(Convenience translation into English from the original previously issued in Portuguese)

MAHLE METAL LEVE S.A. AND CONTROLLED COMPANIES

FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008 AND INDEPENDENT AUDITORS' REPORT

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MAHLE METAL LEVE S.A. AND CONTROLLED COMPANIES

FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008

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(Convenience translation into English from the original previously issued in Portuguese)

INDEPENDENT AUDITORS' REPORT

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

1. We have audited the accompanying individual (Company) and consolidated balance sheet of MAHLE Metal Leve S.A. (the "Company") and controlled companies as of 31 December 2009 and 2008, and the related statements of income, changes in shareholders' equity, cash flows and value added for the years then ended, all expressed in Brazilian reais and prepared under the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements. The financial statements of MAHLE Metal Leve GmbH, a controlled company in which the Company had an investment of R$9,395 and R$21,360 thousand as of 31 December 2009 and 2008, were audited by other independent auditors. A loss of R$7,363 thousand (loss) and a gain of R$16,055 thousand, respectively, were determined using the equity method of accounting, and the total assets of that controlled company included in the consolidated financial statements totalled R$10,141 thousand and R$37,161 thousand as of 31 December 2009 and 2008, respectively. The report of those independent auditors does not have qualifications, and our opinion, insofar as it relates to that investment, is solely based on the opinion of those independent auditors.

2. Our audits were conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Company and controlled companies, (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed, and (c) evaluating the significant accounting practices and estimates adopted by management, as well as the presentation of the financial statements taken as a whole.

INDEPENDENT AUDITORS' REPORT

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

3. In our opinion and in the opinion of those independent auditors, the financial statements referred to above present fairly, in all material respects, the financial position of MAHLE Metal Leve S.A. and controlled companies as of 31 December 2009 and 2008, and the results of its operations, the changes in shareholders' equity, its cash flows and value added to its operations for the years then ended, in conformity with Brazilian accounting practices.

4. The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, 8 February 2010 (except for note 2.2, whose date is 22 March 2010)

Esmir de Oliveira
Engagement Partner
BDO Auditores Independentes

(Convenience translation into English from the original previously issued in Portuguese)

EXHIBIT 1 (page 1)

MAHLE METAL LEVE S.A. AND CONTROLLED COMPANIES

BALANCE SHEETS AS OF 31 DECEMBER 2009 AND 2008 (In thousands of Brazilian reais)

	Company		Consolidated	
ASSETS	2009	2008	2009	2008
Current assets				
Cash and cash equivalents (note 4)	98,658	50,405	168,297	163,777
Trade accounts receivable (note 5)	168,564	149,531	236,865	231,372
Intercompany receivables (note 8)	109,267	203,249	35,200	67,357
Advance on exchange contracts	-	(13,725)	-	(15,837)
Allowance for doubtful accounts	(3,617)	(4,906)	(6,369)	(13,226)
Inventories (note 6)	126,043	176,468	192,414	288,112
Inventories (note 7)	39,529	49,210	51,583	69,185
Deferred income and social contribution taxes (note 9.c)	20,734	93,349	23,534	96,708
Dividends and interest on controlled company's capital receivable (note 8)	1,184	16,803	-	-
Unrealised derivative gains (note 23)	9,732	-	9,926	-
Other accounts receivable	5,079	7,770	9,794	10,707
Total current assets	575,173	728,154	721,244	898,155
Non-current assets				
Long-term assets				
Deferred income and social contribution taxes (note 9.c)	44,899	53,029	58,606	69,098
Recoverable taxes (note 7)	8,944	9,607	10,495	16,606
Other accounts receivable	262	1,234	262	1,565
Total long-term assets	54,105	63,870	69,363	87,269
Investments in controlled companies (note 10)	77,297	74,437	-	-
Other investments	371	371	371	371
Property, plant and equipment (note 11)	373,205	412,751	454,817	514,276
Intangible assets (note 12)	111,629	117,753	118,449	132,028
Deferred charges	734	962	734	962
Total non-current assets	617,341	670,144	643,734	734,906
Total assets	1,192,514	1,398,298	1,364,978	1,633,061

(Convenience translation into English from the original previously issued in Portuguese)

EXHIBIT 1 (page 2)

MAHLE METAL LEVE S.A. AND CONTROLLED COMPANIES

BALANCE SHEETS AS OF 31 DECEMBER 2008 AND 2009 (In thousands of Brazilian reais)

	Company		Consolidated	
LIABILITIES	2009	2008	2009	2008
Current liabilities				
Loans and financing (note 14)	49,538	336,308	92,195	426,791
Trade accounts payable (note 13)	35,255	44,305	53,936	65,495
Taxes payable	15,319	9,299	18,853	11,423
Salaries, accrued vacation pay and social charges payable (note 15)	32,191	42,225	43,415	51,989
Unrealised derivative losses (note 23)	2,681	229,197	2,684	232,723
Customers' advances	1,874	1,719	2,733	3,114
Interest on equity capital payable	43,816	22,523	44,387	23,751
Intercompany payables (note 8)	14,879	14,061	20,372	32,820
Sundry provisions (note 16)	25,071	37,765	32,104	50,951
Other accounts payable	20,118	15,719	28,905	21,125
Total current liabilities	240,742	753,121	339,584	920,182
Non-current assets				
Loans and financing (note 14)	300,281	103,840	328,036	130,775
Provision for shareholders' deficit - controlled companies (note 10)	1,190	300	-	-
Provision for warranties (note 17)	9,002	8,411	9,975	9,169
Provision for contingencies and liabilities related to legal proceedings (note 18)	72,717	81,633	93,491	101,468
Social contribution tax payable (note 9.d)	7,008	4,400	7,470	4,629
Other accounts payable	65	65	9,778	10,172
Total non-current liabilities	390,263	198,649	448,750	256,213
Non-controlling interest	-	-	15,135	10,138
Shareholders' equity				
Share capital	352,755	352,755	352,755	352,755
Income reserves	214,010	193,273	214,010	193,273
Asset and liability valuation adjustments (note 23)	(828)	(109,477)	(828)	(109,477)
Cumulative translation adjustments (note 2.3)	(4,428)	9,977	(4,428)	9,977
Total shareholders' equity	561,509	446,528	561,509	446,528
Total liabilities and shareholders' equity	1,192,514	1,398,298	1,364,978	1,633,061

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

(Convenience translation into English from the original previously issued in Portuguese)

EXHIBIT 2

MAHLE METAL LEVE S.A. AND CONTROLLED COMPANIES

STATEMENT OF INCOME
FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008
(In thousands of Brazilian reais, except earnings per share)

	Company		Consolidated	
	2009	2008	2009	2008
Gross revenue	1,535,593	1,851,055	2,014,792	2,341,982
Gross revenue taxes and deductions	(337,470)	(367,337)	(475,210)	(475,351)
Net revenue	1,198,123	1,483,718	1,539,582	1,866,631
Cost of goods sold and services rendered	(925,602)	(1,107,694)	(1,198,838)	(1,388,163)
Gross income	272,521	376,024	340,744	478,468
Operating revenues (expenses)				
Selling expenses	(60,068)	(81,948)	(89,596)	(126,977)
Management and audit committeee fees	(3,785)	(3,683)	(4,442)	(4,667)
General and administrative expenses	(56,478)	(73,153)	(67,846)	(88,861)
Financial losses, net (note 21)	(45,691)	(75,813)	(61,692)	(98,555)
Interest on capital of controlled company	1,393	1,198	-	-
Interest on equity capital (note 20.b)	(32,913)	(31,965)	(36,297)	(35,176)
Equity in loss of controlled companies, subsidiaries and affiliates (note 10)	(14,026)	(2,030)	-	-
Ownership interest valuation allowance (note 10)	(889)	(300)	-	-
Technology and product development expenses	(30,856)	(38,882)	(37,927)	(44,158)
Other operating revenues (expenses), net (note 22)	17,952	(14,558)	7,059	(35,340)
	(225,361)	(321,134)	(290,741)	(433,734)
Income and social contribution taxes and non-controlling interest	47,160	54,890	50,003	44,734
Income and social contribution taxes				
Current (note 9.a)	-	(63,435)	(4,033)	(67,423)
Deferred (noe 9.a)	(25,030)	40,034	(27,255)	45,512
	(25,030)	(23,401)	(31,288)	(21,911)
Income before non-controlling interest and reversal of interest on equity capital	22,130	31,489	18,715	22,823
Non-controlling interest	-	-	(1,362)	4,257
Reversal of interest on controlled company's capital	(1,393)	(1,198)	-	-
Reversal of interest on equity capital (note 20.b)	32,913	31,965	36,297	35,176
Net income	53,650	62,256	53,650	62,256
Earnings per share at year end (in Brazilian reais)	1.76	2.04		

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

(Convenience translation into English from the original previously issued in Portuguese)

EXHIBIT 3

MAHLE METAL LEVE S.A. AND CONTROLLED COMPANIES

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008
(In thousands of Brazilian reais)

		Income reserves					
	Share capital	Statutory reserve	Reserve for expansion and modernisation	Asset and liability valuation adjustments	Cumulative translation adjustments	Retained earnings	Total
Balances as of 31 December 2007	352,755	50,770	107,921	-	-	-	511,446
Ajuste de exercícios anteriores (Nota 2.3)	-	-	4,291	-	(4,291)	-	-
Asset and liability valuation adjustments, net of income tax (note 23)	-	-	-	(109,477)	-	-	(109,477)
Recognition of cumulative translation adjustments (note 2.3)	-	-	-	-	14,268	-	14,268
Net income	-	-	-	-	-	62,256	62,256
Appropriation of income:							
Statutory reserve (note 20.b)	-	3,113	-	-	-	(3,113)	-
Interest on equity capital (note 20.b)	-	-	-	-	-	(31,965)	(31,965)
Reserve for expansion and modernisation	-	-	27,178	-	-	(27,178)	-
Balances as of 31 December 2008	352,755	53,883	139,390	(109,477)	9,977	-	446,528
Asset and liability valuation adjustments, net of income tax (note 23)	-	-	-	108,649	-	-	108,649
Cumulative translation adjustments (note 2.3)	-	-	-	-	(14,405)	-	(14,405)
Net income	-	-	-	-	-	53,650	53,650
Appropriation of income:							
Statutory reserve (note 20.b)	-	2,683	-	-	-	(2,683)	-
Interest on equity capital (note 20.b)	-	-	-	-	-	(32,913)	(32,913)
Reserve for expansion and modernisation (note 20.c)	-	-	18,054	-	-	(18,054)	-
Balances as of 31 December 2009	352,755	56,566	157,444	(828)	(4,428)	-	561,509

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

(Convenience translation into English from the original previously issued in Portuguese)

EXHIBIT 4 (page 1)

MAHLE METAL LEVE S.A. AND CONTROLLED COMPANIES

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008
(In thousands of Brazilian reais)

	Company		Consolidated	
	2009	2008	2009	2008
Cash flows from operating activities				
Net income	53,650	62,256	53,650	62,256
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortisation	58,889	63,427	73,407	80,227
Equity in loss of controlled companies, subsidiaries and affiliates	14,026	2,030	-	-
Ownership interest valuation allowance	889	300	-	-
Gains on equity in investment	(375)	-	-	-
Exchange rate gain (loss) on investments in controlled company	-	-	(14,405)	-
Non-controlling interest	-	-	7,157	(4,257)
Interest and exchange rate gains (losses) and monetary variations, net	52,402	32,015	77,296	40,958
Derivative losses	(72,380)	55,223	(75,388)	58,070
Loss on sale of property, plant and equipment	(505)	(1,238)	(311)	(658)
Deferred income and social contribution taxes	25,030	(40,034)	27,255	(45,512)
Allowance for doubtful accounts	(1,289)	(285)	(6,857)	3,343
Provision for legal obligations and contingencies	(19,517)	(405)	(20,260)	6,264
Provision for warranties	591	1,771	806	2,447
Sundry provisions	(12,694)	20,473	(18,847)	26,193
Impairment loss on property, plant and equipment and intangible assets	5,332	334	7,446	334
Decrease (increase) in assets				
Trade accounts receivable	(19,033)	14,836	(5,493)	15,280
Intercompany receivables	93,982	(54,584)	32,157	10,924
Inventories	59,334	(16,988)	108,362	(53,846)
Recoverable taxes	10,344	(1,169)	23,713	(20,556)
Other accounts receivable	5,206	(911)	3,760	1,171
Increase (decrease) in liabilities				
Trade accounts payable	(9,050)	(9,657)	(11,559)	(11,774)
Salaries, accrued vacation pay and social charges	(10,034)	(2,969)	(8,574)	(5,573)
Taxes payable	5,555	(5,355)	6,945	(11,999)
Intercompany payables	818	(6,805)	(12,448)	6,527
Other accounts payable and court deposits	7,473	(4,398)	10,713	(4,815)
Net cash provided by operating activities	248,644	107,867	258,525	155,004

EXHIBIT 4 (page 2)

MAHLE METAL LEVE S.A. AND CONTROLLED COMPANIES

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008
(In thousands of Brazilian reais)

	Company		Consolidated	
	2009	2008	2009	2008
Cash flows from investing activities				
Increase of capital in controlled company	(35,924)	(22,722)	-	-
Cash paid for the acquisition of controlled company, net of cash received	(1,067)	(40,394)	(1,067)	(37,847)
Dividends and interest on equity capital received from controlled company	21,124	10,069	-	-
Additions to property, plant and equipment	(24,755)	(98,729)	(33,305)	(126,196)
Additions to intangible assets	(1,872)	(6,848)	(2,436)	(10,851)
Additions to deferred charges	-	(283)	-	(283)
Proceeds from sales of property, plant and equipment assets	966	3,023	1,350	3,134
Derivative losses	-	(9,723)	-	(9,723)
Net cash used in investing activities	(41,528)	(165,607)	(35,458)	(181,766)
Cash flows from financing activities				
Proceeds from financing	474,421	481,084	597,246	609,090
Repayments of the principal of financing obligations	(563,196)	(314,385)	(728,247)	(398,980)
Repayment of financing interest	(44,898)	(27,391)	(56,692)	(29,033)
Advance on exchange contracts	(13,725)	(20,722)	(15,837)	(20,497)
Customers' advances	155	(1,951)	(381)	(2,664)
Non-controlling interest in interest on equity capital	-	-	(2,359)	-
Dividends and interest on equity capital paid	(11,620)	(39,069)	(12,277)	(45,287)
Net cash provided by (used in) financing activities	(158,863)	77,566	(218,547)	112,629
Increase in cash and cash equivalents, net	48,253	19,826	4,520	85,867
Cash and cash equivalents at beginning of year	50,405	30,579	163,777	77,910
Cash and cash equivalents at end of year	98,658	50,405	168,297	163,777
Additional information:				
Payment of income and social contribution taxes	(5,514)	(66,113)	(8,717)	(71,249)
Asset and liability adjustments, net of income tax	108,649	-	-	-

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

(Convenience translation into English from the original previously issued in Portuguese)

EXHIBIT 5

MAHLE METAL LEVE S.A. AND CONTROLLED COMPANIES

STATEMENT OF VALUE ADDES
FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008
(In thousands of Brazilian reais)

