(A free translation of the original in Portuguese)

MAHLE Metal Leve S.A.

Financial statements at December 31, 2020

MAHLE REPORTS ADJUSTED EBITDA OF R$ 412.4 million in 2020; MARGIN OF 17.2%

Mogi Guaçu, São Paulo, March 15, 2021 - MAHLE Metal Leve S.A. (B3: LEVE3), a Brazilian automotive parts company that manufactures and sells components for internal combustion engines and automotive filters, today announced its fourth quarter and full year 2020 financial results. Unless otherwise noted, financial and operating information is provided on a consolidated basis and in Brazilian reais (BRL) and is prepared in accordance with the Brazilian Corporation Law.

Conference Call and Webcast

Date: 3/16/2021

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

Webcast in Portuguese *(original)*

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Webcast in English *(simultaneous translation)*

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HIGHLIGHTS

Net Sales Revenue: R$ 2,402.6 million in 2020, a decrease of 4.9% compared with 2019. In 4Q20, Net Sales Revenue was up 30.4% over 4Q19;

Domestic Aftermarket: In 2020, the Company saw a 10.6% increase in sales compared to 2019, while in 4Q20 the increase was 42.1% compared the same period of the prior year (details in item 6.1);

Domestic Original Equipment Market: In 2020, the Company reported a decrease of 19.6% in sales compared to 2019, and an increase of 24.3% in 4Q20 compared with 4Q19 (details in item 6.1). Consolidated vehicle production fell 29.9% (item 5.3), the Brazilian market has seen a decline of 31.2% (item 5.1) and the Argentine Market of 18.0% (item 5.2) in 2020;

In 2020, the Board of Directors approved the distribution of **R$ 70.6 million** in the form of **interest on capital (gross)**;

Transparency Trophy: In October 2020, MAHLE Metal Leve won the *Troféu Transparência* (Transparency Trophy) for the seventh consecutive year from the National Association of Finance, Administration and Accounting Executives (ANEFAC) for its high-quality fiscal year 2019 financial statements;

100 years of existence: In December 2020, the MAHLE Group completed 100 years with the confidence that we will continue to grow and work to be an innovative and attractive company for our shareholders, employees and partners.

Key indicators								
(in millions of R$)	2020 (a)	2019 (b)	(a/b)	4Q20 (c)	3Q20 (d)	4Q19 (e)	(c/d)	(c/e)
Net sales revenue	2,402.6	2,526.2	-4.9%	776.7	691.2	595.7	12.4%	30.4%
EBITDA	296.2	440.8	-32.8%	131.4	88.2	76.6	49.0%	71.5%
Adjusted EBITDA[1]	412.4	440.8	-6.4%	137.1	169.5	76.6	-19.1%	79.0%
EBITDA margin	12.3%	17.4%	-5.1 p.p.	16.9%	12.8%	12.9%	4.1 p.p.	4 p.p.
Adjusted EBITDA margin[1]	17.2%	17.4%	-0.2 p.p.	17.7%	24.5%	12.9%	-6.8 p.p.	4.8 p.p.
Net profit	124.5	259.0	-51.9%	100.8	41.7	66.2	141.7%	52.3%
Adjusted net profit[2]	203.9	259.0	-21.3%	104.6	95.4	66.2	9.6%	58.1%
Net margin	5.2%	10.3%	-5.1 p.p.	13.0%	6.0%	11.1%	7 p.p.	1.9 p.p.
Adjusted net margin[2]	8.5%	10.3%	-1.8 p.p.	13.5%	13.8%	11.1%	-0.3 p.p.	2.4 p.p.

[1] Adjusted EBITDA: see item 6.11 for details of adjustments.

[2] Adjusted net profit: see item 6.14 for details of adjustments.

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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, 2020.

1. Management Commentary

2020 was definitely a year of learning for all of us.

We had planned to focus on very different topics here – a text about MAHLE's 100th anniversary, looking back to the past but also looking forward to the future, to celebrate a very special year, and then came coronavirus. A crisis instead of an anniversary – what matters now is the present, today's unthinkable reality and how we respond to this crisis and reposition ourselves to thrive in the future is and will be of paramount importance.

Our use of digital tools to help us cope with the pandemic and continue to work together efficiently can also be seen as an example of MAHLE's development in the augmented reality (AR) glasses. In 2019, the industry 4.0 team of MAHLE Group launched a pilot project of AR communication smart glasses. Utilizing AR smart glasses, a remote expert can see what a local worker sees and provide guidance from anywhere in the world. The coronavirus crisis has accelerated the development of smart glasses and, as a result, MAHLE will have remote assistance at all its facilities still in 2021.

In spite of uncertainty in 2020, we made progress on the internal communication process and developed very important materials that connected the Company to its employees and that were designed to fit with the new normal brought by the pandemic.

Therefore, the Company's strategy is, in addition to delivering strong financial results, to take care of people and strengthen its employer brand while developing, maintaining and improving relationships with its internal and external stakeholders to promote existing and future projects.

We promote the principle #inspireforchange, among others, by sharing a good practice we have developed in the RH Marketing & Employer Branding area.

Our industry is undergoing 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. We need to change the way we lead and deal with different issues and the way we work together to face the new realities – we believe that we must encourage people to take the lead.

As disclosed in MAHLE Global magazine, the Company developed and is currently applying 4 leadership principles to all of our employees:

1. Empower with accountability.
2. Inspire for change.
3. Trust each other.
4. Lead by example.

These principles of leadership provide a foundation for team collaboration. In addition to our vision "MAHLE – We shape future mobility", these principles were developed collaboratively with several employees and leaders from different locations and business divisions and different layers within the organization as part of the Organizational Health Index (OHI) project.

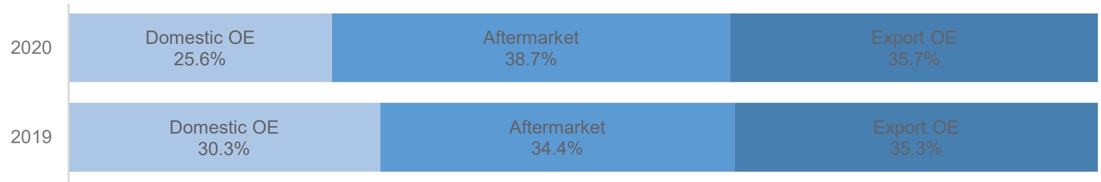
The workplace of tomorrow will be complex and quick and will require efficient decision-making; so it is necessary to have initiative, mutual trust and motivated teams that come up with innovative ideas on the way towards transformation. It is essential that we maximize our potential by working together as a 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" ...

After the most critical period of the COVID-19 crisis, the market is seeing a more favorable business climate. However, the Company continues to monitor the COVID-19 situation around the world.

In this scenario, the Company's business model has once again contributed to the Company's resilience, i.e. we have adapted our business to have a balanced mix of segments (Original Equipment and Aftermarket) in both domestic and foreign markets, in order to offset oscillations in different segments and stabilize our profit margin over time.

In 2020, the Company's net revenue fell 4.9% compared to 2019, as a result of an increase in aftermarket sales (+7.0%), which was offset by decreases in the OE exports (-3.9%) and domestic OE market (-19.6%). In 4Q20, the Company's net revenue grew 30.4% compared with the same period in 2019, driven by increases in all its operating segments: domestic OE market (+24.3%), OE exports (+31.8%), and aftermarket (+33.8%).

The chart below shows the Company's revenue by business segment in 2020 and 2019:



The Company reported an adjusted EBITDA margin of 17.2% (17.4% in 2019) and adjusted EBITDA of R$ 412.4 million for full year 2020 (R$ 440.8 million in 2019). In 4Q20, adjusted EBITDA margin was 17.7% (R$ 137.1 million) versus 12.9% for 4Q19 (R$ 76.6 million). Adjustments relate to non-recurring events such as impairment of R$ 29.2 million of the goodwill of subsidiary MAHLE Argentina S.A. and impairment and other expenses of R$ 87.0 million of Project MBE2. It is important to note that most of these adjustments occurred in 2Q20 and 3Q20, as detailed in items 6.11 and 6.14 in this document.

In the wake of the COVID-19 pandemic, the Company formed a crisis committee to closely monitor the evolving situation at all its plants with the objective of reducing as much as possible 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 the proper health authorities and stringent sanitizing protocols.

The Company's personnel who can do their jobs from home, e.g. administrative staff, were allowed to work remotely.

The Mogi Guaçu filter factory formed a task force to develop a production line for face masks using available resources. Initially, the masks were given to the Company's employees and, after the expansion of the Company's product portfolio, masks produced are for commercial sale.

We have adopted preventive measures in line with the guidance from the World Health Organization (WHO) and local authorities for a gradual and safe return of our employees to work over the last months. We will continue to actively monitor the economic situation in Brazil and globally in order to adjust our operations accordingly.

2. Macroeconomic Scenario and Outlook

We cannot leave the COVID-19 pandemic topic out of this section of our report since the extent of the impacts of the coronavirus crisis cannot yet be measured.

In the first quarter of 2020, the effects of the pandemic began to be felt by the Brazilian society and economy, principally after the closure of many stores as a result of government-enforced containment measures. As from mid-March, the market began to feel the effects of the pandemic and the economic activity plummeted by a record amount in April and picked up slightly from the beginning of the second half of the year.

The market was also impacted by the decrease in consumer confidence due to the uncertainty associated with the pandemic. The individuals who did not lose their jobs were facing uncertainty regarding their jobs and income and, as a consequence, became risk averse and cut their spending in response to the pandemic, i.e. consumer spending fell.

Economic activity indicators as at the end of 2020 show a gradual and heterogeneous recovery of the Brazilian economy as a result of the Brazilian government's pandemic emergency aid and increased household spending on services (directly impacted by the social distancing measures). The industry also saw a recovery from the fall caused by the pandemic.

We need to consider the effects of the second wave of the COVID-19 pandemic around the world, which has had a detrimental effect on developed nations as well as other countries, thus contributing to overall uncertainty that may affect the recovery of the global economic activity. In contrast, the emergence of coronavirus vaccines and economic stimulus package have triggered a burst of optimism that the global economy is poised for a rebound.

Many countries around the world and Brazil already began their vaccine campaigns. Based on the information available at the time this report was prepared, and considering the vaccine's efficacy, there are studies that estimate that herd immunity is most likely in the last months of 2021, which would allow the reopening of all sectors of the economy.

In Brazil, the debate over structural reforms and the 2021 budget is being postponed and non-compliance with medium-term spending cap could undermine the fiscal policy.

The external scenario with reduced uncertainty and lower risk aversion in the global economy may be a positive factor. Those countries that have a reasonable distribution of coronavirus vaccines may help boost confidence also in Brazil and help the world's economy bounce back in 2021.

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. MAHLE Group celebrates 100 years

MAHLE has been keeping people in motion for 100 years.

It is time to celebrate. On December 1, 2020 we achieved an important milestone in our Company's history: the 100th anniversary of the MAHLE Group.

MAHLE Metal Leve S.A. is part of the MAHLE Group (controlling shareholder), one of the world's most traditional groups in the automotive parts industry and that was founded in Germany. Today, the MAHLE Group, including the Company, operates around 160 production locations and 16 research and development centers, in 35 countries on 5 continents.

The year is 1920. The start of an exciting decade in which Charles Lindberg flies across the Atlantic, Albert Einstein receives the Nobel Prize, Mahatma Ghandi begins his non-violent protest, Deutsche Luft Hansa AG is founded and the Nürburgring starts operating. In Stuttgart/Germany, two brothers lay the foundation for a global company: Back in those times, Ernst and Hermann Mahle develop products which become best-sellers and which establish the reputation of today's global corporation as an innovator. Since then, MAHLE has become one of the 20 largest automotive suppliers worldwide with around 77,000 employees. Our innovative solutions continue to set new standards in the field of alternative drives and in the optimization of internal combustion engines.

"We will continue to grow and work on being an innovative and attractive company for our employees and partners. We want to shape the next 100 years of mobility", says Dr. Jörg Stratmann, CEO of the MAHLE Group.

The automotive industry is going through an unprecedented transformation. The MAHLE Group is positioning itself for the future of mobility, focusing on global and automotive megatrends.

The MAHLE Group's vision will drive the transformation process. The motivation to be part of the change is therefore crucial in accomplishing goals and turning vision into reality.

We are very happy we celebrated the 100th anniversary of our Company with you and for this reason we would like to invite you to visit us at https://www.mahle.com/en/100-years/

Today and tomorrow. For future generations. And for the next 100 years.

5. Development of the Automotive Industry

5.1 Development of the Brazilian market

Brazilian automotive industry												
Segments	Jan-Dec 2020					Jan-Dec 2019					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	1,954,828	306,968	-207,683	-149,399	1,904,714	2,665,583	407,520	-294,542	25,280	2,803,841	-26.7%	-32.1%
Total medium and heavy vehicles	150,686	25,956	-3,936	-15,446	157,260	166,122	33,563	-3,116	-2,297	194,272	-9.3%	-19.1%
Total vehicle sales	**2,105,514**	**332,924**	**-211,619**	**-164,845**	**2,061,974**	**2,831,705**	**441,083**	**-297,658**	**22,983**	**2,998,113**	**-25.6%**	**-31.2%**
Variation (un) - 2020 x 2019	-726,191	-108,159	86,039	-187,828	-936,139							
Variation (%) - 2020 x 2019	-25.6%	-24.5%	-28.9%	-817.2%	-31.2%							

Source: Anfavea
(*) Vehicle inventory variation = production - (sales + exports - imports)
(**) Sales (Domestic + Imported)

The table below shows 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	194.2	207.8	194.3	3.6	46.7	101.7	175.8	215.3	224.7	241.4	243.2	214.3	**2,062.0**
2019	202.0	261.3	245.3	272.0	281.0	237.5	273.2	275.4	252.1	293.7	231.9	172.8	**2,998.1**
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	58.1	66.1	146.2	179.0	187.8	212.5	219.5	229.3	249.0	**2,105.5**
2019	202.5	201.5	213.0	235.0	248.5	227.6	247.5	247.2	239.5	257.6	245.6	265.9	**2,831.7**
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	
2019	37	43	41	40	39	42	39	42	45	43	41	33	

Source: Anfavea

5.2 Development of the Argentine market

Argentine automotive industry			
Vehicle sales (locally manufactured and imported)	**Jan-Dec 2020 (A)**	**Jan-Dec 2019 (B)**	**A/B**
Total light vehicles	312,789	372,474	-16.0%
Total medium-and heavy-duty vehicles	17,818	19,656	-9.4%
Total sales of vehicles	**330,607**	**392,130**	**-15.7%**
Exports	137,891	224,248	-38.5%
Imports	191,730	269,192	-28.8%
Trade balance	**(53,839)**	**(44,944)**	**19.8%**
Change in vehicle inventory for the period (*)	5,669	(4,696)	-220.7%
Production of light vehicles	257,187	314,787	-18.3%
Production of heavy-duty vehicles	7,432	8,047	-7.6%
Total production of vehicles	**264,619**	**322,834**	**-18.0%**

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

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

5.3 Brazil’s and Argentina’s vehicle production and sales

Production and sales: Brazil & Argentina	Vehicle production			Vehicle sales		
	Jan-Dec 2020	**Jan-Dec 2019**	**Change**	**Jan-Dec 2020**	**Jan-Dec 2019**	**Change**
Light vehicles	2,161,901	3,118,628	-30.7%	2,267,617	3,038,057	-25.4%
Medium- and heavy-duty vehicles	164,692	202,319	-18.6%	168,504	185,778	-9.3%
Total	**2,326,593**	**3,320,947**	**-29.9%**	**2,436,121**	**3,223,835**	**-24.4%**

Source: Anfavea and Adefa.

5.4 Vehicle production in the major export markets

Vehicle production in the leading export markets (thousands)	Jan-Dec 2020 (A)	Jan-Dec 2019 (B)	A/B
Production of light vehicles	12,977	16,314	-20.5%
Production of medium- and heavy-duty vehicles	439	655	-33.0%
North America	**13,416**	**16,970**	**-20.9%**
Production of light vehicles	16,586	21,323	-22.2%
Production of medium- and heavy-duty vehicles	477	623	-23.4%
Europe	**17,063**	**21,946**	**-22.3%**
Total production of vehicles	**30,479**	**38,917**	**-21.7%**

Source: IHS

6. Company's Financial and Economic Performance

Summary of profit and loss accounts (in millions of R$)	2020 (a)	2019 (b)	HA (%) (a/b)	VA (%) (a)	VA (%) (b)	4Q20 (c)	4Q19 (d)	HA (%) (c/d)	VA (%) (c)	A.V. (%) (d)
Net sales revenue	**2,402.6**	**2,526.2**	**-4.9%**	**100.0%**	**100.0%**	**776.7**	**595.7**	**30.4%**	**100.0%**	**100.0%**
Cost of sales	(1,775.6)	(1,885.9)	-5.8%	-73.9%	-74.7%	(546.9)	(467.7)	16.9%	-70.4%	-78.5%
Gross profit	**627.0**	**640.3**	**-2.1%**	**26.1%**	**25.3%**	**229.8**	**128.0**	**79.5%**	**29.6%**	**21.5%**
Selling and distribution expenses	(165.9)	(166.9)	-0.6%	-6.9%	-6.6%	(47.0)	(44.6)	5.4%	-6.1%	-7.5%
General and administrative expenses	(95.4)	(85.7)	11.3%	-4.0%	-3.4%	(26.5)	(24.4)	8.6%	-3.4%	-4.1%
Research and development expenses	(64.1)	(83.7)	-23.4%	-2.7%	-3.3%	(20.8)	(20.7)	0.5%	-2.7%	-3.5%
[1] Other operating income (expenses)	(148.0)	(6.8)	-2076.5%	-6.2%	-0.3%	(41.2)	(2.2)	1772.7%	-5.3%	-0.4%
Share of profit of equity-accounted investees	(0.1)	(0.2)	50.0%	0.0%	0.0%	(0.0)	(0.1)	100.0%	0.0%	0.0%
Gains (losses) on inflation adjustment	40.1	48.4	-17.1%	1.7%	1.9%	12.0	14.7	-18.4%	1.5%	2.5%
Operating profit	**193.6**	**345.4**	**-43.9%**	**8.1%**	**13.7%**	**106.3**	**50.7**	**109.7%**	**13.7%**	**8.5%**
Net finance costs	(86.0)	(41.4)	107.7%	-3.6%	-1.6%	(12.4)	(12.6)	-1.6%	-1.6%	-2.1%
[2] Income tax and social contribution	14.6	(48.2)	-130.3%	0.6%	-1.9%	7.7	27.3	-71.8%	1.0%	4.6%
Profit for the year	**122.2**	**255.8**	**-52.2%**	**5.1%**	**10.1%**	**101.6**	**65.4**	**55.4%**	**13.1%**	**11.0%**
Profit attributable to owners of the Company	**124.5**	**259.0**	**-51.9%**	**5.2%**	**10.3%**	**100.8**	**66.2**	**52.3%**	**13.0%**	**11.1%**
Adjusted profit attributable to owners of the Company	**203.9**	**259.0**	**-21.3%**	**8.5%**	**10.3%**	**104.6**	**66.2**	**58.1%**	**13.5%**	**11.1%**
Profit attributable to non-controlling interests	(2.3)	(3.2)	28.1%	-0.1%	-0.1%	0.8	(0.8)	-200.0%	0.1%	-0.1%
EBITDA	**296.2**	**440.8**	**-32.8%**	**12.3%**	**17.4%**	**131.4**	**76.6**	**71.5%**	**16.9%**	**12.9%**
Adjusted EBITDA	**412.4**	**440.8**	**-6.4%**	**17.2%**	**17.4%**	**137.1**	**76.6**	**79.0%**	**17.7%**	**12.9%**

	2020	2019		4Q20	4Q19	
Gross margin	26.1%	25.3%	0.8 p.p.	29.6%	21.5%	8.1 p.p.
Operating margin	8.1%	13.7%	-5.6 p.p.	13.7%	8.5%	5.2 p.p.
Net margin	5.1%	10.1%	-5 p.p.	13.1%	11.0%	2.1 p.p.
Net margin attributable to owners of the Company	5.2%	10.3%	-5.1 p.p.	13.0%	11.1%	1.9 p.p.
Adjusted net margin attributable to owners of the Company	8.5%	10.3%	-1.8 p.p.	13.5%	11.1%	2.4 p.p.
EBITDA margin	12.3%	17.4%	-5.1 p.p.	16.9%	12.9%	4 p.p.
Adjusted EBITDA margin	17.2%	17.4%	-0.2 p.p.	17.7%	12.9%	4.8 p.p.
Selling, general and administrative expenses as a percentage of revenue	**10.9%**	**10.0%**	**0.9 p.p.**	**9.5%**	**11.6%**	**-2.1 p.p.**

[1] Additional information is presented in item 6.10 in this report.
[2] Additional information is presented in item 6.13 in this report.

6.1 Net sales revenue and net revenue by market

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

The Company reported a 4.9% decrease in its consolidated net revenue for full year 2020 compared with 2019. It is important to note that, in spite of the pandemic, the aftermarket had a positive performance for the full year 2020. The table below shows revenue by market and its respective impacts in terms of volume/price and exchange rate changes period over period:

Net revenue by market (in millions of R$)		2020 (a)	Volume/ price (b)	Exchange rate changes (c)	2019 (d)	Volume/ price impact % (b/d)	Exchange rate impact % (c/d)	HA (%) (a/d)
Original Equipment	Domestic¹	615.8	(149.0)	(1.2)	766.0	-19.5%	-0.2%	-19,6%
	Exports	858.1	(166.0)	131.6	892.5	-18.6%	14.7%	-3,9%
	Subtotal	**1,473.9**	**(315.0)**	**130.4**	**1,658.5**	**-19.0%**	**7.9%**	**-11,1%**
Aftermarket	Domestic¹	745.6	84.6	(13.1)	674.1	12.6%	-2.0%	10,6%
	Exports	183.1	(55.2)	44.7	193.6	-28.5%	23.1%	-5,4%
	Subtotal	**928.7**	**29.4**	**31.6**	**867.7**	**3.4%**	**3.6%**	**7,0%**
Total		**2,402,6**	**(285.6)**	**162.1**	**2,526.2**	**-11.3%**	**6.4%**	**-4.9%**

¹ Domestic Market comprises Brazil and Argentina.

In 4Q20, the Company's consolidated net revenue grew 30.4% compared with the same period in 2019. It is important to note that, in spite of the pandemic, the Company had a positive performance in all its operating segments. The table below shows revenue by market and its respective impacts in terms of volume/price and exchange rate changes period over period:

Net revenue by market (in millions of R$)		4Q20 (a)	Volume/ Price (b)	Exchange rate changes (c)	4Q19 (d)	Volume/ price impact % (b/d)	Exchange rate impact % (c/d)	HÁ (%) (a/d)
Original Equipment	Domestic¹	210.5	41.6	(0.5)	169.4	24.6%	-0.3%	24,3%
	Exports	267.8	(5.0)	69.6	203.2	-2.5%	34.3%	31,8%
	Subtotal	**478.3**	**36.6**	**69.1**	**372.6**	**9.8%**	**18.6%**	**28,4%**
Aftermarket	Domestic¹	249.8	78.2	(4.2)	175.8	44.5%	-2.4%	42,1%
	Exports	48.6	(14.0)	15.3	47.3	-29.6%	32.3%	2,7%
	Subtotal	**298.4**	**64.2**	**11.1**	**223.1**	**28.8%**	**5.0%**	**33,8%**
Total		**776,7**	**100.8**	**80.2**	**595.7**	**16.9%**	**13.5%**	**30.4%**

¹ Domestic Market comprises Brazil and Argentina.

6.2 Original Equipment (OE) sales

Domestic market:

For the full year, sales in the domestic market were primarily impacted by the effects of COVID-19 pandemic on the Brazilian society and economy, principally after quarantine was imposed and plants throughout the supply chain, including our customers' plants, have temporarily shut down.

