





**Our Annual Report 2020 is also available online:
annualreport.mahle.com**

“With a sharpened focus, we will continue to work hard to increase our profitability, improve our processes, and invest in future business areas.”

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

Our self-perception

The MAHLE Group is a leading global development partner to the automotive industry and offers its customers complete systems from a product range that is unrivaled in breadth and depth. Our new developments are geared toward the further optimization of the combustion engine and thermal management solutions as well as the expansion of e-mobility. We also want to set new future standards with our innovative solutions by consistently using and expanding our knowledge and innovative strength.

With our strategic orientation, we are addressing megatrends such as population growth, urbanization, globalization, connectivity, or limiting emissions to promote climate protection. We see these not only as an opportunity for further growth, but also as an obligation to design our technologies so that mobility on our planet is as environmentally friendly as possible.

The Mahle brothers have bequeathed us a company structure that secures our independence and the long-term orientation of the Group. In accordance with their specifications, we want to continue to successfully develop MAHLE as a leading company and attractive employer.

This also means that we stand by our values—fairness, compliant conduct, cultural diversity, and equal opportunities—and live by them every day in our relationships with our employees, customers, and suppliers. Assuming social responsibility was an objective declared by our company founders. We remain bound by this ongoing commitment, and it is reflected in our business decisions. Now and in the future.

Contents

1

The company 2

The year 2020	4
Product portfolio	5
Letter from the CEO	6
Report of the Supervisory Board	9
Members of the Supervisory Board	12
Members of the Management Board	13
MAHLE worldwide	16

2

Responsibility 18

Human resources	20
Corporate social responsibility	26
The MAHLE Foundation	30

3

Group management report 34

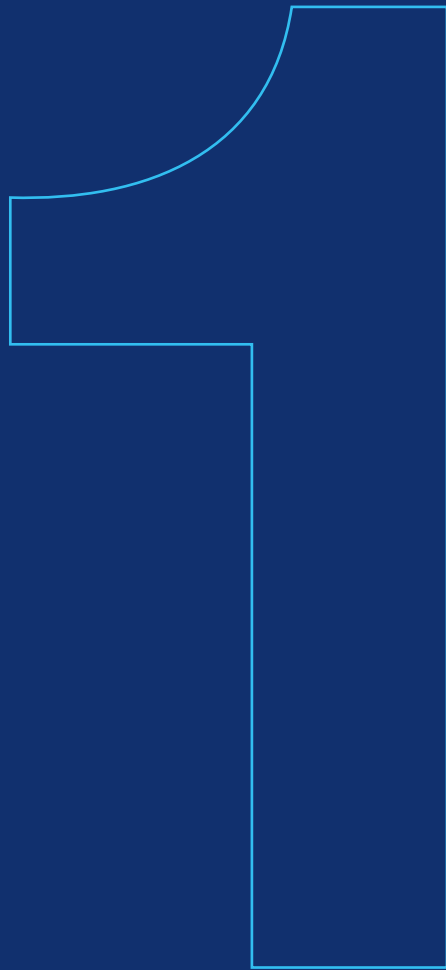
Fundamental information about the MAHLE Group	36
Report on economic position	41
Additional key performance indicators	51
Opportunity and risk report	56
Outlook	59

4

Consolidated financial statements 62

Consolidated balance sheet	64
Consolidated income statement	67
Consolidated cash flow statement	68
Consolidated statement of changes in equity	70
Notes to the consolidated financial statements	72
Auditor's report	90

Imprint/contact	95
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The

company

The year 2020	4
Product portfolio	5
Letter from the CEO	6
Report of the Supervisory Board	9
Members of the Supervisory Board	12
Members of the Management Board	13
MAHLE worldwide	16

The year 2020



DUAL STRATEGY

The dual strategy was again our guiding principle in 2020: as well as optimizing the combustion engine, we were driving forward the development of alternative mobility concepts.



RESEARCH AND DEVELOPMENT

With investments of EUR 644 million, we maintained our Group-wide research and development activities at a high level.



EMPLOYEES

MAHLE employed 72,184 people worldwide (reference date: December 31, 2020).



SALES

MAHLE achieved sales of EUR 9.8 billion.



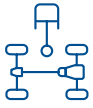
NET DEBT

We significantly reduced net debt on our balance sheet by around EUR 400 million.

MAHLE GROUP FIGURES

in EUR million	2020	2019	2018
Sales	9,774	12,049	12,581
EBITDA	435	712	1,377
EBIT	-192	96	773
Result from business activities	-302	10	614
Consolidated net loss/net income	-434	-212	446
Tangible fixed assets	2,959	3,202	3,137
Capital expenditure on tangible fixed assets (without first consolidation)	433	549	609
Equity	2,089	2,742	3,014
Dividend paid by MAHLE GmbH *	3.3	5.4	13.4
Employees (as at Dec. 31)	72,184	77,015	79,564

* Proposal for the specified business year



ENGINE SYSTEMS AND COMPONENTS

As a global market leader in our key market segments, we are able to build on many years of systems and development expertise as well as extensive production experience. The development of piston systems and cylinder and valve train components has been a core competence at MAHLE for decades. Because we understand the interaction of all engine components, we can deliver optimal solutions to our customers. Our products are used around the globe in two-wheeled vehicles, passenger cars, commercial vehicles, and large engines. And the range is being continuously expanded to further reduce emissions and fuel consumption in combustion engines in the future.



FILTRATION AND ENGINE PERIPHERALS

MAHLE manufactures filters and oil coolers for engine and transmission applications in combustion engines as well as for alternative drives—to improve efficiency and service life and reduce emissions. We are thus ensuring clean air and preventing drive damage caused by oil and fuel contamination. Engine peripherals often differ due to varying regional emissions regulations, individual car body shapes, and different power classes—even for identical basic engines. In recent years, MAHLE—as a development partner and global market leader—has developed modular systems for all the major product groups on behalf of its customers.



THERMAL MANAGEMENT

The increasing electrification of the automotive and commercial vehicle industry calls for superior innovative strength in the thermal management of batteries and the entire electric powertrain. Thermal management is also essential for the ongoing development of the combustion engine. For instance, increasingly effective and efficient cooling systems are making a substantial contribution toward reducing fuel consumption. Air conditioning innovations are enabling new design concepts for interiors and helping to provide a high degree of thermal comfort in vehicles alongside efficiency improvements. Only innovative products from the Thermal Management business unit for batteries, fuel cells, power electronics, and electric drives make extended cruising ranges, high levels of efficiency, and long service lives possible and are thereby playing a significant role in shaping the shift toward zero-emission powertrains.



ELECTRONICS AND MECHATRONICS

Electronic and mechatronic components play a crucial role in improving the efficiency of the powertrain and advancing e-mobility. With its electric drive systems, actuators and auxiliaries, and control and power electronics product groups, MAHLE already offers relevant solutions in this area today. These activities are founded on our expertise in the development and manufacture of electric motors and electronic and mechatronic systems. Although these are used in a wide variety of applications, their technology is closely interlinked, thus affording synergies and economies of scale—a key success factor in the automotive industry.

Focus

No success without focus. That's because the only way to achieve your goals is by acting with a clear focus. And by holding a steady course even in rough seas and heavy storms. In 2020, the year of the pandemic outbreak, we sharpened our focus once again, working hard to drive forward the transformation of our company under particularly difficult circumstances.



“Despite the extremely challenging circumstances, we consistently drove forward the transformation of our company.”

Ladies and gentlemen,

On April 1, 2021, with the departure of Dr. Jörg Stratmann from the MAHLE Group, I assumed the role of Chairman of the MAHLE Management Board and CEO on an interim basis in addition to my position as CFO. Until the successor takes over, my task is to work with the MAHLE team to drive forward the transformation and restructuring of our company at full speed and to lead MAHLE through these turbulent times with determination and prudence.

The year 2020 was like no other. On the one hand, almost all markets and national economies felt the full force of the unpredictable coronavirus pandemic. And the international automotive industry—including our company—was no exception. On the other hand, we at MAHLE surpassed ourselves in many respects as a consequence of this unprecedented crisis. We demonstrated operational strength and great resilience in this situation, and we faced the challenges with confidence.

A good example of this is the outstanding teamwork of our international coronavirus crisis team, which we set up as soon as the pandemic broke out and has been doing excellent work ever since. Not only was the crisis team responsible for our comprehensive and strict hygiene concept to protect our workforce, but above all, it played a vital role in ensuring the smooth continuation of our business processes even in these challenging circumstances. As a result, MAHLE was able to maintain supply at all times—a fantastic achievement. Other examples include our production lines for protective masks, which were commissioned within just a few weeks, and numerous other initiatives through which MAHLE employees at many locations around the world supported the company and, moreover, performed a service for society.

I'm pleased to see that we achieved a major leap forward in terms of digitalization during this pandemic—we are now using remote working and online meeting options more often, more intensively, and extremely confidently. We have

also made a lot of progress with regard to the automation of administrative and production-related processes and in the area of digital factories/Industry 4.0.

Our employees have worked with great discipline, commitment, and focus under the most challenging conditions—demonstrating remarkable pragmatism, flexibility, and perseverance. For this they deserve our respect and sincere thanks.

Despite the extremely unfavorable circumstances, we steered a steady, clear course through the crisis in 2020. We thus demonstrated our great resilience in this exceptional year thanks to our strict cost discipline and comprehensive cost-cutting measures. As a result, we generated a high level of cash flow from our operational business activity, while reducing our net debt. And we achieved this despite the dramatic collapse of the global vehicle markets in the first half of 2020, which led to a slump in sales of around 70 percent at MAHLE in April alone.

The aforementioned adjustment of our cost structures combined with focused management and the commitment of our employees helped mitigate the negative effects on sales and result significantly. We closed 2020 with an organic deficit—i.e., after adjustment for consolidation and exchange rate effects—of around 17 percent. Overall, we ended the 2020 business year in a much better position than we had expected even in the summer of that year. Despite this, the annual result is strongly negative, which, in addition to the significant drop in sales, is attributable to the high expenditure associated with restructuring measures and the upfront outlay to manage the transformation.

Despite the extremely challenging circumstances, we consistently drove forward the transformation of our company. For example, we entered into new cooperative relationships,



such as with the Canadian fuel cell manufacturer Ballard Power Systems Inc. We combined our electronics and mechatronics activities within a new business unit to increase our strength in this area. And we made targeted investments in our infrastructure, including in the new test center for electric motors in Fellbach (Germany) and the new electronics and mechatronics R&D centers in Kornwestheim (Germany), Valencia (Spain) and Suzhou (China). Our investment in research and development remains at a high level. We are maintaining a clear focus on the future.

The year 2020 should have been one to celebrate. To mark our centenary in December, we had prepared a diverse anniversary program. Our primary consideration—to protect our employees and our business partners—was, however, incompatible with celebrating in person at a time of mandatory mask-wearing and social distancing.

My sincere gratitude goes to our customers and partners around the world for our trusting and close working relationship during this exceptional year. I'm grateful to the MAHLE Supervisory Board, the members of MABEG—Verein zur Förderung und Beratung der MAHLE Gruppe e. V. and the voting shareholders—as well as the employee representatives for their consistently thorough and constructive discussions and excellent cooperation in the extremely challenging circumstances of 2020, the year of the COVID-19 outbreak.

The year 2021 remains a major challenge. The coronavirus pandemic will continue to have a massive impact on the lives of everyone around the world. Our markets, which had already shrunk considerably, will take years to return to precrisis levels. The shortage of certain materials is exacerbating the situation, leading to production losses in the automotive industry and thus also affecting our business. These circumstances mean that we will not reach the level of sales we enjoyed before the coronavirus pandemic again for several years.

The motto of this Annual Report will therefore remain imperative in 2021. With a sharpened focus, we will continue to work hard to increase our profitability, improve our processes, invest in future business areas, consistently expand our product portfolio into future technologies, and thus make MAHLE fit for the future.

We set this course in 2020, and I am confident that we will emerge from this crisis in a stronger position. We have our most important goal firmly in focus: we intend to continue shaping mobility in the future as one of the world's top suppliers. In doing so, we remain firmly committed to the Paris Agreement. We want to help achieve the climate targets—by using all the technologies available to us. As a modern technology group, we are in an excellent position to provide the right products to this end.

We will address this important challenge with a high level of commitment, flexibility, decisiveness, and perseverance. You can be sure of that! Thank you for your continued support of MAHLE.



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

Report of the Supervisory Board

Vadler and Jenken,

The impact of the COVID-19 pandemic on the automotive industry—both for automobile manufacturers and suppliers—was totally unexpected and extremely severe. Only the Chinese manufacturers were able to make up for the sales losses over the course of the year following the first hard lockdown from the end of January to March—significantly exceeding their previous year’s production figures in some cases.

Almost all manufacturers and suppliers in the rest of the world suffered double-digit percentage losses in production and sales. With sales of EUR 9.8 billion, the MAHLE Group also experienced a fall in sales adjusted for exchange rate effects of 16 percent in comparison with the previous year. In the second quarter, hardly any sales were generated outside of China, and a drop in sales of approximately 30 percent was recorded in the first six months compared with the same period of the previous year. Production in well over 100 of the Group’s plants had to be suspended between March and June. Reductions in working hours and drastic adjustments to personnel capacities were also made in indirect areas, such as sales, purchasing, and development, and staff worked from home wherever possible. Clear signs of recovery emerged in the second half-year.

The European Union’s questionable policy of incentives and subsidies also led to pronounced customer reluctance, especially in Europe. Instead of creating incentives for all future vehicle and powertrain technologies, one-sided support has been given to e-mobility. This is despite the many issues remaining completely unresolved, including raw material availability, the substantial CO₂ emissions during the production process, electricity generation, and the unanswered questions regarding recycling that will need to be tackled in the future.

At the same time, topics such as fuel cell technology and the generation of synthetic fuels using green electricity have not been taken into consideration—intentionally, in some cases. As a supporter of climate-friendly technologies, MAHLE is unable to comprehend the political demands. The Euro 7 exhaust emission standard under consideration by the European Commission will effectively ban



technologies that have been proven to be more environmentally friendly than this one-sided focus on e-mobility. For the majority of market participants, the deliberate exclusion of synthetic fuels by the German Federal Ministry for the Environment defies explanation. Furthermore, technologies such as hydrogen and synthetic fuel could be used simply and without major additional expenditure with the available infrastructure and short fueling times. This would require only minimal modifications to the pipeline network—instead of an extremely costly setup of the charging infrastructure for e-mobility.

Due to the COVID-19 pandemic and the associated lack of contribution margins in all production, administrative, and development processes, MAHLE had to create accruals for personnel measures amounting to several hundreds of millions in the 2020 business year, which will lead to job losses for over 7,000 employees in the short term. This means not only reductions in staffing levels at almost all locations, but also several complete location closures, particularly in Europe. Thanks to massive cost savings, cutbacks in investments, short-time work measures in Germany, and similar instruments in other countries where possible, MAHLE has nevertheless managed to achieve an acceptable result. It is all the more gratifying and positive that, through our savings and costs policy, we generated a high positive operating cash flow and improved our net liquidity over the course of the year by about EUR 400 million. This opens up the opportunity not only for further investments but also for mergers and acquisitions (M&A) activities in the field of new technologies.

The Supervisory Board would like to express its gratitude to the Management Board, all managers, and all employees, who have in some cases suffered significant losses in income. With this in mind, the Supervisory Board and Management Board have voluntarily agreed to forego a portion of their remuneration.

The Supervisory Board has thoroughly discussed and advised on all decisions relating to the Group's business development. With a view to a long-term strategy, the Management Board was again given the task of developing approaches for the future of the German locations in order to include products with future potential in their portfolio as well. This requirement was stated emphatically.

This approach also calls for an intensification of development activities, beginning with those development areas with lower future potential and extending through new activities. It will also involve pooling resources across the Group's development operations. Concepts proposed by Human Resources aimed at training employees to support future-oriented products could only be implemented to a limited extent due to COVID-19 activities. Despite the very comprehensive, intensive, and successful work undertaken by the organization to stem the negative effects of the COVID-19 pandemic, M&A activities to optimize our product portfolio were also carried out.

To strengthen the MAHLE Group's position in the field of thermal management, which is becoming even more strategically important for new drive types, an agreement was reached with the Keihin Corporation (now known as Hitachi Astemo, Ltd.) to acquire its thermal management business activities in Japan, Thailand, and the USA. The acquisition was completed on February 1, 2021, and puts MAHLE in a strong position in all business areas with respect to our Japanese customers and will generate a significant proportion of sales in Japan and Southeast Asia.

In the 2020 business year, the Supervisory Board met all of its obligatory responsibilities in accordance with the law, Articles of Association, and Rules of Procedure. It held a total of five meetings in the business year, one of which was convened at the request of the employee representatives. The Personnel Committee also met several times to examine current personnel issues, and there was one meeting of the Mediation Committee in accordance with Section 27, paragraph 3, of Germany's Codetermination Act (Mitbestimmungsgesetz). In addition, the Chairman of the Supervisory Board and the Chairman and other members of the Management Board consulted verbally and in writing on a regular basis to discuss and agree on strategic and operational matters.

During the year under review, the Supervisory Board was informed regularly, promptly, and comprehensively through oral and written reports from the Management Board and during meetings about the business development of the company, the Group, its business units, its profit centers, and its participations.

Alongside operational and strategic issues, the implementation of the law stipulating the equal participation of women and men in managerial positions was also discussed in these meetings. The Supervisory Board and the Management Board are both striving to significantly increase the current proportion of women at all management levels.

The Supervisory Board also thanks Dieter Kiesling, Uwe Schwarte, Uwe Meinhardt, and Michael Kocken, who stepped down from the board with effect from December 1 and December 31, 2020, respectively, for their participation in the ongoing development of the company. We are particularly indebted to Mr. Meinhardt for his constructive and responsible contribution as the Deputy Chairman of the Supervisory Board.

Ms. Nektaria Christidou succeeded Mr. Kiesling as of December 1, 2020, and Mr. David Schmidt joined the Supervisory Board as successor to Mr. Uwe Schwarte on January 1, 2021.

Mr. Jürgen Kalmbach was elected as the new Deputy Chairman of the Supervisory Board.

Mr. Martin Röhl and Mr. Kai Bliesener became the new union representatives on the Supervisory Board with effect from January 1, 2021, having been appointed as successors to Mr. Uwe Meinhardt and Mr. Michael Kocken, who stepped down from their roles with effect from December 31, 2020.

In the meeting of the MAHLE GmbH Supervisory Board on November 24, 2020, Ms. Jumana Al-Sibai was appointed as a member of the Management Board of MAHLE GmbH. On April 1, 2021, she assumed responsibility for the Thermal Management business unit from her predecessor, Mr. Bernd Eckl, who left the company at his own request when his contract as a member of the Management Board came to an end on January 31, 2021.

The Supervisory Board would like to thank Mr. Eckl for his approximately four years of committed and loyal service to the MAHLE Group.

At the beginning of March 2021, the Chairman of the Supervisory Board and the Chairman of the Management Board mutually agreed to bring their working relationship to an

end. Dr. Jörg Stratmann resigned from his position as member of the Management Board of MAHLE GmbH with effect from March 31, 2021. The Supervisory Board therefore appointed his successor in an extraordinary meeting. Until the successor assumes office, Michael Frick, member of the Management Board responsible for Finance, IT, and other administrative areas, will take over Dr. Stratmann's position as Chairman of the Management Board.

The Supervisory Board thanks Dr. Stratmann for his many years of consistently loyal and responsible service to the Group.

The appointed auditors PricewaterhouseCoopers GmbH audited the annual financial statements and management reports of the MAHLE Group and of MAHLE GmbH for the 2020 business year, which had been set out in accordance with the German Commercial Code (Handelsgesetzbuch, HGB), rendering an unqualified audit opinion. The Supervisory Board agreed with the results of the audit following in-depth analysis of the audit reports and the report from the auditors in the Supervisory Board meeting.

The Supervisory Board approves the annual financial statements and the management reports of the MAHLE Group and of MAHLE GmbH.

The Supervisory Board would like to thank all employees of the MAHLE Group for their exceptional commitment in an extraordinary year. Let us hope that we can return to conditions that are somewhat more normal in the 2021 business year. This will call for further efficiency improvements and product innovations.

Stuttgart/Germany, April 21, 2021

For the Supervisory Board



Professor Dr. Heinz K. Junker
Chairman of the Supervisory Board of the MAHLE Group

Members of the Supervisory Board

Prof. Dr.-Ing. Heinz K. Junker

Chairman

Former Chairman of the Management Board and CEO of MAHLE GmbH, Stuttgart/Germany

Jürgen Kalmbach

Deputy Chairman

Chairman of the Central Works Council of MAHLE Group Germany

Uwe Meinhardt

Deputy Chairman

(until December 31, 2020)

Management IG Metall, Director of Department General Policy and Sociopolitical Issues, Berlin/Germany

Peter Bauer

Member of the Works Council of MAHLE Ventiltrieb GmbH, Zell im Wiesental/Germany

Rolf Berkemann

Vice President Sales and Application Engineering Passenger Cars 1 Region Europe, MAHLE Group, Stuttgart/Germany

Dietmar Bichler

Chairman of the Supervisory Board of Bertrandt AG, Ehningen/Germany

Kai Bliesener

(since January 1, 2021)

Trade Union Secretary, Executive Committee IG Metall, Frankfurt/Germany

Nektaria Christidou

(since December 1, 2020)

Chairwoman of the Works Council of MAHLE Behr GmbH & Co. KG, Mühlacker and Vaihingen/Enz, Germany

Prof. Dr. jur. Wolfgang Fritzemeyer, LL.M.

Lawyer (Munich/Germany)

Attorney-at-Law (New York/USA),

Solicitor (New South Wales/Australia)

Gerd Goretzky

Chairman of the European Works Council of MAHLE Group, Stuttgart/Germany

Josef Häring

Chairman of the Works Council of MAHLE GmbH, Rottweil plant, Germany

Dieter Kiesling

(until November 30, 2020)

Chairman of the Works Council of MAHLE Behr GmbH & Co. KG, Mühlacker region, Germany

Michael Kocken

(until December 31, 2020)

Trade Union Secretary of IG Metall, administrative office, Stuttgart/Germany

Prof. Dr.-Ing. Gisela Lanza

Head of the Institute of Production Science at the Karlsruhe Institute of Technology (KIT), Karlsruhe/Germany

Dr. Michael Macht

Former Chairman of the Management Board of Porsche AG and former Member of the Management Board of Volkswagen AG

Dr. Franz-Josef Paefgen

Former CEO of AUDI AG, Bentley Motors Ltd. and former President of Bugatti International S.A.

Prof. Dr.-Ing. Stefan Pischinger

Head of Institute, Institute for Combustion Engines, RWTH Aachen University/Germany

Martin Röhl

(since January 1, 2021)

Co-Chairman of the local IG Metall, Stuttgart/Germany

David Schmidt

(since January 1, 2021)

Chairman of the Works Council of MAHLE Filtersysteme, plant Wustermark Germany

Uwe Schwarte

(until December 31, 2020)

Chairman of the Works Council of MAHLE Filtersysteme GmbH, Stuttgart/Germany

Annette Szegfü

Trade Union Secretary of IG Metall, Executive Committee, Frankfurt/Germany

Dr. Bernhard Volkmann

Former Member of the Management Board and CFO of MAHLE GmbH, Stuttgart/Germany

Georg Weiberg

Former Head of Global Truck Engineering, Daimler AG, Stuttgart/Germany

Prof. Dr.-Ing. Jörg Zürn

Former Head of Mercedes Benz Van Engineering, Daimler AG, Stuttgart/Germany

Members of the Management Board

Michael Frick

Chairman (ad interim)

(since April 1, 2021)

- External Affairs
- Motorsports and Special Applications profit center
- Automotive Sales and Application Engineering, Aftermarket business unit

Finance, Controlling, Taxes, IT Services, Purchasing, Insurances, Revision and Risk Management, Mergers & Acquisitions, Legal (ad interim), Corporate Planning (ad interim)

Jumana Al-Sibai

(since April 1, 2021)

Thermal Management business unit

Industrial Thermal Management and Control Units profit centers

Georg Dietz

Engine Systems and Components business unit

Large and Small Engine Components profit center, Environmental Management/Safety at Work for the Group

Corporate Quality Management (ad interim)

Wilhelm Emperhoff

Electronics and Mechatronics business unit

Anke Felder

Human Resources, Corporate Executive Vice President Human Resources, Corporate Personnel Development and Vocational Training, Facility Management

Corporate Communications (ad interim)

Martin Weidlich

Filtration and Engine Peripherals business unit

Corporate MAHLE Production System

Research and Advanced Engineering (ad interim)

MEMBERS WHO HAVE STEPPED DOWN

Dr. Jörg Stratmann

Chairman

(until March 31, 2021)

Research and Advanced Engineering, Corporate Quality Management, Corporate Planning, Corporate Communications, External Affairs, Legal

Motorsports and Special Applications profit center

Automotive Sales and Application Engineering, Aftermarket business unit

Bernd Eckl

(until January 31, 2021)

Thermal Management business unit

Industrial Thermal Management and Control Units profit centers

Members of the Management Board

as at April 1, 2021



Michael Frick
Chairman (ad interim)



Anke Felder



Georg Dietz



Martin Weidlich



Jumana Al-Sibai



Wilhelm Emperhoff

A worldwide network – our locations

Around 160 production locations
12 major research & development centers
More than 72,000 employees*

Major research & development centers

EUROPE

Northampton/Great Britain
Šempeter pri Gorici/Slovenia
Stuttgart – Bad Cannstatt/Germany
Stuttgart – Feuerbach/Germany
Valencia/Spain

