

Investor Call Half-Year Results 2016

MAHLE

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September 22th, 2016

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Highlights

Good progress on execution of business strategy in challenging market environment

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- Continuous alignment of MAHLE group structure with clear focus on core business areas in the automotive industry to further strengthen leading global market position
- Innovative system solutions focussing on efficiency, reliability and driver comfort to meet the needs of our customers
- Half-year results 2016 were burdened by “Ex Delphi Thermal” acquisition, but MAHLE is cautiously optimistic to reach full-year guidance
- Organic growth above market growth despite weakening markets in Brazil and challenging heavy-duty market in North America
- Improved financing profile due to successful implementation of new syndicated loan facility at better terms

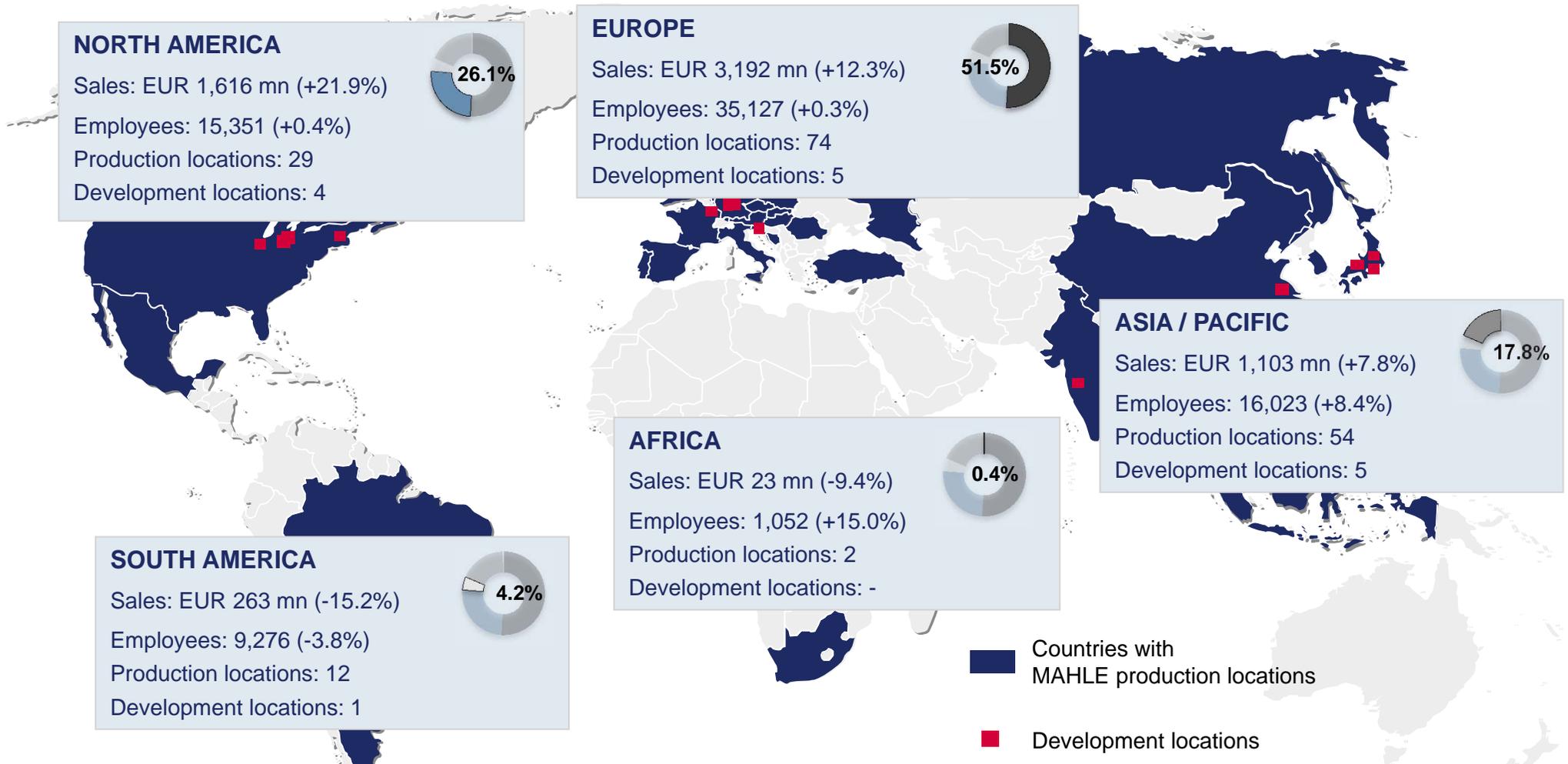
- Among the top 20 global automotive suppliers and among the top 3 in our three core business areas
- More than every 2nd vehicle runs with MAHLE technology inside
- MAHLE provides solutions for current and future powertrains and is supplier to all major OEMs worldwide

Market trends and strategic positioning

MAHLE is present in all global core markets



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Note: Sales and Headcount figures as of June 30, 2016, Locations as of Dec 31, 2015
 Sales by country of origin compared to H1 2015, Employees by region compared to Dec 31, 2015 incl. development locations and sales branches

