

## Q4 and Full Year 2018 Conference Call

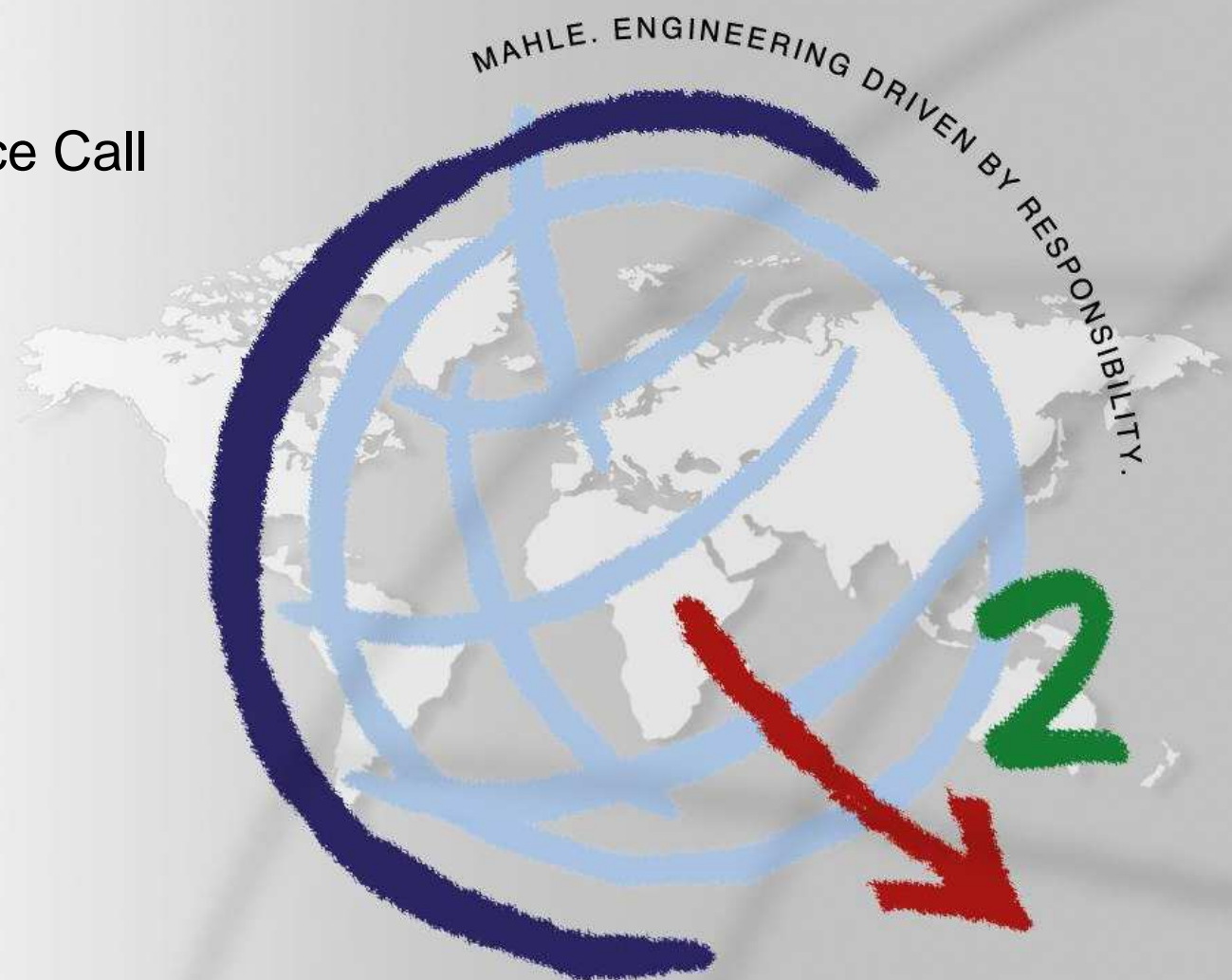
### MAHLE Metal Leve S.A.

