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

Greenbrier Maxion Equipamentos e Serviços Ferroviários S.A.

Financial Statements
for the Year Ended
December 31, 2020 and
Independent Auditor's Report

Deloitte Touche Tohmatsu Auditores Independentes

Deloitte Touche Tohmatsu
Av. John Dalton, 301 -
1º andar - Techno Plaza Corporate -
Edifício 2 - Bloco B
13069-330 - Campinas - SP
Brasil

Tel.: + 55 (19) 3707-3000
Fax: + 55 (19) 3707-3001
www.deloitte.com.br

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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Greenbrier Maxion Equipamentos e Serviços Ferroviários S.A. ("Company"), which comprise the balance sheet as at December 31, 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 Greenbrier Maxion Equipamentos e Serviços 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 from related parties through borrowings, under terms and conditions agreed upon among the parties, which is intended to cover the liabilities assumed, and 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.

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

2021CA004969_REV_2019-CPS-0352-1 VF (PA).docx

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

GREENBRIER MAXION EQUIPAMENTOS E SERVIÇOS FERROVIÁRIOS S.A.

BALANCE SHEETS AS AT DECEMBER 31, 2020 AND 2019
(In thousands of Brazilian reais - R$)

ASSETS	Note	2020	2019	LIABILITIES AND EQUITY	Note	2020	2019
CURRENT ASSETS				CURRENT LIABILITIES			
Cash and cash equivalents	4	81,564	70,970	Borrowings and financing	11	193,725	240,359
Trade receivables	5	91,088	8,463	Trade payables	12	94,991	71,583
Inventories	6	89,912	184,448	Taxes payable		1,408	1,213
Recoverable taxes	7	22,943	24,645	Payroll and related taxes	13	20,690	11,252
Prepaid expenses		909	3,590	Advances from customers		37,794	30
Other receivables		11,393	1,455	Lease liability - right of use	21	12,395	7,033
		297,809	293,571	Other payables		12,949	8,552
						373,952	340,022
NONCURRENT ASSETS				NONCURRENT LIABILITIES			
Trade receivables	5	34,215	546	Borrowings and financing	11	7,200	17,296
Recoverable taxes	7	707	550	Provision for tax, civil and labor risks	14	10,046	13,463
Deferred income tax and social contribution	8	20,865	21,913	Lease liability - right of use	21	53,211	21,062
Escrow deposits	14	9,596	8,928	Other payables		180	497
Other receivables		1,000	1,000			70,637	52,318
Right of use of leased assets	21	64,634	28,111				
Property, plant and equipment	10	59,955	76,902	EQUITY			
		190,972	137,950	Capital	15.1	87,707	87,707
				Valuation adjustments to equity	15.2	989	1,162
				Accumulated losses		(44,504)	(49,688)
						44,192	39,181
TOTAL ASSETS		488,781	431,521	TOTAL LIABILITIES AND EQUITY		488,781	431,521

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

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

GREENBRIER MAXION EQUIPAMENTOS E SERVIÇOS FERROVIÁRIOS S.A.

STATEMENTS OF PROFIT AND LOSS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In thousands of Brazilian reais - R$, except loss per share)

	Note	2020	2019
NET SALES REVENUE	16	687,536	418,323
COST OF SALES AND SERVICES	19	(615,833)	(417,661)
GROSS PROFIT		71,703	662
OPERATING EXPENSES			
Selling expenses	19	(26,469)	(14,519)
General and administrative expenses	19	(14,874)	(14,239)
Management fees	19	(3,722)	(4,136)
Other operating expenses, net	20	(8,051)	(8,168)
INCOME / (LOSS) BEFORE FINANCE INCOME (COSTS)		18,587	(40,400)
Finance income	17	2,951	996
Finance costs	17	(14,299)	(13,283)
Foreign exchange, net	18	435	(816)
PROFIT (LOSS) BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		7,674	(53,503)
INCOME TAX AND SOCIAL CONTRIBUTION			
Current	8.1	(1,615)	-
Deferred	8.1	(1,048)	7,416
PROFIT (LOSS) FOR THE YEAR		5,011	(46,087)
EARNINGS (LOSS) PER SHARE - BASIC AND DILUTED - R$	15.3	0.10369	(0.95368)

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

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

GREENBRIER MAXION EQUIPAMENTOS E SERVIÇOS FERROVIÁRIOS S.A.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In thousands of Brazilian reais - R$)

