

*(Convenience Translation into English from the  
Original Previously Issued in Portuguese)*

# ***MAHLE METAL LEVE S.A.***

*Quarterly Financial Statements  
for the Quarter Ended June 30, 2007 and  
Independent Auditors' Review Report*

## **COMMENT ON THE CONSOLIDATED PERFORMANCE IN THE QUARTER**

### **BRAZILIAN MACROECONOMIC SCENARIO**

The level of activity of the main sectors of the Brazilian economy remained boosted in the first semester of 2007, supported on a more dynamic domestic market, resulting from stability and favorable economic conditions. The foreign market, however, continues jeopardized by the continuous appreciation of the Brazilian Real, which compromises the competitiveness and reduces the profitability of the Brazilian exports.

**Inflation** - The Amplified Consumer Price Index – IPC-A closed the first semester of 2007 with an accumulated rate of 2.08% in the period. The projection for the year is 3.6%. The center of the goal established by the Brazilian Central Bank for the year of 2007 remains at 4.5% (1.54% in the same semester of the previous year and 3.14% in 2006).

**Interest rate** - Along the first semester of 2007 the basic interest rate (Selic) dropped from 13.25% a year at the end of 2006 to 12.00% a year on 3 June 2007, with a drop of 1.25 percentage point in the period. With the inflation controlled, the market expects to close the year of 2007 with an interest rate of 10.75% a year. Since August 2005, when it reached its highest level, Selic accumulates a drop of 7.75 percentage points.

**Currency Exchange** – The US dollar continues dropping in relation to the domestic currency, remaining below the barrier of R\$ 2.00 since last May 15<sup>th</sup>. At the end of the first semester of 2007, the dollar was quoted at R\$ 1.926, which represents an appreciation of 10% of the Brazilian Real in relation to the rate of R\$ 2.138 occurred in the closing of 2006.

In the past four years, the domestic currency showed a significant volatility, accumulating an appreciation of 61% in relation to the US currency in the period. Considering the quotation on June 30 of each year, we have: R\$ 3.11 in 2004; R\$ 2.35 in 2005; R\$ 2.16 in 2006; and R\$ 1.93 in 2007). The market expectation is that of closing the year with a rate of R\$ 1.90.

**Trade Balance** – Boosted by the monetary exchange situation, Brazilian imports showed a strong rhythm, which was much superior to the export rhythm. In the first semester of 2007, the exports grew by 19.9% and the imports by 26.6%, accumulating a commercial surplus of US\$ 20.7 million (US\$ 19.5 million, in the first semester of 2006). The highlight was the import of consumer goods, with a growth of 34.3% in dollars, and the imports of cars increased by 53.7%.

#### **Composition of the trade balance**

	<b>US\$ billion</b>		
	<b>1<sup>st</sup> half 2007</b>	<b>1<sup>st</sup> half 2006</b>	<b>Var. %</b>
Export	73.20	61.05	19.9
Import	52.55	41.50	26.6
<b>Balance</b>	<b>20.65</b>	<b>19.55</b>	<b>5.6</b>

## PERFORMANCE OF THE BRAZILIAN AUTOMOTIVE SECTOR

Boosted by a stable environment, falling interest, extension of the financing terms and expansion of the access to credit, the Brazilian automotive market consistently grew in the domestic market in this first semester of 2007.

The same has not occurred in the foreign market, due to the appreciation of the Brazilian Real, which reduced the competitiveness of the Brazilian product and has led to a significant reduction in the volume of exports of vehicles.

### Composition of sales and production of assembled and completely knocked down vehicles (CKD)

	thousand units			
	2 <sup>nd</sup> Q07	2 <sup>nd</sup> Q06	1 <sup>st</sup> half 07	1 <sup>st</sup> half06
	A	B	C	D
<b>Domestic Sales</b>	<b>533.4</b>	413.0	<b>975.9</b>	810.8
<b>Export</b>				
- assembled vehicles	<b>152.6</b>	158.8	<b>294.4</b>	316.5
- completely knocked down vehicles (CKD)	<b>41.3</b>	61.5	<b>81.4</b>	105.0
Total export	<b>193.9</b>	220.3	<b>375.8</b>	421.5
<b>Total of Sales</b>	<b>727.3</b>	633.3	<b>1,351.7</b>	1,232.3
<b>Production</b>				
- assembled vehicles	<b>685.7</b>	609.5	<b>1,301.4</b>	1,196.1
- completely knocked down vehicles (CKD)	<b>41.3</b>	61.0	<b>81.4</b>	104.8
<b>Total of Production</b>	<b>727.0</b>	670.5	<b>1,382.8</b>	1,300.9

	Variation %	
	2 <sup>nd</sup> quarter A/B	1 <sup>st</sup> semester C/D
<b>Domestic Sales</b>	<b>29.2</b>	<b>20.4</b>
<b>Export</b>		
- assembled vehicles	-3.9	-7.0
- completely knocked down vehicles (CKD)	-32.8	-22.5
Total of Exports	<b>-12.0</b>	<b>-10.8</b>
<b>Total of Sales</b>	<b>14.8</b>	<b>9.7</b>
<b>Production</b>		
- assembled vehicles	12.5	8.8
- completely knocked down vehicles (CKD)	-32.3	-22.3
<b>Total of Production</b>	<b>8.4</b>	<b>6.3</b>

### **Domestic Market**

In the second quarter, the sales of domestic vehicles increased by 29.2% in comparison to the same quarter of 2006. In the semester, the sales totaled 975.9 thousand units, with an increase of 20.4% in relation to the same period of the previous year. That expansion, mainly from March on, was experienced in all segments and is due to a scenario of more macroeconomic stability, increase of credit availability to consumer and broadening of the financing terms.

With respect to the heavy-vehicle segment there was also an increase in the sales volume as a result of a significant increase in the use of road transportation services, with highlight to the increase observed mainly from the second semester of 2006 in the agricultural sector and in the civil construction and mining industries.

### **Export Market**

Exports of vehicles in units dropped by 12.0% in this quarter, being 3.9% of reduction in assembled vehicles and 32.8% of completely knocked down vehicles. In the accumulated of the first semester of 2007, the sales totaled 375.8 thousand units, with a reduction of 10.8% in relation to the same semester of 2006.

That drop in the exported volume, both in assembled and completely knocked down, reflects the reduction of international orders, as a result mainly of the strong appreciation of the domestic currency and consequent loss of competitiveness of the domestic product.

### **Production of vehicles**

The increase showed in the production of vehicles (light vehicles, trucks and buses), is due to the good performance achieved by the sector in the domestic market. However, the production has not a more significant growth on account of the shrink of the sales volume to the foreign market.

In the second quarter of 2007, the total production of vehicles was 727.0 thousand units, which represents a growth of 8.4% in relation the same quarter of the previous year, being 12.5% of increase in the production of assembled vehicles and 32.3% of drop in completely knocked down vehicles (CKD). With respect to the accumulated from January to June, the production totals 1,382.8 thousand units, with a growth of 6.3%, being an increase of 8.8% in assembled vehicles and a drop of 22.3% in completely knocked down vehicles.

### **Production and sale of agricultural machinery**

The good results of the agribusiness have boosted the broadening and renewal of the fleet of self-propelled agricultural machines. The segment of agricultural machines recorded an increase of 21% in production and of 34% in sales to the domestic market in the first semester. With respect to the foreign market, the sales in units in that segment experienced a little reaction from March, closing the semester with a growth of 2%.

### **Import of light vehicles**

Upon the strong valuation of the Brazilian Real, imports of vehicle units increased by 111% in the first semester of 2007, when compared to the same period of the previous year. In relation to the total of vehicles sold in the domestic market, the imports extended their participation interest from 6% in the first semester of 2006 to 11% in this first semester of 2007.

## ECONOMIC AND FINANCIAL PERFORMANCE OF THE COMPANY

### Sales Revenue, Net

The consolidated net revenue of the second quarter of 2007 was R\$ 432.8 million, accumulating R\$ 816.8 million in the first semester, which represents a growth of 11.6% and 8.7%, respectively, when compared to the same periods of the previous year. In the Parent Company, the net revenue showed an increase of 5.4% in the quarter and 4.1% in the accumulated from January to June 2007.

The semester result was boosted by the growth of sales to the domestic market as from March, as a result mainly of the economic conjuncture more favorable in the Country, which has provided a consistent performance of the automotive sector of original equipment market and the aftermarket. In addition to the boosted domestic market, the exports showed a satisfactory performance in the semester. Due to the appreciation of the domestic currency, that market has experienced a lower profitability.

### Composition of Parent company's sales and Consolidated

	R\$ million			
	2 <sup>nd</sup> Q07	2 <sup>nd</sup> Q06	1 <sup>st</sup> half 07	1 <sup>st</sup> half 06
<b>PARENT COMPANY</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
Domestic Market	<b>211.1</b>	184.6	<b>391.3</b>	370.5
Foreign Market	<b>166.6</b>	173.7	<b>331.5</b>	323.7
Total	<b>377.7</b>	358.3	<b>722.8</b>	694.2
<b>CONSOLIDATED</b>				
Domestic Market	<b>233.1</b>	205.1	<b>434.0</b>	410.4
Foreign Market	<b>199.7</b>	182.8	<b>382.8</b>	340.9
Total	<b>432.8</b>	387.9	<b>816.8</b>	751.3

	Variation %			
	<b>Parent company</b>		<b>Consolidated</b>	
	2nd Q	1st half	2nd Q	1st half
Market	<b>A/B</b>	<b>C/D</b>	<b>A/B</b>	<b>C/D</b>
Domestic Market	14.4	5.6	13.7	5.8
Foreign Market	-4.1	2.4	9.2	12.3
Total	<b>5.4</b>	<b>4.1</b>	11.6	8.7

**Domestic Market** – The sales of the parent company to the domestic market totaled in the second quarter R\$ 211.1 million, with a growth of 14.4%, and R\$ 391.3 million in the accumulated of the semester, with an increase of 5.6%, always compared to equal periods of the previous year. Considering the Consolidated performance, the increase was 13.7% in the quarter and 5.8% in the accumulated from January to June 2007.

The positive results are mainly due to the growth of original equipment and replacement part markets (aftermarket). Such growth is the result of favorable economic conditions, more availability of credit and an increase of terms that have leveraged the sales of the automotive sector and incremented the use of transportation services, which provides an increase in the maintenance of the fleet of vehicles and self-propelled agriculture machinery.

#### **Export Market**

Although the quotation of the dollar in relation to the domestic currency has experienced a rhythm of successive drop, even more remarked in this first semester of 2007, when the quotation was around R\$ 1.90, the net revenue in the foreign market showed a growth in the first semester of 2.4% in the parent company and 12.3% in the Consolidated, totaling R\$ 331.5 million and R\$ 382.8 million, respectively.

