

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

# **Iochpe-Maxion S.A.**

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

Deloitte Touche Tohmatsu Auditores Independentes

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## INDEPENDENT AUDITOR'S REPORT ON THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of  
Iochpe-Maxion S.A.

### **Opinion**

We have audited the accompanying individual and consolidated financial statements of Iochpe-Maxion S.A. ("Company"), identified as Parent and Consolidated, respectively, which comprise the balance sheet as at December 31, 2019 and the statement of profit and loss, statement of comprehensive income, statement of changes in equity and statement 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 individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Iochpe-Maxion S.A. as at December 31, 2019, and its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards ("IFRSs"), issued by the International Accounting Standards Board ("IASB").

### **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 individual and consolidated financial statements* section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical requirements in the Code of Ethics for Professional Accountants and the professional standards issued by the Brazilian Federal Accounting Council ("CFC"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and, therefore, we do not provide a separate opinion on these matters.

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## 1. ASSESSMENT ON THE RECOGNITION OF TAX CREDITS RELATING TO THE ICMS DEDUCTION FROM THE PIS AND COFINS TAX BASE

### *Why is it a KAM?*

In the year ended December 31, 2019, the Company, through its direct subsidiary Maxion Wheels do Brasil Ltda., obtained a final and unappealable court decision handed down by the Federal Supreme Court on lawsuits discussing the unconstitutionality of the inclusion of the State VAT (ICMS) in the taxes on revenue (PIS and COFINS) tax base, thus ensuring to the Company and the abovementioned subsidiary the right to recover the PIS and COFINS amounts already paid and not subject to statute of limitations, duly adjusted for inflation. Consequently, PIS and COFINS credits in significant amounts were recognized in the consolidated financial statements, which were measured considering Management's judgments and assumptions. The measurement process of these credits encompassed a considerable volume of information, as well as Management's significant judgments on the determination of the amounts recognized.

Due to the significance of the amounts involved, the significant judgment on the determination of the key assumptions for measuring such asset and the impact that potential changes in the assumptions could have on the amounts recorded in the consolidated financial statements, we consider this matter as a key audit matter.

### *How the matter was addressed in our audit?*

Our audit procedures included, but were not limited to, assessing Management's process for measuring and recognizing tax credits, assessing the documentation related to the court decision and legal opinions issued considering the legal and tax aspects of the Brazilian laws to understand the merits and grounds that supported the Company and its subsidiary on the recognition and measurement of the asset recognized, as well as analyzing the calculations and supporting documentation of the amounts to be offset, which procedures were adopted in reliance upon the technical support of tax specialists. Additionally, on a sampling basis, we recalculated the credit amount and requested the supporting documentation of items selected for documentary tests, and analyzed the estimated recovery of the tax credits recognized and its recognition between current and noncurrent assets.

The Company's disclosures on the tax credit balances recognized are stated in note 8.

Based on the audit procedures performed and the audit evidence obtained that support our tests, we consider that the balances, as well as the related disclosures on the recognition of tax related relating to the ICMS deduction from the PIS and COFINS tax base, are acceptable in the context of the individual and consolidated financial statements taken as a whole.

## 2. IMPAIRMENT OF GOODWILL AND PROPERTY, PLANT AND EQUIPMENT

### *Why is it a KAM?*

The Company has significant reported balances of goodwill and long-term assets, which are exposed to risks of realization and, consequently, impairment losses. The risk not only arises from the relevance of balances, but also from the local and global economic scenario impact on determining growth assumptions and the discount rate used in the "Analysis of the allowance for impairment losses on goodwill and property, plant and equipment" conducted by the Company and Management's high level of judgment involved in determining estimates. Accordingly, this matter is considered as a key audit matter.

## *How the matter was addressed in our audit?*

Our audit procedures included, but were not limited to, assessing the design and implementation of relevant controls determined by Management in relation to the impairment test of assets, and analyzing the Company's business plans, on an overall and cash-generating unit basis, drawing on the technical support provided by valuation specialists, when applicable, to assess and challenge revenue growth assumptions and discount rate used by Management in the "Analysis of the allowance for impairment losses on goodwill and property, plant and equipment". We have also analyzed the appropriateness of the Company's disclosures in respect of the matter.

The Company's disclosures on accounting policies and balances are stated in notes 4, 12 and 13 to the financial statements, respectively.

Based on the audit procedures performed with respect to the impairment test of goodwill and property, plant and equipment, conducted by the Company's Management, as well as based on the audit evidence obtained that support our tests, including our sensitivity analysis, we consider that the assessments and related disclosures are acceptable in the context of the individual and consolidated financial statements taken as a whole.

## **Other matters**

### *Statements of value added*

The individual and consolidated statements of value added ("DVA") for the year ended December 31, 2019, prepared under the responsibility of the Company's Management and disclosed as supplemental information for purposes of the IFRSs, were subject to audit procedures performed together with the audit of the Company's financial statements. In forming our opinion, we assess whether these statements are reconciled with the other financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria set out in technical pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added were appropriately prepared, in all material respects, in accordance with the criteria set out in such technical pronouncement and are consistent in relation to the individual and consolidated financial statements taken as a whole.

## **Other information accompanying the individual and consolidated financial statements and the independent auditor's report**

Management is responsible for such other information. The other information comprises the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of audit conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether such report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management and those charged with governance for the individual and consolidated financial statements**

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards ("IFRSs"), issued by the International Accounting Standards Board ("IASB"), 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 individual and consolidated 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 and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process.

## **Auditor's responsibilities for the audit of the individual and consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the individual and consolidated 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 individual and consolidated 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 and its subsidiaries' 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 ability of the Company and its subsidiaries to continue as going concerns. 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 individual and consolidated 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 and its subsidiaries to cease to continue as going concerns.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.


We communicate with those charged with governance 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.


We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

São Paulo, March 5, 2020

  
DELOITTE TOUCHE TOHMATSU  
Auditores Independentes

  
Fernando Augusto Lopes Silva  
Engagement Partner

## 1) COMPANY OVERVIEW

IoChpe-Maxion is a global company, the world leader in the production of automotive wheels and a leading producer of automotive structural components in the Americas.

We have 32 manufacturing plants located in 14 countries and approximately 16,000 employees, which enables us to serve our customers around the world according to their delivery terms, quality standards and competitiveness requirements.

Our Company holds a high level of technical knowledge, and permanently seeks to provide innovative solutions in the areas in which it operates, using global macro-trends that guide the development of new products, technologies and processes, whether independently or in cooperation with strategic partners.

We operate our core business through two divisions: Maxion Wheels and Maxion Structural Components.

At Maxion Wheels, we produce and sell a wide range of steel wheels for light and commercial vehicles and agricultural machinery and aluminum wheels for light vehicles.

At Maxion Structural Components, we produce side rails, cross members and full frames for commercial vehicles and structural components for light vehicles.

In addition, through AmstedMaxion (joint venture), we produce railway wheels and castings, industrial castings and freight cars.

## 2) MESSAGE FROM MANAGEMENT

2019 was a challenging year for the global automotive market. We observed a 6.0% reduction in vehicle production around the world compared to the previous year, with decreases in Europe, North America and Asia. In Brazil, production continued to recover, growing 2.3%.

During the year, as the volume expectations deteriorated, the Company reacted on a timely fashion, adapting its planning to the revised expected volumes. It is worthwhile mentioning that the geographical diversification of the businesses provides natural protection and greater resilience to the Company's results.

Despite the adversities of the industry, net revenue in 2019 increased by 4.2% reaching R\$ 10.0 billion, with an EBITDA of R\$ 1.096 billion (expansion of 3.7% compared to the previous year) and an EBITDA margin of 10.9% (compared to 11.0% in 2018). Net income reached R\$ 337.4 million, an increase of 67.6% over the previous period, driven by some non-recurring events.

In relation to the capital structure, we ended the year with a net financial leverage of 2.2x, maintaining a positive trend as observed in recent years. We continuously improved our debt profile, by issuing two debentures in the Brazilian capital markets, a syndicated loan in Europe as well as a facility renegotiation in North America, among other transactions. As a result, we were able to reduce the cost of debt, increase the average maturity, and eliminate all collaterals from our loans.

Despite the short-term challenges, we maintained our focus on the execution of our growth and our portfolio diversification. We launched our aluminum wheel plant in India in 3Q and, despite the sharp drop in vehicle production in this country in 2019, our new plant started operations with high demand, proving the potential of the investment in this market.

Additionally, we entered into a new partnership with the Chinese OEM Dongfeng, creating Dongfeng Maxion with the objective of building an aluminum wheel plant in China, with an initial volume of 2 million wheels. Also in Asia, we started a capacity increase project at the aluminum wheel plant in Saraburi, Thailand.

We concluded during the 4Q the investments in the new plant of stamped components for commercial vehicles in Mexico. This new plant will contribute to product diversification and growth in the Structural Components division.

We continued our efforts to innovate and develop solutions for the automotive market. In the Wheels division, we maintained our focus on weight reduction, connectivity, artificial intelligence and design. As an example, we completed the development process of MCPA technology - Multi Color Paint Application - inspired by the consumer's desire to customize aluminum wheels produced on a larger scale. In Structural Components, we presented products with significant weight reduction and process improvements, such as the independent front suspension for trucks.

In order to be more connected to the themes of innovation, digitalization and the future of the automotive industry, in 2019 we inaugurated the MAT - Maxion Advanced Technologies, an office in Berlin, Germany, one of the main global ecosystems of innovation in mobility.

Over the past years, we have always maintained our flexibility and agility to quickly adapt to changes in demand in different markets, whether it's increasing or decreasing. We will continue with this philosophy, seeking to accelerate our growth, expand our portfolio, constant innovation in our products and processes, and digitalize our activities to better meet the demand of our customers, adding more value and keeping the focus on the execution of our long-term strategy.

### **3) HIGHLIGHTS**

- Consolidated net operating revenue of R\$ 2,338.6 million in 4Q19 and R\$ 10,016.4 million in 2019, a decrease of 4.8% compared to 4Q18 and an increase of 4.2% compared to 2018.
- Revenue from domestic sales of R\$ 613.6 million in 4Q19 and R\$ 2,680.9 million in 2019, an increase of 1.3% and 13.1% over 4Q18 and 2018, respectively.
- 6.8% revenue reduction in Brazilian Reais from international sales in 4Q19 and growth of 1.2% in 2019, compared to 4Q18 and 2018, respectively. Excluding the effects of the Exchange rate variation, net operating revenue would have decreased 12.8% in 4Q19 and 3.7% in 2019.
- EBITDA of R\$ 215.2 million in 4Q19 and of R\$ 1,095.8 million in 2019, a decrease of 11.3% compared to 4Q18 and an increase of 3.7% compared to 2018. EBITDA in 4Q19 was positively impacted by R\$ 16.0 million due to the recognition of a portion of the amount related to favorable decisions in lawsuits claiming the exclusion of ICMS from the PIS and COFINS tax base and negatively by R\$ 9.8 million of structure adjustments in North America, due to the sharp drop in vehicle production in this region.
- Net income of R\$ 39.1 million (earnings per share of R\$ 0.2567) in 4Q19 and R\$ 337.4 million in 2019 (earnings per share of R\$ 2.2146), a reduction of 49.0% compared to 4Q18 and an improvement of 67.6% over 2018. Net income in 4Q19 was positively impacted by R\$ 20.1 million due to the recognition of a portion of the amount related to favorable decisions in lawsuits claiming the exclusion of ICMS from the PIS and COFINS tax base and negatively by R\$ 6.9 million of structure adjustments in North America, due to the sharp drop in vehicle production in this region.

- Resolution to pay R\$ 126.8 million in earnings for 2019, of which R\$ 25.6 million in equity interest (JCP) already declared and R\$ 101.2 million in dividends.
- Net financial debt of R\$ 2,415.4 million in 4Q19 (R\$ 2,326.8 million in 4Q18). Financial leverage (net debt/ EBITDA LTM) represented 2.2x at the end of 2019, the same level observed in 2018.
- Renegotiation of debt in Mexico in the total amount of US\$ 60.9 million with substantial cost reduction and extension of term.

#### 4) MARKET

Production of vehicles and agricultural machinery in regions where the Company's highest percentage of consolidated revenues are concentrated, presented the following behavior in the periods indicated (in units):

PRODUCTION Segment	BRAZIL <sup>1</sup>			NAFTA <sup>2</sup>			EUROPE <sup>2</sup>		
	4Q18	4Q19	Var.	4Q18	4Q19	Var.	4Q18	4Q19	Var.
Light Vehicles	651,695	654,566	0.4%	4,190,388	3,815,150	-9.0%	4,860,973	4,600,802	-5.4%
Commercial Vehicles	33,765	31,912	-5.5%	150,999	130,659	-13.5%	140,451	122,505	-12.8%
<b>Total Vehicles</b>	<b>685,460</b>	<b>686,478</b>	<b>0.1%</b>	<b>4,341,387</b>	<b>3,945,809</b>	<b>-9.1%</b>	<b>5,001,424</b>	<b>4,723,307</b>	<b>-5.6%</b>
Agricultural Machinery	19,483	11,862	-39.1%	N/A	N/A		N/A	N/A	

Segment	2018			2019			2018			2019		
	2018	2019	Var.	2018	2019	Var.	2018	2019	Var.	2018	2019	Var.
Light Vehicles	2,745,739	2,803,841	2.1%	16,961,923	16,289,892	-4.0%	20,022,396	19,066,172	-4.8%	20,022,396	19,066,172	-4.8%
Commercial Vehicles	134,070	141,147	5.3%	605,874	636,789	5.1%	514,545	510,730	-0.7%	514,545	510,730	-0.7%
<b>Total Vehicles</b>	<b>2,879,809</b>	<b>2,944,988</b>	<b>2.3%</b>	<b>17,567,797</b>	<b>16,926,681</b>	<b>-3.6%</b>	<b>20,536,941</b>	<b>19,576,902</b>	<b>-4.7%</b>	<b>20,536,941</b>	<b>19,576,902</b>	<b>-4.7%</b>
Agricultural Machinery	65,656	53,125	-19.1%	N/A	N/A		N/A	N/A		N/A	N/A	

(1) Source: ANFAVEA

(2) Source: IHS Automotive (Light Vehicle) and LMC Automotive (Commercial Vehicles)

Europe: considers EU27 + Turkey

#### 5) OPERATING AND FINANCIAL PERFORMANCE

Consolidated I.S - R\$ thousand	4Q18	4Q19	Var.	2018	2019	Var.
Net Operating Revenue	2,455,752	2,338,634	-4.8%	9,616,299	10,016,395	4.2%
Cost of Goods Sold	(2,149,503)	(2,110,991)	-1.8%	(8,298,023)	(8,831,177)	6.4%
<b>Gross Profit</b>	<b>306,249</b>	<b>227,643</b>	<b>-25.7%</b>	<b>1,318,276</b>	<b>1,185,218</b>	<b>-10.1%</b>
	<b>12.5%</b>	<b>9.7%</b>		<b>13.7%</b>	<b>11.8%</b>	
Operating Expenses	(157,246)	(121,040)	-23.0%	(602,326)	(485,061)	-19.5%
Equity Income	(4,352)	(2,504)	-42.5%	(14,457)	(23,902)	65.3%
<b>Operating Income (EBIT)</b>	<b>144,651</b>	<b>104,099</b>	<b>-28.0%</b>	<b>701,493</b>	<b>676,255</b>	<b>-3.6%</b>
	<b>5.9%</b>	<b>4.5%</b>		<b>7.3%</b>	<b>6.8%</b>	
Financial Results	(42,216)	(18,293)	-56.7%	(220,819)	(169,904)	-23.1%
Income Taxes	18,716	(22,315)	-219.2%	(174,532)	(84,936)	-51.3%
Minority Shareholders	(44,474)	(24,382)	-45.2%	(104,817)	(83,980)	-19.9%
<b>Net Income</b>	<b>76,677</b>	<b>39,109</b>	<b>-49.0%</b>	<b>201,325</b>	<b>337,435</b>	<b>67.6%</b>
	<b>3.1%</b>	<b>1.7%</b>		<b>2.1%</b>	<b>3.4%</b>	
<b>EBITDA</b>	<b>242,555</b>	<b>215,195</b>	<b>-11.3%</b>	<b>1,057,068</b>	<b>1,095,809</b>	<b>3.7%</b>
	<b>9.9%</b>	<b>9.2%</b>		<b>11.0%</b>	<b>10.9%</b>	
Equity Income	4,352	2,504	-42.5%	14,457	23,902	65.3%
<b>Adjusted EBITDA w/o Equity Income</b>	<b>246,907</b>	<b>217,699</b>	<b>-11.8%</b>	<b>1,071,525</b>	<b>1,119,711</b>	<b>4.5%</b>
	<b>10.1%</b>	<b>9.3%</b>		<b>11.1%</b>	<b>11.2%</b>	

#### 5.1) Net operating revenue

Consolidated net operating revenue reached R\$ 2,338.6 million in 4Q19 and R\$ 10,016.4 million in 2019, a decrease of 4.8% compared to 4Q18 and an increase of 4.2% compared to 2018.

Net revenue reduction in 4Q19 is explained by volume decrease observed in the main international markets.

Net operating revenue in North America was impacted by a drop in vehicle production and occasional shutdowns of certain customers.

The reduction in revenue in Europe is related to the reduction in vehicle production, especially commercial vehicles.

In Asia, the drop in the Indian market had a relevant impact, despite growth in production at the new aluminum wheel plant in that country. Additionally, lower demand in Thailand and South Africa had a negative impact on revenue in the region.

Net operating revenue in Brazil increased despite the decrease in the production of commercial vehicles in this period and the impact resulting from reduction in vehicle exports to Argentina.

Exchange rate variation positively impacted the Company's consolidated revenue by R\$ 111.6 million in 4Q19 and by R\$ 359.7 million in 2019. Excluding this effect, consolidated net operating revenue would have decreased by 9.3% in 4Q19 compared to 4Q18 and would have increased by 0.4% in 2019 compared to 2018.

The following table shows the performance of consolidated net operating revenue by origin and by product type in the indicated periods.

Net Operating Revenue- R\$ thousand	4Q18	4Q19	Var.	2018	2019	Var.
Aluminum Wheels (Light vehicles)	115,297	98,378	-14.7%	500,118	487,134	-2.6%
Steel Wheels (Light vehicles)	97,538	99,419	1.9%	412,645	463,092	12.2%
Steel Wheels (Commercial vehicles)	145,584	140,411	-3.6%	566,701	650,169	14.7%
Structural Components (Light vehicles)	34,089	51,413	50.8%	165,893	193,013	16.3%
Structural Components (Commercial vehicles)	212,994	224,006	5.2%	724,093	887,508	22.6%
<b>South America</b>	<b>605,503</b>	<b>613,627</b>	<b>1.3%</b>	<b>2,369,451</b>	<b>2,680,917</b>	<b>13.1%</b>
	<b>24.7%</b>	<b>26.2%</b>		<b>24.6%</b>	<b>26.8%</b>	
Aluminum Wheels (Light vehicles)	103,343	96,134	-7.0%	362,206	436,014	20.4%
Steel Wheels (Light vehicles)	313,665	250,178	-20.2%	1,163,606	1,093,102	-6.1%
Steel Wheels (Commercial vehicles)	92,088	78,235	-15.0%	336,741	384,414	14.2%
Structural Components (Commercial vehicles)	221,734	213,185	-3.9%	949,498	1,129,276	18.9%
<b>North America</b>	<b>730,830</b>	<b>637,732</b>	<b>-12.7%</b>	<b>2,812,051</b>	<b>3,042,807</b>	<b>8.2%</b>
	<b>29.8%</b>	<b>27.3%</b>		<b>29.2%</b>	<b>30.4%</b>	
Aluminum Wheels (Light vehicles)	443,699	462,199	4.2%	1,783,382	1,765,859	-1.0%
Steel Wheels (Light vehicles)	245,999	236,501	-3.9%	958,421	925,762	-3.4%
Steel Wheels (Commercial vehicles)	189,416	162,148	-14.4%	771,136	694,089	-10.0%
<b>Europe</b>	<b>879,114</b>	<b>860,848</b>	<b>-2.1%</b>	<b>3,512,939</b>	<b>3,385,710</b>	<b>-3.6%</b>
	<b>35.8%</b>	<b>36.8%</b>		<b>36.5%</b>	<b>33.8%</b>	
Aluminum Wheels (Light vehicles)	156,983	146,433	-6.7%	583,971	600,613	2.8%
Steel Wheels (Light vehicles)	17,788	22,602	27.1%	79,223	85,070	7.4%
Steel Wheels (Commercial vehicles)	65,533	57,392	-12.4%	258,664	221,278	-14.5%
<b>Asia + Others</b>	<b>240,304</b>	<b>226,427</b>	<b>-5.8%</b>	<b>921,857</b>	<b>906,961</b>	<b>-1.6%</b>
	<b>9.8%</b>	<b>9.7%</b>		<b>9.6%</b>	<b>9.1%</b>	
<b>Iochope-Maxion Consolidated</b>	<b>2,455,752</b>	<b>2,338,634</b>	<b>-4.8%</b>	<b>9,616,299</b>	<b>10,016,395</b>	<b>4.2%</b>
	<b>100.0%</b>	<b>100.0%</b>		<b>100.0%</b>	<b>100.0%</b>	
Maxion Wheels	1,986,933	1,850,029	-6.9%	7,776,814	7,806,597	0.4%
	80.9%	79.1%		80.9%	77.9%	
Maxion Structural Components	468,818	488,604	4.2%	1,839,485	2,209,798	20.1%
	19.1%	20.9%		19.1%	22.1%	

## 5.2) Cost of Goods Sold (COGS)

COGS reached R\$ 2,111.0 million in 4Q19 and R\$ 8,831.2 million in 2019, a decrease of 1.8% compared to 4Q18 and a growth of 6.4% compared to 2018. Its share of consolidated net operating revenue increased from 87.5% in 4Q18 to 90.3% in 4Q19 and from 86.3% in 2018 to 88.2% in 2019.

## 5.3) Gross Profit

Gross profit of R\$ 227.6 million in 4Q19 and R\$ 1,185.2 million in 2019, a decrease of 25.7% and 10.1% compared to 4Q18 and 2018, respectively. Its share of consolidated net operating revenue decreased from 12.5% in 4Q18 to 9.7% in 4Q19 and from 13.7% in 2018 to 11.8% in 2019.

The reduction in gross profit in 4Q19 is mainly related to the decrease in sales and production in Europe, India and North America.

## 5.4) Net Operating Expenses

Net operating expenses totaled R\$ 121.0 million in 4Q19 and R\$ 485.1 million in 2019, a decrease of 23.0% when compared to 4Q18 and 19.5% when compared to 2018. Its share of consolidated net operating revenue was reduced from 6.4% in 4Q18 to 5.2% in 4Q19 and from 6.3% in 2018 to 4.8% in 2019.

Net operating expenses in 4Q19 were positively impacted by R\$ 16.0 million gain in the lawsuit from the exclusion of ICMS on PIS COFINS basis and negatively by R\$ 9.8 million of structure adjustments in North America, due to the sharp decrease in vehicle production in this region. Excluding this effect, net operating expenses would have decreased by 19.1% in 4Q19.

## 5.5) Equity Income

Equity income totaled a negative result of R\$ 2.5 million in 4Q19 and R\$ 23.9 million in 2019, an improvement over the negative result of R\$ 4.4 million in 4Q18 and a worsening over the negative result of R\$ 14.5 million in 2018.

The following table sets forth the amounts corresponding to Iochpe-Maxion's interest, which reflect the results of the equity income in the Company.

R\$ thousand	4Q18			4Q19				Var.
	Amsted Maxion	Maxion Montich	Total	Amsted Maxion	Maxion Montich	Dongfeng Maxion	Total	
Net Income (Loss)	(1,106)	(3,247)	(4,353)	1,049	(3,783)	230	(2,504)	42.5%

R\$ thousand	2018			2019				Var.
	Amsted Maxion	Maxion Montich	Total	Amsted Maxion	Maxion Montich	Dongfeng Maxion	Total	
Net Income (Loss)	(9,067)	(5,390)	(14,457)	(12,477)	(11,660)	235	(23,902)	-65.3%

## 5.6) Earnings before Interest and Tax (EBIT)

EBIT totaled R\$ 104.1 million in 4Q19 and R\$ 676.3 million in 2019, a decrease of 28.0% and 3.6% compared to 4Q18 and 2018, respectively. Its share of consolidated net operating revenue decreased from 5.9% in 4Q18 to 4.5% in 4Q19 and from 7.3% in 2018 to 6.8% in 2019.

