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

Greenbrier Maxion Equipamentos e Serviços Ferroviários S.A.

Financial Statements for the Year Ended December 31, 2019 and Independent Auditor's Report

Deloitte Touche Tohmatsu Auditores Independentes

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Executive Committee of
Greenbrier Maxion Equipamentos e Serviços Ferroviários S.A.

Opinion

We have audited the accompanying financial statements of Greenbrier Maxion Equipamentos e Serviços Ferroviários S.A. ("Company"), which comprise the balance sheet as at December 31, 2019, and the related statements of profit and loss, of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greenbrier Maxion Equipamentos e Serviços Ferroviários S.A. as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the relevant ethical requirements in the Code of Ethics for Professional Accountants and the professional standards issued by the Brazilian Federal Accounting Council ("CFC"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of matter

Related parties (financial support and transactions)

As mentioned in notes 1 and 9 to the financial statements, the Company has been receiving financial support from related parties through borrowings, under terms and conditions agreed upon among the parties, which is intended to cover the liabilities assumed, and maintains purchase and sale balances and transactions with related parties based on terms and conditions agreed upon among the relevant parties. Our opinion is not qualified in respect of this matter.

Management's responsibilities for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting practices adopted in Brazil and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other matters

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

São Paulo, March 20, 2020

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Danhiel Augusto Reis
Engagement Partner

2020-CPS-0154 VF (PA).DOCX

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GREENBRIER MAXION EQUIPAMENTOS E SERVIÇOS FERROVIÁRIOS S.A.

BALANCE SHEETS AS AT DECEMBER 31, 2019 AND 2018
(In thousands of Brazilian reais - R$)

ASSETS	Note	2019	2018
CURRENT ASSETS			
Cash and cash equivalents	4	70,970	18,112
Trade receivables	5	8,463	25,940
Inventories	6	184,448	171,593
Recoverable taxes	7	24,645	22,229
Prepaid expenses		3,590	505
Other receivables		1,455	1,170
Total current assets		293,571	239,549
NONCURRENT ASSETS			
Trade receivables	5	546	656
Recoverable taxes	7	550	365
Deferred income tax and social contribution	8	21,913	14,490
Escrow deposits	15	8,928	6,478
Other receivables		1,000	1,000
Right of use of leased assets	3.1.1	28,111	-
Property, plant and equipment	10	76,902	58,621
Total noncurrent assets		137,950	81,610
TOTAL ASSETS		431,521	321,159

LIABILITIES AND EQUITY	Note	2019	2018
CURRENT LIABILITIES			
Borrowings and financing	11	240,359	99,152
Trade payables	12	71,583	94,420
Taxes payable		1,213	1,484
Payroll and related taxes	13	11,252	21,099
Advances from customers		30	17
Lease liability - right of use	3.1.1	7,033	-
Other payables		8,552	6,728
Total current liabilities		340,022	222,900
NONCURRENT LIABILITIES			
Borrowings and financing	11	17,296	784
Provision for tax, civil and labor risks	14	13,463	11,376
Lease liability - right of use	3.1.1	21,062	-
Other payables		497	816
Total noncurrent liabilities		52,318	12,976
EQUITY			
Capital	15	87,707	87,707
Valuation adjustments to equity		1,162	1,340
Accumulated losses		(49,688)	(3,764)
Total equity		39,181	85,283
TOTAL LIABILITIES AND EQUITY		431,521	321,159

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

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GREENBRIER MAXION EQUIPAMENTOS E SERVIÇOS FERROVIÁRIOS S.A.

STATEMENTS OF PROFIT AND LOSS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands of Brazilian reais - R$, except loss per share)

	Note	2019	2018
NET SALES REVENUE	16	418,323	567,024
COST OF SALES AND SERVICES	19	(417,661)	(511,069)
GROSS PROFIT		662	55,955
OPERATING EXPENSES			
Selling expenses	19	(14,519)	(25,957)
General and administrative expenses	19	(14,239)	(17,912)
Management fees	19	(4,136)	(4,396)
Other operating expenses, net	20	(8,168)	(5,188)
INCOME BEFORE FINANCE INCOME (COSTS)		(40,400)	2,502
Finance income	17	996	900
Finance costs	17	(13,283)	(5,145)
Foreign exchange gains (losses), net	18	(816)	(2,359)
LOSS BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		(53,503)	(4,102)
INCOME TAX AND SOCIAL CONTRIBUTION			
Current	8.b	-	-
Deferred	8.b	7,416	(1,538)
LOSS FOR THE YEAR		(46,087)	(5,640)
LOSS PER SHARE - BASIC AND DILUTED - R$	16.c	(0.95368)	(0.11671)

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

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GREENBRIER MAXION EQUIPAMENTOS E SERVIÇOS FERROVIÁRIOS S.A.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands of Brazilian reais - R$)

	2019	2018
LOSS FOR THE YEAR	(46,087)	(5,640)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(46,087)	(5,640)

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

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GREENBRIER MAXION EQUIPAMENTOS E SERVIÇOS FERROVIÁRIOS S.A.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands of Brazilian reais - R$)

	Note	Capital	Capital reserve	Valuation adjustments to equity	Accumulated losses	Total
BALANCES AS AT DECEMBER 31, 2017		87,707	9,952	1,564	(8,253)	90,970
Allocation of the capital reserve		-	(9,952)	-	9,952	-
Realization of deemed cost, net of taxes		-	-	(224)	224	-
Derecognized assets at deemed cost		-	-	-	(47)	(47)
Loss for the year		-	-	-	(5,640)	(5,640)
BALANCES AS AT DECEMBER 31, 2018		87,707	-	1,340	(3,764)	85,283
Capital increase		-	-	-	-	-
Realization of deemed cost, net of taxes		-	-	(178)	178	-
Derecognized assets at deemed cost		-	-	-	(15)	(15)
Loss for the year		-	-	-	(46,087)	(46,087)
BALANCES AS AT DECEMBER 31, 2019		87,707	-	1,162	(49,688)	39,181

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

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GREENBRIER MAXION EQUIPAMENTOS E SERVIÇOS FERROVIÁRIOS S.A.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In thousands of Brazilian reais - R$)

	Note	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		(46,087)	(5,640)
Adjustments to reconcile loss for the year to cash provided by operating activities:			
Depreciation	19	9,471	7,873
Amortization of right of use	3.1.1	7,093	-
Derecognition of right of use	3.1.1	129	-
Deferred income tax and social contribution	8	(7,416)	1,538
Interest on borrowings and financing	11	11,060	4,180
Interest on lease liabilities	3.1.1	1,489	-
Residual value of property, plant and equipment items written off	10	627	1,534
Reversal of the allowance for inventory losses	6	1,158	(1,749)
Exchange rate changes on borrowings and financing	11	779	5
Provision for tax, civil and labor risks, net of reversals	14	2,087	(669)
Other		(341)	-
Decrease (increase) in assets:			
Trade receivables		17,587	17,091
Inventories		(36,153)	(99,908)
Recoverable taxes		(2,601)	(5,530)
Escrow deposits		(2,450)	(2,471)
Other receivables and other assets		(3,370)	143
(Decrease) increase in liabilities:			
Trade payables		(22,837)	28,612
Advances from customers		13	17
Payroll and related taxes		(9,847)	(423)
Other payables and other liabilities		1,234	(3,916)
Cash provided by operating activities		(78,375)	(59,313)
Payment of income tax and social contribution		-	-
Payment of interest on lease liabilities	3.1.1	(488)	
Payment of interest on borrowings and financing	11	(7,157)	(1,487)
Cash (used in) provided by operating activities		(86,020)	(60,800)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	(6,743)	(12,156)
Cash used in investing activities		(6,743)	(12,156)
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings and financing	11	257,344	68,235
Repayment of lease liabilities - principal	3.1.1	(7,719)	-
Repayment of borrowings and financing - principal	11	(104,004)	(21,602)
Cash provided by (used in) financing activities		145,621	46,633
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		52,858	(26,323)
Cash and cash equivalents at the beginning of the year		18,112	44,435
Cash and cash equivalents at the end of the year		70,970	18,112
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		52,858	(26,323)

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

1. GENERAL INFORMATION

1.1. Corporate data

Greenbrier Maxion Equipamentos e Serviços Ferroviários S.A. ("Company") is a privately-held corporation, incorporated on September 16, 2014, with registered head office at Rua Dez, s/n, Área Sítio São João, Jardim São Camilo, in the city of Hortolândia, State of São Paulo.

