

2Q19 Conference Call

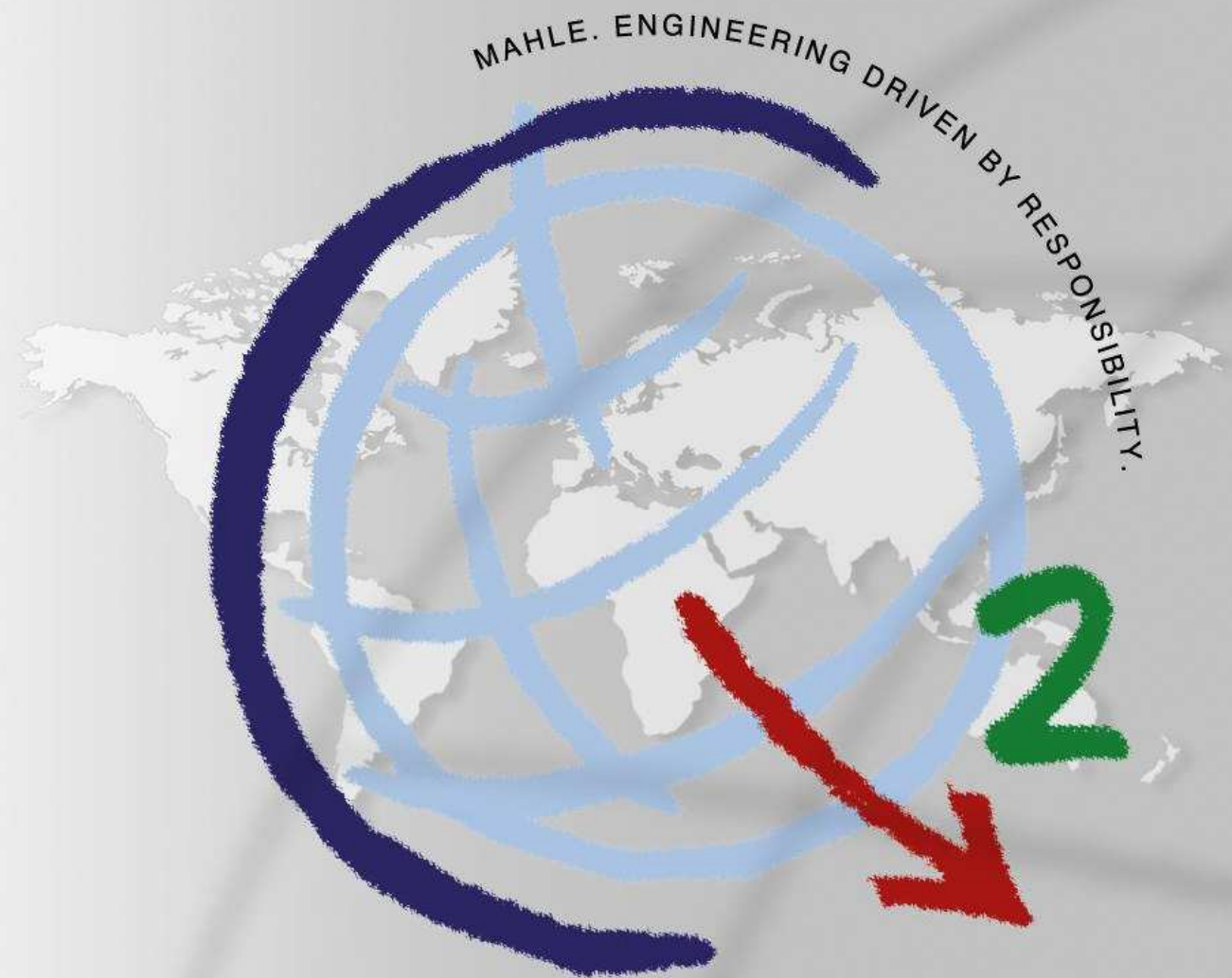
MAHLE Metal Leve S.A.