## 5.7) EBITDA

EBITDA of R\$ 215.2 million in 4Q19 and R\$ 1,095.8 million in 2019, a decrease of 11.3% compared to 4Q18 and an improvement of 3.7% compared to 2018. Its share of consolidated net operating revenue decreased from 9.9% in 4Q18 to 9.2% in 4Q19 and from 11.0% in 2018 to 10.9% in 2019.

EBITDA was positively impacted by the recognition of a portion of the amount related to favorable decisions in lawsuits and negatively by structure adjustments in North America, as mentioned in item 5.4 above. Excluding this effect, 4Q19 EBITDA would have decreased by 13.8% compared to 4Q18 and the share of net revenue would have been 8.9% in 4Q19.

The following table shows EBITDA evolution in the indicated periods.

Conciliação do EBITDA - R\$ mil	4T18	4T19	Var.	2018	2019	Var.
Lucro Líquido	76,677	39,109	-49.0%	201,325	337,435	67.6%
Não Controladores	44,474	24,382	-45.2%	104,817	83,980	-19.9%
Imp. de Renda / Contrib. Social	(18,716)	22,315	-219.2%	174,532	84,936	-51.3%
Resultado Financeiro	42,216	18,293	-56.7%	220,819	169,904	-23.1%
Depreciação / Amortização	97,903	111,096	13.5%	355,575	419,554	18.0%
<b>EBITDA</b>	<b>242,554</b>	<b>215,195</b>	<b>-11.3%</b>	<b>1,057,068</b>	<b>1,095,809</b>	<b>3.7%</b>
Resultado de Equivalência Patrimonial	4,352	2,504		14,457	23,902	
<b>EBITDA Ajustado s/ Equivalência Patrimonial</b>	<b>246,906</b>	<b>217,699</b>	<b>-11.8%</b>	<b>1,071,525</b>	<b>1,119,711</b>	<b>4.5%</b>

## 5.8) Financial Result

The financial result was negative by R\$ 18.3 million in 4Q19 and R\$ 169.9 million in 2019, a reduction of 56.7% and of 23.1% compared to 4Q18 and 2018, respectively.

The financial result was favorably impacted by R\$ 14.5 million due to the recognition of a portion of the amount related to favorable decisions in lawsuits claiming the exclusion of ICMS from the PIS and COFINS calculation basis. Excluding this effect, the negative financial result in 4Q19 would have decrease by 22.4% over 4Q18.

## 5.9) Net income

Net income of R\$ 39.1 million in 4Q19 (earnings per share of R\$ 0.2567) and R\$ 337.4 million in 2019 (earnings per share of R\$ 2.2146), a reduction of 49.0% over the net income of R\$ 76.7 million in 4Q18 (earnings per share of R\$ 0.5134) and an improvement of 67.6% over the net income of R\$ 201.3 million in 2018 (earnings per share of R\$ 1.3480).

The positive impact on net income of the effect of the recognition of part of the amount related to favorable decisions in lawsuits claiming the exclusion of ICMS from the PIS and COFINS tax base was R\$ 20.1 million. Excluding this effect and structure adjustments in North America, net income in 4Q19 would have been R\$ 25.9 million.

## 6) CAPITAL EXPENDITURES

Capital expenditures on new product development, on expanding manufacturing capacity and in plant maintenance and upgrades totaled R\$ 138.2 million in 4Q19 and R\$ 519.1 million in 2019 (R\$ 223.4 million in 4Q18 and R\$ 506.9 million in 2018). The variation in capital expenditures in 4Q19 and 2019 is related mainly to the start-up of the operation on the new aluminum wheels plant in India, the capacity increase in the aluminum wheels plant in Thailand and investments in automation and productivity in the Cruzeiro plant in Brazil.

## **7) LIQUIDITY AND INDEBTEDNESS**

Consolidated cash and cash equivalents at the end of 4Q19 was R\$ 646.1 million, of which 41.5% in Brazilian *Reais* and 58.5% in other currencies. Financial investments accounted for 47.0% of that amount, being entirely recorded under current assets.

Consolidated gross debt reached R\$ 3,061.6 million at the end of 4Q19, an increase of 8.8% compared to 4Q18, of which R\$ 648.7 million (21.2%) was recorded under current liabilities and R\$ 2,412.9 million (78.8%) as long-term liabilities.

The main indicators of the consolidated gross bank indebtedness at the end of 4Q19 were: (i) instruments in *Reais* indexed to the CDI (Brazilian interbank rate) with 41.1% (CDI + 1.0%), (ii) Euros (Euro + 2.4% per year) with 38.0%, and (iii) instruments in U.S. Dollars (US\$ + average of 3.7% per year) which accounted for 15.1%.

Consolidated net debt totaled R\$ 2,415.4 million at the end of 4Q19, an increase of 3.8% compared to the R\$ 2,326.8 million at the end of 4Q18.

Net debt at the end of 4Q19 represented 2.2x the EBITDA LTM, the same level observed at the end of 4Q18.

## **8) SHAREHOLDERS' EQUITY**

Shareholders' equity totaled R\$ 3,497.0 million (equity book value of R\$ 22.75 per share) at the end of 4Q19, an increase of 9.3% compared to the shareholders' equity at the end of 4Q18 (R\$ 3,198.5 million and an equity book value of R\$ 21.24 per share).

Shareholders' equity attributed to controlling shareholders was R\$ 3,228.5 million (equity value of R\$ 21.00 per share) at the end of 4Q19, up by 10.5% of the shareholders' equity attributed to controlling shareholders at the end of 4Q18 (R\$ 2,922.0 million and equity value of R\$ 19.39 per share).

## **9) AMSTEDMAXION FUNDIÇÃO STAKE SALE**

On November 1<sup>st</sup>, 2019, the Company concluded the sale to the other shareholders of AmstedMaxionFundição of shares representing 18.25% of the capital stock of the aforementioned company, for the total price of R\$ 20.1 million, so that Amsted Rail Brasil Equipamentos Ferroviários Ltda. and Greenbrier do Brasil Participações Ltda. became holders, respectively, of 51.0% and 29.5% of the capital stock of AmstedMaxionFundição, as provided for in the purchase and sale agreement of shares and other covenants entered into on August 1, 2019. As a result of such sale, the Company reduced its shareholding in AmstedMaxionFundição to 19.5%, treating it as an affiliate company, due to the significant influence exercised by the Company, evidenced by certain rights arising from the shareholders agreement signed on April 28, 2017 and amended on November 1<sup>st</sup>, 2019, with such investment still being valued by the equity income. This operation did not result in material net impact.

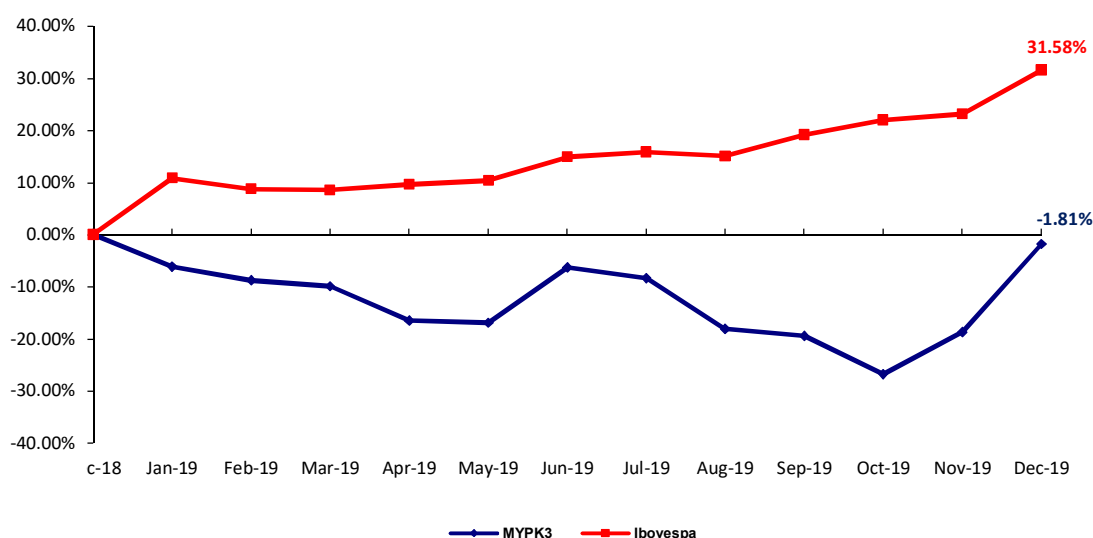
## 10) DIVIDENDS

lochpe-Maxion's by-laws provides for distribution of 37% of net income (after any accumulated losses from previous periods) as the mandatory dividend. Considering (i) the net income in 2019 of R\$ 337.4 million, and (ii) the adoption of deemed cost to property, plant and equipment and its depreciation, which increased net income by R\$ 5.3 million; the mandatory dividend amount related to 2019 is R\$ 126.8 million, of which: (A) R\$ 25.6 million, or R\$ 0.1682176 per share, distributed to shareholders through interest on equity ("JCP") approved by the Board of Directors at meetings held on July 1<sup>st</sup> with the cut-off date for the identification of the shareholders that are entitled to the JCP occurred on 07/05/2019; and (B) R\$ 101.2 million, or R\$ 0,6641181 per share, as dividends referring to the results of the fiscal year 2019 already discounted the aforementioned JCP, with the cut-off date for identification of the shareholders who will be entitled to the receipt of dividends on 3/10/2020.

## 11) CAPITAL MARKETS

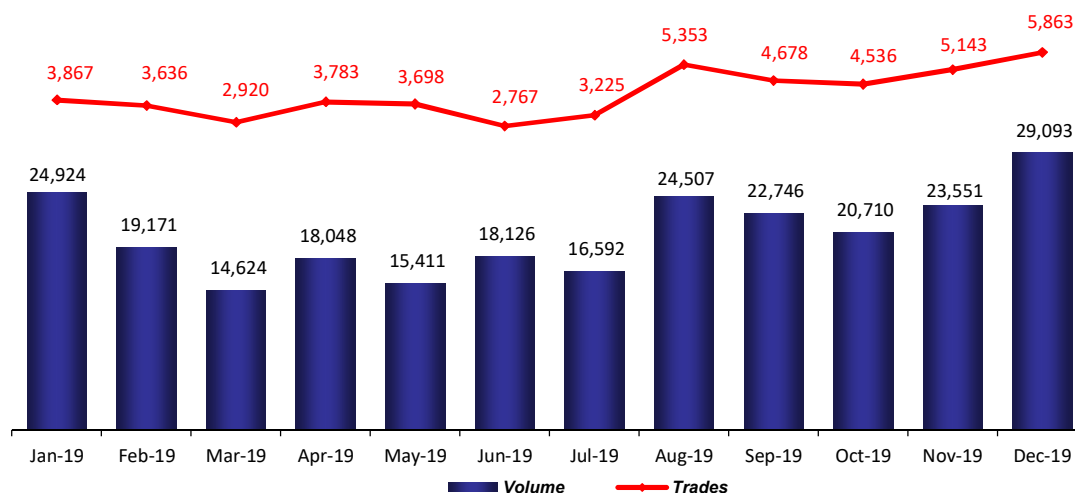
lochpe-Maxion's common shares (B3:MYPK3) closed 4Q19 at R\$ 23.38, an improvement of 21.9% over the quarter and a decrease of 1.8% over the last 12 months. At the end of the 4Q19 lochpe-Maxion's market capitalization was R\$ 3,594.0 million (R\$ 3,585.2 million at the end of 4Q18).

Share Performance – Last 12 months



lochpe-Maxion's shares recorded a daily average trading volume on the São Paulo Stock Exchange of R\$ 23.9 million in 4Q19 (R\$ 19.7 million in 4Q18) and an average daily quantity of transactions of 5,092 (3,585 transactions in 4Q18).

Daily Average Volume



## 12) ARBITRATION CLAUSE

The Company is bound to arbitration at the Arbitration Chamber of Novo Mercado, as provided for in the Arbitration Clause included in its By-laws.

## 13) CVM INSTRUCTION No. 381

In accordance with CVM Instruction No. 381, we inform that during 2019, Iochpe-Maxion, its subsidiaries and its jointly-controlled business incurred the following services provided by the independent auditor:

Audit fees – R\$ 7.8 million: audit fees include the audit of annual individual financial statements (Accounting practices adopted in Brazil) and consolidated (IFRS), the review of Company’s quarterly information (ITR) and the audit of financial statements of subsidiaries and jointly-controlled business in Brazil and abroad.

Non-Audit related fees – R\$ 0.4 million: the non-audit related fees are related to taxes review abroad.

Iochpe-Maxion, its controlled subsidiaries and its joint-controlled businesses, in discussion with its independent auditors concluded that those services did not affect the independence and the objective of those, due to the definition of scope and the procedures performed. Iochpe-Maxion adopts as policy to attend the regulations that define restriction of services by the independent auditors.

In our relationship with the Independent Auditor, we evaluate conflicts of interest with non-audit work based on the following: the auditor should not (a) audit its own work, (b) carry out management functions and (c) promote our interests.

#### 14) MANAGEMENT'S STATEMENT

Pursuant to article 25 of CVM Instruction No 480/09, of December 7, 2009, Management declares that they have discussed, reviewed and agreed with the independent auditors' report and the individual and consolidated financial statements as of December 31, 2019.

The Company's financial statements presented herein are in accordance with the criteria of the Brazilian corporate law, prepared in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards - IFRS.

EBITDA should not be considered as an alternative to net income (loss), as an indicator of the Company's operating performance or as an alternative to cash flow as an indication of liquidity.

The Company's management believes that EBITDA is a useful measure to assess its operating performance and enables comparison with other companies.

The Company calculates EBITDA according to CVM Instruction 527 of October 04, 2012. Thus, EBITDA represents net income (loss) before financial income, income and social contribution taxes, and depreciation and amortization.

Cruzeiro, March 5, 2020.

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

IOCHPE-MAXION S.A. AND SUBSIDIARIES

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

ASSETS	Note	Parent		Consolidated		LIABILITIES AND EQUITY	Note	Parent		Consolidated	
		12/31/2019	12/31/2018	12/31/2019	12/31/2018			12/31/2019	12/31/2018		
<b>CURRENT ASSETS</b>						<b>CURRENT LIABILITIES</b>					
Cash and cash equivalents	5	263,853	66,788	646,137	486,903	Borrowings, financing and debentures	15	24,353	178,045	648,697	1,076,149
Trade receivables	6	264,811	286,183	1,029,650	1,253,826	Trade payables	16	146,238	184,963	1,126,821	1,316,897
Inventories	7	296,272	382,918	1,328,470	1,448,021	Taxes payable	17	8,460	6,630	121,060	121,901
Recoverable taxes	8	42,451	30,957	223,589	237,675	Payroll and related taxes	18	111,039	109,927	322,088	328,271
Prepaid expenses		2,474	1,767	20,210	19,641	Advances from customers		17,539	99,664	27,244	109,025
Other receivables		13,316	8,087	109,565	77,736	Dividends and interest on capital payable		127,146	99,199	127,147	99,199
Total current assets		<u>883,177</u>	<u>776,700</u>	<u>3,357,621</u>	<u>3,523,802</u>	Related parties	10. b	31,714	-	-	-
						Other payables		35,418	41,627	210,561	210,387
<b>NONCURRENT ASSETS</b>						Total current liabilities		<u>501,907</u>	<u>720,055</u>	<u>2,583,618</u>	<u>3,261,829</u>
Recoverable taxes	8	3,141	8,371	166,759	29,189	<b>NONCURRENT LIABILITIES</b>					
Deferred income tax and social contribution	9. a	75,075	105,404	306,628	257,517	Borrowings, financing and debentures	15	1,243,975	470,110	2,412,886	1,737,556
Escrow deposits		52,254	53,454	58,495	59,468	Provision for labor, tax and civil risks	19	48,051	62,024	83,753	105,150
Related parties	10. b	4,897	32,612	4,897	32,612	Deferred income tax and social contribution	9. a	-	-	174,548	199,862
Other receivables		790	4,055	1,520	4,394	Actuarial pension plan liabilities	20	-	-	515,932	471,053
Investments	11	3,010,977	2,260,310	74,612	46,803	Other payables		13,787	12,052	107,698	45,213
Property, plant and equipment	12	928,136	896,182	3,590,747	3,398,325	Total noncurrent liabilities		<u>1,305,813</u>	<u>544,186</u>	<u>3,294,817</u>	<u>2,558,834</u>
Intangible assets	13	67,618	49,103	1,740,135	1,667,080	<b>EQUITY</b>					
Right of use	14	10,133	-	73,997	-	Share capital	21. a.	1,576,954	1,407,536	1,576,954	1,407,536
Total noncurrent assets		<u>4,153,021</u>	<u>3,409,491</u>	<u>6,017,790</u>	<u>5,495,388</u>	Stock options		3,071	3,084	3,071	3,084
						Earnings reserves		606,530	393,156	606,530	393,156
						Capital reserve		6,000	127,006	6,000	127,006
						Treasury shares	21. c.	(28,920)	(26,022)	(28,920)	(26,022)
						Valuation adjustments to equity		<u>1,064,843</u>	<u>1,017,190</u>	<u>1,064,843</u>	<u>1,017,190</u>
						Equity attributable to Company owners		3,228,478	2,921,950	3,228,478	2,921,950
						Noncontrolling interests		-	-	268,498	276,577
						Total equity		<u>3,228,478</u>	<u>2,921,950</u>	<u>3,496,976</u>	<u>3,198,527</u>
<b>TOTAL ASSETS</b>		<u>5,036,198</u>	<u>4,186,191</u>	<u>9,375,411</u>	<u>9,019,190</u>	<b>TOTAL LIABILITIES AND EQUITY</b>		<u>5,036,198</u>	<u>4,186,191</u>	<u>9,375,411</u>	<u>9,019,190</u>

The accompanying notes are an integral part of the individual and consolidated financial statements.

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

IOCHPE-MAXION S.A. AND SUBSIDIARIES

STATEMENTS OF PROFIT AND LOSS  
FOR THE YEAR ENDED DECEMBER 31, 2019

(In thousands of Brazilian reais - R\$, except earnings per share)

	Note	Parent		Consolidated	
		12/31/2019	12/31/2018	12/31/2019	12/31/2018
NET SALES AND SERVICES REVENUE	26	2,509,877	2,178,674	10,016,395	9,616,299
COST OF SALES AND SERVICES	27	<u>(2,123,356)</u>	<u>(1,873,761)</u>	<u>(8,831,177)</u>	<u>(8,298,023)</u>
GROSS PROFIT		386,521	304,913	1,185,218	1,318,276
OPERATING INCOME (EXPENSES)					
Selling expenses	27	(14,602)	(12,447)	(53,778)	(75,359)
General and administrative expenses	27	(112,255)	(101,601)	(482,968)	(477,112)
Management fees	10.a	(19,086)	(17,116)	(19,086)	(17,116)
Share of profit (loss) of subsidiaries	11	182,667	143,629	(23,902)	(14,457)
Operating income (expenses), net	28	4,206	(20,188)	70,771	(32,739)
OPERATING INCOME BEFORE FINANCE INCOME (COSTS)		<u>427,451</u>	<u>297,190</u>	<u>676,255</u>	<u>701,493</u>
Finance income	24	18,368	13,186	65,344	14,838
Finance costs	24	(83,392)	(74,244)	(230,124)	(239,414)
Foreign exchange gains (losses), net	25	(758)	2,355	(5,124)	3,757
PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		<u>361,669</u>	<u>238,487</u>	<u>506,351</u>	<u>480,674</u>
INCOME TAX AND SOCIAL CONTRIBUTION					
Current	9.b	(23,145)	(7,384)	(178,240)	(148,043)
Deferred	9.b	(1,089)	(29,778)	93,304	(26,489)
PROFIT FOR THE YEAR		<u>337,435</u>	<u>201,325</u>	<u>421,415</u>	<u>306,142</u>
ATTRIBUTABLE TO					
Company owners		337,435	201,325	337,435	201,325
Noncontrolling interests		-	-	83,980	104,817
EARNINGS PER SHARE FOR THE PERIOD:					
BASIC - R\$	31	2.23135	1.35499	2.23135	1.35499
DILUTED - R\$	31	2.23078	1.35451	2.23078	1.35451

The accompanying notes are an integral part of the individual and consolidated financial statements.

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

IOCHPE-MAXION S.A. AND SUBSIDIARIES

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

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
PROFIT FOR THE YEAR	337,435	201,325	421,415	306,142
OTHER COMPREHENSIVE INCOME				
Items that will be subsequently reclassified to profit or loss:				
Gains on translating the financial statements of foreign subsidiaries	82,523	239,622	85,656	262,002
Items that will not be subsequently reclassified to profit or loss:				
Effect from change in actuarial assumptions, net of taxes	<u>(29,179)</u>	<u>(11,997)</u>	<u>(29,179)</u>	<u>(11,997)</u>
Total other comprehensive income	53,344	227,625	56,477	250,005
TOTAL COMPREHENSIVE INCOME	<u>390,779</u>	<u>428,950</u>	<u>477,892</u>	<u>556,147</u>
Attributable to:				
Company owners	390,779	428,950	390,779	428,950
Noncontrolling interests	<u>-</u>	<u>-</u>	<u>87,113</u>	<u>127,197</u>
	<u>390,779</u>	<u>428,950</u>	<u>477,892</u>	<u>556,147</u>

The accompanying notes are an integral part of the individual and consolidated financial statements.

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

IOCHPE-MAXION S.A. AND SUBSIDIARIES

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

	Earnings reserves					Valuation adjustments to equity					Profit for the year	Equity	Noncontrolling interests	Total equity
	Share capital	Stock options	Legal reserve	Bylaws reserve for investment and working capital	Interim dividends	Capital reserve	Treasury shares	Deemed cost of property, plant and equipment	Other comprehensive income					
BALANCES AS AT DECEMBER 31, 2017	1,277,398	3,080	68,816	219,166	31,051	(1,747)	(12,880)	88,692	714,277	-	2,387,853	242,652	2,630,505	
Profit for the year	-	-	-	-	-	-	-	-	-	201,325	201,325	104,817	306,142	
Other comprehensive income	-	-	-	-	-	-	-	-	227,625	-	227,625	22,380	250,005	
Total comprehensive income	-	-	-	-	-	-	-	-	227,625	201,325	428,950	127,197	556,147	
Capital increase	130,138	-	-	-	-	-	-	-	-	-	130,138	-	130,138	
Recognition of stock option plan	-	112	-	-	-	-	-	-	-	-	112	-	112	
Exercise of stock options	-	(108)	-	-	-	-	250	-	-	-	142	-	142	
Treasury shares acquired	-	-	-	-	-	-	(13,392)	-	-	-	(13,392)	-	(13,392)	
Realization of deemed cost, net of taxes	-	-	-	-	-	-	-	(12,546)	-	12,546	-	-	-	
Derecognition of deemed cost, net of taxes	-	-	-	-	-	-	-	(858)	-	-	(858)	-	(858)	
Hyperinflationary effect on investment in joint venture	-	-	-	-	-	10,708	-	-	-	-	10,708	-	10,708	
Conversion of debentures - 6th issue	-	-	-	-	-	118,045	-	-	-	-	118,045	-	118,045	
Dividends paid to noncontrolling shareholders	-	-	-	-	-	-	-	-	-	-	-	(93,272)	(93,272)	
Allocations of profit for the year:														
Legal reserve	-	-	10,694	-	-	-	-	-	-	(10,694)	-	-	-	
Investment and working capital reserve	-	-	-	124,045	-	-	-	-	-	(124,045)	-	-	-	
Interest on capital	-	-	-	(29,565)	-	-	-	-	-	(79,132)	(108,697)	-	(108,697)	
Interim dividends paid	-	-	-	-	(31,051)	-	-	-	-	-	(31,051)	-	(31,051)	
BALANCES AS AT DECEMBER 31, 2018	1,407,536	3,084	79,510	313,646	-	127,006	(26,022)	75,288	941,902	-	2,921,950	276,577	3,198,527	
Profit for the year	-	-	-	-	-	-	-	-	-	337,435	337,435	83,980	421,415	
Other comprehensive income	-	-	-	-	-	-	-	-	53,344	-	53,344	3,133	56,477	
Total comprehensive income	-	-	-	-	-	-	-	-	53,344	337,435	390,779	87,113	477,892	
Capital increase	39,938	-	-	-	-	-	-	-	-	-	39,938	-	39,938	
Merger of capital reserve	129,480	-	-	-	-	(129,480)	-	-	-	-	-	-	-	
Recognition of stock option plan	-	23	-	-	-	-	-	-	-	-	23	-	23	
Exercise of stock options	-	(36)	-	-	-	-	89	-	-	-	53	-	53	
Treasury shares acquired	-	-	-	-	-	-	(2,987)	-	-	-	(2,987)	-	(2,987)	
Realization of deemed cost, net of taxes	-	-	-	-	-	-	-	(5,327)	-	5,327	-	-	-	
Derecognition of deemed cost, net of taxes	-	-	-	-	-	-	-	(364)	-	-	(364)	-	(364)	
Hyperinflationary effect on investment in joint venture	-	-	-	-	-	8,474	-	-	-	-	8,474	-	8,474	
Dividends paid to noncontrolling shareholders	-	-	-	-	-	-	-	-	-	-	-	(95,192)	(95,192)	
Allocations of profit for the year:														
Legal reserve	-	-	17,138	-	-	-	-	-	-	(17,138)	-	-	-	
Investment and working capital reserve	-	-	-	198,802	-	-	-	-	-	(198,802)	-	-	-	
Interest on capital	-	-	-	(2,566)	-	-	-	-	-	-	(2,566)	-	(2,566)	
Mandatory minimum dividends	-	-	-	-	-	-	-	-	-	(126,822)	(126,822)	-	(126,822)	
BALANCES AS AT DECEMBER 31, 2019	1,576,954	3,071	96,648	509,882	-	6,000	(28,920)	69,597	995,246	-	3,228,478	268,498	3,496,976	

The accompanying notes are an integral part of the individual and consolidated financial statements.