The Company started its operations on May 1, 2015. The Company is engaged in the manufacturing, milling, assembly, distribution, and sale of any type of railroad equipment, as well as import and export transactions.

The Company is jointly managed by two shareholders: Greenbrier do Brasil Participações Ltda. holding 60% stake and Amsted Maxion Fundição e Equipamentos Ferroviários S.A. holding 40% stake.

1.2. Operational plan and actions implemented by the Company's Management

The 2019 operational plan was impacted by the lack of demand due to several market factors, such as delay in the railway concession renewal process, which affected the approval of the concessionaires' investments, coupled with the change in the business model for on-demand agreements from end users.

The drop in the production volume was 38.3% when compared to 2018, requiring the adjustment to the production capacity, staff and investments.

In addition to the adaptation to the production area, the indirect and administrative areas were also reorganized. Such staff downsizing was necessary to adjust the business structure.

The actions taken by Management to improve revenues and increase liquidity include:

a) Realignment of the production processes and product development involving major technological efficiency actions (high capacity and low fuel consumption), high automation level and reduction of part numbers ;

b) Offer of financial alternative to customers (lease) and implementation of long-term agreements;

c) Consolidation of the railway service business involving the review, maintenance, refurbishment and transformation of cargo railcars, allowing better distribution and absorption of labor, besides meeting the market demand in detriment to the demand for new railcars;

d) Adoption of initiatives to cut costs and increase productivity in all Company's areas;

The expectation is that the market shows recovery in 2020 owing to government's investments of R$55.6 billion in railways, of which R$16 billion in new concessions (West-East Integration Railway and "Ferrogrão") and R$39.6 billion in concession renewals (Rumo - signature in the 1st quarter of 2020, Vale - 2nd quarter of 2020, MRS - 4th quarter of 2020 and VLI - 2021), according to data disclosed by the Ministry of Infrastructure.

The freight transport percentage per railway is expected to double within eight years and, with the new concessions, the transport mode should grow by 17%, reaching 35,000 km. Another driver for railway transportation in 2020, according to the National Supply Company (CONAB - Companhia Nacional de Abastecimento), is the record harvest volume of 251 million tons, where soybean production must grow by 7.1%. There is also an opportunity to replace more than 32 thousand railroad cars from the Brazilian railway fleet, as 53% of the fleet has more than 30 years.

We are aware that the Company presents negative working capital in R$ 46.451 as of December, 31 2019. The shareholders are regularly informed about the Company's results, supporting its operations with guarantees and credit facilities, thus maintaining the commitment to finance operations and provide the financial support necessary to comply with its obligations, if necessary. With the actions and scenarios presented, Management did not identify any circumstance that may affect the Company's ability to continue as a going concern.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

a) Statement of compliance

The Company's financial statements have been prepared in accordance with accounting practices adopted in Brazil.

The accounting practices adopted in Brazil comprise the policies set out in the Brazilian Corporate Law and the technical pronouncements, guidelines and interpretations issued by the Accounting Pronouncements Committee (CPC) and approved by the Brazilian Securities and Exchange Commission (CVM).

Management asserts that all relevant information included in the financial statements, and only this information, is being disclosed and corresponds to the information used by the Company in its management.

b) Measurement basis

The financial statements have been prepared using the historical cost, except for certain property, plant and equipment items measured at deemed cost and, when applicable, financial instruments measured at their fair values. The historical cost is generally based on the fair value of the consideration given in exchange for an asset.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market players at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique. In determining the fair value of an asset or liability, the Company takes into consideration the characteristics of the asset or liability should the market players take these characteristics into account in pricing the respective items on the measurement date. The fair value for purposes of measurement and/or disclosure in these financial statements is determined on such basis, except for lease transactions that are within the scope of CPC 06 (R2) – Leases (equivalent to IFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realizable value in CPC 16 (R1) - Inventories (equivalent to IAS 2) or value in use in CPC 01 (R1) - Impairment of Assets (equivalent to IAS 36).

c) Functional and reporting currency

Items in the Company's financial statements are measured in Brazilian reais (R$), the functional and reporting currency, which represents the currency of the main economic environment where the Company operates.

d) Use of estimates and judgments

In applying the accounting policies described in note 3, Management makes judgments and estimates regarding the reported assets' and liabilities' carrying amounts, which are not easily obtained from other sources. The estimates and associated assumptions are based on past experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

Estimates and assumptions are revised on an ongoing basis. The effects from the revisions to accounting estimates are recognized in profit or loss for the current year.

Areas that involved estimates and judgments are as follows:

- Note 5 - Allowance for doubtful debts.
- Note 6 - Allowance for inventory losses.
- Note 8 - Deferred income tax and social contribution.
- Note 14 - Provision for tax, civil and labor risks.
- Note 21 - Risk and financial instrument management.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Adoption of new and revised IFRSs that are effective for the current year

The International Accounting Standards Board (IASB) published or amended the following accounting pronouncements, guidelines or interpretations, which must be adopted on January 1, 2019.

Standard	Requirement	Impact on the financial statements
IFRS 16/CPC 06- Leases	Defines the principles for recognition, measurement, presentation and disclosure of leases. IFRS 16 supersedes IAS 17 – Leases and related interpretations. Effective beginning January 1, 2019.	The interpretation reflects the practice adopted by the Company and its accounting policies.
IFRIC 23 – Uncertainty over Income Tax Treatments	Establishes recognition and measurement requirements of IAS 12 when there are uncertainties over income tax treatments relating to current or deferred tax assets or liabilities, based on taxable income, tax losses, tax basis, unutilized tax losses, unutilized tax credits and tax rates. Effective beginning January 1, 2019.	The Company did not identify material impacts on its financial statements.
IAS 19 - Plan Amendment, Curtailment or Settlement	Clarifies measurement and recognition aspects as a result of employee benefit plan curtailments and settlements. Effective beginning January 1, 2019.	The Company did not identify material impacts on its financial statements.

The other standards, among the standards above, other than the amendment to CPC 06 (R2), had no significant impacts on the Company. The impacts arising from the adoption of CPC 06 (R2) are as follows:

3.1.1. Impact from the first-time adoption of CPC 06 (R2) (IFRS 16) - Leases

This standard introduces new or amended requirements with respect to lease accounting. The standard introduces significant changes in the lessee's accounting when eliminating the distinction between operating and finance lease and requiring the recognition of the right-of-use asset and lease liability at the inception for all leases, other than short-term leases and leases of low-value assets. Differently from the lessee's accounting, the lessor accounting requirements remain substantially unchanged.

Differently from the accounting criteria applicable to lessors, CPC 06 (R2) substantially transfers the lessor accounting requirements set out in IAS 17 (CPC 06) - Impact on lessee's accounting.

This standard supersedes the existing lease standards, including CPC 06 (R1) (equivalent to IAS 17 - Leases and ICPC 03 (equivalent to IFRIC 4, SIC 15 and SIC 27) - Complementary Aspects of Leases.

