

## Brose press conference IAA 2011



Jürgen Otto, CEO of the Brose Group

### **Frankfurt am Main (18. September 2011)**

- the spoken word prevails -

Good afternoon ladies and gentlemen from the media,

Welcome to the Brose Group's press conference at the 2011 IAA. I would like to thank you for expressing this interest in the work of our family-owned company with a history going back over 100 years.

If we look back today at the 2009 IAA, we can say with certainty: the global economy developed in 2010 and 2011 much better than originally expected. We have seen high delivery requests in all products which means we are today working to the limit capacity wise worldwide.

This ongoing high level of demand means we are also optimistic about business for the rest of 2011. We expect global sales revenues in the Group to increase by 12% to 3.9 billion Euros. In regional terms this means a turnover increase of 12% in Europe, of 18% in Asia and 27% in North America.

Due to a highly dynamic market, the figures we had previously planned were clearly exceeded. The sales revenues in the corporate group increased by 17% compared to the same period last year.

This positive business development is reflected in headcount trends: the number of employees rose overall in the first seven months of this year by approx. 1,530 (+9%) to approx. 18,750; 7,700 of them work in Germany.

The remarkable thing is that the growth rate in personnel is disproportionately lower compared to the turnover growth rate. This is basically due to the increase in productivity in conjunction with a good level of capacity utilization in the plants.

Ladies and Gentlemen,

Brose is investing heavily in the future of the company: the budgets for R & D activities and for further qualification and training measures for employees again constituted about 10% of the turnover in 2011, ranking it top-rate in this respect and bearing favorable comparison with others in this industrial sector.

Approx. 2,000 employees are engaged worldwide in the development of new products and production processes; every second of these employees is in Germany, and every sixth is meanwhile in Asia.

A total of more than €300 million – a new peak value – is being invested in setting up new locations or extending existing ones as well as in state-of-the art production-, logistics- and communications technology.

We are consistently seeking to increase our global business in three directions: with new products for the electrification of the vehicle, through strategic cooperations and winning new local customers in the Asian-Pacific- region as well as with new non-automotive product groups – with drives for e-bikes, pedelecs and house technology. We are confident that we can also be successful in these new markets outside of our current core business today due to our competence and decades of mechatronic experience as well as the high economies of scale resulting from 150 million motors a year.

At the beginning of 2011, in our endeavor to tap further into the Korean market, we founded a joint venture with the company Mando, one of the leading local automotive suppliers. The joint venture will go operational in the first half of the coming year and be located in Song-Do near Seoul/ South Korea. Initially, steering motors for local automakers will be developed and produced there.

At the beginning of the year, a production facility for producing window regulators went operational in Pune/India.

In the course of further localization of development, sales and production, there are another three locations currently being set up in China:

- A new headquarters in Shanghai/China which will start operations in 2012 and employ approx. 400 people.
- A production facility in Chongqing will go operational in the middle of 2012 . This will be for supplying customers in central and western China. In the future, there will be approx. 250 employees producing seat systems, window regulators and closure systems. Localization of more products is planned.
- In the summer of 2011, we established another sales office to support local automakers in Beijing/China.

Currently, there are approx. 3,000 employees working for Brose in Asia at 15 locations. In view of new customer projects for local automakers in China and Korea, we expect turnover to double in this region by 2013. That means: we will also continue to grow faster than the market.

As far as our global presence is concerned, it is possible to conclude that we possess the know-how in all regions for developing and producing in-house all of our products in the field of mechanics, electrics and electronics - and with the same high goals regarding quality and supply reliability.

Ladies and Gentlemen,

The automotive industry is currently characterized by mega-trends such as fuel consumption savings through an increase in efficiency, lightweight design and the electrification of the automobile.

We are examining very closely the challenges resulting from these megatrends within the automotive industry and thinking about what contribution we can make with our present and future mechatronic systems.

The Brose technology you can see at our booth this year shows that we are already making a considerable contribution in all our product segments toward saving resources and sustainability: through intelligent, lightweight design and functional integration, as implemented in our window regulators, seat structures or HVAC blowers. I believe we may also be a little proud of the fact that we have delivered a stellar performance in all product segments with regard to package space optimization and lightweight design: all our products today are 20% smaller and most of them 30% lighter, thus setting a benchmark in the world market.

