

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

MAHLE METAL LEVE S.A.

**QUARTERLY INFORMATION
FOR THE QUARTER ENDED JUNE 30, 2008 AND SPECIAL
REVIEW REPORT**

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

MAHLE METAL LEVE S.A.

**QUARTERLY INFORMATION
FOR THE QUARTER ENDED JUNE 30, 2008**

CONTENTS

Special review report

Schedule 1 - Balance sheets

Schedule 2 - Statement of income

Schedule 3 - Statements of cash flows

Notes to the financial statements

Consolidated management report for the quarter ended June 30, 2008



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SPECIAL REVIEW REPORT

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

1. We have performed a special review of the accompanying Company and consolidated Quarterly Information (ITR) of MAHLE Metal Leve S.A. consisting of the balance sheet as of June 30, 2008, and the related statement of income and cash flows, management report and explanatory notes for the quarter and six-month period then ended, prepared under the responsibility of the Company's management.
2. Our review was performed in accordance with specific standards established by IBRACON (Brazilian Institute of Independent Auditors) together with the Federal Accounting Council, which consisted principally of: (a) inquiry of and discussion with the managers responsible for the accounting, financial and operating areas as to the main criteria adopted in preparing the Quarterly Information and (b) review of the information and subsequent events that have or may have material effects on the financial situation and operations of the Company and its controlled companies, as well as the presentation of the financial statements taken as a whole.
3. Based on our special review, we are not aware of any material changes which should be made to the Quarterly Information referred to above for it to be in conformity with the standards issued by CVM - Brazilian Securities and Exchange Commission applicable to the preparation of Quarterly Information, including CVM Instruction No. 469/08.
4. As mentioned in note 2.1, on December 28, 2007 Law No. 11,638 took effect beginning January 1, 2008. This law modified, revoked and introduced new provisions into Law No. 6,404/76 (Brazilian Corporate Law), causing changes in Brazilian accounting practices. Although the Law has already come into effect, some of the changes that it introduced require the enactment of specific regulations by regulatory agencies before it can be fully applied by companies. Therefore, the CVM set forth on Instruction No. 469/08 that during this transition companies are not obliged to apply all provisions of Law No. 11,638/07 to prepare the Quarterly Information. Accordingly, the accounting information included in the Quarterly Information – ITR for the quarter and six-month period ended June 30, 2008 has been prepared in accordance with the CVM's specific instructions, and does not include all changes in accounting practices introduced by Law No. 11,638/07.



BDO Trevisan

SPECIAL REVIEW REPORT

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

5. The Quarterly Information has accounting data for the quarter ended March 31, 2008 reviewed by us, and the statement of income for the quarter and six-month period ended June 30, 2007, reviewed by other auditors, are presented for comparison purposes. The special review reports, dated May 8, 2008 and July 27, 2008, respectively, are unqualified.

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

São Paulo, August 8, 2008.

Esmir de Oliveira
Engagement Partner
BDO Trevisan Auditores Independentes

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

SCHEDULE 1

MAHLE METAL LEVE S.A. AND CONTROLLED COMPANIES

BALANCE SHEETS AS OF JUNE 30, 2008 AND MARCH 31, 2008
(In thousands of Brazilian reais)

ASSETS	Company		Consolidated		LIABILITIES	Company		Consolidated	
	30/6/2008 (unaudited)	31/3/2008 (unaudited)	30/6/2008 (unaudited)	31/3/2008 (unaudited)		30/6/2008 (unaudited)	31/3/2008 (unaudited)	30/6/2008 (unaudited)	31/3/2008 (unaudited)
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (note 4)	78.891	107.585	150.914	154.155	Loans and financing (note 14)	273.386	270.747	334.512	287.432
Trade accounts receivable (note 5)	191.878	176.322	288.318	247.375	Trade accounts payable (note 13)	59.305	64.934	89.592	80.058
Intercompany receivables (note 8)	171.932	152.923	77.628	79.016	Taxes payable	17.955	10.428	26.352	14.580
Advance on exchange contracts	(63.533)	(33.788)	(64.955)	(35.827)	Salaries, social charges, accrued vacation pay and Christmas bonus (note 15)	59.660	44.716	73.065	50.254
Allowance for doubtful accounts	(5.384)	(5.360)	(10.176)	(6.777)	Intercompany payables (note 9)	25.807	22.800	28.645	36.286
Inventories (note 6)	171.372	170.410	252.880	231.043	Provision for income and social contribution taxes (note 5b)	1.037	-	2.144	-
Recoverable taxes (note 7)	21.017	22.275	20.959	29.928	Unrealized derivatives losses	10.636	7.955	10.998	7.811
Deferred income and social contribution taxes (note 9 c)	13.513	3.419	17.521	5.501	Customers' advances	3.740	3.764	5.138	3.816
Dividends and interest on controlled company's capital receivable	-	9.598	-	-	Proposed dividends and interest on equity capital payable	202	29.627	2.594	33.311
Derivatives	13.806	14.101	14.100	14.125	Sundry provisions (note 16)	8.287	12.965	20.217	18.912
Other accounts receivable	11.970	10.229	19.461	15.804	Other accounts payable	27.290	21.547	33.970	27.389
	606.534	636.417	778.110	744.343		468.537	468.469	628.099	570.609
NON-CURRENT ASSETS					NON-CURRENT LIABILITIES				
Deferred income and social contribution taxes (note 9 c)	38.869	36.948	48.073	39.039	LONG-TERM LIABILITIES				
Recoverable taxes (note 7)	12.216	10.829	17.334	15.244	Loans and financing (note 14)	99.193	112.988	119.138	117.276
Other accounts receivable	1.226	59	1.291	192	Provision for warranties (note 17)	7.106	3.866	7.241	3.974
	52.311	47.836	66.700	54.475	Provision for contingencies and liabilities related to legal proceedings (note 18)	79.644	73.368	93.659	76.401
PERMANENT ASSETS					Taxes payable	-	-	10.237	-
Investments in controlled companies (note 10)	85.430	76.068	-	-	Provision for shareholders' deficit - controlled companies	49	-	-	-
Other investments	371	371	-	-	Other accounts payable	4.467	4.467	4.916	5.194
Property, plant and equipment (note 11)	359.208	296.410	467.329	444.365		190.459	194.609	235.333	202.845
Intangible assets (note 12)	109.105	73.874	120.940	87.155	Minority interest	-	-	16.710	9.438
Deferred charges	1.200	857	1.200	857					
	535.314	547.560	610.440	532.729	SHAREHOLDERS' EQUITY				
					Capital stock	352.755	352.755	352.755	352.755
					Income reserve	222.348	195.900	222.348	195.900
						575.103	548.655	575.103	548.655
TOTAL ASSETS	1,254,959	1,231,833	1,455,308	1,331,547	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,254,959	1,231,833	1,455,308	1,331,547

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

Mahle Metal Leve S.A.

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SCHEDULE 2

MAHLE METAL LEVE S.A. AND CONTROLLED COMPANIES

**STATEMENT OF INCOME
FOR THE QUARTERS ENDED JUNE 30, 2008 AND 2007
(In thousands of Brazilian reais, except earnings per share)**

	Company		Consolidated	
	30/6/2008 (unaudited)	30/6/2007 (unaudited)	30/6/2008 (unaudited)	30/6/2007 (unaudited)
Gross revenue	929.513	865.879	1.096.382	982.230
Gross revenue deductions	(176.772)	(143.110)	(207.469)	(165.400)
NET REVENUE	752.741	722.769	888.913	816.830
Cost of goods sold and services rendered	(553.130)	(554.790)	(641.583)	(607.337)
GROSS INCOME	199.611	167.979	247.330	209.493
OPERATING REVENUES (EXPENSES)				
Selling expenses	(39.216)	(39.639)	(56.473)	(50.794)
General and administrative expenses	(39.238)	(49.911)	(45.007)	(53.327)
Financial losses, net (note 20)	(16.871)	(21.852)	(17.420)	(22.429)
Technology and development expenses	(20.057)	(15.466)	(23.201)	(19.193)
Equity in earnings of controlled companies, subsidiaries and affiliates	9.811	17.283	-	-
Other operating revenues (expenses), net (note 21)	(2.925)	(2.954)	(5.172)	(1.527)
	(108.496)	(112.539)	(147.273)	(147.270)
OPERATING INCOME	91.115	55.440	100.057	62.223
NON-OPERATING INCOME (LOSS)	866	494	(3.194)	(66)
INCOME BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES AND MINORITY INTEREST	91.981	55.934	96.863	62.157
INCOME AND SOCIAL CONTRIBUTION TAXES				
Current	(30.503)	(16.047)	(34.011)	(20.386)
Deferred	2.180	2.050	2.095	2.229
INCOME BEFORE MINORITY INTEREST	63.658	41.937	64.947	44.000
Minority interest	-	-	(1.289)	(2.063)
NET INCOME	63.658	41.937	63.658	41.937
Earnings per share (In Brazilian reais)	2,09030	1,37706	2,09030	1,37706
Number of outstanding shares (in thousands)	30.454	30.454	30.454	30.454

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

Mahle Metal Leve S.A.

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SCHEDULE 3

MAHLE METAL LEVE S.A. AND CONTROLLED COMPANIES

STATEMENT OF CASH FLOWS
FOR THE QUARTERS ENDED JUNE 30, 2008 AND 2007
(In thousands of Brazilian reais)

	Company		Consolidated	
	30/6/2008 (unaudited)	30/6/2007 (unaudited)	30/6/2008 (unaudited)	30/6/2007 (unaudited)
Cash flows from operating activities				
Net income for the six-month period	63.658	41.937	63.658	41.937
Adjustments to reconcile net income provided by operating activities				
Depreciation and amortization	39.466	47.832	46.176	50.906
Equity in earnings of controlled companies, subsidiaries and affiliates	(9.860)	(15.144)	-	-
Amortization of goodwill on acquisition of controlled company	-	-	24	-
Minority interest	-	-	1.289	2.063
Interest and exchange and monetary variations, net	10.744	(18.354)	10.073	(20.199)
Gains on permanent asset sales	(526)	(513)	(318)	(1.048)
Deferred income and social contribution taxes	748	(2.567)	1.197	(2.484)
Reversal of allowance for doubtful accounts	193	31	293	609
Provision for income and social contribution taxes	1.037	-	(649)	1.754
Reversal of provision for legal obligations and contingencies	3.653	(1.635)	5.734	(1.809)
Reversal of provision for warranties	465	-	2	(34)
Reversal of sundry provisions	(3.434)	2.738	(81)	2.858
Reversal of allowance for impairment loss on investments	49	(2.139)	-	-
Decrease (increase) in asset accounts				
Trade accounts receivable	(27.511)	(20.723)	(42.666)	(28.518)
Intercompany receivables	(22.837)	(7.385)	653	(16.251)
Inventories	(26.642)	(25.236)	(33.322)	(29.687)
Recoverable taxes	23.916	10.015	16.902	9.017
Other accounts receivable	(5.639)	(20.301)	(9.627)	(27.635)
Increase (decrease) in liability accounts				
Trade accounts payable	5.344	11.987	12.325	15.816
Salaries, social charges, accrued vacation pay and Christmas bonus	14.466	14.005	15.503	15.787
Taxes payable	3.303	3.743	5.907	3.856
Intercompany payables	4.941	(1.930)	3.352	(3.253)
Unrealized derivative gains	(21.542)	-	(21.895)	-
Other accounts payable and escrow deposits	303	31.481	1.380	32.100
Net cash provided by operating activities	54.295	47.842	76.110	45.785
Cash flows from investing activities				
Cash paid for the acquisition of controlled company, net cash received	(41.122)	(81.286)	(39.188)	(82.444)
Dividends and interest on equity capital received from controlled company	9.889	-	-	-
Acquisitions of investments	(22.722)	(4.706)	-	-
Additions to property, plant and equipment	(41.397)	(49.672)	(53.236)	(53.704)
Additions to intangible assets	(1.606)	-	(6.521)	-
Additions to deferred charges	(342)	-	(342)	-
Proceeds on sales of permanent assets	1.519	1.413	1.630	3.288
Net cash used in investing activities	(95.781)	(134.251)	(97.657)	(132.860)
Cash flows from financing activities				
Proceeds from financing	343.424	179.199	375.133	196.296
Repayments of the principal of financing obligations	(239.884)	(33.655)	(263.452)	(43.922)
Repayment of financing interest	(12.469)	(6.267)	(13.441)	(6.670)
Advance on exchange contracts	29.083	3.962	28.221	3.962
Customers' advances	70	(319)	(640)	(170)
Dividends and interest on equity capital paid	(29.425)	(41.641)	(31.270)	(45.643)
Dividends barred by lapsed time	-	73	-	73
Net cash provided by (used in) financing activities	90.799	101.352	94.551	103.926
Increase (decrease) in cash and cash equivalents, net	49.313	14.943	73.004	16.851
Cash and cash equivalents at beginning of six-month period	30.578	93.962	77.910	113.058
Cash and cash equivalents at end of six-month period	79.891	108.905	150.914	129.909
Supplemental information:				
Payment of income and social contribution taxes	20.557	9.428	22.661	11.408

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

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MAHLE METAL LEVE S.A.