The increase in the semester arises from the larger physical volume commercialized and also from the increment in the Company's portfolio of the products developed and comercialized by Establecimientos Metalúrgicos Edival S.A. (valves, valve guides and valve seats), a company acquired by the Company on 20 March 2007, which generated a net invoicing of approximately R\$ 24 million in the period from March to June 2007

#### **Cost of Products Sold**

The gross margin in the Consolidated showed a gain of 1.1 percentage point in the quarter, from 25.1% in the first quarter to 26.2% in the second quarter of 2007. In the semester, the gross margin was 23.2% in the parent company and 25.6% in the consolidated.

As from the efforts used and continuous improvements adopted, the Company has obtained operating productivity gains. Besides, there was an increment in the production mix and a sales increase was achieved both in the domestic and foreign markets. However, the effects of the valuation of the Brazilian Real and the price increase of some raw materials continue compromising the Company's gross margin.

### Financial Management

The net financial income in the consolidated, in the negative amount of R\$ 22.4 million comprises mainly the monetary variations regarding the updating of legal proceedings and by the interest expenses on financings created in the period, as the chart below:

	R\$ million			
	Parent company		Consolidated	
Financial, net	1 <sup>st</sup> half 07	1 <sup>st</sup> half 06	1 <sup>st</sup> half 07	1 <sup>st</sup> half 06
monetary variations	(4.3)	(4.3)	(4.7)	(4.4)
Monetary exchange variations without investments	(2.4)	-	(2.4)	-
Monetary exchange exposition, net	(3.8)	3.4	(3.2)	3.6
Interest, net	(6.0)	1.4	(5.8)	2.0
Other revenues (expenses), net	(5.4)	(5.5)	(6.3)	(5.9)
<b>Financial income, net</b>	<b>(21.9)</b>	<b>(5.0)</b>	<b>(22.4)</b>	<b>(4.7)</b>

### Indebtedness

In the first semester of 2007, the parent company showed a net indebtedness of R\$ 309.9 million, and R\$ 323.4 million in the Consolidated as a result of loans made by the parent company with BNDES – Exim in the second quarter of 2006 (US\$ 100 million) and in the first quarter of 2007 (US\$ 85 million). The resources obtained were intended to the financing of exports. Such information is detailed in Explanatory Note no. 14 to Quarterly Information of 30 June 2007.

R\$ million

	Parent company		Consolidated	
	30/06/2007	30/06/2006	30/06/2007	30/06/2006
<b>Liabilities</b>				
Financings	343.9	232.1	378.4	235.0
Export drafts discounted	74.9	128.6	74.9	128.6
<b>Assets</b>				
Cash/Banks/Financial Applications	108.9	107.1	129.9	115.1
<b>Net Indebtedness</b>	<b>309.9</b>	<b>253.6</b>	<b>323.4</b>	<b>248.5</b>

### Summary of the Statements of Income

R\$ million

	Parent Company			Consolidated		
	1 <sup>st</sup> Half .07	1 <sup>st</sup> half 06	Var.%	1 <sup>st</sup> Half.07	1 <sup>st</sup> Half 06	Var.%
<b>Sales Net Revenue</b>						
-Domestic Market	391.3	370.5	5.6%	434.0	410.4	5.8%
-Foreign Market	331.5	323.7	2.4%	382.8	340.9	12.3%
<b>Total</b>	<b>722.8</b>	<b>694.2</b>	<b>4.1%</b>	<b>816.8</b>	<b>751.3</b>	<b>8.7%</b>
- Foreign Market in US\$ million	162.3	148.2	9.5%	187.7	156.0	20.3%
<b>Gross Income</b>	168.0	169.7	-1.0%	209.5	194.5	7.7%
-gross margin	23.2%	24.4%	-1.2 p. p.	25.6%	25.9%	-0.3p.p.
<b>Operating Income</b>	55.4	66.1	-16.2%	62.2	71.4	-13.0%
-operating margin	7.7	9.5%	-1.8 p.p.	7.6%	9.5%	-1.9p.p.
<b>Net profit</b>	41.9	46.4	-9.6%	41.9	46.4	-9.6%
-net margin	5.8%	6.7%	-0.9 p.p.	5.1%	6.2%	-1.1p.p.
<b>EBITDA (1)</b>	125.1	118.6	5.5%	135.5	125.3	8.1%
-EBITDA margin	17.3%	17.1%	0.2 p.p.	16.6%	16.7%	-0.1p.p.

Shares	Parent Company			Consolidated		
	1 <sup>st</sup> half07	1 <sup>st</sup> half06	Var.%	1 <sup>st</sup> half07	1 <sup>st</sup> half 06	Var.%
Amount of shares / thousand	30.453	30.453	-	-	-	-
Shareholders Equity per share - (R\$)	15.90	14.43	10.2%	15.90	14.43	10.2%
Net profit per share – R\$	1.38	1.52	-9.2%	1.38	1.52	-9.2%

## Statement of EBITDA

R\$ million

	Parent Company			Consolidated		
	1 <sup>st</sup> half07	1 <sup>st</sup> half06	Var.%	1 <sup>st</sup> half07	1 <sup>st</sup> half06	Var.%
<b>Operating Income</b>	55.4	66.1	-16.2%	62.2	71.4	-12.9%
Net. financial	21.9	5.0	338.0%	22.4	4.7	376.6%
Depreciation and amortizations	47.8	47.5	0.6%	50.9	49.4	3.0%
<b>EBITDA</b>	<b>125.1</b>	<b>118.6</b>	<b>5.5%</b>	<b>135.5</b>	<b>125.5</b>	<b>8.0%</b>
<b>EBITDA Margin</b>	<b>17.3%</b>	<b>17.1%</b>	<b>0.2 p.p.</b>	<b>16.6%</b>	<b>16.7%</b>	<b>-0.1 p.p.</b>

Statement of EBITDA (income prior to taxes, revenues and financial expenses, depreciation and amortization)

## Operating Performance

In the first semester of 2007, the operating performance provided an Ebitda (profit before interest, taxes, depreciation and amortization) of R\$ 125.1 million in the parent company and R\$ 135.5 million in the Consolidated, with an increase of 5.5% and 8.0%, respectively, in relation to the same period of 2006. EBITDA Margin on the net income of the parent company was 17.3%, and 16.6% in the Consolidated keeping at the same levels occurred in 2006.

In the second quarter the Ebitda showed a growth of 19.2% in the parent company and 22.1% in the Consolidated in relation to the equal quarter of the previous year, with a gain in the margins of 2.1 p.p. and 1.5 p.p. respectively. When compared to the immediately previous quarter, the Ebitda showed a growth by 15.7% in the parent company and 18.5% in the Consolidated.

R\$ million

	Parent company			Consolidated		
	2 <sup>nd</sup> Q07	2 <sup>nd</sup> Q.06	Var.%	2 <sup>nd</sup> Q07	2 <sup>nd</sup> Q.06	Var.%
<b>EBITDA</b>	<b>67.1</b>	56.3	19.2%	<b>73.5</b>	60.2	22.1%
- EBITDA Margin	17.8%	15.7%	2.1 p.p	17.0%	15.5%	1.5 p.p.

## **Net Income**

**2<sup>nd</sup> quarter** - The Company had a net income of R\$ 21.3 million in the second quarter, a lower result by 6.1% to the one presented in the same period of the previous year and an increase by 3.4 % in relation to the first quarter of 2007.

**1<sup>st</sup> semester** – In the accumulated from January to June of 2007, the net income was R\$ 41.9 million, with a reduction of 9.6% in relation to the result of the same semester of 2006. The margin on the net revenue of consolidated sales was 5.1%, with a loss of 1.1 percentage point in relation to the 6.2%, presented in the equal semester of the previous year.

Although it is still affected by the exchange effect, the increases in the prices of inputs and the increase of the financial expenses arising from the interest on financings, the formation of this result had positive contribution of the sales increase in the second quarter and the result of the equity method in the investments in controlled companies.

## **INVESTMENTS**

### **Investment Budget - 2007**

On 04.26.07, the Company's shareholders approved the investment budget for 2007, in the amount of R\$ 230.7 million, intended to the following projects: quality; increase of capacity; operations; research and development; new Technological Center; acquisitions of Dana Gravataí – plant of bearings – and Edival Argentina – valve plant; and industrial filter project.

## **HUMAN RESOURCES**

At the end of the first semester of 2007, the Company's manpower was 7,289 employees (7,107 on 12.31.06). The increase of personnel aimed at adjusting the number to the current production levels. In the Consolidated, the total of employees on 30 June was 8,587.

In the first semester of the current year, the benefits and the participation in the results intended to the employees totaled R\$ 35.3 million in the Parent company and R\$ 38.3 million in the Consolidated. Considering the consolidated data, these participations are distributed in 23% in medical and social care, 21% in food, 10% in transportation, 6% in training, 28% in profit sharing and 12% others.

## **ENVIRONMENT**

According to the Company's Environment policy, in the second quarter various environmental improvement projects were carried out, including: improvement in the treatment of aluminum cast alloys, in compliance with the Brazilian and German standards for the control of atmospheric emissions; rationalization in the consumption of water, by means of equipment more efficient for the washing of parts, following the reduction of effluents generated in the process; recycling by the metal plant in Germany of the waste generated in the production process; protection of natural resources such as the socio-environmental recovery of Ypês stream, in partnership with the municipal administration of Mogi-Guaçu, encouraging and supporting the actions related to the awareness with schools and the community.

## RELATIONSHIP WITH INDEPENDENT AUDITORS

In compliance with Instruction CVM no. 381/03, we list below the information concerning the rendering of other services, other than external audit, provided by the company Ernst & Young Auditores Independentes S/S and its related parties, during the first half of 2007, to MAHLE Metal Leve S.A., controlled companies and companies belonging to the same group to which the Company belongs:

Nature	Contracting date	Duration
Quarterly revisions of tax burden of 2007, as well as of DIPJ (concerning the year of 2006).	12 April 2007	January to December 2007
External audit service for companies belonging to the same group to which the Company belongs.	12 April 2007	January to December 2007
Revision of the procedures and criteria adopted in determining PIS (Employees' Profit Participation Program)/Cofins (Tax for Social Security Financing)	31 August 2005	January to March 2007

The contracted fees totaled R\$300 thousand and represented 65% of the fees corresponding to the external audit services rendered and to be rendered to MAHLE Metal Leve S.A. and its controlled companies in 2007.

The Company's and its controlled companies' policies prohibited the hiring of its independent auditors for the rendering of services that may cause conflict of interests, loss of objectivity of the same or of independence.

The Management of MAHLE Metal Leve S.A. and its controlled companies, in discussion with its independent auditors, concluded that the works listed above are not considered as threats to the independence of audit entity, since they do not characterize an actual or supposed loss of its objectivity and integrity.

