

**(Convenience translation into English from the original previously  
issued in Portuguese)  
MAHLE METAL LEVE S.A.**

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

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(Convenience translation into English from the original previously issued in Portuguese)  
**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 September 30, 2008, and the related statement of income and cash flows, management report and explanatory notes for the nine-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. 11,638/07 was enacted to come into effect from January 1, 2008. This law has modified and revoked provisions and introduced new ones into Law No. 6,404/76 (Stock Corporation Act), 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, during the transition, CVM set forth on Instruction No. 469/08 that 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 nine-month period ended September 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.
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**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 June 31, 2008 reviewed by us, and the statement of income for the quarter and nine-month period ended September 30, 2007, reviewed by other auditors, are presented for comparison purposes. The special review reports, dated August 8, 2008 and November 7, 2007, respectively, are unqualified.
  
6. The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, November 7, 2008

Esmir de Oliveira  
Engagement Partner  
BDO Trevisan Auditores Independentes

The pages of quarterly information reviewed by us are initialed only for identification purposes.

(Convenience translation into English from the original previously issued in Portuguese)  
**MAHLE METAL LEVE S.A.**

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

**EXHIBIT 1**

**MAHLE METAL LEVE S.A. AND CONTROLLED COMPANIES**

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

	Company		Consolidated			Company		Consolidated	
	30/9/2008 (unaudited)	30/6/2008 (unaudited)	30/9/2008 (unaudited)	30/6/2008 (unaudited)		30/9/2008 (unaudited)	30/6/2008 (unaudited)	30/9/2008 (unaudited)	30/6/2008 (unaudited)
<b>ASSETS</b>					<b>LIABILITIES</b>				
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (note 4)	97,716	79,891	193,546	150,914	Loans and financing (note 14)	310,052	273,366	377,478	334,512
Trade accounts receivable (note 5)	207,620	191,878	311,678	293,318	Trade accounts payable (note 13)	59,252	59,305	94,816	89,592
Intercompany receivables (note 8)	196,147	171,502	75,221	77,628	Taxes payable	14,767	17,955	19,310	26,353
Advance on exchange contracts	(30,742)	(63,531)	(32,496)	(64,555)	Salaries, social charges, accrued vacation pay and Christmas b	63,245	59,660	78,926	73,066
Allowance for doubtful accounts	(5,782)	(5,384)	(10,931)	(10,176)	Related-party payables (note 8)	25,837	25,807	38,679	29,645
Inventories (note 6)	171,971	171,372	281,557	252,880	Provision for income and social contribution taxes (note 9.b)	18,083	1,037	20,073	2,144
Recoverable taxes (note 7)	19,712	21,517	32,810	30,999	Unrealized derivative losses	77,347	10,838	78,476	10,868
Deferred income and social contribution taxes (note 9.c)	48,875	13,513	54,001	17,621	Customers' advances	4,598	3,740	7,288	5,138
Dividends and interest on controlled company's capital receiv	-	-	-	-	Proposed dividends and interest on equity capital payable	202	202	894	2,594
Derivatives	467	13,806	467	14,020	Sundry provisions (note 16)	13,906	9,397	29,797	20,217
Other accounts receivable	13,506	11,970	20,648	19,461	Other accounts payable	22,367	27,290	28,515	33,970
	717,490	606,534	926,501	778,110		609,656	488,597	774,352	628,099
<b>NON-CURRENT ASSETS</b>					<b>NON-CURRENT LIABILITIES</b>				
<b>LONG-TERM ASSETS</b>					<b>LONG-TERM LIABILITIES</b>				
Deferred income and social contribution taxes (note 9.c)	38,387	38,869	47,157	48,073	Loans and financing (note 14)	86,587	99,193	113,567	119,138
Recoverable taxes (note 7)	11,857	12,216	17,736	17,334	Provision for warranties (note 17)	9,232	7,106	9,421	7,241
Other accounts receivable	1,236	1,226	1,182	1,351	Provision for contingencies and liabilities related to legal proceedings (note 18)	80,561	79,644	97,595	93,859
	51,480	52,311	66,075	66,758	Taxes payable	-	-	10,334	10,237
<b>PERMANENT ASSETS</b>					Provision for shareholders' deficit - controlled companies	194	49	-	-
Investments in controlled companies (note 10)	98,530	85,430	-	-	Other accounts payable	4,467	4,467	4,800	4,918
Other investments	371	371	371	371		181,041	190,459	235,717	235,393
Property, plant and equipment (note 11)	396,251	399,208	494,061	487,929	Minority interest	-	-	16,174	16,713
Intangible assets (note 12)	107,839	109,105	120,499	120,940					
Deferred charges	1,200	1,200	1,200	1,200	<b>SHAREHOLDERS' EQUITY</b>				
	604,191	595,314	616,131	610,440	Capital stock	352,755	352,755	352,755	352,755
					Income reserve	229,709	222,348	229,709	222,348
						582,464	575,103	582,464	575,103
<b>TOTAL ASSETS</b>	<b>1,373,161</b>	<b>1,254,159</b>	<b>1,608,707</b>	<b>1,455,308</b>	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1,373,161</b>	<b>1,254,159</b>	<b>1,608,707</b>	<b>1,455,308</b>

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

MAHLE Metal Leve S.A.

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

**EXHIBIT 2**

**MAHLE METAL LEVE S.A. AND CONTROLLED COMPANIES**

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

	Company		Consolidated	
	30/9/2008 (unaudited)	30/9/2007 (unaudited)	30/9/2008 (unaudited)	30/9/2007 (unaudited)
Gross revenue	1,442,070	1,334,133	1,828,838	1,494,301
Gross revenue deductions	(282,692)	(222,055)	(363,156)	(255,430)
<b>NET REVENUE</b>	<b>1,159,378</b>	<b>1,112,078</b>	<b>1,465,682</b>	<b>1,238,871</b>
Cost of goods sold and services rendered	(848,184)	(847,534)	(1,060,172)	(911,405)
<b>GROSS INCOME</b>	<b>311,194</b>	<b>264,544</b>	<b>405,510</b>	<b>327,466</b>
<b>OPERATING REVENUES (EXPENSES)</b>				
Selling expenses	(61,528)	(61,102)	(95,289)	(79,299)
General and administrative expenses	(57,861)	(73,790)	(70,106)	(79,966)
Financial losses, net (note 20)	(68,828)	(30,629)	(80,278)	(32,731)
Technology and development expenses	(29,967)	(23,821)	(34,883)	(28,800)
Equity in earnings of controlled companies, subsidiaries and affiliates	15,056	22,875	-	-
Other operating revenues (expenses), net (note 21)	(11,084)	1,725	(16,418)	3,727
	(214,212)	(164,942)	(296,974)	(217,069)
<b>OPERATING INCOME</b>	<b>96,982</b>	<b>99,602</b>	<b>108,536</b>	<b>110,397</b>
<b>NON-OPERATING INCOME (LOSS)</b>	<b>644</b>	<b>100</b>	<b>(6,157)</b>	<b>(777)</b>
<b>INCOME BEFORE INCOME AND SOCIAL CONTRIBUTION TAXES AND MINORITY INTEREST</b>	<b>97,626</b>	<b>99,702</b>	<b>102,379</b>	<b>109,620</b>
<b>INCOME AND SOCIAL CONTRIBUTION TAXES</b>				
Current	(61,668)	(26,484)	(67,764)	(32,948)
Deferred	35,060	(1,086)	37,154	(1,210)
<b>INCOME BEFORE MINORITY INTEREST</b>	<b>71,018</b>	<b>72,132</b>	<b>71,769</b>	<b>75,462</b>
Minority interest	-	-	(751)	(3,330)
<b>NET INCOME</b>	<b>71,018</b>	<b>72,132</b>	<b>71,018</b>	<b>72,132</b>
Earnings per share (in Brazilian reais)	2.33198	2.36856	2.33198	2.36856
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.

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

EXHIBIT 3

MAHLE METAL LEVE S.A. AND CONTROLLED COMPANIES

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

	Company		Consolidated	
	30/9/2008 (unaudited)	30/9/2007 (unaudited)	30/9/2008 (unaudited)	30/9/2007 (unaudited)
Cash flows from operating activities				
Net income for the six-month period	71,018	72,132	71,018	72,132
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	58,875	73,575	71,221	78,623
Equity in earnings of controlled companies, subsidiaries and affiliates	(15,250)	(20,536)	-	-
Minority interest	-	-	751	3,330
Interest and exchange and monetary variations, net	16,572	(20,788)	19,892	(23,786)
Gains on permanent asset sales	(381)	(129)	(25)	(672)
Deferred income and social contribution taxes	(32,132)	1,086	(34,340)	1,210
Reversal (recognition) of allowance for doubtful accounts	591	(449)	1,234	1
Reversal (recognition) of provision for legal obligations and contingencies	1,459	(8,708)	5,868	(8,930)
Reversal (recognition) of provision for warranties	2,592	(520)	2,899	(554)
Reversal (recognition) of sundry provisions	1,074	6,236	9,499	6,869
Reversal (recognition) of allowance for impairment loss on investments	194	(2,139)	-	-
Decrease (increase) in asset accounts				
Trade accounts receivable	(43,253)	(29,857)	(65,027)	(35,827)
Intercompany receivables	(47,482)	11,702	3,059	18,212
Inventories	(27,241)	(25,671)	(62,002)	(38,105)
Recoverable taxes	26,079	13,630	14,689	13,761
Dividends and interest on equity capital received from controlled companies	-	7,816	-	1
Other accounts receivable	(7,168)	(18,698)	(9,141)	(19,627)
Increase (decrease) in liability accounts				
Trade accounts payable	5,290	6,606	17,547	8,234
Salaries, social charges, accrued vacation pay and Christmas bonus	18,051	15,372	21,364	17,100
Taxes payable	115	2,915	(1,185)	682
Provision for income and social contribution taxes	18,083	995	17,280	2,199
Intercompany payables	4,971	602	12,386	4,686
Derivatives	58,308	-	59,501	-
Other accounts payable and escrow deposits	(4,622)	20,993	(4,119)	25,254
Net cash provided by operating activities	105,743	106,165	152,169	124,793
Cash flows from investing activities				
Cash paid for the acquisition of controlled company, net of cash received	(40,418)	(81,286)	(37,872)	(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	(57,750)	(72,570)	(79,323)	(85,146)
Additions to intangible assets	(1,488)	-	(6,718)	-
Additions to deferred charges	(342)	-	(342)	-
Proceeds on sales of permanent assets	1,719	3,812	1,830	5,707
Net cash used in investing activities	(111,112)	(154,750)	(122,425)	(161,883)
Cash flows from financing activities				
Proceeds from financing	421,581	102,678	495,634	109,770
Repayments of the principal of financing obligations	(298,148)	-	(352,734)	-
Repayment of financing interest	(18,734)	-	(19,418)	-
Advance on exchange contracts	(3,705)	(10,819)	(3,838)	(10,652)
Customers' advances	928	238	1,510	712
Minority interest in interest in equity capital	-	-	-	(3,350)
Dividends and interest on equity capital paid	(29,425)	(41,641)	(35,262)	(45,643)
Dividends barred by lapsed time	-	73	-	73
Net cash provided by (used in) financing activities	72,507	50,529	85,892	50,910
Increase (decrease) in cash and cash equivalents, net	67,138	1,944	115,636	13,820
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	97,716	95,906	193,546	126,878
Supplemental information:				
Payment of income and social contribution taxes				

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

**NOTES TO THE QUARTERLY INFORMATION - ITR  
FOR THE QUARTER ENDED SEPTEMBER 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 Brazil and abroad.

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

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

On March 9, 2007, the Company acquired the net operating 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 by 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 recognized 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.