It is important to note that the decline in sales volume for the full year 2020 was impacted by the COVID-19 pandemic due to more rigid containment measures and closure of our customers' plants. In light of the severity of the pandemic and unpredictable factors beyond our control, the Company has implemented stringent sanitizing protocols and adopted collective and/or selective vacation at all units in Brazil, from the week of March 23 to the week of April 13-18, 2020, varying according to the business unit and the COVID-19 situation at each location.

In 4Q20 the performance was positive compared with the same period of 2019, impacted in part by a suppressed demand in the first months of the years and in part by a recovery of the market. It is important to note that revenue from this market in the period was up 27.0% compared with 3Q20.

According to data from Anfavea and Adefa, the consolidated production of vehicle for Brazil and Argentina fell 29.9% for the full year 2020; therefore, the Company performed better than the market, with a fall of 19.6% in the same period.

Export market:

Exports were impacted mainly by the global pandemic of COVID-19 that initially hit our major export markets. The Company continues to track economic developments around the world as some countries are facing a new wave of COVID-19.

In 2020, the export market fell 3.9% compared to 2019, with negative impacts of volume/price of 18.6%, offset in part by exchange rate impacts of +14.7%.

In 4Q20, the export market grew 31.8% compared to 4Q19, with positive exchange rate impacts of 34.3%, offset in part by a volume/price fall of 2.5%. Please note that revenue from this market in the period was up 18.5% compared with 3Q20.

The table below presents exports in hard currency:

Exports by currency (in millions)	Jan-Dec 2020 (a)	Jan-Dec 2019 (b)	A.H. (%) (a/b)
Original equipment			
EUR	66.4	73.9	-10.1%
USD	103.3	152.5	-32.3%

Exports by currency (in millions)	Oct-Dec 2020 (a)	Oct-Dec 2019 (b)	A.H. (%) (a/b)
Original equipment			
EUR	18.8	16.9	11.2%
USD	30.8	34.4	-10.5%

6.3 Aftermarket sales

Domestic market:

The domestic aftermarket sales grew 10.6% in 2020 compared with 2019, with positive impacts of volume/price of 12.6% and exchange rate impacts of -2.0%. In 4Q20, we saw a growth of 42.1%, with a positive impact of volume/price increase of 44.5% and exchange rate impacts of -2.4%. Please note that, in both periods, the effects of exchange rate changes arise from the operations in Argentina (which were consolidated in our Domestic Aftermarket).

In 2020, domestic market sales were hit hard by the COVID-19 impacts on society and the economy as governments ordered the closure of businesses to slow the spread of coronavirus, causing supply chain disruptions. As a consequence, as from mid-March the market began to feel the effects of the pandemic and sales plummeted by a record amount in April and picked up slightly in May. In that period, the domestic market was also impacted by the fall in consumer confidence and consequently in consumer spending.

After the adverse effects of the COVID-19 pandemic at the start of the year, the Company has seen a recovery in this market since the second half of the year backed by increased demand.

Our positive performance in 4Q20 was driven by surging market demand and stock replenishment by distributors. 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.

Despite the difficulties mentioned above and the decline in demand, the Company has not experienced any late payment problems.

Export market:

For the full year 2020, the export market fell 5.4% compared with 2019, impacted by the COVID-19 pandemic and a slow recovery. Despite favorable exchange rates for exports with a positive impact of 23.1%, exports were adversely affected by a volume/price fall of 28.5%.

In 4Q20, the export market grew 2.7% compared with 4Q19, with the positive impact of the exchange rate changes of 32.3%, which was offset in part by a volume/price fall of 29.6%.

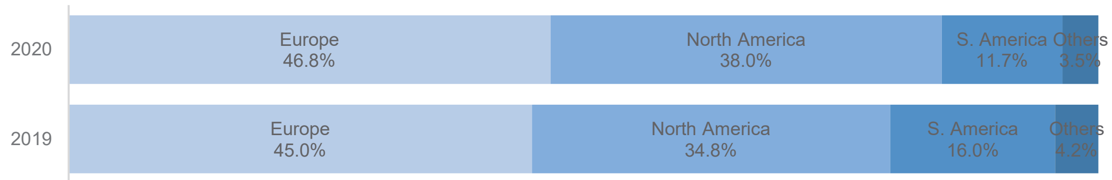
The table below shows Aftermarket exports in hard currency:

Exports by currency (in millions)	Jan-Dec 2020 (a)	Jan-Dec 2019 (b)	A.H. (%) (a/b)
Aftermarket			
EUR	1.7	1.3	30.8%
USD	34.2	48.1	-28.9%

Exports by currency (in millions)	Oct-Dec 2020 (a)	Oct-Dec 2019 (b)	A.H. (%) (a/b)
Aftermarket			
EUR	0.2	0.5	-60.0%
USD	8.8	11.1	-20.7%

6.4 Consolidated export by region

The graph below shows our exports by geographic region in 2020 and 2019:



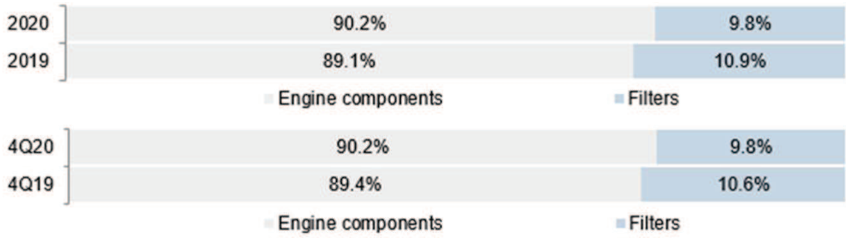
6.5 Net revenue by segment

In 2020, the engine component segment sales fell 3.7% and the filter segment dropped 14.3% compared with 2019. The fall in sales of both segments for the full year 2020 can be attributed principally to the COVID-19 pandemic.

In 4Q20, the engine component segment reported a 31.5% increase in sales and the filter segment registered a growth of 20.7% compared with the same period of 2019, driven by increased demand principally in the domestic aftermarket and original equipment market.

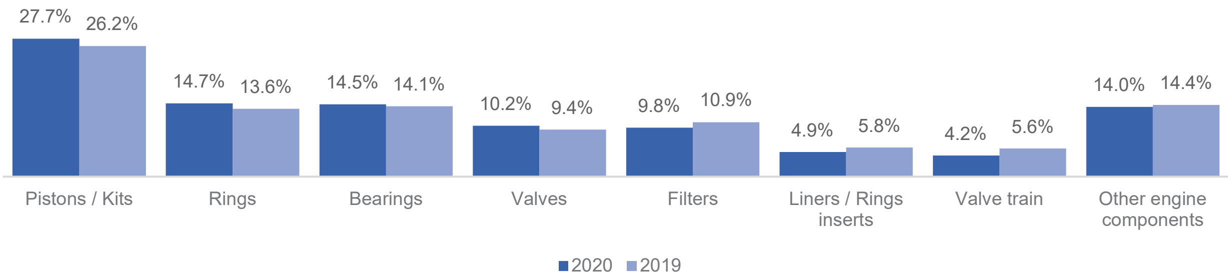
Net sales revenue by segment (in millions of R$)	2020 (a)	2019 (b)	A.H. (%) (a/b)	4Q20 (c)	4Q19 (d)	A.H. (%) (c/d)
Engine components	2,166.9	2,251.2	-3.7%	700.8	532.8	31.5%
Filters	235.7	275.0	-14.3%	75.9	62.9	20.7%
Total	**2,402.6**	**2,526.2**	**-4.9%**	**776.7**	**595.7**	**30.4%**

The graph below show the revenue share of each segment during the period under review:



6.6 Net revenue by product

The graph below shows the share of each product in total sales during the years:



6.7 Gross margin

The Company ended 2020 with a gross margin of 26.1% versus 25.3% in 2019. In 4Q20, gross margin was 29.6% versus 21.5% in 4Q19, as shown in the table below:

Summary P&L (R$ million)	2020 (a)	2019 (b)	H.A. (%) (a/b)	V.A. (%) (a)	V.A. (%) (b)	4Q20 (c)	4Q19 (d)	H.A. (%) (c/d)	V.A. (%) (c)	V.A. (%) (d)
Net sales revenue	**2,402.6**	**2,526.2**	**-4.9%**	**100.0%**	**100.0%**	**776.7**	**595.7**	**30.4%**	**100.0%**	**100.0%**
Cost of sales	(1,775.6)	(1,885.9)	-5.8%	-73.9%	-74.7%	(546.9)	(467.7)	16.9%	-70.4%	-78.5%
Gross profit	**627.0**	**640.3**	**-2.1%**	**26.1%**	**25.3%**	**229.8**	**128.0**	**79.5%**	**29.6%**	**21.5%**
Gross margin	26.1%	25.3%	0,8 p.p.			29.6%	21.5%	8,1 p.p.		

Please note that the fall in sales volume for the full year 2020 was due to the COVID-19 pandemic that caused tighter quarantine measures and the closure of our customers' plants. In light of the severity of the pandemic and unpredictable factors beyond our control, the Company implemented stringent sanitizing protocols and adopted collective and/or selective vacation at all units in Brazil, from the week of March 23 to the week of April 13-18, 2020, varying according to the business unit and the COVID-19 situation at each location.

As a result of this situation, there was a decline in plant capacity utilization at the end of the first quarter and during the second quarter of 2020. This decline was driven by lower production and the amount of R$ 59.5 million was charged to cost of sales.

The amount of R$ 36.2 million was also charged to cost of sales in 3Q20 for impairment of intangible assets of subsidiary MAHELE Argentina S.A. Excluding this event, gross margin would have been 27.6% in 2020 (25.3% in 2019).

However, in our segments, especially Aftermarket, the recovery has already started from the second half of the year, contributing positively to our gross margin to reaching pre-pandemic levels.

6.8 Selling, general and administrative expenses

Selling and distribution expenses in 4Q20 were impacted principally by freight expenses due to work resumption of companies and other small impacts such as foreign currency exposure of some expenses. For the full year 2020, in addition to the impacts noted for 4Q20, selling and distribution expenses were also impacted by the restructuring costs.

General and administrative expenses for the full year 2020 were impacted principally by the organizational restructuring which occurred at the beginning of the year. For 4Q20, general and administrative expenses were impacted principally by changes in maintenance, materials, and utilities expenses.

Summary P&L (R$ million)	2020 (a)	2019 (b)	H.A. (%) (a/b)	V.A. (%) (a)	V.A. (%) (b)	4Q20 (c)	4Q19 (d)	H.A. (%) (c/d)	V.A. (%) (c)	V.A. (%) (d)
Net sales revenue	**2,402.6**	**2,526.2**	**-4.9%**	**100.0%**	**100.0%**	**776.7**	**595.7**	**30.4%**	**100.0%**	**100.0%**
Selling and distribution expenses	(165.9)	(166.9)	-0.6%	-6.9%	-6.6%	(47.0)	(44.6)	5.4%	-6.1%	-7.5%
General and administrative expenses	(95.4)	(85.7)	11.3%	-4.0%	-3.4%	(26.5)	(24.4)	8.6%	-3.4%	-4.1%
SG&A expenses	**(261.3)**	**(252.6)**	**3.4%**	**10.9%**	**10.0%**	**(73.5)**	**(69.0)**	**6.5%**	**9.5%**	**11.6%**

6.9 Research and development expenses

The decrease in technology and development expenses in 2020 compared with 2019, as shown in the table below, was due to the COVID-19 pandemic as during the quarantine the R&D activities have been temporarily suspended or delayed.

It is worth mentioning that the Company believes that it is of utmost importance to continue to invest in R&D and that the focus on technological innovations involving developments in partnership with customers and patent registration and launch of new products in the market are among our key competitive advantages.

Summary P&L (R$ million)	2020 (a)	2019 (b)	H.A. (%) (a/b)	V.A. (%) (a)	V.A. (%) (b)	4Q20 (c)	4Q19 (d)	H.A. (%) (c/d)	V.A. (%) (c)	V.A. (%) (d)
Net sales revenue	**2,402.6**	**2,526.2**	**-4.9%**	**100.0%**	**100.0%**	**776.7**	**595.7**	**30.4%**	**100.0%**	**100.0%**
Technology and product development expenses	(64.1)	(83.7)	-23.4%	-2.7%	-3.3%	(20.8)	(20.7)	0.5%	-2.7%	-3.5%

6.10 Other operating income (expenses), net

This account records a net expense of R$ 148.0 million for the full year 2020 versus a net expense of R$ 6.8 million in 2019. In 4Q20, the Company recorded a net expense of R$ 41.2 million versus R$ 2.2 million in 4Q19, as shown in the table below:

Other operating income (expenses), net (in millions of R$)	2020 (c)	2019 (d)	Change (c-d)	4Q20 (a)	4Q19 (b)	Change (a-b)
Export expenses (Argentina)	(8.1)	(12.5)	4.4	(1.7)	(1.8)	0.1
Reversal of compulsory loan	4.3	-	4.3	-	-	-
Provision for/reversal of loss on products	1.8	(1.8)	3.6	1.8	(2.1)	3.9
Provision for/reversal of environmental liability	(2.5)	(5.2)	2.7	(2.5)	(1.0)	(1.5)
Electric power	1.3	1.0	0.3	0.1	0.2	(0.1)
Recovered taxes (Reintegra)	0.7	0.7	(0.0)	0.2	0.1	0.1
Obsolescence provision/reversal	(1.4)	(0.1)	(1.3)	(1.5)	0.1	(1.6)
Restructuring provision/reversal	(1.3)	-	(1.3)	(1.3)	-	(1.3)
Gain (loss) on disposal of assets/other	0.4	2.1	(1.7)	(1.3)	2.1	(3.4)
[2] Provision for/reversal of labor, civil and tax lawsuits	(65.1)	10.7	(75.8)	(32.3)	2.6	(34.9)
[1] Provision for impairment of intangible assets	(74.4)	-	(74.4)	-	-	-
Other income (expenses)	(3.7)	(1.7)	(2.0)	(2.7)	(2.4)	(0.3)
Total other operating income (expenses), net	**(148.0)**	**(6.8)**	**(141.2)**	**(41.2)**	**(2.2)**	**(39.0)**

[1] Non-recurring expenses from impairment losses on intangible assets of Project MBE2 (Project discontinuation) – with impact of R$ 45.1 million; and impairment losses on intangible assets of subsidiary MAHLE Argentina S.A. – with impact of R$ 29.2 million.

² Negative variance in "Provision for/reversal of labor, civil and tax lawsuits" related principally to labor claims, was mainly due to the following: (i) decrease in reversals because courts reduced their activities at the beginning of March 2020 during the pandemic; (ii) reversals for the prior period used for comparison were above the Company's historical average.

6.11 Operating result measured by EBITDA and adjusted EBITDA

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

Changes for the full year	Amount	Margin
EBITDA 2019	**440.8**	**17.4%**
Gross profit	-13.3	
Selling and distribution expenses	1.0	
General and administrative expenses	-9.7	
Research and development expenses	19.6	
¹ Other operating income (expenses)	-141.2	
Share of profit of equity-accounted investees	0.1	
Gains (losses) on inflation adjustment	-8.3	
Depreciation	7.2	
EBITDA 2020	**296.2**	**12.3%**
Impairment of subsidiary MAHLE Argentina	29.2	
² Impairment of intangible assets of Project MBE2	45.1	
² Impairment of inventories and Sundry expenses of Project MBE2	41.9	
Adjusted EBITDA 2020	**412.4**	**17.2%**

Changes for the quarter	Amount	Margin
EBITDA 4Q19	**76.6**	**12.9%**
Gross profit	101.8	
Selling and distribution expenses	-2.4	
General and administrative expenses	-2.1	
Research and development expenses	-0.1	
¹ Other operating income (expenses)	-39.0	
Share of profit of equity-accounted investees	0.1	
Gains (losses) on inflation adjustment	-2.7	
Depreciation	-0.8	
EBITDA 4Q20	**131.4**	**16.9%**
Impairment of subsidiary MAHLE Argentina	-	
² Impairment of intangible assets of Project MBE2	-	
² Impairment of inventories and Sundry expenses of Project MBE2	5.7	
Adjusted EBITDA 2020	**137.1**	**17.7%**

¹ Additional information is presented in item 6.10 in this report;
² Additional information is presented in Notes 12 and 18 to the Financial Statements as of and for the year ended December 31, 2020.

6.12 Net finance costs

The Company recorded net finance costs of R$ 86.0 million for the full year 2020 versus R$ 41.4 million in 2019, a change of R$ 44.6 million year over year. In 4Q20, the Company recorded net finance costs of R$ 12.4 million versus R$ 12.6 million for the same period of 2019, a change of R$ 0.2 million year over year.

Net finance costs (in millions of R$)	2020 (a)	2019 (b)	Change (a - b)	4Q20 (c)	4Q19 (d)	Change (c - d)
Interest income on financial investments	15.4	5.1	10.3	6.8	1.8	5.0
Interest expense on loans and borrowings	(25.7)	(14.9)	(10.8)	(7.4)	(4.2)	(3.2)
Other interest expenses	(0.4)	(0.5)	0.1	(0.1)	(2.3)	2.2
Net interest expense (i)	(10.6)	(10.3)	(0.3)	(0.7)	(4.7)	4.0
1. Exchange rate changes: Accounts receivable/accounts payable (1.1. + 1.2.)	28.6	8.4	20.2	(9.3)	(2.2)	(7.1)
1.1. Exchange rate changes	55.3	9.4	45.9	(11.3)	(5.4)	(5.9)
1.2. Foreign exchange hedge	(26.7)	(1.0)	(25.7)	2.1	3.2	(1.1)
2. Effects of exchange rate changes on advances on foreign Exchange contracts (ACC)	(68.9)	(7.1)	(61.8)	9.7	0.1	9.6
3. Other	(4.9)	(1.9)	3.0	(4.4)	0.0	(4.4)
Net exchange rate changes and loss on derivatives (ii) - (1+2+3)	(45.2)	(0.6)	(44.6)	(3.9)	(2.1)	(1.8)
Net monetary variation	(24.8)	(27.6)	2.8	(6.1)	(5.5)	(0.6)
Other	(5.4)	(2.9)	(2.5)	(1.6)	(0.4)	(1.2)
Net monetary variation + Other (iii)	(30.2)	(30.5)	0.3	(7.7)	(5.9)	(1.8)
Net finance costs (i + ii + iii)	**(86.0)**	**(41.4)**	**(44.6)**	**(12.4)**	**(12.6)**	**0.2**

Net interest expense (i):

The positive variance of R$ 10.3 million in “Interest income on financial investments” from 2019 to 2020 was due to the increase in the average amount of financial investments to R$ 384.1 million in 2020 from R$ 112.1 million in 2019, while there was a reduction in the average rates of interest to 3.5% p.a. in 2020 from 5.5% p.a. in 2019. When this same analysis is made for the fourth quarter of 2020 compared with the fourth quarter of 2019, the positive variance of R$ 5.0 million in “Interest income on financial investments” is the result of the increase in the average amount of financial investments to R$ 491.0 million in 4Q20 from R$ 155.2 million in 4Q19, offset by a reduction in the interest rates to 3.8% p.a. in 4Q20 from 4.8% p.a. in 4Q19 (considering the consolidation of Brazil and Argentina). In both periods, the reduction in interest rates followed the cut in Brazil’s basic interest rate (SELIC).

The negative variation of R$ 10.8 million in “Interest expenses on loans and borrowings” from 2019 to 2020 was due to the increase in the average levels of borrowings to R$ 590.2 million in 2020 from R$ 382.8 million in 2019, coupled with a change in the weighted average cost to 4.1% p.a. in 2020 from 4.3% p.a. in 2019. When this analysis is made for fourth quarter of 2020 compared with the fourth quarter of 2019, the negative variance of R$ 3.2 million was due to the increase in the average levels of borrowings to R$ 568.3 million in 4Q20 from R$ 401.2 million in 4Q19, and a change in the weighted average cost to 4.3% p.a. in 4Q20 from 4.6% p.a. in 4Q19.

The increase in interest expenses on loans and borrowings was mainly due to new borrowings in March 2020 to support cash flow needs during the COVID-19 pandemic.

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

Averages	2020 (a)	2019 (b)	Change (a - b)	4Q20 (c)	4Q19 (d)	Change (c - d)
Investment interest rates	3.5%	5.5%	-2 p.p.	3.8%	4.8%	-1 p.p.
Cost of debt	4.1%	4.3%	-0.2 p.p.	4.3%	4.6%	-0.3 p.p.
Investments (in millions of R$)	384.1	112.1	242.6%	491.0	155.2	216.4%
Debt (in millions of R$)	(590.2)	(382.8)	54.2%	(568.3)	(401.2)	41.7%

The Company’s average debt increased 54.2% from 2019 to 2020 due to new borrowings such as 4131/Bank Credit Note (working capital loan with floating rates of CDI + annual fixed cost). The increase in average debt levels is primarily attributable to cash conservation measures to respond to the challenges of COVID-19.

Net exchange rate changes and loss on derivatives (ii):

It is worth mentioning that these two line items “Net exchange rate changes” 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 is presented in Note 34 to the Financial Statements for the year ended December 31, 2020.

Net monetary variation + Other (iii):

The positive variance year over year was due to the inflation-adjustment to the provisions for labor and tax lawsuits and judicial deposits.

6.13 Income tax and social contribution

The Company recorded a credit of R$ 14.6 million for income tax and social contribution on profit at December 31, 2020 in the consolidated financial statements (expense of R$ 48.2 million at December 31, 2019) as detailed below:

- Current tax: expense of R$ 38.2 million generated principally by the parent company and subsidiary MAHLE Argentina S/A;
- Deferred tax: credit of R$ 52.8 million with no impact on cash, comprising mainly changes in provisions.

Additional information is presented in Note 15 to the Financial Statements as of and for the year ended December 31, 2020.

6.14 Net profit and adjusted net profit

The following table shows the movement in profit attributable to owners of the Company and adjusted profit attributable to owners of the Company, reflecting the impact of the impairment of the goodwill of subsidiary MAHLE Argentina S.A. and the impact of the discontinuation of Project MBE2:

Summary of profit and loss accounts (in millions of R$)	2020 (a)	2019 (b)	4Q20 (c)	4Q19 (d)	HA (%) (a/b)	HA (%) (c/d)
Profit attributable to owners of the Company	**124.5**	**259.0**	**100.8**	**66.2**	**-51.9%**	**52.3%**
Impairment of subsidiary MAHLE Argentina S.A.	29.2	-	-	-		
Impairment of intangible assets of Project MBE2	45.1	-	-	-		
Impairment of inventories and Sundry expenses of Project MBE2	41.9	-	5.7	-		
Income tax and social contribution (impairment of subsidiary MAHLE Argentina S.A.)	-	-	-	-		
Income tax and social contribution (impairment of Project MBE2)	(36.8)	-	(1.9)	-		
Adjusted profit attributable to owners of the Company	**203.9**	**259.0**	**104.6**	**66.2**	**-21.3%**	**58.1%**
Net margin attributable to owners of the Company	5.2%	10.3%	13.0%	11.1%	-5.1 p.p.	1.9 p.p.
Adjusted net margin attributable to owners of the Company	8.5%	10.3%	13.5%	11.1%	-1.8 p.p.	2.4 p.p.

Additional information on earnings (loss) per share is presented in Note 27 to the Financial Statements for the year ended December 31, 2020.

6.15 Capital expenditures

The table below shows capital expenditures and total accumulated depreciation for the fourth quarters and full years 2020 and 2019:

Capex & Depreciation (in millions of R$)	2020	2019	4Q20	4Q19
Capex	68.6	99.8	51.1	43.0
Total depreciation	103.3	96.6	25.1	26.1
Capex	**2020**	**2019**	**4Q20**	**4Q19**
% of net sales revenue	2.9%	4.0%	6.6%	7.2%
% of depreciation	66.4%	103.3%	203.6%	164.8%
Net sales revenue	**2,402.6**	**2,526.2**	**776.7**	**595.7**

In 2020, 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.

It is worth noting that the Company has decreased its capital investments in the period due to the COVID-19 pandemic.