	Company		Consolidated	
	2009	2008	2009	2008
Revenue				
Sales of merchandise, products and services	1,522,039	1,835,037	1,929,908	2,274,741
Reversal of allowance for doubtful accounts	457	860	2,701	(1,090)
Other revenue	(9,802)	1,116	(10,044)	(5,342)
	1,512,694	1,837,013	1,922,565	2,268,309
Input acquired from third parties				
Raw materials consumed	(394,676)	(554,280)	(532,916)	(704,082)
Custo das mercadorias e serviços vendidos	(56,789)	(64,076)	(63,477)	(65,159)
Materials, energy, third-party services and others	(411,782)	(508,961)	(528,138)	(631,646)
Loss on recovery of assets	26,491	(243)	22,556	(8,437)
	(836,756)	(1,127,560)	(1,101,975)	(1,409,324)
Gross value added	675,938	709,453	820,590	858,985
Depreciation, amortisation and depletion	(58,889)	(63,427)	(73,407)	(80,227)
Net generated value added	617,049	646,026	747,183	778,758
Value added received in transfer				
Equity in loss of controlled companies, subsidiaries and affiliates	(14,026)	(2,030)	-	-
Financial income *	54,276	147,130	74,607	172,545
	40,250	145,100	74,607	172,545
Total value added to be distributed	657,299	791,126	821,790	951,303
Distribution of value added:				
Personnel and charges	199,861	220,763	259,541	284,921
Direct compensation	147,498	157,257	195,194	214,027
Benefits	36,029	46,291	45,529	51,625
FGTS (Severance Pay Fund)	16,334	17,215	18,818	19,269
Taxes payable	303,821	286,008	367,646	329,683
Federal	222,534	223,212	264,555	250,315
State	79,622	60,841	101,226	77,122
Municipal	1,665	1,955	1,865	2,246
Interest, exchange rate gains (losses), rents and others	99,968	222,100	139,591	278,701
Interest *	44,684	32,093	53,552	43,392
Rents	-	-	850	1,639
Other *	55,284	190,007	85,189	233,670
Dividends and interest on equity capital	31,519	30,767	32,913	33,978
Non-controlling interest	-	-	1,362	(4,257)
Retained earnings	22,130	31,488	20,737	28,277
Total value added distributed	657,299	791,126	821,790	951,303

(*) Financial income and expenses include the impacts of financial instruments

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

(Convenience translation into English from the original previously issued in Portuguese)

MAHLE METAL LEVE S.A. AND CONTROLLED COMPANIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008
(In thousands of Brazilian reais, unless otherwise stated)

1. OPERATIONS

Mahle Metal Leve S.A. (the "Company") is engaged in the research, development, manufacturing, and marketing of parts and accessories for internal combustion engines, which are sold to several industries and business segments such as automakers (automobile, trucks, tractors, etc), aftermarket, aviation engine industry, stationary and others in Brazil and abroad.

The products manufactured by the Company are: pistons, piston pins, camshafts, bearing shells, bushings, valve tappets, rocker arms, connecting rods, ring-inserts, valve guides and seats, cylinder liners and filters.

Other activities are developed by the controlled companies, which include the production of sintered metal pieces, valves for combustion engines and forged parts, as well as the marketing and selling of products and rendering of technical assistance in the international market.

At the Extraordinary General Meeting held on 28 January 2008 shareholders approved the acquisition by subsidiary MAHLE Argentina S.A. of the piston and cylinder distribution and aftermarket activities performed by the Argentinean subsidiary of this company's parent company MAHLE Componentes de Motores Argentina S.A. (formerly MAHLE S.A. de Argentina) for US$8.5 million.

On 19 May 2008 and April 2009 the Company acquired a controlling interest in Forjas Brasileiras S.A. Indústria Metalúrgica (current name: MAHLE HIRSCHVOGEL FORJAS S.A.), an expert company that has the technology for forged products, buying 51.00% of the common shares and 51.00% of the preferred shares owned by various shareholders for the amount of R$42.7 million. A goodwill of R$35,8 million was calculated according to the future profitability of the business, which is being amortised in proportion to the income generated by the controlled company until 31 December 2008.

After the enactment of Executive Act No. 449 of 4 December 2008, converted into Law No. 11.941/09, the management of the Company and its controlled companies decided to opt for the Temporary Tax Regime with the purpose of nullifying the effects of the changes in Brazilian accounting practices introduced by Law No. 11.638/07.

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

2.1. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Brazilian accounting practices, which in turn are based on Brazilian Corporate Law (Law No. 6,404/76 and subsequent amendments introduced by Law No. 11.638/07 and Executive Act No. 449/08, which became Law No. 11.941/09), technical pronouncements issued by the CPC – Committee of Accounting Pronouncements and approved by the Brazilian Securities and Exchange Commission (CVM) and resolutions passed by the CFC – Federal Association of Accountants.

The preparation of financial statements requires the use of accounting estimates. These estimates are based on objective and subjective factors and management's judgment for determining the adequate value to be recorded in the financial statements. Estimates and assumptions made to determine the useful lives of property, plant and equipment include testing them for impairment, analysing the client's credit standing to determine the allowance for doubtful accounts, as well as assessing other risks to recognise other provisions, including provisions for contingencies and warranties, and valuing financial instruments and other assets and liabilities at the balance sheet date.

Transaction settlement involving those estimates may result in amounts significantly different from those recorded in the financial statements, due to the inherent inaccuracy of the estimates. The Company and its controlled companies review estimates and assumptions at least quarterly.

Assets and liabilities are classified as current when their realisation or settlement is expected to occur in the following twelve months. Otherwise they are stated as non-current. Monetary assets and liabilities denominated in foreign currencies were translated into Brazilian reais at the exchange rate of the balance sheet date. In addition, long-term assets and liabilities are discounted to present value, when applicable, using discount rates that reflect the best current market assessments of the value of money over time and specific risks. Differences arising from currency translation and the discounted present value were recognised in the statement of income.

2.2. AUTHORIZATION TO COMPLETE THE FINANCIAL STATEMENTS

The authorization to complete these financial statements was given at the Board of Directors meeting held on 22 March 2010.

2.3. CHANGES IN BRAZILIAN CORPORATE LAW IN EFFECT AS FROM JANUARY 2008

On 28 December 2007 and 3 December 2008, Law No. 11.638/07 and Executive Act Nº. 449, converted into Law No. 11.941/09, were enacted changing, revoking and introducing new articles to the Brazilian Corporate Law, particularly in chapter XV on accounting matters, and come into effect from the year starting 1 January 2008. Their main purpose was to update Brazilian corporate legislation to allow the convergence of Brazilian accounting practices and international financial reporting standards and the issue by the Brazilian Securities and Exchange Commission (CVM) of accounting standards and procedures in accordance with international accounting standards upon the approval of the technical pronouncements issued by the Committee of Accounting Pronouncements (CPC).

On 17 December 2008, CVM Resolution Nº. 565 was issued approving Technical Pronouncement CPC No. 13, which addresses the initial adoption of Law No. 11.638/07 and Executive Act No. 449/08. The Company and its controlled companies based on item 10(a) of that pronouncement, opted for transaction date of 1 January 2008, therefore not changing the previous financial statements resulting from the change in accounting practice.

Among the changes in accounting practices as from 1 January 2008 the following have affected the Company and its controlled companies:

a. The adjustment resulting from the conversion of financial statements of foreign investments in directly and indirectly controlled companies which are not independent entities held by the Company, according to CPC Technical Pronouncement No. 02, approved by CVM Resolution No. 534/2008. On 31 December 2007, the cumulative translation adjustment segregated from retained earnings in equity was R$4,291 (accumulated loss). The adjustment resulting from 2008's movements of the Company is R$14,268, totalling R$9,977 as of 31 December 2008.

b. The adjustment resulting from a change in accounting practices relating to the recognition, measurement and evidencing of financial instruments, according to OCPC Technical Pronouncement No. 03, which brought further details about CPC Technical Pronouncement No. 14, revoked. The adjustment amount arising from the movements in 2008 of the Company and its controlled companies which impacted the "Asset and liability valuation adjustments" caption in shareholders' equity was R$109,477, net of deferred income and social contribution taxes. As of 31 December 2007 the adjustment was not material.

c. Elimination of the group of non-operating revenues and expenses, reclassified to the group of other operating revenues and expenses. This issue has already been regulated by Executive Act No. 449/08 and CPC Guideline Technical Pronouncement No. 02.

d. Reclassification of the Software caption from Property, plant and equipment to Intangible assets, due to CPC Technical Pronouncement No. 04 – Intangible Assets, approved by CVM Resolution No. 553/2008.

Exemptions on the initial adoption of Law No. 11638/07 and Executive Act No. 449/08, converted into Law No. 11.941/09

The management of the Company and its controlled companies, also based on CPC Technical Pronouncement No. 13, opted to maintain deferred charges until their full amortisation, subject to impairment testing in accordance with CPC Technical Pronouncement No. 1 – Impairment Loss, approved by CVM Resolution No. 527/2007.

2.4. CHANGES IN BRAZILIAN ACCOUNTING PRACTICES EFFECTIVE AS FROM 1 JANUARY 2010

By the date these financial statements were prepared, 26 new Pronouncements, 12 Interpretations and 3 Technical Guidelines had been issued by CPC and approved by decision of the Brazilian Securities and Exchange Commission (CVM) and Resolutions of the Federal Association of Accountants (CFC).

The pronouncements and their changes were then published and are mandatory for the Company's accounting periods starting 1 January 2010. However, the Company did not adopt in advance these pronouncements and changes.

The Pronouncements, Interpretations and Technical Guidelines applicable to the Company and its controlled companies are the following:

a. Accounting for the proposed mandatory minimum dividend, pursuant to CPC Technical Pronouncement CPC No. 24 – Subsequent Event and ICPC Technical Interpretation No. 08 – Accounting for the proposed dividend payout. As from the closing of the financial statements for the year ending 31 December 2010, with comparative effects on the balance sheets as of 1 January and 31 December 2009, the portion of dividends higher than the mandatory minimum dividend and the dividends approved at a shareholders' meeting, declared by management after the accounting period the financial statements refer to, but before the date the issue of those financial statements was authorised, may not be recorded as liabilities in the relating financial statements. The effects of the portion of dividends that exceeds the mandatory minimum should be recognised as "Additional proposed dividends – shareholders' equity" and disclosed in a note.

b. Presentation and disclosure of financial instruments and other related information according to CPC Technical Pronouncements 38, 39 and 40 – Financial Instruments: Presentation, Measurement and Evidencing. Although the Company had already been complying with the presentation, measurement and evidencing requirements set forth by OCPC Technical Guideline No. 03 and previously by CPC 14 – Financial instruments upon the preparation of the financial statements for the year ended 31 December 2009 and for the 2008 financial statements disclosed together with the 2009 statements for comparison purposes, additional requirements have been issued for the disclosure and presentation of financial instruments in the financial statements for the year ending 31 December 2010.

c. Change in the presentation of the financial statements and other information according to CPC Technical Pronouncement CPC No. 26 – Presentation of financial statements. As from the closing of the financial statements for the year ending 31 December 2010, with comparison effects on the balance sheets as of 1 January and 31 December 2009, the comprehensive statement of income and other additional disclosure requirements become part of the Company's and the controlled company's financial statements.

d. Option of adopting the deemed cost and review of the useful economic lives of property, plant and equipment and other information about disclosure issues according to CPC Technical Pronouncement No. 27 – Property, plant and equipment and ICPC Technical Interpretation No.10 – Interpretation about the Initial Application to Property, Plant and Equipment and to Property for Investment of CPC Technical Pronouncements No. 27, 28, 37 and 43. As from the closing of the financial statements for the year ending 31 December 2010, with comparison effects on the balance sheets as of 1 January and 31 December 2009, the Company may decide on the use of the option. However, since 1 January 2009 the Company and its controlled companies have revised the useful lives of property, plant and equipment and have not found the need to change current estimates.

e. Establishment of revenue recognition criteria and disclosure aspects according to CPC Technical Pronouncement No. 30 – Revenues. As from the closing of the financial statements for the year ending 31 December 2010, with comparison effects on the balance sheets as of 1 January and 31 December 2009, additional financial statement disclosure and presentation requirements are in effect.

f. Establishment of income tax recognition criteria and disclosure issues according to CPC Technical Pronouncement No. 32 – Taxes on income. As from the closing of the financial statements for the year ending 31 December 2010, with comparison effects on the balance sheets as of 1 January and 31 December 2009, additional financial statement disclosure and presentation requirements are in effect.

g. Recognition, measurement and disclosure of employee benefits according to CPC Technical Pronouncement No. 33 – Employee Benefit. As from the closing of the financial statements for the year ending 31 December 2010, with comparison effects on the balance sheets as of 1 January and 31 December 2009, additional financial statement disclosure and presentation requirements are in effect.

h. Disclosure of financial information by segment according to CPC Technical Pronouncement No. 22 – Information by Segment. As from the closing of the financial statements for the year ending 31 December 2010, with comparison effects on the balance sheets as of 1 January and 31 December 2009, the Company will start disclosing financial information according to CPC guidelines.

i. Accounting for the hyperinflation effects calculated for initial adoption of IFRS as part of the cost of property, plant and equipment items. According to paragraphs IG 33 and IG 34 of CPC No. 37 – Initial Adoption of International Accounting Standards – Alignment with International Financial Reporting Standards – IFRS 1, for the initial adoption of IFRS to recognise the beginning balance of property, plant and equipment, for the recognition of the effects of the hyperinflation monetary adjustment of the Company's and its controlled company's property, plant and equipment to fully align the IFRS and the new CPC Pronouncements by making the accounting convergence, the Company's management is analysing the application of this pronouncement when preparing its financial statements.

j. Valuation, measurement and accounting for business combinations, in accordance with CPC Technical Pronouncement No. 15 – Business combinations. As from the closing of the financial statements for the year ending 31 December 2010, with comparison effects on the balance sheets as of 1 January and 31 December 2009, measurement and disclosure requirements are in effect for existing business combinations. In the year ended 31 December 2009 no business combinations were made.

k. Allocation of borrowing costs relating to qualifying assets upon acquisition, construction or production, according to CPC Technical Pronouncement No. 20 – Borrowing costs. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale. As from the closing of the financial statements for the year ending 31 December 2010, with comparison effects on the balance sheets as of 1 January and 31 December 2009, measurement and disclosure requirements are in effect for borrowing costs. In the year ended 31 December 2009 there were no borrowing costs to be capitalised as part of the cost of a qualifying asset.

l. Proportional consolidation of ownership interest in jointly-controlled businesses, according to CPC Technical Pronouncement No. 19 – Investment in jointly-controlled businesses. Sharing control over a business exists when strategic, financial and operational decisions require unanimous consent by the controlling parties, as established by contract. The Company's management is analysing the application of this pronouncement to the preparation of its financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

a. Results of operations

Results of operations are recorded on the accrual basis. Sales revenue is recognised in the statement of income when all the product's risks and benefits are transferred to the buyer. Revenue whose realisation is uncertain is not recognised.

b. Cash and cash equivalents

Cash and cash equivalents include the balances of bank accounts and financial investments redeemable within up to 90 days from the balance sheet date, recorded at cost, plus income earned to the balance sheet date, which does not exceed market value.

c. Trade accounts receivable and intercompany transactions

Stated at current value. Because trade accounts receivable are settled in less than 90 days, book values basically represent fair values at the balance sheet dates.

d. Allowance for doubtful accounts

The allowance for doubtful accounts is set up according to estimated losses and in an amount deemed sufficient by management to cover possible losses on the realisation of accounts receivable.

e. Inventories

Inventories are stated at the average purchase or production cost, which are lower than replacement or realisable values.

f. Investments

Investments in controlled companies in Brazil and abroad are accounted for on the equity method according to the respective shareholders' equity calculated on the same date, as explained in note 10.

