

(A free translation of the original in Portuguese)

MAHLE Metal Leve S.A.

Quarterly information (ITR)
on June 30, 2021

Mogi Guaçu, São Paulo, August 12, 2021 - MAHLE Metal Leve S.A. (B3: LEVE3), a Brazilian automotive parts company that manufactures and sells components for internal combustion engines and automotive filters, today announced its second quarter 2021 financial results. Unless otherwise noted, financial and operating information is provided on a consolidated basis and in Brazilian reais (BRL) and is prepared in accordance with the Brazilian Corporation Law.

Second Quarter 2021 Earnings Conference Call and Webcast

Date: August 13, 2021

Time

12 noon – Brasília
4:00 p.m. – London
11:00 a.m. – New York

Webcast in Portuguese
(original)

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Webcast in English
(simultaneous
translation)

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Dial-in numbers

Brazil: +55 11 4210-1803
Brazil: +55 11 3181-8565

To listen to the conference call audio in Portuguese, ask the operator for the original audio.

USA: +1 412 717-9627
Passcode: MAHLE

IR website:

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

HIGHLIGHTS

Net Sales Revenue: R\$ 889.1 million in 2Q21, which represents an increase of 146.4% compared with 2Q20. In 1H21, net sales revenue was up 84.5% from 1H20;

Domestic Aftermarket: R\$ 243.5 million in 2Q21, which represents an increase of 115.5% compared with 2Q20. In 1H21, net sales revenue was up 86.7% from 1H20; (See details in items 4.1 and 4.3);

Domestic Original Equipment Market: R\$ 244.7 million in 2Q21, which represents an increase of 234.7% compared with 2Q20. In 1H21, net sales revenue was up 99.8% from 1H20 (See details in items 4.1 and 4.2);

Aftermarket Exports: R\$ 70.2 million in 2Q21, which represents a 98.3% growth compared with 2Q20. In 1H21, net sales revenue was up 75.1% from 1H20 (See details in items 4.1 and 4.3);

Original Equipment Exports: R\$ 330.7 million in 2Q21, which represents an increase of 137.2% compared with 2Q20. In 1H21, net sales revenue was up 74.6% from 1H20 (See details in items 4.1 and 4.2);

(R\$ million)	Key indicators					1H21 (d)	1H20 (e)	(d/e)
	2Q21 (a)	1Q21 (b)	2Q20 (c)	(a/b)	(a/c)			
Net revenue	889.1	835.0	360.9	6.5%	146.4%	1,724.1	934.7	84.5%
EBITDA	262.9	199.2	(14.9)	32.0%	-1864.4%	462.1	76.6	503.3%
Adjusted EBITDA ¹	174.1	199.2	14.3	-12.6%	1117.5%	373.3	105.8	252.8%
EBITDA margin	29.6%	23.9%	-4.1%	5,7 p.p.	33,7 p.p.	26.8%	8.2%	18,6 p.p.
Adjusted EBITDA margin ¹	19.6%	23.9%	4.0%	-4,3 p.p.	15,6 p.p.	21.7%	11.3%	10,4 p.p.
Profit for the year	170.0	126.2	(39.5)	34.7%	-530.4%	296.2	(18.0)	-1745.6%
Adjusted net income ²	106.2	126.2	(17.5)	-15.8%	-706.9%	232.4	4.0	5710.0%
Net margin	19.1%	15.1%	-10.9%	4 p.p.	30 p.p.	17.2%	-1.9%	19,1 p.p.
Adjusted net margin ²	11.9%	15.1%	-4.9%	-3,2 p.p.	16,8 p.p.	13.5%	0.4%	13,1 p.p.

¹ Adjusted EBITDA: For details of the adjustments, see items 4.11 and 4.12.

² Adjusted net profit: For details of the adjustments, see item 4.14.

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1. Management Commentary

2021 is being as challenging as 2020. Despite the improvement in the pandemic situation – the advancing vaccination campaigns help create a more favorable environment - now there are new difficulties to deal with.

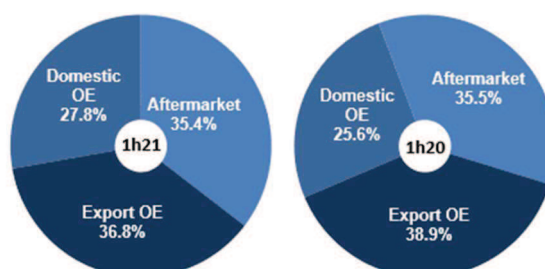
Brazil's new vehicle market was struggling to recover when it was hit principally by a shortage of semiconductors. The new vehicle market grew over the last quarters and is currently facing material shortages.

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With respect to the second-hand and used car market, it is necessary to go back to the first half of 2020 when there was a supply chain disruption caused by the COVID-19 pandemic. As demand increased, the market began recovering in the second half of 2020 and continued through the first quarter of 2021. Nevertheless, in the first quarter of 2021, there was the impact of the second wave of the coronavirus pandemic.

The Company's 2Q21 net revenue grew by 146.4% compared with 2Q20, driven by an increase in Aftermarket sales (+111.4%), domestic OE market (+234.7%) and OE exports (+137.2%). The Company's 1H21 net revenue grew by 84.5% compared with 1H20, driven by an increase in Aftermarket sales (+84.1%), domestic OE market (+99.8%) and OE exports (+74.6%).

The charts below show the Company's revenue by business segment in 1H21 and 1H20:



In 2Q21, the Company reported an adjusted EBITDA margin of 19.6% (4.0% in 2Q20) with adjusted EBITDA of R\$ 174.1 million (R\$ 14.3 million in 2Q20). Adjusted EBITDA margin for 1H21 was 21.7% (R\$ 373.3 million) versus adjusted EBITDA margin of 11.3% in 1H20 (R\$ 105.8 million). The adjustments relate to the following non-recurring events. See items 4.11 and 4.14 for details.

- 2Q20 - Impairment of R\$ 29.2 million of the goodwill of subsidiary MAHLE Argentina S.A.;
- 2Q21 – Tax credits of R\$ 88.8 million arising from exclusion of ICMS from the PIS and COFINS tax base.

It is important to mention that there is still a high degree of uncertainty surrounding the future developments of the pandemic and the global economic recovery, and various industry segments, including the sector in which the Company operates, may be adversely affected in the future.

2. About MAHLE Metal Leve

We are a Brazilian automotive parts company that manufactures and sells components for internal combustion engines and automotive filters. We manufacture the highest quality products using cutting-edge technology, and we are constantly investing in 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, including customized products developed in close collaboration with our principal customers. In the original equipment industry, MAHLE supplies automotive manufacturers and the Aftermarket business segment supplies large auto parts distributors and engine repair shops.

Our products are manufactured and sold in Brazil and Argentina and exported to more than 60 countries, including USA, Germany, Mexico, Portugal and Spain, for a broad customer portfolio which includes General Motors, Volkswagen, Fiat, Ford, Daimler MBB, Opel, International, Cummins, Volvo, PSA Peugeot, John Deere, Renault, Scania, Caterpillar, Honda, Hyundai, Toyota, among others.

We own five production plants, four of which are located in Brazil, in the cities of Mogi Guaçu (two units) and São Bernardo do Campo, in the State of São Paulo, and in Itajubá, State of Minas Gerais. Our fifth plant is located in the city of Rafaela, Argentina. We have two distribution centers: one in the city of Limeira, State of São Paulo, and one in Buenos Aires, Argentina. We have a technology center in the city of Jundiaí, State of São Paulo, which we believe is one of the largest and most well-equipped technology centers in Latin America for the development of components and solution packages for internal combustion engines. This center allows us to serve and deliver value to our customers in a customized and efficient manner, and develop innovative new product technologies and processes.

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

3. Development of the Automotive Industry

3.1 Development of the Brazilian market

Segments	Brazilian automotive industry					Brazilian automotive industry					Sales Variation (A/C)	Production Variation (B/D)
	Jan-Jun 2021					Jan-Jun 2020						
	Sales (**) (A)	Export	Import	Inventory (*)	Total Production (B)	Sales (**) (C)	Export	Import	Inventory (*)	Total Production (D)		
Total light vehicles	1,007,900	187,512	-105,339	-26,649	1,063,424	765,248	112,969	-94,087	-98,573	685,557	31.7%	55.1%
Total medium and heavy vehicles	66,273	12,620	-2,898	9,051	85,046	43,576	6,525	-1,707	-4,682	43,712	52.1%	94.6%
Total vehicle sales	1,074,173	200,132	-108,237	-17,598	1,148,470	808,824	119,494	-95,794	-103,255	729,269	32.8%	57.5%
Variation (un) - 1H21 x 1H20	265,349	80,638	-12,443	85,657	419,201							
Variation (%) - 1H21 x 1H20	32.8%	67.5%	13.0%	-83.0%	57.5%							

Source: Anfavea

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

(**) Sales (Domestic + Imported)

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

Monthly production (thousand units)	Jan	Feb	Mar	Apr	May	Jun	Total
2020	194.2	207.8	194.3	3.6	46.7	101.7	748.3
2021	199.7	197.0	200.3	190.9	192.8	166.9	1,147.6
Total monthly sales (thousand units)	Jan	Feb	Mar	Apr	May	Jun	Total
2020	193.5	201.0	163.6	58.1	66.1	146.2	828.5
2021	171.1	167.4	189.4	175.1	188.7	182.5	1,074.2
Brazil's vehicle inventory (days)	Jan	Feb	Mar	Apr	May	Jun	
2020	43	37	48	128	80	36	
2021	18	18	16	17	16	15	

Source: Anfavea

3.2 Development of the Argentine market

Argentine automotive industry			
Sales of vehicles (locally manufactured and imported)	Jan-Jun 2021 (A)	Jan-Jun 2020 (B)	A/B
Total light vehicles	172,426	123,158	40.0%
Total medium- and heavy-duty vehicles	7,536	4,582	64.5%
Total vehicle sales	179,962	127,740	40.9%
Exports	107,877	53,222	102.75
Imports	91,294	88,282	3.4%
Trade balance	16,583	(35,060)	-147.3%
Change in vehicle inventory in the period (*)	5,963	(1,230)	-584.8%
Production of light vehicles	193,580	86,439	123.8%
Production of heavy-duty vehicles	1,392	429	224.5%
Total vehicle production	194,972	86,868	124.4%

(*) Change in vehicle inventory = production - (sales + exports - imports).

Source: Adefa/Acaras Argentina/IHS.

3.3 Brazil's and Argentina's vehicle production and sales

Production and sales: Brazil & Argentina	Vehicle production			Vehicle sales		
	Jan-Jun 2021	Jan-Jun 2020	Change	Jan-Jun 2021	Jan-Jun 2020	Change
Light vehicles	1,257,004	771,996	62.8%	1,180,326	888,406	32.9%
Medium- and heavy-duty vehicles	86,438	44,141	95.8%	73,809	48,158	53.3%
Total	1,343,442	816,137	64.6%	1,254,135	936,564	33.9%

Source: Anfavea and Adefa.

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3.4 Vehicle production in the major export markets

Vehicle production in the leading export markets (thousands)	Jan-Jun 2021 (A)	Jan-Jun 2020 (B)	A/B
Production of light vehicles	6,871	5,156	33.3%
Production of medium- and heavy-duty vehicles	288	203	41.9%
North America	7,159	5,359	33.6%
Production of light vehicles	9,191	6,964	32.0%
Production of medium- and heavy-duty vehicles	298	221	34.8%
Europe	9,488	7,185	32.1%
Total vehicle production	16,648	12,545	32.7%

Source: IHS

4. Company's Financial and Economic Performance

Summary of profit and loss accounts (in millions of R\$)	2Q21 (a)	2Q20 (b)	HA (%) (a/b)	VA (%) (a)	VA (%) (b)	1H21 (c)	1H20 (d)	HA (%) (c/d)	VA (%) (c)	VA (%) (d)
Net sales revenue	889.1	360.9	146.4%	100.0%	100.0%	1,724.1	934.7	84.5%	100.0%	100.0%
Cost of sales	(628.0)	(317.0)	98.1%	-70.6%	-87.8%	(1,206.8)	(729.1)	65.5%	-70.0%	-78.0%
Gross profit	261.1	43.9	494.8%	29.4%	12.2%	517.3	205.6	151.6%	30.0%	22.0%
Selling and distribution expenses	(59.7)	(34.3)	74.1%	-6.7%	-9.5%	(108.3)	(77.5)	39.7%	-6.3%	-8.3%
General and administrative expenses	(24.1)	(19.4)	24.2%	-2.7%	-5.4%	(51.7)	(44.7)	15.7%	-3.0%	-4.8%
Research and development expenses	(10.9)	(11.0)	-0.9%	-1.2%	-3.0%	(26.8)	(30.2)	-11.3%	-1.6%	-3.2%
¹ Other operating income/(expenses)	60.6	(36.9)	-264.2%	6.8%	-10.2%	55.9	(45.6)	222.6%	3.2%	-4.9%
Share of profit/(loss) of equity-accounted investees	(0.0)	(0.1)	-100.0%	0.0%	0.0%	(0.1)	(0.1)	0.0%	0.0%	0.0%
Gains/(losses) on inflation adjustment	11.1	16.7	-33.5%	1.2%	4.6%	25.3	17.7	42.9%	1.5%	1.9%
Operating profit	238.1	(41.1)	-679.3%	26.8%	-11.4%	411.6	25.2	1533.3%	23.9%	2.7%
Net finance costs	(12.0)	(19.8)	-39.4%	-1.3%	-5.5%	(18.0)	(60.4)	-70.2%	-1.0%	-6.6%
² Income tax and social contribution	(56.2)	20.5	-374.1%	-6.3%	5.7%	(97.1)	15.3	-734.6%	-5.6%	1.6%
Profit for the year	169.9	(40.4)	-520.5%	19.1%	-11.2%	296.5	(19.9)	-1589.9%	17.2%	-2.1%
Profit attributable to owners of the Company	170.0	(39.5)	-530.4%	19.1%	-10.9%	296.2	(18.0)	-1745.6%	17.2%	-1.9%
Adjusted profit attributable to owners of the Company	106.2	(17.5)	-706.9%	11.9%	-4.9%	232.4	4.0	5710.0%	13.5%	0.4%
Profit attributable to non-controlling interests	(0.1)	(0.9)	-88.9%	0.0%	-0.2%	0.3	(1.9)	115.8%	0.0%	-0.2%
EBITDA	262.9	(14.9)	-1864.4%	29.6%	-4.1%	462.1	76.6	503.3%	26.8%	8.2%
Adjusted EBITDA	174.1	14.3	1117.5%	19.6%	4.0%	373.3	105.8	252.8%	21.7%	11.3%
Selling, general and administrative expenses as a percentage of revenue	9.4%	14.9%	-5.5 p.p.			9.3%	13.1%	-3.8 p.p.		

¹ Additional information is included in item 4.10.

² Additional information is included in item 4.13.

4.1 Net sales revenue and net revenue by market

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

The Company reported a 146.4% increase in its consolidated net revenue for 2Q21 compared with 2Q20. The table below shows revenue by market and its respective impacts in terms of volume/price and exchange rate changes period over period.

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Net revenue by market (R\$ Million)		1Q21 (a)	Volume/Price (b)	FX-Variation (c)	2Q20 (d)	% volume/price impact (b/d)	% FX-impacts (c/d)	H.A. (%) (a/d)
Original equipment	Domestic ¹	244.7	176.5	(4.9)	73.1	241.4%	-6.7%	234.7%
	Export	330.7	118.5	72.8	139.4	85.0%	52.2%	137.2%
	Subtotal	575.4	295.0	67.9	212.5	138.8%	32.0%	170.8%
Aftermarket	Domestic ¹	243.5	154.4	(23.9)	113.0	136.6%	-21.1%	115.5%
	Export	70.2	31.8	3.0	35.4	89.8%	8.5%	98.3%
	Subtotal	313.7	186.2	(20.9)	148.4	125.5%	-14.1%	111.4%
Total		889.1	481.2	47.0	360.9	133.3%	13.1%	146.4%

¹ Domestic Market comprises Brazil and Argentina.

The Company's 1H21 consolidated net revenue grew by 84.5% compared with the same period of 2020. The table below shows revenue by market and its respective impacts in terms of volume/price and exchange rate changes period over period:

Net revenue by market (R\$ Million)		1S21 (a)	Volume/Price (b)	FX-Variation (c)	1S20 (d)	% volume/price impact (b/d)	% FX-impacts (c/d)	H.A. (%) (a/d)
Original equipment	Domestic ¹	478.7	246.3	(7.2)	239.6	102.8%	-3.0%	99.8%
	Export	634.8	123.8	147.5	363.5	34.1%	40.5%	74.6%
	Subtotal	1,113.5	370.1	140.3	603.1	61.4%	23.2%	84.6%
Aftermarket	Domestic ¹	481.0	259.7	(36.3)	257.6	100.8%	-14.1%	86.7%
	Export	129.6	45.0	10.6	74.0	60.8%	14.3%	75.1%
	Subtotal	610.6	304.7	(25.7)	331.6	91.9%	-7.8%	84.1%
Total		1,724.1	674.8	114.6	934.7	72.2%	12.3%	84.5%

¹ Domestic Market comprises Brazil and Argentina.

4.2 Original Equipment (OE) sales

Domestic market:

In 2Q21, the domestic OE market saw a growth of 234.7% - volume/price increase of 241.4%, partially offset by the effect of movements in exchange rates of -6.7%. In 1H21, this market grew by 99.8% - volume/price increase of 102.8%, partially offset by the effect of movements in exchange rates of -3.0%.

Foreign market:

In 2Q21, the foreign market reported a growth of 137.2% - volume/price increase of 85.0% plus positive effects of movements in exchange rates of 52.2%. In 1H21, this market registered a growth of 74.6% - volume/price increase of 34.1% plus positive effects of movements in exchange rates of 40.5%.

The table below presents exports in hard currency:

Exports by currency (in millions)	Apr-Jun 2021 (a)	Apr-Jun 2020 (b)	HA (%) (a/b)
Original Equipment			
EUR	22.0	12.3	78.9%
USD	38.4	16.2	137.0%

Exports by currency (in millions)	Jan-Jun 2021 (a)	Jan-Jun 2020 (b)	HA (%) (a/b)
Original Equipment			
EUR	41.2	30.9	33.4%
USD	73.9	47.1	56.8%

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4.3 Aftermarket sales

Domestic market:

In 2Q21, the domestic market saw a growth of 115.5% - volume/price increase of 136.6%, partially offset by the effect of movements in exchange rates of -21.1%. In 1H21, this market grew by 86.7% - volume/price increase of 100.8%, partially offset by the effect of movements in exchange rates of -14.1%.

Foreign market:

In 2Q21, the foreign market recorded a growth of 98.3% - volume/price increase of 89.8% plus positive effects of movements in exchange rates of 8.5%. In 1H21, this market grew by 75.1% - volume/price increase of 60.8% plus positive effects of movements in exchange rates of 14.3%.

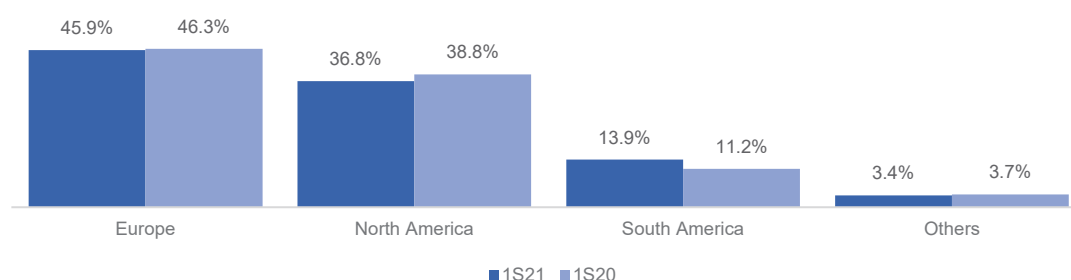
The table below shows Aftermarket segment's exports in hard currency:

Exports by currency (in millions)	Apr-Jun 2021 (a)	Apr-Jun 2020 (b)	HA (%) (a/b)
Aftermarket			
EUR	0.3	0.8	-62.5%
USD	12.8	5.9	116.9%

Exports by currency (in millions)	Jan-Jun 2021 (a)	Jan-Jun 2020 (b)	HA (%) (a/b)
Aftermarket			
EUR	1.1	0.9	25.8%
USD	22.8	14.7	55.4%

4.4 Consolidated export by region

The graph below shows our exports by geographic region for the first half of 2021 and the first half of 2020:



4.5 Net revenue by segment

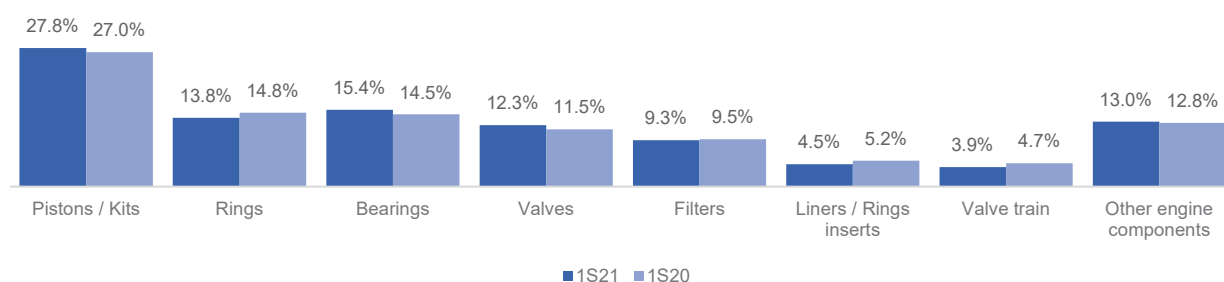
In 2Q21, the engine component segment reported a 146.7% increase in sales and the filter segment recorded a growth of 142.9% as compared with the same period in 2020. In 1H21, the engine component segment's sales increased 84.9%, while the filter segment's sales was up 80.5% compared with 1H20.