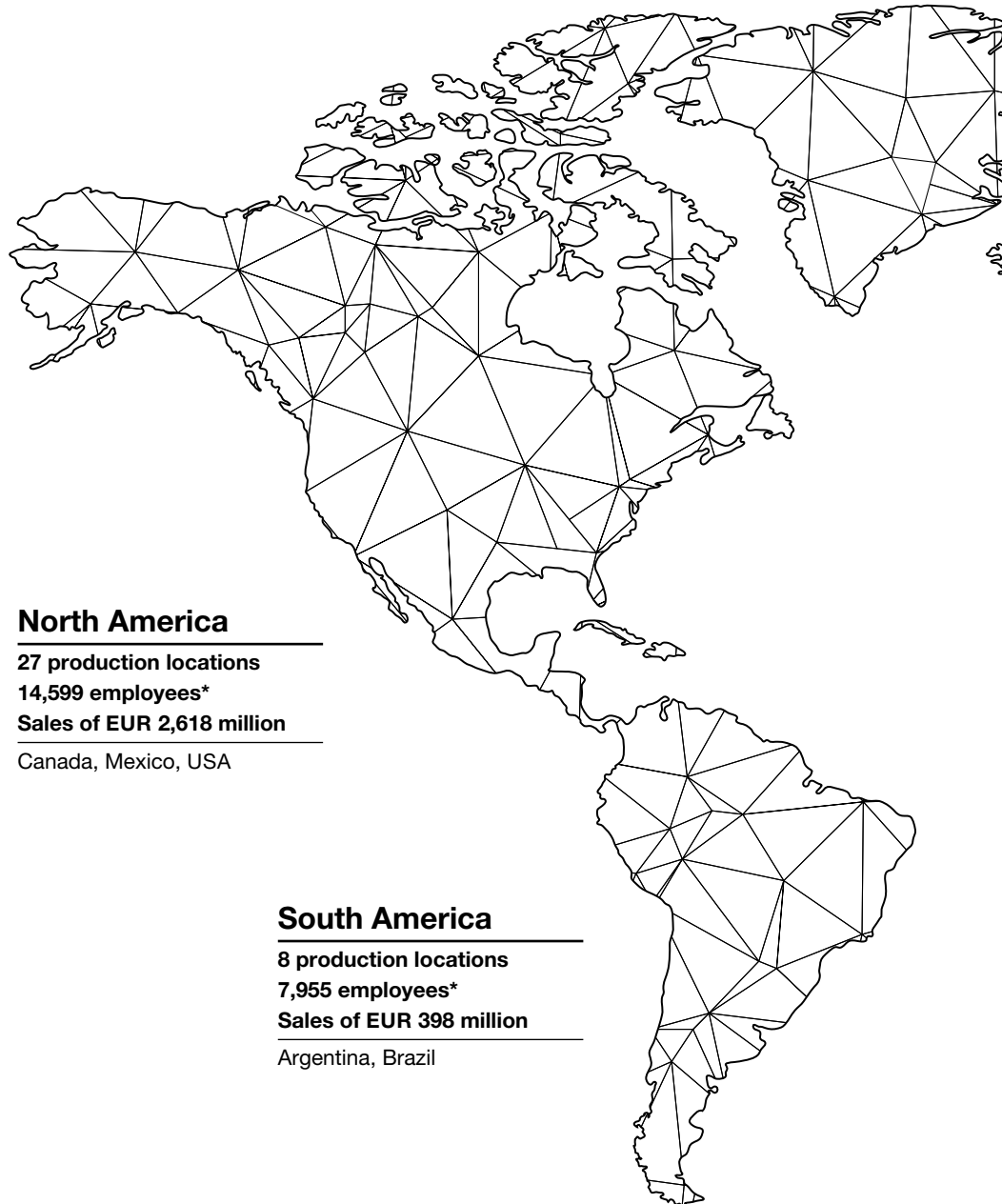
NORTH/SOUTH AMERICA

Buffalo/USA (Amherst, Lockport)
Detroit/USA (Farmington Hills, Troy)
São Paulo – Jundiaí/Brazil

ASIA/PACIFIC

Pune/India
Shanghai/China
Numazu/Japan
Tokyo/Japan (Okegawa, Kawagoe)

* As at December 31, 2020



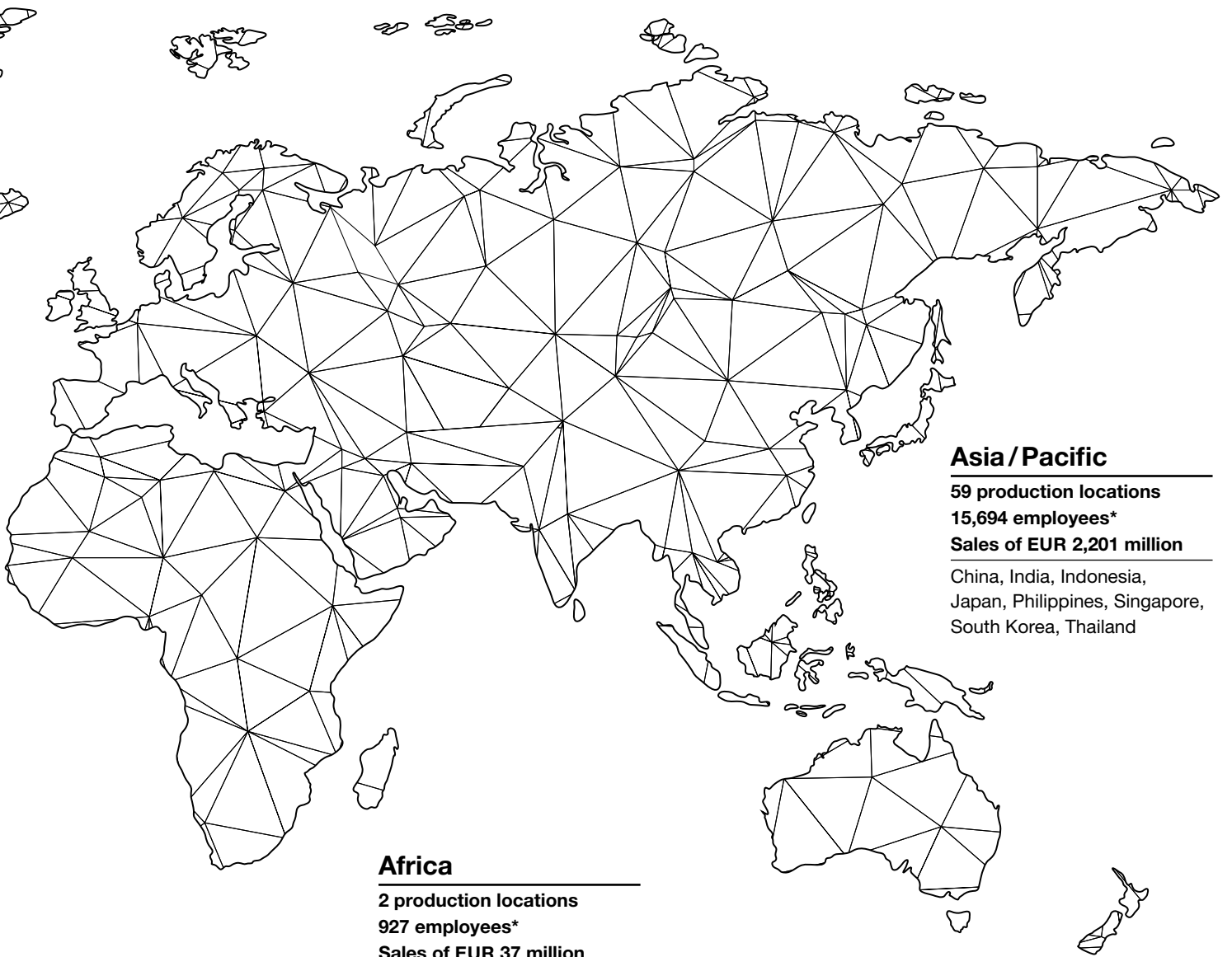
Europe

65 production locations

33,009 employees*

Sales of EUR 4,520 million

Austria, Belarus, Bosnia and Herzegovina, Czech Republic, France, Germany, Great Britain, Hungary, Italy, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Turkey



Asia / Pacific

59 production locations

15,694 employees*

Sales of EUR 2,201 million

China, India, Indonesia, Japan, Philippines, Singapore, South Korea, Thailand

Africa

2 production locations

927 employees*

Sales of EUR 37 million

South Africa

Responsi-



bility

Human resources	20
Corporate social responsibility	26
The MAHLE Foundation	30

Human resources

Crisis management & strategic realignment

The year 2020 impacted our lives significantly and in a variety of ways. The coronavirus pandemic fundamentally changed our everyday activities and the world of work. In the midst of the technological and structural transformation of the automotive industry, the pandemic has accelerated many trends as well. But this year has also shown how flexible and adaptable we can be as an organization.

In the year under review, the HR function was strongly characterized by its dual role. It included, on the one hand, guiding the management of the coronavirus crisis and, on the other, collaborating with the relevant departments to strategically realign HR activities in order to make MAHLE fit for the future with respect to global megatrends and the transformation of our industry.



Coronavirus crisis management



The majority of the face masks for our employees were produced in-house at our production site in St. Michael, Austria, for example.

Setting up a global crisis management system

To protect the employees and the company, coronavirus crisis management took the highest priority in the year under review. A cross-functional crisis project organization composed of central, regional, and local crisis teams was therefore set up very quickly. We were able to establish the necessary processes and policies globally while taking local circumstances into account. We immediately implemented extensive behavioral, hygiene, and protective measures at all locations worldwide and provided protective equipment to all employees. The majority of the face masks were produced in-house in Brazil, the USA, and Austria on lines that were set up at short notice during the coronavirus crisis. Our trainees also demonstrated their adaptability and problem-solving skills through their participation in the crisis management program. For example, the Training department quickly stepped up to manufacture acrylic glass screens and barriers for use in the implementation of hygiene measures.

To limit the spread of the coronavirus, protect our employees as well as possible, and in response to the production interruptions experienced by numerous customers, a temporary ramp down at many MAHLE production locations was coordinated at the start of

the pandemic, followed later by a smooth resumption of operations. To achieve this, HR established the necessary processes as well as personnel measures and tools within a very short time.

From the start of the pandemic, we ensured employees were always kept informed and expanded this service by setting up additional communication channels, such as an employee app. We also made various initiatives available to our employees around the world to help them take care of their health. These included online sports activities as well as webinars on mental health.

Flexible & virtual work formats

For the safety of its employees, MAHLE encouraged working from home and flexible ways of working, wherever possible. To improve and professionalize virtual cooperation and leadership, we quickly created additional training activities for various target groups and made a toolbox available globally. The year 2020 has thus shown how well virtual cooperation and leadership are already working at MAHLE. We see the increase in virtual cooperation as an opportunity to establish new forms of collaboration and embed them in our processes for the long term.



HR road map as a model for strategic realignment

In addition to coronavirus crisis management, the strategic realignment of the HR function was also a priority in 2020. HR has a key role to play as part of the transformation with the goal of optimally supporting and strengthening the various company functions around the world as a strategic business partner. In the year under review, an HR strategy was developed in the form of the HR road map, which drives forward the implementation of our dual

corporate strategy and comprises modern HR concepts and processes tailored to our business requirements.

Within the HR road map, we have defined five strategic action areas. These extend from new forms of cooperation and qualification formats in line with the requirements all the way through to an intensified focus on managing our performance.

HR road map

Five strategic action areas to support the transformation





Purpose & agility: promoting a culture of meaningful action, responsibility, and innovation

New working approaches & virtual collaboration

For us, new work as an umbrella term for innovative ways of structuring work in a global and digital landscape means continuously aligning working methods and working environments with changing requirements. We thus create optimal conditions for our international teams to collaborate with a focus on results. In a process accelerated by the coronavirus crisis, we are directing particular attention toward virtual working approaches. We want to help our employees practice effective collaboration and leadership virtually, and equip them with the necessary knowledge and skills to do so.

A global training program was created for employees and managers in the year under review, and a toolbox was made available comprising extensive information and training materials. Keynote presentations on the subject of virtual cooperation and leadership from the Learning Meetup @MAHLE event series highlighted specific best practice examples and stimulated discussions among colleagues on the topic.

Digital cooperation has also changed the way our junior employees are trained. All events, such as the induction week for new trainees and the training activities offered as part of apprenticeships, took place virtually or in blended learning formats.

Four principles for future-oriented leadership

Leadership and cooperation must continuously adapt to new and ever-changing circumstances. That is why we further developed our value-oriented leadership culture in the year under review as a driver of performance and success. The four MAHLE Leadership Principles provide orientation and form the foundation for both strong cooperation and clearly focused leadership.

In 2020, we concentrated on the global implementation of the principles and on empowering all managers to apply situational leadership in their everyday work. In particular, this involved encouraging the continuous exchange of best practices and feedback, and providing a toolbox containing all the information relating to the leadership principles.

Another objective in 2020 was to embed the leadership principles in relevant core HR processes, such as in the recruitment and onboarding of managers, and in global training formats and development programs.



Further development of our value-oriented leadership culture: MAHLE Leadership Principles

Diversity & inclusion

We believe that the diversity of our workforce is absolutely key to innovation and performance. That is why we strive to create a corporate culture that fosters new ideas, attracts and retains talent, and gives employees the opportunity to realize their potential. We thereby take into account and encourage all aspects of diversity and celebrate MAHLE's diverse workforce every year through a range of activities, including on Diversity Day in May. To highlight the importance of diversity and inclusion for society and for MAHLE, various virtual initiatives were launched around the world during the year under review with the motto: "Diversity and inclusion are now more important than ever."

As part of our diversity management work, we make additional services available to our workforce through our MAHLEforME initiative with the aim of improving work-life balance. Besides offers relating to childcare, nursing care, and household services, our employees have also shown great interest in our series of talks on the subjects of mental health, virtual cooperation, and homeschooling.

MAHLE won several awards for its activities relating to diversity and inclusion during the year under review. For example, MAHLE in Japan was awarded L-Star Level 3 certification by the Japanese government for measures to support gender equality, particularly

in recruitment and workplace design as well as development and career opportunities. We were also recognized at Ford's annual World Excellence Awards with a Supplier Diversity & Inclusion Development and Sustainability World Excellence Award.



One of various virtual initiatives during the year under review: Selfie campaign on digital Diversity Day 2020



Talent to value & business: aligning talent management activities with Group strategy

The coronavirus pandemic has accelerated the changes taking place in our industry and further amplified the challenges we face as a global team. The key to success, particularly in the current stage of the transformation, lies in the skills and potential of our workforce. That is why bringing the right talent on board as well as developing and retaining our employees are top priorities for us.

MAHLE continues to establish itself as an excellent employer

With the worldwide #StrongerTogether HR marketing campaign, we are showing what makes MAHLE an exceptional and attractive employer. In 2020, this campaign—inspired by the Group strategy—was further developed and rolled out globally. We also implemented additional campaigns and employer branding measures for the Electronics and Mechatronics business unit focused on specific target groups and adapted to local markets.

In 2020, we were delighted to receive numerous accolades as an employer and with respect to employer branding thanks to our positive public image. For the first time, MAHLE was awarded the LEADING EMPLOYER 2020 label, putting us in the top one percent of the 70,000 companies considered in Germany.

In recognition of our online talent communication activities, we made the leap into the top ten in the Applying Online category of the German overall ranking by the independent market research company Potentialpark.

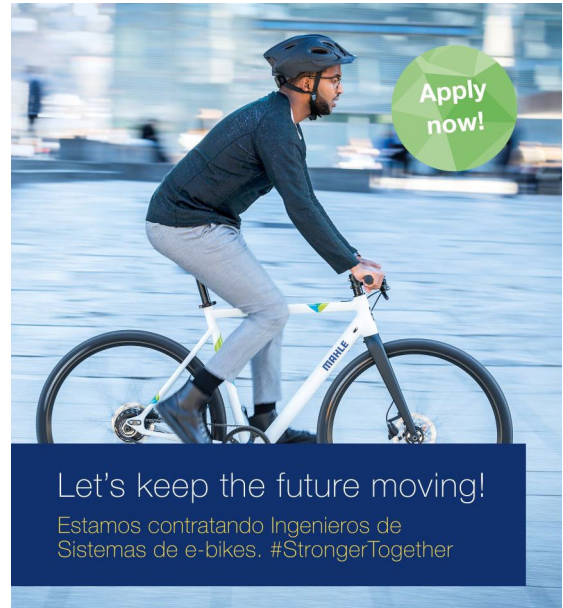
In China, we were presented with the Employer Excellence of China award by 51JOB. MAHLE China was honored with this prize for excellent employee support and a fantastic working environment.

Virtual recruitment & internal mobility as factors in talent acquisition success

Attracting new talent—particularly to our future-oriented business units—and encouraging internal mobility at MAHLE were also elements of our talent management strategy in 2020.

In the year under review, virtual recruitment ensured recruitment procedures could be carried out seamlessly and safely, with all selection processes transferred quickly and almost entirely to digital formats. As a result, candidates and employees were protected at all times and we pressed ahead swiftly with high-quality internal and external staffing procedures. These adjustments also make us more efficient and flexible in the long term. Recruiters can bring together managers and talented individuals for interviews regardless of their locations and thus put across a personal impression of MAHLE. Our dedication paid off once again in 2020: The Trendence Institut ranked our recruitment process in third place in the Best Application Process category. In Austria, we were awarded the “Career’s Best Recruiters” silver seal for the second consecutive year.

We are continuously developing by sharing our knowledge and experience beyond the boundaries of individual business units and locations. Our recruiters play a key role in delivering targeted support to internal networking and mobility and make use of function-based talent pools to fill positions within the company successfully. Employees thus also had the opportunity to develop internationally in 2020 in the spirit of our One MAHLE mindset. By introducing a global talent broker role, we were able to stimulate internal transfers with even greater precision and fill key strategic positions more quickly.



With the worldwide #StrongerTogether HR marketing campaign, we are showing what makes MAHLE an exceptional and attractive employer.

Future-oriented advanced training strategy

Getting our workforce ready for new technologies and working methods was especially relevant in the year under review. By continuously checking our strategic and individual learning and development requirements against our existing portfolio, we ensure that our position is sustainable, needs-oriented, and target group-specific, thereby contributing to the Group’s long-term success. Development pathways designed to fit future job profiles, blended learning concepts, and modern platforms and tools have helped to communicate relevant learning contents—in person and virtually.

MAHLE consistently expands its global learning offer

In 2020, we continued to expand our entire program for advanced training. Besides our e-learning catalog, to which we have added more than 100 e-learning courses, the global range of webinars is steadily growing. Virtual Learning Meetups and toolboxes as well as digital learning platforms, such as LinkedIn Learning and Coursera, ensure that we meet our employees’ individual learning needs. In addition, we are continuously expanding the learning offer open to all target groups on the topics of hydrogen, e-mobility, functional safety, and artificial intelligence.

Transformation Roadmap paves the way for the mobility of the future

We are addressing changing priorities in the occupational profiles at MAHLE with a retraining initiative, which aims to make our employees fit for the future requirements of our industry. It is based on the company's strategic realignment. Taking the future product portfolio and the key skills it requires as our foundation, we have expanded specific topics within the Group-wide program for advanced training. The improved training program comprising 220 courses focuses on the subjects of e-mobility, electrical engineering, and electronics. The portfolio contains various learning formats, including classroom training, web-based learning, and video-based learning offers for sustainable learning success. Through these opportunities, we are supporting the ongoing development of the specific skills we need to shape the mobility of the future.



Performance recognition: performance management as a driver of the transformation

Another of our key topics involves rooting feedback and a focus on performance even more firmly in our corporate culture. The provision of constructive and prompt feedback and recognition of top performance are particular priorities.

In the year under review, the remuneration and bonus structure for upper management levels underwent further development. The redesign prioritized establishing a transparent and motivating remuneration and bonus structure that is in line with the market. By making these adjustments, we aim to support our objectives for the company and the transformation as well as rewarding outstanding performance. The revised structure will be implemented globally in 2021.



Disruption architecture: supporting and guiding change processes

The accelerating pace of the transformation prompts us to keep our product portfolio and corporate structures under constant review in order to maintain MAHLE's strong and competitive position. We support and guide the necessary changes from an HR perspective, always with the goal of creating sustainable solutions for our employees and the company as a whole. In individual locations and areas of the business, these solutions also call for structural measures to adjust costs and personnel capacities. It is important to us to design the necessary personnel measures fairly and in as socially responsible a manner as possible with the cooperation and involvement of the employee representatives.



Accelerating efficiency: HR transformation aims to increase efficiency and its value contribution

We are also advancing the transformation of the HR function with the goal of increasing the value of HR's contribution toward achieving the company's objectives. With this in mind, a global HR transformation project was launched in the year under review.

Key pillars of the realignment of HR activities include establishing a global HR organization that is fit for the future and professionalizing the service portfolio accordingly. The primary objectives are to achieve efficiency gains and improve service quality for employees and managers. We aim to achieve these results by harmonizing, bundling, and automating HR processes and by modernizing the HR IT landscape. We will continue to focus on our transformation activities in 2021.

Corporate social responsibility

For MAHLE, being in business means accepting our responsibilities—both toward the people who work for us and with respect to the impact of our operations on the environment and on society. Corporate activities and social engagement go hand in hand at our company. Through resource-efficient technologies, sustainable products, and modern production processes, we are working to steadily reduce the pressure on people and the environment. And all of our locations worldwide are playing their part. Because we want to keep on improving every day.



Sustainability management at MAHLE

Sustainability is integral to our identity. Thanks to our products, we have always made an important contribution toward further reducing fuel consumption and emissions from combustion engines. At the same time, we are developing systems for alternative drive types, such as hybrid and electric vehicles. We regard the harmonization of our corporate success with the well-being of people and the environment as one of our most important tasks. Consequently, we always aim to incorporate the environmental and social considerations alongside the economic factors in our decision-making.

The principles that guide our actions are ethically correct and lawful conduct, the satisfaction of our employees, with particular regard to their health, the safety of their workplaces, the protection of the environment and resources, and the establishment of a positive working environment.

The task of sustainability management is to integrate these principles into our business activities. To that end, we record statutory regulations, customer requirements, and the results of sustainability ratings, evaluate this data, and use the findings to formulate corresponding relevant sustainability targets for our business activities.



Responsibility toward our employees

We work to ensure the well-being of our employees. To achieve this, we need workplaces that do not pose a risk to the health of our staff. As employers, we are responsible for the working conditions at MAHLE being as safe as possible. We act within the framework of our Health, Safety, and Environment (HSE) guideline.



Focusing on safety at work

With its Golden Safety Rules, MAHLE has developed and implemented safety at work principles that apply throughout the Group. These principles are applicable to everyone at all times. We pursue them consistently and wholeheartedly. They are founded on three rules: “Safety First”, “I Care—We Care”, and “Walk the Talk”. They emphasize that safety is always the top priority and that it is the responsibility of every individual.

It is our aim to continuously improve workplace safety at MAHLE. To this end, we consistently align our safety at work management system with the international standard ISO 45001. By the end of 2020, 80 of our plants worldwide had been certified according to this standard. Our target is to obtain ISO 45001 certification for all MAHLE production plants by the end of 2023.

Accident numbers continue to fall

We measure our progress with regard to safety at work using the accident rate, which records accidents involving at least one day of absence per million hours worked. There has been an encouraging development in this respect too: The accident rate in the 2020 business year was 3.7 percent, which was around 23 percent lower than in 2019. The accident rate has therefore fallen significantly for the fourth consecutive year—a clear testament to our efforts with respect to safety at work.

Safety initiatives to raise employee awareness at numerous MAHLE locations

Since 2017, MAHLE has presented the Safety Excellence Award to encourage our plants in their efforts with regard to safety at work. It is used to recognize plants that have made outstanding achievements in the field of workplace safety. In 2020, we presented the award to our plant in Montblanc/Spain. For years, the local occupational health and safety team has been working on the issue of safety at work with strong support from plant management. This dedication has paid off, as our plant in Montblanc has succeeded in cutting its accident rate by around 75 percent over the last four years. This is attributable to the exemplary implementation of measures focused on ergonomics in addition to other steps. To identify ergonomic hazards and accident risks, existing workplaces are analyzed and ergonomic optimizations carried out. Practical meas-

ures include installing lifting aids at workstations. When setting up new workplaces, the design phase is preceded by an ergonomic risk assessment. To make working with machines safer, the plant uses radar-based monitoring of the machine area, which prevents the machine from starting unexpectedly while a person is still in the danger zone.



By installing lifting aids at our plant in Montblanc/Spain, we are protecting our employees against ergonomic stresses and accident risks.



Responsibility toward the environment

We consider the harmonization of our corporate success with environmental protection as one of our most important tasks. Our goal is to reduce as far as possible or completely prevent any environmental impact caused by our business activities. To achieve these objectives, we follow the standards set out in ISO 14001 and the EU Eco-Management and Audit Scheme (EMAS).

Reducing waste

Part of our work to protect the environment is aimed at systematic waste prevention with a particular focus on reducing hazardous waste, such as substances that are hazardous to water. To de-

crease this environmental burden further, we installed oil separators to support wastewater treatment at our location in Aguascalientes/Mexico, for example. This led to the production of around 530,000 liters less wastewater in 2020. The mixture of oil and water would otherwise have had to be disposed of as hazardous waste. The plant was thus able to reduce its total quantity of hazardous waste by around 40 percent. As a side benefit, the water recovered can be reused in other production areas or even utilized to irrigate green spaces. The measure is thereby also helping to reduce the plant's water requirements.

Energy management as a key component of environmental management

MAHLE is a producing company with a high real net output ratio. The energy consumed at our locations is a key aspect of our environmental management, because reducing our energy consumption not only protects the environment and saves resources, but it is also a powerful tool for cutting costs. Smelting and casting metals and carrying out plastics processing operations—primarily injection molding—are among the particularly energy-intensive production processes at MAHLE.

Carbon neutral by 2040

MAHLE supports the objectives of the Paris Agreement and strives to make further cuts to its CO₂ emissions. The goal is for MAHLE to be carbon-neutral by 2040 in terms of all direct CO₂ emissions and those associated with energy purchases (Scope 1 and Scope 2 in accordance with the Greenhouse Gas Protocol). To achieve this important target, we are taking action in four areas:

1. We aim to increase energy efficiency every year.
2. By operating our own photovoltaic systems, we want to generate some of the electricity we need from climate-friendly solar power.
3. In general, we want to make increasing use of renewable energy sources to cover our electricity demand in the future and thus minimize our CO₂ emissions.
4. In the long term, we will also use compensation measures to offset any remaining unavoidable CO₂ emissions.



Social engagement

MAHLE operates in a socially responsible manner and has been involved in numerous social projects and initiatives in the vicinity of its locations around the world for many years. Our workforce has always been the driving force behind these projects, with our staff also passionately supporting social causes outside their working hours. Our employees are engaged in a wide range of activities: They participate in projects aimed at fighting poverty,

German locations to be carbon-neutral from 2021

As far as our locations in Germany are concerned, their operation will be carbon-neutral from 2021 (Scope 1 and Scope 2 in accordance with the Greenhouse Gas Protocol). We will offset their electricity-based CO₂ emissions by purchasing guarantees of origin. We will also cancel out our non-electricity-based emissions using carbon credits.

Renewable energy for all MAHLE production plants in Austria

All our Austrian production plants—St. Michael ob Bleiburg, Vöcklabruck, and Mattighofen—have already been sourcing 100 percent of their electricity from renewables for many years. They are thus making an important contribution to climate protection at MAHLE. In 2020, for example, we managed to save around 10,300 metric tons of carbon dioxide compared with the European electricity mix in St. Michael alone.



Since it was founded, our filter plant in St. Michael has obtained its electricity from hydropower and other renewable energy sources.

are advocates of education, and support initiatives to promote social interaction. In 2020, our employees at many locations helped to limit the spread of the coronavirus.

MAHLE produces face masks

To help tackle the COVID-19 pandemic, many MAHLE locations around the world joined the fight against the virus. Following the

outbreak, special projects for producing face masks were launched very quickly in Brazil, the USA, and Austria. One of these projects enabled us to supply around 10,000 masks to the Filderklinik in Stuttgart/Germany by working with lingerie manufacturer Triumph. MAHLE supplied masks globally too, including to military personnel helping to carry out traffic stops in Rafaela and Garín, Buenos Aires Province/Argentina. In addition to 70,000 masks, the locations in Limeira, Mogi Guaçu, and Itajubá delivered disinfectant and other resources to hospitals and local institutions.