6.16 Net debt

The Company's net debt was R$ 133.2 million (asset position) at the end of 2020 and R$ 188.3 million (liability position) at the end of 2019, as shown below:

Net debt (in millions of R$)	12/31/2020 (a)	12/31/2019 (b)	Change (a-b)	% Debt (a)	% Debt (b)
Cash / banks / financial investments / loans (i):	685.5	205.8	479.7		
Loans and borrowings (ii):	(552.3)	(394.1)	(158.2)	100%	100%
Short-term	(402.4)	(213.9)	(188.5)	73%	54%
Long-term	(149.9)	(180.2)	30.3	27%	46%
Net debt (i - ii):	**133.2**	**(188.3)**	**155.3**		

EBITDA	296.2	440.8
Adjusted EBITDA	412.4	440.8
Net debt/EBITDA ratio	(0.45)	0.43
Net debt/adjusted EBITDA ratio	(0.32)	0.43

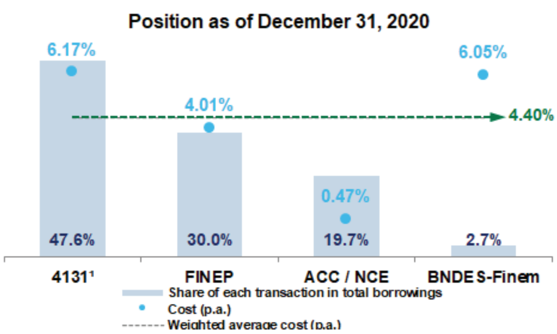
The Company continuously monitors liquidity risk by managing cash, financial investments and bank loans, and has deferred payment of dividends initially scheduled for May 2020 to create a special reserve in order to protect liquidity and strengthen cash position. The Company also has pre-approved lines of credits that can be drawn upon as needed.

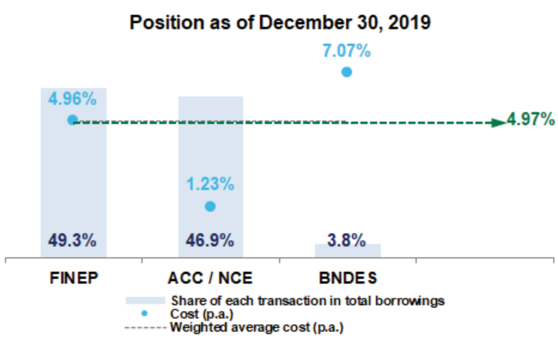
The charts below show the maturities of the liabilities classified into short-term and long-term at the end of 2020, which represents 75% and 25%, respectively, of the debt displayed in the table above:

Short-term	Composition											
	Jan/21	Feb/21	Mar/21	Apr/21	May/21	Jun/21	Jul/21	Aug/21	Sep/21	Oct/21	Nov/21	Dec/21
402.4	29.3	21.5	265.1	2.4	65.9	2.5	2.5	2.5	2.5	2.5	2.5	3.2

Long-term	Composition								
	2022	2023	2024	2025	2026	2027	2028	2029	2030
149.9	38.5	38.5	14.9	10.2	10.2	10.2	10.2	8.9	8.3

The following chart shows our borrowings by type of facility and respective cost and weighted average cost:





¹ Foreign currency loans with currency swap to Brazilian real.

6.17 Distribution of interest on capital to shareholders

In 2020, the Board of Directors approved the distribution of R$ 70.6 million in interest on capital (gross), which will be submitted to the Ordinary General Meeting for approval on April 29, 2021, as shown below:

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$)
12/28/2020	12/28/2020	1/5/2021	5/28/2021	Interest on capital	1/1/2020 to 12/31/2020	2020	70.6	0.5504020486	0.4678417413
					Interest on capital		**70.6**	**0.5504020486**	**0.4678417413**

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

In the fulfillment of the duty of diligence set forth in article 153 of the Brazilian Corporate Law and sensitive to the potential impacts of COVID-19 on the Brazilian and global economies, which are unprecedented in world history, Management emphasized the need to preserve the Company's cash resources in order to have a cushion to ride out the effects of the COVID-19 pandemic, the extent of which was and still is not possible to estimate, and to keep our business operating smoothly and to meet legal and contractual obligations previously assumed by the Company.

The balance of retained earnings at December 31, 2019 was recorded as a proposal for distribution of additional dividends according to the terms of paragraph 6 of article 202 of the Brazilian Corporation Law. On May 29, 2020, the Ordinary General Meeting of the Company discussed and approved the retention of its previously proposed additional dividends of R$ 175.6 million.

The portion of retained earnings was transferred to a special reserve and will be distributed at an opportune time. The Company aims to preserve cash to weather the world crisis and to meet all its legal and contractual obligations.

7. Coronavirus (COVID-19)

Since March 2020, the Company has taken measures to minimize risks related to the spread of coronavirus. We have worked hard to protect the health of our employees – which remains our number one priority. We have implemented a comprehensive set of measures such as - we allocated shift teams to reduce social interaction and put the highest standards of hygiene in place in compliance with local requirements.

We have created a COVID-19 communication plan, procedures, guidance and rules and have made appropriate work arrangements and established a work-from-home policy for our employees, and safety measures for interactions with suppliers, service providers and customers.

Coronavirus posters and signs were placed in the workplace or videos and e-mails were sent directly to the employees to educate them on best practices to adopt, along with the efforts we are taking to protect them. Signs and markers were placed in the manufacturing areas to establish safe distancing. The communication plan also provides guidance on private charter bus, restaurant and other common areas.

The Company has created a handbook to educate employees on best preventive measures and safety precautions that may help to reduce the risk of contracting the coronavirus or spreading it in the workplace. This information was widely disseminated and is a guide for Company employees. The handbook also recommends self-care practices such as hand washing, physical distancing from co-workers and visitors and self-isolation.

Concerned with the health of its employees and society, MAHLE has joined the efforts to fight to the COVID-19 pandemic. Initially, the filter factory in Mogi Guaçu formed a task force to develop a production line for face masks using available resources. The masks produced were sent to the cities of Mogi Guaçu, Itajubá and Limeira for supply to health care workers and wider community.

The Company's facilities in Mogi Guaçu, Itajubá and Limeira donated medical supplies to the local hospitals to help combat coronavirus pandemic. The medical supplies include mechanical ventilators, vital signs monitors, disposable face masks and masks with filter, gloves, oximeters, etc. according to the needs of the hospitals. At a later stage, the Company donated disposable face masks to the local hospitals in Itajubá, Limeira and São João da Boa Vista and to the Social Promotion Department of the city of Mogi Guaçu.

As a consequence of this initiative, at the Extraordinary General Meeting held on September 25, 2020, the shareholders approved an amendment to article 2 of the Bylaws of the Company to broaden the scope of the Company's operations to manufacturing and marketing of face masks.

The Company expanded its health service offerings during this unsettling time to include online health care services to support employees and their families.

The Company has taken preventive measures in line with the guidance from the World Health Organization (WHO) and local authorities to ensure a safe and gradual return of employees to work. In an effort to help understand such measures, the Company has created a handbook, as mentioned above, containing all preventive measures and instructions and advice about how to handle issues concerning the health and safety of employees and those involved in the Company's internal processes, and has implemented controlling access to its buildings to contain and mitigate the spread of COVID-19 in the workplace.

The Company let back-office personnel, who can do their jobs remotely, to work from home.

The Company will continue to evaluate other ways to support the community using existing available resources and its technological experience to help fight COVID-19.

8. Investor Relations and Capital Market

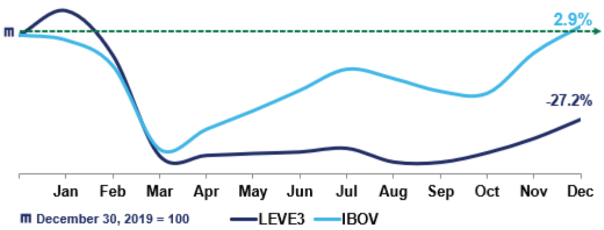
During 2020, our Investor Relations team stayed connected to investors and the general market whilst working remotely due to social distancing measures in response to the COVID-19 pandemic.

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. Unfortunately, in-person meetings, conferences and site visits were canceled and 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 Stock performance and free float turnover

The graphs below show the market performance of **LEVE3** stock and **Ibovespa**[1] during 2020, and Average Daily Trading Volume (ADTV) and the ratio of average turnover to free-float market capitalization:

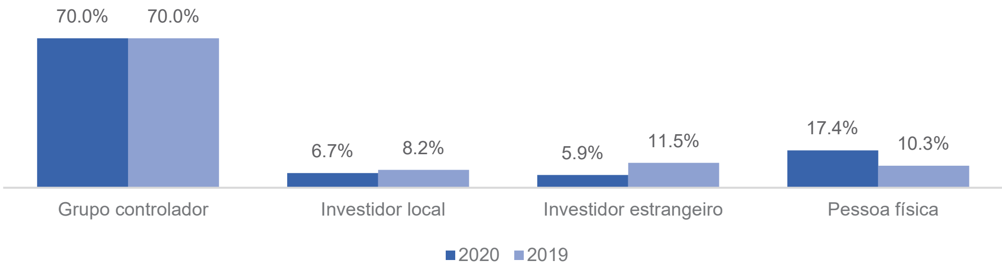


[1] IBOVESPA is a major stock market index which tracks the performance of the most liquid stocks traded on Brazil's Stock Exchange B3 - Brasil, Bolsa, Balcão.

Average Daily Trading Volume and Turnover Rate				
Period	1Q20	2Q20	3Q20	4Q20
Neg. volume (in millions of R$)	10.6	8.7	8.8	7.0
Turnover (%)	1.00%	1.27%	1.27%	0.95%

7.2 Shareholder structure

At the end of 2020 and 2019, the Company's existing shareholder base and free float are as follows:



The following table shows the classification of shareholders by number of shares:

Month	Dec 2019	Jan 2020	Feb 2020	Mar 2020	Apr 2020	May 2020	Jun 2020	Jul 2020	Aug 2020	Sep 2020	Oct 2020	Nov 2020	Dec 2020
Controlling group	2	2	2	2	2	2	2	2	2	2	2	2	2
1 share	1,313	1,482	1,550	1,691	1,685	1,847	1,864	1,998	2,083	2,105	2,056	1,986	1,976
2-10 shares	7,183	7,864	8,173	9,262	9,297	10,431	10,813	11,367	11,433	11,320	11,109	10,619	10,646
11-50 shares	10,386	11,210	11,796	14,025	14,272	16,267	16,984	18,171	18,569	18,515	18,146	17,496	17,542
51-500 shares	20,871	21,916	22,618	27,404	27,964	33,062	34,716	37,813	39,225	39,687	39,319	38,117	38,510
501-5000 shares	4,033	4,103	4,032	5,065	5,219	6,088	6,377	7,469	7,315	7,639	7,533	7,439	7,544
5,001-200,000 shares	366	342	343	374	370	432	423	439	438	487	448	454	451
More than 200,001 shares	33	36	36	34	33	26	27	21	22	20	24	23	19
Total shareholders	**44,187**	**46,955**	**48,550**	**57,857**	**58,842**	**68,155**	**71,206**	**77,280**	**79,087**	**79,775**	**78,637**	**76,136**	**76,690**

At the end of 2020, investors based in seven countries accounted for 99.3% of the free float, and the remaining countries from the Company's shareholder base do not represent individually more than 0.3%.

The graph below shows the shareholder structure of the free float at the end of 2020 and 2019:

Countries							
Dec 2020	80.4%	15.7%	1.0%	0.9%	0.5%	0.4%	0.3%
Dec 2019	61.6%	16.9%	1.1%	4.5%	0.9%	0.5%	5.0%

9. 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.

10. Corporate Governance

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

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

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

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

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

In addition, the Company has a risk management policy that was approved by the Board of Directors on March 16, 2016. This policy is intended to provide a risk management framework and establish 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.

Furthermore, the Board of Directors approved on January 22, 2019 its revised Related-Party Transactions Policy (old version was dated July 31, 2017), including Appendix 1 - Specific Procedures for Resources, Services and Duties, and, on May 21, 2019, 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.

The Company started to take the needed steps to reach compliance with the new Novo Mercado Regulation of January 2, 2018 by the set deadline of March 2022.

11. Excellence and Technological Innovation

MAHLE has had an active role in the Brazilian innovation ecosystem, mainly because we understand that the business diversification and the expansion of our product portfolio is imperative for us to remain competitive. Knowing that innovation not always originates from the company has led us to develop competencies to collaborate with other players. Our innovation process seeks involvement from a wide range of customers, suppliers, universities and institutes. We have collaborative innovation projects at different stages to always be at the forefront of innovative technologies to solve mobility challenges.

Changes in legislation and tax incentives for investments in R&D for the automotive industry established by the ROTA 2030 Program – which was signed at the end of 2018 and which, among other things, calls for automakers to improve the fuel efficiency in passenger cars, sport utility vehicles (SUVs) and light commercial vehicles sold in Brazil – offer many more opportunities for MAHLE to develop technologies that are more efficient and more environmentally friendly than before. Brazil's vocation to offer biofuel solutions has put Brazil and the Company at the forefront of this move and our R&D team has solid experience in developing solutions that better fit with this reality.

In 2020, the COVID-19 pandemic has exposed several challenges for the automotive sector and this new scenario required quick responses and actions from the Company to reduce the impacts on its business, e.g. the automotive filter plant in Mogi Guaçu was able to adapt its manufacturing line to produce face masks. In addition, in anticipation of the recovery of the sector, the Technology Center in Jundiai is prepared for engine certifications to meet the requirements of the future stage of PROCONVE P-8 (motor vehicle emission control program).

This year, twenty-three patents were assigned to MAHLE for various products, including piston rings, air filters, bearings, fuel heating assembly and valves.

12. Human Resources

The Human Resources function has gone through substantial changes over the last years, shifting the focus from bureaucratic processes such as personnel management and determining wages and payroll charges. The purpose and role of HR have broken the barriers of traditional thinking and have captured the attention of not only HR professionals but also colleagues from other areas, business partners and leaders to a new approach which puts the human element at the center of the initiatives and the human capital as an essential part of the business strategy.

To put this approach into practice – which is not new or pioneering but poses great challenges of dealing with the individuality of the human being – various initiatives are being planned and implemented to encourage team spirit in our Company and encourage employees to take a more active role in every opportunity to create innovation. In this way we seek to support the business units in managing the organizational and structural changes.

Diversity and communication across business units are vital to our success. 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 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 organization with professionals connected via corporate network to standardize our recruitment processes and 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.

Our HR strategy is also supported by a new HR operating model that is designed to strengthen the HR organization by standardizing and automating processes, systems and structures. This translates into cost savings within the HR department and HR's contribution to the business performance. The HR and IT teams are working together on the implementation of a global HR system.

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 our industry.

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

In this way, we strengthen knowledge and diversity by acting as change agents outside of our organization to build an environment that is more productive and competitive in our organization and better for society.

At December 31, 2020, MAHLE Metal Leve S.A. and its subsidiaries employed 6,818 people.

13. 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 use of occupational accident and health data and 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. Moreover, our units have been audited and certified in accordance with international standards OHSAS 18001 (Health & Safety) and ISO 14001 (Environment).

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

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 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 2020, the pandemic created a new reality and MAHLE, as well as the whole world, had to adapt to this new reality. Relying on our capacity to transform and act with care for our employees and stakeholders, we have implemented numerous 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. Furthermore, specific audits were created and are performed on a periodic basis to assess compliance with procedures and requirements. 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.

14. Independent Auditors

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

During the financial year 2020, 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.

15. Executive Board's Declaration

In compliance with the provisions of CVM Instruction 480, the Executive Board hereby declares that it has discussed, reviewed and agrees with the financial statements for the year ended December 31, 2020 and the opinions expressed in the independent auditor's report.

16. Acknowledgments

We would like to thank our employees, shareholders, customers and suppliers for their continued support and trust in our Company in 2020.

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, 2020, the individual and consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, including 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, 2020, and of its individual and consolidated financial performance and its 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"), 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.

KPMG Auditores Independentes, uma sociedade simples brasileira e firma-membro da rede KPMG de firmas-membro independentes e afiliadas à KPMG International Cooperative ("KPMG International"), uma entidade suíça.

KPMG Auditores Independentes, a Brazilian entity and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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.f and 18 of the individual and consolidated financial statements.

Key audit matter	How the matter was addressed in the audit
The Company recognised goodwill arising from the merger of Mahle Anéis, a business unit belonging to Mahle Metal Leve S.A., whose recoverability is supported by estimates of future profitability based on the business plan prepared by the Company. The Company annually analyzes the impairment of goodwill, using the discounted cash flow method, based on certain assumptions, such as the discount rate, volume and sales price, and expenses for the periods of continuity of operations. Due to the degree of judgment involved and the impact that any changes in the assumptions might have on the value of that asset in the individual and consolidated financial statements, we consider this matter to be significant in our audit work.	We obtained the understanding on the design of the key internal controls related to the preparation and review of the business plan, budgets and analysis of the recoverable value (impairment) by the Company. We evaluated the reasonableness of the determination of CGUs (Cash Generating Units) and the methodology used to perform the impairment test. With the assistance of our corporate finance specialists, we evaluated the reasonableness of the key assumptions, technical data and consistency with valuation practices commonly used in the market to quantify the value in use of the CGUs of the Company and compare the sum of discounted cash flows (value in use) with the amount recorded in the intangible asset, related to the goodwill, to determine the recoverable amount, as well as evaluating the sensitivity analysis of the calculations made by the Company. Additionally, we evaluate whether the disclosures in the individual and consolidated financial statements consider the information relevant to the assumptions and judgments used in the goodwill impairment test. Based on the evidence obtained through the procedures summarized above, we consider that the recoverable value of goodwill, as well as the related disclosures, are acceptable in the context of the individual and consolidated financial statements for the year ended December 31, 2020 taken as a whole.

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Other Matters

Statements of value added

The individual and consolidated financial statements of value added (DVA) for the year ended December 31, 2020, 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 that comprises the Management report.

Our opinion on the individual and consolidated financial statements does not cover the other information and we do 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 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 and 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 ISAs 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.

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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 and its subsidiaries 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 and its subsidiaries 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.

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 10, 2021

KPMG Auditores Independentes
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, 2020

(A free translation of the original in Portuguese)

MAHLE Metal Leve S.A.

Financial statements

at December 31, 2020

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SUMMARY OF EXPLANATORY NOTES

MAHLE Metal Leve S.A.

Balance sheet
at December 31, 2020 and 2019

All amounts in thousands of reais *(A free translation of the original in Portuguese)*

		Parent company		Consolidated	
Assets	**Note**	**2020**	**2019**	**2020**	**2019**
Cash and cash equivalents	10	557,868	158,554	607,835	168,781
Trade accounts receivables and other accounts receivables	11/14	371,835	323,262	465,116	394,305
Inventories	12	267,329	288,796	368,888	396,109
Taxes recoverable	13	44,270	36,243	52,062	45,894
Income tax and social contribution recoverable	13	40,304	48,498	52,687	60,206
Dividends and interest on capital receivable	14	66,134	50,521	-	-
Unrealized gains on derivative financial instruments	36	5,462	7,801	8,430	7,930
Other assets		17,960	18,429	23,980	23,568
Total current assets		**1,371,162**	**932,104**	**1,578,998**	**1,096,793**
Taxes recoverable	13	10,561	11,696	17,798	17,160
Loans to related parties	14	29,029	25,812	77,671	37,030
Deferred income tax and social contribution	15.b	61,573	1,377	62,098	1,840
Other assets		26,310	31,427	32,206	40,816
Total long-term assets		**127,473**	**70,312**	**189,773**	**96,846**
Investments in subsidiaries	16	233,944	197,923	208	345
Property, plant and equipment	17	555,599	585,429	621,903	641,112
Rights-of-use assets	17	11,737	20,080	13,710	22,956
Intangible assets	18	391,891	442,058	391,991	469,599
		1,193,171	**1,245,490**	**1,027,812**	**1,134,012**
Total non-current assets		**1,320,644**	**1,315,802**	**1,217,585**	**1,230,858**
Total assets		**2,691,806**	**2,247,906**	**2,796,583**	**2,327,651**

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

MAHLE Metal Leve S.A.

Balance sheet
at December 31, 2020 and 2019

All amounts in thousands of reais *(A free translation of the original in Portuguese)*

		Parent company		Consolidated	
Liabilities	**Note**	**2020**	**2019**	**2020**	**2019**
Dividends and interest on capital payable	14	60,754	11,139	60,754	11,139
Trade and related-party payables	14/19	234,782	121,911	290,003	149,508
Taxes and contributions payable	20	38,136	34,286	40,904	37,730
Income tax and social contribution payable	20	-	-	23,932	14,926
Borrowings	21.a	402,439	201,665	402,439	213,943
Lease liabilities	21.b	7,405	7,471	9,298	8,757
Salaries, vacation pay and social charges	22	56,087	62,321	64,390	67,592
Sundry provisions	23	34,295	32,591	37,334	34,892
Provisions for warranties	24	8,019	8,599	10,452	10,698
Unrealized losses on derivative financial instruments	36	24,403	2,787	24,403	2,787
Other liabilities		49,817	33,280	52,927	35,130
Total current liabilities		**916,137**	**516,050**	**1,016,836**	**587,102**
Deferred income tax and social contribution	15.b	-	-	1,282	3,106
Provision for loss on investees	16	-	85	-	-
Borrowings	21.a	149,930	180,217	149,930	180,217
Lease liabilities	21.b	5,798	14,305	6,303	16,161
Provisions for contingencies and judicial deposits linked to judicial proceedings	25	266,387	224,892	274,590	235,303
Other liabilities		5,598	8,803	5,655	8,808
Total non-current liabilities		**427,713**	**428,302**	**437,760**	**443,595**
Total liabilities		**1,343,850**	**944,352**	**1,454,596**	**1,030,697**
Equity	26				
Share capital		966,255	966,255	966,255	966,255
Revenue reserves		314,251	308,024	314,251	308,024
Special reserve		175,572	-	175,572	-
Other comprehensive income		(156,703)	(146,297)	(156,703)	(146,297)
Proposed additional dividends		48,581	175,572	48,581	175,572
Equity attributable to the owners of the parent		**1,347,956**	**1,303,554**	**1,347,956**	**1,303,554**
Non-controlling interests		-	-	(5,969)	(6,600)
Total equity		**1,347,956**	**1,303,554**	**1,341,987**	**1,296,954**
Total liabilities and equity		**2,691,806**	**2,247,906**	**2,796,583**	**2,327,651**

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

MAHLE Metal Leve S.A.

Statement of income
Years ended December 31, 2020 and 2019

All amounts in thousands of reais *(A free translation of the original in Portuguese)*

	Note	Parent company		Consolidated	
		2020	**2019**	**2020**	**2019**
Net revenue	29	1,906,388	2,077,175	2,402,578	2,526,238
Cost of sales	30	(1,485,433)	(1,609,294)	(1,775,649)	(1,885,882)
Gross profit		**420,955**	**467,881**	**626,929**	**640,356**
Selling and distribution expenses	31	(128,381)	(125,524)	(166,697)	(165,294)
General and administrative expenses	32	(85,259)	(76,527)	(95,383)	(85,734)
Technology and product development costs	33	(55,238)	(76,072)	(64,089)	(83,707)
Impairment of trade receivables	11	1,567	(1,053)	856	(1,605)
Other income (expenses), net	35	(127,005)	9,401	(147,929)	(6,844)
Gain on monetary items, net	39	48,078	58,481	40,053	48,436
Profit before finance income (costs) and taxation		**74,717**	**256,587**	**193,740**	**345,608**
Finance income	34	150,994	65,779	216,253	115,877
Finance costs	34	(235,349)	(93,578)	(302,236)	(157,250)
Finance income (costs), net		**(84,355)**	**(27,799)**	**(85,983)**	**(41,373)**
Equity in the results of investees	16	**91,908**	**58,671**	**(137)**	**(167)**
Profit (loss) before taxation		**82,270**	**287,459**	**107,620**	**304,068**
Current income tax and social contribution	15.a	(10,286)	(20,478)	(38,257)	(38,565)
Deferred income tax and social contribution	15.b	52,543	(7,949)	52,855	(9,652)
Income tax and social contribution		**42,257**	**(28,427)**	**14,598**	**(48,217)**
Profit for the year		**124,527**	**259,032**	**122,218**	**255,851**
Profit attributable to:	27				
Owners of the parent					
Non-controlling interests					
Profit for the year					
Basic and diluted earnings per share (in reais)		**0.9705**	**2.0188**	**0.9705**	**2.0188**

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

MAHLE Metal Leve S.A.