March 19<sup>th</sup>, 2019

12 noon Brasília time

3:00 p.m. London time

11:00 a.m. New York time





## **Q4 and Full Year 2018 Highlights**



## **Market Overview**



## **Net Revenues Performance by Market**



## **Summary P&L & EBITDA**



## **Financial Management: Net financial result & Indebtedness**



## **Capex & Depreciation**



## Q4 and Full Year 2018 Highlights





- **Net sales revenue** of R\$ 2,591.7 million for the full year 2018, up 14.4% from 2017, with an EBITDA margin of 18.0% (17.7% in 2017). Q4 2018 net sales revenue was 10.0% higher than in Q4 2017 with an EBITDA margin of 13.6% (14.3% in Q4 2017);
- In 2018, the domestic market (OE and Aftermarket) **accounted for 52.4% of the net operating revenue** of the Company.
- For the full year 2018, **Net Profit grew 22.9%** compared to 2017 while for Q4 2018, the increase was 56.1% compared to the same period of the prior year;
- In 2018, the Board of Directors of the Company approved the distribution of **R\$ 86.2 million of Interest on Capital (gross)**, which will be submitted in 2019 to the Ordinary General Meeting for approval;

Key indicators								
(R\$ million)	2018	2017	(a/b)	Q418	Q318	Q417	(c/d)	(c/e)
	(a)	(b)		(c)	(d)	(e)		
Net revenue	2,591.7	2,264.5	14.4%	634.5	710.3	576.6	-10.7%	10.0%
EBITDA	466.9	401.8	16.2%	86.6	148.7	82.7	-41.8%	4.7%
EBITDA margin	18.0%	17.7%	0.3 p.p.	13.6%	20.9%	14.3%	-7.3 p.p.	-0.7 p.p.
Profit for the year	291.7	237.3	22.9%	67.9	92.2	43.5	-26.4%	56.1%
Net margin	11.3%	10.5%	0.8 p.p.	10.7%	13.0%	7.5%	-2.3 p.p.	3.2 p.p.





## Market Overview

## Brazil &amp; Argentina Registration and Production (2018 x 2017)



Light vehicles (ths)	 Brazil	 Argentina	  Total
Sales	2,475.4 13.8%	681.8 -22.9%	3,157.2 3.2%
Production	2,746.7 5.8%	466.6 -1.4%	3,213.3 4.7%



Medium and heavy vehicle (ths)	 Brazil	 Argentina	  Total
Sales	138.8 30.9%	34.8 -15.5%	173.7 17.9%
Production	199.7 27.4%	13.2 -16.4%	213.0 23.4%

+5.7


Total  
vehicles  
production

Sources: Anfavea, Adefa, Acaras, IHS and Indec.

# Vehicle production in the main exports markets

Vehicle Production in the main exports market (in ths)			
Segment	Jan-Dec 2018 (A)	Jan-Dec 2017 (B)	A/B
Production of Light vehicle	16,991	17,064	-0.4%
Production of medium and heavy vehicle	625	538	16.1%
<b>North America</b>	<b>17,616</b>	<b>17,602</b>	<b>0.1%</b>
Production of Light vehicle	21,987	22,216	-1.0%
Production of medium and heavy vehicle	670	671	-0.2%
<b>Europe</b>	<b>22,656</b>	<b>22,886</b>	<b>-1.0%</b>
<b>Total Vehicle Production</b>	<b>40,273</b>	<b>40,489</b>	<b>-0.5%</b>

