

2021

Half-Year Financial Information

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Preface



Ladies and Gentlemen,

MAHLE can look back on a strong first half-year in 2021 despite difficult economic conditions—such as the global semiconductor shortage, scarcities of steel, aluminum, and copper, and, of course, the coronavirus pandemic, which remains a challenge.

MAHLE has performed well in this demanding environment and grown much faster than the market. In the first half of 2021, we achieved sales of EUR 5.7 billion. Adjusted for consolidation and currency effects, sales rose organically by around 36 percent in comparison with the same period of the previous year.

The operating result (EBIT) in the first half of 2021 amounted to EUR 201 million, after recording a decline in the same period of the previous year—also due to the coronavirus.

We are pleased to report a positive Group result in the first half-year, following the coronavirus-related net loss for the year recorded in the same period of the previous year. We have therefore managed to achieve a quick turnaround.

These positive developments are primarily due to increased volumes. This more than compensated for negative effects, such as increased material prices and more expedited freight for material procurement. In addition, higher productivity had a positive impact on the development of earnings compared with the previous year.

The positive figures also demonstrate that MAHLE has become more profitable and efficient overall. I would like to draw attention to two key aspects:

1. In spite of the challenging conditions, we were able to maintain supply for our customers at all times in the first half-year.
2. With the acquisition of the air conditioning business of former Keihin Corporation, we have further boosted our portfolio and, as a result, strengthened our position in the segment of air conditioning systems.

Overall, we are cautiously optimistic in assessing the first six months. However, they give no cause for euphoria: the economic conditions will remain difficult. This will also have an impact on MAHLE's operational performance. In addition, we expect that the high volumes of our customers

realized in the first half of the year will not be reached in the next 12 to 18 months. The market prospects are becoming gloomier in many places due to uncertainties. This will have a noticeable effect on our sales.

Nevertheless, we remain confident: we still believe that it is possible to close the year with sales growth and a positive result. However, this will require continued strict cost and cash discipline and further work on our cost-cutting programs. After all, it is important that we consistently expand and consolidate the initial successes of our technological and structural realignment.

We are moving ahead quickly and have our objective firmly in our sights: we want to further improve our efficiency and profitability while tirelessly building our Group's innovative strength in order to successfully and energetically pursue MAHLE's transformation.

Thank you for offering MAHLE your constructive support on this journey.

Michael Frick

Chairman of the Management Board (ad interim)/
Member of the Management Board Finance

Basics

MAHLE GmbH, Stuttgart

Consolidated Half-Year Financial Information 2021

Business Activities and Corporate Structure

MAHLE is a leading global development partner and supplier to the automotive industry. As a technology pioneer for the mobility of tomorrow, we aim to make transportation more efficient, more environmentally friendly, and more comfortable.

MAHLE products are fitted in millions of passenger cars and commercial vehicles. And that is not all: for decades, our components and systems have also been used off the road—in stationary applications as well as for mobile machinery, rail transport, and marine applications.

The MAHLE Group is divided into five business units: Engine Systems and Components, Filtration and Engine Peripherals, Thermal Management, Electronics and Mechatronics, and Aftermarket. Added to this are four profit centers, which serve specific market and customer segments, as well as central service businesses.

The nonprofit MAHLE Foundation controls 99.9 percent of the company's shares; 0.1 percent of the shares are held by Verein zur Förderung und Beratung der MAHLE Gruppe e. V. (MABEG), which also holds all of the voting rights and thus exercises the shareholder rights. This structure ensures our entrepreneurial independence, which creates the basis for long-term planning and farsighted investment decisions.

Additional information on our business activities and corporate structure can be found in the Group management report for the 2020 business year.

General Information

The present consolidated half-year financial information of MAHLE GmbH is prepared in accordance with Sec. 290 et seq. of the German Commercial Code (HGB) and includes the following information:

- Consolidated Balance Sheet as at June 30, 2021
- Consolidated Income Statement from January 1 to June 30, 2021
- Consolidated Cash Flow Statement from January 1 to June 30, 2021
- Consolidated Statement of Changes in Equity from January 1 to June 30, 2021

This consolidated half-year financial information should be read in conjunction with the consolidated financial statements as of December 31, 2020 as it does not include all the pieces of information and disclosures that are required for the consolidated financial statements at the end of a fiscal year.

