Financial Statements

U&M Mineração e Construção S.A.

December 31, 2018 and 2017
with Independent Auditor's Report

U&M Mineração e Construção S.A.

Board of Directors' Report

Dear Shareholders,

We are pleased to present you the figures for year 2018, including the Statement of Financial Position, Statement of profit or loss, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements for the years ended December 31, 2018 and 2017, as well as the Independent Auditor's Report.

These results are a consequence of the combined efforts and support of our shareholders, employees, customers and suppliers.

We emphasize that U&M maintained the integrated certifications ISO 9001 (Quality Management System), ISO 14001 (Environmental Management System) and OHSAS 18001 (Occupational Security and Health). We have been constructing warehouses for the expansion of the storeroom, training room for the development of local professionals as well as of the living area, aiming at a greater integration between the members of U&M team, in addition to the investment in solar panels to obtain the generation of clean and renewable energy.

U&M Mineração e Construção S.A.

Financial statements

December 31, 2018 and 2017

Contents

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 accounting practices adopted in Brazil

Independent auditor's report on individual and consolidated financial statements

To the shareholders, Board of Directors and Officers of
U&M Mineração e Construção S.A.
Rio de Janeiro - RJ

Opinion

We have audited the accompanying individual and consolidated financial statements of U&M Mineração e Construção S.A. (the "Company"), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2018, and the related statements of profit or loss, of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of the Company as at December 31, 2018, its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the audit of the individual and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries and comply with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by 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 obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

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

Revenue recognition - service rendering

As mentioned in Notes 2.11 and 21, the Company recognizes its revenues from service rendering based on the measurement of the execution stages of the services rendered over the year.

This process involves judgment in determining the time at which the performance obligation is satisfied and, therefore, when revenue should be recognized. Considering the risk of material impacts on the results of each period and in the context of the financial statements as a whole, this issue was considered a key audit matter.

How our audit addressed this matter:

We obtained the understanding of the processes related to the recognition of revenue from service rendering, and performed detailed tests for 100% of the revenue composition, evaluating its existence by analyzing the supporting documentation, such as invoices issued to customers, approved service measurement documents and related receipts. In addition, we performed a detail test on the revenue recognition criteria relating to billings made next to the fiscal year closing date (revenue cut-off test).

Our work also included the analysis of supporting documentation mainly regarding the measurement of services. We also performed analytical procedures to identify significant changes, trend of balances and analysis of exceptions if found. We also assessed the adequacy of the disclosures made by the Company.

Based on the results of the audit procedures performed on the recognition of revenues from rendering of services, which is consistent with management's assessment, we consider that the criteria and assumptions for recognition of these revenues adopted by management are acceptable, in the context of the financial statements taken as a whole.

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

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

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

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

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast substantial 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.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

From the matters communicated with those charged with governance, we are required to determine those matters that were of most significance in the audit of the financial statements of the current year 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.

Belo Horizonte, March 25, 2019,

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6

Flávio de Aquino Machado
Accountant CRC-1MG065899/O-2

U&M Mineração e Construção S.A.

Statements of financial position
December 31, 2018 and 2017
(In thousands of reais)

		Individual		Consolidated	
	Note	**12/31/2018**	**12/31/2017**	**12/31/2018**	**12/31/2017**
Assets					
Current assets					
Cash and cash equivalents	4	**16,503**	35,096	**20,697**	40,930
Trade accounts receivable	5	**292,862**	168,592	**302,196**	180,563
Inventories	6	**108,581**	59,195	**114,114**	65,155
Receivables from disposal of assets		**109**	-	**289**	22
Advances to suppliers	7	**14,695**	8,873	**14,733**	8,875
Taxes recoverable	8	**13,957**	5,743	**14,105**	5,885
Derivative financial instruments	9	**5,640**	477	**5,640**	477
Other assets		**1,744**	591	**1,747**	592
		454,091	278,567	**473,521**	302,499
Noncurrent assets					
Marketable securities	4	**8,681**	-	**8,681**	-
Judicial deposits	19	**5,189**	5,182	**5,189**	5,182
Trade accounts receivable	5	**-**	74,428	**-**	74,428
Taxes recoverable	8	**5,743**	2,831	**5,743**	2,831
Derivative financial instruments	9	**-**	2,801	**-**	2,801
Other assets		**243**	429	**243**	429
Investments	12	**31,984**	30,329	**-**	-
Property and equipment	13	**403,747**	312,709	**408,011**	324,207
		455,587	428,709	**427,867**	409,878
Total assets		**909,678**	707,276	**901,388**	712,377

	Note	Individual		Consolidated	
		12/31/2018	**12/31/2017**	**12/31/2018**	**12/31/2017**
Liabilities and equity					
Current liabilities					
Loans, financing and debentures	14	**288,815**	79,172	**288,818**	79,172
Trade accounts payable	15	**44,053**	35,999	**32,623**	36,059
Taxes payable	16	**5,867**	6,819	**6,269**	7,673
Income and social contribution taxes payable	10	**350**	-	**2,901**	3,901
Salaries and social charges	17	**23,805**	16,902	**23,809**	16,921
Advances from customers	18	**218**	37	**398**	303
Interest on equity and dividends payable	20	**21,318**	21,104	**21,318**	21,104
Other obligations		**-**	285	**-**	286
		384,426	160,318	**376,136**	165,419
Noncurrent liabilities					
Loans, financing and debentures	14	**97,112**	160,017	**97,112**	160,017
Taxes payable	16	**2,334**	2,741	**2,334**	2,741
Provisions	19	**2,053**	2,732	**2,053**	2,732
Deferred taxes	10	**42,266**	44,393	**42,266**	44,393
		143,765	209,883	**143,765**	209,883
Equity	20				
Capital		**66,499**	66,499	**66,499**	66,499
Treasury shares		**(138)**	(3,300)	**(138)**	(3,300)
Capital reserve		**19,684**	19,684	**19,684**	19,684
Legal reserve		**13,300**	13,300	**13,300**	13,300
Retained profits		**287,064**	252,324	**287,064**	252,324
Other comprehensive income (loss)		**(4,922)**	(11,432)	**(4,922)**	(11,432)
		381,487	337,075	**381,487**	337,075
Total liabilities and equity		**909,678**	707,276	**901,388**	712,377

See accompanying notes.

U&M Mineração e Construção S.A.

