

MAHLE REPORTS EBITDA OF R\$ 466.9 million for 2018; with an EBITDA MARGIN OF 18.0%

Mogi Guaçu, São Paulo, March 18, 2019 - MAHLE Metal Leve S.A. (B3: LEVE3), a Brazilian automotive parts company that manufactures and sells internal combustion engine components and filters, announces today its results for fiscal 2018. The operating and financial information is presented on a consolidated basis and in Brazilian Reals (R\$), in accordance with the Brazilian Corporate Law, unless otherwise stated.

HIGHLIGHTS

Earnings conference call and webcast:

Date: 03/19/2019

12 noon Brasília time
3:00 p.m. London time
11:00 a.m. New York time

The dial-in numbers for the conference call are:

Brazil: +55 11 3193-1001
Brazil: +55 11 2820-4001

U.S.: +1 646 828-8246
Others: 1-800-492-3904

Participant passcode: MAHLE

Webcast:

<http://cast.comunique-se.com.br/MAHLE/4Q18>

IR website:

<http://ri.mahle.com.br/>

MAHLE website:

<http://www.br.mahle.com/pt/>

- **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;
- The Board of Directors **approved the Business Plan for the production and sale of the MBE2 technology**, a solution that increases the production of first-generation ethanol (see further details in the Management's Comments section);
- For the fifth consecutive year, MAHLE Metal Leve received the **2018 Transparency Trophy** (Troféu Transparência) from the National Association of Finance, Administration and Accounting Executives (ANEFAC) for the quality of its fiscal 2017 financial statements.

Key indicators								
(R\$ million)	2018 (a)	2017 (b)	(a/b)	Q418 (c)	Q318 (d)	Q417 (e)	(c/d)	(c/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.

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DEAR SHAREHOLDERS

In compliance with applicable law and the Company bylaws, the Company's Management submits to you the Management Report and the Financial Statements with the Independent Auditor's Report and the Report of the Supervisory Board for the fiscal year ended December 31, 2018.

1 Management's Comments

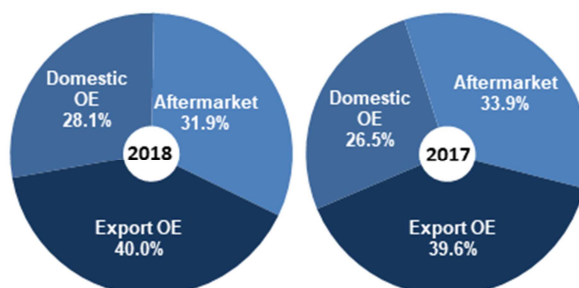
The year 2018 started with expectations of a new political and macroeconomic cycle in Brazil, which reflected in lower inflation and interest rates, and with the automotive industry looking to rebound.

However, a truckers' strike in May 2018 created a lot of uncertainty, with a negative impact on all sectors of the economy, including the auto industry.

Despite the negative impact of the truckers' strike, the Company benefited from the recovery of the domestic market on the back of the growth of the domestic OE segment (sales to automakers) and the performance of the Aftermarket.

In view of the foregoing, the Company recorded growth of 14.4% in its net operating revenue in 2018 due to strong OE sales in the domestic market (21.4%), export market (15.5%), and Aftermarket (7.8%).

The chart below shows the Company's revenue broken down by market in 2018 and 2017.



The operating performance measured by EBITDA was R\$ 466.9 million for the full year 2018 with an EBITDA margin of 18.0%, while EBITDA was R\$ 401.8 million in 2017 with an EBITDA margin of 17.7%.

However, in the last quarter of 2018 some factors such as a rise in the price of raw material and the end of the payroll tax relief had an adverse impact on the Company's gross result and contributed to the slight decline in EBITDA margin compared to the same period in 2017. It is worth noting that for the Company the result tends to be lower in the fourth quarter than in all other quarters due to seasonal factors and the mix of products.

Regarding the development of new technologies, MAHLE Metal Leve is ready to serve customers with its portfolio of products and services and, if needed, possesses the capability to develop and deliver integrated solutions for customers. The ability to collaborate with several players is key to prospecting new cutting-edge technologies increasingly faster and thus boost our business opportunities.

The use of biofuels in internal combustion or hybrid engines is an important alternative to significantly reduce CO2 emissions. The use of ethanol is a quick and efficient alternative to reduce full-cycle (from the well to the wheel) CO2 emissions as it uses an existing infrastructure. In the future, in combination with vehicle electrification and

other advanced propulsion technologies such as fuel cells, it will help reduce greenhouse gas emissions that cause global warming.

In this respect, the start of the commercial production of MBE2 (MAHLE BioEtanol 2) is of the utmost importance because the results obtained in the last five years in a pilot ethanol power plant are a good indicative that Brazil has engine technologies, with bioenergy emerging as a local response to global decarbonization targets.

In 2019, a few challenges will need to be overcome due to macroeconomic developments across the globe.

However, given the prospects of recovery in Brazil's economy and particularly in the auto industry with a larger influx of new investments in the country driven by the Rota 2030 program (as discussed in item 9 of this report), the Company believes it is well positioned in the Brazilian market, with domestic market (OE and Aftermarket) accounting for 52.4% of its revenue in 2018.

2 Macroeconomic Scenario and Outlook

The year 2018 was marked by a recovery, even though slower than desired by the market in general.

Returns were expected to be robust but were faced with events such as truckers' strike which slowed down the economic recovery process, and political uncertainty stemming from the presidential election.

To a certain extent, as economic activity expectations were frustrated in 2018, the market expects that a good part of growth has been postponed to 2019, mainly due to the reform agenda proposed by Brazil's new government.

In the international scenario, for 2019 there are fears that the U.S. economy is entering the late stage of the expansion cycle, along with the threat of a trade war between the U.S. and China, whose economy is weakening and China's slowdown could impact the growth of countries dependent on commodity exports, like Brazil, because of the inevitable fall in commodity prices. There is also uncertainty in Europe about the Brexit outcome coupled with France's protest crisis and Italy's budget crisis.

In Brazil, the level of economic activity may improve the levels of employment and income, with impacts on consumer credit access. Furthermore, investor confidence may grow, resulting in increases in private investments.

3 About MAHLE Metal Leve

We are a Brazilian automotive parts company that manufactures and sells internal combustion engine components and automotive filters. We manufacture the highest quality products using the very latest technology and continuously invest in research and development of new products and production processes.

We have been operating in Brazil since the 1950s and have a large portfolio of products and integrated solutions that many times have been specially tailored to our major customers. We operate in the OEM (Original Equipment Manufacturers) segment where our customers are car makers, and in the Aftermarket segment where our customers are large car parts distributors and engine overhaul companies.

Our products are produced and sold in Brazil and Argentina and exported to more than 60 countries, including the United States, Germany, Mexico, Portugal and Spain, for a diversified portfolio of customers including General Motors, Volkswagen, Fiat, Ford, Daimler MBB, Opel, International, Cummins, Volvo, PSA Peugeot, John Deere, Renault, Scania, Caterpillar, Honda, Hyundai, among others.

We have five production plants, four of which are located in Brazil in the cities of Mogi Guaçu, State of São Paulo, where we have two units, São Bernardo do Campo, State of São Paulo, and Itajubá, State of Minas Gerais, and one plant in Argentina in the city of Rafaela. We also have two distribution centers: one in the city of Limeira, State of São Paulo, and one in Buenos Aires, Argentina. We have a Technology Center located in the city of Jundiaí, State of São Paulo, which we believe is one of the largest and most well-equipped technology centers in Latin America for development of components and integrated solutions for internal combustion engines. This Tech Center allows us to add value to and meet the requirements of our customers in a customized and efficient manner, and to develop innovative new product technologies and processes.

