

## MAHLE REPORTS EBITDA OF R\$ 114.9 million in 2Q19; MARGIN OF 17.4%

**Mogi Guaçu (SP), August 12, 2019 - MAHLE Metal Leve S.A. (B3: LEVE3)**, a Brazilian autoparts company that manufactures and sells components for internal combustion engines and automotive filters, announces today its results for the second quarter of 2019. The Company's operating and financial information is presented on a consolidated basis in BRL according to Brazilian Corporation Law unless otherwise indicated.

### 2Q19 HIGHLIGHTS

#### Earnings conference call and webcast:

Date: August 13, 2019

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

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Webcast:  
<http://cast.comunique-se.com.br/Mahle/2T19>

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

- **Net sales revenue** of R\$ 661.8 million in 2Q19, which represents an increase of 5.3% as compared to 2Q18. Net sales revenue in 1H19 was 3.1% higher than in 1H18;
- At the end of the first half of 2019, while the Brazil and Argentina consolidated vehicle production was down 2.7%, **the Company reported** a 3.1% increase in sales compared to the same period in 2018, and this performance was also above Brazil's vehicle production (+2.6% in 1H19);

Key indicators								
(R\$ million)	2Q19 (a)	1Q19 (b)	2Q18 (c)	(a/b)	(a/c)	1H19 (d)	1H18 (e)	(d/e)
Net revenue	661.8	623.2	628.2	6.2%	5.3%	1,285.0	1,246.9	3.1%
EBITDA	114.9	120.3	112.9	-4.5%	1.8%	235.2	231.7	1.5%
EBITDA margin	17.4%	19.3%	18.0%	-1.9 p.p.	-0.6 p.p.	18.3%	18.6%	-0.3 p.p.
Profit for the year	59.7	63.9	60.2	-6.6%	-0.8%	123.6	131.6	-6.1%
Net margin	9.0%	10.3%	9.6%	-1.3 p.p.	-0.6 p.p.	9.6%	10.6%	-1 p.p.

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## 1 Management's Comments

As already addressed at the beginning of 2019, the year started with negative economic activity data and, consequently, the production rate in the automotive industry has been more moderate than expected. As a result, the second quarter was also challenging.

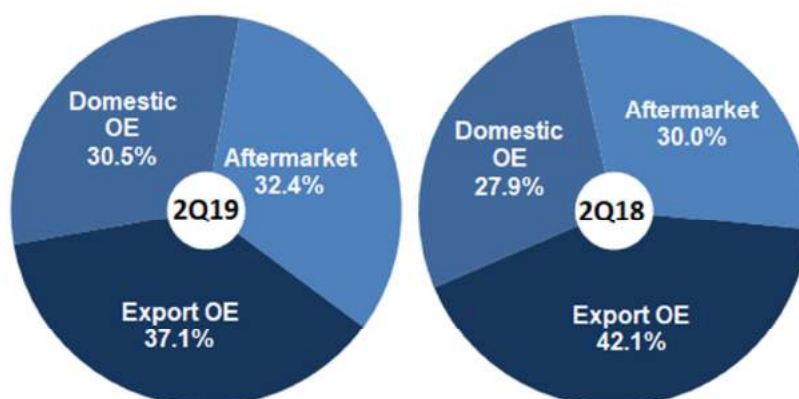
The general market expectation is for the economy to recover bolstered by reforms and stimulus package which are being proposed by the Brazilian government for the second half of 2019. Therefore, the upward bias to vehicle output in Brazil is likely to continue.

The result of Argentina's presidential elections this year can help kick-start the country's economic recovery. In spite of adversities, we are striving to maintain the good results.

The best response to uncertainties facing us is MAHLE's business model, i.e., a balanced presence in our different market segments: Original Equipment (OE) and Aftermarket both in the domestic and international markets. This balance between our revenue streams allows us to offset fluctuations in these segments and stabilize our profitability margins over time.

So, the Company's revenue grew by 5.3% in 2Q19 compared with the same period in 2018, driven by strong sales in the domestic OE market (15.2%), Aftermarket (13.5%), which were partly offset by OE exports (-7.0%).

The chart below shows the Company's revenue broken down by market in 2Q19 and 2Q18:



In fact, in 2Q19 the Company reported EBITDA of R\$ 114.9 million and an EBITDA margin of 17.4%.

MAHLE is systematically embracing a dual strategy for research and development. This means that, on the one hand, we are working intensively on the further optimization of internal combustion engines and, at the same time, we are focusing on the development of alternative drive concepts.

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

## 2 About MAHLE Metal Leve

We are a Brazilian autoparts company that manufactures and sells components for internal combustion engines and automotive filters. We manufacture products with the latest technology and the highest quality, and we continuously invest 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. We operate in the OEM (original equipment manufacturers) and aftermarket segments, serving automakers and large autoparts distributors and engine overhaul enterprises.

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 industrial 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 development of components and solution packages for internal combustion engines. This center allows us to add value to and meet the requirements of our customers in a customized and efficient manner, and develop innovative new product technologies and processes.

We are part of the German group MAHLE (MAHLE Group), one of the most traditional autoparts suppliers in the world, which was founded in 1920 in Germany. The MAHLE Group currently has more than 170 industrial plants in 35 countries on five continents, 17 research and development centers and approximately 79,000 employees.

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



### 3 Developments of the Automotive Industry

#### 3.1 Developments of the Brazilian market

Brazilian automotive industry												
Segments	Jan-Jun 2019					Jan-Jun 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	1,065,988	182,015	-87,706	72,967	1,233,264	957,934	302,692	-97,998	19,131	1,181,759	11.3%	4.4%
Light Commercial	185,784	30,224	-54,093	9,628	171,543	171,213	57,244	-44,349	4,119	188,227	8.5%	-8.9%
<b>Total light vehicles</b>	<b>1,251,772</b>	<b>212,239</b>	<b>-141,799</b>	<b>82,595</b>	<b>1,404,807</b>	<b>1,129,147</b>	<b>359,936</b>	<b>-142,347</b>	<b>23,250</b>	<b>1,369,986</b>	<b>10.9%</b>	<b>2.5%</b>
Trucks	46,779	5,946	-1,514	4,227	55,438	32,025	14,361	-725	3,926	49,587	46.1%	11.8%
Buses	9,623	3,712	-4	692	14,023	5,573	4,734	-3	4,651	14,955	72.7%	-6.2%
<b>Total Trucks and Buses</b>	<b>56,402</b>	<b>9,658</b>	<b>-1,518</b>	<b>4,919</b>	<b>69,461</b>	<b>37,598</b>	<b>19,095</b>	<b>-728</b>	<b>8,577</b>	<b>64,542</b>	<b>50.0%</b>	<b>7.6%</b>
Agricultural	19,849	6,072	117	-1,259	24,779	19,863	6,197	102	738	26,900	-0.1%	-7.9%
<b>Total medium and heavy vehicles</b>	<b>76,251</b>	<b>15,730</b>	<b>-1,401</b>	<b>3,660</b>	<b>94,240</b>	<b>57,461</b>	<b>25,292</b>	<b>-626</b>	<b>9,315</b>	<b>91,442</b>	<b>32.7%</b>	<b>3.1%</b>
<b>Total vehicle sales</b>	<b>1,328,023</b>	<b>227,969</b>	<b>-143,200</b>	<b>86,255</b>	<b>1,499,047</b>	<b>1,186,608</b>	<b>385,228</b>	<b>-142,973</b>	<b>32,565</b>	<b>1,461,428</b>	<b>11.9%</b>	<b>2.6%</b>
Variation (un) - 1H19 x 1H18	141,415	-157,259	-227	53,690	37,619							
Variation (%) - 1H19 x 1H18	11.9%	-40.8%	0.2%	164.9%	2.6%							