The consolidated half-year financial information as of June 30, 2021 was not subject to any audit or review.

The Group's currency is the euro.

Consolidation Group

The consolidated half-year financial information includes MAHLE GmbH (parent company), headquartered in Stuttgart/Germany and registered with the district court in Stuttgart (commercial register number 638), as well as 24

domestic and 132 foreign subsidiaries. Furthermore, 13 companies were consolidated proportionately according to the percentage of shares, and six companies were valued according to the equity method.

During the business year 2021, MAHLE acquired the air conditioning business from the former Keihin Corporation (now Hitachi Astemo, Ltd.). In this context, the following companies were fully consolidated for the first time:

- MAHLE Behr Thermal Systems (Japan) Company Limited, Japan, as of February 1
- MAHLE Behr Thermal Systems (Thailand) Company Limited, Thailand, as of February 1
- MAHLE Behr Mt Sterling Inc., USA, as of February 1

One fully consolidated company was liquidated during the business year 2021.

In the business year, 13 companies were excluded from the consolidated financial statements due to immateriality. Two companies were not valued according to the equity method due to their immateriality.

Method of Consolidation and Currency Conversion

The method of consolidation and the currency conversion have not changed compared to the consolidated financial statements as of December 31, 2020.

Accounting and Valuation Principles

The accounting and valuation principles have not changed compared to the consolidated financial statements as of December 31, 2020.

Consolidated Balance Sheet

as at June 30, 2021, in EUR '000

	June 30, 2021 -unaudited-	Dec. 31, 2020
ASSETS		
A. Fixed assets		
I. Intangible assets		
1. Purchased concessions, industrial and similar rights and assets, as well as licences in such rights and assets	183,530	181,333
2. Goodwill	219,762	235,115
3. Prepayments	624	625
	403,916	417,073
II. Property, plant, and equipment		
1. Land, leasehold rights, and buildings including buildings on third-party land	945,966	901,634
2. Technical equipment and machinery	1,487,379	1,488,021
3. Other equipment, fixtures, and furniture	144,495	146,703
4. Prepayments and assets under construction	363,635	422,596
	2,941,475	2,958,954
III. Financial assets		
1. Shares in affiliated companies	4,495	3,374
2. Shares in associated companies	36,466	36,054
3. Equity investments	5,686	5,685
4. Loans to companies in which participations are held	90	90
5. Long-term securities	15,784	12,867
6. Other loans	27,753	29,116
	90,274	87,186
	3,435,665	3,463,213
B. Current assets		
I. Inventories		
1. Raw materials, consumables, and supplies	670,999	525,155
2. Work in process	210,186	176,134
3. Finished goods and merchandise	672,809	622,391
4. Prepayments	11,736	10,650
5. Prepayments received	-89,720	-92,284
	1,476,010	1,242,046
II. Receivables and other assets		
1. Trade receivables	1,959,138	1,794,122
2. Receivables from affiliated companies	1,219	356
3. Receivables from companies in which investments are held	675	319
4. Other assets	424,211	410,375
	2,385,243	2,205,172
III. Securities	509	1,042
IV. Cash in hand, bank balances, and checks	1,256,300	870,580
	5,118,062	4,318,840
C. Prepaid expenses	45,140	33,936
D. Deferred tax assets	188,076	169,493
E. Excess of plan assets over post-employment benefit liability	88,868	96,462
	8,875,811	8,081,944

