

**EBERSPÄCHER**  
**ANNUAL REPORT**  
**2009**

EXHAUST TECHNOLOGY  
VEHICLE HEATERS  
ELECTRICAL VEHICLE HEATERS  
BUS AC SYSTEMS  
AUTOMOTIVE ELECTRONICS  
AUTOMOTIVE BUS SYSTEMS



Eberspächer

## AT A GLANCE

### ADVISORY BOARD

**Dr. Günter Baumann**

Chairman

**Franziska Beckmann**

**Dr. Albrecht Unger**

**Helmut Eberspächer**

Honorary Chairman

### MANAGEMENT BOARD

**Heinrich Baumann**

Presidents/Managing Partners of Eberspächer Holding GmbH & Co. KG

**Martin Peters**

**Dr. Leonhard Vilser**

CEO Vehicle Heaters

**Dr. Thomas Wünsche**

CEO Exhaust Technology

PERFORMANCE INDICATORS in EUR million	2009	2008	Change %
Revenue	1,342.0	2,239.9	- 40.1
Other countries	584.4	1,007.1	- 42.0
Other countries as a % of total revenue	43.5	45.0	-
Cash flow from operating activities	46.3	73.8	- 37.3
Ratio of equity to total assets as a %	18.1	21.3	-
Equity ratio as a %*	22.0	26.7	-
Capital expenditures	38.1	65.2	- 41.6
Amortization, depreciation and write-downs	56.5	48.3	17.0
Research and development expenses	79.2	82.6	- 4.1
Personnel expenses	245.7	266.7	- 7.9
Net income/net loss for the year	- 63.0	42.9	-
Number of employees (average number of employees including trainees)	5,260	5,575	- 5.7

\* Including loan liabilities to partners

**Innovation as a matter of tradition: Throughout its history dating back more than 145 years, Eberspächer always excelled at setting the pace of state-of-the-art technological solutions. This remains true today. Our innovations blaze a trail for new drive and vehicle concepts in the automotive industry. As a leading systems supplier for exhaust technology, vehicle heaters and bus ac systems, as a pioneer in the fields of electrical vehicle heaters and automotive bus systems, we make an active contribution to environmentally friendly mobility around the world. Eberspächer is present on all key markets for the international automotive industry with its OEM and aftermarket equipment. Our wide range of services equips us today for the technological challenges of the future, for the strict exhaust gas standards for passenger and commercial vehicles, the complexities of thermal management of electric drives and for the ever increasing demands placed on electronics.**

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## SIGNIFICANT EVENTS

Alongside our crisis management, strict cost controls and necessary structural changes, we have continued to invest in important growth markets and products.

### US TRUCKS WITH EBERSPÄCHER SCR TECHNOLOGY:

The new EPA 10 regulations mean that the nitrogen oxide emission limits have fallen dramatically in the USA. In their implementation of the regulation, the leading commercial vehicle brands in North America are employing Eberspächer's combined SCR (selective catalytic reduction) systems. Our objective to become the world's number one in exhaust gas aftertreatment for commercial vehicles. We have set our sights on Europe as the next growth market. The stricter EURO 6 standard due to be introduced in the next few years will bring European legislation into line with the USA.



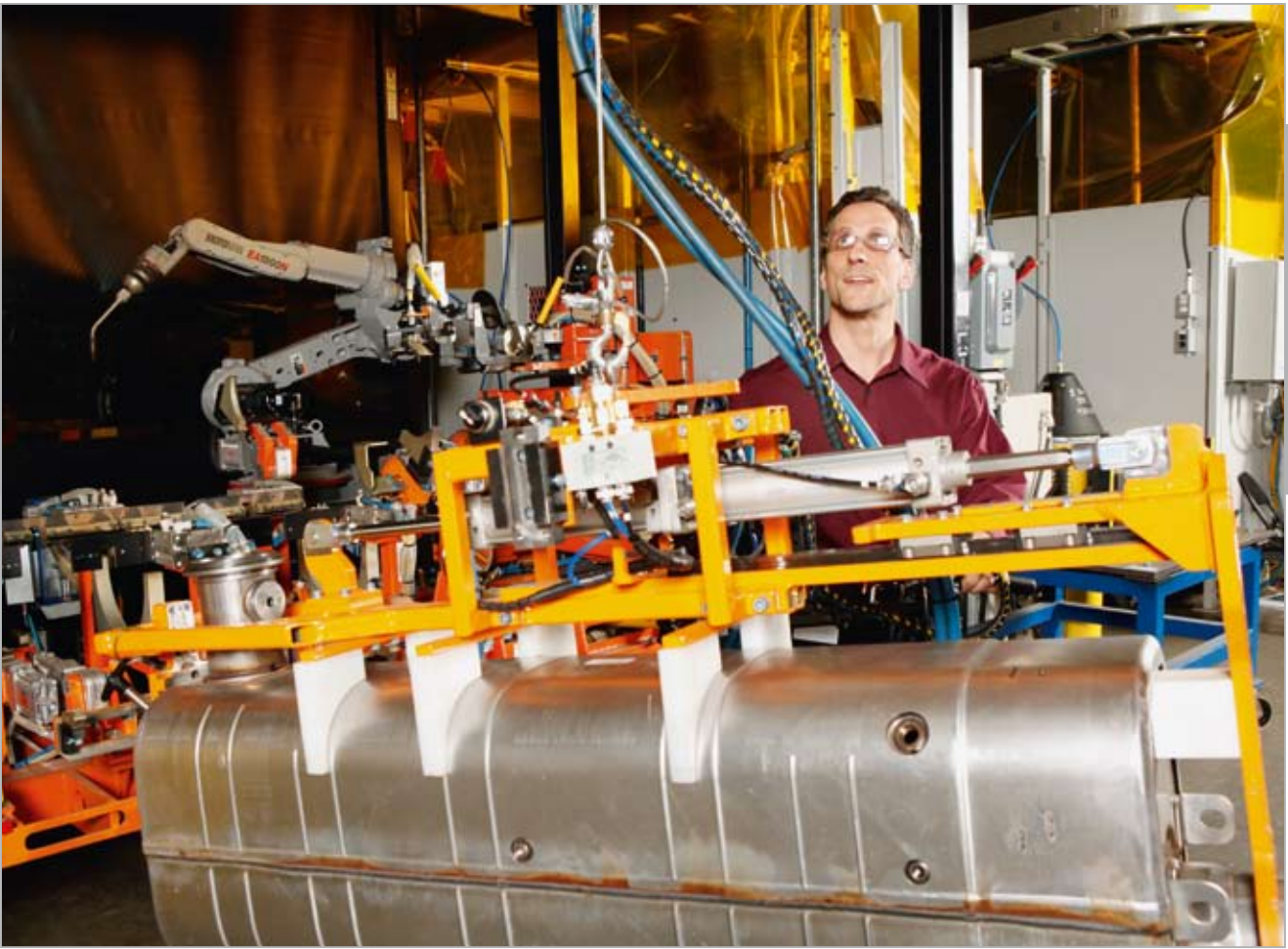
### INNOVATIVE SOLUTIONS IN THE NON-ROAD AREA:

The increasingly stringent emissions standards worldwide mean that there will also be need for exhaust gas treatment systems in the non-road area in future. Our expertise in the on-road segment allows us to best serve this growth market with individually developed components, for example SCR converters, catalytic converters, particle filters. Furthermore, our new joint venture with Robert Bosch GmbH and Deutz AG provides complete systems using standard components – including an electronic control system and optional burner technology.



### ENTRY INTO THE BUS AIR-CONDITIONING MARKET:

The market for parking heater systems and air-conditioning systems is converging more and more in the bus segment. Customers increasingly request complete solutions from one provider for their vehicle temperature control requirements. We now take account of these needs. Its acquisition of SÜTRAK, a world leader in bus air-conditioning systems, now makes Eberspächer the only company able to provide heating systems with air-conditioning for buses of all sizes, from minibuses, through twenty-seater buses to full-size overland coaches.



#### ELECTRIFYING – EBERSPÄCHER IN THE CHEVROLET "VOLT":

The Chevrolet "Volt" that will come on the market in 2010 is a radically new type of electric vehicle. It any time runs on electricity at all speeds and is able to travel up to 60 kilometers with one charge. This is when the exceedingly economical gasoline engine cuts in and recharges the battery. The innovative high-voltage water heater, developed especially for e-vehicles, and the exhaust gas system downstream of the manifold come from Eberspächer. The sister model, the Opel "Ampera" will also be fitted with this system technology.



#### SOUND OR SILENCE – A COMPLETELY NEW SOUND SENSATION:

An electric vehicle that sounds like a "real" car, a diesel that sounds like a gasoline engine, or four cylinders that sound like eight: Eberspächer's Active Sound/Active Silence is now ready to go into series production. Technology building on the principles of anti-sound not only provides highly effective noise reduction – by as much as 20 decibels – and amazingly authentic sound design, but at the same time considerably reduces development expenses and the number of variants. The muffler is the same for the entire platform, only the software has to be adapted for each type of engine.

