Press release on the business development in the 1st half of 2011 and outlook for the MAHLE Group

1. Business environment/economic situation in the automotive industry

Weakening trends in global economy
The leading economic research institutes anticipate that global economic growth will continue at a weakened pace in the next six months. Forecasts still indicate that the economic situation in the worldwide automotive industry will stabilize at its current high level. The development of raw material prices, the debt crisis in the United States and some countries in the euro zone, the inflation trend, and the still uncertain recovery in Japan pose potential obstacles to growth.

With development prospects for the global economy still positive in July 2011, CSM's forecast for the production of passenger cars and light commercial vehicles (vehicles < 6 tonnes) amounts to 75.9 million units (+3.8%).

Europe
In Europe, the production of passenger cars and light commercial vehicles is expected to reach approximately 20 million units (+5.7%) in comparison with the previous year. As a result of the strong growth of 26.6 percent in comparison with the previous year (rise of 0.35 million units to 1.7 million units) in Russia, the growth in Eastern Europe stands at 6.2 percent (6.1 million units in 2011), which is considerably higher than the growth rate of 3.9 percent in Western Europe (13.9 million units in 2011).

NAFTA region
In the NAFTA region, 13 million units are forecast for 2011. Growth is weakening in this region because the recovery of the U.S. economy is progressing more slowly than expected. According to this new estimate, the expected production growth amounts to 9.2 percent in comparison with the previous year, with 11.9 million vehicles produced.

Asia/Pacific

As a result of the production losses and ongoing problems in the supply chain following the earthquake in Japan, the forecast for the Asia/Pacific region was adjusted downward by a significant degree. The current forecast for 2011 stands at 36.2 million produced vehicles, only 0.8 percent above the 35.9 million units produced in 2010, with the 2011 forecast for Japan reduced by around 1.4 million vehicles. The vehicle manufacturers most affected by these developments are Toyota, Honda, and Nissan. It is anticipated that 80 percent of the total production loss in 2011 will occur in the first half of the year and that production will return to its normal level by the end of 2011. The bulk of the compensation for the passenger car and light commercial vehicle production volume lost in 2011, apart from the permanently lost production volume of around 0.7 million units, is expected in 2012.

In China, growth of 6.5 percent in comparison with the previous year—corresponding to 16.9 million produced passenger cars and light commercial vehicles—is anticipated despite a considerable flattening of growth. Despite significant weakening trends in India, double-digit growth is still expected, which will bring production to 3.8 million units.

Mercosur

For the Mercosur region, the trend forecast is positive and stable. A production volume of 4.4 million units (+4.8%) is currently expected for 2011, with the number of passenger cars and light commercial vehicles produced having reached 4.2 million in 2010. Of this figure, 3.3 million units will be manufactured in Brazil (+3.6% in comparison with the previous year). In May, Brazil was—for the first time—the country with the third-highest new vehicle registration figures worldwide, behind China and the USA, but ahead of Germany and Japan.

Forecast for commercial vehicles remains stable
With 3.37 million trucks and buses produced in 2010, CSM currently anticipates a production volume of 3.42 million vehicles for 2011 (+1.5%).

Europe

Because of the unexpectedly strong economic development in Germany and Eastern Europe, the growth rates for Europe were raised to 31.5 percent in comparison with the previous year, which corresponds to 621,819 vehicles. The countries with the strongest growth are Germany with 42,139 additional units (+37.6%) and Russia with 25,946 (+33.8%).

NAFTA region

With a predicted 441,244 produced commercial vehicles, the NAFTA region is expected to exceed the previous year's value of 341,837 units by 29.1 percent.

Asia/Pacific

The development of commercial vehicle production in the Asia/Pacific region is still expected to be varied. The total production volume is set to fall from 2.30 million vehicles in 2010 to 2.10 million vehicles (-9.0%). The decrease should amount to 16.3 percent in Japan (-39,500 units) because of the effects and subsequent consequences of the earthquake. In China, production is set to fall by 16 percent (-234,604 units), partly because the economy is cooling as a result of the interest rate rises introduced to control inflation and partly because the introduction of the Euro 4 emission standard has been postponed from 2012 to 2013 in some provinces, which has resulted in a decreased "prebuy" effect in 2011. Growth is still forecast in comparison with the previous year for the other countries of the region.

Mercosur

With a predicted 257,310 produced commercial vehicles, the Mercosur region is expected to exceed the previous year's volume of 248,803 units by 3.2 percent.

2. Business development in 2011 and outlook

The MAHLE Group's sales for the period from January to June 2011 amounted to EUR 2,973.4 million. This figure was EUR 472 million (+18.9%) more than the figure for the same period of 2010. Exchange rate effects relating to the value of the euro against the U.S. dollar, Brazilian real, and Japanese yen also had a negative effect on reported sales in the amount of EUR -12.5 million. First consolidations (MAHLE Behr Industry) contributed EUR 97.4 million to sales by the end of May. The adjusted organic change in sales thus amounted to EUR 387.1 million (+15.5%).