The financial statements of controlled companies headquartered abroad are translated into Brazilian reais using the following criteria:

- Assets and liabilities at the closing exchange rate;
- Specific equity accounts at the historic rates of transactions or movements;
- Statement of income accounts at the average monthly exchange rate.

Exchange rate gains (losses) in the financial statements of controlled companies located abroad translated into Brazilian reais are recorded under "Cumulative translation adjustments", a Company equity account. These exchange rate gain (loss) adjustments are realised as the investment is realised, in other words: receipt of dividends, disposal, spoilage.

These financial statements are adapted, when applicable, to Brazilian accounting practices.

g. Property, plant and equipment

Property, plant and equipment are stated at acquisition or construction cost, less accumulated depreciation. Depreciation is calculated under the straight-line method at the rates mentioned in note 11, according to the estimated useful lives of the assets.

h. Intangible assets

Goodwill was recognised for acquisitions of ownership interest, grounded in the future profitability of investments. Goodwill represents the excess of the purchase price over the equity value of controlled companies calculated on the purchase date and is grounded in expected future profitability, according to the projected results of the respective investee based on the discounted cash flows for a five-year period.

This goodwill is not amortised according to an indefinite useful life and the Company annually tests it for impairment using market practices, particularly by discounting the cash flow of its units which have recognized goodwill.

Software acquisition and installation expenses and goodwill resulting from the merger of controlled companies (technology transfer) are capitalised according to the future economic benefits that will flow to the Company and its controlled companies and amortised at the rates mentioned in note 12. Software maintenance expenses are recognised as an expense when incurred.

Trademarks and patents are stated at historical cost. Amortisation is calculated using the straight-line method at the rates shown in note 12.

i. Technology and product development expenses

Technology and product development expenses, as well as other expenses incurred with new products, are recorded as operating expenses. Those expenses on the development of new products linked to a future benefit until 31 December 2007 were recorded in deferred charges and amortised for the maximum period of 10 years.

j. Impairment testing – Property, plant and equipment, intangibles, deferred charges and other assets

Property, plant and equipment, intangibles, deferred charges and when applicable other assets are annually reviewed to look for any indication that an asset may be impaired, particularly external and internal indicators that interfere with the recovery of these assets, according to events and circumstances resulting in the impairment loss.

Regardless of the existence of the indicators mentioned above, the Company annually tests intangible assets for impairment.

When applicable, when impairment is reported, resulting from situations in which the asset's carrying amount may be in excess of its recoverable value, defined as the greater of its net selling price and its value in use, an impairment loss is recognised in income and may not be reversed when related to intangible assets.

For impairment testing purposes, assets are grouped at the lowest levels for which there are identifiable cash flows (cash-generating units - CGU).

k. Other current and non-current assets

These are stated at cost plus related earnings and monetary changes, where applicable, and reduced by allowances to reflect realisable value, if necessary.

l. Loans and financing

Loans are initially recognised at fair value when funds are received, net of transaction costs in applicable cases. After that, they are measured at amortised cost, that is, plus charges, interest, monetary changes and exchange rate gains (losses) incurred to balance sheet dates, as shown in note 14.

m. Liabilities

Liabilities are recognised in the balance sheet at fair value when the Company and its controlled companies have a legal obligation or as a result of past events and settlement is expected to result in an outflow of resources (payment). Some liabilities involve uncertainties regarding periods and amounts and are estimated as incurred and recorded as provisions. Provisions are recorded according to the best estimates of risks involved.

n. Taxation

Sales and service revenues are subject to the following taxes and rates:

	State of São Paulo	Other States
ICMS (State VAT)	18%	7% or 12%
IPI (Federal VAT)	4%-16%	4%-16%
PIS (tax on sales)	1.65%	1.65%
Cofins (tax on sales)	7.60%	7.60%
ISS (service tax)	2%-5%	2%-5%

These charges are recognised as sales deductions in the statement of income. Credits resulting from the non-cumulativeness of PIS/COFINS are accounted for by reducing the cost of goods sold in the statement of income.

Income and social contribution taxes are levied on income. Income tax is levied on taxable income at the rate of 15%, plus a 10% surtax on taxable income exceeding R$240 in the period of 12 months, while social contribution tax is levied on taxable income at the rate of 9%. Both are recognised on the accrual basis and therefore the add-backs of temporarily non-deductible expenses to book income to calculate current taxable income generate deferred tax credits.

Prepayments or amounts available for offset are recorded as current assets or non-current assets, according to their expected realisation.

Deferred income and social contribution taxes are calculated on temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. They are calculated using the tax rates disclosed on the balance sheet date and which should be applied when the respective deferred income and social contribution tax assets are realised or when the deferred income and social contribution tax liabilities are settled.

Deferred income and social contribution tax assets are recognised for income and social contribution tax losses, to the extent their realisation is probable. Deferred income taxes on accumulated tax losses are not subject to statute of limitations, but its offsetting in future years is limited to up to 30% of annual taxable income.

Deferred income and social contribution tax assets are recognised if, and only if, it is considered probable that there will be sufficient future taxable income against which the temporary differences and income and social contribution tax losses can be utilised.

Deferred income and social contribution tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities and/or when the deferred income and social contribution taxes relate to income and social contribution taxes levied by the same fiscal authority on either the same taxable entity or on different taxable entities which intend to settle the current tax assets and liabilities on a net basis.

o. Derivatives

In order to hedge the balance of the exchange exposure of the Company's and its controlled companies' foreign currency accounts receivable and payable to fluctuations in exchange rates and nickel, copper, aluminium and tin prices, the Company and its controlled companies use derivatives. These instruments basically consist of sales and purchases of currency forward contracts.

Derivative contracts are initially carried at fair value. Attributable transaction costs are recognised in the statement of income when incurred. After the initial recognition and measurement, derivatives are measured again and changes are recorded in the statement of income, except under the circumstances described below to account for hedge transactions.

A hedging instrument is one or more derivative contracts entered into with third parties with the purpose of compensating, in whole or in part, the risks resulting from exposure to variations in cash flows or the fair value of any asset, liability, commitment or forecast transaction.

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that may have an impact on the entity's results, as in the case of provisions for item to be hedged, of which the following stand out: Accounts receivable and payable transactions, sales to be made and commodities to be acquired. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. If the hedge is not considered effective the gain or loss from the change in fair value of the hedging instrument is recognised immediately in the statement of income. The gain or loss accumulated in equity under the "Asset and liability valuation adjustments" caption is realised at the same time that the hedged item is realised in income, or when the hedge no longer meets the hedge accounting criteria and hedge accounting is discontinued.

Fair value hedge

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability when the recognition of the fair value of this instrument matches the accounting effects of the asset or liability, as for example settlements with a cash effect on the hedged items, among which: Accounts receivable and payable transactions, sales made, commodities acquired and loans settled by the Company and its controlled companies. Fair value is the amount that the financial instrument could be purchased or sold for at the date of the financial statements, i.e. the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The gain or loss from the change in fair value of the hedging instrument is recognised immediately in the statement of income. The hedged item is also stated at fair value in relation to the risk to be covered. The gain or loss that is attributable to the hedged risk is recognised in the statement of income and is presented as an adjustment of the carrying amount of the hedged item.

p. Earnings per share

Calculated according to the number of outstanding shares, except for treasury shares, when applicable, at balance sheet dates.

q. Consolidation

The consolidated financial statements have been prepared according to the basic consolidation principles set forth by Brazilian Corporate Law and the standards issued by the Brazilian Securities and Exchange Commission and include the account balances of all controlled companies. The consolidated financial statements include all asset, liability and income (loss) accounts and include non-controlling interest as a separate component of the consolidated balance sheet and statement of income in proportion to the percentage of the Company's equity in controlled companies.

The consolidation process comprises the elimination of the investments proportionally to the interest of the parent company in the controlled companies' equity, the balance sheet account balances, the unrealised inventory results and intercompany revenues and expenses.

We list below the consolidated companies:

	Interest in total capital ((%)			
	2009		2008	
	Direct	Indirect	Direct	Indirect
MAHLE Metal Leve Miba Sinterizados Ltda.	70	-	70	-
MAHLE Argentina S.A. (antiga Establecimentos Metalúrgicos Edival S.A.) (foreign)	98.16	1.84	96	4
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	60	-	60	-
MAHLE Metal Leve GmbH (foreign)	100	-	100	-
MAHLE Metal Leve International NV (foreign)	-	100	-	100
MAHLE HIRSCHVOGEL FORJAS S.A.	51	-	49.77	-

Translation of the financial statements of foreign controlled companies

When preparing the consolidated financial statements, the statements of income, cash flows and value added and all changes in assets, liabilities and shareholders' equity and the statement of income transactions are translated into Brazilian reais at the exchange rate, as mentioned in note 3.f.

r. Reclassifications in prior financial statements

The Company's (Company and consolidated) financial statements for the year ended 31 December 2008, presented together with the 2009 financial statements, were reclassified to allow a better comparison of accounting and financial information, but with no material impacts on prior financial statements.

4. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	2009	2008	2009	2008
Cash and banks	6,981	8,552	11,983	27,511
Short-term investments	51,048	39,045	112,882	127,550
Amounts awaiting the setting of the exchange rate	40,629	2,808	43,432	8,716
	98,658	50,405	168,297	163,777

The amounts awaiting the exchange rate to be set are export receivables whose conversion into local currency had not been made by the balance sheet date. They are linked to export financing transactions (BNDES-Exim) and derivative financial instruments.

Short-term investments basically refer to Certificates of Bank Deposit – CDB, bearing interest at the Certificate of Interbank Deposits – CDI rate, and investments in foreign funds backed by HSBC Bank Brasil S.A. bonds which bear annual interest between 8.66% and 8.75%.

5. TRADE ACCOUNTS RECEIVABLE

	Company		Consolidated	
	2009	2008	2009	2008
Market				
Domestic	135,624	90,294	173,724	114,103
Foreign	32,940	59,237	63,141	117,269
	168,564	149,531	236,865	231,372

6. INVENTORIES

	Company		Consolidated	
	2009	2008	2009	2008
Finished goods	55,625	78,131	90,470	144,567
Work in process	52,511	65,204	65,455	81,604
Raw materials	24,153	29,908	35,460	47,955
Subsidiary materials	5,241	7,594	11,716	20,725
Imports in transit	3,732	6,218	12,201	13,850
Inventory valuation allowance	(15,219)	(10,587)	(22,888)	(20,589)
	126,043	176,468	192,414	288,112

7. RECOVERABLE TAXES

	Company		Consolidated	
	2009	2008	2009	2008
Income and social contribution taxes (note 9.b)	24,209	5,156	29,444	8,010
Income tax on financial investment yields	1,916	8,623	1,989	8,674
Income and social contribution taxes on rendered services	1,124	1,067	1,124	6,139
ICMS (State VAT) on fixed asset acquisition	10,467	13,846	12,564	16,577
ICMS (State VAT) and IPI (Federal VAT)	5,395	6,147	8,294	18,776
PIS (tax on sales)	333	1,602	489	1,953
COFINS (tax on sales)	1,520	21,965	2,235	24,303
Other	3,509	411	5,939	1,359
	48,473	58,817	62,078	85,791
Current	(39,529)	(49,210)	(51,583)	(69,185)
Non-current	8,944	9,607	10,495	16,606

The ICMS, PIS and COFINS on the acquisition of fixed assets are offset at the rate of 1/48 and 1/24 monthly.

8. INTERCOMPANY TRANSACTIONS

	Company (2009)												
					Transactions								
	Balances				Sales/revenues				Purchases				
Companies	Current assets	Term in days	Current liabilities	Term in days	Products	Services	Fixed assets	Commissions	Products	Services	Fixed assets	Commissions	Royalties
MAHLE Metal Leve Miba Sinterizados Ltda.	8	30	624	30	1	2,997	-	-	5,028	-	-	-	-
MAHLE Componentes de Motores do Brasil Ltda.	3,088	30	8,906	30	344	30,125	-	6,075	76,574	1,155	-	-	-
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	11	30	9	30	12	383	-	-	89	-	-	-	-
MAHLE HIRSCHVOGEL FORJAS S.A.	740	30	760	30	52	1,509	-	-	11,801	-	-	-	-
MAHLE Componentes de Motores S.A.	80	120	-	-	50	1,150	-	-	-	-	354	-	-
MAHLE Componentes de Motores Argentina S.A.	-	-	-	-	63	-	-	-	776	-	-	-	-
MAHLE GmbH	194	60	1,413	60	9	203	-	-	4,901	-	15,022	-	10,453
MAHLE France SARL	419	160	-	-	-	-	-	-	-	-	-	-	-
MAHLE SAS	-	-	-	-	1,242	-	-	-	-	-	-	-	-
MAHLE Filtersysteme	-	-	1,287	180	1,856	-	-	-	3,467	-	-	1	-
MAHLE Argentina S.A.	5,109	90	280	60	22,433	1,602	-	-	638	-	-	-	-
MAHLE Componentes de Motores de México, S. de R.L. de C.V.	1,128	90	381	60	5,148	167	311	-	386	-	-	-	-
MAHLE, Inc.	63	120	-	-	185	13	-	-	-	-	-	-	-
MAHLE Motorkomponenten GmbH	-	-	64	90	-	-	-	-	169	-	-	-	-
MAHLE Motorkomponenten Schweiz AG	-	-	26	120	-	-	-	-	35	-	-	-	-
MAHLE Trading Japan Ltd.	-	-	38	180	-	-	-	-	39	-	-	-	-
MAHLE Metal Leve International N.V.	94,688	150	-	-	212,832	616	-	-	-	-	-	-	-
MAHLE Engine Components Australia Pty Ltd.	71	90	4	90	161	-	-	-	-	-	-	4	-
MAHLE Engine Components Japan Corporation	31	150	1	30	-	-	-	-	258	-	-	-	-
MAHLE IPL Limited	-	-	-	-	1	-	-	-	-	-	-	-	-
MAHLE Aftermarket GmbH	246	90	410	90	2,085	-	-	-	1,210	-	-	57	-
MAHLE Engine Components (Yingkou) Co., Ltd.	16	120	-	-	1,390	-	-	-	-	-	-	-	-
MAHLE Donghyun Filter Systems Co., Ltd.	-	-	417	60	2	-	-	-	1,838	-	-	-	-
MAHLE Vöcklabruck GmbH	747	90	-	-	1,696	-	-	-	-	-	-	-	-
MAHLE Trading Shangai Co., Ltda.	-	-	100	90	-	-	-	-	186	-	-	19	-
MAHLE Technologies Holding Co. Ltd.	-	-	-	-	38	1	-	-	-	-	-	-	-
MAHLE Aftermarket SAS	-	-	-	-	182	-	-	-	-	-	-	-	-
MAHLE Aftermarket Ltd	-	-	3	60	-	-	-	-	-	-	-	3	-
MAHLE Powertrain LLC	58	60	-	-	-	162	-	-	-	-	-	-	-
MAHLE Clevite Inc.	82	90	37	60	-	314	-	-	9	-	-	106	-
MAHLE Engine Components USA, Inc.	2	120	106	60	188	31	-	-	100	-	-	-	-
MAHLE Engine Components (Chongqing) Co. Ltd.	-	-	-	-	267	-	35	-	-	-	-	-	-
MAHLE Engine Systems UK Ltd.	76	60	-	-	42	11	-	-	198	-	937	1	-
MAHLE International GmbH	14	20	-	-	-	-	-	-	-	-	-	-	-
MAHLE Pistoni Italia SPA	-	-	-	-	19	-	-	-	5	-	-	-	-
MHALE Componente de Motor SRL	2,286	180	-	-	3,987	-	-	-	-	-	-	-	-
MAHLE Composants Moteur France	-	-	5	180	10	-	-	-	5	-	-	-	-
MAHLE Mopisan	-	-	8	60	-	-	-	-	-	-	-	10	-
MAHLE Industries Inc	110	60	-	-	114	-	-	-	-	-	-	-	-
Glacier Vendervell Italy S.r.l.	-	-	-	-	53	-	-	-	12	-	-	-	-
Total	109,267		14,879		254,462	39,284	346	6,075	107,724	1,155	16,313	201	10,453

