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Independent auditors' review report

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

Introduction

We have reviewed the accompanying balance sheet of MAHLE Metal Leve S.A. ("the Company") and the consolidated balance sheet of the Company and its subsidiaries as of 31 March 2011 and the related individual and consolidated statements of income, statements of comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of this interim financial information of the Parent Company and the Consolidated interim financial statements of the Company and its subsidiaries in accordance with the Accounting Pronouncement CPC 21 - Interim financial statements and in accordance with the International Accounting Standard (IAS) 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of the review

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

Conclusion about the individual interim financial statements

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements of the Company do not present fairly, in all material respects, the financial position of the entity as at 31 March 2011, and of its financial performance and its cash flows for the three-month period then ended in accordance with the Accounting Pronouncement CPC 21, applicable to interim financial information.

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

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

Conclusion about the consolidated interim financial statements

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the financial position of the entity as at 31 March 2011, and of its financial performance and its cash flows for the three-month period then ended in accordance with CPC 21 and IAS 34, applicable to interim financial information.

Other issues

Interim statements of value added

We have also reviewed the interim statements of value added for the Parent Company and the consolidated interim statements of value added for the period of three months ended 31 March 2011, whose presentation is considered as supplemental information by the International Financial Reporting Standards (IFRS), which do not require the presentation of the statement of value added. These statements were submitted to the same review procedures previously described and based on our review, we are not aware of any fact that would lead us to believe that they have not been fairly stated, in all material respects, in relation to the Company's interim financial statements and the consolidated interim financial statements taken as a whole.

Review of the prior period amounts

On 4 April 2011 BDO Auditores Independentes, a legal entity established in Brazil which held the legal right to use the BDO trademark, became part of the KPMG network of professional service firms under the new corporate name of KPMG Auditores Associados. BDO Auditores Independentes audited the financial statements for the year ended 31 December 2010, while it still held the right to use the BDO trademark, and issued a report dated 23 March 2011, which had no qualification.

Campinas, 27 April 2011

KPMG Auditores Associados (new corporate name of BDO Auditores Independentes)
CRC 2SP013439/O-5

Orlando Octávio de Freitas Júnior
Accountant CRC 1SP178871/O-4

Balance sheets

As of 31 March 2011 and 31 December 2010

(In thousands of Brazilian reais)

		Parent Company		Consolidated	
Assets	**Note**	**31/03/2011**	**31/12/2010**	**31/03/2011**	**31/12/2010**
Current assets					
Cash and cash equivalents	5	316,246	277,476	350,558	315,797
Trade accounts receivable	6	233,885	222,436	313,867	291,156
Related parties receivables	9	99,003	93,625	47,673	40,761
Inventories	7	213,467	198,099	302,291	278,566
Recoverable taxes	8	27,757	34,996	40,570	49,312
Dividends and interests equity receivable from controlled entity(ies)	9	3,859	6,250	-	-
Unrealized derivative gains	31.j	10,934	13,070	11,094	13,223
Other accounts receivable		14,577	7,491	16,098	7,876
		919,728	853,443	1,082,151	996,691
Non-current assets					
Long-term assets					
Loans to related parties	9	13,656	7,826	6,691	11,637
Deferred income and social contribution taxes	10.c	101,469	97,225	119,536	114,738
Recoverable taxes	8	9,434	8,784	10,571	9,678
Other accounts receivable		1,095	1,096	1,095	1,094
		125,654	114,931	137,893	137,147
Investments in subsidiaries and jointly-controlled companies	11	83,984	83,416	-	-
Other investments		371	371	371	371
Property, plant and equipment	12	640,812	661,137	719,621	742,413
Intangible assets	13	696,184	696,536	700,992	701,535
		1,421,351	1,441,460	1,420,984	1,444,319
		1,547,005	1,556,391	1,558,877	1,581,466
Total assets		2,466,733	2,409,834	2,641,028	2,578,157

		Parent Company		Consolidated	
Liabilities	**Note**	**31/03/2011**	**31/12/2010**	**31/03/2011**	**31/12/2010**
Current liabilities					
Loans and financings	15	184,026	119,204	242,410	168,621
Trade accounts payable	14	70,207	61,902	85,986	77,791
Taxes payable		14,336	18,156	17,941	21,085
Employee benefits	16	82,098	72,280	93,352	83,231
Unrealized derivative losses	31.j	922	373	938	375
Customers' advances		4,605	4,636	6,642	6,730
Interest payable on equity capital		173	173	260	2,275
Related parties payable	9	10,252	11,988	22,094	25,800
Sundry provisions	17	43,395	45,847	51,865	52,887
Provision for warranties	18.b	9,646	10,478	10,289	11,217
Other accounts payable		27,921	25,401	34,213	31,537
Total current liabilities		447,581	370,438	565,990	481,549
Non-current liabilities					
Loans and financings	15	378,661	449,288	396,529	468,944
Provision for negative equity in equity accounted investees	11	2,303	2,165	-	-
Provision for contingencies and liabilities related to legal proceedings	19	144,725	142,371	158,444	156,067
Deferred income and social contributiuon taxes	10.c	111,280	102,801	117,082	108,409
Social contribution tax payable	10.d	9,838	9,838	10,925	10,905
Other accounts payable		65	65	4,255	4,447
Total non-current liabilities		646,872	706,528	687,235	748,772
Shareholders' equity					
Share capital	21	966,255	966,255	966,255	966,255
Profit reserves		246,846	244,836	246,846	244,836
Asset and liability valuation adjustments		121,689	130,246	121,689	130,246
Cumulative translation adjustments		(9,941)	(8,469)	(9,941)	(8,469)
Retained earnings		47,431	-	47,431	-
Equity attributable to controlling interest		1,372,280	1,332,868	1,372,280	1,332,868
Non-controlling interest		-	-	15,523	14,968
Total shareholders' equity		1,372,280	1,332,868	1,387,803	1,347,836
Total liabilities and shareholders' equity		2,466,733	2,409,834	2,641,028	2,578,157

MAHLE Metal Leve S.A. and subsidiaries

Statements of income

For the three month periods ended 31 March 2011 and 2010

(In thousands of Brazilian reais, except earnings per share diluted by issued share)

		Parent Company		Consolidated	
	Note	**31/03/2011**	**31/03/2010**	**31/03/2011**	**31/03/2010**
Net sales	23	459,665	325,595	534,419	397,144
Cost of goods sold	24	(320,301)	(242,215)	(371,822)	(295,283)
Gross profit		139,364	83,380	162,597	101,861
Operating revenues (expenses)					
Selling expenses		(23,553)	(17,115)	(32,411)	(24,964)
General and administrative expenses	27	(32,252)	(17,076)	(35,268)	(19,142)
Research and development	28	(14,581)	(8,830)	(15,776)	(10,045)
Other operating revenues (expenses), net	30	(14,154)	(13,719)	(15,885)	(15,969)
Income before financial result, equity in result of subsidiaries, jointly-controlled companies and affiliates and taxes		54,824	26,640	63,257	31,741
Equity in result of subsidiaries, jointly-controlled companies and affiliates	11	4,479	1,293	-	-
Loss on equity accounted investees	11	(138)	(150)	-	-
Income before financial result and taxes		59,165	27,783	63,257	31,741
Net finance costs	29	161	(3,609)	(2,327)	(5,691)
Income before income and social contribution taxes		59,326	24,174	60,930	26,050
Income and social contribution taxes					
Current	10.a	(15,224)	(13,946)	(17,244)	(15,599)
Deferred	10.a	(3,889)	7,340	(3,196)	7,661
		(19,113)	(6,606)	(20,440)	(7,938)
Net income		40,213	17,568	40,490	18,112
Attributed to:					
Controlling interest		-	-	40,213	17,568
Non-controlling interest		-	-	277	544
Earings per share basic and diluted per issued share					
Common	22	0.94022	0.54440	0.94022	0.54440
Preferred	22	-	0.59879	-	0.59879

See the accompanying notes to the interim financial statements

MAHLE Metal Leve S.A. and subsidiaries

Statements of comprehensive income

For the three month periods ended 31 March 2011 and 2010

(In thousands of Brazilian reais)

	Parent Company		Consolidated	
	31/03/2011	**31/03/2010**	**31/03/2011**	**31/03/2010**
Net income in the period	40,213	17,568	40,490	18,112
Other comprehensive income (loss)				
Cumulative translation adjustments, net of taxes	(1,472)	97	(1,472)	97
Financial instrument adjustments	1,017	4,551	1,017	4,551
Taxes on financial instrument adjustments	(346)	(1,549)	(346)	(1,549)
	(801)	3,099	(801)	3,099
Total of comprehensive income in the period	39,412	20,667	39,689	21,211
Total of comprehensive income in the period				
Controlling company's shareholders	39,412	20,667	39,412	20,667
Non-controlling shareholders	-	-	277	544
Total of comprehensive income in the period	39,412	20,667	39,689	21,211

See the accompanying notes to the interim financial statements

MAHLE Metal Leve S.A. and subsidiaries

Statements of changes in shareholders' equity

For the three month periods ended 31 March 2011 and 2010

(In thousands of Brazilian reais)

			Profit reserves		Other comprehensive income					
	Note	Share capital	Statutory reserve	Reserve for expansion	Asset and liability valuation adjustments	Cumulative translation adjustments	Retained earnings	Equity atributted to controlling shareholders	Equity of non-controlling shareholders	Total shareholders' equity
Balances as of 31 December 2010		966,255	60,709	184,127	130,246	(8,469)	-	1,332,868	14,968	1,347,836
Total of comprehensive income in the period:										
Net income for the period		-	-	-	-	-	40,213	40,213	277	40,490
Other comprehensive income (loss):										
Cumulative translation adjustments		-	-	-	-	(1,472)	-	(1,472)	-	(1,472)
Financial instrument adjustments	21	-	-	-	1,017	-	-	1,017	-	1,017
Taxes on financial instrument adjustments	21	-	-	-	(346)	-	-	(346)	-	(346)
Realization of deemed cost, net of taxes		-	-	-	(9,228)	-	9,228	-	-	-
Obligations assumed by the subsidiaries		-	-	-	-	-	-	-	278	278
Appropriation of income:										
Statutory reserve	21	-	2,010	-	-	-	(2,010)	-	-	-
Balances as of 31 March 2011		966,255	62,719	184,127	121,689	(9,941)	47,431	1,372,280	15,523	1,387,803
Balances as of 31 December 2009		352,755	56,566	157,444	155,132	(4,427)	-	717,470	14,204	731,674
Total of comprehensive income in the period:										
Net income for the period		-	-	-	-	-	17,568	17,568	544	18,112
Other comprehensive income (loss):										
Cumulative translation adjustments		-	-	-	-	97	-	97	-	97
Financial instrument adjustments		-	-	-	4,551	-	-	4,551	-	4,551
Taxes on financial instrument adjustments		-	-	-	(1,549)	-	-	(1,549)	-	(1,549)
Realization of deemed cost, net of taxes		-	-	-	(7,255)	-	7,255	-	-	-
Appropriation of income:										
Statutory reserve	21	-	1,262	-	-	-	(1,262)	-	-	-
Balances as of 31 March 2010		352,755	57,828	157,444	150,879	(4,330)	23,561	738,137	14,748	752,885

See the accompanying notes to the interim financial statements

MAHLE Metal Leve S.A. and subsidiaries

Statements of cash flows

For the three month periods ended 31 March 2011 and 2010

(In thousands of Brazilian reais)

	Parent Company		Consolidated	
	31/03/2011	**31/03/2010**	**31/03/2011**	**31/03/2010**
Cash flows from operating activities				
Net income for the period	40,213	17,568	40,490	18,112
Adjustments to reconcile net income to cash provided by operating activities				
Depreciation and amortization	28,305	26,808	31,214	30,262
Equity in result of subsidiaries, jointly-controlled companies and affiliates	(4,479)	(1,293)	-	-
Loss on equity accounted investees	138	150	-	-
Interest and exchange rate gains (losses) and monetary variations, net	10,247	7,570	11,928	9,241
Derivative financial instruments	3,705	3,878	3,712	3,940
Result on sale of property, plant and equipment	(1,525)	(167)	(1,989)	12
Deferred income and social contribution taxes	3,889	(7,340)	3,196	(7,661)
Allowance for doubtful accounts - bad debt expense	(477)	515	(371)	1,043
Provision for contingencies and legal proceedings	(1,694)	2,949	(1,811)	3,157
Provision for warranties	(832)	(289)	(928)	(389)
Sundry provisions	(2,453)	(1,182)	(1,021)	(2,671)
Impairment loss on property, plant and equipment and intangible assets	263	-	263	(2)
Inventory valuation allowance	65	-	(41)	-
Decrease (increase) in assets				
Trade accounts receivable	(10,972)	(19,593)	(22,340)	(30,129)
Intercompany receivables	(10,907)	3,686	(1,623)	(634)
Inventories	(11,934)	(10,070)	(19,392)	(11,329)
Recoverable taxes	6,589	23,017	7,849	22,535
Other accounts receivable	(7,085)	(3,799)	(8,222)	(1,221)
Increase (decrease) in liabilities				
Trade accounts payable	8,305	4,844	8,195	3,318
Salaries, accrued vacation pay and social charges	9,817	11,534	10,122	12,706
Taxes payable	(3,820)	2,965	(3,124)	3,591
Intercompany payables	(1,736)	2,017	(3,706)	131
Other accounts payable and court deposits	2,518	(1,392)	2,483	(22)
Net cash provided by operating activities	56,140	62,376	54,884	53,990
Cash flows from investing activities				
Increase of capital in controlled company				
Cash paid for the acquisition of controlled company, net of cash received	-	9	-	9
Dividends and interest on equity capital received from controlled company	4,831	-	-	-
Additions to property, plant and equipment	(11,277)	(3,310)	(12,933)	(4,843)
Additions to intangible assets	(207)	(60)	(249)	(63)
Proceeds from sales of property, plant and equipment assets	1,619	501	1,787	501
Net cash used in investing activities	(5,034)	(2,860)	(11,395)	(4,396)
Cash flows from financing activities				
Proceeds from financing	-	29	16,488	22,662
Repayments of the principal of financing obligations	(5,525)	(6,583)	(15,679)	(29,142)
Repayment of financing interest	(6,781)	(3,042)	(7,711)	(4,234)
Customers' advances	(30)	(292)	(88)	(544)
Non-controlling interest in interest on equity capital	-	-	277	-
Dividends and interest on equity capital paid	-	-	(2,015)	-
Net cash used in financing activities	(12,336)	(9,888)	(8,728)	(11,258)
Increase in cash and cash equivalents, net	38,770	49,628	34,761	38,336
Cash and cash equivalents at beginning of year	277,476	98,658	315,797	167,766
Cash and cash equivalents at end of year	316,246	148,286	350,558	206,102

See the accompanying notes to the interim financial statements

MAHLE Metal Leve S.A. and subsidiaries

Statements of value added

For the three month periods ended 31 March 2011 and 2010

(In thousands of Brazilian reais)

	Parent Company		Consolidated	
	31/03/2011	**31/03/2010**	**31/03/2011**	**31/03/2010**
Revenues				
Sales of merchandise, products and services	566,487	408,066	656,386	493,553
Allowance for/reversal of doubtful accounts	432	(446)	308	(911)
Other revenues	(14,671)	(10,895)	(15,342)	(11,328)
	552,248	396,725	641,352	481,314
Input acquired from third parties				
Cost of products, merchandise and services sold	(172,949)	(127,450)	(212,640)	(163,917)
Materials, energy, third-party services and others	(153,745)	(116,096)	(161,931)	(131,536)
Loss/Recovery of assets	2,120	(1,926)	1,542	(1,759)
	(324,574)	(245,472)	(373,029)	(297,212)
Gross added value	227,674	151,253	268,323	184,102
Depreciation, amortization and depletion	(12,617)	(15,831)	(14,709)	(18,385)
Net generated added value	215,057	135,422	253,614	165,717
Value added received in transfer				
Equity in earnings of controlled companies	4,342	1,144	-	-
Financial revenues	14,909	10,262	20,374	12,831
	19,251	11,406	20,374	12,831
Total value added to be distributed	234,308	146,828	273,988	178,548
Personnel				
Direct compensation	64,448	41,327	77,724	51,596
Benefits	15,034	8,899	16,492	10,189
FGTS (Severance Pay Fund)	5,999	4,112	6,608	4,644
	85,481	54,338	100,824	66,429
Taxes payable				
Federal	83,805	54,118	93,571	62,906
State	10,711	6,671	16	11,487
Municipal	157	447	208	494
	94,673	61,236	93,795	74,887
Cost of debt				
Interest	6,276	9,009	7,402	9,996
Rent	-	-	206	138
Other	7,665	4,676	15,589	8,987
	13,941	13,685	23,197	19,121
Return on equity capital				
Retained earnings /Accumulated losses in the period	40,213	17,569	40,213	17,569
Non-controlling interest in retained earnings	-	-	275	542
	40,213	17,569	40,488	18,111
Total added value distributed	234,308	146,828	258,304	178,548

See the accompanying notes to the interim financial statements

MAHLE Metal Leve S.A.

Notes to the financial statements

Three month period ended 31 march 2011

(Amounts 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 trading 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 rings, 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 subsidiaries, 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.

1.1 Authorization for the conclusion of the interim financial statements

The Management authorized the issue of the interim financial statements as of 31 March 2011 on 27 April 2011.

2 Consolidated entities (subsidiaries and jointly-controlled companies)

	Shareholding structure (%)			
	31/03/2011		31/03/2010	
	Direct	Indirect	Direct	Indirect
Subsidiaries				
MAHLE Metal Leve Miba Sinterizados Ltda.	70	-	70	-
MAHLE Argentina S.A. (formerly Estabelecimentos Metalúrgicos Edival S.A.) (foreign)	98,16	1,84	98,16	1,84
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	60	-	60	-
MAHLE Metal Leve GmbH (foreign)	100	-	100	-
MAHLE Handelsges. mbH (foreign)	100	-	-	-
MAHLE Metal Leve International NV (foreign)	-	100	-	100
MAHLE Sud America NV (foreign)	-	100	-	-
MAHLE Industrial Filtration Ltda. (*)	99,9	-	-	-
Jointly-controlled companies				
MAHLE HIRSCHVOGEL FORJAS S.A. (**)	51	-	51	-

(*) The company is at a pre-operating stage.
(**) It is considered a jointly-controlled company, as according to the shareholders' agreement, certain relevant decisions require the approval of more than 51% of voting shareholders.

3 Summary of significant accounting practices

Basis of preparation and presentation of Parent Company and Consolidated interim financial statements

a. Statement of compliance with International Financial Reporting Standards - IFRS and Brazilian accounting practices

The interim financial statements include: consolidated interim financial statements prepared according to IFRS issued by IASB and also according to BRGAAP.

Parent Company's interim financial statements were prepared according to BRGAAP. Regarding the parent company, such practices are different from IFRS, which are applicable to the separate financial statements, only for the valuation of investments in subsidiaries and jointly-controlled companies using the equity method of accounting, while for IFRS purposes they would be stated at cost or fair value.

