

(A free translation of the original in Portuguese)

MAHLE Metal Leve S.A.

**Quarterly information (ITR)
at June 30, 2019**

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.

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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2Q19 HIGHLIGHTS

- **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);

(R\$ million)	Key indicators							
	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.

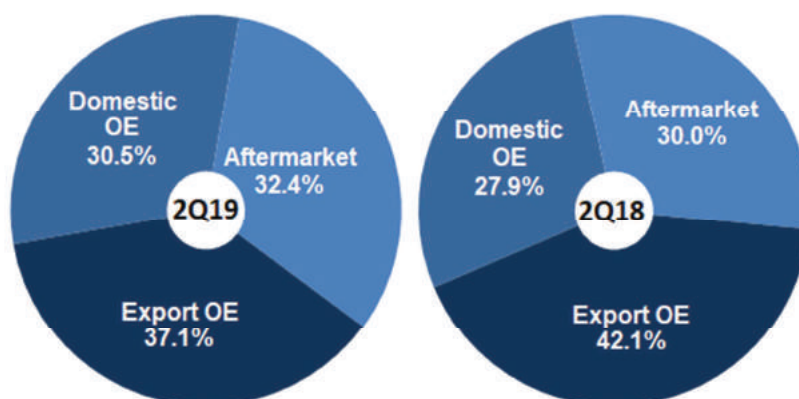
The general market expectation is for the economy to recover bolstered by reforms and stimulus package which are being proposed by the Brazilian government for the second half of 2019. Therefore, the upward bias to vehicle output in Brazil is likely to continue.

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 Commercials	185,784	30,224	-54,093	9,628	171,543	171,213	57,244	-44,349	4,119	188,227	8.5%	-8.9%
Total light vehicles	1,251,772	212,239	-141,799	82,595	1,404,807	1,129,147	359,936	-142,347	23,250	1,369,986	10.9%	2.5%
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%
Total Trucks and Buses	56,402	9,658	-1,518	4,919	69,461	37,598	19,095	-728	8,577	64,542	50.0%	7.6%
Agricultural	19,849	6,072	117	-1,259	24,779	19,863	6,197	102	738	26,900	-0.1%	-7.9%
Total medium and heavy vehicles	76,251	15,730	-1,401	3,660	94,240	57,461	25,292	-626	9,315	91,442	32.7%	3.1%
Total vehicle sales	1,328,023	227,969	-143,200	86,255	1,499,047	1,186,608	385,228	-142,973	32,565	1,461,428	11.9%	2.6%
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%
Total vehicle sales	196,504	441,751	-55.5%
Exports	107,686	121,570	-11.4%
Imports	135,214	302,550	-55.3%
Automotive trade balance	(27,528)	(180,980)	-84.8%
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%
Total vehicle production	165,681	250,317	-33.8%

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

(**) Source: Arcaras 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
Medium and heavy vehicle	98,739	99,104	-0.4%	85,688	77,605	10.4%
Total	1,664,728	1,711,745	-2.7%	1,524,527	1,628,359	-6.4%

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%
North America	8,817	9,035	-2.4%
Production of Light vehicle	11,231	11,914	-5.7%
Production of medium and heavy vehicle	341	341	0.0%
Europe	11,572	12,254	-5.6%
Total Vehicle Production	20,389	21,290	-4.2%

Source: IHS

4 Company's Financial and Economic Performance

Summary P&L (R\$ million)	2Q19	2Q18	V.A. (%)	V.A. (%)	H.A. (%)	1H19	1H18	V.A. (%)	V.A. (%)	H.A. (%)
	(a)	(b)	(a)	(b)	(a/b)	(c)	(d)	(c)	(d)	(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%
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 ¹	18.2	-	2.8%	0.0%	100.0%	24.6	-	1.9%	0.0%	100.0%
Operating profit	91.9	89.6	13.9%	14.3%	2.6%	189.5	185.7	14.7%	14.9%	2.0%
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%
Profit for the year	58.2	60.6	8.8%	9.6%	-4.0%	121.4	131.1	9.4%	10.5%	-7.4%
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%
EBITDA	114.9	112.9	17.4%	18.0%	1.8%	235.2	231.7	18.3%	18.6%	1.5%
Margins:										
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.
SG&A expenses to net sales revenue	9.7%	10.7%			-1 p.p.	9.4%	10.0%			-0,6 p.p.

¹ 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		2Q19	Volume/Price	FX-Variation	2Q18	% volume/price impact	% FX-impacts	H.A. (%)
(R\$ Million)		(a)	(b)	(c)	(d)	(b/d)	(c/d)	(a/d)
Original equipment	Domestic ¹	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%
	Subtotal	447.6	(9.1)	17.2	439.5	-2.1%	3.9%	1.8%
Aftermarket	Domestic ¹	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%
	Subtotal	214.2	39.1	(13.6)	188.7	20.7%	-7.2%	13.5%
Total		661.8	30.0	3.6	628.2	4.7%	0.6%	5.3%

¹ 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		1H19	Volume/Price	FX-Variation	1H18	% volume/price impact	% FX-impacts	H.A. (%)
(R\$ Million)		(a)	(b)	(c)	(d)	(b/d)	(c/d)	(a/d)
Original equipment	Domestic ¹	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%
	Subtotal	866.4	(40.2)	39.6	867.0	-4.6%	4.5%	-0.1%
Aftermarket	Domestic ¹	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%
	Subtotal	418.6	60.9	(22.2)	379.9	16.0%	-5.8%	10.2%
Total		1,285.0	20.7	17.4	1,246.9	1.7%	1.4%	3.1%

¹ 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)
Original equipment			
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)
Original equipment			
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:

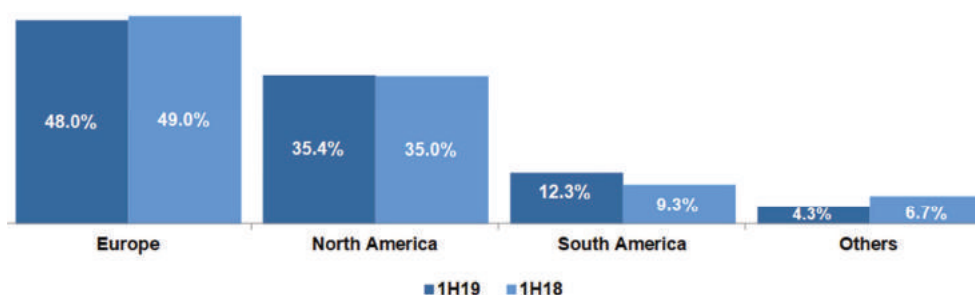
Export Sales by currency	Apr-Jun 2019 (a)	Apr-Jun 2018 (b)	H.A. (%) (a/b)
Aftermarket			
EUR	0.4	-	-
USD	11.8	13.3	-11.3%

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)
Aftermarket			
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:

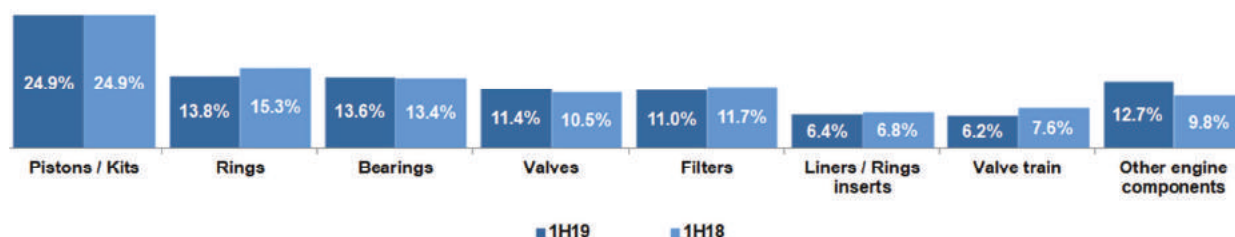
Net sales revenue by segment (R\$ million)	2Q19 (a)	2Q18 (b)	H.A. (%) (a/b)	1H19 (c)	1H18 (d)	H.A. (%) (c/d)
Engine components	592.8	559.2	6.0%	1,143.4	1,100.5	3.9%
Filters	69.0	69.0	0.0%	141.6	146.4	-3.3%
Total	661.8	628.2	5.3%	1,285.0	1,246.9	3.1%

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	2Q18	V.A.	V.A.	H.A.	1H19	1H18	V.A.	V.A.	H.A.
	(a)	(b)	(a)	(b)	(a/b)	(c)	(d)	(c)	(d)	(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	2Q18	V.A.	V.A.	H.A.	1H19	1H18	V.A.	V.A.	H.A.
	(a)	(b)	(a)	(b)	(a/b)	(c)	(d)	(c)	(d)	(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	2Q18	Var.	1H19	1H18	Var.
	(a)	(b)	(a-b)	(c)	(d)	(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	¹ 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	¹ 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%

¹ 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
Finance costs, net	(2.0)	(0.6)	(1.4)	(3.7)	(0.9)	(2.8)
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
Exchange variation and Gain (loss) on derivatives (ii)	0.7	5.4	(4.7)	3.4	12.8	(9.4)
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)
Monetary variation, net + Others (iii)	(8.2)	(10.0)	1.8	(18.0)	(18.9)	0.9
Finance income (costs) (i + ii + iii)	(9.5)	(5.2)	(4.3)	(18.3)	(7.0)	(11.3)

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 ¹	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%

¹ 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	2Q18	V.A. (%)	V.A. (%)	H.A. (%)	1H19	1H18	V.A. (%)	V.A. (%)	H.A. (%)
	(a)	(b)	(a)	(b)	(a/b)	(c)	(d)	(c)	(d)	(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.

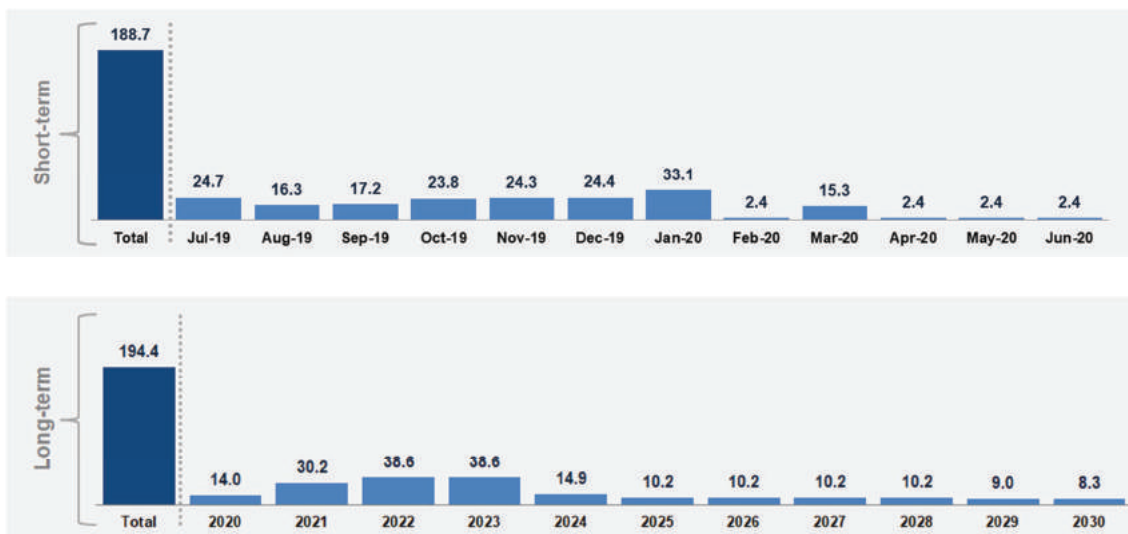
Additional information is provided in Note 13 to the Interim Financial Statements at June 30, 2019.

4.16 Net position of financial assets and liabilities

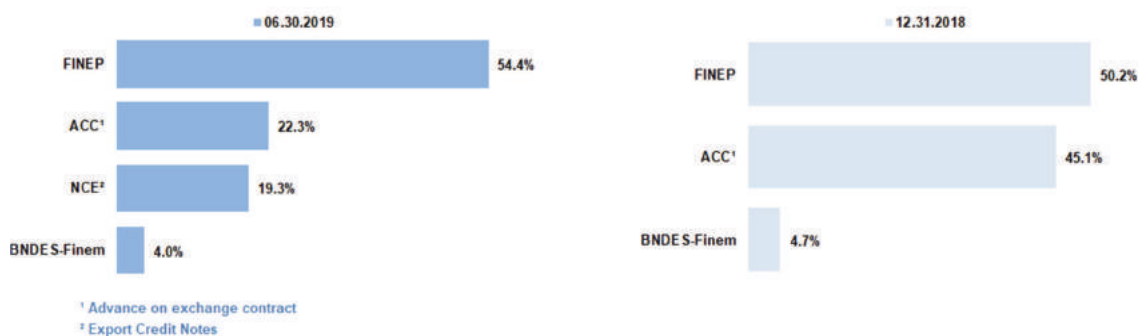
At the end of 1H19, the Company's net position of financial assets and liabilities was R\$ 272.4 million (liability position), while at the end of 2018, the net position was R\$ 153.3 million (asset position).

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

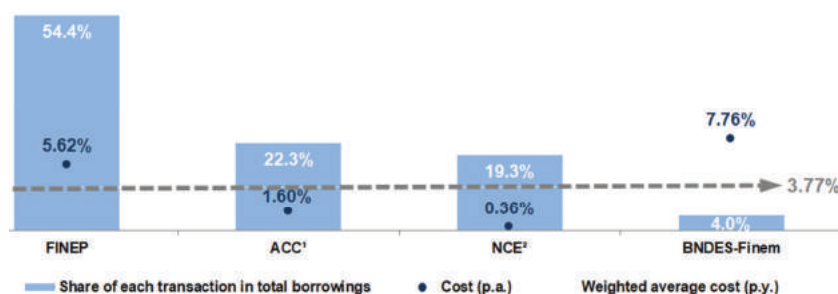
The charts below show the maturities of the liabilities classified into short-term and long-term at the end of 1H19, which represents 49% and 51%, respectively, of the debt displayed in the table above:



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:

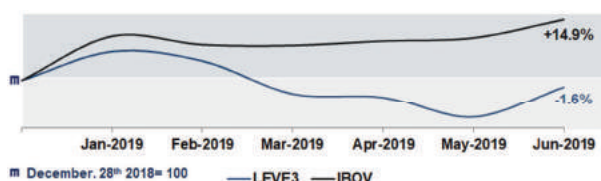


5 Investor Relations and Capital Market

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

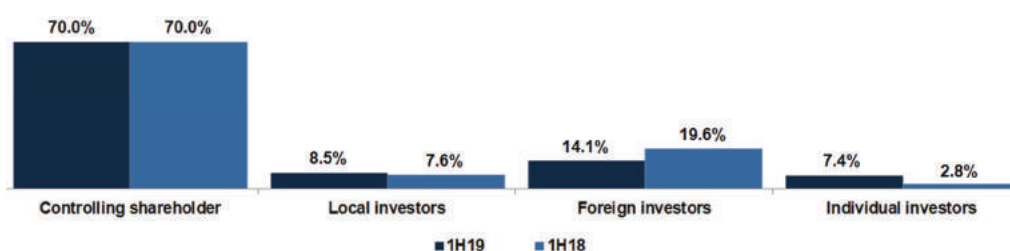
The graphs below show the market performance of LEVE3 stock, Average Daily Trading Volume (ADTV), and the ratio of average turnover to free-float market capitalization:



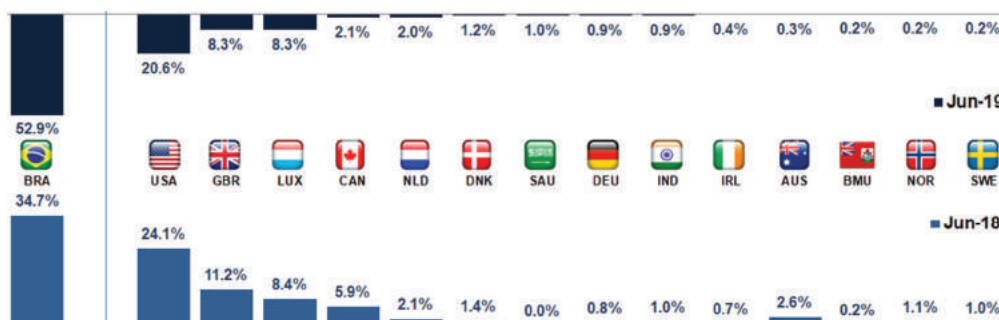
Period	3Q18	4Q18	1Q19	2Q19
Trading Volume (R\$ million)	7.8	7.2	6.5	6.8
Turnover (%)	0.76%	0.78%	0.63%	0.75%

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



KPMG Auditores Independentes
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Independent Auditors' Report on Review of Interim Financial Information

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

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

Introduction

We have reviewed the individual and consolidated interim financial information of MAHLE Metal Leve S.A. ("the Company"), included in the Quarterly Information Form (ITR), for the quarter ended June 30, 2019, which comprises the statement of financial position as of June 30, 2019 and the respective statements of profit or loss, other comprehensive income for the three and six-month period then ended and the changes in equity and cash flows for the six-month period then ended, including notes.

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

Scope of review

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

Conclusion on the interim information

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

Other matters - Statements of value added

The individual and consolidated interim financial information, related to statements of value added (DVA) for the three and six-month period ended June 30, 2019, prepared under the responsibility of the Company's management, and presented as supplementary information for the purposes of IAS 34, were submitted to the same review procedures followed together with the review of the Company's interim financial information. In order to form our conclusion, we evaluated whether these statements are reconciled to the interim financial information and to the accounting records, as applicable, and whether their form and content are in accordance with the criteria set on Technical Pronouncement CPC 09 - *Demonstração do Valor Adicionado*. Based on our review, nothing has come to our attention that causes us to believe that the accompanying statements of value added are not prepared, in all material respects, in accordance with the individual and consolidated interim financial information taken as a whole.

Campinas, August 08, 2019

KPMG Auditores Independentes
CRC 2SP014428/O-6
Original report signed by
Carlos Humberto Rodrigues da Silva
Accountant CRC 1SP217733/O-4

(A free translation of the original in Portuguese)

MAHLE Metal Leve S.A.

**Quarterly information (ITR)
at June 30, 2019**

(A free translation of the original in Portuguese)

MAHLE Metal Leve S.A.

Quarterly information (ITR) at June 30, 2019

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MAHLE Metal Leve S.A.

**Balance sheet
at June 30, 2019 and December 31, 2018**

All amounts in thousands of reais

(A free translation of the original in Portuguese)

Assets	Note	Parent company		Consolidated	
		06.30.2019	12.31.2018	06.30.2019	12.31.2018
Cash and cash equivalents	6	98,542	89,008	104,988	97,591
Trade and related-party receivables	7	387,773	356,057	471,025	437,603
Inventories	8	304,998	288,776	408,846	401,410
Taxes recoverable	9	44,939	68,094	58,465	79,558
Income tax and social contribution recoverable	9	36,678	34,924	41,621	47,371
Dividends and interest on capital receivable	10	25,603	60,724	-	-
Unrealized gains on derivative financial instruments	31	6,998	7,083	7,231	7,083
Other assets		48,139	31,669	57,756	35,716
Total current assets		953,670	936,335	1,149,932	1,106,332
Taxes recoverable	9	11,299	11,707	16,208	20,424
Loans to related parties	10	18,455	15,030	5,712	40,743
Deferred income tax and social contribution	11.b	7,163	12,798	7,728	13,250
Other assets		13,398	13,856	20,458	22,474
Total long-term assets		50,315	53,391	50,106	96,891
Investments in subsidiaries	12	180,564	195,281	467	512
Property, plant and equipment	13	579,099	594,018	635,597	645,516
Rights-of-use assets	13	18,493	-	18,493	-
Intangible assets	14	442,026	439,502	469,312	466,880
		1,220,182	1,228,801	1,123,869	1,112,908
Total non-current assets		1,270,497	1,282,192	1,173,975	1,209,799
Total assets		2,224,167	2,218,527	2,323,907	2,316,131

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

MAHLE Metal Leve S.A.

