

(A free translation of the original in Portuguese)

MAHLE Metal Leve S.A.

Quarterly information (ITR)
at March 31, 2020

MAHLE REPORTS EBITDA OF R\$ 91.5 million in 1Q20; MARGIN OF 15.9%

Mogi Guaçu, SP, May 13, 2020 - MAHLE Metal Leve S.A. (B3: LEVE3), a Brazilian automotive parts company that manufactures and sells components for internal combustion engines and automotive filters, today reported financial results for the first quarter of 2020. Unless otherwise noted, financial and operating information is provided on a consolidated basis and in Brazilian reais (BRL) and is prepared in accordance with the Brazilian Corporation Law.

HIGHLIGHTS

Earnings conference call and webcast:

Date: 5/14/2020

Time:

12 noon - Brasilia
4:00 p.m. - London
11:00 a.m. - New York

Webcast

(in English):

<https://webcastlite.mziq.com/cover.html?webcastId=856caca4-f07e-453b-9b76-997681808d3e>

Webcast

(simultaneous translation):

<https://webcastlite.mziq.com/cover.html?webcastId=3e34f9cd-e199-4861-90b4-009aea429479>

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To listen to a replay of the earnings call (in English), please ask the operator.

USA: +1 412 717-9627

Passcode: MAHLE

- **Net Sales Revenue** in 1Q20 was R\$ 573.8 million, representing a decrease of 7.9% compared with 1Q19;
- **Domestic Original Equipment Market:** The Company reported an 8.9% decline in its first-quarter sales. The consolidated vehicle production fell 15.7%, the Brazilian market fell 15.9% and the Argentine market reported a decline of 13.6%;
- **100 years of existence:** In December 2020, the MAHLE Group will complete 100 years with the confidence that we will continue to grow and work to be an innovative and attractive company for our shareholders, employees and partners;

(R\$ million)	Key indicators				
	1Q20 (a)	4Q19 (b)	1Q19 (c)	(a/b)	(a/c)
Net revenue	573.8	595.7	623.2	-3.7%	-7.9%
EBITDA	91.5	76.6	120.3	19.5%	-23.9%
EBITDA margin	15.9%	12.9%	19.3%	3.0 p.p.	-3.4 p.p.
Profit for the year	21.5	66.2	63.9	-67.5%	-66.4%
Net margin	3.7%	11.1%	10.3%	-7.4 p.p.	-6.6 p.p.

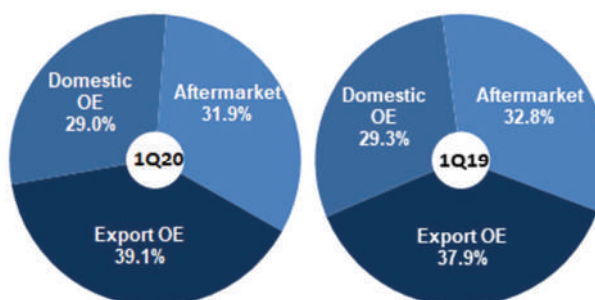
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1 Management Commentary

Fiscal 2020 began with a more moderate than expected automotive production growth and the new challenges posed by the global novel coronavirus (COVID-19) pandemic.

In 1Q20 the Company's revenue fell 7.9% compared with the same period of 2019, driven by declines in sales of OE exports (-5.0%), domestic OE market (-8.9%) and Aftermarket (-10.4%). The chart below shows the Company's revenue broken down by business segment in 1Q20 and 1Q19:



For 1Q20 the Company reported an EBITDA margin of 15.9% and EBITDA of R\$ 91.5 million.

In the first quarter of 2020, the global scenario was marked by the initial developments of the COVID-19 pandemic and the Company is monitoring any potential impact that this pandemic may have on its business.

MAHLE Metal Leve S.A. formed a crisis committee to closely monitor this evolving situation at all its plants with the objective of reducing as much as possible the risk of infection of employees and service providers. The Company has taken a series of measures in response to COVID-19 in line with the recommendations and guidance from the proper health authorities and local government officials. We made temporary adjustments in production operations at all manufacturing plants to meet the market demand by adjusting shifts with enhanced cleaning and sanitization protocols. Additionally, the Company allowed the administrative staff to work from home.

During this challenging time, the Company is seeking labor measures to keep its workforce employed and to deal with the state of calamity declared by Decree No. 06 of March 20, 2020. To this end, the Company made collective labor agreements to preserve as many jobs as possible through reduction of working hours and salary, temporary suspension of employment contract for 60 days. If the market eventually improves and we need to increase our workforce, the suspension of employment contract and/or reduction of working hours and salary, both measures provided for in said collective labor agreement, may be canceled in whole or in part, and the employee may return to work upon at least 48 hours advance notice of recall.

We will actively monitor the economic situation in Brazil and globally in order to adjust our operations accordingly. As for accounts receivable, all measures have been taken to mitigate the risk of default, such as renegotiation and extension of payment terms upon request.

The Company negotiated the terms of its loans with financial institutions to improve cash flow and to mitigate any liquidity risk.

Management will closely monitor the potential impacts of this crisis to submit to the Ordinary General Meeting to be held on May 29, 2020 for vote the retention of the remaining profit for fiscal year 2019. Therefore, at this time the Company's crisis management is focused on the sanitary issue, on protecting its employees and its cash to ensure operational continuity.

2 About MAHLE Metal Leve

We are a Brazilian automotive parts company that manufactures and sells components for internal combustion engines and automotive filters. We manufacture the highest quality products with the latest technology, and we are continuously investing in the research and development of new products and production processes.

We have been operating in Brazil since the 1950's and have a large portfolio of products and integrated solutions that in most cases have been specially customized in conjunction with our principal customers. In the original equipment industry, MAHLE supplies automotive manufacturers and the Aftermarket business segment supplies large auto parts distributors and engine repair shops.

Our products are manufactured and sold in Brazil and Argentina and exported to more than 60 countries, including USA, 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 own five production plants, four of which are located in Brazil, in the cities of Mogi Guaçu (two units) and São Bernardo do Campo, in the State of São Paulo, and in Itajubá, State of Minas Gerais. Our fifth plant is located in the city of Rafaela, Argentina. We 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 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 the development of components and solution packages for internal combustion engines. This center allows us to deliver value to and serve our customers in a customized and efficient manner, and develop innovative new product technologies and processes.

As part of the globally active MAHLE Group, we are able to exchange knowledge, provide and have constant access to the latest technologies and work alongside our customers to develop new products, which we believe are key factors to the high level of market penetration and customer loyalty that we have achieved.

3 The MAHLE Group celebrates its 100-year anniversary



MAHLE has been keeping people in motion for 100 years.

It is time to celebrate. On December 1, 2020 we will achieve an important milestone in our Company's history: the 100th anniversary of the MAHLE Group.

MAHLE Metal Leve S.A. (Company) belongs to the MAHLE Group (controlling shareholder), one of the world's most traditional groups in the automotive parts industry and that was founded in Germany. Today, the MAHLE Group, including the Company, operates around 160 production locations and 16 research and development centers, in 35 countries on 5 continents.

The year is 1920. The start of an exciting decade in which Charles Lindberg flies across the Atlantic, Albert Einstein receives the Nobel Prize, Mahatma Ghandi begins his non-violent protest, Deutsche Luft Hansa AG is founded and the Nürburgring starts operating. In Stuttgart/Germany, two brothers lay the foundation for a global company: Back in those times, Ernst and Hermann Mahle develop products which become best-sellers and which establish the reputation of today's global corporation as an innovator. Since then, MAHLE has become one of the 20 largest automotive suppliers worldwide with around 79,000 employees. Our innovative solutions continue to set new standards in the field of alternative drives and in the optimization of internal combustion engines.

"We will continue to grow and work on being an innovative and attractive company for our employees and partners. We want to shape the next 100 years of mobility", says Dr. Jörg Stratmann, CEO of the MAHLE Group.

The automotive industry is going through an unprecedented transformation. The MAHLE Group is positioning itself for the future of mobility, focusing on global and automotive megatrends.

The MAHLE Group's vision will drive the transformation process. The motivation to be part of the change is therefore crucial in accomplishing goals and turning vision into reality. We are looking forward to celebrating our 100th anniversary together with you and for this reason we would like to invite you to visit our website at <http://www.br.mahle.com/pt/100-years/>

Today and tomorrow. For future generations. And for the next 100 years.

4 Development of the Automotive Industry

4.1 Development of the Brazilian market

Brazilian automotive industry											
Segments	Jan-Mar 2020					Jan-Mar 2019					Sales Variation (A/C)
	Sales (**) (A)	Export	Import	Inventory (*)	Total Production (B)	Sales (**) (C)	Export	Import	Inventory (*)	Total Production (B)	
Passenger Cars	451,006	74,377	-33,603	3,348	495,128	496,818	86,816	-42,895	46,376	587,115	-9.2%
Light Commercial	83,279	10,853	-26,045	-8,006	60,081	84,638	13,147	-25,218	7,288	79,855	-1.6%
Total light vehicles	534,285	85,230	-59,648	-4,658	555,209	581,456	99,963	-68,113	53,664	666,970	-8.1%
Trucks	20,135	2,759	-893	2,705	24,706	21,464	2,519	-732	1,510	24,761	-6.2%
Buses	3,661	1,009	0	1,304	5,974	4,680	2,090	0	-644	6,116	-21.8%
Total Trucks and Buses	23,796	3,768	-893	4,009	30,680	26,144	4,599	-732	866	30,877	-9.0%
Agricultural	9,469	2,347	0	-1,621	10,195	9,285	2,684	0	-1,153	10,816	2.0%
Total medium and heavy vehicles	33,265	6,115	-893	2,388	40,875	35,429	7,283	-732	-287	41,693	-6.1%
Total vehicle sales	567,550	91,345	-60,541	-2,270	596,084	616,885	107,246	-68,845	53,377	708,663	-8.0%
Variation (un) - 1Q20 x 1Q19	-49,335	-15,901	8,304	-55,647	-112,579						
Variation (%) - 1Q20 x 1Q19	-8.0%	-14.8%	-12.1%	-104.3%	-15.9%						

Source: Anfavea

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

(**) Sales (Domestic + Imported)

The table below shows Brazil's domestic auto production, sales and inventory for the periods under review:

Vehicle Production - monthly (thousand units)	Jan	Feb	Mar
2019	202.0	261.3	245.3
2020	194.2	207.8	194.1
Total vehicle sales - monthly (thousand units)	Jan	Feb	Mar
2019	202.5	201.5	213.0
2020	196.0	203.8	167.7
Brazilian Vehicles Inventory (days)	Jan	Feb	Mar
2019	37	43	41
2020	43	37	48

Source: Anfavea

4.2 Developments of the Argentine market

Argentina's automotive industry			
Vehicle Sales (Locally-manufactured and imported)	Jan-Mar 2020 (A)	Jan-Mar 2019 (B)	A/B
Total of Light vehicle	71,840	94,150	-23.7%
Total of medium and heavy vehicle	3,867	4,635	-16.6%
Total vehicle sales	75,707	98,785	-23.4%
Exports	40,734	47,919	-15.0%
Imports	50,059	67,629	-26.0%
Automotive trade balance	(9,325)	(19,710)	-52.7%
Vehicle inventory variation in the period (*)	5,355	4,142	29.3%
Production of Light vehicle	65,980	76,692	-14.0%
Medium and heavy vehicle production	1,890	1,890	0.0%
Total vehicle production	67,870	78,582	-13.6%

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

(**) Source: Adefa/Arcaras Argentina/IHS.

4.3 Vehicle production and sales in Brazil and Argentina

The table below shows consolidated vehicle production and sales figures for Brazil and Argentina. The Company's domestic market comprises Brazil and Argentina.

Production and sales: Brazil & Argentina	Vehicle production			Vehicle sales		
	Jan-Mar 2020	Jan-Mar 2019	variation	Jan-Mar 2020	Jan-Mar 2019	variation
Light vehicle	621,189	743,662	-16.5%	606,125	675,606	-10.3%
Medium and heavy vehicle	42,765	43,583	-1.9%	37,132	40,064	-7.3%
Total	663,954	787,245	-15.7%	643,257	715,670	-10.1%

Source: Anfavea and Adefa

4.4 Vehicle production in the main export markets

The table below shows vehicle production in 1Q20 in North America and Europe, which are the Company's main export markets, compared with 1Q19.

Vehicle Production in the main export market (in thousands)			
Segment	Jan-Mar 2020 (A)	Jan-Mar 2019 (B)	A/B
Production of Light vehicle	3,710	4,234	-12.4%
Production of medium and heavy vehicle	135	166	-18.7%
North America	3,845	4,400	-12.6%
Production of Light vehicle	4,487	5,657	-20.7%
Production of medium and heavy vehicle	147	166	-11.4%
Europe	4,634	5,823	-20.4%
Total Vehicle Production	8,479	10,223	-17.1%

Source: IHS

5 Company's Financial and Economic Performance

Summary P&L (R\$ million)	1Q20 (a)	1Q19 (b)	V.A. (%) (a)	V.A. (%) (b)	H.A. (%) (a/b)
Net sales revenue	573.8	623.2	100.0%	100.0%	-7.9%
Cost of sales	(412.1)	(454.4)	-71.8%	-72.9%	-9.3%
Gross profit	161.7	168.8	28.2%	27.1%	-4.2%
Selling and distribution expenses	(43.2)	(38.0)	-7.5%	-6.1%	13.7%
General and administrative expenses	(25.3)	(19.0)	-4.4%	-3.0%	33.2%
Technology and product development expenses	(19.2)	(20.1)	-3.3%	-3.2%	-4.5%
Other operating income (expenses) ¹	(8.7)	(0.5)	-1.5%	-0.1%	-1640.0%
Equity in the results of investees	(0.0)	(0.0)	0.0%	0.0%	0.0%
Gains/losses on net monetary position	1.0	6.4	0.2%	1.0%	-84.4%
Operating profit	66.3	97.6	11.6%	15.7%	-32.1%
Finance income (costs), net	(40.6)	(8.8)	-7.1%	-1.4%	361.4%
Income tax and social contribution	(5.2)	(25.6)	-0.9%	-4.1%	-79.7%
Profit for the year	20.5	63.2	3.6%	10.1%	-67.6%
Profit for the year attributable to: Owners of the parent	21.5	63.9	3.7%	10.3%	-66.4%
Attributable to: Non-controlling interests	(1.0)	(0.7)	-0.2%	-0.1%	-42.9%
EBITDA	91.5	120.3	15.9%	19.3%	-23.9%
Margins:					
Gross margin	28.2%	27.1%			1.1 p.p.
Operating margin	11.6%	15.7%			-4.1 p.p.
Net margin attributable to owners of the parent	3.7%	10.3%			-6.6 p.p.
EBITDA margin	15.9%	19.3%			-3.4 p.p.
SG&A expenses to net sales revenue	11.9%	9.1%			2.8 p.p.

¹ Additional information is provided in item 5.10 of this document.

5.1 Net sales revenue and net revenue by market

It is important to note that the Company considers as Domestic Market the revenue generated from its operations in Brazil and Argentina. For this reason, in this market, with respect to the consolidation of the financial statements, the tables below show the negative exchange rate effects of the translation of the financial statements from Argentine peso to Brazilian real.

The Company reported a reduction of 7.9% in its consolidated net revenue for 1Q20 compared with the same period of 2019. The table below shows revenue by market and its respective impacts in terms of volume/price and exchange rate variation period over period:

Net revenue by market (R\$ Million)		1Q20 (a)	Volume/Price (b)	FX-Variation (c)	1Q19 (d)	% volume/price Impact (b/d)	% FX-impacts (c/d)	H.A. (%) (a/d)
Original equipment	Domestic ¹	166.5	(16.1)	(0.2)	182.8	-8.8%	-0.1%	-8.9%
	Export	224.1	(34.2)	22.3	236.0	-14.5%	9.5%	-5.0%
	Subtotal	390.6	(50.3)	22.1	418.8	-11.9%	5.2%	-6.7%
Aftermarket	Domestic ¹	144.6	(7.8)	(3.7)	156.1	-4.9%	-2.5%	-7.4%
	Export	38.6	(14.1)	4.4	48.3	-29.1%	9.0%	-20.1%
	Subtotal	183.2	(21.9)	0.7	204.4	-10.7%	0.3%	-10.4%
Total		573.8	(72.2)	22.8	623.2	-11.6%	3.7%	-7.9%

¹ Domestic market includes Brazil and Argentina.

5.2 OE sales

Domestic market:

In 1Q20, the domestic OE segment reported a decline of 8.9%, with an 8.8% fall in volume/price and exchange rate effects of -0.1%. It is worth mentioning that the consolidation vehicle production (vehicle production in Brazil and Argentina) fell 15.7%. In the quarter the major factors that affected sales in the domestic market were: the high inventory levels of motor vehicle dealerships at the beginning of the year and as from mid-March the effects of COVID-19 on the economy, principally after quarantine was imposed.

Export market:

In 1Q20, we saw a decline of 5.0% in this market, where the positive exchange rate effects of 9.5% were offset by a fall of 14.5% in volumes. The table below presents exports in hard currency for 1Q20 compared with 1Q19:

Export Sales by currency (million)	Jan-Mar 2020 (a)	Jan-Mar 2019 (b)	H.A. (%) (a/b)
Original equipment			
EUR	18.5	20.2	-8.4%
USD	30.9	41.0	-24.6%

The major factor that affected our exports was the global COVID-19 pandemic which initially impacted our main export markets.

5.3 Aftermarket sales

Domestic market:

When comparing 1Q20 with 1Q19, the domestic Aftermarket declined 7.4%, with negative impacts of volume/price of 4.9% and exchange rate changes of 2.5%.

The months of January and February 2020 were impacted by the high level of inventory at the dealerships, which resulted in an adjustment to the inventory of the Company's customers, with effects on the dealers' purchase volumes in the period. As from mid-March, the Brazilian market started to feel the effects of the COVID-19 pandemic. In order to slow the spread of infection, the governments ordered the closure of businesses, causing disruptions to supply chain operations.

Export market:

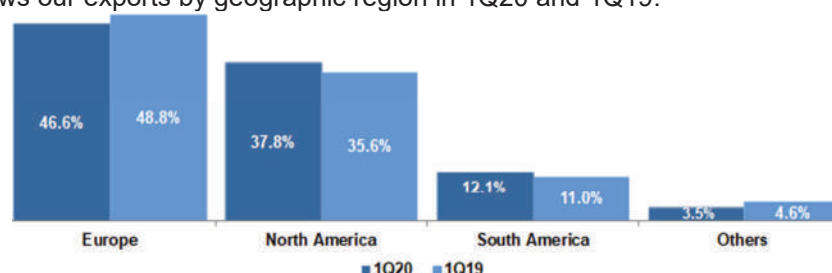
In 1Q20, our Aftermarket exports fell 20.1% compared with the same period of 2019, with a 29.1% fall in volume/price offset in part by positive exchange rate effects of 9.0%. The table below shows Aftermarket exports in hard currency:

Export Sales by currency (million)	Jan-Mar 2020 (a)	Jan-Mar 2019 (b)	H.A. (%) (a/b)
Aftermarket			
EUR	0.1	0.0	100.0%
USD	8.8	12.8	-31.3%

The beginning of the year was equally challenging for this segment on account of several economic and political crises in South American countries at the end of 2019. Added to this is the COVID-19 pandemic, which led some countries to establish stricter customs controls. Our teams could not travel to visit our customers' sites during the lockdown and then are offering phone and e-mail support to our customers to stay engaged with the markets.

5.4 Consolidated export by region

The graph below shows our exports by geographic region in 1Q20 and 1Q19:



5.5 Net revenue by segment

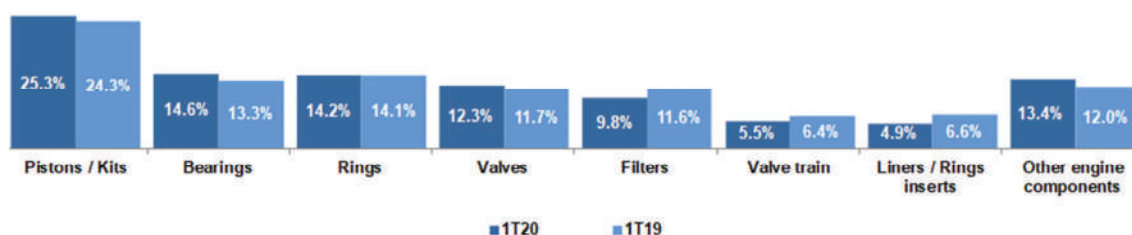
In 1Q20, the engine component segment posted a 6.0% decline in sales and the filter segment registered a drop of 22.5% compared with the same period of 2019.

Net sales revenue by segment (R\$ million)	1Q20 (a)	1Q19 (b)	A.V. (a)	A.V. (b)	H.A. (%) (a/b)
Engine components	517.5	550.6	90.2%	88.4%	-6.0%
Filters	56.3	72.6	9.8%	11.6%	-22.5%
Total	573.8	623.2	100.0%	100.0%	-7.9%

For the filter segment, in the months of January and February 2020 there was an adjustment to our customers' inventory due to their high level of inventory, which affected our sales volume in the period. In March, the Company started sales actions to recapture part of lost sales, which initially resulted in a sales increase but was negatively affected by the COVID-19 pandemic from the middle of the month, when almost all states have put in place measures to slow the spread of the disease.

5.6 Net revenue by product

The graph below shows the share of each product in the Company's total sales in terms of percentage for 1Q20 and 1Q19:



5.7 Gross margin

The Company ended 1Q20 with a gross margin of 28.2% versus 27.1% in 1Q19, as shown below:

Summary P&L (R\$ million)	1Q20 (a)	1Q19 (b)	V.A. (%) (a)	V.A. (%) (b)	H.A. (%) (a/b)
Net sales revenue	573.8	623.2	100.0%	100.0%	-7.9%
Cost of sales	(412.1)	(454.4)	-71.8%	-72.9%	-9.3%
Gross profit	161.7	168.8	28.2%	27.1%	-4.2%
Gross margin	28.2%	27.1%			1.1 p.p.

5.8 Selling, general and administrative expenses

In 1Q20, the foreign currency exposure of some expenses had a negative impact on selling expenses. General and administrative expenses increased in the period due principally to restructuring initiatives.

Summary P&L (R\$ million)	1Q20 (a)	1Q19 (b)	V.A. (%) (a)	V.A. (%) (b)	H.A. (%) (a/b)
Net sales revenue	573.8	623.2	100.0%	100.0%	-7.9%
Selling and distribution expenses	(43.2)	(38.0)	-7.5%	-6.1%	13.7%
General and administrative expenses	(25.3)	(19.0)	-4.4%	-3.0%	33.2%
SG&A expenses	(68.5)	(57.0)	11.9%	9.1%	20.2%
SG&A expenses to net sales revenue	11.9%	9.1%			2.8 p.p.

5.9 Technology and new product development expenses

The Company believes that it is of utmost importance to continue to invest in R&D and that the focus on technology innovations involving developments in partnership with customers with patent registration and launch of new products in the market are among our key competitive advantages.

Summary P&L (R\$ million)	1Q20 (a)	1Q19 (b)	V.A. (%) (a)	V.A. (%) (b)	H.A. (%) (a/b)
Net sales revenue	573.8	623.2	100.0%	100.0%	-7.9%
Technology and product development expenses	(19.2)	(20.1)	-3.3%	-3.2%	-4.5%

5.10 Other operating income (expenses), net

This account records a net expense of R\$ 8.7 million for 1Q20 compared to a net expense of R\$ 0.5 million in the same period of 2019, as shown in the table below:

Other income and expenses, net (R\$ million)	1Q20 (a)	1Q19 (b)	Var. (a-b)
Compulsory loan reversal	4.3	-	4.3
Export Expenses (Argentina)	(2.5)	(4.0)	1.5
Provision/Reversal for obsolescence	-	(0.2)	0.2
Provision/Reversal for losses on products	-	-	-
Electric power	0.1	0.3	(0.2)
Provision/Reversal for labor, civil and tax contingencies	(10.5)	2.8	(13.3)
Recovered taxes (Reintegra)	0.2	0.2	-
Other income/expenses	(0.3)	0.4	(0.7)
Total other income and expenses	(8.7)	(0.5)	(8.2)

The major variances in the periods were as follows:

- The negative variance in "Provision/reversal for labor, civil and tax contingencies";
- The line item of export expenses (Argentina) refers to the new export tax imposed by the Argentine government (3 pesos per dollar on exports).