August 13th, 2019

12 noon Brasília time

4:00 p.m. London time

11:00 a.m. New York time



Agenda

-  **Highlights**
-  **Market Overview**
-  **Net Revenues Performance by Market**
-  **Summary P&L and EBITDA**
-  **Financial Management: Net financial result and Indebtedness**
-  **Capex and Depreciation**

- **Net Sales Revenue** of R\$ 661.8 million in 2Q19, representing a growth of 5.3% when compared to 2Q18;

Key indicators								
(R\$ million)	2Q19	1Q19	2Q18	(a/b)	(a/c)	1H19	1H18	(d/e)
	(a)	(b)	(c)			(d)	(e)	
Net revenue	661.8	623.2	628.2	6.2%	5.3%	1,285.0	1,246.9	3.1%
EBITDA	114.9	120.3	112.9	-4.5%	1.8%	235.2	231.7	1.5%
EBITDA margin	17.4%	19.3%	18.0%	-1,9 p.p.	-0,6 p.p.	18.3%	18.6%	-0,3 p.p.
Profit for the year	59.7	63.9	60.2	-6.6%	-0.8%	123.6	131.6	-6.1%
Net margin	9.0%	10.3%	9.6%	-1,3 p.p.	-0,6 p.p.	9.6%	10.6%	-1 p.p.

Market Overview

Brazil and Argentina Registration and Production (1H19 x 1H18)



Light vehicles (ths)	Brazil	Argentina	Total
Sales	1,251.8 10.9%	187.1 -55.6%	1,438.8 -7.2%
Production	1,404.8 2.5%	161.2 -33.6%	1,566.0 -2.9%

-2,7%



Total vehicles production



Medium and heavy vehicle (ths)	Brazil	Argentina	Total
Sales	76.3 32.7%	9.4 -53.2%	85.7 10.4%
Production	94.2 3.1%	4.5 -41.3%	98.7 -0.4%

Sources: Anfavea, Adefa, Acaras, IHS and Indec.

Vehicle Production in the main export market (in ths)			
Segment	Jan-Jun 2019 (A)	Jan-Jun 2018 (B)	A/B
Production of Light vehicle	8,490	8,737	-2.8%
Production of medium and heavy vehicle	327	298	9.7%
North America	8,817	9,034	-2.4%
Production of Light vehicle	11,231	11,914	-5.7%
Production of medium and heavy vehicle	341	341	0.0%
Europe	11,572	12,254	-5.6%
Total Vehicle Production	20,389	21,289	-4.2%

