

**BERU**

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Securities and Exchange Commission  
Division of Corporate Finance  
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SUPPL

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Investor Relations/Liedtke

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13.02.04

BERU Aktiengesellschaft, Exemption number: 82-34 750

Dear Sir, Madame,

please find attached the BERU press release on the results for nine months 2003/04.

"BERU sales up 16% - EBIT margin at 17%"

Your's sincerely

PROCESSED

FEB 19 2004

THOMSON  
FINANCIAL

BERU  
Aktiengesellschaft

i. A.

Claudia Liedtke  
Unternehmenskommunikation/Investor Relations

## Press release

The logo for BERU, consisting of the word "BERU" in a bold, white, sans-serif font, centered within a black square.

### **BERU sales up 16% - EBIT margin at 17%**

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Ludwigsburg, 12. Februar 2004 --- **In the first nine months of its financial year (April 1 – December 31, 2003), BERU Aktiengesellschaft, Ludwigsburg, increased its consolidated sales revenues by 15.9% from EUR 214.3 million to EUR 248.3 million. The company achieved an EBIT (before one off effects) of EUR 41.6 million in the first nine months, compared with EUR 34.1 million in the same period of the previous year. Once again, the Electronics and Sensor Technology division posted the strongest growth in sales: at EUR 58.5 (43.4) million the figure was 34.8% higher than in the prior year. Sales revenues from electronic tire pressure monitoring systems were up from EUR 13.4 million to EUR 21.7 million for the first nine months, an increase of 61.9%. DVFA/SG earnings per share adjusted for one-time effects of EUR 2.68 (2.21) were 21.3% higher than in the first nine months of 2002/03.**

Content: Results for nine months 2003/04

Target group: Investors,  
Analysts-  
Business press

#### **Growth in core division of Diesel cold-start Technology**

In the first nine months of 2003/04, BERU's core division with the largest share of sales revenues, Diesel cold-start Technology, increased its sales revenues by approx. 6% from EUR 108.5 million to EUR 115.2 million. Sales developed very positively in Asia and Europe. In the French market in particular, sales of glow plugs to OEM customers were very encouraging, in many cases higher than projected. BERU is satisfied with the development of ISS, the diesel instant-system. As we expected, the start-up of the Golf V platform (including Seat, Skoda, Audi and Touran) also went smoothly. In December 2003, BERU began first deliveries of ISS in the United States, with DMAX for Isuzu and GM diesel engines. The ISS new start-up with DaimlerChrysler for the Mercedes-Benz 6-cylinder engine in the fourth quarter will contribute to the ongoing increase in sales revenues by the core division of Diesel cold-start Technology.

#### **Ignition Technology profits from acquisition**

The Ignition Technology division increased its sales revenues by 19.6% to EUR 74.6 (62.4) million, although in Western Europe alone, new registrations of cars with gasoline engines decreased by 7% in 2003. The rise in sales was partially due to the acquisition of BERU Eyquem last year, which contributed EUR 11 million to this division's share of the Group's total revenues. Furthermore, the new production facility should help to expand market potential and to increase supply efficiency. Unit sales of spark plugs soared by more than 50% in the first nine months of the financial year. In addition, in the third quarter, BERU started supplying Renault with ignition coils. This start-up also had a positive effect on Ignition Technology's sales developments. Despite the relatively mild winter in Germany, the after-market business developed largely as planned. The total after-market business accounts for more than 30% of the Group's sales revenues. BERU anticipates a continuation of Ignition Technology's positive development in the fourth quarter of the 2003/04 financial year.

**Continued success for Electronics and Sensor Technology**

In the newest division of BERU AG, Electronics and Sensor Technology, sales revenues for the first nine months were up 34.8%, from EUR 43.4 million to EUR 58.5 million, giving it a 23.6% share of the Group's total sales. The increase was largely due to the production start-up of electronically controlled PTC heating systems for cars with diesel engines, which are used with the new Golf V platform, for example, and soon also in the Ford Focus.

The Tire Pressure Monitoring Systems unit continued its positive development. The system was increasingly fitted to the Porsche, DaimlerChrysler and VW Group models for which it is offered, and the successful start of TSS (tire safety system) in the VW Touareg and in the Porsche Cayenne lifted revenues to EUR 21.7 (13.4) million. In the current financial year, BERU will equip two additional volume models from Audi with TSS, and will participate in all European manufacturers' invitations to tender for such systems.

