

## MAHLE REPORTS EBITDA OF R\$ 440.8 million in 2019; MARGIN OF 17.4%

**Mogi Guaçu (SP), March 30, 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 announced financial results for the fourth quarter and full year ended December 31, 2019. 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: 3/31/2020

Time:  
3:00 p.m. - Brasília  
7:00 p.m. - London  
2:00 p.m. - New York

#### Webcast (in English):

<https://webcastlite.mziq.com/cover.html?webcastId=26ea40f1-a578-40fa-8cdc-988d7ad0f1f1>

#### Webcast

(simultaneous translation):  
<https://webcastlite.mziq.com/cover.html?webcastId=e38417e3-08b3-4349-a486-2228630841f6>

#### Dial-in numbers:

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

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

- **Net Sales Revenue** for the full year 2019 was R\$ 2,526.2 million, down 2.5% from 2018. 4Q19 net sales revenue was 6.1% lower than 4Q18's levels. The decrease in both periods was primarily due to the drop in exports of vehicles to Argentina and parts to Europe and North America;
- **Domestic Original Equipment Market:** In 2019 the Company reported a 5.3% increase in sales. While consolidated vehicle production fell 3.0% (item 5.3), the Brazilian market grew 1.8% (item 5.1) and the Argentine market fell 32.6% (item 5.2);
- In 2019, the Board of Directors of the Company approved the distribution of **R\$ 81.9 million in Interest on Capital (gross)**, which will be submitted for consideration to the Ordinary General Meeting of Shareholders to be held in April 2020;
- **Transparency Trophy:** In October 2019, MAHLE Metal Leve won the *Troféu Transparência* (Transparency Trophy) for the sixth consecutive year from the National Association of Finance, Administration and Accounting Executives (ANEFAC) for its high-quality fiscal year 2018 financial statements;
- **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 employees and partners. We will discuss this in item 4 in this document.
- **Subsequent event:** Due to uncertainty caused by the global coronavirus pandemic and as a targeted response to the potential crisis in the global market, Management will submit the resolution to retain the Company's remaining profits to shareholders for discussion and approval at the Ordinary General Meeting.

(R\$ million)	Key indicators							
	2019 (a)	2018 (b)	(a/b)	4Q19 (c)	3Q19 (d)	4Q18 (e)	(c/d)	(c/e)
Net revenue	2,526.2	2,591.7	-2.5%	595.7	645.5	634.5	-7.7%	-6.1%
EBITDA	440.8	466.9	-5.6%	76.6	129.0	86.6	-40.6%	-11.5%
EBITDA margin	17.4%	18.0%	-0.6 p.p.	12.9%	20.0%	13.6%	-7.1 p.p.	-0.7 p.p.
Profit for the year	259.0	291.7	-11.2%	66.2	69.2	67.9	-4.3%	-2.5%
Net margin	10.3%	11.3%	-1.0 p.p.	11.1%	10.7%	10.7%	0.4 p.p.	0.4 p.p.

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DEAR SHAREHOLDERS,

In compliance with applicable laws and regulations, the Company's management submits to you for consideration the Management Report, the Financial Statements and Independent Auditor's Report, and the Report of the Supervisory Board for the fiscal year ended December 31, 2019.

## 1 Management's Comments

Fiscal 2019 presented challenging economic activity data and automotive production was more moderate than expected.

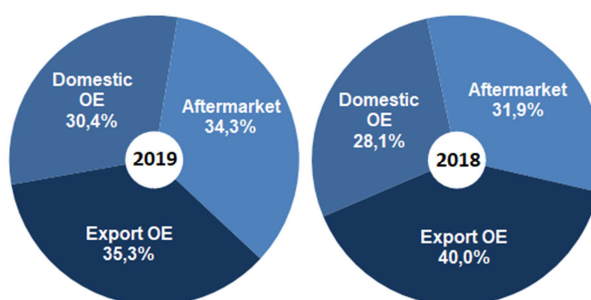
Overall, the market was expecting an economic recovery on the back of reforms and stimulus proposed by the Brazilian government. There was also a number of external uncertainties weighing on the market, such as volatile markets, the flattening of economic growth curves, and a multitude of political imponderables, such as US-China trade war, Brexit, etc.

Added to this, Argentina's economic crisis took a turn for the worse and had negative impacts on the automotive industry.

It is well known that the last quarter of the year is a time with high seasonality effects on the automotive industry in Brazil because scheduled plant maintenance shutdown and collective vacations occur during this period.

The developments described above highlighted the importance of the Company's strategy to work on increasing synergy and productivity to help us remain competitive in the market, mainly in export markets. Another response to dealing with uncertainties facing us is the MAHLE business model, i.e., a balanced presence in our different business segments: Original Equipment (OE) and Aftermarket both in the domestic and export markets. This balance between our revenue streams allows us to offset fluctuations in these segments and stabilize our profitability margins over time.

The Company's revenue fell 2.5% in fiscal year 2019 compared with fiscal year 2018, due to positive sales performance in domestic OE market (5.3%) and Aftermarket (4.9%), offset by OE exports (-14.0%). The chart below shows the Company's revenue broken down by business segment in fiscal years 2019 and 2018:



For the full year 2019, the Company reported an EBITDA margin of 17.4% and EBITDA of R\$ 440.8 million. For 4Q19 EBITDA margin was 12.9% (R\$ 76.6 million).

For the sixth year running, the Company received an award from the National Association of Finance, Administration and Accounting Executives (ANEFAC) as one of Brazil's most transparent companies in recognition of the quality of its financial statements for the fiscal year 2018 in the "under R\$ 5 billion in net revenue" category.

MAHLE believes that trust is the foundation of any relationship. This is why we understand that this award is a mark of credibility aligned with the Company's commitment to integrity.

We can see how our high-quality financial reports are highly valued by the market, thus lowering the risk perception on the investment.

In terms of research and development (R&D), the Company is always following the latest changes in the market to be able to meet the needs of its customers with a view to the future. Evolution, trends, knowledge, balance, competitiveness and satisfaction of customer demands are some of the key words that drive our work every day.

We believe that it is of utmost importance that we constantly review our role focusing on advancing the market and the technologies and, consequently, increasing global competitiveness while optimizing competencies and costs.

We strive to be competitive with diligent focus on keeping the balance between the added value of our deliveries and their respective costs by making investments in existing businesses while keeping an eye on future technologies at the same time.

Therefore, MAHLE is always focused on serving the needs of its customers, increasing teamwork and synergies between the business units, always prioritizing the sustainability and future viability of the Group.

## **2    *Macroeconomic Environment and Outlook***

Fiscal 2019 presented challenging economic activity data and automotive production was more moderate than expected.

At the beginning of 2019, there was hope that the pace of the economic activity in Brazil could improve employment and income levels, with effects on consumer credit coupled with an increase in business confidence, which would lead to an increase in private investments. This expectation can be primarily attributable to the reform proposals put forward by the new government. It turned out that the slower pace of the reforms now resulted from waiting for more favorable conditions.

In Argentina, an important market for Brazil, 2019 was marked by a worsening economic crisis, with a consequent drop in sales of vehicles and components. Argentina currently has a huge short-term debt and has no access to the credit market and no international reserves to pay its accounts. The country has been in recession for two years and has high inflation levels. In addition to renegotiating the country's debt, bringing inflation under control is one of the Argentine government's priorities. Argentina's new president took office at the end of 2019, however, to date there have been no significant changes in the economic condition of the country.

In the international market too, at the beginning of 2019, there were fears of a trade war between the US and China and this materialized and triggered a global economic slowdown with an impact on the growth of export countries like Brazil. There were also uncertainties from Europe linked to Brexit, the protests in France and Italy's budget crisis.

2020 will also be a challenging year. In the global scenario, at the beginning of the year, the markets are closely monitoring the adverse effects on the economic activity of the coronavirus outbreak that originated in China and has the risk of spread to other countries.

On the other hand, according to economists, the global economy is poised for a modest rebound following two years of significant slowdown as trade war between the US and China eases due to the phase 1 trade deal signed by the two countries.

Global activity could also be strengthened by the monetary stimulus provided by central banks through easing monetary policy, especially in the three major economies (US, the euro area and China).



The monetary stimulus is important to minimize the volatility caused by the US election that shall occur again with polarization and heightened geopolitical conflicts, such as the military conflict with the Middle East or the trade conflict with China.

In Brazil, the market believes that the country will realize the benefits of the economic reforms. However, it is necessary to continue to make the required adjustments to sustain continuous growth. At the beginning of February 2020, Brazilian Central Bank's Monetary Policy Committee known as Copom cut its benchmark interest rate (Selic) for the fifth consecutive time to 4.25% p.a. from 4.50% p.a. This is the lowest rate since 1999. After that, it is expected that the Central Bank of Brazil will prioritize the productivity and regulatory agenda.

Default rates increased slightly over the last months due mainly to the slow recovery of the labor market. However, with a favorable outlook for economic growth in 2020, there is room for the Brazilian credit market to grow, driven by lower bank spreads and access to different loan options for companies and consumers.