Statement of comprehensive income
Years ended December 31, 2020 and 2019

All amounts in thousands of reais *(A free translation of the original in Portuguese)*

	Parent company		Consolidated	
	2020	**2019**	**2020**	**2019**
Profit for the year	**124,527**	**259,032**	**122,218**	**255,851**
Comprehensive income				
Items that will be reclassified to profit or loss				
Change in cash flow hedge, net	(22,511)	10,213	(22,511)	10,213
Change in subsidiaries' cash flow hedge, net	-	8,873	-	8,873
Income tax and social contribution on cash flow hedge	7,653	(3,472)	7,653	(3,472)
Cumulative translation adjustments	5,294	(53,458)	5,294	(53,458)
Other comprehensive income	**(9,564)**	**(37,844)**	**(9,564)**	**(37,844)**
Total comprehensive income for the year, net of income tax and social contribution	**114,963**	**221,188**	**112,654**	**218,007**
Comprehensive income attributable to:				
Owners of the parent			114,963	221,188
Non-controlling interests			(2,309)	(3,181)
Total comprehensive income			**112,654**	**218,007**

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, 2020 and 2019

All amounts in thousands of reais *(A free translation of the original in Portuguese)*

		Attributable to owners of the parent												
			Revenue reserves					Other comprehensive income						
	Note	Share capital	Legal reserve	Reserve for expansion and modernization	Special reserve	Proposed additional dividends	Total	Carrying value adjustments	Cumulative translation adjustments	Total	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
At January 1st, 2019		**966,255**	**137,311**	**157,761**	**-**	**192,228**	**487,300**	**21,584**	**(129,466)**	**(107,882)**	**10,687**	**1,356,360** -	**(3,419)**	**1,352,941**
Equity transactions with shareholders														
Interim interest on capital credited	26.c	-	-	-	-	-	-	-	-	-	(81,922)	(81,922)	-	(81,922)
Prescribed dividends and interest on capital	26.c	-	-	-	-	-	-	-	-	-	156	156	-	156
Profit for the year		-	-	-	-	-	-	-	-	-	**259,032**	**259,032**	**(3,181)**	**255,851**
Other comprehensive income														
Cumulative translation adjustments	26.e	-	-	-	-	-	-	-	(53,458)	(53,458)	-	(53,458)	-	(53,458)
Financial instrument adjustments	26.e	-	-	-	-	-	-	**19,086**	-	19,086	-	19,086	-	19,086
Taxes on financial instrument adjustments	26.e	-	-	-	-	-	-	**(3,472)**	-	(3,472)	-	(3,472)	-	(3,472)
Realization of deemed cost, net	17	-	-	-	-	-	-	**(571)**	-	(571)	571	-	-	-
Internal changes in equity													-	-
Appropriation to legal reserve	26.d	-	**12,952**	-	-	-	**12,952**	-	-	-	(12,952)	-	-	-
Payment of proposed additional dividends	26.b	-	-	-	-	**(192,228)**	**(192,228)**	-	-	-	-	(192,228)	-	(192,228)
Proposed additional dividends	26.c	-	-	-	-	**175,572**	**175,572**	-	-	-	(175,572)	-	-	-
At December 31, 2019		**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
Capital transactions - controlled capital increase 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**

MAHLE Metal Leve S.A.

Statement of cash flows
Years ended December 31, 2020 and 2019

All amounts in thousands of reais *(A free translation of the original in Portuguese)*

		Parent company		Consolidated	
		2020	**2019**	**2020**	**2019**
Cash flows from operating activities	**Note**				
Profit (losses) before taxation		82,270	287,459	107,620	304,068
Adjustments for:					
Depreciation and amortization		98,603	91,823	102,961	95,394
Equity in the results of investees	16	(91,908)	(58,756)	137	167
Recognition (reversal) of provision for impairment of investments	16	-	85	-	-
Interest and foreign exchange and monetary variations, net		75,228	28,533	130,389	29,961
Unrealized (losses) gains on derivative financial instruments		1,444	(27)	(1,395)	20
Results on disposal of property, plant and equipment		(352)	(2,089)	(357)	(2,113)
Recognition (reversal) of provision for impairment of trade receivables	11	(64)	(277)	1,631	312
Recognition (reversal) of provision for tax and other contingencies	25	47,741	(23,927)	49,421	(22,101)
Recognition (reversal) of provisions for warranties	24	3,341	804	3,793	2,302
Recognition (reversal) of sundry provisions	23	1,704	3,494	2,442	2,458
Recognition (reversal) of provision for impairment of property, plant and equipment and intangible assets		1,419	139	1,431	136
Recognition (reversal) of provision for inventory loss	12	45,599	2,084	49,399	4,235
Interest expense on lease liability	21.b	2,017	2,656	2,153	2,813
Gains in the net monetary position	39	(48,078)	(58,481)	(40,053)	(48,436)
write-off of intangible assets due to discontinuity	18	45,159	-	45,159	-
Goodwill impairment	18	21,141	-	29,663	-
(Increase) decrease in assets					
Trade and related-party receivables		(47,676)	33,072	(71,609)	42,986
Inventories		(23,689)	(827)	(21,858)	2,271
Taxes recoverable		30,364	65,309	20,464	62,554
Other assets		4,753	(4,331)	7,365	(6,370)
Increase (decrease) in liabilities					
Trade and related-party payables		111,310	(4,097)	138,935	(7,331)
Salaries, vacation pay and social charges		(6,234)	(11,496)	(3,202)	(14,744)
Taxes and contributions payable		3,850	9,838	3,149	(3,564)
Other liabilities		(15,857)	(25,519)	(20,126)	(26,723)
Cash from operations		**342,085**	**335,469**	**537,512**	**418,295**
Income tax and social contribution paid		(37,731)	(65,482)	(47,354)	(69,875)
Net cash provided by operating activities		**304,354**	**269,987**	**490,158**	**348,420**
Cash flows from investing activities					
Dividends and interest on capital received from subsidiary	16	93,422	82,099	-	-
Loans granted to subsidiaries		(20,411)	(20,001)	(692,275)	(570,616)
Loan repayments received from subsidiaries		22,839	-	666,948	574,503
Additions to property, plant and equipment	17	(58,536)	(74,404)	(66,751)	(86,613)
Additions to intangible assets	18	(321)	(6,768)	(329)	(6,852)
Capital increase of subsidiary	16	(3,060)	-	-	-
Proceeds from sale of property, plant and equipment		2,412	2,900	2,489	3,000
Net cash (used in) provided by investing activities		**36,345**	**(16,174)**	**(89,918)**	**(86,578)**
Cash flows from financing activities					
Proceeds from borrowings	21.a	343,400	243,002	352,705	328,542
Repayment of principal of borrowings	21.a	(267,824)	(137,024)	(289,708)	(225,129)
Repayment of interest on borrowings	21.a	(8,796)	(11,347)	(13,034)	(12,563)
Capital increase of subsidiary- MAHLE Hirchvogel Forjas S.A.	16	-	-	2,940	-
Repayment of the principal and interest on the lease liability	21.b	(9,384)	(7,805)	(10,563)	(8,652)
Dividends and interest on capital paid	14	(20,947)	(276,136)	(20,947)	(276,136)
Net cash provided by (used in) financing activities		**36,449**	**(189,310)**	**21,393**	**(193,938)**
Effect of foreign exchange variation on cash and cash equivalents		**22,166**	**5,043**	**17,421**	**3,286**
Increase (reduction) in cash and cash equivalents, net		**399,314**	**69,546**	**439,054**	**71,190**
Represented by:					
Cash and cash equivalents at the beginning of the period		158,554	89,008	168,781	97,591
Cash and cash equivalents at the end of the period	10	557,868	158,554	607,835	168,781
Increase (reduction) in cash and cash equivalents, net		**399,314**	**69,546**	**439,054**	**71,190**

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

MAHLE Metal Leve S.A.

Statement of value added
Years ended December 31, 2020 and 2019

All amounts in thousands of reais *(A free translation of the original in Portuguese)*

	Parent company		Consolidated	
	2020	2019	2020	2019
Gross revenue	**2,469,203**	**2,700,764**	**2,957,159**	**3,134,203**
Sales of goods, products and services	2,420,863	2,642,316	2,909,997	3,083,228
Other revenue	45,940	58,009	45,568	51,500
Provision for impairment of trade receivables	2,400	439	1,594	(525)
Inputs acquired from third parties	**(1,445,824)**	**(1,412,611)**	**(1,742,915)**	**(1,683,298)**
(Includes amounts of taxes: ICMS, IPI, PIS and COFINS)				
Cost of sales and services	(701,858)	(909,404)	(921,262)	(1,129,221)
Materials, energy, outsourced services and other	(588,285)	(523,570)	(654,634)	(574,986)
Impairment/recovery of assets	(155,681)	20,363	(167,019)	20,909
Gross value added	**1,023,379**	**1,288,153**	**1,214,244**	**1,450,905**
Depreciation and amortization	**(98,603)**	**(91,823)**	**(102,960)**	**(95,395)**
Net value added generated by the company	**924,776**	**1,196,330**	**1,111,284**	**1,355,510**
Value added received through transfer	**242,902**	**124,450**	**216,116**	**115,709**
Equity in the results of investees	91,908	58,671	(137)	(167)
Finance income	150,994	65,779	216,253	115,876
Total value added to distribute	**1,167,678**	**1,320,780**	**1,327,400**	**1,471,219**
Distribution of value added	**1,167,678**	**1,320,780**	**1,327,400**	**1,471,219**
Personnel and charges	**449,987**	**516,803**	**506,428**	**573,407**
Taxes and contributions	**343,791**	**437,542**	**373,051**	**460,440**
Capital providers	**249,373**	**107,403**	**325,703**	**181,521**
Interest	24,708	14,719	28,113	19,041
Rentals	14,718	15,320	15,872	16,933
Foreign exchange, monetary and other variations	209,947	77,364	281,718	145,547
Shareholders	**124,527**	**259,032**	**122,218**	**255,851**
Dividends and interest on capital	70,621	81,922	70,621	81,922
Retained earnings	53,906	177,110	53,906	177,110
Share of non-controlling interests of retained earnings	-	-	(2,309)	(3,181)

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

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, 2020 and 2019 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

The World Health Organization declared the coronavirus outbreak a global health emergency on January 31, 2020 and a pandemic on March 11, 2020, as the virus has spread across all continents.

From March to the end of 2020, the global scenario was marked by the evolution of the COVID-19 pandemic and since then the Company has been actively monitoring any potential impacts on its operations and on the safety of its employees.

Major impacts of COVID-19

In the course of 2020, the Company adopted measures introduced by the federal government to preserve jobs and income and to deal with the state of calamity declared by Legislative Decree No. 06 of March 20, 2020, including Provisional Measure No. 936/20 complementing Provisional Measure No. 927/20, which includes a package of measures to protect jobs and to mitigate the economic and social impacts caused by the COVID-19 pandemic.

In an effort to preserve as many jobs as possible and based on Provisional Measure No. 936/20, the Company engaged in collective bargaining negotiations with the labor unions. The collective bargaining agreements reached by these negotiations established (i) temporary suspension of employment for a maximum period of 60 days, later extended for a further 60 days under Federal Law No. 14.020/2020; and (ii) temporary hours and salary cuts, which was initially established for a period of 90 days and then extended for another 30 days under the same Law. In both cases, the Company covered part of its employee wages through the temporary wage subsidy provided by the federal government.

Based on Provisional Measure No. 927/20, the Company adopted, among others, the following measures: (i) advanced vacation period; (ii) collective vacation; (iii) advanced holidays; (v) deferral of FGTS payments.

Furthermore, based on Ruling No. 139/20, the Company deferred the payment of the following contributions and taxes: (i) INSS; (ii) COFINS; and (iii) PIS.

Main measures taken by the Group in response to COVID-19

As from July 2020, the Company saw a gradual pickup in output as a result of a modest recovery of the automotive industry, which allowed it to restore the hours and salaries of its employees that were temporarily cut and to bring back most of its furloughed employees.

The Company has established in March 2020 a COVID-19 protocol to protect the health of its workers. The protocol applies to all its units and subsidiaries and contains sanitary regulations of local authorities and the World Health Organization (WHO) as well as best practices available. Measures taken by the Company include: seats rearranged in chartered buses to maximize separation; delivery of face masks and ensure that face masks are worn; employee daily COVID-19 health screening questionnaire; temperature checks prior to entering the Company's facilities; use of alcohol-based hand sanitizer in all common areas such as canteens, toilets and changing rooms; creation of segregated individual spaces in canteens; safe distances have been set for employees waiting in queue for meals.

In addition, the Company let much of its staff work from home to maintain physical distancing. The Company put on furlough those employees who are in a vulnerable group and for whom it is not possible to work from home.

In an atypical year full of challenges, the Company intensified, during the holiday season, communications with its employees via the internal communication channels to encourage or remind employees about infection prevention measures and behaviors to protect themselves and their families.

Liquidity risk

The Group continuously monitors liquidity risk by managing its liquid asset positions and bank loans.

At December 31, 2020, the Group reported cash and cash equivalents amounting to R$ 607,835 (R$ 168,781 as of December 31, 2019). To date the Company has identified no significant signs of default after the closing of the fiscal year 2020 and as expected had a reduction in the average collection period to 48 days in December 2020 from 52 days in December 2019.

Negotiations with suppliers are still under way and to date has resulted in an extension of payment terms from 35 days in December 2019 to 41 days in December 2020. Compared with September 2020, the average period of payment to suppliers increased from 38 days to 41 days. The Company remains focused on such negotiations.

To protect its liquidity, the Company strengthened its cash reserves by postponing the payment of dividends that was initially set for May 2020 to create a special reserve. The Company also has pre-approved lines of credit that can be accessed if needed.

The restrictive covenants included in the loan agreements are being met and continuously monitored as per Note 21.

The prices of contracts with customers were maintained and there were no negotiations that could indicate negative margins; hence, future losses on onerous contracts are not expected for the next months.

Idle capacity

At the end of the first quarter and during the second quarter of 2020, the Group had a significant impact on the amount of idle capacity as a consequence of lower production volume and charged R$ 61,505 (Parent company) and R$ 66,289 (Consolidated) to cost of sales.

Impairment of intangible assets

The Company revised the key assumptions for the impairment test of intangible assets, including goodwill, in the light of the impacts of COVID-19 on its operations. The revenue projections and the assumptions were adjusted to the new reality of the industry based on management's best expectations at this time. The recoverable amount is estimated using the discounted cash flow method based on the market information available for each business. The impairment tests of the assets of the CGU of MAHLE Metal Leve S.A. (rings business) did not reveal the need to recognize an additional impairment loss. But in subsidiary MAHLE Argentina S.A. the test results indicated an impairment loss for goodwill, which was recognized in the interim financial statements as of June 30, 2020 in the amount of R$ 29,663, and in the CGU MBE2, an impairment loss on assets of R$ 45,129. See Note 18 for further information.

Special cash reserves

To preserve cash amid the current period of crisis, at the Ordinary General Meeting held on May 29, 2020, the shareholders approved the retention of the previously proposed additional dividends of R$ 175,572. The portion of retained earnings was transferred to a special reserve and will be distributed at an opportune time. The Company aims to preserve cash to weather the world crisis and to meet all its legal and contractual obligations.

Going concern risk

The demand for auto aftermarket products has improved, principally in the domestic market, and at the end of the fourth quarter was higher than pre-pandemic levels. The original equipment market saw an increase compared to the prior quarter.

It is important to say that, despite the improvement in dynamics of businesses in the fourth quarter, we do not consider that the crisis caused by COVID-19 is over. There is persistent uncertainty about the world economic recovery and the future impacts on various industry segments could have consequences for our business in the medium and long term.

The projections of revenue and operating cash flows do not show business continuity risks for the Company, based on all actions and scenarios assessed by the Company. We will continue to monitor the economic situation in Brazil and globally in order to adjust our operations accordingly. Therefore, at the present time, the Company's crisis management is focused on the health issue, on protecting our workforce and our cash.

(in thousand of reais)

2. Entities of the group (subsidiaries)

		Ownership percentage (%)			
		2020		2019	
	Country	Direct	Indirect	Direct	Indirect
Subsidiaries					
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	-
Related companies					
Innoferm Tecnologia Ltda.	Brazil	33.33	-	33.33	-

3. Basis of preparation

Statement of compliance with respect to IFRS and CPC standards

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 10, 2021. Only the shareholders have the power to amend the financial statements after issuance

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;

- 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;

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

As from January 1, 2020, the Group adopted the amendments to NBC TG 15 (CPC 15) / IFRS 3 Definition of a Business, and the amendments to NBC TG 48 (CPC 48) / IFRS 9 / NBC TG 38 (CPC 38) / IAS 39 / NBC TG 40 (CPC 40) / IFRS 7 Interest Rate Benchmark Reform. A number of new standards became effective from January 1, 2020 but have had no material effect on the financial statements of the Group.

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.

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.

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.

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).

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;

– 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).

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.

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.

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.

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 and for subsidiary MAHLE Argentina S.A..

For goodwill arising from the acquisition of its subsidiary abroad, MAHLE Argentina S.A., the Company started to consider it as a non-monetary item and therefore translated into the functional currency of the Company based on the exchange rate on the transaction date.

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.

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

- 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.

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.

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 compant 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 montlhy basis, and they are recorded in the accounting books.

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

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.

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.

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.

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.

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'.

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.

l. *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.

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.

(in thousand of reais)

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.

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.

As at December 31, 2020 and 2019, 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 and interpretations are issued but not effective at the date of issue of these financial statements. The Group intends to adopt the new and amended standards and interpretations, if applicable, when they become effective.

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

i) Onerous Contracts – Costs of Fulfilling a Contract (Amendments to NBC TG 25 (CPC25) /IAS 37);

ii) Interest Rate Benchmark Reform – Phase 2 (Amendments to NBC TG 48 (CPC48)/IFRS 9, NBC TG 38 (CPC 38)/IAS 39, NBC TG 40 (CPC 40)/IFRS 7, NBC TG 11 (CPC 11)/IFRS 4 e NBC TG 06 (CPC 06)/IFRS 16).

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:

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to NBC TG 27 (CPC 27) /IAS 16).

- Classification of Liabilities as Current or Non-Current (Amendments to NBC TG 26 (CPC 26)/IAS 1).

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.

MAHLE Metal Leve S.A.

Explanatory notes to the financial statements

(in thousand of reais)

	Consolidated					
	2020			2019		
Statement of income	**Engine components**	**Filters**	**Consolidated**	**Engine components**	**Filters**	**Consolidated**
Gross operating revenue	**2,706,748**	**340,549**	**3,047,297**	**2,804,485**	**396,767**	**3,201,252**
Deductions from sales	(539,887)	(104,832)	(644,719)	(553,198)	(121,816)	(675,014)
Net operating revenue	**2,166,861**	**235,717**	**2,402,578**	**2,251,287**	**274,951**	**2,526,238**
Cost of sales	(1,590,070)	(185,579)	(1,775,649)	(1,670,051)	(215,831)	(1,885,882)
Gross profit	**576,791**	**50,138**	**626,929**	**581,236**	**59,120**	**640,356**
Selling and distribution expenses and Impairment losses on accounts receivable	(147,083)	(18,758)	(165,841)	(143,270)	(23,629)	(166,899)
Administrative expenses	(82,750)	(12,633)	(95,383)	(71,795)	(13,939)	(85,734)
Technology research costs	(52,888)	(11,201)	(64,089)	(73,121)	(10,586)	(83,707)
Other operating income (expenses)	(148,736)	807	(147,929)	(4,355)	(2,489)	(6,844)
Equity in the results of investees	(137)	-	(137)	(167)	-	(167)
Gains (loss) on net monetary variation	38,049	2,004	40,053	45,766	2,670	48,436
Finance income	204,559	11,694	216,253	110,571	5,306	115,877
Finance costs	(286,939)	(15,297)	(302,236)	(148,648)	(8,602)	(157,250)
Profit (loss) before income tax and social contribution	**100,866**	**6,754**	**107,620**	**296,217**	**7,851**	**304,068**
Income tax and social contribution	16,925	(2,327)	14,598	(45,536)	(2,681)	(48,217)
Profit for the year	**117,791**	**4,427**	**122,218**	**250,681**	**5,170**	**255,851**
Non-controlling interests	1,734	575	2,309	2,555	626	3,181
Profit for the year	**119,525**	**5,002**	**124,527**	**253,236**	**5,796**	**259,032**

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

	Consolidated					
	2020			2019		
Balance sheet accounts	**Engine components**	**Filters**	**Consolidated**	**Engine components**	**Filters**	**Consolidated**
Total assets	**2,651,558**	**145,025**	**2,796,583**	**2,209,803**	**117,848**	**2,327,651**
Inventories	323,791	45,097	368,888	354,071	42,038	396,109
Property, plant and equipment	2,508,198	147,230	2,655,428	2,451,230	145,621	2,596,851
Depreciation and amortization	(1,921,934)	(97,881)	(2,019,815)	(1,837,268)	(95,515)	(1,932,783)
Intangible assets	11,753	280	12,033	61,932	294	62,226
Goodwill	379,958	-	379,958	407,373	-	407,373
Investment - Innoferm Tecnologia Ltda.	208	-	208	345	-	345
Other	1,349,584	50,299	1,399,883	772,120	25,410	797,530

(in thousand of reais)

2) Distribution by geographic area

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

Sales per country	**Consolidated**			
	YTD 2020	**%**	**YTD 2019**	**%**
Domestic market (Brazil and Argentina)	**1,361,380**	**56.7%**	**1,440,144**	**57.0%**
Europe	486,898	46.8%	488,998	45.0%
Central and North America	396,153	38.0%	377,594	34.8%
South America	121,952	11.7%	173,631	16.0%
Africa, Asia, Oceania and Middle East	36,195	3.5%	45,871	4.2%
Foreign countries	**1,041,198**	100.0%	**1,086,094**	100.0%
Total Geral	**2,402,578**	**100%**	**2,526,238**	**100.0%**

10. Cash and cash equivalents

	Parent company		**Consolidated**	
	2020	**2019**	**2020**	**2019**
BRL	1,156	1,906	1,315	2,514
ARS (expressed in BRL)	-	-	5,881	4,621
USD (expressed in BRL)	9,858	14,859	9,858	14,859
EUR (expressed in BRL)	64,054	51,060	65,132	51,060
Cash and demand deposits	**75,068**	**67,825**	**82,186**	**73,054**
BRL	482,800	87,808	518,424	88,093
Financial investments	**482,800**	**87,808**	**518,424**	**88,093**
BRL	-	2,921	7,225	7,634
Cash in transit	**-**	**2,921**	**7,225**	**7,634**
	557,868	**158,554**	**607,835**	**168,781**

(in thousand of reais)

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

Financial investments have made as follows:

- Bank Deposit Certificates (CDBs) and repurchase agreements (100,0 %), which yield an average interest rate of 101.1 % of the Interbank Deposit Certificate (CDI) rate, held exclusively at first-tier banks in Brazil;

- Certificate deposits and time deposits which are short-term, highly liquid investments with original maturities of three months or less and subject to an insignificant risk of change in value;

- Financial investments are recorded at updated value up to the end of the period. Their values reflect the redemption amount that would be realized if the investments were redeemed on that date. Yields on these transactions are recognized as finance income.