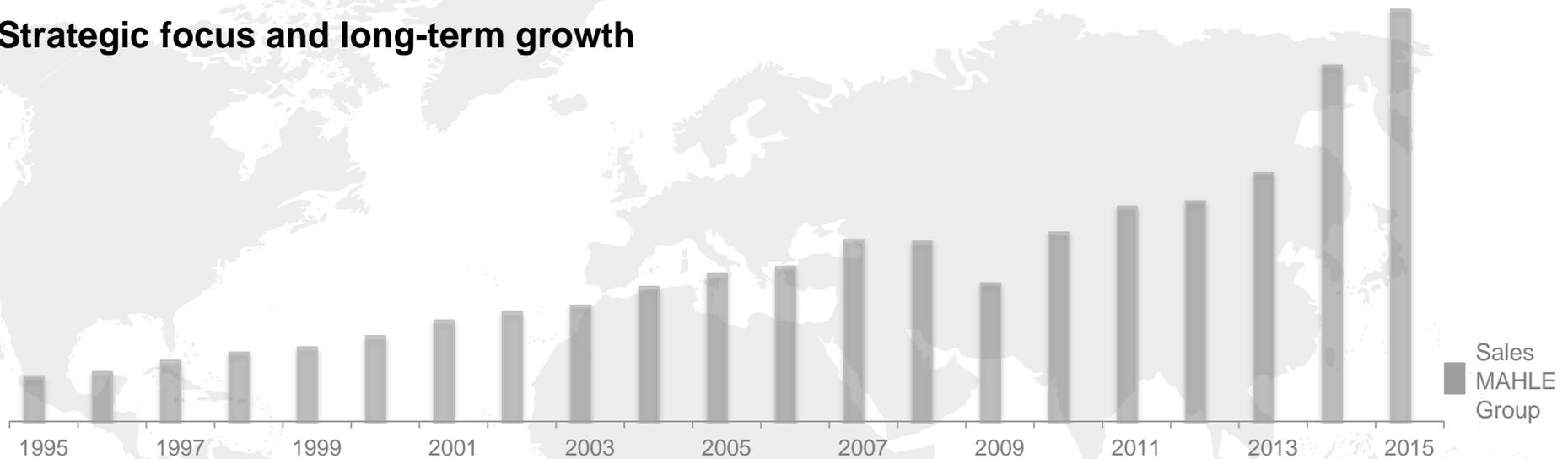
Market trends and strategic positioning

Successful execution of long-term growth strategy

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Strategic focus and long-term growth



- Continuous development of products for e-mobility
- Strengthening system solution products
- Continuous improvement: shifting to low-cost countries and restructuring Western European footprint
- Constant portfolio development: sale of non-core business → focus on automotive business

Market trends and strategic positioning

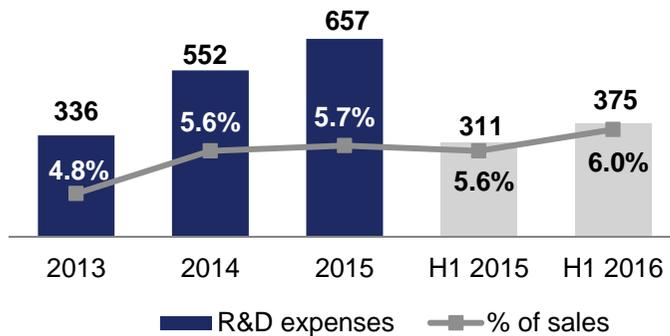
Higher R&D expenditure –
Integrated R&D drives system solutions

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R&D expenses

(EUR mn)



- MAHLE delivers technological innovations that enhance customer value
- MAHLE ranked #22 worldwide patentee applying patents at DPMA*
- Industry wide unique combination of products and continuously increasing cooperation of business units



*According to a statistics from German Patent and Trade Mark Office (DPMA) published for the year 2015

Market trends and strategic positioning

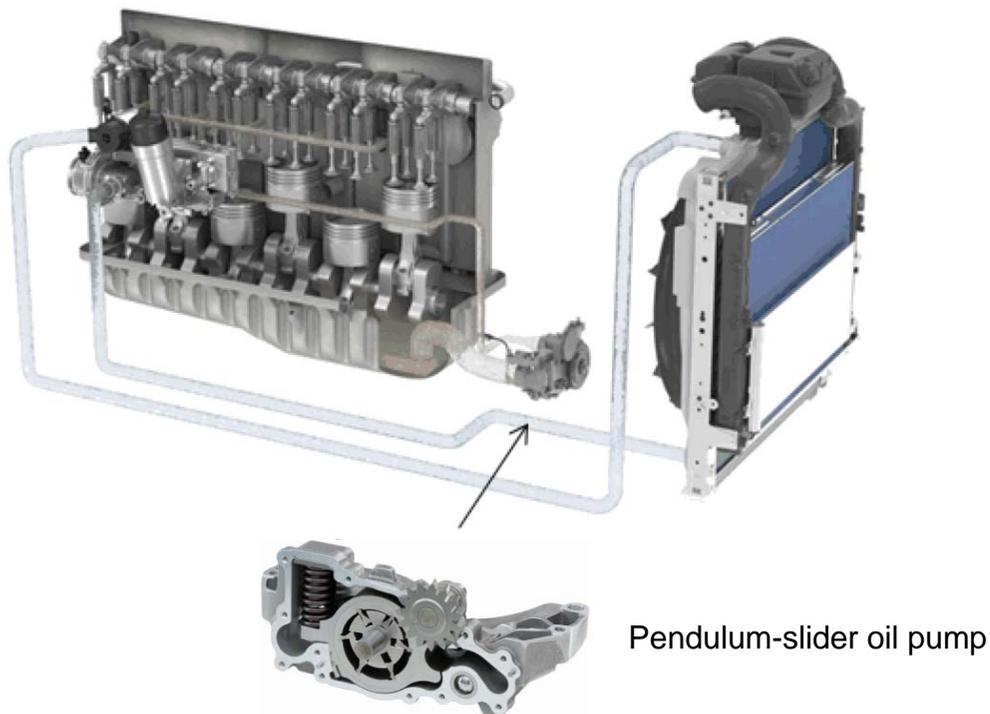
Higher efficiency and reliability for heavy-duty vehicles resulting from MAHLE's innovation potential