**NOTES TO THE QUARTERLY INFORMATION
FOR THE QUARTER ENDED JUNE 30, 2008**

(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 marketing of parts and accessories for internal combustion engines, which are sold to several industries and business segments such as automakers (automobile, trucks, tractors, etc), aftermarket, aviation engine industry, stationary and others in the country and abroad.

The products manufactured by the Company are: pistons, piston pins, camshafts, bearing shell, bushings, valve tappet, rocker arm, connecting rod, rings-inserts, valve guides and seats, cylinder liner and filters.

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

On March 9, 2007 the Company acquired the operating net assets of the bearing shell unit of Dana Indústria Ltda., located in the city of Gravataí, State of Rio Grande do Sul, for the amount of R\$ 3,135.

On March 20, 2007, the Company and its wholly owned controlled company MAHLE Metal Leve GmbH acquired 100% of the shares (1,400,000 common shares) held by Graceland Limited Company LLC, organized according to the laws of Delaware, USA and Dinansen Inversora S.A., organized according to the laws of the Republic of Argentina, in the capital stock of Establecimientos Metalúrgicos Edival S.A. (herein referred to as "Edival") with main office in the city of Rafaela, Republic of Argentina, aiming at including the products developed by Edival (valves for combustion engines) in the portfolio of products offered by the Company in local and foreign markets for the amount of US\$ 41.2 million. Of this amount, the Company paid US\$ 39.1 million equivalent to R\$ 81,286. Firstly, a R\$ 64,916 goodwill was calculated based on the future profitability of the business. After the recalculation performed in view of the accounting adjustment related to the deferred income tax, which was not recognized by the Argentinean company on the acquisition date, the actual premium totaled R\$ 61,805, Company (R\$ 65,471, consolidated), which is being amortized in proportion to the income generated by the controlled company.

Mahle Metal Leve S.A.

On June 12, 2007, the Company acquired a majority interest in Filtroil Empreendimentos e Participações S.A. for R\$ 5,261. A goodwill of R\$ 5,110 was determined based on the future profitability of business, which is being amortized in proportion to the income generated by the controlled company. On November 22, 2007, this company was merged by subsidiary MAHLE Filtroil Indústria e Comércio de Filtros Ltda., created in 2006, which is engaged in manufacturing filters, fluid separators, and related products for all industrial purposes.

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

On May 19, 2006 the Company acquired a controlling interest in Forjas Brasileiras S.A. Indústria Metalúrgica (current name: MAHLE HIRSCHVOGEL FORJAS S.A.), an expert company that has the technology for forged products, buying 49.77% of common shares and 47.27 of preferred shares owned by various shareholders for the amount of R\$41.7 million. A goodwill of R\$34.7 million was calculated based on the future profitability of the business, which is being amortized in proportion to the income generated by the controlled company.

2. BASIS OF PREPARATION AND PRESENTATION OF QUARTERLY INFORMATION

The quarterly information is under management's responsibility and was prepared according to the provisions set forth by the Brazilian Corporate Law and standards issued by the Brazilian Securities and Exchange Commission (CVM).

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

Transaction settlement involving those estimates may result in amounts significantly different from those recorded in the financial statements, due to the inherent inaccuracy of the estimates. The Company reviews these estimates and assumptions at least every three months.

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

In order to improve the information rendered to the market, the Company is also presenting the statement of cash flow as supplemental information, which was prepared according to the Accounting Standards and Procedures – NPC 20 of the Brazilian Institute of Independent Auditors - IBRACON, taking into account the main transactions influencing the Company and controlled companies' cash and cash equivalents. Such statement is subdivided into operating, investment and financing activities.

The caption "Sundry provisions" of the quarterly information as of March 31, 2008 were reclassified to conform to the current presentation.

2.1. Changes in Brazilian Corporate Law in effect as from January 2008

On December 28, 2007, Law No. 11,638 took effect beginning January 1, 2008. This law modified, revoked and introduced new provisions into Brazilian Corporate Law, particularly in chapter XV on accounting matters. The main purpose of this Law was to update Brazilian corporate legislation to allow the convergence of Brazilian accounting practices and international financial reporting standards and the issue by the Brazilian Securities and Exchange Commission of accounting standards and procedures in accordance with international accounting standards.

As allowed by article two of CVM Instruction No. 469 of May 2, 2008, the Company's management opted to immediately apply all accounting provisions set forth by Law No. 11,638, 2007 to the Quarterly information – ITR of 2008,. Some changes were applied during the year and are valid for the annual financial statements, as already established by the Brazilian Securities and Exchange Commission (CVM), while others depend on regulation by regulatory bodies.

Evaluating the possible impacts of the changes introduced by the law on its financial statements, mentioned below, and taking into account the current operations, processes and accounting records, the Company has concluded that the changes cause no significant impact, which could substantially affect its equity, financial and economical position in the current year and subsequent years.

The main changes which could affect the Company's financial statements at the years' end are summarized below:

- Substitution of the statement of cash flows for the statement of changes in financial position, already disclosed by the Company.
- Inclusion of the value-added statement, applicable to public companies, which shows the value added by the Company, as well as the breakdown of the source and application of these funds.
- Possibility of recording transactions separately to meet tax legislation requirements and then making the adjustments necessary to adapt these tax records to accounting practices.
- Creation of a new account subgroup, intangible assets, which includes goodwill, for purposes of balance sheet presentation. This account will record the rights whose subject matter are the intangible assets for the Company's maintenance or exercised to that end, including the acquired goodwill.
- Mandatory recording in property, plant and equipment of rights represented by tangible assets used in the Company's activities, including those arising from transactions that transfer the benefits, risks and control of these assets to the Company (example finance lease).
- Modification of the concept for amounts recorded as deferred charges. Only preoperating expenses and restructuring expenses that will actually contribute towards an increase in income of more than a fiscal year and are not merely reduction of costs or increase in operating efficiency.
- Mandatory periodic testing for impairment of deferred and intangible assets, property, plant and equipment with the purpose of ensuring that: (i) loss for non-recovery of these assets is recorded as a result of decisions to discontinue activities related to those assets or when there is evidence that results of operations will not be sufficient to ensure the realization of those assets; and (ii) the criterion adopted to determine the estimated remaining useful lives of these assets with the purpose of recording depreciation, amortization and depletion is revised and adjusted. This issue has already been regulated by CVM Decision No. 527 of January 1, 2007.
- Requirement that investments in financial instruments, including derivatives, be stated: (i) at their market or equivalent value, when these investments are for trading purposes or available for sale; and (ii) at the acquisition cost or issuance amount, adjusted according to legal or contractual provisions, adjusted to the probable realizable value, when this is lower.

- Creation of a new account subgroup, mark-to-market adjustments in shareholders' equity, to allow (i) the recording of certain valuations of assets at market prices, particularly financial instruments; (ii) recording directly in an equity account when an accounting pronouncement so requires; and (iii) market value adjustments of assets and liabilities, due to consolidation and merger between unrelated parties in connection with actual transfer of control.
- Introduction of the concept of discount to present value of long-term assets and liabilities and current material items.
- Requirement that the assets and liabilities of the company to be merged, arising from transactions that involve the merger, consolidation or spin-off of independent parts and linked to the actual transfer of control, be carried at market value.

In addition, according to the changes introduced by CVM Instruction No. 469 of May 2, 2008 and the impacts reflected on the Company's and its controlled companies' quarterly information as of March 31, 2008, management reversed the adjustments in this quarter ended June 30, 2008 and the respective impacts on shareholders' equity as of December 31, 2007, understanding that a significant portion of their long-term assets and liabilities had been carried at present value. These adjustments of long-term assets and liabilities were evaluated and discounted to present value.

2.2. CVM Decision No. 534, dated January 29, 2008

On January 29, 2008, CVM issued Decision No. 534, which approves CPC-02. Such Decision is in force on the date it is published on the Federal Register and is applicable to the years ended from December 2008.

The purpose of CPC-02 is to determine how to include the foreign currency transactions and operations abroad in the financial statements of an entity in Brazil and how to translate the financial statements of the entity abroad to the reporting currency of the financial statements in Brazil, for the purposes of recording the equity in earnings (loss) of controlled companies, subsidiaries and affiliates and making the entire or proportional consolidation of the financial statements; and also how to translate the financial statement of an entity in Brazil to another currency. CPC 02 has also introduced the concept of functional currency, which had not been formerly adopted under the accounting practices applied in Brazil.

The Company has investments abroad in directly and indirectly controlled companies which are not deemed as independent entities maintained by it. Analyzing its transactions and taking into account the primary economic environment in which it operates, i.e. analyzing the countries where it generates and expends most of its cash, the Company established as functional currency the legal tender of each of the countries where these controlled companies are located.

Therefore, this will be the functional currency when adopting the CPC-02. As this accounting pronouncement was recently issued (January 29, 2008), the Company is still evaluating the effects on its equity and financial position and the very adoption of such Pronouncement. Preliminary analyses do not indicate that significant effects and/or changes might occur on the Company's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

The accounting practices adopted to prepare the quarterly information are consistent to those disclosed on the financial statements of December 31, 2007.

Consolidation

The consolidated quarterly information was prepared according to the basic consolidation principles set forth by Brazilian Corporate Law and the standards issued by the Brazilian Securities and Exchange Commission and include the account balances of all controlled companies. The consolidated financial statements include all asset, liability and income accounts and includes minority interest as a separate component of the consolidated balance sheet and statement of income in proportion to the percentage of the Company's equity in controlled companies.

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

We list below the consolidated companies:

	<u>Interest in total capital (%)</u>			
	<u>1st half of 2008</u>		<u>1st half of 2007</u>	
	<u>Direct</u>	<u>Indirect</u>	<u>Direct</u>	<u>Indirect</u>
MAHLE Metal Leve Miba Sinterizados Ltda.	70	-	70	-
MAHLE Argentina S.A. (antiga Establecimientos Metalúrgicos Edival S.A.)	96	4	95	5
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	60	-	-	-
MAHLE Metal Leve GmbH (exterior)	100	-	100	-
MAHLE Metal Leve International NV (exterior)	-	100	-	100
MAHLE HIRSCHVOGEL FORJAS S.A.	49.77	-	-	-

4. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	6.30.2008	3.31.2008	6.30.2008	3.31.2008
Cash and banks	94	22,618	4,658	28,170
Financial investments	41,784	25,063	105,892	64,155
Amounts to be calculated when the exchange rate is determined	38,013	59,904	40,364	61,830
	<u>79,891</u>	<u>107,585</u>	<u>150,914</u>	<u>154,155</u>

The amounts to be calculated when the exchange rate is determined for the transaction refer to the foreign currency funds received from customers located abroad. The exchange rate had not been set until the year end date and are linked to export financing transactions (BNDES-Exim) and derivative financial instruments.

The investments basically refer to the Certificate of Bank Deposit – CDB, bearing interest at 100.9% of the Certificate of Interbank Deposits - CDI, and investments in foreign funds backed by the US and English governments bonds, bearing interest ranging from 1.10% to 3.60% per year.

5. TRADE ACCOUNTS RECEIVABLE

	Company		Consolidated	
	6.30.2008	3.31.2008	6.30.2008	3.31.2008
Market				
Local	145,294	125,756	190,513	148,162
Foreign	46,584	50,566	98,805	99,213
	<u>191,878</u>	<u>176,322</u>	<u>289,318</u>	<u>247,375</u>

The Company and its controlled companies have taken out domestic credit insurance – commercial risk from SECREB – Seguradora de Crédito do Brasil S.A. The indemnity limit encompasses an export volume of US\$100 million determined on the policy. The policy was renewed in August 2007 and is valid for one year.