We are part of the German group MAHLE, or MAHLE Group, one of the most traditional automotive parts suppliers in the world, which was founded in 1920. Today, the MAHLE Group, to which the Company belongs, operate around 170 production locations in 35 countries and on five continents and 16 research and development centers, where it employs around 80,000 people.

As part of the MAHLE Group, which has a global presence, we are able to exchange knowledge, provide and have constant access to the latest technology and develop new products together with our customers, which we believe are key factors to the high level of market penetration and customer loyalty that we have achieved.

4 Developments of the Automotive Industry

4.1 Developments of the Brazilian market

Brazilian automotive industry												
Segments	Jan-Dec 2018					Jan-Dec 2017					Sales Variation (A/C)	Production Variation (B/D)
	Sales (**) (A)	Export	Import	Inventory (*)	Total Production (B)	Sales (**) (C)	Export	Import	Inventory (*)	Total Production (D)		
Passenger Cars	2,099,611	500,343	-205,791	-8,019	2,386,144	1,856,096	623,928	-164,735	-46,059	2,269,230	13.1%	5.2%
Light Commercials	375,754	95,089	-102,784	-7,549	360,510	319,890	104,763	-77,573	-20,830	326,250	17.5%	10.5%
Total light vehicles	2,475,365	595,432	-308,575	-15,568	2,746,654	2,175,986	728,691	-242,308	-66,889	2,595,480	13.8%	5.8%
Trucks	75,987	24,642	-1,929	6,834	105,534	51,941	28,220	-1,779	4,662	83,044	46.3%	27.1%
Buses	15,081	9,101	-3	4,357	28,536	11,755	9,102	-1	-213	20,643	28.3%	38.2%
Total Trucks and Buses	91,068	33,743	-1,932	11,191	134,070	63,696	37,322	-1,780	4,449	103,687	43.0%	29.3%
Agricultural	47,777	12,688	-	5,209	65,674	42,391	13,959	-	-3,307	53,043	12.7%	23.8%
Total medium and heavy vehicles	138,845	46,431	-1,932	16,400	199,744	106,087	51,281	-1,780	1,142	156,730	30.9%	27.4%
Total vehicle sales	2,614,210	641,863	-310,507	832	2,946,398	2,282,073	779,972	-244,088	-65,747	2,752,210	14.6%	7.1%
Variation (un) - 2018 x 2017	332,137	-138,109	-66,419	66,579	194,188							
Variation (%) - 2018 x 2017	14.6%	-17.7%	27.2%	-101.3%	7.1%							

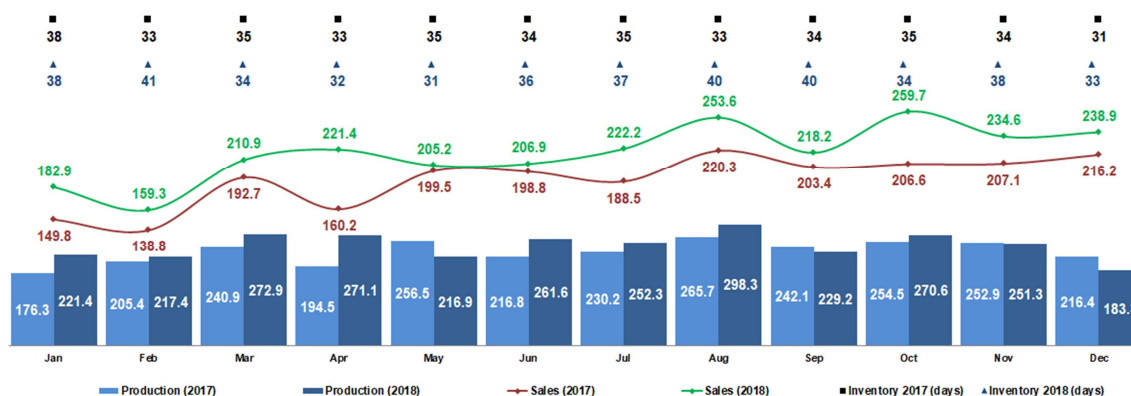
Source: Anfavea

(*) Vehicle inventory variation = production - (sales + exports - imports)

(**) Sales (Domestic + Imported)

Brazil's vehicle production increased 7.1% in 2018 and **vehicle sales in the Brazilian domestic market** were up 14.6% from 2017. According to the Brazilian automakers' association ANFAVEA, **inventories** at the end of 2018 reached 255.1 thousand units, amounting to 33 days' worth of sales, versus 219.1 thousand units or 31 days of sales in 2017.

The table below shows production, sales and total inventory of domestic vehicles in 2018 compared to 2017:



4.2 Developments of the Argentina market

In 2018, Argentina's automotive industry posted a fall of 22.5% in sales and 1.9% in vehicle output compared to 2017.

Argentina's automotive industry			
Vehicle Sales (Locally-manufactured and imported)	Jan-Dec 2018 (A)	Jan-Dec 2017 (B)	A/B
Total of Light vehicle	681,816	883,802	-22.9%
Total of medium and heavy vehicle (**)	34,814	41,184	-15.5%
Total vehicle sales	716,630	924,986	-22.5%
Exports	269,360	209,587	28.5%
Imports	483,989	624,794	-22.5%
Automotive trade balance	(214,629)	(415,207)	-48.3%
Vehicle inventory variation in the period (*)	12,680	20,616	-38.5%
Production of Light vehicle	466,649	473,408	-1.4%
Medium and heavy vehicle production	13,218	15,803	-16.4%
Total vehicle production	479,867	489,211	-1.9%

(*) Vehicle inventory variation = production - (sales + exports - imports).

(**) Source: Arcaras Arg.

Source: Adefa

The table below consolidates Brazil's and Argentina's vehicle production and sales figures. The Company's domestic market includes Brazil and Argentina.

Production and sales: Brazil & Argentina	Vehicle production			Vehicle sales		
	Jan-Dec 2018	Jan-Dec 2017	variation	Jan-Dec 2018	Jan-Dec 2017	variation
Light vehicle	3,213,303	3,068,888	4.7%	3,157,181	3,059,788	3.2%
Medium and heavy vehicle	212,962	172,533	23.4%	173,659	147,271	17.9%
Total	3,426,265	3,241,421	5.7%	3,330,840	3,207,059	3.9%

Source: Anfavea and Adefa

4.3 Vehicle production in leading export markets

The table below displays vehicle production in 2018 in Europe and NAFTA (the Company's top export markets), compared to 2017.

Vehicle Production in the main export 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%
North America	17,616	17,602	0.1%
Production of Light vehicle	21,987	22,216	-1.0%
Production of medium and heavy vehicle	670	671	-0.2%
Europe	22,656	22,886	-1.0%
Total Vehicle Production	40,273	40,489	-0.5%