The Company elected to adopt the modified retrospective approach of CPC 06 (R2), that is, the Company will not restate the comparative information and applied the following practical expedients and exemptions:

- Definition of lease contract upon transition: the Company adopted CPC 06 (R2) / IFRS 16 for all contracts effective on January 1, 2019 that were identified as leases in accordance with CPC 06 (R2) / IFRS 16.
- Contracts whose remaining term on the adoption date was equal to or below 12 months: the Company continued to recognize lease payments associated to such leases as expense on a straight-line basis over the lease term.
- Contracts with respect to which the underlying assets had low value: the Company continued to recognize lease payments associated to such leases as expense on a straight-line basis over the lease term.
- Application of a single discount rate to the lease portfolio with reasonably similar features (such as leases with similar remaining lease term for a similar class of underlying asset).

Operating leases

Upon the first-time adoption of CPC 06 (R2), for all leases (except as described below), the Company is required to:

- Recognize right-of-use assets and lease liabilities in the balance sheet, initially measured at the present value of future lease payments;
- Recognize depreciation of right-of-use assets and interest on lease liabilities in the statement of profit and loss; and
- Segregate the total amount of cash paid into a principal portion (reported within financing activities) and interest (reported within operating activities) in the consolidated statement of cash flows.

Under CPC 06 (R2) (IFRS 16), right-of-use assets are tested for impairment pursuant to CPC 01 (R1) - Impairment of Assets (IAS 36). Such standard superseded the prior requirements for recognition of a provision for onerous lease agreements.

For short-term leases (i.e., when the lease term is 12 months or less) and leases of low-value assets (for instance, personal computers and office furniture), the Company recognized lease expenses on a straight-line basis pursuant to CPC 06 (R2).

Impacts on the balance sheet upon first-time adoption

In addition to changing the Company's accounting practice, CPC 06 (R2) had the following impacts on the Company's financial statements:

Impacts on the balance sheet upon first-time adoption

The impact of IFRS 16 is applicable only to one agreement at the Company, which is the plant rent, in conformity with all requirements in the standard. The methodology used to calculate the net present value of the agreements corresponds to the cash flow from the considerations assumed discounted at the discount rate set for the asset class, which in the case of the property rent was 6.69% p.a. The table below shows the balances recognized and their variations in the year.

Right-of-use asset	
Balance as at 01/01/2019	34,781
Additions	552
Write-offs	(129)
Depreciation balance in the period	(7,093)
Balance as at 12/31/2019	28,111
Lease liability:	
Balance as at 01/01/2019	34,813
Principal repayment	(7,719)
Payment of interest	(488)
Accrued interest	1,489
Balance as at 12/31/2019	28,095

Payment schedule is as follows

	R$
2020	7,033
2021	7,188
2022	10,842
2023 onwards	3,032
Total	28,095

3.1.2. Adoption of new pronouncements, amendments and interpretations issued by the CPC and standards published but not yet effective

Management also considered the impact of the new standards, interpretations and amendments issued, but not yet effective. Except as otherwise stated, they are not considered material for the Company and will become effective for annual periods beginning on or after December 31, 2019.

Standard	Requirement	Impact on the financial statements
IFRS 3 – Definition of Business	Clarifies business definition aspects so as to clarify when a transaction must be treated as business combination or asset acquisition. Effective beginning January 1, 2020.	The Company does not anticipate material impacts on the financial statements.
IAS 1 and IAS 8 – Definition of Materiality	Clarifies materiality aspects for classification of the accounting standard where this concept is applicable. Effective beginning January 1, 2020.	The Company does not anticipate material impacts on the financial statements.

The accounting pronouncements IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and IFRS 17 – Insurance Contracts are not applicable to the Company.

Because of the CPC's and the CFC's commitment to keep the set of standards issued up-to-date based on the updates made by the International Accounting Standards Board (IASB), these pronouncements and amendments are expected to be issued by the CPC and approved by the CFC through the date they become mandatory, as required by the International Financial Reporting Standards (IFRS).

3.1.3. Other accounting policies

a) General revenue recognition principles and criteria

Revenue from product sales

Revenue is recognized to the extent it is probable that economic benefits will flow to the Company and when it can be reliably measured, regardless of when payment will be received, and when the relevant control is transferred to the buyers. Revenue is measured based on the fair value of the consideration received, less any discounts, rebates and taxes or charges on sales. The Company assesses revenue transactions based on specific criteria to determine whether it is acting as an agent or a principal, and finally concluded that it is acting as a principal under all of its revenue agreements. The Company does not provide any warranties other than those prescribed by law, in accordance with the industry's policy.

b) Foreign currency-denominated transactions

These are translated into the Company's functional currency at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting periods are retranslated into the functional currency at the rates prevailing at that date. Foreign exchange gains or losses on monetary items correspond to the difference between the amortized cost of the functional currency at the beginning of the year, and the amortized cost in foreign currency at the exchange rate prevailing at the end of each year. Foreign currency-denominated nonmonetary assets and liabilities that are measured at fair value are retranslated into the functional currency at the exchange rate prevailing at the date their fair values were determined.

c) Cash and cash equivalents

Comprise cash, banks and highly liquid short-term investments maturing within up to 90 days from investment date, immediately convertible into a known amount of cash and subject to an insignificant risk of change in value, which are carried at cost plus income earned through the end of each reporting period, which does not exceed their fair or realizable values.

d) Trade receivables and allowance for doubtful debts

Recognized and held in the balance sheet at the original amount of the receivables, less the allowance for doubtful debts, which is recognized taking into account the expected credit loss criteria. The breakdown of trade receivables is analyzed as a whole, and an allowance is recognized for all receivables that are not expected to generate future economic benefits for the Company.

e) Inventories

Stated at average acquisition or production cost, adjusted to their net realizable value and probable losses, when applicable. The average cost includes all costs incurred on purchase, production and processing costs, and costs incurred in bringing the inventories to their present location and condition. In the case of finished product and work in process inventories, cost includes a proportional share of manufacturing overheads based on normal production capacity.

The net realizable value is the estimated sales price in the normal course of business less estimated completion costs and selling expenses.

The Company makes estimates to determine the allowance for losses on inventories, which it considers to be in an amount considered sufficient to cover probable losses on inventories, based on the policy set by Management. The allowance for losses on inventories is recognized based on the history of consumption on an item-by-item basis for the past 12 months compared to the existing balance of inventories for the current year. The allowance for losses on inventories that exceed historical consumption for the past 12 months and for which no future sales are expected is recognized.

f) Property, plant and equipment

f.1) Recognition and measurement

Stated at purchase or construction cost and, when applicable, interest capitalized during the construction period, in the case of qualifying assets, less accumulated depreciation and allowance for impairment losses on discontinued assets without expectation of reuse or realization.

Machinery spare parts necessary to the regular operation of the items of property, plant and equipment and that result in an increase of an asset’s useful life by more than twelve months, are classified as property, plant and equipment.

f.2) Subsequent costs

The cost of replacement of an item of property, plant and equipment is recognized at the carrying amount of the item when it is probable that the economic benefits arising from the item will flow to the Company and its cost can be reliably measured. Current regular maintenance costs are recognized in profit or loss as incurred.

f.3) Depreciation

Calculated on the depreciable amount, which is the purchase cost of an asset or another cost value after deducting its residual value.

Depreciation is recognized in profit or loss on a straight-line basis, based on the estimated useful lives of each part of an item of property, plant and equipment, as this method is more representative of the time pattern in which economic benefits from the asset are consumed. Land is not depreciated.

The depreciation rates estimated based on the useful lives are disclosed in note 10.

The depreciation methods, useful lives and residual values are reviewed at the end of each reporting period, and possible adjustments are subsequently recognized as changes in accounting estimates.

g) Impairment testing

g.1) Property, plant and equipment

The Company analyzes on an annual basis whether there is evidence that the carrying amount of an asset might be impaired. If there is any evidence of impairment, the recoverable amount of the asset is estimated, which is the higher of its fair value less costs to sell and its value in use. The value in use is equivalent to pretax discounted cash flows arising from the continuing use of the asset. When the residual value of the asset exceeds its recoverable amount, an impairment loss is recognized.