6. INVENTORIES

	Company		Consolidated	
	6.30.2008	3.31.2008	6.30.2008	3.31.2008
Finished goods	66,443	71,931	100,985	102,870
Work-in-process	81,962	72,177	98,495	81,043
Raw materials	22,920	24,293	36,930	31,416
Subsidiary materials	7,222	7,548	18,553	13,525
Imports in transit	3,543	4,351	14,304	16,020
Inventory valuation allowance	(10,718)	(9,890)	(16,387)	(13,831)
	<u>171,372</u>	<u>170,410</u>	<u>252,880</u>	<u>231,043</u>

7. RECOVERABLE TAXES

	Company		Consolidated	
	6.30.2008	3.31.2008	6.30.2008	3.31.2008
Income and social contribution taxes (note 9.b)	-	12,325	2,460	13,790
Income tax on financial investment	-	-	-	-
Income and social contribution taxes on services	-	-	-	-
ICMS (State VAT) on acquisition of fixed assets	14,313	14,815	16,549	15,951
ICMS and IPI (Federal VAT)	8,723	7,139	17,083	14,997
PIS (tax on sales)	1,715	1,758	1,853	1,919
COFINS (tax on sales)	7,888	8,083	8,521	8,824
Other taxes	1,094	973	1,867	1,576
	<u>33,733</u>	<u>45,093</u>	<u>48,333</u>	<u>57,057</u>
Discounted present value (see not 2.1)	-	(1,985)	-	(1,985)
	<u>33,733</u>	<u>43,108</u>	<u>48,333</u>	<u>55,072</u>
Current	(21,517)	(32,279)	(30,999)	(39,828)
Non-current	<u>12,216</u>	<u>10,829</u>	<u>17,334</u>	<u>15,244</u>

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

Mahle Metal Leve S.A.

8. RELATED-PARTY TRANSACTIONS

Companies	Balances as of 6/30/2008		Transactions in the 1 st half of 2008								
	Assets Current	Liabilities Current	Sales / Revenues				Purchases				
			Products	Services	Commissions	Fixed assets	Products	Services	Fixed assets	Commissions	Royalties
MAHLE Metal Leve Miba Sinterizados Ltda.	292	569	1	1,545	-	-	2,513	-	-	-	-
MAHLE Componentes de Motores do Brasil Ltda.	2,685	11,416	140	11,193	2,878	-	46,423	708	-	-	-
MAHLE Indústria e Comércio Ltda.	-	155	-	-	-	-	-	305	-	-	-
MAHLE Filtroil Indústria e Comércio Ltda.	651	-	849	94	-	-	2	-	-	-	-
MAHLE HIRSCHVOGEL FORJAS S.A.	-	1,522	-	-	-	-	1,313	-	-	-	-
MAHLE Componentes de Motores S.A.	44	-	-	391	-	-	12	-	-	-	-
MAHLE Comp. de Motores Argentina S.A.	5,916	130	2,143	-	-	-	214	-	-	-	-
MAHLE Industries, Inc	-	-	-	-	-	-	-	-	-	2	-
MAHLE GmbH	547	9,024	1,082	-	-	-	7,831	-	7,822	-	7,440
MAHLE France SARL	1,196	-	1,335	-	-	-	-	-	-	-	-
MAHLE Filtersysteme GmbH	1,708	1,994	1,651	-	-	-	2,831	-	-	-	-
MAHLE Argentina S.A.	7,410	140	9,129	95	-	-	31	-	-	-	-
MAHLE Componentes de Motores de México, S. de R.L. de C.V.	881	1	-	-	-	923	-	-	-	1	-
MAHLE, Inc.	591	64	539	54	-	-	-	-	-	88	-
MAHLE Polska Spolka. z o.o.	299	-	565	-	-	-	-	-	-	-	-
MAHLE Motorkomponenten Schweiz AG	-	-	-	-	-	-	130	-	-	-	-
MAHLE Motorkomponenten GmbH	42	79	-	-	-	-	270	-	-	-	-
MAHLE Technology, Inc.	36	-	-	-	-	-	-	-	-	-	-
MAHLE Metal Leve International N.V.	144,115	-	175,026	-	-	-	-	-	-	-	-
MAHLE Engine Components Australia Pty Ltd.	28	1	58	-	-	-	-	-	-	1	-
MAHLE Engine Components Japan Corporation	548	64	680	-	-	-	315	-	-	-	-
MAHLE Sistemas de Filtración S.L.	-	3	-	-	-	-	-	-	-	5	-
MAHLE Ventiltrieb GmbH	-	-	43	-	-	-	73	-	-	-	-
MAHLE Aftermarket GmbH	1,410	267	2,275	-	-	-	576	-	-	40	-
MAHLE Bearings (Yingkou) Co., Ltd.	187	-	50	-	-	-	-	-	-	-	-
MAHLE Engine Components (Nanjing) Co., Ltd.	674	-	1,144	-	-	-	-	-	-	-	-
MAHLE Donghyun Filter Systems Co., Ltd.	9	140	9	-	-	-	465	-	-	-	-
MAHLE Vöcklabruck GmbH	1,865	-	3,485	-	-	-	-	-	-	-	-
MAHLE Migma Private Ltd.	-	-	-	-	-	-	26	-	-	-	-
MAHLE Trading (Shangai) Co., Ltd.	-	2	-	-	-	-	153	-	-	9	-
MAHLE Trading Japan Co., Ltd.	-	-	5	-	-	-	-	-	-	-	-
MAHLE Japan Ltd.	49	-	-	-	-	-	-	-	-	-	-
MAHLE Composants Moteur France SAS	-	-	3	-	-	-	-	-	-	-	-
MAHLE Powertrain Ltd.	24	-	-	-	-	-	-	-	-	-	-
MAHLE Ventiltrieb Brandenburg GmbH	21	-	15	-	-	-	-	-	-	2	-
MAHLE Engine Components USA, Inc.	220	-	305	-	-	-	-	-	-	-	-
MAHLE Engine Systems UK Ltd.	-	233	27	-	-	-	625	-	923	-	-
Glacier Vandervell Italy S.r.l.	7	-	8	-	-	-	-	-	-	-	-
MAHLE Filtersysteme France SAS	47	-	45	-	-	-	-	-	-	-	-
MAHLE Filter Systems Wednesbury Ltd.	-	1	-	-	-	-	-	-	-	3	-
MAHLE Filter Systems Japan Corporation	-	2	-	-	-	-	20	-	-	-	-
MAHLE Filter Systems UK Ltd.	-	-	5	-	-	-	-	-	-	-	-
MAHLE Pistoni Italia SPA	-	-	-	-	-	-	1	-	-	-	-
MAHLE Motortelle GmbH	-	-	-	-	-	-	6	-	-	-	-
MAHLE Sistemas de Filtracion de México S.A. de CV	-	-	-	-	-	-	-	-	-	-	-
Total	171,502	25,807	200,617	13,372	2,878	923	63,830	1,013	8,747	149	7,440

Formatado: Fonte: (Padrão)
Arial, 5 pt, Português (Brasil)

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Mahle Metal Leve S.A.

Companies	Company											
	Balances as of 3/30/2008		Transactions in the 1st half of 2007									
	Assets	Liabilities	Sales / Revenues			Purchases						
			Current	Current	Products	Services	Commissions	Products	Services	Fixed assets	Commissions	Royalties
MAHLE Metal Leve Miba Sinterizados Ltda.	279	622	-	1,302	-	2,151	-	-	-	-	-	-
MAHLE Componentes de Motores do Brasil Ltda.	3,058	12,791	139	8,548	2,656	44,333	794	-	-	-	-	-
MAHLE Indústria e Comércio Ltda.	-	167	-	-	-	-	-	-	-	-	-	-
MAHLE Filtröl Indústria e Comércio Ltda.	251	-	-	-	-	-	-	-	-	-	-	-
MAHLE Componentes de Motores S.A.	319	-	578	-	-	-	-	-	-	-	-	-
MAHLE Comp. de Motores Argentina S.A.	6,978	40	10,730	-	-	192	-	-	-	-	-	-
MAHLE S.A.	-	-	-	-	-	2	-	-	-	-	-	-
MAHLE Componenti Motori Itália SpA	-	-	-	-	-	64	-	-	-	-	-	-
MAHLE GmbH	398	6,374	1,302	-	-	5,766	-	1,104	-	-	7,678	-
MAHLE France SARL	957	-	682	-	-	-	-	-	-	-	-	-
MAHLE Filtersysteme GmbH	1,632	1,786	1,822	-	-	1,640	-	-	-	-	-	-
MAHLE Argentina S.A.	4,002	20	-	-	-	-	-	-	-	-	-	-
MAHLE Componentes de Motores de México, S. de R.L. de C.V.	171	-	-	-	-	12	-	-	-	-	-	-
MAHLE Engine Components (Thailand) Co. Ltd.	-	-	72	-	-	-	-	-	-	-	-	-
MAHLE, Inc.	618	44	31,745	-	-	33	-	-	-	468	-	-
MAHLE Polska Spolka. z o.o.	400	1	97	-	-	-	-	-	-	-	-	-
MAHLE Motorkomponenten Schweiz AG	-	139	-	-	-	205	-	-	-	-	-	-
MAHLE Motorkomponenten GmbH	-	156	6,861	-	-	478	-	-	-	-	-	-
MAHLE König GmbH	-	-	17	-	-	-	-	-	-	-	-	-
MAHLE Technology, Inc.	25	-	-	-	-	-	-	-	-	-	-	-
MAHLE Metal Leve International N.V.	129,913	-	185,391	53	-	-	-	-	-	-	-	-
MAHLE Engine Components Australia Pty Ltd.	35	11	243	-	-	-	-	-	-	5	-	-
MAHLE Engine Components Japan Corporation	-	112	3	-	-	-	-	-	-	-	-	-
MAHLE Sistemas de Filtración S.L.	-	-	-	-	-	-	-	-	-	2	-	-
MAHLE Ventiltrieb GmbH	54	-	36	-	-	4,086	-	-	-	-	-	-
MAHLE Aftermarket GmbH	862	262	3,508	-	-	547	-	-	-	79	-	-
MAHLE Bearings (Yingkou) Co., Ltd.	262	-	237	-	-	-	-	-	-	-	-	-
MAHLE Engine Components (Nanjing) Co., Ltd.	584	-	1,157	-	-	-	-	-	-	-	-	-
MAHLE Donghyun Filter Systems Co., Ltd.	-	99	-	-	-	363	-	-	-	-	-	-
MAHLE Vöcklabruck GmbH	1,457	-	2,148	-	-	-	-	-	-	-	-	-
MAHLE Migma Private Ltd.	-	-	-	-	-	2,182	-	-	-	-	-	-
MAHLE Trading (Shanghai) Co., Ltd.	-	5	-	-	-	218	-	-	-	14	-	-
MAHLE Trading Japan Co., Ltd.	6	-	5	-	-	115	-	-	-	-	-	-
MAHLE Japan Ltd.	54	-	-	-	-	-	-	-	-	-	-	-
MAHLE Composants Moteur France SAS	78	-	-	-	-	-	-	-	-	-	-	-
MAHLE Powertrain Ltd.	142	-	31	-	-	-	-	-	-	-	-	-
MAHLE Ventiltrieb Brandenburg GmbH	-	-	36	-	-	-	-	-	-	-	-	-
MAHLE Engine Components USA, Inc.	56	-	-	-	-	-	-	-	-	-	-	-
MAHLE Technologies Holding (China) Co., Ltd.	-	-	30	-	-	-	-	-	-	-	-	-
MAHLE Engine Systems UK Ltd.	-	164	-	-	-	-	-	-	-	-	-	-
MAHLE International GmbH	17	-	-	-	-	-	-	-	-	-	-	-
Glacier Vandervell Italy S.r.l.	3	-	9	-	-	-	-	-	-	-	-	-
MAHLE Filtersysteme France SAS	12	-	-	-	-	-	-	-	-	-	-	-
MAHLE Filter Systems Wednesbury Ltd.	-	2	-	-	-	-	-	-	-	12	-	-
MAHLE Filter Systems Japan Corporation	-	5	-	-	-	-	-	-	-	-	-	-
Total	152,623	22,800	246,879	9,903	2,656	62,387	794	1,104	580	7,678		

Formatado: Fonte: (Padrão)
Arial, Português (Brasil)

Formatado: Fonte: (Padrão)
Arial, Inglês (EUA)

Mahle Metal Leve S.A.

