



Annual Report 2010

Heat up. Cool down.

BEHR

Behr Profile

Behr, a global partner of the automobile industry specializing in automotive air conditioning and engine cooling with sales amounting to approximately 3.3 billion EUR, is one of the leading original equipment manufacturers for light vehicles and trucks. We are represented in all the key markets of the world with a workforce of around 16,500 employees.

Board of Management

- Peter Grunow (since October 1, 2010)
- CEO
- Markus Flik (until September 30, 2010)
- CEO
- Colin Carter
- Customer Centers and Sales
 - Project Management
- Klemens Schmiederer
- Air Conditioning and Engine Cooling Product Divisions
 - Development Methods
 - Production and Logistics
- Hermann Tetzner
- CFO (until March 31, 2011)

Supervisory Board

- Horst Geidel, Chairman
- Walther Zügel,
Deputy Chairman (until June 30, 2010)
- Heinz K. Junker,
Deputy Chairman (since October 1, 2010)
- Klaus P. Bleyer (until September 30, 2010)
- Hans-Joachim Daiber (until September 30, 2010)
- Wolfgang Elkart (since July 1, 2010)
- Joachim E. Schielke
- Hans-Joachim Schöpf (until September 30, 2010)
- Armin Schuler
- Bernhard Volkmann (since October 1, 2010)
- Jochen Wolf (until September 30, 2010)



HVAC module Tata Nano

Automotive Air Conditioning

Comfort, concentration and ultimately safety depend largely on maintaining a comfortable temperature in the car or truck. Behr designs entire air conditioning systems or supplies customized HVAC modules. If required, we also take over the regulation and control of the A/C and heating circuits.



Indirect charge air cooler MAN TGX

Engine Cooling

An innovative cooling system aligned to the respective engine guarantees its performance, eco-friendliness and service life. We plan, develop and manufacture many different cooling systems and carry out series integration.

Five-Year Financial Summary

Behr Group	2006	2007	2008	2009 ¹	2010
Sales	3,188	3,383	3,332	2,468	3,349
Europe	2,057	2,201	2,250	1,514	1,933
North America	774	733	646	504	690
Asia	161	222	209	274	477
Other regions	196	227	227	176	249
EBIT	125	85	- 6	- 191	98
Earnings before taxes (EBT)	95	40	- 70	- 235	53
As % of sales	3.0%	1.2%	- 2.1%	- 9.5%	1.6%
Return on capital employed (ROCE)	10.3%	7.0%	- 0.5%	- 21.7%	10.5%
Balance sheet total	1,993	2,198	2,034	1,862	1,919
Equity ratio	30.2%	26.4%	22.1%	12.8%	20.2%
Capital expenditure in fixed assets	150	169	185	97	84
Depreciation	164	187	190	197	198
R&D expenditure	229	241	254	206	209
As % of sales	7.2%	7.1%	7.6%	8.3%	6.2%
Employees (end of year)	18,594	19,448	18,812	17,071 ²	16,522

All figures in million EUR; annual average exchange rate 1 euro = 1.3248 US\$

1 Behr Group from continued business divisions; in the 2009 financial statements the assets and liabilities of Behr Industry were classified as held for sale

2 Of which in 2009 Behr Industry accounted for 864 employees



Modular cooling plate

Battery Cooling

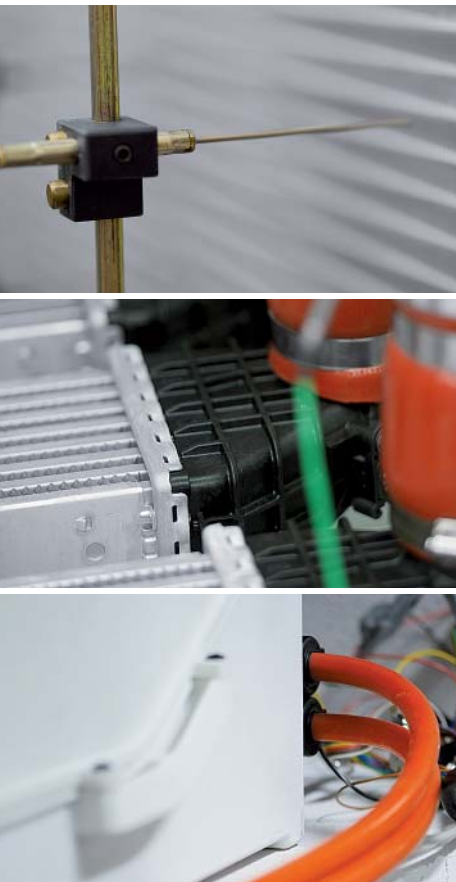
Electric and hybrid vehicles will find more and more buyers in the future. The cooling of Li-ion batteries confronts engineers with entirely new challenges. Behr recognized this trend at an early stage and is responding with new products.



Complete workshop technology for air conditioning servicing

Service Parts

Behr Service provides the international automotive industry with spare parts and services for automotive air conditioning and engine cooling systems. The joint venture Behr Hella Service supplies the independent aftermarket in many parts of the world.



The title page of the Annual Report shows an engine radiator in the pressure cycling test stand. The top photo on page 4 and photo on page 10 show a condenser on the HVAC system test bench. A direct charge air cooler is tested in the pressure cycling test stand (page 4 center, page 18). The bottom photo on page 4 and on page 28 show the testing of a Li-ion battery on the HVAC battery system test bench.

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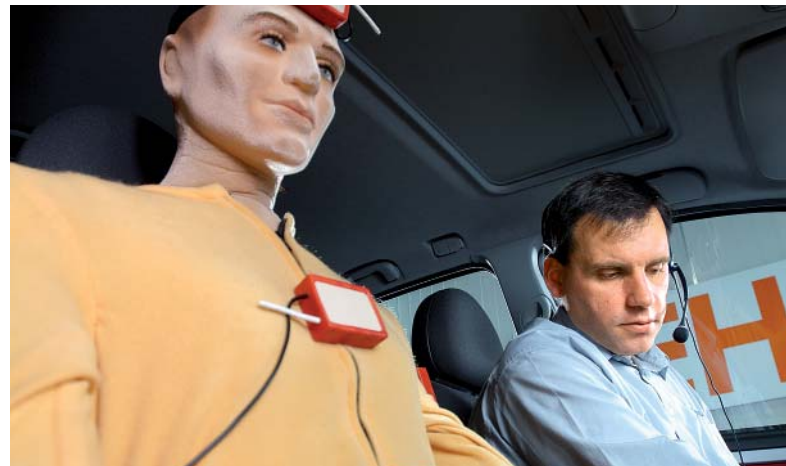
Heat up. Cool down. Systems Partner for Thermal Management

When it comes to increasing the range of a tank of fuel or a battery charge, reducing emissions and making driving more comfortable, Behr is a sought-after systems partner of the automotive industry worldwide.

We are specialists in the control and regulation of complex heat flows in the vehicle. Our products for efficient **air conditioning** ensure cabin comfort and excellent air quality for focused and relaxed driving—with minimum fuel consumption. Our **engine cooling** solutions help cut fuel consumption and pollutant emissions. In addition, our technologies for **battery cooling** in hybrid and electric vehicles provide for a long service life of the temperature-sensitive Li-ion battery. In short, we apply our thermal management expertise to support our customers in fulfilling the requirements of tomorrow's light vehicles and trucks.

Further development of our global production network in 2010 gives us a more robust standing and we are now able to serve our customers with more speed and flexibility. At the same time, series production launches and product developments underpin our market and technology position in the growth markets. Whether electric vehicles in China, compact cars in India or trucks in Brazil—they have thermal management solutions from Behr on board.

The strategic partnership with MAHLE enables us to offer our customers even more alternatives: entire system solutions for the powertrain and the passenger compartment in modern vehicles. Examples include intake systems with integrated charge air coolers, complete EGR and oil filter modules as well as HVAC modules with integrated cabin air filters. Our joined forces will allow us to grow further with our customers.



Return to Profitability

Ladies and Gentlemen,

Behind us lies a year characterized by positive trends. Although initially overshadowed by the dramatic slumps of the previous year and considerable uncertainty about future development, a strong recovery soon set in and is continuing to date. Global light vehicle production for fiscal year 2010 went up by 24%. The production of trucks even rose overall by 44%.

Chief growth drivers were again the markets in China and India, Brazil as well as Eastern Europe. Behr is already well positioned in these countries. Nevertheless, we need to continue to strengthen our production in these growth markets in the coming years.

Sales and earnings above target

The dynamic, upward trend of the market significantly helped Behr generate an almost 36% increase in sales in fiscal 2010, thus marking a return to pre-crisis levels. Earnings also developed positively. Our strategy to invest in the emerging regions bore fruit as did the extensive restructuring and cost-saving measures. Overall, it can be said that the

Behr Group has achieved the turnaround earlier than expected and overcome the crisis with the help of surprisingly strong market growth, but also as the consequence of a strictly implemented cost reduction initiative. We are not completely out of the woods yet as our growth is not sufficiently reflected in earnings. We need at least a 5% return on sales to ensure sustained profitable growth.

Long-term financial stability and additional market potential through MAHLE's participation

MAHLE's participation in Behr as well as the sale of the majority interest in Behr Industry to MAHLE gave us the necessary financial stability to remain competitive, to offer outstanding innovations, and to strengthen our position. At the same time, both partners can now jointly tap significant additional potential in the innovative thermal management sector. On January 1, 2013, MAHLE intends to raise its stake in the Behr Group to 51%, thus enabling the



Behr CEO Peter Grunow

integration of Behr into the MAHLE Group, although Behr will remain a legally independent company.

Financial situation significantly improved

In September 2010, after over twelve months of negotiations, we concluded a syndicated loan agreement that secures our financial independence until 2013. The second capital increase through MAHLE in January 2011 also contributed to further stabilization.

Number of employees slightly lower

The number of employees worldwide dropped in 2010 from 17,071 to 16,522. In North America, the number of staff employed by Behr came to 2,334 (2009: 2,447), in Asia to 2,068 (2009: 1,887), and in the other regions to 1,810 (2009: 1,968). The number of Behr employees in Germany as at December 31, 2010, came to 5,910 (2009: 6,516) and to 4,400 in the rest of Europe (2009: 4,253). The reduction in Western Europe was primarily due to the sale of the majority interest in Behr Industry to MAHLE. However, the extensive restructuring measures also led to a reduction in personnel. We managed to carry out these cutbacks as socially responsible as possible.

Research and development remain at a high level

Despite the commitment to continuous cost reduction, as a global innovation leader we have continued to promote our R&D activities in the fields of air conditioning and engine cooling. The main focus was on the current core issues of reducing emissions, lowering fuel consumption, and electric mobility. Numerous contracts acquired in fiscal 2010 confirm that customers and end users highly value this innovative strength.