Mahle Metal Leve S.A. and controlled companies

Consolidated (2009)

	Balances				Transactions								
					Sales/revenues				Purchases				
Companies	Current assets	Term in days	Current liabilities	Term in days	Products	Services	Fixed assets	Commissions	Products	Services	Fixed assets	Commissions	*Royalties*
MAHLE Componentes de Motores do Brasil Ltda.	3,088	30	11,844	30	528	30,125	-	6,076	87,659	1,155	-	-	-
MAHLE Ind. e Com. Ltda.	-	-	4	30	-	-	-	-	-	-	-	-	-
MAHLE Componentes de Motores S.A.	787	120	-	-	8,412	1,150	-	-	-	-	354	-	-
MAHLE Componentes de Motores Argentina S.A.	1,417	180	452	60	1,374	2,709	-	-	6,896	540	49	-	-
MAHLE S.A.	823	90	-	-	5,156	-	-	-	-	-	-	-	-
MAHLE GmbH	2,573	60	1,488	60	10,273	203	-	-	5,106	476	15,022	-	10,453
MAHLE France SARL	9,074	160	1	30	-	-	-	-	-	-	-	-	-
MAHLE SAS	-	-	-	-	35,714	-	-	-	-	-	-	-	-
MAHLE Filtersysteme	-	-	2,329	180	1,120	-	-	-	4,018	138	-	1	-
MAHLE Pistons France SARL	32	30	-	-	9,370	-	-	-	-	-	-	-	-
MAHLE Pistoni Italia SPA	1,577	30	29	60	5,434	-	-	-	5	-	-	-	-
MAHLE Componentes de Motores de México, S. de R.L. de C.V.	6,535	90	381	60	25,013	167	311	-	386	-	-	-	-
MAHLE Componente de Motor SRL	2,286	180	11	60	3,987	-	-	-	-	-	-	-	-
MAHLE Engine Components (Thailand) Co. Ltd.	-	-	-	-	593	-	-	-	-	-	-	-	-
MAHLE Trading Japan Ltd.	-	-	38	180	-	-	-	-	39	-	-	-	-
MAHLE, Inc.	376	120	-	-	4,703	13	-	-	-	-	-	-	-
MAHLE Motorkomponenten Schweiz AG	-	-	95	120	-	-	-	-	35	-	71	-	-
MAHLE Motorkomponenten GmbH	471	90	361	90	3,306	-	-	-	169	-	-	-	-
MAHLE Technology, Inc.	-	-	357	90	-	-	-	-	-	-	-	-	-
MAHLE Sud America N.V.	68	150	-	-	-	214	-	-	-	-	-	-	-
MAHLE Engine Components Australia Pty Ltd.	71	90	4	90	162	-	-	-	-	-	-	4	-
MAHLE Engine Components Japan Corporation	31	150	1	30	-	-	-	-	258	-	-	-	-
MAHLE Ventiltrieb GmbH	5	90	1,172	90	15	-	-	-	-	44	-	-	-
MAHLE Aftermarket GmbH	2,036	90	707	90	17,691	228	-	-	1,209	222	-	58	-
MAHLE Aftermarket Ltd	-	-	3	60	-	-	-	-	-	-	-	3	-
MAHLE Engine Components (Yingkou) Co., Ltd.	432	120	-	-	2,071	-	-	-	-	-	-	-	-
MAHLE Engine Comp. Slovakia	-	-	-	-	44	-	-	-	-	-	-	-	-
MAHLE Donghyun Filter Systems Co., Ltd.	-	-	417	60	-	-	-	-	1,838	-	-	-	-
MAHLE Vöcklabruck GmbH	747	90	-	-	1,696	-	-	-	-	-	-	-	-
MAHLE Migma Private Ltd.	4	120	-	-	-	-	-	-	-	-	-	-	-
MAHLE Trading Shangai Co., Ltd.	-	-	101	90	-	-	-	-	186	-	-	20	-
MAHLE Technologies Holding Co. Ltd.	-	-	-	-	38	1	-	-	-	-	-	-	-
MAHLE Powertrain Ltd.	1,387	90	21	60	3,270	-	-	-	-	-	-	-	-
MAHLE Aftermarket SAS	-	-	-	-	182	-	-	-	-	-	-	30	-
MAHLE Powertrain LLC	58	60	-	-	-	162	-	-	-	-	-	-	-
MAHLE Engine Components USA, Inc.	166	120	130	60	3,443	30	-	-	100	-	-	-	-
MAHLE Engine Components (Chongqing) Co. Ltd.	-	-	-	-	267	-	35	-	-	-	-	-	-
MAHLE Engine Systems UK Ltd.	76	60	-	-	82	11	-	-	198	-	936	1	-
MAHLE International GmbH	14	20	350	60	-	-	-	-	-	155	-	-	-
MAHLE Valve Train Italia S.r.l.	-	-	-	-	-	-	-	-	16	-	-	-	-
MAHLE Mopisan	138	90	8	60	-	-	183	-	-	-	-	10	-
MAHLE Composants Moteur France	-	-	5	180	34	-	-	-	5	-	-	-	-
Glacier Vendervell Italy S.r.l.	-	-	-	-	392	-	-	-	12	-	-	-	-
MAHLE Clevite, Inc	818	90	52	60	3,947	314	-	-	44	-	-	175	-
MAHLE AKO GmbH	-	-	-	-	-	-	-	-	20	-	-	-	-
MAHLE Industries Inc	110	60	11	60	114	-	-	-	-	-	-	-	-
MAHLE Kleinmot. GmbH	-	-	-	-	11,291	-	-	-	-	-	-	-	-
MAHLE IPL Limited	-	-	-	-	17	-	-	-	-	-	-	-	-
Total	35,200		20,372		159,739	35,327	529	6,076	108,199	2,730	16,432	302	10,453

	Company (2008)												
					Transactions								
	Balances				Sales/revenues				Purchases				
Companies	Current assets	Term in days	Current liabilities	Term in days	Products	Services	Fixed assets	Commissions	Products	Services	Fixed assets	Commissions	Royalties
MAHLE Metal Leve Miba Sinterizados Ltda.	271	30	365	35	9	3,193	-	-	4,745	62	-	-	-
MAHLE Componentes de Motores do Brasil Ltda.	3,333	30	5,525	35	280	26,398	-	5,966	91,542	1,381	-	-	-
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	196	30	43	30	1,120	232	-	-	34	-	-	-	-
MAHLE HIRSCHVOGEL FORJAS S.A.	332	30	27	60	1	310	-	-	6,850	-	-	-	-
MAHLE Indústria e Comércio Ltda.	-	-	78	30	-	-	-	-	-	653	-	-	-
MAHLE Componentes de Motores S.A.	57	60	-	-	598	307	-	391	12	-	-	-	-
MAHLE Componentes de Motores Argentina S.A.	986	180	-	-	2,033	-	-	-	214	-	-	-	-
MAHLE GmbH	277	150	3,468	60	1,493	-	-	-	16,624	-	9,198	-	14,647
MAHLE France SARL	989	160	-	-	2,187	-	-	-	5,481	-	-	-	-
MAHLE Filtersysteme	1,486	180	2,067	180	2,819	-	-	-		-	115	9	-
MAHLE Argentina S.A.	17,235	120	27	30	21,531	748	-	-	40	-	-	-	-
MAHLE Componentes de Motores de México, S. de R.L. de C.V.	1,535	90	24	90	907	-	-	-	-	-	-	45	-
MAHLE, Inc.	386	120	24	90	816	157	20	-	-	-	-	103	-
MAHLE Motorkomponenten GmbH	61	20	41	145	-	-	-	-	535	-	-	-	-
MAHLE Motorkomponenten Schweiz AG	-	-	-	-	-	-	-	-	130	-	-	-	-
MAHLE Technology, Inc.	20	90	-	-	-	-	-	-	-	-	-	-	-
MAHLE Metal Leve International N.V.	166,223	30	-	-	343,292	239	-	-	-	-	-	-	-
MAHLE Engine Components Australia Pty Ltd.	18	90	1	60	81	-	-	-	-	-	-	3	-
MAHLE Engine Components Japan Corporation	763	120	1,101	60	2,245	-	-	-	439	-	-	-	-
MAHLE Sistemas de Filtracion S.L.	-	-	2	60	-	-	-	-	-	-	-	8	-
MAHLE Aftermarket GmbH	3,323	90	501	60	7,260	-	-	-	1,204	-	-	126	-
MAHLE Bearings (Yingkou) Co.,Ltd.	554	120	-	-	118	-	1,504	-	-	-	1,093	-	-
MAHLE Engine Components (Yingkou) Co., Ltd.	293	120	-	-	617	-	-	-	-	-	-	-	-
MAHLE Donghyun Filter Systems Co., Ltd.	-	-	321	75	9	-	-	-	1,270	-	-	-	-
MAHLE Vöcklabruck GmbH	1,825	90	-	-	6,936	-	73	-	-	-	-	-	-
MAHLE Trading Shangai Co., Ltda.	-	-	9	3	-	-	-	-	182	-	-	27	-
MAHLE Powertrain Ltd.	36	20	-	-	-	-	-	-	-	-	-	-	-
MAHLE Aftermarket SAS	-	-	2	24	-	-	-	-	-	-	-	7	-
MAHLE Brockhaus GmbH	-	-	2	110	-	-	-	-	553	-	-	-	-
MAHLE Clevite Inc.	103	90	106	75	28	173	-	-	-	-	2	126	-
MAHLE Engine Components USA, Inc.	2,074	90	-	-	4,154	-	-	-	5	-	-	-	-
MAHLE Engine Components (Chongqing) Co., Ltd.	-	-	-	-	55	-	29	-	-	-	-	-	-
MAHLE Engine Systems UK Ltd.	59	60	273	50	175	-	-	-	1,805	-	2,051	-	-
MAHLE International GmbH	3	60	-	-	2	-	-	-	-	-	-	-	-
MAHLE Pistoni Italia SPA	44	90	-	-	73	-	-	-	54	-	-	-	-
MAHLE Composants Moteur France	11	30	4	30	12	-	-	-	-	-	-	-	-
Glacier Vendervell Italy S.r.l.	-	-	-	-	10	-	-	-	-	-	-	-	-
MAHLE Engine Components (Nanjing) Co., Ltd.	499	120	-	-	1,549	-	-	-	-	-	-	-	-
Other	257	-	50	-	644	224	-	-	192	-	-	-	-
Total	203,249		14,061		401,054	31,981	1,626	6,357	131,911	2,096	12,459	454	14,647

	Consolidated (2008)												
					Transações								
	Balances				Sales/revenues				Compras				
Companies	Current assets	Term in days	Current liabilities	Term in days	Products	Services	Fixed assets	Commissions	Products	Services	Fixed assets	Commissions	*Royalties*
MAHLE Componentes de Motores do Brasil Ltda.	3,333	30	11,297	35	280	26,398	-	5,966	99,533	1,380	-	-	-
MAHLE Indústria e Comércio Ltda.	-	-	78	30	-	-	-	-	-	653	-	-	-
MAHLE Componentes de Motores S.A.	7,743	60	-	-	17,437	307	-	391	12	-	-	-	-
MAHLE Componentes de Motores Argentina S.A.	3,585		7,495		2,516	1,306	-	-	36,460	1,378	4,887	-	-
MAHLE S.A.	2,116	30	-	-	2,809	-	-	-	-	-	-	-	-
MAHLE GmbH	6,317	150	3,834	60	38,970	-	-	-	16,624	488	9,198	-	14,647
MAHLE France SARL	12,858	160	37	30	49,208	-	-	-	-	-	-	-	-
MAHLE Filtersysteme	1,486	180	2,988	184	2,819	-	-	-	5,730	-	115	9	-
MAHLE Pistons France SARL	-	-	548	30	8,391	-	-	-	-	-	-	-	-
MAHLE Pistoni Italia SPA	5,265	90	79	90	10,113	-	-	-	54	-	-	-	-
MAHLE Componentes de Motores de México, S. de R.L. de C.V.	4,606	90	27	90	12,319	-	-	-	-	-	-	45	-
MAHLE Engine Components (Thailand) Co. Ltd.	-	-	-	-	3,637	-	-	-	-	-	-	-	-
MAHLE, Inc.	560	120	520	90	14,042	157	20	-	89	-	476	163	-
MAHLE Motorkomponenten Schweiz AG	-	-	-	-	-	-	-	-	130	-	-	-	-
MAHLE Motorkomponenten GmbH	2,469	20	206	145	22,233	-	-	-	535	-	-	-	-
MAHLE Technology, Inc.	20	90	1,198	90	-	-	-	-	-	-	-	-	-
MAHLE Sud America N.V.	138	30	20	30	164	-	-	-	-	-	-	-	-
MAHLE Engine Components Australia Pty Ltd.	18	90	1	60	81	-	-	-	-	-	-	3	-
MAHLE Engine Components Japan Corporation	766	120	1,101	60	2,254	-	-	-	439	-	-	-	-
MAHLE Ventiltrieb GmbH	26	20	50	20	97	-	-	198	123	656	-	-	-
MAHLE Aftermarket GmbH	6,233	90	1,589	60	32,177	-	-	-	1,204	136	-	-	-
MAHLE Bearings (Yingkou) Co.,Ltd.	1,119	120	26	20	452	-	1,649	-	-	-	1,093	-	-
MAHLE Engine Components (Yingkou) Co., Ltd.	293	120	-	-	617	-	-	-	-	-	-	-	-
MAHLE Donghyun Filter Systems Co., Ltd.	-	-	321	75	9	-	-	-	1,271	-	-	-	-
MAHLE Vöcklabruck GmbH	1,825	90	-	-	6,936	-	73	-	-	-	-	-	-
MAHLE Migma Private Ltd.	22	30	-	-	18	-	-	-	26	-	-	-	-
MAHLE Trading Shangai Co., Ltd.	-	-	9	3	-	-	-	-	182	-	-	26	-
MAHLE Powertrain Ltd.	1,270	20	-	-	5,213	-	-	-	-	-	-	-	-
MAHLE Aftermarket SAS	-	-	2	20	-	-	-	-	-	-	-	28	-
MAHLE Brockhaus GmbH	-	-	4	110	-	-	-	-	553	-	-	-	-
MAHLE Powertrain LLC	230	20	23	20	-	224	-	-	-	-	-	-	-
MAHLE Ventiltrieb Brandenburg GmbH	2	20	645	20	59	-	-	-	-	-	-	-	-
MAHLE Engine Components USA, Inc.	2,074	90	26	30	4,154	-	-	-	5	-	2	-	-
MAHLE Engine Components (Chongqing) Co. Ltd.	-	-	-	-	55	-	29	-	-	-	-	-	-
MAHLE Engine Systems UK Ltd.	59	60	273	50	175	-	-	-	1,805	-	2,051	-	-
MAHLE International GmbH	3	60	201	20	2	-	-	-	-	187	-	-	-
MAHLE Valve Train Italia S.r.l.	-	-	-	-	-	-	-	-	49	-	-	-	-
MAHLE Composants Moteur France	10	30	4	30	12	-	-	-	-	-	-	-	-
Glacier Vendervell Italy S.r.l.	-	-	-	-	10	-	-	-	-	-	-	-	-
MAHLE Clevite, Inc	2,402	90	215	75	6,714	173	-	-	-	-	-	182	-
MAHLE Engine Components (Nanjing) Co., Ltd.	499	120	-	-	1,549	-	-	-	-	-	-	-	-
Other	10	-	3	-	1,411	-	-	-	43	-	-	147	-
Total	67,357		32,820		246,933	28,565	1,771	6,555	164,867	4,878	17,822	603	14,647

Intercompany transactions basically refer to the acquisition and sale of products and services directly related to the Company's operating activities and are conducted in conditions similar to those stipulated in the market, whose realisation term of operations is between 20 and 180 days. This is the same term of commercial transactions with non-related parties. These transactions do not have special terms and conditions, fees or guarantees given or received, nor are there risks of doubtful accounts.