However, there is no difference between shareholders' equity and results in the consolidated financial statements and the shareholders' equity and results in the individual (Company) interim financial statements. Accordingly, consolidated interim financial statements and controlling company's individual (Company) interim financial statements are presented side-by-side in a single set of interim financial statements in notes.

These interim financial statements were prepared according to Technical Pronouncements, Interpretations and Guidelines (collectively "CPCs") issued by the Committee of Accounting Pronouncements (CPC) adopted in Brazil and approved by the Federal Association of Accountants (CFC) and by the Brazilian Securities and Exchange Commission (CVM).

b. Basis of measurement

Individual (Company) and consolidated interim financial statements were prepared based on the historical cost of the following relevant items recognized in the balance sheets:

- Derivative financial instruments measured at fair value.
- Financial instruments measured at fair value through the statement of income.
- Net assets and liabilities assumed upon business acquisition at fair value.

c. Functional and presentation currency

These Parent company and Consolidated interim financial statements are presented in Brazilian reais, which is the Company's functional currency. All financial information presented in Brazilian real was rounded to the nearest unit, except when otherwise stated.

d. Main sources of estimates uncertainties

The preparation of the Parent company and Consolidated interim financial statements in conformity with IFRSs and CPCs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are continuously reviewed. Reviews of accounting estimates are recognized in the period in which estimates are reviewed and in any future periods affected. The main sources of uncertainties and estimates consist of the following:

i. Testing goodwill for impairment on the basis of expected future profitability.

The Company's management assesses whether goodwill recognized will be recoverable, as described in the accounting policy according to assumptions and judgment used in the impairment test and an impairment loss is recognized when the recoverable value is lower than the carrying amount of the asset.

ii. Fair values of derivatives

Some of the Company's derivatives are not traded in an active market. The Company conducts transactions with the counterpart that is part of the over-the-counter market. The Company determines fair value using as valuation techniques for these financial instruments, valuations used in the participating market, obtaining as much market input as possible. To calculate fair value it does not consider the effects of the risk of the financial instrument and the favorable commercial conditions that are usually included by the counterpart.

iii. Agreement losses

As described in note 17, the sundry provision was accrued in an amount sufficient to cover losses on sales agreements already entered into, on which management expects the Company to incur losses.

iv. Useful lives of intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are amortized or depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for ongoing reasonable. Changes in estimates can result in significant variations in the carrying value and amounts are recognized in income according to new estimates prospectively. More details including carrying values are included in notes 12 and 13.

v. Inventories

The Company reviews the net realizable value of, and demand for, its inventory to provide assurance that recorded inventory is stated at the lower of cost or net realizable value. Factors that could impact estimated demand and selling prices include the timing and success of future technological innovations, competitor actions, supplier prices and economic trends.

vi. Provision for warranties

The Company offers warranties for its products and estimates the discounted present value of the cost of future warranty claims for current sales. These estimates are used to record provisions for warranties on current period product shipments. The Company uses historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. Factors that could impact the estimated claim information include the success of the Company's productivity and quality initiatives, as well as parts and labor costs.

vii. Provision for contingencies

In accordance with IFRS and accounting practice generally accepted in Brazil, the Company recognizes a provision if a present obligation has arisen as a result of a past event, an outflow of economic benefits is probable and the cost of outflows can be estimated reliably. In instances where the criteria are not met, a contingent liability may be disclosed in the notes to the financial statements. Obligations arising in respect of contingent liabilities that have been disclosed, or those which are not currently recognized or disclosed in the financial statements, could have a material effect on the individual and consolidated balance sheets. Application of these accounting principles to legal cases requires management to make determinations about various factual and legal matters beyond its control. The Company reviews outstanding legal cases following developments in the legal proceedings and at each reporting date, in order to assess the need for provisions and disclosures in its interim financial statements. Among the factors considered in making decisions on provisions are the nature of litigation, claim or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case (including the progress after the date of the interim financial statements but before those statements are issued), the opinions or views of legal advisers, experience in similar cases and any decision of the Company's management as to how it will respond to the litigation, claim or assessment. More details including the carrying values are disclosed in note 19.

Summary of significant accounting practices

The accounting policies described in detail below have been consistently applied to all periods reported in this individual and consolidated interim financial statements.

Financial assets and liabilities

a. Recognition and measurement

The Company recognizes financial instruments in its interim financial statements when, and only when, it becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value and after initial recognition the Company measures financial assets and liabilities at fair value through income, plus the transaction costs directly attributable to the acquisition or issue of the asset or liability; or at amortized cost, when those financial instruments are classified according to settlement date (held-to-maturity and loans and receivables).

b. Classification

The Company classifies financial assets and liabilities into the following categories: i) measured at fair value through profit or loss, ii) held to maturity, iii) loans and receivables, iv) available for sale and v) financial liabilities measured at the amortized cost.

(i) Measured at fair value through profit or loss - are financial instruments held for trading. A financial asset is classified into this category when it is acquired mainly for short-term sales. Derivatives are also considered to be held for trading, unless they have been designated as hedging instruments.

(ii) Held to maturity - these are non-derivative financial assets whose payments are fixed or may be determined. Their maturity dates are defined and the Company intends and is able to hold them to maturity.

(iii) Loans and receivables - non-derivative financial assets whose payments are fixed and may be determined. They are not quoted in an active market.

(iv) Available for sale - non-derivative financial assets that are designated in this category or are not classified in any of the categories above.

(v) Financial liabilities measured at the amortized cost - non-derivative financial liabilities upon which the Company is or may be required to deliver a variable number of equity instruments.

c. Impairment test

Financial assets are tested for *impairment* at each balance sheet date to check whether they are fully recoverable or if an impairment loss must be recorded.

d. Cash and cash equivalents

Cash and cash equivalents include the balances of bank accounts and financial investments (time deposits) whose maturity is not later than 90 days from the investment date.

e. Financial investments

Financial investments are recognized and measured at fair value and classified as held for trading. Gains (losses) on these transactions are recognized directly in income.

f. Trade accounts receivable and intercompany receivables

Trade accounts receivable and intercompany transactions are carried at fair value and classified as loans and receivables because their payments are fixed and determinable and they are not quoted in an active market. They are measured at amortized cost, with no interest impact, due to the fact that accounts receivable are usually settled within less than 90 days. Book values approximate their current values at balance sheet date.

g. Provision for credit risks

The provision for credit risks is calculated according to an analysis of credit risks which considers the history of losses, the customers' individual situations, the situation of the economic group they belong to, the security interest offered to collateralize debts and the assessment of legal counselors. Management considers the provision sufficient to cover possible losses on amounts receivable, and all debts maturing over 120 days are provided for.

h. Loans and financings

Loans are initially recognized at fair value when funds are received, net of transaction costs in applicable cases. After that, they are measured at amortized cost, that is, plus charges, interest, monetary changes and exchange rate gains (losses) incurred to the balance sheet dates, as shown in note 15.

i. Trade accounts payable and intercompany payables

Trade accounts payable and intercompany payables are obligations payable for goods and services acquired over the normal course of operations. They are initially recognized at fair value and then measured at amortized cost. There is no difference between the invoice amount and the amortized cost, because the payment term is short.

j. Derivative financial instruments

In order to hedge the balance of the exchange exposure of the Company's foreign currency accounts receivable and payable to fluctuations in exchange rates and nickel, copper, aluminum and lead prices, the Company uses derivatives. These instruments basically consist of sales and purchases of currency forward and commodity contracts.

Derivative contracts are initially measured at fair value. Attributable transaction costs are recognized in income as 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 for hedge accounting 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***

  Instrument for hedging against cash flow fluctuations which may have an impact on the Company's results, as in the case of provisions for item to be hedged, of which the following stand out: Accounts receivable and payable transactions, products to be sold 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 recognized directly in equity (other comprehensive income). If the hedge is not considered effective the gain or loss from the change in fair value of the hedging instrument is recognized immediately in the statement of income. The gain or loss accumulated in equity under the caption "Asset and liability valuation adjustment" is realized at the same time that the hedged item is realized 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 recognized 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. Fair value is the amount that the financial instrument could be purchased or sold for at the date of the interim 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 recognized immediately in the statement of income. The gain or loss that is attributable to the hedged risk is recognized in the statement of income and is presented as an adjustment of the carrying amount of the hedged item.

Inventories

Inventories are stated at the average purchase or production cost, which does not exceed the replacement or its net realizable values. The cost of goods sold includes the transfer of any gains (losses) on cash flow hedging instruments entered into for the purchase of raw materials.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree.

For each business combination, the Company measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value as of the acquisition date through the statement of income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IAS 39 (CPC 38) either in the statement of income or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be re-measured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the consideration transferred over the fair value of the Company's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill and other assets with indefinite useful lives are not amortized, but an impairment test is performed at least annually.

Investments

Investments in affiliated companies with the voting capital of more than 20% or significant

influence are accounted for under the equity method, as disclosed in note 11.

Interim financial statements of subsidiaries with foreign operations 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's accounts at the average monthly exchange rate.

Exchange rate gains (losses) in the interim financial statements of subsidiaries located abroad translated into Brazilian reais are recorded under "Cumulative translation adjustments", in other comprehensive income within equity. These exchange rate gain (loss) adjustments are realized as the investment is realized, in other words upon receipt of dividends and disposal.

The interim financial statements is adapted, when applicable, to the IFRS and the Brazilian accounting practices.

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 12, according to the estimated useful lives of the assets.

Subsequent costs are added to the residual value of property, plant and equipment or recognized as a specific item, as appropriate, only if economic benefits associated with these items are probable and amounts are measured in a reliable manner. The residual value of the replaced item is written off. Other repair and maintenance expenses are recognized directly in profit or loss when incurred.

The residual value of property, plant and equipment items is written down to recoverable value when the residual balance exceeds the recoverable amount, in case of evidence of loss.

According to the option made by ICPC 10 Technical Interpretation and CPC 37 Technical Pronouncement (IFRS 1), the Company decided, upon the first-time adoption of the new accounting pronouncements issued by CPC in convergence to IFRS, to attribute cost to its property, plant and equipment. The option was made for the classes of assets which presented differences between fair value and residual cost due to exchange rate devaluation of imported goods, inflation and the use of accelerated depreciation in compliance with prior years' tax legislation rules. Deemed cost amounts were determined in accordance with appraisal reports based on Brazilian asset appraisal standards (NBR 14653-1 and NBR 14653-2).

Intangible assets

a. Goodwill resulting from acquisitions of ownership interest represents the excess of the purchase price over the equity value of subsidiaries calculated on the acquisition 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.

Goodwill is not amortized as it is an assets with 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.

b. Software acquisition and installation costs and goodwill resulting from the merger of subsidiaries (technology transfer) are capitalized according to the future economic benefits that will flow to the Company and amortized, when applicable, at the rates mentioned in note 13. Software maintenance expenses are recognized as an expense when incurred.

c. Trademarks and patents are stated at historical cost.

Impairment testing - property, plant and equipment, intangibles and other assets

Property, plant and equipment, intangibles 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 observed, 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 recognized in income and may not be reversed when related to goodwill for expectation of future profitability.

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

Other current and non-current assets

Other current and non-current assets are stated at cost plus related earnings and monetary changes, where applicable, and reduced by allowances to reflect realizable value, if necessary.

Liabilities

Liabilities are recognized in the balance sheet at fair value when the Company has 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.

Employee benefits

The Company grants benefits on a montly basis and they are recognised in the books of accounts. There are not post-employement benefits, pension plans and other benefits which require specific accounting treatment. A description of the main benefit plans granted to employees is in note 32.

Taxation

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

	State of São Paulo	Other States
ICMS (State VAT)	18%	7 to 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 recognized as sales deductions in the statement of income. Credits resulting from the non-cumulativeness of PIS and COFINS are accounted for by reducing the cost of goods sold in the statement of income.

Income and social contribution taxes are based on income. Income tax is based 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 recognized 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 realization.

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 determined using tax rates disclosed on balance sheet dates and that must be applied when the respective deferred income and social contribution tax assets are realized or when the deferred income and social contribution tax liabilities are settled.

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

Deferred income and social contribution tax assets are recognized only to the extent that future taxable income is likely to be available and against which temporary differences and income and social contribution losses may be utilized.

Deferred income and social contribution tax assets and deferred income and social contribution tax liabilities should be offset on the balance sheet only if the entity has the legal right to settle on a net basis and they are levied by the same taxing authority on the same entity or different entities that intend to realize the asset and settle the liability at the same time.

Earnings per share

Basic earnings per share are calculated by dividing the net income attributable to the Company's controlling and non-controlling shareholders by the weighted average number of common shares outstanding in the respective period as mentioned in note 23. Diluted earnings per share are calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential ordinary shares in the reported periods, pursuant to CPC 41 and IAS 33.

Consolidation

The consolidated interim financial statements was prepared according to the basic consolidation principles set forth by IFRS as issued by the IASB and and the standards issued by the Brazilian Securities and Exchange Commission (CVM) and include the account balances of all subsidiaries. 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 subsidiaries. The consolidated financial investments include the asset, liability and income (loss) accounts of jointly-controlled investees according to the jointly-controlled ownership interest.

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

Consolidated financial statements are the financial statements of a group of entities (economic group) presented as those of a single enterprise.

An associate is an entity, including that not set up as a joint-venture, in which the investor has significant influence but not control or joint control and is accounted for using the equity method.

Jointly-controlled company - joint control is the contractually agreed sharing of control over an economic activity. Joint control exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the venturers. These entities are proportionately consolidated.

Non-controlling interest - The Company adopts the policy of treating operations as ownership interest of non-controlling shareholders which are external to the group.

Segment reporting

Segment reporting is presented consistent with the internal report provided to the Chief operating decision maker, who is the responsable for taking operating decisions and is responsible for allocating resources and evaluating performance by operating segment.

Translation of interim financial statements of subsidiaries abroad

When preparing the consolidated interim financial statements, the statement of income, cash flows and value added, and all the other changes in assets, liabilities and transactions involving shareholders' equity and net income (loss) are translated to Brazilian reais at the exchange rate, as mentioned in paragraph 3.1c.

Results of operations

Results of operations are recorded on the accrual basis. The revenue from sale of goods is recognized in income when: i) all risks and benefits inherent to the product are transferred to the buyer; ii) the Company has no continuing involvement in the management of goods sold; iii) the amount of revenue can be reliably measured; iv) it is probable that the economic benefits associated with the transaction will flow to the Company; and iv) the expenses incurred or to be incurred can be reliably measured. Revenue is not recognized if there is significant uncertainty about its realization.

The cost of goods sold is expensed in the period in which the revenue is recognized.

Statements of value added

The Company has prepared Parent Company and Consolidated statements of value added (DVA) pursuant to Technical Pronouncement CPC 09 (Statement of Value Added), which are presented as a part of the interim financial statements according to the BRGAAP applicable to public companies and as supplemental information for IFRS.

4 Capital management

The Company manages its capital to hedge its operations, aiming at keeping a capital structure which may offer the highest possible return to its shareholders without putting a burden on the Company.

Similarly to other companies in the market, the Company monitors its capital according to the financial leverage index, which is the net debt, including short-term and long-term loans, divided by total capital.

Information about the risks on the Company's transactions and the use of financial risks to mitigate those risks and the financial instrument policies and risks is described in note 31.

5 Cash and cash equivalents

	Parent Company		Consolidated	
	31/03/2011	**31/12/2010**	**31/03/2011**	**31/12/2010**
Cash and banks	9,054	19,134	30,067	35,621
Short-term investments (*)	302,604	257,795	314,683	279,408
Cash in transit	4,588	547	5,808	768
	316,246	277,476	350,558	315,797

(*) Refer primarily to consist of Certificates of Bank Deposit (CDB), bearing interest at about 100% of the Certificate of Interbank Deposits (CDI), invested in top-tier banks, investments in Time Deposits and Certificate Deposits at Banco do Brasil in New York and investments in an interest-bearing account backed by HSBC Bank.

These investments are measured at cost plus revenue earned and financial gains (losses) on these transactions are recorded in net finance costs.

6 Trade accounts receivable

	Parent Company		Consolidated	
	31/03/2011	**31/12/2010**	**31/03/2011**	**31/12/2010**
Market				
Local	174,359	167,809	212,321	198,845
Foreign	64,373	59,951	109,373	100,509
	238,732	227,760	321,694	299,354
Allowance for doubtful accounts	(4,847)	(5,324)	(7,827)	(8,198)
	233,885	222,436	313,867	291,156

Required credit information is described in note 31.

As of 31 March 2011 and 31 December 2010 there were overdue trade notes from customers with no history of default. Maturities are as follows:

	Parent Company		Consolidated	
	31/03/2011	**31/12/2010**	**31/03/2011**	**31/12/2010**
Falling due	212,862	191,692	280,393	248,385
Overdue:				
Up to 30 days	16,069	27,015	26,794	38,574
Between 31 and 60 days	3,616	3,556	5,195	4,322
Between 61 and 90 days	2,104	2,015	1,516	2,292
Between 91 and 180 days	2,045	1,093	4,407	1,971
Between 181 and 360 days	941	1,262	2,245	1,652
Over 360 days	1,095	1,127	1,144	2,158
(-) Allowance for doubtfullaccounts	(4,847)	(5,324)	(7,827)	(8,198)
	233,885	222,436	313,867	291,156

Changes in the allowance for doubtful accounts are as follows:

	Parent Company	Consolidated
Balance as of 31/12/2009	(3,617)	(5,986)
Bad debt expense	(7,012)	(9,334)
Recovered	4,746	6,113
Write-offs	338	728
Exchange rate gain	221	281
Balance as of 31/12/2010	(5,324)	(8,198)
Bad debt expense	(1,021)	(1,798)
Recovered	1,395	1,982
Writte-offs	58	108
Exchange rate gain	45	79
Balance as of 31/03/2011	(4,847)	(7,827)

7 Inventories

	Parent Company		Consolidated	
	31/03/2011	31/12/2010	31/03/2011	31/12/2010
Finished goods	92,347	87,930	148,059	139,844
Work in process	91,354	81,088	108,639	94,924
Raw materials	32,975	32,959	46,870	45,884
Subsidiary materials	7,303	7,495	12,932	12,934
Imports in transit	5,212	4,286	7,231	6,461
Inventory valuation allowance	(15,724)	(15,659)	(21,440)	(21,481)
	213,467	198,099	302,291	278,566

Changes in the inventory valuation allowance are as follows:

	Parent Company	Consolidated
Balance as of 31/12/2009	(15,219)	(21,344)
Reversal of provision	18,617	23,539
Recognition of provision	(17,533)	(22,741)
Inventory definitely written off as loss	(847)	(957)
Merger	(677)	(677)
Exchange rate gain	-	699
Balance as of 31/12/2010	(15,659)	(21,481)
Reversal of provision	2,801	3,713
Recognition of provision	(3,000)	(4,055)
Inventory definitely written off as loss	134	246
Exchange rate gain	-	137
Balance as of 31/03/2011	(15,724)	(21,440)

8 Recoverable taxes

	Parent Company		Consolidated	
	31/03/2011	31/12/2010	31/03/2011	31/12/2010
Income and social contribution taxes (note 10.b)	12,183	21,774	17,540	28,013
ICMS (State VAT) on fixed asset acquisition	10,442	10,563	11,639	11,930
ICMS (State VAT) and IPI (Federal VAT)	7,657	7,352	12,552	12,260
COFINS (tax on sales)	2,861	1,067	3,083	1,371
PIS (tax on sales)	619	235	667	301
Other	3,429	2,789	5,660	5,115
	37,191	43,780	51,141	58,990
Current	(27,757)	(34,996)	(40,570)	(49,312)
Non-current	9,434	8,784	10,571	9,678

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

9 Related parties transactions

Related parties 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 realization deadlines of operations are within 30-180 days. This is the same deadline for 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.