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 the 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, 2008 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 recognized 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 provided to the market, the Company is also presenting the statements of cash flow as supplemental information, which were prepared in accordance with CVM Decision No.547 of August 14, 2008.

## 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 pre-operating 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 parties 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. 527, DATED NOVEMBER 1, 2007

On November 1, 2007, CVM issued Decision No. 527 which approves CPC-01 on "Asset Impairment Charge". This Decision is in force on the date it is published on the Federal Register and is applicable to the years ended from December 2007.

The purpose of CPC-01 is to establish procedures that ensure that the book value of assets is not higher than net sales value or fair value. If there is clear evidence that assets are stated at values which may not be recovered in the future, the Company and its controlled companies must immediately recognize the impairment by recording an impairment charge.

The Company is assessing the effects and the adoption of this Pronouncement on its equity and financial position. Preliminary analyses do not indicate that significant effects and/or changes might occur on the Company's and its controlled companies' financial statements.

### 2.3. 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.

### 2.4. CVM DECISION NO. 539, DATED MARCH 14, 2008

On March 14, 2008, CVM issued Decision No. 539, which approves CPC Basic Concepts on the Conceptual Framework for the Preparation and Presentation of Financial Statements. This Decision is in force on the date it is published on the Federal Register and is applicable to the years ended from December 2008.

This pronouncement is based on the Framework for the Preparation and Presentation of Financial Statements do International Accounting Standards Board - IASB and establishes the guidelines and concepts that support the preparation and presentation of financial statements for internal and external users.

The Company and its controlled companies will disclose the financial statements in accordance with this pronouncement earlier for the year ending December 31, 2008. Management understands that no significant changes will be made in the frame work and basis of preparation of the financial statements.

#### 2.5. CVM DECISION NO. 547, DATED AUGUST 14, 2008

On August 14, 2008, CVM issued Decision No. 547, which approves CPC-03. 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.

This pronouncement is based on IAS 7 Statement of Cash Flows do International Accounting Standards Board - IASB and establishes guidelines for preparing accounting information on historic variations and cash equivalents of an entity using a statement that classifies cash flows from operating, investing and financing activities.

The Company and its controlled companies already disclose the statement of cash flows as supplemental information, including on quarterly information, considering the main transactions that had an impact on their cash and cash equivalents. Such statement is subdivided into operating, investing and financing activities.

#### 2.6. CVM DECISION NO. 550 OF OCTOBER 17, 2008 (AMENDED ON OCTOBER 21, 2008)

On October 17, 2008, CVM issued Decision No. 550 amended on October 21, 2008 which addresses the presentation of qualitative and quantitative information about all derivatives, whether or not recognized as assets or liabilities in its balance sheet in a note to the quarterly information.

The Company and its controlled companies disclose this information on note No. 22, except for the sensitivity analysis provided for in paragraph 4 of the CVM Decision, as information whose disclosure is encouraged.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

The accounting practices adopted to prepare the quarterly information are consistent with 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:

	Interest in total capital (%)			
	3 <sup>rd</sup> and 4 <sup>th</sup> quarter of 2008		3 <sup>rd</sup> quarter of 2007	
	Direct	Indirect	Direct	Indirect
MAHLE Metal Leve Miba Sinterizados Ltda.	70	-	70	-
MAHLE Argentina S.A. (formerly Establecimientos Metalúrgicos Edival S.A.)	96	4	95	5
MAHLE Filtroil Ind. e Com. de Filtros Ltda.	60	-	-	-
MAHLE Metal Leve GmbH (foreign)	100	-	100	-
MAHLE Metal Leve International NV (foreign)	-	100	-	100
MAHLE HIRSCHVOGEL FORJAS S.A.	49,77	-	-	-

#### 4. CASH AND CASH EQUIVALENTS

	Company		Consolidated	
	09.30.2008	06.30.2008	09.30.2008	06.30.2008
Cash and banks	211	94	7,337	4,658
Short-term investments	66,384	41,784	152,463	105,892
Amounts awaiting the setting of the exchange rate	31,121	38,013	33,746	40,364
	<u>97,716</u>	<u>79,891</u>	<u>193,546</u>	<u>150,914</u>

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

The investments basically refer to Certificates of Bank Deposit – CDB, bearing interest at 102% of the Certificate of Interbank Deposits - CDI, and investments in foreign funds backed by HSBC bonds, bearing interest ranging from 1.10% to 3.60% per year.

## 5. TRADE ACCOUNTS RECEIVABLE

	Company		Consolidated	
	09.30.2008	06.30.2008	09.30.2008	06.30.2008
Market				
Domestic	147,138	145,294	194,293	190,513
Foreign	60,482	46,584	117,385	98,805
	<u>207,620</u>	<u>191,878</u>	<u>311,678</u>	<u>289,318</u>

The Company and its controlled companies have taken out domestic credit insurance – commercial risk from SEGREB – Seguradora de Crédito do Brasil S.A. The indemnity limit encompasses an export volume of US\$100 million provided for in the policy. The policy was renewed in August 2008 and is valid for one year.

## 6. INVENTORIES

	Company		Consolidated	
	09.30.2008	06.30.2008	09.30.2008	06.30.2008
Finished goods	69,429	66,443	123,018	100,985
Work in process	80,191	81,962	96,782	98,495
Raw materials	22,187	22,920	40,599	36,930
Subsidiary materials	7,473	7,222	19,801	18,553
Imports in transit	4,875	3,543	19,016	14,304
Inventory valuation allowance	(12,184)	(10,718)	(17,659)	(16,387)
	<u>171,971</u>	<u>171,372</u>	<u>281,557</u>	<u>252,880</u>

## 7. RECOVERABLE TAXES

	Company		Consolidated	
	09.30.2008	06.30.2008	09.30.2008	06.30.2008
Income and social contribution taxes	-	-	4,332	2,460
ICMS (State VAT) on fixed asset acquisition	13,955	14,313	16,463	16,549
ICMS and IPI	7,160	8,723	17,381	17,083
PIS (tax on sales)	1,720	1,715	1,848	1,853
COFINS (tax on sales)	7,910	7,888	8,501	8,521
Other taxes	824	1,094	2,021	1,867
	<u>31,569</u>	<u>33,733</u>	<u>50,546</u>	<u>48,333</u>
Current	(19,712)	(21,517)	(32,810)	(30,999)
Non-current	<u>11,857</u>	<u>12,216</u>	<u>17,736</u>	<u>17,334</u>

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

## 8. RELATED-PARTY TRANSACTIONS

Companies	Company										
	Balances as of 9/30/2008		Transactions from January to September 2008								
	Assets	Liabilities	Sales/Revenues				Purchases				
	Current	Current	Products	Services	Commission	Fixed assets	Products	Services	Commission	Fixed assets	Royalties
MAHLE Metal Leve Miba Sinterizados Ltda.	331	596	-	2,386	-	-	3,758	-	-	-	-
MAHLE Componentes de Motores do Brasil Ltda.	4,093	14,354	251	18,830	4,526	-	71,490	1,042	-	-	-
MAHLE Indústria e Comércio Ltda.	-	66	-	-	-	-	-	498	-	-	-
MAHLE Filtroil Indústria e Comércio Ltda.	119	13	975	124	-	-	5	-	-	-	-
MAHLE HIRSCHVOGEL FORJAS S.A.	1	1,745	-	-	-	-	3,751	-	-	-	-
MAHLE Componentes de Motores S.A.	220	-	470	-	392	-	12	-	-	-	-
MAHLE Comp. de Motores Argentina S.A.	6,823	-	2,150	-	-	-	214	-	-	-	-
MAHLE Industries, Inc	-	-	-	-	-	-	-	-	2	-	-
MAHLE GmbH	361	6,151	1,381	-	-	-	12,216	-	-	8,947	11,517
MAHLE France SARL	1,014	-	1,679	-	-	-	-	-	-	-	-
MAHLE Filtersysteme GmbH	1,894	1,744	2,319	-	-	-	3,622	-	-	-	-
MAHLE Argentina S.A.	10,547	6	14,291	-	-	-	31	-	-	-	-
MAHLE Componentes de Motores de México, S. de R.L. de C.V.	1,062	21	10	-	-	-	-	-	29	-	-
MAHLE, Inc.	640	57	767	55	-	-	-	-	134	-	-
MAHLE Polska Spolka. z o.o.	59	1	565	-	-	-	-	-	-	-	-
MAHLE Motorkomponenten Schweiz AG	-	-	-	-	-	-	130	-	-	-	-
MAHLE Motorkomponenten GmbH	50	190	-	-	-	-	488	-	-	-	-
MAHLE Technology, Inc.	44	-	-	-	-	-	-	-	-	-	-
MAHLE Metal Leve International N.V.	161,064	-	257,971	-	-	-	-	-	-	-	-
MAHLE Engine Components Australia Pty Ltd.	6	1	63	-	-	-	-	-	2	-	-
MAHLE Engine Components Japan Corporation	683	77	1,542	-	-	-	439	-	-	-	-
MAHLE Sistemas de Filtración S.L.	-	-	-	-	-	-	-	-	6	-	-
MAHLE Ventiltrieb GmbH	22	-	42	-	-	-	73	-	-	-	-
MAHLE Aftermarket GmbH	2,159	239	4,252	-	-	-	765	-	79	-	-
MAHLE Bearings (Yingkou) Co., Ltd.	317	-	60	-	-	923	-	-	-	-	-
MAHLE Engine Components (Nanjing) Co., Ltd.	571	-	1,549	-	-	-	-	-	-	-	-
MAHLE Donghyun Filter Systems Co., Ltd.	-	51	10	-	-	-	701	-	-	-	-
MAHLE Vöcklabruck GmbH	2,896	-	6,096	-	-	73	-	-	-	-	-
MAHLE Migra Private Ltd.	-	-	-	-	-	-	26	-	-	-	-
MAHLE Trading (Shanghai) Co., Ltd.	-	36	-	-	-	-	182	-	16	-	-
MAHLE Trading Japan Co., Ltd.	-	-	10	-	-	-	-	-	-	-	-
MAHLE Japan Ltd.	59	-	-	-	-	-	-	-	-	-	-
MAHLE Composants Moteur France SAS	-	-	3	-	-	-	-	-	-	-	-
MAHLE Powertrain Ltd.	29	-	-	-	-	-	-	-	-	-	-
MAHLE Ventiltrieb Brandenburg GmbH	-	-	16	-	-	-	-	-	-	-	-
MAHLE Engine Components	-	-	82	-	-	29	-	-	-	-	-
MAHLE Engine Components USA, Inc.	781	-	862	-	-	-	5	-	-	2	-
MAHLE Engine Systems UK Ltd.	103	194	120	-	-	-	1,136	-	-	923	-

MAHLE Metal Leve S.A.

