

(A free translation of the original in Portuguese)

MAHLE Metal Leve S.A.

Financial statements at
December 31, 2021

Mogi Guaçu, São Paulo, March 14, 2022 - MAHLE Metal Leve S.A. (B3: LEVE3), a Brazilian automotive parts company that manufactures and sells components for internal combustion engines and automotive filters, today announced financial results for the fourth quarter and full year ended December 31, 2021. 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.

Fourth Quarter and Full Year 2021 Earnings Conference Call and Webcast

Date: March 15, 2022

Time

12 noon – Brasília
3:00 p.m. – London
11:00 a.m. – New York

Webcast in Portuguese
(original)

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(simultaneous translation)

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HIGHLIGHTS

Net Sales Revenue: R\$ 3,615.1 million in 2021, an increase of 50.5% year-over-year. In 4Q21, net sales revenue grew 21.2% versus the same quarter of 2020;

Domestic Aftermarket: Full-year 2021 sales grew 41.0% year-over-year, while 4Q21 sales grew 21.2% compared with the same quarter of the prior year (See details in items [5.1](#) and [5.3](#));

Domestic Original Equipment Market: Full-year 2021 sales grew 62.8% compared with fiscal year 2020, while 4Q21 sales increased 17.0% versus the same quarter of 2020 (See details in items [5.1](#) and [5.2](#)). In 2021, consolidated vehicle production grew 18.2% (item [4.3](#)), the Brazilian market grew 11.6% (item [4.1](#)) and the Argentine market grew 68.8% (item [4.2](#));

Interest on capital (gross): In 2021, the Board of Directors of the Company approved a distribution of R\$ 69.9 million (See details in item [5.17](#));

Transparency Trophy: In 2021, MAHLE Metal Leve won for the 8th consecutive year from the National Association of Finance, Administration and Accounting Executives (ANEFAC) the award for the quality and transparency of its financial statements for the financial year 2020;

Key indicators								
(in millions of R\$)	2021 (a)	2020 (b)	(a/b)	4Q21 (c)	3Q21 (d)	4Q20 (e)	(c/d)	(c/e)
Net sales revenue	3,615.1	2,402.6	50.5%	941.5	949.5	776.7	-0.8%	21.2%
EBITDA	823.1	296.2	177.9%	164.6	196.4	131.4	-16.2%	25.3%
Adjusted EBITDA ¹	726.4	412.4	76.1%	167.2	185.9	137.1	-10.1%	22.0%
EBITDA margin	22.8%	12.3%	10.5 p.p.	17.5%	20.7%	16.9%	-3.2 p.p.	0.6 p.p.
Adjusted EBITDA margin ¹	20.1%	17.2%	2.9 p.p.	17.8%	19.6%	17.7%	-1.8 p.p.	0.1 p.p.
Net profit	566.9	124.5	355.3%	130.8	139.9	100.8	-6.5%	29.8%
Adjusted net profit ²	496.3	203.9	143.4%	131.5	132.4	104.6	-0.7%	25.7%
Net margin	15.7%	5.2%	10.5 p.p.	13.9%	14.7%	13.0%	-0.8 p.p.	0.9 p.p.
Adjusted net margin ²	13.7%	8.5%	5.2 p.p.	14.0%	13.9%	13.5%	0.1 p.p.	0.5 p.p.

¹ Adjusted EBITDA: Details of adjustments are included in item [5.11](#) of this report.

² Adjusted net profit: Details of adjustments are included in item [5.14](#) of this report.

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DEAR SHAREHOLDERS,

In compliance with applicable laws and regulations, the Company Management Board hereby submits to you the Management Report and the Financial Statements with the Independent Auditor's Report and the Report of the Supervisory Board for the fiscal year ended December 31, 2021.

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1. Management Commentary

The business environment was challenging throughout 2021. The entire supply chain was significantly affected by product shortages and price increases. The global supply chain crisis was aggravated by the shipping container shortage and lack of ships, associated with the shortage of raw materials such as steel, resin, imported products. As a result, in addition to rising product prices, there has been a significant increase in freight prices and air freight rates.

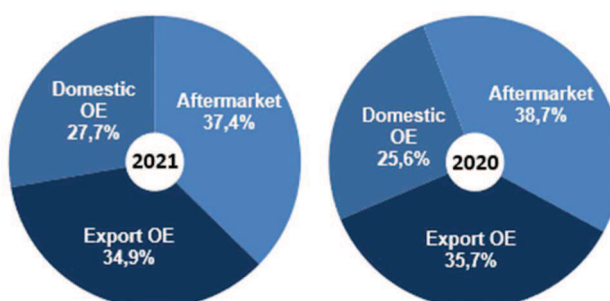
There is still a high degree of uncertainty surrounding the future developments of the pandemic and the global economic recovery, and various industry segments, including the sector in which the Company operates, may be adversely affected in the future. For example, Brazil's new car market continues to be negatively affected by the shortage of semiconductors.

We will continue to monitor developments very closely and will adapt accordingly.

The Company seeks to balance its operations in the Original Equipment and Aftermarket segments in both domestic and export markets, in order to offset oscillations in different segments and stabilize its profit margin over time.

The Company reported growth of 50.5% in 2021 net revenue compared with fiscal year 2020, due to an increase in Aftermarket sales (+45.5%), domestic OE market (+62.8%), and OE exports (+47.0%). The Company's 4Q21 net revenue grew 21.2% compared with the same quarter of 2020, due to an increase in Aftermarket sales (+29.7%), domestic OE market (+17.0%) and OE exports (+15.1%).

The charts below show the Company's revenue by business segment in fiscal years 2021 and 2020:



In 2021, the Company reported an adjusted EBITDA margin of 20.1% (17.2% in 2020) with adjusted EBITDA of R\$ 726.4 million (R\$ 412.4 million in 2020). Adjusted EBITDA margin for 4Q21 was 17.8% (R\$ 167.2 million) versus 17.7% in 4Q20 (R\$ 137.1 million). The adjustments relate to non-recurring events. See items 5.11 and 5.14 for details.

Despite unprecedented challenges in the second year of the COVID-19 pandemic, the Company continues to show resilience. This resilience was a result of unwavering commitment of personnel and close relationship with stakeholders, as well as a consolidated research and technology infrastructure that allows us to bring state-of-the-art products and quality services to market faster.

Our strategy goes beyond financial results. We also take care of people while strengthening our employer brand internally and externally to enable streamlined staffing for current and future projects.

Tomorrow's workplace will be increasingly complex and fast changing and will require efficient decision-making, so it is necessary to have initiative, mutual trust and motivated teams that come up with innovative ideas on the way towards transformation. It is essential that we maximize our potential by working together as one team to make MAHLE fit for the future. Our principles of leadership will help us achieve this goal, guiding us and keeping us on the right track".

The Company continues to closely monitor the COVID-19 pandemic and maintains a crisis committee to monitor the evolving situation at all its plants to mitigate the risk of contamination of employees and service providers. The Company has taken a series of measures in line with the recommendations and guidance from health authorities and stringent sanitizing protocols and has allowed employees who can work remotely (for example, administrative staff) to work from home.

Our industry is undergoing and will continue to undergo a profound transformation – one that goes far beyond a technological change and was accelerated even more by the coronavirus crisis. To successfully shape the transformation, we need to make our organization more agile and flexible and make decisions quickly. The way we lead and deal with different issues, working together to handle the new and dynamic circumstances, encourages people to assume a protagonist role.

2. Macroeconomic Scenario and Outlook

In 2021, Brazil's business environment was marked principally by inflationary pressure and raw material and product shortages across various sectors of the economy. One of the major concerns for the automotive industry, where the Company operates, has been the shortage of semiconductors.

Despite uncertainties brought by the COVID-19 pandemic, the global economy has moved toward recovery in 2021, but in Brazil caution was observed since the Brazilian economy is influenced by what happens abroad. There is still great uncertainty as the pandemic situation is different from what happened with other pandemics.

In Brazil, there has been an increase in infections of the highly transmissible Omicron variant, the virus that causes COVID-19. Although the case numbers are falling, the COVID-19 pandemic is not over yet.

According to the International Monetary Fund (IMF), in 2022 the countries will grow at an uneven pace due to unequal access to vaccinations.

The outlook for Brazil in 2022 is challenging as Brazil has a presidential election this year, inflation keeps accelerating, with price increases spread across various components, and can be aggravated by an energy crisis. High input prices are expected to persist in the short term while service sector inflation accelerated, reflecting a gradual recovery in the sector.

In the international scenario, the ongoing tensions caused by Russia-Ukraine conflict and persistently elevated inflation could trigger aggressive monetary tightening in the United States, possibly leading to tighter financing conditions in emerging markets. Furthermore, a new wave of COVID-19 inflections has increased uncertainty about the pace of activity and further delayed normalization of global supply chain woes.

3. About MAHLE Metal Leve

We are a Brazilian automotive parts company that manufactures and sells components for internal combustion engines and automotive filters. We manufacture the highest quality products 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.

4. Development of the Automotive Industry

4.1 Development of the Brazilian market

Brazilian automotive industry												
Segments	Jan-Dec 2021					Jan-Dec 2020					Sales Variation (A/C)	Production Variation (B/D)
	Sales (**) (A)	Export	Import	Inventory (*)	Total Production (B)	Sales (**) (C)	Export	Import	Inventory (*)	Total Production (D)		
Total light vehicles	1,977,110	349,450	-247,921	-8,077	2,070,562	1,954,819	306,968	-207,683	-149,390	1,904,714	1.1%	8.7%
Total medium and heavy vehicles	142,741	26,933	-5,857	13,874	177,691	103,618	17,362	-3,936	-7,703	109,341	37.8%	62.5%
Total vehicle sales	2,119,851	376,383	-253,778	5,797	2,248,253	2,058,437	324,330	-211,619	-157,093	2,014,055	3.0%	11.6%
Variation (un) - 2021 x 2020	61,414	52,053	42,159	-162,890	234,198							
Variation (%) - 2021 x 2020	3.0%	16.0%	19.9%	-103.7%	11.6%							

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	Jul	Aug	Sep	Oct	Nov	Dec	Total
2020	191.7	204.2	190.0	1.8	43.1	98.4	170.7	210.0	220.2	236.5	238.2	209.3	2,014.1
2021	200.4	197.0	200.3	190.9	192.8	167.5	164.2	165.3	174.1	179.0	205.9	210.9	2,248.3

Total monthly sales (thousand units)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2020	193.5	201.0	163.6	55.7	62.2	132.8	174.5	183.4	207.7	215.0	225.0	244.0	2,058.4
2021	171.1	167.4	189.4	175.1	188.7	182.5	175.5	172.8	155.1	162.3	173.0	207.1	2,120.0

Brazil's vehicle inventory (days)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2020	43	37	48	128	80	36	23	20	20	18	15	12
2021	18	18	16	17	16	15	15	15	17	17	15	16

Source: Anfavea

4.2 Development of the Argentine market

Argentine automotive industry			
Sales of vehicles (locally manufactured and imported)	Jan-Dec 2021 (A)	Jan-Dec 2020 (B)	A/B
Total light vehicles	334,389	312,789	6.9%
Total medium- and heavy-duty vehicles	14,827	10,510	41.1%
Total vehicle sales	349,216	323,299	8.0%
Exports	259,287	137,891	88.0%
Imports	159,868	191,730	-16.6%
Trade balance	99,419	(53,839)	284.7%
Change in vehicle inventory in the period (*)	3,834	269	1325.3%
Production of light vehicles	434,753	257,187	69.0%
Production of heavy-duty vehicles	2,889	2,032	42.2%
Total vehicle production	437,642	259,219	68.8%

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

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

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

Production and sales: Brazil & Argentina	Vehicle production			Vehicle sales		
	Jan-Dec 2021	Jan-Dec 2020	Change	Jan-Dec 2021	Jan-Dec 2020	Change
Light vehicles	2,505,315	2,161,901	15.9%	2,311,500	2,267,608	1.9%
Medium- and heavy-duty vehicles	180,580	111,373	62.1%	157,568	114,128	38.1%
Total	2,685,895	2,273,274	18.2%	2,469,068	2,381,736	3.7%

Source: Anfavea and Adefa.

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4.4 Vehicle production in the major export markets

Vehicle production in the leading export markets (thousands)	Jan-Dec 2021 (A)	Jan-Dec 2020 (B)	A/B
Production of light vehicles	12,941	13,024	-0.6%
Production of medium- and heavy-duty vehicles	577	460	25.4%
North America	13,518	13,484	0.2%
Production of light vehicles	15,674	16,571	-5.4%
Production of medium- and heavy-duty vehicles	588	514	14.5%
Europe	16,262	17,085	-4.8%
Total vehicle production	29,780	30,570	-2.6%

Source: IHS

5. Company's Financial and Economic Performance

Summary of profit and loss accounts (in millions of R\$)	2021 (a)	2020 (b)	HA (%) (a/b)	VA (%) (a)	VA (%) (b)	4Q21 (c)	4Q20 (d)	HA (%) (c/d)	VA (%) (c)	VA (%) (d)
Net sales revenue	3,615.1	2,402.6	50.5%	100.0%	100.0%	941.5	776.7	21.2%	100.0%	100.0%
Cost of sales	(2,620.8)	(1,775.6)	47.6%	-72.5%	-73.9%	(721.3)	(546.9)	31.9%	-76.6%	-70.4%
Gross profit	994.3	627.0	58.6%	27.5%	26.1%	220.2	229.8	-4.2%	23.4%	29.6%
Selling and distribution expenses	(232.3)	(165.9)	40.0%	-6.4%	-6.9%	(60.2)	(47.0)	28.1%	-6.4%	-6.1%
General and administrative expenses	(109.8)	(95.4)	15.1%	-3.0%	-4.0%	(31.4)	(26.5)	18.5%	-3.3%	-3.4%
Research and development expenses	(51.5)	(64.1)	-19.7%	-1.4%	-2.7%	(10.9)	(20.8)	-47.6%	-1.2%	-2.7%
¹ Other operating income/(expenses)	74.6	(148.0)	150.4%	2.1%	-6.2%	12.6	(41.2)	-130.6%	1.3%	-5.3%
Share of profit/(loss) of equity-accounted investees	3.3	(0.1)	3400.0%	0.1%	0.0%	-	(0.0)	100.0%	0.0%	0.0%
Gains/(losses) on inflation adjustment	44.1	40.1	10.0%	1.2%	1.7%	9.2	12.0	-23.3%	1.0%	1.5%
Operating profit	722.7	193.6	273.3%	20.0%	8.1%	139.5	106.3	31.2%	14.8%	13.7%
Net finance income/(costs)	(8.9)	(86.0)	-89.7%	-0.2%	-3.6%	3.2	(12.4)	-125.8%	0.3%	-1.6%
² Income tax and social contribution	(147.1)	14.6	-1107.5%	-4.1%	0.6%	(12.3)	7.7	-259.7%	-1.3%	1.0%
Profit for the year	566.7	122.2	363.7%	15.7%	5.1%	130.4	101.6	28.3%	13.9%	13.1%
Profit attributable to owners of the Company	566.9	124.5	355.3%	15.7%	5.2%	130.8	100.8	29.8%	13.9%	13.0%
Adjusted profit attributable to owners of the Company	496.3	203.9	143.4%	13.7%	8.5%	131.5	104.6	25.7%	14.0%	13.5%
Profit attributable to non-controlling interests	(0.2)	(2.3)	91.3%	0.0%	-0.1%	(0.4)	0.8	-150.0%	0.0%	0.1%
EBITDA	823.1	296.2	177.9%	22.8%	12.3%	164.6	131.4	25.3%	17.5%	16.9%
Adjusted EBITDA	726.4	412.4	76.1%	20.1%	17.2%	167.2	137.1	22.0%	17.8%	17.7%
Margins:										
Gross margin	27.5%	26.1%	1.4 p.p.			23.4%	29.6%	-6.2 p.p.		
Operating margin	20.0%	8.1%	11.9 p.p.			14.8%	13.7%	1.1 p.p.		
Net margin	15.7%	5.1%	10.6 p.p.			13.9%	13.1%	0.8 p.p.		
Net margin attributable to owners of the Company	15.7%	5.2%	10.5 p.p.			13.9%	13.0%	0.9 p.p.		
Adjusted net margin attributable to owners of the Company	13.7%	8.5%	5.2 p.p.			14.0%	13.5%	0.5 p.p.		
EBITDA margin	22.8%	12.3%	10.5 p.p.			17.5%	16.9%	0.6 p.p.		
Adjusted EBITDA margin	20.1%	17.2%	2.9 p.p.			17.8%	17.7%	0.1 p.p.		
Selling, general and administrative expenses as a percentage of revenue	9.5%	10.9%	-1.4 p.p.			9.7%	9.5%	0.2 p.p.		

¹ Additional information is included in item 5.10 below.

² Additional information is included in item 5.13 below.

5.1 Net sales revenue and net revenue by market

The Company considers as Domestic Market the revenue generated from its operations in Brazil and Argentina. 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 table below shows revenue by market and impacts in terms of volume/price and exchange rate changes period over period:

Net revenue by market (in millions of R\$)		2021 (a)	Volume/Price (b)	Exchange rate change (c)	2020 (d)	Volume/price impact % (b/d)	Exchange rate impact % (c/d)	HA (%) (a/d)
Original Equipment	Domestic ¹	1,002.3	398.6	(12.1)	615.8	64.7%	-1.9%	62.8%
	Export	1,261.5	199.7	203.7	858.1	23.3%	23.7%	47.0%
	Subtotal	2,263.8	598.3	191.6	1,473.9	40.6%	13.0%	53.6%
Aftermarket	Domestic ¹	1,051.2	367.5	(61.9)	745.6	49.3%	-8.3%	41.0%
	Export	300.1	108.2	8.8	183.1	59.1%	4.8%	63.9%
	Subtotal	1,351.3	475.7	(53.1)	928.7	51.2%	-5.7%	45.5%
Total		3,615.1	1,074.0	138.5	2,402.6	44.7%	5.8%	50.5%

¹ Domestic market comprises Brazil and Argentina.

Net revenue by market (in millions of R\$)		4Q21 (a)	Volume/Price (b)	Exchange rate change (c)	4Q20 (d)	Volume/price impact % (b/d)	Exchange rate impact % (c/d)	HA (%) (a/d)
Original Equipment	Domestic ¹	246.2	36.3	(0.6)	210.5	17.2%	-0.2%	17.0%
	Export	308.2	20.8	19.6	267.8	7.8%	7.3%	15.1%
	Subtotal	554.4	57.1	19.0	478.3	11.9%	4.0%	15.9%
Aftermarket	Domestic ¹	302.8	59.2	(6.2)	249.8	23.7%	-2.5%	21.2%
	Export	84.3	34.5	1.2	48.6	71.0%	2.5%	73.5%
	Subtotal	387.1	93.7	(5.0)	298.4	31.4%	-1.7%	29.7%
Total		941.5	150.8	14.0	776.7	19.4%	1.8%	21.2%

¹ Domestic market comprises Brazil and Argentina.

As announced by the Central Bank of Brazil, Brazil's reference exchange rate 'PTAX' showed an average of USD/BRL 5.39503 in 2021 versus USD/BRL 5.15584 in 2020, i.e., an increase of 4.6%. The average Euro rate in 2021 was EUR/BRL 6.38129 versus EUR/BRL 5.89216 in 2020, i.e., a change of 8.3%.

5.2 Original Equipment (OE) sales

The increase in the Company's sales was due to the recovery of the market that has seen a significant growth in vehicle production in 2021, principally in the heavy-duty vehicle segment. OES sales also contributed to the increase in sales, combined with higher profit margins from increase in market share.

Domestic market:

In 2021, the domestic OE market grew by 62.8% - volume/price increase of 64.7%, partially offset by the effect of movements in exchange rates of -1.9%. In 4Q21, this market grew by 17.0% - volume/price increase of 17.2%, partially offset by the effect of movements in exchange rates of -0.2%. As a proxy, consolidated vehicle production in Brazil and Argentina as disclosed by the Brazilian Association of Automotive Vehicle Manufacturers (Anfavea) and Argentina's Association of Automobile Manufacturers (Adefa), respectively, grew by 18.2% in 2021, hence, the Company performed better than the market, with growth of 62.8% in the same period.

Export market:

In 2021, the foreign market grew by 47.0% - volume/price increase of 23.3% plus positive effects of movements in exchange rates of +23.7%. In 4Q21, this market grew by 15.1% - volume/price increase of 7.8% plus positive effects of movements in exchange rates of +7.3%.

The table below presents exports in hard currency:

Exports by currency (in millions)	2021 (a)	2020 (b)	HA (%) (a/b)
Original Equipment			
EUR	78.6	66.4	18.4%
USD	150.7	103.3	45.9%
Total equivalent in USD	240.3	176.3	36.3%

Exports by currency (in millions)	4Q21 (a)	4Q20 (b)	HA (%) (a/b)
Original Equipment			
EUR	17.3	18.8	-8.0%
USD	38.3	30.8	24.4%
Total equivalent in USD	54.4	52.9	6.6%

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5.3 Aftermarket sales

Our positive performance was driven by surging market demand, principally in the heavy-duty vehicle segment, and stock replenishment by distributors who saw more favorable conditions in 2021 than in 2020. It is worth mentioning that the sales of our customers (distributors) were affected to a lesser extent by the COVID-19 crisis and, after reducing their purchases during the most critical period of the pandemic, they are now replenishing their inventories.

The Company is a leader in the automotive aftermarket due to the recognition of its brand name, the mix and quality of its products, among other.

Domestic market:

In 2021, the domestic market grew by 41.0% - volume/price increase of 49.3%, partially offset by the effects of movements in exchange rates of -8.3%. In 4Q21, this market grew by 21.2% - volume/price increase of 23.7%, partially offset by the effects of movements in exchange rates of -2.5%.

Export market:

The export market grew by 63.9% in 2021 compared with 2020 - volume/price increase of 59.1% plus positive effects of movements in exchange rates of 4.8%. In 4Q21, this market grew by 73.5% compared with 4Q20 - positive effects of movements in exchange rates of 71.0% and volume/price increase of 2.5%.

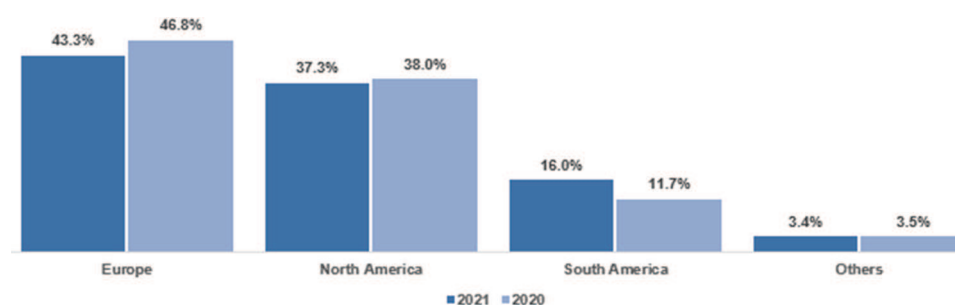
The table below shows Aftermarket segment's exports in hard currency:

Exports by currency (in millions)	2021 (a)	2020 (b)	HA (%) (a/b)
Aftermarket			
EUR	2.4	1.7	41.2%
USD	53.1	34.2	55.3%
Total equivalent in USD	55.9	36.0	55.3%

Exports by currency (in millions)	4Q21 (a)	4Q20 (b)	HA (%) (a/b)
Aftermarket			
EUR	1.1	0.2	450.0%
USD	14.0	8.8	59.1%
Total equivalent in USD	15.3	9.0	70.0%

5.4 Consolidated export by region

The graph below shows our exports by geographic region for fiscal years 2021 and 2020:



5.5 Net revenue by segment

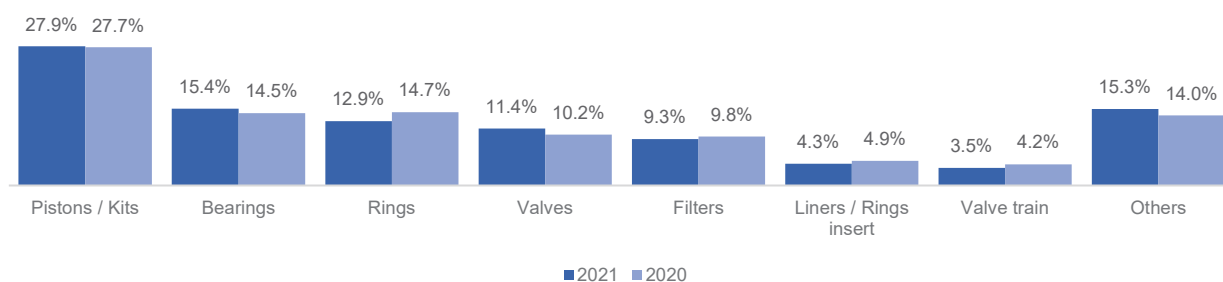
In 2021, the engine component segment reported an increase of 51.3% in sales and the filter segment recorded growth of 43.0% compared with fiscal year 2020. In 4Q21, engine component segment's sales grew by 22.2% while the filter segment's sales grew by 12.4% compared with 4Q20.

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Net sales revenue by segment (in millions of R\$)	2021 (a)	2020 (b)	HA (%) (a/b)	VA (%) (a)	VA (%) (b)	4Q21 (c)	4Q20 (d)	HA (%) (c/d)	VA (%) (c)	VA (%) (d)
Engine components	3,278.1	2,166.9	51.3%	90.7%	90.2%	856.2	700.8	22.2%	90.9%	90.2%
Filters	337.0	235.7	43.0%	9.3%	9.8%	85.3	75.9	12.4%	9.1%	9.8%
Total	3,615.1	2,402.6	50.5%	100.0%	100.0%	941.5	776.7	21.2%	100.0%	100.0%

5.6 Net revenue by product

The graph below shows the share of each product in total sales in the fiscal years 2021 and 2020:



5.7 Gross margin

The Company ended fiscal year 2021 with a gross margin of 27.5% (26.1% in 2020), while margin in 4Q21 was 23.4% (29.6% in 4Q20), as shown in the table below:

Summary of profit and loss accounts (in millions of R\$)	2021 (a)	2020 (b)	HA (%) (a/b)	VA (%) (a)	VA (%) (b)	4Q21 (c)	4Q20 (d)	HA (%) (c/d)	VA (%) (c)	VA (%) (d)
Net sales revenue	3,615.1	2,402.6	50.5%	100.0%	100.0%	941.5	776.7	21.2%	100.0%	100.0%
Cost of sales	(2,620.8)	(1,775.6)	47.6%	-72.5%	-73.9%	(721.3)	(546.9)	31.9%	-76.6%	-70.4%
Gross profit	994.3	627.0	58.6%	27.5%	26.1%	220.2	229.8	-4.2%	23.4%	29.6%

During 2021, there were increases in raw material and input prices for the supply chains. For this reason, it is of the utmost importance to build a transparent relationship with suppliers and customers that is necessary for all parties to feel comfortable. A well-built pricing structure helps companies overcome adversity.

It is also important to identify productivity improvements to offset cost increases.

5.8 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 50.5% and 21.2% in 2021 and 4Q21, respectively.

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\$)	2021 (a)	2020 (b)	HA (%) (a/b)	VA (%) (a)	VA (%) (b)	4Q21 (c)	4Q20 (d)	HA (%) (c/d)	VA (%) (c)	VA (%) (d)
Net sales revenue	3,615.1	2,402.6	50.5%	100.0%	100.0%	941.5	776.7	21.2%	100.0%	100.0%
Selling and distribution expenses	(232.3)	(165.9)	40.0%	-6.4%	-6.9%	(60.2)	(47.0)	28.1%	-6.4%	-6.1%
General and administrative expenses	(109.8)	(95.4)	15.1%	-3.0%	-4.0%	(31.4)	(26.5)	18.5%	-3.3%	-3.4%

5.9 Research and development (R&D) expenses

The knowledge and use of new technologies enable 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. 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. Due to the COVID-19 pandemic, in 2021 the Company opted to focus on developing products that sell quickly.