## **PERSPECTIVES**

For the year of 2007, the figures show a more significant expansion of the Gross Domestic Product (GDP), as a result of the boosting of the economic activity in the domestic market occurred in the first semester of the year. For the second semester of 2007 the market forecasts a continuance of the economic activity expansion, keeping under control the inflation indexes, the gradual reduction of the interest rate and the perspective of improvement of the income and broadening of the access to credit to a larger portion of the Brazilian population.

The international market continues being jeopardized by the monetary exchange unfavorable to exports, although the projection shows the same moderate growth of the world economy activity level in the next months.

The estimates for the IPCA in 2007 is 3.6%, much low the central goal of 4.5% fixed by the National Monetary Council. With respect to Selic interest rate, the market estimate shows a position at the end of 2007 by 10.75% a year. The market projection for the growth of GDP is 4.5% a year.

### **Automotive Industry**

#### Forecast of Sales and Production

##### **Sales**

- Domestic Market – Based on the result of sales to the domestic market in the first six months, the sector increased the estimates for the year 2007, by 2.1 million units, which represents a growth by 18.7%.
- Export Market – As a result of the above-mentioned factors, the expectations of the sector for the foreign market is a fall by 11% in units in 2007.

##### **Production**

- The production estimates for the automotive sector for the year 2007 is approximately 2.9 million units, with a growth around 10% in relation to 2006.

**The Company**

The Company's management estimates for the second semester of 2007, a sales growth in the domestic market of original equipment in line with the production expansion levels estimated by the automotive sector. In the aftermarket, as a result of the increase of transportation services in agricultural, civil construction, mining and passengers sectors, the Company forecasts a continuance in the growth level equal to the one occurred in the first semester.

In the international market, the perspective is that of keeping the sales volumes achieved in the first semester of the current year, reflecting positively the increment in the portfolio of products arising from the acquisition of Edival. However, with the keeping of the current levels of the monetary exchange rate for the second semester, the profitability of this market tends to be lower than the one occurred in the first semester of the current year.

## Balance Sheet – Liabilities (in Thousand Brazilian Reais)

Description	06/30/07	03/31/07
Total of Liabilities	1,142,811	1,154,887
Current Liabilities	491,070	434,443
Loans and Financings	265,531	228,351
Debentures	0	0
Service Providers	64,190	61,220
Taxes, Fees and Contributions	8,158	4,058
Payable Dividends	163	20,165
Proposed Dividends	0	20,000
Interest on Own Capital	163	165
Provisions	57,370	46,813
Provisions for vacation and 13th salary (Note 15)	33,640	26,191
Provisions - Misc. (Note 16)	23,730	20,622
Debts with Related Parties	19,359	21,558
Other	76,299	52,278
Labor Liabilities (Note 15)	23,268	23,106
Advances from Clients	1,938	1,057
Other Liabilities	51,093	28,115
Non Current Liabilities	167,638	256,686
Long Term Liabilities	167,638	256,686
Loans and Financings	78,384	168,556
Debentures	0	0
Provisions	87,198	86,061
Provisions for contingencies (Note 18)	82,962	81,900
Provisions for guarantees (Note 17)	4,236	4,161
Provision for overdraft liabilities contr.	0	0
Debts with Related Parties	0	13
Advance for future capital increase	0	0
Other	2,055	2,056
Income from Future Years	0	0
Shareholder's Equity	484,103	463,758
Realized Capital Stock	352,755	352,755
Capital Reserves	0	0
Reassessment Reserves	0	0
Own Assets	0	0
Controlled, Affiliates and Associated Companies	0	0
Profit Reserves	92,406	91,356
Legal Reserves	47,558	45,508
Statutory Reserves	0	0
Contingency Reserves	0	0
Realizable Profit Reserves	0	0
Retention of Profits	0	0
Special Reserve for Non Distributed Dividends	0	0
Other Profit Reserves	44,848	44,845
Reserves for expansion and modernization	44,848	44,848
Accumulated Profits/Losses	38,942	19,647
Advance for future capital increase	0	0

## Balance Sheet – Assets (in Thousand Brazilian Reais)

Description	06/30/07	03/31/07
Total of Assets	1,142,811	1,154,887
Current Assets	576,869	594,058
Cash Equivalents	108,905	91,941
Cash and Banks (Note 4)	108,905	27,528
Financial Applications (Note 4)	0	64,413
Credits	287,519	334,997
Clients	250,341	293,269
Receivables - Clients (Note 5)	166,215	153,705
Receivables - Related Parties (Note 8)	165,361	159,421
Provision for doubtful accounts	(6,320)	(6,279)
Discounted exchange variations	(74,915)	(13,578)
Credits – Misc.	37,178	41,728
Recoverable Taxes (Note 7)	26,138	32,276
Deferred Tax Return and Social Contribution (Note 9.c)	11,040	9,452
Inventories	153,752	150,797
Other	26,693	16,323
Non Current Assets	565,942	560,829
Long Term Assets	55,352	56,567
Credits - Misc.	0	0
Related Party Credits	0	0
With affiliated and associated companies	0	0
With controlled companies	0	0
With other related parties	0	0
Other	55,352	56,567
Deferred Tax Return and Social Contribution (Note 9.c)	41,016	41,514
Recoverable Taxes (Note 7)	13,140	13,863
Other Receivables	1,196	1,190
Fixed Assets	510,590	504,262
Investments	126,068	119,281
Shareholdings - Affiliates/Associated Companies	0	0
Shareholdings - Affiliates/Associated Companies - Premium	0	0
Shareholdings - Controlled Companies	63,892	53,994
Shareholdings - Controlled Companies - Premium	61,805	64,916
Other Investments	371	371
Property, Plant and Equipment	360,429	355,111
Intangible Assets	0	0
Deferred	24,093	29,870

## Income Statement (in Thousand Brazilian Reais)

Description	04/01/2007 to 06/30/2007	01/01/2007 to 06/30/2007	04/01/2006 to 06/30/2006	01/31/2006 to 06/30/2006
Gross income from sales and/or services	456,049	865,879	424,980	828,748
Deductions from gross income	(78,331)	(143,110)	(66,706)	(134,556)
Net income from sales and/or services	377,718	722,769	358,274	694,192
Cost of sold goods and/or services	(287,789)	(554,790)	(269,336)	(524,524)
Gross Income	89,929	167,979	88,938	169,668
Operating Expenses/Income	(62,076)	(112,539)	(54,782)	(103,519)
With sales	(20,186)	(39,639)	(19,816)	(39,615)
General and administrative	(25,086)	(49,911)	(24,613)	(45,226)
Management fees	(783)	(1,838)	(966)	(1,952)
Administrative expenses	(24,303)	(48,073)	(23,647)	(43,274)
Financial	(14,244)	(21,852)	1,418	(5,021)
Financial Income	43,251	67,144	23,167	34,789
Financial Expense	(57,495)	(88,996)	(21,749)	(39,810)
Other Operating Income	3,677	6,218	3,598	6,012
Other Operating Expenses	(14,876)	(22,638)	(16,306)	(26,975)
Expenses with technology and development	(8,406)	(15,466)	(8,981)	(16,280)
Other operating expenses	(6,470)	(9,172)	(7,325)	(10,695)
Income from equity method	8,639	17,283	937	7,306
Equity Method (Note 10)	8,639	15,144	2,566	4,505
Reversal of desv. of perm. shareholdings (Note 10)	0	2,139	(1,629)	2,801
Operating Income	27,853	55,440	34,156	66,149
Non Operating Income	169	494	327	456
Income	169	494	394	488
Expenses	0	0	(67)	(32)
Income before tax/ interest	28,022	55,934	34,483	66,605
Provision for Tax Return and Social Contribution	(7,041)	(16,047)	(10,206)	(21,333)
Deferred income tax	696	2,050	(1,586)	1,079
Statutory shareholdings/contributions	0	0	0	0
Shareholdings	0	0	0	0
Contributions	0	0	0	0
Reversal of Interest on Own Capital	0	0	0	0
Profit/Loss for the Period	21,317	41,937	22,691	46,351
Shares, non treasury (thousand)	30,454	30,454	30,454	30,454
Profit per share (Brazilian reais)	0.69997	1.37706	0.74509	1.52200
Loss per share (Brazilian reais)	-	-	-	-

(In thousands of Brazilian Reals)

## **1. Operating Context**

The Company's main activity is the research, development, manufacturing and marketing, both locally and abroad, of components and accessories for internal-combustion engines, which are sold to several industries and segments, such as assembly plants (automobiles, trucks, tractors, etc.), aftermarket, aviation engine industry, stationary engines, and others.

The products manufactured by the Company are: pistons, piston pins, camshafts, bearings, bushings, valve filters, valve rockers, connecting rods, ring-holders, valve guides, valve seats, cylinder liners and filters.

Other activities are developed through subsidiary companies, including the production of sintered metal components, and valves for combustion engines, as well as the sale of products and technical assistance services in the international market.

On 9 March 2007, Company acquired operating net assets with respect to the Bearing unit from the company Dana Indústria Ltda., located in the City of Gravataí, State of Rio Grande do Sul, offered in a public auction before the American authority for US\$1.5 million, equivalent to R\$3,135.

On 20 March 2007, the Company and its wholly owned subsidiary MAHLE Metal Leve GmbH acquired all shares (1,400,000 common shares) that the companies Graceland Limited Holding LLC., organized pursuant to the laws of Delaware, USA, and Dinansen Inversora S.A., organized pursuant to the laws of Argentina, held in the company Establecimientos Metalúrgicos Edival S.A., with head offices in the City of Rafaela, Argentina, at Av. Santa Fé, 2350, in order to introduce products developed by Edival (valves for combustion engines) to the variety of products offered by the Company, domestically and internationally, for the amount of US\$41.2 million. From such amount US\$39.1 million, equivalent to R\$81,286, refer to the Company, a premium of R\$64,916 was originally calculated, with grounds on the future profitability of the business, which upon the recalculation performed in view of accounting adjustments of the deferred income tax not acknowledged by the Argentinean company on the acquisition base date, resulted in effective premium of R\$61,805, parent company (R\$65,447, consolidated), which shall be amortized on the same proportion of the profit generated by the subsidiary.

## **2. Basis of Preparation and Presentation of Financial Statements**

The quarterly information is the responsibility of the Company's management, and it was prepared in compliance with the provisions of the Brazilian Corporations Law and the standards of the Brazilian Securities Commission - CVM. Such practices and rules are consistent with the ones used and disclosed on financial statements as of 31 December 2006.

The financial statements preparation process involves the use of accounting estimates. These accounting estimates were based on objective and subjective factors based on the judgment of the Company's management for determining the adequate amounts to be recorded in the quarterly information. Estimates and premises are used in the selection of useful lives of property, plant and equipment, and the analysis of its recoverability in transactions and credit risk analysis in determining the allowance for doubtful accounts, as well as the analysis of other risks in determining other provisions, including provisions for contingencies and warranties, measurement of financial instruments and other assets and liabilities on balance sheet date.