The recovery of the automotive market in Europe—in both the passenger car and the commercial vehicle sector—was largely responsible for the increased contribution to sales made by this region, which rose from 48 to 51 percent. The first consolidation of MAHLE Behr Industry with a contribution to sales of just under EUR 100 million also had an impact on this development. In absolute terms, this means that the sales produced in Europe, which amounted to around EUR 1.2 billion, have increased to around EUR 1.5 billion in the first half-year. In contrast, the relative proportion of sales produced in Asia fell from 21 to 19 percent in the first half of the year. In absolute terms, however, this represents an increase of around EUR 40 million to approximately EUR 565 million, which should be seen as a positive development in MAHLE's activities in Asia in view of the sales losses caused by the natural disaster in Japan. The relative contribution to sales made by the American regions remained almost at the previous year's level, at around 30 percent. The proportion of sales produced by the American regions amounts to just under EUR 900 million, primarily as a result of the recovery trends in the NAFTA region and the continued strong performance of the MAHLE business units in South America.

The growth in sales is expected to be considerably lower in the second half of 2011; nevertheless, we still expect the economic situation in the global automotive industry to remain generally stable. Overall, we envisage potential total annual sales of around EUR 5.8 billion, which would correspond to sales growth of around 11 percent in comparison with 2010. However, this would require stable production figures in the remaining months of the second half-year.

With stable development in sales, we also anticipate healthy growth in revenue in the second half of 2011. In the first half-year, the significant production losses and damage costs incurred in Japan had an adverse effect on profit. Rising material costs are expected to put a considerable strain on profits for the whole year.

The number of employees as at the reference date of June 30, 2011, rose from 44,799 to 49,103. The number of employees increased by 1,628 in comparison with the previous year to 20,681 in Europe (including Germany), by 1,297 to 7,433 in North America, by 909 to 11,877 in South America, and by 470 to 9,112 in Asia. The relatively small staffing increase in comparison with the sales growth is primarily due to productivity increases resulting from a high level of capacity utilization in most plants.

Compared with the previous year, the number of employees in Germany rose from 8,440 to 9,181. The current personnel figures include 840 additional employees in connection with the full consolidation of MAHLE Behr Industry GmbH & Co. KG.

3. Development of the MAHLE Group/major events

Significant milestones in the development of the MAHLE Group and major events of the 2011 business year were as follows:

January 2011

MAHLE increases participation in Behr
MAHLE has already increased its share from 19.9 to 36.85 percent in January 2011 as part of the planned acquisition of a majority share in the Behr Group. As in the first stage, the second step was completed by way of a unilateral capital increase, in order to further strengthen the financing and balance sheet structure of the Behr Group. This means that MAHLE is precisely on schedule with the share agreement concluded in 2010 and is expected to increase its share in the Behr Group to more than 50 percent on January 1, 2013, thus allowing full consolidation into the MAHLE Group.

The preparations already underway for the integration are led by a specially organized integration team comprised of employees from all specialist functions. The main task of the integration team is to analyze structures, processes, and organizational forms and make them adaptable, as well as safeguarding and optimizing communication between the companies at the most important hierarchical levels and in the most important functional divisions.

Good progress is being made with the integration team's work and, with the complementary product range, the integration of Behr into the MAHLE Group will allow the market position to be further expanded and improved. This applies to systems environments for modern combustion engines, alternative power train technologies, and complete thermal management for vehicles. The first joint fair presence at the Shanghai Auto Show in April this year provided impressive proof of the operations already coordinated.

Preparations are also being made for joint fair presences at the upcoming Frankfurt Motor Show and at the Tokyo Motor Show in November.

In the already integrated Industry business unit, significant synergy effects are already being realized, new products are being developed jointly, and joint market cultivation activities are being organized.

March 2011

Natural disaster in Japan on March 11, 2011
MAHLE has six production plants and two development centers in Japan and employs more than 2,000 people in the country. Fortunately, no MAHLE employees or family members were injured by the earthquake and tsunamis in Japan on March 11, 2011. However, as all MAHLE production plants are in the north of Tokyo, some relatively close to the regions directly affected, considerable damage was caused to buildings and production facilities at some plants. Our Hirata plant is only around 40 kilometers from the damaged Fukushima-Daiichi nuclear power plant and was completely evacuated for around 14 days. Regular production was resumed after the radiation stabilized at an only marginally increased level. However, all other plants were made ready for production again in a relatively short time frame, thanks to prompt temporary repairs, which meant that MAHLE did not cause its customers to suffer any production losses.

Our teams in Japan quickly drew up action plans and approached the handling of the crisis in a very experienced manner. They not only started repairing the production plant and buildings but also drew up assistance plans for employees experiencing problems with their food and energy supply.

In order to ensure that no production losses were incurred because of the foreseeable energy shortages, particularly in the hot summer period, further

Driven by performance

investment measures were initiated at almost all locations, e.g., installation of additional electricity generators. Rolling shift models were agreed with the employees to ensure continuous production throughout the weekends to flexibly prepare the plants for the short-term changes in customers' production cycles.

MAHLE supported the Japanese Red Cross with almost EUR 600,000 via direct company donations and voluntary employee donations from all over the world in order to assist with the necessary reconstruction measures.