Glacier Vandervell Italy S.r.l.	3	-	10	-	-	-	-	-	-	-	-
MAHLE Filtersysteme France SAS	68	-	60	-	-	-	-	-	-	-	-
MAHLE Filter Systems Wednesbury Ltd.	-	2	-	-	-	-	-	-	6	-	-
MAHLE Filter Systems Japan Corporation	-	81	-	-	-	-	363	-	-	-	-
MAHLE Filter Systems North America Inc.	-	3	-	-	-	-	3	-	-	-	-
MAHLE Pistoni Italia SPA	65	35	55	-	-	-	46	-	-	-	-
MAHLE Motorteile GmbH	-	-	-	-	-	-	6	-	-	-	-
MAHLE Clevite Inc	57	-	54	46	-	-	-	-	-	-	-
MAHLE Brockhaus GMBH	-	173	-	-	-	-	351	-	-	-	-
MAHLE Sistemas de Filtracion de México S.A. de CV	6	1	-	-	-	-	-	-	-	-	-
Total	<u>196,147</u>	<u>25,837</u>	<u>297,715</u>	<u>21,441</u>	<u>4,918</u>	<u>1,025</u>	<u>99,813</u>	<u>1,540</u>	<u>274</u>	<u>9,872</u>	<u>11,517</u>

**8. RELATED-PARTY TRANSACTIONS – continued**

Companies	Balances as of 6/30/2008		Company Transactions from January to September 2007							
	Assets	Liabilities	Sales/Revenues			Purchases				
	Current	Current	Products	Services	Commission s	Products	Services	Commission s	Fixed assets	Royalties
MAHLE Metal Leve Miba Sinterizados Ltda.	292	569	-	2,079	-	3,196	-	-	-	-
MAHLE Componentes de Motores do Brasil Ltda.	2,685	11,416	194	13,764	4,131	69,307	1,125	-	-	-
MAHLE Indústria e Comércio Ltda.	-	155	-	-	-	-	-	-	-	-
MAHLE Filtróil Indústria e Comércio Ltda.	651	-	-	-	-	-	-	-	-	-
MAHLE HIRSCHVOGEL FORJAS S.A.	-	1,522	-	-	-	-	-	-	-	-
MAHLE Componentes de Motores S.A.	44	-	864	-	-	-	-	-	-	-
MAHLE Comp. de Motores Argentina S.A.	5,916	130	17,817	-	-	273	-	-	-	-
MAHLE GmbH	547	9,024	1,881	-	-	9,623	-	9	2,735	11,627
MAHLE France SARL	1,196	-	1,083	-	-	-	-	-	-	-
MAHLE Filtersysteme GmbH	1,708	1,994	2,634	-	-	2,397	-	-	-	-
MAHLE Argentina S.A.	7,410	140	15	-	-	-	-	-	-	-
MAHLE Componentes de Motores de México, S. de R.L. de C.V.	881	1	79	-	-	12	-	-	-	-
MAHLE, Inc.	591	64	33,732	-	-	33	-	588	-	-
MAHLE Polska Spolka. z o.o.	299	-	128	-	-	-	-	-	-	-
MAHLE Motorkomponenten Schweiz AG	-	-	-	-	-	357	-	-	-	-
MAHLE Motorkomponenten GmbH	42	79	9,495	-	-	658	-	-	-	-
MAHLE Technology, Inc.	36	-	-	-	-	-	-	-	-	-
MAHLE Metal Leve International N.V.	144,115	-	278,082	53	-	-	-	-	-	-
MAHLE Engine Components Australia Pty Ltd.	28	1	245	-	-	19	-	7	-	-
MAHLE Engine Components Japan Corporation	548	64	-	-	-	-	-	-	-	-
MAHLE Sistemas de Filtración S.L.	-	3	-	-	-	-	-	-	-	-
MAHLE Ventiltrieb GmbH	-	-	36	-	-	4,087	-	-	-	-
MAHLE Aftermarket GmbH	1,410	267	5,274	-	-	703	-	126	-	-
MAHLE Bearings (Yingkou) Co.,Ltd.	187	-	256	-	-	-	-	-	-	-
MAHLE Engine Components (Nanjing) Co., Ltd.	674	-	1,157	-	-	-	-	-	-	-
MAHLE Donghyun Filter Systems Co., Ltd.	9	140	-	-	-	561	-	-	-	-
MAHLE Vöcklabruck GmbH	1,865	-	3,294	-	-	-	-	-	-	-
MAHLE Migma Private Ltd.	-	-	-	-	-	2,358	-	-	-	-
MAHLE Trading (Shanghai) Co., Ltd.	-	2	-	-	-	261	-	24	-	-
MAHLE Trading Japan Co., Ltd.	-	-	5	-	-	115	-	-	-	-
MAHLE Japan Ltd.	49	-	-	-	-	-	-	-	-	-
MAHLE Powertrain Ltd.	24	-	30	-	-	-	-	-	-	-
MAHLE Ventiltrieb Brandenburg GmbH	21	-	36	-	-	-	-	-	-	-
MAHLE Engine Components USA, Inc.	220	-	7	-	-	333	-	-	-	-
MAHLE Engine Systems UK Ltd.	-	233	-	-	-	204	-	-	-	-
Glacier Vandervell Italy S.r.l.	7	-	8	-	-	-	-	-	-	-
MAHLE Filtersysteme France SAS	47	-	-	-	-	-	-	-	-	-
MAHLE Filter Systems Wednesbury Ltd.	-	1	-	-	-	-	-	-	-	-
MAHLE Filter Systems Japan Corporation	-	2	6	-	-	-	-	-	-	-
MAHLE Filter Systems UK Ltd.	-	-	17	-	-	-	-	-	-	-
Other	-	-	126	-	-	66	-	28	-	-
<b>Total</b>	<b>171,502</b>	<b>25,807</b>	<b>356,501</b>	<b>15,896</b>	<b>4,131</b>	<b>94,563</b>	<b>1,125</b>	<b>782</b>	<b>2,735</b>	<b>11,627</b>

**8. RELATED-PARTY TRANSACTIONS – continued**

Companies	Balances as of 9/30/2008		Consolidated Transactions from January to September 2008								
	Assets	Liabilities	Sales / Revenues				Purchases				
	Current	Current	Products	Services	Commissions	Fixed assets	Products	Services	Commissions	Fixed assets	Royalties
MAHLE Componentes de Motores do Brasil Ltda.	4,093	17,656	251	18,830	4,526	-	72,937	1,042	-	-	-
MAHLE Indústria e Comércio Ltda.	-	66	-	-	-	-	-	498	-	-	-
MAHLE de México S.de R.L. de C.V.	-	-	741	-	-	-	-	-	-	-	-
MAHLE Componentes de Motores S.A.	7,032	-	12,579	-	392	-	12	-	-	-	-
MAHLE Comp. de Motores Argentina S.A.	8,852	9,638	2,393	994	-	-	13,448	482	-	4,373	-
MAHLE Industries, Inc	-	-	-	-	-	-	-	-	141	-	-
MAHLE S.A.	730	-	728	-	-	-	-	-	-	-	-
MAHLE GmbH	5,656	6,151	1,381	176	-	-	12,216	-	-	8,947	11,517
MAHLE France SARL	11,513	66	37,644	-	-	-	-	-	-	-	-
MAHLE Filtersysteme GmbH	1,895	2,439	2,319	-	-	-	3,872	-	-	-	-
MAHLE Pistons Italia SPA	2,311	35	7,350	-	-	-	46	-	-	-	-
MAHLE Componentes de Motores de México, S. de R.L. de C.V.	4,005	618	8,883	-	-	-	-	-	29	-	-
MAHLE Engine Components (Thailand) Co., Ltd.	-	-	3,095	-	-	-	-	-	-	-	-
MAHLE, Inc.	3,031	133	11,991	55	-	-	89	-	181	-	-
MAHLE Polska Spolka. z o.o.	59	2	565	-	-	-	-	-	-	-	-
MAHLE Motorkomponenten Schweiz AG	-	-	-	-	-	-	130	-	-	-	-
MAHLE Motorkomponenten GmbH	6,058	195	20,032	-	-	-	488	-	-	-	-
MAHLE Sud America N.V.	4	-	95	-	-	-	-	-	-	-	-
MAHLE Engine Components Australia Pty Ltd.	42	1	63	-	-	-	-	-	2	-	-
MAHLE Engine Components Japan Corporation	682	77	1,542	-	-	-	439	-	-	-	-
MAHLE Sistemas de Filtración S.L.	-	1	-	-	-	-	-	-	6	-	-
MAHLE Ventiltrieb GmbH	22	-	98	-	-	-	73	-	-	-	-
MAHLE Aftermarket GmbH	5,212	239	23,487	-	123	-	765	-	-	-	-
MAHLE Bearings (Yingkou) Co., Ltd.	2,138	-	393	-	-	923	-	-	-	-	-
MAHLE Engine Components (Nanjing) Co., Ltd.	571	-	1,549	-	-	-	-	-	-	-	-
MAHLE Donghyun Filter Systems Co., Ltd.	-	51	10	-	-	-	701	-	-	-	-
MAHLE Vöcklabruck GmbH	2,896	-	6,096	-	-	73	-	-	-	-	-
MAHLE Migma Private Ltd.	15	-	14	-	-	-	26	-	-	-	-
MAHLE Trading (Shanghai) Co., Ltd.	-	35	-	-	-	-	182	-	16	-	-
MAHLE Trading Japan Co., Ltd.	-	-	10	-	-	-	-	-	-	-	-
MAHLE Japan Ltd.	59	-	-	-	-	-	-	-	-	-	-
MAHLE Composants Moteur France SAS	-	-	3	-	-	-	-	-	-	-	-
MAHLE Powertrain Ltd.	2,243	-	4,310	-	-	-	-	-	-	-	-
MAHLE Ventiltrieb Brandenburg GmbH	5	-	16	-	-	-	-	-	-	-	-
MAHLE Engine Components	-	-	82	-	-	29	5	-	-	-	-
MAHLE Engine Components USA, Inc.	781	-	862	-	-	-	-	-	-	2	-
MAHLE Engine Systems UK Ltd.	103	193	120	-	-	-	1,135	-	-	923	-
MAHLE International GmbH	-	81	-	-	-	-	-	-	-	-	-
Glacier Vandervell Italy S.r.l.	3	-	10	-	-	-	-	-	-	-	-
MAHLE Clevite Inc	2,052	-	4,617	46	-	-	-	-	-	-	-
MAHLE Technology Inc.	44	743	-	-	-	-	-	-	-	-	-
MAHLE Filtersysteme France SAS	68	-	60	-	-	-	-	-	-	-	-
MAHLE Filter Systems Japan Corporation	-	81	-	-	-	-	363	-	-	-	-
MAHLE Filter Systems Wednesbury Ltd.	-	2	-	-	-	-	-	-	6	-	-
MAHLE Filter Systems North America Inc.	-	3	-	-	-	-	3	-	-	-	-
MAHLE Motorteile GmbH	-	-	-	-	-	-	6	-	-	-	-
MAHLE Pistons France SARL	3,040	-	5,560	-	-	-	-	-	-	-	-
MAHLE Brockhaus GMBH	-	173	-	-	-	-	351	-	-	-	-
MAHLE Sistemas de Filtración de México S.A. de CV	6	-	10	-	-	-	-	-	-	-	-
<b>Total</b>	<b>75,221</b>	<b>38,679</b>	<b>158,959</b>	<b>20,101</b>	<b>5,041</b>	<b>1,025</b>	<b>107,287</b>	<b>2,022</b>	<b>381</b>	<b>14,245</b>	<b>11,517</b>

