

## **Mahle Metal Leve YE 2006 Results**

Mogi Guaçu, March 22nd 2007 - **Mahle Metal Leve S.A.** (BOVESPA: LEVE3, LEVE4), leading company on engine components manufacturing in Brazil, releases today the YE 2006 results. The Company's operational and financial information, except where indicated, are presented in Reais, according to Corporation Law.

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### **Brazilian Macroeconomic Scenario**

The performance of the Brazilian economy in 2006 was lower than the goal of 4.5% established by the government registering a GDP increase of 2.9% due the unfavorable performance of the currency exchange rates and the maintenance of the interest rates at high levels, which resulted in loss of competitiveness and discouragement to export investments.

The betterment of economic indicators as inflation, financing and income increase allowed a higher consumption, however were not enough for reaching the economy growth goal.

### **Market**

In 2006 were produced 2,606.3 thousand vehicles in the Country presenting an historical record and an increase of 3.1% when compared to 2005. This increase is reflected on the 4.2% increase on sales, reaching 2,630.7 thousand vehicles (2,523.6 thousand in 2005).

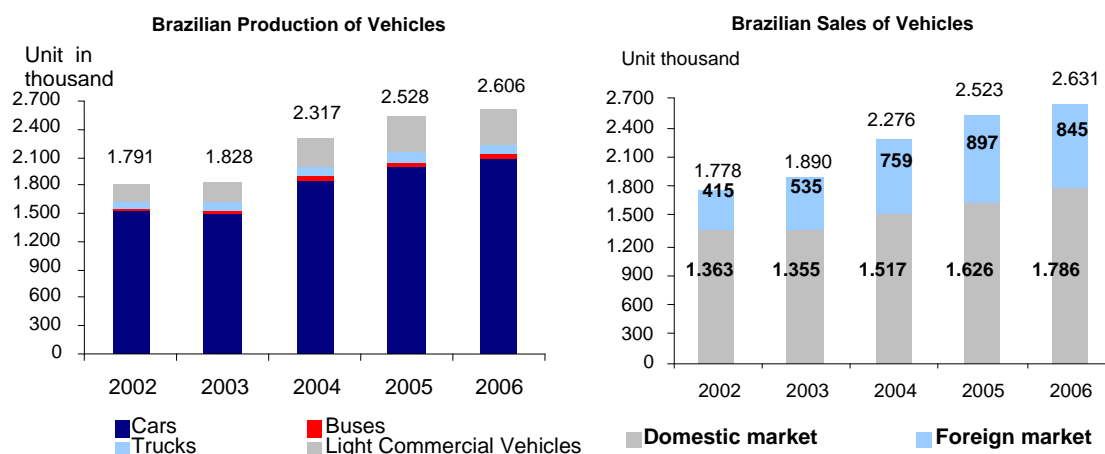
The increase on sales higher than the registered on national production in 2006 is due the 5.8% decrease on exports and 63% increase on imports, registering 138.4 thousand vehicles, corresponding to 8% of the internal market sales.

The good performance of sales in the domestic market implied a 9.8% increase in comparison to 2005, due the highest supply of new products, especially flex-fuel vehicles, which represented 78.1% in the sales of light vehicles, and by a higher financing offer. In the other hand, the performance of exports was 5.8% inferior than registered in the previous year, mainly as a result of the strong appreciation of the domestic currency, which lead to the reduction of international orders. In order to attenuate the exchange rate effect, the completely knocked down (CKD) vehicles export volume increased 20%, while the assembled vehicles export volume decreased 12%, aiming at more competitive prices with the reduction of labor cost on the product.

Composition of the sales and production of assembled and completely knocked down (CKD).

Unit in thousand

| Segments                        | 2006            | 2005            | Var.%        |
|---------------------------------|-----------------|-----------------|--------------|
| National Sales                  | 1,786.00        | 1,626.50        | 9.80%        |
| Export                          |                 |                 |              |
| - assembled vehicles            | 637.3           | 724.2           | -12.00%      |
| - completely knocked down (CKD) | 207.4           | 172.9           | 20.00%       |
| Total export                    | 844.7           | 897.1           | -5.80%       |
| <b>Total of Sales</b>           | <b>2,630.70</b> | <b>2,523.60</b> | <b>4.20%</b> |
| Production                      |                 |                 |              |
| - assembled vehicles            | 2,399.80        | 2,351.80        | 2.00%        |
| - completely knocked down (CKD) | 206.5           | 176.5           | 17.00%       |
| <b>Total of Production</b>      | <b>2,606.30</b> | <b>2,528.30</b> | <b>3.10%</b> |



## Economic and Financial Performance of the Company

The Company's performance in 2006 was satisfactory, boosted mainly by the growth of sales to the domestic market, caused by the continuance in the moderate heating up of the Country's economy, which kept the original equipment automotive sector and the aftermarket on a positive pace. The foreign market, although still affected by the currency exchange effects on the exports, also contributed from the second semester on to leverage the total sales of the Company.