Net sales revenue by segment (in millions of R\$)	2Q21 (a)	2Q20 (b)	HA (%) (a/b)	VA (%) (a)	VA (%) (b)	1H21 (c)	1H20 (d)	HA (%) (c/d)	VA (%) (c)	VA (%) (d)
Engine components	810.9	328.7	146.7%	91.2%	91.1%	1,564.5	846.3	84.9%	90.7%	90.5%
Filters	78.2	32.2	142.9%	8.8%	8.9%	159.6	88.4	80.5%	9.3%	9.5%
Total	889.1	360.9	146.4%	100.0%	100.0%	1,724.1	934.7	84.5%	100.0%	100.0%

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4.6 Net revenue by product

The graph below shows the share of each product in total sales in the six-month periods:



4.7 Gross margin

The Company ended 2Q21 with a gross margin of 29.4% (12.2% in 2Q20), while margin in 1H21 was 30.0% (22.0% in 1H20), as shown in the table below.

Summary of profit and loss accounts (in millions of R\$)	2Q21 (a)	2Q20 (b)	HA (%) (a/b)	VA (%) (a)	VA (%) (b)	1H21 (c)	1H20 (d)	HA (%) (c/d)	VA (%) (c)	VA (%) (d)
Net sales revenue	889.1	360.9	146.4%	100.0%	100.0%	1,724.1	934.7	84.5%	100.0%	100.0%
Cost of sales	(628.0)	(317.0)	98.1%	-70.6%	-87.8%	(1,206.8)	(729.1)	65.5%	-70.0%	-78.0%
Gross profit	261.1	43.9	494.8%	29.4%	12.2%	517.3	205.6	151.6%	30.0%	22.0%

The margins presented in the above table reflect the increase in volume that is inherent to the market, coupled with the Company's efforts to improve performance.

4.8 Selling, general and administrative expenses

In both reporting periods, selling and distribution expenses were impacted principally by freight and variable selling expenses, considering that net sales revenue increased 146.4% and 84.5% in 2Q21 and 1H21, respectively, as compared with the same periods in 2020.

General and administrative expenses were impacted principally by the increase in maintenance, materials and utilities expenses.

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Summary of profit and loss accounts (in millions of R\$)	2Q21 (a)	2Q20 (b)	HA (%) (a/b)	VA (%) (a)	VA (%) (b)	1H21 (c)	1H20 (d)	HA (%) (c/d)	VA (%) (c)	VA (%) (d)
Net sales revenue	889.1	360.9	146.4%	100.0%	100.0%	1.724.1	934.7	84.5%	100.0%	100.0%
Selling and distribution expenses	(59.7)	(34.3)	74.1%	-6.7%	-9.5%	(108.3)	(77.5)	39.7%	-6.3%	-8.3%
General and administrative expenses	(24.1)	(19.4)	24.2%	-2.7%	-5.4%	(51.7)	(44.7)	15.7%	-3.0%	-4.8%

It is worth mentioning that selling and distribution expenses and general and administrative expenses in 2Q21 and 1H21 decreased in relation to net sales revenue.

4.9 Research and development (R&D) expenses

The Company operates in a highly competitive industry that demands constant technological innovation and has stood out in the industry for developing and deploying new technologies.

The introduction of new technologies enables the Company to create components that help customers achieve greenhouse gas emission targets. In addition to technology and product development, the Company also offers engine development, optimization and testing services to its customers and the general market

Summary of profit and loss accounts (in millions of R\$)	2Q21 (a)	2Q20 (b)	HA (%) (a/b)	VA (%) (a)	VA (%) (b)	1H21 (c)	1H20 (d)	HA (%) (c/d)	VA (%) (c)	VA (%) (d)
Net sales revenue	889.1	360.9	146.4%	100.0%	100.0%	1.724.1	934.7	84.5%	100.0%	100.0%
R&D expenses	(10.9)	(11.0)	-0.9%	-1.2%	-3.0%	(26.8)	(30.2)	-11.3%	-1.6%	-3.2%

As COVID-19 cases continued to surge in 1H21, the Company was conservative with respect to R&D spending and has focused on developing products that sell quickly.

4.10 Other operating income (expenses), net

This account records a net income of R\$ 60.6 million for 2Q21 versus a net expense of R\$ 36.9 million for 2Q20. In 1H21, the Company reported net income of R\$ 55.9 million versus net expense of R\$ 45.6 million in 1H20, as shown in the table below:

Other operating income (expenses), net (in millions of R\$)	2Q21 (a)	2Q20 (b)	Change (a-b)	1H21 (c)	1H20 (d)	Change (c-d)
¹ Tax credits (exclusion of ICMS from the PIS and COFINS tax)	88.8	-	88.8	88.8	-	88.8
² Provision for impairment of intangible assets	-	(29.2)	29.2	-	(29.2)	29.2
Provision for/reversal of labor, civil and tax lawsuits	(6.9)	(7.8)	0.9	(10.1)	(18.3)	8.2
Provision for/reversal of obsolescence	0.5	-	0.5	0.5	-	0.5
Recovered taxes (Reintegra)	0.3	0.1	0.2	0.5	0.3	0.2
Export expenses (Argentina)	(1.9)	(1.1)	(0.8)	(3.8)	(3.6)	(0.2)
Provision for/reversal of environmental liability	(20.0)	-	(20.0)	(20.0)	-	(20.0)
Gain/loss on sale of assets/other	0.1	0.1	-	0.1	0.1	-
Restructuring provision	-	-	-	0.3	-	0.3
Reversal of compulsory loan	-	-	-	-	4.3	(4.3)
Other income (expenses)	(0.3)	1.0	(1.3)	(0.4)	0.8	(1.2)
Total other operating income (expenses), net	60.6	(36.9)	97.5	55.9	(45.6)	101.5

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¹ Non-recurring income from tax credits in 2Q21 arising from the exclusion of ICMS from the PIS and COFINS tax base;

² Non-recurring expense from impairment provision in 2Q20 for intangible assets of subsidiary MAHLE Argentina S.A.;

4.11 Operating result measured by EBITDA and adjusted EBITDA

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

Changes in the three months			Changes in the six months		
	Amount	Margin		Amount	Margin
2Q20 EBITDA	-14.9	-4.1%	1H20 EBITDA	76.6	8.2%
Gross profit	217.2		Gross profit	311.7	
Selling and distribution expenses	-25.4		Selling and distribution expenses	-30.8	
General and administrative expenses	-4.7		General and administrative expenses	-7.0	
R&D expenses	0.1		R&D expenses	3.4	
Other operating income (expenses)	97.5		Other operating income (expenses)	101.5	
Share of profit of equity-accounted investees	0.1		Share of profit of equity-accounted investees	0.0	
Gains (losses) on inflation adjustment	-5.6		Gains (losses) on inflation adjustment	7.6	
Depreciation	-1.4		Depreciation	-0.9	
2Q21 EBITDA	262.9	29.6%	1H21 EBITDA	462.1	26.8%
Tax credits arising from the exclusion of ICMS from the tax base of PIS and COFINS	-88.8		Tax credits arising from the exclusion of ICMS from the tax base of PIS and COFINS	-88.8	
2Q21 Adjusted EBITDA	174.1	19.6%	1H21 Adjusted EBITDA	373.3	21.7%

4.12 Net finance costs

The Company recorded net finance costs of R\$ 12.0 million in 2Q21, representing a decrease of R\$ 7.8 from R\$ 19.8 million in 2Q20.

Net finance costs were R\$ 18.1 million in 1H21, representing a decrease of R\$ 42.3 million from R\$ 60.4 million in 1H20.

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Net finance costs (in millions of R\$)	2Q21 (a)	2Q20 (b)	Change (a-b)	1H21 (c)	1H20 (d)	Change (c-d)
Interest income on financial investments	3.8	2.8	1.0	9.3	4.2	5.1
Interest expense on loans and borrowings	(2.3)	(7.0)	4.7	(9.7)	(10.9)	1.2
Other interest income	8.2	0.5	7.7	7.9	1.8	6.1
Net interest income (expense) (i)	9.7	(3.7)	13.4	7.5	(4.9)	12.4
1. Effect of movements in exchange rates on accounts receivable/accounts payable (1.1. + 1.2.)	(16.3)	(1.2)	(15.1)	(14.4)	24.6	(39.0)
1.1. Effect of movements in exchange rates	(32.5)	5.4	(37.9)	(19.1)	55.5	(74.6)
1.2. Foreign exchange hedge	16.2	(6.6)	22.8	4.7	(30.9)	35.6
2. Effect of movements in exchange rates on advances on foreign exchange contracts (ACC)	10.9	(15.0)	25.9	10.2	(75.8)	86.1
3. Other transactions	(8.7)	7.9	(16.6)	(6.8)	10.4	(17.2)
Net effect of movements in exchange rates and loss on derivatives (ii) - (1+2+3)	(14.1)	(8.3)	(5.8)	(11.0)	(40.8)	29.8
Net monetary variation	(7.3)	(6.2)	(1.1)	(12.6)	(11.9)	(0.7)
Other	(0.3)	(1.6)	1.3	(1.9)	(2.8)	0.9
Net monetary variation + Other (iii)	(7.6)	(7.8)	0.2	(14.5)	(14.7)	0.2
Net finance costs (i + ii + iii)	(12.0)	(19.8)	7.8	(18.0)	(60.4)	42.4

Net interest income (expenses) (i):

The increase of R\$ 1.1 million in “Interest income on financial investments” from 2Q20 to 2Q21 was due to the decrease in the average amount of financial investments to R\$ 190.4 million in 2Q21 from R\$ 403.4 million in 2Q20, coupled with an increase in the average rates of interest to 11.1% p.a. in 2Q21 from 3.2% p.a. in 2Q20. The increase of R\$ 5.1 million in “Interest income on financial investments” from 1H20 to 1H21 was due to the decrease in the average amount of financial investments to R\$ 155.1 million in 1H21 from R\$ 338.0 million in 1H20, coupled with an increase in the average rates of interest to 7.0% p.a. in 1H21 from 3.4% p.a. in 1H20. Please note that these are the consolidated balances of Argentina and Brazil.

The decrease of R\$ 4.7 million in “Interest expense on loans and borrowings” from 2Q20 to 2Q21 was due to the decrease in the weighted average cost to 3.5% p.a. in 2Q21 from 4.2% p.a. in 2Q20, and the decrease in the average levels of borrowings to R\$ 198.6 million in 2Q21 from R\$ 668.4 million in 2Q20. The decrease of R\$ 1.2 million in “Interest expense on loans and borrowings” from 1H20 to 1H21 was due to the decrease in the average levels of borrowings to R\$ 156.2 million in 1H21 from R\$ 594.6 million in 1H20. In 1H21 and 1H20, there was no change in the weighted average cost, which remained at 4.0% p.a.

The increase in “Other interest income” was due to interest on the exclusion of ICMS from the tax base of PIS and COFINS in the amount of R\$ 7.9 million.

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

Averages	2Q21 (a)	2Q20 (b)	Change (a-b)	1H21 (c)	1H20 (d)	Change (c-d)
Investment interest rate	11.1%	3.2%	7.9 p.p.	6.9%	3.4%	3.5 p.p.
Cost of debt	3.5%	4.2%	-0.7 p.p.	4.0%	4.0%	0 p.p.
Financial investments (in millions of R\$)	190.4	403.4	-52.8%	155.1	338.0	-54.1%
Debt (in millions of R\$)	(198.6)	(668.4)	-70.3%	(156.2)	(594.6)	-73.7%

Net effect of movements in exchange rates and loss on derivatives (ii): It is worth mentioning that these two line items “Net effect of movements in exchange rates” and “Gain (loss) on derivatives” should always be analyzed together, because the Company monitors and manages its foreign currency exposures and continually assesses whether it needs to use derivatives to hedge its foreign exchange risk.

The objective of the currency hedging program is to minimize foreign exchange risks that could arise from adverse market conditions and negatively impact the Company’s profits. Also, with respect to foreign exchange risks, the hedging policy is to protect the estimated cash flow position (budget) and actual cash flow (balance sheet) denominated in and/or indexed to foreign currency through the use of derivative financial instruments (NDF – Non-Deliverable Forwards). Additional information about financial instruments is presented in Note 31 to the Interim Financial Statements for the period ended June 30, 2021.

Net monetary variation + Other (iii): The decrease from 2Q20 to 2Q21 and from 1H20 to 1H21 was due to the inflation-adjustment to the provisions for labor and tax lawsuits and judicial deposits.

4.13 Income tax and social contribution

The Company recorded an income tax and social contribution expense of R\$ 97.1 million at June 30, 2021 in the consolidated financial statements (income of R\$ 15.3 million at June 30, 2020) as detailed below:

- Current tax: expense of R\$ 71.3 million generated principally by the parent company and its subsidiary MAHLE Argentina S/A;
- Deferred tax: expense of R\$ 25.8 million with no impact on cash, comprising mainly changes in provisions and tax credits arising from the exclusion of ICMS from the tax base of PIS/COFINS in the amount of R\$ 32.9 million.

Additional information is presented in Note 11 to the Interim Financial Statements for the period ended June 30, 2021.

4.14 Net profit and adjusted net profit

The following table shows the profit attributable to owners of the Company and the adjusted profit attributable to owners of the Company, reflecting the impact of tax credits arising from the exclusion of ICMS from the tax base of PIS and COFINS and the impairment of the goodwill of subsidiary MAHLE Argentina S.A. in 2Q20:

Summary of profit and loss accounts (in millions of R\$)	2Q21 (a)	2Q20 (b)	1H21 (c)	1H20 (d)	HA (%) (a/b)	HA (%) (c/d)
Profit attributable to owners of the Company	170.0	(39.5)	296.2	(18.0)	-530.4%	-1745.6%
Impairment of subsidiary MAHLE Argentina S.A.	-	29.2	-	29.2		
Income tax and social contribution (impairment adjustment)	-	(7.2)	-	(7.2)		
Tax credits arising from the exclusion of ICMS from the tax base of PIS and COFINS	(88.8)	-	(88.8)	-		
Interest on exclusion of ICMS from the tax base of PIS and COFINS	(7.9)	-	7.9	-		
Income tax on credit from exclusion of ICMS from the tax base of PIS and COFINS	32.9	-	32.9	-		
Profit attributable to owners of the Company	106.2	(17.5)	232.4	4.0	-706.9%	5710.0%
Net margin attributable to owners of the Company	19.1%	-10.9%	17.2%	-1.9%	30 p.p.	19.1 p.p.
Adjusted net margin attributable to owners of the Company	11.9%	-4.9%	13.5%	0.4%	16.8 p.p.	13.1 p.p.

Additional information on earnings (loss) per share is presented in Note 23 to the Interim Financial Statements for the period ended June 30, 2021.

4.15 Capital expenditures

The table below shows capital expenditures and total accumulated depreciation for 1H21 and 1H20:

Capex & Depreciation (in millions of R\$)	1H21	1H20
Capex	26.9	8.6
Total depreciation	50.9	51.4
Capex		
% of net sales revenue	1.6%	0.9%
% of depreciation	52.8%	16.7%
Net sales revenue	1,724.1	934.7

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In 1H21, the Company invested in R&D equipment, new machinery and equipment in order to improve productivity and quality, new products, building improvements, information technology, among others.

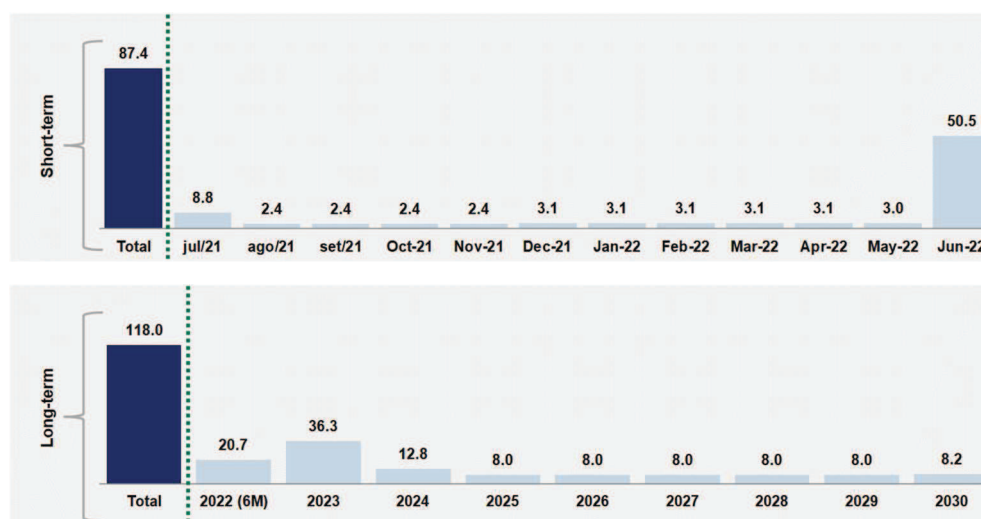
4.16 Net financial position

The Company's net cash was R\$ 89.8 million at the end of the first half of 2021 and R\$ 133.2 million at the end of 2020, as shown in the table below:

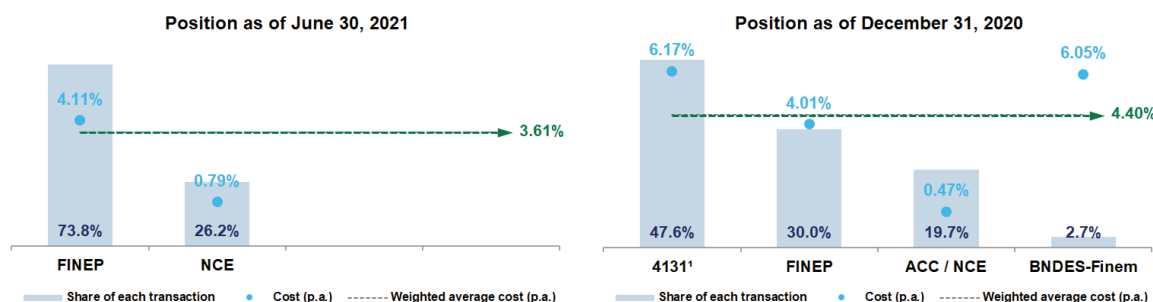
Net financial position (in millions of R\$)	June 30, 2021 (a)	December 31, 2020 (b)	Change (a-b)	Debt % (a)	Debt % (b)
Cash / banks / financial investments / loans (i):	295.2	685.5	(390.3)		
Loans and borrowings (ii):	(205.4)	(552.3)	346.9	-100%	-100%
Short-term	(87.4)	(402.4)	315.0	-43%	-73%
Long-term	(118.0)	(149.9)	31.9	-57%	-27%
Net financial position (i - ii):	89.8	133.2	(43.4)		

The Company continuously monitors liquidity risk by managing cash, financial investments and bank loans. The Company also has pre-approved lines of credits that can be drawn upon as needed.

The charts below show the maturities of the liabilities classified into short-term and long-term at the end of the first half of 2021, which represents 43% and 57%, respectively, of the debt displayed in the table above:



The following charts show our borrowings by type of facility and respective cost and weighted average cost:



¹ Foreign currency loan with currency swap to Brazilian real.

4.17 Distribution of dividends and interest on capital to shareholders

On April 29, 2021, the Annual General Meeting approved a supplementary dividend distribution of R\$ 48.6 million relating to fiscal year 2020. The Company paid out R\$ 119.2 million in dividends and interest on capital for FY 2020, representing 100.0% of its net profit (after legal deductions).

Date of approval	Record date	Ex-dividend/int rest on capital date	Date of payment	Type of payout	Period	Fiscal year	Total gross amount (in millions of R\$)	Gross value per share (R\$)	Net value per share (R\$)
4/29/2021	4/29/2021	4/30/2021	5/28/2021	Dividends	Supplementary dividends	2020	48.6	0.3786245358	0.3786245358
12/28/2020	12/28/2020	1/5/2021	5/28/2021	Interest on capital	1/1/2020 to 12/31/2020	2020	70.6	0.5504020486	0.4678417413
Total 2020							119.2	0.9290265844	0.8464662771

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

5. Coronavirus (COVID-19)

Since March 2020, the world has been facing the COVID-19 pandemic and the Company continues to actively monitor and address the evolving COVID-19 situation and the potential risks to its operations and its workers and their families, and society.

The Company established in March 2020 a COVID-19 protocol to protect the health of its workers. The protocol applies to all Company's facilities and subsidiaries and provides guidelines from local health authorities and the World Health Organization (WHO) as well as best practices available.

Supply chain disruptions had a material impact on prices and shortage of products in 1H21. The shortages of raw materials such as steel, resins, imported products, as well as the lack of ships and containers both for export and import, have disrupted supply chains. As a result, in addition to rising product prices, there has been a significant increase in freight prices and air freight rates. The Company has been hit by the shortage of products as, for example, carmakers have announced that they were not able to deliver vehicles to their customers due to the semiconductor shortage.

Liquidity risk: The Company continuously monitors liquidity risk by managing cash, financial investments and bank loans.

At June 30, 2021, the Group held cash and cash equivalents of R\$ 247.0 million (R\$ 608.0 million at December 31, 2020). To compensate for the decrease in cash, the Company had a significant reduction in loans and borrowings from R\$ 552.4 million at December 31, 2020 to R\$ 205.3 million at June 30, 2021. The Company has identified no potential significant signs of default in 2021.

The Company also has pre-approved lines of credits that can be drawn upon as needed.

On May 29, 2020, the Annual General Meeting of the Company decided to suspend an R\$ 175.6 million dividend payment tied to the Company's 2019 profits to preserve cash for where it is needed during the coronavirus crisis. The retained profit was set aside as a special reserve and will be distributed as soon as possible. The Company seeks to preserve cash to weather the global crisis and to meet legal and contractual obligations.

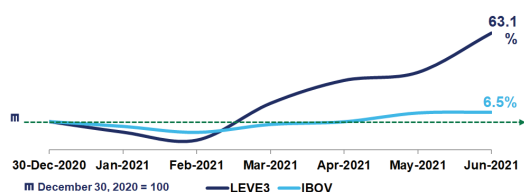
6. Investor Relations and Capital Market

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During 1H21, our Investor Relations team stayed connected to investors and the general market whilst working remotely from home due to social distancing measures in response to the COVID-19 pandemic. The use of digital tools to help us cope with the pandemic and to continue to work together efficiently have contributed to our interactions with investors and the market. In-person meetings, conferences and site visits were canceled and have not yet been rescheduled.