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

g.2) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at the end of each fiscal year to determine whether there is any objective evidence that it is impaired.

h) Provisions

h.1) Provision for tax, civil and labor risks

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of funds will be required to settle the obligation, and the obligation amount can be reliably estimated. The provision is quantified at the present value of the expected disbursement to settle the obligation using the appropriate discount rate, according to related risks.

It is adjusted up to the end of each fiscal year for the probable loss amount, according to the nature of each contingency and based on the opinion of the Company’s legal counsel. The bases for and nature of the provisions for tax, civil, and labor risks are described in note 14.

i) Taxation

i.1) Current taxes

The provision for income tax and social contribution is based on the taxable income for the year. Taxable income differs from the income in the statement of profit and loss as it excludes income or expenses taxable or deductible in other years, and also nontaxable or nondeductible items on a permanent basis. The provision for income tax and social contribution is calculated at the rates prevailing at the end of each year, of 15%, plus a surtax of 10% on the taxable income above R$240 (annual basis) for income tax and 9% on the taxable income for social contribution, considering the offset of income and social contribution taxes loss carryforwards, limited to 30% of the taxable income.

i.2) Deferred taxes

Deferred income tax and social contribution (“deferred taxes”) arise from temporary differences at the end of each fiscal year between the balances of assets and liabilities recognized in the financial statements and their tax bases used in the determination of taxable income, including tax losses where applicable. Deferred tax liabilities are usually recognized on all temporary taxable differences and deferred tax assets are recognized on all temporary deductible differences, only when it is probable that the Company will present future taxable income in a sufficient amount so that these temporary deductible differences can be utilized.

The recovery of deferred tax assets is reviewed at the end of each fiscal year, and when it is no longer probable that future taxable income will be available to allow the recovery of all or part of the assets, the asset balance is adjusted based on the expected recoverable amount.

Deferred tax assets and liabilities are measured using the tax rates applicable for the period in which the liability is expected to be settled or the asset is expected to be realized, based on the tax rates set forth in the tax law prevailing at the end of each reporting period, or when new legislation has been substantially enacted. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of each year, to recover or settle the carrying amount of these assets and liabilities.

Deferred tax assets and liabilities are offset when, and only when, there is the legal right to offset the tax asset against the tax liability and when they are related to the taxes managed by the same tax authority, and the Company intends to settle the net value of its tax assets and liabilities.

j) Leases

j.1 Lessee

The Company assesses whether a contract is or contains a lease at the commencement of the agreement. The Company recognizes a right-of-use asset and corresponding lease liability for all lease agreements where the Company is the lessee, except for short-term leases (with lease terms of no more than 12 months) and low-value asset leases (such as tablets and personal computers, small items of office furniture and telephones).

For these leases, the Company recognizes operating lease payments as operating expenses on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of lease payments that are not paid at the inception date, discounted by applying the implicit lease rate. If such rate is not readily determinable, the Group uses its incremental borrowing rate.

The lease liability is presented in a separate line of the balance sheet, and is subsequently measured by increasing the carrying amount to reflect the interest on the lease liability (using the effective interest method) and reducing the carrying amount to reflect the lease payment made. The Company remeasures the lease liability (and makes a corresponding adjustment to the respective right-of-use asset) whenever:

- The lease term is changed or there is any significant event or change in circumstances that results in a change in the assessment of the exercise of the call option.
- Lease payments are changed due to changes in the index or rate or there is a change in the expected payment of the residual guaranteed value.
- The lease agreement is modified and the change in the lease is not accounted for as a separate lease.

The Company did not make these adjustments during the reporting periods. The right-of-use assets include the initial measurement of the corresponding lease liability and lease payments made on or before the inception date, less potential lease incentives received and initial direct costs.

These assets are subsequently measured at cost, less accumulated depreciation and accumulated impairment losses, and expenses are recorded in the relevant line item according to their nature ("Cost of sales" / "Administrative expenses" / "Selling expenses"), as well as interest expenses, corresponding to the amortization of the lease liability of agreements, are allocated to "Finance income (costs)".

Whenever the Group assumes an obligation with respect to the costs necessary to disassemble and remove a leased asset, restore the place where the asset is located or return the corresponding asset to the condition required in accordance with the lease terms and conditions, the allowance is recognized and measured pursuant to IAS 37 (CPC 25).

Right-of-use assets are disclosed in a separate line in the balance sheet. The Group applies IAS 36 (CPC 01 (R1)) to determine whether the right-of-use asset is impaired and account for potential impairment losses identified as described in the impairment policy.

Variable rents that do not depend on an index or rate are not part of the measurement of the lease liability and right-of-use asset. The corresponding payments are recognized as expense in the period in which the event or condition that gave rise to these payments occurs and are recorded in line item 'General and administrative expenses' in profit or loss.

k) Financial instruments

Classification and measurement of financial assets

All financial assets recognized must be subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and their contractual cash flow characteristics.

Financial assets

(i) Amortized cost

Financial assets held in a business model intended to maintain financial assets to receive contractual cash flows are recognized at amortized cost. These flows are received on specific dates and exclusively refer to payment of principal and interest. Assets classified in this category include: "Cash and cash equivalents", "Trade receivables" and "Other receivables".

(ii) Fair value through profit or loss

Those assets that (i) are not included in the business models for which classification at amortized cost or at fair value through other comprehensive income would be possible; (ii) equity instruments designated at fair value through profit or loss; and (iii) are managed so as to obtain cash flow from the sale of assets are recognized at fair value through profit or loss.

Initial measurement

Upon initial recognition, the Company measures its financial assets and financial liabilities at fair value, considering the transaction costs attributable to the acquisition or issuance of the financial asset or financial liability. For trade receivables, initial measurement is performed based on the transaction price.

Subsequent measurement

Based on the classification of assets, the subsequent measurement will be as follows:

(i) Amortized cost

These assets are accounted for using the effective interest method less the amount related to the expected credit loss. Additionally, the amount of principal paid is considered for calculation of the amortized cost.

(ii) Fair value through profit or loss

Assets classified within such business model are accounted for through the recognition of the gain and loss in profit or loss for the period.

(iii) Impairment of financial assets

Regarding the impairment of financial assets, CPC 38 requires an "expected credit loss" model compared to the "incurred credit loss" model set out in CPC 38 (IFRS 9). Under the "expected credit loss" model, the Company is required to recognize expected credit losses and related variations at each reporting date to reflect any changes in the credit risk occurred since the initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized. CPC 38 (IFRS9) specifically requires the Company to recognize an allowance for expected credit losses on trade receivables. In particular, CPC 38 (IFRS9) requires the Company to measure the loss allowance for a financial instrument in an amount equivalent to lifetime expected credit losses (ECL) if the credit risk underlying such financial instrument has increased significantly since the initial recognition, or if the financial instrument corresponds to an acquired or originated financial asset that might be impaired. Nevertheless, if the credit risk underlying a financial instrument has not increased significantly since the initial recognition (except for acquired or originated financial assets that might be impaired), the Company is required to measure the loss allowance for that financial instrument in an amount equivalent to 12-month ECL. CPC 38 (IFRS9) also sets a simplified approach to measure a loss allowance in an amount equivalent to lifetime ECL for trade receivables, contract assets and lease receivables under certain circumstances.

Trade receivables, among the financial assets held by the Company, are subject to recognition of the allowance for impairment (note 5). The Company's operations are focused on the railroad segment, and the large majority of its receivables derive from a few customers with appropriate financial soundness; for this reason, the loss on collection of receivables in the year ended 2019 did not show any changes. Therefore, the Company's profit or loss did not have significant impacts on the adoption of the recognition of credit losses.

Financial liabilities

Classification

The Company's financial liabilities are classified at:

(i) Amortized cost, comprised of trade payables, and borrowings and financing.