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

	Parent Company											
	Balances as of 31/03/2011					Transactions for the 1st quarter of 2011						
						Sales/revenues			Purchases			
Companies	Current assets	Realization deadline in days	Non-current assets	Current liabilities	Realization deadline in days	Products	Services	Fixed assets	Products	Fixed assets	Commissions	Royalties
MAHLE Aftermarket GmbH	106	60	-	32	60	105	-	-	5	-	19	-
MAHLE Aftermarket SAS	18	60	-	-	-	35	-	-	-	-	1	-
MAHLE Argentina S.A.	8,525	60	-	182	60	12,910	620	-	177	-	-	-
MAHLE Clevite Inc.	218	60	-	34	60	152	83	-	-	-	39	-
MAHLE Componente de Motor SRL	-	-	-	-	-	-	-	-	-	-	-	-
MAHLE Componentes de Motores de México, S. de R.L. de C.V.	2,234	60	-	1,585	60	836	-	1,444	2,364	-	-	-
MAHLE Componentes de Motores S.A.	1,180	60	-	7	60	1,221	292	-	7	-	-	-
MAHLE Componenti Motori Italia SpA	-	-	-	-	-	6	-	-	-	-	-	-
MAHLE Composants Moteur Espana S.L.	729	60	-	-	-	1,398	-	-	23	-	-	-
MAHLE Donghyun Filter Systems Co., Ltd.	-	-	-	135	60	5	-	-	150	-	-	-
MAHLE Engine Components (Chongging) Co. Ltd.	-	-	-	-	-	23	-	-	-	-	-	-
MAHLE Engine Components (Nanjing) Co. Ltd.	1,527	60	-	-	-	2,435	-	-	-	-	-	-
MAHLE Engine Components (Yingkou) Co., Ltd.	1,000	60	-	-	-	1,840	5	-	-	-	-	-
MAHLE Engine Components Australia Pty Ltd.	-	-	-	-	-	-	-	-	-	-	5	-
MAHLE Engine Components India Private Ltd.	826	60	-	-	-	198	-	-	-	-	-	-
MAHLE Engine Components Japan Corporation	27	60	-	-	-	22	-	-	-	-	-	-
MAHLE Engine Components USA, Inc.	800	60	-	53	60	1,213	(9)	-	54	-	-	-
MAHLE Engine Systems UK Ltd.	-	-	-	587	60	-	-	-	753	-	-	-
MAHLE Filtersystem Japan	-	-	-	434	60	-			643	-	-	-
MAHLE Filtersysteme GmbH	-	-	-	1,345	60	-	-	-	270	-	-	-
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	37	60	-	13	60	-	95	-	41	-	-	-
MAHLE France SARL	1,235	60	-	-		747	-	-	-	-	-	-
MAHLE GmbH	45	60	-	3,754	60	1	22	-	1,146	-	-	3,652
MAHLE Handels GES.M.B.H	10,196	60	-	-	-	17,213	-	-	-	-	-	-
MAHLE Hirschvogel Forjas S/A	170	60	13,656	1,272	60	-	440	-	3,014	-	-	-
MAHLE Industries Inc	-	-	-	-	-	-	-	-	-	-	-	-
MAHLE Metal Leve GmbH	65,336	60	-	-	-	68,525	8	-	-	-	-	-
MAHLE Metal Leve International N.V.	(6)	60	-	-	-	5	-	-	-	-	-	-
MAHLE Metal Leve Miba Sinterizados Ltda.	327	60	-	644	60	-	887	-	1,290	-	-	-
MAHLE Mopisan Izmir A.S.	1,802	60	-	-	-	1,958	-	-	-	-	-	-
MAHLE Motorkomponenten GmbH	-	-	-	-	-	-	-	-	-	-	-	-
MAHLE Motorkomponenten Schweiz AG	-	-	-	119	60	-	-	-	116	-	-	-
Mahle Sud America NV	-	-	-	-	-	556	-	-	-			
MAHLE Trading Japan Ltd.	-	-	-	21	60	-	-	-	88	-	-	-
MAHLE Trading Shangai Co., Ltda.	-	-	-	4	60	-	-	-	-	-	4	-
MAHLE Ventiltrieb Brandenburg	-	-	-	-	-	601	-	-	-	-	-	-
MAHLE Ventiltrieb GmbH	687	60	-	-	-	60	21	-	148	-	-	-
MAHLE Vöcklabruck GmbH	1,783	60	-	-	-	1,426	25	-	-	-	-	-
Others	201	60	-	31	60	28	-	175	-	-	4	-
Total	99,003		13,656	10,252		113,519	2,489	1,619	10,284	-	53	3,652

MAHLE Metal Leve S.A.

Notes to the financial statements

(Amounts in thousands of Brazilian reais, unless otherwise stated)

	Parent Company													
	Balances as of 31/12/2010					Transactions in the 1st quarter of 2010								
						Sales/revenues							Purchases	
Companies	Current assets	Realization deadline in days	Non-current assets	Current liabilities	Realization deadline in days	Products	Services	Fixed assets	Products	Fixed assets	Commissions	Fixed assets	Commissions	Royalties
MAHLE Metal Leve Miba Sinterizados Ltda.	598	30	-	418	30	2	773	-	-	1,426	-	-	-	-
MAHLE Componentes de Motores do Brasil Ltda.	-	-	-	-	-	355	7,556	-	1,427	22,724	69	-	-	-
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	36	30	-	7	30	-	75	-	-	18	-	-	-	-
MAHLE Indústria e Comércio Ltda.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MAHLE Hirschvogel Forjas S/A	81	30	7,826	1,769	30	-	348	-	-	3,414	-	-	-	-
MAHLE Componentes de Motores S.A.	1,031	120	-	11	60	-	252	-	-	88	-	-	-	-
MAHLE Componentes de Motores Argentina S.A	-	-	-	60	60	-	-	-	-	-	-	-	-	-
MAHLE Componentes de Motores Espana	447	30	-	17	60	-	-	-	-	-	-	-	-	-
MAHLE GmbH	53	30	-	3,515	30	5	-	-	-	636	-	-	-	2,953
MAHLE France SARL	1,448	160	-	2	30	742	-	-	-	-	-	-	-	-
MAHLE SAS	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MAHLE Filtersysteme GmbH	-	-	-	1,978	150	-	-	-	-	-	-	-	-	-
MAHLE Filtersystem Japan Corporation	-	-	-	75	150	-	-	-	-	-	-	-	-	-
MAHLE Argentina S.A.	9,427	60	-	56	30	6,177	366	-	-	243	-	-	-	-
MAHLE Componentes de Motores de México, S. de R.L. de C.V.	736	90	-	3,011	60	405	-	-	-	543	-	-	-	-
MAHLE, Inc.	-	-	-	-	-	-	-	-	-	98	-	-	-	-
MAHLE Motorkomponenten GmbH	8	30	-	-	-	-	-	-	-	14	-	-	-	-
MAHLE Motorkomponenten Schweiz AG	-	-	-	-	-	-	-	-	-	22	-	-	-	-
MAHLE Trading Japan Ltd.	-	-	-	43	30	-	10	-	-	-	-	-	-	-
MAHLE Metal Leve International N.V.	8,933	150	-	-	-	61,780	482	-	-	-	-	-	-	-
MAHLE Sud America NV	-	60	-	-	-	-	-	-	-	-	-	-	-	-
MAHLE Metal Leve GmbH	54,632	60	-	-	-	-	-	-	-	-	-	-	-	-
MAHLE Handels GmbH	9,073	60	-	-	-	-	-	-	-	-	-	-	-	-
MAHLE Engine Components Australia Pty Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	2	-
MAHLE Engine Components Japan Corporation	26	150	-	-	-	34	-	-	-	-	-	-	-	-
MAHLE Engine Components India Private Limited	-	60	-	-	-	-	-	-	-	-	-	-	-	-
MAHLE Aftermarket GmbH	20	60	-	417	60	75	-	-	-	340	-	-	16	-
MAHLE Engine Components (Yingkou) Co., Ltd.	1,798	90	-	-	-	7	-	-	-	-	-	-	-	-
MAHLE Donghyun Filter Systems Co., Ltd.	-	-	-	338	60	-	-	-	-	425	-	-	-	-
MAHLE Vöcklabruck GmbH	1,540	90	-	-	-	-	-	-	-	-	-	-	-	-
MAHLE Trading Shangai Co., Ltda.	-	-	-	26	30	-	-	-	-	-	-	-	8	-
MAHLE Engine Comp. Nanjing Co Ltd	815	60	-	-	-	-	-	-	-	-	-	-	-	-
MAHLE Aftermarket SAS	47	30	-	-	-	65	-	-	-	-	-	-	-	-
MAHLE Aftermarket Ltd	-	-	-	-	-	-	-	-	-	-	-	-	1	-
MAHLE Powertrain Ltd.	-	-	-	-	-	-	-	-	-	10	-	-	-	-
MAHLE Powertrain LLC	22	30	-	-	-	-	-	-	-	801	-	-	-	-
MAHLE Clevite Inc.	115	90	-	40	30	-	90	-	-	-	-	-	18	-
MAHLE Engine Components USA, Inc.	480	60	-	7	60	149	-	-	-	124	-	-	-	-
MAHLE Engine Components (Chongging) Co. Ltd.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MAHLE Engine Systems UK Ltd.	-	-	-	161	30	-	2	303	-	179	-	-	-	-
MAHLE International GmbH	-	-	-	-	-	-	-	-	-	15	-	-	-	-
MAHLE Componenti Motori Italia SpA	-	-	-	16	30	3	-	-	-	46	-	-	-	-
MHALE Componente de Motor SRL	248	30	-	-	-	1,296	-	-	-	-	-	-	-	-
MAHLE Composants Moteur France	-	-	-	2	30	-	-	-	-	-	-	-	-	-
MAHLE Mopisan Izmir A.S.	1,463	90	-	3	30	123	-	-	-	-	-	-	7	-
MAHLE Industries Inc	1	60	-	-	-	1	1	-	-	-	-	-	-	-
MAHLE Brockhaus GmbH	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MAHLE Ventiltrieb GmbH	-	60	-	7	60	-	-	-	-	5	-	-	-	-
MAHLE Engine Components Slovakia	-	-	-	-	-	-	45	-	-	-	-	-	-	-
MAHLE Glacier Vendervell Italy S.r.l.	-	-	-	-	-	-	-	-	-	8	-	-	-	-
MAHLE Vocklabruck GmbH	-	-	-	-	-	900	-	-	-	-	-	-	-	-
Others	547	60	-	9	60	4	-	-	-	-	-	-	-	-
Total	93,625		7,826	11,988		72,123	10,000	303	1,427	31,179	69	-	52	2,953

MAHLE Metal Leve S.A.

Notes to the financial statements

(Amounts in thousands of Brazilian reais, unless otherwise stated)

	Consolidated												
						Transactions in the 1st quarter of 2011							
	Balances as of 31/03/2011					Sales/revenues						Purchases	
Companies	Current assets	Realization deadline in days	Non-current assets	Current liabilities	Realization deadline in days	Products	Services	Fixed assets	Products	Services	Fixed assets	Commissions	Royalties
MAHLE Hirschvogel Forjas S/A	83	60	6,691	623	60	-	216	-	1,477	-	-	-	-
MAHLE Componentes de Motores S.A.	10,660	60	-	7	60	16,241	292	-	7	-	-	-	-
MAHLE Componentes de Motores Argentina S.A.	274	60	-	-	-	-	-	-	-	-	-	-	-
MAHLE S.A.	888	60	-	29	60	1,103	-	-	-	-	-	-	-
MAHLE GmbH	676	60	-	3,974	60	737	22	-	1,146	176	-	-	3,652
MAHLE France SARL	7,137	60	-	-	-	8500	-	-	-	-	-	-	-
MAHLE Filtersysteme GmbH	88	60	-	12,167	60	-	-	-	270	23	-	-	-
MAHLE Filtersystem Japan	-	-	-	666	60	-	-	-	643	-	-	-	-
MAHLE Pistons France SARL	2,856	60	-	-	-	4,215	-	-	-	-	-	-	-
MAHLE Componenti Motori Italia SpA	2,065	60	-	-	-	2,864	-	-	-	-	-	-	-
MAHLE Componentes de Motores de México, S. de R.L. de C.V.	7,863	60	-	1,584	60	8,444	-	1444	2,365	-	-	-	-
MAHLE Engine Components (Thailand) Co. Ltd.	205	60	-	-	-	208	-	-	-	-	-	-	-
MAHLE Trading Japan Ltd.	-	-	-	21	60	-	-	-	88	-	-	-	-
MAHLE Motorkomponenten Schweiz AG	-	-	-	-	-	-	-	-	116	-	-	-	-
MAHLE Motorkomponenten GmbH	-	-	-	-	-	52	-	-	-	-	-	-	-
MAHLE Engine Components Australia Pty Ltd.	-	-	-	-	-	-	-	-	-	-	-	5	-
MAHLE Engine Components Japan Corporation	27	60	-	-	-	22	-	-	-	-	-	-	-
MAHLE Componentes de Motor Espana S.L.	729	60	-	-	-	1398	-	-	23	-	-	-	-
MAHLE Aftermarket GmbH	347	60	-	32	60	1,300	-	-	5	20	-	-74	-
MAHLE Engine Components (Yingkou) Co., Ltd.	1,381	60	-	42	60	2,261	5	-	-	-	-	-	-
MAHLE Engine Comp. Slovakia	-	-	-	-	-	-	-	-	-	-	-	-	-
MAHLE Donghyun Filter Systems Co., Ltd.	-	-	-	135	60	5	-	-	150	-	-	-	-
MAHLE Vöcklabruck GmbH	1,783	60	-	-	-	1,426	25	-	-	-	-	-	-
MAHLE Ventiltrieb GmbH	688	60	-	-	-	61	21	-	147	-	-	-	-
MAHLE Ventiltrieb Brandenburg GmbH	-	-	-	-	-	601	-	-	-	-	-	-	-
MAHLE Engine Components India Private Ltd.	826	60	-	279	60	198	-	-	-	-	-	-	-
MAHLE Trading Shangai Co., Ltd.	-	-	-	4	60	-	-	-	-	-	-	5	-
MAHLE Powertrain Ltd.	-	-	-	5	60	-	-	-	-	-	-	3	-
MAHLE Aftermarket SAS	18	60	-	-	-	35	-	-	-	-	-	1	-
MAHLE Powertrain LLC	-	-	-	-	-	-	-	-	-	-	-	-	-
MAHLE Engine Components USA, Inc.	1,152	60	-	-103	60	2,213	-9	-	54	-	-	-	-
MAHLE Engine Components (Chongging) Co. Ltd.	-	-	-	-	-	23	-	-	-	-	-	-	-
MAHLE Engine Systems UK Ltd.	999	60	-	643	60	1002	-	-	753	-	-	-	-
MAHLE Engine Components (Nanjing) Co. Ltd.	1527	60	-	-	-	2435	-	-	-	-	-	-	-
MAHLE Mopisan Izmir A.S.	1802	60	-	-	-	1,958	-	-	-	-	-	-	-
MAHLE Glacier Vendervell Italy S.r.l.	282	60	-	-	-	314	-	-	-	-	-	-	-
MAHLE Clevite, Inc	1,325	60	-	81	60	1,121	83	-	-	-	-	39	-
MAHLE AKO GmbH	-	-	-	19	60	-	-	-	-	-	-	-	-
MAHLE Industries Inc	-	-	-	1657	60	-	-	-	-	912	-	-	-
MAHLE Kleinmot. GmbH	1,786	60	-	-	-	2,824	-	-	-	-	-	-	-
Others	206	60	-	229	60	35	-	175	52	14	-	1	-
Total	47,673		6,691	22,094		61,596	655	1,619	7,296	1,145	-	-20	3,652

Notes to the financial statements

(Amounts in thousands of Brazilian reais, unless otherwise stated)