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

IOCHPE-MAXION S.A. AND SUBSIDIARIES

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

	Note	Parent		Consolidated	
		12/31/2019	12/31/2018	12/31/2019	12/31/2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit for the year		337,435	201,325	421,415	306,142
Adjustments to reconcile profit for the year to net cash generated by (used in) operating activities:					
Depreciation and amortization	27	65,168	59,428	419,554	355,575
Income tax and social contribution	9	24,234	37,162	84,936	174,532
Residual value of property, plant and equipment items and intangible assets written off	12, 13 and 14	11,644	21,159	25,879	28,739
Share of profit (loss) of subsidiaries	11	(182,667)	(143,629)	23,902	14,457
Provision for tax, civil and labor risks, net of reversals and adjustments	19	(3,240)	19,070	(2,957)	19,309
Inflation adjustment of escrow deposits		4,291	(2,868)	4,096	(641)
Interest, inflation adjustments and amortization of borrowing costs	15	74,312	55,520	188,959	202,440
Interest on right-of-use liability		646	-	3,439	-
Fair value of financial liabilities		-	8,317	-	8,317
Expected credit losses	6	316	1,916	(3,478)	7,302
Allowance for (reversal of) inventory losses	7	(1,692)	9,994	358	11,071
Finance costs (net) on pension plans and post-employment benefits	20	-	-	12,162	10,973
Derecognition of stock options		(13)	4	(13)	4
Derecognition of deemed cost		(364)	(858)	(364)	(858)
Derecognition of call option		(8,243)	-	(8,243)	-
Loss on sale of interest in joint venture		9,235	-	9,235	-
Decrease (increase) in assets:					
Trade receivables	6	21,056	(33,983)	277,933	(76,110)
Inventories	7	88,338	(44,782)	156,157	(144,750)
Other receivables and other assets		(5,762)	(11,245)	(150,370)	(60,915)
Increase (decrease) in liabilities:					
Trade payables	16	(38,725)	41,511	(275,099)	124,760
Payment of pension plan and post-employment benefits	20	-	-	(28,401)	(28,945)
Payment of tax, civil and labor risks	19	(10,733)	(5,697)	(18,734)	(17,089)
Advances from customers		(82,125)	7,731	(81,830)	8,479
Other payables and other liabilities		(18,201)	26,351	(94,336)	20,982
		<u>284,910</u>	<u>246,426</u>	<u>964,200</u>	<u>963,774</u>
Payment of interest on borrowings and financing	15	(5,626)	(12,456)	(113,824)	(138,591)
Payment of interest on debentures	15	(55,848)	(35,341)	(55,848)	(35,341)
Payment of right-of-use liability		(56)	-	(4,424)	-
Payment of income tax and social contribution		(4,160)	(12,835)	(132,421)	(175,122)
		<u>(65,690)</u>	<u>(60,632)</u>	<u>(306,517)</u>	<u>(349,054)</u>
Cash generated by (used in) operating activities		<u>219,220</u>	<u>185,794</u>	<u>657,683</u>	<u>614,720</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Capital increase in subsidiaries	11.b	(434,614)	(411,368)	-	-
Capital reduction (increase) in associates	11.b	(60,934)	-	(60,934)	-
Purchase of property, plant and equipment	12 and 34	(84,186)	(65,933)	(459,066)	(443,476)
Purchase of intangible assets	13	(20,218)	(22,653)	(24,561)	(27,269)
Proceeds from the sale of interest in joint venture	2	20,093	-	20,093	-
Net cash generated by (used in) investing activities		<u>(579,859)</u>	<u>(499,954)</u>	<u>(524,468)</u>	<u>(470,745)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from the increase in issues	21. a	39,938	-	39,938	-
Debt issue	15	800,000	450,000	800,000	450,000
Borrowings and financing	15	133,014	15,638	1,776,517	1,551,080
Repayment of borrowings and financing - principal	15	(162,481)	(147,984)	(2,234,978)	(2,111,439)
Repayment of debentures - principal	15	(152,936)	(1,235)	(152,936)	(1,235)
Amortization of right-of-use liability - principal		(5,600)	-	(28,269)	-
Capitalization of borrowing costs		(10,262)	(6,472)	(22,701)	(19,227)
Payment of proposed and additional dividends		(108,697)	(36,246)	(108,697)	(36,246)
Dividends paid to noncontrolling interests	11.d	-	-	(95,192)	(93,272)
Acquisition of treasury shares	21. e	(2,987)	(13,142)	(2,987)	(13,142)
Related parties		27,715	(651)	27,715	(651)
Net cash used in financing activities		<u>557,704</u>	<u>259,908</u>	<u>(1,590)</u>	<u>(274,132)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>197,065</u>	<u>(54,252)</u>	<u>131,625</u>	<u>(130,157)</u>
Exchange differences on translating cash and cash equivalents of foreign subsidiaries				<u>27,609</u>	<u>73,729</u>
Cash and cash equivalents at the beginning of the period		66,788	121,040	486,903	543,331
Cash and cash equivalents at the end of the period		263,853	66,788	646,137	486,903
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>197,065</u>	<u>(54,252)</u>	<u>159,234</u>	<u>(56,428)</u>

The accompanying notes are an integral part of the individual and consolidated financial statements.

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

IOCHPE-MAXION S.A. AND SUBSIDIARIES

STATEMENTS OF VALUE ADDED  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In thousands of Brazilian reais - R\$)

	Note	Parent		Consolidated	
		12/31/2019	12/31/2018	12/31/2019	12/31/2018
<b>REVENUES</b>					
Sale of goods and products	26	3,105,739	2,739,280	10,698,444	10,281,410
Expected credit losses	6	(316)	(1,916)	3,478	(7,302)
Other revenue		38,710	12,770	140,751	45,722
		<u>3,144,133</u>	<u>2,750,134</u>	<u>10,842,673</u>	<u>10,319,830</u>
<b>INPUTS ACQUIRED FROM THIRD PARTIES (INCLUDING ICMS AND IPI)</b>					
Raw materials		(1,256,448)	(1,119,992)	(5,551,378)	(5,520,502)
Materials, electric power, outside services and other items	27	(285,350)	(253,582)	(1,456,778)	(1,356,947)
		<u>(1,541,798)</u>	<u>(1,373,574)</u>	<u>(7,008,156)</u>	<u>(6,877,449)</u>
<b>GROSS VALUE ADDED</b>		<u>1,602,335</u>	<u>1,376,560</u>	<u>3,834,517</u>	<u>3,442,381</u>
<b>RETENTIONS</b>					
Depreciation and amortization	27	(65,168)	(59,428)	(419,554)	(355,575)
<b>WEALTH CREATED BY THE COMPANY AND ITS SUBSIDIARIES</b>					
		<u>1,537,167</u>	<u>1,317,132</u>	<u>3,414,963</u>	<u>3,086,806</u>
<b>WEALTH RECEIVED IN TRANSFER</b>					
Share of profit (loss) of subsidiaries	11.b	182,667	143,629	(23,902)	(14,457)
Finance income	24	18,368	13,186	65,344	14,838
Exchange rate changes, net	25	(758)	2,355	(5,124)	3,759
		<u>200,277</u>	<u>159,170</u>	<u>36,318</u>	<u>4,140</u>
<b>TOTAL WEALTH FOR DISTRIBUTION</b>		<u>1,737,444</u>	<u>1,476,302</u>	<u>3,451,281</u>	<u>3,090,946</u>
<b>WEALTH DISTRIBUTED</b>					
<b>Personnel:</b>					
Salaries and wages		655,767	559,576	1,884,622	1,693,951
Employees' profit sharing		33,795	34,322	66,362	80,164
<b>Taxes:</b>					
Federal		280,584	311,433	443,296	389,671
State		339,347	286,102	391,035	350,105
Municipal		164	233	164	233
<b>Lenders and lessors:</b>					
Finance costs	24	83,392	74,244	230,124	239,414
Rentals		6,960	9,067	14,263	31,266
<b>Shareholders:</b>					
Proposed and additional dividends	21.c	126,822	79,132	126,822	79,132
Retained earnings		210,613	122,193	210,613	122,193
Noncontrolling interests in retained earnings		-	-	83,980	104,817
		<u>1,737,444</u>	<u>1,476,302</u>	<u>3,451,281</u>	<u>3,090,946</u>

The accompanying notes are an integral part of the individual and consolidated financial statements.

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

## IOCHPE-MAXION S.A. AND SUBSIDIARIES

### NOTES TO THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

(Amounts in thousands of Brazilian reais - R\$, unless otherwise stated)

#### 1. GENERAL INFORMATION

Iochpe-Maxion S.A. ("Company") is a publicly-held company, headquartered at Rua Dr. Othon Barcellos, 83, city of Cruzeiro, State of São Paulo, registered with B3 S.A. - Brasil, Bolsa, Balcão under ticker symbol MYPK3.

The Company's, its subsidiaries' and joint ventures' operations are carried out in 9 units located in Brazil and 23 units located abroad. The Company's main operations are described in note 2.

#### 2. GROUP COMPANIES

The Company's and its subsidiaries' operations are focused on the automotive segment and divided into the wheels and structural component segments. The consolidation comprises the financial statements of the Company and the following direct and indirect subsidiaries:

	Country	Core business	Direct interest - %		Indirect interest - %	
			12/2019	12/2018	12/2019	12/2018
Iochpe-Maxion S.A. (Parent - Cruzeiro)	Brazil	(a) (d) (e)	-	-	-	-
Limeira branch	Brazil	(b)	-	-	-	-
Limeira branch	Brazil	(c)	-	-	-	-
Contagem branch	Brazil	(e)	-	-	-	-
Resende branch	Brazil	(d)	-	-	-	-
Remon-Resende Montadora Ltda.	Brazil	-	66.66	66.66	33.33	33.33
Maxion (Nantong) Wheels Co., Ltd.	China	(a)	100.00	100.00	-	-
Maxion Wheels (Thailand) Co., Ltd.	Thailand	(c)	8.15	8.15	91.84	91.84
Iochpe-Maxion Austria GmbH	Austria	(g)	100.00	100.00	-	-
Maxion Wheels Aluminum India Pvt. Ltd.	India	(c)	-	-	100.00	100.00
Maxion Wheels Immobilien GmbH & Co. KG	Germany	-	-	-	100.00	100.00
Iochpe Sistemas Automotivos de México, S.A. de C.V.	Mexico	(g)	-	-	100.00	100.00
Ingenieria y Maquinaria de Guadalupe, S.A. de C.V.	Mexico	(d) (e)	-	-	100.00	100.00
Maxion Wheels de Mexico, S. de R.L. de C.V.	Mexico	(a) (b) (c)	-	-	100.00	100.00
Servicios Maxion Wheels San Luis Potosí, S.A. de C.V.	Mexico	-	-	-	100.00	100.00
Servicios Maxion Wheels Chihuahua, S. de R.L. de C.V.	Mexico	-	-	-	100.00	100.00
Iochpe Holdings, LLC	USA	(g)	-	-	100.00	100.00
Maxion Wheels U.S.A. LLC	USA	(f)	-	-	100.00	100.00
HLI Delaware Holdings, LLC	USA	-	-	-	100.00	100.00
Maxion Wheels Akron LLC	USA	(a)	-	-	100.00	100.00
Maxion Wheels Sedalia LLC	USA	(b)	-	-	100.00	100.00
Maxion Import LLC	USA	(f)	-	-	100.00	100.00
Maxion Luxembourg Holdings S.A.R.L.	Luxembourg	(g)	-	-	100.00	100.00
Maxion Wheels South Africa (Pty) Ltd.	South Africa	(c)	-	-	100.00	100.00
Maxion Wheels Japan K.K.	Japan	-	-	-	100.00	100.00
Maxion Wheels Czech s.r.o.	Czech Republic	(b) (c)	-	-	100.00	100.00
Maxion Wheels EAAP Holding GmbH	Germany	(g)	-	-	100.00	100.00
Maxion Wheels España S.L.	Spain	(b)	-	-	100.00	100.00
Hayes Lemmerz Barcelona, S.L.	Spain	-	-	-	100.00	100.00
Maxion Wheels Italy Holding, S.r.l.	Italy	(g)	-	-	100.00	100.00
Maxion Wheels Italia S.r.l.	Italy	(c)	-	-	100.00	100.00
Maxion Wheels Germany Holding GmbH	Germany	(g)	-	-	100.00	100.00
Maxion Wheels Königswinter GmbH	Germany	(g)	-	-	100.00	100.00
Kalyani Maxion Wheels Private Limited	India	(a) (b)	-	-	85.00	85.00
Maxion Wheels Werke GmbH	Germany	(a) (b)	-	-	100.00	100.00
Maxion Wheels do Brasil Ltda.	Brazil	(c)	-	-	100.00	100.00
Maxion Inci Jant Sanayi, A.S.	Turkey	(b) (c)	-	-	60.00	60.00
Maxion Jantas Jant Sanayi ve Ticaret A.S.	Turkey	(a)	-	-	60.00	60.00

(a) Manufacture and sale of heavy steel wheels.

(b) Manufacture and sale of light steel wheels for automobiles, pick-up trucks, SUVs and light and medium-sized commercial vehicles.

- (c) Manufacture and sale of light aluminum wheels for vehicles.
- (d) Manufacture and sale of heavy structural components (complete frames, sidebars, and crossbars) and metal stampings for commercial vehicles.
- (e) Manufacture and sale of light structural and automotive components (metal stampings for passenger vehicles, brake levers, pedal sets, welded assemblies, structural parts and other automotive components).
- (f) Sale of light and heavy wheels.
- (g) Company holding controlling interest in one or more companies.

#### Equity interests in joint ventures

The Company, through its joint venture Maxion Montich S.A. ("Maxion Montich"), located in Cordoba – Argentina, is engaged in the manufacturing and sale of heavy structural components (complete frames, sidebars and crossbars), metal stampings and welded assemblies for commercial and light vehicles. Equity interests in associates

#### Amsted-Maxion Fundação e Equipamentos Ferroviários S.A.

The Company, through its associate Amsted-Maxion Fundação e Equipamentos Ferroviários S.A. ("AmstedMaxionFundição"), located in Cruzeiro, State of São Paulo, produces industrial castings and railroad wheels.

AmstedMaxionFundição, through Greenbrier Maxion Serviços e Equipamentos Ferroviários S.A. ("GreenbrierMaxionFerroviário"), its joint venture located in Hortolândia, State of São Paulo, sells and produces freight cars.

On November 1, 2019, in line with its business strategy, the Company sold to the other shareholders of AmstedMaxionFundição a stake corresponding to 18.25% of the share capital of said company, for the total price of R\$20,093, so that Amsted Rail Brasil Equipamentos Ferroviários Ltda. and Greenbrier do Brasil Participações Ltda. started to hold 51% and 29.5% of the share capital of AmstedMaxionFundição, respectively, as set forth in the share purchase and sale agreement and other covenants entered into on August 1, 2019. As a result of such sale, the Company reduced its stake in AmstedMaxionFundição to 19.5%, which became its associate, as a result of the significant influence exercised by the Company, evidenced by rights arising from the shareholders' agreement entered into on April 28, 2017 and amended on November 1, 2019, the investment continuing to be recognized under the equity method of accounting. Such transaction resulted in a net loss of R\$992.

#### DongFeng Maxion Wheels Ltd.

The Company, through DongFeng Maxion Wheels Ltd. ("DongFengMaxion"), its associate located in Suizhou, Hubei province, in China, will produce and sell aluminum wheels for commercial and light vehicles in the Chinese market. DongFengMaxion is in a preoperating stage.

The Company exerts significant influence over the associate, which is evidenced by the appointment of members of the Board of Directors and other rights arising from the Investment Agreement entered into with DongFeng Motor Chassis Systems.

As at December 31, 2019, the investment in joint venture Maxion Montich and associates AmstedMaxionFundição and DongFengMaxion, holding 50%, 19.5% and 50% stake, respectively, are accounted for under the equity method of accounting.

The main groups reported in the financial statements of this joint venture and associates are as follows:

	Maxion Montich		AmstedMaxionFundição		DongFengMaxion	
	2019	2018	2019	2018	2019	2018
<u>Balance sheets</u>						
Current assets	76,386	107,490	86,832	82,955	59,037	-
Noncurrent assets	85,340	79,057	338,227	363,245	11,673	-
Current liabilities	(110,127)	(125,578)	(108,412)	(150,101)	(1,920)	-
Noncurrent liabilities	(34,044)	(39,619)	(156,155)	(178,964)	-	-
Company owners	17,498	21,313	81,851	117,135	34,395	-
Noncontrolling interests	57	37	78,641	-	34,395	-
Total equity	<u>17,555</u>	<u>21,350</u>	<u>160,492</u>	<u>117,135</u>	<u>68,790</u>	<u>-</u>
<u>Income statements</u>						
Net sales revenue	212,512	180,129	352,119	337,870	-	-
Cost of sales	(193,295)	(166,450)	(314,671)	(301,987)	-	-
Operating expenses	(12,787)	(24,633)	(55,518)	(60,500)	-	-
Finance income (costs), net	(33,807)	-	(17,405)	-	550	-
Income tax and social contribution	4,057	174	2,328	598	(80)	-
Profit (loss) for the year	<u>(23,320)</u>	<u>(10,780)</u>	<u>(33,147)</u>	<u>(24,019)</u>	<u>470</u>	<u>-</u>

### 3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The individual and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil ("BR GAAP").

The accounting practices adopted in Brazil comprise those included in the Brazilian Corporate Law and the technical pronouncements, guidelines and interpretations issued by the Brazilian Accounting Pronouncements Committee (CPC) and approved by the Federal Accounting Council (CFC) and the Brazilian Securities and Exchange Commission (CVM).

As there is no difference between the consolidated equity and the consolidated profit or loss attributable to the Parent's shareholders, disclosed in the consolidated financial statements prepared in accordance with IFRSs and the accounting practices adopted in Brazil, and the Parent's equity and profit or loss disclosed in the individual financial statements prepared in accordance with IFRSs and the accounting practices adopted in Brazil, the Company opted for presenting these individual and consolidated financial statements in a single set, using a side-by-side format.

Management asserts that all relevant information for the financial statements, and only this information, is being disclosed and corresponds to the information used in managing the Company.

The financial statements have been prepared based on the historical cost, except for the revaluation of certain properties and financial instruments measured at their revalued amounts or fair values at the end of each reporting period. The historical cost is generally based on the fair value of the consideration paid in exchange for assets and services.

Fair value is 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 estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market players take those characteristics into account when pricing the asset or liability at the measurement date. The fair value for purposes of measurement and/or disclosure in these consolidated financial statements is determined on such basis, except for share-based payment transactions that are within the scope of IFRS 2 (CPC 10 (R1)), lease transactions that are within the scope of IFRS16 (CPC 06 (R2)) - Leases, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 (CPC 16 (R1)) - Inventories or value in use in IAS 36 (CPC 01 (R1)) - Impairment of Assets.

#### Basis for consolidation

The consolidated financial statements include the financial statements of the Company and the entities controlled by the Company (its subsidiaries) prepared up to December 31 of each year. Control is achieved when the Company:

- Has power over the investee.
- Is exposed, or has rights, to variable returns from its involvement with the investee.
- Has the ability to use such power to affect its returns.

The Company reassesses whether it retains the control over an investee or not if facts and circumstances indicate the occurrence of changes in one or more than one of the three components of control described above.

When the Company does not hold the majority of the voting rights of an investee, it will have power over an investee when the voting rights are sufficient to enable it to unilaterally direct the investee's relevant activities. In assessing if the Company's voting rights in an investee are sufficient for it to have power, the Company considers all significant facts and circumstances, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holding of the other holders of voting rights.
- Potential voting rights held by the Company, other holders of voting rights or other parties.
- Rights arising from other agreements.
- Any additional facts and circumstances that indicate that the Company has, or does not have, the capacity to direct the relevant activities at the time decisions need to be made, including voting patterns at previous shareholders' meetings.

The consolidation of a subsidiary begins when the Company acquires control over the subsidiary and ends when such control ceases to exist.

The individual and consolidated financial statements have been prepared using the historical cost as value basis and available-for-sale financial assets and financial assets and financial liabilities measured at fair value.

### Functional and reporting currency

In preparing the financial statements of each one of the Company's entities, transactions in foreign currency, i.e., in any currency other than their functional currency, are recorded at the exchange rates prevailing on each transaction date. At the end of the reporting period, monetary assets and liabilities denominated in foreign currency are retranslated using the exchange rates prevailing at the end of each period. Non-monetary items stated at fair value that are denominated in a foreign currency are translated at the rates prevailing at the date fair value was determined. Non-monetary items measured at the historical cost in a foreign currency are not retranslated.

Exchange gains or losses are recognized in profit or loss when earned or incurred, other than:

- Exchange rate changes arising from borrowings and financing in foreign currency relating to constructions in progress for future production use, which are included in the cost of these assets when considered as adjustments to interest expenses on those borrowings and financing denominated in foreign currency.
- Exchange rate changes arising from transactions to hedge against foreign exchange risks.
- In the consolidated financial statements, exchange rate changes arising on monetary items receivable or payable regarding a foreign transaction, whose settlement is not estimated or probable (and is, therefore, part of the net investment in the foreign transaction), initially recognized in "Other comprehensive income" and reclassified from equity to profit or loss upon disposal or partial disposal of the net investment.

In the consolidated financial statements, the assets and liabilities of the Company's foreign transactions are translated using the exchange rates prevailing at the end of the reporting period. Income and expenses are translated using the average exchange rates for the period, unless exchange rates fluctuate significantly during the period; in this case, the exchange rates prevailing on the transaction date are used. Exchange rate changes arising from these translations, if any, are recognized in "Other comprehensive income" and accumulated in a separate component of the foreign currency translation reserve (attributable to noncontrolling interests, as appropriate).

Upon disposal of a foreign transaction (that is, disposal of the Company's total interest in a foreign transaction, or disposal involving loss of control over a subsidiary that includes foreign transactions or partial disposal of interest in a joint venture or associate that includes a foreign transaction in which the interest held becomes a financial asset), the total amount of the exchange rate change accumulated in the foreign currency translation reserve relating to such transaction attributable to the Company's owners is reclassified to profit or loss.

Additionally, in case of partial disposal of a subsidiary that includes a foreign transaction that does not represent loss of the Company's control over the subsidiary, the proportional shares of the accumulated exchange rate differences are reclassified to noncontrolling interests and are not recognized in profit or loss.

For all other partial disposals (that is, partial disposals of associates or joint ventures that do not represent significant loss of influence or joint control of the Company), the proportional share of the accumulated exchange rate differences is reclassified to profit or loss.

Goodwill and adjustments to the fair value arising on the acquisition of a foreign transaction are recognized as assets and liabilities of the foreign transaction and translated based on the closing exchange rate. Exchange rate differences are recognized in "Other comprehensive income".