**8. RELATED-PARTY TRANSACTIONS – continued**

Companies	Consolidated									
	Balances as of 6/30/2008		Transactions from January to September 2007							
	Assets	Liabilities	Sales/Revenues			Purchases				
	Current	Current	Products	Services	Commission s	Products	Services	Commission s	Fixed assets	Royalties
MAHLE Componentes de Motores do Brasil Ltda.	2,685	14,016	194	13,764	4,131	69,307	1,125	-	-	-
MAHLE Indústria e Comércio Ltda.	-	155	-	-	-	-	-	-	-	-
MAHLE de México S.de R.L. de C.V.	-	-	1,593	-	-	23	-	-	-	-
MAHLE Componentes de Motores S.A.	4,983	-	8,453	-	-	-	-	-	-	-
MAHLE Comp. de Motores Argentina S.A.	7,125	1,380	17,817	-	-	273	-	-	-	-
MAHLE S.A.	-	-	86	-	-	2	-	-	-	-
MAHLE GmbH	7,432	9,024	29,915	-	-	9,623	-	9	2,735	11,627
MAHLE France SARL	20,348	73	49,470	-	-	-	-	-	-	-
MAHLE Filtersysteme GmbH	1,708	2,218	2,634	-	-	2,397	-	-	-	-
MAHLE Pistons Italia SPA	1,663	4	8,344	-	-	64	-	-	-	-
MAHLE Componentes de Motores de México, S. de R.L. de C.V.	5,842	1	9,742	-	-	12	-	53	-	-
MAHLE Engine Components (Thailand) Co., Ltd.	-	-	1,910	-	-	-	-	-	-	-
MAHLE, Inc.	2,688	172	56,914	-	-	7,933	-	588	-	-
MAHLE Polska Spolka. z o.o.	299	49	128	-	-	-	-	-	-	-
MAHLE Motorkomponenten Schweiz AG	-	-	-	-	-	357	-	-	-	-
MAHLE Motorkomponenten GmbH	7,507	456	26,959	-	-	658	-	-	-	-
MAHLE Sud America N.V.	12	-	-	28	-	-	-	-	-	-
MAHLE Engine Components Australia Pty Ltd.	57	1	245	-	-	19	-	7	-	-
MAHLE Engine Components Japan Corporation	548	64	6	-	-	-	-	-	-	-
MAHLE Sistemas de Filtración S.L.	-	3	-	-	-	-	-	4	-	-
MAHLE Ventiltrieb GmbH	21	-	36	-	-	4,087	-	-	-	-
MAHLE Aftermarket GmbH	7,475	357	24,510	-	52	703	-	-	-	-
MAHLE Bearings (Yingkou) Co.,Ltd.	1,448	48	256	-	-	-	-	-	-	-
MAHLE Engine Components (Nanjing) Co., Ltd.	674	-	1,157	-	-	-	-	-	-	-
MAHLE Donghyun Filter Systems Co., Ltd.	19	140	-	-	-	561	-	-	-	-
MAHLE Vöcklabruck GmbH	1,865	51	3,294	-	-	-	-	-	-	-
MAHLE Migma Private Ltd.	-	-	-	-	-	2,358	-	-	-	-
MAHLE Trading (Shanghai) Co., Ltd.	-	2	-	-	-	261	-	24	-	-
MAHLE Trading Japan Co., Ltd.	-	-	5	-	-	115	-	-	-	-
MAHLE Japan Ltd.	49	-	-	-	-	-	-	-	-	-
MAHLE Powertrain Ltd.	1,764	-	6,164	-	-	-	-	-	-	-
MAHLE Engine Components USA, Inc.	220	-	7	-	-	333	-	-	-	-
MAHLE Engine Systems UK Ltd.	-	236	-	-	-	-	-	-	-	-
MAHLE International GmbH	-	59	-	-	-	-	-	-	-	-
Glacier Vandervell Italy S.r.l.	7	-	8	-	-	-	-	-	-	-
MAHLE Clevite Inc	1,088	-	1,760	-	-	-	-	-	-	-
MAHLE Technology Inc.	53	1,133	-	-	-	-	-	-	-	-
MAHLE Filtersysteme France SAS	47	-	-	-	-	-	-	-	-	-
MAHLE Filter Systems Japan Corporation	1	2	-	-	-	-	-	-	-	-
MAHLE Filter Systems Wednesbury Ltd.	-	1	-	-	-	-	-	24	-	-
MAHLE Filter Systems UK Ltd.	-	-	-	-	-	204	-	-	-	-
Other	-	-	100	-	-	-	-	-	-	-
<b>Total</b>	<b>77,628</b>	<b>29,645</b>	<b>251,707</b>	<b>13,792</b>	<b>4,183</b>	<b>99,290</b>	<b>1,125</b>	<b>709</b>	<b>2,735</b>	<b>11,627</b>

## **8. RELATED-PARTY TRANSACTIONS – continued**

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. Royalty expenses were recorded under the caption “Technology and development expenses” in the amount of R\$11,517 in the nine-month period ended September 30, 2008 (R\$11,627 - nine-month period ended September 30, 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	
	09.30.2008	30.09.2007	09.30.2008	30.09.2007
Income before income and social contribution taxes	<b>97,626</b>	99,702	<b>102,379</b>	109,620
Exclusion of the equity in earnings of controlled companies, subsidiaries and affiliates and valuation allowance	<b>(18,658)</b>	(19,114)	-	-
Exclusion of income earned by controlled company abroad	-	-	<b>(8,868)</b>	(12,854)
Adjusted income before income and social contribution taxes	<b>78,968</b>	80,588	<b>93,511</b>	96,766
IRPJ (income tax) and CSSL (social contribution tax) at statutory rate (34%)	<b>(26,849)</b>	(27,400)	<b>(31,794)</b>	(32,900)
Adjustments to calculate the effective rate:				
Effects on permanent differences:				
Other, net	<b>(267)</b>	(293)	<b>(715)</b>	(346)
Effects on temporary differences:				
Provisions	<b>(34,552)</b>	1,209	<b>(35,255)</b>	298
Current income and social contribution taxes	<b>(61,668)</b>	(26,484)	<b>(67,764)</b>	(32,948)
Deferred income and social contribution taxes	<b>35,060</b>	(1,086)	<b>37,154</b>	(1,210)
Total income and social contribution taxes	<b>(26,608)</b>	(27,570)	<b>(30,610)</b>	(34,158)
Effective rate	<b>33.7%</b>	34.2%	<b>32.7%</b>	35.3%

### b. Recoverable income and social contribution taxes

	Company		Consolidated	
	09.30.2008	06.30.2008	09.30.2008	06.30.2008
Income tax	<b>45,186</b>	22,313	<b>49,658</b>	24,869
Social contribution tax	<b>16,482</b>	8,190	<b>18,107</b>	9,141
	<b>61,668</b>	30,503	<b>67,765</b>	34,010
Offset against prepayments and tax incentives	<b>(43,585)</b>	(29,466)	<b>(47,692)</b>	(31,866)
Balance of taxes payable	<b>18,083</b>	1,037	<b>20,073</b>	2,144

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:

	<b>Company</b>		<b>Consolidated</b>	
	<b>09.30.2008</b>	<b>06.30.2008</b>	<b>09.30.2008</b>	<b>06.30.2008</b>
Temporary differences				
Income and social contribution tax losses	-	-	<b>3,954</b>	4,234
Provision for contingencies and warranties	<b>34,135</b>	32,490	<b>38,982</b>	36,707
Inventory valuation allowance	<b>5,585</b>	5,710	<b>7,434</b>	7,684
Allowance for doubtful accounts	<b>1,409</b>	1,274	<b>2,757</b>	2,544
Provision for losses on realization of other assets	<b>3,718</b>	4,084	<b>3,845</b>	4,211
Unrealized losses on derivatives	<b>26,139</b>	(1,009)	<b>26,523</b>	(1,072)
Commissions on sales and other temporarily nondeductible provisions	<b>14,276</b>	9,833	<b>17,663</b>	11,386
	<b>85,262</b>	52,382	<b>101,158</b>	65,694
Current	<b>(46,875)</b>	(13,513)	<b>(54,001)</b>	(17,621)
Non-current	<b>38,387</b>	38,869	<b>47,157</b>	48,073

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

<u>Year</u>	<b>09.30.2008</b>	
	<b>Company</b>	<b>Consolidated</b>
2009	<b>1,779</b>	<b>2,719</b>
2010	<b>10,035</b>	<b>13,364</b>
2011	<b>3,666</b>	<b>4,512</b>
2012	<b>5,145</b>	<b>5,811</b>
2013-2015	<b>12,301</b>	<b>14,578</b>
2016-2018	<b>5,461</b>	<b>6,173</b>
	<b>38,387</b>	<b>47,157</b>

<u>Year</u>	<b>06.30.2008</b>	
	<b>Company</b>	<b>Consolidated</b>
2009	3,314	4,451
2010	10,037	13,242
2011	3,565	5,266
2012	5,002	5,502
2013-2015	11,631	13,763
2016-2018	5,320	5,849
	<b>38,869</b>	<b>48,073</b>

## 10. INVESTMENTS IN CONTROLLED COMPANIES

09.30.2008							
Information about controlled companies				Interest			
Investments:	Shareholders' equity	Income (loss) from January to September	%	In shareholder s' equity	In shareholders' deficit	In Income (loss) from January to September	Exchange variation on investment
MAHLE Metal Leve Miba Sinterizados Ltda.	37,762	10,386	70,00	26,433	-	7,270	-
MAHLE Argentina S.A.	43,229	(384)	96,00	41,500	-	(369)	2,455
MAHLE Metal Leve GmbH	25,668	10,611	100,00	25,668	-	10,611	1,146
MAHLE Filtröil Ind. e Com. de Filtros Ltda.	(323)	(559)	60,00	-	(194)	(335)	-
MAHLE HIRSCHVOGEL FORJAS S.A. (*)	9,903	(4,262)	49,77	4,929	-	(2,121)	-
				<b>98,530</b>	<b>(194)</b>	<b>15,056</b>	<b>3,601</b>

  

06.30.2008							
Information about controlled companies				Interest			
Investments:	Shareholders' equity	Income (loss) in the six-month period	%	In shareholders' equity	In shareholders' deficit	In Income (loss) for the six-month period	Exchange variation on investment
MAHLE Metal Leve Miba Sinterizados Ltda.	34,206	6,830	70,00	23,944	-	4,781	-
MAHLE Argentina S.A.	36,922	(650)	96,00	35,445	-	(624)	(3,344)
MAHLE Metal Leve GmbH	19,618	6,471	100,00	19,618	-	6,471	(763)
MAHLE Filtröil Ind. e Com. de Filtros Ltda.	(81)	(317)	60,00	-	(49)	(190)	-
MAHLE HIRSCHVOGEL FORJAS S.A. (*)	12,905	(1,260)	49,77	6,423	-	(627)	-
				<b>85,430</b>	<b>(49)</b>	<b>9,811</b>	<b>(4,107)</b>

(\*) income (loss) for the months from June to September 2008

30.09.2007							
Information about controlled companies				Interest			
Investments:	Shareholders' equity	Income (loss) from January to September	%	In shareholder s' equity	In Income (loss) from January to September	Reversal of provision	Exchange variation on investment
MAHLE Metal Leve Miba Sinterizados Ltda.	38,477	11,101	70,00	26,934	7,770	-	-
MAHLE Argentina S.A. (former Establecimientos Metalúrgicos Edival S.A.)	18,729	1,414	95,00	17,792	1,343	-	(3,032)
MAHLE Metal Leve GmbH	15,600	13,562	100,00	15,600	11,423	2,139	(529)
				<b>60,326</b>	<b>20,536</b>	<b>2,139</b>	<b>(3,561)</b>

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.

