

Individual and Consolidated Financial Statements

lochpe-Maxion S.A. and Subsidiaries

December 31, 2020
with Independent Auditor's Report

1) MESSAGE FROM THE CEO

The year 2020 was marked by the coronavirus pandemic. In this environment, more than ever, our priority has been and continues to be to preserve the integrity of our employees, their families and communities, through the adoption of protocols aligned with the guidelines of authorities for each location where we operate.

In contrast to the previous two quarters, in this 4Q20 the global automotive market (excluding China) showed a 0.9% growth in production, showing that the sector's recovery remains underway, after significant falls of 60.0% in 2Q20 and 10.0% in 3Q20, always compared to the same period of the previous year.

Our net operating revenue grew 21.8% in 4Q20, supported by the recovery of the markets in which we operate and positively influenced by the exchange rate variation. Likewise, in 2020, despite the drop in global automotive production of more than 20.0%, the Company's net operating revenue fell by 12.5%.

In relation to profitability, we had an Adjusted EBITDA of R\$ 237.4 million in 4Q20 with an 8.3% margin. This figure is 13.1% higher than 4Q19 (R\$ 209.8 million and a 9.0% margin excluding the positive effect of ICMS on the basis of PIS/Cofins).

The speed of recovery in the industry created challenges in some links of the production chain and in the supply of raw materials, particularly in Brazil. Given the Company's timely actions, we were able to avoid significant volume losses, however, we had operational inefficiencies, such as increased overtime, increased frequency of tool set-ups and changes to production programs at our factories. These inefficiencies negatively impacted margins in 4Q20.

Despite the recovery in industry volumes from 3Q20, the Company maintained in 4Q20 its effort to reduce costs and maximize cash generation, acting on 3 main fronts: (i) 7.6% reduction in operating expenses in the 4Q20 and 15.9% in 2020 (excluding the effect of exchange rate variation); (ii) a 36.9% reduction in Capex in 4Q20 and a 37.0% reduction in 2020 (excluding the effect of exchange rate variation); (iii) restructuring actions related to the closure of the Akron plant in the United States, and also in relation to the reduction of indirect labor in other operations around the world, which negatively impacted 4Q20 by R\$ 78.4 million. In 2020, the total cost of restructuring reached R\$ 171.7 million.

In this environment, the Company maintained a robust cash position of R\$ 1.6 billion, compared to a pre-Covid position of approximately R\$ 500.0 million. The liquidity ratio, measured by the cash position divided by short-term debt, increased from 0.70x in 3Q20 to 0.84x in 4Q20 due to funding and financing lines renewals with extended terms. Additionally, we obtained formal approval from Brazilian development banks for financing lines of R\$ 940.0 million with a 7-year term. The proceeds from these funding will be used to extend short-term debt and the disbursement is expected to occur in 1H21.

The Company's net debt reached R\$ 3,515.0 million at the end of 2020, an increase of 45.5% compared to the end of the previous year. Strongly influenced by the exchange rate variation in the period and by the sharp reduction in volumes, especially in 2Q20 and 3Q20. For the same reasons, the ratio between net debt and Adjusted EBITDA in the last 12 months reached 6.46 times, already showing a decline compared to the index presented in 3Q20.

Regarding our efforts in activities related to ESG (Environment, Social and Governance), the Company released its first annual sustainability report in 2020. We seek to meet a growing demand for information of this nature, both from investors and from other stakeholders, reaffirming our commitment to always generate value in a sustainable manner for all stakeholders related to the Company and its activities.

We remain focused on the development of new products and the evolution of the automotive market. In 2020, we made progress on important projects such as volume growth at the new aluminum wheels plant in India and stamping parts in Mexico, the implementation of increased capacity on aluminum wheels in Thailand, the completion of prototypes and the start of commercialization of the new generation of steel wheels for commercial vehicles, the lightest in the segment, the sale of wheels with MCPA technology, an innovative multi-color painting process, and the application of Acorus technology, our flexible aluminum wheel, which helps avoid damage to wheels and tires when vehicles travel on uneven terrain and with holes, proving our leadership in this segment. During 2020, we increased our participation in the new mobility trends, winning new businesses in wheels and structural components for electric vehicles of large automakers and newcomers in the automotive sector.

Despite the challenges in the past year, we are positive in relation to the year 2021. The restructuring processes that we carried out in 2020 position us more adequately in face of a scenario of gradual recovery of global automotive production volumes. At the same time, we remain alert to changes in demand for vehicles around the world and adapting to the supply chain situations as well as to the still relevant effects of the Covid-19 pandemic. Regardless of the industry scenario, we remain focused on productivity gains and operational efficiency, launching new programs won in 2020, strengthening our balance sheet, new developments in our advanced engineering, digitization and innovation to continue adding value to our products.

2) COMPANY OVERVIEW

Iochope-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 15,000 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 (related company), we produce railway wheels and castings, industrial castings and freight cars.

3) HIGHLIGHTS OF THE 4Q20

- Net Operating Revenue: R\$ 2,849.4 million, an increase of 21,8%¹
- Operating Expenses: R\$ 165.9 million, reduction of 7.6%¹ (excluding the effect of exchange rate variation)
- Adjusted EBITDA: R\$ 237.4 million, an increase of 5.1%¹
- Cash and Cash Equivalents: R\$ 1.6 billion, an increase of 148.5%¹
- Capital Expenditures: R\$ 104.8 million, reduction of 36.9%¹ (excluding the effect of exchange rate variation)
- Net debt: R\$ 3,515.0 million, an increase of 45.5%¹ (Leverage of 6.46x²)

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 (thousand):

PRODUCTION Segment	BRAZIL ¹			North America ²			EUROPE ²		
	4Q19	4Q20	Var.	4Q19	4Q20	Var.	4Q19	4Q20	Var.
Light Vehicles	655	647	-1.2%	3,836	3,854	0.5%	4,731	4,768	0.8%
Commercial Vehicles	32	37	17.1%	131	136	3.8%	127	108	-14.9%
Total Vehicles	686	684	-0.4%	3,967	3,991	0.6%	4,858	4,876	0.4%

Segment	2019	2020	Var.	2019	2020	Var.	2019	2020	Var.
Light Vehicles	2,804	1,905	-32.1%	16,314	13,027	-20.1%	19,435	15,133	-22.1%
Commercial Vehicles	141	109	-22.5%	637	457	-28.3%	536	386	-28.1%
Total Vehicles	2,945	2,014	-31.6%	16,952	13,484	-20.5%	19,972	15,519	-22.3%

(1) Source: ANFAVEA

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

(3) Consider EU 27 + UK + Turkey

Despite the drop in the world automotive market in 2020, in 4Q20, some regions and segments showed growth in relation to 4Q19, reaffirming the recovery trend of the automotive market.

¹ Compared to the same period of the previous year.

² Net debt/ Adjusted EBITDA of the last twelve months.

5) OPERATING AND FINANCIAL PERFORMANCE

Consolidated I.S - R\$ thousand	4Q19	4Q20	Var.	2019	2020	Var.
Net Operating Revenue	2,338,634	2,849,408	21.8%	10,016,395	8,760,568	-12.5%
Cost of Goods Sold	(2,110,991)	(2,587,790)	22.6%	(8,831,176)	(8,195,255)	-7.2%
Gross Profit (Loss)	227,643	261,618	14.9%	1,185,219	565,313	-52.3%
	9.7%	9.2%		11.8%	6.5%	
Operating Expenses	(144,805)	(165,905)	14.6%	(555,832)	(563,643)	1.4%
Other Operating Expenses/Revenues	23,765	(103,516)	n.m.	70,771	(188,434)	n.m.
Equity Income	(2,504)	(1,859)	-25.8%	(23,902)	2,043	-108.5%
Operating Income (Loss) (EBIT)	104,099	(9,662)	-109.3%	676,256	(184,721)	-127.3%
	4.5%	-0.3%		6.8%	-2.1%	
Financial Results	(18,293)	(57,045)	211.8%	(169,904)	(232,986)	37.1%
Income Taxes	(22,315)	(26,154)	17.2%	(84,936)	(2,207)	-97.4%
Minority Shareholders	(24,382)	(36,839)	51.1%	(83,980)	(71,866)	-14.4%
Net Income (Loss)	39,109	(129,700)	n.m.	337,436	(491,780)	-245.7%
	1.7%	-4.6%		3.4%	-5.6%	
EBITDA	215,196	159,011	-26.1%	1,095,810	372,139	-66.0%
	9.2%	5.6%		10.9%	4.2%	
Adjusted EBITDA ¹	225,860	237,395	5.1%	1,108,985	543,872	-51.0%
	9.7%	8.3%		11.1%	6.2%	

¹ Adjusted EBITDA: excludes expenses with restructuring and impairments, in order to reflect the calculation of leverage for the measurement of financial covenants

5.1) Net operating revenue

Consolidated net operating revenue reached R\$ 2,849.4 million in 4Q20 and R\$ 8,760.6 million in 2020, an increase of 21.8% and a reduction of 12.5%, always in relation to the same periods of the previous year.

Net operating revenue in 4Q20 was positively impacted by the recovery in the production of commercial vehicles in Brazil and North America and by the exchange rate variation (R\$ 576.0 million). And negatively impacted by the drop in commercial vehicle production in Europe.

In 2020, net operating revenue was negatively impacted by the sharp drop in vehicle production in the year, due to the impacts of the pandemic, and positively by the exchange rate variation (R\$ 1,587.2 million).

The following table indicates the performance of consolidated net operating revenue by origin and by product type.

Net Operating Revenue- R\$ thousand	4Q19	4Q20	Var.	2019	2020	Var.
Aluminum Wheels (Light vehicles)	98,378	108,157	9.9%	487,134	293,729	-39.7%
Steel Wheels (Light vehicles)	99,419	93,077	-6.4%	463,092	298,353	-35.6%
Steel Wheels (Commercial vehicles)	140,411	183,866	30.9%	650,169	554,523	-14.7%
Structural Components (Light vehicles)	51,413	58,060	12.9%	193,013	166,979	-13.5%
Structural Components (Commercial vehicles)	224,006	218,552	-2.4%	887,508	621,480	-30.0%
South America	613,627	661,712	7.8%	2,680,917	1,935,066	-27.8%
	26.2%	23.2%		26.8%	22.1%	
Aluminum Wheels (Light vehicles)	96,134	120,971	25.8%	436,014	381,311	-12.5%
Steel Wheels (Light vehicles)	250,178	346,121	38.3%	1,093,102	1,041,586	-4.7%
Steel Wheels (Commercial vehicles)	78,235	79,961	2.2%	384,414	309,670	-19.4%
Structural Components (Commercial vehicles)	213,185	245,559	15.2%	1,129,276	869,452	-23.0%
North America	637,732	792,611	24.3%	3,042,807	2,602,020	-14.5%
	27.3%	27.8%		30.4%	29.7%	
Aluminum Wheels (Light vehicles)	462,199	534,809	15.7%	1,765,859	1,679,263	-4.9%
Steel Wheels (Light vehicles)	236,501	313,960	32.8%	925,762	986,384	6.5%
Steel Wheels (Commercial vehicles)	162,148	243,966	50.5%	694,089	775,796	11.8%
Europe	860,848	1,092,735	26.9%	3,385,710	3,441,442	1.6%
	36.8%	38.3%		33.8%	39.3%	
Aluminum Wheels (Light vehicles)	146,433	192,926	31.8%	600,613	509,487	-15.2%
Steel Wheels (Light vehicles)	22,602	43,561	92.7%	85,070	99,742	17.2%
Steel Wheels (Commercial vehicles)	57,392	65,862	14.8%	221,278	172,811	-21.9%
Asia + Others	226,427	302,349	33.5%	906,961	782,040	-13.8%
	9.7%	10.6%		9.1%	8.9%	
Iochope-Maxion Consolidated	2,338,634	2,849,408	21.8%	10,016,395	8,760,568	-12.5%
	100.0%	100.0%		100.0%	100.0%	
Maxion Wheels	1,850,029	2,327,236	25.8%	7,806,597	7,102,655	-9.0%
	79.1%	81.7%		77.9%	81.1%	
Maxion Structural Components	488,604	522,171	6.9%	2,209,798	1,657,912	-25.0%
	20.9%	18.3%		22.1%	18.9%	

5.2) Cost of goods sold

The cost of goods sold reached R\$ 2,587.8 million in 4Q20 and R\$ 8,195.3 million in 2020, an increase of 22.6% compared to 4Q19 and a reduction of 7.2% compared to 2019.

The exchange rate variation negatively impacted the cost of goods sold by R\$ 476.8 million in 4Q20 and in R\$ 635.9 million in 2020. Excluding these effects, the cost of goods sold would have decreased by 2.1% in 4Q20 and by 24.0% in 2020.

5.3) Gross profit

Gross profit of R\$ 261.6 million in 4Q20 and R\$ 565.3 million in 2020, an increase of 14.9% compared to 4Q19 and a reduction of 52.3% compared to 2019.

The increase in gross profit observed in 4Q20 is related to the recovery in world vehicle production, whereas in 2020 the result was decisively impacted by the reduction in vehicle production observed during 2Q20 and 3Q20.

5.4) Operational Expenses

Operating expenses (selling, general and administrative expenses and management fees) reached R\$ 165.9 million in 4Q20 and R\$ 563.6 million in 2020, an increase of 14.6% compared to 4Q19 and 1.4% compared to 2019.

The exchange rate variation negatively impacted operating expenses by R\$ 21.7 million in 4Q20 and by R\$ 96.0 million in 2020. Excluding these effects, operating expenses would have decreased by 7.6% in 4Q20 and by 15.9% in 2020.

5.5) Other operating expenses/income

The line of other operating expenses/income was negative by R\$ 103.5 million in 4Q20 and R\$ 188.4 million in 2020, impacted by expenses with restructuring and impairments of R\$ 78.4 million in 4Q20 and R\$ 171.7 million in 2020. It is important to mention that impairments have no cash effect and represented R\$ 24.0 million in 4Q20 and R\$ 28.0 million in 2020.

It is worth noting that in the same periods of the previous year, the line of other operating expenses/income was positively impacted by the gain from the judicial process of the exclusion from ICMS on the basis of PIS COFINS (R\$ 16.0 million in 4Q19 and R\$ 75.0 million in 2019).

5.6) Equity income

Equity income reached a negative amount of R\$ 1.9 million in 4Q20 and a positive amount of R\$ 2.0 million in 2020, an improvement over the negative results of R\$ 2.5 million in 4Q19 and R\$ 23.9 million in 2019.

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

R\$ thousand	4Q19				4Q20				Var.
	Amsted Maxion	Maxion Montich	Dongfeng Maxion	Total	Amsted Maxion	Maxion Montich	Dongfeng Maxion	Total	
Net Income (Loss)	1,049	(3,783)	230	(2,504)	(4,108)	1,033	1,215	(1,859)	25.8%

R\$ thousand	2019				2020				Var.
	Amsted Maxion	Maxion Montich	Dongfeng Maxion	Total	Amsted Maxion	Maxion Montich	Dongfeng Maxion	Total	
Net Income (Loss)	(12,477)	(11,660)	235	(23,902)	255	1,841	(53)	2,043	108.5%

5.7) Earnings before Interest and Tax (EBIT)

Operational loss of R\$ 9.6 million in 4Q20 and R\$ 184.7 million in 2020, impacted by the reduction in world vehicle production and expenses with restructuring and impairments, mentioned in item 5.5 above.

5.8) EBITDA

EBITDA of R\$ 159.0 million in 4Q20 and R\$ 372.1 million in 2020, a reduction of 26.1% and 66.0% compared to 4Q19 and 2019.

Excluding restructuring and impairment expenses, adjusted EBITDA in 4Q20 was R\$ 237.4 million with an 8.3% margin and R\$ 543.9 million with a 6.2% margin in 2020. Additionally, it is worth mentioning that in 2019 we had a non-recurring gain from the judicial process of the exclusion of ICMS on the basis of Pis / Cofins as described in item 5.5 above. Excluding these non-recurring effects for the years 2019 and 2020, EBITDA would have increased by 13.1% compared to 4Q19 and decreased by 48.2% compared to 2019.

The table below shows the evolution of EBITDA and Adjusted EBITDA, excluding the effects of restructuring and impairments.

EBITDA Reconciliation - R\$ Thousand	4Q19	4Q20	Var.	2019	2020	Var.
Net Income (Loss)	39,109	(129,700)	<i>n.m.</i>	337,436	(491,780)	-245.7%
Minority Shareholders	24,382	36,839	51.1%	83,980	71,866	-14.4%
Income Taxes	22,315	26,154	17.2%	84,936	2,207	-97.4%
Financial Results	18,293	57,045	211.8%	169,904	232,986	37.1%
Depreciation / Amortization	111,096	168,673	51.8%	419,554	556,860	32.7%
EBITDA	215,195	159,011	-26.1%	1,095,810	372,139	-66.0%
Restructuring and Impairments	(10,665)	(78,384)		(13,175)	(171,733)	
Adjusted EBITDA¹	225,860	237,395	5.1%	1,108,985	543,872	-51.0%

¹ Adjusted EBITDA: excludes expenses with restructuring and impairments, in order to reflect the calculation of leverage for the measurement of financial covenants

5.9) Financial result

The financial result was negative by R\$ 57.0 million in 4Q20 and R\$ 233.0 million in 2020, an increase of 211.8% and 37.1% compared to 4Q19 and 2019, respectively.

The worsening of the financial result in 4Q20 is related to the following factors: (i) increase in financial expenses arising from new debt borrowings made in 1H20, essentially for contingent reinforcement of the cash position; (ii) exchange rate variation (devaluation of the Real against the Euro by 40.8% and 28.9% in 2020); and (iii) the recognition of part of the gain related to favorable decisions in lawsuits that claimed the exclusion of ICMS from PIS and COFINS calculation basis in 4Q19 in the amount of R\$ 14.5 million.

5.10) Net income (loss)

Net loss of R\$ 129.7 million in 4Q20 (negative result per share of R\$ 0.85122) and R\$ 491.8 million in 2020 (negative result per share of R\$ 3.22754), a worsening in relation to net income of R\$ 39.1 million in 4Q19 and R\$ 337.4 million in 2019.

Excluding the effects of restructuring and impairments mentioned in item 5.5 above, the result in would be a net loss of R\$ 51.3 million in 4Q20 and a net loss of R\$ 320.0 million in 2020.

6) CAPITAL EXPENDITURES

Capital expenditures reached R\$ 104.8 million in 4Q20 and R\$ 369.0 million in 2020, a reduction of 27.2% and 28.4% compared to 4Q19 and 2019 (R\$ 143.8 million in 4Q19 and R\$ 515.0 million in 2019). Excluding the effect of the exchange variation, the reduction would have been 36.9% in 4Q20 and 37.0% in 2020.

The main capital expenditures in the period were related to health and safety, maintenance, the launch of new products and the improvement of productivity of different industrial units of the Company.

7) LIQUIDITY AND INDEBTEDNESS

The cash and cash equivalents position on December 31, 2020 was R\$ 1,605.4 million, 42.0% in BRL e 58.0% in other currencies.

Consolidated gross debt in the period reached R\$ 5,120.4 million, of which R\$ 1,907.6 million (37.3%) was recorded in current liabilities and R\$ 3,212.8 million (62.7%) in non-current liabilities.

The liquidity ratio (cash to short-term debt ratio) was 0.84x at the end of 4Q20, an improvement compared to 0.70x rate observed at the end of 3Q20.

The increase in gross debt is related to the exchange rate variation and the increase in the Company's liquidity, in view of the uncertainty generated by the pandemic.

The main indicators of consolidated gross debt at the end of 4Q20 were: (i) credit lines in Reais indexed to the CDI, which represented 41.6% (average cost CDI + 1.9%), (ii) credit lines in Euros (Euro + 3.0% per year) with 39.4%, and (iii) credit lines in Dollars (US\$ + average of 3.3% per year) with 9.4%.

Consolidated net debt on December 31, 2020 reached R\$ 3,514.9 million, an increase of 45.5% in compared to the amount of R\$ 2,415.4 million reached on December 31, 2019. The exchange rate variation impacted negatively the net debt by R\$ 503.8 million. Disregarding this effect, net debt would have increased by 24.7% due to the strong drop in volumes in the year, especially in 2Q20 and 3Q20.

Net debt at the end of 4Q20 represented 6.46x the adjusted EBITDA for the last 12 months (a reduction in relation to the 7.02 index presented in 3Q20), while at the end of 4Q19 it represented 2.18x. The exchange rate variation and the drop in volumes throughout 2020 (especially in 2Q20 and 3Q20) had a negative impact on this indicator.

8) SHAREHOLDERS' EQUITY

Consolidated shareholders' equity reached R\$ 3,802.8 million (book value per share of R\$ 24.74) on December 31, 2020, an increase of 8.7% in relation to shareholders' equity reached on December 31, 2019 (R\$ 3,497.0 million and book value per share of R\$ 22.75). This growth was favorably influenced by the foreign exchange variation of equity abroad (R\$ 712.9 million) and negatively by the net Loss of 2020 (R\$ 491.8 million).

The shareholders' equity attributed to the controllers reached R\$ 3,462.3 million (book value per share of R\$ 22.52) on December 31, 2020, an increase of 7.2% in relation to the shareholders' equity attributed to the controllers reached in December 31, 2019 (R\$ 3,228.5 million and book value per share of R\$ 21.00).

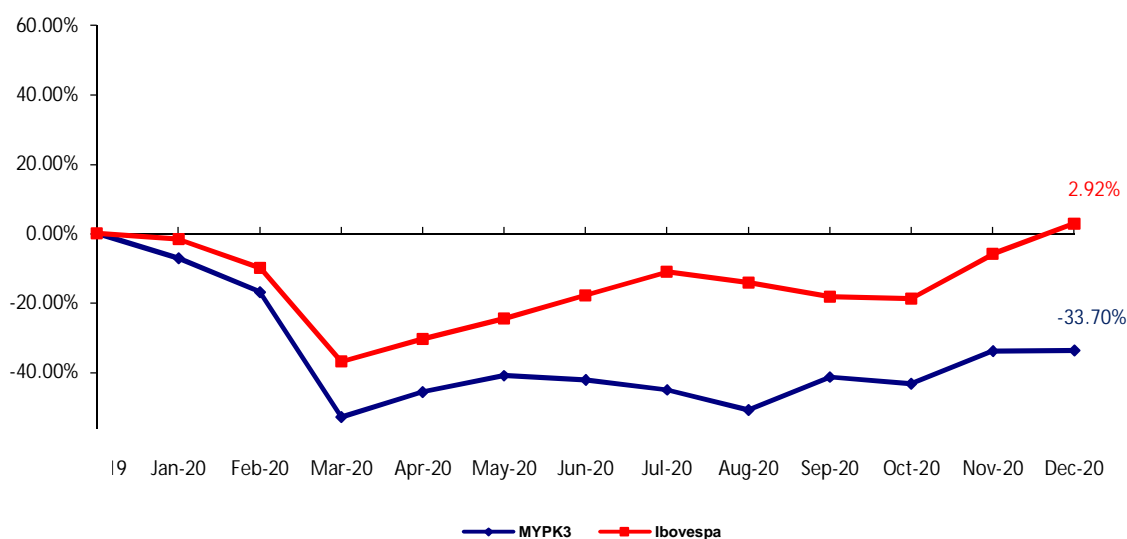
9) SUBSEQUENT EVENT

The Company entered into a financing agreement in the total amount of R\$ 940.0 million in 2021, of which: (i) opening of credit in the amount of R\$ 620.0 million and issuing bank credit note (CCB), in the amount of R\$ 245.0 million, both with the Agência Especial de Financiamento Industrial SA - FINAME, (ii) and issuance of CCB in the amount of R\$ 75.0 million with Banco de Desenvolvimento de Minas Gerais SA - BDMG. Such amounts will be used to settle short-term debts in Brazil between March and June 2021.

