

ebm-papst Group defies recession **World market leader uses increasing demand for energy-saving fans – a challenging year stands ahead.**

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Mulfingen,

Despite the global economic crisis, ebm-papst, the world market leader in fans and motors, completed the fiscal year that ended on 31 March 2009 with only a slight decline in turnover of 1.9% to 1.056 billion EUR. For the current year, the technology group is planning very conservatively and anticipates a turnover of around 1 billion EUR (-4.8%).

"At the conclusion of the third fiscal quarter, the end of December, our Group turnover was still at about 4% above the level of the previous year. The crisis still was not really noticeable, at least at our Mulfingen and Landshut locations, where we had grown by 10% and 6% at this time," said Hans-Jochen Beilke, Chairman of the Board of Managing Directors of the ebm-papst Group. Just one month later, the signs had changed and the worldwide recession had arrived at the fan specialist.

In the automotive, mechanical engineering and telecommunications product areas, the company had to endure order drops in the double-digit percent range. Particularly affected is the ebm-papst St. Georgen subsidiary, located in the Black Forest.

In addition to sinking market demands, this company location battles against Asian competitors in the product range of compact fans and, with a 233 million EUR turnover, earned nearly a quarter less than what was planned 12 months ago. Since internal assessments expect a further downturn to 205 million EUR at the most for the current fiscal year, ebm-papst has been forced to make personnel adjustments in St. Georgen and Herbolzheim. "We had to cut about 100 million EUR in costs," Beilke was sorry to say.

A significant advantage in the current market environment is the market leadership and continuous expansion in the area of energy-saving EC fans and blowers, which are primarily developed and produced at the Landshut location and the headquarters in Mulfingen. "Compared to conventional products, these are electronically controlled and save up to 70% more," said the head of the company. ebm-papst sees itself here as a pioneer and market forerunner, for since back in 2001 the environmental laureate of Baden-Wuerttemberg has had the optimisation of energy use in its products as a company focus.

"The market of ventilation, air-conditioning and refrigeration technology was not ready for energy-saving EC products at this time, but we were sure that the costs for energy in the coming years would rise. Today, customers use the resulting

advantages and factor the payback period and lifetime into their price calculation," said Beilke. In comparison to the previous year, ebm-papst could further increase the product share of energy-saving EC fans and blowers by about 2% to 54% (570 million EUR) compared to traditional AC products in alternating current technology.

To further expand the leading market position in this area, ebm-papst invested 53.6 million EUR into research and development at its German locations alone.

With over 10,000 products, ebm-papst today serves a wide variety of industries, which the company also built up in part due to past crises, as in 2001 in telecommunications or in 1992 in mechanical engineering. This is currently proving advantageous for the pioneer of energy-saving EC fan technology. While sales revenues in segments such as IT/telecommunications (-13%) and household appliances (-9%) declined significantly, a slight growth in the area of ventilation, air-conditioning and refrigeration technology (+2%) was achievable. In the mechanical engineering segment, ebm-papst was able to keep the negative growth relatively low at -12%, due to the industrial association with disproportionately increasing environmental technology (including wind power and solar energy).

Particularly good news was an increase in turnover of 14% in the heating engineering industry, which last year was still a cause for concern in the company. ebm-papst was able to expand its market position here significantly. Acquiring a stake in Argus Vision, a company that specialises in development of electronic controls, had a positive effect and made it possible for ebm-papst to strategically expand in the field of electronically controlled gas condensing boilers.

The export share of the fan specialists remained nearly the same at 70% (740 million EUR). Despite a slight decline in turnover of 1.8% to 159 million EUR, caused by a weak IT/telecom business in China, Asia continues to be a major growth market for ebm-papst. Through the production expansion in India as well as the founding of a subsidiary in Vietnam, the Hohenlohe company is further expanding its worldwide presence.

Contrary to expectations and the worldwide trend, turnover in America decreased only slightly, by 2 million to 120 million EUR.

"We are noticing a dramatic change towards environmental awareness in North America, as we are enjoying continually increasing demand for our energy-saving EC fans," commented Beilke. The European market declined by 3.1% to 463 million EUR, resulting from investment slowdowns in Eastern Europe. By contrast, Germany remained at a constant level with 314 million EUR (-0.1%).

With 63.7 million EUR, the investments that ebm-papst realised alone at its domestic locations in Mulfingen, St. Georgen and Landshut remained high. Although the record sum of 85.1 million EUR was invested last year, this was to be attributed primarily to the construction of the new plant for large energy-saving

fans in Mulfingen-Hollenbach. Due to its exemplary investments for increasing the energy efficiency in industry and trade, this construction was distinguished with the Energy Efficiency Award of the German energy agency "dena".

At the fiscal year-end 08/09, the ebm-papst Group employed 9,677 employees worldwide. Compared to the previous year, this meant 221 fewer people, resulting predominantly from the staff reduction within Eastern European manufacturing sites and a reduction of temporary workers and fixed-term employees.

The share of domestic employees at this time was 5,111 people, or 53%, and thereby still above the share abroad.

Outlook

"The half-life of forecasts tends to be less than one week," said the chief of the Group concerning predictions for the new fiscal year. Although statements made today can already be outdated tomorrow, Beilke firmly believes that the economic bottom will be reached in Autumn 2009. The company established the planned turnover for the current fiscal year at about 1 billion EUR (-4.8%). This is the basis for the Group's further plans, for example for personnel and investments. Naturally, the world market leader has also calculated scenarios in case the crisis lasts longer and is developing a plan B and even C.

Despite cost savings and structural reviews, the expenditures for research and development are to remain constant. "Even in the current year, we will not touch our 53.6 million EUR of R&D investments in Germany," stated the Chairman of the Board of Managing Directors. "Our objective is to energetically make each of our products better than the predecessor model. In addition, we are working on a whole series of new ideas for fans and motors, for example in the area of material bonding, nanotechnology or sterile solutions," said Beilke, looking ahead to the post-crisis time. Every crisis also presents an opportunity, and the technology group wants to use this opportunity to achieve an even better stance.

About ebm-papst

The ebm-papst Group is the world's leading manufacturer of fans and motors and is a pacesetter for the ultra-efficient EC technology. In the last fiscal year 2008/2009, the company generated turnover totalling 1.056 billion EUR. ebm-papst operates 17 production sites (including those in Germany, China, and the USA) and 57 sales offices worldwide, employing 9,700 members of staff. Products of the global market leader are represented in many industries, including ventilation, air-conditioning and refrigeration technology, household appliances, heating engineering, in IT/telecommunications applications, as well as those in automotive and commercial vehicle engineering.

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