	Consolidated													
						Transactions in the 1st quarter of 2010								
	Balances as of 31/12/2010					Sales/revenues				Purchases				
Companies	Current assets	Realization deadline in days	Non-current assets	Current liabilities	Realization deadline in days	Products	Services	Fixed assets	Commissions	Products	Services	Fixed assets	Commissions	Royalties
MAHLEComponentesdeMotoresdoBrasilLtda.	-		-	-		26,064	7,556	-	1,427	1,141	69	-	-	-
MAHLEHirschvogelForjasS/A	39	30	11,637	867	30	1,673	170	-	-	-	-	-	-	-
MAHLEComponentesdeMotoresS.A.	8,595	60	-	707	60	88	252	-	-	3,119	-	-	-	-
MAHLEComponentesdeMotoresArgentinaS.A.	69	30	-	60	60	-	-	-	-	-	-	-	-	-
MAHLES.A.	427	30	-	341	30	-	-	-	-	1,520	-	-	-	-
MAHLEGmbH	889	60	-	3,764	30	636	-	-	-	4,057	47	-	-	2,953
MAHLEFranceSARL	6,463	60	-	11	30	-	-	-	-	9,712	-	-	-	-
MAHLEComponentesdeMotorEspanaS.L.	447	30	-	17	60	-	-	-	-	-	-	-	-	-
MAHLEFiltersystemeGmbH	90	30	-	12,332	150	846	-	-	-	283	22	-	-	-
MAHLEFilterSystemJapanCorporation	-	-	-	536	150	-	-	-	-	-	-	-	-	-
MAHLEFilterSystemCanada,ULC	-	-	-	165	150	-	-	-	-	-	-	-	-	-
MAHLEIndustriefiltrationGmbH	-	-	-	279	60	-	-	-	-	-	-	-	-	-
MAHLEPistonsFranceSARL	1,100	30	-	-	-	-	-	-	-	3,562	-	-	-	-
MAHLEComponentiMotoriItaliaSpA	1,778	60	-	24	30	46	-	-	-	1,422	-	-	-	-
MAHLEComponentesdeMotoresdeMéxico,S.deR.L.de C.V.	5,900	60	-	3,011	60	543	-	-	-	3,381	-	-	-	-
MAHLEComponentedeMotorSRL	248	30	-	-	-	-	-	-	-	1,296	-	-	-	-
MAHLEEngineComponents(Thailand)Co.Ltd.	153	90	-	-	-	-	-	-	-	187	-	-	-	-
MAHLETradingJapanLtd.	-	-	-	43	30	-	10	-	-	-	-	-	-	-
MAHLEEngineComponents(Nanjing)Co.Ltd.	815	60	-				-	-	-		-	-	-	-
MAHLEMotorkomponentenSchweizAG	-	-	-	-	-	22	-	-	-	-	-	-	-	-
MAHLEMotorkomponentenGmbH	185	60	-	-	-	14	-	-	-	907	-	-	-	-
MahleSudAmericaNV	-	-	-	-	-	-	8	-	-	-	-	-	-	-
MAHLEEngineComponentsAustraliaPtyLtd.	-	-	-	-	-	-	-	-	-	-	-	-	2	-
MAHLEEngineComponentsJapanCorporation	26	150	-	-	-	-	-	-	-	34	-	-	-	-
MAHLEVentiltriebGmbH	177	60	-	7	60	5	-	-	-	71	-	-	-	-
MAHLEAftermarketGmbH	1,441	60	-	993	60	340	55	-	-	3,541	-	-	16	-
MAHLEAftermarketLtd	-	-	-	-	-	-	-	-	-	-	-	-	1	-
MAHLEEngineComponents(Yingkou)Co.,Ltd.	2,101	60	-	-	-	-	-	-	-	7	-	-	-	-
MAHLEEngineComp.Slovakia	648	60	-	-	-	-	45	-	-	22	-	-	-	-
MAHLEDonghyunFilterSystemsCo.,Ltd.	-	-	-	338	60	425	-	-	-	-	-	-	-	-
MAHLEVöcklabruckGmbH	1,540	90	-	-	-	-	-	-	-	-	-	-	-	-
MAHLEEngineComponentsIndiaPrivateLtd.	778	60	-	191	90	-	-	-	-	-	-	-	-	-
MAHLETradingShangaiCo.,Ltd.	-	-	-	26	30	-	-	-	-	-	-	-	9	-
MAHLEPowertrainLtd.	-	-	-	8	30	131	-	-	-	57	-	-	-	-
MAHLEAftermarketSAS	47	60	-	-	-	-	-	-	-	65	-	-	-	-
MAHLEPowertrainLLC	22	30	-	-	-	-	-	-	-	-	-	-	-	-
MAHLEEngineComponentsUSA,Inc.	2,645	60	-	187	30	222	-	-	-	3,085	-	-	-	-
MAHLEEngineComponentsIndiaPrivateLimited	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MAHLEEngineSystemsUKLtd.	19	60	-	147	30	179	2	303	-	75	-	-	-	-
MAHLEInternationalGmbH	-	-	-	230	60	15	-	-	-	-	90	-	-	-
MAHLEMopisanIzmirA.S.	1,463	90	-	3	30	168	-	-	-	123	-	-	8	-
MAHLEComposantsMoteurFrance	-	-	-	2	60	-	-	-	-	-	-	-	-	-
MAHLEGlacierVendervellItalyS.r.l.	75	60	-	-	-	8	-	-	-	-	-	-	-	-
MAHLEClevite,Inc	1,201	90	-	46	30	-	90	-	-	459	-	-	19	-
MAHLEAKOGmbH	-	-	-	5	180	-	-	-	-	-	-	-	-	-
MAHLEIndustriesInc	1	60	-	773	30	-	1	-	-	-	-	-	-	-
MAHLEKleinmot.GmbH	1,374	60	-	-	-	-	-	-	-	-	-	-	-	-
MAHLEVocklabruckGmbH	-	-	-	8	30	-	-	-	-	900	-	-	-	-
MAHLEBrockhausGmbH	-	-	-	1	60	-	-	-	-	-	-	-	-	-
MAHLEPolskaSpolkaZ.O.O	5	60	-	668	60	-	-	-	-	8	-	-	-	-
Others	-	-	-	10	60	-	-	-	-	-	-	-	-	-
Total	40,761		11,637	25,800		31,425	8,189	303	1,427	39,034	228	-	55	2,953

As of 31 March 2011, subsidiary MAHLE Hirschvogel Forjas S.A. has an intercompany loan with the Company amounting to R$13,656 (R$7,826 on 31/12/2010), bearing interest at 115% CDI, without fixed maturity.

As of 31 December 2010 the Company had an intercompany loan between MAHLE Metal Leve International N.V. and MAHLE GmbH of EUR3,500 thousand, equivalent to R$7,802. The loan, which bore annual interest of 3.514% was taken out on 27 December 2010 and matured on 27 January 2011.

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 caption "Technology and development expenses" in the amount of R$3,652 in the first quarter of 2011 (R$2,953 as of 31 March 2010).

Dividends and interest on equity capital of the subsidiary receivable

The breakdown of dividends and interest on the subsidiary's equity capital receivable as of 31 March 2011 and 31 December 2010 is shown below:

	Parent Company	
	31/03/2011	**31/12/2010**
MAHLE Metal Leve Miba Sinterizados Ltda.	-	4,830
MAHLE Metal Leve GmbH	1,156	560
MAHLE Handelsges. mbH	2,703	860
	3,859	6,250

Interest payable on equity capital

The breakdown of interest payable on equity capital as of 31 March 2011 and 31 December 2010 is shown below:

	Parent Company		Consolidated	
	31/03/2011	**31/12/2010**	**31/03/2011**	**31/12/2010**
Miba Sinter Holding GmbH	-	-	-	2,070
Other	173	173	260	205
	173	173	260	2,275

Management's compensation

Compensation paid to the parent company's Board of Directors and Management totaled R$2,251 on 31 March 2011 (R$2,187 on 31 March 2010) (Consolidated) and R$2,645 on 31 March 2011 (R$2,539 on 31 March 2010) (Parent Company). From the second quarter of 2010 the Company's management fell under the rule of employment agreements entered into in accordance with the Consolidation of Labor Laws ("CLT").

Managers do not have a long-term benefit plan and share-based compensation.

10 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:

	Parent Company		Consolidated	
	31/03/2011	**31/03/2010**	**31/03/2011**	**31/03/2010**
Income before income and social contribution taxes	59,326	24,174	60,930	26,050
IRPJ (income tax) and CSSL (social contribution tax) at statutory rate (34%)	(20,171)	(8,219)	(20,716)	(8,857)
Effects on permanent differences:				
Equity in earnings (losses) of subsidiaries	1,476	388	-	-
Other, net	(418)	1,225	275	919
Total of income and social contribution taxes	(19,113)	(6,606)	(20,441)	(7,938)
Current income and social contribution taxes	(15,224)	(13,946)	(17,245)	(15,599)
Deferred income and social contribution taxes	(3,889)	7,340	(3,196)	7,661
	(19,113)	(6,606)	(20,441)	(7,938)
Effective rate	32.2%	27.3%	33.5%	30.5%

b. Recoverable income and social contribution taxes

	Parent Company		Consolidated	
	31/03/2011	**31/12/2010**	**31/03/2011**	**31/12/2010**
Income tax	11,149	31,948	12,712	35,621
Social contribution tax	4,075	13,794	4,533	14,962
	15,224	45,742	17,245	50,583
Offset against prepayments and tax incentives	(24,070)	(64,179)	(31,235)	(75,046)
Balance of recoverable taxes	(8,846)	(18,437)	(13,990)	(24,463)
Income tax	(3,337)	(3,337)	(3,550)	(3,550)
Total recoverable taxes (note 8)	(12,183)	(21,774)	(17,540)	(28,013)

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 and tax losses as follows:

Assets

	Parent Company		Consolidated	
	31/03/2011	**31/12/2010**	**31/03/2011**	**31/12/2010**
Temporary differences				
Income and social contribution tax losses	-	-	8,093	8,346
Provision for contingencies and warranties	47,992	47,422	53,066	52,394
Inventory valuation allowance	5,346	5,324	7,290	7,304
Allowance for doubtful accounts	8,336	8,336	9,082	9,082
Allowance for credit risk	1,648	1,810	2,661	2,787
Allowance for losses on realization of other assets	10,417	10,417	9,986	9,699
Commissions on sales and other temporarily nondeductible provisions	21,894	18,284	23,498	19,472
Derivative transactions	5,836	5,632	5,860	5,654
	101,469	97,225	119,536	114,738

According to projections of the Company's management, the deferred income and social contribution taxes classified as non-current assets as of and 31 March 2011 and 31 December 2010 will be realized in the following terms:

	Parent Company		Consolidated	
Year	**31/03/2011**	**31/12/2010**	**31/03/2011**	**31/12/2010**
2011	27,883	24,028	36,038	31,772
2012	9,116	8,964	14,295	14,338
2013	20,173	20,011	22,384	21,964
2014	5,946	5,819	6,509	6,369
2015 to 2021	38,351	38,403	40,310	40,295
	101,469	97,225	119,536	114,738

Liabilities

	Parent Company		Consolidated	
	31/03/2011	**31/12/2010**	**31/03/2011**	**31/12/2010**
Temporary differences				
Accelerate depreciation under Law No. 11774/2008	8,181	8,181	8,696	8,696
Amortization of goodwill on merged investment for tax purposes	18,565	7,426	18,565	7,426
Difference between book and tax depreciation	2,328	-	2,503	-
Property, plant and equipment's deemed cost	80,504	85,839	85,317	90,934
Derivative transactions	1,702	1,355	2,001	1,353
	111,280	102,801	117,082	108,409

According to projections of the Company's management, the deferred income and social contribution taxes classified as non-current liabilities as of and 31 March 2011 and 31 December 2010 will be settled in the following terms:

	Parent Company		Consolidated	
Year	**31/03/2011**	**31/12/2010**	**31/03/2011**	**31/12/2010**
2011	11,765	15,729	12,880	16,762
2012	12,159	11,634	12,966	12,390
2013	9,593	9,593	9,943	9,943
2014	8,012	8,012	8,286	8,286
2015 to 2021	69,751	57,833	73,007	61,028
	111,280	102,801	117,082	108,409

d. Breakdown of the balance of social contribution tax payable pursuant to Law No. 11.774/08

The Company is utilizing the tax credit established by Law No. 11051/2004, modified by Law No. 11774/08, 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 realization of these credits:

	Parent Company		Consolidated	
Year	**31/03/2011**	**31/12/2010**	**31/03/2011**	**31/12/2010**
2011	1,522	1,522	1,574	1,574
2012	2,411	2,411	2,568	2,568
2013	3,075	3,075	3,328	3,328
2014	-	-	276	276
2015	2,830	2,830	3,179	3,159
	9,838	9,838	10,925	10,905

11 Investments in subsidiaries and jointly-controlled entities

	Ownership interest (%)	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Shareholders' equity (deficit)	Net income (loss)	Investments	Equity in earnings (losses)	Ownership interest devaluation allowance
31 March 2010												
Subsidiaries												
MAHLE Metal Leve Miba Sinterizados Ltda	70,00	43,029	44,346	87,375	14,683	20,555	35,238	52,137	2,145	36,496	1,501	-
MAHLE Argentina S.A.	98,16	54,611	27,716	82,327	44,562	1,446	46,008	36,319	(1,233)	35,651	(1,210)	-
MAHLE Metal Leve GmbH	100,00	4,671	9,198	13,869	3,690	-	3,690	10,179	857	10,179	857	-
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	60,00	2,172	401	2,573	4,806	-	4,806	(2,233)	(250)	-	-	(1,340)
Jointly-controlled companies												
MAHLE HIRSCHVOGEL FORJAS S.A. (*)	51,00	45,221	45,914	91,135	40,182	41,271	81,453	9,682	285	4,938	145	-
Grand total		149,704	127,575	277,279	107,923	63,272	171,195	106,084	1,804	87,263	1,293	(1,340)
31 December 2010												
Subsidiaries												
MAHLE Metal Leve Miba Sinterizados Ltda	70,00	47,324	44,649	91,973	24,170	25,155	49,325	42,649	3,023	29,854	3,530	-
MAHLE Argentina S.A.	98,16	66,342	33,966	100,308	57,324	754	58,078	42,230	8,014	41,453	7,867	-
MAHLE Metal Leve GmbH	100,00	74,790	6,519	81,309	71,410	-	71,410	9,899	1,885	9,899	1,885	-
MAHLE Handelsges. mbH	100,00	11,927	-	11,927	10,539	596	11,135	792	143	792	143	-
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	60,00	2,606	520	3,126	6,734	-	6,734	(3,608)	(1,626)	-	-	(2,165)
Jointly-controlled companies												
MAHLE HIRSCHVOGEL FORJAS S.A. (*)	51,00	22,371	22,448	44,819	20,908	22,493	43,401	2,780	(6,617)	1,418	(3,375)	-
Grand total		225,360	108,102	333,462	191,085	48,998	240,083	94,742	4,822	83,416	10,050	(2,165)
31 March 2011												
Subsidiaries												
MAHLE Metal Leve Miba Sinterizados Ltda	70,00	44,229	43,916	88,145	21,983	22,283	44,266	43,879	1,231	30,715	861	-
MAHLE Argentina S.A.	98,16	74,885	31,832	106,717	62,871	2,504	65,375	41,342	903	40,581	886	-
MAHLE Metal Leve GmbH	100,00	87,101	6,648	93,749	83,338	283	83,621	10,128	661	10,128	661	-
MAHLE Handelsges. mbH	100,00	16,257	-	16,257	14,097	1,129	15,226	1,031	1,961	1,031	1,961	-
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	60,00	2,741	506	3,247	7,084	-	7,084	(3,837)	(229)	-	-	(2,303)
Jointly-controlled companies												
MAHLE HIRSCHVOGEL FORJAS S.A. (*)	51,00	44,209	45,204	89,413	38,293	48,124	86,417	2,996	216	1,528	110	-
		269,422	128,106	397,528	227,666	74,323	301,989	95,539	4,743	83,984	4,479	(2,303)

(*) Jointly-controlled entities

The Company monitors the risk of continuity of its subsidiaries (especially in Argentina) due to the sharp drop in the transactions performed as from the first six-month period of 2009 basically caused by a slowdown of the global economy.

MAHLE ARGENTINA S.A.

As mentioned in note 13, the Company recognized an impairment loss in 2010 for the goodwill paid upon the acquisition of the subsidiary.

MAHLE METAL LEVE GMBH

As from the second quarter of 2010 the operations of indirect subsidiary MAHLE Metal Leve International NV were transferred to direct subsidiary MAHLE Metal Leve GmbH due to a review of the group's shareholding structure conducted by the subsidiary's management. Indirect subsidiary MAHLE Metal Leve International NV remains open.

MAHLE HANDELSGES. MBH

On 31 October 2010, upon the acquisition of investee MAHLE Participações Ltda. and subsequent merger at the same date, the Company assumed the control of MAHLE Handelsges. mbH and indirect subsidiary MAHLE Sud America NV. The operations of indirect subsidiary MAHLE Sud America NV were transferred to direct subsidiary MAHLE Handelsgesellschaft mbH due to the review of the group’s shareholding structure defined by the subsidiary’s management. Indirect subsidiary MAHLE Sud America NV remains open but without operating for at least five years.

MAHLE FILTROIL INDÚSTRIA E COMÉRCIO DE FILTROS LTDA.

As of 31 March 2010, the shareholders deficit of MAHLE Filtroil Indústria e Comércio de Filtros Ltda. amounting to R$2,303 (R$2,165 as of 31 December 2010) is recorded in non-current liabilities under the caption “Provision for shareholders' deficit - subsidiaries”.

Various lawsuits about the business, financial and administrative management have been filed since June 2009 involving the subsidiary’s 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 subsidiary’s deficit.

The Company in turn, as mentioned in note13, recognized an impairment loss for the goodwill paid on the acquisition of the subsidiary in 2009.

On 31 December 2010 the parent company incurred a loss in equity accounted investees related toits investment in MAHLE Filtroil Ind. e Com. de Filtros Ltda. for the indebtedness assumed by the parent company as full guarantor.

MAHLE HIRSCHVOGEL FORJAS S.A.

In April 2009 the Company acquired 3.73% of the subsidiary. This acquisition was based on preferred shares of the former shareholders of MAHLE Hirschvogel Forjas S.A. which were acquired and not transferred to regularize the sellers' estate at the time, provided for by contract and under a set price. This generated goodwill recognized on account of the subsidiaries of R$1,067.

MAHLE METAL LEVE MIBA SINTERIZADOS LTDA.

At a meeting held on 28 December 2010, by decision of MAHLE Metal Leve Miba Sinterizados Ltda.'s shareholders, the distribution of profit reported in the balance sheet as of 31 December 2009 was approved, taken out from the retained earnings account, amounting to R$5,183. The Company is entitled to the amount of R$3,628.

At a meeting held on 20 April 2010, by decision of MAHLE Metal Leve Miba Sinterizados Ltda.'s shareholders, the distribution of profit reported in the balance sheet as of 31 December 2009 was approved, taken out from the retained earnings account, amounting to R$5,183. MAHLE Metal Leve S.A. is entitled to the amount of R$3,628, whose payment was made on 8 July 2010.