Source: IHS

## Net Revenues Performance by Market

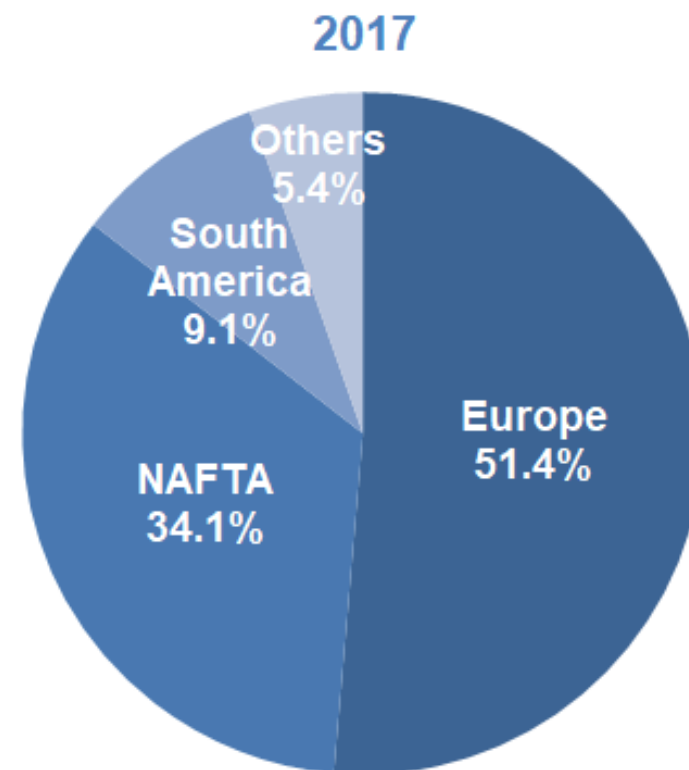
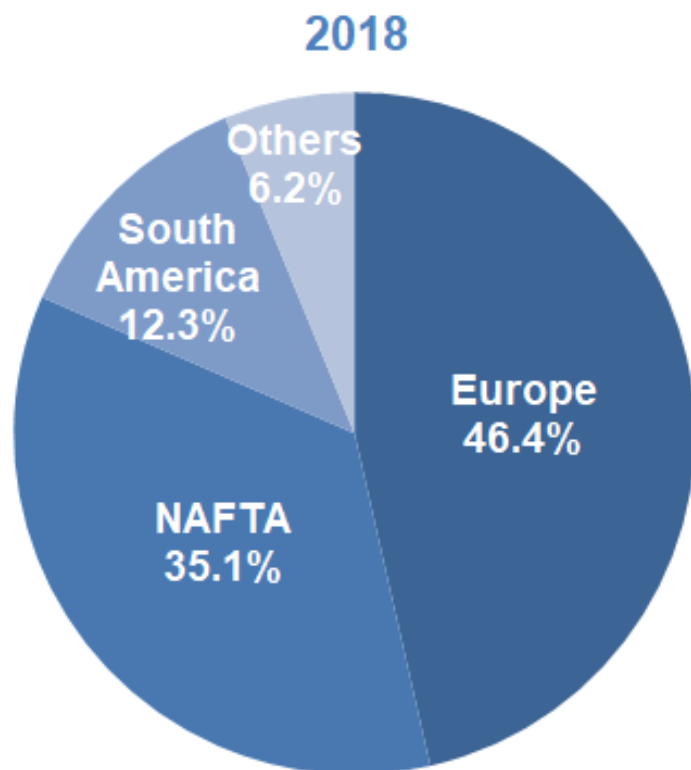
Net revenues by market (R\$ Million)		2018 (a)	Volume/Price (b)	FX-Variation (c)	2017 (d)	% volume/price impact (b/d)	% FX-impacts (c/d)	H.A. (%) (a/d)
Original equipment	Domestic <sup>1</sup>	727.4	135.6	(7.4)	599.2	22.6%	-1.2%	21.4%
	Export	1,037.2	(4.2)	143.5	897.9	-0.5%	16.0%	15.5%
	<b>Subtotal</b>	<b>1,764.6</b>	<b>131.4</b>	<b>136.1</b>	<b>1,497.1</b>	<b>8.8%</b>	<b>9.1%</b>	<b>17.9%</b>
Aftermarket	Domestic <sup>1</sup>	630.6	82.2	(62.6)	611.0	13.5%	-10.3%	3.2%
	Export	196.5	21.7	18.4	156.4	13.9%	11.7%	25.6%
	<b>Subtotal</b>	<b>827.1</b>	<b>103.9</b>	<b>(44.2)</b>	<b>767.4</b>	<b>13.5%</b>	<b>-5.7%</b>	<b>7.8%</b>
<b>Total</b>		<b>2,591.7</b>	<b>235.3</b>	<b>91.9</b>	<b>2,264.5</b>	<b>10.4%</b>	<b>4.0%</b>	<b>14.4%</b>

<sup>1</sup> Domestic market includes Brazil and Argentina.