6.1 Stock performance and free float turnover

The graphs below show the market performance of **LEVE3** stock and **Ibovespa**¹ during 1H21, and Average Daily Trading Volume (ADTV) and the ratio of average turnover to free-float market capitalization:

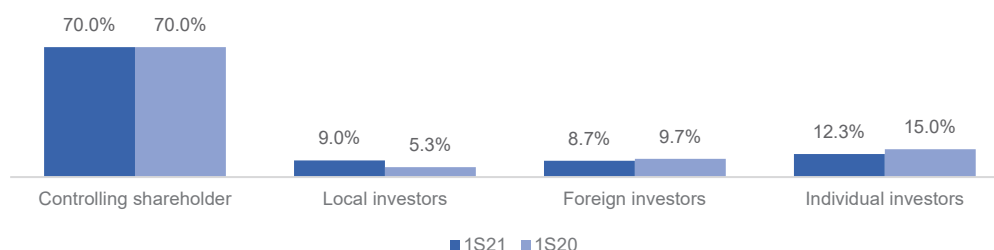


Average Daily Trading Volume and Turnover Rate				
Period	3Q20	4Q20	1Q21	2Q21
Neg. volume (in millions of R\$)	8.8	7.0	7.2	23.5
Turnover (%)	1.27%	0.95%	0.99%	2.14%

¹ IBOVESPA is a major stock market index which tracks the performance of the most liquid stocks traded on Brazil's Stock Exchange B3 - Brasil, Bolsa, Balcão.

6.2 Shareholder structure

At the end of 1H21 and 1H20, the Company's existing shareholder base and free float are as follows:



At the end of 1H21, investors based in six countries accounted for 98.6% of the free float, and the remaining countries from the Company's shareholder base do not represent individually more than 0.5%.

The graph below shows the shareholder structure of the free float at the end of 1H21 and 1H20:

Country	Brazil	USA	United Kingdom	Luxembourg	Germany	Finland
1H21	70.9%	22.4%	1.7%	1.2%	1.2%	1.1%
1H20	67.5%	20.1%	2.1%	3.5%	1.1%	0.0%

7. Independent Auditors

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

During the second quarter of 2021, the Company did not engage KPMG Auditores Independentes to perform non-audit services and there is, therefore, no situation that could constitute conflict of interest under that Instruction.

8. 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 period ended June 30, 2021 and the opinions expressed in the independent auditor's report.

9. Acknowledgments

We would like to thank our employees, shareholders, customers and suppliers for their continued support and trust in our Company in the second quarter of 2021.

The Management Board



KPMG Auditores Independentes

Av. Coronel Silva Teles, 977, 10º andar, Conjuntos 111 e 112 - Cambuí

Edifício Dahruj Tower

13024-001 - Campinas/SP - Brasil

Caixa Postal 737 - CEP: 13012-970 - Campinas/SP - Brasil

Telefone +55 (19) 3198-6000

kpmg.com.br

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, 2021, which comprises the statement of financial position as of June 30, 2021 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 individual and consolidated interim financial information in accordance with CPC 21(R1) *Demonstração Intermediária* and International Standard IAS 34 - Interim Financial Reporting, issued by International Accounting Standards Board - IASB, and for presentation of this interim financial information in accordance with the rules issued by *Comissão de Valores Mobiliários* (CVM) applicable to the preparation of these quarterly information - ITR. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion on the interim information

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

Other matters - Statements of value added

The individual and consolidated interim financial information, related to statements of value added (DVA) for the six-month period ended June 30, 2021, 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 11, 2021

KPMG Auditores Independentes
CRC 2SP-027612/F
Original report in Portuguese 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)
on June 30, 2021

(A free translation of the original in Portuguese)

MAHLE Metal Leve S.A.

Quarterly information (ITR) on June 30, 2021

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MAHLE Metal Leve S.A.

Balance sheet at June 30, 2021 and December 31, 2020

All amounts in thousands of reais

(A free translation of the original in Portuguese)

Assets	Note	Parent company		Consolidated	
		06.30.2021	12.31.2020	06.30.2021	12.31.2020
Cash and cash equivalents	6	185,830	557,868	246,630	607,835
Trade and related-party receivables	7	445,301	371,835	579,127	465,116
Inventories	8	389,017	267,329	501,108	368,888
Taxes recoverable	9	50,776	44,270	56,310	52,062
Income tax and social contribution recoverable	9	41,207	40,304	48,908	52,687
Dividends and interest on capital receivable	10	58,776	66,134	-	-
Unrealized gains on derivative financial instruments	31	10,113	5,462	12,869	8,430
Other assets		24,253	17,960	41,898	23,980
Total current assets		1,205,273	1,371,162	1,486,850	1,578,998
Taxes recoverable	9	105,783	10,561	112,499	17,798
Loans to related parties	10	29,939	29,029	48,622	77,671
Deferred income tax and social contribution	11.b	31,520	61,573	31,655	62,098
Other assets		24,032	26,310	28,787	32,206
Total long-term assets		191,274	127,473	221,563	189,773
Investments in subsidiaries	12	255,330	233,944	115	208
Property, plant and equipment	13	532,774	555,599	601,466	621,903
Rights-of-use assets	13	8,735	11,737	10,000	13,710
Intangible assets	14	391,460	391,891	391,555	391,991
		1,188,299	1,193,171	1,003,136	1,027,812
Total non-current assets		1,379,573	1,320,644	1,224,699	1,217,585
Total assets		2,584,846	2,691,806	2,711,549	2,796,583

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

MAHLE Metal Leve S.A.

Balance sheet at June 30, 2021 and December 31, 2020

All amounts in thousands of reais

(A free translation of the original in Portuguese)

Liabilities		Parent company		Consolidated	
		06.30.2021	12.31.2020	06.30.2021	12.31.2020
Dividends and interest on capital payable	10	695	60,754	695	60,754
Trade and related-party payables	15	256,567	234,782	333,011	290,003
Taxes and contributions payable	16	27,809	38,136	31,484	40,904
Income tax and social contribution payable	16	6,372	-	23,114	23,932
Borrowings	17.a	81,065	402,439	87,358	402,439
Lease liabilities	17.b	7,589	7,405	9,014	9,298
Salaries, vacation pay and social charges	18	102,721	56,087	112,868	64,390
Sundry provision	19	42,989	34,295	46,527	37,334
Provisions for warranties	20	8,729	8,019	11,924	10,452
Unrealized losses on derivative financial instruments	31	11,185	24,403	11,185	24,403
Other liabilities		54,812	49,817	59,104	52,927
Total current liabilities		600,533	916,137	726,284	1,016,836
Deferred income tax and social contribution	11.b	-	-	1,927	1,282
Borrowings	17.a	117,966	149,930	117,966	149,930
Lease liabilities	17.b	3,570	5,798	3,570	6,303
Provisions for contingencies and judicial deposits linked to judicial proceedings	21	288,316	266,387	293,098	274,590
Other liabilities		4,574	5,598	4,493	5,655
Total non-current liabilities		414,426	427,713	421,054	437,760
Total liabilities		1,014,959	1,343,850	1,147,338	1,454,596
Equity	22				
Share capital		966,255	966,255	966,255	966,255
Revenue reserves		314,251	314,251	314,251	314,251
Special reserve		175,572	175,572	175,572	175,572
Other comprehensive income		(182,856)	(156,703)	(182,856)	(156,703)
Retained earnings		296,665	-	296,665	-
Proposed additional dividends		-	48,581	-	48,581
Equity attributable to the owners of the parent		1,569,887	1,347,956	1,569,887	1,347,956
Non-controlling interests		-	-	(5,676)	(5,969)
Total equity		1,569,887	1,347,956	1,564,211	1,341,987
Total liabilities and equity		2,584,846	2,691,806	2,711,549	2,796,583

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, 2021 and 2020

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Note	Parent company			
		2021		2020	
		2Q2021	1H2021	2Q2020	1H2020
Net revenue	24	703,048	1,366,956	284,914	740,338
Cost of sales	25	(537,307)	(1,027,521)	(258,309)	(604,387)
Gross profit		165,741	339,435	26,605	135,951
Selling expenses	26	(48,201)	(90,840)	(24,887)	(58,367)
Impairment of trade receivables	7	(238)	2,778	(1,098)	(961)
General and administrative expenses	27	(21,023)	(45,634)	(17,575)	(40,219)
Technology and product development costs	28	(8,602)	(22,753)	(9,794)	(26,855)
Other income (expenses), net	30	61,726	57,714	(26,477)	(30,683)
Gain on monetary items, net	34	20,479	40,796	9,341	19,276
Profit before finance income (costs) and taxation		169,882	281,496	(43,885)	(1,858)
Finance income	29	31,626	56,649	48,196	124,349
Finance costs	29	(45,038)	(79,887)	(65,432)	(180,232)
Finance income (costs), net		(13,412)	(23,238)	(17,236)	(55,883)
Equity in the results of investees	12	60,472	112,875	(534)	15,825
Profit before taxation		216,942	371,133	(61,655)	(41,916)
Current income tax and social contribution	11.a	(23,518)	(50,500)	10,103	(164)
Deferred income tax and social contribution	11.a	(23,378)	(24,386)	12,179	24,097
Income tax and social contribution		(46,896)	(74,886)	22,282	23,933
Profit for the period		170,046	296,247	(39,373)	(17,983)

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, 2021 and 2020

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Note	Consolidated			
		2021		2020	
		2Q2021	1H2021	2Q2020	1H2020
Net revenue	24	889,110	1,724,084	360,904	934,699
Cost of sales	25	(628,011)	(1,206,772)	(316,920)	(729,062)
Gross profit		261,099	517,312	43,984	205,637
Selling expenses	26	(59,636)	(111,985)	(31,860)	(74,145)
Impairment of trade receivables	7	(93)	3,646	(2,486)	(3,358)
General and administrative expenses	27	(24,119)	(51,673)	(19,417)	(44,700)
Technology and product development costs	28	(10,958)	(26,833)	(11,068)	(30,246)
Other income (expenses), net	30	60,635	55,910	(36,855)	(45,586)
Gain on monetary items, net	34	11,247	25,349	16,753	17,714
Operating profit		238,175	411,726	(40,949)	25,316
Finance income	29	47,620	91,379	62,095	152,886
Finance costs	29	(59,586)	(109,387)	(81,926)	(213,313)
Finance income (costs), net		(11,966)	(18,008)	(19,831)	(60,427)
Equity in the results of investees	12	(30)	(92)	(34)	(65)
Profit before taxation		226,179	393,626	(60,814)	(35,176)
Current income tax and social contribution	11.a	(32,957)	(71,315)	8,086	(5,684)
Deferred income tax and social contribution	11.a	(23,265)	(25,771)	12,408	20,980
Income tax and social contribution		(56,222)	(97,086)	20,494	15,296
Profit for the period		169,957	296,540	(40,320)	(19,880)
Profit attributable to					
Owners of the parent		170,046	296,247	(39,373)	(17,983)
Non-controlling interests		(89)	293	(947)	(1,897)
Profit for the period		169,957	296,540	(40,320)	(19,880)
Basic earnings per share (in reais)	23	1.32529	2.30886	(0.30686)	(0.14014)

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, 2021 and 2020

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Parent company			
	2021		2020	
	2Q2021	1H2021	2Q2020	1H2020
Profit for the period	170,046	296,247	(39,373)	(17,983)
Comprehensive income				
Items that will be reclassified to profit or loss				
Change in cash flow hedge, net	20,791	16,668	4,015	(36,818)
Income tax and social contribution on cash flow hedge	(7,069)	(5,667)	(1,365)	12,517
Cumulative translation adjustments	(40,642)	(36,892)	(2,330)	38,925
Other comprehensive income	(26,920)	(25,891)	320	14,624
Total comprehensive income for the period, net of income tax and social contribution	143,126	270,356	(39,053)	(3,359)
Total comprehensive income	143,126	270,356	(39,053)	(3,359)

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, 2021 and 2020

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Note	Consolidated			
		2021		2020	
		2Q2021	1H2021	2Q2020	1H2020
Profit for the period		169,957	296,540	(40,320)	(19,880)
Comprehensive income					
Items that will be reclassified to profit or loss					
Change in cash flow hedge, net		20,791	16,668	4,015	(36,818)
Income tax and social contribution on cash flow hedge	11.b ii	(7,069)	(5,667)	(1,365)	12,517
Cumulative translation adjustments		(40,642)	(36,892)	(2,330)	38,925
Other comprehensive income		(26,920)	(25,891)	320	14,624
Total comprehensive income for the period, net of income tax and social contribution		143,037	270,649	(40,000)	(5,256)
Comprehensive income attributable to:					
Owners of the parent		143,126	270,356	(39,053)	(3,359)
Non-controlling interests		(89)	293	(947)	(1,897)
Total comprehensive income		143,037	270,649	(40,000)	(5,256)

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, 2021

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Note	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
		Share capital	Legal reserve	Reserve for expansion and modernization	Special reserve	Proposed additional dividends	Total	Carrying value adjustments	Cumulative translation adjustments	Total				
At December 31, 2020		966,255	156,490	157,761	175,572	48,581	538,404	20,927	(177,630)	(156,703)	-	1,347,956	(5,969)	1,341,987
Equity transactions with shareholders														
Prescribed dividends and interest on capital		-	-	-	-	-	-	-	-	-	156	156	-	156
Profit for the period		-	-	-	-	-	-	-	-	-	296,247	296,247	293	296,540
Other comprehensive income														
Cumulative translation adjustments	22	-	-	-	-	-	-	-	(36,892)	(36,892)	-	(36,892)	-	(36,892)
Change in cash flow hedge, net	22	-	-	-	-	-	-	16,668	-	16,668	-	16,668	-	16,668
Income tax and social contribution on cash flow hedge	22	-	-	-	-	-	-	(5,667)	-	(5,667)	-	(5,667)	-	(5,667)
Realization of deemed cost, net	22	-	-	-	-	-	-	(262)	-	(262)	262	-	-	-
Internal changes in equity														
Payment of proposed additional dividends		-	-	-	-	(48,581)	(48,581)	-	-	-	-	(48,581)	-	(48,581)
At June 30, 2021		966,255	156,490	157,761	175,572	-	489,823	31,666	(214,522)	(182,856)	296,665	1,569,887	(5,676)	1,564,211

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, 2020

All amounts in thousands of reais

(A free translation of the original in Portuguese)

Note	Attributable to owners of the parent											Non-controlling interests	Total equity	
	Revenue reserves					Other comprehensive income					Retained earnings			Equity attributable to owners of the parent
	Share capital	Legal reserve	Reserve for expansion and modernization	Special reserve	Proposed additional dividends	Total	Carrying value adjustments	Cumulative translation adjustments	Total					
At January 1st, 2020	966,255	150,263	157,761	-	175,572	483,596	36,627	-	(182,924)	(146,297)	-	1,303,554	(6,600)	1,296,954
Equity transactions with shareholders														
Prescribed dividends and interest on capital	-	-	-	-	-	-	-	-	-	-	22	22	-	22
Profit for the period	-	-	-	-	-	-	-	-	-	-	(17,983)	(17,983)	(1,897)	(19,880)
Other comprehensive income														
Cumulative translation adjustments	22	-	-	-	-	-	-	38,925	38,925	-	-	38,925	-	38,925
Change in cash flow hedge, net	22	-	-	-	-	-	(36,818)	-	(36,818)	-	-	(36,818)	-	(36,818)
Income tax and social contribution on cash flow hedge	22	-	-	-	-	-	12,517	-	12,517	-	-	12,517	-	12,517
Realization of deemed cost, net	22	-	-	-	-	-	(275)	-	(275)	275	-	-	-	-
Internal changes in equity														
Payment of proposed additional dividends	-	-	-	175,572	(175,572)	-	-	-	-	-	-	-	-	-
At June 30, 2020	966,255	150,263	157,761	175,572	-	483,596	12,051	-	(143,999)	(131,948)	(17,686)	1,300,217	(8,497)	1,291,720

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, 2021 and 2020

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Note	Parent company		Consolidated	
		1H2021	1H2020	1H2021	1H2020
Cash flows from operating activities					
Profit before taxation		371,133	(41,916)	393,626	(35,176)
Adjustments for:					
Depreciation and amortization		48,509	49,064	50,419	51,351
Equity in the results of investees	12	(112,875)	(17,566)	92	65
Recognition (reversal) of provision for impairment of investments	12	-	1,741	-	-
Interest and foreign exchange and monetary variations, net		27,599	48,734	31,060	108,789
Unrealized (losses) gains on derivative financial instruments		(1,201)	4,089	(989)	3,986
Results on disposal of property, plant and equipment		(39)	(137)	(39)	(137)
Recognition (reversal) of provision for impairment of trade receivables	7	(2,594)	2,177	(3,635)	5,652
Recognition (reversal) of provision for tax and other contingencies	21	28,085	9,128	26,474	11,684
Recognition (reversal) of provisions for warranties	20	1,951	966	3,001	1,022
Recognition (reversal) of sundry provision	19	8,694	(3,349)	9,193	(2,982)
Recognition (reversal) of provision for impairment of property, plant and		(501)	21,105	(501)	29,627
Recognition (reversal) of provision for inventory loss	8	(6,058)	2,521	(5,798)	5,556
Interest expense on lease liability	17.b	1,288	1,008	1,324	1,104
Gain on net monetary position	34	(40,796)	(19,276)	(25,349)	(17,714)
ICMS credit based on PIS and COFINS		(96,544)	-	(96,702)	-
(Increase) decrease in operating assets					
Trade and related-party receivables		(70,859)	37,335	(110,363)	38,282
Inventories		(115,225)	(40,795)	(125,999)	(48,376)
Taxes recoverable		(7,085)	906	(11,683)	(4,747)
Other assets		(4,027)	(8,324)	(14,511)	(11,373)
(Increase) decrease in operating assets					
Trade and related-party payables		26,471	(9,036)	47,694	(952)
Salaries, vacation pay and social charges		46,634	17,539	48,478	19,242
Taxes and contributions payable		(10,327)	(1,832)	(18,429)	(308)
Other liabilities		(15,751)	(13,983)	(16,812)	(16,922)
Cash from operations		76,482	40,099	180,551	137,673
Income tax and social contribution paid		(42,621)	(12,030)	(49,400)	(14,356)
Net cash provided by operating activities		33,861	28,069	131,151	123,317
Cash flows from investing activities					
Dividends and interest on capital received from subsidiary		98,376	93,422	-	-
Loans granted to subsidiaries		(1,245)	(20,411)	(596,729)	(367,964)
Loan repayments received from subsidiaries		-	19,918	616,711	400,404
Additions to property, plant and equipment	13	(24,907)	(7,085)	(29,059)	(8,582)
Additions to intangible assets	14	(236)	(4)	(253)	(7)
Proceeds from sale of property, plant and equipment		577	491	577	491
Cash flows from (used in) investing activities		72,565	86,331	(8,753)	24,342
Cash flows from financing activities					
Proceeds from borrowings	17.a	49,194	343,400	55,487	352,705
Repayment of principal of borrowings	17.a	(389,671)	(201,873)	(389,671)	(223,655)
Repayment of interest on borrowings	17.a	(21,938)	(4,686)	(21,938)	(5,402)
Repayment of the principal and interest on the lease liability	17.b	(5,567)	(4,692)	(6,363)	(5,382)
Dividends and interest on capital paid	10	(108,484)	(10,352)	(108,484)	(10,352)
Net cash from (used in) financing activities		(476,466)	121,797	(470,969)	107,914
Effect of foreign exchange variation on cash and cash equivalents		(1,998)	23,290	(12,634)	24,870
Increase (reduction) in cash and cash equivalents, net		(372,038)	259,487	(361,205)	280,443
Represented by:					
Cash and cash equivalents at the beginning of the period		557,868	158,554	607,835	168,781
Cash and cash equivalents at the end of the period	6	185,830	418,041	246,630	449,224
Increase (reduction) in cash and cash equivalents, net		(372,038)	259,487	(361,205)	280,443

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, 2021 and 2020

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Parent company		Consolidated	
	1H2021	1H2021	1H2020	1H2020
Gross revenue	1,763,398	952,233	2,103,435	1,144,140
Sales of goods, products and services	1,720,477	934,130	2,071,882	1,127,005
Other revenue	40,130	18,658	29,601	17,674
Provision for impairment of trade receivables	2,791	(555)	1,952	(539)
Inputs acquired from third parties	(998,371)	(543,576)	(1,171,306)	(677,449)
(Includes amounts of taxes: ICMS, IPI, PIS and COFINS)				
Cost of sales and services	(577,007)	(278,229)	(723,577)	(358,575)
Materials, energy, outsourced services and other	(401,575)	(240,309)	(429,648)	(283,886)
Impairment/recovery of assets	(19,789)	(25,038)	(18,081)	(34,988)
Gross value added	765,027	408,657	932,129	466,691
Depreciation and amortization	(48,509)	(49,064)	(50,419)	(51,350)
Net value added generated by the company	716,518	359,593	881,710	415,341
Value added received through transfer	169,524	138,732	91,287	151,165
Equity in the results of investees	112,875	15,825	(92)	(65)
Finance income	56,649	122,907	91,379	151,230
Total value added to distribute	886,042	498,325	972,997	566,506
Distribution of value added	886,042	498,325	972,997	566,506
Personnel	294,881	218,672	325,534	244,292
Taxes and contributions	206,971	113,243	229,689	122,542
Capital providers	87,943	184,393	121,234	219,552
Interest	10,363	10,374	11,313	12,350
Rentals	8,589	6,116	9,163	6,662
Foreign exchange, monetary and other variations	68,991	167,903	100,758	200,540
Shareholders	296,247	(17,983)	296,540	(19,880)
Retained earnings	296,247	(17,983)	296,247	(17,983)
Share of non-controlling interests of retained earnings	-	-	293	(1,897)

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

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

1. Operations

a) General information

MAHLE Metal Leve S.A. (the Company) is an entity domiciled in Brazil. The registered address of the Company's head office is Ernst Mahle Avenue, number 2000, Zip Code 13.846.146, Mogi Guaçu, São Paulo. The Company's consolidated (consolidated) and separate (parent company) financial statements for the periods ended June 30, 2021 and 2020 includes the Company and its subsidiaries (referred to collectively as the Group).