	2020	2019
PROFIT (LOSS) FOR THE YEAR	5,011	(46,087)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	5,011	(46,087)

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

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

GREENBRIER MAXION EQUIPAMENTOS E SERVIÇOS FERROVIÁRIOS S.A.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In thousands of Brazilian reais - R$)

	Note	Capital	Valuation adjustments to equity	Accumulated losses	Total
BALANCES AS AT JANUARY 1st, 2019		87,707	1,340	(3,764)	85,283
Realization of deemed cost, net of taxes		-	(178)	178	-
Derecognized assets at deemed cost		-	-	(15)	(15)
Loss for the year		-	-	(46,087)	(46,087)
BALANCES AS AT DECEMBER 31, 2019		87,707	1,162	(49,688)	39,181
Realization of deemed cost, net of taxes		-	(173)	173	-
Profit for the year		-	-	5,011	5,011
BALANCES AS AT DECEMBER 31, 2020		87,707	989	(44,504)	44,192

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

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

GREENBRIER MAXION EQUIPAMENTOS E SERVIÇOS 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			
Profit (Loss) for the year		5,011	(46,087)
Adjustments to reconcile loss for the year to cash			
provided by operating activities:			
Depreciation	10.2	7,494	9,471
Amortization of right of use	21	15,766	7,093
Derecognition of right of use	21	-	129
Deferred income tax and social contribution	8.1	2,663	(7,416)
Interest on borrowings and financing	11	10,006	11,060
Interest on lease liabilities	21	2,711	1,489
Residual value of property, plant and equipment items written off	10	142	627
Reversal of the allowance for inventory losses	6	1,685	1,158
Exchange rate changes on borrowings and financing	11	(341)	779
Provision for tax, civil and labor risks, net of reversals	14	(3,417)	2,087
Other		(1,352)	(341)
Decrease (increase) in assets:			
Trade receivables		(116,294)	17,587
Inventories		113,525	(36,153)
Recoverable taxes		1,545	(2,601)
Escrow deposits		(668)	(2,450)
Other receivables and other assets		(7,258)	(3,370)
(Decrease) increase in liabilities:			
Trade payables		23,408	(22,837)
Advances from customers		37,764	13
Payroll and related taxes		9,438	(9,847)
Other payables and other liabilities		4,275	1,234
Cash provided by operating activities		106,103	(78,375)
Payment of income tax and social contribution		(1,615)	-
Payment of interest on lease liabilities	21	(411)	(488)
Payment of interest on borrowings and financing	11	(13,276)	(7,157)
Cash generated by (used in) operating activities		90,801	(86,020)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	(9,689)	(6,743)
Cash used in investing activities		(9,689)	(6,743)
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings and financing	11	209,566	257,344
Repayment of lease liabilities - principal	21	(17,399)	(7,719)
Repayment of borrowings and financing - principal	11	(262,685)	(104,004)
Cash (used in) generated by financing activities		(70,518)	145,621
INCREASE IN CASH AND CASH EQUIVALENTS		10,594	52,858
Opening balance of cash and cash equivalents		70,970	-
Closing balance of cash and cash equivalents		81,564	70,970
INCREASE IN CASH AND CASH EQUIVALENTS		10,594	52,858

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

1. GENERAL INFORMATION

1.1. Corporate data

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

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

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

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

In 2020 markets were impacted by the Covid-19 pandemic, resulting in the temporary suspension of the companies’ activities, raw material unavailability, in addition to increase in the prices of materials.

During this pandemic period, the Company has invested considerably in control, prevention and communication actions to protect the health of its employees and family members, and identified an extremely low number of individuals infected, who were monitored and received all the necessary support for full recovery, with no casualty in the workforce.

Even with the challenges and difficulties faced during this period, the Company exceed the results projected in the 2020 operational plan, posting a growth by 3% in net revenues, which was 201.6% (Net Proft After Taxes) above that projected in the plan and 1,924 railcars were billed in 2020.

There was a 23.8% increase in the production of railcars in 2020 when compared to 2019, which does not require the increase of the workforce as the automation of processes, standardization of railcars and decrease in the number of items per railcar assisted with the efficiency and productivity gain.

One of the pillars for the improvement of the Company’s results of operations was capital management; sales area actions; material planning; among other actions that contributed to improving the Company’s cash generation.