Consolidated											
Companies	Balances as of 6/30/2008				Transactions in the 1st half of 2008						
	Assets Current	Liabilities Current	Sales / Revenues				Purchases				
			Products	Services	Commissions	Fixed assets	Products	Services	Fixed assets	Commissions	Royalties
MAHLE Componentes de Motores do Brasil Ltda.	2,685	14,016	140	11,193	2,878	-	46,424	708	-	-	-
MAHLE Indústria e Comércio Ltda.	-	155	-	-	-	-	-	305	-	-	-
MAHLE de México S de R.L. de C.V.	-	-	543	-	-	-	-	-	-	-	-
MAHLE Componentes de Motores S.A.	4,983	-	7,369	392	-	-	12	-	-	-	-
MAHLE Comp. de Motores Argentina S.A.	7,125	1,380	2,352	567	-	-	11,610	1,107	-	-	-
MAHLE Industries, Incorporated	-	-	-	-	-	-	-	-	-	2	-
MAHLE S.A.	-	-	34	-	-	-	-	-	-	-	-
MAHLE GmbH	7,432	9,024	17,440	-	-	-	7,831	-	7,822	-	7,440
MAHLE France SARL	20,348	73	30,199	-	-	-	-	-	-	-	-
MAHLE Filtersysteme GmbH	1,708	2,218	1,652	-	-	-	3,258	-	-	-	-
MAHLE Pistons Italia SPA	1,663	4	5,221	-	-	-	1	-	-	-	-
MAHLE Componentes de Motores de México, S. de R.L. de C.V.	5,842	1	7,464	-	-	923	-	-	-	-	1
MAHLE Engine Components (Thailand) Co., Ltd.	-	-	2,074	-	-	-	-	-	-	-	-
MAHLE, Inc.	2,688	172	7,905	55	-	-	-	-	3,766	88	-
MAHLE Polska Spolka. z o.o.	299	49	565	-	-	-	-	-	-	-	-
MAHLE Motorkomponenten Schweiz AG	-	-	-	-	-	-	130	-	-	-	-
MAHLE Motorkomponenten GmbH	7,507	456	14,555	-	-	-	271	-	-	-	-
MAHLE Sud America N.V.	12	-	73	-	-	-	-	-	-	-	-
MAHLE Engine Components Australia Pty Ltd.	57	1	58	-	-	-	-	-	-	1	-
MAHLE Engine Components Japan Corporation	548	64	680	-	-	-	315	-	-	-	-
MAHLE Sistemas de Filtración S.L.	-	3	-	-	-	-	-	-	-	5	-
MAHLE Ventiltrieb GmbH	21	-	93	-	-	-	73	-	-	-	-
MAHLE Aftermarket GmbH	7,475	357	16,806	-	-	-	576	-	-	40	-
MAHLE Bearings (Yingkou) Co., Ltd.	1,448	48	50	-	-	-	-	-	-	-	-
MAHLE Engine Components (Nanjing) Co., Ltd.	674	-	1,144	-	-	-	-	-	-	-	-
MAHLE Donghyun Filter Systems Co., Ltd.	19	140	9	-	-	-	465	-	-	-	-
MAHLE Vöcklabruck GmbH	1,865	51	3,485	-	-	-	-	-	-	-	-
MAHLE Migma Private Ltd.	-	-	-	-	-	-	26	-	-	-	-
MAHLE Trading (Shanghai) Co., Ltd.	-	2	-	-	-	-	153	-	-	9	-
MAHLE Trading Japan Co., Ltd.	-	-	5	-	-	-	-	-	-	-	-
MAHLE Japan Ltd.	49	-	-	-	-	-	-	-	-	-	-
MAHLE Composants Moteur France SAS	-	-	3	-	-	-	-	-	-	-	-
MAHLE Powertrain Ltd.	1,764	-	3,012	-	-	-	-	-	-	-	-
MAHLE Ventiltrieb Brandenburg GmbH	-	-	15	-	-	-	-	-	2	-	-
MAHLE Engine Components USA, Inc.	220	-	305	-	-	-	-	-	-	-	-
MAHLE Engine Systems UK Ltd.	-	236	27	-	-	-	625	-	922	-	-
MAHLE International GmbH	-	59	-	-	-	-	-	-	-	-	-
Glacier Vandervell Italy S.r.l.	7	-	8	-	-	-	-	-	-	-	-
MAHLE Clevite Inc	1,088	-	2,522	-	-	-	-	-	-	-	-
MAHLE Technology Inc.	53	1,133	-	-	-	-	-	-	-	-	-
MAHLE Filtersysteme France SAS	47	-	45	-	-	-	-	-	-	-	-
MAHLE Filter Systems Japan Corporation	1	2	-	-	-	-	21	-	-	3	-
MAHLE Filter Systems Wednesbury Ltd.	-	1	-	-	-	-	-	-	-	-	-
MAHLE Filter Systems UK Ltd.	-	-	-	-	-	-	-	-	-	-	-
MAHLE Motorelle GmbH	-	-	-	-	-	-	6	-	-	-	-
MAHLE Sistemas de Filtracion de México S.A. de CV	-	-	5	-	-	-	-	-	-	-	-
Total	77,628	29,645	125,858	12,207	2,878	923	71,797	2,120	12,512	149	7,440

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Mahle Metal Leve S.A.

Consolidated										
Companies	Balances as of 3/31/2008		Transactions in the 1st half of 2007							
	Assets Current	Liabilities Current	Sales / Revenues			Purchases				
			Products	Services	Commissions	Products	Services	Fixed assets	Commissions	Royalties
MAHLE Componentes de Motores do Brasil Ltda.	3,058	14,220	139	8,548	2,656	44,333	794	-	-	-
MAHLE Indústria e Comércio Ltda.	-	167	-	-	-	-	-	-	-	-
MAHLE de México S.de R.L. de C.V.	-	-	1,261	-	-	24	-	-	-	-
MAHLE Componentes de Motores S.A.	4,494	-	5,741	-	-	-	-	-	-	-
MAHLE Comp de Motores Argentina S.A.	7,589	10,478	10,730	-	-	192	-	-	-	-
MAHLE S.A.	36	-	79	-	-	2	-	-	-	-
MAHLE Componenti Motori Italia SpA.	5,884	4	6,487	-	-	64	-	-	-	-
MAHLE GmbH	6,042	6,374	19,575	-	-	5,766	-	1,104	-	7,678
MAHLE France SARL	20,424	-	34,108	-	-	-	-	-	-	-
MAHLE Filtersysteme GmbH	1,632	1,831	1,822	-	-	1,640	-	-	-	-
MAHLE Pistons France SARL	-	-	108	-	-	-	-	-	-	-
MAHLE Componentes de Motores de México, S. de R.L. de C.V.	4,407	-	8,819	-	-	12	-	-	-	-
MAHLE Engine Components (Thailand) Co., Ltd.	-	-	686	-	-	-	-	-	-	-
MAHLE, Inc.	6,294	82	49,398	-	-	4,321	-	-	521	-
MAHLE Polska Spolka. z o.o.	400	-	97	-	-	-	-	-	-	-
MAHLE Motorkomponenten Schweiz AG	-	139	-	-	-	205	-	-	-	-
MAHLE Motorkomponenten GmbH	8,184	1,020	19,939	-	-	478	-	-	-	-
MAHLE König GmbH	-	-	17	-	-	-	-	-	-	-
MAHLE Sud America N.V.	18	-	-	17	-	-	-	-	-	-
MAHLE Engine Components Australia Pty Ltd.	67	11	243	-	-	-	-	-	5	-
MAHLE Engine Components Japan Corporation	-	112	3	-	-	-	-	-	-	-
MAHLE Sistemas de Filtración S.L.	-	-	-	-	-	-	-	-	2	-
MAHLE Ventiltrieb GmbH	107	-	36	-	-	4,086	-	-	-	-
MAHLE Aftermarket GmbH	5,274	262	16,092	-	177	547	-	-	79	-
MAHLE Bearings (Yingkou) Co., Ltd.	982	-	237	-	-	-	-	-	-	-
MAHLE Engine Components (Nanjing) Co., Ltd.	584	-	1,157	-	-	-	-	-	-	-
MAHLE Donghyun Filter Systems Co., Ltd.	-	99	-	-	-	363	-	-	-	-
MAHLE Vöcklabruck GmbH	1,456	4	2,148	-	-	-	-	-	-	-
MAHLE Migma Private Ltd.	5	-	-	-	-	2,181	-	-	-	-
MAHLE Trading (Shangai) Co., Ltd.	-	5	-	-	-	218	-	-	14	-
MAHLE Trading Japan Co., Ltd.	6	-	5	-	-	115	-	-	-	-
MAHLE Japan Ltd.	54	-	-	-	-	-	-	-	-	-
MAHLE Composants Moteur France SAS	78	-	-	-	-	-	-	-	-	-
MAHLE Powertrain Ltd.	1,795	-	3,902	-	-	-	-	-	-	-
MAHLE Ventiltrieb Brandenburg GmbH	10	-	36	-	-	-	-	-	-	-
MAHLE Engine Components USA, Inc.	56	-	-	-	-	-	-	-	-	-
MAHLE Technologies Holding (China) Co., Ltd.	-	-	30	-	-	-	-	-	-	-
MAHLE Engine Systems UK Ltd.	-	164	-	-	-	-	-	-	-	-
MAHLE International GmbH	17	211	-	-	-	-	-	-	-	-
Glacier Vandervell Italy S.r.l.	3	-	9	-	-	-	-	-	-	-
MAHLE Technology Inc.	25	1,076	-	-	-	-	-	-	-	-
MAHLE Filtersysteme France SAS	12	-	-	-	-	-	-	-	-	-
MAHLE Filter Systems Japan Corporation	23	5	-	-	-	-	-	-	-	-
MAHLE Filter Systems Wednesbury Ltd.	-	2	-	-	-	-	-	-	12	-
Total	79,016	36,266	180,904	8,565	2,833	64,547	794	1,104	633	7,678

Formatado: Fonte: (Padrão)
Arial, 5 pt, Português (Brasil)

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Related-party transactions basically refer to the acquisition and sale of products and services directly related to its operating activities and are conducted in conditions similar to those stipulated with non-related parties.

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.. Royalties expenses were recorded under the caption "Technology and development expenses" in the amount of R\$7,440 in the first half of 2008 (R\$7,678 in the first half of 2007).

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

9. INCOME AND SOCIAL CONTRIBUTION TAXES

Income and social contribution taxes were calculated at applicable rates.

a. Reconciliation of income and social contribution tax expenses

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

	Six-month periods ended			
	Company		Consolidated	
	6.30.2008	6.30.2007	6.30.2008	6.30.2007
Income before income and social contribution taxes	91,981	55,934	96,863	62,157
Deduction of the equity in earnings of controlled companies, subsidiaries and affiliates and valuation allowance	(5,703)	(14,864)	-	-
Deduction of earnings of foreign controlled company	-	-	(6,206)	(10,488)
Income adjusted before income and social contribution taxes	86,278	41,070	90,657	51,669
Income and social contribution taxes at statutory rate (34%)	(29,334)	(13,964)	(30,823)	(17,567)
Adjustments to calculate the effective rate:				
Effects on permanent differences:				
"Transfer pricing"				
Other, net	110	(27)	(1,896)	(87)
Effects on temporary differences:				
Provisions	(1,279)	(2,056)	(1,292)	(2,732)
Current income and social contribution taxes	(30,503)	(16,047)	(34,011)	(20,386)
Deferred income and social contribution taxes	2,180	2,050	2,095	2,229
Total income and social contribution taxes	(28,323)	(13,997)	(31,916)	(18,157)
Effective rate	32.80%	34.10%	35.20%	35.10%

b. Recoverable income and social contribution taxes

	<u>Company</u>		<u>Consolidated</u>	
	<u>6.30.2008</u>	<u>3.31.2008</u>	<u>6.30.2008</u>	<u>3.31.2008</u>
Income tax	22,313	8,357	24,869	9,846
Social contribution tax	8,190	3,022	9,141	3,563
	30,503	11,379	34,010	13,409
Offset against prepayments and tax incentives	(29,466)	(23,704)	(31,866)	(24,758)
Other	-	-	-	(2,441)
Balance of taxes payable (recoverable (note 7))	<u>1,037</u>	<u>(12,325)</u>	<u>2,144</u>	<u>(13,790)</u>

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

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

	<u>Company</u>		<u>Consolidated</u>	
	<u>6.30.2008</u>	<u>3.31.2008</u>	<u>6.30.2008</u>	<u>3.31.2008</u>
Temporary differences				
Income and social contribution tax losses	-	-	4,234	-
Provision for contingencies and warranties	32,490	30,240	36,707	31,022
Inventory valuation allowance	5,710	7,264	7,684	9,025
Allowance for doubtful accounts	1,274	1,266	2,544	1,510
Allowance for losses on realization of other assets	4,084	3,789	4,211	3,916
Commissions on sales and other temporarily non-deductible provisions	<u>8,824</u>	<u>779</u>	<u>10,314</u>	<u>2,138</u>
	52,382	43,338	65,694	47,611
Discounted present value (see note 2.1)	-	(2,971)	-	(2,971)
	52,382	40,367	65,694	44,640
Current	(13,513)	(3,419)	(17,621)	(5,601)
Noncurrent	<u>38,869</u>	<u>36,948</u>	<u>48,073</u>	<u>39,039</u>

Mahle Metal Leve S.A.