MAHLE gives to people in need

Together, we support families, children, and people who are experiencing social hardship. With a donation of EUR 2,700, the workforce in Hwasung/South Korea funded hot meals for elderly people in need and paid around EUR 2,300 in heating costs for people with low incomes. In the USA, employees from several locations donated USD 80,000 to the nonprofit organization United Way of America. Employees in Aguascalientes/Mexico raised money for elderly people in care homes by donating their mobile phones. With their regional Christmas campaigns, our locations once again made sure that the needy recipients could enjoy many moments of joy at this special time of year. The annual MAHLE Christmas wishes campaign in the Stuttgart region of Germany made over 200 wishes come true for socially disadvantaged people. In St. Michael/Austria, the location supported the Christmas letters campaign organized by the Caritas charity. Also at Christmas, the workforce in the Argentinian cities of Rafaela and Garín donated money to a local nonprofit organization.

MAHLE is committed to education

Our employees believe it is important to help young people in particular and to open up new horizons for them. Through donations at educational institutions, our locations made the wishes of many children come true once again in 2020. In Bangkok/Thailand, staff raised money for kindergartens in the local area. The proceeds went toward gifts, toys, and grants. In Markgröningen/Germany, employees donated money and Chocolate Santas to a local school for disadvantaged children.



In Itajubá/Brazil MAHLE donates masks and disinfectant to hospitals and local institutions.

MAHLE finds new approaches to social interaction

The MAHLE plant in Balassagyarmat/Hungary usually organizes an annual open day for employees' families. This was not possible during the year under review because of the coronavirus pandemic, but the workforce found a creative alternative. The employees' children were called upon to draw pictures on the theme of "How do you imagine your parents at MAHLE?" Many children answered the call and took up their crayons or watercolors, so that a gallery of the submitted pieces could be created in the plant dining hall.

Numerous employee-led volunteer initiatives

Through our high degree of social engagement, we are involved in many initiatives on a voluntary basis around the world. The charitable projects, donations, and fundraising campaigns outlined here are often instigated on the initiatives of our employees and represent just a selection of MAHLE's activities. The MAHLE Management Board would like to thank all the dedicated helpers for this outstanding commitment.

Daring to embrace the future— the MAHLE Foundation supports projects with great promise

For over 55 years, the MAHLE Foundation has been committed to health, education, art, culture, and agriculture. In 2020 too, the nonprofit organization opened up opportunities for more than 100 initiatives. Jürgen Schweiß-Ertl, Managing Partner of the MAHLE Foundation, offers some insights into specific projects undertaken in 2020.



Agriculture and food

On-farm slaughter: how animal welfare and meat consumption can be better reconciled

According to current EU legislation, animals whose meat is intended for sale may be slaughtered only in abattoirs or in mobile slaughter units. One exception in Germany are beef cattle that graze outdoors all year round. The MAHLE Foundation is supporting an initiative calling for on-farm slaughter to be permitted nationwide in the future, including on the very farms where the animals are reared. “On-farm slaughter puts animals under less stress. As a result, the questionable conditions previously associated with the slaughtering process can be significantly improved for the benefit of the animals. This is an important step when it comes to better reconciling animal welfare and meat consumption,” says Jürgen Schweiß-Ertl, Managing Partner of the MAHLE Foundation. Initial on-farm slaughter trials have already taken place. The MAHLE Foundation supports allowing livestock to be slaughtered on farms in Germany in the future.



Reconciling animal welfare: the MAHLE Foundation is supporting an initiative calling for on-farm slaughter to be permitted nationwide in the future.



Art and culture



StadtPalais Talks—Lifelines in Times of Change: a new format provides fresh food for thought

What will the Europe of the future look like? What is meant by Psyche 3.0? What kind of thinking will guide our journey into the future? These and many other questions are the subject of the current lecture series, entitled Humankind. Development. Future.—Lifelines in Times of Change. This program of events has been taking place in partnership between the MAHLE Foundation and the StadtPalais museum in Stuttgart/Germany since 2018. In the past year, the team behind the initiative has developed a new concept. “During the COVID-19 pandemic, we wanted to establish a format that would be informative in a similar way to an in-person event and would work with or without the presence of an audience,” says Jürgen Schweiß-Ertl. For the first time, the talk hosted by Markus Brock, a presenter on Germany’s Südwestrundfunk broadcasting network, was livestreamed on the Internet. Dr. Joel Berger, who for many years was the State Rabbi of Württemberg, was the guest for the first online event and gave insights into Jewish life in Stuttgart.

Necessity is the mother of invention: despite the lockdown, people should not have to miss out on the chance to enjoy music.

Stuttgart’s “Coronades”: making connections despite distance

Necessity is the mother of invention—a saying that held more truth than ever in 2020, the year of the COVID-19 outbreak. And the Stuttgart Coronade concerts were a case in point. The idea behind them was that despite the forced closure of theaters and cancellation of concerts due to the pandemic, people should not have to miss out on the chance to enjoy music. During the lockdown in the spring of 2020, Stuttgart-based performers played music in front gardens, in the courtyards of retirement homes, and on the streets, bringing joy into the everyday life of many people who were unable to welcome visitors. “As the MAHLE Foundation, we supported this project and are delighted that the artists were able to create an emotional connection to their audience despite the physical distance,” Jürgen Schweiß-Ertl sums up. In this way, the Stuttgart Coronade concerts enriched people’s lives at a difficult time.



Health and nursing care

One hundred years of anthroposophical medicine: a digital anniversary celebration

Originally, many celebrations had been planned to mark the centenary of anthroposophical medicine—with talks, events, and plenty of opportunities to get together in person. However, the coronavirus pandemic meant that the anniversary had to be celebrated in a different way—that is to say: digitally. The German-language website 100 Jahre Zukunft (100 years of future, <https://www.100jahrezukunft.de/>) thus became the digital hub for the centenary. The online offer comprises a multitude of interesting and moving anecdotes, in-depth information, and videos on the subject of anthroposophical medicine as well as stories about people whose lives have been profoundly affected by anthroposophical medicine. The MAHLE Foundation supported the creation of this interactive website.

Restructuring at the nursing education center: creating new pathways for nursing

Since it was founded, the Filderklinik has been the MAHLE Foundation's largest funding project. The organization also has its own nursing education center, which offers state-recognized training courses for caring professions. With the backing of the MAHLE Foundation, the center's education concept is now being completely redesigned in order to offer caregivers who are in training even more targeted support in their learning processes in the future. In the next three years, the project, entitled Learning Pathways—Enabling Personalized Learning in Nursing Education, aims to analyze learning processes in practical and theoretical aspects of training and to trial innovative learning concepts. One particular focus of the project is on providing personalized learning support. The project also wants to establish a closer link between theory and practice. "Whether in terms of learning or educational background, age, or language, the profile of trainees in the care professions is in a constant state of flux. The redesigned concept for nursing education at the Filderklinik takes account of these changes," Schweiß-Ertl explains.



Supporting the educational concept of the Filderklinik: making learning processes for trainees more goal-oriented



Education and upbringing

Joint activity:

Waldorf schools around the world battle the coronavirus crisis

In 2020, due to the coronavirus pandemic many of the world's approximately 1,250 Waldorf schools and 1,800 Waldorf kindergartens faced unforeseen challenges from an educational and financial perspective. The organization Freunde der Erziehungskunst Rudolf Steiners e.V. (Friends of Waldorf Education) has connections with many Waldorf schools around the globe, and it knows where schools need support. The MAHLE Foundation has provided intensive assistance by participating in the joint corona aid activities. The support provided by the MAHLE Foundation has been largely targeted at schools that are entirely dependent upon fees paid by parents and are not in receipt of state subsidies. During the pandemic, many parents were unable to pay any fees—a situation that caused great hardship to some schools.

Living Philosophy:

a character-building seminar

On the one hand, professional success involves having a good foundation in your subject area and, on the other, a strong character. Together with the MAHLE Foundation, the Kues Academy for European Intellectual History in Bernkastel-Kues/Germany has initiated a seminar entitled "Living Philosophy." This three-year course is aimed at people who want to further their personal development. Over 36 months, consisting of a foundation year and two advanced years, the participants themselves establish the basis on which to methodically develop their own characters and thus refine their own perception of themselves. The seminar is inspired by important philosophers and their philosophical ways of thinking and pursues this approach through to practical application.



Corona aids support Waldorf schools worldwide and facilitate the start of the school year 2021.

Further education in Media Pedagogy:

how media literacy is proving its worth in an era of homeschooling

The goal of a series of training courses for teachers at the Freie Hochschule Stuttgart is to make more effective use of digital media in education. The university's training program, which has been running successfully for two years, addresses questions such as: Which technology is it appropriate to use at what age? What is the best way to train teachers of particular ages? In 2020, the MAHLE Foundation continued to show its approval of the educational approach by providing support. Jürgen Schweiß-Ertl: "In these days of homeschooling, this further training is of particular benefit to teachers, because they can now use the technology and put it into practice in a much more targeted and educationally appropriate way."

Group manage



ment report

Fundamental information about the MAHLE Group **36**

Business activities and corporate structure	36
Business segments	37
Group strategy	38

Report on economic position **41**

Economic conditions	41
Business development	43
Net assets, financial position, and results of operations	47

Additional key performance indicators **51**

Human resources	51
Technology and innovation	53
Purchasing	54
Production, quality, and environment	54

Opportunity and risk report **56**

Outlook **59**

Fundamental information about the MAHLE Group

In times of economic upheaval, our background as a foundation provides stability.

We responded quickly to the coronavirus pandemic. Our goal: to protect the health of the workforce and continue to be a reliable partner for our customers.

At the start of 2020, we established the new Electronics and Mechatronics business unit, in which we are bundling key future business areas.

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. As part of its dual strategy, MAHLE is working both on the intelligent combustion engine for the use of hydrogen and other nonfossil fuels and on technologies that will help the fuel cell and e-mobility achieve broad acceptance in the markets.

Encompassing engine systems and components, filtration, and thermal management, our product portfolio addresses all the relevant technical aspects relating to the powertrain and air conditioning technology as well as their combination. What is more, our high level of systems competence and our expertise in electric and electronic components and systems allow us to offer integrated systems solutions for e-mobility.

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.

We took advantage of the chances presented by globalization at an early stage and enhanced our product portfolio by strategically founding and acquiring new business activities. With our around 160 production locations and twelve major research and development centers, we are represented on five continents and employ approximately 72,200 people overall.

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

OWNERSHIP STRUCTURE OF THE MAHLE GROUP

MABEG Verein zur Förderung und Beratung der MAHLE Gruppe e. V.	MAHLE-STIFTUNG GMBH
Company shares 0.1 %	Company shares 99.9 %
Voting rights 100 %	Voting rights 0 %
No profit-participation rights	Receives dividends to finance MAHLE Foundation projects

Sales: EUR 9,774 million | Headcount: 72,184

BUSINESS UNITS

PROFIT CENTERS & SERVICES

Engine Systems and Components	Filtration and Engine Peripherals	Thermal Management	Electronics and Mechatronics	Aftermarket	Motorsports and Special Applications	Large and Small Engine Components	Industrial Thermal Management	Control Units	Central service businesses
EUR 2,107 million	EUR 1,708 million	EUR 3,421 million	EUR 1,029 million	EUR 898 million	EUR 611 million				
24,458	9,487	20,449	8,659	1,798	7,333				
					Sales				
					Headcount				

rights. This structure ensures our entrepreneurial independence, which creates the basis for long-term planning and farsighted investment decisions.

A core management tool for our Group is our operating result—a key figure similar to EBIT. The main differences compared with EBIT lie in the amortization of goodwill, the depreciation and amortization of hidden reserves, which are disclosed in purchase price allocations, and in the treatment of income from the sale of business activities.

Business segments

Engine Systems and Components business unit

The Engine Systems and Components business unit is a mainstay of our business and represents one of our core fields of expertise. We have decades of development and systems know-how and rank among the global market leaders in most product groups. Our range of products, which we manufacture at various locations around the world, includes steel and aluminum pistons, piston rings, cylinder liners, bearings, and valve train systems. These products are used around the globe in passenger cars, commercial vehicles, large engines, and two-wheeled vehicles. We are continuously developing our portfolio, focusing in particular on reducing energy consumption as well as CO₂ and other emissions from combustion engines.

Filtration and Engine Peripherals business unit

We are one of the top-selling suppliers in many product groups in this area. In this business unit, we produce filter systems and components for the engine periphery with the aim of using our products to improve air cleanliness while also preventing contaminants in oil and fuel from damaging engines, in turn increasing their efficiency and service life. In recent years, we have worked in close cooperation with our customers to develop a modular system for all the major product groups—after all, the product environment can vary significantly, even in identical basic engines. In addition, development work has paved the way for special high-strength plastics to replace metals, thereby achieving further weight savings. For example, we are developing all-plastic oil filter modules with fully integrated oil pumps and oil cooling technology for use in the powertrains of electric vehicles.

Thermal Management business unit

Our solutions from the Thermal Management business unit for batteries, fuel cells, power electronics, and electric drives make extended cruising ranges, high levels of efficiency, and long service lives possible. As such, we are contributing to the development of zero-emissions powertrains. Thermal management is also becoming more and more important in the ongoing development of the combustion engine: Our increasingly effective and efficient cooling systems are helping to cut fuel consumption and thereby reduce CO₂ emissions. Our air conditioning innovations are laying the foundations for new design concepts for interiors and enabling a high degree of thermal comfort for vehicle occupants. In combination

with powerful mechanical and electric compressors and electric auxiliary heaters, this is producing decisive advantages for the overall vehicle air conditioning system in terms of consumption and, more specifically, range. In the thermal management sector, we are one of the largest suppliers on the world market.

Electronics and Mechatronics business unit

The demand for electric vehicles is steadily rising. Against this background, MAHLE combined its expertise in the fields of electronics and mechatronics in a new business unit on January 1, 2020. The latter encompasses the former Mechatronics division and the two profit centers Compressors and Pumps. The development and production of mechanical and electronic products for the automotive industry have also been incorporated into this business unit alongside further solutions for mobile applications. The overall importance to the Group of the Electronics and Mechatronics business unit's product portfolio—electric drive systems, actuators, auxiliary aggregates, and control and power electronics—is growing.

Our expertise in the development and manufacture of electric motors and of electronic and mechatronic systems forms the foundation of this business unit. In the year under review, we received orders for high-volume projects involving e-compressors and were approached for others. We also significantly increased the production volume of a highly integrated onboard charging system for battery electric vehicles and plug-in hybrids. However, our areas of competence extend beyond the bounds of the strictly automotive sector. For instance, we also supply electric drives for nonautomotive applications, such as for forklift trucks and golf carts. In 2020, we continued our success with e-bike drive systems for race bikes, gravel bikes, and city bikes with a comprehensive system for mountain bikes. In addition, we improved our position with regard to e-scooter drives on the Indian market.

Aftermarket business unit

Our Aftermarket business unit supplies wholesalers, automotive workshops, and electronic retail platforms all around the world with spare parts in original equipment quality as well as service units and services. In addition to our standard spare parts, such as engine components, filters, turbochargers, and mechatronic components, we also offer products for thermal management, such as thermostats, radiators, charge air coolers, and air conditioning compressors. With the full integration of the former joint venture Behr Hella Service GmbH (BHS), we have expanded the Aftermarket business unit's range of products and services.

Vehicle diagnostics, exhaust gas analyzers, and service equipment for maintaining air conditioning systems and automatic transmissions are now included in the Aftermarket portfolio in addition to services, such as technical support via our global network, customer training, and service information. In view of the diversity of today's vehicle technologies in the fleet, our innovative solutions are a key building block in our business partners' suc-

cess. We aim to continue expanding our competences, services, and product areas and to position MAHLE as a full-service provider. With needs-based product management, fast and reliable logistics processes, strong brands, and fair market prices, we can also offer our customers individual repair solutions and thus make workshops even more efficient.

Profit centers and services

Four business fields serving special market and customer segments are organized as profit centers: Motorsports and Special Applications; Large and Small Engine Components; Industrial Thermal Management; and Control Units. This structure allows us to offer our customers a high degree of flexibility as well as tailor-made applications and components, meaning we are able to give them targeted support in the development of specific new products. In addition to the profit centers, our central service businesses make a substantial contribution to our success. These include Purchasing, Sales, Advanced Engineering, Human Resources, IT, and Accounting and Finance. Furthermore, MAHLE Powertrain GmbH offers engineering services to both internal and external customers.

Group strategy

Our Group strategy is based on the analysis of relevant megatrends from which we have developed various future scenarios. Five trends are having a particularly powerful impact on the automotive industry:

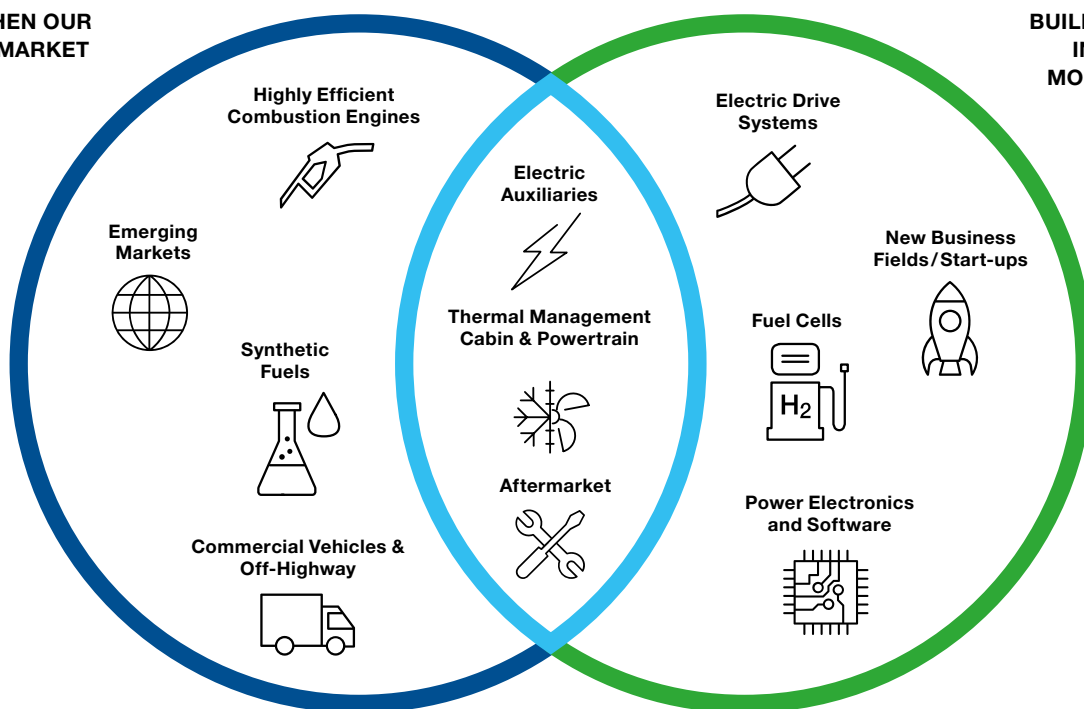
- Climate change (including the political climate targets)
- Ongoing urbanization
- Global population growth
- The increasing importance of Asia as an economic region
- Digitalization

These developments demand innovative mobility solutions and present the automotive industry with new challenges. In addition to the expansion of car-sharing options and public transport, the increasing electrification of the powertrain, the growth in digital networking of vehicles, and (partially) autonomous driving are taking center stage. Digitalization is playing an ever-greater role, and not only on the roads, but also in our internal company processes, through subjects such as Industry 4.0, big data, and the automation of administrative and production-related processes. What's more, the megatrends go hand in hand with changes within our customer landscape, for example, due to new suppliers of electric vehicles or innovative digital business models.

How quickly this structural change takes place will depend on which technical solutions succeed in holding their ground in the market and, to an ever-increasing degree, on political demands. The importance of technologies such as hybrid or electric drives is growing for passenger cars and light commercial vehicles in urban distribution transport, as are alternative usage models like car

STRENGTHEN OUR EXISTING MARKET POSITION

BUILD THE FUTURE IN A CHANGING MOBILITY WORLD



sharing. The combustion engine will remain significant for medium-sized and heavy-duty commercial vehicles in the short and medium term, but alternative drive types such as hybrid, electric, and fuel cell drives are becoming more important and complementing existing technologies in this area too. Overall, we expect the trend—away from combustion engines powered by conventional fuels and toward alternative drives—to progress more quickly in the passenger car segment than for commercial vehicles. As regards the latter, we anticipate that the combustion engine will remain central to mobility in the global markets in the years to come.

MAHLE has derived its dual strategy on the basis of these assumptions and findings:

1. Strengthening existing business segments: From a technology perspective, we would like to assume a leading role in the ongoing development of the combustion engine—especially in terms of its operation using climate-neutral hydrogen or e-fuels—and ensure the highest possible level of competitiveness in terms of quality and costs. In the process, we will primarily concentrate on exploiting further CO₂ savings potential with regard to friction, thermal management, and the air pathway. We believe that the use of synthetic fuels and green hydrogen presents even greater potential for reductions in CO₂ emissions, which is why we are consistently aligning our product portfolio to suit their use. By doing so, we are offering our customers solutions that are consistent with both current and future legislation and making a significant contribution to reducing emissions.
2. Developing solutions for future mobility scenarios: At the same time, we will push ahead with the development of innovative solutions and products for alternative powertrain technologies and expand the affected business segments. Business segments that are independent of the OEM business for passenger car combustion engines today already account for about 60 percent of our Group sales. We intend to further increase this share on an ongoing basis.

Our dual strategy is also reflected in our thermal management activities. Overall, the importance of efficient thermal management will continue to grow, not only in conventional but also particularly in alternative drive systems. To strengthen this business segment in the long term, we signed a contract to take over the air conditioning business of Keihin Corporation (now known as Hitachi Astemo, Ltd., hereafter abbreviated to Keihin) in Japan, Thailand, and the USA during the year under review, and completed the acquisition on February 1, 2021. In recent years, we have already developed and marketed many thermal soaking innovations in the thermal management product area—both for the cabin and for the powertrain, including the battery. We will continue to pursue this innovative approach resolutely.

We have substantially amplified our activities in electronics and mechatronics in the past year. In organizational terms, we merged all core competences from these fields into the new Electronics and Mechatronics business unit in 2020, thus positioning ourselves even more effectively. By taking this step, we plan to continue extensively developing our electronics competence with the aim of offering our customers even better systems solutions for electric vehicles with regard to thermal management and the powertrain. Our customers in Asia in particular prefer highly integrated solutions of this kind. Furthermore, we intend to expand

our portfolio for electric motors in passenger cars and commercial vehicles as well as in two-wheeled vehicles, which are playing an ever-greater role in urban mobility around the world.

We are pursuing a holistic approach in terms of both the development of solutions for alternative powertrain technologies and the optimization of the combustion engine. It is not only the electric motor that is decisive for efficiency in an electric vehicle, but also the interplay of various technologies: for example, the cruising range of an electric vehicle can be increased by means of intelligent thermal management. Equally, a combustion engine's overall system can also be used more efficiently when it is adapted to run on synthetic hydrogen or e-fuels.

As part of our dual strategy, we review our portfolio as well as the strategic direction and economic performance of the Group on an ongoing basis. One of our strategic goals is to evenly distribute sales across our customers and core markets in Europe, North and South America, and Asia/Pacific, giving special attention to the Asian growth market. We consider our global presence to be an important prerequisite for proximity to our customers and for developing innovations in line with the demands of the individual markets.

Report on economic position

In line with the slump in vehicle markets worldwide, our sales fell organically by around 17 percent in the year under review.

We acted quickly in the crisis and consistently adjusted our cost structure to match the changed market conditions.

The measures introduced led to restructuring expenses that significantly impaired the result in 2020.

Economic conditions

Overall economic development

In 2020, the global economy suffered hugely as a result of the coronavirus pandemic and the associated lockdowns and restrictions. According to the January report of the International Monetary Fund (IMF), global economic output shrank by 3.5 percent, compared with growth of almost 3 percent in 2019. Governments around the world attempted to support the economy through subsidy and investment measures. Nevertheless, economic output fell by almost 5 percent in the advanced economies and by over 2 percent in the developing and emerging markets.

According to the IMF, economic growth in the euro zone shrank by around 7 percent as a result of the pandemic (2019: +1.3 percent). Spain, Italy, and France were impacted particularly badly, and infection figures were also especially high in these countries. EU-wide packages of measures were only able to partially cushion the economic downturn.

In North America, the USA recorded a decline of more than 3 percent; in 2019, the world's largest national economy had grown by a good 2 percent. South America was hit even harder, with Brazil above all suffering a fall of almost 5 percent.

Among the nations of the Asia/Pacific region, China came through the year of the pandemic outbreak comparatively well from an economic perspective. It was the only major national economy to record growth, although, at just over 2 percent, this was considerably weaker than in the previous year (2019: +6.0 percent). China, which had been the first country in the world to be affected by the pandemic, succeeded in stemming the incidence of infection through strict restrictions and curfews to such an extent that economic activity quickly regained momentum. It was a different story

in India, where the severe collapse in investment and private consumption caused the economy to contract by 8 percent. In Japan too, economic output declined by 5 percent.

Exchange rate development

The MAHLE Group operates worldwide and therefore also transacts business in foreign currencies. Exchange rate movement is of central importance in this respect, because it affects the conversion of financial data for accounting purposes.

Almost all trading currencies of particular significance for our company lost value against the euro in the 2020 business year. The Japanese yen was an exception, showing no material change against the euro. By contrast, other currencies depreciated, in some cases losing significant value, such as the Argentine peso (-35 percent), the Brazilian real (-25 percent), the Turkish lira (-21 percent), the Mexican peso (-12 percent), the Chinese renminbi (-2 percent), and the US dollar (-2 percent).

As far as we are concerned, exchange rate fluctuations are generally closely linked to financial and economic risks. That is why, wherever possible, we use a process known as natural hedging: by operating production locations in all major sales regions, we reduce the impact of currency turbulence and exchange rate fluctuations on the Group, thus also minimizing the associated risks.

