Individual and Consolidated Financial Statements

U&M Mineração e Construção S.A.

December 31, 2019 and 2018
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 2019, 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, 2019 and 2018, as well as the Independent Auditor’s Report.

The results achieved are the consequence of the union, effort and support of our shareholders, employees, customers, suppliers, as well as the community in which we operate.

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). At the head office in Matias Barbosa, we completed the construction of the new storeroom, training rooms, new dressing rooms and living area, enabling the expansion of the workshop and providing improvement in working conditions. in Northern Brazil, we are completing the construction of the new workshop in Canaã dos Carajás to serve the northern units, ensuring agility and speed in meeting component and equipment overhauling, as well as logistics optimization. The first autonomous truck developed internally is being tested in the Maranhão operation.

U&M Mineração e Construção S.A.

Individual and consolidated financial statements

December 31, 2019 and 2018

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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

Independent auditor's report on the 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 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, 2019, and the statement 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, 2019, 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 in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants and 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 have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. 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 22, 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 could reasonably be expected to influence the economic decisions of users made on the basis of referred to financial statements.

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

- Identified and assessed risks of material misstatements 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 the override of internal control, collusion, forgery, intentional omissions or misrepresentations.

- 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's audit and, consequently, for the audit opinion.

We communicated 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 identified 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 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.

Belo Horizonte, June 18, 2020,

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

Octavio Romeu Roland Neto
Accountant CRC-1SP080487/O-4

U&M Mineração e Construção S.A.

Statements of financial position
December 31, 2019 and 2018
(In thousands of reais)

		Individual		Consolidated	
	Note	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Assets					
Current assets					
Cash and cash equivalents	4	**55,691**	16,503	**57,838**	20,697
Trade accounts receivable	5	**139,855**	292,862	**149,484**	302,196
Inventories	6	**160,540**	108,581	**160,540**	114,114
Receivables from disposal of assets		**238**	109	**238**	289
Advances to suppliers	7	**14,904**	14,695	**14,904**	14,733
Taxes recoverable	8	**17,590**	13,957	**17,604**	14,105
Derivative financial instruments	9	**682**	5,640	**682**	5,640
Other assets		**2,015**	1,744	**2,015**	1,747
		391,515	454,091	**403,405**	473,521
Noncurrent assets					
Marketable securities	4	**14,548**	8,681	**14,548**	8,681
Judicial deposits	20	**4,785**	5,189	**4,785**	5,189
Taxes recoverable	8	**3,810**	5,743	**3,810**	5,743
Investments	12	**23,380**	31,984	**-**	-
Property and equipment	13	**470,856**	403,747	**472,850**	408,011
Lease transactions - right of use	14	**6,008**	-	**6,008**	-
Intangible assets		**753**	243	**753**	243
		524,140	455,587	**502,754**	427,867
Total assets		**915,655**	909,678	**906,159**	901,388

		Individual		Consolidated	
	Note	**12/31/2019**	**12/31/2018**	**12/31/2019**	**12/31/2018**
Liabilities and equity					
Current liabilities					
Loans, financing and debentures	15	**165,676**	288,815	**165,676**	288,818
Trade accounts payable	16	**62,972**	44,053	**49,975**	32,623
Taxes payable	17	**7,549**	5,867	**8,173**	6,269
Income and social contribution taxes payable	10	**6,515**	350	**9,389**	2,901
Salaries and social charges	18	**27,900**	23,805	**27,902**	23,809
Advances from customers	19	**6,701**	218	**6,701**	398
Lease transactions - obligations	14	**514**	-	**514**	-
Interest on equity and dividends payable	21	**29,327**	21,318	**29,327**	21,318
Other obligations		**169**	-	**170**	-
		307,323	384,426	**297,827**	376,136
Noncurrent liabilities					
Loans, financing and debentures	15	**87,473**	97,112	**87,473**	97,112
Taxes payable	17	**1,889**	2,334	**1,889**	2,334
Provisions	20	**1,290**	2,053	**1,290**	2,053
Lease transactions - obligations	14	**5,730**	-	**5,730**	-
Deferred taxes	10	**46,027**	42,266	**46,027**	42,266
		142,409	143,765	**142,409**	143,765
Equity	21				
Capital		**66,499**	66,499	**66,499**	66,499
Treasury shares		**(138)**	(138)	**(138)**	(138)
Capital reserve		**19,684**	19,684	**19,684**	19,684
Legal reserve		**13,300**	13,300	**13,300**	13,300
Retained profits		**371,046**	287,064	**371,046**	287,064
Other comprehensive income (loss)		**(4,468)**	(4,922)	**(4,468)**	(4,922)
		465,923	381,487	**465,923**	381,487
Total liabilities and equity		**915,655**	909,678	**906,159**	901,388