### Net Sales Revenue

The net sales revenue was R\$ 1,411.3 million, showing an increase of 1.9% in relation to the year of 2005. From such amount, 53.2% derived from sales in the domestic market and 46.8% in the foreign market, showing a proportion inversion in relation to the previous years, as a result mainly of the currency exchange effects on the exports.

The sales to the domestic market totaled R\$ 750.7 million, with a growth of 5.1% in relation to the year of 2005.

The positive behavior in the sales to the domestic market, both in the original equipment market and the aftermarket throughout 2006, resulted from the good performance occurred in the automotive sector,

The sales to the foreign market, when analyzed in dollar, showed a growth of 10.5% in the year in relation to the previous year. Such growth was neutralized by the appreciation of the domestic currency in relation to the dollar, which resulted, in Reais, in a drop of 1.5%.

Reais million

| Year   | Domestic Market | Foreign Market | Total    |
|--------|-----------------|----------------|----------|
| 2006   | 750.7           | 660.6          | 1,411.30 |
| 2005   | 714.2           | 670.8          | 1,385.00 |
| Var. % | 5.10%           | -1.50%         | 1.90%    |

## Financial Management

In 2006, the Company showed a negative net financial income of R\$ 10.6 million, a reduction of R\$ 17.2 million in relation to R\$ 27.8 million of the year 2005. Such reduction is directly related to the behavior of the Company's net currency exchange and monetary exposition, associated to the currency exchange devaluation in the period.

Reais million

| Net, financial                            | 2006   | 2005   | Variation |
|---|--------|--------|-----------|
| Currency exchange and monetary variations | 1.2    | -23.6  | 24.8      |
| Other net revenues (expenses)             | (11.8) | (4.2)  | (7.6)     |
| Net financial income                      | (10.6) | (27.8) | 17.2      |

## Indebtedness

The Company's net indebtedness in 2006 was R\$ 208.6 million, an increase of R\$ 191.3 million comparing to 2005. Such increase resulted from the loan obtained in the second quarter of 2006, with BNDES, in the Exim modality, intended to the exports financing, which were bound as collateral.

## Operating Performance – EBITDA

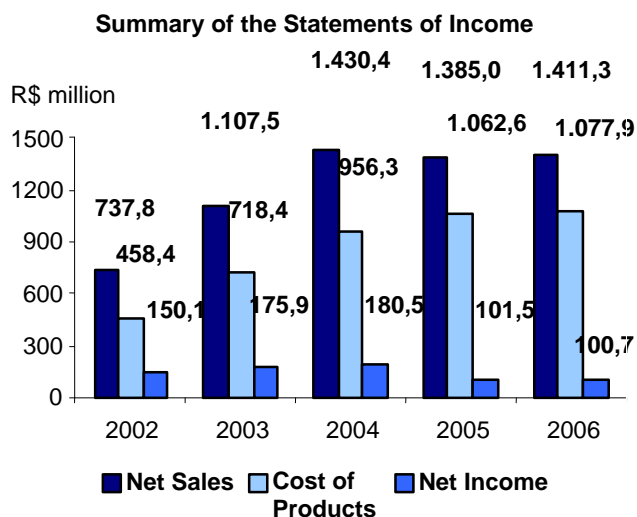
The operating performance allowed an Ebitda of R\$ 237.0 million, in the year of 2006, lower by 3.2%, when compared to the R\$ 244.8 million in 2005. The Ebitda margin (divided by net revenue) was 16.8% (17.7% in 2005). In spite of the Company's efforts for the reduction of costs and increases of efficiency and productivity, the Ebitda margin showed a slight drop, due mainly to the appreciated currency exchange in relation to dollar and a price increase for the main raw materials and labor cost.