10) CAPITAL MARKETS

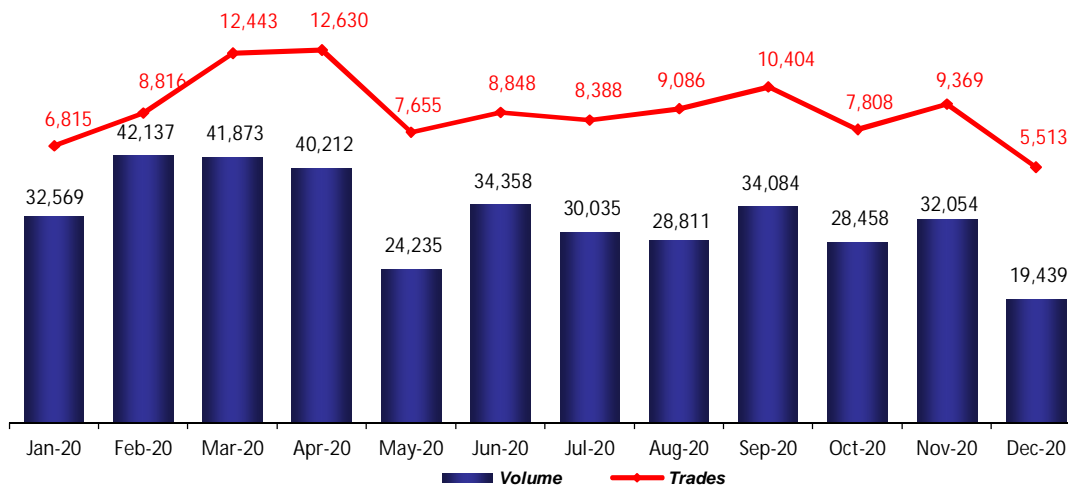
Iochope-Maxion common shares (B3: MYPK3) closed 4Q20 quoted at R\$ 15.50, an increase of 13.1% in the quarter and a drop of 33.7% in the last 12 months. At the end of 4Q20, Iochope-Maxion reached a capitalization (market cap) of R\$ 2,382.7 million (R\$ 3,594.0 million at the end of 4Q19).

Share performance – Last 12 months



Iochope-Maxion's shares in 4Q20 had an average daily trading volume on the São Paulo Stock Exchange of R\$ 26.7 million (R\$ 23.9 million in 4Q19) and an average daily number of 7,567 trades (5,092 trades in 4Q19).

1.1.1 Daily average volume



11) 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.

12) CVM INSTRUCTION No. 381

In accordance with CVM Instruction No. 381, we inform that during 2020, lochpe-Maxion, its subsidiaries and its jointly-controlled business incurred the following services provided by the independent auditor:

Audit fees – R\$ 8.4 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\$ 0.2 million: the non-audit related fees are related to taxes review abroad.

lochpe-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. lochpe-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.

13) 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, 2020.

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 3, 2020

lochpe-Maxion S.A. and Subsidiaries

Individual and consolidated financial statements

December 31, 2020

Contents

Independent auditor's report on individual and consolidated financial statements.....	1
Individual and consolidated financial statements	
Statements of financial position.....	7
Statements of profit or loss	9
Statements of comprehensive income	10
Statements of changes in equity	11
Statements of cash flows	12
Statements of value added.	14
Notes to the individual and consolidated financial statements.....	15



São Paulo Corporate Towers
Av. Presidente Juscelino Kubitschek, 1.909
Vila Nova Conceição
04543-011 - São Paulo - SP - Brasil

Tel: +55 11 2573-3000
ey.com.br

A free translation from Portuguese into English of Independent Auditor's Report on Individual and Consolidated Financial Statements prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board – IASB

Independent auditor's report on individual and consolidated financial statements

To the
Shareholders, Board of Directors and Officers of
lochpe-Maxion S.A. and Subsidiaries
Cruzeiro - SP

Opinion

We have audited the individual and consolidated financial statements of lochpe-Maxion S.A. (the "Company"), identified as Parent and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2020 and the statements of profit or loss, of comprehensive income, of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of lochpe-Maxion S.A. as at December 31, 2020, and its individual and consolidated financial performance and cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) 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 principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by the Brazil's National Association of State Boards of Accountancy (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 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 we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.



We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the individual and consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Realization of deferred tax assets

As mentioned in Note 9, lochpe-Maxion S.A., when applicable, records deferred tax assets on temporary differences, and tax losses carryforward and social contribution losses, based on the reasonable probability that these companies will generate future taxable profit in order to use such assets. As at December 31, 2020, deferred tax assets, net amounted to R\$96,193 thousand and R\$243,976 thousand – individual and consolidated, respectively. Due to the uncertainties inherent in the business that had an impact on projections of future taxable profit and respective estimates to determine the ability to recover these deferred tax assets and the fact that the Company and its subsidiaries used significant judgment in determining the amount of future taxable profits, which are based on projected revenue, costs and finance income/(costs), this was considered a key audit matter.

How our audit addressed this matter

We obtained an understanding of internal controls relating to projections of future taxable profits prepared by the Company and its subsidiaries. We assessed the nature of the temporary differences, as well as of the tax losses carryforward and social contribution losses that comprise the taxable base, considering applicability of the legislation in each country. We analyzed the calculation of deferred tax assets, with the assistance of our tax specialists.

Additionally, we assessed the assumptions and methodologies used by the Company in preparing projected profit/(loss), compared these assumptions with data obtained from external sources, when available, such as projected economic growth, conducted a sensitivity analysis on projected revenues and costs, and conducted mathematic tests on these projections. We analyzed consistency between the data used in preparing projected profit/(loss) and accounting records, when applicable, and confirmed that the information used in preparing projected profit/(loss) derives from the Company's business plan approved by those charged with governance. In addition, we compared the expected future taxable profit and the amount limit to be recorded as the Company's and its subsidiaries' deferred tax assets and analyzed whether the disclosures made by the Company were adequate.

As a result of these procedures, we identified an audit adjustment relating to decrease in the deferred tax assets amounts. This adjustment was not recorded by management, since it was considered immaterial on the individual and consolidated financial statements as a whole.

Based on the results of our audit procedures on the test of recoverability of deferred tax assets, which is consistent with management's assessment, we believe that the criteria and assumptions adopted by management, as well as respective disclosures in the notes are acceptable in the context of the Company's individual and consolidated financial statements taken as a whole.



Impairment of goodwill

As mentioned in Note 13, the Company recorded significant goodwill amounts that may present realization risk and, as such, be impaired. This risk arises not only due to the significance of the balances, but also to the impact of the local and global economic scenario for determining the growth and discount rate assumptions used in the “analysis of provision for non-realization of goodwill” conducted by the Company, and to the high level of judgment involved in determining the estimates by management. As such, this was considered a key audit matter.

How our audit addressed this matter

Our audit procedures included assessing the design and implementation of significant controls established by management relating to goodwill impairment analysis, and analysis of the business plans of the Company, globally and per cash-generating unit, with the technical support of our valuation specialists, when applicable, for analyzing and challenging the assumptions for discount rate and revenue increase used by management in “analysis of provision for non-realization of goodwill”. Additionally, we analyzed the methodology and assumptions used by management for preparing the profit/(loss) projections, conducted mathematic tests on these projections, analyzed consistency between the data used in preparing the projections and accounting records, when applicable and confirmed that the information used in preparing such projections derives from the Company’s business plan approved by those charged with governance. We also analyzed whether the Company’s disclosures on the matter are appropriate.

The Company’s disclosures on the accounting practices and balances are presented, respectively, in Notes 4, 12 and 13 to the financial statements.

Based on the results of the audit procedures performed on the impairment of goodwill, which is consistent with management’s evaluation, we believe that these assessments and premises, as well as respective disclosures, are acceptable in the context of the individual and consolidated financial statements taken as a whole.

Other matters

Audit of corresponding figures

The Company’s financial statements for the year ended December 31, 2019 were examined by other independent auditors, who issued a report on March 05, 2020 including their unmodified opinion on these financial statements.



Statements of value added

The individual and consolidated statements of value added (SVA) for the year ended December 31, 2020, prepared under the responsibility of Company management, and presented as supplementary information for purposes of IFRS, were submitted to audit procedures conducted together with the audit of the Company's financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by NBC TG 09 – Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in abovementioned accounting pronouncement, and are consistent in relation to the overall individual and consolidated financial statements.

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

Management is responsible for such other information, which comprise 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 assurance 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 this 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 of 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 the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) 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 of 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 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 of 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:

- Identified and assessed the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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.
- Obtained 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.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 a going concern.
- Evaluated 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.
- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



**Building a better
working world**

We communicate with those charged with governance regarding, among other matters, the scope and timing of the planned audit procedures and significant audit findings, including deficiencies in internal control that we may have identified during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements, including applicable independence requirements, 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 determined 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.

São Paulo, March 3, 2021.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP034519/O-6

A handwritten signature in blue ink, appearing to read 'Luciano Ferreira da Cunha', is written over a faint circular stamp or watermark.

Luciano Ferreira da Cunha
Accountant CRC-1SP210861/O-2

A free translation from Portuguese into English of Individual and Consolidated Financial Statements prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board – IASB

Ioche-Maxion S.A. and Subsidiaries

Statements of financial position
December 31, 2020
(In thousands of Brazilian reais - R\$)

	Note	Parent		Consolidated	
		12/31/2020	12/31/2019	12/31/2020	12/31/2019
Assets					
Current assets					
Cash and cash equivalents	5	669,805	263,853	1,605,439	646,137
Trade receivables	6	330,946	264,811	1,405,954	1,029,650
Inventories	7	416,426	296,272	1,748,497	1,328,470
Recoverable taxes	8	51,571	42,451	239,884	223,589
Prepaid expenses		3,441	2,474	49,145	20,210
Other receivables		12,534	13,316	113,007	109,565
Total current assets		1,484,723	883,177	5,161,926	3,357,621
Noncurrent assets					
Recoverable taxes	8	13,375	3,141	151,962	166,759
Deferred income tax and social contribution	9.a	96,193	75,075	419,156	306,628
Escrow deposits		51,101	52,254	56,466	58,495
Related parties	10.b	-	4,897	-	4,897
Other receivables		1,581	790	2,046	1,520
Investments	11	3,562,291	3,010,977	95,283	74,612
Property, plant and equipment	12	936,432	928,136	4,237,764	3,590,747
Intangible assets	13	82,465	67,618	2,219,880	1,740,135
Right of use	14	6,868	10,133	67,320	73,997
Total noncurrent assets		4,750,306	4,153,021	7,249,877	6,017,790
Total assets		6,235,029	5,036,198	12,411,803	9,375,411

	Note	Parent		Consolidated	
		12/31/2020	12/31/2019	12/31/2020	12/31/2019
Liabilities and equity					
Current liabilities					
Borrowings, financing and debentures	15	1,083,741	24,353	1,907,564	648,697
Trade payables	16	188,331	146,238	1,463,594	1,126,821
Taxes payables	17	9,212	8,460	90,868	121,060
Payroll and related taxes	18	79,633	111,039	318,632	322,088
Advances from customers		42,062	17,539	58,849	27,244
Dividends and interest on capital payable		439	127,146	89,731	127,147
Related parties	10.b	-	31,714	-	-
Other payables		66,463	35,418	423,213	210,561
Total current liabilities		1,469,881	501,907	4,352,451	2,583,618
Noncurrent liabilities					
Borrowings, financing and debentures	15	1,231,148	1,243,975	3,212,825	2,412,886
Provision for labor, tax and civil risks	19	62,674	48,051	79,423	83,753
Deferred income tax and social contribution	9.a	-	-	175,180	174,548
Actuarial pension plan liabilities	20	-	-	701,929	515,932
Other payables		9,041	13,787	87,234	107,698
Total noncurrent liabilities		1,302,863	1,305,813	4,256,591	3,294,817
Equity					
Share capital	21.a	1,576,954	1,576,954	1,576,954	1,576,954
Stock options		3,061	3,071	3,061	3,071
Earnings reserves		120,921	606,530	120,921	606,530
Capital reserve		12,467	6,000	12,467	6,000
Treasury shares	21.e	(28,894)	(28,920)	(28,894)	(28,920)
Valuation adjustments to equity		1,777,776	1,064,843	1,777,776	1,064,843
Equity attributable to controlling interests		3,462,285	3,228,478	3,462,285	3,228,478
Noncontrolling interests		-	-	340,476	268,498
Total equity		3,462,285	3,228,478	3,802,761	3,496,976
Total liabilities and equity		6,235,029	5,036,198	12,411,803	9,375,411

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

Ioche-Maxion S.A. and Subsidiaries

Statements of profit or loss

For the year ended December 31, 2020

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

	Note	Parent		Consolidated	
		12/31/2020	12/31/2019	12/31/2020	12/31/2019
Net sales and services revenue	26	1,925,844	2,509,877	8,760,568	10,016,395
Cost of sales and services	27	(1,768,233)	(2,123,356)	(8,195,255)	(8,831,177)
Gross profit		157,611	386,521	565,313	1,185,218
Operating income (expenses)					
Selling expenses	27	(14,709)	(14,602)	(61,812)	(53,778)
General and administrative expenses	27	(101,278)	(112,255)	(487,721)	(482,968)
Management fees	10.a	(14,110)	(19,086)	(14,110)	(19,086)
Share of profit (loss) of subsidiaries	11	(414,321)	182,667	2,043	(23,902)
Operating income (expenses), net	28	(34,753)	4,206	(188,434)	70,771
Operating income (loss) before finance income (costs)		(421,560)	427,451	(184,721)	676,255
Finance income	24	15,909	18,368	33,366	65,344
Finance costs	24	(114,149)	(83,392)	(262,431)	(230,124)
Foreign exchange gains (losses), net	25	3,751	(758)	(3,921)	(5,124)
Profit (loss) before income tax and social contribution		(516,049)	361,669	(417,707)	506,351
Income tax and social contribution					
Current	9.b	3,151	(23,145)	(88,573)	(178,240)
Deferred	9.b	21,118	(1,089)	86,366	93,304
Profit (loss) for the year		(491,780)	337,435	(419,914)	421,415
Attributable to					
Controlling interests		(491,780)	337,435	(491,780)	337,435
Noncontrolling interests		-	-	71,866	83,980
Earnings (loss) per share for the year:					
Basic - R\$	31	(3.22754)	2.23135	(3.22754)	2.23135
Diluted - R\$	31	(3.22754)	2.23078	(3.22754)	2.23078

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

Ioche-Maxion S.A. and Subsidiaries

Statements of comprehensive income
For the year ended December 31, 2020
(In thousands of Brazilian reais - R\$)

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Profit (loss) for the year	(491,780)	337,435	(419,914)	421,415
Other comprehensive income				
Items that will be subsequently reclassified to profit or loss:				
Gains on translation the financial statements of foreign subsidiaries	733,672	82,523	833,328	85,656
Items that will not be subsequently reclassified to profit or loss:				
Effect from change in actuarial assumptions, net of taxes	(14,251)	(29,179)	(14,251)	(29,179)
Total other comprehensive income	719,421	53,344	819,077	56,477
Total comprehensive income	227,641	390,779	399,163	477,892
Attributable to:				
Controlling interests	227,641	390,779	227,641	390,779
Noncontrolling interests	-	-	171,522	87,113
	227,641	390,779	399,163	477,892

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

lochpe-Maxion S.A. and Subsidiaries

Statements of changes in equity
For the year ended December 31, 2020
(In thousands of Brazilian reais - R\$)

	Earnings reserves					Valuation adjustments to equity				Equity	Noncontrolling interests	Total equity
	Share Capital	Stock options	Legal reserve	Bylaws reserve for investment and working capital	Capital reserve	Treasury shares	Deemed cost of property, plant and equipment	Other comprehensive income	Profit (loss) for the year			
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)
Allocation 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
Loss for the year	-	-	-	-	-	-	-	-	(491,780)	(491,780)	71,866	(419,914)
Other comprehensive income	-	-	-	-	-	-	-	719,421	-	719,421	99,656	819,077
Total comprehensive income	-	-	-	-	-	-	-	719,421	(491,780)	227,641	171,522	399,163
Exercise of stock options	-	(10)	-	-	-	26	-	-	-	16	-	16
Realization of deemed cost, net of taxes	-	-	-	-	-	-	(6,171)	-	6,171	-	-	-
Derecognition of deemed cost, net of taxes	-	-	-	-	-	-	(317)	-	-	(317)	-	(317)
Hyperinflationary effect on investment in joint venture	-	-	-	-	6,467	-	-	-	-	6,467	-	6,467
Dividends paid to noncontrolling shareholders	-	-	-	-	-	-	-	-	-	-	(99,544)	(99,544)
Allocation of the loss for the year	-	-	-	(485,609)	-	-	-	-	485,609	-	-	-
Balances as at December 31, 2020	1,576,954	3,061	96,648	24,273	12,467	(28,894)	63,109	1,714,667	-	3,462,285	340,476	3,802,761

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

Ioche-Maxion S.A. and Subsidiaries

Statements of cash flows

For the year ended December 31, 2020

(In thousands of Brazilian reais - R\$)

Note	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Cash flows from operating activities				
Profit (loss) for the year	(491,780)	337,435	(419,914)	421,415
Adjustments to reconcile profit (loss) for the year to net cash generated by (used in) operating activities:				
Depreciation and amortization	27	65,551	65,168	556,861
Income tax and social contribution	9.b	(24,269)	24,234	2,207
Residual value of property, plant and equipment and intangible assets written off	12 and 13	10,887	11,644	101,437
Share of profit (loss) of subsidiaries	11	414,321	(182,667)	(2,043)
Provision for tax, civil, and labor contingencies, net of reversals and adjustments	19	18,895	(3,240)	18,466
Inflation adjustment of escrow deposits		(1,352)	4,291	(1,588)
Interest, inflation adjustments and amortization of borrowing costs	15	91,614	74,312	197,763
Interest on lease liabilities		523	646	3,782
Expected credit losses	6	4,333	316	10,366
Allowance for (reversal of) inventory losses	7	(997)	(1,692)	27,390
Finance cost (net) of pension plans and post-employment benefits	20	-	-	11,263
Derecognition of stock options		(10)	(13)	(10)
Derecognition of deemed cost		(317)	(364)	(317)
Derecognition of call option		-	(8,243)	-
Loss on sale of interests in joint venture		-	9,235	-
Decrease (increase) in assets:				
Trade receivables	6	(70,468)	21,056	(117,929)
Inventories	7	(119,157)	88,338	(97,686)
Other receivables and other assets		(17,825)	(5,762)	(29,628)
Increase (decrease) in liabilities:				
Trade payables	16	226,234	(38,725)	198,541
Payment of pension plans and post-employment benefits	20	-	-	(44,336)
Payments of tax, civil and labor risks	19	(4,272)	(10,733)	(29,424)
Advances from customers		24,523	(82,125)	28,015
Tax, labor and civil obligations	17 and 18	(27,625)	4,804	(129,153)
Other payables and other liabilities		(15,149)	(23,005)	87,113
		83,660	284,910	371,176
Payment of interest on borrowings and financing	15	(20,191)	(5,626)	(99,656)
Payment of interest on debentures	15	(59,046)	(55,848)	(59,046)
Payment of interest on lease liabilities		(247)	(56)	(4,755)
Payment of income tax and social contribution		-	(4,160)	(94,550)
		(79,484)	(65,690)	(258,007)

Ioche-Maxion S.A. and Subsidiaries

Statements of cash flows (Continued)
For the year ended December 31, 2020
(In thousands of Brazilian reais - R\$)

Note	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Net cash generated by operating activities	4,176	219,220	113,169	657,683
Cash flows from investing activities				
Capital increase in subsidiaries	11.b	(239,769)	(434,614)	-
Capital reduction (increase) in associates	11.b	-	(60,934)	-
Purchase of property, plant and equipment	12 and 34	(65,491)	(84,186)	(317,193)
Purchase of intangible assets	13	(15,574)	(20,218)	(18,601)
Proceeds from the sale of interests in joint venture		-	20,093	-
Net cash used in investing activities		(320,834)	(579,859)	(335,794)
Cash flows from financing activities				
Proceeds from the increase in issues		-	39,938	-
Debt issue	15	-	800,000	-
Borrowings and financing	15	947,000	133,014	2,462,923
Repayment of borrowings and financing – principal	15	(74,891)	(162,481)	(1,269,204)
Repayment of debentures – principal	15	-	(152,936)	-
Amortization of lease liabilities – principal		(5,508)	(5,600)	(34,410)
Capitalization of borrowing costs		(22,066)	(10,262)	(48,715)
Payment of proposed and additional dividends	21.c	(126,822)	(108,697)	(126,822)
Dividends paid to noncontrolling shareholders	11.d	-	-	(19,374)
Acquisition of treasury shares	21.e	-	(2,987)	-
Related parties		4,897	27,715	4,897
Net cash generated by (used in) financing activities		722,610	557,704	969,295
Increase in cash and cash equivalents		405,952	197,065	746,670
Exchange differences on translating cash and cash equivalents of foreign subsidiaries			212,632	27,609
Cash and cash equivalents at beginning of the year		263,853	66,788	646,137
Cash and cash equivalents at end of the year		669,805	263,853	1,605,439
Increase in cash and cash equivalents		405,952	197,065	959,302

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

Ioche-Maxion S.A. and Subsidiaries

Statements of value added
For the year ended December 31, 2020
(In thousands of Brazilian reais - R\$)

	Note	Parent		Consolidated	
		12/31/2020	12/31/2019	12/31/2020	12/31/2019
Revenues					
Sales of goods and products	26	2,347,293	3,105,739	9,223,151	10,698,444
Expected credit losses	6	(4,333)	(316)	(10,366)	3,478
Other revenue		23,126	38,710	80,013	140,751
		2,366,086	3,144,133	9,292,798	10,842,673
Inputs acquired from third parties (including State VAT - ICMS and Federal VAT - IPI)					
Raw materials		(975,881)	(1,256,448)	(5,053,479)	(5,551,378)
Materials, electric power, outside services and other items		(278,376)	(285,350)	(1,466,795)	(1,456,778)
		(1,254,257)	(1,541,798)	(6,520,274)	(7,008,156)
Gross value added		1,111,829	1,602,335	2,772,524	3,834,517
Retentions					
Depreciation and amortization	27	(65,551)	(65,168)	(556,861)	(419,554)
Net value added produced by Company and its subsidiaries		1,046,278	1,537,167	2,215,663	3,414,963
Value added received in transfer					
Share of profit (loss) of subsidiaries	11.b	(414,321)	182,667	2,043	(23,902)
Finance income	24	15,909	18,368	33,366	65,344
Exchange rate changes, net	25	3,751	(758)	(3,921)	(5,124)
		(394,661)	200,277	31,488	36,318
Total value added to be distributed		651,617	1,737,444	2,247,151	3,451,281
Distribution of value added					
Personnel:					
Salaries and wages		618,852	655,767	1,929,916	1,884,622
Employees' profit sharing		7,470	33,795	11,489	66,362
Taxes:					
Federal		159,129	280,584	180,364	443,296
State		237,828	339,347	264,023	391,035
Municipal		222	164	222	164
Lenders and lessors:					
Finance costs	24	114,149	83,392	262,431	230,124
Rentals		5,747	6,960	18,620	14,263
Shareholders:					
Proposed and additional dividends	20.c	-	126,822	-	126,822
Retained profits (loss)		(491,780)	210,613	(491,780)	210,613
Noncontrolling interests in retained earnings		-	-	71,866	83,980
		651,617	1,737,444	2,247,151	3,451,281

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

Iochepe-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements

December 31, 2020

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

1. Operations

Iochepe-Maxion S.A. ("Company") is a publicly held company headquartered at Rua Dr. Othon Barcellos, 83, in the city of Cruzeiro, São Paulo state, 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 of the following direct and indirect subsidiaries:

	Country	Core business	% - Direct interest		% - Indirect interest	
			12/31/2020	12/31/2019	12/31/2020	12/31/2019
Iochepe-Maxion S.A. (Parent Company - Cruzeiro)	Brazil	(a) (d) (e)	-	-	-	-
São Paulo Branch	Brazil	-	-	-	-	-
Limeira Branch	Brazil	(b)	-	-	-	-
Limeira Alumínio 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
Iochepe-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
Iochepe 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
Iochepe Holdings, LLC	USA	(g)	-	-	100.00	100.00
Maxion Wheels U.S.A. LLC	USA	(f)	-	-	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 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 Italia S.r.l.	Italy	(c)	-	-	100.00	100.00
Maxion Wheels Konigswinter 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

Iochepe-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

2. Group companies (Continued)

- (*) In consonance with the communication to the market issued on August 13, 2020, the Company decided to restructure its entities located in North America and to consolidate these entities' operations in two plants. This decision resulted in the process to close the activities of Maxion Wheels Akron LLC plant and consequent transfer of such operations to the other plants. As at December 31, 2020, the entity is still in operation.
- (a) Manufacture and sale of heavy steel wheels.
 - (b) Manufacture and sale of light steel wheels for automobiles, pickups, 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 automotive and light structural components (metal stampings from passenger vehicles, hand brank levers, pedal assemblies, welded assemblies, structural parts and other automotive components).
 - (f) Sale of light and heavy wheels.
 - (g) Company that holds controlling interests 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.