Statements of profit or loss
December 31, 2018 and 2017
(In thousands of reais, except for earnings per share)

		Individual		Consolidated	
	Note	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Service revenue, net	21	**598,484**	517,021	**671,079**	590,789
Costs of services rendered	22	**(544,824)**	(466,434)	**(546,947)**	(474,755)
Gross profit		**53,660**	50,587	**124,132**	116,034
Operating income/expenses					
General and administrative expenses	23	**(11,627)**	(11,873)	**(20,067)**	(11,966)
Equity pickup	12	**63,045**	40,552	**-**	-
Other operating income	24	**9,356**	39,876	**18,249**	23,461
Income before finance income (costs) and taxes		**114,434**	119,142	**122,314**	127,529
Finance income (costs)					
Finance cost	25	**(79,522)**	(40,929)	**(79,760)**	(41,362)
Finance income	25	**51,651**	27,653	**52,183**	28,001
Income before income taxes		**86,563**	105,866	**94,737**	114,168
Income and social contribution taxes					
Current	10	**(3,417)**	(10,422)	**(11,591)**	(18,724)
Deferred	10	**2,127**	(11,023)	**2,127**	(11,023)
Net income for the year		**85,273**	84,421	**85,273**	84,421
Number of shares (thousand)		**59,058**	59,058		
Earnings per share (in reais)		**1.44**	1.43		

See accompanying notes.

U&M Mineração e Construção S.A.

Statements of comprehensive income (loss)
December 31, 2018 and 2017
(In thousands of reais)

	Individual		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Net income for the year	**85,273**	84,421	**85,273**	84,421
Other comprehensive income				
Currency translation adjustments (CTA) in foreign investee	**6,510**	8,635	**6,510**	8,635
Total comprehensive income for the year	**91,783**	93,056	**91,783**	93,056

See accompanying notes.

U&M Mineração e Construção S.A.

Statements of changes in equity
December 31, 2018 and 2017
(In thousands of reais)

	Capital	Treasury shares	Capital reserve	Legal reserve	Retained profits	Retained earnings	Other comprehensive income (loss)	Total
At December 1, 2017	66,481	-	19,684	13,296	202,425	-	(20,067)	281,819
Capital increase	18	-	-	-	-	-	-	18
Redemption of treasury shares	-	(3,300)	-	-	-	-	-	(3,300)
Cumulative translation adjustments (CTA)	-	-	-	-	-	-	8,635	8,635
Net income for the year	-	-	-	-	-	84,421	-	84,421
Legal reserve	-	-	-	4	-	(4)	-	-
Interest on equity	-	-	-	-	-	(20,703)	-	(20,703)
Dividends	-	-	-	-	-	(3,815)	-	(3,815)
Additional dividends approved	-	-	-	-	-	(10,000)	-	(10,000)
Retained profits	-	-	-	-	49,899	(49,899)	-	-
At December 31, 2017	66,499	(3,300)	19,684	13,300	252,324	-	(11,432)	337,075
Sale of treasury shares	**-**	**3,162**	**-**	**-**	**-**	**-**	**-**	**3,162**
Cumulative translation adjustments (CTA)	**-**	**-**	**-**	**-**	**-**	**-**	**6,510**	**6,510**
Net income for the year	**-**	**-**	**-**	**-**	**-**	**85,273**	**-**	**85,273**
Additional dividends	**-**	**-**	**-**	**-**	**-**	**(29,215)**	**-**	**(29,215)**
Mandatory dividends	**-**	**-**	**-**	**-**	**-**	**(21,318)**	**-**	**(21,318)**
Retained profits	**-**	**-**	**-**	**-**	**34,740**	**(34,740)**	**-**	**-**
At December 1, 2018	**66,499**	**(138)**	**19,684**	**13,300**	**287,064**	**-**	**(4,922)**	**381,487**

See accompanying notes.

U&M Mineração e Construção S.A.

Statements of cash flows
December 31, 2018 and 2017
(In thousands of reais)

	Individual		Consolidated	
	12/31/2018	12/31/2017	**12/31/2018**	12/31/2017
Cash flow from operating activities				
Net income for the year	**85,273**	84,421	**85,273**	84,421
Adjustments to reconcile P&L:				
Provisions	**(679)**	(387)	**(679)**	(387)
Equity pickup	**(63,045)**	(40,552)	**-**	-
Depreciation	**55,469**	43,279	**59,161**	49,057
Provision for interest	**19,906**	6,258	**19,908**	6,258
Net residual value of permanent assets written off	**3,917**	56,163	**7,459**	60,811
Changes in deferred income tax, net	**(2,127)**	11,023	**(2,127)**	11,023
Unrealized foreign exchange differences	**40,973**	5,327	**40,973**	5,327
(Increase) decrease in operating assets:				
Trade accounts receivable	**(49,842)**	(154,911)	**(47,205)**	(153,842)
Receivables from disposal of assets	**(109)**	-	**(267)**	369
Taxes recoverable	**(11,126)**	(1,357)	**(11,132)**	(458)
Inventories	**(49,386)**	(25,102)	**(48,959)**	(24,950)
Judicial deposits	**(7)**	(1,586)	**(7)**	(1,586)
Related parties	**-**	3,504	**-**	-
Advances to suppliers	**(5,822)**	(5,691)	**(5,858)**	(5,691)
Derivative financial instruments	**(2,362)**	(3,317)	**(2,362)**	(3,317)
Other receivables	**(967)**	(437)	**(969)**	(437)
Decrease (increase) in operating liabilities:				
Salaries and social charges	**6,903**	6,046	**6,888**	6,061
Taxes payable	**(1,009)**	(3,317)	**(2,811)**	(2,614)
Trade accounts payable	**8,054**	4,311	**(3,436)**	4,633
Other obligations	**(285)**	(4)	**(285)**	(4)
Advances from customers	**181**	(7,129)	**96**	(6,947)
Net cash provided by (used in) operating activities	**33,910**	(23,458)	**93,661**	27,727
Cash flow from investing activities				
Additions to property and equipment	**(150,424)**	(101,846)	**(150,424)**	(95,392)
Dividends received	**67,899**	63,286	**-**	-
Marketable securities	**8,681**	-	**8,681**	-
Cash used in investing activities	**(91,206)**	(38,560)	**(159,105)**	(95,392)
Cash flow from financing activities				
Loans taken out	**285,859**	212,900	**285,861**	212,901
Amortization of debentures	**(2,235)**	-	**(2,235)**	-
Loans paid	**(177,796)**	(69,890)	**(177,796)**	(69,890)
Dividends, IOE and IRRF on IOE paid	**(50,319)**	(48,192)	**(50,319)**	(48,192)
Repayment of interest on loans	**(19,968)**	(5,196)	**(19,969)**	(5,196)
Capital increase	**-**	18	**-**	18
Sale (purchase) of treasury shares	**3,162**	(3,300)	**3,162**	(3,300)
Net cash provided by financing activities	**38,703**	86,340	**38,704**	86,341
Translation effect	**-**	-	**6,510**	8,635
Changes in cash and cash equivalents	**(18,593)**	24,322	**(20,233)**	27,311
Cash and cash equivalents at beginning of year	**35,096**	10,774	**40,930**	13,619
Cash and cash equivalents at end of year	**16,503**	35,096	**20,697**	40,930
Increase (decrease) in cash and cash equivalents	**(18,593)**	24,322	**(20,233)**	27,311

See accompanying notes.