Source: Anfavea

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

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

The Brazilian automotive industry has seen a growth of 2.6% in **vehicle production** and of 11.9% in **sales** in 1H19 compared with the same period of the prior year.

According to the Brazilian Association of Motor Vehicle Manufacturers (ANFAVEA), **vehicle inventory** recorded at the end of 1H19 reached 316 thousand units, corresponding to 42 days of sales. In the same period of the previous year, vehicle inventory was equivalent to 36 days of sales, representing 240.6 thousand units.

The table on the right shows the changes in production, sales and total inventory of national vehicles in the first six months of 2019 compared to the same period of 2018:

Vehicle Production - monthly (thousand units)	Jan	Feb	Mar	Apr	May	Jun	Total
Production (2018)	221.4	217.4	272.9	271.1	216.9	261.6	1,461.3
Production (2019)	202.9	260.4	245.1	271.9	281.2	237.6	1,499.0
Total vehicle sales - monthly (thousand units)	Jan	Feb	Mar	Apr	May	Jun	Total
Sales (2018)	182.9	159.3	210.9	221.4	205.2	206.9	1,186.6
Sales (2019)	202.5	201.5	213.0	235.0	248.5	227.6	1,328.1
Brazilian Vehicles Inventory (days)	Jan	Feb	Mar	Apr	May	Jun	
Sales (2018)	38	41	34	32	31	36	
Sales (2019)	37	43	41	40	39	42	

Source: Anfavea

#### 3.2 Developments of the Argentina market

The Argentine automotive industry reported a decline of 55.5% in vehicle sales and of 33.8% in vehicle production when comparing 1H19 to 1H18.

Argentina's automotive industry			
Vehicle Sales (Locally-manufactured and imported)	Jan-Jun 2019 (A)	Jan-Jun 2018 (B)	A/B
Total of Light vehicle	187,067	421,607	-55.6%
Total of medium and heavy vehicle (**)	9,437	20,144	-53.2%
<b>Total vehicle sales</b>	<b>196,504</b>	<b>441,751</b>	<b>-55.5%</b>
Exports	107,686	121,570	-11.4%
Imports	135,214	302,550	-55.3%
<b>Automotive trade balance</b>	<b>(27,528)</b>	<b>(180,980)</b>	<b>-84.8%</b>
Vehicle inventory variation in the period (*)	6,142	9,690	-36.6%
Production of Light vehicle	161,182	242,655	-33.6%
Medium and heavy vehicle production	4,499	7,662	-41.3%
<b>Total vehicle production</b>	<b>165,681</b>	<b>250,317</b>	<b>-33.8%</b>

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

(\*\*) Source: Arcaraz Arg.

Source: Adefa

The table below shows consolidated vehicle production and sales figures for Brazil and Argentina. This region refers to the domestic market of the Company.

Production and sales: Brazil & Argentina	Vehicle production			Vehicle sales		
	Jan-Jun 2019	Jan-Jun 2018	variation	Jan-Jun 2019	Jan-Jun 2018	variation
Light vehicle	1,565,989	1,612,641	-2.9%	1,438,839	1,550,754	-7.2%
Medium and heavy vehicle	98,739	99,104	-0.4%	85,688	77,605	10.4%
<b>Total</b>	<b>1,664,728</b>	<b>1,711,745</b>	<b>-2.7%</b>	<b>1,524,527</b>	<b>1,628,359</b>	<b>-6.4%</b>

Source: Anfavea and Adefa

### 3.3 Vehicle production in the main export markets

The table below shows the vehicle production figures for 1H19 in North America and Europe (Company's main export markets) compared with the same period of 2018.

Vehicle Production in the main export market (in thousands)			
Segment	Jan-Jun 2019 (A)	Jan-Jun 2018 (B)	A/B
Production of Light vehicle	8,490	8,737	-2.8%
Production of medium and heavy vehicle	327	298	9.7%
<b>North America</b>	<b>8,817</b>	<b>9,035</b>	<b>-2.4%</b>
Production of Light vehicle	11,231	11,914	-5.7%
Production of medium and heavy vehicle	341	341	0.0%
<b>Europe</b>	<b>11,572</b>	<b>12,254</b>	<b>-5.6%</b>
<b>Total Vehicle Production</b>	<b>20,389</b>	<b>21,290</b>	<b>-4.2%</b>