In 2020 the decrease in inventories amounted to R$94.5 million and the decrease in the Company’s total debt amounted to R$67.3 million (36.1% drop when compared to 2019).

Consolidation of the railway service business involving the review, maintenance, refurbishment and transformation of cargo railcars, allowing better distribution and absorption of labor, besides meeting the market demand must be highlighted.

As railways concessions were granted to the private initiative (1996), railway cargo transportation has been subject to a deep transformation, where railway operators considerably increased the volume transported, and, for example, in 2019, transportation reached 494 million useful tons (UT), 95% higher since 1997. Until October 2020, the railway had already transported 405 million useful tons (UT).

Brazilian railways also achieved efficiency during the concession period, demonstrating that the transport mode is appropriate to the transportation of high-volume cargo, such as ore, farming products, steel products and cargo in general, which is highly competitive and adaptable to all Brazilian regions. Environmentally balanced cargo railcars are considered as the best cost-benefit in terms of energy for large countries.

In 2020, the year ended with the anticipated renwals 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.

The Company is optimistic about the renewal of the current concessions and also about the possibility of new concessions, projecting an increase in revenues for the next years.

As at December 31, 2020, the Company recognizes negative working capital of R$76,143. The continuity as a going concern depends on its shareholders, who are regularly informed about the Company's results and support its operations with guarantees and credit facilities, thus maintaining the commitment to finance operations and provide the financial support necessary to comply with its obligations, if necessary. With the actions and scenarios presented, Management did not identify any circumstance that may affect the Company's ability to continue as a going concern.

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 114 countries, and the World Health Organization (WHO) declared a pandemic on March 11, 2020.

The disease is also impacting the economic activity, which has been incurring significant losses. Consequently, companies could be exposed to a series of strategic and operational risks, such as delays or 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.

The Company is also monitoring employees, conducting communication and awareness campaigns and also providing support to employees and the society.

In the critical period of the pandemic, the company suspended the employment contract from part of the employees, this period from September to November 2020.

The company adhered to government programs during the suspension of the employment contract, reducing the impact on its results. The Company's employees have also benefited from the aid programs.

There was no increase in defaults in accounts receivable from the Company and no delay in suppliers.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1. 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.

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.

2.2. 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).

2.3. 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.

2.4. Use of estimates and judgments

In applying the accounting practices 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 - Income tax and social contribution.
- Note 14 - Provision for tax, civil and labor risks.
- Note 21 - Risk and financial instrument management.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. 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.
IFRS 16 - Covid-19 - Related Rent Concessions	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.
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 1º, 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.
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 IFRSs 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.

3.4. 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 expected losses on doubtful debts

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

e) Inventories

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

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

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

f) Property, plant and equipment

f.1) Recognition and measurement

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

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

f.2) Subsequent costs

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

f.3) Depreciation

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

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

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

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

g) Impairment testing

g.1) Property, plant and equipment

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

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

g.2) Financial assets (including receivables)

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

h) Provisions

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

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

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

i) Taxation

i.1) Current taxes

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

i.2) Deferred taxes

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

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

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

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

j) Leases

j.1) Lessee

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

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

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

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

- The lease term is changed or there is any significant event or change in circumstances that results in a change in the assessment of the exercise of the call option.
- Lease payments are changed due to changes in the index or rate or there is a change in the expected payment of the residual guaranteed value.
- The lease 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, and expenses are recorded in the relevant line item according to their nature (“Cost of sales” / “Administrative expenses” / “Selling expenses”), as well as interest expenses, corresponding to the amortization of the lease liability of contracts, are allocated to “Finance Result”.

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

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

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

k) Financial instruments

k.1) Classification and measurement of financial assets

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

k.2) 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.

k.3) 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.

k.4) 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. 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.

(ii) 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 2020 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.

l) Financial liabilities

The Company's financial liabilities are classified at:

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

l.1) 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.

l.2) Subsequent measurement

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

(i) Amortized cost

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

(ii) Fair value through profit or loss

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

m) Earnings (loss) per share

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

4. CASH AND CASH EQUIVALENTS

R$	2020	2019
Cash and banks	237	70,684
Highly liquid short-term investments	81,327	286
Total	81,564	70,970

As at December 31, 2020, the Company's short-term investments are represented by Bank Certificates of Deposit (CDBs), executed with several financial institutions, with yield equivalent to 97.02% of the Interbank Certificate of Deposit rate (CDI) (89.07% in December 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