Balance sheet at June 30, 2019 and December 31, 2018

All amounts in thousands of reais

(A free translation of the original in Portuguese)

Liabilities		Parent company		Consolidated	
		06.30.2019	12.31.2018	06.30.2019	12.31.2018
Dividends and interest on capital payable	10	736	13,280	736	13,280
Trade and related-party payables	15	129,901	126,008	161,165	156,839
Taxes and contributions payable	16	21,317	24,114	25,931	27,526
Income tax and social contribution payable	16	3,411	334	11,338	23,573
Borrowings	17.a	160,064	140,022	188,685	160,381
Lease liabilities	17.b	5,548	-	5,548	-
Salaries, vacation pay and social charges	18	98,827	73,817	108,167	82,336
Sundry provision	19	32,763	29,097	36,332	32,434
Provisions for warranties	20	9,021	11,121	11,317	13,309
Unrealized losses on derivative financial instruments	31	4,788	12,309	4,788	16,887
Other liabilities		35,161	32,761	38,301	34,901
Total current liabilities		501,537	462,863	592,308	561,466
Deferred income tax and social contribution	11.b	-	-	9,002	4,275
Provision for subsidiary's net capital deficiency	12	-	8,837	-	-
Borrowings	17.a	194,389	131,240	194,389	131,240
Lease liabilities	17.b	12,945	-	12,945	-
Provisions for contingencies and judicial deposits linked to judicial proceedings	21	226,871	251,072	232,468	258,054
Other liabilities		7,220	8,155	7,220	8,155
Total non-current liabilities		441,425	399,304	456,024	401,724
Total liabilities		942,962	862,167	1,048,332	963,190
Equity	22				
Share capital		966,255	966,255	966,255	966,255
Revenue reserves		295,072	295,072	295,072	295,072
Other comprehensive income		(114,846)	(107,882)	(114,846)	(107,882)
Retained earnings		134,724	10,687	134,724	10,687
Proposed additional dividends		-	192,228	-	192,228
Equity attributable to the owners of the parent		1,281,205	1,356,360	1,281,205	1,356,360
Non-controlling interests		-	-	(5,630)	(3,419)
Total equity		1,281,205	1,356,360	1,275,575	1,352,941
Total liabilities and equity		2,224,167	2,218,527	2,323,907	2,316,131

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

MAHLE Metal Leve S.A.

Statement of income
Quarter and periods ended June 30, 2019 and 2018

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Note	Parent company			
		2019		2018	
		2Q2019	1H2019	2Q2018	1H2018
Net revenue	24	545,790	1,059,122	518,757	1,032,453
Cost of sales	25	(414,500)	(808,301)	(393,624)	(777,387)
Gross profit		131,290	250,821	125,133	255,066
Selling expenses	26	(30,347)	(58,743)	(34,144)	(62,713)
Impairment of trade receivables	7	(885)	(858)	(2,913)	(3,133)
General and administrative expenses	27	(20,466)	(37,192)	(21,304)	(38,696)
Technology and product development costs	28	(21,302)	(40,297)	(17,260)	(32,105)
Other income (expenses), net	30	3,513	7,644	741	(1,159)
Gain on monetary items, net	34	18,541	30,775	-	-
Profit before finance income (costs) and taxation		80,344	152,150	50,253	117,260
Finance income	29	13,785	32,133	40,515	53,547
Finance costs	29	(19,114)	(44,452)	(49,327)	(66,169)
Finance income (costs), net		(5,329)	(12,319)	(8,812)	(12,622)
Equity in the results of investees	12	5,041	22,386	33,897	62,048
Profit before taxation		80,056	162,217	75,338	166,686
Current income tax and social contribution	11.a	(10,423)	(35,600)	(20,490)	(56,474)
Deferred income tax and social contribution	11.a	(9,980)	(3,027)	5,362	21,377
Income tax and social contribution		(20,403)	(38,627)	(15,128)	(35,097)
Profit for the period		59,653	123,590	60,210	131,589

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

MAHLE Metal Leve S.A.

Statement of income

Quarters and periods ended June 30, 2019 and 2018

All amounts in thousands of reais

(A free translation of the original in Portuguese)

		Consolidated			
		2019		2018	
	Note	2Q2019	1H2019	2Q2018	1H2018
Net revenue	24	661,798	1,285,001	628,232	1,246,914
Cost of sales	25	(496,669)	(950,999)	(449,955)	(895,109)
Gross profit		165,129	334,002	178,277	351,805
Selling expenses	26	(40,915)	(78,710)	(44,653)	(81,753)
Impairment of trade receivables	7	(1,448)	(1,628)	(3,141)	(3,852)
General and administrative expenses	27	(23,387)	(42,396)	(22,975)	(43,328)
Technology and product development costs	28	(23,756)	(43,845)	(20,237)	(37,149)
Other income (expenses), net	30	(1,965)	(2,507)	2,172	(104)
Gain on monetary items, net	34	18,229	24,611	-	-
Operating profit		91,887	189,527	89,443	185,619
Finance income	29	20,247	51,331	68,756	93,336
Finance costs	29	(29,733)	(69,656)	(73,922)	(100,309)
Finance income (costs), net		(9,486)	(18,325)	(5,166)	(6,973)
Equity in the results of investees	12	(26)	(45)	-	(15)
Profit before taxation		82,375	171,157	84,277	178,631
Current income tax and social contribution	11.a	(13,774)	(41,523)	(29,482)	(69,394)
Deferred income tax and social contribution	11.a	(10,440)	(8,255)	5,741	21,813
Income tax and social contribution		(24,214)	(49,778)	(23,741)	(47,581)
Profit for the period		58,161	121,379	60,536	131,050
Profit attributable to					
Owners of the parent		59,653	123,590	60,210	131,589
Non-controlling interests		(1,492)	(2,211)	326	(539)
Profit for the period		58,161	121,379	60,536	131,050
Basic earnings per share (in reais)	23	0.46492	0.96323	0.46926	1.02557

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

MAHLE Metal Leve S.A.

Statement of comprehensive income Quarters and periods ended June 30, 2019 and 2018

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Parent company			
	2019		2018	
	2Q2019	1H2019	2Q2018	1H2018
Profit for the period	59,653	123,590	60,210	131,589
Comprehensive income				
Items that will be reclassified to profit or loss				
Change in cash flow hedge, net	4,966	7,671	(27,326)	(32,113)
Change in subsidiaries' cash flow hedge, net	5,945	8,873	(15,108)	(16,231)
Income tax and social contribution on cash flow hedge	(1,689)	(2,608)	9,290	10,918
Cumulative translation adjustments	(3,641)	(20,607)	(20,370)	(26,723)
Other comprehensive income	5,581	(6,671)	(53,514)	(64,149)
Total comprehensive income for the period, net of income tax and social contribution	65,234	116,919	6,696	67,440
Total comprehensive income	65,234	116,919	6,696	67,440

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

MAHLE Metal Leve S.A.

Statement of comprehensive income Quarter and periods ended June 30, 2019 and 2018

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Note	Consolidated			
		2019		2018	
		2Q2019	1H2019	2Q2018	1H2018
Profit for the period		58,161	121,379	60,536	131,050
Comprehensive income					
Items that will be reclassified to profit or loss					
Change in cash flow hedge, net		10,911	16,544	(42,434)	(48,344)
Income tax and social contribution on cash flow hedge	11.b ii	(1,689)	(2,608)	9,290	10,918
Cumulative translation adjustments		(3,641)	(20,607)	(20,370)	(26,723)
Other comprehensive income		5,581	(6,671)	(53,514)	(64,149)
Total comprehensive income for the period, net of income tax and social contribution		63,742	114,708	7,022	66,901
Comprehensive income attributable to:					
Owners of the parent		65,234	116,919	6,696	67,440
Non-controlling interests		(1,492)	(2,211)	326	(539)
Total comprehensive income		63,742	114,708	7,022	66,901

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

MAHLE Metal Leve S.A.

Statement of changes in equity
Periods ended June 30, 2019

All amounts in thousands of reais

(A free translation of the original in Portuguese)

		Attributable to owners of the parent											
		Revenue reserves				Other comprehensive income			Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity	
Note	Share capital	Legal reserve	Reserve for expansion and modernization	Proposed additional dividends	Total	Carrying value adjustments	Cumulative translation adjustments	Total					
	At December 31, 2018	966,255	137,311	157,761	192,228	487,300	21,584	(129,466)	(107,882)	10,687	1,356,360	(3,419)	1,352,941
	Equity transactions with shareholders												
	Prescribed dividends and interest on capital	-	-	-	-	-	-	-	-	154	154	-	154
	Profit for the period	-	-	-	-	-	-	-	-	123,590	123,590	(2,211)	121,379
	Other comprehensive income												
	Cumulative translation adjustments	22	-	-	-	-	-	(20,607)	(20,607)	-	(20,607)	-	(20,607)
	Financial instrument adjustments	22	-	-	-	-	16,544	-	16,544	-	16,544	-	16,544
	Taxes on financial instrument adjustments	22	-	-	-	-	(2,608)	-	(2,608)	-	(2,608)	-	(2,608)
	Realization of deemed cost, net	22	-	-	-	-	(293)	-	(293)	293	-	-	-
	Internal changes in equity												
	Payment of proposed additional dividends	-	-	-	(192,228)	(192,228)	-	-	-	-	(192,228)	-	(192,228)
	At June 30, 2019	966,255	137,311	157,761	-	295,072	35,227	(150,073)	(114,846)	134,724	1,281,205	(5,630)	1,275,575

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

MAHLE Metal Leve S.A.

Statement of changes in equity
Periods ended June 30, 2018

All amounts in thousands of reais

(A free translation of the original in Portuguese)

		Attributable to owners of the parent										
		Revenue reserves				Other comprehensive income						
Note	Share capital	Legal reserve	Reserve for expansion and modernization	Proposed additional dividends	Total	Carrying value adjustments	Cumulative translation adjustments	Total	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
	966,255	122,727	157,761	143,635	424,123	42,162	(77,492)	(35,330)	-	1,355,048	(4,828)	1,350,220
At January 1st, 2018												
Equity transactions with shareholders												
	-	-	-	-	-	-	-	-	178	178	-	178
	-	-	-	-	-	-	-	-	131,589	131,589	(539)	131,050
Profit for the period												
Other comprehensive income												
22	-	-	-	-	-	-	(26,723)	(26,723)	-	(26,723)	-	(26,723)
22	-	-	-	-	-	(48,344)	-	(48,344)	-	(48,344)	-	(48,344)
22	-	-	-	-	-	10,918	-	10,918	-	10,918	-	10,918
22	-	-	-	-	-	(716)	-	(716)	716	-	-	-
	-	-	-	(143,635)	(143,635)	-	-	-	-	(143,635)	-	(143,635)
Internal changes in equity												
	-	-	-	(143,635)	(143,635)	-	-	-	-	(143,635)	-	(143,635)
	966,255	122,727	157,761	-	280,488	4,020	(104,215)	(100,195)	132,483	1,279,031	(5,367)	1,273,664
At June 30, 2018												

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

MAHLE Metal Leve S.A.

Statement of cash flows Periods ended June 30, 2019 and 2018

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Note	Parent company		Consolidated	
		1H2019	1H2018	1H2019	1H2018
Cash flows from operating activities					
Profit before taxation		162,217	166,686	171,157	178,629
Adjustments for:					
Depreciation and amortization		44,192	43,600	45,684	45,914
Equity in the results of investees	12	(22,386)	(62,616)	45	15
Recognition (reversal) of provision for impairment of investments	12	-	568	-	-
Interest and foreign exchange and monetary variations, net		12,269	15,885	22,653	7,074
Unrealized (losses) gains on derivative financial instruments		234	2,621	177	3,001
Results on disposal of property, plant and equipment		(59)	70	(78)	82
Recognition (reversal) of provision for impairment of trade receivables		(58)	3,608	662	4,465
Recognition (reversal) of provision for tax and other contingencies		(13,679)	1,244	(12,134)	(3,040)
Recognition (reversal) of provisions for warranties		(1,149)	2,730	(755)	4,262
Recognition (reversal) of sundry provision		3,666	6,051	3,898	5,636
Recognition (reversal) of provision for impairment of property, plant and equipment		175	(100)	175	(144)
Recognition (reversal) of provision for inventory loss		(2,293)	201	(2,135)	(2,385)
Interest expense on lease liability	17.b	517	-	517	-
Gain on net monetary position	34	(30,775)	-	(24,611)	-
(Increase) decrease in assets					
Trade and related-party receivables		(31,658)	(36,466)	(34,084)	(68,138)
Inventories		(13,745)	(64,726)	(5,163)	(64,894)
Taxes recoverable		22,328	(10,510)	21,694	(18,966)
Other assets		(16,011)	(5,028)	(20,199)	(5,070)
Increase (decrease) in liabilities					
Trade and related-party payables		3,893	20,269	4,325	20,140
Salaries, vacation pay and social charges		25,010	23,759	25,831	23,438
Taxes and contributions payable		(2,797)	827	(10,399)	(290)
Other liabilities		(22,743)	(30,296)	(25,600)	(33,870)
Cash from operations		117,148	78,377	161,660	95,859
Income tax and social contribution paid		(31,996)	(37,357)	(34,536)	(42,431)
Net cash provided by operating activities		85,152	41,020	127,124	53,428
Cash flows from investing activities					
Dividends and interest on capital received from subsidiary		82,099	70,631	-	-
Loans granted to subsidiaries		(2,925)	(14,297)	(319,215)	(198,651)
Loan repayments received from subsidiaries		-	-	354,347	219,650
Additions to property, plant and equipment	13	(26,218)	(20,575)	(31,668)	(25,163)
Additions to intangible assets	14	(3,481)	(3,778)	(3,516)	(3,791)
Proceeds from sale of property, plant and equipment		377	368	435	378
Net cash used in investing activities		49,852	32,349	383	(7,577)
Cash flows from financing activities					
Proceeds from borrowings	17.a	186,924	120,000	227,545	120,000
Repayment of principal of borrowings	17.a	(80,019)	(14,055)	(113,742)	(14,055)
Repayment of interest on borrowings	17.a	(27,502)	(4,193)	(28,137)	(4,193)
Obtaining loans from related parties		-	-	-	111,088
Repayment of the principal and interest on the lease liability	17.b	(3,291)	-	(3,291)	-
Repayment of related party loans		-	-	-	(102,036)
Dividends and interest on capital paid	10	(204,618)	(156,300)	(204,618)	(156,300)
Net cash provided by (used in) financing activities		(128,506)	(54,548)	(122,243)	(45,496)
Effect of foreign exchange variation on cash and cash equivalents		3,036	5,725	2,133	1,707
Increase (reduction) in cash and cash equivalents, net		9,534	24,546	7,397	2,062
Represented by:					
Cash and cash equivalents at the beginning of the period		89,008	129,352	97,591	169,070
Cash and cash equivalents at the end of the period	6	98,542	153,898	104,988	171,132
Increase (reduction) in cash and cash equivalents, net		9,534	24,546	7,397	2,062

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

MAHLE Metal Leve S.A.

Statement of value added
Periods ended June 30, 2019 and 2018

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Parent company		Consolidated	
	1H2019	1H2018	1H2019	1H2018
Gross revenue	1,371,540	1,285,597	1,585,210	1,501,803
Sales of goods, products and services	1,341,366	1,305,675	1,563,047	1,515,846
Other revenue	30,225	(16,977)	22,231	(10,657)
Provision for impairment of trade receivables	(51)	(3,101)	(68)	(3,386)
Inputs acquired from third parties	(697,330)	(747,802)	(835,551)	(849,649)
(Includes amounts of taxes: ICMS, IPI, PIS and COFINS)				
Cost of sales and services	(499,500)	(388,554)	(600,322)	(461,030)
Materials, energy, outsourced services and other	(214,846)	(389,339)	(253,850)	(426,459)
Impairment/recovery of assets	17,016	30,091	18,621	37,840
Gross value added	674,210	537,795	749,659	652,154
Depreciation and amortization	(44,192)	(43,600)	(45,684)	(45,914)
Net value added generated by the company	630,018	494,195	703,975	606,240
Value added received through transfer	54,519	115,594	51,287	93,325
Equity in the results of investees	22,386	62,047	(45)	(15)
Finance income	32,133	53,547	51,332	93,340
Total value added to distribute	684,537	609,789	755,262	699,565
Distribution of value added	684,537	609,789	755,262	699,565
Personnel	269,284	203,070	300,003	244,714
Taxes and contributions	237,968	209,726	251,455	222,480
Capital providers	53,695	65,404	82,426	101,322
Interest	5,889	4,556	7,659	5,240
Rentals	10,022	-	11,334	1,045
Foreign exchange, monetary and other variations	37,784	60,848	63,433	95,037
Share holders	123,590	131,589	121,378	131,049
Retained earnings	123,590	131,589	123,589	131,589
Share of non-controlling interests of retained earnings	-	-	(2,211)	(540)

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

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

1 Operations

MAHLE Metal Leve S.A. (the Company) is an entity domiciled in Brazil. The registered address of the Company's head office is Ernst Mahle Avenue, number 2000, Zip Code 13.846.146, Mogi Guaçu, São Paulo. The Company's consolidated (consolidated) and separate (parent company) financial statements for the periods ended June 30, 2019 includes the Company and its subsidiaries (referred to collectively as the Group or individually as entities of the Group).

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

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

2 Entities of the Group (subsidiaries)

	Country	Ownership percentage (%)			
		06.30.2019		12.31.2018	
		Direct	Indirect	Direct	Indirect
<u>Subsidiaries</u>					
MAHLE Argentina S.A.	Argentina	99.2	0.8	99.2	0.8
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	Brazil	60	-	60	-
MAHLE Metal Leve GmbH	Austria	100	-	100	-
MAHLE Hirschvogel Forjas S.A.	Brazil	51	-	51	-
<u>Related companies</u>					
Innoferm Tecnologia Ltda.	Brazil	33.33	-	33.33	-

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

3 Basis of preparation

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

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

In addition, the quarterly information does not include all annual financial statement requirements and, therefore, it should be read together with the parent company and consolidated financial statements of MAHLE Metal Leve S.A. at December 31, 2018.

The preparation of quarterly information requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of MAHLE Metal Leve S.A.. There have been no changes in assumptions and judgments made by management relating to the use of estimates to prepare this quarterly information in relation to those applied in the financial statements at December 31, 2018 as disclosed on March 12, 2019.

The issuance of the parent company and consolidated financial statements was authorized by the Company's Board of Directors on August 08, 2019. Only the shareholders have the power to amend the financial statements after issuance.

4 Changes in accounting policies and disclosures

These parent company and consolidated interim financial statements have been prepared under the same accounting practices as described and disclosed in Note 8 to the financial statements for the year ended December 31, 2018, except for the adoption of IFRS 16 – Lease as from January 1, 2019.

IFRS 16 / CPC06 (R2) Leases

CPC 06 (R2)/IFRS 16 replaces the requirements of CPC 06 (R1)/IAS 17 and related interpretations and is effective for annual periods beginning on or after January 1, 2019.