## Net Revenues Performance by Market

Net revenues by market (R\$ Million)		Q418 (a)	Volume/Price (b)	FX-Variation (c)	Q417 (d)	% volume/price impact (b/d)	% FX-impacts (c/d)	H.A. (%) (a/d)
Original equipment	Domestic <sup>1</sup>	182.1	28.2	(4.0)	157.9	17.9%	-2.6%	15.3%
	Export	248.2	(18.6)	43.4	223.4	-8.3%	19.4%	11.1%
	<b>Subtotal</b>	<b>430.3</b>	<b>9.6</b>	<b>39.4</b>	<b>381.3</b>	<b>2.5%</b>	<b>10.4%</b>	<b>12.9%</b>
Aftermarket	Domestic <sup>1</sup>	157.6	27.0	(27.2)	157.8	17.1%	-17.2%	-0.1%
	Export	46.6	2.9	6.2	37.5	7.6%	16.7%	24.3%
	<b>Subtotal</b>	<b>204.2</b>	<b>29.9</b>	<b>(21.0)</b>	<b>195.3</b>	<b>15.4%</b>	<b>-10.8%</b>	<b>4.6%</b>
<b>Total</b>		<b>634.5</b>	<b>39.5</b>	<b>18.4</b>	<b>576.6</b>	<b>6.8%</b>	<b>3.2%</b>	<b>10.0%</b>

<sup>1</sup> Domestic market includes Brazil and Argentina.





# MAHLE Metal Leve S.A.

## Summary P&L



- The Company closed 2018 with a gross margin of 26.6% (27.8% in 2017).
- Q4 2018 gross margin was 19.2% (26.9% in Q4 2017).

Summary P&L (R\$ million)	2018 (a)	2017 (b)	V.A. (%) (a)	V.A. (%) (b)	H.A. (%) (a/b)	Q418 (c)	Q417 (d)	V.A. (%) (c)	V.A. (%) (d)	H.A. (%) (c/d)
Net sales revenue	2,591.7	2,264.5	100.0%	100.0%	14.4%	634.5	576.6	100.0%	100.0%	10.0%
Cost of sales	(1,901.6)	(1,635.8)	-73.4%	-72.2%	16.2%	(512.8)	(421.5)	-80.8%	-73.1%	21.7%
Gross profit	690.1	628.7	26.6%	27.8%	9.8%	121.7	155.1	19.2%	26.9%	-21.5%
Gross margin	26.6%	27.8%			-1,2 p.p.	19.2%	26.9%			-7,7 p.p.

## Summary P&L

### Selling expenses:

- In 2018, the increase in selling expenses reflects the Company's revenue, with stable expense ratio year over year.

### General and Administrative expenses:

- General and administrative expenses are in line with historical levels when comparing 2018 to the prior year. The increase in Q4 2018 compared to Q4 2017 was due to compensation paid to employees who were dismissed upon the headcount reduction in both periods analyzed.

### R&D expenses:

- In order to gain synergy, in 2018, team restructurings were made at the Technology Center. In Q4 2018, the numbers were stable in relation to Q4 2017.

### Other operating income (expenses):

- Provision/reversal for labor, civil and tax contingencies;
- Revenue from Recovered Taxes (Reintegra Program);
- Gains on sale of assets of subsidiary MAHLE Hirschvogel Forjas S.A.

Summary P&L (R\$ million)	2018 (a)	2017 (b)	V.A. (%) (a)	V.A. (%) (b)	H.A. (%) (a/b)	Q418 (c)	Q417 (d)	V.A. (%) (c)	V.A. (%) (d)	H.A. (%) (c/d)
Net sales revenue	2,591.7	2,264.5	100.0%	100.0%	14.4%	634.5	576.6	100.0%	100.0%	10.0%
Selling expenses	(168.8)	(146.9)	-6.5%	-6.5%	14.9%	(36.7)	(41.8)	-5.8%	-7.2%	-12.2%
General and administrative expenses	(93.9)	(88.3)	-3.6%	-3.9%	6.3%	(27.3)	(19.8)	-4.3%	-3.4%	37.9%
Technology and product development expenses	(80.0)	(83.4)	-3.1%	-3.7%	-4.1%	(22.8)	(21.4)	-3.6%	-3.7%	6.5%
Other operating income (expenses)	8.8	(2.2)	0.3%	-0.1%	500.0%	6.7	(12.6)	1.1%	-2.2%	-153.2%