See accompanying notes.

U&M Mineração e Construção S.A.

Statements of profit or loss
December 31, 2019 and 2018
(In thousands of reais, except for earnings per share)

		Individual		Consolidated	
	Note	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Service revenue, net	22	**792,580**	598,484	**860,717**	671,079
Costs of services rendered	23	**(713,637)**	(544,824)	**(715,614)**	(546,947)
Gross profit		**78,943**	53,660	**145,103**	124,132
Operating income/expenses					
General and administrative	24	**(15,615)**	(11,627)	**(26,454)**	(20,067)
Equity pickup	12	**51,471**	63,045	**-**	-
Other operating income	25	**45,864**	9,356	**49,766**	18,249
Income before finance income (costs) and taxes		**160,663**	114,434	**168,415**	122,314
Finance income (costs)					
Finance costs	26	**(94,850)**	(79,522)	**(94,966)**	(79,760)
Finance income	26	**76,388**	51,651	**76,423**	52,183
Income before income taxes		**142,201**	86,563	**149,872**	94,737
Income and social contribution taxes					
Current	10	**(21,134)**	(3,417)	**(28,805)**	(11,591)
Deferred	10	**(3,761)**	2,127	**(3,761)**	2,127
Net income for the year		**117,306**	85,273	**117,306**	85,273
Number of shares (thousand)		**59,058**	59,058		
Earnings per share (in reais)		**1.99**	1.44		

See accompanying notes.

U&M Mineração e Construção S.A.

Statements of comprehensive income
December 31, 2019 and 2018
(In thousands of reais)

	Individual		Consolidated	
	12/31/2019	**12/31/2018**	**12/31/2019**	**12/31/2018**
Net income for the year	**117,306**	85,273	**117,306**	85,273
Other comprehensive income				
Currency translation adjustments (CTA) in foreign investee	**454**	6,510	**454**	6,510
Total comprehensive income for the year	**117,760**	91,783	**117,760**	91,783

See accompanying notes.

U&M Mineração e Construção S.A.

Statements of changes in equity
December 31, 2019 and 2018
(In thousands of reais)

	Capital	Treasury shares	Capital reserve	Legal reserve	Retained profits	Retained earnings	Other comprehensive income (loss)	Total
At January 1, 2018	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 31, 2018	**66,499**	**(138)**	**19,684**	**13,300**	**287,064**	**-**	**(4,922)**	**381,487**
Cumulative translation adjustments (CTA)	-	-	-	-	-	**-**	**454**	**454**
Net income for the year	-	-	-	-	-	**117,306**	**-**	**117,306**
Additional dividends	-	-	-	-	-	**(9,358)**	**-**	**(9,358)**
Mandatory dividends	-	-	-	-	-	**-**	**-**	**-**
Interest on equity	-	-	-	-	**-**	**(23,966)**	**-**	**(23,966)**
Retained profits	-	-	-	-	**83,982**	**(83,982)**	**-**	**-**
At December 31, 2019	**66,499**	**(138)**	**19,684**	**13,300**	**371,046**	**-**	**(4,468)**	**465,923**

See accompanying notes.

U&M Mineração e Construção S.A.