Summary of profit and loss accounts (in millions of R\$)	2021 (a)	2020 (b)	HA (%) (a/b)	VA (%) (a)	VA (%) (b)	4Q21 (c)	4Q20 (d)	HA (%) (c/d)	VA (%) (c)	VA (%) (d)
Net sales revenue	3,615.1	2,402.6	50.5%	100.0%	100.0%	941.5	776.7	21.2%	100.0%	100.0%
R&D expenses	(51.5)	(64.1)	-19.7%	-1.4%	-2.7%	(10.9)	(20.8)	-47.6%	-1.2%	-2.7%

5.10 Other operating income/(expenses), net

This account records a net income of R\$ 74.6 million for 2021 versus a net expense of R\$ 148.0 million for 2020. In 4Q21, the Company reported net income of R\$ 12.6 million versus net expense of R\$ 41.2 million in 4Q20, as shown in the table below:

Other operating income/(expenses), net (in millions of R\$)	2021 (a)	2020 (b)	Change (a-b)	4Q21 (c)	4Q20 (d)	Change (c-d)
¹ Tax credits (exclusion of ICMS from PIS and COFINS tax base)	96.7	-	96.7	(2.6)	-	(2.6)
² Provision for impairment of intangible assets	-	(74.4)	74.4	-	-	-
³ Provision for/reversal of labor, civil and tax lawsuits	1.7	(65.1)	66.8	12.4	(32.3)	44.7
Provision for/reversal of obsolescence	1.3	(1.4)	2.7	0.4	(1.5)	1.9
Restructuring provision	0.8	(1.3)	2.1	0.5	(1.3)	1.8
Export expenses (Argentina)	(7.7)	(8.1)	0.4	(1.9)	(1.7)	(0.2)
Recovered taxes (Reintegra)	1.0	0.7	0.3	0.2	0.2	-
Gain/loss on sale of assets/other	(0.1)	0.4	(0.5)	(0.4)	(1.3)	0.9
Write-off of investment - Innoferm	(3.1)	-	(3.1)	-	-	-
Provision for/reversal of loss on products	(1.9)	1.8	(3.7)	(1.9)	1.8	(3.6)
Reversal of compulsory loan	-	4.3	(4.3)	-	-	-
Provision for environmental liability	(20.0)	(2.5)	(17.5)	-	(2.5)	2.5
Other income/(expenses)	5.9	(2.4)	8.3	5.9	(2.6)	8.5
Total other operating income/(expenses), net	74.6	(148.0)	222.6	12.6	(41.2)	53.8

¹ Non-recurring income from tax credits arising from the exclusion of ICMS from the PIS and COFINS tax base.

² Non-recurring expense from impairment of goodwill of subsidiary MAHLE Argentina S.A. and impairment of MBE2 project in 2020.

³ Positive change in Provision for/reversal of labor, civil and tax lawsuits was mainly due to favorable court decisions obtained by the Company.

5.11 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 full year	Amount	Margin	Changes in the fourth quarter	Amount	Margin
2020 EBITDA	296.2	12.3%	4Q20 EBITDA	131.4	16.9%
Gross profit	367.3		Gross profit	(9.6)	
Selling and distribution expenses	(66.4)		Selling and distribution expenses	(13.2)	
General and administrative expenses	(14.4)		General and administrative expenses	(4.9)	
Research and development expenses	12.6		Research and development expenses	9.9	
Other operating income/(expenses)	222.6		Other operating income/(expenses)	53.8	
Share of profit of equity-accounted investees	3.4		Share of profit of equity-accounted investees	-	
Gains/(losses) on inflation adjustment	4.0		Gains/(losses) on inflation adjustment	(2.8)	
Depreciation	(2.2)		Depreciation	0.0	
2021 EBITDA	823.1	22.8%	4Q21 EBITDA	164.6	17.5%
Tax credits arising from the exclusion of ICMS from the tax base of PIS and COFINS	(96.7)		Tax credits arising from the exclusion of ICMS from the tax base of PIS and COFINS	2.6	
2021 Adjusted EBITDA	726.4	20.1%	4Q21 Adjusted EBITDA	167.2	17.8%

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5.12 Net finance income/(costs)

The Company recorded net finance costs of R\$ 8.9 million and R\$ 86.0 million in 2021 and 2020, respectively, representing a positive change of R\$ 77.1 year-over-year. In 4Q21, the Company recorded net finance income of R\$ 3.2 million versus net finance costs of R\$ 12.4 million in 4Q20, representing a positive change of R\$ 15.6 million.

Net finance income/(costs) (in millions of R\$)	2021 (a)	2020 (b)	Change (a-b)	4Q21 (c)	4Q20 (d)	Change (c-d)
Interest income on financial investments	25.1	15.4	9.7	8.3	6.8	1.5
Interest expense on loans and borrowings	(14.8)	(25.7)	10.9	(2.6)	(7.4)	4.8
Other interest income/(expense)	11.6	(0.3)	11.9	2.2	(0.1)	2.3
Net interest income/(expense) (i)	21.9	(10.6)	32.5	7.9	(0.7)	8.6
1. Effect of movements in exchange rates on accounts receivable/accounts payable (1.1. + 1.2.)	(16.4)	28.6	(45.0)	(2.5)	(9.2)	6.7
1.1. Effect of movements in exchange rates	(10.9)	55.3	(66.2)	1.0	(11.3)	12.3
1.2. Foreign exchange hedge	(5.4)	(26.7)	21.3	(3.5)	2.1	(5.5)
2. Effect of movements in exchange rates on advances on foreign exchange contracts (ACC)	15.1	(68.9)	84.0	4.6	9.7	(5.1)
3. Other transactions	1.5	(4.9)	6.4	0.6	(4.4)	5.0
Net effect of movements in exchange rates and loss on derivatives (ii) - (1+2+3)	0.1	(45.2)	45.3	2.7	(3.9)	6.6
Net monetary variation	(27.0)	(24.8)	(2.2)	(6.0)	(6.1)	0.1
Other	(4.0)	(5.4)	1.4	(1.4)	(1.7)	0.3
Net monetary variation + Other (iii)	(31.0)	(30.2)	(0.8)	(7.4)	(7.8)	0.4
Net finance income/(costs) (i + ii + iii)	(8.9)	(86.0)	77.1	3.2	(12.4)	15.6

Net interest income/(expense) (i):

Interest income on financial investments: The increase of R\$ 9.7 million year-over-year was due to the increase in the average interest rates (considering the consolidation of Brazil and Argentina: 9.8% p.a. and 3.5% p.a. in 2021 and 2020, respectively), offset by the decrease in the average amount of financial investments to R\$ 282.0 million in 2021 from R\$ 384.1 million in 2020. Comparing 4Q21 to 4Q20, the increase of R\$ 1.5 million was due to the increase in the average interest rates (considering the consolidation of Brazil and Argentina: 13.7% p.a. and 3.8% p.a. in 4Q21 and 4Q20, respectively), offset by the decrease in the average amount of financial investments to R\$ 291.4 million in 4Q21 from R\$ 491.0 million in 4Q20. In Brazil, interest rates are indexed to Brazil's benchmark interest rate SELIC.

Interest expense on loans and borrowings: The decrease of R\$ 10.9 million year-over-year was due to the decrease in the average amount of borrowings to R\$ 273.7 million in 2021 from R\$ 590.2 million in 2020, coupled with a decrease in the weighted average cost to 3.7% p.a. in 2021 from 4.1% p.a. in 2020. Comparing 4Q21 to 4Q20, the decrease of R\$ 4.8 million was due to the decrease in the average amount of borrowings to R\$ 255.2 million in 4Q21 from R\$ 568.3 million in 4Q20, coupled with a decrease in the weighted average cost to 3.1% p.a. in 4Q21 from 4.3% p.a. in 4Q20. For further details on borrowings denominated in Brazilian real (BRL) and borrowings denominated in foreign currencies (without exchange rate changes) and weighted average costs, see item 5.16 in this report and Note 21 to the financial statements for the year ended December 31, 2021.

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

Averages	2021 (a)	2020 (b)	Change (a-b)	4Q21 (c)	4Q20 (d)	Change (c-d)
Investment interest rate	9.8%	3.5%	6.3%	13.7%	3.8%	9.9%
Cost of debt	3.7%	4.1%	-0.4%	3.1%	4.3%	-1.2%
Investments (in millions of R\$)	282.0	384.1	(102.1)	291.4	491.0	(199.6)
Debt (in millions of R\$)	(273.7)	(590.2)	316.5	(255.2)	(568.3)	313.1

Other interest income/(expense): The interest income comes from interest on ICMS amount excluded from the PIS and COFINS tax base.

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 36 to the Financial Statements for the year ended December 31, 2021.

Net monetary variation + Other (iii):

The changes were due to the inflation-adjustment to the provisions for labor and tax lawsuits and judicial deposits.

5.13 Income tax and social contribution

The Company recorded an income tax and social contribution expense of R\$ 147.1 million at December 31, 2021 in the consolidated financial statements (income of R\$ 14.6 million at December 31, 2020) as detailed below:

- Current tax: expense of R\$ 89.6 million generated principally by the parent company and its subsidiary MAHLE Argentina S/A;
- Deferred tax: expense of R\$ 57.5 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\$ 36.2 million (without interest accruals based on SELIC rate).

Additional information on income tax and social contribution is presented in Note 15 to the Financial Statements for the year ended December 31, 2021.

5.14 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 of the impairment of the goodwill of subsidiary MAHLE Argentina S.A. and the impairment of the MBE2 project:

Summary of profit and loss accounts (in millions of R\$)	2021 (a)	2020 (b)	4Q21 (c)	4Q20 (d)	HA (%) (a/b)	HA (%) (c/d)
Net profit attributable to owners of the Company	566.9	124.5	130.8	100.8	355.3%	29.8%
Impairment of subsidiary MAHLE Argentina S.A.	-	29.2	-	-		
Impairment of intangible assets of MBE2 project	-	45.1	-	-		
Impairment of inventories of MBE2 project	-	41.9	-	5.7		
Income tax and social contribution (impairment adjustment)	36.3	(36.8)	(0.5)	(1.9)		
Tax credits arising from the exclusion of ICMS from the tax base of PIS and COFINS	(96.7)	-	2.6	-		
Interest income on tax credits	(10.2)	-	(1.4)	-		
Adjusted net profit attributable to owners of the Company	496.3	203.9	131.5	104.6	143.4%	25.7%
Net margin attributable to owners of the Company	15.7%	5.2%	13.9%	13.0%	10.5 p.p.	0.9 p.p.
Adjusted net margin attributable to owners of the Company	13.7%	8.5%	14.0%	13.5%	5.2 p.p.	0.5 p.p.

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Additional information on earnings per share is presented in Note 27 to the Financial Statements for the year ended December 31, 2021.

5.15 Capital expenditures

The table below shows capital expenditures and total accumulated depreciation for 2021 and 2020:

Capex & Depreciation (in millions of R\$)	2021	2020
Capex	85.7	68.6
Total depreciation	102.5	103.3
Capex	2021	2020
% of net sales revenue	2.4%	2.9%
% of depreciation	83.6%	66.4%
Net sales revenue	3,615.1	2,402.6

In 2021, 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.

5.16 Net cash

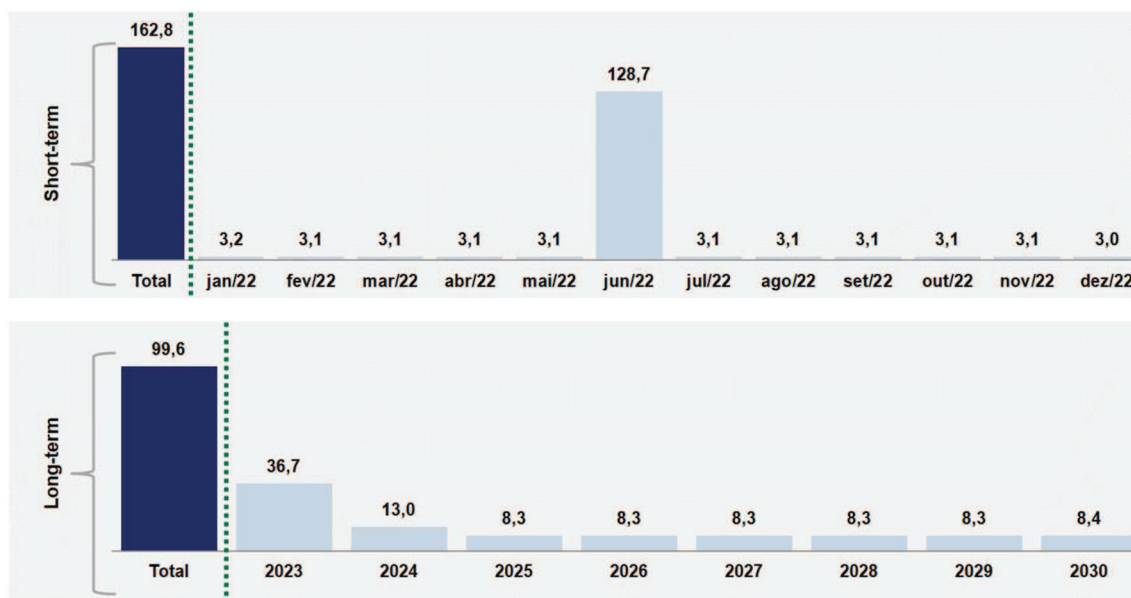
The Company reported net cash of R\$ 246.4 million at the end of 2021 and of R\$ 133.2 million in 2020, as shown in the table below:

Net cash (in millions of R\$)	December 31, 2021 (a)	December 31, 2020 (b)	Change (a-b)	Debt % (a)	Debt % (b)
Cash / banks / financial investments / loans(i):	508.8	685.5	(176.7)		
Loans and borrowings (ii):	(262.4)	(552.3)	289.9	100%	100%
Short-term	(162.8)	(402.4)	239.6	62%	73%
Long-term	(99.6)	(149.9)	50.3	38%	27%
Net cash (i - ii):	246.4	133.2	113.2		

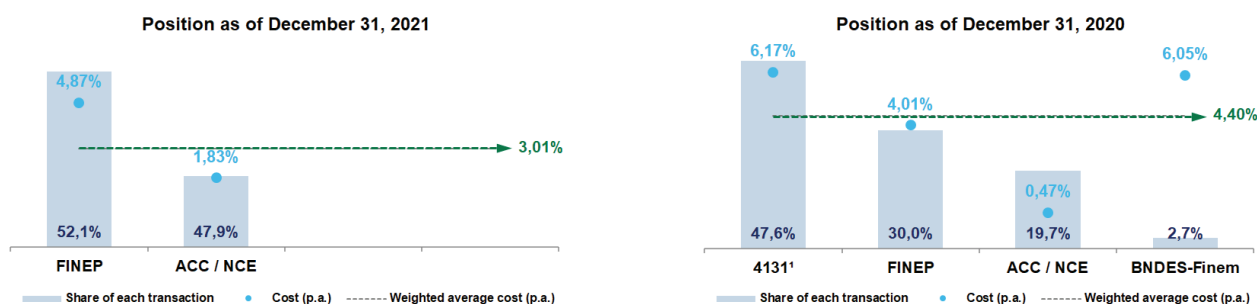
The Company continuously monitors liquidity risk by managing cash, financial investments and bank loans. The Company also has pre-approved lines of credits that can be drawn upon as needed.

The charts below show the maturities of the borrowings classified into short-term and long-term at the end of 2021, which represents 62% and 38%, respectively, of the debt displayed in the table above:

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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.

5.17 Distribution of interest on capital to shareholders

In 2021, the Board of Directors approved a distribution of R\$ 69.9 million in interest on capital (gross), subject to approval of the Annual General Meeting on April 27, 2022.

Date of approval	Record date	Ex-interest 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\$)
December 27, 2021	December 27, 2021	January 3, 2022	May 27, 2022	Interest on capital	January 1, 2021 to	2021	69.9	0.5449591998	0.4632153198
Total 2021							69.9	0.5449591998	0.4632153198

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

6. 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.

Since the first quarter of 2020 the Company has 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.

To date, the Company has identified no potential significant signs of default for its trade accounts receivable portfolio in 2021.

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7. Investor Relations and Capital Market

During 2021, 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 have not yet been rescheduled.

Ongoing communication with our shareholders and the general market is maintained via traditional conference calls, phone, e-mail, and remote access tools.

7.1 Transparency Trophy

The world is transforming and transparency is becoming more prevalent.

In times of great instability and transformation, MAHLE Metal Leve has won the 2021 Transparency Trophy for the 8th consecutive year from the National Association of Finance, Administration and Accounting Executives (ANEFAC) in partnership with the Institute for Accounting, Actuarial and Financial Research (FIPECAFI– FEA/USP). This award recognizes the quality of MAHLE's 2020 financial statements.

Known as the 'Oscar of Accounting', the award has existed for 25 years and is the only one of its kind in Brazil, created to honor companies for transparency in financial reporting, following best practices and accounting principles.

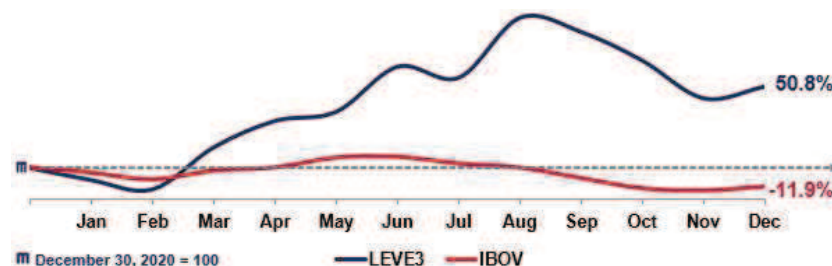
More than two thousand financial statements for the financial year prior to the award year are analyzed by students of the master's and doctoral degree programs in controllership and accounting from the University of São Paulo (USP) under supervision of professors from USP, who nominate companies that meet the selection criteria and justify the nominations for the judging committee. The judging committee, which includes some of Brazil's most renowned names in accounting, is responsible for selecting winners.

No application is required for the award. The requirement is that companies must follow the best accounting practices to provide accurate financial report.

"This award is a recognition of the work that we at MAHLE have been doing for years, consistent with our core values and principles," said Sergio Pancini de Sá, CEO and Investor Relations Officer of MAHLE Metal Leve S.A.

7.2 Stock performance and free float

The graphs below show the market performance of LEVE3 stock and Ibovespa¹ during 2021, and Average Daily Trading Volume (ADTV) and the ratio of average turnover to free-float market capitalization:

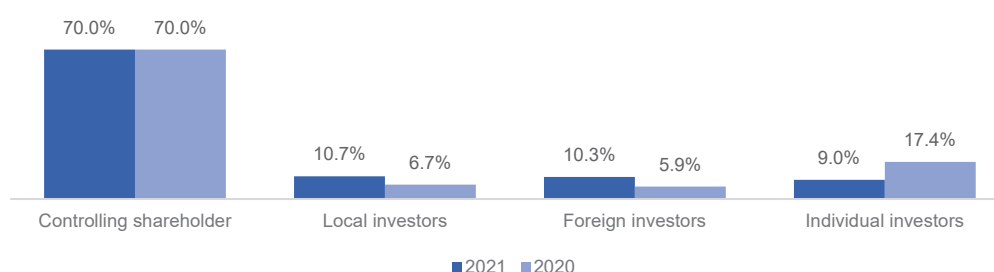


¹ IBOVESPA is a major stock market index which tracks the performance of the most liquid stocks traded on Brazil's Stock Exchange B3 - Brasil, Bolsa, Balcão.

Average Daily Trading Volume and Turnover Rate				
Period	1Q21	2Q21	3Q21	4Q21
Neg. volume (in millions of R\$)	7.2	23.5	22.0	19.9
Turnover (%)	0.99%	2.14%	1.63%	1.52%

7.3 Shareholder structure

At the end of 2021 and 2020, the Company's existing shareholder base and free float are as follows:



The following table classifies shareholders by number of shares:








Period	¹ Share price	² SELIC rate (p.a.)	Total shareholders	1 Share	2-10 Shares	11-50 Shares	51-500 Shares	501-5000 Shares	5,001-200,000 Shares	More than 200,001 Shares
4Q20	17.84	2.00	76,688	1,976	10,646	17,542	38,510	7,544	451	19
1Q21	23.08	2.75	70,459	1,970	9,683	15,864	35,458	7,033	430	21
2Q21	33.33	4.25	56,503	1,911	8,613	13,168	27,126	5,269	386	30
3Q21	37.73	6.25	46,845	1,822	7,593	11,456	21,617	3,958	369	30
4Q21	30.80	9.25	43,551	1,787	6,934	10,405	20,156	3,906	334	29

¹ Price of MAHLE share at the end of the period

² Source: Central Bank of Brazil

At the end of 2021, investors based in seven countries accounted for 97.5% of the free float, and the remaining countries from the Company's shareholder base do not represent individually more than 0.6%.

The graph below shows the shareholder structure of the free float at the end of 2021 and 2020:

Countries							
Dec 2021	65.8%	26.0%	1.4%	1.2%	1.1%	1.1%	0.9%
Dec 2020	80.4%	15.7%	0.1%	1.0%	0.0%	0.9%	0.3%

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8. Corporate Risk Management, Internal Controls and Compliance

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

In this context, we have the following tools to support our commitment to transparency, ethics and continuous improvement of the internal control environment:

- Compliance Program establishes rules and guidelines on how we operate and conduct business, focused on anticorruption and antitrust issues, among others.
- Systematic risk management process where the managers of the business units and corporate functions are responsible for identifying, reporting and controlling risks within their units/areas in accordance with the risk management policy.
- Internal Audit function performs independent periodic assessment of the effectiveness of the risk management, internal control environment, and rules and procedures established by management. Internal Audit produces recommendations to improve the Company's internal control and risk management processes in line with industry best practices to promote a more proactive approach to identifying, preventing and controlling risks.

9. Corporate Governance

The Company adopts good corporate governance practices based on the principles of transparency, fairness, accountability and corporate responsibility. Since July 2011 the Company shares ("LEVE3") are traded on Brazil's stock exchange B3's Novo Mercado (New Market) listing segment that requires adherence to more stringent corporate governance rules.

The Company must resolve disputes by arbitration of the Market Arbitration Chamber pursuant to the binding arbitration clause (Clause 29) in its bylaws. The Board of Directors and the Executive Board are involved in the management of the Company, with each having specific roles and responsibilities.

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

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

Since 2011 the Company has a Disclosure and Trading Policy which has been updated to the latest version as approved by the Board of Directors on November 14, 2019.

The Company also has a risk management policy that was approved by the Board of Directors on March 16, 2016. This policy provides a risk management framework and establishes the roles and responsibilities for risk management and is aligned with the risk management and internal control procedures implemented by the Company's controlling shareholder.

In addition to said policies, since 2017 the Company has a Related-Party Transactions Policy, which was updated in 2019, including Appendix 1 - Specific Procedures for Resources, Services and Duties, and Appendix 2 - Specific Procedures for Products. The purpose of this policy and appendices is to establish rules and procedures to be followed by the Company and its subsidiaries when entering into transactions with related parties, in order to avoid and manage any conflicts of interest arising from such transactions.

On May 29, 2020, the Company made amendments to its Bylaws in order to comply with the B3 Novo Mercado Regulation.

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To reach compliance with the B3 Novo Mercado Regulation, in May 2021 the Board of Directors approved the Nomination and Remuneration Policy and the framework for evaluation of the performance of the Board of Directors and its committees and the Executive Board. In November 2021, changes to the Internal Audit function were approved and are effective from March 31, 2022. The Internal Audit, whose responsibilities no longer include internal control and risk management, will report directly to the Audit Committee. The Compliance, Internal Control and Risk Management functions will report directly to the CEO. Furthermore, the Board of Directors approved an Audit Committee consisting of three members, effective as from March 31, 2022.

10. Excellence and Technological Innovation

Through its diversified product portfolio, MAHLE is working to help shape the future of mobility, by playing an active role in the Brazilian innovation ecosystem in order to provide innovative and competitive solutions to the challenges ahead. Its collaboration with several actors of the innovation system like universities and institutes, combined with internal expertise, generates relevant knowledge to participate in the different stages of technology development projects for sustainable mobility.

This innovative mindset has helped MAHLE receive in 2021 12 patents regionally, as part of 387 patents assigned to the Group around the world for diverse business units and products (engine components, filter systems, thermal management systems, among others).

Several programs in Brazil offer the Company the opportunity to consolidate its position in the market and demonstrate the capability of its Technology Center in Jundiai to develop low-carbon mobility technologies.

MAHLE also works on the development of products that meet energy efficiency targets under *ROTA 2030* and *PROCONVE* Programs, which are intended to reduce and control motor vehicle emission. The *RenovaBio* Program, which is intended to expand the use of biofuels in the national energy matrix, also encourages the development of products designed to meet the specific requirements. And new programs such as *Combustível do Futuro* (Fuel of the Future) and *Programa Nacional do Hidrogênio* (National Hydrogen Program) will allow the Company to incorporate new applications for existing products and thereby open up new markets.

In 2021, the above-mentioned programs have stimulated the preparation of internal resources for the development of new products. For example, the Company has invested in new test benches for the development of technologies to lower emissions and improve energy efficiency. MAHLE works continuously to identify and acquire the new competencies and knowledge necessary to develop future mobility technologies.

11. Human Resources

The HR function has seen various social and digital changes in society and has been realigned to meet the new demands of the organization's stakeholders with agility and precision. The major challenges of HR go beyond personnel management and payroll and benefits administration, and HR needs to evolve to a more strategic role, become a better fit with the business strategy and maintain employee engagement, strengthening the human element in HR.

To overcome this challenge, various initiatives are being implemented to encourage collaborative work among various departments of the Company and to encourage employees to take a more active role regardless of their job. We seek to support the business units and implement a new HR operating model, whose objective is to strengthen the HR function with efficient and standardized processes, systems and structures through digitalization. These initiatives have resulted in sustainable cost reductions and thus HR contributes to bottom line results. We are seeing the same trend in other departments of the Company and in the market, showing that we are on the right track.

Global connectivity among the business units and departments is key to the success of the organization. We believe that a key to the development and successful implementation of programs and projects of common interest is the involvement of multidisciplinary teams. This plurality strengthens values, such as diversity and principles of leadership, which are being disseminated to project managers, leaders and teams to make the mindset shift toward more agile, digital processes that require more autonomy.

In addition to the professional development programs, we have the recruitment center with professionals and strategies to retain and/or attract internal and external talents, and systematically identify personnel qualification requirements for the transformation in our industry. The recruitment strategy encompasses employer branding activities which aim to create a set of offers and associations in exchange for the skills of the potential candidates

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We are currently focused on preparing our company and our employees for the new trends in the automotive industry in the short, medium and long term. Together we are shaping the future of mobility and creating new job opportunities.

Another HR's mission is to promote active and ongoing relationship with neighboring communities through projects which are anchored by the following pillars: Education, Diversity & Inclusion, and Social & Environmental Sustainability.

In this way, we strengthen knowledge and diversity by acting as agents of change outside of our organization to contribute to developing an improved society.

At December 31, 2021, MAHLE and its subsidiaries employed 7,395 people.

12. Integrated Management System, Safety at Work & Environment

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

Efforts to prevent workplace accidents and improve the quality of life of our employees include the commitment from leaders and teams ensuring that employees follow good safety practices. In addition to investments in new equipment and resources, workplace safety communications were implemented to encourage the teams to work more safely.

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

All of these efforts ensure we deliver optimum outcomes, aligned with global best practices and as part of a continuous improvement process.

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

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

In 2021, the Company gained certification to ISO 45001 for its Itajubá, Jaguariúna, Limeira, Mogi Guaçu and SBC units.