North America

- Overall economy ↘
- Passenger cars and light commercial vehicles ↓
- Medium-sized and heavy-duty commercial vehicles ↓

Exchange rate

- USA (USD) ↘
- Mexico (MXN) ↓

Europe

- Overall economy ↓
- Passenger cars and light commercial vehicles ↓
- Medium-sized and heavy-duty commercial vehicles ↓

South America

- Overall economy ↘
- Passenger cars and light commercial vehicles ↓
- Medium-sized and heavy-duty commercial vehicles ↓

Exchange rate

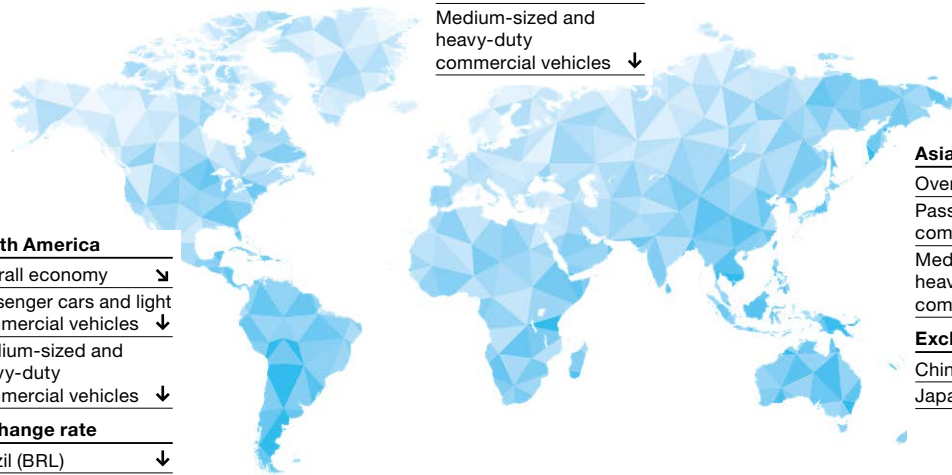
- Brazil (BRL) ↓
- Argentina (ARS) ↓

Asia/Pacific

- Overall economy ↘
- Passenger cars and light commercial vehicles ↓
- Medium-sized and heavy-duty commercial vehicles ↑

Exchange rate

- China (CNY) ↘
- Japan (JPY) →



Exchange rate development of various foreign currencies against the euro (EUR) as measured by the average market price compared with the previous year: Argentine peso (ARS), Brazilian real (BRL), Chinese renminbi (CNY), Japanese yen (JPY), Mexican peso (MXN), US dollar (USD)

Development of the markets for passenger cars and light commercial vehicles

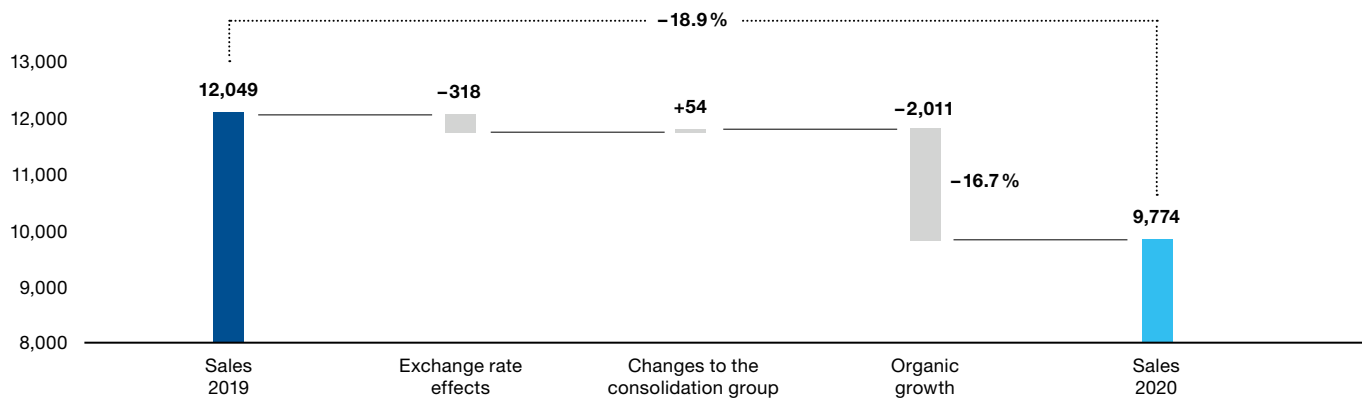
In the year under review, the pandemic caused a significant fall of around 16 percent in the global production of passenger cars and light commercial vehicles. This means that the downward trend observed in recent years has again worsened considerably—around 22 percent fewer vehicles were produced in 2020 compared with the peak in 2017. In Europe, manufacturing collapsed dramatically in the second quarter in particular, with production and demand picking up speed again in the third and, above all, fourth quarters. A similar picture emerged in North America where, due to high COVID-19 case rates and the uncertainty surrounding the presidential election in the United States, production fell by around 20 percent. South America also suffered badly from the pandemic and from a severe slump in the job market, a situation aggravated by the significant weakening of various national currencies. At well over 20 percent, India’s drop in production due to the pandemic was one of the steepest in the world. The lockdown brought production and demand to an almost complete standstill. The market recovered very sluggishly at first but picked up again in the final quarter of 2020. China was the only country where demand and production bounced back quickly, meaning that it came through the crisis comparatively well with a decline of around 4 percent over the year as a whole.

Development of the markets for medium-sized and heavy-duty commercial vehicles

In 2020, the production of medium-sized and heavy-duty commercial vehicles was about 6 percent below the previous year. In North America above all, the market experienced a severe slump of almost 30 percent. Here, the cyclical downturn in heavy-duty commercial vehicles was amplified by the coronavirus-related decline in economic output. These effects also converged in Europe, causing production figures to fall significantly. Clear shortfalls were likewise evident in South America and India. China, however, was the driving force in the commercial vehicle market. Boosted by massive infrastructure investments by the Chinese government, production figures in the country dramatically exceeded expectations with an increase of over 30 percent.

SALES BRIDGE in EUR million

■ 2019 ■ 2020



Business development

Development of the MAHLE Group

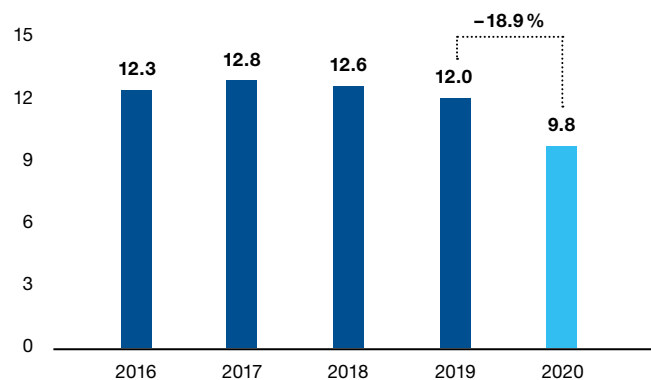
In the 2020 business year, the MAHLE Group achieved sales of EUR 9.8 billion, compared with EUR 12.0 billion in the previous year. Our sales therefore declined organically (i.e., after adjustment for exchange rate effects and changes to the consolidation group) by 16.7 percent, which roughly corresponds to the downturn in the global market for passenger cars and commercial vehicles.

The steep decline in sales was largely due to the COVID-19 pandemic and its economic consequences, which also had a severe impact on the automotive and commercial vehicle industry. As such, we were confronted with a range of challenges, including a temporary shutdown in production by numerous vehicle manufacturers, primarily during the first lockdown in March and April. The consequence for MAHLE was a drastic fall in sales. As the international markets began to recover over the remainder of the year, our sales stabilized in the final months, although at a lower level compared with 2019. Moreover, sales were adversely impacted by negative exchange rate effects amounting to EUR 318 million caused by the devaluation against the euro of key trading currencies such as the Argentine peso and Brazilian real. At EUR 54 million, changes to the consolidation group had a positive impact—albeit only to a minor extent. This was due in particular to the first-time full consolidation of the joint venture BHS, which was previously proportionately consolidated.

Overall, the 2020 business year was dominated by COVID-19. We assembled a global crisis team at an early stage with the goal not only of protecting the health of our workforce, our business partners, and society as a whole, but also of enabling the continued operation of our company by ensuring safe processes in production, the supply chains, administration, and other business activi-

ties. Furthermore, we set up dedicated working groups at our international locations and continuously shared updates on the coronavirus situation from the Management Board, crisis team, and employees in charge of the individual work packages. Nevertheless, in view of the dramatic slump in almost all international markets in the wake of the global spread of COVID-19 in the spring, we were forced to pause manufacturing at almost all plants around the world. Moreover, we temporarily closed some regional headquarters to break chains of infection. Over the course of the year, we took successive supplementary measures to minimize the consequences of the coronavirus crisis. These included employee-focused measures, such as the provision of protective materials, as well as activities aimed at wider society, for example, the

DEVELOPMENT OF SALES 2016–2020 In EUR billion



in-house production of protective masks to be given away to distribution centers and hospitals. As part of our business-related response, we also adapted our cost structure in line with the reduction in demand caused by the pandemic. To that end, we made use of flexible instruments worldwide, such as short-time work and other governmental support measures aimed at safeguarding employment.

Despite these steps, the urgent need for Group-wide cost discipline and the resolute pursuit of our technological transformation has again increased due to the coronavirus pandemic. We therefore continued to focus on the structural reorganization of the MAHLE Group in the year under review, the first step being the further implementation of the restructuring measures announced back in 2019. In addition, we have thoroughly evaluated our business areas, regions, and locations and, in September 2020, identified excess capacities across the Group of 7,600 jobs, of which 3,700 are in Europe. Consultations on this matter are now underway with the employee representatives in order to discuss the necessary measures and to plan their implementation.

In spite of the heavy economic strain experienced in the year under review, we continue to focus intensively on the Group's technological transformation and on our strategic goals. At the beginning of the year under review, for instance, we created the new Electronics and Mechatronics business unit on the foundations of the former Mechatronics division and the two profit centers, Compressors and Pumps. This allows us to continue driving forward our future technologies and play an active role in shaping the transformation of the automotive industry.

At the same time, we strengthened our established business segments: On the one hand, this relates to our core business in ther-

mal management, with the increase in our shareholding in the MAHLE Behr Group. Furthermore, through our acquisition of Keihin's air conditioning business in Japan, Thailand, and the USA, we intend to improve our global position in air conditioning technology, and in particular our market access in Japan and Southeast Asia. On the other, we expanded our aftermarket business in thermal management products by acquiring all the shares in the former joint venture BHS. We also streamlined our portfolio of participations and sold our 50 percent share in the Austrian company MAHLE König GmbH to the König founding family.

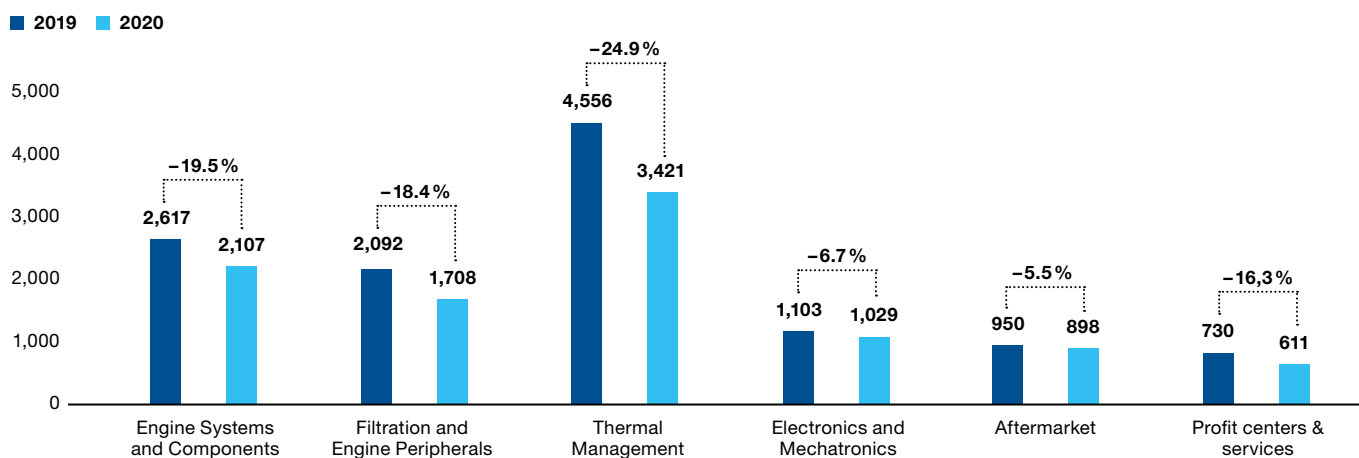
Development of the business segments

The challenging market conditions led sales to slump in all of our business segments. However, certain key future growth areas proved to be very robust and recorded comparatively moderate declines in sales.

Engine Systems and Components business unit

Sales in our Engine Systems and Components business unit amounted to EUR 2,107 million in 2020 and were thus 19.5 percent below the previous year's value. We recorded the most severe falls in sales in camshafts, passenger car gasoline and diesel engine pistons, and bearings. In contrast, we again succeeded in increasing sales of steel pistons for passenger cars in both Europe and North America. Nevertheless, these two markets—both key sales regions for this business unit—experienced very significant declines in sales overall. As a result of a tougher competitive environment, we had to carry out capacity adjustments and relocations to sites in Eastern Europe. It was in this context that our joint location in La Loggia/Saluzzo in Italy was closed in the year under review and the closure of the Gaidorf location in Germany was announced. Overall, revenues also fell significantly in

SALES BY BUSINESS SEGMENT in EUR million



the South America and Asia/Pacific regions, with Asia/Pacific nevertheless remaining the best-performing region in the world on a comparative basis with a decline in sales of 6.9 percent after adjustment for exchange rate effects. In addition to the sales growth in individual product groups, this was due to the Chinese market, which recovered most quickly from the COVID-19 crisis.

Filtration and Engine Peripherals business unit

Sales in the Filtration and Engine Peripherals business unit were 18.4 percent lower than in 2019, at EUR 1,708 million, due to the coronavirus pandemic. Almost all product groups were affected, although the spare parts business for the maintenance and repair of original parts was able to cushion the declines to some extent. Our sales of tank ventilation systems were also higher in the Asia/Pacific region. On a regional basis, we benefited from the rapid recovery of the Chinese market—our sales in China were even significantly higher than in 2019 after adjustment for exchange rate effects. As a consequence, the Asia/Pacific region performed best, with a 6.3 percent decline in sales after adjustment for exchange rate effects. In Europe, as previously announced, we closed our plants in Telford/Great Britain and Öhringen/Germany. Conversely, we expanded our plant in Timisoara/Romania.

Thermal Management business unit

Sales in the Thermal Management business unit fell by 24.9 percent to EUR 3,421 million, to which the extreme downturn in the very high double-digit range in April 2020 was the primary contributing factor. Although there was a recovery in the months that followed, sales figures remained below the same months of the previous year. Overall, sales of components for e-mobility applications, such as battery cooling, were less severely affected by the decline. Concerning components for battery electric vehicle platforms, we broadened our portfolio thanks to key project launches. Sales in the Asia/Pacific region recovered the fastest from the influence of the coronavirus pandemic, and so we were even able to achieve higher sales to commercial vehicle customers. Overall, however, there was an organic decline in sales of 11.1 percent in this region. In the other regions, on the other hand, our sales development correlated strongly with the proportion of sales in each region linked to commercial vehicles. At 40.0 percent, the drop in sales after adjustment for exchange rate effects in the South America region was thus particularly steep due to the high proportion linked to commercial vehicles, whereas Europe and North America, at 24.5 percent and 22.8 percent respectively, benefited from commercial vehicles accounting for a relatively low proportion of sales.

Electronics and Mechatronics business unit

The Electronics and Mechatronics business unit achieved sales of EUR 1,029 million in the year under review. Compared with the sales figures for the Mechatronics division and the two profit centers, Compressors and Pumps, from which the new business unit evolved in 2020, this corresponds to a decline of 6.7 percent compared with 2019. Adjusted for negative exchange rate effects, the organic sales deficit amounted to about 4 percent. This

decline was primarily caused by the COVID-19 pandemic. But there were also successes to report: With our onboard charging systems, we are producing the first high-volume products in the Control and Power Electronics area in Motilla del Palancar/Spain, and we are also manufacturing a traction motor for electric vehicles in large quantities in Šempeter pri Gorici/Slovenia. From a regional perspective, Asia/Pacific—MAHLE's second-largest region in this business unit—increased its 2019 sales level organically by 1.5 percent. In Europe, our largest sales market, we registered sales losses of 0.3 percent after adjustment for exchange rate effects. With a fall in excess of 10 percent after adjustments, the greatest drop in sales was recorded in the North America and South America regions.

Aftermarket business unit

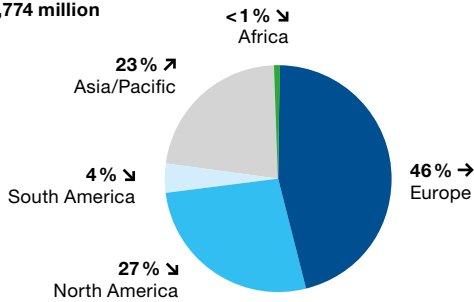
In the Aftermarket business unit, we generated sales of EUR 898 million, 5.5 percent less than in 2019. Negative effects arising from currency conversion were largely offset by positive sales effects from the first-time full consolidation of the subgroup BHS. Organically, sales fell by 4.0 percent due to the coronavirus pandemic. Beginning in May, we benefited from the revival of the Chinese market. A broader market recovery then became apparent at the end of the second quarter. In absolute terms, engine components and filter products were most affected by the pandemic-related low demand. But on the positive side, the completed integration of the former joint venture BHS led to a strong market presence in the thermal management segment of the independent aftermarket, thus building on the business unit's robust position in the engine components and filter products segments.

Profit centers and services

In our profit centers and services, we achieved sales amounting to EUR 611 million, although the merger of the two profit centers Compressors and Pumps into the new Electronics and Mechatronics business unit must be taken into account when making a comparison with 2019 figures. If the sales of the remaining profit centers and services are adjusted for negative exchange rate effects, this gives an organic sales deficit of 15.7 percent. All in all, Control Units—our strongest profit center in terms of sales—and the Large and Small Engine Components profit center were least affected by the downturn.

SALES BY REGION

Total:
EUR 9,774 million



The directional arrows (↗↘) show the change in the proportion of sales compared with the previous year.

Development of the regions

The MAHLE Group operates around the world with production and development locations in 30 countries. As a result, we are close to our customers and able to cooperate with them directly while also responding flexibly to regional market fluctuations.

In all regions, the weak demand in the automotive markets caused by the pandemic led to substantial double-digit declines in sales. The only exception was Asia/Pacific, where the Chinese market's rapid recovery partially offset the sales losses in other countries. Nevertheless, we recorded an overall organic decline in sales of 6.6 percent as at the end of the year. At -36.9 percent, the drop in the South America region was the most severe, with a significant share of the shortfall being attributable to extremely negative exchange rate effects. In the following, we provide an overview of the detailed development in the regions, based on sales by country of production:

Europe

Sales in the Europe region amounted to EUR 4,520 million in the year under review—a fall of 18.8 percent compared with 2019. After adjustment for exchange rate effects, however, the decline was somewhat less severe. Sales were impaired above all by the coronavirus pandemic and the associated cooling-off of activity in the automotive and commercial vehicles sector. In Europe, the automotive industry collapsed dramatically in the second quarter in particular, with production and demand slowly resuming in the third quarter. Overall, our two largest business segments plus the Filtration and Engine Peripherals business unit were the hardest hit with sales losses of between 20 and 25 percent, whereas growth after adjustment for exchange rate effects in the Electronics and Mechatronics business unit and Aftermarket remained stable.

North America

In North America, we achieved revenue of EUR 2,618 million, which is 22.8 percent below the 2019 value. In organic terms, the decline in sales was somewhat less pronounced. Besides the persistently high COVID-19 case rates, the uncertainty concerning the US presidential election was a factor in the weak demand. Except for Aftermarket, all our business units were equally impacted by this situation and recorded declines in sales of over 15 percent.

South America

Sales in South America fell by 36.9 percent to EUR 398 million. However, account must be taken of negative exchange rate effects of EUR 144 million from the devaluation of the Argentine and Brazilian currencies against the euro. Excluding these effects, the decline in sales was significantly lower at -14.0 percent. The drop was predominantly due to the pandemic and the associated collapse of the job market. Our Thermal Management business unit was particularly badly affected with sales losses after adjustment for exchange rate effects of 40.0 percent. The reason for this is its high proportion of South American commercial vehicle customers who experienced a massive fall in demand.

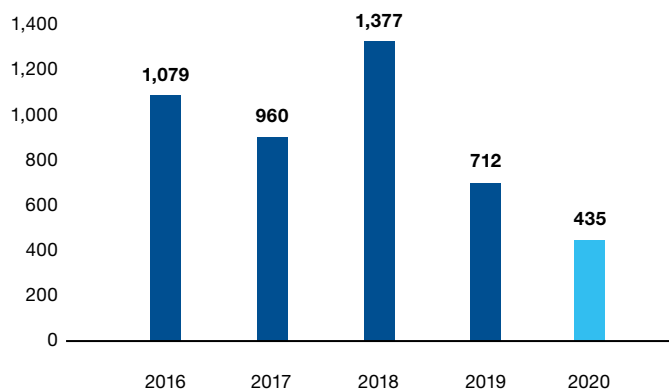
Asia/Pacific

In the Asia/Pacific region, sales in the year under review were 8.4 percent below the 2019 value (in organic terms: -6.6 percent) at EUR 2,201 million. Overall, the region's revenue shrank the least on a comparative basis, which was primarily due to the Chinese market, where demand and production latterly resumed a clear upward trend. Our three largest business units recorded declines in sales of between 6.0 and 11.0 percent after adjustment for exchange rate effects. Despite the difficult situation, Aftermarket remained comparatively stable in this region at -0.9 percent after adjustment for exchange rate effects.

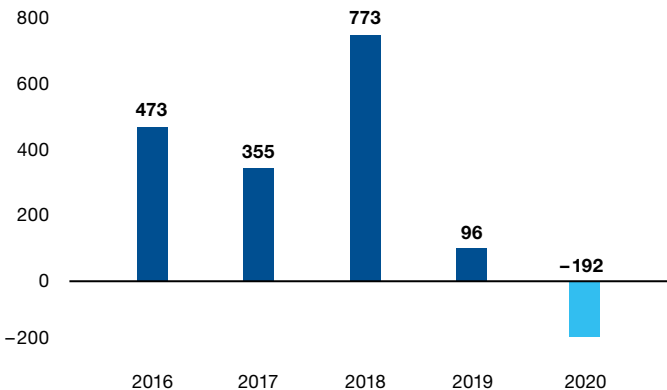
Africa

With a drop of 33.2 percent, sales in the Africa region fell very considerably to EUR 37 million. Adjusted for negative exchange rate effects, on the other hand, the decline was markedly lower at 23.0 percent. Revenues in our smallest region were primarily generated in the Thermal Management business unit.

DEVELOPMENT OF EBITDA 2016–2020
in EUR million



DEVELOPMENT OF EBIT 2016–2020
in EUR million



Net assets, financial position, and results of operations

Results of operations

In the 2020 business year, MAHLE generated sales of EUR 9.8 billion, compared with EUR 12.0 billion in the previous year. The slump of 19 percent was primarily attributable to the economic impact of the COVID-19 pandemic and exacerbated by negative exchange rate effects. This also influenced our result from business activities massively, which, at EUR –302 million was likewise substantially lower than in the previous year (2019: EUR 10 million).

In addition to the direct consequences of the coronavirus pandemic, our earnings situation was particularly impacted by special effects in the year under review. The technological change in the automotive supply industry has further intensified the need to make capacity adjustments. Accordingly, we made substantial accruals in the year under review for essential restructuring measures. This was counteracted by the one-time income from an insurance settlement in connection with a warranty claim relating to previous periods. In total, the two special effects impacted our result by around EUR 260 million. Compared with the previous year's figure, which was also adjusted for restructuring expenses, the result from business activities adjusted for special effects was lower in the reporting year by a figure in the low hundreds of millions. This shows that we were able to successfully cushion the negative effects of the significant decline in sales on the profit side, and is due in particular to the fact that we quickly adjusted our cost structure to the lower demand caused by the pandemic. Despite these efforts and the gradual recovery of the international markets

over the course of the year, it was not possible to achieve the figures forecast in 2019—before the outbreak of the coronavirus pandemic—for organic sales growth and the result from business activities. The aforementioned effects had a strong negative impact on our operating income figures EBITDA and EBIT, as well as on the operating result used for internal steering, a key figure similar to EBIT but adjusted for individual circumstances.

The major income statement items developed as per the following details: Cost of sales amounted to EUR 8,445 million, which is EUR 1,690 million below the previous year's value. The cost of sales ratio increased markedly, from 84.1 percent to 86.4 percent. The main reason for this rise is the drop in sales caused by the coronavirus pandemic; although crisis measures were introduced, such as shutting down numerous production locations, it was simply not possible to reduce the cost of sales to the same extent immediately. Moreover, the cost of sales was negatively impacted by the high expenses associated with restructuring measures caused by capacity adjustments; the same also applies to the expense items described below. We reduced our selling expenses by a good 7 percent to EUR 520 million; general administrative expenses fell from EUR 520 million to EUR 473 million. This is primarily attributable to the rapid variabilization of significant fixed costs with respect to personnel and material expenses. At EUR 644 million (2019: EUR 751 million), our Group-wide research and development expenditure remained at a high level in the year under review, despite the difficult conditions. The balance of other operating income and expenses increased significantly by almost EUR 100 million in comparison with the previous year. The main reason for this was the one-time income in connection with an insurance settlement, as mentioned above. Owing to the acquisitions made in previous years—with the exception of research and development expenses and administration costs—all cost items

CONSOLIDATED INCOME STATEMENT
in EUR million

	2020	in %	2019	in %
Sales	9,774	100.0	12,049	100.0
Cost of sales	8,445	-86.4	-10,136	-84.1
Gross profit on sales	1,329	13.6	1,913	15.9
Selling expenses and general administrative expenses	-993	-10.2	-1,080	-9.0
Research and development expenses	-644	-6.6	-751	-6.2
Other operating income and expenses	130	1.3	31	0.3
Financial result	-124	-1.3	-104	-0.9
Result from business activities	-302	-3.1	10	0.1
Taxes on income	-98	-1.0	-189	-1.6
Result after taxes	-400	-4.1	-180	-1.5
Other taxes	-33	-0.3	-32	-0.3
Consolidated net loss/net income	-434	-4.4	-212	-1.8
EBIT	-192	-2.0	96	0.8
EBITDA	435	4.4	712	5.9

were negatively influenced by the effects of purchase price allocations in accordance with the German Commercial Code (HGB). In total, these amounted to EUR 118 million before tax and include EUR 48 million relating to amortization of goodwill.

The further substantial decrease in EBIT from EUR 96 million in 2019 to EUR -192 million in the year under review was due not only to the direct impact of the exceptional situation caused by the pandemic, as outlined above, but also to the creation of restructuring accruals. Accordingly, the EBIT margin also decreased significantly to -2.0 percent (previous year: 0.8 percent). Adjusted for the effects of the purchase price allocations and the amortization of goodwill, the EBIT margin was -0.8 percent.