1. Operations

U&M Mineração e Construção S.A. (the "Company" or "Parent Company") is a privately-held corporation, primarily engaged in large ground and rock handling, through extra heavy equipment, rendering of rock drilling and digging services, cargo and transportation of ore and waste, ground leveling for industrial areas, construction of dams and dykes, preparation of accesses and initial opening of pits.

The Company holds ownership interest in the following subsidiaries:

(a) Levyequip Equipamentos Ltda. - incorporated on December 9, 2002, with head office in the city of Comendador Levy Gasparian, state of Rio de Janeiro, this company is primarily engaged in lease of equipment.

(b) U&M Equipment, INC - incorporated on July 17, 2003, with head office in the British Virgin Islands, Caribbean (BVI), this company is primarily engaged in the Purchase and Sale of Mining and Heavy Construction Equipment in the United States and other countries signing GATT; equipment export, particularly to Brazil, lease of Mining and Heavy Construction equipment, rendering of Mining and Heavy Construction Services, as well as engineering and mining technical advisory services.

(c) U&M Mining Zambia Ltd. - incorporated on May 17, 2007, with head office in the city of Chingola, Copperbelt - Zambia, this company is primarily engaged in the rendering of mining services. This company actually initiated its activities in August 2007 through a contract with Konkola Copper Mines PLC (copper branch of the Indian Group Vedanta Resources). In addition to mining, services included drilling, transportation, lighting, security, blasting and drainage. In 2015, 2016, 2017 and 2018, the Company had no contracts in force.

In addition, the Company holds interest in:

- Consortium TGP, established on January 27, 2012, with head office in the city of Canaã dos Carajás, state of Pará, is primarily engaged in performing large ground leveling works of any nature in state of Pará. The consortium members are: Construtora Barbosa Mello S/A and U&M Mineração e Construção S/A. This project was completed on January 12, 2018, according to the Technical Completion Term (TEC).
- Consortium S11D, established on August 7, 2013, with head office in the city of Canaã dos Carajás, state of Pará, is primarily engaged in performing infrastructure and construction works of Long Distance Conveyor Bel Transporter (TCLD) of Complexo Industrial Mineral Ferro Carajás S11D. The consortium members are: Construtora Barbosa Mello S/A and U&M Mineração e Construção S/A. This project was completed on December 17, 2017, according to the Technical Completion Term (TEC).

1. **Operations** (Continued)

- Consortium TKL, established on November 12, 2013, with head office in the city of Canaã dos Carajás, state of Pará, in order to perform ground leveling works and Truckless civil works of Complexo Industrial Mineral Ferro Carajás S11D. The consortium members are: Construtora Barbosa Mello S/A and U&M Mineração e Construção S/A. This project was completed on January 9, 2018, according to the Technical Completion Term (TEC).

These three consortia were terminated over 2018.

These financial statements were prepared considering the interest of shareholders to maintain the Company operating as a going concern, to enable the performance of the services provided for in 2019 backlog in the approximate amount of R$1,040,454, as well as possible new contracts.

2. Accounting policies

Basis of preparation and statement of compliance

The individual and consolidated financial statements were prepared considering the historical cost as a value basis and adjusted to reflect the fair value of certain financial assets and liabilities (including derivative instruments) measured at fair value through profit or loss.

The individual and consolidated financial statements for the years ended December 31, 2018 and 2017 were prepared in accordance with accounting practices adopted in Brazil, i.e. all standards, reviews and interpretations issued by Brazil’s Financial Accounting Standard Board - FASB (“CPC”) effective as at December 31, 2018.

The Company considered the guidance provided for in Accounting Guidance OCPC 07, issued by Brazil’s FASB (CPC) in November 2014, in preparing its individual and consolidated financial statements. Accordingly, significant information of the financial statements themselves is being disclosed and corresponds to that used by management over its administration.

The disclosure of these financial statements was authorized by the Executive Board on March 25, 2019.

2.1. Basis of consolidation

The financial statements of the subsidiaries mentioned in Note 1 have been consolidated, according to the following percentages:

(In thousands of reais, unless otherwise stated)

2. Accounting policies (Continued)

2.1. Basis of consolidation (Continued)

Individual	% - Ownership interest 2018	2017
Levyequip Equipamentos Ltda.	**99.99%**	99.99%
U&M Equipment, INC	**100%**	100%
U&M Mining Zambia Ltd	**100%**	100%

a) Subsidiaries

The financial statements of subsidiaries are included in the Parent Company's consolidated financial statements under the equity method. The fiscal years of subsidiaries are the same of the Parent Company's, given that the accounting practices and policies are uniformly and consistently applied to those of the prior year.

b) Transactions eliminated in consolidation

Intra-group transactions and balances, and any revenues or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

c) Consortia

The share of assets, liabilities and P&L of consortia is recorded in the Parent Company's corresponding accounts, as follows:

Individual	% - Ownership interest 2018	2017
Consortium S11D	**50%**	50%
Consortium TKL	**50%**	50%
Consortium TGP	**50%**	50%

2.2. Cash and cash equivalents

Cash and cash equivalents are investments that can be immediately redeemed with insignificant risk, held to meet short-term cash commitments.

2. Accounting policies (Continued)

2.3. Notes receivable from disposal of assets

These refer to amounts receivable from disposal of assets to third parties, stated at realizable values.

2.4. Trade accounts receivable

These refer to billed and unbilled services performed and measured, stated at realizable values.

2.5. Inventories

Inventories are stated at the weighted average cost.

2.6. Investment in subsidiaries

For the purposes of the Individual financial statements, ownership interest and investments in its subsidiaries are accounted for under the equity method, in accordance with Accounting Pronouncement CPC 18.

At every statement of financial position closing date, the Company determines whether there is objective evidence of impairment of investments in subsidiaries and, if so, it computes the impairment amount, which is the difference between the subsidiary's recoverable amount and carrying amount, and recognizes this amount in the Parent Company's statement of profit of loss.

2.7. Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, where applicable. When significant parts of property and equipment items are replaced, the Company recognizes such parts as individual assets with specific useful life and depreciation. All other repair and maintenance costs are recognized in the statement of profit or loss as incurred.

Property and equipment item's depreciation begins when they are ready for use. Straight-line depreciation method is applied, and depreciation is matched against P&L for the year in accordance with the estimated useful life, as described below for the main classes of property and equipment.