At December 31, 2020, investments in joint venture Maxion Montich S.A. representing 50% interests are accounted for under the equity method of accounting.

Interests in associates

Amsted-Maxion Fundição e Equipamentos Ferroviários S.A.

The Company, through its associate Amsted-Maxion Fundição e Equipamentos Ferroviários S.A. ("AmstedMaxion"), located in Cruzeiro, São Paulo state, is engaged in the manufacturing of industrial castings and railroad wheels.

AmstedMaxion, through Greenbrier Maxion Serviços e Equipamentos Ferroviários S.A. ("GreenbrierMaxionFerroviário"), its joint venture located in the city of Hortolândia, São Paulo state, is engaged in the manufacturing and sale of freight cars.

Iochepe-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

2. Group companies (Continued)

Interests in associates (Continued)

Amsted-Maxion Fundição e Equipamentos Ferroviários S.A. (Continued)

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 capital of referred to entity, for the total price of R\$20,093. As such, Amsted Rail Brasil Equipamentos Ferroviários Ltda. and Greenbrier do Brasil Participações Ltda. henceforth hold, respectively, 51% and 29.5% of AmstedMaxionFundição capital, as provided for in the agreement for sale and purchase of shares and other covenants entered into on August 1, 2019. As a result of referred to disposal, the Company reduced its interests in AmstedMaxionFundição to 19.5%, which became its associate, by reason of the significant influence exercised by the Company, evidenced by rights deriving from the shareholders' agreement entered into on April 28, 2017 and amended on November 1, 2019. This investment remains assessed under the equity method. Referred to operations resulted in net loss amounting to R\$992.

DongFeng Maxion Wheels Ltd.

The Company, through its associate DongFeng Maxion Wheels Ltd. ("DongFengMaxion") located in Suizhou, Hubei Province, China, will manufacture and sell aluminum wheels for light vehicles focused on the Chinese market. DongFengMaxion is in pre-operating phase and its operations are planned to commence in the second half of 2021.

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

As at December 31, 2019 and 2020, investments in associates AmstedMaxion and DongFengMaxion, holdings 19.5% and 50% interests respectively, are accounted for under the equity method of accounting.

The main financial statement groups of joint ventures and associates are as follows:

Iochepe-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

2. Group companies (Continued)

	Maxion Montich		AmstedMaxionFundição		DongFengMaxion	
	2020	2019	2020	2019	2020	2019
Statements of financial position						
Current assets	100,899	76,386	99,637	86,832	70,704	59,037
Noncurrent assets	84,529	85,340	348,790	338,227	52,632	11,673
Current liabilities	(120,603)	(110,127)	(144,362)	(108,412)	(5,262)	(1,920)
Noncurrent liabilities	(31,832)	(34,044)	(142,381)	(156,155)	(23,838)	-
Controlling interests	32,926	17,498	82,459	81,851	47,118	34,395
Non-controlling interests	67	57	79,225	78,641	47,118	34,395
Total equity	32,993	17,555	161,684	160,492	94,236	68,790
Statements of comprehensive profit or loss						
Net sales revenue	221,567	212,512	362,799	352,119	-	-
Cost of sales	(204,731)	(193,295)	(302,320)	(314,671)	-	-
Operating expenses	(9,122)	(12,787)	(51,400)	(55,518)	(499)	-
Finance income (costs), net	(1,123)	(33,807)	(11,126)	(17,405)	692	550
Income tax and social contribution	(2,909)	4,057	1,378	2,328	(298)	(80)
Net profit (loss) for the year	3,682	(23,320)	(669)	(33,147)	(105)	470

3. Basis of preparation of the financial statements

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

The accounting practices adopted in Brazil comprise the rules set forth in Brazilian Corporation 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 by the Brazilian Securities and Exchange Commission (CVM).

As there is no difference between consolidated equity and consolidated profit/(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 and 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.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

3. Basis of preparation of the financial statements (Continued)

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 financial instruments measured at their revalued amounts or at fair values at the end of each reporting period. Historical cost is generally based on the fair value of 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 measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating fair value of an asset or 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. Fair value for purposes of measurement and/or disclosure in these consolidated financial statements is calculated 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 of consolidation

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

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

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

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

3. Basis of preparation of the financial statements (Continued)

Basis of consolidation (Continued)

When the Company does not hold the majority of the voting rights in an investee, it will have power over this 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 to confer power on the Company, management considers all significant facts and circumstances, including:

- The size of the Company's holding of voting rights in relation to the size and dispersion holding of the other holders of voting right;
- Potential voting rights held by the Company, by other holders of voting rights or by other parties;
- Rights arising from other agreements;
- Any additional facts or circumstances that indicate that the Company has or does not have the ability to conduct the significant activities when decisions must be made, including voting patterns in prior shareholders' meetings;

The consolidation of a subsidiary begins when the Company obtains control over this subsidiary and ceases when the Company loses control over the subsidiary. All transactions, balances, revenues and expenses, and cash flows between the Company and its investees are eliminated in the consolidated financial statements.

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

Functional and presentation currency

In the preparation of the financial statements of each Group company, transactions in foreign currency, i.e. any currency other than each company's functional currency are recorded at the exchange rates in effect at each transaction date. At the end of each reporting period, monetary assets and liabilities denominated in foreign currency are translated back at the exchange rates in effect at the end of each period. Nonmonetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Nonmonetary items measured at historical cost in foreign currency are not translated back.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

3. Basis of preparation of the financial statements (Continued)

Functional and presentation currency (Continued)

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 to 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 likely to occur (and is, therefore, part of the net investment in the foreign operation), initially recognized in “other comprehensive income” and reclassified from equity to profit and loss upon disposal or partial disposal of the net investment.

For purposes of presentation of these consolidated financial statements, assets and liabilities relating to the Company’s foreign transactions are translated using the exchange rates prevailing at the end of the reporting period. Incomes and expenses are translated using the average exchange rates for the period, unless these exchange rates fluctuate significantly in the period, case in which 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 (attributed to non-controlling interests, as appropriate).

Upon disposal of a foreign operation (i.e. disposal of 100% of the Company’s interest in a foreign operation, or disposal involving loss of control over a subsidiary that includes a foreign transactions or partial disposal of interests in a joint venture or associate that includes a foreign operation in which the interests held become a financial asset), the exchange fluctuation amount accumulated in the reserve for foreign currency translation referring to this operation attributable to Company owners is fully reclassified to profit and loss.

Iochepe-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

3. Basis of preparation of the financial statements (Continued)

Functional and presentation currency (Continued)

Additionally, in case of partial disposal of a subsidiary that includes a foreign operation that does not represent loss of control by the Company over the subsidiary, the proportional shares of the accumulated exchange rate differences are reclassified to non-controlling interests and not recognized in profit and loss.

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

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

Exchange rates

The exchange rates in Brazilian reais (R\$) prevailing at the financial statement reporting date are as follows:

	Closing rate	12/31/2020	12/31/2019
US dollars - US\$		5.1967	4.0307
Euro - €		6.3779	4.5305
	Average rate	12/31/2020	12/31/2019
US dollars - US\$		5.1558	3.9451
Euro - €		5.8922	4.4155

Use of estimates and judgments

In applying the accounting policies described in note 4, management makes judgments and estimates regarding the reported the reported assets and liabilities' carrying amounts, which are not easily obtained from other sources. The estimates and associated assumptions are based on historical experience and on other factors deemed relevant. Actual results may differ from those estimates.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

3. Basis of preparation of the financial statements (Continued)

Use of estimates and judgments (Continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. The effects from the revisions of accounting estimates are recognized in profit and loss for the current year.

Significant areas involving accounting estimates and judgments are as follows:

- Expected credit losses;
- Inventory losses;
- Property, plant and equipment useful life and depreciation method;
- Impairment of goodwill and other nonfinancial assets;
- Income tax and social contribution;
- Provision for labor, tax and civil risks;
- Pension plan obligations;
- Risk and financial instrument management;
- Analysis on whether right-of-use assets are subject to impairment.

Investments in subsidiaries and joint ventures

An associate is an entity over which the Company has significant influence, and which 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, without exercising individual or joint control over these policies.

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

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.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

3. Basis of preparation of the financial statements (Continued)

Consolidation of financial statements

Consolidated financial statements – include the financial statements of the Company and its subsidiaries, for the same reporting period and consistent with the accounting practices adopted by the Company.

The main consolidation criteria include:

- Elimination of intercompany asset and liability balances between the consolidated companies;
- Elimination of the Parent company's interests in equity of its direct and indirect subsidiaries;
- Elimination of intercompany transactions, balances and unrealized gains and losses in intercompany transactions. Unrealized losses are also eliminated, unless the transaction has evidence of impairment of the transferred asset.

4. Summary of significant accounting practices

4.1. Adoption of new and revised IFRSs in effect in the current year

4.1.1. Impact of first-time adoption of amendments relating to Interest Rate Benchmark Reform to IFRS 9, IAS 39 and IFRS 7 (CPC 38, CPC 40 R1 and CPC 40)

Interbank offered rates (IBORs) are reference interest rates such as London Interbank Offered Rate (LIBOR), European Interbank Offered Rate (EURIBOR) and Tokyo Interbank Offered Rate (TIBOR). However, recent discussions in the market questioned the long-term viability of these benchmarks. In September 2019, IASB issued the Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39 and IFRS 7), which requires assessment of any pre-reform impact on projections of cash flows based on reference rates, mostly in hedging operations and hedge accounting.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

4. Summary of significant accounting practices (Continued)

4.1. Adoption of new and revised IFRSs in effect in the current year (Continued)

4.1.1. Impact of first-time adoption of amendments relating to Interest Rate Benchmark Reform to IFRS 9, IAS 39 and IFRS 7 (CPC 38, CPC 40 R1 and CPC 40) (Continued)

These amendments have no impact on the individual and consolidated financial statements since the Company has no interest rate hedging relationships nor does it apply hedge accounting. However, management has been carefully analyzing the agreements in effect and estimates pegged to reference interest rates in order to apply the reform as from the year beginning on January 1, 2021, as established by the standard.

4.1.2. Impact of first-time application of Amendment to IFRS 16 (CPC 06 R2) – Covid-19-Related Rent Concessions

In May 2020, the IASB issued standard Covid-19-Related Rent Concessions (amendments to IFRS 16/CPC 06 R2), which establishes measures for lessees to account for rent concessions occurring as a direct result of COVID-19, in introducing a practical expedient for IFRS 16 (CPC 06 R2), which allows lessees to choose not to assess whether the rent concession or benefits granted by the lessor relating to COVID-19 configure as a lease change.

The practical expedient applies only to rent concessions and benefits occurring as a direct result of COVID-19 and only if all of the following conditions are met:

- (a) The change in lease payments results in reviewed lease consideration that is substantially the same as, or lower than, the lease consideration immediately prior to the change;
- (b) Any reduction in lease payments affects only payments originally due on or before June 30, 2021 (a rent concession meets this condition if it results in lower lease payments on or before June 30, 2021 and higher lease payments after June 30, 2021); and

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

4. Summary of significant accounting practices (Continued)

4.1. Adoption of new and revised IFRSs in effect in the current year (Continued)

4.1.2. Impact of first-time application of Amendment to IFRS 16 (CPC 06 R2) – Covid-19-Related Rent Concessions (Continued)

(c) There is no significant change in the other lease terms and conditions.

This amendment had no impact on the Company's individual and consolidated financial statements.

4.1.3. Impact of first-time adoption of other new and amended IFRSs in effect in the current year

In the current year, the Company adopted the following amendments to IFRS standards and interpretations issued by the IASB effective for annual periods beginning on or after January 1, 2020. Adoption of these standards and interpretations had no significant impact on the disclosures or amounts disclosed in these financial statements:

- Amendments to References to the Conceptual Framework in IFRS standards;
- Amendments to IFRS 3 – Business Definition, which clarify the concept of businesses as generators of products based on a substantive process with application of at least one input.
- Amendments to IAS 1 and IAS 8 – Definition of Material, which facilitate the understanding of the definition of the term “material” and of the concept of materiality, and present new concepts such as ‘omission’ of material information and immaterial information, thus ensuring greater definition consistency.

4.2. New and revised IFRSs issued and not yet applicable

At the date when these financial statements were authorized for issue, management adopted no new or revised IFRSs already issued and not applicable yet, as follows:

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

4. Summary of significant accounting practices (Continued)

4.2. New and revised IFRSs issued and not yet applicable (Continued)

- 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 IAS 1 – Classification of Liabilities into Current and Non-Current;
- Amendments to IFRS 3 – References to the Conceptual Framework;
- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds Before Intended Use;
- Amendments to IAS 37 – Onerous Contracts – Costs of Fulfilling a Contract;

Management does not expect that the adoption of the standards above will have a significant impact on the Company's financial statements in future periods.

4.3. Significant accounting policies

a) General principles and revenue recognition criteria

IFRS 15 (CPC 47) establishes a five-step model for recognizing revenue earned from a contract with a customer and requires that revenue be recorded in an amount that reflects the consideration that the entity expects to receive in exchange for the transfer of assets or services to a customer.

IFRS 15 (CPC 47) requires that the Company exercise judgment, taking into consideration all significant facts and circumstances in applying each step of the model to contracts with its customers.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

4. Summary of significant accounting practices (Continued)

4.3. Significant accounting policies (Continued)

a) General principles and revenue recognition criteria (Continued)

Revenue from product sales

Revenue is recognized to the extent that economic benefits are likely to flow to the Company and when it can be reliably measured, irrespective of when payment is received. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and taxes or charges on sales. The Company measures revenue transactions in accordance with specific criteria to determine whether it is acting as an agent or a principal and eventually concluded that it has been acting as a principal in all its revenue agreements.

The Company provides no guarantee other than the guarantee set forth by law, in line with the industry practice.

Sales revenue is recognized when the Company transfers control over the asset to the customer, which usually occurs upon delivery. Receivables are usually collected within 30 to 90 days after the delivery date.

Rebates per volume

The Company offers rebates per volume retrospectively to certain customers when the quantity of goods acquired in the period exceeds a limit specified by contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration of expected future discounts, the Company applies the most likely amount method for contracts with a single volume limit and the expected amount method for contracts with more than one volume limit. The method selected that best forecasts the variable consideration amount is leveraged mainly by the number of volume limits established in the contract. Subsequently, the Company applies the requirements on restrictive estimates of variable consideration and recognizes a replacement liability for expected future rebates.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

4. Summary of significant accounting practices (Continued)

4.3. Significant accounting policies (Continued)

a) General principles and revenue recognition criteria (Continued)

Provision of services

Revenue from tooling manufacture is recognized based on percentage of completion. Construction progress is measured based on the raw materials and working hours incurred up to a cut-off date, as a percentage 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 costs incurred may be recovered. This is generally observed in the initial manufacture phases, when tooling is subject to customer quality testing.

b) Cash and cash equivalents

Comprise cash, bank deposits and highly liquid short-term investments maturing within up to 90 days from investment date, immediately convertible into a known cash amount, subject to an insignificant risk of change in value, which are recorded at cost plus yield earned until 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.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

4. Summary of significant accounting practices (Continued)

4.3. Significant accounting policies (Continued)

c) Trade receivables (Continued)

The Company measures provision for expected credit losses at an amount equivalent to the expected credit loss on outstanding trade receivables. Expected credit losses on trade receivables are estimated considering the debtor's default history and analyzing the debtor's current financial position, adjusted based on specific debtor-related factors, economic conditions of the sector in which the debtor operates and an assessment of the current course of business and of projected conditions at reporting date. The Company records provision for losses for 100% of accounts receivable overdue for more than 180 days, since the historical experience indicates that these receivables may not usually be recovered.

d) Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost deducted from equity. No gain or loss is recognized in the statement of profit or loss upon purchase, sale, issue or cancellation of 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 net realizable value and probable losses, when applicable. The average cost includes expenses incurred upon acquisition, costs of production and transformation and other costs incurred to bring the inventories to the locations and selling conditions. In the case of manufacture inventories and products in process, cost includes a portion of manufacturing overhead base on normal operating capacity.

The net realizable value corresponds to the estimated selling price in the normal course of business, less estimated costs of completion and selling expenses.

The Company and its subsidiaries make estimates to determine the allowance for losses on inventories, in an amount deemed sufficient to cover probable losses on inventories, using the criteria presented below.

Iochepe-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

4. Summary of significant accounting practices (Continued)

4.3. Significant accounting policies (Continued)

e) Inventories (Continued)

The allowance for losses on slow-moving inventories is recognized based on a policy defined by management, which takes into consideration the history of consumption on an item-by-item basis in the past 12 months as compared with the balance of inventories existing at the financial statements' closing date. For the quantities that exceeded the historical consumption for the past 12 months and are not expected to be sold or used in the future, allowance for inventory losses is recognized as the difference between their carrying amount and their recoverable amount.

f) Property, plant and equipment ("PPE")

Recognition and measurement

Property, plant and equipment items are recognized at acquisition or construction cost and, when applicable, interest capitalized over the construction period, for the cases of qualifying assets, net of accumulated depreciation and allowance for impairment losses on discontinued assets without expectation of reuse or realization.

Property, plant and equipment includes, when applicable, all expenses that may be allocated to the items during their construction phase and/or pre-operating test 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 for the regular operation of property, plant and equipment items and which result in an increase to the useful life of these items in a period over 12 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.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

4. Summary of significant accounting practices (Continued)

4.3. Significant accounting policies (Continued)

f) Property, plant and equipment (Continued)

Depreciation

Depreciation is calculated on the amount subject to such depreciation, which is the purchase cost or another cost value, less residual value.

Depreciation is recognized in profit and loss on a straight-line basis, based on the estimated useful life of each component of each part of a property, plant and equipment item, as this is the method that more closely reflects the pattern of consumption of the future economic benefits embodied in the asset. Land and construction in progress are not subject to depreciation.

Depreciation methods, useful lives and residual values are reviewed at each financial year closing date, and any adjustments thereto are recognized as changes in accounting estimates.

Depreciation is recognized in order to write off in accounting the assets' cost or valuation, except land and construction in progress, less residual value based on annual useful life, 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

Finite-lived intangible assets acquired separately are recorded at cost, less amortization and, when applicable, accumulated impairment losses. Amortization is recognized on a straight-line basis over the estimated useful life of the assets. The estimated useful life and the amortization method are reviewed at each year end, and the effect of any changes in estimates is accounted for prospectively. Indefinite-lived intangible assets acquired separately are recorded at cost, less impairment losses, when applicable.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

4. Summary of significant accounting practices (Continued)

4.3. Significant accounting policies (Continued)

g) Intangible assets (Continued)

These comprise (i) trademarks; (ii) land use rights; (iii) software licenses, including corresponding expenses with implementation; (iv) customer portfolios acquired from third parties; and (v) goodwill on acquisition of subsidiaries. Indefinite-lived intangible assets, substantially comprised of goodwill amounts paid upon acquisition of subsidiaries, are annually tested for impairment and/or when there are indications that they might be impaired.

Trademark "Hayes Lemmerz" was an asset identified in process of acquiring subsidiary Maxion Wheels.

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

Software use licenses, including corresponding expenses with implementation, and corporate management systems acquired are capitalized and amortized also over the estimated life of the assets, and expenses associated with maintenance of these licenses are recorded as expenses, when incurred.

Customer portfolio acquired from third parties was identified in the process of acquisition of subsidiary Maxion Wheels and has a remaining useful life to be fully amortized until January 31, 2033.

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

Iochepe-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

4. Summary of significant accounting practices (Continued)

4.3. Significant accounting policies (Continued)

h) Impairment of assets

Assets

The Company and its subsidiaries annually assess whether there is evidence that the carrying amount of an asset might be impaired. In case such evidence is identified, the recoverable amount of the asset is estimated. The recoverable amount of an asset is the higher of:

- (i) Its fair value less costs incurred to sell this asset;
- (ii) Its value in use. Value in use is equivalent to pretax discounted cash flows arising from the asset's continuous use.

When the residual value of the asset exceeds the recoverable amount, a, impairment loss is recognized.

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

Goodwill

Goodwill is not amortized but is subject to impairment testing at least annually. For impairment purposes, goodwill is allocated to each of the Company's cash-generating unit that will benefit from the combination synergies. The cash-generating units to which goodwill was allocated are annually subject to impairment testing or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is lower than book value, impairment losses are firstly allocated to reduce the book value of goodwill allocated to the unit and subsequently to the other assets of the unit, in proportion to the book value of each asset. Upon disposal of the cash-generating unit, the amount attributable to goodwill is included in the calculation of profit or loss.

Iochepe-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

4. Summary of significant accounting practices (Continued)

4.3. Significant accounting policies (Continued)

h) Impairment of assets (Continued)

Financial assets (including receivables)

Financial assets not measured at fair value through profit or loss are assessed at year end to identify whether there is objective evidence of impairment.

i) Borrowing costs

Borrowing costs directly attributable to acquisition, construction or production of qualifying assets, which take a substantial period of time to be ready for their intended use or sale, are included in the cost of these assets until the date when ready for their intended use or sale.

Gains on temporary investment of the funds obtained from specific borrowings not yet spent with the qualifying asset are deducted from borrowing costs eligible for capitalization. All other borrowing costs are recorded in profit and loss for the year when incurred.

j) Provisions

General considerations

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 a provision will be reimbursed, in whole or in part, under an insurance agreement for instance, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is stated in the statement of profit and loss, net of any reimbursements.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

4. Summary of significant accounting practices (Continued)

4.3. Significant accounting policies (Continued)

j) Provisions (Continued)

Provision for tax, civil and labor risks

The Company is 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.