The financial result deteriorated by EUR 20 million to EUR -124 million in 2020 compared with the previous year. This was largely due to the impairment of financial assets and the lower result from associated companies. In line with the decline in result, taxes on income also decreased, with the corresponding expenditure falling by EUR 91 million in comparison with the previous year. Nevertheless, despite the negative Group result, taxes on income amounted to EUR 98 million. The tax expenditure can be explained, in particular, by the nonrecognition of deferred tax assets concerning tax loss carryforwards and to valuation allowances on deferred tax in respect of temporary differences. Other factors contributing to the tax burden were positive results of individual companies that cannot be consolidated for tax purposes with losses of other Group companies and withholding taxes unrelated to profit. At EUR 33 million, other tax expenses remained at the

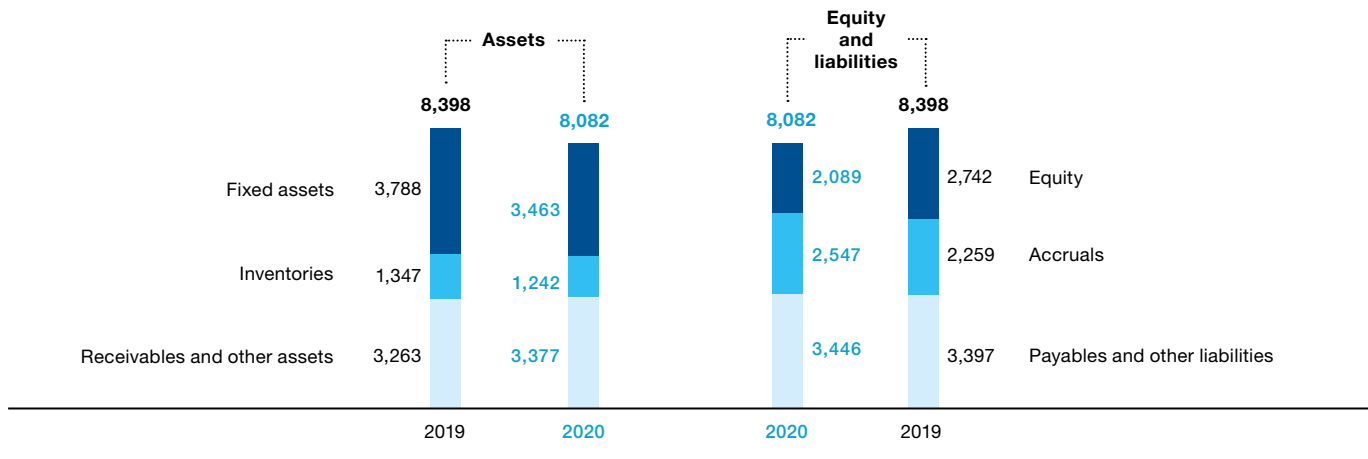
previous year's level. Consequently, the overall result was a net loss for the year of EUR 434 million (2019: net loss for the year of EUR 212 million).

Net assets position

As at the balance sheet date of December 31, 2020, our balance sheet total had decreased by EUR 316 million to EUR 8,082 million in comparison with 2019. The decline is primarily attributable to negative exchange rate effects, but also reflects the drop in business volume caused by the coronavirus crisis and our efforts to reduce our capital commitment. At EUR 3,463 million, fixed assets were significantly below the previous year's level. Tangible fixed assets decreased by EUR 243 million owing to negative exchange rate effects and lower investments in technical equipment and machinery in connection with the reduced sales volume. Furthermore, intangible fixed assets declined by EUR 63 million. Additions to intangible assets, which were mainly connected with the acquisition of further shares in MAHLE Behr as at January 1, 2020, were more than offset by amortization. This essentially related to the amortization of goodwill and hidden reserves, which were disclosed as part of purchase price allocations.

Current assets of the MAHLE Group exceeded the previous year's level by EUR 19 million, amounting to EUR 4,319 million. This is attributable to the significant increase in our cash holdings of over EUR 300 million to EUR 871 million. The substantially strengthened cash position reflects our successful ongoing work to optimize net working capital. In addition to our own efforts, exchange

BALANCE SHEET STRUCTURE OF THE MAHLE GROUP
in EUR million



rate effects also contributed to a reduction of EUR 105 million in inventories and EUR 177 million in trade receivables in comparison with the previous year.

NET DEBT ON OUR BALANCE SHEET REDUCED BY

31%

COMPARED WITH THE PREVIOUS YEAR

Our equity declined in 2020, by EUR 654 million to EUR 2,089 million. This is essentially due to the net loss for the year and negative exchange rate effects of EUR 163 million. Our improved cash position also had the effect of extending the balance sheet, which contributed around 1 percentage point to the decline in the equity ratio from 32.7 percent to 25.8 percent. Accruals rose to EUR 2,547 million, which corresponds to an increase of EUR 287 million in comparison with the end of the previous year. This is mainly caused by the setup of extensive restructuring accruals. In addition, guarantee and risk accruals increased by EUR 60 million and accruals for pensions by EUR 36 million, the latter primarily owing to interest effects. An increase of EUR 152 million was recorded in trade payables—this was positively impacted by our efforts to improve payment terms. Conversely, we reduced liabilities to banks by EUR 112 million. Taking the rise in our cash holdings into account, net debt on our balance sheet decreased significantly from EUR 1,340 million to EUR 925 million in the year under review.

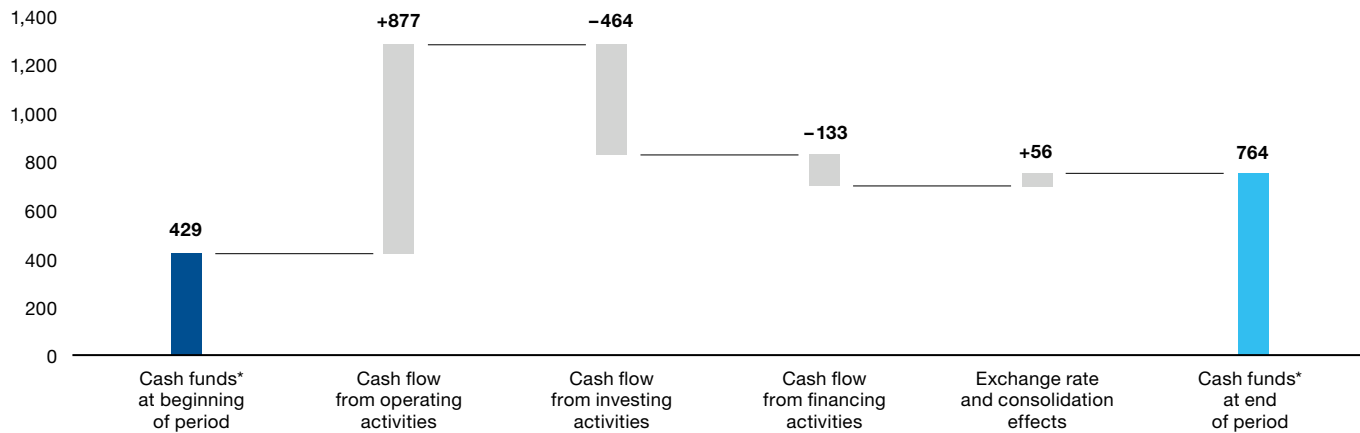
Financial position

As part of its global growth, MAHLE has established a broad basis for its Group financing over the past few years and improved its diversification. Our financing portfolio includes syndicated credit lines, German private placement loans, bilateral loans, and euro-denominated corporate bonds. With our conservative financing policy, we are pursuing the objective of an implicit investment grade risk. This positioning is also reflected by the moderate leverage and solid equity ratio.

In order to gain greater room for maneuver during the coronavirus pandemic, we decided in June 2020 to agree a further syndicated credit line amounting to EUR 500 million and maturing in 2023. This additional liquidity provision supplements our existing syndicated credit line of EUR 1.8 billion, whose term runs until 2024. As at the end of the year under review, the unused but firmly committed credit lines amounted to EUR 2,432 million, which, as in the case of the cash holdings, contributed to the financial stability of our Group. Our cash holdings were diversified across various banks that were selected according to rating criteria.

We closed the 2020 business year with a positive cash flow of EUR 279 million. The main factor was the cash flow from operating activities of EUR 877 million. Despite the Group's clearly negative net loss for the year, the cash flow from operating activities increased significantly due to reduced capital commitment in net working capital and high noncash expenses for the creation of restructuring

CASH FLOWS in EUR million



* Cash in hand, bank balances with an initial term of less than 3 months, and checks less liabilities to banks with an initial term of less than 3 months

accruals. At EUR 464 million, the net cash outflow arising from our investing activities was lower than in 2019, largely as a result of reduced expenditure on tangible fixed assets. Our cash flow from operating activities completely covered our cash requirements for investments in the year under review. The cash flow from financing activities showed a net cash outflow of EUR 133 million (2019: net cash inflow of EUR 303 million). The significant change as compared with the previous year is due to the fact that no new bonds were issued or German private placement loans taken up in 2020; instead, we reduced financial liabilities.

Investments

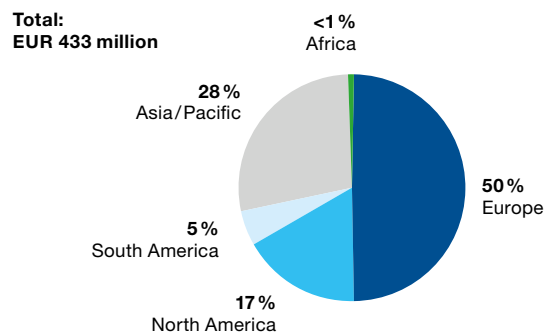
The influence of the pandemic was also reflected in the MAHLE Group's investments: At EUR 433 million, our investments in tangible fixed assets were EUR 116 million lower in 2020 than in 2019. While investments in important areas of future activity exceeded the depreciation on tangible fixed assets, the Group-wide ratio of 89 percent was below the previous year's value (113 percent). In contrast, the investment ratio, which shows the relationship between investments and sales, reduced only slightly to 4.4 percent (previous year: 4.6 percent).

From a regional perspective, Europe was our most important investment location: this is where we made around half of our investments. Besides Germany, the countries in which high levels of investment were made in the expansion of plants and production facilities once again included Poland, Spain, and Slovenia. In both Spain and Slovenia, we largely invested in the Electronics and Mechatronics business unit. We made around 28 percent of our Group-wide investments in tangible fixed assets in the Asia/Pacific region in 2020. As in the previous year, the greatest sum was directed toward our Chinese locations, where, in addition to project-

related investments in a steel piston production line, we also substantially invested in our mechatronics plant in Taicang. In addition, we expanded production lines in Japan. In North America—the region accounting for around 17 percent of the total volume in 2020—we mainly invested in our US locations, in connection with customer projects, for example.

In addition to capital expenditure on tangible fixed assets, we also took advantage of strategic acquisitions during the year under review to expand our business activities as part of our dual strategy. We thus further increased our participation in MAHLE Behr to strengthen our core business in thermal management. We also established an even better position for ourselves in the aftermarket business in thermal management products with the complete acquisition of BHS on January 1, 2020.

INVESTMENTS BY REGION



Additional key performance indicators

Our innovative strength has been the foundation of our success for 100 years. Even in difficult times, we therefore maintain our level of investment in research and development.

Despite a challenging environment, we have maintained our supply chains. We were thus able to ramp up our production again quickly after the lockdown in the spring.

In the future, we will drive forward technologies and pilot projects that have proven themselves in the crisis, such as remote maintenance using augmented reality.

Human resources

As at the end of 2020, the MAHLE Group employed 72,184 people worldwide, which equates to a decrease of 4,831 employees or 6.3 percent compared with the previous year. The main reason for the staffing level adjustments was a decline in orders due to the COVID-19 pandemic and the persistent weakness of the automotive industry.

Despite the restrictions resulting from the pandemic, we continued our consistent investment in the training and further education of our workforce in the year under review, pushing ahead with the switch to online formats, among other measures. After all, we are aware that our employees are the key to the future viability of the MAHLE Group. Their know-how, motivation, and

commitment are the foundation of our successful development. Thus, in spite of the challenging circumstances, our employees participated in a total of 60,387 qualification activities (2019: 99,724), while adhering to strict hygiene and protection measures. Moreover, by increasing the number of corporate e-learning options we offer, around 12,000 courses took place online.

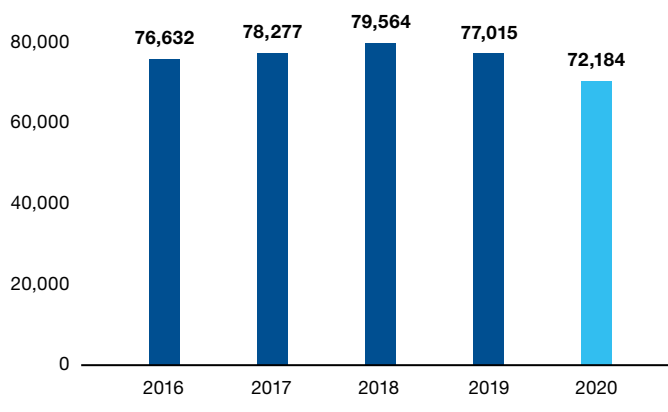
The global absence rate (excluding joint ventures) amounted to 3.6 percent in the year under review (2019: 3.9 percent).

Headcount by region

As at the reference date, we employed 33,009 people at our locations in Europe, 2,327 employees or 6.6 percent fewer than in 2019. There was a decrease in almost all European countries. In connection with restructuring measures, the number of temporary jobs was reduced at numerous locations and vacant positions were not filled. We also shut down our location in Öhringen/Germany, with its over 200 employees, and ceased our activities at our Italian locations in La Loggia and Saluzzo, with their over 400 employees. In the latter case, we were fortunately able to attract an investor, who has taken on both of the Italian locations. In Spain and Bosnia-Herzegovina, on the other hand, we hired 277 and 77 new employees respectively. This was because of the good order levels and the further expansion of the Electronics and Mechatronics business unit.

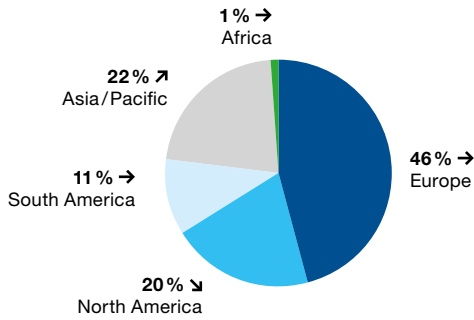
In North America, our employees numbered 14,599 in total as at the end of 2020 and were thus 1,537 (–9.5 percent) fewer than in 2019. The staffing cutbacks in the region were also due to the crisis and primarily affected the USA and Mexico.

HEADCOUNT DEVELOPMENT 2016–2020



HEADCOUNT BY REGION

Total:
72,184



The directional arrows (↗ → ↘) show the change in the proportion of employees compared with the previous year.

As at the end of the year under review, we employed 7,955 people in South America—436 fewer than in the previous year—which corresponds to a fall of 5.2 percent.

In the Asia/Pacific region, we recorded 15,694 employees as at the end of the year under review, 467 or 2.9 percent fewer than in 2019.

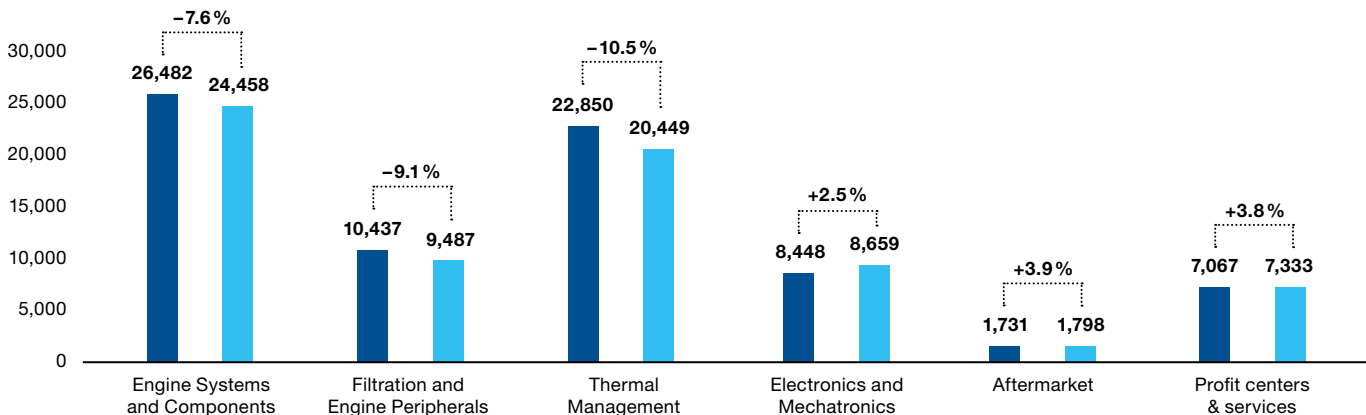
In Africa (South Africa), 927 people were employed at our locations as at the reference date of December 31, 2020—64 fewer in total than in the previous year (–6.4 percent).

Headcount by business segment

In our Engine Systems and Components business unit, the staffing level decreased by 2,024 employees. Nevertheless, at 33.9 percent, the majority of our Group's employees still worked at one of the 42 locations belonging to this business unit. We employed around 28.3 percent of our total workforce at the 38 locations of the Thermal Management business unit, 2,401 employees fewer than in the previous year. The Filtration and Engine Peripherals business unit's 30 plants were the place of work for 13.1 percent of the Group's employees, 950 people or 9.1 percent fewer than in 2019. At the end of 2020, 8,659 staff were employed in the newly created Electronics and Mechatronics business unit, which equates to around 12 percent of the workforce as a whole. Aftermarket, our smallest business unit in terms of personnel, had 67 employees more in total at the end of 2020 than at the same point in the previous year. One reason for the growth was the acquisition of the majority share of BHS at the start of 2020. In our profit centers and services, we recorded a rise in the staffing level amounting to 266 employees compared with the previous year. This was due, on the one hand, to the centralization of the purchasing functions within the services area and, on the other, to the development of the shared service centers in Wrocław/Poland, Monterrey/Mexico, and Pune/India.

HEADCOUNT BY BUSINESS SEGMENT

■ 2019 ■ 2020



Technology and innovation

Despite the difficult conditions, our Group-wide research and development activities remained at a high level in the 2020 business year. Our investments amounted to EUR 644 million; in 2019, research and development expenditure came to EUR 751 million. This resulted in a high ratio in relation to sales of 6.6 percent for 2020 (2019: 6.2 percent). We maintained the ratio adjusted for restructuring expenses at a constant level compared with the previous year, reflecting the high importance of research and development at MAHLE. As at December 31, 2020, this area of our business employed around 5,480 staff. In the year under review, MAHLE registered 256 new patents in addition to a further 307 records of inventions.

In 2020, we continued the dual strategy that MAHLE has been pursuing for several years, with a particular focus on the subjects of hydrogen and battery technology. On the one hand, we are consistently working on the ongoing development of systems and components for alternative drive concepts, including hybrid and battery electric drives as well as fuel cells. The goal is demand-oriented mobility, which matches the drive type to the application concerned in each case. On the other hand, we also want to further develop the combustion engine to make it climate-neutral as well as cleaner and more efficient. To achieve this, we are making use not only of conventional engine testing but also of innovations from the field of additive manufacturing and the rapid prototyping of pistons and charge air coolers, for example, as well as alternative fuels.

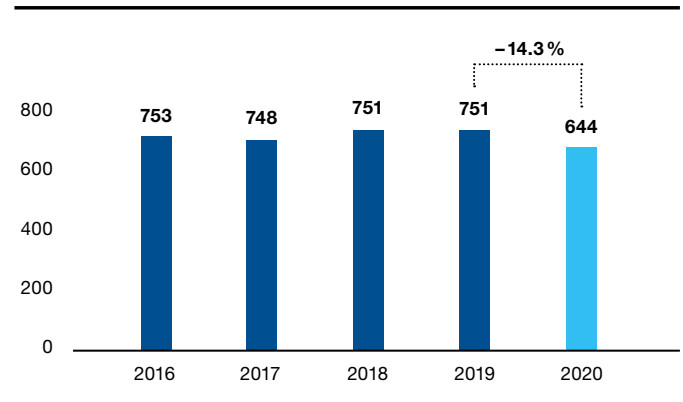
Selected innovations from the 2020 business year

In the year under review, we used 3D printing technology to manufacture a piston suitable for series production for the first time and tested it in collaboration with our customer and the project partners. This technology opens up tremendous design freedom that will allow us to make pistons lighter and optimize cooling. Together with an engine redesign, this can help to bring about an increase in performance or efficiency.

In 2020, MAHLE also introduced a new condenser for hybrid and electric vehicles that accelerates traction battery charging. In combination with other components in the cooling system, it ensures the battery is kept cool and thus protected during fast charging. At the same time, the condenser provides sufficient cooling capacity to control the cabin temperature without requiring additional installation space.

In the middle of the year, we launched a new drive system for e-bikes. The X35+ system consists of a wheel hub motor, battery, and control units, and is so compact that it can be integrated unobtrusively into a conventional bicycle frame. With the X35+ drive system, MAHLE has deliberately focused on the user rather than

R&D EXPENDITURE 2016–2020
in EUR million



on achieving a maximum possible power output. This makes the system more streamlined and lighter: including the battery, the X35+ weighs 3.5 kilograms. The hardware is supplemented by mobile and web-based apps.

MAHLE has also developed two standardized air filter solutions for fuel cells, which protect the cells against harmful gases and particles. Furthermore, this new modular approach reduces our development times and costs, with developers now having direct access to a fully developed standard component instead of having to find individual solutions for each vehicle.

Another innovation in 2020 was an air conditioning system with integrated fine-particulate sensors, which reduces exposure to fine particulates in the vehicle cabin. The sensors are in direct contact with both the cabin air and the external air, with the result that the air conditioning system reacts immediately to specific pollution levels and cleans the air in the vehicle cabin as required.

In the year under review, we also agreed to work together with Canadian fuel cell manufacturer Ballard Power Systems Inc. on the future development of fuel cell systems for commercial vehicles of various weight classes. The long-term goal of the cooperation is to develop and manufacture complete fuel cell systems for the European, North American, and Asian markets.

In addition, MAHLE accelerated its mechatronics and electronics activities in the 2020 business year. A figure in the mid-double-digit millions was invested in the new global development center for mechatronics in Kornwestheim, near Stuttgart/Germany. Around 100 engineers work at the location to develop product solutions for electric drive systems, actuators, and electric auxiliaries for vehicles with hybrid, hydrogen, or battery electric drives.

Purchasing

From a purchasing perspective, the year under review was dominated by challenging circumstances from the outset, the reasons being a difficult market environment and additional pending trade restrictions. Raw material prices were also highly volatile over the course of the year: While prices fell significantly in the first half of the year, particularly for aluminum and copper, this trend reversed in the second half-year. On average over the year, raw material prices were only able to offset the negative effects to a minor extent.

The largest organizational project for 2020—the centralization of the purchasing activities for the automotive business—was implemented at the very start of the year. The new function went live first in the North America region, with all other regions and the global functions following by the middle of the year. The goals of the reorganization are to exploit synergies more effectively and to further strengthen and expand our market position.

Over the course of the year, the coronavirus pandemic also had a significant influence on MAHLE's purchasing activities. The first task in this respect was therefore to reorganize key purchasing issues. Initially, we needed to safeguard supplies to our plants, and thus also deliveries to our customers, in view of the fact that our regions were impacted by COVID-19 to different degrees and at different times. In connection with the pandemic, we were also faced by an increasing number of (impending) business failures among our suppliers, requiring us to deploy resources to both avert and handle these situations.

Despite the difficult circumstances, MAHLE also had successes to report with regard to the Purchasing function. For example, continuous improvements were made to payment terms around the world during the year under review, thus also positively influencing the Group's cash position.

Alongside all these activities, we continued to drive forward the reorganization of the Purchasing function during the year under review: IT systems were standardized, and Group-wide processes established within the new organization. We also pushed ahead with the digitalization of our purchasing activities, including the rollout of the eBuy platform for the procurement of indirect materials and services.

Production, quality, and environment

Production at MAHLE

Our production activities were also severely impacted by the coronavirus pandemic in the year under review. A crisis team took charge of a comprehensive hygiene concept at an early stage in order to both protect our workforce and enable the continued operation of our manufacturing facilities. Due to the lockdown in the spring and the associated slump in the international markets, we had to close most production locations temporarily, but nonetheless completely. Our suppliers also suffered from the effects of the pandemic, but we were still able to secure our supply chains for the long term. In spite of the situation, we pushed ahead, albeit to a limited extent, with our continuous improvement process, which encompasses all of MAHLE's production locations and business areas. We were thus obliged to postpone on-site implementations and instead focused on strategy and methodology.

In developing our strategic plan, we drew on findings from the preceding MAHLE Production System project phase and further developed the design of the production system. Our long-term goal is thus to position ourselves among the world's leading lean enterprises with a significantly higher level of performance along the entire value chain.

Our steps taken with regard to Industry 4.0 include the further expansion of our manufacturing execution system (OneMES). The first plants and customers are already using it and are thus able to make better use of machine data and the tracking of parts and processes. In combination with MAHLE's enterprise resource planning system (ERP/MORE), OneMES makes it possible to exchange information and data between machines and Corporate Planning and use it in real time. We expect this to result in greater productivity and even higher quality.

We plan to push forward technologies and pilot projects that have proven themselves in the COVID-19 pandemic. We aim to further develop remote maintenance using augmented reality and new remote direct access to a technical standard with a high level of data security.

Quality management at MAHLE

We know that our success is based on quality. Innovative, defect-free, and reliable products and systems are at the heart of this. That is why quality targets are core elements of our annual business plan. We define them from the top down, flesh them out from the bottom up, and consolidate them across the operational business areas. In addition, a Group-wide quality management system has been used in all our business processes for many years now.

In 2020, we successfully pushed ahead with our Group-wide MAHLE Quality Improvement Program, prioritizing specific topics. Its goal is to carry on continuously improving the quality of our products and services while strengthening our quality mind-set. The training of our workforce is just as much a part of the program as the projects we use to coordinate activities, standardize process flows, and optimize our products and processes. Through these efforts, we aim to further reduce quality costs and risks and to eliminate potential sources of defects as early as the product development stage. We also employ a variety of quality assurance measures in series production.

Our MAHLE Quality Improvement Program involves a regular dialog between our teams. The results of this dialog feed into and optimize our process flows. Furthermore, MAHLE took part in World Quality Day in November 2020 by holding its own online conference. It was an opportunity for all our production locations to discuss the current status, priorities, improvements, and successes as regards quality.

Our customers deliver data relating to our quality performance in various formats. In our Group-wide database, we then transfer this data to a harmonized reporting system with the aim of exploiting the potential for improvement offered by this (standardized) information to even greater effect.

NUMBER OF CUSTOMER COMPLAINTS REDUCED BY

17 %

COMPARED WITH THE PREVIOUS YEAR

As regards customer complaints, these fell by 17 percent in 2020 compared with the previous year. We also achieved a further reduction in the number of faulty delivered parts in the year under review. The quality of our products was again acknowledged by around 80 customers in the business year.

Safety at work and environment

To make our employees' workplaces safe, we implement technical, organizational, and personal protective measures to minimize occupational risks. These steps are based on our regular risk assessments, from which we continuously derive measures aimed at improving safety at work and related targets. We check compliance with the targets and implementation of the measures by means of regular audits and observation tours.

ACCIDENT RATE FELL BY

23 %

IN COMPARISON WITH THE PREVIOUS YEAR

In 2020, in addition to comprehensive coronavirus protection measures, our work focused on the further harmonization of internal processes with the result that we were able to cut our accident rate significantly for the fourth consecutive year: from 6.8 accidents per million hours worked in 2017 down to 3.7 accidents in the year under review. We will also continue to pursue the subject of workplace safety as a top priority in the coming year and aim to establish it even more firmly in all our employees' minds. Our action plan includes short, hazard-related training courses known as safety talks, which address topics such as the right way to handle various pieces of equipment and are available to all plants. Brief safety observation tours are also carried out at all our locations on a regular basis. In addition, we extended the certification of the safety at work management system according to ISO 45001 to further locations in the year under review. We plan to gradually introduce this certification at all our locations.