ISO 45001 is an international standard for occupational health and safety that replaced OHSAS 18001 (MAHLE was OHSAS 18001 certified since 2007) and reinforces the importance of preventive actions during the analysis of risks and opportunities. At MAHLE, most of the occupational health and safety procedures were developed using an integrated approach and tools that allow for evaluation of various aspects of risks and opportunities in a single task, in line with the environmental management system requirements of ABNT NBR ISO 14001 (All units in Brazil and Rafaela in Argentina are ISO 14001 certified).

In 2021, relying on our capacity to transform and act with care for our employees and stakeholders, we maintained effective preventative measures to help to avoid virus transmission, in compliance with the most stringent requirements, including legal requirements established in Brazil and Group-wide rules and procedures created by MAHLE. Our Mogi Guaçu plant installed a manufacturing line to produce disposable face masks using MAHLE technology and following all local recommendations on production of masks. Our employees wear every day the face masks produced by the Company and several entities in the locations where the Company operates receive donations of face masks – a display of respect and commitment to protecting the health of our community.

13. 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 fiscal year 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.

14. Executive Board's Declaration

In compliance with the provisions of CVM Instruction 480, the Executive Board hereby declares that it has discussed, reviewed and agrees with the financial statements for the year ended December 31, 2021 and the opinions expressed in the independent auditor's report.

15. Acknowledgments

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

The Management Board



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Independent Auditors' Report of the Individual and Consolidated Financial Statements

(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, and of the International Financial Reporting Standards - IFRS)

To the Shareholders of MAHLE Metal Leve S.A.

Mogi Guaçu - São Paulo

Opinion

We have audited the individual and consolidated financial statements of MAHLE Metal Leve S.A. ("the Company"), which comprise the individual and consolidated statement of financial position as at December 31, 2021, the individual and consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying individual and consolidated financial statements present fairly, in all material respects, the individual and consolidated financial position of the Company as at December 31, 2021, and its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended in accordance with Accounting Practices Adopted in Brazil and International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Individual and Consolidated Financial Statements* section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements included in the Accountant Professional Code of Ethics ("Código de Ética Profissional do Contador") and the professional standards issued by the Brazilian Federal Accounting Council ("Conselho Federal de Contabilidade"), that are relevant to our audit of the Individual and consolidated financial statements in Brazil, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the individual and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of goodwill

See Notes 8.g and 18 of the individual and consolidated financial statements.

Key audit matter	How the matter was addressed in the audit
<p>The Company has goodwill arising from the merger of Mahle Anéis, a unit belonging to Mahle Metal Leve S.A., whose realization is supported by estimates of future profitability based on the business plan prepared by the Company.</p> <p>The Company annually analyzes the impairment of goodwill, using the discounted cash flow method, based on certain assumptions, such as the discount rate, sales volume and price, and expenses for periods of continuity of operations.</p> <p>Due to the degree of judgment involved and the impact that any changes in the assumptions could have on the value of this asset in the individual and consolidated financial statements, we considered this matter to be significant in our audit work.</p>	<p>We obtained an understanding on the design of the key internal control related to the preparation and review of the annual impairment test made available by the Company.</p> <p>With the help of our corporate finance specialists, we evaluated the reasonableness of the main assumptions, technical data and consistency with the valuation practices commonly used in the market to quantify the value in use of the Cash Generating Unit “UGC” Anéis and compared the sum of the discounted cash flows (value in use) with the book values of this CGU, which includes goodwill, to determine the recoverable amount. Additionally, we evaluated the sensitivity analysis of the calculations performed by the Company.</p> <p>We also evaluated whether the disclosures in the individual and consolidated financial statements consider the relevant information related to the assumptions and judgments used in the test of the recoverable amount of goodwill.</p> <p>Based on the evidence obtained through the procedures summarized above, we consider that the recoverable amount of goodwill, as well as related disclosures, are acceptable in the context of the individual and consolidated financial statements for the year ended December 31, 2021 taken as a whole.</p>



Other Matters

Statements of value added

The individual and consolidated financial statements of value added (DVA) for the year ended December 31, 2021, prepared under the responsibility of the Company's management, and presented herein as supplemental information for IFRS purposes, have been subject to audit procedures jointly performed with the audit of the Company's financial statements. In order to form our opinion, we assessed whether those statements are reconciled to the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria determined in the Technical Pronouncement CPC 09 - *Demonstração do Valor Adicionado*. In our opinion, the statements of value added have been fairly prepared, in all material respects, in accordance with the criteria determined by the aforementioned Technical Pronouncement and are consistent with the overall individual and consolidated financial statements.

Other information accompanying the individual and consolidated financial statements and the auditor's report

Management is responsible for the other information. The other information comprises the Management report.

Our opinion on the individual and consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the individual and consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Individual and Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of individual and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Individual and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Brazilian and international standards on auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these individual and consolidated financial statements.



As part of an audit in accordance with Brazilian and international standards on auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and its subsidiaries ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the individual and consolidated financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the individual and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Campinas, March 08, 2022

KPMG Auditores Independentes Ltda.
CRC SP-027612/F
Original report signed by
Carlos Humberto Rodrigues da Silva
Accountant CRC 1SP217733/O-4

(A free translation of the original in Portuguese)

MAHLE Metal Leve S.A.

Financial statements at
December 31, 2021

(A free translation of the original in Portuguese)

MAHLE Metal Leve S.A.

Financial statements

at December 31, 2021

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MAHLE Metal Leve S.A.

Balance sheet at December 31, 2021 and 2020

All amounts in thousands of reais

(A free translation of the original in Portuguese)

Assets	Note	Parent company		Consolidated	
		2021	2020	2021	2020
Cash and cash equivalents	10	273,927	557,868	361,089	607,835
Trade accounts receivables and other accounts receivables	11/14	453,230	371,835	567,080	465,116
Inventories	12	358,086	267,329	513,269	368,888
Taxes recoverable	13	46,918	44,270	54,926	52,062
Income tax and social contribution recoverable	13	47,358	40,304	69,939	52,687
Dividends and interest on capital receivable	14	132,095	66,134	-	-
Unrealized gains on derivative financial instruments	36	3,692	5,462	5,845	8,430
Other assets		17,750	17,960	28,838	23,980
Total current assets		1,333,056	1,371,162	1,600,986	1,578,998
Taxes recoverable	13	126,131	10,561	133,190	17,798
Loans to related parties	14	32,628	29,029	147,745	77,671
Deferred income tax and social contribution	15.b	14,459	61,573	14,459	62,098
Other assets		23,340	26,310	27,526	32,206
Total long-term assets		196,558	127,473	322,920	189,773
Investments in subsidiaries	16	345,747	233,944	-	208
Property, plant and equipment	17	535,286	555,599	617,849	621,903
Rights-of-use assets	17	7,465	11,737	7,982	13,710
Intangible assets	18	391,221	391,891	391,303	391,991
		1,279,719	1,193,171	1,017,134	1,027,812
Total non-current assets		1,476,277	1,320,644	1,340,054	1,217,585
Total assets		2,809,333	2,691,806	2,941,040	2,796,583

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

MAHLE Metal Leve S.A.

Balance sheet at December 31, 2021 and 2020

All amounts in thousands of reais

(A free translation of the original in Portuguese)

Liabilities	Note	Parent company		Consolidated	
		2021	2020	2021	2020
Dividends and interest on capital payable	14	126,024	60,754	126,024	60,754
Trade and related-party payables	14/19	206,304	234,782	280,400	290,003
Taxes and contributions payable	20	29,457	38,136	35,005	40,904
Income tax and social contribution payable	20	-	-	10,921	23,932
Borrowings	21.a	162,756	402,439	162,756	402,439
Lease liabilities	21.b	8,827	7,405	9,368	9,298
Salaries, vacation pay and social charges	22	89,520	56,087	101,532	64,390
Sundry provisions	23	45,236	34,295	50,195	37,334
Provisions for warranties	24	9,991	8,019	10,835	10,452
Unrealized losses on derivative financial instruments	36	8,652	24,403	8,652	24,403
Other liabilities		45,242	49,817	48,307	52,927
Total current liabilities		732,009	916,137	843,995	1,016,836
Deferred income tax and social contribution	15.b	-	-	14,925	1,282
Borrowings	21.a	99,624	149,930	99,624	149,930
Lease liabilities	21.b	450	5,798	450	6,303
Provisions for contingencies and judicial deposits linked to judicial proceedings	25	257,848	266,387	266,619	274,590
Other liabilities		4,597	5,598	4,624	5,655
Total non-current liabilities		362,519	427,713	386,242	437,760
Total liabilities		1,094,528	1,343,850	1,230,237	1,454,596
Equity	26				
Share capital		966,255	966,255	966,255	966,255
Revenue reserves		342,594	314,251	342,594	314,251
Special reserve		175,572	175,572	175,572	175,572
Other comprehensive income		(174,044)	(156,703)	(174,044)	(156,703)
Proposed additional dividends		404,428	48,581	404,428	48,581
Equity attributable to the owners of the parent		1,714,805	1,347,956	1,714,805	1,347,956
Non-controlling interests		-	-	(4,002)	(5,969)
Total equity		1,714,805	1,347,956	1,710,803	1,341,987
Total liabilities and equity		2,809,333	2,691,806	2,941,040	2,796,583

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

MAHLE Metal Leve S.A.

Statement of income

Years ended December 31, 2021 and 2020

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Note	Parent company		Consolidated	
		2021	2020	2021	2020
Net revenue	29	2,836,943	1,906,388	3,615,096	2,402,578
Cost of sales	30	(2,200,238)	(1,485,433)	(2,620,791)	(1,775,649)
Gross profit		636,705	420,955	994,305	626,929
Selling and distribution expenses	31	(183,374)	(128,381)	(236,018)	(166,697)
General and administrative expenses	32	(97,286)	(85,259)	(109,839)	(95,383)
Technology and product development costs	33	(43,504)	(55,238)	(51,518)	(64,089)
Impairment of trade receivables	11	2,397	1,567	3,694	856
Other income (expenses), net	35	85,177	(127,005)	74,644	(147,929)
Gain on monetary items, net	39	75,521	48,078	44,080	40,053
Profit before finance income (costs) and taxation		475,636	74,717	719,348	193,740
Finance income	34	106,556	150,994	176,868	216,253
Finance costs	34	(126,417)	(235,349)	(185,794)	(302,236)
Finance income (costs), net		(19,861)	(84,355)	(8,926)	(85,983)
Equity in the results of investees	16	225,891	91,908	3,273	(137)
Profit (loss) before taxation		681,666	82,270	713,695	107,620
Current income tax and social contribution	15.a	(71,785)	(10,286)	(89,597)	(38,257)
Deferred income tax and social contribution	15.b	(43,023)	52,543	(57,478)	52,855
Income tax and social contribution		(114,808)	42,257	(147,075)	14,598
Profit for the year		566,858	124,527	566,620	122,218
Profit attributable to:	27				
Owners of the parent				566,858	124,527
Non-controlling interests				(238)	(2,309)
Profit for the year				566,620	122,218
Basic and diluted earnings per share (in reais)		4.4179	0.9705	4.4179	0.9705

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

MAHLE Metal Leve S.A.**Statement of comprehensive income**
Years ended December 31, 2021 and 2020*All amounts in thousands of reais**(A free translation of the original in Portuguese)*

	Parent company		Consolidated	
	2021	2020	2021	2020
Profit for the year	566,858	124,527	566,620	122,218
Comprehensive income				
Items that will be reclassified to profit or loss				
Change in cash flow hedge, net	12,033	(22,511)	12,033	(22,511)
Income tax and social contribution on cash flow hedge	(4,091)	7,653	(4,091)	7,653
Cumulative translation adjustments	(24,772)	5,294	(24,772)	5,294
Other comprehensive income	(16,830)	(9,564)	(16,830)	(9,564)
Total comprehensive income for the year, net of income tax and social contribution	550,028	114,963	549,790	112,654
Comprehensive income attributable to:				
Owners of the parent			550,028	114,963
Non-controlling interests			(238)	(2,309)
Total comprehensive income			549,790	112,654

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

MAHLE Metal Leve S.A.

Statement of changes in equity
Years ended December 31, 2021 and 2020

All amounts in thousands of reais

(A free translation of the original in Portuguese)

Attributable to owners of the parent														
Note	Revenue reserves					Other comprehensive income				Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity	
	Share capital	Legal reserve	Reserve for expansion and modernization	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														
Interim interest on capital credited	26.c	-	-	-	-	-	-	-	-	(70,621)	(70,621)	-	(70,621)	
Prescribed dividends and interest on capital	26.c	-	-	-	-	-	-	-	-	60	60	-	60	
Transações de capital - aumento capital controlada MAHLE Hirschvogel Forjas S.A.	16	-	-	-	-	-	-	-	-	-	-	2,940	2,940	
Profit for the year	-	-	-	-	-	-	-	-	-	124,527	124,527	(2,309)	122,218	
Other comprehensive income														
Cumulative translation adjustments	26.e	-	-	-	-	-	-	5,294	5,294	-	5,294	-	5,294	
Financial instrument adjustments	26.e	-	-	-	-	-	(22,511)	-	(22,511)	-	(22,511)	-	(22,511)	
Taxes on financial instrument adjustments	26.e	-	-	-	-	-	7,653	-	7,653	-	7,653	-	7,653	
Realization of deemed cost, net	17	-	-	-	-	-	(842)	-	(842)	842	-	-	-	
Internal changes in equity														
Appropriation to legal reserve	26.d	-	6,227	-	-	6,227	-	-	-	(6,227)	-	-	-	
Payment of proposed additional dividends	26.b	-	-	-	-	-	-	-	-	-	-	-	-	
Transfer to special reserve	-	-	-	175,572	(175,572)	-	-	-	-	-	-	-	-	
Proposed additional dividends	26.c	-	-	-	48,581	48,581	-	-	-	(48,581)	-	-	-	
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														
Interim interest on capital credited	26.c	-	-	-	-	-	-	-	-	(69,923)	(69,923)	-	(69,923)	
Prescribed dividends and interest on capital	26.c	-	-	-	-	-	-	-	-	211	211	-	211	
Transações de capital - aumento capital controlada MAHLE Hirschvogel Forjas S.A.	16	-	-	-	-	-	-	-	-	-	-	2,205	2,205	
Profit for the year	-	-	-	-	-	-	-	-	-	566,858	566,858	(238)	566,620	
Other comprehensive income														
Cumulative translation adjustments	26.e	-	-	-	-	-	-	(24,772)	(24,772)	-	(24,772)	-	(24,772)	
Financial instrument adjustments	26.e	-	-	-	-	-	12,033	-	12,033	-	12,033	-	12,033	
Taxes on financial instrument adjustments	26.e	-	-	-	-	-	(4,091)	-	(4,091)	-	(4,091)	-	(4,091)	
Realization of deemed cost, net	17	-	-	-	-	-	(511)	-	(511)	511	-	-	-	
Internal changes in equity														
Appropriation to legal reserve	26.d	-	28,343	-	-	28,343	-	-	-	(28,343)	-	-	-	
Payment of proposed additional dividends	26.c	-	-	-	(48,581)	(48,581)	-	-	-	-	(48,581)	-	(48,581)	
Proposed additional dividends	26.c	-	-	-	404,428	404,428	-	-	-	(404,428)	-	-	-	
Remaining mandatory minimum dividends	-	-	-	-	-	-	-	-	-	(64,886)	(64,886)	-	(64,886)	
At December 31, 2021	966,255	184,833	157,761	175,572	404,428	922,594	28,358	(202,402)	(174,044)	-	1,714,805	(4,002)	1,710,803	

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

MAHLE Metal Leve S.A.

Statement of cash flows

Years ended December 31, 2021 and 2020

All amounts in thousands of reais

(A free translation of the original in Portuguese)

		Parent company		Consolidated	
		2021	2020	2021	2020
Cash flows from operating activities	Note				
Profit before taxation		681,666	82,270	713,695	107,620
Adjustments for:					
Depreciation and amortization		96,231	98,603	100,404	102,961
Equity in the results of investees	16	(225,891)	(91,908)	(3,273)	137
Interest and foreign exchange and monetary variations, net		38,205	75,228	64,151	130,389
Unrealized (losses) gains on derivative financial instruments		(1,948)	1,444	(1,133)	(1,395)
Results on disposal of property, plant and equipment		3,331	(352)	3,359	(357)
Profit (loss) on sale of investment		3,144	-	3,144	-
Recognition (reversal) of provision for impairment of trade receivables	11	(2,032)	(64)	(3,281)	1,631
Recognition (reversal) of provision for tax and other contingencies	25	7,234	47,741	9,781	49,421
Recognition (reversal) of provisions for warranties	24	4,994	3,341	3,909	3,793
Recognition (reversal) of sundry provisions	23	10,941	1,704	12,861	2,442
Recognition (reversal) of provision for impairment of property, plant and equipment and intangible assets		2,328	1,419	2,290	1,431
Recognition (reversal) of provision for inventory loss	12	(34,227)	45,599	(34,956)	49,399
Interest expense on lease liability	21.b	2,071	2,017	2,128	2,153
Gains in the net monetary position	39	(75,521)	(48,078)	(44,080)	(40,053)
write-off of intangible assets due to discontinuity	18	-	45,159	-	45,159
Goodwill impairment	18	-	21,141	-	29,663
ICMS credit based on PIS and COFINS	13	(116,509)	-	(116,687)	-
(Increase) decrease in assets					
Trade and related-party receivables		(79,336)	(47,676)	(98,656)	(71,609)
Inventories		(55,684)	(23,689)	(107,326)	(21,858)
Taxes recoverable		22,692	30,364	5,969	20,464
Other assets		3,153	4,753	(205)	7,365
Increase (decrease) in liabilities					
Trade and related-party payables		(25,088)	111,310	(6,213)	138,935
Salaries, vacation pay and social charges		33,433	(6,234)	37,142	(3,202)
Taxes and contributions payable		(8,679)	3,850	(14,030)	3,149
Other liabilities		(50,282)	(15,857)	(53,487)	(20,126)
Cash from operations		234,226	342,085	475,506	537,512
Income tax and social contribution paid		(101,584)	(37,731)	(117,607)	(47,354)
Net cash provided by operating activities		132,642	304,354	357,899	490,158
Cash flows from investing activities					
Dividends and interest on capital received from subsidiary	16	98,713	93,422	336	-
Loans granted to subsidiaries		(1,475)	(20,411)	(1,388,424)	(692,275)
Loan repayments received from subsidiaries		662	22,839	1,313,035	666,948
Additions to property, plant and equipment	17	(76,769)	(58,536)	(86,368)	(66,751)
Additions to intangible assets	18	(854)	(321)	(870)	(329)
Capital increase of subsidiary	16	(2,295)	(3,060)	-	-
Proceeds from sale of property, plant and equipment		1,780	2,412	1,802	2,489
Net cash (used in) provided by investing activities		19,762	36,345	(160,489)	(89,918)
Cash flows from financing activities					
Proceeds from borrowings	21.a	123,362	343,400	123,362	352,705
Repayment of principal of borrowings	21.a	(404,538)	(267,824)	(404,538)	(289,708)
Repayment of interest on borrowings	21.a	(25,236)	(8,796)	(25,236)	(13,034)
Capital increase of subsidiary- MAHLE Hirschvogel Forjas S.A.	16	-	-	2,205	2,940
Repayment of the principal and interest on the lease liability	21.b	(11,022)	(9,384)	(12,883)	(10,563)
Dividends and interest on capital paid	14	(117,910)	(20,947)	(117,910)	(20,947)
Net cash provided by (used in) financing activities		(435,344)	36,449	(435,000)	21,393
Effect of foreign exchange variation on cash and cash equivalents		(1,001)	22,166	(9,156)	17,421
Increase (reduction) in cash and cash equivalents, net		(283,941)	399,314	(246,746)	439,054
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	10	273,927	557,868	361,089	607,835
Increase (reduction) in cash and cash equivalents, net		(283,941)	399,314	(246,746)	439,054

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

MAHLE Metal Leve S.A.

Statement of value added

Years ended December 31, 2021 and 2020

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2021	2020	2021	2020
Gross revenue	3,630,544	2,469,203	4,380,985	2,957,159
Sales of goods, products and services	3,557,390	2,420,863	4,323,372	2,909,997
Other revenue	70,729	45,940	54,441	45,568
Provision for impairment of trade receivables	2,425	2,400	3,172	1,594
Inputs acquired from third parties	(2,077,177)	(1,445,824)	(2,503,957)	(1,742,915)
(Includes amounts of taxes: ICMS, IPI, PIS and COFINS)				
Cost of sales and services	(1,212,863)	(701,858)	(1,570,701)	(921,262)
Materials, energy, outsourced services and other	(901,697)	(588,285)	(965,473)	(654,634)
Impairment/recovery of assets	37,383	(155,681)	32,217	(167,019)
Gross value added	1,553,367	1,023,379	1,877,028	1,214,244
Depreciation and amortization	(96,231)	(98,603)	(100,405)	(102,960)
Net value added generated by the company	1,457,136	924,776	1,776,623	1,111,284
Value added received through transfer	333,665	242,902	181,359	216,116
Equity in the results of investees	225,891	91,908	3,273	(137)
Finance income	107,774	150,994	178,086	216,253
Total value added to distribute	1,790,801	1,167,678	1,957,982	1,327,400
Distribution of value added	1,790,801	1,167,678	1,957,982	1,327,400
Personnel and charges	605,780	449,987	669,729	506,428
Taxes and contributions	470,515	343,791	503,669	373,051
Capital providers	147,648	249,373	217,964	325,703
Interest	14,901	24,708	17,692	28,113
Rentals	20,831	14,718	22,010	15,872
Foreign exchange, monetary and other variations	111,916	209,947	178,262	281,718
Shareholders	566,858	124,527	566,620	122,218
Dividends and interest on capital	69,923	70,621	69,923	70,621
Retained earnings	496,935	53,906	496,935	53,906
Share of non-controlling interests of retained earnings	-	-	(238)	(2,309)

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

MAHLE Metal Leve S.A.

Explanatory notes to the 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 December 31, 2021 and 2020 includes the Company and its subsidiaries (referred to collectively as the Group).

The Company is engaged in the research, development, manufacture and sale of parts and accessories for internal combustion engines in both domestic and export markets. The Company supplies its products to vehicle manufacturers (passenger cars, trucks, tractors, etc.), replacement parts market, and for stationary and other applications.

The products manufactured by the Company are pistons, piston rings, gudgeon pins, camshafts, bearings, bushes, conrods, ring carriers, thrust washers, anti-polishing ring, cylinder liners and filters.

Other activities are carried out through subsidiaries and include the production of sintered metal parts and combustion engine valves, as well as the marketing of products and provision of technical assistance on the international market.

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.

Monitoring the Company's liquidity during the COVID-19 pandemic

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

MAHLE Metal Leve S.A.

Explanatory notes to the financial statements

(in thousand of reais)

On December 31, 2021, the Group held cash and cash equivalents of R\$ 361,089 (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\$ 262,380 on December 31, 2021. The Company has identified no potential significant signs of default during 2021.

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

2. Entities of the group (subsidiaries)

		Ownership percentage (%)			
		2021		2020	
		Direct	Indirect	Direct	Indirect
<u>Subsidiaries</u>					
MAHLE Argentina S.A.	Argentina	99.2	0.8	99.2	0.8
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	Brazil	60	-	60	-
MAHLE Metal Leve GmbH	Austria	100	-	100	-
MAHLE Hirschvogel Forjas S.A.	Brazil	51	-	51	-
<u>Related companies</u>					
Innoferm Tecnologia Ltda. (*)	Brazil	-	-	33.33	-

(*) On August 17, 2021, the Company assigned and transferred its shares in Innoferm Tecnologia Ltda. to unrelated parties and withdrew from the investment in the associated company (Note 16).

3. Basis of preparation

Statement of compliance (with IFRS, Brazilian accounting standards issued by the Federal Accounting Council (CFC) and pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC))

The parent company and consolidated 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.

The issuance of the parent company and consolidated financial statements was authorized by the Company's Board of Directors on March 08, 2022. Only the shareholders have the power to amend the financial statements after issuance

MAHLE Metal Leve S.A.

Explanatory notes to the financial statements

(in thousand of reais)

The main accounting policies applied in the preparation of these financial statements are set out in Note 8. Changes in significant accounting policies are described in Note 6.

4. Functional and presentation currency

These financial statements are presented in Brazilian reais, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The functional currencies of subsidiaries abroad, MAHLE Metal Leve GmbH and MAHLE Argentina S.A., are the euro (EUR) and Argentine peso (ARS), respectively.

For those subsidiaries whose currency of parent company and consolidated financial statements is different from the real, the asset and liability accounts are translated into the Company's functional currency.

For subsidiary MAHLE Metal Leve GmbH, the exchange rates used in translation are the exchange rates at the date of the balance sheet, and income and expense items are translated using the average monthly exchange rates. For subsidiary MAHLE Argentina S.A., the exchange rates used in translation are the exchange rates at the date of the balance sheet, for income and expense items in accordance with NBC TG 42 (CPC 42)/ IAS 29 Financial Reporting in Hyperinflationary Economies are translated at quarterly balance sheet rates.

The resulting translation adjustments are recognized in a specific account in the statement of comprehensive income and equity called "Cumulative translation adjustments".

5. Use of estimates and judgments

The preparation of parent company and consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

a) *Assumptions and estimation uncertainties*

Information about assumptions and estimation uncertainties in December 31, 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is included in the following notes:

- Notes 11 and 36 – financial instruments – credit risk: At the balance sheet date the Company assesses whether there is any evidence that financial assets measured at amortized cost may be impaired;

MAHLE Metal Leve S.A.

Explanatory notes to the financial statements

(in thousand of reais)

- Note 12 – inventories – provision for inventory losses: losses on products with negative margin, tooling, quality problems recognized in inventories refer to estimated losses on obsolete inventories classified as a reduction of inventories;
- Note 15 – income tax and social contribution – recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be used;
- Notes 17 and 18 – useful lives of property, plant and equipment and intangible assets: The useful lives of items of property, plant and equipment are determined and periodically reviewed by the Group. Management reviews the useful lives of the assets at the end of each fiscal year to ensure they remain appropriate for this business;
- Note 18 – provision for impairment of intangible assets: The Company and its subsidiaries test their intangible assets for impairment annually. If there is any indication of impairment of goodwill, this loss is recorded in profit or loss. The Group uses the discounted cash flow approach that depends on several estimates, which are influenced by changes in economic and marketing conditions;
- Notes 23 and 24 – other provisions – provision for losses on contract and provisions for warranties: key assumptions about the likelihood and magnitude of an outflow of resources;
- Note 25 – provision for contingencies and judicial deposits for legal proceedings: The Group recognizes a provision for civil and labor lawsuits. The assessment of the likelihood of loss includes the evaluation of existing evidence, the hierarchy of laws, previous court decisions, most recent court decisions and their relevance in the judicial context, as well as the opinion of outside legal advisors. Provisions are reviewed and adjusted to reflect changes in circumstances, such as applicable statute of limitations, outcomes of tax audits or additional exposures identified based on new matters or court decisions;
- Note 36 – Fair values of derivative financial instruments: All derivative instruments must be recorded on the balance sheet at fair value on the accrual basis as financial assets when they represent contractual rights to receive cash or as financial liabilities when they represent contractual obligations to deliver cash. Derivatives that are formally designated as hedging instruments may be accounted for applying the hedge accounting rules;

MAHLE Metal Leve S.A.

Explanatory notes to the financial statements

(in thousand of reais)

i) Fair value measurement

A number of the Group's accounting policies and disclosures require the measurement of fair value for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities; and
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The Group does not have instruments in the level 3 hierarchy

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 36 – Financial Instruments.

