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

Amsted Maxion Fundição e Equipamentos Ferroviários S.A.

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

Deloitte Touche Tohmatsu Auditores Independentes

Deloitte.

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the Board of Directors and Executive Committee of
Amsted Maxion Fundição e Equipamentos Ferroviários S.A.

Opinion

We have audited the accompanying financial statements of Amsted Maxion Fundição e Equipamentos 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 Amsted Maxion Fundição e Equipamentos 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.

Restatement of the balance sheet, and the related statements of profit and loss, of comprehensive income, of changes in equity, and of cash flows as at December 31, 2018.

On March 20, 2020, we issued a qualified audit opinion on the Company's financial statements for the year ended December 31, 2019 and 2018, which balance sheet as at December 31, 2018 is being restated. As described in item e) of note 2 to the financial statements, these financial statements have been changed and are being restated to reflect the effect arising from the recognition of the asset generated and its impacts associated with the lawsuit filed for the deduction of the State VAT (ICMS) from the tax on revenue (COFINS) tax basis, which decision thereon was rendered final and unappealable in 2018. Such restatement complies with technical pronouncement CPC 23 - Accounting Policies, Changes in Accounting Estimates and Errors. 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 matter

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

São Paulo, April 24, 2020

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Danhiel Augusto Reis
Engagement Partner

2020-CPS-0155-1 VF (PA).DOCX

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

AMSTED MAXION FUNDIÇÃO E EQUIPAMENTOS FERROVIÁRIOS S.A.

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

ASSETS	Note	2019	2018 (restated)	01/01/2018
CURRENT ASSETS				
Cash and cash equivalents	4	817	4,861	6,729
Trade receivables	5	28,956	13,838	13,771
Inventories	6	39,911	43,888	43,964
Recoverable taxes	7	14,416	17,421	8,682
Prepaid expenses		1,266	1,121	890
Other receivables		1,466	1,825	746
Total current assets		86,832	82,954	74,782
NONCURRENT ASSETS				
Recoverable taxes	7	34,884	34,836	25,840
Appeal escrow deposits	15	10,192	9,967	9,837
Deferred income tax and social contribution	8	32,890	30,562	29,965
Investments in associates	10	100,331	123,877	130,141
Right of use	3.1.1	105	-	-
Property, plant and equipment	11	83,106	86,070	90,837
Total noncurrent assets		261,508	285,312	286,620
TOTAL ASSETS		348,340	368,266	361,402

LIABILITIES AND EQUITY	Note	2019	2018 (restated)	01/01/2018
CURRENT LIABILITIES				
Borrowings and financing	12	68,048	71,161	48,921
Trade payables	13	21,298	25,654	26,503
Taxes payable		780	714	933
Payroll and related taxes	14	10,561	14,819	16,384
Lease liability	3.1.1	144	-	-
Advances from customers		3,181	19	-
Royalties payable		683	775	862
Other payables		3,717	5,469	7,917
Total current liabilities		108,412	118,611	101,520
NONCURRENT LIABILITIES				
Borrowings and financing	12	59,159	113,024	110,698
Lease liability	3.1.1	78	-	-
Provision for tax, civil and labor risks	15	6,395	5,455	7,145
Other payables		1,185	1,429	866
Total noncurrent liabilities		66,817	119,908	118,709
EQUITY				
Capital	16.a	261,201	184,685	184,685
Earnings reserves		3,564	3,564	3,564
Valuation adjustments to equity	16.b	8,789	10,005	11,311
Accumulated losses		(100,443)	(68,507)	(58,387)
Total equity		173,111	129,747	141,173
TOTAL LIABILITIES AND EQUITY		348,340	368,266	361,402

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

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AMSTED MAXION FUNDIÇÃO E EQUIPAMENTOS FERROVIÁRIOS S.A.

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

	Note	2019	2018 (restated)
NET REVENUE	17	352,119	351,288
COST OF SALES AND SERVICES	20	(314,671)	(301,687)
GROSS PROFIT		37,448	49,601
OPERATING INCOME (EXPENSES)			
Selling expenses	20	(16,166)	(13,352)
General and administrative expenses	20	(9,444)	(9,453)
Management fees	20	(2,372)	(2,336)
Share of profit (loss) of subsidiaries	10	(18,891)	(1,609)
Other operating expenses, net	21	(8,645)	(8,744)
OPERATING INCOME (LOSS) BEFORE FINANCE INCOME AND COSTS		(18,070)	14,107
Finance income	18	1,226	701
Finance costs	18	(15,830)	(15,776)
Foreign exchange gains (losses), net	19	(2,801)	(11,037)
OPERATING LOSS BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		(35,475)	(12,005)
INCOME TAX AND SOCIAL CONTRIBUTION			
Deferred	8.b	2,328	598
LOSS FOR THE YEAR		(33,147)	(11,407)
LOSS PER SHARE - BASIC AND DILUTED - R$	16.d	(0.00117)	(0.78312)

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

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AMSTED MAXION FUNDIÇÃO E EQUIPAMENTOS FERROVIÁRIOS S.A.

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

	2019	2018 (restated)
LOSS FOR THE YEAR	(33,147)	(11,407)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(33,147)	(11,407)

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

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AMSTED MAXION FUNDIÇÃO E EQUIPAMENTOS 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	Legal reserve	Valuation adjustments to equity	Accumulated losses	Total
BALANCES AS AT DECEMBER 31, 2017		184,685	3,564	11,311	(58,387)	141,173
Restatement effects	2.e	-	-	-	-	-
BALANCES AS AT JANUARY 1, 2018		184,685	3,564	11,311	(58,387)	141,173
Realization of deemed cost, net of taxes		-	-	(1,306)	1,306	-
Derecognition of revaluation adjustments		-	-	-	(19)	(19)
Loss for the year		-	-	-	(11,407)	(11,407)
BALANCES AS AT DECEMBER 31, 2018 (restated)		184,685	3,564	10,005	(68,507)	129,747
Capital increase	16.a	76,516	-	-	-	76,516
Realization of deemed cost, net of taxes		-	-	(1,216)	1,216	-
Derecognition of revaluation adjustments		-	-	-	(5)	(5)
Loss for the year		-	-	-	(33,147)	(33,147)
BALANCES AS AT DECEMBER 31, 2019		261,201	3,564	8,789	(100,443)	173,111