The settlement of transactions involving such estimates may differ significantly from those estimates recorded in the financial statements due to the inaccuracies inherent in the estimation process. The Company reviews its estimates and assumptions at least quarterly.

Assets and liabilities are classified as "current" whenever their realization or settlement is likely to occur within the following twelve months. Otherwise, they are stated as "non current". Monetary assets and liabilities denominated in foreign currency were converted into Brazilian Reals at the foreign exchange rate in force at the balance sheet closing date. Currency translation adjustments were recognized in the statement of income.

In order to improve the information provided to the market, the Company is also presenting the statements of cash flows as additional information, prepared in accordance with the Accounting Standard and Procedure NPC-20 of IBRACON (Brazilian Institute of Independent Auditors), considering the main operations that affected the Company's and subsidiaries' cash and cash equivalents. Such statements are divided into operating, investing and financing activities.

## **2. Basis of Preparation and Presentation of Financial Statements --Continuation**

Comparative quarterly information was reclassified in some items in order to be suitable with respect to third-month information for 30 June 2007.

The quarterly information of 30 June 2007 and 31 March 2007 include the net assets of the Bearing unit acquired from Dana Industrial Ltda., in the amount of R\$3,135 and the financial information of the subsidiary Establecimientos Metalúrgicos Edival S.A., acquired on 20 March 2007, as commented above.

## **3. Summary of the Main Accounting Practices**

The accounting practices adopted for the preparation of the quarterly information are consistent with those disclosed in the financial statements of 31 December 2006.

### Consolidation

The consolidated quarterly information has been prepared according to the basic principles of consolidation established by the Brazilian Corporations Law and the standards of the Securities Commission and it contemplates the elimination of investments proportionally to the parent company's interest in shareholders' equity of subsidiaries, of the balances of the equity accounts among the consolidated companies, unrealized income from inventories and revenues and expenses among the consolidated companies. Minority shareholders' interest is disclosed in the balance sheet and in the consolidated income statement.

Consolidated companies are presented as follows:

<b>Interest in total capital (%)</b>			
<b>1 Semester 2007</b>		<b>1 Semester 2006</b>	
<b>Direct</b>	<b>Indirect</b>	<b>Direct</b>	<b>Indirect</b>

MAHLE Metal Leve Miba Sinterizados Ltda.	<b>70</b>	-	70	-
Establecimientos Metalúrgicos Edival S.A.	<b>95</b>	<b>5</b>	-	-
MAHLE Metal Leve GmbH (exterior)	<b>100</b>	-	100	-
MAHLE Metal Leve International NV (exterior)	-	<b>100</b>	-	100

#### 4. Cash and Cash Equivalents

	Parent Company		Consolidated	
	30/JUN/07	31/MAR/07	30/JUN/07	31/MAR/07
Cash and banks	<b>7,764</b>	2,964	<b>10,164</b>	12,575
Financial applications	-	64,413	<b>18,604</b>	80,212
Amounting pending currency exchange closing	<b>101,141</b>	24,564	<b>101,141</b>	24,575
	<b>108,905</b>	91,941	<b>129,909</b>	117,362

The amounts pending closing of the exchange refer to receipts of financial resources in foreign currency, from clients located abroad, whose exchange closing was not carried out on the date of the quarterly information, being bound to export financing operations (BNDES-Exim).

Financial investments significantly refer to bank deposit certificates, remunerated at rates varying from 100% to 100.6% of the Interbank Deposit Certificate – CDI.

#### 5. Trade Accounts Receivable

	Parent Company		Consolidated	
	30/JUN/07	31/MAR/07	30/JUN/07	31/MAR/07
<u>Market</u>				
Domestic	<b>125,863</b>	113,122	<b>142,224</b>	128,738
Foreign	<b>40,352</b>	40,583	<b>94,532</b>	89,844
	<b>166,215</b>	153,705	<b>236,756</b>	218,582

#### 6. Inventories

	Parent Company		Consolidated	
	30/JUN/07	31/MAR/07	30/JUN/07	31/MAR/07
Finished products	<b>65,138</b>	60,375	<b>90,129</b>	82,491
Work-in-progress	<b>70,008</b>	65,371	<b>75,482</b>	69,675
Raw materials	<b>18,185</b>	18,980	<b>25,003</b>	25,409
Ancillary materials	<b>8,164</b>	9,516	<b>10,289</b>	11,245
Imports in transit	<b>2,647</b>	5,389	<b>15,376</b>	20,584
Provision for inventory losses	<b>(10,390)</b>	(8,834)	<b>(16,068)</b>	(15,161)
	<b>153,752</b>	150,797	<b>200,211</b>	194,243

## 7. Recoverable Taxes

	Parent Company		Consolidated	
	30/JUN/07	31/MAR/07	30/JUN/07	31/MAR/07
Income and social contribution taxes (Note 9.b)	2,150	5,909	3,344	8,056
Income tax on financial applications	-	1,114	-	1,193
Income and social contribution taxes on services provided	-	160	-	160
ICMS on acquisition of fixed assets	15,361	15,811	16,228	16,699
ICMS and IPI tax	9,091	9,463	11,088	11,378
PIS tax	1,849	2,048	1,960	2,162
COFINS tax	8,503	9,324	9,013	9,850
Other taxes	2,324	2,310	3,187	2,886
	<b>39,278</b>	<b>46,139</b>	<b>44,820</b>	<b>52,384</b>
Current	(26,138)	(32,276)	(30,988)	(37,755)
Non Current	13,140	13,863	13,832	14,629

ICMS on acquisitions of fixed assets will be recovered at 1/48th per month.

## 8. Related Parties

Companies	Parent Company									
	Balances on 30/JUN/07		Transactions in the 1 <sup>st</sup> Semester of 2007							
	Current Assets	Current Liabilities	Sales/revenues			Purchases			Royalties	
		Products	Services	Commissions	Products	Services	Fixed Assets	Commission s		
MAHLE Metal Leve Miba Sinterizados Ltda.	245	550	-	1,302	-	2,151	-	-	-	
MAHLE Componentes de Motores do Brasil Ltda.	2,276	10,467	139	8,548	2,656	44,333	794	-	-	
MAHLE Indústria e Comércio Ltda.	-	22	-	-	-	-	-	-	-	
MAHLE Componentes de Motores S.A.	386	-	578	-	-	-	-	-	-	
MAHLE S.A. de Argentina	9,928	40	10,730	-	-	192	-	-	-	
MAHLE S.A. Espanha	-	-	-	-	-	2	-	-	-	
MAHLE Pistoni Itália S.p.A	-	-	-	-	-	64	-	-	-	
MAHLE GmbH	412	5,846	1,302	-	-	5,766	-	1,104	6,821	
MAHLE France SARL	561	-	682	-	-	-	-	-	-	
MAHLE Filtersysteme	1,753	1,193	1,805	-	-	1,640	-	-	-	
MAHLE Filter Systems North America, Inc.	16	-	17	-	-	-	-	-	-	
MAHLE Filter Systems Wednesbury Ltd.	-	7	-	-	-	-	-	-	12	
MAHLE Componentes de Motor de México, S. de R.L. de C.V.	172	-	-	-	-	12	-	-	-	
MAHLE Engine Components (Thailand) Co., Ltd.	-	-	72	-	-	-	-	-	-	
MAHLE, Inc.	15,956	188	31,745	-	-	33	-	-	468	
MAHLE Polska Spolka. z o.o	96	1	97	-	-	-	-	-	-	
MAHLE Motorkomponenten Schweiz AG	-	74	-	-	-	205	-	-	-	
MAHLE Motorkomponenten GmbH	3,530	245	6,861	-	-	478	-	-	-	
MAHLE Sistemas de Filtración S.L.	-	1	-	-	-	-	-	-	2	
MAHLE Technology, Inc.	1	-	-	-	-	-	-	-	-	
MAHLE Metal Leve International N.V.	126,499	-	185,391	53	-	-	-	-	-	
MAHLE Engine Components Australia Pty Ltd.	183	1	243	-	-	-	-	-	5	
MAHLE Engine Components USA, Inc	21	-	-	-	-	-	-	-	-	
MAHLE Powertrain Ltd.	60	-	31	-	-	-	-	-	-	
MAHLE Ventiltrieb GmbH	-	169	36	-	-	4,086	-	-	-	
MAHLE Aftermarket GmbH	1,388	186	3,508	-	-	547	-	-	79	
MAHLE Bearings (Yingkou) Co.,Ltd.	442	-	237	-	-	-	-	-	-	
MAHLE Engine Components (Nanjing) Co., Ltd.	924	-	1,157	-	-	-	-	-	-	
MAHLE Donghyun Filter Systems Co., Ltd.	-	134	-	-	-	363	-	-	-	
MAHLE Motorteile GmbH	24	-	-	-	-	-	-	-	-	
MAHLE Vöcklabruck GmbH	411	-	2,148	-	-	-	-	-	-	
MAHLE Migma Private Ltd.	-	230	-	-	-	2,182	-	-	-	
MAHLE Trading Shanghai Co., Ltd.	-	5	-	-	-	218	-	-	14	
MAHLE Trading Japan Ltd.	-	-	5	-	-	115	-	-	-	
MAHLE Technologies Holding (China) Co., Ltd.	68	-	30	-	-	-	-	-	-	
MAHLE König GmbH	-	-	17	-	-	-	-	-	-	
MAHLE Engine Components Japan Corporation	-	-	3	-	-	-	-	-	-	
MAHLE Ventiltrieb Brandenburg GmbH	-	-	36	-	-	-	-	-	-	
Glacier Vendervell Italy s.r.l.	9	-	9	-	-	-	-	-	-	
Total	165,361	19,359	246,879	9,903	2,656	62,387	794	1,104	580	6,821