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

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

b) Covid-19

Since March 2020, the global scenario has been marked by the COVID-19 pandemic developments and the Company continues to closely monitoring the potential impacts on its business operations and on the health and safety of its workers and their families and society.

The Company established in March 2020 a COVID-19 protocol to protect the health of its workers. The protocol applies to all Company's facilities and subsidiaries and provides guidelines from local health authorities and the World Health Organization (WHO) as well as best practices available.

The entire supply chain has been significantly impacted by price increases and shortage of products in the first half of 2021. The shortages of raw materials such as steel, resins, imported products, as well as the lack of ships and containers both for export and import, have disrupted supply chains. As a result, in addition to rising product prices, there has been a significant increase in freight prices and air freight rates.

Liquidity risk

The Company continuously monitors liquidity risk by managing cash, financial investments and bank loans.

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

On June 30, 2021, the Group held cash and cash equivalents of R\$ 246,630 (R\$ 607,835 on December 31, 2020). To compensate for the decrease in cash, the Company had a significant decrease in loans and borrowings from R\$ 552,369 on December 31, 2020 to R\$ 205,324 on June 30, 2021. The Company has identified no potential significant signs of default in the first half of 2021.

The Company also has pre-approved lines of credits that can be drawn upon as needed.

2. Entities of the Group (subsidiaries)

	<u>Country</u>	<u>Ownership percentage (%)</u>			
		<u>06.30.2021</u>		<u>12.31.2020</u>	
		<u>Direct</u>	<u>Indirect</u>	<u>Direct</u>	<u>Indirect</u>
<u>Subsidiaries</u>					
MAHLE Argentina S.A.	Argentina	99.2	0.8	99.2	0.8
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	Brazil	60	-	60	-
MAHLE Metal Leve GmbH	Austria	100	-	100	-
MAHLE Hirschvogel Forjas S.A.	Brazil	51	-	51	-
<u>Related companies</u>					
Innoferm Tecnologia Ltda.	Brazil	33.33	-	33.33	-

3. Basis of preparation

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

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

In addition, the quartely information does not include all annual financial statement requirements and, therefore, it should be read together with the parent company and consolidated financial statements of MAHLE Metal Leve S.A. on December 31, 2020.

MAHLE Metal Leve S.A.

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(in thousand of reais)

The preparation of quarterly information requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of MAHLE Metal Leve S.A.. There have been no changes in assumptions and judgments made by management relating to the use of estimates to prepare this quarterly information in relation to those applied in the financial statements on December 31, 2020 as disclosed on March 15, 2021.

The issuance of the parent company and consolidated financial statements was authorized by the Company's Board of Directors on August 11, 2021. 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, 2020.

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 on December 31, 2020.

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

	1st half year 2021			1st half year 2020		
	Engine components	Filters	Consolidated	Engine components	Filters	Consolidated
Statement of income						
Gross operating revenue	1,931,294	227,128	2,158,422	1,046,972	125,953	1,172,925
Deductions from sales	(366,837)	(67,501)	(434,338)	(200,720)	(37,506)	(238,226)
Net operating revenue	1,564,457	159,627	1,724,084	846,252	88,447	934,699
Cost of sales	(1,082,560)	(124,212)	(1,206,772)	(656,424)	(72,638)	(729,062)
Gross profit	481,897	35,415	517,312	189,828	15,809	205,637
Selling expenses and distribution and Impairment of trade receivables	(96,459)	(11,880)	(108,339)	(67,463)	(10,040)	(77,503)
Administrative expenses	(45,370)	(6,303)	(51,673)	(38,465)	(6,235)	(44,700)
Technology research costs	(21,146)	(5,687)	(26,833)	(25,856)	(4,390)	(30,246)
Other operating income (expenses)	41,263	14,647	55,910	(45,704)	118	(45,586)
Equit	(92)	-	(92)	(65)	-	(65)
Gains (loss) on net monetary variation	24,286	1,063	25,349	16,534	1,180	17,714
Finance income	85,935	5,444	91,379	144,198	8,688	152,886
Finance costs	(103,285)	(6,102)	(109,387)	(203,657)	(9,656)	(213,313)
Profit before income tax and social contribution	367,029	26,597	393,626	(30,650)	(4,526)	(35,176)
Income tax and social contribution	(87,982)	(9,104)	(97,086)	15,307	(11)	15,296
Profit for the year	279,047	17,493	296,540	(15,343)	(4,537)	(19,880)
Non-controlling interests	(471)	178	(293)	1,670	227	1,897
Profit for the year	278,576	17,671	296,247	(13,673)	(4,310)	(17,983)

	Consolidated					
	2nd quarter 2021			2nd quarter 2020		
	Engine components	Filters	Consolidated	Engine components	Filters	Consolidated
Statement of income						
Gross operating revenue	994,593	111,545	1,106,138	410,236	45,930	456,166
Deductions from sales	(183,734)	(33,294)	(217,028)	(81,471)	(13,791)	(95,262)
Net operating revenue	810,859	78,251	889,110	328,765	32,139	360,904
Cost of sales	(566,041)	(61,970)	(628,011)	(288,290)	(28,630)	(316,920)
Gross profit	244,818	16,281	261,099	40,475	3,509	43,984
Selling expenses and distribution and Impairment of trade receivables	(53,789)	(5,940)	(59,729)	(29,560)	(4,786)	(34,346)
Administrative expenses	(21,072)	(3,047)	(24,119)	(17,046)	(2,371)	(19,417)
Technology research costs	(7,802)	(3,156)	(10,958)	(8,958)	(2,110)	(11,068)
Other operating income (expenses)	49,606	11,029	60,635	(36,837)	(18)	(36,855)
Equit	(30)	-	(30)	(34)	-	(34)
Gains (loss) on net monetary variation	10,184	1,063	11,247	15,665	1,088	16,753
Finance income	44,177	3,443	47,620	58,313	3,782	62,095
Finance costs	(56,697)	(2,889)	(59,586)	(78,391)	(3,535)	(81,926)
Profit before income tax and social contribution	209,395	16,784	226,179	(56,373)	(4,441)	(60,814)
Income tax and social contribution	(50,457)	(5,765)	(56,222)	20,495	(1)	20,494
Profit for the year	158,938	11,019	169,957	(35,878)	(4,442)	(40,320)
Non-controlling interests	1	88	89	874	73	947
Profit for the year	158,939	11,107	170,046	(35,004)	(4,369)	(39,373)

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

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

Balance sheet accounts	Consolidated					
	06.30.2021			12.31.2020		
	Engine components	Filters	Consolidated	Engine components	Filters	Consolidated
Total assets	2,527,064	184,485	2,711,549	2,651,558	145,025	2,796,583
Inventories	423,978	77,130	501,108	323,791	45,097	368,888
Property, plant and equipment	2,533,020	153,031	2,686,051	2,508,198	147,230	2,655,428
Depreciation and amortization	(1,973,913)	(100,672)	(2,074,585)	(1,921,934)	(97,881)	(2,019,815)
Intangible assets	11,247	350	11,597	11,753	280	12,033
Goodwill	379,958	-	379,958	379,958	-	379,958
Investment - Innoferm Tecnologia Ltda.	115	-	115	208	-	208
Other	1,152,659	54,646	1,207,305	1,349,584	50,299	1,399,883

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							
	2Q2021	%	1H2021	%	2Q2020	%	1H2020	%
Domestic market (Brazil and Argentina)	488,249	54.9%	959,735	55.7%	186,169	51.6%	497,229	53.2%
EUA	70,985	8.0%	133,808	7.8%	39,897	11.1%	88,732	9.5%
México	68,329	7.7%	134,285	7.8%	28,283	7.8%	72,573	7.8%
Itália	39,781	4.5%	75,409	4.4%	18,230	5.1%	31,592	3.4%
Alemanha	53,410	6.0%	100,684	5.8%	30,751	8.5%	78,752	8.4%
Espanha	23,557	2.6%	44,932	2.6%	9,287	2.6%	24,936	2.7%
Suécia	15,630	1.8%	34,617	2.0%	9,244	2.6%	22,649	2.4%
França	17,684	2.0%	33,790	2.0%	9,095	2.5%	20,269	2.2%
Portugal	12,224	1.4%	25,066	1.5%	4,573	1.3%	13,889	1.5%
Canadá	2,777	0.3%	9,574	0.6%	902	0.2%	5,655	0.6%
Chile	6,086	0.7%	11,689	0.7%	1,942	0.5%	4,349	0.5%
Paraguai	5,312	0.6%	10,687	0.6%	730	0.2%	3,045	0.3%
Peru	3,833	0.4%	7,863	0.5%	651	0.2%	2,300	0.2%
Bolívia	3,843	0.4%	6,880	0.4%	816	0.2%	2,638	0.3%
China	4,382	0.5%	7,090	0.4%	1,394	0.4%	3,943	0.4%
Uruguai	2,538	0.3%	4,400	0.3%	1,133	0.3%	2,525	0.3%
Índia	3,652	0.4%	6,688	0.4%	1,257	0.3%	3,283	0.4%
Reino Unido	3,957	0.4%	6,665	0.4%	1,915	0.5%	5,914	0.6%
Outros	62,881	7.1%	110,222	6.4%	14,635	4.1%	50,426	5.4%
Total	889,110	100.0%	1,724,084	100%	360,904	100%	934,699	100%

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(in thousand of reais)

6. Cash and cash equivalents

	Parent company		Consolidated	
	06.30.2021	12.31.2020	06.30.2021	12.31.2020
Cash and demand deposits				
BRL	4,442	1,156	4,599	1,315
ARS (expressed in BRL)	-	-	6,393	5,881
USD (expressed in BRL)	15,263	9,858	15,263	9,858
EUR (expressed in BRL)	10,288	64,054	11,115	65,132
	29,993	75,068	37,370	82,186
BRL	144,967	479,164	145,207	479,295
ARS (expressed in BRL)	-	-	48,261	35,493
USD (expressed in BRL)	6,003	3,636	6,003	3,636
Financial investments	150,970	482,800	199,471	518,424
BRL	4,867	-	4,867	-
ARS (expressos em BRL)	-	-	6	65
USD (expressos em BRL)	-	-	3,553	4,542
EUR (expressos em BRL)	-	-	1,363	2,618
Cash in transit	4,867	-	9,789	7,225
	185,830	557,868	246,630	607,835

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

Financial investments have made as follows:

- BRL – Certificates of bank deposit (CDBs) and resale agreements (100.0%) – These investments accrue interest, on average, at 101.3% of the CDI, and are held only with Brazilian top-tier banks.
- ARS – Investment funds without grace periods and fixed-income investments with a term of thirty days, which carry average interest of 33.10% p.a. (BADLAR – Interest rate for term deposits).
- USD - Certificate deposits and Time deposits – These investments accrue interest, on average, at 0.08%, are short-term and have original maturities of less than three months.
- 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.

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(in thousand of reais)

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

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>06.30.2021</u>	<u>12.31.2020</u>	<u>06.30.2021</u>	<u>12.31.2020</u>
Market				
Domestic	288,708	259,713	289,059	260,091
Foreign	53,639	31,539	169,797	115,116
	<u>342,347</u>	<u>291,252</u>	<u>458,856</u>	<u>375,207</u>
Other accounts receivable	5,348	3,834	5,348	3,834
Provision for impairment of trade receivables	<u>(3,653)</u>	<u>(6,260)</u>	<u>(6,532)</u>	<u>(10,180)</u>
	<u>344,042</u>	<u>288,826</u>	<u>457,672</u>	<u>368,861</u>
Related parties (Note 10)	101,259	83,009	121,455	96,255
	<u>445,301</u>	<u>371,835</u>	<u>579,127</u>	<u>465,116</u>

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>06.30.2021</u>	<u>12.31.2020</u>	<u>06.30.2021</u>	<u>12.31.2020</u>
Not yet due	334,536	278,882	436,416	350,546
Past due:				
Up to 7 days	4,118	2,496	11,488	5,681
From 8 to 30 days	3,458	3,065	5,750	7,907
From 31 to 60 days	1,001	3,009	2,470	3,318
From 61 to 90 days	588	901	768	1,362
From 91 to 120 days	541	709	1,033	759
From 121 to 180 days	1,006	1,750	1,069	2,285
From 181 to 360 days	753	1,001	1,064	2,017
Over 360 days	1,694	3,273	4,147	5,166
(-) Provision for impairment of trade receivables	<u>(3,653)</u>	<u>(6,260)</u>	<u>(6,532)</u>	<u>(10,180)</u>
Total past due deducted provision	9,506	9,945	21,256	18,315
	<u>344,042</u>	<u>288,826</u>	<u>457,672</u>	<u>368,861</u>

On June 30, 2021, trade receivables of the parent company in the amount of R\$ 9,506 (December 31, 2020 - R\$ 9,944) and consolidated trade receivables on June 30, 2021 of R\$ 21,257 (December 31, 2020 - R\$ 18,315) 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.

The table above which presents the loss provision for accounts receivable past due for more than 120 days does not include amounts of goods returned and advances from customers to reflect the economic essence of the potential loss. No provision for impairment of accounts receivable has been recognized for related parties, but there are no significant accounts.

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

	<u>Parent company</u>	<u>Consolidated</u>
At December 31, 2020	<u>(6,260)</u>	<u>(10,180)</u>
Receivables provided for in the period	(3,450)	(3,766)
Receivables reversed in the period	6,228	7,409
Receivables written off definitively	13	13
Foreign exchange variation	<u>(184)</u>	<u>(8)</u>
At June 30th, 2021	<u>(3,653)</u>	<u>(6,532)</u>

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Notes to the interim financial statements

(in thousand of reais)

8. Inventories

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>06.30.2021</u>	<u>12.31.2020</u>	<u>06.30.2021</u>	<u>12.31.2020</u>
Finished products	156,160	113,613	223,685	180,823
Work in progress	137,102	95,404	152,885	107,664
Raw materials	66,183	45,294	83,666	56,165
Auxiliary materials	9,656	6,328	15,290	10,201
Imports in transit	19,916	6,690	25,582	14,035
	<u>389,017</u>	<u>267,329</u>	<u>501,108</u>	<u>368,888</u>

On June 30, 2021, 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\$ 72,967 (R\$ 79,025 on December 31, 2020) in the parent company and R\$ 91,696 (R\$ 97,494 on December 31, 2020) in the consolidated accounts.

Changes in the provision for inventory loss are as follows:

	<u>Parent company</u>	<u>Consolidated</u>
At December 31, 2020	<u>(79,025)</u>	<u>(97,494)</u>
Reversal of provision	17,104	23,626
Recognition of provision	(11,065)	(20,768)
Inventory written off definitively as loss	19	19
Foreign exchange variation	-	2,921
At June 30, 2021	<u>(72,967)</u>	<u>(91,696)</u>

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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	
	06.30.2021	12.31.2020	06.30.2021	12.31.2020
Income tax and social contribution recoverable	41,207	40,304	48,908	52,687
Value-added Tax on Sales and Services (ICMS) on purchases of fixed assets	31,254	27,250	31,286	27,364
ICMS and Excise Tax (IPI)	6,240	6,844	6,240	6,844
Tax on import operations	8,850	2,513	9,215	2,640
Social Contribution on Revenues (COFINS)	3,642	6,299	3,642	6,300
Social Integration Program (PIS)	781	1,354	781	1,354
I.V.A. (Argentina)	-	-	2,924	4,637
Other	9	10	2,222	2,923
Taxes recoverable	50,776	44,270	56,310	52,062
Current	91,983	84,574	105,218	104,749
ICMS credit based on PIS and COFINS	96,544	10,561	96,702	-
Value-added Tax on Sales and Services (ICMS) on purchases of fixed assets	9,239	-	9,239	10,561
Export incentive - Argentina	-	-	6,558	7,237
Non-current	105,783	10,561	112,499	17,798

(*) In 2017, the Brazilian Supreme Court decided that the inclusion of ICMS in the basis of calculation of PIS and COFINS was unconstitutional but it did not specify which amounts should be excluded (amount of ICMS indicated on the invoice or ICMS amount effectively paid, considering credits), and whether its decision should apply to prior periods or future periods only.

On May 13, 2021, the Supreme Court decided that the amount of ICMS indicated on the invoice can be excluded from the basis of calculation of PIS and COFINS retroactively from March 15, 2017. The Supreme Court decision is not subject to appeal.

At June 30, 2021, the Company recognized the amounts of R\$ 96,544 (Parent company) and R\$ 96,702 (Consolidated), of which R\$ 88,661 (Parent Company) and R\$ 88,804 (Consolidated) were included in 'other operating income' (Note 30), interest (SELIC rate) income on eligible receivables in the amount of R\$ 7,884 (Parent company) and R\$ 7,897 (Consolidated) in 'finance income' (Note 29), and deferred income tax in the amount of R\$ 32,825 (Parent company) and R\$ 32,879 (Consolidated) in deferred tax assets and liabilities (Note 11.b.i).

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 06.30.2021					Transactions from 01.01.2021 to 06.30.2021				
	Current assets		Non-current assets		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 (***)	Products	Other	Products	Other	
Companies										
Subsidiaries										
Direct subsidiaries										
MAHLE Metal Leve GmbH	64,526	60	58,776	-	-	-	242,899	24	-	-
MAHLE Argentina S.A.	13,131	60	-	21,957	-	60	39,488	1,655	391	-
MAHLE Filtróil Indústria e Comércio de Filtros Ltda.	50	60	-	7,328	-	-	-	132	-	-
MAHLE Hirschvogel Forjas S.A.	23	60	-	654	-	-	-	65	-	-
Sub-total Controladas Diretas	77,730		58,776	29,939			282,387	1,876	391	
Related companies										
MAHLE Engine Components USA, Inc.	5,311	60	-	-	438	60	16,785	-	1,341	352
MAHLE Componenti Motori Italia S.p.A.	4,540	60	-	-	5,733	60	19,407	-	344	720
MAHLE Behr Gerenciamento Térmico Brasil Ltda.	3,442	60	-	-	1,696	60	1,812	8,600	11,980	448
MAHLE Compressores do Brasil Ltda.	2,122	60	-	-	13,043	60	1,210	5,322	24,708	152
MAHLE Aftermarket S. de R.L. de C.V.	1,581	60	-	-	-	-	3,053	-	-	-
MAHLE Aftermarket GmbH	1,569	60	-	-	4,246	60	3,474	920	2,014	3,040
MAHLE Engine Components (Yingkou) Co., Ltd.	846	60	-	-	-	-	2,117	-	-	-
MAHLE Aftermarket Inc.	834	60	-	-	74	60	1,038	193	19	117
MAHLE Engine Components (Nanjing) Co., Ltd.	582	60	-	-	-	-	1,303	-	-	-
MAHLE GmbH	537	60	-	-	16,044	60	97	621	3,114	13,833 *
MAHLE International GmbH	458	60	-	-	10,297	60	-	1,218	-	19,820
MAHLE Industriemotoren-Komponenten GmbH	294	60	-	-	-	-	71	-	-	-
MAHLE Indústria e Comércio Ltda.	292	60	-	-	1,743	60	-	1,204	442	4,516 **
MAHLE Componentes de Motores S.A.	253	60	-	-	40	60	1,975	22	232	-
MAHLE Holding (China) Co., Ltd.	214	60	-	-	110	60	227	-	-	213
MAHLE Engine Components (Chongqing) Co., Ltd.	182	60	-	-	-	-	566	-	-	-
MAHLE Motor Parcalari San. Izmir A.S.	175	60	-	-	3	60	1,434	-	710	-
MAHLE Trading Japan Co., Ltd.	84	60	-	-	229	60	-	88	515	-
MAHLE France SAS	70	60	-	-	-	-	345	-	-	-
MAHLE Engine Systems UK Ltd.	45	60	-	-	3,104	60	(1)	(29)	4,712	-
MAHLE Componentes de Motor de Mexico, S. de R.L. de C.V.	39	60	-	-	867	60	584	-	7,635	76
MAHLE Industries, Inc.	16	60	-	-	352	60	-	25	-	346
MAHLE Motorsports Inc	9	60	-	-	-	-	17	-	-	-
MAHLE Japan Ltd.	9	60	-	-	282	60	-	26	-	282
MAHLE Kleinmotoren-Komponenten GmbH & Co. KG	7	60	-	-	-	-	14	-	-	-
MAHLE Vöcklabruck GmbH	6	60	-	-	-	-	10	-	-	-
MAHLE Polska Sp. z o.o.	4	60	-	-	-	-	9	-	-	-
MAHLE Engine Components Slovakia s.r.o.	4	60	-	-	-	-	66	-	-	-
MAHLE Filter Systems USA	3	60	-	-	43	60	2	-	-	-
MAHLE Filtr Sistemleri A.S.	2	60	-	-	-	-	2	267	-	-
MAHLE Engineering Services India Private Limited	1	60	-	-	-	-	-	-	-	-
MAHLE Aftermarket Pte. Ltd.	-	-	-	-	1,864	60	23	-	3,680	-
Innoferm Tecnologia Ltda.	-	-	-	-	1,300	60	-	-	-	-
MAHLE Filtersysteme GmbH	-	-	-	-	918	60	-	-	-	586
MAHLE Donghyun Filter Systems Co., Ltd.	-	-	-	-	839	60	-	-	235	1
MAHLE Electric Drives (Taicang) Co., Ltd.	-	-	-	-	491	60	-	81	1,863	-
MAHLE Filtersysteme Austria GmbH	-	-	-	-	486	60	-	-	1,275	-
MAHLE Trading (Shanghai) Co., Ltd.	-	-	-	-	424	60	-	-	593	-
MAHLE Automotive Technologies (China) Co., Ltd	-	-	-	-	398	60	-	-	-	398
MAHLE Electric Drives Slovenija d.o.o.	-	-	-	-	361	60	-	29	1,769	-
MAHLE Behr Service Asia Co., Ltd.	-	-	-	-	282	60	-	-	1,454	-
MAHLE Filter Systems Japan Corporation	-	-	-	-	171	60	-	-	507	-
MAHLE Shared Services Mexico S. de R.L. de C.V.	-	-	-	-	89	60	-	-	-	-
MAHLE Filter Systems Philippines Corporation	-	-	-	-	53	60	-	-	87	-
MAHLE Componente de Motor SRL	-	-	-	-	34	60	-	-	226	-
MAHLE S.A.U.	-	-	-	-	25	60	-	-	275	-
MAHLE Anand Filter Systems Private Limited	-	-	-	-	-	-	68	-	-	-
MAHLE Fil. Sys. UK Ltd.	-	-	-	-	-	-	-	-	275	-
MAHLE Aftermarket Italy S.p.A.	-	-	-	-	2	60	-	-	210	2
Other	(2)	-	-	-	25	-	50	(7)	15	9
Total related companies	23,529				66,106		55,758	18,580	70,230	44,911
Total related parties	101,259		58,776	29,939	66,106		338,145	20,456	70,621	44,911