Our approach to environmental protection extends from research and development to production through to the recycling of our products. Existing products, consumables, processes, and machines are subject to ongoing review and improvement in order to minimize environmental impacts. In 2020, the MAHLE Management Board determined a Group-wide CO₂ reduction target. By 2040, the MAHLE Group aims to be carbon-neutral in terms of all direct CO₂ emissions and those associated with purchased energy (Scope 1 and Scope 2 in accordance with the Greenhouse Gas Protocol). One key means of achieving this target is to make annual reductions in the specific energy consumption of our plants relative to value added. We aim to achieve further reductions in CO₂ by generating our own renewable electricity and purchasing green electricity. In the long term, we will use compensation measures to offset any remaining unavoidable CO₂ emissions.

Opportunity and risk report

New opportunities and risks are emerging from the markets' increasing awareness of environmental considerations and from standards aimed at reducing emissions, which we are addressing by further intensifying our R&D activities for innovative products.

We incorporate these challenges into our research and development activities at an early stage and seize every opportunity to offer competitive and innovative products.

In addition to our remarkable adaptability, our broad market base and global presence help us to offset possible declines in demand in individual markets.

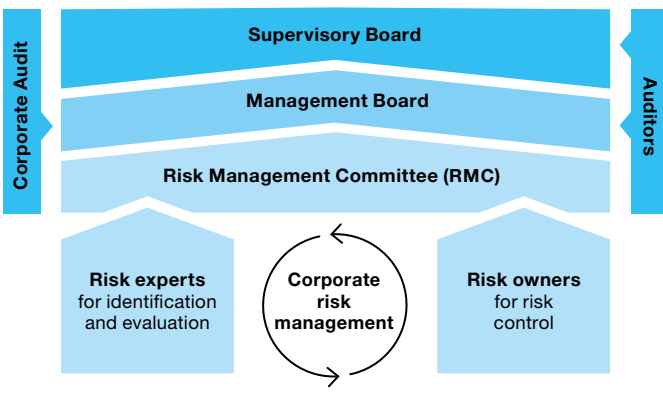
We use a management system to evaluate the opportunities and risks associated with our business operations. In this way, we gain knowledge from which we draw conclusions and adapt our actions accordingly. Our Group-wide Internal Audit department regularly verifies the compliance and efficiency of our processes and control systems by means of an audit plan, which changes on an annual basis.

Market and technological trends

We identify long-term market and technological trends using a systematic scenario approach. This is founded on a baseline scenario that also includes the developments in our business areas, regions, products, and markets until 2035. On this basis, and using "extreme scenarios 2035," we subject our company to stress tests on various aspects, such as markets, regions, drive types, quantities, and technologies. By taking market and technological trends into account in this systematic way, we ensure that we identify opportunities and risks at an early stage. The findings from these analyses are used to make decisions about future business segments and new production processes; we include the measures derived in our strategic and budget planning. In the course of preparing management reports, we monitor whether and how the agreed steps are implemented.

Opportunities and risks arise from the markets' increasing awareness of environmental and sustainability considerations and from new standards aimed at reducing emissions, for example. We therefore include all relevant topics in our international research and development activities at an early stage and focus our attention on a wide range of technologies to increase the efficiency of the combustion engine, on alternative drive configurations, and on a holistic, intelligent thermal management system. As a result, we are able to offer our customers competitive, innovative products. With our steadily growing portfolio of electric drives and auxiliary components as well as other products in the electric powertrain, we are benefiting from the expanding market for electric vehicles. We have specifically strengthened these activities through multiple acquisitions, which have since been integrated into the Group. Through acquisitions made in recent years, we have also significantly expanded our thermal management business and our product portfolio to include air conditioning compressors. MAHLE therefore has the necessary resources and the expertise to devel-

SCHEMATIC DIAGRAM OF RISK MANAGEMENT AT MAHLE



The transformation of the automotive industry and the consequences of the coronavirus crisis may change the key areas of risk. To manage this situation, we have introduced a systematic risk management process—with the following areas of focus:

op electric air conditioning compressors for the growing plug-in hybrid and electric vehicle market. By concluding the purchase agreement for Keihin's thermal management business, and subsequently completing its takeover at the start of 2021, we are also improving our regional footprint in Asia.

~60 %

**PROPORTION OF SALES BY BUSINESS SEGMENT
INDEPENDENT OF THE OEM BUSINESS FOR THE
PASSENGER CAR COMBUSTION ENGINE**

Impediments to trade such as Brexit and the tariff dispute between the USA and China, economic fluctuations, changes to the political framework in individual regions or countries, other developments that affect the global economy, and the growing number of competitors from Asia in particular can have a major impact on market developments and thus on the business development of our company. We therefore keep developments in this context under constant review. With regard to Brexit, there are no significant effects on business activities as things stand at present. In general, our broad market base and global presence serve as important stabilizing factors and help us to counter market and customer risks. Our highly diversified customer and product portfolio is also helpful in this respect. Consequently, possible declines in demand in individual markets or from individual customers can at least be partially offset. We therefore consider a global market slump, as in the economic crisis of 2009, the impact of which could have a major adverse effect on our profit, to be one of the greatest risks for our Group. These adverse conditions also include largely unforeseeable events such as the coronavirus pandemic and its consequences. In the year under review, this has resulted in a marked decrease in the global production of passenger cars and commercial vehicles in comparison with the previous year, with negative repercussions for the Group's profit situation. We limit the resulting consequences as effectively as possible by means of appropriate early warning systems and action plans. The discussions about diesel emissions and further bans on driving older diesel models are significant uncertainty factors for the whole automotive industry, particularly in Europe. By implementing suitable measures, we aim to mitigate the potential economic effects of a shift in technology at an early stage. These effects could also be due to possible legislative changes, such as a ban on combustion engines in passenger cars applicable from a certain point in time in particular countries or regions. By means of our dual strategy, through which we aim to assume a leading role in the ongoing technological development of the combustion engine while also driving forward innovative solutions for alternative powertrain technology, we are readying ourselves for future scenarios of this kind. Business segments that are independent of the OEM business for the passenger car combustion engine today already account for around 60 percent of Group sales. We want to continuously increase this proportion of sales that is unrelated to the passenger car combustion engine.

Procurement and production

Our risk management system is also focused on minimizing the negative impacts stemming from the procurement markets. We prevent unexpected supply bottlenecks and/or price increases in purchasing by means of regular supplier assessments. We have stepped up these activities in recent years and are making sure that our suppliers' independence is maintained. In addition, we have been using a tool to monitor risks worldwide, which enables a rapid overview of the impact of natural disasters, strikes, and insolvencies. This increases transparency and thus decreases risk in the supply chain. Appropriate safety stocks and hedging transactions also serve to reduce procurement risks. Specific emerging risks that could lead to bottlenecks in the supply of purchased parts and thus to production interruptions—such as the COVID-19 pandemic in 2020 or supply difficulties with semiconductors and plastic granulates in spring 2021—are managed in Supplier Risk Committees. These committees are headed by Central Purchasing management and, depending on the topic, include employees from Sales, Logistics, Production, Development, and Quality to achieve the best possible level of coordination for the purpose of risk limitation. To optimize our business processes further, our production locations all around the world cooperate intensively. The MAHLE Production System that has been rolled out supports them in this.

By means of improved IT and production processes as well as high quality standards, we aim to ensure that operational risks, such as unforeseen circumstances, cyberattacks, unexpected technical malfunctions, accidents, and human error, hinder production operations as rarely as possible. In doing so, the increasing digitalization of individual process steps is also taken into account. Thus far, the increasing number of extreme weather events, such as floods, inundations, and droughts, have impacted our production locations only in isolated cases. MAHLE counters the associated risks using an established environmental management system. The risk posed by epidemics and pandemics had a severely detrimental effect on our production activities in the year under review. To reduce the danger of infections and local outbreaks, we developed and implemented enhanced hygiene and safety standards. In addition to the Supplier Risk Committees, a global task force covering operations, logistics, and IT and acting across all business units was established to make our supply chains even more secure.

Our Group has been audited and certified in accordance with recognized ISO standards and similar specifications relevant to our sector, in terms of quality, environmental protection, and safety at work, for example, and is thus subjected to important external checks that serve to limit risks. We have arranged an economically prudent degree of cover by means of insurance policies for the disruption of operations resulting from damage as well as liability risks. However, there were again quality incidents and warranty claims in the year under review, which impacted our profit. To prevent similar risks in the future, we have defined cross-functional countermeasures. For example, our development processes will be continually scrutinized and optimized with the additional goal of limiting the risks that could arise from increasing demands from our

customers to accept guarantee coverage. Where legally required, financial burdens resulting from quality incidents and warranty claims originating and known as at the balance sheet date, and which are likely to result in cash outflows, are covered by accruals as part of risk provisioning.

Finance management

Using our systematic and Group-wide finance management system, we ensure that we make optimal use of financing opportunities from the banking and capital market. The liquidity risk is covered by diversified financing facilities with staggered maturity profiles that considerably exceed our Group's foreseeable financial requirements. When designing our financing mix, we take security, flexibility, and cost factors into account. Our aim is to secure the financial independence of our Group, limit the financing risks, and ensure we are able to exploit business opportunities at all times. We detect currency risks by means of our Group-wide planning and reporting system. Following standardized Group-wide principles, we counter these risks extensively using nonpredictive hedging transactions over a horizon of up to 24 months. As a rule, hedging transactions relate to OTC FX forwards or swaps in the form of portfolio hedges. The use of derivative financial instruments is necessarily linked to the existence of an operational underlying transaction; expected and not yet invoiced currency risks are covered with continuously declining hedging grades. The resulting hedging relationship generates valuation units in accordance with the critical term match method.

The interest rate risk is subjected to value-at-risk analyses. OTC hedging activities and other financial transactions give rise to counterparty risks with financial institutions, which we identify and evaluate across the Group in our uniform reporting system. If predefined thresholds are exceeded, the counterparty risk is lessened by the targeted spread of risks.

Human resources, IT, and accounting

Highly qualified and motivated employees are a cornerstone of our success, now and in the future. That is why it is important for us to attract suitable staff, give them continuous support, help them gain further qualifications, and retain them in our company over the long term. We have developed a comprehensive personnel marketing concept and established a recruitment organization in order to initiate direct contact with potential candidates at an early stage and recruit qualified employees. We are thereby reducing the risk of not filling vacant positions or filling them only after some delay. In order to guarantee our Group's long-term success and take advantage of the opportunities arising from market and technological changes, our personnel requirement planning is geared toward developments in the relevant markets as well as strategically significant technologies and business segments. Performance-

related remuneration systems, modern pension schemes, and advanced training activities aim to motivate and retain employees in strategically important positions.

In the IT function, security technologies protect against unauthorized access to or misuse of data by internal and external parties. Servers and storage systems are set up in such a way that they can be restored at short notice in the event of a disaster and in crisis situations. Defined security standards encompass not only the technical specifications of the hardware and software, but also the functional security structures and organizational provisions. Detailed backup and recovery procedures reduce the risk of severe disruptions, for example, by securing access procedures as well as mirroring and archiving data on a daily basis.

With regard to the accounting process, the internal control and risk management system is aimed at ensuring the compliance and effectiveness of accounting and financial reporting. Besides guidelines and principles, the system also includes measures that serve to prevent and uncover reporting errors. The consolidated financial statements are compiled centrally based on data reported by subsidiaries. We guarantee compliance with the MAHLE guidelines by means of systemic controls, specialist advice, and manual checks as well as through the validation of data plausibility by the Group accounting function.

Regulations and legislation

The introduction and implementation of directives alongside organizational and work instructions ensure that statutory requirements are observed. By integrating internal and external experts into the processes from an early stage, we minimize risks and exploit opportunities that could arise, for example, from fiscal, occupational, competition, patent, antitrust, data protection, and environmental regulations and legislation as well as from trade rules. Key elements of our compliance structure include the MAHLE Business Code, the global compliance organization, the whistle-blower system for internal and external compliance-related communications, as well as the training concept for risk areas relevant to compliance and preventive measures.

Overall assessment

Overall, no risks are currently observable that could endanger the continued existence of our Group, provided that extreme global crises, such as the coronavirus pandemic, do not occur multiple times in quick succession.

Outlook

We anticipate a recovery of the market for passenger cars and light commercial vehicles in 2021. However, the precrisis level of vehicle production of 2019 is not likely to be reached again just yet.

For MAHLE, we expect a significant improvement in sales and profit.

We want to continue to gain early access to innovative products and technologies in the growth areas.

Overall economic development

In 2021, the global economy will still be heavily influenced by how COVID-19 infection rates develop. Although the IMF projects in its January report that global economic growth will be over 5 percent, it has also stated that the year will remain beset by uncertainties, as the persistence or resurgence of the pandemic has the potential to lead to restrictions again at any time and put renewed strain on national economies. In many countries, the precrisis level of 2019 is unlikely to be reached in 2021.

IMF FORECAST

5.5 %

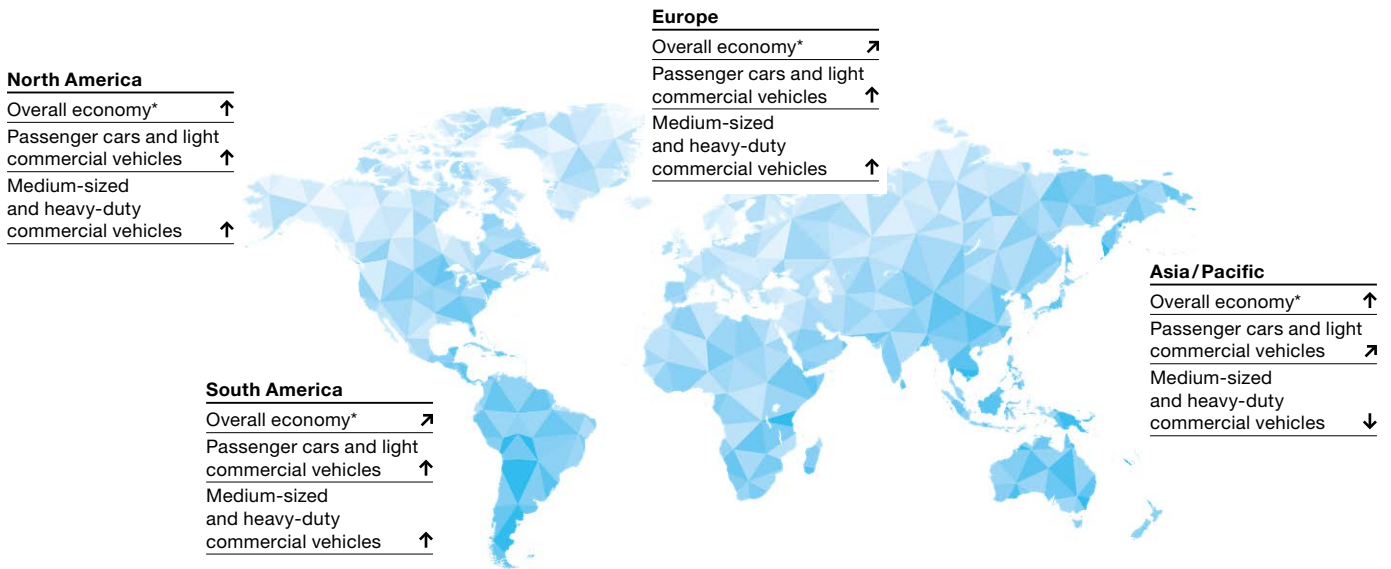
GLOBAL ECONOMIC GROWTH IN 2021

Economic growth of slightly above 4 percent is expected in the euro zone, with the upturn being supported by the economic stimulus packages put in place by individual countries. In North America too, the revival of the national economies depends on the ongoing development of the pandemic. A rise of around 5 percent is predicted for the USA. In South America, the IMF forecasts a weaker increase in economic output for the largest national economy, Brazil.

In the Asia/Pacific region, the economic outlook is good, especially for China, because the Chinese national economy is picking up very quickly and exports have continued to remain stable even during the crisis. Economists anticipate a rise of over 8 percent for the country. A strong recovery with 11 percent growth is expected for India. The IMF also forecasts an increase in economic output of slightly above 3 percent for Japan.

Development of the vehicle markets

The global recovery of the passenger car and light commercial vehicle market will be shaped by major political and economic uncertainties in 2021. At the moment, it is difficult to foresee how long the restrictions implemented due to the COVID-19 pandemic will remain in effect and when a stable recovery will begin. Furthermore, there is global uncertainty with respect to the availability of microchips, which could lead to significant production losses in the first half-year. There is also the threat of temporary regional supply difficulties with plastic granulates. Nor is there much prospect of growth in the medium- and heavy-duty commercial vehicles segment—on the contrary, production figures could fall further owing to the declining Chinese market.



* IMF forecast from January 2021

In Europe, the submarkets for both vehicle categories are expected to recover in 2021, but high COVID-19 case rates are likely to continue to put a significant strain on the economy for the time being. In many European countries, the purchase of vehicles is sometimes only possible to a limited extent due to lockdowns. Equally, despite Brexit having taken place, its economic consequences are uncertain.

In North America, the impact of the turbulent US presidential election will probably persist in 2021. In addition, there is an increase in unemployment in the United States. Nevertheless, the US markets for passenger cars and commercial vehicles are recovering well so far, although it remains to be seen whether this trend can

hold over the year. The upturn in South America should continue in both vehicle categories.

In Asia/Pacific, the market for passenger cars and light commercial vehicles is also likely to grow again. We expect a continued recovery in all regional submarkets. By contrast, the downturn in the medium- and heavy-duty commercial vehicles category is predicted to persist in 2021. The reason for this is China, where demand and production are likely to fall back to a normal level after a record year in 2020—although it has benefited from massive government investments. The recovery of individual markets like India, Japan, or Indonesia cannot be expected to offset this decline.

Development of the MAHLE Group

The coronavirus pandemic will also create considerable uncertainty in 2021. Assuming that the automotive market recovers globally, we expect a significant rise in organic sales. However, this is unlikely to compensate fully for the slump in 2020. Furthermore, we anticipate that the result from business activities will improve substantially and turn out positively.

Our aim is to position our company for long-term future success and to safeguard our competitiveness. For this purpose, we are pushing ahead with the global realignment of our Group and continuing the systematic review of our locations around the world. At the same time, we are readying ourselves for further pressures resulting from the coronavirus pandemic and a slow recovery in the automotive industry as well as from volatile markets and political uncertainties. Against this background, we anticipate a return to precrisis sales levels by 2023 at the earliest. We also expect our work to manage the technological transformation to remain intense: The necessary investments and development efforts entail a rise in costs, which we are tackling by means of Group-wide savings. Overall, the audits of our locations and structures that we have carried out so far have indicated the need to make adjustments, predominantly in Europe. Our workforce will also be affected. In September 2020, we identified excess capacities of 7,600 jobs and began to make cutbacks, including in Germany. Due to a lack of follow-up projects, increasing global price pressure, and a changing business environment, we had to close our plants in Freiberg (Germany) and Gaildorf (Germany). Jobs in administration and development and in prototype construction will also be lost at the Group headquarters in Stuttgart (Germany).

FOCUS FOR

2021

PRESS AHEAD WITH FUTURE TOPICS

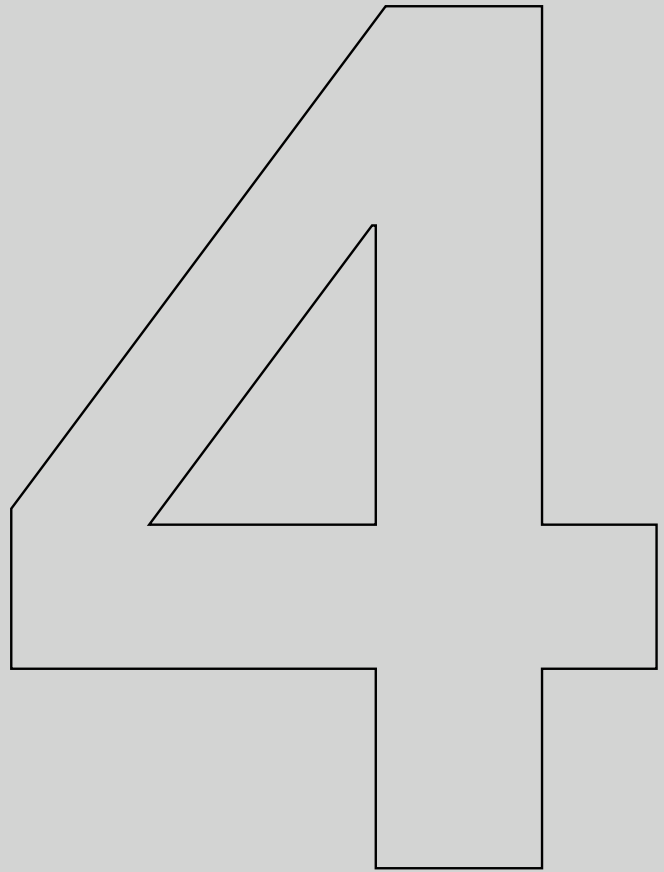
Despite the economic pressures, our focus remains on the technological transformation and our strategic goals. We will drive forward our future topics with undiminished vigor in order to put ourselves in a competitive position with the right expertise and portfolio. To expand existing growth areas and open up new ones, we are consistently implementing our dual strategy and taking steps to this effect, such as bundling the activities of various business units relating to future topics into project houses. For example, a dedicated project house has been created to develop fuel cell systems and their components. Our expertise in development, thermal management, and the assembly of battery components and systems is being pooled in another project house. In addition to other ideas, we are also participating in initiatives such as Gründermotor, whose corporate partner we became in 2020.

Gründermotor is an initiative from the German federal state of Baden-Württemberg, which aims to bring together start-ups, established companies, and the scientific community in the region, while nurturing entrepreneurial talent. Our specific objective is to network every level of our management through to the very top with the “ecosystem” of start-ups, companies, venture capitalists, universities, and politicians in order to give them firsthand experience of the working methods and thought processes adopted by start-ups. We also anticipate that our corporate start-ups will learn from other start-ups and companies.

It was against this background that we opened the Start-Up Space at MAHLE’s Group headquarters in Stuttgart in September 2020: a new, shared “home” for corporate start-ups and teams developing new business ideas in the MAHLE Incubator. The Incubator has been a Group-wide program supporting the development of new business propositions and a key part of MAHLE’s innovation strategy since 2017. Through the program, which transforms promising ideas into their own start-ups, MAHLE also offers employees the opportunity to continue their professional development, take an entrepreneurial approach, and try new ways of working.

Our economic success is the foundation on which we implement our future strategies. It enables us to invest in research and development, establish new business areas, and make acquisitions that complement our portfolio. To maintain and enhance a strong base, we strive for sales growth while seeking to increase profitability at the same time. Our financial independence and ability to withstand potential crises are always our priorities. We therefore set great store by a healthy balance sheet structure and moderate net gearing. The mainstays of our financial policy are thus a solid equity base and liquidity that is secured over the long term and built on stable operating cash flows as well as diversified financing sources and instruments.

This report contains forward-looking statements that rely on current estimates of future developments and are therefore subject to risks and uncertainties that are beyond our control or precise assessment. Consequently, the actual results may differ from the statements made here.