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Pendulum-slider oil pump

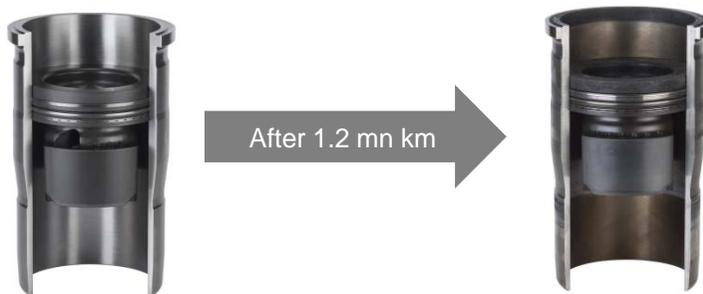
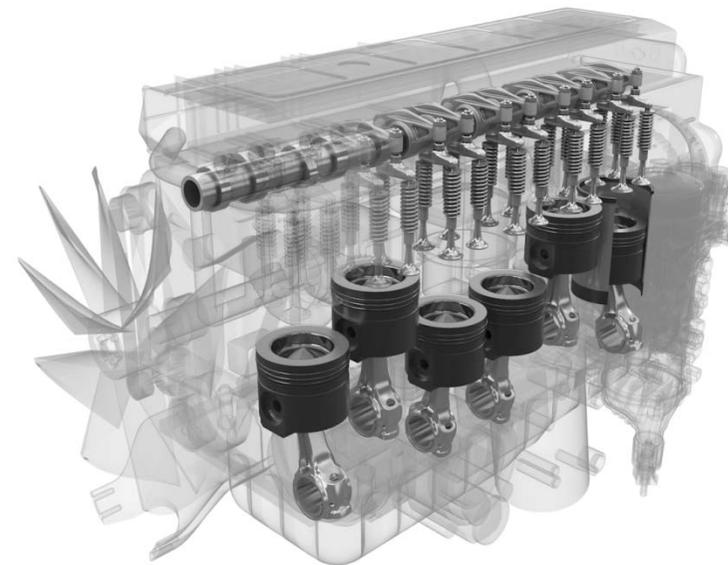
“One of MAHLE's system innovations combining the knowledge of two business units”



- World's first controllable pendulum-slider oil pump for commercial vehicles
- Pressure and volume flow are generated on demand, reducing the required power consumption to a minimum
- In conjunction with the oil circuit and further engine components, it is possible to generate fuel savings of up to three percent
- Saving levels and high reliability can only be achieved with comprehensive systems expertise and holistic approach

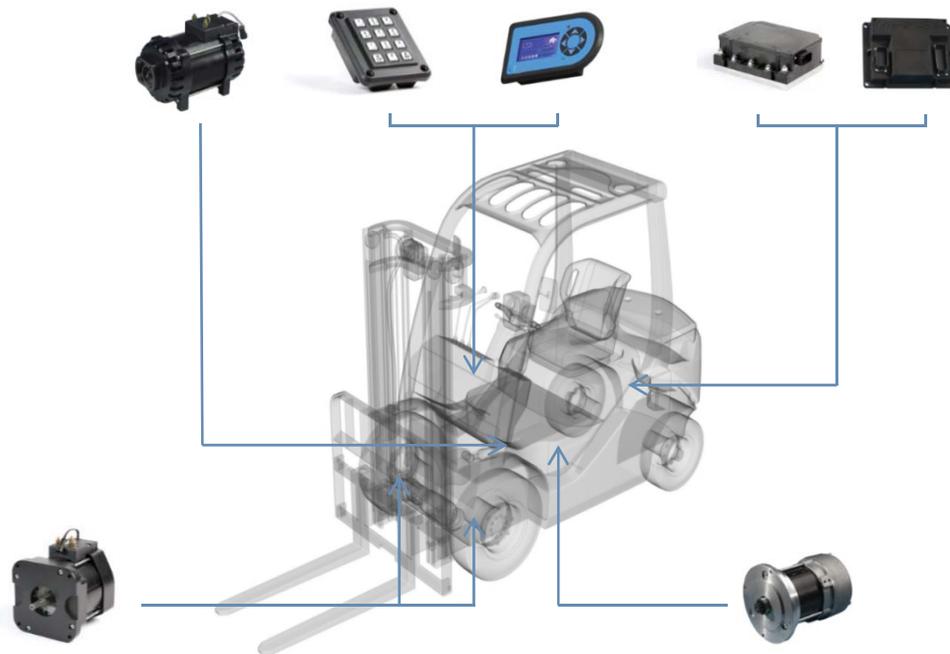
- A test with a heavy-duty truck for long distances has proved, that even after 1.2 million kilometres all MAHLE components are not showing any relevant wearout
- MAHLE fulfills customer requirements regarding reliability with highly robust engine components
- The exceedingly high durability reduces total cost of ownership – the key parameter for the purchasing decisions of our commercial vehicle clients

Power Cell Unit



“The heart of the engine with excellent reliability results of MAHLE components in the heavy duty industry”

Electric drive systems



- MAHLE is a leading provider for complete electric drive systems for material handling and small commercial vehicles
- High-voltage traction motors and new 48-volt drive motors with integrated electronics combined with an optimized thermal management round up MAHLE's electrical motor portfolio
- MAHLE received initial orders for passenger car electrical powertrains in 2016
- Commercial vehicles will also benefit from electrification

“Via increasing electrification MAHLE makes a decisive contribution to the reduction of CO₂ emission”