CPC 06 (R2)/IFRS 16 introduced a single accounting model under which lessees must recognize all significant leases on balance sheet. As a result, the Group as a lessee has recognized the right-of-use assets representing its right to the underlying leased assets and the lease liabilities representing its obligation to make lease payments.

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

The Group applied CPC 06 (R2)/IFRS 16 following a modified retrospective approach, in which the cumulative effect of initially applying the standard is recognized as an adjustment to the opening balance of retained earnings at January 1, 2019. Therefore, the comparative information for 2018 was not restated, i.e. it is presented as previously reported in accordance with CPC 06/IAS 17 and related interpretations. The changes in accounting policies are detailed below:

a) Definition of a lease

The Group evaluates whether a contract is, or contains a lease, based on the new definition of a lease. As per CPC 06 (R2)/IFRS 16, a contract is, or contains a lease, if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to CPC 06 (R2)/IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied CPC 06 (R2)/IFRS 16 only to contracts that had been previously identified as leases. Therefore, the new definition of a lease under CPC 06 (R2)/IFRS 16 was applied only to contracts entered into or amended on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

b) As a lessee:

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred all of the risks and rewards of ownership. Under CPC 06 (R2)/IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on balance sheet.

However, the Group has elected not to recognize right-of-use assets and lease liabilities for some leases of low-value assets (for example, IT equipment, other equipment). The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The carrying amounts of right-of-use assets are presented in Note 13. The lease liabilities are presented in Note 17.b – Borrowings and lease liabilities.

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

i) Significant accounting policies

The Group recognizes a right-of-use asset and a lease liability at the inception of the lease. The right-of-use asset is measured initially at cost and subsequently at cost less any accumulated depreciation and impairment losses, plus the adjustment for remeasurement of the lease liability.

The lease liability is measured initially at the present value of the lease payments that have not been paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The risk rate is defined by the Company (risk-free rate + country risk premium + credit risk factor + risk factor premium).

The Group has applied judgment to determine the lease term of some contracts with renewal options. The assessment of whether the Group is reasonably certain to exercise those options has an impact on the lease term, which significantly affects the value of lease liabilities and right-of-use assets recognized.

ii) Transition

The Group previously classified leases of land and buildings as operating leases as per CPC 06(R1)/IAS 17. On transition, for leases classified as operating leases under CPC 06(R1)/IAS 17, lease liabilities were measured at the present value of the remaining payments discounted at the risk rate of the Company at January 1, 2019.

Right-of-use assets are measured at either:

- carrying amount as if CPC 06 (R2)/IFRS 16 had been applied since the commencement date, discounted at the lessee's risk rate at the date of initial application
- the Group applied this approach to its major lease of property; or
- an amount equal to the lease liability, adjusted for prepaid or accrued lease payments
- the Group applied this approach to all other leases.

The Group used the following practical expedients when applying CPC 06 (R2)/IFRS 16 to leases previously classified as operating leases under CPC 06/IAS 17.

- Recognition exemption for leases with term less than 12 months.
- Exclusion of initial direct costs from right-of-use asset at date of initial application.

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

c) Impact on financial statements:

i) Impacts on transition

On transition to CPC 06 (R2)/IFRS 16, the Group recognized right-of-use assets and lease liabilities.

When measuring the lease liabilities for those leases previously classified as operating leases, the Group discounted the lease payments using its risk rate at January 1, 2019. The risk rate applied by the Company is 12.85%.

j) Impacts on period

As a result of the initial application of CPC 06 (R2) / IFRS 16 *Leases*, in relation to leases that were previously classified as operating leases, at January 1, 2019 the Group recognized the amount of R\$ 23,435 of right-of-use assets with corresponding lease liabilities as stated in Note 17.b..

The Group recognized depreciation and interest expenses instead of operating lease expenses. The Group recognized R\$ 2,774 of depreciation and R\$ 517 of interest for the first half of 2019, and R\$ 1,387 of depreciation and R\$ 258 of interest on leases for the second quarter of 2019.

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

5 Segment reporting

1) Operating segments

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

There was no change in the segment structure presented in the financial statements at December 31, 2018.

	Consolidated					
	1st half year 2019			1st half year 2018		
	Engine components	Filters	Consolidated	Engine components	Filters	Consolidated
Statement of income						
Gross operating revenue	1,413,454	205,031	1,618,485	1,365,600	210,371	1,575,971
Deductions from sales	(270,012)	(63,472)	(333,484)	(265,100)	(63,957)	(329,057)
Net operating revenue	1,143,442	141,559	1,285,001	1,100,500	146,414	1,246,914
Cost of sales	(839,917)	(111,082)	(950,999)	(781,524)	(113,585)	(895,109)
Gross profit	303,525	30,477	334,002	318,976	32,829	351,805
Selling expenses and distribution and Impairment of trade receivables	(67,266)	(13,072)	(80,338)	(74,220)	(11,385)	(85,605)
Administrative expenses	(35,530)	(6,866)	(42,396)	(35,332)	(7,996)	(43,328)
Technology research costs	(38,749)	(5,096)	(43,845)	(31,326)	(5,823)	(37,149)
Other operating income (expenses)	(2,698)	191	(2,507)	(26)	(78)	(104)
Equit	(45)	-	(45)	(15)	-	(15)
Gains (loss) on net monetary variation	22,965	1,646	24,611	-	-	-
Finance income	48,447	2,884	51,331	89,608	3,728	93,336
Finance costs	(65,638)	(4,018)	(69,656)	(94,960)	(5,349)	(100,309)
Profit before income tax and social contribution	165,011	6,146	171,157	172,705	5,926	178,631
Income tax and social contribution	(47,687)	(2,091)	(49,778)	(45,554)	(2,027)	(47,581)
Profit for the year	117,324	4,055	121,379	127,151	3,899	131,050
Non-controlling interests	1,859	352	2,211	161	378	539
Profit for the year	119,183	4,407	123,590	127,312	4,277	131,589

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

	Consolidated					
	2nd quarter 2019			2nd quarter 2018		
	Engine components	Filters	Consolidated	Engine components	Filters	Consolidated
Statement of income						
Gross operating revenue	734,468	99,137	833,605	693,759	99,055	792,814
Deductions from sales	(141,598)	(30,209)	(171,807)	(134,595)	(29,987)	(164,582)
Net operating revenue	592,870	68,928	661,798	559,164	69,068	628,232
Cost of sales	(443,062)	(53,607)	(496,669)	(396,157)	(53,798)	(449,955)
Gross profit	149,808	15,321	165,129	163,007	15,270	178,277
Selling expenses and distribution and Impairment of trade receivables	(36,008)	(6,355)	(42,363)	(41,765)	(6,029)	(47,794)
Administrative expenses	(19,754)	(3,633)	(23,387)	(19,316)	(3,659)	(22,975)
Technology research costs	(21,567)	(2,189)	(23,756)	(17,213)	(3,024)	(20,237)
Other operating income (expenses)	(1,350)	(615)	(1,965)	2,475	(303)	2,172
Equit	(26)	-	(26)	-	-	-
Gains (loss) on net monetary variation	16,779	1,450	18,229	-	-	-
Finance income	18,932	1,315	20,247	66,208	2,548	68,756
Finance costs	(28,126)	(1,607)	(29,733)	(70,163)	(3,759)	(73,922)
Profit before income tax and social contribution	78,688	3,687	82,375	83,233	1,044	84,277
Income tax and social contribution	(22,960)	(1,254)	(24,214)	(23,377)	(364)	(23,741)
Profit for the year	55,728	2,433	58,161	59,856	680	60,536
Non-controlling interests	1,337	155	1,492	(528)	202	(326)
Profit for the year	57,065	2,588	59,653	59,328	882	60,210

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

	Consolidated					
	06.30.2019			12.31.2018		
	Engine components	Filters	Consolidated	Engine components	Filters	Consolidated
Balance sheet accounts						
Total assets	2,195,135	128,772	2,323,907	2,191,298	124,833	2,316,131
Inventories	363,815	45,031	408,846	359,883	41,527	401,410
Property, plant and equipment	2,412,842	141,442	2,554,284	2,357,598	139,240	2,496,838
Depreciation and amortization	(1,807,729)	(92,465)	(1,900,194)	(1,762,423)	(88,899)	(1,851,322)
Intangible assets	62,043	134	62,177	59,542	92	59,634
Goodwill	407,135	-	407,135	407,246	-	407,246
Investment - Innoferm Tecnologia Ltda.	467	-	467	512	-	512
Other	756,562	34,630	791,192	768,940	32,873	801,813

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

2) Distribution by geographic area

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

Net operating revenue is distributed as follows:

Sales per country	Consolidated							
	2Q2019	%	1H2019	%	2Q2018	%	1H2018	%
Domestic market (Brazil and Argentina)	368,036	55.6%	706,927	55.0%	317,439	50.5%	641,270	51.4%
Europe	138,314	20.9%	277,190	21.6%	147,130	23.4%	296,990	23.9%
Central and North America	103,462	15.6%	204,553	15.9%	109,965	17.5%	211,994	17.0%
South America	40,047	6.1%	71,276	5.6%	31,250	5.0%	56,326	4.5%
Africa, Asia, Oceania and Middle East	11,939	1.8%	25,055	1.9%	22,448	3.6%	40,334	3.2%
Foreign countries	293,762	44.4%	578,074	45.0%	310,793	49.5%	605,644	48.6%
Total	661,798	100.0%	1,285,001	100.0%	628,232	100.0%	1,246,914	100.0%

6 Cash and cash equivalents

	Parent company		Consolidated	
	06.30.2019	12.31.2018	06.30.2019	12.31.2018
BRL	2,552	750	2,188	1,250
ARS (expressed in BRL)	-	-	4,912	4,490
USD (expressed in BRL)	13,746	12,292	13,746	12,292
EUR (expressed in BRL)	25,151	19,974	26,433	21,647
Cash and demand deposits	41,449	33,016	47,279	39,679
BRL	47,739	44,368	47,739	46,288
USD (expressed in BRL)	6,515	11,624	6,515	11,624
Financial investments	54,254	55,992	54,254	57,912
BRL	2,839	-	2,843	-
ARS (expressed in BRL)	-	-	612	-
Cash in transit	2,839	-	3,455	-
	98,542	89,008	104,988	97,591

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

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

Financial investments have made as follows:

- Bank Deposit Certificates (CDBs) and repurchase agreements (88.0 %), which yield an average interest rate of 99.6 % of the Interbank Deposit Certificate (CDI) rate, held exclusively at first-tier banks in Brazil;
- Certificate deposits and time deposits which are short-term, highly liquid investments with original maturities of three months or less and subject to an insignificant risk of change in value.
- Financial investments are recorded at updated value up to the end of the period. Their values reflect the redemption amount that would be realized if the investments were redeemed on that date. Yields on these transactions are recognized as finance income.

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

7 Trade accounts receivables and other accounts receivables

	Parent company		Consolidated	
	06.30.2019	12.31.2018	06.30.2019	12.31.2018
Market				
Domestic	252,014	208,973	252,484	209,255
Foreign	72,442	73,837	151,610	148,704
	324,456	282,810	404,094	357,959
Other accounts receivable	3,845	15,355	3,845	15,355
Provision for impairment of trade receivables	(7,376)	(7,434)	(9,732)	(9,070)
	320,925	290,731	398,207	364,244
Related parties (Note 10)	66,848	65,326	72,818	73,359
	387,773	356,057	471,025	437,603

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

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

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

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

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>06.30.2019</u>	<u>12.31.2018</u>	<u>06.30.2019</u>	<u>12.31.2018</u>
Not yet due	295,847	262,992	366,586	327,799
Past due:				
Up to 7 days	5,846	7,058	8,234	8,806
From 8 to 30 days	12,177	8,907	14,489	12,195
From 31 to 60 days	3,819	7,237	5,005	9,556
From 61 to 90 days	2,063	2,370	2,640	3,427
From 91 to 120 days	1,410	2,707	1,902	3,199
From 121 to 180 days	2,382	2,119	3,083	2,567
From 181 to 360 days	1,834	2,164	2,691	2,636
Over 360 days	2,923	2,611	3,309	3,129
(-) Provision for impairment of trade receivables	<u>(7,376)</u>	<u>(7,434)</u>	<u>(9,732)</u>	<u>(9,070)</u>
Total past due deducted provision	25,078	27,739	31,621	36,445
	<u>320,925</u>	<u>290,731</u>	<u>398,207</u>	<u>364,244</u>

At June 30, 2019, trade receivables of the parent company in the amount of R\$ 25,078 (December 31, 2018 - R\$ 27,739) and consolidated trade receivables at June 30, 2019 of R\$ 31,621 (December 31, 2018 - R\$ 36,445) were past due but not impaired. These relate to a number of original equipment and aftermarket customers for whom there is no recent history of default. Other past-due accounts do not pose a risk for the Company because they were settled after the date of these interim financial statements.

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

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

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

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

	<u>Parent company</u>	<u>Consolidated</u>
At December 31, 2018	(7,434)	(9,070)
Receivables provided for in the period	(5,882)	(7,751)
Receivables reversed in the period	5,018	6,114
Receivables written off definitively	814	814
Foreign exchange variation	108	161
At June 30, 2019	(7,376)	(9,732)

8 Inventories

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>06.30.2019</u>	<u>12.31.2018</u>	<u>06.30.2019</u>	<u>12.31.2018</u>
Finished products	137,197	133,864	214,340	221,372
Work in progress	103,697	86,742	112,082	96,775
Raw materials	51,961	49,630	65,371	61,221
Auxiliary materials	4,166	7,559	7,726	10,365
Imports in transit	7,977	10,981	9,327	11,677
	304,998	288,776	408,846	401,410

In June 30, 2019, inventory was stated net of provision for losses. These losses relate to products with a negative margin, tooling, quality issues, out-of-specification materials, obsolescence and slow-moving items in the amount of R\$ 29,049 (R\$ 31,342 in December 31, 2018) in the parent company and R\$ 41,726 (R\$ 43,860 in December 31, 2018) in the consolidated accounts.

Changes in the provision for inventory loss are as follows:

	<u>company</u>	<u>Consolidated</u>
At December 31, 2018	(31,342)	(43,860)
Reversal of provision	5,581	9,053
Recognition of provision	(3,598)	(8,569)
Inventory written off definitively as loss	310	310
Foreign exchange variation	-	1,340
At June 30, 2019	(29,049)	(41,726)

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Notes to the interim financial statements

(in thousand of reais)

9 Taxes recoverable and income tax and social contribution recoverable

	Parent Company		Consolidated	
	06.30.2019	12.31.2018	06.30.2019	12.31.2018
Income tax and social contribution recoverable	36,678	34,924	41,621	47,371
Value-added Tax on Sales and Services (ICMS) on purchases of fixed assets	30,148	49,920	30,306	50,061
ICMS and Excise Tax (IPI)	7,635	8,386	7,635	8,386
Import Tax	2,899	5,036	4,185	6,620
Social Contribution on Revenues (COFINS)	3,495	3,902	3,495	3,902
Social Integration Program (PIS)	753	840	753	840
Other	9	10	12,091	9,749
Taxes recoverable	44,939	68,094	58,465	79,558
Current	81,617	103,018	100,086	126,929
Value-added Tax on Sales and Services (ICMS) on purchases of fixed assets	11,299	11,707	11,299	11,707
Export incentive - Argentina	-	-	4,909	8,717
Non-current	11,299	11,707	16,208	20,424

Notes to the interim financial statements

(in thousand of reais)

10 Related parties

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

	Parent company											
	Balances at 06.30.2019						Transactions from 01.01.2019 to 06.30.2019					
	Current assets		Non-current assets		Current liabilities		Non-current liabilities		Sales/revenue		Purchases	
	Receivables (Note 7)	Payment term in days (**)	Dividends and interest on capital payable	Loan	Suppliers (Note 15)	Payment term in days (**)	Lease Liabilities	Lease Liabilities	Products	Other	Products	Other *
Companies												
Subsidiaries												
Direct subsidiaries												
MAHLE Metal Leve GmbH	45,013	60	25,603	-	1,735	60	-	-	187,246	30	-	-
MAHLE Argentina S.A.	5,401	60	-	-	-	-	-	-	21,286	1,082	580	-
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	72	60	-	15,919	1	60	-	-	-	80	-	-
MAHLE Hirschvogel Forjas S.A.	65	60	-	2,536	-	-	-	-	-	63	-	-
Sub-total Controladas Diretas	50,551		25,603	18,455	1,736				208,532	1,255	580	-
Related companies												
MAHLE Behr Gerenciamento Térmico Brasil Ltda.	3,652	60	-	-	5,797	60	-	-	453	8,979	17,160	1,099
MAHLE Engine Componentes USA, Inc.	3,171	60	-	-	57	60	-	-	8,486	(18)	129	38
MAHLE Pistoni Italia SPA	2,430	60	-	-	15	60	-	-	6,993	-	-	15
MAHLE Compressores do Brasil Ltda.	1,269	60	-	-	2,372	60	-	-	604	3,634	6,133	79
MAHLE Engine Components (Yingkou) Co., Ltd.	907	60	-	-	-	-	-	-	3,608	97	-	-
MAHLE Aftermarket GmbH	810	60	-	-	3,256	60	-	-	1,445	545	2,974	95
MAHLE International GmbH	469	60	-	-	10,305	60	-	-	-	1,159	-	6,211
MAHLE Aftermarket S.de R.L.de C.V.	450	60	-	-	-	-	-	-	2,512	-	-	-
MAHLE Engine Components (Nanjing) Co., Ltd.	432	60	-	-	-	-	-	-	2,348	-	-	-
MAHLE GmbH	397	60	-	-	6,124	60	-	-	503	107	1,214	5,438
MAHLE Technologies Holding (China) Co., Ltd.	335	60	-	-	146	60	-	-	-	340	-	80
MAHLE Aftermarket Inc.	302	60	-	-	5	60	-	-	412	226	-	124
MAHLE Componentes de Motores S.A.	295	60	-	-	35	60	-	-	794	66	104	-
MAHLE Rus O.O.O.	237	60	-	-	-	-	-	-	238	-	-	-
MAHLE Filter Systems North America Inc	232	60	-	-	-	-	-	-	-	218	1	-
MAHLE Compon. de Mot. de México, S. de R.L. d	175	60	-	-	232	60	-	-	258	94	1,773	(81)
MAHLE Engine Systems UK Ltd.	159	60	-	-	1,349	60	-	-	-	378	876	8
MAHLE Industriemotoren-Komponenten GmbH	140	60	-	-	-	-	-	-	367	-	-	-
MAHLE Engine Comp. Slovakia S.R.O.	110	60	-	-	-	-	-	-	362	-	-	-
MAHLE Powertrain LLC	106	60	-	-	-	-	-	-	-	310	-	-
MAHLE Trading Japan Co. Ltd.	48	60	-	-	80	60	-	-	45	55	80	-
MAHLE Engine Comp. Japan Corporation	42	60	-	-	70	60	-	-	59	-	-	(21)
MAHLE Engine Comp. (Chongqing) Co. Ltd.	29	60	-	-	-	-	-	-	349	-	-	-
MAHLE Vöcklabruck GmbH	27	60	-	-	2	60	-	-	27	-	-	-
MAHLE Engine Components India Private Limited	24	60	-	-	-	-	-	-	24	-	-	-
MAHLE France SAS	19	60	-	-	-	-	-	-	96	-	-	-
MAHLE Japan Ltd.	10	60	-	-	-	-	-	-	-	(6)	-	-
MAHLE Industries Inc	9	60	-	-	632	60	-	-	-	51	-	25
MAHLE Kleinmot. GmbH	7	60	-	-	-	-	-	-	24	-	-	-
Shangai Behr Thermal Systems Co. Ltd	3	60	-	-	-	-	-	-	-	-	-	-
MAHLE Aftermarket S.L.	1	60	-	-	2	60	-	-	-	1	-	2
Innofem Tecnologia Ltda.	-	-	-	-	2,000	60	-	-	-	-	-	-
MAHLE Indústria e Comércio Ltda.	-	-	-	-	1,209	60	5,548	12,945	69	-	-	3,626
MAHLE Filtersysteme GmbH	-	-	-	-	846	60	-	-	-	-	45	1,111
MAHLE Letrika (Suzhou) Automotive	-	-	-	-	453	60	-	-	-	54	1,276	-
MAHLE Letrika d.o.o	-	-	-	-	266	60	-	-	-	13	1,268	-
MAHLE Filter Systems Japan Corporation	-	-	-	-	166	60	-	-	-	-	489	-
MAHLE Filtersysteme Austria GmbH	-	-	-	-	157	60	-	-	-	-	1,159	-
MAHLE Engine Comp. (Thailand) Co. Ltd.	-	-	-	-	149	60	-	-	-	-	-	114
MAHLE Componentes de Motor Espana S.L.	-	-	-	-	97	60	-	-	6	-	62	-
MAHLE Donghyun Filter Systems Co., Ltd.	-	-	-	-	79	60	-	-	-	-	71	-
MAHLE Filter Systems Philippines Corporation	-	-	-	-	74	60	-	-	-	-	113	-
Mahle Holding (India) Private Limited	-	-	-	-	43	60	-	-	-	-	-	43
MAHLE Aftermarket Pte. Ltd	-	-	-	-	-	-	-	-	-	-	1,511	-
MAHLE Trading (Shangai) Co. Ltd.	-	-	-	-	-	-	-	-	-	-	443	-
MAHLE Componente de Motor SRL	-	-	-	-	-	-	-	-	-	-	83	-
MAHLE Ventiltrieb GmbH	-	-	-	-	-	-	-	-	83	-	-	-
Other	-	-	-	-	32	60	-	-	85	-	118	30
Total related companies	16,297		-	-	36,050		5,548	12,945	30,250	16,303	37,082	18,036
Total related parties	66,848		25,603	18,455	37,786		5,548	12,945	238,782	17,558	37,662	18,036

