(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, 2020 and Independent Auditor’s Report

Deloitte Touche Tohmatsu Auditores Independentes

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Executive Committee of
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, 2020, 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, 2020, 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 set out 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 in the past years from related parties, to comply with short-term commitments assumed by the Company due to the negative working capital, so as to maintain 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.

Emphasis on the rectification of the corresponding values

We call attention to note 2 item e) to the financial statements, which presents corrections related to the process of deduction of the State VAT (ICMS) from the tax on revenue (COFINS) tax basis, whose decision thereon was rendered final and unappealable in 2018. As described in the aforementioned note, the corresponding amounts for the previous year, presented for comparison purposes, were adjusted and are being rectified as provided for in technical pronouncement CPC 23 - Accounting Policies, Changes in Accounting Estimates and Errors. Our opinion is not qualified in respect of this matter.

Deloitte.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

Other matters

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

São Paulo, March 23, 2021

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Danhiel Augusto Reis
Engagement Partner

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AMSTED MAXION FUNDIÇÃO E EQUIPAMENTOS FERROVIÁRIOS S.A.

BALANCE SHEETS AS OF DECEMBER 31, 2020 AND 2019 AND JANUARY 1, 2019
(In thousands of Brazilian reais - R$, except earnings (loss) per share)

ASSETS	Note	2020	2019	01/01/2019	LIABILITIES AND EQUITY	Note	2020	2019	01/01/2019
			(restated)	(restated)				(restated)	(restated)
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents	4	8,690	817	4,861	Borrowings and financing	12	88,898	68,048	71,161
Trade receivables	5	31,571	28,956	13,838	Trade payables	13	33,387	21,298	25,654
Inventories	6	40,993	39,911	43,888	Taxes payable		926	780	714
Recoverable taxes	7	17,974	14,416	17,421	Payroll and related taxes	14	14,043	10,561	14,819
Prepaid expenses		918	1,266	1,121	Lease liability	23	133	144	-
Other receivables		3,002	1,466	1,825	Advances from customers		54	3,181	19
		103,148	86,832	82,954	Dividends payable	16.c	119	-	-
					Royalties payable		443	683	775
					Other payables		6,359	3,717	5,469
							144,362	108,412	118,611
NONCURRENT ASSETS					NONCURRENT LIABILITIES				
Trade receivables	5	8,400	-	-	Borrowings and financing	12	23,285	59,159	113,024
Recoverable taxes	7	18,295	24,027	23,979	Trade payables	13	20,414	-	-
Appeal escrow deposits	15	7,765	10,192	9,967	Lease liability	23	41	78	-
Deferred income tax and social contribution	8	37,632	32,890	30,562	Provision for tax, civil and labor risks	15	6,371	6,395	5,455
Investments in associates	10	97,344	100,331	123,877	Other payables		350	967	1,211
Right of use	23	348	105	-			50,461	66,599	119,690
Property, plant and equipment	11	83,575	83,106	86,070					
		253,359	250,651	274,455	EQUITY				
					Capital	16.a	153,683	261,201	184,685
					Earnings reserves		24	3,564	3,564
					Valuation adjustments to equity	16.b	7,644	8,789	10,005
					Accumulated profits (losses)		333	(111,082)	(79,146)
							161,684	162,472	119,108
TOTAL ASSETS		356,507	337,483	357,409	TOTAL LIABILITIES AND EQUITY		356,507	337,483	357,409

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, 2020 AND 2019
(In thousands of Brazilian reais - R$, except earnings (loss) per share)

	Note	2020	2019
NET SALES REVENUE	17	362,798	352,119
COST OF SALES AND SERVICES	20	(302,320)	(314,671)
GROSS PROFIT		60,478	37,448
OPERATING INCOME (EXPENSES)			
Selling expenses	20	(30,761)	(16,166)
General and administrative expenses	20	(12,298)	(9,444)
Management fees	20	(2,204)	(2,372)
Share of profit (loss) of subsidiaries	10	1,668	(18,891)
Other operating expenses, net	21	(7,805)	(8,645)
OPERATING INCOME (LOSS) BEFORE FINANCE INCOME AND COSTS		9,078	(18,070)
Finance income	18	730	1,226
Right of use	18	(7,379)	(15,830)
Foreign exchange losses, net	19	(4,477)	(2,801)
OPERATING LOSS BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		(2,048)	(35,475)
INCOME TAX AND SOCIAL CONTRIBUTION			
Current	8.b	(3,363)	-
Deferred	8.b	4,742	2,328
LOSS FOR THE YEAR		(669)	(33,147)
LOSS PER SHARE - BASIC AND DILUTED - R$	16.d	(0.00004)	(0.00117)

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, 2020 AND 2019
(In thousands of Brazilian reais - R$)

	2020	2019
LOSS FOR THE YEAR	(669)	(33,147)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(669)	(33,147)

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, 2020 AND 2019 AND JANUARY 1, 2019
(In thousands of Brazilian reais - R$)

	Note	Capital	Legal reserve	Valuation adjustments to equity	Accumulated (losses)/ profits	Total
BALANCES AS AT DECEMBER 31, 2018 (restated)		184,685	3,564	10,005	(68,507)	129,747
Effects of restatement	2.e	-	-	-	(10,639)	(10,639)
BALANCES AS AT JANUARY 1, 2019 (restated)		184,685	3,564	10,005	(79,146)	119,108
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 (restated)		261,201	3,564	8,789	(111,082)	162,472
Capital decrease	16.a	(107,518)			107,518	-
Absorption of earnings reserve	16.a	-	(3,564)		3,564	-
Right of use		-		(1,145)	1,145	-
Constitution of legal reserve		-	24	-	(24)	-
Dividends		-	-	-	(119)	(119)
Loss for the year		-	-	-	(669)	(669)
						-
BALANCES AS AT DECEMBER 31, 2020		153,683	24	7,644	333	161,684
		-	-	-	-	-