(In thousands of reais, unless otherwise stated)

2. Accounting policies (Continued)

2.7. Property and equipment (Continued)

	Average rate	
	2018	**2017**
Improvements	**3%**	3%
Furniture and fixtures	**20%**	20%
Machinery and equipment	**10%**	15%
Vehicles	**25%**	25%
Hardware	**20%**	20%

The residual value and the estimated useful life of the assets are reviewed and adjusted, when applicable, at year end.

Property and equipment items are written off when sold or when no future economic benefit is expected. Gains or losses, if any, arising therefrom are the difference between the net disposal proceeds and the carrying amount of the asset, and are classified in the statement of profit or loss for the year in which the asset is derecognized.

2.8. Taxes

i) Income and social contribution taxes - current

Current tax assets and liabilities for the last and prior years are measured at the estimated amount recoverable from or payable to tax authorities. Tax rates and laws used are those in force, or substantially in force, at the statement of financial position date in the countries in which the Company operates and generates taxable income.

ii) Deferred taxes

Deferred tax assets are recognized on all deductible temporary differences, unused tax credits and tax losses to the extent that taxable profit shall be available so that the deductible temporary differences may be realized, and unused tax credits or losses may be used. The carrying amount of deferred taxes is reviewed on an annual basis.

iii) Sales tax

Revenues, expenses and assets are recognized net of the amount of sales taxes, except:

- When the sales taxes incurred on the purchase of goods or services are not recoverable from tax authorities;

2. Accounting policies (Continued)

2.8. Taxes (Continued)

iii) Sales tax (Continued)

- When the amounts receivable and payable are presented together with the amount of sales taxes; and
- When the net amount of sales taxes, recoverable or payable, is included as a component of amounts receivable or payable in the statement of financial position.

2.9. Borrowing costs

Borrowing costs, interest and other costs, directly attributable to the acquisition of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the corresponding asset. All other borrowing costs are recorded in expense in the period they are incurred.

2.10. Lease agreements

Lease agreements are based on substantive aspects relating to the use of an asset, or the right to use on the initial date of its execution.

Finance lease agreements which transfer to the Company basically all the risks and rewards related to ownership of the leased item are capitalized at lease inception at the fair value or, if lower, at the present value of minimum lease payments. Initial direct costs incurred in the transaction are added to cost, when applicable.

Payments of finance lease agreements are allocated to financial charges and reduction of finance lease liabilities in order to obtain constant interest rate on the outstanding liability balance. The financial charges are recognized in the statement of profit or loss.

The leased assets are depreciated over their useful lives. However, when there is no reasonable guarantee that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of its estimated useful life or the lease term.

2. Accounting policies (Continued)

2.11. Revenue recognition

Revenue is recognized to the extent that future economic benefits are likely to flow to the Company and when such amount can be reliably measured. Revenue is measured at fair value of the consideration received, net of sales discounts, rebates, and related taxes or charges. The Company valuates revenue transactions in accordance with specific criteria adopted to determine whether it is operating as agent or principal and, finally, concluded that it is operating as principal in all revenue contracts.

The following specific criteria should also be met before revenue recognition:

i) Service rendering and equipment lease

Revenue is recognized based on measurement of services rendered and leases incurred through the cut-off date (measurement period).

ii) Interest income

For all financial instruments stated at amortized cost and interest-bearing financial assets, classified as available for sale, finance income or cost is recorded using the effective interest rate, which exactly discounts estimated future cash payments or receipts over the estimated life of the financial instrument or a shorter period, as applicable, to the net carrying amount of the financial asset or liability. Interest income is recognized under “Finance income (costs), net”, in the statement of profit or loss.

2.12. Foreign currency translation

The consolidated financial statements are presented in Brazilian reais (R$), which is the Parent Company’s functional currency. Each subsidiary determines its own functional currency, and for those entities whose functional currency differs from the Brazilian real, the financial statements are translated into Brazilian reais at the closing date.

i) Transactions and balances

Foreign currency transactions are initially recorded at the functional currency rate prevailing at the transaction date.

2. Accounting policies (Continued)

2.12. Foreign currency translation (Continued)

i) Transactions and balances (Continued)

Monetary assets and liabilities denominated in foreign currency are retranslated at the functional currency rate prevailing at the statement of financial position date. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate prevailing at the initial transaction dates. Nonmonetary items that are measured at fair value in a foreign currency are translated using the exchange rates prevailing at the date on which the fair value was determined. All currency translation differences are recognized in the statement of profit or loss.

ii) Foreign subsidiaries

Assets and liabilities of foreign subsidiaries are translated into Brazilian reais at the exchange rate prevailing at the statement of financial position date and the corresponding statements of profit or loss are translated at the monthly average exchange rate. Foreign exchange differences resulting from such translation are separately recorded in equity under “Cumulative translation adjustments - CTA”.

2.13. Financial instruments - Initial recognition and subsequent measurement

i) Financial assets

The financial assets include cash and cash equivalents, trade accounts receivable, other accounts receivable and quoted and unquoted financial instruments.

Financial assets are classified as measured at fair value through profit or loss, loans and receivables, investments held to maturity, or available for sale, as the case may be. Financial assets are classified when they become part of the instrument’s contractual provisions.

Financial assets are initially recognized at fair value plus, in the case of investments not designated, transaction costs directly attributable to their acquisition.

Sales and purchases of financial assets that involve delivery of assets within a time frame established by regulation or in the marketplace concerned (regular way purchases) are recognized on the transaction date, i.e., the date on which the Company commits itself to purchasing or selling the asset.

2. Accounting policies (Continued)

2.13. Financial instruments - initial recognition and subsequent measurement (Continued)

ii) Financial liabilities

Financial liabilities are initially recognized at fair value plus, in the case of loans and financing, transaction costs directly attributable thereto. They are classified upon initial recognition.

After initial recognition, loans and financing subject to interest are subsequently measured at amortized cost, using the effective interest rate method. Gains or losses are recognized in the statement of profit or loss.

2.14. Derivative financial instruments

The Group uses derivative financial instruments, such as currency forward contracts, commodity forward contracts, and interest rate swaps to hedge against foreign exchange differences and interest rate variation risk.

Derivative financial instruments designated in hedging transactions are initially recognized at fair value on the date on which the derivative instrument is taken out and are subsequently remeasured at fair value. Derivatives are recorded as financial assets when the financial instrument fair value is positive, and as financial liabilities when fair value is negative.

2.15. Statement of cash flows

The statements of cash flows were prepared by the indirect method and are presented in accordance with CPC 03 - Statement of Cash Flows.

2.16. Adoption of new and revised International Financial Reporting Standards (IFRS)

Standards and interpretations are described below:

Financial instruments (CPC 48) - CPC 48 addresses the classification, measurement and recognition of financial assets and liabilities. Significant changes introduced by this standard are: (i) new criteria for classification of financial assets; (ii) new impairment model for financial assets, a hybrid of expected and incurred losses, replacing the current model of losses incurred; and (iii) easing of requirements for adoption of hedge accounting.