Initial recognition

Financial liabilities are initially recognized at fair value, plus transaction costs (in the case of borrowings, financing and debentures and trade payables). The Company's financial liabilities include: trade payables, borrowings and financing. The Company does not have any derivative financial instruments.

Subsequent measurement

Based on the classification of liabilities, the subsequent measurement will be as follows:

(i) Amortized cost

Liabilities classified at amortized cost are accounted for using the effective interest method, where gains and losses are recognized in profit or loss upon derecognition of liabilities and recognition of amortization.

(ii) Fair value through profit or loss

Liabilities classified at fair value through profit or loss are accounted for through the recognition of the gain and loss in profit or loss for the period.

l) Earnings (loss) per share

Basic earnings (loss) per share are calculated by means of the profit or loss for the year attributable to the Company's owners and noncontrolling interests and the weighted average number of common shares outstanding in the related year. Diluted earnings (loss) per share are calculated by means of the average number of shares outstanding, adjusted by instruments potentially convertible into shares, with diluting effect, in the reported years.

4. CASH AND CASH EQUIVALENTS

	2019	2018
Cash and banks	70,684	11,537
Highly liquid short-term investments	286	6,575
Total	70,970	18,112

As at December 31, 2019, the Company's short-term investments are represented by Bank Certificates of Deposit (CDBs), executed with several financial institutions, with yield equivalent to 89.07% of the Interbank Certificate of Deposit rate (CDI) (95.63% in December 2018) and are classified as cash and cash equivalents for being redeemable within 90 days after the purchase date and being considered financial assets with immediate redemption guarantee, subject to an insignificant risk of change in value.

5. TRADE RECEIVABLES

a) Breakdown

	2019	2018
In Brazil	9,487	27,074
Allowance for doubtful debts	(478)	(478)
Total	9,009	26,596
Current assets	8,463	25,940
Noncurrent assets	546	656

Aging list

	2019	2018
Current	7,997	26,557
Past-due:		
1 to 30 days	379	37
31 to 60 days	631	-
61 to 90 days	-	-
91 to 180 days	2	2
Over 181 days	478	478
Total	9,487	27,074

Variations in the allowance for doubtful debts are as follows:

	2019	2018
Balance at the beginning of the year	(478)	(478)
Reversals	-	-
Additions	-	-
Balance at the end of the year	(478)	(478)

6. INVENTORIES

	2019	2018
Finished products	125,382	121,254
Work in process	13,035	7,316
Raw materials	46,417	42,822
Auxiliary materials	2,240	1,633
Advances to suppliers	-	11
Imports in transit	32	57
Allowance for inventory losses	(2,658)	(1,500)
Total	184,448	171,593

Variations in the allowance for inventory losses are as follows:

	2019	2018
Balance at the beginning of the year	(1,500)	(3,249)
Provisions	(3,324)	(2,533)
Reversals	2,166	4,282
Balance at the end of the year	(2,658)	(1,500)

7. RECOVERABLE TAXES

	2019	2018
State VAT (ICMS) (*)	18,929	10,541
Tax on revenue (COFINS)	1,685	3,813
Tax on revenue (PIS)	366	1,244
Corporate Income Tax (IRPJ)	4,012	6,612
Federal VAT (IPI)	203	384
Total	25,195	22,594
Current assets	24,645	22,229
Noncurrent assets	550	365

(*) The Company has been striving to release part of the ICMS credit with the São Paulo State Finance Department. These credits will be used to pay suppliers (the main of which is a related party).

8. INCOME TAX AND SOCIAL CONTRIBUTION

a) Deferred

	2019	2018
Tax loss carryforwards	16,254	5,008
Social contribution tax loss carryforwards	5,852	1,803
Provision for unrealizable credits	(10,707)	-
Provision for tax, civil and labor risks	4,577	3,868
Allowance for inventory losses	904	510
Allowance for doubtful debts	163	162
Accrued profit sharing	830	1,884
Provision for warranties and reviews	1,206	1,031
Other	4,647	1,067
Total deferred income tax and social contribution assets	23,726	15,333

	2019	2018
Deemed cost of property, plant and equipment	(598)	(690)
Difference in depreciation criterion	(1,215)	(153)
Total deferred income tax and social contribution liabilities	(1,813)	(843)
Deferred tax assets, net	21,913	14,490

Based on taxable profit projections approved by Management, the Company estimates to recover the tax credit arising on tax loss carryforwards, as well as on temporary differences, in the following years:

Year	R$
2020	257
2021	1,668
2022	2,645
2023	3,417
2024	3,859
2025 onwards	10,067
Total	21,913

The estimated recoverability of tax credits was based on the taxable profit projections, considering several financial and business assumptions.

b) Reconciliation of statutory income tax rates with the effective tax rates

	2019	2018
Profit (loss) before income tax and social contribution	(53,503)	(4,102)
Combined rate	34%	34%
Income tax and social contribution credit at combined rate	18,191	1,395
Permanent differences	(153)	(2,933)
Provision for unrealizable credits	(10,622)	-
Income tax and social contribution in profit or loss	7,416	(1,538)
Current	-	-
Deferred	7,416	(1,538)
Effective rates	14%	(37%)

9. RELATED PARTIES

a) The amounts referring to the compensation of key Management personnel, pursuant to the bylaws, are as follows:

	2019	2018
Key Management personnel (salaries and benefits)	4,136	4,396

b) In the normal course of business, the Company conducted intragroup transactions under prices, terms, finance charges and other conditions agreed upon among the parties. The main asset and liability balances as at December 31, 2019, as well as the transactions that impacted profit or loss for the year then ended, regarding the transactions with related parties are as follows:

	2019			
	Assets	Liabilities	Profit or loss	
	Trade receivables	Trade payables	Sales	Purchases
Amsted Rail Brasil Equipamentos Ferroviários S.A. (*)	115	13,562	5	138,895
Amsted Maxion Fundição e Equipamentos Ferroviários S.A. (*)	176	25,978	1,094	77,003
Total	291	39,540	1,099	215,928

	2018			
	Assets	Liabilities	Profit or loss	
	Trade receivables	Trade payables	Sales	Purchases
Amsted Rail Company, Inc. (*)	-	5	-	18,741
Amsted Rail Brasil Equipamentos Ferroviários S.A. (*)	115	23,762	-	40,358
Amsted Maxion Fundição e Equipamentos Ferroviários S.A. (*)	156	486	365	119,737
Total	271	24,253	365	178,836

(*) The Company acquires raw materials and railroad components (mainly railroad axles, bearings, wheels, and casts) from Amsted Maxion Fundição e Equipamentos Ferroviários S.A. and from Amsted Rail Brasil Equipamentos Ferroviários S.A., a subsidiary of Amsted Industries, Inc.

c) Shared services agreement

On May 6, 2015, the Company and Amsted Maxion Fundição e Equipamentos Ferroviários S.A., entered into an agreement that regulates the sharing of the management infrastructure comprising, but not limited to, employees, technicians, contractors, equipment, and materials (back office) aimed at reducing costs and expenses. This agreement covers sharing the expenses of the following corporate functions: Executive Board, IT, Accounting, Sales and Marketing. Infrastructure and facility expenses related to this agreement, recorded in line item "General and administrative expenses", amounted to R$2,034 for the year ended December 31, 2019 (R$1,840 as at December 31, 2018).

10. PROPERTY, PLANT AND EQUIPMENT

	Average annual depreciation rate - %	2019			2018
		Cost	Accumulated depreciation	Net	Net
Buildings and improvements	5.55	7,581	(2,797)	4,784	4,776
Machinery and equipment	11.00	50,922	(26,121)	24,801	22,798
Tooling	11.00	614	(367)	247	266
Molds	18.00	31,051	(13,833)	17,218	15,913
Furniture and fixtures	7.00	4,850	(2,112)	2,738	3,000
Company cars (*)	22.22	-	-	-	504
IT equipment	31.50	4,944	(3,686)	1,258	1,528
Other property, plant and equipment	2.25	90	(87)	3	4
Construction in progress	-	5,415	-	5,415	9,832
Cargo railcars	-	21,024	(586)	20,438	
Total		126,491	(49,589)	76,902	58,621

(*) Balance reclassified to right of use, according to the practical expedient set out in CPC 06 (R2).