Reais million

|                                | 2006         | 2005         | Variation    |
|--------------------------------|--------------|--------------|--------------|
| Operating Income               | 100.3        | 74.2         | 35.2         |
| Net, financial                 | 10.6         | 27.8         | (61.9)       |
| Interest on own capital        | 30.9         | 55.7         | (44.5)       |
| Depreciation and amortizations | 95.2         | 87.1         | 9.3          |
| <b>Ebitda</b>                  | <b>237.0</b> | <b>244.8</b> | <b>(3.2)</b> |

## Net Income

The net income in the year of 2006 was R\$ 100.7 million, a reduction of 0.8% in relation to the income of 101.5 million in 2005. Although still not affected by the appreciation of the Real in relation to the dollar, which has significantly compromised the profitability of exports, the constitution of such income was contributed by the sales increase in the domestic market for original equipment and aftermarket, in the reduction of the net financial results and the increase in the equity pick up on the investments made in controlled companies.



The net margin, relation between Net Income and Sales Net Revenues, remained around the 7% in the past two years (7.1% in 2006 and 7.3% in 2005).

However, for the purposes of comparison, it should be emphasized that in 2005 there was an extraordinary revenue from the recovery of presumed excise tax (IPI) credit on exports, in the amount of R\$ 6.6 million.

**Investments in Property, Plant and Equipment**

In 2006, the Board of Directors approved the Investment Budget in the amount of R\$ 107.4 million, equivalent to US\$ 41.8 million, intended to the projects mentioned below.

In 2006, the company invested the amount of R\$ 82.0 million in property, plant and equipment, aiming at continuance in modernization of the operations, improvement in production quality, structural and productive extension, as well as the project in the new Technology Center of the Company for new facilities in the municipality of Jundiaí (SP).

**Human Resources**

With respect to manpower, on December 31, 2006, the Company had 7,107 employees (6,849 on 12.31.2005). Such increase was intended to adjust the number of employees to the current production levels.

Benefits and profit sharing intended to employees totaled R\$ 65.2 million, an addition of 11.8% in relation to R\$ 58.3 million in 2005.

Following the constant commitment with its employees, implementing professional and social development programs, benefits consistent with its business segment and, whenever possible, being ahead of market trends, in 2006 the Company created a Supplementary Pension Plan managed by an open supplementary pension entity, providing all its employees with the option to participate, with the purpose of deriving as additional benefit to Social Security, which will provide more tranquility and safety for the future.

**Sustainability****Social Responsibility**

The Company kept its commitment in 2006 to the development of its human resources, through investments in technical and human development of its employees, with focus on Programs such as: Management by Competences, Managerial Development, Leadership Development. Besides these initiatives, MAHLE Professional School and the elementary and high school education program in partnership with Bradesco Foundation ensured the qualification and specialization of the productive and technical areas, continuing with the quality certifications and recognition of MAHLE clients. The company provides incentives for employees' continuous learning such as subsidies for language courses, college formation, and post-graduation, and it extends educational support by delivering school material to the children of its employees who are attending elementary school; the distribution of educative books and the organization of recreational events.

The Social Responsibility Program gained even more strength in 2006 by means of significant actions intended to education and diffusion of volunteering. The recognition thereof came through the Awards "Top Gestão de Pessoas" granted by AAPSA (Paulista Association of Personnel Managers), "Socially Responsible Company" for the Limeira unit and "Best Practice of the Year 2006" for the program Escola MAHLE Formare.

**Environment**

MAHLE Metal Leve and MAHLE Group throughout the world keeps one single Environment Policy, which, in 2006 had its principles and intentions represented by responsible actions concerning training and environmental education for its employees, important investments for the continuous and sustainable development of the organization, and the effective commitment with the environment and of its influence. Therefore, some results could also contribute, during the year to the improvement of the environmental performance of processes, products and services such as: the commitment to legal compliance at all units of the company, this being a pre-requirement of its Environment Policy; environmental accident prevention plans are comprehensive, trained and tested, both internally and externally; there is an effective management of the chemical products used, considering operating and health aspects; the suppliers of the company received new and updated information on environmental requirements of MAHLE for supply; annual objectives and goals are kept in such a way to promote concrete gains, associated to the recycling of materials, rationalization of the use of natural resources and social responsibility actions; environmental information on the composition, use and destination of materials at the end of their useful life are also oriented to clients and final users; useless wastes are treated and disposed of on a responsible manner, the discharge of effluents and atmospheric emissions, monitoring and auditing several times a year to ensure the full compliance with the important environmental law of Brazil.