Statements of cash flows
December 31, 2019 and 2018
(In thousands of reais)

	Individual		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Cash flow from operating activities				
Net income for the year	**117,306**	85,273	**117,306**	85,273
Adjustments to reconcile P&L:				
Provisions	**(763)**	(679)	**(763)**	(679)
Equity pickup	**(51,471)**	(63,045)	**-**	-
Depreciation and amortization	**68,865**	55,469	**70,842**	59,161
Depreciation of leases	**1,806**	-	**1,806**	-
Interest on lease liabilities	**445**	-	**445**	-
Provision for interest	**15,844**	19,906	**15,844**	19,908
Net residual value of permanent assets written off	**26,616**	3,917	**26,910**	7,459
Changes in deferred income tax, net	**3,761**	(2,127)	**3,761**	(2,127)
Unrealized foreign exchange differences	**3,543**	40,973	**3,543**	40,973
(Increase) decrease in operating assets:				
Trade accounts receivable	**153,007**	(49,842)	**152,612**	(47,205)
Receivables from disposal of assets	**(129)**	(109)	**51**	(267)
Taxes recoverable	**(1,700)**	(11,126)	**(1,566)**	(11,132)
Inventories	**(51,959)**	(49,386)	**(46,426)**	(48,959)
Judicial deposits	**404**	(7)	**404**	(7)
Advances to suppliers	**(209)**	(5,822)	**(171)**	(5,858)
Derivative financial instruments	**4,958**	(2,362)	**4,958**	(2,362)
Other assets	**(271)**	(967)	**(268)**	(969)
Decrease (increase) in operating liabilities:				
Salaries and social charges	**4,095**	6,903	**4,093**	6,888
Taxes payable	**7,402**	(1,009)	**7,947**	(2,811)
Trade accounts payable	**18,919**	8,054	**17,352**	(3,436)
Other obligations	**169**	(285)	**170**	(285)
Advances from customers	**6,483**	181	**6,303**	96
Net cash from operating activities	**327,121**	33,910	**385,153**	93,661
Cash flow from investing activities				
Additions to property and equipment and intangible assets	**(163,100)**	(150,424)	**(163,099)**	(150,424)
Dividends received	**60,530**	67,899	**-**	-
Marketable securities	**(5,867)**	(8,681)	**(5,867)**	(8,681)
Cash used in investing activities	**(108,437)**	(91,206)	**(168,966)**	(159,105)
Cash flow from financing activities				
Loans taken out	**211,828**	285,859	**211,828**	285,861
Amortization of debentures	**925**	(2,235)	**925**	(2,235)
Loans paid	**(347,723)**	(177,796)	**(347,726)**	(177,796)
Dividends, IOE and IRRF on IOE paid	**(9,357)**	(50,319)	**(9,357)**	(50,319)
Payments of interest on equity and dividends	**(15,958)**	-	**(15,958)**	-
Repayment of interest on loans	**(17,195)**	(19,968)	**(17,195)**	(19,969)
Leases paid	**(2,016)**	-	**(2,016)**	-
Sale (purchase) of treasury shares	**-**	3,162	**-**	3,162
Net cash used in financing activities	**(179,496)**	38,703	**(179,499)**	38,704
Translation effect	**-**	-	**454**	6,510
Changes in cash and cash equivalents	**39,188**	(18,593)	**37,141**	(20,233)
Cash and cash equivalents at beginning of year	**16,503**	35,096	**20,697**	40,930
Cash and equivalents at end of year	**55,691**	16,503	**57,838**	20,697
Increase (decrease) in cash and cash equivalents	**39,188**	(18,593)	**37,141**	(20,233)

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 equipment lease.

(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. Company written off in 2019.

(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, 2018 and 2019, the Company had no contracts in force.

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 2020 backlog in the approximate amount of R$1,082,555, as well as possible new contracts.

(In thousands of reais, unless otherwise stated)

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, 2019 and 2018 were prepared in accordance with the 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, 2019.

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 27, 2019.

2.1. Basis of consolidation

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

	% - Ownership interest	
Individual	**2019**	**2018**
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.

2. Accounting policies (Continued)

2.1. Basis of consolidation (Continued)

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.

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.

2.3. 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.

(In thousands of reais, unless otherwise stated)

2. Accounting policies (Continued)

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.

	Average rate	
	2019	**2018**
Improvements	**20%**	3%
Furniture and fixtures	**20%**	20%
Machinery and equipment	**15%**	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 last year and prior years are measured at the amount expected to be recovered from or paid to the taxation 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.