Source: IHS

## 4 Company's Financial and Economic Performance

Summary P&L (R\$ million)	2Q19 (a)	2Q18 (b)	V.A. (%) (a)	V.A. (%) (b)	H.A. (%) (a/b)	1H19 (c)	1H18 (d)	V.A. (%) (c)	V.A. (%) (d)	H.A. (%) (c/d)
<b>Net sales revenue</b>	<b>661.8</b>	<b>628.2</b>	<b>100.0%</b>	<b>100.0%</b>	<b>5.3%</b>	<b>1,285.0</b>	<b>1,246.9</b>	<b>100.0%</b>	<b>100.0%</b>	<b>3.1%</b>
Cost of sales	(496.6)	(449.9)	-75.0%	-71.6%	10.4%	(951.0)	(895.1)	-74.0%	-71.8%	6.2%
<b>Gross profit</b>	<b>165.2</b>	<b>178.3</b>	<b>25.0%</b>	<b>28.4%</b>	<b>-7.3%</b>	<b>334.0</b>	<b>351.8</b>	<b>26.0%</b>	<b>28.2%</b>	<b>-5.1%</b>
Selling expenses	(40.9)	(44.6)	-6.2%	-7.1%	-8.3%	(78.7)	(81.7)	-6.1%	-6.6%	-3.7%
Gains/losses on the recoverable value of accounts receivable	(1.4)	(3.2)	-0.2%	-0.5%	-56.3%	(1.6)	(3.9)	-0.1%	-0.3%	-59.0%
General and administrative expenses	(23.4)	(22.9)	-3.5%	-3.6%	2.2%	(42.4)	(43.3)	-3.3%	-3.5%	-2.1%
Technology and product development expenses	(23.8)	(20.2)	-3.6%	-3.2%	17.8%	(43.9)	(37.1)	-3.4%	-3.0%	18.3%
Other operating income (expenses)	(2.0)	2.2	-0.3%	0.4%	-190.9%	(2.5)	(0.1)	-0.2%	0.0%	2400.0%
Gains/losses on net monetary position <sup>1</sup>	18.2	-	2.8%	0.0%	100.0%	24.6	-	1.9%	0.0%	100.0%
<b>Operating profit</b>	<b>91.9</b>	<b>89.6</b>	<b>13.9%</b>	<b>14.3%</b>	<b>2.6%</b>	<b>189.5</b>	<b>185.7</b>	<b>14.7%</b>	<b>14.9%</b>	<b>2.0%</b>
Finance income (costs), net	(9.5)	(5.2)	-1.4%	-0.8%	82.7%	(18.3)	(7.0)	-1.4%	-0.6%	161.4%
Income tax and social contribution	(24.2)	(23.8)	-3.7%	-3.8%	1.7%	(49.8)	(47.6)	-3.9%	-3.8%	4.6%
<b>Profit for the year</b>	<b>58.2</b>	<b>60.6</b>	<b>8.8%</b>	<b>9.6%</b>	<b>-4.0%</b>	<b>121.4</b>	<b>131.1</b>	<b>9.4%</b>	<b>10.5%</b>	<b>-7.4%</b>
Attributable to: Owners of the parent	59.7	60.2	9.0%	9.6%	-0.8%	123.6	131.6	9.6%	10.6%	-6.1%
Attributable to: Non-controlling-interests	(1.5)	0.4	-0.2%	0.1%	-475.0%	(2.2)	(0.5)	-0.2%	0.0%	340.0%
<b>EBITDA</b>	<b>114.9</b>	<b>112.9</b>	<b>17.4%</b>	<b>18.0%</b>	<b>1.8%</b>	<b>235.2</b>	<b>231.7</b>	<b>18.3%</b>	<b>18.6%</b>	<b>1.5%</b>
<b>Margins:</b>										
Gross margin	25.0%	28.4%			-3.4 p.p.	26.0%	28.2%			-2.2 p.p.
Operating margin	13.9%	14.3%			-0.4 p.p.	14.7%	14.9%			-0.2 p.p.
Net margin attributable to owners of the parent	9.0%	9.6%			-0.6 p.p.	9.6%	10.6%			-1 p.p.
EBITDA margin	17.4%	18.0%			-0.6 p.p.	18.3%	18.6%			-0.3 p.p.
<b>SG&amp;A expenses to net sales revenue</b>	<b>9.7%</b>	<b>10.7%</b>			-1 p.p.	<b>9.4%</b>	<b>10.0%</b>			<b>-0.6 p.p.</b>

<sup>1</sup> Additional information is provided in Note 34 to the financial statements at June 30, 2019 (Adoption of IAS 29 - Financial Reporting in Hyperinflationary Economies).



#### 4.1 Net sales revenue and segments' share

The Company's consolidated net revenue grew 5.3% in 2Q19 compared to the same period of 2018. The table below shows revenue by market and its respective impact in terms of volume/price and foreign exchange variation period over period:

Net revenue by market (R\$ Million)		2Q19 (a)	Volume/Price (b)	FX-Variation (c)	2Q18 (d)	% volume/price impact (b/d)	% FX-impacts (c/d)	H.A. (%) (a/d)
Original equipment	Domestic <sup>1</sup>	201.9	31.0	(4.3)	175.2	17.7%	-2.5%	15.2%
	Export	245.7	(40.1)	21.5	264.3	-15.1%	8.1%	-7.0%
	<b>Subtotal</b>	<b>447.6</b>	<b>(9.1)</b>	<b>17.2</b>	<b>439.5</b>	<b>-2.1%</b>	<b>3.9%</b>	<b>1.8%</b>
Aftermarket	Domestic <sup>1</sup>	166.1	42.7	(18.9)	142.3	30.0%	-13.3%	16.7%
	Export	48.1	(3.6)	5.3	46.4	-7.6%	11.3%	3.7%
	<b>Subtotal</b>	<b>214.2</b>	<b>39.1</b>	<b>(13.6)</b>	<b>188.7</b>	<b>20.7%</b>	<b>-7.2%</b>	<b>13.5%</b>
<b>Total</b>		<b>661.8</b>	<b>30.0</b>	<b>3.6</b>	<b>628.2</b>	<b>4.7%</b>	<b>0.6%</b>	<b>5.3%</b>

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

In 1H19, the Company reported growth of 3.1% in its consolidated net revenue compared to the same period in 2018. The table below shows revenue by market and its respective impact in terms of volume/price and foreign exchange variation period over period:

Net revenue by market (R\$ Million)		1H19 (a)	Volume/Price (b)	FX-Variation (c)	1H18 (d)	% volume/price impact (b/d)	% FX-impacts (c/d)	H.A. (%) (a/d)
Original equipment	Domestic <sup>1</sup>	384.7	39.0	(7.6)	353.3	11.0%	-2.1%	8.9%
	Export	481.7	(79.2)	47.2	513.7	-15.4%	9.2%	-6.2%
	<b>Subtotal</b>	<b>866.4</b>	<b>(40.2)</b>	<b>39.6</b>	<b>867.0</b>	<b>-4.6%</b>	<b>4.5%</b>	<b>-0.1%</b>
Aftermarket	Domestic <sup>1</sup>	322.2	68.6	(34.4)	288.0	23.8%	-11.9%	11.9%
	Export	96.4	(7.7)	12.2	91.9	-8.4%	13.3%	4.9%
	<b>Subtotal</b>	<b>418.6</b>	<b>60.9</b>	<b>(22.2)</b>	<b>379.9</b>	<b>16.0%</b>	<b>-5.8%</b>	<b>10.2%</b>
<b>Total</b>		<b>1,285.0</b>	<b>20.7</b>	<b>17.4</b>	<b>1,246.9</b>	<b>1.7%</b>	<b>1.4%</b>	<b>3.1%</b>

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

#### 4.2 OE sales

##### Domestic market:

The domestic OE segment grew 15.2% in 2Q19, with a 17.7% increase in volume/price, which was partially offset by the foreign exchange variation (-2.5%) from Argentina business (which was consolidated in our domestic OE segment). Please note that, in the same period, consolidated vehicle production of Brazil and Argentina fell 2.7%.