Assessment of the likelihood of loss includes an evaluation of available evidence, the hierarchy of laws, available case rulings, most recent court decisions and their relevance in the legal system, as well as the opinion of external legal advisors. The provisions are reviewed and adjusted to take into account changes in circumstances, such as the applicable statute of limitations, outcomes of tax inspections, or additional exposures that may be identified based on new matters or court rulings.

Restructuring

A provision is recorded when the Company designs a formal detailed restructuring plan in line with its business guidelines and there is a valid expectation that the restructuring will begin upon implementation of the plan or announcement of its main aspects. Measurement of the provision for restructuring includes only direct restructuring costs and not costs associated with the entity's ongoing activities.

k) Pension benefit plan and post-employment healthcare 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. In addition, the Company grants certain post-employment healthcare benefits to executive-level employees. These benefits are funded on a cash basis. The cost of the benefit granted under the defined benefit plan is established separately for each plan, using the projected unit credit method.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

4. Summary of significant accounting practices (Continued)

4.3. Significant accounting policies (Continued)

k) Retirement benefits and other post-employment benefits (Continued)

Defined-benefit plan and post-employment health benefits (Continued)

Measurements comprising actuarial gains and losses, the effect of the assets' limit, less interest, and the return on plan assets (less net interest) are promptly recorded in the statement of financial position, and corresponding debit or credit charged to "Retained earnings" through other comprehensive income in the period in which they occur. Measurements are not reclassified to profit and loss in subsequent periods.

Net interest is calculated applying the discount rate to the asset or liability relating to the net defined benefit. The Company recognizes the following variations in the net defined benefit obligation in the consolidated statement of profit or loss:

- Services costs, comprising current costs of services, costs of past services, gains and losses deriving from a significant decrease in the expected working period and unusual settlements.
- Interest income/expenses, net.

Defined-contribution plan

Payments to defined contribution plants are recognized as expenses in profit and loss when the services that grant the right to these payments are provided. In the Company's case, the defined contribution plan is represented by an open plan characterized by fixed contributions subject to no actuarial risk or legal or constructive obligation of the Company to pay additional amounts.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

4. Summary of significant accounting practices (Continued)

4.3. Significant accounting policies (Continued)

l) Employee benefits

Profit sharing

The Company and its subsidiaries recognize a liability and an expense relating to employee profit sharing, which is linked to achievement of operating targets and specific objectives, established and approved at the beginning of each year. The Company and its subsidiaries recognize a provision when they are contractually obligated or there is a past practice that gave rise to a constructive obligation.

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

Share-based payment

For plan members, fair value of share options granted determined at grant date is recorded on a straight-line basis as expenses in profit and loss for the year over the vesting period, based on Company estimates on which options granted will become eventually vested, with a corresponding increase in equity.

At year end, the Company reviews its estimates concerning the number of equity instruments to be vested and the impact of this review in relation to the original estimates, if any, is recorded in profit and loss for the year, so that the accumulated expense reflects the reviewed estimates and the corresponding equity adjustment is recorded in "Recognized options granted", which recorded the employee benefits.

The Company and its subsidiaries also have a long-term incentive plan, whose beneficiaries are entitled to premiums in cash by reference to appreciation of Company shares in stock exchanges; and to return on capital invested in the Company.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

4. Summary of significant accounting practices (Continued)

4.3. Significant accounting policies (Continued)

m) Taxes

Current income tax and social contribution

Current tax assets and liabilities for the last 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 and social contribution taxes related to items posted directly to equity are recognized in equity. Management periodically assesses the positions assumed in income tax returns concerning situations in which applicable tax regulations are subject to different interpretations and records provisions, when applicable, based on the amounts expected to be paid to the tax authorities.

Deferred taxes

Deferred taxes arise from temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are recognized on all temporary taxable differences, when applicable.

Deferred tax assets are recognized on all temporarily deductible differences, unused tax losses or credits to the extent that taxable profit is likely to be available so that temporarily deductible differences may be realized, and unused tax credits and losses may be used.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and written off to the extent that taxable profit is no longer likely to be available to allow deferred tax assets to be fully or partially used. Deferred tax assets written off are reviewed at each statement of financial position date and are recognized to the extent future taxable profit is likely to allow such deferred tax assets to be recovered.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

4. Summary of significant accounting practices (Continued)

4.3. Significant accounting policies (Continued)

m) Taxes (Continued)

Deferred taxes (Continued)

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 legislation) in force at the statement of financial position date.

Deferred taxes relating to items recognized directly in equity are also recorded in equity rather than in the statement of profit or loss. Deferred tax items are recognized in accordance with the transaction that originated these taxes, in comprehensive income or directly in equity.

Deferred tax assets and liabilities are presented net when there is a legal or constructive right to offset tax assets against tax liabilities, and deferred taxes relate to the same taxpaying entity and subject to the same tax authority.

n) Earnings (loss) per share

Basic earnings (loss) per share are calculated by means of net income (loss) attributable to controlling and non-controlling interests of the Company and the weighted average of common shares outstanding in the respective year.

Diluted earnings (loss) per share are calculated by means of referred to weighted average of outstanding common shares, adjusted for the stock option plan, with a dilutive effect on the years presented.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

4. Summary of significant accounting practices (Continued)

4.3. Significant accounting policies (Continued)

o) Financial instruments

Financial assets

Classification

The Company classified its financial assets into (i) amortized cost; and (ii) fair value through profit or loss. These classifications are based on the business model adopted for asset management and on the characteristics of contractual cash flows.

i) Amortized cost

Financial assets held within a business model whose purpose is to hold financial assets in order to receive contractual cash flows are recorded at amortized cost. These flows are received on specific dates and constitute solely payment of principal and interest. The following are examples of assets classified into this category: Trade receivables and Other receivables.

ii) Fair value through profit or loss

The following assets are recorded at fair value through profit or loss: (i) assets that do not fall into the business models through which they could be classified at amortized cost or fair value through other comprehensive income (loss); (ii) equity instruments designated at fair value through profit or loss; and (iii) financial asset that are managed in order to obtain cash flow from the sale of assets. The following is an example of assets classified into this category: Derivative financial instruments.

Initial measurement

Upon initial recognition, the Company measures its financial assets and liabilities at fair value, considering transaction costs attributable to the acquisition or issue of the financial asset or financial liability. Trade receivables are initially measured at transaction price.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

4. Summary of significant accounting practices (Continued)

4.3. Significant accounting policies (Continued)

o) Financial instruments (Continued)

Financial assets (Continued)

Subsequent measurement

Assets are subsequently measured as follows:

i) Amortized cost

These assets are accounted for using the effective interest rate method less expected credit losses. In addition, the principal amount paid is considered for amortized cost calculation purposes.

ii) Fair value through profit or loss

Assets classified within this business model are accounted for through recognition of gains and losses in profit and loss for the period.

(iii) Impairment of financial assets

The Company recognizes a provision for expected credit losses on accounts receivable. The Company measures provision for losses for a financial instrument in an amount equivalent to expected credit loss over the useful life if credit risk relating to this financial instrument increased significantly as from initial recognition, or if the financial instrument corresponds to a financial asset subject to impairment acquired or originated. The Company uses the simplified approach for measuring provision for losses in an amount corresponding to lifetime expected losses for accounts receivable, contract assets and lease amounts receivable in certain circumstances.

From among the financial assets held by Company, trade receivables are subject to recognition of provision for impairment (Note 6). The activities of the Company and its subsidiaries are organized in the automotive segment, and the vast majority of their accounts receivable are from carmakers, reason why loss on receivables in 2020 represented 0.34% of the consolidated revenue.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

4. Summary of significant accounting practices (Continued)

4.3. Significant accounting policies (Continued)

o) Financial instruments (Continued)

Financial liabilities

Classification

Company financial liabilities are classified into:

- (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 accounts payable). Company financial liabilities are accounts payable, loans, financing and debentures, and financial guarantee agreements. The Company engaged in no transactions involving derivative financial instruments.

Subsequent measurement

Liabilities are subsequently measured as follows:

i) Amortized cost

Liabilities classified as amortized cost are accounted for using the effective interest rate method, whereby gains and losses are recorded in profit and loss upon write-off of the liabilities and recognition of amortization.

ii) Fair value through profit or loss

Liabilities classified as fair value through profit or loss are accounted for by recognizing gains and losses in profit and loss for the period.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

4. Summary of significant accounting practices (Continued)

4.3. Significant accounting policies (Continued)

o) Financial instruments (Continued)

Financial liabilities (Continued)

Subsequent measurement (Continued)

ii) Fair value through profit or loss (Continued)

Classification is summarized as follows:

<u>Financial assets/liabilities</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

Impacts of COVID-19

On the date of these financial statements, in all our industrial units, we are operating at an output capacity that is in line with our customers' demand, and we have adopted additional safety measures, such as providing individual protection equipment, measuring body temperature at the entrance of the units, providing hand sanitizers, adjusting employee transportation and restaurants for greater distancing between people, and cleaning common areas more thoroughly and frequently.

In order to keep all employees and their families safe and fight the spread of COVID-19, protocols were adopted in accordance with the guidelines of the relevant authorities in each location where the Company operates. Additionally, national and international travel has been canceled, face-to-face meetings have been replaced with videoconference calls, third party access to the Company's units has been restricted, and work schedules have been adjusted in order to avoid the concentration of people in the same environment.

Iochepe-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

4. Summary of significant accounting practices (Continued)

Impacts of COVID-19 (Continued)

In this scenario, we significantly maintained Company liquidity, reviewed production volumes, adjusted the purchase of raw materials and implemented actions to reduce costs and expenses.

In analyzing the results of the year ended December 31, 2020, management believes that, for the significant aspects of the pandemic, the Company implemented appropriate measures to mitigate potential impacts on liquidity, operations and Company assets.

In the second quarter of 2020, the impairment test on the assets of subsidiaries Maxion Wheels Akron LLC and Maxion Wheels do Brasil resulted in the need to record allowance for losses amounting to R\$29,621 (R\$21,826 in Property, plant and equipment and R\$7,795 in inventories) and R\$3,042, respectively.

The Company continues monitoring the development of Covid-19, adopting necessary measures and reiterating our commitment with the safety of all employees, customers and other stakeholders.

5. Cash and cash equivalents

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Cash and banks:				
In Brazil	26,671	18,405	29,797	21,262
Abroad	-	-	909,921	320,975
	26,671	18,405	939,718	342,237
Highly liquid short-term investments:				
In Brazil	643,134	245,448	644,251	246,720
Abroad	-	-	21,470	57,180
	643,134	245,448	665,721	303,900
Total	669,805	263,853	1,605,439	646,137

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

5. Cash and cash equivalents (Continued)

Operations	Average profitability at 12/31/2020	Liquidity	Country	Parent		Consolidated	
				12/31/2020	12/31/2019	12/31/2020	12/31/2019
Bank Deposit Certificate (CDB)	99.9% CDI	Immediate	Brazil	626,368	78,682	627,485	79,954
Debentures under repurchase agreements	92.0% CDI	Immediate	Brazil	16,766	166,766	16,766	166,766
Investment in Mexican pesos	6.1% p.a.	Immediate	Mexico	-	-	194	6,661
Investment in US dollars	-	Immediate	Mexico	-	-	-	135
Investment in Euros	-	Immediate	Turkey	-	-	-	21,746
Investment in US dollars	-	Immediate	Turkey	-	-	-	13,556
Investment in Turkish liras	19.0% p.a.	Immediate	Turkey	-	-	21,276	15,082
Total				643,134	245,448	665,721	303,900

6. Trade receivables

a) Breakdown

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
In Brazil	263,879	218,408	286,808	234,991
Abroad	8,990	12,268	1,117,029	787,053
Related parties (Note 10.b)	64,492	37,018	20,997	17,573
Allowance for expected credit losses	(6,415)	(2,883)	(18,880)	(9,967)
Total	330,946	264,811	1,405,954	1,029,650

Changes in the allowance for expected credit losses

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Balance at beginning of the year	(2,883)	(2,893)	(9,967)	(14,103)
Recovered amounts	3,230	7,050	16,417	16,416
Amounts written-off as uncollectible	801	326	4,782	1,470
Allowance for increases	(7,563)	(7,366)	(26,783)	(12,938)
Exchange rate changes	-	-	(3,329)	(812)
Balance at the end of the year	(6,415)	(2,883)	(18,880)	(9,967)

The increase in the allowance for expected credit losses is mostly due to future perspective due to the current uncertainties.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

6. Trade receivables (Continued)

b) Aging list

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Current	289,229	215,984	1,276,470	907,508
Past-due:				
1 to 30 days	28,961	39,408	98,085	88,810
31 to 60 days	2,490	3,415	13,682	16,807
61 to 90 days	1,601	1,065	6,900	8,271
91 to 180 days	3,761	4,152	9,128	10,114
Above 180 days	11,319	3,670	20,569	8,107
Total	337,361	267,694	1,424,834	1,039,617

7. Inventories

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Finished products	50,447	61,027	501,504	376,815
Work-in-process and semi-finished products	105,486	63,813	345,534	262,132
Tooling for resale in process	39,856	25,382	99,474	88,978
Raw materials	121,733	77,026	423,486	318,360
Auxiliary and packaging materials	81,071	76,154	425,880	318,026
Advances to suppliers	34,976	10,287	56,699	27,906
Imports in transit	2,701	3,424	7,327	3,861
Allowance for inventory losses (i)	(19,844)	(20,841)	(111,407)	(67,608)
Total	416,426	296,272	1,748,497	1,328,470

(i) The impairment test of the subsidiary Maxion Wheels Akron LLC's assets resulted in the need to recognize an additional allowance amounting to R\$7,795.

Changes in the allowance for inventory losses

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Balance at beginning of the year	(20,841)	(22,533)	(67,608)	(65,755)
Variations	997	1,692	(27,390)	(358)
Exchange rate changes	-	-	(16,409)	(1,495)
Balance at the end of the year	(19,844)	(20,841)	(111,407)	(67,608)

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

8. Recoverable taxes

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Income Tax (IRPJ) and Social Contribution on Net Profit (CSLL)	27,778	22,888	77,132	89,158
State VAT (ICMS)	26,077	15,172	31,829	21,199
Federal VAT (IPI)	445	305	747	653
Export tax credits - Brazilian Special Regime for Reinstatement of Taxes for Exporters (REINTEGRA)	3,259	3,068	4,441	4,224
Contribution Tax on Gross Revenue for Social Security Financing (COFINS)	5,518	2,575	105,573	99,739
Contribution Tax on Gross Revenue for Social Integration Program (PIS)	1,141	575	22,857	21,663
Other	728	1,009	1,939	2,784
Value Added Tax (VAT) - foreign subsidiaries				
Mexico	-	-	70,732	67,082
Turkey	-	-	33,635	17,724
India - Aluminum	-	-	28,111	50,837
Germany	-	-	7,900	4,039
Other countries	-	-	6,950	11,246
Total	64,946	45,592	391,846	390,348
Current	51,571	42,451	239,884	223,589
Noncurrent	13,375	3,141	151,962	166,759

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

9. Income tax and social contribution

a) Deferred taxes

The deferred income tax and social contribution recognized in noncurrent assets and liabilities are broken down as follows:

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Tax losses carryforwards	109,198	97,055	253,642	201,326
Social contribution losses carryforwards	44,343	39,582	61,723	51,856
Provision for labor, tax and civil risks	21,309	16,338	35,597	31,571
Accrued profit sharing	2,791	14,530	2,791	14,530
Credit of payments made abroad	55,448	43,921	55,448	43,921
Allowance for inventory losses	6,747	7,086	17,429	16,250
Allowance for expected credit losses	2,450	1,428	13,266	10,416
Allowance for accrued actuarial liabilities	-	-	115,089	83,623
Intellectual property	-	-	81,903	65,863
Deferred tax on surplus value	16,775	15,462	16,775	15,462
Depreciation and amortization difference	(95,976)	(91,274)	(362,291)	(318,022)
Deemed cost - property, plant and equipment - CPC 27	(33,604)	(36,625)	(33,604)	(36,625)
Tax amortization of goodwill	(40,465)	(40,465)	(40,465)	(40,465)
Other	7,177	8,037	26,673	(7,626)
Total	96,193	75,075	243,976	132,080
Deferred tax assets, net	96,193	75,075	419,156	306,628
Deferred tax liabilities, net	-	-	(175,180)	(174,548)

Breakdown of credits on tax losses carryforwards – consolidated

	12/31/2020	12/31/2019
Iochope-Maxion S.A. (parent)	153,541	136,637
Iochope Holdings, LLC and subsidiaries	161,824	116,545
Total	315,365	253,182

Iochepe-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

9. Income tax and social contribution (Continued)

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

Country	Amount (iii)	12/31/2020		12/31/2019
		Statute of Limitation	Limit per year	Amount (iii)
United States of America - Federal (i)	972,776	2030 to 2038	(iv)	627,574
United States of America - State (i)	299,207	2021 to 2036	(ii)	470,751
China (i)	45,118	2021 to 2024	-	65,296
Spain (i) (v)	199,281	No limitation	25% to 50%	25,659
South Africa (i)	132,750	No limitation	No limitation	97,705
Thailand (i)	51,114	2021 to 2025	No limitation	20,976
Austria (i)	71,978	No limitation	75%	33,171
India (i)	142,945	2026 to 2028	No limitation	29,781
Total	<u>1,915,169</u>			<u>1,370,913</u>

(i) Since there are no sufficient taxable profit projections, deferred income tax credits were not recorded in referred subsidiaries.

(ii) Depends on the State where the deferred tax credits were computed.

(iii) Tax credits on unrecognized tax loss carryforwards translated at the closing exchange rate at such date.

(iv) Federal tax losses are subject to various use rules in accordance with local tax law relating to the year in which each loss was generated and to taxable profit.

(v) As at December 31, 2020, the Company reassessed the realization of deferred taxes on tax losses and, since there are no sufficient taxable profit projections, reversed deferred tax asset amounting to R\$161,664 referring to tax loss carryforwards of prior years.

Based on taxable profit projections annually approved by Management, the Company expects to recover tax credits arising from income and social contribution tax losses recorded in the consolidated financial statements at December 31, 2020 as follows:

	R\$
2021	20,622
2022	20,275
2023	31,453
2024	41,528
2025	60,741
2026 to 2030	140,746
Total	<u>315,365</u>

9. Income tax and social contribution (Continued)

The estimated recovery of tax credits was based on taxable profit forecasts, taking into consideration financial and business assumptions.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

This analysis considered the impacts generated by the pandemic on Company operations and profitability in 2020 and respective reflexes in subsequent years. The negative impact in 2020 and estimated effects for the following years were adjusted in the projections as identifiable causes not likely to occur again, in accordance with CPC 32. The projections also comprise the business and financial restricting strategies included in the Company's global operation plan.

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

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Profit (loss) before income tax and social contribution	(516,049)	361,669	(417,707)	506,351
Combined rate - %	34	34	34	34
Income tax and social contribution credit (expense) at combined rate	175,457	(122,967)	142,020	(172,159)
Share of profit (loss) of subsidiaries	(140,869)	62,107	695	(8,127)
Nondeductible expenses	(7,184)	(1,706)	(34,447)	(18,409)
Unrecognized tax credit on temporary differences and tax loss carryforwards	-	-	(78,907)	13,659
Deferred taxes recognized on brand	-	-	19,254	-
Taxes on foreign declared dividends paid	-	-	(16,637)	(19,548)
Tax rate difference of foreign subsidiaries	-	-	(16,794)	26,211
Tax incentives from subsidiaries	3,151	-	37,561	19,385
Effects of the translation from local into functional currency	-	-	(34,836)	(5,635)
Intellectual property (i)	-	-	-	65,863
Benefits from technology innovation projects	714	3,483	714	3,483
Credit on tax payments	-	27,518	-	27,518
Tax benefit related to Interest on equity	-	9,587	-	9,587
Other	(7,000)	(2,256)	(20,830)	(26,764)
Income tax and social contribution credit (expenses) in profit or loss	24,269	(24,234)	(2,207)	(84,936)
Current	3,151	(23,145)	(88,573)	(178,240)
Deferred	21,118	(1,089)	86,366	93,304

- (i) At March 31, 2019, Maxion Wheels USA LLC ("MW USA") transferred its intellectual property assets to Maxion Wheels Holding GmbH ("Holding Company") in order to assign the ownership of such assets to the legal entity that will develop the functional activities and concentrate the development and maintenance costs of the assets at issue. The transfer between the entities was carried out at market value and generated a capital gain in the amount of US\$50.5 million for MW USA, which was fully offset against the tax loss balance of this entity. The difference between the tax amount and the book value of the contribution of the assets resulted in the accounting recognition of a deferred income tax asset in the receiving entity, Holding Company, which - according to local accounting rules - will be amortized over fifteen years, as from 2019.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

10. Related parties

a) Management compensation

	<u>12/31/2020</u>	<u>12/31/2019</u>
Board of Directors and Statutory Officers	14,110	19,086
Key Management personnel (salaries and benefits)	93,615	65,676
Profit sharing agreed in Brazil (bonuses)	-	15,699
Profit sharing agreed abroad (bonuses)	1,731	15,709

The Company made contributions to the private pension plan totaling R\$1,342 (R\$1,168 in 2019) 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 the statutory officers and key management personnel are described in note 23.

b) Related-party transactions

Wheel and structural component sale transactions were performed in the normal course of business of the Company, its subsidiaries, associates and joint ventures. These transactions were carried out under prices, terms and payment conditions established among the parties, as if such transactions had been performed with non-related entities. The settlement terms of these transactions range from 30 to 45 days, according to the conditions established between the parties and in compliance with the other Company transactions. These transactions include, among others, loan agreements and provision of guarantees under the terms detailed below:

Iochepe-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

10. Related parties (Continued)

b) Transactions with related parties (Continued)

b.1) *Parent*

	12/31/2020					
	Assets		Liabilities		Profit or loss	
	Trade receivables	Loan (i)	Trade payables	Other payables	Sales	Purchases
Amsted-Maxion Fundação e Equipamentos Ferroviários S.A. (i)	3,547	-	-	-	56,405	-
Iochepe Holdings, LLC and subsidiaries	39,642	-	-	-	138,943	616
Maxion Wheels de Mexico, S. de R.L. de C.V.	3,853	-	-	-	15,284	2,988
Maxion Montich S.A.	17,450	-	107	-	34,509	-
Total	64,492	-	107	-	245,141	3,604

	12/31/2019					
	Assets		Liabilities		Profit or loss	
	Trade receivables	Loan	Trade payables	Other payables	Sales	Purchases
Amsted-Maxion Fundação e Equipamentos Ferroviários S.A.	417	4,897	-	-	29,249	-
Iochepe-Maxion Austria GmbH (ii)	-	-	-	31,714	-	-
Iochepe 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	-
Total	37,018	4,897	2,256	31,714	219,300	8,110

(i) On May 29, 2020, the amount referring to the intercompany loan agreement with AmstedMaxion was received.

(ii) In 2019, this transaction refers to the capital increase to be paid in subsidiary Iochepe-Maxion Austria amounting to €7,000 thousand (Note 11.b item (i)). This increase, approved on December 20, 2019, was partially paid in the amount of €3,438. As at January 31, 2020, the Company decreased capital of the remaining unpaid portion in the amount of €3,562.