## 8. Related Parties

Companies	Parent Company									
	Balances on 31/MAR/07		Transactions in the 1 <sup>st</sup> Semester 2006							
	Current Assets	Current Liabilities	Sales/revenues			Purchases				
			Products	Services	Products	Products	Services	Fixed Assets	Commissions	Royalties
MAHLE Metal Leve Miba Sinterizados Ltda.	233	182	-	1,153	-	715	-	-	-	-
MAHLE Componentes de Motores do Brasil Ltda.	1,968	10,668	217	7,491	2,194	42,916	508	-	-	-
MAHLE Indústria e Comércio Ltda.	-	39	-	-	-	-	-	-	-	-
MAHLE Componentes de Motores S.A.	1,135	-	347	-	-	-	-	-	-	-
MAHLE S.A. de Argentina	7,490	-	7,649	-	-	-	-	-	-	-
MAHLE S.A. Espanha	-	-	42	-	-	-	-	2,355	-	-
MAHLE Pistoni Itália S.p.A	-	-	33	-	-	35	-	-	-	-
MAHLE GmbH	623	6,110	169	-	-	7,658	-	2,340	-	6,639
MAHLE France SARL	221	-	72	-	-	-	-	-	-	-
MAHLE Filtersysteme	1,208	1,310	959	-	-	1,271	-	-	-	-
MAHLE Filter Systems North America, Inc.	50	-	-	-	-	-	-	-	-	-
MAHLE Componentes de Motor de México, S. de R.L. de C.V.	181	8	878	-	-	-	-	-	-	-
MAHLE Engine Components (Thailand) Co., Ltd.	70	-	15	-	-	-	-	-	-	-
MAHLE, Inc.	19,683	319	89,552	-	-	-	-	233	494	-
MAHLE Polska Spolka. z o.o	-	1	52	-	-	-	-	-	-	-
MAHLE Motorkomponenten Schweiz AG	-	83	-	-	-	969	-	-	-	-
MAHLE Motorkomponenten GmbH	3,951	159	-	-	-	681	-	-	-	-
MAHLE Motorsports, Inc.	10	-	6	-	-	-	-	-	-	-
MAHLE Technology, Inc.	1	-	-	-	-	-	-	-	-	-
MAHLE Metal Leve International N.V.	116,999	-	145,604	-	-	-	-	-	-	-
MAHLE Engine Components Australia Pty Ltd.	53	1	72	-	-	-	-	-	1	-
MAHLE Sistemas de Filtración S.L.	-	1	-	-	-	-	-	-	1	-
MAHLE Ventiltrieb GmbH	331	710	25	-	-	2,674	-	-	-	-
MAHLE Aftermarket GmbH	1,909	1,039	4,606	-	-	807	-	-	108	-
MAHLE Bearings (Yingkou) Co.,Ltd.	1,486	-	11	-	-	-	-	-	-	-
MAHLE Engine Components (Nanjing) Co., Ltd.	1,011	-	61	-	-	20	-	-	-	-
MAHLE Donghyun Filter Systems Co., Ltd.	-	111	-	-	-	273	-	-	-	-
MAHLE Motorteile GmbH	25	-	-	-	-	-	-	-	-	-
MAHLE Vöcklabruck GmbH	597	-	486	-	-	-	-	-	-	-
MAHLE Migma Private Ltd.	-	783	-	-	-	416	-	-	-	-
MAHLE Trading Shanghai Co., Ltd.	-	34	-	-	-	-	-	-	-	-
MAHLE Engine Components (Chongqing) Co., Ltd.	145	-	103	-	-	14	-	-	-	-
MAHLE Technologies Holding (China) Co., Ltd.	41	-	-	-	-	-	-	-	-	-
Outros	-	-	34	-	-	14	-	-	-	-
<b>Total</b>	<b>159,421</b>	<b>21,558</b>	<b>250,993</b>	<b>8,644</b>	<b>2,194</b>	<b>58,463</b>	<b>508</b>	<b>4,928</b>	<b>604</b>	<b>6,639</b>

## 8. Related Parties

Companies	Consolidated									
	Balances on 30/JUN/07		Transaction in the 1 <sup>st</sup> Semester of 2007							
	Current Assets	Current Liabilities	Sales/revenues			Purchases				
		Products	Services	Commissions	Products	Services	Fixed Assets	Commissions	Royalties	
MAHLE Indústria e Comércio Ltda.	-	22	-	-	-	-	-	-	-	-
MAHLE Componentes de Motores do Brasil Ltda.	2,276	10,467	139	8,548	2,656	44,333	794	-	-	-
MAHLE Componentes de Motores S.A.	3,927	-	5,741	-	-	-	-	-	-	-
MAHLE S.A. de Argentina	9,928	40	10,730	-	-	192	-	-	-	-
MAHLE S.A. Espanha	153	5	79	-	-	2	-	-	-	-
MAHLE Pistoni Itália S.p.A	3,329	-	6,487	-	-	64	-	-	-	-
MAHLE GmbH	12,240	5,846	19,575	-	-	5,766	-	1,104	-	6,821
MAHLE France SARL	26,269	106	34,108	-	-	-	-	-	-	-
MAHLE Filtersysteme	2,019	1,193	1,805	-	-	1,640	-	-	-	-
MAHLE Filter Systems North America, Inc.	16	-	17	-	-	-	-	-	-	-
MAHLE Filter Systems Wednesbury Ltd.	-	7	-	-	-	-	-	-	12	-
MAHLE Componentes de Motor de México, S. de R.L. de C.V.	5,275	30	6,819	-	-	12	-	-	-	-
MAHLE de México, S. de R.L. de C.V.	-	-	1,261	-	-	24	-	-	-	-
MAHLE Engine Components (Thailand) Co. Ltd.	-	-	686	-	-	-	-	-	-	-
MAHLE, Inc.	27,853	4,736	49,398	-	-	4,321	-	-	521	-
MAHLE Polska Spolka. z o.o.	96	1	97	-	-	-	-	-	-	-
MAHLE Motorkomponenten Schweiz AG	-	74	-	-	-	205	-	-	-	-
MAHLE Motorkomponenten GmbH	12,393	1,530	19,939	-	-	478	-	-	-	-
MAHLE Pistons France SARL	-	-	108	-	-	-	-	-	-	-
MAHLE Technology, Inc.	22	2,435	-	-	-	-	-	-	-	-
MAHLE Sud América N.V.	14	-	-	17	-	-	-	-	-	-
MAHLE Engine Components Australia Pty Ltd.	221	1	243	-	-	-	-	-	5	-
MAHLE Engine Components USA, Inc.	21	-	-	-	-	-	-	-	-	-
MAHLE Powertrain Ltd.	2,908	-	3,902	-	-	-	-	-	-	-
MAHLE Ventiltrieb GmbH	-	169	36	-	-	4,086	-	-	-	-
MAHLE Sistemas de Filtración S.L.	-	1	-	-	-	-	-	-	2	-
MAHLE Aftermarket GmbH	11,607	642	16,092	-	177	547	-	-	79	177
MAHLE Bearings (Yingkou) Co.,Ltd.	999	-	237	-	-	-	-	-	-	-
MAHLE Engine Components (Nanjing) Co., Ltd.	924	-	1,157	-	-	-	-	-	-	-
MAHLE Donghyun Filter Systems Co., Ltd.	-	134	-	-	-	363	-	-	-	-
MAHLE Motorteile GmbH	24	-	-	-	-	-	-	-	-	-
MAHLE Vöcklabruck GmbH	411	-	2,148	-	-	-	-	-	-	-
MAHLE Migma Private Ltd.	6	230	-	-	-	2,181	-	-	-	-
MAHLE Trading Shangai Co., Ltd.	-	5	-	-	-	218	-	-	14	-
MAHLE Trading Japan Ltd.	-	-	5	-	-	115	-	-	-	-
MAHLE International GmbH	83	217	-	-	-	-	-	-	-	-
MAHLE Technologies Holding (China) Co., Ltd.	68	-	30	-	-	-	-	-	-	-
MAHLE König GmbH	-	-	17	-	-	-	-	-	-	-
MAHLE Engine Components Japan Corporation	-	-	3	-	-	-	-	-	-	-
MAHLE Ventiltrieb Brandenburg GmbH	-	4	36	-	-	-	-	-	-	-
Glacier Vendervell Italy s.r.l.	9	-	9	-	-	-	-	-	-	-
<b>Total</b>	<b>123,091</b>	<b>27,895</b>	<b>180,904</b>	<b>8,565</b>	<b>2,833</b>	<b>64,547</b>	<b>794</b>	<b>1,104</b>	<b>633</b>	<b>6,821</b>

## 8. Related Parties--Continuation

Companies	Balances on 31/MAR/07		Consolidated Transactions in the 1 <sup>st</sup> Semester of 2006							
	Current Assets	Current Liabilities	Sales/revenues			Purchases				
			Products	Services	Commissions	Products	Services	Fixed Assets	Commissions	Royalties
MAHLE Indústria e Comércio Ltda.	-	39	-	-	-	-	-	-	-	-
MAHLE Componentes de Motores do Brasil Ltda.	1,968	10,668	217	7,491	2,194	42,916	508	-	-	-
MAHLE Componentes de Motores S.A.	4,623	-	4,441	-	-	-	-	-	-	-
MAHLE S.A. de Argentina	7,490	-	7,649	-	-	-	-	-	-	-
MAHLE S.A. Espanha	78	5	42	-	-	-	-	2,355	-	-
MAHLE Pistoni Itália S.p.A	3,968	2	7,892	-	-	35	-	-	-	-
MAHLE GmbH	10,601	6,110	19,605	-	-	7,658	-	2,340	-	6,639
MAHLE France SARL	20,326	-	31,466	-	-	-	-	-	-	-
MAHLE Filtersysteme	1,549	1,737	2,226	-	-	1,271	-	-	-	-
MAHLE Filter Systems North America, Inc.	50	-	-	-	-	-	-	-	-	-
MAHLE Filter Systems Wednesbury Ltd.	-	-	-	-	-	-	-	-	-	-
MAHLE Componentes de Motor de México, S. de R.L. de C.V.	4,780	12	2,298	-	-	-	-	-	-	-
MAHLE de México, S. de R.L. de C.V.	-	8	7,978	-	-	-	-	-	-	-
MAHLE Engine Components (Thailand) Co. Ltd.	70	-	428	-	-	-	-	-	-	-
MAHLE, Inc.	32,686	2,191	132,739	-	-	-	-	233	547	-
MAHLE Polska Spolka. z o.o.	-	1	52	-	-	-	-	-	-	-
MAHLE Motorkomponenten Schweiz AG	-	83	-	-	-	969	-	-	-	-
MAHLE Motorkomponenten GmbH	12,707	1,461	12,774	-	-	681	-	-	-	-
MAHLE Motorsports, Inc.	10	-	6	-	-	-	-	-	-	-
MAHLE Technology, Inc.	1	1,270	-	-	-	-	-	-	-	-
MAHLE Sud América N.V.	-	1	-	11	-	-	-	-	-	-
MAHLE Engine Components Australia Pty Ltd.	93	-	622	-	-	-	-	-	1	-
MAHLE Engine Components Japan Corporation	-	13	-	-	-	-	-	-	-	-
MAHLE Powertrain Ltd.	1,893	-	783	-	-	-	-	-	-	-
MAHLE Ventiltrieb GmbH	331	710	26	-	-	2,674	-	-	-	-
MAHLE Sistemas de Filtración S.L.	-	1	-	-	-	-	-	-	1	-
MAHLE Aftermarket GmbH	5,301	1,580	15,099	-	-	807	-	-	108	-
MAHLE Bearings (Yingkou) Co., Ltd.	1,486	62	11	-	-	-	-	-	-	-
MAHLE Engine Components (Nanjing) Co., Ltd.	1,011	-	61	-	-	20	-	-	-	-
MAHLE Donghyun Filter Systems Co., Ltd.	-	110	-	-	-	273	-	-	-	-
MAHLE Motorteile GmbH	25	-	-	-	-	-	-	-	-	-
MAHLE Vöcklabruck GmbH	597	9	486	-	-	-	-	-	-	-
MAHLE Migma Private Ltd.	-	783	-	-	-	416	-	-	-	-
MAHLE Trading Shanghai Co., Ltd.	4	34	-	-	-	-	-	-	-	-
MAHLE Trading Japan Ltd.	-	-	-	-	-	-	-	-	-	-
MAHLE International GmbH	-	6	-	-	-	-	-	-	-	-
MAHLE Engine Components (Chongqing) Co., Ltd.	145	-	103	-	-	14	-	-	-	-
MAHLE Technologies Holding (China) Co., Ltd.	41	-	-	-	-	-	-	-	-	-
Outros	-	-	34	-	-	14	-	-	-	-
<b>Total</b>	<b>111,834</b>	<b>26,896</b>	<b>247,038</b>	<b>7,502</b>	<b>2,194</b>	<b>57,748</b>	<b>508</b>	<b>4,928</b>	<b>657</b>	<b>6,639</b>

## **8. Related Parties--Continuation**

Commercial transactions among related parties refer mainly to acquisition and sale of products and services directly related to operating activities and the conditions in which they are carried out are similar to those of transactions practiced with third parties.