5.11 Operating result measured by EBITDA

The table below shows changes in the components of EBITDA for the periods under review:

EBITDA	R\$ million	Margin
1Q19	120.3	19.3%
Gross profit	-7.1	
Selling and distribution expenses	-5.2	
General and administrative expenses	-6.3	
Technology and product development expenses	0.9	
Other operating income (expenses) ¹	-8.2	
Gains/losses on net monetary position	-5.4	
Depreciation	2.5	
1Q20	91.5	15.9%

¹ Additional information is provided in item 5.10 of this document.

² Additional information is provided in Note 34 to the Interim Financial Statements at March 31, 2020.

5.12 Finance income and costs

The Company recorded net finance costs of R\$ 40.6 million for 1Q20 and of R\$ 8.8 million for the same period of 2019, which represents a negative variance of R\$ 31.8 million period over period.

Finance income and costs (R\$ million)	1Q20 (a)	1Q19 (b)	Var. (a - b)
Interest income on financial investments	1.4	1.0	0.4
Interest on loans	(3.9)	(3.3)	(0.6)
Other income	1.3	0.6	0.7
Finance costs, net	(1.2)	(1.7)	0.5
1. Accounts receivable / Accounts payable Exchange Variation (1.1. + 1.2.)	25.7	1.0	24.7
1.1. Exchange Variation	50.1	4.2	45.9
1.2. FX-Hedging	(24.4)	(3.2)	(21.2)
2. ACC Exchange Variation	(60.9)	(1.0)	(59.9)
3. Other transactions	2.5	2.6	(0.1)
Exchange variation and Gain (loss) on derivatives (ii) - (1+2+3)	(32.7)	2.6	(35.4)
Monetary variation, net	(5.6)	(8.0)	2.4
Other	(1.1)	(1.8)	0.7
Monetary variation, net + Others (iii)	(6.7)	(9.8)	3.1
Finance income (costs) (i + ii + iii)	(40.6)	(8.9)	(31.8)

Net interest (i):

The positive variance of R\$ 0.4 million in "Interest income on financial investments" from 1Q19 to 1Q20 was due to the increase in the average amount of financial investments to R\$ 216.9 million in 1Q20 from R\$ 111.1 million in 1Q19, while there was a reduction in the average rates of interest to 4.3% p.a. in 1Q20 from 6.1% p.a. in 1Q19, following the cut in Brazil's basic interest rate (SELIC).

The negative variance of R\$ 0.6 million in "Interest expenses on loans" from 1Q19 to 1Q20 was due to the increase in the average levels of borrowings to R\$ 507.2 million in 1Q20 from R\$ 355.5 million in 1Q19, which was offset by a reduction in the weighted average cost to 4.3% p.a. in 1Q20 from 4.6% p.a. in 1Q19.

The table below shows interest rates and average amounts of debt and investments:

Interest rates and volumes (average)	1Q20 (a)	1Q19 (b)	Var. (a - b)
Investment Yield*	3.5%	6.1%	-2.6 p.p.
Cost of debt	4.3%	4.6%	-0.3 p.p.
Investments - average (R\$ million)	216.9	111.1	95.2%
Average debt (R\$ million)	(507.2)	(355.5)	42.7%

The Company's average debt increased 42.7%, from R\$ 355.5 million in 1Q19 to R\$ 507.2 million in 1Q20 due to new borrowing agreements like 4131/Bank Credit Note (working capital loan with floating rates of CDI + annual fixed cost).

Exchange rate variation, net and Gain (loss) on derivatives (ii):

It is worth mentioning that these two line items "Exchange rate variation, net" and "Gain (loss) on derivatives" should always be analyzed together, because the Company monitors and manages its foreign currency exposures and continually assesses whether it needs to use derivatives to hedge its foreign exchange risk. 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 the use of derivative financial instruments (NDF – Non-Deliverable Forwards). Additional information is provided in Note 31 to the Interim Financial Statements at March 31, 2020.

Net monetary variation + Other (iii):

The positive variation period over period was due to the monetary adjustment to the provisions for labor, tax contingencies and judicial deposits.

5.13 Income tax and social contribution

The Company recorded a provision of R\$ 5.2 million for income tax and social contribution on profit at March 31, 2020 in the consolidated financial statements (expense of R\$ 25.6 million at March 31, 2019) as detailed below:

- Current tax: expense of R\$ 13.8 million generated principally by the parent company and its subsidiary MAHLE Argentina S.A.;
- Deferred tax: credit of R\$ 8.6 million with no impact on cash, comprising mainly changes in provisions and realization of differences measured according to Law 12.973/14.

Additional information is provided in Note 11 to the Interim Financial Statements at March 31, 2020.

5.14 Net profit

The Company's first-quarter 2020 net profit was R\$ 21.5 million, a decrease of 66.4% from R\$ 63.9 million in 1Q19, while net margin was 3.7% in 1Q20 versus 10.3% in 1Q19.

Summary P&L (R\$ million)	1Q20 (a)	1Q19 (b)	V.A. (%) (a)	V.A. (%) (b)	H.A. (%) (a/b)
Net sales revenue	573.8	623.2	100.0%	100.0%	-7.9%
Profit for the year attributable to: Owners of the parent	21.5	63.9	3.7%	10.3%	-66.4%
Net margin attributable to owners of the parent	3.7%	10.3%			-6.6 p.p.

Additional information on earnings per share is contained in Note 23 to the Interim Financial Statements at March 31, 2020.

5.15 Investments

The table below shows investments and total accumulated depreciation for 1Q20 and 1Q19:

CAPEX & Depreciation (R\$ million)	1Q20	1Q19
Capex	4.9	17.2
Total depreciation	25.6	22.9

Capex	1Q20	1Q19
% of Net sales revenue	0.9%	2.8%
% of Depreciation	19.1%	75.1%

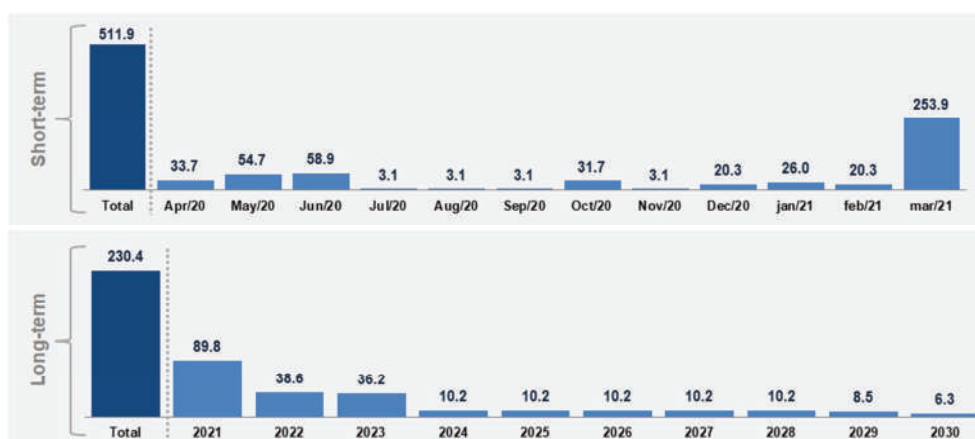
In 1Q20, the Company invested in R&D equipment, energy efficiency programs, new machinery and equipment in order to increase productivity and quality, new products, new buildings, information technology, among others. It is worth noting that the volume of investments in 1Q20 was impacted by the COVID-19 pandemic.

5.16 Net position of financial assets and liabilities

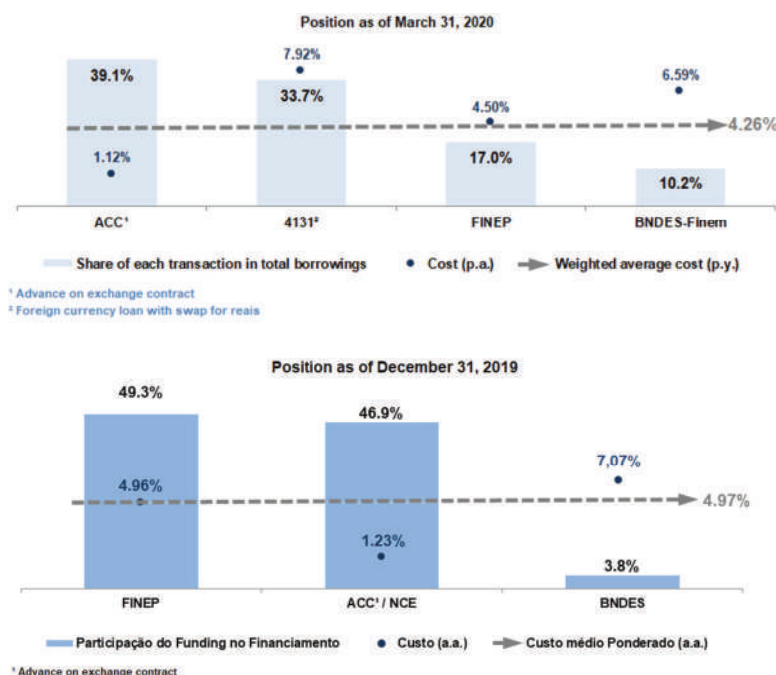
At the end of 1Q20, the Company's net debt was R\$ 183.4 million versus R\$ 188.3 million at the end of 2019.

Net indebtedness (R\$ million)	03.31.2020 (a)	12.31.2019 (b)	Variation (a-b)	% Debt (a)	% Debt (b)
Cash / banks / cash investments/ Loans - related parties (i):	558.9	205.8	353.1		
Liabilities (ii)	(742.3)	(394.1)	(348.2)	100%	100%
Short-term	(511.9)	(213.9)	(298.0)	69%	54%
Long-term	(230.4)	(180.2)	(50.2)	31%	46%
Net position (i - ii)	(183.4)	(188.3)	4.9		

The charts below show the maturities of the liabilities classified into short-term and long-term at the end of 1Q20, which represents 69% and 31%, respectively, of the debt displayed in the table above:



The chart below shows our borrowings at March 31, 2020 and December 31, 2019, broken down by type of facility with respective cost, and the Company's weighted average cost:



5.17 Distribution of interest on capital to shareholders

In fiscal year 2019, the Board of Directors approved the distribution of R\$ 81.9 million in Interest on Capital (gross), which will be submitted to the Ordinary General Meeting for approval in May 2020, as shown below:

Date	Record Date	Date Ex-interest on equity	Payment Date	Type of payout	Period	Reference Year	Total Gross Amount (in R\$ million)	Gross Amount per Share (in R\$)	Net Amount per Share (in R\$)
December 26, 2019	December 26, 2019	1/3/2020	May 25, 2020	Interest on capital	November 2019 - December 2019	2019	11.9	0.0929136226	0.0789765792
November 11, 2019	November 11, 2019	11/22/2019	December 20, 2019	Interest on capital	01/01/2019 to 10/31/2019	2019	70.0	0.5455655350	0.4637307048
Interest on capital							81.9	0.6384791577	0.5427072840

For more information about payouts, please visit our website: <https://ri.mahle.com.br/acoes/historico-de-proventos/>

The remaining profits for fiscal year 2019 are recorded as a proposal for distribution of additional dividends according to the terms of paragraph 6, article 202 of the Brazilian Corporate Law. However, the decision to retain these profits in the Company will be submitted to the Ordinary General Meeting for vote.

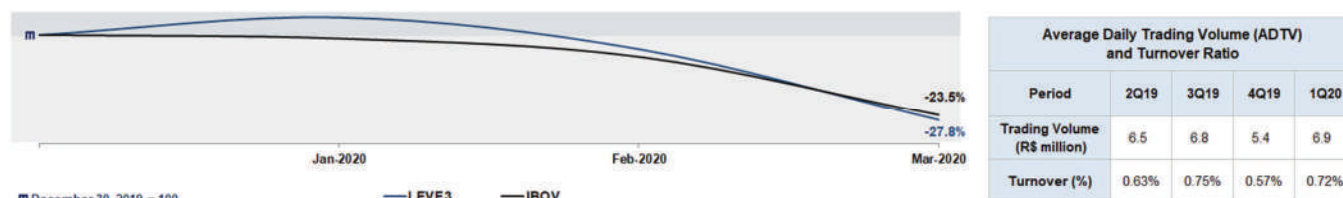
In the fulfillment of the duty of diligence set forth in article 153 of the Brazilian Corporate Law and sensitive to the potential impacts of COVID-19 on the Brazilian and global economies, which are unprecedented in world history, Management emphasizes the need to preserve the Company's cash resources in order to have a cushion to ride out the effects of the COVID-19 pandemic, the extent of which cannot be estimated at this time, and to keep our business operating smoothly and in compliance with legal and contractual obligations previously assumed by the Company.

6 Investor Relations and Capital Market

During the first quarter of 2020, our Investor Relations team continued to have interactions with investors and the general market but within the limitation imposed by the strict measures introduced to tackle the spread of COVID-19. The staff adopted a work-from-home policy to comply with social distancing directives. Unfortunately, in-person meetings, conferences and site visits had to be canceled. It is worth noting that we continue to interact with our shareholders and the general market by teleconferencing, phone and e-mail.

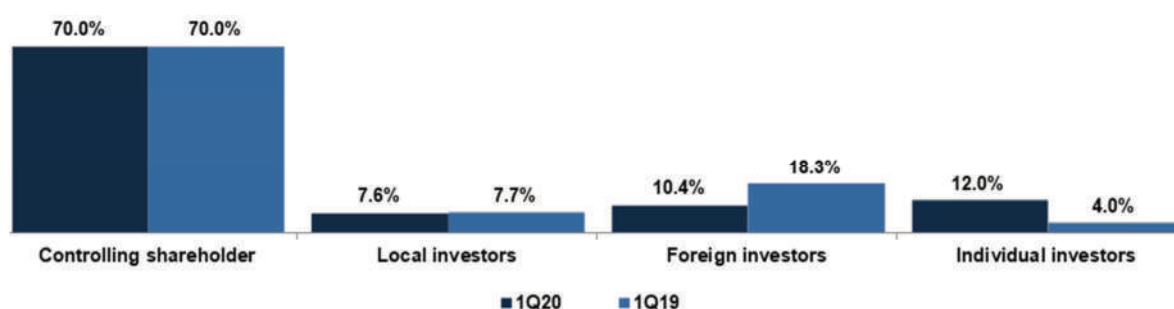
6.1 Stock performance and free float turnover

The graphs below show the market performance of LEVE3 stock, Average Daily Trading Volume (ADTV), and the ratio of average turnover to free-float market capitalization:

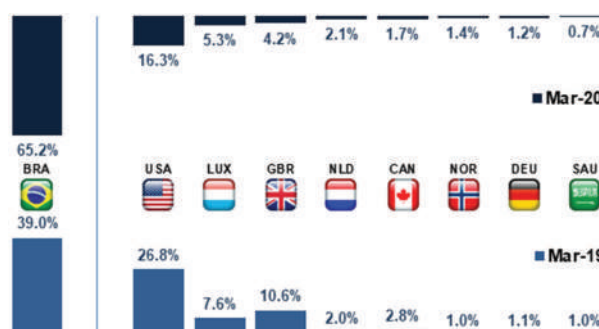


6.2 Shareholder structure

At the end of 1Q20 and 1Q19, the Company's existing shareholder base and free float are as follows:



The graph below shows the main countries from which the Company's free float investors are from at the end of 1Q20 and 1Q19:



7 *Coronavirus*

MAHLE Metal Leve is concerned with the health of its employees and society and has therefore joined the fight against COVID-19.

Initially, the Company's filter factory in the city of Mogi Guaçu formed a task force to mass-produce disposable face masks using available resources. These masks are being sent to the cities of Mogi Guaçu, Itajubá and Limeira for supply to health care workers and wider community.

Additionally, the units of Mogi Guaçu, Itajubá and Limeira will donate medical supplies to the local hospitals to help fight the ongoing coronavirus pandemic. The medical supplies include mechanical ventilators, vital signs monitors, disposable masks and masks with filter, gloves, oximeters, etc. according to the needs of the hospitals.

The Company's health services further expanded its offerings during this unsettling time to include online health care services and to support employees' families.

The Company is taking the appropriate preventive measures to ensure a safe and gradual return of employees to the workplace, in line with the guidance from the World Health Organization (WHO) and local authorities.

MAHLE will continue to evaluate other ways to support communities, using existing available resources and its technology experience to help fight COVID-19.

8 *Independent Auditors*

In accordance with CVM Instruction 381/03, the Company and its subsidiaries take appropriate steps to ensure that the provision of non-audit services by the external auditors does not create any conflict of interest or impair the independence and objectivity of the external auditors.

During the first quarter of 2020, the Company did not engage KPMG Auditores Independentes to perform non-audit services; therefore, there is no situation that could constitute conflict of interest under that Instruction.

9 *Executive Board's Declaration*

In compliance with the provisions of CVM Instruction 480, the Executive Board hereby declares that it has discussed, reviewed and agrees with the financial statements for the quarter ended March 31, 2020 and the opinions expressed in the independent auditor's report.

10 *Acknowledgements*

The Management Board would like to thank all employees, shareholders, customers and suppliers of the Company for their support and confidence in the Company during the first quarter of 2020.

The Management Board



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Independent Auditors' Report on Review of Interim Financial Information

(A free translation of the original report in Portuguese, as filed with the *Comissão de Valores Mobiliários* (CVM), prepared in accordance with the accounting practices adopted in Brazil, rules of the CVM, and of the International Financial Reporting Standards - IFRS)

To the Management and Shareholders of the
MAHLE Metal Leve S.A.
Mogi Guaçu - SP

Introduction

We have reviewed the individual and consolidated interim financial information of MAHLE Metal Leve S.A. ("the Company"), included in the Quarterly Information Form (ITR), for the quarter ended March 31, 2020, which comprises the statement of financial position as of March 31, 2020 and the respective statements of profit or loss, other comprehensive income, changes in equity and cash flows for the three-month period then ended, including notes.

Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with CPC 21(R1) *Demonstração Intermediária* and International Standard IAS 34 - Interim Financial Reporting, issued by International Accounting Standards Board - IASB, and for presentation of this interim financial information in accordance with the rules issued by *Comissão de Valores Mobiliários* (CVM) applicable to the preparation of these quarterly information - ITR. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with the Brazilian and international standard on interim review (NBC TR 2410 - *Revisão de Informações Intermediárias Executada pelo Auditor da Entidade* and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The scope of a review is substantially less than an audit conducted in accordance with auditing standards and, consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the interim information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information referred above is not prepared, in all material respects, in accordance with CPC 21(R1) and the IAS 34, issued by IASB, applicable to the preparation of the Quarterly Information and presented in accordance with the rules issued by *Comissão de Valores Mobiliários* (CVM).

Other matters - Statements of value added

The individual and consolidated interim financial information, related to statements of value added (DVA) for the three-month period ended March 31, 2020, prepared under the responsibility of the Company's management, and presented as supplementary information for the purposes of IAS 34, were submitted to the same review procedures followed together with the review of the Company's interim financial information. In order to form our conclusion, we evaluated whether these statements are reconciled to the interim financial information and to the accounting records, as applicable, and whether their form and content are in accordance with the criteria set on Technical Pronouncement CPC 09 - *Demonstração do Valor Adicionado*. Based on our review, nothing has come to our attention that causes us to believe that the accompanying statements of value added are not prepared, in all material respects, in accordance with the individual and consolidated interim financial information taken as a whole.

Campinas, May 12, 2020

KPMG Auditores Independentes
CRC 2SP014428/O-6

Original report in Portuguese signed by

Carlos Humberto Rodrigues da Silva
Contador CRC 1SP217733/O-4

(A free translation of the original in Portuguese)

MAHLE Metal Leve S.A.

Quarterly information (ITR)
at March 31, 2020

(A free translation of the original in Portuguese)

MAHLE Metal Leve S.A.

Quarterly information (ITR) at March 31, 2020

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MAHLE Metal Leve S.A.

Balance sheet

at March 31, 2020 and December 31, 2019

All amounts in thousands of reais

(A free translation of the original in Portuguese)

Assets	Note	Parent company		Consolidated	
		03.31.2020	12.31.2019	03.31.2020	12.31.2019
Cash and cash equivalents	6	469,419	158,554	488,405	168,781
Trade and related-party receivables	7	331,240	323,262	435,798	394,305
Inventories	8	317,306	288,796	436,609	396,109
Taxes recoverable	9	34,938	36,243	45,367	45,894
Income tax and social contribution recoverable	9	48,903	48,498	65,282	60,206
Dividends and interest on capital receivable	10	80,058	50,521	-	-
Unrealized gains on derivative financial instruments	31	4,197	7,801	4,623	7,930
Other assets		25,198	18,429	38,199	23,568
Total current assets		1,311,259	932,104	1,514,283	1,096,793
Taxes recoverable	9	10,980	11,696	20,343	17,160
Loans to related parties	10	31,189	25,812	70,459	37,030
Deferred income tax and social contribution	11.b	27,178	1,377	27,695	1,840
Other assets		35,205	31,427	43,841	40,816
Total long-term assets		104,552	70,312	162,338	96,846
Investments in subsidiaries	12	252,091	197,923	313	345
Property, plant and equipment	13	567,616	585,429	636,954	641,112
Rights-of-use assets	13	17,394	20,080	20,639	22,956
Intangible assets	14	440,456	442,058	469,669	469,599
		1,277,557	1,245,490	1,127,575	1,134,012
Total non-current assets		1,382,109	1,315,802	1,289,913	1,230,858
Total assets		2,693,368	2,247,906	2,804,196	2,327,651

The accompanying notes are an integral part of these interim financial statements.

MAHLE Metal Leve S.A.

Balance sheet at March 31, 2020 and December 31, 2019

All amounts in thousands of reais

(A free translation of the original in Portuguese)

Liabilities		Parent company		Consolidated	
		03.31.2020	12.31.2019	03.31.2020	12.31.2019
Dividends and interest on capital payable	10	11,059	11,139	11,059	11,139
Trade and related-party payables	15	134,068	121,911	177,486	149,508
Taxes and contributions payable	16	15,839	34,286	18,639	37,730
Income tax and social contribution payable	16	-	-	20,431	14,926
Borrowings	17.a	497,443	201,665	511,871	213,943
Lease liabilities	17.b	7,581	7,471	8,848	8,757
Salaries, vacation pay and social charges	18	59,428	62,321	67,242	67,592
Sundry provision	19	32,824	32,591	35,991	34,892
Provisions for warranties	20	7,993	8,599	10,634	10,698
Unrealized losses on derivative financial instruments	31	64,536	2,787	64,536	2,787
Other liabilities		43,136	33,280	46,113	35,130
Total current liabilities		873,907	516,050	972,850	587,102
Deferred income tax and social contribution	11.b	-	-	7,021	3,106
Provision for subsidiary's net capital deficiency	12	916	85	-	-
Borrowings	17.a	230,395	180,217	230,395	180,217
Lease liabilities	17.b	11,146	14,305	13,542	16,161
Provisions for contingencies and judicial deposits linked to judicial proceedings	21	228,973	224,892	239,880	235,303
Other liabilities		8,783	8,803	8,810	8,808
Total non-current liabilities		480,213	428,302	499,648	443,595
Total liabilities		1,354,120	944,352	1,472,498	1,030,697
Equity	22				
Share capital		966,255	966,255	966,255	966,255
Revenue reserves		308,024	308,024	308,024	308,024
Other comprehensive income		(132,130)	(146,297)	(132,130)	(146,297)
Retained earnings		21,527	-	21,527	-
Proposed additional dividends		175,572	175,572	175,572	175,572
Equity attributable to the owners of the parent		1,339,248	1,303,554	1,339,248	1,303,554
Non-controlling interests		-	-	(7,550)	(6,600)
Total equity		1,339,248	1,303,554	1,331,698	1,296,954
Total liabilities and equity		2,693,368	2,247,906	2,804,196	2,327,651

The accompanying notes are an integral part of these interim financial statements.