## Operating income measured by the EBITDA

- The table below shows the changes between the periods in the accounts that make up operating income:

EBITDA 2017	Gross income	Other operating income (expenses)	<sup>1</sup> Gains/losses on net monetary position (Argentina IAS 29	Technology and product development expenses	Equity in the results of investees	Depreciation	General and administrative expenses	Selling expenses	EBITDA 2018
401.8	61.4	11.0	24.8	3.4	0.3	(4.4)	(5.6)	(21.9)	466.9

EBITDA margin  
17.7%

EBITDA margin  
18.0%

EBITDA Q417	Other operating income (expenses)	<sup>1</sup> Gains/losses on net monetary position (Argentina IAS 29	Selling expenses	Technology and product development expenses	Depreciation	General and administrative expenses	Gross income	EBITDA Q418
82.7	19.3	22.4	5.1	(1.4)	(1.8)	(7.5)	(33.4)	86.6

EBITDA margin  
14.3%

EBITDA margin  
13.6%

<sup>1</sup> IAS 29 – “Financial Reporting in Hyperinflationary Economies”

## Financial Management – Net financial result

Net financial result (R\$ million)	2018 (a)	2017 (b)	Var. (a - b)	Q418 (c)	Q417 (d)	Var. (c - d)
Interest income on financial investments	6.4	24.4	(18.0)	1.9	4.3	(2.4)
Interest on loans	(10.5)	(35.8)	25.3	(3.3)	(5.3)	2.0
Other income	1.0	4.9	(3.9)	-	0.3	(0.3)
<b>Finance costs, net</b>	<b>(3.1)</b>	<b>(6.5)</b>	<b>3.4</b>	<b>(1.4)</b>	<b>(0.7)</b>	<b>(0.7)</b>
Exchange variation, net	45.6	23.5	22.1	(3.0)	12.4	(15.4)
Gain (loss) on derivatives	(26.4)	(3.3)	(23.1)	6.2	(6.3)	12.5
<b>Exchange variation and Result with derivatives (ii)</b>	<b>19.2</b>	<b>20.2</b>	<b>(1.0)</b>	<b>3.2</b>	<b>6.1</b>	<b>(2.9)</b>
Monetary variation, net	(32.3)	(35.6)	3.3	(8.1)	(8.4)	0.3
Other	(5.4)	(6.5)	1.1	(0.6)	(1.4)	0.8
<b>Monetary variation, net + Others (iii)</b>	<b>(37.7)</b>	<b>(42.1)</b>	<b>4.4</b>	<b>(8.7)</b>	<b>(9.8)</b>	<b>1.1</b>
<b>Finance income (costs) (i + ii + iii)</b>	<b>(21.6)</b>	<b>(28.4)</b>	<b>6.8</b>	<b>(6.9)</b>	<b>(4.4)</b>	<b>(2.5)</b>