* Rent of RS 3,626 and brand license of RS 5,384

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

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(in thousand of reais)

	Controladora										
	Saldos em 31.12.2018					Transações de 01.01.2018 à 30.06.2018					
	Ativo Circulante		Ativo não Circulante		Passivo Circulante			Vendas/receitas		Compras	
	Contas a Receber (Nota 7)	Prazo de realização em dias (**)	Dividendos e Juros s/ Capital próprio	Mútuo	Fornecedor (Nota 15)	Prazo de realização em dias (**)	Dividendos e Juros s/ Capital próprio	Produtos	Outros	Produtos	Outros *
Empresas											
Controladas											
Diretas											
MAHLE Metal Leve GmbH	38,454	60	60,724	-	3,278	60	-	207,852	38	-	-
MAHLE Argentina S.A.	2,595	60	-	-	895	60	-	29,051	866	1,023	-
MAHLE Hirschvogel Forjas S.A.	155	60	-	-	-	-	-	-	60	-	-
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	89	60	-	15,030	-	-	-	-	79	-	-
MAHLE Industry do Brasil Ltda.	-	60	-	-	-	-	-	-	16	-	-
Sub-total Controladas Diretas	41,293		60,724	15,030	4,173			236,903	1,059	1,023	-
Relacionadas											
MAHLE Engine Components (Nanjing) Co., Ltd.	4,970	60	-	-	-	-	-	9,728	-	-	-
MAHLE Behr Gerenciamento Térmico Brasil Ltda.	3,913	60	-	-	3,993	60	-	388	8,196	-	(9)
MAHLE Engine Componentes USA, Inc.	3,041	60	-	-	47	60	-	10,527	250	108	27
MAHLE Aftermarket S.de R.L.de C.V.	2,472	60	-	-	-	-	-	1,780	-	-	-
MAHLE Compressores do Brasil Ltda.	2,039	60	-	-	5,543	60	-	634	3,432	-	80
MAHLE Pistoni Italia SPA	2,017	60	-	-	61	60	-	7,865	24	-	114
MAHLE Aftermarket GmbH	1,491	60	-	-	2,485	60	-	2,507	375	1,380	2,473
MAHLE Engine Components (Yingkou) Co., Ltd.	1,187	60	-	-	-	-	-	2,485	347	-	-
MAHLE International GmbH	483	60	-	-	7,786	60	-	-	904	-	4,472
MAHLE Industries Inc	435	60	-	-	614	60	-	-	71	-	487
MAHLE Componentes de Motores S.A.	352	60	-	-	2	60	-	502	51	847	-
MAHLE GmbH	292	60	-	-	9,015	60	-	235	7	1,520	10,470
MAHLE Aftermarket Inc.	225	60	-	-	109	60	-	278	172	-	40
MAHLE Compon. de Mot. de México, S. de R.L. de C.V.	178	60	-	-	(119)	60	-	2,074	-	655	-
MAHLE Engine Systems UK Ltd.	132	60	-	-	1,462	60	-	-	453	1,271	1,413
MAHLE Engine Comp. Japan Corporation	131	60	-	-	90	60	-	49	-	-	19
MAHLE Engine Comp. (Chongqing) Co. Ltd.	115	60	-	-	-	-	-	325	-	-	-
MAHLE Anand Filter Systems Private Limited	81	60	-	-	-	-	-	30	-	-	-
MAHLE Filtre Sistemleri A.S.	78	60	-	-	-	-	-	-	-	-	-
MAHLE Powertrain LLC	76	60	-	-	-	-	-	-	-	-	-
MAHLE Filter Systems North America Inc	66	60	-	-	-	-	-	-	1,107	-	-
MAHLE S.A.	49	60	-	-	-	-	-	-	-	-	-
MAHLE Japan Ltd.	46	60	-	-	-	-	-	-	27	-	-
MAHLE Industriemotoren-Komponenten GmbH	39	60	-	-	-	-	-	143	-	-	-
MAHLE France SAS	39	60	-	-	-	-	-	553	94	-	-
MAHLE Trading Japan Co. Ltd.	29	60	-	-	-	-	-	40	52	(116)	-
MAHLE Letrika d.o.o	19	60	-	-	434	60	-	(1)	26	1,102	4
MAHLE Ventiltrieb GmbH	19	60	-	-	-	-	-	116	-	-	-
MAHLE Kleinmot. GmbH	8	60	-	-	-	-	-	68	-	-	-
MAHLE Filter Systems India Pvt ,Ltd.	6	60	-	-	-	-	-	-	-	-	-
Shangai Behr Thermal Systems Co. Ltd	3	60	-	-	-	-	-	-	3	-	-
MAHLE Technologies Holding (China) Co., Ltd.	2	60	-	-	-	-	-	-	-	-	-
Innoferm Tecnologia Ltda.	-	-	-	-	2,500	60	-	-	-	-	-
MAHLE Filtersysteme GmbH	-	-	-	-	948	60	-	-	1	-	839
MAHLE Filtersysteme Austria GmbH	-	-	-	-	817	60	-	-	-	2,079	-
MAHLE Indústria e Comércio Ltda.	-	-	-	-	562	60	7,419	-	-	-	3,371
MAHLE Filter Systems Japan Corporation	-	-	-	-	281	60	-	-	-	649	26
MAHLE Letrika (Suzhou) Automotive	-	-	-	-	255	60	-	-	60	1,253	-
MAHLE Donghyun Filter Systems Co., Ltd.	-	-	-	-	161	60	-	-	-	83	-
MAHLE Componentes de Motor Espana S.L.	-	-	-	-	106	60	-	5	-	58	-
MAHLE Componente de Motor SRL	-	-	-	-	74	60	-	-	-	205	-
MAHLE Engine Comp. (Thailand) Co. Ltd.	-	-	-	-	36	60	-	-	61	-	-
MAHLE Engine Comp. Inc	-	-	-	-	7	60	-	2	-	-	7
MAHLE Vöcklabruck GmbH	-	-	-	-	-	-	-	5,085	-	-	54
MAHLE Motor Parcalari San. Izmir A.S	-	-	-	-	-	-	-	2,436	-	74	29
MAHLE India Pistons Ltd.	-	-	-	-	-	-	-	1,258	-	-	-
MAHLE Rus O.O.O.	-	-	-	-	-	-	-	1,030	-	-	-
MAHLE Engine Comp. Slovakia S.R.O.	-	-	-	-	-	-	-	924	-	-	3
MAHLE Industriebeteiligungen GmbH	-	-	-	-	-	-	1,236	-	-	-	-
MAHLE Aftermarket Pte. Ltd	-	-	-	-	-	-	-	-	2	3,185	-
MAHLE Trading (Shangai) Co. Ltd.	-	-	-	-	-	-	-	-	(3)	518	1
MAHLE Filter Systems Philippines Corporation	-	-	-	-	-	-	-	-	-	229	-
Outros	-	-	-	-	-	-	-	25	-	42	5
Total Relacionadas	24,033		-	-	37,269		8,655	51,091	15,712	15,142	23,925
Total Partes Relacionadas	65,326		60,724	15,030	41,442		8,655	287,994	16,771	16,165	23,925

* Estão inclusos: Aluguel no montante de R\$ 3,371 e Licença de marca no montante R\$ 4,989

** Prazo de realização em dias refere-se ao ativo circulante e passivo circulante

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

	Consolidated										
	Balances at 06.30.2019					Transactions from 01.01.2019 to 06.30.2019					
	Current assets		Non-current assets	Current liabilities		Non-current liabilities		Sales/revenue		Purchases	
	Receivables (Note 7)	Payment term in days (**)	Loan	Suppliers (Note 15)	Payment term in days (**)	Lease Liabilities	Lease Liabilities	Products	Other	Products	Other *
Related companies											
MAHLE Compon. de Mot. de México, S. de R.L. de C.V.	17,523	60	-	237	60	-	-	51,748	94	1,778	(81)
MAHLE Aftermarket GmbH	12,939	60	-	5,056	60	-	-	35,032	545	6,259	102
MAHLE Componenti Motori Italia S.p.A.	7,618	60	-	15	60	-	-	19,898	-	-	15
MAHLE Componentes de Motores S.A.	5,066	60	-	35	60	-	-	16,417	66	104	-
MAHLE Engine Componentes USA, Inc.	3,916	60	-	4,612	60	-	-	11,156	(18)	129	961
MAHLE Vöcklabruck GmbH	3,771	60	-	143	60	-	-	18,892	-	-	-
MAHLE Behr Gerenciamento Térmico Brasil Ltda.	3,652	60	-	5,797	60	-	-	453	8,979	17,160	1,099
MAHLE France SAS	2,944	60	-	3	60	-	-	13,849	-	-	-
MAHLE Aftermarket S.de R.L.de C.V.	2,099	60	-	-	-	-	-	7,719	-	-	-
MAHLE Engine Components (Thailand) Co., Ltd.	1,749	60	-	149	60	-	-	-	-	-	114
MAHLE Engine Components India Private Limited	1,730	60	-	175	60	-	-	2,635	-	-	-
MAHLE Industriemotoren-Komponenten GmbH	1,384	60	-	-	-	-	-	2,641	-	-	78
MAHLE Compressores do Brasil Ltda.	1,269	60	-	2,372	60	-	-	605	3,634	6,133	79
MAHLE S.A.	943	60	-	-	-	-	-	1,604	-	-	-
MAHLE Kleinmotoren-Komponenten GmbH & Co. KG	937	60	-	28	60	-	-	2,508	-	1	35
MAHLE Engine Components (Yingkou) Co., Ltd.	907	60	-	-	-	-	-	3,608	97	-	-
MAHLE Aftermarket Inc.	860	60	-	56	60	-	-	1,535	226	-	124
MAHLE GmbH	715	60	-	7,841	60	-	-	1,600	107	1,214	6,563
MAHLE International GmbH	469	60	-	11,104	60	-	-	-	1,159	-	6,721
MAHLE Engine Components (Nanjing) Co., Ltd.	432	60	-	-	-	-	-	2,348	-	-	-
MAHLE Engine Comp. Slovakia S.R.O.	358	60	-	-	-	-	-	661	-	-	-
MAHLE Technologies Holding (China) Co., Ltd.	335	60	-	146	60	-	-	-	340	-	80
MAHLE Motor Parcalari San. Izmir A.S	302	60	-	-	-	-	-	667	-	52	-
MAHLE Rus O.O.O.	237	60	-	-	-	-	-	238	-	-	-
MAHLE Filter Systems North America Inc	232	60	-	-	-	-	-	-	218	1	-
MAHLE Engine Systems UK Ltd.	159	60	-	1,352	60	-	-	-	378	876	8
MAHLE Powertrain LLC	106	60	-	-	-	-	-	-	310	-	-
MAHLE Trading Japan Co. Ltd.	48	60	-	80	60	-	-	4,000	55	80	-
MAHLE Engine Components Japan Corporation	42	60	-	70	60	-	-	59	-	-	(21)
MAHLE Engine Components (Chongqing) Co.,Ltd.	29	60	-	-	-	-	-	349	-	-	-
MAHLE Polska Spolka Z.0.0	24	60	-	-	-	-	-	54	-	-	-
MAHLE Japan Ltd.	10	60	-	-	-	-	-	-	(6)	-	-
MAHLE Industries, Inc.	9	60	-	1,688	60	-	-	-	51	-	1,202
Shangai Behr Thermal Systems Co. Ltd	3	60	-	-	-	-	-	-	-	-	-
MAHLE Aftermarket S.L.	1	60	-	2	60	-	-	-	1	-	2
Innoferm Tecnologia Ltda.	-	-	-	2,000	60	-	-	-	-	-	-
MAHLE Indústria e Comércio Ltda.	-	-	-	1,209	60	5,548	12,945	-	-	-	3,626
MAHLE Filtersysteme GmbH	-	-	-	846	60	-	-	-	-	45	1,111
MAHLE Letrika (Suzhou) Automotive	-	-	-	453	60	-	-	-	54	1,276	-
MAHLE Letrika d.o.o	-	-	-	266	60	-	-	-	13	1,334	-
MAHLE Filtersysteme Austria GmbH	-	-	-	214	60	-	-	-	-	1,159	107
MAHLE Filter Systems Japan Corporation	-	-	-	203	60	-	-	-	-	489	-
MAHLE Componentes de Motor Espana S.L.	-	-	-	97	60	-	-	2,274	-	62	-
MAHLE Donghyun Filter Systems Co., Ltd.	-	-	-	79	60	-	-	-	-	71	-
MAHLE Filter Systems Philippines Corporation	-	-	-	74	60	-	-	-	-	113	-
Mahle Holding (India) Private Limited	-	-	-	43	60	-	-	-	-	-	43
MAHLE Holding Austria GmbH	-	-	5,712	-	-	-	-	-	-	-	-
MAHLE Aftermarket Pte Ltd.	-	-	-	-	-	-	-	-	-	1,511	-
MAHLE Trading (Shangai) Co.Ltd.	-	-	-	-	-	-	-	-	-	443	-
Others	-	-	-	65	60	-	-	100	-	149	32
Total related companies	72,818		5,712	46,510		5,548	12,945	202,650	16,303	40,439	22,000
Total related parties	72,818		5,712	46,510		5,548	12,945	202,650	16,303	40,439	22,000

* This includes Rent of R\$ 3,626 brand license of R\$ 5,867

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

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

	Consolidated									
	Balances at 12.31.2018					Transactions from 01.01.2018 to 06.30.2018				
	Current assets		Non-current assets	Current liabilities			Sales/revenue		Purchases	
	Receivables (Note 7)	Payment term in days (**)	Loan	Suppliers (Note 15)	Payment term in days (**)	Dividends and interest on capital payable	Products	Other	Products	Other *
Related companies										
MAHLE Compon. de Mot. de México, S. de R.L. de C.V.	12,318	60	-	(119)	60	-	36,592	-	655	-
MAHLE Aftermarket GmbH	10,797	60	-	2,974	60	-	35,836	375	6,818	2,473
MAHLE Vöcklabruck GmbH	9,311	60	-	-	-	-	17,946	-	-	54
MAHLE Componenti Motori Italia S.p.A.	6,032	60	-	61	60	-	16,337	24	-	114
MAHLE Engine Components (Nanjing) Co., Ltd.	4,970	60	-	-	-	-	9,728	-	-	-
MAHLE Componentes de Motores S.A.	4,634	60	-	2	60	-	24,995	51	847	-
MAHLE Aftermarket S.de R.L.de C.V.	4,130	60	-	-	-	-	5,676	-	-	-
MAHLE Behr Gerenciamento Térmico Brasil Ltda.	3,913	60	-	3,993	60	-	388	8,228	-	1,029
MAHLE Engine Components USA, Inc.	3,578	60	-	909	60	-	12,349	250	108	651
MAHLE Compressores do Brasil Ltda.	2,039	60	-	5,543	60	-	634	3,432	-	80
MAHLE France SAS	2,019	60	-	2	60	-	26,711	94	233	-
MAHLE Engine Components (Thailand) Co., Ltd.	1,956	60	-	36	60	-	3,188	61	-	-
MAHLE S.A.	1,386	60	-	-	-	-	3,471	-	-	-
MAHLE Kleinmotoren-Komponenten GmbH & Co. KG	1,267	60	-	14	60	-	2,693	-	-	68
MAHLE Engine Components (Yingkou) Co., Ltd.	1,187	60	-	-	-	-	2,661	347	-	-
MAHLE Engine Components India Private Limited	908	60	-	-	-	-	1,900	-	-	-
MAHLE International GmbH	483	60	-	8,134	60	-	-	904	-	4,857
MAHLE Industries, Inc.	435	60	-	1,045	60	-	-	71	-	1,983
MAHLE Aftermarket Inc.	380	60	-	161	60	-	536	172	-	40
MAHLE Industriemotoren-Komponenten GmbH	379	60	-	48	60	-	1,241	-	-	32
MAHLE GmbH	292	60	-	11,420	60	-	4,679	7	1,520	11,517
MAHLE Engine Systems UK Ltd.	132	60	-	1,466	60	-	-	453	1,271	1,413
MAHLE Engine Componets Japan Corporation	131	60	-	90	60	-	49	-	-	19
MAHLE Engine Components (Chongqing) Co.,Ltd.	115	60	-	-	-	-	325	-	-	-
MAHLE Motor Parcalari San. Izmir A.S	82	60	-	-	-	-	6,326	-	74	29
MAHLE Anand Filter Systems Private Limited	81	60	-	-	-	-	30	-	-	-
MAHLE Filtre Sistemleri A.S.	78	60	-	-	-	-	-	-	-	-
MAHLE Powertrain LLC	76	60	-	-	-	-	-	-	-	-
MAHLE Filter Systems North America Inc	66	60	-	-	-	-	-	1,107	-	-
MAHLE Engine Comp. Slovakia S.R.O.	58	60	-	-	-	-	1,538	-	-	3
MAHLE Japan Ltd.	46	60	-	-	-	-	-	27	-	-
MAHLE Trading Japan Co. Ltd.	29	60	-	-	-	-	40	52	(116)	-
MAHLE Letrika D.O.O.	19	60	-	477	60	-	(1)	26	1,185	4
MAHLE Ventiltrieb GmbH	19	60	-	-	-	-	116	-	-	-
MAHLE Filter Systems India Pvt ,Ltd.	6	60	-	-	-	-	-	-	-	-
Shanghai Behr Thermal Systems Co. Ltd.	3	60	-	-	-	-	-	3	-	-
MAHLE Technologies Holding (China) Co., Ltd.	2	60	-	-	-	-	-	-	-	-
MAHLE Aftermarket S.L.	2	60	-	-	-	-	-	-	-	-
Innoferm Tecnologia Ltda.	-	-	-	2,500	60	-	-	-	-	-
MAHLE Filtersysteme GmbH	-	-	-	948	60	-	-	1	-	839
MAHLE Filtersysteme Austria GmbH	-	-	-	864	60	-	-	-	2,079	134
MAHLE Indústria e Comércio Ltda.	-	-	-	562	60	7,419	-	-	-	3,371
MAHLE Filter Systems Japan Corporation	-	-	-	281	60	-	-	-	649	26
MAHLE Letrika (Suzhou) Automotive	-	-	-	255	60	-	-	60	1,253	-
MAHLE Donghyun Filter Systems Co., Ltd.	-	-	-	161	60	-	-	-	83	-
MAHLE Componentes de Motor Espana S.L.	-	-	-	122	60	-	4,578	-	58	-
MAHLE Componente de Motor SRL	-	-	-	74	60	-	-	-	205	-
MAHLE Holding Austria GmbH	-	-	40,743	28	60	-	-	-	-	-
MAHLE Engine Comp. Inc	-	-	-	20	60	-	2	-	-	22
MAHLE India Pistons Ltd.	-	-	-	-	-	-	1,258	-	-	-
MAHLE Rus O.O.O.	-	-	-	-	-	-	1,030	-	-	-
MAHLE Industriebeteiligungen GmbH	-	-	-	-	-	1,236	-	-	-	-
MAHLE Aftermarket Pte Ltd.	-	-	-	-	-	-	-	2	3,185	-
MAHLE Polska Spolka Z.0.0	-	-	-	-	-	-	117	-	-	-
MAHLE Trading (Shangai) Co.Ltd.	-	-	-	-	-	-	-	(3)	518	1
MAHLE Filter Systems Philippines Corporation	-	-	-	-	-	-	-	-	229	-
Other	-	-	-	-	-	-	10	-	194	5
Total related companies	73,359		40,743	42,071		8,655	222,979	15,744	21,048	28,764
Total related parties	73,359		40,743	42,071		8,655	222,979	15,744	21,048	28,764

* This includes rent of R\$ 3,371 and brand license of R\$5,528

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

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

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

At June 30, 2019, the subsidiary MAHLE Filtroil Indústria e Comércio de Filtros Ltda. had a loan agreement with the Company in the amount of R\$ 15,919 (R\$ 15,030 at December 31, 2018), subject to an interest rate of 115% of the CDI . Management does not intend to collect this loan within the next 12 months and the loan has no definite maturity date.