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

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AMSTED MAXION FUNDIÇÃO E EQUIPAMENTOS 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
			(restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		(33,147)	(11,407)
Adjustments to reconcile loss for the year to cash provided by (used in) operating activities:			
Depreciation	20	10,044	10,139
Amortization	21	4,655	4,655
Deferred income tax and social contribution	8	(2,328)	(598)
Interest on borrowings and financing	12	14,464	14,954
Interest on lease liability	3.1.1	28	-
Residual value of property, plant and equipment items written off	11	47	9,771
Share of profit (loss) of subsidiaries	10	18,891	1,609
Allowance for inventory losses	6	1,465	(172)
Allowance for doubtful debts	5	6	21
Exchange rate changes on borrowings and financing	12	3,340	11,870
Provision for tax, civil and labor risks, net of reversals	15	2,147	(339)
Other impacts		(6)	-
Decrease (increase) in assets:			
Trade receivables		(15,124)	(88)
Inventories		2,512	248
Recoverable taxes		2,957	(17,735)
Appeal escrow deposits		(225)	(130)
Other receivables and other assets		214	(650)
Increase (decrease) in liabilities:			
Trade payables		(4,356)	(849)
Advances from customers		3,162	19
Payroll and related taxes		(4,258)	(1,565)
Other payables and other liabilities		(2,022)	(2,191)
Cash provided by operating activities		2,466	17,562
Payments in labor and tax lawsuits	15	(1,206)	(2,029)
Payment of interest on lease	3.1.1	(37)	-
Payment of interest on borrowings and financing	12	(20,068)	(10,766)
Net cash provided by (used in) operating activities		(18,845)	4,767
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(6,972)	(15,143)
Cash used in investing activities		(6,972)	(15,143)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital payment	16.a	76,516	-
Borrowings and financing	12	53,102	15,628
Repayment of lease liabilities	3.1.1	(167)	-
Repayment of borrowings and financing	12	(107,678)	(7,120)
Cash provided by financing activities		21,773	8,508
DECREASE IN CASH AND CASH EQUIVALENTS		(4,044)	(1,868)
Cash and cash equivalents at the beginning of the year		4,861	6,729
Cash and cash equivalents at the end of the year		817	4,861
DECREASE IN CASH AND CASH EQUIVALENTS		(4,044)	(1,868)

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

1. GENERAL INFORMATION

1.1. Corporate data

Amsted Maxion Fundição e Equipamentos Ferroviários S.A. ("Company") is a privately-held corporation with head offices at Rua Dr. Othon Barcellos, 77, in the city of Cruzeiro, State of São Paulo.

The Company is engaged in the manufacturing and sale of railroad wheels, steel casting components for railcars and the spare part market, remanufacturing, repair and refurbishment of railroad components and railcars and steel casting components for the industrial market through its plant located in the city of Cruzeiro, in the State of São Paulo.

The Company is jointly managed by three shareholders: Amsted Rail Brasil Equipamentos Ferroviários Ltda. holding 51.00% stake, Greenbrier do Brasil Participações Ltda. holding 29.50% stake and Iochpe Maxion S.A. holding 19.50% 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 concession renewal process, which affected the approval of the concessionaires' investments, change in the business model for on-demand agreements from end users, and also the decrease in the demand for construction machinery (bulldozers) from the US market.

The drop in the production volume of 8.2% when compared to 2018, which drop was offset by the enhancement of the mix of products sold. In spite of the offset, it was necessary to adjust the production capacity, the staff and the investments to ensure the Company's competitiveness and financial condition.

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 using smart plant methodology (MES) to ensure productivity and efficiency, product development involving major technological efficiency actions, thus allowing cutting manufacturing costs and recovering contribution margins.

b) Find, together with customers, a better distribution of the order backlog along the production process to decrease bottlenecks and reduce overtime.

c) Reorganization of the product mix.

d) Decrease of inventory.

e) Negotiation with suppliers to extend payment terms.

f) Negotiation with customers with long-term agreements.

g) Performance of spot services in railway components to meet Greenbrier Maxion's railway service business purpose.

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

i) Change of the ownership interest and capitalization to reduce debt.

   a. Amsted Rail's capital from 37.75% to 51.00%.

   b. Greenbrier's capital from 24.50% to 29.50%.

   c. IochpeMaxion's capital from 37.75% to 19.50%.

The expectation is that the railway sector 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 projections from 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.

In the industrial segment, according to Sobratema / Globaldata, the projected global growth of the construction industry for 2020 has been adjusted to 2.7%, the lowest level in a decade, due to the decline of activities in emerging markets, as well as in the United States and Middle East. However, projections from the global construction intelligence center show that the sector must grow by 3.2% in 2020, remaining at 3.4% during the remainder of the period analyzed, until 2023.

As at December, 31 2019, the Company presents negative working capital in the amount of R$21,580 (R$35,657 as at December 31, 2018). The Company's continuity as a going concern depends on its shareholders, who are regularly informed about the Company's results, financially 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). 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 15 - Provision for tax, civil and labor risks.
- Note 22 - Risk and financial instrument management.

e) Restatement of the financial statements for the year ended December 31, 2018.

The Company has decided to account for the effects arising from the lawsuit filed for the deduction of the State VAT (ICMS) from the tax on revenue (COFINS) tax basis, which decision thereon was rendered final and unappealable in 2018.

Pursuant to CPC 23 - Accounting Policies, Changes in Accounting Estimates and Errors, the Company is correcting the error for the non-recognition of the effects in 2018 so as to reflect its impacts and, therefore, implemented the adjustments retrospectively in its financial statements in relation to those originally issued. The impacts have no effect on the opening balance sheet as at January 1, 2018, which was originally presented.