* Brand license of RS 6,911

** Rent of RS 4,516

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

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

	Parent company										
	Balances at 12.31.2020					Transactions from 01.01.2020 to 06.30.2020					
	Current assets		Non-current assets	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 (***)	Dividends and interest on capital payable	Products	Other	Products	Other
Companies											
Subsidiaries											
Direct subsidiaries											
MAHLE Metal Leve GmbH	49,566	60	66,134	-	-	-	-	153,559	269	-	-
MAHLE Argentina S.A.	10,433	60	-	22,248	486	60	-	20,511	1,156	22	-
MAHLE Filtróil Indústria e Comércio de Filtros Ltda.	132	60	-	6,781	-	-	-	-	88	-	-
MAHLE Hirschvogel Forjas S.A.	23	60	-	-	-	-	-	-	65	-	-
Sub-total Controladas Diretas	60,154		66,134	29,029	486			174,070	1,578	22	-
Related companies											
MAHLE Componenti Motori Italia S.p.A.	5,168	60	-	-	5,394	60	-	8,497	1	26	-
MAHLE Engine Components USA, Inc.	4,510	60	-	-	493	60	-	4,309	-	578	-
MAHLE Behr Gerenciamento Térmico Brasil Ltda.	2,463	60	-	-	2,993	60	-	210	7,364	10,887	365
MAHLE Aftermarket S. de R.L. de C.V.	2,286	60	-	-	-	-	-	2,409	-	-	-
MAHLE Aftermarket GmbH	1,797	60	-	-	2,078	60	-	2,502	630	2,282	3,322
MAHLE Compressores do Brasil Ltda.	1,432	60	-	-	5,033	60	-	342	3,234	10,566	-
MAHLE International GmbH	1,225	60	-	-	14,971	60	-	-	848	-	13,933
MAHLE Engine Components (Yingkou) Co., Ltd.	849	60	-	-	-	-	-	1,996	11	-	-
MAHLE GmbH	729	60	-	-	16,289	60	-	166	8	1,325	12,482 *
MAHLE Aftermarket Inc.	310	60	-	-	41	60	-	162	219	-	236
MAHLE Holding (China) Co., Ltd.	285	60	-	-	219	60	-	5	94	-	173
MAHLE Industriemotoren-Komponenten GmbH	284	60	-	-	-	-	-	157	-	-	-
MAHLE Motor Parcalari San. Izmir A.S.	271	60	-	-	442	60	-	1,485	-	83	-
MAHLE Engine Components (Nanjing) Co., Ltd.	260	60	-	-	-	-	-	1,167	-	19	-
MAHLE Engine Systems UK Ltd.	197	60	-	-	2,432	60	-	-	-	2,199	10
MAHLE Industries, Inc.	180	60	-	-	784	60	-	-	312	-	-
MAHLE Indústria e Comércio Ltda.	139	60	-	-	1,325	60	36,017	136	335	538	3,667 **
MAHLE Trading Japan Co., Ltd.	108	60	-	-	-	-	-	-	9	147	-
MAHLE Engine Components (Chongqing) Co., Ltd.	104	60	-	-	-	-	-	399	-	-	-
MAHLE Componentes de Motores S.A.	88	60	-	-	3	60	-	296	37	53	3
MAHLE France SAS	63	60	-	-	-	-	-	68	-	-	-
MAHLE Componentes de Motor de Mexico, S. de R.L.	47	60	-	-	1,222	60	-	308	15	5,792	5
MAHLE Engine Components Slovakia s.r.o.	42	60	-	-	96	60	-	45	-	-	-
MAHLE S.A.U.	20	60	-	-	34	60	-	2	-	-	-
MAHLE Japan Ltd.	14	60	-	-	-	-	-	-	18	-	-
MAHLE India Pistons Ltd.	13	60	-	-	-	-	-	16	-	-	-
MAHLE Shared Services Mexico S. de R.L. de C.V.	11	60	-	-	372	60	-	-	-	-	-
MAHLE Kleinmotoren-Komponenten GmbH & Co. KG	6	60	-	-	-	-	-	21	-	-	-
Shanghai MAHLE Thermal Systems Co. Ltd.	4	60	-	-	-	-	-	-	-	-	-
MAHLE Filtersysteme GmbH	2	60	-	-	537	60	-	-	2	11	1,473
MAHLE Motorsports Inc	1	60	-	-	-	-	-	2	-	-	-
MAHLE Engineering Services India Private Limited	1	60	-	-	-	-	-	-	-	-	-
MAHLE Electric Drives Slovenija d.o.o.	1	60	-	-	343	60	-	-	22	1,203	-
MAHLE Composants Moteur France SAS	(52)	60	-	-	-	-	-	23	-	-	-
MAHLE Aftermarket Pte. Ltd.	-	-	-	-	2,172	60	-	15	-	1,696	-
Innoferm Tecnologia Ltda.	-	-	-	-	1,600	60	-	-	-	-	-
MAHLE Donghyun Filter Systems Co., Ltd.	-	-	-	-	1,039	60	-	-	-	435	-
MAHLE Filter Systems Japan Corporation	-	-	-	-	413	60	-	-	-	238	-
MAHLE Filtersysteme Austria GmbH	-	-	-	-	368	60	-	-	-	1,118	-
MAHLE Electric Drives (Taicang) Co., Ltd.	-	-	-	-	320	60	-	-	28	1,304	-
MAHLE Fil. Sys. UK Ltd.	-	-	-	-	283	60	-	-	-	187	-
MAHLE Aftermarket Italy S.p.A.	-	-	-	-	175	60	-	-	-	175	-
MAHLE Componente de Motor SRL	-	-	-	-	127	60	-	-	-	135	-
MAHLE Trading (Shanghai) Co., Ltd.	-	-	-	-	115	60	-	-	-	290	1
MAHLE Engine Components Japan Corporation	-	-	-	-	99	60	-	70	228	-	-
MAHLE Filter Systems USA	-	-	-	-	44	60	-	4	-	-	47
MAHLE Filter Systems Philippines Corporation	-	-	-	-	13	60	-	-	-	43	-
MAHLE Industriebeteiligungen GmbH	-	-	-	-	-	-	6,003	-	-	-	-
MAHLE Behr Service Asia Co., Ltd.	-	-	-	-	-	-	-	-	-	1,197	-
Other	(3)	-	-	-	20	-	-	39	37	64	34
Total related companies	22,855		-	-	61,889		42,020	24,851	13,452	42,591	35,751
Total related parties	83,009		66,134	29,029	62,375		42,020	198,921	15,030	42,613	35,751

* Brand license of R\$ 3,388

** Rent of R\$ 3,667

*** 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 06.30.2021				Transactions from 01.01.2021 to 06.30.2021				
	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 (***)	Products	Other	Products	Other
Empresas									
Related companies									
MAHLE Componenti Motori Italia S.p.A.	25,246	60	-	8,157	60	70,910	-	344	720
MAHLE Componentes de Motor de Mexico, S. de R.L. de C.V.	24,428	60	-	867	60	60,189	-	7,635	76
MAHLE Aftermarket GmbH	17,785	60	-	5,218	60	42,416	920	6,247	3,040
MAHLE Vöcklabruck GmbH	8,768	60	-	-	-	(2)	-	-	-
MAHLE Engine Components USA, Inc.	7,697	60	-	6,364	60	21,909	-	1,341	519
MAHLE Componentes de Motores S.A.	6,873	60	-	40	60	23,110	22	232	-
MAHLE France SAS	6,481	60	-	42	60	19,643	-	33	-
MAHLE Aftermarket S. de R.L. de C.V.	5,044	60	-	-	-	13,297	-	-	-
MAHLE Behr Gerenciamento Térmico Brasil Ltda.	3,442	60	-	2,545	60	1,812	8,600	13,626	448
MAHLE Compressores do Brasil Ltda.	2,122	60	-	13,043	60	1,210	5,322	24,708	152
MAHLE S.A.U.	2,092	60	-	25	60	5,329	-	275	-
MAHLE Engine Components India Priv. Ltd.	1,445	60	-	42	60	2,507	-	-	-
MAHLE Aftermarket Inc.	1,354	60	-	74	60	2,243	193	19	117
MAHLE Industriemotoren-Komponenten GmbH	1,259	60	-	65	60	3,319	-	-	-
MAHLE GmbH	1,132	60	-	20,445	60	1,584	621	3,114	14,659 *
MAHLE Kleinmotoren-Komponenten GmbH & Co. KG	1,116	60	-	168	60	3,782	-	-	60
MAHLE Motor Parcalari San. Izmir A.S.	991	60	-	3	60	2,810	-	710	-
MAHLE Engine Components (Yingkou) Co., Ltd.	846	60	-	-	-	2,117	-	-	-
MAHLE Engine Components (Thailand) Co., Ltd.	761	60	-	157	60	2,307	-	-	-
MAHLE Engine Components (Nanjing) Co., Ltd.	583	60	-	-	-	1,303	-	-	-
MAHLE Polska Sp. z o.o.	526	60	-	-	-	1,576	-	-	-
MAHLE International GmbH	458	60	-	16,024	60	-	1,218	-	21,415
MAHLE Indústria e Comércio Ltda.	292	60	-	1,743	60	-	1,204	442	4,516 **
MAHLE Holding (China) Co., Ltd.	214	60	-	110	60	227	-	-	213
MAHLE Engine Components (Chongqing) Co., Ltd.	182	60	-	-	-	566	-	-	-
MAHLE Engine Components Slovakia s.r.o.	151	60	-	-	-	970	-	-	-
MAHLE Trading Japan Co., Ltd.	84	60	-	229	60	-	88	515	-
MAHLE Engine Systems UK Ltd.	45	60	-	3,104	60	(1)	(29)	4,712	-
MAHLE Industries, Inc.	16	60	-	869	60	-	25	-	1,805
MAHLE Motorsports Inc	9	60	-	-	-	17	-	-	-
MAHLE Japan Ltd.	9	60	-	282	60	-	26	-	282
MAHLE Filter Systems USA	3	60	-	43	60	2	-	-	-
MAHLE Filtre Sistemleri A.S.	2	-	-	-	-	2	267	-	-
MAHLE Engineering Services India Private Limited	1	60	-	-	-	-	-	-	-
MAHLE Aftermarket Pte. Ltd.	-	-	-	1,864	60	23	-	3,680	-
Innoferm Tecnologia Ltda.	-	-	-	1,300	60	-	-	-	-
MAHLE Filtersysteme GmbH	-	-	-	918	60	-	-	-	586
MAHLE Donghyun Filter Systems Co., Ltd.	-	-	-	839	60	-	-	235	1
MAHLE Filtersysteme Austria GmbH	-	-	-	564	60	-	-	1,275	165
MAHLE Behr Service Asia Co., Ltd.	-	-	-	518	60	-	-	2,126	-
MAHLE Engine Components USA, Inc.	-	-	-	493	60	-	-	-	-
MAHLE Electric Drives (Taicang) Co., Ltd.	-	-	-	491	60	-	81	1,863	-
MAHLE Electric Drives Slovenija d.o.o.	-	-	-	454	60	-	29	1,861	-
MAHLE Trading (Shanghai) Co., Ltd.	-	-	-	424	60	-	-	593	-
MAHLE Automotive Technologies (China) Co., Ltd	-	-	-	398	60	-	-	-	398
MAHLE Filter Systems Japan Corporation	-	-	-	171	60	-	-	507	-
MAHLE Ventiltrieb GmbH	-	-	-	127	60	-	-	-	127
MAHLE Aftermarket Italy S.p.A.	-	-	-	95	60	-	-	387	2
MAHLE Shared Services Mexico S. de R.L. de C.V.	-	-	-	89	60	-	-	-	-
MAHLE Filter Systems Philippines Corporation	-	-	-	53	60	-	-	87	-
MAHLE Holding Austria GmbH	-	-	48,622	37	60	-	-	-	-
MAHLE Componente de Motor SRL	-	-	-	34	60	-	-	226	-
MAHLE Anand Filter Systems Private Limited	-	-	-	-	-	68	-	-	-
MAHLE Fil. Sys. UK Ltd.	-	-	-	-	-	-	-	275	-
Outros	(2)	-	-	17	-	50	(7)	15	9
Total related companies	121,455		48,622	88,545		285,295	18,580	77,083	49,310
Total related parties	121,455		48,622	88,545		285,295	18,580	77,083	49,310

* Brand license of R\$ 7,316

** Rent of R\$ 4,516

*** 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 12.31.2020					Transactions from 01.01.2020 to 06.30.2020				
	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
Empresas										
Related companies										
MAHLE Aftermarket GmbH	20,190	60	-	3,130	60	-	37,069	630	7,077	3,326
MAHLE Componenti Motori Italia S.p.A.	18,210	60	-	7,604	60	-	34,828	1	26	-
MAHLE Componentes de Motor de Mexico, S. de R.L. de C.V.	17,241	60	-	1,222	60	-	45,416	15	5,792	5
MAHLE Componentes de Motores S.A.	6,203	60	-	3	60	-	15,642	37	53	3
MAHLE Engine Components USA, Inc.	5,439	60	-	4,877	60	-	7,970	-	578	1,203
MAHLE France SAS	5,376	60	-	122	60	-	14,191	-	-	-
MAHLE Aftermarket S. de R.L. de C.V.	4,256	60	-	-	-	-	5,145	-	-	-
MAHLE Vöcklabruck GmbH	2,836	60	-	-	-	-	5,764	-	-	22
MAHLE Behr Gerenciamento Térmico Brasil Ltda.	2,463	60	-	3,316	60	-	210	7,364	11,712	365
MAHLE S.A.U.	2,252	60	-	34	60	-	5,350	-	-	-
MAHLE Kleinmotoren-Komponenten GmbH & Co. KG	1,622	60	-	80	60	-	1,571	-	-	44
MAHLE Compressores do Brasil Ltda.	1,432	60	-	5,033	60	-	342	3,234	10,566	-
MAHLE International GmbH	1,225	60	-	19,735	60	-	-	848	-	14,945
MAHLE GmbH	1,126	60	-	20,713	60	-	11,817	8	1,325	13,783 *
MAHLE Industriemotoren-Komponenten GmbH	903	60	-	71	60	-	3,375	-	-	60
MAHLE Engine Components (Yingkou) Co., Ltd.	849	60	-	-	-	-	1,996	11	-	-
MAHLE Polska Sp. z o.o.	738	60	-	-	-	-	478	-	-	-
MAHLE Aftermarket Inc.	675	60	-	41	60	-	1,067	219	-	236
MAHLE Engine Components Slovakia s.r.o.	550	60	-	96	60	-	397	-	-	-
MAHLE Engine Components (Thailand) Co., Ltd.	533	60	-	165	60	-	3,438	-	-	-
MAHLE Engine Components India Priv. Ltd.	466	60	-	2	60	-	645	-	-	-
MAHLE Motor Parcalari San. Izmir A.S.	403	60	-	442	60	-	3,326	-	83	-
MAHLE Holding (China) Co., Ltd.	285	60	-	219	60	-	5	94	-	173
MAHLE Engine Components (Nanjing) Co., Ltd.	260	60	-	-	-	-	1,167	-	19	-
MAHLE Engine Systems UK Ltd.	197	60	-	2,434	60	-	-	-	2,199	10
MAHLE Industries, Inc.	180	60	-	1,175	60	-	-	312	-	1,064
MAHLE Indústria e Comércio Ltda.	139	60	-	1,325	60	36,017	136	335	538	3,667 **
MAHLE Trading Japan Co., Ltd.	108	60	-	-	-	-	-	9	147	-
MAHLE Engine Components (Chongqing) Co., Ltd.	104	60	-	-	-	-	399	-	-	-
MAHLE Japan Ltd.	14	60	-	-	-	-	-	18	-	-
MAHLE India Pistons Ltd.	13	60	-	-	-	-	16	-	-	-
MAHLE Shared Services Mexico S. de R.L. de C.V.	11	60	-	372	60	-	-	-	-	-
Shanghai MAHLE Thermal Systems Co. Ltd.	4	60	-	-	-	-	-	-	-	-
MAHLE Filtersysteme GmbH	2	60	-	537	60	-	-	2	11	1,473
MAHLE Motorsports Inc	1	60	-	-	-	-	2	-	-	-
MAHLE Electric Drives Slovenija d.o.o.	1	60	-	468	60	-	-	22	1,262	-
MAHLE Engineering Services India Private Limited	1	60	-	-	-	-	-	-	-	-
MAHLE Composants Moteur France SAS	(52)	60	-	-	-	-	23	-	-	-
MAHLE Aftermarket Pte. Ltd.	-	-	-	2,172	60	-	15	-	1,696	-
Innoferm Tecnologia Ltda.	-	-	-	1,600	60	-	-	-	-	-
MAHLE Donghyun Filter Systems Co., Ltd.	-	-	-	1,039	60	-	-	-	435	-
MAHLE Filtersysteme Austria GmbH	-	-	-	440	60	-	-	-	1,118	184
MAHLE Filter Systems Japan Corporation	-	-	-	413	60	-	-	-	238	-
MAHLE Engine Components USA, Inc.	-	-	-	408	60	-	-	-	-	149
MAHLE Electric Drives (Taicang) Co., Ltd.	-	-	-	320	60	-	-	28	1,304	-
MAHLE Fil. Sys. UK Ltd.	-	-	-	283	60	-	-	-	187	-
MAHLE Aftermarket Italy S.p.A.	-	-	-	269	60	-	-	-	272	-
MAHLE Componente de Motor SRL	-	-	-	127	60	-	-	-	135	-
MAHLE Trading (Shanghai) Co., Ltd.	-	-	-	115	60	-	-	-	290	1
MAHLE Engine Components Japan Corporation	-	-	-	99	60	-	70	228	-	-
MAHLE Filter Systems USA	-	-	-	44	60	-	4	-	-	47
MAHLE Holding Austria GmbH	-	-	77,671	31	60	-	-	-	-	-
MAHLE Industriebeteiligungen GmbH	-	-	-	-	-	6,003	-	-	-	-
MAHLE Filter Systems Philippines Corporation	-	-	-	13	60	-	-	-	43	-
MAHLE Behr Service Asia Co., Ltd.	-	-	-	-	-	-	-	-	1,259	-
Others	-	-	-	-	-	-	-	-	-	-
Others	(1)	-	-	12	60	-	39	37	64	5
Total related companies	96,255		77,671	80,601		42,020	201,913	13,452	48,429	40,765
Total related parties	96,255		77,671	80,601		42,020	201,913	13,452	48,429	40,765

* Brand license of R\$ 3,866

** Rent of R\$ 3,667

*** 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.

On June 30, 2021 the subsidiary MAHLE Filtroil Indústria e Comércio de Filtros Ltda. has a balance with the Company of R\$ 7,328 (loan agreement in the amount of R\$ 18,235, with interest rate at 115% of the CDI and provision for losses on investees in the amount of (-) R\$ 10.907). The Company expects to recover this loan via cash flows from the financial asset.

On June 30, 2021, the subsidiary MAHLE Argentina S.A. has a loan agreement with the Company in the amount of USD 4,389,000 equivalent to R\$ 21,957 (R\$ 22,248 at December 31, 2020) with interest of 5.38% plus spread of 2.5% p.a. Although the amortization term began in June 2021, MAHLE Argentina S.A. has not yet received authorization to remit the USD because of current foreign exchange restrictions in Argentina. The authorization process is being monitored by the teams of MAHLE Brazil and MAHLE Argentina.

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. On June 30, 2021, the subsidiary has a balance payable of R\$ 48.622 arising from these transactions (balance receivable of R\$ 77,671 on December 31, 2020).

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". On June 30, 2021, the royalty expenses were recorded within "selling expenses - brand license", in the parent company in the amount of R\$ 6,911 (June 30, 2020 - R\$ 3,388) and in the consolidated accounts in the amount of R\$ 7,316 (June 30, 2020 - R\$ 3,866).

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.

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

Dividends and interest on capital receivable

The movements in dividends and interest on capital receivable from subsidiary MAHLE Metal Leve GmbH are as follows:

	Parent company				06.30.2021
	12.31.2020	Provision	Receipt	Exchange variation	
Dividends	-	31,124	(31,124)	-	-
Interest on capital	66,134	63,833	(67,252)	(3,939)	58,776
	66,134	94,957	(98,376)	(3,939)	58,776

Dividends and interest on capital payable

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

	Parent company and consolidated					Balance 06.30.2021
	Balance 12.31.2020	Addition	Payment	Reversal of taxes (*)	Prescribed dividends and interest on capital	
MAHLE Indústria e Comércio Ltda.	36,017	29,148	(65,165)	-	-	-
MAHLE Industriebeteiligungen GmbH.	6,003	4,858	(10,861)	-	-	-
Non-controlling	18,734	14,575	(33,121)	663	(156)	695
Total	60,754	48,581	(109,147)	663	(156)	695

(*) Refers to the reversal of the provision for taxes of tax-immune and exempted non-controlling shareholders.