The subsidiary MAHLE Metal Leve GmbH has a daily cash management contract with MAHLE Holding Austria GmbH, subject to interest based on Eonia (Euro OverNight Index Average) + 1.15% p.a., with no definite maturity date. At June 30, 2019, the subsidiary has a balance payable of R\$ 5,712 arising from these transactions (balance receivable of R\$ 40,743 at December 31, 2018).

Since February 15, 2012, the Company has had a brand licensing agreement with its parent company MAHLE GmbH, which is registered with the National Institute of Industrial Property, in which the licensor establishes the payment of royalties of up to 1% of net sales revenue and the Company is authorized to manufacture and distribute products using the brand "MAHLE". At June 30, 2019, the royalty expenses were recorded within "selling expenses - brand license", in the parent company in the amount of R\$ 5,384 (June 30, 2018 - R\$4,989) and in the consolidated accounts in the amount of R\$ 5,867 (June 30, 2018 - R\$ 5,528).

Parent company and ultimate parent company

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

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

Dividends and interest on capital receivable

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

	Parent company				
	12.31.2018	Provision	Receipt	Exchange variation	06.30.2019
MAHLE Metal Leve GmbH	60,724	46,646	(81,715)	(52)	25,603
	60,724	46,646	(81,715)	(52)	25,603

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

Dividends and interest on capital payable

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

	Parent company and consolidated				
	Balance 12.31.2018	Addition	Payment	Prescribed dividends and interest on capital	Balance 06.30.2019
MAHLE Indústria e Comércio Ltda.	7,419	115,337	(122,756)	-	-
MAHLE Industriebeteiligungen GmbH.	1,236	19,223	(20,459)	-	-
Non-controlling	4,625	57,668	(61,403)	(154)	736
Total	13,280	192,228	(204,618)	(154)	736

Management compensation

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

	Parent company and consolidated			
	2019		2018	
	2Q2019	1H2019	2Q2018	1H2018
Statutory officers	1,744	3,196	1,621	2,954
Non-statutory officers	1,367	2,663	1,922	6,036
	3,111	5,859	3,543	8,990

The officers receive no share-based compensation.

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

11 Income tax and social contribution

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

a. Reconciliation of income tax and social contribution expense

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

	Parent company			
	2019		2018	
	2Q2019	1H2019	2Q2018	1H2018
Profit before income tax and social contribution after interest on capital	80,056	162,217	75,338	166,686
Income tax and social contribution at the statutory rate in	(27,219)	(55,154)	(25,615)	(56,673)
Effects of permanent differences:				
Equity in the results of investees	1,714	7,611	11,525	21,096
Gain on monetary items, net	6,303	10,463	-	-
Other, net	(1,201)	(1,547)	(1,038)	480
Total income tax and social contribution	(20,403)	(38,627)	(15,128)	(35,097)
Current income tax and social contribution	(10,423)	(35,600)	(20,490)	(56,474)
Deferred income tax and social contribution	(9,980)	(3,027)	5,362	21,377
	(20,403)	(38,627)	(15,128)	(35,097)
Effective rate	25.5%	23.8%	20.1%	21.1%

	Consolidated			
	2019		2018	
	2Q2019	1H2019	2Q2018	1H2018
Profit before income tax and social contribution after interest on capital	82,375	171,157	84,277	178,631
Income tax and social contribution at the statutory rate in Brazil (34%)	(28,008)	(58,193)	(28,654)	(60,734)
Effects of permanent differences:				
Equity in the results of investees	(9)	(15)	9	5
Gain on monetary items, net	6,249	8,624	-	-
Loss for the year for which no deferred tax asset was	(1,060)	(1,567)	221	(333)
Other, net	(1,386)	1,373	4,683	13,481
Total income tax and social contribution	(24,214)	(49,778)	(23,741)	(47,581)
Current income tax and social contribution	(13,774)	(41,523)	(29,482)	(69,394)
Deferred income tax and social contribution	(10,440)	(8,255)	5,741	21,813
	(24,214)	(49,778)	(23,741)	(47,581)
Effective rate	29.4%	29.1%	28.2%	26.6%

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

b. Recognized deferred tax assets and liabilities

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

i. Breakdown of deferred tax assets and liabilities:

	Parent company			
	Assets		Liabilities	
	Balance in 06.30.2019	Balance in 12.31.2018	Balance in 06.30.2019	Balance in 12.31.2018
Property, plant and equipment	-	-	(32,965)	(35,388)
Intangible assets	-	-	(104,213)	(104,213)
Derivatives	-	1,777	(751)	-
Inventory	9,877	10,656	-	-
Provision labor risks	73,593	82,377	-	-
Other provision	61,622	57,589	-	-
Tax (assets) liabilities	145,092	152,399	(137,929)	(139,601)
Amount eligible for offsetting	(137,929)	(139,601)	137,929	139,601
Net tax (assets) liabilities	7,163	12,798	-	-
	Consolidated			
	Assets		Liabilities	
	Balance in 06.30.2019	Balance in 12.31.2018	Balance in 06.30.2019	Balance in 12.31.2018
Property, plant and equipment	-	-	(41,088)	(42,116)
Intangible assets	-	-	(104,213)	(104,213)
Derivatives	-	1,777	(751)	-
Inventory	10,416	10,675	-	-
Provision labor risks	73,593	82,377	-	-
Other provision	60,769	60,475	-	-
Tax (assets) liabilities	144,778	155,304	(146,052)	(146,329)
Amount eligible for offsetting	(137,050)	(142,054)	137,050	142,054
Net tax (assets) liabilities	7,728	13,250	(9,002)	(4,275)

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

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

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

ii. Changes in temporary differences:

	<u>Parent company</u>	<u>Consolidated</u>
At December 31, 2018	12,798	8,975
(+) Recognized in profit or loss (note 11.a)	(3,027)	(8,255)
(+) Recognized in other comprehensive income	(2,608)	(1,994)
At June 30, 2019	7,163	(1,274)

12 Investments in subsidiaries

	<u>06.30.2019</u>				
	<u>Investments accounted for using the equity method</u>	<u>Goodwill</u>	<u>Impairment</u>	<u>Elimination of profit on inventory (Balance at 06/30/2019)</u>	<u>Total</u>
MAHLE Argentina S.A.	130,915	59,549	(38,408)	(2,062)	149,994
MAHLE Metal Leve GmbH	39,960	-	-	(1,131)	38,829
MAHLE Filtroil Ind. e Comércio de Filtros Ltda	(9,365)	-	-	-	(9,365)
Innoferm Tecnologia Ltda.	3,960	-	-	(3,493)	467
MAHLE Hirschvogel Forjas S.A.	639	35,755	(35,755)	-	639
Total	166,109	95,304	(74,163)	(6,686)	180,564

	<u>12.31.2018</u>				
	<u>Investments accounted for using the equity method</u>	<u>Goodwill</u>	<u>Impairment</u>	<u>Elimination of profit on inventory (Balance at 12/31/2018)</u>	<u>Total</u>
MAHLE Argentina S.A.	124,371	59,549	(38,408)	(1,989)	143,523
MAHLE Metal Leve GmbH	51,246	-	-	(2,573)	48,673
Innoferm Tecnologia Ltda.	4,005	-	-	(3,493)	512
MAHLE Hirschvogel Forjas S.A.	2,573	35,755	(35,755)	-	2,573
Total	182,195	95,304	(74,163)	(8,055)	195,281

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

	Interest (%)	Ativos Circulantes	Ativos Não Circulantes	Total assets	Passivos Circulantes	Passivos Não Circulantes	Total liabilities	Equity	Net revenue	Profit (loss) for the period
June 30, 2019										
(6M 2019)										
Subsidiaries										
MAHLE Argentina S.A.	99.20	158,162	61,510	219,672	77,827	9,873	87,700	131,972	187,479	(13,143)
MAHLE Metal Leve GmbH	100.00	115,377	13,368	128,745	88,785	-	88,785	39,960	247,354	36,562
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	60.00	1,361	6	1,367	804	16,172	16,976	(15,609)	1,413	(880)
MAHLE Hirschvogel Forjas S.A.	51.00	2,444	7,060	9,504	1,244	7,008	8,252	1,252	-	(3,794)
Subtotal subsidiaries		277,344	81,944	359,288	168,660	33,053	201,713	157,575	436,246	18,745
Related companies										
Innoferm Tecnologia Ltda.	33.33	2,470	9,683	12,153	60	212	272	11,881	-	(134)
Subtotal related companies		2,470	9,683	12,153	60	212	272	11,881	-	(134)
Total		279,814	91,627	371,441	168,720	33,265	201,985	169,456	436,246	18,611
December 31, 2018										
(FY 2018)										
Subsidiaries										
MAHLE Argentina S.A.	99.20	154,165	56,021	210,186	83,969	843	84,812	125,374	378,196	15,661
MAHLE Metal Leve GmbH	100.00	120,727	48,521	169,248	118,002	-	118,002	51,246	525,433	80,457
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	60.00	1,149	9	1,158	720	15,166	15,886	(14,728)	2,184	(1,660)
MAHLE Industry do Brasil Ltda.	99.99	-	-	-	-	-	-	-	30,888	667
MAHLE Hirschvogel Forjas S.A.	51.00	4,708	8,442	13,150	2,102	6,003	8,105	5,045	93	4,166
Subtotal subsidiaries		280,749	112,993	393,742	204,793	22,012	226,805	166,937	936,794	99,291
Related companies										
Innoferm Tecnologia Ltda.	33.33	2,609	9,683	12,292	11	266	277	12,015	-	(338)
Subtotal related companies		2,609	9,683	12,292	11	266	277	12,015	-	(338)
Total		283,358	122,676	406,034	204,804	22,278	227,082	178,952	936,794	98,953
June 30, 2018										
(6M 2018)										
Subsidiaries										
MAHLE Argentina S.A.	99.20	139,351	39,146	178,497	80,561	1,917	82,478	96,019	172,411	21,131
MAHLE Metal Leve GmbH	100.00	147,691	7,465	155,156	101,083	9,056	110,139	45,017	264,303	42,022
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	60.00	2,233	7	2,240	725	15,529	16,254	(14,014)	1,028	(946)
MAHLE Industry do Brasil Ltda.	99.99	27,096	3,528	30,624	6,027	14,064	20,091	10,533	15,631	211
MAHLE Hirschvogel Forjas S.A.	51.00	16,540	1,524	18,064	3,606	13,974	17,580	484	73	(332)
Subtotal subsidiaries		332,911	51,670	384,581	192,002	54,540	246,542	138,039	453,446	62,086
Related companies										
Innoferm Tecnologia Ltda.	33.33	2,892	9,683	12,575	-	266	266	12,308	-	(46)
Subtotal related companies		2,892	9,683	12,575	-	266	266	12,308	-	(46)
Total		335,803	61,353	397,156	192,002	54,806	246,808	150,347	453,446	62,040

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

	Interest in equity				
	Investments	Equity in the results of subsidiaries	Provision for loss (effect on profit or loss)	Elimination of profit on inventory /other assets (equity)	Provision for impairment of investments
June 30, 2019					
(6M 2019)					
Subsidiaries					
MAHLE Argentina S.A.	130,915	-	(13,037)	(73)	-
MAHLE Metal Leve GmbH	39,960	36,562	-	1,442	-
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	(9,365)	-	(528)	-	-
MAHLE Hirschvogel Forjas S.A.	639	-	(1,935)	-	-
Subtotal subsidiaries	162,149	36,562	(15,500)	1,369	-
Related companies					
Innoferm Tecnologia Ltda.	3,960	-	(45)	-	-
Subtotal related companies	3,960	-	(45)	-	-
Total	166,109	36,562	(15,545)	1,369	-
December 31, 2018					
(FY 2018)					
Subsidiaries					
MAHLE Argentina S.A.	124,371	15,535	-	(2)	-
MAHLE Metal Leve GmbH	51,246	80,457	-	(119)	-
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	-	-	(996)	-	(8,837)
MAHLE Industry do Brasil Ltda.	-	667	-	-	-
MAHLE Hirschvogel Forjas S.A.	2,573	2,125	-	-	-
Subtotal subsidiaries	178,190	98,784	(996)	(121)	(8,837)
Related companies					
Innoferm Tecnologia Ltda.	4,005	-	(113)	-	-
Subtotal related companies	4,005	-	(113)	-	-
Total	182,195	98,784	(1,109)	(121)	(8,837)
June 30, 2018					
(6M 2018)					
Subsidiaries					
MAHLE Argentina S.A.	95,251	20,962	-	(141)	-
MAHLE Metal Leve GmbH	45,017	42,022	-	(254)	-
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	-	-	(568)	-	(8,409)
MAHLE Industry do Brasil Ltda.	10,532	211	-	-	-
MAHLE Hirschvogel Forjas S.A.	247	(169)	-	-	-
Subtotal subsidiaries	151,047	63,026	(568)	(395)	(8,409)
Related companies					
Innoferm Tecnologia Ltda.	4,103	(15)	-	-	-
Subtotal related companies	4,103	(15)	-	-	-
Total	155,150	63,011	(568)	(395)	(8,409)

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

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

MAHLE Argentina S.A.

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

MAHLE Filtróil Indústria e Comércio de Filtros Ltda.

For better presentation, at June 30, 2019 the Company reclassified the amount of R\$ 9,365 from provision for losses on investees to the investments account.

At December 31, 2018, the interest in the net capital deficiency of the subsidiary MAHLE Filtróil Indústria e Comércio de Filtros Ltda. was R\$ 8,837 and this was recorded in non-current liabilities within "provision for subsidiary's net capital deficiency".

At June 30, 2019 and December 31, 2018, the subsidiary has a loan agreement with the Company as stated in Note 10 – Related parties.

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

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

MAHLE Hirschvogel Forjas S.A.

At June 30, 2019, the share of equity in subsidiary MAHLE Hirschvogel Forjas S.A. is R\$ 639 (R\$ 2,573 at December 31, 2018), which is recorded in current assets as "Investments in subsidiaries".

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

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

MAHLE Industry do Brasil Ltda

On November 30, 2018, the subsidiary MAHLE Industry do Brasil Ltda. was merged into its parent MAHLE Metal Leve S.A., resulting in simplification of the corporate structure and consolidation of the operations of the two companies, generating synergy benefits through technical and operating cost reduction and benefits to shareholders and the market in which the companies operate.

Innoferm Tecnologia Ltda.

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

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

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

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

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

13 Property, plant and equipment

	Parent company									
	Land	Buildings and construction	Machinery, equipment and facilities	Furniture and fittings	Vehicles	Construction in progress	Advances to suppliers	Impairment	Rights-of-use assets (IFRS 16 - building rental)	Total
At December 31, 2018	52,454	97,001	431,571	4,021	4,713	4,150	3,522	(3,414)	-	594,018
Total cost	52,454	230,485	2,005,716	25,066	24,587	4,150	3,522	(3,414)	-	2,342,566
Accumulated depreciation	-	(133,484)	(1,574,145)	(21,045)	(19,874)	-	-	-	-	(1,748,548)
Net book value	52,454	97,001	431,571	4,021	4,713	4,150	3,522	(3,414)	-	594,018
Initial adoption (IFRS 16)	-	-	-	-	-	-	-	-	23,435	23,435
At January 1, 2019	52,454	97,001	431,571	4,021	4,713	4,150	3,522	(3,414)	23,435	617,453
Additions	-	-	18,769	292	308	3,344	3,505	-	-	26,218
Write-offs	-	-	(29)	(2)	(287)	-	-	(175)	(1,885)	(2,378)
Transfer	-	(51)	9,053	(5)	-	(7,093)	(1,911)	7	-	-
Depreciation	-	(2,468)	(35,617)	(376)	(774)	-	-	-	(3,057)	(42,292)
Depreciation/write-off (deemed cost)	-	(1,282)	(121)	(6)	-	-	-	-	-	(1,409)
At June 30, 2019	52,454	93,200	423,626	3,924	3,960	401	5,116	(3,582)	18,493	597,592
Total cost	52,454	230,434	2,029,577	24,627	23,689	401	5,116	(3,582)	21,550	2,384,266
Accumulated depreciation	-	(137,234)	(1,605,951)	(20,703)	(19,729)	-	-	-	(3,057)	(1,786,674)
Net book value	52,454	93,200	423,626	3,924	3,960	401	5,116	(3,582)	18,493	597,592

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

	Consolidated									
	Land	Buildings and construction	Machinery, equipment and facilities	Furniture and fittings	Vehicles	Construction in progress	Advances to suppliers	Impairment	Rights-of-use assets (IFRS 16 - building rental)	Total
At December 31, 2018	52,561	105,270	473,063	4,259	5,588	4,150	4,261	(3,636)	-	645,516
Total cost	52,561	241,530	2,142,391	25,538	30,043	4,150	4,261	(3,636)	-	2,496,838
Accumulated depreciation	-	(136,260)	(1,669,328)	(21,279)	(24,455)	-	-	-	-	(1,851,322)
Net book value	52,561	105,270	473,063	4,259	5,588	4,150	4,261	(3,636)	-	645,516
Initial adoption (IFRS 16)	-	-	-	-	-	-	-	-	23,435	23,435
At January 1, 2019	52,561	105,270	473,063	4,259	5,588	4,150	4,261	(3,636)	23,435	668,951
Additions	-	219	19,771	295	422	3,344	7,617	-	-	31,668
Write-offs	-	-	(52)	(3)	(302)	-	-	(175)	(1,885)	(2,417)
Transfer	-	(68)	12,569	(30)	-	(7,093)	(5,385)	7	-	-
Depreciation	-	(2,491)	(36,977)	(388)	(815)	-	-	-	(3,057)	(43,728)
Depreciation/write-off (deemed cost)	-	(1,282)	(121)	(6)	-	-	-	-	-	(1,409)
Gain on monetary items, net	-	1,567	5,672	-	240	-	(126)	-	-	7,353
Translation effects	(13)	(999)	(5,008)	(28)	(106)	-	(200)	26	-	(6,328)
At June 30, 2019	52,548	102,216	468,917	4,099	5,027	401	6,167	(3,778)	18,493	654,090
Total cost	52,548	242,530	2,180,213	25,017	29,636	401	6,167	(3,778)	21,550	2,554,284
Accumulated depreciation	-	(140,314)	(1,711,296)	(20,918)	(24,609)	-	-	-	(3,057)	(1,900,194)
Net book value	52,548	102,216	468,917	4,099	5,027	401	6,167	(3,778)	18,493	654,090

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

Deemed cost

Changes in deemed cost

	Parent Company and Consolidated		
	12.31.2018	Depreciation/ write-off (deemed cost)	06.30.2019
Land	46,905	-	46,905
Buildings and construction	40,488	(1,282)	39,206
Machinery, equipment and facilities	1,953	(121)	1,832
Furniture and fittings	23	(6)	17
Vehicles	(147)	-	(147)
	89,222	(1,409)	87,813

The annual depreciation rates of the property, plant and equipment items at June 30, 2019 are equal to the rates presented at December 31, 2018.