The restated balances in the financial statements for the year ended December 31, 2018 are broken down as follows:

ASSETS	Item	2018 (Restated)	Adjustments	2018
CURRENT ASSETS				
Total current assets		82,954	-	82,954
NONCURRENT ASSETS				
Recoverable taxes	a	34,836	13,418	21,418
Appeal escrow deposits		9,967	-	9,967
Deferred income tax and social contribution		30,562	-	30,562
Investments in associates		123,877	-	123,877
Property, plant and equipment		86,070	-	86,070
Total noncurrent assets		285,312	13,418	271,894
TOTAL ASSETS		368,266	13,418	354,848

LIABILITIES AND EQUITY	Item	2018 (Restated)	Adjustments	2018
CURRENT LIABILITIES				
Total current liabilities		118,611	-	118,611
NONCURRENT LIABILITIES				
Borrowings and financing		113,024	-	113,024
Provision for tax, civil and labor risks		5,455	-	5,455
Other payables	a	1,429	805	624
Total noncurrent liabilities		119,908	805	119,103
EQUITY				
Capital		184,685	-	184,685
Earnings reserves		3,564	-	3,564
Valuation adjustments to equity		10,005	-	10,005
Accumulated losses	c	(68,507)	12,613	(81,120)
Total equity		129,747	12,613	117,134
TOTAL LIABILITIES AND EQUITY		368,266	13,418	354,848

STATEMENT OF PROFIT AND LOSS	Item	2018 (Restated)	Adjustments	2018
NET REVENUE	a	351,288	13,418	337,870
COST OF SALES AND SERVICES		(301,687)	-	(301,687)
GROSS PROFIT		49,601	13,418	36,183
OPERATING INCOME (EXPENSES)				
Selling expenses		(13,352)	-	(13,352)
General and administrative expenses		(9,453)	-	(9,453)
Management fees		(2,336)	-	(2,336)
Share of profit (loss) of subsidiaries		(1,609)	-	(1,609)
Other operating expenses, net	b	(8,744)	(805)	(7,939)
OPERATING INCOME (LOSS) BEFORE FINANCE INCOME AND COSTS		14,107	12,613	1,494
OPERATING LOSS BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		(12,005)	12,613	(24,618)
INCOME TAX AND SOCIAL CONTRIBUTION				
Deferred		598	-	598
LOSS FOR THE YEAR		(11,407)	12,613	(24,020)
BASIC AND DILUTED LOSS PER SHARE - R$		(0.78312)	-	(1.64903)

	Item	2018 (Restated)	Adjustments	2018
LOSS FOR THE YEAR	a	(11,407)	12,613	(24,020)
Other comprehensive income		-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(11,407)	12,613	(24,020)

	Item	2018 Restated)	Adjustments	2018
CASH FLOW FROM OPERATING ACTIVITIES				
Loss for the year	c	(11,407)	12,613	(24,020)
Adjustments to reconcile loss for the year to net cash provided by (used in) operating activities		51,910	-	51,910
Decrease (increase) in assets:				
Trade receivables		(88)	-	(88)
Inventories		248	-	248
Recoverable taxes	a	(17,735)	(13,418)	(4,317)
Appeal escrow deposits		(130)	-	(130)
Other receivables		(650)	-	(650)
(Decrease) increase in liabilities:				
Trade payables		(849)	-	(849)
Advances from customers		19	-	19
Payroll and related taxes		(1,565)	-	(1,565)
Other payables	B	(2,191)	805	(2,996)
Cash provided by operating activities		17,562	-	17,562
Payment of tax and labor lawsuits		(2,029)	-	(2,029)
Payment of interest on borrowings and financing		(10,766)	-	(10,766)
Net cash provided by (used in) operating activities		4,767	-	4,767
Total net cash used in investing activities		(15,143)	-	(15,143)
Net cash provided by financing activities		8,508	-	8,508
DECREASE IN CASH AND CASH EQUIVALENTS		(1,868)	-	(1,868)

a) As mentioned, refers to the recorded balance of recoverable taxes relating to the deduction of the State VAT (ICMS) from the tax on revenue (COFINS) tax basis, which decision thereon was rendered final and unappealable in 2018.

b) As mentioned, refers to the balance of attorney's fees relating to the abovementioned lawsuit.

c) Impact on the statement of profit and loss of the abovementioned effects.

The statement of changes in equity is not being restated as there are no impacts on the opening balance as at January 1, 2018.

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.

Operating leases

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

- Recognized right-of-use assets and lease liabilities in the balance sheet, initially measured at the present value of future lease payments.
- Recognized depreciation of right-of-use assets and interest on lease liabilities in the statement of profit and loss.
- Segregated 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).

In addition to changing the Company's accounting practice, CPC 06 (R2) did not significantly impact the Company's financial statements, as there were only finance lease agreements, which was reclassified upon first-time adoption to the right of use line item. Variations are summarized below:

Right-of-use asset	
Balance as at 01/01/2019	196
Additions	260
Depreciation balance in the period	(351)
Balance as at 12/31/2019	105

Lease liability:	
Balance as at 01/01/2019	138
Additions	260
Principal repayment	(167)
Payment of interest	(37)
Accrued interest	28
Balance as at 12/31/2019	222

Payment schedule is as follows

	R$
2020	144
2021	78
Total	222

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) Investments in associate

An associate is an entity over which the Company has significant influence but which is not recognized as a subsidiary or joint venture. Significant influence is the power to participate in the financial and operating decisions of the investee without exercising individual or joint control over those policies.

The income, expenses, assets and liabilities of associates are included in these financial statements under the equity method, except when the investment, or part of the investment, is classified as held for sale, in which case it is recognized in accordance with CPC 31 - Noncurrent Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognized in the balance sheet at cost and subsequently adjusted to recognize the Company's interest in profit or loss and other comprehensive income of the associate.

g) Property, plant and equipment

g.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.

Any gain or loss arising on the disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in net amounts as "Other operating income (expenses), net" in profit or loss.