### **3 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.

#### 4 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.*

## 5 Development of the Automotive Industry

### 5.1 Development of the Brazilian market

Brazilian automotive industry												
Segments	Jan-Dec 2019					Jan-Dec 2018					Sales Variation (A/C)	Production Variation (B/D)
	Sales (**) (A)	Export	Import	Inventory (*)	Total Production (B)	Sales (**) (C)	Export	Import	Inventory (*)	Total Production (D)		
Passenger Cars	2,262,069	347,029	-180,258	20,375	2,449,215	2,102,114	500,343	-205,789	-9,910	2,386,758	7.6%	2.6%
Light Commercial	403,514	60,481	-114,283	4,891	354,603	373,235	95,089	-102,777	-6,566	358,981	8.1%	-1.2%
<b>Total light vehicles</b>	<b>2,665,583</b>	<b>407,510</b>	<b>-294,541</b>	<b>25,266</b>	<b>2,803,818</b>	<b>2,475,349</b>	<b>595,432</b>	<b>-308,566</b>	<b>-16,476</b>	<b>2,745,739</b>	<b>7.7%</b>	<b>2.1%</b>
Trucks	101,335	13,552	-3,115	1,704	113,476	75,994	24,642	-1,936	6,834	105,534	33.3%	7.5%
Buses	20,932	7,136	-1	-399	27,668	15,081	9,101	-3	4,357	28,536	38.8%	-3.0%
<b>Total Trucks and Buses</b>	<b>122,267</b>	<b>20,688</b>	<b>-3,116</b>	<b>1,305</b>	<b>141,144</b>	<b>91,075</b>	<b>33,743</b>	<b>-1,939</b>	<b>11,191</b>	<b>134,070</b>	<b>34.2%</b>	<b>5.3%</b>
Agricultural	43,735	12,870	-405	-3,080	53,120	47,731	12,678	-293	5,540	65,656	-8.4%	-19.1%
<b>Total medium and heavy vehicles</b>	<b>166,002</b>	<b>33,558</b>	<b>-3,521</b>	<b>-1,775</b>	<b>194,264</b>	<b>138,806</b>	<b>46,421</b>	<b>-2,232</b>	<b>16,731</b>	<b>199,726</b>	<b>19.6%</b>	<b>-2.7%</b>
<b>Total vehicle sales</b>	<b>2,831,585</b>	<b>441,068</b>	<b>-298,062</b>	<b>23,491</b>	<b>2,998,082</b>	<b>2,614,155</b>	<b>641,853</b>	<b>-310,798</b>	<b>255</b>	<b>2,945,465</b>	<b>8.3%</b>	<b>1.8%</b>
<b>Variation (un) - 2019 x 2018</b>	<b>217,430</b>	<b>-200,785</b>	<b>12,736</b>	<b>23,236</b>	<b>52,617</b>							
<b>Variation (%) - 2019 x 2018</b>	<b>8.3%</b>	<b>-31.3%</b>	<b>-4.1%</b>	<b>9112.2%</b>	<b>1.8%</b>							

Source: Anfavea

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

(\*\*) Sales (Domestic + Imported)

In Brazil, vehicle production increased by 1.8% in 2019 and automotive industry sales increased by 8.3% compared to the same period of the previous year. According to the Brazilian Association of Motor Vehicle Manufacturers (ANFAVEA), vehicle inventory at the end of 2019 stood at 287.6 thousand units, a 33-day supply, about the same as in the same period of the previous year with a 33-day supply and 255.1 thousand vehicles in stock. The table below shows the changes in production, sales and total inventory of locally produced vehicles for the periods under review:

Vehicle Production - monthly (thousand units)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Production (2018)	221.4	217.4	272.9	271.1	216.9	261.6	252.3	297.9	228.9	270.6	251.3	183.1	2,945.4
Production (2019)	202.9	260.4	245.3	272.0	281.0	237.5	273.2	275.4	252.1	293.7	231.9	172.8	2,998.2
Total vehicle sales - monthly (thousand units)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Sales (2018)	182.9	159.3	210.9	221.4	205.2	206.9	222.2	253.6	218.2	259.7	234.6	238.9	2,613.8
Sales (2019)	202.5	201.5	213.0	235.0	248.5	227.6	247.5	247.2	239.5	257.6	245.6	265.9	2,831.4
Brazilian Vehicles Inventory (days)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Sales (2018)	38	41	34	32	31	36	34	34	40	34	38	33	
Sales (2019)	37	43	41	40	39	42	39	42	45	43	41	33	

Source: Anfavea

### 5.2 Development of the Argentine market

Argentina's vehicle sales dropped 45.4% and vehicle production fell by 32.6% in 2019 compared to 2018.

Argentina's automotive industry			
Vehicle Sales (Locally-manufactured and imported)	Jan-Dez 2019 (A)	Jan-Dez 2018 (B)	A/B
Total of Light vehicle	372,474	681,816	-45.4%
Total of medium and heavy vehicle	18,711	34,713	-46.1%
<b>Total vehicle sales</b>	<b>391,185</b>	<b>716,529</b>	<b>-45.4%</b>
Exports	224,248	269,360	-16.7%
Imports	269,192	483,989	-44.4%
<b>Automotive trade balance</b>	<b>(44,944)</b>	<b>(214,629)</b>	<b>-79.1%</b>
Vehicle inventory variation in the period (*)	(4,044)	12,746	-131.7%
Production of Light vehicle	314,787	466,649	-32.5%
Medium and heavy vehicle production	8,699	13,284	-34.5%
<b>Total vehicle production</b>	<b>323,486</b>	<b>479,933</b>	<b>-32.6%</b>

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

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



### 5.3 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-Dec 2019	Jan-Dec 2018	variation	Jan-Dec 2019	Jan-Dec 2018	variation
Light vehicle	3,118,605	3,212,388	-2.9%	3,038,057	3,157,165	-3.8%
Medium and heavy vehicle	202,963	213,010	-4.7%	184,713	173,519	6.5%
<b>Total</b>	<b>3,321,568</b>	<b>3,425,398</b>	<b>-3.0%</b>	<b>3,222,770</b>	<b>3,330,684</b>	<b>-3.2%</b>

Source: Anfavea and Adefa

### 5.4 Vehicle production in the main export markets

The table below shows vehicle production during 2019 in North America and Europe, which are the Company's main export markets, compared with fiscal year 2018.

Vehicle Production in the main export market (in thousands)			
Segment	Jan-Dec 2019 (A)	Jan-Dec 2018 (B)	A/B
Production of Light vehicle	16,310	16,959	-3.8%
Production of medium and heavy vehicle	654	638	2.5%
<b>North America</b>	<b>16,964</b>	<b>17,598</b>	<b>-3.6%</b>
Production of Light vehicle	21,089	21,979	-4.1%
Production of medium and heavy vehicle	644	677	-4.9%
<b>Europe</b>	<b>21,733</b>	<b>22,656</b>	<b>-4.1%</b>
<b>Total Vehicle Production</b>	<b>38,697</b>	<b>40,254</b>	<b>-3.9%</b>