	June 30, 2021 -unaudited-	Dec. 31, 2020
EQUITY AND LIABILITIES		
A. Equity		
I. Subscribed capital	150,000	150,000
II. Capital reserves	166,430	166,430
III. Revenue reserves	1,811,748	1,811,451
IV. Equity impact from currency translation	-225,075	-278,837
V. Consolidated unappropriated retained earnings	0	3,439
VI. Consolidated retained profit brought forward	139	0
VII. Consolidated half-year net income/loss attributable to the parent company	53,808	0
VIII. Non-controlling interests	218,981	236,188
	2,176,031	2,088,671
B. Badwill	113,490	0
C. Accruals		
1. Accruals for pensions and similar obligations	766,615	738,374
2. Accruals for taxes	79,193	70,205
3. Other accruals	1,840,440	1,738,033
	2,686,248	2,546,612
D. Liabilities		
1. Bonds	1,280,000	830,000
2. Liabilities to banks	895,922	965,967
3. Payments received on account of orders	9,962	8,375
4. Trade payables	1,296,532	1,268,705
5. Liabilities on bills accepted and drawn	58,693	53,328
6. Liabilities to affiliated companies	722	734
7. Liabilities to companies in which investments are held	2,616	2,935
8. Other liabilities	301,964	264,528
<i>thereof from taxes: 77,695 (prev. yr.: 87,983)</i>		
<i>thereof relating to social security and similar obligations: 39,875 (prev. yr.: 39,097)</i>		
	3,846,411	3,394,572
E. Deferred income	53,631	52,089
	8,875,811	8,081,944

Consolidated Income Statement

from January 1 to June 30, 2021, in EUR '000

	2021 -unaudited-	2020 -unaudited-
1. Sales	5,661,215	4,277,931
2. Cost of Sales	-4,660,680	-3,688,169
3. Gross profit on sales	1,000,535	589,762
4. Selling expenses	-283,975	-253,896
5. General administrative expenses	-242,509	-251,085
6. Research and development expenses	-327,588	-312,987
7. Other operating income	193,801	324,439
<i>thereof from currency translation: 74,513 (prev. yr.: 146,027)</i>		
8. Other operating expenses	-125,956	-250,739
<i>thereof from currency translation: -69,667 (prev. yr.: -171,287)</i>		
	-786,227	-744,268
	214,308	-154,506
9. Investment income	37	3
10. Income from other securities and long-term loans	16	34
11. Result from associated companies	531	-943
12. Other interest and similar income	9,024	4,965
<i>thereof from affiliated companies: 35 (prev. yr.: 4)</i>		
<i>thereof negative interest income: 402 (prev. yr.: 0)</i>		
13. Impairment of financial assets and of securities	-1,178	-4,316
14. Interest and similar expenses	-84,831	-78,127
	-76,401	-78,384
Result from business activities	137,907	-232,890
15. Taxes on income	-67,728	-45,906
<i>thereof income from deferred income taxes: 22,920 (prev. yr.: -13,215 expense)</i>		
16. Result after taxes	70,179	-278,796
17. Other taxes	-15,297	-13,988
18. Consolidated half-year net income / net loss	54,882	-292,784
19. Profit applicable to non-controlling interests	-34,172	-25,207
20. Loss applicable to non-controlling interests	33,098	64,725
21. Consolidated half-year net income/loss attributable to the parent company	53,808	-253,266

Consolidated Cash Flow Statement

from January 1 to June 30, 2021, in EUR '000

	2021 -unaudited-
1. Cash flows from operating activities	
Profit for the period (consolidated half-year net income including profit and loss applicable to non-controlling interests)	54,882
+/- Depreciation, amortization, and write-downs of fixed assets / reversals of write-downs of fixed assets	304,640
+/- Increase / decrease in provisions	116,855
+/- Other non-cash expenses / income	-16,143
-/+ Increase / decrease in inventories, trade receivables, and other assets not related to investing or financing activities	-321,764
+/- Increase / decrease in trade payables and other liabilities not related to investing or financing activities	5,381
-/+ Gain / loss on disposal of fixed assets	-667
+/- Interest expense / interest income	73,201
- Other investment income	-569
+ Expenditure / income of exceptional size and incidence	-1,221
+/- Interest payments / receipts related to interest other than for the provision of capital	121
+/- Income tax expense / income	90,648
- Cash payments relating to expenditure of exceptional size and incidence	-37,284
-/+ Income taxes paid	-87,999
	180,081
2. Cash flows from investing activities	
+ Proceeds from disposal of intangible fixed assets	6
- Payments to acquire intangible fixed assets	-4,710
+ Proceeds from disposal of tangible fixed assets	4,375
- Payments to acquire tangible fixed assets	-125,131
+ Proceeds from disposal of long-term financial assets	2,326
- Payments to acquire long-term financial assets	-1,160
- Payments to acquire entities included in the basis of consolidation	9,003
+ Cash receipts from the investment of cash funds for short-term cash management	11,138
- Cash payments for the investment of cash funds for short-term cash management	-8,529
+ Interest received	3,455
+ Dividends received	304
	-108,923