The Company has a technology transfer agreement with its indirect controlling shareholder in Germany, which allows its access to the pistons technology thus facilitating its entrance in the industrial market. Royalty expenses were recorded under the "Technology and product development expenses" caption in the amount of R$10,453 in the year ended 31 December 2009 (R$14.647 in 2008).

Commissions refer to the commercial representation services performed to or by related parties. Prices are calculated by taking into account the profit margins regularly practiced in the market for similar transactions.

Other companies of the group which publicly disclose their financial statements

The company is a directly controlling-company of MAHLE Metal Leve S.A., and is set up as a limited liability company, whose corporate name is MAHLE Indústria e Comércio Ltda.

MAHLE GmbH is a final controlling-company of the group, set up as a limited liability company, headquartered in the city of Stuttgart – Federal Republic of Germany.

All the other indirectly-controlling companies with which MAHLE Metal Leve S.A. has business relationship are closely-held companies, headquartered in Brazil or abroad. These companies do not issue financial statements for public use. Therefore, MAHLE Metal Leve S.A. is the only company of the group which publicly discloses its financial statements.

Dividends and interest on equity capital of the controlled company receivable

Interest on capital receivable from MAHLE Metal Leve Miba Sinterizados Ltda., controlled company, in 2009 is R$1,184 (R$1,018 in 2008) and dividends receivable from MAHLE Metal Leve GmbH, controlled company, in 2008, are R$15,785.

Management's compensation

Compensation paid to the Board of Directors and Management was R$3,430 in 2009 (R$3,557 in 2008) (Company) and R$4,087 in 2009 (R$4,541 in 2008) (Consolidated).

9. INCOME AND SOCIAL CONTRIBUTION TAXES

Income and social contribution taxes were calculated at applicable rates.

a. Reconciliation of income and social contribution tax expenses

Reconciliation of tax charges between effective and statutory rates is as follows:

	Company		Consolidated	
	2009	2008	2009	2008
Income before income and social contribution taxes	47,160	54,890	50,003	44,734
Add-back (deduction) of the equity in earnings of controlled companies, subsidiaries and affiliates and ownership interest valuation allowance	14,915	2,330	-	-
Add-back (deduction) of income earned by controlled companies	-	-	23,985	22,290
Adjusted income before income and social contribution taxes	62,075	57,220	73,988	67,024
IRPJ (income tax) and CSSL (social contribution tax) at statutory rate (34%)	(21,106)	(19,455)	(25,156)	(22,788)
Adjustments to calculate the effective rate:				
Effects on permanent differences:				
"Transfer pricing"	(2,395)	(3,396)	(2,395)	(3,396)
Other, net	1,095	(647)	(2,134)	4,536
Effects on permanent differences:				
Tax losses	(1,095)	-	(1,122)	-
Provisions	23,501	(39,937)	26,774	(45,775)
Current income and social contribution taxes	-	(63,435)	(4,033)	(67,423)
Deferred income and social contribution taxes	(25,030)	40,034	(27,255)	45,512
	(25,030)	(23,401)	(31,288)	(21,911)
Effective rate	40.3%	40.9%	42.3%	32.7%

b. Recoverable income and social contribution taxes

	Company		Consolidated	
	2009	2008	2009	2008
Income tax	-	46,486	3,099	49,419
Social contribution tax	-	16,949	934	18,004
	-	63,435	4,033	67,423
Offset against prepayments and tax incentives	(24,209)	(65,929)	(33,477)	(72,771)
Social contribution tax credit on depreciation of assets acquired for property, plant and equipment	-	(3,073)	-	(3,073)
Other	-	411	-	411
Balance of recoverable taxes (note 7)	(24,209)	(5,156)	(29,444)	(8,010)

c. Breakdown of the balance of deferred income and social contribution taxes

Deferred income and social contribution taxes were calculated on temporarily non-deductible provisions, as follows:

	Company		Consolidated	
	2009	2008	2009	2008
Temporary differences				
Income and social contribution tax losses	1,095	-	5,994	4,707
Provision for contingencies and warranties	27,931	33,625	35,080	39,858
Inventory valuation allowance	10,626	13,380	13,302	17,275
Allowance for doubtful accounts	673	1,111	1,081	3,486
Allowance for losses on realisation of other assets	6,311	3,720	6,487	3,847
Commissions on sales and other temporarily nondeductible provisions	9,970	13,399	9,045	15,366
Derivative transactions	9,027	81,143	11,151	81,267
	65,633	146,378	82,140	165,806
Current	(20,734)	(93,349)	(23,534)	(96,708)
Non-current	44,899	53,029	58,606	69,098

According to projections of the Company's management, the deferred income and social contribution taxes classified as non-current assets as of 31 December 2009 and 2008 will be realised in the following terms:

	2009	
Year	Company	Consolidated
2011	6,353	8,878
2012	13,708	17,382
2013	4,506	6,716
2014	3,622	5,901
2015-2017	12,832	14,913
2018-2020	3,878	4,816
	44,899	58,606

	2008	
Year	Company	Consolidated
2010	9,352	11,918
2011	16,598	20,855
2012	3,960	6,056
2013	5,216	7,718
2014-2016	12,403	16,103
2017-2019	5,500	6,448
	53,029	69,098

d. Breakdown of the balance of social contribution tax payable pursuant to Law No. 11.051/04

The Company and its controlled companies are utilising the tax credit established by Law No. 11.051/04, which grants a 25% reduction in the depreciation of certain property, plant and equipment items when calculating the social contribution tax due. We show below the realisation of these credits.

	2009	
Year	Company	Consolidated
2011	1,522	1,574
2012	2,411	2,568
2013	3,075	3,328
	7,008	7,470

	2008	
Year	Company	Consolidated
2010	467	487
2011	1,522	1,574
2012	2,411	2,568
	4,400	4,629

10. INVESTMENTS IN CONTROLLED COMPANIES

	2009						
	Information about controlled companies			Interest			
	Shareholders' equity (shareholders' deficit)	Net income (loss)	%	Investments	Provision for shareholders' deficit	Provision for shareholders' deficit - statement of income	Equity in earnings (loss) of controlled companies
MAHLE Metal Leve Miba Sinterizados Ltda.	37,743	12,358	70.00	26,420	-	-	8,651
MAHLE Argentina S.A.	37,377	(14,040)	98.16	36,689	-	-	(13,512)
MAHLE Metal Leve GmbH	9,395	(7,363)	100.00	9,395	-	-	(7,363)
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	(1,983)	(1,482)	60.00	-	(1,190)	(889)	-
MAHLE HIRSCHVOGEL FORJAS S.A.	9,397	(3,576)	51.00	4,792	-	-	(1,802)
				77,297	(1,190)	(889)	(14,026)

	2008						
		companies		Interest			
	Shareholders' equity (shareholders' deficit)	Net income (loss)	%	Investments	Provision for shareholders' deficit	Provision for shareholders' deficit - statement of income	Equity in earnings (loss) of controlled companies
MAHLE Metal Leve Miba Sinterizados Ltda.	32,541	7,585	70.00	22,779	-	-	5,309
MAHLE Argentina S.A.	30,967	(17,472)	96.00	29,728	-	-	(16,773)
MAHLE Metal Leve GmbH	21,360	16,055	100.00	21,360	-	-	16,055
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	(500)	(737)	60.00	-	(300)	(300)	(142)
MAHLE HIRSCHVOGEL FORJAS S.A.	1,146	(13,018)	49.77	570	-	-	(6,479)
				74,437	(300)	(300)	(2,030)

The Company monitors the risk of continuity of its controlled companies (especially in Argentina) due to the sharp drop in the transactions performed in the first six-month period of 2009 and the break-even point reached in the second half of 2009.

MAHLE ARGENTINA S.A.

In April and September 2009, the Company contributed capital to its controlled company MAHLE Argentina S.A. in the amounts of R$11,769 and R$18,101, respectively, generating a loss of R$269 recorded in the “Other operating revenues (expenses) account” in the statement of income and a gain on ownership interest of R$653 recorded in the “Cumulative translation adjustments” in the controlled company’s equity.

MAHLE METAL LEVE GMBH

As from 2010 the operations of indirectly controlled company Mahle Metal Leve International NV will be transferred to its indirectly-controlled company Mahle Metal Leve GmbH due to the review of the group's shareholding structure defined by the controlled company's management. During this transition period indirectly-controlled company Mahle Metal Leve International NV will remain open but without operating for at least five years.

MAHLE FILTROIL IND. E COM. DE FILTROS LTDA.

As of 31 December 2009, the interest in the shareholders' deficit of controlled company MAHLE Filtroil Ind. e Com. de Filtros Ltda., in the amount of R$1,190 (R$300 in 2008) is recorded as non-current liabilities under the "Provision for shareholders' deficit - controlled companies" account. Notwithstanding this situation, basically caused by the global crisis and the start of operations in 2007, the controlled company's management has an economic and financial plan to minimise these impacts, expecting a sales increase as from 2010 given the agreement signed with Petróleo Brasileiro S.A. - Petrobras to supply special filters.

Various lawsuits about the business, financial and administrative management have been filed since June 2009 involving shareholders, in addition to a lawsuit for the dissolution of the Company. This started due to an increase in share capital proposed by the Company and not accepted by the non-controlling shareholder to solve the controlled company's deficit.

The Company in turn, as mentioned in note12, recognised an impairment loss for the goodwill paid on the acquisition of the controlled company in 2009.

MAHLE HIRSCHVOGEL FORJAS S.A.

In April 2009, the Company acquired 3.73% of the controlled company, including preferred shares of the former shareholders of MAHLE HIRSCHVOGEL FORJAS S.A., which generated a goodwill of R$1,067 according to the expected future profitability of the controlled company.

11. PROPERTY, PLANT AND EQUIPMENT

		2009					
	Annual depreciation rates (%)	Company			Consolidated		
		Cost	Depreciation	Net	Cost	Depreciation	Net
Plots of land	-	6,122	-	6,122	7,555	-	7,555
Buildings and constructions	4	127,541	(49,600)	77,941	137,798	(54,680)	83,118
Machinery, equipment and facilities	10-20	967,781	(696,874)	270,907	1,175,302	(836,620)	338,682
Furniture and fixtures	10	17,612	(12,111)	5,501	20,936	(14,228)	6,708
Transportation goods	20-40	16,898	(12,124)	4,774	19,557	(13,733)	5,824
Construction in progress*	-	8,092	-	8,092	10,031	-	10,031
Advances to suppliers	-	3,664	-	3,664	6,695	-	6,695
(-) Allowance for losses on property, plant and equipment		(3,796)	-	(3,796)	(3,796)	-	(3,796)
		1,143,914	(770,709)	373,205	1,374,078	(919,261)	454,817

		2008					
	Annual depreciation rates (%)	Company			Consolidated		
		Cost	Depreciation	Net	Cost	Depreciation	Net
Plots of land	-	6,122	-	6,122	7,836	-	7,836
Buildings and constructions	4	127,998	(45,335)	82,663	139,746	(50,425)	89,321
Machinery, equipment and facilities	10-20	938,514	(646,308)	292,206	1,139,916	(780,461)	359,455
Furniture and fixtures	10	17,377	(11,109)	6,268	21,147	(13,471)	7,676
Transportation goods	20-40	16,791	(11,519)	5,272	19,246	(12,758)	6,488
Construction in progress*	-	2,931	-	2,931	22,460	-	22,460
Advances to suppliers	-	20,863	-	20,863	24,614	-	24,614
(-) Allowance for losses on property, plant and equipment		(3,574)	-	(3,574)	(3,574)	-	(3,574)
		1,127,022	(714,271)	412,751	1,371,391	(857,115)	514,276

CONSTRUCTION IN PROGRESS AND ADVANCES TO SUPPLIERS

Construction in progress and advances to suppliers as of 31 December 2009 and 2008 refer to assets being acquired and/or installed as well as several civil construction works to enlarge and remodel several segments of the Company's and its controlled companies' industrial complex. Among the ongoing projects are investments in projects to increase capacity, optimise industrial processes and modernise industrial plants.

COLLATERALS

The Company and its controlled companies pledged property, plant and equipment items as collateral for loans and financing and tax lawsuits in the amount of R$58,790 – Consolidated (R$47,263 in 2008 – Consolidated). All these items are machinery and equipment.

12. INTANGIBLE ASSETS

		Company		Consolidated	
	Annual amortisation rates (%)	2009	2008	2009	2008
Goodwill resulting from the merger of controlled companies:(technology transfer):					
P.F.S. II Ind. e Com. de Peças Automotivas Ltda.	20	2,236	2,236	2,236	2,236
T.C.V. Ind. e Com. de Peças Automotivas Ltda.	20	6,674	6,674	6,674	6,674
Goodwill resulting from the acquisition of controlled companies:					
MAHLE Argentina S.A.	-	60,462	60,462	64,044	64,945
MAHLE HIRSCHVOGEL FORJAS S.A.	-	34,866	34,684	34,866	34,684
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	-	5,110	5,110	5,352	5,110
Expenses on software acquisition and installation	20	32,119	31,213	34,342	32,797
Trademarks and patents	-	4,677	4,677	4,917	4,917
Other	0-20	3,812	2,847	9,355	16,003
Allowance for losses on intangible assets		(5,444)	(334)	(5,692)	(343)
		144,512	147,569	156,094	167,023
Accumulated amortisation		(32,883)	(29,816)	(37,645)	(34,995)
		111,629	117,753	118,449	132,028

Statement of changes in intangible assets:

	Company				
	Goodwill on the acquisition of controlled companies	Software acquisition and installation expenses	Trademarks and patents	Other	Total
Balance as of 31 December 2007	75,680	7,299	5	118	83,102
Additions	34,663	5,360	-	-	40,023
Amortisation	(3,588)	(2,272)	-	-	(5,860)
Exchange rate gain (loss)	-	-	-	-	-
Impairment loss	-	-	-	(118)	(118)
Other	(4,061)	(5)	4,672	-	606
Balance as of 31 December 2008	102,694	10,382	4,677	-	117,753
Additions	1,067	1,872	-	-	2,939
Amortisation	(1,823)	(2,128)	-	-	(3,951)
Exchange rate gain (loss)	-	-	-	-	-
Impairment loss	(5,112)	-	-	-	(5,112)
Other	-	(3,277)	-	3,277	-
Balance as of 31 December 2009	96,826	6,849	4,677	3,277	111,629

	Consolidated				
	Goodwill on the acquisition of controlled companies	Software acquisition and installation expenses	Trademarks and patents	Other	Total
Balance as of 31 December 2007	84,855	7,760	5	126	92,746
Additions	39,696	5,724	240	-	45,660
Amortisation	(6,707)	(2,540)	-	-	(9,247)
Exchange rate gain (loss)	2,040	32	-	-	2,072
Impairment loss		-	-	(126)	(126)
Other	(3,744)	(5)	4,672	-	923
Balance as of 31 December 2008	116,140	10,971	4,917	-	132,028
Additions	1,067	2,171	-	-	3,238
Amortisation	(3,447)	(2,396)	-	-	(5,843)
Exchange rate gain (loss)	(3,761)	(50)	-	-	(3,811)
Impairment loss	(5,112)	-	(240)	-	(5,352)
Other	(1,811)	(3,277)	-	3,277	(1,811)
Balance as of 31 December 2009	103,076	7,419	4,677	3,277	118,449

IMPAIRMENT LOSS

In 2009 an impairment loss was recognised in the amount of R$5,112 for all the goodwill of controlled company MAHLE Filtroil Ind. e Com. de Filtros Ltda.