Source: IHS

## 6 Company's Financial and Economic Performance

Summary P&L (R\$ million)	2019 (a)	2018 (b)	V.A. (%) (a)	V.A. (%) (b)	H.A. (%) (a/b)	4Q19 (c)	4Q18 (d)	V.A. (%) (c)	V.A. (%) (d)	H.A. (%) (c/d)
<b>Net sales revenue</b>	<b>2,526.2</b>	<b>2,591.7</b>	<b>100.0%</b>	<b>100.0%</b>	<b>-2.5%</b>	<b>595.7</b>	<b>634.5</b>	<b>100.0%</b>	<b>100.0%</b>	<b>-6.1%</b>
Cost of sales	(1,885.9)	(1,901.6)	-74.7%	-73.4%	-0.8%	(467.7)	(512.8)	-78.5%	-80.8%	-8.8%
<b>Gross profit</b>	<b>640.3</b>	<b>690.1</b>	<b>25.3%</b>	<b>26.6%</b>	<b>-7.2%</b>	<b>128.0</b>	<b>121.7</b>	<b>21.5%</b>	<b>19.2%</b>	<b>5.2%</b>
Selling and distribution expenses	(166.9)	(172.7)	-6.6%	-6.7%	-3.4%	(44.6)	(35.5)	-7.5%	-5.6%	25.6%
General and administrative expenses	(85.7)	(93.9)	-3.4%	-3.6%	-8.7%	(24.4)	(27.3)	-4.1%	-4.3%	-10.6%
Technology and product development expenses	(83.7)	(80.0)	-3.3%	-3.1%	4.6%	(20.7)	(22.8)	-3.5%	-3.6%	-9.2%
Other operating income (expenses) <sup>1</sup>	(6.8)	8.8	-0.3%	0.3%	177.3%	(2.2)	6.7	-0.4%	1.1%	-132.8%
Gains/losses on net monetary position <sup>2</sup>	48.4	24.8	1.9%	1.0%	95.2%	14.7	22.4	2.5%	3.5%	-34.4%
Equity in the results of investees	(0.2)	(0.1)	0.0%	0.0%	100.0%	(0.1)	-	0.0%	0.0%	-100.0%
<b>Operating profit</b>	<b>345.4</b>	<b>377.0</b>	<b>13.7%</b>	<b>14.5%</b>	<b>-8.4%</b>	<b>50.7</b>	<b>65.2</b>	<b>8.5%</b>	<b>10.3%</b>	<b>-22.2%</b>
Finance income (costs), net	(41.4)	(21.6)	-1.6%	-0.8%	91.7%	(12.6)	(6.9)	-2.1%	-1.1%	82.6%
Income tax and social contribution	(48.2)	(62.3)	-1.9%	-2.4%	-22.6%	27.3	9.6	4.6%	1.5%	-184.4%
<b>Profit for the year</b>	<b>255.8</b>	<b>293.1</b>	<b>10.1%</b>	<b>11.3%</b>	<b>-12.7%</b>	<b>65.4</b>	<b>67.9</b>	<b>11.0%</b>	<b>10.7%</b>	<b>-3.7%</b>
<b>Profit for the year attributable to: Owners of the parent</b>	<b>259.0</b>	<b>291.7</b>	<b>10.3%</b>	<b>11.3%</b>	<b>-11.2%</b>	<b>66.2</b>	<b>67.9</b>	<b>11.1%</b>	<b>10.7%</b>	<b>-2.5%</b>
Attributable to: Non-controlling-interests	(3.2)	1.4	-0.1%	0.1%	328.6%	(0.8)	0.0	-0.1%	0.0%	-100.0%
<b>EBITDA</b>	<b>440.8</b>	<b>466.9</b>	<b>17.4%</b>	<b>18.0%</b>	<b>-5.6%</b>	<b>76.6</b>	<b>86.6</b>	<b>12.9%</b>	<b>13.6%</b>	<b>-11.5%</b>
<b>Margins:</b>										
Gross margin	25.3%	26.6%			-1,3 p.p.	21.5%	19.2%			2,3 p.p.
Operating margin	13.7%	14.5%			-0,8 p.p.	8.5%	10.3%			-1,8 p.p.
Net margin attributable to owners of the parent	10.3%	11.3%			-1 p.p.	11.1%	10.7%			0,4 p.p.
EBITDA margin	17.4%	18.0%			-0,6 p.p.	12.9%	13.6%			-0,7 p.p.
<b>SG&amp;A expenses to net sales revenue</b>	<b>9.9%</b>	<b>10.3%</b>			<b>-0,3 p.p.</b>	<b>11.6%</b>	<b>9.9%</b>			<b>1,6 p.p.</b>

<sup>1</sup> Additional information is contained in item 6.10 of this document.

<sup>2</sup> Additional information is contained in Note 39 to the financial statements at December 31, 2019 (Application of IAS 29 - Financial Reporting in Hyperinflationary Economies).



### 6.1 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 2.5% in its consolidated net revenue for fiscal year 2019 compared with fiscal year 2018. 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		2019	Volume/Price	FX-Variation	2018	% volume/price impact	% FX-impacts	H.A. (%)
(R\$ Million)		(a)	(b)	(c)	(d)	(b/d)	(c/d)	(a/d)
Original equipment	Domestic <sup>1</sup>	766.0	51.1	(12.5)	727.4	7.0%	-1.7%	5.3%
	Export	892.5	(198.9)	54.2	1,037.2	-19.2%	5.2%	-14.0%
	Subtotal	1,658.5	(147.8)	41.7	1,764.6	-8.4%	2.4%	-6.0%
Aftermarket	Domestic <sup>1</sup>	674.1	108.0	(64.5)	630.6	17.1%	-10.2%	6.9%
	Export	193.6	(13.5)	10.6	196.5	-6.9%	5.4%	-1.5%
	Subtotal	867.7	94.5	(53.9)	827.1	11.4%	-6.5%	4.9%
Total		2,526.2	(53.3)	(12.2)	2,591.7	-2.0%	-0.5%	-2.5%

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

For 4Q19, the Company reported a reduction of 6.1% in its consolidated net revenue compared to the same period in 2018. 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		4Q19	Volume/Price	FX-Variation	4Q18	% volume/price impact	% FX-impacts	H.A. (%)
(R\$ Million)		(a)	(b)	(c)	(d)	(b/d)	(c/d)	(a/d)
Original equipment	Domestic <sup>1</sup>	169.4	(10.8)	(1.9)	182.1	-5.9%	-1.1%	-7.0%
	Export	203.2	(49.2)	4.2	248.2	-19.8%	1.7%	-18.1%
	Subtotal	372.6	(59.9)	2.2	430.3	-13.9%	0.5%	-13.4%
Aftermarket	Domestic <sup>1</sup>	175.8	33.6	(15.4)	157.6	21.3%	-9.8%	11.5%
	Export	47.3	(0.7)	1.4	46.6	-1.5%	3.0%	1.5%
	Subtotal	223.1	32.9	(14.0)	204.2	16.1%	-6.8%	9.3%
Total		595.7	(27.1)	(11.7)	634.5	-4.3%	-1.8%	-6.1%

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

### 6.2 OE sales

#### Domestic market:

In 2019, the domestic OE segment grew 5.3%, with a 7.0% increase in volume/price, offset in part by exchange rate effects (-1.7%) arising from operations in Argentina (these operations were consolidated in our domestic OE segment).

For 4Q19, the domestic OE segment posted a 7.0% drop, with a 5.9% decrease in volume/price, offset in part by exchange rate effects (1.1%) arising also from operations in Argentina (these operations were consolidated in our domestic OE segment).

During the year the major factors that affected sales in the domestic market were: positive performance of the Brazilian automotive industry, including engine exports of our customers, in addition to an increase in heavy-duty vehicle production, increase in our market share, and increase in Original Equipment Services (OES).

#### Foreign market:

In 2019, we saw a decline of 14.0% in this market, with positive exchange rate effects of 5.2%, offset by a decline of 19.2% in volumes. The table on the right presents exports in hard currency for fiscal 2019 compared with fiscal 2018:

Export Sales by currency (million)	Jan-Dec 2019 (a)	Jan-Dec 2018 (b)	H.A. (%) (a/b)
Original equipment			
EUR	73.9	93.0	-20.5%
USD	152.5	187.8	-18.8%

For 4Q19, we recorded a fall of 18.1% in this market due to the positive exchange rate effects of 1.0%, offset by a decline of 19.1% in volumes. The table on the right presents exports in hard currency for 4Q19 compared with 4Q18:

Export Sales by currency (million)	Oct-Dec 2019 (a)	Oct-Dec 2018 (b)	H.A. (%) (a/b)
Original equipment			
EUR	16.9	18.5	-8.6%
USD	35.3	50.8	-30.5%

The main factors that impacted sales to the foreign market were: the negative performance of the automotive sector in the main export markets of the Company, mainly Europe and North America, combined with the inventory adjustment carried out by customers located in these regions.

### 6.3 Aftermarket sales

#### Domestic market:

In 2019, the domestic Aftermarket grew 6.9%, with a 17.1% positive impact of volume/price, offset in part by the impact of changes in exchange rates (-10.2%) since we consolidated operations in Argentina in our domestic Aftermarket.

When comparing 4Q19 with 4Q18, the domestic Aftermarket grew 11.5%, with a 21.3% positive impact of volume/price, offset in part by the impact of changes in exchange rates (-9.8%) due to the same factors as explained in the preceding paragraph.

This market saw sales rise along with the slight economic recovery in Brazil, principally in the second half of the year, coupled with the launch of new products, such as air conditioning compressors, and promotional campaigns for domestic Aftermarket customers.