Iochepe-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

10. Related parties (Continued)

b) Related-party transactions (Continued)

b.2) *Consolidated*

	12/31/2020			Profit or loss Sales
	Assets		Liabilities	
	Trade receivable	Loan (i)	Trade payables	
Amsted-Maxion Fundação e Equipamentos Ferroviários S.A.	3,547	-	-	56,405
Maxion Montich S.A.	17,450	-	107	34,509
Total	20,997	-	107	90,914

	12/31/2019			Profit or loss Sales
	Assets		Liabilities	
	Trade receivable	Loan	Trade payables	
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
Total	17,573	4,897	-	66,867

(i) On May 29, 2020, the amount referring to the intercompany loan agreement with AmstedMaxion was received.

c) Sureties and guarantees granted

Through its parent company, the Company keeps the following amounts as sureties and guarantees on transactions carried out by its subsidiaries and joint ventures, basically related to the borrowings and financing disclosed in note 15:

Subsidiaries	12/31/2020	12/31/2019
Ingenieria y Maquinaria de Guadalupe, S.A. de C.V.	267,604	296,408
Iochepe Holdings, LLC and subsidiaries	2,369,922	1,448,819
Joint Ventures	12/31/2020	12/31/2019
Maxion Montich do Brasil Ltda.	11,312	24,960

Iochepe-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

10. Related parties (Continued)

d) Intercompany loans

The subsidiaries perform intercompany loan transactions, as presented below. The payment rates, conditions and terms are entered into as if the entities operated as separate companies. The amounts are used by the borrower to supply working capital requirements.

Lender	Borrower	Nature	12/31/2020		
			Rate	Currency	Total
Short term					
Iochepe-Maxion Austria GmbH	Maxion Wheels Czech s.r.o.	Working capital	2.274%	EUR	4,000 thousand
Iochepe-Maxion Austria GmbH	Maxion Wheels Czech s.r.o.	Working capital	2.574%	CZK	27,343 thousand
Maxion Wheels Czech s.r.o.	Iochepe-Maxion Austria GmbH	Working capital	2.274%	EUR	3,614 thousand
Maxion Wheels Czech s.r.o.	Iochepe-Maxion Austria GmbH	Working capital	2.574%	CZK	9,874 thousand
Iochepe-Maxion Austria GmbH	Maxion Wheels Werke GmbH	Working capital	2.274%	EUR	14,274 thousand
Maxion Wheels Holding GmbH	Iochepe-Maxion Austria GmbH	Working capital	2.274%	EUR	4,800 thousand
Maxion Wheels Italia S.r.l.	Iochepe-Maxion Austria GmbH	Working capital	2.274%	EUR	2,775 thousand
Long term					
Iochepe-Maxion Austria GmbH	Maxion Wheels USA LLC	Working capital	2.750%	EUR	37,200 thousand
Maxion Wheels USA LLC	Iochepe Holdings, LLC	Loan	3.720%	USD	22,057 thousand
Hayes Lemmerz Barcelona, S.L.	Maxion Wheels Espana S.L.	Working capital	3.007%	EUR	281 thousand
Maxion Wheels Italia S.r.l.	Iochepe-Maxion Austria GmbH	Working capital	2.750%	EUR	12,001 thousand
Maxion Wheels Czech s.r.o.	Iochepe-Maxion Austria GmbH	Working capital	2.750%	EUR	10,001 thousand

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

11. Investments

a) Breakdown

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Equity interests in subsidiaries	3,467,013	2,936,369	-	-
Equity interests in associates	78,647	65,691	78,647	65,691
Equity interests in joint ventures	16,463	8,749	16,463	8,749
Subtotal - Investments	3,562,123	3,010,809	95,110	74,440
Other investments	168	168	173	172
Total investments	3,562,291	3,010,977	95,283	74,612

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

11. Investments (Continued)

b) Variations

	Balance as at 12/31/2019	Capital increase	Exchange rate changes on investments abroad	Effects of changes in actuarial assumptions	Share of profit (loss) of subsidiaries	Other	Balance as at 12/31/2020
Iochope Maxion Austria GmbH (i)	2,854,809	239,769	693,103	(14,251)	(403,310)	-	3,370,120
Maxion (Nantong) Wheels, Co. Ltd.	75,373	-	27,187	-	(9,407)	-	93,153
Remon Resende Montadora Ltda.	1,007	-	-	-	149	-	1,156
DongFeng Maxion Wheels Limited (iv)	34,395	-	12,776	-	(53)	-	47,118
Maxion Montich S.A. (ii) (iv)	8,749	-	(594)	-	1,841	6,467	16,463
Amsted-Maxion Fundação e Equipamentos Ferroviários S.A. (iii) (iv)	31,296	-	-	-	(130)	363	31,529
Maxion Wheels (Thailand) Co. Ltd.	5,180	-	1,200	-	(3,796)	-	2,584
Total	3,010,809	239,769	733,672	(14,251)	(414,706)	6,830	3,562,123

	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 (ii)	Balance as at 12/31/2019
Iochope Maxion Austria GmbH Maxion (Nantong) Wheels, Co. Ltd.	2,183,544	413,448	76,742	(29,179)	210,254	-	2,854,809
Remon Resende Montadora Ltda.	25,518	52,880	1,890	-	(4,915)	-	75,373
DongFeng Maxion Wheels Limited	409	-	-	-	591	7	1,007
Maxion Montich S.A.	-	32,049	2,111	-	235	-	34,395
Amsted-Maxion Fundação e Equipamentos Ferroviários S.A.	10,656	-	1,279	-	(11,660)	8,474	8,749
Maxion Wheels (Thailand) Co. Ltd.	35,975	28,885	-	-	(12,477)	(21,087)	31,296
Total	2,260,142	527,262	82,523	(29,179)	182,667	(12,606)	3,010,809

(i) In January, capital was reduced by R\$13,924 (€3,000 thousand) and R\$2,059 (€438 thousand). In February, March, April, May, June, July, August, September, October and November 2020, capital was increased by R\$9,641 (€2,050 thousand), R\$2,690 (€500 thousand), R\$86,526 (€15,000 thousand), R\$28,685 (€5,000 thousand), R\$44,584 (€8,500 thousand), R\$14,275 (€2,400 thousand), R\$12,246 (€1,950 thousand), R\$24,495 (€3,900 thousand), R\$21,859 (€3,300 thousand) e R\$10,751 (\$2,000 thousand), respectively.

(ii) Impacts deriving from Argentine economy, which was declared hyperinflationary, represented an increase in equity of Maxion Montich amounting to R\$16,948, 50% of which was reflected in the investment increase, matched against capital reserve.

(iii) AmstedMaxion was handed down a favorable and unappealable decision on a lawsuit claiming the exclusion of ICMS from the PIS and COFINS tax base for the period from 2012 to 2019. The effect of this decision was determined by AmstedMaxion and recognized in its financial statements for 2019, which were restated on April 24, 2020. As a result, the Company did not record this gain as equity pickup in its financial statements as at December 31, 2019.

(iv) Jointly controlled subsidiaries and associates considered in the individual and consolidated financial statements under the equity method.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)
December 31, 2020
(In thousands of Brazilian reais - R\$, unless otherwise stated)

11. Investments (Continued)

c) Information on subsidiaries, joint ventures and associates

	12/31/2020								
	Number of shares or quotas (in lot of thousands)	Equity interest (%)	Assets	Liabilities	Capital	Equity	Noncontrolling interests	Net revenue	Profit (loss) for the year
Iochope Maxion Austria GmbH (i)	-	100	9,582,858	5,869,679	2,131,933	3,370,120	343,059	6,941,272	(403,310)
Maxion (Nantong) Wheels, Co. Ltd. (i)	-	100	115,685	22,532	450,940	93,153	-	50,609	(9,407)
Remon Resende Montadora Ltda. (ii)	90	100	1,571	415	90	1,156	-	2,057	149
Maxion Wheels (Thailand) Co. Ltd.	-	8.15	234,727	203,065	198,797	31,662	-	220,406	(46,524)
Maxion Montich S.A.	2,813	50	185,428	152,435	4,764	32,926	67	221,567	3,681
Amsted-Maxion Fundação e Equipamentos Ferroviários S.A.	28,274,461	19.50	448,427	286,743	153,683	82,459	79,225	362,799	(669)
DongFeng Maxion Wheels Limited (i)	-	50	123,336	29,100	93,763	47,118	47,118	623	(106)

(i) Pursuant to respective local legislation, there is no concept of number of shares or units of interest.

(ii) Based on financial information as at November 30, 2020.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)
December 31, 2020
(In thousands of Brazilian reais - R\$, unless otherwise stated)

11. Investments (Continued)

c) Information on subsidiaries, joint ventures and associates (Continued)

	12/31/2019								
	Number of shares or quotas (in lot of thousands)	Equity interest (%)	Assets	Liabilities	Capital	Equity	Noncontrolling interests	Net revenue	Profit (loss) for the year
Iochope Maxion Austria GmbH	-	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.	-	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.	-	8.15	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	-	50	70,710	1,920	68,322	34,395	34,395	-	470

Iochepe-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)
 December 31, 2020
 (In thousands of Brazilian reais - R\$, unless otherwise stated)

11. Investments (Continued)

d) Detailed information on subsidiaries with noncontrolling interests

Subsidiary	Main activity	Country	Noncontrolling interests	
			12/31/2020	12/31/2019
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 summarized financial information on each subsidiary that records non-controlling interests are presented below, before elimination of transactions between other Company subsidiaries.

Iochepe-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

11. Investments (Continued)

d) Detailed information on subsidiaries with noncontrolling interests (Continued)

	Maxion Inci Jant Sanayi, A.S.		Maxion Jantas Jant Sanayi ve Ticaret A.S.		Kalyani Maxion Wheels Limited	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
<u>Summarized Statements of financial position</u>						
Current assets	665,790	373,749	278,694	168,819	184,832	90,949
Noncurrent assets	467,561	362,672	139,751	97,766	141,733	125,487
Total assets	1,133,351	736,421	418,445	266,585	326,565	216,436
Current liabilities	468,812	220,923	183,899	85,051	167,346	73,278
Noncurrent liabilities	75,964	52,893	25,625	20,150	16,035	17,143
Equity	588,575	462,605	208,921	161,384	143,184	126,015
Total liabilities and equity	1,133,351	736,421	418,445	266,585	326,565	216,436
Noncontrolling interests	235,430	185,042	83,568	64,554	21,478	18,902
<u>Summarized Statements of profit or loss</u>						
Net sales revenue	1,234,734	1,210,152	448,153	358,545	223,169	273,792
Cost of sales	(991,971)	(955,619)	(355,600)	(282,104)	(223,816)	(260,266)
Gross profit	242,763	254,533	92,553	76,441	(647)	13,526
Operating expenses, net	(57,001)	(52,163)	(30,675)	(23,033)	(19,540)	(21,458)
Income taxes	(49,909)	(37,304)	(12,491)	(8,899)	5,323	8,933
Profit (loss) for the year	135,853	165,066	49,387	44,509	(14,864)	1,001
Profit (loss) – non-controlling interests	54,341	66,026	19,755	17,804	(2,230)	150
<u>Summarized statements of cash flows</u>						
Operating activities	224,000	22,620	72,013	204,999	39,523	80,106
Investing activities	(27,686)	(12,722)	(26,048)	(36,306)	(8,509)	(18,098)
Financing activities	(17,389)	(16,126)	(5,512)	(164,203)	(19,764)	(58,422)
Exchange rate changes on cash and cash equivalents	7,275	88	17,698	(4,541)	3,344	(680)
Increase (decrease) in cash and cash equivalents	186,200	(6,140)	58,151	(51)	14,594	2,906

Iochepe-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

11. Investments (Continued)

d) Detailed information on non-controlling interests in subsidiaries (Continued)

In March 2020, the amounts of R\$73,655 and R\$25,888 were allocated as mandatory dividends for noncontrolling interests in indirect subsidiaries Maxion Inci Jant Sanayi, A.S. and Maxion Jantas Jant Sanayi ve Ticaret A.S., respectively. The amount of R\$19,374 was paid in the 1st quarter. Turkey implemented a temporary partial prohibition on payment of dividends to shareholders until December 31, 2020. In view of this decision, the remaining balance was paid on January 5, 2021.

As at December 31, 2020, management identified no impairment indicators on these assets (Note 4).

12. Property, plant and equipment

a) Parent

	Buildings and improvements	Machinery and equipment	Land	Construction in progress (i)	Machinery spare parts	Tooling	Other	Total
Balances 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
Balances as at December 31, 2019	166,953	533,791	26,452	110,881	24,336	23,026	42,697	928,136
Additions	-	253	-	58,986	1,356	-	16,316	76,911
Write-offs, net	-	(5,105)	-	-	(2,632)	(10)	(3,140)	(10,887)
Depreciation	(8,367)	(37,365)	-	-	(1,705)	(1,095)	(8,236)	(56,768)
Transfers	25,212	412	-	(22,676)	5	(14,082)	10,169	(960)
Balances as at December 31, 2020	183,798	491,986	26,452	147,191	21,360	7,839	57,806	936,432
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
As at December 31, 2020								
Cost	307,996	1,040,401	26,452	147,191	27,711	20,457	187,951	1,758,159
Accumulated depreciation	(124,198)	(548,415)	-	-	(6,351)	(12,618)	(130,145)	(821,727)
Carrying amount, net	183,798	491,986	26,452	147,191	21,360	7,839	57,806	936,432

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

12. Property, plant and equipment (Continued)

b) Consolidated

	Buildings and improvements	Machinery and equipment	Land	Construction in progress (ii)	Machinery spare parts	Tooling	Other	Total
Balances as at December 31, 2018	604,726	1,869,937	274,993	380,439	73,814	58,024	136,392	3,398,325
Additions	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	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
Balances as at December 31, 2019	697,875	1,998,993	302,397	347,932	76,735	80,751	86,064	3,590,747
Additions (iii)	2,521	11,228	-	286,506	16,770	10,673	27,978	355,676
Write-offs, net	(502)	(48,607)	(309)	(1,123)	(2,870)	(8)	(7,479)	(60,898)
Impairment (v)	-	(24,868)	-	-	-	-	-	(24,868)
Depreciation	(45,436)	(357,732)	-	-	(26,957)	(36,495)	(25,637)	(492,257)
Transfers (iv)	74,631	290,080	382	(387,080)	7,951	3,281	9,905	(850)
Exchange rate changes	177,680	483,479	84,813	65,728	16,509	22,610	19,395	870,214
Balances as at December 31, 2020	906,769	2,352,573	387,283	311,963	88,138	80,812	110,226	4,237,764
As at December 31, 2019								
Cost	1,126,184	4,552,871	302,397	347,932	144,714	291,279	261,277	7,026,654
Accumulated depreciation	(428,309)	(2,553,878)	-	-	(67,979)	(210,528)	(175,213)	(3,435,907)
Carrying amount, net	697,875	1,998,993	302,397	347,932	76,735	80,751	86,064	3,590,747
As at December 31, 2020								
Cost	1,480,118	5,848,115	387,283	311,963	211,541	326,266	409,416	8,974,702
Accumulated depreciation	(573,349)	(3,495,542)	-	-	(123,403)	(245,454)	(299,190)	(4,736,938)
Carrying amount, net	906,769	2,352,573	387,283	311,963	88,138	80,812	110,226	4,237,764

- (i) At December 31, 2020, this comprises: (1) buildings, amounting to R\$2,206 (R\$2,282 at December 31, 2019); machinery and equipment, amounting to R\$134,503 (R\$102,330 at December 31, 2019); and other assets, amounting to R\$10,482 (R\$6,269 at December 31, 2019), relating to the Cruzeiro unit.
- (ii) At December 31, 2020, this comprises: (1) buildings, amounting to R\$6,422 (R\$3,156 at December 31, 2019); (2) machinery and equipment, amounting to R\$285,973 (R\$323,630 at December 31, 2019); and (3) other assets, amounting to R\$19,568 (R\$21,145 at December 31, 2019), relating to the Cruzeiro, Mexico, Turkey and India units.
- (iii) Out of the total additions for the period, most of the investments was made by the Mexico, Turkey, Cruzeiro, Czech Republic and India units, in the amounts of R\$81,008, R\$61,848 and R\$47,406, R\$29,958 and R\$28,470, respectively.
- (iv) In 2020, these comprise transfers made between accounts "Property, plant and equipment" and "Intangible assets", amounting to R\$850.
- (v) The impairment test of subsidiaries Maxion Wheels Akron LLC and Maxion Wheels do Brasil assets resulted in the need to recognize impairment provision amounting to R\$21,826 and R\$3,042, respectively.

As at December 31, 2020, management identified no impairment indicators on these assets (Note 4).

Iochepe-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

13. Intangible assets - consolidated

Assets with finite useful lives	Relationship with customer	Software	Land use rights	Trademark (iii)	Other	Total
Balances as at December 31, 2018	100,376	35,044	5,890	94,933	2,827	239,070
Additions	-	22,687	-	-	1,874	24,561
Write-offs, net	-	(783)	-	-	(8)	(791)
Amortization	(7,811)	(5,573)	(153)	-	(1,843)	(15,380)
Transfers	-	338	-	21	(21)	338
Exchange rate changes	3,869	(184)	159	3,819	27	7,690
Balances as at December 31, 2019	96,434	51,529	5,896	98,773	2,856	255,488
Additions (i)	-	18,601	-	-	-	18,601
Write-offs, net	-	(60)	-	-	-	(60)
Amortization	(10,209)	(5,254)	(201)	(7,856)	(601)	(24,121)
Transfers (ii)	-	1,229	-	174	(553)	850
Exchange rate changes	27,817	1,624	2,182	28,526	717	60,866
Balances as at December 31, 2020	114,042	67,669	7,877	119,617	2,419	311,624
As at December 31, 2019						
Cost	159,615	83,398	7,775	98,773	51,298	400,859
Accumulated amortization	(63,181)	(31,869)	(1,879)	-	(48,442)	(145,371)
Carrying amount, net	96,434	51,529	5,896	98,773	2,856	255,488
As at December 31, 2020						
Cost	205,790	105,950	10,669	130,603	69,951	522,963
Accumulated amortization	(91,748)	(38,281)	(2,792)	(10,986)	(67,532)	(211,339)
Carrying amount, net	114,042	67,669	7,877	119,617	2,419	311,624

Goodwill on acquisition of subsidiaries

Assets with indefinite useful lives	Meritor				Total
	Iochepe Holdings, LLC	Ingenieria y Maquinaria de Guadalupe, S.A. de C.V.	Comércio e Indústria de Sistemas Automotivos Ltda.	Iochepe Sistemas Automotivos de México S.A. de C.V.	
Balances as at December 31, 2018	1,004,166	401,255	20,292	2,297	1,428,010
Transfers	-	-	-	-	-
Exchange rate changes	40,402	16,142	-	93	56,637
Balances as at December 31, 2019	1,044,568	417,397	20,292	2,390	1,484,647
Exchange rate changes	302,172	120,746	-	691	423,609
Balances as at December 31, 2020	1,346,740	538,143	20,292	3,081	1,908,256

(i) As at December 31, 2020, additions in the year refer mostly to SAP system.

(ii) Transfers between "Property, plant and equipment" and "Intangible assets" (Note 12. b) item (iv)).

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

13. Intangible assets - consolidated (Continued)

- (iii) At December 31, 2019, trademark Hayes Lemmerz, which was classified as having an indefinite useful life upon acquisition, was reviewed. Accordingly, supported by its business plan, Company management determined that this trademark will be used for the next 14 years, and then eventually replaced with the Maxion trademark. Thus, the Company changed the useful life of this trademark from indefinite to finite, with systematic amortization over 15 years. In accordance with IAS 8, the change in the estimated useful life of an actual change in business operations should be accounted for as a change in an accounting estimate. The change was applied prospectively from the period in which the change in the accounting estimate occurred. The expected use of the mentioned trademark must be consistent throughout the remaining useful life. Therefore, it is assumed that straight-line depreciation reflects its best use.

At December 31, 2020, the Company performed impairment tests on the asset balances stated in the table above. The process for calculating value in use involves use of assumptions, judgments and estimates on cash flows, such as revenue increase rates, costs and expenses, estimated investments and future working capital, and discount rates. The assumptions on projected increase of future cash flows are based on the Company's business plan and comparable market data and represent management's best estimate of the economic conditions that will exist over the economic life of the various CGUs to which goodwill is related.

Value in use is assessed over a five-year period and, as from this period, perpetuity of the assumptions is considered, in view of the ability to continue as a going concern for an indefinite period. Growth and discount rates used for extrapolating the projections at December 31, 2020 ranged from 7.12% to 12.16% p.a., respectively, depending on the GCU analyzed.

The impairment test on the balances of goodwill and net assets of the Company and its subsidiaries did not result in the need to recognize losses in the year ended December 31, 2020. The Company conducted a sensitivity analysis of the discount rates and perpetuity increase rates, given their relevant impacts on cash flows and value in use. An increase or decrease of 0.5 percentage point in the discount rate or in the perpetuity growth rate of each CGU's cash flow would not result in the need for recognition of loss.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

14. Rights of use - consolidated

Assets with finite useful lives	IT equipment	Properties	Machinery and equipment	Forklifts	Vehicles	Other rights of use	Total
Balances 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
Balances as at December 31, 2019	908	25,340	8,453	23,281	8,697	7,318	73,997
Additions	7,685	13,612	5,924	2,096	6,636	-	35,953
Write-offs, net	-	(15,611)	-	-	-	-	(15,611)
Depreciation	(7,290)	(9,794)	(4,363)	(11,569)	(7,098)	(444)	(40,558)
Transfers	5,569	1,305	-	-	-	(6,874)	-
Exchange rate changes	125	2,904	355	7,102	3,053	-	13,539
Balances as at December 31, 2020	6,997	17,756	10,369	20,910	11,288	-	67,320

As at December 31, 2020, total lease expenses classified as short-term leases and leases of low-value assets amount to R\$5,220 (R\$7,090 in 2019).

As at December 31, 2020, management identified no impairment indicators over these assets (Note 4).