2. Accounting policies (Continued)

2.8. Taxes (Continued)

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;
- 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. Leases

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.

2. Accounting practices (Continued)

2.10. Leases

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.

2.11. Revenue recognition

Revenue is recognized when the control over the goods or services is transferred to the customer for an amount that reflects the consideration to which the Company expects to be entitled in exchange for these goods or services. Revenue is measured based on the 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) <u>Service rendering and equipment lease</u>

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

ii) <u>Interest income</u>

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. Accounting policies (Continued)

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.

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.

2. Accounting policies (Continued)

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

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.

i) 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.

(In thousands of reais, unless otherwise stated)

2. Accounting practices (Continued)

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

Standards and interpretations are described below:

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.

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 carried out the adequacy to the standard and, therefore, the impacts generated in the recognition of the lease agreements were reflected in its Assets, Liabilities and P&L.

The Company carried out a detailed assessment of the impact of CPC 06 (R2), based on the lease agreements for commercial properties and equipment used in operations.

The Company considers the right-of-use asset at the same value of the lease liability on the first-time adoption date. The impacts of adopting CPC 06 (R2) as of January 1, 2019 are as follows:

01/01/2019	
Asset - Right of use	**7,237**
Liability - Obligations referring to operating leases	**7,237**

(In thousands of reais, unless otherwise stated)

2. Accounting practices (Continued)

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

The impacts of adopting CPC 06 (R2) on the statement of financial position and on the statement of profit or loss for the year ended December 31, 2019 are as follows:

	Individual			Consolidated		
Statements of financial position	**12/31/2019 without the adoption of CPC 06 (R2)**	**Adjustment CPC 06 (R2)**	**12/31/2019 with the adoption of CPC 06 (R2)**	**12/31/2019 without the adoption of CPC 06 (R2)**	**Adjustment CPC 06 (R2)**	**12/31/2019 with the adoption of CPC 06 (R2)**
Current assets	391,515	-	391,515	403,405	-	403,405
Noncurrent assets	518,132	6,008	524,140	496,746	6,008	502,754
Right of use	-	6,008	6,008	-	6,008	6,008
Current liabilities	(306,809)	(514)	(307,323)	(297,313)	(514)	(297,827)
Lease liability	-	(514)	(514)	-	(514)	(514)
Noncurrent liabilities	(136,679)	(5,730)	(142,409)	(136,679)	(5,730)	(142,409)
Lease liability	-	(5,730)	(5,730)	-	(5,730)	(5,730)
Equity	**468,094**	**(236)**	**465,923**	**466,159**	**(236)**	**465,923**

	Individual			Consolidated		
Statement of profit or loss	**12/31/2019 without the adoption of CPC 06 (R2)**	**Adjustment CPC 06 (R2)**	**12/31/2019 with the adoption of CPC 06 (R2)**	**12/31/2019 without the adoption of CPC 06 (R2)**	**Adjustment CPC 06 (R2)**	**12/31/2019 with the adoption of CPC 06 (R2)**
Net revenue	792,580	-	792,580	860,717	-	860,717
Costs of services rendered	(711,831)	(1,806)	(713,637)	(713,808)	(1,806)	(715,614)
Finance income (costs), net	160,218	(445)	(153,773)	167,970	(445)	167,525
Income before income and social contribution taxes	144,452	(2,251)	142,201	152,123	(2,251)	149,872
Current/deferred IRPJ/CSLL	(24,975)	80	(24,895)	(32,646)	80	(32,566)
P&L for the year	**119,477**	**(2,171)**	**117,306**	**119,477**	**(2,171)**	**117,306**

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 is effective for annual reporting periods beginning on or after January 1, 2019, but some transition exemptions are made available. The Company concluded that none of the significant positions adopted by the Company have changed with regard to expected losses due to possible inquiries from tax authorities.

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:

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.

(In thousands of reais, unless otherwise stated)

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

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.