2. Accounting policies (Continued)

2.16. Adoption of new and revised International Financial Reporting Standards (IFRS) - Continued

CPC 48 also replaces the "incurred loss" model under CPC 38 by an "expected credit loss" model; however, the Company expects no significant impact on its statement of financial position and statement of changes in equity.

The possible impacts from this standard were assessed and considering the Company's and its subsidiaries' current operations, management informs that no significant impact was observed arising from changes brought by this standard.

Revenue from Contracts with Customers (CPC 47) - this pronouncement was issued by Brazil's FASB (CPC) in November 2016. This pronouncement establishes a new rule to be applied to revenue from contracts with customers, for annual periods beginning on or after January 1, 2018. The principles under CPC 47 comprise a more structured approach for revenue measurement and recognition.

CPC 47 establishes a five-step model for accounting of revenue from contracts with customers and requires that revenue is recognized in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the transfer of goods and services to a customer. CPC 47 requires entities to exercise judgment, taking into consideration all significant events and circumstances upon applying each step of the model to contracts with its customers. This standard also specifies the accounting for incremental costs of obtaining a contract and costs directly related to compliance with a contract. In addition, this standard requires more detailed disclosures.

The Company conducted an assessment considering the model suggested by CPC 47 and identified no significant effects on accounting balances.

Leases (CPC 06 R2) - establishes the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single model in the statement of financial position, similar to accounting for finance leases under CPC 06 (R1). At lease inception, the lessee recognizes a right-of-use asset that represents the right to use the leased asset and a lease liability that represents its obligation to make lease payments.
Lessees should separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Optional exemptions are available for short-term leases and low-value items. This standard will become effective for annual periods beginning on or after January 1, 2019.

2. Accounting policies (Continued)

2.16. Adoption of new and revised International Financial Reporting Standards (IFRS) - Continued

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). In general, the lessee will recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Company is assessing the effects from adoption of this standard, together with its internal areas, aiming at identifying the existing lease agreements and impacts that may be generated upon recognition of operating lease agreements.

Interpretation ICPC 22 - Uncertainty over income tax treatments - this interpretation addresses the accounting of income taxes in cases where tax treatments involve uncertainty that affects the application of CPC 32. Such Interpretation does not apply to taxes beyond the scope of CPC 32 nor does it include specifically the requirements regarding interest and fines associated with uncertain tax treatment. This interpretation will become effective for annual periods beginning on or after January 1, 2019; however certain transition exemptions are made available. The Company is assessing this interpretation and related effects.

There are no other standards or interpretations issued and not yet adopted that may, in management's opinion, have a significant impact on the Company’s financial statements.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Company’s financial statements requires that management make judgments and estimates and adopt assumptions that affect the amounts disclosed referring to revenues, expenses, assets and liabilities, as well as contingent liabilities.

Key assumptions related to sources of uncertainties in estimates at the statement of financial position date may require significant adjustments to the carrying amount of assets and liabilities in the subsequent fiscal year, are discussed below:

3. Significant accounting judgments, estimates and assumptions (Continued)

i) Impairment of nonfinancial assets

An impairment loss exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of fair value less cost to sell and value in use. Fair value less cost to sell is calculated based on sales prices of information available about similar assets sold or market prices less additional costs to dispose of the asset. Value in use is calculated based on the discounted cash flow model. The recoverable amount is sensitive to the discount rate used under the discounted cash flow method, as well as expected future cash receipts, and to the growth rate used for extrapolation purposes.

ii) Taxes

The Company and its subsidiaries set up provisions, based on reliable estimates, for possible consequences from audits by tax authorities of the respective jurisdictions in which they operate. The amount of these provisions is based on various factors, such as past tax audit experience and different interpretations of tax regulations by the taxable entity and by the relevant tax authority.

iii) Provisions for tax, civil and labor contingencies

The Company and its subsidiaries recognize provision for tax, civil and labor claims. Assessment of the likelihood of loss is made by a legal counsel and includes analysis of available evidence, the hierarchy of laws, available case law, the most recent court decisions and their relevance in the legal system. Provisions are reviewed and adjusted considering applicable statute of limitations, tax audit conclusions or additional exposures identified based on new matters or court decisions.

iv) Useful lives of property and equipment

The Company reviews the estimated useful lives of property and equipment items on an annual basis, and understands that the rates currently used represent their useful lives.

(In thousands of reais, unless otherwise stated)

4. Cash and cash equivalents and marketable securities

	Individual		Consolidated	
	2018	**2017**	**2018**	**2017**
Cash	**38**	47	**41**	57
Bank checking account:				
Domestic banks	**1,361**	851	**1,432**	3,620
Foreign banks	**-**	-	**4,120**	3,055
Short-term investments	**23,785**	34,198	**23,785**	34,198
	25,184	35,096	**29,378**	40,930
Current (i)	**16,503**	35,096	**20,697**	40,930
Noncurrent (ii)	**8,681**	-	**8,681**	-

(i) Cash equivalents are held in order to meet short-term cash commitments. Short-term investments are Bank Deposit Certificates (CDB) remunerated at rates ranging from 65% to 70% of the Interbank Deposit Certificate (CDI).

(ii) *Itaú Top RF Referenciado DI FICFI* investment held due to a contractual obligation in the process of issue of debentures, bearing interest of 6.23% p.a.

5. Trade accounts receivable

	Individual		Consolidated	
	2018	**2017**	**2018**	**2017**
Domestic customers	**240,701**	192,611	**244,647**	200,119
Unbilled measurements	**52,161**	50,409	**57,549**	54,872
	292,862	243,020	**302,196**	254,991
Current	**292,862**	168,592	**302,196**	180,563
Noncurrent	**-**	74,428	**-**	74,428

At December 31, 2018, the aging list of billed trade accounts receivable is as follows:

	Individual		Consolidated	
	2018	**2017**	**2018**	**2017**
Falling due	**211,318**	192,211	**215,264**	199,719
Overdue:				
Within 30 days	**15,079**	343	**15,079**	343
From 31 to 60 days	**14,288**	12	**14,288**	12
From 60 to 90 days	**16**	6	**16**	6
Above 90 days	**-**	39	**-**	39
	240,701	192,611	**244,647**	200,119

(In thousands of reais, unless otherwise stated)

6. Inventories

	Individual		Consolidated	
	2018	**2017**	**2018**	**2017**
Storeroom	**108,581**	59,195	**114,114**	65,155

Storeroom inventory mainly comprises tires, parts and related pieces used in maintenance of machinery and equipment to be used in the operations.