Source: IHS

5 Financial and Economic Performance

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%
Selling expenses	(168.8)	(146.9)	-6.5%	-6.5%	14.9%	(36.7)	(41.8)	-5.8%	-7.2%	-12.2%
Gains/losses on the recoverable value of accounts receivable	(3.9)	-	-0.2%	0.0%	-100.0%	1.2	-	0.2%	0.0%	100.0%
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%
Equity in the results of investees	(0.1)	(0.4)	0.0%	0.0%	-75.0%	-	-	0.0%	0.0%	0.0%
Gains/losses on net monetary position ¹	24.8	-	1.0%	0.0%	100.0%	22.4	-	3.5%	0.0%	100.0%
Operating profit	377.0	307.5	14.5%	13.6%	22.6%	65.2	59.5	10.3%	10.3%	9.6%
Finance income (costs), net	(21.6)	(28.4)	-0.8%	-1.3%	-23.9%	(6.9)	(4.4)	-1.1%	-0.8%	56.8%
Income tax and social contribution	(62.3)	(47.2)	-2.4%	-2.1%	32.0%	9.6	(13.9)	1.5%	-2.4%	169.1%
Profit for the year from continuing operations	293.1	231.9	11.3%	10.2%	26.4%	67.9	41.2	10.7%	7.1%	64.8%
Loss for the year from discontinued operations	-	(7.2)	0.0%	-0.3%	-100.0%	-	-	0.0%	0.0%	0.0%
Profit for the year	293.1	224.7	11.3%	9.9%	30.4%	67.9	41.2	10.7%	7.1%	64.8%
Attributable to: Owners of the parent	291.7	237.3	11.3%	10.5%	22.9%	67.9	43.5	10.7%	7.5%	56.1%
Attributable to: Non-controlling-interests	1.4	(12.6)	0.1%	-0.6%	111.1%	0.0	(2.3)	0.0%	-0.4%	-100.0%
EBITDA	466.9	401.8	18.0%	17.7%	16.2%	86.6	82.7	13.6%	14.3%	4.7%
Margins:										
Gross margin	26.6%	27.8%				-1,2 p.p.	19.2%	26.9%		-7,7 p.p.
Operating margin	14.5%	13.6%				0,9 p.p.	10.3%	10.3%		0 p.p.
Net margin attributable to owners of the parent	11.3%	10.5%				0,8 p.p.	10.7%	7.5%		3,2 p.p.
EBITDA margin	18.0%	17.7%				0,3 p.p.	13.6%	14.3%		-0,7 p.p.
SG&A expenses to net sales revenue	10.1%	10.4%				-0,3 p.p.	10.1%	10.7%		-0,6 p.p.

¹ Additional information is provided in Note 40 to the financial statements for the year ended December 31, 2018 (Adoption of IAS 29 - Financial Reporting in Hyperinflationary Economies).

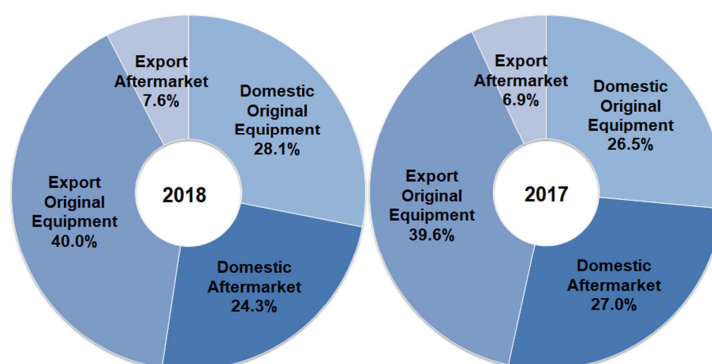
5.1 Net sales revenue and segments' share

The Company's consolidated net revenue grew 14.4% for the full year 2018 compared to 2017. The table below shows revenue by market and its respective impact in terms of volume/price and foreign exchange variation year over year:

Net revenues by market		2018	Volume/Price	FX-Variation	2017	% volume/price impact	% FX-impacts	H.A. (%)
(R\$ Million)		(a)	(b)	(c)	(d)	(b/d)	(c/d)	(a/d)
Original equipment	Domestic ¹	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%
	Subtotal	1,764.6	131.4	136.1	1,497.1	8.8%	9.1%	17.9%
Aftermarket	Domestic ¹	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%
	Subtotal	827.1	103.9	(44.2)	767.4	13.5%	-5.7%	7.8%
Total		2,591.7	235.3	91.9	2,264.5	10.4%	4.0%	14.4%

¹ Domestic market includes Brazil and Argentina.

Shown below is the segments' share of consolidated net revenue:

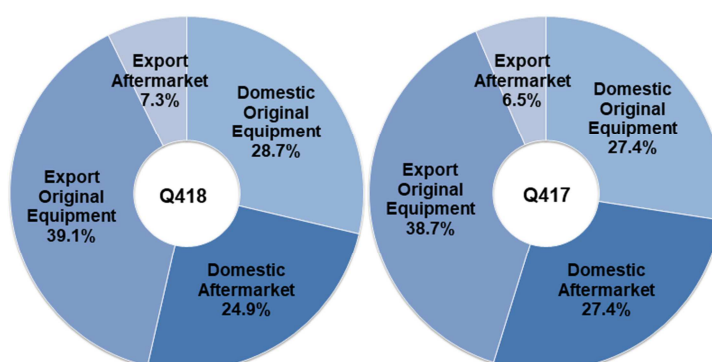


The Company's Q4 2018 consolidated net revenue grew 10.0% compared to Q4 2017. The table below displays our revenue by market and its respective impact in terms of volume/price and foreign exchange variation year over year:

Net revenues by market		Q418	Volume/Price	FX-Variation	Q417	% volume/price impact	% FX-impacts	H.A. (%)
(R\$ Million)		(a)	(b)	(c)	(d)	(b/d)	(c/d)	(a/d)
Original equipment	Domestic ¹	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%
	Subtotal	430.3	9.6	39.4	381.3	2.5%	10.4%	12.9%
Aftermarket	Domestic ¹	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%
	Subtotal	204.2	29.9	(21.0)	195.3	15.4%	-10.8%	4.6%
Total		634.5	39.5	18.4	576.6	6.8%	3.2%	10.0%

¹ Domestic market includes Brazil and Argentina.

Shown below is the segments' share of consolidated net revenue for the fourth quarter of 2018 compared to the same quarter of the previous year:



5.2 OE sales

Domestic market:

The domestic OE segment grew 21.4% for the full year 2018, with a 22.6% increase in volume/price, which was partially offset by the foreign exchange variation (-1.2%) from Argentina business (which was consolidated in our domestic OE segment).

For Q4 2018, the domestic OE segment grew 15.3%, with a 17.9% increase in volume/price, which was partially offset by the foreign exchange variation (-2.6%) also from Argentina business (which was consolidated in our domestic OE segment).

It is important to note that the Company continues to deliver growth in net sales revenue from this segment, as stated above, mainly due to the increase in vehicle production to meet local market demand (7.1%) as reported by Anfavea.

Export market:

For the full year 2018, OE export sales increased 15.5%, impacted positively by 16.0% foreign exchange variation, which was partially offset by a 0.5% decline in volumes. Shown below are exports in hard currency comparing fiscal 2018 to fiscal 2017:

Export Sales by currency	Jan-Dec 2018 (a)	Jan-Dec 2017 (b)	H.A. (%) (a/b)
Original equipment			
EUR	93.0	93.2	-0.2%
USD	183.3	173.2	5.8%

For Q4 2018, OE export sales increased 11.1%, impacted positively by 19.4% foreign exchange variation, with an 8.3% decline in volumes. Shown below are exports in hard currency for Q4 2018 compared to the same quarter of the previous year:

Export Sales by currency	Oct-Dec 2018 (a)	Oct-Dec 2017 (b)	H.A. (%) (a/b)
Original equipment			
EUR	18.5	23.2	-20.3%
USD	46.4	41.0	13.2%

5.3 Aftermarket sales

Domestic market:

The domestic Aftermarket grew 3.2% in 2018, with a positive volume/price impact of 13.5%, which was partially offset by the foreign exchange variation (-10.3%) from Aftermarket Argentina, because this unit was consolidated in our domestic Aftermarket. The positive sales performance was due to commercial actions focused on distributors, which resulted in the recovery of the engine component segment, especially the diesel line (heavy duty), following the recovery of the transport and agricultural segment driven by the improvement of economic indicators in the second half of the year. The launch of new product lines has also contributed positively to this result.

In Q4 2018, while Aftermarket Brazil delivered growth, Aftermarket Argentina experienced a decline due to Argentina's financial crisis (Argentina was consolidated in our domestic Aftermarket). Thus, when we combine the operations of these two countries, this segment showed stable results, with a slight decline of 0.1%, which was positively impacted by 17.1% by volume/price, partially offset by the foreign exchange variation (-17.2%) also from Aftermarket Argentina.