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

15. Borrowings, financing and debentures

a) Parent

	Index	Annual interest rate (%)	Final maturity date	Amortized transaction cost	Unamortized transaction cost (ii)	12/31/2020	12/31/2019
<u>Local currency</u>							
Bank Credit Bill (CCB)	CDI	3.94	June 2021			387,137	-
FINAME - PSI	-	-	-			-	1,819
FINEP	TJLP	2.00	June 2022			4,291	7,155
Leases	-	-	-			-	244
Export credit note (NCE) (iii)	CDI	2.14	March 2021			409,688	-
Promissory note (iii)	CDI	3.20	March 2021			99,954	-
Transactions with Forfaiting (iv)	-	5.77	December 2021			184,141	-
Total borrowings and financing						1,085,211	9,218
8 th issuance - simple debentures (ii)	CDI	1.40	March 2023	3,972	(10,504)	443,310	452,884
9 th issuance - simple debentures – 1st series (ii)	CDI	0.75	February 2024	2,008	(9,648)	332,634	341,616
9 th issuance - simple debentures – 2 nd series (ii)	CDI	0.95	February 2026	637	(3,214)	109,216	112,213
10 th issuance - simple debentures	CDI	0.75	September 2024	747	(8,158)	344,518	352,397
Total debentures (ii)				7,364	(31,524)	1,229,678	1,259,110
Total borrowings, financing and debentures						2,314,889	1,268,328
Current liabilities						1,094,992	28,127
Unamortized costs						(11,251)	(3,774)
Total						1,083,741	24,353
Noncurrent liabilities						1,251,421	1,254,262
Unamortized costs						(20,273)	(10,287)
Total						1,231,148	1,243,975

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

15. Borrowings, financing and debentures (Continued)

b) Consolidated

	Index	Annual interest rate (%)	Final maturity date	Amortized transaction cost	Unamortized transaction cost (ii)	12/31/2020	12/31/2019
<u>Local currency</u>							
Bank Credit Bill (CCB)	CDI	3.94	June 2021			387,137	-
FINAME - PSI	-	-	-			-	1,819
FINEP	TJLP	2.00	June 2022			4,291	7,155
Leases	-	-	-			-	243
Export credit note (NCE) (iii)	CDI	2.19	March 2021			414,992	-
Promissory note (iii)	CDI	3.20	March 2021			99,954	-
Transactions with Forfaiting (iv)	-	5.77	December 2021			184,141	-
Subtotal in local currency						<u>1,090,515</u>	<u>9,217</u>
<u>Foreign currency</u>							
Long-term loan - US\$ (i) (ii) (v)	6m Libor	2.28	November 2024	6,194	(7,905)	235,751	256,073
Long-term loan - Rupee (ix)	MCLR	0.15	October 2025	229	-	139,965	79,369
Syndicate - Euro (ii) (viii)	3m Euribor	2.75	February 2024	6,465	(32,086)	1,246,613	897,916
Working capital - US dollar	-	-	-	-	-	-	40,335
Working capital - US dollar (vii)	-	3.66	January 2022	-	-	214,485	165,821
Working capital - US dollar (vi)	6m Libor	6.60	May 2021	-	-	31,853	-
Working capital - Euro (x)	-	4.65	July 2021	-	-	359,031	249,355
Working capital - Euro (xi) (xii) (xiii) (xiv)	-	2.37	January 2027	162	(781)	410,599	16,070
Working capital - Rupee	-	-	-	-	-	-	15,093
Working capital - Rupee (ix)	MCLR	0.15	October 2021	-	-	72,325	43,879
Working capital - Baht	-	2.83	February 2021	-	-	89,574	29,338
Leases - Euro	-	-	-	-	-	-	7
Subtotal in foreign currency				<u>13,050</u>	<u>(40,772)</u>	<u>2,800,196</u>	<u>1,793,256</u>
Total borrowings and financing						<u>3,890,711</u>	<u>1,802,473</u>
8 th issuance - simple debentures (ii)	CDI	1.40	March 2023	3,972	(10,504)	443,310	452,884
9 th issuance - simple debentures - 1 st series (ii)	CDI	0.75	February 2024	2,008	(9,648)	332,634	341,616
9 th issuance - simple debentures - 2 nd series (ii)	CDI	0.95	February 2026	637	(3,214)	109,216	112,213
10 th issuance - simple debentures	CDI	0.75	September 2024	747	(8,158)	344,518	352,397
Total debentures (ii)				<u>7,364</u>	<u>(31,524)</u>	<u>1,229,678</u>	<u>1,259,110</u>
Total borrowings, financing and debentures				<u>20,414</u>	<u>(72,296)</u>	<u>5,120,389</u>	<u>3,061,583</u>
Current liabilities						<u>1,933,096</u>	659,566
Unamortized costs						<u>(25,532)</u>	(10,869)
Total						<u>1,907,564</u>	648,697
Noncurrent liabilities						<u>3,259,589</u>	2,431,065
Unamortized costs						<u>(46,764)</u>	(18,179)
Total						<u>3,212,825</u>	2,412,886

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

15. Borrowings, financing and debentures (Continued)

- (i) At December 31, 2020, the financing raised by subsidiary Ingenieria y Maquinaria de Guadalupe, S.A. de C.V. is guaranteed by direct parent Iochope Sistemas Automotivos de México, S.A. de C.V. with a current balance of R\$235,751, guaranteed by the subsidiary's shares.
- (ii) Waivers granted (prior waiver and forgiveness) for any non-compliance by the Company with financial indices represent changes in cash flows from borrowing agreements with banks and are analyzed within the scope of CPC 48 – Financial Instruments. When the change is not accounted for as an extinction, applicable to Company borrowings, the costs with waivers obtained adjust the carrying amount of the liability and are amortized using the effective interest rate method.
- (iii) From March to June 2020, the Company raised in Brazil R\$952,000 to reinforce its cash and cover the negative impacts of COVID-19 with the following banks: ABC Brasil, Banco do Brasil, Bradesco, Caixa Econômica Federal, Commerzbank, Itaú and Santander. As at December 31, 2020, these loans amount to R\$896,779 in the individual financial statements and to R\$902,083 in the consolidated financial statements.
- (iv) Forfeiting transactions engaged with the following banks: Daycoval, Santander and Votorantim, at interest rate of 5.77% p.a. As at December 31, 2020, this balance is of R\$184,141.
- (v) This represents the nominal value of US\$48,720 thousand deriving from the loan raised by means of indirect subsidiary Ingenieria Y Maquinaria de Guadalupe S.A. de C.V. (“Inmagusa”) from Itaú BBA International PLC, with final maturity scheduled for November 27, 2024. As at December 31, 2020, this balance is of R\$235,751 in the consolidated financial statements. This loan is subject to contractual obligations described in the Covenant section.
- (vi) In May 2020, indirect subsidiary Ingenieria Y Maquinaria de Guadalupe S.A. de C.V. (“Inmagusa”) raised working capital loan, with a period of one year, in the amount of USD 6,090 thousand, at the rate of 6.60% p.a. plus six months’ Libor. As at December 31, 2020, this balance is of R\$31,853.
- (vii) Subsidiary Maxion Wheels de Mexico S. de R.L. De C.V. took out a working capital loan in US dollars in the total principal amount of US\$41,000 thousand from two foreign banks. As at December 31, 2020, this loan amounts to R\$214,485 (R\$165,821 at December 31, 2019) in the consolidated financial statements.

lochpe-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

- (viii) On February 25, 2019, indirect subsidiaries Maxion Wheels Holding GmbH, Maxion Wheels Czech s.r.o, and direct subsidiary lochpe-Maxion Austria GmbH raised syndicated borrowings involving nine banks, amounting to €200,000 thousand at the rate of 2.75% + three-months' Euribor, and maturing in February 2024, with two years' vesting period. These funds were allocated to pay the Company's short-term loans. As at December 31, 2020 and December 31, 2019, this loan balance is of R\$1,246,613 and of R\$897,916, respectively. This loan is subject to contractual obligations as described in the Covenant section.
- (ix) In September 2018, indirect subsidiary Maxion Wheels Aluminum India Pvt. Ltd. took out a long-term loan and working capital in rupees at MCLR ("Marginal Cost of Funds Based Lending Rate") + 0.15% p.a.. As at December 31, 2020, this balance is of R\$212,290. These funds are intended to finance the investments in the new aluminum wheel plant in India. As at December 31, 2019, this loan balance is of R\$123,248.
- (x) In July 2020, subsidiary lochpe-Maxion Austria GmbH took out a working capital loan amounting to €55,000 thousand at the rate of 4.65% p.a. and maturing on July 2, 2021. As at December 31, 2020, this loan amounts to R\$359,031 in the consolidated financial statements. As at December 31, 2019, this balance is of R\$249,355.
- (xi) In February 2020 and April 2020, subsidiary lochpe-Maxion Austria GmbH raised a working capital loan amounting to €8,000 thousand and €24,000 thousand maturing in February 2021 and January 2022, respectively. As at December 31, 2020, the balance of these loans is of R\$ 205,475.
- (xii) In May 2020, indirect subsidiary Maxion Wheels España S.L. raised working capital loan amounting to €6,500 thousand, with monthly maturity, beginning in June 2021 and ending in May 2025. As at December 31, 2020, this loan balance is of R\$41,456. The remaining amount of R\$5,053 refers to a loan raised in July 2011, with final maturity in January 2027.
- (xiii) In August 2020, indirect subsidiary Maxion Wheels Italia S.r.l. raised working capital loan amounting to €5,000 thousand, with quarterly maturity, beginning in February 2021 and ending in August 2025. As at December 31, 2020, this loan balance is of R\$31,890.
- (xiv) In September and October 2020, indirect subsidiary Maxion Wheels Czech s.r.o. raised working capital loans amounting to €10,000 thousand and €10,000 thousand respectively, maturing in January 2022. As at December 31, 2020, the balance of these loans is of R\$126,725.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

15. Borrowings, financing and debentures (Continued)

In the first quarter of 2020, the Company and its subsidiaries raised R\$672,000 to increase cash in order to face the constraints brought by COVID-19. These funding transactions mature from March to June 2021, subject to weighted average interest of CDI + 3% p.a., not subject to guarantees or covenants. The total funding comprises R\$270,000 in Export Credit Notes, R\$302,000 in Bank Credit Bills, and R\$100,000 in Promissory Notes, obtained from banks Santander (Brazil), Commerzbank Brasil, Bradesco, Banco do Brasil and Itaú Unibanco.

In the second quarter of 2020, the Company and its subsidiaries raised approximately R\$490,000, in line with the strategy mentioned above. These borrowings mature between March and June 2021, with weighted average interest of 4.4% p.a., not subject to guarantees or covenants. The total funding comprises R\$150,000 in Export Credit Notes, R\$278,000 in working capital, R\$24,000 in Forfait transactions and R\$38,000 in long-term borrowings, from Santander (Brazil), Santander (Spain), Commerzbank (Austria), Banco do Brasil, Banco ABC Brasil and Caixa Econômica Federal.

On December 29, 2020, the Company signed a contract for a bank credit note - CCB in the amount of R \$ 75,000, in favor of the Development Bank of Minas Gerais - BDMG. This new credit line has a 24-month grace period and 7 years for payment, until the date of publication of these financial statements, this credit line has not been withdrawn.

Changes in borrowings, financing and debentures

	Parent	Consolidated
Balances as at December 31, 2018	648,155	2,813,705
Funds raised	933,014	2,576,517
Accrued interest and exchange rate changes	74,312	188,959
Repayments of principal	(315,417)	(2,387,914)
Payment of interest	(61,474)	(169,672)
Unamortized costs	(10,262)	(22,701)
Exchange rate changes	-	62,689
Balances as at December 31, 2019	1,268,328	3,061,583
Funds raised	947,000	2,462,923
Accrued interest and exchange rate changes	91,614	197,763
Repayments of principal	(74,891)	(1,269,204)
Payment of interest	(79,237)	(158,702)
Unamortized costs	(22,066)	(48,715)
Exchange rate changes	-	690,600
Reclassification of forfaiting transactions	184,141	184,141
Balances as at December 31, 2020	2,314,889	5,120,389

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

15. Borrowings, financing and debentures (Continued)

As at December 31, 2020, the amounts recorded in noncurrent liabilities mature as follows:

	<u>Parent</u>	<u>Consolidated</u>
2022	223,706	1,129,120
2023	560,369	1,101,147
2024	338,083	855,719
2025	54,495	70,899
2026	54,495	55,217
2027 and thereafter	-	723
Total	<u>1,231,148</u>	<u>3,212,825</u>

The foreign currency-denominated working capital borrowings raised by foreign subsidiaries are guaranteed by the Company's sureties, in the total net amount of R\$1,009,893 (R\$511,869 as at December 31, 2019).

Debentures

The debentures issued by the Company are (i) 8th issuance (CVM Instruction No. 476) of simple, registered, book-entry, unsecured debentures, in a single series, (ii) 9th issuance (CVM Instruction No. 476) of simple, registered, book-entry, unsecured debentures, in two series; and (iii) 10th issuance (CVM Instruction 476) of simple, registered, book-entry, unsecured debentures, in a single series, all of which were approved at Board Meetings.

The debentures were subscribed at the unit par value paid in one lump sum in local currency upon subscription, with interest being amortized on a semiannual basis. Detailed information is as follows:

<u>Debentures</u>	<u>Category</u>	<u>Principal amount upon issuance</u>	<u>Issuance date</u>	<u>Final maturity</u>	<u>Finance charges</u>	<u>Amount as at 12/31/2020</u>
8 th issuance	Simple	450,000	03/26/2018	03/26/2023	100% CDI + 1.40% p.a.	443,310
9 th issuance – 1 st series	Simple	338,800	02/11/2019	02/14/2024	100% CDI + 0.75% p.a.	332,634
9 th issuance – 2 nd series	Simple	111,200	02/11/2019	02/11/2026	100% CDI + 0.95% p.a.	109,216
10 th issuance	Simple	350,000	09/16/2019	09/16/2024	100% CDI + 0.75% p.a.	344,518

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

15. Borrowings, financing and debentures (Continued)

8th Issuance – simple debentures - CVM Instruction No. 476

The debentures' advanced maturity will be set out in the hypotheses and terms of the Indenture. The debt balance of the nominal value of the 8th issue of debentures will be subject to interest corresponding to 100% of CDI accumulated variation plus 1.40% p.a., based on 252 business days, calculated exponentially and cumulatively on a pro rata basis per business day elapsed, from the immediately prior date of remuneration payment, as the case may be, to the date of effective payment.

As at December 31, 2020, the Company was compliant with all obligations described in the Covenant section.

9th Issuance – simple debentures - CVM Instruction No. 476

On February 11, 2019, the Company carried out its 9th issue of simple debentures nonconvertible into shares (CVM Instruction No. 476), totaling R\$450,000, distributed into two series. The first series amounted to R\$338,800 with maturity of five years, i.e. maturing on February 11, 2024, subject to payment of interest on a semi-annual basis equivalent to 100% CDI + 0.75% p.a., based on 252 business days, and the second series amounted to R\$111,200 with maturity of seven years, i.e. maturing on February 11, 2026, and subject to payment of interest on a semi-annual basis equivalent to 100% CDI + 0.95% p.a., based on 252 business days.

As at December 31, 2020, the Company was compliant with all obligations described in the Covenant section.

10th Issuance – simple debentures - CVM Instruction No. 476

On September 16, 2019, the Company carried out its 10th issue of simple debentures nonconvertible into shares (CVM Instruction No. 476), totaling R\$350,000, single series, maturing on September 16, 2024, subject to payment of interest on a semi-annual basis equivalent to 100% CDI + 0.75% p.a., based on 252 business days.

As at December 31, 2020, the Company was compliant with all obligations described in the Covenant section.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

15. Borrowings, financing and debentures (Continued)

b) Consolidated (Continued)

Covenants

On June 26, 2020, pursuant to the provisions of articles 157 and 542 of Law No. 6404/76, and CVM Instruction No. 358/02, continuing its Material News Release disclosed on June 9, 2020, the Company informed its shareholders and the market that the holders of the debentures of the eighth, ninth and tenth issues of simple unsecured nonconvertible debentures of the Company, approved on that date, the granting of prior waiver and forgiveness for the possible non-compliance by the Company with the financial ratio as at June 30 and December 31, 2020 provided for in the indentures of the respective issuances, in compliance with certain resolutive conditions, pursuant to article 127 of Law No. 10406/02 (Civil Code), as indicated in the minutes of the respective Annual Debenture Holders' Meetings available on the Company's website (<http://www.iochpe.com.br>).

Accordingly, (a) the Company, (b) Company subsidiaries that took out syndicated borrowings in Europe, and (c) Ingenieria y Maquinaria de Guadalupe, S.A. de C.V., subsidiary of the Company in Mexico, obtained, respectively, from (i) debenture holders of the Company's eighth, ninth and tenth issues of Company debentures, whose aggregate principal amount is R\$1,250,000; (ii) the creditors of a syndicated loan in Europe, whose principal amounts to EUR\$200 million; and (iii) a financial institution creditor of the borrowing agreement whose principal amounts to USD\$48.7 million, the granting of waivers (prior temporary waiver and forgiveness) for the possible non-compliance by the Company with a financial index (resulting from the division of net debt by adjusted EBITDA) included in the respective debt instruments.

The waivers were obtained for the measurement periods of the financial indexes ended June 30, 2020 and December 31, 2020, under certain resolutive conditions such as (i) payment of an additional advantage (premium); (ii) obligation to comply, as the case may be, with the Company's liquidity ratio (resulting from the division of cash and cash equivalent by short-term debt, i.e. short-term loans and financing), equivalent to 0.5 time at June 30, 2020 and December 31, 2020; and (iii) obligation to not encumber the Company's assets. As at December 30, 2020, the Company was in full compliance with all the clauses.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

16. Trade payables

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
In Brazil	183,049	141,818	194,509	149,658
Abroad	5,175	2,164	1,268,978	977,163
Related parties (Note 10.b)	107	2,256	107	-
Total	188,331	146,238	1,463,594	1,126,821

17. Taxes payable

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Income tax of foreign subsidiaries	-	-	33,222	47,587
State VAT (ICMS)	1,626	2,249	2,809	2,461
Federal VAT (IPI)	899	484	900	484
Tax on revenue (COFINS)	219	415	225	436
Withholding Income Tax (IRRF)	5,821	4,320	13,617	4,538
Social Security Tax (INSS) on gross revenue	463	116	464	116
Other	184	876	3,044	3,726
VAT - foreign subsidiaries:				
Mexico	-	-	33,300	30,962
Other countries	-	-	3,287	30,750
Total	9,212	8,460	90,868	121,060

18. Payroll and related taxes

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Payroll	2,257	2,696	112,702	72,133
Related taxes	22,951	18,292	72,062	48,861
Vacation pay	46,696	49,726	82,249	83,076
Profit sharing	7,729	40,325	51,619	118,018
Total	79,633	111,039	318,632	322,088

Iochepe-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

19. Provision for labor, tax and civil risks

The Company and its subsidiaries are parties to legal and administrative proceedings before various courts and government agencies arising in the ordinary course of business, involving tax, labor, civil and other matters.

Based on information from its legal counsel, management analyzed existing proceedings and recognized provisions in an amount considered sufficient to cover related estimated probable losses, which are presented below together with changes for the year:

	Parent				Consolidated			
	Labor	Tax	Civil	Total	Labor	Tax	Civil	Total
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)
Monetary 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
Additions (i) (ii)	2,752	15,172	25	17,949	11,427	17,419	25	28,871
Payments	(4,237)	-	(35)	(4,272)	(9,387)	(20,002)	(35)	(29,424)
Reversals	(1,355)	(2,813)	(23)	(4,191)	(12,030)	(5,482)	(23)	(17,535)
Monetary adjustments	848	4,033	256	5,137	1,746	5,128	256	7,130
Exchange rate changes	-	-	-	-	833	5,795	-	6,628
Balance as at 12/31/2020	9,812	48,108	4,754	62,674	21,217	53,452	4,754	79,423

- (i) The parent company has filed a proceeding requesting that social contribution on 1/3 vacation bonus is declared unconstitutional. Prior court decisions were in favor of taxpayers, reason why the likelihood of loss thereon was classified as remote until the second quarter of 2020. Recently, the Brazilian Supreme Court decided that this contribution is legal based on the understanding that it refers to supplemental wages frequently received. In view of this decision, the likelihood of an unfavorable outcome was changed to probable and a corresponding provision amounting to R\$13,948 was accrued.
- (ii) In the consolidated, the appeal filed against tax delinquency notice and imposition of fine (AIIM) No. 4.056.725-4, from tax nature, which deals with the disallowance of ICMS credits for the period from June 2013 to January 2014, was assessed as possible loss, since despite the questioning by the tax authorities on how to collect the tax, in the due diligence phase, it was verified the regular offer to taxation by the supplier. However, the appeal filed by the Company was denied and the Company filed a motion to annul in order to discuss the debt. As such, the classification of loss was changed from possible to probable and a provision amounting to R\$3,135, including monetary adjustments, was required.

The proceedings rated as probable or possible losses, in which the Company and its subsidiaries figure as parties, are summarized below, according to their nature.

Iochepe-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

19. Provisions for labor, tax and civil risks (Continued)

Labor lawsuits

As at December 31, 2020, the Company and its subsidiaries figured as parties in labor lawsuits. The main claims involve, but are not limited to, the payment of risk and health exposure premiums, recognition of employment status 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 work-related accidents or professional and occupational illnesses; however, no individual lawsuit involves significant loss amounts.

In the individual financial statements, the proceedings whose likelihood of a probable or possible unfavorable outcome amount to R\$59,014 (R\$65,946 at December 31, 2019), for which provisions were recorded for R\$9,812 (R\$11,804 at December 31, 2019), which represents the best estimate for probable loss.

In the consolidated financial statements, the proceedings whose likelihood of a probable or possible unfavorable outcome amount to R\$178,352 (R\$197,052 at December 31, 2019), for which provisions were recorded for R\$21,217 (R\$28,628 at December 31, 2019), which represents the best estimate for probable loss.

Additionally, the Company is party to a class action brought by the trade union representing the workers of the Company's two units located in the city of Limeira, São Paulo state (SP), requesting the Company to (i) pay risk and health exposure premiums, to be reflected in labor, tax, social security and Unemployment Compensation Fund (FGTS) charges, for employees exercising certain activities over the past five years; (ii) include the abovementioned premiums on the payroll for employees that perform these activities in the future; and (iii) pay attorneys' fees on the award. The class action is assessed as possible loss and once it is considered in the beginning fact-finding phase, the contingent liability cannot be reliably estimated.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

19. Provisions for labor, tax and civil risks (Continued)

Tax lawsuits

The tax lawsuits rated as probable loss by legal advisors and in which the Company and its subsidiaries figure as parties are presented as follows:

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
PIS/COFINS (a)	9,236	7,055	10,654	8,305
INSS (b)	29,345	15,201	29,345	15,201
IPI (c)	4,490	4,435	4,490	4,435
IR - "Corporate Income Tax" (d)	-	-	-	14,465
FGTS (e)	3,964	4,047	4,557	4,640
Other	1,073	978	4,406	3,548
Total	48,108	31,716	53,452	50,594

In the individual and consolidated financial statements, accrued amounts refer mostly to:

- (a) Legal discussion related to non-requirement of PIS/COFINS on finance income.
- (b) Legal discussion related to non-requirement of Accident Prevention Factor (FAP) in the calculation of Occupational Accident Insurance (SAT) and that social contribution on 1/3 vacation bonus is declared unconstitutional or not.
- (c) Legal discussion requesting nullification of IPI debt related to an administrative proceeding under Company responsibility.
- (d) Audit proceeding on income and other taxes conducted by German tax authorities, involving the Company's indirect subsidiaries in Germany, related to the period from 2009 to 2011, which inquired: (i) the interest amount deducted for tax purposes concerning an intragroup promissory note; and (ii) the valuation amount of certain rights that were capitalized in the subsidiary in 2011. There was an agreement with the German tax authorities and in December 2020 the amount of R\$ 8,554 was paid and the remaining amount was reclassified to other obligations, already settled in January 2021.
- (e) Legal discussion related to non-requirement of additional 10% on deposits made by the Company concerning the FGTS.

Iochepe-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

19. Provisions for labor, tax and civil risks (Continued)

Civil lawsuits

As of December 31, 2020, the Company, in the individual and in the consolidated financial statements, figured as party to lawsuits of civil nature, which involve a contingent liability and whose total amount of R\$4,754 (R\$4,531 at December 31, 2019) was assessed by the legal advisors as probable risk of loss.

