

Press Release on the Business Development in the 1st Half of 2006 and Outlook for the MAHLE Group

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1. Business Environment/Economic Situation in the Automotive Industry

Compared to the previous year, global economic growth strengthened; it is expected that nearly all regions worldwide will achieve the 2005 level. However, increasing oil and raw materials prices, rising interest rates and political tensions associated with Iran and the Middle East are putting pressure on the market.

Overall economic situation in the automotive industry at a high level

The positive global economic trend is also evident in the automotive industry. Despite higher oil and fuel prices, worldwide automobile sales continued to rise. Current predictions for the worldwide production of passenger cars and light commercial vehicles in 2006 are estimated to be 65.5 million units. This corresponds to an increase of about 3 percent compared to the previous year.

The development of the production of medium-weight commercial vehicles and heavy trucks is also projected to be better than in 2005. While in 2005 a decrease in commercial vehicle production of 0.1 million units was expected for 2006, presently a slight increase to 2.5 million units is expected.

Passenger cars and light commercial vehicles: varying developments in the individual markets

Europe

In Europe, current predictions call for a slower increase in the production of passenger cars of 1.2 percent to 20.5 million units, while last year an increase in production of 2.1 percent to 20.7 million units was forecast for 2006. At 16 million units, the number of passenger cars produced in Western Europe will remain at the same level as in the previous year,

which means the total increase of the European production volume originates in the Eastern European countries.

NAFTA region (USA, Canada, Mexico)

Due to the effects of continued high fuel prices in the NAFTA region, the current prediction for 2006 has been revised slightly downward to 15.7 million passenger cars and light commercial vehicles (SUV, Pick-ups).

While in the first six months, passenger car sales rose by 2.5 percent as a result of continued price wars in the USA, it was primarily Asian manufacturers and to a lesser extent German producers that benefited from this development. The present exchange rate shifts between the Euro, Dollar and Yen are clearly an advantage for the Japanese manufacturers. The "Big Three" on the other hand recorded sales decreases of 7 to 13 percent during the first half, which could become even more drastic in the second half.

South America

Due to the lower interest rates, the development of the passenger car production figures in South America is considered to be clearly more positive than in the previous year. Compared to the production increase of 2 percent forecast for 2006, an increase of 7 percent to 2.9 million units is now expected.

Asia/Pacific

The Asia/Pacific region again recorded above-average growth rates in the first half of 2006. For 2006, an increase of 6.7 percent to 24.7 million units is forecast, which is 4.8 percent more than was predicted in the previous year. At 0.9 million units, China is the largest contributor to the increase in production, which amounted to a total of 1.5 million units. In South Korea an increase of 0.4 million passenger cars is forecast and production in India is expected to rise by 0.1 million units. At 10.4 million units, the Japanese production volume will remain at the level of the previous year.

Economic situation for commercial vehicles develops better than expected

From the current point of view, the production development of medium-weight commercial vehicles and heavy trucks is considered to be more positive than last year. While last year a decrease of 0.1 million units was forecast, based on today's point of view a slight increase to totally 2.5 million units is realistic.

Europe

In Europe, the production of commercial vehicles will remain at the level of the previous year (around 590,000 units) instead of the expected decrease of 4.8 percent.

NAFTA Region

In light of the more stringent exhaust gas legislation taking effect next year and the associated earlier-than-planned purchases, an increase in commercial vehicle production of 5 percent to 607,000 units is expected for the current year in the NAFTA region.

South America

The positive development in South America continues: Following the high production numbers of last year, a volume of 163,000 units is also expected for the present year. This means that current predictions are 17 percent above the expectations of last year.

Asia/Pacific

The number of trucks produced in Asia is also expected to be higher than the current forecast. Instead of a decrease of 7 percent, now an increase of 2 percent to about 1.15 million commercial vehicles is forecast. The growth in this region, even for this market segment, is driven by China, where a production increase of 12 percent to approximately 550,000 units is forecast. However, decreasing numbers are expected for the production of trucks in Japan (-6 percent) and in India (-8 percent).

2. 2006 Business Development and Outlook

In the first half of 2006, the MAHLE Group increased sales by 6.3 percent to 2.184 billion euros. By the end of June, Group sales rose by 129 million euros compared to the previous year. As a result, the globally leading manufacturer of components and systems for the combustion engine and engine peripherals again developed ahead of the market. This is primarily due to the sustained demand for commercial vehicles, the further increase in market share of diesel passenger cars in Europe as well as the relatively good market position of MAHLE among Japanese and Korean manufacturers.

As a result of its technological leadership, MAHLE traditionally plays an important role for commercial vehicles as well as diesel passenger cars and has a high market share worldwide. "A rapid and effective improvement in fuel economy in the coming years can only be achieved with diesel technology. We therefore expect an improved market share for diesel engine passenger cars in the North American and Asian markets in the coming years. As a result of our innovative engine systems for high-performance diesel engines, MAHLE takes on a leading position", explains Prof. Dr. Heinz K. Junker, Chairman of the MAHLE Management Board.

The sales growth achieved in the first half of 2006 can be largely attributed to organic growth. A small portion is due to positive exchange rate fluctuations as well as the first-time consolidation effects (+0.2 percent). This applies to the acquisition of Norddeutsche Filter Vertriebs GmbH (NFV) and aftermarket activities in China and Japan.

Despite the sales growth, operating results did not exceed the previous year's level due to the negative effects of significant increases in material and energy prices.

The number of employees working in the MAHLE group worldwide increased by approximately 1,100 to approximately 38,500 compared to the same period of the previous year. The major personnel increases are due to organic business expansions in the MAHLE plants in the regions South America (Brazil) and Asia (China). The number of employees employed in Germany decreased by 367 to 8,781 (2005: 9,148).