Variations in cost - 2019

	2018	2019			
	Cost	Additions	Write-offs	Transfers	Cost
Buildings and improvements	6,777	-	(1)	805	7,581
Machinery and equipment	45,680	322	(520)	5,440	50,922
Tooling	590	-	(1)	25	614
Molds	27,575	-	(778)	4,254	31,051
Furniture and fixtures	4,678	-	-	172	4,850
Company cars (*)	1,110	-	-	(1,110)	-
IT equipment	4,847	-	(44)	141	4,944
Other property, plant and equipment	89	1	-	-	90
Construction in progress (**)	9,832	90,884	-	(95,301)	5,415
Cargo railcars (**)	-	-	(63,440)	84,464	21,024
Total	101,178	91,207	(64,784)	(1,110)	126,491

(*) Balance reclassified to right of use, according to the practical expedient set out in CPC 06 (R2).

(**) During 2019 the Company reversed R$84,464 from its inventories to property, plant and equipment for the lease of railcars to a specific customer; as at December 31, 2019, of this balance, R$63,440 was already sold with a residual cost of R$62,324.

Variations in depreciation - 2019

	2018	2019			
	Accumulated depreciation	Additions	Write-offs	Transfer	Accumulated depreciation
Buildings and improvements	(2,001)	(797)	1		(2,797)
Machinery and equipment	(22,882)	(3,370)	131		(26,121)
Tooling	(324)	(44)	1		(367)
Molds	(11,662)	(2,715)	544		(13,833)
Furniture and fixtures	(1,678)	(435)	1		(2,112)
Company cars (*)	(606)	-	-	606	-
IT equipment	(3,319)	(406)	39		(3,686)
Other property, plant and equipment	(85)	(2)	-		(87)
Cargo railcars (**)	-	(1,702)	1,116		(586)
Total	(42,557)	(9,471)	1,833	606	(49,589)

(*) Balance reclassified to right of use, according to the practical expedient set out in CPC 06 (R2).

(**) During 2019 the Company reversed R$84,464 from its inventories to property, plant and equipment for the lease of railcars to a specific customer; as at December 31, 2019, of this balance, R$63,440 was already sold with a residual cost of R$62,324.

Variations in cost - 2018

	2017	2018			
	Cost	Additions	Write-offs	Transfers	Cost
Buildings and improvements	6,359	-	-	418	6,777
Machinery and equipment	44,234	675	(352)	1,123	45,680
Tooling	966	-	-	(376)	590
Molds	27,554	-	(2,408)	2,429	27,575
Furniture and fixtures	3,685	-	(7)	1,000	4,678
Company cars	1,110	-	-	-	1,110
IT equipment	4,594	-	(56)	309	4,847
Other property, plant and equipment	89	-	-	-	89
Construction in progress	4,217	11,481	(963)	(4,903)	9,832
Total	92,808	12,156	(3,786)	-	101,178

Variations in depreciation - 2018

	2017	2018		
	Accumulated depreciation	Additions	Write-offs	Accumulated depreciation
Buildings and improvements	(1,380)	(621)	-	(2,001)
Machinery and equipment	(20,814)	(2,456)	388	(22,882)
Tooling	(576)	(44)	296	(324)
Molds	(9,670)	(3,506)	1,514	(11,662)
Furniture and fixtures	(1,387)	(295)	4	(1,678)
Company cars	(207)	(406)	7	(606)
IT equipment	(2,820)	(542)	43	(3,319)
Other property, plant and equipment	(82)	(3)	-	(85)
Total	(36,936)	(7,873)	2,252	(42,557)

In the year ended December 31, 2019, the Company did not find any indicators that the carrying amounts of some of its assets could be higher than their recoverable amounts; thus, no allowance for impairment was recognized in the financial statements.

11. BORROWINGS AND FINANCING

	Index	Effective annual interest rate - %	Final maturity date	2019	2018
Local currency:					
Finance lease	-	8.42	08/17/2020	-	311
Finance lease	-	13.34	04/25/2021	-	225
Working capital	CDI	16.50	01/02/2020	704	-
431	-	9.94	02/10/2020	10,376	-
431	-	9.91	02/20/2020	7,536	-
NCE	CDI+1.66%	6.59	07/06/2021	5,040	10,176
NCE	CDI+2.29%	6.79	10/12/2020	18,072	-
NCE	CDI+1.90%	6.38	07/06/2021	5,000	-
NCE	139% of CDI	6.17	08/14/2020	15,036	-
NCE	CDI+3.04	7.57	07/15/2021	18,874	11,488
NCE	CDI+2.15	6.64	08/06/2020	20,665	-
NCE	132.75 of CDI	5.88	02/26/2021	5,040	-
NCE	154% of CDI	6.86	11/09/2020	10,119	-
NCE	157% of CDI	6.99	11/19/2020	5,009	-
NCE	CDI+2.60%	7.11	12/14/2020	4,009	-
NCE	CDI+2.90%	4.43	08/10/2020	10,460	-
ASSIGNMENT OF RECEIVABLES	-	7.80	01/20/2020	17,860	-
FINAME	-	8.19	10/15/2023	1,609	812
FINAME		6.65	12/15/2023	595	-
Intercompany financing	CDI	5.96	02/10/2020	95,699	41,434
Intercompany financing	-	6.40	02/10/2020	5,952	35,490
Total				257,655	99,936
Current liabilities				240,359	99,152
Noncurrent liabilities				17,296	784

Variations in borrowings and financing

	2019	2018
Balance as at December 31	99,936	50,605
Funding	257,344	68,235
Accrued interest	11,060	4,180
Principal repayment	(104,004)	(21,602)
Payment of interest	(7,157)	(1,487)
Transfer to lease liability	(536)	-
Exchange rate changes on translation	779	5
Balance as at December 31	257,655	99,936

12. TRADE PAYABLES

	2019	2018
In Brazil	32,043	70,010
Abroad	-	157
Related parties (note 9)	39,540	24,253
Total	71,583	94,420

13. PAYROLL AND RELATED TAXES

	2019	2018
Related taxes	5,488	3,745
Accrued vacation pay	3,182	11,666
Profit sharing	2,442	5,540
Other	140	148
Total	11,252	21,099

14. PROVISION FOR TAX, CIVIL AND LABOR RISKS

The Company is a party to lawsuits and administrative proceedings before various courts and governmental bodies, arising in the normal course of business and involving tax, civil, labor and other matters.

Management, based on information from its legal counsel, analyzed ongoing proceedings and, as regards labor lawsuits, based on past experience regarding the amounts claimed, has recognized a provision in an amount considered sufficient to cover probable losses on ongoing proceedings, as follows:

	2019	2018
Labor lawsuits	10,752	9,622
Tax lawsuits - Federal	2,486	1,754
Civil lawsuits	225	-
Total	13,463	11,376

Variations in the year were as follows:

	Balance in 2018	Additions	Adjustments	Write-offs	Balance in 2019
Labor lawsuits	9,622	5,642	627	(5,139)	10,752
Tax lawsuits - Federal	1,754	732	-	-	2,486
Civil lawsuits	-	431	-	(206)	225
Total	11,376	6,805	627	(5,345)	13,463

	Balance in 2017	Additions	Adjustments	Write-offs	Balance in 2018
Labor lawsuits	11,265	3,127	427	(5,197)	9,622
Tax lawsuits - Federal	780	974	-	-	1,754
Total	12,045	4,101	427	(5,197)	11,376

The following is a summary of the lawsuits to which the Company is a party, broken down by type:

Labor lawsuits

As at December 31, 2019, the Company was a party to 622 labor lawsuits (583 in 2018). The main claims in these lawsuits refer to occupational illnesses, accidents, health hazard and hazardous duty premiums, overtime, salary parity and severance pay, among others, and there are no lawsuits whose amounts are individually relevant. The total amount under litigation is R$100,690 (R$91,067 in 2018) for which a provision in the amount of R$10,752 (R$9,622 in 2018) was recognized based on historical information representing the best estimate of probable losses. There are other lawsuits whose likelihood of loss was assessed by the Company's legal counsel as remote, for which no provision was recognized since accounting practices adopted in Brazil do not require its recognition or disclosure.