MAHLE Metal Leve S.A.

Statement of income

Periods ended March 31, 2020 and 2019

All amounts in thousands of reais

(A free translation of the original in Portuguese)

		Parent company		Consolidated	
	Note	03.31.2020	03.31.2019	03.31.2020	03.31.2019
Net revenue	24	455,424	513,332	573,795	623,203
Cost of sales and services	25	(346,078)	(393,801)	(412,142)	(454,330)
Gross profit		109,346	119,531	161,653	168,873
Selling expenses and distribution	26	(33,480)	(28,396)	(42,285)	(37,795)
General and administrative expenses	27	(22,644)	(16,726)	(25,283)	(19,009)
Technology and product development costs	28	(17,061)	(18,995)	(19,178)	(20,089)
Impairment of trade receivables	7	137	27	(872)	(180)
Other income (expenses)	30	(4,206)	4,131	(8,731)	(542)
Gain on monetary items, net	34	9,935	12,234	961	6,382
Profit before finance income (costs) and taxation		42,027	71,806	66,265	97,640
Finance income	29	76,153	18,348	90,791	31,084
Finance costs	29	(114,800)	(25,338)	(131,387)	(39,923)
Finance income (costs), net	29	(38,647)	(6,990)	(40,596)	(8,839)
Equity in the results of investees	12	16,359	17,345	(31)	(19)
Profit before taxation		19,739	82,161	25,638	88,782
Current income tax and social contribution	11.a	(10,267)	(25,177)	(13,770)	(27,749)
Deferred income tax and social contribution	11.a	11,918	6,953	8,572	2,185
Income tax and social contribution		1,651	(18,224)	(5,198)	(25,564)
Profit for the period		21,390	63,937	20,440	63,218
Profit attributable to:	23				
Owners of the parent				21,390	63,937
Non-controlling interests				(950)	(719)
Profit for the period				20,440	63,218
Basic and diluted earnings per share (in reais)		0.16671	0.49831	0.16671	0.49831

The accompanying notes are an integral part of these interim financial statements

MAHLE Metal Leve S.A.

Statement of comprehensive income Periods ended March 31, 2020 and 2019

All amounts in thousands of reais

(A free translation of the original in Portuguese)

		<u>Parent company</u>		<u>Consolidated</u>	
	Note	<u>03.31.2020</u>	<u>03.31.2019</u>	<u>03.31.2020</u>	<u>03.31.2019</u>
Profit for the period		21,390	63,937	20,440	63,218
Comprehensive income					
Items that will be reclassified to profit or loss					
Change in cash flow hedge, net	22.b	(40,833)	2,704	(40,833)	2,704
Change in subsidiaries' cash flow hedge, net	22.b	-	2,928	-	2,928
Income tax and social contribution on cash flow hedge	22.b	13,882	(919)	13,882	(919)
Cumulative translation adjustments		<u>41,255</u>	<u>(16,966)</u>	<u>41,255</u>	<u>(16,966)</u>
Subtotal comprehensive income		<u>14,304</u>	<u>(12,253)</u>	<u>14,304</u>	<u>(12,253)</u>
Total comprehensive income for the period, net of income tax and social contribution		<u>35,694</u>	<u>51,684</u>	<u>34,744</u>	<u>50,965</u>
Comprehensive income attributable to:					
Owners of the parent				35,694	51,684
Non-controlling interests				<u>(950)</u>	<u>(719)</u>
Total comprehensive income				<u>34,744</u>	<u>50,965</u>

The accompanying notes are an integral part of these interim financial statements.

MAHLE Metal Leve S.A.

Statement of changes in equity Periods ended March 31, 2019

All amounts in thousands of reais

(A free translation of the original in Portuguese)

Attributable to owners of the parent														
Note	Revenue reserves					Other comprehensive income			Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity		
	Share capital	Legal reserve	Reserve for expansion and modernization	Proposed additional dividends	Total	Carrying value adjustments	Cumulative translation adjustments	Total						
At December 31, 2018	966,255	137,311	157,761	192,228	487,300	21,584	-	(129,466)	(107,882)	10,687	-	1,356,360	(3,419)	1,352,941
Equity transactions with shareholders														
Prescribed dividends and interest on capital	-	-	-	-	-	-	-	-	-	110		110	-	110
Profit for the period	-	-	-	-	-	-	-	-	-	63,937		63,937	(719)	63,218
Other comprehensive income														
Cumulative translation adjustments	22	-	-	-	-	-		(16,966)	(16,966)	-		(16,966)	-	(16,966)
Financial instrument adjustments	22	-	-	-	-	-	5,632	-	5,632	-		5,632	-	5,632
Taxes on financial instrument adjustments	22	-	-	-	-	-	(919)	-	(919)	-		(919)	-	(919)
Realization of deemed cost, net	22	-	-	-	-	-	(151)	-	(151)	151		-	-	-
At March 31, 2019	966,255	137,311	157,761	192,228	487,300	26,146		(146,432)	(120,286)	74,885		1,408,154	(4,138)	1,404,016

The accompanying notes are an integral part of these interim financial statements.

MAHLE Metal Leve S.A.

Statement of changes in equity Periods ended March 31, 2020

All amounts in thousands of reais

(A free translation of the original in Portuguese)

Attributable to owners of the parent												
Note	Revenue reserves					Other comprehensive income			Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
	Share capital	Legal reserve	Reserve for expansion and modernization	Proposed additional dividends	Total	Carrying value adjustments	Cumulative translation adjustments	Total				
At December 31, 2019	966,255	150,263	157,761	175,572	483,596	36,627	(182,924)	(146,297)	-	1,303,554	(6,600)	1,296,954
Profit for the period	-	-	-	-	-	-	-	-	21,390	21,390	(950)	20,440
Other comprehensive income												
Cumulative translation adjustments	22	-	-	-	-	-	41,255	41,255	-	41,255	-	41,255
Financial instrument adjustments	22	-	-	-	-	(40,833)	-	(40,833)	-	(40,833)	-	(40,833)
Taxes on financial instrument adjustments	22	-	-	-	-	13,882	-	13,882	-	13,882	-	13,882
Realization of deemed cost, net	22	-	-	-	-	(137)	-	(137)	137	-	-	-
At March 31, 2020	966,255	150,263	157,761	175,572	483,596	9,539	(141,669)	(132,130)	21,527	1,339,248	(7,550)	1,331,698

The accompanying notes are an integral part of these interim financial statements.

MAHLE Metal Leve S.A.

Statement of cash flows

Periods ended March 31, 2020 and 2019

All amounts in thousands of reais

(A free translation of the original in Portuguese)

		Parent company		Consolidated	
		03.31.2020	03.31.2019	03.31.2020	03.31.2019
Cash flows from operating activities	Note				
Profit before taxation		19,739	82,161	25,638	88,782
Adjustments for:					
Depreciation and amortization		23,999	21,999	25,144	22,717
Equity in the results of investees	12	(17,189)	(17,640)	31	19
Recognition (reversal) of provision for impairment of investments	12	830	295	-	-
Interest and foreign exchange and monetary variations, net		47,611	5,548	94,105	(2,053)
Unrealized (losses) gains on derivative financial instruments		24,520	548	24,223	622
Results on disposal of property, plant and equipment		(34)	(5)	(34)	(10)
Recognition (reversal) of provision for impairment of trade receivables	7	762	(489)	2,489	(300)
Recognition (reversal) of provision for tax and other contingencies	21	5,854	(6,108)	7,029	(6,810)
Recognition (reversal) of provisions for warranties		364	(909)	423	(717)
Recognition (reversal) of sundry provision		233	5,208	1,099	5,343
equipment and intangible assets		(18)	205	(18)	205
Recognition (reversal) of provision for inventory loss	8	267	(1,311)	2,672	(2,015)
Interest expense on lease liability	17.b	504	258	556	258
Gain on net monetary position	34	(9,935)	(12,234)	(961)	(6,382)
(Increase) decrease in assets					
Trade and related-party receivables		(8,740)	(15,046)	(43,982)	(20,687)
Inventories		(28,244)	(17,532)	(42,731)	(5,141)
Taxes recoverable		3,789	4,048	(5,557)	3,146
Other assets		(10,547)	(9,645)	(17,656)	(6,843)
Increase (decrease) in liabilities					
Trade and related-party payables		12,157	11,216	27,978	2,334
Salaries, vacation pay and social charges		(2,893)	14,674	(350)	14,353
Taxes and contributions payable		(18,447)	(111)	(15,857)	(2,722)
Other liabilities		1,615	(4,780)	1,220	(7,176)
Cash from operations		46,197	60,350	85,461	76,923
Income tax and social contribution paid		(11,952)	(15,437)	(13,184)	(16,214)
Net cash provided by operating activities		34,245	44,913	72,277	60,709
Cash flows from investing activities					
Loans granted to subsidiaries		(311)	(1,450)	(212,185)	(210,927)
Loan repayments received from subsidiaries		-	-	188,623	190,124
Additions to property, plant and equipment	13	(3,718)	(13,373)	(4,946)	(15,839)
Additions to intangible assets	14	(4)	(1,398)	(7)	(1,432)
Proceeds from sale of property, plant and equipment		264	37	264	43
Net cash used in investing activities		(3,769)	(16,184)	(28,251)	(38,031)
Cash flows from financing activities					
Proceeds from borrowings	17.a	343,400	75,592	344,487	95,466
Repayment of principal of borrowings	17.a	(57,118)	(28,953)	(63,998)	(42,981)
Repayment of interest on borrowings	17.a	(2,425)	(2,536)	(2,591)	(2,816)
Repayment of the principal and interest on the lease liability	17.b	(2,346)	(1,645)	(2,792)	(1,645)
Dividends and interest on capital paid	10	(80)	(18)	(80)	(18)
Net cash provided by (used in) financing activities		281,431	42,440	275,026	48,006
Effect of foreign exchange variation on cash and cash equivalents		(1,042)	3,461	572	2,504
Increase (reduction) in cash and cash equivalents, net		310,865	74,630	319,624	73,188
Represented by:					
Cash and cash equivalents at the beginning of the period		158,554	89,008	168,781	97,591
Cash and cash equivalents at the end of the period	6	469,419	163,638	488,405	170,779
Increase (reduction) in cash and cash equivalents, net		310,865	74,630	319,624	73,188

The accompanying notes are an integral part of these interim financial statements.

MAHLE Metal Leve S.A.

Statement of value added

Periods ended March 31, 2020 and 2019

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Parent company		Consolidated	
	03.31.2020	03.31.2019	03.31.2020	03.31.2019
Gross revenue	585,618	662,468	693,359	762,766
Sales of goods, products and services	575,108	649,651	693,089	757,505
Other revenue	9,970	12,336	(261)	4,724
Provision for impairment of trade receivables	540	481	531	537
Inputs acquired from third parties	(311,966)	(333,604)	(377,639)	(390,657)
(Includes amounts of taxes: ICMS, IPI, PIS and COFINS)				
Cost of sales and services	(167,958)	(229,668)	(203,662)	(267,147)
Materials, energy, outsourced services and other	(143,050)	(112,049)	(171,746)	(133,934)
Impairment/recovery of assets	(958)	8,113	(2,231)	10,424
Gross value added	273,652	328,864	315,720	372,109
Depreciation and amortization	(23,999)	(22,019)	(25,144)	(22,737)
Net value added generated by the company	249,653	306,845	290,576	349,372
Value added received through transfer	92,512	35,693	90,762	31,066
Equity in the results of investees	16,359	17,345	(31)	(19)
Finance income	76,153	18,348	90,793	31,085
Total value added to distribute	342,165	342,538	381,338	380,438
Distribution of value added	342,165	342,538	381,338	380,438
Personnel	114,094	131,480	130,795	145,353
Taxes and contributions	88,174	116,225	95,364	125,060
Capital providers	118,507	30,896	134,739	46,806
Interest	3,290	2,800	4,428	3,694
Rentals	3,776	5,903	4,026	6,577
Foreign exchange, monetary and other variations	111,441	22,193	126,285	36,535
Shareholders	21,390	63,937	20,440	63,219
Dividends and interest on capital	-	-	-	-
Retained earnings	21,390	63,937	21,390	63,937
Share of non-controlling interests of retained earnings	-	-	(950)	(718)

The accompanying notes are an integral part of these interim financial statements.

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

1. Operations

a) General information

MAHLE Metal Leve S.A. (the Company) is an entity domiciled in Brazil. The registered address of the Company's head office is Ernst Mahle Avenue, number 2000, Zip Code 13.846.146, Mogi Guaçu, São Paulo. The Company's consolidated (consolidated) and separate (parent company) financial statements for the periods ended March 31, 2020 and 2019 includes the Company and its subsidiaries (referred to collectively as the Group).

The Company's main activities are the research, development, manufacturing and marketing, in Brazil and abroad, of parts and accessories for internal combustion engines, the sale of which is made to entities in various industries and lines of activity, such as manufacturers of automobiles, trucks and tractors, etc., the spare parts market, stationary and other engines industry.

The Company shares are listed on the Novo Mercado listing segment of B3 – Brasil, Bolsa, Balcão, which requires issuers to meet the highest standards of corporate governance.

b) Covid-19

The World Health Organization (WHO) declared COVID-19 a global health emergency on January 31, 2020 and a global pandemic on March 11, 2020 as the coronavirus has rapidly spread throughout the world.

The global scenario in the first quarter of 2020 was marked by the initial developments of the COVID-19 pandemic, and the Company is monitoring the potential impacts of the pandemic on its operations.

Major impacts of COVID-19

At this most critical time, the Company is seeking labor measures to keep its workforce employed and to deal with the state of calamity declared by Decree No. 06 of March 20, 2020. To this end, the Company made collective labor agreements to preserve as many jobs as possible through reduction of working hours and salary, temporary suspension of employment contract for 60 days. If the market eventually improves and we need to increase our workforce, the suspension of employment contract and/or reduction of working hours and salary, both measures provided for in said collective labor agreement, may be canceled in whole or in part, and the employee may return to work upon at least 48 hours advance notice of recall.

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

Main measures taken by the Group in response to COVID-19

The Group has implemented a series of measures to mitigate the risk of contagion in the workplace by allowing the administrative staff to work from home and reinforcing our IT infrastructure to support remote work. The Group formed a crisis committee to closely monitor the situation at all our plants in South America and abroad with the objective of reducing as much as possible the risk of infection of employees and service providers. We have taken a number of measures in response to COVID-19 in line with the recommendations and guidance from the proper health authorities and local government officials. We made temporary adjustments in production operations at our manufacturing plants to meet the market demand by introducing staggered shifts accompanied by social distancing measures and high standards of hygiene and regular cleaning/disinfecting, and staggered meal breaks and spaced out tables and chairs in the lunchroom to create adequate distance between individuals.

Among other social initiatives, the Company's filter factory in the city of Mogi Guaçu formed a task force to mass-produce disposable face masks using available resources. These masks will be sent to the cities of Mogi Guaçu, Itajubá and Limeira for supply to health care workers and the wider community.

The Company will donate medical supplies to the local hospitals in those cities to help fight the ongoing coronavirus pandemic. The medical supplies include mechanical ventilators, vital signs monitors, disposable masks and masks with filter, gloves, oximeters, etc. according to the needs of the hospitals.

Liquidity risk

The Group continuously monitors liquidity risk through cash and cash investment management.

The Company has R\$ 488,405 of free cash at March 31, 2020, and the results of a stress test conducted by the Company under an extremely pessimistic scenario revealed a survival period between 6 and 7 months if revenue comes close to zero.

As for accounts receivable, all measures have been taken to mitigate the risk of default, such as renegotiation and extension of payment terms. The payment extensions moved payments by customers from 56 to 58 days on average. After the closing of the first quarter of 2020, the Company has not identified any significant signs of default.

The Company is negotiating with its suppliers extended payment terms and was able to extend its payment terms with suppliers from 32 to 37 days, comparing the periods of March 2019 and March 2020. The Company remains focused on such negotiations and expects to extend its supplier payment terms even further in the next quarters.

The Company reinforced its liquidity through bank credit facilities of R\$ 343,400 in March 2020, as described in Note 17. The Company also has R\$ 600,000 in pre-approved lines of credit that can be accessed if needed.

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

Significant loans do not contain financial covenants. The Company has met and monitored the non-financial covenants. No breach of covenants is expected within the next 12 months that would require the Company to seek a preventive waiver.

Review of accounting estimates

The Company has considered in its estimate revisions potential increases in losses on receivables, losses on onerous contracts, and inventories that may become obsolete. The collection periods of accounts receivable were revised but customers are meeting the commitments assumed.

The prices of contracts with customers were maintained and there were no negotiations that could indicate negative margins; hence, future losses on onerous contracts are not expected for the next months.

The inventory balances did not increase because the Company minimized materials purchases as customer demand decreased. The Company is making analyses to identify any potential critical items that may become obsolete and is considering transfers of parts between units/countries. At this time, the Company expects to have a significant decrease in the average inventory turnover but not indications of obsolescence for at least the next 12 months.

Risk of impairment of intangible assets

In the first quarter of 2020 the Company revised the key assumptions for the impairment test of intangible assets, including goodwill, in the light of the impacts of COVID-19 on its operations. The revenue projections were conservatively revised downward and the assumptions were adjusted to the new reality of the industry based on management's best expectations at this time. The recoverable amount is estimated using the discounted cash flow method based on the market information available for each business. The impairment tests of the assets of the CGU of MAHLE Metal Leve S.A. (rings business and MBE2) and its subsidiary MAHLE Argentina S.A. did not reveal the need to recognize an additional loss in the interim financial statements as of March 31, 2020.

Recoverability of deferred income tax and social contribution

As for the realization of deferred tax assets, the Company is not expecting any impact, considering its projections of expected future taxable profits revised due to the pandemic, as shown in Note 11.

Proposal for retention of proposed additional profit distribution

To protect our capital structure amid the current period of crisis, management is proposing to retain its proposed R\$ 175,572 distribution of additional dividends, which will be submitted to the Ordinary General Meeting for vote on May 29, 2020.

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

Going concern risk

Although reductions are expected, the Company assessed possible crisis scenarios and our projections of revenue and operating cash flows do not show business continuity risks for the Company. We will continue to monitor the economic situation in Brazil and globally in order to adjust our operations accordingly. Therefore, at the present time, the Company's crisis management is focused on the sanitary issue, on protecting our workforce and our capital structure.

2. Entities of the Group (subsidiaries)

	Country	Ownership percentage (%)			
		03.31.2020		12.31.2019	
		Direct	Indirect	Direct	Indirect
<u>Subsidiaries</u>					
MAHLE Argentina S.A.	Argentina	99.2	0.8	99.2	0.8
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	Brazil	60	-	60	-
MAHLE Metal Leve GmbH	Austria	100	-	100	-
MAHLE Hirschvogel Forjas S.A.	Brazil	51	-	51	-
<u>Related companies</u>					
Innoferm Tecnologia Ltda.	Brazil	33.33	-	33.33	-

3. Basis of preparation

a. Statement of compliance with respect to IFRS and CPC standards

The parent company and consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as well as according to accounting practices adopted in Brazil, and disclose all (and only) the applicable significant information related to the financial statements, which is consistent with the information utilized by management in the performance of its duties.

In addition, the quartely information does not include all annual financial statement requirements and, therefore, it should be read together with the parent company and consolidated financial statements of MAHLE Metal Leve S.A. at December 31, 2019.

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

The preparation of quarterly information requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of MAHLE Metal Leve S.A.. There have been no changes in assumptions and judgments made by management relating to the use of estimates to prepare this quarterly information in relation to those applied in the financial statements at December 31, 2019 as disclosed on March 27, 2020.

The issuance of the parent company and consolidated financial statements was authorized by the Company's Board of Directors on May 12, 2020. Only the shareholders have the power to amend the financial statements after issuance.

4. Changes in accounting policies and disclosures

These parent company and consolidated interim financial statements have been prepared under the same accounting practices as described and disclosed in Note 8 to the financial statements for the year ended December 31, 2019.

5. Segment reporting

1) Operating segments

The Group determines the operating segments based on the reports used to take strategic operating decisions of the Management, the segments being divided into engine components and filter. The presentation of the reported information is consistent with the statement of profit or loss.

There was no change in the segment structure presented in the financial statements at December 31, 2019.

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

Statement of income	Consolidated					
	03.31.2020			03.31.2019		
	Engine components	Filters	Consolidated	Engine components	Filters	Consolidated
Gross operating revenue	636,736	80,023	716,759	678,986	105,894	784,880
Deductions from sales	(119,249)	(23,715)	(142,964)	(128,414)	(33,263)	(161,677)
Net operating revenue	517,487	56,308	573,795	550,572	72,631	623,203
Cost of sales	(368,134)	(44,008)	(412,142)	(396,855)	(57,475)	(454,330)
Gross profit	149,353	12,300	161,653	153,717	15,156	168,873
Selling expenses	(37,903)	(5,254)	(43,157)	(31,258)	(6,717)	(37,975)
Administrative expenses	(21,419)	(3,864)	(25,283)	(15,776)	(3,233)	(19,009)
Technology research costs	(16,897)	(2,281)	(19,178)	(17,181)	(2,908)	(20,089)
Other operating income (expenses)	(8,867)	136	(8,731)	(1,348)	806	(542)
Equity in the results of investees	(31)	-	(31)	(19)	-	(19)
Gains (loss) on net monetary variation	869	92	961	6,186	196	6,382
Finance income	85,885	4,906	90,791	29,515	1,569	31,084
Finance costs	(125,267)	(6,120)	(131,387)	(37,513)	(2,410)	(39,923)
Profit before income tax and social contribution	25,723	(85)	25,638	86,323	2,459	88,782
Income tax and social contribution	(5,189)	(9)	(5,198)	(24,727)	(837)	(25,564)
Profit for the period	20,534	(94)	20,440	61,596	1,622	63,218
Non-controlling interests	796	154	950	522	197	719
Profit for the period	21,330	60	21,390	62,118	1,819	63,937

Net operating revenue comprises revenue from the sale of products and services, where most of service revenue refers to the engine component segment.

Balance sheet accounts	Consolidated					
	03.31.2020			12.31.2019		
	Engine components	Filters	Consolidated	Engine components	Filters	Consolidated
Total assets	2,686,019	118,177	2,804,196	2,209,803	117,848	2,327,651
Inventories	390,821	45,788	436,609	354,071	42,038	396,109
Property, plant and equipment	2,497,601	146,818	2,644,419	2,451,230	145,621	2,596,851
Depreciation and amortization	(1,889,560)	(97,266)	(1,986,826)	(1,837,268)	(95,515)	(1,932,783)
Intangible assets	60,351	289	60,640	61,932	294	62,226
Goodwill	409,029	-	409,029	407,373	-	407,373
Investment - Innoferm Tecnologia Ltda.	313	-	313	345	-	345
Other	1,217,464	22,548	1,240,012	772,120	25,410	797,530

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

2) Distribution by geographic area

No customer accounts for more than 10% of total consolidated.

Net operating revenue is distributed as follows:

Sales per country	Consolidated		
	1Q2020	%	1Q2019
Domestic market (Brazil and Argentina)	311.060	54,2%	338.891
Europe	122.532	21,4%	138.876
Central and North America	99.217	17,3%	101.090
South America	31.758	5,5%	31.230
Africa, Asia, Oceania and Middle East	9.228	1,6%	13.116
Foreign countries	262.735	45,8%	284.312
Total	573.795	100,0%	623.203

6. Cash and cash equivalents

	Parent company		Consolidated	
	03.31.2020	12.31.2019	03.31.2020	12.31.2019
Cash and demand deposits				
BRL	2,824	1,906	4,124	2,514
ARS (expressed in BRL)	-	-	1,256	4,621
USD (expressed in BRL)	10,061	14,859	10,061	14,859
EUR (expressed in BRL)	69,606	51,060	69,606	51,060
	82,491	67,825	85,047	73,054
 BRL	 379,775	 87,808	 386,609	 88,093
Financial investments	379,775	87,808	386,609	88,093
 BRL	 7,153	 2,921	 16,749	 7,634
Cash in transit	7,153	2,921	16,749	7,634
	469,419	158,554	488,405	168,781

The Group holds checking accounts at major banks in Brazil and abroad.