The domestic OE segment posted growth of 8.9% for 1H19, with an 11.0% increase in volume/price, which was partially offset by the foreign exchange variation (-2.1%) arising also from Argentina business (which was consolidated in our domestic OE segment).

##### Export market:

OE export sales fell by 7.0% in 2Q19 and the positive impact of 8.1% foreign exchange variation was offset by a 15.1% decline in volumes. Shown below are exports in hard currency comparing 2Q19 to 2Q18:

Export Sales by currency	Apr-Jun 2019 (a)	Apr-Jun 2018 (b)	H.A. (%) (a/b)
<b>Original equipment</b>			
EUR	19.4	24.9	-22.1%
USD	42.4	46.2	-8.2%

In 1H19, we saw a decline of 6.2% in this market, due to the positive impact of 9.2% foreign exchange variation which was offset by a fall of 15.4% in volumes. Shown below are exports in hard currency comparing 1H19 to 1H18:

Export Sales by currency (million)	Jan-Jun 2019 (a)	Jan-Jun 2018 (b)	H.A. (%) (a/b)
<b>Original equipment</b>			
EUR	39.6	50.8	-22.0%
USD	82.6	90.0	-8.2%

#### 4.3 Aftermarket sales

##### **Domestic market:**

The domestic Aftermarket grew 16.7% in 2Q19, with a 30.0% increase in volume/price, which was partially offset by the foreign exchange variation (-13.3%) from Aftermarket Argentina (this unit was consolidated in our domestic Aftermarket).

When comparing 1H19 with 1H18, the domestic Aftermarket grew 11.9%, with a 23.8% increase in volume/price, which was partially offset by the foreign exchange variation (-11.9%) from Aftermarket Argentina (this unit was consolidated in our domestic Aftermarket).

##### **Export market:**

In 2Q19, our Aftermarket exports grew 3.7% compared to the same period in 2018, with a 7.6% decrease in volume/price, which was offset by the positive impact of the 11.3% foreign exchange variation. Aftermarket exports in hard currency were as follows:

Export Sales by currency	Apr-Jun 2019 (a)	Apr-Jun 2018 (b)	H.A. (%) (a/b)
<b>Aftermarket</b>			
EUR	0.4	-	-
USD	11.8	13.3	-11.3%

When comparing 1H19 with 1H18, our Aftermarket exports grew 4.9%, with a positive impact of the 13.3% foreign exchange variation which was offset by the decrease in volume/price (-8.4%). Aftermarket exports in hard currency were as follows:

Export Sales by currency (million)	Jan-Jun 2019 (a)	Jan-Jun 2018 (b)	H.A. (%) (a/b)
<b>Aftermarket</b>			
EUR	0.4	0.5	-20.0%
USD	24.6	26.4	-6.8%

#### 4.4 Consolidated export by region

The graph below shows our exports by geographic region in 1H19 and 1H18:





#### 4.5 Net revenue by segment

In 2Q19, the engine component segment saw 6.0% sales growth while the filter segment remained stable compared to the same period in 2018. For 1H19 and 1H18, the engine component segment posted growth of 3.9% in sales while the filter segment showed a decline of 3.3%, as presented in the table below:

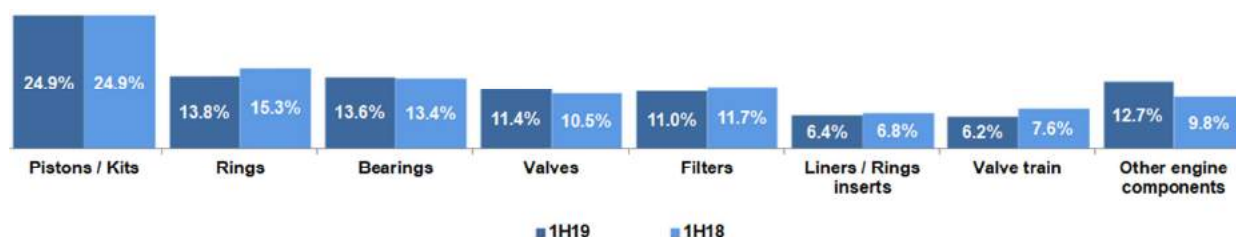
Net sales revenue by segment (R\$ million)	2Q19 (a)	2Q18 (b)	H.A. (%) (a/b)	1H19 (c)	1H18 (d)	H.A. (%) (c/d)
Engine components	592.8	559.2	6.0%	1,143.4	1,100.5	3.9%
Filters	69.0	69.0	0.0%	141.6	146.4	-3.3%
<b>Total</b>	<b>661.8</b>	<b>628.2</b>	<b>5.3%</b>	<b>1,285.0</b>	<b>1,246.9</b>	<b>3.1%</b>

For the filter segment, it should be considered that in 1H18 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 decline of 0.8% between the periods compared.

It is important to note that we do not export filters and, therefore, there was no impact of foreign exchange variation on the filter segment as it was seen in the engine component segment.

#### 4.6 Net revenue by product

The graph below shows the share of each product in the Company's total sales in terms of percentage for 1H19 and 1H18:



#### 4.7 Gross margin

The Company closed 2Q19 with a gross margin of 25.0% (28.4% in 2Q18) while for 1H19 gross margin was 26.0% (28.2% in 1H18), as shown in the table below:

Summary P&L (R\$ million)	2Q19 (a)	2Q18 (b)	V.A. (%) (a)	V.A. (%) (b)	H.A. (%) (a/b)	1H19 (c)	1H18 (d)	V.A. (%) (c)	V.A. (%) (d)	H.A. (%) (c/d)
Net sales revenue	661.8	628.2	100.0%	100.0%	5.3%	1,285.0	1,246.9	100.0%	100.0%	3.1%
Cost of sales	(496.6)	(449.9)	-75.0%	-71.6%	10.4%	(951.0)	(895.1)	-74.0%	-71.8%	6.2%
Gross profit	165.2	178.3	25.0%	28.4%	-7.3%	334.0	351.8	26.0%	28.2%	-5.1%
Gross margin	25.0%	28.4%			-3.4 p.p.	26.0%	28.2%			-2.2 p.p.

The gross margin for 2Q19 compared to the same period in 2018 was impacted by the effects of the return of payroll tax plus salary increases for the period.

There was also the impact of the electricity contracts which were signed by the Company in Brazil and Argentina in the past and expired in 2019. The costs under new electricity contracts are higher than those under previous contracts.

#### 4.8 Selling, general and administrative expenses

In 2Q19 and 1H19, the Company posted a decrease in selling expenses even with an increase in net revenue. In both periods, the decrease is a direct result of the efforts to increase productivity also in the Company's indirect areas.