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			
	2021		2020	
	2Q2021	1H2021	2Q2020	1H2020
Statutory officers	1,585	3,454	535	2,199
Non-statutory officers	1,011	1,706	(1,040)	664
	2,596	5,160	(505)	2,863

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			
	2021		2020	
	2Q2021	1H2021	2Q2020	1H2020
Profit before income tax and social contribution after interest on capital	216.942	371.133	(61.655)	(41.916)
Income tax and social contribution at the statutory rate in Brazil	(73.760)	(126.185)	20.963	14.252
Effects of permanent differences:				
Equity in the results of investees	20.560	38.377	(182)	5.380
Gain on monetary items, net	6.963	13.871	3.176	6.554
Other, net	(659)	(949)	(1.675)	(2.253)
Total income tax and social contribution	(46.896)	(74.886)	22.282	23.933
Current income tax and social contribution	(23.518)	(50.500)	10.103	(164)
Deferred income tax and social contribution	(23.378)	(24.386)	12.179	24.097
	(46.896)	(74.886)	22.282	23.933
Effective rate	21,6%	20,2%	36,1%	57,1%
	Consolidated			
	2021		2020	
	2Q2021	1H2021	2Q2020	1H2020
Profit before income tax and social contribution after interest on capital	226.179	393.626	(60.814)	(35.176)
Income tax and social contribution at the statutory rate in Brazil (34%)	(76.901)	(133.833)	20.677	11.960
Effects of permanent differences:				
Equity in the results of investees	(10)	(31)	(11)	(22)
Gain on monetary items, net	4.200	9.250	5.402	6.091
Loss for the year for which no deferred tax asset was recognized	(120)	136	(669)	(1.352)
Other, net	16.609	27.392	(4.905)	(1.381)
Total income tax and social contribution	(56.222)	(97.086)	20.494	15.296
Current income tax and social contribution	(32.957)	(71.315)	8.086	(5.684)
Deferred income tax and social contribution	(23.265)	(25.771)	12.408	20.980
	(56.222)	(97.086)	20.494	15.296
Effective rate	24,9%	24,7%	33,7%	43,5%

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

b. Recognized deferred tax assets and liabilities

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

i. Breakdown of deferred tax assets and liabilities:

	Parent company			
	Assets		Liabilities	
	Balance in 06.30.2021	Balance in 12.31.2020	Balance in 06.30.2021	Balance in 12.31.2020
Property, plant and equipment	-	-	(28.557)	(29.351)
Intangible assets	-	-	(97.025)	(97.025)
ICMS credit based on PIS and COFINS (*)	-	-	(32.825)	-
Derivatives	1.360	7.445	-	-
Inventory	24.809	26.868	-	-
Provision labor risks	71.373	71.712	-	-
Other provision	92.385	81.924	-	-
Tax (assets) liabilities	189.927	187.949	(158.407)	(126.376)
Amount eligible for offsetting	(158.407)	(126.376)	158.407	126.376
Net tax (assets) liabilities	31.520	61.573	-	-
	Consolidated			
	Assets		Liabilities	
	Balance in 06.30.2021	Balance in 12.31.2020	Balance in 06.30.2021	Balance in 12.31.2020
Property, plant and equipment	-	-	(34.060)	(33.985)
Intangible assets	-	-	(97.025)	(97.025)
ICMS credit based on PIS and COFINS (*)	-	-	(32.879)	-
Derivatives	1.360	7.445	-	-
Inventory	24.828	26.844	-	-
Provision labor risks	71.373	71.712	-	-
Other provision	96.131	85.825	-	-
Tax (assets) liabilities	193.692	191.826	(163.964)	(131.010)
Amount eligible for offsetting	(162.037)	(129.728)	162.037	129.728
Net tax (assets) liabilities	31.655	62.098	(1.927)	(1.282)

(*) Tax credit arising from exclusion of ICMS from the basis of calculation of PIS and COFINS. Further details are given in Note 9.

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

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

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

ii. Changes in temporary differences:

	<u>Parent company</u>	<u>Consolidated</u>
At December 31, 2020	61.573	60.816
(+) Recognized in profit or loss (note 11.a)	(23.378)	(23.265)
(+) Recognized in other comprehensive income	(6.675)	(7.823)
At June 30, 2021	31.520	29.728

12. Investments in subsidiaries

	<u>06.30.2021</u>				
	<u>Investments accounted for using the equity method</u>	<u>Goodwill</u>	<u>Impairment</u>	<u>Elimination of profit on inventory (Balance at 06/30/2021)</u>	<u>Total</u>
MAHLE Argentina S.A.	197,439	68,071	(68,071)	(2,211)	195,228
MAHLE Metal Leve GmbH	61,171	-	-	(2,844)	58,327
Innoferm Tecnologia Ltda.	3,608	-	-	(3,493)	115
MAHLE Hirschvogel Forjas S.A.	1,660	35,755	(35,755)	-	1,660
Total	263,878	103,826	(103,826)	(8,548)	255,330
	<u>12.31.2020</u>				
	<u>Investments accounted for using the equity method</u>	<u>Goodwill</u>	<u>Impairment</u>	<u>Elimination of profit on inventory (Balance at 12/31/2020)</u>	<u>Total</u>
MAHLE Argentina S.A.	174,684	68,071	(68,071)	(2,702)	171,982
MAHLE Metal Leve GmbH	64,010	-	-	(3,424)	60,586
Innoferm Tecnologia Ltda.	3,701	-	-	(3,493)	208
MAHLE Hirschvogel Forjas S.A.	1,168	35,755	(35,755)	-	1,168
Total	243,563	103,826	(103,826)	(9,619)	233,944

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	Interest in equity				
											Investments	Equity in the results of subsidiaries	Elimination of profit on inventory/other assets (equity)	Provision for impairment of investments	
June 30, 2021												(6M 2021)			
Subsidiaries															
MAHLE Argentina S.A.	99.20	255,904	76,593	332,497	108,190	25,274	133,464	199,033	294,095	13,965	197,439	13,853	490	-	
MAHLE Metal Leve GmbH	100.00	162,391	50,350	212,741	151,570	-	151,570	61,171	346,488	97,820	61,171	97,820	580	-	
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	60.00	1,594	18	1,612	796	8,087	8,883	(7,271)	1,154	(446)	-	(268)	-	-	
MAHLE Hirschvogel Forjas S.A.	51.00	3,407	4,755	8,162	1,701	3,207	4,908	3,254	-	964	1,660	492	-	-	
Subtotal subsidiaries		423,296	131,716	555,012	262,257	36,568	298,825	256,187	641,737	112,303	260,270	111,897	1,070	-	
Related companies															
Innoferm Tecnologia Ltda.	33.33	1,347	9,628	10,975	14	135	149	10,826	-	(277)	3,608	(92)	-	-	
Subtotal related companies		1,347	9,628	10,975	14	135	149	10,826	-	(277)	3,608	(92)	-	-	
Total		424,643	141,344	565,987	262,271	36,703	298,974	267,013	641,737	112,026	263,878	111,805	1,070	-	
December 31, 2020												(FY 2020)			
Subsidiaries															
MAHLE Argentina S.A.	99.20	215,799	75,593	291,392	89,740	25,558	115,298	176,094	410,936	13,640	174,684	13,531	(960)	-	
MAHLE Metal Leve GmbH	100.00	120,360	79,605	199,965	135,955	-	135,955	64,010	521,079	82,447	64,010	82,447	(303)	-	
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	60.00	1,218	21	1,239	905	7,426	8,331	(7,092)	2,499	(1,438)	-	(863)	-	-	
MAHLE Hirschvogel Forjas S.A.	51.00	3,359	5,896	9,255	873	6,092	6,965	2,290	-	(3,544)	1,168	(1,807)	-	-	
Subtotal subsidiaries		340,736	161,115	501,851	227,473	39,076	266,549	235,302	934,514	91,105	239,862	93,308	(1,263)	-	
Related companies															
Innoferm Tecnologia Ltda.	33.33	1,657	9,634	11,291	168	168	336	11,103	-	(410)	3,701	(137)	-	-	
Subtotal related companies		1,657	9,634	11,291	168	168	336	11,103	-	(410)	3,701	(137)	-	-	
Total		342,393	170,749	513,142	227,641	39,244	266,885	246,405	934,514	90,695	243,563	93,171	(1,263)	-	
June 30, 2020												(6M 2020)			
Subsidiaries															
MAHLE Argentina S.A.	99.20	174,950	76,859	251,809	55,129	34,484	89,613	162,196	145,640	(7,012)	160,898	(6,956)	(1,102)	-	
MAHLE Metal Leve GmbH	100.00	116,879	22,570	139,449	96,856	-	96,856	42,593	223,286	26,271	42,593	26,272	(242)	-	
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	60.00	1,436	17	1,453	778	7,419	8,197	(6,744)	1,106	(567)	-	(340)	-	-	
MAHLE Hirschvogel Forjas S.A.	51.00	2,760	6,818	9,578	945	12,214	13,159	(3,581)	-	(3,415)	-	(1,742)	-	(1,827)	
Subtotal subsidiaries		296,025	106,264	402,289	153,708	54,117	207,825	194,464	370,032	15,277	203,491	17,234	(1,344)	(1,827)	
Related companies															
Innoferm Tecnologia Ltda.	33.33	1,878	9,650	11,528	19	190	209	11,319	-	(194)	3,773	(65)	-	-	
Subtotal related companies		1,878	9,650	11,528	19	190	209	11,319	-	(194)	3,773	(65)	-	-	
Total		297,903	115,914	413,817	153,727	54,307	208,034	205,783	370,032	15,083	207,264	17,169	(1,344)	(1,827)	

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

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

MAHLE Argentina S.A.

As mentioned in Note 14, the Company has an impairment loss of R\$ 68,071 on the goodwill arising from the acquisition of the subsidiary.

On June 30, 2021 and December 31, 2020, the subsidiary has a loan agreement with the Company as stated in Note 10 – Related parties.

MAHLE Filtroil Indústria e Comércio de Filtros Ltda.

On June 30, 2021 and December 31, 2020, 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.

As of June 30, 2021, the equity interest in subsidiary MAHLE Hirschvogel Forjas S.A. is R\$ 1,660 (R\$ 1,168 on December 31, 2020) and are recorded in non-current liabilities 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)

13. Property, plant and equipment

	Parent company									
	Land	Buildings and construction	Machinery, equipment and facilities	Furniture and fittings	Vehicles	Construction in progress	Advances to suppliers	Impairment	Rights-of-use assets	Total
At December 31, 2020	52,454	82,918	410,326	3,584	4,157	1,337	5,788	(4,965)	11,737	567,336
Total cost	52,454	231,326	2,081,746	24,927	23,537	1,337	5,788	(4,965)	26,923	2,443,073
Accumulated depreciation	-	(148,408)	(1,671,420)	(21,343)	(19,380)	-	-	-	(15,186)	(1,875,737)
Net book value	52,454	82,918	410,326	3,584	4,157	1,337	5,788	(4,965)	11,737	567,336
Additions	-	442	9,628	96	15	4,387	5,653	-	2,236	22,457
Write-offs	-	-	(484)	(7)	(47)	-	-	501	-	(37)
Transfer	-	-	6,382	-	(28)	(1,158)	(5,196)	-	-	-
Depreciation	-	(2,436)	(38,241)	(361)	(614)	-	-	-	(5,238)	(46,890)
Depreciation/write-off (deemed cost)	-	(1,284)	(73)	-	-	-	-	-	-	(1,357)
At June 30, 2021	52,454	79,640	387,538	3,312	3,483	4,566	6,245	(4,464)	8,735	541,509
Total cost	52,454	231,768	2,088,419	25,006	23,264	4,566	6,245	(4,464)	29,161	2,456,419
Accumulated depreciation	-	(152,128)	(1,700,881)	(21,694)	(19,781)	-	-	-	(20,426)	(1,914,910)
Net book value	52,454	79,640	387,538	3,312	3,483	4,566	6,245	(4,464)	8,735	541,509

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

	Consolidated									
	Land	Buildings and construction	Machinery, equipment and facilities	Furniture and fittings	Vehicles	Construction in progress	Advances to suppliers	Impairment	Rights-of-use assets	Total
At December 31, 2020	52,518	93,427	461,044	3,718	5,399	1,337	9,568	(5,108)	13,710	635,613
Total cost	52,518	245,759	2,265,420	25,240	31,038	1,337	9,568	(5,108)	29,656	2,655,428
Accumulated depreciation	-	(152,332)	(1,804,376)	(21,522)	(25,639)	-	-	-	(15,946)	(2,019,815)
Net book value	52,518	93,427	461,044	3,718	5,399	1,337	9,568	(5,108)	13,710	635,613
Additions	-	442	10,626	96	15	4,387	8,807	-	2,236	26,609
Write-offs	-	-	(485)	(7)	(47)	-	-	501	-	(38)
Transfer	-	-	11,345	-	(28)	(1,158)	(10,159)	-	-	-
Depreciation	-	(2,457)	(39,676)	(372)	(644)	-	-	-	(5,657)	(48,806)
Depreciation/write-off (deemed cost)	-	(1,284)	(73)	-	-	-	-	-	-	(1,357)
Gain on monetary items, net	-	2,318	8,540	-	325	-	114	-	23	11,320
Translation effects	(10)	(1,811)	(9,076)	(20)	(216)	-	(453)	23	(312)	(11,875)
At June 30, 2021	52,508	90,635	442,245	3,415	4,804	4,566	7,877	(4,584)	10,000	611,466
Total cost	52,508	247,087	2,290,209	25,272	31,633	4,566	7,877	(4,584)	31,483	2,686,051
Accumulated depreciation	-	(156,452)	(1,847,964)	(21,857)	(26,829)	-	-	-	(21,483)	(2,074,585)
Net book value	52,508	90,635	442,245	3,415	4,804	4,566	7,877	(4,584)	10,000	611,466

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		
		Depreciation/ write-off	
	12.31.2020	(deemed cost)	06.30.2021
Land	46,905	-	46,905
Buildings and construction	35,369	(1,284)	34,085
Machinery, equipment and facilities	1,105	(73)	1,032
Furniture and fittings	17	-	17
Vehicles	(147)	-	(147)
	83,249	(1,357)	81,892

The annual depreciation rates of the property, plant and equipment items on June 30, 2021 are equal to the rates presented on December 31, 2020.

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 on June 30, 2021 is R\$ 4,464 (R\$ 4,965 on December 31, 2020) and R\$ 4,584 (R\$ 5,108 on December 31, 2020), 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	
		06.30.2021	12.31.2020	06.30.2021	12.31.2020
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)	-	-	-	68,071	68,071
MAHLE Hirschvogel Forjas S.A. (a)	-	-	-	35,755	35,755
Cost of acquisition and installation of software (b)	20	51,529	51,294	54,228	53,806
Other (a and b)	-	334	334	997	1,118
Usage right and concessions (a)	-	5,666	5,665	5,666	5,665
Usage right and concessions (b)	20	9,324	9,325	9,324	9,325
Impairment (<i>Rings businnes</i>)	-	(188,654)	(188,654)	(188,654)	(188,654)
Impairment (<i>MAHLE Argentina S.A.</i>)	-	-	-	(68,071)	(68,071)
Impairment (<i>MAHLE Hirschvogel Forjas S.A.</i>)	-	-	-	(35,755)	(35,755)
Provision for impairment of intangible assets (other)	-	(334)	(334)	(343)	(343)
		446,477	446,242	449,830	449,529
Accumulated amortization		(55,017)	(54,351)	(58,275)	(57,538)
		391,460	391,891	391,555	391,991

(a) Indefinite useful life

(b) finite useful life

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

Statement of changes in intangible assets

	Parent company				Total
	Goodwill on acquisition of subsidiaries (merged or not)	Cost of acquisition and installation of software	Usage right and concessions	Other	
At December 31, 2020	379,958	3,025	8,908	-	391,891
Additions	-	236	-	-	236
Amortization	-	(655)	(12)	-	(667)
At June 30, 2021	379,958	2,606	8,896	-	391,460

	Consolidated				Total
	Goodwill on acquisition of subsidiaries (merged or not)	Cost of acquisition and installation of software	Usage right and concessions	Other	
At December 31, 2020	379,958	3,097	8,908	28	391,991
Additions	-	252	-	-	252
Amortization	-	(666)	(12)	-	(678)
Transfer	-	(6)	-	(4)	(10)
At June 30, 2021	379,958	2,677	8,896	24	391,555

Impairment

The Company's management continuously monitors the activities and did not detect substantial changes in their operational performance in the first semester of 2021 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	
	06.30.2021	12.31.2020	06.30.2021	12.31.2020
Suppliers - Third Party				
Raw material	159,154	141,360	212,747	178,316
Services	31,307	31,047	31,719	31,086
	190,461	172,407	244,466	209,402
Related parties (Note 10)	66,106	62,375	88,545	80,601
	256,567	234,782	333,011	290,003

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	
	06.30.2021	12.31.2020	06.30.2021	12.31.2020
State taxes	9,771	13,410	10,409	13,725
ICMS payable	9,771	13,393	9,788	13,409
Other	-	17	621	316
Federal taxes	18,038	24,726	20,928	27,065
COFINS payable	3,461	5,735	3,473	5,745
IPI payable	4,486	4,853	5,421	5,328
Import tax	7,070	8,683	8,212	9,004
IRRF	2,312	4,242	2,317	4,254
PIS payable	708	1,213	710	1,216
Other	1	-	795	1,518
Municipal taxes	-	-	147	114
Taxes and contributions payable	27,809	38,136	31,484	40,904
Income tax and social contribution	6,372	-	23,114	23,932
Income tax and social contribution payable	6,372	-	23,114	23,932
Current liabilities	34,181	38,136	54,598	64,836

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	
		06.30.2021	12.31.2020	06.30.2021	12.31.2020
Borrowings in local currency (BRL)					
FINEP (Long-Term Interest Rate (TJLP) + 5.00% p.y. - 6.00% p.y.)	3.61%	75,694	89,894	75,694	89,894
BNDES (TJLP+ 1,5% p.y.)	6.11%	-	15,167	-	15,167
FINEP II (Long-Term Interest Rate (TJLP) + 5.00% p.y. - 5.00% p.y.)	4.61%	75,901	75,909	75,901	75,909
4131 SANTANDER (CDI + 4,25% p.y.)	6.15%	-	157,635	-	157,635
4131 ITAÚ (CDI + 4,30% p.y.)	6.20%	-	105,119	-	105,119
	4.11%	151,595	443,724	151,595	443,724
Borrowings in foreign currency					
		Currency			
ACC (average interest 0,79% p.y)		EUR (expressed in BRL)			
	0.79%	47,436	108,645	53,729	108,645
	0.79%	47,436	108,645	53,729	108,645
	3.24%	199,031	552,369	205,324	552,369
Current - borrowings in local currency		33,629	293,795	39,922	293,795
Current - borrowings in foreign currency		47,436	108,644	47,436	108,644
Total current		81,065	402,439	87,358	402,439
Non-current - borrowings in local currency		117,966	149,930	117,966	149,930
Total non-current		117,966	149,930	117,966	149,930

In the second quarter of 2021, the Company obtained bank loans on the order of R\$ 47,436:

- June 2021 EUR 8,000 – NCE with average cost of 0.79% p.a. and maturity in June 2022.

On June 30, 2021, long-term borrowings mature as follows:

	Parent company and Consolidated
	06.30.2021
From april 2022	18,178
2023	36,684
2024	13,064
2025	8,340
2026	8,340
2027	8,340
2028	8,340
2029	8,340
2030	8,340
	117,966

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Reconciliation of movements in profit or loss with cash flows from financing activities during the first semester of 2021:

Parent company						
12.31.2020	Cash Flow			Exchange Variation	Appropriation of interest	06.30.2021
	Addition	Principal Amortization	Amortization Interest			
552,369	49,194	(389,671)	(21,938)	(58)	9,135	199,031

Parent company						
01.01.2020	Cash flow			Exchange Variation	Appropriation of interest	06.30.2020
	Addition	Principal Amortization	Amortization Interest			
381,882	343,400	(201,873)	(4,686)	74,452	10,618	603,793

Consolidated						
12.31.2020	Cash Flow			Exchange Variation	Appropriation of interest	06.30.2021
	Addition	Principal Amortization	Amortization Interest			
552,369	55,487	(389,671)	(21,938)	(58)	9,135	205,324

Consolidated						
01.01.2020	Cash flow			Exchange Variation	Appropriation of interest	06.30.2020
	Addition	Principal Amortization	Amortization Interest			
394,160	352,705	(223,655)	(5,402)	82,605	11,690	612,103

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 (4.61 % p.a. as of June 30, 2021) 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 projects.

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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 (4.61 % p.a. as of June 30, 2021) 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 projects.