According to projections of the Company's management, the deferred income and social contribution taxes classified as non-current assets as of June 30, 2008 and March 31, 2008 will be realized in the following terms:

<u>Year</u>	<u>6.30.2008</u>	
	<u>Company</u>	<u>Consolidated</u>
2009	3,314	4,451
2010	10,037	13,242
2011	3,565	5,266
2012	5,002	5,502
2013 to 2015	11,631	13,763
2016 to 2018	5,320	5,849
	<u>38,869</u>	<u>48,073</u>

<u>Year</u>	<u>3.31.2008</u>	
	<u>Company</u>	<u>Consolidated</u>
2009	4,487	5,071
2010	11,284	12,227
2011	3,314	3,546
2012	4,651	4,727
2013 to 2015	8,245	8,367
2016 to 2018	4,967	5,101
	<u>36,948</u>	<u>39,039</u>

Mahle Metal Leve S.A.

10. INVESTMENTS IN CONTROLLED COMPANIES

6.30.2008							
Investments:	Information of controlled companies			Interest			
	Equity	Net income (loss)	%	In equity	In shareholders' deficit	In net income (loss)	Exchange variation on investment
MAHLE Metal Leve Miba Sinterizados Ltda.	34,206	6,830	70	23,944	-	4,781	-
MAHLE Argentina S.A.	36,922	(650)	96	35,445	-	(624)	(3,344)
MAHLE Metal Leve GmbH	19,618	6,471	100	19,618	-	6,471	(763)
MAHLE Filtröil Ind. e Com. de Filtros Ltda.	(81)	(317)	60	-	(49)	(190)	-
MAHLE HIRSCHVOGEL FORJAS S.A. (*)	12,905	(1,260)	49.77	6,423	-	(627)	-
				<u>85,430</u>	<u>(49)</u>	<u>9,811</u>	<u>(4,107)</u>

(*) result referring to June 2008

3.31.2008							
Investments:	Information of controlled			Interest			
	Equity	Net income (loss)	%	In equity	In net income (loss)	Exchange variation on investment	
MAHLE Metal Leve Miba Sinterizados Ltda.	31,268	3,892	70	21,888	2,725	-	-
MAHLE Argentina S.A.	36,626	(2,698)	96	35,161	(2,590)	(1,663)	
MAHLE Metal Leve GmbH	18,932	3,971	100	18,932	3,971	1,051	
MAHLE Filtröil Ind. e Com. de Filtros Ltda.	145	(91)	60	87	(55)	-	
				<u>76,068</u>	<u>4,051</u>	<u>(612)</u>	

6.30.2007							
Investments:	Information of controlled			Interest			
	Equity	Net income	%	In equity	In net income	Reversal of provision	Exchange variation on investment
MAHLE Metal Leve Miba Sinterizados Ltda.	45,418	6,877	70	31,793	4,814	-	-
MAHLE Argentina S.A. (antiga Establecimientos Metalúrgicos Edival S.A.)	20,164	1,593	95	19,156	1,513	-	(1,838)
MAHLE Metal Leve GmbH	12,943	10,956	100	12,943	8,817	2,139	(581)
				<u>63,892</u>	<u>15,144</u>	<u>2,139</u>	<u>(2,419)</u>

On December 31, 2007, the provision for the shareholders' deficit of MAHLE Metal Level GmbH was reversed in the amount of R\$ 2,139 under the caption "Reversal (Recognition) of the permanent equity interest devaluation" in the statement of income.

At the Extraordinary and Annual General Meeting held on September 11, 2007 the corporate name of Establecimientos Metalúrgicos Edival S.A. was changed to MAHLE Válvulas de Argentina S.A. and at an Extraordinary General Meeting held on January 28, 2008 it was changed to MAHLE Argentina S.A.

Mahle Metal Leve S.A.

The interest in the shareholders' deficit of MAHLE Filtróil Ind. e Com. de Filtros Ltda., in the amount of R\$49, is recorded as non-current liabilities under the caption "Provision for shareholders' deficit - controlled companies".

11. PROPERTY, PLANT AND EQUIPMENT

	Annual depreciation rates (%)	Company		Consolidated	
		6.30.2008	3.31.2008	6.30.2008	3.31.2008
Plots of land	-	6,266	6,266	7,631	7,182
Buildings and constructions	4	125,825	134,052	136,315	143,586
Machinery, equipment and facilities	Oct-20	901,967	882,676	1,085,075	992,179
Furniture and fixtures	10	16,577	16,629	19,904	18,546
Transportation goods	20-40	16,526	17,053	18,510	18,781
Software acquisition and installation expenses	20	31,174	28,322	33,018	29,176
Construction in progress	-	6,302	3,646	13,158	9,077
Advances to suppliers	-	8,597	15,595	21,542	15,760
(-) Fixed asset valuation allowance		(3,050)	(3,319)	(3,050)	(3,319)
Other	-	-	-	7	-
		1,110,184	1,100,920	1,332,110	1,230,968
Accumulated depreciation		(710,976)	(704,510)	(844,181)	(786,602)
		<u>399,208</u>	<u>396,410</u>	<u>487,929</u>	<u>444,366</u>

Construction in progress and advances to suppliers as of June 30, 2008 and March 31, 2008 refer to assets being acquired and/or installed as well as several civil construction works to enlarge and remodel several segments of the Company's and its controlled companies' industrial complex. Among the projects in progress is the Company's new Technology Center, whose construction should be completed in 2008.

Mahle Metal Leve S.A.

12. INTANGIBLE ASSETS

	Annual amortization rates (%)	Company		Consolidated	
		6.30.2008	3.31.2008	6.30.2008	3.31.2008
Goodwill from the merger of controlled company MAHLE MMG Indústria e Comércio Ltda.	20	108,382	108,382	108,382	108,382
Goodwill from the acquisition of controlled company MAHLE Argentina S.A.	-	61,805	61,805	65,276	65,628
Goodwill from the acquisition of controlled company MAHLE HIRSCHVOGEL FORJAS S.A.	-	34,684	-	34,684	-
Goodwill from the acquisition of controlled company P.F.S. II Ind. e Com. de Peças Automotivas Ltda.	20	2,236	2,236	2,236	2,236
Goodwill from the acquisition of controlled company T.C.V. Ind. e Com. de Peças Automotivas Ltda.	20	6,674	6,674	6,674	6,674
Goodwill from the acquisition of controlled company Filtróil Empreendimentos e Participações S.A.	-	5,110	5,110	5,110	5,110
Other	20	6,820	5,213	17,266	16,187
Allowance for losses on intangible assets		(1,606)	(1,821)	(1,606)	(1,821)
		224,105	187,599	238,022	202,396
Accumulated amortization		(115,000)	(113,725)	(117,082)	(115,261)
		109,105	73,874	120,940	87,135

13. TRADE ACCOUNTS PAYABLE

	Company		Consolidated	
	6.30.2008	3.31.2008	6.30.2008	3.31.2008
Local	52,942	54,996	76,978	63,243
Foreign	6,363	9,938	12,614	16,815
	59,305	64,934	89,592	80,058

14. LOANS AND FINANCING

	Company		Consolidated	
	30.06.2008	31.03.2008	30.06.2008	31.03.2008
Finance charges				
Local currency				
Finame – Adjusted using the TJLP (long-term interest rate) plus annual interest ranging from 1.0% to 4.5%	5,092	5,668	5,092	5,668
Finame – Annual interest ranging from 10.5 to 11.5%	9,009	9,961	9,009	9,961
Working capital – Adjusted using the TJLP (long-term interest rate) plus annual interest of 2.5%	937	2,305	2,790	5,499
Working capital – Annual interest of 102.6% of interbank deposit rate	-	35,076	-	35,076
Overdraft protection – Annual interest ranging from 102.0% to 110.0% of interbank deposit rate	-	635	2,019	635
Finame – Adjusted using the TJLP (long-term interest rate) plus annual interest of 5.0%	-	-	611	-
Lease	-	-	6,698	-
Working capital – Annual interest of up to 16.0%	-	-	22,573	-
Other	184	-	184	1,275
Foreign currency				
Accrued interest on discounted withdrawals	635	333	645	350
Working capital – Exchange variation plus annual interest from 4.31% to 8.0%	-	-	5,192	26,476
BNDES-Exim (US\$20 million): - 100% of the debt balance indexed to the TJLP variation plus annual interest of 2.20%	35,437	-	35,437	-
BNDES-Exim (US\$10 million): - 100% of the debt balance indexed to the TJLP variation plus annual interest of 2.40%	16,941	-	16,941	-
BNDES-Exim (US\$10 million): - 100% of the debt balance indexed to the TJLP variation plus annual interest of 2.18%	16,760	-	16,760	-
BNDES-Finem (R\$45 million): - 100% of the debt balance indexed to the TJLP variation plus annual interest of 2.30%	34,375	-	34,375	-
BNDES-Exim (US\$6 million): - 100% of the debt balance indexed to the TJLP variation plus annual interest of 2.20%	-	-	10,580	-
BNDES-Exim (US\$40 million): - 100% of the debt balance indexed to the TJLP variation plus annual interest of 2.07%	73,256	73,197	73,256	73,197
BNDES-Exim (US\$50 million): - 100% of the debt balance indexed to the TJLP variation plus annual interest of 2.07%	91,359	91,167	91,359	91,167
BNDES-Exim (US\$20 million): - 100% of the debt balance indexed to the TJLP variation plus annual interest of 2.23%	35,385	35,294	35,385	35,294
BNDES-Exim (US\$30 million): - 80% of the debt balance indexed to the TJLP variation plus annual interest of 2.60%. - 20% of the debt balance indexed to the exchange variation plus annual interest of 9.37%. - Swap indexed to the exchange variation plus annual interest of 4.52%	-	31,153	-	31,153
	-	6,320	-	6,320
	-	(5,697)	-	(5,697)
BNDES-Exim (US\$55 million): - 80% of the debt balance indexed to the TJLP variation plus annual interest of 2.95%. - 20% of the debt balance indexed to the exchange variation plus annual interest of 10.14%. - Swap indexed to the exchange variation plus annual interest of 5.50%	55,483	93,790	55,483	93,790
	10,548	19,652	10,548	19,652
	(12,842)	(15,119)	(12,842)	(15,119)
Import financing – Exchange variation plus annual interest of 7.00%	-	-	6,100	-
Advance on exchange contracts - Annual interest ranging from 4% to 7.25%	-	-	25,455	-
Other	-	-	-	11
	372,559	383,735	453,650	414,708
Current	(273,366)	(270,747)	(334,512)	(297,432)
Non-current	99,193	112,988	119,138	117,276

Finame financing was obtained for the acquisition machines and equipment and is collateralized by the board of directors' endorsements and a chattel mortgage. No guarantee is offered for the working capital and BNDES-Exim financing.

Finame financing has a maturity covenant mainly related to: (a) failure to carry out the project that is the subject matter of the financing or; (b) using the granted resources for a purpose other than the one provided by the Credit Agreement signed with the financial institutions. The Company has no default situation in the quarters ended on June 30, 2008 and March 31, 2008.

The Company had two interest rate swap contracts in the first half of 2008 for the BNDES-Exim operations, which were intended to finance its exports, in the following amounts and conditions:

- US\$30 million: original loan agreement indexed of TJLP plus annual interest from 2.60% for 80% of its amount, and the exchange variation plus 9.37% of annual interest for the 20% remaining portion, payable in five equal and successive monthly installments between February 15 and June 16, 2008. In view of the Swap contract the loan was indexed to the exchange variation plus annual interest of 4.52%; and
- US\$55 million: original loan agreement indexed to TJLP plus annual interest of 2.60% for 80% of its amount, and the exchange variation plus 10.14% of annual interest for the 20% remaining portion, payable in five equal and successive monthly installments between May 15 and September 15, 2008. In view of the swap contract the loan was indexed to the exchange variation plus annual interest of 5.50%.

The Company's management is always committed before financial institution to finding competitive sources to finance its operations.

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

	Company		Consolidated	
	6.30.2008	3.31.2008	6.30.2008	3.31.2008
2009	66,389	108,529	76,524	112,817
2010	12,079	3,575	14,511	3,575
2011	9,287	783	16,665	783
2012	8,604	101	8,604	101
2013	2,834	-	2,834	-
	<u>99,193</u>	<u>112,988</u>	<u>119,138</u>	<u>117,276</u>

15. SALARIES, SOCIAL CHARGES, ACCRUED VACATION PAY AND CHRISTMAS BONUS

	Company		Consolidated	
	6.30.2008	3.31.2008	6.30.2008	3.31.2008
Vacation pay and Christmas bonus	35,428	27,152	42,142	30,707
Social charges	8,398	8,759	13,315	10,100
Employee profit sharing	15,834	8,807	17,609	9,417
	<u>59,660</u>	<u>44,718</u>	<u>73,066</u>	<u>50,224</u>

16. SUNDRY PROVISIONS

	Company		Consolidated	
	6.30.2008	3.31.2008	6.30.2008	3.31.2008
Allowance for future losses	6,077	9,867	8,531	10,136
Provision for restructuring	936	997	3,345	3,509
Provision for employee benefits	1,518	759	1,616	807
Provision for quality control	807	683	2,021	1,482
Provision for royalties and patents	-	-	672	740
Provision for professional services	-	-	2,396	2,902
Other	59	59	1,636	336
	<u>9,397</u>	<u>12,365</u>	<u>20,217</u>	<u>19,912</u>

Provision for restructuring

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

Allowance for future losses

Set up in an amount deemed sufficient to cover the losses on sales agreements already signed which the Management expects to incur losses.