6. Changes in accounting policies and disclosures

The Group assessed amendments to NBC TG 48 (CPC 48)/IFRS 9, NBC TG 48 38 (CPC 38)/IAS 39, NBC TG 40 (CPC 40)/IFRS 7 and NBC TG 06 (CPC 06)/IFRS 16 *Interest Rate Benchmark Reform – Phase 1* from January 1, 2021, and determined that there is no impact on opening balances as a result of retrospective application.

7. Basis of measurement

The financial statements have been prepared on a historical cost basis except for the following material items recognized in the balance sheet:

- Cost attributed to property, plant and equipment upon initial application of NBC TG 27 (CPC 27) / ICPC 10 Property, Plant and Equipment in Brazil;
- Derivative instruments are measured at fair value;
- Non-derivative financial instruments designated as at fair value through profit or loss are measured at fair value.

MAHLE Metal Leve S.A.

Explanatory notes to the financial statements

(in thousand of reais)

8. Significant accounting policies

The accounting policies described below have been consistently applied in the years presented for these parent and consolidated financial statements.

a. Basis of consolidation

i. Subsidiaries

The Group controls an entity when it is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Group to the date that control ceases. The subsidiaries' accounting policies are aligned with the Group's policies.

In the parent financial statements, the financial information of subsidiaries is recognized using the equity method of accounting. The consolidation of subsidiaries includes the total amounts of accounts of assets, liabilities and profit or loss and segregates non-controlling interests in the consolidated balance sheet and statement of income, corresponding to the ownership interest in subsidiaries.

ii. Non-controlling interests

The Group elected to measure any non-controlling interests initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

iii. Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates.

Associates are those entities in which the Group directly or indirectly has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

MAHLE Metal Leve S.A.

Explanatory notes to the financial statements

(in thousand of reais)

Interests in associates and joint ventures are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Group's share of the profit or loss and other comprehensive income of the investee, until the date on which significant influence or joint control ceases. In the individual financial statements of the parent company, interests in subsidiaries are also accounted for using the equity method.

iv. Transactions eliminated on consolidation

Intercompany balances and transactions, as well as any revenue or expenses arising from intercompany transactions, are eliminated on the preparation of the consolidated financial statements.

Unrealized gains on transactions with investees recognized based on the equity method are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, however only to the extent that no evidence of impairment exists.

b. Foreign currency

i. Transactions in foreign currency

Foreign currency transactions are translated into the respective functional currencies of the Group entities at the exchange rates prevailing on the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated into the functional currency at the exchange rate prevailing on that date.

Foreign exchange gains and losses on monetary items are the difference between the amortized cost of the functional currency at the beginning of the period, adjusted for interest and payments made during the period, when applicable, and the amortized cost in the foreign currency at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies measured at fair value are re-translated into the functional currency at the exchange rate prevailing on the date when the fair value is determined. Foreign currency differences arising on re-translation are recorded in income, except for those differences arising on the re-translation of a cash flow hedge, which are recognized in other comprehensive income.

ii. Foreign operations

The assets and liabilities of foreign operations are translated into real at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into real at the exchange rates at the dates of the transactions.

MAHLE Metal Leve S.A.

Explanatory notes to the financial statements

(in thousand of reais)

Foreign currency differences arising from the translation to presentation currency are recognized in other comprehensive income and accumulated in carrying value adjustments in equity, except for subsidiary MAHLE Argentina S.A., whose statement of profit or loss is adjusted at the end of each reporting period based on the change in the general price index and subsequently translated at the closing exchange rate for each quarter, thus resulting in the effects, on the income statement, of both inflation rate and currency translation, as disclosed in Note 39.

iii. Financial reporting in hyperinflationary economies

The financial statements of subsidiary MAHLE Argentina S.A. have been prepared in accordance with NBC TG 42 (CPC 42)/ IAS 29 Financial Reporting in Hyperinflationary Economies. The financial statements were restated for the effects of inflation.

An economy is considered hyperinflationary when it has certain qualitative and quantitative characteristics, which include, among others, the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency, prices are linked to a price index and the cumulative inflation rate for the last three years is approaching, or exceeds, 100%. The application of this standard is presented in Note 39.

c. Financial instruments

i. Recognition and initial measurement

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

On initial recognition, a financial asset is classified as measured at:

- amortized cost;
- fair value through other comprehensive income (FVOCI) – debt investment;
- FVOCI – equity investment; or
- fair value through profit or loss (FVTPL).

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Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets (see Note 36(i)). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;

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- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

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A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets at FVTPL	These assets are subsequently measured at fair value. However, see Note 36 for derivatives designated as hedging instruments.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss. See Note 36 for financial liabilities designated as hedging instruments.

ii. Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

iii. Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognized in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

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When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognized.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

d. Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated completion costs and selling expenses.

Inventories are measured at the average acquisition or production cost, which does not exceed the replacement or realization values. The cost of sales includes the transfer from equity, net of any gains or losses on cash flow hedges of purchases of raw materials.

e. Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at historical cost of acquisition or construction, less accumulated depreciation and any accumulated impairment losses. The cost of certain items of property, plant and equipment at January 1, 2009, the Group's date of transition to CPC/IFRS, was determined with reference to its fair value at that date.

Cost includes expenditure that is directly attributable to the acquisition of an asset.

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Gains and losses on the sale of a property, plant and equipment item are determined by comparing the proceeds from the sale with the item's carrying amount and are recognized within "other income (expenses), net" in the statement of income.

ii. Depreciation

The depreciation of property, plant and equipment items is calculated using the straight-line method over their estimated useful lives. Land is not depreciated. The assets' useful lives are reviewed yearly.

Property, plant and equipment items are depreciated from the date they are installed and ready for use.

The estimated useful lives for current periods are stated in Note 17.

f. Intangible assets and goodwill

i. Goodwill

Goodwill on acquisitions of investments recorded by the Company is determined based on the investments' expected future profitability. Goodwill represents the excess of the cost of an acquisition over the net fair value of the subsidiaries' equity, as determined on the acquisition date, and is grounded on the future profitability, based on the profit projections of individual investees that were determined using the discounted cash flow method for a five-year projection period, for its CGU of Rings Business.

Goodwill is valued at cost, less impairment losses. This goodwill is not amortized on the grounds that it has an indefinite life, thought, each year, the Company assesses the recoverability of the goodwill on investments, using for this purpose practices considered to be market practices, especially the discounted cash flow of its units that have goodwill allocated to them.

ii. Other intangible assets

Other intangible assets that are acquired by the Group and that have finite useful lives are stated at cost less accumulated amortization and accumulated impairment losses.

Costs associated with purchasing and installing computer software licenses are capitalized on the basis of the future economic benefits that will flow to the Group and are amortized in conformity with the rates stated in Note 18. Costs associated with maintaining computer software programs are recognized as an expense as incurred.

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Purchased software is capitalized individually in a specific software account, while computer software that is integral to the functionality of the related equipment is capitalized as part of that equipment, provided that it is exclusive to such equipment.

Rights of use are capitalized through the investments incurred in the year. The Group's rights of use comprise exclusive rights of production; right-of-way easement for the Technology Center in the city of Jundiaí.

The rights of use related to the cost of the development of products are amortized at the rates mentioned in Note 18, while other rights will be valued through impairment provision.

iii. Technology and products development costs and investments

Costs associated with researches and development or other knowledge in a project with the intention of developing new or improving existing materials, devices, products, processes, systems or services prior to the start of their commercial production or their use by the technological research center of the Group are recorded as expenses (research) or investments (development) according to the nature of the expense and projections that result in future economic benefits for the Group.

iv. Amortization

When applicable, the amortization of intangible assets with a finite life is recognized in profit or loss on a straight-line basis over that estimated useful life, from the date they are available for use.

The estimated useful lives for the current periods are presented in Note 18.

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

g. Impairment

i. Non-derivative financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- debt securities which are determined to have low credit risk at the reporting date; and

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- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the financial asset is more than 120 days past due.

ECLs are a probability-weighted estimate of credit losses.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 120 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. For individual customers, the Group writes off the gross carrying amount when the financial asset is 12 months past due based on the historical experience of recovery of similar assets. For corporate customers, the Group makes an individual assessment of the timing and amount of the write-off based on whether or not there is realistic prospect of recovery. The Group does not expect any significant recovery of amounts written off. However, the financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

ii. Non-financial assets

The carrying values of the Group's non-financial assets other than inventories and deferred income tax and social contribution are reviewed on each reporting date for evidence of impairment. If there is evidence of impairment, then the recoverable value of the asset is estimated. For goodwill and intangible assets with an indefinite useful life or intangible assets in development that are not yet available for use, the recoverable value is estimated at least on an annual basis.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash-generating unit (CGU) or the group of CGUs that is expected to benefit from the synergies of the business combination. This allocation represents the lowest level at which the goodwill is monitored for internal management purposes and is not larger than an operating segment determined in accordance with NBC TG 22 (CPC 22) – “Segment information”/IFRS 8 “Operating segments”.

An impairment loss is recognized when the asset's carrying amount or that of its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. The impairment loss is allocated to the CGU initially to reduce the carrying amount of any goodwill allocated to the CGU.

With respect to other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indication that a previously recognized loss has increased, or decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable value. An impairment loss is reversed only if the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized previously.

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Items of property, plant and equipment and intangible assets, when applicable to other assets, are assessed annually to determine whether there is any evidence of impairment, mainly using the context of internal and external indicators that interfere in the recovery of these assets, always based on significant events or changes that indicate that the carrying amount may not be recoverable.

Where applicable, when there is a loss arising from situations where the carrying value of the asset exceeds its recoverable value - which is the higher of an asset's net selling price and its value in use - this loss is recognized in the statement of income for the period and cannot be reversed when it is related to goodwill based on the expected future profitability.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs).

h. Investments

Investments in subsidiaries where the parent company has control or significant influence at financial statements of parent company are accounted for using the equity method, as disclosed in Note 16.

The financial statements of subsidiaries located abroad are translated into reais using the following criteria:

- Assets and liabilities accounts at the closing exchange rate;
- Specific equity accounts at the historical rate of the transactions or account activities;
- Items of the income statement at the average exchange rate for the month for non-inflationary economy and at the exchange rate at the end of the respective quarter for hyperinflationary economy.

The exchange differences of foreign subsidiaries are recognized in a specific account "cumulative translation adjustments", within equity. The realization of such exchange variation adjustments occurs with the realization (i.e. sale) of the investment.

i. Employee benefits

The Group grants benefits basically on a monthly basis, and they are recorded in the accounting books.

A description of the main benefit plans granted to employees is presented in Note 37.

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i. Supplementary Open Pension Plan - defined contribution

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity (a pension fund) and has no legal or constructive obligation to pay further contributions. Obligations for contributions to defined contribution pension plans are recognized as employee benefit expenses in the statement of income in the periods during which related services are rendered by employees.

The Group has a Supplementary Open Pension Plan that is structured according to the capitalization financial system, in the form of variable contribution, as described in specific regulations, duly approved by the Superintendency of Private Insurance, through Process 15414.004168/2005/12.

ii. Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

j. Provision

Provision is recognized as a result of a past event when the Group has a legal or constructive obligation that can be reliably estimated and it is probable that economic resources will be required to settle the obligation. Allowances are recorded based on the best estimates of the risk involved.

i. Warranties

Provision for warranties is recognized when products or services are sold.

The provision is based on historical warranty data and a weighting of all the probabilities of disbursement.

ii. Losses on contracts

Provision for losses on contracts is recognized in an amount sufficient to meet the losses on sales contracts already entered into and for estimates of forecast losses, on which management anticipates that it will incur negative margins. Before recording the provision, the Group recognizes any impairment loss on assets related to that contract.

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iii. Restructuring

Restructuring provision is recognized when the Group has a present or constructive obligation as a result of past events, and, it is probable that an outflow of resources will be required to settle the obligation. Restructuring provisions comprise employee termination payments. Provisions do not include future operating losses.

iv. Contingencies and judicial deposits linked to judicial proceedings

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. 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

k. Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

i) As a lessee

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

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site in which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease contract transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option. In this case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the lessee is reasonably certain to exercise, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option, or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the balance sheet.

Leases of low-value assets

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

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ii) As a lessor

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies NBC TG 47 (CPC 47) / IFRS 15 to allocate the consideration in the contract.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

1. Operating revenue

Revenue is measured based on the consideration promised in the contract with the customer. The Group recognizes revenue when the control of the products or services is transferred to the customer. Revenue is presented net of taxes, returns, rebates, bonus and discounts, and after elimination of intercompany sales.

Revenue is derived from two business units: the OEM unit, whose customers are vehicle manufacturers, and the Aftermarket unit whose customers are wholesalers and automotive workshops.

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The Company has operating controls that demonstrate the nature and timing of the satisfaction of performance obligations in contracts with customers, including: (i) there is convincing evidence that the control of a product or service is transferred to the customer, which is normally when delivery takes place; (ii) the amount of consideration to which the entity expects to be entitled in exchange for transferring promised goods or services and (iii) the associated costs and possible return of goods can be estimated reliably. If it is probable that discounts will be given and the amount can be measured reliably, then the amount of discount is deducted from gross sales.

m. Finance income and costs

Finance income includes changes in financial assets at fair value through profit or loss and gains on hedge instruments recorded in the statement of income. Interest income is recognized in the statement of income using the effective interest rate method.

Finance costs comprise interest on borrowings, changes in financial assets and liabilities at fair value through profit and loss, and losses on hedge instruments recorded in the statement of income.

n. Taxation

i. Indirect taxes

Sales and services revenue is subject to the following taxes and contributions at the following basic rates:

	São Paulo State	Minas Gerais State	Rio de Janeiro State	Other States
ICMS	4% and 18%	4% and 18%	4% and 20%	4% , 7% and 12%
IPI	4% and 20%	4% and 20%	4% and 20%	4% and 20%
PIS	1,65% to 2,30%	1,65% to 2,30%	1,65% to 2,30%	1,65% to 2,30%
COFINS	7,60% to 10,80%	7,60% to 10,80%	7,60% to 10,80%	7,60% to 10,80%
ISS	2% to 5%	2% to 5%	2% to 5%	2% to 5%

These charges are presented as sales deductions in the statement of income. The credits resulting from the non-cumulativeness of PIS and COFINS are presented as a reduction in cost of sales in the statement of income.

ii. Income tax and social contribution

Current and deferred income tax and social contribution are calculated based on the rates of 15%, plus a 10% surcharge on taxable income in excess of R\$ 240 for income tax, and 9% of taxable income for social contribution on net income. These consider the offsetting of tax losses, limited to 30% of taxable income.

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The income tax and social contribution expense comprises current and deferred taxes. The current and deferred taxes are recognized in the statement of income or directly in equity (in other comprehensive income).

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates expected to be applied to temporary differences when they reverse, based on tax laws enacted or substantively enacted by the reporting date.

In determining current and deferred income tax, the Group takes into account the impact of uncertainties related to tax positions taken and whether the additional payment of income tax and interest has to be made. The Group believes that the provision for income tax within liabilities is adequate with respect to all outstanding tax years based on its assessment of various factors, including interpretations of tax laws and past experience.

This assessment is based on estimates and assumptions which may involve a series of judgments about future events. New information may become available that would lead the Group to change its judgment with respect to the appropriateness of the existing provision; these changes will have an impact on the income tax expense in the year in which they are realized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities, and when they relate to income taxes levied by the same taxation authority on the same taxable entity.

A deferred tax asset is recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilized.

The carrying amounts of deferred income tax and social contribution assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that they will be realized.

o. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of common shares outstanding during the year as mentioned in Note 27.

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As at December 31, 2021 and 2020, there were no instruments with dilutive effects. Diluted earnings per share were calculated by adjusting the weighted average number of common shares outstanding to assume the conversion of all potential common shares with dilutive effects, in accordance with NBC TG 41 (CPC 41) – “Earnings per share” and IAS 33 “Earnings per share”.

p. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses relating to transactions with other components of the Group, and for which discrete financial information is available.

The reported segment results include items that are directly attributable to the segment and can be allocated to the segment on a reasonable basis.

q. Statement of value added

The Company has prepared separate and consolidated statements of value added, in accordance with Technical Pronouncement NBC TG 09 (CPC 09) – “Statement of value added”, which are presented as an integral part of the parent company financial statements in conformity with accounting practices adopted in Brazil applicable to publicly-held companies, while for IFRS this statement represents additional financial information.

r. New standards and interpretations not yet effective

A number of new standards not yet effective by the date of issue of the Group’s financial statements are set out below. The Group intends to adopt the new or amended standards and interpretations, if applicable, when they become effective.

The following new and amended standards and interpretations are not expected to have a significant impact on the Group’s consolidated financial statements:

- i) Onerous Contracts – Cost of Fulfilling a Contract (Amendments to NBC TG 25 (CPC25)/IAS 37;
- ii) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to CPC32/IAS 12)
- iii) Other standards

The following new and amended standards and interpretations are not expected to have a significant impact on the Group’s consolidated financial statements:

- Annual Improvements to IFRS Standards 2018–2020;

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- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to CPC 27/IAS 16);
- Reference to Conceptual Framework (Amendments to CPC 15/IFRS 3);
- Classification of Liabilities as Current or Non-current (Amendments to CPC 26/IAS 1);
- IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies (Amendments to CPC 26/IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to CPC 23/IAS 8).

9. 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 presentation of the reported information is consistent with the statement of income.

The Group's operating segments are:

- a) Engine components – pistons, pistons rings, valves, conrods, bearings, bushes, thrust washers, cylinder liners, anti-polishing ring, camshafts, gudgeon pins, ring carriers, amongst others. Generally, the products are used in internal combustion engines and automotive vehicles.
- b) Filters - fuel filters, air filters, oil filters, cabin air filters, activated carbon filters and oil separators, valve cover gaskets, air intake system, diesel fuel pre-filter and dust collectors for light and heavy-duty vehicle applications. Manufacture of antibacterial masks. Filter systems for separation of solid contaminants and water like pressure filters, return-line filters, and filter systems for liquid fuel, hydraulic oils and lubricants ISO 100 for application in aboveground and underground storage tanks. Equipment installed at gas stations, transport companies, manufacturers, power plants, among others.

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Statement of income	Consolidated					
	2021			2020		
	Engine components	Filters	Consolidated	Engine components	Filters	Consolidated
Gross operating revenue	4,049,796	487,656	4,537,452	2,706,748	340,549	3,047,297
Deductions from sales	(771,699)	(150,657)	(922,356)	(539,887)	(104,832)	(644,719)
Net operating revenue	3,278,097	336,999	3,615,096	2,166,861	235,717	2,402,578
Cost of sales	(2,349,017)	(271,774)	(2,620,791)	(1,590,070)	(185,579)	(1,775,649)
Gross profit	929,080	65,225	994,305	576,791	50,138	626,929
Selling and distribution expenses and Impairment losses on accounts receivable	(208,692)	(23,632)	(232,324)	(147,083)	(18,758)	(165,841)
Administrative expenses	(97,265)	(12,574)	(109,839)	(82,750)	(12,633)	(95,383)
Technology research costs	(41,741)	(9,777)	(51,518)	(52,888)	(11,201)	(64,089)
Other operating income (expenses)	59,105	15,539	74,644	(148,736)	807	(147,929)
Equity in the results of investees	3,273	-	3,273	(137)	-	(137)
Gains (loss) on net monetary variation	42,658	1,422	44,080	38,049	2,004	40,053
Finance income	167,297	9,571	176,868	204,559	11,694	216,253
Finance costs	(175,579)	(10,215)	(185,794)	(286,939)	(15,297)	(302,236)
Profit (loss) before income tax and social contribution	678,136	35,559	713,695	100,866	6,754	107,620
Income tax and social contribution	(134,974)	(12,101)	(147,075)	16,925	(2,327)	14,598
Profit for the year	543,162	23,458	566,620	117,791	4,427	122,218
Non-controlling interests	(304)	542	238	1,734	575	2,309
Profit for the year	542,858	24,000	566,858	119,525	5,002	124,527

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					
	2021			2020		
	Engine components	Filters	Consolidated	Engine components	Filters	Consolidated
Assets	2,749,670	191,370	2,941,040	2,651,558	145,025	2,796,583
Investments accounted for using the equity method	-	-	-	208	-	208
Capital expenditures	66,505	19,119	85,624	62,189	6,440	68,629

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2) Distribution by geographic area

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

Sales per country	Consolidated			
	2021	%	2020	%
Domestic market (Brazil and Argentina)	2,053,442	56.8%	1,361,380	56.7%
EUA	290,328	8.0%	197,622	8.2%
México	269,544	7.5%	177,511	7.4%
Alemanha	214,250	5.9%	172,464	7.2%
Itália	142,437	3.9%	93,433	3.9%
Espanha	82,377	2.3%	52,676	2.2%
França	59,816	1.7%	46,233	1.9%
Suécia	57,837	1.6%	51,458	2.1%
Portugal	42,542	1.2%	32,483	1.4%
Chile	24,420	0.7%	9,420	0.4%
Paraguai	22,635	0.6%	10,398	0.4%
Peru	17,537	0.5%	4,814	0.2%
Canadá	16,424	0.5%	16,399	0.7%
China	14,558	0.4%	8,475	0.4%
Bolívia	13,944	0.4%	5,736	0.2%
Índia	13,907	0.4%	7,204	0.3%
Reino Unido	13,456	0.3%	10,983	0.5%
Uruguai	10,097	0.2%	5,441	0.2%
Outros	255,545	7.1%	138,448	5.7%
Total	3,615,096	100%	2,402,578	100%

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10. Cash and cash equivalents

	Parent company		Consolidated	
	2021	2020	2021	2020
Cash and demand deposits				
BRL	3,394	1,156	3,532	1,315
ARS (expressed in BRL)	-	-	5,831	5,881
USD (expressed in BRL)	19,197	9,858	19,197	9,858
EUR (expressed in BRL)	2,615	64,054	5,087	65,132
	25,206	75,068	33,647	82,186
 BRL	 242,024	 479,164	 244,879	 479,295
ARS (expressed in BRL)	-	-	66,082	35,493
USD (expressed in BRL)	6,697	3,636	6,697	3,636
Financial investments	248,721	482,800	317,658	518,424
 ARS (expressos em BRL)	 -	 -	 295	 65
USD (expressos em BRL)	-	-	6,302	4,542
EUR (expressos em BRL)	-	-	3,187	2,618
Cash in transit	-	-	9,784	7,225
	273,927	557,868	361,089	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 101.1% p.a. (101,1% p.a. on December 31, 2020) 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 34% p.a. (31,12% p.a. on December 31, 2020) (BADLAR – Interest rate for term deposits).
- USD - Certificate deposits and Time deposits – These investments accrue interest, on average, at 0.12% p.a. (0,05% p.a. on December 31, 2020), 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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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).

11. Trade accounts receivables and other accounts receivables

	Parent company		Consolidated	
	2021	2020	2021	2020
Market				
Domestic	287,135	259,713	287,427	260,091
Foreign	59,366	31,539	179,061	115,116
	346,501	291,252	466,488	375,207
Other accounts receivable	10,124	3,834	10,124	3,834
Provision for impairment of trade receivables	(4,201)	(6,260)	(6,872)	(10,180)
	352,424	288,826	469,740	368,861
Related parties (Note 10)	100,806	83,009	97,340	96,255
	453,230	371,835	567,080	465,116

The Group's exposure to credit and currency risks relating to trade receivables is disclosed in Note 36.

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

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

	Parent company		Consolidated	
	2021	2020	2021	2020
Not yet due	334,735	278,882	442,744	350,546
Past due:				
Up to 7 days	7,198	2,496	9,916	5,681
From 8 to 30 days	6,249	3,065	10,684	7,907
From 31 to 60 days	2,785	3,009	4,249	3,318
From 61 to 90 days	1,260	901	2,168	1,362
From 91 to 120 days	435	709	529	759
From 121 to 180 days	915	1,750	1,354	2,285
From 181 to 360 days	1,139	1,001	1,549	2,017
Over 360 days	1,909	3,273	3,420	5,166
(-) Provision for impairment of trade receivables	(4,201)	(6,260)	(6,872)	(10,180)
Total past due deducted provision	17,689	9,944	26,997	18,315
	352,424	288,826	469,740	368,861

On December 31, 2021, trade receivables of the parent company in the amount of R\$ 17,689 (December 31, 2020 - R\$ 9,944) and consolidated trade receivables at December 31, 2021 of R\$ 26,997 (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.

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

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

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

	Parent company	Consolidated
At January 1st, 2020	(7,157)	(9,382)
Receivables provided for in the period	(10,559)	(13,015)
Receivables reversed in the period	12,126	13,636
Receivables written off definitively	833	833
Foreign exchange variation	(1,503)	(2,252)
At December 31, 2020	(6,260)	(10,180)
Receivables provided for in the period	(5,999)	(7,375)
Receivables reversed in the period	8,397	10,883
Receivables written off definitively	27	27
Foreign exchange variation	(366)	(227)
At December 31, 2021	(4,201)	(6,872)

12. Inventories

	Parent company		Consolidated	
	2021	2020	2021	2020
Finished products	154,962	113,613	249,059	180,823
Work in progress	110,584	95,404	127,335	107,664
Raw materials	58,017	45,294	76,919	56,165
Auxiliary materials	6,553	6,328	13,744	10,201
Imports in transit	27,970	6,690	46,212	14,035
	358,086	267,329	513,269	368,888

On December 31, 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\$ 44,798 (R\$ 79,025 on December 31, 2020) in the parent company and R\$ 62,538 (R\$ 97,494 on December 31, 2020) in the consolidated accounts.

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Changes in the provision for inventory loss are as follows:

	<u>Parent company</u>	<u>Consolidated</u>
At January 1st, 2020	<u>(33,426)</u>	<u>(48,095)</u>
Reversal of provision	14,487	24,930
Recognition of provision	(64,688)	(79,994)
Inventory written off definitively as loss	4,602	4,602
Foreign exchange variation	-	1,063
At December 31, 2020	<u>(79,025)</u>	<u>(97,494)</u>
Reversal of provision	26,772	47,823
Recognition of provision	(26,966)	(49,407)
Inventory written off definitively as loss	34,421	34,421
Foreign exchange variation	-	2,119
At December 31, 2021	<u>(44,798)</u>	<u>(62,538)</u>

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13. Taxes recoverable

	Parent company		Consolidated	
	2021	2020	2021	2020
Income tax and social contribution recoverable	47,358	40,304	69,939	52,687
ICMS and Excise Tax (IPI)	28,449	27,250	28,484	27,364
Value-added Tax on Sales and Services (ICMS) on purchases of fixed assets	6,268	6,844	6,268	6,844
Social Contribution on Revenues (COFINS)	6,659	6,299	6,659	6,300
Import Tax	4,106	2,513	4,106	2,640
Social Integration Program (PIS)	1,427	1,354	1,428	1,354
I.V.A. (Argentina)	-	-	5,073	4,637
Other	9	10	2,908	2,923
Taxes recoverable	46,918	44,270	54,926	52,062
Current	94,276	84,574	124,865	104,749
ICMS credit based on PIS and COFINS (*)	116,509	-	116,687	-
Value-added Tax on Sales and Services (ICMS) on purchases of fixed assets	9,622	10,561	9,622	10,561
Export incentive - Argentina	-	-	6,881	7,237
Non-current	126,131	10,561	133,190	17,798

(*) The Company has lawsuits to recover amounts of ICMS included in the calculation basis of PIS and COFINS.

On May 13, 2021, the Brazilian Supreme Court (STF) decided that the amount of ICMS stated in the invoice can be excluded from the basis of calculation of PIS and COFINS with retroactive effect to March 15, 2017. After the Supreme Court judged the motion for clarification of judgment and modulation of the effects of the Supreme Court decision, it was possible to have sufficient elements to reliably measure the amount of tax credit to be recovered and recognized by the Company and its subsidiary. A final and unappealable decision was issued on the Company's lawsuit on August 24, 2021.

