

Press release

Stuttgart, April 27, 2021

MAHLE achieves positive operating result for 2020 and makes a strong start to the transformation year of 2021

- MAHLE steers strongly and resiliently through the pandemic year of 2020
- Sales fall to about EUR 9.8 billion (-16.7 percent) as a result of the slump in global sales markets
- Positive EBIT before restructuring expenses of about EUR 155 million
- High cash flow generated, indebtedness reduced: financial framework of Group is sound
- Continued strategic and operational focus on structural and technological transformation in 2021

MAHLE has steered through the exceptional year of 2020 strongly with considerable resilience. Thanks to a strong second half, the Group was able to partially compensate for the severe sales slumps in the spring and to generate sales of about EUR 9.8 billion. That represents a fall of 16.7% compared with the previous year, in line with the slump in the world market for passenger cars and commercial vehicles as a result of Covid-19. The Chinese market, where MAHLE achieved record sales, was an exception. Adjusted for negative exchange rate effects, business in China grew by almost four percent to EUR 1.3 billion compared with the previous year. In the year under review, the Group boosted its cash flow from operations significantly, from EUR 514 million to EUR 877 million. From mid-year, the Group's net balance sheet debt was continuously improved, falling to EUR 925 million at year-end, 31 percent below the prior-year level. EBIT before restructuring expenses was positive, at about EUR 155 million. In 2021, the Group's strategic and operational focus will remain the continuation of structural and technological transformation. In a challenging environment, MAHLE won many orders for products in its strategic future-oriented areas of activity.

“MAHLE is a healthy company with sound financing. We steered a clear, strong course through the special year of 2020. Despite the Covid crisis, we generated strong cash flow, reduced our debt and closed the year positively in operational terms,” says Michael Frick, Chairman of the MAHLE Group Management Board (ad interim) and CFO. “2021 started well and we have the clear objective of significantly boosting our sales and recording positive results for the year. In these efforts, we are guided by strict cost and cash discipline.”

Technological transformation focusing on hydrogen and e-mobility

Despite the challenging environment, MAHLE maintained Group-wide research and development expenses at a high level of EUR 644 million in 2020. With reference to sales, the development expenses ratio rose from 6.2 to 6.6 percent. Future-oriented areas account for more than 80 percent of Group research and development expenditure – and the figure is growing. In 2020, the Group laid firm foundations for the expansion of its product portfolio and development competences. The main focus was on hydrogen and e-mobility.

Currently, MAHLE generates more than 60 percent of its sales independently of the passenger car combustion engine. By 2030, this figure is to rise to about 75 percent.

In 2020, the Group developed two standardized air filter solutions for fuel cells. With this new, modular approach, MAHLE will significantly reduce development times and costs – and therefore give fuel cell technology a noticeable boost toward suitability for large-scale production.

In its second key area of future activity – e-mobility – MAHLE has been enabling the faster charging of the traction battery of hybrid and electric vehicles since last year. The newly developed high-performance condenser developed by the Group will make electric vehicles more suitable for everyday use and the mass market. In 2020, the e-bike segment launched the next generation of its e-bike drive system. Growth well into the double-digit range is expected over the next few years. MAHLE also expanded its network of global competence centers for e-mobility. A new global development center for mechatronics and electronics was established in Kornwestheim near Stuttgart. In Fellbach, also near Stuttgart, MAHLE opened a new test rig for testing and developing electric axles and drive units.

“MAHLE is a modern technology group and our order books are well-filled. In the field of alternative drive systems, we won orders for electric drive motors for two-wheelers and passenger cars, power electronics, battery cooling systems, as well as electric compressors and water pumps. In our traditional business areas, demand for internal combustion engine products continues at a high level,” says Michael Frick.

Restructuring of Group to safeguard competitiveness

In 2020, MAHLE intensified its cost reduction and restructuring programs. In view of the historic transformation of the industry and weaker development on global automobile markets, the objective is to reposition MAHLE both technologically and structurally in the years to come.

Personnel adjustments are part of the Group’s restructuring efforts. These are implemented responsibly in a process of dialog with employee representative bodies. For the German locations, the MAHLE Management Board recently reached agreement with employee representatives concerning the framework conditions and time schedule for the implementation of the personnel

adjustments announced in 2020. In particular, a voluntary redundancy plan will start in the near future.