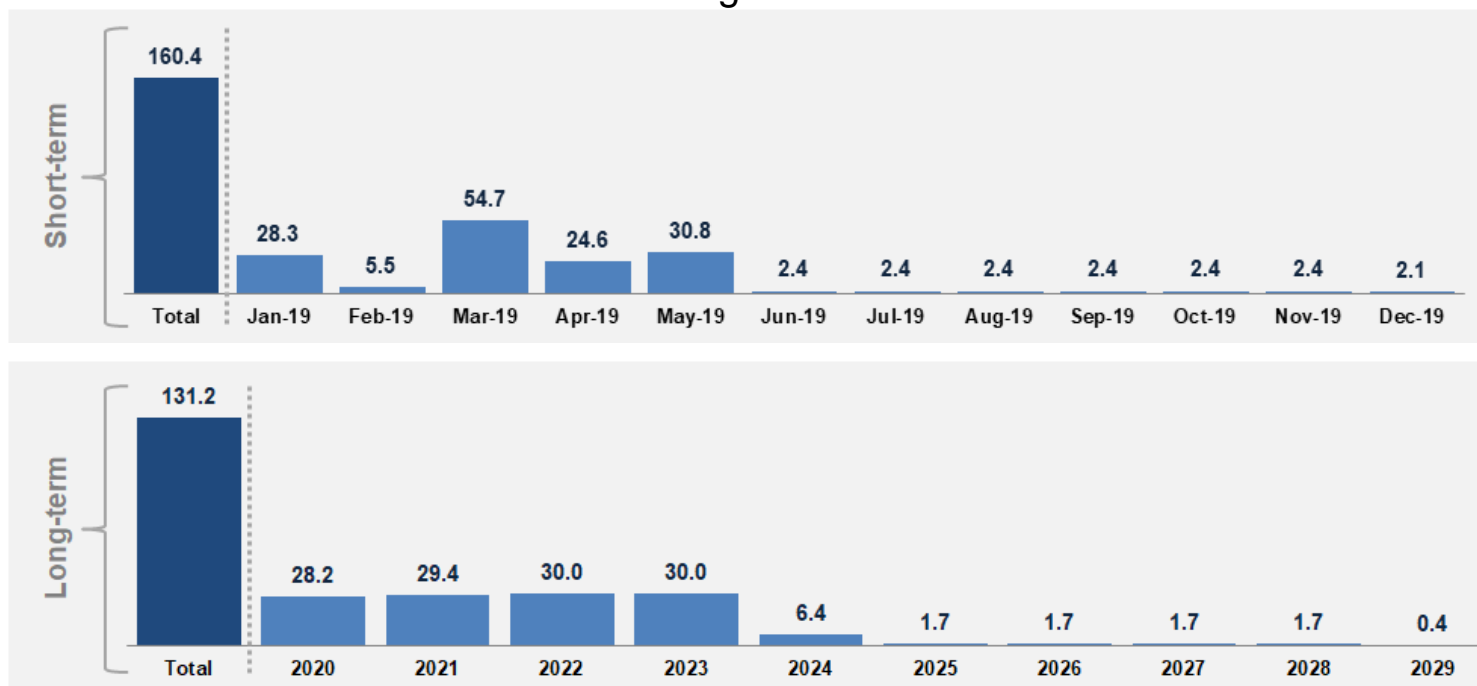
Interest rates and volumes (average)	2018 (a)	2017 (b)	Var. (a - b)	Q418 (c)	Q417 (d)	Var. (c - d)
Investment Yield <sup>1</sup>	6.3%	9.4%	-3,1 p.p.	6.2%	7.2%	-1,0 p.p.
Cost of debt	4.3%	8.5%	-4,2 p.p.	4.5%	6.8%	-2,3 p.p.
Investments - average (R\$ million)	123.8	293.8	-57.9%	121.8	233.8	-47.9%
Average debt (R\$ million)	(269.6)	(446.7)	-39.6%	(296.9)	(267.4)	11.0%

<sup>1</sup> Bank deposit certificates (CDBs) and repurchase agreements with average remuneration of 98.7% of the interbank deposit rate (CDI), invested exclusively with first rate banks in Brazil.

## Financial Management – Indebtedness (part I)

Net indebtedness (R\$ million)	12.31.2018 (a)	12.31.2017 (b)	Variation (a-b)	% Debt (a)	% Debt (b)
<b>Liabilities (i)</b>	<b>291.6</b>	<b>176.0</b>	<b>115.6</b>	<b>100%</b>	<b>100%</b>
Short-term	160.4	31.0	129.4	55%	18%
Long-term	131.2	145.0	(13.8)	45%	82%
<b>Cash / banks / cash investments/ Loans - related parties (ii):</b>	<b>(138.3)</b>	<b>(190.0)</b>	<b>51.7</b>		
<b>Net position (i + ii)</b>	<b>153.3</b>	<b>(14.0)</b>	<b>167.3</b>		