Summary P&L (R\$ million)	2Q19 (a)	2Q18 (b)	V.A. (%) (a)	V.A. (%) (b)	H.A. (%) (a/b)	1H19 (c)	1H18 (d)	V.A. (%) (c)	V.A. (%) (d)	H.A. (%) (c/d)
Net sales revenue	661.8	628.2	100.0%	100.0%	5.3%	1,285.0	1,246.9	100.0%	100.0%	3.1%
Selling expenses	(40.9)	(44.6)	-6.2%	-7.1%	-8.3%	(78.7)	(81.7)	-6.1%	-6.6%	-3.7%
General and administrative expenses	(23.4)	(22.9)	-3.5%	-3.6%	2.2%	(42.4)	(43.3)	-3.3%	-3.5%	-2.1%
SG&A expenses	(64.3)	(67.5)	9.7%	10.7%	-4.7%	(121.1)	(125.0)	9.4%	10.0%	-3.1%
SG&A expenses to net sales revenue	9.7%	10.7%			-1 p.p.	9.4%	10.0%			-0,6 p.p.

General and administrative expenses remained stable in the periods analyzed.

#### 4.9 Technology and new product development expenses

The Company believes that it is of utmost importance to continue to make investments in R&D and that the focus on technological innovations involving partnerships with customers with registration of patents and launch of new products in the market is one of its main competitive strengths.

Summary P&L (R\$ million)	2Q19 (a)	2Q18 (b)	V.A. (%) (a)	V.A. (%) (b)	H.A. (%) (a/b)	1H19 (c)	1H18 (d)	V.A. (%) (c)	V.A. (%) (d)	H.A. (%) (c/d)
Net sales revenue	661.8	628.2	100.0%	100.0%	5.3%	1,285.0	1,246.9	100.0%	100.0%	3.1%
Technology and product development expenses	(23.8)	(20.2)	-3.6%	-3.2%	17.8%	(43.9)	(37.1)	-3.4%	-3.0%	18.3%

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

This account recorded a net expense of R\$ 2.0 million for 2Q19 and a net expense of R\$ 2.5 million for 1H19, as shown in the table below:

Other income and expenses, net (R\$ million)	2Q19 (a)	2Q18 (b)	Var. (a-b)	1H19 (c)	1H18 (d)	Var. (c-d)
Provision/Reversal for labor, civil and tax contingencies	1.3	(0.7)	2.0	4.1	(6.8)	10.9
Gains/losses on disposal of assets/other	0.1	-	0.1	0.1	-	0.1
Electric power	0.3	0.3	0.0	0.6	0.7	(0.1)
Provision for restructuring	-	-	-	-	0.2	(0.2)
Provision/Reversal for obsolescence	-	-	-	(0.2)	0.1	(0.3)
Recovered taxes (Reintegra)	0.2	3.1	(2.9)	0.4	7.1	(6.7)
Export Expenses (Argentina)	(3.5)	-	(3.5)	(7.5)	-	(7.5)
Other income/expenses	(0.4)	(0.5)	0.1	0.0	(1.4)	1.4
Total other income and expenses	(2.0)	2.2	(4.2)	(2.5)	(0.1)	(2.4)

#### 4.11 Operating performance measured by EBITDA

EBITDA was R\$ 114.9 million in 2Q19 (R\$ 112.9 in 2Q18), with an EBITDA margin of 17.4% (18.0% in 2Q18). The table below displays changes in the components of the operating result between the comparative periods:

EBITDA 2Q18	<sup>1</sup> Gains/losses on net monetary position (Argentina IAS 29)	Selling expenses	Gains/losses on the recoverable value of accounts receivable	Depreciation	General and administrative expenses	Technology and product development expenses	Other operating income (expenses)	Gross income	EBITDA 2Q19
112.9	18.2	3.7	1.8	(0.3)	(0.5)	(3.6)	(4.2)	(13.1)	114.9
EBITDA margin 18.0%									EBITDA margin 17.4%

In 1H19, EBITDA was R\$ 235.2 million (R\$ 231.7 million in 1H18), with an EBITDA margin of 18.3% (18.6% in 1H18). The table below displays changes in the components of the operating result between the comparative periods:

EBITDA 1H18	<sup>1</sup> Gains/losses on net monetary position (Argentina IAS 29)	Gains/losses on the recoverable value of accounts receivable	Selling expenses	General and administrative expenses	Depreciation	Other operating income (expenses)	Technology and product development expenses	Gross income	EBITDA 1H19
231.7	24.6	2.3	3.0	0.9	(0.3)	(2.4)	(6.8)	(17.8)	235.2
EBITDA margin 18.6%									EBITDA margin 18.3%

<sup>1</sup> Additional information is provided in Note 34 to the interim financial statements at June 30, 2019 (Adoption of IAS 29 - Financial Reporting in Hyperinflationary Economies).

#### 4.12 Finance result, net

In 2Q19, the Company recorded net finance costs of R\$ 9.5 million versus net finance costs of R\$ 5.2 million in 2Q18, representing a negative change of R\$ 4.3 million between the comparative periods.

Finance income and costs (R\$ million)	2Q19 (a)	2Q18 (b)	Var. (a-b)	1H19 (c)	1H18 (d)	Var. (c-d)
Interest income on financial investments	1.1	1.7	(0.6)	2.1	3.1	(1.0)
Interest on loans	(3.5)	(2.4)	(1.1)	(6.8)	(4.5)	(2.3)
Other income	0.4	0.1	0.3	1.0	0.5	0.5
<b>Finance costs, net</b>	<b>(2.0)</b>	<b>(0.6)</b>	<b>(1.4)</b>	<b>(3.7)</b>	<b>(0.9)</b>	<b>(2.8)</b>
Exchange variation, net	(1.6)	32.3	(33.9)	1.6	39.8	(38.2)
Gain (loss) on derivatives	2.3	(26.9)	29.2	1.8	(27.0)	28.8
<b>Exchange variation and Gain (loss) on derivatives (ii)</b>	<b>0.7</b>	<b>5.4</b>	<b>(4.7)</b>	<b>3.4</b>	<b>12.8</b>	<b>(9.4)</b>
Monetary variation, net	(6.3)	(8.3)	2.0	(14.3)	(15.9)	1.6
Other	(1.9)	(1.7)	(0.2)	(3.7)	(3.0)	(0.7)
<b>Monetary variation, net + Others (iii)</b>	<b>(8.2)</b>	<b>(10.0)</b>	<b>1.8</b>	<b>(18.0)</b>	<b>(18.9)</b>	<b>0.9</b>
<b>Finance income (costs) (i + ii + iii)</b>	<b>(9.5)</b>	<b>(5.2)</b>	<b>(4.3)</b>	<b>(18.3)</b>	<b>(7.0)</b>	<b>(11.3)</b>

The negative change of R\$ 0.6 million in “Interest income on financial investments” between the comparative periods was due to the decrease in the average levels of financial investments to R\$ 95.5 million in 2Q19 from R\$ 136.2 million in 2Q18, combined with a decrease in the rate of return to 5.2% p.a. in 2Q19 from 6.3% p.a. in 2Q18. When comparing 1H19 to 1H18, the negative change in “Interest income on financial investments” was R\$ 1.0 million, due to the decrease in the average levels of financial investments to R\$ 103.3 million in 1H19 from R\$ 124.6 million in 1H18, as well as a decrease in the rate of return to 5.7% p.a. in 1H19 from 6.4% p.a. in 1H18. In both periods, the movements followed a cut in Brazil’s basic interest rate (SELIC).