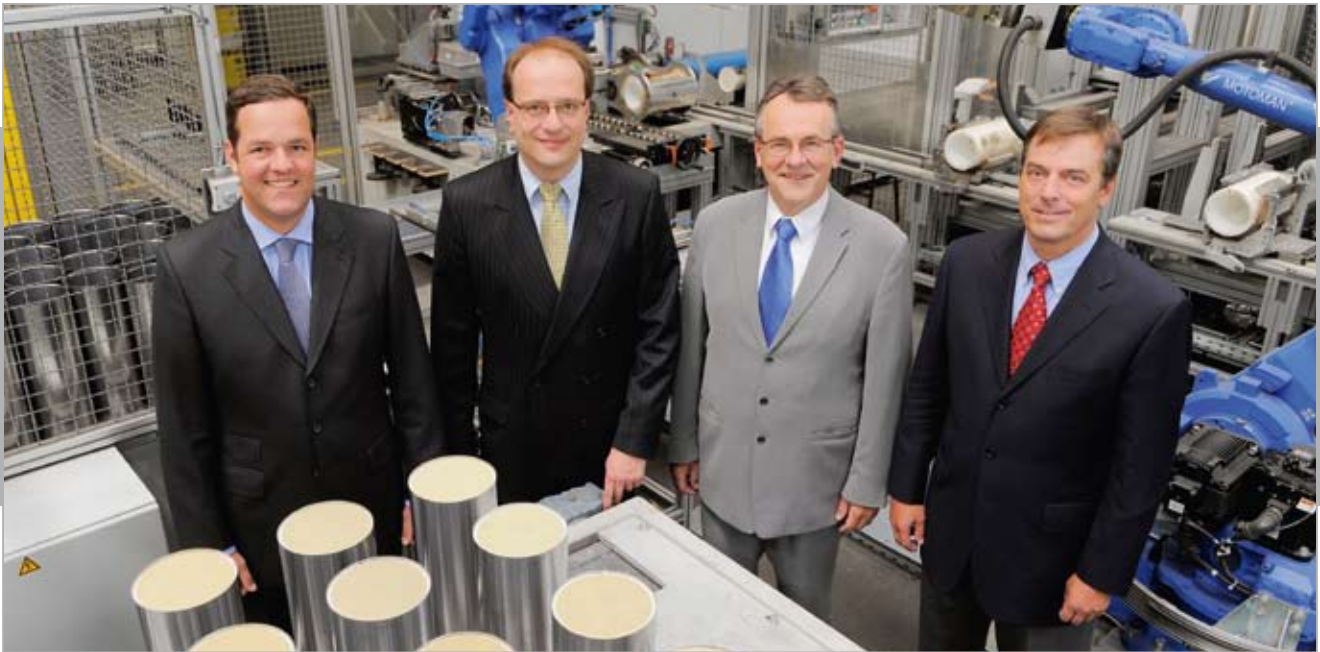
## GROUP MANAGEMENT REPORT

For Eberspächer, fiscal 2009 was one of the most difficult in the Company's recent history. After a very weak first half of the year, revenue reached its absolute low mid-year. Towards the end of the third quarter and especially in the fourth, we saw slight growth once again thanks to new production starts and the gradual economic recovery. The Group generated revenue of EUR 1,342.0 million, which is 40% below the very positive prior year.

Net revenue, which is decisive for our capacity utilization fell by 33% (adjusted for transitory items). In comparison to other automotive suppliers, Eberspächer suffered a particularly severe loss of revenue as the vehicle segments we supply contracted at a much higher rate than others in the past year. We reacted to this dramatic collapse right at the beginning of 2009 with targeted measures that began to take effect in the course of the year. We adjusted our capacities worldwide to the reduced level of demand and introduced numerous additional measures to reduce costs and safeguard liquidity. The goal was always to avoid jeopardizing our prospects for the future. For this reason, all activities relating to the penetration of new product areas and sales markets continued virtually unabated. We are currently equipping ourselves for the new technological challenges in the automotive industry, thus reaching beyond our existing business. Thanks to the disciplined implementation of our packages of measures, we succeeded in limiting Eberspächer Group's net loss to EUR 63.0 million.

In light of the current sales development, order intake for the coming months and the measures initiated, we anticipate a slightly positive result for 2010. From 2011 onwards, our results of operations will sustainably improve on the back of profitable growth in new product areas and markets.

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From the left: Presidents/Managing Partners Heinrich Baumann and Martin Peters, Managing Director Dr. Leonhard Vilser (CEO Vehicle Heaters), Managing Director Dr. Thomas Wünsche (CEO Exhaust Technology)

#### BUSINESS AND INDUSTRY CONDITIONS

##### GENERAL ECONOMIC AND INDUSTRY CONDITIONS:

In 2009, the global economy was characterized by the most extreme contraction since the Second World War. Following a severe recession at the beginning of the year, slight global growth set in mid-2009, which took on very different forms in different regions. In the USA and those countries that are heavily dependent on exports such as Japan and Germany, the decline bottomed out after the first half of the year. Government economic stimulus packages and exports picking up slightly in the course of the fall resulted in minor economic growth as of the third quarter. This means that German GDP fell by 5% in 2009, after having seen slight growth of 1.3% in 2008. In some branches of German industry, such as the metalworking and electrical industries, the decline was particularly dramatic at 23.3% in comparison to 2008. While global real gross domestic product still grew by around 1% in 2008, it fell by 3% in 2009 as anticipated.

In the course of the global financial and economic crisis, the international automotive industry saw one of the largest contractions ever in 2009. Government economic stimulus packages, such as incentives to scrap old vehicles, implemented in various forms in different countries stabilized demand for passenger vehicles. This meant that, according to the VDA (German Association of the Automotive Industry), 23% more new passenger cars were registered in Germany in 2009 than in the prior year. While the number of new vehicles registered by private individuals virtually doubled, the number registered by businesses contracted by 22%. In the USA, the most important country to which we export, new registrations declined by 20% in comparison to the prior year, and in Western

Europe they remained at the prior year level. The countries of Eastern Europe, Russia for example, saw declines of as much as 49%. The permanent decrease in inventories at automobile manufacturers meant that passenger vehicle production volume decreased by approximately 10% to 5 million units in 2009.

Worldwide the commercial vehicle market contracted much more significantly in 2009 than the market for passenger vehicles that was supported by government incentives. In 2009, the number of new vehicles registered dropped 28% in Germany, 29% in western Europe and 33% in the USA. With a drop of 67%, the Russian market was particularly severely hit by the recession. The market seems to have bottomed out since the end of 2009, but there are very few signs of a general recovery. Commercial vehicle production in Germany matched the decline in demand, dropping by 52% to 246,000 units produced. In this context, there were great differences within the market, as vans were impacted far less than heavy duty trucks.

For 2010, hard and soft economic indicators point to a gradual, minor recovery in the global economy. Global gross domestic product is forecast to grow by some 4% in 2010. It is expected that individual regions such as the BRIC countries (Brazil, Russia, India and China) will act as growth drivers with above-average growth of up to 10% (for example, China). Germany is expected to return growth in gross domestic product of 1% to 2%. For 2010, expectations are that there will be a rather unfavorable development on the labor market which has so far been relatively stable. This, in turn, is likely to have an effect on consumption which has also remained relatively positive so far. The situation at an international level is

## GROUP MANAGEMENT REPORT

similar, with the positive signals giving no cause for euphoria. Now that various government economic stimulus programs have come to an end, it remains to be seen how sustainable the growth in exports actually is. Furthermore, the problem caused by existing excess capacities in the automotive industry and other branches of industry is still unresolved.

### BUSINESS DEVELOPMENT

#### DEVELOPMENT OF REVENUE AND ORDERS:

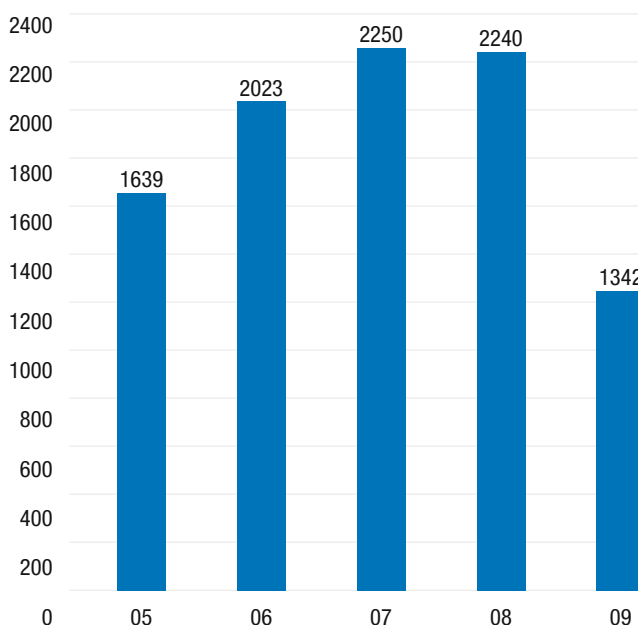
In the **Exhaust Technology division** revenue dropped to EUR 1,136.9 million in 2009, i.e., down 41 % on the prior year. After a very difficult first half of the year, revenue started to grow again in the second half due to the global recovery in demand for passenger vehicles.

Revenue in the Exhaust Technology division typically has a large share of transitory items. These relate to coated monoliths and components manufactured by competitors that are used in out exhaust systems. As our customers and suppliers negotiate these parts directly we do not have any influence on this portion of revenue which aggregated 43.4% of total revenue relating to Exhaust Technology in the past fiscal year. We consequently consider only the remaining net revenue when assessing our own value added.