On June 30, 2021, there was no delinquency in principal or interest payments and no breach of the terms of the contracts with FINEP.

b) Lease obligations

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

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

The movement in lease liabilities is shown below:

	Parent company	Consolidated
Balance at December 31, 2020	13.203	15.601
Adição	2.236	2.236
Lease payments	(5.567)	(6.363)
Interest	1.287	1.324
Exchange rate variation	-	(214)
Balance at June 30, 2021	11.159	12.584

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

	<u>Parent company</u>	<u>Consolidated</u>
	<u>06.30.2021</u>	<u>06.30.2021</u>
30 days	810	964
From 31 to 90 days	1.284	1.595
From 91 to 365 days	5.495	5.970
2022	3.570	4.055
Total	11.159	12.584
Current	7.589	9.014
Non current	3.570	3.570
	11.159	12.584

18. Salaries, vacation pay and social charges

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>06.30.2021</u>	<u>12.31.2020</u>	<u>06.30.2021</u>	<u>12.31.2020</u>
Employee profit sharing	25.942	12.211	26.776	13.533
Accrued vacation pay / 13th month salary	63.509	30.141	69.477	34.397
INSS /FGTS	12.240	12.307	12.258	12.330
Other social security obligations	1.030	1.428	4.357	4.130
	102.721	56.087	112.868	64.390

19. Sundry provision

	<u>Parent company</u>					
	<u>Losses on contracts</u>	<u>Commercial bonuses</u>	<u>Electric power</u>	<u>Employee benefits</u>	<u>Other</u>	<u>Total</u>
At December 31, 2020	8.427	12.705	8.103	1.221	3.839	34.295
Reversal	-	(1.550)	(8.103)	-	(329)	(9.982)
Payment	-	(1.294)	-	(1.066)	(1.108)	(3.468)
Complement	-	11.756	9.588	800	-	22.144
At June 30, 2021	8.427	21.617	9.588	955	2.402	42.989

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	Consolidated						
	Losses on contracts	Commercial bonuses	Restructuring	Electric power	Employee benefits	Other	Total
At December 31, 2020	9.362	12.703	684	8.525	1.222	4.838	37.334
Reversal	-	(1.550)	-	(8.525)	-	(329)	(10.404)
Payment	-	(1.294)	-	-	(1.066)	(1.494)	(3.854)
Complement	-	11.758	-	10.214	800	1.048	23.820
Foreign exchange variation	(145)	-	-	-	-	(224)	(369)
At June 30, 2021	9.217	21.617	684	10.214	956	3.839	46.527

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, 2020	8.019	10.452
Reversal	(483)	(484)
Payment	(1.241)	(1.241)
Complement	2.434	3.485
Foreign exchange variation	-	(288)
At June 30, 2021	8.729	11.924

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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, 2020	210.919	71.810	10.586	(26.928)	266.387
Additions	26.581	320	20.000	(969)	45.932
Monetary restatements	9.703	2.558	-	66	12.327
Write-off for use	(18.467)	-	(1.147)	982	(18.632)
Write-off for reversal	(18.816)	-	-	482	(18.334)
Transfer	-	-	-	636	636
At June 30, 2021	209.920	74.688	29.439	(25.731)	288.316
	Consolidated				
	Civil and labor	Tax	Environmental liability	Judicial deposits	Total
At December 31, 2020	220.452	71.811	10.586	(28.259)	274.590
Additions	26.801	320	20.000	(973)	46.148
Monetary restatements	10.237	2.558	-	73	12.868
Write-off for use	(21.227)	-	(1.147)	1.170	(21.204)
Write-off for reversal	(20.647)	-	-	544	(20.103)
Transfer	-	-	-	1.047	1.047
Foreign exchange variation	(248)	-	-	-	(248)
At June 30, 2021	215.368	74.689	29.439	(26.398)	293.098

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

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Provisions for labor lawsuits relate principally to former employees' compensation claims. Reversals arise when the Company prevails on a lawsuit, i.e. claims are found to be groundless and/or are decided against the Company and then the decision is subsequently overturned by a higher court, a settlement is reached or final payments are made.

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, FINSOCIAL, 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

On June 30, 2021, the Group had civil and tax proceedings brought before the proper authorities in the amount of R\$ 65,805 (December 31, 2020 - R\$ 58,825), 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.

Contingent assets

a) Municipal incentive

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

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

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

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

b) Compulsory loan - Eletrobrás

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

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

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

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

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Administrative Council for Economic Defense (“CADE”)

On February 3, 2021, CADE rendered a decision on administrative proceeding No. 08700.006065/2017-30, which was filed to investigate suspected anti-competitive conduct in the Brazilian market for automotive pistons and related products involving three companies and several individuals.

CADE’s decision has confirmed the full cooperation of the Company under a leniency agreement signed and has closed the investigation without imposing any administrative and/or pecuniary penalties.

Lastly, the Company emphasizes that the anti-competitive conduct was discontinued even before the investigation by CADE was ordered in the case on account of the Company’s Compliance Program, which has been continuously improved.

22. Equity

a. Share capital

On June 30, 2021 and December 31, 2020, 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, 2021, the market value of the Company's common shares corresponded the price of R\$ 33,33 per share (R\$ 20.43 on December 31, 2020).

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, 2020.

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(in thousand of reais)

b. Appropriation of profit for the year

At the General Shareholders' Meeting on April 29, 2021, the shareholders approved proposed additional dividends of R\$ 48,581 for the financial year ended December 31, 2020, for payment on May 28, 2021 at R\$ 0.378627 per common share, without withholding income tax, pursuant to Law 9.249/95, article 10.b.

On December 28, 2020, the Board of Directors approved the payment of interest on capital in the gross amount of R\$ 70,621 for the period from January 1, 2020 to December 31, 2020, which will be paid on May 28, 2021, corresponding to R\$ 0.5504020486 per common share with withholding income tax at the rate of 15%, with the result that the net value of interest on capital was R\$ 0.4678417413 per common share.

c. Special cash reserve

To protect cash in the current scenario, the shareholders resolved at the Ordinary General Meeting held on May 29, 2020 to defer the payment of the previously proposed additional dividends for fiscal year 2019 of R\$ 175,572. These deferred dividends were set aside for payment later when possible.

d. 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. On June 30, 2021, the Company recorded cumulative translation adjustments of R\$ (-) R\$ 36,892 ((+) R\$ 38,925 on June 30, 2020). This cumulative effect will be reversed in the statement of income as a gain or loss only in the event of the sale or write-off of the investment.

Cumulative translation adjustments

- The effects of carrying value adjustments relating to the effective portion of gains or losses on cash flow hedges, which are recognized on June 30, 2021, net of taxes, at (+) R\$ 11,001 (On June 30, 2020 (-) R\$ 24,301) in the parent company and in the consolidated accounts.
- The adjustments for the adoption of the deemed cost of property, plant and equipment, net at R\$ 262 on June 30, 2021 (On June 30, 2020 - R\$ 275). The deemed cost is accrued to property, plant and equipment recorded in carrying value adjustments, according to the depreciation, disposal or write-off of the respective item of property, plant and equipment, against retained earnings.

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(in thousand of reais)

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:

	2Q2021	1H2021	2Q2020	1H2020
(Loss) Profit attributable to owners of the parent	170.046	296.247	- 39.373	- 17.983
Shares outstanding	128.308.500	128.308.500	128.308.500	128.308.500
Basic (loss) earnings per share (R\$ per share)	1,32529	2,30886	(0,30686)	(0,14014)

There are no diluted earnings per share for the Company.

24. Net operating revenue

	Parent company			
	2021		2020	
	2Q2021	1H2021	2Q2020	1H2020
Gross revenue				
Products	870.631	1.706.891	356.957	928.086
Services	14.058	27.146	9.820	18.493
Total revenue with products + services	884.689	1.734.037	366.777	946.579
Deductions from sales:				
Taxes on sales	(178.750)	(353.522)	(74.107)	(193.791)
Discounts , returns and sales incentives	(2.891)	(13.559)	(7.756)	(12.450)
Net revenue	703.048	1.366.956	284.914	740.338
	Consolidated			
	2021		2020	
	2Q2021	1H2021	2Q2020	1H2020
Gross revenue				
Products	1.092.080	2.135.248	447.324	1.156.010
Services	14.058	23.174	8.842	16.915
Total revenue with products + services	1.106.138	2.158.422	456.166	1.172.925
Deductions from sales:				
Taxes on sales	(178.889)	(353.837)	(74.244)	(194.073)
Discounts , returns and sales incentives	(38.139)	(80.501)	(21.018)	(44.153)
Net revenue	889.110	1.724.084	360.904	934.699

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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.

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

	Parent company			
	2021		2020	
	2Q2021	1H2021	2Q2020	1H2020
Revenue by market				
Original equipment	433.978	835.260	154.656	444.942
Aftermarket	269.070	531.696	130.258	295.396
	703.048	1.366.956	284.914	740.338
	Consolidated			
	2021		2020	
	2Q2021	1H2021	2Q2020	1H2020
Revenue by market				
Original equipment	575.422	1.113.512	212.500	603.108
Aftermarket	313.688	610.572	148.404	331.591
	889.110	1.724.084	360.904	934.699

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(in thousand of reais)

25. Cost of sales and services

Cost of sales and services by nature are as follows:

	Parent company			
	2021		2020	
	2Q2021	1H2021	2Q2020	1H2020
Personnel and benefits	(148.231)	(282.631)	(97.969)	(202.940)
Raw material and others materials	(286.503)	(547.160)	(100.599)	(259.228)
Depreciation and amortization	(21.771)	(44.307)	(22.968)	(44.806)
Utilities and services	(47.275)	(91.354)	(28.957)	(62.731)
Other	(33.527)	(62.069)	(7.816)	(34.682)
Total	(537.307)	(1.027.521)	(258.309)	(604.387)

	Consolidated			
	2021		2020	
	2Q2021	1H2021	2Q2020	1H2020
Personnel and benefits	(158.225)	(304.613)	(104.421)	(222.345)
Raw material and others materials	(347.042)	(670.466)	(126.113)	(328.023)
Depreciation and amortization	(22.631)	(46.101)	(24.030)	(46.928)
Utilities and services	(49.375)	(95.444)	(31.130)	(68.574)
Other	(50.738)	(90.148)	(31.226)	(63.192)
Total	(628.011)	(1.206.772)	(316.920)	(729.062)

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(in thousand of reais)

26. Selling expenses and distribution

Selling expenses by nature are as follows:

	Parent company			
	2021		2020	
	2Q2021	1H2021	2Q2020	1H2020
Personnel and benefits	(12,430)	(23,941)	(9,440)	(20,603)
Freight	(22,717)	(42,025)	(6,495)	(15,651)
Brand license	(3,718)	(6,911)	(1,168)	(3,388)
Variable selling expenses	(3,580)	(7,024)	(1,741)	(3,817)
General expenses	(542)	(1,724)	(575)	(2,060)
Travel and entertainment allowance	(22)	(56)	(133)	(699)
Advertising	(327)	(509)	(169)	(634)
Depreciation	(148)	(287)	(134)	(260)
Professional services/service orders	(2,676)	(4,801)	(3,360)	(7,040)
Other expenses	(2,041)	(3,562)	(1,672)	(4,215)
	(48,201)	(90,840)	(24,887)	(58,367)

	Consolidated			
	2021		2020	
	2Q2021	1H2021	2Q2020	1H2020
Personnel and benefits	(14,605)	(28,039)	(10,729)	(23,544)
Freight	(26,465)	(47,783)	(7,666)	(19,612)
Variable selling expenses	(5,915)	(12,721)	(2,442)	(6,777)
Brand license	(3,917)	(7,316)	(1,429)	(3,866)
General expenses	(2,238)	(4,414)	(2,932)	(5,283)
Professional services/service orders	(3,203)	(5,705)	(3,744)	(7,766)
Travel and entertainment allowance	(32)	(82)	(139)	(765)
Advertising	(512)	(890)	(367)	(1,029)
Depreciation	(166)	(325)	(163)	(316)
Other expenses	(2,583)	(4,710)	(2,249)	(5,187)
	(59,636)	(111,985)	(31,860)	(74,145)

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(in thousand of reais)

27. General and administrative expenses

General and administrative expenses by nature are as follows:

	Parent company			
	2021		2020	
	2Q2021	1H2021	2Q2020	1H2020
Personnel and benefits	(7.847)	(15.837)	(7.080)	(14.909)
Management	(2.596)	(5.160)	505	(2.863)
Professional services/service orders	(4.831)	(10.856)	(4.320)	(9.808)
Maintenance	(1.286)	(2.887)	(1.231)	(2.003)
Depreciation	(597)	(1.317)	(715)	(1.472)
Materials and utilities	(963)	(2.052)	(952)	(1.776)
PIS/COFINS	(629)	(1.184)	(749)	(1.958)
Travel and entertainment allowance	(29)	(51)	(66)	(381)
Other expenses	(2.245)	(6.290)	(2.967)	(5.049)
	<u>(21.023)</u>	<u>(45.634)</u>	<u>(17.575)</u>	<u>(40.219)</u>

	Consolidated			
	2021		2020	
	2Q2021	1H2021	2Q2020	1H2020
Personnel and benefits	(9.796)	(19.869)	(8.059)	(17.738)
Management	(2.596)	(5.160)	505	(2.863)
Professional services/service orders	(5.611)	(12.171)	(4.779)	(10.677)
Maintenance	(1.308)	(2.953)	(1.281)	(2.107)
Materials and utilities	(1.026)	(2.170)	(1.065)	(1.988)
Depreciation	(620)	(1.363)	(745)	(1.537)
PIS/COFINS	(635)	(1.200)	(756)	(1.970)
Travel and entertainment allowance	(33)	(65)	(69)	(415)
Other expenses	(2.494)	(6.722)	(3.168)	(5.405)
	<u>(24.119)</u>	<u>(51.673)</u>	<u>(19.417)</u>	<u>(44.700)</u>

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(in thousand of reais)

28. Technology and product development costs

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

	Parent company			
	2021		2020	
	2Q2021	1H2021	2Q2020	1H2020
Personnel and benefits	(7.773)	(16.021)	(5.545)	(13.856)
Materials/utilities	(1.344)	(3.048)	(773)	(1.754)
Depreciation	(1.155)	(2.459)	(1.227)	(2.506)
General expenses	(823)	(2.344)	(986)	(4.718)
Professional services/service orders	(707)	(1.416)	(635)	(1.582)
Maintenance	(542)	(884)	(327)	(1.027)
Other (expenses) income	3.742	3.419	(301)	(1.412)
	(8.602)	(22.753)	(9.794)	(26.855)
	Consolidated			
	2021		2020	
	2Q2021	1H2021	2Q2020	1H2020
Personnel and benefits	(8.122)	(16.631)	(5.768)	(14.357)
General expenses	(2.605)	(5.363)	(1.835)	(7.001)
Materials/utilities	(1.360)	(3.075)	(807)	(1.929)
Depreciation	(1.171)	(2.492)	(1.249)	(2.549)
Professional services/service orders	(855)	(1.720)	(746)	(1.842)
Maintenance	(544)	(887)	(327)	(1.028)
Other (expenses) income	3.699	3.335	(336)	(1.540)
	(10.958)	(26.833)	(11.068)	(30.246)

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29. Finance income and costs, net

	Parent company			
	2021		2020	
	2Q2021	1H2021	2Q2020	1H2020
Finance income				
Interest	9.806	12.436	3.840	6.239
Exchange variation (a)	3.702	26.067	40.355	114.541
Monetary variation gains	50	194	343	371
Derivative financial instruments (c)	16.922	16.407	3.573	2.974
Other	1.146	1.545	85	224
	31.626	56.649	48.196	124.349
Finance costs				
Interest	(2.309)	(10.355)	(7.087)	(10.386)
Exchange variations (b)	(35.895)	(44.166)	(39.472)	(109.109)
Monetary variation losses	(7.069)	(12.452)	(5.889)	(10.898)
Derivative financial instruments (d)	1.153	(11.459)	(12.197)	(48.611)
Other	(918)	(1.455)	(787)	(1.228)
	(45.038)	(79.887)	(65.432)	(180.232)
Finance income (costs), net	(13.412)	(23.238)	(17.236)	(55.883)
Summary of foreign exchange variations (a+b)	(32.193)	(18.099)	883	5.432
Trade payables	5.555	2.630	(277)	(7.941)
Borrowings	3.801	(216)	(16.810)	(76.150)
Loan receivable	(3.029)	(874)	1.144	5.911
Interest on capital receivable	(7.198)	(3.939)	2.254	17.348
Cash and cash equivalents	(7.150)	(1.999)	7.104	28.194
Trade receivables	(20.696)	(10.307)	7.481	38.056
Other	(3.476)	(3.394)	(13)	14
Summary of derivative instruments (c+d)	18.075	4.948	(8.624)	(45.637)
Income	16.922	16.407	3.573	2.974
Expenses	1.153	(11.459)	(12.197)	(48.611)
Net result of foreign exchange variations and derivative financial instruments	(14.118)	(13.151)	(7.741)	(40.205)

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	Consolidated			
	2021		2020	
	2Q2021	1H2021	2Q2020	1H2020
Finance income				
Interest	12.566	18.775	4.220	7.434
Exchange variation (a)	16.523	53.721	54.583	141.618
Monetary variation gains	461	929	431	401
Derivative financial instruments (c)	16.922	16.407	3.573	2.974
Other	1.148	1.547	(712)	459
	47.620	91.379	62.095	152.886
Finance costs				
Interest	(2.828)	(11.305)	(7.924)	(12.362)
Exchange variations (b)	(48.790)	(69.659)	(54.040)	(136.785)
Monetary variation losses	(7.749)	(13.537)	(6.663)	(12.251)
Derivative financial instruments (d)	1.174	(11.460)	(12.211)	(48.625)
Other	(1.393)	(3.426)	(1.088)	(3.290)
	(59.586)	(109.387)	(81.926)	(213.313)
Finance income (costs), net	(11.966)	(18.008)	(19.831)	(60.427)
Summary of foreign exchange variations (a+b)	(32.267)	(15.938)	543	4.833
Trade receivables	(17.759)	518	11.442	50.482
Borrowings	3.036	(3.061)	(19.119)	(79.998)
Loan receivable	(3.029)	(874)	1.144	5.911
Cash and cash equivalents	(8.913)	(7.221)	4.892	25.204
Interest on capital receivable	(7.198)	(3.939)	2.254	17.348
Trade payables	5.112	2.217	50	(13.261)
Lease obligations (IFRS 16)	(38)	(182)	(108)	(868)
Other	(3.478)	(3.396)	(12)	15
Summary of derivative instruments (c+d)	18.096	4.947	(8.638)	(45.651)
Income	16.922	16.407	3.573	2.974
Expenses	1.174	(11.460)	(12.211)	(48.625)
Net result of foreign exchange variations and derivative financial instruments	(14.171)	(10.991)	(8.095)	(40.818)

(*) Includes interest on exclusion of ICMS from the basis of calculation of PIS and COFINS in the amount of R\$ 7,884 – Parent company and R\$ 7,897 – Consolidated. For details see Note 9.

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30. Other operating income and expenses, net

	Parent company			
	2021		2020	
	2Q2021	1H2021	2Q2020	1H2020
Other income				
Reversal of provision for labor, civil and tax contingencies	10.216	18.816	9.050	23.133
Taxes recovered (Reintegra)	253	490	132	301
ICMS credit based on PIS and COFINS (*)	88.661	88.661	-	-
Reversal of provision for obsolescence (Property, plant and equipment)	477	500	19	37
Gains on disposal of assets /other	367	423	114	141
Reversal of provision for compulsory loan (Eletrobrás)	-	-	-	4.315
Provision for restructuring	-	329	-	-
Other income	874	2.070	2.382	3.273
	100.848	111.289	11.697	31.200
Other expenses				
Provision for labor, civil and tax contingencies	(17.123)	(29.980)	(15.588)	(38.561)
Losses on disposal of assets /other	(322)	(342)	(12)	(5)
Provision for Environmental	(20.000)	(20.000)	-	-
Provision for impairment of intangible assets	-	-	(21.141)	(21.141)
Other expenses	(1.677)	(3.253)	(1.433)	(2.176)
	(39.122)	(53.575)	(38.174)	(61.883)
Other operating income (Expenses), net	61.726	57.714	(26.477)	(30.683)
	Consolidated			
	2021		2020	
	2Q2021	1H2021	2Q2020	1H2020
Other income				
Reversal of provision for labor, civil and tax contingencies	10.479	20.647	9.186	23.378
Taxes recovered (Reintegra)	275	512	132	301
ICMS credit based on PIS and COFINS (*)	88.804	88.804	-	-
Reversal of provision for obsolescence (Property, plant and equipment)	477	500	19	37
Gain on monetary items	2.223	2.782	850	1.070
Gains on disposal of assets /other	367	423	114	141
Reversal of provision for compulsory loan (Eletrobrás)	-	-	-	4.315
Reversal of provision for restructuring	-	329	-	-
Other income	876	2.074	2.419	3.385
	103.501	116.071	12.720	32.627
Other expenses				
Provision for labor, civil and tax contingencies	(17.313)	(30.714)	(16.921)	(41.658)
Losses on disposal of assets /other	(322)	(342)	(13)	(6)
Provision for impairment of intangible assets	-	-	(29.239)	(29.239)
Provision for Environmental	(20.000)	(20.000)	-	-
Losses on monetary items	(1.691)	(2.051)	(738)	(952)
Export expenses - Argentina	(1.875)	(3.803)	(1.145)	(3.613)
Other expenses	(1.665)	(3.251)	(1.519)	(2.745)
	(42.866)	(60.161)	(49.575)	(78.213)
Other operating income (expenses), net	60.635	55.910	(36.855)	(45.586)

(*) Tax credits arising from exclusion of ICMS from the basis of calculation of PIS and COFINS in the amount of R\$ 88,661 – Parent company and R\$ 88,804 – Consolidated. Further details are given in Note 9.