**Investor Relations and Corporate Governance**

In the year of 2006, the continuous progress in terms of transparency in the Company's investor relations resulted in the restructuring of the IR area, with the purpose of providing shareholders, investors and the community with regular access to information on income, events and material facts.

Mahle Metal Leve reaffirms its commitment with the capital market and the creation of value to its shareholders by means of timely communication and increase of the information rendered. In this regard, in order to disclose the annual income for 2006 it was launched the new Investor Relations Website and the e-mail alert service, making available to stakeholders a direct and democratic communication channel with interactive tools for the analysis of the Company's shares and financial statements, background data and information on Mahle Metal Leve, please access <http://ir.mahle.com.br>

Aiming to improve the corporate governance, in 2006 the Company held a public meeting at APIMEC, where its results, behavior and market perspectives were presented for an audience with the massive participation of analysts and investors. At that time, the Company was awarded the APIMEC Frequent Attendance Seal.

From the year ended in December 2006 on, the Company discloses, on a quarter basis, the Statement of Cash Flow in order to improve the quality of the information rendered, thus, confirming its commitment with transparency.

Yet in 2006, it established the Communication Committee, which is a management body, formed by the Company's executive board and chaired by the IRO, whose function is that of establishing guidelines regarding the information rendered to the market, as well as enforcing compliance with Instruction CVM 358 and evaluating and proposing enhancements to the regular communication of Mahle Metal Leve S.A.

## Dividends and Allocation of Income

At the Ordinary and Extraordinary Shareholders' Meeting of April 18, 2006, the Company's shareholders approved the distribution of supplementary dividends regarding the year 2005, in the amount of R\$ 40.7 million, paid from May 17, 2006, corresponding to the entirety of the profit earned in the year of 2005, after the withholding of 5% of the Legal Reserve and the gross distribution of Interest on own capital, approved at a board meeting on December 06, 2005 in the amount of R\$ 48.3 million, net of income tax, paid on December 20, 2005.

It was also approved at the Ordinary and Extraordinary Shareholders' Meeting of April 18, 2006, the distribution, as dividends, of the balance of the profit Reserve for Expansion and Modernization, in the amount of R\$ 182.8 million, paid from May 17, 2006.

It was approved, at a Meeting of the Board of Directors, dated of December 5, 2006, the distribution of dividends as Interest on own capital, in the gross amount of R\$ 31.0 million, which upon withholding of 15% regarding income tax withheld at source (except for legal entity shareholders that proved their immunity or exemption), totaled R\$ 26.8 million, paid from December 20, 2006.

Additionally, the management will propose to the shareholders, on the Shareholders' Meeting, the payment of R\$ 20 million as dividends, as mentioned in the notes to the financial statements (20 – b – Shareholders' remuneration).

Reais million

| <b>Shareholders' Remuneration</b>                    | <b>2006</b> | <b>2005</b>  | <b>2004</b>  | <b>2003</b> | <b>2002</b> |
|--|-------------|--------------|--------------|-------------|-------------|
| Interest on own capital:                             |             |              |              |             |             |
| - gross amount                                       | 31.0        | 55.7         | 55.1         | 50.1        | 30.4        |
| - Net income of income tax                           | 26.8        | 48.3         | 47.8         | 43.6        | 26.3        |
| Dividends:   |             |              |              |             |             |
| - supplementary                                      | 20.0        | 40.7         | 116.3        | -           | 9.3         |
| - Balance of the Profit Reserve for Expansion        | -           | 182.8        | -            | -           | -           |
| <b>Total of Dividends and IOC, net of income tax</b> | <b>46.8</b> | <b>271.8</b> | <b>164.1</b> | <b>43.6</b> | <b>35.6</b> |

The Company's management will submit for approval at the next Shareholders' Meeting, through the presentation of budgets, the withholding of accrued profit portion, in the amount of R\$ 44.8 million, on December 31, 2006, aiming at continuing with the investments in expansion and modernization.

**Capital Market**

In this year, the Company's shares, listed with the São Paulo Stock Exchange (BOVESPA) were transacted in 4,116 businesses and reached the equivalent to R\$ 103.6 million, a volume in Reais of 16.9% higher than that of 2005. At the end of the year, the unit price of the preferred stock was quoted in R\$ 37.45 (R\$ 36.30 per share at the end of 2005).