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, 2020 AND 2019
(In thousands of Brazilian reais - R$)

	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		(669)	(33,147)
Adjustments to reconcile loss for the year to cash provided by (used in) operating activities:			
Depreciation	20	10,157	10,044
Depreciation of right of use	20	155	351
Amortization	21	4,655	4,655
Deferred income tax and social contribution	8	(4,742)	(2,328)
Interest on borrowings and financing	12	4,433	6,584
Interest on borrowings and financing related parties	12	1,762	7,880
Interest on lease liability	23	32	28
Residual value of property, plant and equipment items written off	11	(87)	47
Share of profit (loss) of subsidiaries	10	(1,668)	18,891
Allowance for inventory losses	6	(21)	1,465
Allowance for doubtful debts	5	(148)	6
Exchange rate changes on borrowings and financing	12	3,451	404
Exchange rate changes on borrowings and financing related parties	12	6,361	2,936
Provision for tax, civil and labor risks, net of reversals	15	446	2,147
Right of use		94	(6)
Decrease (increase) in assets:			
Trade receivables		(10,867)	(15,124)
Inventories		(1,061)	2,512
Recoverable taxes		5,686	2,957
Appeal escrow deposits		2,427	(225)
Other receivables and other assets		(1,431)	(137)
Increase (decrease) in liabilities:			
Trade payables		32,503	(4,356)
Advances from customers		(3,127)	3,162
Payroll and related taxes		3,482	(4,258)
Other payables and other liabilities		1,931	(2,022)
Cash provided by operating activities		53,754	2,466
Payments of income tax	8	(3,363)	-
Payments in labor and tax lawsuits	15	(470)	(1,206)
Payment of interest on lease	23	(34)	(37)
Payment of interest on borrowings and financing	12	(4,771)	(6,401)
Payment of interest on borrowings and financing related parties	12	(2,278)	(13,667)
Net cash provided by (used in) operating activities		42,838	(18,845)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(10,800)	(6,972)
Cash used in investing activities		(10,800)	(6,972)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital payment	16.a	-	76,516
Borrowings and financing	12	48,289	53,102
Repayment of lease liabilities	23	(183)	(167)
Repayment of borrowings and financing	12	(43,037)	(18,902)
Repayment of borrowings and financing related parties	12	(29,234)	(88,776)
Cash (used in) provided by financing activities		(24,165)	21,773
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		7,873	(4,044)
Opening balance of cash and cash equivalents		817	4,861
Closing balance of cash and cash equivalents		8,690	817
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		7,873	(4,044)

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

Even with a challenging year for the company, the sales volume of the national market was above the expected in the operational plan for railway and wheel items, driven by the restriction of inventories and also by the construction of strategic inventory stock in the main customers, our risks thanks from source due to Covid-19. A good production performance, the mix of products sold, the exchange rate helped positively in the result of the year. The 2020 operational plan was strongly impacted by the recognition of a liability relating to the wagon warranty in 2015, in the total amount of R$15 million. The volume of industrial parts for the civil construction was strongly affected by the low demand during the year, as well as the export of railway items, which was impacted by the low demand in the US market.

In 2020, in spite of the lower volume, the production performance, the mix of goods sold, and the foreign exchange rate on export sales maintained the margin and results of operations above those projected in the operational plan. However, the volume of railway and industrial production dropped by 18% when compared to that projected in the operational plan. Due to the lower production volume, the workforce was reduced to adjust the production volume to the market demand. The wheel line maintained a production volume similar to that projected in the operational plan and the workforce was not reduced.

The Company’s financial performance was higher than that projected in the operational plan, with a reduction of the net debt by 24%, in addition to an improvement in net cash generation and decrease of conversion days. The focus on the recovery of taxes was another favorable factor for the performance in 2020, with state and federal taxes used to reduce cash outflow during the year.

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

a) Implementation of the 4DX methodology with the managers of all areas of the Company in order to reduce costs, improve productivity, cash generation and increase sales volume.

b) Expansion of the order backlog, creating consistency and predictability of the production process, allowing balanced volumes and subsequent reduction of inventories and costs.

c) Execution of a long-term agreement with the main customers in the domestic market and also the main customer in the wheel export market, with supply of 13,500 wheels in the next three years.

d) Reorganization of the product mix, upon increase of the volume of medium-sized railway items, railroad wheels and higher volume of parts for different machinery in the industrial market.

e) Increase in the number of industrial part number offered to the market, increasing the portfolio and reducing the dependence and risk of possible volume decrease.

f) Decrease of inventory upon reorganization of the railway system, allowing better inventory management, decrease of inventory differences and more accuracy of the furnace loads.

g) Negotiation with suppliers to extend payment terms, as well as use of the confirming operation to extend payment terms.

h) Negotiation with customers to reduce collection terms, options with banks for using advanced collection and planning of better production and billing dates.

i) Implementation of the VSM (Value Stream Mapping) initiative at the production areas, increasing production efficiency and eliminating inefficiencies in the process.

In 2020, the year ended with the anticipated renewals of the Paulista (Rumo), Carajás and Vitória-Minas (Vale) railway system.

The Ministry of Infrastructure' planning, through the Investment Partnership Program (PPI), provides for the full operation of the North-South Railway (FNS) at the beginning of 2021 already, Rumo being the auction winner. The ministry also provides for the anticipated renewal of MRS and VLI for the second half of 2021, in addition to the concessions of the West-East Integration Railway (FIOL), which auction is expected to occur in April 2021 and Ferrogrão, which auction is expected to occur in the 2nd quarter of 2021. The construction of the West-East Integration Railway (FICO), expected to be delivered in 2025, was included as a contra entry to the concession amount in the advanced extension of EFVM (Vale).