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.

g.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.

g.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 useful lives are disclosed in note 11.

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.

h) Impairment testing

h.1) Fixed assets

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).

h.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.

i) Provisions

i.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 15.

j) Taxation

j.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.

j.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.

k) 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.

l) Leases

l.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.

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 “Other expenses” in profit or loss.

m) 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.

<u>Financial liabilities</u>

Classification

The Company's financial liabilities are classified at:

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

<u>Initial recognition</u>

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.

<u>Subsequent measurement</u>

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

(ii) 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.

(iii) 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.

4. CASH AND CASH EQUIVALENTS

	2019	2018
Cash and banks	805	675
Highly liquid short-term investments	12	4,186
Total	817	4,861

As at December 31, 2019, the Company's short-term investments are represented by Bank Certificates of Deposit (CDBs), subject to repurchase agreements executed with several financial institutions, with yield equivalent to 75.0% of the Interbank Certificate of Deposit rate (CDI) (96.25% as at December 31, 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	14,605	10,069
Abroad	13,589	2,462
Related parties	1,464	2,003
Allowance for doubtful debts	(702)	(696)
Total	28,956	13,838

b) Aging list

	2019	2018
Current	25,028	12,064
Past-due:		
1 to 30 days	3,912	1,774
31 to 60 days	12	-
61 to 90 days	4	-
91 to 180 days	-	-
Over 181 days	702	696
Total	29,658	14,534

Variations in the allowance for doubtful debts are as follows:

	2019	2018
Balance at the beginning of the year	(696)	(675)
Reversals	28	-
Additions	(34)	(21)
Balance at the end of the year	(702)	(696)

6. INVENTORIES

	2019	2018
Finished products	8,429	15,832
Work in process	9,321	9,930
Raw materials	2,598	2,553
Auxiliary materials	12,973	14,396
Advances to suppliers	6,535	605
Imports in transit	1,585	637
Allowance for inventory losses	(1,530)	(65)
Total	39,911	43,888

Variations in the allowance for inventory losses are as follows:

	2019	2018
Balance at the beginning of the year	(65)	(237)
Reversals	150	411
Additions	(1,615)	(239)
Balance at the end of the year	(1,530)	(65)

7. RECOVERABLE TAXES (RESTATED)

	2019	2018 (Restated)
State VAT (ICMS) (*)	30,338	33,602
Tax on revenue (COFINS) (**)	15,561	15,373
Tax on revenue (PIS)	929	766
Corporate Income Tax (IRPJ)	991	1,045
Tax Reintegration Regime for Exporting Companies (REINTEGRA)	682	632
Federal VAT (IPI)	659	689
Other	140	150
Total	49,300	52,257
Current assets	14,416	17,421
Noncurrent assets	34,884	34,836

(*) The Company obtained the release of part of the ICMS credit with the São Paulo State Finance Department. R$15,888 was released in October 2019 and R$11,494 in November 2018. These credits are being used to pay suppliers (the main of which is a related party).

(**) The Company obtained a final and unappealable decision on the lawsuit to deduct the State VAT (ICMS) from the tax on revenue (COFINS) tax basis, even though it has not obtained approval from the relevant bodies, the respective credit was fully recognized in noncurrent.

8. INCOME TAX AND SOCIAL CONTRIBUTION (RESTATED)

a) Deferred

	2019	2018 (Restated)
Provision for tax, civil and labor risks	18,204	17,165
Allowance for inventory losses	520	22
Allowance for doubtful debts	239	237
Provision for warranties	43	412
Profit sharing	527	1,404
Other	1,475	3,036
Tax loss carryforwards	60,781	57,133
Provision for unrealizable credits	(5,901)	(2,527)
Deemed cost of property, plant and equipment	(5,334)	(6,052)
Appreciation of the investment stated at fair value	(28,683)	(30,265)
Difference in depreciation criterion	(8,981)	(10,003)
Total deferred income tax and social contribution, net	32,890	30,562

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

Year	R$
2020	571
2021	3,239
2022	3,404
2023	3,696
2024	4,633
2025 onwards	17,347
Total	32,890

The Company's Management considers that the deferred assets resulting from temporary differences in the amount of R$21,008 (R$22,002 as at December 31, 2018) will be realized as final decisions on the currently ongoing lawsuits are issued and other events occur.

The estimated recoverability of tax credits was based on the taxable profit projections, considering several financial and business assumptions, which are being implemented according to the plans deployed by Management, as described in note 1. Accordingly, the Company's Management understands that the recovery of tax credits is probable.

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

The reconciliation of credits (expenses), calculated by applying the combined tax rates, and the income tax and social contribution amounts recorded in the statement of profit and loss is as follows:

	2019	2018 (Restated)
Profit (loss) before income tax and social contribution	(35,475)	(12,005)
Combined rate - %	34	34
Income tax and social contribution credit at combined rate	12,062	4,082
Share of profit (loss) of subsidiaries	(6,423)	(541)
Permanent differences	(51)	(416)
Provision for unrealizable credits	(3,260)	(2,527)
Income tax and social contribution in profit or loss	2,328	598
Deferred	2,328	598
	7%	2%

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)	2,372	2,336

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 and 2018, as well as the transactions that impacted profit or loss for the years then ended, regarding the transactions with related parties are as follows:

	2019			
	Assets	Liabilities	Profit or loss	
	Trade receivables	Trade payables / loan / patents	Sales	Purchases
Iochpe-Maxion S.A. – R$ - (i)	3	5,314	-	59,447
Amsted Rail Company, Inc.- US$ - (ii)	853	557	62,168	60
Amsted Rail Brasil Equipamentos Ferroviários Ltda.- R$	-	9	2,353	781
The Greenbrier Companies and Inc. – US$ - (iii)	-	18,492	-	-
Greenbrier Maxion Equipamentos e Serviços Ferroviários S.A..-R$	608	176	77,033	1,094
Total	1,464	24,548	141,554	61,382

	2018			
	Assets	Liabilities	Profit or loss	
	Trade receivables	Trade payables / loan / patents	Sales	Purchases
Iochpe-Maxion S.A. – R$ - (i)	6	38,508	-	50,016
Amsted Rail Company, Inc.- US$ - (ii)	1,504	41,519	22,510	-
Amsted Rail Brasil Equipamentos Ferroviários Ltda.- R$	7	43	5,595	1,013
The Greenbrier Companies and Inc. – US$ - (iii)	-	40,859	-	-
Greenbrier Maxion Equipamentos e Serviços Ferroviários S.A..-R$	486	157	119,737	365
Total	2,003	121,086	147,842	51,394

(i) The Company purchases scrap from its joint parent company Iochpe-Maxion S.A. and has a borrowing in the amount of R$4,897 (R$33,298 in 2018), see note 12.