#### Exchange rates

The exchange rates in Brazilian reais (R\$) in effect at the end of the reporting period are as follows:

Closing rate	12/31/2019	12/31/2018
U.S. dollar (US\$)	4.0307	3.8748
Euro (€)	4.5305	4.4390
Average rate	12/31/2019	12/31/2018
U.S. dollar (US\$)	3.9451	3.6544
Euro (€)	4.4155	4.3092

#### Use of estimates and judgments

In applying the accounting policies described in note 4, 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 reviewed on an ongoing basis. The effects from the revisions to accounting estimates are recognized in profit or loss for the current year.

Below are the main areas of judgments and accounting estimates:

- Expected credit losses.
- Inventory losses.
- Impairment of goodwill.
- Income tax and social contribution.
- Provision for labor, tax and civil risks.
- Pension plan obligations.
- Risk and financial instrument management.
- Assessment on whether the right-of-use asset is subject to impairment.

#### Investments in associates and joint ventures

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

Joint venture is a joint agreement whereby the parties holding the joint control have rights on the net assets of the joint agreement. Joint control is the contractually agreed sharing of control of a joint venture, applicable solely when the decisions on the relevant activities require the unanimous approval of the parties sharing such control.

The associate's or joint venture's profit or loss and assets and liabilities are included in these financial statements under the equity method of accounting.

Under the equity method of accounting, an investment in an associate or joint venture is initially recognized in the consolidated balance sheet at cost and subsequently adjusted to recognize the Company's share of the profit or loss and other comprehensive income of the associate or joint venture.

#### Consolidation of financial statements

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries, for the same reporting period and consistent with the Company's accounting policies.

The main consolidation criteria include:

- Elimination of intergroup asset and liability balances between the consolidated companies.
- Elimination of the Parent's interests in the equity of its direct and indirect subsidiaries.
- Elimination of intercompany transactions, balances and gains or losses not realized in transactions between the group companies. Unrealized losses are also eliminated unless the transaction has evidence of impairment loss on the transferred asset.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### 4.1. ADOPTION OF NEW AND REVISED IFRSs THAT ARE EFFECTIVE FOR THE CURRENT YEAR

#### 4.1.1. IFRS 16 – Leases (CPC 06 (R2))

##### a) General impact arising on the adoption of IFRS 16 – Leases

IFRS 16 introduced a comprehensive model for the identification of lease agreements and their recognition in the financial statements applicable to lessors and lessees. IFRS 16 superseded the current lease guidance, including IAS 17 (CPC 06 (R1)) – Leases and related interpretations and is effective for annual reporting periods beginning on or after January 1, 2019. For the Company, the IFRS 16 first-time adoption date was January 1, 2019.

The Company elected to adopt such standard using the modified retrospective approach in accordance with IFRS 16:C5(b). Consequently, the Company did not restate the comparative information.

Differently from the accounting criteria applicable to lessees, IFRS 16 substantially transferred the lessor accounting requirements set out in IAS 17 (CPC 06 (R1)).

b) Impact of the new lease definition

The Company used the practical expedient available in the transition to IFRS 16 so as not to reassess whether a contract is or contains a lease. Therefore, the lease definition set out in IAS 17 and IFRIC 4 (equivalent to ICPC 03) remained applicable to leases contracted or modified prior to January 1, 2019.

The lease definition changes mainly relate to the concept of control. IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Control is observed if the customer has:

- The right to obtain substantially all of the economic benefits from use of an identified asset.
- The right to control the use of an identified asset.

The Company applied the lease definition and related guidance described in IFRS 16 to all lease agreements entered into or modified on or after January 1, 2019.

c) Impact on lessee accounting

Operating leases

IFRS 16 (CPC 06 (R2)) changed how the Company accounted for leases previously classified as operating leases in accordance with IAS 17, which were not recognized in the balance sheet.

Upon the first-time adoption of IFRS 16, for all leases (except as described below), the Company was required to:

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

Lease incentives (for example, rental-free period) will be recognized as part of the measurement of right-of-use assets and lease liabilities, whereas, under IAS 17 (CPC 06 (R1)), these incentives resulted in the recognition of a lease liability incentive, amortized as a reduction of rental expenses on a straight-line basis.

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

For short-term leases (i.e., when the lease term is 12 months or less) and leases of low-value assets (for instance, personal computers and office furniture), the Company recognized lease expenses on a straight-line basis pursuant to IFRS 16.

The Company recognized a right-of-use asset in the amount of R\$73,305 and a corresponding lease liability in the same amount with respect to all leases as at January 1, 2019, except for its short-term and low-value leases.

The impact on profit or loss for 2019 comprised a decrease of R\$43,128 in "Other expenses", a depreciation increase of R\$36,783, as well as an increase of R\$3,768 in interest expenses. The amount of R\$7,090 corresponds to short-term leases and leases of low-value assets.

In accordance with IAS 17, all operating lease payments are reported as an integral part of cash flows from operating activities. Under IFRS 16, the impact of such changes for 2019 resulted in an increase of R\$43,128 in cash generated by operating activities and a decrease in net cash used in financing activities in the same amount.

In 2019, lease liabilities recorded by the Company mature as follows:

	<u>Parent</u>	<u>Consolidated</u>
2020	4,204	31,415
2021	3,689	24,273
2022	410	8,993
2023	323	4,812
2024	261	2,830
2025 to 2032	-	1,150
Total	<u>8,887</u>	<u>73,473</u>

#### Finance leases

The main differences between IFRS 16 (CPC 06 (R2)) and IAS 17 (CPC 06 (R1)) in relation to assets previously held under finance leases correspond to the measurement of the residual value guarantees provided to the lessor by the lessee. IFRS 16 requires the Company to recognize only amounts expected to be payable under residual value guarantees, as part of its lease liabilities, rather than the maximum amount guaranteed as required by IAS 17. On the first-time adoption, the Company reported equipment previously included in property, plant and equipment in the line item relating to right-of-use assets and the lease liabilities previously recorded in borrowings, in line item "Other payables" due to the immateriality of the amount.

Upon analyzing the Company's finance leases as at December 31, 2018 based on the facts and circumstances existing on that date, the Company's Management ratified that such changes did not affect the amounts reported in the Company's individual and consolidated financial statements.

#### 4.1.2. IFRIC 23 - Uncertainty over Income Tax Treatments

IFRIC 23 describes how the tax accounting positions should be determined when there is uncertainty over income tax treatments. The interpretation requires the Company to:

- Determine whether uncertain tax positions are assessed separately or as a group.
- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings.

If yes, the Company should determine its tax accounting position consistently with the tax treatment used or planned to be used in its income tax filings.

If no, the Company should reflect the effect of uncertainty in determining its tax accounting position.

The interpretation is effective for annual reporting periods beginning on or after January 1, 2019. Entities can adopt IFRIC 23 using a full retrospective approach or modified retrospective approach without restating any comparative information on a retrospective or prospective basis.

Based on the analysis of uncertain positions in light of whether it is probable that the tax authority accepts the adoption of an uncertain treatment, the Company's Management concluded that the adoption of these changes did not result in any adjustments to the Company's individual and consolidated financial statements.

#### 4.1.3. New and revised IFRSs issued and not yet applicable

On the date of authorization of these financial statements, Management did not adopt the following new and revised IFRSs already issued but not yet effective:

- IFRS 17 - Insurance Contracts;
- IFRS 10 – Consolidated Financial Statements and IAS 28 (amendments) - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IFRS 3 - Definition of Business;
- Amendments to IAS 1 and IAS 8 - Definition of Material;
- Conceptual Framework in IFRS Standards.

The Company's Management does not expect that the adoption of the standards above has an impact on the Company's financial statements in future periods.

## 4.2. SIGNIFICANT ACCOUNTING POLICIES

### a) General revenue recognition principles and criteria

CPC 47 establishes a five-step model to account for revenues from contracts with customers and requires that revenue be recognized in an amount that reflects the consideration an entity expects to receive in exchange for transferring goods or services to a customer.

Under CPC 47, the Company is required to exercise judgment, based on all the relevant facts and circumstances, when applying each step of the model to contracts with its customers.

#### 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. 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.

Sales revenue is recognized when control over assets is transferred to a customer, generally upon delivery of products. Receivables are usually collected within 30 to 90 days after the delivery date.

#### Rebates per volume

The Company offers rebates per volume to certain customers on a retrospective basis, whenever the quantity of acquired goods exceeds a contractually determined limit over the period. Rebates are offset against customer's payables. In order to estimate the variable consideration of expected future discounts, the Company applies the most likely amount method for contracts with a single volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best estimates the amount of variable consideration is primarily driven by the number of volume thresholds contractually determined. The Company then applies the requirements on constraining estimates of variable consideration and recognizes a refund liability for the expected future rebates.

#### Provision of services

Revenue from tooling manufacture is recognized under the percentage-of-completion method. Construction progress is measured based on the raw materials and working hours incurred up to a cut-off date, as a percentage rate of the total working hours estimated for each contract. When the contract outcome cannot be reliably measured, revenue is recognized only to the extent that the contract costs incurred are recoverable. This is usually observed during the early manufacturing stages, when the tooling is subjected to customer quality testing.

b) 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.

c) Trade receivables

Recognized and held in the balance sheet at the transaction price of the receivables, less any expected credit losses, adopting the simplified approach to recognize lifetime expected credit losses in trade receivables.

The Company measures the loss allowance in an amount equivalent to lifetime expected credit losses for trade receivables. The expected credit losses on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of the current and forecast direction of conditions at the reporting date. Moreover, the Company recognized a loss allowance for 100% of receivables past due for over 180 days, since the past experience indicated that such receivables are usually uncollectible.

d) Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the income statement on the purchase, sale, issuance or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration is recognized in "Other capital reserves".

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 and its subsidiaries make estimates to determine the allowance for losses on inventories, which they consider to be in an amount considered sufficient to cover probable losses on inventories, according to the criteria below.

The allowance for losses on slow-moving inventories is recognized based on a Management policy that takes into consideration the history of consumption on an item-by-item basis for the past 12 months compared to the existing balance of inventories at the end of the reporting period. The allowance for losses on inventories that exceed historic consumption for the past 12 months and of which no future sales are expected is recognized as the difference between their carrying amount and their recoverable amount.

f) Property, plant and equipment

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.

When applicable, property, plant and equipment include all expenses allocable to the assets during their construction and/or preoperating testing phase.

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)" 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.

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 subsidiaries and its cost can be reliably measured. Maintenance costs are recognized in profit or loss as incurred.

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 and construction in progress are not depreciated.

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.

Depreciation is recognized so that cost is written off or assets are tested for impairment (except for land and construction in progress), less the residual values over their annual useful lives, on a straight-line basis, as follows:

	<u>Parent</u>	<u>Consolidated</u>
Buildings and improvements	5%	6%
Machinery and equipment	7%	12%
Machinery spare parts	7%	23%
Tooling	15%	27%
Other	9% to 40%	9% to 40%

g) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses, where applicable. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less impairment losses, when applicable.

They comprise: (i) trademarks; (ii) land use rights; (iii) software licenses, including implementation costs; (iv) portfolio of customers purchased from third parties; and (v) goodwill on acquisition of subsidiaries. Assets with indefinite useful lives, consisting mainly of goodwill paid on the acquisition of subsidiaries, are annually tested for impairment and/or when there are any indications that they might be impaired.

"Hayes Lemmerz" trademark was an asset identified in the acquisition process of subsidiary Maxion Wheels.

The rights to use the land in which the subsidiary Maxion (Nantong) Wheels Co., Ltd. is located is amortized on a straight-line basis over a 50-year period, as provided for in the concession agreement entered into with the municipality.

Purchased software licenses, including the related implementation costs, and ERP systems licenses are capitalized and amortized according to the estimated useful lives of the assets, and software maintenance-related costs are recognized as expenses when incurred.

The portfolio of customers purchased from third parties was identified in the acquisition process of subsidiary Maxion Wheels, and its remaining useful life will be fully amortized through January 31, 2033.

Costs on product research and development are recognized as expenses, when incurred.

h) Impairment of assets

Assets

The Company and its subsidiaries analyze 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 value of the asset is estimated. The recoverable value of an asset is the higher of:

- (i) Its fair value less costs to sell.
- (ii) 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).

### Goodwill

Goodwill is not amortized but is tested for impairment at least annually. For impairment testing purposes, goodwill is allocated to each one of the Company's cash-generating units that will benefit from the business combination synergies. The cash-generating units to which goodwill was allocated are annually tested for impairment or more frequently when there are indications that the CGU may be impaired. If the recoverable amount of a CGU is less than its carrying amount, impairment losses are firstly allocated to write down the carrying amount of any goodwill allocated to CGU and subsequently to the other assets of the CGU, prorated to the carrying amount of each of its assets. Upon disposal of the cash-generating unit, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

### 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) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that take substantial period of time to be ready for their intended use or sale, are capitalized as part of the cost of such assets through the date they are ready for their intended use or sale.

To the extent that borrowings subject to variable rates are used to finance a qualifying asset and are subject to hedge in an effective cash flow hedge of the interest rate risk, the effective portion of the derivative is recognized in "Other comprehensive income" and reclassified to profit or loss when the qualifying asset impacts profit or loss.

To the extent that borrowings subject to fixed rates are used to finance a qualifying asset and are subject to hedge in an effective fair value hedge of the interest rate risk, capitalized borrowings costs reflect the hedged interest rate.

Income on investments earned on the short-term investment of funds from specific borrowings not yet spent on the qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

#### j) Provisions

##### General

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. When the Company expects that the value of a provision will be reimbursed, whether fully or partially (e.g. by virtue of an insurance agreement), the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. Expenses on any provision are recorded in the income statement, net of any reimbursements.

#### Provisions for tax, civil and labor risks

The Company is a party to several lawsuits and administrative proceedings. Provisions are recognized for all contingent liabilities relating to lawsuits for which it is probable that an outflow of funds will be required to settle the contingency/obligation and its amount can be reliably estimated.

The likelihood of loss is assessed based on available evidence, the hierarchy of laws, available case rulings, most recent court decisions, their relevance within the legal system, and the assessment made by the Company's legal counsel. Provisions are reviewed and adjusted so as to consider changes in circumstances, such as applicable statute of limitations, conclusions of tax audits or additional exposures identified based on new matters or court rulings.

#### k) Pension benefits and other post-employment benefits

##### Defined benefit plan and post-employment healthcare benefits

The Company sponsors a closed defined benefit pension plan under which contributions must be made to funds managed separately from the Company's own funds. The Company also offers certain post-employment healthcare benefits to executive-level employees. Such benefits are funded on a cash basis. The benefits granted under the defined benefit plans are defrayed separately for each plan, using the projected unit credit method.

Measurements comprising actuarial gains and losses, the asset ceiling effect, less interest, and the return on plan assets (less net interest) are immediately recognized in the balance sheet, charged or credited to "Retained earnings" through other comprehensive income in the period they are incurred. Measurements are not reclassified to profit or loss in subsequent periods.

Net interest is calculated by applying the discount rate to assets or liabilities of the net defined benefit. The Company recognizes the following variations in the net defined benefit obligation in the consolidated income statement:

- Service costs, comprising current service costs, past service costs, gains and losses arising on the significant reduction in the expected length of service and unusual settlements.
- Income or expenses on net interest.

##### Defined contribution plan

Payments to defined contribution plans are recognized as expenses in profit or loss when the services they entitle to are provided. In the case of the Company, the defined contribution plan consists of an open plan with fixed contributions and no actuarial risk or a legal or constructive obligation to pay additional amounts.

#### l) Employee benefits

##### Profit sharing

The Company and its subsidiaries recognize a profit sharing liability and expense, which is contingent on the attainment of operating goals and specific objectives set and approved at the beginning of each year. The Company and its subsidiaries recognize an accrual for profit sharing when it is contractually obliged or when there is a past practice that created a constructive obligation.

The liability is recognized at the expected value to be paid in the cash bonus plan or short-term profit sharing, if the Company and its subsidiaries have a legal or constructive obligation to pay this amount due to a past service provided by the employee and the obligation may be reliably estimated.

#### Share-based compensation

For plan participants, the fair value of stock options granted set on the grant date is recognized on a straight-line basis as expenses in profit or loss for the year over the vesting period, based on the Company's estimates on which options granted will become eventually vested, with a corresponding increase in equity.

At the end of each year, the Company reviews its estimates of the number of equity instruments to be vested, and the impact of the review with respect to original estimates, if any, is recognized in profit or loss for the year, so that accumulated expenses reflect the reviewed estimates, including the corresponding adjustment to equity in line item 'Recognized options granted' that recorded the benefit to employees.

#### m) Taxation

##### Current income tax and social contribution

Current tax assets and liabilities from the last year and prior years are measured at the recoverable amount expected or payable to tax authorities. The amounts are calculated at the tax rates and pursuant to the tax laws enacted or substantially enacted at the end of the reporting period in the countries where the Company operates and generates taxable income.

Current income tax and social contribution relating to items directly recognized in equity are recorded in equity. Management periodically measures the positions assumed in the income tax returns regarding situations in which applicable tax regulations are subject to possibly different interpretations and, when appropriate, recognizes provisions based on the amounts it expects to pay to tax authorities.

##### Deferred taxes

Deferred taxes are recognized on temporary differences between asset and liability tax bases and their carrying amounts on the balance sheet date. Deferred tax liabilities are recognized on all the temporary taxable differences, when applicable.

Deferred tax assets are recognized on all temporary deductible differences, and unutilized tax credits and tax losses to the extent that it is probable that taxable income will be available against which temporary deductible differences can be utilized, and unutilized tax credits and tax losses can be used.

The carrying amount of deferred tax assets is reviewed on each balance sheet date and written off to the extent that it is no longer probable that taxable income will be available to allow the utilization of all or part of the deferred tax assets. Deferred tax assets derecognized are reviewed on each balance sheet date and recognized to the extent that it is probable that future taxable income will be available to allow the recovery of deferred tax assets.

Deferred tax assets and liabilities are measured using the tax rate applicable for the year in which the asset is expected to be realized or the liability is expected to be settled, based on the tax rates (and tax law) prevailing on the balance sheet date.

Deferred taxes related to items directly recognized in equity are also recognized in equity rather than in the income statement. Deferred tax items are recognized in accordance with the transaction that gave rise to deferred taxes, in comprehensive income or directly in equity.

Deferred tax assets and liabilities are stated at their net amounts if there is a legal or contractual right to set off tax assets against tax liabilities, and deferred taxes are related to the same taxable entity and subject to the same tax authority.

n) Net earnings per share

Basic earnings per share are calculated by means of the profit for the year attributable to Company owners and noncontrolling interests and the weighted average number of common shares outstanding in the related year.

Diluted earnings per share are calculated by means of the average number of shares outstanding, adjusted by call options of the stock option plan, with diluting effect, in the reported years.

o) Financial instruments

Financial assets

Classification

The Company classifies its financial assets at: (i) amortized cost and (ii) fair value through profit or loss. These classifications are based on the business model adopted to manage assets and the contractual cash flow characteristics.

(i) Amortized cost

Financial assets held in a business model intended to maintain financial assets to receive contractual cash flows are recognized at amortized cost. These flows are received on specific dates and exclusively refer to payment of principal and interest. Assets classified in this category include: 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. Asset classified in this category includes: derivatives.

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

The Company recognizes an allowance for expected credit losses on trade receivables. The Company measures the loss allowance for a financial instrument in an amount equivalent to lifetime expected credit losses 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. The Company uses the simplified approach to measure a loss allowance in an amount equivalent to lifetime expected credit losses 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 6). The Company's and its subsidiaries' operations are focused on the automotive segment, and the large majority of their receivables derive from carmakers; for this reason, the loss on collection of receivables in the year ended 2019 accounted for 0.015% of the consolidated revenue.

### Financial liabilities

#### Classification

The Company's financial liabilities are classified at:

(i) Amortized cost.

(ii) Fair value through profit or loss.

#### 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, financing and debentures, and financial guarantee agreements. The Company does not have any derivative financial instruments.

### Subsequent measurement

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

(i) Amortized cost

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

(ii) Fair value through profit or loss

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

The classification is summarized as follows:

<u>Financial asset/financial liability</u>	<u>Classification under IFRS 9</u>
Cash and cash equivalents	Amortized cost
Trade receivables	Amortized cost
Other receivables	Amortized cost
Escrow deposits	Amortized cost
Trade payables	Amortized cost
Other financial liabilities	Amortized cost

## 5. CASH AND CASH EQUIVALENTS

	<u>Parent</u>		<u>Consolidated</u>	
	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2018</u>
Cash and banks:				
In Brazil	18,405	12,752	21,262	20,221
Abroad	-	-	320,975	305,549
	<u>18,405</u>	<u>12,752</u>	<u>342,237</u>	<u>325,770</u>
Highly liquid short-term investments:				
In Brazil	245,448	54,036	246,720	54,977
Abroad	-	-	57,180	106,156
	<u>245,448</u>	<u>54,036</u>	<u>303,900</u>	<u>161,133</u>
<b>Total</b>	<u><b>263,853</b></u>	<u><b>66,788</b></u>	<u><b>646,137</b></u>	<u><b>486,903</b></u>

<u>Transactions</u>	<u>Average yield</u>	<u>Liquidity</u>	<u>Country</u>	<u>Parent</u>		<u>Consolidated</u>	
				<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2018</u>
Bank Certificates of Deposit (CDBs)	100.2% of CDI	Immediate	Brazil	78,682	47,147	79,954	48,088
Debentures under repurchase agreements	86.5% of CDI	Immediate	Brazil	166,766	6,889	166,766	6,889
Investment in Mexican pesos	6.8% p.a.	Immediate	Mexico	-	-	6,661	36,126
Investment in U.S. dollars	0.4% p.a.	Immediate	Mexico	-	-	135	284
Investment in euros	0.1% p.a.	Immediate	Turkey	-	-	21,746	11,098
Investment in U.S. dollars	0.6% p.a.	Immediate	Turkey	-	-	13,556	45,908
Investment in Turkish lira	9.3% p.a.	Immediate	Turkey	-	-	15,082	12,740
<b>Total</b>				<u><b>245,448</b></u>	<u><b>54,036</b></u>	<u><b>303,900</b></u>	<u><b>161,133</b></u>

## 6. TRADE RECEIVABLES

### a) Breakdown

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
In Brazil	218,408	223,217	234,991	255,230
Abroad	12,268	4,873	787,053	984,351
Related parties (note 10.b)	37,018	60,986	17,573	28,348
Allowance for expected credit losses	(2,883)	(2,893)	(9,967)	(14,103)
Total	<u>264,811</u>	<u>286,183</u>	<u>1,029,650</u>	<u>1,253,826</u>

### Variations in the allowance for expected credit losses

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Balance at the beginning of the year	(2,893)	(2,057)	(14,103)	(7,834)
Recovered amounts	7,050	1,142	16,416	3,903
Amounts written-off as uncollectible	326	1,080	1,470	1,430
Allowance for increases	(7,366)	(3,058)	(12,938)	(11,205)
Exchange rate changes	-	-	(812)	(397)
Balance at the end of the year	<u>(2,883)</u>	<u>(2,893)</u>	<u>(9,967)</u>	<u>(14,103)</u>

### b) Aging list

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Current	215,984	246,559	907,508	1,131,214
Past-due:				
1 to 30 days	39,408	27,291	88,810	98,898
31 to 60 days	3,415	2,880	16,807	10,770
61 to 90 days	1,065	1,011	8,271	3,904
91 to 180 days	4,152	8,332	10,114	14,117
Over 180 days	3,670	3,003	8,107	9,026
Total	<u>267,694</u>	<u>289,076</u>	<u>1,039,617</u>	<u>1,267,929</u>

## 7. INVENTORIES

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Finished products	61,027	50,249	376,815	379,501
Work in process and semi-finished products	63,813	69,375	262,132	254,956
Tooling for resale in process	25,382	82,110	88,978	153,075
Raw materials	77,026	92,694	318,360	377,613
Auxiliary and packaging materials	76,154	67,570	318,026	284,931
Advances to suppliers	10,287	34,908	27,906	53,679
Imports in transit	3,424	8,545	3,861	10,021
Allowance for inventory losses	(20,841)	(22,533)	(67,608)	(65,755)
Total	<u>296,272</u>	<u>382,918</u>	<u>1,328,470</u>	<u>1,448,021</u>

### Variations in the allowance for inventory losses

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Balance at the beginning of the year	(22,533)	(12,539)	(65,755)	(50,144)
Variations	1,692	(9,994)	(358)	(11,071)
Exchange rate changes	-	-	(1,495)	(4,540)
Balance at the end of the year	<u>(20,841)</u>	<u>(22,533)</u>	<u>(67,608)</u>	<u>(65,755)</u>

## 8. RECOVERABLE TAXES

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Income tax (IRPJ) and social contribution (CSLL)	22,888	16,515	89,158	86,018
ICMS (State VAT)	15,172	13,186	21,199	19,341
IPI (Federal VAT)	305	885	653	1,219
Export tax credits (REINTEGRA)	3,068	5,628	4,224	6,757
COFINS (tax on revenue) (i)	2,575	1,813	99,739	2,710
PIS (tax on revenue) (i)	575	386	21,663	2,347
Other	1,009	915	2,784	1,008
Value Added Tax - VAT - foreign subsidiaries:				
Mexico	-	-	67,082	80,490
Turkey	-	-	17,724	29,135
India	-	-	440	-
India Aluminum (ii)	-	-	50,837	15,913
Germany	-	-	4,040	13,389
Other countries	-	-	10,805	8,537
Total	<u>45,592</u>	<u>39,328</u>	<u>390,348</u>	<u>266,864</u>
Current	42,451	30,957	223,589	237,675
Noncurrent	3,141	8,371	166,759	29,189

(i) The Company obtained favorable and unappealable decisions on lawsuits claiming the exclusion of the ICMS from the PIS and COFINS tax base for the period from 2005 to 2019. The effects from these decisions were determined by the Company and recognized in the amount of R\$75,023 in line item "Other operating income" and R\$42,610 in line item "Finance income".