7. Advances to suppliers

	Individual		Consolidated	
	2018	**2017**	**2018**	**2017**
Domestic	**617**	266	**655**	268
Foreign	**14,078**	8,607	**14,078**	8,607
	14,695	8,873	**14,733**	8,875

8. Taxes recoverable

	Individual		Consolidated	
	2018	**2017**	**2018**	**2017**
Withholding Income Tax (IRRF)	**2,955**	1,444	**2,987**	1,460
Social Security Tax (INSS)	**-**	830	**-**	830
Contribution Tax on Gross Revenue for Social Integration Program (PIS)	**2,994**	1,112	**2,994**	1,112
Contribution Tax on Gross Revenue for Social Security Financing (COFINS)	**13,751**	5,188	**13,752**	5,188
VAT - Zambia	**-**	-	**115**	126
	19,700	8,574	**19,848**	8,716
Current	**13,957**	5,743	**14,105**	5,885
Noncurrent	**5,743**	2,831	**5,743**	2,831

(In thousands of reais, unless otherwise stated)

9. Derivative financial instruments

Assets

	Individual		Consolidated	
	2018	**2017**	**2018**	**2017**
Swap (i)	**5,640**	3,278	**5,640**	3,278
	5,640	3,278	**5,640**	3,278
Current	**5,640**	477	**5,640**	477
Noncurrent	**-**	2,801	**-**	2,801

(i) Swap: as a strategy to reduce foreign exchange exposure, the Company carried out certain swap transactions concentrating the interest flows of contracts on four financial institutions.

10. Income and social contribution taxes

10.1. Reconciliation of income and social contribution tax expense

Reconciliation of the income and social contribution tax amounts recorded in P&L and their respective amounts at statutory rates are as under:

	Individual		Consolidated	
	2018	**2017**	**2018**	**2017**
Income before IRPJ and CSLL	**86,563**	105,866	**94,737**	114,168
Tax rate	**34%**	34%	**34%**	34%
IRPJ and CSLL nominal amount	**(29,431)**	(35,994)	**(32,211)**	(38,817)
Permanent additions	**(164)**	(194)	**(164)**	(194)
Transfer pricing	**-**	(70)	**-**	(70)
Equity pickup	**21,435**	13,788	**-**	-
Interest on equity	**-**	7,039	**-**	7,039
Recognition of deferred lease/other	**7,033**	-	**7,033**	-
Temporary difference without effect on deferred taxes (article 40)	**(191)**	(173)	**(191)**	(173)
Conting. lease on current effect	**-**	(5,548)	**-**	(5,548)
Adjustments arising from difference in tax regime	**-**	-	**15,769**	8,310
Other	**28**	(292)	**299**	(294)
Effective IRPJ and CSLL	**(1,290)**	(21,445)	**(9,464)**	(29,747)
Current IRPJ and CSLL on P&L for the year	**3,417**	(10,422)	**11,591**	(18,724)
Deferred IRPJ and CSLL on P&L for the year	**(2,127)**	(11,023)	**(2,127)**	(11,023)
Income and social contribution taxes in P&L	**1,290**	(21,445)	**9,464**	(29,747)
Effective rate (%)	**-1%**	-20%	**-10%**	-26%

(In thousands of reais, unless otherwise stated)

10. Income and social contribution taxes (Continued)

10.2. Deferred taxes

Deferred income and social contribution taxes are recorded to reflect the future tax effects attributable to the temporary differences between the tax base of assets and liabilities and their respective carrying amounts.

	Individual		Consolidated	
	2018	2017	2018	2017
Deferred tax asset base				
Tax loss balance	**13,895**	18,384	**13,895**	18,384
Social contribution tax loss	**25,979**	30,319	**25,979**	30,319
Labor claims payable	**1,598**	2,277	**1,598**	2,277
Tax proceedings payable	**450**	450	**450**	450
Civil proceedings payable	**5**	5	**5**	5
Total	**41,927**	51,434	**41,927**	51,434
Income tax	**3,987**	5,279	**3,987**	5,279
Social contribution tax	**2,523**	2,975	**2,523**	2,975
IRPJ and CSLL - deferred assets	**6,510**	8,254	**6,510**	8,254
Deferred tax liability base				
Adjustment -Law No. 11638 - lease	**(62,052)**	(103,690)	**(62,052)**	(103,690)
Swap and NDF - Hedge	**(6,836)**	(4,098)	**(6,836)**	(4,098)
Depreciation (first-time adoption)	**(562)**	(562)	**(562)**	(562)
Depreciation (article 40 of Law No.12973)	**(74,571)**	(46,493)	**(74,571)**	(46,493)
Total	**(144,021)**	(154,843)	**(144,021)**	(154,843)
Income tax	**(35,864)**	(38,711)	**(35,864)**	(38,711)
Social contribution tax	**(12,912)**	(13,936)	**(12,912)**	(13,936)
IRPJ and CSLL - deferred tax liability	**(48,776)**	(52,647)	**(48,776)**	(52,647)
	(42,266)	(44,393)	**(42,266)**	(44,393)

10.3. Income and social contribution taxes payable

	Individual		Consolidated	
	2018	2017	2018	2017
IRPJ payable	**257**	-	**2,123**	2,860
CSLL payable	**93**	-	**778**	1,041
	350	-	**2,901**	3,901

(In thousands of reais, unless otherwise stated)

11. Related parties

i) Key management personnel compensation

	2018	2017
Executive Board compensation	**6,949**	5,751

12. Investments

Investments in subsidiaries:

	% - Ownership interest	
Individual	2018	2017
Levyequip Equipamentos Ltda.	**99.99%**	99.99%
U&M Equipments, INC.	**100%**	100%
U&M Mining Zâmbia Ltd.	**100%**	100%

					Individual			
	Equity		P&L for the year		Investments		Equity pickup	
	2018	2017	2018	2017	2018	2017	2018	2017
Levyequip Equipamentos Ltda.	**10,715**	16,373	**62,242**	63,416	**10,715**	16,373	**62,242**	63,416
U&M Equipments, INC.	**(4)**	(255)	**242**	(14,392)	**(4)**	(255)	**242**	(14,392)
U&M Mining Zambia Ltd.	**21,273**	14,211	**561**	(8,472)	**21,273**	14,211	**561**	(8,472)
	31,984	30,329	**63,045**	40,552	**31,984**	30,329	**63,045**	40,552

13. Property and equipment

	Individual	Consolidated
Cost:		
At December 31, 2017	663,722	697,709
Additions	**150,424**	**150,424**
Write-offs	**(10,142)**	**(29,489)**
At December 31, 2018	**804,004**	**818,644**
Depreciation:		
At December 31, 2017	(351,013)	(373,502)
Additions	**(55,469)**	**(59,161)**
Write-offs	**6,225**	**22,030**
At December 31, 2018	**(400,257)**	**(410,633)**
Net residual value:		
At December 31, 2017	312,709	324,207
At December 31, 2018	**403,747**	**408,011**