Risks classified as possible loss

The Company and its subsidiaries are parties to tax and civil proceedings involving contingent liabilities for which a provision was not recorded since they involve a possible or remote loss as determined by management and its legal advisors. As of December 31, 2020, these tax and civil proceedings, classified as possible loss totaled R\$442,789 (R\$398,116 as of December 2019) and mainly refer to:

- (a) Administrative tax proceeding No. 3.127.787-1 filed against the Company regarding: (i) the supposed failure to issue tax documents (invoices) arising from alleged inventory differences identified in a tax audit of activities involving the shipment for and return from manufacturing operations; (ii) the supposed receipt of goods without tax documents (invoices) arising from alleged inventory differences identified in a tax audit of activities involving the shipment for and return from manufacturing operations; (iii) the recording of ICMS (VAT) tax credits on acquisitions from entities subject to the so-called Simples (simplified taxation regime); and (iv) the filing of a digital file (SINTEGRA file) in violation of the template or format required by legislation. The item (i) of the aforementioned tax notice was definitively canceled at the administrative level and a petition to reverse the decision was filed for the other items, which is pending a decision while the record is taken under advisement. The amount under dispute classified as a possible risk of loss corresponds to R\$186,662.
- (b) Tax notices issued by the Spanish tax authorities for the period 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. (former HLI European Holdings ETVE, S.L.), Maxion Wheels España S.L. (former Hayes Lemmerz Manresa, S.L.) and Hayes Lemmerz Barcelona, S.L. The tax notices challenge the tax deductibility of interest on intragroup borrowings entered into as part of the corporate and financial restructuring process. An administrative defense was filed, but an unfavorable decision was handed down within the jurisdiction of the tax auditor and within the jurisdiction of the Board of Tax Appeals, and an appeal was filed before the Spanish courts. The case is pending a lower court decision. The total amount under dispute is R\$53,598.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

19. Provisions for labor, tax and civil risks (Continued)

Risks classified as possible loss (Continued)

- (c) Administrative tax proceeding No. 16045.720014/2015-51 filed against the Company, requesting the payment of IRPJ amounts plus interests and fine of 75%, under the allegation that the monthly tax estimates for calendar year 2011 were not settled (“Unapproved Offsets”). An administrative defense was filed, a favorable decision was rendered within the jurisdiction of the tax auditor, fully cancelling the debt. The case is pending decision by the administrative Board of Tax Appeals. The amount under dispute classified as a possible risk of loss consists of R\$22,635.
- (d) Administrative proceedings No. 16045.720012/2015-62 and No. 16045.720013/2015-15, requesting respectively: (i) the payment of IRPJ tax amounts under allegations of incorrect deduction of income tax paid abroad for calendar year 2011; and (ii) the payment of CSLL amounts as a result of the IRPJ tax amounts claimed in item (i) above, plus interest and fine of 75% on both IRPJ and CSLL claims, as well as administrative proceedings No. 10860.901849/2015-11 and No. 10860.901848/2015-76 requesting the disallowance of income and social contribution tax loss balances for calendar year 2012 due to the supposedly incorrect deduction of income tax paid abroad mentioned on item (i) above. Administrative defenses were filed, and decisions were rendered within the jurisdiction of the tax auditor. The case is pending decision by the Board of Tax Appeals, given the appeals filed by the National Treasury Department and by the Company against the partially favorable decisions. The amount under dispute classified as a possible risk of loss corresponds to R\$15,420.
- (e) Administrative proceedings No. 16048.720140/2017-48 and No. 16048,720,402/2017-74, requesting respectively: (i) the payment of IRPJ tax amounts under allegations of incorrect deduction of income tax paid abroad for calendar year 2012; and (ii) the payment of CSLL amounts as a result of the IRPJ tax amounts claimed in item (i) above, plus interest, fine of 75% and a one-time fine on both IRPJ and CSLL. Administrative defenses were filed and a decision by the tax auditor is still pending. The amount under dispute classified as a possible risk of loss corresponds to R\$63,730.
- (f) Administrative tax proceedings related to the Federal Revenue Service's request for the payment of one-time fines due to unapproved offsets, pursuant to article 74, paragraph 17 of Law No. 9430/1996 and Revenue Procedure No. 1675 of 2016. Administrative defenses were filed and a decision by the tax auditor is pending. The total amount under dispute is R\$19,951.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

19. Provisions for labor, tax and civil risks (Continued)

Risks classified as possible loss (Continued)

- (g) Administrative proceedings No. 10865-720.674/2020-60, No. 13603-720.924/2020-31 and No. 10860-720.538/2020-10, which request the payment of taxes related to unapproved offsets, due to the supposed lack of proof of payment of tax credit amounts to the CACEX rate, plus interest and 20% fine. A decision by the tax auditor is pending and the total amount under dispute classified as possible risk of loss totals R\$24,870.

Escrow deposits linked to provision - consolidated

They represent restricted assets of the Company and its subsidiaries referring to amounts deposited in court in connection with legal proceedings classified as probable losses, which will be held by courts until a final decision is reached. As of December 31, 2020, these amounts sum R\$46,144 (R\$34,012 as at December 31, 2019).

20. Actuarial Pension plan liabilities

a) Defined contribution – Retirement Supplementary Pension Plan

Parent

The Company sponsors since August 1st, 2004 a retirement plan managed by *BrasilPrev Seguros e Previdência S.A.*, which offers retirement supplementary pension plans, lump-sum payment and health benefits. As at December 31, 2020, 4,885 Company employees participate in this plan (4,923 at December 31, 2019). The contribution made by the Company totaled R\$2,654 at December 31, 2020 (R\$2,480 at December 31, 2019).

Maxion Wheels

Indirect subsidiary Maxion Wheels sponsors a pension plan, substantially covering all employees of the units located in the United States of America. This subsidiary's contribution totaled R\$3,871 (R\$3,179 at December 31, 2019).

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

20. Pension plan actuarial liabilities (Continued)

b) Defined benefit – Supplementary pension plan and post-employment healthcare plan – Consolidated

The Company, by means of its indirect subsidiary Maxion Wheels, sponsors certain defined benefit pension plans and post-employment healthcare plans (“Other plans”), as well as life insurance. The subsidiary supports pension benefits based on the funding requirements set forth by international laws and regulations of referred plans, prior to payment of the benefits. Moreover, the subsidiary supports other benefits to the extent that these benefits are available to the employees.

Variations in the defined benefit present value

Defined benefit obligations	12/31/2020					12/31/2019				
	Defined benefit plan					Defined benefit plan				
	Germany	Spain	Mexico	Other plans	Total	Germany	Spain	Mexico	Other plans	Total
Obligations assumed at beginning of year	(444,011)	(28,386)	(7,493)	(85,698)	(565,588)	(402,169)	(25,922)	(4,887)	(64,714)	(497,692)
Benefits paid by the plan	31,612	2,948	-	4,835	39,395	25,056	1,756	-	3,856	30,668
Current service costs and interests	(13,134)	(549)	(1,143)	(14,725)	(29,551)	(7,631)	(569)	(805)	(14,725)	(23,730)
Effect of changes in financial assumptions	(20,406)	(109)	(1,052)	(805)	(22,372)	(35,717)	(2,324)	(983)	(18,219)	(57,243)
Effect of experience adjustment	3,155	(1,135)	581	(1,822)	779	6,880	(773)	(358)	7,284	13,033
Exchange rate changes from translation of financial statements	(180,952)	(11,478)	(1,801)	(11,537)	(205,768)	(8,501)	(554)	(460)	820	(8,695)
Defined benefit obligations at end of year	(623,736)	(38,709)	(10,908)	(109,752)	(783,105)	(422,082)	(28,386)	(7,493)	(85,698)	(543,659)

Fair value of plan assets	12/31/2020					12/31/2019				
	Defined benefit plan					Defined benefit plan				
	Germany	Spain	Mexico	Other plans	Total	Germany	Spain	Mexico	Other plans	Total
Plan assets at beginning of year	23,544	19,376	1,227	5,510	49,657	1,592	19,072	1,058	4,917	26,639
Finance income	234	174	96	420	924	23	271	96	361	751
Contributions paid to the plan	37,962	1,889	-	4,485	44,336	24,457	34	-	3,910	28,401
Benefits paid by the plans	(31,612)	(2,948)	-	(4,835)	(39,395)	(25,056)	(1,756)	-	(3,856)	(30,668)
Expected returns from plan assets	4,388	1,139	(43)	12	5,496	33	1,326	(17)	11	1,353
Exchange rate changes from translation of financial statements	10,522	7,921	279	1,436	20,158	565	429	90	167	1,251
Fair value of plan assets at end of year	45,038	27,551	1,559	7,028	81,176	1,614	19,376	1,227	5,510	27,727
Total noncurrent liabilities	(578,698)	(11,158)	(9,349)	(102,724)	(701,929)	(420,468)	(9,010)	(6,266)	(80,188)	(515,932)

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

20. Actuarial Pension plan liabilities (Continued)

Net cost of benefit	12/31/2020					12/31/2019				
	Defined benefit plan				Total	Defined benefit plan				Total
	Germany	Spain	Mexico	Other plans		Germany	Spain	Mexico	Other plans	
Service cost	(9,190)	(301)	(550)	(8,247)	(18,288)	(1,815)	(195)	(361)	(8,446)	(10,817)
Finance cost	(3,944)	(248)	(593)	(6,478)	(11,263)	(5,816)	(374)	(444)	(6,279)	(12,913)
Net cost of benefit	(13,134)	(549)	(1,143)	(14,725)	(29,551)	(7,631)	(569)	(805)	(14,725)	(23,730)

Actuarial assumptions used for calculating cost and obligations were as follows:

Weighted average of assumptions used	Pension plan	Other plans
Discount rate – foreign	1.63%	6.49%
Salary increase rate – foreign	3.05%	5.00%
Inflation growth rate – foreign	2.25%	3.66%

The discount rate was calculated using timely interest rates that increases half percentage point to each of the next 30 years and based on information of price and profit to first-tier companies, due between 12 months and 30 years.

Sensitivity analysis of the obligations

As at December 31, 2020, changes in the discount rates used for valuation of the benefit obligations would have the following impacts on the obligations related to the defined benefit plan and on the weighted average duration of the defined benefit obligation (in years), as follows:

	Pension plan	Other plans
Scenario considering rate decrease of 50 base points to:	0.01%	6.73%
Increase in defined benefit obligation	41,534	7,971
Weighted average duration of defined benefit obligation (in years)	12	15
Scenario considering rate increase of 50 base points to:	0.99%	7.73%
Decrease in defined benefit obligation	38,933	7,398
Weighted average duration of defined benefit obligation (in years)	12	15

By developing the assumption on expected long-term return rate of the assets, the historical return and expected future return for each class of assets were taken into consideration, as well as the allocation purposes of the pension plan asset portfolio.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

20. Actuarial Pension plan liabilities (Continued)

Contributions made to plans

In 2020, indirect subsidiary Maxion Wheels contributed R\$39,851 (R\$24,491 at December 31, 2019) to the defined benefit plans.

21. Equity

a) Share capital

As at December 31, 2020, the Company's fully subscribed and paid-in capital is R\$1,576,954,290.05 (one billion five hundred seventy-six million nine hundred fifty-four thousand two hundred ninety reais and five cents), comprising 153,719,601 (one hundred fifty-three million seven hundred nineteen thousand six hundred one) registered common shares with no par value.

Under the bylaws, as decided by the Board of Directors, regardless of amendment to the bylaws, limited, however, to 82,000,000 registered common shares. Out of the total limit, 58,856,229 shares have already been issued and the amount of 23,143,771 shares is being subject to issuance.

Within the limit of authorized capital and in accordance with the plan approved by the Shareholders' General Meeting, the Company may grant stock options to its officers, employees or individuals who provide services to the Company, pursuant to paragraph 3, article 168 of Law No. 6404/76.

b) Reserve for investment and working capital

This reserve aims to ensure investments in production assets and increase in working capital, even by amortizing the Company's debts, as well as by capitalizing and financing subsidiaries and joint ventures. This reserve will comprise a minimum 10% and a maximum of 58% of net profit for the year, limited to the total amount of the capital plus the legal reserve.

As at December 31, 2020, loss for the year was absorbed by the reserve.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

21. Equity (Continued)

c) Allocation of profit (loss)

Net loss for the year, computed in accordance with the terms of article 191 of Law No. 6404/76, will be fully absorbed by income reserves by means of decrease in the reserve for investment and working capital.

Net profit allocation is subject to the following guidelines: (i) 5% to the legal reserve, which shall not exceed 20% of capital; (ii) 37% for distribution as mandatory dividends; and (iii) the remaining amount, which is not allocated to the investment and working capital reserve or retained as defined in the capital budget approved by the Annual Shareholders' Meeting, will be allocated as supplementary dividends to the shareholders.

	<u>12/31/2020</u>	<u>12/31/2019</u>
Net profit (loss) for the year	(454,132)	337,435
Realization of deemed cost depreciation, net of taxes	6,171	5,327
Total to be distributed	<u>(447,961)</u>	<u>342,762</u>
Allocation of profits (losses):		
(-) Legal reserve (5%)	-	(17,138)
(-) / + Statutory investment and working capital reserve (58%)	447,961	(198,802)
(-) Mandatory dividends	-	(101,191)
(-) Interest on capital imputed to mandatory dividends	-	(25,631)

d) Recognized stock options granted

Share-based payments refer to the results recorded for the 2015 and 2014 stock option plans, less the eligible stock options already exercised. As of December 31, 2020, 15,522 options were canceled (15,499 options at December 31, 2019).

e) Treasury shares

As of December 31, 2020, the Company had 1,349,827 common shares held in connection with the stock option plans in the amount of R\$28,894 (1,355,089 common shares in the amount of R\$28,920 at December 31, 2019), as a commitment under the stock option plan and long-term incentive program.

The market value of the common shares held in treasury totals R\$20,922, reflecting the price of R\$15.50 per share as of December 31, 2020.

Iochepe-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

21. Equity (Continued)

f) Valuation adjustments to equity

These are recorded as a result of revaluation of property, plant and equipment items (deemed cost) based on appraisal reports prepared by independent valuation experts upon first-time adoption of CPCs and IFRSs. Corresponding income tax and social contribution are classified in noncurrent liabilities and are realized upon depreciation or write-off of the revalued assets matched against accumulated losses, net of taxes. Exchange differences on foreign investments are allocated to Other Comprehensive Income (Loss), whose functional currency is other than the Company's functional currency.

g) Legal reserve

This legal reserve is a requirement to all Brazilian companies and represents appropriation of 5% of profit for the year based on Brazilian legislation, capped up to 20% of subscribed capital.

h) Capital reserve

As of December 31, 2020, this reserve is applicable to compute the effects of the restatement of the financial position by virtue of the investment made in Argentina, derived from the Argentinian hyperinflationary economy and goodwill deriving from acquisition of noncontrolling interests.

22. Stock option plan

The Extraordinary Shareholders' Meeting (ESM) held on December 1st, 2009, approved the stock option plan for Company's directors and officers. The individual conditions of each beneficiary are described in this plan.

Part of the annual bonus paid by the Company to the beneficiary as profit sharing, net of income tax and other related charges (profit sharing) will be allocated to acquire, on the stock exchange, shares issued by the Company (Company shares). For these purposes, the beneficiary shall allocate his/her profit sharing in order to commit this amount in the defined percentages of 75%, 50% or 25%. The percentage chosen by the beneficiary for acquiring Company shares shall determine the number of options that the beneficiary will be entitled to exercise. In case that the beneficiary fails to allocate any profit-sharing percentage to the acquisition of Company shares, no option will be granted.

Iochepe-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

22. Stock option plan (Continued)

The profit-sharing commitment percentage for acquisition of Company shares will be defined and as such, evidenced by the beneficiary to the Company by presenting the respective brokerage invoice within 5 days after the end of the Company share purchase period. The period for purchasing Company shares will begin on the day subsequent to the day when the Company informs the strike price to the beneficiaries and will last 15 consecutive days. After the established period elapses, the Board will define the number of options granted to each beneficiary by applying the following formula:

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

In that:

O = Number of options granted to the beneficiary.

B = Amount, in reais, of profit sharing allocated by the beneficiary to purchase Company shares.

M = Multiple on the profit-sharing amount allocated to acquisition of Company shares, defined according to the specifications below.

P = Average price of the Company's share in the 20 trading days of BM&FBOVESPA immediately subsequent to the end of the period.

Multiple "M" previously mentioned will have a fixed numerical value to each beneficiary, as follows:

- (a) If the beneficiary allocated 75% of profit sharing to purchase of Company shares, "M" will be equivalent to 2.0.
- (b) If the beneficiary allocated 50% of profit sharing to purchase of Company shares, "M" will be equivalent to 1.5.
- (c) If the beneficiary allocated 25% of profit sharing to purchase of Company shares, "M" will be equivalent to 1.0.

At the date of grant, the Company and the beneficiary will enter into an Stock Option Agreement, which will define the terms and conditions of the grant. The strike price will be equivalent to the Company's average share price in the 20 trading days of B3 S.A. - Brasil, Bolsa, Balcão (São Paulo Stock Exchange) immediately prior to the beginning of the term for acquisition of Company shares.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

22. Stock option plan (Continued)

The strike price will be adjusted by reference to the Extended Consumer Price Index informed by the Brazilian Institute of Geography and Statistics (IPCA/IBGE), from each program's start date to the exercise date of the respective options.

Vesting period – the options will be divided into three equal annual lots, in terms of number of options that may be exercised, respectively, within two, three and four years as from each program's inception date. At the end of the respective vesting period, each annual lot may be fully or partially exercised on a single or on various occasions and, at any time, throughout the final extinctive term of three years by means of a prior 10-day notification to the Company upon each exercise. After this period elapses, the beneficiary will lose his right to exercise the corresponding annual lot of options, with no right to indemnification.

In the 2014 share purchase programs, 27,581 options were granted by strike price of R\$23.34.

In the fifth program, organized in 2015, the Board of Directors, under the terms of clause 3.2.1 of the Plan, amended in a ESM held on May 9th, 2014, decided to grant the executives a number of options equivalent to 25% of their 2014 profit sharing, without the trade-off related to acquisition of Company shares on the stock exchange. The executives who decided to invest their 2014 profit sharing percentages in the form provided in the prior plans, in addition to the 25% mentioned, will receive additional options, according to the Plan rules.

In the fifth option program, 50,393 options were granted for the strike price of R\$10.38.

Changes in the number of outstanding stock options and their related weighted average prices for the year are as follows:

	12/31/2020		12/31/2019	
	Average exercise price per option - R\$	Outstanding options	Average exercise price per option - R\$	Outstanding options
Balance at beginning of the year	26.70	38,342	25.45	57,919
Exercised	13.13	(1,184)	12.84	(4,078)
Forfeited	24.47	(15,522)	35.04	(15,499)
Balance at end of the year	25.78	21,636	26.70	38,342

Out of the 21,636 stock options outstanding at December 31, 2020 (38,342 at December 31, 2019), 21,636 stock options (28,778 at December 31, 2019) are exercisable.

As at December 31, 2020, the market price of the Company shares was R\$15.50 (R\$23.38 as at December 31, 2019).

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

22. Stock option plan (Continued)

Options were measured at fair value at grant date. As of December 31, 2020, the weighted average of fair value of the options is R\$2.42 (R\$5.93 at December 31, 2019).

Options were priced based on the “Black & Scholes” model and the significant data included in the model for pricing fair value of the options granted was as follows:

- Volatility of 42.9% estimated on standard deviation of the shares' daily closing price considering maturity prices.
- Expected lifetime of the corresponding option between one and three years.
- Annual risk-free interest rate of 1.92%, 2.56% and 3.61%, for one, two and three years, respectively.

23. Long-term incentive plan

In April 2017, 2018, 2019 and 2020, the Board of Directors approved the long-term incentive plans referring to profit or loss from 2017 to 2020 (“2017 Program”), profit or loss from 2018 to 2021 (“2018 Program”), profit or loss from 2019 to 2022 (“2019 Program”) and profit or loss from 2020 to 2023 (“2020 Program”), respectively, which the purpose is: (i) promote a good performance to the Company and comply with the interests of Company's shareholders by means of a long-term commitment by management and employees; and (ii) align compensation and benefits granted to certain Company officers, directors and employees with the performance of the shares issued by the Company in the stock exchanges and with the Company's economic and financial performance.

Under the terms and conditions of the Company's long-term incentive plan, the 2017, 2018, 2019 and 2020 Program beneficiaries will be entitled to premiums in cash by reference to the (i) valuation of the shares issued by the Company on stock exchanges; and (ii) return on capital invested in the Company (“Return on Invested Capital” or “ROIC”). Concerning the plan purposes, the receipt of premiums is referred to as “Restricted Stock Unit” or “RSU”, in the first case, and “Performance Share” or “PS”, in the second case. Each unit granted, in the amount of R\$15.93, R\$22.64, R\$22.84 and R\$23.32, for the 2017, 2018, 2019 and 2020 Programs, respectively, equals the weighted average price of the shares (MYPK3) traded on B3 S.A. - Brasil, Bolsa, Balcão prior to the period of 8 (eight) days before respective grant dates in April 2017, January 2018, January 2019 and January 2020.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

23. Long-term incentive plan (Continued)

The RSUs will be settled in 3 tranches, each RSU equivalent to the weighted average price of the shares (MYPK3) of the 10 (ten) trading days prior to settlement date. The 2017, 2018, 2019 and 2020 PSs will be settled only if the Company's average ROIC computed between January 1st, 2017 and December 31st, 2020, between January 1st, 2018 and December 31st, 2021, between January 1st, 2019 and December 31st, 2022 and between January 1st, 2020 and December 31st, 2023, respectively, is met as per indices determined by the Board of Directors for each Program.

The settlement dates for each program are as follows:

Program	Tranche	Maturity	Outstanding RSUs and PSs
RSU – 2017	33.3%	05/20/2021	47,675
PS – 2017	100%	05/20/2021	107,376
RSU - 2018	33.3%	03/20/2021	40,717
RSU - 2018	33.3%	03/20/2022	40,717
PS – 2018	100%	03/20/2022	91,704
RSU - 2019	33.4%	03/20/2021	51,687
RSU - 2019	33.3%	03/20/2022	51,532
RSU - 2019	33.3%	03/20/2023	51,532
PS - 2019	100%	03/20/2023	116,065
RSU - 2020	33.4%	03/20/2022	63,869
RSU - 2020	33.3%	03/20/2023	63,678
RSU - 2020	33.3%	03/20/2024	63,678
PS - 2020	100%	03/20/2024	143,418

As at December 31, 2020, the total provision recorded as “Other Obligations” is R\$2,776 in the individual financial statements (R\$3,812 at December 31, 2019) and R\$6,361 in the consolidated financial statements (R\$8,504 at December 31, 2019). Treasury shares held for purposes of running payments under the 2017, 2017, 2018 and 2019 Programs are described in Note 21.e.