In 2009, net revenue did not suffer as much as gross revenue, falling to EUR 643.4 million, a drop of 32.4% on the prior year. This can basically be attributed to the fact that the monoliths included in gross revenue saw a significant drop in the average price over the year. In addition, there was an above-average drop in the volume of the components manufactured by competitors. The decline in revenue was even greater at Eberspächer than other automotive suppliers. This is due to the fact that we primarily supply the premium segment that, firstly, is highly dependent on exports and, secondly, did not benefit from the car scrapping premium. On the other hand, unlike other companies, we do not anticipate any negative effects from the declining sales of small cars in 2010. This is also reflected in our order backlog for the first few months of 2010. Since the end of 2009, the

number of orders called by OEMs exceeded the prior year level again. The effects of the global economic crisis had a significant impact on all sales regions. There were regional differences nevertheless. While we suffered a decline in revenue of 39.7 % (gross) in Europe, our core sales territory, the decline in North America was even more severe at 51.0%, due to the insolvencies of General Motors and Chrysler. Thanks to new launches and an exchange rate that developed in our favor, revenue in South Africa, valued in euros, saw a smaller decline than in all other regions. In the BRIC countries, revenue roughly matched the prior-year level. This is attributable to the significantly shorter and less dramatic economic downturn in these emerging economies and the fact that we have increased our local activities there.

Sales revenues Eberspächer Group of Companies in EUR million



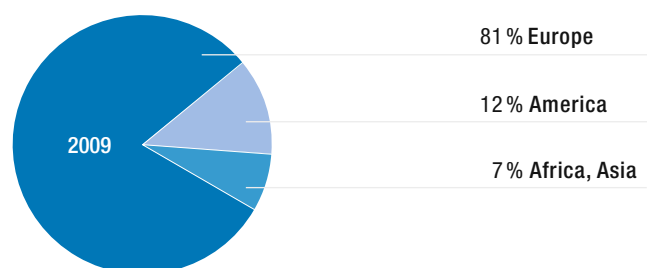
The successful start of production for EPA 2010 commercial vehicle exhaust systems at Eberspächer North America in the USA is of strategic importance for the Eberspächer Group. Production of exhaust systems on our new manufacturing facilities there began in the third quarter of 2009. Nevertheless, the output of series production, which started in January 2010, will not meet our expectations in terms of volume until the second half of the year. New orders from passenger vehicle manufacturers led to the establishment of new locations in Spartanburg and Tuscaloosa.

For 2010, we anticipate a minor economic recovery and increasing revenue on account of new projects for commercial and passenger vehicle manufacturers that will start this year. Thanks to these and further new orders, our medium-term planning is based on a significant double-digit annual growth rate.

In December 2009, Robert Bosch GmbH, DEUTZ AG and Eberspächer signed an agreement to form a joint venture in the field of diesel exhaust gas after-treatment. This agreement was subject to the condition precedent of approval by the anti-trust authorities until the end of March 2010. The goal is to exploit the core competencies of the three companies in exhaust gas after-treatment and to offer complete system solutions on the basis of standard components for the non-road area. Alongside this, Eberspächer will continue to establish itself in the field of exhaust gas after-treatment systems for the non-road area and make use of the expertise already gained in the commercial vehicle sector for these applications in order to meet the requirements of tier 4 emissions standards. In this respect, the planned joint venture is a supplement to the commercial vehicle and non-road business of our Exhaust Technology division, where we intend to successively establish ourselves as world market leader for Euro 4 and EPA 2010 standards and higher. The joint venture is planned to bear the name "Bosch Emission Systems GmbH & Co. KG" and have its registered office in Stuttgart.

In 2009, revenue in the **Vehicle Heating** division dropped by 34.5% on the prior year to EUR 205.1 million. All areas of business were affected by the crisis-related decreases, but to varying degrees.

*Sales revenues Eberspächer Group by region in percent*



Due to the cold winter weather, revenue in the first quarter of the year was still somewhat better but then fell significantly in the second and third quarters. This was, on the one hand, attributable to the recurring seasonal effect but on the other hand revealed the true extent of the crisis. Revenue in the fourth quarter saw a seasonal recovery, but failed to reach the prior year level.

## GROUP MANAGEMENT REPORT

The passenger vehicle OEM business that was weak over the first six months saw a continual recovery in the second half of the year, although we supplied hardly any models that profited from the car scrapping premiums. The positive development in the second half of the year is essentially the result of the very successful new launches in some model series and the gradual economic recovery. The development in commercial vehicle OEM business was much more dramatic. At the beginning of the year, revenue was still able to profit from the sale of spare parts. Plant closures on the part of the OEMs and weak sales due to the crisis began to really take hold between the second quarter and the end of the year. By the end of 2009, we were able to identify the first signs of a gentle recovery. In comparison to the prior year, revenue in the commercial vehicle business collapsed by more than half in comparison to the prior year.

The domestic trading business experienced a slight decline in 2009. In the reporting year, the international trading business was characterized by the collapse of certain markets, Russia for example, and remained clearly below the prior-year level. Towards the end of the year, we identified the first signs of an incipient, if initially weak, recovery that will probably be reflected in increasing revenue in 2010. At the non-German heater companies revenue fell in the reporting period. The development varied greatly from one region to another. While a number of markets such as Italy, France and Denmark suffered greatly from the crisis, the situation in countries outside the euro zone, such as the UK and Sweden, was exacerbated by exchange rate fluctuations. In contrast, the large North American market stood up relatively well in spite of the harsh crisis. Stricter environmental legislation in the USA and Canada necessitate the use of engine independent heaters in commercial vehicles. This means that our products contribute to reducing fuel consumption and CO<sub>2</sub> emissions which in turn has a positive impact on the viability of fleets of trucks.

With regard to electric vehicle heaters, which we market as Eberspächer catem, we had to shoulder a drop in revenue in 2009 of just over 20%

in comparison to the prior year. The development of revenue in this segment also developed very differently from one region to another. The European market contracted due to the global sales crisis. Although sales in the USA also remain at a low level, this is where largest relative growth is anticipated. The situation in Asia is characterized by weak automotive sales and fierce competition. The first production line for PTC auxiliary heaters and heater components in Beijing went into operation in 2009, from where we will supply Japanese customers. Although demand from Japan was in steep decline in 2009, we have in the meantime identified a positive trend from these customers on account of global projects.

In order to counter the extreme decrease in revenue throughout the Group, packages of measures to reduce costs and safeguard liquidity were already put together and initiated for all divisions and functions in the first few months of the year. Measures ranged from savings relating to ordinary operations and cautious limits on capital expenditure. The most significant measures are described below.

### PRODUCTION/LOGISTICS/PROCUREMENT:

The sharp decline in global automobile production has forced us to consistently exploit all existing potential to increase productivity and reduce costs in manufacturing, logistics and procurement.

In the **Exhaust Technology** division, production volume in the reporting year was significantly below the prior-year level. Since September 2009, Neunkirchen, the largest exhaust technology location, has been running at full capacity once again. In addition to the improved sales situation in the second half of the year, this is attributable to the fact that the remaining production volumes of the two production areas closed in the course of the year, Sindelfingen and Unna, and the suppliers that had become insolvent were successfully integrated into the production structures there. Further insourcing measures were implemented at Neunkirchen. From a global perspective, we succeeded in increasing capacity utilization again in the course of 2009 by reducing production capacities, after

the collapse in the first few months.

We implemented various optimization projects in the reporting year. Improvements were primarily achieved in the areas of productivity, quality, throughput times, inventory range and procurement costs. At the Neunkirchen location, the quality and production functions joined forces in 2008 and succeeded in improving the product quality for all customers as well as reducing the number of faulty parts and downtimes in the production process. This campaign was flanked by an extensive employee training program.

In the USA, the production structures were set up to supply the commercial vehicle business scheduled to start in 2010 and individual new launches for passenger vehicle manufacturers. This was successfully accepted by our customers.

In the Vehicle Heating division, production volume fell significantly in 2009. Indeed, the fall in volume was greater than that in revenue. This was due to a decrease in inventories, non-recurring revenue from services (for example, development services for OEMs) and the strength of spare parts business due to weather conditions in the first and fourth quarters. The huge reduction in production volume necessitated cost savings in all areas. At the beginning of 2009 we shed nearly all hired temporary workers. As of March, reduced working hours were introduced at the main production location in Esslingen. This was, however, partially reversed in the fall to cater to the seasonal increase in demand. These measures made it possible to avoid redundancies for operating reasons at the Esslingen location. We anticipate that we will have to continue using reduced working hours as an instrument to adjust capacities in many areas in 2010. After the end of the season, it is anticipated that the production area taken out of the programs for reduced working hours over the winter months will be included once again. At the same time, we have reduced stocks worldwide, but without jeopardizing our ability to supply. In order to ensure the future

viability of our production location in Esslingen, we are pressing forward with activities pertaining to a more efficient production supply structure and to optimize our logistics processes.