12 Property, plant and equipment

	Parent Company								
	Plots of land	Buildings and constructions	Machinery, equipment & facilities	Furniture and fixtures	Transportation goods	Construction in progress	Advances to suppliers	(-) Allowance for losses on property, plant & equipment	Total
Balance as of 31 December 2009	41,033	112,356	422,912	7,120	5,132	8,093	3,664	(3,796)	596,514
Acquisition	-	1,050	42,923	566	2,513	(4,343)	7,641	(4,201)	46,149
Write-offs	-	(44)	(516)	(11)	(379)	(117)	402	-	(665)
Transfer	-	(246)	144	49	53	-	-	-	-
Depreciation/Amortization	-	(4,430)	(68,749)	(1,054)	(1,754)	-	-	-	(75,987)
Depreciation (deemed cost and fair value)	-	(1,248)	(40,523)	(378)	(213)	-	-	-	(42,362)
Merger of MAHLE Participações Ltda.	14,550	51,045	69,453	1,034	811	117	602	(124)	137,488
Balance as of 31 December 2010	55,583	158,483	425,644	7,326	6,163	3,750	12,309	(8,121)	661,137
Total cost	55,583	236,017	1,573,026	26,641	21,749	3,750	12,309	(8,121)	1,920,954
Accumulated depreciation	-	(77,534)	(1,147,382)	(19,315)	(15,586)	-	-	-	(1,259,817)
Residual amount	55,583	158,483	425,644	7,326	6,163	3,750	12,309	(8,121)	661,137
Acquisition	-	551	13,521	32	56	(674)	(2,209)	(263)	11,014
Write-offs	-	-	(42)	(1)	(52)	-	-	-	(95)
Transfer	-	(383)	216	9	(68)	-	-	-	(226)
Depreciation/Amortization	-	(1,352)	(13,411)	(292)	(502)	-	-	-	(15,557)
Depreciation (deemed cost and fair value)		(352)	(14,928)	(110)	(71)	-	-	-	(15,461)
Merger of MAHLE Participações Ltda.									
Balance as of 31 March 2011	55,583	156,947	411,000	6,964	5,526	3,076	10,100	(8,384)	640,812
Total cost	55,583	236,184	1,568,465	26,676	21,469	3,076	10,100	(8,384)	1,913,169
Accumulated depreciation	-	(79,237)	(1,157,465)	(19,712)	(15,943)	-	-	-	(1,272,357)
Residual amount	55,583	156,947	411,000	6,964	5,526	3,076	10,100	(8,384)	640,812

	Consolidated								
	Plots of land	Buildings and constructions	Machinery, equipment & facilities	Furniture and fixtures	Transportation goods	Construction in progress	Advances to suppliers	(-) Allowance for losses on property, plant & equipment	Total
Balance as of 31 December 2009	47,946	123,900	481,649	8,490	5,986	10,032	6,695	(3,796)	680,902
Acquisition	-	1,257	53,520	728	3,117	(5,279)	12,115	(4,274)	61,184
Write-offs	(98)	(527)	(745)	(12)	(433)	(117)	402	-	(1,530)
Transfer	20	(232)	181	(91)	122	-	-	-	-
Depreciation/Amortization	-	(4,738)	(79,571)	(1,204)	(2,132)	-	-	-	(87,645)
Depreciation (deemed cost and fair value)	-	(2,900)	(42,208)	(615)	(213)	-	-	-	(45,936)
Merger of MAHLE Participações Ltda.	14,550	51,045	69,452	1,034	812	117	602	(124)	137,488
Exchange rate variation	(47)	(189)	(1,556)	(25)	(35)	(21)	(177)	-	(2,050)
Balance as of 31 December 2010	62,371	167,616	480,722	8,305	7,224	4,732	19,637	(8,194)	742,413
Total cost	62,371	253,503	1,745,705	29,968	24,328	4,732	19,637	(8,194)	2,132,050
Accumulated depreciation	-	(85,887)	(1,264,983)	(21,663)	(17,104)	-	-	-	(1,389,637)
Residual amount	62,371	167,616	480,722	8,305	7,224	4,732	19,637	(8,194)	742,413
Acquisition	-	603	14,376	33	70	(1,037)	(1,115)	(261)	12,669
Write-offs	-	-	(55)	(1)	(52)	-	-	-	(108)
Transfer	-	(415)	957	(163)	(68)	-	-	-	311
Depreciation/Amortization	-	(1,427)	(15,789)	(325)	(594)	-	-	-	(18,135)
Depreciation (deemed cost and fair value)	-	(765)	(15,572)	(110)	(72)	-	-	-	(16,519)
Exchange rate variation	(19)	(77)	(742)	(8)	(14)	(30)	(120)	-	(1,010)
Balance as of 31 March 2011	62,352	165,535	463,897	7,731	6,494	3,665	18,402	(8,455)	719,621
Total cost	62,352	253,573	1,740,362	29,136	24,056	3,665	18,402	(8,455)	2,123,091
Accumulated depreciation	-	(88,038)	(1,276,465)	(21,405)	(17,562)	-	-	-	(1,403,470)
Residual amount	62,352	165,535	463,897	7,731	6,494	3,665	18,402	(8,455)	719,621

Deemed cost

The Company has chosen to adopt the deemed cost by adjusting opening balances on the transition date as of 1 January 2009 for comparison purposes, as allowed by ICPC10/ CPC27 (IFRS 1).

Fair values used for adopting the deemed cost valuation method were estimated by internal experts (engineers) with experience and technical/professional skills for valuing the Company's assets. In order to perform such work, internal experts have considered information regarding the utilization of valued goods, ongoing and performed IT modifications and their operating economic environment, taking into account the planning and other peculiarities of the Company's business. As a part of applying the deemed cost valuation method, the Company has evaluated certain property, plant and equipment classes for purposes of deemed cost adoption as of 1 January 2009. In addition, a review of its estimated useful life and residual value was made. The estimated useful lives of assets recorded in property, plant and equipment before and after such review are highlighted in this note.

The effects caused by valuing these asset classes using the deemed cost method were as follows as of 1 January 2009:

	Parent Company		Consolidated	
	Book value	**Fair value**	**Book value**	**Fair value**
Plots of land	6,122	41,033	7,598	48,221
Buildings and constructions	82,664	118,013	89,111	132,739
Machinery, equipment and facilities	292.206	489,589	346,249	551,638
Furniture and fixtures	6,268	8,280	7,451	10,276
Transportation goods	5,272	5,930	6,448	7,095
Construction in progress	2,930	2,930	17,307	17,307
Advances to suppliers	20,863	20,863	24,659	24,659
Allowance for losses on property, plant and equipment	(3,574)	(3,574)	(3,574)	(3,574)
Total	412,751	683,064	495,249	788,361

The valuation report was issued by experts on 30 December 2010 and approved on the same date by the Company's management and Board of Directors, as required by by-laws.

Changes in deemed cost

	Parent Company					
	31/12/2009	Merger	Depreciation - deemed cost	31/12/2010	Depreciation - deemed cost	31/03/2011
Plots of land	34,911	14,171	-	49,082	-	49,082
Buildings and constructions	34,417	38,193	(1,248)	71,362	(352)	71,010
Machinery, equipment & facilities	152,003	18,964	(40,523)	130,444	(14,928)	115,516
Furniture and fixtures	1,619	177	(378)	1,418	(110)	1,308
Transportation goods	359	14	(213)	160	(71)	89
	223,309	71,519	(42,362)	252,466	(15,461)	237,005

	Consolidated					
	31/12/2009	Merger	Depreciation - deemed cost	31/12/2010	Depreciation - deemed cost	31/03/2011
Plots of land	40,623	14,171	-	54,794	-	54,794
Buildings and constructions	40,966	38,193	(2,584)	76,575	(765)	75,810
Machinery, equipment & facilities	157,913	18,964	(40,625)	136,252	(15,572)	120,680
Furniture and fixtures	2,008	177	(607)	1,578	(110)	1,468
Transportation goods	359	14	(210)	163	(72)	91
	241,869	71,519	(44,026)	269,362	(16,519)	252,843

Depreciation method

The Company uses the straight-line depreciation method, which went through a review as a result of the first time adoption of CPC 27 (deemed cost); however, no significant changes have been found. Therefore, depreciation rates and the useful lives of assets remained the same, as stated below:

	Estimated useful life (in years)	Annual depreciation rate
Plots of land	Not measurable	-
Buildings and constructions	25 years	4%
Machinery, equipment and facilities	5 to 10 years	10-20%
Furniture and fixtures	10 years	10%
Transportation goods	5 years	20%

Temporarily inactive property, plant and equipment

The Company shuts down all property, plant and equipment which are not used and accrue provisions for those with no expected return.

	Parent Company		Consolidated	
	31/03/2011	**31/12/2010**	**31/03/2011**	**31/12/2010**
Total property, plant and equipment	640,812	661,137	719,623	742,413
Inactive property, plant and equipment	15,650	10,491	15,744	10,565
Provision for impairment	(8,384)	(8,121)	(8,456)	(8,194)

Construction in progress and advances to suppliers

Construction in progress and advances to suppliers as of 31 March 2011 and 31 December 2010 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 subsidiaries' industrial complex. Among the ongoing projects are investments in projects to increase capacity, optimize industrial processes and modernize industrial plants.

Collateral

The Consolidated financial statements pledged property, plant and equipment items as collateral for loans and financings and tax lawsuits in the amount of R$66,938 on 31 March 2011 and 31 December 2010. All these items are machinery and equipment.

13 Intangibles assets

	Annual amortization rates (%)	Parent Company		Consolidated	
		31/03/2011	31/12/2010	31/03/2011	31/12/2010
Goodwill on the merged of subsidiaries (technology transfer):					
T.C.V. Ind. e Com. de Peças Automotivas Ltda.	-	6,674	6,674	6,674	6,674
MAHLE Participações Ltda.	-	597,824	597,824	597,824	597,824
Goodwill on the acquisition of subsidiaries:					
MAHLE Argentina S.A.	-	47,159	47,159	50,362	50,244
MAHLE HIRSCHVOGEL FORJAS S.A.	-	35,755	35,755	35,755	35,755
Expenses on software acquisition and installation	20	37,687	37,482	39,811	39,594
Trademarks and patents	-	4,741	4,741	4,981	4,995
Others	0-20	4,955	4,954	10,084	10,302
Allowance for losses on intangibles assets		(334)	(334)	(574)	(583)
		734,461	734,255	744,917	744,805
Accumulated amortization		(38,277)	(37,719)	(43,925)	(43,270)
		696,184	696,536	700,992	701,535

Statement of changes in intangibles assets

	Parent Company				
	Goodwill on the acquisition of subsidiaries (merged or not)	Expenses on software acquisition and installation	Trademarks and patents	Other	Total
Balance as of 31 December 2009	96,828	6,846	4,677	4,012	112,363
Additions	597,824	1,619	-	-	599,443
Amortization	(368)	(1,865)	-	(19)	(2,252)
Impairment losses	(12,390)	-	-	-	(12,390)
Others	(1,032)	548	64	(208)	(628)
Balance as of 31 December 2010	680,862	7,148	4,741	3,785	696,536
Additions	-	207	-	(57)	150
Amortizations	(10)	(492)	-	-	(502)
Balance as of 31 March 2011	680,852	6,863	4,741	3,728	696,184

	Consolidated				
	Goodwill on the acquisition of subsidiaries (merged or not)	**Expenses on software acquisition and installation**	**Trademarks and patents**	**Other**	**Total**
Balance as of 31 December 2009	103,078	7,279	4,677	4,013	119,047
Additions	597,800	1,841	-	-	599,641
Amortization	(1,504)	(2,051)	-	(19)	(3,574)
Exchange rate losses	(540)	(5)	(12)	-	(557)
Impairment losses	(12,390)	-	-	-	(12,390)
Others	(1,142)	548	174	(212)	(632)
Balance as of 31 December 2010	685,302	7,612	4,839	3,782	701,535
Additions	-	250	-	-	250
Amortization	(271)	(523)	-	(57)	(851)
Exchange rate losses	63	(5)	-	-	58
Others	98	-	(98)	-	-
Balance as of 31 March 2011	685,192	7,334	4,741	3,725	700,992

Provision for impairment

In 2010, loss of recoverability of assets was identified and recorded for the totality of the goodwill of subsidiary MAHLE Argentina S.A., amounting to R$12,390.

This loss assessed in 2010 results from alteration in the planning of future sales, including alteration of the product mix to be sold, as well as the need for additional investments in order to adjust the Company's production to the future sales planning, which directly affect the cash flow in the coming years.

The amounts of the provision for losses were recorded in the Statement of Income under line item "Other net operating Revenues/(Expenses)".

- These assets were recorded based on the perspective of future profitability of the acquired controlled subsidiaries, which the operating segments are MAHLE Argentina S.A. (Engine Components) and MAHLE Filtroil Ind. e Com. de Filtros (Filters).

- The recoverable amount was determined based on the amount in use. Management used budgetary projections based on future profitability associated with the activities of the controlled subsidiary, using the discounted cash flow methodology, based on the year 2010. The projective period assumed is of five years and considers as the residual amount a perpetuity calculated based on the normalized cash flow of the last year of the projective period. The projections were conducted on nominal terms and contemplated, in addition to the growth rates of the volume of sales, the restatements of prices by inflation.

- The principal rates used for determination of the value of the subsidiary through the discounted cash flow method were:

Year	2010	2011	2012	2013	2014	2015	Ending Value
Risk free rate	3.30%	3.30%	3.30%	3.30%	3.30%	3.30%	3.30%
Risk premium	9.75%	9.75%	9.75%	9.75%	9.75%	9.75%	9.75%
Cost of debt	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Market premium	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Unleveraged Beta	0.80	0.80	0.80	0.80	0.80	0.80	0.80
Market premium + Risk premium) x beta factor	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%
Adjusted – unleveraged risk rate	14.30%	14.30%	14.30%	14.30%	14.30%	14.30%	14.30%

For the other goodwill of the Company no impairment losses were identified.

14 Acquisition of companies followed by absorption

At an Extraordinary Shareholders' Meeting (local acronym AGE) held on 30 November 2010, approval was given by means of voting exclusively by the minority shareholders for the full acquisition of 6,350,469,992 shares of MAHLE Participações Ltda. ("MAHLE Par"), which were held by MAHLE Industriebeteiligungen GmbH (indirect controller of the company), dated retroactively to 31 October 2010.

MAHLE Par, before being acquired by the Company merged its investment in MAHLE Componentes de Motores do Brasil Ltda. ("MBR"), which operated in the sector of manufacture and commercialization of parts for combustion engines, having piston rings as its main product.

This acquisition by the Company contemplates a number of expected benefits, such as the acquisition of the list of customers and relationships with customer of MBR's segment of operation and synergies with the maximization of revenues, increase of efficiency and competiveness for future development of the markets, as well as reduction of financial, technical and operating costs. It was not possible to recognize these benefits separately from the goodwill because they could not be controlled and segregated to the point of being sold, transferred, licensed, leased or exchanged individually or jointly with any related agreement, according to Technical Pronouncement CPC 04R1 - Intangible Assets.

The acquisition value, or fair value, of the business of R$818,000 was assessed based on valuation reports by independent specialists corresponding to the acquisition of 100% of the shares issued by MAHLE Par held by MAHLE Industriebeteiligungen GmbH. Payment was effected as follows: i) payment on 14 December 2010 of R$204,500; and ii) capitalization of the debt of R$613,500 by means of 12,315,930 common registered shares with no par value, issued, subscribed and paid by MAHLE Industriebeteiligungen GmbH.

The accounting goodwill assessed in this acquisition, amounting to R$597,824, represented by the difference between the value of the net asset transferred from the liabilities assumed at fair value, compared with the acquisition value, is based on the valuation reports of independent specialists and recorded as intangible assets, in which it is not amortized, and is subject to the annual recoverability test in compliance with Technical Pronouncement CPC 01.

The fair values of identifiable net assets are related to the fixed assets and inventories amounting to R$47,202 and R$9,504, net of taxes, respectively. The other balances are shown at fair value on the date of the acquisition. In the assessment of the company, there were no agreements for contingent consideration and modernization assets. The Company has up to one year after acquisition to reassess this allocation at fair value to identifiable assets.

On the same date as the AGE, the shareholders of the Company resolved, with effects retroactive to 31 October 2010, on the merger into the Company of the net equity of control subsidiary MAHLE Par, based on an accounting assessment supported by a report issued by independent experts. This restructuring absorbed the benefits deriving from the abovementioned acquisition.

The amount of the net equity of controlled subsidiary MAHLE Par absorbed by the Company, valued on base date 31 October 2010, was of R$163,470 and consists of the following:

Current Assets	**31/10/2010**
Cash and cash equivalents	221,153
Accounts receivable	67,816
Recoverable taxes	4,140
Inventories	36,747
Unrealized gains with derivatives	2,165
Other accounts receivable	3.082
Total current assets	335,103
Deferred income and social contribution taxes	19,974
Other accounts receivable	2,057
Investments in subsidiaries	1,625
Property, plant and equipment	65,970
Intangible assets	612
Total long-term assets	112,359
Total assets	425,341
Current liabilities	
Loans and financings	17,272
Trade accounts payable	25,446
Salaries, vacation pay and social obligation	17,918
Intercompany payables	6,043
Sundry provisions	11,115
Unrealized losses with derivatives	1,518
Other accounts payable	1,694
Total current assets	81,006
Loans and financings	130,815
Provision for contingencies	48,395
Other accounts payable	1,655
Total long-term liabilities	180,865
Shareholders' equity	163,470
Total liabilities and shareholders' equity	425,341

The eliminations of the balances payable and receivable between MAHLE Par and the Company and of the corporate investment were considered when recording of the adjustments of the absorption of the net equity, as required by accounting practices adopted in Brazil.

The tax goodwill for future deductible profitability purposes of assessment of Income Tax and Social Contribution, amounting to R$654,530, will be amortized over a period of 5 years. In 2010, the Company initiated the amortization of this goodwill as described in explanatory note 10a.

The following presents the goodwill for tax and accounting purposes, established on 31 October 2010:

	31/10/2010
Amount of the acquisition (fair value)	818,000
(-) Book value of the net equity of the merged company	(163,470)
(=) Tax goodwill	654,530
(-) Fair value of the absorbed assets and liabilities	
Inventories	(14,400)
Fixed assets	(71,519)
	(85,919)
(+) Deferred tax liabilities	29,213
(=) Goodwill	597,824

15 Trade accounts payable

	Parent Company		**Consolidated**	
	31/03/2011	31/12/2010	31/03/2011	31/12/2010
Local	59,753	53,671	71,080	63,917
Foreign	10,454	8,231	14,906	13,874
	70,207	61,902	85,986	77,791

Commitments assumed

On 31 March 2011 the Company its subsidiaries had bank letters of guarantee with various maturities for guarantee of supply of electric power, judicial proceedings and supply of imported raw materials, as per the table below:

	Parent Company		Consolidated	
	31/03/2011	**31/12/2010**	**31/03/2011**	**31/12/2010**
Judicial proceedings	2,866	2,672	2,866	2,672
Electric power	2,087	-	3,802	3,757
Suppliers (raw materials)	7,844	8,200	7,844	8,200
	12,797	10,872	14,512	14,629

Loans and financings

	Parent Company		Consolidated	
Financial charges	**31/03/2011**	**31/12/2010**	**31/03/2011**	**31/12/2010**
Local currency				
BNDES-Finame (TJLP interest + interest of 10.50% to 11.50% p.a.)	248	345	248	345
BNDES-Finame (TJLP interest + interest of 1.00% to 4.50% p.a.)	406	543	406	543
BNDES-Finem (TJLP interest + 1.40% to 2.30% p.a.)	30,434	32,925	30,434	32,925
BNDES - Exim. (interest of 4.50% p.a.)	531,058	533,415	549,559	551,917
Leasing (interest from 12.42% to 24.83% p.a.)	-	-	502	637
Overdraft protection (annual interest of 116.00% to 138.50% of the CDI)	-	-	6,194	5,782
CCB - Bank Credit Certificate (annual interest of 111% to 138.50% CDI)	-	-	11,510	14,813
Others	541	1,265	544	1,265
Foreign currency				
FINIMP - (Euribor + interest 1.00% to 2.70% p.a.)	-	-	579	688
FINIMP - (interest of 5.25% p.a.)	-	-	200	191
ACC/ACE - (interest of 1.90% to 7.89% p.a.)	-	-	19,998	14,461
Working Capital - (interest of 13.00% to 19.50% p.a.)	-	-	15,460	10,643
Working Capital - (interest foreign exchange var. + 4.31% to 8.0% p.a.)	-	-	3,304	3,356
	562,687	568,492	638,939	637,565
Current	(184,026)	(119,204)	(242,410)	(168,621)
Long-term	378,661	449,288	396,529	468,944

The Company's Management is permanently engaged with the financial institutions in the sense of seeking competitive sources for the financing of its operations.

The amounts related to long-term liabilities have the following composition per year of maturity:

	Parent Company		Consolidated	
	31/03/2011	**31/12/2010**	**31/03/2011**	**31/12/2010**
2012	245,139	315,766	257,569	326,508
2013	127,146	127,146	132,585	132,560
2014	2,250	2,250	2,250	5,750
2015	2,250	2,250	2,250	2,250
2016	1,876	1,876	1,876	1,876
	378,661	449,288	396,530	468,944

Commitments assumed

The financing transactions in the Finem (Venture Financing) were obtained for acquisition of machinery and equipment, are guaranteed by personal/corporate endorsements of the Executive Board, with maturity on 15 October 2013 with Banco do Brasil S.A. and chattel mortgage of the financed assets. These agreements have early maturity clauses mainly related to the non-accomplishment of the project and/or acquisition of the asset that is subject-matter of the financing.

