

Investor Call Results H1 2017

MAHLE

Driven by performance

September 22nd, 2017

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Highlights

Successful development of dual strategy with focus on existing market position and future mobility trends

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Organic sales growth of 6% y-o-y, earnings and equity ratio negatively impacted by one-off items and FX effects



Strengthened systems competence with regard to e-mobility by the takeover of electronics specialist Nagares



Presentation of MAHLE Efficient Electric Transport (MEET) – setting trends for urban mobility



Improved financing profile due to successful refinancing of matured Schuldschein

MAHLE will be a driver of e-mobility, just as it already is in the conventional market today

Market trends and strategic positioning

Dual strategy – focus on existing market position and future mobility trends

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Strengthen our existing market position

Highly efficient combustion engines



Emerging Markets



Commercial Vehicles & Off-Highway



Aftermarket



Shape the future in a changing mobility world

HVAC



New projects



Thermal management



Electric drives & Power electronics



Electric auxiliaries

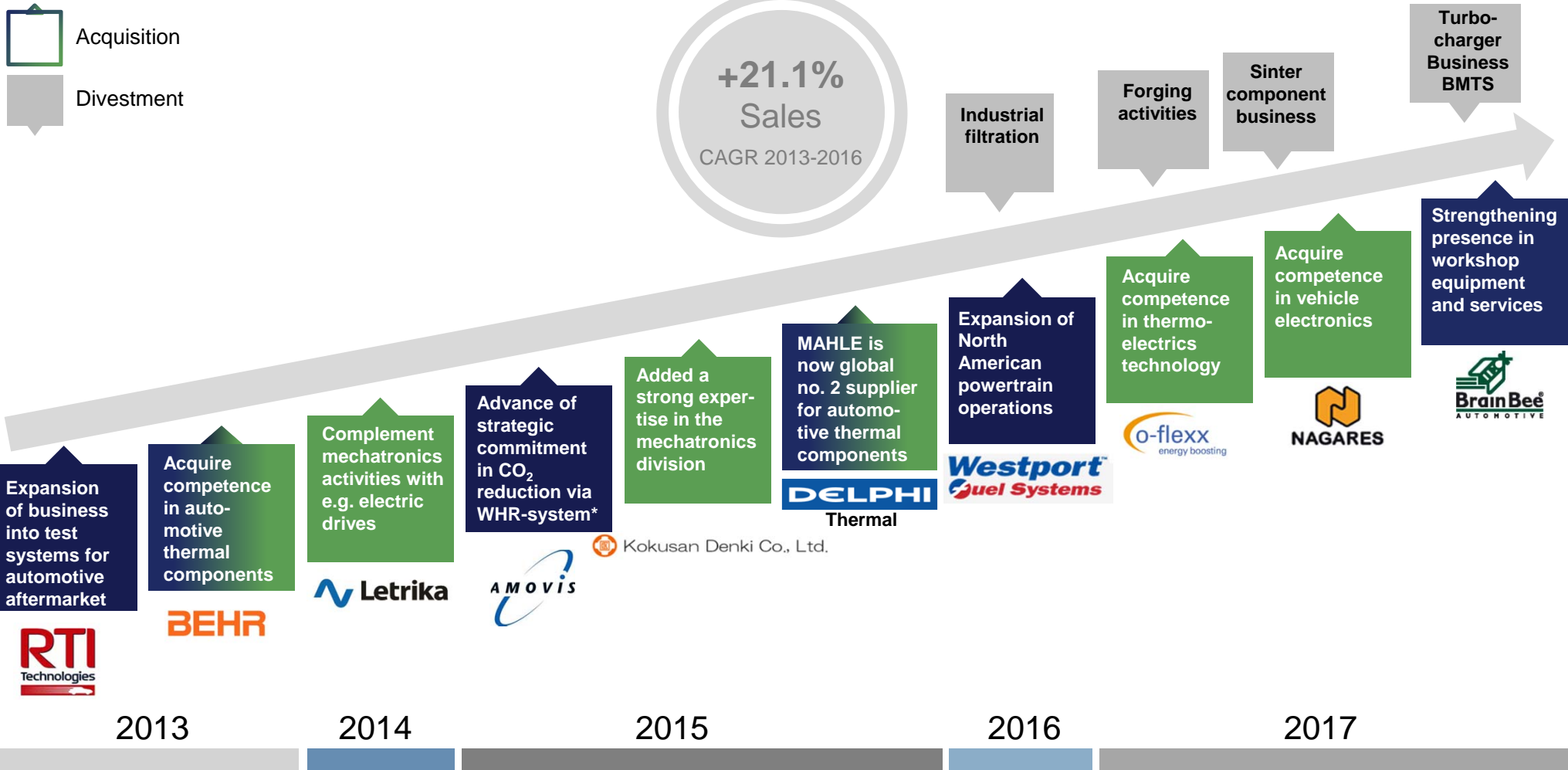


Market trends and strategic positioning

Strategic evolution of business portfolio



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* WHR = Waste heat recovery system

Acquisition



The start-up market is monitored to identify potential investments



- German start-up acquired in February 2017
- Thermoelectric solutions to cool & heat batteries, etc.