4. Cash and cash equivalents and marketable securities

	Individual		Consolidated	
	2019	**2018**	**2019**	**2018**
Cash	**43**	38	**43**	41
Bank checking account:				
Domestic banks	**18,421**	1,361	**18,480**	1,432
Foreign banks	**-**	-	**2,088**	4,120
Short-term investments	**51,775**	23,785	**51,775**	23,785
	70,239	25,184	**72,386**	29,378
Current (i)	**55,691**	16,503	**57,838**	20,697
Noncurrent (ii)	**14,548**	8,681	**14,548**	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 75% of the Interbank Deposit Certificate (CDI) rate.

(ii) Itaú Top RF Referenciado DI FICFI investment held due to a contractual obligation in the process of issue of debentures, bearing interest of 5.74% p.a.

5. Trade accounts receivable

	Individual		Consolidated	
	2019	**2018**	**2019**	**2018**
Trade accounts receivable - domestic	**81,148**	240,701	**85,358**	**244,647**
Unbilled measurements	**58,707**	52,161	**64,226**	**57,549**
	139,855	292,862	**149,584**	**302,196**
Current	**139,855**	292,682	**149,584**	302,196

(In thousands of reais, unless otherwise stated)

5. Trade accounts receivable (Continued)

At December 31, 2019, the aging list of billed trade accounts receivable is as follows:

	Individual		Consolidated	
	2019	2018	2019	2018
Falling due	**80,889**	211,318	**85,099**	215,264
Overdue:				
Until 30 days	**111**	15,079	**111**	15,079
From 31 to 60 days	**36**	14,288	**36**	14,288
From 60 to 90 days	**27**	16	**27**	16
Above 90 days	**85**	-	**85**	-
	81,148	240,701	**85,358**	244,647

6. Inventories

	Individual		Consolidated	
	2019	2018	2019	2018
Storeroom	**160,540**	108,581	**160,540**	114,114

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	
	2019	2018	2019	2018
Domestic	**762**	617	**762**	655
Foreign	**14,142**	14,078	**14,142**	14,078
	14,904	14,695	**14,904**	14,733

(In thousands of reais, unless otherwise stated)

8. Taxes recoverable

	Individual		Consolidated	
	2019	**2018**	**2019**	**2018**
Withholding Income Tax (IRRF)	**6,596**	2,955	**6,610**	2,987
Social Security Tax (INSS)	**816**	-	**816**	-
Contribution Tax on Gross Revenue for Social Integration Program (PIS)	**2,495**	2,994	**2,495**	2,994
Contribution Tax on Gross Revenue for Social Security Financing (COFINS)	**11,493**	13,751	**11,493**	13,752
VAT - Zambia	**-**	-	**-**	115
	21,400	19,700	**21,414**	19,848
Current	**17,590**	13,957	**17,604**	14,105
Noncurrent	**3,810**	5,743	**3,810**	5,743

9. Derivative financial instruments

Assets

	Individual		Consolidated	
	2019	**2018**	**2019**	**2018**
Swap (i)	**682**	5,640	**682**	5,640
	682	5,640	**682**	5,640
Current	**682**	5,640	**682**	5,640

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

(In thousands of reais, unless otherwise stated)

10. Income and social contribution taxes

10.1. Reconciliation of income and social contribution tax expenses

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	
	2019	**2018**	**2019**	**2018**
Income before IRPJ and CSLL	**142,201**	86,563	**149,872**	94,737
Tax rate	**34%**	34%	**34%**	34%
IRPJ and CSLL nominal amount	**(48,348)**	(29,431)	**(50,956)**	(32,211)
Permanent additions	**(548)**	(164)	**(548)**	(164)
Equity pickup	**17,500**	21,435	**-**	-
Interest on equity	**8,149**	-	**8,149**	-
Recognition of deferred lease/other	**-**	7,033	**-**	7,033
Temporary difference without effect on deferred taxes (article 40 of Law No.12973)	**482**	(191)	**482**	(191)
Contingency - lease on current effect	**(673)**	-	**(673)**	-
Adjustments arising from difference in tax regime	**539**	-	**14,693**	15,769
Other	**(1,996)**	28	**(3,713)**	301
Effective IRPJ and CSLL	**(24,895)**	(1,290)	**(32,566)**	(9,463)
Current IRPJ and CSLL on P&L for the year	**21,134**	3,417	**28,805**	11,591
Deferred IRPJ and CSLL on P&L for the year	**3,761**	(2,127)	**3,761**	(2,127)
Income and social contribution taxes on P&L	**24,895**	1,290	**32,566**	9,464
Effective rate (%)	**(18%)**	(1%)	**(22%)**	(10%)