At December 31, 2021, the Company recognized the amounts of R\$ 116,508 (Parent company) and R\$ 116,687 (Consolidated), of which R\$ 96,572 (Parent Company) and R\$ 96,734 (Consolidated) were included in 'other operating income' (Note 35 net sales revenue in the amount of R\$ 9,784 (Parent company and Consolidated), after the unappealable final court decision, interest (SELIC rate) income on eligible receivables in the amount of R\$ 10,152 (Parent company) and R\$ 10,169 (Consolidated) in 'finance income' (Note 34), fee expenses of R\$ 2,099 (Parent company), R\$ 2,103 (Consolidated) recorded in 'other operating expenses' (Note 35), and deferred income tax in the amount of R\$ 36,161 (Parent company and consolidated) in deferred tax assets and liabilities (Note 15.b.i).

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14. Related parties

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

	Controladora													
	Saldo em 31.12.2021							Transações de 2021						
	Ativo não circulante			Passivo circulante				Vendas/receitas			Compras			
	Contas a receber (Nota 11)	Prazo de realização em dias (*)	Dividendos e juros s/ capital próprio	Mútuo	Fornecedor (Nota 19)	Prazo de realização em dias (*)	Dividendos e juros s/ capital próprio	Produtos	Serviços	Aluguel transporte alimentação energia	Produtos	Serviços	Comissões	Licença de marca
Empresas														
Controladas														
Diretas														
MAHLE Metal Leve GmbH	54,157	60	132,095	-	-	-	-	472,583	33	-	-	-	-	-
MAHLE Argentina S.A.	20,175	60	-	25,109	68	60	-	98,945	2,970	-	989	-	-	-
MAHLE Filtröil Indústria e Comércio de Filtros Ltda.	53	60	-	7,519	-	-	-	-	168	97	-	-	-	-
MAHLE Hirschvogel Forjas S.A.	23	60	-	-	-	-	-	-	131	-	-	-	-	-
Sub-total Controladas Diretas	74,408		132,095	32,628	68			571,528	3,302	97	989			
Relacionadas														
MAHLE Engine Components USA, Inc.	7,095	60	-	-	828	60	-	33,025	-	-	3,451	374	-	-
MAHLE Componenti Motori Italia S.p.A.	6,725	60	-	-	311	60	-	38,376	-	-	401	1,029	-	-
MAHLE Behr Gerenciamiento Técnico Brasil Ltda.	2,916	60	-	-	6,319	60	-	3,225	15,067	616	26,378	764	-	-
MAHLE Compressores do Brasil Ltda.	1,932	60	-	-	4,886	60	-	2,429	9,712	-	44,474	256	-	-
MAHLE Aftermarket GmbH	1,708	60	-	-	4,945	60	-	10,698	1,641	-	4,685	5,294	143	-
MAHLE GmbH	624	60	-	-	10,527	60	-	264	1,020	-	5,138	16,795	-	14,000
MAHLE International GmbH	616	60	-	-	10,890	60	-	-	2,480	-	-	43,782	-	-
MAHLE Holding (China) Co., Ltd.	604	60	-	-	189	60	-	227	-	-	-	443	-	-
MAHLE Motor Parcalari San. Izmir A.S.	587	60	-	-	111	60	-	2,463	-	-	817	-	-	-
MAHLE Aftermarket S. de R.L. de C.V.	502	60	-	-	-	-	-	5,967	-	-	-	-	-	-
MAHLE Engine Components (Yingkou) Co., Ltd.	442	60	-	-	6	60	-	3,572	-	-	6	-	-	-
MAHLE Engine Components Slovakia s.r.o.	439	60	-	-	-	-	-	264	-	-	-	-	-	-
MAHLE Componentes de Motor de Mexico, S. de R.L. de C.V.	413	60	-	-	1,756	60	-	1,276	-	-	10,080	-	-	-
MAHLE France SAS	355	60	-	-	-	-	-	585	-	-	-	-	-	-
MAHLE Industriemotoren-Komponenten GmbH	340	60	-	-	-	-	-	167	-	-	-	-	-	-
MAHLE Indústria e Comércio Ltda.	228	60	-	-	1,573	60	74,593	-	2,694	-	1,428	-	-	9,032
MAHLE Kleinmotoren-Komponenten GmbH & Co. KG	158	60	-	-	-	-	-	282	-	-	-	-	-	-
MAHLE Engine Components (Chongqing) Co., Ltd.	149	60	-	-	-	-	-	1,154	-	-	-	-	-	-
MAHLE Componentes de Motores S.A.	142	60	-	-	6	60	-	3,892	26	-	232	-	-	-
MAHLE Engine Systems UK Ltd.	111	60	-	-	2,040	60	-	40	81	-	6,983	1,126	-	-
MAHLE Filter Systems USA	89	60	-	-	48	60	-	129	8	-	-	48	-	-
MAHLE Aftermarket Inc.	87	60	-	-	127	60	-	1,443	742	-	19	17	242	-
MAHLE Trading Japan Co., Ltd.	66	60	-	-	-	-	-	-	153	-	768	-	-	-
MAHLE Industries, Inc.	31	60	-	-	1,089	60	-	-	94	-	-	1,085	-	-
MAHLE Anand Filter Systems Private Limited	22	60	-	-	-	-	-	112	-	-	-	-	-	-
MAHLE Japan Ltd.	17	60	-	-	606	60	-	-	71	-	-	606	-	-
MAHLE Filtersysteme Austria GmbH	1	60	-	-	226	60	-	1	-	-	1,958	-	-	-
MAHLE Aftermarket Pte. Ltd.	-	-	-	-	1,197	60	-	305	-	-	6,241	-	-	-
MAHLE Aftermarket Italy S.p.A.	-	-	-	-	1,162	60	-	-	-	-	1,641	-	-	-
MAHLE Donghyun Filter Systems Co., Ltd.	-	-	-	-	883	60	-	-	-	-	330	1,628	-	-
MAHLE Trading (Shanghai) Co., Ltd.	-	-	-	-	882	60	-	-	-	-	2,374	-	-	-
MAHLE Automotive Technologies (China) Co., Ltd.	-	-	-	-	766	60	-	-	-	-	-	767	-	-
MAHLE Electric Drives (Taicang) Co., Ltd.	-	-	-	-	680	60	-	-	205	-	3,667	-	-	-
MAHLE Electric Drives Slovenija d.o.o.	-	-	-	-	461	60	-	-	126	-	3,402	-	-	-
MAHLE Polska Sp. z o.o.	-	-	-	-	389	60	-	9	-	-	-	394	-	-
MAHLE Filtersysteme GmbH	-	-	-	-	293	60	-	1	-	-	-	557	-	-
MAHLE Filter Systems Japan Corporation	-	-	-	-	141	60	-	-	-	-	608	141	-	-
MAHLE Shared Services Mexico S. de R.L. de C.V.	-	-	-	-	85	60	-	-	-	-	-	85	-	-
MAHLE Componente de Motor SRL	-	-	-	-	53	60	-	-	-	-	316	-	-	-
MAHLE S.A.U.	-	-	-	-	26	60	-	-	-	-	275	-	-	-
MAHLE France SARL	-	-	-	-	19	60	-	-	-	-	100	26	-	-
MAHLE Engineering Services India Private Limited	-	-	-	-	14	60	-	-	-	-	-	12	-	-
MAHLE Industrial Thermal Systems GmbH & Co. KG	-	-	-	-	14	60	-	-	-	-	-	14	-	-
MAHLE Composants Moteur France SAS	-	-	-	-	9	60	-	(9)	-	-	11	-	-	-
MAHLE Vöcklabruck GmbH	-	-	-	-	2	60	-	12	-	-	-	2	-	-
MAHLE Holding (India) Private Limited	-	-	-	-	1	60	-	-	(7)	-	-	2	-	-
MAHLE Engine Components (Nanjing) Co., Ltd.	-	-	-	-	-	-	-	2,562	-	-	-	-	-	-
MAHLE RUS O.O.O.	-	-	-	-	-	-	-	233	-	-	-	-	-	-
MAHLE Industriebeteiligungen GmbH	-	-	-	-	-	-	12,432	-	-	-	-	-	-	-
MAHLE Behr Service Asia Co., Ltd.	-	-	-	-	-	-	-	-	-	-	2,239	-	-	-
MAHLE Filtre Sistemleri A.S.	-	-	-	-	-	-	-	2	267	-	-	-	-	-
MAHLE Fil. Sys. UK Ltd.	-	-	-	-	-	-	-	-	-	-	275	-	-	-
MAHLE Filter Systems Philippines Corporation	-	-	-	-	-	-	-	-	-	-	120	-	-	-
MAHLE Engine Components (Thailand) Co., Ltd.	-	-	-	-	-	-	-	-	-	-	321	-	-	-
Outros	(1)	-	-	-	-	-	-	86	73	-	13	-	-	-
Total relacionadas	26,398				53,560		87,025	112,792	34,453	616	128,751	75,247	385	14,000
Total partes relacionadas	100,806		132,095	32,628	53,628		87,025	684,320	37,755	713	129,740	75,247	385	14,000

MAHLE Metal Leve S.A.

Explanatory notes to the financial statements

(in thousand of reais)

	Parent company															
	Balances at 12.31.2020							Transactions from 2020								
	Current assets		Non-current assets		Current liabilities			Sales/revenue				Purchases				
	Receivables (Note 11)	Payment term in days (*)	Dividends and interest on capital receivable	Loan	Suppliers (Note 19)	Payment term in days (*)	Dividends and interest on capital payable	Products	Services	Property, plant and equipment	Rent, Transport, Food and Energy	Products	Services	Commissions	Trade mark license	Rent
Companies																
Subsidiaries																
Direct subsidiaries																
MAHLE Metal Leve GmbH	49,566	60	66,134	-	-	-	-	375,433	994	-	-	-	-	-	-	-
MAHLE Argentina S.A.	10,433	60	-	22,248	486	60	-	58,431	2,700	-	-	488	-	-	-	-
MAHLE Filtroil Indústria e Comércio de Filtros Ltd	132	60	-	6,781	-	-	-	-	147	-	89	-	-	-	-	-
MAHLE Hirschvogel Forjas S.A.	23	60	-	-	-	-	-	-	131	-	-	-	-	-	-	-
Sub-total Controladas Diretas	60,154		66,134	29,029	486		-	433,864	3,972	-	89	488	-	-	-	-
Related companies																
MAHLE Componenti Motori Italia S.p.A.	5,168	60	-	-	5,394	60	-	22,215	56	-	-	55	5,394	-	-	-
MAHLE Engine Components USA, Inc.	4,510	60	-	-	493	60	-	17,787	-	-	-	1,848	32	-	-	-
MAHLE Behr Gerenciamento Técnico Brasil Ltda.	2,463	60	-	-	2,993	60	-	1,222	12,597	-	975	18,390	695	-	-	-
MAHLE Aftermarket S. de R.L. de C.V.	2,286	60	-	-	-	-	-	6,751	-	-	-	-	-	-	-	-
MAHLE Aftermarket GmbH	1,797	60	-	-	2,078	60	-	6,394	1,471	-	-	3,560	5,279	-	-	-
MAHLE Compressores do Brasil Ltda.	1,432	60	-	-	5,033	60	-	1,412	5,963	-	-	20,775	165	-	-	-
MAHLE International GmbH	1,225	60	-	-	14,971	60	-	-	1,993	-	-	-	33,547	-	-	-
MAHLE Engine Components (Yingkou) Co., Ltd.	849	60	-	-	-	-	-	3,467	11	-	-	-	-	-	-	-
MAHLE GmbH	729	60	-	-	16,289	60	-	493	264	-	-	1,999	18,071	-	8,925	-
MAHLE Aftermarket Inc.	310	60	-	-	41	60	-	752	457	-	-	-	-	143	-	-
MAHLE Holding (China) Co., Ltd.	285	60	-	-	219	60	-	5	103	-	-	-	98	-	-	-
MAHLE Industriemotoren-Komponenten GmbH	284	60	-	-	-	-	-	597	-	-	-	-	-	-	-	-
MAHLE Motor Parcalari San. Izmir A.S.	271	60	-	-	442	60	-	3,150	-	-	-	666	-	-	-	-
MAHLE Engine Components (Nanjing) Co., Ltd.	260	60	-	-	-	-	-	1,481	-	-	-	19	-	-	-	-
MAHLE Engine Systems UK Ltd.	197	60	-	-	2,432	60	-	135	-	287	-	3,076	652	-	-	-
MAHLE Industries, Inc.	180	60	-	-	784	60	-	-	476	-	-	-	1	-	-	-
MAHLE Indústria e Comércio Ltda.	139	60	-	-	1,325	60	36,017	99	1,205	-	-	1,641	-	-	-	7,335
MAHLE Trading Japan Co., Ltd.	108	60	-	-	-	-	-	-	110	-	-	298	-	-	-	-
MAHLE Engine Components (Chongqing) Co., Ltd.	104	60	-	-	-	-	-	1,059	-	-	-	-	-	-	-	-
MAHLE Componentes de Motores S.A.	88	60	-	-	3	60	-	664	53	-	-	61	3	-	-	-
MAHLE France SAS	63	60	-	-	-	-	-	195	-	-	-	-	-	-	-	-
MAHLE Componentes de Motor de Mexico, S. de R.	47	60	-	-	1,222	60	-	613	23	-	-	9,653	5	-	-	-
MAHLE Engine Components Slovakia s.r.o.	42	60	-	-	96	60	-	88	-	-	-	-	96	-	-	-
MAHLE S.A.U.	20	60	-	-	34	60	-	20	-	-	-	151	-	-	-	-
MAHLE Japan Ltd.	14	60	-	-	-	-	-	-	55	-	-	-	-	-	-	-
MAHLE India Pistons Ltd.	13	60	-	-	-	-	-	33	-	-	-	-	-	-	-	-
MAHLE Shared Services Mexico S. de R.L. de C.V.	11	60	-	-	372	60	-	-	-	-	-	-	368	-	-	-
MAHLE Kleinmotoren-Komponenten GmbH & Co. KG	6	60	-	-	-	-	-	46	-	-	-	-	-	-	-	-
Shanghai MAHLE Thermal Systems Co. Ltd.	4	60	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MAHLE Filtersysteme GmbH	2	60	-	-	537	60	-	-	3	-	-	-	1,646	-	-	-
MAHLE Motorsports Inc	1	60	-	-	-	-	-	8	-	-	-	-	-	-	-	-
MAHLE Electric Drives Slovenija d.o.o.	1	60	-	-	343	60	-	-	61	-	-	2,173	-	-	-	-
MAHLE Engineering Services India Private Limited	1	60	-	-	-	-	-	-	1	-	-	-	-	-	-	-
MAHLE Composants Moteur France SAS	(52)	60	-	-	-	-	-	23	-	-	-	-	-	-	-	-
MAHLE Polska Sp. z o.o.	-	-	-	-	-	-	-	(319)	-	-	-	-	-	-	-	-
MAHLE Aftermarket Pte. Ltd.	-	-	-	-	2,172	60	-	140	-	-	-	5,157	-	-	-	-
Imoform Tecnologia Ltda.	-	-	-	-	1,600	60	-	-	-	-	-	-	-	-	-	-
MAHLE Donghyun Filter Systems Co., Ltd.	-	-	-	-	1,039	60	-	-	-	-	-	806	785	93	-	-
MAHLE Filter Systems Japan Corporation	-	-	-	-	413	60	-	-	-	-	-	497	397	-	-	-
MAHLE Filtersysteme Austria GmbH	-	-	-	-	368	60	-	-	-	-	-	2,014	-	-	-	-
MAHLE Electric Drives (Taicang) Co., Ltd.	-	-	-	-	320	60	-	-	79	-	-	1,816	-	-	-	-
MAHLE Fil. Sys. UK Ltd.	-	-	-	-	283	60	-	-	-	-	-	470	-	-	-	-
MAHLE Aftermarket Italy S.p.A.	-	-	-	-	175	60	-	-	-	-	-	1,124	24	-	-	-
MAHLE Componente de Motor SRL	-	-	-	-	127	60	-	-	-	-	-	395	-	-	-	-
MAHLE Trading (Shanghai) Co., Ltd.	-	-	-	-	115	60	-	-	-	-	-	408	-	1	-	-
MAHLE Engine Components Japan Corporation	-	-	-	-	99	60	-	82	228	-	-	-	-	-	-	-
MAHLE Filter Systems USA	-	-	-	-	44	60	-	4	151	-	-	2	44	-	-	-
MAHLE Filter Systems Philippines Corporation	-	-	-	-	13	60	-	-	-	-	-	55	-	-	-	-
MAHLE Industriebeteiligungen GmbH	-	-	-	-	-	-	6,003	-	-	-	-	-	-	-	-	-
MAHLE Behr Service Asia Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	2,351	-	-	-	-
Other	(3)	60	-	-	20	60	-	61	36	-	-	67	32	8	-	-
Total related companies	22,855		-	-	61,889		42,020	68,678	25,396	287	975	79,527	67,334	245	8,925	7,335
Total related parties	83,009		66,134	29,029	62,375		42,020	502,542	29,368	287	1,064	80,015	67,334	245	8,925	7,335

Explanatory notes to the financial statements

(in thousand of reais)

	Consolidated													
	Balances at 12.31.2021						Transactions from 2021							
	Non-current assets			Current liabilities			Sales/revenue			Purchases				
	Current assets	Payment term in days		Suppliers	Payment term in days	Dividends and interest on capital payable	Products	Services	Rent Transport Food Energy	Products	Services	Commissions	Trademark license/ Royalties	Rent
Receivables (Note 11)	(*)	Loan	(Note 19)	(*)										
Related companies														
MAHLE Componenti Motori Italia S.p.A.	22,784	60	-	1,406	60	-	143,646	-	-	401	1,029	-	-	-
MAHLE Aftermarket GmbH	21,851	60	-	7,316	60	-	114,863	1,641	-	16,690	5,294	143	-	-
MAHLE Componentes de Motor de Mexico, S. de R.L. de C.V.	11,999	60	-	1,813	60	-	118,355	-	-	10,080	-	-	-	-
MAHLE Engine Components USA, Inc.	9,874	60	-	1,999	60	-	47,229	-	-	3,451	741	-	-	-
MAHLE France SAS	7,234	60	-	6	60	-	40,754	-	-	35	-	-	-	-
MAHLE Aftermarket S. de R.L. de C.V.	3,063	60	-	-	-	-	29,222	-	-	-	-	-	-	-
MAHLE Behr Gerenciamento Térmico Brasil Ltda.	3,036	60	-	9,670	60	-	3,344	15,067	616	34,208	764	-	-	-
MAHLE Componentes de Motores S.A.	2,937	60	-	6	60	-	42,288	26	-	232	-	-	-	-
MAHLE Kleinmotoren-Komponenten GmbH & Co. KG	2,043	60	-	14	60	-	9,508	-	-	-	156	-	-	-
MAHLE Compressores do Brasil Ltda.	1,932	60	-	4,886	60	-	2,429	9,712	-	44,474	256	-	-	-
MAHLE Industriemotoren-Komponenten GmbH	1,839	60	-	318	60	-	6,747	-	-	-	-	-	-	-
MAHLE Vöcklabruck GmbH	1,389	60	-	2	-	-	(24)	-	-	-	2	-	-	-
MAHLE Engine Components (Thailand) Co., Ltd.	1,236	60	-	(81)	60	-	5,456	-	-	321	-	-	-	-
MAHLE GmbH	1,014	60	-	13,255	60	-	3,179	1,020	-	5,138	17,324	-	15,105	-
MAHLE Motor Parcalari San. Izmir A.S.	971	60	-	111	60	-	6,003	-	-	817	-	-	-	-
MAHLE S.A.U.	961	60	-	26	60	-	9,786	-	-	275	-	-	-	-
MAHLE International GmbH	616	60	-	18,414	60	-	-	2,480	-	-	43,939	-	-	-
MAHLE Holding (China) Co., Ltd.	604	60	-	189	60	-	227	-	-	-	443	-	-	-
MAHLE Engine Components Slovakia s.r.o.	602	60	-	-	-	-	2,167	-	-	-	-	-	-	-
MAHLE Engine Components (Yingkou) Co., Ltd.	442	60	-	6	60	-	3,572	-	-	6	-	-	-	-
MAHLE Indústria e Comércio Ltda.	228	60	-	1,573	60	74,593	-	2,694	-	1,428	-	-	-	9,032
MAHLE Aftermarket Inc.	181	60	-	127	60	-	3,812	742	-	19	17	242	-	-
MAHLE Engine Components (Chongqing) Co., Ltd.	149	60	-	-	-	-	1,154	-	-	-	-	-	-	-
MAHLE Engine Systems UK Ltd.	111	60	-	2,040	60	-	40	81	-	6,983	1,126	-	-	-
MAHLE Filter Systems USA	89	60	-	48	60	-	129	8	-	-	48	-	-	-
MAHLE Trading Japan Co., Ltd.	66	60	-	-	-	-	-	153	-	768	-	-	-	-
MAHLE Polska Sp. z o.o.	47	60	-	389	60	-	2,691	-	-	-	394	-	-	-
MAHLE Industries, Inc.	31	60	-	1,770	60	-	-	94	-	-	4,168	-	-	-
MAHLE Anand Filter Systems Private Limited	22	60	-	-	-	-	112	-	-	-	-	-	-	-
MAHLE Japan Ltd.	17	60	-	606	60	-	-	71	-	-	606	-	-	-
MAHLE Engine Components India Priv. Ltd.	5	60	-	-	-	-	4,299	-	-	-	-	-	-	-
MAHLE Filtersysteme Austria GmbH	1	60	-	306	60	-	1	-	-	1,958	358	-	-	-
MAHLE Aftermarket Italy S.p.A.	-	-	-	1,274	60	-	-	-	-	1,993	-	-	-	-
MAHLE Aftermarket Pte. Ltd.	-	-	-	1,197	60	-	305	-	-	6,241	-	-	-	-
MAHLE Donghyun Filter Systems Co., Ltd.	-	-	-	883	60	-	-	-	-	330	1,628	-	-	-
MAHLE Trading (Shanghai) Co., Ltd.	-	-	-	882	60	-	-	-	-	2,374	-	-	-	-
MAHLE Automotive Technologies (China) Co., Ltd	-	-	-	766	60	-	-	-	-	-	767	-	-	-
MAHLE Electric Drives Slovenija d.o.o.	-	-	-	722	60	-	-	126	-	4,033	-	-	-	-
MAHLE Electric Drives (Taicang) Co., Ltd.	-	-	-	680	60	-	-	205	-	3,667	-	-	-	-
MAHLE Engine Components USA, Inc.	-	-	-	664	60	-	-	-	-	-	-	-	-	-
MAHLE Filtersysteme GmbH	-	-	-	293	60	-	1	-	-	-	557	-	-	-
MAHLE Filter Systems Japan Corporation	-	-	-	141	60	-	-	-	-	608	141	-	-	-
MAHLE Shared Services Mexico S. de R.L. de C.V.	-	-	-	85	60	-	-	-	-	-	85	-	-	-
MAHLE Componente de Motor SRL	-	-	-	53	60	-	-	-	-	316	-	-	-	-
MAHLE Holding Austria GmbH	-	-	147,745	46	60	-	-	-	-	-	-	-	-	-
MAHLE France SARL	-	-	-	19	60	-	-	-	-	100	26	-	-	-
MAHLE Industrial Thermal Systems GmbH & Co. KG	-	-	-	14	60	-	-	-	-	-	14	-	-	-
MAHLE Engineering Services India Private Limited	-	-	-	14	60	-	-	-	-	-	12	-	-	-
MAHLE Composants Moteur France SAS	-	-	-	9	60	-	(9)	-	-	11	-	-	-	-
MAHLE Holding (India) Private Limited	-	-	-	1	60	-	-	(7)	-	-	2	-	-	-
MAHLE Fil. Sys. UK Ltd.	-	-	-	-	-	-	-	-	-	275	-	-	-	-
MAHLE Filter Systems Philippines Corporation	-	-	-	-	-	-	-	-	-	120	-	-	-	-
MAHLE Industriebeteiligungen GmbH	-	-	-	-	-	12,432	-	-	-	-	-	-	-	-
MAHLE Behr Service Asia Co., Ltd.	-	-	-	-	-	-	-	-	-	3,107	-	-	-	-
MAHLE Engine Components (Nanjing) Co., Ltd.	-	-	-	-	-	-	2,562	-	-	-	-	-	-	-
MAHLE IndustriemotorenKomponenten GmbH	-	-	-	-	-	-	1,012	-	-	-	-	-	-	-
MAHLE RUS O.O.O.	-	-	-	-	-	-	233	-	-	-	-	-	-	-
MAHLE Filtre Sistemleri A.S.	-	-	-	-	-	-	2	267	-	-	-	-	-	-
Outros	(34)	-	-	-	-	-	82	73	-	13	-	-	-	-
Total related companies	97,340			147,745	73,958		87,025	605,177	34,453	616	150,472	79,897	385	15,105
Total related parties	97,340			147,745	73,958		87,025	605,177	34,453	616	150,472	79,897	385	15,105

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

MAHLE Metal Leve S.A.