MAHLE Group – Key financials H1 2016

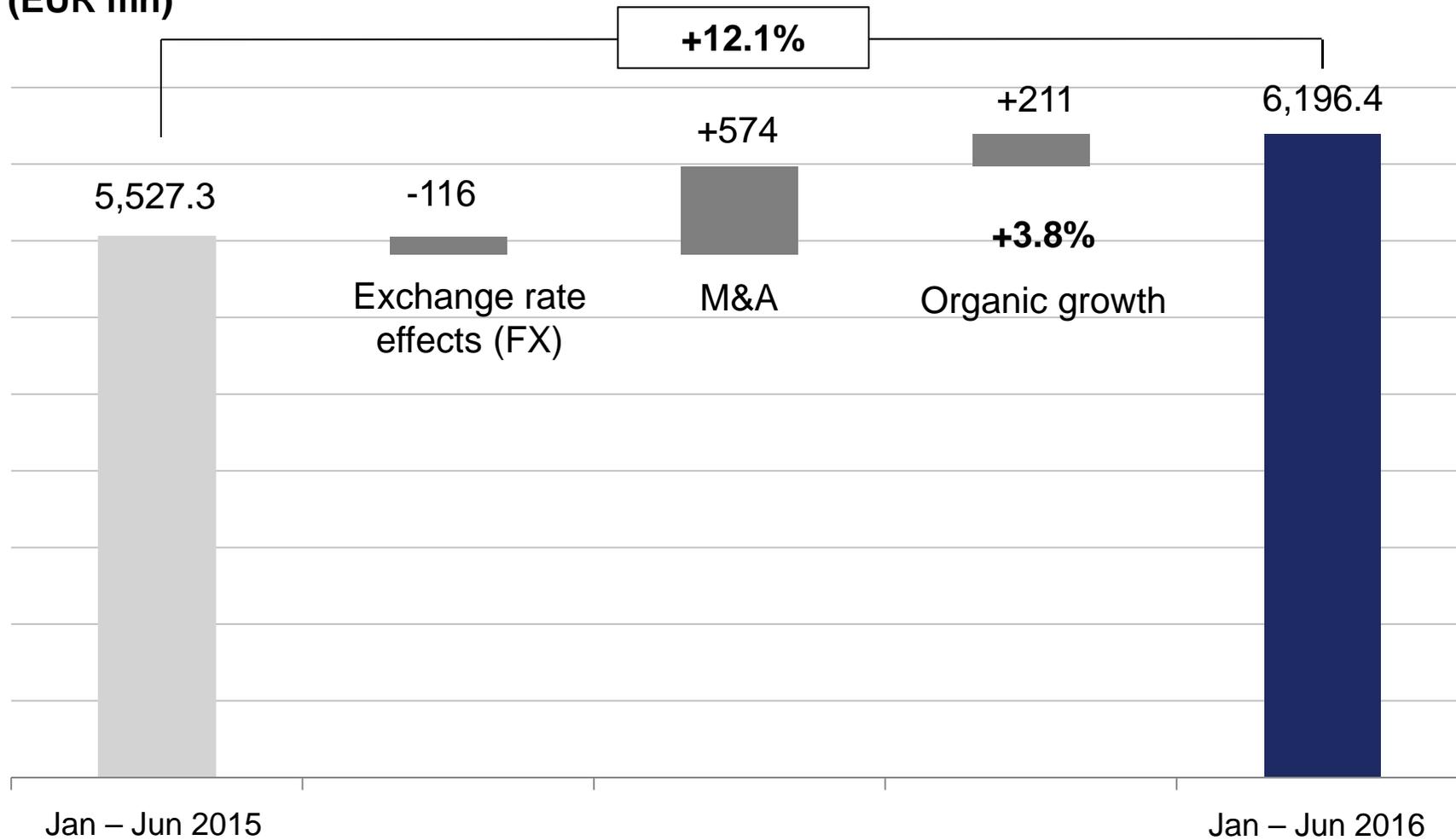
Sales	EUR 6,196.4 mn
EBITDA	EUR 543.1 mn
EBIT	EUR 246.0 mn
R&D ratio	6.0%
Net income	EUR 82.6 mn
Equity ratio	33.1%
Net debt / EBITDA*	1.3x
Employees	76,829

- Organic sales growth of >3.0% outperformed global light vehicle production**
- Profit margins under pressure mainly due to non-recurring effects from acquisitions and challenging markets in Brazil and North America (heavy-duty)
- Financial ratios within conservative target ranges

* EBITDA for H1 2016 calculated on the basis of trailing 12 months EBITDA

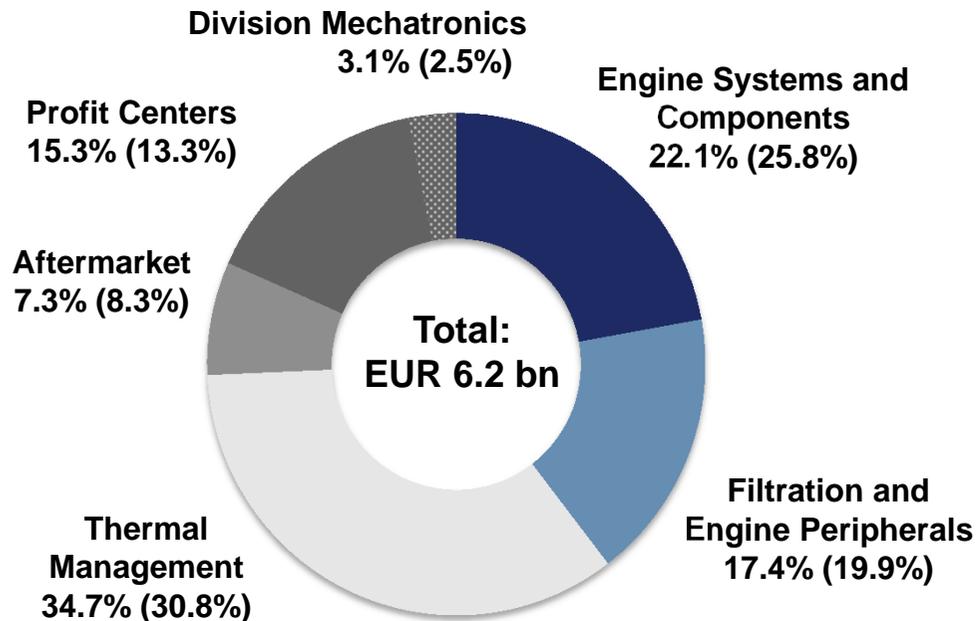
**According to IHS, light vehicle production H1 2016 +2.4%