(ii) Credits obtained on the acquisition of property, plant and equipment, import of goods, import of raw materials and other items in preoperating period.

## 9. INCOME TAX AND SOCIAL CONTRIBUTION

### a) Deferred

The origin of deferred income tax and social contribution recognized in noncurrent assets and noncurrent liabilities is as follows:

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Tax loss carryforwards	97,055	146,629	201,326	240,691
Social contribution tax (loss) carryforwards	39,582	51,006	51,856	65,239
Provision for labor, tax and civil risks	16,338	21,088	31,571	29,901
Accrued profit sharing	14,530	14,430	14,530	14,430
Payments made abroad (ii)	43,921	-	43,921	-
Allowance for inventory losses	7,086	7,662	16,250	13,197
Allowance for expected credit losses	1,428	1,026	10,416	7,820
Reserve for accrued actuarial liability	-	-	83,623	69,871
Intellectual property (i)	-	-	65,863	-
Depreciation and amortization difference	(91,274)	(85,669)	(318,022)	(325,376)
Deemed cost - property, plant and equipment - CPC 27	(36,625)	(40,182)	(36,625)	(40,182)
Tax amortization of goodwill	(40,465)	(40,465)	(40,465)	(40,465)
Other	23,499	29,879	7,836	22,529
Total	<u>75,075</u>	<u>105,404</u>	<u>132,080</u>	<u>57,655</u>
Deferred tax assets, net	<u>75,075</u>	<u>105,404</u>	<u>306,628</u>	<u>257,517</u>
Deferred tax liabilities, net	<u>-</u>	<u>-</u>	<u>(174,548)</u>	<u>(199,862)</u>

- (i) On March 31, 2019, Maxion Wheels USA LLC ("MW USA") transferred its intellectual property assets to Maxion Wheels EAAP Holding GmbH ("EAAP") to confer the ownership of these assets to the legal entity that started to perform the functional activities and bear the costs of development and maintenance of the relevant assets. The transfer between entities was carried out at fair value and resulted in a capital gain in the amount of US\$50.5 million for MW USA, which was fully offset against this entity's tax loss carryforwards. The difference between the tax amount and the carrying amount of the asset contribution resulted in the recognition of a deferred income tax asset in the beneficiary entity (EAAP) which, according to the local accounting rules, will be amortized over a 15-year period.
- (ii) Balance of income tax credit paid abroad subject to offset against IRPJ and CSLL due in Brazil arising from the addition of earnings abroad in 2015, 2016 and 2018, during which the Brazilian parent company (IMSA) recorded negative taxable income before such addition.

#### Breakdown of credits on tax loss carryforwards - consolidated

	<u>12/31/2019</u>	<u>12/31/2018</u>
Iochpe Maxion S.A. (parent)	136,637	197,635
Iochpe Holdings, LLC and subsidiaries	<u>116,545</u>	<u>108,295</u>
Total	<u>253,182</u>	<u>305,930</u>

The Company also has unrecognized tax credits on tax loss carryforwards in the financial statements, arising on some of its foreign subsidiaries, as follows:

<u>Country</u>	<u>12/31/2019</u>			<u>12/31/2018</u>
	<u>Amount (iii)</u>	<u>Statute of limitations</u>	<u>Limit per year</u>	<u>Amount (iii)</u>
United States of America - Federal (i)	627,574	2026 to 2038	(iv)	650,089
United States of America - State (i)	470,751	2021 to 2039	(ii)	398,567
China (i)	65,296	2020 to 2023	None	67,022
Spain (i)	25,659	None	25% to 50%	22,086
South Africa (i)	97,705	None	None	72,002
Thailand (i)	20,976	2020 to 2021	None	28,407
Austria (i)	33,171	None	75%	11,475
India (i)	<u>29,781</u>	2026 to 2027	None	-
Total	<u>1,370,913</u>			<u>1,249,648</u>

- (i) As there are no taxable income projections, the Company did not recognize the deferred income tax and social contribution asset on these amounts.
- (ii) Depends on the State where the deferred tax credit was determined.
- (iii) Tax credits on unrecognized tax loss carryforwards translated at the final exchange rate at that date.
- (iv) For federal tax losses there are various utilization rules in accordance with the local tax law related to the year of each loss and to the taxable income generated.

Based on taxable income projections approved by Management on an annual basis, the Company estimates to recover the tax credit arising on tax loss carryforwards recognized in consolidated as at December 31, 2019 in the following years:

	<u>R\$</u>
2020	22,351
2021	20,723
2022	22,701
2023	25,441
2024	29,701
2026 to 2030	<u>132,265</u>
Total	<u>253,182</u>

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

b) Reconciliation of income tax and social contribution credit (expense)

	Parent		Consolidated	
	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2018</u>
Profit before income tax and social contribution	361,669	238,487	506,351	480,674
Combined rate - %	34	34	34	34
Income tax and social contribution credit (expense) at combined rate	(122,967)	(81,086)	(172,159)	(163,429)
Share of profit (loss) of subsidiaries	62,107	48,834	(8,127)	(4,915)
Nondeductible expenses	(1,706)	(1,573)	(18,409)	(27,640)
Unrecognized tax credit on temporary differences and tax loss carryforwards	-	-	13,659	43,060
Taxes on foreign declared dividends	-	-	(19,548)	(20,359)
Difference in tax rates of foreign subsidiaries	-	-	26,211	30,877
Tax incentives from subsidiaries	-	-	19,385	58,629
Effects of the translation from local currency into functional currency	-	-	(5,635)	(17,299)
Intellectual property (i)	-	-	65,863	-
Benefit for technologic innovation projects	3,483	-	3,483	-
Credit on tax payment	27,518	-	27,518	-
Credits authorized by a final and unappealable court decision	-	1,659	-	1,659
Tax benefit relating to interest on capital	9,587	36,957	9,587	36,957
Financial liabilities on 6 <sup>th</sup> issue convertible debentures	-	(40,135)	-	(40,135)
Other	(2,256)	(1,818)	(26,764)	(71,937)
Income tax and social contribution credit (expense) in profit or loss	<u>(24,234)</u>	<u>(37,162)</u>	<u>(84,936)</u>	<u>(174,532)</u>
Current	(23,145)	(7,384)	(178,240)	(148,043)
Deferred	(1,089)	(29,778)	93,304	(26,489)

(i) See details in note 9. a).

10. RELATED PARTIES

a) Management compensation

	<u>12/31/2019</u>	<u>12/31/2018</u>
Board of Directors and Statutory Officers	19,086	17,116
Key Management personnel (salaries and benefits)	65,676	73,470
Agreed profit-sharing in Brazil (bonuses)	15,699	19,422
Agreed profit-sharing abroad (bonuses)	15,709	19,159

The Company made contributions to the private pension plan totaling R\$1,168 (R\$1,003 in 2018) on behalf of the statutory officers and key Management personnel.

The balances of stock options and the related strike prices for the plans granted to the statutory officers and key Management personnel are described in note 22.

The balances of the provision for long-term incentive plan granted to statutory officers and key Management personnel are described in note 23.

b) Related-party transactions

In the normal course of business, the Company, its subsidiaries and its joint ventures conducted intragroup transactions under prices, terms, finance charges and other conditions agreed upon among the parties. These transactions include, but are not limited to, shared service agreements, loan agreements and provision of guarantees under the terms detailed below:

## b.1) Parent

	12/31/2019					
	Assets		Liabilities		Profit or loss	
	Trade receivables	Loan (i)	Trade payables	Other payables	Sales	Purchases
Amsted-Maxion Fundação e Equipamentos Ferroviários S.A.	417	4,897	-	-	29,249	-
Iochpe-Maxion Austria GmbH (ii)	-	-	-	31,714	-	-
Iochpe Holdings, LLC and subsidiaries	18,985	-	-	-	138,675	-
Maxion (Nantong) Wheels, Co., Ltd.	-	-	2,256	-	2	8,110
Maxion Wheels de Mexico, S. de R.L. de C.V.	663	-	-	-	13,756	-
Servicios Maxion Wheels Chihuahua, S. de R.L. de C.V.	30	-	-	-	-	-
Maxion Montich S.A.	16,923	-	-	-	37,618	-
<b>Total</b>	<b>37,018</b>	<b>4,897</b>	<b>2,256</b>	<b>31,714</b>	<b>219,300</b>	<b>8,110</b>

	12/31/2018					
	Assets		Liabilities		Profit or loss	
	Trade receivables	Loan	Trade payables	Sales	Purchases	
Amsted-Maxion Fundação e Equipamentos Ferroviários S.A.		5,213	32,612	-	38,546	-
Iochpe Holdings, LLC and subsidiaries		27,545	-	-	142,472	-
Maxion (Nantong) Wheels, Co., Ltd.		-	-	4,423	-	4,443
Maxion Wheels de Mexico, S. de R.L. de C.V.		5,093	-	-	39,223	-
Maxion Montich S.A.		23,135	-	-	40,069	-
<b>Total</b>		<b>60,986</b>	<b>32,612</b>	<b>4,423</b>	<b>260,310</b>	<b>4,443</b>

(i) Refers to the loan agreement entered into on April 28, 2017 with AmstedMaxionFundição, in the amount of R\$4.840, plus interest of R\$57, for the payment of pre-existing debts, yielding semiannual interest based on the Interbank Deposit Certificate (CDI) rate fluctuation, plus 2% p.a., with principal falling due on April 28, 2020, which may be extended for additional periods of one year, unless otherwise notified by the Company in advance. The credit realization is substantially supported by AmstedMaxionFundição's future earnings, in accordance with its business plan.

(ii) Refers to unpaid capital increase in subsidiary Iochpe-Maxion Austria in the amount of €7,000 thousand; pursuant to note 11 b) item (i), such increase, approved on December 20, 2019, was partially paid up in the amount of € 3,438 thousand. On January 31, 2020, the Company decrease capital of the remaining portion pending payment in the amount of € 3,562 thousand.

## b.2) Consolidated

	12/31/2019		
	Assets		Profit or loss
	Trade receivables	Loan (i)	Sales
Amsted-Maxion Fundação e Equipamentos Ferroviários S.A.	417	4,897	29,249
DongFeng Maxion Wheels Limited	233	-	-
Maxion Montich S.A.	16,923	-	37,618
<b>Total</b>	<b>17,573</b>	<b>4,897</b>	<b>66,867</b>

	12/31/2018		
	Assets		Profit or loss
	Trade receivables	Loan (i)	Sales
Amsted-Maxion Fundação e Equipamentos Ferroviários S.A.	5,213	32,612	38,546
Maxion Montich S.A.	23,135	-	40,069
<b>Total</b>	<b>28,348</b>	<b>32,612</b>	<b>78,615</b>

c) Sureties and guarantees granted

The Company recorded the following amounts as sureties on transactions conducted by its subsidiaries and joint ventures, basically related to the borrowings and financing disclosed in note 15:

Subsidiaries	12/31/2019	12/31/2018
Ingenieria y Maquinaria de Guadalupe, S.A. de C.V.	296,408	474,859
Iochpe Holdings, LLC e controladas	1,448,819	1,603,956
Maxion (Nantong) Wheels, Co., Ltd.	-	49,560
Joint ventures	12/31/2019	12/31/2018
Maxion Montich do Brasil Ltda.	24,960	25,884

11. INVESTMENTS

a) Breakdown

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Equity interests in subsidiaries	2,936,369	2,213,511	-	-
Equity interests in associates	65,691	-	65,691	-
Equity interests in joint ventures	8,749	46,631	8,749	46,631
Subtotal - investments	3,010,809	2,260,142	74,440	46,631
Other investments	168	168	172	172
Total investments	3,010,977	2,260,310	74,612	46,803

## b) Variations

	Balance as at 12/31/2018	Capital increase	Exchange rate changes on investments abroad	Effects of changes in actuarial assumptions	Share of profit (loss) of subsidiaries	Other	Balance as at 12/31/2019
Iochpe Maxion Austria GmbH (i)	2,183,544	413,448	76,742	(29,179)	210,254	-	2,854,809
Maxion (Nantong) Wheels, Co., Ltd.(ii)	25,518	52,880	1,890	-	(4,915)	-	75,373
Remon Resende Montadora Ltda.	409	-	-	-	591	7	1,007
DongFeng Maxion Wheels Limited (iii)	-	32,049	2,111	-	235	-	34,395
Maxion Montich S.A.	10,656	-	1,279	-	(11,660)	8,474	8,749
Amsted-Maxion Fundição e Equipamentos Ferroviários S.A. (iv) (v) (vi)	35,975	28,885	-	-	(12,477)	(21,087)	31,296
Maxion Wheels (Thailand) Co. Ltd.	4,040	-	501	-	639	-	5,180
<b>Total</b>	<b>2,260,142</b>	<b>527,262</b>	<b>82,523</b>	<b>(29,179)</b>	<b>182,667</b>	<b>(12,606)</b>	<b>3,010,809</b>

	Balance as at 12/31/2017	Capital increase (decrease)	Exchange rate changes on investments abroad	Effects of changes in actuarial assumptions	Share of profit (loss) of subsidiaries	Other	Balance as at 12/31/2018
Iochpe Maxion Austria GmbH	1,379,264	411,368	237,916	(11,997)	166,993	-	2,183,544
Maxion (Nantong) Wheels, Co., Ltd.	31,722	-	3,120	-	(9,324)	-	25,518
Remon Resende Montadora Ltda.	24	-	-	-	353	32	409
Maxion Montich S.A.	7,344	-	(2,006)	-	(5,390)	10,708	10,656
Amsted-Maxion Fundição e Equipamentos Ferroviários S.A.	39,835	-	-	-	(9,067)	5,207	35,975
Maxion Wheels (Thailand) Co. Ltd.	3,384	-	592	-	64	-	4,040
<b>Total</b>	<b>1,461,573</b>	<b>411,368</b>	<b>239,622</b>	<b>(11,997)</b>	<b>143,629</b>	<b>15,947</b>	<b>2,260,142</b>

- (i) On February 15 and 18, April 10, September 4, October 4, 11 and 24 and December 20, 2019, capital was increased by R\$15,062 (€3,600 thousand), R\$87,708 (\$23,500 thousand), R\$11,933 (€2,750 thousand) and R\$8,204 (€1,800 thousand), R\$20,545 (US\$5,000 thousand), R\$7,474 (€1,650 thousand), R\$230,872 (US\$62,500 thousand) and R\$31,650 (€7,000 thousand), respectively.
- (ii) On March 19, 2019, capital was increased by R\$30,220 (US\$8,000 thousand) and R\$22,660 (US\$6,000 thousand), respectively.
- (iii) On July 19, 2019, capital was increased by R\$32,049 (¥59,000 thousand).
- (iv) On October 28, 2019, the Company increased the capital of AmstedMaxionFundição by the total amount of R\$28,885, upon capitalization of part of the loan granted to said joint venture. Considering that the other shareholders of AmstedMaxionFundição subscribed such capital increase proportionally to their ownership interests, the Company's stake was not diluted.
- (v) The loss on the joint venture, currently associate, amounted to R\$32,947 in the 10-month period ended October 30 and R\$200 in the last 2 months of 2019. The Company recorded R\$12,438 and R\$39 as share of loss of subsidiaries, considering the interest of 37.75% and 19.5%, respectively.
- (vi) Disposal of interest of 18.25% in the capital. See details in note 2.

c) Information on subsidiaries, joint venture and associates

12/31/2019									
	Number of shares or quotas (in thousands)	Equity interests (%)	Assets	Liabilities	Capital	Equity	Noncontrolling interests	Net revenue	Profit (loss) for the year
Iochpe Maxion Austria GmbH (i)	-	100	7,230,472	4,101,985	1,334,964	2,854,809	273,678	7,597,503	210,254
Maxion (Nantong) Wheels, Co., Ltd. (i)	-	100	98,009	22,636	328,585	75,373	-	66,891	(4,915)
Remon Resende Montadora Ltda.	90	100	1,893	886	90	1,007	-	2,673	591
Maxion Wheels (Thailand) Co. Ltd.	-	-	209,508	146,033	154,963	63,475	-	320,639	7,831
Maxion Montich S.A.	2,813	50	161,726	144,171	4,487	17,498	57	212,512	(23,320)
Amsted-Maxion Fundação e Equipamentos Ferroviários S.A.	28,274,461	19.50	425,059	264,567	261,201	81,851	78,641	352,119	(33,147)
DongFeng Maxion Wheels Limited (i)	-	50	70,710	1,920	68,322	34,395	34,395	-	470

12/31/2018									
	Number of shares or quotas (in thousands)	Equity interests (%)	Assets	Liabilities	Capital	Equity	Noncontrolling interests	Net revenue	Profit (loss) for the year
Iochpe Maxion Austria GmbH (i)	-	100	6,990,468	4,526,306	892,790	2,183,544	280,618	7,629,748	166,993
Maxion (Nantong) Wheels, Co., Ltd. (i)	-	100	92,446	66,928	267,058	25,518	-	58,079	(9,324)
Remon Resende Montadora Ltda.	90	100	1,269	860	90	409	-	2,074	373
Maxion Wheels (Thailand) Co. Ltd.	-	8.15	184,521	135,006	124,192	49,515	-	313,790	785
Maxion Montich S.A.	2,813	50	186,547	165,197	5,316	21,313	37	180,129	(10,780)
Amsted-Maxion Fundação e Equipamentos Ferroviários S.A.	14,566,122	37.75	446,200	329,065	184,685	117,135	-	337,870	(24,019)

(i) Local legislation does not provide for the concept of number of shares or private equity units.

d) Detailed information on subsidiaries with noncontrolling interests

Subsidiary	Core business	Country	Noncontrolling interests	
			12/31/2019	12/31/2018
Maxion Inci Jant Sanayi, A.S.	Manufacture and sale of wheels	Turkey	40%	40%
Maxion Jantas Jant Sanayi ve Ticaret A.S.	Manufacture and sale of wheels	Turkey	40%	40%
Kalyani Maxion Wheels Limited	Manufacture and sale of wheels	India	15%	15%

The table below shows the summarized financial information on each of the Company's subsidiaries before the eliminations of transactions with other Company's subsidiaries:

	Maxion Inci Jant Sanayi, A.S.		Maxion Jantas Jant Sanayi ve Ticaret A.S.		Kalyani Maxion Wheels Limited	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018
<b>Balance sheets</b>						
Current assets	373,749	360,778	168,819	189,840	90,949	117,989
Noncurrent assets	362,672	365,045	97,766	95,653	125,487	129,657
Total assets	<u>736,421</u>	<u>725,823</u>	<u>266,585</u>	<u>285,493</u>	<u>216,436</u>	<u>247,646</u>
Current liabilities	220,923	211,099	85,051	89,494	73,278	93,268
Noncurrent liabilities	52,893	46,847	20,150	20,475	17,143	26,265
Equity	462,605	467,877	161,384	175,524	126,015	128,113
Total liabilities and equity	<u>736,421</u>	<u>725,823</u>	<u>266,585</u>	<u>285,493</u>	<u>216,436</u>	<u>247,646</u>
Noncontrolling interests	185,042	187,151	64,554	70,210	18,902	19,217
<b>Income statements</b>						
Net sales revenue	1,210,152	1,142,692	358,545	385,976	273,792	361,318
Cost of sales	(955,619)	(893,049)	(282,104)	(295,292)	(260,266)	(327,865)
Gross profit	254,533	249,643	76,441	90,684	13,526	33,453
Operating expenses, net	(52,163)	(32,763)	(23,033)	(18,167)	(21,458)	(21,344)
Income tax	(37,304)	(18,286)	(8,899)	(11,952)	8,933	(4,559)
Profit for the year	<u>165,066</u>	<u>198,594</u>	<u>44,509</u>	<u>60,565</u>	<u>1,001</u>	<u>7,550</u>
Profit of noncontrolling interests	66,026	79,438	17,804	24,226	150	1,133
<b>Summarized statements of cash flows</b>						
Operating activities	22,620	14,961	204,999	222,292	80,106	56,714
Investing activities	(12,722)	(9,355)	(36,306)	(56,738)	(18,098)	(18,623)
Financing activities	(16,126)	4,752	(164,203)	(168,415)	(58,422)	(57,768)
Exchange rate changes on cash and cash equivalents	88	(609)	(4,541)	(13,338)	(680)	1,604
Increase (decrease) in cash and cash equivalents	<u>(6,140)</u>	<u>9,749</u>	<u>(51)</u>	<u>(16,199)</u>	<u>2,906</u>	<u>(18,073)</u>

In 2019, mandatory dividends amounting to R\$70,683 and R\$24,509 were paid to noncontrolling shareholders in indirect subsidiaries Maxion Inci Jant Sanayi, A.S. and Ticaret A.S., respectively.