Cooperation



Innovative start-ups are screened to identify areas of cooperation



- TinyInspektor is a German start-up with Israeli DNA
- Artificial intelligence technologies to boost shop floor production

Creation



Programs to develop corporate start-ups were initiated



Market trends and strategic positioning

Current developments – addressing all crucial issues related to powertrain and air conditioning technology



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Optimization ICE

Hybrid

Alternative drives



Friction reduced engine components



Components for alternative fuels



Liquid management modules



Compressor

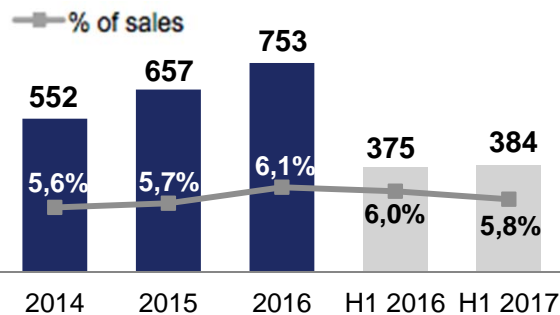


E-Compressor



Climate system for R744 refrigerant

R&D expenses (EUR mn)



Battery cooling



Quick charge



48 volt drive system



Heat pump



Intake and exhaust systems for fuel cell vehicles

Market trends and strategic positioning

MAHLE's demonstrator vehicle –
a new experience in urban mobility