(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	
	2019	**2018**	**2019**	**2018**
Deferred tax asset base				
Tax loss balance	**-**	13,895	**-**	13,895
Social contribution tax loss	**2,084**	25,979	**2,084**	25,979
Deferred income and social contribution taxes - CPC 06	**235**	-	**235**	-
Labor claims payable	**1,146**	1,598	**1,146**	1,598
Tax proceedings payable	**139**	450	**139**	450
Civil proceedings payable	**5**	5	**5**	5
Total	**3,609**	41,927	**3,609**	41,927
Income tax	**381**	3,987	**381**	3,987
Social contribution tax	**325**	2,523	**325**	2,523
IRPJ and CSLL - deferred tax assets	**706**	6,510	**706**	6,510
Deferred tax liability base				
Adjustment - Law No. 11638 - lease	**(38,921)**	(62,052)	**(38,921)**	(62,052)
Swap and NDF – Hedge	**(859)**	(6,836)	**(859)**	(6,836)
Depreciation (first-time adoption)	**-**	(562)	**-**	(562)
Depreciation (article 40 of Law No.12973)	**(97,670)**	(74,571)	**(97,670)**	(74,571)
Total	**(137,450)**	(144,021)	**(137,450)**	(144,021)
Income tax	**(34,363)**	(35,864)	**(34,363)**	(35,864)
Social contribution tax	**(12,371)**	(12,912)	**(12,371)**	(12,912)
IRPJ and CSLL - deferred tax liability	**(46,734)**	(48,776)	**(46,734)**	(48,776)
	(46,028)	(42,266)	**(46,028)**	(42,266)

10.3. Income and social contribution taxes payable

	Individual		Consolidated	
	2019	**2018**	**2019**	**2018**
IRPJ payable	**5,142**	257	**7,248**	2,123
CSLL payable	**1,372**	93	**2,142**	778
	6,515	350	**9,390**	2,901

(In thousands of reais, unless otherwise stated)

11. Transactions with related parties

a) The Company's significant balances and transactions with related parties are as follows:

	2019	**2018**
Trade accounts payable (i)	**12,998**	12,495

(i) Amount referring to purchase of property and equipment and inventory parts.

b) Key management personnel compensation

	2019	**2018**
Executive Board compensation	**7,899**	6,949

12. Investments

Investments in subsidiaries:

	% - Ownership interest	
Individual	**2019**	**2018**
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**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Levyequip Equipamentos Ltda.	**8,280**	10,715	**58,095**	62,242	**8,280**	10,715	**58,095**	62,242
U&M Equipments, INC.	**-**	(4)	**3**	242	**-**	(4)	**3**	242
U&M Mining Zambia Ltd.	**15,100**	21,273	**(6,627)**	561	**15,100**	21,273	**(6,627)**	561
	23,380	31,984	**51,471**	63,045	**23,380**	31,984	**51,471**	63,045

13. Property and equipment

	Individual	**Consolidated**
Cost:		
At December 31, 2018	804,004	818,644
Additions	**162,454**	**162,454**
Write-offs	**(60,303)**	**(61,202)**
At December 31, 2019	**906,155**	**919,896**
Depreciation:		
At December 31, 2018	(400,257)	(410,633)
Additions	**(68,728)**	**(70,705)**
Write-offs	**33,686**	**34,292**
At December 31, 2019	**(435,299)**	**(447,046)**
Net residual value:		
At December 31, 2018	403,747	408,011
At December 31, 2019	**470,856**	**472,850**

(In thousands of reais, unless otherwise stated)