(ii) The Company acquires railroad component raw materials from its joint parent company Amsted Rail Brasil Equipamentos Ferroviários Ltda. and its associate Greenbrier Maxion Equipamentos e Serviços Ferroviários S.A.

(iii) Borrowing and financing agreement denominated in foreign currency, see note 12.

c) Shared services agreement

(i) On February 29, 2000, the Company and joint parent company Iochpe-Maxion S.A., in order to reduce costs and expenses, executed an agreement to regulate the sharing of infrastructure and facilities located at the Cruzeiro plant, in the State of São Paulo, considering that the plants are nearby and located in the same industrial complex. Each party is responsible for the cost of maintenance and management of their own facilities and both bear together the costs of any investments intended for increasing or developing the production capacity of the facilities when the project is of mutual interest. The agreement is effective for 25 years. Infrastructure and facility expenses related to this agreement, recorded in line item "General and administrative expenses", amounted to R$228 for the year ended December 31, 2019 (R$558 as at December 31, 2018).

(ii) On May 6, 2015, the Company and its associate Greenbrier Maxion Equipamentos e Serviços 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, Treasury, Sales and Marketing. The expenses on infrastructure and facilities covered by this agreement, recognized as other operating income, totaled R$2,034 for the year ended December 31, 2019 (R$1,840 as at December 31, 2018).

10. INVESTMENTS

a) Variations

Investee Greenbrier Maxion Equipamentos e Serviços Ferroviários S.A. is a closely-held company engaged in the manufacturing, milling, assembly, distribution, and sale of any type of railroad machinery, as well as import and export transactions.

	Balance as at 12/31/2018	Amortization/ write-offs	Share of profit (loss) of subsidiaries	Balance as at 12/31/2019
Greenbrier Maxion Equipamentos e Serviços Ferroviários S.A.	34,657	-	(18,891)	15,766
Appreciation	110,250	-	-	110,250
(-) Amortization of appreciation	(21,030)	(4,655)	-	(25,685)
Total, net	123,877	(4,655)	(18,891)	100,331

	Balance as at 12/31/2017	Amortization/ write-offs	Share of profit (loss) of subsidiaries	Balance as at 12/31/2018
Greenbrier Maxion Equipamentos e Serviços Ferroviários S.A.	36,266	-	(1,609)	34,657
Appreciation	110,250	-	-	110,250
(-) Amortization of appreciation	(16,375)	(4,655)	-	(21,030)
Total, net	130,141	(4,655)	(1,609)	123,877

Variations in the appreciation:

	2017	Amortization	2018	Amortization	2019
Future earnings	64,977	-	64,977	-	64,977
Customer portfolio	23,552	(4,425)	19,127	(4,425)	14,702
Trademark	4,367	-	4,367	-	4,367
Property, plant and equipment	979	(230)	749	(230)	519
Total	93,875	(4,655)	89,220	(4,655)	84,565

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.

b) Information on associate

	2019							
	Number of shares (in thousands)	Equity interest (%)	Assets	Liabilities	Capital	Equity	Net revenue	Loss for the year
Greenbrier Maxion Equipamentos e Serviços Ferroviários S.A.	48,326	40,0	423,651	384,470	87,707	39,181	418,323	(46,087)

	2018							
	Number of shares (in thousands)	Equity interest (%)	Assets	Liabilities	Capital	Equity	Net revenue	Loss for the year
Greenbrier Maxion Equipamentos e Serviços Ferroviários S.A.	48,326	40,0	321,159	235,876	87,707	85,283	567,024	(5,640)

11. PROPERTY, PLANT AND EQUIPMENT

	Average annual depreciation rate - %	2019			2018
		Cost	Accumulated depreciation	Net	Net
Buildings and improvements	5.55	53,075	(25,769)	27,306	28,253
Machinery and equipment	11.00	158,115	(118,143)	39,972	44,813
Molds	18.00	33,596	(30,038)	3,558	5,056
Furniture and fixtures	7.00	2,855	(1,955)	900	936
Company cars	22.22	-	-	-	196
IT equipment	31.50	4,904	(3,504)	1,400	1732
Other property, plant and equipment	2.25	15	(14)	1	1
Land	-	875	-	875	875
Construction in progress	-	7,496	-	7,496	2,610
Machinery spare parts	-	2,425	(827)	1,598	1,598
Total		263,356	(180,250)	83,106	86,070

Variations in cost - 2019

	2018	2019			
	Cost	Additions	Write-offs	Transfers	Cost
Buildings and improvements	53,075	-	-	-	53,075
Machinery and equipment	156,242	200	(194)	1,867	158,115
Molds	33,566	-	-	30	33,596
Furniture and fixtures	2,735	-	-	120	2,855
Company cars (*)	412	-	-	(412)	-
IT equipment	4,775	-	-	129	4,904
Other property, plant and equipment	15	-	-	-	15
Land	875	-	-	-	875
Construction in progress	2,610	7,032	-	(2,146)	7,496
Machinery spare parts	2,425	-	-	-	2,425
Total	256,730	7,232	(194)	(412)	263,356