Optimistic outlook

We anticipate a continued positive trend in the global light vehicle and truck market for 2011. However, market

experts predict that the pace of the past year will slow down noticeably. Nevertheless, the Behr Group expects another strong year particularly on account of our good position in the growth markets and our outstanding technological concepts. There are still some risks such as the impact of the natural disaster in Japan on our customers and suppliers. However, we are generally confident that we will be able to improve our profits again in 2011, particularly on the basis of our extensive measures to further optimize all locations and processes and our day-to-day cost discipline.

Thanks to employees and workers' representatives

We are well aware that Behr would not have come through the restructuring phase so successfully without the enormous commitment of its employees and without constructive cooperation with the works council. They all stood by their employer in difficult times and supported unavoidable decisions. The Behr Board of Management appreciates this outstanding commitment and loyalty.

Stuttgart, Germany, May 2011



Peter Grunow
CEO

Successful Stabilization

Ladies and Gentlemen,

During the course of 2010, recovery of the global economy and also of the automotive industry set in at an entirely unforeseen pace. Attaining a sales increase of 36%, Behr managed to return to pre-crisis levels.

In consultation with the Supervisory Board, the Company continued, in spite of the economic recovery, to unabatedly pursue the measures focused on restructuring, cost cutting and limiting spending, thus improving Behr's competitiveness. Consequently, in conjunction with volume growth, a net income of approximately 60 million EUR was achieved. Allowing for the exceptional charges and non-recurring expenses for restructuring and financing accrued in fiscal 2010, this marks an important step toward achieving the profitability we need to secure long-term stability.

The Supervisory Board focused on safeguarding Behr's financial stability. Beyond the operative results, the following measures were undertaken:

- Sale of 60% interest of Behr Industry GmbH & Co. KG to MAHLE in mid 2010.
- An increase in capital stock and the admission of MAHLE as a shareholder with a 19.9% interest in Behr GmbH & Co. KG in October 2010 and a second infusion of capital, increasing MAHLE's shares to 36.85%, in January 2011.
- The conclusion of a syndicated loan agreement to secure liquidity without government aid.

These measures brought about a substantial equity strengthening and a reduction in bank obligations.

In order to map the course to sustained profitable growth of the company, a corresponding strategy has been initiated.

In terms of ongoing business operations, the Supervisory Board regularly received comprehensive and timely reports on the market development as well as on the situation and progress of the company. Monthly reports, planning documentation and the assessment of opportunities and risks were discussed at Supervisory Board meetings.

The Board of Management informed the Supervisory Board about projects and proceedings of particular importance, if necessary outside the meetings. Pro-



Chairman of the Supervisory Board Horst Geidel

ceedings that required the approval of the Supervisory Board were discussed extensively in the Supervisory Board meetings prior to making a decision.

Personnel changes

In conjunction with MAHLE's participation in Behr, the previous CEO, Markus Flik, left the company on September 30, 2010. Peter Grunow, previously a member of the Management Board of MAHLE GmbH, was appointed his successor as of October 1, 2010.

On June 30, 2010, Walther Zügel, Deputy Chairman of the Supervisory Board, retired from the Supervisory Board having reached the age limit. He was a member of this body for over 25 years, 10 of which as Chairman. The Supervisory Board expresses its thanks to Mr. Zügel for his strong solidarity and trustful cooperation. Wolfgang Elkart, auditor/tax adviser and former member of the Board of Management of Ernst & Young AG was elected a member of the Supervisory Board with effect from July 1, 2010.

In the course of a planned reduction of Supervisory Board members as well as to avoid a conflict of interests in terms of corporate governance, Klaus P. Bleyer, Hans-Joachim Daiber and Hans-Joachim Schöpf as well as Jochen Wolf retired from the Supervisory Board by mutual consent on September 30, 2010. The Supervisory Board thanks the former members for their long-standing, successful work.

Elected as new members of the Supervisory Board as of October 1, 2010 are Heinz K. Junker, CEO of the Management Board of MAHLE GmbH, as well as Bernhard Volkmann, member of the Management Board of MAHLE GmbH. Horst Geidel remains Chairman of the Supervisory Board. Mr. Junker has been elected Deputy Chairman.

Annual statements

The annual statement of accounts and the consolidated financial statements for the fiscal year 2010 were audited

and certified by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft Stuttgart. The Supervisory Board has approved the annual statements and the Group's annual statements as well as the Group Management Report.

Ernst & Young GmbH was appointed auditor at the shareholders' meeting on May 5, 2010. The auditors reported on their review at a meeting of the Supervisory Board. The annual statement of accounts and the consolidated financial statements as well as the management report were acknowledged and approved by the Supervisory Board and presented at the shareholders' meeting.

On behalf of the Supervisory Board, I wish to express my thanks to the Board of Management and all employees for their acceptance of necessary measures and outstanding commitment. Overcoming the crisis, which placed significant demands on development and production, could only be achieved through an admirable team effort. I also wish to thank the employees' representatives who have continued to play a constructive role in the necessary decision-making processes and hence helped to secure jobs at Behr.

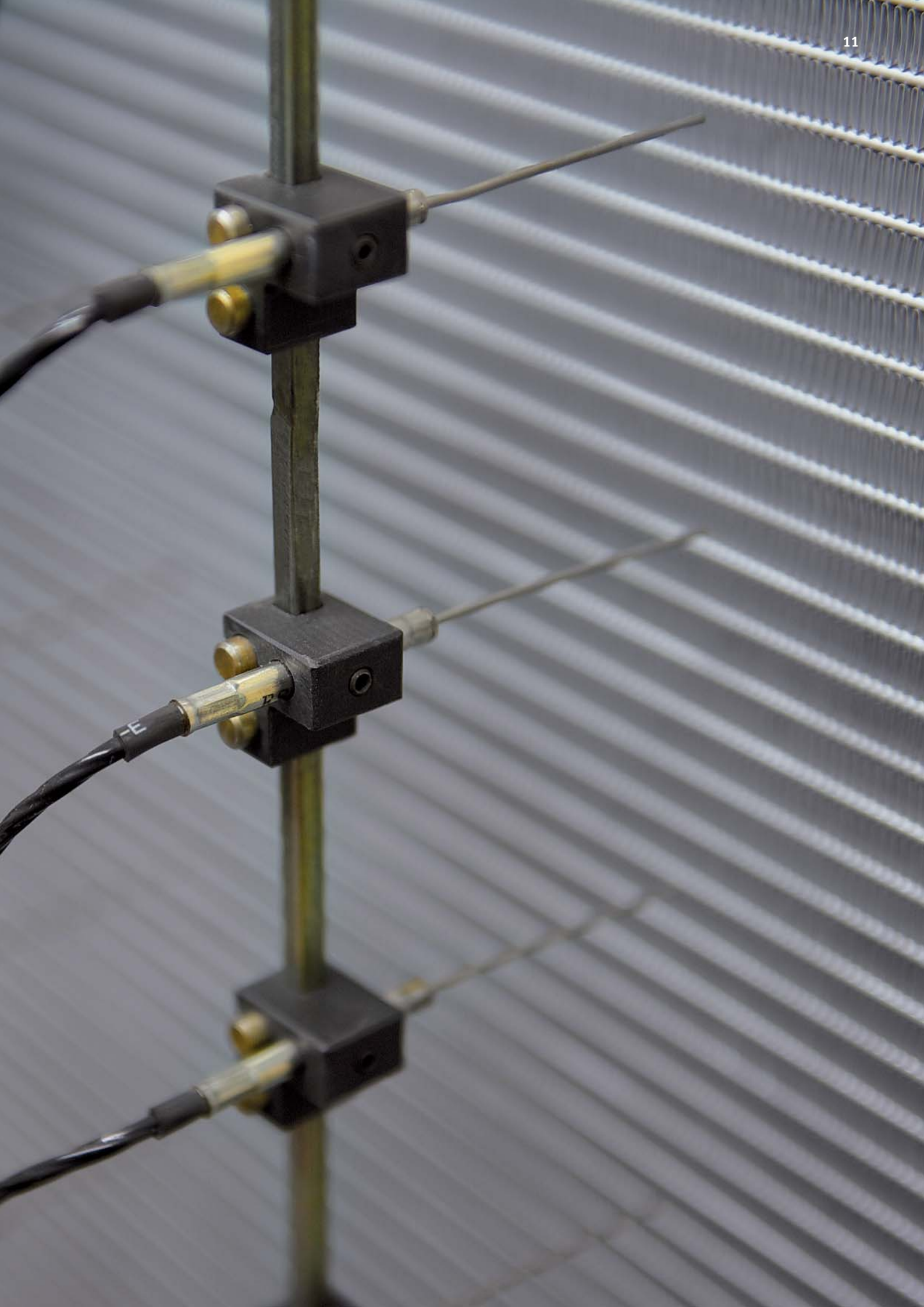
Stuttgart, Germany, May 2011



Horst Geidel
Chairman of the Supervisory Board

Air Conditioning: Fuel Efficient Comfort

Air conditioning has become an integral part of modern vehicles. However, comfort is not the only key factor; safety also plays a significant role. The driver of a vehicle with a pleasant cabin temperature can focus better and is thus more alert. In the future, the trend will continue to shift to even greater cabin comfort: variable airflows, vertical temperature stratification, acoustic comfort and different styles of air conditioning are the key words here. At the same time, in light of the new electric drive concepts, air conditioning must become more economical in use. For this reason, Behr intends to increase the efficiency of the A/C circuits by at least 20% by 2012.



2010 Milestones—Successful Turnaround, Market Position Further Consolidated

Restructuring of production locations, improvements in productivity, implementation of cost-saving measures, development of strategic products and, at the same time, keeping pace with the enormous growth of customers around the world: 2010 was not an easy year for Behr. We took up the challenge and reached many key milestones. A better than expected market recovery provided tailwind, as well as the support of our strategic partner MAHLE—and, most significantly, the joint effort of the over 16,500 employees. As a result, fiscal 2010 stands not only for stabilized finances and the return to profitability, but also for the consolidation of our market position: as one of the top three supplier companies to the automotive industry in the key technology field of thermal management.



Our production locations emerged from the crisis stronger than before. In the Mühlacker plant, for example, we are now making more intensive use of the benefits of the value-added chain than previously.

Strength Gained from the Crisis

How does one overcome a severe crisis? Like many other automotive suppliers, Behr was faced with this question after the dramatic economic slump in 2009, which left its mark on the profit and loss statement and the balance sheet.

It was obvious from the start that response could not just be restricted to cost cutting, staff reductions and plant closures. Some of these rigorous measures were unavoidable. At the same, however, we took advantage of the crisis and further developed the Behr global production network, concentrated on innovative product development, and sharpened our profile in the growth markets. All in all, Behr has become more efficient and flexible for its customers. Our broad and effective production footprint and technology portfolio will play a fundamental part in securing Behr's leading role in global automotive air conditioning, engine cooling and battery cooling markets.

The restructuring of the production locations coincided with an unexpected surge in demand from the automotive industry. Pleasing as this was, increased volumes led to additional major challenges. Despite the reorganization of existing production structures, it was necessary to meet the growing

demand on time and to overcome added difficulties in material procurement caused by the increased volumes. It can be reported, not without a certain amount of pride, that all obstacles were overcome and our customers were supplied according to schedule at all times.