In general, the government's investments in the railway will amount to R$69,3 billion, of which R$39,6 billion in the renewal of concessions and R$29,7 billion in new concessions.

Moreover, the Ministry of Infrastructure provides for the expansion of railways from 30,000 km to 35,000 km, in addition to increasing by twice the railway transport mode share from 15% to 30%. The investments in port concessions will also optimize the connection between railways and terminals.

Considering the industrial casting segment, even in a year of uncertainties due to the pandemic, the construction equipment obtained in 2020, for the third consecutive year, a growth in sales.

For 2021, the Associação Brasileira de Tecnologia para Construção e Mineração (Sobratema) estimates the increase in sales by around 20% in the yellow line machinery segment and by 25% in the entire construction equipment segment. For export purposes, the inventory replenishment for the markets in the Europe, Middle East and USA was necessary in 2021.

The Company is optimistic if the renewal of the current concessions and also the new concessions occurs effectively, in addition to the increase of the yellow line and construction machinery market and the balanced export scenario, projecting revenues in 2021 of R$367 million (in the railroad wheels, railway and industrial casting segments) of which 48% already has signed agreements.

During 2020, the Company generated free cash flow, making it possible to reduce its net debt by R $ 22,945, in addition to the early and full settlement of loans from shareholders, in November 2020. As of December 31, 2020, the Company recognizes negative working capital in the amount of R$41,214 (R$21,580 as of December 31, 2019), which can be settled through credit lines available from financial institutions in Brazil, and in case of need through a financial contribution from its shareholders.

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.

1.3. COVID-19

Covid-19 was discovered in December 2019, when the first cases erupted 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 World Health Organization (WHO) declared a pandemic on March 11, 2020.

The disease is also impacting the worldwide 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 interruptions in the supply of raw materials, changes in customer demands, 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 protect the health of all employees and their family members and to fight against the COVID-19 spread, protocols were adopted, which were established in accordance with the guidelines from the competent bodies in the location where the Company operates. Additionally, national and international travels were canceled, face-to-face-meetings are being replaced by video conferences, the access of third parties to the Company’s units was restricted and the work regime is being adjusted, in order to avoid to the maximum extent possible the concentration of persons in the same environment.

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 presentation currency

Items in the Company's financial statements are measured in Brazilian reais (R$), the functional and presentation 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, 2019

The Company has opted to restate the comparative balaces to disclose 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.

For this reason, the balance sheet as of December 31, 2019 is being restated as provided for in CPC 23 - Accounting Policies, Change in Estimates and Errors, the Company is correcting the error by recognizing the effects on December 31, 2019 at in order to reflect the impacts of the reversal and, therefore, made the adjustments retrospectively in its financial statements in relation to those originally issued.

The effects of the adjustments accounted for as a result of this procedure, on the balance sheet as of December 31, 2019, are presented in the items described below, for the statements of changes in shareholders' equity, the presentation took place in a single report with the respective descriptions (original presentation and resubmission).

The tables of the financial statements are presented below, including the amounts originally presented and the amounts restated.

Balance sheet as of January 1st, 2019:

ASSETS	Reference	01/01/2019 Restated Previously	Adjustments	01/01/2019 Restated
CURRENT ASSETS				
Total current assets		82,954	-	82,954
NONCURRENT ASSETS				
Recoverable taxes	a)	34,836	(10,857)	23,979
Appeal escrow deposits		9,967	-	9,967
Deferred income tax and social contribution		30,562	-	30,562
Investments in associates		123,877	-	123,877
Right of use		-	-	-
Property, plant and equipment		86,070	-	86,070
Total noncurrent assets		285,312	(10,857)	274,455
TOTAL ASSETS		368,266	(10,857)	357,409

LIABILITIES AND EQUITY	Reference	01/01/2019 Restated Previously	Adjustments	01/01/2019 Restated
CURRENT LIABILITIES				
Total current liabilities		118,611	-	118,611
NONCURRENT LIABILITIES				
Borrowings and financing		113,024	-	113,024
Lease liability		-	-	-
Provision for tax, civil and labor risks		5,455	-	5,455
Other payables	b)	1,429	(218)	1,211
Total noncurrent liabilities		119,908	(218)	119,690
EQUITY				
Capital		184,685	-	184,685
Earnings reserves		3,564	-	3,564
Valuation adjustments to equity		10,005	-	10,005
Accumulated losses	c)	(68,5070)	(10,639)	(79,146)
Total equity		129,747	(10,639)	119,108
TOTAL LIABILITIES AND EQUITY		368.266	(10.857)	357.409

Balance sheet as of December 31, 2019:

ASSETS	Reference	31/12/2019 Restated Previously	Adjustments	31/12/2019 Restated
CURRENT ASSETS				
Total current assets		86,832	-	86,832
NONCURRENT ASSETS				
Recoverable taxes	a)	34,884	(10,857)	24,027
Appeal escrow deposits		10,192	-	10,192
Deferred income tax and social contribution		32,890	-	32,890
Investments in associates		100,331	-	100,331
Right of use		105	-	105
Property, plant and equipment		83,106	-	83,106
Total noncurrent assets		261,508	(10,857)	250,651
TOTAL ASSETS		348,340	(10,857)	337,483