Sales (EUR mn)



Balanced product portfolio – growing Thermal Management and Mechatronics business

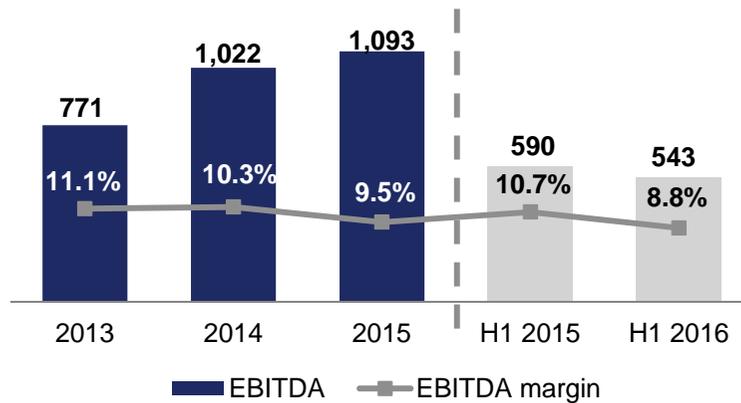
Sales split by business segments H1 2016 (H1 2015)



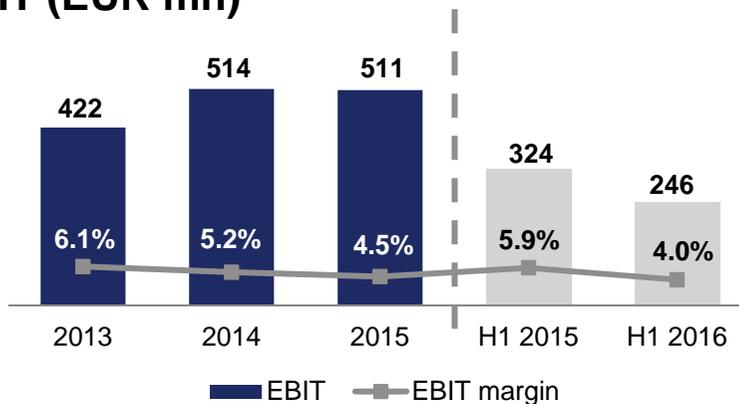
- Well-diversified product portfolio
- Strategic expansion of Mechatronics business
- Lower sales in Engine Systems and Components, due to weak markets in Brazil and challenging heavy-duty market in the US
- Thermal Management business significantly increased, due to integration of “Ex Delphi Thermal”
- Business activities which are dependent on OE business with passenger car combustion engine account for less than 50% of group sales

Earnings impacted by “Ex Delphi Thermal” acquisition and regional headwinds

EBITDA (EUR mn)



EBIT (EUR mn)

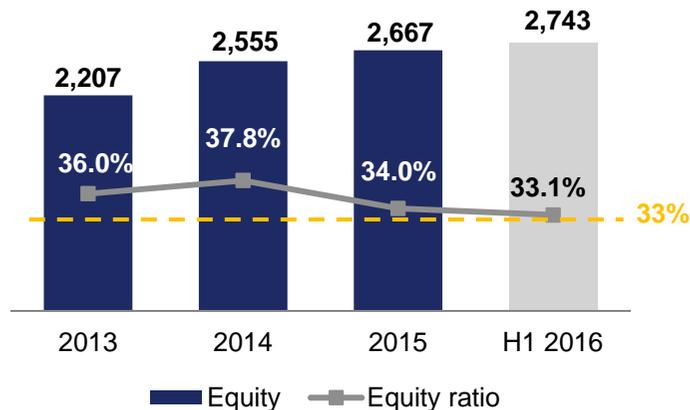


- EBITDA negatively affected by integration costs of thermal management business
- EBIT and EBIT margin went down accordingly
 - Improved EBIT margin compared to H2 2015 (3.1%)
 - Adjusted for amortization of goodwill and effects from purchase price allocation EBIT margin amounts to 5.2%
- As a result net income declined to EUR 82.6 mn
 - Improved financial result but stable taxes due to higher non-deductible expenses

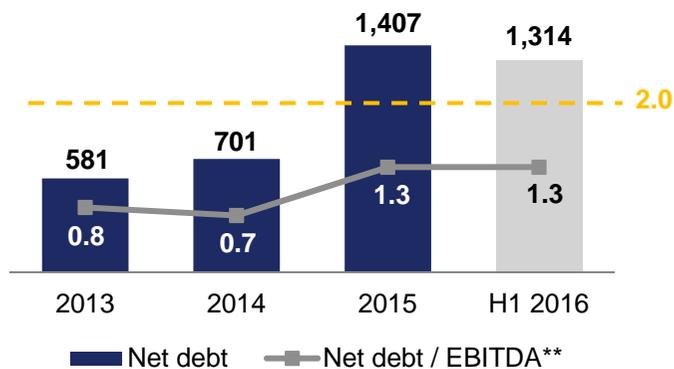
Reduction of net debt after “Ex Delphi Thermal” acquisition

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Equity (EUR mn)



Net debt* (EUR mn)