Breakdown

R$	2020	2019
In Brazil	125,556	9,196
Related Parties	225	291
Allowance for doubtful debts	(478)	(478)
Total	125,303	9,009
Current assets	91,088	8,463
Noncurrent assets (*)	34,215	546

Aging list

R$	2020	2019
Current	125,097	7,997
Past-due:	-	-
1 to 30 days	9	379
31 to 60 days	9	631
61 to 90 days	9	-
91 to 180 days	179	2
Over 181 days	478	478
Total	125,781	9,487

Variations in the allowance for doubtful debts

R$	2020	2019
Balance at the beginning of the year	(478)	(478)
Reversals	-	-
Additions	-	-
Balance at the end of the year	(478)	(478)

(*) Balances receivable in noncurrent are related to the sale of railcars.

6. INVENTORIES

Breakdown

R$	2020	2019
Finished products	37,393	125,382
Work in process	10,944	13,035
Raw materials	43,658	46,417
Auxiliary materials	2,014	2,240
Imports in transit	246	32
Allowance for inventory losses	(4,343)	(2,658)
Total	89,912	184,448

Variations in the allowance for inventory losses

R$	2020	2019
Balance at the beginning of the year	(2,658)	(1,500)
Reversals	2,650	2,166
Additions	(4,335)	(3,324)
Balance at the end of the year	(4,343)	(2,658)

7. RECOVERABLE TAXES

Breakdown

R$	2020	2019
State VAT (ICMS) (*)	13,618	18,929
Tax on revenue (COFINS)	3,770	1,685
Tax on revenue (PIS)	797	366
Corporate Income Tax (IRPJ)	4,722	4,012
Federal VAT (IPI)	743	203
Total	23,650	25,195
Current assets	22,943	24,645
Noncurrent assets	707	550
Total	23,650	25,195

(*) The Company has been striving to release part of the ICMS credit with the São Paulo State Finance Department. These credits will be used to pay suppliers. With the end of the incentive program called "Reporto" as from 2021 recoverable taxes will be consumed through current billings.

8. INCOME TAX AND SOCIAL CONTRIBUTION

Deferred

R$	2020	2019
Tax loss carryforwards	16,739	16,254
Social contribution tax loss carryforwards	6,026	5,852
Provision for unrealizable credits	(11,987)	(10,707)
Provision for tax, civil and labor risks	3,416	4,577
Allowance for inventory losses	1,477	904
Allowance for doubtful debts	163	163
Accrued profit sharing	2,394	830
Provision for warranties and reviews	2,274	1,206
Other	2,049	4,647
Total deferred income tax and social contribution assets	22,549	23,726
Deemed cost of property, plant and equipment	(509)	(598)
Difference in depreciation criterion	(1,175)	(1,215)
Total deferred income tax and social contribution liabilities	(1,684)	(1,813)
Deferred tax assets, net	20,865	21,913

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

Year	R$
2021	863
2022	2,488
2023	3,417
2024	3,858
2025	3,858
2026 onwards	6,381
Total	20,865

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

8.1. Reconciliation of statutory income tax rates with the effective tax rates

Reconciliation of statutory income tax rates with the effective tax rates

R$	2020	2019
Profit (loss) before income tax and social contribution	7,674	(53,503)
Combined rate	34%	34%
Income tax and social contribution credit at combined rate	(2,609)	18,191
Permanent differences	(107)	(153)
Provision for unrealizable credits (*)	53	(10,622)
Income tax and social contribution in profit or loss	(2,663)	7,416
Current	(1,615)	-
Deferred	(1,048)	7,416
Effective rates	35%	14%

(*) net effect of the provision for unrealizable credits and temporary adjustments on the filing of accessory obligations for 2019 carried out in September 2020.