Export market:

In 2018, our Aftermarket exports grew 25.6% compared to the same period in 2017, with a 13.9% increase in volume/price, combined with the positive impact of 11.7% foreign exchange variation arising from a business increase through sales to associates and countries like Colombia, Chile and Bolivia. This performance is

attributable to the launch of new products, strong salesforce presence in the markets, marketing actions and product promotion. Aftermarket exports in hard currency were as follows:

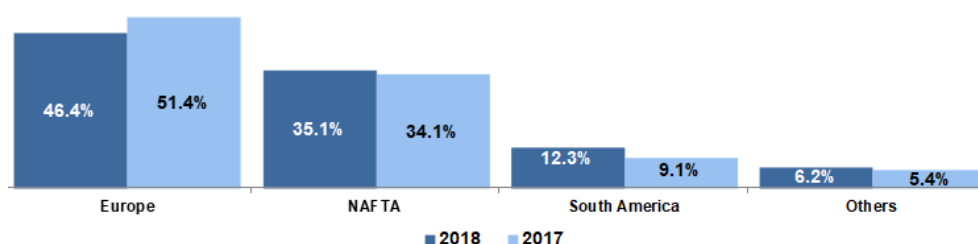
Export Sales by currency	Jan-Dec 2018 (a)	Jan-Dec 2017 (b)	H.A. (%) (a/b)
Aftermarket			
EUR	3.0	4.7	-36.2%
USD	50.7	43.9	15.5%

The Aftermarket also experienced growth of 24.4% in exports in Q4 2018 compared to the same quarter a year ago, as a result of the 7.1% increase in volume/price, along with the positive impact of 17.3% foreign exchange variation. Aftermarket exports in hard currency were as follows:

Export Sales by currency	Oct-Dec 2018 (a)	Oct-Dec 2017 (b)	H.A. (%) (a/b)
Aftermarket			
EUR	-	1.0	-
USD	12.3	10.6	16.0%

5.4 Consolidated export by region

This chart shows our exports by region in 2018 and 2017:

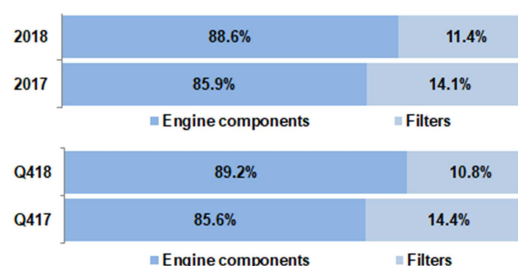


5.5 Net revenue by segment

In 2018, the engine component segment posted sales growth of 18.0% while the filter segment reported a 7.1% fall in sales compared to 2017. When comparing Q4 2018 to Q4 2017, the engine component segment reported sales growth of 14.7% while the filter segment showed a fall of 17.5%, as displayed in the table at the right side of this section

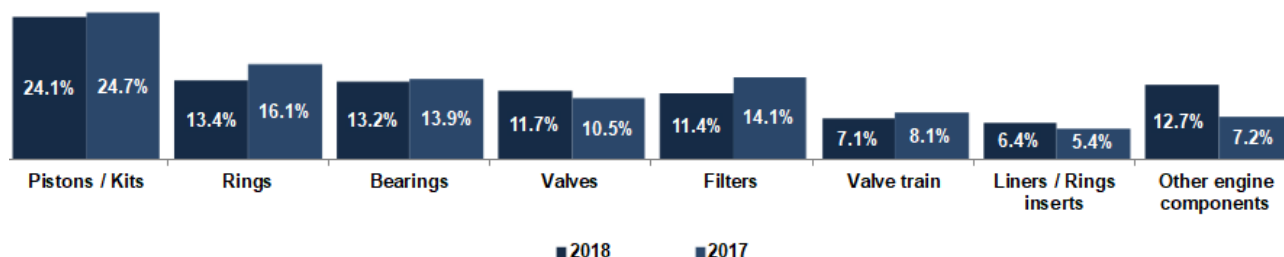
Performance of the net sales revenue by segment	2018	2017	H.A. (%)	Q418	Q417	H.A. (%)
(R\$ million)	(a)	(b)	(a/b)	(c)	(d)	(c/d)
Engine components	2,295.0	1,945.1	18.0%	566.2	493.8	14.7%
Filters	296.7	319.4	-7.1%	68.3	82.8	-17.5%
Total	2,591.7	2,264.5	14.4%	634.5	576.6	10.0%

Still with respect to the filter segment, we do not export filters and, therefore, there was no year-over-year impact of foreign exchange variation in this segment as it was seen, for example, in the engine component segment. The chart at the right side of this section shows the segments' share of sales for fiscal 2018 and fiscal 2017 and Q4 2018 and Q4 2017:



5.6 Net revenue by product and service

This chart shows the share of total sales generated by each product and service in 2018 and 2017:



5.7 Gross margin

The Company closed 2018 with a gross margin of 26.6% versus 27.8% in 2017. Q4 2018 gross margin was 19.2% versus 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.

In Q4 2018, there was greater pressure on the Company's gross margin predominantly from:

- ✓ end of the payroll tax relief;
- ✓ increase in the price of raw material: The Company's results may be impacted by inflation when our suppliers or service providers raise their prices. Thus, our gross revenue is also impacted by inflation since in general we pass on cost increases to our customers through price increases so as to mitigate the impact of inflation on our results, even that these pass-throughs do not occur at the same time;
- ✓ Compensation paid to employees who leave due to a headcount reduction in both periods analyzed.

5.8 Selling, general and administrative expenses

In 2018, the increase in selling expenses reflects the Company's revenue, with stable expense ratio year over year. When comparing Q4 2018 to the same period of the previous year, selling expenses decreased 12,3% while revenue grew 10.0%.

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.

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%
SG&A expenses	(262.7)	(235.2)	10.1%	10.4%	11.7%	(64.0)	(61.6)	10.1%	10.7%	3.9%
SG&A expenses to net sales revenue	10.1%	10.4%			-0,3 p.p.	10.1%	10.7%			-0,6 p.p.

5.9 Technology and new product development expenses

Research and development (R&D) costs represented 3.1% of the net sales revenue in 2018 and 3.7% in 2017, while Q4 2018 R&D-sales ratio was 3.6% (3.7% in Q4 2017). There was a decrease of 4.1% when comparing the two years and an increase of 6.5% when comparing the fourth quarter of 2018 to the same prior-year quarter.

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%
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%

5.10 Other operating income (expenses), net

This account recorded net revenue of R\$ 8.8 million in 2018 and net expense of R\$ 2.2 million in 2017. In Q4 2018, it recorded net revenue of R\$ 6.7 million and net expense of R\$ 12.6 million in Q4 2017. The table below shows major changes in this account:

Other income and expenses, net						
R\$ million	2018 (a)	2017 (b)	Var. (a-b)	Q418 (c)	Q417 (d)	Var. (c-d)
Provision/Reversal for labor, civil and tax contingencies	(4.6)	(36.9)	32.3	5.6	(19.7)	25.3
Provision/Reversal for obsolescence	8.4	(1.6)	10.0	8.2	0.2	8.0
Gains on sale of assets of subsidiary MAHLE Hirschvogel Forjas S.A.	2.7	-	2.7	-	-	-
Provision for restructuring	0.2	-	0.2	-	-	-
Electric power	2.8	2.8	-	0.9	1.8	(0.9)
Provision/Reversal for losses on products	(2.2)	(0.7)	(1.5)	(2.2)	(0.7)	(1.5)
Provision for environmental liability	(2.2)	-	(2.2)	(2.2)	-	(2.2)
Recovered taxes (Reintegra)	12.2	15.7	(3.5)	3.4	4.1	(0.7)
Gains/losses on disposal of assets/other	(7.5)	(3.4)	(4.1)	(7.7)	(0.2)	(7.5)
Gains on disposal of equity interest in subsidiary	-	17.3	(17.3)	-	-	-
Other income/expenses	(1.0)	4.6	(5.6)	0.7	1.9	(1.2)
Total other income and expenses	8.8	(2.2)	11.0	6.7	(12.6)	19.3

5.11 Operating performance measured by EBITDA

EBITDA was R\$ 466.9 million in 2018 (R\$ 401.8 million in 2017), with an EBITDA margin of 18.0% (17.7% in 2017). For Q4 2018, EBITDA was R\$ 86.6 million (R\$ 82.7 million in Q4 2017), with an EBITDA margin of 13.6% (14.3% in Q4 2017). The tables below display changes in the components of the operating result year over year:

EBITDA 2017	Gross income	Other operating income (expenses)	¹ 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)	¹ 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%

¹ Additional information is provided in Note 40 to the financial statements for the year ended December 31, 2018 (Adoption of IAS 29 - Financial Reporting in Hyperinflationary Economies).