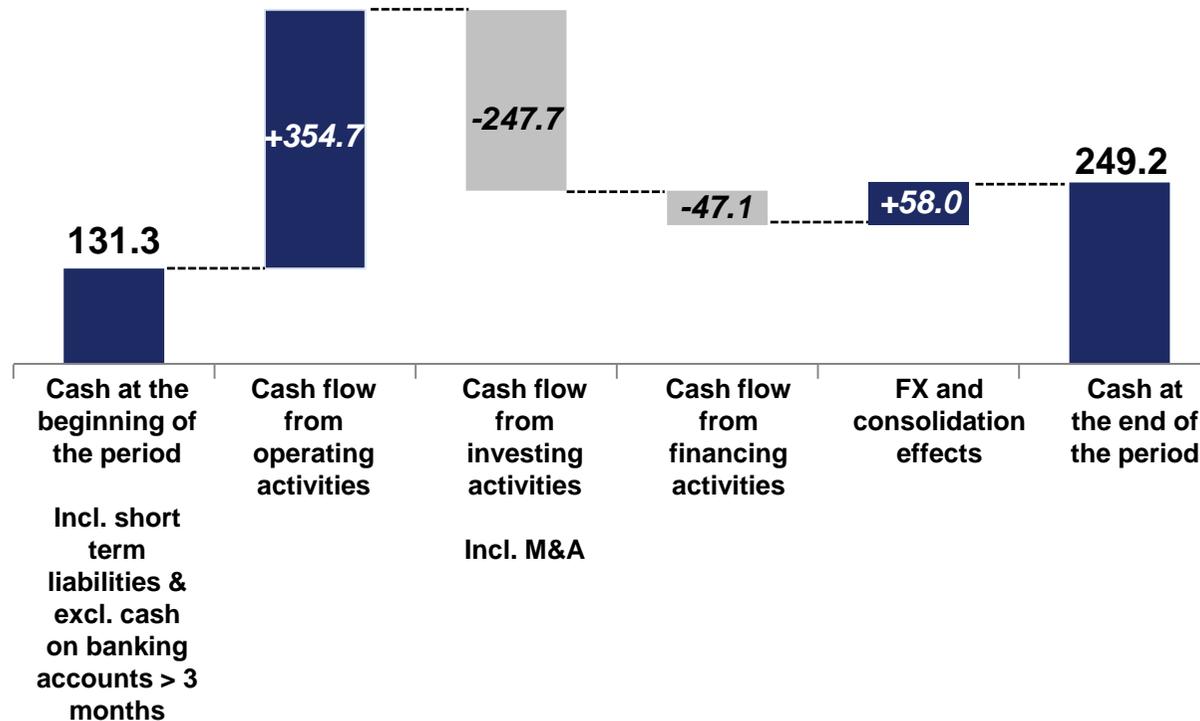


* Net debt = liabilities to banks + bonds – cash in hand, bank balances and checks

**EBITDA for H1 2016 calculated on the basis of trailing 12 months EBITDA

- Equity close to MAHLEs minimum level
 - Half-year balance is usually inflated thus diluting equity ratio
 - Will benefit from sale of industrial filtration business
- Net debt / EBITDA leverage remains within conservative target range – commitment to implicit investment grade rating confirmed
- Reduction of net debt despite weakening earnings
- Improved financing profile due to successful implementation of new syndicated loan facility at better terms (EUR 1.6 bn; 5 year maturity with option for prolongation)

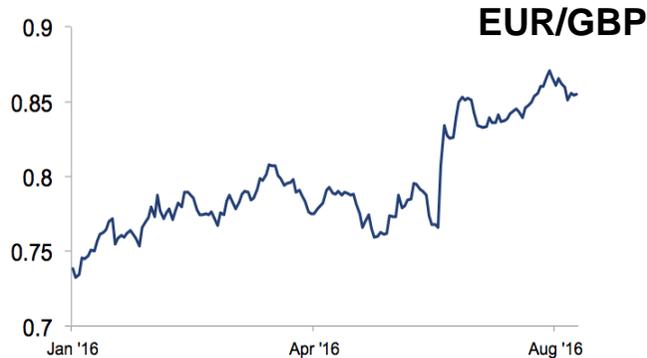
Cash flow development H1 2016 (EUR mn)



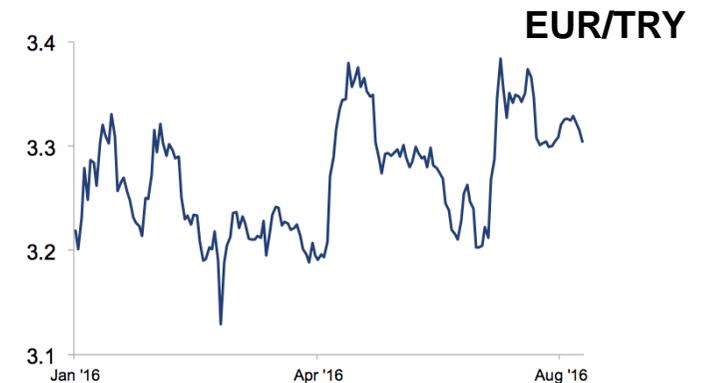
- Mainly investments in property, plant, and equipment of EUR 223.9 mn primarily focusing on
 - Eastern Europe
 - North America
- Repayment of debt worth EUR 47.1 mn
- Positive free cash flow* of over EUR 100 mn

*Calculation: Cash flow from operating activities – cash flow from investing activities

Low exposure in relation to Brexit and Turkey



- Production locations: 5
- Development location: 1
- Group sales H1 2016: EUR 85 mn (1.4% of total sales)
- Local sourcing combined with production focussed on UK clients results in currently low exposures



- Production locations: 2
- Group sales H1 2016: EUR 36 mn (0.6% of total sales)
- Low net € exposure

Well-established hedging policy minimizes FX volatility via FX-hedges and provides planning security for the MAHLE Group

Global vehicle production expected to grow in both segments

Production of Passenger Cars and Light Commercial Vehicles [in million pcs.]

Production of Medium and Heavy Duty Vehicles and Buses (>6t) [in thousand pcs.]