#### Foreign market:

In 2019, our Aftermarket exports fell 1.5% compared with fiscal year 2018, with a 6.9% decrease in volume/price, offset in part by positive exchange rate effects of 5.4%. Chile and Paraguay are the markets that have had the largest fall in Aftermarket export volumes. The table on the right shows Aftermarket exports in hard currency:

Export Sales by currency (million)	Jan-Dec 2019 (a)	Jan-Dec 2018 (b)	H.A. (%) (a/b)
Aftermarket			
EUR	1.3	2.8	-53.6%
USD	48.1	51.0	-5.7%

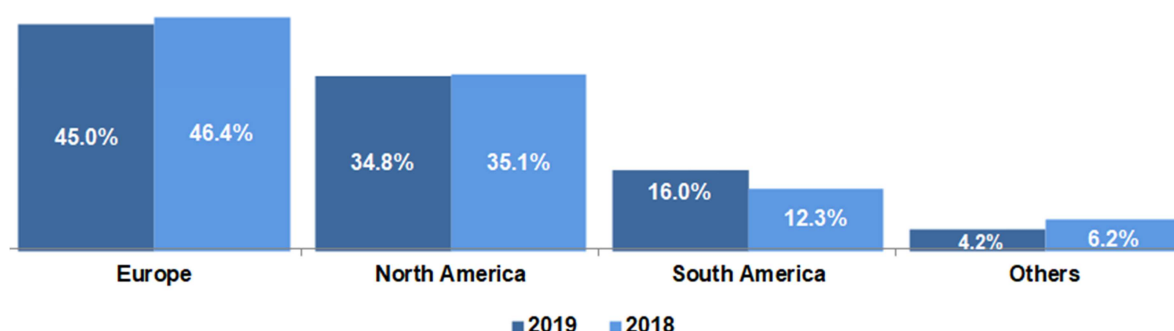
When comparing 4Q19 with the same period of 2018, our Aftermarket exports grew 1.5%, with positive exchange rate effects of 3.0%, offset by the impact of volume/price (-1.5%). The table on the right shows Aftermarket exports in hard currency:

Export Sales by currency (million)	Oct-Dec 2019 (a)	Oct-Dec 2018 (b)	H.A. (%) (a/b)
Aftermarket			
EUR	0.5	0.3	66.7%
USD	11.1	12.0	-7.5%

2019 was marked by protests in Latin America, which had negative impacts on the consumption in the region. The protests in Chile in 2019, which started after a rise in public transport fare, along with the negative impact of drought in Paraguay that hammered the agricultural sector, principally soybean crop, are examples of macroeconomic factors that affected at some time the performance of our Aftermarket exports. By contrast, the exchange rate variation contributed to reduce the impact of the fall in export volume in this market.

### 6.4 Consolidated export by region

The graph below shows our exports by geographic region in fiscal years 2019 and 2018:



### 6.5 Net revenue by segment

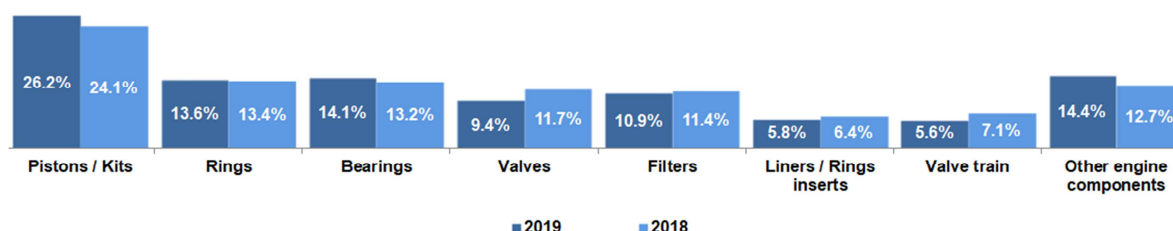
In 2019, the engine component segment posted a decline in sales of 1.9% and the filter segment registered a drop of 7.3% compared with fiscal year 2018. For 4Q19 and 4Q18, the engine component segment and the filter segment showed a fall in sales of 5.9% and 7.9%, respectively.

Net sales revenue by segment (R\$ million)	2019 (a)	2018 (b)	H.A. (%) (a/b)	4Q19 (c)	4Q18 (d)	H.A. (%) (c/d)
Engine components	2,251.2	2,295.0	-1.9%	532.8	566.2	-5.9%
Filters	275.0	296.7	-7.3%	62.9	68.3	-7.9%
<b>Total</b>	<b>2,526.2</b>	<b>2,591.7</b>	<b>-2.5%</b>	<b>595.7</b>	<b>634.5</b>	<b>-6.1%</b>

For the filter segment, it should be considered that in 2018 there were sales of tooling and research & development services amounting to R\$ 3.7 million. If we exclude this effect in the comparison, this segment would have a fall of 5.6% for the periods compared above. In addition, it is important to note that we do not export filters and, therefore, there were no exchange rate effects on the filter segment as it was seen in the engine component segment.

### 6.6 Net revenue by product

The graph below shows the share of each product in the Company's total sales in terms of percentage for fiscal years 2019 and 2018:



### 6.7 Gross margin

The Company ended the year of 2019 with a gross margin of 25.3% (26.6% in 2018), while for 4Q19 gross margin was 21.5% (19.2% in 4Q18), as shown below:

Summary P&L (R\$ million)	2019 (a)	2018 (b)	V.A. (%) (a)	V.A. (%) (b)	H.A. (%) (a/b)	4Q19 (c)	4Q18 (d)	V.A. (%) (c)	V.A. (%) (d)	H.A. (%) (c/d)
Net sales revenue	2,526.2	2,591.7	100.0%	100.0%	-2.5%	595.7	634.5	100.0%	100.0%	-6.1%
Cost of sales	(1,885.9)	(1,901.6)	-74.7%	-73.4%	-0.8%	(467.7)	(512.8)	-78.5%	-80.8%	-8.8%
<b>Gross profit</b>	<b>640.3</b>	<b>690.1</b>	<b>25.3%</b>	<b>26.6%</b>	<b>-7.2%</b>	<b>128.0</b>	<b>121.7</b>	<b>21.5%</b>	<b>19.2%</b>	<b>5.2%</b>
Gross margin	25.3%	26.6%			-1,3 p.p.	21.5%	19.2%			2,3 p.p.

The gross margin for fiscal year 2019, when compared with fiscal year 2018, was impacted mainly by the following:

- Payroll taxation;
- Application of IAS 29 Financial Reporting in Hyperinflationary Economies<sup>1</sup>.

It is important to note that, without the effects of the application of IAS 29, gross margin would have stood at 26.7% for 2019 and 23.0% for 4Q19, above the figures for 2018.

<sup>1</sup>Additional information is contained in Note 39 to the Financial Statements at December 31, 2019 (Application of IAS 29 - Financial Reporting in Hyperinflationary Economies).



### 6.8 Selling, general and administrative expenses

Between 2018 and 2019, selling expenses remained stable. For 4Q19, there was an increase in selling expenses, which is attributable to non-recurring events. The decrease in general and administrative expenses in both periods is attributable to the efforts to increase productivity also in the Company's indirect areas.

Summary P&L (R\$ million)	2019 (a)	2018 (b)	V.A. (%) (a)	V.A. (%) (b)	H.A. (%) (a/b)	4Q19 (c)	4Q18 (d)	V.A. (%) (c)	V.A. (%) (d)	H.A. (%) (c/d)
Net sales revenue	2,526.2	2,591.7	100.0%	100.0%	-2.5%	595.7	634.5	100.0%	100.0%	-6.1%
Selling and distribution expenses	(166.9)	(172.7)	-6.6%	-6.7%	-3.4%	(44.6)	(35.5)	-7.5%	-5.6%	25.6%
General and administrative expenses	(85.7)	(93.9)	-3.4%	-3.6%	-8.7%	(24.4)	(27.3)	-4.1%	-4.3%	-10.6%
SG&A expenses	(252.6)	(266.6)	10.0%	10.3%	-5.3%	(69.0)	(62.8)	11.6%	9.9%	9.9%
SG&A expenses to net sales revenue	10.0%	10.3%			-0,2 p.p.	11.6%	9.9%			1,7 p.p.

Please note that, in both periods of 2019 there are the effects of the application of IAS 29, i.e., the reported amounts would be smaller.

### 6.9 Technology and new product development expenses

The Company strategically focuses on identifying and exploiting opportunities for its products and services, aligning capabilities and competencies with current market trends. It is therefore of utmost importance to continue to invest in R&D with a focus on technological innovations that involve partnerships with customers, patent registration, and launch of new products in the market.

Summary P&L (R\$ million)	2019 (a)	2018 (b)	V.A. (%) (a)	V.A. (%) (b)	H.A. (%) (a/b)	4Q19 (c)	4Q18 (d)	V.A. (%) (c)	V.A. (%) (d)	H.A. (%) (c/d)
Net sales revenue	2,526.2	2,591.7	100.0%	100.0%	-2.5%	595.7	634.5	100.0%	100.0%	-6.1%
Technology and product development expenses	(83.7)	(80.0)	-3.3%	-3.1%	4.6%	(20.7)	(22.8)	-3.5%	-3.6%	-9.2%

### 6.10 Other operating income (expenses), net

This account records a net expense of R\$ 6.8 million for fiscal year 2019 and a net income of R\$ 8.8 million for fiscal year 2018, as shown in the table below:

Other income and expenses, net (R\$ million)	2019 (a)	2018 (b)	Var. (a-b)	4Q19 (c)	4Q18 (d)	Var. (c-d)
Provision/Reversal for labor, civil and tax contingencies	10.7	(4.6)	15.3	2.6	5.6	(3.0)
Gains/losses on disposal of assets/other	2.1	(7.5)	9.6	2.1	(7.7)	9.8
Provision/Reversal for losses on products	(1.8)	(2.2)	0.4	(2.1)	(2.2)	0.1
Provision for restructuring	-	0.2	(0.2)	-	-	-
Electric power	1.0	2.8	(1.8)	0.2	0.9	(0.7)
Gains on sale of assets of subsidiary MAHLE Hirschvogel Forjas S.A.	-	2.7	(2.7)	-	-	-
Provision for environmental liability	(5.2)	(2.2)	(3.0)	(1.0)	(2.2)	1.2
Provision/Reversal for obsolescence	(0.1)	8.4	(8.5)	0.1	8.2	(8.1)
Recovered taxes (Reintegra)	0.7	12.2	(11.5)	0.1	3.4	(3.3)
Export Expenses (Argentina)	(12.5)	(5.5)	(7.0)	(1.8)	(5.5)	3.7
Other income/expenses	(1.7)	4.5	(6.2)	(2.4)	6.2	(8.6)
<b>Total other income and expenses</b>	<b>(6.8)</b>	<b>8.8</b>	<b>(15.6)</b>	<b>(2.2)</b>	<b>6.7</b>	<b>(8.9)</b>

The major variances in the periods were as follows:

- The positive variance in "Provision/reversal for labor, civil and tax contingencies" was mainly due to favorable court decisions on lawsuits;
- The positive variance in "Gain on disposal of assets/products" was related to the sale of machine;
- The negative variance in revenue from taxes recovered (Reintegra). Reintegra is a tax refund program for exporters and was effective until March 2018;
- The line item of export expenses (Argentina) refers to the new export tax imposed by the Argentine government (3 pesos per dollar on exports).