In the BNDES-Exim (National Economic and Social Development Bank-Export Incentive Program) there are early maturity clauses mainly related to the application of the funds granted for a purpose other than what is provided in the Agreements for Opening of Credit Facilities with the financial institution. There are no guarantees pledged for the financing of working capital and BNDES-Exim.

The Company does not show any situation of non-compliance with the contractual clauses of the BNDES-Finame (Government Agency for Machinery and Equipment Financing), BNDES-Exim, BNDES-Finem and Working Capital based on the financial statements for 31 March 2011 and 31 December 2010.

Schedule of the evidenced shipments (BNDES - EXIM)

Date of Agreement	Maturity of Evidences	No. Agreement	Financial Charged p.a.	Amount of the Agreement (TBRL)	Amount of the Agreement (TUSD)	Performance (Evidences - TUSD) 2010	1st Quarter/2011	Balance to be Performed
07/04/09	15/03/11	89090014	TJLP + 2,30%	44,504	20,000	-	-	-
23/06/09	15/07/12	89090020	TJLP + 3,00%	40,975	20,000	6,728	-	-
16/07/09	15/08/12	9091000	4.50%	48,818	25,000	25,000	-	-
16/07/09	15/08/12	09/4170	4.50%	39,054	20,000	20,000	-	-
16/07/09	15/08/12	35290960	4.50%	58,581	30,000	30,000	-	-
16/07/09	15/08/12	89090072	4.50%	78,109	40,000	40,000	-	-
04/06/10	15/06/13	2010039	4.50%	40,074	21,784	21,784	-	-
04/06/10	15/06/13	60476884	4.50%	100,184	54,460	54,460	-	-
04/06/10	15/06/13	10408006	4.50%	11,020	5,991	5,991	-	-
04/06/10	15/06/13	119/2010	4.50%	10,018	5,446	5,446	-	-
			4.50%					
16/07/09	15/08/12	35291080	4.50%	26,178	13,480	-	-	-
16/07/09	15/08/12	9091002	4.50%	38,840	20,000	13,309	-	-
04/06/10	15/06/13	89100093	4.50%	57,000	31,042	31,042	-	-
04/06/10	15/06/13	118/2010	4.50%	10,000	5,446	5,446	-	-
04/06/10	15/06/13	76171-8	4.50%	15,000	8,169	8,170	-	-
Company				**618,355**	**320,818**	**267,377**		**-**
22/07/09	15/08/12	35291180	4.50%	11,489	6,000	6,000		-
09/06/10	15/06/13	89100103	4.50%	7,013	3,752	2,104	1,648	-
Consolidated				**636,857**	**330,570**	**275,481**	**1,648**	

All of the loans under the BNDES-Exim category obtained by the Company had the totality of their shipments evidenced.

TBRL = thousands of *Reais*
TUSD = thousands of US dollars

16 Payroll and social charges

	Parent Company		Consolidated	
	31/03/2011	**31/12/2010**	**31/03/2011**	**31/12/2010**
Vacation pay	43,280	31,669	49,622	37,298
Social obligation	11,451	13,022	14,193	16,409
Employees' profit sharing	27,367	27,589	29,537	29,524
	82,098	72,280	93,352	83,231

17 Sundry provisions

Parent Company

Provision	31/12/2009	Reversal	Payment	Addition	Merger	31/12/2010	Reversal	Payment	Addition	31/03/2011
Losses with agreements	16,033	-	(1,073)	5,565	3,993	24,518	-	-	-	24,518
Quality control	1,250	(1,549)	(378)	2,474	3,681	5,478	(720)	(199)	551	5,110
Comercial price rebate	2,842	-	(3,114)	5,260	-	4,988	-	(1,396)	939	4,531
Restructuring	4,946	-	(2,370)	277	-	2,853	-	(141)	-	2,712
Electric power	-	(15,989)	-	18,311	2,073	4,395	(10,998)	-	8,659	2,056
Employees'' benefits	-	-	(1,481)	969	512	-	-	-	574	574
Others	-	-	-	3,617	(2)	3,615	-	-	279	3,894
	25,071	(17,538)	(8,416)	36,473	10,257	45,847	(11,718)	(1,736)	11,002	43,395

Consolidated

Provision	31/12/2009	Foreign exchange variance cambial	Reversal	Payment	Addition	Merger	31/12/2010	Foreign exchange variance cambial	Reversal	Payment	Addition	31/03/2011
Losses with agreements	16,882	-	(1,127)	-	6,962	3,993	26,710	-	-	-	-	26,710
Quality control	2,187	(20)	(1,704)	(1,333)	4,768	3,681	7,579	(28)	(808)	(339)	551	6,955
Comercial price rebate	2,842	-	-	(3,114)	5,260	-	4,988	-	-	(1,396)	939	4,531
Restructuring	4,980	(3)	-	(2,401)	277	-	2,853	-	-	(141)	-	2,712
Electric power	293	(7)	(15,989)	(1,029)	19,270	2,073	4,611	(7)	(11,148)	-	9,022	2,478
Employees benefits	-	-	-	-	-	-	-	-	-	-	617	617
Royalties and patents	-	-	(8)	(1,605)	1,101	512	-	-	-	-	-	-
Accounts payable	-	(14)	-	(1,034)	3,429	-	2,381	(4)	(1,141)	(1,399)	3,655	3,492
Others	4,480	(124)	(2,084)	(3,081)	4,574	-	3,765	(54)	(152)	(24)	835	4,370
	31,664	(168)	(20,912)	(13,597)	45,641	10,259	52,887	(93)	(13,249)	(3,299)	15,619	51,865

Provision for losses with agreements

Accrued in an amount that is sufficient to cover the losses with sales agreements already executed and for the estimates of losses already expected, where Management has a prediction of incurring negative margins.

Provision for restructuring

Accrued in an amount that is sufficient to cover the expenditures relative to the project of relocation of the pistons production line.

18 Provision for warranties

The Company warrants for its customers the quality of its products, assuming liability for any replacements and repairs deriving from defects presented. Based on estimates that take into consideration the historical data concerning expenditures of this nature and the sales, among other factors, the Company recognizes the following provisions:

a. Provisions for warranties

Calculated on the sale of products, using as a base the historical percentages of expenditures.

b. Expenditures with warranties already identified

Concerns the cases already identified where the Company and its controlled subsidiaries estimate disbursement of funds for replacement and repair a products, including the so-called recalls.

	Parent Company									
	31/12/2009	Reversal	Payment	Addition	Merger	31/12/2010	Reversal	Addition	Merger	31/03/2011
Provisions for Warranty	3,572	(255)	-	1,099	819	5,235	(757)	-	-	4,478
Expenditures with warranties already identified	5,430	(18)	(378)	209	-	5,243	(74)	(1)	-	5,168
	9,002	(273)	(378)	1,308	819	10,478	(831)	(1)	-	9,646

	Consolidated												
	31/12/2009	Foreign exchange variance	Monetary restatement	Reversal	Payment	Addition	Merger	31/12/2010	Foreign exchange variance	Reversal	Addition	Merger	31/03/2011
Provisions for Warranty	4,139	(16)	-	(304)	-	1,337	819	5,975	(9)	(853)	-	8	5,121
Expenditures with warranties already identified	5,558	3	-	(150)	(378)	209	-	5,242	-	(74)	(1)	1	5,168
	9,697	(13)	-	(454)	(378)	1,546	819	11,217	(9)	(927)	(1)	9	10,289

19 Provisions for contingencies and legal obligations related to judicial proceedings

The Company is a party of civil, labor and tax proceedings and is discussion these matters both in the administrative and judicial spheres, which, when applicable, are supported by in-court deposits. The relevant provisions for contingencies have been accrued considering an estimate developed by the legal advisors, for the proceedings with a probability of loss in the relevant outcomes was assessed as probable and other non-related legal obligations.

On 31 March 2011 and 31 December 2010 the contingent risks, according to the opinion of the legal advisors, are described in the table below:

	Parent Company											
	31/12/2009	Additions	Updates	Write down due to use	Write down due to reversal	Merger	31/12/2010	Additions	Updates	Write down due to use	Write down due to reversal	31/03/2011
Civil and labor	68,218	25,615	9,792	(6,644)	(18,966)	19,657	97,672	8,159	3,310	(2,050)	(7,524)	99,567
Tax	18,743	6,746	852	(223)	-	30,336	56,454	-	738	-	-	57,192
Environmental contingencies	487	3,387	-	-	-	3,355	7,229	-	-	(200)	-	7,029
In-court deposits	(14,731)	(3,042)	-	2,586	1,156	(4,953)	(18,984)	(778)	-	1	698	(19,063)
	72,717	32,706	10,644	(4,281)	(17,810)	48,395	142,371	7,381	4,048	(2,249)	(6,826)	144,725

	Consolidated													
	31/12/2009	Additions	Updates	Write down due to use	Write down due to reversal	Exchange rate variation	Merger	31/12/2010	Additions	Updates	Write down due to use	Write down due to reversal	Exchange rate variation	31/03/2011
Civil and labor	70,053	28,326	10,120	(6,830)	(19,464)	(18)	19,657	101,844	8,606	3,448	(2,051)	(7,737)	(1)	104,109
Tax	27,670	7,419	1,683		(2,536)	(54)	30,336	64,518	8	740	-	(198)	(26)	65,042
Environmental contingencies	2,036	4,419	-	(872)	(32)	(24)	3,355	8,882	-	-	(309)	-	(4)	8,569
In-court deposits	(14,830)	(3,183)	-	2,631	1,158	-	(4,953)	(19,177)	(798)	-	1	698	-	(19,276)
	84,929	36,981	11,803	(5,071)	(20,874)	(96)	48,395	156,067	7,816	4,188	(2,359)	(7,237)	(31)	158,444

Civil contingencies are related to consumer relations, indemnity actions concerning representation and commercial distribution, service providers, on-the-job accidents and professional fees.

Labor contingencies consist mainly of claims by former employees concerning allowances deriving from employment relationship and miscellaneous indemnity claims.

Tax contingencies are related to PIS (Social Integration Program), Cofins (Social Contribution for Financing of Social Security), ICMS (State Value-Added Tax on Goods and Services), IPI (Federal Excise Tax on Manufactured Goods), IRPJ (Corporate Income Tax), CSLL (Social Contribution on Net Income), social security, royalties and drawbacks are basically represented by state and federal tax notices that may be in the process of judgment or not. They mainly relate to discussions as to proper construal of tax legislation.

Environmental contingencies substantially concern the projection of expenditures necessary to preserve environmental areas used by the Company.

The principal restatement indices for the contingencies are the Selic (Settlement and Custody System) rate and the monetary restatement indices provided by the Higher Labor Courts and the Higher Courts, when applicable.

Law suits with possible losses

On 31 March 2011 in addition to the abovementioned amounts, the amounts above did not include R$11,300 (R$10,948 on 31 December 2010) deriving from labor, civil and tax proceedings assessed by the Company's legal advisors as having a reduced possibility of loss (possible loss).

According to applicable legislation, the income tax returns delivered in the last five years are subject to review by the tax authorities. A number of other returns relative to federal and municipal taxes and contributions, social security contributions and other similar charges relative to variable periods are subject to review for various periods. However, in the opinion of the Management of the Company and of its controlled subsidiaries, all of the taxes and charges owed were paid or are being duly provisioned in the balance sheet and, on 31 March 2011 and 31 December 2010, there are no significant proceedings known as having been brought against the Company. Contingencies that could arise from any tax audits cannot be determined presently. As a consequence the Company has not accrued a provision for contingencies of this kind.

20 Joining the tax debt refinancing programme (Refis) established in Law no. 11941/09

Law No. 11941/09, among other provisions, established the federal tax debt installment payment programme, allowing taxpayers to pay in installments or in advance debts incurred in prior periods (including debts that were covered by previous installment payment programs).

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

The Company and its subsidiary MAHLE Metal Leve Miba Sinterizados Ltda. required the installment payment of the tax debts addressed by this law, including cases for which the Company and its subsidiary have an ongoing lawsuit. On 30 November 2009 the Company's and its subsidiary'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 Programme. Therefore, all accounting impacts of this payment were recognized in the consolidated financial statements as of 31 December 2009.

By joining the programme, the Parent Company and its subsidiary 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. 11941 mentioned above, the Company and its subsidiary made the required payments and went through the legal channels. The approval of the amounts and other conditions set for actually joining the programme depends on the conclusion of the administrative proceedings filed at the Brazilian Federal Revenue Service and the National Treasury Attorney General.

Parent 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

Mahle Hirschvogel Forjas S.A. (jointly-controlled company)

On 10 November 2009 the joint venture filed a request for paying in installments debts to the Federal Revenue Service (RFB) and the National Treasury Attorney General (PGFN) which had not been previously paid in installments.

Under PGFN/RFB Ordinance No. 6 of 2009 and with the joint venture's joining the tax debt installment programme established by Law No. 11.941/09, the jointly-controlled company started to monthly pay the minimum portion of one hundred Brazilian reais (R$100.00) until the Federal Revenue Service - RFB and the National Treasury Attorney General - PGFN consolidate and make the debts available so that the legal entities may opt for the debts that will be included in REFIS and for the number of installments 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. Brazilian Federal Revenue Service, together with the National Treasury Attorney General issued PGFN/RFB Joint Ordinance No. 3 on 29 April 2010 whereby taxpayers, in the period from 1 to 30 June 2010, must declare whether they wish to include their debt in the installment payment schemes mentioned above. However, Joint Ordinance No. 11 of 24 June 2010, changed by Joint Ordinance No. 13, of 2 July 2010, extended the period for opting to include debts in the installment payment scheme for 16 August 2010.

However, on 8 June 2010, the management of the jointly-controlled company decided to include all its debts in the tax debt installment payment programme established by Law No. 11.941/09. Therefore, the jointly-controlled company's management is waiting for the Federal Revenue Service and the National Treasury Attorney General to approve its request.

21 Shareholders'equity

At an Extraordinary Shareholders' Meeting held on 30 November 2010 an increase in share capital was approved to settle a debt due to the acquisition of all the shares of MAHLE Participações Ltda. (merged company) held by indirect parent company MAHLE Industriebeteilingungem GmbH. 25% of payment is in cash and 75% in common shares, to be issued by the Company in the total amount of 12,315,930 new common shares at the price of R$49.81353418 per share. The amount involved is R$613,500, increasing share capital from R$352,755 to R$966,255. At the same meeting, the conversion of all preferred shares issued by the Company into common shares was approved (see note 13.1).

Under the Obligation Agreement the Company assumes the commitment to list its shares on the New Market of the São Paulo Stock Exchange (BMF&Bovespa). If this is not made by 30 December 2011, MAHLE Industriebeteiligungen GmbH must pay compensation, through MAHLE Indústria e Comércio Ltda. (the Company's direct parent company) in the amount five Brazilian reais (R$5.00) per share, to non-controlling holders of the Company's shares.

a. Share capital

Subscribed and paid-in capital stock as of 31 March 2011 and 31 December 2010 is represented by 42,769,500 common shares, without par value:

Policies for distributing dividends and interest on equity capital Every fiscal year shareholders will be entitled to receive a minimum percentage of 25% of net income as dividends, considering mainly the following adjustments:

- Addition of the amounts resulting from the reversal of provisions for contingencies previously set up.

- Decrease in the amounts allocated to set up the statutory reserve and reserves for contingencies.

The by-laws allows the Company to prepare half-yearly or interim balance sheets and according to them, the Board of Directors may approve the distribution of interim dividends.

b. 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 realized share capital 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.

Profit reserve for expansion

The profit reserve is allocated to investments included in capital budget pursuant to article 196 of Brazilian Corporate Law. At the Annual Shareholders' Meeting held on 29 April 2011 the allocation of net income for the year ended 31 December 2010 in the amount of R$26,683 was approved to appropriated retained earnings to meet the investment demands for that year and the others.

The Annual Shareholders' Meeting held on 29 April 2010 approved the allocations of appropriated retained earnings in the amount of R$18,054.

c. Other comprehensive income

Cumulative translation adjustments

The Company recognizes the accumulated effect of the translation of its subsidiaries' financial statements which has accounting records in a functional currency different from the parent company's functional currency. These effects started to be recognized as from 1 January 2008, when CPC 02R2 (IAS 21) came into effect. This amount is recorded as "Other comprehensive income" in the statement of shareholders' equity, balance sheet and statement of comprehensive income".

This accumulated effect will be reversed to the year's net income (loss) as gain or loss only upon the sale or write-off of the investment.

Asset and liability valuation adjustments

The Company recognizes under this caption the effect of the asset and liability valuation adjustments related to the effective portion of gains or losses on hedging instruments under "cash flow hedging" whose amounts on 31 March 2011, net of taxes, were R$671 (R$3,464 as of 31 December 2010) and the adjustments due to the adoption of the deemed cost method to value property, plant and equipment on the date of transition to IFRS and CPCs (see note 12). The amounts recorded as asset and liability valuation adjustments are reclassified to income partially or totally, upon the sale of the assets they refer to. Regarding property, plant and equipment's deemed cost recorded as asset and liability valuation adjustment, its realization occurs according to the depreciation of the deemed cost in property, plant and equipment against retained earnings (according to item 26 of ICPC 10 Technical Interpretation).

22 Earnings per share

In compliance with CVM Resolution No. 636/2010, which approved CPC 41 Technical Pronouncement (IAS 33), the Company presents the following information about earnings per share. The weighted average of shares was recalculated retrospectively, considering the conversion of preferred shares into common shares, mentioned below, where applicable.

	Company		Consolidated	
	31/03/2011	**31/03/2010**	**31/03/2011**	**31/03/2010**
Numerator				
Net income available for shareholders	40,213	17,568	40,213	17,568
Denominator (in thousands of shares)				
Weight average number of shares	42,770	32,273	42,770	32,273
Basic and diluted earnings per share (in Brazilian reais)				
Common	0.94	0.54	0.94	0.54
Preferred	-	0.60	-	0.60

Basic earnings per share were calculated according to the period's net income attributable to the Company's controlling and non-controlling shareholders in the first quarter of 2011 and the respective weighted average number of common shares issued in this year and for 2010. Common and preferred shares with different rights were considered.

Calculation of the weighted average number of shares (denominator)

							31/03/2010
Period	**Common (a)**	**Preferred (b)**	**Adjustment factor (*)**	**Number of adjusted preferred shares (c = b x factor)**	**Shares after adjustment (a+c)**	**Days**	**Weighted average number of shares**
1.1.2010 a 31/03/2010	12,260,373	18,193,197	1.1	20,012,517	32,272,890	90	2,904,560,073

(*) Dividends paid to preferred shares are 10% higher than common shares.

During the quarters considered the dilutive effect does not apply because the Company has neither instruments convertible into shares nor share options or subscription warrants exercisable.