Region	Forecast 2017	Forecast 2016	% Change
World market	92.5	91.3	+1.3 %
			+2.9 % ¹
Europe	21.7	21.5	+0.9 % ²
			+2.8 % ¹
North America	18.1	18.0	+0.5 %
			+3.1 %
South America	2.7	2.7	+0.5 %
			-12.7 %
Asia/Pacific	47.7	46.7	+2.1 %
			+3.2 %
Middle East / Africa	2.3	2.3	-1.8 %
			+18.7 %

Region	Forecast 2017	Forecast 2016	% Change
World market (incl. Middle East/Africa)	3,282	3,187	+3.0 %
			+3.2 %
Europe	602	605	-0.5 % ²
			-2.2 % ¹
North America	584	551	+6.0 %
			-5.9 %
South America	97	88	+10.4 %
			-19.7 %
Asia/Pacific	1,997	1,942	+2.9 %
			+9.5 %

¹ Comparison Forecast 2016 with Actual 2015 ² Comparison Forecast 2017 with Forecast 2016

Source: Includes data provided by IHS, www.ihs.com; Copyright © [2016], LV Production August 15, 2016 and MHD Production August 15, 2016

Outlook

Outlook for FY 2016 confirmed: MAHLE aims to grow faster than the market again

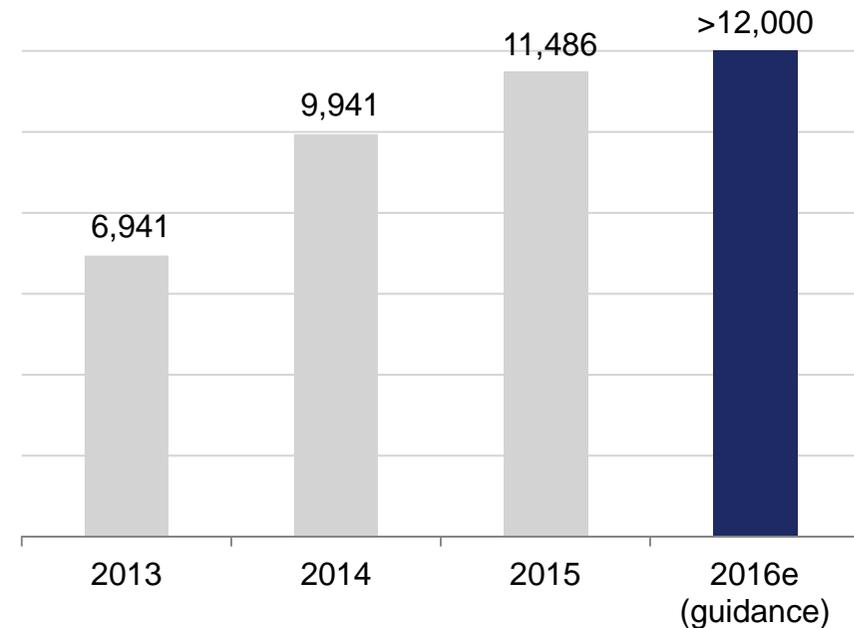
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- Cautiously optimistic to reach guidance
- Group sales expected to grow by 4-5%
- Refinancing of maturing Schuldschein with further Schuldschein planned in Q1 2017
- Deleverage on the way for full year
- Improve cost situation and further integrate recent acquisitions
- Non-Deal Roadshow in October to stay in touch and receive feedback

Sales performance

EUR mn



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BUSINESS UNITS

Engine Systems and Components

Sales: EUR 1,372 mn
Employees: 28,424

Filtration and Engine Peripherals

Sales: EUR 1,081 mn
Employees: 10,787

Thermal Management

Sales: EUR 2,152 mn
Employees: 22,206

Aftermarket

Sales: EUR 452 mn
Employees: 1,604

DIVISION MECHATRONICS

Sales: EUR 192 mn
Employees: 3,181

PROFIT CENTERS

Sales: EUR 948 mn
Employees: 10,628

Compressors

Engineering Services, Motorsports, and Special Applications

Large Engine Components

Small Engine Components

Industrial Filtration

Industrial Thermal Management

Control Units

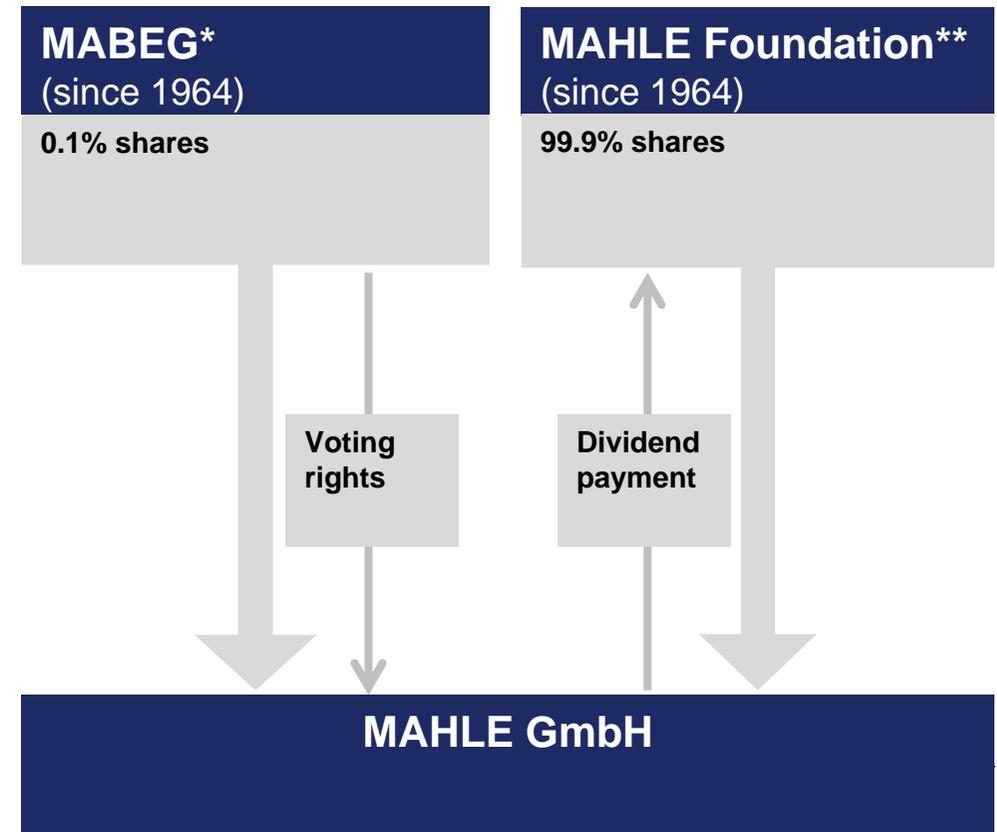
Front-end Modules

MAHLE Foundation – Stable long-term ownership structure

■ The MAHLE Foundation

- ensures stability in the ownership structure
- acts based on its own statutes managing its assets for beneficial purposes
- has no direct control on the management of MAHLE GmbH
- the voting rights lie with the shareholders' committee called MABEG