LIABILITIES AND EQUITY	Reference	31/12/2019 Restated Previously	Adjustments	31/12/2019 Restated
CURRENT LIABILITIES				
Total current liabilities		108,412	-	108,412
NONCURRENT LIABILITIES				
Borrowings and financing		59,159	-	59,159
Trade payables		-	-	-
Lease liability		78	-	78
Provision for tax, civil and labor risks		6,395	-	6,395
Other payables	b)	1,185	(218)	967
Total noncurrent liabilities		66,817	(218)	66,599
EQUITY				
Capital		261,201	-	261,201
Earnings reserves		3,564	-	3,564
Valuation adjustments to equity		8,789	-	8,789
Accumulated losses	c)	(100,443)	(10,639)	(111,082)
Total equity		173,111	(10,639)	162,472
TOTAL LIABILITIES AND EQUITY		348,340	(10,857)	337,483

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 changes in equity of the adjustment in accumulated losses as of the year ended December 31, 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. New and revised IFRSs effective for the current year

Standard	Requirement	Impact on the financial statements
Amendments of the Interest Rate Benchmark Reform to IFRS 9 and IFRS 7	These amendments modify the specific requirements of hedge accounting to allow the maintenance of the hedge accounting for hedges affected during the uncertainty period before the hedged items or hedging instruments affected by the current interest rate benchmark are changed as a result of the continuing interest rate benchmark reforms.	The Company did not identify material impacts on its financial statements.

Standard	Requirement	Impact on the financial statements
IFRS 16—Covid-19-Related Rent Conce ssions	Establishes practical measures for lessees in the accounting for rent concessions occurred as a direct result of COVID-19, when introducing a practical expedient for IFRS 16. The practical expedient allows the lessee to decide not to assess whether the COVID-19-related rent concession is a lease modification. The lessee that makes its decision must account for any change in lease payments resulting from the COVID-19-related rent concession by applying IFRS 16 as if the change was not a lease modification.	The Company did not identify material impacts on its financial statements.

3.2. Impact from the first-time adoption of other new and revised IFRSs standards effective for the current year

In the current year, the Group adopted the following amendments to the IFRS Standards and Interpretations, issued by the IASB, effective for annual periods beginning on or after January 1, 2020. The adoption of these Standards and Interpretations had no material impact on the disclosures or amounts disclosed in these financial statements.

Standard	Requirement
Amendments to References to the Conceptual Framework in IFRS Standards	The Group adopted the amendments included in the Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include the subsequent amendments to the Standards affected as they refer to the new Framework. Not all amendments, however, update these pronouncements with regard to references to and quotes in the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions under the Standard have not been updated to include the new definitions developed in the revised Conceptual Framework. The amended Standards are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.
Amendments to IFRS 3 – Definition of Business	The Group adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs (“products”), products are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create products.

Standard	Requirement
Amendments to IAS 1 and IAS 8 – Definition of Material	The Group adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments are intended to provide a better understanding of the definition of material set out in IAS 1 rather than changing the underlying concept of materiality in the IFRS Standards. The concept of “obscuring” material information with immaterial information has been included as part of the new definition. The materiality threshold influencing users has been changed from “could influence” to “could reasonably be expected to influence”. The definition of material set out in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term “material” to ensure consistency.

3.3. Adoption of new and revised IFRSs not yet applicable

The International Accounting Standards Board (IASB) published or amended the following accounting pronouncements, guidelines or interpretations, which must be adopted on January 1, 2020.

Standard	Requirement	Impact on the financial statements
IFRS 10 - Consolidated Financial Statements and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. The amendments to IFRS 10 (CPC 36 (R3)) and IAS 28 (CPC 18 (R2)) address situations involving the sale or contribution of assets between an investor and its associate or joint venture. With no beginning of effective period defined.	The interpretation reflects the practice adopted by the Company and its accounting policies.
Amendments to IAS 1	Classification of Liabilities as Current or Non-current Effective beginning January 1, 2023, early adoption being permitted.	The Company did not identify material impacts on its financial statements.
Amendments to IFRS 3	Reference to the Conceptual Framework Effective beginning January 1, 2022.	The Company did not identify material impacts on its financial statements.

Standard	Requirement	Impact on the financial statements
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use Effective beginning January 1, 2022.	The Company did not identify material impacts on its financial statements.
Amendments to IAS 37	Onerous Contracts—Cost of Fulfilling a Contract Effective beginning January 1, 2022.	The Company did not identify material impacts on its financial statements.
Annual improvements to IFRS 2018-2020 Cycle	Amendments to IFRS 1 – First-time Adoption if International Financial Reporting Standards, IFRS 9 – Financial Instruments, IFRS 16 - Leases, beginning January 1, 2022, except for IFRS 16, which has no date defined yet.	The Company did not identify material impacts on its financial statements.

3.3.1. 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 associates

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 estimated 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 contract 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

<u>Classification and measurement of financial assets</u>

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 specified dates and refer solely to payment of principal and interest. Assets classified in this category include: “Cash and cash equivalents”, “Trade receivables” and “Other receivables”.

(ii) Fair value through profit or loss

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

Initial measurement

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

Subsequent measurement

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

(i) Amortized cost

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

(ii) Fair value through profit or loss

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

(iii) Impairment of financial assets

Regarding the impairment of financial assets, CPC 38 requires an "expected credit loss" model compared to the "incurred credit loss" model set out in CPC 38 (IFRS 9). Under the "expected credit loss" model, the Company is required to recognize expected credit losses and related variations at each reporting date to reflect any changes in the credit risk occurred since the initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized. CPC 38 (IFRS9) specifically requires the Company to recognize an allowance for expected credit losses on trade receivables. In particular, CPC 38 (IFRS9) requires the Company to measure the loss allowance for a financial instrument in an amount equivalent to lifetime expected credit losses (ECL) if the credit risk underlying such financial instrument has increased significantly since the initial recognition, or if the financial instrument corresponds to an acquired or originated financial asset that might be impaired.