9. RELATED PARTIES

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

R$	2020	2019
Key Management personnel (salaries and benefits)	3,722	4,136

9.2. In the normal course of business, the Company conducted intragroup transactions under prices, terms, finance charges and other conditions agreed upon among the parties. The main asset and liability balances as at December 31, 2020, as well as the transactions that impacted profit or loss for the year then ended, regarding the transactions with related parties are as follows:

	2020			
R$	Assets	Liabilities	Profit or loss	
	Trade receivables	Trade payables	Sales	Purchases
Amsted Rail Brasil Equip. Ferroviários S.A.	90	15.336	26	203.844
Amsted Maxion Fundição e Equip. Ferroviários S.A.	135	11.258	3.686	99.639
Total	225	26.594	3.712	303.483

	2019			
R$	Assets	Liabilities	Profit or loss	
	Trade receivables	Trade payables	Sales	Purchases
Amsted Rail Brasil Equip. Ferroviários S.A.	115	13.562	5	138.895
Amsted Maxion Fundição e Equip. Ferroviários S.A.	176	25.978	1.094	77.033
Total	291	39.540	1.099	215.928

R$	2020	2019
Intercompany financing	86,577	101,651

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

9.3. Shared services agreement

On May 6, 2015, the Company and Amsted Maxion Fundição e Equipamentos Ferroviários S.A., entered into an agreement that regulates the sharing of the management infrastructure comprising, but not limited to, employees, technicians, contractors, equipment, and materials (back office) aimed at reducing costs and expenses. This agreement covers sharing the expenses of the following corporate functions: IT, Accounting, Treasury, Sales and Marketing. The expenses related to this agreement are recorded in line item “General and administrative expenses”.

R$	2020	2019
Shared Service amount	2,855	2,034

10. PROPERTY, PLANT AND EQUIPMENT

R$	Average annual depreciation rate - %	2020 Cost	2020 Accumulated depreciation	2020 Net	2019 Net
Buildings and improvements	5.6%	8,483	(3,590)	4,893	4,784
Machinery and equipment	11.0%	56,067	(29,857)	26,210	24,801
Tooling	11.0%	626	(407)	219	247
Molds	18.0%	32,496	(15,934)	16,562	17,218
Furniture and fixtures	7.0%	5,006	(2,525)	2,481	2,738
IT equipment	31.5%	5,145	(4,095)	1,050	1,258
Other property, plant and equipment	2.3%	130	(89)	41	3
Construction in progress	0.0%	8,499	-	8,499	5,415
Cargo railcars	0.0%	-	-	-	20,438
Total		116,452	(56,497)	59,955	76,902

10.1. Variations in cost - 2020

R$	2019 Cost	2020 Additions	2020 Write-offs	2020 Transfers	2020 Cost
Buildings and improvements	7,581	902	-	-	8,483
Machinery and equipment	50,922	5,640	(438)	(57)	56,067
Tooling	614	12	-	-	626
Molds	31,051	2,266	-	(821)	32,496
Furniture and fixtures	4,850	96	(7)	67	5,006
IT equipment	4,944	268	(35)	(33)	5,145
Other property, plant and equipment	90	41	-	-	131
Construction in progress	5,415	12,380	-	(9,297)	8,498
Cargo railcars (*)	21,024	-	-	(21,024)	0
Total	126,491	21,605	(480)	(31,165)	116,452

(*) In January 2020 the Company reclassified R$21,024 from property, plant and equipment to inventories and sold to a specific customer.

10.2. Variations in depreciation - 2020

R$	2019 Accumulated depreciation	2020 Additions	Write-offs	Transfers	Accumulated depreciation
Buildings and improvements	(2,797)	(793)	-	-	(3,590)
Machinery and equipment	(26,121)	(4,068)	332	-	(29,857)
Tooling	(367)	(40)	-	-	(407)
Molds	(13,833)	(2,101)	-	-	(15,934)
Furniture and fixtures	(2,112)	(418)	5	-	(2,525)
IT equipment	(3,686)	(410)	1	-	(4,095)
Other property, plant and equipment	(87)	(2)	-	-	(89)
Construction in progress	-	-	-	-	-
Cargo railcars (*)	(586)	236	-	350	-
Total	(49,589)	(7,596)	338	350	(56,497)

(*) In January 2020 the Company derecognized R$350 related to the depreciation to sell railcars to a specific customer at the residual cost of R$20,674.

10.3. Variations in cost - 2019

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

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

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

10.4. Variations in depreciation - 2019

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

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

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

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.