5.12 Finance result, net

In 2018, the Company recorded net finance costs of R\$ 21.6 million versus R\$ 28.4 million in 2017, with a positive change of R\$ 6.8 million year over year.

For Q4 2018, the Company recorded net finance costs of R\$ 6.9 million while in the same period in 2017 it recorded finance costs of R\$ 4.4 million, representing a negative change of R\$ 2.5 million year over year.

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)
Finance costs, net	(3.1)	(6.5)	3.4	(1.4)	(0.7)	(0.7)
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
Exchange variation and Result with derivatives (ii)	19.2	20.2	(1.0)	3.2	6.1	(2.9)
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
Monetary variation, net + Others (iii)	(37.7)	(42.1)	4.4	(8.7)	(9.8)	1.1
Finance income (costs) (i + ii + iii)	(21.6)	(28.4)	6.8	(6.9)	(4.4)	(2.5)

The year-over-year negative change of R\$ 18.0 million in “Interest income on financial investments” was due to the decrease in the average levels of financial investments to R\$ 123.8 million in 2018 from R\$ 293.8 million in 2017, combined with a decrease in the rate of return to 6.3% p.a. in 2018 from 9.4% p.a. in 2017, a movement which followed a cut in Brazil’s basic interest rate (SELIC).

The year-over-year positive change of R\$ 25.3 million in Interest expenses on borrowings was due to the decrease in the average levels of borrowings to R\$ 269.6 million in 2018 from R\$ 446.7 million in 2017, combined with a decrease in borrowing costs to 4.3% p.a. in 2018 from 8.5% p.a. in 2017, a movement which also followed a cut in SELIC.

With respect to item “ii” of the table above, please note that these two line items “Foreign exchange variation, net” and “Gain (loss) on derivatives” should always be analyzed together, because the Company uses derivatives to monitor and manage foreign exchange risks.

The objective of the currency hedging program is to minimize foreign exchange risks that could arise from adverse market conditions and negatively impact the Company’s profitability. Also, with respect to foreign exchange risks, the hedging policy is to protect the estimated cash flow position (budget) and actual cash flow (balance sheet) denominated in and/or indexed to foreign currency through derivatives (NDF – Non-Deliverable Forwards). Additional information is provided in Note 36 to the financial statements for the year ended December 31, 2018.

Interest rates and volumes (average)	2018 (a)	2017 (b)	Var. (a - b)	Q418 (c)	Q417 (d)	Var. (c - d)
Investment Yield ¹	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%

¹ Certificates of Bank Deposits (CDBs) and Securities Purchased under Agreements to Resell yield on average 98.7% of the Interbank Deposit Certificate rate (CDI) and are held exclusively at prime banks in Brazil.

With respect to the gross debt (average of 2018), there was a decrease in volume on the order of 39.6% compared to 2017, because repayments were greater than new borrowings in the period. When comparing Q4 2018 to Q4 2017, there was an 11.0% increase in the average volume to R\$ 296.9 million from R\$ 267.4 million.

5.13 Income tax and social contribution

The Company provided for a consolidated income tax and social contribution expense of R\$ 62.3 million at December 31, 2018 (R\$ 47.1 million at December 31, 2017) as detailed below:

- Current tax: amounted to R\$ 76.4 million, consisting principally of expense from the parent company and its subsidiary MAHLE Argentina S/A.
- Deferred tax: a non-cash income of R\$ 14.1 million, consisting principally of changes in provisions and realization of differences measured in accordance with Law 12.973/14.

Additional information is provided in Note 15 to the financial statements for the year ended December 31, 2018.

5.14 Net profit

Net profit was R\$ 291.7 million in 2018, which represents an 22.9% increase from R\$ 237.3 million in 2017, while net margin in 2018 was 11.3% versus 10.5% in 2017. Q4 2018 net profit was R\$ 67.9 million, representing an increase of 56.1% from R\$ 43.5 million in Q4 2017, while net margin was 10.7% in Q4 2018 and 7.5% 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%
Attributable to: Owners of the parent	291.7	237.3	11.3%	10.5%	22.9%	67.9	43.5	10.7%	7.5%	56.1%
Net margin attributable to owners of the parent	11.3%	10.5%			0.8 p.p.	10.7%	7.5%			3.2 p.p.

5.15 Capital expenditures

This table shows capital expenditures and total accumulated depreciation in 2018 and 2017:

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%

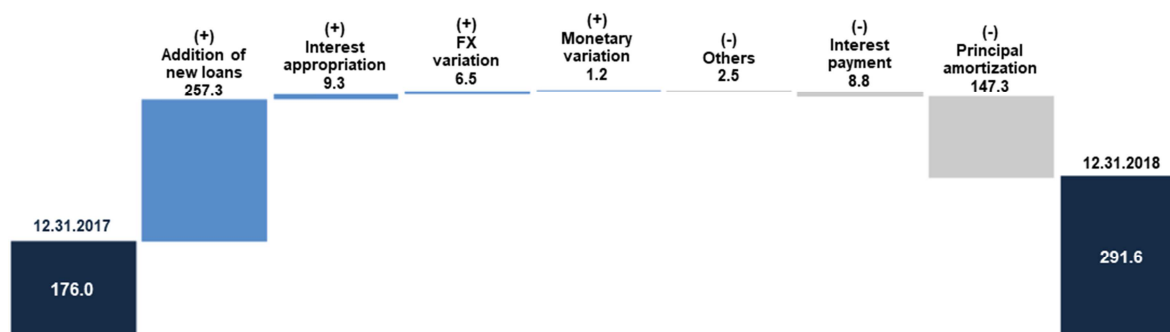
In 2018, the Company spent money on acquiring R&D equipment, new machinery and equipment in order to increase productivity and quality, new products, new buildings, information technology, among others.