As of September 30, 2008, the interest in the shareholders' deficit of MAHLE Filtröil Ind. e Com. de Filtros Ltda., in the amount of R\$194 (R\$49 as of June 30, 2008) 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	
		09.30.2008	06.30.2008	09.30.2008	06.30.2008
Plots of land	-	<b>6,266</b>	6,266	<b>7,823</b>	7,631
Buildings and constructions	4	<b>127,210</b>	125,825	<b>138,268</b>	136,315
Machinery, equipment and facilities	10-20	<b>918,308</b>	901,967	<b>1,109,702</b>	1,085,075
Furniture and fixtures	10	<b>16,816</b>	16,577	<b>20,344</b>	19,904
Transportation goods	20-40	<b>17,059</b>	16,526	<b>19,268</b>	18,510
Expenses on software acquisition and installation	20	<b>31,723</b>	31,174	<b>33,080</b>	33,018
Construction in progress	-	<b>1,178</b>	6,302	<b>11,726</b>	13,158
Advances to suppliers	-	<b>6,035</b>	8,597	<b>23,423</b>	21,542
(-) Allowance for losses on property, plant and equipment	-	<b>(3,583)</b>	(3,050)	<b>(3,583)</b>	(3,050)
Other	-	-	-	-	7
		<b>1,121,012</b>	1,110,184	<b>1,360,051</b>	1,332,110
Accumulated depreciation		<b>(724,761)</b>	(710,976)	<b>(865,990)</b>	(844,181)
		<b>396,251</b>	399,208	<b>494,061</b>	487,929

- a. Construction in progress and advances to suppliers as of September 30, 2008 and June 30, 2008 refer to assets being acquired and/or installed as well as several civil construction works to enlarge and remodel several segments of the Company's and its controlled companies' industrial complex. Among the ongoing projects is the acquisition of equipment for the Company's new Technology Center, which should be completed by 2008 and investments in projects to increase capacity, optimize industrial processes and modernize industrial plants.
- b. Amounts pledged as collateral – property, plant and equipment items, net of depreciation effects, were pledged as collateral for loans and financing and tax and labor lawsuits in the amount of R\$24,434, consolidated as of September 30, 2008 (R\$24,434 as of June 30, 2008). All these items are machinery and equipment.

MAHLE Metal Leve S.A.

## 12. INTANGIBLE ASSETS

	Annual amortization rates (%)	Company		Consolidated	
		09.30.2008	06.30.2008	09.30.2008	06.30.2008
		Goodwill resulting from the merger of controlled companies:			
MAHLE MMG Indústria e Comércio Ltda.	20	<b>108,382</b>	108,382	<b>108,382</b>	108,382
MAHLE Argentina S.A.	-	<b>61,805</b>	61,805	<b>65,535</b>	65,276
MAHLE HIRSCHVOGEL FORJAS S.A.	-	<b>34,684</b>	34,684	<b>34,684</b>	34,684
P.F.S. II Ind. e Com. de Peças Automotivas Ltda.	20	<b>2,236</b>	2,236	<b>2,236</b>	2,236
T.C.V. Ind. e Com. de Peças Automotivas Ltda.	20	<b>6,674</b>	6,674	<b>6,674</b>	6,674
Filtroil Empreendimentos e Participações S.A.	-	<b>5,110</b>	5,110	<b>5,110</b>	5,110
Other	20	<b>5,214</b>	5,214	<b>17,324</b>	15,660
		<b>224,105</b>	224,105	<b>239,945</b>	238,022
Accumulated amortization		<b>(116,266)</b>	(115,000)	<b>(119,446)</b>	(117,082)
		<b>107,839</b>	109,105	<b>120,499</b>	120,940

## 13. TRADE ACCOUNTS PAYABLE

	Company		Consolidated	
	09.30.2008	06.30.2008	09.30.2008	06.30.2008
Domestic	<b>49,490</b>	52,942	<b>70,663</b>	76,978
Foreign	<b>9,762</b>	6,363	<b>24,152</b>	12,614
	<b>59,252</b>	59,305	<b>94,815</b>	89,592

## 14. LOANS AND FINANCING

Finance charges	Company		Consolidated	
	09.30.2008	06.30.2008	09.30.2008	06.30.2008
<b>Local currency</b>				
Finame – Adjusted using the TJLP (long-term interest rate) plus annual interest ranging from 1.0% to 5.0%.	<b>4,516</b>	5,092	<b>4,859</b>	5,703
Finame - Annual interest ranging from 10.5 to 11.5%.	<b>8,034</b>	9,009	<b>8,034</b>	9,009
FAT Giro Setorial (working capital) – Adjusted using the TJLP (long-term interest rate) plus annual interest of 2.5%.	-	937	<b>470</b>	2,790
Overdraft account – (working capital) annual interest ranging from 102% to 120% of the certificates of interbank deposit (CDI) rate	<b>8,463</b>	184	<b>11,432</b>	2,203
Lease	-	-	<b>4,471</b>	6,698
CCB – Bank credit note (working capital) – Annual interest of 113.5% of interbank deposit rate	-	-	<b>27,692</b>	22,573
BNDES-Exim (US\$20 million):				
- 100% of the debt balance indexed to the TJLP variation plus annual interest of 2.20%.	<b>35,459</b>	35,437	<b>35,459</b>	35,437
BNDES-Exim (US\$10 million):				
- 100% of the debt balance indexed to the TJLP variation plus annual interest of 2.40%.	<b>17,008</b>	16,941	<b>17,008</b>	16,941
BNDES-Exim (US\$10 million):				
- 100% of the debt balance indexed to the TJLP variation plus annual interest of 2.18%.	<b>17,111</b>	16,760	<b>17,111</b>	16,760
BNDES-Finem (R\$45 million):				
- 100% of the debt balance indexed to the TJLP variation plus annual interest of 2.30%.	<b>38,657</b>	34,375	<b>38,657</b>	34,375
BNDES-Exim (US\$6 million):				
- 100% of the debt balance indexed to the TJLP variation plus annual interest of 2.20%.	-	-	<b>10,570</b>	10,580
BNDES-Exim (US\$20 million):				
- 100% of the debt balance indexed to the TJLP variation plus annual interest of 2.28%.	<b>33,027</b>	-	<b>33,027</b>	-
BNDES-Exim (US\$40 million):				
- 100% of the debt balance indexed to the TJLP variation plus annual interest of 2.07%.	<b>73,300</b>	73,256	<b>73,300</b>	73,256
BNDES-Exim (US\$50 million):				
- 100% of the debt balance indexed to the TJLP variation plus annual interest of 2.07%.	<b>91,437</b>	91,359	<b>91,437</b>	91,359
BNDES-Exim (US\$20 million):				
- 100% of the debt balance indexed to the TJLP variation plus annual interest of 2.23%.	<b>35,414</b>	35,385	<b>35,414</b>	35,385
BNDES-Exim (US\$20 million):				
- 100% of the debt balance indexed to the TJLP variation plus annual interest of 2.20%.	<b>33,644</b>	-	<b>33,644</b>	-

#### 14. LOANS AND FINANCING - continued

##### Foreign currency

Accrued interest on advances on receivables	569	635	615	645
Working capital – Exchange variation plus annual interest from 4.31% to 8.0%	-	-	12,082	5,192
BNDES-Exim (US\$55 million):				
- 80% of the debt balance indexed to the TJLP variation plus annual interest of 2.95%.	-	55,483	-	55,483
- 20% of the debt balance indexed to the exchange variation plus annual interest of 10.14%.	-	10,548	-	10,548
- Swap indexed to the exchange variation plus annual interest of 5.50%.	-	(12,842)	-	(12,842)
Import financing – Exchange variation plus annual interest of 7.00%.	-	-	5,670	6,100
Advance on exchange contracts - Annual interest ranging from 4% to 7.25%.	-	-	30,093	25,455
	<b>396,639</b>	372,559	<b>491,045</b>	453,650
Current	<b>(310,052)</b>	(273,366)	<b>(377,478)</b>	(334,512)
Non-current	<b>86,587</b>	99,193	<b>113,567</b>	119,138

The purpose of Finame financing was to purchase machinery and equipment. These agreements are collateralized by director's signatures and a chattel mortgage on financed assets. They include earlier maturity clauses for the non realization of the project and/or acquisition of the financed good. Exim financing facilities include earlier maturity clauses for investments of the funds with a purpose different from the one provided for in the Credit Agreement entered into with financial institutions. No collaterals have been offered for working capital loans and BNDES-Exim financing facilities.

The Company is not in noncompliance with any of the clauses of Finame, BNDES-Exim, BNDES-Finem and working capital loan agreements in the quarters ended September 30, 2008 and June 30, 2008.

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

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

	Company		Consolidated	
	09.30.2008	06.30.2008	09.30.2008	06.30.2008
2009	50,431	66,389	59,980	76,524
2010	13,086	12,079	23,745	14,511
2011	10,292	9,287	16,679	16,665
2012	9,609	8,604	9,994	8,604
2013	3,169	2,834	3,169	2,834
	<b>86,587</b>	99,193	<b>113,567</b>	119,138

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

	Company		Consolidated	
	09.30.2008	06.30.2008	09.30.2008	06.30.2008
Vacation pay and Christmas bonus	43,034	35,428	51,537	42,142
Social security obligations	8,583	8,398	13,903	13,315
Employee profit sharing	11,628	15,834	13,486	17,609
	<b>63,245</b>	<b>59,660</b>	<b>78,926</b>	<b>73,066</b>

## 16. SUNDRY PROVISIONS

	Company		Consolidated	
	09.30.2008	06.30.2008	09.30.2008	06.30.2008
Allowance for future losses	4,243	6,077	6,699	8,531
Provision for restructuring	1,397	936	4,171	3,345
Provision for employee benefits	1,803	1,518	1,921	1,616
Provision for quality control	6,404	807	8,286	2,021
Provision for royalties and patents	-	-	808	672
Provision for professional services	-	-	5,329	2,396
Other	59	59	2,583	1,636
	<b>13,906</b>	<b>9,397</b>	<b>29,797</b>	<b>20,217</b>

### 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 on which management expects to incur losses.

## 17. PROVISION FOR WARRANTIES

	Company		Consolidated	
	09.30.2008	06.30.2008	09.30.2008	06.30.2008
Provision for warranties	4,916	2,790	5,105	2,925
Warranty expenses already identified	4,325	4,316	4,325	4,316
	<b>9,241</b>	<b>7,106</b>	<b>9,430</b>	<b>7,241</b>

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 WHETHER OR NOT 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 and other unrelated legal liabilities. Management believes that the solution of these issues will not cause an effect significantly different from the accrued amount.

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

	Company		Consolidated	
	09.30.2008	06.30.2008	09.30.2008	06.30.2008
Civil and labor	63,232	61,535	66,581	64,988
Tax	35,044	34,034	48,807	44,862
Minus:				
Escrow deposits	(17,724)	(15,925)	(17,802)	(15,991)
	<b>80,552</b>	79,644	<b>97,586</b>	93,859

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 or not. Discussions are mainly related to the proper interpretation of tax law.

As of September 30, 2008, in addition to the amounts mentioned above, R\$9,199 (R\$8,960 as of June 30, 2008) related to labor, civil and tax lawsuits whose likelihood of unfavorable outcome is considered possible were not included in those amounts, and for this reason management did not record it in the Company's quarterly information.

Under prevailing legislation, income tax returns for the last ten years are open to review by tax authorities. Various other statements referring to federal and municipal taxes and contributions, as well as social security contributions and other similar charges regarding variable periods are subject to review for different periods. However, in the opinion of the Company's management, all taxes and charges due were paid or are duly accrued for in the balance sheet, and as of September 30, 2008 and June 30, 2008 there are no material proceedings known to have been filed against the Company. Determining 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 September 30, 2008 and June 30, 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	18,193,197
Total shares issued	<u>30,453,570</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 Brazilian corporate 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 these limits. The statutory reserve may only be used for capital stock 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 mentioned hereunder. The gross amount of R\$27,866 paid as interest on equity capital on 12.20.2007 was 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 dividends 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 was paid starting May 20, 2008.