11. BORROWINGS AND FINANCING

R$	Index	Effective annual interest rate - %	Final maturity date	2020	2019
Working capital	CDI	165.00%	01/02/2020	-	704
Working capital	CDI+4,19%	6.17%	08/10/2021	10,081	-
Working capital	CDI+3,98%	5.96%	03/22/2022	8,006	-
Working capital	CDI+4,56%	6.55%	02/25/2022	16,510	-
Working capital	CDI+4,147%	6.13%	06/29/2021	10,005	-
Working capital	CDI+4,079%	6.06%	08/10/2021	10,030	-
Working capital	CDI+3,722025%	5.69%	10/08/2021	7,102	-
Working capital	CDI+3,580653%	5.55%	09/27/2021	8,074	-
Working capital	CDI+4,17%	6.15%	07/16/2021	12,339	-
Working capital	CDI+4,18%	6.16%	07/29/2021	8,196	-
4131	-	9.94%	02/10/2020	-	10,376
4131	-	9.91%	02/20/2020	-	7,536
NCE	CDI +1,90%	3.84%	07/06/2021	5,013	5,040
NCE	CDI+2,29%	6.79%	10/12/2020	-	18,072
NCE	CDI+1,90%	6.38%	07/31/2020	-	5,000
NCE	139% CDI	6.17%	08/14/2020	-	15,036
NCE Bank	CDI + 3,04%	5.00%	07/15/2021	8,336	18,874
NCE Bank	CDI+2,15%	6.64%	08/06/2020	-	20,665
NCE Bank	132,75% CDI	2.53%	02/26/2021	2,487	5,040
NCE Bank	CDI + 4,18%	6.16%	08/26/2021	5,611	-
NCE Bank	154% CDI	2.94%	11/09/2020	-	10,119
NCE Bank	157% CDI	3.00%	11/19/2020	-	5,009
NCE Bank	CDI + 2,60%	4.55%	12/14/2020	-	4,009
NCE Bank	CDI+2,90%	4.43%	08/10/2020	-	10,460
Assignment of receivables	-	7.04%	01/20/2020	-	17,860
FINAME	6.05%	6.05%	10/15/2023	730	1,609
FINAME	11.00%	11.00%	12/15/2022	420	-
FINAME	6.65%	6.65%	12/15/2023	446	595
FINAME	5.10%	5.10%	12/15/2024	962	-
Intercompany financing	CDI	5.96%	02/10/2020	-	95,699
Intercompany financing	CDI	6.40%	02/10/2020	-	5,952
Intercompany financing	110% - CDI	110.00%	01/30/2021	86,577	-
Total				200,925	257,655
Current liabilities				193,725	240,359
Noncurrent liabilities				7,200	17,296
Total				200,925	257,655

Variations in borrowings and financing

R$	2020	2019
Balance as at December 31	257,655	99,936
Borrowings	209,566	257,344
Accrued interest	10,006	11,060
Principal repayment	(262,685)	(103,771)
Payment of interest	(13,276)	(7,157)
Transfer to lease liability	-	(536)
Exchange rate changes on translation	(341)	779
Balance as at December 31	200,925	257,655

12. TRADE PAYABLES

R$	2020	2019
In Brazil	68.397	32.043
Related parties (note 9)	26.594	39.540
Total	94.991	71.583

13. PAYROLL AND RELATED TAXES

R$	2020	2019
Related taxes	4,119	5,488
Accrued vacation pay	9,490	3,182
Profit sharing	7,041	2,442
Other	40	140
Total	20,690	11,252

14. PROVISION FOR TAX, CIVIL AND LABOR RISKS

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

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

R$	2020	2019
Labor lawsuits	7,335	10,752
Tax lawsuits - Federal	2,486	2,486
Civil lawsuits	225	225
Total	10,046	13,463

Variations during the year:

R$	Balance in 2019	Additions	Adjustments	Write-offs	Balance in 2020
Labor lawsuits	10,752	4,930	716	(9,063)	7,335
Tax lawsuits - Federal	2,486	-	-	-	2,486
Civil lawsuits	225	-	-	-	225
Total	13,463	4,930	716	(9,063)	10,046

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

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

Labor lawsuits

As at December 31, 2020, the Company was a party to 554 labor lawsuits (622 in 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$86,475 (R$100,690 in 2019) for which a provision in the amount of R$7,335 (R$10,752 in 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.

Possible risks

The Company is a party to several ongoing tax and civil lawsuits, whose likelihood of loss, based on the Company's estimates and its legal counsel's opinion, is assessed as possible; therefore, no provisions were recorded.

As at December 31, 2020, tax lawsuits amounted to R$2,486 (R$2,486 as at December 31, 2019), whereas civil lawsuits amounted to R$225 (R$225 as at December 31, 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 at December 31, 2020, the balance of R$9,596 (R$8,928 as at December 31, 2019) refers to escrow deposits related to labor, tax and civil lawsuits. These deposits, which do not involve current obligations, were necessary to proceed with the lawsuits. Based on Management's and its legal counsel's opinion, the likelihood of loss is not considered as probable and, therefore, no provision for tax, civil and labor risks was recognized.