Guarantees

The Group offered items of its property, plant and equipment as collateral for borrowings and tax and labor lawsuits, in the amount of R\$ 6,673 in the consolidated accounts at June 30, 2019 (R\$ 6.759 at December 31, 2018). These items comprise machinery and equipment.

Provision for impairment

The Group has recorded provision at an amount sufficient to cover any impairment losses on property, plant and equipment, which relates substantially to the group of machinery and equipment and is recorded in the parent company and consolidated accounts of property, plant and equipment in accordance with the requirements set out in NBC TG 01 (CPC 01) - (R1)/IAS 36 "Impairment of assets". The parent company and consolidated balance of the provision for losses at June 30, 2019 is R\$ 3,582 (R\$ 3,414 at December 31, 2018) and R\$ 3,778 (R\$ 3,636 at December 31, 2018), respectively.

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

14 Intangible assets

	Annual amortization rates (%)	Parent company		Consolidated	
		06.30.2019	12.31.2018	06.30.2019	12.31.2018
Goodwill on merger with subsidiary:					
MAHLE Participações Ltda. (a)	-	568,612	568,612	568,612	568,612
Goodwill on acquisition of subsidiaries:					
MAHLE Argentina S.A. (a)	-	-	-	65,585	65,696
MAHLE Hirschvogel Forjas S.A. (a)	-	-	-	35,755	35,755
Cost of acquisition and installation of software (b)	20	49,739	48,776	51,794	50,707
Other (a and b)	-	1,148	1,148	1,473	2,445
Usage right and concessions (a)	-	17,665	17,665	17,665	17,665
Usage right and concessions (b) (*)	20	46,463	43,947	46,463	43,947
Impairment (<i>Rings businnes</i>)	-	(188,654)	(188,654)	(188,654)	(188,654)
Impairment (<i>MAHLE Argentina S.A.</i>)	-	-	-	(38,408)	(38,408)
Impairment (<i>MAHLE Hirschvogel Forjas S.A.</i>)	-	-	-	(35,755)	(35,755)
Provision for impairment of intangible assets (other)	-	(334)	(334)	(343)	(343)
		494,639	491,160	524,187	521,667
Accumulated amortization		(52,613)	(51,658)	(54,875)	(54,787)
		442,026	439,502	469,312	466,880

(a) Indefinite useful life

(b) finite useful life

(*) Out of the amount relating to usage right and concessions (finite useful life), R\$ 40,244 refers to costs associated with the continuity of development of MBE2 technology.

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

Statement of changes in intangible assets

	Parent company				
	Goodwill on acquisition of subsidiaries (merged or not)	Cost of acquisition and installation of software	Usage right and concessions	Other	Total
At December 31, 2018	379,958	3,975	55,569	-	439,502
Additions	-	964	2,517	-	3,481
Amortization	-	(949)	(8)	-	(957)
At June 30, 2019	379,958	3,990	58,078	-	442,026

	Consolidated				
	Goodwill on acquisition of subsidiaries (merged or not)	Cost of acquisition and installation of software	Usage right and concessions	Other	Total
At December 31, 2018	407,245	4,021	55,569	45	466,880
Additions	-	999	2,517	-	3,516
Amortization	-	(959)	(8)	-	(967)
Foreign exchange variation	-	6	-	-	6
Transfer	(111)	(7)	-	(5)	(123)
At June 30, 2019	407,134	4,060	58,078	40	469,312

Provision for impairment of intangible assets

The Company's management continuously monitors the activities and did not detect substantial changes in their operational performance in the first semester of 2019 of the subsidiaries which could justify a change in the previously recorded impairment amounts.

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

15 Trade and related-party payables

	Parent company		Consolidated	
	06.30.2019	12.31.2018	06.30.2019	12.31.2018
Suppliers - Third Party				
Raw material	75,569	64,298	98,069	93,760
Services	16,546	20,268	16,586	21,008
	92,115	84,566	114,655	114,768
Related parties (Note 10)	37,786	41,442	46,510	42,071
	129,901	126,008	161,165	156,839

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

16 Taxes and contributions payable

	Parent company		Consolidated	
	06.30.2019	12.31.2018	06.30.2019	12.31.2018
State taxes	6,817	11,005	7,433	11,248
ICMS payable	6,817	11,005	6,851	11,017
Other	-	-	582	231
Federal taxes	14,500	13,109	18,429	16,226
COFINS payable	3,776	391	3,796	400
IPI payable	3,411	3,715	4,448	5,903
Import tax	-	4,690	-	4,988
IRRF	2,286	4,226	2,304	4,250
PIS payable	804	66	808	68
Other	4,223	21	7,073	617
Municipal taxes	-	-	69	52
Taxes and contributions payable	21,317	24,114	25,931	27,526
Income tax and social contribution	3,411	334	11,338	23,573
Income tax and social contribution payable	3,411	334	11,338	23,573
Current liabilities	24,728	24,448	37,269	51,099

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

17 Borrowings and lease liabilities

a) Borrowings

Description	Average cost	Parent company		Consolidated		
		06.30.2019	12.31.2018	06.30.2019	12.31.2018	
Borrowings in local currency (BRL)						
FINEP (Long-Term Interest Rate (TJLP) + 5.00% p.a. - 6.00% p.a.)	5.26%	132,539	146,314	132,539	146,314	
BNDES (TJLP+ 1,5% p.a.)	7.76%	15,189	13,778	15,189	13,778	
FINEP II (Long-Term Interest Rate (TJLP))	6.26%	75,943	-	75,943	-	
	5.77%	223,671	160,092	223,671	160,092	
Borrowings in foreign currency						
		Currency				
ACC (average interest 4.07% a.a)	4.07%	USD (expressed in BRL)	-	-	28,622	20,359
ACC (average interest 0.36% a.a)	0.36%	EUR (expressed in BRL)	74,059	-	74,059	-
ACC (average interest 0.46% a.a)	0.36%	EUR (expressed in BRL)	56,722	111,170	56,722	111,170
	0.36%		130,781	111,170	159,403	131,529
	3.77%		354,452	271,262	383,074	291,621
Current - borrowings in local currency			29,283	28,852	29,283	28,852
Current - borrowings in foreign currency			130,781	111,170	159,402	131,529
Total current			160,064	140,022	188,685	160,381
Non-current - borrowings in local currency			194,389	131,240	194,389	131,240
Non-current - borrowings in foreign currency			-	-	-	-
Total non-current			194,389	131,240	194,389	131,240

In the first half of 2019, the Company took bank loans on the order of BRL 186.0 million, as follows:

- January 2019 BRL 75.6 million - FINEP subject to TJLP p.a. (6.26% p.a. at June 30, 2019).
Grace period of 36 months for principal and 109 monthly installments due and payable from December 15, 2021 through December 15, 2030;
- May 2019 BRL 1.37 million – BNDES subject to TJLP p.a. + 1.5% p.a. (7.76% p.a. at June 30, 2019).
Grace period of 24 months for principal and 96 monthly installments due and payable from May 15, 2021 through April 15, 2029;and
- April and May 2019 EUR 25 million – ACC / NCE subject to average interest rate of 0.33% p.a., maturing between October 2019 and January 2020.

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The subsidiary in Argentina took bank loans on the order of BRL 19.9 million, as follows:

- January to June 2019 USD 10.6 million - ACC subject to average interest rate of 3.79% p.a., maturing between February and September 2019.

Reconciliation of changes in equity with proceeds from borrowings:

Changes in borrowings in first semester of 2019 were as follows:

Parent Company							
12.31.2018	Addition	Monetary Variation	Exchange Variation	Principal Amortization	Amortization Interest	Appropriation of interest	06.30.2019
271,262	186,924	618	(3,543)	(80,019)	(27,502)	6,712	354,452

Consolidated							
12.31.2018	Addition	Monetary Variation	Exchange Variation	Principal Amortization	Amortization Interest	Appropriation of interest	06.30.2019
291,621	227,545	618	(2,176)	(113,742)	(28,137)	7,345	383,074

At June 30, 2019, long-term borrowings mature as follows:

Parent company and consolidated	
06.30.2019	
A partir de Julho de 2020	14,042
2021	30,151
2022	38,555
2023	38,555
2024	14,935
2025	10,212
2026	10,212
2027	10,212
2028	10,212
2029	8,964
2030	8,339
	194,389

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Restrictive covenants

FINEP I: This financing was obtained from the Financing Agency for Studies and Projects (FINEP) to partially fund (at an average of 64%) the expenses incurred in several projects of the program "Innovation in MAHLE Components and Systems", and is collateralized by a bank guarantee with maturity on August 30, 2021. This financing is based on the TJLP interest rate (6.26 % p.a. as at June 30, 2019) plus a bank spread of 5% p.a. less an equalization rate of 6% p.a. There are various accelerated maturity clauses (respecting ample defense for the Company) with loss of the equalization value: use of funds for a purpose other than that established in the contract; change in effective control of the Company; existence of FINEP amounts in arrears; inaccurate information provided to FINEP by the Company; and suspension of the project.

BNDES: This financing was obtained from the National Bank for Economic and Social Development (BNDES) and was used in the development and construction of a first-generation ethanol plant to demonstrate the economic viability of the MBE2 technology, a solution which increases the production of ethanol. It is collateralized by a bank guarantee with maturity on October 15, 2029 and is subject to TJLP (June 30, 2019 – 6.26% p.a.) plus spread of 1.5% p.a. This agreement contains certain covenants that, if breached, can result in acceleration of maturity, as follows: use of the money for purpose other than that specified in the agreement, change in control of the Company, delay in any payment to BNDES, provision by the Company of inaccurate information to BNDES and suspension of the project.

FINEP II: This financing was obtained from the Financing Agency for Studies and Projects (FINEP) to partially fund (at an average of 90%) the expenses incurred in several projects of the program "Strategic plan for innovation", and is collateralized by a bank guarantee with maturity on January 21, 2021. This financing is based on the TJLP interest rate (6.26 % p.a. as at June 30, 2019) plus a bank spread of 5% p.a. less an equalization rate of 4.5% p.a. and an additional interest equalization reduction of 0.5% p.a. for provision of bank guarantee. There are various accelerated maturity clauses (respecting ample defense for the Company) with loss of the equalization value: use of funds for a purpose other than that established in the contract; change in effective control of the Company; existence of FINEP amounts in arrears; inaccurate information provided to FINEP by the Company; and suspension of the project.

At June 30, 2019, there was no delinquency in principal or interest payments and no breach of the terms of the contracts with FINEP and BNDES.

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b) Lease obligations

The lease obligations and the amounts falling due under eligible contracts as per CPC 06 (R2) / IFRS 16 are as follows:

30 days	462
31 to 90 days	925
91 to 365 days	4,161
from April 1, 2020	4,161
2021	5,548
2022	3,236
Total	18,493
Current	5,548
Long-term	12,945
Total	18,493

Changes in lease liability were as follows:

Adoption of IFRS 16 / CPC 06 (R2)	23,435
Balance at January 1, 2019	23,435
Write off	(1,885)
Lease payments	(3,291)
Recovery of taxes (PIS/COFINS)	(283)
Interest	517
Balance at June 30, 2019	18,493

18 Salaries, vacation pay and social charges

	Parent company		Consolidated	
	06.30.2019	12.31.2018	06.30.2019	12.31.2018
Employee profit sharing	26,147	27,622	26,865	28,957
Accrued vacation pay / 13th month salary	61,212	33,189	65,287	37,154
INSS /FGTS	11,230	12,767	11,251	12,791
Other social security obligations	238	239	4,764	3,434
	98,827	73,817	108,167	82,336

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19 Sundry provision

	Parent company					Total
	Losses on contracts	Commercial bonuses	Electric power	Employee benefits	Other	
At December 31, 2018	8,589	9,268	6,274	3,023	1,943	29,097
Reversal	-	(298)	(6,274)	-	(1,330)	(7,902)
Payment	-	(8,046)	-	-	-	(8,046)
Complement	-	9,596	7,819	937	1,262	19,614
At June 30, 2019	8,589	10,520	7,819	3,960	1,875	32,763

	Consolidated						Total
	Losses on contracts	Commercial bonuses	Restructuring	Electric power	Employee benefits	Other	
At December 31, 2018	9,854	9,269	961	6,797	3,023	2,530	32,434
Reversal	-	(298)	-	(6,797)	-	(1,330)	(8,425)
Payment	-	(8,046)	(66)	-	-	(142)	(8,254)
Complement	-	9,595	-	8,462	938	1,793	20,788
Foreign exchange variation	(153)	-	-	-	-	(58)	(211)
At June 30, 2019	9,701	10,520	895	8,462	3,961	2,793	36,332

20 Provision for warranties

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

	Parent company	Consolidated
At December 31, 2018	11,121	13,309
Reversal	(1,402)	(1,424)
Payment	(952)	(1,165)
Complement	254	670
Foreign exchange variation	-	(73)
At June 30, 2019	9,021	11,317

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21 Provision for contingencies and judicial deposits linked to judicial proceedings

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

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

	Parent company				
	Civil and labor	Tax	Environmental liability	Judicial deposits	Total
At December 31, 2018	242,285	53,960	5,863	(51,036)	251,072
Additions	41,307	-	-	(3,606)	37,701
Monetary restatements	11,754	1,421	-	(438)	12,737
Write-off for use	(25,719)	-	(426)	2,981	(23,164)
Write-off for reversal	(53,177)	(73)	-	1,870	(51,380)
Transfer	-	-	-	(95)	(95)
At June 30, 2019	216,450	55,308	5,437	(50,324)	226,871

	Consolidated				
	Civil and labor	Tax	Environmental liability	Judicial deposits	Total
At December 31, 2018	259,167	53,959	5,863	(60,935)	258,054
Additions	43,616	-	-	(5,006)	38,610
Monetary restatements	12,425	1,421	-	(298)	13,548
Write-off for use	(30,993)	-	(426)	4,695	(26,724)
Write-off for reversal	(55,014)	(73)	-	4,342	(50,745)
Transfer	-	-	-	(174)	(174)
Foreign exchange variation	(101)	-	-	-	(101)
At June 30, 2019	229,100	55,307	5,437	(57,376)	232,468

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

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

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

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

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

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

Proceedings involving the risk of possible loss

At June 30, 2019, the Group had labor, civil and tax proceedings brought before the proper authorities in the amount of R\$ 56,061 (December 31, 2018 - R\$ 56,903), which were assessed by the Group's management as having a risk of possible loss, and, therefore, were not provided for in the financial statements.

Administrative Council for Economic Defense (“CADE”)

According to the announcement made to the market on October 10, 2016, the Company received a notice from CADE stating that an administrative proceeding was initiated, involving 28 companies and other individuals for possible anti-competitive behavior in the independent automotive aftermarket.

According to the announcement made to the market on June 28, 2017, August 17, 2017 and December 4, 2017, the Company has had knowledge, through website www.cade.gov.br, that the Administrative Council for Economic Defense (“CADE”) started an investigation into suspected anticompetitive practices in the market for auto parts, engine valves, components for filters, pistons and related products. The Company is one of the companies being investigated and will cooperate with CADE to clarify the facts under investigation.

According to the Significant Event Notice disclosed to the market on October 31, 2017, the Company signed on the same date a cease-and-desist commitment “TCC” with CADE. This commitment was homologated by the Administrative Court of CADE also on the same date, suspending administrative proceeding No. 08700.006386/2016-53 (announced to the market on October 10, 2016) in which the Company and its employees or former employees were under investigation. The case will be shelved without an adjudication on the merits of the Company and its employees or former employees if all conditions set out in the commitment have been fully met.

Management continues monitoring this matter and will make required adjustments and disclosures whenever applicable. On February 2, 2018, the Company made a payment in the total of R\$ 17.5 million, for which a provision had already been recorded in the financial statements.

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22 Equity

a. Share capital

At June 30, 2019 and December, 31 2018, subscribed and paid-up capital was represented by the following number of shares with no par value:

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

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

On June 30, 2019, the market value of the Company's common shares corresponded the price of R\$ 24.72 per share (R\$ 25.12 on December 31, 2018).

There were no changes in the policies regarding dividends, interest on capital and revenue reserves in relation to those applied in the financial statements for the year ended December 31, 2018.

b. Other comprehensive income

Cumulative translation adjustments

The Company recognizes under this heading the cumulative effect of the currency translation of the financial statements of its subsidiaries that keep accounting records in a functional currency different from the parent company's functional currency. . At June 30, 2019, the Company recorded cumulative translation adjustments of R\$ (-) R\$ 20,607 ((-) R\$ 26,723 at June 30, 2018).

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

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Cumulative translation adjustments

- The effects of carrying value adjustments relating to the effective portion of gains or losses on cash flow hedges, which are recognized in June 30, 2019, net of taxes, at (+) R\$ 5,063 (At June 30, 2018 (-) R\$ 21,195) in the parent company and at (+) R\$ 13,936 (At June 30, 2018 (-) R\$ 37,426) in the consolidated accounts.
- The adjustments for the adoption of the deemed cost of property, plant and equipment, net at R\$ 293 at June 30, 2019 (At June 30, 2018 - R\$ 716). The deemed cost is accrued to property, plant and equipment recorded in carrying value adjustments, according to the depreciation, disposal or write-off of the respective item of property, plant and equipment, against retained earnings.