## 12. PROPERTY, PLANT AND EQUIPMENT

### a) Parent

	Buildings and improvements	Machinery and equipment	Land	Construction in progress (i)	Machinery spare parts	Tooling	Others	Total
Balance as at December 31, 2017	157,152	568,415	24,251	55,627	24,301	28,473	44,943	903,162
Additions	438	3,093	-	50,856	7,856	267	9,075	71,585
Write-offs, net	(38)	(7,116)	-	(964)	(9,317)	(11)	(3,713)	(21,159)
Depreciation	(7,231)	(38,948)	-	-	(1,888)	(3,169)	(6,455)	(57,691)
Transfers	748	9,562	-	(11,275)	372	843	35	285
Balance as at December 31, 2018	151,069	535,006	24,251	94,244	21,324	26,403	43,885	896,182
Additions	22	5,056	-	55,661	10,060	-	29,283	100,082
Write-offs, net	-	(4,467)	-	-	(7,051)	-	(67)	(11,585)
Depreciation	(7,679)	(39,117)	-	-	(1,686)	(3,354)	(5,995)	(57,831)
Transfers	23,541	37,313	2,201	(39,024)	1,689	(23)	(24,409)	1,288
Balance as at December 31, 2019	166,953	533,791	26,452	110,881	24,336	23,026	42,697	928,136
As at December 31, 2018								
Cost	251,060	1,055,359	24,251	94,244	25,844	82,738	108,624	1,642,120
Accumulated depreciation	(99,991)	(520,353)	-	-	(4,520)	(56,335)	(64,739)	(745,938)
Carrying amount, net	151,069	535,006	24,251	94,244	21,324	26,403	43,885	896,182
As at December 31, 2019								
Cost	274,877	1,074,291	26,452	110,881	29,651	82,831	111,705	1,710,688
Accumulated depreciation	(107,924)	(540,500)	-	-	(5,315)	(59,805)	(69,008)	(782,552)
Carrying amount, net	166,953	533,791	26,452	110,881	24,336	23,026	42,697	928,136

### b) Consolidated

	Buildings and improvements	Machinery and equipment	Land	Construction in progress (ii)	Machinery spare parts	Tooling	Other	Total
Balance as at December 31, 2017	564,416	1,773,391	206,714	232,658	62,942	55,098	127,872	3,023,091
Additions	19,190	64,361	-	331,619	32,388	13,748	27,819	489,125
Write-offs, net	(242)	(11,937)	-	(1,019)	(10,704)	(957)	(4,064)	(28,923)
Depreciation	(31,944)	(254,496)	-	-	(16,220)	(18,843)	(15,527)	(337,030)
Transfers	14,112	184,797	11,496	(210,758)	675	6,454	(7,099)	(323)
Exchange rate changes	49,731	139,398	20,669	27,939	4,733	2,524	7,391	252,385
Balance as at December 31, 2018	615,263	1,895,514	238,879	380,439	73,814	58,024	136,392	3,398,325
Additions (iii)	1,550	49,493	-	377,987	26,442	18,980	33,318	507,770
Write-offs, net	(401)	(10,259)	-	(3,668)	(7,888)	(1,978)	(796)	(24,990)
Depreciation	(35,073)	(273,585)	-	-	(19,553)	(21,747)	(17,970)	(367,928)
Transfers (iv)	113,953	325,494	20,997	(421,405)	2,949	25,671	(66,432)	1,227
Exchange rate changes	13,120	37,913	6,407	14,579	971	1,801	1,552	76,343
Balance as at December 31, 2019	708,412	2,024,570	266,283	347,932	76,735	80,751	86,064	3,590,747
As at December 31, 2018								
Cost	993,951	4,002,538	238,879	380,439	121,838	236,075	294,592	6,268,312
Accumulated depreciation	(378,688)	(2,107,024)	-	-	(48,024)	(178,051)	(158,200)	(2,869,987)
Carrying amount, net	615,263	1,895,514	238,879	380,439	73,814	58,024	136,392	3,398,325
As at December 31, 2019								
Cost	1,126,184	4,552,871	266,283	347,932	144,714	291,279	261,277	6,990,540
Accumulated depreciation	(417,772)	(2,528,301)	-	-	(67,979)	(210,528)	(175,213)	(3,399,793)
Carrying amount, net	708,412	2,024,570	266,283	347,932	76,735	80,751	86,064	3,590,747

(i) As at December 31, 2019, it consists of projects related to: (1) buildings, amounting to R\$2.282 (R\$24,372 as at December 31, 2018); (2) machinery and equipment, amounting to R\$102.330 (R\$65,385 as at December 31, 2018); and (3) other assets, amounting to R\$6,269 (R\$4,487 as at December 31, 2018), related to the expansion of the Cruzeiro unit.

(ii) As at December 31, 2019, it consists of projects related to: (1) buildings, amounting to R\$3.156 (R\$49,070 as at December 31, 2018); (2) machinery and equipment, amounting to R\$323,630 (R\$296,935 as at December 31, 2018); and (3) other assets, amounting to R\$21,145 (R\$34,434 as at December 31, 2018), related to the expansions of the Mexico, Cruzeiro, Czech Republic and India units.

(iii) Of total additions in the year, most of the investments was made by Maxion Wheels, Maxion Wheels India, Cruzeiro and Inmagusa units, in the amounts of R\$259,958, R\$69,098, R\$65,470 and R\$58,991, respectively.

(iv) In 2019, refer to transfers made between the captions "Property, plant and equipment" and "Intangible assets" in the amount of R\$(338), and between the captions "Inventories" and "Property, plant and equipment", in the amount of R\$1,565.

The amounts of property, plant and equipment items pledged as collaterals in borrowing and financing transactions are shown in note 15.

### 13. INTANGIBLE ASSETS - CONSOLIDATED

Assets with finite useful lives	Relationship with customers	Software	Land use rights	Other	Total
Balance as at December 31, 2017	92,243	17,000	5,453	2,488	117,184
Additions	-	24,924	-	2,345	27,269
Write-offs, net	-	184	-	-	184
Amortization	(7,236)	(8,882)	(148)	(2,279)	(18,545)
Transfers	-	645	-	-	645
Exchange rate changes	15,369	1,173	585	273	17,400
Balance as at December 31, 2018	100,376	35,044	5,890	2,827	144,137
Additions	-	22,687	-	1,874	24,561
Write-offs, net	-	(783)	-	(8)	(791)
Amortization	(7,811)	(5,573)	(153)	(1,843)	(15,380)
Transfers (a)	-	338	-	(21)	317
Exchange rate changes	3,869	(184)	159	27	3,871
Balance as at December 31, 2019	96,434	51,529	5,896	2,856	156,715
As at December 31, 2018					
Cost	153,442	89,318	7,567	48,933	299,260
Accumulated amortization	(53,066)	(54,274)	(1,677)	(46,106)	(155,123)
Carrying amount, net	100,376	35,044	5,890	2,827	144,137
As at December 31, 2019					
Cost	159,615	83,398	7,775	51,298	302,086
Accumulated amortization	(63,181)	(31,869)	(1,879)	(48,442)	(145,371)
Carrying amount, net	96,434	51,529	5,896	2,856	156,715
Average annual straight-line amortization rate	5%	20%	2%	8%	

Assets with indefinite useful lives	Goodwill on acquisition of subsidiaries					Total
	Trademark Hayes Lemmerz (b)	Maxion Wheels	Ingenieria y Maquinaria de Guadalupe, S.A. de C.V.	Meritor Comércio e Indústria de Sistemas Automotivos Ltda.	Iochpe Sistemas Automotivos de México S.A. de C.V.	
Balance as at December 31, 2017	81,046	857,278	342,560	20,292	2,064	1,303,240
Exchange rate changes	13,887	146,888	58,695	-	233	219,703
Balance as at December 31, 2018	94,933	1,004,166	401,255	20,292	2,297	1,522,943
Transfers	21	-	-	-	-	21
Exchange rate changes	3,820	40,402	16,142	-	92	60,456
Balance as at December 31, 2019	98,774	1,044,568	417,397	20,292	2,389	1,583,420

(a) Transfers made between the captions "Property, plant and equipment" and "Intangible assets" (see note 12, item (iv)).

(b) The assessment of indefinite useful life is reviewed annually to determine whether this assessment continues to be justifiable. Otherwise, the change in the useful life from indefinite to finite is made on a prospective basis. As trademark Hayes Lemmerz was classified with indefinite useful life upon acquisition, no amortization was recorded until the year ended 2019, and there was no need for impairment, maintaining the fair value on acquisition in the amount of US\$24.5 million.

The Company's Management, supported by its business plan, understands that trademark Hayes Lemmerz will be used for the next 15 years, and will be ultimately replaced by trademark Maxion. Consequently, the Company changed the useful life of these trademarks from indefinite to definite useful life with systematic amortization over 15 years. Pursuant to IAS 8, the change in the estimated useful life of a real change in business transactions must be accounted for as change in estimates. The adjustment must be made prospectively as from the period in which the change in estimate was made.

The expected use of the aforesaid trademark must be consistent over the remaining useful life. Therefore, it is assumed that the straight-line depreciation reflects its best use.

The impairment test of the Company's and its subsidiaries' goodwill balances and net assets did not result in the need to recognize losses for the year ended December 31, 2019.

## 14. RIGTH OF USE

Assets with finite useful lives	IT equipment	Properties	Machinery and equipment	Forklifts	Vehicles	Other rights of use	Total
Balance as at January 1, 2019	1,525	36,177	7,686	17,875	5,723	4,140	73,126
Additions	193	2,279	2,291	17,023	6,879	7,223	35,888
Write-offs, net	-	(59)	-	-	(38)	(1)	(98)
Depreciation	(855)	(15,429)	(5,821)	(8,164)	(5,748)	(1,886)	(37,903)
Transfers	-	1,617	4,018	(4,754)	1,379	(2,260)	-
Exchange rate changes	45	754	279	1,301	502	103	2,984
Balance as at December 31, 2019	<u>908</u>	<u>25,339</u>	<u>8,453</u>	<u>23,281</u>	<u>8,697</u>	<u>7,319</u>	<u>73,997</u>

As at December 31, 2019, total lease expenses classified as short-term and low-value assets amount to R\$7,090.

## 15. BORROWINGS, FINANCING AND DEBENTURES

### a) Parent

	Index	Annual interest rate - %	Final maturity date	Amortized transaction cost	Balance of unamortized transaction cost	12/31/2019	12/31/2018
<b>Local currency</b>							
BNDES - Finame	-	-	-	-	-	-	249
BNDES - Finem and Automatic	-	-	-	-	-	-	7,668
BNDES - Automatic	-	-	-	-	-	-	386
FINAME - PSI (ii)	-	5.50	December 2020	-	-	1,819	7,060
FINDES PRO-INVEST	-	-	-	-	-	-	3,021
FINEP	TJLP	2.00	June 2022	-	-	7,155	10,017
Leases	-	2.99	August 2020	-	-	244	1,038
Subtotal in local currency						<u>9,218</u>	<u>29,439</u>
<b>Foreign currency</b>							
BNDES loan - US\$	-	-	-	-	-	-	9,724
Subtotal in foreign currency						<u>-</u>	<u>9,724</u>
Total borrowings and financing						<u>9,218</u>	<u>39,163</u>
<b>7<sup>th</sup> issue simple debentures with subscription warrants</b>							
8 <sup>th</sup> issue simple debentures	CDI	1.40	March 2023	1,909	4,564	452,884	453,223
9 <sup>th</sup> issue simple debentures	CDI	0.80	February 2026	831	6,785	453,829	-
10 <sup>th</sup> issue simple debentures	CDI	0.75	September 2024	2	2,712	352,397	-
Total debentures				<u>2,742</u>	<u>14,061</u>	<u>1,259,110</u>	<u>608,992</u>
Total borrowings, financing and debentures						<u>1,268,328</u>	<u>648,155</u>
<b>Current liabilities</b>							
Unamortized costs						28,127	179,610
Total						<u>(3,774)</u>	<u>(1,565)</u>
<b>Noncurrent liabilities</b>							
Unamortized costs						1,254,262	474,312
Total						<u>(10,287)</u>	<u>(4,202)</u>
						<u>1,243,975</u>	<u>470,110</u>

## b) Consolidated

	Index	Annual interest rate - %	Final maturity date	Amortized transaction cost	Balance of unamortized transaction cost	12/31/2019	12/31/2018
<b>Local currency</b>							
BNDES - Finame	-	-	-	-	-	-	249
BNDES - Finem and Automatic	-	-	-	-	-	-	11,724
BNDES - Automatic	-	-	-	-	-	-	386
FINAME - PSI (ii)	-	5.50	December 2020	-	-	1,819	7,502
FINDES PRO-INVEST	-	-	-	-	-	-	3,021
FINEP	TJLP	2.00	June 2022	-	-	7,155	10,017
Leases	-	2.99	August 2020	-	-	243	1,038
Subtotal in local currency						<u>9,217</u>	<u>33,937</u>
<b>Foreign currency</b>							
BNDES loan - US\$	-	-	-	-	-	-	15,330
Long-term loan - US\$ (i) (iv)	Libor 6m	2.38	November 2024	3,663	4,450	256,073	347,823
Long-term loan - Rupee (vii)	MCLR	0.15	December 2024	229	-	79,369	34,990
Syndicate - US\$	-	-	-	-	-	-	576,802
Syndicate - Euro (vi)	Euribor 3m	2.75	February 2024	1,981	10,537	897,916	563,167
Export credit - Euro	-	-	-	-	-	-	1,950
Working capital - U.S. dollar	-	-	-	-	-	-	69,913
Working capital - U.S. dollar (ix)	Libor 1m	1.00	November 2020	-	-	40,335	-
Working capital - U.S. dollar (v)	Libor 3m	1.04	November 2020	-	-	165,821	159,553
Working capital - U.S. dollar	-	-	-	-	-	-	19,429
Working capital - Mexican pesos	-	-	-	-	-	-	37,693
Working capital - Renminbi Yuan	-	-	-	-	-	-	49,560
Working capital - Euro (viii)	-	1.19	July 2026	-	-	265,425	248,326
Working capital - Rupee (iii)	-	6.14	June 2020	-	-	15,093	30,984
Working capital - Rupee (vii)	MCLR	0.15	November 2020	-	-	43,879	15,034
Working capital - Baht	-	4.04	January 2020	-	-	29,338	3
Leases - Baht	-	-	-	-	-	-	132
Leases - Euro	-	4.00	February 2020	-	-	7	87
Subtotal in foreign currency				<u>5,873</u>	<u>14,987</u>	<u>1,793,256</u>	<u>2,170,776</u>
Total borrowings and financing						<u>1,802,473</u>	<u>2,204,713</u>
<b>7<sup>th</sup> issue simple debentures with subscription warrants</b>							
8 <sup>th</sup> issue simple debentures	CDI	1.40	March 2023	1,909	4,564	452,884	453,223
9 <sup>th</sup> issue simple debentures	CDI	0.80	February 2026	831	6,785	453,829	-
10 <sup>th</sup> issue simple debentures	CDI	0.75	September 2024	2	2,712	352,397	-
Total debentures				<u>2,742</u>	<u>14,061</u>	<u>1,259,110</u>	<u>608,992</u>
Total borrowings, financing and debentures				<u>8,615</u>	<u>29,048</u>	<u>3,061,583</u>	<u>2,813,705</u>
<b>Current liabilities</b>							
Unamortized costs						659,566	1,091,381
Total						<u>(10,869)</u>	<u>(15,232)</u>
<b>Noncurrent liabilities</b>							
Unamortized costs						2,431,065	1,761,399
Total						<u>(18,179)</u>	<u>(23,843)</u>
						<u>2,412,886</u>	<u>1,737,556</u>

- (i) The nominal amount of US\$60,900 thousand refers to the loan raised through indirect subsidiary Ingenieria Y Maquinaria de Guadalupe S.A. de C.V. ("Inmagusa") with Itaú BBA International PLC, the final maturity of which is September 27, 2024. As at December 31, 2019, represents the R\$230,227 balance in consolidated. This loan is subject to the financial ratios, as described in section 'Debentures Terms and Conditions', item b).
- (ii) FINAME and FINAME - PSI (Federal equipment financing authority) financing is collateralized by the financed assets, in the net amount of R\$1,819 in parent and R\$1,819 in consolidated as at December 31, 2019 (R\$7,309 in parent and R\$7,751 in consolidated as at December 31, 2018).
- (iii) Rupee-denominated working capital loan raised by Kalyani Maxion Wheels Limited - India with local banks, and the agreement is guaranteed by receivables of the India plant. As at December 31, 2019, the balance is R\$15,093.
- (iv) Long-term loan with Banco Bladex S.A. to invest in capital assets and working capital, amounting to US\$11,600 thousand raised in 2015. In 2016, the Company raised an additional US\$13,400 thousand. As at December 31, 2019, it represents the R\$25,846 balance in consolidated (R\$44,703 as at December 31, 2018).
- (v) The subsidiary Maxion Wheels de Mexico S. de R.L. De C.V. raised a working capital loan in US\$ with two foreign banks, in the total principal amount of US\$41,000 thousand. As at December 31, 2019, the balance of this loan in the consolidated was R\$165,821 (R\$159,553 as at December 31, 2018).
- (vi) On February 25, 2019, indirect subsidiaries Maxion Wheels EAAP Holding GmbH, Maxion Wheels Czech s.r.o. and direct subsidiary Iochpe-Maxion Austria GmbH raised a syndicated loan, involving nine banks, in the amount of C200,000 thousand, bearing interest rate of 2.75% + 3-month Euribor, with maturity in February 2024, with two-year grace period, and the funds are used in the payment of the Company's short-term borrowings. As at December 31, 2019, this loan balance was R\$897,916. Such loan has covenants subject to the same financial ratios.
- (vii) In September 2018, the indirect subsidiary Maxion Wheels Aluminum India Pvt. Ltd. raised a long-term working capital loan in Rupee, bearing Marginal Cost of Funds Based Lending Rate ("MCLR") + 0.15% p.a., in the amount of R\$123.248 as at December 31, 2019. Such loan is intended to finance investments in the new aluminum wheel plant in India.
- (viii) On July 12, 2019, the subsidiary Iochpe-Maxion Austria GmbH raised a working capital loan, in the amount of C55,000 thousand, bearing interest rate of 1.15% p.a. and maturing on July 3, 2020. As at December 31, 2018, the balance of this loan in consolidated was R\$249,355. The remaining amount refers to Maxion Wheels España S.L., with maturity in July 2026 and advance of receivables in indirect subsidiary Maxion Wheels Czech s.r.o. with maturity in January 2020.
- (ix) On November 12, 2019, indirect subsidiary Ingenieria Y Maquinaria de Guadalupe S.A. de C.V. ("Inmagusa") raised a working capital loan in US\$ with a local bank with maturity in November 2020; as at December 31 the balance amounts to R\$40,335.

### Variations in borrowings, financing and debentures

	Parent	Consolidated
Balance as at December 31, 2017	570,449	2,843,276
Funding	465,638	2,001,080
Accrued interest and exchange rate changes	55,520	202,440
Financial liabilities on 6 <sup>th</sup> issue convertible debentures	(105,545)	(105,545)
Financial liabilities on 7 <sup>th</sup> issue simple debentures with subscription warrants	(4,281)	(4,281)
Principal repayment	(279,357)	(2,242,812)
Payment of interest	(47,797)	(173,932)
Unamortized cost	(6,472)	(19,227)
Exchange rate changes on translation	-	312,706
Balance as at December 31, 2018	648,155	2,813,705
Funding	933,014	2,576,517
Accrued interest and exchange rate changes	74,312	188,959
Principal repayment	(315,417)	(2,387,914)
Payment of interest	(61,474)	(169,672)
Unamortized cost	(10,262)	(22,701)
Exchange rate changes on translation	-	62,689
Balance as at December 31, 2019	1,268,328	3,061,583

As at December 31, 2019, the installments recorded in noncurrent liabilities mature as follows:

	Parent	Consolidated
2021	2,841	72,467
2022	224,932	598,368
2023	564,898	936,687
2024	341,386	694,420
2025 and thereafter	109,918	110,944
Total	1,243,975	2,412,886

The foreign currency-denominated working capital loans raised by foreign subsidiaries are guaranteed by the Company's sureties, in the total net amount of R\$511,869 (R\$595,489 as at December 31, 2018).

### Debentures

Debentures issued by the Company are: (i) 8<sup>th</sup> issue simple (CVM Instruction 476), registered, book-entry, unsecured debentures, in a single series, (ii) 9<sup>th</sup> issue simple (CVM Instruction 476), registered, book-entry, unsecured debentures, in two series; and (iii) 10<sup>th</sup> issue simple (CVM Instruction 476), registered, book-entry, unsecured debentures, in a single series, the issue of which was approved at Board of Directors' meetings.

Debentures were subscribed at the unit par value, paid in local currency, in cash, upon subscription, with interest repaid on a semiannual basis. Details are as follows:

Debentures	Category	Principal on issue date	Issue date	Final maturity	Finance charges	Amount as at 12/31/2019
8 <sup>th</sup> issue	Simple	450,000	03/28/2018	03/26/2023	100% CDI + 1.40% p.a.	452,884
9 <sup>th</sup> issue	Simple	450,000	02/11/2019	02/11/2026	100% CDI + 0.80% p.a.	453,829
10 <sup>th</sup> issue	Simple	350,000	09/16/2019	09/16/2024	100% CDI + 0.75% p.a.	352,397

#### 8<sup>th</sup> issue - simple debentures (CVM Instruction 476)

- a) The accelerated maturity of debentures will be declared under the terms and conditions set forth in the indenture. Compensatory interest corresponding to 100% of the accumulated CDI fluctuation, plus 1.40% per year will levy on the outstanding balance of the par value of 8<sup>th</sup> issue of debentures, based on 252 business days, exponentially and cumulatively calculated on a pro rata basis, based on the business days elapsed, from the immediately prior yield payment date through the actual payment date.
- b) The trustee will declare the accelerated maturity of the obligations arising from the debentures, notwithstanding the provisions in the indenture in connection with the failure to meet the financial ratio, subject to the terms and procedures set out in the issue indenture, resulting from the division of net debt and EBITDA, calculated semiannually, which will be equal to or lower than 3.50 times.

The agreements are subject to restrictive covenants ("Debentures terms and conditions"), according to usual market practices, which require compliance with financial ratios based on the Company's consolidated financial statements prepared as at June 30 and December 31 of each year. As at December 31, 2019, the Company was compliant with all covenants.

#### 9<sup>th</sup> issue - simple debentures (CVM Instruction 476)

- a) On February 11, 2019, the Company concluded the 9<sup>th</sup> issue of simple, non-convertible debentures (ICVM 476), in the total amount of R\$450,000, in two series, of which the first series in the total amount of R\$338,800 maturing within five years, and expiring on February 11, 2024, subject to semiannual compensatory interest corresponding to 100% of CDI + 0.75% p.a., on 252 business days, and the second series in the total amount of R\$111,200 maturing within seven years, and expiring on February 11, 2026, subject to semiannual compensatory interest corresponding to 100% of CDI + 0.95% p.a., on 252 business days.
- b) The trustee will declare the accelerated maturity of the obligations arising from the debentures, notwithstanding the provisions in the indenture in connection with the failure to meet the financial ratio, subject to the terms and procedures set out in the issue indenture, resulting from the division of net debt and EBITDA, calculated semiannually, which will be equal to or lower than 3.5 times. The agreements are subject to restrictive covenants ("Debentures terms and conditions"), according to usual market practices, which require compliance with financial ratios based on the Company's consolidated financial statements prepared as at June 30 and December 31 of each year.

As at December 31, 2019, the Company was compliant with all covenants.

#### 10<sup>th</sup> issue - simple debentures (CVM Instruction 476)

- a) As at September 16, 2019, the Company concluded the 10<sup>th</sup> issue of simple, non-convertible debentures (ICVM 476), in the total amount of R\$350,000, in a single series, maturing on September 16, 2024, subject to semiannual compensatory interest corresponding to 100% of CDI + 0.75% p.a., on 252 business days.

- b) The trustee will declare the accelerated maturity of the obligations arising from the debentures, notwithstanding the provisions in the indenture in connection with the failure to meet the financial ratio, subject to the terms and procedures set out in the issue indenture, resulting from the division of net debt and EBITDA, calculated semiannually, which will be equal to or lower than 3.5 times. The agreements are subject to restrictive covenants (“Debentures terms and conditions”), according to usual market practices, which require compliance with financial ratios based on the Company’s consolidated financial statements prepared as at June 30 and December 31 of each year.

As at December 31, 2019, the Company was compliant with all covenants.

#### 16. TRADE PAYABLES

	Parent		Consolidated	
	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2018</u>
In Brazil	141,818	177,531	149,658	194,036
Abroad	2,164	3,009	977,163	1,122,861
Related parties (note 10.b)	2,256	4,423	-	-
Total	<u>146,238</u>	<u>184,963</u>	<u>1,126,821</u>	<u>1,316,897</u>

#### 17. TAXES PAYABLE

	Parent		Consolidated	
	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2018</u>
Income tax of foreign subsidiaries	-	-	47,587	56,961
State VAT (ICMS)	2,249	1,416	2,461	1,506
Federal VAT (IPI)	484	513	484	533
Tax on revenue (COFINS)	415	16	436	225
Withholding Income Tax (IRRF)	4,320	3,873	4,538	3,619
Social security tax (INSS) on gross revenue	116	261	116	261
Other	876	551	3,726	1,326
Value Added Tax - VAT - foreign subsidiaries:				
Mexico	-	-	30,962	41,943
Other countries	-	-	30,750	15,527
Total	<u>8,460</u>	<u>6,630</u>	<u>121,060</u>	<u>121,901</u>

#### 18. PAYROLL AND RELATED TAXES

	Parent		Consolidated	
	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2018</u>
Payroll	2,696	2,852	72,133	74,533
Related taxes	18,292	17,448	48,861	41,849
Vacation pay	49,726	51,587	83,076	92,988
Profit sharing	40,325	38,040	118,018	118,901
Total	<u>111,039</u>	<u>109,927</u>	<u>322,088</u>	<u>328,271</u>

## 19. PROVISION FOR LABOR, TAX AND CIVIL RISKS

The Company and its subsidiaries are parties to lawsuits and administrative proceedings before various courts and governmental bodies, arising in the normal course of business and involving tax, labor, civil and other matters.