At the end of 2020, the MAHLE Group employed about 72,000 people, representing a reduction of almost 5,000 compared with the previous year.

Responsibility for people and the environment

In addition to the measures already mentioned, MAHLE expanded its advanced training program last year and adapted it to changing conditions, for example by introducing virtual learning meetups, toolboxes and digital learning platforms.

“The key to success, especially in the current stage of the transformation, lies in the skills and potential of our workforce. That is why our top priority is to have the right talent on board, to develop our teams further, and to retain them. Preparing our workforce for new technologies and working methods is particularly important,” says Anke Felder, Member of the MAHLE Management Board and Executive Vice President Human Resources.

MAHLE has further intensified its efforts to make its production processes and operational procedures more environmentally sustainable. These include, for example, clearly defined, binding and measurable targets for the reduction of its CO₂ footprint.

MAHLE is committed to the Paris Agreement. By 2040, the Group intends to become carbon-neutral in accordance with Scopes 1 and 2 of the Greenhouse Gas Protocol. All German plants will be switched to carbon-neutral operation by the end of 2021. At the same time, MAHLE is engaging in intensive dialog with its suppliers to ensure that sustainability is also firmly established in our supply chain.

Strict cost discipline and comprehensive cost reduction measures

At EUR 9.8 billion, sales in 2020 declined organically – i.e. after adjustment for exchange rate effects and changes in the consolidation group – by 16.7 percent compared with 2019. As a result of the slump in global sales markets, all regions recorded significant falls in sales. Nevertheless, MAHLE achieved a sales record in China. Adjusted for negative exchange rate effects, sales in China grew by almost four percent compared with the previous year, reaching EUR 1.3 billion.

Investments in tangible fixed assets fell by EUR 116 million to EUR 436 million. On the other hand, Group-wide research and development expenditure was maintained at a high level, at EUR 644 million.

As expected, the impact of the COVID-19 pandemic, negative exchange rate effects, and sales losses from weakened markets also affected the result. In total, MAHLE closed 2020 with a net loss for the year of EUR 434 million, largely shaped by special effects. In the year under review, the special effects included high accruals for necessary restructuring measures. In addition, R&D investments traditionally flow directly into the result at MAHLE.

EBIT before restructuring expenses amounts to EUR 155 million. This good figure shows that MAHLE was able to successfully limit the impact of the significant fall in sales on the result. "We have taken every possible measure to reduce the negative effect of the pandemic on our profitability and liquidity. Without delay, we adapted our cost structure to the decline in demand," says Michael Frick.

Despite the fall in sales, MAHLE was able to generate strong cash flow from operations. Compared with the previous year, the figure rose from EUR 514 million to EUR 877 million. At December 31, 2020, cash in hand was about EUR 871 million, significantly above the figure of EUR 567 million at year-end 2019.

As a result, it was possible to steadily improve net debt starting in July 2020. At EUR 925 million, MAHLE's net balance sheet debt at the end of the year was an impressive 31 percent below the previous year's value, and it was further reduced by the end of March this year.

Positive outlook, with continuing risks

The 2021 financial year has started in a positive way for MAHLE and expectations were exceeded in the first quarter. Despite the continuing risks as a result of a variety of factors including the Covid pandemic, delivery bottlenecks and political regulation, the Group expects a significant rise in sales and a positive result for the year as a whole.

Note for radio stations:

Original statements by Michael Frick are available for downloading at <https://www.mahle.com/de/news-and-press/>.

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About MAHLE

MAHLE is a leading international development partner and supplier to the automotive industry. The technology group has a broad-based positioning in the areas of powertrain technology and thermal management with a clear focus on future-oriented mobility topics. Within its dual strategy, MAHLE is working both on the intelligent combustion engine for the use of hydrogen and other non-fossil fuels and on technologies to bring the fuel cell and e-mobility forward to broad acceptance in the marketplace. The product portfolio of the company, established in 1920, addresses all the crucial aspects of powertrain and air conditioning technology. Every second vehicle throughout the world is now equipped with MAHLE components. #weshapefuturemobility

In 2020, MAHLE generated sales of approximately EUR 9.8 billion and is represented in over 30 countries with more than 72,000 employees at 160 production locations and 12 major research and development centers. (Last revised: December 31, 2020).