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

Variations in depreciation - 2019

	2018	2019			
	Accumulated depreciation	Additions	Write-offs	Transfers	Accumulated depreciation
Buildings and improvements	(24,822)	(1,031)	84	-	(25,769)
Machinery and equipment	(111,428)	(6,717)	2	-	(118,143)
Molds	(28,510)	(1,528)	-	-	(30,038)
Furniture and fixtures	(1,800)	(155)	-	-	(1,955)
Company cars (*)	(216)	(152)	61	(307)	-
IT equipment	(3,043)	(461)	-	-	(3,504)
Other property, plant and equipment	(14)	-	-	-	(14)
Machinery spare parts	(827)	-	-	-	(827)
Total	(170,660)	(10,044)	147	(307)	(180,250)

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

Variations in cost - 2018

	2017	2018			
	Cost	Additions	Write-offs	Transfers	Cost
Buildings and improvements	52,923	-	-	152	53,075
Machinery and equipment	149,972	9,962	(9,659)	5,967	156,242
Molds	32,659	-	-	907	33,566
Furniture and fixtures	2,499	-	-	236	2,735
Company cars	402	-	(118)	128	412
IT equipment	4,149	-	-	626	4,775
Other property, plant and equipment	15	-	-	-	15
Land	875	-	-	-	875
Construction in progress	5,547	5,167	(88)	(8,016)	2,610
Machinery spare parts	2,411	14	-	-	2,425
Total	251,452	15,143	(9,865)	-	256,730

Variations in depreciation - 2018

	2017	2018		
	Accumulated depreciation	Additions	Write-offs	Accumulated depreciation
Buildings and improvements	(23,276)	(946)	-	(24,822)
Machinery and equipment	(104,682)	(6,746)	-	(111,428)
Molds	(26,776)	(1,734)	-	(28,510)
Furniture and fixtures	(1,642)	(158)	-	(1,800)
Company cars	(240)	(70)	94	(216)
IT equipment	(2,578)	(465)	-	(3,043)
Other property, plant and equipment	(14)	-	-	(14)
Machinery spare parts	(807)	(20)	-	(827)
Total	(160,615)	(10,139)	94	(170,660)

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.

12. BORROWINGS AND FINANCING

	Index	Effective annual interest rate - %	2019	2018
Local currency:				
Intercompany financing	CDI + 2%	6.49	4,897	33,298
NCE	129.0% of CDI	5.71	3,339	-
NCE	130.0% of CDI	5.76	40,067	40,476
NCE	148.5% of CDI	6.60	5,011	5,013
NCE	CDI+1.25%	5.71	20,292	-
NCE	CDI+1.95%	6.44	3,506	3,507
NCE	CDI+2.25%	6.75	10,524	-
NCE	CDI+2.40%	6.91	4,009	20,034
ACC	-	5.20	12,004	-
CONFIRMING	-	7.78	4,315	-
FINAME	TLP+4.02%	10.28	394	-
FINAME	TLP+3.82%	10.08	357	-
Finance lease	-	9.21	-	138
Foreign currency:				
Intercompany financing	-	8.00	18,492	81,719
Total			127,207	184,185
Current liabilities			68,048	71,161
Noncurrent liabilities			59,159	113,024

Variations in borrowings and financing

	2019	2018
Balance as at December 31	184,185	159,619
Funding	53,102	15,628
Accrued interest	14,464	14,954
Principal repayment	(107,678)	(7,120)
Payment of interest	(20,068)	(10,766)
Transfer to lease liability	(138)	-
Exchange rate changes	3,340	11,870
Balance as at December 31	127,207	184,185

The installments recorded in current and noncurrent liabilities mature as follows:

2020	68,048
2021	59,159
Total	127,207

13. TRADE PAYABLES

	2019	2018
In Brazil	20,696	20,205
Abroad	-	39
Related parties (note 9)	602	5,410
Total	21,298	25,654

14. PAYROLL AND RELATED TAXES

	2019	2018
Payroll	-	1
Related taxes	3,505	2,601
Accrued vacation pay	5,505	8,086
Profit sharing	1,551	4,131
Total	10,561	14,819

15. PROVISION FOR TAX, CIVIL AND LABOR RISKS – (RESTATED)

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
Tax lawsuits:		
Federal	46,249	44,407
Labor lawsuits	5,920	5,065
Severance pay fund (FGTS) – 10% surtax	1,354	998
Civil lawsuits	17	16
	53,540	50,486
Escrow deposits	(47,145)	(45,031)
Total	6,395	5,455

The variations in the years are as follows:

	Balance in 2018	Additions	Payments	Reversals	Adjustments	Balance in 2019
Tax lawsuits:						
Federal	44,407	315	-	-	1,527	46,249
Labor lawsuits	5,065	1,991	(1,206)	-	70	5,920
Severance pay fund (FGTS) - 10% surtax	998	356	-	-	-	1,354
Civil lawsuits	16	1	-	-	-	17
Total	50,486	2,663	(1,206)	-	1,597	53,540
Escrow deposits	(45,031)	(660)	-	-	(1,454)	(47,145)

	Balance in 2017	Additions	Payments	Reversals	Adjustments	Balance in 2018
Tax lawsuits:						
Federal	42,479	257	-	(18)	1,689	44,407
Labor lawsuits	6,818	205	(2,029)	-	71	5,065
Severance pay fund (FGTS) - 10% surtax	387	611	-	-	-	998
Civil lawsuits	-	16	-	-	-	16
Total	49,684	1,089	(2,029)	(18)	1,760	50,486
Escrow deposits	(42,539)	(920)	-	1	(1,573)	(45,031)

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

Tax lawsuits

	2019			2018		
	Provision	Related escrow deposits	Liabilities, net	Provision	Restricted escrow deposits	Liabilities, net
PIS/COFINS (a)	26,611	(26,553)	58	25,663	(25,598)	65
Severance pay fund (FGTS) – 10% surtax (c)	1,354	(1,354)	-	998	(997)	1
National Institute of Social Security (INSS) (b)	19,252	(19,238)	14	18,436	(18,436)	-
Total	47,217	(47,145)	72	45,097	(45,031)	66

(a) Legal disputes challenging the payment of contributions on: (i) agents’ commissions and royalties paid abroad; and (ii) freight on transfers between branches.