The strategic participation of MAHLE in Behr and the associated infusion of equity capital set the course for the return to a sound balance sheet structure.

Equally important is the fact that the working partnership with the strategic shareholder MAHLE, which will culminate in a majority interest at the beginning of 2013, offers prom-

ising prospects in the context of joint product development and market penetration. These will enable us to combine our expertise in thermal management, serve the global markets together, and tap into additional earnings potential.

Internal efforts contribute to success

The figures of fiscal year 2010 speak for themselves. Compared to the crisis year 2009, sales were up by more than a third. The steady upward trend in all areas—light vehicles, trucks and service parts—played its part here. Earnings before taxes took a clearly positive turn despite further expenses related to restructuring measures. In addition to the strong market growth, the strict cost reduction measures in all areas of the company made a significant contribution.

An imperative prerequisite to strike a long-term, profitable course of growth was the stabilization of our previously unfavorable financial situation. After extensive negotiations with a banking syndicate, we were able to conclude a finance package in September 2010 that gives the Behr Group financial security until the end of 2013.

Additional stabilization through the participation of MAHLE

The strategic participation of MAHLE in Behr started in October 2010, and initially amounted to 19.9% of the shares. This, coupled with the associated infusion of equity capital, set the course for the return to a sound balance sheet structure. Moreover, the sale of Behr Industry shares to the MAHLE Group significantly helped to reduce the net debt. The increase of MAHLE’s interest to 36.85% in January 2011 has further stabilized the financial situation.

Leaner and Faster Through Improved Integration

Restructuring leads to customer benefits

We have combined all restructuring measures in our Commitment Project. The production subprojects concluded in this context have already resulted in markedly leaner workflows. The restructuring of production processes on the basis of lean manufacturing and the interlinking of the different production steps—from component production to final assembly and shipping—make it possible to cope with growing volumes using less plant space and, on top of that, at greater speed.

One example is the Mühlacker plant in Germany. Having transferred oil cooler production as well as the assembly of large-volume series modules and blowers to the plant, we now perform all value-adding production and assembly processes under one roof. Products and components no longer require intermediary storage or have to be transported back and forth. Shorter lead times and lower inventories are direct results.

Just in time for increased sales volumes, Behr has improved its supply reliability through optimization of the production process. Production optimization measures

are being implemented in sequence with restructuring of the plants. Newly formed teams of specialists in the plants are optimizing the over-

all process, from the supply of raw materials to shipping to the customer. The process optimization is flanked by improved demand and capacity planning in production and logistics.

Optimally synchronized production processes, reduced setup and lead times—these are not one-time measures, but an ongoing process from which the customer benefits in the form of short delivery times and top quality. Another permanent challenge is cost reduction and sustained improvement of our competitiveness. Project 2010, initiated at the beginning of 2008, serves this objective. 2,150 measures were implemented in 2010 and the savings targets were met to the full.

An integral part of the restructuring measures was consolidation of the production network, which included closing of the Stuttgart plant as well as closing of production and administration of our Spanish subsidiary Frape Behr in Barcelona. In addition to these measures, aimed at bringing down production costs to a competitive level, we have also significantly reduced administration expenses.

Key position in thermal management

This systematic cost cutting was not carried out at the expense of Behr's technology leadership. On the contrary, we continue to focus on applying our systems competence to expand our key position in thermal management. Our goal is winning additional market shares with innovative solutions for automotive air conditioning, engine cooling and battery cooling.

In fiscal 2010, we nonetheless managed to reduce R&D investments in relation to sales. Approximately one third of the development work previously carried out by Behr America in Troy and Charleston has meanwhile been

Behr was quick to recognize the strategic importance of the growth market China.

offshored to Behr Engineering Services in Pune, India. More than 100 development engineers there support the global Behr team.

While maintaining high technical standards, we have managed to contain development costs and improve Behr's overall competitive situation.

Successful, cross-national cooperation between Behr locations is substantiated by innovative work on the new hybrid vehicle Chevrolet Volt, set to come off German assembly lines in 2011 as the Opel Ampera. Engineers in Troy and Stuttgart have been working on development of the engine cooling system and the chiller, a heat exchanger for cooling the Li-ion battery, since March 2008. Dayton (USA), Ramos Arizpe (Mexico) and Mühlacker (Germany) are all involved in the production process.

Global Footprint Extended

Expanding with the growth markets

In fiscal year 2010, Behr made good progress at home and abroad on account of its improved competitive and technology position. Growth was particularly strong in China, meanwhile the world's largest automobile market. Behr was quick to recognize the strategic importance of this market and has formed a number of joint ventures with Chinese partners since 2003. Today, more than 1,000 Behr Group employees work in China. At the turn of the year 2009/2010, Behr Jinan, the first fully owned Behr company in China, started production. The new plant, which supplies HVAC components and produces cooling systems for heavy trucks, had an exceptionally successful first year and has already been honored by its main customer CNHTC with a top supplier award in recognition of outstanding product quality.

Behr also wants to play a key role in the development of hybrid and electric vehicles in China. A first development contract for the battery cooling of an electric

vehicle was received in February 2011. Other projects for hybrid vehicles are to follow in the course of the year.

New car business in India increased nationwide by a good third in 2010. Behr India in Pune, the joint venture established with Anand Automotive in 1997, kept pace with this development and meanwhile produces virtually the entire range of Behr products locally. India is increasingly emerging as a global production location for compact and affordable small cars. A prime example of this trend is the Nissan Micra, for which Behr India supplies the cooling module. Around 70% of the production volume is destined for export. As far as truck business is concerned, EGR coolers show great potential as India is also enforcing stricter emissions legislation. Behr's prospects in this market sector are also particularly promising.

The signs for the automobile market in Brazil likewise point to significant growth—after all, only one in seven Brazilians owns a car. In the past year, however, trucks and buses were the main drivers of growth. It is Behr's pronounced intention to tap this potential to the full. We are already market leader in the field of truck cooling. Our market share of light vehicle air conditioning is over 20%. Affordable and eco-friendly technologies, in particular, should help further strengthen our market position.

Europe and the USA: measures in the core marketplaces showing effect

Despite the explosive growth in the Far East and South America, Europe and North America remain the chief light and heavy vehicle markets for Behr for the time being. Restructuring has borne fruit in both regions: on the basis of a leaner cost structure and more efficient processes, Behr will also make full use of the growth potential here.

Behr has a close-knit network of development and production locations in Europe, which is cooperating even more intensively after restructuring.

Despite a significantly higher workload in the European plants in 2010, quality was maintained at a very high level. The impact of diverse measures to improve processes was visible. After the difficult year 2009, the European locations again managed to record success with new business. In France, for instance, despite tough competition, we were awarded the contract for air conditioning projects for Peugeot and Citroën—a highly encouraging and exceptional team effort.



In the year under review, the first fully owned Behr plant was inaugurated in Jinan, China. It supplies a truck key account customer with HVAC components and cooling modules.

In the coming years, we will focus particular attention on Central and Eastern Europe. In the year under review, production space in the Ostrava plant in the Czech Republic was doubled. In the new business year, first activities in Russia were initiated. A company was founded in St. Petersburg in February 2011; production capacities for light vehicles and trucks will be established in Russia in the next few years—true to the principle of producing close to our customers.

The U.S. automotive market is again on the upswing—and also undergoing the most radical change process in its history. Stimulated by federal funding, there is a particular focus on technologies to reduce consumption and emissions. This opens up new opportunities. Behr America undertook timely restructuring measures and completed consolidation of the North American production network in 2010.

At the main Behr America plant in Dayton (Ohio), no less than seven production areas were restructured—without any interruption to production. With the transfer of some component production to Behr Mexico, a corresponding extension to the plant in Ramos Arizpe had to be made. Additional cost-cutting measures at all US sites were implemented, including intensified utilization of synergies with Behr Engineering Services in Pune, India. These measures

helped Behr America to return to profitability ahead of plan. On the basis of significant development projects, Behr has also secured an excellent technological vantage point on the North American market—not least in the context of battery cooling for hybrid and electric vehicles.

Commitment and Responsibility

Outstanding team effort

The approximately 16,500 Behr employees achieved a remarkable feat in 2010. Amid restructuring of the entire corporate group, which also included unavoidable structural changes, they made an all-out effort to improve processes, further develop technologies, and helped meet the growing demands of our customers. All this made a valuable contribution to the success of the company.

The restructuring and use of synergies brought new challenges. In the context of cross-cultural cooperation, for example, Behr America not only had, but will continue, to coordinate activities with colleagues in Ramos Arizpe in Mexico, and also with engineers from Behr Engineering Services in Pune, India. The adherence to tight time schedules and Behr global standards, while enabling flexibility in response to regional circumstances, present key challenges.

MAHLE first took over shares in Behr in October 2010. Shortly afterwards the Integration Project, which focuses on bringing the two organizations together by 2013, took up work. At a first joint meeting, managerial staff members from both companies were informed about the project and its objectives, and were able to gain a keener insight into the product portfolios of Behr and MAHLE.



Responsible employer

During the crisis, personnel development focused on active support of the change process in order to retain top performing personnel. Transparent communication was a key factor here. On the basis of open dialog, we managed to promote understanding of the situation and the necessary and, in some cases, difficult measures.

We also recognized the crisis as an opportunity and invested in personnel development to prepare our employees to meet future challenges through better qualification. In Brazil, for example, we conducted a program for managerial staff, provided training for development engineers as well as technical courses for sales and purchasing staff. And in Stuttgart, the period of short-time work was used for skills enhancement measures.

A highly qualified workforce is a cornerstone of corporate success. Consequently, vocational training at Behr is now more focused on specific needs. In future, young people will be trained at the head office in Stuttgart or at the German production locations in accordance with local personnel requirements.

Future key activities in personnel development will include preparing managerial staff and employees for the integration of Behr and MAHLE.

