

MANN+HUMMEL records sales of 2.8 billion euros for 2014

- Sales growth over previous year
- Earnings (EBIT) of 140 million euros
- China drives growth in Asia
- Downward trend in South America
- High startup costs for Aftermarket business in USA (Purolator)
- Position as market leader confirmed

Ludwigsburg, March 31, 2015 – MANN+HUMMEL Group (www.mann-hummel.com), based in Ludwigsburg, Germany, recorded sales of 2.8 billion euros in 2014, an increase of 120 million euros – or 4.5 percent in nominal terms – on the previous year (2013: 2.68 billion euros). When adjusted for exchange rate effects, the increase in sales amounts to 8.9 percent. The operating margin (EBIT) after extraordinary expenses was 5 percent (2013: 5.6 percent). Acquisitions saw the workforce increase by 769 to 16,000 employees worldwide. As was previously the case in 2012, independent US market research institute Freedonia once again confirmed the company's position as global market leader in filtration in 2014.

Alfred Weber, President and CEO of MANN+HUMMEL, describes the company's overall result for the year as "solid". "Our core business performed entirely satisfactorily. Despite some negative exceptional factors affecting earnings, overall team performance was solid." Weber thanked the workforce, which currently stands at almost 16,000 employees at more than 60 locations worldwide, for their outstanding commitment and their contribution to the company's success.

MANN+HUMMEL had already indicated a weaker outlook for the second half of the year when posting its semi-annual results in September 2014. In his presentation of the Annual Report, Frank B. Jehle, Deputy CEO and CFO of the Ludwigsburg-based family-owned company, addressed the factors that had the strongest negative impact on earnings. "Earnings were affected by three independent factors – the market downturn in South America, non-recurring costs from the integration of the US aftermarket business of the Purolator brand, and exchange rate effects."

The effects of the weak South American economy were more severe than expected. In Brazil, Automotive Original Equipment, one of the company's core business segments, saw a decline of up to 30 percent. The

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extraordinary expenses arising from the acquisition of Purolator were, however, "factored in" according to Jehle.

China is the biggest automotive market and continues to grow

In recent years, global economic growth and growth in automotive markets has been largely driven by emerging markets, particularly China. Looking at the number of vehicles per capita, growth is likely to continue in the medium term. The number of passenger vehicles per 1,000 inhabitants is around 500 in established industrial nations, while in Russia and Brazil the figure is around 200, in China it is 50 and in India it is even lower. China is the driving force behind MANN+HUMMEL operations in Asia. Here, the company is reaping the benefits of strong demand for vehicles and from its five highly networked production facilities in China.

American automotive market

The US market staged a good recovery following the 2009 crisis, accounting for just under 20 percent of group sales and gaining further momentum in recent months. "We've managed to benefit from the recovery," explains Jehle. "The picture is very different in South America, where the trend is downward, especially in Brazil."

Increasing shift in demand for automobiles

In Western Europe, the markets most affected by the crisis are still well below pre-crisis levels. However, new vehicle registrations indicate that conditions are stabilizing. Nevertheless, estimates from the German Automotive Industry Association (VDA) indicate that the Western European share of the global market will fall to around 15 percent within a few years. A significant shift in global demand is therefore taking place.

According to the VDA Konjunkturbarometer (VDA Economic Barometer), EU countries such as Portugal, Spain and the UK are reporting strong growth in new vehicle registrations. MANN+HUMMEL is also benefiting from the recovery of these economies. "It has led to noticeably improved demand for our subsidiaries. Capacity at our European plants outside of Germany is well utilized and sales are on the increase. The plants in Turkey and in Thailand in particular have seen a significant increase in

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sales thanks to successful production startups for air filters and intake manifolds," explains Jehle.

Growth in the non-automotive sector

In 2014, MANN+HUMMEL bought a company in the non-automotive sector and acquired a stake in another. MANN+HUMMEL is therefore continuing to pursue its growth strategy, which includes increasing its presence in filtration markets outside of the automotive industry.

Vokes Air, based in Svenljunga, Sweden is a leading provider of filtration applications for indoor air purification and the HVAC segment (Heating, Ventilation, Air Conditioning) segment. These segments have a share of around 15 percent of the global filtration market and offer attractive growth rates.