Nevertheless, if the credit risk underlying a financial instrument has not increased significantly since the initial recognition (except for acquired or originated financial assets that might be impaired), the Company is required to measure the loss allowance for that financial instrument in an amount equivalent to 12-month ECL. CPC 38 (IFRS9) also sets a simplified approach to measure a loss allowance in an amount equivalent to lifetime ECL for trade receivables, contract assets and lease receivables under certain circumstances.

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

Financial liabilities

Classification

The Company's financial liabilities are classified at:

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

Initial recognition

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

Subsequent measurement

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

(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

	2020	2019
Cash and banks	1,670	805
Highly liquid short-term investments	7,020	12
Total	8,690	817

As of December 31, 2020, 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 98.0% of the Interbank Certificate of Deposit rate (CDI) (75.0% as of December 31, 2019) 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

	2020	2019
In Brazil	9,698	14,605
Abroad	19,667	13,589
Related parties (note 9)	11,160	1,464
Allowance for doubtful debts	(554)	(702)
Total	39,971	28,956
Current assets	31,571	28,956
Noncurrent assets (*)	8,400	-

(*) The noncurrent portion refers to a settlement of accounts between related parties, associated with the warranty event mentioned in note 1.

b) Aging list

	2020	2019
Current	36,787	25,028
Past-due:		
1 to 30 days	3,076	3,912
31 to 60 days	107	12
61 to 90 days	1	4
Over 91 days	554	702
Total	40,525	29,658

Variations in the allowance for doubtful debts are as follows:

	2020	2019
Balance at the beginning of the year	(702)	(696)
Reversals	218	28
Additions	(70)	(34)
Balance at the end of the year	(554)	(702)

6. INVENTORIES

	2020	2019
Finished products	4,811	8,429
Work in process	10,052	9,321
Raw materials	3,216	2,598
Auxiliary materials	15,572	12,973
Advances to suppliers	6,202	6,535
Imports in transit	2,649	1,585
Allowance for inventory losses	(1,509)	(1,530)
Total	40,993	39,911

Variations in the allowance for inventory losses are as follows:

	2020	2019
Balance at the beginning of the year	(1,530)	(65)
Reversals	1,456	150
Additions	(1,435)	(1,615)
Balance at the end of the year	(1,509)	(1,530)

7. RECOVERABLE TAXES (RESTATED)

	2020	2019 (restated)
State VAT (ICMS) (*)	25,654	30,338
Tax on revenue (COFINS) (**)	2,704	4,704
Tax on revenue (PIS)	843	929
Corporate Income Tax (IRPJ)	5,473	991
Tax Reintegration Regime for Exporting Companies (REINTEGRA)	439	682
Federal VAT (IPI)	965	659
Other	191	140
Total	36,269	38,443
Current assets	17,974	14,416
Noncurrent assets	18,295	24,027

(*) The Company obtained the release of part of the ICMS credit with the São Paulo State Finance Department. R$4,994 was released in November 2020 and R$15,888 in October 2019. 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, and the respective credit was fully recognized in noncurrent. The balance is being restated as the Company has decided to change the calculation method previously used as instructed by its legal counsel; see impacts described in note 2.e) above.

8. INCOME TAX AND SOCIAL CONTRIBUTION (RESTATED)

a) Deferred

	2020	2019 (restated)
Provision for tax, civil and labor risks	18,874	18,204
Allowance for inventory losses	513	520
Allowance for doubtful debts	188	239
Provision for warranties	973	43
Profit sharing	1,637	527
Other	1,990	1,475
Tax loss carryforwards	93,577	98,503
Provision for unrealizable credits	(40.911)	(43,623)
Deemed cost of property, plant and equipment	(3,938)	(5,334)
Appreciation of the investment stated at fair value	(27,100)	(28,683)
Difference in depreciation criterion	(8,171)	(8,981)
Total deferred income tax and social contribution, net	37,632	32,890

Based on taxable profit projections approved by Management, the Company estimates to recover the tax credit arising on deferred income tax and social contribution in the following years:

Year	R$
2021	1,881
2022	3,056
2023	4,124
2024	6,477
2025	7,021
2026 onwards	15,073
Total	37,632

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:

	2020	2019
Loss before income tax and social contribution	(2,048)	(35,475)
Combined rate - %	34	34
Income tax and social contribution credit at the combined rate	696	12,062
Permanent differences		
Share of profit (loss) of subsidiaries	567	(6,423)
Other permanent impacts	(116)	(51)
Realization of (provision for) unrealizable credits	232	(3,260)
Income tax and social contribution in profit or loss	1,379	2,328
Current	(3,363)	-
Deferred	4,742	2,328
(*)	67%	7%

(*) Income tax and social contribution in profit or loss as a percentage of Loss before income tax and social contribution.

9. RELATED PARTIES

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

	2020	2019
Key Management personnel (salaries and benefits)	2,204	2,372

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 of December 31, 2020 and 2019, as well as the transactions that impacted profit or loss for the years then ended, regarding the transactions with related parties are as follows:

	2020			
	Assets	Liabilities	Profit or loss	
	Trade receivables	Trade payables/ patents by royalties	Sales	Purchases
Iochpe-Maxion S.A. - R$ - (i)	2	3,450	-	38,718
Amsted Rail Company, Inc.- US$ - (ii)	-	443	35,341	-
Amsted Rail Brasil Equipamentos Ferroviários Ltda. - R$	-	11	30	23
Greenbrier Maxion Equipamentos e Serviços Ferroviários S.A. - R$	11,158	135	99,639	3,686
Total	11,160	4,039	135,010	42,427

	2019			
	Assets	Liabilities	Profit or loss	
	Trade receivables	Trade payables/loan/ patents by royalties	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 Inc. - US$ - (ii)	-	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

(i) The Company purchases scrap from its joint parent company Iochpe-Maxion S.A.