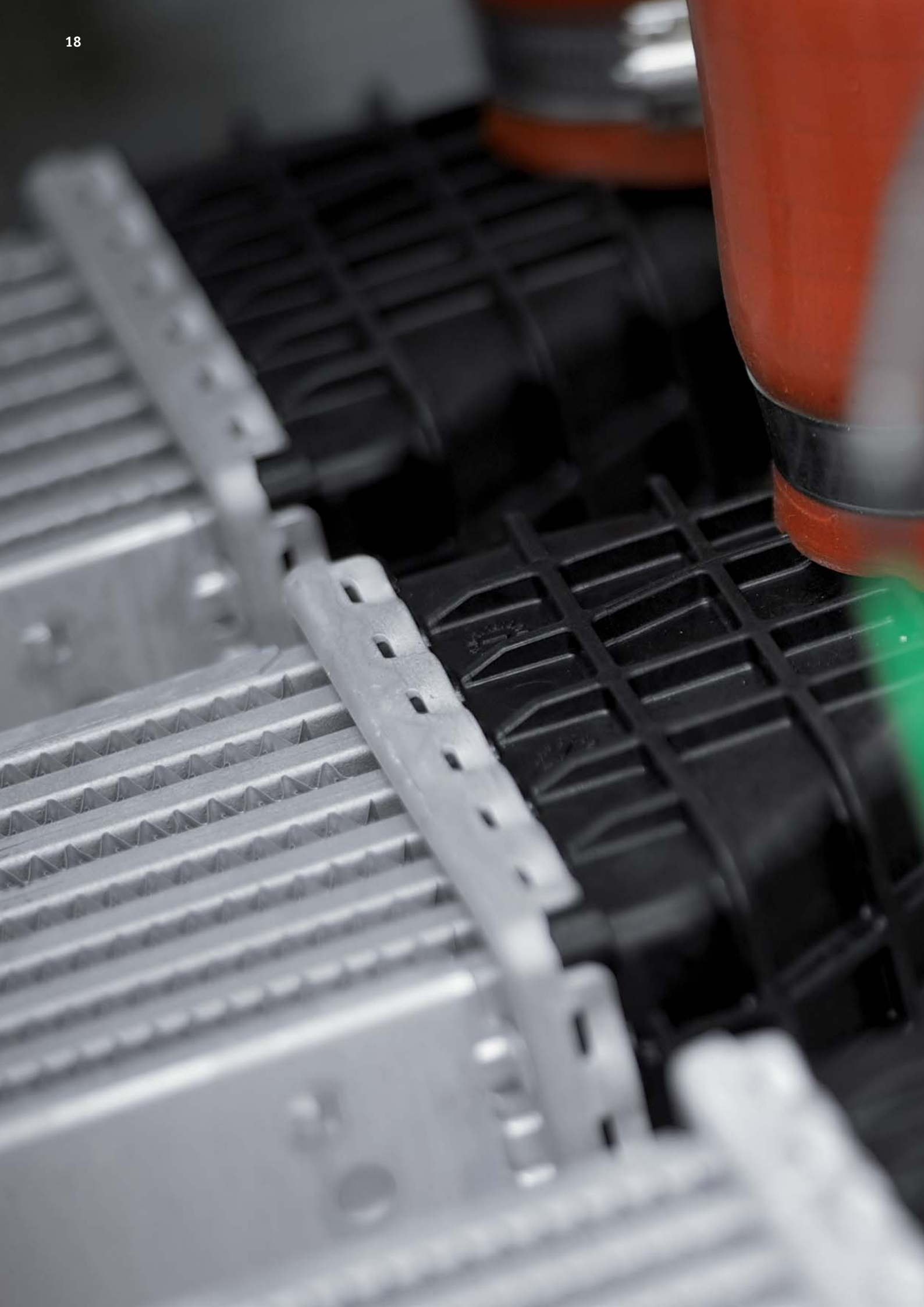


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Behr and MAHLE: New Prospects

A new phase in Behr's corporate history started in October 2010 with the introduction of the partnership with MAHLE. The participation of MAHLE has not only given us urgently needed financial security. The cooperation opens up completely new opportunities in the expanding sector of innovative thermal management for both MAHLE and Behr. We will be able to make use of synergies and tap significant potential since our product portfolios complement each other ideally. In the foreseeable future, we will be able to offer our customers complete systems solutions.

There are numerous signs that this integration will soon develop into a sustainable economic success. For example, sharing development facilities, new production plants as well as distribution channels will significantly reduce capital spending. The opportunity to centralize commercial functions and administration activities likewise leads to noticeable savings. Consequently, it comes as no surprise that MAHLE's participation in Behr has been met with positive response from our customers.



Engine Cooling: Takes Over New Functions

The role of engine cooling these days involves much more than “just” protecting the engine from overheating. In fact, it helps to fulfill strict current and future emissions standards and to cut fuel consumption at the same time. The cooling circuits and their interaction are becoming increasingly complex, and the demands placed on individual components are higher. Thermal management is one of the key technologies in the creation of the future generations of highly efficient combustion engines and hybrid vehicles.

Thermal Management from Behr— Helping to Shape Tomorrow’s Mobility

Downsizing and electrification of the powertrain: the necessity to reduce fuel consumption and emissions is transforming the face of the auto industry and its associated technologies. As a technology leader, Behr supports its customers in meeting the demands of tomorrow’s cars—because thermal management is one of the key technologies in future vehicle development.



Even in hybrid vehicles, thermal management will become much more complex. Despite the comparatively simple, non-turbocharged gasoline engine, Behr’s cooling module for the Chevrolet Volt is of more complex design than cooling modules for standard powertrains.

The scope of thermal management has clearly extended over recent years. The main job of the engine cooling used to be to prevent the engine from overheating. These days, it helps to meet the increasingly stringent emissions standards, to make more efficient use of energy and, ultimately, to save fuel.

Also the role of the air conditioning, seen up to now purely as a comfort feature, will be redefined because in hybrid and electric vehicles, the refrigerant circuit has to be incorporated into the thermal management of the temperature-sensitive Li-ion battery. In vehicles with alternative drive concepts, energy-efficient heating and cooling of the vehicle cabin will make an important contribution to improving a vehicle’s range.

Consequently, thermal management is one of the key technologies of future mobility and will gain in significance in the coming years.

Engine Cooling

Increasing demands

Despite the increasing electrification of the powertrain, the combustion engine will continue to play the main role in future mobility in the coming decades. The key issues behind its further development are improved fuel consumption and reduced pollutant emissions.

While the further development of the diesel engine is determined by emissions legislation, development work on gasoline engines is focusing on improving fuel efficiency.

Cutting emissions and fuel consumption

The challenge is clear: the fleet CO₂ emissions have to be reduced noticeably in the next few years. As a result, the number of smaller turbocharged engines, i.e. downsized engines, will increase as they operate with greater efficiency. The charge air in these engines needs to be cooled.

Consequently, the use of indirect, coolant cooled charge air cooling will increase.

This charge air cooler is a part of a separate low temperature coolant circuit, which is re-cooled via a low temperature radiator in the cooling module. Compared to the direct cooling used up to now, the volume of the indirect charge air system is 30 to 50% lower. This reduces the loss of pressure over the charge air section. The result is a greater density recovery, a higher cylinder charge and possibly even the use of a smaller turbocharger. All these factors lead to a more dynamic engine response.

By moving the charge air cooler closer to the engine, more packaging space is available in the front end. The omission of large-volume charge air lines also allows easier integration of the engine into some vehicles. Furthermore, if the indirect charge air cooler is incorporated into the intake manifold instead of being positioned as an add-on component between the compressor and the throttle valve, the benefits are even greater.

In order to meet current and future emissions standards, cooled exhaust gas recirculation has become standard for

diesel engines. Stricter standards for light vehicles with the enforcement of Euro 6 in 2014 will bring the next generation of EGR coolers onto the market. These will be designed to a large extent as low pressure EGR coolers. Greater resistance to corrosion is an issue here, because the altered concept means that the charge air is mixed with a proportion of exhaust gas before reaching the charge air cooler. This calls for new materials.

Cooling modules becoming more complex

The thermal management for hybrid vehicles also creates

new challenges. Despite the comparatively simple, non-turbocharged gasoline engine, Behr's cooling module for the Chevrolet Volt, a plug-in hybrid with range extender, is of more complex

design than cooling modules for standard powertrains. It consists of:

- a low temperature battery cooler
- a condenser
- a cooler for the power electronics of the hybrid powertrain
- a high temperature radiator for the range extender.

Trucks: Euro VI comes into effect in 2013

The new, more stringent emissions standard Euro VI for trucks will come into effect in Europe as of 2013. In order to fulfill its requirements, manufacturers are most likely to introduce cooled exhaust gas recirculation (EGR) coupled with catalytic exhaust gas aftertreatment across the board. This increases the demands on the engine cooling system as up to 100kW additional heat has to be dissipated by the exhaust gas heat exchangers.

In addition to pollutant emissions, soon the reduction of fuel consumption in trucks will become a focal issue

Downsizing will increase significantly in the coming years which will result in a rising demand for indirect charge air cooling.





Series production of the new generation of E-Visco® drives is slated to start in 2011. The ERS 350 will then be the clutch with the highest torque on the market. As the next step, Behr is transferring the principle of on-demand regulation to water pump drives.

as it is currently for light vehicles. Certainly, CO₂ emissions from trucks will also be governed by legislation in the future, as will be the case in Japan as of 2015.

In order to be able to meet these increasingly stringent requirements—reduced emissions coupled with improved fuel consumption—all components of the cooling circuits have to be further improved and new components developed.

Consequently, Behr has already improved the performance of charge air coolers and radiators. Compared to the Euro V series coolers, the package size of the new generation coolers was reduced by about 20%, while maintaining the same performance. Alternatively, if the package size is maintained, it is possible to significantly reduce the pressure drop and hence save fuel. The important c_w value of the engine cooling system is improved despite the necessary larger cooling surfaces, resulting in improved fuel consumption.

Overall, to meet Euro VI standards, approximately 15 to 20% more cooling air is needed. To meet these requirements, Behr has developed a new generation of fans and electronically controlled Visco® fan

drives with series production slated to start in 2011. Behr also has improved the air flow through the new cooling module using these products.

As a next step, Behr is transferring the principle of on-demand regulation to water pump drives. This reduces power consumption of this auxiliary component and results in fuel consumption reduction of about 1%.

Behr's new, improved EGR coolers cool down the recirculated exhaust by up to an additional 50K. The new tube design reduces fouling so performance remains stable. Engine developers can, therefore, tune the engine more efficiently in order to optimize fuel economy.

Exhaust gas energy recovery to reduce consumption

Hybrid solutions are not expected to play a decisive role in classic long-haulage truck applications. The challenges here not only concern the additional costs for such a

system and the specific modes of operation, which also impede an effective recovery of the braking energy. The problem is chiefly the insufficient performance and storage density of current Li-ion batteries.

An alternative approach pursued by Behr to cut fuel consumption in trucks involves directly converting the residual thermal energy in the exhaust (which actually amounts to almost 30% of the fuel energy) into mechanical energy. This is carried out by what is known as the Rankine cycle, a downstream heat-energy process. The recovered energy is then made available to the powertrain.

Battery Cooling

In 2010, the increasing electrification of the powertrain was again one of the major technological trends. Since 2005, Behr has been working intensively on the cooling of the temperature-sensitive Li-ion batteries and the power transformer in hybrid and electric vehicles. On account of this early development work, in the year under review, Behr was able to reinforce its position as one of the leading systems developers for the thermal management of hybrid and electric vehicles.

Cooling of the Li-ion battery poses completely new challenges for thermal management. Batteries must remain within a tight temperature range of up to approximately 45°C in order to ensure a sufficiently long service life and short charging periods. In order to achieve this, the low temperature coolant circuit and refrigerant circuit have to be linked. This results in new, complex circuits, which significantly increase the demands on individual components and control systems.