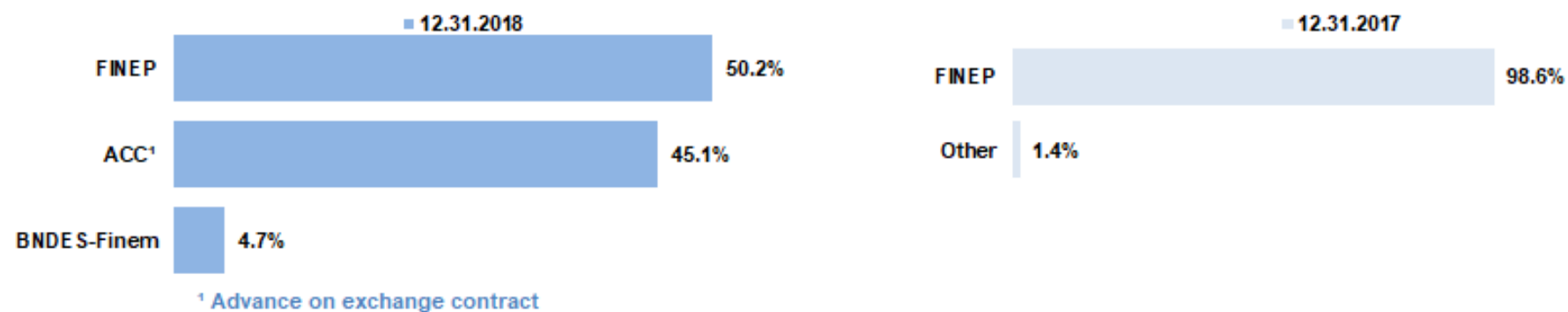
- Below is presented the maturities of short-term and long-term indebtedness:





## Financial Management – Indebtedness (part II)

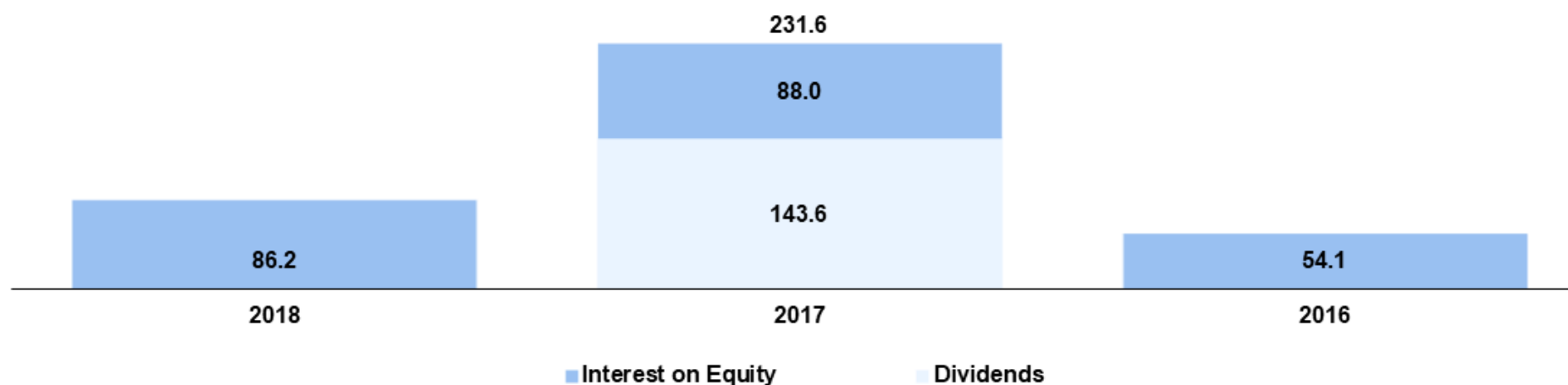
- Below is a breakdown of the Company's financing transactions per type:



# Net Income & Benefits to Shareholders

Summary P&L (R\$ million)	2018 (a)	2017 (b)	V.A. (%) (a)	V.A. (%) (b)	H.A. (%) (a/b)	Q418 (c)	Q417 (d)	V.A. (%) (c)	V.A. (%) (d)	H.A. (%) (c/d)
Net sales revenue	2,591.7	2,264.5	100.0%	100.0%	14.4%	634.5	576.6	100.0%	100.0%	10.0%
Profit for the year	291.7	237.3	11.3%	10.5%	22.9%	67.9	43.5	10.7%	7.5%	56.1%

## Dividends and Interest on Equity (net of income tax)



- Capital expenditures estimated for 2019 total R\$ 127,0 million, which should exceed depreciation for the year.

CAPEX & Depreciation (R\$ million)	2018	2017
Capex	90.5	89.8
Total depreciation	89.6	94.6

Capex	2018	2017
% of Net sales revenue	3.5%	4.0%
% of Depreciation	101.0%	94.9%



## Questions & Answers

### Investor Relations:

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