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MEET

MAHLE Efficient Electric Transport

48-volt traction drive
optimized for urban
mobility



Intelligent thermal
management
Climate neutral
R744 air conditioning
circuit



Efficient
thermoelectric heat
pump



Innovative individual-
related interior
tempering



Range

+ km

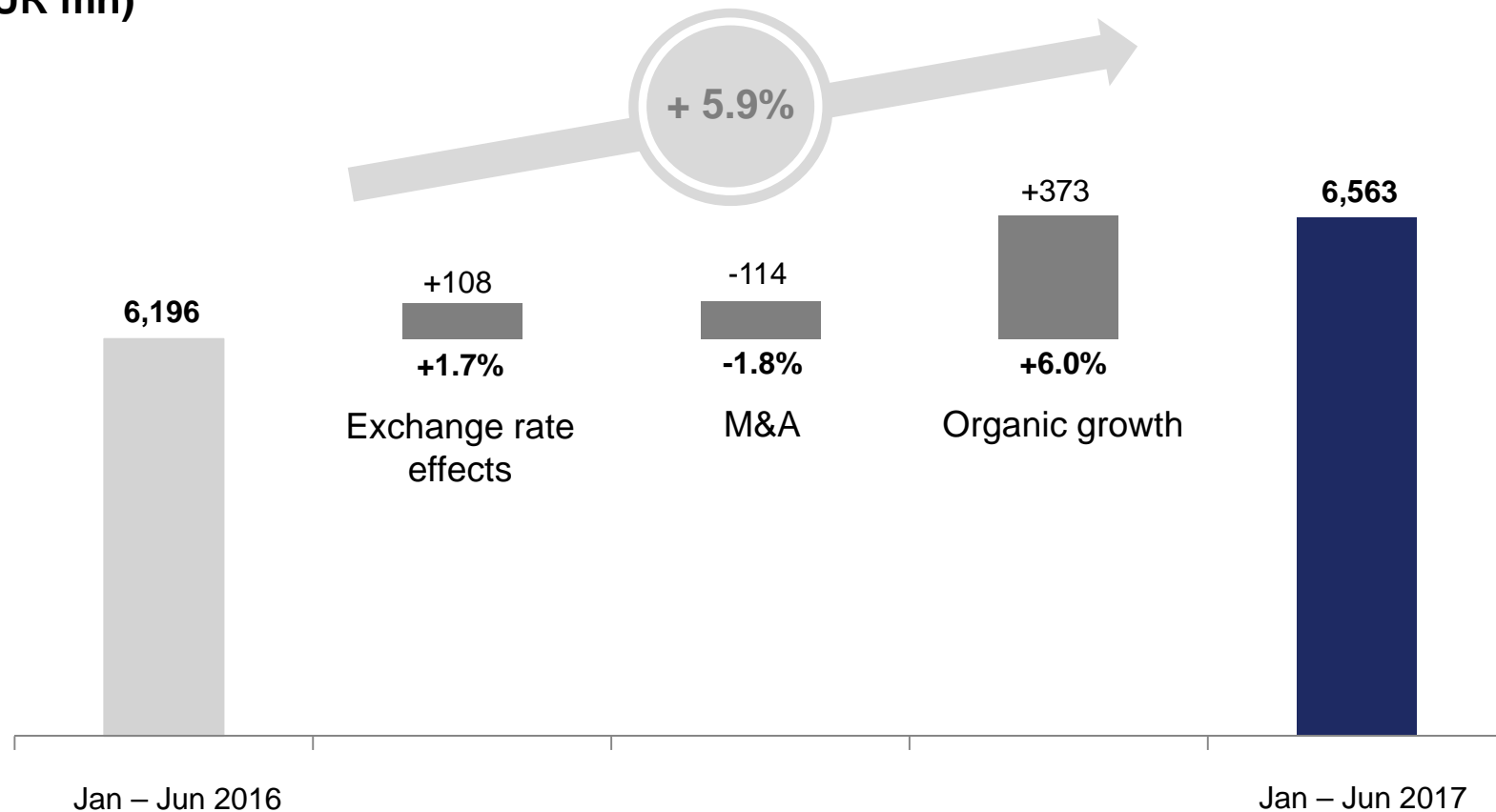
+ km

+ km

+ km

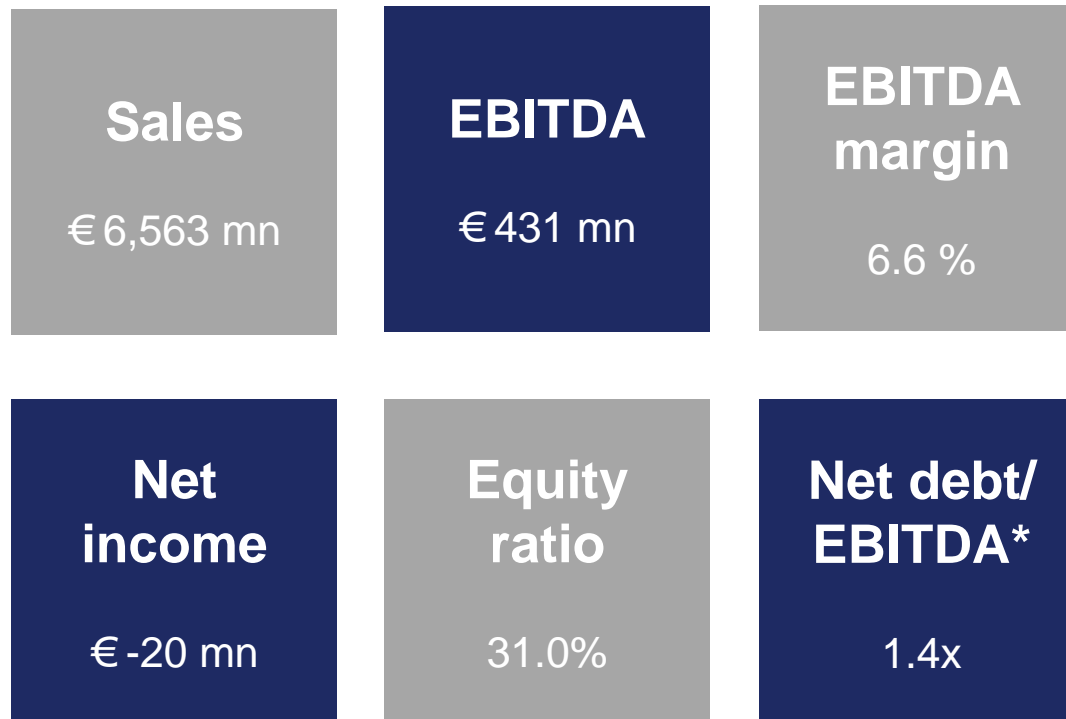
All business units contributed to the strong organic sales growth of 6%

Sales (EUR mn)



Organic sales growth twice as high as market growth but earnings impacted by one-off effects

MAHLE Group – Key financials H1 2017



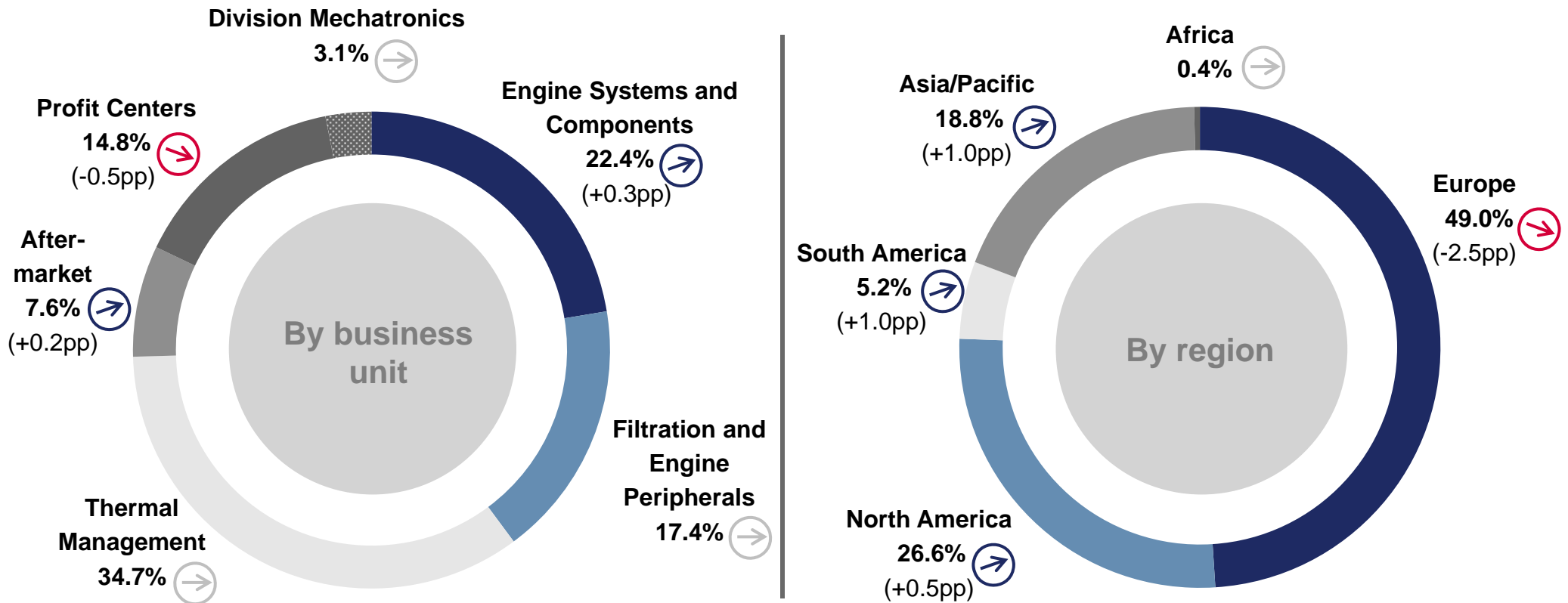
- Group sales grew by 5.9% as expected – organic sales growth outperformed market growth**
- Earnings negatively impacted by warranty provisions
- Equity ratio temporarily below target range
- Still strong net debt/ EBITDA ratio
- Successful increased refinancing of Schuldschein