Source: IHS

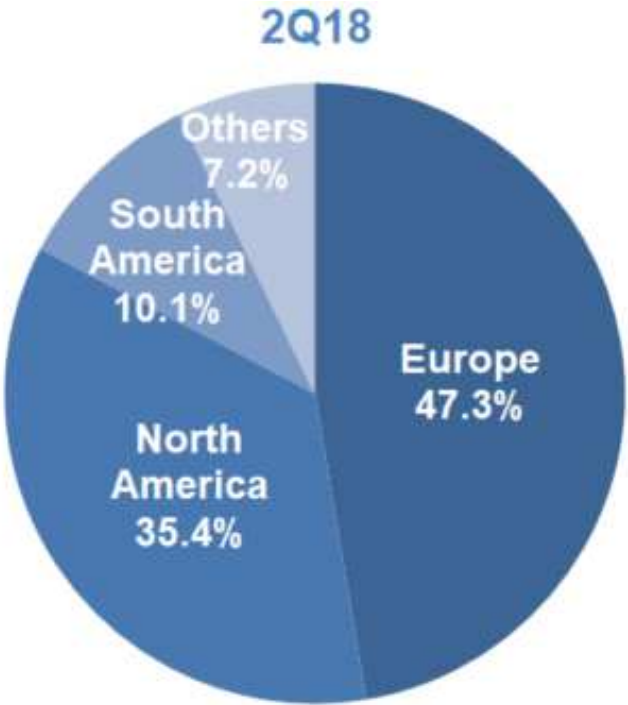
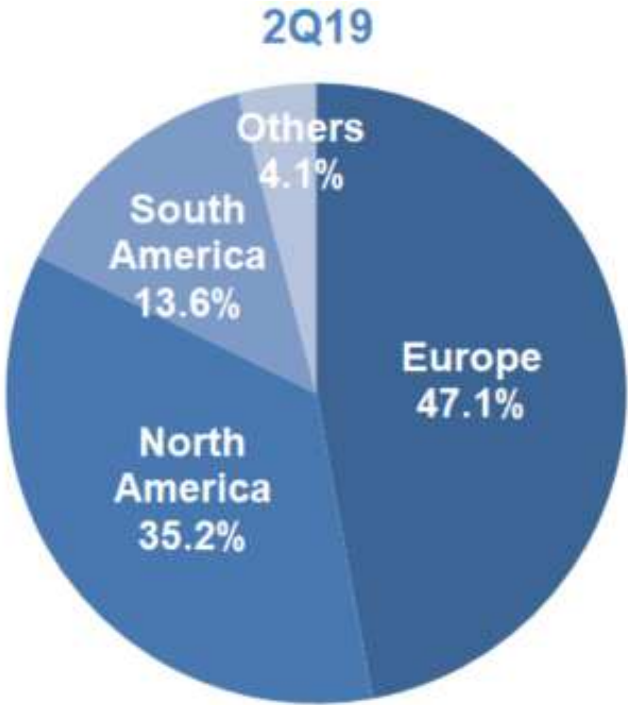
Net revenues by market		2Q19	Volume/Price	FX-Variation	2Q18	% volume/price impact	% FX-impacts	H.A. (%)
(R\$ Million)		(a)	(b)	(c)	(d)	(b/d)	(c/d)	(a/d)
Original equipment	Domestic ¹	201.9	31.0	(4.3)	175.2	17.7%	-2.5%	15.2%
	Export	245.7	(40.1)	21.5	264.3	-15.1%	8.1%	-7.0%
	Subtotal	447.6	(9.1)	17.2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

¹ Domestic market includes Brazil and Argentina.

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

¹ Domestic market includes Brazil and Argentina.

MAHLE Metal Leve’s consolidated exports by region



Summary P&L

- The Company closed 2Q19 with a gross margin of 25.0% (28.4% in 2Q18).
- If compared 1H19 with the same period in 2018, the gross margin achieved 26.0% and 28.2%, respectively.

Summary P&L (R\$ million)	2Q19	2Q18	V.A. (%)	V.A. (%)	H.A. (%)	1H19	1H18	V.A. (%)	V.A. (%)	H.A. (%)
	(a)	(b)	(a)	(b)	(a/b)	(c)	(d)	(c)	(d)	(c/d)
Net sales revenue	661.8	628.2	100.0%	100.0%	5.3%	1,285.0	1,246.9	100.0%	100.0%	3.1%
Cost of sales	(496.6)	(449.9)	-75.0%	-71.6%	10.4%	(951.0)	(895.1)	-74.0%	-71.8%	6.2%
Gross profit	165.2	178.3	25.0%	28.4%	-7.3%	334.0	351.8	26.0%	28.2%	-5.1%
Gross margin	25.0%	28.4%			-3,4 p.p.	26.0%	28.2%			-2,2 p.p.

Summary P&L

Selling expenses:

- Selling expenses reduction in 2Q19 and 1H19, despite the increase in net revenues. In both periods, the reduction is a reflection of the efforts made in the productivity gains initiatives also in the Company's indirect areas.

General and Administrative expenses:

- General and administrative expenses were stable between the periods analyzed.

R&D expenses:

- R&D expenses were focused on technological innovations involving developments in partnership with customers, such as patent registrations and release of new products to the market.