**Other events in the year****Studies of synergy of companies belonging to MAHLE Brasil group**

On August 14, 2006, the controlling shareholder of MAHLE Metal Leve S.A. started the cooperation of studies aiming at the increase of the Company's competitiveness, in addition to the measures implemented up to the moment. Therefore, the use of synergies between the Company and MAHLE Componentes de Motores do Brasil Ltda., a subsidiary of MAHLE Participações Ltda. is being analyzed, another company of the MAHLE Group in Brazil, keeping the existing brands and the distribution channels.

**Subsequent Event**

On March 9, 2007, the company has completed the acquisition of the net operational assets of the bearings division of Dana Industria Ltda., placed in the city of Gravataí, Rio Grande do Sul state, offered in a public auction under the American authority, by the total amount of US\$ 1.465.000,00.

On March 20, 2007, the Company and its fully controlled company Mahle Metal Leve GmbH have acquired 1,400,000 common shares held by the companies Graceland Limited Holding LLC, located in Delaware, USA and Dinansen Inversora S.A, located in Argentina, of Establecimientos Metalúrgicos Edival S.A, placed at Av. Santa Fé 2350, in the city of Rafaela, Argentina, aiming the inclusion of products developed by Edival (valves for internal combustion engines) to the range of products offered by the Company to the domestic and international markets, by the amount of US\$ 41,2 million.

**Perspectives**

The Brazilian economy started the year of 2007 at a favorable position in some aspects, such as inflation under control; a decreasing interest rate; a good trade income; a drop in the basic interest rates and income improvement. The government shall keep the economic stability, aiming at an increase of the GDP around 4.0% in 2007, in accordance with three fundamental points: tax liability; inflation on goal and social program and distribution of income.

The dollar rate shall continue with low volatility, with a relative appreciation throughout the year of 2007, and it shall be around R\$ 2.15 per dollar. The inflation goal estimated by the market, measured by the IPCA (Amplified Consumer Price Index) is 4.0%, which is slightly below the center of the 4.5% goal and the basic interest rate - Selic will continue to drop, and it shall drop around 11%, by the end of the year.

With respect to the trade balance, the forecast is for a surplus around US\$ 43 billion, a drop around 7% in relation to US\$ 46.1 billion in 2006. In the aggregate, imports will continue to grow on faster than the exports, due to the dollar

behavior, the domestic market heating up, and the stability in the main world economies.

On the other hand, with the purpose of freeing the economy and ensuring the goal of a 5% growth from 2008, in the beginning of the year the government announced the Growth Speedy Program - PAC, with highlight mainly to investments in infrastructure.

The segment of motor vehicles, boosted by the proceeds of sales to the domestic market throughout 2006 and in the macroeconomic projections for 2007, projects an increase around 4% in the production and 8% in sales in units in the domestic market.

In the foreign market, the automotive sector as a result of the strategy of mitigating the low profitability margins, caused mainly by the strong appreciation of the Real on the dollar, estimates to keep the same sales level per unit achieved in 2006.

The Company's management relying on the growth forecast for a more significant domestic economy and on the control of the main economic indicators, estimates a continuous growth in the volume of sales in the domestic market at levels close to those estimated to the automotive sector. In the international market, the perspective is that of keeping the sales volumes achieved in 2006, due especially to the moderate heating up of the world economy, especially, in Latin America, as well as the forecasts for reduction of sales abroad by the automotive sector, as a result of loss of profitability caused by continuity of appreciation of Real.

**MAHLE METAL LEVE S.A. AND SUBSIDIARIES**

**BALANCE SHEETS - ASSETS**

December 31, 2006 and 2005

(In thousands of reais)