* EBITDA for H1 2017 calculated on the basis of trailing 12 months EBITDA

**According to IHS, light vehicle production H1 2017 +2.8%

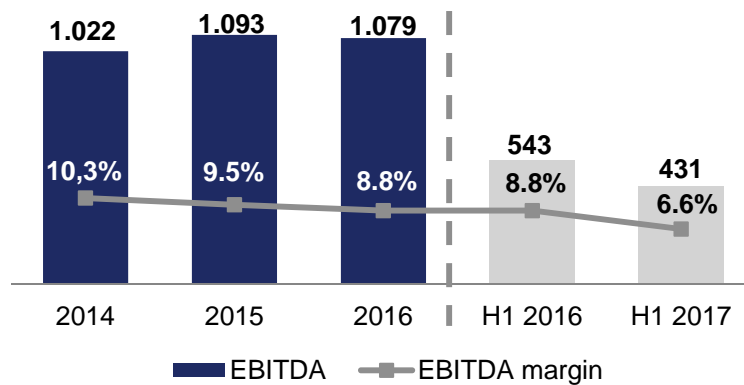
Sales split H1 2017

Total: EUR 6.6 bn



→ → ↔ and (%) = Sales share H1 2017 vs. H1 2016

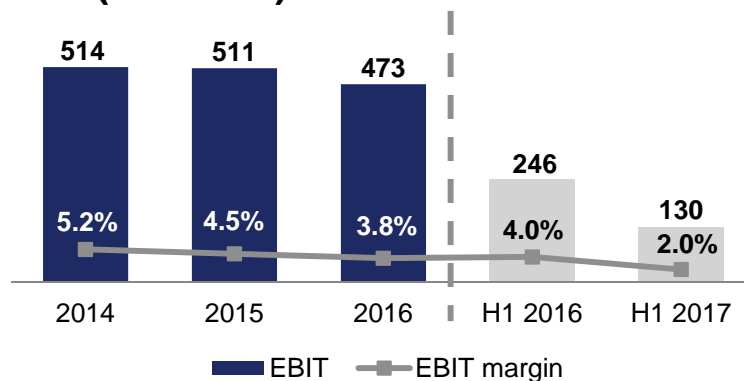
EBITDA (EUR mn)



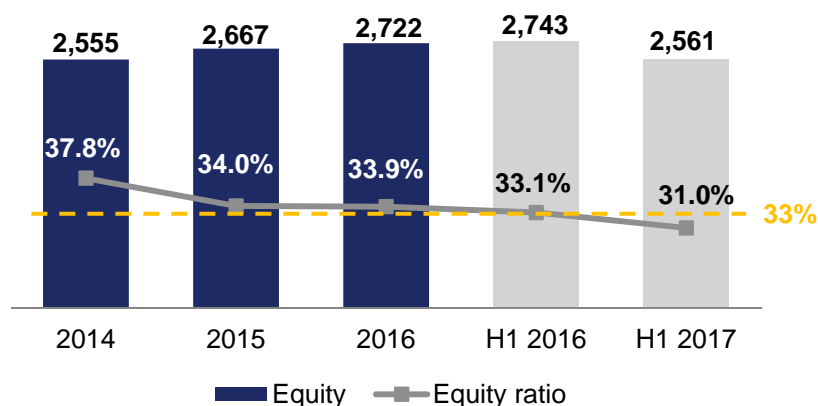
- EBITDA influenced by increased material prices and warranty provisions
- Amortization of goodwill and purchase price allocation within EBIT amounting to 1.1% of group sales
- Additional impacts on net income

- Lower interest income y-o-y due to positive one-off effects in H1 2016
- Increased tax rate due to higher non-deductible expenses and positive non-recurring effects in H1 2016