Other operating income (expenses):

- Revenue from Reintegra Program in 2018 and not applicable in 2019;
- Export Duty (Argentina)

Summary P&L (R\$ million)	2Q19	2Q18	V.A. (%)	V.A. (%)	H.A. (%)	1H19	1H18	V.A. (%)	V.A. (%)	H.A. (%)
	(a)	(b)	(a)	(b)	(a/b)	(c)	(d)	(c)	(d)	(c/d)
Net sales revenue	661,8	628,2	100,0%	100,0%	5,3%	1.285,0	1.246,9	100,0%	100,0%	3,1%
Selling expenses	(40,9)	(44,6)	-6,2%	-7,1%	-8,3%	(78,7)	(81,7)	-6,1%	-6,6%	-3,7%
General and administrative expenses	(23,4)	(22,9)	-3,5%	-3,6%	2,2%	(42,4)	(43,3)	-3,3%	-3,5%	-2,1%
Technology and product development expenses	(23,8)	(20,2)	-3,6%	-3,2%	17,8%	(43,9)	(37,1)	-3,4%	-3,0%	18,3%
Other operating income (expenses)	(2,0)	2,2	-0,3%	0,4%	-190,9%	(2,5)	(0,1)	-0,2%	0,0%	2400,0%

Operating income measured by the EBITDA

- The table below shows the changes between the periods in the accounts that make up operating income:

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

EBITDA margin
18.6%

EBITDA margin
18.3%

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

EBITDA margin
18.0%

EBITDA margin
17.4%

¹ IAS 29 – “Financial Reporting in Hyperinflationary Economies”

Financial Management – Net financial result

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

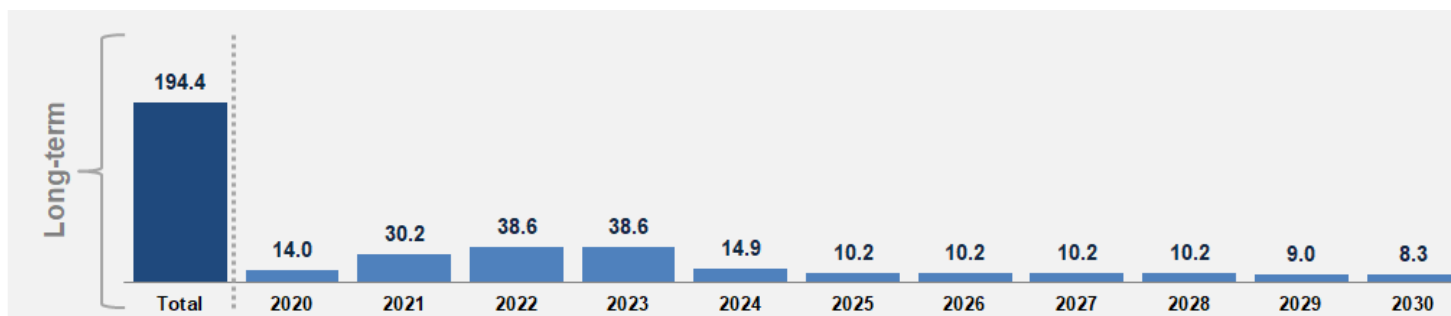
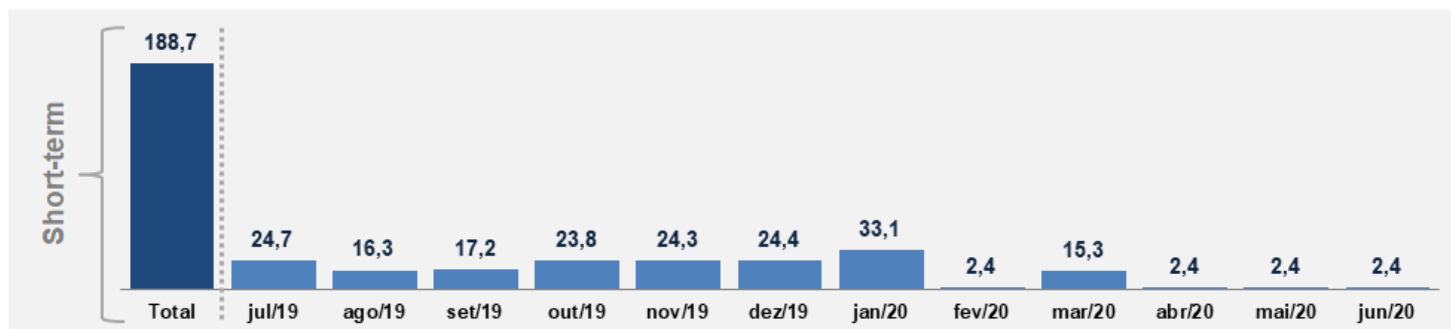
Interest rates and volumes (average)	2Q19 (a)	2Q18 (b)	Var. (a-b)	1H19 (c)	1H18 (d)	Var. (c-d)
Investment Yield ¹	5.2%	6.3%	-1.1 p.p.	5.7%	6.4%	-0.7 p.p.
Cost of debt	3.7%	3.9%	-0.2 p.p.	4.1%	4.6%	-0.5 p.p.
Investments - average (R\$ million)	95.5	136.2	-29.9%	103.3	124.6	-17.1%
Average debt (R\$ million)	(392.2)	(284.8)	37.7%	(373.9)	(229.8)	62.7%