In the field of materials purchasing, falling commodities prices enabled us to successfully realize savings in 2009, despite decreasing volumes. With the considerable reduction in quantities ordered, the risk of supplier default also rose in 2009 which is why we monitored the economic situation of jeopardized business partners on an ongoing basis. Despite this, we were confronted with defaults by several suppliers. These were compensated for by intense efforts on the part of our purchasing department, without there being any major bottlenecks in production or supplies to our customers. Since the second half of the year 2009 the situation has further deteriorated. As the entire industry has introduced reduced working hours but, at the same time, demand is on the increase again, response and therefore delivery times for individual components, such as electronic components, have become longer.

## GROUP MANAGEMENT REPORT

### QUALITY AND ENVIRONMENTAL MANAGEMENT:

Our quality management systems certified according to the relevant automotive industry standards enable us to ensure compliance with our customers' requirements. This is confirmed by both independent audits and customer audits. In 2009, for instance, the 50 ppm award was bestowed on us for the second time by a leading North American commercial vehicle manufacturer (ppm = parts per million, the permissible number of defective parts per million).

The special conditions relating to the generally difficult economic situation of the entire automobile industry meant that only some of the key quality indicators were improved despite extensive measures under the zero defect policy. Warranty expenses were reduced through consistent and sustainable implementation of preventive quality planning activities as part of product development/modification. On the one hand, this is due to the improvement in the level of quality and reliability of our products and, on the other, the improved application and service expertise of our trade distribution channels. The Exhaust Technology division's quality campaign launched at the end of 2008 was continued and reinforced in 2009. The results are made available to Eberspächer locations. This already brought about notable improvements in the level of quality in some areas before the end of 2009.

In order to continually improve the quality of our suppliers, we consistently apply an analysis of potential in the selection process in addition to employing our supplier development program. This allows us to put our business partners in a position to meet the high standards required by Eberspächer and the automobile manufacturers.

Successful ISO 14001 audits were performed as part of the systematic development of the environmental management system at various locations. This confirms that the environmental management system we employ complies with the relevant standards. In addition to the topic of environmental protection, these audits extend to the

areas of industrial safety, fire protection and hazardous substance management.

One of the focal points in the field of environmental management e.g. at the Neunkirchen location was the topic of energy efficiency. For this purpose an energy saving guideline was drawn up with the aim of boosting environmental performance and lowering energy costs. The drive to substitute environmentally critical substances continued. For example, the entire production process at some plants was converted to chlorine-free oils, which constitutes a major contribution to keeping latent risks to a minimum in the field of water protection.

### PROCESSES AND ORGANIZATION:

Stable and efficient processes are the basis for a growing international organization. As part of our ongoing process management optimization, the drafting of a general standard for process management began in 2009. The initial focus was on the Company's core processes. In a next step, these processes will be transferred throughout the international Group, taking into consideration country-specific and cultural differences.

The program management system initiated in the Exhaust Technology division in previous years had a positive impact in 2009. This program employs standardized methods and identical processes and procedures worldwide to ensure the efficiency, viability, transparency and achievement of goals at all stages of our customer projects. In the course of 2009, employees and executives alike profited most of all from the new transparency and the quick access to all relevant documents for customer projects.

### RESEARCH AND DEVELOPMENT:

Research and development expenses totaled EUR 79.2 million in year under review (prior year: EUR 82.6 million). This includes internal expenditure and all purchased third-party services relating to design, CAE (Computer Aided Engineering) and testing. We also anticipate the upward trend in expenditure on basic research to continue in the years to come.

In 2009, our research and development activities focused on specific OEM application and research projects with a view to implementing our core competencies in new technologies and also of tapping new markets utilizing existing product know-how. The involvement of our suppliers in the early stages of development is one of the key success factors in achieving project targets.

In the **Exhaust Technology** division, our research and development activities in 2009 concentrated on innovative technologies for exhaust gas after-treatment for passenger vehicles, commercial vehicles and non-road vehicles. The aim is to meet the requirements of the strict EPA 2010 (USA), EURO 6 (Europe) exhaust gas standards as well as the tier 4 standards in the non-road area (as of 2011). The focus in this context is on combined systems involving diesel particle filters and SCR (Selective Catalytic Reduction for removing nitrogen oxides). Furthermore, the fuel processor that manages the entire thermal management in the exhaust gas system and the Active Sound and Active Silence technology, an active sound-managing muffler system that uses anti-sound to achieve both an effective noise reduction and a distinctive sound design, were further refined. Similarly, we achieved considerable progress in the optimization of existing products in combination with benefits for the production process and for our customers. This includes, for example, designing lightweight mufflers with tailored strips.

Development work takes place at the locations in Esslingen and Unna (both Germany), Paris (France), Novi (USA) and Pune (India). It is becoming ever more common for our employees to work in

global development teams. Optimizing the knowledge and experience required improves our efficiency in customer projects and boosts our innovative strength.

In the case of **fuel-burning vehicle heaters** (parking heater systems and auxiliary heaters), development activities in 2009 have focused on further developing the functions of the Hydronic 2 family of parking heaters in a modular way for use in various applications. Development work centered on optimizing energy efficiency, life expectancy and compatibility with alternative fuels. One of the focal points of our research activities is on the development of a reformer and residual gas burner for a fuel cell. This technology developed as part of this research project is planned to go into series production at a later date for the purpose of onboard electricity generation, e.g. for commercial vehicles for example.

In the area of **electrical vehicle heaters**, the focus is on the development and refining of novel electrical water and air heaters. A technological lead and innovative power are and will remain of decisive importance for the long-term success of our products. This is the only way for us to maintain global market leadership. The development organization was restructured and assigned more personnel with a view to achieving this end.

## GROUP MANAGEMENT REPORT

We increasingly see the focus of our applications to be on passenger vehicles with alternative drives alongside traditional vehicles with internal combustion engines. On account of the required reduction in CO<sub>2</sub>, that can be achieved through electrification of drive systems or even purely battery powered vehicles, there will no longer be any waste heat available, which means that the interior heating system has to be separated from the waste heat provided by the engine. The close cooperation between the development departments for fuel-burning and electrical heating systems within the Group makes it possible to apply the ideal heating system for each specific application. This puts Eberspächer into the unique position among manufacturers to provide a complete product portfolio covering the entire range of heating for vehicles with alternative drive technologies.

For the foreseeable future, electric drives will be used primarily in small and town vehicles. The broad mass of vehicles – whether passenger or, most of all, commercial vehicles – will be equipped with optimized internal combustion or hybrid engines in future in order to achieve the necessary CO<sub>2</sub> reductions. In this respect, Eberspächer will play an important role in the development and supplying of the corresponding exhaust gas systems, that will be significantly more complex than they are today.

### EMPLOYEES:

The global headcount at the Eberspächer Group averaged 5,260 employees in the fiscal year 2009. This means that 315 jobs (5.7%) were cut in comparison to the prior year (5,575 employees). In addition, we dispensed with employing around 400 temporary workers worldwide which means that in some months last year we reduced our global capacities by more than 900 employees in comparison to the fourth quarter of 2008. It is our declared objective to retain as many as possible of our trusty permanent workforce. In Germany, we have used the introduction of reduced working hours in various areas since fall 2008, protracted plant shut-downs, adjustments to our shift system, the reduction of accrued overtime and vacation,

natural fluctuation and the conclusion on early retirement agreements to adapt to the declining demand from the automotive industry.

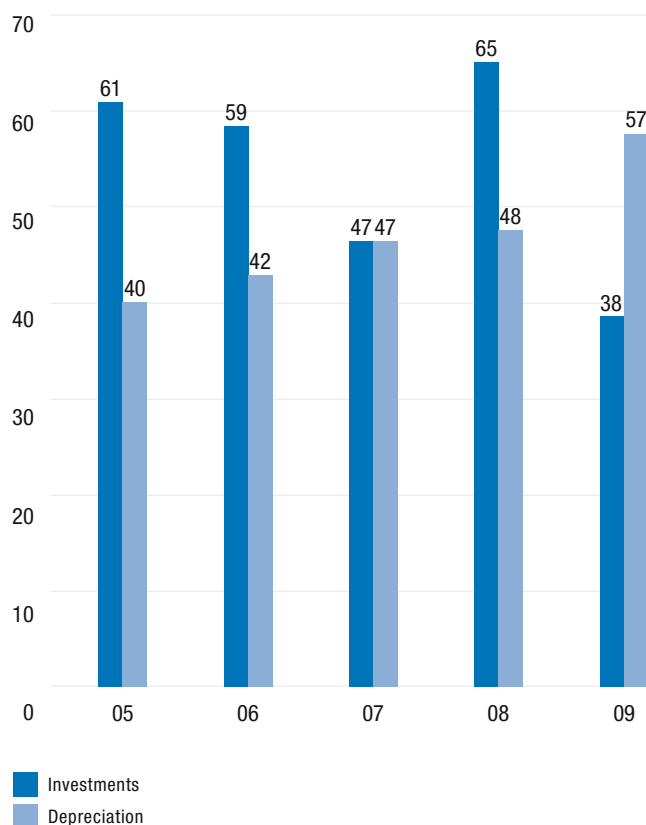
The introduction of our corporate mission continued in 2009. In the meantime, most of the employees in Germany have been informed of the corporate mission through the rollout process. It centers on our vision, Eberspächer's ethics statement and the individual Corporate Guidance principles. We will continue to work intensely on our corporate mission to keep it "alive" in future. This ensures that it will become a central theme for our work, our contacts to the outside world and day-to-day interaction with each other.