EBIT (EUR mn)

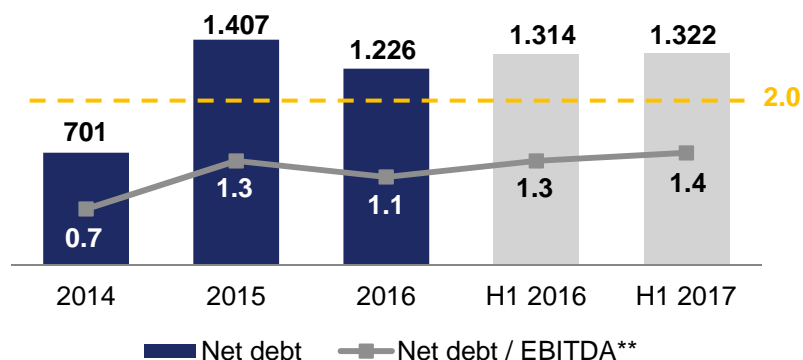


Equity (EUR mn)



- Equity ratio is below target ratio due to
 - Inflated half-year balance sheet total including excess cash from recent Schuldschein
 - Negative FX translation effects on equity
 - Higher warranty provisions

Net debt* (EUR mn)

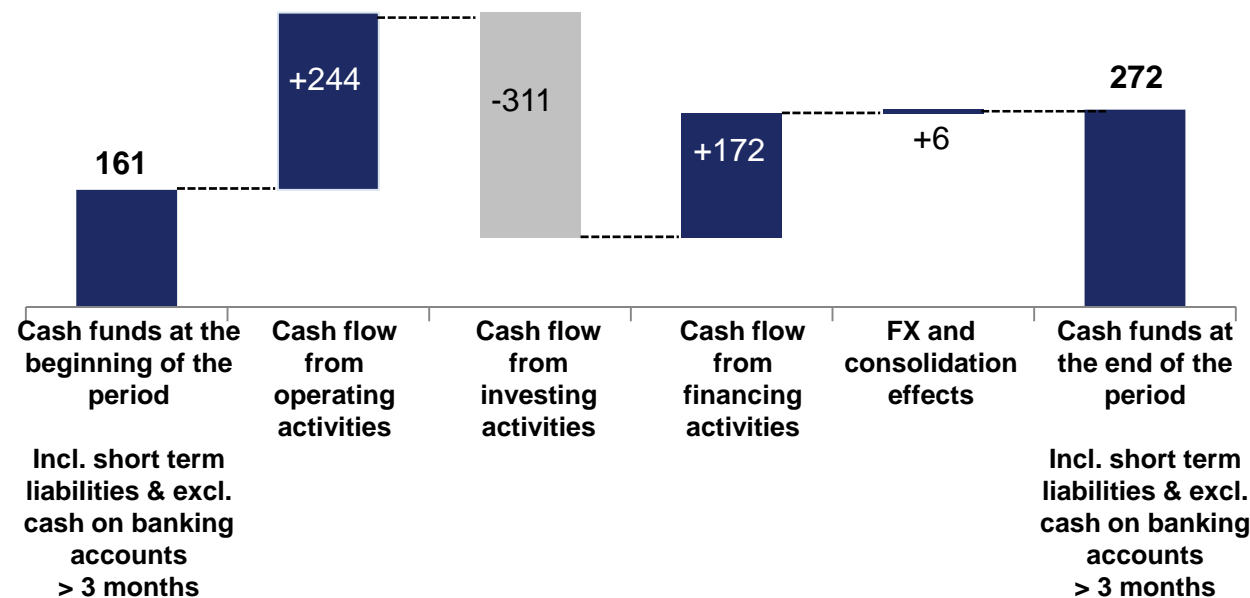


- Net debt/ EBITDA ratio still within conservative target range
- Commitment to implicit investment grade rating

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

**EBITDA for H1 2017 calculated on the basis of trailing 12 months EBITDA

Cash flow development H1 2017 (EUR mn)