15. EQUITY

15.1. Capital

As at December 31, 2020 and 2019, subscribed and paid-in capital amounts to R$87,707.

	Country	Number of shares	Equity interest %	Total R$
Amsted Maxion Fundição e Equipamentos Ferroviários S.A.	Brazil	19,330,272	40.0%	19,330
Greenbrier do Brasil Participações Ltda.	Brazil	28,995,406	60.0%	68,377
Total		48,325,678	100.0%	87,707

15.2. 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.

15.3. Earnings (loss) per share

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

R$	2020	2019
Loss attributable to owners of the Company	5,011	(46,087)
Weighted average number of shares	48,326	48,326
Basic and diluted earnings (loss) per share – R$	0.10369	(0.95368)

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

16. NET SALES REVENUE

R$	2020	2019
Gross sales revenue:		
Product sales	719,093	411,077
Services rendered	13,063	37,836
Deductions:		
Taxes on sales and services	(31,962)	(20,268)
Returns and cancelations in the year	(12,658)	(10,322)
Net sales revenue	687,536	418,323

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

17. FINANCE RESULT

R$	2020	2019
Finance income:		
Discounts obtained and interest receivable	2,951	996
Total	2,951	996

R$	2020	2019
Finance costs:		
Interest and finance charges	(11,501)	(11,898)
Interest on lease liabilities	(2,711)	(838)
Tax on Financial Transactions (IOF)	(85)	(157)
Other	(2)	(390)
Total	(14,299)	(13,283)

18. FOREIGN EXCHANGE, NET

R$	2020	2019
Foreign exchange gains on foreign currency-denominated assets and liabilities	6,471	7,938
Foreign exchange losses on foreign currency-denominated assets and liabilities	(6,036)	(8,754)
Total	435	(816)

19. COSTS AND EXPENSES BY NATURE

R$	2020	2019
Raw materials	(421,037)	(236,239)
Salaries, charges and benefits	(140,445)	(137,598)
Supplies and maintenance	(23,458)	(19,612)
Depreciation	(8,619)	(9,471)
Outside services	(9,934)	(9,542)
Freight	(18,803)	(7,769)
Amortization of right of use	(10,712)	(7,093)
Warranties	(3,497)	(4,391)
Electric power	(2,578)	(2,673)
Transportation and communication	(1,426)	(2,328)
Commissions	(1,259)	(566)
Other costs	(19,130)	(13,273)
Total	(660,898)	(450,555)

R$	2020	2019
Cost of sales and services	(615,833)	(417,661)
Selling expenses	(26,469)	(14,519)
General and administrative expenses	(14,874)	(14,239)
Management fees	(3,722)	(4,136)
Total	(660,898)	(450,555)

20. OTHER OPERATING EXPENSES, NET

R$	2020	2019
Other income:		
Technical cooperation agreement	303	303
Other	-	94
Subtotal	303	397

R$	2020	2019
Other expenses:		
Contingencies and legal costs	(5,284)	(7,001)
Project Formare (Fundação Iochpe)	(113)	(192)
Municipal Property Tax (IPTU)	(421)	(371)
Federal and state taxes	(72)	(69)
Trade association dues	(155)	(219)
Audit	(191)	(169)
Other	(2,118)	(544)
Subtotal	(8,354)	(8,565)
Total other operating expenses, net	(8,051)	(8,168)

21. RIGHT OF USE AND LEASE LIABILITIES

R$	2020	2019
Right-of-use asset		
Balance as at 01/01/2020	28,111	34,781
Additions	52,289	552
Write-offs	-	(129)
Depreciation balance in the period	(15,766)	(7,093)
Balance as at 12/31/2020	64,634	28,111

R$		
Lease liability		
Balance as at 01/01/2020	28,095	34,813
Additions	52,609	-
Principal repayment	(17,399)	(7,719)
Interest payment	(411)	(488)
Accrued interest	2,711	1,489
Balance as at 12/31/2020	65,606	28,095

Payment schedule	
2021	13,813
2022	14,008
2023	14,753
2024	14,035
2025	10,073
Total	66,683