### 6.11 Operating result measured by EBITDA

EBITDA was R\$ 440.8 million for fiscal year 2019 (R\$ 466.9 million in 2018), with an EBITDA margin of 17.4% (18.0% in 2018). The table below displays changes in the components of the operating result for the periods under review:

EBITDA 2018	<sup>1</sup> Gains/losses on net monetary position (Argentina IAS 29)	General and administrative expenses	Depreciation	Selling and distribution expenses	Gains/losses on the recoverable value of accounts receivable	Equity in the results of investees	Technology and product development expenses	Other operating income (expenses)	Gross income	EBITDA 2019
466.9	23.6	8.2	5.5	5.8	-	(0.1)	(3.7)	(15.6)	(49.8)	440.8
EBITDA margin 18.0%										EBITDA margin 17.4%

For 4Q19, EBITDA was R\$ 76.6 million (R\$ 86.6 million for 4Q18), with an EBITDA margin of 12.9% (13.6% for 4Q18). The table below displays changes in the components of the operating result for the periods under review:

EBITDA 4Q18	Gross income	Depreciation	General and administrative expenses	Technology and product development expenses	Equity in the results of investees	Gains/losses on the recoverable value of accounts receivable	<sup>1</sup> Gains/losses on net monetary position (Argentina IAS 29)	Selling and distribution expenses	Other operating income (expenses)	EBITDA 4Q19
86.6	6.3	4.5	2.9	2.1	(0.1)	-	(7.7)	(9.1)	(8.9)	76.6
EBITDA margin 13.6%										EBITDA margin 12.9%

<sup>1</sup> Additional information is contained in Note 39 to the financial statements at December 31, 2019 (Application of IAS 29 - Financial Reporting in Hyperinflationary Economies).

### 6.12 Financial result, net

In 2019, the Company recorded net finance costs of R\$ 41.4 million versus finance costs of R\$ 21.6 million in 2018, representing a year-over-year negative variance of R\$ 19.8 million.

Finance income and costs (R\$ million)	2019 (a)	2018 (b)	Var. (a - b)	4T19 (c)	4T18 (d)	Var. (c-d)
Interest income on financial investments	5.1	6.4	(1.3)	1.8	1.9	(0.1)
Interest on loans	(14.9)	(10.5)	(4.4)	(4.2)	(3.3)	(0.9)
Other income	(0.5)	1.0	(1.5)	(2.3)	(0.0)	(2.3)
<b>Finance costs, net</b>	<b>(10.3)</b>	<b>(3.1)</b>	<b>(7.2)</b>	<b>(4.7)</b>	<b>(1.4)</b>	<b>(3.3)</b>
Exchange variation, net	2.4	45.6	(43.2)	(5.1)	(3.0)	(2.1)
Gain (loss) on derivatives	(2.9)	(26.4)	23.5	3.1	6.2	(3.1)
<b>Exchange variation and Gain (loss) on derivatives (ii)</b>	<b>(0.5)</b>	<b>19.2</b>	<b>(19.7)</b>	<b>(2.0)</b>	<b>3.2</b>	<b>(5.2)</b>
Monetary variation, net	(24.6)	(32.3)	7.7	(4.4)	(8.1)	3.7
Other	(6.0)	(5.4)	(0.6)	(1.5)	(0.6)	(0.9)
<b>Monetary variation, net + Others (iii)</b>	<b>(30.6)</b>	<b>(37.7)</b>	<b>7.1</b>	<b>(5.9)</b>	<b>(8.7)</b>	<b>2.8</b>
<b>Finance income (costs) (i + ii + iii)</b>	<b>(41.4)</b>	<b>(21.6)</b>	<b>(19.8)</b>	<b>(12.6)</b>	<b>(6.9)</b>	<b>(5.7)</b>

The negative variance of R\$ 1.3 million in "Interest income on financial investments" from 2018 to 2019 was due to the decrease in the average levels of financial investments to R\$ 112.1 million in 2019 from R\$ 123.8 million in 2018, along with a reduction in the interest rates to 5.5% p.a. in 2019 from 6.3% p.a. in 2018. When comparing 4Q19 to 4Q18, the negative variance in "Interest income on financial investments" was R\$ 0.1 million, due to the reduction in interest rates to 4.8% p.a. in 4Q19 from 6.2% p.a. in 4Q18. In both periods, the movements followed the cut in Brazil's basic interest rate (SELIC).

The negative variance of R\$ 4.4 million in "Interest expenses on loans" from 2018 to 2019 was due to the increase in the average levels of borrowings to R\$ 382.8 million in 2019 from R\$ 269.6 million in 2018, considering that the weighted average cost was maintained at 4.3% p.a. for both periods. When comparing 4Q19 to 4Q18, the negative variance in "Interest expenses on loans" was R\$ 0.9 million, attributable to the increase in the average levels of borrowings to R\$ 401.2 million in 4Q19 from R\$ 296.9 million in 4Q18 while the weighted average cost remained stable at 4.6% p.a. in 4Q19 and 4.5% p.a. in 4Q18.

With respect to item “ii” of the table above, please note 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 derivatives (NDF – Non-Deliverable Forwards). Additional information is provided in Note 36 to the Financial Statements at December 31, 2019.

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

Interest rates and volumes (average)	2019 (a)	2018 (b)	Var. (a - b)	4T19 (c)	4T18 (d)	Var. (c-d)
Investment Yield*	5.5%	6.3%	-0.8 p.p.	4.8%	6.2%	-1.4 p.p.
Cost of debt	4.3%	4.3%	0.0 p.p.	4.6%	4.5%	0.1 p.p.
Investments - average (R\$ million)	112.1	123.8	-9.5%	155.2	121.8	27.4%
Average debt (R\$ million)	(382.8)	(269.6)	42.0%	(401.2)	(296.9)	35.1%

\* Bank deposit certificates (CDBs) and repurchase agreements with an average interest rate at 99.0% of the interbank deposit rate (CDI) issued by top-tier banks in Brazil.

There has been a 42.0% increase in average debt from R\$ 269.6 million in 2018 to R\$ 382.8 million in 2019, due to new borrowing agreements, principally export financing (NCE) and advance on foreign exchange contract (ACC). When comparing 4Q19 to 4Q18, there was an increase of 35.1% in average debt to R\$ 401.2 million in 4Q19 from R\$ 296.9 million in 4Q18, due to new loan agreements, principally NCE, study and project financing (FINEP), and ACC.

The positive variance in “Net monetary variation + Other” for the periods presented was due to the monetary adjustment to the provisions for labor, tax contingencies and judicial deposits.

### 6.13 Income tax and social contribution

At December 31, 2019, the Company recorded a provision for consolidated income tax and social contribution expense of R\$ 48.2 million (expense of R\$ 62.3 million at December 31, 2018) as detailed below:

- Current tax: expense of R\$ 38.6 million generated principally by the parent company and its subsidiary MAHLE Argentina S/A;
- Deferred tax: expense of R\$ 9.6 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 15 to the Financial Statements at December 31, 2019.

### 6.14 Net profit

Net profit for fiscal year 2019 was R\$ 259.0 million, representing a decrease of 11.2% from R\$ 291.7 million in fiscal year 2018, while net margin was 10.3% for 2019 and 11.3% for 2018. For 4Q19, net profit was R\$ 66.2 million, down 2.5% from R\$ 67.9 million in 4Q18, while net margin was 11.1% in 4Q19 versus 10.7% in 4Q18.

Summary P&L (R\$ million)	2019 (a)	2018 (b)	V.A. (%) (a)	V.A. (%) (b)	H.A. (%) (a/b)	4Q19 (c)	4Q18 (d)	V.A. (%) (c)	V.A. (%) (d)	H.A. (%) (c/d)
Net sales revenue	2,526.2	2,591.7	100.0%	100.0%	-2.5%	595.7	634.5	100.0%	100.0%	-6.1%
Profit for the year attributable to: Owners of the parent	259.0	291.7	10.3%	11.3%	-11.2%	66.2	67.9	11.1%	10.7%	-2.5%
Net margin attributable to owners of the parent	10.3%	11.3%			-1 p.p.	11.1%	10.7%			0.4 p.p.