The Company is a party to an agreement for transfer of technology with its parent company in Germany, which allows Company the access to pistons manufacture technology, facilitating its penetration in the industrial market. Royalty expenses are recorded in the account Expenses with Technology and Development, in the amount of R\$7,678 for the semester ended on 30 June 2007 (R\$7,234 in 2006).

The commissions refer to services of commercial representation provided for or by related parties. Prices are computed considering profit margins usually practiced in the market in similar transactions.

## **9. Income and Social Contribution Taxes**

Income and social contribution taxes on profit were calculated at rates in force.

### a) Reconciliation of income and social contribution tax expenses

The reconciliation of the expense calculated at nominal compound tax rates and the income and social contribution tax expense recorded in the income statement is as follows:

## 9. Income and Social Contribution Taxes --Continuation

### a) Reconciliation of income and social contribution tax expenses --Continuation

	Parent Company		Consolidated	
	30/JUN/07	30/JUN/06	30/JUN/07	30/JUN/06
Income before income and social contribution Taxes	<b>55,934</b>	66,605	<b>62,157</b>	71,855
Exclusion of the equity pick-up result and devaluation allowance	<b>(14,864)</b>	(7,649)	-	-
Exclusion of results from parent companies abroad	-	-	<b>(10,488)</b>	(3,141)
Adjusted Profit before income and social contribution taxes	<b>41,070</b>	58,956	<b>51,669</b>	68,714
IRPJ and CSSL at nominal rate (34%)	<b>(13,964)</b>	(20,046)	<b>(17,567)</b>	(23,363)
Adjustments for effective rate calculation:				
Effects on permanent differences				
Other, net	<b>(27)</b>	(155)	<b>(87)</b>	(157)
Effects on temporary differences:				
Provisions	<b>(2,056)</b>	(1,132)	<b>(2,732)</b>	(1,373)
Current income and social contribution taxes	<b>(16,047)</b>	(21,333)	<b>(20,386)</b>	(24,893)
Deferred income and social contribution taxes	<b>2,050</b>	1,079	<b>2,229</b>	1,320
Total income and social contribution taxes	<b>(13,997)</b>	(20,254)	<b>(18,157)</b>	(23,573)
Effective rate	<b>34.1%</b>	34.4%	<b>35.1%</b>	34.3%

### b) Recoverable income and social contribution taxes

	Parent Company		Consolidated	
	30/JUN/07	31/MAR/07	30/JUN/07	31/MAR/07
Income tax on the year profit	<b>11,746</b>	6,346	<b>15,040</b>	7,740
Social contribution tax on the year profit	<b>4,301</b>	2,300	<b>5,346</b>	2,800
	<b>16,047</b>	8,646	<b>20,386</b>	10,540
Offset against prepaid taxes and tax incentives	<b>(18,197)</b>	(14,991)	<b>(23,302)</b>	(19,032)
Others	-	436	<b>(428)</b>	436
Balance of recoverable taxes (Note 7)	<b>(2,150)</b>	(5,909)	<b>(3,344)</b>	(8,056)

## 9. Income and Social Contribution Taxes --Continuation

### c) Breakdown of deferred income and social contribution taxes

Deferred income and social contribution taxes have been calculated on temporarily nondeductible provisions, as follows:

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>30/JUN/07</b>	<b>31/MAR/07</b>	<b>30/JUN/07</b>	<b>31/MAR/07</b>
Temporary differences				
Provision for contingencies, warranties and others	<b>33,864</b>	33,035	<b>34,779</b>	33,466
Provision for inventory losses	<b>6,223</b>	5,300	<b>8,799</b>	5,593
Allowance for doubtful accounts	<b>1,592</b>	1,573	<b>1,653</b>	1,628
Provision for losses on the realization of other assets	<b>3,767</b>	3,760	<b>3,894</b>	3,887
Commissions on sales and other temporarily nondeductible provisions	<b>6,610</b>	7,298	<b>7,989</b>	7,730
	<b>52,056</b>	50,966	<b>57,114</b>	52,304
Current	<b>(11,040)</b>	(9,452)	<b>(12,054)</b>	(9,938)
Non Current	<b>41,016</b>	41,514	<b>45,060</b>	42,366

In accordance with Company's management projections, deferred income and social contribution taxes classified under non current assets, on June 30, 2007, will be carried out as follows:

<b>Year</b>	<b>Parent Company</b>	<b>Consolidated</b>
2008	<b>4,995</b>	<b>5,037</b>
2009	<b>9,803</b>	<b>12,865</b>
2010	<b>3,647</b>	<b>4,230</b>
2011	<b>5,167</b>	<b>5,227</b>
2012 to 2014	<b>12,222</b>	<b>12,458</b>
2015 to 2017	<b>5,182</b>	<b>5,243</b>
	<b>41,016</b>	<b>45,060</b>

## 10. Investments in Subsidiaries

	30/JUN/07							30/JUN/06
	Information from controlled companies in the semester			Participation				Participation
	Shareholders' Equity	Semester Results	%	In Shareholders' Equity	In the semester results	Provision Reversal	Exchange variation on investment	In semester results
Investments:								4,505
MAHLE Metal Leve Miba Sinterizados Ltda.	45,418	6,877	70.00	31,793	4,814	-	-	-
Establecimientos Metalúrgicos Edival S.A.	20,164	1,593	95.00	19,156	1,513	-	(1,838)	2,801
MAHLE Metal Leve GmbH	12,943	10,956	100.00	12,943	8,817	2,139	(581)	7,306
				<u>63,892</u>	<u>15,144</u>	<u>2,139</u>	<u>(2,419)</u>	

	30/JUN/07							30/JUN/06
	Information from controlled companies in the quarter			Participation				Participation
	Shareholders' Equity	Result of the 2 <sup>nd</sup> Quarter 2007	%	In Shareholders' Equity	In the result of the 2 <sup>nd</sup> Quarter 2007	Provision Reversal	Exchange variation on investment 2 <sup>nd</sup> Quarter 2007	In the result of the 2 <sup>nd</sup> Quarter 2006
Investments:								
MAHLE Metal Leve Miba Sinterizados Ltda.	45,418	3,504	70.00	31,793	2,453	-	-	2,566
Establecimientos Metalúrgicos Edival S.A.	20,164	1,405	95.00	19,156	1,334	-	(1,311)	-
MAHLE Metal Leve GmbH	12,943	4,852	100.00	12,943	4,852	-	(542)	(1,629)
				<u>63,892</u>	<u>8,639</u>	<u>-</u>	<u>(1,853)</u>	<u>937</u>

## 11. Property, Plant and Equipment

	Annual depreciation rates (%)	Parent Company		Consolidated	
		30/JUN/07	31/MAR/07	30/JUN/07	31/MAR/07
		Land	-	7,690	7,689
Buildings and construction	4	92,482	88,820	101,520	98,087
Machinery, equipment and facilities	10-20	827,071	798,053	926,559	898,923
Furniture and fixtures	10	16,726	16,597	19,130	19,308
Transportation assets	20-40	16,492	15,702	18,195	18,601
Construction in progress	-	43,647	60,277	52,563	68,965
Advances to suppliers	-	19,049	13,814	20,452	14,297
Others	20	1,292	1,499	1,307	1,517
		<u>1,024,449</u>	<u>1,002,451</u>	<u>1,148,264</u>	<u>1,128,342</u>
Accumulated depreciation		<u>(664,020)</u>	<u>(647,340)</u>	<u>(744,435)</u>	<u>(728,258)</u>
		<u>360,429</u>	<u>355,111</u>	<u>403,829</u>	<u>400,084</u>

## 11. Property, Plant and Equipment --Continuation

Works-in-progress and advances to suppliers on 30 June 2007 and 31 March 2007 refer to assets, which are in phase of acquisition and/or installation, and various civil construction works for expansion and modernization of Company's industrial facilities, mainly in the piston and bushings segments. Projects in progress include the construction of a new Technology Center of the Company, which is expected to be completed by the end of 2007.

## 12. Deferred Charges

	Annual amortization rates (%) Rates	Parent Company		Consolidated	
		30/JUN/07	31/MAR/07	30/JUN/07	31/MAR/07
Goodwill on the acquisition of the subsidiary MAHLE MMG Indústria e Comércio Ltda.	20	<b>108,382</b>	108,382	<b>108,382</b>	108,382
Goodwill on the acquisition of the subsidiary P.F.S. II Ind. e Com. de Peças Automotivas Ltda.	20	<b>2,236</b>	2,236	<b>2,236</b>	2,236
Goodwill on the acquisition of the subsidiary T.C.V. Ind. e Com. de Peças Automotivas Ltda.	20	<b>6,674</b>	6,674	<b>6,674</b>	6,674
Expenditures made with the acquisition and installation of software	20	<b>24,791</b>	24,371	<b>25,719</b>	25,329
Other projects	20	<b>4,922</b>	4,521	<b>4,922</b>	4,521
		<b>147,005</b>	146,184	<b>147,933</b>	147,142
Accumulated amortization		<b>(122,912)</b>	(116,314)	<b>(123,456)</b>	(116,829)
		<b>24,093</b>	29,870	<b>24,477</b>	30,313

## 13. Service Providers

	Parent Company		Consolidated	
	30/JUN/07	31/MAR/07	30/JUN/07	31/MAR/07
Domestic	<b>58,619</b>	53,320	<b>65,380</b>	67,548
Foreign	<b>5,571</b>	7,900	<b>12,649</b>	15,622
	<b>64,190</b>	61,220	<b>78,029</b>	83,170