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

Financial investments have made as follows:

- Bank Deposit Certificates (CDBs) and repurchase agreements (100.0 %), which yield an average interest rate of 101.4 % of the Interbank Deposit Certificate (CDI) rate, held exclusively at first-tier banks in Brazil;
- Certificate deposits and time deposits which are short-term, highly liquid investments with original maturities of three months or less and subject to an insignificant risk of change in value.
- Financial investments are recorded at updated value up to the end of the period. Their values reflect the redemption amount that would be realized if the investments were redeemed on that date. Yields on these transactions are recognized as finance income.

Cash in transit is deposits in foreign currency relating to funds received from customers abroad, available for redemption from the banks with which the Group operates, as well as payments received from local customers available on the next day (D+1).

7. Trade accounts receivables and other accounts receivables

	Parent company		Consolidated	
	03.31.2020	12.31.2019	03.31.2020	12.31.2019
Market				
Domestic	187,921	206,587	188,232	206,879
Foreign	60,619	60,504	149,531	127,786
	248,540	267,091	337,763	334,665
Other accounts receivable	3,592	1,208	3,592	1,208
Provision for impairment of trade receivables	(7,919)	(7,157)	(11,871)	(9,382)
	244,213	261,142	329,484	326,491
Related parties (Note 10)	87,027	62,120	106,314	67,814
	331,240	323,262	435,798	394,305

The Group's exposure to credit and currency risks relating to trade receivables is disclosed in Note 31.

Other receivables derive from the sale of property, plant and equipment, tooling, scraps and other.

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

The amounts and aging analysis of trade receivables are as follows:

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>03.31.2020</u>	<u>12.31.2019</u>	<u>03.31.2020</u>	<u>12.31.2019</u>
Not yet due	221,973	239,119	292,873	295,209
Past due:				
Up to 7 days	6,224	5,253	11,350	8,215
From 8 to 30 days	7,020	7,151	14,006	10,958
From 31 to 60 days	6,451	4,247	7,689	6,338
From 61 to 90 days	1,681	4,062	2,747	4,496
From 91 to 120 days	1,114	1,483	1,406	1,693
From 121 to 180 days	1,580	1,420	2,848	1,643
From 181 to 360 days	1,696	2,942	2,535	3,649
Over 360 days	4,393	2,622	5,901	3,672
(-) Provision for impairment of trade receivables	<u>(7,919)</u>	<u>(7,157)</u>	<u>(11,871)</u>	<u>(9,382)</u>
Total past due deducted provision	22,240	22,023	36,611	31,282
	<u>244,213</u>	<u>261,142</u>	<u>329,484</u>	<u>326,491</u>

At March 31, 2020, trade receivables of the parent company in the amount of R\$ 22,240 (December 31, 2019 - R\$ 22,023) and consolidated trade receivables at March 31, 2020 of R\$ 36,611 (December 31, 2019 - R\$ 31,282) were past due but not impaired. These relate to a number of original equipment and aftermarket customers for whom there is no recent history of default. Other past-due accounts do not pose a risk for the Company because they were settled after the date of these interim financial statements.

In the table above, where provision for the impairment of trade receivables (over 120 days past due) is presented, the amounts of goods returned and advances from customers are excluded.

No provision for impairment of accounts receivable has been recognized for related parties, but there are no significant accounts.

Changes in the provision for impairment of trade receivables are as follows:

	<u>Parent company</u>	<u>Consolidated</u>
At December 31, 2019	<u>(7,157)</u>	<u>(9,382)</u>
Receivables provided for in the period	(2,892)	(4,039)
Receivables reversed in the period	3,029	3,268
Receivables written off definitively	403	403
Foreign exchange variation	<u>(1,302)</u>	<u>(2,121)</u>
At March 31, 2020	<u>(7,919)</u>	<u>(11,871)</u>

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

8. Inventories

	Parent company		Consolidated	
	03.31.2020	12.31.2019	03.31.2020	12.31.2019
Finished products	137,653	131,867	224,233	213,858
Work in progress	109,854	85,428	118,427	91,799
Raw materials	50,771	58,015	67,292	72,013
Auxiliary materials	8,720	6,914	12,453	9,464
Imports in transit	10,308	6,572	14,204	8,975
	317,306	288,796	436,609	396,109

In March 31, 2020, inventory was stated net of provision for losses. These losses relate to products with a negative margin, tooling, quality issues, out-of-specification materials, obsolescence and slow-moving items in the amount of R\$ 33,693 (R\$ 33,426 in December 31, 2019) in the parent company and R\$ 50,768 (R\$ 48,095 in December 31, 2019) in the consolidated accounts.

Changes in the provision for inventory loss are as follows:

	Parent company	Consolidated
At December 31, 2019	(33,426)	(48,095)
Reversal of provision	2,423	(2,925)
Recognition of provision	(2,924)	3,017
Inventory written off definitively as loss	234	234
Foreign exchange variation	-	(2,999)
At March 31, 2020	(33,693)	(50,768)

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

9. Taxes recoverable and income tax and social contribution recoverable

	Parent Company		Consolidated	
	03.31.2020	12.31.2019	03.31.2020	12.31.2019
Income tax and social contribution	48,903	48,498	65,282	60,206
Income tax and social contribution recoverable	48,903	48,498	65,282	60,206
Value-added Tax on Sales and Services (ICMS) on purchases of fixed assets	22,951	22,902	23,117	23,073
ICMS and Excise Tax (IPI)	6,728	7,091	6,728	7,091
Import Tax	3,531	2,679	4,693	3,717
Social Contribution on Revenues (COFINS)	1,416	2,930	1,416	2,932
Social Integration Program (PIS)	304	632	304	632
I.V.A. (Argentina)	-	-	6,393	6,747
Other	8	9	2,716	1,702
Taxes recoverable	34,938	36,243	45,367	45,894
Current	83,841	84,741	110,649	106,100
Value-added Tax on Sales and Services (ICMS) on purchases of fixed assets	10,980	11,696	10,980	11,696
Export incentive - Argentina	-	-	9,363	5,464
Non-current	10,980	11,696	20,343	17,160

Notes to the interim financial statements

(in thousand of reais)

10. Related parties

The aggregate amount of transactions and outstanding balances with related parties is presented below:

	Parent company												
	Balances at 03.31.2020								Transactions from 01.01.2020 to 03.31.2020				
	Current assets			Non-current assets	Current liabilities			Non-current liabilities	Sales/revenue		Purchases		
	Receivables (Note 7)	Payment term in days (**)	Dividends and interest on capital payable	Loan	Suppliers (Note 15)	Payment term in days (**)	Lease Liabilities	Dividends and interest on capital payable	Lease Liabilities	Products	Other	Products	Other *
Companies													
Subsidiaries													
Direct subsidiaries													
MAHLE Metal Leve GmbH	54,250	60	80,058	-	-	-	-	-	-	85,275	11	-	-
MAHLE Argentina S.A.	10,508	60	-	21,349	-	-	-	-	-	13,194	513	-	-
MAHLE Filtril Ind. e Com. de Filtros Ltda.	78	60	-	7,012	-	-	-	-	-	-	44	-	-
MAHLE Hirschvogel Forjas S.A.	23	60	-	2,828	-	-	-	-	-	-	33	-	-
Sub-total Controladas Diretas	64,859		80,058	31,189	-			-	-	98,469	601	-	-
Related companies													
MAHLE Pistoni Italia SPA	4,148	60	-	-	-	-	-	-	-	5,230	1	26	-
MAHLE Engine Componentes USA, Inc.	2,861	60	-	-	286	60	-	-	-	2,298	-	452	11
MAHLE Behr Gerenciamento Térmico Brasil Ltda.	2,802	60	-	-	5,672	60	-	-	-	192	3,576	9,635	173
MAHLE Engine Components (Yingkou) Co., Ltd.	2,334	60	-	-	-	-	-	-	-	1,480	11	-	-
MAHLE Technologies Holding (China) Co., Ltd.	2,290	60	-	-	81	60	-	-	-	5	68	-	46
MAHLE Indústria e Comércio Ltda.	1,381	60	-	-	1,223	60	7,581	6,081	11,146	-	128	-	1,834
MAHLE International GmbH	908	60	-	-	8,655	60	-	-	-	-	463	-	5,367
MAHLE Aftermarket GmbH	907	60	-	-	1,311	60	-	-	-	450	306	722	24
MAHLE GmbH	839	60	-	-	10,061	60	-	-	-	150	4	327	3,099
MAHLE Compressores do Brasil Ltda.	684	60	-	-	4,590	60	-	-	-	264	1,616	6,286	-
MAHLE Engine Components (Nanjing) Co., Ltd.	540	60	-	-	-	-	-	-	-	554	(1,309)	18	-
MAHLE Aftermarket S.de R.L.de C.V.	487	60	-	-	-	-	-	-	-	873	-	-	-
MAHLE Industries Inc	348	60	-	-	856	60	-	-	-	-	221	-	-
MAHLE Engine Comp. (Chongqing) Co. Ltd.	326	60	-	-	-	-	-	-	-	331	-	-	-
MAHLE Engine Comp. Japan Corporation	293	60	-	-	95	60	-	-	-	10	228	-	-
MAHLE Componentes de Motores S.A.	277	60	-	-	11	60	-	-	-	146	13	10	-
MAHLE Shared Services Mexico S. de R.L. de C.V.	161	60	-	-	7	60	-	-	-	-	-	-	-
MAHLE Motor Parcalari San. Izmir A.S	148	60	-	-	-	-	-	-	-	153	-	-	-
MAHLE Aftermarket Inc.	126	60	-	-	50	60	-	-	-	111	106	-	41
MAHLE France SAS	73	60	-	-	-	-	-	-	-	60	-	-	-
MAHLE Engine Systems UK Ltd.	42	60	-	-	2,750	60	-	-	-	-	-	1,558	-
MAHLE Anand Filter Systems Private Limited	42	60	-	-	-	-	-	-	-	40	-	-	-
MAHLE Industriemotoren-Komponenten GmbH	36	60	-	-	-	-	-	-	-	31	-	-	-
MAHLE Compon. de Mot. de México, S. de R.L. de	35	60	-	-	-	-	-	-	-	31	-	4,141	-
MAHLE India Pistons Ltd.	33	60	-	-	-	-	-	-	-	9	-	-	-
MAHLE Filtre Sistemleri A.S.	23	60	-	-	-	-	-	-	-	-	37	-	-
MAHLE Aftermarket Pte. Ltd	16	60	-	-	-	-	-	-	-	15	-	-	-
MAHLE Japan Ltd.	13	60	-	-	-	-	-	-	-	-	11	-	-
MAHLE Trading Japan Co. Ltd.	12	60	-	-	-	-	-	-	-	-	9	-	-
Mahle Holding (India) Private Limited	10	60	-	-	8	60	-	-	-	-	1	-	-
MAHLE S.A.	8	60	-	-	47	60	-	-	-	3	-	-	-
MAHLE Filter Systems North America Inc	6	60	-	-	-	-	-	-	-	4	-	187	-
Shangai Behr Thermal Systems Co. Ltd	4	60	-	-	-	-	-	-	-	-	-	-	-
MAHLE Motorsports Inc	3	60	-	-	-	-	-	-	-	2	-	-	-
MAHLE Vöcklabruck GmbH	(2)	60	-	-	-	-	-	-	-	-	-	-	-
MAHLE Composants Moteur France	(46)	60	-	-	-	-	-	-	-	23	-	-	-
Innoferm Tecnologia Ltda.	-	-	-	-	1,900	60	-	-	-	-	-	-	-
MAHLE Filtersysteme GmbH	-	-	-	-	960	60	-	-	-	-	-	-	-
MAHLE Filtersysteme Austria GmbH	-	-	-	-	322	60	-	-	-	-	-	762	-
MAHLE Filter Systems Japan Corporation	-	-	-	-	311	60	-	-	-	-	-	112	-
MAHLE Polska Spolka Z.O.O	-	-	-	-	296	60	-	-	-	-	-	-	-
MAHLE Behr Service Asia Co., Ltd.	-	-	-	-	228	60	-	-	-	-	-	193	-
MAHLE Filter Systems UK Ltd.	-	-	-	-	227	60	-	-	-	-	-	-	-
MAHLE Letrika (Suzhou) Automotive	-	-	-	-	141	60	-	-	-	-	-	227	-
MAHLE Trading (Shanghai) Co. Ltd.	-	-	-	-	117	60	-	-	-	-	-	108	1
MAHLE Donghyun Filter Systems Co., Ltd.	-	-	-	-	71	60	-	-	-	-	-	176	-
MAHLE Industrieeteiligungen GmbH	-	-	-	-	-	-	-	1,013	-	-	-	-	-
MAHLE Letrika d.o.o	-	-	-	-	-	-	-	-	-	-	8	212	-
Others	-	-	-	-	35	-	-	-	-	23	-	149	3
Total related companies	22,168		-	-	40,311		7,581	7,094	11,146	12,488	5,498	25,301	10,599
Total related parties	87,027		80,058	31,189	40,311		7,581	7,094	11,146	110,957	6,099	25,301	10,599

* This includes brand license of R\$ 2,220

** Realization of term days refers to current assets and current liabilities

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

	Parent company										Transactions from 01.01.2019 to 03.31.2019			
	Balances at 12.31.2019													
	Current assets			Non-current assets	Current liabilities			Non-current liabilities	Sales/revenue		Purchases			
	Receivables (Note 7)	Payment term in days (**)	Dividends and interest on capital payable	Loan	Suppliers (Note 15)	Payment term in days (**)	Lease Liabilities	Dividends and interest on capital payable	Lease Liabilities	Products	Other	Products	Other *	
Companies														
Subsidiaries														
Direct subsidiaries														
MAHLE Metal Leve GmbH	38,355	60	50,521	-	-	60	-	-	-	91,479	4	-	-	
MAHLE Argentina S.A.	4,647	60	-	16,273	-	60	-	-	-	7,927	544	580	-	
MAHLE Filtröil Ind. e Com. de Filtros Ltda.	63	60	-	6,748	-	60	-	-	-	-	40	-	-	
MAHLE Hirschvogel Forjas S.A.	23	60	-	2,791	-	60	-	-	-	-	31	-	-	
Sub-total Controladas Diretas	43,088		50,521	25,812	-			-	-	99,406	619	580	-	
Related companies														
MAHLE Behr Gerenciamento Térmico Brasil Ltda.	3,343	60	-	-	1,483	60	-	-	-	204	4,000	8,687	-	
MAHLE Engine Comp. Slovakia S.R.O.	2,316	60	-	-	3	60	-	-	-	256	-	-	-	
MAHLE Technologies Holding (China) Co., Ltd.	1,686	60	-	-	92	60	-	-	-	-	241	-	52	
MAHLE Pistoni Italia SPA	1,510	60	-	-	129	60	-	-	-	3,196	-	-	-	
MAHLE Aftermarket S.de R.L.de C.V.	1,396	60	-	-	-	-	-	-	-	1,692	-	-	-	
MAHLE Aftermarket GmbH	1,349	60	-	-	5,321	60	-	-	-	736	237	1,756	68	
MAHLE Engine Componentes USA, Inc.	1,183	60	-	-	424	60	-	-	-	3,786	4	70	28	
MAHLE Engine Components (Yingkou) Co., Ltd.	1,074	60	-	-	-	-	-	-	-	1,932	41	-	-	
MAHLE Engine Components (Nanjing) Co., Ltd.	863	60	-	-	18	60	-	-	-	830	-	-	-	
MAHLE International GmbH	740	60	-	-	14,411	60	-	-	-	-	579	-	3,586	
MAHLE Compressores do Brasil Ltda.	637	60	-	-	2,942	60	-	-	-	292	1,740	4,433	36	
MAHLE Industries Inc	409	60	-	-	664	60	-	-	-	-	36	-	9	
MAHLE Filtre Sistemleri A.S.	360	60	-	-	-	-	-	-	-	-	-	-	-	
MAHLE Componentes de Motores S.A.	353	60	-	-	32	60	-	-	-	344	60	68	-	
MAHLE Indústria e Comércio Ltda.	350	60	-	-	1,209	60	7,471	6,081	14,305	-	-	-	1,813	
MAHLE Motor Parcalari San. Izmir A.S	345	60	-	-	98	60	-	-	-	38	-	52	-	
MAHLE Filter Systems North America Inc	256	60	-	-	-	-	-	-	-	-	-	-	-	
MAHLE Engine Systems UK Ltd.	244	60	-	-	1,579	60	-	-	-	-	296	161	8	
MAHLE Aftermarket Inc.	197	60	-	-	86	60	-	-	-	260	45	-	30	
MAHLE GmbH	91	60	-	-	9,587	60	-	-	-	61	105	434	2,636	
MAHLE Compon. de Mot. de México, S. de R.L. de	84	60	-	-	1,542	60	-	-	-	89	94	803	-	
MAHLE Industriemotoren-Komponenten GmbH	60	60	-	-	-	-	-	-	-	199	-	-	-	
MAHLE Engine Comp. Japan Corporation	59	60	-	-	73	60	-	-	-	16	-	-	(20)	
MAHLE Trading Japan Co. Ltd.	41	60	-	-	104	60	-	-	-	45	9	-	-	
MAHLE Engine Comp. (Chongqing) Co. Ltd.	25	60	-	-	-	-	-	-	-	223	-	-	-	
MAHLE India Pistons Ltd.	18	60	-	-	-	-	-	-	-	-	-	-	-	
MAHLE France SAS	15	60	-	-	-	-	-	-	-	76	-	-	-	
MAHLE Japan Ltd.	8	60	-	-	-	-	-	-	-	-	15	-	-	
MAHLE Holding (India) Private Limited	7	60	-	-	6	60	-	-	-	-	-	-	-	
MAHLE Kleinmot. GmbH	6	60	-	-	-	-	-	-	-	13	-	-	-	
MAHLE Motorsports Inc	4	60	-	-	-	-	-	-	-	-	-	-	-	
Shangai Behr Thermal Systems Co. Ltd	3	60	-	-	-	-	-	-	-	-	-	-	-	
MAHLE Filtersysteme GmbH	2	60	-	-	870	60	-	-	-	-	-	-	(186)	
Innoferm Tecnologia Ltda.	-	-	-	-	2,000	60	-	-	-	-	-	-	-	
MAHLE Filter Systems Japan Corporation	-	-	-	-	335	60	-	-	-	-	-	315	-	
MAHLE Letrika (Suzhou) Automotive	-	-	-	-	286	60	-	-	-	-	31	357	-	
MAHLE Polska Spolka Z.O.O	-	-	-	-	234	60	-	-	-	26	-	-	-	
MAHLE Behr Service Asia Co., Ltd.	-	-	-	-	177	60	-	-	-	-	-	-	-	
MAHLE Aftermarket Italy S.p.A.	-	-	-	-	172	60	-	-	-	-	-	-	-	
MAHLE Letrika d.o.o	-	-	-	-	125	60	-	-	-	-	-	418	-	
MAHLE S.A.	-	-	-	-	121	60	-	-	-	69	-	-	-	
MAHLE Filtersysteme Austria GmbH	-	-	-	-	114	60	-	-	-	-	-	865	-	
MAHLE Componente de Motor SRL	-	-	-	-	85	60	-	-	-	-	-	-	-	
MAHLE Donghyun Filter Systems Co., Ltd.	-	-	-	-	76	60	-	-	-	-	-	45	-	
MAHLE Filter Systems Philippines Corporation	-	-	-	-	74	60	-	-	-	-	-	39	-	
Behr Hella Service GmbH	-	-	-	-	64	60	-	-	-	-	-	-	-	
MAHLE Trading (Shangai) Co. Ltd.	-	-	-	-	36	60	-	-	-	-	-	443	-	
MAHLE Industriebeteiligungen GmbH	-	-	-	-	-	-	-	1,013	-	-	-	-	-	
MAHLE Aftermarket Pte. Ltd	-	-	-	-	-	-	-	-	-	-	-	1,032	-	
Other	(2)	-	-	-	19	60	-	-	-	113	161	62	19	
Total related companies	19,032		-	-	44,591		7,471	7,094	14,305	14,496	7,694	20,040	8,079	
Total related parties	62,120		50,521	25,812	44,591		7,471	7,094	14,305	113,902	8,313	20,620	8,079	

* This includes property, plant and equipment of R\$ 36 and brand license of R\$ 2,600

** Realization of term days refers to current assets and current liabilities

Notes to the interim financial statements

(in thousand of reais)

	Consolidated							Transactions from 01.01.2020 to 03.31.2020				
	Balances at 03.31.2020											
	Current assets		Non-current assets	Current liabilities			Non-current liabilities	Sales/revenue		Purchases		
	Receivables (Note 7)	Payment term in days (**)	Loan	Suppliers (Note 15)	Payment term in days (**)	Lease Liabilities	Dividends and interest on capital payable	Lease Liabilities	Products	Other	Products	Other *
Related companies						-						
MAHLE Compon. de Mot. de México, S. de R.L. de C.V.	21,642	60	-	-	-	-	-	-	28,727	-	4,141	-
MAHLE Aftermarket GmbH	18,605	60	-	2,219	60	-	-	-	18,276	306	726	24
MAHLE Componenti Motori Italia S.p.A.	13,341	60	-	1,431	60	-	-	-	13,747	1	26	-
MAHLE Componentes de Motores S.A.	7,320	60	-	11	60	-	-	-	10,217	13	10	-
MAHLE GmbH	6,098	60	-	12,173	60	-	-	-	9,800	4	327	3,598
MAHLE France SAS	6,086	60	-	-	-	-	-	-	8,329	-	-	-
MAHLE Engine Componentes USA, Inc.	5,415	60	-	3,860	60	-	-	-	4,210	-	452	11
MAHLE S.A.	2,958	60	-	47	60	-	-	-	3,789	-	-	-
MAHLE Vöcklabruck GmbH	2,869	60	-	-	-	-	-	-	4,125	-	-	-
MAHLE Behr Gerenciamento Térmico Brasil Ltda.	2,802	60	-	6,578	60	-	-	-	192	3,576	10,542	173
MAHLE Engine Components (Yingkou) Co., Ltd.	2,334	60	-	-	-	-	-	-	1,480	11	-	-
MAHLE Technologies Holding (China) Co., Ltd.	2,290	60	-	81	60	-	-	-	5	68	-	46
MAHLE Industriemotoren-Komponenten GmbH	2,135	60	-	38	60	-	-	-	2,139	-	-	37
MAHLE Aftermarket S.de R.L.de C.V.	2,000	60	-	-	-	-	-	-	2,671	-	-	-
MAHLE Polska Spolka Z.O.O	1,730	60	-	296	60	-	-	-	205	-	-	-
MAHLE Engine Components (Thailand) Co., Ltd.	1,446	60	-	23	60	-	-	-	1,882	-	-	-
MAHLE Indústria e Comércio Ltda.	1,381	60	-	1,223	60	8,848	6,081	13,542	-	128	-	1,834
MAHLE Motor Parcalari San. Izmir A.S	1,009	60	-	-	-	-	-	-	1,108	-	-	-
MAHLE International GmbH	908	60	-	11,418	60	-	-	-	-	463	-	5,815
MAHLE Compressores do Brasil Ltda.	684	60	-	4,590	60	-	-	-	264	1,616	6,286	-
MAHLE Engine Components India Private Limited	608	60	-	239	60	-	-	-	595	-	-	-
MAHLE Engine Components (Nanjing) Co., Ltd.	540	60	-	-	-	-	-	-	554	(1,309)	18	-
MAHLE Aftermarket Inc.	506	60	-	50	60	-	-	-	614	106	-	41
MAHLE Industries, Inc.	348	60	-	1,836	60	-	-	-	-	221	-	434
MAHLE Engine Components (Chongqing) Co.,Ltd.	326	60	-	-	-	-	-	-	331	-	-	-
MAHLE Engine Componets Japan Corporation	293	60	-	95	60	-	-	-	10	228	-	-
MAHLE Kleinmotoren-Komponenten GmbH & Co. KG	253	60	-	30	60	-	-	-	363	-	-	-
MAHLE Shared Services Mexico S. de R.L. de C.V.	161	60	-	7	60	-	-	-	-	-	-	-
MAHLE Engine Comp. Slovakia S.R.O.	69	60	-	3	60	-	-	-	257	-	-	-
MAHLE Engine Systems UK Ltd.	42	60	-	2,752	60	-	-	-	-	-	1,558	-
MAHLE Anand Filter Systems Private Limited	42	60	-	-	-	-	-	-	40	-	-	-
MAHLE India Pistons Ltd.	33	60	-	-	-	-	-	-	9	-	-	-
Mahle Filtre Sistemleri A.S.	23	60	-	-	-	-	-	-	-	37	-	-
MAHLE Aftermarket Pte Ltd.	16	60	-	-	-	-	-	-	15	-	-	-
MAHLE Japan Ltd.	13	60	-	-	-	-	-	-	-	11	-	-
MAHLE Trading Japan Co. Ltd.	12	60	-	-	-	-	-	-	-	9	-	-
MAHLE France SARL	10	60	-	8	-	-	-	-	-	-	-	-
MAHLE Filter Systems North America Inc	5	60	-	-	-	-	-	-	-	-	187	-
Shangai Behr Thermal Systems Co. Ltd	4	60	-	-	-	-	-	-	-	-	-	-
MAHLE Motorsports Inc	3	60	-	-	-	-	-	-	2	-	-	-
MAHLE Composants Moteur France	(46)	60	-	-	-	-	-	-	23	-	-	-
Innoferm Tecnologia Ltda.	-	-	-	1,900	60	-	-	-	-	-	-	-
MAHLE Filtersysteme GmbH	-	-	-	960	60	-	-	-	-	-	-	-
MAHLE Filtersysteme Austria GmbH	-	-	-	452	60	-	-	-	-	-	762	82
MAHLE Filter Systems Japan Corporation	-	-	-	311	60	-	-	-	-	-	112	-
Mahle Behr Service Asia Co., Ltd.	-	-	-	228	60	-	-	-	-	-	193	-
MAHLE Filter Systems UK Ltd.	-	-	-	227	60	-	-	-	-	-	-	-
MAHLE Engine Comp. Inc	-	-	-	193	60	-	-	-	-	-	-	135
MAHLE Letrika (Suzhou) Automotive	-	-	-	141	60	-	-	-	-	-	227	-
MAHLE Trading (Shangai) Co.Ltd.	-	-	-	117	60	-	-	-	-	-	108	1
MAHLE Donghyun Filter Systems Co., Ltd.	-	-	-	71	60	-	-	-	-	-	176	-
MAHLE Holding Austria GmbH	-	-	70,459	62	60	-	-	-	-	-	-	-
MAHLE Industriebeteiligungen GmbH	-	-	-	-	-	-	1,013	-	-	-	-	-
MAHLE Letrika d.o.o	-	-	-	16	60	-	-	-	-	8	212	-
Other	-	-	-	9	-	-	-	-	68	-	157	3
Total related companies	106,314		70,459	53,695		8,848	7,094	13,542	114,047	5,498	26,220	12,234
Total related parties	106,314		70,459	53,695		8,848	7,094	13,542	114,047	5,498	26,220	12,234