For the 2nd half of the business year 2006, MAHLE expects a slightly lower growth compared to the first six months. The reason for this is, among others, the fact that in important regions a buying uncertainty resulted from the undiminishedly high fuel prices. The announced massive production cuttings of the American manufacturers are to be seen as a reaction to the excessive stocks already today. Not even other volume markets such as Western Europe and Japan show any growth dynamic for the remaining year. The momentarily stable heavy-duty production could be affected by sales and production decreases already in the last quarter of the business year. Therefore, one can hope that the forthcoming IAA Commercial Vehicles in Hannover will lead to additional buying impulses – at least for the European market.

For the entire business year 2006, MAHLE estimates to reach a Group sales of approximately 4.3 billion euros (2005: 4.1 billion euros) which would correspond to a sales increase of approximately 5 percent.

3. Group Development

Important milestones in Group development in the 1st half of 2006 include:

Acquisition of Behr's activated carbon filter production in the USA completed

On January 1, 2006, MAHLE Industries, Inc., the U.S. Holding subsidiary of the MAHLE Group, acquired the entire activated carbon filter business in the U.S., including all production equipment, from Behr.

Behr's production facility was previously located in Dayton/Ohio. During the first six months of 2006, MAHLE gradually transferred the production equipment to the two existing MAHLE locations in Murfreesboro/Tennessee and Puebla/Mexico. This covers a total sales volume of approximately 60 million dollars. The largest source of revenue is DaimlerChrysler AG.

With this acquisition, MAHLE clearly expanded its strategic market position for activated carbon filters and will now supply U.S. and Korean customers, in addition to the traditional Japanese customers. This moves MAHLE to a market leadership position in North America, both in terms of development and production.

Successful opening and start-up of MAHLE Technologies Holding (China) and its integrated Research & Development center

On April 19, 2006, MAHLE opened its regional Headquarters with integrated R&D center in Shanghai. The main objectives are the bundling of central functions such as product development, sales, human resources, IT and finance for the eight Chinese plants, as well as optimal support of the local customers.

The integrated R&D center will use its functions, for instance design, analysis, component testing, engine testing, electronics lab, chemistry lab and metallography, to specifically handle the requirements of the local market and work closely with the R&D center network locations in Stuttgart, Northampton, Detroit (Farmington Hills and Novi), São Paulo and Tokyo.

Increased MAHLE industrial filter activities as a result of the acquisitions of NFV effective January 1, 2006 and AKO effective June 1, 2006

MAHLE Filtersysteme GmbH acquired 100 percent of Norddeutsche Filter Vertriebs GmbH (NFV), headquartered in Hamburg, effective January 1, 2006 and AKO Filter GmbH, headquartered in Flintbek near Kiel, effective June 1, 2006. With this step, the company will significantly expand its separation and filtration expertise and product portfolio.

Through the acquisition of NFV, effective immediately, an entirely new range of products will be offered. Emphasis is placed on ship maintenance and liquid treatment, especially oil removal from bilge water, fuel and oil care as well as service water, waste water and cooling water treatment. As the leader in quality and technology, NFV has developed

sophisticated filtration and separation technologies for industrial plants, power plants as well as non-military and military shipbuilding for more than 50 years.

Through the acquisition of AKO Filter GmbH, the product range will additionally be expanded by single-stage, switch-over and reverse-flow filters for ship maintenance and for a wide variety of sectors. The range includes a comprehensive selection of standard filters as well as special designs, which are custom-made for special filtration applications. AKO is among the leading specialists for fully automatic, reverse-flow filters for industry, shipbuilding and special applications.

The objective of the acquisition is to offer our customers an enhanced product portfolio with comprehensive filtration and separation solutions, especially in the fields of ship maintenance and liquid treatment. MAHLE plans to expand the existing annual sales volume of the two companies from approximately 15 million euros to more than 30 million euros in the coming years.

Expansion of MAHLE Aftermarket by founding MAHLE Trading (Shanghai) and MAHLE Trading Japan

In an effort to expand the company's position in the promising automotive aftermarket in Asia, MAHLE combined the different activities in the Japanese and Chinese aftermarkets into two new companies. MAHLE Trading (Shanghai) Co., Ltd., headquartered in Shanghai, supports the local aftermarket in China and also houses the sales organization for South East Asia. In Japan, all MAHLE Aftermarket activities were combined into MAHLE Trading Japan Co., Ltd., which will cover the Japanese market.

Another important goal that MAHLE pursues with this reorganization is to expand the export of products manufactured in Japan and China. This way, the product portfolio of the MAHLE Aftermarket organization can be expanded further in other regions. Since quantities for Asian vehicles have risen in the most important markets, MAHLE Aftermarket already broadened its product range for these vehicles to satisfy the demand for spare parts in these market segments.

The two new Asian companies sell the entire product portfolio of MAHLE Aftermarket, including pistons, piston rings, cylinder liners, bearings, valves and valve train components, air, fuel, oil and cabin air filters.

Start of MAHLE filter production in China in the new Shanghai and Guangzhou locations

With the completion and start-up of two new production locations, the market presence of MAHLE filter products for the automotive sector in China was significantly expanded in the 1st half of 2006.

The new plant in Shanghai, located in close proximity to the new MAHLE R&D center, will focus primarily on the production of liquid filters, particularly oil and fuel filters, for the national Chinese market. However, in addition exports are planned to the Japanese and North American markets.

The new plant constructed in Guangzhou in southern China specializes in the production of air intake modules, air filter units and cylinder head covers. In the future, this plant will primarily supply the newly established automobile manufacturers in southern China, for instance Nissan and Honda.

In conjunction with the existing filter production location in Tianjin in northern China, MAHLE now produces the entire filtration product range for automotive applications in close proximity to all manufacturers in China.