| ASSETS  | Parent Company |                | Consolidated     |                |
|---|----------------|----------------|------------------|----------------|
|   | 2006           | 2005           | 2006             | 2005           |
| <b>Current assets</b>                         |                |                |                  |                |
| Cash and cash equivalents                     | 93,962         | 86,840         | 113,058          | 100,761        |
| Trade accounts receivable                     | 145,492        | 132,655        | 197,777          | 154,023        |
| Accounts receivable from related parties      | 157,976        | 144,208        | 106,840          | 135,665        |
| Discounted exchange bills                     | (70,953)       | (81,208)       | (70,953)         | (81,208)       |
| Allowance for doubtful accounts               | (6,289)        | (8,290)        | (6,675)          | (8,476)        |
| Inventories                                   | 128,516        | 118,539        | 156,588          | 125,137        |
| Recoverable taxes                             | 34,356         | 37,501         | 34,376           | 36,673         |
| Deferred income and social contribution taxes | 5,750          | 10,901         | 6,042            | 11,400         |
| Other accounts receivable                     | 6,347          | 3,197          | 6,644            | 3,351          |
| <b>Total current assets</b>                   | <b>495,157</b> | <b>444,343</b> | <b>543,697</b>   | <b>477,326</b> |
| <b>Noncurrent assets</b>                      |                |                |                  |                |
| <b>Long-term receivables</b>                  |                |                |                  |                |
| Deferred income and social contribution taxes | 43,739         | 38,975         | 44,670           | 39,588         |
| Recoverable taxes                             | 14,938         | 14,595         | 15,623           | 15,188         |
| Other accounts receivable                     | 1,182          | 1,168          | 1,307            | 1,294          |
| <b>Permanent assets</b>                       |                |                |                  |                |
| Investments in subsidiaries                   | 26,979         | 26,532         | -                | -              |
| Other investments                             | 371            | 371            | 371              | 371            |
| Property, plant and equipment                 | 345,422        | 331,670        | 364,324          | 348,649        |
| Intangible assets                             | 7,790          | 9,301          | 8,147            | 9,680          |
| Deferred charges                              | 30,370         | 54,792         | 30,370           | 54,792         |
| <b>Total noncurrent assets</b>                | <b>470,791</b> | <b>477,404</b> | <b>464,812</b>   | <b>469,562</b> |
| <b>Total assets</b>                           | <b>965,948</b> | <b>921,747</b> | <b>1,008,509</b> | <b>946,888</b> |

**BALANCE SHEETS - LIABILITIES**

December 31, 2006 and 2005

(In thousands of reais)

| LIABILITIES  | Parent Company |                | Consolidated     |                |
|--|----------------|----------------|------------------|----------------|
|  | 2006           | 2005           | 2006             | 2005           |
| <b>Current liabilities</b>                         |                |                |                  |                |
| Trade accounts payable                             | 52,203         | 63,289         | 55,334           | 65,630         |
| Financings   | 210,769        | 5,264          | 211,672          | 5,293          |
| Salaries, vacation pay and payroll charges payable | 42,903         | 39,734         | 45,893           | 42,146         |
| Taxes and contributions payable                    | 4,415          | 3,126          | 5,388            | 4,309          |
| Accounts payable to related parties                | 21,289         | 16,996         | 31,148           | 21,397         |
| Advances from customers                            | 2,256          | 3,066          | 2,292            | 3,182          |
| Interest on shareholders' equity payable           | 21,804         | 39,028         | 23,812           | 39,733         |
| Dividends payable                                  | 20,000         | 223,513        | 20,000           | 223,513        |
| Sundry provisions                                  | 20,993         | 16,016         | 27,152           | 21,493         |
| Other accounts payable                             | 20,166         | 12,707         | 21,752           | 14,081         |
| <b>Total current liabilities</b>                   | <b>416,798</b> | <b>422,739</b> | <b>444,443</b>   | <b>440,777</b> |
| <b>Noncurrent liabilities</b>                      |                |                |                  |                |
| Financings   | 19,240         | 17,629         | 23,407           | 20,542         |
| Provision for capital deficiency in subsidiary     | 2,139          | 8,173          | -                | -              |
| Provision for warranties                           | 4,152          | 6,546          | 4,152            | 6,826          |
| Provision for contingencies and legal obligations  | 80,023         | 73,404         | 81,276           | 74,186         |
| Other accounts payable                             | 532            | 74             | 605              | 76             |
| <b>Total noncurrent assets</b>                     | <b>106,086</b> | <b>105,826</b> | <b>109,440</b>   | <b>101,630</b> |
| Minority interests                                 | -              | -              | 11,562           | 11,299         |
| <b>Shareholders' equity</b>                        |                |                |                  |                |
| Capital  | 352,755        | 352,755        | 352,755          | 352,755        |
| Income reserves                                    | 90,309         | 40,427         | 90,309           | 40,427         |
| <b>Total shareholders' equity</b>                  | <b>443,064</b> | <b>393,182</b> | <b>443,064</b>   | <b>393,182</b> |
| <b>Total liabilities and shareholders' equity</b>  | <b>965,948</b> | <b>921,747</b> | <b>1,008,509</b> | <b>946,888</b> |