23 Earnings per share

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

	<u>2Q2019</u>	<u>1H2019</u>	<u>2Q2018</u>	<u>1H2018</u>
Profit attributable to owners of the parent	<u>59,653</u>	<u>123,590</u>	<u>60,210</u>	<u>131,589</u>
Shares outstanding	128,308,500	128,308,500	128,308,500	128,308,500
Basic earnings per share (R\$ per share)	<u>0.46492</u>	<u>0.96323</u>	<u>0.46926</u>	<u>1.02557</u>

There are no diluted earnings per share for the Company.

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24 Net operating revenue

	Parent company			
	2019		2018	
	2Q2019	1H2019	2Q2018	1H2018
Gross revenue				
Products	688,772	1,336,707	649,381	1,292,381
Services	10,810	21,619	11,650	23,886
Total revenue with products + services	699,582	1,358,326	661,031	1,316,267
Deductions from sales:				
Taxes on sales	(145,926)	(282,244)	(131,788)	(265,588)
Discounts , returns and sales incentives	(7,866)	(16,960)	(10,486)	(18,226)
Net revenue	545,790	1,059,122	518,757	1,032,453
	Consolidated			
	2019		2018	
	2Q2019	1H2019	2Q2018	1H2018
Gross revenue				
Products	823,431	1,598,121	781,654	1,553,144
Services	10,174	20,364	11,160	22,827
Total revenue with products + services	833,605	1,618,485	792,814	1,575,971
Deductions from sales:				
Taxes on sales	(146,118)	(282,612)	(132,758)	(267,397)
Discounts , returns and sales incentives	(25,689)	(50,872)	(31,824)	(61,660)
Net revenue	661,798	1,285,001	628,232	1,246,914

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

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

	Parent company			
	2019		2018	
	2Q2019	1H2019	2Q2018	1H2018
Geographic market				
South America *included domestic market	376,485	725,078	320,524	643,313
Europe	132,585	260,442	135,698	268,875
Central and North America	30,944	59,547	45,971	90,992
Africa, Asia, Oceania and Middle East	5,776	14,055	16,564	29,273
	545,790	1,059,122	518,757	1,032,453
Revenue by market				
Original equipment	354,298	685,280	349,591	696,033
Aftermarket	191,492	373,842	169,166	336,420
	545,790	1,059,122	518,757	1,032,453
	Consolidated			
	2019		2018	
	2Q2019	1H2019	2Q2018	1H2018
Geographic market				
South America *included domestic market	408,083	778,203	348,689	697,596
Europe	138,314	277,190	147,130	296,990
Central and North America	103,462	204,553	109,965	211,994
Africa, Asia, Oceania and Middle East	11,939	25,055	22,448	40,334
	661,798	1,285,001	628,232	1,246,914
Revenue by market				
Original equipment	447,691	866,432	439,493	866,999
Aftermarket	214,107	418,569	188,739	379,915
	661,798	1,285,001	628,232	1,246,914

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25 Cost of sales and services

Cost of sales and services by nature are as follows:

	Controladora			
	2019		2018	
	2º Trimestre	1º Semestre	2º Trimestre	1º Semestre
Pessoal e benefícios	(127,666)	(249,911)	(128,011)	(255,248)
Matéria prima e materiais diversos	(188,517)	(385,223)	(180,908)	(358,278)
Depreciação	(20,155)	(40,190)	(19,900)	(39,249)
Utilidades e serviços	(50,287)	(82,797)	(51,049)	(84,593)
Outros	(27,875)	(50,180)	(13,756)	(40,019)
Total	(414,500)	(808,301)	(393,624)	(777,387)

	Consolidado			
	2019		2018	
	2º Trimestre	1º Semestre	2º Trimestre	1º Semestre
Pessoal e benefícios	(140,481)	(273,694)	(145,259)	(286,938)
Matéria prima e materiais diversos	(235,912)	(477,321)	(234,896)	(459,584)
Depreciação	(20,839)	(41,522)	(20,922)	(41,338)
Utilidades e serviços	(53,862)	(90,216)	(54,861)	(91,955)
Outros	(45,575)	(68,246)	5,983	(15,294)
Total	(496,669)	(950,999)	(449,955)	(895,109)

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26 Selling expenses

Selling expenses by nature are as follows:

	Parent company			
	2019		2018	
	2Q2019	1H2019	2Q2018	1H2018
Personnel and benefits	(10,374)	(21,072)	(10,747)	(20,516)
Freight	(8,812)	(17,858)	(12,040)	(20,907)
Brand license	(2,784)	(5,384)	(2,468)	(4,989)
Variable selling expenses	(349)	(2,486)	(1,737)	(3,487)
General expenses	(184)	(1,598)	(1,224)	(1,742)
Travel and entertainment allowance	(533)	(1,184)	(836)	(1,371)
Advertising	(1,812)	(2,840)	(714)	(1,168)
Depreciation	(136)	(302)	(183)	(372)
Professional services/service orders	(3,452)	(2,826)	(2,241)	(4,393)
Other expenses	(1,911)	(3,193)	(1,954)	(3,768)
	(30,347)	(58,743)	(34,144)	(62,713)

	Consolidated			
	2019		2018	
	2Q2019	1H2019	2Q2018	1H2018
Personnel and benefits	(12,176)	(24,154)	(12,721)	(24,266)
Freight	(11,976)	(24,374)	(15,342)	(26,598)
Variable selling expenses	(2,486)	(6,621)	(3,685)	(7,356)
Brand license	(3,023)	(5,867)	(2,752)	(5,528)
General expenses	(2,336)	(5,309)	(3,233)	(4,959)
Professional services/service orders	(3,753)	(3,377)	(2,566)	(5,009)
Travel and entertainment allowance	(575)	(1,275)	(926)	(1,530)
Advertising	(2,333)	(3,260)	(959)	(1,650)
Depreciation	(166)	(361)	(210)	(428)
Other expenses	(2,091)	(4,112)	(2,259)	(4,429)
	(40,915)	(78,710)	(44,653)	(81,753)

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27 General and administrative expenses

General and administrative expenses by nature are as follows:

	Parent company			
	2019		2018	
	2Q2019	1H2019	2Q2018	1H2018
Personnel and benefits	(8,430)	(15,654)	(8,758)	(14,512)
Management	(3,111)	(5,859)	(3,543)	(8,990)
Professional services/service orders	(3,083)	(4,675)	(1,880)	(3,727)
Maintenance	(1,130)	(1,660)	(979)	(1,770)
Depreciation	(771)	(1,355)	(744)	(1,424)
Materials and utilities	(860)	(1,616)	(1,020)	(1,913)
PIS/COFINS	(288)	(745)	(644)	(1,008)
Travel and entertainment allowance	(214)	(602)	(582)	(836)
Other expenses	(2,579)	(5,026)	(3,154)	(4,516)
	(20,466)	(37,192)	(21,304)	(38,696)

	Consolidated			
	2019		2018	
	2Q2019	1H2019	2Q2018	1H2018
Personnel and benefits	(10,247)	(18,884)	(9,715)	(17,175)
Management	(3,111)	(5,859)	(3,543)	(8,990)
Professional services/service orders	(3,770)	(5,825)	(2,121)	(4,722)
Maintenance	(1,182)	(1,748)	(1,017)	(1,838)
Materials and utilities	(957)	(1,787)	(1,102)	(2,119)
Depreciation	(796)	(1,398)	(788)	(1,525)
PIS/COFINS	(293)	(752)	(659)	(1,039)
Travel and entertainment allowance	(261)	(676)	(640)	(927)
Other expenses	(2,770)	(5,467)	(3,390)	(4,993)
	(23,387)	(42,396)	(22,975)	(43,328)

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28 Technology and product development costs

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

	Parent company			
	2019		2018	
	2Q2019	1H2019	2Q2018	1H2018
Personnel and benefits	(13,302)	(24,683)	(9,215)	(18,618)
Materials/utilities	(2,806)	(4,761)	(1,758)	(3,216)
Depreciation	(1,111)	(2,325)	(1,225)	(2,555)
Professional services/service orders	(1,317)	(3,126)	(917)	(1,561)
Maintenance	(793)	(1,699)	(846)	(1,326)
General expenses	(1,517)	(2,733)	(2,657)	(3,654)
Other expenses	(456)	(970)	(642)	(1,175)
	<u>(21,302)</u>	<u>(40,297)</u>	<u>(17,260)</u>	<u>(32,105)</u>

	Consolidated			
	2019		2018	
	2Q2019	1H2019	2Q2018	1H2018
Personnel and benefits	(13,747)	(25,370)	(9,633)	(19,328)
Materials/utilities	(2,852)	(4,824)	(1,783)	(3,252)
Professional services/service orders	(1,521)	(3,409)	(1,655)	(2,957)
Depreciation	(1,145)	(2,382)	(1,256)	(2,624)
General expenses	(3,196)	(5,073)	(4,275)	(6,234)
Maintenance	(793)	(1,699)	(847)	(1,330)
Other expenses	(502)	(1,088)	(788)	(1,424)
	<u>(23,756)</u>	<u>(43,845)</u>	<u>(20,237)</u>	<u>(37,149)</u>

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29 Finance income and costs, net

	Parent company			
	2019		2018	
	2Q2019	1H2019	2Q2018	1H2018
Finance income				
Interest	1,880	3,785	2,113	3,664
Exchange variation (a)	7,452	19,596	37,634	44,891
Monetary variation gains	706	1,248	53	1,184
Derivative financial instruments (c)	3,444	6,929	406	3,248
Other	303	575	309	560
	13,785	32,133	40,515	53,547
Finance costs				
Interest	(3,109)	(5,925)	(2,460)	(4,555)
Exchange variations (b)	(7,287)	(16,443)	(14,877)	(18,467)
Monetary variation losses	(6,220)	(14,323)	(7,711)	(15,650)
Derivative financial instruments (d)	(1,182)	(5,137)	(23,431)	(25,911)
Other	(1,316)	(2,624)	(848)	(1,586)
	(19,114)	(44,452)	(49,327)	(66,169)
Finance income (costs), net	(5,329)	(12,319)	(8,812)	(12,622)
Summary of foreign exchange variations (a+b)	165	3,153	22,757	26,424
Trade payables	383	35	(3,184)	(3,800)
Borrowings	887	1,192	-	-
Interest on capital receivable	828	332	3,446	4,800
Cash and cash equivalents	(1,221)	274	7,229	7,480
Trade receivables	(673)	1,376	15,276	17,962
Other	(39)	(56)	(10)	(18)
Summary of derivative instruments (c+d)	2,262	1,792	(23,025)	(22,663)
Income	3,444	6,929	406	3,248
Expenses	(1,182)	(5,137)	(23,431)	(25,911)
Net result of foreign exchange variations and derivative financial instruments	2,427	4,945	(268)	3,761

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(in thousand of reais)

	Consolidated			
	2019		2018	
	2Q2019	1H2019	2Q2018	1H2018
Finance income				
Interest	1,988	4,016	2,448	4,407
Exchange variation (a)	14,283	38,341	64,433	82,235
Monetary variation gains	662	1,202	155	1,394
Derivative financial instruments (c)	3,444	6,929	322	3,631
Other	(130)	843	1,398	1,669
	20,247	51,331	68,756	93,336
Finance costs				
Interest	(3,985)	(7,696)	(2,937)	(5,239)
Exchange variations (b)	(15,911)	(36,766)	(32,106)	(42,382)
Monetary variation losses	(7,007)	(15,539)	(8,493)	(17,322)
Derivative financial instruments (d)	(1,182)	(5,137)	(27,250)	(30,678)
Other	(1,648)	(4,518)	(3,136)	(4,688)
	(29,733)	(69,656)	(73,922)	(100,309)
Finance income (costs), net	(9,486)	(18,325)	(5,166)	(6,973)
Summary of foreign exchange variations (a+b)	(1,628)	1,575	32,327	39,853
Trade receivables	(1,542)	8,376	35,020	40,261
Borrowings	289	(321)	-	-
Cash and cash equivalents	(2,380)	453	788	1,366
Interest on capital receivable	828	332	3,446	4,800
Trade payables	1,210	(7,214)	(6,917)	(6,555)
Other	(33)	(51)	(10)	(19)
Summary of derivative instruments (c+d)	2,262	1,792	(26,928)	(27,047)
Income	3,444	6,929	322	3,631
Expenses	(1,182)	(5,137)	(27,250)	(30,678)
Net result of foreign exchange variations and derivative financial instruments	634	3,367	5,399	12,806

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30 Other operating income and expenses, net

	Parent company			
	2019		2018	
	2Q2019	1H2019	2Q2018	1H2018
Other income				
Reversal of provision for labor, civil and tax contingencies	28,605	53,250	14,521	21,467
Taxes recovered (Reintegra)	189	375	3,091	7,140
Reversal of provision for obsolescence (Property, plant and equipment)	29	48	-	100
Gains on disposal of assets /other	83	84	-	1
Other income	1,346	3,269	1,328	2,717
	30,252	57,026	18,940	31,425
Other expenses				
Provision for labor, civil and tax contingencies	(25,244)	(46,650)	(17,296)	(31,053)
Losses on disposal of assets /other	(38)	(45)	(71)	(75)
Provision for obsolescence (Property, plant and equipment)	-	(223)	-	-
Other expenses	(1,457)	(2,464)	(832)	(1,456)
	(26,739)	(49,382)	(18,199)	(32,584)
Other operating income (expenses), net	3,513	7,644	741	(1,159)
	Consolidated			
	2019		2018	
	2Q2019	1H2019	2Q2018	1H2018
Other income				
Reversal of provision for labor, civil and tax contingencies	28,972	55,087	18,297	27,760
Taxes recovered (Reintegra)	189	375	3,091	7,140
Reversal of provision for obsolescence (Property, plant and equipment)	29	48	19	139
Gain on monetary items	1,728	2,065	-	-
Gains on disposal of assets /other	120	127	22	51
Reversal of provision for restructuring	-	-	-	170
Other income	1,403	3,522	1,294	2,880
	32,441	61,224	22,723	38,140
Other expenses				
Provision for labor, civil and tax contingencies	(27,656)	(50,953)	(19,005)	(34,575)
Losses on disposal of assets /other	(62)	(70)	(72)	(75)
Provision for obsolescence (Property, plant and equipment)	-	(223)	-	-
Losses on monetary items	(1,524)	(1,882)	-	-
Export expenses - Argentina	(3,518)	(7,494)	-	-
Other expenses	(1,646)	(3,109)	(1,474)	(3,594)
	(34,406)	(63,731)	(20,551)	(38,244)
Other operating income (expenses), net	(1,965)	(2,507)	2,172	(104)

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31 Financial instruments

I. Financial instruments and risk management

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

		Parent Company							
		06.30.2019			12.31.2018				
Assets	Note	Amortized Cost	Fair Value by Result	Designated Derivatives for Cash Flow Hedge	Total	Amortized Cost	Fair Value by Result	Designated Derivatives for Cash Flow Hedge	Total
Cash, demand deposits and cash in transit	6	-	44,288	-	44,288	-	33,016	-	33,016
Financial investments	6	-	54,254	-	54,254	-	55,992	-	55,992
Trade receivables	7	387,773	-	-	387,773	290,731	-	-	290,731
Loans to related parties	7	18,455	-	-	18,455	80,356	-	-	80,356
Unrealized gains on derivatives	31	-	-	6,998	6,998	-	-	7,083	7,083
Total		406,228	98,542	6,998	511,768	371,087	89,008	7,083	467,178

		Parent Company							
		06.30.2019			12.31.2018				
Liabilities	Note	Amortized Cost	Fair Value by Result	Designated Derivatives for Cash Flow Hedge	Total	Amortized Cost	Fair Value by Result	Designated Derivatives for Cash Flow Hedge	Total
Payables to related parties	10	(37,786)	-	-	(37,786)	(41,442)	-	-	(41,442)
Trade payables	15	(92,115)	-	-	(92,115)	(84,566)	-	-	(84,566)
Lease Liabilities	17.b	(18,493)	-	-	(18,493)	-	-	-	-
Borrowings	17.a	(354,452)	-	-	(354,452)	(271,262)	-	-	(271,262)
Unrealized losses on derivatives	31	-	-	(4,788)	(4,788)	-	-	(12,309)	(12,309)
Total		(502,846)	-	(4,788)	(507,634)	(397,270)	-	(12,309)	(409,579)

		Consolidated							
		06.30.2019			12.31.2018				
Assets	Note	Amortized Cost	Fair Value by Result	Designated Derivatives for Cash Flow Hedge	Total	Amortized Cost	Fair Value by Result	Designated Derivatives for Cash Flow Hedge	Total
Cash, demand deposits and cash in transit	6	-	50,734	-	50,734	-	39,679	-	39,679
Financial investments	6	-	54,254	-	54,254	-	57,912	-	57,912
Trade receivables	7	471,025	-	-	471,025	364,244	-	-	364,244
Loans to related parties	7	5,712	-	-	5,712	114,102	-	-	114,102
Unrealized gains on derivatives	31	-	-	7,231	7,231	-	-	7,083	7,083
Total		476,737	104,988	7,231	588,956	478,346	97,591	7,083	583,020

		Consolidated							
		06.30.2019			12.31.2018				
Liabilities	Note	Amortized Cost	Fair Value by Result	Designated Derivatives for Cash Flow Hedge	Total	Amortized Cost	Fair Value by Result	Designated Derivatives for Cash Flow Hedge	Total
Payables to related parties	10	(46,510)	-	-	(46,510)	(42,071)	-	-	(42,071)
Trade payables	15	(114,655)	-	-	(114,655)	(114,768)	-	-	(114,768)
Lease Liabilities	17.b	(18,493)	-	-	(18,493)	-	-	-	-
Borrowings	17.a	(383,074)	-	-	(383,074)	(291,621)	-	-	(291,621)
Unrealized losses on derivatives	31	-	-	(4,788)	(4,788)	-	-	(16,887)	(16,887)
Total		(562,732)	-	(4,788)	(567,520)	(448,460)	-	(16,887)	(465,347)

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

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

- Fair value hierarchy and measurement

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

The Company presents financial instruments only within Level 2, whose valuation is based on inputs other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

- Fair value calculation

Derivative financial instruments are carried at fair value in accordance with the valuation method. For the period ended June 30, 2019 and the year ended December 31, 2018, all derivative financial instruments were classified within Level 2.

The Level 2 classification considers inputs other than quoted prices that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

The fair values of derivative financial instruments are determined using the discounted cash flow method. This method consists of determining the future cash flow by applying contractual rates up to maturity and discounted to present value at the date of the financial statements at the market rates.

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- Fair value versus carrying amount

As for trade receivables, receivables from related parties, trade payables and payables to related parties, the Group believes that the variation between their original maturities and the date of the financial statements is immaterial.

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

	Note	Consolidated				Level
		06.30.2019		12.31.2018		
		Carrying amount	Fair value	Carrying amount	Fair value	
Assets						
Cash, demand deposits and cash in transit	6	50,734	50,734	39,679	39,679	2
Financial investments	6	54,254	54,254	57,912	57,912	2
Trade receivables	7	471,025	471,025	364,244	364,244	2
Receivables from and loans to related parties	7	5,712	5,712	114,102	114,102	2
Unrealized gains on derivatives	31	7,231	7,231	7,083	7,083	2
Total		588,956	588,956	583,020	583,020	
Liabilities						
Payables to related parties	10	(46,510)	(46,510)	(42,071)	(42,071)	2
Trade payables	15	(114,655)	(114,655)	(114,768)	(114,768)	2
Lease Liabilities	17.b	(18,493)	(18,493)	-	-	2
Borrowings	17.a	(383,074)	(383,074)	(291,621)	(291,621)	2
Unrealized losses on derivatives	31	(4,788)	(4,788)	(16,887)	(16,887)	2
Total		(567,520)	(567,520)	(465,347)	(465,347)	

- Hedge accounting

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

Hedging objective and strategy:

Currency hedge

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

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

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

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

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

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

Commodity hedging (metal raw materials)

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

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

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

Year 1:

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

Year 2/Year 3:

- i) up to 25% of the net exposure

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

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

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II. Risk management

Overview

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

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

- a) Strategic/operational risks (including, but not limited to, demand behavior, competition and significant changes in industry structure) are addressed by the Company's management model. These are classified as operational risk and business risk. These risk factors were presented in detail in the financial statements for the year ended December 31, 2018.
- b) Economic/financial risks mainly reflect the behavior of macroeconomic variables, such as the prices of metals used by the Group (aluminum, copper and nickel), exchange and interest rates, which have direct impacts on operations, as well as the characteristics of the financial instruments used by the Company. These risks are monitored by senior management, which is actively involved in the Company's operational management, by reference to the Group's global policies.