Three different cooling concepts

At present, there are three different cooling concepts as well as varying forms of system integration of the



The Li-ion battery of the Chevrolet Volt is cooled indirectly with refrigerant via a secondary circuit and chiller (photo) from Behr.

battery cooling into the air conditioning circuit of the vehicle:

- Air cooling with air conditioned cabin air
- Direct cooling with refrigerant from the air conditioning circuit of the vehicle
- Coolant cooling via a secondary circuit

Refrigerant cooling—direct or via a secondary circuit—seems to be establishing itself as the suitable cooling concept for Li-ion batteries. The direct alternative is the most compact method, which makes it particularly suitable for vehicles with very limited packaging space.

On the other hand, coolant cooling via a secondary circuit is the most flexible and energy-efficient method. The coolant of a secondary circuit flows through the cooling plate of the battery and is cooled by evaporating refrigerant in a chiller. Moderate cooling via an additional low temperature radiator is a possible winter operation option.

New cooling plate concepts

In terms of components, the main focus in 2010 was on the further refinement of new cooling plate concepts. The function of the cooling plate is to ensure the best possible homogeneous temperature distribution in the Li-ion battery. To accommodate the wide range of variants that currently exist, Behr has developed modular cooling plate concepts.

Series orders awarded

Behr has developed components for the three different concepts of battery cooling for hybrid and electric vehicles. In the year under review, Behr was awarded

further contracts for battery cooling components from renowned vehicle manufacturers worldwide. Sales in this business sector are developing as projected. The Li-ion battery of the much-publicized Chevrolet Volt, the first extended range plug-in hybrid launched in 2010, is cooled indirectly with refrigerant via a secondary circuit and chiller supplied by Behr.

Air Conditioning

Up to now, sufficient energy was available to air condition the vehicle interior; in winter, the combustion engine provided sufficient waste heat for cabin heating and windshield defogging. And, compared to the energy content of the fuel, the power required by the compressor for cabin air conditioning in summer did not play a decisive role.

The electrification of cars, however, is bringing about new challenges and functions for vehicle air conditioning.

Heating of the vehicle

interior, for instance, is an essential safety aspect because fogging or even freezing of the windows in cold outside temperatures must be avoided.

However, depending on the extent of hybridization, the waste heat from the powertrain of hybrid or electric vehicles is not sufficient to comfortably heat the cabin. Despite a high efficiency factor of just under 1, heating exclusively with an electric auxiliary heater negatively impacts the operating range of the vehicle on account of its high energy requirement. Behr is currently developing

The cooling of the Li-ion battery poses entirely new challenges for thermal management. Batteries must remain in a tight temperature range of up to approximately 45°C in order to ensure a sufficiently long service life and short charging times.

a heat pump for integration into the refrigerant circuit. Taking in a large part of its energy from the surroundings, this pump has efficiency factors of up to 4. Compared with electric heating, it can help to extend the vehicle range by 30 to 40%.

Storage evaporator saves fuel without sacrificing comfort

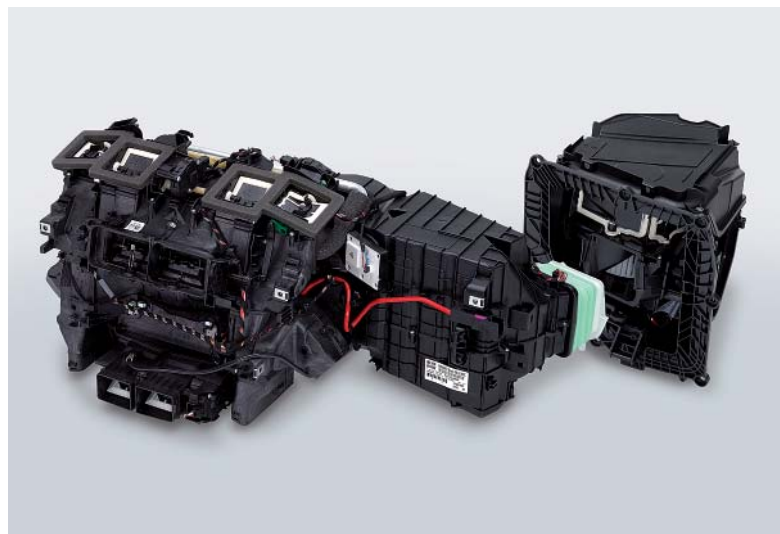
A similar problem is encountered in summer: air conditioning of the vehicle interior has a direct impact on the electric range. On the basis of a number of different measures, combined under the term ECO-A/C®, Behr aims to improve the efficiency of the refrigerant circuit by at least 20% by 2012. This will be achieved with a new generation of evaporators and condensers, the use of internal heat exchangers, variable evaporator temperature regulation, adjustments to the recirculated/fresh air control, and air conditioning regulation by means of targeted mass flow control for each seat. The same measures also help cut the additional fuel consumption caused by the air conditioning in conventional vehicles with a combustion engine.

With its storage evaporator, Behr has solved another problem in vehicles with start-stop systems. During stop phases, the engine is shut off, as is the mechanically driven compressor of the refrigerant circuit. However, in order to prevent a temperature surge in the vehicle interior, the engine must keep running. The BMW 5 Series launched in the year under review is fitted with Behr's storage evaporator which maintains comfortable interior temperatures even during engine stop phases.

BehrOxal nano®: antimicrobial coating technology

Regardless of the electrification of the powertrain and the associated new demands on the air conditioning system, the focus in all vehicle categories continues to be on improving interior comfort. Behr's modularly designed HVAC system for the BMW 5 Series went into series production in 2010. It can be extended from two to up to four zones. The air distribution and blower components are separate, which saves valuable packaging space in the cockpit. This solution also improves the acoustics.

BehrOxal nano®, a refinement of the BehrOxal® coating technology for aluminum evaporators, has an active antimicrobial function and effectively prevents the formation of odorous microorganisms on the surface of the heat exchanger. The series



The focus in all vehicle categories continues to be on enhancing interior comfort. The modularly designed HVAC system for the BMW 5 Series can be extended from two to up to four zones.

production of HVAC modules using BehrOxal nano® technology was first launched for the BMW 5 and BMW 7 Series.

The comfort vent in the interior of the BMW 5 Series, already in use in the BMW 7 Series, guarantees draft-free ventilation. Vehicle passengers are not only able to choose the air quantity and its direction, but can also select the type of airflow. They can choose whether the flow of air is diffused and draft-free or focused and direct with a spot flow.

Integrated air quality module: a world first

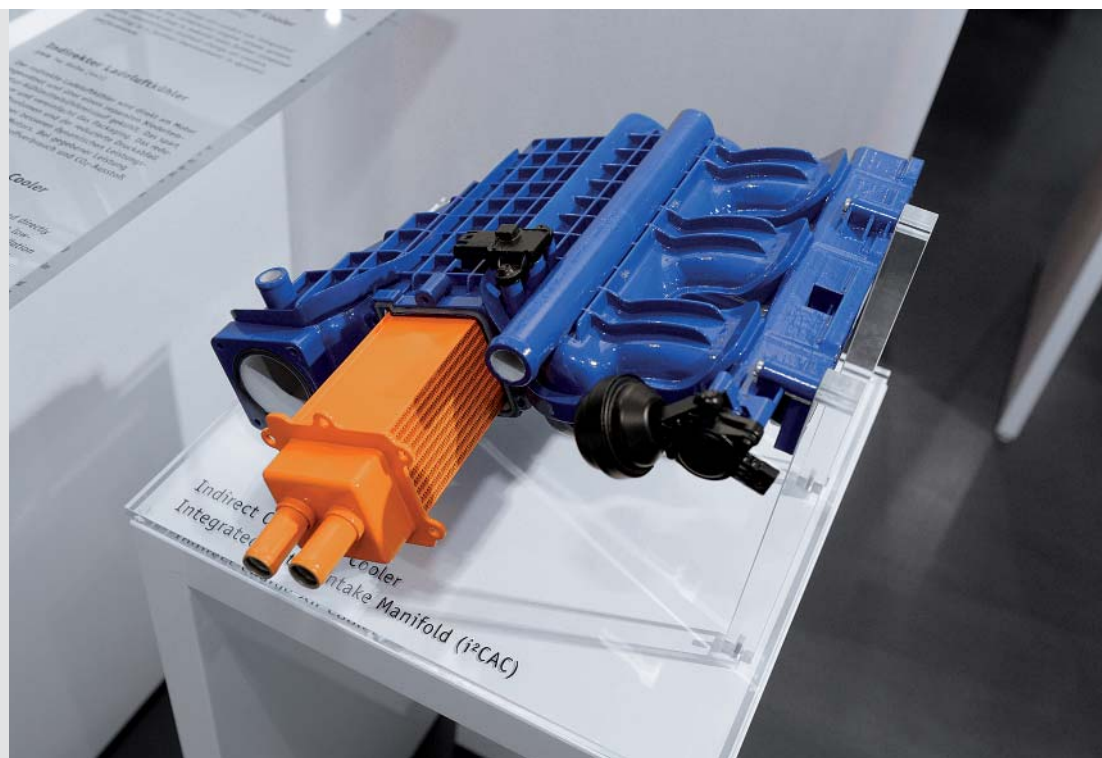
As a world first, in the year under review, Behr launched series production of a three-zone HVAC system with an air quality module for the Samsung SM5 for the Asian market. This innovative concept with air ionization and a fully integrated, independently operating cabin scenting system offers a new level of interior comfort.

Ionization of the air noticeably refreshes the air in the vehicle interior—and eliminates germs at the same time. The Behr fragrance diffuser used in the SM5 stands out from all other currently available solutions. The integrated fan guarantees uniform fragrance perception irrespective of the A/C control setting.

To avoid any habituation effects, the fragrance is distributed at intervals and remains just above the level of perception in the vehicle cabin. At the beginning of 2011, production of the integrated air quality module was also launched in Europe.

The desire for a high standard of interior comfort is not restricted to top-of-the-range vehicles. For this reason, Behr also developed the HVAC module for the compact Tata Nano. In series production since 2009, it demonstrates that high-quality cabin climate control is also possible in this price category.

Indirect charge air coolers integrated into the intake module are an example of ideal complementary potential between the product portfolios of MAHLE and Behr.



Service Business Expanded

The wide market coverage of Behr Service gives the company a lead in the spare parts and aftermarket service business for automotive air conditioning and engine cooling. The fully owned Behr subsidiary firstly serves the OES series spare parts sector and, secondly, supplies the joint venture Behr Hella Service with spare parts for the independent aftermarket.

On account of the increasing competitive pressure, in the year under review, Behr Service underwent restructuring and invested in its own engineering and production capacities in order to achieve flexibility in responding to market trends. Behr Service works closely with the development facilities of the Behr Group in this context.

On the one hand, Behr Service has focused on the development of air conditioning servicing units for alternative refrigerants and is well positioned for the change in refrigerant in new vehicles as of 2011. On the other hand, Behr Service is addressing solutions to improve cabin comfort and is planning to market a retrofit, non-idle HVAC system for trucks.