Possible risks

The Company is a party to several ongoing tax and civil lawsuits, whose likelihood of loss, based on the Company's estimates and its legal counsel's opinion, is assessed as possible; therefore, no provisions were recorded. As at December 31, 2019, tax lawsuits amounted to R$1,335 (R$2,889 as at December 31, 2018), whereas civil lawsuits amounted to R$230 (R$855 as at December 31, 2018).

Appeal escrow deposits

Represent restricted assets of the Company and are related to amounts deposited and held by the courts until a final decision of the related litigation is reached.

As at December 31, 2019, the balance of R$8,928 (R$6,478 as at December 31, 2018) refers to escrow deposits related to labor, tax and civil lawsuits. These deposits, which do not involve current obligations, were necessary to proceed with the lawsuits. Based on Management's and its legal counsel's opinion, the likelihood of loss is not considered as probable and, therefore, no provision for tax, civil and labor risks was recognized.

15. EQUITY

a) Capital

As at December 31, 2019 and 2018, subscribed and paid-in capital amounts to R$87,707.

	Country	Number of shares	Equity interest %	Total
Amsted Maxion Fundição e Equipamentos Ferroviários S.A.	Brazil	19,330,272	40.0	35,083
Greenbrier do Brasil Participações Ltda.	Brazil	28,995,406	60.0	52,624
Total		48,325,678	100.0	87,707

b) Valuation adjustments to equity

Recognized as a result of the revaluations of items of property, plant and equipment (deemed cost) based on a valuation report prepared by independent valuers. The corresponding income tax and social contribution are classified in noncurrent liabilities and are realized through depreciation or disposal of the revalued assets against tax loss carryforwards, net of taxes.

c) Earnings (loss) per share

Basic and diluted earnings (loss) per share was calculated based on the profit or loss for the year attributable to the Company's shareholders and on the respective average number of outstanding shares, as shown below:

	2019	2018
Loss attributable to owners of the Company	(46,087)	(5,640)
Weighted average number of shares	48,326	48,326
Basic and diluted earnings (loss) per share - R$	(0.95368)	(0.11671)

The Company does not have diluted instruments; therefore, the basic earnings (loss) per share is equal to the diluted earnings (loss) per share.

16. NET SALES REVENUE

	2019	2018
Gross sales revenue:		
Product sales	411,077	597,598
Services rendered	37,836	4,856
Deductions:		
Taxes on sales and services	(20,268)	(32,566)
Returns and cancelations in the year	(10,322)	(2,864)
Net sales revenue	418,323	567,024

17. FINANCE INCOME (COSTS)

	2019	2018
Finance income:		
Discounts obtained and interest receivable	996	900
Total	996	900
Finance costs:		
Interest and finance charges	(11,060)	(4,693)
Interest on lease liabilities	(1,489)	-
Tax on Financial Transactions (IOF)	(157)	(231)
Other	(577)	(221)
Total	(13,283)	(5,145)

18. FOREIGN EXCHANGE GAINS (LOSSES), NET

	2019	2018
Foreign exchange gains on foreign currency-denominated assets and liabilities	7,938	846
Foreign exchange losses on foreign currency-denominated assets and liabilities	(8,754)	(3,205)
Total	(816)	(2,359)

19. COSTS AND EXPENSES BY NATURE

	2019	2018
Raw materials	(236,239)	(333,638)
Salaries, charges and benefits	(137,598)	(143,964)
Supplies and maintenance	(19,612)	(21,412)
Depreciation	(9,471)	(7,873)
Outside services	(9,542)	(9,950)
Freight	(7,769)	(20,011)
Amortization of right of use	(7,093)	-
Warranties	(4,391)	(2,522)
Electric power	(2,673)	(2,221)
Transportation and communication	(2,328)	(3,008)
Commissions	(566)	(1,483)
Other costs	(13,273)	(13,252)
Total	(450,555)	(559,334)
Classified as:		
Cost of sales and services	(417,661)	(511,069)
Selling expenses	(14,519)	(25,957)
General and administrative expenses	(14,239)	(17,912)
Management fees	(4,136)	(4,396)
Total	(450,555)	(559,334)

A substantial portion of the Company's sales is carried out in accordance with the incoterms categories known as Freight On Board (FOB), under which the Company is responsible for making goods available for pickup at its location and the customer assumes full responsibility for the collection (both financially and in terms of safeguarding the assets). At this time, control over goods is transferred to the customer and, consequently, revenue is recognized.

20. OTHER OPERATING EXPENSES, NET

	2019	2018
Other income:		
Tax Reintegration Regime for Exporting Companies (REINTEGRA)	-	530
Proex	-	442
Technical cooperation agreement	303	303
Other	94	129
	397	1,404
Other expenses:		
Contingencies and legal costs	(7,001)	(4,256)
Project Formare (Fundação Iochpe)	(192)	(180)
Municipal Property Tax (IPTU)	(371)	(388)
Federal and state taxes	(69)	(27)
Trade association dues	(219)	(214)
Organizational consulting	-	(676)
Audit	(169)	(134)
Other	(544)	(717)
	(8,565)	(6,592)
Total other operating expenses, net	(8,168)	(5,188)

21. RISK AND FINANCIAL INSTRUMENT MANAGEMENT

a) General considerations and policies

The Company conducts transactions involving financial instruments, when applicable, all of which recorded in balance sheet accounts, which are intended to meet its operating and financial needs. These instruments are represented by short-term investments and borrowings and financing.

These financial instruments are managed based on policies, strategies, and control systems seeking to ensure liquidity, profitability and security.

The policy related to entering into financial instrument contracts for hedging purposes is also approved by the Board of Directors of Iochpe-Maxion S.A., which is then regularly reviewed as to the risk exposure that the Management intends to hedge (foreign exchange exposure). The Company does not make speculative investments in derivatives or any other risk assets. Gains or losses on these transactions are consistent with the policies and strategies designed by the Company's Management.

The estimated realizable value of the Company's financial assets and financial liabilities has been determined based on available market information and appropriate valuation methodologies. Judgments have been required to interpret market inputs in order to develop the most appropriate realizable value estimates. Therefore, the estimates provided below are not necessarily indicative of the amounts that could be realized in a current exchange market. The use of different market methodologies may have a material effect on the estimated realizable values.

Classification of financial instruments - by category

	Note	2019	2018
Financial assets-			
Amortized cost:			
Cash and cash equivalents	4	70,970	18,112
Trade receivables (include due from related parties)	5	9,009	26,596
Escrow deposits	14	8,928	6,478
Other receivables		2,455	2,170
Total		91,362	53,356
Financial liabilities-			
Amortized cost:			
Borrowings and financing	11	257,655	99,936
Trade payables (include due to related parties)	12	71,583	94,420
Lease liabilities		28,095	-
Other payables		9,049	7,544
Total		366,382	201,900

b) Fair values

The Company adopts hierarchy rules to measure the fair value of its financial instruments, according to the accounting policies of the technical pronouncement CPC 40/IFRS 7 – Financial Instruments: Disclosure, for financial instruments measured in the balance sheet, which requires the disclosure of fair value measurements based on the following hierarchy level:

- Level 1 - Prices quoted (unadjusted) in active markets for identical assets or liabilities.