## 14. Financing

Financial charges	Parent Company		Consolidated	
	30/JUN/07	31/MAR/07	30/JUN/07	31/MAR/07
<b><u>Domestic Currency</u></b>				
Finame – TJLP tax variation plus annual interest of 1.0% to 4.5%	6,474	6,951	6,474	6,951
Working capital – TJLP tax variation plus annual interest of 2.5%	5,286	5,201	10,512	10,346
Finame – annual interest of 10.5% to 11.5%.	12,672	13,537	12,672	13,537
Others	-	-	143	101
<b><u>Foreign currency</u></b>				
Provision for interest on discounted withdrawals	407	489	407	489
Working capital – exchange variation plus annual interest of 4.25% to 5.9%	-	-	23,902	23,355
BNDES-Exim (US\$ 100 million):				
- 80% of the debit balance indexed to the TJLP tax variation plus annual interest of 2.75%.	144,628	173,117	144,628	173,117
- 20% of the debit balance indexed to the exchange variation plus annual interest of 10.06%.	32,544	41,501	32,544	41,501
- Swap indexed to the exchange variation plus annual interest of 4.30%.	(25,127)	(20,413)	(25,127)	(20,413)
BNDES-Exim (US\$ 30 million):				
- 80% of the debit balance indexed to the TJLP tax variation plus annual interest of 2.60%.	52,556	52,348	52,556	52,348
- 20% of the debit balance indexed to the exchange variation plus annual interest of 9.37%.	11,783	12,504	11,783	12,504
- Swap indexed to the exchange variation plus annual interest of 4.52%.	(5,570)	(2,387)	(5,570)	(2,387)
BNDES-Exim (US\$ 55 million):				
- 80% of the debit balance indexed to the TJLP tax variation plus annual interest of 2.95%.	93,596	91,981	93,596	91,981
- 20% of the debit balance indexed to the exchange variation plus annual interest of 10.14%.	21,636	22,599	21,636	22,599
- Swap indexed to the exchange variation plus annual interest of 5.50%.	(6,970)	(521)	(6,970)	(521)
Others	-	-	5,232	3,479
	<b>343,915</b>	<b>396,907</b>	<b>378,418</b>	<b>428,987</b>
Current	(265,531)	(228,351)	(294,114)	(254,035)
Non current	<b>78,384</b>	<b>168,556</b>	<b>84,304</b>	<b>174,952</b>

FINAME Financings were obtained for the acquisition of machinery and equipment and are guaranteed by the Company's management pledges and chattel mortgage on financed assets.

In the first quarter of 2007, the Company had three interest rate swap contracts for BNDES-Exim operations, intended to finance its export operations, used to guarantee the operation on the following amounts and conditions:

- US\$100 million: The original operation was indexed to the TJLP tax variation plus annual interest of 2.75% for 80% of the amount, and exchange variation plus annual interest of 10.06% for the remaining 20%, with final maturity on 15 November 2007. With the swap transaction, the loan is now indexed to the exchange variation plus annual interest of 4.30%;

- US\$30 million: The original operation was indexed to the TJLP tax variation plus annual interest of 2.60% for 80% of the amount, and exchange variation plus annual interest of 9.37% for the remaining 20%, with final maturity on 16 June 2008. With the swap transaction, the loan is now indexed to the exchange variation plus annual interest of 4.52%; and
- US\$55 million: The original operation was indexed to the TJLP tax variation plus annual interest of 2.95% for 80% of the amount, and exchange variation plus annual interest of 10.14% for the remaining 20%, with final maturity on 15 September 2008. With the swap transaction, the loan is now indexed to the exchange variation plus annual interest of 5.50%.

The amounts referring to non current liabilities are broken down by year of maturity:

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>30/JUN/07</b>	<b>31/MAR/07</b>	<b>30/JUN/07</b>	<b>31/MAR/07</b>
2008	<b>68,089</b>	158,265	<b>70,245</b>	161,182
2009	<b>6,304</b>	6,302	<b>10,068</b>	9,781
2010	<b>3,391</b>	3,389	<b>3,391</b>	3,389
2011	<b>600</b>	600	<b>600</b>	600
	<b>78,384</b>	168,556	<b>84,304</b>	174,952

## 15. Salaries, Vacation Pay and Payroll Charges Payable

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>30/JUN/07</b>	<b>31/MAR/07</b>	<b>30/JUN/07</b>	<b>31/MAR/07</b>
Vacation Pay	<b>33,964</b>	26,495	<b>37,418</b>	29,278
Payroll Charges	<b>7,821</b>	8,112	<b>10,341</b>	9,628
Employee profit sharing	<b>15,123</b>	14,690	<b>16,006</b>	16,096
	<b>56,908</b>	49,297	<b>63,765</b>	55,002

## 16. Sundry Provisions

	Parent Company		Consolidated	
	30/JUN/07	31/MAR/07	30/JUN/07	31/MAR/07
Provision for restructuring	4,352	3,195	4,352	3,195
Provision for future losses	7,914	6,756	8,503	7,222
Provision for professional services	6,644	6,525	11,442	11,049
Provision for royalties and patents	-	-	813	1,072
Provision for losses on fixed assets	3,773	3,618	3,782	3,628
Other	1,047	528	1,118	563
	<b>23,730</b>	20,622	<b>30,010</b>	26,729

### Provision for restructuring

It was set up for an amount considered to be sufficient to cover expenses related to the project of relocation of the piston production line.

### Provision for future losses

It was set up for an amount considered to be sufficient to cover losses on sales contracts already executed in which the Company expects to have a negative profit margin.

### Provision for professional services

It was set up for an amount considered to be sufficient to cover expenses with outsourced services related to maintenance of machinery and equipment.

## 17. Provision for Warranties

	Parent Company		Consolidated	
	30/JUN/07	31/MAR/07	30/JUN/07	31/MAR/07
Provision for warranties	3,375	3,375	3,426	3,412
Guaranteed-expenditures already identified	861	786	861	786
	<b>4,236</b>	4,161	<b>4,287</b>	4,198

The Company and its subsidiaries assure quality products to their clients, assuming responsibility for possible replacements and repairs resulting from defective goods. Based on the estimates that consider historical data on sales and expenses of similar nature, among other factors, the Company recognizes the provisions as follows:

### a) Provision for warranties

This provision is calculated on product sales, based on historical warranty expenses.

b) Guaranteed-expenditures already identified

They refer to cases identified in which the Company estimates to spend funds for replacement and repair of products, including the recalls.

## 18. Provision for Contingencies and Legal Obligations

The Company and its subsidiaries are parties to civil, labor and tax suits, both at administrative and judicial levels and, when applicable, are supported by judicial deposits. The related provisions for contingencies were set up considering legal advisors' estimates for lawsuits whose chances of loss were assessed as probable. The Company's Management believes that the resolution of these issues will not have an effect significantly different from the amount accrued.

On 30 June 2007 and 31 March 2007 the contingent risks, based on the legal advisors' opinion, are as follows:

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>30/JUN/07</b>	<b>31/MAR/07</b>	<b>30/JUN/07</b>	<b>31/MAR/07</b>
Civil and labor	<b>54,109</b>	51,397	<b>56,358</b>	53,833
Tax	<b>44,074</b>	44,348	<b>46,670</b>	47,082
Less:				
Judicial Deposits	<b>(15,221)</b>	(13,845)	<b>(15,306)</b>	(13,927)
	<b>82,962</b>	81,900	<b>87,722</b>	86,988

Civil and labor contingencies refer mainly to claims from employees related to employment relationship and various severance payments.

Tax contingencies are basically represented by state and tax notices pending judgment, questioning the adequate interpretation of tax legislation.

In addition to the previously-mentioned amounts, the amount of R\$39,256 (R\$39,093 on 31 March 2007) was not considered, resulting from labor, civil and tax cases for which the chances of an unfavorable outcome are possible, according to the Company's legal advisors. As such, Management did not record this amount in the financial statements.

## 19. Shareholders' Equity

### a) Capital Stock

The capital stock, subscribed and paid-up, is represented by the following amount of shares, with no par value, as of 30 June 2007 and 31 March 2007:

	<u>Number of Shares</u>
Common shares	<u>12,260,373</u>
Preferred shares	<u>18,193,197</u>
Total of outstanding shares	<u><u>30,453,570</u></u>

The Company's preferred shares are not entitled to vote, but they are assured of priority in relation to capital redemption and the payment of non-cumulative minimum dividends. Such shares will acquire the voting right if the Company does not pay during three consecutive years the minimum dividends they are entitled to under the By-Laws. In addition, preferred shares are assured of the right of dividends 10% higher than that attributed to common shares.

### b) Legal reserve

A legal reserve was set up in accordance with the Brazilian Corporations law, based on 5% of the net income in the year, up to the limit of 20% of the realized capital or 30% of the capital plus capital reserve. Beyond said limits, appropriations with relation to that reserve are not mandatory. The legal reserve may only be used for capital increase or for the absorption of losses.

## 20. Ordinary General Meeting

At the Annual General Meeting, dated of 26 April 2007, the Company shareholders approved the following:

- The distribution of dividends proposed by the Company's management on 31 December 2006, in the amount of R\$20,000;
- The budget of investments for 2007, in the amount of R\$230,700 for several investments to be made;
- Constitution of Reserve for Expansion and Modernization for future investments in the amount of R\$44,848, being R\$44,716 retained from the year profit and R\$132 with respect to Dividends and interest on own capital prescribed.

## 21. Financial Expenses, Net

	Parent Company		Consolidated	
	30/JUN/07	30/JUN/06	30/JUN/07	30/JUN/06
<b><u>Financial expenses</u></b>				
Interest	<b>(9,254)</b>	(5,868)	<b>(9,913)</b>	(5,998)
Monetary variation – losses	<b>(4,466)</b>	(4,415)	<b>(4,685)</b>	(4,506)
Exchange variation – losses	<b>(69,837)</b>	(23,924)	<b>(71,225)</b>	(26,453)
Other	<b>(5,439)</b>	(5,603)	<b>(6,399)</b>	(6,001)
<b><u>Financial income</u></b>				
Interest	<b>3,288</b>	7,243	<b>4,086</b>	8,008
Monetary variation – gains	<b>98</b>	87	<b>99</b>	90
Exchange variation – gains	<b>63,688</b>	27,321	<b>65,534</b>	30,009
Other	<b>70</b>	138	<b>74</b>	149
	<b>(21,852)</b>	(5,021)	<b>(22,429)</b>	(4,702)

## 22. Financial Instruments

The Company and its subsidiaries maintain operating strategies and policies, aiming at liquidity, profitability and security, as well as procedures for the monitoring of financial instrument balances. In addition, they operate with banks that meet the requirements of financial solidity and reliability, according to the Management's criteria. The control policy consists of permanent monitoring of the contracted rates, comparing them with the current market rates.

The main risk factors affecting the businesses of the Company and its subsidiaries are the following:

### a) Credit risk

The Company and its subsidiaries operate in two different markets, namely, original equipment (OEM) and replacement (aftermarket). The possibility of the Company and its subsidiaries incurring losses resulting from financial issues of their OEM clients is remote, due to such clients' profile (assembly plants and other companies operating worldwide).