The recoverable value was determined according to the value in use. Management used projections grounded in future profitability of the controlled company's activities applying the discounted cash flow methodology to 2009. The projection period was taken to be five years and considers as residual value a perpetuity calculated according to the normal cash flow of the last year of the projection period. Projections were mad e on nominal terms and included sales growth rates and inflation-adjusted prices. No other impairment losses were recognised for other Company's goodwill.

13. TRADE ACCOUNTS PAYABLE

	Company		Consolidated	
	2009	2008	2009	2008
Domestic	31,314	30,309	44,990	37,853
Foreign	3,941	13,996	8,946	27,642
	35,255	44,305	53,936	65,495

ASSUMED LIABILITIES

The Company and its controlled companies have letters of guarantee from Banco do Brasil S.A. in the amount of R$3,535 (R$8,504 – Consolidated) with various maturity dates. The purpose is to offer a collateral for the purchase of electricity from suppliers and security for lawsuits.

14. LOANS AND FINANCING

	Company		Consolidated	
Finance charges	2009	2008	2009	2008
Local currency				
Finame - variation of TJLP (long-term interest rate) plus annual interest from 1.0% to 4.5%	1,713	3,939	1,713	3,939
Finame - annual interest from 10.5 to 11.5%	2,757	7,033	2,757	7,033
Overdraft protection - annual interest from 116.50% to 138.50% of CDI (interbank deposit rate)	-	-	4,144	3,411
Leasing - annual interest from 12.42% to 24.83%	-	-	2,379	3,949
Finame - variation of TJLP (long-term interest rate) plus annual interest of 8.5%	-	-	-	168
CCB - bank credit note (working capital) - annual interest of CDI (interbank deposit rate) plus 0.87%-2.43%	-	-	-	35,255
CCB - bank credit note (working capital) - annual interest of 123.00%-138.50% of CDI (interbank deposit rate)	-	-	10,004	-
CCB - bank credit note (working capital) - annual interest of 124.00%-130.00% of CDI (interbank deposit rate)	-	-	14,309	-
BNDES-Exim (US$46 million): - 100% of debt balance indexed to the variation of TJLP (long-term interest rate) plus annual interest of 2.20%	-	69,204	-	79,776
BNDES-Exim (US$10 million): - 100% of debt balance indexed to the variation of TJLP (long-term interest rate) plus annual interest of 2.40%	-	17,018	-	17,018
BNDES-Exim (US$10 million): - 100% of debt balance indexed to the variation of TJLP (long-term interest rate) plus annual interest of 2.18%	-	17,013	-	17,013
BNDES-Finem (R$45 million): - 100% of debt balance indexed to the variation of TJLP (long-term interest rate) plus annual interest of 2.30%	34,085	41,394	34,085	41,394
BNDES-Exim (US$20 million): - 100% of debt balance indexed to the variation of TJLP (long-term interest rate) plus annual interest of 2.28%	-	33,157	-	33,157
BNDES-Exim (US$20 million): - 100% of debt balance indexed to the variation of TJLP (long-term interest rate) plus annual interest of 2.23%	-	35,444	-	35,444
BNDES-Exim (US$90 million): - 100% of debt balance indexed to the variation of TJLP (long-term interest rate) plus annual interest of 2.07%	-	149,786	-	149,786
BNDES-Exim (US$20 million): - 100% of debt balance indexed to the variation of TJLP (long-term interest rate) plus annual interest of 4.00%	40,975	-	40,975	-
BNDES-Exim (US$20 million): - 100% of debt balance indexed to the variation of TJLP (long-term interest rate) plus annual interest of 5.75%	45,593	-	45,593	-
BNDES-Exim (US$121 million): - annual interest of 4.50%	224,562	-	236,051	-
BNDES-Exim (US$30 million): - annual interest of 15.92%	-	65,879	-	65,879
Other	22	35	22	40
Foreign currency				
Provision for interest on advances on accounts receivable	112	246	112	246
Working capital - exchange rate gain (loss) plus annual interest of 5.84%-22.5%	-	-	-	14,874
Working capital - annual interest from 13.4% to 19.5%	-	-	18,541	-
Import financing - EURIBOR plus annual interest from 1.00% to 2.70%	-	-	4,185	3,414
Advance on exchange contracts - annual interest from 4.00% to 7.85%	-	-	-	41,749
Advance on exchange contracts - annual interest from 5.5% to 19.5%	-	-	5,361	-
Intercompany loan - annual interest of 13.75%	-	-	-	318
Annual interest of 5.25%	-	-	-	3,703
	349,819	440,148	420,231	557,566
Current	(49,538)	(336,308)	(92,195)	(426,791)
Non-current	300,281	103,840	328,036	130,775

The management of the Company and its controlled companies strives diligently to obtain competitive sources of financing for its transactions from financial institutions.

The amounts related to non-current liabilities have the following composition by year of maturity:

	Company		Consolidated	
	2009	2008	2009	2008
2010	-	79,208		96,490
2011	106,189	10,961	124,882	18,146
2012	190,694	10,279	199,331	12,198
2013	3,398	3,392	3,823	3,941
	300,281	103,840	328,036	130,775

ASSUMED LIABILITIES

FINAME financing agreements were entered into to acquire machinery and equipment. They are collateralised by management's endorsements, financial investments in CDBs (certificates of bank deposit) of R$45 million held at Banco do Brasil S.A. and maturing on 15 October 2013 and chattel mortgage on financed assets. These agreements have early maturity clauses if the project is not carried out and/or the object which is the subject matter of the financing is not acquired.

BNDES-Exim financing facilities include early maturity clauses for investments of the funds with a purpose different from the one provided for in the Credit Agreement entered into with financial institutions. No guarantee is offered for the working capital and BNDES-Exim financing agreements.

The Company and its controlled companies are not in noncompliance with any of the clauses of Finame, BNDES-Exim, BNDES-Finem and working capital loan agreements in the years ended 31 December 2009 and 2008.

15. SALARIES, ACCRUED VACATION PAY AND SOCIAL CHARGES PAYABLE

	Company		Consolidated	
	2009	2008	2009	2008
Vacation pay and year-end bonus	13,051	14,531	17,458	16,531
Social security obligations	9,692	11,517	14,789	16,528
Employee profit sharing	9,448	16,177	11,168	18,930
	32,191	42,225	43,415	51,989

16. SUNDRY PROVISIONS

	Company		Consolidated	
	2009	2008	2009	2008
Allowance for future losses	16,033	28,767	17,114	31,885
Provision for restructuring	4,946	3,612	4,980	4,834
Provision for commercial bonuses	2,842	4,306	2,842	4,306
Provision for employee benefits	-	-	-	29
Provision for quality control	1,250	898	2,187	2,433
Provision for professional services	-	-	2,320	3,604
Other	-	182	2,661	3,860
	25,071	37,765	32,104	50,951

ALLOWANCE FOR FUTURE LOSSES

Set up in an amount deemed sufficient to cover the losses on sales agreements already signed and for its loss estimates, on which management expects to incur losses.

PROVISION FOR RESTRUCTURING

Set up in an amount deemed sufficient to cover the expenses related to the project to relocate the pistons production line.

17. PROVISION FOR WARRANTIES

	Company		Consolidated	
	2009	2008	2009	2008
Provision for warranties	3,572	3,652	4,417	4,410
Warranty expenses already identified	5,430	4,759	5,558	4,759
	9,002	8,411	9,975	9,169

The Company and its controlled companies guarantee the quality of their products to customers, assuming the responsibility for possible replacements and repairs resulting from failures. Based on the estimates that take into account the historical data of similar expenses and sales, among other factors, the Company recognises the following provisions:

a. Provision for warranties

Calculated on the product sales based on historical expense percentages.

b. Warranty expenses already identified

Refer to the cases already identified. In this respect, the Company and its controlled companies estimate to spend funds on the replacement and repair of products, including the recalls.

18. PROVISION FOR CONTINGENCIES AND LIABILITIES RELATED TO LEGAL PROCEEDINGS

The Company and its controlled companies are parties to civil, labour and tax proceedings. These issues are discussed at the administrative and judicial levels, and are supported by court deposits, when applicable. The respective provisions for contingencies were established taking into account the legal counsel's estimate for cases whose chances of unfavourable outcome were considered probable and other unrelated legal liabilities. Management believes that the solution of these issues will not cause an effect significantly different from the accrued amount.

Contingent risks as of 31 December 2009 and 2008 are described hereunder according to the legal counsel's opinion:

	Company		Consolidated	
	2009	2008	2009	2008
Civil and labour	68,218	64,202	70,479	67,441
Tax	18,742	34,316	35,595	49,283
Environmental liabilities	487	1,027	2,257	2,746
Court deposits	(14,730)	(17,912)	(14,840)	(18,002)
	72,717	81,633	93,491	101,468

Civil and labour contingencies comprise mainly the employees' claims related to the amounts arising from employment relationship and several indemnity requests.

Tax contingencies are represented mainly by state and federal assessments of deficiency whose proceedings are being judged or not. Discussions are mainly related to the proper interpretation of tax law.

Environmental contingencies basically refer to estimated expenses required to preserve environmental areas utilised by the Company.

As of 31 December 2009, in addition to the amounts mentioned above, R$20,619 (R$9,448 in 2008) related to labour, civil and tax lawsuits whose likelihood of unfavourable outcome is considered by the Company's and its controlled companies' legal counsels to be small, and for this reason management did not record the amount in the Company's and its controlled companies' financial statements.

Under prevailing legislation, income tax returns for the last ten years are open to review by tax authorities. Various other statements referring to federal and municipal taxes and contributions, as well as social security contributions and other similar charges regarding variable periods are subject to review for different periods. However, in the opinion of the Company's and its controlled companies' management, all taxes and charges were paid or are duly accrued for in the balance sheet as of 31 December 2009 and 2008, and there are no material proceedings known to have been filed against the Company and its controlled companies. Determining the contingencies that might arise from possible assessments of tax deficiency is not possible at this moment. Accordingly, the Company and its controlled companies have not recognised a provision for contingencies.

19. JOINING THE TAX DEBT REFINANCING PROGRAM (REFIS) – LAW NO. 11.941/09

Law No. 11.941/09, among other provisions, established the federal tax debt instalment payment program, allowing taxpayers to pay in instalments or in advance debts incurred in prior periods (including debts that were covered by previous instalment payment programs).

Under this law, taxpayers are entitled to: a) chose which tax debts they wish to include in the program; b) settle tax debts in up to 180 monthly instalments; c) significantly reduce fines, interest, fees and legal charges, charged for tax debts provided for prepayments or shorter instalment payment periods; and d) utilise credits on tax losses to settle part of the fines and interest included in the tax debt instalment payment program. Among other conditions to be met the taxpayer must waiver possible lawsuits challenging the collection of tax debts included in the program.

The Company and its controlled company MAHLE Metal Leve Miba Sinterizados Ltda. required the instalment payment of the tax debts addressed by this law, including cases for which the Company and its controlled company have an ongoing lawsuit. On 30 November 2009 the Company's and its controlled company's management, considering a significant reduction in fine and interest, opted to make the lump sum payment of federal tax debts that were covered by the Tax Debt Refinancing Program. Therefore, all accounting impacts of this payment were recognised in the consolidated financial statements as of 31 December 2009.

By joining the program, the Company and its controlled company had discounts of 100% on fines and 45% on interest due on these proceedings, reporting a gain of R$9,421 (R$9,191 – Consolidated) and a payment of R$11,856 (R$12,165 – Consolidated). As provided for in Law No. 11.941 mentioned above, the Company and its controlled company made the required payments and went through the legal channels. The approval of the amounts and other conditions set for actually joining the program depends on the conclusion of the administrative proceedings filed at the Brazilian Federal Revenue Service and the National Treasury Attorney General.

Company			Consolidated		
Payment on demand	Reversed provision	Gain in the statement of income	Payment on demand	Reversed provision	Gain in the statement of income
11,856	21,277	9,421	12,165	21,356	9,191

CONTROLLED COMPANY MAHLE HIRSCHVOGEL FORJAS S.A.

On 10 November 2009 the controlled company filed a request for the instalment payment of debts not paid in instalments before and due to the Brazilian Federal Revenue Service - RFB and the National Treasury Attorney General - PGFN.

Under PGNF/RFB Ordinance No. 6 of 2009 and with the Company's joining the tax debt instalment program established by Law No. 11.941/09 the Company started to monthly pay the minimum portion of R$100.00 until the Brazilian Federal Revenue Service - RFB and the National Treasury Attorney General – PGFN consolidate and make the debts available so that legal entities may opt for the debts that will be included in REFIS and for the number of instalments to be paid.

In addition, Joint Ordinance No. 13 of 19 November 2009 and subsequent changes extended the terms for waiving oppositions, administrative proceedings or lawsuits addressed by article 13 and paragraph four, article 32 of PGFN/RFB Joint Ordinance No. 6 of 2009 for the initial date of 28 February 2010 but with subsequent extensions. Considering this situation, the controlled company's management will set on a date after that when financial statements are disclosed which waivers of administrative appeals and lawsuits will be made due to the company's joining the tax debt instalment payment program pursuant to Law No. 11.941/09 and wait for approval of the request by the Brazilian Federal Revenue Service.

