



Annual Press Conference on April 20, 2010, in Stuttgart

Statements by Herrmann Tetzner, CFO of Behr GmbH & Co. KG

Ladies and Gentlemen,

Before I comment in detail on the Annual Statements, I would first like to present you with a chart of the **market situation** to also provide a context for our development. You can see here the downturn in the light vehicle and truck markets. We will not be able to regain the initial level reached in 2008 – in either market – until the end of 2011 or the year 2012.

To illustrate the parallels, you can see here the progress of the sales and earnings of the Behr Group which mirrors the trend shown before. As a result of the general economic crisis, we too have been affected by a sharp downturn in sales and the associate impacts on earnings.

I will now proceed to the details of our **Annual Statements**:

First of all, due to the complex accounting guidelines you have frequently heard about over the past few days at various annual press conferences, I would like to point out a peculiarity resulting from the sale of 60% of our shares in **Behr Industry**. In the annual statement we had to report the sale as “held for sale”.

This affects the 2009 profit and loss statement as follows:

- Reclassification of all expenses and income into a separate line
- Elimination of the expenses and income consolidation insofar as the business between the subdivisions (continued and discontinued) will be continued in the future
- In the balance sheet, all asset and debt positions after consolidation are listed on only one line on the assets and liabilities sides.

Regarding liquidity, the bank assets are also restructured, resulting in an increase in Group net debt by 9 million euros.

Wherever possible, the changes have been highlighted on the following slides.

The signing of this transaction took place in February 2010; the closing is expected to occur in Mai following approval by the antitrust authorities.

As Markus Flik explained earlier, our **sales** decreased by 26%, or 864 million euros, to 2.47 billion euros. This was primarily attributable to the economic crisis.

If we analyze the change in sales between 2008 and 2009 on a comparable basis, that is excluding Behr Industry, we can see, by comparing the figure of 2.47 billion with 3.18 billion euros, that the sales drop amounts to 22%.

In view of the economic crisis and the drop in sales and earnings in three consecutive years, we believe it necessary to provide a more detailed outlook for the current year in order to show that we have broken the downward trend and are back on track to growth. Our projections assume a growth in sales of around 10% compared to the previous year's figure. Nevertheless, this will still not bring us up to the level we achieved in 2007 and 2008.

The drop in sales in 2009, which amounts to 864 million euros, is made up as follows:

- 709 million euros of this alone is attributable to volume downturns.
- The remaining 155 million euros are due to price reductions, exchange rate effects, and the sale of 60% of our shares in Behr Industry (pending approval of the antitrust authorities).

The **EBIT excluding restructuring**, amounts to -112 million euros. In the previous year, this item was almost balanced. In 2010, we are aiming to reduce the negative EBIT by 60%. Given the good first quarter of 2010, we are highly confident of achieving – and possibly even exceeding – this target if the positive market trend continues.

In 2009, **earnings before taxes** amounted to -235 million euros. We aim to halve this loss in the current business year. Under the aforementioned conditions, we may well exceed this target as well.

Here are few details concerning the decline in earnings in 2009:

- Volume downturns had a negative effect of -176 million euros.
- A further 114 million euros negatively effecting earnings arose as a result of factors such as price reductions, material price increases and increased tariffs.
- We were able to offset 79% of these effects through restructuring measures and measures positively affecting earnings corresponding to 229 million euros.
- One-off expenditures on restructuring measures totaled 80 million euros, comprising 60 million euros for severance payments and 20 million euros for extraordinary depreciation and relocation costs.
- 24 million euros result from numerous effects such as currency and consolidation postings.
- Altogether, this resulted in a decrease in earnings before taxes of 165 million euros.

Allow me to proceed to the **financial situation** of the Behr Group:

The balance sheet total has continually decreased over the past few years, in 2009 alone by 8%.