We are eagerly awaiting the revision of United States legislation on the Tire Safety Rule. After a US federal court allowed a claim by American consumer associations criticizing the safety and effectiveness of indirect monitoring systems and their general inadequacy, manufacturers now expect an announcement in the coming weeks of the newly formulated system requirements. If the regulations for indirect monitoring systems are made stricter or prohibited, there will be improved market opportunities for direct monitoring systems, which measure tire pressure directly and precisely using pressure and temperature sensors inside the tires. BERU is one of Europe's leading suppliers of direct monitoring systems.

On the basis of a licensing agreement, BERU is strengthening its alliance in the North American market with Lear Corporation, Southfield, USA, for the development, production and distribution of integrated tire pressure monitoring systems with direct monitoring. The first joint projects with Ford and Kia/Hyundai will begin in 2005.

**Growth in orders received and orders on hand**

Orders received in the first nine months increased by 17.2% from EUR 226.4 million to EUR 265.3 million. Orders on hand also grew: by 12.3% to EUR 163.1 (145.3) million at December 31.

**Reduced personnel expenses as a percentage of sales revenues**

The size of the Group's workforce fell to 2,690 employees at the end of the period, after 2,718 three months earlier. As a result, personnel expenses as a percentage of sales revenues fell from 31.9% to 30.5%. The reduction was partially due to restructuring measures at subsidiaries and efficiency-boosting activities in the Group. The BERU Group will soon install a highly efficient automated manufacturing system at the French spark plug factory in Chazelles-sur-Lyon, where the manufacturing of spark plugs is to be concentrated. In January, the decision was taken to relocate production from the second facility for automobile spark plugs, hitherto in Neuhaus, Germany, to Chazelles-sur-Lyon. BERU is thus implementing its strategy of concentrating the production of spark plugs at one location. Ten regular jobs will disappear, and forty temporary contracts will not be renewed. Spark-plug development will

continue to be located at the company's headquarters in Ludwigsburg, Germany. BERU anticipates synergies particularly in purchasing, but also from economies of scale with the higher output at the factory in Chazelles-sur-Lyon.

### **Slight improvement in material costs as a percentage of sales revenues in the third quarter**

Despite the increasing share of electronics in the production of the new product groups ISS, PTC and TSS at the Bretten facility, as a result of optimized purchasing and higher volumes, the ratio of material costs to sales revenues remained nearly constant at 34.9% (34.3%). The gross margin was thus 65.1% (65.7) for the first nine months, and actually reached 66.9% in the third quarter. Other operating expenses in the first nine months of the financial year totaled EUR 38.8 (35.7) million. As a percentage of sales revenues they fell from 16.7% to 15.6%.

### **EBIT margin reaches 17%**

In the first nine months, BERU achieved an EBIT margin of 16.8%, after 15.9% in the prior-year period. The Group is thus well placed to surpass its minimum targeted EBIT margin of 15% for the full year. EBIT for the period grew by 22.0% to EUR 41.6 million, after EUR 34.1 million in the prior year. In the third quarter, there was an EBIT margin of 18.2%. The inclusion in the consolidated Group of the recently acquired BERU Eyquem reduced the Group's EBIT margin slightly. There were positive effects from the fact that the Tire Pressure Monitoring unit reached breakeven and from the increasing volumes of new ISS systems and PTC heating units. Advance expenditures remained at a high level: for the development of the next generation of tire pressure monitoring systems and in connection with the "smart plug" concept, with which the glow plugs are linked with intelligent sensors, and for heating units for particulate filters and NO<sub>x</sub> catalysts. The restructuring measures taken at the Formula One high-tech supplier, BERU F1 Systems, and at our Hungarian electronics subsidiary, REMIX Group Electronics, showed positive effects, so restructuring expenses and operating losses totaled only EUR 0.5 (2.6) million.

In the previous year, BERU had realized a capital gain of EUR 3.8 million from the sale of investments in other companies. In the first nine months of 2003/04 the company realized capital gains of just EUR 0.5 million. Nonetheless, operating profit, which also includes such one-time gains from the sale of shares in other companies, increased to EUR 42.1 (37.9) million.

### **Adjusted earnings per share up by 21%**

Due to the low levels of interest rates, net financial income decreased from EUR 2.3 million to EUR 1.9 million. Impairment charges totaling EUR 0.3 million were recognized on fixed-interest securities in the current assets. The company thus achieved pre-tax earnings of EUR 44.0 (40.2) million, 9.5% more than in the prior year. Despite a significant increase in the effective tax rate to 37.7% (33.1%), net income also rose, by 1.9% to EUR 27.4 (26.9) million. Earnings per share adjusted for one off effects and exceptional items (according to DVFA/SG) rose by 21.3% to EUR 2.68 (2.21).