(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.

c) Shared services agreements

(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$698 for the year ended December 31, 2020 (R$228 as of December 31, 2019).

(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$2,855 for the year ended December 31, 2020 (R$2,034 as of December 31, 2019).

10. INVESTMENTS IN ASSOCIATE

a) Variations

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

	Balance as of 12/31/2019	Amortization/ write-offs	Share of profit of subsidiaries	Balance as of 12/31/2020
Greenbrier Maxion Equipamentos e Serviços Ferroviários S.A.	15,766	-	1,668	17,434
Appreciation	110,250	-	-	110,250
(-) Amortization of appreciation	(25,685)	(4,655)	-	(30,340)
Total, net	100,331	(4,655)	1,668	97,344

	Balance as of 12/31/2018	Amortization/ write-offs	Share of loss of Subsidiaries	Balance as of 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

Variations in the appreciation:

	2018	Amortization	2019	Amortization	2020
Future earnings	64,977	-	64,977	-	64,977
Customer portfolio	19,127	(4,425)	14,702	(4,425)	10,277
Trademark	4,367	-	4,367	-	4,367
Property, plant and equipment	749	(230)	519	(230)	289
Total	89,220	(4,655)	84,565	(4,655)	79,910

In the year ended December 31, 2020, 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

2020	Number of shares (in thousands)	Equity interest (%)	Assets	Liabilities	Capital	Equity	Net revenue	Profit for the year
Greenbrier Maxion Equipamentos e Serviços Ferroviários S.A.	48,326	40.0	488,781	444,589	87,707	44,192	687,536	5,011

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)

11. PROPERTY, PLANT AND EQUIPMENT

	Average annual depreciation rate - %	2020 Cost	2020 Accumulated depreciation	2020 Net	2019 Net
Buildings and improvements	5.55	53,146	(26,716)	26,340	27,306
Machinery and equipment	11	169,974	(125,254)	44,720	39,972
Molds	18	33,808	(31,316)	2,492	3,558
Furniture and fixtures	7	4,539	(2,166)	2,373	900
IT equipment	31.5	5,537	(4,025)	1,512	1,400
Other property, plant and equipment	2.25	34	(16)	18	1
Land	-	875	-	875	875
Construction in progress	-	3,557	-	3,557	7,496
Machinery spare parts	-	2,425	(827)	1,598	1,598
Total		273,895	(190,320)	83,575	83,106

Variations in cost - 2020

	2019	2020			
	Cost	Additions	Write-offs	Transfers	Cost
Buildings and improvements	53,075	-	-	71	53,146
Machinery and equipment	158,115	1,228	-	10,631	169,974
Molds	33,596	-	-	212	33,808
Furniture and fixtures	2,855	-	-	1,684	4,539
IT equipment	4,904	-	-	633	5,537
Other property, plant and equipment	15	-	-	19	34
Land	875	-	-	-	875
Constructions in progress (*)	7,496	9,572	-	(13,511)	3,557
Machinery spare parts	2,425	-	-	-	2,425
Total	263,356	10,800	-	(261)	273,895

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

Variations in depreciation - 2020

	2019	2020			
	Accumulated depreciation	Additions	Write-offs	Transfers	Accumulated depreciation
Buildings and improvements	(25,769)	(1,031)	84	-	(26,716)
Machinery and equipment	(118,143)	(7,114)	3	-	(125,254)
Molds	(30,038)	(1,278)	-	-	(31,316)
Furniture and fixtures	(1,955)	(211)	-	-	(2,166)
IT equipment	(3,504)	(521)	-	-	(4,025)
Other property, plant and equipment	(14)	(2)	-	-	(16)
Machinery spare parts	(827)	-	-	-	(827)
Total	(180,250)	(10,157)	87	-	(190,320)

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
Vehicles (*)	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)
Vehicles (*)	(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)

In the year ended December 31, 2020, 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 - %	2020	2019
Local currency:				
Intercompany financing	CDI + 2%	6.49	-	4,897
NCE	129.0% of CDI	5.71	-	3,339
NCE	130.0% of CDI	2.48	35,026	40,067
NCE	148.5% of CDI	6.60	-	5,011
NCE	CDI+1.25%	3.17	20,198	20,292
NCE	CDI+1.95%	3.89	3,504	3,506
NCE	CDI+2.25%	4.19	8,037	10,524
NCE	CDI+2.40%	6.91	-	4,009
NCE	CDI+4.46%	6.44	4,503	-
NCE	CDI+2.70%	4.65	6,018	-
NCE	CDI+2.78%	4.73	10,015	-
ACC	-	6.10	2,155	12,004
CONFIRMING	-	7.59	1,067	4,315
FINAME	TLP+4.02%	7.97	298	394
FINAME	TLP+3.82%	7.77	272	357
WORKING CAPITAL	CDI+4.15%	6.13	2,008	-
WORKING CAPITAL	CDI+3.98%	5.96	9,002	-
WORKING CAPITAL	CDI+3.70%	5.67	10,080	-
Foreign currency:				
Intercompany financing	-	8.00	-	18,492
Total			112,183	127,207
Current liabilities			88,898	68,048
Noncurrent liabilities			23,285	59,159

Variations in borrowings and financing

	2020	2019
Balance as of December 31	127,207	184,185
Funding	48,289	53,102
Accrued interest	6,194	14,464
Principal repayment	(72,271)	(107,678)
Payment of interest	(7,049)	(20,068)
Transfer to lease liability	-	(138)
Exchange rate changes	9,813	3,340
Balance as of December 31	112,183	127,207

The installments recorded in noncurrent liabilities mature as follows:

2022	23,285
Total	23,285

13. TRADE PAYABLES

	2020	2019
In Brazil	50,205	20,696
Related parties (note 9)	3,596	602
Total	53,801	21,298
Current	33,387	21,298
Noncurrent (*)	20,414	-

(*) The noncurrent portion is related to the warranty event mentioned in note 1.