Behr Service has invested in the development of its own engineering and production capacities.

Strategic Partnership

One of the core competences of MAHLE is mechanical energy management. One issue is the reduction of cylinder charge losses, which has led to the development of new turbochargers and intake manifolds. Another is the reduction of friction losses and the development of pistons and piston rings with special operating characteristics. Other areas of know-how cover filtration, engine peripherals and valve technology.

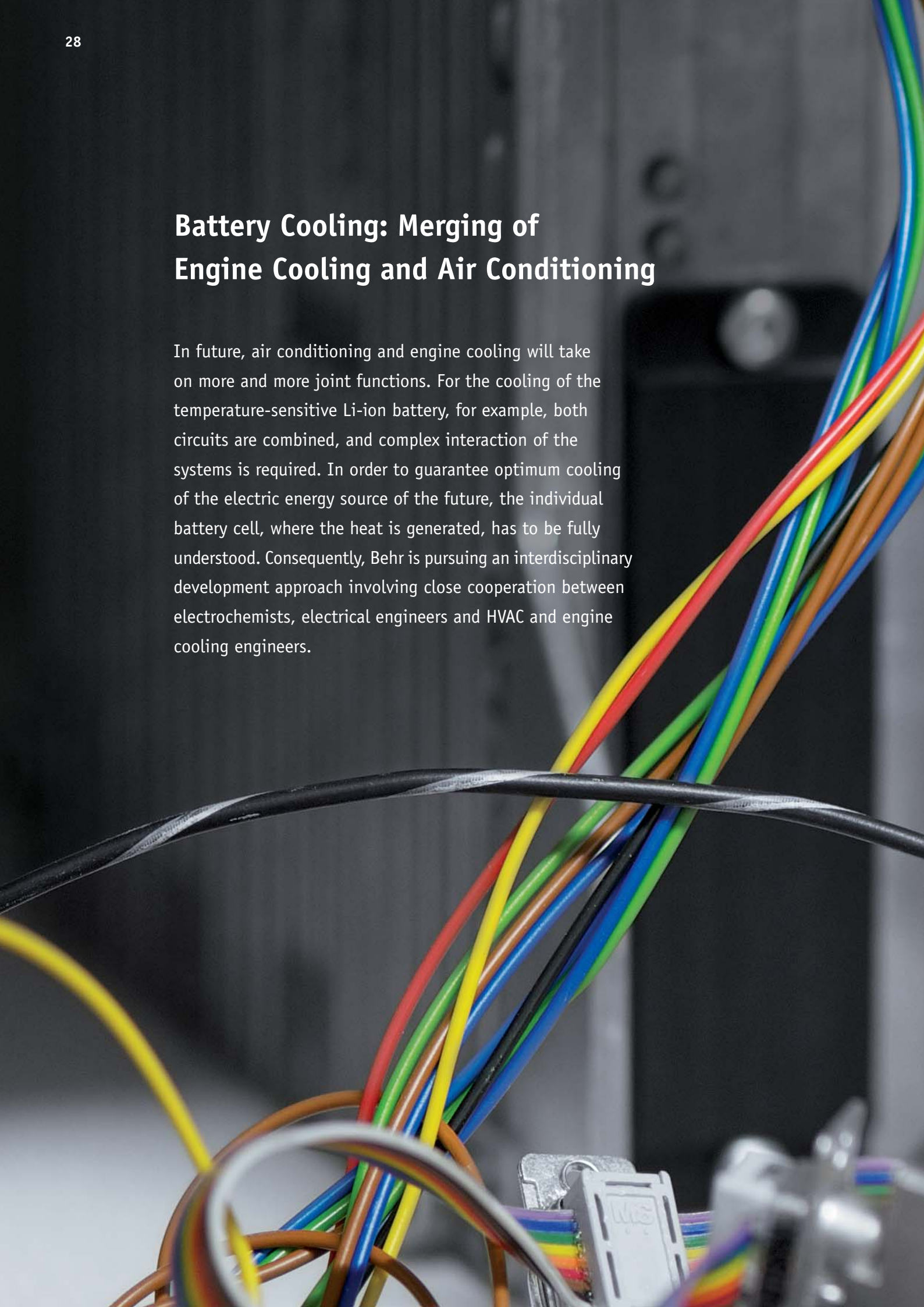
In the context of downsizing, mechanical issues are increasingly turning into thermal issues. During the course

of this development, the two companies Behr and MAHLE have moved closer together technologically in recent years. On the basis of its thermal management solutions, Behr's portfolio includes complementary technologies for engine peripherals, e.g. charge air or exhaust gas coolers.

Behr and MAHLE are well positioned to develop and offer joint solutions such as intake modules with integrated, indirect charge air coolers, EGR modules with coolers and valves, as well as complete oil filter modules and HVAC modules with specially adapted cabin air filters.

Battery Cooling: Merging of Engine Cooling and Air Conditioning

In future, air conditioning and engine cooling will take on more and more joint functions. For the cooling of the temperature-sensitive Li-ion battery, for example, both circuits are combined, and complex interaction of the systems is required. In order to guarantee optimum cooling of the electric energy source of the future, the individual battery cell, where the heat is generated, has to be fully understood. Consequently, Behr is pursuing an interdisciplinary development approach involving close cooperation between electrochemists, electrical engineers and HVAC and engine cooling engineers.

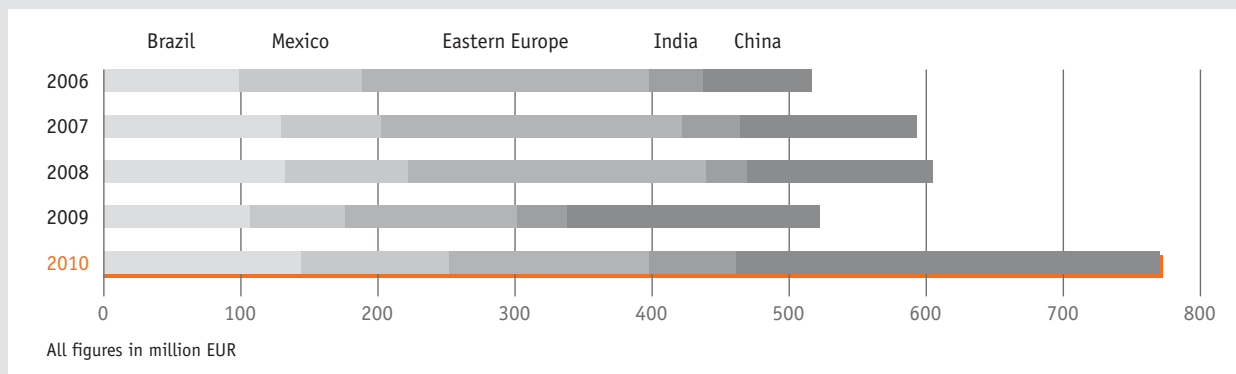




Economic Situation in Fiscal 2010

The year under review developed much more positively for Behr than anticipated and culminated with the return to profitability. Since mid 2010 we have been experiencing a steady growth curve in all areas. Year-on-year sales increased by 35.7% to 3,349 million EUR. Earnings before interest and taxes (EBIT) improved to 98 million EUR compared to -191 million EUR in fiscal year 2009. At the same time, it was possible to secure sound financing until 2013. We anticipate a continuing upward trend for 2011—albeit significantly more moderate than in 2010.

Sales in growth markets 2006 to 2010 | Sales 2010: 770 million EUR



Economic Environment

Global economy regains pre-crisis level

The global economy overcame the consequences of the severe financial and economic crisis at a surprisingly fast pace. It was already clearly on the upswing again in the summer of 2010 and, according to the IMF, rose by 5% in the year under review. The emerging markets contributed first and foremost to this good development. Their gross domestic product increased overall by approximately 7.3%. These countries include India and China with a growth of 10.4% and 10.3% respectively as well as Turkey with an increase of 8.2%. Brazil gained by 7.5% and Mexico by 5.5%.

The industrial countries likewise recovered from the recession. Attaining an average growth rate of about 3%, the improvement here was comparatively moderate. Only a few

of these countries recorded growth figures that exceeded those of 2007 and 2008. These include Japan with an increase of 3.9% as well as Germany and the USA with growth rates of 3.5% and 2.8% respectively. Part of the reason for this upward trend was the initiation of government support programs.

Sector Environment

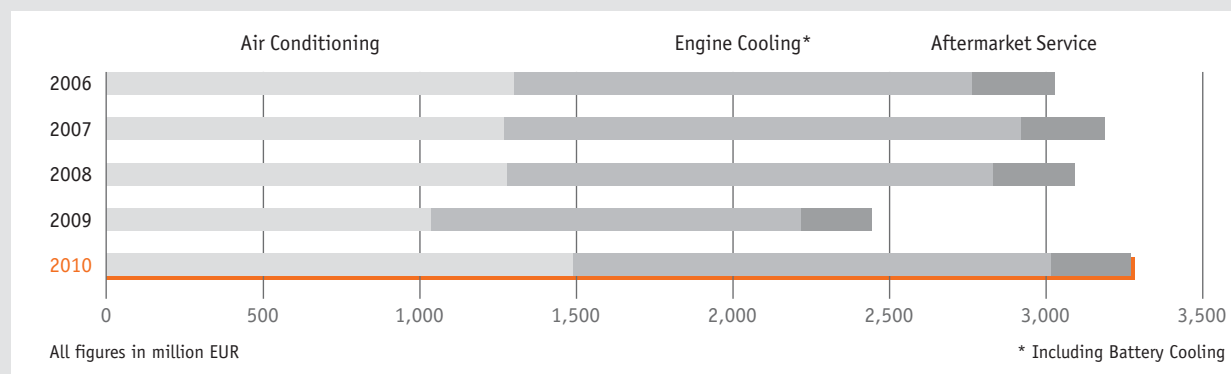
International auto market picks up surprisingly strongly

After the partly dramatic downward slide in 2009, light vehicle and truck production showed dynamic growth in the year under review. According to the global marketing information company of international standing, J.D. Power, a total of 76.1 million light vehicles (cars and light commercial vehicles) and trucks came off the production lines of the automotive manufacturers in 2010. The previous year's figure was approximately 61 million units.

Light vehicle production outstrips record level of 2007

The production volume in the light vehicle sector rose by around 24% worldwide. This means that a total of 73.4 million cars and light commercial vehicles were produced globally. However, capacity utilization in the year under review was not evenly distributed. In the first half-year, the markets in many countries benefited from national purchasing incentive programs. The growth rate weakened in the following months before clearly

Sales by product division 2006 to 2010 | Sales 2010: 3,349 million EUR



picking up again toward the end of 2010. Altogether, it was possible to outmatch the high level of 2007.

Growth drivers were the NAFTA region with 38.3% as well as India with a rise of 33.9% and China with 30.5% growth, followed by Eastern Europe (+21.8%) and South America (+12.3%). Otherwise demand differed widely. Overall car and light commercial vehicle business in Western Europe increased by about 10.4%.

