarket, MAHLE has also expanded the emerging field of e-bikes. Firstly, MAHLE has won a number of orders from well-known manufacturers. Secondly, the acquisition of ebikemotion has enhanced the group's expertise in integrated drive systems as well as in apps and connectivity. Since 2018, MAHLE has not only been working on the automotive engineering, but also on the charging infrastructure for e-mobility: the group acquired a license package from WiTricity for its magnetic resonance technology. "This opens the way for us to become a supplier of wireless charging technology for electric vehicles," said Stratmann. The internal start-up chargeBIG has also developed a charging solution for electric vehicles based on a centralized, scalable charging infrastructure concept for fleet operators and drivers who leave their cars in a parking lot all day. This has the advantage of requiring significantly less investment in infrastructure. MAHLE is currently installing around 140 charging stations at its locations in Stuttgart. As the first external customer, Stuttgart Airport is setting up 110 charging points on the apron and for its internal vehicle fleet.

"All our activities met with a very positive customer response in 2018, and we're really pleased to have attracted some substantial orders within our diversified drive portfolio: for example, for fuel cells, in which we support the truck manufacturer Nikola Motor as a development partner for series production, or in the form of several large series orders for electric vehicles to be fulfilled by our German production locations," summarized Stratmann.

Economic slowdown necessitates cost reduction program

MAHLE anticipates a downward trend in the development of sales in the current year. This is due to the large number of uncertainties that still exist in the market, such as questions over tariffs and trade disputes, increased raw material prices, and the lack of clarity over Brexit. "To put it plainly, 2019 will be a challenging year," declared Stratmann. MAHLE therefore decided at an early stage to set the course for its sustainable orientation and positioning and already launched proactive measures aimed at increasing profitability last year. "Within this program, we've achieved a great deal thus far and initiated a number of actions, such as optimizing our operational efficiency by improving cross-functional cooperation and streamlining processes. We're reducing our administrative expenses and bringing our product costs down. To do this, we're looking at the whole development process and getting our suppliers involved," said Stratmann.

At the end of March 2019, MAHLE also announced and implemented a cost reduction program comprising testing and optimization of overheads and personnel costs. With respect to overheads, this includes reducing the costs of business travel, trade fairs, and services. Personnel costs relate to the global headcount.

Adjustment of staffing level at the Stuttgart location

The necessary cost savings for 2019 and 2020 also require an adjustment to the personnel capacities in indirect functions at the Stuttgart location. Of the planned staffing level of around 4,300 employees in 2019, MAHLE aims to cut approximately 380 jobs by entering into partial retirement and severance agreements. Discussions with the employee representatives will be held in a timely manner.

“As a foundation-owned company, with a special responsibility to the entire workforce, taking steps like this is difficult for us. However, it’s something we need to do to ensure a strong future for the company. We will proceed in a cautious and prudent way,” explained Stratmann.

Outlook: making the most of opportunities in new business segments

On the other hand, MAHLE views the opportunities that the new business segments present to the group as positive. “In 2019, we will do exactly what we did in 2018: roll up our sleeves, pitch in, work hard, and make the most of our opportunities together. In economically turbulent times, we need to be even more focused and pursue our core topics even more consistently. And we will continue to develop our future topics in targeted ways,” concluded Stratmann.

About MAHLE

MAHLE is a leading international development partner and supplier to the automotive industry as well as a pioneer for the mobility of the future. The MAHLE Group is committed to making transportation more efficient, more environmentally friendly, and more comfortable by continuously optimizing the combustion engine, driving forward the use of alternative fuels, and laying the foundation for the worldwide introduction of e-mobility. The group’s product portfolio addresses all the crucial issues relating to the powertrain and air conditioning technology—both for drives with combustion engines and for e-mobility. MAHLE products are fitted in at least every second vehicle worldwide. Components and systems from MAHLE are also used off the road—in stationary applications, for mobile machinery, rail transport, as well as marine applications.

In 2018, the group generated sales of approximately EUR 12.6 billion with more than 79,000 employees and is represented in more than 30 countries with 160 production locations. At 16 major research and development centers in Germany, Great Britain, Luxembourg, Spain, Slovenia, the USA, Brazil, Japan, China, and India, more than 6,100 development engineers and technicians are working on innovative solutions for the mobility of the future.

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