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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 NBC TG 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							
		06.30.2021				12.31.2020			
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	-	34.860	-	34.860	-	75.068	-	75.068
Financial investments	6	-	150.970	-	150.970	-	482.800	-	482.800
Trade receivables	7	445.301	-	-	445.301	371.835	-	-	371.835
Receivables from and loans to related parties	10	29.939	-	-	29.939	29.029	-	-	29.029
Unrealized gains on derivatives	31	-	-	10.113	10.113	-	-	5.462	5.462
Total		475.240	185.830	10.113	671.183	400.864	557.868	5.462	964.194

		Parent Company							
		06.30.2021				12.31.2020			
Liabilities	Note	Amortized Cost	Fair Value by Result	Designated Derivatives for Cash Flow Hedge	Total	Amortized Cost	Fair Value by Result	Designated Derivatives for Cash Flow Hedge	Total
Payables to related parties	15	(66.106)	-	-	(66.106)	(62.375)	-	-	(62.375)
Trade payables	15	(190.461)	-	-	(190.461)	(172.407)	-	-	(172.407)
Lease liabilities	17.b	(11.159)	-	-	(11.159)	(13.203)	-	-	(13.203)
Borrowings	17.a	(199.031)	-	-	(199.031)	(552.369)	-	-	(552.369)
Unrealized losses on derivatives	31	-	-	(11.185)	(11.185)	-	-	(24.403)	(24.403)
Total		(466.757)	-	(11.185)	(477.942)	(800.354)	-	(24.403)	(824.757)

		Consolidated							
		06.30.2021				12.31.2020			
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	-	47.159	-	47.159	-	89.411	-	89.411
Financial investments	6	-	199.471	-	199.471	-	518.424	-	518.424
Trade receivables	7	579.127	-	-	579.127	465.116	-	-	465.116
Receivables from and loans to related parties	10	48.622	-	-	48.622	77.671	-	-	77.671
Unrealized gains on derivatives	31	-	-	12.869	12.869	-	-	8.430	8.430
Total		627.749	246.630	12.869	887.248	542.787	607.835	8.430	1.159.052

		Consolidated							
		06.30.2021				12.31.2020			
Liabilities	Note	Amortized Cost	Fair Value by Result	Designated Derivatives for Cash Flow Hedge	Total	Amortized Cost	Fair Value by Result	Designated Derivatives for Cash Flow Hedge	Total
Payables to related parties	15	(88.545)	-	-	(88.545)	(80.601)	-	-	(80.601)
Trade payables	15	(244.466)	-	-	(244.466)	(209.402)	-	-	(209.402)
Lease liabilities	17.b	(12.584)	-	-	(12.584)	(15.601)	-	-	(15.601)
Borrowings	17.a	(205.324)	-	-	(205.324)	(552.369)	-	-	(552.369)
Unrealized losses on derivatives	31	-	-	(11.185)	(11.185)	-	-	(24.403)	(24.403)
Total		(550.919)	-	(11.185)	(562.104)	(857.973)	-	(24.403)	(882.376)

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

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

- Fair value hierarchy and measurement

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

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

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

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

- Fair value calculation

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

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

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

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- b) The result of the above difference is multiplied by the notional value of each operation;
- c) The amounts obtained in item "b" are brought to present value at the Interbank Deposit (DI) curve of "B3" valid for the MTM date.

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

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

- *Fair value versus carrying amount*

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

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

	Note	Consolidated				Level
		06.30.2021		12.31.2020		
		Carrying amount	Fair value	Carrying amount	Fair value	
Assets						
Cash, demand deposits and cash in transit	6	47.159	47.159	89.411	89.411	2
Financial investments	6	199.471	199.471	518.424	518.424	2
Trade receivables	7	579.127	579.127	465.116	465.116	2
Receivables from and loans to related parties	10	48.622	48.622	77.671	77.671	2
Unrealized gains on derivatives	31	12.869	12.869	8.430	8.430	2
Total		887.248	887.248	1.159.052	1.159.052	
Liabilities						
Payables to related parties	15	(88.545)	(88.545)	(80.601)	(80.601)	2
Trade payables	15	(244.466)	(244.466)	(209.402)	(209.402)	2
Lease liabilities	17.b	(12.584)	(12.584)	(15.601)	(15.601)	2
Borrowings	17.a	(205.324)	(205.324)	(552.369)	(552.369)	2
Unrealized losses on derivatives	31	(11.185)	(11.185)	(24.403)	(24.403)	2
Total		(562.104)	(562.104)	(882.376)	(882.376)	

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- Hedge accounting

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

Hedging objective and strategy:

Currency hedge

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

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

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

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

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

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

Commodity hedging (metal raw materials)

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

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

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The risks inherent in metal commodities are calculated for each of the metals most used by the Company: aluminum, copper, tin and nickel. The calculation is based on the consumption of each metal according to the list of products to which the metal is applied, multiplied by the average price of the metal as disclosed by the London Market Exchange (LME) for the month preceding the check. The quantity considered in the risk calculation is the total quantity of metal applied in the production, by subtracting the quantity whose price increase is passed on to customers under the agreement. During 2020 and in the first quarter of 2021, only copper had a risk of over USD 1 million, which is the maximum amount of risk the Company assumes. The hedge program is executed for risk above USD 1 million.

Based on the net annual operational risk calculated for metals, a hedge was needed only for copper.

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).

II. Risk management

Overview

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

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

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

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a.1) Operational risk

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

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

a.2) Business risk

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

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

- b) Economic/financial risks mainly reflect the behavior of macroeconomic variables, such as the prices of metals used by the Group (aluminum, copper and nickel), exchange and interest rates, which have direct impacts on operations, as well as the characteristics of the financial instruments used by the Group. These risks are monitored by senior management, which is actively involved in the Group's operational management, by reference to the Group's global policies. On June 30, 2021, the Company did not enter into hedge transactions for tin and nickel because the level of risk was acceptable according to global policies.

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

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

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b.1) Liquidity risk

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

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

06.30.2021							
	Note	Carrying amount	Cash Flow	Up to 1 year	1 - 2 years	2 - 5 years	More than 5 years
Liabilities							
Payables to related parties	15	(88.545)	(88.545)	(88.545)	-	-	-
Trade payables	15	(244.466)	(244.466)	(244.466)	-	-	-
Lease liabilities	17.b	(12.584)	(15.732)	(10.378)	(5.354)	-	-
Borrowings	17.a	(205.324)	(213.320)	(91.977)	(31.185)	(36.063)	(54.095)
Unrealized losses on derivatives	31	(11.185)	(11.185)	(11.185)	-	-	-
Total		(562.104)	(573.248)	(446.551)	(36.539)	(36.063)	(54.095)
12.31.2020							
	Note	Carrying amount	Cash Flow	Up to 1 year	1 - 2 years	2 - 5 years	More than 5 years
Liabilities							
Payables to related parties	15	(80.601)	(80.601)	(80.601)	-	-	-
Trade payables	15	(209.402)	(209.402)	(209.402)	-	-	-
Lease liabilities	17.b	(15.601)	(15.601)	(9.305)	(6.296)	-	-
Borrowings	17.a	(552.369)	(598.983)	(409.211)	(45.080)	(77.567)	(67.125)
Unrealized losses on derivatives	31	(24.403)	(24.403)	(24.403)	-	-	-
Total		(882.376)	(928.990)	(732.922)	(51.376)	(77.567)	(67.125)

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b.2) Credit risk

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

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

Assets	Note	Parent company		Consolidated	
		06.30.2021	12.31.2020	06.30.2021	12.31.2020
Cash, demand deposits and cash in transit	6	34.860	75.068	47.159	89.411
Financial investments	6	150.970	482.800	199.471	518.424
Trade receivables	7	445.301	371.835	579.127	465.116
Receivables from and loans to related parties	10	29.939	29.029	48.622	77.671
Unrealized gains on derivatives	31	10.113	5.462	12.869	8.430
Total		671.183	964.194	887.248	1.159.052

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

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

Trade receivables

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

Counterparties unrated external de crédito	Parent Company		Consolidated	
	06.30.2021	12.31.2020	06.30.2021	12.31.2020
<i>Top 20</i>	181.842	141.620	252.293	194.541
<i>Third Parties</i>	165.853	153.466	211.911	184.500
<i>Intercompanies</i>	101.259	83.009	121.455	96.255
Total Trade Receivables and Others	448.954	378.095	585.659	475.296

The table above of trade accounts receivable does not consider impairment losses on accounts receivable.

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

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

	Nota	Controladora		Consolidado	
		06.30.2021	12.31.2020	06.30.2021	12.31.2020
Cash, demand deposits and financial investments					
AAA	6	118.598	494.234	118.946	494.517
AA		51.187	50.641	51.187	50.641
Others		16.045	12.993	76.497	62.677
		185.830	557.868	246.630	607.835

S&P National Long Term

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 & Poor's).

b.3) Risk of fluctuation in interest rates

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

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

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

	Nota	Parent company		Consolidated	
		06.30.2021	12.31.2020	06.30.2021	12.31.2020
Cash, demand deposits and cash in transit	6	34.860	75.068	47.159	89.411
Financial investments	6	150.970	482.800	199.471	518.424
Borrowings	17.a	(199.031)	(552.369)	(205.324)	(552.369)
Total		(13.201)	5.499	41.306	55.466

On June 30, 2021, the balance of borrowings of R\$ 199,031 (Parent company and Consolidated) comprises the following: 36.87% of FINEP I with simplified interest rate TJLP -1% p.a. and average cost of 3.61%; 36.97% of FINEP II with simplified interest rate TJLP p.a. and average cost of 4.61%; 26.16% of ACC with average cost of 0.79% p.a.

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.

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

b.4) Risk of fluctuation in exchange rates

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

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

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

On June 30, 2021, the Group's exposure in USD (EUR and JPY equivalents in USD) was USD 6,358 thousand in the parent company in the consolidated accounts, as shown below:

Foreign exchange exposure arising from accounts receivable and payable in foreign currency at June 30, 2021

Item	USD thousand	EUR thousand (*)	JPY thousand (**)
	Parent company and Consolidated	Parent company and Consolidated	Parent company and Consolidated
(+) Trade receivables	26.487	17.391	-
(+) Demand deposits (in foreign currency)	3.887	1.736	-
(-) Advances on export exchange contract	-	(8.000)	-
(-) Imports	(4.551)	(6.881)	(209.838)
(-) Currency forwards - sale	(20.968)	(2.207)	108.452
(=) Net balance of foreign exchange exposure	4.855	2.039	(101.386)

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

Currency	Consolidated	
USD	4.855	
EUR	2.416	(*) Parity EUR / USD 1,185
JPY	(913)	(**) Parity JPY / USD 111,03663
Total	6.358	

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

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

Parent company and consolidated (USD)				
Year	Net Exposure (thousands)	Notional Value - Hedge (thousands)	Average Rate (Portfolio NDF)	% Hedged
2021 (Jul-Dec)	(10.534)	7.901	4,7865	75,0%
2022 (Jan-Dec)	(18.202)	5.876	5,4364	32,3%
2023 (Jan-Jun)	(8.195)	2.049	5,9174	25,0%
Total	(36.931)	15.826	5,1742	42,9%

Parent company and consolidated (EUR)				
Year	Net Exposure (thousands)	Notional Value - Hedge (thousands)	Average Rate (Portfolio NDF)	% Hedged
2021 (Jul-Dec)	(5.862)	4.457	5,4836	76,0%
2022 (Jan-Dec)	(12.907)	4.766	6,2745	36,9%
2023 (Jan-Jun)	(7.338)	1.835	7,2046	25,0%
Total	(26.107)	11.058	6,1100	42,4%

Parent company and consolidated (JPY)				
Year	Net Exposure (thousands)	Notional Value - Hedge (thousands)	Average Rate (Portfolio NDF)	% Hedged
2021 (Jul-Dec)	194.782	(146.086)	0,0475	75,0%
2022 (Jan-Dec)	359.992	(123.228)	0,0530	34,2%
2023 (Jan-Jun)	174.950	(43.738)	0,0572	25,0%
Total	729.724	(313.052)	0,0510	42,9%

- 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.

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

Under NBC TG 40 (CPC-40) Sensitivity Analysis, management performed an exchange rate volatility study and identified the percentage change between the lowest and highest rate, so management believes that the percentages of 25% and 50% applied to sensitivity analyses reflect and cover the most likely scenarios.

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:

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

Sensitivity analysis table

The selling rates published on June 30, 2020 by the Brazilian Central Bank for USD, EUR and JPY were used in this sensitivity analysis.

	Parent company and Consolidated			Total BRL
	USD/BRL exchange rate for settlement of bills of exchange	* Net balance of foreign exchange exposure - USD	** Average rate of bills of exchange	
50% better	7,5033		5,1384	11.482
25% better	6,2528		5,1384	5.411
Balance sheet date	5,0022	4.855	5,1384	(661)
25% worse	3,7517		5,1384	(6.732)
50% worse	2,5011		5,1384	(12.804)

(*) 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			Total BRL
	EUR/BRL exchange rate for settlement of bills of exchange	* Net balance of foreign exchange exposure - EUR	** Average rate of bills of exchange	
50% better	8,8914		6,1122	5.667
25% better	7,4095		6,1122	2.645
Balance sheet date	5,9276	2.039	6,1122	(376)
25% worse	4,4457		6,1122	(3.398)
50% worse	2,9638		6,1122	(6.420)

(*) 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			Total BRL
	JPY/BRL exchange rate for settlement of bills of exchange	* Net balance of foreign exchange exposure - JPY	** Average rate of bills of exchange	
50% better	0,0225		0,0494	2.727
25% better	0,0338		0,0494	1.582
Balance sheet date	0,0451	(101.386)	0,0494	441
25% worse	0,0563		0,0494	(700)
50% worse	0,0676		0,0494	(1.845)

(*) 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.

Notes to the interim financial statements

(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, 2021

Scenario	USD/BRL exchange rate for settlement of operations	Notional value - USD (thousand)	Weighted average rate at maturity (*)	Adjustment in RS thousand	EUR/BRL exchange rate for settlement of operations	Notional value - EUR (thousand)	Weighted average rate at maturity (*)	Adjustment in RS thousand	JPY/BRL exchange rate for settlement of operations	Notional value - JPY (thousand)	Weighted average rate at maturity (*)	Adjustment in RS thousand	Total adjustment in RS thousand
50% better	2,5011	15.826	5,1742	42.304	2,9638	11.058	6,1100	34.789	0,0676	(313.052)	0,0510	5.183	82.276
25% better	3,7517	15.826	5,1742	22.513	4,4457	11.058	6,1100	18.403	0,0563	(313.052)	0,0510	1.657	42.573
Balance sheet date	5,0022	15.826	5,1742	2.722	5,9276	11.058	6,1100	2.017	0,0451	(313.052)	0,0510	(1.869)	2.870
25% worse	6,2528	15.826	5,1742	(17.068)	7,4095	11.058	6,1100	(14.369)	0,0338	(313.052)	0,0510	(5.395)	(36.832)
50% worse	7,5033	15.826	5,1742	(36.859)	8,8914	11.058	6,1100	(30.756)	0,0225	(313.052)	0,0510	(8.920)	(76.535)

The selling rates published on June 30, 2020 by the Brazilian Central Bank for USD, EUR and JPY were used.

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(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:

Weighted average forward rate - value for settlement			Notional value - thousand			
			Parent company		Consolidated	
Foreign currency			06.30.2021	06.30.2020	06.30.2021	06.30.2020
Short position	EUR	6,12448	13.265	14.419	13.265	14.419
Short position	USD	5,13959	36.794	29.095	36.794	29.095
Long position	JPY	0,05059	(421.504)	(446.485)	(421.504)	(446.485)

Weighted average forward rate - value for settlement			Fair market value - thousand			
			Parent company		Consolidated	
(1) Foreign currency			06.30.2021	06.30.2020	06.30.2021	06.30.2020
Short position	EUR	6,12448	(685)	(16.074)	(685)	(16.074)
Short position	USD	5,13959	625	(23.593)	625	(23.593)
Long position	JPY	0,05059	(1.728)	2.913	(1.728)	2.913

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

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

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

The table below presents the outstanding position on June 30, 2021 and 2020:

		Weighted average price on maturity	Notional value - metric tons			
			Parent company		Consolidated	
<u>Long position</u>			06.30.2021	06.30.2020	06.30.2021	06.30.2020
<u>Commodities</u>						
	Copper	9.612	227	317	227	317
	Aluminum	2.439	-	137	-	137
	TOTAL		227	454	227	454

		Weighted average price on maturity	Notional value (fair market value)			
			Parent company		Consolidated	
<u>Long position</u>			06.30.2021	06.30.2020	06.30.2021	06.30.2020
<u>Commodities</u>						
	Copper	9.612	871	269	871	269
	Aluminum	2.439	-	(151)	-	(151)
	TOTAL		871	118	871	118

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 (COPPER)				
Year	Net Exposure (Tons)	Notional Value - Hedge (Tons)	Average Price - Portfolio Swap	% Hedged
2021 (Jul-Dec)	(201)	152	7.913	75,6%
2022 (Jan-Apr)	(131)	75	9.979	57,3%
Total	(332)	227	8.946	68,4%

- Sensitivity analysis table

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

For the sensitivity analysis of commodity transactions, management adopted as a probable scenario the amounts recognized in its books, determined by projected prices disclosed by the LME and exchange rates published by the Brazilian Central Bank at June 30, 2021. 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.

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, 2021 used for the purposes of accounting records with the stressed rates and prices calculated in accordance with the following scenarios.

Sensitivity analysis on results of operations of purchase of commodity swap contracts - Parent company and Consolidated					
Commodity	Volume in metric tons	Settlement price on maturity (USD/metric ton)	Weighted average price on maturity (USD/metric ton)	Total adjustment BRL	Total effect on purchases of commodities BRL
Copper					
50% better		14.078		5.070	(5.070)
25% better		11.731		2.406	(2.406)
Balance sheet date	227	9.385	9.612	(258)	258
25% worse		7.039		(2.922)	2.922
50% worse		4.693		(5.587)	5.587

The selling rates of the USD published on June 30, 2021 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:

	06.30.2021		06.30.2020	
	Parent company	Consolidated	Parent company	Consolidated
Results of derivatives (exports/imports/loan)				
Provisions				
- Operations on accounts receivable and payable	2.047	2.046	(9.386)	(9.400)
- Operations on IOC	(651)	(651)	(13.824)	(13.824)
Cash effect				
- Operations on accounts receivable and payable	3.552	3.552	(22.427)	(22.427)
Note 29	4.948	4.947	(45.637)	(45.651)
Total derivative operations- net finance result	4.948	4.947	(45.637)	(45.651)
Exchange variations (gains and losses)	(18.099)	(15.938)	5.432	4.833
Results of derivatives (exports/imports/loan)	4.948	4.947	(45.637)	(45.651)
Gross sales	15.608	15.608	20.080	20.203
Cost of sales	(5.780)	(5.780)	(5.382)	(5.382)
Effects of foreign xchange variatons and financial instruments on profit and loss	(3.323)	(1.163)	(25.507)	(25.997)
Gross result				
Gross sales				
- Settlements with cash effect	15.608	15.608	20.080	20.203
	15.608	15.608	20.080	20.203
Cost of sales				
- Settlements with cash effect	(5.780)	(5.780)	(5.382)	(5.382)
	(5.780)	(5.780)	(5.382)	(5.382)
Total derivative operations - gross result	9.828	9.828	14.698	14.821
Equity				
Provisions				
- Operations on sales to be made	(BS) 3.298	3.298	33.527	33.527
- Operations on commodities	(BS) (871)	(871)	(125)	(125)
Deferred income tax and social contribution	825	825	11.356	11.356
Total derivative operations - equity	3.252	3.252	44.758	44.758
Provision for unrealized losses and gains on derivatives				
(BS) - Sum of the net balance sheet				
Balance sheet assets	10.113	12.869	4.599	4.831
Balance sheet liabilities	(11.185)	(11.185)	(40.492)	(40.492)
Balance sheet, net	(1.072)	1.684	(35.893)	(35.661)

Guarantees

The Group had no guarantee deposits relating to these derivative instruments for the periods presented above (June 30, 2021 and 2020).

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.

In the first half of 2021, the Group recognized a provision for profit sharing in the amount of R\$ 23,923 (R\$ 20,210 in the first half of 2020) – Parent company and R\$ 23,971 (R\$ 20,233 in the first half of 2020) – Consolidated. The employee profit sharing payment follows the rules set forth in the collective labor agreement. That agreement establishes conditions to be met, as summarized herein: i) production goals for a predetermined number of workers; ii) maintenance of the absenteeism level up to previously defined annual average absence rate in relation to standard hours worked; and iii) maintenance of the scrap level up to the previously defined annual average scrap 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\$ 1,012 at first semester of 2021 (R\$ 1,378 at first semester of 2020).

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 2021 the insurance coverage for operational risks (combined property damages and lost profits) is R\$ 5,740,440 (2020 - R\$ 5,811,644).

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

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

The income statement items are restated at the end of each fiscal quarter based on the change in the general price index and then translated into Brazilian real at the closing rates for each period (not at accumulated average rate for the year).

The impacts of the application of NBC TG 42 (CPC 42) / IAS 29 Financial Reporting in Hyperinflationary Economies on the parent company and consolidated financial statements as at June 30, 2021 are shown below:

	2Q2021	1H2021	2Q2020	1H2020
Reconciliation of result adjustments				
Gain on monetary position of investments from parent company - reflex recomposition	20.479	40.796	9.341	19.276
Gain on monetary position of investments from subsidiary - reflex recomposition	168	333	72	147
Loss on monetary position of subsidiary MAHLE Argentina S.A.	(9.400)	(15.780)	7.340	(1.709)
Gain on monetary item, result (consolidated)	11.247	25.349	16.753	17.714

The statement of income for the first semester of 2021 was adjusted for inflation and subsequently translated using the exchange rate at the end of each quarter.

MAHLE Metal Leve S.A.

Notes to the interim financial statements

(in thousand of reais)

Board of Directors

Principal members

Peter Paul Wilhelm Grunow
Heinz Konrad Junker
Wolfgang Werner Ernst Fritz Fritzemeyer
Eduardo Augusto Rocha Pocetti
Reginaldo Ferreira Alexandre

Alternate members

Liliana Faccio Novaretti
Márcio de Oliveira Santos
Flávio Venturelli Helú
José Gomes Rodrigues da Silva
Walter Luis Bernardes Albertoni

Executive Board

Sergio Pancini de Sá - Diretor Presidente e de Relações com Investidores
Nathan John Queye – Diretor Administrativo Financeiro

Fiscal Conciul

Principal members

Axel Erhard Brod
Hélio Carlos de Lamare Cox
Mario Probst

Alternate members

Camila Pagliato Figueiredo
Dimas Lazarini Silveira Costa
Massao Fábio Oya

Technical specialist

Daniel de Oliveira Camargo
Accounting and direct tax manager
Accountant - CRC 1SP 248941/O-2

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(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 Nathan John Quye, 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 year ended June 30, 2021, and thus authorize their completion.

Mogi Guaçu, August 10, 2021.

Sergio Pancini de Sá
CEO

Nathan John Quye
Finance director

(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 Nathan John Quye, 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 KPMG Auditores Independentes, on the parent company and consolidated financial statements of MAHLE Metal Leve S.A. for the year ended June 30, 2021.

Mogi Guaçu, August 10, 2021.

Sergio Pancini de Sá
CEO

Nathan John Quye
Finance director