- Dividend payments to MAHLE Foundation are restricted by the statutes of MAHLE GmbH. This allows a sustainable and long term growth strategy of the MAHLE group



* MABEG = Verein zur Förderung und Beratung der MAHLE Gruppe e.V. **MAHLE Foundation = MAHLE Stiftung GmbH

Income statement (key figures)



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	ACTUAL 1-6/2015		ACTUAL 1-12/2015		ACTUAL 1-6/2016		CHANGE
	in million EUR	in % of sales	in million EUR	in % of sales	in million EUR	in % of sales	in million EUR
Sales	5,527.3	100.0%	11,486.1	100.0%	6,196.4	100.0%	669.1
Cost of sales and other income and expenses	-4,937.5	-89.3%	-10,393.5	-90.5%	-5,653.3	-91.2%	-715.8
EBITDA	589.8	10.7%	1,092.6	9.5%	543.1	8.8%	-46.7
Depreciation / amortization of tangible and intangible assets (incl. goodwill) & longterm loans and securities	-265.7	-4.8%	-581.4	-5.1%	-297.1	-4.8%	-31.4
EBIT	324.1	5.9%	511.2	4.5%	246.0	4.0%	-78.1
Investment result	-40.9	-0.7%	-80.9	-0.7%	-43.0	-0.7%	-2.1
Result from interest (incl. pensions)	-69.2	-1.3%	-121.4	-1.1%	-33.6	-0.5%	35.6
Result from ordinary activities	213.9	3.9%	308.9	2.7%	169.3	2.7%	-44.6
Taxes on income	-70.9	-1.3%	-155.8	-1.4%	-71.2	-1.1%	-0.4
Result after taxes on income	143.1	2.6%	153.0	1.3%	98.1	1.6%	-45.0
Other taxes	-18.5	-0.3%	-30.6	-0.3%	-15.5	-0.2%	3.0
Net income	124.6	2.3%	122.4	1.1%	82.6	1.3%	-42.0

Assets



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	ACTUAL 06/30/2015		ACTUAL 12/31/2015		ACTUAL 06/30/2016		CHANGE
	in million EUR	%	in million EUR	%	in million EUR	%	in million EUR
Intangible assets	833.3	10.0%	771.4	9.8%	697.9	8.4%	-73.5
Property, plant, and equipment	2,826.8	33.9%	2,888.4	36.8%	2,892.5	34.9%	4.2
Financial assets	147.0	1.8%	152.3	1.9%	159.4	1.9%	7.1
Inventories	1,297.4	15.6%	1,242.3	15.8%	1,270.1	15.3%	27.8
Receivables and other assets	2,333.6	28.0%	2,239.6	28.5%	2,484.6	30.0%	245.0
Cash and cash equivalents	623.4	7.5%	310.0	4.0%	488.2	5.9%	178.2
Prepaid expenses	33.8	0.4%	23.2	0.3%	33.5	0.4%	10.2
Deferred tax assets	193.8	2.3%	165.9	2.1%	197.4	2.4%	31.4
Plan assets	44.8	0.5%	55.5	0.7%	71.3	0.9%	15.8
Total	8,333.9	100.0%	7,848.8	100.0%	8,295.0	100.0%	446.2

Equity and liabilities



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	ACTUAL 06/30/2015		ACTUAL 12/31/2015		ACTUAL 06/30/2016		CHANGE
	in million EUR	%	in million EUR	%	in million EUR	%	in million EUR
Equity	2,784.6	33.4%	2,667.3	34.0%	2,742.7	33.1%	75.4
Badwill	1.8	0.0%	1.9	0.0%	1.8	0.0%	-0.1
Accruals for pensions and similar obligations	546.1	6.6%	544.0	6.9%	568.2	6.8%	24.2
Other accruals	1,409.5	16.9%	1,412.9	18.0%	1,530.4	18.4%	117.5
Bonds	829.0	9.9%	829.0	10.6%	829.0	10.0%	0.0
Liabilities to banks	1,130.5	13.6%	887.3	11.3%	973.2	11.7%	85.9
Trade payables	1,177.7	14.1%	1,096.5	14.0%	1,192.6	14.4%	96.1
Other liabilities	454.8	5.5%	410.0	5.2%	457.2	5.5%	47.2
Total	8,333.9	100.0%	7,848.8	100.0%	8,295.0	100.0%	446.2

Abbreviated cash flow statement, short version (mn EUR)



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	ACTUAL 1-6/2015	ACTUAL 1-12/2015	ACTUAL 1-6/2016	CHANGE
Cash funds at beginning of period	421.0	421.0	131.3	-289.7
Cash flow from operating activities	255.7	638.0	354.7	99.1
Cash flow from investing activities	-837.8	-1,223.8	-247.7	590.1
Cash flow from financing activities	402.2	335.9	-47.1	-449.3
Total cash flow	-179.9	-249.9	59.9	239.8
Change in cash funds from exchange rate movements and valuation procedures	4.0	-46.5	61.5	57.5
Change in cash funds from changes in the consolidation group	7.0	6.6	-3.5	-10.5
Cash funds at end of period	252.0	131.3	249.2	-2.8