**MAHLE METAL LEVE S.A. AND SUBSIDIARIES**

**STATEMENTS OF INCOME**

Years ended December 31, 2006 and 2005

(In thousands of reais, except earnings per share)

| STATEMENTS OF INCOME  | Parent Company   |                  | Consolidated     |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2006             | 2005             | 2006             | 2005             |
| Gross sales of goods and services   | 1,685,455        | 1,650,506        | 1,809,879        | 1,774,820        |
| Taxes and sales deductions  | (274,119)        | (265,469)        | (306,918)        | (299,513)        |
| <b>Net sales and services</b>   | <b>1,411,336</b> | <b>1,385,037</b> | <b>1,502,961</b> | <b>1,475,307</b> |
| Cost of products sold and services rendered   | (1,077,855)      | (1,062,598)      | (1,124,202)      | (1,121,235)      |
| <b>Gross profit</b>   | <b>333,481</b>   | <b>322,439</b>   | <b>378,759</b>   | <b>354,072</b>   |
| Operating revenue (expenses)  | (82,959)         | (69,789)         | (98,315)         | (77,644)         |
| Selling expenses  | (4,187)          | (3,927)          | (4,187)          | (3,927)          |
| Management fees   | (62,849)         | (55,189)         | (66,983)         | (59,687)         |
| General and administrative expenses   | (23,458)         | (22,123)         | (23,458)         | (22,123)         |
| Goodwill amortization   | (10,640)         | (27,826)         | (10,178)         | (28,161)         |
| Financial expenses, net   | (30,951)         | (55,660)         | (31,660)         | (56,489)         |
| Interest on shareholders' equity  | 9,468            | 7,225            | -                | -                |
| Equity pick-up  | 5,769            | (8,173)          | -                | -                |
| Reversal (provision) for loss of capital in investments                                 | (32,872)         | (28,910)         | (37,606)         | (32,159)         |
| Expenses with technology and research   | (506)            | 16,119           | 2,979            | 9,634            |
| <b>Other operating income (expenses), net</b>   | <b>(233,185)</b> | <b>(248,253)</b> | <b>(269,408)</b> | <b>(270,556)</b> |
| <b>Operating income</b>   | <b>100,296</b>   | <b>74,186</b>    | <b>109,351</b>   | <b>83,516</b>    |
| <b>Nonoperating result</b>  | <b>1,475</b>     | <b>164</b>       | <b>1,593</b>     | <b>(837)</b>     |
| <b>Income before income and social contribution taxes and minority interest</b>         | <b>101,771</b>   | <b>74,350</b>    | <b>110,944</b>   | <b>82,679</b>    |
| Current income and social contribution taxes  | (31,634)         | (18,154)         | (37,569)         | (23,531)         |
| Deferred income and social contribution taxes   | (387)            | (10,376)         | (276)            | (10,241)         |
| <b>Income before minority interest and reversal of interest on shareholders' equity</b> | <b>69,750</b>    | <b>45,820</b>    | <b>73,099</b>    | <b>48,907</b>    |
| <b>Minority interest</b>  | <b>-</b>         | <b>-</b>         | <b>(4,058)</b>   | <b>(3,916)</b>   |
| <b>Reversal of interest on shareholders' equity</b>                                     | <b>30,951</b>    | <b>55,660</b>    | <b>31,660</b>    | <b>56,489</b>    |
| <b>Net income for the year</b>  | <b>100,701</b>   | <b>101,480</b>   | <b>100,701</b>   | <b>101,480</b>   |
| <b>Earnings outstanding share at the end of the year in reais – R\$</b>                 | <b>3.31</b>      | <b>3.33</b>      |                  |                  |
| Number of outstanding shares at the end of the year (in thousands)                      | 30,454           | 30,454           |                  |                  |