20. SHAREHOLDERS' EQUITY

a. Share capital

Subscribed and paid-in capital stock as of 31 December 2009 and 2008 is represented by the following numbers of shares, with no par value:

	Number of shares
Common shares	12,260,373
Preferred shares	18,193,197
Total shares issued	30,453,570

The Company's preferred shares are not entitled to vote and are assured liquidation preference and the payment of non-cumulative minimum dividends. These shares will acquire the voting right if the Company fails during three consecutive years to pay the minimum dividends they are entitled to according to the by-laws. Moreover, preferred shares are entitled to dividends in amounts 10% higher than those granted to common shares.

b. Shareholders' compensation

Shareholders are entitled to annual minimum dividend of 25% on net income for the year as determined by the by-laws. Shareholders' compensation was calculated in the following manner:

	2009	2008
Net income	53,650	62,256
Statutory reserve	(2,683)	(3,113)
Calculation base	50,967	59,143
Distribution to shareholders:		
Interest on equity capital of R$32,913, net of income tax, partially paid on 23 December 2009	28,558	-
Interest on equity capital of R$31,965, net of income tax, partially paid on 22 December 2008	-	27,695
Dividends of the year's net income	28,558	27,695
Interest on equity capital/dividends per share in Brazilian reais:		
Preferred	R$1,121805	R$1,089518
Common	R$1,019823	R$0,990471

The interest on equity capital was considered for determining the amount of mandatory dividends for 2009 and 2008, in accordance with article 7 of by-laws.

c. Income reserve

Statutory reserve

The statutory reserve was set up according to Brazilian corporate law at 5% of net income and meeting the 20% limit of the realised share capital stock or 30% of the share capital plus capital reserves. Appropriations to such reserve are not mandatory over these limits. The statutory reserve may only be used for share capital increase or absorption of losses.

Income reserve for expansion and modernisation

The income reserve is allocated to investments included in capital budget pursuant to article 196 of Brazilian Corporate Law. The proposed net income appropriation for the year ended 31 December 2009 includes retained earnings of R$18,054 (R$27,178 in 2008) to make the investments established for the following year, to be decided on at the Annual Shareholders' Meeting to be held in April 2010.

The Annual Shareholders' Meeting held on 30 April 2009 approved the allocations proposed by the Company's management for the Company and Consolidated financial statements for the year ended 31 December 2008.

d. Appropriation of net income

Net income was appropriated as follows:

	2009	2008
Net income	53,650	62,256
Income reserves:		
Statutory	(2,683)	(3,113)
Distribution of income:		
Interest on equity capital	(32,913)	(31,965)
Total	18,054	27,178
Balance proposed to be transferred to the "Reserve for expansion and modernisation" specific account	(18,054)	(27,178)

21. FINANCIAL LOSSES, NET

	Company		Consolidated	
	2009	2008	2009	2008
Financial expenses				
Interest	(44,684)	(32,092)	(59,884)	(41,044)
Monetary variation losses	(10,933)	(11,717)	(12,691)	(11,971)
Exchange rate losses	(48,002)	(39,107)	(68,459)	(72,957)
Other	(775)	(861)	(2,595)	(5,432)
	(104,394)	(83,777)	(143,629)	(131,404)
Financial revenues				
Interest	10,730	7,967	13,562	10,282
Monetary variation gains	1,947	362	1,947	364
Exchange rate gains	9,657	112,762	26,376	139,116
Other	145	138	244	144
	22,479	121,229	42,129	149,906
Subtotal of financial revenues (expenses)	(81,915)	37,452	(101,500)	18,502
Exchange rate gains (loss) on derivatives				
Derivative losses on loans	-	(11,977)	-	(11,966)
Derivative gains (losses) (Exports/Imports)	41,413	(56,982)	42,850	(58,331)
	41,413	(68,959)	42,850	(70,297)
Derivative losses on commodities	(6,032)	(11,984)	(6,032)	(11,984)
Derivative gains (losses) on export revenues	843	(32,322)	2,990	(34,776)
Subtotal on derivative gains (losses)	36,224	(113,265)	39,808	(117,057)
Financial losses, net	(45,691)	(75,813)	(61,692)	(98,555)

In 2009, gain in the amount of R$36,224 (loss of R$113,265 as of 31 December 2008) (Company) and R$39,808 (loss of R$117,057 as of 31 December 2008) (Consolidated), for derivative transactions result from the financial management policy adopted since 2007 to hedge operations against fluctuations in: (a) in international commodity prices; (b) exchange rates of foreign-currency denominated assets and liabilities; and (c) futures contracts on export revenues, as mentioned in note 23.

22. OTHER OPERATING REVENUES (EXPENSES),NET

	Company		Consolidated	
	2009	2008	2009	2008
Other operating revenues				
Gains on the sales of assets	522	1,836	636	2,190
Recovered taxes	1,158	16,124	1,490	17,010
Recovery of losses on claims	1,163	-	1,226	35
Other revenues	2,449	1,261	7,112	4,765
	5,292	19,221	10,464	24,000
Other operating expenses				
Provision for impairment of intangible assets	(5,112)	-	(5,352)	-
Provision for contingencies and taxes	11,198	(7,484)	11,281	(14,845)
Provision for warranty	(888)	(1,875)	(4,821)	(6,369)
Provision for environmental liability	(150)	(356)	(1,149)	(952)
Sundry provisions	140	(1,148)	(2,830)	(4,711)
Provision for product losses	12,734	(18,462)	14,770	(20,153)
Allowance for doubtful accounts	(439)	2,571	(2,212)	2,276
Other expenses	(4,823)	(7,025)	(13,092)	(14,586)
	12,660	(33,779)	(3,405)	(59,340)
	17,952	(14,558)	7,059	(35,340)

23. FINANCIAL INSTRUMENTS

The Company and its controlled companies enter into financial instruments recorded in balance sheet accounts to meet their operational needs, manage their exposure to financial risks, particularly credit, currency, and exchange rate risks and those related to changes in the prices of metallic materials used for manufacturing its products. The Company and its controlled companies follow a formal risk management policy which includes implementing control systems and determining position limits. The Company and its controlled companies do not enter into financial instruments for speculative purposes.

As of 31 December 2009, the composition of balances with impacts related to derivative financial instruments, in accordance with the recognition and measurement criteria provided for in CPC Technical Pronouncement No. 14, per financial statement caption, is as follows:

		31.12.2009		31.12.2008	
Provisions		Company	Consolidated	Company	Consolidated
					Financial income (loss), net
Gain (loss) on derivatives on commodities					
Provisions					
Commodity transactions		(464)	(464)	(11,487)	(11,487)
Reversal of provision		11,487	11,487	2,923	2,923
Cash effect					
Commodity transactions		(17,055)	(17,055)	(3,420)	(3,420)
	Nota 21	(6,032)	(6,032)	(11,984)	(11,984)
Gain (loss) on derivatives (Exports/Imports)					
Provisions					
Accounts receivable and payable		6,745	6,870	(26,568)	(26,932)
Reversal of provision		26,568	26,932	(5,941)	(5,974)
Cash effect					
Accounts receivable and payable		8,100	9,049	(24,473)	(25,425)
	Note 21	41,413	42,850	(56,982)	(58,331)
Gain (loss) on derivatives on export revenues					
Provisions					
Sales to be made		-	-	(26,019)	(28,473)
Reversal of provision		26,019	28,473	-	-
Cash effect					
Sales		(25,175)	(25,483)	(6,303)	(6,303)
	Note 21	844	2,990	(32,322)	(34,776)
Gain (loss) on derivatives on loans					
Cash effect					
Loans		-	-	(11,977)	(11,966)
	Note21	-	-	(11,977)	(11,966)
TOTAL DERIVATIVE TRANSACTIONS - FINANCIAL INCOME (LOSS) ,NET		36,225	39,808	(113,265)	(117,057)
					Shareholders 'equity
Provisions					
Sales to be made		43	43	(127,934)	(128,642)
Commodities		(1,298)	(1,298)	(37,190)	(37,190)
Deferred income and social contribution taxes		427	427	56,355	56,355
Equity in loss of controlled companies		-	-	(709)	-
TOTAL DERIVATIVE TRANSACTIONS - SHAREHOLDERS' EQUITY		(828)	(828)	(109,477)	(109,477)
					Gross income (loss)
Gross revenue					
Sales to be made in 2009		2,601	2,668	-	-
Settlements with cash effect		(20,449)	(21,120)	(21,478)	(21,795)
		(17,848)	(18,452)	(21,478)	(21,795)
Cost of goods sold					
Sales to be made in 2009		(575)	(575)	-	-
Settlements with cash effect		(11,786)	(11,786)	(4,326)	(4,326)
		(12,361)	(12,361)	(4,326)	(4,326)
TOTAL DERIVATIVE TRANSACTIONS - GROSS LOSS		(30,209)	(30,813)	(25,804)	(26,122)

a. Credit risk

The Company and its controlled companies operate in two different markets, that is, original equipment (OEM) and replacement (aftermarket). The possibility of the Company and its controlled companies incurring losses in view of financial problems with their OEM customers is reduced, due to such customers' profile (automakers and other companies operating worldwide).

In respect to the aftermarket sales and/or markets in which management considers the default risk is higher, letters of credit, prepayments or other guarantees are requested previously to sales. In such market, each customer share in sales is much diluted, there being no customer accounting individually for more than five percent of sales.

As of 31 December 2009, there were no outstanding vendor financing contracts.

b. Exchange rate risk

The risks occur due to the exchange rate fluctuations that generate significant effects on the balances of assets and liabilities in foreign currency.

In order to protect its income and cash flows against these fluctuations, the Company and its controlled companies adopt the policy of entering into nondeliverable forward contracts on the US dollar and euro. The Company's and its controlled companies' outstanding transactions as of 31 December 2009 are backed in the following manner:

1. Fair value hedge: the net balance of exports minus imports outstanding as of 31 December 2009, whose bills of exchange will be settled upon the respective maturities of transactions. At the end of the year the Company's balance of foreign currency exposure (nondeliverable forward contracts on the US dollar and euro, equivalent in US dollars) was US$2,035 thousand, Company and USD 1,705 thousand, Consolidated, as shown below:

Exchange rate exposure of the balance of accounts receivable and payable in foreign currency as of 31 December 2009

		Company	Consolidated
		Amounts in USD thousand	Amounts USD thousand
(+)	Accounts receivable	52,173	52,960
(+)	Cash in transit	22,639	23,493
(-)	Advances on exchange contracts	(44)	(43)
(-)	Imports	(1,773)	(2,414)
(-)	Currency forwards contract - sale	(70,496)	(71,958)
(=)	Net balance of exchange rate exposure	2,499	2,038
		Amounts in EUR thousand	Amounts in EUR thousand
(+)	Accounts receivable	18,486	19,051
(+)	Cash in transit	591	726
(-)	Advances on exchange contracts	(14)	(14)
(-)	Imports	(1,578)	(1,578)
(-)	Currency forwards contract - sale	(17,808)	(18,416)
(=)	Net balance of exchange rate exposure	(323)	(231)
Net balance of exchange rate exposure in USD and EUR thousand - equivalent		2,034	1,705

* Parity of EUR / USD 1.44

The Company and its controlled companies follow the policy of entering into forward currency contracts in the exact amount of their currency exposure. Minor fluctuations, whether positive or negative, may be due to exports or imports made on the last business day of the month for which forward currency contracts are entered into on the first subsequent business day.

2. Cash flow hedge: the net balance of exports minus imports to be made for the period from January to December 2010 whose bills of exchange will be pledged upon maturities in the same period and settled when the amounts are received from customers. As of 31 December 2009, these transactions totalled USD41,838 thousand and EUR 16,045 thousand (Company), (USD42,158 thousand and EUR16,125 thousand) (Consolidated).

As of 31 December 2009, the Company's and its controlled companies' outstanding balance of sales of nondeliverable forward contracts on the US dollar and euro, corresponding to each of items 1 and 2 mentioned above, and their respective weighted average rates for settlement upon maturity (between January 2010 and January 2011) were as follows:

	Company			
	Transactions in USD		Transactions in EUR	
Exports minus imports	Notional amount (thousands)	Weighted average rate - maturity	Notional amount (thousands)	Weighted average rate - maturity
(1) Made and outstanding as of 31 December 2009	70,496	1.8401	17,808	2.6718
(2) To be made from January to December 2010	41,838	1.8574	16,045	2.6783
TOTAL	112,334	1.8465	33,853	2.6749

	Consolidated			
	Transactions in USD		Transactions in EUR	
Exports minus imports	Notional amount (thousands)	Weighted average rate - maturity	Notional amount (thousands)	Weighted average rate - maturity
(1) Made and outstanding as of 31 December 2009	71,958	1.8398	18,416	2.6716
(2) To be made from January to December 2010	42,158	1.8579	16,125	2.6784
TOTAL	114,116	1.8465	34,541	2.6748

The positive or negative adjustments in transactions of item 2 above result only from a mismatch relating to future cash flow between the settlement date of transactions and the settlement date of the net balance of exports minus imports so that results are determined using the weighted average rates shown in the table above.

As of 31 December 2009, outstanding transactions in compliance with OCPC Technical Guideline No. 3 led to the recognition of an allowance for loss in the Company and its controlled companies as follows:

	Company - Provisions in R$ thousands - "Fair market value"				
Exports minus imports	Transactions in USD	Weighted average USD/BRL rate - Amount for settlement on 31.12.09	Transactions in EUR	Weighted average EUR/BRL rate - Amount for settlement on 31.12.09	TOTAL
(1) Made and outstanding as of 31 December 2009	4,777	1.8090	1,968	2.6178	6,745
(2) To be made from January to December 2010	2,168	1.7930	476	2.5370	2,644
TOTAL	6,945	1.8040	2,443	2.6021	9,388

	Consolidated - Provisions in R$ thousands - "Fair market value"				
Exports minus imports	Transactions in USD	Weighted average USD/BRL rate - Amount for settlement on 31.12.09	Transactions in EUR	Weighted average EUR/BRL rate - Amount for settlement on 31.12.09	TOTAL
(1) Made and outstanding as of 31 December 2009	4,840	1.8085	2,030	2.6175	6,870
(2) To be made from January to December 2010	2,224	1.7940	486	2.5375	2,710
TOTAL	7,064	1.8039	2,516	2.6020	9,580

The amounts above were calculated applying the fair market value criterion, i.e. the difference between the present value of the weighted forward exchange rate for the settlement of each contract on 31 December 2009, minus the *Ptax* exchange rate for selling US dollars and Euros, disclosed by the Central Bank of Brazil. (The *Ptax* exchange rate for selling US dollars and Euros is that of 31 December 2009 for Plain Vanilla transactions and the average *Ptax* rate for selling US dollars and euros of December 2009 for Asian transactions).

The weighted forward exchange rate for the settlement of each contract on 31 December 2009 is calculated considering the fixed rate in Brazilian reais for each contract's maturity. Fixed rates in Brazilian reais are those disclosed by Bloomberg on 31 December 2009.

The recognition of the amounts above, including the cash effects of the transactions settled in 2009, is shown in the table below:

	Janeiro a Dezembro de 2009 - Controladora				Janeiro a Dezembro de 2009 - Consolidado			
	R$ Milhares referente às operações em USD e EURO				R$ Milhares referente às operações em USD e EURO			
Exportações menos Importações	Efeito Caixa	Provisão 31.12.2009	Reversão Provisão 2008	Total	Efeito Caixa	Provisão 31.12.2009	Reversão Provisão 2008	Total
(1) Realizadas e em aberto em 31 de dezembro de 2009	8,100	6,745	26,568	41,413	9,049	6,870	26,932	42,851
(2) A serem realizadas no período de janeiro a dezembro de 2010	(42,355)	2,644	153,952	114,241	(43,333)	2,711	157,115	116,493
(3) Reversão "Overhedging" 2009	(3,269)	-	-	(3,269)	(3,269)	-	-	(3,269)
	(37,524)	9,389	180,520	152,385	(37,553)	9,581	184,047	156,075

According to Technical Guideline OCPC No. 3, the provision for the net balance of exports minus imports to be made between January and December 2009 (R$2,644 – Company and R$2,711 – Consolidated) was accounted for under two captions:

- R$43 (Company) was recorded as an offsetting entry in the Company's equity and refer to a portion of the nondeliverable forward contracts on the US dollar and euro on the net balance of exports minus imports to be made between January and December 2010. On 31 December 2009 the Company's and controlled company's books of accounts showed to which customers/suppliers the respective products/input would be sold to or purchased from. As sales and purchases, as well as the respective non-deliverable forward contracts on the US dollar and euro are effectively made and settled, this effect will be reversed and accounted for under the "Gross revenue" account.