The negative change of R\$ 1.1 million in “Interest expenses on loans” between the comparative periods was due to the increase in the average levels of borrowings to R\$ 392.2 million in 2Q19 from R\$ 284.8 million in 2Q18, whereas there was a slight decrease in weighted average cost to 3.7% p.a. in 2Q19 from 3.9% p.a. in 2Q18. When comparing 1H19 to 1H18, the negative change in “Interest expenses on loans” was R\$ 2.3 million, attributable to the increase in the average levels of borrowings to R\$ 373.9 million in 1H19 from R\$ 229.8 million in 1H18 while there was a decrease in weighted average cost to 4.1% p.a. in 1H19 from 4.6% p.a. in 1H18. In both periods, the movements also followed a cut in SELIC.

With respect to item “ii” of the table above, please note that these two line items “Foreign exchange variation, net” and “Gain (loss) on derivatives” should always be analyzed together, because the Company monitors and manages foreign exchange exposures and continually assesses whether it needs to use derivatives to hedge its foreign exchange exposures. 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 31 to the quarterly financial statements at June 30, 2019.

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

Interest rates and volumes (average)	2Q19 (a)	2Q18 (b)	Var. (a-b)	1H19 (c)	1H18 (d)	Var. (c-d)
Investment Yield*	5.2%	6.3%	-1,1 p.p.	5.7%	6.4%	-0,7 p.p.
Cost of debt	3.7%	3.9%	-0,2 p.p.	4.1%	4.6%	-0,5 p.p.
Investments - average (R\$ million)	95.5	136.2	-29.9%	103.3	124.6	-17.1%
Average debt (R\$ million)	(392.2)	(284.8)	37.7%	(373.9)	(229.8)	62.7%

\* Bank deposit certificates (CDBs) and repurchase agreements with an average interest rate at 99.6% of the interbank deposit rate (CDI) issued by top-tier banks in Brazil.

There has been an increase in average debt of 37.7%, from R\$ 284.8 million in 2Q18 to R\$ 392.2 million in 2Q19, due to new borrowing agreements (NCE). When comparing the half-year periods for each year, there was an increase in average debt of 62.7% from R\$ 229.8 million in 1H18 to R\$ 373.9 million in 1H19, due to new loan agreements, principally NCE and Brazil's Innovation Agency FINEP.

#### 4.13 Income tax and social contribution

As of June 30, 2019, the Company recorded a provision for consolidated income tax and social contribution expense of R\$ 49.8 million (expense of R\$ 47.6 million at June 30, 2018) as detailed below:

- Current tax: expense of R\$ 41.5 million generated principally by the parent company and its subsidiary MAHLE Argentina S/A;
- Deferred tax: expense of R\$ 8.3 million with no impact on cash, comprising mainly changes in the 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 June 30, 2019.

#### 4.14 Net profit

Net profit was R\$ 59.7 million in 2Q19, down 0.8% from R\$ 60.2 million in 2Q18, while net margin was 9.0% in 2Q19 versus 9.6% in 2Q18. In 1H19, net profit was R\$ 123.6 million, which represents a decrease of 6.1% from R\$ 131.6 million in 1H18, while net margin was 9.6% in 1H19 versus 10.6% in 1H18.

Summary P&L (R\$ million)	2Q19 (a)	2Q18 (b)	V.A. (%) (a)	V.A. (%) (b)	H.A. (%) (a/b)	1H19 (c)	1H18 (d)	V.A. (%) (c)	V.A. (%) (d)	H.A. (%) (c/d)
Net sales revenue	661.8	628.2	100.0%	100.0%	5.3%	1,285.0	1,246.9	100.0%	100.0%	3.1%
Profit for the year	59.7	60.2	9.0%	9.6%	-0.8%	123.6	131.6	9.6%	10.6%	-6.1%
Net margin attributable to owners of the parent	9.0%	9.6%			-0.6 p.p.	9.6%	10.6%			-1 p.p.

#### 4.15 Capital expenditures

The table below shows capital expenditures and total accumulated depreciation in 1H19 and 1H18:

CAPEX & Depreciation (R\$ million)	1H19	1H18
Capex	35.2	29.0
Total depreciation	43.0	46.1
Capex	1H19	1H18
% of Net sales revenue	2.7%	2.3%
% of Depreciation	81.9%	62.9%

In 1H19, the Company spent money on acquiring R&D equipment, new machinery and equipment in order to increase productivity and quality, new products, new buildings, information technology, among others.

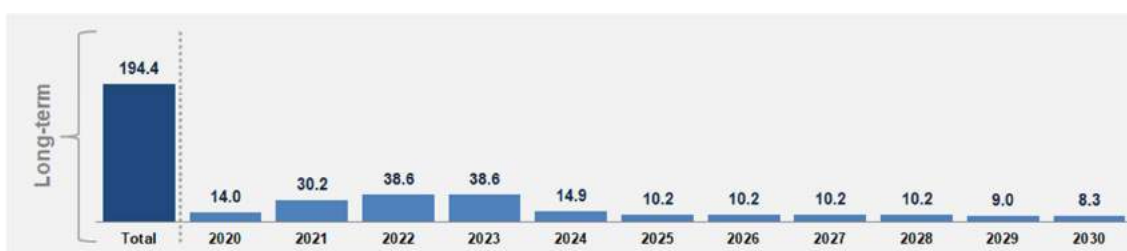
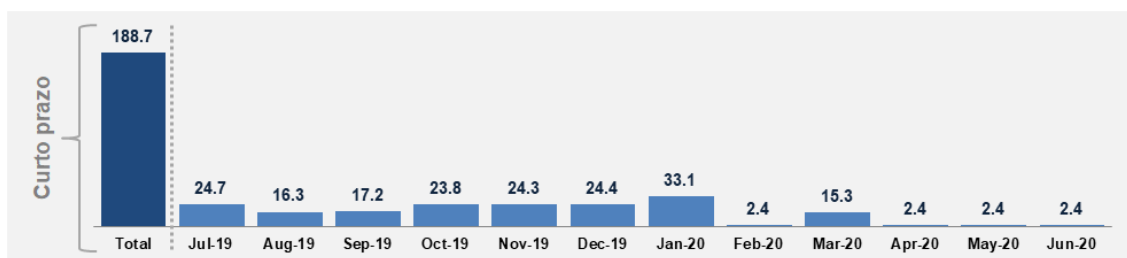
Additional information is provided in Note 13 to the Interim Financial Statements at June 30, 2019.