The most important comments on the **Assets side**:

- Due to the considerable reduction in investments, capital expenditures in tangible assets were below the depreciation volume, which resulted in a significant decrease in fixed assets.
- In terms of absolute figures, inventories and receivables were also lowered substantially. Even though the progress in relative figures is not yet enough, this was a success given our drop in volumes of 709 million euros.
- We were able to marginally optimize liquidity reserved for operational purposes and utilize fewer liquid resources to handle the reduced volume of business.

On the **Liabilities side**:

- The most important effect on the liabilities side is the loss-based drop in equity by 213 million euros to 238 million euros, i.e. from 22% to 13% of the balance sheet total. Since we exceeded our forecast for 2009, and given the business progress in the first quarter of 2010, we expect absolute equity in 2010 to remain in the three-digit range and in the double-digit percentage range of the balance sheet total, despite a further drop. However, this equity capitalization does not suffice for our industry. This is why we are in search of a strategic investor, as previously announced, who wishes to invest equity capital in the Behr Group.

- A positive aspect is the fact that the gross bank debt in 2009 has only increased by 7 million euros. This is due to the numerous measures already mentioned in the area of committed capital, i.e. management of receivables and inventories, as well as reductions in expenditures in fixed assets, and reduced liquidity requirements for business operation purposes.
- As a total figure, reserves and accounts payable as well as other items do not show any substantial changes compared to the previous year.

Allow me to proceed to the **liquidity situation** of the Behr Group. At this point I only want to elaborate on a few key figures concerning our cash flow which, in this chart, are not shown additively but summarily:

- At 16 million euros, the gross cash flow is positive, which is primarily due to depreciation totaling 241 million euros. This contrasts with negative earnings of 230 million euros. A difference of 5 million euros compared to the EBT mentioned before results from the special accounting treatment of the sale of the shares in Behr Industry (“assets held for sale”).
- We were able to achieve a total operating cash flow of 94 million euros which was chiefly due to the aforementioned measures taken to reduce working capital.
- The free cash flow is negative at 78 million euros due to investments in tangible assets (97 million euros) and development activities (79 million euros).
- Other changes amounting to 33 million euros of other tangible and intangible assets, changes to financial assets, as well as exchange rate effects led to a -45 million euro change in net debt to a total of 524 million euros.

At the end of 2009 we had free liquidity of approx. 200 million euros at our disposal via undrawn or unused credit lines which you can see on this chart between the figures 659 and 853 million euros. Between the gross and net debt figures you can see on the financial statement the liquidity required to handle business operations which amounts to around 130 million euros.

We are currently conducting negotiations with our banks concerning a new financing concept, which we expect to conclude in the third quarter of 2010. Even without a new financing concept, however, we have sufficient liquidity as just demonstrated.

I would like to now present you with a few details on the **1st quarter of 2010** compared to the previous year.

In 2010, we expect approximately 10% sales growth.

In the first quarter we were able to generate 749 million euros, and thus already 28% of this amount. Compared to the previous year, the first quarter shows, in cumulative terms, an increase of 28%. The figure in March alone shows a positive change of 34% compared to the previous year. This growth primarily stems from North America, Brazil, India and China.

With respect to our EBIT excluding restructuring, the figures achieved each month in the first quarter of 2010 clearly exceeded the previous year's figures. In March we recorded an accumulated positive EBIT excluding restructuring, of 9 million euros. This is 55 million euros above the results in the first quarter of 2009, which constitutes an improvement in earnings of around 18 million euros per month compared to the previous year's figure.

Summary

Ladies and gentlemen, altogether, 2009 was the worst fiscal year we have ever experienced – a loss of 235 million euros before taxes, equity capital consumption of 213 million euros, and a new net debt level of 45 million euros were the result of a volume downturn of more than 700 million euros. We have responded very rigorously to this development and initiated all necessary operative restructuring measures, including financial restructuring. The last quarter of 2009 and the first quarter of 2010 show that these measures are bearing fruit since, for the EBIT before restructuring, we have been able to report positive cumulative earnings in both quarters. Having said that, we still need to continue the restructuring measures planned in order to further leverage our company's competitiveness.

Thank you.