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

11. Trade accounts receivables and other accounts receivables

	Parent company		**Consolidated**	
	2020	**2019**	**2020**	**2019**
Market				
Domestic	259,713	206,587	260,091	206,879
Foreign	31,539	60,504	115,116	127,786
	291,252	**267,091**	**375,207**	**334,665**
Other accounts receivable	3,834	1,208	3,834	1,208
Provision for impairment of trade receivables	(6,260)	(7,157)	(10,180)	(9,382)
	288,826	**261,142**	**368,861**	**326,491**
Related parties (Note 14)	83,009	62,120	96,255	67,814
	371,835	**323,262**	**465,116**	**394,305**

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.

(in thousand of reais)

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

	Parent company		Consolidated	
	2020	**2019**	**2020**	**2019**
Not yet due	278,882	239,119	350,546	295,209
Past due:				
Up to 7 days	2,496	5,253	5,681	8,215
From 8 to 30 days	3,065	7,151	7,907	10,958
From 31 to 60 days	3,009	4,247	3,318	6,338
From 61 to 90 days	901	4,062	1,362	4,496
From 91 to 120 days	709	1,483	759	1,693
From 121 to 180 days	1,750	1,420	2,285	1,643
From 181 to 360 days	1,001	2,942	2,017	3,649
Over 360 days	3,273	2,622	5,166	3,672
(-) Provision for impairment of trade receivables	(6,260)	(7,157)	(10,180)	(9,382)
Total past due deducted provision	9,944	22,024	18,315	31,284
	288,826	**261,142**	**368,861**	**326,491**

At December 31, 2020, trade receivables of the parent company in the amount of R$ 9,944 (December 31, 2019 - R$ 22,023) and consolidated trade receivables at December 31, 2020 of R$ 18,315 (December 31, 2019 - R$ 31,282) 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.

(in thousand of reais)

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

	Parent company	Consolidated
At January 1st, 2019	**(7,434)**	**(9,070)**
Receivables Erovided for in the period	(12,848)	(15,139)
Receivables reversed in the Eeriod	11,626	13,292
Receivables written off definitively	1,499	1,499
Foreign exchange variation	-	36
At December 31, 2019	**(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 31st, 2020	**(6,260)**	**(10,180)**

12. Inventories

	Parent company		Consolidated	
	2020	**2019**	**2020**	**2019**
Finished products	113,613	131,865	180,823	213,858
Work in progress	95,404	85,428	107,664	91,799
Raw materials	45,294	58,015	56,165	72,013
Auxiliary materials	6,328	6,914	10,201	9,464
Imports in transit	6,690	6,574	14,035	8,975
	267,329	**288,796**	**368,888**	**396,109**

In December 31, 2020, 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$ 79,025 (R$ 33,426 in December 31, 2019) in the parent company and R$ 48,095 (R$ 97,494 in December 31, 2019) in the consolidated accounts.

Explanatory notes to the financial statements

(in thousand of reais)

Changes in the provision for inventory loss are as follows:

	Parent company	Consolidated
At January 1st, 2019	**(31,342)**	**(43,860)**
Reversal of provision	11,076	14,690
Recognition of provision	(13,520)	(23,514)
Inventory written off definitively as loss	-	359
Foreign exchange variation	360	4,230
At December 31, 2019	**(33,426)**	**(48,095)**
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	**(79,025)**	**(97,494)**

At December 31, 2020, the Company recorded an impairment loss of R$ 42,180 on the inventory of Project MBE2. The Company discontinued the Project MBE2 in the fourth quarter of 2020 and, as a consequence, unrecoverable assets associated with the Project that were included in inventories and intangible assets were written off. Details of Project MBE2 are included in Note 18.

(in thousand of reais)

13. Taxes recoverable

	Parent company		Consolidated	
	2020	2019	2020	2019
Income tax and social contribution recoverable	**40,304**	**48,498**	**52,687**	**60,206**
ICMS and Excise Tax (IPI)	27,250	22,902	27,364	23,073
Value-added Tax on Sales and Services (ICMS) on purchases of fixed assets	6,844	7,091	6,844	7,091
Social Contribution on Revenues (COFINS)	6,299	2,930	6,300	2,932
Import Tax	2,513	2,679	2,640	3,717
Social Integration Program (PIS)	1,354	632	1,354	632
I.V.A. (Argentina)	-	-	4,637	6,747
Other	10	9	2,923	1,702
Taxes recoverable	**44,270**	**36,243**	**52,062**	**45,894**
Current	**84,574**	**84,741**	**104,749**	**106,100**
Value-added Tax on Sales and Services (ICMS) on purchases of fixed assets	10,561	11,696	10,561	11,696
Export incentive - Argentina	-	-	7,237	5,464
Non-current	**10,561**	**11,696**	**17,798**	**17,160**

(in thousand of reais)

14. Related parties

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

	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	Trademark 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 Ltda	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 Térmico 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. K	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	-	-	-	-
Innoferm 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**

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

Explanatory notes to the financial statements

(in thousand of reais)

	Parent company																
	Balances at 12.31.2019							Transactions from 2019									
	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	Property, plant and equipment	Commissions	Trademark license	Rent
Companies																	
Subsidiaries																	
Direct subsidiaries																	
MAHLE Metal Leve GmbH	38,355	60	50,521	-	-	-	-	367,386	826	-	-	-	-	-	-	-	-
MAHLE Argentina S.A.	4,647	60	-	16,273	-	-	-	46,086	2,114	-	-	580	-	-	-	-	-
MAHLE Filtroil Indústria e Comércio de Filtros Ltda	63	60	-	6,748	-	-	-	-	162	-	84	-	-	-	-	-	-
MAHLE Hirschvogel Forjas S.A.	23	60	-	2,791	-	-	-	-	126	-	-	-	-	-	-	-	-
Total direct subsidiaries	**43,088**	**-**	**50,521**	**25,812**	**-**	**-**	**-**	**413,472**	**3,228**	**-**	**84**	**580**	**-**	**-**	**-**	**-**	**-**
Related companies																	-
MAHLE Behr Gerenciamento Térmico Brasil Ltda.	3,343	60	-	-	1,483	60	-	961	15,302	-	2,363	34,958	1,722	-	-	-	-
MAHLE Engine Components Slovakia s.r.o.	2,316	60	-	-	3	60	-	831	-	2,132	-	-	2	-	-	-	-
MAHLE Holding (China) Co., Ltd.	1,686	60	-	-	92	60	-	-	1,679	-	-	-	93	-	-	-	-
MAHLE Componenti Motori Italia S.p.A.	1,510	60	-	-	129	60	-	12,063	1	-	-	306	-	-	-	-	-
MAHLE Aftermarket S. de R.L. de C.V.	1,396	60	-	-	-	-	-	6,308	-	-	-	-	-	-	-	-	-
MAHLE Aftermarket GmbH	1,349	60	-	-	5,321	60	-	3,569	1,035	-	-	4,725	4,488	-	181	-	-
MAHLE Engine Components USA, Inc.	1,183	60	-	-	424	60	-	12,632	(19)	-	-	1,353	23	-	-	-	-
MAHLE Engine Components (Yingkou) Co., Ltd.	1,074	60	-	-	-	-	-	6,136	399	-	-	-	-	-	-	-	-
MAHLE Engine Components (Nanjing) Co., Ltd.	863	60	-	-	18	60	-	3,499	1,309	-	-	-	-	-	-	-	-
MAHLE International GmbH	740	60	-	-	14,411	60	-	-	2,395	-	-	-	21,452	71	-	-	-
MAHLE Compressores do Brasil Ltda.	637	60	-	-	2,942	60	-	1,276	6,911	75	-	13,433	157	-	-	-	-
MAHLE Industries, Inc.	409	60	-	-	664	60	-	-	692	-	-	-	39	-	-	-	-
MAHLE Filtre Sistemleri A.S.	360	60	-	-	-	-	-	-	349	-	-	-	-	-	-	-	-
MAHLE Componentes de Motores S.A.	353	60	-	-	32	60	-	1,369	267	-	-	172	-	-	-	-	-
MAHLE Indústria e Comércio Ltda.	350	60	-	-	1,209	60	6,081	-	328	-	-	-	-	-	-	-	7,206
MAHLE Motor Parcalari San. Izmir A.S.	345	60	-	-	98	60	-	505	-	-	-	153	-	-	-	-	-
MAHLE Filter Systems USA	256	60	-	-	-	-	-	-	824	-	-	181	-	-	-	-	-
MAHLE Engine Systems UK Ltd.	244	60	-	-	1,579	60	-	-	537	-	-	2,674	491	8	-	-	-
MAHLE Aftermarket Inc.	197	60	-	-	86	60	-	1,035	502	-	-	-	-	-	166	-	-
MAHLE GmbH	91	60	-	-	9,587	60	-	631	258	-	-	2,119	11,477	381	-	10,892	-
MAHLE Componentes de Motor de Mexico, S. de R.	84	60	-	-	1,542	60	-	469	129	-	-	7,887	-	-	-	-	-
MAHLE Industriemotoren-Komponenten GmbH	60	60	-	-	-	-	-	594	-	-	-	-	-	-	-	-	-
MAHLE Engine Components Japan Corporation	59	60	-	-	73	60	-	138	-	-	-	-	-	-	-	-	-
MAHLE Trading Japan Co., Ltd.	41	60	-	-	104	60	-	62	95	-	-	282	-	-	-	-	-
MAHLE Engine Components (Chongqing) Co., Ltd.	25	60	-	-	-	-	-	624	-	-	-	-	-	-	-	-	-
MAHLE India Pistons Ltd.	18	60	-	-	-	-	-	34	-	-	-	-	-	-	-	-	-
MAHLE France SAS	15	60	-	-	-	-	-	193	-	-	-	-	-	-	-	-	-
MAHLE Japan Ltd.	8	60	-	-	-	-	-	-	19	-	-	-	-	-	-	-	-
MAHLE Holding (India) Private Limited	7	60	-	-	6	60	-	-	7	-	-	-	67	-	-	-	-
MAHLE Kleinmotoren-Komponenten GmbH & Co. K	6	60	-	-	-	-	-	44	-	-	-	-	-	-	-	-	-
MAHLE Motorsports Inc	4	60	-	-	-	-	-	6	-	-	-	-	-	-	-	-	-
Shanghai MAHLE Thermal Systems Co. Ltd.	3	60	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MAHLE Filtersysteme GmbH	2	60	-	-	870	60	-	-	3	-	-	12	1,608	-	-	-	-
Innoferm Tecnologia Ltda.	-	-	-	-	2,000	60	-	-	-	-	-	-	-	-	-	-	-
MAHLE Filter Systems Japan Corporation	-	-	-	-	335	60	-	-	-	-	-	854	239	-	-	-	-
MAHLE Electric Drives (Taicang) Co., Ltd.	-	-	-	-	286	60	-	-	85	-	-	2,192	-	-	-	-	-
MAHLE Polska Sp. z o.o.	-	-	-	-	234	60	-	32	-	-	-	-	234	-	-	-	-
MAHLE Behr Service Asia Co., Ltd.	-	-	-	-	177	60	-	-	-	-	-	177	-	-	-	-	-
MAHLE Aftermarket Italy S.p.A.	-	-	-	-	172	60	-	-	-	-	-	468	5	-	-	-	-
MAHLE Electric Drives Slovenija d.o.o.	-	-	-	-	125	60	-	-	41	-	-	2,278	-	-	-	-	-
MAHLE S.A.U.	-	-	-	-	121	60	-	70	-	-	-	86	20	-	-	-	-
MAHLE Filtersysteme Austria GmbH	-	-	-	-	114	60	-	-	-	-	-	2,424	-	-	-	-	-
MAHLE Componente de Motor SRL	-	-	-	-	85	60	-	-	-	-	-	338	-	-	-	-	-
MAHLE Donghyun Filter Systems Co., Ltd.	-	-	-	-	76	60	-	-	-	-	-	352	-	-	-	-	-
MAHLE Filter Systems Philippines Corporation	-	-	-	-	74	60	-	-	-	-	-	297	-	-	-	-	-
Behr Hella Service GmbH	-	-	-	-	64	60	-	-	-	-	-	64	-	-	-	-	-
MAHLE Trading (Shanghai) Co., Ltd.	-	-	-	-	36	60	-	-	-	-	-	821	-	-	-	-	-
MAHLE Industriebeteiligungen GmbH	-	-	-	-	-	-	1,013	-	-	-	-	-	-	-	-	-	-
MAHLE Ventiltrieb GmbH	-	-	-	-	-	-	-	248	-	-	-	-	-	-	-	-	-
MAHLE RUS O.O.O.	-	-	-	-	-	-	-	238	-	-	-	-	-	-	-	-	-
MAHLE Powertrain, LLC	-	-	-	-	-	-	-	-	310	-	-	-	-	-	-	-	-
MAHLE Aftermarket Pte. Ltd.	-	-	-	-	-	-	-	-	-	-	-	2,284	-	-	-	-	-
Other	(2)	60	-	-	19	60	-	83	1	-	-	62	18	-	11	-	-
Total related companies	**19,032**		**-**	**-**	**44,591**		**7,094**	**53,650**	**33,459**	**2,207**	**2,363**	**80,952**	**42,135**	**460**	**358**	**10,892**	**7,206**
Total related parties	**62,120**		**50,521**	**25,812**	**44,591**		**7,094**	**467,122**	**36,687**	**2,207**	**2,447**	**81,532**	**42,135**	**460**	**358**	**10,892**	**7,206**

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

(in thousand of reais)

	Consolidated														
	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 (*)	Loan	Suppliers (Note 19)	Payment term in days (*)	Dividends and interest on capital payable	Products	Services	Property, plant and equipment	Rent Transport Food Energy	Products	Services	Commissions	Trademark license/ Royaltes	Rent
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	-	-	-	-
Innoferm 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**

Explanatory notes to the financial statements

(in thousand of reais)

	Consolidated															
	Balances at 12.31.2019						Transactions from 2019									
	Current assets		Non-current assets	Current liabilities			Sales/revenue				Purchases					
	Receivables (Note 11)	Payment term in days (*)	Loan	Suppliers (Note 19)	Payment term in days (*)	Dividends and interest on capital payable	Products	Services	Property, plant and equipment	Rent Transport Food Energy	Products	Services	Property, plant and equipment	Commissions	Trademark license/ Royaltes	Rent
Related companies																
MAHLE Componentes de Motor de Mexico, S. de R.L. de C.V.	11,159	60	-	1,548	60	-	88,166	129	-	-	7,887	-	-	-	-	-
MAHLE GmbH	9,368	60	-	11,850	60	-	14,625	258	-	-	2,119	12,750	381	-	11,779	-
MAHLE Aftermarket GmbH	7,200	60	-	6,360	60	-	62,909	1,035	-	-	11,242	4,497	-	181	-	-
MAHLE Vöcklabruck GmbH	5,949	60	-	-	-	-	33,132	-	-	-	-	-	-	-	-	-
MAHLE France SAS	4,738	60	-	10	60	-	30,520	-	-	-	-	-	-	-	-	-
MAHLE Aftermarket S. de R.L. de C.V.	3,579	60	-	-	-	-	20,317	-	-	-	-	-	-	-	-	-
MAHLE Behr Gerenciamento Térmico Brasil Ltda.	3,343	60	-	1,483	60	-	961	15,302	-	2,363	34,958	1,722	-	-	-	-
MAHLE Componentes de Motores S.A.	2,799	60	-	32	60	-	29,740	267	-	-	172	-	-	-	-	-
MAHLE Componenti Motori Italia S.p.A.	2,506	60	-	137	60	-	32,416	1	-	-	306	-	-	-	-	-
MAHLE Engine Components Slovakia s.r.o.	2,335	60	-	3	60	-	1,599	-	2,132	-	-	2	-	-	-	-
MAHLE Holding (China) Co., Ltd.	1,686	60	-	92	60	-	-	1,679	-	-	-	93	-	-	-	-
MAHLE Engine Components USA, Inc.	1,613	60	-	2,424	60	-	17,365	4	-	-	1,353	1,727	-	-	-	-
MAHLE S.A.U.	1,451	60	-	121	60	-	2,941	-	-	-	86	20	-	-	-	-
MAHLE Polska Sp. z o.o.	1,320	60	-	234	60	-	325	-	-	-	-	234	-	-	-	-
MAHLE Engine Components (Yingkou) Co., Ltd.	1,074	60	-	-	-	-	6,136	399	-	-	-	-	-	-	-	-
MAHLE Industriemotoren-Komponenten GmbH	932	60	-	-	-	-	4,524	-	-	-	-	110	-	-	-	-
MAHLE Engine Components (Thailand) Co., Ltd.	874	60	-	18	60	-	7,669	-	-	-	-	18	-	-	-	-
MAHLE Engine Components (Nanjing) Co., Ltd.	863	60	-	18	60	-	3,499	1,309	-	-	-	-	-	-	-	-
MAHLE Motor Parcalari San. Izmir A.S.	852	60	-	98	60	-	2,008	-	-	-	153	-	-	-	-	-
MAHLE International GmbH	740	60	-	16,255	60	-	-	2,395	-	-	-	22,933	71	-	-	-
MAHLE Compressores do Brasil Ltda.	637	60	-	2,942	60	-	1,276	6,911	75	-	13,433	157	-	-	-	-
MAHLE Kleinmotoren-Komponenten GmbH & Co. KG	563	60	-	24	60	-	4,655	-	-	-	-	97	-	-	-	-
MAHLE Aftermarket Inc.	443	60	-	86	60	-	2,985	502	-	-	-	-	-	166	-	-
MAHLE Industries, Inc.	409	60	-	1,029	60	-	-	692	-	-	-	2,173	-	-	-	-
MAHLE Filtre Sistemleri A.S.	360	60	-	-	-	-	-	349	-	-	-	-	-	-	-	-
MAHLE Indústria e Comércio Ltda.	350	60	-	1,209	60	6,081	-	328	-	-	-	-	-	-	-	7,206
MAHLE Filter Systems USA	256	60	-	-	-	-	-	824	-	-	181	-	-	-	-	-
MAHLE Engine Systems UK Ltd.	244	60	-	1,579	60	-	-	537	-	-	2,674	491	8	-	-	-
MAHLE Engine Components Japan Corporation	59	60	-	73	60	-	147	-	-	-	-	-	-	-	-	-
MAHLE Trading Japan Co., Ltd.	41	60	-	104	60	-	62	95	-	-	282	-	-	-	-	-
MAHLE Engine Components (Chongqing) Co., Ltd.	25	60	-	-	-	-	624	-	-	-	-	-	-	-	-	-
MAHLE India Pistons Ltd.	18	60	-	-	-	-	34	-	-	-	-	-	-	-	-	-
MAHLE Japan Ltd.	8	60	-	-	-	-	-	19	-	-	-	-	-	-	-	-
MAHLE Holding (India) Private Limited	7	60	-	6	60	-	-	7	-	-	-	67	-	-	-	-
MAHLE Motorsports Inc	4	60	-	-	-	-	6	-	-	-	-	-	-	-	-	-
MAHLE Engine Components India Priv. Ltd.	4	60	-	-	-	-	3,500	-	-	-	-	-	-	-	-	-
Shanghai MAHLE Thermal Systems Co. Ltd.	3	60	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MAHLE Filtersysteme GmbH	2	60	-	870	60	-	-	3	-	-	12	1,608	-	-	-	-
Innoferm Tecnologia Ltda.	-	-	-	2,000	60	-	-	-	-	-	-	-	-	-	-	-
MAHLE Filter Systems Japan Corporation	-	-	-	335	60	-	-	-	-	-	854	239	-	-	-	-
MAHLE Electric Drives (Taicang) Co., Ltd.	-	-	-	286	60	-	-	85	-	-	2,192	-	-	-	-	-
MAHLE Behr Service Asia Co., Ltd.	-	-	-	177	60	-	-	-	-	-	177	-	-	-	-	-
MAHLE Aftermarket Italy S.p.A.	-	-	-	172	60	-	-	-	-	-	600	5	-	-	-	-
MAHLE Electric Drives Slovenija d.o.o.	-	-	-	162	60	-	-	41	-	-	2,460	-	-	-	-	-
MAHLE Filtersysteme Austria GmbH	-	-	-	156	60	-	-	-	-	-	2,424	216	-	-	-	-
MAHLE Engine Components USA, Inc.	-	-	-	114	60	-	26	-	-	-	-	94	-	-	-	-
MAHLE Componente de Motor SRL	-	-	-	85	60	-	-	-	-	-	338	-	-	-	-	-
MAHLE Donghyun Filter Systems Co., Ltd.	-	-	-	76	60	-	-	-	-	-	352	-	-	-	-	-
MAHLE Filter Systems Philippines Corporation	-	-	-	74	60	-	-	-	-	-	297	-	-	-	-	-
Behr Hella Service GmbH	-	-	-	64	60	-	-	-	-	-	64	-	-	-	-	-
MAHLE Trading (Shanghai) Co., Ltd.	-	-	-	36	60	-	-	-	-	-	821	-	-	-	-	-
MAHLE Holding Austria GmbH	-	-	37,030	21	60	-	-	-	-	-	-	-	-	-	-	-
MAHLE Industriebeteiligungen GmbH	-	-	-	-	-	1,013	-	-	-	-	-	-	-	-	-	-
MAHLE Componentes de Motor Espana, S.L.U.	-	-	-	-	-	-	5,576	-	-	-	62	-	-	-	-	-
MAHLE Ventiltrieb GmbH	-	-	-	-	-	-	248	-	-	-	-	-	-	-	-	-
MAHLE RUS O.O.O.	-	-	-	-	-	-	238	-	-	-	-	-	-	-	-	-
MAHLE Powertrain, LLC	-	-	-	-	-	-	-	310	-	-	-	-	-	-	-	-
MAHLE Aftermarket Pte. Ltd.	-	-	-	-	-	-	-	-	-	-	2,284	-	-	-	-	-
Outros	-	-	-	1	60	-	30	1	-	-	-	-	-	11	-	-
Total related companies	**67,814**		**37,030**	**52,364**		**7,094**	**378,259**	**33,482**	**2,207**	**2,363**	**87,783**	**49,253**	**460**	**358**	**11,779**	**7,206**
Total related parties	**67,814**		**37,030**	**52,364**		**7,094**	**378,259**	**33,482**	**2,207**	**2,363**	**87,783**	**49,253**	**460**	**358**	**11,779**	**7,206**

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

(in thousand of reais)

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

At December 30, 2020, the subsidiary MAHLE Filtroil Indústria e Comércio de Filtros Ltda. has a balance with the Company of R$ 6,781 (loan agreement in the amount of R$ 17,420, with interest rate at 115% of the CDI and provision for losses on investees in the amount of (-) R$ 10,639). The Company expects to recover this loan via cash flows from the financial asset.

On August 31, 2020, the subsidiary MAHLE Hirschvogel Forjas repaid the loan owed to its parent company MAHLE Metal Leve S.A. (R$ 2,791 as at December 31, 2020).

The subsidiary MAHLE Metal Leve GmbH has a daily cash management contract with MAHLE Holding Austria GmbH, subject to interest based on Eonia (Euro OverNight Index Average) + 1.15% p.a., with no definite maturity date. At December 31, 2020, the subsidiary has R$ 77,671 (R$ 37,030 at December 31, 2019) 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". At December 31, 2020, the royalty expenses were recorded within "selling expenses - brand license", in the parent company in the amount of R$ 8,925 (R$ 10,892 at December 31, 2019) and in the consolidated accounts in the amount of R$ 9,752 (R$ 11,779 at December 31, 2019).