5.16 Net position of financial assets and liabilities

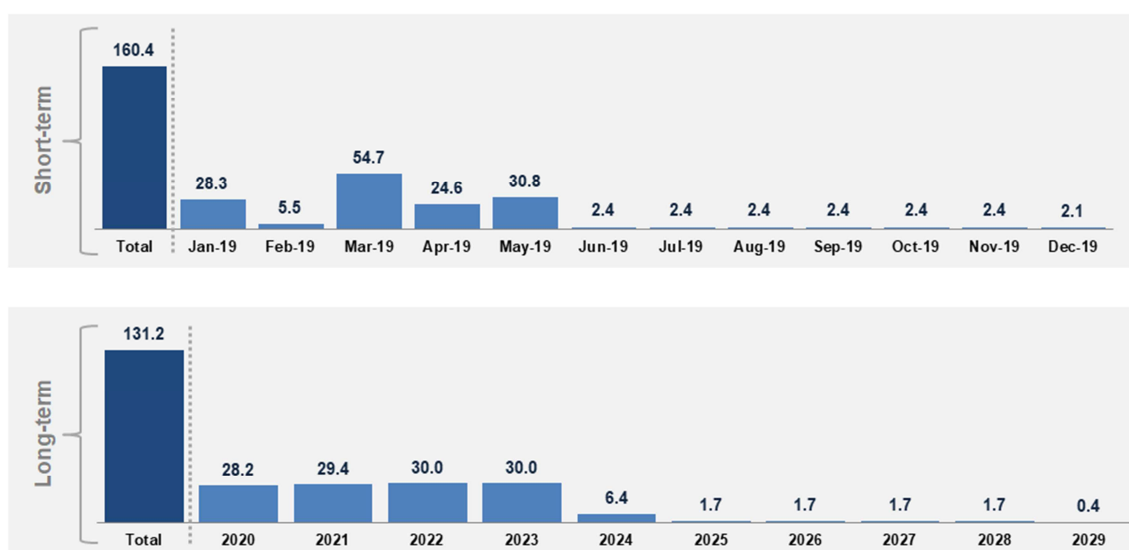
At the end of 2018, the Company's net position of financial assets and liabilities was positive by R\$ 153.3 million and, at the end of 2017, was negative by R\$ 14.0 million.

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

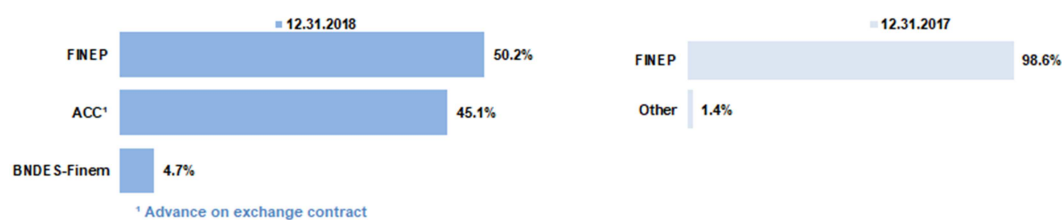
The chart below shows major changes in borrowings year over year:



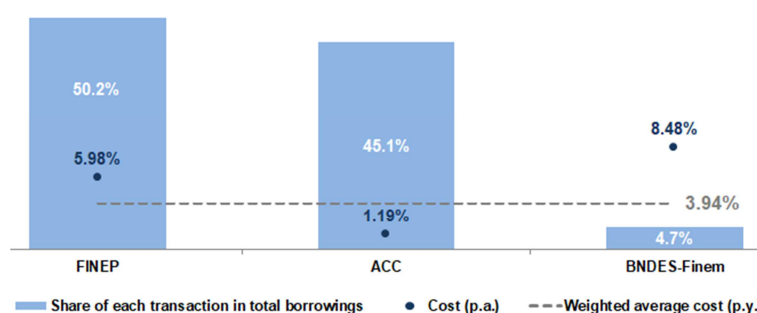
The following charts show the maturities of the borrowings classified into short-term and long-term at the end of 2018, which represents 55% and 45%, respectively, of the borrowings displayed in the table above:



Shown below are our borrowings by type for each of the periods shown in the table above:



The chart below shows our borrowings by type at December 31, 2018, with respective costs and weighted average cost:



5.17 Dividends paid to shareholders

The table below shows the amounts approved at the Board of Directors' Meetings for fiscal 2018, which will be submitted to the Ordinary General Meeting for approval in 2019:

Date	Payment Date	Type of pay-out	Period	Reference Year	Total Gross Amount (in R\$ million)	Gross Amount per Share (in R\$)	Net Amount per Share (in R\$)
December 26, 2018	May 21, 2019	Interest on capital	November 2018 - December 2018	2018	14.5	0.1133614082	0.0963571970
November 13, 2018	December 12, 2018	Interest on capital	January 2018 - October 2018	2018	71.7	0.5585251386	0.4747463678
Total 2018					86.2	0.6718865468	0.5711035648

6 Investor Relations and Capital Market

In 2018, the Company's Investor Relations department maintained its initiatives in support of interactions with our investors and the general market. Also, we continued to attend several meetings in person, conferences, site visits, call conferences and capital market events, in addition to interactions by telephone and e-mails.

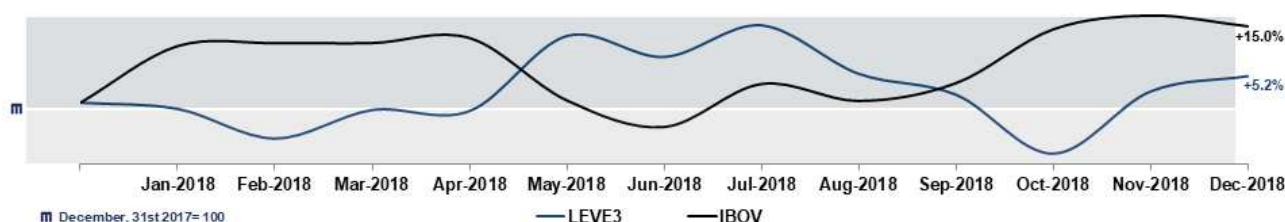
For the fifth consecutive year, the Company was recognized as one of the most transparent companies in Brazil by the National Association of Finance, Administration and Accounting Executives (ANEFAC) and received the 2018 Transparency Trophy (Troféu Transparência) for the quality of its fiscal 2017 financial statements, in the category of net revenue of up to R\$ 5 billion.

The Transparency Trophy - ANEFAC-FIPECAFI-SERASA EXPERIAN Award - represents the recognition of the value that award winners place on the responsibility and quality at the time of issuing financial statements to their investors and the market.



6.1 Stock performance and free float turnover

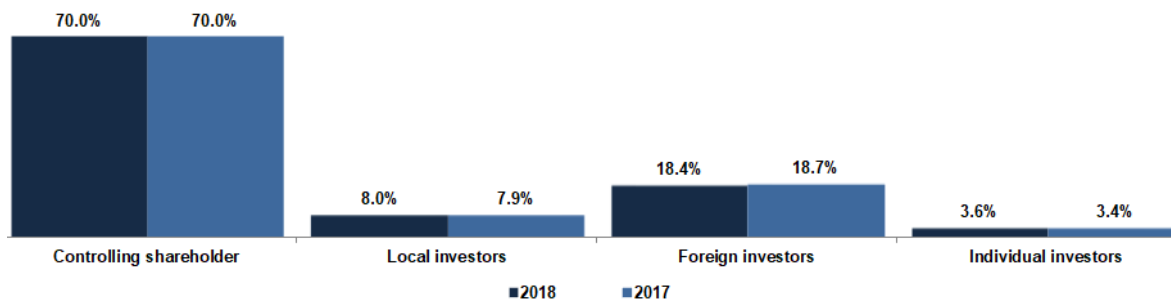
The charts below present the LEVE3 stock performance, the average daily trading volume and the average turnover in relation to free float market capitalization:



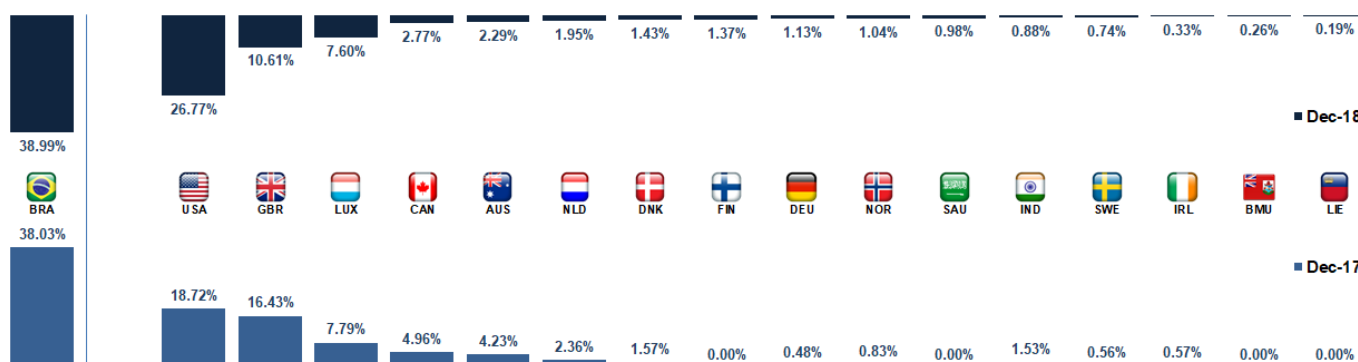
Average Daily Trading Volume (ADTV) and ADTV turnover to Free-Float Mkt Cap				
Period	1Q18	2Q18	3Q18	4Q18
Trading Volume (R\$ million)	5.6	8.7	7.8	7.2
Turnover (%)	0.61%	0.88%	0.76%	0.78%