* This includes brand license of R\$ 2,437

** Realization of term days refers to current assets and current liabilities

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

	Consolidated											
	Balances at 12.31.2019							Transactions from 01.01.2019 to 03.31.2019				
	Current assets		Non-current assets	Current liabilities			Non-current liabilities	Sales/revenue		Purchases		
	Receivables (Note 7)	Payment term in days (**)	Loan	Suppliers (Note 15)	Payment term in days (***)	Lease Liabilities	Dividends and interest on capital payable	Lease Liabilities	Products	Other	Products	Other *
Related companies												
MAHLE Compon. de Mot. de México, S. de R.L. de C.V.	11,159	60	-	1,548	60	-	-	-	23,623	94	803	-
MAHLE GmbH	9,368	60	-	11,850	60	-	-	-	528	105	434	3,065
MAHLE Aftermarket GmbH	7,200	60	-	6,360	60	-	-	-	17,513	237	1,756	92
MAHLE Vöcklabruck GmbH	5,949	60	-	-	-	-	-	-	11,593	-	-	-
MAHLE France SAS	4,738	60	-	10	60	-	-	-	7,585	-	-	-
MAHLE Aftermarket S.de R.L.de C.V.	3,579	60	-	-	-	-	-	-	4,396	-	-	-
MAHLE Behr Gerenciamiento Térmico Brasil Ltda.	3,343	60	-	1,483	60	-	-	-	204	4,000	8,687	-
MAHLE Componentes de Motores S.A.	2,799	60	-	32	60	-	-	-	8,401	60	68	-
MAHLE Componenti Motori Italia S.p.A.	2,506	60	-	137	60	-	-	-	8,350	-	-	-
MAHLE Engine Comp. Slovakia S.R.O.	2,335	60	-	3	60	-	-	-	282	-	-	-
MAHLE Technologies Holding (China) Co., Ltd.	1,686	60	-	92	60	-	-	-	-	241	-	52
MAHLE Engine Componentes USA, Inc.	1,613	60	-	2,424	60	-	-	-	5,195	4	70	235
MAHLE S.A.	1,451	60	-	121	60	-	-	-	1,342	-	-	-
MAHLE Polska Spolka Z.O.O	1,320	60	-	234	60	-	-	-	26	-	-	-
MAHLE Engine Components (Yingkou) Co., Ltd.	1,074	60	-	-	-	-	-	-	1,932	41	-	-
MAHLE Industriemotoren-Komponenten GmbH	932	60	-	-	-	-	-	-	1,204	-	-	40
MAHLE Engine Components (Thailand) Co., Ltd.	874	60	-	18	60	-	-	-	1,701	-	-	17
MAHLE Engine Components (Nanjing) Co., Ltd.	863	60	-	18	60	-	-	-	830	-	-	-
MAHLE Motor Parcalari San. Izmir A.S	852	60	-	98	60	-	-	-	263	-	52	-
MAHLE International GmbH	740	60	-	16,255	60	-	-	-	-	579	-	3,745
MAHLE Compressores do Brasil Ltda.	637	60	-	2,942	60	-	-	-	292	1,740	4,433	36
MAHLE Kleinmotoren-Komponenten GmbH & Co. KG	563	60	-	24	60	-	-	-	1,126	-	-	1
MAHLE Aftermarket Inc.	443	60	-	86	60	-	-	-	626	45	-	30
MAHLE Industries, Inc.	409	60	-	1,029	60	-	-	-	-	36	-	369
MAHLE Filtre Sistemleri A.S.	360	60	-	-	-	-	-	-	-	-	-	-
MAHLE Indústria e Comércio Ltda.	350	60	-	1,209	60	8,757	6,081	16,161	-	-	-	1,813
MAHLE Filter Systems North America Inc	256	60	-	-	-	-	-	-	-	-	-	-
MAHLE Engine Systems UK Ltd.	244	60	-	1,579	60	-	-	-	1	296	161	8
MAHLE Engine Components Japan Corporation	59	60	-	73	60	-	-	-	16	-	-	(20)
MAHLE Trading Japan Co. Ltd.	41	60	-	104	60	-	-	-	45	9	-	-
MAHLE Engine Components (Chongqing) Co.,Ltd.	25	60	-	-	-	-	-	-	223	-	-	-
MAHLE India Pistons Ltd.	18	60	-	-	-	-	-	-	-	-	-	-
MAHLE Japan Ltd.	8	60	-	-	-	-	-	-	-	15	-	-
MAHLE Holding (India) Private Limited	7	60	-	6	60	-	-	-	-	-	-	-
MAHLE Motorsports Inc	4	60	-	-	-	-	-	-	-	-	-	-
MAHLE Engine Components India Private Limited	4	60	-	-	-	-	-	-	1,208	-	-	-
Shangai Behr Thermal Systems Co. Ltd	3	60	-	-	-	-	-	-	-	-	-	-
MAHLE Filtersysteme GmbH	2	60	-	870	60	-	-	-	-	-	-	(186)
Innoform Tecnologia Ltda.	-	-	-	2,000	60	-	-	-	-	-	-	-
MAHLE Filter Systems Japan Corporation	-	-	-	335	60	-	-	-	-	-	315	-
MAHLE Letrika (Suzhou) Automotive	-	-	-	286	60	-	-	-	-	31	357	-
MAHLE Behr Service Asia Co., Ltd.	-	-	-	177	60	-	-	-	-	-	-	-
MAHLE Aftermarket Italy S.p.A.	-	-	-	172	60	-	-	-	-	-	-	-
MAHLE Letrika d.o.o	-	-	-	162	60	-	-	-	-	-	418	-
MAHLE Filtersysteme Austria GmbH	-	-	-	156	60	-	-	-	-	-	865	47
MAHLE Engine Comp. Inc	-	-	-	114	60	-	-	-	-	-	-	17
MAHLE Componente de Motor SRL	-	-	-	85	60	-	-	-	-	-	-	-
MAHLE Donghyun Filter Systems Co., Ltd.	-	-	-	76	60	-	-	-	-	-	45	-
MAHLE Filter Systems Philippines Corporation	-	-	-	74	60	-	-	-	-	-	39	-
Behr Hella Service GmbH	-	-	-	64	60	-	-	-	-	-	-	-
MAHLE Trading (Shangai) Co.Ltd.	-	-	-	36	60	-	-	-	-	-	443	-
MAHLE Holding Austria GmbH	-	-	37,030	21	60	-	-	-	-	-	-	-
MAHLE Industriebeteiligungen GmbH	-	-	-	-	-	-	1,013	-	-	-	-	-
MAHLE Componentes de Motor Espana S.L.	-	-	-	-	-	-	-	-	874	-	62	-
MAHLE Aftermarket Pte Ltd.	-	-	-	-	-	-	-	-	-	-	1,032	-
Other	-	-	-	1	-	-	-	-	99	161	-	2
Total related companies	67,814		37,030	52,364		8,757	7,094	16,161	99,478	7,694	20,040	9,363
Total related parties	67,814		37,030	52,364		8,757	7,094	16,161	99,478	7,694	20,040	9,363

* This includes brand license of R\$ 2,844

** Realization of term days refers to current assets and current liabilities

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

The business transactions with related parties relate mainly to the purchase and sale of products and services directly related to the Group's operating activities.

At March 31, 2020 the subsidiary MAHLE Filtroil Indústria e Comércio de Filtros Ltda. has a balance with the Company of R\$ 7,012 (loan agreement in the amount of R\$ 17,019, with interest rate at 115% of the CDI and provision for losses on investees in the amount of (-) R\$ 10.007). The Company expects to recover this loan via cash flows from the financial asset.

The subsidiary MAHLE Metal Leve GmbH has a daily cash management contract with MAHLE Holding Austria GmbH, subject to interest based on Eonia (Euro OverNight Index Average) + 1.15% p.a., with no definite maturity date. At March 31, 2020, the subsidiary has a balance payable of R\$ 70,459 arising from these transactions (balance receivable of R\$ 37,030 at December 31, 2019).

Since February 15, 2012, the Company has had a brand licensing agreement with its parent company MAHLE GmbH, which is registered with the National Institute of Industrial Property, in which the licensor establishes the payment of royalties of up to 1% of net sales revenue and the Company is authorized to manufacture and distribute products using the brand "MAHLE". At March 31, 2020, the royalty expenses were recorded within "selling expenses - brand license", in the parent company in the amount of R\$ 2,220 (March 31, 2019 - R\$ 2,600) and in the consolidated accounts in the amount of R\$ 2,437 (March 31, 2019 - R\$ 2,844).

Parent company and ultimate parent company

The Company's direct parent company is established as a limited liability company and its corporate name is MAHLE Indústria e Comércio Ltda.

MAHLE Industriebeteiligungen GmbH is the Group's ultimate parent company, established as a limited liability company with its head office in the city of Stuttgart, in the Federal Republic of Germany.

Dividends and interest on capital receivable

The breakdown of dividends and interest on capital receivable from subsidiaries is presented below:

	Parent company		
	12.31.2019	Provision	Exchange variation
			03.31.2020
Income on interest	50,521	14,443	15,094
	50,521	14,443	15,094
			80,058

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

Dividends and interest on capital payable

The breakdown of dividends and interest on capital payable is presented below:

	Parent company and consolidated		
	Balance 12.31.2019	Payment	Balance 03.31.2020
MAHLE Indústria e Comércio Ltda.	6,081	-	6,081
MAHLE Industriebeteiligungen GmbH.	1,013	-	1,013
Non-controlling	4,045	(80)	3,965
Total	11,139	(80)	11,059

Management compensation

The compensation of the key management personnel, which comprises the executive officers and the Board of Directors, includes salaries, fees, variable benefits and termination pay.

	Parent company and consolidated	
	03.31.2020	03.31.2019
Statutory officers	1,664	1,452
Non-statutory officers	1,704	1,296
	3,368	2,748

The officers receive no share-based compensation.

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

11. Income tax and social contribution

Income tax and social contribution are calculated at the statutory rates.

a. Reconciliation of income tax and social contribution expense

The reconciliation of the amount that results from applying the combined statutory tax rates with the income tax and social contribution expense recorded in the statement of profit or loss is as follows:

	Parent company		Consolidated	
	03.31.2020	03.31.2019	03.31.2020	03.31.2019
Profit before income tax and social contribution	<u>19,739</u>	<u>82,161</u>	<u>25,638</u>	<u>88,782</u>
Income tax and social contribution at the statutory rate in Brazil (34%)	(6,711)	(27,935)	(8,717)	(30,186)
Effects of permanent differences:				
Equity in the results of investees	5,562	5,897	(11)	(6)
Gain on monetary items, net	3,378	4,160	689	2,375
Loss for the year for which no deferred tax asset was recognized	-	-	(683)	(507)
Others, net	<u>(578)</u>	<u>(346)</u>	<u>3,524</u>	<u>2,760</u>
Total income tax and social contribution	<u>1,651</u>	<u>(18,224)</u>	<u>(5,198)</u>	<u>(25,564)</u>
Current income tax and social contribution	(10,267)	(25,177)	(13,770)	(27,749)
Deferred income tax and social contribution (Note 11.b ii)	11,918	6,953	8,572	2,185
	<u>1,651</u>	<u>(18,224)</u>	<u>(5,198)</u>	<u>(25,564)</u>
Effective rate	-8.4%	22.2%	20.3%	28.8%

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

b. Recognized deferred tax assets and liabilities

Deferred income tax and social contribution were calculated on temporarily non-deductible provision.

i. Breakdown of deferred tax assets and liabilities:

	Parent company			
	Assets		Liabilities	
	Balance in 03.31.2020	Balance in 12.31.2019	Balance in 03.31.2020	Balance in 12.31.2019
Property, plant and equipment	-	-	(30,875)	(31,454)
Intangible assets	-	-	(104,213)	(104,213)
Derivatives	20,515	-	-	(1,705)
Inventory	11,456	11,365	-	-
Provision labor risks	68,501	67,398	-	-
Other provision	61,794	59,986	-	-
Tax (assets) liabilities	162,266	138,749	(135,088)	(137,372)
Amount eligible for offsetting	(135,088)	(137,372)	135,088	137,372
Net tax (assets) liabilities	27,178	1,377	-	-

	Consolidated			
	Assets		Liabilities	
	Balance in 03.31.2020	Balance in 12.31.2019	Balance in 03.31.2020	Balance in 12.31.2019
Property, plant and equipment	-	-	(35,764)	(34,073)
Intangible assets	-	-	(104,214)	(104,213)
Derivatives	20,515	-	-	(1,705)
Inventory	7,963	7,951	-	-
Provision labor risks	68,501	67,398	-	-
Other provision	63,673	63,376	-	-
Tax (assets) liabilities	160,652	138,725	(139,978)	(139,991)
Amount eligible for offsetting	(132,957)	(136,885)	132,957	136,885
Net tax (assets) liabilities	27,695	1,840	(7,021)	(3,106)

Deferred income tax and social contribution assets are recognized to the extent that it is probable future taxable profit will be available to utilize temporary differences, considering projections of future results based on internal assumptions.

In the parent company and consolidated financial statements, the deferred tax asset was offset against the deferred tax liability when they related to the same tax authority and the same taxable entity.

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

ii. Changes in temporary differences:

	Parent company	Consolidated
At December 31, 2019	1,377	(1,266)
(+) Recognized in profit or loss (note 11.a)	11,918	8,572
(+) Recognized in other comprehensive income	13,883	13,368
At March 31, 2020	27,178	20,674

12. Investments in subsidiaries

	03.31.2020			
	Investments accounted for using the equity method	Goodwill	Impairment	Elimination of profit on inventory (Balance at 03/31/2019)
MAHLE Argentina S.A.	162,646	59,549	(38,408)	(2,289)
MAHLE Metal Leve GmbH	74,057	-	-	(3,777)
Innoferm Tecnologia Ltda.	3,806	-	-	(3,493)
MAHLE Hirschvogel Forjas S.A.	-	35,755	(35,755)	-
Total	240,509	95,304	(74,163)	(9,559)
	12.31.2019			
	Investments accounted for using the equity method	Goodwill	Impairment	Elimination of profit on inventory (Balance at 12/31/2018)
MAHLE Argentina S.A.	128,888	59,549	(38,408)	(1,742)
MAHLE Metal Leve GmbH	52,412	-	-	(3,121)
Innoferm Tecnologia Ltda.	3,838	-	-	(3,493)
MAHLE Hirschvogel Forjas S.A.	-	35,755	(35,755)	-
Total	185,138	95,304	(74,163)	(8,356)

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

	Interest (%)	Ativos Circulantes	Ativos Não Circulantes	Total assets	Passivos Circulantes	Passivos Não Circulantes	Total liabilities	Equity	Net revenue	Profit (loss) for the period
March 31, 2020										
(3M 2020)										
Subsidiaries										
MAHLE Argentina S.A.	99.20	204,122	82,070	286,192	89,811	32,423	122,234	163,958	88,519	(1,885)
MAHLE Metal Leve GmbH	100.00	145,602	80,218	225,820	151,763	-	151,763	74,057	128,335	20,524
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	60.00	1,335	18	1,353	747	7,277	8,024	(6,671)	586	(385)
MAHLE Hirschvogel Forjas S.A.	51.00	2,949	8,636	11,585	1,539	11,840	13,379	(1,794)	-	(1,628)
Subtotal subsidiaries		354,008	170,942	524,950	243,860	51,540	295,400	229,550	217,440	16,626
Related companies										
Innoferm Tecnologia Ltda.	33.33	1,981	9,658	11,639	19	201	220	11,419	-	(94)
Subtotal related companies		1,981	9,658	11,639	19	201	220	11,419	-	(94)
Total		355,989	180,600	536,589	243,879	51,741	295,620	240,969	217,440	16,532
December 31, 2019										
(FY 2019)										
Subsidiaries										
MAHLE Argentina S.A.	99.20	149,840	64,130	213,970	61,652	22,392	84,044	129,926	395,869	(8,629)
MAHLE Metal Leve GmbH	100.00	109,064	44,806	153,870	101,458	-	101,458	52,412	467,734	71,296
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	60.00	1,146	19	1,165	674	7,009	7,683	(6,518)	2,740	(1,565)
MAHLE Hirschvogel Forjas S.A.	51.00	3,111	9,389	12,500	877	11,789	12,666	(166)	-	(5,212)
Subtotal subsidiaries		263,161	118,344	381,505	164,661	41,190	205,851	175,654	866,343	55,890
Related companies										
Innoferm Tecnologia Ltda.	33.33	2,069	9,667	11,736	11	212	223	11,513	-	(502)
Subtotal related companies		2,069	9,667	11,736	11	212	223	11,513	-	(502)
Total		265,230	128,011	393,241	164,672	41,402	206,074	187,167	866,343	55,388
March 31, 2019										
(3M 2019)										
Subsidiaries										
MAHLE Argentina S.A.	99.20	145,616	61,707	207,323	77,691	9,096	86,787	120,536	85,205	(3,732)
MAHLE Metal Leve GmbH	100.00	131,005	69,047	200,052	142,805	-	142,805	57,247	124,625	21,204
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	60.00	1,527	7	1,534	942	15,813	16,755	(15,221)	647	(492)
MAHLE Hirschvogel Forjas S.A.	51.00	2,378	7,777	10,155	2,262	3,910	6,172	3,983	-	(1,063)
Subtotal subsidiaries		280,526	138,538	419,064	223,700	28,819	252,519	166,545	210,477	15,917
Related companies										
Innoferm Tecnologia Ltda.	33.33	2,556	9,683	12,239	13	266	279	11,959	-	(56)
Subtotal related companies		2,556	9,683	12,239	13	266	279	11,959	-	(56)
Total		283,082	148,221	431,303	223,713	29,085	252,798	178,504	210,477	15,861

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

		Interest in equity			
	Interest (%)	Investments	Equity in the results of subsidiaries	Elimination of profit on inventory /other assets (equity)	Provision for impairment of investments
March 31, 2020		(3M 2020)			
Subsidiaries					
MAHLE Argentina S.A.	99.20	162,646	(1,870)	(547)	-
MAHLE Metal Leve GmbH	100.00	74,057	20,524	(656)	-
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	60.00	-	(231)	-	-
MAHLE Hirschvogel Forjas S.A.	51.00	-	(830)	-	(916)
Subtotal subsidiaries		236,703	17,593	(1,203)	(916)
Related companies					
Innoferm Tecnologia Ltda.	33.33	3,806	(31)	-	-
Subtotal related companies		3,806	(31)	-	-
Total		240,509	17,562	(1,203)	(916)
December 31, 2019		(FY 2019)			
Subsidiaries					
MAHLE Argentina S.A.	99.20	128,888	(8,560)	247	-
MAHLE Metal Leve GmbH	100.00	52,412	71,296	(548)	-
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	60.00	-	(939)	-	-
MAHLE Hirschvogel Forjas S.A.	51.00	-	(2,658)	-	(85)
Subtotal subsidiaries		181,300	59,139	(301)	(85)
Related companies					
Innoferm Tecnologia Ltda.	33.33	3,838	(167)	-	-
Subtotal related companies		3,838	(167)	-	-
Total		185,138	58,972	(301)	(85)
March 31, 2019		(3M 2019)			
Subsidiaries					
MAHLE Argentina S.A.	99.20	119,573	(3,702)	(29)	-
MAHLE Metal Leve GmbH	100.00	57,247	21,204	728	-
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	60.00	-	(295)	-	(9,132)
MAHLE Hirschvogel Forjas S.A.	51.00	2,031	(542)	-	-
Subtotal subsidiaries		178,851	16,665	699	(9,132)
Related companies					
Innoferm Tecnologia Ltda.	33.33	3,986	(19)	-	-
Subtotal related companies		3,986	(19)	-	-
Total		182,837	16,646	699	(9,132)

The subsidiaries belong to the engine component segment, except the subsidiary MAHLE Filtroil Indústria e Comércio de Filtros Ltda.

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

MAHLE Argentina S.A.

As mentioned in Note 14, the Company has made provision for the impairment of the goodwill on the acquisition of this subsidiary in the amount of R\$ 38,408.

MAHLE Filtroil Indústria e Comércio de Filtros Ltda.

In order to improve disclosures, at March 31, 2020, the Company reclassified the amount of R\$ 10,007 (R\$ 9,776 at December 31, 2019) from provision for losses on investees to intercompany loans in accordance with CPC 18 / IAS 28 Investments in associates and joint ventures.

At March 31, 2020 and December 31, 2019, the subsidiary has a loan agreement with the Company as stated in Note 10 – Related parties.

The subsidiary has suffered recurring operating losses and experienced a working capital deficiency and a consequent increase in indebtedness. Since June 2009, several lawsuits have been filed involving the subsidiary's quotaholders with respect to its commercial, financial and administrative management, in addition to an action for dissolution of the subsidiary that was initiated because of a capital increase proposed by the Company but not accepted by the non-controlling quotaholder to resolve the working capital deficit of the subsidiary.

Although the action for dissolution of the subsidiary has been judged in favor of the Company by the lower court, management has concluded, based on its judgment about the possibility of the non-controlling quotaholder filing an appeal to the Superior Court, that the subsidiary has the ability to continue in operational existence for the foreseeable period of more than 12 months from the date of the approval of these financial statements, and, therefore, it is not anticipated that any material losses will arise, other than those already recognized in the financial statements of the parent company. For this reason, the going-concern basis was adopted in preparing the financial statements.