Once again in 2009, we invested in the professional and personal development of our executives and employees. In this respect, we provide development programs and seminars to promote professional, methodical and leadership expertise for various levels and areas. In the past year, for example, internal specialist training was held in the product development department in addition to an extensive qualification program under our quality campaign in the Exhaust Technology division. In addition, a wide range of measures were implemented in the area of company health management. We will reinforce our activities in 2010 and make them part of our Company-wide integrated personnel development system (IPS).

Despite the crisis, Eberspächer increased the number of trainees in 2009. The average over the year came to 122 trainee positions (prior year: 105) including the placements from universities of cooperative education at Eberspächer. In addition, activities intensified in the area of recruiting with the employer branding project. In this context, the focal points included intensification of cooperation with schools and colleges, participation in recruitment fairs and an so-called "Education Day". A wide range of internships and possibilities to write theses were on offer at Eberspächer again in 2009.

We would like to thank all our employees for the high degree of flexibility, commitment and for making concessions in this extraordinarily difficult environment.

*Investments and depreciation in EUR million*



#### NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS NET ASSETS:

Compared with the prior year, total net assets decreased by EUR 90.7 million (- 12.7%). The items on the assets side that declined most were inventories (- EUR 49.9 million) and trade receivables (- EUR 20.1 million). This was due to the significantly lower level of revenue in comparison to the prior year and strict working capital management. In addition, the carrying amount of fixed assets decreased by EUR 30.3 million. EUR 9.1 million of this drop is attributable to amortization of the goodwill resulting from first-time consolidations in prior years. As in the prior year, capital expenditures on intangible assets and property, plant and equipment mainly relate to the Exhaust Technology division and amount to EUR 38.1 million in the year under review (prior year: EUR 46.5 million). This means that capital expenditure is far below amortization, depreciation and write-downs which, adjusted for amortization of goodwill, come to - EUR 47.4 million (prior year: EUR 46.0 million). The changes in the financial assets and receivables from affiliates are primarily attributable to the corporate restructuring of the Automotive Electronics division.

On the equity and liabilities side, there was particularly a significant reduction in trade payables (- EUR 15.3 million). This is related to an overall lower volume of purchases as a consequence of the lower revenue. With regard to provisions, tax provisions fell by EUR 7.5 million due to the deterioration in earnings and other provisions fell by EUR 17.5 million. The latter is primarily attributable to a lower level of provisions in the areas production and personnel. Liabilities to banks were reduced by EUR 5.4 million in comparison to the prior year despite the difficult fiscal year. Other liabilities increased by EUR 10.8 million in comparison to the fiscal year 2008. This relates, among other things, to factoring payments received which are disclosed under other liabilities. Eberspächer's equity ratio dropped from 21.3% to 18.1% in 2009. In absolute terms, equity fell by EUR 39.5 million in comparison to the prior year. This reveals the impact of the negative net income of the Group and also the positive currency

## GROUP MANAGEMENT REPORT

effects arising from consolidation. In addition, a capital increase was performed, converting shareholder loans totaling EUR 10 million into reserves. The equity ratio (including liabilities to shareholders) fell from 26.7% to 22.0%.

### FINANCIAL POSITION:

Despite the negative result, the net financial debt decreased by EUR 15.4 million to EUR 101.8 million (prior year: EUR 117.2 million) in the reporting year thanks to the lower level of working capital. This meant that our liquidity improved in comparison to the prior year, despite the crisis. If credit balances at banks are offset, Eberspächer had not utilized any short-term lines as of the end of 2009. The credit lines remain unchanged. This means that there is sufficient financial flexibility available for the planned development of the Eberspächer Group.

The production facilities for exhaust systems to meet EPA 2010 standards in the USA were leased in the course of the fiscal year. This comes to a volume of around EUR 18 million. Receivables revolving on a monthly basis are sold as part of an asset-backed securities transaction (ABS) for reasons related to financing. As of the balance sheet date, the ABS transaction amounting to around EUR 12.4 million (prior year: EUR 48.4 million) and further sales of receivables reduced the net assets by EUR 4.1 million (prior year: EUR 9.6 million) as of the end of the year.

### RESULTS OF OPERATIONS:

At EUR 1,342.0 million, Group revenue in 2009 was far below the prior-year level (prior year: EUR 2,239.9 million) due to the crisis. Of Group revenue, EUR 584.4 million (43.5%) can be attributed to exports and foreign subsidiaries (prior year: EUR 1,007.1 million) (45.0%).

The consolidated net income was first and foremost influenced by the fall in revenue in the wake of the crisis. The net loss of the Group comes to EUR 63.0 million. In connection with the drop in revenue, there was a disproportionately high fall in the cost of materials. The ratio of cost of materials to revenue fell from 76.9% in 2008 to 74.0% in 2009, caused by increased insourcing measures and the fall in the alloy mark-ups. All expenses were impacted by the extensive package of cost-saving measures implemented in response to the crisis. For example, personnel expenses were reduced by EUR 21.0 million and other business expenses fell by EUR 47.2 million. The latter is attributable to considerable savings in the area of operating and selling expenses. The decline in other operating income is characterized primarily by a lower level of exchange rate gains. The most important currencies for Eberspächer, such as the US dollar, the pound sterling and the South African rand, saw great fluctuations over the year. The positive effects arising from other income (reversal of provisions, exchange rate gains, etc.) are outweighed by higher negative effects arising from other expenses (exchange rate losses, risk provisioning, etc.). The increase in amortization, depreciation and write-downs is most of all attributable to amortization of goodwill that arose in the course of first-time consolidations in prior years. This item includes write-downs of EUR 6.0 million.

The financial result improved on the prior year (EUR 1.6 million). This was due, among other things, to the lower level of capital employed and the fall in interest rates in comparison to the prior year. In addition, higher investment income was generated by non-consolidated companies.

As most of the consolidated companies generated net losses, income taxes fell significantly by EUR 21.6 million to EUR 4.9 million.

*SUBSEQUENT EVENTS:*

Between the end of the fiscal year 2009 and the date of this management report, Eberspächer made one acquisition. Eberspächer took over Carrier Sütrak one of the leading suppliers of bus ac systems. This acquisition positions Eberspächer as a single-source supplier of air-conditioning and heating solutions for omnibuses. This is an area with future potential where the opportunities for our Group vastly outweigh the risks.

*RISK REPORT:*

Eberspächer operates on a global scale and is therefore exposed to a number of risks inextricably linked to our business activities. We are aware that our business operations not only provide numerous opportunities, but also involve risks.

With the assistance of external consultants, we have introduced over the last few years a group-wide risk management system with the associated organization structure, prepared documentation on it and informed all employees. The aim was to depict and prioritize the material risks arising in each individual business area and to ascertain the risks harboring the largest potential for loss. The defined processes ensure the recognition, monitoring and management of identified and latent risks as well as prompt reporting. In addition, part of the risk management system consists of a global early warning system for identifying potential hazards.

These systems have proven their worth in the meantime. Specifically in economically difficult times it is important to be able to fall back on a worldwide risk management system involving efficient and prompt channels of communication. In 2010, plans are to further optimize the links between risk management and operating activities and to achieve an even better focus by means of appropriate organizational measures.

**Our activities involve the following main risks:**

**PROCUREMENT MARKET RISK:**

As a manufacturing company, we are exposed to the risk that the primary and intermediate products we require to manufacture our products will not be available. This risk has come to bear especially since the third quarter of 2009 when supply bottlenecks resulted from the slight rise in global demand while production capacities and stock levels of some components, such as electronic components, were still at a lower level. We counter this risk with meticulous planning measures and forward-looking cooperation between customers and suppliers.

In order to safeguard against price and purchasing risks relating to these products, we constantly monitor the procurement market and, where possible, implement long-term planning of the supplier portfolio and conclude supply agreements with long terms. The ongoing niche policy on the part of the OEMs will lead to a larger number of variants, which means there will be less potential for synergies and unit costs will be driven upwards.

In order to mitigate the risk of supplier default and the associated supply difficulties, we have defined our critical business partners and continually monitor their current economic situation by means of supplier watch lists. As we anticipate an increase in the number of suppliers in danger of becoming insolvent in 2010, such activities will continue to be of central importance in our purchasing activities.

## GROUP MANAGEMENT REPORT

### PRICE RISKS:

As the agreements concluded when orders are placed usually set prices for several years, there is little risk of a sudden drop in prices. Nevertheless, customers attempt to negotiate additional price reductions.

### SALES MARKET RISK:

In the struggle for shares of the saturated automobile market, automobile manufacturers opt for extremely diversified model ranges while simultaneously reducing the number of units per model. This leads to higher unit costs. As the manufacturers attempt to offset this increase in costs with lower component prices, suppliers have difficulty in passing on the increase in development and product costs to manufacturers. It is possible to make out a trend that even premium manufacturers are shifting the emphasis from technical issues to the cost of components.

In addition to the ongoing price pressure exerted by the automobile manufacturers, ever more development and service-related activities are being transferred to suppliers, which are thus confronted by constantly increasing investment and financing requirements.

Over the last few years, we have succeeded in extending our customer base and thus reducing our dependence on individual customers. Long-term supply agreements over the entire life cycle of various model series mean that there is little risk of a sudden termination of business relations with one of our major customers. In addition, we aim to tap new market potential by increasing our activities in growth markets.