The Company's basic earnings per share for fiscal year 2019 was \$2.0188 while in the previous year it was \$2.2732.

Additional information on basic earnings per share is contained in Note 27 to the Financial Statements at December 31, 2019.

### 6.15 Investments

The table below shows investments and total accumulated depreciation for fiscal years 2019 and 2018:

CAPEX & Depreciation (R\$ million)	2019	2018
Capex	99.8	90.5
Total depreciation	96.6	89.6

Capex	2019	2018
% of Net sales revenue	4.0%	3.5%
% of Depreciation	103.3%	101.1%

In 2019, 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.

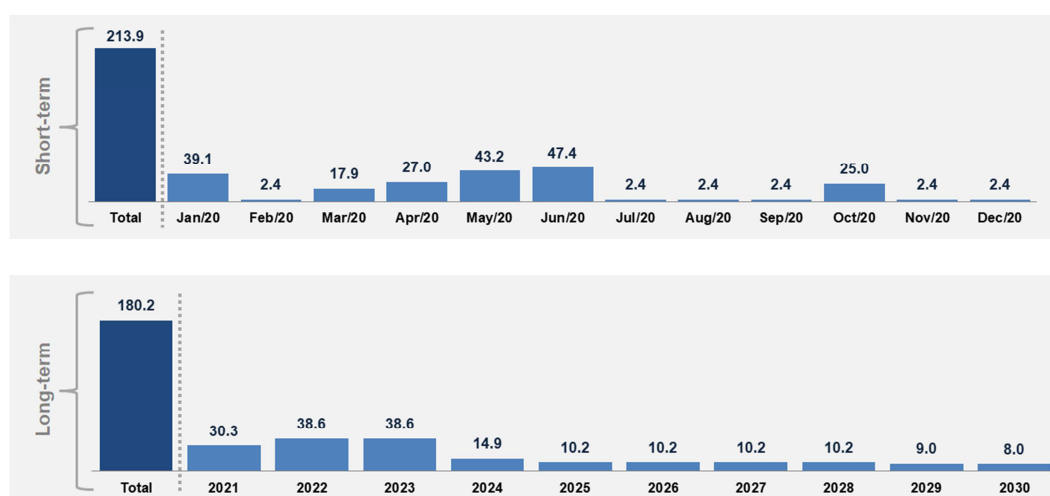
Additional information is provided in Notes 17 and 18 to the Financial Statements at December 31, 2019.

### 6.16 Net position of financial assets and liabilities

At the end of 2019, the Company's net debt was R\$ 188.3 million versus R\$ 153.3 million at the end of 2018.

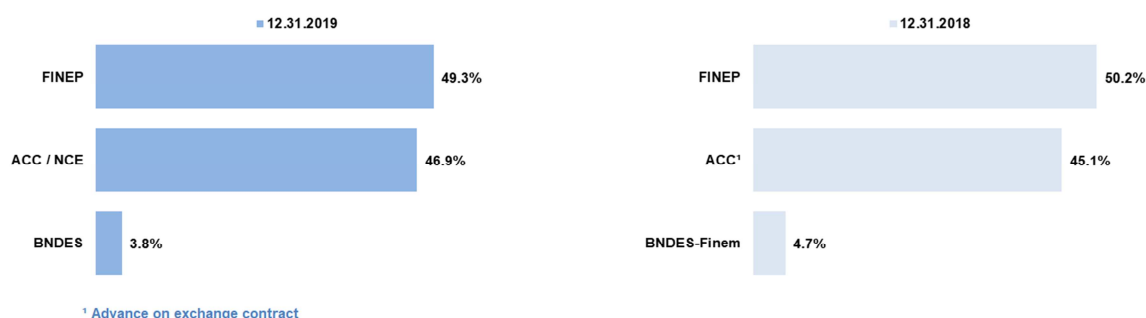
Net indebtedness (R\$ million)	12.31.2019 (a)	12.31.2018 (b)	Variation (a-b)	% Debt (a)	% Debt (b)
<b>Liabilities (i)</b>	<b>394.1</b>	<b>291.6</b>	<b>102.5</b>	<b>100%</b>	<b>100%</b>
Short-term	213.9	160.4	53.5	54%	55%
Long-term	180.2	131.2	49.0	46%	45%
<b>Cash / banks / cash investments/ Loans - related parties (ii):</b>	<b>(205.8)</b>	<b>(138.3)</b>	<b>(67.5)</b>		
<b>Net position (i + ii)</b>	<b>188.3</b>	<b>153.3</b>	<b>35.0</b>		

The charts below show the maturities of the liabilities classified into short-term and long-term at the end of 2019, which represents 54% and 46%, respectively, of the debt displayed in the table above:

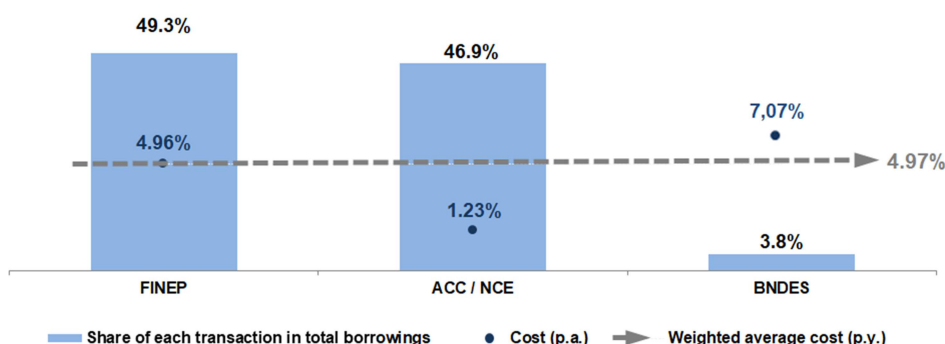


The chart below shows our borrowings broken down by type of facility for 2019 and 2018:





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



#### 6.17 Distribution of interest on capital to shareholders

At the Board of Directors' Meeting held on December 26, 2019, the Board approved the distribution of Interest on Capital in the amount of R\$ 11.9 million for the period from November 1, 2019 to December 31, 2019.

For more information about this payout, please refer to *Aviso aos Acionistas* (Notice to Shareholders) on the Investor Relations website at: <https://ri.mahle.com.br/pt/comunicados-e-atas/aviso-aos-acionistas>

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 April 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

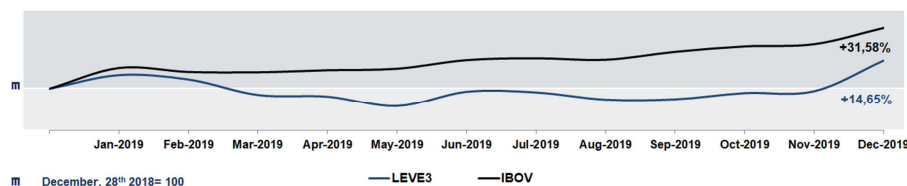
## 7 Investor Relations and Capital Market

During 2019, our Investor Relations team handled contacts with investors and the general market. Investor Relations also participated in meetings, conferences, site visits, conference calls and capital market events, and was responsible for communication via telephone and e-mails.