(In thousands of reais, unless otherwise stated)

13. Property and equipment (Continued)

	Individual		Consolidated	
	2018	**2017**	**2018**	**2017**
Cost				
Advances to suppliers	**27,431**	52,875	**27,431**	52,875
Construction in progress	**1,415**	-	**1,415**	-
Improvements	**3,584**	3,584	**3,584**	3,584
Furniture and fixtures	**-**	-	**-**	65
Machinery and equipment	**756,890**	602,141	**771,528**	635,085
Vehicles	**2,911**	2,966	**2,911**	3,100
Hardware	**2,794**	1,906	**2,796**	1,963
Other	**8,979**	250	**8,979**	1,036
	804,004	663,722	**818,644**	697,708
Depreciation				
Improvements	**(1,390)**	(1,285)	**(1,390)**	(1,285)
Furniture and fixtures	**-**	-	**-**	(65)
Machinery and equipment	**(388,778)**	(346,751)	**(399,152)**	(368,358)
Vehicles	**(2,101)**	(1,787)	**(2,101)**	(1,921)
Hardware	**(1,415)**	(1,188)	**(1,417)**	(1,245)
Other	**(6,573)**	(1)	**(6,573)**	(627)
	(400,257)	(351,012)	**(410,633)**	(373,501)
Net residual value	**403,747**	312,709	**408,011**	324,207

14. Loans, financing and debentures

	Principal currency	Average rate of transaction	Individual 2018	Individual 2017	Consolidated 2018	Consolidated 2017
Working capital (i)	BRL	12.79% p.a.	**5,908**	-	**5,908**	-
	USD	5.86% p.a.	**235,503**	232,559	**235,503**	232,559
Lease (i)	BRL	8.81% p.a.	**7,618**	-	**7,621**	-
	USD	5.67% p.a.	**38,990**	6,630	**38,990**	6,630
Debentures (ii)		9.31% p.a.	**100,142**	-	**100,142**	-
Fundraising cost			**(2,234)**	-	**(2,234)**	-
			385,927	239,189	**385,930**	239,189
Current			**288,815**	79,172	**288,818**	79,172
Noncurrent			**97,112**	160,017	**97,112**	160,017

(i) There are no covenants for the contracts mentioned above.

(ii) Management informs that in 2018 carried out the Issue of Debentures registered in accordance with CVM Ruling No. 476. In December 2018 covenants were complied with, as provided for in the debenture indenture.

(In thousands of reais, unless otherwise stated)

14. Loans, financing and debentures (Continued)

Loans and financing at December 31, 2018 classified as noncurrent liabilities mature as follows:

	2018	
	Individual	**Consolidated**
2020	**69,129**	**69,129**
2021	**27,983**	**27,983**
	97,112	**97,112**

Lease transactions are guaranteed by statutory lien of equipment acquired, and loans for working capital purposes are guaranteed by equipment and collateral signatures. Debentures are guaranteed by personal security from guarantors and additional security interest of a restricted account at Itaú Unibanco (Note 4).

15. Trade accounts payable

	Individual		Consolidated	
	2018	**2017**	**2018**	**2017**
Domestic	**11,656**	23,099	**11,663**	23,100
Foreign	**19,902**	11,059	**20,960**	12,959
Related parties	**12,495**	1,841	**-**	-
	44,053	35,999	**32,623**	36,059

16. Taxes payable

	Individual		Consolidated	
	2018	**2017**	**2018**	**2017**
IRRF payable	**661**	2,351	**661**	2,351
PIS payable	**518**	435	**590**	577
COFINS payable	**2,389**	2,006	**2,719**	2,660
Service Tax (ISSQN) payable	**1,666**	1,240	**1,666**	1,240
Tax installments - Law No. 11941 (Tax Recovery Program - REFIS)	**2,834**	3,225	**2,834**	3,225
Other	**133**	303	**133**	361
	8,201	9,560	**8,603**	10,414
Current	**5,867**	6,819	**6,269**	7,673
Noncurrent	**2,334**	2,741	**2,334**	2,741

(In thousands of reais, unless otherwise stated)

17. Salaries and social charges

	Individual		Consolidated	
	2018	**2017**	**2018**	**2017**
Profit sharing payable	**5,831**	4,133	**5,831**	4,133
INSS payable	**2,919**	3,436	**2,920**	3,438
FGTS payable	**1,420**	1,307	**1,420**	1,310
Provision for vacation pay and related charges	**7,934**	7,819	**7,935**	7,823
Other	**5,701**	207	**5,703**	217
	23,805	16,902	**23,809**	16,921

18. Advances from customers

	Individual		Consolidated	
	2018	**2017**	**2018**	**2017**
Advances from disposal of assets	**218**	37	**398**	303
	218	37	**398**	303

19. Provisions and judicial deposits

The Company is party to certain legal proceedings related to its activities, of tax, civil and labor nature. Management monitors the progress of these proceedings and, based on the opinion of its legal advisors, sets up a provision for losses for all cases in which an unfavorable outcome is assessed as probable, recorded in noncurrent liabilities, as follows:

	Individual and Consolidated			
	Labor	**Tax**	**Civil**	**Total**
At December 31, 2017	2,277	450	5	2,732
Additions	**810**	**-**	**-**	**810**
Reversals	**(1,489)**	**-**	**-**	**(1,489)**
At December 31, 2018	**1,598**	**450**	**5**	**2,053**

Following are the judicial deposits classified under noncurrent assets:

	Individual/Consolidated	
	2018	**2017**
Labor	**767**	917
Tax	**4,422**	4,265
	5,189	5,182

19. Provisions and judicial deposits (Continued)

At December 31, 2018, the Company has contingent liabilities involving ongoing civil, tax and labor claims totaling approximately R$37,704 (R$43,189 in 2017), for which the likelihood of loss is assessed as possible and, therefore no provision is recorded.

20. Equity

a) Capital

At December 31, 2018 and 2017, the Company's capital included, respectively, 59,057 and 59,057 lots of thousand common shares issued.

Capital amount remains the same, totaling R$66,499.

b) Capital reserve

Capital reserve may be used, as provided for by legislation, to: (i) absorption of losses which exceed retained earnings and income reserves; (ii) redemption, reimbursement or purchase of shares; (iii) redemption by beneficiaries; iv) capital increase; or (v) payment of dividends to the holders of preferred shares, when this benefit is ensured.

In 2018, treasury shares were disposed of.

c) Income reserve

Legal reserve

The Brazilian Corporation Law requires that corporations allocate 5% of annual net income to income reserve, limited to 20% of total capital, before distribution of profits.

Retained profits reserve

This refers to earnings that will be allocated in the next General Meeting.

d) Dividends and interest on equity

The Company's Articles of Incorporation determine payment of mandatory minimum dividends of 25% of net income after allocation to legal reserve.