MAHLE Hirschvogel Forjas S.A.

At March 31, 2020, the share of equity in subsidiary MAHLE Hirschvogel Forjas S.A. is R\$ 916 (R\$ 85 at December 31, 2019), which is recorded in current assets as “Investments in subsidiaries”.

The financial statements of the subsidiary MAHLE Hirschvogel Forjas S.A. have been prepared assuming that the subsidiary will not continue as a going concern and its assets and liabilities are stated at liquidation value. Because the balances of this subsidiary are immaterial for the Group, NBC TG 31 (CPC 31) – Discontinued Operations / IFRS 5 – Presentation and disclosure of discontinued operations does not apply.

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

Innoferm Tecnologia Ltda.

On August 25, 2015, the company Innoferm Tecnologia Ltda. was founded, in the share capital of which MAHLE Metal Leve S.A. has a stake of 33.3%, totaling 1,000,000 (one million) shares with a face value of R\$ 0.01 (one cent real), totaling R\$ 10.

With the approval of $\frac{3}{4}$ of the share capital, the company may open branches, agencies and offices anywhere in the country, fulfilling the applicable legislation, with unlimited duration. It is based in the city of Mogi Guaçu, State of São Paulo.

Innoferm is engaged in the development and commercialization of technologies related to the production of ethanol and the assignment of exploration rights in general and related applications in the ethanol production cycle via biomass and other underlying technologies.

This investment is recorded and evaluated by the equity method and recognized in the income statement.

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

13. Property, plant and equipment

	Parent company									
	Land	Buildings and construction	Machinery, equipment and facilities	Furniture and fittings	Vehicles	Construction in progress	Advances to suppliers	Impairment	Rights-of-use assets	Total
At December 31, 2019	52,454	90,253	433,599	3,875	3,778	2,467	2,549	(3,546)	20,080	605,509
Total cost	52,454	231,205	2,069,706	24,726	23,270	2,467	2,549	(3,546)	26,925	2,429,756
Accumulated depreciation	-	(140,952)	(1,636,107)	(20,851)	(19,492)	-	-	-	(6,845)	(1,824,247)
Net book value	52,454	90,253	433,599	3,875	3,778	2,467	2,549	(3,546)	20,080	605,509
Additions	-	36	3,080	43	559	-	-	-	-	3,718
Write-offs	-	-	6	1	(237)	-	-	18	(1,079)	(1,291)
Transfer	-	-	2,452	(19)	-	(2,279)	(154)	-	-	-
Depreciation	-	(1,211)	(18,944)	(181)	(293)	-	-	-	(1,607)	(22,236)
Depreciation/write-off (deemed cost)	-	(642)	(48)	-	-	-	-	-	-	(690)
At March 31, 2020	52,454	88,436	420,145	3,719	3,807	188	2,395	(3,528)	17,394	585,010
Total cost	52,454	231,241	2,073,860	24,743	23,270	188	2,395	(3,528)	26,925	2,431,548
Accumulated depreciation	-	(142,805)	(1,653,715)	(21,024)	(19,463)	-	-	-	(9,531)	(1,846,538)
Net book value	52,454	88,436	420,145	3,719	3,807	188	2,395	(3,528)	17,394	585,010

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

	Consolidated									
	Land	Buildings and construction	Machinery, equipment and facilities	Furniture and fittings	Vehicles	Construction in progress	Advances to suppliers	Impairment	Rights-of-use assets	Total
At December 31, 2019	52,524	98,706	477,596	4,034	4,875	2,467	4,599	(3,689)	22,956	664,068
Total cost	52,524	242,639	2,214,344	25,059	29,116	2,467	4,599	(3,689)	29,791	2,596,850
Accumulated depreciation	-	(143,933)	(1,736,748)	(21,025)	(24,241)	-	-	-	(6,835)	(1,932,782)
Net book value	52,524	98,706	477,596	4,034	4,875	2,467	4,599	(3,689)	22,956	664,068
Additions	-	100	3,320	43	559	-	924	-	-	4,946
Write-offs	-	-	6	1	(237)	-	-	18	(1,079)	(1,291)
Transfer	-	-	4,220	(10)	-	(2,279)	(1,931)	-	-	-
Depreciation	-	(1,223)	(19,685)	(187)	(313)	-	-	-	(1,874)	(23,282)
Depreciation/write-off (deemed cost)	-	(642)	(48)	-	-	-	-	-	-	(690)
Gain on monetary items, net	-	552	1,486	-	74	-	(23)	-	83	2,172
Translation effects	14	1,692	8,897	34	218	-	290	(28)	553	11,670
At March 31, 2020	52,538	99,185	475,792	3,915	5,176	188	3,859	(3,699)	20,639	657,593
Total cost	52,538	245,837	2,259,371	25,150	30,811	188	3,859	(3,699)	30,364	2,644,419
Accumulated depreciation	-	(146,652)	(1,783,579)	(21,235)	(25,635)	-	-	-	(9,725)	(1,986,826)
Net book value	52,538	99,185	475,792	3,915	5,176	188	3,859	(3,699)	20,639	657,593

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(in thousand of reais)

Deemed cost

Changes in deemed cost

	Parent Company and Consolidated		
	12.31.2019	Depreciation/ write-off (deemed cost)	03.31.2020
Land	46,905	-	46,905
Buildings and construction	37,937	(642)	37,295
Machinery, equipment and facilities	1,730	(48)	1,682
Furniture and fittings	17	-	17
Vehicles	(147)	-	(147)
	86,442	(690)	85,752

The annual depreciation rates of the property, plant and equipment items at March 31, 2020 are equal to the rates presented at December 31, 2019.

Guarantees

The Group offered items of its property, plant and equipment as collateral for borrowings and tax and labor lawsuits, in the amount of R\$ 6,673 in the consolidated accounts at March 31, 2020 and at December 31, 2019. These items comprise machinery and equipment.

Provision for impairment

The Group has recorded provision at an amount sufficient to cover any impairment losses on property, plant and equipment, which relates substantially to the group of machinery and equipment and is recorded in the parent company and consolidated accounts of property, plant and equipment in accordance with the requirements set out in NBC TG 01 (CPC 01) - (R1)/IAS 36 "Impairment of assets". The parent company and consolidated balance of the provision for losses at March 31, 2020 is R\$ 3,528 (R\$ 3,546 at December 31, 2019) and R\$ 3,699 (R\$ 3,689 at December 31, 2019), respectively.

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Notes to the interim financial statements

(in thousand of reais)

14. Intangible assets

	Annual amortization rates (%)	Parent company		Consolidated	
		03.31.2020	12.31.2019	03.31.2020	12.31.2019
Goodwill on merger with subsidiary:					
MAHLE Participações Ltda. (a)	-	568,612	568,612	568,612	568,612
Goodwill on acquisition of subsidiaries:					
MAHLE Argentina S.A. (a)	-	-	-	67,479	65,823
MAHLE Hirschvogel Forjas S.A. (a)	-	-	-	35,755	35,755
Cost of acquisition and installation of software (b)	20	51,007	51,002	53,584	53,034
Other (a and b)	-	334	334	1,354	1,186
Usage right and concessions (a)	-	5,666	5,665	5,666	5,665
Usage right and concessions (b) (*)	20	60,429	60,430	60,429	60,430
Impairment (<i>Rings business</i>)	-	(188,654)	(188,654)	(188,654)	(188,654)
Impairment (<i>MAHLE Argentina S.A.</i>)	-	-	-	(38,408)	(38,408)
Impairment (<i>MAHLE Hirschvogel Forjas S.A.</i>)	-	-	-	(35,755)	(35,755)
Provision for impairment of intangible assets (other)	-	(334)	(334)	(343)	(343)
		497,060	497,055	529,719	527,345
Accumulated amortization		(56,604)	(54,997)	(60,050)	(57,746)
		440,456	442,058	469,669	469,599

(a) Indefinite useful life

(b) finite useful life

(*) Of the amount relating to usage right and concessions (b), R\$ 42,210 refers to costs associated with the development of technology for MBE2 project and R\$ 12,000 refers to the exclusive rights to the production and sale of MBE2 products.

MAHLE Metal Leve S.A.

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(in thousand of reais)

Statement of changes in intangible assets

Parent company					
	Goodwill on acquisition of subsidiaries (merged or not)	Cost of acquisition and installation of software	Usage right and concessions	Other	Total
At December 31, 2019	379,958	4,395	57,705	-	442,058
Additions	-	4	-	-	4
Amortization	-	(436)	(1,170)	-	(1,606)
At March 31, 2020	379,958	3,963	56,535	-	440,456
Consolidated					
	Goodwill on acquisition of subsidiaries (merged or not)	Cost of acquisition and installation of software	Usage right and concessions	Other	Total
At December 31, 2019	407,373	4,491	57,705	30	469,599
Additions	-	7	-	-	7
Amortization	-	(445)	(1,170)	-	(1,615)
Foreign exchange variation	1,656	14	-	7	1,677
Transfer	-	1	-	-	1
At March 31, 2020	409,029	4,068	56,535	37	469,669

Impairment

The Company's management continuously monitors the activities and did not detect substantial changes in their operational performance in the first quarter of 2020 of the subsidiaries which could justify a change in the previously recorded impairment amounts.

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(in thousand of reais)

15. Trade and related-party payables

	Parent company		Consolidated	
	03.31.2020	12.31.2019	03.31.2020	12.31.2019
Suppliers - Third Party				
Raw material	69,662	53,359	99,001	73,140
Services	24,095	23,961	24,790	24,004
	93,757	77,320	123,791	97,144
Related parties (Note 10)	40,311	44,591	53,695	52,364
	134,068	121,911	177,486	149,508

The Group's exposure to currency and liquidity risks in connection with accounts payable to suppliers is disclosed in Note 31.

16. Taxes and contributions payable

	Parent company		Consolidated	
	03.31.2020	12.31.2019	03.31.2020	12.31.2019
State taxes	5,589	12,236	5,735	12,453
ICMS payable	5,589	12,236	5,595	12,242
Other	-	-	140	211
Federal taxes	9,977	22,050	12,588	25,196
COFINS payable	2,771	7,185	2,771	7,964
IPI payable	359	5,397	1,156	5,398
Import tax	4,156	4,412	4,901	4,421
IRRF	2,104	3,878	2,120	5,055
PIS payable	559	1,152	559	1,152
Other	28	26	1,081	1,206
Municipal taxes	273	-	316	81
Taxes and contributions payable	15,839	34,286	18,639	37,730
Income tax and social contribution	-	-	20,431	14,926
Income tax and social contribution payable	-	-	20,431	14,926
Current liabilities	15,839	34,286	39,070	52,656

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Notes to the interim financial statements

(in thousand of reais)

17. Borrowings and lease liabilities

a) Borrowings

Description	Average cost	Parent company		Consolidated	
		03.31.2020	12.31.2019	03.31.2020	12.31.2019
Borrowings in local currency (BRL)					
FINEP (Long-Term Interest Rate (TJLP) + 5.00% p.y. - 6.00% p.y.)	4.09%	111,210	118,333	111,210	118,333
BNDES (TJLP+ 1,5% p.y.)	6.59%	15,180	15,198	15,180	15,198
FINEP II (Long-Term Interest Rate (TJLP) + 5.00% p.y. - 5.00% p.y.)	5.09%	75,927	75,942	75,927	75,942
4131 SANTANDER (CDI + 4,25% p.y.)	7.90%	150,183	-	150,183	-
4131 ITAÚ (CDI + 4,30% p.y.)	7.95%	100,123	-	100,123	-
	6.46%	452,623	209,473	452,623	209,473
Borrowings in foreign currency					
	Currency				
ACC (average interest 9,62% p.y)	USD (expressed in BRL)	9.62%	-	14,428	12,278
ACC (average interest 0,35% p.y)	EUR (expressed in BRL)	0.35%	275,215	172,409	275,215
		1.12%	275,215	172,409	289,643
		4.26%	727,838	381,882	742,266
				742,266	394,160
Current - borrowings in local currency		279,492	29,256	279,492	29,256
Current - borrowings in foreign currency		217,951	172,409	232,379	184,687
Total current		497,443	201,665	511,871	213,943
Non-current - borrowings in local currency		173,131	180,217	173,131	180,217
Non-current - borrowings in foreign currency		57,264	-	57,264	-
Total non-current		230,395	180,217	230,395	180,217

In the first quarter of 2020, the parent company took bank loans totaling approximately BRL 343,400, as follows:

- February 2020 EUR 20,000 - NCE with average cost of 0.47% p.a. and maturities between December 2020 and May 2021.
- March 2020 R\$ 150,000 – 4131 with average cost of CDI + 4.25% p.a. (at 3/31 CDI 3.65% + 4.25%) and maturity in March 2021.
- March 2020 R\$ 100,000 – 4131 with average cost of CDI + 4.30% p.a. (at 3/31 CDI 3.65% + 4.30%) and maturity in March 2021.

The Argentine subsidiary took bank loans of approximately BRL 6,238, as follows:

- March 2020 USD 1,200 - ACC with average cost 8.50% p.a. and maturity between July and September 2020.

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Notes to the interim financial statements

(in thousand of reais)

Reconciliation of changes in equity with proceeds from borrowings:

Changes in borrowings in first quarter of 2020 were as follows:

Parent company							
12.31.2019	Cash flow			Exchange Variation	Appropriation of interest	03.31.2020	
	Addition	Principal Amortization	Amortization Interest				
381,882	343,400	(57,118)	(2,425)	58,655	3,444	727,838	
Parent company							
01.01.2019	Cash flow			Monetary variation	Exchange variation	Appropriation of interest	03.31.2019
	Addition	Principal amortization	Amortization interest				
271,262	75,592	(28,953)	(2,536)	497	(1,770)	2,924	317,016
Consolidated							
12.31.2019	Cash flow			Exchange Variation	Appropriation of interest	03.31.2020	
	Addition	Principal Amortization	Amortization Interest				
394,160	344,487	(63,998)	(2,591)	66,122	4,086	742,266	
Consolidated							
01.01.2019	Cash flow			Monetary variation	Exchange variation	Appropriation of interest	03.31.2019
	Addition	Principal amortization	Amortization interest				
291,621	95,466	(42,981)	(2,816)	497	(1,697)	3,219	343,309

At March 31, 2020, long-term borrowings mature as follows:

Parent company and Consolidated	
03.31.2020	
From april 2021	89,826
2022	38,557
2023	36,195
2024	10,213
2025	10,213
2026	10,213
2027	10,213
2028	10,213
2029	8,497
2030	6,255
	230,395

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Restrictive covenants

FINEP I: This financing was obtained from the Financing Agency for Studies and Projects (FINEP) to partially fund (at an average of 64%) the expenses incurred in several projects of the program "Innovation in MAHLE Components and Systems", and is collateralized by a bank guarantee with maturity on August 30, 2021. This financing is based on the TJLP interest rate (5.09 % p.a. as at March 31, 2020) plus a bank spread of 5% p.a. less an equalization rate of 6% p.a. There are various accelerated maturity clauses (respecting ample defense for the Company) with loss of the equalization value: use of funds for a purpose other than that established in the contract; change in effective control of the Company; existence of FINEP amounts in arrears; inaccurate information provided to FINEP by the Company; and suspension of the project.

BNDES: This financing was obtained from the National Bank for Economic and Social Development (BNDES) and was used in the development and construction of a first-generation ethanol plant to demonstrate the economic viability of the MBE2 technology, a solution which increases the production of ethanol. It is collateralized by a bank guarantee with maturity on October 15, 2029 and is subject to TJLP (March 31, 2020 – 5.09% p.a.) plus spread of 1.5% p.a. This agreement contains certain covenants that, if breached, can result in acceleration of maturity, as follows: use of the money for purpose other than that specified in the agreement, change in control of the Company, delay in any payment to BNDES, provision by the Company of inaccurate information to BNDES and suspension of the project.

FINEP II: This financing was obtained from the Financing Agency for Studies and Projects (FINEP) to partially fund (at an average of 90%) the expenses incurred in several projects of the program "Strategic plan for innovation", and is collateralized by a bank guarantee with maturity on January 21, 2021. This financing is based on the TJLP interest rate (5.09 % p.a. as at March 31, 2020) plus a bank spread of 5% p.a. less an equalization rate of 4.5% p.a. and an additional interest equalization reduction of 0.5% p.a. for provision of bank guarantee. There are various accelerated maturity clauses (respecting ample defense for the Company) with loss of the equalization value: use of funds for a purpose other than that established in the contract; change in effective control of the Company; existence of FINEP amounts in arrears; inaccurate information provided to FINEP by the Company; and suspension of the project.

At March 31, 2020, there was no delinquency in principal or interest payments and no breach of the terms of the contracts with FINEP and BNDES.

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(in thousand of reais)

b) Lease obligations

The incremental borrowing rates determined by the Group for lease liabilities are as follows:

Contracts by term and discount rate	Terms of the lease	Discount rate
Lease of buildings (Argentina)	3 years	8.73%
Lease of buildings (Brazil)	3 years and 10 months	12.33%
Lease of vehicles (Brazil)	2 years	12.33%

The movement in lease liabilities is shown below:

	Parent company	Consolidated
Balance at December 31, 2019	21,776	24,918
Write-off	(1,207)	(1,207)
Lease payments	(2,346)	(2,792)
Interest	504	556
Exchange rate variation	-	915
Balance at March 31, 2020	18,727	22,390

As required by CPC 06 (R2)/IFRS 16- Leases, the Company presents in the table below an aging analysis of its contracts, reconciled to the balance appearing in the balance sheet:

	Parent company	Consolidated
	03.31.2020	03.31.2020
30 days	614	751
From 31 to 90 days	1,228	1,504
From 91 to 365 days	5,740	6,593
2021	5,348	7,240
2022	5,797	6,302
Total	18,727	22,390
Current	7,581	8,848
Non current	11,146	13,542
	18,727	22,390

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18. Salaries, vacation pay and social charges

	Parent company		Consolidated	
	03.31.2020	12.31.2019	03.31.2020	12.31.2019
Employee profit sharing	24,059	21,154	25,715	22,187
Accrued vacation pay / 13th month salary	23,888	28,353	28,018	30,016
INSS /FGTS	11,039	12,427	11,059	12,446
Other social security obligations	442	387	2,450	2,943
	59,428	62,321	67,242	67,592

19. Sundry provision

	Parent company					
	Losses on contracts	Commercial bonuses	Electric power	Employee benefits	Other	Total
At December 31, 2019	10,658	12,194	5,843	3,273	623	32,591
Reversal	-	(2,188)	(5,843)	-	-	(8,031)
Payment	-	(2,744)	-	-	(41)	(2,785)
Complement	-	3,855	6,718	476	-	11,049
At March 31, 2020	10,658	11,117	6,718	3,749	582	32,824

	Consolidated						
	Losses on contracts	Commercial bonuses	Restructuring	Electric power	Employee benefits	Other	Total
At December 31, 2019	11,205	12,192	684	6,278	3,273	1,260	34,892
Reversal	-	(2,188)	-	(6,278)	-	-	(8,466)
Payment	-	(2,744)	-	-	-	(103)	(2,847)
Complement	-	3,855	-	7,089	477	775	12,196
Foreign exchange variation	109	-	-	-	-	107	216
At March 31, 2020	11,314	11,115	684	7,089	3,750	2,039	35,991

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20. Provision for warranties

The Group guarantees the quality of its products, assuming responsibility for providing replacements and repairs for customers for defective products.

	Parent company	Consolidated
At December 31, 2019	8,599	10,698
Payment	(970)	(979)
Complement	364	423
Foreign exchange variation	-	492
At March 31, 2020	7,993	10,634

21. Provision for contingencies and judicial deposits linked to judicial proceedings

The Group is a party to civil, labor and tax proceedings in progress both at the administrative and judicial level, which, when applicable, are supported by judicial deposits. The respective provision for contingencies was recorded considering the estimates made by the legal advisors for proceedings in which the likelihood of loss on the respective outcomes was assessed as probable and other unrelated legal obligations.

According to management's assessment, contingencies are as follows:

	Parent company				
	Civil and labor	Tax	Environmental liability	Judicial deposits	Total
At December 31, 2019	198,230	47,370	9,760	(30,468)	224,892
Additions	19,879	-	-	(402)	19,477
Monetary restatements	4,308	549	-	620	5,477
Write-off for use	(6,861)	-	(206)	1,683	(5,384)
Write-off for reversal	(14,083)	-	-	460	(13,623)
Transfer	-	-	-	(1,866)	(1,866)
At March 31, 2020	201,473	47,919	9,554	(29,973)	228,973

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(in thousand of reais)

	Consolidated				
	Civil and labor	Tax	Environmental liability	Judicial deposits	Total
At December 31, 2019	211,023	47,370	9,760	(32,850)	235,303
Additions	20,760	-	-	(474)	20,286
Monetary restatements	4,823	549	-	732	6,104
Write-off for use	(8,277)	-	(206)	2,590	(5,893)
Write-off for reversal	(14,192)	-	-	935	(13,257)
Transfer	-	-	-	(2,892)	(2,892)
Foreign exchange variation	229	-	-	-	229
At March 31, 2020	214,366	47,919	9,554	(31,959)	239,880

The civil provision is related to consumer relations, compensation claims for commercial representation and distribution, service providers, work accidents and professional fees.

The labor provision relates mainly of claims filed by former employees for sums of money resulting from employment relationships and various suits for damages. The reversals are due to settlement agreements made with claimants.

Transfers relate to judicial deposits not related to the balance of provision for contingencies, and therefore, they are reclassified to other asset accounts.

The tax provision with respect to PIS, COFINS, ICMS, IPI, social security, royalties and drawbacks relates mainly to state and federal procedural assessments that are already being heard in court or not. They refer mainly to litigation with respect to the appropriate interpretation of the tax legislation.

The environmental provision relates mainly to the projection of expenditure required to preserve environmental areas used by the Group.

The main indexes for monetarily restating the contingencies are the basic interest rate (SELIC) and the monetary restatement indexes provided by the Superior Labor Court and law courts, when applicable.

Proceedings involving the risk of possible loss

At March 31, 2020, the Group had labor, civil and tax proceedings brought before the proper authorities in the amount of R\$ 50,654 (December 31, 2019 - R\$ 48,790), which were assessed by the Group's management as having a risk of possible loss, and, therefore, were not provided for in the financial statements.

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Contingent assets

a) Municipal incentive

The Company has a contingent asset related to a favorable court decision received in September 2019 on a lawsuit concerning a municipal financial incentive but at this time it is not possible to determine with reasonable accuracy the amount to be received.

The above-mentioned final favorable court decision allows us to conclude that future economic benefits may flow to the Company.

However, there is substantial uncertainty around the period of time it will take to reach a definitive solution in terms of both the payment method and the actual amount to be paid, so it is not yet possible to determine with certainty that the inflow of benefits arising from the favorable court decision obtained is virtually certain and the Company has control over such asset, meaning no gain will be recorded from the contingent asset until the gain actually occurs.

This contingent asset will be assessed periodically to ensure that the developments are appropriately reflected in the financial statements in accordance with CPC 25/IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

b) Compulsory loan - Eletrobrás

The Eletrobrás compulsory loan was created by Law 4156/62, with the aim of increasing the funds from the federal government for investments in the expansion of the national electricity sector. Said Law was regulated by Decree Law 1512/76, charging companies with a monthly consumption equal to or above 2,000 kw/h according to the electricity bills issued by the electricity distribution companies. The annual amount of the contributions between 1977 and 1993 constitutes credit in favor of the contribution payers.

The legislation set a maximum term of 20 years for returning the compulsory loan to the contribution payers, giving Eletrobras the option to advance this return through the conversion of the credits into shares of its stock. Before converting the credits into shares, the credits were adjusted based on an index and quantifier called Standard Unit (UP).

The compulsory loan was charged to companies monthly through their electricity bills and consolidated during the year but only adjusted by UP in January of the following year, causing lack of monthly monetary adjustment during the years of payment as well as interest. This procedure resulted in significant financial loss to the contribution payers, especially during periods in which the monthly inflation rates were very high. In order to recover the adequate monetary adjustment and interest lost by applying the methodology of Eletrobrás, the Company filed a lawsuit seeking credits arising from the monetary adjustment of the principal, interest, interest in arrears and other amounts owed by Eletrobras on compulsory loans.