Consolidat financial

Consolidated balance sheet	64
Consolidated income statement	67
Consolidated cash flow statement	68
Consolidated statement of changes in equity	70
Notes to the consolidated financial statements	72
General information	72
Consolidation group	72
Exemption provisions for domestic companies	72
Method of consolidation	73
Accounting and valuation principles	73
Currency conversion	74
Notes to the consolidated balance sheet	75
Notes to the consolidated income statement	77
Other notes	78
Consolidated statement of fixed assets	82
Shareholdings	84
Auditor's report	90
Imprint/Contact	95

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Consolidated balance sheet

at December 31, 2020, in EUR '000

	Dec. 31, 2020	Dec. 31, 2019
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	181,333	201,362
2. Goodwill	235,115	277,608
3. Prepayments	625	785
	417,073	479,755
II. Property, plant, and equipment		
1. Land, leasehold rights, and buildings including buildings on third-party land	901,634	940,910
2. Technical equipment and machinery	1,488,021	1,664,328
3. Other equipment, fixtures, and furniture	146,703	158,581
4. Prepayments and assets under construction	422,596	438,594
	2,958,954	3,202,413
III. Financial assets		
1. Shares in affiliated companies	3,374	3,031
2. Shares in associated companies	36,054	41,630
3. Equity investments	5,685	5,347
4. Loans to companies in which participations are held	90	90
5. Long-term securities	12,867	12,445
6. Other loans	29,116	42,832
	87,186	105,375
	3,463,213	3,787,543
B. Current assets		
I. Inventories		
1. Raw materials, consumables, and supplies	525,155	548,313
2. Work in process	176,134	197,836
3. Finished goods and merchandise	622,391	662,704
4. Prepayments	10,650	14,327
5. Prepayments received	-92,284	-76,331
	1,242,046	1,346,849
II. Receivables and other assets		
1. Trade receivables	1,794,122	1,970,892
2. Receivables from affiliated companies	356	394
3. Receivables from companies in which investments are held	319	3,240
4. Other assets	410,375	411,287
	2,205,172	2,385,813
III. Securities	1,042	77
IV. Cash in hand, bank balances, and checks	870,580	567,238
	4,318,840	4,299,977
C. Prepaid expenses	33,936	29,524
D. Deferred tax assets	169,493	200,607
E. Excess of plan assets over post-employment benefit liability	96,462	80,270
	8,081,944	8,397,921

	Dec. 31, 2020	Dec. 31, 2019
EQUITY AND LIABILITIES		
A. Equity		
I. Subscribed capital	150,000	150,000
II. Capital reserves	166,430	166,430
III. Revenue reserves	1,811,451	2,184,852
IV. Equity impact from currency translation	-278,837	-138,147
V. Consolidated unappropriated retained earnings	3,439	5,510
VI. Non-controlling interests	236,188	373,805
	2,088,671	2,742,450
B. Accruals		
1. Accruals for pensions and similar obligations	738,374	702,246
2. Accruals for taxes	70,205	64,352
3. Other accruals	1,738,033	1,492,670
	2,546,612	2,259,268
C. Liabilities		
1. Bonds	830,000	830,000
2. Liabilities to banks	965,967	1,077,483
3. Payments received on account of orders	8,375	7,780
4. Trade payables	1,268,705	1,117,098
5. Liabilities on bills accepted and drawn	53,328	49,388
6. Liabilities to affiliated companies	734	1,216
7. Liabilities to companies in which investments are held	2,935	3,914
8. Other liabilities	264,528	246,560
<i>thereof from taxes: 87,983 (prev. yr.: 88,475)</i>		
<i>thereof relating to social security and similar obligations: 39,097 (prev. yr.: 33,960)</i>		
	3,394,572	3,333,439
D. Deferred income	52,089	62,764
	8,081,944	8,397,921

Consolidated income statement

From January 1 to December 31, 2020, in EUR '000

	2020	2019
1. Sales	9,773,873	12,049,163
2. Cost of Sales	-8,445,296	-10,135,690
3. Gross profit on sales	1,328,577	1,913,473
4. Selling expenses	-520,144	-560,236
5. General administrative expenses	-472,958	-519,865
6. Research and development expenses	-643,706	-750,754
7. Other operating income	569,359	346,271
<i>thereof from currency translation: 248,724 (prev. yr.: 121,356)</i>		
8. Other operating expenses	-438,954	-315,149
<i>thereof from currency translation: -293,108 (prev. yr.: -129,076)</i>		
	-1,506,403	-1,799,733
	-177,826	113,740
9. Investment income	4	81
<i>thereof from affiliated companies: 0 (prev. yr.: 11)</i>		
10. Income from other securities and long-term loans	215	1,801
11. Result from associated companies	1,197	6,709
12. Other interest and similar income	31,323	23,661
<i>thereof from affiliated companies: 12 (prev. yr.: 12)</i>		
<i>thereof income from discounting: 27 (prev. yr.: 66)</i>		
<i>thereof negative interest income: 52 (prev. yr.: 0)</i>		
13. Impairment of financial assets and of securities	-15,366	-3,292
14. Interest and similar expenses	-141,692	-132,988
<i>thereof to affiliated companies: -9 (prev. yr.: -11)</i>		
<i>thereof expenses from discounting: -55,170 (prev. yr.: -53,201)</i>		
	-124,319	-104,028
Result from business activities	-302,145	9,712
15. Taxes on income	-98,241	-189,453
<i>thereof expense from deferred income taxes: -5,858 (prev. yr.: -28,716)</i>		
16. Result after taxes	-400,386	-179,741
17. Other taxes	-33,362	-31,806
18. Consolidated net loss	-433,748	-211,547
19. Consolidated unappropriated retained earnings prior year	5,510	13,568
20. Dividend distribution	-5,340	-13,400
21. Withdrawal from revenue reserves	373,410	161,031
22. Profit applicable to non-controlling interests	-40,650	-78,616
23. Loss applicable to non-controlling interests	104,257	134,474
24. Consolidated unappropriated retained earnings	3,439	5,510

Consolidated cash flow statement

From January 1 to December 31, 2020, in EUR '000

	2020
1. Cash flows from operating activities	
Profit for the period (consolidated net loss including profit and loss applicable to non-controlling interests)	-433,748
+/- Depreciation, amortization, and write-downs of fixed assets/reversals of write-downs of fixed assets	641,869
+/- Increase/decrease in provisions	33,609
+/- Other non-cash expenses/income	-16,860
-/+ Increase/decrease in inventories, trade receivables, and other assets not related to investing or financing activities	64,934
+/- Increase/decrease in trade payables and other liabilities not related to investing or financing activities	236,142
-/+ Gain/loss on disposal of fixed assets	5,064
+/- Interest expense/interest income	108,009
- Other investment income	-1,200
- Income of exceptional size and incidence	-90,000
+ Expenditure of exceptional size and incidence	347,075
+/- Interest payments/receipts related to interest other than for the provision of capital	1,922
+/- Income tax expense/income	92,383
+ Cash receipts relating to income of exceptional size and incidence	90,000
- Cash payments relating to expenditure of exceptional size and incidence	-102,632
-/+ Income taxes paid	-100,044
	876,523
2. Cash flows from investing activities	
+ Proceeds from disposal of intangible fixed assets	1,565
- Payments to acquire intangible fixed assets	-12,918
+ Proceeds from disposal of tangible fixed assets	15,198
- Payments to acquire tangible fixed assets	-432,587
+ Proceeds from disposal of long-term financial assets	4,230
- Payments to acquire long-term financial assets	-3,803
- Payments to acquire entities included in the basis of consolidation	-67,433
+ Cash receipts from the investment of cash funds for short-term cash management	28,966
- Cash payments for the investment of cash funds for short-term cash management	-7,344
+ Interest received	6,006
+ Dividends received	4,053
	-464,067

	2020
3. Cash flows from financing activities	
+ Proceeds from capital contributions by minority shareholders	857
+ Proceeds from the issuance of bonds and from borrowings	240,198
– Cash repayments of bonds and borrowings	–283,304
+ Proceeds from grants/subsidies received	7,635
– Interest payment due to leasing agreements	–22
– Interest paid	–75,462
– Dividends paid to shareholders of the parent entity	–5,340
– Dividends paid to minority shareholders	–17,554
	–132,992
4. Cash funds at end of period	
Net change in cash funds (subtotals 1–3)	279,464
+/- Effect on cash funds of exchange rate movements and remeasurements	55,563
+ Cash funds at beginning of period	428,815
	763,842
Cash in hand, bank balances, and checks	567,238
– Bank balances with an initial term of more than 3 months	–4,026
+ Liabilities to banks with an initial term of less than 3 months	–134,397
Cash funds at beginning of period	428,815
<i>thereof from quota-consolidated entities</i>	<i>1,878</i>
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 end of period	763,842
<i>thereof from quota-consolidated entities</i>	<i>20,425</i>

The short-term liabilities which were netted against cash balances contained EUR 74,750k (previous year: EUR 89,659k) 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 724k that are restricted on disposal are included.

Consolidated statement of changes in equity

From January 1 to December 31, 2020, in EUR '000

	PARENT COMPANY		
	Subscribed capital	Capital reserves	Revenue reserves
As at December 31, 2018	150,000	166,430	2,343,108
Capital increase	0	0	0
Withdrawal from revenue reserves	0	0	-161,031
Dividend distribution	0	0	0
Currency translation	0	0	0
Other items	0	0	2,775
Changes in the consolidation group	0	0	0
Consolidated net loss	0	0	0
As at December 31, 2019	150,000	166,430	2,184,852
Capital increase	0	0	0
Withdrawal from revenue reserves	0	0	-373,410
Dividend distribution	0	0	0
Currency translation	0	0	0
Other items	0	0	226
Changes in the consolidation group	0	0	-217
Consolidated net loss	0	0	0
As at December 31, 2020	150,000	166,430	1,811,451

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

	Equity impact from currency translation ¹	Consolidated unappro- priated retained earnings	Total	Non-controlling interests ¹	Consolidated equity
	-153,307	13,568	2,519,799	494,301	3,014,100
	0	0	0	267	267
	0	161,031	0	0	0
	0	-13,400	-13,400	-25,995	-39,395
	17,948	0	17,948	2,923	20,871
	-2,788	0	-13	-41,859	-41,872
	0	0	0	26	26
	0	-155,689	-155,689	-55,858	-211,547
	-138,147	5,510	2,368,645	373,805	2,742,450
	0	0	0	887	887
	0	373,410	0	0	0
	0	-5,340	-5,340	-19,923	-25,263
	-140,391	0	-140,391	-23,003	-163,394
	-516	0	-290	-31,904	-32,194
	217	0	0	-67	-67
	0	-370,141	-370,141	-63,607	-433,748
	-278,837	3,439	1,852,483	236,188	2,088,671

Notes to the consolidated financial statements

General information

The present consolidated financial statements of MAHLE GmbH are prepared in accordance with Sec. 290 et seq. of the German Commercial Code (HGB).

Consolidation group

The consolidated financial statements include MAHLE GmbH (parent company), headquartered in Stuttgart/Germany and registered with the district court in Stuttgart (commercial register number 638), as well as 23 domestic and 131 foreign subsidiaries. Furthermore, 13 companies were consolidated proportionately according to the percentage of shares, and six companies were valued according to the equity method. The consolidated companies are included in the list of shareholdings.

During 2020, the following companies were fully consolidated due to the acquisition of the remaining 50 percent of the shares in the BHS Group. In previous years, these companies were consolidated proportionately:

- Behr Hella Comércio de Peças Automotivas S.A., Brazil, as of January 1
- Behr Hella Service GmbH, Germany, as of January 1
- Behr Hella Service North America L.L.C., USA, as of January 1
- Behr Service IAM USA Inc., USA, as of January 1
- MAHLE Aftermarket South Africa (Pty) Ltd. (formerly Behr Hella Service South Africa (Pty) Ltd.), South Africa, as of January 1

The acquisitions did not affect the comparability of the consolidated financial statements with the previous year.

Six companies were merged in the reporting year.

In the business year, ten 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.

Key changes to the consolidation group

During 2020, no significant changes occurred within the consolidation group.

Exemption provisions for domestic companies

The following subsidiaries are applying the exemption according to Sec. 264, paragraph 3, respectively Sec. 264b HGB, with regard to the disclosure of their annual financial statements and/or the preparation of the management reports:

MAHLE Aftermarket GmbH, Stuttgart; MAHLE Amovis GmbH, Berlin; MAHLE Beteiligungen GmbH, Stuttgart; MAHLE Blechtechnologie GmbH, Stuttgart; MAHLE Filtersysteme GmbH, Stuttgart; MAHLE Immobilien GmbH, Stuttgart; MAHLE Industrial Thermal Systems GmbH & Co. KG, Kornwestheim; MAHLE Industriebeteiligungen GmbH, Stuttgart; MAHLE Industriemotoren-Komponenten GmbH, Stuttgart; MAHLE International GmbH, Stuttgart; MAHLE Kleinmotoren-Komponenten GmbH & Co. KG, Stuttgart; MAHLE Powertrain GmbH, Stuttgart; MAHLE Ventiltrieb GmbH, Stuttgart; MAHLE Versicherungsvermittlung GmbH, Stuttgart.

Method of consolidation

Consolidated subsidiaries, using the book value method prior to December 31, 2009, will continue to be consolidated under the same method as in prior years. Thereby, the value of the investment held by the parent company, at the time of acquisition and first consolidation, is to be offset against the attributable share of the subsidiary's equity book value. In the case of companies that were consolidated for the first time from 2010 onward, the assets, liabilities, prepaid expenses, and deferred income acquired were revalued at fair value as part of the purchase price allocation at the time that the company became a subsidiary.

As at the balance sheet date, total goodwill of EUR 235,115k is disclosed, which contains goodwill of EUR 29,548k that occurred in the financial statements of the entities included in the consolidation group. Goodwill is amortized over ten years due to the relevant markets that are dominated by a small number of suppliers and have high barriers to market entry. These markets have shown that the average useful life of acquired goodwill is historically ten years. Additionally, the recoverability of goodwill is tested (impairment test) at least once a year to determine if an impairment exists according to GAS 23.129, sentence 1. Thereby, the amount of the write-down is determined by comparing the fair value of the investment in the subsidiary with the total of the carrying amount of the net assets held by the subsidiary in the consolidated financial statements and the net carrying amount of goodwill. In 2020, no goodwill impairments were necessary.

The capital consolidation of the remaining 50 percent of the shares of the BHS Group resulted in goodwill of EUR 4,340k. In addition, MAHLE Beteiligungen GmbH increased its shareholding in MAHLE Behr GmbH & Co. KG from 60.71 to 65.71 percent and its shareholding in MAHLE Behr Verwaltung GmbH from 60.71 to 65.71 percent as at January 1, 2020, through the acquisition of shares from non-controlling shareholders. This resulted in badwill of EUR 3,723k. This badwill was released completely in 2020 according to the incurred restructuring expenses considered in the purchase price.

Thereby, the increase in shares in subsidiaries without affecting their status as subsidiaries was recognized as acquisition.

The result from the change in the equity value was disclosed in the consolidated income statement after deduction of income taxes.

The intra-group supply of goods and services as well as mutual receivables and liabilities were offset, and intercompany profits and losses were eliminated.

Deferred taxes resulting from consolidation measures with effect on income were recorded using a tax rate of 22 percent.

Accounting and valuation principles

The existing accounting and valuation methods were retained.

Acquired intangible assets and property, plant, and equipment are valued at acquisition costs or manufacturing costs minus depreciation or amortization. Depreciation was performed on a straight-line basis using standard useful lives. If lower valuations were provided, impairments were recorded. Internally developed trademarks and similar rights and assets were not capitalized. Furthermore, the intangible assets contain hidden reserves disclosed as part of the purchase price allocation of the acquisitions. These comprise trademark rights, non-compete clauses, customer relationships, technological licenses, and development services. Depending on the categories, the useful lives for intangible assets were based on three to ten years.

Financial assets were stated at the lower of acquisition cost or fair value if the impairment is expected to be permanent.

Inventories are capitalized at acquisition cost or manufacturing cost. Unfinished and finished goods are valued by considering the appropriate share of material, production overhead, and depreciation of fixed assets. If the market prices or fair values were lower than the book values, or marketability was limited, devaluations were performed as necessary.

Receivables and other assets are recorded at nominal values. Appropriate write-downs are recorded to account for receivables with recognizable risks of nonpayment; a general valuation allowance is set up to cover the general credit risk.

Prepaid expenses were recorded for payments made before the balance sheet date for expenditures related to a specific time period after this date.

Accruals for taxes and other accruals are to adequately cover uncertain liabilities and anticipated losses from pending transactions. The valuation is based on the settlement amount taking into account necessary cost increases. Accruals with a remaining term of more than one year were discounted by using the average market interest rate of the past seven fiscal years provided by the German Central Bank. If appropriate, an average local market interest rate of the past seven years was determined for the remaining term in order to depict the actual economic situation for the discounting of obligations in foreign currency.

Accruals for pensions and similar obligations are calculated group-wide in accordance with actuarial principles (using the projected unit credit method) and discounted with the average rate of ten years in accordance with Sec. 253 HGB to present value. In 2020, the calculation was based on the following discount rates: domestic 1.73 to 2.45 percent; foreign 0.66 to 4.49 percent. The option to

assume a standardized remaining term of 15 years was not utilized. Expected salary increases of 1.50 to 4.10 percent and anticipated labor turnover rates of 2.27 to 6.00 percent were taken into consideration. The mortality tables recognized in each country were used as a basis for the calculation.

Assets that serve exclusively to settle pension-related obligations and cannot be utilized to settle claims of any other creditors (plan assets in the form of long-term securities) were offset against the accruals at their fair value. Excess amounts are recorded within the item "Excess of plan assets over post-employment benefit liability."

Liabilities are stated at their settlement amount.

Receivables, bank balances, and liabilities in foreign currency with a remaining term of less than one year were valued using the mid spot rate applicable at the balance sheet date. If the remaining term was more than one year, the valuation was based on the exchange rate applicable at the acquisition date or the lower or higher exchange rate at the balance sheet date.

Changes in exchange rates, commodity price variations, and interest rates represent a risk to operational business that is very difficult to estimate. To minimize this risk, appropriate hedging transactions such as derivatives are used. These transactions are only established with banks that have a prime credit rating. Their use is based on standard guidelines, subject to strict internal controls, and restricted to the hedging of operational business as well as that of related investments and financing activities.

If effective hedging relationships existed between the underlying operating transactions and/or highly probable transactions (basically future deliveries of goods and services) and the currency or interest hedging transaction, they were combined into a hedge accounting evaluation unit and valued together under the so-called "net hedge presentation method" (Einfrierungsmethode).

Deferred income has been recorded for payments received prior to the balance sheet date for income related to a specific time period after this date.

Deferred tax assets and liabilities are set up to account for all temporary and quasi-permanent differences between the tax and German Commercial Code (HGB) values. Furthermore, deferred taxes for tax loss and interest carry forwards and tax credits were capitalized, provided the tax benefit was reasonably recoverable within the next five years. Deferred taxes were determined using tax rates that are expected to apply at the time of recovery and are based on the regulations adopted at the balance sheet date. Deferred tax assets and liabilities are presented as a net value. The tax rates fall within a range of 10.00 to 34.00 percent.

Currency conversion

The financial statements of foreign companies were, if not prepared in euro, converted as follows:

Equity:

In accordance with the regulations of GAS 25

Other balance sheet items:

Mid spot rate at the balance sheet date

Income statement items:

Average exchange rate for the year

Exchange rate differences in connection with the use of the closing rate method were shown as "Currency translation Jan. 01" within the consolidated statement of fixed assets. Differences arising from the conversion of movements during the current year were shown in a separate column.

Any difference arising from the translation of the balance sheet items into euro was included under "Equity impact from currency translation" in the consolidated shareholders' equity.

The "thereof" information on currency conversion in the income statement includes both unrealized and realized exchange rate differences.

For the company in the hyperinflation country Argentina, the financial statements were prepared based on a general price index in accordance with GAS 25.

Notes to the consolidated balance sheet

Receivables and other assets

in EUR '000	Dec. 31, 2020	
	Carrying amount	Thereof with a remaining term of more than 1 year
Accounts receivables		
<i>Trade receivables</i>	1,794,122	1,223
<i>Receivables from affiliated companies</i>	356	0
<i>Receivables from companies in which investments are held</i>	319	0
Other assets	410,375	7,482
Total	2,205,172	8,705

During the previous year, trade receivables (EUR 1,699k) as well as other assets (EUR 15,382k) had a remaining term of more than one year.

Trade receivables are included in the amount of EUR 68k (previous year: EUR 243k) from affiliated companies and EUR 319k (previous year: EUR 1,078k) from companies in which investments are held.

Only other assets contain receivables against shareholders amounting to EUR 109k (previous year: EUR 47k). Prepaid expenses include, among others, the differences between net loan proceeds and liabilities to banks (debt discounts) amounting to EUR 358k (previous year: EUR 702k).

Equity

The consolidated unappropriated retained earnings equal those of the parent company and contain the amount carried forward from the previous year of EUR 170k.

Accruals for pensions and similar obligations as well as other accruals

Notes for offsetting pursuant to Sec. 246, paragraph 2, sentence 2 HGB:

in EUR '000	Dec. 31, 2020	
		Carrying amount
Settlement amount of offset liabilities		562,100
Acquisition costs of assets		208,815
Fair value of assets		400,641
Offset income		46,103
Offset expenses		35,357

The difference for discounting with the seven-year average rate according to Sec. 253, paragraph 6, sentence 1 HGB amounts to EUR 76,995k.

Other accruals primarily relate to outstanding credit notes and rebates and outstanding purchase invoices, guarantee and warranty risks, as well as obligations arising from restructuring and employment contracts.

Liabilities

in EUR '000	Dec. 31, 2020			
	Carrying amount	With a remaining term of up to 1 year	With a remaining term of more than 1 year	Thereof with a remaining term of more than 5 years
Bonds	830,000	300,000	530,000	0
Liabilities to banks	965,967	123,923	842,044	168,207
Payments received on account of orders	8,375	8,375	0	0
Trade payables	1,268,705	1,264,446	4,259	0
Liabilities on bills accepted and drawn	53,328	53,328	0	0
Liabilities				
<i>to affiliated companies</i>	734	734	0	0
<i>to companies in which investments are held</i>	2,935	2,935	0	0
Other liabilities	264,528	239,632	24,896	12,086
Total	3,394,572	1,993,373	1,401,199	180,293

During the previous year, liabilities to banks (EUR 215,214k), payments received on account of order (EUR 7,773k), trade payables (EUR 1,116,388k), liabilities on bills accepted and drawn (EUR 49,388k), liabilities to affiliated companies (EUR 1,216k), liabilities to companies in which investments are held (EUR 3,914k), and other liabilities (EUR 214,924k) had a remaining term of up to one year.

The liabilities to affiliated companies contain trade payables of EUR 101k (previous year: EUR 487k). The liabilities to companies in which investments are held contain trade payables of EUR 1,042k (previous year: EUR 1,207k).

The liabilities contain payables to shareholders amounting to EUR 1k (previous year: EUR 0k).

Bank liabilities in the amount of EUR 50k (previous year: EUR 43k) are secured by property liens or similar rights.

Deferred taxes

Deferred tax assets arise predominantly from differing accounting treatment in intangible assets, property, plant, and equipment, and accruals. The temporary differences in accruals essentially include different carrying amounts between the tax balance sheet and the consolidated balance sheet related to accruals for pensions and similar obligations and accruals that are not tax-deductible, such as accruals for anticipated losses.

The deferred tax liabilities result predominantly from temporary differences relating to tangible fixed assets due to different carrying amounts and depreciation methods in the tax and consolidated balance sheet. In addition, the identified fair values disclosed as part of the purchase price allocations of the acquisitions lead to deferred tax liabilities, in particular in intangible fixed assets.

Deferred tax assets of EUR 83,203k were set up for tax loss carry forwards of EUR 335,065k that are recoverable within five years. EUR 299,562k of deferred tax assets on temporary differences were written off as at December 31, 2020, as their realization is not deemed sufficiently likely.

Off-balance-sheet transactions

As at the balance sheet date, off-balance-sheet transactions exist in connection with significant rental and leasing agreements in particular for buildings and land (EUR 151,093k). Moreover, off-balance-sheet transactions are in place in connection with factoring (EUR 46,191k). These off-balance-sheet transactions led to a diversification of financing sources as at the balance sheet date. Through these transactions, cash outflows are generally postponed into the future.

No material risks are anticipated from these transactions.

Contingent liabilities

	Dec. 31, 2020
in EUR '000	Carrying amount
Contingents from notes	41,468
Guarantees	200
Warranties	144

To our knowledge, the underlying obligations can be fulfilled in all cases by the companies concerned. We do not expect the contingent liabilities to be claimed.

The contingent liabilities do not include any obligations concerning retirement benefits.

Other financial obligations

	Dec. 31, 2020
in EUR '000	Carrying amount
Purchase commitments from investments	150,866
Financial obligations resulting from rent and lease agreements	93,531
Others	98,070
<i>thereof to affiliated companies</i>	167

The other financial obligations do not include any obligations concerning retirement benefits.

Notes to the consolidated income statement

The income statement of the MAHLE Group has been prepared according to the cost of sales method. Sales are thus matched with the expenses incurred in their realization, which are allocated in principle to the Production, Sales, General Administration, and Research and Development functions.

The cost of sales comprises the material and production costs incurred in the realization of sales, the landed costs of the trade business, and the costs of the allocation to accruals for warranties. Furthermore, this item also contains depreciation and amortization on the hidden reserves disclosed as part of the purchase price allocations of the acquisitions. These include technologies, technical equipment and machinery, as well as land and buildings.

The selling expenses include, in particular, personnel and non-personnel expenses, depreciation allocated to the Sales function, as well as logistics, market research, sales promotion, shipping and handling, and advertising costs. Furthermore, they also contain amortization on the hidden reserves disclosed as part of the purchase price allocations of the acquisitions. These include trademark rights, non-compete clauses, and customer relationships.

The general administration expenses include personnel and non-personnel expenses as well as depreciation allocated to the General Administration function.

The personnel and non-personnel expenses and depreciation allocated to the Research and Development function are of substantial significance to the MAHLE Group. In order to present the economic situation of the Group more clearly, they have been included as a separate item in the breakdown.

Other operating income contains EUR 122,686k income related to other periods. This income is mainly related to the reversal of accruals. Income from financing includes gains of EUR 65,193k (previous year: EUR 25,275k) from currency translation and gains of EUR 59k (previous year: EUR 43k) from financial instruments. Furthermore, income of exceptional size and incidence amounting to EUR 90,000k was received from an insurance reimbursement in connection with a warranty claim.

Other operating expenses contain EUR 9,969k expenses relating to other periods. These expenses are mainly related to disposals of depreciable fixed assets. Expenses from financing include losses of EUR 96,057k (previous year: EUR 32,354k) from currency translation and expenses of EUR 2,737k (previous year: EUR 3,474k) from financial instruments.

Expenditure of exceptional size and incidence for restructuring amounting to EUR 347,075k (previous year: EUR 161,771k) is included in the Production, Sales, General Administration, and Research and Development function.

Sales by area of operation

in EUR '000	2020
Engine Systems and Components business unit	2,107,445
Filtration and Engine Peripherals business unit	1,708,030
Thermal Management business unit	3,420,820
Electronics and Mechatronics business unit	1,028,982
Aftermarket business unit	897,702
Profit centers and services	610,894
Total	9,773,873

Sales of the newly established Electronics and Mechatronics business unit were reported in the Mechatronics division and two profit centers (Pumps, Compressors) in the previous year.

Sales by geographical market (target area)

in EUR '000	2020
Europe	4,336,494
North America	2,284,529
South America	747,321
Asia/Pacific	2,333,497
Africa	72,032
Total	9,773,873

Personnel expenses

in EUR '000	2020
Wages and salaries	2,346,945
Social security expenses and other benefits	430,607
Old age pension expenses	43,174
Total	2,820,726

The reimbursements received from public authorities during the business year due to the COVID-19 pandemic are recognized as a reduction of expenses in personnel expenses.

Depreciation, amortization, and impairments of intangible and tangible fixed assets

in EUR '000	2020
Total	626,555
<i>thereof impairments</i>	<i>19,912</i>

Subsequent valuation of the purchase price allocation for the acquisitions*

in EUR '000	2020
Depreciation and amortization within cost of sales	71,356
Amortization within selling expenses	12,262
Release of subsidies within other operating income	10,316

* Concerns MAHLE Behr, former Delphi Thermal entities, MAHLE Electric Drives, MAHLE Electronics, and former Brain Bee as well as BHS entities.

Other notes

Average annual number of employees*

	2020
Direct employees	40,102
Indirect employees	33,343
Total	73,445

* Excluding apprentices

The total average annual number of employees includes a pro rata figure of 2,482 employees from proportionately consolidated companies.

Derivatives

Derivatives in accordance with Secs. 285 and 314 HGB not yet settled as at the balance sheet date can be broken down as follows:

in EUR '000	Dec. 31, 2020	Dec. 31, 2020
	Nominal amounts*	Fair value**
Transactions relating to currency	1,917,499	25,708
Transactions relating to commodities	11,908	1,152

* The nominal amounts of the derivative financial instruments are based on absolute values, i.e. long and short positions are added with their nominal values.

** The fair value of currency and commodity related transactions corresponds to the market value of the derivatives as at the balance sheet date, which is identified in accordance with the net present value method.

The derivative contracts as at December 31, 2020, are placed in relation to third parties exclusively with banks. Evaluation units were established for currency hedging transactions with an effective relationship to the underlying transaction. Accruals of EUR 438k were set up for all other hedging transactions that have resulted in anticipated losses.

Evaluation units

For two intercompany loans in transaction currency USD an evaluation unit was created with German private placement loans in USD (Schuldscheindarlehen) with identical amounts and matching maturities (natural hedge). As the positions are countervailing, the effectiveness of the hedging relationship is ensured. The volume in transaction currency is USD 213,000k.

The following evaluation units were created from derivatives and are shown with their netted values:

in EUR '000	Type of evaluation unit	Dec. 31, 2020	Balance sheet item
		Amount of hedged transaction	
Currency exposure			
Recorded values	Portfolio hedge	21,692	Trade receivables
	Portfolio hedge	29,912	Bank balances
	Portfolio hedge	-9,491	Liabilities to banks
	Portfolio hedge	-47,653	Trade payables
Remaining currency exposure from eliminated transactions with affiliated companies	Portfolio hedge	555,231	
Future transactions	Portfolio hedge	-13,577	

in EUR '000	Dec. 31, 2020
Currency exposure in transaction currency	Volume of hedges
CAD	22,836
CNY	93,165
CZK	-86,906
EUR	13,607
GBP	6,924
HUF	-1,880,000
JPY	6,224,152
MXN	972,780
PLN	-126,826
RON	56,987
RUB	-956,986
THB	-234,525
TRY	46,889
USD	-781,103

The changes in value in the underlying and hedging transactions are offset during the hedging horizon, since risk positions (underlying transactions recognized on the balance sheet) are immediately hedged by means of forward exchange transactions of the same amount, in the same currency, and with the same maturity period in accordance with the guidelines of the Group risk management.