- Level 2 - Other inputs, except for those included in Level 1, where prices are quoted (unadjusted) for similar assets or liabilities, either directly (as prices) or indirectly (that is, derived from prices) in inactive markets, or other available data or that may be confirmed by market information for substantially all terms of the assets and liabilities.
- Level 3 - Unavailable inputs, due to little or no market activity, that is significant for the definition of fair value of assets and liabilities (unobservable inputs).

A market is considered active if quoted prices are readily and regularly available from a stock exchange or regulatory agency, among others, and those prices represent actual market transactions that occur regularly on a purely arm's-length basis. Therefore, the fair value of the financial instruments traded in active markets is based on market values, quoted at the balance sheet dates, being included in Level 1.

The fair value of financial instruments not traded in active markets (e.g., over-the-counter derivatives) is determined using valuation techniques.

In the case of the Company, the financial instruments disclosed in balance sheets, such as bank accounts, short-term investments, trade receivables and trade payables, approximate their market values.

These valuation techniques make maximum use of market inputs and rely as little as possible on Company-specific estimates.

If all material inputs required for measuring the fair value of an instrument are obtained in the market, the instrument is included in Level 2. If the information is provided by the Company's internal data, the instrument will be included in Level 3.

As at December 31, 2019, the Company had no financial instruments stated at fair value.

c) Financial risk management

The Company's operations are subject to the following risk factors:

<u>Credit risk</u>

Arises from the possibility of the Company incurring losses as a result of default by its counterparties or financial institutions that are depositaries of funds or financial investments. To mitigate this risk, the Company adopts the procedure of analyzing the financial position of its counterparties, as well as establishing credit limits, and constantly monitoring its balances. Concerning the financial institutions, the Company only conducts transactions with financial institutions highly rated by credit rating agencies.

Almost all revenues are allocated between the railway and mining logistics operators. The Company's Management believes that the allowances recognized are sufficient to cover potential default, and there are no differences between the fair value and the carrying amounts of these allowances (see the allowance for doubtful debts amount in note 5).

In addition, a significant portion of its purchases is made with related parties, as described in note 9.

Liquidity risk

Effectively managing liquidity risk implies maintaining sufficient cash and securities, funds available through committed credit facilities and the ability to settle market positions. Due to the active nature of the Company's businesses, the treasury area is flexible in raising funds through the maintenance of committed credit facilities.

Management monitors the Company's liquidity level considering the expected cash flow against unused credit facilities and cash and cash equivalents. This forecast takes into consideration the Company's debt financing plans, fulfillment with internal balance sheet ratio goals and, when applicable, external regulatory or legal requirements (e.g., currency restrictions). Through its Risk Management Policy, the Company establishes a minimum cash limit and debt management financial indicators.

The table below illustrates the Company's nonderivative financial liabilities, by maturity ranges, corresponding to the remaining period in the balance sheet through the contractual maturity date:

	2019		2018	
	Up to 1 year	1 to 2 years	Up to 1 year	1 to 2 years
Borrowings and financing	240,359	17,296	99,152	784
Trade payables (include due to related parties)	71,583	-	94,420	-
Lease liabilities	7,033	21,062	-	-
Advances from customers	30	-	17	-
Other payables	8,552	497	6,728	816
Total	327,557	38,855	200,317	1,600

Steel product price fluctuation risk

A significant portion of the Company's operations depends on its ability to purchase steel products at competitive prices. If the price of raw material increases significantly, and the Company is unable to pass on the price increase to products or reduce operating costs to offset such increase, the operating margin will be lower.

Interest rate risk

Arises from the possibility of the Company incurring gains or losses due to fluctuations in the interest rates applied to its financial assets and financial liabilities. To mitigate this risk, the Company tries to diversify its borrowings into fixed and floating rates.

	2019		2018	
	Index	R$	Index	R$
Short-term investments	CDI	286	CDI	6,575
Borrowings and financing (includes intercompany)	CDI	213,727	CDI	63,098

Sensitivity analysis to interest rate fluctuations

Financial instruments, including derivatives, are exposed to fair value changes due to fluctuations in interest rates (CDI). The sensitivity analyses of the financial instruments are shown below:

(i) Selection of risks

The Company selected as the market risk that could have a higher impact on the value of financial instruments held by it the CDI interest rate.

(ii) Selection of scenarios

The possible and remote scenarios consider fluctuations of 25% and 50%, respectively, in CDI interest rates against the closing quotations as at December 31, 2019:

	Scenarios		
Short-term investments - CDI	Probable	Possible -25%	Remote -50%
CDI as at December 31, 2019	5.31%	3.98%	2.65%
Carrying amount considering the estimated finance income	15	11	8
Effect - loss	-	(4)	(7)

	Scenarios		
Borrowings and financing - CDI	Probable	Possible +25%	Remote +50%
CDI as at December 31, 2019	6.73%	8.41%	10.10%
Carrying amount considering the estimated finance costs	14,384	17,974	21,586
Effect - loss	-	(3,590)	(7,202)

For the sensitivity analysis to foreign exchange exposure as at December 31, 2019, the Company has not considered it as there was no balance in the year.

Foreign exchange risk

Arises from possible fluctuations in the exchange rates of the foreign currencies used by the Company to purchase inputs, sell products, and contract financial instruments, besides payables and receivables in foreign currencies. The Company does not have foreign currency-denominated transactions as at December 31, 2019.

22. CAPITAL MANAGEMENT

It is the Management's policy to sustain a solid capital basis to ensure the confidence of investors, creditors and the market and to maintain the business’ future development. The Executive Board monitors the returns on capital, defined by the Company as the operating activities' results divided by total equity. The Executive Board also monitors the level of dividends distributed to common shareholders.

The Company’s Management seeks to strike a balance between the possible highest returns with more appropriate financing levels and the benefits and security provided by a healthy capital position. The goal is to reach a return compatible with its cost of capital reviewed annually based on the Weighted Average Cost of Capital - WACC approach.

The debt-to-capital ratio at the end of each year is as follows:

	2019	2018
Total borrowings and financing	257,655	99,936
(-) Cash and cash equivalents	(70,970)	(18,112)
Net debt	186,685	81,824
Total equity	39,181	85,283
Net debt-to-equity ratio	476.7%	95.4%

23. INSURANCE COVERAGE

The Company has an insurance policy that considers mainly the risk concentration and its materiality, according to the type of its activities and advice of the insurance brokers. Insurance coverage as at December 31, 2019 is as follows:

	2019	2018
Loss of profits	165,143	175,306
Buildings	180,390	172,677
Property damages	130,301	161,678
D&O insurance	35,280	40,800
Leases	5,171	13,776
Civil liability	13,600	13,600

24. NON-CASH TRANSACTIONS

As at December 31, 2019, the following non-cash transactions were conducted:

- Transfer of vehicle lease to right of use in the amount of R$536 pursuant to the practical expedient in CPC 06 (R2).
- Addition of R$84,464 in property, plant and equipment arising from cargo railcar inventories for lease purposes. Of which R$62,324 was already sold and automatically transferred to “Cost of sales”.

25. SUBSEQUENT EVENTS

Covid-19 was discovered in December 2019, when the first cases were identified in the city of Wuhan, Hubei province, in China. Since December 31, when the first cases were observed in China, the virus has spread to more than 114 countries, and the pandemic was declared on March 11, 2020 by the World Health Organization - (WHO).

The disease has also impacted the economic activity, which has been incurring significant losses. Consequently, companies could be exposed to a series of strategic and operational risks, such as delays or interruption in the supply of raw materials, changes in customer demand, cost increase, insufficient logistics capacity that give rise to delivery delays, employee health and safety matters, insufficient workforce and challenges relating to product import and export.

In view of such scenario, the Company has been constantly monitoring the discussions on the matter and there is no expected impact on operations so far.

26. AUTHORIZATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Company's Executive Board and authorized for disclosure and issue at the meeting held on March 20, 2020.