¹ Bank deposit certificates (CDBs) and repurchase agreements with an average interest rate at 99.6% of the interbank deposit rate (CDI) issued by top-tier banks in Brazil.

Financial Management – Indebtedness (part I)

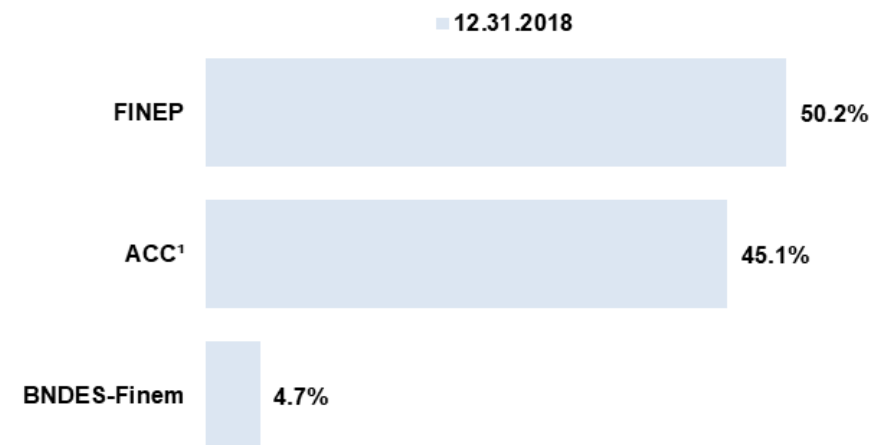
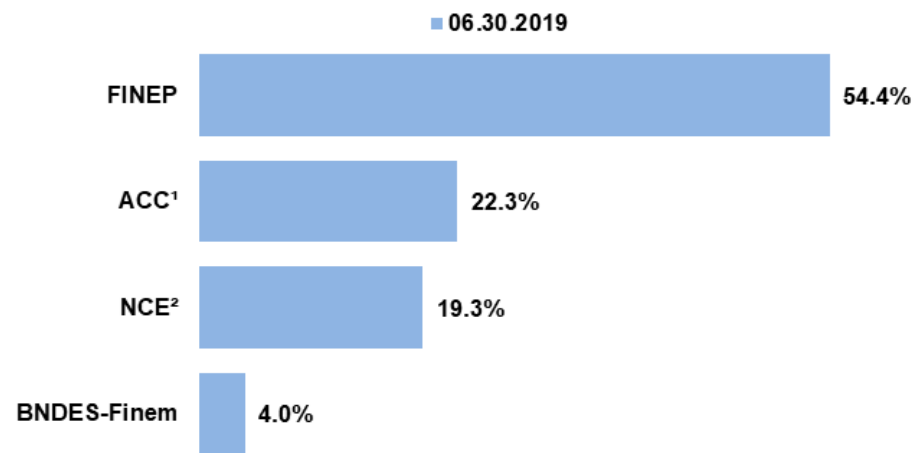
Net indebtedness (R\$ million)	06.30.2019 (a)	12.31.2018 (b)	Variation (a-b)	% Debt (a)	% Debt (b)
Liabilities (i)	383.1	291.6	91.5	100%	100%
Short-term	188.7	160.4	28.3	49%	55%
Long-term	194.4	131.2	63.2	51%	45%
Cash / banks / cash investments/ Loans - related parties (ii):	(110.7)	(138.3)	27.6		
Net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