**MAHLE METAL LEVE S.A. AND SUBSIDIARIES**

**STATEMENTS OF CASH FLOWS**  
**Years ended December 31, 2006 and 2005**  
(In thousands of reais)

| STATEMENTS OF CASH FLOWS   | Parent Company |                | Consolidated   |                |
|--|----------------|----------------|----------------|----------------|
|  | 2006           | 2005           | 2006           | 2005           |
| <b>Cash flows from operating activities</b>  |                |                |                |                |
| <b>Net income for the year</b>   | <b>100,701</b> | <b>101,480</b> | <b>100,701</b> | <b>101,480</b> |
| <b>Adjustments for reconciliation of net profit and cash generated by operating activities</b> |                |                |                |                |
| Depreciation and amortization  | 95,323         | 87,094         | 98,545         | 90,884         |
| Equity pick-up   | (9,468)        | (7,225)        | -              | -              |
| Minority interest  | -              | -              | 4,058          | 3,916          |
| Interest and foreign and monetary exchange variations, net                                     | 2,469          | 9,565          | 3,120          | 9,488          |
| Income from disposal of permanent assets   | 1,486          | 200            | 1,580          | 241            |
| Deferred income and social contribution taxes  | 387            | 10,376         | 276            | 10,241         |
| Reversal of allowance for doubtful accounts  | (2,001)        | (7,469)        | (1,801)        | (7,555)        |
| Set up (reversal) of provision for contingencies and legal obligations                         | (2,412)        | 3,167          | (2,056)        | 3,378          |
| Set up (reversal) of provision for warranties  | (2,394)        | (2,129)        | (2,674)        | (1,849)        |
| Reversal of sundry provisions  | 4,977          | (18,117)       | 5,659          | (20,808)       |
| Set up (reversal) of provision for loss of capital in investments                              | (5,769)        | 8,173          | -              | -              |
| <b>Decrease (increase) in assets</b>   |                |                |                |                |
| Trade accounts receivable  | (12,837)       | 9,079          | (43,754)       | (895)          |
| Accounts receivable from related parties   | (13,768)       | (2,111)        | 28,825         | 14,000         |
| Inventories  | (9,977)        | 51,908         | (31,451)       | 53,455         |
| Recoverable taxes  | 2,802          | (13,833)       | 1,862          | (12,371)       |
| Dividends and interest on shareholders' equity received from                                   | 8,855          | 5,382          | -              | -              |
| Other accounts receivable  | (3,048)        | 11,029         | (3,190)        | 11,038         |
| <b>Increase (decrease) in liabilities</b>  |                |                |                |                |
| Trade accounts payable   | (11,086)       | 10,108         | (10,296)       | 8,061          |
| Salaries, vacation pay and payroll charges payable   | 3,169          | (1,074)        | 3,747          | (869)          |
| Taxes and contributions payable  | 1,289          | 2,704          | 1,079          | 2,918          |
| Accounts payable to related parties  | 4,293          | (17,953)       | 9,751          | (14,664)       |
| Other accounts payable   | 7,917          | (1,285)        | 8,200          | (1,212)        |
| Net cash provided by operating activities  | 160,908        | 239,069        | 171,181        | 248,877        |
| <b>Cash flows from investment activities</b>   |                |                |                |                |
| Additions to investments   | -              | (166)          | -              | -              |
| Additions to fixed assets  | (84,062)       | (97,777)       | (89,909)       | (103,831)      |
| Sale of permanent assets   | (400)          | 1,272          | 64             | 1,449          |
| Net cash used in investing activities  | (84,462)       | (96,671)       | (89,845)       | (102,382)      |
| <b>Cash flows from financing activities</b>  |                |                |                |                |
| Financing  | 229,494        | 20,532         | 234,499        | 23,411         |
| Amortization of financing principal amounts  | (10,110)       | (1,750)        | (13,065)       | (1,750)        |
| Amortization of financing interest   | (6,087)        | (128)          | (6,281)        | (179)          |
| Discounted exchange bills  | (10,255)       | 33,061         | (10,255)       | 33,061         |
| Advances from customers  | (810)          | 397            | (890)          | (166)          |
| Minority interest on dividends and shareholders' equity  | -              | -              | (3,794)        | (2,306)        |
| Dividends and interest on shareholders' equity paid  | (271,688)      | (136,085)      | (270,385)      | (135,978)      |
| Expired dividends  | 132            | -              | 132            | -              |
| Net cash used in financing activities  | (69,324)       | (83,973)       | (70,039)       | (83,907)       |
| <b>Net additions to cash and cash equivalents</b>  | <b>7,122</b>   | <b>58,425</b>  | <b>12,297</b>  | <b>62,588</b>  |
| <b>Cash and cash equivalents at beginning of year</b>  | <b>86,840</b>  | <b>28,415</b>  | <b>100,761</b> | <b>38,173</b>  |
| <b>Cash and cash equivalents at end of year</b>  | <b>93,962</b>  | <b>86,840</b>  | <b>113,058</b> | <b>100,761</b> |
| <b>Additional information:</b>   |                |                |                |                |
| Payment of income and social contribution taxes  | 37,962         | 34,974         | 43,235         | 38,520         |