**Improved financial strength**

BERU once again demonstrated its financial strength with an increase in cash flow of more than 3% from EUR 43.0 million to EUR 44.4 million. Cash and marketable securities decreased by 2.8% from EUR 86.9 million at the end of September 2003 to EUR 84.5 million at the end of December. Capital expenditure in the first nine months increased to EUR 22.2 (18.5) million. This figure includes major investment of EUR 6.5 million for the new, ultra modern aftermarket logistics center in Ludwigsburg, which went into operation in the third quarter. In the third quarter of the financial year, BERU generated an operative free cash flow of EUR 10.3 (8.3) million. In the first nine months of the financial year, this amounted to EUR 21.7 (20.7) million.

**Outlook**

At present, BERU assumes that the global automotive economy could experience a moderate revival in 2004. However, the market environment is still challenging due to manufacturers' price pressure and sales incentives. It will remain particularly difficult for markets in Western Europe and the United States to recover significantly from the declining registration figures. Due to numerous new product start-ups, for example with the two European high-volume platforms, the Golf V and the Ford Focus, and in the United States with GM/Isuzu, our most important success factors are punctual start-ups with OEMs and diesel penetration. In agreement with the market research institutions, we expect a continuation of the positive diesel trend in Western Europe, which will soon exceed the 45% mark for new registrations. The German market has room to catch up in this respect. In the United States, there are increasingly strong signs that conditions are improving for an increase in the share of diesel engines in the country of big 8-cylinder light trucks, and that manufacturers such as the Volkswagen Group, DaimlerChrysler and Ford intend to expand their range of diesel vehicles.

As stated by Chairman of the Executive Board Marco von Maltzan:

“Depending on the start-up speed of our new projects, we assume that we will at least achieve our goal for the full year of increasing sales revenues by 15% with a 15% EBIT margin. After achieving breakeven with our tire pressure monitoring system, we now plan for the ISS and the PTC to breakeven as well in the upcoming quarters. It is important to respond to the manufacturers' intense price pressure with our efficiency-boosting program, PAP (Productivity Action Plan), an optimal international production network, and above all, with technological innovations. 2004/05 will also be a year of start-ups – eight are planned with new products – and double-digit organic growth, and we look forward to this challenge. As ever, our focus is not simply on revenue growth per se, but to strengthen the company's profitability.”

**Consolidated statement of income**  
**9 months 2003/04**  
**(April 1, - December 31, 2003)**

	<b>2003/2004</b>	<b>2002/2003</b>	<b>Change</b>
	in EUR mn	in EUR mn	in %
<b>Sales</b>	<b>248.3</b>	<b>214.3</b>	<b>15.9</b>
Changes in finished goods and work in process	6.6	2.3	187.0
Other own work capitalized	0.3	0.4	-25.0
Other operating income	4.8	14.2	-66.2
Material costs	-86.7	-73.4	18.1
Personnel expenses	-75.7	-68.3	10.8
Depreciation of intangible assets, property, plant and equipment	-16.7	-15.9	5.0
Other operating expenses	-38.8	-35.7	8.7
<b>Income before financial income and taxes</b>	<b>42.1</b>	<b>37.9</b>	<b>11.1</b>
Financial income	1.9	2.3	-17.4
<b>Income from ordinary activities</b>	<b>44.0</b>	<b>40.2</b>	<b>9.5</b>
Taxes on income and earnings	-16.6	-13.3	24.8
<b>Income after taxes</b>	<b>27.4</b>	<b>26.9</b>	<b>1.9</b>
Minority interests	-0.1	0.0	100.0
<b>Net income</b>	<b>27.3</b>	<b>26.9</b>	<b>1.5</b>
<b>DFVA-earnings per share (in EUR)</b>	<b>2.68</b>	<b>2.21</b>	<b>21.3</b>