Future mobility poses new challenges for the entire automotive industry. This change in technology will mean further optimization of traditional drives and the designing of new drive concepts such as hybrid and electric drives. The development of new products, some in cooperation with individual automobile manufacturers, will start us in good stead for the future.

### FINANCIAL RISKS:

Eberspächer is exposed to currency and interest-rate risks in the ordinary course of business. In those cases where we decide to hedge against these risks we employ derivative financial instruments if they are backed by items, deposits and funding from operating activities.

All in all, we deem existing bad debt risks to be moderate due to our portfolio of customers, which means that no above-average bad debts are anticipated. Nevertheless, all our customers are subject to an increased level of regular credit checks for the duration of the economic crisis.

Due to the difficult economic situation of the Company, we continue to be faced by the challenge of securing adequate lines of credit in the long term and at reasonable conditions. Despite the increasing caution on the part of banks, our transparent information policy and our long-standing relationships to banks allow us to remain confident that our most important providers of capital will stay committed to Eberspächer in the long term and to acquire new lenders if required. Our main providers of capital have maintained and extended their financial commitment.

**WARRANTY RISKS:**

Increasing development activities and rising quality standards on the part of customers expose Eberspächer to warranty risks. These risks are the result of a development in the car parts supplier industry, which has been observed for some time and which essentially impacts first-tier suppliers. Penetration of new markets additionally involves thorough scrutiny of current warranty legislation.

The legislation in the USA gives rise to greater quality risks on that market. We counter these greater quality risks by constantly expanding our quality management system and increasingly performing legal reviews of potential orders at the bid stage.

In order to reduce expenditure on warranty obligations, we make every effort to prevent defective preliminary products by means of an optimized supplier management system. Our endeavors to implement quality assurance measures in collaboration with our suppliers continue. We have assessed the risk items resulting from warranty commitments and have formed appropriate provisions.

**IT RISKS:**

It is not possible to manage a global undertaking without the assistance of complex IT systems. An ability to supply at all times, specifically to the automotive industry, where just-in-time or just-in-sequence supplies are often required, additionally depends on the IT systems and the relevant data being constantly available. Major disruptions – such as system failures – could jeopardize Eberspächer's ability to deliver, temporarily bring production at the customer to a standstill and lead to extensive indemnification claims. For this

reason, we are untiring in our efforts to optimize our IT environment, bringing in external advisors as necessary. In rollout projects, Eberspächer is successively integrating its member companies into its IT network and ERP system, SAP ERP 6.0. The existing security system and contingency plan is adapted to meet current requirements at regular intervals. All relevant data from the SAP system, the CAD development system and the PC systems are mirrored asynchronously from our central computer center in Esslingen to our backup computer center in Neunkirchen via our fixed data connections.

**OVERALL RISK POSITION:**

Despite the extraordinarily difficult development of business in 2009, factors such as the additional funding provided by the shareholders improved the Group's ability to withstand even major risks. From today's perspective, the aforementioned risks can be contained and do not have any implications that would jeopardize the Group's ability to continue as a going concern. If, contrary to all expectations, revenue was to collapse again, we would have to adjust capacities even further. As part of the global production alliance, capacity utilization at Eberspächer is not only dependent on sales in Europe but worldwide. These are not, however, the only risks to which Eberspächer is exposed. Risks of which Eberspächer is not yet aware or risks which we presently consider to be of minor importance could also have an adverse effect on Eberspächer.

## GROUP MANAGEMENT REPORT

### FORECAST:

The following outlook contains future-orientated statements. These are based on our current plans, estimates and expectations regarding the future development of our sales markets and the Eberspächer Group. This means that they are subject to uncertainties that involve both opportunities and risks.

The economic situation of the Eberspächer Group remains strained, on account of the general economic situation and the associated low level of revenue. Our planning is based on the assumption that, on the whole, the worst was over by the end of 2009. In the next few years, we expect the overall market for our core business to recover only slowly and gradually which means that it will be several years before revenue reaches the level seen in 2008. In contrast to other companies, we do not expect any negative impact in 2010 from the decline in passenger vehicle sales on account of the end of the incentives to scrap old vehicles as we primarily supply premium models that were hardly influenced by these economic stimulus packages.

With a marginally higher level of revenue than in 2009, we aim to achieve a slightly positive result for 2010. This constitutes a major challenge for us. In addition to growth exceeding that seen in the industry as a whole, achieving a positive result also depends on our continuing to adjust cost structures to revenue levels in all areas of the Company and ensuring that our processes have an optimum structure. A wide range of measures are necessary. We set the general course in 2009. Once again in 2010, as in the prior year, we will perform preliminary work on a large scale that is recognized as an expense immediately but will not generate revenue until later years.

We will generate additional growth by diversifying the customer and product portfolios, penetrating new markets and making selective acquisitions, thus strengthening our long-term competitive position. The market for commercial vehicles is a growth market on account

of the increasing complexity of the exhaust gas systems (exhaust gas after-treatment with diesel particle filter and selective catalytic reduction systems). This market will profit most of all from the upcoming stricter EURO 6 and EPA 2010 emissions regulations from which we will benefit particularly in the USA from 2010 onwards. Exhaust gas after-treatment becomes obligatory even in the non-road segment from 2011 onwards. Furthermore, we will decisively strengthen our competitive position by tapping new markets, such as the BRIC countries. We intend to generate additional business in the Vehicle Heating division from the increasing number of commercial vehicles equipped with heaters in the USA and China. With regard to passenger vehicles, electric vehicle heaters should find their way into the standard equipment of significantly more model series on account of the measures to reduce CO<sub>2</sub>. All in all, the Eberspächer Group will be able to position itself as the supplier of an entire portfolio of vehicle heating and air-conditioning products with fuel-burning and electric vehicle heating systems and air-conditioning products as well as acquisitions.

Since the beginning of 2010, corporate management has shifted its primary focus away from securing liquidity. Optimizing the Group's results is once again becoming our highest priority. As of 2011 and beyond, Eberspächer will sustainably improve its results of operations through the disproportionately higher growth foreseeable in individual high-margin segments described above. In the medium term, by around 2012, we plan to have reached the same level of results of operations as before the crisis.

In 2010, we will continue to build up our third division, Vehicle Electronics, which was previously not consolidated. Strategically important orders from renowned OEMs will permit Eberspächer to work intensely on expanding the serial production of control units for the start/stop function that began in the third quarter of 2009. In this respect, Eberspächer is currently the only supplier that provides both a central and a local onboard electrical stabilization system for the start/stop phase. In addition, Eberspächer's

cooperation in development projects at automobile manufacturers underlines its special expertise in high current and high voltage applications that are primarily employed in hybrid and electric vehicles. These are all driving factors in winning significant market shares in the field of vehicle electronics. The new Vehicle Electronics division is expected to generate significant revenue and positive results as of 2011.

All in all, we are confident that the many opportunities provided by new products and new markets will enable us to emerge stronger from this unprecedented crisis. The way the global automotive market will be divided up and aligned will change significantly over the coming years, ultimately giving rise to further opportunities for growth for the Eberspächer Group thanks to its worldwide presence. Thanks to our innovative and forward-looking products and our focus on environmentally friendly technologies, we consider ourselves to be well positioned on a medium to long-term basis.

All these measures continue to promote Eberspächer's long-term vision of our technology being a driving force in conserving both the environment and resources, safeguarding mobility and contributing to well-being. We live up to this vision in all our business areas. We also continue to pursue the objective of maintaining our long-term independence as a family-run business and consistently expanding our innovative power and the associated penetration of new markets and product areas. The measures initiated in the reporting year will contribute to achieving these goals.

Esslingen, 31 March 2010  
Eberspächer Holding GmbH & Co. KG  
– Management –



Heinrich Baumann



Martin Peters

## CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2009\*

in EUR k

	2009	2008
<b>ASSETS</b>		
<b>Fixed assets</b>		
Intangible assets	16,179	24,763
Property, plant and equipment	218,616	235,508
Financial assets	18,858	23,655
<b>Current assets</b>		
Inventories	154,387	204,244
Receivables and other assets	177,553	195,988
Cash and cash equivalents	29,514	19,444
<b>Prepaid expenses</b>	1,586	1,640
<b>Deferred taxes</b>	3,988	6,097
	<b>620,681</b>	<b>711,339</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Own funds</b>		
Equity	112,221	151,767
Partner loans	24,504	37,808
<b>Provisions</b>		
Pension provisions and similar obligations	89,651	89,445
Other provisions	86,278	111,300
<b>Liabilities</b>		
Liabilities to banks	131,342	136,690
Trade payables	102,957	120,359
Other liabilities	71,715	60,956
<b>Deferred income</b>	2,013	3,014
	<b>620,681</b>	<b>711,339</b>