Explanatory notes to the financial statements

(in thousand of reais)

	Consolidated														
	Balances at 12.31.2020						Transactions from 2020								
	Non-current assets		Current liabilities				Sales/revenue				Purchases				
	Current assets	Payment term in days		Suppliers	Payment term in days	Dividends and interest on capital payable	Property, plant and equipment	Rent	Transport Food Energy	Products	Services	Commissions	Trade mark license/ Royalties	Rent	
	Receivables (Note 11)	(*)	Loan	(Note 19)	(*)		Products	Services							
Related companies															
MAHLE Aftermarket GmbH	20,190	60	-	3,130	60	-	90,676	1,471	-	-	12,184	5,283	93	-	-
MAHLE Componenti Motori Italia S.p.A.	18,210	60	-	7,604	60	-	98,456	56	-	-	55	5,394	-	-	-
MAHLE Componentes de Motor de Mexico, S. de R.L. de C.V.	17,241	60	-	1,222	60	-	103,845	23	-	-	9,653	5	-	-	-
MAHLE Componentes de Motores S.A.	6,203	60	-	3	60	-	35,614	53	-	-	61	3	-	-	-
MAHLE Engine Components USA, Inc.	5,439	60	-	4,877	60	-	26,499	-	-	-	1,848	2,528	-	-	-
MAHLE France SAS	5,376	60	-	122	60	-	34,081	-	-	-	70	-	-	-	-
MAHLE Aftermarket S. de R.L. de C.V.	4,256	60	-	-	-	-	18,911	-	-	-	-	-	-	-	-
MAHLE Vöcklabruck GmbH	2,836	60	-	-	-	-	7,335	-	-	-	-	24	-	-	-
MAHLE Behr Gerenciamento Térmico Brasil Ltda.	2,463	60	-	3,316	60	-	1,222	12,597	-	975	20,364	695	-	-	-
MAHLE S.A.U.	2,252	60	-	34	60	-	11,811	-	-	-	151	-	-	-	-
MAHLE Kleinmotoren-Komponenten GmbH & Co. KG	1,622	60	-	80	60	-	5,849	-	-	-	-	106	-	-	-
MAHLE Compressores do Brasil Ltda.	1,432	60	-	5,033	60	-	1,412	5,963	-	-	20,775	165	-	-	-
MAHLE International GmbH	1,225	60	-	19,735	60	-	-	1,993	-	-	-	35,494	-	-	-
MAHLE GmbH	1,126	60	-	20,713	60	-	14,610	264	-	-	1,999	19,425	-	9,752	-
MAHLE Industriemotoren-Komponenten GmbH	903	60	-	71	60	-	6,659	-	-	-	-	48	-	-	-
MAHLE Engine Components (Yingkou) Co., Ltd.	849	60	-	-	-	-	3,467	11	-	-	-	-	-	-	-
MAHLE Polska Sp. z o.o.	738	60	-	-	-	-	1,769	-	-	-	-	-	-	-	-
MAHLE Aftermarket Inc.	675	60	-	41	60	-	3,197	457	-	-	-	-	143	-	-
MAHLE Engine Components Slovakia s.r.o.	550	60	-	96	60	-	2,100	-	-	-	-	96	-	-	-
MAHLE Engine Components (Thailand) Co., Ltd.	533	60	-	165	60	-	4,896	-	-	-	-	-	-	-	-
MAHLE Engine Components India Priv. Ltd.	466	60	-	2	60	-	2,025	-	-	-	-	2	-	-	-
MAHLE Motor Parcalari San. Izmir A.S.	403	60	-	442	60	-	6,289	-	-	-	666	-	-	-	-
MAHLE Holding (China) Co., Ltd.	285	60	-	219	60	-	5	103	-	-	-	98	-	-	-
MAHLE Engine Components (Nanjing) Co., Ltd.	260	60	-	-	-	-	1,481	-	-	-	19	-	-	-	-
MAHLE Engine Systems UK Ltd.	197	60	-	2,434	60	-	135	-	287	-	3,076	652	-	-	-
MAHLE Industries, Inc.	180	60	-	1,175	60	-	-	476	-	-	-	2,260	-	-	-
MAHLE Indústria e Comércio Ltda.	139	60	-	1,325	60	36,017	99	1,205	-	-	1,641	-	-	-	7,335
MAHLE Trading Japan Co., Ltd.	108	60	-	-	-	-	-	110	-	-	298	-	-	-	-
MAHLE Engine Components (Chongqing) Co., Ltd.	104	60	-	-	-	-	1,059	-	-	-	-	-	-	-	-
MAHLE Japan Ltd.	14	60	-	-	-	-	-	55	-	-	-	-	-	-	-
MAHLE India Pistons Ltd.	13	60	-	-	-	-	33	-	-	-	-	-	-	-	-
MAHLE Shared Services Mexico S. de R.L. de C.V.	11	60	-	372	60	-	-	-	-	-	-	368	-	-	-
Shanghai MAHLE Thermal Systems Co. Ltd.	4	60	-	-	-	-	-	-	-	-	-	-	-	-	-
MAHLE Filtersysteme GmbH	2	60	-	537	60	-	-	3	-	-	-	1,646	-	-	-
MAHLE Motorsports Inc	1	60	-	-	-	-	8	-	-	-	-	-	-	-	-
MAHLE Electric Drives Slovenija d.o.o.	1	60	-	468	60	-	-	61	-	-	2,374	-	-	-	-
MAHLE Engineering Services India Private Limited	1	60	-	-	-	-	-	1	-	-	-	-	-	-	-
MAHLE Composants Moteur France SAS	(52)	60	-	-	-	-	23	-	-	-	-	-	-	-	-
MAHLE Aftermarket Pte. Ltd.	-	-	-	2,172	60	-	140	-	-	-	5,157	-	-	-	-
Innoform Tecnologia Ltda.	-	-	-	1,600	60	-	-	-	-	-	-	-	-	-	-
MAHLE Donghyun Filter Systems Co., Ltd.	-	-	-	1,039	60	-	-	-	-	-	806	785	-	-	-
MAHLE Filtersysteme Austria GmbH	-	-	-	440	60	-	-	-	-	-	2,014	386	-	-	-
MAHLE Filter Systems Japan Corporation	-	-	-	413	60	-	-	-	-	-	497	397	-	-	-
MAHLE Engine Components USA, Inc.	-	-	-	408	60	-	-	-	-	-	-	6	-	-	-
MAHLE Electric Drives (Taicang) Co., Ltd.	-	-	-	320	60	-	-	79	-	-	1,816	-	-	-	-
MAHLE Fil. Sys. UK Ltd.	-	-	-	283	60	-	-	-	-	-	470	-	-	-	-
MAHLE Aftermarket Italy S.p.A.	-	-	-	269	60	-	-	-	-	-	1,439	24	-	-	-
MAHLE Componente de Motor SRL	-	-	-	127	60	-	-	-	-	-	395	-	-	-	-
MAHLE Trading (Shanghai) Co., Ltd.	-	-	-	115	60	-	-	-	-	-	408	-	1	-	-
MAHLE Engine Components Japan Corporation	-	-	-	99	60	-	82	228	-	-	-	-	-	-	-
MAHLE Filter Systems USA	-	-	-	44	60	-	4	151	-	-	2	44	-	-	-
MAHLE Holding Austria GmbH	-	-	77,671	31	60	-	-	-	-	-	-	-	-	-	-
MAHLE Filter Systems Philippines Corporation	-	-	-	13	60	-	-	-	-	-	55	-	-	-	-
MAHLE Industriebeteiligungen GmbH	-	-	-	-	-	6,003	-	-	-	-	-	-	-	-	-
MAHLE Behr Service Asia Co., Ltd.	-	-	-	-	-	-	-	-	-	-	2,602	-	-	-	-
Outros	(1)	60	-	12	60	-	61	36	-	-	67	-	8	-	-
Total related companies	96,255		77,671	80,601		42,020	483,853	25,396	287	975	90,962	75,934	245	9,752	7,335
Total related parties	96,255		77,671	80,601		42,020	483,853	25,396	287	975	90,962	75,934	245	9,752	7,335

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

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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 December 31, 2021, the subsidiary MAHLE Filtroil Indústria e Comércio de Filtros Ltda. has a balance with the Company of R\$ 7,519 (R\$ 6,781 on December 31, 2020) (loan agreement in the amount of R\$ 18,971 (R\$ 17,420 on December 31, 2020), with interest rate at 115% of the CDI and provision for losses on investees in the amount of (-) R\$ 11,452) ((-) R\$ 10,639 on December 31, 2020). The Company expects to recover this loan via cash flows from the financial asset.

On December 31, 2021, the subsidiary MAHLE Argentina S.A. has a loan agreement with the Company in the amount of USD 4,499,369 equivalent to R\$ 25,109 (R\$ 22,248 on 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 December 31, 2021, the subsidiary has R\$ 147,745 (R\$ 77,617 at December 31, 2020) receivable from these transactions.

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 December 31, 2021, the royalty expenses were recorded within "selling expenses - brand license", in the parent company in the amount of R\$ 14,000 (R\$ 8,925 at December 31, 2020) and in the consolidated accounts in the amount of R\$ 15,105 (R\$ 9,752 at December 31, 2020).

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.

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(in thousand of reais)

Dividends and interest on capital receivable

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

	Parent company			
	12.31.2020	Provision	Receipt	Exchange variation
Dividends	-	31,461	(31,461)	-
Interest on capital	66,134	132,638	(67,252)	575
	66,134	164,099	(98,713)	575

	Parent company			
	01.01.2020	Provision	Receipt	Exchange variation
Dividends	-	28,629	(28,629)	-
Interest on capital	50,521	62,590	(64,793)	17,816
	50,521	91,219	(93,422)	17,816

Dividends and interest on capital payable

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

	Parent company and consolidated				
	Balance 12.31.2020	Addition	Payment	Prescribed dividends and interest on capital	Balance 12.31.2021
MAHLE Indústria e Comércio Ltda.	36,017	110,034	(71,458)	-	74,593
MAHLE Industriebeteiligungen GmbH.	6,003	18,339	(11,910)	-	12,432
Non-controlling	18,734	55,018	(34,542)	(211)	38,999
Total	60,754	183,391	(117,910)	(211)	126,024

	Parent company and consolidated				
	Balance 01.01.2020	Addition	Payment	Prescribed dividends and interest on capital	Balance 12.31.2020
MAHLE Indústria e Comércio Ltda.	6,081	42,373	(12,437)	-	36,017
MAHLE Industriebeteiligungen GmbH.	1,013	7,062	(2,072)	-	6,003
Non-controlling	4,045	21,187	(6,438)	(60)	18,734
Total	11,139	70,622	(20,947)	(60)	60,754

MAHLE Metal Leve S.A.

Explanatory notes to the financial statements

(in thousand of reais)

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
Statutory officers	7,208	4,642
Non-statutory officers	3,538	1,091
	10,746	5,733

The officers receive no share-based compensation.

MAHLE Metal Leve S.A.

Explanatory notes to the financial statements

(in thousand of reais)

15. 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 income is as follows:

	Parent company		Consolidated	
	2021	2020	2021	2020
Profit before income tax and social contribution	681,666	82,270	713,695	107,620
(-) Interest on capital	(69,923)	(70,621)	(69,923)	(70,621)
Profit before income tax and social contribution after interest on capital	611,743	11,649	643,772	36,999
Income tax and social contribution at the statutory rate in Brazil (34%)	(207,993)	(3,961)	(218,882)	(12,580)
Effects of permanent differences:				
Equity in the results of investees	76,803	31,249	1,113	(47)
Overstated (understated) provision in prior year	1,591	2,030	1,591	2,030
Gain (loss) for the year for which no deferred tax asset was recognized	3,452	-	3,199	(1,690)
Inflationary effect generated by subsidiary	25,677	16,347	16,269	4,571
Non deductible expenses	(3,483)	(3,984)	(5,853)	(4,956)
Others, net	(10,855)	576	55,488	27,270
Total income tax and social contribution	(114,808)	42,257	(147,075)	14,598
Current income tax and social contribution	(71,785)	(10,286)	(89,597)	(38,257)
Deferred income tax and social contribution	(43,023)	52,543	(57,478)	52,855
	(114,808)	42,257	(147,075)	14,598
Effective rate	18.8% -		22.8% -	

MAHLE Metal Leve S.A.

Explanatory notes to the 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 2021	Balance in 2020	Balance in 2021	Balance in 2020
Property, plant and equipment	-	-	(27,867)	(29,351)
Intangible assets	-	-	(97,025)	(97,025)
Tax credit (*)	-	-	(36,161)	-
Derivatives	3,367	7,445	-	-
Inventory	15,231	26,868	-	-
Labor risk provision	64,898	71,712	-	-
Provisions	92,016	81,924	-	-
Tax (assets) liabilities	175,512	187,949	(161,053)	(126,376)
Amount eligible for offsetting	(161,053)	(126,376)	161,053	126,376
Net tax (assets) liabilities	14,459	61,573	-	-

	Consolidated			
	Assets		Liabilities	
	Balance in 2021	Balance in 2020	Balance in 2021	Balance in 2020
Property, plant and equipment	-	-	(38,301)	(33,985)
Intangible assets	-	-	(97,025)	(97,025)
Tax credit (*)	-	-	(36,161)	-
Derivatives	3,367	7,445	-	-
Inventory	14,347	26,844	-	-
Provision labor risks	64,898	71,712	-	-
Provisions	88,409	85,825	-	-
Tax (assets) liabilities	171,021	191,826	(171,487)	(131,010)
Amount eligible for offsetting	(156,562)	(129,728)	156,562	129,728
Net tax (assets) liabilities	14,459	62,098	(14,925)	(1,282)

(*) Tax credit arising from exclusion of ICMS from the basis of calculation of PIS and COFINS. Further details are given in note 13.

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

MAHLE Metal Leve S.A.

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(in thousand of reais)

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

ii. Changes in temporary differences and tax loss carry-forwards:

Parent company							
	Balance in 01.01.2020	Recognized in profit or loss	Recognized in other comprehensive income	Balance in 12.31.2020	Recognized in profit or loss	Recognized in other comprehensive income	Balance in 12.31.2021
Property, plant and equipment	(31,454)	2,103	-	(29,351)	1,485	-	(27,866)
Intangible assets	(104,213)	7,188	-	(97,025)	-	-	(97,025)
Tax credit	-	-	-	-	(36,161)	-	(36,161)
Derivatives	(1,705)	1,497	7,653	7,445	13	(4,091)	3,367
Inventory	11,365	15,503	-	26,868	(11,637)	-	15,231
Labor risk provision	67,398	4,314	-	71,712	(6,814)	-	64,898
Provisions	59,986	21,938	-	81,924	10,091	-	92,015
	1,377	52,543	7,653	61,573	(43,023)	(4,091)	14,459

Consolidated							
	Balance in 01.01.2020	Recognized in profit or loss	Recognized in other comprehensive income	Balance in 12.31.2020	Recognized in profit or loss	Recognized in other comprehensive income	Balance in 12.31.2021
Property, plant and equipment	(34,073)	88	-	(33,985)	(4,316)	-	(38,301)
Intangible assets	(104,213)	7,188	-	(97,025)	-	-	(97,025)
Tax credit	-	-	-	-	(36,161)	-	(36,161)
Derivatives	(1,705)	1,497	7,653	7,445	13	(4,091)	3,367
Inventory	7,951	18,893	-	26,844	(12,497)	-	14,347
Labor risk provision	67,398	4,314	-	71,712	(6,814)	-	64,898
Provisions	63,376	20,875	1,574	85,825	2,297	287	88,409
	(1,266)	52,855	9,227	60,816	(57,478)	(3,804)	(466)

MAHLE Metal Leve S.A.

Explanatory notes to the financial statements

(in thousand of reais)

c. Unrecognized deferred tax assets

On December 31, 2021, tax credits of R\$ 25,075 (R\$ 24,905 in 2020) arising from tax losses and temporary differences generated by certain subsidiaries headquartered in Brazil were not recognized in the consolidated financial statements. The non-recognition of such credits is basically due to the lack of taxable income for the coming years, as indicated in profit projections prepared by the management of these companies. Under Brazilian tax legislation, tax losses are not subject to a statute of limitations.

	Consolidated	
	2021	2020
Temporary differences	813	1,709
Tax losses	24,262	23,196
	25,075	24,905

16. Investments in subsidiaries

	2021				
	Investments accounted for using the equity method	Goodwill	Impairment	Elimination of profit on inventory (Balance at 12/31/2021)	Total
MAHLE Argentina S.A.	248,438	68,071	(68,071)	(3,626)	244,812
MAHLE Metal Leve GmbH	101,177	-	-	(4,018)	97,159
MAHLE Hirschvogel Forjas S.A.	3,776	35,755	(35,755)	-	3,776
Total	353,391	103,826	(103,826)	(7,644)	345,747

	2020				
	Investments accounted for using the equity method	Goodwill	Impairment	Elimination of profit on inventory (Balance at 12/31/2020)	Total
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.

Explanatory notes to the financial statements

(in thousand of reais,

											Interest in equity		
	Interest (%)	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Equity	Net revenue	Profit (loss) for the period	Investments	Equity in the results of subsidiaries	Elimination of profit on inventory/ other assets (equity)
December 31, 2021													
Subsidiaries													
MAHLE Argentina S.A.	99.20	325,499	90,027	415,526	119,134	45,949	165,083	250,443	667,700	22,574	248,438	22,393	(924)
MAHLE Metal Leve GmbH	100.00	149,728	149,749	299,477	197,936	362	198,298	101,179	684,404	202,242	101,177	202,242	(594)
MAHLE Filtröil Ind. e Com. de Filtrros Ltda.	60.00	973	194	1,167	723	8,078	8,801	(7,634)	1,868	(1,355)	-	(813)	-
MAHLE Hirschvogel Forjas S.A.	51.00	5,946	4,186	10,132	765	1,962	2,727	7,405	-	615	3,776	314	-
Subtotal subsidiaries		482,146	244,156	726,302	318,558	56,351	374,909	351,393	1,353,972	224,076	353,392	224,136	(1,518)
Related companies													
Innoform Tecnologia Ltda.	33.33	-	-	-	-	-	-	-	-	-	-	(220)	3,493
Subtotal related companies		-	-	-	-	-	-	-	-	-	-	(220)	3,493
Total		482,146	244,156	726,302	318,558	56,351	374,909	351,393	1,353,972	224,076	353,392	223,916	1,975
											Interest in equity		
	Interest (%)	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Equity	Net revenue	Profit (loss) for the period	Investments	Equity in the results of subsidiaries	Elimination of profit on inventory/ other assets (equity)
December 31, 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 Filtröil Ind. e Com. de Filtrros 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													
Innoform 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)

MAHLE Metal Leve S.A.

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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 18, the Company has an impairment loss of R\$ 68,071 on the goodwill arising from the acquisition of the subsidiary.

MAHLE Filtroil Indústria e Comércio de Filtros Ltda.

The subsidiary has experienced recurring operating losses, negative working capital and increasing debt. Since June 2009 several lawsuits have been filed by the subsidiary's shareholders concerning the commercial, financial and administrative management, and one lawsuit for dissolution of the subsidiary due a disagreement between shareholders of the subsidiary which arose when the controlling shareholder proposed a capital increase to resolve the deficit of the company and the non-controlling shareholder did not agree with the capital increase.

Although the dissolution lawsuit filed by the controlling shareholder has been judged by the lower and higher courts in favor of the controlling shareholder, management has concluded that the subsidiary needs to continue in existence until the lawsuit is settled, based on the legal advice about the appeal filed by the non-controlling shareholder. The subsidiary receives from its controlling shareholder the financial support, in the form of capital or loans, necessary to sustain its operations.

MAHLE Hirschvogel Forjas S.A.

As of December 31, 2021, the equity interest in subsidiary MAHLE Hirschvogel Forjas S.A. is R\$ 3,776 (R\$ 1,168 on December 31, 2020) and are recorded in non-current liabilities as "Investments in subsidiaries".

At the Extraordinary General Meeting held on June 14, 2021, the shareholders approved an increase in the share capital of subsidiary MAHLE Hirschvogel S.A. of R\$ 4,500, without issue of new shares, with R\$ 2,295 being contributed by MAHLE Metal Leve S.A. and R\$ 2,205 by the non-controlling shareholder. The capital contribution was intended to proceed with the process of liquidation of the subsidiary. Due to 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 GmbH

On May 28, 2021, the subsidiary MAHLE Metal Leve GmbH paid dividends to the Company in the amount of R\$ 98,377 for fiscal year 2020 (R\$ 93,422 relating to fiscal year 2019, paid on May 28, 2020).

MAHLE Metal Leve S.A.

Explanatory notes to the financial statements

(in thousand of reais)

17. Property, plant and equipment

	Parent company												
	Property, plant and equipment								Rights-of-use assets				
	Land	Buildings and construction	Machinery, equipment and facilities	Furniture and fittings	Vehicles	Construction in progress	Advances to suppliers	Impairment	Sub-total	Rights-of-use assets (IFRS 16) - buildings	assets (IFRS 16) - vehicles	Sub-total	Total
At January 1st, 2020	52,454	90,253	433,599	3,875	3,778	2,467	2,549	(3,546)	585,429	17,377	2,703	20,080	605,509
Total cost	52,454	231,205	2,069,706	24,726	23,270	2,467	2,549	(3,546)	2,402,831	23,511	3,414	26,925	2,429,756
Accumulated depreciation	-	(140,952)	(1,636,107)	(20,851)	(19,492)	-	-	-	(1,817,402)	(6,134)	(711)	(6,845)	(1,824,247)
Net book value	52,454	90,253	433,599	3,875	3,778	2,467	2,549	(3,546)	585,429	17,377	2,703	20,080	605,509
Additions	-	122	47,936	495	1,980	3,262	6,302	-	60,097	-	-	-	60,097
Write-offs	-	-	(1,611)	(25)	(423)	-	-	(1,419)	(3,478)	(1,011)	(68)	(1,079)	(4,557)
Transfer	-	-	7,493	(38)	-	(4,392)	(3,063)	-	-	-	-	-	-
Depreciation	-	(4,889)	(76,466)	(723)	(1,178)	-	-	-	(83,256)	(5,605)	(1,659)	(7,264)	(90,520)
Depreciation/write-off (deemed cost)	-	(2,568)	(625)	-	-	-	-	-	(3,193)	-	-	-	(3,193)
At December 31, 2020	52,454	82,918	410,326	3,584	4,157	1,337	5,788	(4,965)	555,599	10,761	976	11,737	567,336
Total cost	52,454	231,326	2,081,746	24,927	23,537	1,337	5,788	(4,965)	2,416,150	23,508	3,415	26,923	2,443,073
Accumulated depreciation	-	(148,408)	(1,671,420)	(21,343)	(19,380)	-	-	-	(1,860,551)	(12,747)	(2,439)	(15,186)	(1,875,737)
Net book value	52,454	82,918	410,326	3,584	4,157	1,337	5,788	(4,965)	555,599	10,761	976	11,737	567,336
Additions	-	1,526	51,670	343	395	4,976	14,469	(3,251)	70,128	2,210	2,817	5,027	75,155
Write-offs	-	-	(4,555)	(12)	(544)	-	-	923	(4,188)	-	-	-	(4,188)
Transfer	-	-	15,787	(11)	(28)	(5,399)	(10,349)	-	-	-	-	-	-
Depreciation	-	(4,784)	(76,854)	(718)	(1,205)	-	-	-	(83,561)	(7,600)	(1,699)	(9,299)	(92,860)
Depreciation/write-off (deemed cost)	-	(2,568)	(124)	-	-	-	-	-	(2,692)	-	-	-	(2,692)
At December 31, 2020	52,454	77,092	396,250	3,186	2,775	914	9,908	(7,293)	535,286	5,371	2,094	7,465	542,751
Total cost	52,454	232,851	2,134,362	25,188	21,852	914	9,908	(7,293)	2,470,236	25,720	6,232	31,952	2,502,188
Accumulated depreciation	-	(155,759)	(1,738,112)	(22,002)	(19,077)	-	-	-	(1,934,950)	(20,349)	(4,138)	(24,487)	(1,959,437)
Net book value	52,454	77,092	396,250	3,186	2,775	914	9,908	(7,293)	535,286	5,371	2,094	7,465	542,751

MAHLE Metal Leve S.A.

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(in thousand of reais)

	Consolidated												
	Property, plant and equipment								Rights-of use assets				
	Land	Buildings and construction	Machinery, equipment and facilities	Furniture and fittings	Vehicles	Construction in progress	Advances to suppliers	Impairment	Sub-total	Rights-of-use assets (IFRS 16) - buildings	Rights-of-use assets (IFRS 16) - vehicles	Sub-total	Total
At January 1st, 2020	52,524	98,706	477,596	4,034	4,875	2,467	4,599	(3,689)	641,112	20,252	2,704	22,956	664,068
Total cost	52,524	242,639	2,214,344	25,059	29,116	2,467	4,599	(3,689)	2,567,059	26,376	3,415	29,791	2,596,850
Accumulated depreciation	-	(143,933)	(1,736,748)	(21,025)	(24,241)	-	-	-	(1,925,947)	(6,124)	(711)	(6,835)	(1,932,782)
Net book value	52,524	98,706	477,596	4,034	4,875	2,467	4,599	(3,689)	641,112	20,252	2,704	22,956	664,068
Additions	-	343	48,134	495	1,980	3,262	14,098	(12)	68,300	-	-	-	68,300
Write-offs	-	-	(1,675)	(25)	(431)	-	-	(1,419)	(3,550)	(1,011)	(68)	(1,079)	(4,629)
Transfer	-	70	13,479	(29)	1	(4,392)	(9,129)	-	-	-	-	-	-
Depreciation	-	(4,936)	(79,459)	(747)	(1,259)	-	-	-	(86,401)	(6,665)	(1,659)	(8,324)	(94,725)
Depreciation/write-off (deemed cost)	-	(2,568)	(625)	-	-	-	-	-	(3,193)	-	-	-	(3,193)
Gain on monetary items, net	-	2,896	8,495	-	353	-	163	-	11,907	232	-	232	12,139
Translation effects	(6)	(1,084)	(4,901)	(10)	(120)	-	(163)	12	(6,272)	(75)	-	(75)	(6,347)
At December 31, 2020	52,518	93,427	461,044	3,718	5,399	1,337	9,568	(5,108)	621,903	12,733	977	13,710	635,613
Total cost	52,518	245,759	2,265,420	25,240	31,038	1,337	9,568	(5,108)	2,625,772	26,241	3,415	29,656	2,655,428
Accumulated depreciation	-	(152,332)	(1,804,376)	(21,522)	(25,639)	-	-	-	(2,003,869)	(13,508)	(2,438)	(15,946)	(2,019,815)
Net book value	52,518	93,427	461,044	3,718	5,399	1,337	9,568	(5,108)	621,903	12,733	977	13,710	635,613
Additions	-	1,526	54,905	360	748	4,976	20,463	(3,251)	79,727	2,210	2,817	5,027	84,754
Write-offs	-	-	(4,594)	(12)	(555)	-	-	961	(4,200)	-	-	-	(4,200)
Transfer	-	127	29,744	8	(28)	(5,399)	(24,452)	-	-	-	-	-	-
Depreciation	-	(4,823)	(81,328)	(739)	(1,267)	-	-	-	(88,157)	(8,405)	(1,699)	(10,104)	(98,261)
Depreciation/write-off (deemed cost)	-	(2,568)	(124)	-	-	-	-	-	(2,692)	-	-	-	(2,692)
Gain on monetary items, net	-	4,353	14,836	-	531	-	(221)	-	19,499	(392)	-	(392)	19,107
Translation effects	(6)	(1,384)	(6,421)	(17)	(162)	-	(258)	17	(8,231)	(259)	-	(259)	(8,490)
At December 31, 2021	52,512	90,658	468,062	3,318	4,666	914	5,100	(7,381)	617,849	5,887	2,095	7,982	625,831
Total cost	52,512	251,884	2,391,721	25,499	32,657	914	5,100	(7,381)	2,752,906	28,036	6,232	34,268	2,787,174
Accumulated depreciation	-	(161,226)	(1,923,659)	(22,181)	(27,991)	-	-	-	(2,135,057)	(22,149)	(4,137)	(26,286)	(2,161,343)
Net book value	52,512	90,658	468,062	3,318	4,666	914	5,100	(7,381)	617,849	5,887	2,095	7,982	625,831

MAHLE Metal Leve S.A.

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(in thousand of reais)

Deemed cost

Changes in deemed cost

	Parent Company and consolidated			
	01.01.2020	Depreciation / write-off (deemed cost)	12.31.2020	Depreciation / write-off (deemed cost)
Land	46,905	-	46,905	-
Buildings and construction	37,937	(2,568)	35,369	(2,568)
Machinery, equipment and facilities	1,730	(625)	1,105	(124)
Furniture and fittings	17	-	17	-
Vehicles	(147)	-	(147)	-
	86,442	(3,193)	83,249	(2,692)
				80,557

Depreciation method

The Group uses the straight-line depreciation method, which takes into account:

i. Depreciation of acquisition and construction costs

	weighted useful life (in years)
Buildings and construction	25 years
Machinery, equipment and facilities	10 years
Furniture and fittings	10 years
Vehicles	5 years

ii. Depreciation of deemed cost

	Weighted useful life (in years)
Buildings and construction	26 years
Machinery, equipment and facilities	7 years
Furniture and fittings	5 years
Vehicles	9 years

The depreciation rate used for the costs of acquisition and construction of assets is defined according to the useful life valuation report based on NBC TG 27 (CPC 27) – Property, Plant and Equipment / IAS 16 - Property, Plant and Equipment, while the depreciation rate for the deemed cost was determined according to Technical Interpretation ICPC 10 – Interpretation on first-time adoption for property, plant and equipment and investment property of Technical Pronouncements CPC 27, 28, 37 and 43, which deals with revaluation of property, plant and equipment, with the weighted depreciation rates being maintained in the year of valuation.

MAHLE Metal Leve S.A.

Explanatory notes to the financial statements

(in thousand of reais)

Provision for impairment

The Group has recorded provision at an amount sufficient to cover any impairment losses on property, plant and equipment, which relates substantially to the group of machinery and equipment and is recorded in the parent company and consolidated accounts of property, plant and equipment in accordance with the requirements set out in NBC TG 01 (CPC 01) - (R1)/IAS 36 “Impairment of assets”. The parent company and consolidated balance of the provision for losses at December 31, 2021 is R\$ 7,293 (R\$ 4,965 at December 31, 2020) and R\$ 7,381 (R\$ 5,108 at December 31, 2020), respectively.