(b) Legal disputes challenging the collection of social security tax (INSS) on 1/3 vacation premium, leaves and Occupational Accident Insurance (SAT), as well as charges on paid prior notice.

(c) Legal disputes challenging the collection of the severance pay fund (FGTS) 10% surtax on employment contract terminations.

Labor lawsuits

As at December 31, 2019, the Company was a party to 83 labor lawsuits (98 as at December 31, 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$18,865 (R$19,770 as at December 31, 2018) for which a provision in the amount of R$5,920 (R$5,065 as at December 31, 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.

Tax and civil lawsuits

The Company is a party to ongoing tax and civil lawsuits that are not provided for because they involve a likelihood of loss classified by Management and its legal counsel as possible. As at December 31, 2019, these lawsuits totaled approximately R$139,852 (R$136,846 as at December 31, 2018).

The main lawsuit whose likelihood of loss is assessed as possible is described below:

- Tax assessment notice due to the alleged lack of ICMS payment in Cruzeiro unit, in the amount of R$110,174, as at December 31, 2019 (R$106,839 in 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 and 2018, balances are basically represented by escrow deposits related to labor and tax 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.

	2019	2018
Appeal escrow deposits:		
Federal	7,663	7,367
Labor	2,529	2,600
Total appeal escrow deposits	10,192	9,967

Contingent assets - restated

The Company obtained final and unappealable decision on lawsuit: 2006.61.21.003823-00003823-20.2006.4.03.6121 related to the ICMS in the COFINS tax basis. Suspension, as from 12/2006, of payment of COFINS on ICMS amounts and offset of the amounts paid until 11/1996.

As the tax basis amount (amount separately disclosed or amount paid) is still subject to discussion by the courts, which will be judged by the STF, the Company has not yet obtained approval of the respective credits, but it has recognized in 2018 the amounts related to this lawsuit in the amount of R$13,418, including attorneys' fees of R$805 in line item "Other payables", in noncurrent.

16. EQUITY – (RESTATED)

a) Capital

The subscribed and paid-in capital of R$261.201 as at December 31, 2019 (R$184,685 as at December 31, 2018) is represented by 28,274,461,147 registered common shares, without par value.

On October 28, 2019, capital was increased upon the issuance of 13,708,339,276 new shares. Such capital was paid in by shareholder Amsted Rail Brasil Equipamentos Ferroviários Ltda. R$28,885 was paid in by shareholder Iochpe Maxion S.A. and R$28,885 by shareholder Greenbrier do Brasil Participações Ltda. R$18,746, of which R$76,516 through bank deposit.

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) Allocation of profit

Profit for the year, determined in accordance with article 191 of Law 6404/76, is allocated as follows: (i) 5% to the legal reserve, which cannot exceed 20% of capital; (ii) 25% for distribution as mandatory dividends; and (iii) the remaining 70%, which is not allocated to the bylaws investment and working capital reserve or retained as provided for in the capital budget approved by the Annual Shareholders' Meeting, is distributed as additional dividends to the shareholders.

d) Earnings (loss) per share - (restated)

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	(33,147)	(11.,407)
Weighted average number of shares	28,274,461	14,566,122
Basic and diluted loss per share – R$	(1.1723)	(0.78312)

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

17. NET REVENUE – (RESTATED)

	2019	2018 (Restated)
Gross sales revenue:		
Product sales	381,346	380,851
Services rendered	344	639
Deductions:		
Taxes on sales and services	(26,736)	(26,576)
Returns and cancelations in the year	(2,835)	(3,626)
Net revenue from sales and services	352,119	351,288

18. FINANCE INCOME (COSTS)

	2019	2018
Finance income:		
Discounts obtained and interest receivable	608	319
Other	618	382
Total	1,226	701
Finance costs:		
Interest and finance charges on borrowings and financing	(15,332)	(15,617)
Tax on Financial Transactions (IOF)	(26)	(31)
Other	(472)	(128)
Total	(15,830)	(15,776)

19. FOREIGN EXCHANGE GAINS (LOSSES), NET

	2019	2018
Foreign exchange gains	20,503	18,232
Foreign exchange losses	(23,304)	(29,269)
Total	2,801	(11,037)

20. EXPENSES BY NATURE

	2019	2018
Raw materials	(100,796)	(99,020)
Salaries, charges and benefits	(99,538)	(96,440)
Supplies and maintenance	(77,826)	(70,048)
Electric power	(20,662)	(21,584)
Depreciation	(10,044)	(10,139)
Outside services	(9,918)	(9,980)
Freight	(9,077)	(6,331)
Transportation and communication	(1,405)	(1,521)
Management fees	(2,372)	(2,336)
Commissions and royalties	(2,219)	(2,840)
Product warranties	(136)	(194)
Other	(8,660)	(6,395)
Total	(342,653)	(326,828)

	2019	2018
Classified as:		
Cost of sales and services	(314,671)	(301,687)
Selling expenses	(16,166)	(13,352)
General and administrative expenses	(9,444)	(9,453)
Management fees	(2,372)	(2,336)
Total	(342,653)	(326,828)

21. OTHER OPERATING INCOME (EXPENSES), NET – (RESTATED)

	2019	2018 (Restated)
Other income:		
Recovered expenses and credits	-	236
Other revenues	325	499
	325	735
Other expenses:		
Tax and labor contingencies	(2,183)	(302)
Federal and state taxes	(840)	(1,121)
Fines	(161)	(198)
Trade association dues	(461)	(658)
Municipal Property Tax (IPTU)	(196)	(146)
Project Formare	(78)	(68)
Amortization of intangible assets	(4,655)	(4,655)
Consulting	-	(715)
Attorneys’ fees - success fee	-	(805)
Other expenses	(396)	(829)
	(8,970)	(9,497)
Total other operating income (expenses), net	(8,647)	(8,744)

22. RISK AND FINANCIAL INSTRUMENT MANAGEMENT – (RESTATED)

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 the Company’s joint parent company, 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.