14. PAYROLL AND RELATED TAXES

	2020	2019
Related taxes	2,791	3,505
Accrued vacation pay	6,437	5,505
Profit sharing	4,815	1,551
Total	14,043	10,561

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:

	2020	2019 (restated)
Tax lawsuits:		
Federal	48,251	46,249
Labor lawsuits	5,886	5,920
Severance pay fund (FGTS) – 10% surtax	1,354	1,354
Civil lawsuits	20	17
	55,511	53,540
Escrow deposits	(49,140)	(47,145)
Total	6,371	6,395

The variations in the years are as follows:

	Balance in 2019 (restated)	Additions	Payments	Reversals	Adjustments	Balance in 2020
Tax lawsuits:						
Federal	46,249	2,637	-	(1,292)	657	48,251
Labor lawsuits	5,920	1,725	(1,759)	-	-	5,886
Severance pay fund (FGTS) – 10% surtax	1,354	-	-	-	-	1,354
Civil lawsuits	17	6	(3)	-	-	20
Total	53,540	4,368	(1,762)	(1,292)	657	55,511
Escrow deposits	(47,145)	(2,612)	1,292	-	(675)	(49,140)

	Balance in 2018	Additions	Payments	Reversals	Adjustments	Balance in 2019 (restated)
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)

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

Tax lawsuits

	2020			2019		
	Provision	Related escrow deposits	Liabilities, net	Provision	Related escrow deposits	Liabilities, net
				(restated)		
PIS/COFINS (a)	25,852	25,803	49	26,611	(26,553)	58
Severance pay fund (FGTS) – 10% surtax (c)	1,354	1,354	-	1,354	(1,354)	-
National Institute of Social Security (INSS) (b)	22,001	21,983	18	19,252	(19,238)	14
Total	49,207	49,140	67	47,217	(47,145)	72

(a) Legal disputes challenging the payment of contributions on: (i) agents' commissions and royalties paid abroad

(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 of December 31, 2020, the Company was a party to 77 labor lawsuits (83 as of December 31, 2019). 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$17,360 (R$18,865 as of December 31, 2019) for which a provision in the amount of R$5,886 (R$5,920 as of December 31, 2019) 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 of December 31, 2020, these lawsuits totaled approximately R$150,025 (R$139,852 as of December 31, 2019).

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$111,399, as of December 31, 2020 (R$110,174 in 2019).

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 of December 31, 2020 and 2019, 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.

	2020	2019
Appeal escrow deposits:		
Federal	5,556	7,663
Labor	2,209	2,529
Total appeal escrow deposits	7,765	10,192

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$2,561, including attorneys' fees of R$154 in line item "Other payables", in noncurrent.

16. EQUITY

a) Capital

The subscribed and paid-in capital of R$153,683 as of December 31, 2020 (R$261,201 as of December 31, 2019) is represented by 16,635,854,860 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. in the amount of R$28,885, by shareholder Iochpe Maxion S.A. in the amount of R$28,885, and by shareholder Greenbrier do Brasil Participações Ltda. in the amount of R$18,746, of which R$76,516 through bank deposit.

On December 18, 2020, it was decided that the legal reserve would be used to absorb accumulated losses in the amount of R$3,564, and on the same date, the capital decrease was approved to offset accumulated losses in the amount of R$107,518.

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.

The payment of dividends (minimum mandatory) in the amount of R$119 to its shareholders, proportionately to their interest, shall be subject to discussion at the next shareholders' meeting.

d) Loss per share - (Restated)

Basic and diluted 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:

	2020	2019 (restated)
Loss attributable to owners of the Company	(669)	(33,147)
Weighted average number of shares	16,635,855	28,274,461
Basic and diluted loss per share – R$	(0.00004)	(0.00117)

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

17. NET REVENUE

	2020	2019
Gross sales revenue:		
Product sales	394,966	381,346
Services rendered	2,169	344
Deductions:		
Taxes on sales and services	(33,365)	(26,736)
Returns and cancelations in the year	(972)	(2,835)
Net revenue from sales and services	362,798	352,119

18. FINANCE RESULT

	2020	2019
Finance income:		
Discounts obtained and interest receivable	716	608
Other	14	618
Total	730	1,226
Finance costs:		
Interest and finance charges on borrowings and financing	(6,988)	(15,332)
Tax on Financial Transactions (IOF)	(22)	(26)
Other	(369)	(472)
Total	(7,379)	(15,830)

19. FOREIGN EXCHANGE, NET

	2020	2019
Foreign exchange gains	14,321	20,503
Foreign exchange losses	(18,798)	(23,304)
Total	(4,477)	(2,801)

20. EXPENSES BY NATURE

	2020	2019
Raw materials	(102,302)	(100,796)
Salaries, charges and benefits	(98,858)	(99,538)
Supplies and maintenance	(70,819)	(77,826)
Electric power	(18,817)	(20,662)
Depreciation	(10,157)	(10,044)
Depreciation of right-of-use assets	(155)	(351)
Outside services	(10,287)	(9,918)
Freight	(6,201)	(9,077)
Transportation and communication	(939)	(1,405)
Management fees	(2,204)	(2,372)
Commissions and royalties	(3,059)	(2,219)
Product warranties	(17,541)	(136)
Other	(6,244)	(8,309)
Total	(347,583)	(342,653)
Classified as:		
Cost of sales and services	(302,320)	(314,671)
Selling expenses	(30,761)	(16,166)
General and administrative expenses	(12,298)	(9,444)
Management fees	(2,204)	(2,372)
Total	(347,583)	(342,653)

