

## Brose in a good position despite crisis

**Coburg (12. March 2009)** The Brose Group was able to continue its course of growth in 2008. Thanks to the acquisition of the electric motors operations from Continental AG, the increase in global turnover was particularly significant. Sales revenues rose by 13% to 2.8 billion euros, a figure which includes turnover amounting to around 450 million euros from the motor business.

After three consecutive quarters of strong growth in all business segments, customer call-offs decreased in the 4th quarter of 2008 due to the sharp decline in global vehicle production by as much as 40%.

The Brose business divisions developed differently. While sales revenues generated by door systems fell by 9%, the seat system business increased by 3%, and the turnover in the area of closure systems rose by 4%.

On account of the sharp decline in sales in the final quarter of 2008, the high staffing level of more than 15,000 employees worldwide could not be maintained. More than 1,000 jobs were cut at locations in Europe and overseas, by deploying fewer temporary staff and not filling posts that became vacant. In addition, shifts were reduced from October 2008, flexi-time accounts and remaining vacation days were used up and the holiday closure period at locations worldwide was extended over the New Year. Thus at the end of 2008, there were approx. 14,300 people working for our corporate group at 52 locations in 21 countries around the world.

Numerous measures were taken to reduce material-related and personnel costs as well as non-personnel expenditure at the end of 2008. Negotiations were held again with suppliers because of reduced raw material costs, preparations were made to introduce short-working time into both production and administrative areas, all non-personnel costs were critically reviewed and investments for 2009 were reduced to 100 million euros.

The sharp decline in sales at the end of 2008 combined with tough price competition had a significant effect on the company's earnings. Brose needs a 5% profit margin in order to finance independence and long-term growth on its own. This target was not achieved in 2008.

### **First six months of 2009: continued low levels of sales in all business segments**

In February 2009 the sales revenues in our core business segments of doors and seats were almost 50% below last year's level. The new Drives business division has also seen its turnover halved. Since there are no signs of the global economy picking up significantly in the course of the year, Brose is currently forecasting a maximum group turnover of 2.5 billion euros for 2009.

### **Cuts unavoidable**

To adjust to the employment situation, short-time working was introduced in February 2009 – for an initial period of 6 months – in production and administrative areas at the locations of Coburg, Hallstadt, Würzburg, Wuppertal and Berlin.

In production, the reduction in working hours depends on the individual call-off situation at the plant. In business divisions and central functions, employees are currently staying at home three days a month.

At foreign locations, where the introduction of short-time working is not possible, we are counteracting the massive decline in business with temporary closure, unpaid vacation or layoffs.

In March, the production facility in Chicago/USA will have to be closed, because the customer in an effort to secure its own employment levels has not placed any follow-on orders for door systems. Brose will support those employees, who do not move to other Brose locations in North America, in looking for new jobs, and will be making severance payments.

A further structural adjustment measure will entail the former Conti development group for cooling fans moving from Nuremberg to Hallstadt at the beginning of April, thus strengthening the Central Electrics/Electronics Development department there. The synergies gained will enable development projects to be implemented even more efficiently and economically in future.

#### **Long-term orientation and stability prove their worth in difficult times**

Since its foundation 100 years ago, the family-owned company of Brose has focused on long-term growth and stability. Stability means continuity in ownership structures and self-financing of the company's development, i.e. without any bank loans or external capital being necessary. This has been achieved through high cost discipline and cautious withdrawals by the owners, which has resulted in the company group having a very good equity base.

Michael Stoschek, the grandson of the company's founder, Max Brose, and Entrepreneur of the Year 2005, works by the following maxim: "We strive to be the most innovative company in our business as far as our products, our production and our organization are concerned. We only wish to be considered traditional and conservative where finances are concerned."

#### **Investments in the future**

Despite the current economic crisis, Brose will be investing in new products, technologies, qualified managerial staff and employees in 2009 as well. 100 million euros have been planned for investments in fixed assets. These include, for example, extending the test center in Coburg, expanding the testing capabilities of our headquarters in Detroit and Shanghai as well as preparing manufacturing facilities for product SOPs in our plants in Europe and overseas. In addition, a distinct focus will be on building up development and sales functions in Asia and Eastern Europe," says Jürgen Otto, CEO of the Brose Group.

Brose has the well-being of its employees in mind even in difficult times: thus, for example, the canteen is being completely modernized for employees at the Würzburg location. The budgets for research and development tasks and for the further qualification of employees will again be around 10% of the turnover, which gives the company a top ranking in this respect when compared to others in this industry. Brose will spend more than 12 million euros on staff development and apprentice training in 2009.

The number of apprentices will not be reduced, but increased. At the moment, approx. 260 apprentices are being trained in Coburg, Hallstadt, Würzburg, Wuppertal, Berlin and Sindelfingen for their deployment at company locations in Germany and abroad.

Overall, the company shareholders and management board expect the Brose Group to emerge strengthened from this prolonged crisis in the automotive industry.