17. PROVISION FOR WARRANTIES

	Company		Consolidated	
	6.30.2008	3.31.2008	6.30.2008	3.31.2008
Provision for warranties	2,790	2,510	2,925	2,618
Warranty expenses already identified	4,316	4,316	4,316	4,316
	7,106	6,826	7,241	6,934
Discounted present value (see note 2.1)	-	(2,960)	-	(2,960)
	<u>7,106</u>	<u>3,866</u>	<u>7,241</u>	<u>3,974</u>

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

a. Provision for warranties

Calculated on the product sales based on historical expense percentages.

b. Warranty expenses already identified

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

18. PROVISION FOR CONTINGENCIES AND LIABILITIES RELATED TO LEGAL PROCEEDINGS

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

Contingent risks as of June 30, 2008 and March 31, 2008 are described hereunder according to the legal advisors' opinion:

	<u>Company</u>		<u>Consolidated</u>	
	<u>6.30.2008</u>	<u>3.31.2008</u>	<u>6.30.2008</u>	<u>3.31.2008</u>
Civil and labor	61,535	56,132	64,988	57,818
Tax	34,034	33,012	44,862	34,425
Minus:				
Escrow deposits	(15,925)	(15,228)	(15,991)	(15,294)
Discounted present value (see note 2.1)	-	(548)	-	(548)
	<u>79,644</u>	<u>73,368</u>	<u>93,859</u>	<u>76,401</u>

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

Tax contingencies are represented mainly by state and federal assessments of deficiency whose proceedings are being judged. Discussions are mainly related to the proper interpretation of tax law.

As of June 30, 2008, in addition to the amounts mentioned above, R\$50,651 (R\$45,893 as of March 31, 2008) related to labor, civil and tax lawsuits whose likelihood of unfavorable outcome is considered reduced were not included in those amounts, and for this reason management did not record it in the Company's financial statements.

Under prevailing legislation, income tax returns for the last five years are open to review by tax authorities. Various other statements referring to federal and municipal taxes and contributions, as well as social security contributions and other similar charges regarding variable periods are subject to review for different periods. However, in the opinion of the Company's management, all taxes and charges due were paid or are duly accrued for in the balance sheet, and as of June 30, 2008 and March 31, 2008 there are no material proceedings known to have been filed against the Company. Determining, at this moment, the contingencies that might arise from possible tax assessments of deficiency is not possible at this moment. Accordingly, the Company has not recognized a provision for contingencies.

19. SHAREHOLDERS' EQUITY

a. Capital stock

Subscribed and paid-in capital stock as of June 30, 2008 and March 31, 2008 is represented by the following numbers of shares, with no par value:

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

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

b. Statutory reserve

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

c. Distribution of dividends

Shareholders are entitled to annual minimum dividend of 25% on net income for the year as determined by the by-laws.

The distribution of dividends for the year 2007 totaled R\$ 37,866 which results in R\$ 1.056402087 per common share and R\$ 1.162042295 per preferred share after deducting the IRRF levied on equity capital hereunder mentioned. The gross amount of R\$ 27,866 paid as interest on equity capital on 12.20.2007 will be deducted from the approved dividends, which after deducting the IRRF totaled the net amount of R\$ 24,093, R\$ 0.746544491 per common share and R\$ 0.821198940 per preferred share, ascribed to the mandatory dividend amount and statutory dividend of preferred shares. This amount is made up of the dividend distributed by the Company for all legal effects. The payable amount of R\$ 10,000 still remains equivalent to R\$ 0.309857595 per common share and R\$ 0.340843355 per preferred share, which will be paid starting May 20, 2008.

20. FINANCIAL LOSSES, NET

	Company		Consolidated	
	6.30.2008	6.30.2007	6.30.2008	6.30.2007
Financial expenses				
Interest	(14,487)	(9,254)	(16,128)	(9,914)
Monetary variation losses	(5,076)	(4,466)	(5,220)	(4,686)
Other	(1,325)	(5,439)	(3,122)	(6,399)
	(20,888)	(19,159)	(24,470)	(20,999)
Financial revenues				
Interest	2,862	3,288	4,796	4,087
Monetary variation gains	133	98	133	105
Derivative commodity gains	2,760	-	2,760	-
Other	63	70	63	73
	5,818	3,456	7,752	4,265
Subtotal	<u>(15,070)</u>	<u>(15,703)</u>	<u>(16,718)</u>	<u>(16,734)</u>
Exchange variation losses	(26,342)	(29,292)	(32,271)	(30,683)
Exchange variation gains	24,918	40,219	31,044	42,064
	(1,424)	10,927	(1,227)	11,381
Gains (losses) on foreign currency derivatives	<u>(377)</u>	<u>(17,076)</u>	<u>525</u>	<u>(17,076)</u>
Financial loss, net	<u>(16,871)</u>	<u>(21,852)</u>	<u>(17,420)</u>	<u>(22,429)</u>

As of June 30, 2008, the amounts of R\$377 (R\$17,076 as of June 30, 2007), Company, and R\$525 (R\$17,076 as of June 30, 2007), Consolidated, referring to derivative transaction gains, arise from the financial management policy adopted in 2007 to hedge the Company against exchange rate fluctuations of assets and liabilities denominated in foreign currency, as commented in note 22.b.

21. OTHER OPERATING REVENUES (EXPENSES), NET

	Company		Consolidated	
	6.30.2008	6.30.2007	6.30.2008	6.30.2007
Recovered taxes	692	1,112	776	1,225
Provision for contingencies and others	(3,617)	(4,066)	(5,948)	(2,752)
	<u>(2,925)</u>	<u>(2,954)</u>	<u>(5,172)</u>	<u>(1,527)</u>

22. FINANCIAL INSTRUMENTS

The Company is exposed to market risks deriving from its operations. These risks involve mainly: credit risk; exchange rate risk, as the Company has significant obligations and receivables denominated in US dollars; the risk resulting from changes in aluminum, copper and nickel prices; and the interest rate risk. The Company uses derivative instruments in order to minimize these risks. Derivatives are not used for speculation.

Risk management activities follow a formal risk management policy under management's supervision. The Company has operating policies and strategies aiming at liquidity, profitability and security, as well as procedures to monitor the financial instrument balances. Moreover, it operates with banks that meet financial solidity and reliability requirements, according to management criteria.

a. Credit risk

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

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

On March 31st, 2008, vendor financing contracts signed by the Company reached R\$96 (R\$ 315 on 3.31.2008), with maturity date in 45 days. The risks involved in entering into these contracts are mainly related to credit. They are managed by the thorough analysis of the credit limits of customers, with which the Company and its controlled companies conducts these types of transactions.

b. Exchange rate risk

The Company's and its controlled companies' exposure to foreign currency variations as of June 30, 2008 and June 30, 2007 is as follows:

	<u>Company</u>		<u>Consolidated</u>	
	<u>6.30.2008</u>	<u>6.30.2007</u>	<u>6.30.2008</u>	<u>6.30.2007</u>
Assets				
Trade accounts receivable	46,584	40,352	98,805	94,532
Financial investments	-	-	55,175	3,277
Advance on exchange contracts	(63,531)	(74,915)	(64,555)	(74,915)
Intercompany receivables	167,874	162,840	74,943	116,888
Allowance for doubtful accounts	(1,434)	(1,782)	(2,732)	(2,898)
	<u>149,493</u>	<u>126,495</u>	<u>161,636</u>	<u>136,884</u>
Liabilities				
Financing	(357,337)	(319,483)	(404,674)	(348,617)
Trade accounts payable	(6,363)	(5,571)	(12,614)	(12,649)
Provision for warranty	(664)	(861)	(664)	(861)
Intercompany payables	(12,145)	(8,342)	(15,474)	(17,406)
Other accounts payable	(658)	(843)	(658)	(845)
	<u>(377,167)</u>	<u>(335,100)</u>	<u>(434,084)</u>	<u>(380,378)</u>
Foreign exchange exposure, net	<u>(227,674)</u>	<u>(208,605)</u>	<u>(272,448)</u>	<u>(243,494)</u>

The risks occur due to the exchange rate fluctuations that generate significant effects on the balances of assets and liabilities in foreign currency. The Company in order to partially protect its results and cash flows against such fluctuations uses the following derivatives:

- Sales of forward exchange contracts in US dollars and euros (NDF – Non Deliverable Forward) which generated a net gain in the first quarter of 2008 of R\$ 18,733, of which R\$14,574 corresponding to gain on cash effect and R\$4,159 referring to provision for future markups (net loss of R\$138, of which R\$7,196 corresponding to gain on cash effect and R\$7,334 referring to provision for future markdowns in the first quarter of 2008), recorded under the caption "Financial losses, net", Company. In Consolidated, net gains totaled R\$18,980, of which R\$14,702 corresponding to gain on cash effect and R\$4,278 referring to provision for future markups (net losses of R\$131, of which R\$7,260 corresponding to gain on cash effect and R\$7,391 referring to provision for future markdowns in the first quarter of 2008).

- Purchases of forward exchange contracts in US dollars and euros to hedge currency swaps of financing agreements entered into with BNDES (National Bank for Economic and Social Development), which in the first half of 2008 generated a net loss of R\$ 14,147, of which R\$28,338 corresponding to a loss on cash effect and R\$14,191 referring to provision for future markups (net loss of R\$3,685, of which R\$22,307 corresponding to loss on cash effect and R\$18,622 referring to provision for future markups in the first quarter of 2008), recorded under the caption "Financial losses, net", Company and Consolidated.

c. Raw material price risk

In August 2007 the Company started to enter into derivative contracts to reduce the risks of price fluctuations of nickel, aluminum and copper commodities used to manufacture its products. These derivatives refer to hedges against price fluctuations of those metals. In the first half of 2008 these transactions generated a net gain of R\$2,760, of which R\$2,491 corresponding to a gain on cash effect and R\$269 referring to provision for future markups (net gain of R\$14,249, of which R\$421 corresponding to gain on cash effect and R\$13,828 referring to provision for future markups in the first quarter of 2008), recorded under the caption "Financial losses, net".

d. Interest rate risk

The Company monitors the fluctuation of several interest rates to which its monetary assets and liabilities are indexed and the Company might enter into derivative contracts in order to minimize such risks, in the event of increased volatility of these rates. As of June 30, 2008 and March 31, 2008, the Company did not have interest rate derivatives, except those mentioned in note 14.

e. Market values

As of June 30, 2008 and March 31, 2008, market values of cash and cash equivalents, accounts receivable and payable approximate their book values due to their short-term nature. The market values of loans and financing approximate their carrying amounts, because they bear variable interest rates.

The Company shows below the market value (mark-to-market method - MTM) of derivative contracts on June 30, 2008 and March 31, 2008 in comparison with the book value recorded under the caption "Unrealized derivative losses - current liabilities".

Mahle Metal Leve S.A.

As of June 30, 2008

Purpose	Type of transaction	Position	Original currency	NDF currency	Volume of NDF as of 6/30/08	Gain/(loss)	
						Accrued pro rata temporis	Mark to market
Financing	NDF	Purchase	USD	BRL	\$33.645.000,00	(7,403)	(7,109)
Exports	NDF	Sale	USD	BRL	\$65.830.000,00	7,405	7,051
Exports	NDF	Sale	EUR	BRL	27425000	2,695	2,184
						<u>2,697</u>	<u>2,126</u>

Purpose	Type of transaction	Position	Original currency	NDF currency	Volume of NDF as of 6/30/08	Gain/(loss)	
						Accrued pro rata temporis	Mark to market
Nickel	Swap/zero cost collar	Purchase	USD	BRL	1,488 tons	(6,342)	(7,841)
Copper	Swap	Purchase	USD	BRL	2,237 tons	3,212	4,207
Aluminium	Swap	Purchase	USD	BRL	1,164 tons	477	595
						<u>(2,653)</u>	<u>(3,039)</u>

As of March 31, 2008

Purpose	Type of transaction	Position	Original currency	NDF currency	Volume of NDF as of 3/31/08	Gain/(loss)	
						Accrued pro rata temporis	Mark to market
Financing	NDF	Purchase	USD	BRL	\$75.390.000,00	(2,972)	(2,456)
Exports	NDF	Sale	USD	BRL	\$73.930.000,00	2,286	1,633
Exports	NDF	Sale	EUR	BRL	25405000	(3,678)	(4,122)
						<u>(4,364)</u>	<u>(4,945)</u>

Purpose	Type of transaction	Position	Original currency	NDF currency	Volume of NDF as of 3/31/08	Gain/(loss)	
						Accrued pro rata temporis	Mark to market
Nickel	Swap/zero cost collar	Purchase	USD	BRL	744 tons	4,495	2,608
Copper	Swap	Purchase	USD	BRL	1,900 tons	5,574	5,814
Aluminium	Swap	Purchase	USD	BRL	975 tons	837	715
						<u>10,906</u>	<u>9,137</u>

The market values of derivatives were obtained from financial institutions.