6.2 Shareholder structure

At the end of 2018 and 2017, share distribution is as follows:



The chart below shows the main countries in the Company's free float shareholder base at the end of 2018 and 2017:



7 Corporate Risk Management, Internal Controls and Compliance

The Executive Board is responsible for overseeing the internal control system, compliance and corporate compliance risk so as to promote a sustainable process of creating value for shareholders.

In this context, MAHLE is committed to the transparency, ethics and continuous improvement of its internal controls through the use of the following tools:

- ✓ Compliance Program sets out guidelines and rules on how to conduct and to do business, focusing among other issues on anticorruption and antitrust practices.
- ✓ Systematic risk management process where business unit managers and corporate functions are responsible for identifying, reporting and controlling risks related to their areas/units in accordance with the risk management policy.
- ✓ Internal Audit function provides periodic independent assessments of the effectiveness of risk management, internal controls and rules and procedures established by management. Internal Audit works to provide recommendations concerning the internal control and risk management environment based on best market practices to promote a proactive approach in identifying, preventing and controlling risks.

8 Corporate Governance

The Company adopts good practices of Corporate Governance based on the principles of transparency, fairness, accountability and corporate responsibility. Since July 2011 the Company shares are traded in B3's Novo Mercado (New Market) listing segment that has additional corporate governance standards.

The Company must resolve disputes by arbitration of the Market Arbitration Chamber pursuant to the binding arbitration clause in its bylaws. The Board of Directors and the Executive Board are involved in the management of the Company, with each having specific roles and responsibilities.

The Board of Directors has five permanent members and five alternate members, of whom one permanent member (and his/her respective alternate member) is independent and elected by minority shareholders. Another member nominated by the controlling shareholder is considered independent as he/she does not have connections with the controlling shareholder, has not been an employee or officer of the Company in the last three years, is not a significant supplier of the Company and does not receive remuneration from the Company (other than director's remuneration).

The Company also has a Supervisory Board composed of three permanent members and three alternate members, of whom one permanent member (and his/her respective alternate member) is nominated by the minority shareholders and two by the controlling shareholder. There is also a Communication Committee whose primary role is to enforce the Company's guidelines with respect to information disclosed to the market, ensure compliance with CVM Instruction 358 and the Company's Disclosure and Trading Policy, and evaluate and propose improvements in its communications with market participants.

The Board of Directors approved on June 27, 2011 the Disclosure and Trading Policy, which was amended on August 8, 2014 to include the prohibition on trading of the Company's stock and respective rights and derivatives thirty (30) days prior to the disclosure of quarterly information (ITR) and annual financial statements of the Company.

The Company also has a risk management policy that was approved by the Board of Directors on March 16, 2016. This policy sets out the risk management framework to define roles and responsibilities and is aligned with global risk management and internal control procedures implemented by the Company.

Furthermore, the Board of Directors approved on January 22, 2019 the revision to its Related-Party Policy that establishes rules and procedures to be followed by MAHLE Metal Leve S.A. and its subsidiaries for transactions with related parties. This Policy is intended to prevent and manage potential conflicts of interest that may arise because of entering into transactions with related parties.

9 Excellence and Technological Innovation

Brazil's new auto industry incentive program ROTA 2030 was approved in December 2018. This Program sets out energy efficiency targets for passenger cars, SUVs and light duty vehicles sold in Brazil. Another positive factor is that ROTA 2030 will run for 15 years with cycles ending in 2022, 2027 and 2032 and thus allows for predictability to build development strategies for the auto industry and its supply chain. Unlike the previous program called INOVAR AUTO, the new program stimulates investments in R&D by the suppliers of automotive parts that may apply for the program and deduct from federal taxes up to 12.5% of the total amount invested. ROTA 2030 also offers incentives for the development of solutions that improve the performance of vehicles that have hybrid or flex motors that run on ethanol. It is worth mentioning that MAHLE Metal Leve had a decisive role in the forums which discussed the rules of ROTA 2030 through the National Association of Motor Vehicle Components Manufacturers (SINDIPEÇAS) and the Brazilian Association of Automotive Engineering (AEA).

Almost simultaneously with ROTA 2030, the new phases of the Brazilian emission legislation for light vehicles (PROCONVE L7 and L8) and heavy vehicles (PROCONVE P8) were approved to take effect in 2021. The new

emission limits, the new requirement for real driving emissions testing and noise limits pose challenges for automakers.

MAHLE Metal Leve is ready to develop integrated solutions of products and services for its customers to implement strategies to meet the requirements of both ROTA 2030 and PROCONVE. For example, our product Smartheat, a heater for fuel systems, expands the market perspective even further because, in addition to being used for cold starting, it also helps reduce significantly pollutant emissions during cold start phase of the engine.

Another important point was the start of the commercial production of MBE2 (MAHLE BioEtanol 2). Based on the consistent results obtained in the last five years in a pilot ethanol power plant, with a systematic increase of more than 10% in ethanol production as compared to the production from traditional fermentation, the Company decided to produce the product under an agreement with a power plant, in three MBE2 units set to start operations during the 2019-2020 crop. The results may boost rising and industrial scale production within the next years.

In December 2018, MAHLE's Tech Center signed an agreement of R\$ 226.0 million with Brazil's Innovation Agency FINEP for financing R&D activities for the next three years. According to the strategic innovation plan approved by FINEP, the Tech Center Engineering will strive to improve and create new solutions to meet the demands of ROTA 2030, principally biofuel and energy efficiency goals.

Regarding intellectual property production, the Company has filed in 2018 five patent applications, of which one is for the filtration system and engine peripherals and four for engine components.

10 Human Resources

Establishing a work environment dominated by mutual respect among the persons and that encourages professional development is one of the most important challenges of the Human Resources department.

Much more than dealing just with everyday legal, bureaucratic tasks, we are a strategic partner of the business in implementing initiatives related to attracting, developing and retaining talent and leadership, with a decisive influence on the course and direction of the organization.

We launched the global HR Boost strategic project that encompasses and combines strategic people management initiatives in the areas of employer branding, recruiting, career development, succession, diversity and inclusion. Based on this strategy, we are actively working to bring MAHLE as an attractive employer to the attention of our target group and ensure the presence of MAHLE in the social media, best universities and main trade fairs of the industry.

In 2018, our employees took part in many qualification activities such as: training in production processes, leadership development, on-the-job courses, language scholarships, university education, among others. Intensive efforts are being made to promote a quality mindset aligned with the Company's global strategy to make our processes more robust and customer-focused.

At December 31, 2018, MAHLE Metal Leve S.A. and its subsidiaries employed 7,539 people.

11 Integrated Management System, Safety at Work & Environment

MAHLE Metal Leve invests intensively in improvements in the workplace and in implementing sustainable actions with focus on Respect and Commitment.