In May 2014, MANN+HUMMEL expanded its water filtration business with the acquisition of a 50 percent stake in water filtration expert MICRODYN-NADIR, after already having entered the water filtration market in 2010. Wiesbaden-based MICRODYN-NADIR focuses on the production and distribution of flat sheet membranes and is a global supplier of membranes and modules for micro-, ultra- and nanofiltration. MANN+HUMMEL assumed full ownership of the company in February of this year. The water business of the filtration expert, which has subsidiaries in Brazil, Singapore, China, USA and Germany, will be managed centrally from Wiesbaden.

Global industrial output improved in 2014 compared with the previous year. In emerging and developing economies, the rate of growth from the previous year was maintained. However, industrial output in Brazil and in other South American countries fell. "Our business in Brazil has suffered greatly. However, 2014 was a good year overall for the Industrial Filtration Business Unit," says Manfred Wolf, President & General Manager Automotive + Industrial Business. "It accounted for approximately 12 percent of group sales."

The German Engineering Association (VDMA) expects investment activity in industrial and mechanical engineering to increase in 2015, and is forecasting growth of 5 percent. "We share this view," says Wolf. "We're expecting continued growth in sales and earnings in Industrial Filtration for 2015."

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Over 700 new employees

700 new employees joined MANN+HUMMEL as a result of acquisitions and the expansion of our business in China. The total workforce now stands at 16,000, compared with 15,231 in 2013.

Focus on filtration

MANN+HUMMEL has embarked on an ambitious growth strategy to address global price and competitive pressure. "Innovations and a focus on filtration are important elements of our Strategy 2022," explains Weber. "Continued growth in the future will be driven largely by acquisitions." Although the CEO did not give precise details, he made it clear that "the next acquisition will be a filtration company". Filtration will be the essential core of the brand for the now 74-year old Ludwigsburg filter plant.

Market leadership confirmed

The focus on filtration is paying off for the family-owned company. Having previously done so in 2012, independent US market research institute Freedonia once again confirmed that MANN+HUMMEL is the market leader in filtration in the summer of 2014. The institute sees the filtration specialists as number 1 in the global market for filtration applications. Freedonia cites China and India as strong drivers of growth. MANN+HUMMEL is well positioned in these countries.

Outlook

"The construction of our new technology center in Ludwigsburg represents an important commitment to Germany as a business location. However, it is equally important and correct for us to continue with our program of internationalization," says Alfred Weber, describing the company's plans for development. The Ludwigsburg filter plant has evolved into a global player, serving its customers from over 60 locations worldwide. "We need to be wherever our customer need our products," says Weber, citing developments in the automotive industry.

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According to the German Automotive Industry Association (VDA), German manufacturers produced more units abroad than in Germany for the first time ever in 2010. Domestic plants currently produce 5.5 million passenger and light commercial vehicles annually, while production figures at international locations are already in excess of 9 million.

MANN+HUMMEL intends to continue pursuing its growth strategy in 2015. "Our focus is on sustainable growth. This is not an end in itself, but an essential requirement if we are to maintain our position as innovation and market leader in the future," says the CEO. "The numerous awards that we received from customers in all sectors in 2014 confirm to us that we have chosen the right strategy. We have clearly succeeded in consolidating and communicating our competitive advantages in terms of quality, service, and innovation."

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About MANN+HUMMEL

The MANN+HUMMEL Group is a leading global expert for filtration solutions and development partner and original equipment supplier to the international automotive and mechanical engineering industries. Employing 16.000 people at around 60 locations worldwide, the company

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achieved turnover of about 2.8 billion euros in 2014. The group's product portfolio includes air filter systems, intake manifold systems, liquid filter systems, cabin filters and plastic sound components (known as 'symposers'), as well as filter elements for vehicle servicing and repair. For general engineering, process engineering and industrial manufacturing sectors the company's product range includes industrial filters, a series of products to reduce carbon emission levels in diesel engines, membrane filters for water filtration and filter systems. Further information about MANN+HUMMEL can be found under www.mann-hummel.com