23. 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-job benefits, pension funds or other benefits that might require specific accounting treatment.

During the first half of 2008, the Company and its controlled companies granted their employees profit sharing in accordance with an agreement entered into with the Labor Union in the amount of R\$12,200 (R\$9,996 in the first half of 2007), Company, and R\$13,192 (R\$10,557 in the first half of 2007), 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.

24. 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, offering all employees the option to participate.

Contributions are defined according to framing into the salary brackets above R\$5, with the contribution percentage ranging from 2% to 4% by the employee and the Company. For the employees earning salaries below R\$5, the Company shall contribute with a nominal wage every 10 years of service upon the retirement, not including the periods before September 2006. Every year, the administrator carries out the actuarial evaluation of the pension plan in order to determine possible adjustments in contribution levels. The contributions by the Company and the employees started in October 2006, the Company having contributed with R\$1,403 in the first half of 2008 (R\$1,351 in the first half of 2007).

MAHLE METAL LEVE S.A.

MANAGEMENT REPORT ON THE CONSOLIDATED QUARTERLY INFORMATION FOR THE QUARTER ENDED MARCH 31, 2008

BRAZILIAN MACROECONOMIC SCENARIO

The growth pace of the Brazilian industrial production kept on the rise during the first six months of 2008, with a highlight to the production of machines and equipment, and materials for the automotive and transport segments, in part resulting from the favorable economic indicators. However, though short-term perspectives point to the stability of the industry, the companies showed signs of a possible deceleration in the second half of the year. This perception of the industry reflects a combination of facts, among which the increase in basic interest rate determined by the Central Bank of Brazil to restrain consumption and try to control inflation, shorter terms for credit and vehicle financing, the appreciation of the Brazilian real against the US dollar, and also the tight monetary policy.

At its current exchange rate, the US dollar has significantly compromised exporting companies, and the problem is only reduced for companies with products of high added value and, obviously, to exporters of commodities.

In the second quarter of 2008, there was an acceleration of inflation in the world mainly due to the rise in the prices of oil, ferrous products, steel, and food, worsened by an increasing demand in emerging countries such as Brazil.

Domestic interest rate, Inflation, and Dollar exchange rate – As for the basic interest rate – Selic (Central Bank Overnight rate), after almost three consecutive years of reduction and stability, the Government started to increase the rate as from April of the current year, in order to restrain, in part, the domestic increasing demand and prevent the rise of inflation. In the second quarter, interest increased by 1.0%, from 11.25% p.a. at the end of the first quarter to 12.25% p.a. The Central Bank of Brazil increased the basic interest rate to 13% at the end of July.

The inflation according to IPCA (Extended Consumer Price Index) at the end of the six-month period reached 3.64%, above the 2.08% in the same period of 2007. In the twelve-month period ended in June 2008, inflation was 6.06%, the highest level since the 6.22% reached in November 2005. The main reasons for this rampant inflation was the increase in domestic demand, and the resulting higher prices of food, electricity, and metal commodities.

The US dollar rate continues to fall in comparison to the local currency, at the rate of R\$1.592 at the end of the first half of 2008, a reduction of 10% in comparison to the rate of R\$1.771 at the end of 2007.

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Trade balance

The result of the Trade Balance decreased from US\$20.6 billion in the last year to only US\$11.3 billion in the current year, due to the increase in imports at a percentage twice higher than the increase in exports.

US\$ billion			
<u>Trade Balance</u>	<u>1st half 2008</u>	<u>1st half 2007</u>	<u>Var.%</u>
Exports	90.6	73.2	23.8
Imports	79.3	52.6	50.8
Balance	<u>11.3</u>	<u>20.6</u>	<u>(45.1)</u>

Performance of the Automotive Brazilian Industry

The Brazilian automotive industry grew strongly in the second quarter and ended the first half of the year with high production and sales levels in domestic market, exceeding the automakers' estimates made at the beginning of the year. The automotive sector mainly benefited from the consumers' higher income, increase in credit offer and longer financing payment terms, although these factors oppose the growth trend in interest rate and the tight monetary policy. Though market perspective is of an increase in vehicle production and sales for 2008, the growth pace for the second half of the year should decelerate when compared to the first half.

Breakdown of sales and production:

thousand units				
	<u>2nd quarter.08</u>	<u>2nd quarter.07</u>	<u>1st half.08</u>	<u>1st half.07</u>
	A	B	C	D
Domestic sales	664.9	533.3	1,232.0	975.8
Exports	186.9	195.4	367.0	377.6
Total sales	851.8	728.7	1,599.0	1,353.4
Production	<u>894.2</u>	<u>728.9</u>	<u>1,681.0</u>	<u>1,385.5</u>

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	Variation %	
	2nd quarter A/B	1st half C/D
Domestic sales	24.7	26.3
Exports	(4.4)	(2.8)
Total sales	16.9	18.1
Production	22.7	21.3

Sales of Vehicles in the Domestic Market – in units

Given the favorable macroeconomic stability, the domestic market grew steady in all sectors. In the second quarter, sales of Brazilian vehicles in the domestic market totaled 664.9 thousand automobiles, light commercial vehicles, trucks and buses, increasing by 24.7% in comparison to the same quarter of the previous year. In the six-month period, sales totaled 1,232.0 thousand units, an increase of 26.3%.

The good moment of agribusiness, after the record of the 2007 crop season, the expectation of a new record for 2008, due to the rising trend of agricultural commodities price, and also the good performance of mining and civil construction work sectors, have boosted the sectors of heavy vehicles and agricultural machinery.

Percentage variation of sales in domestic market per sector:

	Variation %
	1st half (08/07)
<u>Domestic Market Sales - Brazilian vehicles</u>	
Light vehicles (automobiles and light commercial vehicles)	26.2
Trucks	29.4
Buses	14.9
Total vehicles	26.3
Agricultural vehicles	52.4

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Sales of Vehicles in the Foreign Market – in units

Vehicles exports dropped by 4.4% in the quarter and by 2.8% in the six-month period, in comparison to the same periods in the prior year. In the sector of light and heavy trucks, and agricultural machinery, there was an increase in the quarter due to the significant increase in the transport of crops in the countries of South America.

The drop in the volume of exports is due to the continuous appreciation of the Brazilian real against the US dollar. This drop is partially compensated by the exports of vehicles with higher added value.

Exports of urban buses grew by 23% and light and heavy truck exports by 12% in the first six months of 2008, in comparison with the same period of 2007.

Vehicles production

Boosted by the domestic market, the vehicle production in the second quarter amounted to 894.2 thousand units, and in the six-month period amounted to 1,681.0 thousand units, which represent an increase of 22.7% and 21.3%, respectively, in comparison to the same periods of the prior year. The increase happened in all segments of vehicles (light vehicles, trucks, mainly due to the increase in the civil construction work sector, and buses), including the agricultural machinery segment.

Percentage variation of production per sector:

	Variation %
<u>Domestic Market Sales - Brazilian vehicles</u>	<u>1st half (08/07)</u>
Light vehicles (automobiles and light commercial vehicles)	21.1
Trucks	27.4
Buses	<u>20.3</u>
Total vehicles	21.3
Agricultural vehicles	<u><u>38.8</u></u>

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Production and Sales of Agricultural Vehicles

In the quarter, the agricultural vehicles sector had an increase in production of 38.8% and in domestic market sales, of 52.4%. This increase was the result of the previously mentioned macroeconomic factors, as well as the increase in crops and in sugar cane mechanical harvesting.

In foreign market, even with unfavorable exchange rates and the increase in raw material costs, which obliged companies to raise the prices of their products, there was a great volume of exports of agricultural machinery for countries in Latin America, Africa and Middle East, resulting in a 26.5% growth in the six-month period.

Importation of vehicles

Given the continued fall of the dollar and the credit expansion, the market share of imported vehicles increased. The importation of vehicles in the first half of 2008 totaled 175.2 thousand units, up 64.4% from the first half of 2007, whose sales reached 106.5 thousand units, representing a share in the domestic market of Brazilian light vehicles of 15%.

Economic and Financial Performance of the Company

Brazil's macroeconomic stability, and the positive impact of the investment grade given by risk assessment agencies Standard & Poor's and Fitch allowed a consistent performance of the automotive industry in the six-month period.

In the first six months of the year the Company had a positive performance, reporting consolidated net sales revenues of R\$888.9 million, a 8.8% increase thanks to the positive effect of the domestic market sales growth. However, the Company's profitability in Brazilian reais in the foreign market fell due to the continued appreciation of the local currency against the US dollar.

This results represents a 5% rise due to the acquisitions of companies and operating assets in the first semester of 2007 and the acquisition of the ownership control of Forjas Brasileiras S.A. (current name: MAHLE HIRSCHVOGEL FORJAS S.A.), made in the first half of 2008. The other portion of the result arises from the Company's inner growth.

The Company's net revenue increased 4.1% in the year to June 2008.

Mahle Metal Leve S.A.

Composition of sales – Company and Consolidated

	R\$ million	
	1st half of 08	1st half of 07
COMPANY		
Domestic market	461.9	391.3
Foreign market	290.8	331.5
Total	752.7	722.8
CONSOLIDATED		
Domestic market	551.7	440.4
Foreign market	337.2	376.4
Total	888.9	816.8

Percentage variation of sales in the first half (August 2007)

	Variation %	
Market	Company	Consolidated
Domestic	18	25.3
Foreign	-12.3	-10.4
Total	4.1	8.8

Domestic market sales

Consolidated domestic market sales from January to June 2008 totaled R\$551.7 million, a rise of 25.3%. The Company's net sales revenue rose 18.0%. This rise is due to the market upturn of original equipment and replacement parts caused by the country's favorable economic conditions which had a positive impact on the performance of the original equipment sector, and by an increase in transportation and agricultural services, leading to a pickup of engine, component and peripheral sales. This allowed the maintenance of the fleet of motor vehicles and agricultural machinery, especially trucks and tractors.

This result is also a consequence of investments made by the Company over the past two years, mentioned before, for expanding its line of products and strengthening its leading market position.

Domestic sales in Consolidated accounted for 59% of net sales revenues (53% in the first half of 2007).

Mahle Metal Leve S.A.

Foreign Market Sales

Due to the continued appreciation of the local currency against the US dollar and the poor performance of the main international economies, especially that of the automotive industry in developed countries, particularly the US. Consolidated net foreign market revenues dropped 10.4% in Brazilian reais in the first half of the current fiscal year compared with the same period in 2007. Sales in US dollars grew 7.8% in the first six months of the year.

The continued depreciation of the US dollar compared with the Brazilian real has significantly affected the Company's foreign sales in relation to the first half of 2007. The daily average US dollar rate dropped 17%.

Foreign market sales in US dollars

	US\$ million		
	1st half of 2008	1st half of 2007	%
COMPANY	171.9	162.4	5.8
CONSOLIDATED	199.0	184.6	7.8

Operating income and gross income

The consolidated operating income grew 61% in the first half of 2008, a 3.7% improvement in the margin when compared with the first half of 2007. This quarter's result decreased when compared with the previous quarter, due to the poor basis of comparison at the beginning of the previous year, given that the pickup of vehicle production and sales increased from the second quarter of 2007, and to the higher net financial expenses, commented below.

The improved operating income in this quarter is the result of a more robust consolidated gross margin of 27.8%, compared with the 25.6% reported in the first half of the previous year, due to the increased domestic market sales, both of original equipment and replacement parts, the expansion of the portfolio of products and market mix, the continued cost cutting efforts and the constant pursuit of productivity gains, among other factors.

Financial Management

In the first half of 2008 consolidated net financial loss totaled R\$17.4 million, of which R\$6.4 million of revenues in the first quarter and R\$23.8 million of expenses in the second quarter.

Mahle Metal Leve S.A.

In the second quarter financial expenses suffered a greater impact, as a result of commodity derivative transactions and the continued appreciation of the Brazilian real against the US dollar. These transactions generated an expense of R\$11.5 million, recorded as derivative gains (losses), of which R\$2.1 million are gains recorded as cash effect and R\$13.6 million refer to provision for future markdowns.

These markdowns are due to world macroeconomic changes, among which a falling demand because of the weak performance of the global economy, speculation about the probable recovery of the US dollar in international capital markets; increase in uncertainties leading to a hike in interest rates; fears of a recession in the US leading to lower consumption of products and services; and migration of investors to safe assets, less unstable in face of the turmoil in floating rate markets.