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There was a judgment on the merits and Eletrobras filed an appeal, which was denied, and the judgment became final and unappealable in 2019 in favor of the Company, however there is yet the phase where the judgment will be enforced and the actual amounts to be settled will be determined. The final favorable court decision obtained allows us to conclude that future economic benefits may flow to the Company. However, there is substantial uncertainty about the timing, method and amount of the economic benefit and it is not yet possible to determine with certainty that the inflow of benefits arising from the favorable court decision obtained is virtually certain and the Company has control over such asset, meaning no gain will be recorded from the contingent asset until the gain actually occurs.

22. Equity

a. Share capital

At March 31, 2020 and December, 31 2019, subscribed and paid-up capital was represented by the following number of shares with no par value:

	Number of shares	
Mahle Indústria e Comércio Ltda.	76,985,132	60.0%
Mahle Industriebeteiligungen GmbH	12,830,850	10.0%
Non-controlling shareholders	38,492,518	30.0%
	128,308,500	100.0%

The Company is authorized to increase its capital up to the limit of R\$ 50,000,000 (fifty million) common shares, regardless of statutory reform, by resolution of the Board of Directors, which will determine the number of shares issued, the period of issuance and payment conditions.

On March 31, 2020, the market value of the Company's common shares corresponded the price of R\$ 17.54 per share (R\$ 28.80 on December 31, 2019).

There were no changes in the policies regarding dividends, interest on capital and revenue reserves in relation to those applied in the financial statements for the year ended December 31, 2019.

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b. Allocation of profit for the years

The remaining profits are recorded as a proposal for distribution of additional dividends to the shareholders pursuant to paragraph 6 of article 202 of the Brazilian corporate law. However, a resolution to retain a portion of these profits will be submitted to the Shareholders' General Meeting for vote.

To fulfill the duty of diligence pursuant to article 153 of the Brazilian corporate law and in response to the potential impacts of the coronavirus pandemic (Covid-19) on the Brazilian and global economies with unprecedented force, management emphasizes the need to preserve the Company's cash to face the impacts of the crisis caused by Covid-19, which it is now too early to estimate, and to continue operations efficiently and in compliance with legal and contractual obligations assumed by the Company.

c. Other comprehensive income

Cumulative translation adjustments

The Company recognizes under this heading the cumulative effect of the currency translation of the financial statements of its subsidiaries that keep accounting records in a functional currency different from the parent company's functional currency. At March 31, 2020, the Company recorded cumulative translation adjustments of R\$ (+) R\$ 41,255 ((-) R\$ 16,966 at March 31, 2019).

This cumulative effect will be reversed in the statement of income as a gain or loss only in the event of the sale or write-off of the investment.

Cumulative translation adjustments

- The effects of carrying value adjustments relating to the effective portion of gains or losses on cash flow hedges, which are recognized in March 31, 2020, net of taxes, at (-) R\$ 26,951 (At March 31, 2019 (+) R\$ 1,785) in the parent company and at (-) R\$ 26,951 (At March 31, 2019 (+) R\$ 4,713) in the consolidated accounts.
- The adjustments for the adoption of the deemed cost of property, plant and equipment, net at R\$ 137 at March 31, 2020 (At March 31, 2019 - R\$ 151). The deemed cost is accrued to property, plant and equipment recorded in carrying value adjustments, according to the depreciation, disposal or write-off of the respective item of property, plant and equipment, against retained earnings.

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23. Earnings per share

In compliance with CVM Resolution 636/2010 which approved Technical Pronouncement NBC TG 41 (CPC 41)-/-“IAS 33 - Earnings per share”, the Company presents the following information on earnings per share:

	<u>03.31.2020</u>	<u>03.31.2019</u>
Profit attributable to owners of the parent	<u>21,390</u>	<u>63,937</u>
Shares outstanding	128,308,500	128,308,500
Basic earnings per share (R\$ per share)	<u>0.1667</u>	<u>0.4983</u>

There are no diluted earnings per share for the Company.

24. Net operating revenue

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>03.31.2020</u>	<u>03.31.2019</u>	<u>03.31.2020</u>	<u>03.31.2019</u>
Gross revenue				
Products	571,129	647,935	708,686	774,690
Services	<u>8,673</u>	<u>10,809</u>	<u>8,073</u>	<u>10,190</u>
Total revenue with products + services	<u>579,802</u>	<u>658,744</u>	<u>716,759</u>	<u>784,880</u>
Deductions from sales:				
Taxes on sales	(119,684)	(136,318)	(119,829)	(136,494)
Discounts , returns and sales incentives	<u>(4,694)</u>	<u>(9,094)</u>	<u>(23,135)</u>	<u>(25,183)</u>
Net operating revenue	<u><u>455,424</u></u>	<u><u>513,332</u></u>	<u><u>573,795</u></u>	<u><u>623,203</u></u>

Revenue is derived from two markets: OEM, where customers are car makers, and Aftermarket, where customers are large auto parts distributors and engine overhaul companies.

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The following table shows sales by geographic market and by segment:

	Parent company		Consolidated	
	03.31.2020	03.31.2019	03.31.2020	03.31.2019
Geographic market				
South America *included domestic market	326,093	348,593	342,818	370,121
Europe	99,041	127,857	122,532	138,876
Central and North America	26,515	28,603	99,217	101,090
Africa, Asia, Oceania and Middle East	3,775	8,279	9,228	13,116
	455,424	513,332	573,795	623,203
Revenue by market				
Original equipment	290,286	330,982	390,608	418,741
Aftermarket	165,138	182,350	183,187	204,462
	455,424	513,332	573,795	623,203

25. Cost of sales and services

Cost of sales and services by nature are as follows:

	Parent company		Consolidated	
	03.31.2020	03.31.2019	03.31.2020	03.31.2019
Personnel and benefits	(104,971)	(122,245)	(117,924)	(133,213)
Raw material and others materials	(158,629)	(196,707)	(201,910)	(241,410)
Depreciation and amortization	(21,838)	(20,035)	(22,898)	(20,683)
Utilities and services	(33,774)	(32,510)	(37,445)	(36,354)
Other	(26,866)	(22,304)	(31,965)	(22,670)
Total	(346,078)	(393,801)	(412,142)	(454,330)

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26. Selling expenses and distribution

Selling expenses by nature are as follows:

	Parent company		Consolidated	
	03.31.2020	03.31.2019	03.31.2020	03.31.2019
Personnel and benefits	(11,163)	(9,928)	(12,815)	(11,209)
Freight	(9,156)	(9,046)	(11,946)	(12,398)
Brand license	(2,220)	(2,600)	(2,437)	(2,844)
Variable selling expenses	(2,076)	(1,278)	(4,335)	(3,277)
General expenses	(1,485)	(1,305)	(2,351)	(2,865)
Advertising	(465)	(949)	(662)	(872)
Travel and entertainment allowance	(566)	(601)	(626)	(650)
Depreciation	(126)	(153)	(153)	(182)
Professional services/service orders	(3,680)	(1,351)	(4,022)	(1,600)
Other expenses	(2,543)	(1,185)	(2,938)	(1,898)
	(33,480)	(28,396)	(42,285)	(37,795)

27. General and administrative expenses

General and administrative expenses by nature are as follows:

	Parent company		Consolidated	
	03.31.2020	03.31.2019	03.31.2020	03.31.2019
Personnel and benefits	(7,829)	(7,224)	(9,679)	(8,637)
Management	(3,368)	(2,748)	(3,368)	(2,748)
Professional services/service orders	(5,488)	(1,592)	(5,898)	(2,055)
Materials and utilities	(824)	(756)	(923)	(830)
Depreciation	(757)	(584)	(792)	(602)
Maintenance	(772)	(530)	(826)	(566)
PIS/COFINS	(1,209)	(457)	(1,214)	(459)
Travel and entertainment allowance	(315)	(388)	(346)	(415)
Other expenses	(2,082)	(2,447)	(2,237)	(2,697)
	(22,644)	(16,726)	(25,283)	(19,009)

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28. Technology and product development costs

The costs of technology and product development by nature are as follows:

	Parent company		Consolidated	
	03.31.2020	03.31.2019	03.31.2020	03.31.2019
Personnel and benefits	(8,311)	(11,380)	(8,589)	(11,623)
Materials/utilities	(981)	(1,955)	(1,122)	(1,972)
Professional services/service orders	(947)	(1,810)	(1,096)	(1,888)
General expenses	(3,732)	(1,216)	(5,166)	(1,877)
Depreciation	(1,279)	(1,213)	(1,300)	(1,237)
Maintenance	(700)	(906)	(701)	(906)
Other expenses	(1,111)	(515)	(1,204)	(586)
	<u>(17,061)</u>	<u>(18,995)</u>	<u>(19,178)</u>	<u>(20,089)</u>

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29. Finance income and costs, net

	Parent company		Consolidated	
	03.31.2020	03.31.2019	03.31.2020	03.31.2019
Finance income				
Interest	2,399	1,905	3,214	2,028
Exchange variation (a)	74,186	12,144	87,035	24,058
Monetary variation gains	28	542	(30)	540
Derivative financial instruments (c)	(599)	3,485	(599)	3,485
Other	139	272	1,171	973
	76,153	18,348	90,791	31,084
Finance costs				
Interest	(3,299)	(2,816)	(4,438)	(3,711)
Exchange variations (b)	(69,637)	(9,156)	(82,745)	(20,855)
Monetary variation losses	(5,009)	(8,103)	(5,588)	(8,532)
Derivative financial instruments (d)	(36,414)	(3,955)	(36,414)	(3,955)
Other	(441)	(1,308)	(2,202)	(2,870)
	(114,800)	(25,338)	(131,387)	(39,923)
Finance income (costs), net	(38,647)	(6,990)	(40,596)	(8,839)
Summary of foreign exchange variations (a+b)	4,549	2,988	4,290	3,203
Trade receivables	30,575	2,049	39,040	9,918
Cash and cash equivalents	21,090	1,495	20,312	2,833
Interest on capital receivable	15,094	(496)	15,094	(496)
Loan receivable	4,767	-	4,767	-
Trade payables	(7,664)	(348)	(13,311)	(8,424)
Borrowings	(59,340)	305	(60,879)	(610)
Lease obligations (IFRS 16)	-	-	(760)	-
Other	27	(17)	27	(18)
Summary of derivative instruments (c+d)	(37,013)	(470)	(37,013)	(470)
Income	(599)	3,485	(599)	3,485
Expenses	(36,414)	(3,955)	(36,414)	(3,955)
Net result of foreign exchange variations and derivative financial instruments	(32,464)	2,518	(32,723)	2,733

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30. Other operating income and expenses, net

	Parent company		Consolidated	
	03.31.2020	03.31.2019	03.31.2020	03.31.2019
Other income				
Reversal of provision for labor, civil and tax contingencies	14,083	24,645	14,192	26,114
Taxes recovered (Reintegra)	169	186	169	186
Reversal of provision for obsolescence	18	19	18	19
Gain on monetary items	-	-	220	337
Gains on disposal of assets /other	27	1	27	6
Reversal of provision for compulsory loan (Eletrobrás) (*)	4,315	-	4,315	-
Other income	891	1,923	966	2,119
	19,503	26,774	19,907	28,781
Other expenses				
Provision for labor, civil and tax contingencies	(22,973)	(21,406)	(24,737)	(23,297)
Losses on disposal of assets /other	7	(7)	7	(8)
Provision for obsolescence	-	(223)	-	(223)
Losses on monetary items	-	-	(214)	(358)
Export expenses - Argentina	-	-	(2,468)	(3,976)
Other expenses	(740)	(1,007)	(1,226)	(1,461)
	(23,709)	(22,643)	(28,638)	(29,323)
Other operating income (expenses), net	(4,206)	4,131	(8,731)	(542)

(*) Reversal of provision for compulsory loans refers to the class B preferred shares held in Eletrobrás as a result of the conversion of receivables from this compulsory loan.

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31. Financial instruments

I. Financial instruments and risk management

Financial instruments are used to assure the Group's continuity, liquidity and profitability, and there is no speculative purpose. The financial instruments are recorded in the financial statements and classified in conformity with CPC 40/48 (IFRS 7/9), allowing the reader to assess the Group's financial position. The table below shows the classification of the financial instruments.

Parent Company									
03.31.2020					12.31.2019				
Assets	Note	Amortized Cost	Fair Value by Result	Designated Derivatives for Cash Flow Hedge	Total	Amortized Cost	Fair Value by Result	Designated Derivatives for Cash Flow Hedge	Total
Cash, demand deposits and cash in transit	6	-	89,644	-	89,644	-	70,746	-	70,746
Financial investments	6	-	379,775	-	379,775	-	87,808	-	87,808
Trade receivables	7	331,240	-	-	331,240	323,262	-	-	323,262
Receivables from and loans to related parties	10	31,189	-	-	31,189	25,812	-	-	25,812
Unrealized gains on derivatives	31	-	-	4,197	4,197	-	-	7,801	7,801
Total		362,429	469,419	4,197	836,045	349,074	158,554	7,801	515,429

Consolidated									
03.31.2020					12.31.2019				
Assets	Note	Amortized Cost	Fair Value by Result	Designated Derivatives for Cash Flow Hedge	Total	Amortized Cost	Fair Value by Result	Designated Derivatives for Cash Flow Hedge	Total
Cash, demand deposits and cash in transit	6	-	101,796	-	101,796	-	80,688	-	80,688
Financial investments	6	-	386,609	-	386,609	-	88,093	-	88,093
Trade receivables	7	435,798	-	-	435,798	394,305	-	-	394,305
Receivables from and loans to related parties	10	70,459	-	-	70,459	37,030	-	-	37,030
Unrealized gains on derivatives	31	-	-	4,623	4,623	-	-	7,930	7,930
Total		506,257	488,405	4,623	999,285	431,335	168,781	7,930	608,046

Consolidated									
03.31.2020					12.31.2019				
Liabilities	Note	Amortized Cost	Fair Value by Result	Designated Derivatives for Cash Flow Hedge	Total	Amortized Cost	Fair Value by Result	Designated Derivatives for Cash Flow Hedge	Total
Payables to related parties	15	(53,695)	-	-	(53,695)	(52,364)	-	-	(52,364)
Trade payables	15	(123,791)	-	-	(123,791)	(97,144)	-	-	(97,144)
Lease liabilities	17.b	(22,390)	-	-	(22,390)	(24,918)	-	-	(24,918)
Borrowings	17.a	(742,266)	-	-	(742,266)	(394,160)	-	-	(394,160)
Unrealized losses on derivatives	31	-	-	(64,536)	(64,536)	-	-	(2,787)	(2,787)
Total		(942,142)	-	(64,536)	(1,006,678)	(568,586)	-	(2,787)	(571,373)

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- Evaluation of the business model to determine the classification of financial instruments

- Cash and cash equivalents and financial investments: the Company manages these transactions based on fair value through profit or loss so that they are measured and recorded at fair value through profit or loss.
- Trade receivables and loans to related parties: for these assets the Company has as business model the maintenance of receivables according to the contractual cash flows, and it is not Company's practice to have these cash flows advanced through discounting or assignment of receivables. Additionally, the payment feature of these receivables was also evaluated and the conclusion was that they meet the payment criteria of "principal and interest" only, with no leverage feature, and are therefore classified as amortized cost.
- Unrealized gains on derivatives: the Company uses derivatives for hedging purposes only and adopts the hedge accounting procedure for these transactions. Accordingly, they are classified as derivatives designated for cash flow hedge and recorded at fair value.

- Fair value hierarchy and measurement

The financial instruments that are measured at fair value after initial recognition must be grouped in Levels 1 to 3 based on the observable level of the fair value.

Level 1 – prices quoted (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);

Level 3 - inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

- Fair value calculation

Level 2 - Derivative financial instruments were included in this level. The value of these instruments was determined as follows:

- The values of derivative financial instruments (NDFs) were calculated using the discounted cash flow method, which consists of:

- a) The difference between the future exchange rate contracted for the settlement of each contract, and the future exchange rate of "B3" a valid for the mark-to-market (MTM) date of the US dollar, euro and yen is determined. In the absence of a future rate for the maturity date disclosed by "B3", an interpolation is made of the rate for that date;
- b) The result of the above difference is multiplied by the notional value of each operation;

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- c) The amounts obtained in item "b" are brought to present value at the Interbank Deposit (DI) curve of "B3" valid for the MTM date.

- The values of commodity derivative financial instruments are calculated using the "market fair value", i.e.:

- a) The difference between the future price of the metal (USD/tons) contracted for the settlement of each contract, and the future price of the metal (USD/tons) published by Bloomberg for the maturity date of each contract, valid on the MTM date. In the absence of a future price for the maturity date of a given contract, an interpolation is made of the price of the metal for that date;
- b) The result of the above difference is multiplied by the contracted volume in tons and the US dollar rate (Ptax sale) valid for the MTM date.

- Fair value versus carrying amount

The carrying amounts of financial investments, trade receivables, trade payables and borrowings, less impairment loss for trade receivables, are supposed to approximate fair values.

The table below presents an analysis of financial instruments that are measured at fair value compared to the carrying amount after initial recognition and their respective fair value hierarchies.

		Consolidated				
		03.31.2020		12.31.2019		Level
Assets	Note	Carrying amount	Fair value	Carrying amount	Fair value	
Cash, demand deposits and cash in transit	6	101,796	101,796	80,688	80,688	2
Financial investments	6	386,609	386,609	88,093	88,093	2
Trade receivables and the other account receivable	7	435,798	435,798	394,305	394,305	2
Receivables from and loans to related parties	10	70,459	70,459	37,030	37,030	2
Unrealized gains on derivatives	31	4,623	4,623	7,930	7,930	2
Total		999,285	999,285	608,046	608,046	
Liabilities						
Payables to related parties	15	(53,695)	(53,695)	(52,364)	(52,364)	2
Trade payables	15	(123,791)	(123,791)	(97,144)	(97,144)	2
Lease liabilities	17.b	(22,390)	(22,390)	(24,918)	(24,918)	2
Borrowings	17.a	(742,266)	(742,266)	(394,160)	(394,160)	2
Unrealized losses on derivatives	31	(64,536)	(64,536)	(2,787)	(2,787)	2
Net position		(1,006,678)	(1,006,678)	(571,373)	(571,373)	

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- Hedge accounting

The Group adopts hedge accounting to minimize its exposure to volatility in currency and commodity price. The hedge accounting policy is properly formalized and sets out the hedged items; the authorized hedging instruments; and the method of assessing the effectiveness of the hedging relationship.

Hedging objective and strategy:

Currency hedge

The purpose of the currency hedge program is to minimize foreign exchange risks that may arise in adverse times in the market and that may adversely affect the Group's profitability.

The foreign exchange hedging policy is to hedge the entire position of budgeted cash flow (budget) as well as the actual cash flow (balance sheet) denominated and/or indexed in a foreign currency using derivative financial instruments (NDF - Non-deliverable Forwards).

For the budgeted cash flow, this policy covers different levels and time horizons, so as to reach the following levels of hedge at the end of the current month (base date):

- i) 75% of the net foreign exchange risk exposure – 1st to 6th month following the base date;
- ii) 50% of the net foreign exchange risk exposure – 7th to 9th month following the base date; and
- iii) 25% of the net foreign exchange risk exposure – 10th to 24th month following the base date.

The net foreign exchange risk exposure for the months following the time horizon of the budget will be based on the budget itself or its latest version (reviewed by the business areas on a quarterly basis).

For the actual cash flow, the policy is to hedge 100% of the net foreign exchange risk exposure (denominated and/or indexed in a foreign currency).

Commodity hedging (metal raw materials)

The purpose of the commodity hedging program is to minimize the risks of fluctuations in metal raw material prices (aluminum, nickel and copper) quoted on the London Metal Exchange (LME), which may arise during adverse times in the market and which would adversely affect the Group's profitability.

The commodity hedging policy is to hedge the planned volumes of budgeted cash flows (budget) using swaps.

The execution of this policy covers different levels and time horizons so as to reach the following levels of hedge at the end of each quarter of the calendar year (base date):

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Year 1:

- i) 75% of the net exposure – 1st and 2nd quarter subsequent to the base date;
- ii) 50% of the net exposure – 3rd quarter subsequent to the base date; and
- iii) 25% of the net exposure – 4th quarter subsequent to the base date.

Year 2/Year 3:

- i) up to 25% of the net exposure

The percentage of the commodity hedging operations for the Year 2 and Year 3 subsequent to the base date shall be defined by the Global Committee together with the Regional Procurement Department. This decision shall be based on a study of historical average prices of metals for the last 5 and 10 years versus the prices quoted on the LME at the time of the hedging operations.

The net exposure for the quarters following the time horizon of the budget will be based on the budget itself or its latest version (reviewed by the business areas on a quarterly basis).

II. Risk management

Overview

The Company's risk management objectives are to preserve the value of the financial assets; preserve the liquidity of the financial assets; ensure that the Company has financial resources to conduct its business, including expansion.

Basically, risks are classified into two categories - strategic/operational and economic/financial

- a) Strategic/operational risks (including, but not limited to, demand behavior, competition and significant changes in industry structure) are addressed by the Group's management model. These are classified as operational risk and business risk.

a.1) Operational risk

Operational risks arise from all the Group's operations. Operational risk is the risk of direct or indirect losses arising from a variety of causes related to the Group's processes, personnel, technology and infrastructure and external factors, other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

The Group has a Technological Center for the purpose of prospecting the need for process restructuring and the adaptation of production engineering, minimizing the operational risks and consequently reducing the potential impacts on the financial flow and damage to its reputation, and seeking cost effectiveness in order to avoid any operating restrictions. Also, the Group's processes are reviewed by administrative areas on an ongoing basis.

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a.2) Business risk

Potential political restrictions, the emergence of new competitors and significant changes in the macroeconomic environment are the main components of this risk. To minimize any impacts from this risk, the Group seeks to manage its expectations for billing and results in the most conservative manner possible in relation to the global scenarios.

The Group's management has a policy of preparing a budget for the following year, as well as a strategic plan for another four years after the budget. These are coordinated and consolidated worldwide by the parent company jointly with local senior management. In the course of the year, the budget is reassessed on two different occasions.

- b) Economic/financial risks mainly reflect the behavior of macroeconomic variables, such as the prices of metals used by the Group (aluminum, copper and nickel), exchange and interest rates, which have direct impacts on operations, as well as the characteristics of the financial instruments used by the Group. These risks are monitored by senior management, which is actively involved in the Group's operational management, by reference to the Group's global policies. At December 31, 2019, the Company did not enter into hedge transactions for tin and nickel because the level of risk was acceptable according to global policies.

The main economic/financial risks considered by the Group include:

- Liquidity risk;
- Credit risk;
- Risk of fluctuation in interest rates;
- Risk of fluctuation in exchange rates;
- Market risk - fluctuations in the prices of inputs (commodities).

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b.1) Liquidity risk

The Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to pay its obligations as they fall due under all market conditions, to avoid incurring significant losses or adversely affecting the Group's reputation.

The table below shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of currency negotiation agreements at the net position, as well as financial assets that are used to manage this risk.

<u>Consolidated</u>		<u>03.31.2020</u>					
	Note	Carrying amount	Cash Flow	Up to 1 year	1 - 2 years	2 - 5 years	More than 5 years
Liabilities							
Payables to related parties	15	(53,695)	(53,695)	(53,695)	-	-	-
Trade payables	15	(123,791)	(123,791)	(123,791)	-	-	-
Lease liabilities	17.b	(22,390)	(24,918)	(8,645)	(9,550)	(6,723)	-
Borrowings	17.a	(742,266)	(847,966)	(543,997)	(105,012)	(117,700)	(81,257)
Unrealized losses on derivatives	31	(64,536)	(64,536)	(64,536)	-	-	-
Total		(1,006,678)	(1,114,906)	(794,664)	(114,562)	(124,423)	(81,257)

<u>Consolidated</u>		<u>12.31.2019</u>					
	Note	Carrying amount	Cash Flow	Up to 1 year	1 - 2 years	2 - 5 years	More than 5 years
Liabilities							
Payables to related parties	15	(52,364)	(52,364)	(52,364)	-	-	-
Trade payables	15	(97,144)	(97,144)	(97,144)	-	-	-
Lease liabilities	17.b	(24,918)	(24,918)	(8,645)	(9,550)	(6,723)	-
Borrowings	17.a	(394,160)	(472,696)	(215,242)	(48,226)	(139,186)	(70,042)
Unrealized losses on derivatives	31	(2,787)	(2,787)	(2,787)	-	-	-
Total		(571,373)	(649,909)	(376,182)	(57,776)	(145,909)	(70,042)

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b.2) Credit risk

Credit risk is the risk of the Group incurring financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This risk arises mainly from receivables, mostly from recurring customers, demand deposits, cash in transit and financial investments.