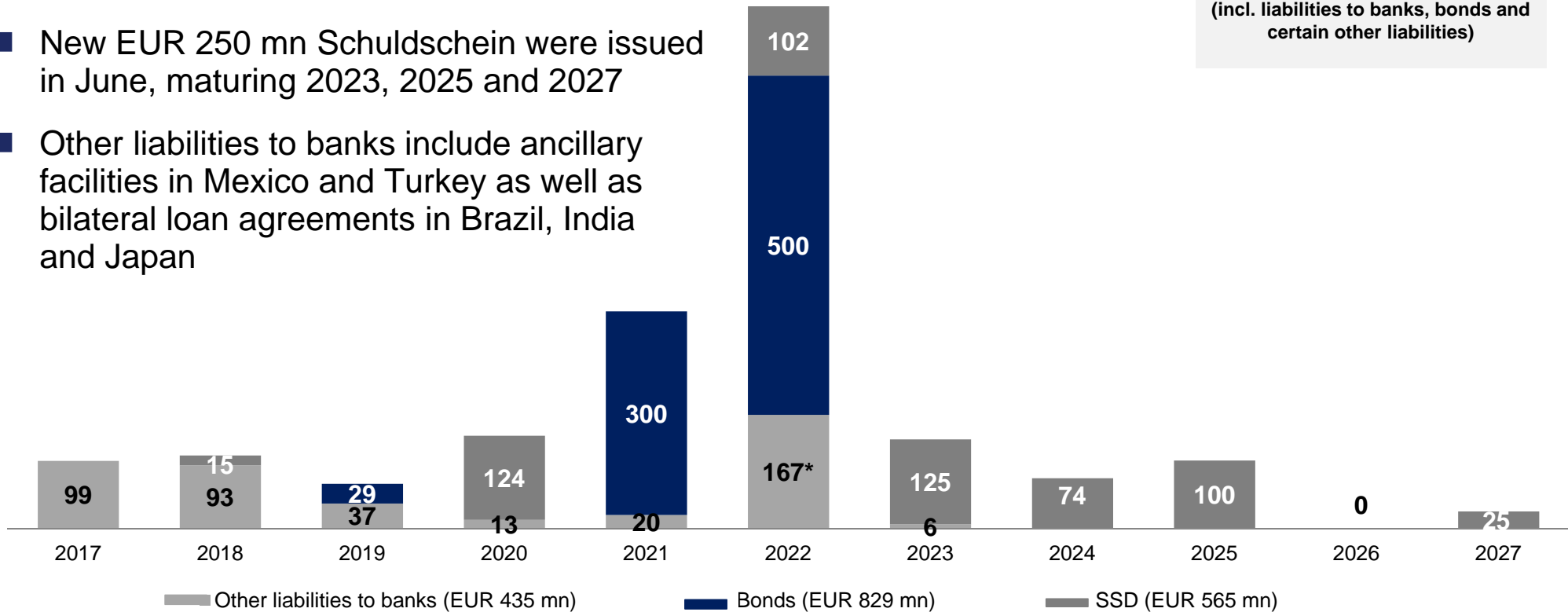


- Reduced cash flow from operating activities due to cash out from EU antitrust fine and increased working capital
- High investments in property, plant, and equipment amounting to EUR 229.4 mn
- Positive cash flow from financing activities

Well balanced maturity profile and diversified funding mix with different debt instruments

- MAHLE has continuously increased and diversified its investor base
- Maturity of EUR 1,600 mn RCF has been extended by one year to July 2022
- New EUR 250 mn Schuldschein were issued in June, maturing 2023, 2025 and 2027
- Other liabilities to banks include ancillary facilities in Mexico and Turkey as well as bilateral loan agreements in Brazil, India and Japan

Total financial liabilities:
EUR 1,829 mn
 (incl. liabilities to banks, bonds and certain other liabilities)



* EUR 118,5 mn of other liabilities to banks represent short-term drawdowns from RCF maturing in 2022
 RCF = Revolving Credit Facility SSD = Schuldscheindarlehen

Passenger cars and light commercial vehicles

Medium and heavy duty vehicles

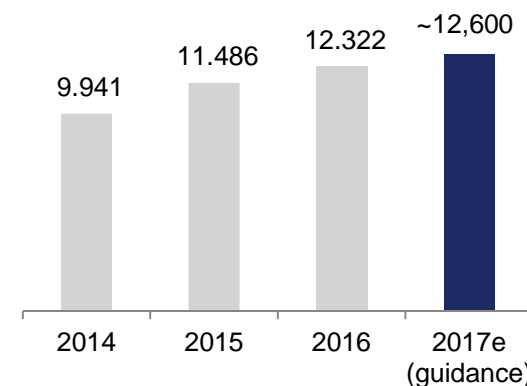
Outlook Vehicle Markets*
(Forecast 2017 vs. 2016)

World market	+ 1.9%	➔
Europe	+ 2.8%	➔
North America	- 2.2 %	➔
South America	+ 14.3%	➔
Asia/Pacific	+ 2.1%	➔
Middle East/ Africa	+ 7.3%	➔

World market	+ 4.6%	➔
Europe	+ 3.7%	➔
North America	+ 6.2%	➔
South America	- 1.3%	➔
Asia/Pacific	+ 4.8%	➔

Outlook MAHLE Group

- Group sales expected to grow by 2-3% in 2017
- Strong investments in R&D focusing our dual strategy
- Commitment to target equity ratio of 33% in the following years
- Improve cost situation and further integrate recent acquisitions



*Source: Includes data provided by IHS, www.ihs.com; Copyright © [2017], LV and MHD Production August 3rd 2017 (Comparison Forecast 2017 with Actual 2016)