Management, based on information from its legal counsel, analyzed ongoing proceedings and has recognized a provision in an amount considered sufficient to cover probable losses on ongoing proceedings, which are presented below together with variations in the year as follows:

	Parent				Consolidated			
	Labor	Tax	Civil	Total	Labor	Tax	Civil	Total
Balance as at 12/31/2017	12,850	26,002	9,799	48,651	44,983	39,362	16,318	100,663
Additions	11,640	8,578	2,024	22,242	26,606	10,060	2,045	38,711
Payments	(5,690)	-	(7)	(5,697)	(14,386)	-	(2,703)	(17,089)
Reversals	(5,157)	(1,262)	-	(6,419)	(21,851)	(1,445)	(2,662)	(25,958)
Adjustments	1,490	1,570	187	3,247	4,192	2,016	351	6,559
Exchange rate changes	-	-	-	-	223	1,400	641	2,264
Balance as at 12/31/2018	15,133	34,888	12,003	62,024	39,767	51,393	13,990	105,150
Additions	4,865	3,029	427	8,321	15,607	5,856	453	21,916
Payments	(5,675)	(1,211)	(3,847)	(10,733)	(12,495)	(2,247)	(3,992)	(18,734)
Reversals	(3,744)	(6,198)	(4,555)	(14,497)	(17,071)	(6,208)	(6,362)	(29,641)
Adjustments	1,225	1,208	503	2,936	2,765	1,500	503	4,768
Exchange rate changes	-	-	-	-	55	300	(61)	294
Balance as at 12/31/2019	11,804	31,716	4,531	48,051	28,628	50,594	4,531	83,753

The following is a summary of the main proceedings whose likelihood of loss is assessed as probable or possible, which the Company and its subsidiaries are parties, broken down by type:

### Labor lawsuits

As at December 31, 2019, the Company and its subsidiaries were parties to labor lawsuits. The main claims are, among others, the payment of hazardous duty and health-hazard premiums, recognition of employment guarantees, lawsuits filed against third parties/service providers claiming joint/subsidiary liability of the Company and/or its subsidiaries, as well as indemnity claims deriving from typical work accidents or professional and occupational diseases. However, none of these lawsuits involves individually material loss amounts.

In parent, the total amount under litigation with a probable or possible likelihood of unfavorable outcomes is R\$65,946 (R\$68,483 as at December 31, 2018), of which R\$11,804 (R\$15,133 as at December 31, 2018) is provided for, representing the best estimate of probable losses.

In the consolidated, the total amount under litigation with a probable or possible likelihood of unfavorable outcomes is R\$197,052 (R\$217,005 as at December 31, 2018), of which R\$28,628 (R\$39,767 as at December 31, 2018) is provided for, representing the best estimate of probable losses.

In addition, the Company is a party to a class action brought by the union that represents the workers of the Company's two units located in Limeira, SP, claiming that the Company be sentenced to (i) pay health hazard and hazardous duty premiums, including labor, tax, social security and severance pay charges, for employees exercising certain activities, for the past five years; (ii) inclusion in payroll of the abovementioned premiums for such employees in the future; and (iii) attorneys' fees on the sentence amount. The class action is assessed as possible loss and is in the fact finding phase; therefore, the amount of the contingent liability cannot be reliably estimated.

On September 12, 2019, the Company and the Labor Attorneys' Office – Labor Prosecution Office of the 15<sup>th</sup> Region in the Municipality of São José dos Campos/SP, entered into Conduct Adjustment Instrument (TAC) 45/2019, which is intended to document the Company's intention to voluntarily adapt the machinery and equipment owned by it and installed at the plant located in Cruzeiro, SP, as prescribed by Regulatory Standard NR-12, within a period of 30 months counted from the execution date of such TAC. The noncompliance with the commitments assumed in the TAC may give rise to the imposition of fine and possible bringing of a civil class action against the Company.

#### Tax lawsuits

Below is list of the provisions related to tax lawsuits to which the Company and its subsidiaries are parties and whose likelihood of loss was assessed by legal counsel as probable:

	Parent		Consolidated	
	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2018</u>
PIS/COFINS (a)	7,055	11,903	8,305	12,149
INSS (b)	15,201	14,623	15,201	14,623
IPI (c)	4,435	4,331	4,435	4,331
IR - Corporate Income Tax (d)	-	-	14,465	13,765
Other	<u>5,025</u>	<u>4,031</u>	<u>8,188</u>	<u>6,525</u>
Total	<u>31,716</u>	<u>34,888</u>	<u>50,594</u>	<u>51,393</u>

In parent and in the consolidated, the amounts provided for refer mainly to:

- (a) Legal disputes challenging the suspension of the Accident Prevention Factor (FAP) in the Occupational Accident Insurance (SAT) calculation.
- (b) Lawsuit claiming the annulment of the IPI debt related to an administrative proceeding under the Company's responsibility.
- (c) Audit of income tax and other taxes conducted by German tax authorities involving the Company's indirect subsidiaries operating in Germany, covering the period 2009-2011, which challenges: (i) the amount of interest deducted from taxation related to an intragroup promissory note; and (ii) the valuation of certain rights capitalized by a subsidiary in 2011.

#### Civil lawsuits

As at December 31, 2019, the Company was a party to civil lawsuits involving contingent liabilities, of which a total of R\$4,531 (R\$12,003 as at December 31, 2018) under litigation was assessed by the legal counsel as probable losses.

In consolidated, the total contingent liabilities assessed as probable losses was R\$4,531 (R\$13,990 as at December 31, 2018).

### Risks assessed as possible losses

The Company and its subsidiaries are parties to tax and civil lawsuits involving contingent liabilities that are not provided for because they involve a likelihood of loss classified by Management and its legal counsel either as possible or remote. As at December 31, 2019, on a consolidated basis, these tax and civil lawsuits, assessed as possible losses, totaled R\$398,116 (R\$385,314 as at December 31, 2018). These amounts are mainly related to:

- a) Administrative tax proceeding No. 3.127.787-1 filed against the Company, which addresses: (i) the alleged failure to issue tax papers (invoices) on shipment of goods arising on alleged inventory differences, determined based on a tax inventory-taking, in return from manufacturing shipments; (ii) the alleged receipt of goods without tax papers (invoices) arising on alleged inventory differences, determined based on a tax inventory-taking, in return from manufacturing shipments; (iii) the utilization of ICMS credits claimed on acquisitions from entities subject to Simples (simplified taxation regime); and (iv) the alleged delivery of a digital file (SINTEGRA file) noncompliant with the required statutory template or format. The item (i) of the tax assessment notice above was definitively canceled at the administrative level, and a request was filed for the amendment of the decision in light of the remaining items, which is pending judgment interrupted due to requested examination of the records, totaling R\$184,610, assessed as a possible loss.
- b) Tax assessment notices issued by Spanish tax authorities for the periods between 2004 and 2009, under proceedings No. 08/8972/2012 and No. 08/01138/2013, deriving from tax audits, involving the subsidiaries Maxion Wheels Europe S.à.r.l. (formerly HLI European Holdings ETVE, S.L.), Maxion Wheels España S.L. (formerly Hayes Lemmerz Manresa, S.L.) and Hayes Lemmerz Barcelona, S.L., where the tax deductibility of interest on intragroup loans made as part of the corporate and financial restructuring process is challenged. Once the administrative defense was filed, an unfavorable decision was rendered at the administrative lower court and appellate court and appeals were filed before the Spanish courts. The case is pending a lower court decision. The total amount under litigation is R\$37,060.
- c) Administrative tax proceeding No. 16045.720014/2015-51 filed against the Company, which addresses the collection of corporate income tax, plus interest and assessment fine of 75%, by alleging that the Company has not settled the monthly estimates of calendar year 2011 ("Unapproved Offsets"). Once the administrative defense was filed, a favorable decision was rendered at the lower court, fully cancelling the debt. The case is pending decision on an administrative appeal at the upper court. The total amount under litigation classified as a possible loss is R\$22,224.
- d) Administrative proceedings No. 16045.720012/2015-62 and No. 16045.720013/2015-15, which address: (i) the collection of corporate income tax for the alleged undue deduction of income tax paid abroad for calendar year 2011; and (ii) the collection of social contribution as a result of the corporate income tax due as alleged in item (i) above, both plus interest and assessment fine of 75%, as well as administrative proceedings No. 10860.901849/2015-11 and No. 10860.901848/2015-76 that address the disallowance of the negative IRPJ and CSLL balance for calendar year 2012, due to alleged undue deduction of income tax paid abroad mentioned in item (i) above. Administrative defenses were filed and the case is pending an administrative lower court decision. The total amount under litigation classified as a possible loss is R\$21,478.

- e) Administrative proceedings No. 16048.720140/2017-48 and No. 16048.720.402/2017-74, which address: (i) the collection of corporate income tax for the alleged undue deduction of income tax paid abroad for calendar year 2012; and (ii) the collection of social contribution as a result of the corporate income tax due as alleged in item (i) above, both plus interest and assessment fine of 75%, plus separate fine. Administrative defenses were filed and the case is pending an administrative lower court decision. The total amount under litigation assessed as a possible loss is R\$62,384.
- f) Administrative tax proceedings relating to the Federal Revenue Service's collection of separate fines due to unapproved offsets, pursuant to article 74, paragraph 17 of Law 9430/1996 and Regulatory Instruction 1675 of 2016. Administrative defenses were filed and the case is pending a lower court decision. The total amount under litigation is R\$12,033.

#### Escrow deposits related to provision - consolidated

Represent restricted assets of the Company and its subsidiaries and are related to amounts deposited in court in connection with lawsuits which likelihood of unfavorable outcome is assessed as probable, such amounts will be held by courts until a final decision of the related litigation is reached. As at December 31, 2019, the balance is R\$34,012 (R\$35,785 as at December 31, 2018).

## 20. PENSION PLAN ACTUARIAL LIABILITIES

- a) Defined contribution - supplementary pension plan

#### Parent

Since August 1, 2004, the Company sponsors an open pension plan, managed by Brasilprev Seguros e Previdência S.A., which provides supplementary pensions, lump-sum payment and health benefits. As at December 31, 2019, 4,923 Company's employees participated in this plan (4,680 as at December 31, 2018). The Company's contributions totaled R\$2,480 as at December 31, 2019 (R\$2,261 as at December 31, 2018).

#### Maxion Wheels

Indirect subsidiary Maxion Wheels sponsors a supplementary pension plan that covers substantially all employees of the units located in the United States of America. The subsidiary's contribution totaled R\$3,179 (R\$3,397 as at December 31, 2018).

- b) Defined benefit - supplementary pension plan and post-employment health care plan - consolidated

The Company sponsors, through its indirect subsidiary Maxion Wheels, several defined benefit pension plans, post-employment health care plans ("Other plans") and life insurance. The subsidiary sponsors pension benefits based on the funding requirements provided for in relevant international laws and regulations, and prior to the payment of benefits. It also sponsors other benefits as these benefits are granted to the employees.

## Variations in the defined benefit present value

	12/31/2019					12/31/2018				
	Defined benefit plan					Defined benefit plan				
	Germany	Spain	Mexico	Other plans	Total	Germany	Spain	Mexico	Other plans	Total
<b>Defined benefit obligations</b>										
Obligations assumed at the beginning of the year	(402,169)	(25,922)	(4,887)	(64,714)	(497,692)	(363,421)	(28,159)	(4,018)	(52,495)	(448,093)
Benefits paid by the plan	25,056	1,756	-	3,856	30,668	25,818	1,859	-	4,287	31,964
Current service cost and interest	(7,631)	(569)	(805)	(14,725)	(23,730)	(8,631)	(633)	(704)	(7,243)	(17,211)
Effect of changes in financial assumptions	(35,717)	(2,324)	(983)	(18,219)	(57,243)	(16,287)	4,807	733	(6,332)	(17,079)
Effect of experience adjustment	6,880	(773)	(358)	7,284	13,033	4,011	(251)	(163)	(4,696)	(1,099)
Exchange rate changes arising on the translation of the financial statements	(8,501)	(554)	(460)	820	(8,695)	(43,659)	(3,545)	(735)	1,765	(46,174)
Defined benefit obligations at the end of the year	<u>(422,082)</u>	<u>(28,386)</u>	<u>(7,493)</u>	<u>(85,698)</u>	<u>(543,659)</u>	<u>(402,169)</u>	<u>(25,922)</u>	<u>(4,887)</u>	<u>(64,714)</u>	<u>(497,692)</u>
<b>Fair value of plan assets</b>										
Plan assets at the beginning of the year	1,592	19,072	1,058	4,917	26,639	1,434	20,656	844	3,922	26,856
Finance income	23	271	96	361	751	27	327	74	303	731
Contributions made to plans	24,457	34	-	3,910	28,401	24,286	497	-	4,162	28,945
Benefits paid by the plans	(25,056)	(1,756)	-	(3,856)	(30,668)	(25,818)	(1,859)	-	(4,287)	(31,964)
Expected return on plan assets	33	1,326	(17)	11	1,353	25	(2,988)	(9)	264	(2,708)
Exchange rate changes arising on the translation of the financial statements	565	429	90	167	1,251	1,638	2,439	149	553	4,779
Fair value of plan assets at the end of the year	<u>1,614</u>	<u>19,376</u>	<u>1,227</u>	<u>5,510</u>	<u>27,727</u>	<u>1,592</u>	<u>19,072</u>	<u>1,058</u>	<u>4,917</u>	<u>26,639</u>
Total noncurrent liabilities	<u>(420,468)</u>	<u>(9,010)</u>	<u>(6,266)</u>	<u>(80,188)</u>	<u>(515,932)</u>	<u>(400,577)</u>	<u>(6,850)</u>	<u>(3,829)</u>	<u>(59,797)</u>	<u>(471,053)</u>
<b>Net cost of benefit</b>										
Service cost	(1,815)	(195)	(361)	(8,446)	(10,817)	(1,883)	(187)	(352)	(3,085)	(5,507)
Finance cost	(5,816)	(374)	(444)	(6,279)	(12,913)	(6,748)	(446)	(352)	(4,158)	(11,704)
Net cost of benefit	<u>(7,631)</u>	<u>(569)</u>	<u>(805)</u>	<u>(14,725)</u>	<u>(23,730)</u>	<u>(8,631)</u>	<u>(633)</u>	<u>(704)</u>	<u>(7,243)</u>	<u>(17,211)</u>

The actuarial assumptions used to determine the calculation of cost and obligations were as follows:

Weighted average of the assumptions	Pension plan	Other plans
Discount rate - international	1.63%	6.49%
Wage increase rate - international	3.05%	5.00%
Inflation growth rate - international	2.25%	3.66%

The discount rate was calculated using specific interest rates with 0.5% increments for each of the next 30 years, based on the price and yield data for top-tier companies, with maturity ranging between 12 months and 30 years.

### Sensitivity analysis of obligations

As at December 31, 2019, changes in the discount rates used to value the benefit obligations would produce the following impacts on the defined benefit plan obligations and on the weighted average duration of the defined benefit obligation (in years), as follows:

	Pension plan	Other plans
Scenario using a 50-basis point decrease in the rate at:		
Increase in the defined benefit obligation	28,158	6,700
Weighted average duration of the defined benefit obligation (in years)	12	16
Scenario using a 50-basis point increase in the rate at:		
Decrease in the defined benefit obligation	26,400	6,190
Weighted average duration of the defined benefit obligation (in years)	12	16

In order to develop the expected long-term return rate assumption of the assets, the historical return and expected future return for each type of asset were taken into consideration, as well as the pension plan portfolio asset allocation purpose.

#### Contributions made to plans

In 2019, indirect subsidiary Maxion Wheels contributed R\$24,491 to defined benefit plans (R\$24,783 as at December 31, 2018).

## 21. EQUITY

### a) Share capital

As at December 31, 2019, the Company's capital is R\$1,576,954,290.05, fully subscribed and paid-in, represented by 153,719,601 registered, book-entry common shares without par value.

In 2019, the Company's capital was subject to the following changes:

- 1) Under Art. 166, item III, of the Brazilian Corporate Law and art. 6 of the Company's bylaws, the Board of Directors approved the following capital increases as a result of the exercise of the subscription warrants (MYPK12), upon subscription of one share issued by the Company for every subscription warrant exercised, at the price of R\$12.70 each:
  - (i) On April 24, 2019, approval of the exercise of 1,766,277 subscription warrants, that is, increase of the Company's capital by R\$22,432, from R\$1,407,536, represented by 150,574,876 shares, to R\$1,429,968, represented by 152,341,153 shares.
  - (ii) On May 29, 2019, approval of the exercise of 655,582 subscription warrants, that is, increase of the Company's capital by R\$8,326, from R\$1,429,968, represented by 152,341,153 shares, to R\$1,438,294, represented by 152,996,735 shares.
  - (iii) On June 24, 2019, approval of the exercise of 722,866 subscription warrants, that is, increase of the Company's capital by R\$9,180, from R\$1,438,294, represented by 152,996,735 shares, to R\$1,447,474, represented by 153,719,601 shares.
- 2) On December 4, 2019, the Company's General Meeting approved the increase of the Company's capital, without issuing new shares, upon the merger of a portion of the capital reserve, in the amount of R\$129,480, to R\$1,576,954,290.05, represented by 153,719,601 shares.

Under the bylaws, the Company, as decided by the Board of Directors, can increase its capital, regardless of amendment to the bylaws, up to the ceiling of 82,000,000 registered common shares, without par value, upon the issuance of new common shares, of this total ceiling, 58,856,229 shares were already issued, the amount of 23,143,771 shares being subject to issuance.

The Company may, within the authorized capital ceiling and in accordance with the plan approved by the Shareholders' Meeting, grant stock options to its officers, employees or individuals who provide services to the Company, pursuant to article 168, paragraph 3, of Law 6404/76.

b) Reserve for investment and working capital

Aimed at ensuring investment in production assets and increase in working capital, even though upon the Company's debt repayment, as well as capitalization and financing of subsidiaries and joint ventures. This reserve will be recognized with a minimum annual portion of 10% and maximum of 58% of profit for the period, and its amount cannot exceed, together with the legal reserve, the amount of capital.

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) 37% for distribution as mandatory dividends; and (iii) the remaining, which is not allocated to the bylaws investment and working capital reserve or retained as provided for in the capital budget approved by the Shareholders' Meeting, is distributed as additional dividend to the shareholders.

On April 15, 2019, interest on capital relating to 2018 was paid.

	<u>12/31/2019</u>	<u>12/31/2018</u>
Profit for the year	337,435	201,325
Realization of the depreciation of the deemed cost, net of taxes	5,327	12,546
Undistributed total	<u>342,762</u>	<u>213,871</u>
Allocation of profit:		
(-) Legal reserve (5%)	(17,138)	(10,694)
(-) Reserve for investment and working capital (58%)	(198,802)	(124,045)
(-) Mandatory dividends	(101,191)	-
(-) Interest on capital attributable to mandatory dividends	(25,631)	(79,132)

On July 1, 2019, the Board of Directors approved the payment of interest on capital, in the gross amounts of R\$28,197, equivalent to R\$0.1850616 per common share, which correspond to the net amount of R\$25,631, or R\$0.1682176 per common share, net of withholding income tax (IRRF), respectively.

As decided by the Board of Directors on that date, interest on capital will be added to mandatory dividends corresponding to 2019, pursuant to article 42 of the Company's bylaws. Interest on capital and mandatory dividends will be paid up to March 31, 2020 and the amount of interest on capital will not subject to any inflation adjustments.

d) Recognized stock options granted

Share-based payments: refer to the results obtained with 2015 and 2014 stock option plans, less the vested and exercised stock options. As at December 31, 2019, 15,499 options were canceled (27,924 options as at December 31, 2018).

e) Treasury shares

As at December 31, 2019, the Company held 1,355,089 common shares under the stock option plans in the amount of R\$28,920 (1,224,208 common shares in the amount of R\$26,022 as at December 31, 2018), as commitment under the stock option plan and long-term incentive program.

The fair value of those common shares held in treasury corresponded to the total amount of R\$31,682, represented by the quotation of R\$23.38 per share as at December 31, 2019.

f) Valuation adjustments to equity

Recognized due to the revaluation of property, plant and equipment items (deemed cost), based on an appraisal report prepared by independent appraisers upon the first-time adoption of the CPCs and IFRSs. The corresponding income tax and social contribution amounts are classified in noncurrent liabilities and realized through the depreciation or write-off of revalued assets against accumulated losses, net of taxes. Exchange gains or losses on foreign investments, denominated in a currency other than the Company's functional currency, are allocated to "Other comprehensive income".

g) Legal reserve

All Brazilian companies are required to recognize a legal reserve by allocating 5% of profit for the year determined pursuant to the Brazilian laws, limited to 20% of capital.

h) Capital reserve

As at December 31, 2019, considers the balance sheet adjustments derived from investments made in Argentina, considered to be a hyperinflationary economy, and goodwill arising from the acquisition of noncontrolling interests.

## 22. STOCK OPTION PLAN

The Extraordinary Shareholders' Meeting (ESM) held on December 1, 2009 approved the stock option plan for the Company's officers. This plan sets the individual conditions for each beneficiary.

A beneficiary should assign part of the annual bonus paid by the Company, as profit sharing, net of income tax and other applicable charges ("profit sharing") so as to purchase on the stock market the Company's shares ("own shares"). For this purpose, the beneficiary must elect to allocate its profit-sharing bonus in the defined percentages of 75%, 50% or 25%. The percentage elected by the beneficiary to purchase own shares will determine the number of stock options he/she will be able to exercise. If the beneficiary fails to allocate any percentage of his/her profit-sharing bonus to the purchase of own shares, he/she is not to be granted any stock options.

The profit-sharing bonus percentage committed to the purchase of own shares must be elected and, consequently, supported by the beneficiary to the Company by filing a brokerage invoice within up to five days after the deadline for purchasing own shares. The deadline for purchasing own shares starts on the day following the day on which the Company informs the strike price to beneficiaries and lasts 15 consecutive days. After the deadline, the Board sets the number of stock options granted to each beneficiary, by applying the following formula:

$$O = (B * M) / P$$

Where:

O = number of stock options granted to the beneficiary.

B = amount, in reais, of the profit-sharing bonus allocated by the beneficiary to the purchase of own shares.

M = multiple on the profit-sharing bonus allocated to the purchase of own shares, set according to specifications below.

P = average price per Company share in the 20 São Paulo Stock Exchange trading sessions immediately following the deadline.

Said "M" multiple must have a fixed numerical value for each beneficiary, as follows:

- a) If the beneficiary allocates 75% of his/her profit-sharing bonus to the purchase of own shares, "M" is equal to 2.0.
- b) If the beneficiary allocates 50% of his/her profit-sharing bonus to the purchase of own shares, "M" is equal to 1.5.
- c) If the beneficiary allocates 25% of his/her profit-sharing bonus to the purchase of own shares, "M" is equal to 1.0.

On the stock option grant date, the Company enters into the related Stock Option Agreement with the beneficiary, governing the grant terms and conditions.

The stock options' strike price shall be equivalent to the average price of each Company share on the 20 BM&FBOVESPA trading sessions immediately before the start of the own shares' vesting period.

The stock options' strike price shall be adjusted using the Broad Consumer Price Index released by the Brazilian Statistics Bureau (IPCA/IBGE) to be applied to the option strike price from the plan's date to the option exercise date.

Vesting period: the options are divided into three equal annual allotments, in terms of number of options, vesting within two, three and four years from each plan's date, respectively. After the corresponding vesting period, each annual allotment can be exercised, fully or in part, in one or several occasions, and at any time, before the final, forfeiting deadline of three years, by notifying the Company of each exercise with a 10-day prior notice. After this period, the beneficiary forfeits the right to exercise the stock options of the corresponding annual allotment, without compensation.

The Company granted 27,581 options under the 2014 Stock Option Programs, with a strike price of R\$23.34.

In such fifth program, created in 2015, the Board of Directors decided to grant to management, under Clause 3.2.1 of the Stock Option Plan, as amended by Extraordinary Shareholders' Meeting (ESM) held on May 9, 2014, a number of options corresponding to 25% of its share in 2014 profits, without the acquisition of own shares on stock exchange. Executive officers who decide to invest their share in 2014 profits, as set forth in prior plans, in addition to the abovementioned 25%, will receive additional options, according to Plan rules.

The Company granted 50,393 stock options under the fifth stock options program, with a strike price of R\$10.38.

The changes in the number of outstanding share call options and their corresponding weighted average prices for the year are as follows:

	12/31/2019		12/31/2018	
	Average strike price per option - R\$	Outstanding options	Average strike price per option - R\$	Outstanding options
Balance at the beginning of the year	25.45	57,919	24.80	98,803
Exercised	12.84	(4,078)	12.68	(12,960)
Forfeited	35.04	(15,499)	33.73	(27,924)
Balance at the end of the year	<u>26.70</u>	<u>38,342</u>	<u>25.45</u>	<u>57,919</u>

Of the 38,342 stock options outstanding on December 31, 2019 (57,919 stock options outstanding on December 31, 2018), 28,778 stock options (28,800 stock options on December 31, 2018) are vested.