(In thousands of reais, unless otherwise stated)

20. Equity (Continued)

d) Dividends and interest on equity (Continued)

The Company adopts the currently effective tax criterion for determining the amounts to be paid as interest on equity. This interest is deductible within the limits established in Law No. 9249/1995. In 2018, IOE was paid in the amount of R$17,289, referring to 2017.

	2018	2017
Net income for the year	**85,273**	84,421
Legal reserve	**-**	(4)
Adjusted base income for payment of dividends	**85,273**	84,417
Mandatory minimum dividends - 25%	**-**	21,104
Interest on equity attributed to dividends (net of IRRF)	**-**	(17,289)
Provisioned dividends	**(21,318)**	(3,815)
	(21,318)	(21,104)

	2018	2017
Balance at beginning of year	**21,104**	34,779
Proposed additional dividends	**29,215**	10,000
Payment of dividends and interest on equity (net of IRRF)	**(50,319)**	(44,779)
Mandatory minimum dividends	**21,318**	21,104
Balance at end of year	**21,318**	21,104

21. Service revenue, net

	Individual		Consolidated	
	2018	2017	2018	2017
Service revenue	**678,729**	573,471	**754,074**	650,032
(-) PIS/COFINS	**(55,190)**	(43,687)	**(57,939)**	(46,479)
(-) ISSQN	**(25,055)**	(12,763)	**(25,056)**	(12,764)
	598,484	517,021	**671,079**	590,789

(In thousands of reais, unless otherwise stated)

22. Costs of services rendered

	Individual		Consolidated	
	2018	**2017**	**2018**	**2017**
Payroll and related charges	**186,189**	164,964	**186,184**	165,140
Depreciation and amortization	**54,066**	42,060	**56,154**	49,387
Replacement parts	**126,371**	84,978	**126,353**	85,410
Material in use and material applied	**27,672**	26,502	**27,671**	26,521
Fuel and lubricants	**21,292**	15,985	**21,292**	15,998
Maintenance services	**14,918**	21,511	**14,918**	21,512
Freight	**30,195**	26,534	**30,275**	26,551
Lease of equipment	**19,093**	27,248	**19,093**	27,256
Tires and undercarriage	**38,070**	26,826	**38,068**	26,896
Subcontractors + services provided - legal entities	**11,930**	19,602	**11,924**	19,727
Property lease and condominium fees	**2,457**	2,373	**2,452**	2,413
Other	**12,571**	7,851	**12,563**	7,944
	544,824	466,434	**546,947**	474,755

23. General and administrative expenses

	Individual		Consolidated	
	2018	**2017**	**2018**	**2017**
Payroll and related charges	**5,605**	5,149	**5,793**	5,190
Depreciation and amortization	**647**	419	**3,311**	420
Services provided by third parties	**2,792**	3,593	**2,992**	3,605
Communication	**231**	221	**264**	223
Travel and lodging expenses	**257**	215	**262**	216
Other	**2,095**	2,276	**7,445**	2,312
	11,627	11,873	**20,067**	11,966

24. Other operating income (expenses)

	Individual		Consolidated	
	2018	**2017**	**2018**	**2017**
Gain (loss) on disposal of property and equipment	**(847)**	32,123	**6,204**	30,782
Contingencies	**560**	388	**560**	388
Inventory count	**(1,259)**	(870)	**(1,259)**	(843)
Recovery of credits - PIS/COFINS	**9,839**	8,228	**9,839**	8,228
H.E. Rentals agreement (i)	**-**	-	**-**	(13,314)
Other	**1,063**	7	**2,904**	(1,780)
	9,356	39,876	**18,248**	23,461

(i) This refers to the settlement of the balance between U&M Equipment and H.E. Rentals.

(In thousands of reais, unless otherwise stated)

25. Finance income (costs)

	Individual		Consolidated	
	2018	**2017**	**2018**	**2017**
Finance costs				
Interest and commissions	**(20,766)**	(7,191)	**(20,766)**	(7,204)
IRRF/Tax on Financial Transactions (IOF)	**(1,744)**	(1,380)	**(1,744)**	(1,380)
IOF on intercompany loan	**-**	(316)	**-**	(316)
Foreign exchange losses	**(56,814)**	(30,406)	**(57,005)**	(30,814)
Other finance costs	**(198)**	(1,636)	**(245)**	(1,648)
	(79,522)	(40,929)	**(79,760)**	(41,362)

	Individual		Consolidated	
	2018	**2017**	**2018**	**2017**
Finance income				
Short-term investment yield	**1,076**	644	**1,076**	644
Third-party interest	**2**	-	**2**	-
Interest on loan agreements	**-**	13	**-**	13
Derivative transactions (swap/NDF)	**9,417**	2,046	**9,417**	2,046
Foreign exchange gains	**39,810**	24,440	**40,098**	24,788
Other finance income	**1,346**	510	**1,590**	510
	51,651	27,653	**52,183**	28,001

26. Financial instruments

a) Analysis of financial instruments

The Company engages in transactions involving financial assets and liabilities on a conservative manner in order to achieve liquidity, profitability and safety, and also to manage available financial resources provided by its operations. Financial assets and liabilities are assessed using available information and appropriate valuation methodologies.

Fair value of financial assets and liabilities is included in the value for which the instrument could be exchanged in a current transaction between willing parties, rather than in a forced sale or settlement.

b) Financial risk management

The Company is exposed to risks inherent in the nature of its operations. Significant market risks are as follows:

(In thousands of reais, unless otherwise stated)

26. Financial instruments (Continued)

b) Financial risk management (Continued)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument may fluctuate due to changes in market interest rates, which may have an impact on the Company's long-term obligations.

Exchange rate risk

The exchange rate risk is the risk that the fair value or future cash flows from a financial instrument may fluctuate due to changes in foreign exchange rates, which may impact the Company when revenues or expenses are denominated in a currency other than the Group's functional currency, as well as net investments in foreign subsidiaries.

	Notional value of contracts		Book value of contracts receivable	
Description	**2018**	**2017**	**2018**	**2017**
Swap	**72,838**	32,290	**5,640**	3,278
			5,640	3,278

		Individual		Consolidated	
	Principal currency	**2018**	**2017**	**2018**	**2017**
Working capital (i)	USD	**60,333**	69,625	**60,333**	69,625
Lease (i)	USD	**10,013**	1,980	**10,013**	1,980

Credit risk

Credit risk is the risk that a counterparty to a transaction fails to comply with a contractual obligation, which would lead to financial loss, primarily related to accounts receivable and credit notes, given that outstanding receivables are frequently monitored.

27. Insurance coverage

The Company takes out insurance coverage only when required by contract.

Rio de Janeiro, March 25, 2019.

Sérgio Ribeiro Machado
CEO

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