Parent company and ultimate parent company

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

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

Dividends and interest on capital receivable

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

	Parent company				
	12.31.2019	**Provision**	**Receipt**	**Exchange variation**	**12.31.2020**
Dividends	-	28,629	(28,629)	-	-
Interest on capital	50,521	62,590	(64,793)	17,816	66,134
	50,521	**91,219**	**(93,422)**	**17,816**	**66,134**

(in thousand of reais)

	Parent company				
	01.01.2019	Provision	Receipt	Exchange variation	12.31.2019
Dividends	-	21,252	(21,252)	-	-
Interest on capital	60,724	49,037	(60,847)	1,607	50,521
	60,724	**70,289**	**(82,099)**	**1,607**	**50,521**

Dividends and interest on capital payable

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

	Parent company and consolidated				
	Balance 12.31.2019	Addition	Payment	Prescribed dividends and interest on capital	Balance 12.31.2019
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**

	Parent company and consolidated				
	Balance 01.01.2019	Addition	Payment	Prescribed dividends and interest on capital	Balance 12.31.2019
MAHLE Indústria e Comércio Ltda.	7,419	164,490	(165,828)	-	6,082
MAHLE Industriebeteiligungen GmbH.	1,236	27,415	(27,638)	-	1,013
Non-controlling	4,625	82,246	(82,670)	(156)	4,046
Total	**13,280**	**274,151**	**(276,136)**	**(156)**	**11,139**

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	
	2020	**2019**
Statutory officers	4,642	5,840
Non-statutory officers	1,091	5,925
	5,733	**11,765**

The officers receive no share-based compensation.

(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	
	2020	**2019**	**2020**	**2019**
Profit before income tax and social contribution	82,270	287,459	107,620	304,068
(-) Interest on capital	(70,621)	(81,922)	(70,621)	(81,922)
Profit before income tax and social contribution after interest on capital	**11,649**	**205,537**	**36,999**	**222,146**
Income tax and social contribution at the statutory rate in Brazil (34%)	(3,961)	(69,883)	(12,580)	(75,530)
Effects of permanent differences:				
Equity in the results of investees	31,249	19,948	(47)	(57)
Overstated (understated) provision in prior year	2,030	2,938	2,030	2,938
Gain (loss) for the year for which no deferred tax asset was recognized	-	-	(1,690)	(2,299)
Inflationary effect generated by subsidiary	16,347	19,884	4,571	6,462
Non deductible expenses	(3,984)	(4,856)	(4,956)	(5,012)
Others, net	576	3,542	27,270	25,281
Total income tax and social contribution	**42,257**	**(28,427)**	**14,598**	**(48,217)**
Current income tax and social contribution	(10,286)	(20,478)	(38,257)	(38,565)
Deferred income tax and social contribution	52,543	(7,949)	52,855	(9,652)
	42,257	**(28,427)**	**14,598**	**(48,217)**
Effective rate	**-362.8%**	**13.8%**	**-39.5%**	**21.7%**

(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 2020	Balance in 2019	Balance in 2020	Balance in 2019
Property, plant and equipment	-	-	(29,351)	(31,454)
Intangible assets	-	-	(97,025)	(104,213)
Derivatives	7,445	-	-	(1,705)
Inventory	26,868	11,365	-	-
Labor risk provision	71,712	67,398	-	-
Provisions	81,924	59,986	-	-
Tax (assets) liabilities	187,949	138,749	(126,376)	(137,372)
Amount eligible for offsetting	(126,376)	(137,372)	126,376	137,372
Net tax (assets) liabilities	**61,573**	**1,377**	**-**	**-**

	Consolidated			
	Assets		Liabilities	
	Balance in 2020	Balance in 2019	Balance in 2020	Balance in 2019
Property, plant and equipment	-	-	(33,985)	(34,073)
Intangible assets	-	-	(97,025)	(104,213)
Derivatives	7,445	-	-	(1,705)
Inventory	26,844	7,951	-	-
Provision labor risks	71,712	67,398	-	-
Provisions	85,825	63,376	-	-
Tax (assets) liabilities	191,826	138,725	(131,010)	(139,991)
Amount eligible for offsetting	(129,728)	(136,885)	129,728	136,885
Net tax (assets) liabilities	**62,098**	**1,840**	**(1,282)**	**(3,106)**

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

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

(in thousand of reais)

ii. Estimated realization:

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.

Deferred tax assets are expected to be realized as follows:

	Parent Company		Consolidated	
Period	**2020**	**2019**	**2020**	**2019**
Next 12 months	74,326	49,751	77,185	48,833
Between 12 and 24 months	18,711	17,364	19,093	17,662
Between 24 and 36 months	42,466	26,222	42,815	26,565
Between 36 and 48 months	8,328	7,254	8,616	7,507
Between 48 and 60 months	12,565	12,868	12,565	12,868
Over 60 months	31,553	25,290	31,552	25,290
	187,949	**138,749**	**191,826**	**138,725**

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

	Parent company						
	Balance in 01.01.2019	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**Balance in 12.31.2019**	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**Balance in 12.31.2020**
Property, plant and equipment	(35,388)	3,934	-	(31,454)	2,103	-	(29,351)
Intangible assets	(104,213)	-	-	(104,213)	7,188	-	(97,025)
Derivatives	1,777	(10)	(3,472)	(1,705)	1,497	7,653	7,445
Inventory	10,656	709	-	11,365	15,503	-	26,868
Labor risk provision	82,377	(14,979)	-	67,398	4,314	-	71,712
Provisions	57,589	2,397	-	59,986	21,938	-	81,924
	12,798	**(7,949)**	**(3,472)**	**1,377**	**52,543**	**7,653**	**61,573**

(in thousand of reais)

	Consolidated						
	Balance in 01.01.2019	Recognized in profit or loss	Recognized in other comprehensive	Balance in 12.31.2019	Recognized in profit or loss	Recognized in other comprehensive	Balance in 12.31.2020
Property, plant and equipment	(42,116)	8,043	-	(34,073)	88	-	(33,985)
Intangible assets	(104,213)	-	-	(104,213)	7,188	-	(97,025)
Derivatives	1,777	(10)	(3,472)	(1,705)	1,497	7,653	7,445
Inventory	10,675	(2,724)	-	7,951	18,893	-	26,844
Labor risk provision	82,377	(14,979)	-	67,398	4,314	-	71,712
Provisions	60,475	18	2,883	63,376	20,875	1,574	85,825
	8,975	**(9,652)**	**(589)**	**(1,266)**	**52,855**	**9,227**	**60,816**

c. *Unrecognized deferred tax assets*

At December 31, 2020, tax credits of R$ 24,905 (R$ 23,990 in 2019) 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	
	2020	**2019**
Temporary differences	1,709	2,325
Tax losses	23,196	21,665
	24,905	**23,990**

(in thousand of reais)

16. Investments in subsidiaries

	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	59,549	(59,549)	(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**	**95,304**	**(95,304)**	**(9,619)**	**233,944**

	2019				
	Investments accounted for using the equity method	Goodwill	Impairment	Elimination of profit on inventory (Balance at 12/31/2019)	Total
MAHLE Argentina S.A.	128,888	59,549	(38,408)	(1,742)	148,287
MAHLE Metal Leve GmbH	52,412	-	-	(3,121)	49,291
Innoferm Tecnologia Ltda.	3,838	-	-	(3,493)	345
MAHLE Hirschvogel Forjas S.A.	-	35,755	(35,755)	-	-
Total	**185,138**	**95,304**	**(74,163)**	**(8,356)**	**197,923**

(in thousand of reais)

	Interest (%)	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Equity	Net revenue	Profit (loss) for the period
December 31, 2020						(FY 2020)				
Subsidiaries										
MAHLE Argentina S.A.	99.20	215,799	75,593	291,392	89,740	25,558	115,298	176,094	410,936	13,640
MAHLE Metal Leve GmbH	100.00	120,360	79,605	199,965	135,955	-	135,955	64,010	521,079	82,447
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	60.00	1,218	21	1,239	905	7,426	8,331	(7,092)	2,499	(1,438)
MAHLE Hirschvogel Forjas S.A.	51.00	3,359	5,896	9,255	873	6,092	6,965	2,290	-	(3,544)
Subtotal subsidiaries		**340,736**	**161,115**	**501,851**	**227,473**	**39,076**	**266,549**	**235,302**	**934,514**	**91,105**
Related companies										
Innoferm Tecnologia Ltda.	33.33	1,657	9,634	11,291	168	168	336	11,103	-	(410)
Subtotal related companies		**1,657**	**9,634**	**11,291**	**168**	**168**	**336**	**11,103**	**-**	**(410)**
Total		**342,393**	**170,749**	**513,142**	**227,641**	**39,244**	**266,885**	**246,405**	**934,514**	**90,695**

	Interest (%)	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Equity	Net revenue	Profit (loss) for the period
December 31, 2019						(FY 2019)				
Subsidiaries										
MAHLE Argentina S.A.	99.20	149,840	64,130	213,970	61,652	22,392	84,044	129,926	395,869	(8,629)
MAHLE Metal Leve GmbH	100.00	109,064	44,806	153,870	101,458	-	101,458	52,412	467,734	71,296
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	60.00	1,146	19	1,165	674	7,009	7,683	(6,518)	2,740	(1,565)
MAHLE Hirschvogel Forjas S.A.	51.00	3,111	9,389	12,500	877	11,789	12,666	(166)	-	(5,212)
Subtotal subsidiaries		**263,161**	**118,344**	**381,505**	**164,661**	**41,190**	**205,851**	**175,654**	**866,343**	**55,890**
Related companies										
Innoferm Tecnologia Ltda.	33.33	2,069	9,667	11,736	11	212	223	11,513	-	(502)
Subtotal related companies		**2,069**	**9,667**	**11,736**	**11**	**212**	**223**	**11,513**	**-**	**(502)**
Total		**265,230**	**128,011**	**393,241**	**164,672**	**41,402**	**206,074**	**187,167**	**866,343**	**55,388**

(in thousand of reais)

	Interest (%)	Interest in equity: Investments	Equity in the results of subsidiaries	Elimination of profit on inventory /other assets (equity)	Provision for impairment of investments
December 31, 2020		**(FY 2020)**			
Subsidiaries					
MAHLE Argentina S.A.	99.20	174,684	13,531	(960)	-
MAHLE Metal Leve GmbH	100.00	64,010	82,447	(303)	-
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	60.00	-	(863)	-	-
MAHLE Hirschvogel Forjas S.A.	51.00	1,168	(1,807)	-	-
Subtotal subsidiaries		**239,862**	**93,308**	**(1,263)**	**-**
Related companies					
Innoferm Tecnologia Ltda.	33.33	3,701	(137)	-	-
Subtotal related companies		**3,701**	**(137)**	**-**	**-**
Total		**243,563**	**93,171**	**(1,263)**	**-**

	Interest (%)	Interest in equity: Investments	Equity in the results of subsidiaries	Elimination of profit on inventory /other assets (equity)	Provision for impairment of investments
December 31, 2019		**(FY 2019)**			
Subsidiaries					
MAHLE Argentina S.A.	99.20	128,888	(8,560)	247	-
MAHLE Metal Leve GmbH	100.00	52,412	71,296	(548)	-
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	60.00	-	(939)	-	-
MAHLE Hirschvogel Forjas S.A.	51.00	-	(2,658)	-	(85)
Subtotal subsidiaries		**181,300**	**59,139**	**(301)**	**(85)**
Related companies					
Innoferm Tecnologia Ltda.	33.33	3,838	(167)	-	-
Subtotal related companies		**3,838**	**(167)**	**-**	**-**
Total		**185,138**	**58,972**	**(301)**	**(85)**

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 made provision for the impairment of the goodwill on the acquisition of this subsidiary in the amount of R$ 59,549 (R$ 38.408 at December 31, 2019).

MAHLE Filtroil Indústria e Comércio de Filtros Ltda.

At December 31, 2020 and 2019, the subsidiary has a loan agreement with the Company as stated in Note 14 – Related parties.

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

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

MAHLE Hirschvogel Forjas S.A.

At December 31, 2020, the share of equity in subsidiary MAHLE Hirschvogel Forjas S.A. is R$ 1,168 which is recorded in current assets as “Investments in subsidiaries”. At December 31, 2019, the interest in the net capital deficiency of the subsidiary MAHLE Hirschvogel Forjas S.A. was R$ 85 and this was recorded in non-current liabilities within "provision for subsidiary's net capital deficiency".

At the Extraordinary General Meeting held on November 29, 2019, the shareholders approved an increase in the share capital of subsidiary MAHLE Hirschvogel S.A. of R$ 6,000, without issue of new shares, with R$ 3,060 being contributed by MAHLE Metal Leve S.A. and R$ 2,940 by the non-controlling shareholder on August 31, 2020. The capital contribution was intended to proceed with the process of liquidation of the subsidiary.

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

MAHLE Metal Leve GmbH

On May 28, 2020, the subsidiary MAHLE Metal Leve GmbH declared and paid dividends of R$ 93,422 to the Company for profits earned in FY 2019.

Innoferm Tecnologia Ltda.

On August 25, 2015, the company Innoferm Tecnologia Ltda. was founded, in the share capital of which MAHLE Metal Leve S.A. has a stake of 33.3.

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

In 2015, MAHLE Metal Leve S.A. acquired Innoferm Tecnologia Ltda. to have exclusive rights to ethanol production technology for R$ 12,000. See Note 18.

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

(in thousand of reais)

17. Property, plant and equipment

	Parent company									
	Land	**Buildings and construction**	**Machinery, equipment and facilities**	**Furniture and fittings**	**Vehicles**	**Construction in progress**	**Advances to suppliers**	***Impairment***	**Rights-of-use assets (IFRS 16)**	**Total**
At December 31, 2018	**52,454**	**97,001**	**431,571**	**4,021**	**4,713**	**4,150**	**3,522**	**(3,414)**	**-**	**594,018**
Total cost	52,454	230,485	2,005,716	25,066	24,587	4,150	3,522	(3,414)	-	2,342,566
Accumulated depreciation	-	(133,484)	(1,574,145)	(21,045)	(19,874)	-	-	-	-	(1,748,548)
Net book value	**52,454**	**97,001**	**431,571**	**4,021**	**4,713**	**4,150**	**3,522**	**(3,414)**	**-**	**594,018**
Initial adoption (IFRS 16)	-	-	-	-	-	-	-	-	23,435	23,435
At January 1st, 2019	**52,454**	**97,001**	**431,571**	**4,021**	**4,713**	**4,150**	**3,522**	**(3,414)**	**23,435**	**617,453**
Additions	-	771	59,739	603	953	5,944	6,394	12	3,490	77,906
Write-offs	-	-	(347)	(2)	(462)	-	-	(151)	-	(962)
Transfer	-	(51)	15,038	-	-	(7,627)	(7,367)	7	-	-
Depreciation	-	(4,917)	(72,179)	(741)	(1,426)	-	-	-	(6,845)	(86,108)
Depreciation/write-off (deemed cost)	-	(2,551)	(223)	(6)	-	-	-	-	-	(2,780)
At December 31, 2019	**52,454**	**90,253**	**433,599**	**3,875**	**3,778**	**2,467**	**2,549**	**(3,546)**	**20,080**	**605,509**
Total cost	52,454	231,205	2,069,706	24,726	23,270	2,467	2,549	(3,546)	26,925	2,429,756
Accumulated depreciation	-	(140,952)	(1,636,107)	(20,851)	(19,492)	-	-	-	(6,845)	(1,824,247)
Net book value	**52,454**	**90,253**	**433,599**	**3,875**	**3,778**	**2,467**	**2,549**	**(3,546)**	**20,080**	**605,509**
Additions	-	122	47,936	495	1,980	3,262	6,302	-	-	60,097
Write-offs	-	-	(1,611)	(25)	(423)	-	-	(1,419)	(1,079)	(4,557)
Transfer	-	-	7,493	(38)	-	(4,392)	(3,063)	-	-	-
Depreciation	-	(4,889)	(76,466)	(723)	(1,178)	-	-	-	(7,264)	(90,520)
Depreciation/write-off (deemed cost)	-	(2,568)	(625)	-	-	-	-	-	-	(3,193)
At December 31, 2020	**52,454**	**82,918**	**410,326**	**3,584**	**4,157**	**1,337**	**5,788**	**(4,965)**	**11,737**	**567,336**
Total cost	52,454	231,326	2,081,746	24,927	23,537	1,337	5,788	(4,965)	26,923	2,443,073
Accumulated depreciation	-	(148,408)	(1,671,420)	(21,343)	(19,380)	-	-	-	(15,186)	(1,875,737)
Net book value	**52,454**	**82,918**	**410,326**	**3,584**	**4,157**	**1,337**	**5,788**	**(4,965)**	**11,737**	**567,336**

(in thousand of reais)

	Consolidated									
	Land	**Buildings and construction**	**Machinery, equipment and facilities**	**Furniture and fittings**	**Vehicles**	**Construction in progress**	**Advances to suppliers**	***Impairment***	**Rights-of-use assets (IFRS 16)**	**Total**
At December 31, 2018	**52,561**	**105,270**	**473,063**	**4,259**	**5,588**	**4,150**	**4,261**	**(3,636)**	**-**	**645,516**
Total cost	52,561	241,530	2,142,391	25,538	30,043	4,150	4,261	(3,636)	-	2,496,838
Accumulated depreciation	-	(136,260)	(1,669,328)	(21,279)	(24,455)	-	-	-	-	(1,851,322)
Net book value	**52,561**	**105,270**	**473,063**	**4,259**	**5,588**	**4,150**	**4,261**	**(3,636)**	**-**	**645,516**
Initial adoption (IFRS 16)	-	-	-	-	-	-	-	-	23,435	23,435
At January 1st, 2019	**52,561**	**105,270**	**473,063**	**4,259**	**5,588**	**4,150**	**4,261**	**(3,636)**	**23,435**	**668,951**
Additions	-	993	62,102	629	1,125	5,944	15,820	12	6,356	92,981
Write-offs	-	-	(395)	(3)	(489)	-	-	(148)	-	(1,035)
Transfer	-	12	22,629	(7)	-	(7,627)	(15,014)	7	-	-
Depreciation	-	(4,959)	(74,798)	(765)	(1,502)	-	-	-	(7,560)	(89,584)
Depreciation/write-off (deemed cost)	-	(2,551)	(223)	(6)	-	-	-	-	-	(2,780)
Gain on monetary items, net	-	3,280	12,157	-	512	-	(17)	-	725	16,657
Translation effects	(37)	(3,339)	(16,939)	(73)	(359)	-	(451)	76	-	(21,122)
At December 31, 2019	**52,524**	**98,706**	**477,596**	**4,034**	**4,875**	**2,467**	**4,599**	**(3,689)**	**22,956**	**664,068**
Total cost	52,524	242,639	2,214,344	25,059	29,116	2,467	4,599	(3,689)	29,791	2,596,850
Accumulated depreciation	-	(143,933)	(1,736,748)	(21,025)	(24,241)	-	-	-	(6,835)	(1,932,782)
Net book value	**52,524**	**98,706**	**477,596**	**4,034**	**4,875**	**2,467**	**4,599**	**(3,689)**	**22,956**	**664,068**
Additions	-	343	48,134	495	1,980	3,262	14,098	(12)	-	68,300
Write-offs	-	-	(1,675)	(25)	(431)	-	-	(1,419)	(1,079)	(4,629)
Transfer	-	70	13,479	(29)	1	(4,392)	(9,129)	-	-	-
Depreciation	-	(4,936)	(79,459)	(747)	(1,259)	-	-	-	(8,324)	(94,725)
Depreciation/write-off (deemed cost)	-	(2,568)	(625)	-	-	-	-	-	-	(3,193)
Gain on monetary items, net	-	2,896	8,495	-	353	-	163	-	232	12,139
Translation effects	(6)	(1,084)	(4,901)	(10)	(120)	-	(163)	12	(75)	(6,347)
At December 31, 2020	**52,518**	**93,427**	**461,044**	**3,718**	**5,399**	**1,337**	**9,568**	**(5,108)**	**13,710**	**635,613**
Total cost	52,518	245,759	2,265,420	25,240	31,038	1,337	9,568	(5,108)	29,656	2,655,428
Accumulated depreciation	-	(152,332)	(1,804,376)	(21,522)	(25,639)	-	-	-	(15,946)	(2,019,815)
Net book value	**52,518**	**93,427**	**461,044**	**3,718**	**5,399**	**1,337**	**9,568**	**(5,108)**	**13,710**	**635,613**

(in thousand of reais)

Deemed cost

Changes in deemed cost

	Parent Company and consolidated				
	01.01.2019	Depreciation / write-off (deemed cost)	12.31.2019	Depreciation / write-off (deemed cost)	12.31.2020
Land	46,905	-	46,905	-	46,905
Buildings and construction	40,488	(2,551)	37,937	(2,568)	35,369
Machinery, equipment and facilities	1,953	(223)	1,730	(625)	1,105
Furniture and fittings	23	(6)	17	-	17
Vehicles	(147)	-	(147)	-	(147)
	89,222	**(2,780)**	**86,442**	**(3,193)**	**83,249**

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.

Guarantees

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

Provision for impairment

The Group has recorded provision at an amount sufficient to cover any impairment losses on property, plant and equipment, which relates substantially to the group of machinery and equipment and is recorded in the parent company and consolidated accounts of property, plant and equipment in accordance with the requirements set out in NBC TG 01 (CPC 01) - (R1)/IAS 36 “Impairment of assets”. The parent company and consolidated balance of the provision for losses at December 31, 2020 is R$ 4,965 (R$ 3,546 at December 31, 2019) and R$ 5,108 (R$ 3,689 at December 31, 2019), respectively.

(in thousand of reais)

18. Intangible assets

	Annual amortization rates (%)	Parent company 2020	Parent company 2019	Consolidated 2020	Consolidated 2019
Goodwill on merger with subsidiary:					
MAHLE Participações Ltda. (a)	-	568,612	568,612	568,612	568,612
Goodwill on acquisition of subsidiaries:					
MAHLE Argentina S.A. (a)	-	-	-	59,549	65,823
MAHLE Hirschvogel Forjas S.A. (a)	-	-	-	35,755	35,755
Cost of acquisition and installation of software (b)	20	51,294	51,002	53,806	53,034
Other (a and b)	-	334	334	1,118	1,186
Usage right and concessions (a)	-	5,665	5,665	5,665	5,665
Usage right and concessions (b) (*)	20	9,325	60,430	9,325	60,430
Provision for impairment of intangible assets (Rings businnes)	-	(188,654)	(188,654)	(188,654)	(188,654)
Provision for impairment of intangible assets (MAHLE Argentina S.A.)	-	-	-	(59,549)	(38,408)
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)
		446,242	**497,055**	**449,529**	**527,345**
Accumulated amortization		(54,351)	(54,997)	(57,538)	(57,746)
		391,891	**442,058**	**391,991**	**469,599**

(a) Indefinite useful life

(b) finite useful life

(*) Within direitos e concessões de uso was recognized an impairment loss on MBE2's assets in the amount of R$ 45,129, related to costs of development of MBE2 technology and exclusive rights to production and marketing of the Project. More details of the termination of the Project are provided below.

(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, 2019	**379,958**	**3,975**	**55,569**	**-**	**439,502**
Additions	-	2,284	4,484	-	6,768
Amortization	-	(1,864)	(2,348)	-	(4,212)
At December 31, 2019	**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**

	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, 2019	**407,245**	**4,021**	**55,569**	**45**	**466,880**
Additions	-	2,368	4,484	-	6,852
Amortization	-	(1,886)	(2,348)	-	(4,234)
Foreign exchange variation	127	(28)	-	(14)	85
Discontinued operations	-	16	-	-	16
At December 31, 2019	**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**

(in thousand of reais)

Impairment

In 2020, the Company performed impairment tests in accordance with NBC TG 01 (CPC 01) and identified an impairment loss of R$ 29,663 on the goodwill of subsidiary MAHLE Argentina S.A., whose total goodwill recognized in the parent company in March 2007 is R$ 59,549 (99.2% of equity interest), and of EUR 1,384.8 (R$ 8,522) recorded in subsidiary MAHLE Metal Leve GmbH (0.8% of equity interest). These impairment losses were mainly due to the rise in country risk, driven by the macroeconomic situation in Argentina.

Based on the expectation of recovery of intangible assets related to the Project MBE2, which are recorded in direitos e concessões de uso, management recognized impairment losses of R$ 45,129 with a corresponding entry to other operating expenses in the statement of income. The losses arise from the non-fulfillment of performance obligations at the fermentation stage of the process of ethanol production with respect to the percentages agreed upon in the contract with customers.

Management is continually monitoring the operations and did not identify as at December 31, 2020 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.