22. RISK AND FINANCIAL INSTRUMENT MANAGEMENT

22.1. General considerations and policies

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

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

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

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

22.2. Classification of financial instruments - by category

R$	Nota explicativa	2020	2019
Financial assets (Amortized cost)			
Cash and cash equivalents	4	81,564	70,970
Trade receivables (include due from related parties)	5	125,303	9,009
Escrow deposits	14	9,596	8,928
Other receivables		12,393	2,455
Total		228,856	91,362

R$		2020	2019
Financial liabilities (Amortized cost)			
Borrowings and financing	11	200,925	257,655
Trade payables (include due to related parties)	12	94,991	71,583
Lease liabilities	21	65,606	28,095
Other payables		13,129	9,049
Subtotal		374,651	366,382

22.3. Fair values

The Company adopts hierarchy rules to measure the fair value of its financial instruments, according to 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 are not significant for the definition of fair value of assets and liabilities (unobservable inputs).

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

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

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

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

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

As at December 31, 2020, the Company had no financial instruments stated at fair value.

22.4. Financial risk management

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

22.4.1. Credit risk

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

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

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

22.4.2. 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:

R$	2020		2019	
	Up to 1 year	1 to 2 years	Up to 1 year	1 to 2 years
Borrowings and financing	193,725	7,200	240,359	17,296
Trade payables (include due to related parties)	94,991	-	71,583	-
Lease liabilities	12,395	53,211	7,033	21,062
Other payables	12,949	180	8,552	497
Total	314,060	60,591	327,527	38,855

22.4.3. Steel product price fluctuation risk

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

Currently, the Company is striving to enter into long-term agreements with suppliers and customers so that exposure to fluctuations has the lesser impact possible.

22.4.4. 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.

R$	2020		2019	
	Index	R$	Index	R$
Short-term investments	CDI	81,327	CDI	286
Borrowings and financing (includes intercompany)	CDI	198,367	CDI	213,727

22.4.5. Sensitivity analysis to interest rate fluctuations

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

(i) Selection of risks

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

(ii) Selection of scenarios

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

R$	Scenarios		
Short-term investments - CDI	Probable	Possible -25%	Remote -50%
CDI as at December 31, 2020	2.68%	2.01%	1.34%
Carrying amount considering the estimated finance income	2,178	1,633	1,089
Effect - loss	-	(545)	(1,089)

R$	Cenários		
Borrowings and financing - CDI	Probable	Possible +25%	Remote +50%
CDI as at December 31, 2020	5.10%	6.38%	7.65%
Carrying amount considering the estimated finance costs	10,120	12,656	15,175
Effect - loss	-	(2,536)	(5,055)

For the sensitivity analysis to foreign exchange exposure as at December 31, 2020, the Company has not considered it as there was no balance in the year.

22.4.6. Foreign exchange risk

Arises from possible fluctuations in the exchange rates of the foreign currencies used by the Company to purchase inputs, sell products, and contract financial instruments, besides payables and receivables in foreign currencies. The Company does not have foreign currency-denominated transactions as at December 31, 2020.

23. CAPITAL MANAGEMENT

It is the Management's policy to sustain a solid capital basis to ensure the confidence of investors, creditors and the market and to maintain the business' future development. The Executive 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 debt-to-capital ratio at the end of each year is as follows:

R$	2020	2019
Total borrowings and financing (Include lease liabilities)	266,531	285,750
(-) Cash and cash equivalents	(81,564)	(70,970)
Net debt	184,967	214,780
Total equity	44,192	39,181
Net debt-to-equity ratio	23.9%	18.2%

24. INSURANCE COVERAGE

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

R$	2020	2019
Loss of profits	171,998	165,143
Buildings	167,781	180,390
Property damages	140,359	130,301
D&O insurance	34,548	35,280
Leases	6,737	5,171
Civil liability	13,600	13,600
Total	535,023	529,885

25. NON-CASH TRANSACTIONS

As at December 31, 2020 and 2019, the following non-cash transactions were conducted:

- In 2020 the addition of R$20,674 in inventories arising from cargo railcars for purposes of billing, which were sold in January.
- In 2019 transfer of vehicle lease to right of use in the amount of R$536 pursuant to the practical expedient in CPC 06 (R2).
- In 2019 addition of R$84,464 in property, plant and equipment arising from cargo railcar inventories for lease purposes. Of which R$62,324 was already sold and automatically transferred to "Cost of sales".

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.