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Appendix

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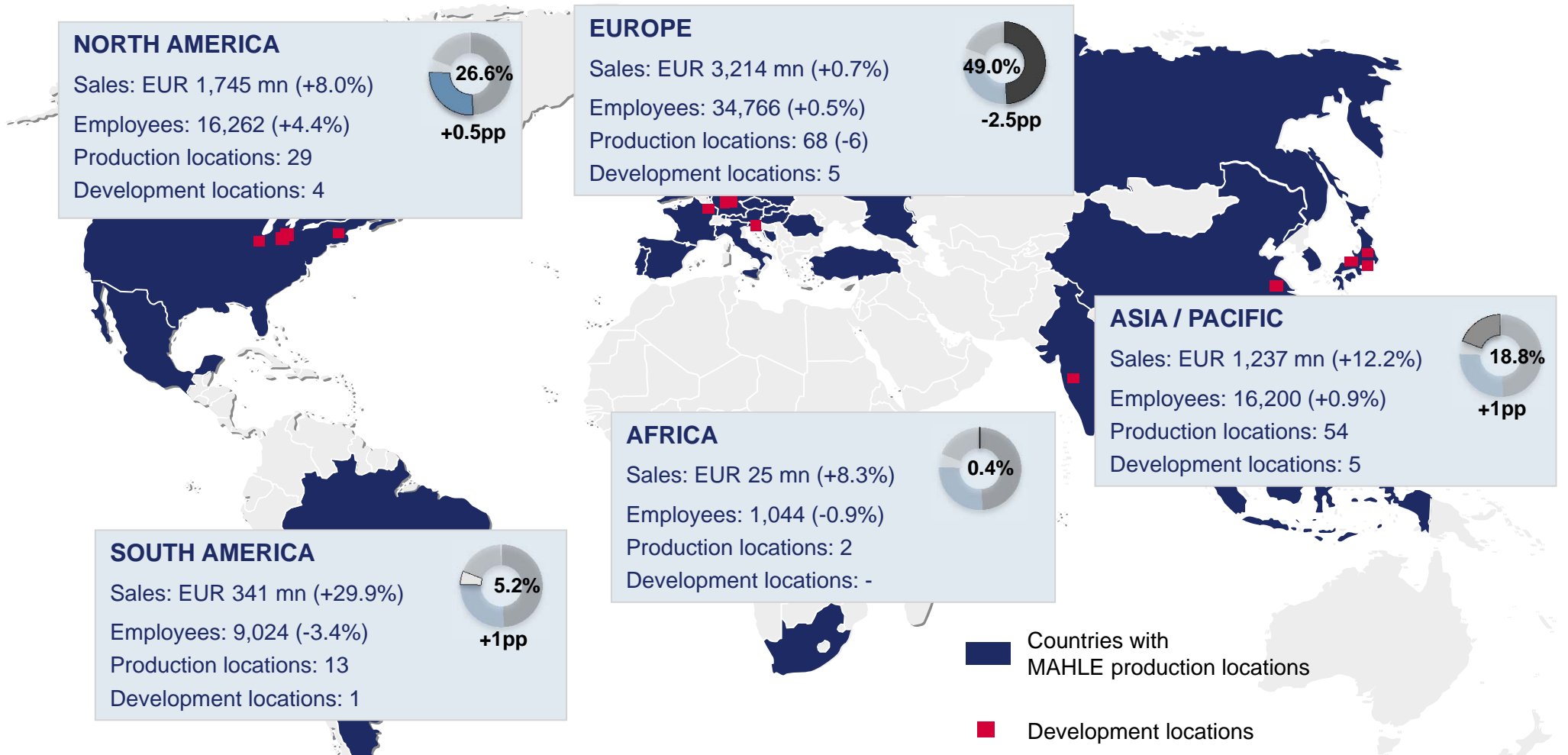


Company overview

MAHLE is present in all global core markets enhancing its well-balanced footprint

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Note: Sales and Headcount figures as of June 30, 2017, Locations as of Dec 31, 2016

Sales by country of origin compared to H1 2016, Employees by region compared to Dec 31, 2016 incl. development locations and sales branches

Company overview

Group structure reflects diversified product portfolio
(As of Jun 30, 2017)

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BUSINESS UNITS

DIVISION

Engine Systems and Components

Sales: EUR 1,470 mn
Employees: 27,468



Filtration and Engine Peripherals

Sales: EUR 1,144 mn
Employees: 10,825



Thermal Management

Sales: EUR 2,279 mn
Employees: 22,694



Aftermarket

Sales: EUR 496 mn
Employees: 1,581



Mechatronics

Sales: EUR 203 mn
Employees: 3,930



PROFIT CENTERS

Sales: EUR 971 mn
Employees: 10,799

Compressors

Engineering Services,
Motorsports, and
Special Applications

Large and small Engine
Components

Industrial Thermal
Management

Control Units

Front-end Modules

Global vehicle production expected to grow however uncertainty remains due to political risks

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

Region	Forecast 2018	Forecast 2017	% Change
World market	96,1	94,9	+1.3 %
			+1.9 % ¹
Europe	22,4	22,1	+1.2 % ²
			+2.8 % ¹
North America	17,5	17,4	+0.5 %
			-2.2 %
South America	3,4	3,1	+9.3 %
			+14.3 %
Asia/Pacific	50,1	49,7	+0.7 %
			+2.1 %
Middle East / Africa	2,7	2,5	+10.0 %
			+7.3 %

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

Region	Forecast 2018	Forecast 2017	% Change
World market (incl. Middle East/Africa)	3.305	3.391	-2.5 %
			+4.6 %
Europe	688	669	+2.9 % ²
			+3.7 % ¹
North America	554	503	+10.1 %
			+6.2 %
South America	95	87	+9.5 %
			-1.3 %
Asia/Pacific	1.967	2.131	-7.7 %
			+4.8 %