23 Net sales

	Parent Company		Consolidated	
	31/03/2011	**31/03/2010**	**31/03/2011**	**31/03/2010**
Gross sales for tax purposes	569,098	413,310	675,991	513,583
Sales deductions:				
Taxes on sales	(106,821)	(82,471)	(122,579)	(96,931)
Discounts and returns	(2,612)	(5,244)	(18,993)	(19,508)
Net sales	459,665	325,595	534,419	397,144

24 Cost of goods sold

Cost of goods sold is made up by raw material and the other material required to manufacturing our products. In the segment of engines, the main raw materials are metallic commodities, such as aluminium, nickel iron, pig iron, steel, copper, nickel, tin, silicon, magnesium, bronze and iron alloy and others. In the segment of filters, the main raw materials are resins, filter papers and activated carbon, among others. Other inputs in manufacturing of both components for engines and filters include electricity, fuel, natural gas, liquefied petroleum gas (LPG), plastic packing, wood, paper and cardboard.

This account also includes direct (e.g. factory workers) and indirect (e.g. maintenance areas, engineering and tooling) labor involved in our operating activities.

Under the account cost of goods sold the depreciation of machinery and equipment used in the production process is also accounted for.

25 Operating income (expenses)

The accounts of operating income (expenses) include the following items: (I) sales expenses, (ii) general and administrative expenses, (iii) expenses on development and technology, and (iv) other operating income (expenses).

26 Selling expenses

Sales expenses mainly include personnel expenses related to the sales team and sales commissions, freight, customs fees and advertising.

27 General and administrative expenses

General and administrative expenses are mainly made up by salaries, charges and benefits to administrative staff and outsourced services (e.g. accountants and lawyers). Additionally, profit sharing is also accounted for under this account, both for staff directly involved with the operating process and that of administrative areas.

28 Technology and product development expenses

Technology and product development expenses include: (i) Technology on the development of new technologies, such as the flex-fuel technology; (ii) expenses on the development of new products, such as new piston rings for low friction to reduce carbon emissions from combustion engines; (iii) expenses on the improvement of existing products; and (iv) the improvement of productive processes.

29 Net finance costs

	Parent Company		Consolidated	
	31/03/2011	**31/03/2010**	**31/03/2011**	**31/03/2010**
Financial expenses				
Interest	(6,530)	(5,341)	(8,332)	(6,850)
Monetary variation losses	(4,048)	(2,134)	(4,280)	(2,271)
Exchange rate losses	(3,184)	(2,084)	(8,630)	(4,554)
Other	(54)	(63)	(539)	(448)
	(13,816)	(9,622)	(21,781)	(14,123)
Financial revenues				
Interest	6,554	1,975	7,007	2,203
Monetary variation gains	46	85	50	85
Exchange rate gains	2,165	2,514	7,032	4,592
Other	57	30	60	33
	8,822	4,604	14,149	6,913
Subtotal of financial revenues (expenses)	(4,994)	(5,018)	(7,632)	(7,210)
Exchange rate gains on derivatives				
Derivative gains (Exports/Imports)	5,158	1,240	5,308	1,350
	5,158	1,240	5,308	1,350
Derivative losses on commodities	(3)	169	(3)	169
Subtotal on derivatives	5,155	1,409	5,305	1,519
Net finance costs	161	(3,609)	(2,327)	(5,691)

In the first quarter of 2011, the value of the gains of R$5,155 (R$1,409 as of 31 March 2010) (Parent Company) and R$5,305 (R$1,519 as of 31 March 2010) (Consolidated) on derivative transactions are due to the financial management policy adopted in 2007 as a hedge against fluctuations: (a) international commodity prices; (b) exchange rates of foreign-currency denominated assets and liabilities; and (c) futures contracts on export revenues, as mentioned in note 31.

30 Other operating revenues (expenses),net

	Parent Company		Consolidated	
	31/03/2011	**31/03/2010**	**31/03/2011**	**31/03/2010**
Other operating revenues				
Gains on the sales of assets	1,533	20	1,607	17
Recovered taxes	739	354	801	405
Recovery of losses on claims	-	70	-	-
Other revenues	21	236	354	715
	2,293	680	2,762	1,137
Other operating expenses				
Provision for contingencies and taxes	(635)	(3,409)	(868)	(3,533)
Provision for/Reversal of provision for product quality assurance	1,006	417	1,109	186
Provision for environmental liability	-	-	-	43
Sundry provisions/Reversal of sundry provisions	-	-	(252)	(283)
Provision for credit risk	(176)	(316)	(462)	(392)
Realization of deemed cost	(15,689)	(10,990)	(16,520)	(11,906)
Other expenses	(953)	(101)	(1,654)	(1,221)
	(16,447)	(14,399)	(18,647)	(17,106)
	(14,154)	(13,719)	(15,885)	(15,969)

31 Financial instruments

a. Purpose

The Parent Company enters into financial instruments to meet its operational needs and manage its exposure to financial risks inherent to its activities. The identification and management of those risks is essential to profitability. The most significant risks are:

- Liquidity risk.
- Credit risk.
- Market risk (risk of interest rate, exchange rate and commodity price fluctuations).

b. Liquidity risk

Liquidity risk refers to the possibility of mismatch between maturities of its assets and liabilities, which may result in its inability to meet its obligations within deadlines. The Company's policy is to keep adequate liquidity levels to guarantee that the companies of the group are able to meet their present and future obligations and enjoy the business opportunities that may arise.

c. Credit risk

The Company operates in two different markets, the original equipment market and the replacement part market ("*aftermarket*"). The possibility of the Company 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, the letters of credit, prepayment or other guarantees are requested previously to sales. In such market, each customer's share in sales is much diluted, there being no customer accounting individually for more than ten percent of sales.

d. Interest rate risk

The Company is exposed to the risk of changes in interest rates when there is a mismatch between the interest rates applied by the Company and the ones applied in the market. As of 31 March 2011, 99.91% of the Company's total indebtedness was with financial institutions. From that total, 11.49% of the pending loans and financings were denominated in Brazilian reais and subject to changes in interest rates, such as TJLP (long-term interest rate)and CDI (interbank deposit rate). Higher interest rates may increase the cost of loans, reduce the demand for products or significantly affect financial expenses and operating income. The increase in financial expenses resulting from higher interest rates and CDI is mainly offset by the increase in financial revenues resulting from the Company's financial investments.

e. 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 adopts the policy of entering into non-deliverable forward contracts (NDF) on the US dollar and Euro.

f. Risk of exchange rate fluctuation on future cash flow

The Company projects and conducts its transactions according to the current cash flow and of there are future changes in exchange rate, this may lead to disbursements by the Company. In order to protect its future cash flows against currency fluctuations, the Company adopts the policy of entering into non-deliverable forward contracts (NDF) on the US dollar and Euro.

g. Risk of commodity price fluctuation on future cash flow

The Company started to enter into derivative transactions to decrease risks of fluctuations in the prices of nickel, aluminium, copper and tin used for manufacturing its products. These derivatives refer to hedges against fluctuations in prices of those metals and exchange rates.

h. Financial instruments by category

CPC 40 (IFRS 7) establishes that the entity shall disclose the financial instruments by category, allowing the user of the financial statements to evaluate the relevance of financial instruments to the Company’s financial position and analysis of performance.

	31.03.2011 - Company					31.03.2011 - Consolidated				
Financial	**Assets and liabilities at fair value with gains/losses recognised in income**	**Assets and liabilities at fair value with gains/losses recognised as asset and liability valuation adjustments**	**Loans and receivables**	**Loans and receivables measured at amortised cost**	**Total**	**Assets and liabilities at fair value with gains/losses recognised in income**	**Assets and liabilities at fair value with gains/losses recognised as asset and liability valuation adjustments**	**Loans and receivables**	**Loans and receivables measured at amortised cost**	**Total**
Assets										
Fianncial investments	302.604	-	-	-	302.604	314.683	-	-	-	314.683
Trade accounst receivable	-	-	238.732	-	238.732	-	-	321.694	-	321.694
Intercompany transactions	-	-	99.003	-	99.003	-	-	47.673	-	47.673
Unrealised derivative gains	5.839	5.095	-	-	10.934	5.999	5.095	-	-	11.094
Intercompany receivables	13.656	-	-	-	13.656	6.691	-	-	-	6.691
Total	**322.099**	**5.095**	**337.735**	**-**	**664.929**	**327.373**	**5.095**	**369.367**	**-**	**701.835**
Liabilities										
Loans and financing	-	-	-	562.687	562.687	-	-	-	614.771	614.771
Trade accounts payable	-	-	-	70.207	70.207	-	-	-	85.986	85.986
Intercompany payables	-	-	-	10.252	10.252	-	-	-	22.094	22.094
Unrealised derivative losses	833	89	-	-	922	849	89	-	-	938
Total	**833**	**89**	**-**	**643.146**	**644.068**	**849**	**89**	**-**	**722.851**	**723.789**

	31.12.2010 - Company					31.12.2010 - Consolidated				
Financial	**Assets and liabilities at fair value with gains/losses recognised in income**	**Assets and liabilities at fair value with gains/losses recognised as asset and liability valuation adjustments**	**Loans and receivables**	**Loans and receivables measured at amortised cost**	**Total**	**Assets and liabilities at fair value with gains/losses recognised in income**	**Assets and liabilities at fair value with gains/losses recognised as asset and liability valuation adjustments**	**Loans and receivables**	**Loans and receivables measured at amortised cost**	**Total**
Assets										
Financial investments	257.795	-	-	-	257.795	279.408	-	-	-	279.408
Trade accounst receivable	-	-	222.436	-	222.436	-	-	291.156	-	291.156
Intercompany receivables	-	-	93.625	-	93.625	-	-	40.761	-	40.761
Unrealised derivative gains	8.788	4.282	-	-	13.070	8.941	4.282	-	-	13.223
Intercompany loans	7.826	-	-	-	7.826	11.637	-	-	-	11.637
Total	**274.409**	**4.282**	**316.061**	**-**	**594.752**	**299.986**	**4.282**	**331.917**	**-**	**636.185**
Liabilities										
Loans and financing	-	-	-	568.492	568.492	-	-	-	637.565	637.565
Trade accounts payable	-	-	-	61.902	61.902	-	-	-	77.791	77.791
Intercompany payables	-	-	-	11.988	11.988	-	-	-	25.800	25.800
Unrealised derivative losses	78	295	-	-	373	80	295	-	-	375
Total	**78**	**295**	**-**	**642.382**	**642.755**	**80**	**295**	**-**	**741.156**	**741.531**

i. Fair value measurement

Under CPC 38 (IAS 39) fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arm's length transaction.

CPC 40 (IFRS 7) establishes a three-level hierarchy for fair value. IFRS describe the three information levels that must be used to make fair value measurements:

Level 1 - Prices quoted in (non-adjusted) active markets for identical assets and liabilities.

Level 2 - *Inputs* other than prices quoted in active markets included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

	Measured at fair value - Parent Company					Measured at fair value - Consolidated			
	Total balance as of 31/03/2011	Level 1 - Prices quoted (with no adjustment) in active markets for identical assets or liabilities	Level 2 - Prices quoted in non-active markets for similar assets	Level 3 - Non-observable records		Total balance as of 31/03/2011	Level 1 - Prices quoted (with no adjustment) in active markets for identical assets or liabilities	Level 2 - Prices quoted in non-active markets for similar assets	Level 3 - Non-observable records
Financial assets					**Financial assets**				
Financial investments	302.604	302.604	-	-	Financial investments	314.683	314.683	-	-
Unrealised derivative gains	10.934	10.934	-	-	Unrealised derivative gains	11.094	11.094	-	-
Total	**313.538**	**313.538**	**-**	**-**	**Total**	**325.777**	**325.777**	**-**	**-**
Financial liabilities					**Financial liabilities**				
Unrealised derivative losses	922	922	-	-	Unrealised derivative losses	938	938	-	-
Total	**922**	**922**	**-**	**-**	**Total**	**938**	**938**	**-**	**-**

	Measured at fair value - Parent Company					Measured at fair value - Consolidated			
	Total balance as of 31/12/2010	Level 1 - Prices quoted (with no adjustment) in active markets for identical assets or liabilities	Level 2 - Prices quoted in non-active markets for similar assets	Level 3 - Non-observable records		Total balance as of 31/12/2010	Level 1 - Prices quoted (with no adjustment) in active markets for identical assets or liabilities	Level 2 - Prices quoted in non-active markets for similar assets	Level 3 - Non-observable records
Financial assets					**Financial assets**				
Financial investments	257.795	257.795	-	-	Financial investments	279.408	279.408	-	-
Unrealised derivative gains	13.070	13.070	-	-	Unrealised derivative gains	13.223	13.223	-	-
Total	270.865	270.865	-	-	**Total**	**292.631**	**292.631**	**-**	**-**
Financial liabilities					**Financial liabilities**				
Unrealised derivative losses	373	373	-	-	Unrealised derivative losses	375	375	-	-
Total	**373**	**373**	**-**	**-**	**Total**	**375**	**375**	**-**	**-**

j. Derivative transactions

The Company's transactions with derivatives are in compliance with the conditions required to qualify as "*hedge* accounting", described in CPC 38 (IAS 39). The Company does not enter into financial instruments for speculative purposes.

- Policy on the use of derivatives and purposes:

  Our policy is to minimize risks. All exchange rate risks resulting from business operations shall be eliminated within the established deadlines. The Company has an established internal policy. The financial results from those transactions shall be used for hedging operating risks the Company is exposed to and not from financial gains not derived from operations.

  The criteria for entering into these financial instruments, such as notional value, future price, maturity, should be linked to the respective positions of the hedged object.

- Risk management's purposes and strategies, particularly the property protection policy (*hedge*):

The Company's purpose is to mitigate risks regarding:

- Exchange rate fluctuations which cause significant effects on the balances of foreign-currency assets and liabilities already recorded in the balance sheets and to that end it enters into forward contracts (NDFs).

- Projections of its cash flows exposed to exchange rate gains (losses); to that end the Company enters into NDFs based on its current cash flows so that possible future exchange rate fluctuations do not lead to losses for the Company and its subsidiaries.

- Decrease in the risks of price fluctuations of nickel, aluminium, copper and tin used to manufacture its products. To that end the companies entered into commodity *swap*s.

All exchange rate risks resulting from business operations shall be eliminated within the established deadlines. The net operating risk exposure called *FX-Exposure* is defined as exchange rate risks included in the positions determined after positive and negative cash compensations and cash flow items with the same maturity date and denominated in the same currency. The Company's exchange rate coverage goals aim to ensure that the economic plan can be carried out with favorable exchange rates using different levels and time horizons (risk mitigation). The commodity strategies aim to ensure that the economic plan can be carried out with favorable raw material prices, at different levels and time horizons.

The use of financial instruments shall be only for hedging the exposure to risks inherent to the Company's activities.

- Risks associated with each market strategy, adapting internal controls and parameters used to manage these risks, and the results of proposed purposes.

The management of risk operations involving currency and commodity price fluctuations follows a strict policy that includes control systems and determining the positions by management, whereby the Company's finance committee analyses the demand for entering into derivatives and takes its decisions. This committee is made up of members of the Finance, Purchasing and Controllership Departments, Finance Management and Operating Management.

The Company uses market rates as parameters, both interest and exchange rates, as well as the international prices of raw materials. Local economic fundamentals are also analyzed along with the world economic scenario, by means of fundamental, graphic and trend analyses. In addition to these instruments, the Company applies previously established parameters (interest and exchange rates and raw material prices) to guarantee the results established in our economic plan.

- Qualitative and quantitative information on derivatives:

The values of NDFs' derivates were calculated by the criterion of market fair value, which consists of the difference between the fair value of *forward* exchange rate for the settlement of each contract as of 31 March 2011 less the Ptax rate of US dollar and Euro, disclosed by the Central Bank of Brazil (for *Plain Vanilla* transactions). The Ptax exchange rate for selling US dollars and Euros is that of 31 March 2011 for Plain Vanilla transactions and the average Ptax rate for selling US dollars and Euros of March 2011 for Asian transactions).

The fair value *forward* exchange rate for the settlement of each contract as of 31 March 2011 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 March 2011.

The values of commodity derivatives were calculated by applying the market fair value, which consists of the difference between the settlement price as of 31 March 2011, disclosed by the *London Metal Exchange*, less the current value of the future settlement price (*forward)* of each contract multiplied by the *Ptax* rate for selling US dollars as of 31 December 2010.

As of 31 March 2011, 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. 38 (IAS 39), per financial statement caption, is as follows:

Provision for unrealized derivative gains and losses		**31/03/2011**		**31/03/2010**	
		Parent Company	**Consolidated**	**Parent Company**	**Consolidated**
Balance sheet gains		10,934	11,094	8,594	8,728
Balance sheet losses		922	938	869	874
(BP) - Balance sheet sum, net		**10,012**	**10,156**	**7,725**	**7,854**

		31/03/2011		**31/03/2010**	
		Parent Company	**Consolidated**	**Parent Company**	**Consolidated**
Gains (losses) on commodity derivatives					
Provisions					
- Commodity transactions	(BP)	(3)	(3)	123	123
- Reversal of provision		-	-	464	464
Cash effect					
- Commodity transactions		-	-	(418)	(418)
	Note 24	**(3)**	**(3)**	**169**	**169**
Derivative gains (losses) (Exports/Imports)					
Provisions					
- Accounts receivable and payable transactions	(BP)	3,750	3,894	3,623	3,752
- Reversal of provision		(7,401)	(7,553)	(6,745)	(6,870)
Cash effect					
- Accounts receivable and payable transactions		8,810	8,966	4,362	4,468
	Note 24	**5,158**	**5,308**	**1,240**	**1,350**
TOTAL DERIVATIVE TRANSACTIONS - FINANCIAL RESULT, NET		**5.156**	**5,305**	**1,409**	**1,519**
Shareholders' equity					
Provisions					
- Transactions on sales to be made	(BP)	3,212	3,212	2,235	2,235
- Commodity transactions	(BP)	1,793	1,793	1,062	1,062
Deferred income and social contribution taxes		(1,702)	(1,702)	(1,121)	(1,121)
TOTAL DERIVATIVE TRANSACTIONS - SHAREHOLDERS' EQUITY		**3,304**	**3,304**	**2,176**	**2,176**
Gross income (loss)					
.Gross revenue					
- Transactions on sales to be made	(BP)	855	855	553	553
- Reversal of provision		(1,089)	(1,089)	(2,601)	(2,668)
- Settlements with a cash effect		2,482	2,482	2,566	2,633
		2,248	2,248	518	518
.Cost of goods sold					
- Transactions on sales to be made	(BP)	403	403	128	128
- Reversal of provision		(220)	(220)	575	575
- Settlements with a cash effect		626	626	(731)	(731)
		809	809	(28)	(28)
TOTAL DERIVATIVE TRANSACTIONS - GROSS INCOME (LOSS)		**3,057**	**3,057**	**490**	**490**

Hedging transactions

Fair value hedge: As set forth in CPC 38 (IAS 39), the balance of Provision for derivatives to hedge net exposure to exports/imports as of 31 March 2011 was accounted for in the amount of R$3,750 (Parent Company) and R$3,894 (Consolidated), while as of 31 March 2009 it was recorded in the amount of R$3,623 (Parent Company) and R$3,752 (Consolidated).