#### 4.16 Net position of financial assets and liabilities

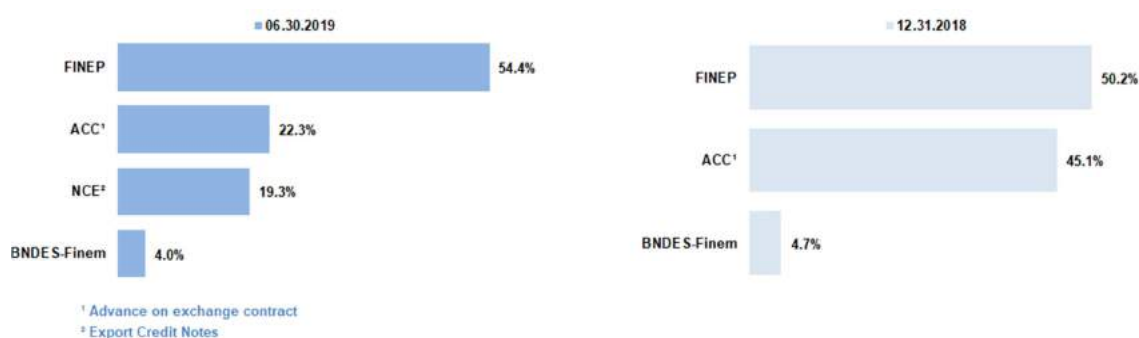
At the end of 1H19, the Company's net position of financial assets and liabilities was R\$ 272.4 million (liability position), while at the end of 2018, the net position was R\$ 153.3 million (asset position).

Net indebtedness (R\$ million)	06.30.2019 (a)	12.31.2018 (b)	Variation (a-b)	% Debt (a)	% Debt (b)
<b>Liabilities (i)</b>	<b>383.1</b>	<b>291.6</b>	<b>91.5</b>	<b>100%</b>	<b>100%</b>
Short-term	188.7	160.4	28.3	49%	55%
Long-term	194.4	131.2	63.2	51%	45%
<b>Cash / banks / cash investments/ Loans - related parties (ii):</b>	<b>(110.7)</b>	<b>(138.3)</b>	<b>27.6</b>		
<b>Net position (i + ii)</b>	<b>272.4</b>	<b>153.3</b>	<b>119.1</b>		

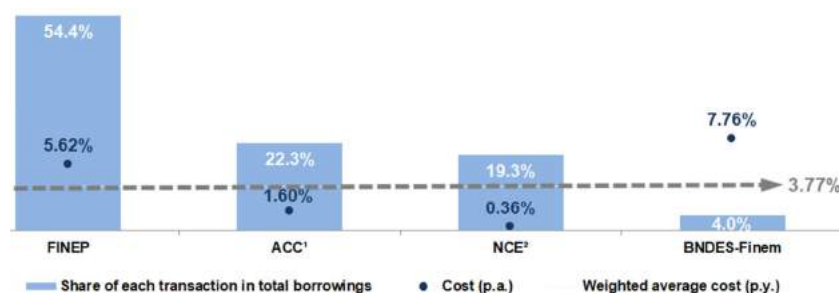
The charts below show the maturities of the liabilities classified into short-term and long-term at the end of 1H19, which represents 49% and 51%, respectively, of the debt displayed in the table above:



The chart below shows our borrowings at June 30, 2019, broken down by type of facility with respective cost, and the Company's weighted average cost:



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

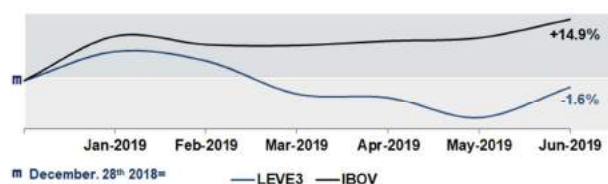


## 5 Investor Relations and Capital Market

In 1H19, the Company's Investor Relations department maintained its initiatives in support of interactions with our investors and the general market. Also, we continued to attend several meetings in person, conferences, site visits, call conferences and capital market events, in addition to interactions by telephone and e-mails.

### 5.1 Stock performance and free float turnover

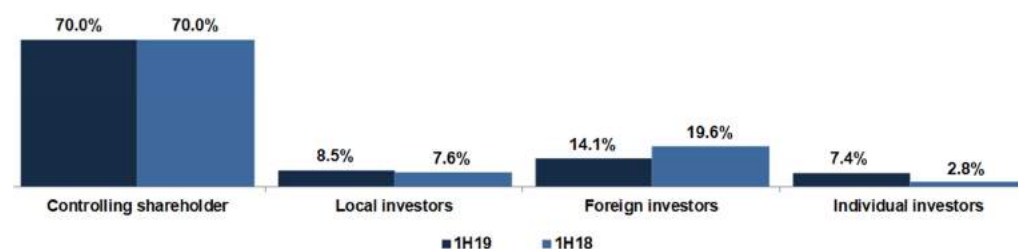
The graphs below show the market performance of LEVE3 stock, Average Daily Trading Volume (ADTV), and the ratio of average turnover to free-float market capitalization:



Average Daily Trading Volume (ADTV) and Turnover Ratio				
Period	3Q18	4Q18	1Q19	2Q19
Trading Volume (R\$ million)	7.8	7.2	6.5	6.8
Turnover (%)	0.76%	0.78%	0.63%	0.75%

### 5.2 Shareholder structure

At the end of 1H19 and 1H18, 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 1H19 and 1H18:





## **6     *Independent Auditors***

In accordance with CVM Instruction 381/03, the Company and its subsidiaries adopt a policy 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.

In 2Q19, 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.

## **7     *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 interim financial statements for the quarter ended June 30, 2019 and the opinions expressed in the independent auditor's report.

## **8     *Acknowledgements***

Management would like to thank the shareholders, employees, customers and suppliers of the Company for their support and trust during the second quarter of 2019.