\* Abbreviated summary of the statutory consolidated financial statements

## CONSOLIDATED INCOME STATEMENT FOR FISCAL YEAR 2009\*

in EUR k

	2009	2008
<b>Revenue</b>	<b>1,342,044</b>	<b>2,239,876</b>
Changes in inventories	- 43,109	8,884
Other own work capitalized	2,098	4,783
<b>Total operating performance</b>	<b>1,301,033</b>	<b>2,253,543</b>
Other operating income	42,846	51,867
Cost of materials	- 962,722	- 1,732,510
Personnel expenses	- 245,719	- 266,721
Amortization, depreciation and write-downs	- 56,481	- 48,297
Other operating expenses	- 126,439	- 173,555
Financial result	- 9,989	- 11,619
<b>Result from ordinary activities</b>	<b>- 57,471</b>	<b>72,708</b>
Income taxes	- 4,984	- 26,564
Other taxes	- 1,341	- 1,904
Income (+) / expenses (-) from profit and loss transfer	836	- 1,381
<b>Net loss (-) / income (+) of the Group for the year</b>	<b>- 62,960</b>	<b>42,859</b>

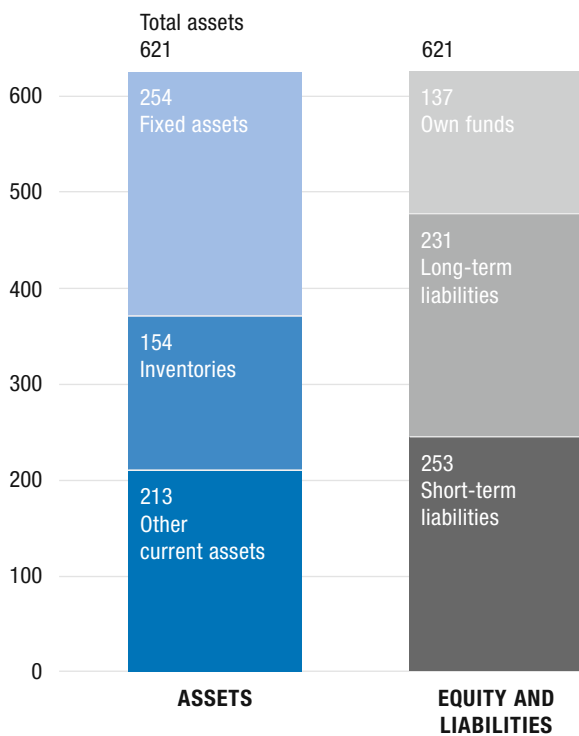
Thereof net loss attributable to shareholders outside the Group: EUR - 1,248 k (prior year: net income of EUR 1,185 k)

\* Abbreviated summary of the statutory consolidated financial statements

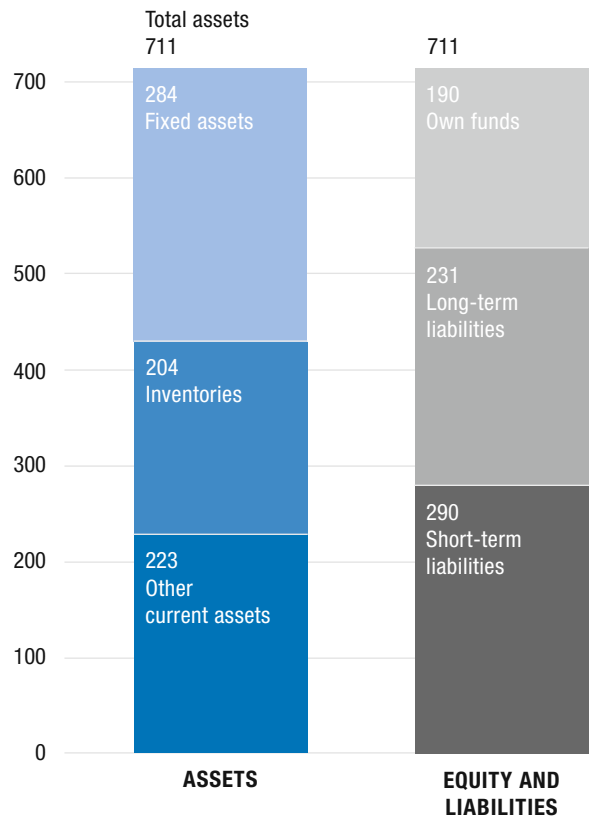
## COMPOSITION OF ASSETS, EQUITY AND LIABILITIES

in EUR million

as of 31 December 2009



as of 31 December 2008





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*Abbreviated summary of the statutory consolidated financial statements for the fiscal year 2009*

### PRINCIPLES:

The consolidated financial statements of Eberspächer Holding GmbH & Co. KG have been prepared in accordance with the provisions of Secs. 290 et seq. HGB ["Handelsgesetzbuch": German Commercial Code]. The consolidated income statement has been prepared using the cost-summary method.

### CONSOLIDATED GROUP:

The consolidated financial statements of Eberspächer Holding GmbH & Co. KG include, in addition to the parent company, the 17 German and 22 foreign subsidiaries contained in the list of shareholdings.

### CONSOLIDATION PRINCIPLES:

Capital consolidation was performed according to the book value method by offsetting the acquisition costs of the shareholding against the Group's share in the equity of these entities. In the past, any goodwill arising was offset against the revenue reserves; any debit difference was added. Any goodwill created in the prior year in the course of first-time consolidation was capitalized and was amortized over its estimated useful life pursuant to Sec. 309 (1), Sentence 2 HGB. In the reporting period, additional goodwill was created through the merger of a previously non-consolidated company into a consolidated company. This goodwill was also capitalized and amortized over its estimated useful life.

Receivables, provisions and liabilities, revenue, income and expenses and any intercompany profits and losses in fixed assets and inventories were eliminated.

Deferred taxes are recorded on consolidation entries with an effect on income.

Pursuant to GAS 10, the tax rate used as a basis for calculating deferred taxes is the tax rate expected to apply when the temporary differences reverse.

### CURRENCY TRANSLATION:

With the exception of equity, which was translated at historical rates, all balance sheet items of the Group companies not reporting in euro were translated into euro at the mean rate on the balance sheet date. Differences arising from the translation of balance sheet items resulting from fluctuations in the closing rates are transferred to the reserve without an effect on earnings.

Income and expenses are translated at the average annual exchange rate. The item "net income/loss for the year" and all items from the income statement included in retained earnings are translated at the mean rate prevailing on the balance sheet date. The differences caused by currency translated were allocated to reserve accounts without affecting income, pursuant to GAS 14.

#### ACCOUNTING AND VALUATION PRINCIPLES:

The financial statements of Eberspächer Holding GmbH & Co. KG and the financial statements of the German and foreign subsidiaries have been prepared according to uniform accounting and valuation principles.

The realization and imparity principles were observed; assets were valued at the lower of cost or market.

Intangible assets including goodwill from the first-time consolidation of shares as well as property, plant and equipment and financial assets were capitalized at acquisition or production cost less amortization and depreciation. The straight-line method was used for scheduled depreciation and amortization.

Inventories were recognized at the lower of cost or market. The inventory and distribution risks were taken into account by means of appropriate write-downs. In addition to the direct costs, manufacturing costs consist of pro rata overheads including amortization and depreciation. The principle of valuation at net realizable value was observed.

Receivables, other assets as well as cash and cash equivalents are stated at the lower of cost or market. Adequate bad debt allowances provide for all risks.

Provisions for pensions and similar obligations were calculated on the basis of actuarial principles and discounted to their present value or their net present value ["Teilwert"] defined by Sec. 6a EStG ["Einkommenssteuergesetz": German Income Tax Act]. For the German companies, provisions were calculated using the 2005 G mortality tables.

Other provisions appropriately account for all identifiable risks and contingent liabilities.

Liabilities were recorded at the amount repayable.

The fully consolidated financial statements and group management report audited by Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Stuttgart are published in the Elektronischer Bundesanzeiger [Electronic German Federal Gazette].

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED BALANCE SHEET

#### ASSETS:

<b>Fixed assets</b>	EUR k
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#### Capital expenditures in the fiscal year relate to:

Intangible assets	4,471
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In addition to the acquisition of software, this essentially relates to the capitalization of goodwill under a first-time consolidation.

Property, plant and equipment	33,666
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Financial assets	10,329
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Additions relate to equity investments in non-consolidated companies and securities.

**48,466**

<b>Current assets</b>	EUR k
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#### Inventories:

Raw materials, consumables and supplies	57,154
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Work in process	52,474
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Finished goods and merchandise	54,011
--------------------------------	--------

Payments received on account of orders	- 9,252
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**154,387**

#### RECEIVABLES AND OTHER ASSETS:

The item receivables and other assets includes receivables of EUR 1,734 k due in more than one year.

#### PREPAID EXPENSES:

This item also contains debt discounts of EUR 248 k.

#### DEFERRED TAXES:

Pursuant to GAS 10, deferred taxes were recorded to adjust the tax burden from consolidation entries with an effect on income.

**EQUITY AND LIABILITIES:****EQUITY:**

Own funds can be broken down into capital shares, reserves and the shares of other partners. The limited partners' shares remain unchanged at EUR 90 million.

In order to facilitate comparison to groups where the parent company is a corporation, the item own funds essentially comprises long-term partners' loans, in addition to equity.

**PROVISIONS:**

The provisions for pensions and similar obligations cover current pension claims and future pension entitlements, calculated applying actuarial principles. German claims were calculated based on an interest rate of 5.0%, as in the prior year. In the case of foreign companies, the customary interest rate for the country concerned was applied for pension provisions.

Other provisions mainly relate to personnel expenses (accrued vacation, long-service awards, accrued flexible working time, and obligations under the German special phased retirement scheme) and warranty obligations, revenue adjustments as well as litigation risks. The item also contains tax provisions.