## 20. FINANCIAL LOSSES, NET

	<b>Company</b>		<b>Consolidated</b>	
	<b>09.30.2008</b>	<b>30.09.2007</b>	<b>09.30.2008</b>	<b>30.09.2007</b>
<b><u>Financial expenses</u></b>				
Interest	<b>(22,979)</b>	(15,794)	<b>(28,653)</b>	(16,872)
Monetary variation losses	<b>(8,555)</b>	(6,536)	<b>(8,733)</b>	(6,863)
Derivative losses on commodities	<b>(13,408)</b>	(8,004)	<b>(13,408)</b>	(9,655)
Other	<b>(1,716)</b>	-	<b>(6,767)</b>	-
	<b>(46,658)</b>	(30,334)	<b>(57,561)</b>	(33,390)
<b><u>Financial revenues</u></b>				
Interest	<b>5,221</b>	3,977	<b>5,757</b>	5,194
Monetary variation gains	<b>293</b>	249	<b>293</b>	254
Derivative gains on commodities	-	832	-	832
Other	<b>97</b>	104	<b>101</b>	109
	<b>5,611</b>	5,162	<b>6,151</b>	6,389
Subtotal	<b>(41,047)</b>	(25,172)	<b>(51,410)</b>	(27,001)
Exchange variation losses	<b>(29,531)</b>	(57,877)	<b>(44,231)</b>	(61,634)
Exchange variation gains	<b>58,462</b>	70,870	<b>72,985</b>	17,306
	<b>28,931</b>	12,993	<b>28,754</b>	(44,328)
Effects of derivative gains (losses) on foreign currency positions	<b>(56,712)</b>	(18,450)	<b>(57,622)</b>	38,598
Financial loss, net	<b>(68,828)</b>	(30,629)	<b>(80,278)</b>	(32,731)

In the nine-month period ended September 30, 2008, derivative gains (losses) of R\$56,712 (R\$18,450 – in the nine-month period ended September 30, 2007) (Company) and R\$57,622 (R\$38,598 - in the nine-month period ended September 30, 2007) (Consolidated) result from the finance policy adopted in 2007 by the Company to manage its exposure to fluctuations in foreign-currency denominated assets and liabilities, as described in note 22.b.

## 21. OTHER OPERATING REVENUES (EXPENSES),NET

	Company		Consolidated	
	09.30.2008	09.30.2007	09.30.2008	09.30.2007
Recovered taxes	1,139	1,619	1,264	1,797
Provision for contingencies and others	(12,223)	106	(17,682)	1,930
	<b>(11,084)</b>	1,725	<b>(16,418)</b>	3,727

## 22. FINANCIAL INSTRUMENTS

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

### 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 these customers' profile (automakers and other companies operating worldwide).

In respect to the aftermarket sales and/or markets in which management considers the default risk is higher, letters of credit, 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.

As of September 30, 2008, there were no outstanding vendor financing contracts (R\$96 as of June 30, 2008).

### b. Exchange rate risk

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

In order to protect its income and cash flows against these fluctuations, the Company adopts the policy of entering into nondeliverable forward contracts on the US dollar and euro. The Company's outstanding transactions as of September 30, 2008 are backed in the following manner:

1. the net balance of exports minus imports outstanding as of September 30, 2008, whose bills of exchange will be settled upon the respective maturity of transactions. At the end of the quarter the Company's balance of foreign currency exposure (nondeliverable forward contracts on the US dollar and euro) was US\$2,311 thousand (includes the balance of Euros converted into US dollars at the rate of September 30).
2. the net balance of exports minus imports to be made for the period from October to December 2008 and for 2009 whose bills of exchange will be pledged upon maturities in the same periods and settled when the amounts are received from customers. By September 30, 2008, the Company had entered into 100% (one hundred per cent) of contracts for the net balance from October to December 2008 and 60% (sixty percent) of the net balance for 2009.

As of September 30, 2008, the Company's outstanding balance of sales of nondeliverable forward contracts on the US dollar and euro, corresponding to each of the 1 and 2 items mentioned above, and their respective weighted average rates for settlement upon maturity (between October 2008 and January 2010) were as follows:

Exports minus imports	Transactions in USD		Transactions in EUR	
	Notional value (thousands)	Weighted average rate - maturity	Notional value (thousands)	Weighted average rate - maturity
Transactions conducted and outstanding as of September 30, 2008	76,505	1.7189	31,844	2.5956
To be conducted from October to December 2008 and in 2009	192,882	1.7400	44,677	2.5780
	<b>269,387</b>	<b>1.7340</b>	<b>76,521</b>	<b>2.5853</b>

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

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

As of September 30, 2008, outstanding transactions in compliance with the accrual basis of accounting led to the recognition of an allowance for loss as follows:

Exports minus imports	Provisions in R\$ thousands – "Accrual accounting"				TOTAL
	Transactions in USD	USD BRL weighted average exchange rate – Present Value as of September 30, 2008	Transactions in EUR	EUR BRL weighted average exchange rate – Present Value as of September 30, 2008	
Transactions conducted and outstanding as of September 30, 2008	(17,797)	1.6817	(4,475)	2.5526	(22,272)
To be conducted from October to December 2008 and in 2009	(31,888)	1.6342	(4,907)	2.4757	(36,795)
	<b>(49,685)</b>		<b>(9,382)</b>		<b>(59,067)</b>

The amounts above were calculated using the accrual method, i.e. the difference between the present value of the weighted forward exchange rate for the settlement of each contract on September 30, 2008, minus the Ptax exchange rate for selling US dollars and Euros, disclosed by the Central Bank of Brazil.

Applying the mark to the market method during the respective periods from September 30, 2008 to the maturity date of each transaction, i.e. adjusting the valuation of the outstanding transactions using the average Bloomberg rates as of September 30, 2008 for the fixed interest rate curve in Brazilian reais (14.0596% p.a. for the period between October 1, 2008 and the last transaction conducted by September 30, 2008, in March 2009) against the coupon rate curve in US dollar (6.0343% p.a. for the period between October 1, 2008 and the last transaction conducted by September 30, 2008, in March 2009) would generate the following values:

<b>Exports minus imports</b>	<b>Provisions in R\$ thousands – Mark to the market</b>		
	<b>Transactions in USD</b>	<b>Transactions in EUR</b>	<b>TOTAL</b>
Transactions conducted and outstanding as of September 30, 2008	<b>(16,750)</b>	(4,331)	<b>(21,081)</b>
To be conducted from October to December 2008 and in 2009	<b>(25,195)</b>	(6,073)	<b>(31,268)</b>
	<b>(41,945)</b>	(10,404)	<b>(52,349)</b>

The values obtained above using both the accrual and the mark to the market methods were calculated according to the rates disclosed by the Central Bank of Brazil (US dollar and euro Ptax of September 30, 2008).

The entries in the caption “Financial losses, net”, Company and Consolidated, of the transactions above, including the cash effect of the amounts settled between January and September 2008 on the accrual method is shown below:

<b>Exports minus imports</b>	<b>January-September 2008 - Company</b> R\$ thousands referring to transactions in USD and EUR				<b>January-September 2008 - Consolidated</b> R\$ thousands referring to transactions in USD and EUR			
	<b>Cash Effect</b>	<b>2008 provision</b>	<b>Reversal of 2007 provision</b>	<b>Total</b>	<b>Cash Effect</b>	<b>2008 provision</b>	<b>Reversal of 2007 provision</b>	<b>Total</b>
Transactions conducted and outstanding as of September 30, 2008	<b>19,685</b>	(22,272)	<b>(5,942)</b>	(8,529)	<b>19,909</b>	(22,788)	<b>(5,974)</b>	(8,853)
To be conducted from October to December 2008 and in 2009	<b>588</b>	(36,792)	<b>0</b>	(36,204)	<b>601</b>	(37,404)	<b>0</b>	(36,803)
	<b>20,273</b>	(59,064)	<b>(5,942)</b>	(44,733)	<b>20,510</b>	(60,192)	<b>(5,974)</b>	(45,656)

The forward currency contracts on US dollars entered into to hedge the currency swap agreements entered into to hedge the financing agreements entered into with BNDES-Exim were fully settled on September 15, 2008, upon the payment of the last contract installment of US\$55 million. As of September 30, 2008, the Company did not have outstanding forward contracts on US dollars. The results of these transactions in 2008, recorded under the caption "Financial losses, net", Consolidated, is stated as follows:

R\$ thousands	Provision as of December 31, 2007	Reversal of the provision on January 1, 2008	Settlement of the NDF on January 2, 2008 (A)	Settlement between February- September 2008 (B)	2008 TOTAL
Purchase of NDF – US\$85.0 million	(21,594)	21,594	(21,633)	11	(28)
Purchase of NDF – US\$87.7 million	0	0	0	(11,938)	(11,938)
	(21,594)	21,594	(21,633)	(11,927)	(11,966)
			<b>Cash Effect (A+B)</b>	(33,560)	

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.

The cash effect and the provision for these transactions which had an effect on the nine-month period ended September 30, 2008 were recorded under the caption "Financial losses, net", according to the table below:

January-September 2008 - Company				January-September 2008 - Consolidated			
R\$ thousands referring to commodity transactions				R\$ thousands referring to commodity transactions			
Cash Effect	2008 provision	Reversal of 2007 provision	Total	Cash Effect	2008 provision	Reversal of 2007 provision	Total
1,482	(17,812)	2,922	(13,408)	1,482	(17,812)	2,922	(13,408)

The provision of derivative transactions was calculated using the accrual method, i.e. the difference between the present value of the forward price for the settlement of each contract, minus the settlement price on September 30, 2008 multiplied by Ptax exchange rate at the quarter end date for selling US dollars, disclosed by the Central Bank of Brazil. The provisions above calculated applying the mark to the market method would be as follows:

Metal	Type of Contract	Number of tonnes	Net weighted present value	Settlement Value "LME – London Metal Exchange" (C)	R\$ thousands	
					Accrual values D=(C-B) x A x Ptax	Mark to the market values
		(A)	(B)			
Copper	Swap	1,175	7,336	6,991	(777)	(2,070)
Nickel	Swap/ "ZeroCost Collar"	1,332	24,286	17,795	(16,551)	(20,201)
Aluminum	Swap	2,450	2,639	2,526	(530)	(1,216)
Tin	Swap	120	18,168	18,369	46	(230)
					(17,812)	(23,717)

The total tons of these transactions outstanding as of September 30, 2008 are backed by purchases of raw materials to be made in the fifteen-month period from September 30, 2008.

Therefore, the balance of the respective raw materials in inventories at quarter end does not show the physical reserve of tons for these transactions. This reserve will be realized upon the respective maturities as purchases are made.

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 September 30, 2008 and June 30, 2008, the Company did not hold interest rate derivative contracts.

## **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.

In the nine-month period ended September 30, 2008, the Company and its controlled companies established a profit-sharing scheme with their employees negotiated with the trade union, granting a total of R\$17,312 (R\$17,259 in the nine-month period ended September 30, 2007), Company and R\$18,978 (R\$18,381 in the nine-month period ended September 30, 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 employer's and the employees' contributions started to be made from October 2006. In the nine-month period ended September 30, 2008, the Company contributed R\$2,082 (R\$2,016 in the nine-month period ended September 30, 2007.)

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

### **BRAZILIAN MACROECONOMIC SCENARIO**

In the third quarter, Brazilian economic scenario had two distinct phases. In the first phase, in July and August, industrial production grew and in the second phase, started in September, there was an economic slowdown was mounting and the business environment deteriorated, due to the global financial crisis and the economic recession in the US and Europe, which had negative impacts in Brazil, Argentina and the rest of the world. This picture points out to new parameters and projections for the end of this fiscal year, including a reduction in production levels and sales and tightened credit.

From January to August 2008 even with the recent hikes in benchmark interest rates, Brazil's main economic segments grew above the forecasts made at the beginning of the year, which fostered investments and led to an increase in industrial production, agribusiness, trade, civil construction, transportation material, including light and heavy vehicles, agricultural machinery and autoparts.