Regarding our new compact plastic window regulator, we have, for example, achieved weight savings of 30% i.e. 310 grams, by using a small, lightweight and efficiency-optimized drive from the Brose modular system. Our lightweight HVAC blower in the output range of 250 to 300 watt is the smallest brushless blower on the market with weight savings of 700 grams i.e. 40%. An intelligent material mix of steel, plastic and aluminum reduces the weight of our lightweight seat by 4 kilograms. These are just some of the examples for our comprehensive system competence based on our know-how in mechanics, electrics and electronics.

As a mechatronic specialist with over 100 years' experience in large-volume development and production, we think in systems and can offer our customers holistic system solutions resulting from an intelligent combination of mechanics, electrics and electronics, such as our grill shutter control system with "failsafe" function – to date unique on the market – which will see first use at customers beginning in 2013.

Another example is our mechatronic system for touch-free operation of the liftgate. The concept comprises a touch-free anti-trap protection feature as well as an optical sensor which halts the opening liftgate before it collides with an obstacle, for example, the garage ceiling. For maximum convenience, there is another sensor, which enables touch-free opening and closing of the liftgate by means of a mere foot movement below the bumper.

Electric mobility will come, the only question is when. As a technological company, we examine all possibilities for achieving an edge on the market through strategic cooperations. Given ever-decreasing energy resources and increasing environmental pollution, alternative drive concepts will play a large part in the future with regard to ensuring mobility. We are facing up to this challenge and wish to provide our customers with convincing solutions in the area of electric mobility.

In April 2011, we founded a joint venture with the company SEW-Eurodrive, the leading supplier of drive technology and automation. Brose-SEW Elektromobilitäts GmbH & Co. KG

develops and produces drives and charging technology for electric and hybrid vehicles with power output ranging from 0.25 to 150 kilowatt.

SEW is - like Brose - a family-owned company, and therefore in many things we share a common approach. Brose is the market leader in mechatronic systems for the most varied areas of application in the automobile with a market volume and series production know-how derived from 150 million motors a year – albeit in the lower power categories.

SEW-EURODRIVE as the market leader in the industrial sector has the more powerful motors required and decades of know-how in electric motor development and production.

That is why I am very happy to welcome Johann Soder, board member responsible for technology at SEW-Eurodrive, here today. He will be pleased to answer any of your questions in the tour of our booth after this press conference.

Intelligent and user-friendly charging technology is an essential pre-condition if electric vehicles are to be established in the mass market. Brose-SEW can offer a viable solution: wireless charging technology makes accessing a power supply at home (connection 230 volt/16 ampere) or while on the move easy, clean and independent of weather conditions.

Instead of stationary electricity refuelling stations, the components for wireless power transmission include induction coils embedded in the ground which act as the transmitter and a module on the underbody of the car which assumes the role of the receiver. Power is transmitted inductively up to a distance of 20 centimeters via a magnetic field (rate of efficiency >90%). The transmission frequency is 140 kHz, whereas most systems on the market only reach 50kHz.

An electromagnetic shield in the coils ensures the passenger compartment is protected from the magnetic field. Brose-SEW is the only supplier to meet the VDE rule of application (VDE-AR-E 2122-4-2).

Due to its complete modular structure, an induction charging system of almost any size can be installed for any type of requirements. With Brose-SEW's mobile pad system based on standardized 230 volt cable connections, we offer a solution which makes the user completely independent of stationary charging stations.

Engineers at SEW-Eurodrive have transferred inductive technology, which has been successfully used in industrial applications for over 10 years, to supplying power for modern electric vehicles. In the future, it will be feasible that vehicles no longer need large, high-performance batteries but instead only small, proven battery systems which get recharged at short intervals virtually by "driving past". Together with our joint venture partner SEW-Eurodrive, we will be pressing ahead with technology for the inductive charging of electric and hybrid vehicles. Another core competence of our joint venture are drive solutions for hybrid and electric vehicles – from the E-car to the E-bike. Depending on the type of vehicle, these can be individually adapted within a broad spectrum to customer requirements. Here, our joint venture, besides using SEW-Eurodrive's existing motor modular design system, uses motors which have been specially developed, in conjunction with automakers, for electric vehicles. An absolute highlight is the separately excited synchronous motor: in contrast to commercially available systems, the aggregate can function without the use of rare earth magnet material.

Ladies and Gentlemen,  
thank you for your attention and your interest.