Currency cash flow hedge: Under CPC Technical Pronouncement No. 38 (IAS 39) the provision for the net balance of exports minus imports to be made between April and December 2011 (R$4,067 Parent Company and Consolidated) was accounted for in two captions:

- R$3,212 (Parent Company) was recorded as offsetting entries in the Company's equity and refer to a portion of the non-deliverable forward contracts on the US dollar and euro on the net balance of exports minus imports to be made between April and December 2011. On 31 March 2011 the Company's and subsidiary'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$855 was 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 March 2011, settled on the first day of the subsequent month.

  Under CPC Technical Pronouncement No. 38 (IAS 39), the accounting classification of actual gains (losses) (cash disbursement) on *Non-deliverable Forward* contracts on the US dollar and euro on exports minus imports in the first quarter of 2011 was segregated in two parts: i) R$2,482 (Parent Company), R$2,482 (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 2011; ii) no entries were made into "Financial result, net".

Cash flow commodity hedge: Under CPC Technical Pronouncement No. 38 (IAS 39) the provision for outstanding commodity transactions (cash flow *hedge*) as of 31 March 2011 was accounted for in three captions:

- R$1,793 was recorded as an offsetting entry in the Company's equity and refer to the part of the commodity transactions which as of 31 March 2011 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.

- No entries were made to "Net finance costs" (Parent Company and Consolidated) because there were no transactions as of 31 March 2011 which were considered as over hedge, i.e. in excess transactions which at the balance sheet date are not backed during the period.

- R$403 was directly recorded in the "Cost of goods sold" account (Parent Company and Consolidated) and refers to the operating provision for contracts which mature between 1 and 7 April 2011. However, the accrual period is March 2011.

As of 31 March 2011 the Company or its subsidiaries had no escrow deposits for these derivatives.

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

MAHLE Metal Leve S.A. (Parent Company and Consolidated)

	Currency	{Weighted average forward rate settlement amount}	Notional value- thousand				Notional value (fair market value)			
			Parent Company		Consolidated		Parent Company		Consolidated	
			31/03/11	31/03/10	31/03/11	31/03/10	31/03/11	31/03/10	31/03/11	31/03/10
Foreign currency		**2,3802**	**50,962**	**34,326**	**51,354**	**34,992**	**535**	**5,450**	**530**	**5,535**
ABC Brasil	EUR	2,4135	2,268	-	2,268	-	59	-	59	-
Bradesco	EUR	2,3960	1,058	1,636	1,058	1,636	22	292	22	292
Brasil	EUR	2,4022	23,547	21,183	23,596	21,694	576	3,626	580	3,700
Citibank	EUR	2,5259	187	1,237	187	1,237	11	212	11	212
Deutsche	EUR	2,3285	9,766	-	9,939	-	(275)	-	(279)	-
HSBC	EUR	2,3932	9,599	6,918	9,769	7,073	243	589	238	600
Itaú	EUR	2,3236	4,537	3,352	4,537	3,352	(101)	731	(101)	731
		1,7371	**130,006**	**95,761**	**132,600**	**97,820**	**7,283**	**961**	**7,432**	**1,004**
ABC Brasil	USD	1,8093	11,424	7,301	11,424	7,301	841	(3)	841	(3)
Bradesco	USD	1,7582	10,825	9,903	10,825	10,067	480	207	481	213
Brasil	USD	1,7160	50,211	38,415	52,232	40,085	2,678	505	2,817	544
Citibank	USD		-	9,652	-	9,652	-	173	-	173
Deutsche	USD	1,7137	13,946	-	13,946	-	490	-	490	-
HSBC	USD	1,7320	34,607	23,961	35,118	23,961	1,933	116	1,938	116
Itaú	USD	1,8251	4,793	5,782	4,793	5,782	450	(33)	450	(33)
Votorantim	USD	1,7591	4,200	747	4,262	972	411	(4)	416	(4)
TOTAL			**180,968**	**130,087**	**183,954**	**132,812**	**7,818**	**6,411**	**7,962**	**6,540**

For derivatives with currency hedging purposes, the Company has a *short* currency position, due to the significant volume of active currency resulting from the exports. Accordingly, there is a risk of appreciation of the Brazilian real against Euro and US dollar.

The Company enters into derivative contracts to hedge against fluctuations in the prices of raw materials (copper, lead, aluminium and nickel) in compliance with the *hedging* policy pre-established by the Company's financial committee using derivative instruments (*swaps*/futures).

MAHLE Metal Leve S.A. (Parent Company and Consolidated)

		Weighted average price – Maturity	Notional value - tones				Notional value (fair market value)			
			Parent Company		Consolidated		Parent Company		Consolidated	
			31.03.11	31.03.10	31.03.11	31.03.10	31.03.11	31.03.10	31.03.11	31.03.10
Asset position										
Commodities										
Deutsche	Aluminium	2,696	122	-	122	-	(26)	-	(26)	-
Itaú	Aluminium	2,439	130	397	130	397	24	(125)	24	(125)
Pactual	Aluminium	2,516	82	-	82	-	5	-	5	-
Votorantim	Aluminium	2,337	320	401	320	401	114	(36)	114	(36)
Total	**Aluminium**	**2,447**	**654**	**798**	**654**	**798**	**144**	**(161)**	**144**	**(161)**
Deutsche	Copper	9,300	25	-	25	-	10	-	10	-
Itaú	Copper	8,384	328	238	328	238	635	65	635	65
Pactual	Copper		-	140	-	140	-	219	-	219
Votorantim	Copper	8,042	75	150	75	150	183	136	183	136
Total	**Copper**	**8,378**	**428**	**528**	**428**	**528**	**818**	**420**	**818**	**420**
Bradesco	Tin		-	33	-	33	-	70	-	70
Deutsche	Tin	28,957	49	-	49	-	148	-	148	-
Pactual	Tin	17,990	32	47	32	47	666	115	666	115
Total	**Tin**	**24,624**	**81**	**80**	**81**	**80**	**814**	**185**	**814**	**185**
Deutsche	Nickel	24,000	6	-	6	-	28	-	28	-
Itaú	Nickel	24,025	90	34	90	34	416	231	416	231
Unibanco	Nickel		-	180	-	180	-	638	-	638
Total	**Nickel**	**24,024**	**96**	**214**	**96**	**214**	**416**	**870**	**416**	**870**
TOTAL			**1,259**	**1,620**	**1,259**	**1,620**	**2,193**	**1,314**	**2,193**	**1,314**

The Company has a *long* position in derivative transactions to hedge commodity prices, because the prices of these raw materials are likely to increase.

- Sensitivity Analysis - Result of Currency Forward Contracts
  According to CVM Instruction No. 475/08, Resolution No. 550/08 and CPC 40 (IFRS 7), the Company presents below the sensitivity table with impacts on the statement of income for 2011 of *Non-deliverable Forward* contracts on US dollars and Euros, considering three levels of US and euro exchange rates, as follows: i) USD/BRL 1.6714 the average exchange rate considered the most probable by the Company's and its subsidiaries' management for 2011; ii) USD/BRL 2.0900, considering a devaluation of 25% on the rate of item i) above; and ii) USD/BRL 2.5100, considering a devaluation of 50% on the rate of item i) above. For the euro the USD/EUR exchange rate of 1.4000 was considered for each of the scenarios above.

The Company also applied the rates above to calculate the impact on the net balance of exports minus imports to be made between January and December 2011 and 2012.

Cash flow currency hedge

Sensitivity Table of the Parent Company on Derivative Transactions made in USD and Euro in NDFs on the net balance of Exports/ Imports to be realized in 2011 and 2012.

Scenario	Exchange rate USD / BRL - Settlement of transactions	Amount in USD (Thousand) Notional	Average weighted rate - Maturity	Adjustment in R$ - Thousands	Exchange rate EUR/BRL settlement of transactions (USD/EUR exchange rate of 1.4)	Amount in EURO (Thousand) Notional	Average weighted rate - Maturity	Adjustment in R$ - Thousands	Adjustment in R$ - Thousands	Total effect of adjustments in Shareholders ' Equity - Thousand R$	Total net effect on income (loss) - Thousand R$
Realistic	1.6714	47,423	1.7205	2,328	2.3400	21,129	2.3676	582	2,910	2,910	-
25% Worse	2.0900	47,423	1.7205	(17,522)	2.9300	21,129	2.3676	(11,884)	(29,405)	(29,405)	-
50% Worse	2.5100	47,423	1.7205	(37,439)	3.5100	21,129	2.3676	(24,139)	(61,578)	(61,578)	-

Sensitivity Table of the Consolidated on Derivative Transactions made in USD and Euro in NDFs on the net balance of Exports/ Imports to be realized in 2011 and 2012.

Scenario	Exchange rate USD / BRL - Settlement of transactions	Amount in USD (Thousand) Notional	Average weighted rate - Maturity	Adjustment in R$ - Thousands	Exchange rate EUR/BRL settlement of transactions (USD/EUR exchange rate of 1.4)	Amount in EURO (Thousand) Notional	Average weighted rate - Maturity	Adjustment in R$ - Thousands	Adjustment in R$ - Thousands	Total effect of adjustments in Shareholders ' Equity - Thousand R$	Total net effect on income (loss) - Thousand R$
Realistic	1.6714	47,423	1.7205	2,328	2.3400	21,129	2.3676	582	2,910	2,910	-
25%Worse	2.0900	47,423	1.7205	(17,522)	2.9300	21,129	2.3676	(11,884)	(29,405)	(29,405)	-
50%Worse	2.5100	47,423	1.7205	(37,439)	3.5100	21,129	2.3676	(24,139)	(61,578)	(61,578)	-

Fair value currency hedge

Sensitivity table

At the end of the year the Company's balance of foreign currency exposure (non-deliverable forward contracts on the US dollar and Euro, equivalent in US dollars) was US$8,716 thousand individually, and USD10,731 thousand consolidated, as shown below:

Exchange rate exposure of the balance of Trade accounts receivable and payable in foreign currency as of 31 March 2011

		Parent Company	Consolidated
		Amounts in Thousands USD	Amounts in Thousands USD
(+)	Trade accounts receivable	72,062	73,585
(+)	Cash in transit	27,786	29,148
(-)	Advances on Exchange Contracts	-	-
(-)	Imports	(3,409)	(3,822)
(-)	Currency forward contract - Sale	(82,584)	(85,177)
(=)	**Net balance of exchange rate exposure**	**13,855**	**13,734**
		Amounts in Thousands USD	**Amounts in Thousands USD**
(+)	Trade accounts receivable	19,680	21,956
(+)	Cash in transit	15,114	15,189
(-)	Advances on Exchange Contracts	-	-
(-)	Imports	(1,315)	(1,315)
(-)	Currency forward contract – Sale	(29,833)	(30,224)
(=)	**Net balance of exchange rate exposure**	**3,646**	**5,606**
	Net balance of exchange rate exposure in Thousand USD and EUR - Equivalence	**19,033**	**21,695**

*** USD/EUR exchange rate 1.42009**

		Company			Consolidated		
	Exchange rate USD/BRL in the settlement of advances on exchange rate contracts	**Net balance of exchange rate exposure - in USD**	*** Average rate of exchange rate contracts**	**Total BRL**	**Net balance of exchange rate exposure - in USD**	*** Average rate of exchange rate contracts**	**Total BRL**
Realistic	1.6714	19,033	1.6546	320	21,695	1.6545	366
25% Worse	1.2500	19.033	1.6546	(7.701)	21.695	1.6545	-8.776
50% Worse	0.8400	19.033	1.6546	(15.504)	21.695	1.6545	-17.671

(*) Average rate of the advances on export contracts which make up the net balance of exchange rate exposure

The prices disclosed as most probable by the management of the Company for 2011 are presented in the table below, with a drop of 25% and 50%.

Cash flow commodity hedge

Sensitivity analysis of income (loss) on purchases of commodity swap contracts - Parent Company and Consolidated

Commodity	Volume in tons	Settlement price (USD) - Maturity	Average weighted price (USD) - Maturity	Exchange rate USD/BRL on the settlement of transactions	Adjustment in thousand R$	Total effect on purchases of commodities - Thousand R$
Nickel						
Realistic		26,812		1.6714	447	(366)
25% Worse		21,449		2.0900	(516)	422
50% Worse	96	17,874	24,024	2.5100	(1,482)	1,211
Copper						
Realistic		9,531		1.6714	825	(825)
25% Worse		7,625		2.0900	(674)	674
50% Worse	428	6,354	8,378	2.5100	(2,175)	2,175
Aluminium						
Realistic		2,553		1.6714	116	(116)
25% Worse		2,042		2.0900	(553)	553
50% Worse	654	1,702	2,447	2.5100	(1,223)	1,223
Tin						
Realistic		30,740		1.6714	828	(828)
25% Worse		24,592		2.0900	(6)	6
50% Worse	81	20,493	24,624	2.5100	(840)	840

Total		
Realistic	**2,216**	**(2,134)**
25% worse	**(1,749)**	**1,654**
50% Worse	**(5,719)**	**5,448**

Net effect (Hedge - CPV)	
Realistic	**82**
25% worse	**(94)**
50% worse	**(271)**

32 Employee benefits

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

For the quarter ended 31 March 2011, under an agreement entered by the Company and with the trade union employees became entitled to profit sharing in the amount of R$15,003 (R$6,930 in the first quarter of 2010), Parent Company and R$15,973 (R$6,915 in the first quarter of 2010), Consolidated. The criteria established for the payment of the profit sharing followed the same rules set for the collective labor 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) maintenance of the absenteeism level up to the annual average rate of hours/ absences, previously defined, in relation to the standard worked hours; and iii) maintenance of the scrap level up to the annual average rate previously defined, in relation to the number of produced parts.

Defined contribution pension plan

In September 2006 the Company joined Bradesco pension plan (plan similar to a life insurance), managed by Bradesco Vida e Previdência S.A., offering all employees the option to participate.

Contributions are defined according to salary ranges: over R$6,443.39, the contribution percentage ranges from 2% to 4% by the employee and the Company and its subsidiaries. For the employees earning salaries below R$6,443.39 the Company 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. Management annually makes an actuarial evaluation of the plan to make possible adjustments in contribution levels.
The Company's and the employees' contributions started to be made in September 2006. (except subsidiary MAHLE Filtroil Ind. e Com. de Filtros Ltda., which started contributions in October 2007). In the first quarter 2011 the Company contributed R$983 (R$746 in the first quarter 2010).

33 Segment reporting

The Company has established operating segments according to reports used in strategic operating decisions made by executive officers to comply with CPC 22 and CVM Resolution No. 582/09.

The Company's operating segments are:

- Engine components: Sensor rings, rockers, piston rods, arms, bushing, plugs, cylinder liners, bearing cover, sets of rock shafts, rings, injectors, synchronizing cubes, crossheads, axis, camshafts, links, gears, driving forks, valve guides and seats, piston pins, pistons, valve plates, pulleys, ring holders, water and oil pump impellers, valve lifters, tulips, among others. In general these products are used in internal combustion engines and motor vehicles.

- Filters: Fuel, air and oil filters, air filters for cabins, active coal filters and oil separators. Specifically, underground and air press filters, separator filters, line filters, fuellers of lubricant oil, filters for cleaning vehicle tanks and reservoirs, product transfer pumps, equipment for containing, absorbing and gathering residues or leakage products (magnetic valves for retaining steam, equipment for vacuum oil exchange, *coolant refiller*s, *easy check*s and *kits* for changing brake fluids). These products are used in vehicles, industries, car service stations, transportation and cargo companies, land clearing companies, fishing facilities and farms.

	31/03/2011 - Consolidated			31/03/2010 - Consolidated		
Statement of income accounts	**Engine components**	**Filters**	**Consolidated**	**Engine components**	**Filters**	**Consolidated**
Gross sales		50,523	675,991	465,674	47,909	513,583
Sales deductions	(127,747)	(13,825)	(141,572)	(103,607)	(12,832)	(116,439)
Net sales	497,721	36,698	534,419	362,067	35,077	397,144
Cost of goods sold	(344,787)	(27,035)	(371,822)	(268,662)	(26,621)	(295,283)
Gross income	152,934	9,663	162,597	93,405	8,456	101,861
Selling expenses	(30,555)	(1,856)	(32,411)	(23,106)	(1,858)	(24,964)
Administrative expenses	(33,306)	(1,962)	(35,268)	(17,575)	(1,567)	(19,142)
Financial revenues	18,936	625	19,561	11,851	795	12,646
Financial expenses	(21,056)	(832)	(21,888)	(17,133)	(1,204)	(18,337)
Research and development	(13,855)	(1,921)	(15,776)	(8,254)	(1,791)	(10,045)
Other operating revenues/expenses	(12,846)	(3,039)	(15,885)	(13,970)	(1,999)	(15,969)
Income (loss) before income and social contribution taxes	60,252	678	60,930	25,218	832	26,050

	31/03/2011 - Consolidated			31/12/2010 - Consolidated		
Balance sheet accounts	Engine components	Filters	Consolidated	Engine components	Filters	Consolidated
Total assets	2,538,685	102,343	2,641,028	2,483,808	94,349	2,578,157
Inventories	283,564	18,727	302,291	259,586	18,980	278,566
Property, plant and equipment	2.041.401	81,692	2,123,093	2,044,502	87,551	2,132,053
Depreciation and amortization	(1,358,860)	(44,612)	(1,403,472)	(1,344,774)	(44,866)	(1,389,640)
Intangible assets	11,757	5,294	17,051	12,343	5,369	17,712
Goodwill	683,941	-	683,941	683,823	-	683,823
Investment	371	-	371	371	-	371
Other	876,511	41,242	917,753	827,957	27,315	855,272

The Company does not have any client which is responsible alone by 10% of total net consolidated revenue.

Total consolidated net revenue was R$534,419 million in first quarter of 2011 (R$397,144 first quarter of 2010). Foreign sales totaled R$194,658 and R$125,525, respectively, distributed as follows:

Consolidated export per geographical region

Year	Europe	Central and North America	South America	Africa, Asia, Oceania and Middle East	Total
1st quarter 2011	76,626	85,947	13,190	18,895	194,658
1st quarter 2010	50,752	60,595	6,321	7,857	125,525

34 Insurance coverage

The Company takes out insurance policy for risk-prone assets in amounts considered sufficient to cover possible losses, taking into consideration the nature of its activities.
For 2011, insurance coverage against operating risks is made up by R$800,000 for material damages and loss of profit, and R$4,470 for general civil liability, respectively, for the Company.

MAHLE Metal Leve S.A.

Board of Directors

Peter Paul Wilhelm Grunow
Chairman

Claus Hoppen
Director

Heiz Konrad Junker
Director

Bernhard Volkmann
Director

Mauro Fernando Maria Arruda
Director

Executive Officers

Claus Hoppen
Chief Executive Officer

Heiko Pott
Executive Officer and
Investor Relations Officer

Accountant

Edson Marcos Petri
CRC 1SP110869/O-8