**Consolidated Balance Sheet**  
**9 months 2003/04**  
**as at 31 December 2003**

<b>Assets</b>	<b>31.12.2003</b>	<b>31.03.2003</b>
	EUR mn	EUR mn
<b>Fixed assets</b>		
Intangible assets	20.2	13.2
Property, plant and equipment	99.1	83.0
Financial assets	6.1	4.5
	<b>125.4</b>	<b>100.7</b>
<b>Current assets</b>		
Inventories	69.9	43.7
Receivables and other assets		
Trade receivables	73.3	58.9
Receivables from affiliated companies	6.6	3.5
Other assets	6.8	3.4
	<b>86.7</b>	<b>65.8</b>
Securities	62.3	65.5
Cash and cash equivalents	22.2	52.2
	<b>241.1</b>	<b>227.2</b>
<b>Deferred charges and prepaid expenses</b>	<b>0.9</b>	<b>1.1</b>
<b>Balance sheet total</b>	<b>367.4</b>	<b>329.0</b>
	<b>=====</b>	<b>=====</b>
<b>Equity and liabilities</b>		
	<b>31.12.2003</b>	<b>31.03.2003</b>
	EUR mn	EUR mn
<b>Shareholders' equity</b>		
Subscribed capital	26.0	26.0
Capital surplus	73.1	73.1
Earnings reserves	131.5	121.3
Balance sheet profit	26.0	21.0
Minority interests	1.2	1.2
	<b>257.8</b>	<b>242.6</b>
<b>Special items from investment subsidies</b>	<b>1.8</b>	<b>2.1</b>
<b>Provisions</b>		
Provisions for pensions and similar obligations	13.5	12.2
Other provisions	31.9	29.3
	<b>45.4</b>	<b>41.5</b>
<b>Liabilities</b>		
Liabilities due to banks	26.9	20.1
Trade liabilities	20.3	14.1
Notes payable	6.7	1.4
Accounts due to affiliated companies	1.0	0.7
Other liabilities	7.5	6.5
	<b>62.4</b>	<b>42.8</b>
<b>Deferred expenses and accruals</b>	<b>0.0</b>	<b>0.0</b>
<b>Balance sheet total</b>	<b>367.4</b>	<b>329.0</b>
	<b>=====</b>	<b>=====</b>

**Cash flow statement of the Group**  
**9 months 2003/04**  
**(April 1, - December 31, 2003)**

	<u>2003/2004</u>	<u>2002/2003</u>
	EUR mn	EUR mn
Net income (including minority interests)	27.3	26.9
Depreciation of tangible and intangible assets	16.7	15.9
Increase in provisions	2.5	3.7
Other income/expenses not affecting cash flow	-0.2	-0.4
Profits from the disposal of tangible and intangible assets	-0.1	-0.1
Profits from the disposal of securities in current assets	-0.8	-3.8
Increase in inventories and receivables as well as other assets not allocated to investment or financing activities	-34.3	-8.1
Increase in trade liabilities as well as other liabilities not allocated to investment or financing activities	7.9	0.7
<b>Cash flow from operating activities</b>	<b>19.0</b>	<b>34.8</b>
Proceeds from the disposal of property, plant and equipment	0.3	1.2
Payments for investments in fixed assets	-20.6	-17.4
Proceeds from the disposal of intangible assets	0.0	0.0
Payments for investments in intangible assets	-0.2	-0.5
Proceeds from the disposal of financial assets	0.0	0.0
Payments for investments in financial assets	-1.4	-0.6
Payments for the acquisition of consolidated companies	-26.4	-0.5
Proceeds from financial assets as part of temporary financial management	0.8	10.8
Payments for financial assets as part of temporary financial management	0.0	0.0
<b>Cash flow from investment activities</b>	<b>-47.5</b>	<b>-7.0</b>
Dividends paid	-11.0	-11.0
Additions to financial liabilities	10.1	4.2
Repayment of financial liabilities	-3.4	-3.0
<b>Cash flow from financing activities</b>	<b>-4.3</b>	<b>-9.8</b>
Changes in cash and cash equivalents affecting cash flow	-32.8	18.0
Changes in cash and cash equivalents not affecting cash flow	-1.1	-1.7
Changes in funds resulting from consolidated companies	0.0	0.0
Cash and cash equivalents at beginning of period	111.8	93.4
<b>Cash and cash equivalents at the end of period</b>	<b>77.9</b>	<b>109.7</b>

**Cashflow of the Group**  
**9 months 2003/04**  
**(April 1, - December 31, 2003)**

	<b>2003/04</b>	<b>2002/03</b>
	EUR mn	EUR mn
Net income	27.3	26.9
Depreciation	16.7	15.9
Change in long-term provisions	0.4	0.2
	<b>44.4</b>	<b>43.0</b>

**Group sales by division (distribution channels)**  
**9 months 2003/04**  
**(April 1, - December 31, 2003)**

	<b>2003/04</b>	<b>2002/03</b>
	EUR mn	EUR mn
OEM	155.6	135.2
Aftermarket	75.7	63.7
General industry	17.0	15.4
	<b>248.3</b>	<b>214.3</b>

**For further information,  
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