For purposes of prevention and better quality of life of our employees, measures to reduce workplace accidents by means of accident statistics and commitment from leaders and teams ensure that employees follow good safety practices. In addition to investments in new equipment and resources, workplace safety communications were

implemented to encourage the teams to work more safely. Moreover, the units are audited to certify compliance with OHSAS 18001 (Health & Safety) and ISO 14001 (Environment).

The TERRA (Earth) Program is still in place to encourage initiatives and targets focusing on four pillars: Water, Energy, Waste and Effluents. The purpose of this Program is to develop and cultivate a culture of sustainability through the appropriate use of natural resources and the deployment of technologies to reduce environmental footprints.

We held lectures and social and environmental activities for the community. Some of these activities were at events for customers and partners. All of these efforts ensure we deliver optimum outcomes, aligned with global best practices and as part of a continuous improvement process.

With respect to Safety and Environment, we worked to reduce the accident frequency rate; reinforced safe behavior by conducting safety tours; met requirements to maintain OHSAS 18001 and ISO 14001 certifications; and implemented new projects of Terra Program.

12 Independent Auditors

In accordance with CVM Instruction No. 381/03, the Company and its subsidiaries have adopted the procedure to ensure that the provision of non-audit services by the independent auditors will not create a conflict of interest and impair the independence and objectivity necessary for independent audit services.

In 2018, the Company did not contract KPMG Auditores Independentes to perform non-audit services; therefore, there is no situation that may give rise to conflicts of interests under that Instruction.

13 Declaration of the Executive Board

In compliance with CVM Instruction 480, the Executive Board hereby declares that it has discussed, reviewed and agrees with the financial statements for the year ended December 31, 2018 and the opinions expressed in the independent auditor's report.

14 Acknowledgments

The Management would like to thank the employees, shareholders, customers and suppliers of the Company for their support and trust during the 2018 business year.

The Management

15 Exhibits

15.1 Balance sheet

BALANCE SHEETS (CONSOLIDATED)	12.31.18	12.31.18
ASSETS	2,316.1	2,226.1
Current assets	1,106.3	1,061.2
Cash and cash equivalents	39.7	41.0
Financial investments	57.9	128.1
Trade accounts receivable	437.6	388.2
Inventories	401.4	352.1
Recoverable taxes	79.6	68.7
Income tax and social contribution recoverable	47.4	28.5
Other assets	42.7	54.6
Non-current assets	1,209.8	1,164.9
Deferred taxes	13.3	5.0
Loans to related parties	40.7	20.9
Recoverable taxes	20.4	14.4
Investments in subsidiaries	0.5	0.6
Property, plant and equipment	645.5	640.3
Intangible assets	466.9	459.0
Assets held for sale	-	7.2
Other assets	22.5	17.5
LIABILITIES	2,316.1	2,226.1
Current liabilities	561.4	425.8
Salaries, vacation and social charges	82.3	82.9
Trade accounts payable	156.8	171.9
Income tax and social contribution payable	27.5	25.4
Borrowings	160.4	31.0
Provisions	45.7	44.6
Other liabilities	88.7	70.0
Non-current liabilities	401.7	450.1
Borrowings	131.2	145.0
Deferred taxes	4.3	8.5
Provisions	258.1	285.0
Other liabilities	8.1	11.6
Consolidated shareholder's equity	1,353.0	1,350.2
Capital stock	966.3	966.3
Revenue reserves	305.8	280.4
Retained earnings (accumulated deficit)	-	(0.0)
Proposed dividends	192.2	143.6
Other comprehensive income	21.6	42.2
Cumulative translation adjustments	(129.5)	(77.5)
Non-controlling interests	(3.4)	(4.8)

15.2 Statement of income

INCOME STATEMENT (CONSOLIDATED)	12.31.18 (a)	12.31.17 (b)	Var. (a/b)
Net sales revenue	2,591.7	2,264.5	14.4%
Cost of sales	(1,901.6)	(1,635.8)	16.2%
Gross income	690.1	628.7	9.8%
Operating income (expenses)	(313.1)	(321.2)	-2.5%
Selling expenses	(168.8)	(146.9)	14.9%
Gains/losses on the recoverable value of accounts receivable	(3.9)	-	-100.0%
General and administrative expenses	(93.9)	(88.3)	6.3%
Technology and product development expenses	(80.0)	(83.4)	-4.1%
Other operating income	8.8	(2.2)	500.0%
Gains/losses on net monetary position	24.8	-	100.0%
Equity in the results of investees	(0.1)	(0.4)	-75.0%
Profit before finance income and costs	377.0	307.5	22.6%
Finance income	170.3	108.4	57.1%
Finance costs	(191.9)	(136.8)	40.3%
Income and social contribution taxes	355.4	279.1	27.3%
Current	(76.4)	(70.7)	8.1%
Deferred	14.1	23.5	-40.0%
Net income from continuing operations	293.1	231.9	26.4%
Loss for the discontinued operations	-	(7.2)	-100.0%
Net income for the period	293.1	224.7	30.4%
Attributable to: Owners of the parent	291.7	237.3	22.9%
Attributable to: Non-controlling-interests	1.4	(12.6)	111.1%
Basic and diluted earnings per share (in reais)	2.27324	1.84949	22.9%

15.3 Statement of cash flows

STATEMENT OF CASH FLOWS (CONSOLIDATED)	12.31.18	12.31.17
Cash flows from operating activities		
Profit (losses) before tax	355.3	269.9
Depreciation and amortization	89.9	98.0
Equity in the results of investees	0.1	0.3
Interest and monetary and exchange variations, net	20.2	62.9
Losses/(gains) on derivative financial instruments	(2.6)	8.5
Result on disposal of property, plant and equipment	(3.0)	2.8
Result on disposal of discontinued operations	-	(17.3)
Provision (reversal) for impairment of trade receivables	4.4	(1.7)
Provision (reversal) for contingencies and legal obligations	(1.7)	10.2
Provision (reversal) for guarantees	4.7	1.4
Other provisions (reversal)	1.8	10.9
Recognition (reversal) of provision for impairment of the property, plant and equipment and intangible assets	(0.2)	(0.4)
Provision (reversal) for losses on inventories	1.1	6.3
Gain / loss on monetary variation, net	(24.8)	-
Assets and liabilities variation		
Trade accounts receivable and related parties	(53.8)	(10.7)
Inventories	(50.6)	(30.7)
Recoverable taxes	(18.5)	(22.9)
Other assets	(4.3)	(21.3)
Trade accounts payable and related parties	(15.0)	44.6
Salaries, accrual for vacation and social charges	(0.6)	16.2
Taxes and contributions payable	(6.0)	(15.7)
Other liabilities	(60.9)	(17.0)
Cash from operations	235.5	394.3
Income tax and social contribution paid	(80.8)	(47.6)
Net cash used in operating activities	154.7	346.7
Net Cash from Investment Activities	(99.3)	(47.8)
Loans granted to related subsidiaries	(393.2)	(485.9)
Loan repayments received from related parties	373.4	524.8
Additions to property, plant and equipment	(81.4)	(83.1)
Additions to intangible assets	(9.1)	(8.2)
Discontinued operations	-	(1.5)
Proceeds from sales of property, plant and equipment	11.0	6.1
Net Cash from Financing Activities	(128.7)	(388.7)
Proceeds from borrowings	257.3	142.1
Amortization of financing-principal amounts	(147.3)	(428.6)
Amortization of financing interest	(8.8)	(38.3)
Dividends and interest on capital paid	(229.9)	(75.1)
Capital increase	-	11.2
Effect of foreign exchange variation on cash and cash equivalents	1.8	2.5
Net increase (reduction) in cash and cash equivalents	(71.5)	(87.3)
Cash and cash equivalents at the beginning of the year	169.1	256.4
Cash and cash equivalents at the end of the year	97.6	169.1
Increase (Decrease) in cash and cash equivalent, net	(71.5)	(87.3)