21. OTHER OPERATING EXPENSES, NET

	2020	2019
Other income:		
Recovered expenses and credits	1,292	-
Other income	232	325
	1,524	325
Other expenses:		
Tax and labor contingencies	(1,916)	(2,183)
Federal and state taxes	(1,024)	(840)
Fines	(5)	(161)
Trade association dues	(439)	(461)
Municipal Property Tax (IPTU)	(192)	(196)
Project Formare	(48)	(78)
Amortization of intangible assets	(4,655)	(4,655)
Covid-19	(535)	-
Other expenses	(515)	(396)
	(9,329)	(8,970)
Total other operating expenses, net	(7,805)	(8,645)

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, 2020 and 2019, the Company did not enter into derivative transactions.

Classification of financial instruments - by category

	Note	2020	2019 (Restated)
Financial assets			
Amortized cost:			
Cash and cash equivalents	4	8,690	817
Trade receivables	5	39,971	28,956
Appeal escrow deposits	15	7,765	10,192
Other receivables		3,002	1,466
Total		59,428	41,431
Financial liabilities			
Amortized cost:			
Borrowings and financing and lease liabilities	12 and 23	112,357	127,429
Trade payables (include due to related parties)	13	53,801	21,298
Royalties payable		443	683
Advances from customers		54	3,181
Other payables		6,709	4,684
Total		173,364	157,275

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 inputs or that may be confirmed by market information for substantially all terms of the assets and liabilities.
- Level 3 - Available 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:

<u>Credit risk</u>

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

Almost all revenues are allocated between the railway and mining logistics operators and off-road carmakers. 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:

	2020		2019	
	Up to 1 year	1 to 2 years	Up to 1 year	1 to 2 years
				(restated)
Borrowings and financing (include lease liabilities)	89,031	23,326	68,192	59,237
Trade payables (include due to related parties)	33,387	20,414	21,298	-
Royalties payable	443	-	683	-
Other payables	6,359	350	3,717	967
Total	129,220	44,090	93,890	60,204

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. However, a significant portion of the Company's agreements entered into with Brazilian and foreign customers provide for adjustments methods to offset part of this risk.

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.

	2020		2019	
	Index	R$	Index	R$
Short-term investments	CDI	7,020	CDI	12
Borrowings and financing	CDI	108,391	CDI	91,645
Borrowings and financing	TLP	570	TLP	751

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:

	2020		2019	
	US$	R$	US$	R$
Trade receivables	3,785	19,667	3,583	13,589
Borrowings and financing - intercompany			(4,588)	(18,492)
Net exposure	3,785	19,667	(1,005)	(4,903)

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 of December 31, 2020.

Management did not consider the sensitivity analysis for the probable scenario, with reference to the depreciation of the Brazilian real against the US dollar, because it understands that this scenario substantially reflects the exchange rate changes already recognized in the financial statements for the year ended December 31, 2020.

The possible and remote scenarios consider fluctuations of 25% and 50%, respectively, in CDI interest rates against the closing quotations as of December 31, 2020:

	Scenarios		
Short-term investments - CDI	Probable	Possible -25%	Remote -50%
CDI as of December 31, 2020	2.70%	2.03%	1.35%
Carrying amount considering the estimated finance income	190	142	95
Effect	-	(47)	(95)

Borrowings and financing - CDI	Probable	Scenarios Possible +25%	Remote +50%
CDI as of December 31, 2020	2.92%	3.65%	4.38%
Carrying amount			
considering the estimated finance costs	3,163	3,953	4,744
Effect	-	791	1,581

For the sensitivity analysis to foreign exchange exposure as of December 31, 2020, the Company used the foreign exchange exposure balances reported in item "Foreign exchange risk".

Considering these foreign exchange exposures as of December 31, 2020, the sensitivity analysis of outstanding position is as follows:

Company risk	Gains Possible scenario	Remote scenario
U.S. dollar rate appreciation	246	295

The possible scenario considers a 25% appreciation of the U.S. dollar against the Brazilian real over the exchange rate as of December 31, 2020 of R$6.4959/US$1.00, and the remote scenario considers a 50% appreciation (R$7.7951/US$1.00).

In light of the parities considered, results would correspond to losses of R$246 and R$295 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, 2020.

23. RIGHT OF USE AND LEASE LIABILITIES

Variations are summarized below:

Right-of-use asset	2020	2019
Opening balance	105	196
Additions	137	260
Balance transferred from construction in progress to right of use	261	-
Depreciation balance in the period	(155)	(351)
Closing balance	348	105

Lease liability:		
Opening balance	222	138
Additions	137	260
Principal repayment	(183)	(167)
Payment of interest	(34)	(37)
Accrued interest	32	28
Closing balance	174	222

Payment schedule is as follows:

	R$
2021	133
2022	41
Total	174

24. 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 Committee monitors the returns on capital, defined by the Company as the operating activities' results divided by total equity. The Executive Committee 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:

	2020	2019 (restated)
Total borrowings and financing (include lease liabilities)	112,357	127,429
(-) Cash and cash equivalents	(8,690)	(817)
Net debt	103,667	126,612
Total equity	161,684	162,472
Net debt-to-equity ratio	64.1%	77.9%

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 of December 31, 2020 and 2019 is as follows:

	2020	2019
Loss of profits	115,774	123,308
Property damages	151,064	144,733
D&O insurance	25,452	24,720
Civil liability	6,400	6,400

26. AUTHORIZATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Company's Executive Committee and authorized for disclosure and issue at the meeting held on March 23, 2021.