Germany retained its position as the world's fourth largest car manufacturing country.

Truck production likewise positive

The production of trucks with a gross weight exceeding six tons rose in the year under review by 43.8% and attained a total of approximately 2.7 million vehicles, according to J.D. Power.

The largest percentage increase in trucks over six tons was recorded by India. Manufacturers there produced around 301,000 medium-weight and heavy trucks, hence outperforming the previous year by 69.3%. Second place was attained by Eastern Europe with an upswing of 63.1% to approximately 105,000 units. South American manufacturers produced some 187,000 medium-weight and heavy trucks in the year under review. This figure corresponds to a rise of 55.6%.

With a production volume of over 1.2 million units in fiscal 2010, more trucks with a gross weight exceeding six tons were produced in China than elsewhere in the world. The production figures rose by 36.6%. There was also a significant upswing in Western Europe, our core marketplace. Following a major slump in 2009, production figures recovered in the course of the fiscal year and increased by 54.6% to approximately 303,000 vehicles. Truck manufacturers in the NAFTA region, i.e. the USA,

Canada and Mexico, likewise recorded strong growth. The upswing amounted to 23.0%.

Business Development

The fiscal year 2010 was characterized by extensive restructuring and cost-cutting measures. The necessary structural adjustments have largely been completed. In particular, these included consolidation of the production network by closing the plants in Stuttgart and Barcelona, but also the reduction of development costs by transferring development activities to the Indian subsidiary, Behr Engineering Services. A majority interest in the Industrial Technology Division (Behr Industry Group) was sold in the year under review. The remaining 40% participation has been included in the consolidated financial statement as at equity.

Primarily, the dynamic increase in demand on the international automotive market enabled Behr to generate sales totaling 3,349 million EUR, which corresponds to a year-on-year plus of 35.7% (all previous year's figures exclude Behr Industry). The target figure was exceeded by approximately 23%. Moreover, Behr achieved higher sales than in the pre-crisis year 2008.

Growth is reflected in all areas, but particularly the Air Conditioning Product Division was able to improve results by 43.5% compared to the previous year. After a depressed market in 2009, the Engine Cooling Product Division also recorded a significant improvement; the sales volume was up by 29.3%. The aftermarket service business also profited from the market upturn, with a plus in sales of 11.9%.

Amounting to 2,435 million EUR, the Behr Group generated 73% of its sales abroad. Sales in Germany totaled 914 million EUR, a 26.6% increase over 2009. The rest of

Europe attained sales revenues of 1,019 million EUR – a rise of 28.7%.

After experiencing a massive sales slump in the previous year, Behr was able to significantly improve its position in the NAFTA region. Net sales amounted to 690 million EUR and were 37% above 2009 (504 million EUR). Sales in Mexico rose by more than half. Among other factors, this clear sales peak is attributable to the expansion of our production capacities in Mexico.

In the growth markets in Asia as well as South America, we again achieved strong growth in the year under review. Behr recorded a sales upturn of 74.1% to 477 million EUR in Asia. China and India, each contributing approximately 70%, were the prime growth-drivers here. Sales in Brazil were up by 34.9%.

Sales by product division (in million EUR)

	2009	2010	Change in %
Air Conditioning	1,040	1,492	+ 43.5
Engine Cooling	1,181	1,527	+ 29.3
Service	226	253	+ 11.9

Operating Results

After a reduction of the **total output** to 2,529.9 million EUR in the previous year, the figure rose in fiscal year 2010 by 35.4% to 3,425.7 million EUR. This upswing is chiefly attributable to the economic momentum and the increased demand for Behr products.

At 2,162.2 million EUR (2009: 1,593.1 million EUR), **material expenses** amounted to 63.1% of the total output as in the previous year. Against the background of higher raw material prices worldwide, this stable trend is a positive sign.

Personnel expenses for the past business year came to 662.9 million EUR (previous year 664.2 million EUR). Consequently, the personnel quota amounted to 19.3% and was clearly below the previous year's figure.

Other operating expenses rose from 335.3 million EUR in 2009 to 397.4 million EUR. Reasons for this increase included high expenses for leased staff, maintenance, outgoing freights and fees on account of higher volumes.

The **financial results** show an expenditure balance of 45.0 million EUR (2009: 43.3 million EUR). This figure was mainly governed by lower interest costs in 2010.

In the year under review, **earnings before taxes (EBT)** were again positive and came to 52.6 million EUR after a loss of -234.5 million EUR in the previous year. This upward trend mainly resulted from the significant rise in volumes which led to better utilization of the available capacities. The diverse cost-saving measures also had a positive impact. Furthermore, expenses for restructuring were by far lower than in the previous year. The return on sales amounted to 1.6% in 2010, after -9.5% in 2009. The net income stood at 59.9 million EUR.

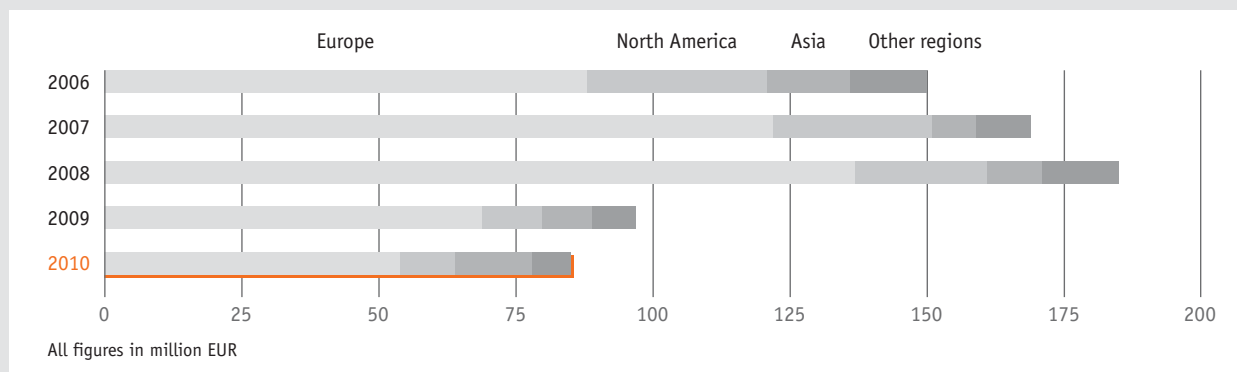
Assets and Financial Situation

On account of the capital increase from MAHLE and the associated acquisition of 19.9% interest in Behr by MAHLE GmbH, the sale of a majority interest in the Behr Industry Group to MAHLE as well as the conclusion of a syndicated loan agreement, the financial situation has improved significantly.

The **balance sheet total** increased in the year under review to 1,919.2 million EUR. This corresponds to an increase of 3.1% or 57.6 million EUR compared to the previous year.

Fixed assets were up by 20.8 million EUR to 937.8 million EUR. This was primarily due to the increase in financial assets through the deconsolidation of Behr Industry. The Behr Group invested a total of 84 million EUR in fixed assets in the year under review—approximately 21 million EUR less than planned and 13 million EUR below the figure of the previous year. Strict investment controlling and the postponement of

Capital expenditure in fixed assets 2006 to 2010 | Capital expenditure in fixed assets 2010: 84.5 million EUR



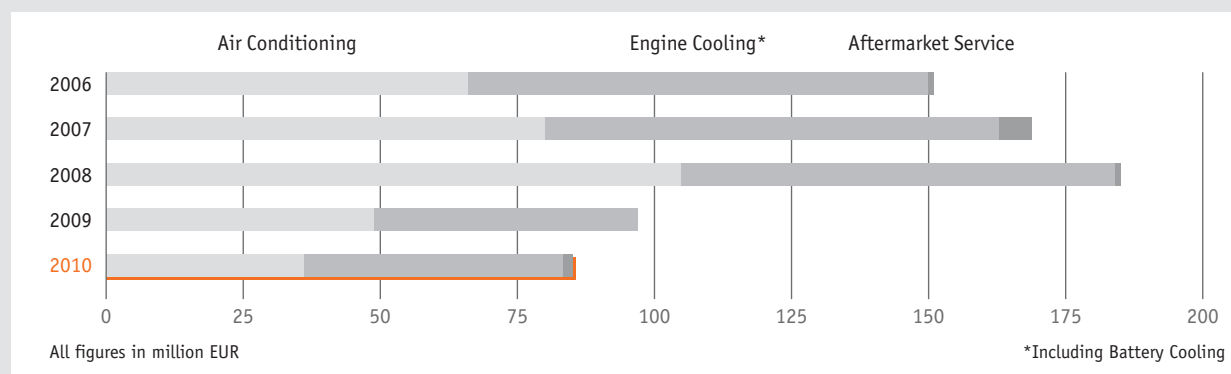
some projects to 2011 enabled us to remain below the previous year's figures in all regions apart from Asia. Investment focused, for example, on the expansion of our plant in Ostrava in the Czech Republic as well as production transfers. The intangible assets include the activation of development services carried out in the year under review. The total capital expenditure was offset by depreciation amounting to 198.1 million EUR (previous year 196.9 million EUR).

Short-term assets rose mainly on account of the unexpectedly good order situation and the high production figures from 765 million EUR in 2009 to 918 million EUR in 2010. On December 31, 2010, inventories accounted for 290.2 million EUR. Trade receivables, other short-term assets as well as cash and cash equivalents totaled 627.8 million EUR.

The **working capital**, the difference between current assets and short-term liabilities, rose noticeably compared with the previous year and the target figure on account of the growth-related rise in inventories and receivables. However, it was possible to restrict the increase through working capital management flexibly adjusted to the order situation; among other measures, optimized warehousing and consistent management of receivables and accounts payable bore fruit in this context. Exchange rate effects also had a positive impact on the working capital. Consequently, the internal financing in fiscal 2010 also played a major role in allowing adequate funding of the operative units at all times.

Cash and cash equivalents stood at 134.7 million EUR (previous year 128.5 million EUR) on December 31, 2010.

Capital expenditure by product division 2006 to 2010 | Capital expenditure in fixed assets 2010: 84.5 million EUR



In terms of liabilities and equity, we managed to reduce long-term and short-term **liabilities** to credit institutions drastically. Behr cut back long-term bank liabilities by 70 million EUR, while short-term bank liabilities were down by 76.9 million EUR. This reduction is ascribed to the obviously improved financial situation of our company, to which our new partner MAHLE significantly contributed in the year under review. Overall, the net financial debt fell by 28.8% to 377.6 million EUR.

Our **equity** showed a clearly positive trend in the year under review and (including the long-term capital provided by the shareholders) amounted to 387.9 million EUR—an increase of 150.1 million EUR compared to the balance sheet date of the previous year. At 20.2%, the equity ratio is well above the figure for 2009.

Research and Development

Investment in R&D in fiscal year 2010 amounted to 209 million EUR and was thus 1.5% or 3 million EUR above the figure of the previous year.