Key assumptions

The main rates used for the period from 2020 to 2025 to determine the subsidiaries' valuation through discounted cash flows were as follows:

	December/2020		December/2019		
	Actual model MAHLE Argentina S.A.	Nominal model MAHLE Metal Leve S.A (Rings)	Actual model MAHLE Argentina S.A.	Nominal model MAHLE Metal Leve S.A (Rings)	Nominal model MAHLE Metal Leve S.A (MBE2)
a. Risk free rate	0.00%	0.00%	0.40%	0.40%	0.40%
b. Country risk premium	15.62%	4.41%	9.25%	4.27%	4.27%
c. Market premium	6.50%	6.50%	6.00%	6.00%	6.00%
d. Unleveraged beta	1.00	0.90	1.00	0.90	1.00
e. Cost of equity (b + c) x d	22.12%	9.82%	15.25%	9.24%	10.27%
f. Discount rate	19.96%	10.78%	14.10%	11.21%	13.49%
h. Inflation rate	0%	3.02%	0%	3.84%	3.84%
i. Growth	0%	0.00%	0%	0.00%	2.88%

Discount rate

The discount rate applied to cash flow projections for the subsidiary MAHLE Argentina S.A. and the CGU of MAHLE Metal Leve S.A. (rings business and MBE2Ele) 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 subsidiary MAHLE Argentina S.A., projections were made in real terms, i.e. without inflation. 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.

No growth rate is shown for subsidiary MAHLE Argentina S.A. because the valuation is done in real terms, i.e. without inflation. For CGU of MAHLE Metal Leve S.A. (rings business), management adopted a conservative scenario, without considering a perpetuity growth.

Exchange rate

The exchange rates used in the 2020-2025 periods for the subsidiary MAHLE Argentina S.A. and the 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 and Argentina).

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 11p.p. decrease in margin in the projected years reduces the value in use by approximately 40,3%. An increase in discount rate rate (from 10.78% to 17.37% p.a.) reduces the value in use by approximately 39,8%.

The above sensitivity scenarios analyzed separately would result in a recoverable amount similar to the carrying amount as at December 31, 2020.

(in thousand of reais)

19. Suppliers

	Parent company		Consolidated	
	2020	2019	2020	2019
Suppliers - Third Party				
Raw material	141,360	53,359	178,316	73,140
Services	31,047	23,961	31,086	24,004
	172,407	**77,320**	**209,402**	**97,144**
Related parties (Note 14)	62,375	44,591	80,601	52,364
	234,782	**121,911**	**290,003**	**149,508**

There was an increase in trade payables because supplier payment terms were extended to 41 days in December 2020 from 35 days in December 2019.

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

Commitments assumed

At December 31, 2020, the Group and its subsidiaries had bank letters of guarantee with various maturities for guaranteeing the supply of electric power and judicial proceedings as shown in the table below:

	Parent company and consolidated	
	2020	**2019**
Legal process	5,156	4,910
Eletric power	3,733	10,535
	8,889	**15,445**

(in thousand of reais)

20. Taxes and contributions payable

	Parent company		Consolidated	
	2020	**2019**	**2020**	**2019**
State taxes	**13,410**	**12,236**	**13,725**	**12,453**
ICMS payable	13,393	12,236	13,409	12,242
Other	17	-	316	211
Federal taxes	**24,726**	**22,050**	**27,065**	**25,196**
Import tax	8,683	7,185	9,004	7,964
COFINS payable	5,735	5,397	5,745	5,398
IRRF	4,242	4,412	4,254	4,421
IPI payable	4,853	3,878	5,328	5,055
PIS payable	1,213	1,152	1,216	1,152
Other	-	26	1,518	1,206
Municipal taxes	**-**	**-**	**114**	**81**
Taxes and contributions payable	**38,136**	**34,286**	**40,904**	**37,730**
Income tax and social contribution	-	-	23,932	14,926
Income tax and social contribution payable	**-**	**-**	**23,932**	**14,926**
Current liabilities	**38,136**	**34,286**	**64,836**	**52,656**

(in thousand of reais)

21. Borrowings and lease liabilities

a) Borrowings

Description		Average cost	Parent company 2020	Parent company 2019	Consolidated 2020	Consolidated 2019
Borrowings in local currency (BRL)						
FINEP (Long-Term Interest Rate (TJLP) + 5.00% p.y. - 6.00% p.y.)		3.55%	89,894	118,333	89,894	118,333
BNDES (TJLP+ 1,5% p.y.)		6.05%	15,167	15,198	15,167	15,198
FINEP II (Long-Term Interest Rate (TJLP) + 5.00% p.y. - 5.00% p.y.)		4.55%	75,909	75,942	75,909	75,942
4131 SANTANDER (CDI + 4,25% p.y.)		6.15%	157,635	-	157,635	-
4131 ITAÚ (CDI + 4,30% p.y.)		6.20%	105,119	-	105,119	-
		5.36%	**443,724**	**209,473**	**443,724**	**209,473**
Borrowings in foreign currency	**Currency**					
ACC (average interest 7,57% p.y)	USD (expressed in BRL)		-	-	-	12,278
ACC (average interest 0,47% p.y)	EUR (expressed in BRL)	0.47%	108,645	172,409	108,645	172,409
		0.94%	**108,645**	**172,409**	**108,645**	**184,687**
		4.40%	**552,369**	**381,882**	**552,369**	**394,160**
Current - borrowings in local currency			293,795	29,256	293,795	29,256
Current - borrowings in foreign currency			108,644	172,409	108,644	184,687
Total current			**402,439**	**201,665**	**402,439**	**213,943**
Non-current - borrowings in local currency			149,930	180,217	149,930	180,217
Total non-current			**149,930**	**180,217**	**149,930**	**180,217**

In 2020, the parent company took bank loans totaling approximately BRL 343,400, as follows:

- February 2020 EUR 20,000 - NCE with average cost of 0.47% p.a. and maturities between December 2020 and May 2021.
- March 2020 R$ 150,000 – 4131 with average cost of CDI + 4.25% p.a. (at 6/30 CDI 2.15% + 4.25%) and maturity in March 2021.
- March 2020 R$ 100,000 – 4131 with average cost of CDI + 4.30% p.a. (at 3/31 CDI 2.15% + 4.30%) and maturity in March 2021.

The Argentine subsidiary took bank loans of approximately BRL 116,640, as follows:

- March 2020 USD 1,200 - ACC with average cost 8.50% p.a. and maturity between July and September 2020.
- May 2020 USD 1,500 - ACC with average cost 7.40% p.a. and maturity in November 2020.

(in thousand of reais)

Reconciliation of changes in equity with proceeds from borrowings:

Changes in borrowings in 2020 were as follows:

Parent company						
	Cash Flow					
12.31.2019	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

Parent company							
	Cash Flow						
01.01.2019	Addition	Principal Amortization	Amortization Interest	Exchange Variation	Appropriation of interest	Monetary variation	12.31.2020
271,262	243,002	(137,024)	(11,347)	1,719	13,651	619	381,882

Consolidated						
	Cash Flow					
12.31.2019	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

Consolidated							
	Cash Flow						
01.01.2019	Addition	Principal Amortization	Amortization Interest	Exchange Variation	Appropriation of interest	Monetary variation	12.31.2020
291,621	328,542	(225,129)	(12,563)	(3,927)	14,997	619	394,160

At December 31, 2020, long-term borrowings mature as follows:

	Parent company and Consolidated
	2020
From january 2022	38,280
2023	43,280
2024	10,213
2025	10,213
2026	10,213
2027	10,213
2028	10,213
2029	8,965
2030	8,340
	149,930

Restrictive covenants

FINEP: This financing was obtained from the Financing Agency for Studies and Projects (FINEP) to partially fund (at an average of 64%) the expenses incurred in several projects of the program "Innovation in MAHLE Components and Systems", and is collateralized by a bank guarantee with maturity on August 30, 2021. This financing is based on the TJLP interest rate (4.55 % p.a. as at December 31, 2020) 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.

BNDES: This financing was obtained from the National Bank for Economic and Social Development (BNDES) and was used in the development and construction of a first-generation ethanol plant to demonstrate the economic viability of the MBE2 technology, a solution which increases the production of ethanol. It is collateralized by a bank guarantee with maturity on October 15, 2029 and is subject to TJLP (December 31, 2020 – 4.55% p.a.) plus spread of 1.5% p.a. This agreement contains certain covenants that, if breached, can result in acceleration of maturity, as follows: use of the money for purpose other than that specified in the agreement, change in control of the Company, delay in any payment to BNDES, provision by the Company of inaccurate information to BNDES and plant construction project put on hold.

FINEP II: This financing was obtained from the Financing Agency for Studies and Projects (FINEP) to partially fund (at an average of 90%) the expenses incurred in several projects of the program "Strategic plan for innovation", and is collateralized by a bank guarantee with maturity on January 21, 2021. This financing is based on the TJLP interest rate (4.55 % p.a. as at December 31, 2020) plus a bank spread of 5% p.a. less an equalization rate of 4.5% p.a. and an additional interest equalization reduction of 0.5% p.a. for provision of bank guarantee. There are various accelerated maturity clauses (respecting ample defense for the Company) with loss of the equalization value: use of funds for a purpose other than that established in the contract; change in effective control of the Company; existence of FINEP amounts in arrears; inaccurate information provided to FINEP by the Company; and suspension of the project.

At December 31, 2020, the Company did not have delinquent principal and interest payments and had not breached any provisions of the agreements with FINEP and BNDES.

(in thousand of reais)

b) Lease obrigations

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

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

The movement in lease liabilities is shown below:

	Parent company	**Consolidated**
Adoption of IFRS 16 / CPC 06 (R2)	23,435	23,435
Balance at January 1, 2019	**23,435**	**23,435**
Addition	3,887	6,754
Lease payments	(7,805)	(8,652)
Recovery of taxes (PIS/COFINS)	(397)	(397)
Interest	2,656	2,813
Exchange rate	-	965
Balance at December 31, 2019	**21,776**	**24,918**
Write-off	(1,206)	(1,206)
Lease payments	(9,384)	(10,563)
Interest	2,017	2,153
Exchange rate variation	-	300
Balance at December 31, 2020	**13,203**	**15,601**

(in thousand of reais)

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
	12.31.2020	**12.31.2020**
30 days	685	831
From 31 to 90 days	1,371	1,823
From 91 to 365 days	5,348	6,644
2022	5,799	6,304
Total	**13,203**	**15,602**
Current	7,405	9,298
Non current	5,798	6,303
	13,203	**15,601**

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

	Controladora	Consolidado
Building lease contract		
Initial adoption of IFRS 16	23,435	23,435
Balance at January 1, 2019	**23,435**	**23,435**
Addition	-	2,866
Depreciation	(6,134)	(6,849)
Gains on net monetary position	-	725
Balance at December 31, 2019	**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**
Vehicle lease contract		
Addition	3,490	3,490
Depreciation	(711)	(711)
Balance at December 31, 2019	**2,779**	**2,779**
Write off	(69)	(69)
Depreciation	(1,659)	(1,659)
Balance at December 31, 2020	**1,051**	**1,051**
Total right-of-use assets	**11,737**	**13,710**

(in thousand of reais)

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

	Parent company and Consolidated	
	Nominal	Discounted to present value
Lease payment	29,436	23,510
Potential PIS/COFINS recoverable (9.25%)	2,723	2,175

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	
	01.01.20	12.31.20	01.01.20	12.31.20
Lease liability				
Real flow	20,369	13,202	23,512	15,600
Flow adjusted for inflation	21,776	14,305	24,918	16,702
Right-of-use assets				
Real flow	19,148	11,737	22,023	13,710
Flow adjusted for inflation	20,081	12,240	22,955	14,213
Interest expenses				
Real flow	-	1,881	-	2,161
Flow adjusted for inflation	-	2,023	-	2,303
Depreciation charges				
Real flow	-	7,543	-	9,080
Flow adjusted for inflation	-	7,841	-	9,378

(in thousand of reais)

22. Salaries, vacation pay and social charges

	Parent company		Consolidated	
	2020	**2019**	**2020**	**2019**
Employee profit sharing	12,211	21,154	13,533	22,187
Accrued vacation pay	30,141	28,353	34,397	30,016
INSS /FGTS	12,307	12,427	12,330	12,446
Other social security obligations	1,428	387	4,130	2,943
	56,087	**62,321**	**64,390**	**67,592**

23. Sundry provision

	Parent company					
	Losses on contracts	**Commercial bonuses**	**Electric power**	**Employee benefits**	**Other**	**Total**
At January 1st, 2019	**8,589**	**9,268**	**6,274**	**3,023**	**1,943**	**29,097**
Reversal	(519)	(969)	(6,274)	-	(1,330)	(9,092)
Payment	-	(14,645)	-	(1,669)	(1,299)	(17,613)
Complement	2,588	18,540	5,843	1,919	1,309	30,199
At December 31, 2019	**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**

	Consolidated						
	Losses on contracts	**Commercial bonuses**	**Restructuring**	**Electric power**	**Employee benefits**	**Other**	**Total**
At January 1st, 2019	**9,854**	**9,269**	**961**	**6,797**	**3,023**	**2,530**	**32,434**
Reversal	(557)	(969)	(82)	(6,797)	-	(1,477)	(9,882)
Payment	(262)	(14,645)	(979)	-	(1,672)	(1,650)	(19,208)
Complement	2,588	18,537	811	6,278	1,922	2,128	32,264
Foreign exchange variation	(418)	-	(27)	-	-	(271)	(716)
At December 31, 2019	**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**

(in thousand of reais)

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 2020 and 2019, 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:

	Parent company	Consolidated
At January 1st, 2019	**11,121**	**13,309**
Reversal	(1,876)	(2,678)
Payment	(3,326)	(4,823)
Complement	2,680	4,979
Foreign exchange variation	-	(89)
At December 31, 2019	**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**

(in thousand of reais)

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, 2019	**242,285**	**53,960**	**5,863**	**(51,036)**	**251,072**
Additions	87,846	-	5,230	(6,439)	86,637
Monetary restatements	20,658	2,099	-	(1,649)	21,108
Write-off for use	(48,468)	-	(1,333)	6,610	(43,191)
Write-off for reversal	(104,091)	(8,689)	-	2,216	(110,564)
Transfer	-	-	-	19,830	19,830
At December 31, 2019	**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**

(in thousand of reais)

	Consolidated				
	Civil and labor	Tax	Environmental liability	Judicial deposits	Total
At January 1st, 2019	**259,167**	**53,959**	**5,863**	**(60,935)**	**258,054**
Additions	91,862	-	5,230	(8,465)	88,627
Monetary restatements	22,007	2,099	-	(1,645)	22,461
Write-off for use	(54,897)	-	(1,333)	8,671	(47,559)
Write-off for reversal	(106,785)	(8,688)	-	4,746	(110,727)
Transfer	-	-	-	24,778	24,778
Foreign exchange variation	(331)	-	-	-	(331)
At December 31, 2019	**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**

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

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

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

Proceedings involving the risk of possible loss

At December 31, 2020, the Group had labor, civil and tax proceedings brought before the proper authorities in the amount of R$ 58,825 (December 31, 2019 - R$ 48,790), 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 NBC TG 25 (CPC 25)/IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

b) *Compulsory loan - Eletrobrás*

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

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

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

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

Administrative Council for Economic Defense ("CADE")

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

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

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

(in thousand of reais)

26. Equity

a. *Share capital*

At December 31, 2020 and 2019, subscribed and paid-up capital was represented by the following number of shares with no par value:

	Number of shares			
	12.31.2020		12.31.2019	
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, 2020, the market value of the Company's common shares corresponded the price of R$ 20.43 per share (R$ 28.80 on December 31, 2019).

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.

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

(in thousand of reais)

c. *Appropriation of profit for the year*

Profit for the year was appropriated as follows:

	2020	2019
Profit for the year	**124,527**	**259,032**
Legal reserve (5% of the profit for the year)	(6,227)	(12,952)
Realization/write-off of deemed cost of property, plant and equipment, net of taxes	842	571
Prescribed dividends and interest on capital	60	156
Basis for calculation of dividends	**119,202**	**246,807**
Minimum mandatory dividends - 25%	**29,800**	**61,702**
Distribution to shareholders:		
Proposed additional dividends (i)	48,581	-
Portion of profits retained (i)	-	164,885
Interest on capital, net of income tax, paid partially during the year	-	60,330
Interest on capital payable, net of income tax	60,695	10,277
Income tax on interest on capital	9,926	11,315
Interest on capital and dividends on profit for the year	**119,202**	**246,807**
Percentage in relation to the calculation base	**100%**	**100%**
Prior year's remaining profits (i)	-	10,687
Total proposed additional dividends and portion of profits retained (i)	**48,581**	**175,572**
Interest on capital/dividends paid per common share in reais:		
Gross	R$ 0.550402	R$ 0.638479
Net	R$ 0.467842	R$ 0.542707
Proposed additional dividends per common share in reais	R$ 0.378627	R$ 1.285067
Number of common shares	128,308,500	128,308,500

(i) In the financial statements as of December 31, 2019, the remaining profits for 2019 were recorded as proposed additional dividends to shareholders. At the Annual General Meeting held on May 29, 2020, the shareholders approved the transfer of proposed additional dividends of R$ 175,572 to a special reserve. This portion of retained earnings kept in a special reserve will be distributed at an opportune time. The Company aims to preserve cash to weather the world crisis and to meet all its legal and contractual obligations.

To fulfill the duty of diligence pursuant to article 153 of the Brazilian corporate law and in response to the potential impacts of the coronavirus pandemic (COVID-19) on the Brazilian and global economies with unprecedent force, management emphasizes the need to preserve the Company's cash to face the impacts of the crisis caused by COVID-19, which it is now too early to estimate, and to continue operations efficiently and in compliance with legal and contractual obligations assumed by the Company.

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.

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, 2020, the Company recorded cumulative translation adjustments of R$ (+) R$ 5,294 ((-) R$ 53,458 at December 31, 2019).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.

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 2020, net of taxes, at (-) R$ 14,858 (In 2019 (+) R$ 6,741) in the parent and at (-) R$ 14,858 (In 2019 (+) R$ 15,614) in the consolidated accounts.

(in thousand of reais)

The adjustments for the adoption of the deemed cost of property, plant and equipment, net at R$ 842 in 2020 (2019 - R$ 571). 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:

	2020	2019
Profit attributable to owners of the parent	**124,527**	**259,032**
Shares outstanding	128,308,500	128,308,500
Basic earnings per share	**0.9705**	**2.0188**

There are no diluted earnings per share for the Company.

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:

		Parent Company		Consolidated	
	Note	**2020**	**2019**	**2020**	**2019**
Borrowings	21.a	552,369	381,882	552,369	394,160
Cash and cash equivalents	10	(557,868)	(158,554)	(607,835)	(168,781)
Loans to related parties, net	14	(29,029)	(25,812)	(77,671)	(37,030)
Net indebtedness		**(34,528)**	**197,516**	**(133,137)**	**188,349**
Total equity		1,347,956	1,303,554	1,341,987	1,296,954
Total equity + net indebtedness		**1,313,428**	**1,501,070**	**1,208,850**	**1,485,303**
Financial leverage index - %		**-3%**	**13%**	**-11%**	**13%**

(in thousand of reais)

29. Net operating revenue

	Parent company		Consolidated	
	2020	**2019**	**2020**	**2019**
Gross revenue				
Products	2,413,775	2,629,955	3,009,480	3,155,548
Services	41,789	48,932	37,817	45,704
Total revenue with products + services	**2,455,564**	**2,678,887**	**3,047,297**	**3,201,252**
Deductions from sales:				
Taxes on sales	(514,475)	(565,144)	(515,123)	(565,867)
Discounts, returns and sales incentives	(34,701)	(36,568)	(129,596)	(109,147)
Net operating revenue	**1,906,388**	**2,077,175**	**2,402,578**	**2,526,238**

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

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

	Parent company		Consolidated	
	2020	**2019**	**2020**	**2019**
Geographic market				
South America included domestic market	1,348,833	1,469,866	1,483,332	1,613,775
Europe	428,291	474,041	486,898	488,998
Central and North America	112,790	107,816	396,153	377,594
Africa, Asia, Oceania and Middle East	16,474	25,452	36,195	45,871
	1,906,388	**2,077,175**	**2,402,578**	**2,526,238**
Revenue by market				
Original equipament	1,098,652	1,311,915	1,473,878	1,658,522
Aftermarket	807,736	765,260	928,700	867,716
	1,906,388	**2,077,175**	**2,402,578**	**2,526,238**

(in thousand of reais)

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	
	2020	2019	2020	2019
Raw material and others materials	(698,326)	(746,116)	(881,708)	(913,810)
Personnel and benefits	(424,384)	(481,355)	(465,775)	(524,493)
Utilities and services	(144,459)	(166,030)	(156,394)	(180,502)
Depreciation and amortization	(90,002)	(83,891)	(94,032)	(87,157)
Other	(128,262)	(131,902)	(177,740)	(179,920)
Total	**(1,485,433)**	**(1,609,294)**	**(1,775,649)**	**(1,885,882)**

(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	
	2020	**2019**	**2020**	**2019**
Personnel and benefits	(42,946)	(43,002)	(50,887)	(49,958)
Freight	(39,688)	(37,877)	(49,875)	(49,069)
Professional services/service orders	(11,133)	(9,573)	(12,651)	(10,950)
Variable selling expenses	(10,635)	(5,627)	(19,734)	(15,489)
Brand license	(8,925)	(10,892)	(9,752)	(11,779)
General expenses	(4,112)	(4,274)	(10,105)	(10,894)
Advertising	(1,636)	(3,799)	(2,166)	(4,461)
Travel and entertainment allowance	(765)	(2,359)	(872)	(2,564)
Depreciation	(533)	(577)	(640)	(692)
Other expenses	(8,008)	(7,544)	(10,015)	(9,438)
	(128,381)	**(125,524)**	**(166,697)**	**(165,294)**

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	
	2020	**2019**	**2020**	**2019**
Personnel and benefits	(30,547)	(30,454)	(36,318)	(35,964)
Professional services/service orders	(22,287)	(12,599)	(24,955)	(14,772)
Management	(5,733)	(11,765)	(5,733)	(11,765)
Maintenance	(6,326)	(4,789)	(6,552)	(4,968)
Materials and utilities	(3,762)	(3,157)	(4,197)	(3,574)
Depreciation	(3,018)	(2,795)	(3,152)	(2,898)
PIS/COFINS	(3,002)	(1,722)	(3,090)	(1,740)
Travel and entertainment allowance	(415)	(1,086)	(468)	(1,201)
Other expenses	(10,169)	(8,160)	(10,918)	(8,852)
	(85,259)	**(76,527)**	**(95,383)**	**(85,734)**

(in thousand of reais)

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	
	2020	**2019**	**2020**	**2019**
Personnel and benefits	(30,452)	(46,722)	(31,924)	(47,858)
General expenses	(6,976)	(6,962)	(12,956)	(12,250)
Materials/utilities	(5,528)	(6,974)	(5,880)	(7,102)
Depreciation	(5,050)	(4,517)	(5,136)	(4,606)
Professional services/service orders	(2,760)	(5,125)	(3,508)	(5,889)
Maintenance	(2,364)	(2,879)	(2,372)	(2,879)
Other expenses	(2,108)	(2,893)	(2,313)	(3,123)
	(55,238)	**(76,072)**	**(64,089)**	**(83,707)**

(in thousand of reais)

34. Finance income and costs, net

	Controladora		Consolidado	
	2020	**2019**	**2020**	**2019**
Finance income				
Exchange variation (a)	126,900	42,118	186,611	91,619
Derivative financial instruments (c)	10,532	11,543	10,280	11,543
Interest	11,914	8,400	17,499	8,795
Monetary variation gains	784	2,869	997	2,983
Other	864	849	866	937
	150,994	**65,779**	**216,253**	**115,877**
Finance costs				
Exchange variations (b)	(129,716)	(37,393)	(185,910)	(89,266)
Monetary variation losses	(22,225)	(23,395)	(25,808)	(27,554)
Interest	(24,718)	(14,754)	(28,123)	(19,076)
Derivative financial instruments (d)	(56,468)	(14,458)	(56,170)	(14,458)
Other	(2,222)	(3,578)	(6,225)	(6,896)
	(235,349)	**(93,578)**	**(302,236)**	**(157,250)**
Finance income (costs), net	**(84,355)**	**(27,799)**	**(85,983)**	**(41,373)**
Summary of foreign exchange variations (a+b)	**(2,816)**	**4,725**	**701**	**2,353**
Trade receivables	36,010	7,134	60,873	24,893
Cash and cash equivalents	29,333	2,203	25,172	2,097
Interest on capital receivable	17,816	990	17,816	990
Trade payables	(8,274)	(1,397)	(17,174)	(17,323)
Borrowings	(82,513)	(4,155)	(89,669)	(7,288)
Loan receivable	4,725		4,725	
Lease obrigation (IFRS-16)	-	-	(1,129)	(965)
Other	87	(50)	87	(51)
Summary of derivative instruments (c+d)	**(45,936)**	**(2,915)**	**(45,890)**	**(2,915)**
Income	10,532	11,543	10,280	11,543
Expenses	(56,468)	(14,458)	(56,170)	(14,458)
Net result of foreign exchange variations and derivative financial instruments	**(48,752)**	**1,810**	**(45,189)**	**(562)**

(in thousand of reais)

35. Other operating income and expenses, net

	Parent company		Consolidated	
	2020	**2019**	**2020**	**2019**
Other income				
Reveral of provision for labor, civil and tax contingencies	74,835	140,348	77,223	143,044
Reversal of provision for compulsory loan (Eletrobrás) (*)	4,315	-	4,315	-
Reversal of provision of losses on products	3,239	519	3,239	819
Gains on disposal of assets /other	1,982	2,364	2,045	2,462
Electric power	1,412	966	1,412	1,084
Reversal of provision for obsolescence	1,404	85	1,404	85
Taxes recovered (Reintegra)	715	724	715	724
Gain on monetary items	-	-	8,067	10,816
Reversal of provision for restructuring	-	-	-	-
Other income	3,808	5,129	4,050	5,463
	91,710	**150,135**	**102,470**	**164,497**
Other expenses				
Provision for labor, civil and tax contingencies	(135,738)	(126,454)	(142,321)	(132,341)
Provision for impairment of intangible assets (**)	(66,270)	-	(74,368)	-
Provision for obsolescence	(2,852)	(223)	(2,852)	(223)
Provision for environmental liability	(2,500)	(5,230)	(2,500)	(5,230)
Losses on disposal of assets /other	(1,633)	(299)	(1,633)	(344)
Gains on disposal of equity interest in subsidiary	(1,347)	-	(1,347)	-
Provisio/reversal of provision for restructuring	(1,294)	-	(1,294)	-
Provision of losses on products	(1,008)	(2,589)	(1,441)	(2,589)
Electric power	(142)	(102)	(142)	(113)
Export expenses - Argentina	-	-	(8,124)	(12,545)
Losses on monetary items	-	-	(6,712)	(9,921)
Other expenses	(5,931)	(5,837)	(7,665)	(8,035)
	(218,715)	**(140,734)**	**(250,399)**	**(171,341)**
Other operationg income (expenses), net	**(127,005)**	**9,401**	**(147,929)**	**(6,844)**

(*) Reversal of compulsory loan provision relates to the conversion of receivables from the compulsory loan into Class B preferred shares of Eletrobrás.