**Interest in the local market** – In order to prevent a return of inflation caused by strong domestic demand, which caused prices to rise in recent months, the Central Bank of Brazil maintained the benchmark interest rate (SELIC) at a high level in the nine-month period ended in September 2008. The interest rate was first adjusted upward in April 2008, raising 2.5% in the period, from the 11.25% at the beginning of the year to 13.75% in this quarter, therefore, remaining at the same level reported in October 2006.

**Inflation** – The Extended Consumer Price Index used to calculate the inflation rate closed the nine-month period ended September 2008 at 4.76%. In the twelve-month period the rate was 6.25% (4.46% in 2007). In the third quarter inflation rate dropped due to a tight monetary policy and a drop in food prices.

**Dollar** – The US dollar reversed its downward trend, closing the third quarter of 2008 at R\$1.914, the largest quarterly hike since 2002, increasing 20% in relation to the R\$1.592 rate of the end of the previous quarter. Exchange rate fluctuations became significant in mid-September due to the recent turbulence in financial markets, with a rise of 16.5% accumulated in the month.

## TRADE BALANCE

Exports and imports reached record levels in the period from January to September. Despite the positive result, the trade surplus totaled US\$19.7 billion, a significant drop compared with the same period in the prior year (US\$31.0 billion in the same period of 2007).

US\$billion

Trade Balance	January to September 2008	January to September 2007	% Variation
Exports	150.9	116.6	29.4
Imports	131.2	85.6	53.3
<b>Balance</b>	<b>19.7</b>	<b>31.0</b>	<b>(36.5)</b>

## PERFORMANCE OF THE AUTOMOTIVE INDUSTRY IN BRAZIL

During the current year, the automotive industry saw its production and sale of light vehicles, trucks and buses in the local market maintain its growth trend. In the third quarter the growth rhythm in the local market slowed down, due to the current economic scenario, higher interest rates, tighter consumer credit and payment terms. As described in the previous quarter, the industry expected a sluggish growth from the second semester due to a market consolidation, after several hikes reported when market conditions were more favorable.

In the foreign market, the sales of vehicles dropped, causing a loss in the percentage of the share in the domestic market, especially due to the drop in the US dollar rate against the Brazilian real reported in recent years and until mid-September, and more recently with the deterioration in global environment in business caused by the global financial crisis. The loss in the profitability of exports in the period was offset in part by the export of vehicles with higher added value.

## BREAKDOWN OF SALES AND PRODUCTION OF VEHICLES

Unit thousand

Automobile vehicles	3 <sup>rd</sup> quarter of 2008	3 <sup>rd</sup> quarter of 2007	January to September 2008	January to September 2007
	A	B	C	D
Domestic Sales	693,7	584,4	1,925.7	1,560.2
Exports	185.5	216.4	566.5	594.0
<b>Total Sales</b>	<b>879.2</b>	<b>800.8</b>	<b>2,492.2</b>	<b>2,154.2</b>
<b>Production</b>	<b>927.7</b>	<b>799.4</b>	<b>2,620.2</b>	<b>2,184.9</b>

% Variation

	3 <sup>rd</sup> quarter A/B	Accumulated up to September C/D
Domestic Sales	18.7	23.4
Exports	-14.3	-4.6
<b>Total Sales</b>	<b>9.8</b>	<b>15.7</b>
<b>Production</b>	<b>16.0</b>	<b>19.9</b>

## SALES OF VEHICLES IN THE DOMESTIC MARKET – IN UNITS

Encouraged by the favorable environment of economic stability, sales of vehicles in the Brazilian market increased. In the third quarter growth was 18.7% and in the nine-month period ended September 2008 growth reached 23.4% compared with the same periods last year.

Results of domestic sales by segment in the accumulated period were in the following manner:

- Sales of light vehicles in units rose by 23.1% due to the favorable environment of economic stability, surpassing forecasts at the beginning of the year.
- Sales of trucks rose 31.3%, especially heavy and semi-heavy trucks, due to more favorable financing terms in the period, the upturn in the Brazilian economy and the level of industrial and agricultural production. The increase in sales of light and semi-light trucks was in part due to the prohibition imposed by local authorities on driving heavy vehicles in the expanded metropolitan areas in specific days of the week.
- Sales of buses increased 20.0%, due to several factors, among which: strong demand; a higher number of jobs, especially in cities in the interior, which required new freight buses; the increase in the number of passengers; the increase in tourism, which remains strong; and local elections held this year, which fostered investments in infrastructure and transport.
- Sales of agricultural machinery increased by 48.4% in the year to September, due to macroeconomic factors that were still favorable, the increase in agricultural harvest, and the rapid expansion of the mechanized harvest of sugar cane. In the second half of this year, agricultural machinery received more stimuli to market development with the launch of two government programs “2008 Harvest Plan” and “More Food Program”.

Percentage variation of sales in the domestic market per sector:

Domestic market sales	% Variation
	January to September (2008/2007)
Light vehicles (light automobiles and passenger cars)	23.1
Trucks	31.3
Buses	20.0
<b>Total automobiles</b>	<b>23.4</b>
Agricultural self-propelled machinery	48.4

## **SALES OF VEHICLES IN THE FOREIGN MARKET – IN UNITS**

In the third quarter, the sales of vehicles in the foreign market dropped 14.3% in relation to the same quarter in 2007. In the accumulated period of the ongoing year, exports dropped 4.6%, corresponding to 7.3% and 5.5%, respectively, for the segments of assembled and disassembled vehicles.

The drop in exports was due to the fall of the US dollar against the Brazilian real in recent years and until mid-September. This drop was offset in part by the export of disassembled vehicles and vehicles with higher added value.

However, the impacts of the financial crisis caused by the US on the global economy started to produce effects, and some of the market destination of the vehicles produced in Brazil have already suffered a slowdown, particularly Mexico and Europe.

Disassembled vehicles (CKD), which account for 23% of total exports, the significant increase was reported in the market of semi-heavy trucks and buses whose accumulated growth in the year reached 117.2% and 40.7%, respectively, compared with the same period last year. The growth in the agricultural machinery market reached 16.8%.

## **VEHICLES PRODUCTION**

Compared with the same period last year, total production of vehicles increased 19.9% in the period from January to September 2008, reaching 2,620.2 thousand units. In this quarter production rose 16.0% in relation to the same quarter last year.

The increase in the production of vehicles was reported in all segments (light vehicles, trucks and buses), including agricultural machinery, due to the continued economic stability, which had a positive impact on domestic sales of vehicles.

Percentage variation of production per sector:

<b>Production</b>	% Variation
	January to September (2008/2007)
Light vehicles (light automobiles and passenger cars)	19.6
Trucks	27.8
Buses	18.7
<b>Total automobiles</b>	<b>19.9</b>
Agricultural self-propelled machinery	32.7

In the third quarter the rhythm of production growth has slackened due to the automaker shutdowns occurred in September while salary adjustments were being negotiated with workers.

### **IMPORTATION OF VEHICLES**

Compared with the same period last year, total importation of vehicles increased 58.4% in the period from January to September 2008, reaching 283.3 thousand units. This increase was reported basically for light vehicles, which account for 15.4% of the total Brazilian light vehicles sold in the domestic market (market share of 11.9% in 2007).

### **PERFORMANCE OF THE AUTOMOTIVE INDUSTRY IN ARGENTINA**

Argentina is currently facing a crisis and its economy is slowing down due to the effects of the global financial crisis. The government has taken measures to curb inflation, which has had negative effects, causing deterioration in Argentina's business environment and affecting the financial performance of the Argentinean controlled company. Argentina's automotive market has reported double-digit growth in recent years due to its high level of integration with Brazil's engine industry. Given the current international and local economic situation, a slower rhythm of vehicle sales is forecasted for the last quarter of 2008.

## ECONOMIC AND FINANCIAL PERFORMANCE OF THE COMPANY

During the current year the main operational indicators remained at high levels, leading to an improvement in gross margin and operational performance measured by EBITDA, due to favorable economic conditions in Brazilian economy until September. This caused a sharp increase in consumption and had a positive effect on the performance of automotive and autoparts industries.

This result reflects the success of continued investments to optimize industrial processes in all business units and the investments made by the Company over the past two years to acquire companies and operating assets, which has diversified its portfolio of products, among which: valves, valve guides and seats, forged products, industrial filters, fluid separators and related products. Although results were positive, the quarter's net income was affected by financial expenses resulting from the strong volatility of the Brazilian currency against the US currency.

## NET SALES

Consolidated net sales reached R\$554.4 million in the third quarter of 2008, up 31.4%, and in the period from January to September 2008 reached R\$1,465.7, up 18.3% in relation to the same periods in the previous year. The Company's net sales increased 4.5% in the quarter, and 4.3% in the period from January to September 2008.

## COMPOSITION OF SALES – COMPANY AND CONSOLIDATED

	R\$ million			
	3 <sup>rd</sup> quarter of 2008	3 <sup>rd</sup> quarter of 2007	January to September 2008	January to September 2007
<b>COMPANY</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
Domestic market	257.0	221.6	718.9	612.9
Foreign market	149.7	167.7	440.5	499.2
Total	406.7	389.3	1,159.4	1,112.1
<b>CONSOLIDATED</b>				
Domestic market	371.2	251.4	933.9	691.9
Foreign market	183.2	170.6	531.8	547.0
Total	554.4	422.0	1,465.7	1,238.9

Percentage variation in sales in the quarter and the period from January to September (2008/2007)

	% Variation			
	Company		Consolidated	
Market	3 <sup>rd</sup> quarter of 2008	January to September 2008	3 <sup>rd</sup> quarter of 2008	January to September 2008
	<b>A/B</b>	<b>C/D</b>	<b>A/B</b>	<b>C/D</b>
Domestic	16.0%	17.3%	47.6%	35.0%
Foreign	-10.7%	-11.7%	7.4%	-2.8%
Total	<b>4.5%</b>	<b>4.3%</b>	<b>31.4%</b>	<b>18.3%</b>

## **DOMESTIC MARKET SALES**

Consolidated domestic sales totaled R\$371.2 million in the third quarter, up 47.6%, and in the period from January to September 2008 totaled R\$933.9 million, up 35.0% in relation to the same periods in 2007. The Company's net sales increased 16.0% in the quarter and 17.3% in the period from January to September 2008.

The positive sales were due to the good performance of the domestic market, both that of original equipment and replacement parts, to the Company's favorable economic conditions during the year to mid-September, as well as the continued investments made by the Company, mentioned before.

Domestic sales in consolidated results accounted for 63.7% of consolidated net sales in the period from January to September (55.8% in the same period in the previous year).

## **FOREIGN MARKET SALES**

Consolidated foreign sales totaled R\$183.2 million in the third quarter, up 7.4%, and in the period from January to September 2008 totaled R\$531.8 million, down 2.8% in relation to the same periods in 2007, and equivalent to 36.3% of consolidated net sales in the year to September.

In the period from January to September consolidated net foreign sales were down 2.8% in relation to the same period in 2007, due to the appreciation of the Brazilian real against the US dollar until September and the financial crisis faced by the major economies of the world, particularly the United States and Europe.

However, the increase in the quarterly sales was due to the appreciation of the US dollar against the Brazilian real, and to other factors already existing during the year. Among these are the increase in the portfolio of new products, the distribution of pistons and cylinders acquired in Argentina and aftermarket services. Sales, when denominated in US dollars, grew 23.7% in the quarter and 15.5% in the period from January to September 2008.

In September Brazilian real fell 16.5% against the US dollar, from R\$1.644 at the beginning of September to R\$1.914 at the end of the same month.