- R$2,601 (Company) and R$2,668 (Consolidated) were directly recorded as "Gross revenue". They refer to the balance of non-deliverable forward contracts on the US dollar and euro on the net balance of exports minus imports to be made in December 2009, settled on the first day of the subsequent month.

Under OCPC Technical Guideline No. 3 effective gains (losses) (cash disbursement) on *Non-deliverable Forward* contracts on the US dollar and euro of exports minus imports made in 2009 were segregated in the books of account into two parts: (i) R$20,449 (Company), R$21,120 (Consolidated) were accounted for under the caption "Gross Revenue". This amount corresponded to the backup for these transactions of exports minus imports made in the first quarter of 2009; (ii) R$25,175 (Company), R$25,483 (Consolidated) was accounted for as "Financial losses, net", because they were not backed by exports minus imports in the first half of 2009 ("over hedge").

The Company and its controlled companies enter into derivative agreements to hedge their exchange rate exposure, in compliance with the hedging policy preestablished by the Company's financial committee using derivative instruments (NDF – Non-deliverable Forward).

These instruments are traded with prime banks on the over-the-counter market and duly registered with CETIP (Clearinghouse for the Custody and Financial Settlement of Securities), as mentioned below:

		Notional amount - thousand				Fair market value- R$ thousand			
		Company		Consolidated		Company		Consolidated	
		31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08
Liability position									
Foreign currency		33,853	62,939	34,541	64,717	2,443	(40,425)	2,516	(41,526)
Bradesco	EUR	425	155	425	155	(13)	(81)	(13)	(81)
Brasil	EUR	19,331	9,102	19,780	9,331	1,201	(3,861)	1,233	(3,877)
Citibank	EUR	1,987	-	1,987	-	(29)	-	(29)	-
HSBC	EUR	5,456	35,898	5,536	37,038	632	(27,032)	643	(28,084)
Itaú	EUR	6,655	16,677	6,814	17,086	652	(8,629)	682	(8,662)
Unibanco	EUR	-	1,107	-	1,107	-	(822)	-	(822)
		112,334	244,342	114,116	249,301	6,945	(140,095)	7,065	(142,521)
ABC Brasil	USD	4,526	-	4,526	-	(58)	-	(58)	-
Bradesco	USD	4,843	12,515	5,007	12,791	88	(6,463)	93	(6,569)
Brasil	USD	52,331	35,322	53,103	36,076	4,131	(6,381)	4,148	(6,381)
Citibank	USD	6,268	-	6,268	-	(22)	-	(22)	-
HSBC	USD	31,754	75,030	32,215	76,514	2,371	(48,573)	2,459	(49,803)
Itaú	USD	11,866	85,496	12,026	87,351	444	(54,767)	455	(55,653)
Pactual	USD	-	15,560	-	15,830	-	(11,736)	-	(11,939)
Unibanco	USD	-	20,419	-	20,739	-	(12,175)	-	(12,176)
Votorantim	USD	747	-	972	-	(9)	-	(10)	-
TOTAL		146,187	307,281	148,657	314,018	9,388	(180,520)	9,581	(184,047)

As of 31 December 2009 the Company or its controlled companies had no escrow deposits for these derivatives.

c. Raw material price risk

In August 2007 the Company and its controlled companies started to enter into derivative contracts to reduce the risks of price fluctuations of nickel, aluminium, copper and tin used to manufacture their products. These derivatives refer to hedges against fluctuations in prices of those metals and exchange rates.

The cash effect and the provision for these transactions which had an effect on 2009 were recorded under the “Financial losses, net” account, according to the table below:

January-December 2009 - Company				January-December 2009 - Consolidated			
R$ thousand related to commodity transactions				R$ thousand related to commodity transactions			
Cash effect	Provision 2009 / 2010	Reversal of 2008 provision	Total	Cash effect	Provision 2009 / 2010	Reversal of 2008 provision	Total
(28,841)	(2,337)	48,677	17,499	(28,841)	(2,337)	48,677	17,499

The provision for derivative transactions was calculated using the fair market value, i.e. the settlement price as of 31 December 2009 disclosed by the London Metal Exchange, minus the forward price for the settlement of each contract, multiplied by *Ptax* exchange rate at 31 December 2009 for selling US dollars.

According to Technical Guideline OCPC No. 3, the provision for commodity transactions (cash flow hedge) outstanding as of 31 December 2009 was accounted for under three captions:

- R$1,298 was recorded as an offsetting entry in the Company's equity refer to the part of the commodity transactions which as of 31 December 2009 had the suppliers from which the respective raw materials will be bought disclosed in the financial statements. As purchases, as well as the respective commodity transactions, are made and settled, this effect will be reversed and accounted for under the "Cost of goods sold" account.

- R$464 was directly recorded under the "Financial losses, net" account (Company and Consolidated). It refers to part of the commodity transactions which as of 31 December 2009 was considered as over hedge, i.e. in excess transactions which at the quarterly period date are not backed during the period.

- R$575 was directly recorded in the "Cost of goods sold" account (Company and Consolidated) and refers to the operating provision for contracts which mature on 4 January 2010. However, the accrual period is December 2009.

Under OCPC Technical Guideline No. 3 effective gains (losses) (cash disbursement) on commodity transactions were segregated in the books of account into two parts: (i) R$11,786 was accounted for as "Cost of goods sold", which corresponded to the backup for these transactions for the purchases in 2009; (II) R$17,055 was recorded as "Financial losses, net", given that purchases in 2009 were not backed by any instruments ("over hedge").

Total tons for these outstanding transactions as of 31 December 2009 are backed by purchases of raw materials to be made in 2009 for a period of 18 months. As a consequence, the balance of the respective raw materials in inventory does not show a physical backup in tons for these transactions. This reserve will be realised upon the respective maturities as purchases are made.

The Company and its controlled companies entered into derivative contracts to hedge against fluctuations in the prices of raw materials (copper, lead, aluminium and nickel) in compliance with the hedging policy preestablished by the Company's financial committee using derivative instruments (swaps/futures).

These instruments are traded with prime banks on the over-the-counter market and duly registered with CETIP (Clearinghouse for the Custody and Financial Settlement of Securities).

As of 31 December 2009 the Company or its controlled companies had no escrow deposits for these derivatives.

		Notional amount- tons				Notional amount (fair market value)			
		Company		Consolidated		Company		Consolidated	
		31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08	31.12.09	31.12.08
Asset position									
Commodities									
Unibanco	Aluminium	150	2,075	150	2,075	(164)	(6,319)	(164)	(6,319)
Itaú	Copper	175	-	175	-	(46)	(675)	(46)	(675)
Unibanco	Copper	25	425	25	425	(39)	(6,154)	(39)	(6,154)
Votorantim	Copper	200	-	200	-	22	-	22	-
Bradesco	Tin	39	-	39	-	(53)	-	(53)	-
Unibanco	Tin	10	120	10	120	(49)	(2,217)	(49)	(2,217)
Itaú	Nickel	18	354	18	354	(234)	(11,783)	(234)	(11,783)
Unibanco	Nickel	252	666	252	666	(1,774)	(21,529)	(1,774)	(21,529)
TOTAL		869	3,640	869	3,640	(2,337)	(48,677)	(2,337)	(48,677)

d. Interest rate risk

The Company and its controlled companies monitor the fluctuations of several interest rates linked to its monetary assets and liabilities and, if the volatility of these rates increases, it may enter into derivative contracts to minimise these risks. As of 31 December 2009 and 2008, the Company and its controlled companies did not hold interest rate derivative contracts.

e. Sensitivity Analysis – Result of Currency Forward Contracts

According to CVM Instruction No. 475/08 and Resolution No. 550/08, the Company and its controlled companies present below the sensitivity table with impacts on the statement of income for 2009 of *Non-deliverable Forward* contracts on US dollars and euros, considering three levels of US and euro exchange rates, as follows: (i) USD/BRL 1.7900 as the average exchange rate considered the most probable by the Company's and its controlled company's management for 2010; (ii) USD/BRL 2.2400, considering a devaluation of 25% on the rate of item (i) above; and (ii) USD/BRL 2.6900, considering a devaluation of 50% on the rate of item (i) above. For the euro the USD/EUR exchange rate of 1.4500 was considered for each of the scenarios above.

The Company and its controlled companies also applied the rates above to calculate the impact on the net balance of exports minus imports to be made between January and December 2010.

Cash flow currency hedge:

Company sensitivity table on derivative transactions in EUROs and USD NDFs on the net balance of exports minus imports to be made in 2010

Scenario	USD/BRL exchange rate for the settlement of transactions	Notional amount (thousands of USD)	Weighted average rate - maturity	Adjustment in thousands of R$ (USD)	EUR/BRL exchange rate for the settlement of transactions (Parity USD/EUR 1,3900)	Notional amount (thousands of EUROS)	Weighted average rate - maturity	Adjustment in thousands of R$ (EURO)	Total adjustment in thousands of R$	Total effect of adjustments on equity R$ thousands	Net effect on income in thousands of R$
Realistic	1.7900	41,838	1.8574	2,819	2.5955	16,045	2.6783	1,329	4,147	4,147	-
25% worst	2.2400	41,838	1.8574	(16,009)	3.2500	16,045	2.6783	(9,173)	(25,181)	(25,181)	-
50% worst	2.6900	41,838	1.8574	(34,836)	3.9000	16,045	2.6783	(19,602)	(54,438)	(54,438)	-

Consolidated sensitivity table on derivative transactions in EUROs and USD NDFs on the net balance of exports minus imports to be made in 2010

Scenario	USD/BRL exchange rate for the settlement of transactions	Notional amount (thousands of USD)	Weighted average rate - maturity	Adjustment in thousands of R$ (USD)	EUR/BRL exchange rate for the settlement of transactions (Parity USD/EUR 1,3900)	Notional amount (thousands of EUROS)	Weighted average rate - maturity	Adjustment in thousands of R$ (EURO)	Total adjustment in thousands of R$	Total effect of adjustments on equity R$ thousands	Net effect on income in thousands of R$
Realistic	1.7900	42,158	1.8579	2,862	2.5955	16,125	2.6784	1,336	4,198	4,198	-
25% worst	2.2400	42,158	1.8579	(16,109)	3.2500	16,125	2.6784	(9,218)	(25,327)	(25,327)	-
50% worst	2.6900	42,158	1.8579	(35,080)	3.9000	16,125	2.6784	(19,699)	(54,780)	(54,780)	-

The same rates of the previous table were applied to the net balance of exchange rate exposure of exports minus imports made and outstanding as of 31 December 2009. This had the following net impacts (settlement rate minus the exchange rate at the shipping date):

Fair value currency hedge:

		Company			Consolidated		
	USD/BRL exchange rate for settlement of exchange contracts	Net balance of exchange rate exposure Amount in USD	* Average exchange rate of exchange rate contracts	Total	Net balance of exchange rate exposure Amount in USD	* Average exchange rate of exchange rate contracts	Total
Realistic	1.7900	2,035	1.8190	(59)	1,705	1.8190	(50)
25% worst	2.2400	2,035	1.8190	857	1,705	1.8190	718
50% worst	2.6900	2,035	1.8190	1,772	1,705	1.8190	1,485

* Average exchange rate at the shipping date which make up the net balance of exchange rate exposure

Regarding *swap* contracts for commodity purchases, except for nickel transactions, all the remaining transactions (copper, tin and aluminium) had a 100% backup for 2009 maturities.

The prices disclosed as most probable by the management of the Company and its controlled companies for 2010 are presented in the table below, with a drop of 25% and 50%.

Cash flow commodity hedge:

Sensitivity analysis of gains (losses) on the purchase of commodity swap contracts - Company and Consolidated

Commodity	Volume of tons	Settlement Price - Maturity	Weighted average price - maturity	USD/BRL exchange rate for settlement of transactions	Totla adjustment in thousands of R$	Total effect of adjustments on equity in thousands of R$
Níquel						
Realistic		17,066		1.7900	(2,101)	(1,167)
25% worst		13,653		2.2400	(4,693)	(2,607)
50% worst	270	11,378	21,413	2.6900	(7,289)	(4,049)
Copper						
Realistic		6,982		1.7900	(110)	(110)
25% worst		5,585		2.2400	(1,389)	(1,389)
50% worst	400	4,654	7,136	2.6900	(2,670)	(2,670)
Aluminium						
Realistic		2,180		1.7900	(170)	(170)
25% worst		1,744		2.2400	(360)	(360)
50% worst	150	1,453	2,815	2.6900	(549)	(549)
Tin						
Realistic		15,547		1.7900	(109)	(109)
25% worst		12,438		2.2400	(478)	(478)
50% worst	49	10,365	16,791	2.6900	(847)	(847)

	Total	
Realistic	(2,490)	(1,557)
25% worst	(6,920)	(4,834)
50% worst	(11,355)	(8,115)

Net effect (Hedge - Cost of goods sold)	
Realistic	(933)
25% worst	(2,086)
50% worst	(3,240)

24. EMPLOYEE BENEFITS

The benefits offered by the Company and its controlled companies to its employees basically refer to the benefits granted on a monthly basis, and therefore are accounted for. There are no post-job benefits, pension funds or other benefits that might require specific accounting treatment.

For the years ended 31 December 2009, under an agreement entered by the Company and its controlled companies with the trade union employees became entitled to profit sharing in the amount of R$14,053 (R$24,609 in 2008), Company and R$15,565 (R$22,192 in 2008), Consolidated. The criteria established for the payment of the profit sharing followed the same rules set for the collective labour agreement, which sets certain goals to be reached, summarized as follows: (i) comply with the production targets for a pre-defined number of employees; (ii) maintain the absenteeism level up to the annual average rate of hours / absences, previously defined, in relation to the standard worked hours; and (iii) maintain the scrap level up to the annual average rate previously defined, in relation to the number of produced parts.

25. DEFINED CONTRIBUTION PENSION PLAN

In September 2006 the Company and its controlled companies joined Bradesco pension plan (PGBL - plan similar to a life insurance), managed by Bradesco Vida e Previdência, offering all employees the option to participate.

Contributions are defined according to salary ranges: over R$5,865.00, the contribution percentage ranges from 2% to 4% by the employee and the Company and its controlled companies. For the employees earning salaries below R$5,865.00 the Company and its controlled companies shall contribute according to an actuarial evaluation, so that on the date of retirement for length of service (60 years old) the employee receives the benefit as a lump sum consisting of a nominal wage for every five years of service in the Company and its controlled companies. Management annually makes an actuarial evaluation of the plan to make possible adjustments in contribution levels.

The contributions of the Company, its controlled companies and employees started in September 2006 (except controlled company MAHLE Filtroil Ind. e Com. de Filtros Ltda. which started contributions in October 2007) The Company and its controlled companies contributed R$2,944 in 2009 (R$3,921 in 2008).

26. INSURANCE

As of 31 December 2009 and 2008, the Company and its controlled companies had insurance coverage against fire and sundry risks for its property, plant and equipment and inventories, at amounts deemed sufficient by management to cover possible losses.

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