In the 2nd quarter of 2020, payments were made for the 3rd tranche of the 2016 RSU program, 2nd tranche of the 2017 RSU program and 1st tranche of the 2018 RSU program. As per the Board meeting held on July 29th, 2020, the Company defined that 2020 ROIC will not be considered for long-term incentive plan calculation, given the impact of COVID-19 on Company Income Statement, reason why 2017 PS plan was accrued again.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

24. Finance income (costs)

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Finance income:				
Income from short-term investments	14,179	9,171	17,964	11,818
Pension plan interest income	-	-	924	751
Discounts obtained and interest on trade receivables	37	200	37	200
Financial gain on lawsuits	1,049	1,755	1,246	1,776
Finance income on PIS and COFINS credits	-	-	-	42,610
Capitalization of borrowing costs (CPC 20)	-	3,660	-	3,660
Other	644	3,582	13,195	4,529
Total	15,909	18,368	33,366	65,344
Finance costs:				
Interest expense and finance charges	(87,901)	(71,879)	(193,347)	(160,038)
Pension plan interest expense	-	-	(11,263)	(12,586)
Monetary adjustment of provision for risks	(5,137)	(2,936)	(7,130)	(4,768)
Tax on Financial Transactions (IOF)	(5,235)	(2,399)	(5,392)	(2,524)
Amortized cost of debenture issuance	(4,603)	(2,467)	(4,613)	(2,467)
Bank charges	(9,032)	(661)	(29,385)	(36,799)
Other	(2,241)	(3,050)	(11,301)	(10,942)
Total	(114,149)	(83,392)	(262,431)	(230,124)

25. Exchange rate gains (losses), net

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Trade receivables	6,380	1,256	(11,796)	(9,094)
Borrowings and financing	464	(855)	(3,442)	11,416
Trade payables	(855)	(711)	21,406	8,544
Short-term investments	-	-	(6,367)	(1,082)
Derivative financial instruments	-	-	(3,831)	(423)
Other	(2,238)	(448)	109	(14,485)
Total	3,751	(758)	(3,921)	(5,124)

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

26. Net sales and services revenue

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Gross sales revenue	2,357,409	3,121,620	9,255,898	10,768,687
Deductions:				
Taxes on sales	(421,449)	(595,862)	(462,583)	(682,049)
Rebates, returns and cancelations	(10,116)	(15,881)	(32,747)	(70,243)
Net sales and services revenue	1,925,844	2,509,877	8,760,568	10,016,395

27. Costs and expenses by nature

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Raw materials	(872,703)	(1,149,631)	(4,507,716)	(5,263,594)
Salaries and benefits	(617,024)	(678,368)	(1,931,919)	(1,940,399)
Supplies/maintenance	(128,948)	(119,183)	(684,435)	(659,292)
Electric power	(48,886)	(52,865)	(355,091)	(343,102)
Depreciation and amortization	(65,551)	(65,168)	(556,861)	(419,554)
Outsourced services	(64,565)	(75,888)	(217,424)	(241,505)
Freight	(35,977)	(37,414)	(209,845)	(212,879)
Management fees	(14,110)	(19,086)	(14,110)	(19,086)
Transportation/communication	(11,321)	(20,008)	(30,680)	(52,404)
Other costs and expenses	(39,245)	(51,688)	(250,817)	(235,194)
Total	(1,898,330)	(2,269,299)	(8,758,898)	(9,387,009)
Classified as:				
Cost of sales and services rendered	(1,768,233)	(2,123,356)	(8,195,255)	(8,831,177)
Selling expenses	(14,709)	(14,602)	(61,812)	(53,778)
General and administrative expenses	(101,278)	(112,255)	(487,721)	(482,968)
Management fees (Note 10)	(14,110)	(19,086)	(14,110)	(19,086)
Total	(1,898,330)	(2,269,299)	(8,758,898)	(9,387,009)

Iochepe-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

28. Other operating income (expenses)

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Revenue on ICMS deduction from PIS and COFINS tax base				
(i)	-	-	-	75,023
Gain on devaluation of put option (ii)	-	-	25,756	-
Restructuring expenses (iii)	(13,454)	-	(114,095)	(9,500)
Impairment of assets (iv)	(1,296)	-	(57,638)	-
Provision for tax risks (v) (vi)	(13,948)	-	(17,083)	-
Other operating income (expenses)	(6,055)	4,206	(25,374)	5,248
Total	(34,753)	4,206	(188,434)	70,771

- (i) The Company was handed down favorable and unappealable decisions on lawsuits claiming exclusion of ICMS from the PIS and COFINS calculation base for the period between 2005 and 2019. The effects of these decisions were determined by the Company with the support of external tax consultants and resulted in the recognition of R\$ 117,633, of which R\$ 75,023 in the account "Other operating income (expenses)" and R\$ 42,610 in the account "Financial income on PIS and COFINS credits". The Company recognized these credits considering the amount of ICMS disclosed in the invoices based on the opinion of its legal advisors.
- (ii) In accordance with a put option contract, a subsidiary of the Company is required to acquire certain shares issued by another subsidiary at a fixed price upon exercise of the option by the beneficiaries, who are the non-controlling shareholders of the subsidiary. The acquisition price of these shares is defined according to the formula described in the put option contract, which is calculated every March 31. According to the formula, as of March 31, 2020, the Company has, through its subsidiary, noncurrent liabilities related to that option in the amount of R\$17,824 (R\$ 35,745 in 2019). Consequently, the impact on "other operating income" was R\$25,756 as of December 31, 2020.
- (iii) Due to the effects of COVID-19, the Company restructured its operations by partially reducing its workforce and shutting down the Maxion Wheels Akron LLC plant, as per Note 2, in order to adjust its operations according to production volumes.
- (iv) In the second quarter of 2020, the impairment test on the assets of subsidiaries Maxion Wheels Akron LLC and Maxion Wheels do Brasil resulted in the need to record impairment losses amounting to R\$29,621 (R\$21,826 in property, plant and equipment and R\$7,795 in inventories) and R\$3,042, respectively. In December 2020, Maxion Wheels Italia S.r.l. recorded R\$16,136 as impairment loss related to a forged wheel line.
- (v) Note 19, item (i)
- (vi) Note 19, item (ii).

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

29. Risk and financial instrument management

a) General considerations and policies

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

These financial instruments are managed by means of policies, definition of strategies and establishment of control systems, monitored by the Board of Directors through the Financial Committee.

The corporate policy that rules financial instruments for hedging purposes is also approved by the Board of Directors and it is subsequently and periodically analyzed in terms of the risk exposure that it intends to hedge. Gain and losses from these transactions are in compliance with the policies and strategies defined by management. The Company and its subsidiaries do not have investments for speculation purposes in derivatives or any other risky assets.

The Board of Directors monitors management's compliance with the policies and procedures for managing risks and it reviews the adequacy of the risk management model in relation to the risks accepted by the Company and its subsidiaries.

Classification of financial instruments – per category

	Note	Parent		Consolidated	
		12/31/2020	12/31/2019	12/31/2020	12/31/2019
		Amortized cost	Amortized cost	Amortized cost	Amortized cost
Assets:					
Cash and cash equivalents	5	669,805	263,853	1,605,439	646,137
Trade receivables	6	330,946	264,811	1,405,954	1,029,650
Loan	10.b	-	4,897	-	4,897
Total		1,000,751	533,561	3,011,393	1,680,684
Liabilities:					
Borrowings and financing	15	1,085,211	9,218	3,890,711	1,802,473
Debentures	15	1,229,678	1,259,110	1,229,678	1,259,110
Trade payables	16	188,331	146,238	1,463,594	1,126,821
Total		2,503,220	1,414,566	6,583,983	4,188,404

Iochepe-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

29. Risk and financial instrument management (Continued)

b) Fair value

Concerning the Company and its subsidiaries, financial instruments included in the balance sheet such as bank accounts, short-term investments, trade receivables and trade payables are disclosed at amounts that represent their market value.

Comparison between fair value and amortized cost of borrowings, financing and debentures is as follows:

<u>Carrying amount</u>	<u>Fair value</u>
5,120,389	5,034,807

c) Financial risk management

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

Credit risk

This derives from the possibility that the Company and its subsidiaries will incur in losses due to default of their counterparties or of financial institutions in which their funds or short-term investments are held. In order to mitigate such risks, the Company and its subsidiaries analyze the equity and financial status of their counterparties, establish credit limits and continuously monitor outstanding positions. The Company and its subsidiaries only perform operations with top-tier financial institutions that have a solid credit position, opting safety and stability.

Concerning trade receivables from customers, the Company understand that due to (i) its strict credit rating analysis; (ii) continuous monitoring of outstanding balances; and (iii) the fact that its customers are large-sized car manufacturers that have good risk ratings in the market, the credit risk is under control.

Company's management understands that provisions recorded in the financial statements are sufficient to cover the risk of non-collectability, as stated in Note 6.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

29. Risk and financial instrument management (Continued)

c) Financial risk management (Continued)

Liquidity risk

Reasonable liquidity risk management entails maintaining sufficient marketable securities, cash and available fund-raising options by means of committed credit facilities and capacity to settle market positions. Due to the dynamic nature of the Company's and its subsidiaries' business, the Treasury area keeps fund-raising flexible by maintaining committed credit lines.

Management monitors the Company's consolidated liquidity level taking into account the expected cash flow versus unused credit lines and available cash and cash equivalent amounts. This forecast considers debt financing plans, compliance with internal goals related to financial position ratios and, when applicable, external or legal regulatory requirements (such as currency restrictions). By means of its risk management, the Company determines minimum consolidated cash limits and debt management financial indices.

Any surplus of cash held by the operating entities, i.e., in addition to the amount required for working capital management, is maintained in these entities and managed by the Corporate Financial Management. The Company invests its liquidity in accordance with its financial risk management, in short-term investments due within 90 days, usually deposits in financial institutions.

The table below comprehends non-derivative financial liabilities of the Company and its subsidiaries per maturity date, corresponding to the remaining period from the balance sheet date until the termination date:

	12/31/2020					
	Parent			Consolidated		
	Within 1 year	1 – 2 years	Above 2 years	Within 1 year	1 – 2 years	Above 2 years
Trade payables	188,331	-	-	1,463,594	-	-
Borrowings, financing and debentures	1,154,770	271,472	1,069,920	2,076,489	1,242,744	2,206,161
Total	1,343,101	271,472	1,069,920	3,540,083	1,242,744	2,206,161

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

29. Risk and financial instrument management (Continued)

c) Financial risk management (Continued)

Interest rate risk

This risk arises from the possibility that the Company and its subsidiaries will record gains or losses due to fluctuations in the interest rates on their financial assets and liabilities. In order to mitigate this type of risk, the Company and its subsidiaries seek to diversify fund-raising between fixed and floating rates.

Foreign exchange risk

This risk arises from the fluctuation in the exchange rates of foreign currencies used by the Company and its subsidiaries for the acquisition of raw material, sale of products and financial instruments the entities enter into. In addition to payables and receivables in foreign currencies, the Company and its subsidiaries invest in foreign direct and indirect subsidiaries and have operating cash flows involving purchases and sales in other currencies. The Company and its subsidiaries have a specific policy on hedge transactions aimed at mitigating such risks.

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Assets:				
Trade receivables (i)	8,990	12,268	1,117,029	787,053
Foreign related parties	43,584	19,590	89	69
Total assets	52,574	31,858	1,117,118	787,122
Liabilities:				
Borrowings and financing (ii)	-	-	2,800,196	1,793,256
Trade payables (iii)	5,175	2,164	1,268,978	977,163
Foreign related parties	107	2,256	107	-
Total liabilities	5,282	4,420	4,069,281	2,770,419
Net exposure	47,292	27,438	(2,952,163)	(1,983,297)
(-) Foreign subsidiaries using local functional currency	-	-	2,956,182	1,997,425
Total exposure for sensitivity analysis purposes	47,292	27,438	4,019	14,128

(i) In the consolidated financial statements for December 31, 2020, 79.4% (76.4% at December 31, 2019) refers to trade payables in foreign subsidiaries denominated in U.S. dollars, euros and yuans.

(ii) In the consolidated financial statements for December 31, 2020, 54.7% (58.6% as at December 31, 2019) refers to borrowings obtained in local currency by foreign subsidiaries denominated in U.S. dollars (Note 15).

(iii) In the consolidated financial statements for December 31, 2020, 86.7% (86.7% at December 31, 2019) refers to trade payables in foreign subsidiaries denominated in U.S. dollars, euros and yuans.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

29. Risk and financial instrument management (Continued)

c) Financial risk management (Continued)

Foreign exchange risk (Continued)

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

Concentration risk

The Company's and its subsidiaries' products are usually sold under submission of purchase orders of material amounts regularly placed by a limited number of customers that represent significant volume of sales. Currently, approximately 72% of operating income derives from ten customers. The loss of a major customer or the decrease in the demand by such customer could have an adverse impact on the Company and its subsidiaries.

Risk of fluctuation in steel and aluminum prices

A significant part of the Company's and its subsidiaries' operations depends on their ability to purchase steel and aluminum at competitive prices. If steel and aluminum prices sharply increase and the Company and its subsidiaries are not able to transfer such price increase to customers or to reduce operating costs to compensate such increase, the profit margin can be jeopardized.

Sensitivity analysis - consolidated

Financial instruments, including derivatives, when applicable, are exposed to changes due to fluctuations in exchange rates, interest rates (long-term interest rate, or TJLP) and CDI rate. The sensitivity analysis of financial instruments to these variables were considered by the Company's management and they are described below:

i) Selection of risks

The Company and its subsidiaries listed three market risks that could materially impact the value of their financial instruments: (1) U.S. dollar/Brazilian real exchange rate; (2) interest rates on borrowings and financing - (TJLP), (CDI) and (LIBOR); and (3) short-term investment yield rate (CDI).

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

29. Risk and financial instrument management (Continued)

c) Financial risk management (Continued)

Sensitivity analysis - consolidated (Continued)

ii) Selection of scenarios

Three scenarios were considered in the risk sensitivity analysis for the indices under these financial assets and financial liabilities, having the Company adopted the probable scenario. Therefore, the Company determined two additional hypothetical scenarios with a 25% and a 50% fluctuation in the aforementioned risk variables based on December 31, 2020.

The probable scenario considered by the Company is the actual Brazilian real versus U.S. dollar exchange rate and TJLP, CDI and LIBOR indices as of December 31, 2020. Accordingly, the Company consulted the official website of Brazil Central Bank as primary source to obtain the U.S. dollar/Brazilian real price, the website of BNDES for TJLP rate, the website of CETIP S.A. - Mercados Organizados for CDI rate and Bloomberg portal for LIBOR.

Sensitivity analysis of fluctuations in exchange rate changes

For the sensitivity analysis of foreign currency exposure as of December 31, 2020, as shown in the table with the foreign exchange currency exposure under "Foreign currency risk," the balances of trade receivables, trade payables, borrowings and financing held by foreign subsidiaries were excluded because they are denominated in the local functional currencies of each foreign subsidiary and, therefore, Company management believes that there is no currency risk that could affect those subsidiaries cash flows.

Considering such foreign currency exposure as of December 31, 2020, the sensitivity analysis of outstanding position in the consolidated is as follows:

Company risk	Possible scenario	Remote scenario
Decrease in U.S. dollar rate	1,005	2,010

The possible scenario considers a 25% appreciation of the Brazilian real against the U.S. dollar based on the exchange rate at December 31, 2020, i.e., R\$5.1967/US\$1.00 (R\$3.8975/US\$1.00), and the remote scenario considers a 50% appreciation (R\$2.5984/US\$1.00).

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

29. Risk and financial instrument management (Continued)

c) Financial risk management (Continued)

Sensitivity analysis of fluctuations in exchange rate changes (Continued)

In light of the currency rates considered, the results would correspond to losses totaling R\$1,005 and R\$2,010 in the possible and remote scenarios, respectively.

Management did not use the probable scenario in the sensitivity analysis because it believes that it substantially reflects the currency rate fluctuations already recognized in the financial statements for the period ended December 31, 2020.

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

The sensitivity analysis below takes into consideration the principal amount of borrowings.

Borrowings and financing - TJLP	Scenarios		
	Probable	Possible	Remote
TJLP at December 31, 2020	4.55%	5.69%	6.83%
TJLP-indexed financing - R\$4,262			
Estimated finance cost	194	243	291
Effect - loss		(49)	(97)

Borrowings and financing - CDI	Scenarios		
	Probable	Possible	Remote
CDI at December 31, 2020	1.90%	2.38%	2.85%
CDI-indexed loans - R\$882,000			
Estimated finance cost	16,758	20,992	25,137
Effect - loss		(4,234)	(8,379)

Borrowings and financing - 6-month LIBOR	Scenarios		
	Probable	Possible	Remote
LIBOR at December 31, 2020	0.26%	0.32%	0.39%
6-month LIBOR-indexed borrowing - R\$284,831			
Estimated finance cost	734	911	1,111
Effect - loss		(178)	(377)

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

29. Risk and financial instrument management (Continued)

c) Financial risk management (Continued)

Sensitivity analysis of interest rate changes - Company's exposure to interest rate increase – Consolidated (Continued)

Debentures - CDI	Scenarios		
	Probable	Possible	Remote
CDI at December 31, 2020	1.90%	2.38%	2.85%
Debentures indexed to 100% of CDI - R\$1,250,000			
Estimated finance cost	23,750	29,750	35,625
Effect – loss		(6,000)	(11,875)

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

Short-term investments - CDI	Scenarios		
	Probable	Possible	Remote
CDI at December 31, 2020	1.89%	1.42%	0.95%
Short-term investments - 99.7% of CDI - R\$644,251			
Estimated finance income	12,176	9,148	6,120
Effect - loss		(3,028)	(6,056)

Subsidiaries Maxion Jantas Jant Sanayi ve Ticaret A.S. and Maxion Inci Jant Sanayi A.S. have a natural hedge due to their transactions in other currencies. In case there is an outstanding balance not subject to natural hedge, these companies enter into forward term contracts to prevent further impacts referring to such currency fluctuation. As of December 31, 2020, the total net losses on these forward contracts amounted to R\$1,414, recorded under derivative financial instruments (Note 25) in the Income Statement for the period.

The operations engaged in June 2020 have settlement terms between three and eight months from the contract date, which consider estimated future purchases of steel and aluminum in order to hedge against price fluctuation risk. As of December 31, 2020, outstanding transactions totaled four contracts due between January 31st, 2021 and February 26th, 2021.

Iochepe-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

29. Risk and financial instrument management (Continued)

c) Financial risk management (Continued)

Sensitivity analysis of changes in short-term investments - Company's exposure to a potential decrease in interest rates (Continued)

The operations engaged in December 2020 have settlement terms between one and six months from contract date for subsidiary Maxion Jantas Jant Sanayi ve Ticaret A.S. and settlement terms between three and six months from contract date for subsidiary Maxion Inci Jant Sanayi A.S. that take into considering the forecast of future purchases of steel and aluminum in order to hedge against price fluctuation risk. As of December 31, 2020, outstanding transactions totaled ten contracts due between January 31st, 2021 and June 30th, 2021, as follows:

Hedged item	Risk	Counterparty	Notional amount (in thousands)		Fair value loss
			€	R\$	
Outstanding balance	Foreign exchange fluctuation	Türkiye İş Bankası A.Ş.	17,637	111,046	(1,414)

30. Capital management

Company management seeks to keep a balance between the highest possible returns with the most appropriate levels of borrowing and the advantages and safety afforded by a solid capital position. This main goal is to reach a rate of return commensurate with its cost of capital, which is annually reviewed using the Weighted Average Cost of Capital (WACC) approach.

The debt-to-equity ratio is as follows:

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Total borrowings, financing and debentures	2,314,889	1,268,328	5,120,389	3,061,583
Cash and cash equivalents and short-term investments	(669,805)	(263,853)	(1,605,439)	(646,137)
Net debt	1,645,084	1,004,475	3,514,950	2,415,446
Total equity	3,462,285	3,228,478	3,802,761	3,496,976
Net debt-to-equity ratio	48%	31%	92%	69%

Iochepe-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

31. Earnings (loss) per share

	<u>12/31/2020</u>	<u>12/31/2019</u>
Denominator:		
Weighted average number of shares	153,719,601	152,553,741
Weighted number of treasury shares	(1,349,827)	(1,328,801)
Weighted average number of outstanding shares	<u>152,369,774</u>	<u>151,224,940</u>
Numerator - basic:		
Profit (loss) for the year – R\$	<u>(491,779,744)</u>	<u>337,435,372</u>
Basic earnings (loss) per share for the year – R\$	<u>(3.22754)</u>	<u>2.23135</u>
Denominator - diluted:		
Weighted average number of outstanding shares	152,369,774	151,224,940
Number of shares for the stock option plan (i)	-	38,342
Weighted average number of shares	<u>152,369,774</u>	<u>151,263,282</u>
Numerator - diluted:		
Profit (loss) for the year	<u>(491,779,744)</u>	<u>337,435,372</u>
Diluted earnings (loss) per share for the year – R\$	<u>(3.22754)</u>	<u>2.23078</u>

(i) As of December 31, 2020, the Company presented an anti-dilution effect related to 12,443 options of the share-based compensation programs, with an effect of R\$0.00026 for the year ended December 31, 2020.

32. Segment information

Accounting standard CPC 22/IFRS 08 – Operating Segments requires consistent segment reporting in line with management reports provided and revised by the operating decision-maker for assessing the financial performance of each operating segment and for allocating resources. The main Company's operating decision-maker is the Chief Executive Officer - CEO.

The Company and its subsidiaries operate in a single business segment (automotive), having adopted a matrix management structure that requires the decision-maker to review in details only the sales revenue, once products manufactured and sold by the Company and its subsidiaries are solely segregated into the Maxion Wheels and Maxion Structural Components divisions.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

32. Segment information (Continued)

Net revenue is as follows:

	12/31/2020		12/31/2019	
	Net revenue	Interest held	Net revenue	Interest held
Operations in South America - Brazil	1,935,066	22.1%	2,680,917	26.8%
International operations:				
North America	2,602,020	29.7%	3,042,807	30.4%
Europe	3,441,442	39.3%	3,385,710	33.8%
Other	782,040	8.9%	906,961	9.1%
Total	8,760,568	100.0%	10,016,395	100.0%

33. Insurance

The Company and its subsidiaries have insurance coverage for some inventory items, property, plant and equipment, civil liability and others. As of December 31, 2020, the insurance policies covered the following amounts:

Insured assets	Coverage	Insured amount
Inventories and property, plant and equipment	Fire, lightning, explosion, windstorm, machinery breakdown and other risks	1,259,685
Guarantee	Judicial, traditional and customs guarantees	36,487
Cargo	Highway risk and cargo carrier liability and transportation risk in import and export transactions	145,902
General Civil Liability (RCG), Errors & Omissions (E&O)	Third-party claims, crimes	1,094,082

Iochepe-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

34. Additional disclosures to the statements of cash flows

No cash disbursement transactions

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Acquisition of property, plant and equipment items to be paid and recorded as "Trade payables"	11,420	15,896	38,483	48,704
Amounts raised from forfeiting transactions	184,141	-	184,141	-
Capital increase to be paid in subsidiary	-	31,714	-	-

35. Subsequent events

On February 10th, 2021, the Company entered into a financing agreement by means of a loan facility for R\$620,000 and issued Bank Credit Notes (CCB) subject to security interest for R\$245,000, both with *Agência Especial de Financiamento Industrial S.A. (FINAME)*. These new credit lines have a 24-month grace period and maturity dates over 7 years, until the date of publication of these financial statements, this credit line has not been withdrawn.

36. Officers statement of compliance

Under the terms of CVM Instruction No. 480/09, the Company's Executive Committee hereby declares that it has reviewed, discussed and agreed with the individual and consolidated financial statements for the year ended December 31, 2020 and with the related independent auditor's report. Moreover, for purposes of compliance with CVM Resolution No. 727/14, the Company's Executive Committee states that all relevant information specific to the financial statements, and only such information, is disclosed and corresponds to the information used to manage the Company's operations.

Iochope-Maxion S.A. and Subsidiaries

Notes to the individual and consolidated financial statements (Continued)

December 31, 2020

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

37. Authorization for issuance and disclose of the individual and consolidated financial statements

These individual and consolidated financial statements were approved by the Company's Board of Directors and authorized for disclosure at the Board Meeting held on March 3, 2021.

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 - 1 SP 237586/O-4