	2021 -unaudited-
3. Cash flows from financing activities	
+ Proceeds from the issuance of bonds and from borrowings	814,468
- Cash repayments of bonds and borrowings	-402,398
+ Proceeds from grants / subsidies received	3,807
- Interest payment due to leasing agreements	-10
- Interest paid	-43,442
- Dividends paid to shareholders of the parent entity	-3,300
- Dividends paid to minority shareholders	-10,125
	359,000
4. Cash funds at end of period	
Net change in cash funds (subtotals 1 - 3)	430,158
+/- Effect on cash funds of exchange rate movements and remeasurements	-15,835
+/- Effect on cash funds of changes in the basis of consolidation	-1,647
+ Cash funds at beginning of period	763,842
	1,176,518
Cash-in-hand, bank balances, and checks	870,580
- Bank balances with an initial term of more than 3 months	-4,622
+ Liabilities to banks with an initial term of less than 3 months	-102,116
Cash funds at beginning of period	763,842
<i>thereof from quota-consolidated entities</i>	<i>20,425</i>
Cash-in-hand, bank balances, and checks	1,256,300
- Bank balances with an initial term of more than 3 months	-7,788
+ Liabilities to banks with an initial term of less than 3 months	-71,994
Cash funds at end of period	1,176,518
<i>thereof from quota-consolidated entities</i>	<i>17,676</i>

The short-term liabilities which were netted against cash balances contained EUR 47,920k that were related to short-term liabilities based on a committed credit line with a remaining tenor of more than one year.

Cash funds amounting to EUR 2,511k that are restricted on disposal are included.

Consolidated Statement of Changes in Equity

from January 1 to June 30, 2021, in EUR '000

PARENT COMPANY										
	Subscribed capital	Capital reserves	Revenue reserves	Equity impact from currency translation ¹	Consolidated unappropriated retained earnings	Consolidated retained profit brought forward	Consolidated half-year net income/loss attributable to the parent company	Total	Non-controlling interests ¹	Consolidated equity
As at December 31, 2019	150,000	166,430	2,184,852	-138,147	5,510	0	0	2,368,645	373,805	2,742,450
Capital increase	0	0	0	0	0	0	0	0	75	75
Dividend distribution	0	0	0	0	-5,340	0	0	-5,340	-2,189	-7,529
Currency translation	0	0	0	-92,246	0	0	0	-92,246	-22,644	-114,890
Other items	0	0	7	-246	-170	170	0	-239	-31,991	-32,230
Changes in the consolidation group	0	0	-226	226	0	0	0	0	-388	-388
Consolidated half-year net loss	0	0	0	0	0	0	-253,266	-253,266	-39,518	-292,784
As at June 30, 2020 -unaudited-	150,000	166,430	2,184,633	-230,413	0	170	-253,266	2,017,554	277,150	2,294,704
As at December 31, 2020	150,000	166,430	1,811,451	-278,837	3,439	0	0	1,852,483	236,188	2,088,671
Dividend distribution	0	0	0	0	-3,300	0	0	-3,300	-7,322	-10,622
Currency translation	0	0	0	54,063	0	0	0	54,063	8,164	62,227
Other items	0	0	2	-6	-139	139	0	-4	-19,107	-19,111
Changes in the consolidation group	0	0	295	-295	0	0	0	0	-16	-16
Consolidated half-year net income	0	0	0	0	0	0	53,808	53,808	1,074	54,882
As at June 30, 2021 -unaudited-	150,000	166,430	1,811,748	-225,075	0	139	53,808	1,957,050	218,981	2,176,031

¹Including effects from hyperinflation adjustments for the country Argentina in accordance with GAS 25

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