The risk of potential future changes in cash flows arising from highly probable underlying transactions, basically future deliveries of goods and services, is offset by using hedging transactions. The hedge ratio of such future transactions is reduced over time; the further such transactions are in the future. The hedging horizon for currency related hedging transactions that are included in hedge accounting relationships is generally two years. Past experience has shown that this strategy has led to an effective hedging of cash flows in forecast evaluation units.

The hedging quota of a planned exposure increases over its lifetime. When the planned exposure finally turns into a booked exposure it will have been hedged fully via consecutive individual hedging steps. At this stage, the exposure is hedged via a portfolio of individual hedges that have been added gradually over time. At any given point in time, a number of individual booked exposures can mature, each with their own portfolio of hedges covering the exposure. The entirety of several booked exposures with their respective hedges creates a portfolio hedge.

The critical term match method is used to measure the effectiveness of the hedging relationship.

Report on post-balance sheet date events

No further events with a retroactive effect on the consolidated financial statements occurred after the end of the reporting period.

As of January 1, 2021, MAHLE Beteiligungen GmbH increased its share in MAHLE Behr GmbH & Co. KG and MAHLE Behr Verwaltung GmbH to 70.71 percent each through the acquisition of shares from non-controlling shareholders.

With effect from February 1, 2021, MAHLE Behr Japan K.K. took over the air conditioning business of Keihin Corporation (now Hitachi Astemo, Ltd.) in Japan, Thailand, and the USA.

For the business year 2021, there are still uncertainties about the further course of the COVID-19 pandemic. Despite the growing availability of vaccines worldwide, the emergence of new virus variants may continue to have a negative impact on the recovery of the global economy and the automotive markets in particular, and is likely to interfere with our production operations and supply chains. This may in turn have impacts on our sales figures and results that cannot be reliably estimated at the time this report is prepared.

Appropriation of earnings

Unappropriated retained earnings

in EUR '000	2020
Net income MAHLE GmbH	13,869
Transfer to revenue reserves	-10,600
Amount carried forward from prior year	170
Unappropriated retained earnings MAHLE GmbH	3,439

Proposed utilization of retained earnings

in EUR '000	2020
Unappropriated retained earnings	3,439
Dividend distribution to MAHLE-Stiftung GmbH	-3,300
Carry forward to new account	139

Remuneration of the members of the Management Board of MAHLE GmbH (parent company)

in EUR '000	2020
Supervisory Board	700
Management Board	6,764

The total remuneration of the Management Board comprises fixed and variable components. The fixed portions for 2020 amounted to EUR 4,438k and the variable compensation for 2020 to EUR 1,436k. The remuneration shown also includes an adjustment for the previous year. The fixed portions include benefits in kind, which consist primarily of the noncash benefits of having company cars.

Remunerations paid to former members of the Management Board and their descendants totaled EUR 2,491k.

An amount of EUR 30,415k is set aside for this group of persons in the pension accrual as at December 31, 2020.

Auditor's fee

The total auditor's fee recorded as expense for 2020 for the Group auditor PricewaterhouseCoopers GmbH, pursuant to Sec. 314, paragraph 1, number 9 HGB consists of the following:

in EUR '000	2020
Services for audit of financial statements	987
Other assurance services	0
Tax advisory services	433
Other services	28
Total	1,448

Stuttgart/Germany, March 19, 2021

The Management Board of MAHLE GmbH



Dr. Jörg Stratmann



Georg Dietz



Wilhelm Emperhoff



Anke Felder



Michael Frick



Martin Weidlich

Consolidated statement of fixed assets

From January 1 to December 31, 2020, in EUR '000

	Acquisition/manufacturing costs							
	BUSINESS YEAR 2020							
	Jan. 1, 2020	Jan. 1, 2020						Dec. 31, 2020
Accumulated acquisition/manufacturing costs	Currency translation	Changes at the Group	Additions	Disposals	Reclassifications	Currency translation of current year ³	Accumulated acquisition/manufacturing costs	
I. Intangible assets								
1. Purchased concessions, industrial and similar rights and assets, as well as licences in such rights and assets	698,542	-8,495	16,002	56,817	14,598	1,412	172	749,852
2. Goodwill	481,011	0	4,340	1,874	415	0	0	486,810
3. Prepayments	785	-16	0	367	0	-516	5	625
	1,180,338	-8,511	20,342	59,058	15,013	896	177	1,237,287
II. Property, plant, and equipment								
1. Land, leasehold rights, and buildings including buildings on third-party land	1,713,350	-73,704	0	15,451	25,065	46,902	-412	1,676,522
2. Technical equipment and machinery	5,821,393	-345,138	0	120,171	186,022	208,432	1,624	5,620,460
3. Other equipment, fixtures, and furniture	516,376	-22,674	5	23,371	10,495	10,101	-50	516,634
4. Prepayments and assets under construction	449,376	-18,776	0	274,133	4,026	-266,331	-1,095	433,281
	8,500,495	-460,292	5	433,126	225,608	-896	67	8,246,897
III. Financial assets								
1. Shares in affiliated companies	16,346	-3,672	0	372	3	0	0	13,043
2. Shares in associated companies	44,598	0	0	638	5,975 ¹	0	-2,188	37,073
3. Equity investments	5,347	-259	0	739	89	0	-53	5,685
4. Loans to companies in which participations are held	90	0	0	0	0	0	0	90
5. Long-term securities	14,377	-281	0	2,122	1	0	-43	16,174
6. Other loans	68,830	-981	0	2,864	2,517	0	42	68,238
	149,588	-5,193	0	6,735	8,585	0	-2,242	140,303
	9,830,421	-473,996	20,347	498,919	249,206	0	-1,998	9,624,487

¹ Includes results from continuation of equity approach, disposal due to dividend payments, as well as disposal due to sale of shares

² Thereof shares in affiliated companies measured according to the equity method: EUR 742k

³ Including effects from hyperinflation adjustments for the country Argentina in accordance with GAS 25

Depreciation/amortization									Net book values		
BUSINESS YEAR 2020									Dec. 31, 2020	Dec. 31, 2020	Dec. 31, 2019
Jan. 1, 2020	Jan. 1, 2020										
Accumulated depreciation/amortization	Currency translation	Changes at the Group	Depreciation/amortization of the business year	Write-ups of the business year	Disposals	Reclassifications	Currency translation of current year ³	Accumulated depreciation/amortization	Net book values	Net book values	
497,180	-6,473	0	90,801	0	12,968	130	-151	568,519	181,333	201,362	
203,403	0	0	48,373	0	81	0	0	251,695	235,115	277,608	
0	0	0	0	0	0	0	0	0	625	785	
700,583	-6,473	0	139,174	0	13,049	130	-151	820,214	417,073	479,755	
772,440	-30,455	0	56,006	0	21,952	-73	-1,078	774,888	901,634	940,910	
4,157,065	-240,827	0	388,927	0	174,259	3,657	-2,124	4,132,439	1,488,021	1,664,328	
357,795	-16,691	0	42,266	0	9,529	-3,714	-196	369,931	146,703	158,581	
10,782	-270	0	182	0	5	0	-4	10,685	422,596	438,594	
5,298,082	-288,243	0	487,381	0	205,745	-130	-3,402	5,287,943	2,958,954	3,202,413	
13,315	-3,646	0	0	0	0	0	0	9,669	3,374	3,031	
2,968	0	0	697	0	2,646	0	0	1,019	36,054 ²	41,630	
0	0	0	0	0	0	0	0	0	5,685	5,347	
0	0	0	0	0	0	0	0	0	90	90	
1,932	-8	0	1,383	0	0	0	0	3,307	12,867	12,445	
25,998	-110	0	13,286	52	0	0	0	39,122	29,116	42,832	
44,213	-3,764	0	15,366	52	2,646	0	0	53,117	87,186	105,375	
6,042,878	-298,480	0	641,921	52	221,440	0	-3,553	6,161,274	3,463,213	3,787,543	

Shareholdings

Shareholdings in companies included in consolidation, associated companies, proportionately consolidated companies, and other companies which serve the permanent business operations.

at December 31, 2020

Name and location	Share in equity in %
PARENT COMPANY	
MAHLE GmbH, Stuttgart/Germany	
1. Fully consolidated subsidiaries	
a) Fully consolidated subsidiaries of MAHLE GmbH with direct shareholding quota	
Conso, LLC, Wilmington, Delaware/USA	100.00
MAHLE Aftermarket Deutschland GmbH, Gunningen/Germany	100.00
MAHLE Aftermarket France SAS, Décines/France	100.00
MAHLE Aftermarket GmbH, Stuttgart/Germany	100.00
MAHLE Aftermarket Inc., Farmington Hills, Michigan/USA	100.00
MAHLE Aftermarket Italy S.p.A., Parma/Italy	100.00
MAHLE Aftermarket Ltd., Bilston/Great Britain	100.00
MAHLE Aftermarket Otomotiv Ticaret Anonim Şirketi, Izmir/Turkey	100.00
MAHLE Aftermarket Pte. Ltd., Singapore/Singapore	100.00
MAHLE Aftermarket S. de R.L. de C.V., Lerma/Mexico	100.00
MAHLE Aftermarket S.L.U., Alcalá de Henares/Spain	100.00
MAHLE Aftermarket South Africa (Pty) Ltd., Johannesburg/South Africa	100.00
MAHLE Amovis GmbH, Berlin/Germany	100.00
MAHLE ANAND Filter Systems Private Limited, Gurgaon/India	50.00 ¹
MAHLE Anéis Participações Ltda., Mogi Guaçu/Brazil	100.00
MAHLE Automotive Technologies (China) Co., Ltd., Shanghai/China	100.00
MAHLE Automotive Technologies (Suzhou) Co., Ltd., Changshu/China	100.00
MAHLE Behr GmbH & Co. KG, Stuttgart/Germany	67.46
MAHLE Behr Verwaltung GmbH, Stuttgart/Germany	65.71
MAHLE Beteiligungen GmbH, Stuttgart/Germany	100.00
MAHLE Blechtechnologie GmbH, Stuttgart/Germany	100.00
MAHLE Componente de Motor SRL, Timisoara/Romania	100.00
MAHLE Componentes de Motor de México, S. de R.L. de C.V., Ramos Arizpe/Mexico	100.00
MAHLE Componentes de Motores S.A., Murte de Portugal	100.00
MAHLE Componenti Motori Italia S.p.A., La Loggia/Italy	100.00
MAHLE Composants Moteur France SAS, Chavanod/France	100.00
MAHLE Compresores, S. de R.L. de C.V., Juarez/Mexico	100.00
MAHLE Compressores do Brasil Ltda., Jaguariúna/Brazil	100.00
MAHLE Compressors Hungary Kft., Balassagyarmat/Hungary	100.00
MAHLE de México S. de R.L. de C.V., Ramos Arizpe/Mexico	100.00
MAHLE Donghyun Filter Systems Co., Ltd., Hwasung/South Korea	100.00
MAHLE Ebikemotion S.L.U., Palencia/Spain	100.00
MAHLE Electric Drives (Taicang) Co., Ltd., Taicang City/China	99.87
MAHLE Electric Drives Bel OOO, Grodno/Belarus	100.00
MAHLE Electric Drives Bosnia d.o.o., Laktaši/Bosnia and Herzegovina	100.00

at December 31, 2020

Name and location	Share in equity in %
MAHLE Electric Drives Bovec d.o.o., Bovec/Slovenia	100.00
MAHLE Electric Drives India Private Limited, Coimbatore/India	93.20
MAHLE Electric Drives Italy S.r.l., Reggio Emilia/Italy	100.00
MAHLE Electric Drives Japan Corporation, Numazu-shi, Shizuoka/Japan	100.00
MAHLE Electric Drives Komen d.o.o., Komen/Slovenia	100.00
MAHLE Electric Drives Slovenija d.o.o., Šempeter pri Gorici/Slovenia	100.00
MAHLE Electronics & Mechatronics Technology (Suzhou) Co., Ltd, Changshu/China	100.00
MAHLE Electronics S.L.U., Motilla del Palancar/Spain	100.00
MAHLE Engine Components (Chongqing) Co., Ltd., Chongqing/China	100.00
MAHLE Engine Components (Nanjing) Co., Ltd., Nanjing/China	100.00
MAHLE Engine Components (Thailand) Co., Ltd., Bangkok/Thailand	99.75
MAHLE Engine Components (Yingkou) Co., Ltd., Yingkou/China	100.00
MAHLE Engine Components India Private Limited, Pithampur/India	100.00
MAHLE Engine Components Japan Corporation, Okegawa-shi/Japan	100.00
MAHLE Engine Components Slovakia s.r.o., Dolný Kubín/Slovakia	100.00
MAHLE Engine Components USA, Inc., Morristown, Tennessee/USA	100.00
MAHLE Engine Systems UK Ltd., Kilmarnock/Great Britain	100.00
MAHLE Engineering Services India Private Limited, Pune/India	40.00 ²
MAHLE Filter Systems (Tianjin) Co., Ltd., Tianjin/China	100.00
MAHLE Filter Systems Canada, ULC, Tilbury/Canada	100.00
MAHLE Filter Systems Japan Corporation, Tokyo/Japan	100.00
MAHLE Filter Systems Land Corporation, Cavite/Philippines	66.67
MAHLE Filter Systems North America, Inc., Troy, Michigan/USA	100.00
MAHLE Filter Systems Philippines Corporation, Cavite/Philippines	100.00
MAHLE Filter Systems UK Ltd., Telford/Great Britain	100.00
MAHLE Filtersysteme Austria GmbH, St. Michael ob Bleiburg/Austria	100.00
MAHLE Filtersysteme France SAS, Seboncourt/France	100.00
MAHLE Filtersysteme GmbH, Stuttgart/Germany	100.00
MAHLE Filtration Systems (Hubei) Co., Ltd., Wuhan/China	100.00
MAHLE Filtre Sistemleri A.S., Gebze/Turkey	100.00
MAHLE France SAS, Rouffach/France	100.00
MAHLE Guangzhou Filter Systems Co., Ltd., Guangzhou/China	100.00
MAHLE Holding (China) Co., Ltd., Shanghai/China	100.00
MAHLE Holding (India) Private Limited, Gurgaon/India	100.00
MAHLE Holding Austria GmbH, St. Michael ob Bleiburg/Austria	100.00
MAHLE Holding España S.L.U., Montblanc/Spain	100.00
MAHLE Immobilien GmbH, Stuttgart/Germany	100.00
MAHLE Immobilien Schweiz AG, Grenchen/Switzerland	100.00
MAHLE Indústria e Comércio Ltda., Mogi Guaçu/Brazil	100.00
MAHLE Industrial Thermal Systems GmbH & Co. KG, Kornwestheim/Germany	60.00 ²
MAHLE Industriebeteiligungen GmbH, Stuttgart/Germany	100.00

at December 31, 2020

Name and location	Share in equity in %
MAHLE Industriemotoren-Komponenten GmbH, Stuttgart/Germany	100.00
MAHLE Industries UK Ltd., Rugby/Great Britain	100.00
MAHLE Industries, Incorporated, Farmington Hills, Michigan/USA	100.00
MAHLE International GmbH, Stuttgart/Germany	100.00
MAHLE Japan Ltd., Tokyo/Japan	100.00
MAHLE Kleinmotoren-Komponenten GmbH & Co. KG, Stuttgart/Germany	100.00
MAHLE Luxembourg Sàrl, Foetz/Luxembourg	100.00
MAHLE Manufacturing Management, Inc., Farmington Hills, Michigan/USA	100.00
MAHLE Manufacturing Service Japan Corporation, Tokyo/Japan	100.00
MAHLE Metal Leve S.A., Mogi Guaçu/Brazil	70.00
MAHLE Motor Parçaları San. ve Tic. A.Ş., Izmir/Turkey	100.00
MAHLE Polska Spółka z o.o., Krotoszyn/Poland	100.00
MAHLE Powertrain, LLC, Plymouth, Michigan/USA	100.00
MAHLE Powertrain GmbH, Stuttgart/Germany	100.00
MAHLE Powertrain Ltd., Northampton/Great Britain	100.00
MAHLE RUS, OOO, Dobrino/Russia	100.00
MAHLE S.A.U., Vilanova i la Geltrú/Spain	100.00
MAHLE Services (Thailand) Ltd., Samut Prakan/Thailand	100.00
MAHLE Shanghai Filter Systems Co., Ltd., Shanghai/China	95.00
MAHLE Shared Services México, S. de R.L. de C.V., Monterrey/Mexico	100.00
MAHLE Shared Services Poland Spółka z o.o., Wrocław/Poland	100.00
MAHLE Siam Electric Drives Co. Ltd., Samut Prakan/Thailand	100.00
MAHLE Siam Filter Systems Co., Ltd., Samut Prakan/Thailand	74.90
MAHLE Sistemas de Filtración de México S.A. de C.V., Monterrey/Mexico	100.00
MAHLE Trading (Shanghai) Co., Ltd., Shanghai/China	100.00
MAHLE Trading Japan Co., Ltd., Tokyo/Japan	100.00
MAHLE Tri-Ring Valve Train (Hubei) Co., Ltd., Macheng/China	65.00
MAHLE Ventiltrieb GmbH, Stuttgart/Germany	100.00
MAHLE Versicherungsvermittlung GmbH, Stuttgart/Germany	100.00
MAHLE Vöcklabruck GmbH, Vöcklabruck/Austria	100.00
MAHLE ZG Transmissions GmbH, Eching/Germany	100.00
MG Immobilienentwicklungs- und Ansiedlungsgesellschaft mbH, Wolfsberg/Austria	100.00
OSCON, LLC, Wilmington, Delaware/USA	100.00
PT. MAHLE Filter Systems Indonesia, Pasirranji/Indonesia	100.00
PT. MAHLE Indonesia, Pasirranji/Indonesia	100.00
S.C.I. Daudet, Décines/France	100.00

at December 31, 2020

Name and location	Share in equity in %
b) Fully consolidated subsidiaries of MAHLE Behr GmbH & Co. KG with direct shareholding quota	
MAHLE ANAND Thermal Systems Private Limited, Chakan/India	60.00
MAHLE Behr Berga GmbH, Kornwestheim/Germany	100.00
MAHLE Behr Charleston Inc., Charleston, South Carolina/USA	100.00
MAHLE Behr Components Spain S.L.U., L'Espluga de Francolí/Spain	100.00
MAHLE Behr Dayton L.L.C., Dayton, Ohio/USA	100.00
MAHLE Behr France Hambach S.A.S., Hambach/France	100.00
MAHLE Behr France Rouffach S.A.S., Rouffach/France	100.00
MAHLE Behr Gerenciamento Térmico Brasil Ltda., Arujá/Brazil	100.00
MAHLE Behr Holding Deutschland GmbH, Stuttgart/Germany	100.00
MAHLE Behr Holding GmbH, Stuttgart/Germany	100.00
MAHLE Behr Holýšov s.r.o., Holýšov/Czech Republic	100.00
MAHLE Behr Italy s.r.l., Grugliasco/Italy	100.00
MAHLE Behr Japan K.K., Tokyo/Japan	100.00
MAHLE Behr Kirchberg GmbH, Kirchberg/Germany	100.00
MAHLE Behr Korea Inc., Busan/South Korea	100.00
MAHLE Behr Luxembourg Sàrl, Foetz/Luxembourg	100.00
MAHLE Behr Manufacturing Management, Inc., Troy, Michigan/USA	100.00
MAHLE Behr Mexico, S. de R.L. de C.V., Ramos Arizpe/Mexico	100.00
MAHLE Behr Mnichovo Hradiště s.r.o., Mnichovo Hradiště/Czech Republic	100.00
MAHLE Behr Námestovo s.r.o., Námestovo/Slovakia	100.00
MAHLE Behr Ostrava s.r.o., Mošnov/Czech Republic	100.00
MAHLE Behr Ostrov s.r.o., Mnichovo Hradiště/Czech Republic	100.00
MAHLE Behr Ostrów Wielkopolski Sp. z o.o., Ostrów Wielkopolski/Poland	100.00
MAHLE Behr Rio Bravo, S. de R.L. de C.V., Ramos Arizpe/Mexico	100.00
MAHLE BEHR RUS LLC, St. Petersburg/Russia	100.00
MAHLE Behr Senica s.r.o., Senica/Slovakia	100.00
MAHLE Behr Service America L.L.C., Troy, Michigan/USA	100.00
MAHLE Behr Service Asia Co., Ltd., Shanghai/China	100.00
MAHLE Behr Service GmbH, Stuttgart/Germany	100.00
MAHLE Behr Service Mexico, S. de R.L. de C.V., Ramos Arizpe/Mexico	100.00
MAHLE Behr South Africa (Pty) Ltd., Durban/South Africa	100.00
MAHLE Behr Spain S.A.U., Montblanc/Spain	100.00
MAHLE Behr (Thailand) Co., Ltd., Samut Prakan/Thailand	100.00
MAHLE Behr Thermal Systems (Jinan) Co., Ltd., Jinan/China	100.00
MAHLE Behr Thermal Systems (Qingdao) Co., Ltd., Qingdao/China	100.00
MAHLE Behr USA Inc., Troy, Michigan/USA	100.00
MAHLE Engineering Services India Private Limited, Pune/India	60.00 ²
MAHLE Industrial Thermal Systems GmbH & Co. KG, Kornwestheim/Germany	40.00 ²

at December 31, 2020

Name and location	Share in equity in %
c) Fully consolidated subsidiaries of MAHLE Metal Leve S.A. with direct shareholding quota	
MAHLE Argentina S.A., Rafaela/Argentina	100.00
MAHLE Filtróil Indústria e Comércio de Filtros Ltda., Mogi Guaçu/Brazil	60.00
MAHLE Hirschvogel Forjas S.A., Queimados/Brazil	51.00
MAHLE Metal Leve GmbH, St. Michael ob Bleiburg/Austria	100.00
d) Fully consolidated subsidiaries of MAHLE Industrial Thermal Systems GmbH & Co. KG with direct shareholding quota	
MAHLE Industrial Thermal Systems (Tianjin) Co., Ltd., Tianjin/China	100.00
MAHLE Industrial Thermal Systems America, L.P., Belmont, Michigan/USA	99.00
2. Affiliated companies, not consolidated on account of their immateriality for the presentation of the net assets, financial position, and results of operations	
a) Affiliated companies of MAHLE Behr GmbH & Co. KG with direct shareholding quota	
MAHLE Behr Sweden AB, Gothenburg/Sweden	100.00
b) Other affiliated companies with direct shareholding quota	
Compañía Rosarina S.A., Rosario/Argentina	99.99
Eito Denki Co. Ltd., Gojōme-machi, Akita/Japan	66.75
MAHLE Engine Components Australia Pty Ltd., Melbourne/Australia	100.00 ^{3, 5}
MAHLE Industrial Thermal Systems America, Inc., Belmont, Michigan/USA	100.00
MAHLE Industrial Thermal Systems Verwaltung GmbH, Stuttgart/Germany	100.00
MAHLE Kleinmotoren-Komponenten Verwaltungs GmbH, Stuttgart/Germany	100.00
MAHLE Thermoelektronik GmbH, Duisburg/Germany	100.00
Retromotion GmbH, Stuttgart/Germany	50.82
Ueno Industry Co. Ltd., Tokyo/Japan	100.00
Ueno Tech Co., Ltd., Tokyo/Japan	100.00
3. Proportionately consolidated companies	
a) Subgroup Behr-Hella Thermocontrol that is managed by MAHLE Behr GmbH & Co. KG and another company	
PARENT COMPANY	
Behr-Hella Thermocontrol GmbH, Stuttgart/Germany	50.00
Companies included in subgroup accounts of Behr-Hella Thermocontrol GmbH with direct shareholding quota	
Behr-Hella Thermocontrol (Shanghai) Co., Ltd., Shanghai/China	100.00
Behr-Hella Thermocontrol EOOD, Bozhurishte/Bulgaria	100.00
Behr-Hella Thermocontrol Inc., Farmington Hills, Michigan/USA	100.00
Behr-Hella Thermocontrol India Private Limited, Pune/India	100.00
Behr-Hella Thermocontrol Japan K.K., Atsugi/Japan	100.00
BHTC Finland Oy, Tampere/Finland	100.00
BHTC Mexico S.A. de C.V., San Miguel de Allende/Mexico	100.00

at December 31, 2020

Name and location	Share in equity in %
b) Proportionately consolidated group of companies that is managed by MAHLE Behr GmbH & Co. KG and another company	
PARENT COMPANY	
Shanghai MAHLE Thermal Systems Co., Ltd., Shanghai/China	50.00
Subsidiaries with direct shareholding quota	
Chengdu MAHLE Automotive Thermal Systems Co., Ltd., Chengdu/China	100.00
Shenyang MAHLE Automotive Thermal Systems Co., Ltd., Shenyang/China	100.00
Ningde MAHLE Automotive Thermal Systems Co. Ltd., Ningde/China	100.00
c) Other proportionately consolidated companies with direct shareholding quota that are managed by MAHLE Behr GmbH & Co. KG and another company	
Dongfeng MAHLE Thermal Systems Co., Ltd., Wuhan/China	50.00
4. Associated companies, consolidated using the equity method	
a) Associated companies of MAHLE Behr GmbH & Co. KG with direct shareholding quota	
Dongfeng-Paninco Automobile Aluminum Heat Exchanger Co.Ltd., Shiyang/China	50.00 ⁵
b) Associated companies of MAHLE Metal Leve S.A. with direct shareholding quota	
Innoferm Tecnologia Ltda., Mogi Guaçu/Brazil	33.33 ⁴
c) Other associated companies with direct shareholding quota	
Cofap Companhia Fabricadora de Peças Ltda., Mogi Guaçu/Brazil	31.65 ⁵
India Nippon Electricals Ltd., Chennai/India	20.52 ⁵
LangFang Kokusan Electric Co., Ltd., Langfang/China	40.00 ⁵
Pt Federal Izumi Manufacturing, Bogor/Indonesia	41.94 ⁵
SiEVA d.o.o., Šempeter pri Gorici/Slovenia	20.00 ⁴

¹ Shareholding 50% + 1 share

² From the Group's perspective, company is included by 100%

³ Affiliated company, consolidated using the equity method

⁴ The company was not measured using the equity method on account of its immateriality for the presentation of the net assets, financial position, and results of operations

⁵ Financial statements according to local GAAP

Auditor's report

This audit report is issued on financial statements prepared in German language.

Independent auditor's report

To MAHLE GmbH, Stuttgart

Audit Opinions

We have audited the consolidated financial statements of MAHLE GmbH, Stuttgart, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2020, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the financial year from 1 January to 31 December 2020, and notes to the consolidated financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the group management report of MAHLE GmbH for the financial year from 1 January to 31 December 2020.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2020 and of its financial performance for the financial year from 1 January to 31 December 2020 in compliance with German Legally Required Accounting Principles, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § [Article] 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Other Information

The executive directors are responsible for the other information. The other information comprises the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of German commercial law, and that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Stuttgart, March 19, 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

sgd. Jürgen Berghaus
Wirtschaftsprüfer
(German Public Auditor)

sgd. Marc Hummel
Wirtschaftsprüfer
(German Public Auditor)



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