(**) Impairment of intangible assets – R$ 29,239 (Write-off of goodwill of subsidiary MAHLE Argentina S.A.) and R$ 45,129 (Impairment losses on intangible assets of Project MBE2).

(in thousand of reais)

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							
		2020				2019			
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	-	75,068	-	75,068	-	70,746	-	70,746
Financial investments	10	-	482,800	-	482,800	-	87,808	-	87,808
Trade receivables	11	371,835	-	-	371,835	323,262	-	-	323,262
Receivables from and loans to related parties	14	29,029	-	-	29,029	25,812	-	-	25,812
Unrealized gains on derivatives	36	-	-	5,462	5,462	-	-	7,801	7,801
Total		**400,864**	**557,868**	**5,462**	**964,194**	**349,074**	**158,554**	**7,801**	**515,429**

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	(62,375)	-	-	(62,375)	(44,591)	-	-	(44,591)
Trade payables	19	(172,407)	-	-	(172,407)	(77,320)	-	-	(77,320)
Lease liabilities	21.b	(13,203)	-	-	(13,203)	(21,776)	-	-	(21,776)
Borrowings	21.a	(552,369)	-	-	(552,369)	(381,882)	-	-	(381,882)
Unrealized losses on derivatives	36	-	-	(24,403)	(24,403)	-	-	(2,787)	(2,787)
Total		**(800,354)**	**-**	**(24,403)**	**(824,757)**	**(525,569)**	**-**	**(2,787)**	**(528,356)**

		Consolidated							
		2020				2019			
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	-	89,411	-	89,411	-	80,688	-	80,688
Financial investments	10	-	518,424	-	518,424	-	88,093	-	88,093
Trade receivables	11	465,116	-	-	465,116	394,305	-	-	394,305
Receivables from and loans to related parties	14	77,671	-	-	77,671	37,030	-	-	37,030
Unrealized gains on derivatives	36	-	-	8,430	8,430	-	-	7,930	7,930
Total		**542,787**	**607,835**	**8,430**	**1,159,052**	**431,335**	**168,781**	**7,930**	**608,046**

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	(80,601)	-	-	(80,601)	(52,364)	-	-	(52,364)
Trade payables	19	(209,402)	-	-	(209,402)	(97,144)	-	-	(97,144)
Lease liabilities	21.b	(15,601)	-	-	(15,601)	(24,918)	-	-	(24,918)
Borrowings	21.a	(552,369)	-	-	(552,369)	(394,160)	-	-	(394,160)
Unrealized losses on derivatives	36	-	-	(24,403)	(24,403)	-	-	(2,787)	(2,787)
Total		**(857,973)**	**-**	**(24,403)**	**(882,376)**	**(568,586)**	**-**	**(2,787)**	**(571,373)**

- 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;

(in thousand of reais)

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				
		2020		2019		Level
Assets	**Note**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	
Cash, demand deposits and cash in transit	10	89,411	89,411	80,688	80,688	2
Financial investments	10	518,424	518,424	88,093	88,093	2
Trade receivables	11	465,116	465,116	394,305	394,305	2
Receivables from and loans to related parties	14	77,671	77,671	37,030	37,030	2
Unrealized gains on derivatives	36	8,430	8,430	7,930	7,930	2
Total		**1,159,052**	**1,159,052**	**608,046**	**608,046**	
Liabilities						
Payables to related parties	19	(80,601)	(80,601)	(52,364)	(52,364)	2
Trade payables	19	(209,402)	(209,402)	(97,144)	(97,144)	2
Lease liabilities	21.b	(15,601)	(15,601)	(24,918)	(24,918)	2
Borrowings	21.a	(552,369)	(552,369)	(394,160)	(394,160)	2
Unrealized losses on derivatives	36	(24,403)	(24,403)	(2,787)	(2,787)	2
Total		**(882,376)**	**(882,376)**	**(571,373)**	**(571,373)**	

- *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.

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.

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, 2019, 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).

(in thousand of reais)

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.

		2020					
Assets	**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)	(67,125)
Unrealized losses on derivatives	36	(24,403)	(24,403)	(24,403)	-	-	-
Total		**(882,376)**	**(928,990)**	**(732,922)**	**(51,376)**	**(77,567)**	**(67,125)**

		2019					
Assets	**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	(52,364)	(52,364)	(52,364)	-	-	-
Trade payables	19	(97,144)	(97,144)	(97,144)	-	-	-
Lease liabilities	21.b	(24,918)	(24,918)	(8,645)	(9,550)	(6,723)	-
Borrowings	21.a	(394,160)	(472,696)	(215,242)	(48,226)	(139,186)	(70,042)
Unrealized losses on derivatives	36	(2,787)	(2,787)	(2,787)	-	-	-
Total		**(571,373)**	**(649,909)**	**(376,182)**	**(57,776)**	**(145,909)**	**(70,042)**

(in thousand of reais)

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:

		Parent company		Consolidated	
Assets	**Note**	**2020**	**2019**	**2020**	**2019**
Cash, demand deposits and cash in transit	10	75,068	70,746	89,411	80,688
Financial investments	10	482,800	87,808	518,424	88,093
Trade receivables	11	371,835	323,262	465,116	394,305
Receivables from and loans to related parties	14	29,029	25,812	77,671	37,030
Unrealized gains on derivatives	36	5,462	7,801	8,430	7,930
Total		**964,194**	**515,429**	**1,159,052**	**608,046**

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	
Counterparties unrated external de crédit	**2020**	**2019**	**2020**	**2019**
Top 20	141,620	129,683	194,541	166,603
Third Parties	153,466	138,616	184,500	169,270
Intercompanies	83,009	62,120	96,255	67,814
Total Trade Receivables and Others	**378,095**	**330,419**	**475,296**	**403,687**

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

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).

(in thousand of reais)

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

		Parenty company		Consolidated	
Cash, demand deposits and financial investments	**Nota**	**2020**	**2019**	**2020**	**2019**
AAA	**10**	494,234	131,804	494,517	132,132
AA		50,641	14,871	50,641	14,871
Others		12,993	11,879	62,677	21,778
		557,868	**158,554**	**607,835**	**168,781**

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:

		Parent company		Consolidated	
Assets	**Note**	**2020**	**2019**	**2020**	**2019**
Cash, demand deposits and cash in transit	10	75,068	70,746	89,411	80,688
Financial investments	10	482,800	87,808	518,424	88,093
Borrowings	21.a	(552,369)	(381,882)	(552,369)	(394,160)
Total		**5,499**	**(223,328)**	**55,466**	**(225,379)**

The balance of loans and borrowings of R$ 552,369 at December 31, 2020 (Parent company and Consolidated) consists of the following: 28.54% of 4131 Santander with interest rate of CDI + 4.25% p.a. and average cost of 6.15%; 19.03% of 4131 Itaú with interest rate of CDI + 4.30% p.a. and average cost of 6.20%; 16.27% of FINEP I with simplified interest rate of TJLP -1% p.a. and average cost of 3.55%; 13.74% of FINEP II with simplified interest rate of TJLP p.a. and average cost of 4.55%; 19.67% of ACC with average cost of 0.47%; 2.75% of BNDES with simplified interest rate of TJLP +1.5% and average cost of 6.05%.

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.

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, 2020, the Group's exposure in USD (EUR and JPY equivalents in USD) was USD 6,962 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, 2020

	USD thousand	EUR thousand (*)	JPY thousand (**)
Item	**Parent company and Consolidated**	**Parent company and Consolidated**	**Parent company and Consolidated**
(+) Trade receivables	15,923	16,888	-
(+) Demand deposits (in foreign currency)	2,586	12,411	-
(-) Advances on export exchange contract	-	(17,013)	-
(-) Imports	(6,063)	(7,810)	(115,254)
(-) Currency forwards - sale	(12,727)	(9,448)	55,601
(=) Net balance of foreign exchange exposure	**(281)**	**(4,972)**	**(59,653)**

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

Currency	Consolidated
USD	(281)
EUR	(6,102)
JPY	(579)
Total	**(6,962)**

(*) Parity EUR / USD 1,2273

(**) Parity JPY / USD 103,04779

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*
2020(Jul-Dec)	19,160	(11,465)	4.4016	59.8%
2021 (Jan-Dec)	18,202	(5,075)	5.4495	27.9%
Total	**37,362**	**(16,540)**	**4.7234**	**44.3%**

Parent company and consolidated (EUR)

Year	Net Exposure (thousands)	Notional Value - Hedge (thousands)	Average Rate (Portfolio NDF)	*% Hedged*
2020 (Mar-Dec)	13,586	(8,592)	5.1728	63.2%
2021 (Jan-Dec)	12,907	(4,281)	6.2437	33.2%
Total	**26,493**	**(12,873)**	**5.5285**	**48.6%**

Parent company and consolidated (JPY)

Year	Net Exposure (thousands)	Notional Value - Hedge (thousands)	Average Rate (Portfolio NDF)	*% Hedged*
2020 (Mar-Dec)	(378,939)	239,320	0.0461	63.2%
2021 (Jan-Dec)	(359,992)	116,611	0.0533	32.4%
Total	**(738,931)**	**355,931**	**0.0485**	**48.2%**

- 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.

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

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

The selling rates published on December 31, 2020 by the Brazilian Central Bank for USD, EUR and JPY were used in this sensitivity analysis.

	Parent company and Consolidated			
	USD/BRL exchange rate for settlement of bills of exchange	*** Net balance of foreign exchange exposure - USD**	**** Average rate of bills of exchange**	**Total BRL**
50% better	2.5984		5.1575	719
25% better	3.8975		5.1575	354
Balance sheet date	5.1967	(281)	5.1575	(11)
25% worse	6.4959		5.1575	(376)
50% worse	7.7951		5.1575	(741)

(*) 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	3.1890		6.3029	15,483
25% better	4.7834		6.3029	7,556
Balance sheet date	6.3779	(4,972)	6.3029	(373)
25% worse	7.9724		6.3029	(8,301)
50% worse	9.5669		6.3029	(16,229)

(*) 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	0.0252		0.0505	1,509
25% better	0.0378		0.0505	758
Balance sheet date	0.0504	(59,653)	0.0505	4
25% worse	0.0630		0.0505	(746)
50% worse	0.0756		0.0505	(1,497)

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

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).

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

Parent company and consolidated sensitivity analysis table – cash flow derivatives portfolio for the period ended december 31, 2020

Scenario	USD/BRL exchange rate for settlement of operations	Notional value - USD (thousand)	Weighted average rate at maturity (*)	Adjustment in R$ thousand	EUR/BRL exchange rate for settlement of operations	Notional value - EUR (thousand)	Weighted average rate at maturity (*)	Adjustment in R$ thousand	JPY/BRL exchange rate for settlement of operations	Notional value - JPY (thousand)	Weighted average rate at maturity (*)	Adjustment in R$ thousand	Total adjustment in R$ thousand
50% better	2.5984	(16,540)	4.7234	(35,147)	3.1890	(12,873)	5.5285	(30,117)	0.0756	355,931	0.0485	(9,676)	(74,940)
25% better	3.8975	(16,540)	4.7234	(13,660)	4.7834	(12,873)	5.5285	(9,591)	0.0630	355,931	0.0485	(5,189)	(28,440)
Balance sheet date	5.1967	(16,540)	4.7234	7,828	6.3779	(12,873)	5.5285	10,935	0.0504	355,931	0.0485	(702)	18,061
25% worse	6.4959	(16,540)	4.7234	29,316	7.9724	(12,873)	5.5285	31,460	0.0378	355,931	0.0485	3,786	64,562
50% worse	7.7951	(16,540)	4.7234	50,803	9.5669	(12,873)	5.5285	51,986	0.0252	355,931	0.0485	8,273	111,062

The selling rates published on December 31, 2020 by the Brazilian Central Bank for USD, EUR and JPY were used.

(in thousand of reais)

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

Foreign currency		Weighted average forward rate - value for settlement	Notional value - thousand			
			Parent company		Consolidated	
			2020	2019	2020	2019
Short position	EUR	5.68376	14,943	21,877	14,943	21,877
Short position	USD	4.93605	29,267	31,838	29,267	31,838
Long position	JPY	0.04877	(411,532)	(472,927)	(411,532)	(472,927)

Foreign currency		Weighted average forward rate - value for settlement	Fair market value - thousand			
			Parent company		Consolidated	
			2020	2019	2020	2019
Short position	EUR	5.68376	(12,137)	(3,707)	(12,137)	(3,707)
Short position	USD	4.93605	(8,707)	(1,395)	(8,707)	(1,395)
Long position	JPY	0.04877	934	573	934	573

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 at December 31, 2020 and 2019:

Long position	Weighted average price on maturity	Notional value - metric tons	
		Parent company and consolidated	
		2020	2019
Commodities			
Copper	7,755	263	369
Aluminum	2,018	-	217
TOTAL		263	586

(in thousand of reais)

	Weighted average price on maturity	Notional value (fair market value)	
		Parent company and consolidated	
Long position		2020	2019
Commodities			
Copper	**7,755**	1,476	217
Aluminum	**2,018**	-	(20)
TOTAL		**1,476**	**197**

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

Consolidated (COPPER)				
Year	**Net Exposure (Tons)**	**Notional Value - Hedge (Tons)**	**Average Price - Portfolio Swap**	***% Hedged***
2020 (Jan-Dec)	(548)	263	6,650	48.0%
Total	**(548)**	**263**	**6,650**	**48.0%**

- Sensitivity analysis table

For the purposes of carrying out the sensitivity analysis of market risks, the Group analyzes together long and short positions of the prices of commodities (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, 2020. 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.

(in thousand of reais)

The methodology adopted for calculating the balances presented in the table below consisted of replacing the closing exchange rate and commodity prices at December 31, 2019 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		11,612		5,272	(5,272)
25% better		9,677		2,626	(2,626)
Balance sheet date	263	7,742	7,755	(19)	19
25% worse		5,806		(2,664)	2,664
50% worse		3,871		(5,309)	5,309

The selling rates of the USD published on December 31, 2020 by the Brazilian Central Bank and the metal prices published on the same date by the LME were used.

(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:

		2020		2019	
		Parent company	Consolidated	Parent company	Consolidated
Results of derivatives (exports/imports/loan)					
Provisions					
- Operations on accounts receivable and payable		(5,634)	(5,588)	28	28
- Operations on IOC		(13,824)	(13,824)	2,693	2,693
Cash effect					
- Operations on accounts receivable and payable		(26,478)	(26,478)	(5,636)	(5,636)
	Note 34	**(45,936)**	**(45,890)**	**(2,915)**	**(2,915)**
Total Derivative Operations- Net Finance Result		**(45,936)**	**(45,890)**	**(2,915)**	**(2,915)**
Exchange variations (gains and losses)		(2,816)	701	4,725	2,353
Results of derivatives (exports/imports/loan)		(45,936)	(45,890)	(2,915)	(2,915)
Gross sales		38,349	38,349	5,467	5,467
Cost of sales		(12,008)	(12,008)	637	637
Effects of Foreign Exchange Variatons and Financial Instruments on Profit and Loss		**(22,411)**	**(18,848)**	**7,914**	**5,542**
Gross result					
Gross sales					
- Settlements with cash effect		38,349	38,349	5,467	5,467
		38,349	**38,349**	**5,467**	**5,467**
Cost of sales					
- Settlements with cash effect		(12,008)	(12,008)	637	637
		(12,008)	**(12,008)**	**637**	**637**
Total Derivative Operations - Gross Result		**26,341**	**26,341**	**6,104**	**6,104**
Equity		**Parent company**	**Consolidated**	**Parent company**	**Consolidated**
Provisions					
- Operations on sales to be made	(BS)	20,571	20,571	3,219	3,219
- Operations on commodities	(BS)	(1,476)	(1,476)	197	197
Deferred income tax and social contribution		6,492	6,492	1,162	1,162
Total Derivative Operations - Equity		**25,587**	**25,587**	**4,578**	**4,578**
Provision for unrealized losses and gains on derivatives					
(BS) - Sum of the net balance sheet					
Balance sheet assets		5,462	8,430	7,801	7,930
Balance sheet liabilities		(24,403)	(24,403)	(2,787)	(2,787)
Balance sheet, net		**(18,941)**	**(15,973)**	**5,014**	**5,143**

Guarantees

The Group had no guarantee deposits relating to these derivative instruments for the periods presented above (December 31, 2020 and 2019).

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, 2020, the Group granted profit-sharing to its employees, based on a union agreement, in the amount of R$ 19,475 (R$ 36,669 in 2019) in the parent company and R$ 19,489 (R$ 36,728 in 2019) in the consolidated accounts. The criteria established for the payment of profit-sharing follow the rules defined in the collective bargaining agreement, which establish certain goals to be attained, such as: i) meeting production goals for a predetermined number of employees; ii) maintaining the level of absenteeism at or below a previously established annual average rate of hours of absence in relation to the standard hours worked; and iii) maintaining the annual level of waste at or below the previously set average annual rate in relation to the number of parts produced.

Supplementary pension plan - defined contribution

In September 2006, the Group joined a free benefit-generating private pension plan, managed by Bradesco Vida e Previdência S.A. (the Manager), offering all its employees the option to participate.

The contributions are defined according to salary bracket. Annually, the Manager conducts an actuarial valuation of the plan in order to determine possible adjustments to the contribution levels.

The Group contributed to the private pension plan an amount of R$ 2,615 in 2020 (R$ 3,091 in 2019).

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 2020 the insurance coverage for operational risks (combined property damages and lost profits) is R$ 5,811,644 (2019 - R$ 5,592,402).

(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, 2020 are shown below:

	2020	2019
Reconciliation of result adjustments		
Gain on monetary position of investments from parent company - reflex recomposition	48,078	58,481
Gain on monetary position of investments from subsidiary - reflex recomposition	373	473
Loss on monetary position of subsidiary MAHLE Argentina S.A.	(8,398)	(10,518)
Gain on monetary item, result (consolidated)	**40,053**	**48,436**

The statement of income for 2020 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
João Vitor Zanesco – Operation Director (statutory officer until March 10, 2021)
Nathan John Quye – Chief Financial Officer (statutory office from March 10, 2021)

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 2021 will demand funds in the order of R$ 63.8 million (Parent company) and R$ 73.3 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., elected at the Annual General Meeting on May 29, 2020, in accordance with the provisions of law and the bylaws of Mahle, has examined (i) the Management Report, (ii) the Financial Statements for the financial year ended December 31, 2020 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 2021.

In the performance of its duties, the Board held meetings during 2020 and in the first quarter of 2021 with the members of the Board of Directors, the Executive Board and respective teams, independent auditors and other parties. The meetings were conducted by videoconference 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:

- Analysis of the impairment testing for non-financial assets (goodwill) of the piston rings manufacturing plant in Itajuba and Mahle Argentina S.A., and a presentation about these businesses provided by the plant managers;

- Monitoring of the implementation of recommendations made by the independent auditors KPMG in the Letter of Recommendations issued to the Company;

- Discussion with the Information Technology department about the strategy and status of implementation of the SAP Hana database management system and cyber security programs;

- Monitoring of the implementation of internal controls related to the Brazilian General Data Protection Act (LGPD);

- Oversight of the risk management and internal audit work based on the risk matrix and risk mitigation actions, and an update on the processes related to the whistleblowing hotline called "Integrity Line";

- Analysis and verification of the main transactions carried out between the Company and its related parties during the year and related control and approval procedures;

- Verification of the main matters that could potentially result in contingent liabilities and the actions that are being taken by the Company to mitigate risks, particularly in respect of labor, tax and civil lawsuits, including presentation and discussion with law firms, and analysis of accounting provisions;

- Analysis of the technical study for keeping the recorded amounts of tax credits at December 31, 2020, according to CVM Instruction 371 of June 27, 2002; and

- Follow-up of the cessation of MBE2 technology development activities and its effects on the financial statements.

Conclusion

Based on the documents examined, analyses performed, clarifications provided by management during the fiscal year and the unqualified audit opinion issued by **KPMG Auditores Independentes,** dated March 10, 2021, the Board is of the opinion that the documents referred to in the first paragraph are suitable for consideration by the Annual General Meeting.

Mogi Guaçu, March 10, 2021.

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 , João Vitor Zanesco 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, 2020, and thus authorize their completion.

Mogi Guaçu, March 10, 2021.

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Sergio Pancini de Sá
CEO

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João Vitor Zanesco
Operation director (statutory officer until March 10, 2021)

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Nathan John Quye
Finance director (statutory office from March 10, 2021)

(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, João Vitor Zanesco 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, 2020.

Mogi Guaçu, March 10, 2021.

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Sergio Pancini de Sá
CEO

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João Vitor Zanesco
Operation director (statutory officer until March 10, 2021)

____
Nathan John Quye
Finance director (statutory office from March 10, 2021)