In this first half of 2008 the aluminum, nickel and copper hedge transactions generated a markup of R\$2.7 million, of which a gain of R\$ 2.5 million was recorded as cash effect and R\$0.2 million refers to provision for future markups.

The positive result of commodity hedge transactions in the first quarter, which generated a gain of R\$14.2 million, mentioned in the previous quarter, ensured a safety margin for the exchange gain in this first half of 2007 due to an adequate estimate of the depreciation of the US dollar against the Brazilian real.

Net financial loss in the first half:

	R\$ million		
	Consolidated		
	1st half of 2008	1st half of 2007	Var. - R\$
Monetary variations	(5.1)	(4.6)	(0.5)
Net, foreign exchange exposure	(1.2)	(5.7)	4.5
Interest, net	(11.3)	(5.8)	(5.5)
Commodity derivative gain	2.7	-	2.7
Derivative gains on foreign currency balances	0.5	-	0.5
Other financial revenues (expenses), net	(3.0)	(6.3)	3.3
Financial loss, net	(17.4)	(22.4)	5.0

The increase in interest expenses is due to the increase in net indebtedness and the change in the profile of the Company's financing.

Mahle Metal Leve S.A.

Indebtedness

Consolidated net indebtedness was 367.4 million as of June 30, 2008, represented basically by Exim loans taken out from BNDES for financing imports, which are linked to guarantees. Compared with the same period last year, consolidated net indebtedness increased R\$44.0 million, basically due to the inclusion of the borrowings of MAHLE HIRSCHVOGEL FORJAS S.A., whose balance as of June 30, 2008 is R\$34.1 million.

	R\$ million	
	<u>Consolidated</u>	
	<u>6/30/2008</u>	<u>6/30/2007</u>
Liabilities		
Financing	453.7	378.4
Advance on exchange contracts	64.6	74.9
Assets		
Cash/ banks/financial investments	<u>150.9</u>	<u>129.9</u>
Net indebtedness	<u><u>367.4</u></u>	<u><u>323.4</u></u>

Summary of the statements of income

	R\$ million					
	Company			Consolidated		
	1st half of 2008	1st half of 2007	Var.%	1st half of 2008	1st half of 2007	Var.%
Net sales revenues						
Domestic market	461.9	391.3	18.0%	551.7	440.4	25.3%
Foreign market	290.8	331.5	-12.3%	337.2	376.4	-10.4%
Total	752.7	722.8	4.1%	888.9	816.8	8.8%
Foreign market in US\$ million	171.9	162.3	6.1%	199.1	184.6	7.9%
Gross income	199.6	168.0	18.8%	247.3	209.5	18.0%
gross margin	26.5%	23.2%	3,3 p.p.	27.8%	25.6%	2,2 p.p.
Operating income	91.1	55.4	64.4%	100.1	62.2	60.9%
operating margin	12.1%	7.7%	4,4 p.p.	11.3%	7.6%	3,7 p.p.
Net income	63.7	41.9	52.0%	63.7	41.9	52.0%
net margin	8.5%	5.8%	2,7 p.p.	7.2%	5.1%	2,1 p.p.
EBITDA	147.5	125.1	17.9%	163.7	135.5	20.8%
Margem EBITDA	19.6%	17.3%	2,3 p.p.	18.4%	16.6%	1,8 p.p.

Operating performance measured by EBITDA

In the first half of 2008 operating performance generated EBITDA (earnings before interest, taxes, depreciation and amortization) of R\$147.5 million, Company and R\$163.7 million, Consolidated, a rise of 17.9% and 20.8% compared with the same period last year. The EBITDA margin was 19.6%, Company and 18.4%, Consolidated, an increase of 2.3 p.p. and 1.8 percentage points, respectively. In the second quarter the consolidated EBITDA was up 13.5% compared with the same quarter last year and 4.1% compared with the previous quarter.

Net income in the first six-month period

In the first half of 2008 net income was R\$63.7 million, up 51.8% from the net income of R\$41.9 million reported in the first half of 2007. Among other factors that contributed for this result we highlight increased sales in domestic and foreign markets (despite the fall of the US dollar), operating profitability, continued efforts to control operating expenses and the expansion of the portfolio of products and market mix. The consolidated net margin was 7.2%, up 2.1% from the 5.1% reported in the first half of 2007.

Mahle Metal Leve S.A.

Net Income in the second quarter

In the second quarter of 2008 net income rose 11.8% compared with the same quarter of 2007. As commented in the previous quarter, due to the already expected high basis of comparison for the second quarter of 2007, this quarter's result was much lower. The increase in financial expenses, commented in "Financial management" also had an impact on the period's result.

Investments

On April 30, 2008, the Company's shareholders approved the investment budget for 2008 in the amount of R\$169.5 million earmarked for the following projects: operations; research and development; capacity expansion; quality; intangible assets; new projects (customer projects); increase in the capital of MAHLE Argentina S.A. (formerly MAHLE Válvulas de Argentina) for purposes of acquiring new companies in Argentina; investment in controlled companies; and acquisition of Forjas Brasileiras S.A. Indústria Metalúrgica.

Trade on the stock exchange

In 2008 the Company's preferred shares (LEVE4) had a good performance in stock markets, closing the first half of 2008 at R\$38.98 per share, up 21.8%, while the Bovespa Index closed the same period up 3.51%. The Company's shares had an even better performance in the second quarter, rising 25.7%, well above the 3.57% reported by Bovespa Index.

Human Resources

As of June 30, 2007, the Company and its controlled companies had 9,498 employees up 11% from December 31, 2007 (8,542 employees), mainly due to an increase in production and sales caused by the economic upturn and to the controlling interest in Forjas Brasileira – current name: MAHLE HIRSCHVOGEL FORJAS S.A. (667 employees) established in the first half of this year.

Highlights of the first half of 2008

On January 28, 2008 the acquisition of controlled company MAHLE Argentina S.A. was approved. (formerly MAHLE Válvulas de Argentina) of the piston and cylinder distribution and aftermarket activities previously performed by the Argentinean subsidiary of this company's parent company MAHLE Componentes de Motores Argentina S.A. (formerly - MAHLE S.A. de Argentina).

Mahle Metal Leve S.A.

On May 19, 2006 the Company acquired a controlling interest in Forjas Brasileiras S.A. Indústria Metalúrgica (current name: MAHLE HIRSCHVOGEL FORJAS S.A.) an expert company that has the technology for forged products. The Company bought 49.77% of common shares and 47.27 of preferred shares owned by various shareholders of that company, located in the city of Queimados, State of Rio de Janeiro, allowing the development and offer to the market of new products forged with automakers.

On June 26, 2008, the Company opened a new Technology Center in the city of Jundiai, State of São Paulo, considered the largest center for the development of engine components in Latin America. This is a new phase in the Company's evolution, combining technological challenges, innovation, integrated solutions, MAHLE Powertrain (advisory and consulting services in automotive engineering), virtual development, robust engineering, confidentiality and social and environmental responsibility. All phases of the civil construction work met stringent environmental sustainability criteria to fit into the project's profile and the Green Building concept. Approximately R\$60 million was invested to implement the new Technology Center, of which R\$45 million using BNDES funds and the remaining amount using the Company's own funds.

Award – MAHLE Metal Leve was granted the 9th Modern Consumer Award for its Excellence in Client Services. In May 2008 *Consumidor Moderno Magazine*, in a partnership with GFK Indicator, a consulting firm, disclosed the companies that best serve clients in Brazil and whose strategy includes policies and actions aiming at a constant improvement of relations with consumers and clients in a relentless pursuit of excellence.

Services Rendered by Independent Auditors

As per CVM Instruction No. 381/03, information about other services, in addition to external auditing, provided by BDO Trevisan Auditores Independentes and its related parties during the first half of 2008 to MAHLE Metal Leve S.A., controlled companies and companies belonging to the same group:

<u>Nature</u>	<u>Date of hiring</u>	<u>Term</u>
External audit services to the companies belonging to the same group of the Company	02/04/2008	January to December 2008

Agreed-upon fees totaled R\$226.8 thousand and accounted for 58% 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 2008.

Under the policies of the Company and its controlled companies they are prohibited from hiring of its independent auditors to render services that lead to conflicts of interest, loss of objectivity or independence.

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Management of MAHLE Metal Leve S.A. and its controlled companies, in a discussion with their independent auditors, concluded that the works listed above do not represent any threat to the audit firm's independence, given that they do not lead to a real or supposed loss of its objectivity and integrity.

OUTLOOK

Macroeconomic scenario

The current world trend of inflation due to the increase in the prices of food, metal commodities, and oil, in addition to the international financial crisis has interfered with Brazilian economy. Inflation in Brazil, which for over a decade was kept under control, seems to be back. In this scenario, the Central Bank of Brazil enforces the restrictive monetary policy of increasing basic interest rates, combined with changes in credit policy, through shorter financing payment terms for durable goods, in order to inhibit the demand for products and services. Actually, the inflationary pressure is the result of the increasing domestic demand and the recent expansion of credit.

Accordingly, the estimated growth of GDP for 2008 was reduced to 4.7% (5.4% last year), which shows a deceleration in the growth of industrial activity for the second half of the year, and reflects the negative effects of high inflation, the return of high interest rates, the continuous depreciation of the US dollar against Brazilian currency. The expected GDP fall is also related to international economy, mainly the US economy, which is growing slower.

The basic interest rate in Brazil must end the year at above 14% p.a., since Selic rates start to increase in the second quarter to control inflation and restrain the domestic demand. The inflation according to IPCA at the end of the twelve-month period ended in June of this year reached 6.06%, and it is expected to end the year at the maximum projected rate of 6.5%.

In foreign market, a decrease in the demand of products and services in the main sectors of economy is expected, mainly in the automotive sector of developed countries, particularly in the United States and Europe, due to the high prices of oil, metal commodities and financial crisis in NAFTA's region, particularly the US market.

The continuous depreciation of dollar against the Brazilian real continues to compromise the competitiveness and profitability of exports. A reduction of almost 50% in the result of trade balance is expected for 2008, which should be of about US\$20 billion.

The investment grade given to Brazil and the history of interest rates in economy made the country more attractive to the inflow of foreign capital, which had a significant impact on exchange rates causing the appreciation of the Brazilian real.

Brazilian Automotive Industry

Production – The estimated production of the automotive sector for 2008 is of approximately 3.4 million units; a 15% higher growth in comparison to the production of 2007. In the second half of the year, the growth trend of production is expected to be interrupted given to the current inflationary pressure, with higher interest rates, shorter financing payment terms, and high basis of comparison in the second half of 2007.

	thousand units		
Production	2008	2007	%
1st half	1,681	1,386	21.3
2nd half (estimated)	1,744	1,592	9.5
total	3,425	2,977	15.0

Domestic Market Sales - Domestic market sales (of light vehicles, trucks and buses) for 2008 are expected to reach 2.8 million units; an increase of approximately 21%. In the second half, the expected increase is of 16.8% in comparison with the same period of 2007.

	thousand units		
Sales	2008	2007	%
1st half	1,232	976	26.3
2nd half (estimated)	1,413	1,210	16.8
total	2,645	2,186	21.0

Foreign Market Sales – In this market, estimated sales amounts to approximately 780 thousand vehicles, a drop of 1.2% in comparison to 2007, due to the continuous appreciation of Brazilian real in comparison to the US dollar.

Agricultural Machinery – In the sector of agricultural machinery, the demand is expected continue to increase, both in domestic and foreign markets, because of government plans “Programa Mais Alimentos”, and “Plano Safra” 2008 and 2009 - federal government plans developed to foster food production – and the activities of the mining and civil construction work sectors.

Vehicle imports – The significant growth pace of this market is expected to continue, due to due to the strong appreciation of Brazilian real in comparison to the US dollar. Estimated sales of imported vehicles for 2008 amounts to 415 thousand units, from which approximately 50 thousand vehicles from outside the Mercosur; representing an increase of about 50% in comparison to 2007.

Mahle Metal Leve S.A.

Company

In view of the Brazilian and foreign scenario and the projections for the automotive industry, the Company's management expects to maintain the volume of sales in the second half of the year in similar levels to the ones reached in the first half of 2008.

There is a concern, however, on the level of deceleration of Brazilian economy, with the return of the tight monetary policy used to fight the inflation caused by the increasing demand. Additionally, the foreign market deceleration, mainly of the US market, caused by the impact of oil prices, metal commodities, and the possible increase in basic interest rates in foreign markets are also cause of concern.

Accordingly, the increase in the price of metal products and electricity in the first six-months of the year, which reached up to 80% in some cases and which cannot be absorbed by the Company, must be renegotiated with the customers: our greatest challenge for the second half of the year.

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