As at December 31, 2019, the market price of the Company's shares was R\$23.38 (R\$23.81 as at December 31, 2018).

The stock options were measured at fair value on the grant date. The weighted average fair value of the stock options as at December 31, 2019 is R\$5.93 (R\$6.41 as at December 31, 2018).

The stock options were priced using the Black-Scholes model and the significant data included in the fair value pricing model of the stock options granted was:

- Volatility of 32.6% estimated based on the standard deviation of the daily share closing price considering the maturity prices.
- Expected stock option life from one to four years.
- Annual risk-free interest rate of 4.39%, 4.43%, 4.91% and 5.38%, for one, two, three, and four years, respectively.

### 23. LONG-TERM INCENTIVE PLAN

In April 2016, 2017, 2018 and 2019, the Board of Directors approved a long-term incentive plan relating to profit or loss for 2016-2019 period ("2016 Program"), profit or loss for 2017-2020 period ("2017 Program"), profit or loss for 2018-2021 period ("2018 Program") and profit or loss for 2019-2022 period ("2019 Program"), respectively, which aims to: (i) promote the Company's good performance and fulfill its shareholders' interests through a long-term commitment assumed by the Company's management and employees; and (ii) align the compensation and benefits granted to some Company's officers and employees with the performance of the Company's shares on stock exchanges and the Company's economic and financial performance.

Under the long-term incentive plan terms and conditions, the 2016, 2017, 2018 and 2019 Programs beneficiaries will be entitled to referenced cash premiums (i) in the price of the Company's shares on stock exchanges; and (ii) in the return on capital invested in the Company ("Return On Invested Capital" or "ROIC"). The premium received is designated as "Restricted Stock Unit", in the first case, and "Performance Share", in the second case. Each granted unit, in the amount of R\$14.26, R\$15.93, R\$22.64 and R\$22.84, for 2016 Program, 2017 Program, 2018 Program and 2019 Program, respectively, is equivalent to the weighted average price of shares (MYPK3) in the twenty (20) trading sessions on the São Paulo Stock Exchange (B3 S.A. - Brasil, Bolsa, Balcão) prior to the grant date in April 2016, 2017, 2018 and 2019.

The RSUs will be settled in three tranches, whereas each RSU will be equivalent to the weighted average price of shares (MYPK3) in the ten (10) trading sessions prior to the settlement date. The 2017, 2018 and 2019 PSs will be settled only if the Company's average ROIC determined from January 1, 2017 to December 31, 2020, from January 1, 2018 to December 31, 2021 and January 1, 2019 to December 31, 2022, respectively, is met as per the ratios determined by the Board of Directors for each Program. The settlement dates for each program are as follows:

<u>Program</u>	<u>Tranche</u>	<u>Maturity</u>	<u>Outstanding RSUs and PSs</u>
RSU - 2016	33.3%	04/27/2020	63,648
RSU - 2017	33.3%	04/26/2020	56,691
RSU - 2017	33.3%	04/26/2021	56,691
PS - 2017	100%	04/26/2021	170,243
RSU - 2018	33.4%	04/26/2020	50,657
RSU - 2018	33.3%	04/26/2021	50,506
RSU - 2018	33.3%	04/26/2022	50,506
PS - 2018	100%	04/26/2022	151,668
RSU - 2019	33.4%	04/26/2021	58,097
RSU - 2019	33.3%	04/26/2022	58,097
RSU - 2019	33.3%	04/26/2023	58,098
PS - 2019	100%	04/26/2023	174,292

As at December 31, 2019, total accrued amounts in the Parent are R\$1,401 and R\$2,411 - Parent (R\$1,490 and R\$2,910 in 2018) and R\$3,146 and R\$5,358 - Consolidated (R\$3,098 and R\$6,326 in 2018), recorded in "Other payables" in current and noncurrent liabilities, respectively. Treasury shares acquired for purposes of using the funds in the payment of the "2016, 2017, 2018 and 2019 Programs" are shown in note 21.e).

#### 24. FINANCE INCOME (COSTS)

	<u>Parent</u>		<u>Consolidated</u>	
	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2018</u>
Finance income:				
Income from short-term investments	9,171	5,835	11,818	2,565
Pension plan interest income	-	-	751	731
Discounts obtained and interest receivable	200	104	200	106
Financial gain on lawsuits	1,755	2,343	1,776	2,343
Inflation adjustment of escrow deposits	-	2,936	-	3,082
Finance income on PIS and COFINS credit	-	-	42,610	-
Capitalization of borrowing costs (CPC 20)	3,660	-	3,660	-
Other	3,582	1,968	4,529	6,011
<b>Total</b>	<b>18,368</b>	<b>13,186</b>	<b>65,344</b>	<b>14,838</b>
Finance costs:				
Interest expense and finance charges	(71,879)	(52,065)	(160,038)	(171,703)
Pension plan interest	-	-	(12,586)	(11,704)
Inflation adjustment of provision for risks	(2,936)	(3,247)	(4,768)	(6,559)
Tax on financial transactions (IOF)	(2,399)	(2,837)	(2,524)	(2,837)
Amortized cost of debentures issued	(2,467)	(2,466)	(2,467)	(2,466)
Bank charges	(661)	(2,762)	(36,799)	(29,047)
Other	(3,050)	(10,867)	(10,942)	(15,098)
<b>Total</b>	<b>(83,392)</b>	<b>(74,244)</b>	<b>(230,124)</b>	<b>(239,414)</b>

## 25. EXCHANGE RATE GAINS (LOSSES), NET

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Trade receivables	1,256	5,244	(9,094)	(18,929)
Borrowings and financing	(855)	(1,484)	11,416	(9,541)
Trade payables	(711)	325	8,544	46,418
Short-term investments	-	-	(1,082)	(8,678)
Derivatives	-	-	(423)	391
Other	(448)	(1,730)	(14,485)	(5,904)
<b>Total</b>	<b>(758)</b>	<b>2,355</b>	<b>(5,124)</b>	<b>3,757</b>

## 26. NET SALES AND SERVICES REVENUE

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Gross sales revenue	3,121,620	2,751,067	10,768,687	10,338,882
Revenue deductions:				
Taxes on sales	(595,862)	(560,606)	(682,049)	(665,111)
Discounts, returns and cancelations	(15,881)	(11,787)	(70,243)	(57,472)
<b>Net sales revenue</b>	<b>2,509,877</b>	<b>2,178,674</b>	<b>10,016,395</b>	<b>9,616,299</b>

## 27. EXPENSES BY NATURE

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Raw materials	(1,149,631)	(1,014,646)	(5,263,594)	(5,046,946)
Salaries and benefits	(678,368)	(599,265)	(1,940,399)	(1,782,562)
Supplies/maintenance	(119,183)	(105,567)	(659,292)	(619,972)
Electric power	(52,865)	(46,738)	(343,102)	(318,378)
Depreciation and amortization	(65,168)	(59,428)	(419,554)	(355,575)
Outside services	(75,888)	(62,495)	(241,505)	(224,926)
Freight	(37,414)	(38,782)	(212,879)	(193,671)
Management fees	(19,086)	(17,116)	(19,086)	(17,116)
Transportation/communication	(20,008)	(19,495)	(52,404)	(60,105)
Other costs and expenses	(51,688)	(41,393)	(235,194)	(248,359)
<b>Total</b>	<b>(2,269,299)</b>	<b>(2,004,925)</b>	<b>(9,387,009)</b>	<b>(8,867,610)</b>
Classified as:				
Cost of sales and services provided	(2,123,356)	(1,873,761)	(8,831,177)	(8,298,023)
Selling expenses	(14,602)	(12,447)	(53,778)	(75,359)
General and administrative expenses	(112,255)	(101,601)	(482,968)	(477,112)
Management fees (note 10)	(19,086)	(17,116)	(19,086)	(17,116)
<b>Total</b>	<b>(2,269,299)</b>	<b>(2,004,925)</b>	<b>(9,387,009)</b>	<b>(8,867,610)</b>

## 28. OTHER OPERATING INCOME (EXPENSES)

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Loss on sale of assets	(70)	(5,453)	(108)	(1,498)
Restructuring expenses	-	-	(9,500)	(2,470)
Revenue on ICMS deduction from PIS and COFINS tax base	-	-	75,023	-
Rental expenses incurred by Guarulhos – SP unit (CPC 06 (R1))	-	-	-	(10,970)
Other operating expenses	4,276	(14,735)	4,622	(17,801)
Total	4,206	(20,188)	70,037	(32,739)

## 29. RISK AND FINANCIAL INSTRUMENT MANAGEMENT

### a) General considerations and policies

The Company and its subsidiaries conduct transactions involving financial instruments, including derivatives, when applicable, all of which recorded in balance sheet accounts, which are intended to meet their operating and financial needs. These instruments are represented by short-term investments, borrowings, financing and debentures, and intragroup loans, as well as derivatives.

These financial instruments are managed based on policies, strategies and control systems, and are monitored by the Company's Board of Directors, through its Financial Committee.

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

The Company's Board of Directors oversees how Management monitors the compliance with the risk management policies and procedures and reviews the appropriateness of the risk management model for risks accepted by the Company and its subsidiaries.

### Classification of financial instruments - by category

	Note	Parent			
		12/31/2019		12/31/2018	
		Amortized cost	Fair value through profit or loss	Amortized cost	Fair value through profit or loss
<b>Assets:</b>					
Cash and cash equivalents	5	263,853	-	66,788	-
Trade receivables	6	264,811	-	286,183	-
Loan	10	4,897	-	32,612	-
Stock option derivatives	11	-	-	-	8,244
Total		533,561	-	385,583	8,244
<b>Liabilities:</b>					
Borrowings and financing	15	9,218	-	39,163	-
Debentures	15	1,259,110	-	608,992	-
Trade payables	16	146,238	-	184,963	-
Total		1,414,566	-	833,118	-

		Consolidated			
		12/31/2019		12/31/2018	
	Note	Amortized cost	Fair value through profit or loss	Amortized cost	Fair value through profit or loss
<b>Assets:</b>					
Cash and cash equivalents	5	646,137	-	486,903	-
Trade receivables	6	1,029,650	-	1,253,826	-
Loan	10	4,897	-	32,612	-
Stock option derivatives	11	-	-	-	8,244
<b>Total</b>		<b>1,680,684</b>	<b>-</b>	<b>1,773,341</b>	<b>8,244</b>
<b>Liabilities:</b>					
Borrowings and financing	15	1,802,473	-	2,204,713	-
Debentures	15	1,259,110	-	608,992	-
Trade payables	16	1,126,821	-	1,316,897	-
<b>Total</b>		<b>4,188,404</b>	<b>-</b>	<b>4,130,602</b>	<b>-</b>

#### b) Fair values

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

The comparison between the fair value and the amortized cost of the loans is as follows:

<u>Carrying amount</u>	<u>Fair value</u>
1,802,473	1,939,928

#### c) Financial risk management

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

##### Credit risk

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

In relation to customers' credit lines, the Company understands that, due to the: (i) strict credit analysis; (ii) ongoing monitoring of the outstanding balances; and (iii) the fact that the customers are represented by large assemblers highly rated by credit rating agencies, the credit risk is controlled.

The Company's Management believes that the existing allowance is sufficient to cover any default, as referred to in note 6.

### 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 and its subsidiaries' businesses, the treasury area is flexible in raising funds through the maintenance of committed credit facilities.

Management monitors the Company's consolidated 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 consolidated cash limit and debt management financial indicators.

Surplus cash held by the operating entities above the balance required for working capital management is maintained in the entities themselves but managed by the Corporate Finance Department. The Company invests its liquidity according to its financial risk management policy, in short-term investments, with maturities of less than 90 days, through deposits in financial institutions.

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

	12/31/2019					
	Parent			Consolidated		
	Less than 1 year	1 to 2 years	Over 2 years	Less than 1 year	1 to 2 years	Over 2 years
Trade payables	146,238	-	-	1,126,821	-	-
Borrowings, financing and debentures	92,912	70,658	1,364,097	762,363	171,160	2,501,706
Total	<u>239,150</u>	<u>70,658</u>	<u>1,364,097</u>	<u>1,889,184</u>	<u>171,160</u>	<u>2,501,706</u>

### Interest rate risk

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

### Foreign exchange risk

Arises from possible fluctuations in the exchange rates of the foreign currencies used by the Company and its subsidiaries to purchase inputs, sell products, and contract financial instruments. Besides payables and receivables in foreign currencies, the Company and its subsidiaries invest in foreign direct and indirect subsidiaries and have operating purchase and sale flows denominated in other currencies. The Company and its subsidiaries have a specific policy to conduct hedging transactions aimed at mitigating these risks.

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
<u>Assets</u>				
Trade receivables (i)	12,268	4,873	787,053	984,351
Foreign related parties	19,590	51,038	69	20,540
Total assets	<u>31,858</u>	<u>55,911</u>	<u>787,122</u>	<u>1,004,891</u>

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
<u>Liabilities</u>				
Borrowings and financing (ii)	-	9,724	1,793,256	2,170,776
Trade payables (iii)	2,164	3,009	977,163	1,122,861
Foreign related parties	2,256	4,565	-	-
Total liabilities	4,420	17,298	2,770,419	3,293,637
Net exposure	27,438	38,613	(1,983,297)	(2,288,746)
(-) Foreign subsidiaries with local functional currency	-	-	1,997,425	2,295,820
Total exposure for sensitivity analysis purposes	27,438	38,613	14,128	7,074

- (i) In consolidated, as at December 31, 2019, 76.4% (78.5% as at December 31, 2018) refers to trade receivables of foreign subsidiaries and which are denominated in U.S. dollars, euros and yuans.
- (ii) In consolidated, as at December 31, 2019, 58.6% (77.2% as at December 31, 2018) refer to borrowings obtained in local currency by foreign subsidiaries, which are denominated in U.S. dollars, as shown in note 15.
- (iii) In consolidated, as at December 31, 2019, 86.7% (85.3% as at December 31, 2018) refers to trade payables of foreign subsidiaries and which are denominated in U.S. dollars, euros and yuans.

Foreign exchange risk arises from fluctuations in foreign exchange rates on foreign currency-denominated borrowings and financing, trade receivables, and trade payables.

#### Concentration risk

The Company's and its subsidiaries' products are usually sold under purchase orders in material amounts, periodically issued by a restricted number of customers, which account for a significant volume of their sales. Currently, approximately 65% of their operating revenue is concentrated on ten customers. The loss of a major customer or the decrease of the volume such customer purchases could have an adverse impact on the Company and its subsidiaries.

#### Steel and aluminum price fluctuation risk

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

#### Sensitivity analysis - consolidated

Financial instruments, including, when applicable, derivatives, are exposed to changes due to fluctuations in exchange rates, interest rates (Long-term Interest Rate, or TJLP) and the CDI. The sensitivity analyses of the financial instruments to these variables were taken into consideration by the Company's Management and are shown below:

i) Selection of risks

The Company and its subsidiaries selected three market risks that could have a higher impact on the value of financial instruments held by them, as follows: (1) U.S. dollar/Brazilian real exchange rate; (2) interest rates on borrowings and financing (TJLP), (CDI) and (LIBOR); and (3) yield rate of short-term investments (CDI).

ii) Selection of scenarios

The tables below take into consideration three risk sensitivity-analysis scenarios for the indices on these financial assets and financial liabilities, adopted by the Company as the probable scenario. CVM Instruction 475/08 established two additional scenarios with stresses of 25% and 50% in the risk variables considered as at December 31, 2019.

The probable scenario used by the Company is the actual Brazilian real versus U.S. dollar exchange rate, and TJLP, CDI and IPCA indices as at December 31, 2019. Accordingly, the Company consulted the Central Bank of Brazil's website to obtain the U.S. dollar/Brazilian real quotation, the BNDES's website for TJLP, the B3 S.A. - website for CDI, the Brazilian Institute of Geography and Statistics (IBGE)'s website for the IPCA and Bloomberg portal for LIBOR.

Sensitivity analysis of exchange rate changes

In the consolidated foreign exchange exposure sensitivity analysis as at December 31, 2019, as shown in the foreign exchange exposure table of paragraph "Foreign exchange risk", the balances of trade receivables, trade payables and borrowings and financing of foreign subsidiaries were disregarded because they are denominated in the local functional currencies of each foreign subsidiary, and, therefore, the Company's Management believes that they are not exposed to foreign exchange risks that affect the cash flows of these subsidiaries.

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

Company risk	Possible scenario	Remote scenario
U.S. dollar rate depreciation	3,532	7,064

The possible scenario considers a 25% appreciation of the Brazilian real against the U.S. dollar over the exchange rate as at December 31, 2019 of R\$4.0307/US\$1.00 (R\$3.0230/US\$1.00), and the remote scenario considers a 50% appreciation (R\$2.0154/US\$1.00).

In light of the parities considered, results would correspond to losses of R\$3,532 and R\$7,064 in the possible and remote scenarios, respectively.

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

Sensitivity analysis of interest rate changes - Company's exposure to interest rate increase

Borrowings and financing - TJLP and currency baskets	Scenarios		
	Probable	Possible	Remote
TJLP as at December 31, 2019	5.57%	6.96%	8.36%
Indexed financing - TJLP - R\$7,155:			
Estimated finance costs	399	498	598
Effect - loss		(99)	(200)

Borrowings and financing - 1-month LIBOR	Scenarios		
	Probable	Possible	Remote
LIBOR as at December 31, 2019	1.76%	2.20%	2.64%
Indexed borrowing - 3-month LIBOR - R\$40,335:			
Estimated finance costs	711	887	1,065
Effect - loss		(176)	(354)

Borrowings and financing - 3-month LIBOR	Scenarios		
	Probable	Possible	Remote
LIBOR as at December 31, 2019	1.91%	2.39%	2.86%
Indexed borrowing - 3-month LIBOR - R\$165,821:			
Estimated finance costs	3,165	3,963	4,742
Effect - loss		(799)	(1,578)

Borrowings and financing - 6-month LIBOR	Scenarios		
	Probable	Possible	Remote
LIBOR as at December 31, 2019	1.91%	2.39%	2.87%
Indexed borrowing - 6-month LIBOR - R\$272,411:			
Estimated finance costs	5,209	6,511	7,818
Effect - loss		(1,302)	(2,609)

Debentures - CDI	Scenarios		
	Probable	Possible	Remote
CDI as at December 31, 2019	4.40%	5.50%	6.60%
Indexed debentures - 100% of CDI - R\$1,273,171:			
Estimated finance costs	56,020	70,024	84,029
Effect - loss		(14,005)	(28,010)

Sensitivity analysis of changes in short-term investments - Company's exposure to interest rate decrease

Short-term investments - CDI	Scenarios		
	Probable	Possible	Remote
CDI - R\$ as at December 31, 2019	3.99%	3.00%	2.00%
Short-term investments - 91.0% of CDI - R\$246,720:			
Estimated finance income	9,844	7,402	4,934
Effect - loss		(2,443)	(4,910)

In December 2019, subsidiaries Maxion Jantas Jant Sanayi ve Ticaret A.S. and Maxion Inci Jant Sanayi A.S., due to the forecast of future purchases of steel and aluminum and to hedge against the risk of price fluctuations, entered into forward contract to set the price of such commodity. As at December 31, 2019, total unrealized net losses on these steel and aluminum forward contracts, recognized in line item "Raw materials" (note 7), were R\$335, with a balancing item in "Cost of sales and services" (note 27) in the statement of profit and loss.

The transactions have settlement terms, which take into consideration the forecast of purchases, between one and nine months from the contract date. As at December 31, 2019, the outstanding transactions total nine contracts, have maturities between January 31, 2020 and September 30, 2020, and are summarized as follows:

Hedged item	Risk	Counterparty	Notional amount (in thousands)		Fair value loss
			€	R\$	
Inventories	Commodity price	Türkiye İş Bankası A.Ş.	24,973	112,809	(335)

### 30. CAPITAL MANAGEMENT

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 is as follows:

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Total borrowings, financing and debentures	1,268,328	648,155	3,061,583	2,813,705
Cash and cash equivalents and short-term investments	(263,853)	(66,788)	(646,137)	(486,903)
Net debt	1,004,475	581,367	2,415,446	2,326,802
Total equity	3,228,478	2,921,950	3,496,976	3,198,527
Net debt-to-equity ratio	<u>31%</u>	<u>20%</u>	<u>69%</u>	<u>73%</u>

### 31. EARNINGS PER SHARE

	12/31/2019	12/31/2018
Denominator:		
Weighted average number of shares	152,553,741	149,704,575
Weighted number of treasury shares	(1,328,801)	(1,124,119)
Weighted average number of outstanding shares	<u>151,224,940</u>	<u>148,580,456</u>
Numerator – basic:		
Profit for the year - R\$	337,435,372	201,325,482
Basic earnings per share for the year - R\$	2.23135	1.35499
Denominator – diluted:		
Weighted average number of outstanding shares	151,224,940	148,580,456
Number of shares relating to the stock option plan	38,342	52,887
Weighted average number of shares	<u>151,263,282</u>	<u>148,633,343</u>
Numerator – diluted:		
Profit for the year	337,435,372	201,325,482
Diluted earnings per share for the year - R\$	2.23078	1.35451

### 32. SEGMENT INFORMATION

Technical pronouncement CPC 22/IFRS 08 - Segment Reporting requires segment reporting consistently with managerial reports provided and revised by the chief operating decision-maker to assess the performance of each segment and the allocation of funds. The Company's chief operating decision-maker is the Chief Executive Officer - CEO.

The Company and its subsidiaries operate in a single sector (automotive), whose management structure determines that solely the sales revenues must be analyzed by the decision-maker in detail, as the products produced and sold by the Company and its subsidiaries are divided between the Maxis Wheels and Maxis Structural Components divisions.

Net revenue is represented as follows for the years ended December 31, 2019 and 2018:

	12/31/2019		12/31/2018	
	Net revenue	%	Net revenue	%
Operations in South America - Brazil	2,680,917	26.8%	2,369,451	24.5%
International operations:				
North America	3,042,807	30.4%	2,812,052	29.7%
Europe	3,385,710	33.8%	3,512,939	36.3%
Other	906,961	9.1%	921,857	9.5%
Total	<u>10,016,395</u>	<u>100.0%</u>	<u>9,616,299</u>	<u>100.0%</u>

### 33. INSURANCE

The Company and its subsidiaries contracted insurance for certain inventory items, property, plant and equipment, civil liability, and other assets. As at December 31, 2019, the insurance policies and coverage are as follows:

Insured assets	Coverage	Insured amount
Inventory and property, plant and equipment	Fire, lightning, explosion, windstorm, machinery breakdown and other perils	2,120,540
Guarantee	Judicial, traditional and customs guarantees	10,354
Freight	Highway risk and cargo carrier civil liability and transportation risk during imports and exports	77,415
Civil and professional liability	Third-party claims, crimes	750,527

### 34. ADDITIONAL DISCLOSURES TO THE STATEMENTS OF CASH FLOWS

#### Transactions without cash disbursements

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Capital increase upon payment in kind of the 7 <sup>th</sup> issue debentures, exercise of subscription warrant and conversion of 6 <sup>th</sup> issue debentures	-	130,138	-	130,138
Property, plant and equipment purchases payable, recognized in line item "Trade payables"	15,896	5,652	48,704	45,649
Capital increase to be paid in subsidiary	31,714	-	-	-

### 35. OFFICERS' STATEMENT OF COMPLIANCE

In compliance with the provisions of CVM Instruction 480/09, the Executive Committee hereby declares that it has reviewed, discussed, and agreed with the financial statements for the year ended December 31, 2019, and also agreed with the respective independent auditor's report, as well as for purposes of compliance with CVM Resolution 727/14, it states that all the relevant information, disclosed in the financial statements, and only this information, is being disclosed and corresponds to the information used by the Executive Committee to manage the Company.

### 36. AUTHORIZATION FOR ISSUANCE AND DISCLOSURE OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Company's Board of Directors and authorized for disclosure and issue at the meeting held on March 5, 2020.

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Marcos S. de Oliveira  
Chief Executive Officer

Elcio Mitsuhiro Ito  
Chief Financial and Investor Relations Officer

Paulo Marcio Almada dos Santos  
Chief Human Resources Officer

Renato J. Salum Junior  
Accountant  
CRC nº 1 SP 237586/O-4