### 7.1 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:

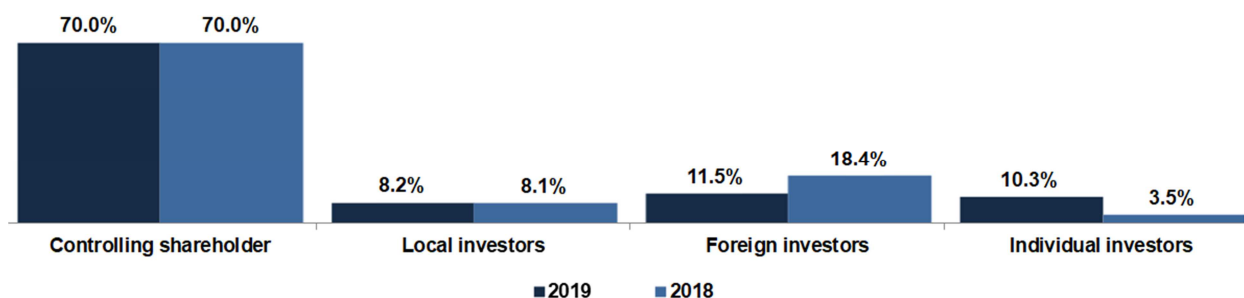




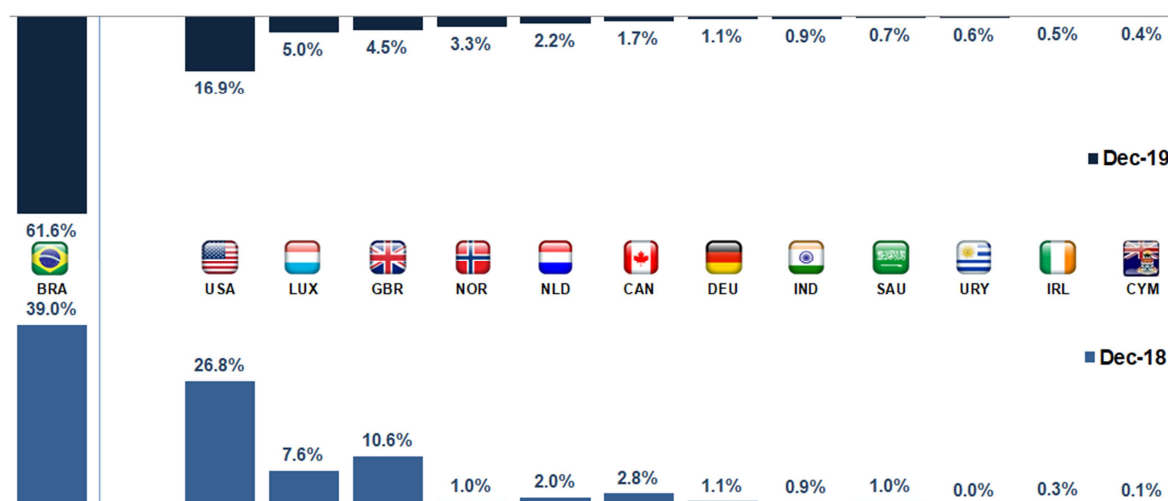
Average Daily Trading Volume (ADTV) and Turnover Ratio				
Period	1Q19	2Q19	3Q19	4Q19
Trading Volume (R\$ million)	6.5	6.8	5.4	6.9
Turnover (%)	0.63%	0.75%	0.57%	0.72%

## 7.2 Shareholder structure

At the end of 2019 and 2018, 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 2019 and 2018:



## 8 Corporate Risk Management, Internal Controls and Compliance

The Executive Board is responsible for overseeing the Company's internal control environment, compliance and corporate risk in order to achieve sustainable performance of creating and enhancing shareholder value.

In this context, MAHLE has the following tools to support its commitment to transparency, ethics and continuous improvement of the internal control environment:

- ✓ Compliance Program establishes rules and guidelines on how we operate and conduct business, focused on anticorruption and antitrust issues, among others.
- ✓ Systematic risk management process where the managers of the business units and corporate functions are responsible for identifying, reporting and controlling risks within their units/areas in accordance with the risk management policy.

- ✓ Internal Audit function performs independent periodic assessment of the effectiveness of the risk management, internal control environment, and rules and procedures established by management. Internal Audit produces recommendations to improve the Company's internal control and risk management processes in line with industry best practices to promote a more proactive approach to identifying, preventing and controlling risks.

## 9 Corporate Governance

The Company adopts good corporate governance practices based on the principles of transparency, fairness, accountability and corporate responsibility. Since July 2011 the Company shares are traded on Brazil's stock exchange B3's Novo Mercado (New Market) listing segment that requires adherence to more stringent corporate rules than those present in Brazilian legislation.

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

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

The Company also has a Supervisory Board composed of three permanent members and three alternate members, of whom one permanent member (and his/her respective alternate member) is appointed by the minority shareholders and two by the controlling shareholder.

The Board of Directors approved on June 27, 2011 the Disclosure and Trading Policy, which was amended on August 8, 2014 and later on November 14, 2019 to include the prohibition on trading of the Company's stock and respective rights and derivatives fifteen (15) days before the public disclosure of quarterly information (ITR) and the annual financial statements of the Company.

In addition, the Company has a risk management policy that was approved by the Board of Directors on March 16, 2016. This policy is intended to provide a framework for the management of risk and establish the roles and responsibilities for risk management and is aligned with global risk management and internal control procedures implemented by the Company.

Furthermore, the Board of Directors approved on January 22, 2019 its revised Related-Party Transactions Policy, including Appendix 1 (Specific Procedures – Resources, Services and Duties) and, on May 21, 2019, Appendix 2 (Specific Procedures – Products). The purpose of this policy and appendices is to establish rules and procedures to be followed by MAHLE Metal Leve S.A. and its subsidiaries when entering into transactions with related parties, in order to avoid and manage any conflicts of interest arising from such transactions.

## 10 Excellence and Technological Innovation

The innovation culture is one of the key drivers to increase competitiveness and business diversification. To this end, the ability to cooperate with other players is the key to prospecting new cutting-edge technologies at an increasingly faster rate and in detail. Recognized for its ability to transform ideas into new products, with high levels of intellectual property protection, MAHLE is open and ready to work with different external partners. From traditional customers and suppliers to generation of knowledge with universities and institutes, MAHLE is producing projects at different stages of collaboration in order to remain constantly at the forefront of technology to solve mobility challenges.

Changes in legislation and tax incentives for investments in R&D for the automotive industry established by the ROTA 2030 Program – which was signed at the end of 2018 and which, among other things, calls for automakers

to improve the fuel efficiency in passenger cars, sport utility vehicles (SUVs) and light commercial vehicles sold in Brazil – offer many more opportunities for MAHLE Metal Leve S.A. to develop technologies that are more efficient and more environmentally friendly than before. Brazil's vocation to offer biofuel solutions has put Brazil and the Company at the forefront of this move and our R&D team has solid experience in developing solutions that better fit with this reality.

The Company is preparing itself to meet on various fronts the challenges posed by new developments and trends without fear of changes and with a robust team that is capable of keeping the Company current and relevant to develop integrated product and service solutions that help customers implement their strategies to meet the requirements of both ROTA 2030 and PROCONVE (motor vehicle emission control program). Technologies developed by the Company in Brazil allow large customers to remain competitive and compliant with legal and regulatory requirements.

In 2019, the MAHLE Technology Center started projects under an agreement signed with Brazil's Innovation Agency FINEP in 2018 on joint financing for research and development of new products and processes in 2019, 2020 and 2021. According to the strategic innovation plan approved by FINEP, the Tech Center Engineering will work toward being able to improve and create new solutions that are suitable for the requirements of ROTA 2030, principally related to biofuel and energy efficiency.

In terms of intellectual property production, we entered six new filings of patents in Brazil, USA, India and Europe.

## 11 Human Resources

Establishing a workplace of mutual respect and professional development is one of the most important challenges of the Human Resources department. As a strategic partner of the business, one of the main functions of the Human Resources is to assist the organization in implementing its strategy and prepare the Company for the transformation in mobility and digitalization. To achieve this, we seek to assist the business units in managing the organizational and structural change processes.

Diversity and global dialogue among business units are vital to the success of MAHLE. This can be seen in many initiatives, including the Organizational Health Index (OHI) project where actions are developed together with subprojects with the involvement of all business areas and units. MAHLE employees at our worldwide locations participate in numerous initiatives. One of the OHI subprojects included the implementation of our new vision across the group, which integrated all marketing and HR activities and also helped define new principles of leadership.

The recruitment organization has professionals connected via corporate network to sustain the realignment and harmonization of the recruiting function and identify the best internal and external candidates, in addition to systematically identifying personnel qualification requirements for the transformation in our industry and implementing necessary actions such as continuous development of our personnel sourcing instruments aimed at specific target groups and design of the necessary qualification programs.

We are currently running the Regional Talent Circle whose objective is to establish actions for the identification and development of talents to meet new challenges and the next steps of their careers. Our multifunctional succession planning promotes the exchange of talents between functions and regions and therefore contributes to establish a global mindset under the motto 'One MAHLE - One Team'. At the same time, we are focused on preparing our Company and our employees for the future. Together we are shaping the change in the automotive industry.

Another project that supports the MAHLE strategy is the new HR operational model, which sets forth actions to strengthen the HR organization through standardized and efficient processes, systems and structures and a plan to implement new structures and processes necessary for the HR digitalization. Our objective is to increase efficiency and effectiveness through standardization and digitalization. By doing so, we aim to achieve sustainable cost reductions and contribute to improve performance. The HR and IT teams from all MAHLE locations around the world are working closely together with the goal of implementing a global HR system.

Another mission of Human Resources is to promote active and ongoing relationship with neighboring communities. With immense satisfaction, we see our investments as an incentive for the voluntary participation of our employees in projects and social actions supported by MAHLE.

In this way, we strengthen knowledge and diversity by being agents of transformation beyond our walls in order to build an environment that is more productive and competitive in our organization and better for society.

At December 31, 2019, MAHLE Metal Leve S.A. and its subsidiaries employed 6,930 people.

## **12 Integrated Management System, Safety at Work & Environment**

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

For purposes of prevention and better quality of life of our employees, measures to reduce workplace accidents by means of accident statistics and commitment from leaders and teams ensure that employees follow good safety practices. In addition to investments in new equipment and resources, workplace safety communications were implemented to encourage the teams to work more safely. Moreover, our units have been audited and certified in accordance with international standards OHSAS 18001 (Health & Safety) and ISO 14001 (Environment).