18. Intangible assets

	Annual amortization rates (%)	Parent company		Consolidated	
		2021	2020	2021	2020
Goodwill on merger with subsidiary:					
MAHLE Participações Ltda. (a) (rings business)	-	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	52,064	51,294	55,367	53,806
Other (a and b)	-	334	334	1,024	1,118
Usage right and concessions (a)	-	5,665	5,665	5,665	5,665
Usage right and concessions (b)	20	9,325	9,325	9,325	9,325
Provision for impairment of intangible assets (Rings business)	-	(188,654)	(188,654)	(188,654)	(188,654)
Provision for impairment of intangible assets (MAHLE Argentina S.A.)	-	-	-	(68,071)	(68,071)
Provision for impairment of intangible assets (MAHLE Hirschvogel Forjas S.A.)	-	-	-	(35,755)	(35,755)
Provision for impairment of intangible assets (other)	-	(334)	(334)	(343)	(343)
		447,012	446,242	450,996	449,529
Accumulated amortization		(55,791)	(54,351)	(59,693)	(57,538)
		391,221	391,891	391,303	391,991
(a) Indefinite useful life					
(b) finite useful life					

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Explanatory notes to the financial statements

(in thousand of reais)

Statement of changes in intangible assets

	Parent company				
	Goodwill on acquisition of subsidiaries (merged or not)	Cost of acquisition and installation of software	Usage right and concessions	Other	Total
At January 1st, 2020	379,958	4,395	57,705	-	442,058
Additions	-	321	-	-	321
Amortization	-	(1,661)	(3,668)	-	(5,329)
Other	-	(30)	(34,629)	-	(34,659)
Provision for impairment	-	-	(10,500)	-	(10,500)
At December 31, 2020	379,958	3,025	8,908	-	391,891
Additions	-	854	-	-	854
Amortization	-	(1,500)	(24)	-	(1,524)
At December 31, 2021	379,958	2,379	8,884	-	391,221
	Consolidated				
	Goodwill on acquisition of subsidiaries (merged or not)	Cost of acquisition and installation of software	Usage right and concessions	Other	Total
At January 1st, 2020	407,372	4,491	57,705	31	469,599
Additions	-	331	(2)	-	329
Amortization	-	(1,690)	(3,666)	(4)	(5,360)
Foreign exchange variation	2,249	(7)	-	1	2,243
Transfer	-	(30)	(34,629)	-	(34,659)
Discontinued operations	-	2	-	-	2
Provision for impairment	(29,663)	-	(10,500)	-	(40,163)
At December 31, 2020	379,958	3,097	8,908	28	391,991
Additions	-	870	-	-	870
Amortization	-	(1,524)	(24)	-	(1,548)
Foreign exchange variation	-	(6)	-	(3)	(9)
Transfer	-	(1)	-	-	(1)
At December 31, 2021	379,958	2,436	8,884	25	391,303

Impairment

Management is continually monitoring the operations and did not identify as at December 31, 2021 any significant changes in the operational performance of the Company's rings business CGU that would justify an adjustment to the amount of the provision for impairment of intangible assets previously recognized.

MAHLE Metal Leve S.A.

Explanatory notes to the financial statements

(in thousand of reais)

Key assumptions

The main rates used for the period from 2021 to 2026 to determine the subsidiaries' valuation through discounted cash flows were as follows:

	<u>December/2021</u>	<u>December/2020</u>	
	Nominal model MAHLE Metal Leve S.A (Rings)	Actual model MAHLE Argentina S.A.	Nominal model MAHLE Metal Leve S.A (Rings)
a. Risk free rate	0.25%	0.00%	0.00%
b. Country risk premium	3.58%	15.62%	4.41%
c. Market premium	7.00%	6.50%	6.50%
d. Unleveraged beta	0.90	1.00	0.90
e. Cost of equity (b + c) x d	9.52%	22.12%	9.82%
f. Discount rate	11.67%	19.96%	10.78%
h. Inflation rate	3.56%	0%	3.02%
i. Growth	2.13%	0%	0.00%

Discount rate

The discount rate applied to cash flow projections for CGU of MAHLE Metal Leve S.A. (rings business) was estimated based on management's experience of the assets of the CGUs and the weighted average cost of capital of the companies.

Growth rate in perpetuity

The assumed projected period is five years and considers as residual value perpetuity calculated based on the normalized cash flow of the last year of the projected period. For the CGU MAHLE Metal Leve S.A. (rings business), the projections were made in nominal terms and included, in addition to the growth rates of the sales volume, price restatements for inflation.

For cash-generating unit of MAHLE Metal Leve S.A. (rings business), the annual growth rate into perpetuity was 2.13% based on management's expectations.

Exchange rate

The exchange rates used in the 2021-2026 periods for CGU's of MAHLE Metal Leve S.A. – (rings business) were based on foreign exchange market forecasts (Central Bank survey "Focus", Bloomberg and inquiries made of financial institutions in Brazil).

MAHLE Metal Leve S.A.

Explanatory notes to the financial statements

(in thousand of reais)

Sensitivity analysis

The Company performed sensitivity analyses to determine the impacts from changes in its main variables that affect the value-in-use calculation. The main variables are: gross margin and discount rate.

With respect to the gross margin of the cash-generating unit MAHLE Metal Leve S.A. (rings business), a 16-p.p. decrease in margin in the projected years reduces the value in use by approximately 56,3%. An increase in discount rate rate (from 11,7% to 23,8% p.a.) reduces the value in use by approximately 55,9%.

The above sensitivity scenarios analyzed separately would result in a recoverable amount similar to the carrying amount as at December 31, 2021.

19. Suppliers

	Parent company		Consolidated	
	2021	2020	2021	2020
Suppliers - Third Party				
Raw material	112,626	141,360	166,348	178,316
Services	40,050	31,047	40,094	31,086
	152,676	172,407	206,442	209,402
Related parties (Note 10)	53,628	62,375	73,958	80,601
	206,304	234,782	280,400	290,003

The Group's exposure to currency and liquidity risks in connection with accounts payable to suppliers is disclosed in Note 36.

MAHLE Metal Leve S.A.

Explanatory notes to the financial statements

(in thousand of reais)

Commitments assumed

As at December 31, 2021 and 2020, the Company and its subsidiaries had letters of guarantee issued by banks to assure payment for supply of electric power and lawsuits. Some guarantees are valid for an indefinite period. For those with a definite period, the last maturity date is October 31, 2023, as shown in the table below:

	Parent company and consolidated	
	2021	2020
Legal process	5,555	5,156
Electric power	-	3,733
	5,555	8,889

20. Taxes and contributions payable

	Parent company		Consolidated	
	2021	2020	2021	2020
State taxes	17,720	13,410	18,670	13,725
ICMS payable	17,720	13,393	17,754	13,409
Other	-	17	916	316
Federal taxes	11,737	24,726	14,792	27,065
Import tax	6,792	8,683	7,536	9,004
COFINS payable	1	5,735	15	5,745
IRRF	4,940	4,242	4,950	4,254
IPI payable	-	4,853	92	5,328
PIS payable	-	1,213	3	1,216
Other	4	-	2,196	1,518
Municipal taxes	-	-	1,543	114
Taxes and contributions payable	29,457	38,136	35,005	40,904
Income tax and social contribution	-	-	10,921	23,932
Income tax and social contribution payable	-	-	10,921	23,932
Current liabilities	29,457	38,136	45,926	64,836

MAHLE Metal Leve S.A.

Explanatory notes to the financial statements

(in thousand of reais)

21. Borrowings and lease liabilities

a) Borrowings

		Parent company and consolidated		
Description	Average cost	2021	2020	
Borrowings in local currency (BRL)				
FINEP (Long-Term Interest Rate (TJLP) + 5.00% p.y. - 6.00% p.y.)	4.32%	61,526	89,894	
BNDES (TJLP+ 1,5% p.y.)	0.00%	-	15,167	
FINEP II (Long-Term Interest Rate (TJLP) + 5.00% p.y. - 5.00% p.y.)	5.32%	75,236	75,909	
4131 SANTANDER (CDI + 4,25% p.y.)	0.00%	-	157,635	
4131 ITAÚ (CDI + 4,30% p.y.)	0.00%	-	105,119	
	4.87%	136,762	443,724	
Borrowings in foreign currency				
	Currency			
ACC (average interest 7,57% p.y)	USD (expressed in BRL)	1.05%	12,699	-
ACC (average interest 1,07% p.y)	EUR (expressed in BRL)	0.97%	112,919	108,645
		1.83%	125,618	108,645
		3.01%	262,380	552,369
Current - borrowings in local currency		37,139	293,795	
Current - borrowings in foreign currency		125,617	108,644	
Total current		162,756	402,439	
Non-current - borrowings in local currency		99,624	149,930	
Total non-current		99,624	149,930	

In 2021, the Parent company took bank loans amounting to R\$ 123,362:

- EUR 17,800 - NCE with average cost of 0.97% p.a., in BRL 111,180 with maturity in June 2022;
- EUR 2,000 - ACC with average cost of 1.05% p.a., in BRL 12,182 with maturity in June 2022.

MAHLE Metal Leve S.A.

Explanatory notes to the financial statements

(in thousand of reais)

Reconciliation of changes in equity with proceeds from borrowings:

Changes in borrowings in 2021 were as follows:

Parent company and consolidated						
Cash Flow						
12.31.2020	Addition	Principal Amortization	Amortization Interest	Exchange Variation	Appropriation of interest	12.31.2021
552,369	123,362	(404,538)	(25,236)	2,460	13,963	262,380
Parent company						
Cash Flow						
01.01.2020	Addition	Principal Amortization	Amortization Interest	Exchange Variation	Appropriation of interest	12.31.2020
381,882	343,400	(267,824)	(8,796)	78,170	25,537	552,369
Consolidated						
Cash Flow						
01.01.2020	Addition	Principal Amortization	Amortization Interest	Exchange Variation	Appropriation of interest	12.31.2020
394,160	352,705	(289,708)	(13,034)	78,115	30,131	552,369

On December 31, 2021, long-term borrowings mature as follows:

Parent company and Consolidated	
2021	
From January 2023	36,520
2024	13,064
2025	8,340
2026	8,340
2027	8,340
2028	8,340
2029	8,340
2030	8,340
	99,624

MAHLE Metal Leve S.A.

Explanatory notes to the financial statements

(in thousand of reais)

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 february 15, 2024. This financing is based on the TJLP interest rate (5.32. % p.a. as of December 31, 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.

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 November 03, 2022. This financing is based on the TJLP interest rate (5.32 % p.a. as of December 31, 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 December 31, 2021, the Company did not have delinquent principal and interest payments and had not breached any provisions of the agreements 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	11.03%

MAHLE Metal Leve S.A.

Explanatory notes to the financial statements

(in thousand of reais)

The movement in lease liabilities is shown below:

	Parent company	Consolidated
Balance at January 1st, 2020	21,776	24,918
Addition	(1,206)	(1,206)
Lease payments	(9,384)	(10,563)
Interest	2,017	2,153
Exchange rate	-	299
Balance at December 31, 2020	13,203	15,601
Addition	5,027	5,027
Lease payments	(11,022)	(12,883)
Interest	2,069	2,128
Exchange rate variation	-	(55)
Balance at December 31, 2021	9,277	9,818

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

	Parent company	Consolidated
	12.31.2021	12.31.2021
30 days	855	1,034
From 31 to 90 days	1,709	2,071
From 91 to 365 days	6,263	6,263
2023	450	450
Total	9,277	9,818
Current	8,827	9,368
Non current	450	450
	9,277	9,818

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(in thousand of reais)

The movement in right-of-use assets is shown below:

<u>Building lease contract</u>	<u>Parent company</u>	<u>Consolidated</u>
Balance at January 1st, 2020	17,301	20,177
Depreciation	(5,604)	(6,664)
Write off	(1,011)	(1,011)
Gains on net monetary position	-	232
Exchange rate	-	(75)
Balance at December 31, 2020	10,686	12,659
Addition	2,210	2,210
Depreciation	(7,599)	(8,404)
Gains on net monetary position	-	(392)
Exchange rate	-	(259)
Balance at December 31, 2021	5,297	5,814
<u>Vehicle lease contract</u>		
Balance at January 1st, 2020	2,779	2,779
Write off	(69)	(69)
Depreciation	(1,659)	(1,659)
Balance at December 31, 2020	1,051	1,051
Addition	2,817	2,817
Depreciation	(1,700)	(1,700)
Balance at December 31, 2021	2,168	2,168
Total right-of-use assets	7,465	7,982

The table below shows the potential PIS/COFINS recoverable incorporated in the lease payment, according to expected payment periods:

	<u>Parent company and consolidated</u>	
	<u>Nominal</u>	<u>Present value adjusted</u>
Contraprestação do arrendamento	31,146	24,710
PIS/COFINS potencial (9,25%)	2,881	2,286

MAHLE Metal Leve S.A.

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(in thousand of reais)

Application of NBC TG 06 (CPC06) (R2) according to CIRCULAR/CVM/SNC/SEP N°02/2019

In compliance with Circular CVM/SNC/SEP/N°02/2019, the Company adopted for measuring and remeasuring its right-of-use assets and lease liabilities the discounted cash flow method considering forecast future inflation for cash flows to be discounted. Management assessed the use of real cash flows and concluded that the differences are immaterial to the information presented.

To ensure a fair presentation of the information in light of the requirements in NBC TG 06 (CPC 06) (R2)/IFRS 16 – Leases, and to follow the technical guidance of CVM, we present below the balances of assets and liabilities not adjusted for inflation (real cash flow x real rate) and the estimate of the balances adjusted for inflation in the comparative periods (nominal cash flow x nominal rate).

	Parent company		Consolidated	
	01.01.2021	12.31.2021	01.01.2021	12.31.2021
Lease liability				
Real flow	13,202	9,277	15,600	9,819
Flow adjusted for inflation	14,305	9,905	16,702	10,446
Right-of-use assets				
Real flow	11,737	7,465	13,710	7,982
Flow adjusted for inflation	12,240	7,677	14,213	8,194
Interest expenses				
Real flow	-	1,831	-	2,128
Flow adjusted for inflation	-	2,329	-	2,625
Depreciation charges				
Real flow	-	8,702	-	9,506
Flow adjusted for inflation	-	9,801	-	10,605

MAHLE Metal Leve S.A.

Explanatory notes to the financial statements

(in thousand of reais)

22. Salaries, vacation pay and social charges

	Parent company		Consolidated	
	2021	2020	2021	2020
Employee profit sharing	36,528	12,211	38,228	13,533
Accrued vacation pay	38,128	30,141	43,940	34,397
INSS /FGTS	14,464	12,307	14,485	12,330
Other social security obligations	400	1,428	4,879	4,130
	89,520	56,087	101,532	64,390

23. Sundry provision

	Parent company					
	Losses on contracts	Commercial bonuses	Electric power	Employee benefits	Other	Total
At January 1st, 2020	10,658	12,194	5,843	3,273	623	32,591
Reversal	(3,239)	(6,443)	(5,843)	-	-	(15,525)
Payment	-	(7,607)	-	(4,420)	(41)	(12,068)
Complement	1,008	14,561	8,103	2,368	3,257	29,297
At December 31, 2020	8,427	12,705	8,103	1,221	3,839	34,295
Reversal	-	(3,186)	(8,103)	-	(833)	(12,122)
Payment	-	(6,657)	-	(2,563)	(3,006)	(12,226)
Complement	947	19,090	13,587	1,665	-	35,289
At December 31, 2021	9,374	21,952	13,587	323	-	45,236

	Consolidated						
	Losses on contracts	Commercial bonuses	Restructuring	Electric power	Employee benefits	Other	Total
At Januay 1st, 2020	11,205	12,192	684	6,278	3,273	1,260	34,892
Reversal	(3,239)	(6,443)	-	(6,278)	-	-	(15,960)
Payment	-	(7,607)	-	-	(4,421)	(1,050)	(13,078)
Complement	1,440	14,561	-	8,525	2,370	4,825	31,721
Foreign exchange variation	(44)	-	-	-	-	(197)	(241)
At December 31, 2020	9,362	12,703	684	8,525	1,222	4,838	37,334
Reversal	-	(3,186)	-	(8,525)	-	(1,285)	(12,996)
Payment	-	(6,657)	-	-	(2,565)	(3,774)	(12,996)
Complement	1,937	19,093	-	14,543	1,669	1,904	39,146
Foreign exchange variation	(117)	-	-	-	-	(176)	(293)
At December 31, 2021	11,182	21,953	684	14,543	326	1,507	50,195

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Provision for losses on contracts

Provision for losses on contracts is recognized in an amount sufficient to cover losses on sales contracts already entered into and for estimates of losses, on which management expects to incur negative margins.

Provision for restructuring

In December 2021 and 2020, there is a restructuring provision for employee termination payments and taxes related to the termination of operations of the subsidiary MAHLE Hirschvogel Forjas S.A.

24. Provision for warranties

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

The Group recognizes provision for warranties calculated on the sale of products, based on historical percentages of expenditure and cases already identified on which the Company and its subsidiaries estimate they will incur expenditure in order to replace and repair products, including recalls:

	<u>Parent company</u>	<u>Consolidated</u>
At January 1st, 2020	8,599	10,698
Reversal	(852)	(861)
Payment	(3,921)	(4,371)
Complement	4,193	4,654
Foreign exchange variation	-	332
At December 31, 2020	8,019	10,452
Reversal	(602)	(2,758)
Payment	(3,022)	(3,407)
Complement	5,596	6,667
Foreign exchange variation	-	(119)
At December 31, 2021	9,991	10,835

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25. 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 January 1st, 2020	198,230	47,370	9,760	(30,468)	224,892
Additions	71,448	22,870	2,500	(2,834)	93,984
Monetary restatements	17,400	1,570	-	51	19,021
Write-off for use	(29,339)	-	(1,674)	5,430	(25,583)
Write-off for reversal	(46,820)	-	-	577	(46,243)
Transfer	-	-	-	316	316
At December 31, 2020	210,919	71,810	10,586	(26,928)	266,387
Additions	56,700	22,403	20,000	(1,394)	97,709
Monetary restatements	18,928	6,704	-	278	25,910
Write-off for use	(42,234)	-	(2,458)	2,512	(42,180)
Write-off for reversal	(53,437)	(38,433)	-	958	(90,912)
Transfer	-	-	-	933	933
At December 31, 2021	190,876	62,485	28,128	(23,641)	257,848

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	Consolidated				
	Civil and labor	Tax	Environmental liability	Judicial deposits	Total
At January 1st, 2020	211,023	47,370	9,760	(32,850)	235,303
Additions	75,730	22,871	2,500	(3,098)	98,003
Monetary restatements	18,893	1,570	-	11	20,474
Write-off for use	(35,776)	-	(1,674)	6,472	(30,978)
Write-off for reversal	(49,208)	-	-	627	(48,581)
Transfer	-	-	-	579	579
Foreign exchange variation	(210)	-	-	-	(210)
At December 31, 2020	220,452	71,811	10,586	(28,259)	274,590
Additions	57,688	26,625	20,000	(1,398)	102,915
Monetary restatements	19,874	6,704	-	290	26,868
Write-off for use	(45,816)	-	(2,458)	2,810	(45,464)
Write-off for reversal	(56,099)	(38,433)	-	1,019	(93,513)
Transfer	-	-	-	1,414	1,414
Foreign exchange variation	(191)	-	-	-	(191)
At December 31, 2021	195,908	66,707	28,128	(24,124)	266,619

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

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

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

The tax provision with respect to PIS, COFINS, FINSOCIAL, ICMS, IPI, IRPJ and CSSL, 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.

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Proceedings involving the risk of possible loss

On December 31, 2021, the Group had labor, civil and tax proceedings brought before the proper authorities in the amount of R\$ 71,385 (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.

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).

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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.

Administrative Council for Economic Defense (“CADE”)

On February 3, 2021, CADE held a hearing on administrative proceeding No. 08700.006065/2017-30, which was opened to investigate alleged anticompetitive practices in the Brazilian market of automotive piston and related products involving three companies and several individuals.

On October 20, 2021, CADE held a hearing on administrative proceeding No. 08700.003340/2017-63, which was opened to investigate alleged anticompetitive practices in the automotive filters Aftermarket involving six companies and several individuals.

CADE ended investigations and confirmed that the Company provided full cooperation with the investigation and received leniency with no administrative and/or monetary penalty.

The Company states that the practices alleged in the complaints ceased even before the start of CADE's investigation due to the Company's Compliance Program, which has been continuously improved.

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26. Equity

a. Share capital

On December 31, 2021, and 2020, subscribed and paid-up capital was represented by the following number of shares with no par value:

	Number of shares			
	12.31.2021		12.31.2020	
Mahle Indústria e Comércio Ltda.	76,985,132	60.0%	76,985,132	60.0%
Mahle Industriebeteiligungen GmbH	12,830,850	10.0%	12,830,850	10.0%
Non-controlling shareholders	38,492,518	30.0%	38,492,518	30.0%
	128,308,500	100%	128,308,500	100%

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 December 31, 2021, the market value of the Company's common shares corresponded the price of R\$ 30.8 per share (R\$ 20.43 on December 31, 2020).

b. Policies for distribution of dividends and interest on capital

Every fiscal year the shareholders have the right to receive mandatory minimum dividends of 25% of the profit, considering mainly the following adjustments:

- subtraction of the sums earmarked for the legal reserve and provision for contingencies.
- addition of the effects of the adoption of fair value with deemed cost.

Under the bylaws, the Company has the right to prepare half-yearly or interim balance sheets and, based on these balance sheets, the Board of Directors may approve the distribution of interim dividends.

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(in thousand of reais)

c. Appropriation of profit for the year

Profit for the year was appropriated as follows:

	2021	2020
Profit for the year	566,858	124,527
Legal reserve (5% of the profit for the year)	(28,343)	(6,227)
Realization/write-off of deemed cost of property, plant and equipment, net of taxes	511	842
Prescribed dividends and interest on capital	211	60
Basis for calculation of dividends	539,237	119,202
Minimum mandatory dividends - 25%	134,809	29,800
Distribution to shareholders:		
Proposed additional dividends	404,428	48,581
Remaining mandatory minimum dividends	64,886	-
Interest on capital payable, net of income tax	60,508	60,695
Income tax on interest on capital	9,415	9,926
Interest on capital and dividends on profit for the year	539,237	119,202
Percentage in relation to the calculation base	100%	100%
Interest on capital/dividends paid per common share in reais:		
Gross	R\$ 0.544959	R\$ 0.550402
Net	R\$ 0.463215	R\$ 0.467842
Proposed additional dividends per common share in reais	R\$ 3.151997	R\$ 0.378627
Remaining mandatory minimum dividends per common share in reais	R\$ 0.505703	-
Number of common shares	128,308,500	128,308,500

On April 29, 2021, the Shareholders' Meeting approved the payment of additional dividends for the fiscal year ended December 31, 2020, in the amount of R\$ 48,581, which was paid on May 28, 2021, corresponding to R\$ 0.378627 per common share, without withholding income tax, pursuant to Law 9,249/95, Article 10.b.

On December 27, 2021, the Board of Directors approved the payment of interest on capital in the gross amount of R\$ 69,923 for the period from January 1, 2021, to December 31, 2021, which will be paid on May 27, 2022, corresponding to R\$ 0.5449591998 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\$ 0.4632153198 per common share.

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d. Revenue reserves

Legal reserve

In accordance with the Corporation Law, the Company credits 5% of the profit for the year to the legal reserve, up to the limit of 20% of the paid-up capital or of 30% of the capital considering the sum of this reserve and the amount of capital reserves. Once these limits are reached, allocations to the legal reserve are not mandatory. The legal reserve can only be used to increase capital or offset losses.

Reserve for expansion and modernization

The reserve for expansion and modernization is intended for use in investments established in the capital budget in conformity with Article 196 of the Brazilian Corporation Law, to fund future investments to be implemented in the next three years according to the budget prepared by Management.

Special reserve

The undistributed profits according to paragraph 4 of article 22 of Law 6404 will be recorded as 'special reserve' and, if they are not used to absorb losses in the next years, they shall be distributed to the Company's shareholders by way of dividends as soon as the Company's financial position so permits.

To protect cash in the pandemic 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.

e. Other comprehensive income

Cumulative translation adjustments

The Company recognizes under this heading the cumulative effect of the currency translation of the financial statements of its subsidiaries that keep accounting records in a functional currency different from the parent company's functional currency. At December 31, 2021, the Company recorded cumulative translation adjustments of R\$ (-) R\$ 24,772 ((+) R\$ 5,294 at December 31, 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.

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Carrying value adjustments

The Company recognizes under this heading:

- The effects of carrying value adjustments relating to the effective portion of gains or losses on cash flow hedges, which are recognized in 2021, net of taxes, at (+) R\$ 7,942 (In 2020 (-) R\$ 14,858) in the parent and in the consolidated accounts.

The adjustments for the adoption of the deemed cost of property, plant and equipment, net at R\$ 511 in 2021 (2020 - R\$ 842). 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.

27. 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:

	2021	2020
Profit attributable to owners of the parent	566,858	124,527
Shares outstanding	128,308,500	128,308,500
Basic earnings per share	4.4179	0.9705

There are no diluted earnings per share for the Company.

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28. Capital management

The Executive Board's policy is to retain a solid capital base to maintain the confidence of investors, creditors and the market and ensure future growth of the business, monitoring capital return and also the level of dividends to shareholders.

The Group monitors its capital based on the financial leverage index as follows:

	Note	Parent Company		Consolidated	
		2021	2020	2021	2020
Borrowings	21.a	262,380	552,369	262,380	552,369
Cash and cash equivalents	10	(273,927)	(557,868)	(361,089)	(607,835)
Loans to related parties, net	14	(32,628)	(29,029)	(147,745)	(77,671)
Net indebtedness		(44,175)	(34,528)	(246,454)	(133,137)
Total equity		1,714,805	1,347,956	1,710,803	1,341,987
Total equity + net indebtedness		1,670,630	1,313,428	1,464,349	1,208,850
Financial leverage index - %		-3%	-3%	-17%	-11%

29. Net operating revenue

	Parent company		Consolidated	
	2021	2020	2021	2020
Gross revenue				
Products	3,544,516	2,413,775	4,484,322	3,009,480
Services	56,432	41,789	53,130	37,817
Total revenue with products + services	3,600,948	2,455,564	4,537,452	3,047,297
Deductions from sales:				
Taxes on sales	(720,448)	(514,475)	(720,978)	(515,123)
Discounts, returns and sales incentives	(43,557)	(34,701)	(201,378)	(129,596)
Net operating revenue	2,836,943	1,906,388	3,615,096	2,402,578

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

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

	Parent company		Consolidated	
	2021	2020	2021	2020
Geographic market				
South America included domestic market	2,050,510	1,348,833	2,302,709	1,483,332
Europe	589,784	428,291	676,177	486,898
Central and North America	170,583	112,790	583,226	396,153
Africa, Asia, Oceania and Middle East	26,066	16,474	52,984	36,195
	2,836,943	1,906,388	3,615,096	2,402,578
Revenue by market				
Original equipment	1,690,270	1,098,652	2,263,755	1,473,878
Aftermarket	1,146,673	807,736	1,351,341	928,700
	2,836,943	1,906,388	3,615,096	2,402,578

30. Cost of sales

The cost of sales comprises raw materials and other materials required for the production of the Group's products. In the engine components segment, the main raw materials are metal commodities, such as aluminum, nickel iron, cast iron, steel, copper, nickel, tin, silicon, magnesium, bronze and iron alloy, amongst others. In the filters segment, the main raw materials are resins, filter papers and activated carbon, amongst others. Other inputs for the production of both engine components and filters include electric power, fuels, natural gas, liquefied petroleum gas and plastic, wood, paper and cardboard packaging.

This account also includes direct labor (e.g. factory work) and indirect labor (e.g. maintenance, engineering and tooling) and the depreciation of machinery and equipment used in the production process.