Different development projects have enabled us to retain our technology position at a high level. The main keys to this success are leaner and more structured innovation processes, targeted investments and the use of public funding for basic research projects as well as our highly motivated employees.

Products such as the world's first refrigerant cooling for a Li-ion battery or trendsetting engine cooling concepts are examples of our innovative strength. Another indication of Behr's exceptional expertise in the field of thermal management is the number of filed patents. 184 new applications were submitted in 2010 (including fully owned subsidiaries, without Behr Industry).

Focus on downsizing and electrification of the powertrain

Activities in the Engine Cooling Product Division in fiscal 2010 chiefly focused on solutions to cut fuel consumption and reduce emissions. At the same time, the growing demand for hybrid and electric vehicles caused Behr to continue to press ahead systematically with developments in the air conditioning sector. Electrification of the powertrain makes it necessary to incorporate the refrigerant circuit into the thermal management system for the temperature-sensitive Li-ion batteries. Furthermore, the energy-efficient climate control of the passenger compartment plays a decisive role in helping to extend the driving range of hybrid and electric vehicles.

Employees

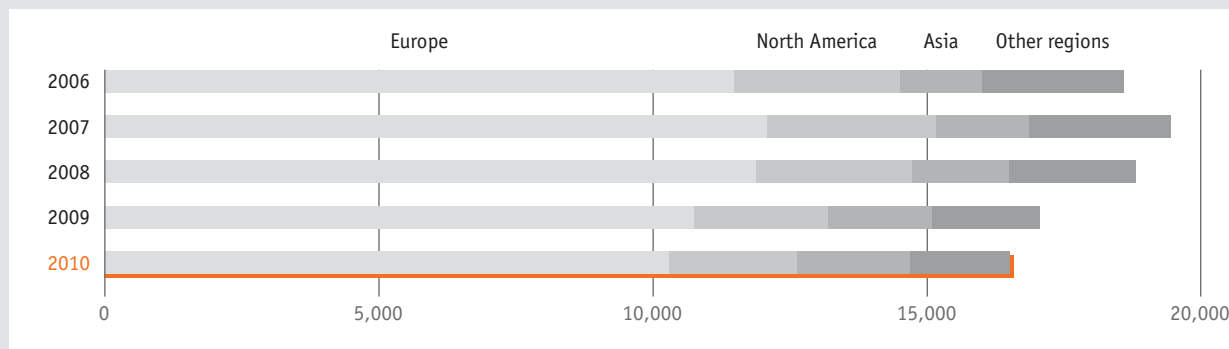
The Behr Group had a workforce of 16,522 on 31 December, 2010. The number of jobs in Germany was reduced; this particularly affected the Stuttgart region. A number of measures such as job offers at other locations or the move to a transitional company for up to three years were implemented to make the cuts socially acceptable. At the same time, additional employees were taken on in the growth regions Eastern Europe and Asia.

As in previous years, Behr offered a large number of training posts to young people in the year under review. Firstly, we see this as part of our social responsibility and, secondly, it helps Behr to secure qualified junior staff in good time.

Production/Environmental Protection/Sustainability

Behr's stated goal is to continue to expand and strengthen its internationally recognized competence as one of the

Employees 2006 to 2010 | Employees at year's end 2010: 16,522



leading specialists for automotive air conditioning and engine cooling. In this context, we not only supply outstanding quality, but also ensure that processes and products are environmentally compatible. Ecological responsibility is an integral part of our corporate strategy and is taken into account in all operational activities.

The Behr Group strictly adheres to prevailing laws and regulations. This allows the timely identification of possible risks or sources of error and their elimination through effective measures. On the basis of Behr's environmental guidelines, we are obliged to inform employees about the relevance of their actions on the environment and to train them accordingly. Behr also incorporates business and contractual partners into its environmental protection efforts.

Certification vouches for environmental protection and quality

Independent experts as well as the results of many customer audits confirm Behr's high level of commitment to ecological behavior and top quality. All plants have introduced an environmental management system and

are certified in compliance with DIN EN ISO 14001:2004. Certification in accordance with ISO/TS 16949:2009 as well as DIN EN ISO 9001 stands for high standards in terms of quality.

Suppliers to Behr must pass an assessment with regard to quality, technology and logistics. Requirements expected of our suppliers are defined globally and apply to all locations.

Corporate Governance

The Board of Management of the Behr Group strictly follows the recommendations of the German Corporate Governance Code insofar as it applies to an unlisted company. A binding code of conduct applicable to all employees and managerial staff also exists. Internal audits regularly review the defined separation of functions in all areas, catalogs of transactions subject to approval for managing directors, guidelines on the authority to sign for employees, and all other forms of power of authority.

Outlook

Behr assumes that the automotive market will experience further positive development worldwide in the current fiscal year—albeit at a noticeably slower pace than in the year under review. The market researchers at J.D. Power expect the overall production volume for light vehicles to increase by 5%; for trucks by 10%. The driving forces in the car sector are China and India as well as South America and the NAFTA. In the case of trucks, particularly Eastern Europe, the NAFTA region as well as Western Europe will contribute to the predicted growth.

On the basis of the market forecasts for fiscal year 2011, our company expects further, but less dynamic, sales growth particularly on account of our strong position in the growth marketplaces and our outstanding technological concepts. However, there are some risks, for instance relating to the aftermath of the natural disaster in Japan on our customers and suppliers. Negative impact is also being felt due to an even greater pricing pressure on account of the platform strategies as well as higher costs for raw materials, rising parts prices and exchange rate

fluctuations. We will continue to adjust systematically to the changing conditions. On the whole, we are confident that we can further improve our returns for 2011.

Our targets for the fiscal year 2011 are clearly defined. We particularly want to improve the results in all regions, strengthen the competitive edge of our products, promote product innovation, and optimize our footprint. Furthermore, organization and management need to be made more efficient and the integration capacity of MAHLE and Behr secured. We also continue to press ahead with our activities in the field of battery cooling for electric vehicles.

In order to achieve these targets, Behr will continue to invest—particularly in series product launches, transactions in the context of restructuring, and in the replacement of machinery and equipment.

Our target for 2012/2013 is and remains a return on sales of at least 5%. The success achieved in 2010 confirms that Behr is on the right course and can look ahead with optimism.

Balance Sheet of the Behr Group

(Summary of the statutory annual statements as of December 31, 2010)

Assets	12.31.2009	12.31.2010
Long-term assets		
Fixed assets		
Intangible assets	294.8	306.6
Property, plant and equipment	614.5	600.6
Financial assets	7.7	30.6
	917.0	937.8
Other assets	75.4	60.7
	992.4	998.5
Short-term assets		
Inventories	247.2	290.2
Trade receivables	314.4	411.4
Other assets	74.9	81.7
Cash and cash equivalents*	128.5	134.7
	765.0	918.0
Assets and disposal groups classified as held for sale	104.2	2.7
Balance sheet total	1,861.6	1,919.2

Liabilities and equity	12.31.2009	12.31.2010
Equity	237.8	387.9
Long-term provisions and other long-term liabilities		
Provisions	108.1	127.3
Bank liabilities	422.0	352.0
Other financial liabilities	33.4	29.5
Other liabilities	172.8	155.9
	736.3	664.7
Short-term provisions and other short-term liabilities		
Provisions	105.4	99.5
Bank liabilities	237.2	160.3
Other financial liabilities	13.5	13.5
Trade payables	293.4	372.8
Other liabilities	202.2	220.6
	851.7	866.7
Debts immediately related to the assets listed as held for sale	35.8	0.0
Balance sheet total	1,861.6	1,919.2

All figures in million EUR

*Only means of cash and cash equivalents in accordance with IFRS

Profit and Loss Statement of the Behr Group

from January 1 to December 31, 2010

(Summary of the statutory annual statements as of December 31, 2010)

	2009	2010
Sales	2,467.8	3,349.5
Changes in inventory	- 13.9	12.3
Other own work capitalized	76.0	63.9
Total output	2,529.9	3,425.7
Other operating income	68.4	92.5
Total operating income	2,598.3	3,518.2
Material expenses	1,593.1	2,162.2
Personnel expenses	664.2	662.9
Depreciation	196.9	198.1
Other operating expenses	335.3	397.4
Total operating expenses	2,789.5	3,420.6
of which restructuring costs	79.7	24.3
EBIT	- 191.2	97.6
Financial results	- 43.3	- 45.0
Earnings before taxes (EBT)	- 234.5	52.6
Taxes on earnings	- 0.7	16.7
Earnings after taxes from discontinued operations	5.9	24.1
Net income/loss	- 227.9	59.9

All figures in million EUR

Cash Flow Statement of the Behr Group

from January 1 to December 31, 2010

	2009	2010
Cash funds at the beginning of the period	174.8	137.6
Cash flow from operating activities	126.0	158.8
Cash flow from investment activities	- 151.5	- 86.7
Cash flow from financing activities	- 20.5	- 82.9
Total cash flow	- 46.0	- 10.8
Effect of exchange rate and valuation-related changes on cash funds	8.8	7.9
Cash funds at the end of the period	137.6	134.7

All figures in million EUR

Accounting Principles

Behr GmbH & Co. KG prepared the consolidated financial statements for fiscal 2010, as in the previous year, according to the International Financial Reporting Standard (IFRS).

Global Network



Behr GmbH & Co. KG, Germany



Behr America, Inc.



Behr Jinan Co., Ltd., China



Behr Brasil Ltda.



Behr India Ltd.

Europe

- Behr GmbH & Co. KG
- Behr Kirchberg GmbH
- Behr Thermot-tronik GmbH
- Behr Service GmbH
- Behr France Rouffach S. A. S.
- Behr France Hambach S. A. R. L.
- Frape Behr S. A.
- Behr Czech s. r. o.

North America

- Behr America, Inc.
- Behr Mexico, S. de R.L. de C.V.

Asia

- Behr Japan K. K.
- Behr Asia-Pacific Management (Shanghai) Co., Ltd.
- Behr Jinan Co., Ltd.
- Behr Korea Inc.

Other regions

- Behr Brasil Ltda.
- Behr South Africa (Pty.) Ltd.

Joint Venture Companies

- Behr-Hella Thermocontrol GmbH
- HBPO GmbH
- Behr Hella Service GmbH
- MAHLE Behr Industry GmbH & Co. KG
- Kale Behr Otomotiv Sanayi ve Ticaret A.Ş.
- Shanghai Behr Thermal Systems Co., Ltd.
- Dongfeng Behr Thermal Systems Co., Ltd.
- Shanghai Sanden Behr Automotive Air Conditioning Co., Ltd.
- Behr India Ltd.
- Behr-Toyo Engine Cooling Systems K. K.

Customer Support Centers

- Munich, Germany
- Wolfsburg, Germany
- Gothenburg, Sweden
- Paris, France
- Turin, Italy
- and at all subsidiary and joint venture companies

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This Annual Report is also available in German. The German and the English versions as well as other information on the company are also available on the Internet at www.behrgroup.com