The TERRA environmental program in our region is to encourage initiatives and targets focusing on four pillars: Water, Energy, Waste and Effluents. This program is aimed at developing and fostering a culture of sustainability through the appropriate use of natural resources and the deployment of technologies to reduce environmental footprints.

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

With regard to Safety and Environment, we worked to reduce the accident frequency rate; we improved safety culture within the workplace through safety tours and our Safety First campaign that comprises extensive measures to guarantee safety at work. Further, our employees were invited to assume a personal commitment to safety based on the principle that work is never so urgent that we cannot take time to do it safely; and we implemented new Terra program initiatives with impressive environmental benefits.

All our efforts aim to ensure the highest standards in line with global best practices, as part of our continuous improvement process.

## **13 Coronavirus**

On January 31, 2020, the World Health Organization (WHO) declared the new coronavirus (COVID-19) a global health emergency and, on March 11, 2020, the WHO officially declared the coronavirus a global pandemic as the virus has spread across all continents. In many countries the cases of COVID-19 cases continue to grow. The markets have reacted negatively to the escalating pandemic and the stock market has gone through a period of strong turbulence, including circuit breakers triggered at the Brazilian stock exchange B3. In the next quarters the automotive industry will face challenges not yet measured, which will impact the auto parts manufacturers both in Brazil and abroad.

The Company is closely monitoring the possible effects of the coronavirus pandemic on its business. It is too early to determine the impacts and magnitude of the coronavirus crisis on the Company's future results. However, we are monitoring the impacts on the Brazilian economy and on the Company's operations and, if needed, we will disclose additional information in a timely manner.

In view of the foregoing, Management will submit the resolution to retain the Company's remaining profits to shareholders for a vote.



#### **14 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 fiscal year 2019, 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.

#### **15 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 fiscal year ended December 31, 2019 and the opinions expressed in the independent auditor's report.

#### **16 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 in 2019.

#### ***The Management Board***

## 17 Exhibits

## 17.1 Balance sheet

BALANCE SHEET (CONSOLIDATED)	12.31.19	12.31.18
<b>ASSETS</b>	<b>2,327.7</b>	<b>2,316.1</b>
<b>Current assets</b>	<b>1,096.8</b>	<b>1,106.3</b>
Cash and cash equivalents	80.7	39.7
Financial investments	88.1	57.9
Trade accounts receivable	394.3	437.6
Inventories	396.1	401.4
Recoverable taxes	45.9	79.6
Income tax and social contribution recoverable	60.2	47.4
Other assets	31.5	42.7
<b>Non-current assets</b>	<b>1,230.9</b>	<b>1,209.8</b>
Deferred taxes	1.8	13.3
Loans to related parties	37.0	40.7
Recoverable taxes	17.2	20.4
Income tax and social contribution recoverable	-	-
Investments in subsidiaries	0.3	0.5
Property, plant and equipment	644.0	645.5
Intangible assets	469.6	466.9
Long-term assets in use	20.1	-
Other assets	40.9	22.5
<b>LIABILITIES</b>	<b>2,327.7</b>	<b>2,316.1</b>
<b>Current liabilities</b>	<b>587.1</b>	<b>561.4</b>
Salaries, vacation and social charges	67.6	82.3
Trade accounts payable	149.5	156.8
Lease liability	37.7	27.5
Income tax and social contribution payable	213.9	160.4
Borrowings	8.8	-
Provisions	45.6	45.7
Other liabilities	64.0	88.7
<b>Non-current liabilities</b>	<b>443.6</b>	<b>401.7</b>
Borrowings	180.2	131.2
Trade accounts payable	16.2	-
Deferred taxes	3.1	4.3
Provisions	235.3	258.1
Other liabilities	8.8	8.1
<b>Consolidated shareholder's equity</b>	<b>1,297.0</b>	<b>1,353.0</b>
Capital stock	966.3	966.3
Revenue reserves	308.0	295.1
Retained earnings (accumulated deficit)	-	10.7
Proposed dividends	175.6	192.2
Other comprehensive income	36.6	21.6
Cumulative translation adjustments	(182.9)	(129.5)
Non-controlling interests	(6.6)	(3.4)

## 17.2 Statement of income

INCOME STATEMENT (CONSOLIDATED)	12.31.19 (a)	12.31.18 (b)	Var. (a/b)
<b>Net sales revenue</b>	<b>2,526.2</b>	<b>2,591.7</b>	<b>-2.5%</b>
Cost of sales	(1,885.9)	(1,901.6)	-0.9%
<b>Gross income</b>	<b>640.3</b>	<b>690.1</b>	<b>-7.2%</b>
<b>Operating income (expenses)</b>	<b>(294.9)</b>	<b>(313.1)</b>	<b>-5.8%</b>
Selling expenses	(165.3)	(168.8)	-2.1%
Gains/losses on the recoverable value of accounts receivable	(1.6)	(3.9)	-100.0%
General and administrative expenses	(85.7)	(93.9)	-8.7%
Technology and product development expenses	(83.7)	(80.0)	4.6%
Other operating income (expenses), net	(6.8)	8.8	175.5%
Gains/losses on net monetary position	48.4	24.8	100.0%
Equity in the results of investees	(0.2)	(0.1)	47.2%
<b>Profit before finance income and costs</b>	<b>345.4</b>	<b>377.0</b>	<b>-8.4%</b>
Finance income	115.9	170.3	-32.0%
Finance costs	(157.3)	(191.9)	-18.1%
<b>Income and social contribution taxes</b>	<b>304.0</b>	<b>355.4</b>	<b>-14.5%</b>
Current Income tax and social contribution	(38.6)	(76.4)	-49.4%
Deferred Income tax and social contribution	(9.6)	14.1	-167.8%
<b>Net income for the period</b>	<b>255.8</b>	<b>293.1</b>	<b>-12.7%</b>
Attributable to: Owners of the parent	259.0	291.7	-11.2%
Attributable to: Non-controlling-interests	(3.2)	1.4	331.2%
<b>Basic and diluted earnings per share (in reais)</b>	<b>2.01883</b>	<b>2.27324</b>	<b>-11.2%</b>



## 17.3 Statement of Cash Flow

STATEMENT OF CASH FLOWS (CONSOLIDATED)	12.31.19	12.31.18
<b>Cash flows from operating activities</b>		
Profit (losses) before tax	304.1	355.3
Depreciation and amortization	95.4	89.9
Equity in the results of investees	0.2	0.1
Interest and monetary and exchange variations, net	29.8	20.2
Losses/(gains) on derivative financial instruments	0.1	(2.6)
Result on disposal of property, plant and equipment	(2.1)	(3.0)
Provision (reversal) for impairment of trade receivables	0.3	4.4
Provision (reversal) for contingencies and legal obligations	(22.1)	(1.7)
Provision (reversal) for guarantees	2.3	4.7
Other provisions (reversal)	2.5	1.8
Recognition (reversal) of provision for impairment of the property, plant and equipment and intangible assets	0.1	(0.2)
Provision (reversal) for losses on inventories	4.2	1.1
Interest expense on lease liability	2.8	-
Gain / loss on monetary variation, net	(48.4)	(24.8)
<b>Changes in assets and liabilities</b>		
Trade accounts receivable and related parties	43.0	(53.8)
Inventories	2.3	(50.6)
Recoverable taxes	62.6	(18.5)
Other assets	(6.4)	(4.3)
Trade accounts payable and related parties	(7.3)	(15.0)
Salaries, accrual for vacation and social charges	(14.7)	(0.6)
Taxes and contributions payable	(3.6)	(6.0)
Other liabilities	(26.7)	(60.9)
<b>Cash from operations</b>	<b>418.4</b>	<b>235.5</b>
Income tax and social contribution paid	(69.9)	(80.8)
<b>Net cash used in operating activities</b>	<b>348.5</b>	<b>154.7</b>
<b>Net Cash from Investment Activities</b>	<b>(86.6)</b>	<b>(99.3)</b>
Loans granted to related subsidiaries	(570.6)	(393.2)
Loan repayments received from related parties	574.5	373.4
Additions to property, plant and equipment	(86.6)	(81.4)
Additions to intangible assets	(6.9)	(9.1)
Proceeds from sales of property, plant and equipment	3.0	11.0
<b>Net Cash from Financing Activities</b>	<b>(194.0)</b>	<b>(128.7)</b>
Proceeds from borrowings	328.5	257.3
Repayment of principal of loans	(225.1)	(147.3)
Payment of interest on loans	(12.6)	(8.8)
Dividends and interest on capital paid	(276.1)	(229.9)
Related Party Loans	-	120.1
Payment of Related Party Loans	-	(120.1)
Repayment of the principal of the lease liability	(8.7)	-
<b>Effect of foreign exchange variation on cash and cash equivalents</b>	<b>3.3</b>	<b>1.8</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>71.2</b>	<b>(71.5)</b>
Cash and cash equivalents at the beginning of the period	97.6	169.1
Cash and cash equivalents at the end of the period	168.8	97.6
<b>Increase (Decrease) in cash and cash equivalents, net</b>	<b>71.2</b>	<b>(71.5)</b>