Regarding aftermarket sales and/or markets in which the companies' management considers that the risk of default is higher, letters of credit, payments in advance or other forms of guarantee are requested before sales are carried out. In this market, the participation of each client in sales is highly diluted, which means that no individual client represents more than five percent of the sales.

### b) Exchange rate risk

On 30 June 2007, liabilities denominated in foreign currency exceeded assets, and the net exchange loss in the parent company of R\$6,149 and in the consolidated of R\$5,691 was assessed. In the same period of the previous year a net exchange gain in the parent company of R\$3,397 and in the consolidated of R\$3,556 was assessed, considering all derivatives involved, commented in item c of this explanatory note.

On 30 June 2007 and 2006, the Company and its subsidiaries presented the following net exposure to foreign currency variations, particularly the US dollar:

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>30/JUN/07</b>	<b>30/JUN/06</b>	<b>30/JUN/07</b>	<b>30/JUN/06</b>
<b>Assets</b>				
Trade accounts receivable	<b>40,352</b>	40,325	<b>94,532</b>	51,267
Short-term investments	-	-	<b>3,277</b>	2,941
Discounted exchange bills	<b>(74,915)</b>	(128,569)	<b>(74,915)</b>	(128,569)
Accounts receivable from related parties	<b>162,840</b>	167,218	<b>116,888</b>	162,829
Allowance for doubtful accounts	<b>(1,782)</b>	(1,715)	<b>(2,898)</b>	(1,951)
	<b>126,495</b>	77,259	<b>136,884</b>	86,517
<b>Liabilities</b>				
Financing	<b>(319,483)</b>	(208,849)	<b>(348,617)</b>	(208,849)
Trade accounts payable	<b>(5,571)</b>	(11,863)	<b>(12,649)</b>	(13,721)
Provision for warranty	<b>(861)</b>	(700)	<b>(861)</b>	(1,132)
Accounts payable to related parties	<b>(8,342)</b>	(12,241)	<b>(17,406)</b>	(17,019)
Other obligations	<b>(843)</b>	(600)	<b>(845)</b>	(663)
	<b>(335,100)</b>	(234,253)	<b>(380,378)</b>	(241,384)
	<b>(208,605)</b>	(156,994)	<b>(243,494)</b>	(154,867)

In the first quarter of 2007, as a strategy to reduce risks regarding exchange rate fluctuations in exports, the Company carried out hedge operations through sale of U.S. dollar and Euro contracts in the future market.

Such operations generated a gain of R\$25,044 in the first semester of 2007, R\$8,293 of which are from cash effects, accounted for under Financial, and R\$16,751 accounted for Other Receivables, current, compared to Financial expenses.

In addition, for purposes of hedging against exchange fluctuation of the swap contract referring to the debt with BNDES (commented in Note 14) the Company contracted, at the first semester of 2007, US dollar forward operations, on the following amounts and maturities:

Amount in US Thousand	Forward Maturity Date
55,000	02-Jul-07
16,700	16-Jul-07
17,550	15-Aug-07
16,700	17-Sep-07
16,700	15-Oct-07
16,850	16-Nov-07
30,000	02-Jan-08

As of 30 June 2007 operations resulted in losses amounting to R\$36,505, under Other Obligations account, in current liabilities, against the Financial Expenses.

As of 30 June 2007 and 31 March 2007, the Company and its subsidiaries do not have other financial instruments in the form of derivatives other than the swap operation mentioned in Note no. 4 and those operations described above.

c) Market values

On 30 June 2007 and 31 March 2007, the market values of cash and cash equivalents and accounts receivable and payable approximate the amounts recorded in the quarterly information, in view of their short-term nature. With regard to loans and financing, the related market values substantially approximate the quarterly information amounts, as such financial instruments are subject to variable interest rates.

## **23. Employee Benefits**

Benefits granted to employees by Company basically refer to monthly benefits and are accounted for as such. There are no post-employment benefits, pension funds or other benefits requiring a specific accounting treatment.

For this quarter, the Company and its subsidiaries distributed profit sharing to their employees, based on a trade union agreement, totaling R\$5,009 (R\$4,816 in 2006), in the Parent Company, and R\$5,297 (R\$5,087 in 2006), in the Consolidated. The criteria for profit sharing payment followed the rules set forth in the collective labor agreement, which establishes certain objectives to be reached, described as follows: (i) meeting production goals, for a pre-defined number of employees; (ii) maintaining the absenteeism level up to the average annual rate of hours/absence previously defined in relation to the standard worked hours; and (iii) maintaining the scrap level up to the average annual rate previously defined in relation to the number of parts produced.

## **24. Private Pension Plan – Defined Contribution**

In September 2006, the Company joined the Bradesco income tax deductible private pension plan – PGBL, administered by Bradesco Vida e Previdência, offering its employees the choice of participating in such plan.

The contributions are defined based on classification into salary bands above R\$5, with contribution percentages varying from 2% to 4% by the employee and the Company. For employees falling into salary bands below R\$5, the Company will contribute with a nominal salary for every 10 years worked for the Company, on occasion of the employee's retirement, disregarding periods before September 2006. The employer and employee contributions began in October 2006, with a contribution of R\$1,351.

## 25. Statements of Cash Flow

	Parent Company		Consolidated	
	30/JUN/07	30/JUN/06	30/JUN/07	30/JUN/06
<b>Cash flows from operating activities</b>				
Net income for the semester	41,937	46,351	41,937	46,350
Adjustments for reconciliation of net profit and cash generated by operating activities				
Depreciation and amortization	47,832	47,533	50,906	49,352
Equity pick-up	(15,144)	(4,505)	-	-
Minority shareholders' interest	-	-	2,063	-
Interest and foreign exchange and monetary variations, net	(18,354)	(3,433)	(20,199)	(2,904)
Income from the sale of permanent assets	(513)	(395)	(1,048)	(439)
Deferred income and social contribution taxes	(2,567)	(1,079)	(2,484)	(1,300)
Set up (reversal) of allowance for doubtful accounts				
	31	(893)	609	(827)
Allowance for income and social contribution taxes	-	-	1,754	-
Reversal of provision for contingencies and legal obligations				
	(1,635)	(375)	(1,809)	(255)
Set up (reversal) of provision for warranties	-	1,763	(34)	1,763
Set up of sundry provisions	2,738	3,939	2,858	8,018
Set up (reversal) of provision for loss of capital in investments				
	(2,139)	(2,801)	-	-
Decrease (increase) in assets				
Trade accounts receivable	(20,723)	(8,294)	(28,518)	(9,927)
Accounts receivable from related parties	(7,385)	(25,158)	(16,251)	(29,070)
Inventories	(25,236)	(22,445)	(29,687)	(26,022)
Recoverable taxes	10,015	12,578	9,017	11,884
Dividends and interest on shareholders' equity received from subsidiaries				
	-	7,202	-	-
Other accounts receivable	(20,301)	(7,290)	(27,635)	(7,672)
Increase (decrease) in liabilities				
Trade accounts payable	11,987	(3,496)	15,816	(2,580)
Salaries, vacation pay and payroll charges payable	14,005	16,134	15,787	16,529
Taxes and contributions payable	3,743	499	3,856	675
Accounts payable to related parties	(1,930)	3,815	(3,253)	3,888
Other accounts payable	31,481	253	32,100	775
Net cash provided by operating activities	47,842	59,903	45,785	58,238
<b>Cash flows from investment activities</b>				
Additions to investments	(4,706)	-	-	-
Additions to cash in the acquisition of controlled company, net of cash received	(81,286)	-	(82,444)	-
Additions to property, plant and equipment	(49,672)	(41,223)	(53,704)	(43,346)
Receipt on the sale of permanent assets	1,413	704	3,288	814
Net cash used in financing activities	(134,251)	(40,519)	(132,860)	(42,532)
<b>Cash flows from financing activities</b>				
Financing	179,199	220,259	196,296	220,264
Amortization of financing principal amounts	(33,655)	(2,442)	(43,922)	(2,619)
Amortization of financing interest	(6,267)	(1,054)	(6,670)	(1,170)
Discounted exchange bills	3,962	47,361	3,962	47,361
Advances from customers	(319)	(945)	(170)	(1,035)
Minority shareholders' interest on dividends and shareholders' equity	-	-	-	(1,156)
Dividends and interest on own capital paid	(41,641)	(262,318)	(45,643)	(263,023)
Expired dividends	73	-	73	-
Net cash used in financing activities	101,352	861	103,926	(1,378)
<b>Net additions to cash and cash equivalents</b>	14,943	20,245	16,851	14,328
<b>Cash and cash equivalents at beginning of semester</b>	93,962	86,840	113,058	100,761
<b>Cash and cash equivalents at end of semester</b>	108,905	107,085	129,909	115,089
<b>Additional information:</b>				
Payment of income and social contribution taxes	9,428	19,824	11,408	22,056

## **REPORT OF SPECIAL REVIEW – WITHOUT RESERVES**

Dear Officers and Shareholders of  
**MAHLE Metal Leve S.A.**

1. We have conducted a special review of the Quarterly Information (ITR) of MAHLE Metal Leve S.A. and its controlled companies, regarding the three and six-month periods ended on June 30, 2007, including balance sheets, income statements, the performance report and relevant information, prepared in accordance with the accounting practices adopted in Brazil.
2. Our review was made in accordance with the specific rules established by IBRACON (Brazilian Institute of Independent Auditors), jointly with CFC (Brazilian Accounting Board), and such review included mainly the following: (a) inquiry and discussion with the managers in charge of the Company's accounting, financial and operating areas, concerning the main criteria adopted in the preparation of the Quarterly Information; and (b) review of information and events embracing relevant effects now or thereafter on the financial status and operations of Company.
3. Based on our special review, we are not aware of any relevant change to be made on such Quarterly Information, so that they are in accordance with the practices adopted in Brazil, consistently applied to the rules issued by CVM (Brazilian Securities Commission), specifically to the preparation of such Quarterly Information.
4. Our review was carried out so that we could issue a report on the special review on the Quarterly Information referred to in the first paragraph, taken together. The statement of cash flows of MAHLE Metal Leve S.A. and its controlled companies regarding the six-month period ended on June 30, 2007, prepared according to the accounting practices adopted in Brazil, which are being presented in order to provide supplementary information on the Company and its controlled companies, are not required as an integral part of the Quarterly Information. Such statements were submitted to the review procedures described in the second paragraph and, based on our review, we are not aware of any relevant change that should be made to these supplementary statements, so that they are properly presented, in all relevant aspects, in relation to the Quarterly Information regarding the three and six-month periods ended on June 30, 2007, taken together.

Campinas, July 27, 2007

ERNST & YOUNG  
Auditores Independentes S.S.  
CRC2SP015199/O-6