## **GROSS MARGIN**

Consolidated gross income totaled R\$405.5 million in the year to September, up, 23.8% and Gross margin was 27.7% in the same period, up 1.3% in relation to the same period of last year, when gross income totaled R\$327.5 million and gross margin was 26.4%. In the third quarter gross income totaled R\$155.0 million, which represents a gross margin of 28.0%, up 31.4% in relation to the same quarter in 2007. This gross margin is mainly due to the growth in domestic sales, cost control, productivity gains and the increase in the portfolio of products and the market mix.

As commented in the previous quarter, the company negotiated with its customers part of the increase in the metal input and electricity prices charged in the first half of 2008.

However, a fall in economic activity in world markets and in the prices of the main commodities, among which metals, has been reported in this quarter, due to the effects of the financial crisis in global markets. Despite that, prices remain at historic high levels.

## **FINANCIAL MANAGEMENT**

Net financial losses totaled R\$80.3 million in the period from January to September 2008, causing an increase of R\$47.6 million in financial expenses in relation to the same period in 2007.

During the current year, financial expenses suffered the impact of the significant volatility of the US dollar against the Brazilian real.

MAHLE Group, of which the Company is part, applies the principle of eliminating risks related to exchange rate and fluctuation in commodity prices, particularly metal input. The purpose of these global guidelines is to ensure the performance forecasted on the companies' economic plans. The Company is strictly forbidden from entering into hedge contracts without collateral for speculative purposes.

**FINANCIAL LOSSES, NET**

R\$ million

	<b>Consolidated</b>		
	Accumulated up to September 2008	Accumulated up to September 2007	Variation – R\$
Monetary variations	<b>(8.4)</b>	(6.6)	(1.8)
Currency exposure, net	<b>28.8</b>	12.6	16.2
Interest, net	<b>(22.9)</b>	(11.7)	(11.2)
Derivative income (Loss) from (on) commodities	<b>(13.4)</b>	0.8	(14.2)
Derivative losses on foreign currency balances	<b>(57.6)</b>	(18.3)	(39.3)
Other financial (revenues) expenses, net	<b>(6.8)</b>	(9.5)	2.7
<b>Financial losses, net</b>	<b>(80.3)</b>	(32.7)	(47.6)

The main impacts on consolidated financial results are fully explained in the notes to the financial statements. The increase in interest expenses is due to the change in the Company's financing profile, from a situation of foreign currency financing at nominal interest rates to another situation in which financing agreements are indexed to the long-term interest rate (TJLP) to eliminate exchange rate risks, according to note 14 "Loans and financing". The results of derivative transactions with commodities and foreign currency balances are in note 22 "Financial Instruments", respectively items c and b.

**INDEBTEDNESS**

Consolidated net indebtedness was R\$330.0 million as of September 30, 2008, represented basically by Exim loans taken out from BNDES for financing exports, which are linked to guarantees. Compared with the previous quarter, net indebtedness fell by R\$37.4 million. The details about "Loans and Financing" and "Cash and cash equivalents" are in notes 14 and 4, respectively.

R\$ million

	<b>Consolidated</b>	
	09.30.2008	06.30.2008
<b>Liabilities</b>		
Loans and financing	491.0	453.7
Advances on export contracts	32.5	64.6
<b>Assets</b>		
Cash, banks and financial investments	(193.5)	(150.9)
<b>Net indebtedness</b>	<b>330.0</b>	<b>367.4</b>

The Company has been following the developments of the global financial crisis and its impacts on the markets in which it operates. Its current financial fundamentals are sound, allowing it to have an adequate strategic planning and the continuity of its activities. Actions are being constantly taken to minimize the negative effects of the current financial crisis.

**SUMMARY OF THE CONSOLIDATED STATEMENTS OF INCOME**

R\$ million

	3rd quarter of 2008	3 <sup>rd</sup> quarter of 2007	% Variation	Accumulated up to September 2008	Accumulated up to September 2007	% Variation
<b>Net Revenue</b>						
- Domestic market	371.2	251.4	47.7%	933.9	691.9	35.0%
- Foreign market	183.2	170.6	7.4%	531.8	547.0	-2.8%
<b>Total</b>	<b>554.4</b>	<b>422.0</b>	<b>31.4%</b>	<b>1.465.7</b>	<b>1.238.9</b>	<b>18.3%</b>
- Foreign market in US\$million	110.0	88.9	23.7%	315.9	273.5	15.5%
<b>Gross income</b>	155.0	118.0	31.4%	405.5	327.5	23.8%
- gross margin	28.0%	28.0%	-	27.7%	26.4%	1.3p.p
<b>Operating income</b>	7.9	48.2	-83.6%	108.5	110.4	-1.7%
- net margin	1.4%	11.4%	10.0p.p	7.4%	8.9%	-1.5p.p
<b>Net income</b>	7.4	30.2	-75.5%	71.0	72.1	-1.5%
- net margin	1.3%	7.2%	-5.9 p.p	4.8%	5.8%	17.2p.p
<b>EBITDA</b>	95.8	84.8	13.0%	260.0	220.4	18.0
- EBITDA margin	17.3%	20.1%	-2.8p.p.	17.7%	17.8%	0.1p.p.

**OPERATING PERFORMANCE MEASURED BY EBITDA**

In the period from January to September 2008 consolidated operating performance generated EBITDA (earnings before interest, taxes, depreciation and amortization) of R\$260.0 million, up 18% compared with the same period last year, and an EBITDA margin of 17.7%, maintaining the same level of 2007. In the third quarter, consolidated EBITDA growth was 13.0% in relation to the same quarter of 2007.

**NET INCOME**

Due to the factors above reflected on net financial losses, in the third quarter of 2008 net income totaled R\$7.4 million, down by R\$22.8 million in relation to the net income reported in the same period of the previous year. On the other hand, despite the significant fall in the quarter, accumulated income in the nine-month period was R\$71.0 million, therefore remaining at the same level of the same period in the previous year (R\$72.1 million). This was due to the increase in net sales, the improvement in gross margins and the decrease in production costs, the efficiency of production units and other factors mentioned before.

**INVESTMENTS**

The investment budget approved for 2008 totals R\$169.5 million, and is being allocated to the following projects: Operations; research & development; capacity expansion; quality; intangible assets; new projects (customer projects); acquisition of piston and cylinder distribution and aftermarket businesses in Argentina; investments in controlled companies; and acquisition of a controlling interest in Forjas Brasileiras S.A. Indústria Metalúrgica.

## **TRADE ON THE STOCK EXCHANGE**

The global financial crisis has worsened and the high level of uncertainty has restricted activities in world markets. Its consequences are having negative impacts on the performance of stock markets worldwide, including in Brazil. Foreign investors, which account for 35% of amounts traded on the BM&F BOVESPA (São Paulo Stock Exchange), considering the deterioration of the international situation and with a pressing need to cover losses, had withdrawn US\$9.1 billion from Brazilian capital markets by the end of September. Accordingly, BOVESPA index, the main indicator of the performance of shares in the Brazilian market, reported losses of 21.13% in the year to September. In the year to September the Company accumulated losses of 4.69%, closing the month of September at the unit price of R\$30.50 per preferred share.

## **HUMAN RESOURCES**

As of September 30, 2008, the Company and its controlled companies had 9,447 employees, up 10.6% from December 31, 2007 (8,542 employees). This increase is due to higher production and sales caused by the economic upturn and to the purchase in the first half of 2008 of a controlling interest in Forjas Brasileira, currently MAHLE HIRSCHVOGEL FORJAS S.A., which had 668 employees as of September 30, 2008.

## **TECHNOLOGICAL CENTER**

Considered the largest center for the development of engine components in all Latin America, the Technology Center has allowed the Company to continually improve its products and services to best serve its customers, which demand constant innovation. To that end, several processes have been improved, among which technical, alternative fuel and research & development processes. Tests, which were previously conducted only with diesel, gasoline and ethanol, are now conducted with a higher number of fuels, among which diesel, standard diesel, biodiesel, gasoline, premium gasoline, ethanol, flex fuels, and natural gas (GNV). Engine testing used to be focused on performance and durability. Emission tests for diesel and Otto engines are now available: noise vibration tests in semianechoic chambers; motorization capacity with active dynamometers to allow the measurement of friction power, oil consumption under mobility conditions, simulation of brakes/engine, intake filters and collectors; and more accurate oil consumption measurement system. The semianechoic chamber is put inside a testing laboratory where the walls and the ceiling are covered with special pieces shaped like anechoic wedges made of basalt rock wool whose sound absorption is very high. In this type of environment, the origin of engine and component vibrations and noises can be identified so as to obtain a high sound absorption at low, medium and high frequencies. With the development of new processes and the improvement in the services offered by the new TC, the Company expects to offer a wider range of services to its customers by using products and services with higher value added.

MAHLE Metal Leve S.A.

### 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 period from January to September 2008 to MAHLE Metal Leve S.A., controlled companies and companies belonging to the same group is listed below:

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

Agreed-upon fees totaled R\$33 thousand and accounted for 8.25% 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 their independent auditors to render services that lead to conflicts of interest, loss of objectivity or independence.

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 domestic market expects a slowdown in the Brazilian company in the fourth quarter of 2008, due to the shortening of financing terms, tightened credit and current benchmark interest rates (SELIC). An imminent recession is expected worldwide due to the current situation of the US and European markets and their impacts on other regions. However, due to the good performance of the GDP during the current year, markets expect the same performance achieved in 2007 (5.4%), about 5%.

For 2009, a sharp slowdown in the main segment of the Brazilian economy is expected, due to a tight monetary policy and mainly to the sluggish world economy, due to a deepened global financial crisis, despite the measures taken by several countries to calm financial markets. Accordingly, GDP growth is expected to slacken off, falling from 5.2%, forecasted in mid 2008, to a figure ranging from 3% to 3.5% in 2009.

The global economic environment has been deteriorating in a significant manner, reaching in the first half of 2008 its lowest levels in the last 6 years. This worsening is due to an unfavorable assessment of the current situation and the expectations for the next years. The economic situation and the global business environment are a matter of concern, especially the segments that depend on credit, among which the automotive industry, which expects a slowdown in 2009, stands out.

**Brazilian trade balance** – The effects of the global financial crisis is likely to have a negative impact on foreign trade in the next year, due to reduced credit for exports, the sharp slowdown expected for the main economies of the world, which will have a special effect on falling commodity prices, and the fall in exports due to recession. Imports are expected to fall, due to the appreciation of the US dollar against the Brazilian real that occurred in mid-September. The trade balance in October 2008 fell by more than 56% compared with September, And 65% compared with October last year. Exports fell by 7.5% compared with September, while imports rose only 0.2%.

### **Brazilian Automotive Industry**

According to data from the Brazilian Association of Manufacturers of Automotive Vehicles (Anfavea), given the global financial crisis and its impacts, the automotive industry expects the production of vehicles to grow by about 3.5 million units. After the information disclosed by the press regarding the impacts of the global financial crisis and the fall in sales in October, the forecasted production of vehicles was adjusted downwards to 3.3 million units, down 6% compared with the previous forecast.

Production in the fourth quarter should be about 680 thousand units, 110 thousand fewer units than in the same period in 2007.

Given the global financial turbulence, the federal government has approved credit facilities for banks linked to the automakers with the purpose of guaranteeing favorable sales until the end of 2008.

## **COMPANY**

### **PROSPECTS FOR THE FOURTH QUARTER OF 2008**

The Company's management, considering the domestic prospects and the automotive industry projections, expects a drop in domestic sales of original equipment and replacement parts, compared with the sales made in the same quarter in the previous year. This result is also due to the natural slowdown of the last quarter of the year, particularly in December.

In line with the expected drop in sales for the automotive industry, especially in Europe and the US, and the expected slowdown of the global economy because of the current US financial crisis and its effects on other regions, the Company projects a reduction in sales in the last quarter.

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