■ Below is presented the maturities of short-term and long-term indebtedness (R\$ million):



Financial Management – Indebtedness
(part II)

■ Below is a breakdown of the Company’s financing transactions per type:

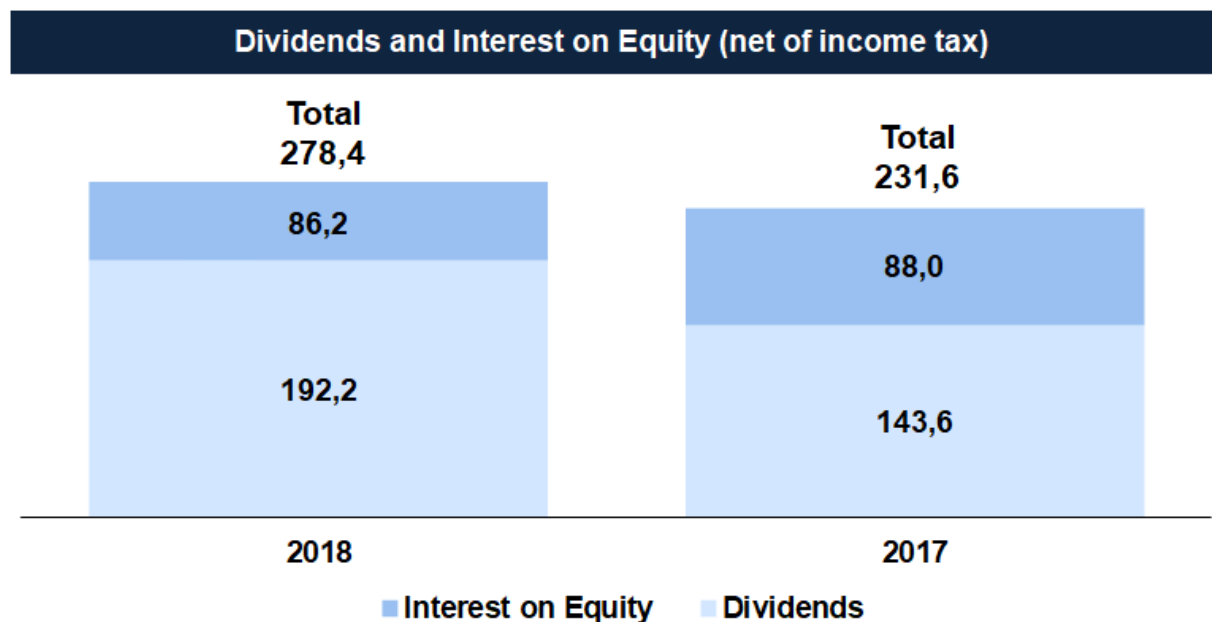


¹ Advance on exchange contract

² Export Credit Notes

Net Income and Benefits to Shareholders

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



CAPEX & Depreciation (R\$ million)	1H19	1H18
Capex	35.2	29.0
Total depreciation	43.0	46.1

Capex	1H19	1H18
% of Net sales revenue	2.7%	2.3%
% of Depreciation	81.9%	62.9%



Questions & Answers

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