**LIABILITIES:**

EUR 115,305 k of the liabilities is due in between one and five years and EUR 2,819 k in more than five years.

**DEFERRED INCOME:**

Deferred income primarily relates to tool cost subsidies which are reversed in accordance with their useful lives.

**CONTINGENT LIABILITIES, OFF-BALANCE-SHEET TRANSACTIONS, AND OTHER FINANCIAL OBLIGATIONS:**

The level of contingent liabilities is within the scope of ordinary business transactions.

Off-balance-sheet transactions of EUR 105.8 million relate to lease agreements with remaining terms of between one and eight years as well as ABS transactions and factoring. The sundry other financial commitments are all within the scope of ordinary business.

**TRANSACTIONS WITH RELATED PARTIES:**

There were no transactions with related parties that were not carried out at arm's length.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CASH FLOW STATEMENT in EUR k*	2009	2008
Cash flow from operating activities	46,294	73,762
Cash flow from investing activities	- 33,786	- 75,751
Cash flow from financing activities	1,994	15,982
Cash and cash equivalents at the end of the period	29,494	12,796
(including changes in cash and cash equivalents due to exchange rates, changes in the basis of consolidation and valuation)		
* Cash and cash equivalents in the fiscal year comprise cash of EUR 29,514 k (prior year: EUR 19,444 k) and current account liabilities to banks of EUR 20 k (prior year: EUR 6,648 k).		

## CONSOLIDATED INCOME STATEMENT

<b>Revenue</b> by segment	EUR k
Exhaust technology	1,136,931
Vehicle heaters	205,113
	<b>1,342,044</b>

<b>Revenue</b> by region	EUR k
Germany	757,677
Rest of Europe	331,911
Americas, Africa, Asia	252,456
	<b>1,342,044</b>

**Other operating income** primarily comprises income from the reversal of provisions and income from exchange rate gains.

<b>Personnel expenses</b>	EUR k
Wages and salaries	198,986
Social security, pension and other benefit costs	46,733
thereof for old-age pensions	(7,620)

**Amortization, depreciation and write-downs** include write-downs of goodwill and property, plant and equipment of EUR 7,020 k.

**Other operating expenses** mainly comprise operating costs and administrative and selling expenses as well as exchange rate losses.

The **financial result** is the balance of interest and similar income and investment income against interest and similar expenses.

The item **income taxes** reports corporate income tax and trade tax on income in Germany and comparable foreign income taxes and deferred taxes.

## GROUP SHAREHOLDINGS

as of December 31, 2009

<b>Germany</b>		Shareholding *
catem Holding GmbH & Co. KG	Herxheim	100 %
Eberspächer Beteiligungs-GmbH	Esslingen	100 %
Eberspächer catem GmbH & Co. KG	Herxheim	100 %
Eberspächer catem Verwaltungs-GmbH	Herxheim	100 %
Eberspächer Controls GmbH & Co. KG	Herxheim	100 % **
Eberspächer Controls Verwaltungs-GmbH	Herxheim	100 % **
Eberspächer Electronics GmbH & Co. KG	Göppingen	100 % **
Eberspächer Electronics Holding GmbH & Co. KG	Esslingen	100 % **
Eberspächer Electronics Holding Verwaltungs-GmbH	Esslingen	100 % **
Eberspächer Electronics Verwaltungs-GmbH	Göppingen	100 % **
Eberspächer Exhaust Aftermarket GmbH & Co. KG	Neunkirchen	100 %
Eberspächer Exhaust Aftermarket Verwaltungs-GmbH	Neunkirchen	100 %
Eberspächer GmbH & Co. KG	Neunkirchen	100 %
Eberspächer Heizgeräte GmbH	Torgelow	60 %
Eberspächer Insurance Services GmbH	Esslingen	100 %
Eberspächer International GmbH	Esslingen	100 %
Eberspächer Unna GmbH & Co. KG	Unna	100 %
Eberspächer Unna Verwaltungs-GmbH	Unna	100 %
Eberspächer Vermögensverwaltung GmbH	Esslingen	100 %
Eberspächer Verwaltungs-GmbH	Esslingen	100 %
EM Automotive Beteiligungs-GmbH	Esslingen	50 % **
EM Emissions Technology GmbH	Esslingen	100 % **
J. Eberspächer GmbH & Co. KG	Esslingen	100 %
Menesa Verwaltungs-GmbH	Neunkirchen	100 %
Montagewerk Abgastechnik Emden GmbH	Emden	50 % ***
<b>Rest of Europe</b>		
Eberspächer AB	Skarpnäck / Sweden	100 %
Eberspächer AG	Affoltern a. A. / Switzerland	100 % **
Eberspächer Bus Heating Systems ooo	Moscow / Russia	50 % **
Eberspächer Danmark ApS	Copenhagen / Denmark	100 %
Eberspächer Exhaust Systems RUS ooo	Moscow / Russia	100 % **
Eberspächer GmbH	Wiener Neudorf / Austria	100 %

		Shareholding *
Eberspächer Holding France S.A.S.	Elancourt / France	100 %
Eberspächer Italia S.p.A.	Castellalto / Italy	100 %
Eberspächer Nordic AB	Trollhättan / Sweden	100 %
Eberspächer Praha s r.o.	Prague / Czech Republic	100 %
Eberspächer S.A.S.	Elancourt / France	100 %
Eberspächer Sp. z o.o.	Wysogotowo / Poland	100 %
Eberspächer spol. s r.o.	Prague / Czech Republic	100 %
Eberspächer S.r.l.	Borgosatollo / Italy	100 % **
Eberspächer Systèmes d'Echappement S.A.S.	St. Michel / France	100 %
Eberspächer (UK) Holdings Ltd.	Ringwood / United Kingdom	100 %
Eberspächer (UK) Ltd.	Ringwood / United Kingdom	100 %
Unipart Eberspächer Exhaust Systems Ltd.	Coventry / United Kingdom	50 % ***
<b>South Africa</b>		
Eberspächer Exhaust Systems (Pty.) Ltd.	East London / South Africa	100 %
Eberspächer Properties (Pty.) Ltd.	Port Elizabeth / South Africa	100 %
Eberspächer Rosslyn (Pty.) Ltd.	Pretoria / South Africa	100 %
Eberspächer South Africa (Pty.) Ltd.	Port Elizabeth / South Africa	100 %
<b>The Americas</b>		
Calsonic-Eberspächer Exhaust Systems Inc.	Shelbyville / USA	50 % **
Eberspächer Exhaust Systems Canada Inc.	Brampton / Canada	100 %
Eberspächer North America Inc.	Novi / USA	100 %
Espar Inc.	Novi / USA	100 %
Espar Products Inc.	Mississauga / Canada	100 %
<b>Asia</b>		
Eberspächer catem Japan Ltd.	Nagoya / Japan	100 % **
Eberspächer Automotive Technology (Beijing) Co. Ltd.	Beijing / China	100 % **
Eberspächer Exhaust Systems Korea, Ltd.	Seoul / Republic of Korea	100 % **
SM Eberspächer Exhaust Private Ltd.	Pune / India	50 % **
Tenneco-Eberspächer (Dalian) Exhaust System Co. Ltd.	Dalian / China	45 % **

\* including the shares of the partners within in the Eberspächer Group

\*\* not consolidated

\*\*\* 50% consolidated

# INTERNATIONAL LOCATIONS

Version May 2010



## THE AMERICAS

### BRAZIL

- São Paulo

### CANADA

- Toronto

### MEXICO

- Mexico City

### USA

- Novi
- Brighton
- Tuscaloosa
- Spartanburg

## EUROPE

### DENMARK

- Copenhagen

### GERMANY

- Esslingen
- Stuttgart
- Neunkirchen
- Emden
- Munich
- Unna
- Herxheim
- Torgelow
- Göppingen
- Renningen

### FRANCE

- Paris
- St. Michel
- Maubeuge

### GREAT BRITAIN

- Ringwood
- Coventry
- Northampton

### ITALY

- Turin
- Borgosatollo
- Bologna

### THE NETHERLANDS

- Harderwijk

### NORWAY

- Oslo

### AUSTRIA

- Wiener Neudorf
- Graz

### POLAND

- Posen
- Warsaw

### RUSSIA

- Moscow
- Novosibirsk
- Yekaterinburg
- Krasnoyarsk
- Omsk
- St. Petersburg
- Surgut

### SWEDEN

- Stockholm
- Trollhättan

### SPAIN

- Madrid

### CZECH REPUBLIC

- Prague
- Rakovník

### TURKEY

- Izmir

### UKRAINE

- Kiev

## AFRICA

### SOUTH AFRICA

- Port Elizabeth
- East London
- Pretoria

## ASIA

### CHINA

- Beijing
- Dalian
- Changchun

### INDIA

- Pune

### JAPAN

- Nagoya
- Tokyo

### REPUBLIC OF KOREA

- Seoul

### UNITED ARAB EMIRATES

- Dubai

- EXHAUST TECHNOLOGY
- VEHICLE HEATERS
- ELECTRICAL VEHICLE HEATERS
- BUS AC SYSTEMS
- AUTOMOTIVE ELECTRONICS
- AUTOMOTIVE BUS SYSTEMS



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