The carrying amount of financial assets that represent the maximum exposure to credit risk on the date of these financial statements was as follows:

Assets	Note	Parent company		Consolidated	
		03.31.2020	12.31.2019	03.31.2020	12.31.2019
Cash, demand deposits and cash in transit	6	89,644	70,746	101,796	80,688
Financial investments	6	379,775	87,808	386,609	88,093
Trade receivables and other account receivable	7	331,240	323,262	435,798	394,305
Receivables from and loans to related parties	10	31,189	25,812	70,459	37,030
Unrealized gains on derivatives	31	4,197	7,801	4,623	7,930
Total		836,045	515,429	999,285	608,046

The Group also has policies for granting credit to its customers, where credit limits and monitoring criteria are pre-established and consist of systematic checking and pre-billing to verify items such as late payments and the available balance of the invoicing limit. Market information on customers is also important in the context of the granting and management of credit.

The Group considers that there is no significant risk of concentration of credit in relation to customers:

Trade receivables
Counterparties with external credit rating (Standard & Poor's)

Counterparties unrated external de crédito	Parent Company		Consolidated	
	03.31.2020	12.31.2019	03.31.2020	12.31.2019
<i>Top 20</i>	138,455	129,683	196,253	166,603
<i>Third Parties</i>	113,677	138,616	145,102	169,270
<i>Intercompanies</i>	87,027	62,120	106,314	67,814
Total of trade accounts receivables and other account receivable	339,159	330,419	447,669	403,687

With respect to financial institutions, the Group operates only with banks with a minimum risk rating of AA (Fitch National Long-Term or equivalent from Moody's or Standard & Poor's).

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(in thousand of reais)

The table below presents the risk rating of financial investments, cash and cash in transit.

Cash, demand deposits and financial investments	Nota	Controladora		Consolidado	
		03.31.2020	12.31.2019	03.31.2020	12.31.2019
AAA	6	390,541	131,804	391,151	132,132
AA		55,189	14,871	55,189	14,871
Others		23,689	11,879	42,065	21,778
		469,419	158,554	488,405	168,781

S&P National Long Term

b.3) Risk of fluctuation in interest rates

This risk arises from the possibility of the Group incurring losses as a result of fluctuations in interest rates on its financial assets and liabilities.

Aiming at mitigating this risk, the Group seeks to diversify the raising of funds in terms of fixed or floating rates with papers pegged to the CDI rate and TJLP, so that any results originating from the volatility of these indexes do not drive material impacts.

The carrying value of financial instruments that represent the maximum exposure to the interest rate risk on the balance sheet date was:

	Note	Parent company		Consolidated	
		31.03.2020	31.12.2019	31.03.2020	1900
Cash, demand deposits and cash in transit	6	89,644	70,746	101,796	80,688
Financial investments	6	379,775	87,808	386,609	88,093
Borrowings	17.a	(727,838)	(381,882)	(742,266)	(394,160)
Total		(258,419)	(223,328)	(253,861)	(225,379)

At March 31, 2020, the balances of borrowings of R\$ 727,838 (Parent company) and of R\$ 742,266 (Consolidated) refer to the following: 20.23% 4131 Santander with interest rate CDI + 4.25% p.a. and average cost of 7.90%; 13.49% 4131 Itaú with interest rate CDI + 4.30% p.a. and average cost of 7.95%; 25.21% FINEP with interest rate TJLP -1% p.a.; 37.08% ACC with interest rate at 0.35%; 2.05% BNDES with interest rate TJLP +1.5%; and 1.94% ACC relating to the Argentine subsidiary, with average interest rate of 9.62%.

This rate condition being considered, the Group believes that fluctuations in interest rates will not result in any material impact on its results. Accordingly, the Group maintains financial assets or liabilities bearing fixed interest rates at amortized cost and does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model, or carries out sensitivity analyses for the interest rate variation.

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b.4) Risk of fluctuation in exchange rates

This arises from the possibility of fluctuations in the exchange rates of the foreign currencies used by the Group for the sale of products and the contracting of financial instruments.

The Group follows the Group's global policy for managing the risk of fluctuation in exchange rates. The main instrument to mitigate this risk is to use derivatives. The Group has a short position (USD and euro) since there is a significant currency volume due to the export market and, consequently, there is a risk of Brazilian currency appreciation relative to these currencies. In the case of JPY transactions, the Group has a long position.

The Group contracts hedge instruments both for the exchange exposure originating from the operations incurred and already reflected in the balance sheet (effective cash flow) and exposure arising from the expectations outlined in the budget (budgeted cash flow).

At March 31, 2020, the Group's exposure in USD (EUR and JPY equivalents in USD) was USD 26,391 thousand in the parent company in the consolidated accounts, as shown below:

Foreign exchange exposure arising from accounts receivable and payable in foreign currency at March 31, 2020

	USD thousand	EUR thousand (*)	JPY thousand (**)
Item	Parent company and Consolidated	Parent company and Consolidated	Parent company and Consolidated
(+) Trade receivables	20,398	6,057	-
(+) Demand deposits (in foreign currency)	6,892	12,155	-
(-) Advances on export exchange contract	-	(48,052)	-
(-) Imports	(2,209)	(3,990)	(121,063)
(-) Currency forwards - sale	(13,912)	-	89,234
(=) Net balance of foreign exchange exposure	11,169	(33,830)	(31,829)

Net balance of foreign exchange exposure in USD (EUR and JPY equivalents in USD) - in thousands

Currency	Consolidated		
USD	11,169		
EUR	(37,264)	(*) Parity EUR / USD	1,1015
JPY	(296)	(**) Parity JPY / USD	107,52223
Total	(26,391)		

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(in thousand of reais)

Additionally, we present the notional value of NDFs for hedging the Group's budget:

Parent company and consolidated (USD)				
Year	Net Exposure (thousands)	Notional Value - Hedge (thousands)	Average Rate (Portfolio NDF)	% Hedged
2020(Mar-Dec)	12,711	(10,465)	4.1375	82.3%
2021 (Jan-Dec)	15,616	(9,189)	4.1844	58.8%
2022 (Jan-Mar)	3,540	(885)	4.7996	25.0%
Total	31,867	(20,539)	4.1870	64.5%

Parent company and consolidated (EUR)				
Year	Net Exposure (thousands)	Notional Value - Hedge (thousands)	Average Rate (Portfolio NDF)	% Hedged
2020 (Mar-Dec)	13,854	(10,452)	4.9064	75.4%
2021 (Jan-Dec)	18,346	(6,970)	4.9298	38.0%
2022 (Jan-Mar)	5,185	(1,296)	5.4208	25.0%
Total	37,385	(18,718)	4.9510	50.1%

Parent company and consolidated (JPY)				
Year	Net Exposure (thousands)	Notional Value - Hedge (thousands)	Average Rate (Portfolio NDF)	% Hedged
2020 (Mar-Dec)	(402,186)	269,739	0.0391	67.1%
2021 (Jan-Dec)	(513,716)	127,134	0.0411	24.7%
2022 (Jan-Mar)	(131,640)	32,910	0.0470	25.0%
Total	(1,047,542)	429,783	0.0403	41.0%

- Sensitivity analysis

For the purposes of carrying out sensitivity analysis of market risks, the Group analyzes together asset and liability positions indexed to a foreign currency.

For the sensitivity analysis of transactions indexed in foreign currency, management adopted as a probable scenario the amounts accounted for and determined at the exchange rates disclosed by the Brazilian Central Bank. For other scenarios, the depreciation and appreciation of the exchange rates were considered as references for calculating the amounts recorded in the books under those scenarios. The other scenarios were estimated with appreciation and depreciation of the real of 25% and 50%, compared to the probable scenario.

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(in thousand of reais)

The methodology adopted for the calculation of the balances in the table below consisted of replacing the closing foreign exchange rate used for the purposes of accounting records with the stressed rates, in accordance with the scenarios below:

Sensitivity analysis table

The selling rates published on March 31, 2020 by the Brazilian Central Bank for USD, EUR and JPY were used in this sensitivity analysis.

	Parent company and Consolidated			
	USD/BRL exchange rate for settlement of bills of exchange	* Net balance of foreign exchange exposure - USD	** Average rate of bills of exchange	Total BRL
50% better	7.7981		4.4870	36,982
25% better	6.4984		4.4870	22,466
Balance sheet date	5.1987	11,169	4.4870	7,949
25% worse	3.8990		4.4870	(6,567)
50% worse	2.5994		4.4870	(21,082)

(*) Amounts in thousands

(**) Average rate of remittance of the bills of exchange that comprise the net balance of foreign exchange exposure

	Parent company and Consolidated			
	EUR/BRL exchange rate for settlement of bills of exchange	* Net balance of foreign exchange exposure - EUR	** Average rate of bills of exchange	Total BRL
50% better	2.8632		5.4982	89,142
25% better	4.2948		5.4982	40,710
Balance sheet date	5.7264	(33,830)	5.4982	(7,721)
25% worse	7.1580		5.4982	(56,153)
50% worse	8.5896		5.4982	(104,584)

(*) Amounts in thousands

(**) Average rate of remittance of the bills of exchange that comprise the net balance of foreign exchange exposure

	Parent company and Consolidated			
	JPY/BRL exchange rate for settlement of bills of exchange	* Net balance of foreign exchange exposure - JPY	** Average rate of bills of exchange	Total BRL
50% better	0.0242		0.0412	541
25% better	0.0363		0.0412	156
Balance sheet date	0.0484	(31,829)	0.0412	(228)
25% worse	0.0604		0.0412	(611)
50% worse	0.0725		0.0412	(996)

(*) Amounts in thousands

(**) Average rate of remittance of the bills of exchange that comprise the net balance of foreign exchange exposure

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Budgeted cash flow - exposure in foreign currency

The Group projects and conducts its transactions based on its current cash flows, which means that subsequent changes in the exchange rates can result in expenditure for the Group. To hedge its future cash flow against currency fluctuations, the Group uses forward contracts for USD, EUR and JPY (NDF).

Sensitivity analysis table

Parent company and consolidated sensitivity analysis table – cash flow derivatives portfolio for the period ended March 31, 2020

Scenario	USD/BRL exchange rate for settlement of operations	Notional value - USD (thousand)	Weighted average rate at maturity (*)	Adjustment in R\$ thousand	EUR/BRL exchange rate for settlement of operations	Notional value - EUR (thousand)	Weighted average rate at maturity (*)	Adjustment in R\$ thousand	JPY/BRL exchange rate for settlement of operations	Notional value - JPY (thousand)	Weighted average rate at maturity (*)	Adjustment in R\$ thousand	Total adjustment in R\$ thousand
50% better	2.5994	(20,539)	4.1870	(32,609)	2.8632	(18,718)	4.9510	(39,079)	0.0725	429,783	0.0403	(13,851)	(85,539)
25% better	3.8990	(20,539)	4.1870	(5,915)	4.2948	(18,718)	4.9510	(12,283)	0.0604	429,783	0.0403	(8,656)	(26,854)
Balance sheet date	5.1987	(20,539)	4.1870	20,779	5.7264	(18,718)	4.9510	14,514	0.0484	429,783	0.0403	(3,461)	31,832
25% worse	6.4984	(20,539)	4.1870	47,473	7.1580	(18,718)	4.9510	41,310	0.0363	429,783	0.0403	1,734	90,517
50% worse	7.7981	(20,539)	4.1870	74,167	8.5896	(18,718)	4.9510	68,107	0.0242	429,783	0.0403	6,929	149,203

The selling rates published on March 31, 2020 by the Brazilian Central Bank for USD, EUR and JPY were used.

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All the instruments are traded with top-tier banks on an organized over-the-counter market, duly registered with the Clearing House for the Custody and Financial Settlement of Securities, as presented below:

Weighted average forward rate - value for settlement			Notional value - thousand			
Foreign currency			Parent company		Consolidated	
			03.31.2020	03.31.2019	03.31.2020	03.31.2019
Short position	EUR	4.95070	18,719	24,445	18,719	24,445
Short position	USD	4.39150	34,451	52,041	34,451	52,041
Long position	JPY	0.04103	(519,017)	(522,081)	(519,017)	(522,081)

Weighted average forward rate - value for settlement			Fair market value - thousand			
Foreign currency			Parent company		Consolidated	
			03.31.2020	03.31.2019	03.31.2020	03.31.2019
Short position	EUR	4.95070	(17,179)	927	(17,179)	927
Short position	USD	4.39150	(29,843)	(3,572)	(29,843)	(3,572)
Long position	JPY	0.04103	4,239	132	4,239	132

b.5) Market risk, fluctuations in prices of inputs (commodities).

This risk arises from possible fluctuations in prices of the main raw materials used in the Group's production process, which are: aluminum and copper.

To minimize and manage this risk, the Group contracts derivative transactions to hedge against fluctuations in the prices of these raw materials, in compliance with the Group's hedging policy.

The table below presents the outstanding position at March 31, 2020 and 2019:

		Notional value - metric tons			
		Parent company		Consolidated	
		03.31.2020	03.31.2019	03.31.2020	03.31.2019
<u>Long position</u>					
<u>Commodities</u>					
Copper	5,179	306	372	306	372
Aluminum	1,611	205	203	205	203
TOTAL		511	575	511	575

		Notional value (fair market value)			
		Parent company		Consolidated	
		03.31.2020	03.31.2019	03.31.2020	03.31.2019
<u>Long position</u>					
<u>Commodities</u>					
Copper	5,179	(1,807)	55	(1,807)	55
Aluminum	1,611	(294)	(119)	(294)	(119)
TOTAL		(2,101)	(64)	(2,101)	(64)

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(in thousand of reais)

Additionally, we present the notional value of the commodities to protect the economic plan of the Company.

Parent company and Consolidated (ALUMINUM)				
Year	Net Exposure (Tons)	Notional Value - Hedge (Tons)	Average Price - Portfolio Swap	% Hedged
2020 (Mar-Dec)	(307)	205	2,461	66.8%
Total	(307)	205	2,461	66.8%

Parent company and Consolidated (COPPER)				
Year	Net Exposure (Tons)	Notional Value - Hedge (Tons)	Average Price - Portfolio Swap	% Hedged
2020 (Mar-Dec)	(432)	306	7,638	70.8%
Total	(432)	306	7,638	70.8%

- Sensitivity analysis table

For the purposes of carrying out the sensitivity analysis of market risks, the Group analyzes together long and short positions of the prices of commodities (copper and aluminum).

For the sensitivity analysis of commodity transactions, management adopted as a probable scenario the amounts recognized in its books, determined by projected prices disclosed by the LME and exchange rates published by the Brazilian Central Bank at March 31, 2020. As a reference, the depreciation and appreciation of the prices used for accounting records were considered for the other scenarios. The scenarios were estimated with appreciation and depreciation of 25% and 50%, respectively, of prices in the probable scenario.

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The methodology adopted for calculating the balances presented in the table below consisted of replacing the closing exchange rate and commodity prices at March 31, 2020 used for the purposes of accounting records with the stressed rates and prices calculated in accordance with the following scenarios.

Sensitivity analysis on results of operations of purchase of commodity swap contracts - Parent company and Consolidated					
Commodity	Volume in metric tons	Settlement price on maturity (USD/metric ton)	Weighted average price on maturity (USD/metric ton)	Total adjustment BRL	Total effect on purchases of commodities BRL
Copper					
50% better		7,196		3,208	(3,208)
25% better		5,996		1,301	(1,301)
Balance sheet date	306	4,797	5,179	(607)	607
25% worse		3,598		(2,515)	2,515
50% worse		2,399		(4,423)	4,423
Aluminum					
50% better		2,234		663	(663)
25% better		1,861		267	(267)
Balance sheet date	205	1,489	1,611	(130)	130
25% worse		1,117		(527)	527
50% worse		745		(924)	924

The selling rates of the USD published on March 31, 2020 by the Brazilian Central Bank and the metal prices published on the same date by the LME were used.

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The results from foreign exchange and commodity derivative financial instruments affected the Group's and its subsidiaries' information as presented below:

	03.31.2020		03.31.2019	
	Parent company	Consolidated	Parent company	Consolidated
Results of derivatives (exports/imports/loan)				
Provisions				
- Operations on accounts receivable and payable	(24,520)	(24,520)	550	550
Cash effect				
- Operations on accounts receivable and payable	(12,493)	(12,493)	(80)	(80)
Note 29	(37,013)	(37,013)	470	470
Total derivative operations- net finance result	(37,013)	(37,013)	470	470
Exchange variations (gains and losses)	4,549	4,290	2,988	3,203
Results of derivatives (exports/imports/loan)	(37,013)	(37,013)	470	470
Gross sales	5,709	5,709	(834)	(834)
Cost of sales	(1,408)	(1,408)	396	396
Effects of foreign exchange variations and financial instruments on profit and loss	(28,163)	(28,422)	3,020	3,235
Gross result				
Gross sales				
- Settlements with cash effect	5,709	5,709	(834)	(834)
	5,709	5,709	(834)	(834)
Cost of sales				
- Settlements with cash effect	(1,408)	(1,408)	396	396
	(1,408)	(1,408)	396	396
Total derivative operations - gross result	4,301	4,301	(438)	(438)
Equity				
Provisions				
- Operations on sales to be made	(BS) 35,315	35,315	4,028	4,028
- Operations on commodities	(BS) 2,102	2,102	64	64
Deferred income tax and social contribution	12,722	12,722	1,391	1,391
Total derivative operations - Equity	50,139	50,139	5,483	5,483
Provision for unrealized losses and gains on derivatives				
(BS) - Sum of the net balance sheet				
Balance sheet assets	4,197	4,623	7,393	7,495
Balance sheet liabilities	(64,536)	(64,536)	(10,464)	(11,723)
Balance sheet, net	(60,339)	(59,913)	(3,071)	(4,228)

Guarantees

The Group had no guarantee deposits relating to these derivative instruments for the periods presented above (March 31, 2020 and 2019).

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32. Employee benefits

The employee benefits offered by the Group are mainly granted on a monthly basis and recognized in the accounting records accordingly. There are no post-employment benefits, pension funds or other benefits that require specific accounting treatment.

For the period ended March 31, 2020, the Group granted profit-sharing to its employees, based on a union agreement, in the amount of R\$ 12,475 (R\$ 13,184 in the first quarter of 2019) in the parent company and R\$ 12,498 (R\$ 13,214 in the first quarter of 2019) in the consolidated accounts. The criteria established for the payment of profit-sharing follow the rules defined in the collective bargaining agreement, which establish certain goals to be attained, such as: i) meeting production goals for a predetermined number of employees; ii) maintaining the level of absenteeism at or below a previously established annual average rate of hours of absence in relation to the standard hours worked; and iii) maintaining the annual level of waste at or below the previously set average annual rate in relation to the number of parts produced.

Supplementary pension plan - defined contribution

In September 2006, the Group joined a free benefit-generating private pension plan, managed by Bradesco Vida e Previdência S.A. (the Manager), offering all its employees the option to participate. The contributions are defined according to salary bracket. Annually, the Manager conducts an actuarial valuation of the plan in order to determine possible adjustments to the contribution levels.

The Group contributed to the private pension plan an amount of R\$ 843 at March 31, 2020 (R\$ 696 at March 31, 2019).

33. Insurance

The Group has a policy of taking out insurance coverage for assets subject to risks at amounts considered sufficient to cover losses, including property insurance, domestic and international transportation insurance, vehicle insurance and other coverages considering the nature of the risks. The insurance is contracted with leading insurance companies with the advice of specialist insurance brokers.

For 2020 the insurance coverage for operational risks (combined property damages and lost profits) is R\$ 5,811,644 (2019 - R\$ 5,592,402).

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34. Application of CPC 42 / IAS 29 - Financial Reporting in Hyperinflationary Economies

Since July 2018 Argentina is considered a hyperinflationary economy and the Group applies CPC 42/IAS 29 - Financial Reporting in Hyperinflationary Economies to its subsidiary MAHLE Argentina S.A., whose functional currency is the Argentine peso.

The statement of income is restated at the end of each reporting period for the change in the general price index and subsequently translated at the closing rate for each period (rather than the accumulated average rate for the year for non-hyperinflationary economies), thus resulting in the effects on the income statement accounts of both the inflation and the currency translation;

The impacts of the application of CPC 42 / IAS 29 Financial Reporting in Hyperinflationary Economies on the parent company and consolidated financial statements as at March 31, 2020 are shown below:

	<u>03.31.2020</u>	<u>03.31.2019</u>
Reconciliation of result adjustments		
Gain on monetary position of investments from parent company - reflex recomposition	9,935	12,234
Gain on monetary position of investments from subsidiary - reflex recomposition	75	98
Loss on monetary position of subsidiary MAHLE Argentina S.A.	<u>(9,049)</u>	<u>(5,950)</u>
Gain on monetary item, result (consolidated)	961	6,382

The statement of income for the first quarter of 2020 was adjusted for inflation and subsequently translated using the exchange rate at the end of the quarter.

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35. Events after the reporting date

Management continues to monitor the impacts from COVID-19 on the operations and financial position of the Company.

The business environment in April 2020 indicated a 71% fall in sales compared to the same month of the prior year, driven mainly by OE market sales.

To protect cash, the Company has negotiated with its suppliers and suspended most of its payments between March 28, 2020 and April 1, 2020.

We are facing an unprecedented crisis and the economic impacts are undeniable. This is why the Group terminated some employment contracts in April 2020 and made collective labor agreements to reduce working hours and salaries and temporary suspension of employment contracts for a period of 60 days. As from April 13, 2020, some production lines restarted to meet the demand, following cleaning and sanitizing protocols.

It is important to say that, considering the unique circumstances of each business, impacts are expected for the next quarters but are also hard to measure at this time due to the heightened uncertainty in the market.

* * *

(A free translation of the original in Portuguese)

MAHLE Metal Leve S.A.

Representation by officers on the parent company and consolidated financial statements

MAHLE Metal Leve S.A.
CNPJ No. 60.476.884/0001-87
Publicly-held company

REPRESENTATION

Messrs. Sergio Pancini de Sá and Christian Harald Binkert, executive officers of MAHLE Metal Leve S.A., with its head office at Avenida Ernst MAHLE, 2000, Mombaça, in the city of Mogi Guaçu, State of São Paulo, in conformity with item VI of Article 25 of CVM Instruction 480, of December 7, 2009, do hereby declare that:

They have reviewed and discussed, and agree with, the parent company and consolidated financial statements of MAHLE Metal Leve S.A. for the period ended March 31, 2020, and thus authorize their completion.

Mogi Guaçu, May 12 2020.

Sergio Pancini de Sá
CEO

Christian Harald Binkert
Executive Officer

(A free translation of the original in Portuguese)

MAHLE Metal Leve S.A.

Representation by officers on the independent auditor's report on the financial statements

MAHLE Metal Leve S.A.
CNPJ No. 60.476.884/0001-87
Publicly-held company

REPRESENTATION

Messrs. Sergio Pancini de Sá and Christian Harald Binkert, executive officers of MAHLE Metal Leve S.A., with its head office at Avenida Ernst MAHLE, 2000, Mombaça, in the city of Mogi Guaçu, State of São Paulo, in conformity with item V of Article 25 of CVM Instruction 480, of December 7, 2009, do hereby declare that:

They have reviewed and discussed, and agree with, the opinion expressed by PricewaterhouseCoopers Auditores Independentes on the parent company and consolidated financial statements of MAHLE Metal Leve S.A. for the period ended March 31, 2020.

Mogi Guaçu, May 12, 2020

Sergio Pancini de Sá
CEO

Christian Harald Binkert
Executive Officer