¹ Comparison Forecast 2017 with Actual 2016 ² Comparison Forecast 2018 with Forecast 2017

Source: Includes data provided by IHS, www.ihs.com; Copyright © [2017], LV and MHD Production August 3rd 2017

Income statement (key figures)



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	ACTUAL 1-6/2016		ACTUAL 1-12/2016		ACTUAL 1-6/2017		CHANGE
	in million EUR	in % of sales	in million EUR	in % of sales	in million EUR	in % of sales	in million EUR
Sales	6,196.4	100.0%	12,321.8	100.0%	6,562.9	100.0%	366.5
Cost of sales and other income and expenses	-5,653.3	-91.2%	-11,242.4	-91.2%	-6,131.9	-93.4%	-478.6
EBITDA	543.1	8.8%	1,079.3	8.8%	431.0	6.6%	-112.1
Depreciation / amortization of tangible and intangible assets (incl. goodwill) & longterm loans and securities	-297.1	-4.8%	-606.6	-4.9%	-300.6	-4.6%	-3.5
EBIT	246.0	4.0%	472.8	3.8%	130.4	2.0%	-115.6
Investment result	-43.0	-0.7%	-148.3	-1.2%	-3.7	-0.1%	39.4
Result from interest (incl. pensions)	-33.6	-0.5%	-96.4	-0.8%	-57.5	-0.9%	-23.9
Result from activities	169.3	2.7%	228.1	1.9%	69.2	1.1%	-100.1
Taxes on income	-71.2	-1.1%	-132.2	-1.1%	-71.9	-1.1%	-0.7
Result after taxes on income	98.1	1.6%	95.9	0.8%	-2.7	0.0%	-100.8
Other taxes	-15.5	-0.2%	-32.9	-0.3%	-17.4	-0.3%	-1.9
Net income / Net loss	82.6	1.3%	63.0	0.5%	-20.1	-0.3%	-102.7

Assets



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	ACTUAL 06/30/2016		ACTUAL 12/31/2016		ACTUAL 06/30/2017		CHANGE
	in million EUR	%	in million EUR	%	in million EUR	%	in million EUR
Intangible assets	697.9	8.4%	630.7	7.9%	618.5	7.5%	-12.2
Property, plant, and equipment	2,892.5	34.9%	3,029.0	37.7%	2,929.8	35.4%	-99.2
Financial assets	159.4	1.9%	90.0	1.1%	115.2	1.4%	25.2
Inventories	1,270.1	15.3%	1,268.8	15.8%	1,315.8	15.9%	46.9
Receivables and other assets	2,484.6	30.0%	2,350.3	29.3%	2,488.0	30.1%	137.6
Cash and cash equivalents	488.2	5.9%	372.5	4.6%	498.4	6.0%	125.9
Prepaid expenses	33.5	0.4%	20.9	0.3%	34.9	0.4%	14.0
Deferred tax assets	197.4	2.4%	196.2	2.4%	204.7	2.5%	8.5
Plan assets	71.3	0.9%	73.6	0.9%	69.1	0.8%	-4.5
Total	8,295.0	100.0%	8,032.1	100.0%	8,274.4	100.0%	242.3

	ACTUAL 06/30/2016		ACTUAL 12/31/2016		ACTUAL 06/30/2017		CHANGE
	in million EUR	%	in million EUR	%	in million EUR	%	in million EUR
Equity	2,742.7	33.1%	2,721.9	33.9%	2,561.0	31.0%	-161.0
Badwill	1.8	0.0%	1.5	0.0%	1.4	0.0%	-0.1
Accruals for pensions and similar obligations	568.2	6.8%	575.3	7.2%	567.5	6.9%	-7.8
Other accruals	1,530.4	18.4%	1,462.5	18.2%	1,640.6	19.8%	178.0
Bonds	829.0	10.0%	829.0	10.3%	829.0	10.0%	0.0
Liabilities to banks	973.2	11.7%	769.3	9.6%	990.8	12.0%	221.5
Trade payables	1,192.6	14.4%	1,256.8	15.6%	1,232.3	14.9%	-24.5
Other liabilities	457.2	5.5%	415.6	5.2%	451.8	5.5%	36.2
Total	8,295.0	100.0%	8,032.1	100.0%	8,274.4	100.0%	242.3

Abbreviated cash flow statement



Driven by performance

[in million EUR]

	ACTUAL 1-6/2016	ACTUAL 1-12/2016	ACTUAL 1-6/2017	CHANGE
Cash funds at beginning of period	131.3	131.3	161.2	29.9
Cash flows from operating activities	354.7	855.7	244.4	-110.3
Cash flows from investing activities	-247.7	-575.2	-311.0	-63.2
Cash flows from financing activities	-47.1	-266.0	171.7	218.8
Total cash flow	59.9	14.5	105.1	45.2
Change in cash funds from exchange rate movements and valuation procedures	61.5	18.9	5.6	-56.0
Change in cash funds from changes in the consolidation group	-3.5	-3.5	0.0	3.5
Cash funds at end of period	249.2	161.2	271.9	22.7