	Parent company		Consolidated	
	2021	2020	2021	2020
Raw material and others materials	(1,158,223)	(698,326)	(1,426,269)	(881,708)
Personnel and benefits	(590,267)	(424,384)	(635,759)	(465,775)
Utilities and services	(195,976)	(144,459)	(205,919)	(156,394)
Depreciation and amortization	(88,346)	(90,002)	(92,221)	(94,032)
Other	(167,426)	(128,262)	(260,623)	(177,740)
Total	(2,200,238)	(1,485,433)	(2,620,791)	(1,775,649)

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(in thousand of reais)

31. Selling and distribution expenses

Selling expenses comprise mainly sales personnel expenses as well as commission on sales, freight, customs fees, advertising and brand license costs.

Selling expenses by nature are as follows:

	Parent company		Consolidated	
	2021	2020	2021	2020
Freight	(81,728)	(39,688)	(95,136)	(49,875)
Personnel and benefits	(50,481)	(42,946)	(60,477)	(50,887)
Brand license	(14,000)	(8,925)	(15,105)	(9,752)
Variable selling expenses	(13,383)	(10,635)	(29,270)	(19,734)
Professional services/service orders	(8,858)	(11,133)	(10,895)	(12,651)
General expenses	(4,404)	(4,112)	(11,019)	(10,105)
Advertising	(2,410)	(1,636)	(3,199)	(2,166)
Depreciation	(558)	(533)	(643)	(640)
Travel and entertainment allowance	(424)	(765)	(521)	(872)
Other expenses	(7,128)	(8,008)	(9,753)	(10,015)
	(183,374)	(128,381)	(236,018)	(166,697)

32. General and administrative expenses

General and administrative expenses comprise mainly salaries, charges and benefits for administrative personnel and outsourced professional services.

General and administrative expenses by nature are as follows:

	Parent company		Consolidated	
	2021	2020	2021	2020
Personnel and benefits	(33,675)	(30,547)	(40,869)	(36,318)
Professional services/service orders	(24,613)	(22,287)	(28,192)	(24,955)
Management	(10,746)	(5,733)	(10,746)	(5,733)
Taxes	(6,632)	(5,660)	(6,820)	(5,712)
Maintenance	(5,676)	(6,326)	(5,637)	(6,552)
Materials and utilities	(3,900)	(3,762)	(4,474)	(4,197)
Depreciation	(2,986)	(3,018)	(3,111)	(3,152)
PIS/COFINS	(2,978)	(3,002)	(3,001)	(3,090)
Travel and entertainment allowance	(202)	(415)	(256)	(468)
Other expenses	(5,878)	(4,509)	(6,733)	(5,206)
	(97,286)	(85,259)	(109,839)	(95,383)

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33. Technology and product development costs

The costs of technology and product development include: (i) expenditure on the development of new technologies, such as flex fuel technology; (ii) expenditures on the development of new products, such as new low-friction piston rings aimed at reducing carbon emissions from combustion engines; (iii) expenditure on improving existing products; and (iv) expenditure on improving production processes.

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

	Parent company		Consolidated	
	2021	2020	2021	2020
Personnel and benefits	(28,266)	(30,452)	(29,686)	(31,924)
Materials/utilities	(5,276)	(5,528)	(5,353)	(5,880)
Depreciation	(4,342)	(5,050)	(4,430)	(5,136)
General expenses	(3,938)	(6,976)	(9,631)	(12,956)
Professional services/service orders	(2,690)	(2,760)	(3,278)	(3,508)
Maintenance	(1,701)	(2,364)	(1,710)	(2,372)
Other (expenses) income	2,709	(2,108)	2,570	(2,313)
	(43,504)	(55,238)	(51,518)	(64,089)

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34. Finance income and costs, net

	Parent company		Consolidated	
	2021	2020	2021	2020
Finance income				
Exchange variation (a)	61,513	126,900	111,428	186,611
Derivative financial instruments (c)	20,028	10,532	20,028	10,280
Interest (*)	22,061	11,914	39,621	17,499
Monetary variation gains	262	784	3,096	997
Other	3,910	864	3,913	866
	107,774	150,994	178,086	216,253
Finance costs				
Exchange variations (b)	(62,127)	(129,716)	(109,436)	(185,910)
Monetary variation losses	(26,289)	(22,225)	(30,122)	(25,808)
Interest	(14,891)	(24,718)	(17,683)	(28,123)
Derivative financial instruments (d)	(21,682)	(56,468)	(21,896)	(56,170)
Other	(2,646)	(2,222)	(7,875)	(6,225)
	(127,635)	(235,349)	(187,012)	(302,236)
Finance income (costs), net	(19,861)	(84,355)	(8,926)	(85,983)
Summary of foreign exchange variations (a+b)	(614)	(2,816)	1,992	701
Trade receivables	8,234	36,010	22,995	60,873
Cash and cash equivalents	(1,001)	29,333	(8,575)	25,172
Interest on capital receivable	576	17,816	576	17,816
Trade payables	(6,433)	(8,274)	(6,128)	(17,174)
Borrowings	(3,782)	(82,513)	(8,413)	(89,669)
Loan receivable	1,684	4,725	1,684	4,725
Lease obligations (IFRS 16)	-	-	(255)	(1,129)
Other	108	87	108	87
Summary of derivative instruments (c+d)	(1,654)	(45,936)	(1,868)	(45,890)
Income	20,028	10,532	20,028	10,280
Expenses	(21,682)	(56,468)	(21,896)	(56,170)
Net result of foreign exchange variations and derivative financial instruments	(2,268)	(48,752)	124	(45,189)

(*) Includes interest on exclusion of ICMS from the basis of calculation of PIS and COFINS in the amount of R\$ 10,152 – Parent company and R\$ 10,169 – Consolidated. For details see Note 13.

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(in thousand of reais)

35. Other operating income and expenses, net

	Parent company		Consolidated	
	2021	2020	2021	2020
Other income				
ICMS credit based on PIS and COFINS (*)	96,572	-	96,733	-
Reveral of provision for labor, civil and tax contingencies	91,869	74,835	94,532	77,223
Reversal of provision for obsolescence	1,333	1,404	1,333	1,404
Taxes recovered (Reintegra)	992	715	1,014	715
Gains on disposal of assets /other	771	1,982	780	2,045
Reversal of provision for restructuring	767	-	767	-
Reversal of provision for compulsory loan (Eletrobrás)	-	4,315	-	4,315
Reversal of provision of losses on products	-	3,239	-	3,239
Gain on monetary items	-	-	10,981	8,067
Other income	11,113	5,220	11,593	5,462
	203,417	91,710	217,733	102,470
Other expenses				
Provision for labor, civil and tax contingencies	(87,919)	(135,738)	(92,838)	(142,321)
Provision for environmental liability	(20,000)	(2,500)	(20,000)	(2,500)
Write off of investments - Innoferm	(3,144)	-	(3,144)	-
Provision of losses on products	(948)	(1,008)	(1,937)	(1,441)
Losses on disposal of assets /other	(900)	(1,633)	(900)	(1,633)
Gains on disposal of equity interest in subsidiary	(41)	(1,347)	(41)	(1,347)
Provision for impairment of intangible assets	-	(66,270)	-	(74,368)
Provision for obsolescence	-	(2,852)	-	(2,852)
Provisio/reversal of provision for restructuring	-	(1,294)	-	(1,294)
Export expenses - Argentina	-	-	(7,717)	(8,124)
Losses on monetary items	-	-	(8,965)	(6,712)
Other expenses	(5,288)	(6,073)	(7,546)	(7,807)
	(118,240)	(218,715)	(143,089)	(250,399)
Other operating income (expenses), net	85,177	(127,005)	74,644	(147,929)

(*) Tax credits arising from exclusion of ICMS from the basis of calculation of PIS and COFINS in the amount of R\$ 96,572 – Parent company and R\$ 96,733 – Consolidated. Further details are given in Note 13.

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36. Financial instruments

I. Financial instruments and risk management

The financial instruments are presented in the financial statements and classified in accordance with guidance in NBC TG 40 (CPC 40)/48/IFRS 7/9 – Financial Instruments, permitting the user of the information to assess the financial condition of the Group. The financial instruments are not used for speculative purposes and the table below shows their classification:

		Parent Company							
		2021				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	10	-	25,206	-	25,206	-	75,068	-	75,068
Financial investments	10	-	248,721	-	248,721	-	482,800	-	482,800
Trade receivables	11	453,230	-	-	453,230	371,835	-	-	371,835
Receivables from and loans to related parties	14	32,628	-	-	32,628	29,029	-	-	29,029
Unrealized gains on derivatives	36	-	-	3,692	3,692	-	-	5,462	5,462
Total		485,858	273,927	3,692	763,477	400,864	557,868	5,462	964,194

		Consolidated							
		2021				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	19	(53,628)	-	-	(53,628)	(62,375)	-	-	(62,375)
Trade payables	19	(152,676)	-	-	(152,676)	(172,407)	-	-	(172,407)
Lease liabilities	21.b	(9,277)	-	-	(9,277)	(13,203)	-	-	(13,203)
Borrowings	21.a	(262,380)	-	-	(262,380)	(552,369)	-	-	(552,369)
Unrealized losses on derivatives	36	-	-	(8,652)	(8,652)	-	-	(24,403)	(24,403)
Total		(477,961)	-	(8,652)	(486,613)	(800,354)	-	(24,403)	(824,757)

		Consolidated							
		2021				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	10	-	43,431	-	43,431	-	89,411	-	89,411
Financial investments	10	-	317,658	-	317,658	-	518,424	-	518,424
Trade receivables	11	567,080	-	-	567,080	465,116	-	-	465,116
Receivables from and loans to related parties	14	147,745	-	-	147,745	77,671	-	-	77,671
Unrealized gains on derivatives	36	-	-	5,845	5,845	-	-	8,430	8,430
Total		714,825	361,089	5,845	1,081,759	542,787	607,835	8,430	1,159,052

		Consolidated							
		2021				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	19	(73,958)	-	-	(73,958)	(80,601)	-	-	(80,601)
Trade payables	19	(206,442)	-	-	(206,442)	(209,402)	-	-	(209,402)
Lease liabilities	21.b	(9,818)	-	-	(9,818)	(15,601)	-	-	(15,601)
Borrowings	21.a	(262,380)	-	-	(262,380)	(552,369)	-	-	(552,369)
Unrealized losses on derivatives	36	-	-	(8,652)	(8,652)	-	-	(24,403)	(24,403)
Total		(552,598)	-	(8,652)	(561,250)	(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;
- b) The result of the above difference is multiplied by the notional value of each operation;

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

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

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

- Fair value versus carrying amount

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

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

		Consolidated				
		2021		2020		Level
Assets	Note	Carrying amount	Fair value	Carrying amount	Fair value	
Cash, demand deposits and cash in transit	10	43,431	43,431	89,411	89,411	2
Financial investments	10	317,658	317,658	518,424	518,424	2
Trade receivables	11	567,080	567,080	465,116	465,116	2
Receivables from and loans to related parties	14	147,745	147,745	77,671	77,671	2
Unrealized gains on derivatives	36	5,845	5,845	8,430	8,430	2
Total		1,081,759	1,081,759	1,159,052	1,159,052	
Liabilities						
Payables to related parties	19	(73,958)	(73,958)	(80,601)	(80,601)	2
Trade payables	19	(206,442)	(206,442)	(209,402)	(209,402)	2
Lease liabilities	21.b	(9,818)	(9,818)	(15,601)	(15,601)	2
Borrowings	21.a	(262,380)	(262,380)	(552,369)	(552,369)	2
Unrealized losses on derivatives	36	(8,652)	(8,652)	(24,403)	(24,403)	2
Total		(561,250)	(561,250)	(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. In 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. At December 31, 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.

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	19	(73,958)	(73,958)	(73,958)	-	-
Trade payables	19	(206,442)	(206,442)	(206,442)	-	-
Lease liabilities	21.b	(9,818)	(9,818)	(9,368)	(450)	-
Borrowings	21.a	(262,380)	(306,596)	(176,564)	(41,148)	(40,803)
Unrealized losses on derivatives	36	(8,652)	(8,652)	(8,652)	-	-
Total		(561,250)	(605,466)	(474,984)	(41,598)	(40,803)
						(48,081)
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	19	(80,601)	(80,601)	(80,601)	-	-
Trade payables	19	(209,402)	(209,402)	(209,402)	-	-
Lease liabilities	21.b	(15,601)	(15,601)	(9,305)	(6,296)	-
Borrowings	21.a	(552,369)	(598,983)	(409,211)	(45,080)	(77,567)
Unrealized losses on derivatives	36	(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	
		2021	2020	2021	2020
Cash, demand deposits and cash in transit	10	25,206	75,068	43,431	89,411
Financial investments	10	248,721	482,800	317,658	518,424
Trade receivables	11	453,230	371,835	567,080	465,116
Receivables from and loans to related parties	14	32,628	29,029	147,745	77,671
Unrealized gains on derivatives	36	3,692	5,462	5,845	8,430
Total		763,477	964,194	1,081,759	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)

	Parent Company		Consolidated	
	2021	2020	2021	2020
Counterparties unrated external de crédito				
<i>Top 20</i>	170,606	141,620	233,427	194,541
<i>Third Parties</i>	186,020	153,466	243,185	184,500
<i>Intercompanies</i>	100,805	83,009	97,340	96,255
Total Trade Receivables and Others	457,431	378,095	573,952	475,296

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

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

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

Cash, demand deposits and financial investments	Nota	Parent company		Consolidated	
		2021	2020	2021	2020
AAA	10	149,604	494,234	152,594	494,517
AA		52,660	50,641	52,660	50,641
Others		71,663	12,993	155,835	62,677
		273,927	557,868	361,089	607,835

S&P National Long Term

b.3) Risk of fluctuation in interest rates

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

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

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

	Note	Parent company		Consolidated	
		2021	2020	2021	2020
Cash, demand deposits and cash in transit	10	25,206	75,068	43,431	89,411
Financial investments	10	248,721	482,800	317,658	518,424
Borrowings	21.a	(262,380)	(552,369)	(262,380)	(552,369)
Total		11,547	5,499	98,709	55,466

On December 31, 2021, the balances of loans and borrowings of R\$ 262,380 (Parent company and Consolidated) consist of: 23.45% FINEP I with simplified interest rate of TJLP -1% p.a., average cost of 4.32%; 28.67% FINEP II with simplified interest rate of TJLP p.a., average cost of 5.32%; 43.04% NCE, with average cost of 0.97% p.a.; 4.84% ACC, with average cost of 1.05% 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.

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b.4) Risk of fluctuation in exchange rates

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

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

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

At December 31, 2021, the Group's exposure in USD (EUR and JPY equivalents in USD) was USD 10,862 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 December 31, 2021

	USD thousand	EUR thousand (*)	JPY thousand (**)
Item	Parent company and Consolidated	Parent company and Consolidated	Parent company and Consolidated
(+) Trade receivables	26,729	5,808	-
(+) Demand deposits (in foreign currency)	2,867	2,811	-
(+) Receivable - Dividends (TEUR)	-	20,898	-
(-) Advances on export exchange contract	-	(19,873)	-
(-) Imports	(2,789)	(4,887)	(171,568)
(-) Currency forwards - sale	(18,054)	(2,564)	128,393
(=) Net balance of foreign exchange exposure	8,753	2,193	(43,175)

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

Currency	Consolidated	
USD	8,753	
EUR	2,484	(*) Parity EUR / USD 1,1327
JPY	(375)	(**) Parity JPY / USD 115,13307
Total	10,862	

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

Parent company and consolidated (USD)				
Year	Net Exposure (thousands)	Notional Value - Hedge (thousands)	Average Rate (Portfolio NDF)	% Hedged
2022 (Jan-Dec)	(6,487)	5,200	5.2864	80.2%
2023 (Jan-Dec)	(6,162)	3,584	5.9927	58.2%
Total	(12,649)	8,784	5.5746	69.4%

Parent company and consolidated (EUR)				
Year	Net Exposure (thousands)	Notional Value - Hedge (thousands)	Average Rate (Portfolio NDF)	% Hedged
2022 (Jan-Dec)	(16,370)	9,448	6.4372	57.7%
2023 (Jan-Dec)	(15,551)	3,967	7.3551	25.5%
Total	(31,921)	13,415	6.7087	42.0%

Parent company and consolidated (JPY)				
Year	Net Exposure (thousands)	Notional Value - Hedge (thousands)	Average Rate (Portfolio NDF)	% Hedged
2022 (Jan-Dec)	1,100,130	(657,230)	0.0513	59.7%
2023 (Jan-Dec)	1,045,124	(261,280)	0.0585	25.0%
Total	2,145,254	(918,510)	0.0533	42.8%

- Sensitivity analysis

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

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

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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.

Sensitivity analysis table – foreign exchange exposure of December 31, 2020.

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:

The selling rates published on December 31, 2021, by the Brazilian Central Bank for USD, EUR and JPY were used in this sensitivity analysis.

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	Parent company and Consolidated			
	USD/BRL exchange rate for settlement of bills of exchange	* Net balance of foreign exchange exposure - USD	** Average rate of bills of exchange	Total BRL
50% better	8.3708		5.5760	24,463
25% better	6.9756		5.5760	12,251
Balance sheet date	5.5805	8,753	5.5760	39
25% worse	4.1854		5.5760	(12,172)
50% worse	2.7903		5.5760	(24,383)

(*) Amounts in thousands

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

	Parent company and Consolidated			
	EUR/BRL exchange rate for settlement of bills of exchange	* Net balance of foreign exchange exposure - EUR	** Average rate of bills of exchange	Total BRL
50% better	9.4815		6.2799	7,021
25% better	7.9013		6.2799	3,556
Balance sheet date	6.3210	2,193	6.2799	90
25% worse	4.7408		6.2799	(3,375)
50% worse	3.1605		6.2799	(6,840)

(*) Amounts in thousands

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

	Parent company and Consolidated			
	JPY/BRL exchange rate for settlement of bills of exchange	* Net balance of foreign exchange exposure - JPY	** Average rate of bills of exchange	Total BRL
50% better	0.0242		0.0505	1,136
25% better	0.0364		0.0505	609
Balance sheet date	0.0485	(43,175)	0.0505	88
25% worse	0.0606		0.0505	(436)
50% worse	0.0727		0.0505	(958)

(*) 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.

Explanatory notes to the 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 December 31, 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	2.7903	8,784	5.5746	24,458	3.1605	13,415	6.7087	47,600	0.0727	(918,510)	0.0533	17,779	89,837
25% better	4.1854	8,784	5.5746	12,203	4.7408	13,415	6.7087	26,400	0.0606	(918,510)	0.0533	6,649	45,252
Balance sheet date	5.5805	8,784	5.5746	(52)	6.3210	13,415	6.7087	5,201	0.0485	(918,510)	0.0533	(4,481)	668
25% worse	6.9756	8,784	5.5746	(12,308)	7.9013	13,415	6.7087	(15,999)	0.0364	(918,510)	0.0533	(15,611)	(43,918)
50% worse	8.3708	8,784	5.5746	(24,563)	9.4815	13,415	6.7087	(37,199)	0.0242	(918,510)	0.0533	(26,741)	(88,503)

The selling rates published on December 31, 2021, by the Brazilian Central Bank for USD, EUR and JPY were used.

MAHLE Metal Leve S.A.

Explanatory notes to the 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	
Foreign currency			Parent company and consolidated	
			2021	2020
Short position	EUR	6.65057	15,979	14,943
Short position	USD	5.64288	26,838	29,267
Long position	JPY	0.05296	(1,046,903)	(411,532)

Weighted average forward rate - value for settlement			Fair market value - thousand	
(1) Foreign currency			Parent company and consolidated	
			2021	2020
Short position	EUR	6.65057	(1,736)	(12,137)
Short position	USD	5.64288	(4,056)	(8,707)
Long position	JPY	0.05296	(1,236)	934

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, copper and nickel.

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 December 31, 2021, and 2020:

<u>Long position</u> <u>Commodities</u>	Weighted average price on maturity	Notional value - metric tons	
		Parent company and consolidated	
		2021	2020
Copper	9,550	266	263
TOTAL		266	263

<u>Long position</u> <u>Commodities</u>	Weighted average price on maturity	Notional value (fair market value)	
		Parent company and consolidated	
		2021	2020
Copper	9,550	(109)	1,476
TOTAL		(109)	1,476

MAHLE Metal Leve S.A.

Explanatory notes to the 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
2022 (Jan-Dec)	(468)	266	9,270	56.8%
Total	(468)	266	9,270	56.8%

- Sensitivity analysis table

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

For the sensitivity analysis of commodity transactions, management adopted as a probable scenario the amounts recognized in its books, determined by projected prices disclosed by the LME and exchange rates published by the Brazilian Central Bank at December 31, 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 December 31, 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		14,538		7,404	(7,404)
25% better		12,115		3,807	(3,807)
Balance sheet date	266	9,692	9,550	210	(210)
25% worse		7,269		(3,386)	3,386
50% worse		4,846		(6,983)	6,983

The selling rates of the USD published on December 31, 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.

Explanatory notes to the financial statements

(in thousand of reais)

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

		2021		2020	
		Parent company	Consolidated	Parent company	Consolidated
Results of derivatives (exports/imports/loan)					
Provisions					
- Operations on accounts receivable and payable		1,375	1,161	(5,634)	(5,588)
- Operations on IOC		(651)	(651)	(13,824)	(13,824)
Cash effect					
- Operations on accounts receivable and payable		(2,378)	(2,378)	(26,478)	(26,478)
Note 29		(1,654)	(1,868)	(45,936)	(45,890)
Total Derivative Operations- Net Finance Result		(1,654)	(1,868)	(45,936)	(45,890)
Exchange variations (gains and losses)		(614)	1,992	(2,816)	701
Results of derivatives (exports/imports/loan)		(1,654)	(1,868)	(45,936)	(45,890)
Gross sales		25,581	25,581	38,349	38,349
Cost of sales		(8,923)	(8,923)	(12,008)	(12,008)
Effects of Foreign Exchange Variatons and Financial Instruments on Profit and Loss		14,390	16,782	(22,411)	(18,848)
Gross result					
Gross sales					
- Settlements with cash effect		25,581	25,581	38,349	38,349
		25,581	25,581	38,349	38,349
Cost of sales					
- Settlements with cash effect		(8,923)	(8,923)	(12,008)	(12,008)
		(8,923)	(8,923)	(12,008)	(12,008)
Total Derivative Operations - Gross Result		16,658	16,658	26,341	26,341
Equity					
Provisions					
- Operations on sales to be made	(BS)	6,931	6,931	20,571	20,571
- Operations on commodities	(BS)	130	130	(1,476)	(1,476)
Deferred income tax and social contribution		2,401	2,401	6,492	6,492
Total Derivative Operations - Equity		9,462	9,462	25,587	25,587
Provision for unrealized losses and gains on derivatives					
(BS) - Sum of the net balance sheet					
Balance sheet assets		3,692	5,845	5,462	8,430
Balance sheet liabilities		(8,652)	(8,652)	(24,403)	(24,403)
Balance sheet, net		(4,960)	(2,807)	(18,941)	(15,973)

Guarantees

The Group had no guarantee deposits relating to these derivative instruments for the periods presented above (December 31, 2021 and 2020).

MAHLE Metal Leve S.A.

Explanatory notes to the financial statements

(in thousand of reais)

37. Employee benefits

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

For the year ended December 31, 2021, the Group recognized a provision for profit sharing in the amount of R\$ 50,762 (R\$ 19,475 in 2020) – Parent company and R\$ 50,849 (R\$ 19,489 in 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\$ 2,010 in 2021 (R\$ 2,615 in 2020).

38. Insurance

The Group has a policy of taking out insurance coverage for assets subject to risks at amounts considered sufficient to cover losses, considering the nature of its activity. The risk assumptions adopted, given their nature, have not been made part of the scope of an audit and, accordingly, were not examined by our independent auditors. 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.

Explanatory notes to the financial statements

(in thousand of reais)

39. Application of NBC TG 42 (CPC 42) / IAS 29 - Financial Reporting in Hyperinflationary Economies

Since July 2018 Argentina is considered a hyperinflationary economy and the Group applies NBC TG 42 (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 December 31, 2021 are shown below:

	2021	2020
Reconciliation of result adjustments		
Gain on monetary position of investments from parent company - reflex recomposition	75,521	48,078
Gain on monetary position of investments from subsidiary - reflex recomposition	613	373
Loss on monetary position of subsidiary MAHLE Argentina S.A.	(32,054)	(8,398)
Gain on monetary item, result (consolidated)	44,080	40,053

The statement of income for 2021 has been adjusted for inflation and, subsequently, translated at the exchange rate at the end of each quarter.

MAHLE Metal Leve S.A.

Explanatory notes to the 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 - Chief Executive and Investor Relations Officer
Nathan John Quye – Chief Financial Officer

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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MAHLE Metal Leve S.A.

Proposal for Capital Budget

MAHLE Metal Leve S.A.

CNPJ nº 60.476.884/0001-87

Publicly traded company

The investments estimated in the capital budget of MAHLE Metal Leve S.A. in 2022 will demand funds in the order of R\$ 94.2 million (Parent company) and R\$ 107.3 million (consolidated), allocated as follows: a) investments in new products; b) increase in capacity; c) rationalizations; d) tooling; e) quality; f) land and construction; g) research and development equipment; h) information technology; i) environment; j) intangible assets; k) maintenance; and l) other, which will be submitted for approval at the next Ordinary General Meeting.

The Management.

Mahle Metal Leve S.A.

Report of the Supervisory Board

The Supervisory Board of Mahle Metal Leve S.A. (the Company), elected at the Annual General Meeting on April 29, 2021, in accordance with article 163 of Law 6.404/76 and the bylaws of Mahle, has examined (i) the Management Report, (ii) the Financial Statements for the financial year ended December 31, 2021 and notes to the financial statements, (iii) the Management's Proposal for allocation of profit for the year, and (iv) the Capital Budget for fiscal year 2022.

In the performance of its duties, the Board held meetings during 2021 by videoconference and in the first quarter of 2022 in-person and virtual meetings with the members of the Board of Directors, the Executive Board and respective teams, independent auditors and other parties, in accordance with the provisions of Law and article 5 of the Charter of the Supervisory Board, due to health and safety concerns related to COVID-19.

These are among the issues that demanded more attention from the Supervisory Board:

- Monitoring of the implementation of recommendations made by the independent auditors KPMG in the Letter of Recommendations issued to the Company;
- Monitoring of the implementation of internal controls related to the Brazilian General Data Protection Act (LGPD);
- Analysis and verification of accounting entries made related to the exclusion of ICMS from the tax base of PIS/Cofins based on Brazil's Supreme Court decision, and of causes of the increase in environmental provision and administrative cases involving offset of the contribution to Social Investment Fund (Finsocial);
- Discussion with the Information Technology department about the cyber security programs, with emphasis on cyber security risks of working from home;
- Analysis and verification of risks arising from COVID-19 pandemic, with focus on the actions taken by the Company;
- Analysis of the impairment testing for non-financial assets (goodwill) of the piston rings manufacturing plant in Itajuba;
- Monitoring and analysis of related-party transactions, with focus on acquisition of services;

- Oversight of the internal audit work and risk mitigation action plan; and
- Update on the procedures adopted for cases reported through the whistleblowing hotline.

Conclusion

Based on the documents examined, analyses performed, information provided by management during the fiscal year and the unqualified audit opinion issued by **KPMG Auditores Independentes**, dated March 8, 2022, the Supervisory Board unanimously holds that the documents referred to in the first paragraph present fairly the financial position of the Company and are suitable for consideration by the Annual General Meeting.

Mogi Guaçu, March 8, 2022.

Axel Erhard Brod – Chairman

Helio Carlos de Lamare Cox – Effective Member

Mario Probst – Effective Member

(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 December 31, 2021, and thus authorize their completion.

Mogi Guaçu, March 08, 2022.

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 December 31, 2021.

Mogi Guaçu, March 08, 2022.

Sergio Pancini de Sá
CEO

Nathan John Quye
Finance director