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

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

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b.1) Liquidity risk

The table below shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of currency negotiation agreements at the net position.

<u>Consolidated</u>		<u>06.30.2019</u>					
	Note	Carrying amount	Cash Flow	Up to 1 year	1 - 2 years	2 - 5 years	More than 5 years
Liabilities							
Payables to related parties	10	(46,510)	(46,510)	(46,510)	-	-	-
Trade payables	15	(114,655)	(114,655)	(114,655)	-	-	-
Lease Liabilities	17.b	(18,493)	(27,872)	(7,396)	(7,692)	(12,784)	-
Borrowings	17.a	(383,074)	(450,295)	(173,569)	(43,480)	(141,474)	(91,772)
Unrealized losses on derivatives	31	(4,788)	(4,788)	(4,788)	-	-	-
Total		(567,520)	(644,120)	(346,918)	(51,172)	(154,258)	(91,772)

<u>Consolidated</u>		<u>12.31.2018</u>					
	Note	Carrying amount	Cash Flow	Up to 1 year	1 - 2 years	2 - 5 years	More than 5 years
Liabilities							
Payables to related parties	10	(42,071)	(42,071)	(42,071)	-	-	-
Trade payables	15	(114,768)	(114,768)	(114,768)	-	-	-
Borrowings	17.a	(291,621)	(324,947)	(149,639)	(38,497)	(119,685)	(17,126)
Unrealized losses on derivatives	31	(16,887)	(16,887)	(16,887)	-	-	-
Total		(465,347)	(498,673)	(323,365)	(38,497)	(119,685)	(17,126)

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b.2) Credit risk

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

Assets	Note	Parent company		Consolidated	
		06.30.2019	12.31.2018	06.30.2019	12.31.2018
Cash, demand deposits and cash in transit	6	44,288	33,016	50,734	39,679
Financial investments	6	54,254	55,992	54,254	57,912
Trade receivables	7	387,773	290,731	471,025	364,244
Receivables from and loans to related parties	7	18,455	80,356	5,712	114,102
Unrealized gains on derivatives	31	6,998	7,083	7,231	7,083
Total		511,768	467,178	588,956	583,020

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

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

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

	Parent Company		Consolidated	
	06.30.2019	12.31.2018	06.30.2019	12.31.2018
Counterparties unrated external de crédito				
<i>Top 20</i>	174,750	148,434	223,206	195,867
<i>Third Parties</i>	153,551	149,731	184,733	177,447
<i>Intercompanies</i>	66,848	65,326	72,818	73,359
Total of trade accounts receivables and other account receivable	395,149	363,491	480,757	446,673

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

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	Note	Parent Company		Consolidated	
		06.30.2019	12.31.2018	06.30.2019	12.31.2018
Cash, demand deposits, cash in transit and financial investments					
AAA *	6	74,347	54,416	74,567	55,057
AA*		21,425	34,592	21,441	36,371
Others		2,770	-	8,980	6,163
		98,542	89,008	104,988	97,591

* Fitch National Long Term

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

b.3) Risk of fluctuation in interest rates

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

	Note	Parent company		Consolidated	
		06.30.2019	12.31.2018	06.30.2019	12.31.2018
Cash, demand deposits and cash in transit	6	44,288	33,016	50,734	39,679
Financial investments	6	54,254	55,992	54,254	57,912
Borrowings	17.a	(354,452)	(271,262)	(383,074)	(291,621)
Total		(255,910)	(182,254)	(278,086)	(194,030)

At June 30, 2019, the balances of borrowings are R\$ 354,452 (Parent company) and R\$ 383,074 (Consolidated), as follows: 34.60% refers to FINEP subject to TJLP 1% p.a., 14.81% refers to ACC subject to average interest rate of 0.46%, 19.33% refers to NCE subject to average interest rate of 0.36%, 19.82% refers to FINEP II subject to TJLP p.a., 3.97% refers to BNDES subject to TJLP +1.5%, and 7.47% refers to the Argentine subsidiary whose loan type is ACC subject to average interest rate of 4.07%.

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

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b.4) Risk of fluctuation in exchange rates

At June 30, 2019, the Group's exposure in USD (EUR and JPY equivalents in USD) was USD 12,809 thousand in the parent company and consolidated accounts, as shown below:

Foreign exchange exposure arising from accounts receivable and payable in foreign currency at June 30, 2019

Item	USD thousand	EUR thousand (*)	JPY thousand (**)
	Parent company and consolidated	Parent company and consolidated	Parent company and consolidated
(+) Trade receivables	27,182	8,021	-
(+) Demand deposits (in foreign currency)	3,575	5,770	-
(-) Advances on export exchange contract	-	(30,023)	-
(-) Imports	(2,776)	(5,162)	(159,420)
(-) Currency forwards - sale	(16,291)	-	141,626
(=) Net balance of foreign exchange exposure	11,690	(21,394)	(17,794)

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

Currency	Consolidated	
USD	11,690	
EUR	(24,334)	(*) Parity EUR / USD 1.1374
JPY	(165)	(**) Parity JPY / USD 107.8278
Total	(12,809)	

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

Parent company and consolidated (USD)				
Year	Net Exposure (thousands)	Notional Value - Hedge (thousands)	Average Rate (Portfolio NDF)	% Hedged
2019 (Jul-Dec)	19,109	(14,332)	3.7652	75.0%
2020 (Jan-Dec)	37,327	(13,933)	3.9636	37.3%
2021 (Jan-Jun)	19,173	(4,793)	4.0279	25.0%
Total	75,609	(33,058)	3.8869	43.7%

Parent company and consolidated (EUR)				
Year	Net Exposure (thousands)	Notional Value - Hedge (thousands)	Average Rate (Portfolio NDF)	% Hedged
2019 (Jul-Dec)	12,994	(10,411)	4.4351	80.1%
2020 (Jan-Dec)	28,342	(9,579)	4.8606	33.8%
2021 (Jan-Jun)	15,998	(3,999)	4.9099	25.0%
Total	57,334	(23,989)	4.6842	41.8%

Parent company and consolidated (JPY)				
Year	Net Exposure (thousands)	Notional Value - Hedge (thousands)	Average Rate (Portfolio NDF)	% Hedged
2019 (Jul-Dec)	(258,026)	193,520	0.0351	75.0%
2020 (Jan-Dec)	(503,778)	178,278	0.0380	35.4%
2021 (Jan-Jun)	(258,653)	64,663	0.0401	25.0%
Total	(1,020,457)	436,461	0.0370	42.8%

- Sensitivity analysis

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

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

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(in thousand of reais)

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

Sensitivity analysis table

The selling rates published on June 30, 2019 by the Brazilian Central Bank for USD, EUR and JPY were used in this sensitivity analysis.

Parent company and consolidated				
	USD/BRL exchange rate for settlement of bills of exchange	* Net balance of foreign exchange exposure - USD	** Average rate of bills of exchange	Total BRL
50% better	5.7483		3.8833	21,802
25% better	4.7903		3.8833	10,603
Balance sheet date	3.8322	11,690	3.8833	(597)
25% worse	2.8742		3.8833	(11,796)
50% worse	1.9161		3.8833	(22,996)

(*) Amounts in thousands

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

Parent company and consolidated				
	EUR/BRL exchange rate for settlement of bills of exchange	* Net balance of foreign exchange exposure - EUR	** Average rate of bills of exchange	Total BRL
50% better	2.1794		4.3669	46,800
25% better	3.2690		4.3669	23,489
Balance sheet date	4.3587	(21,394)	4.3669	175
25% worse	5.4484		4.3669	(23,138)
50% worse	6.5381		4.3669	(46,452)

(*) Amounts in thousands

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

Parent company and consolidated				
	JPY/BRL exchange rate for settlement of bills of exchange	* Net balance of foreign exchange exposure - JPY	** Average rate of bills of exchange	Total BRL
50% better	0.01780		0.0364	330
25% better	0.02670		0.0364	172
Balance sheet date	0.03550	(17,794)	0.0364	15
25% worse	0.04440		0.0364	(143)
50% worse	0.05330		0.0364	(301)

(*) Amounts in thousands

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

MAHLE Metal Leve S.A.

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(in thousand of reais)

Budgeted cash flow - exposure in foreign currency

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

Sensitivity analysis table

Parent company and consolidated sensitivity analysis table – cash flow derivatives portfolio for the period ended June 30, 2019

Scenario	USD/BRL exchange rate for settlement of operations	Notional value - USD (thousand)	Weighted average rate at maturity (*)	Adjustment in R\$ thousand	EUR/BRL exchange rate for settlement of operations	Notional value - EUR (thousand)	Weighted average rate at maturity (*)	Adjustment in R\$ thousand	JPY/BRL exchange rate for settlement of operations	Notional value - JPY (thousand)	Weighted average rate at maturity (*)	Adjustment in R\$ thousand	Total adjustment in R\$ thousand
50% better	1.9161	33,058	3.8869	65,152	2.1794	23,989	4.6842	60,088	0.0533	(436,461)	0.0370	7,108	132,348
25% better	2.8742	33,058	3.8869	33,480	3.2690	23,989	4.6842	33,947	0.0444	(436,461)	0.0370	3,230	70,657
Balance sheet date	3.8322	33,058	3.8869	1,809	4.3587	23,989	4.6842	7,807	0.0355	(436,461)	0.0370	(648)	8,968
25% worse	4.7903	33,058	3.8869	(29,863)	5.4484	23,989	4.6842	(18,333)	0.0267	(436,461)	0.0370	(4,526)	(52,722)
50% worse	5.7483	33,058	3.8869	(61,535)	6.5381	23,989	4.6842	(44,473)	0.0178	(436,461)	0.0370	(8,404)	(114,412)

The selling rates published on June 30, 2019 by the Brazilian Central Bank for USD, EUR and JPY were used.

MAHLE Metal Leve S.A.

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(in thousand of reais)

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

	Foreign currency	Weighted average forward rate - value for settlement	Notional value - thousand			
			Parent company		Consolidated	
			06.30.2019	06.30.2018	06.30.2019	06.30.2018
Short position	EUR	4.68126	23,989	(24,899)	23,989	(24,899)
Short position	USD	3.90808	49,349	(23,379)	49,349	(23,379)
Long position	JPY	0.03684	(578,088)	(654,129)	(578,088)	(654,129)

	Foreign currency	Weighted average forward rate - value for settlement	Fair market value - thousand			
			Parent company		Consolidated	
			06.30.2019	06.30.2018	06.30.2019	06.30.2018
Short position	EUR	4.68126	2,842	(9,975)	2,842	(9,975)
Short position	USD	3.90808	(21)	(17,783)	(21)	(17,783)
Long position	JPY	0.03684	(16)	1,451	(16)	1,451

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

The table below presents the outstanding position at June 30, 2019 and 2018:

<u>Long position</u>	<u>Commodities</u>	Weighted average price on maturity	Notional value - metric tons			
			Parent company		Consolidated	
			06.30.2019	06.30.2018	06.30.2019	06.30.2018
	Copper	5,868	366	272	366	272
	Aluminum	1,754	201	191	201	191
	TOTAL		567	463	567	463

<u>Long position</u>	<u>Commodities</u>	Weighted average price on maturity	Notional value (fair market value)			
			Parent company		Consolidated	
			06.30.2019	06.30.2018	06.30.2019	06.30.2018
	Copper	5,868	(335)	(496)	(335)	(496)
	Aluminum	1,754	(126)	(105)	(126)	(105)
	TOTAL		(461)	(601)	(461)	(601)

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

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

Parent company and consolidated (ALUMINUM)				
Year	Net Exposure (Tons)	Notional Value - Hedge (Tons)	Average Price - Portfolio Swap	% Hedged
2019 (Jul-Dec)	178	134	2,003	75.3%
2020 (Jan-May)	149	67	1,930	45.0%
Total	327	201	1,979	61.5%

Parent company and consolidated (COPPER)				
Year	Net Exposure (Tons)	Notional Value - Hedge (Tons)	Average Price - Portfolio Swap	% Hedged
2019 (Jul-Dec)	323	242	6,236	74.9%
2020 (Jan-May)	277	124	6,204	44.8%
Total	600	366	6,225	61.0%

- Sensitivity analysis table

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

For the sensitivity analysis of commodity transactions, management adopted as a probable scenario the amounts recognized in its books, determined by projected prices disclosed by the LME and exchange rates published by the Brazilian Central Bank at June 30, 2019. As a reference, the depreciation and appreciation of the prices used for accounting records were considered for the other scenarios. The scenarios were estimated with appreciation and depreciation of 25% and 50%, respectively, of prices in the probable scenario.

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

The methodology adopted for calculating the balances presented in the table below consisted of replacing the closing exchange rate and commodity prices at June 30, 2019 used for the purposes of accounting records with the stressed rates and prices calculated in accordance with the following scenarios.

Análise de sensibilidade sobre resultado das operações de compra de contratos de swap de commodities
Controladora e Consolidado

<i>Commodity</i>	<i>Volume de Toneladas</i>	<i>Preço de Liquidação (USD/ton.) Vencimento</i>	<i>Preço Médio Ponderado (USD/ton.)</i>	<i>Ajuste Total BRL</i>	<i>Efeito Total sobre Compras de Commodities BRL</i>
Cobre					
50% Melhor		8,958		4,333	(4,333)
25% Melhor		7,465		2,239	(2,239)
Cenário Provavel	366	5,972	5,868	145	(145)
25% Pior		4,479		(1,949)	1,949
50% Pior		2,986		(4,043)	4,043
Alumínio					
50% Melhor		2,660		698	(698)
25% Melhor		2,217		356	(356)
Cenário Provavel	201	1,774	1,754	15	(15)
25% Pior		1,330		(327)	327
50% Pior		887		(668)	668

The selling rates of the USD published on June 30, 2019 by the Brazilian Central Bank and the metal prices published on the same date by the LME were used.

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

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

	06.30.2019		06.30.2018	
	Parent company	Consolidated	Parent company	Consolidated
Results of derivatives (exports/imports)				
Provisions				
- Operations on accounts receivable and payable	(234)	(234)	2,622	2,954
- Operations on IOC	2,693	2,693	4,194	4,194
Cash effect				
- Operations on accounts receivable and payable	(667)	(667)	15,847	19,899
Note 29	1,792	1,792	22,663	27,047
Total derivative operations - net finance result	1,792	1,792	22,663	27,047
Exchange variations (gains and losses)	3,153	1,575	26,424	39,853
Results of derivatives (exports/imports)	1,792	1,792	22,663	27,047
Gross sales	(655)	(655)	6,557	6,557
Cost of sales	699	699	(1,291)	(1,291)
Effects of foreign exchange variation and financial instruments on profit and loss	4,989	3,411	54,353	72,166
Gross sales				
- Settlements with cash effect	(655)	(655)	6,557	6,557
Cost of sales				
- Settlements with cash effect	699	699	(1,291)	(1,291)
Total derivative operations - gross result	44	44	5,266	5,266
Equity				
Provisions				
- Operations on sales to be made (BS)	(1,336)	(1,336)	21,644	21,644
- Operations on commodities (BS)	461	461	601	601
Deferred income tax and social contribution	(297)	(297)	7,563	7,563
Total derivative operations - Equity	(1,172)	(1,172)	29,808	29,808
Provision for unrealized losses and gains on derivatives				
(BS) - Sum of the net balance sheet				
Balance sheet assets	6,998	7,231	1,889	2,428
Balance sheet liabilities	(4,788)	(4,788)	(28,570)	(43,863)
Balance sheet, net	2,210	2,443	(26,681)	(41,435)

Guarantees

The Group had no guarantee deposits relating to these derivative instruments for the periods presented above (June 30, 2019 and 2018).

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

32 Employee benefits

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

For the period ended June 30, 2019, the Group granted profit-sharing to its employees, based on a union agreement, in the amount of R\$ 24,670 (R\$ 27,535 in the first semester of 2018) in the parent company and R\$ 24,707 (R\$ 27,585 in the first semester of 2018) in the consolidated accounts. The criteria established for the payment of profit-sharing follow the rules defined in the collective bargaining agreement, which establish certain goals to be attained, such as: i) meeting production goals for a predetermined number of employees; ii) maintaining the level of absenteeism at or below a previously established annual average rate of hours of absence in relation to the standard hours worked; and iii) maintaining the annual level of waste at or below the previously set average annual rate in relation to the number of parts produced.

Supplementary pension plan - defined contribution

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

The Group contributed to the private pension plan an amount of R\$ 1,384 at June 30, 2019 (R\$ 3,441 at June 30, 2018).

33 Insurance

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

For 2019 the insurance coverage for operational risks (combined property damages and lost profits) is R\$ 5,592,402 (2018 - R\$ 4,227,407).

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

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

CPC 42 / IAS 29 - Financial Reporting in Hyperinflationary Economies requires adjustments to the results of operations of subsidiary MAHLE Argentina S.A. as from the third quarter of 2018. This standard requires adjustments to the results of operations of subsidiary MAHLE Argentina S.A. as if Argentina's economy had been hyperinflationary as from January 1, 2018 (start of the period in which hyperinflation was identified).

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

The impacts of the application of CPC 42 / IAS 29 *Financial Reporting in Hyperinflationary Economies* on the parent company and consolidated financial statements as at June 30, 2019 are shown below:

	2Q2019	1H2019
Reconciliation of result adjustments		
Gain on monetary position of investments from parent company - reflex recomposition	18,541	30,775
Gain on monetary position of investments from subsidiary - reflex recomposition	150	248
Loss on monetary position of subsidiary MAHLE Argentina S.A.	(462)	(6,412)
Gain on monetary item, result (consolidated)	18,229	24,611

The respective statement of income for the period ended June 30, 2019 was restated for inflation and subsequently translated at the closing rate in June of 0.09036 BRL for 1 ARS.

* * *

(A free translation of the original in Portuguese)

MAHLE Metal Leve S.A.

Representation by officers on the parent company and consolidated financial statements

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

REPRESENTATION

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

They have reviewed and discussed, and agree with, the parent company and consolidated financial statements of MAHLE Metal Leve S.A. for the period ended June 30, 2019, and thus authorize their completion.

Mogi Guaçu, August 08 2019.

Sergio Pancini de Sá
CEO

Christian Harald Binkert
Executive Officer

(A free translation of the original in Portuguese)

MAHLE Metal Leve S.A.

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

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

REPRESENTATION

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

They have reviewed and discussed, and agree with, the opinion expressed by PricewaterhouseCoopers Auditores Independentes on the parent company and consolidated financial statements of MAHLE Metal Leve S.A. for the period ended June 30, 2019.

Mogi Guaçu, August 08, 2019

Sergio Pancini de Sá
CEO

Christian Harald Binkert
Executive Officer