Derivative financial instruments: in the years ended December 31, 2019 and 2018, the Company did not enter into derivative transactions.

Classification of financial instruments - by category

	Note	2019	2018 (Restated)
Financial assets			
Amortized cost:			
Cash and cash equivalents	4	817	4,861
Trade receivables	5	28,956	13,838
Appeal escrow deposits	15	10,192	9,967
Other receivables		1,466	1,825
Total		41,431	30,491
Financial liabilities			
Amortized cost:			
Borrowings and financing	12	127,429	184,185
Trade payables (include due to related parties)	13	21,298	25,654
Royalties		683	775
Advances from customers		3,181	19
Other payables		4,902	6,898
Total		157,493	217,531

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.

c) Financial risk management

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

Credit risk

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 and off-road carmarkers. 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 sales 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
				(Restated)
Borrowings and financing	68,192	59,237	71,161	113,024
Trade payables (include due to related parties)	21,298	-	25,654	-
Royalties	683	-	775	-
Advances from customers	3,181	-	19	-
Other payables	3,717	1,185	5,469	1,429
Total	97,071	60,422	103,078	114,453

Steel price fluctuation risk

A significant portion of the Company's operations depends on its ability to purchase steel and aluminum at competitive prices. If the price of steel and aluminum 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	12	CDI	4,186
Borrowings and financing (includes intercompany)	CDI	91,645	CDI	102,328
Borrowings and financing	TLP	751	TLP	-

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 has a specific policy to conduct hedging transactions aimed at mitigating these risks. The main assets and liabilities exposed to foreign exchange risks are:

	2019		2018	
	US$	R$	US$	R$
Trade receivables	3,583	14,442	1,024	3,966
Borrowings and financing - intercompany	(4,588)	(18,492)	(21,090)	(81,719)
Trade payables	-	-	(10)	(39)
Net exposure	1,005	(4,050)	(20,076)	(77,792)

Sensitivity analysis to foreign exchange and interest rate fluctuations

Financial instruments are exposed to fair value changes due to fluctuations in exchange rates and CDI and TLP rates. The sensitivity analyses of the financial instruments to these variables 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 as the interest rate risk CDI rates and U.S. dollar/Brazilian real exchange rate

(ii) Selection of scenarios

The following table considers three risk scenarios for the currency indexes of these financial liabilities, with the Company adopting the probable scenario. In addition to the probable scenario, two additional scenarios are shown, with stresses of 25% and 50% in the risk variables as at December 31, 2019.

Management did not consider the sensitivity analysis for the probable scenario, with reference to the depreciation of the Brazilian real against the US dollar and the euro, because it understands that this scenario substantially reflects the exchange rate changes already recognized in the financial statements for the year ended December 31, 2019.

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		
	Probable	Possible -25%	Remote -50%
Short-term investments – CDI			
CDI as at December 31, 2019	4.46%	3.34%	2.23%
Indexed short-term investments – 75.0% of CDI:			
Carrying amount considering the estimated finance income	1	-	-
Effect	-	-	-

	Scenarios		
	Probable	Possible +25%	Remote +50%
Borrowings and financing - CDI			
CDI as at December 31, 2019	6.30%	7.87%	9.44%
Carrying amount considering the estimated finance costs	5,770	7,213	8,655
Effect	-	1,443	2,885

For the sensitivity analysis to foreign exchange exposure as at December 31, 2019, the Company used the foreign exchange exposure balances reported in item "Foreign exchange risk".

Considering these foreign exchange exposures as at December 31, 2019, the sensitivity analysis of outstanding position is as follows:

	Losses	
Company risk	Possible scenario	Remote scenario
U.S. dollar rate appreciation	1,013	2,025

The possible scenario considers a 25% appreciation of the U.S. dollar against the Brazilian real over the exchange rate as at December 31, 2019 of R$5.0384/US$1.00, and the remote scenario considers a 50% appreciation (R$6.0461/US$1.00).

In light of the parities considered, results would correspond to losses of R$1,013 and R$2,025 in the possible and remote scenarios, respectively.

Management did not consider the sensitivity analysis for the probable scenario because it understands that this scenario substantially reflects the exchange rate changes already recognized in the financial statements for the year ended December 31, 2019.

23. 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 (Restated)
Total borrowings and financing	127,429	184,185
(-) Cash and cash equivalents	(817)	(4,861)
Net debt	126,612	179,324
Total equity	173,111	129,747
Net debt-to-equity ratio	73.19%	138.2%

24. NON-CASH TRANSACTIONS

As at December 31, 2019, the Company acquired the amount of R$260 relating to property, plant and equipment items without cash disbursement.

25. INSURANCE COVERAGE

The Company has an insurance policy that considers mainly the risk concentration and its materiality, providing it with a level of insurance coverage considered sufficient by Management according to the type of its activities and advice of the insurance brokers. Insurance coverage as at December 31, 2019 and 2018 is as follows:

	2019	2018
Loss of profits	123,308	146,356
Property damages	144,733	134,979
D&O insurance	24,720	19,200
Civil liability	6,400	6,400

26. EVENTS AFTER THE REPORTING PERIOD

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 180 countries, and the pandemic was declared on March 11, 2020 by the World Health Organization - WHO.

The disease has also affected 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, as the plant continues to operate normally so as to fulfill the agreements already entered into with customers, considering that purchase orders are confirmed, billing is being made regularly and sales proceeds are being received without delay. The Company’s obligations such as: wages, trade payables, taxes, etc. are being fulfilled regularly and without delay.

The main measures adopted by the Company so far were: purchasing raw materials in advance so as not to impact production and maintain strategic inventory levels, conducting negotiations and discussions with the main suppliers of raw materials and auxiliary materials to ensure that their supply is not impacted as they refer to commodities and automated production.

To guarantee the safety of employees, the Company has quarantined those employees belonging to the risk group and adopted safety measures such as using face masks and taking the body temperature of employees to enter the plant, and it has also established a strategic contingency committee which meets on a daily basis.

27. 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 April 24, 2020.