

# DRIVING THE FUTURE

It is true that we made a bold choice when selecting the motto for this year's Annual Report. Of course, even at MAHLE, we cannot predict the future. However, thanks to our know-how and experience, we can reasonably foresee the solutions our customers will need in times of change. This is how we are shaping the future of automotive technology. And therefore the future of MAHLE.



+6.4%

Organic  
sales growth

»For MAHLE,  
'Driving the future' means  
consistently pursuing  
our dual strategy.«

*Ladies and Gentlemen,*

The last few months have been eventful—not only for the automotive industry, which is undergoing a profound change, and for the MAHLE Group, which is helping shape and develop this change, but also for me personally. It is only a few weeks since I assumed the role of Chairman of the Management Board and CEO. And now, as CEO, I am delighted that I will be driving forward the transformation of MAHLE together with our roughly 78,000 colleagues around the world.

The large number of forward-looking projects and solutions that we initiated, worked on, and implemented in the past business year show that we are on the right track to successfully managing this transformation. Allow me to single out our concept vehicle MEET (MAHLE Efficient Electric Transport), which has aroused great interest among industry professionals from around the world. MEET is an impressive demonstration of how the urban mobility of the future will look: highly efficient, electric, yet still affordable. I particularly appreciate that the technologies and know-how from the different disciplines and divisions at MAHLE have come together in MEET to create an extremely innovative overall system. You can read about MEET's other characteristic features in the magazine section of our Annual Report.

For MAHLE, “Driving the future” means consistently pursuing our dual strategy. We are continuing to optimize the combustion engine, making it more efficient and lowering its emissions. From the perspective of environmental and economic viability, it is and will remain a very important element of the drive mix of the future. In parallel, we are driving e-mobility forward and working on solutions to ensure that electric vehicles become affordable and suitable for everyday use. We are pursuing both approaches out of conviction and with one goal in mind: to make individual mobility more sustainable while continuing to strengthen the position of MAHLE as one of the world's leading development partners and suppliers to the automotive industry.

For us, the transformation process also involves continually reviewing our portfolio and bringing it in line with our strategy. In the year under review, we found buyers for our turbocharger business—Bosch Mahle Turbo Systems (BMTS), a joint venture with the Bosch Group—and for our forging activities; both buyers have ambitions for the development

of these businesses. We also successfully concluded the acquisition of the Spanish electronics specialist Nagares, now called MAHLE Electronics. We plan to develop the MAHLE Electronics location in Valencia/Spain into a competence center for our activities in the vehicle electronics sector. In the magazine section, you can read more about the excellent progress made in integrating the new MAHLE subsidiary and what we have planned for it.

As far as our financial targets are concerned, we can look back on a generally moderate business year. MAHLE Group sales rose by 3.8 percent to EUR 12.8 billion, an increase that resulted almost exclusively from organic sales growth. At 6.4 percent in 2017, this growth was significantly higher than in the preceding years. Sales in all business areas increased in comparison with the previous year. There was also a positive development in our staffing levels with the MAHLE Group employing 78,277 people as at December 31, 2017—a rise of 2.1 percent. Although our net income for the year improved in comparison with the previous year, we are still not satisfied with the result. In 2018, we are continuing to work on increasing our overall result and our operational earning power.

Our approximately 78,000 employees worldwide are especially representative of the motto “Driving the future.” With their know-how and commitment, they are making MAHLE one of the world's most highly regarded partners to the automotive industry. Many thanks to you all! Together with my colleagues on the Management Board, I would also like to thank the MAHLE Supervisory Board, the members of MABEG (the shareholders' committee with voting rights), and the employee representatives for their very constructive cooperation.

Above all, our sincerest thanks also go to our customers around the world. We are encouraged by their confidence in us, and their feedback and loyalty continue to motivate us to do our best for them on a daily basis again in 2018.

Twenty eighteen brings new opportunities and challenges. The change in our industry remains the driving force behind our activities, which are all aimed at continuing to inspire our customers in future by being a strong partner with the best products. Despite all the challenges, we are chiefly looking forward to the opportunities, and we will seize them with enthusiasm and innovative strength. After all, we will be driving the future also in 2018!

On that note, I hope you will find this report fascinating reading.



**Dr. Jörg Stratmann**  
Chairman of the Management Board  
and CEO of the MAHLE Group