

Press release on the business development in the 1st half of 2010 and outlook

Stuttgart, September 6, 2010—After declines in sales in 2009, MAHLE succeeded in returning to profitability in the first half of 2010.

Global economy recovers more quickly than expected

In the OECD area, economic output increased for the first time in five quarters; in the first quarter, it rose by 2.5 percent in comparison with last year. Overall, the economic situation in the automotive industry has also improved further. While development in Europe continues to be characterized by a number of uncertainties, the markets in Asia—particularly China—and in the NAFTA region are showing a significantly positive trend. At 67.7 million passenger cars and light commercial vehicles, the current forecast for 2010 exceeds the previous year's value by 16 percent. The production of commercial vehicles and buses is expected to increase by 17 percent in comparison with the very weak previous year.

Business development

In the first six months of the 2010 business year, the sales of the MAHLE Group amounted to EUR 2.5 billion, exceeding the previous year's value by 37.6 percent. The organic change in sales adjusted for first consolidations and exchange rate effects amounted to 32.8 percent.

While these figures are pleasing at Group level, they should be interpreted differently when considered at a regional level. Taking the first half of 2008 as the basis for comparison—as this was the last "normal" period before the onset of the global financial and economic crisis—reveals significant structural changes. While MAHLE achieved 56 percent of its sales in Europe in the first half of 2008, this proportion fell to 48 percent in the first half of 2010. In the same period, the proportion achieved in Asia and South America

rose from 27 to 35 percent. These figures show very clearly where the automotive industry's growth markets are, and that MAHLE made the right decision to invest in these markets at an early stage.

Supported by the significant sales growth in combination with the cost reduction and structural measures initiated in 2008/2009, we succeeded in returning to profitability in the first half of 2010, with Asia and South America making particularly strong contributions to this pleasing development. The growth in sales is expected to be considerably lower in the second half-year; nevertheless, we anticipate a general stabilization of the markets. Overall, we envisage potential total annual sales of around EUR 4.9 billion, which would correspond to sales growth of around 27 percent in comparison with 2009.

Human resources

The number of employees worldwide rose negligibly, from 44,431 last year to 44,799, while in Germany the figure fell from 8,804 to 8,440. However, this figure was subsequently increased by around 950 employees as a result of the full consolidation of MAHLE Behr Industry from July 1, 2010. The amount of short-time work was progressively reduced in the first half of 2010. For certain plant and functional divisions, however, we had to reach an agreement to extend the short-time working arrangements.

In May, we concluded a "Supplementary labor agreement for safeguarding employment and introducing a new remuneration structure" for the German locations. The key points are the policy of abstaining from compulsory redundancies until March 31, 2013, new rules for the calculation of the performance-related bonus, a postponement of the 2011 pay scale increase, improvements to the arrangements for partial retirement, subsequent employment of apprentices for an indefinite period, and the establishment of production and service companies to take on employees affected by restructuring measures.

Development of the MAHLE Group

MAHLE not only responded to the crisis with cost and structural adjustments, but also used the time to further improve its strategic position for the long term. With the participations in Behr Industry and the Behr Automotive Group, we are in a position to participate in the high-growth business segment of energy-efficient thermal management—in both our automotive and industrial activities.

In 2009, the Industry division of the Behr Group achieved sales of approximately EUR 178 million and currently has around 950 employees at five locations in Germany and the United States. Main products include cooling and air-conditioning systems for railway and special vehicles, buses, ships, construction and agricultural machinery, the aerospace industry, and stationary large engines for power generation. Behr Industry has traded under the name MAHLE Behr Industry since July 1, 2010, and, together with MAHLE's industrial activities with regard to large engines and industrial filtration, forms the new MAHLE "Industry" business unit, with an annual sales volume of around EUR 500 million.

In addition, MAHLE will acquire shares in Behr in several stages. The two first stages of the participation will be covered by a unilateral capital increase by MAHLE. In the first stage (2010) MAHLE will take on 19.9 percent of shares; in the second stage, at the beginning of 2011, the participation will be increased to 36.85 percent. The contract also provides that MAHLE can take over the majority of Behr by exercising a call option starting in 2013. It also provides current Behr shareholders with the potential to sell their shares to MAHLE over a period of ten years.

The participation opens up significant additional potential for the future of both companies in the market for complete systems solutions for the power train of modern passenger cars and commercial vehicles. The product portfolios complement each other and fit together excellently. Examples

include complete exhaust gas recirculation modules and intake systems with integrated charge air coolers. In addition, the subject of "efficient thermal management," including heating and cooling, is particularly significant for new generations of vehicles, as fuel consumption and CO₂ emissions are further reduced. This can also be seen in conjunction with the increasing significance of alternative drive systems, from hybrids to vehicles with purely electric or fuel cell drive systems. Potential sales of around EUR 10 billion are envisaged in the medium term. MAHLE's Managing Directors Prof. Dr. Heinz Junker and Dr. Bernhard Volkmann are to be appointed as new members of the Behr Supervisory Board.

Preview of the IAA 2010

At the IAA 2010, MAHLE will primarily present its activities in the following technology areas offering outstanding potential for optimization:

- Innovative cooling solutions by MAHLE BEHR Industry for off-highway vehicles
 - Innovative air-conditioning solutions for buses
 - EURO VI technologies, either using exclusively exhaust gas recirculation, or using exhaust gas recirculation combined with SCR technology
 - An innovative valve technology for demand-controlled exhaust gas recirculation, which leads to a significant reduction in NO_x without any additional fuel consumption.
- Lightweight assembled camshafts fitted with low-friction rolling bearings offering significant CO₂ savings potential in commercial vehicle engines
- Innovative and environmentally friendly filtration systems to separate out unwanted media from the fuel and oil circuits

Detailed information on the product innovations at the IAA 2010 will be available on the MAHLE website from September 21.

Further queries:

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