## ***Management***

## 9 Exhibits

## 9.1 Balance sheet

BALANCE SHEET (CONSOLIDATED)	06.30.19	12.31.18
<b>ASSETS</b>	<b>2,323.9</b>	<b>2,316.0</b>
<b>Current assets</b>	<b>1,149.9</b>	<b>1,106.4</b>
Cash and cash equivalents	50.7	39.7
Financial investments	54.3	57.9
Trade accounts receivable	471.0	437.6
Inventories	408.8	401.4
Recoverable taxes	58.5	79.6
Income tax and social contribution recoverable	41.6	47.4
Other assets	65.0	42.8
<b>Non-current assets</b>	<b>1,174.0</b>	<b>1,209.8</b>
Deferred taxes	7.7	13.3
Loans to related parties	5.7	40.7
Recoverable taxes	16.2	20.4
Investments in subsidiaries	0.5	0.5
Property, plant and equipment	654.1	645.5
Intangible assets	469.3	466.9
Other assets	20.5	22.3
<b>LIABILITIES</b>	<b>2,323.9</b>	<b>2,316.1</b>
<b>Current liabilities</b>	<b>592.3</b>	<b>561.5</b>
Salaries, vacation and social charges	108.2	82.3
Trade accounts payable	161.2	156.8
Lease liability	5.5	-
Income tax and social contribution payable	25.9	27.5
Borrowings	188.7	160.4
Provisions	47.6	45.7
Other liabilities	55.2	88.6
<b>Non-current liabilities</b>	<b>456.0</b>	<b>401.7</b>
Borrowings	194.4	131.2
Trade accounts payable	12.9	-
Deferred taxes	9.0	4.3
Provisions	232.5	258.1
Other liabilities	7.1	8.1
<b>Consolidated shareholder's equity</b>	<b>1,275.6</b>	<b>1,353.0</b>
Capital stock	966.3	966.3
Revenue reserves	305.8	305.8
Retained earnings (accumulated deficit)	124.0	-
Proposed dividends	-	192.2
Other comprehensive income	35.2	21.6
Cumulative translation adjustments	(150.1)	(129.5)
Non-controlling interests	(5.6)	(3.4)

## 9.2 Statement of income

INCOME STATEMENT (CONSOLIDATED)	06.30.19 (a)	06.30.18 (b)	Var. (a/b)
<b>Net sales revenue</b>	<b>1,285.0</b>	<b>1,246.9</b>	<b>3.1%</b>
Cost of sales	(951.0)	(895.1)	6.2%
<b>Gross income</b>	<b>334.0</b>	<b>351.8</b>	<b>-5.1%</b>
<b>Operating income (expenses)</b>	<b>(144.4)</b>	<b>(166.1)</b>	<b>-13.1%</b>
Selling expenses	(78.7)	(81.7)	-3.7%
Gains/losses on the recoverable value of accounts receivable	(1.6)	(3.9)	-59.0%
General and administrative expenses	(42.4)	(43.3)	-2.1%
Technology and product development expenses	(43.8)	(37.1)	18.1%
Other operating income (expenses), net	(2.5)	(0.1)	2400.0%
Gains/losses on net monetary position	24.6	-	100.0%
Equity in the results of investees	(0.0)	(0.0)	0.0%
<b>Profit before finance income and costs</b>	<b>189.6</b>	<b>185.7</b>	<b>2.1%</b>
Finance income	61.3	93.3	-45.0%
Finance costs	(69.7)	(100.3)	-30.5%
<b>Income and social contribution taxes</b>	<b>171.2</b>	<b>178.7</b>	<b>-4.2%</b>
Current Income tax and social contribution	(41.5)	(69.4)	-40.2%
Deferred Income tax and social contribution	(8.3)	21.8	-138.1%
<b>Net income for the period</b>	<b>121.4</b>	<b>131.1</b>	<b>-7.4%</b>
Attributable to: Owners of the parent	123.6	131.6	-6.1%
Attributable to: Non-controlling-interests	(2.2)	(0.5)	340.0%
<b>Basic and diluted earnings per share (in reais)</b>	<b>0.96322</b>	<b>1.02557</b>	<b>-6.1%</b>

## 9.3 Statement of cash flows

STATEMENT OF CASH FLOWS (CONSOLIDATED)	06.30.19	06.30.18
<b>Cash flows from operating activities</b>		
Profit (losses) before tax	171.2	178.6
Depreciation and amortization	45.7	45.9
Equity in the results of investees	0.0	0.0
Interest and monetary and exchange variations, net	22.7	7.2
Losses/(gains) on derivative financial instruments	0.2	3.0
Result on disposal of property, plant and equipment	(0.1)	0.1
Provision (reversal) for impairment of trade receivables	0.7	4.5
Provision (reversal) for contingencies and legal obligations	(12.1)	(3.0)
Provision (reversal) for guarantees	(0.8)	4.3
Other provisions (reversal)	3.9	5.6
Recognition (reversal) of provision for impairment of the property, plant and equipment and intangible assets	0.2	(0.1)
Provision (reversal) for losses on inventories	(2.1)	(2.4)
Interest expense on lease liability	0.5	-
Gain / loss on monetary variation, net	(24.6)	-
<b>Changes in assets and liabilities</b>		
Trade accounts receivable and related parties	(34.1)	(68.1)
Inventories	(5.2)	(64.9)
Recoverable taxes	21.7	(19.0)
Other assets	(20.2)	(5.1)
Trade accounts payable and related parties	4.3	20.1
Salaries, accrual for vacation and social charges	25.8	23.4
Taxes and contributions payable	(10.4)	(0.3)
Other liabilities	(25.6)	(33.9)
<b>Cash from operations</b>	<b>161.6</b>	<b>95.9</b>
Income tax and social contribution paid	(34.5)	(42.4)
<b>Net cash used in operating activities</b>	<b>127.1</b>	<b>53.5</b>
<b>Net Cash from Investment Activities</b>	<b>0.3</b>	<b>(7.7)</b>
Loans granted to related subsidiaries	(319.2)	(198.7)
Loan repayments received from related parties	354.3	219.6
Additions to property, plant and equipment	(31.7)	(25.2)
Additions to intangible assets	(3.5)	(3.8)
Proceeds from sales of property, plant and equipment	0.4	0.4
<b>Net Cash from Financing Activities</b>	<b>(122.2)</b>	<b>(45.5)</b>
Proceeds from borrowings	227.5	120.0
Repayment of principal of loans	(113.7)	(14.1)
Payment of interest on loans	(28.1)	(4.2)
Repayment of the principal of the lease liability	(3.3)	-
<b>Effect of foreign exchange variation on cash and cash equivalents</b>	<b>2.1</b>	<b>1.7</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>7.3</b>	<b>2.0</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	105.0	171.1
<b>Increase (Decrease) in cash and cash equivalents, net</b>	<b>7.3</b>	<b>2.0</b>