13. Property and equipment (Continued)

	Individual		Consolidated	
	2019	**2018**	**2019**	**2018**
Cost				
Advances to suppliers	**30,921**	27,431	**30,921**	27,431
Construction in progress	**5,636**	1,415	**5,636**	1,415
Improvements	**9,608**	3,584	**9,608**	3,584
Machinery and equipment	**850,414**	756,890	**864,156**	771,528
Vehicles	**2,969**	2,911	**2,969**	2,911
Hardware	**2,760**	2,794	**2,760**	2,796
Other	**3,846**	8,979	**3,846**	8,979
	906,154	804,004	**919,896**	818,644
Depreciation				
Improvements	**(2,230)**	(1,390)	**(2,230)**	(1,390)
Machinery and equipment	**(427,604)**	(388,778)	**(439,352)**	(399,152)
Vehicles	**(2,138)**	(2,101)	**(2,138)**	(2,101)
Hardware	**(1,145)**	(1,415)	**(1,145)**	(1,417)
Other	**(2,181)**	(6,573)	**(2,181)**	(6,573)
	(435,298)	(400,257)	**(447,046)**	(410,633)
Net residual value	**470,856**	403,747	**472,850**	408,011

14. Lease transactions

As mentioned in Note 2.16, as of January 1, 2019, CPC 06 (R2) - Lease transactions became effective.

The Company assessed its contracts and recognized a right-of-use asset and a lease liability for the following contracts that contain leases:

- Leases of commercial properties used in operations;
- Lease of equipment used in operations.

The Company opted to use the exemptions provided for in the standard for short-term leases (that is, leases with a term of 12 months or less) without the option to purchase, and for low-value items. Therefore, these leases are recognized as an expense in P&L, under other operating expenses, by the straight-line method, over the lease term, and their effects on P&L for 2019 were immaterial.

The discount rates were obtained by reference to debts contracted by the Company.

(In thousands of reais, unless otherwise stated)

14. Lease transactions (Continued)

a) Right of use

The right-to-use asset was measured at cost, consisting of the initial measurement value of the lease liability, and amortized on a straight-line basis until the end of the lease term or the useful life of the identified asset, as the case may be.

The balance per class of asset identified is broken down as follows:

	Individual and Consolidated 12/31/2019
Buildings	**5,719**
Equipment	**289**
	6,008

Changes in the right-of-use asset are as follows:

	Individual and Consolidated
Balances at December 31, 2018	**-**
First-time adoption at January 1, 2019	**7,237**
Addition to new contracts	**577**
Amortization	**(1,806)**
Balances at December 31, 2019	**6,008**

b) Lease liability

The recognized lease liability was measured at the present value of the minimum payments required in the contracts, discounted at the incremental borrowing rate of the Company and its subsidiaries.

Changes in lease liability are as follows:

	Individual and Consolidated
Balances at December 31, 2018	**-**
First-time adoption at January 1, 2019	**7,237**
Addition	**577**
Interest incurred	**445**
Payments made	**(2,015)**
Balances at December 31, 2019	**6,244**
Current liabilities	**514**
Noncurrent liabilities	**5,730**

(In thousands of reais, unless otherwise stated)

14. Lease transactions (Continued)

The flow of payments of the Company's obligations, with agreed debts, is as follows:

	Within 1 year	Within 2 years	Within 3 years	From 4 to 5 years	Above 5 years	Total
Lease liability	2,230	1,245	939	1,860	974	7,248

15. Loans, financing and debentures

	Principal currency	Average rate of transaction	Individual 2019	Individual 2018	Consolidated 2019	Consolidated 2018
Working capital (i)	BRL	12.79% p.a.	**-**	5,908	**-**	5,908
	USD	9.44% p.a.	**116,703**	235,503	**116,703**	235,503
Lease (i)	BRL	6.20% p.a.	**42,967**	7,618	**42,967**	7,621
	USD	5.73% p.a.	**23,877**	38,990	**23,877**	38,990
Debentures (ii)		6.37% p.a.	**70,913**	100,142	**70,913**	100,142
Fundraising cost			**(1,311)**	(2,234)	**(1,311)**	(2,234)
			253,149	385,927	**253,149**	385,930
Current			**165,676**	288,815	**165,676**	288,818
Noncurrent			**87,473**	97,112	**87,473**	97,112

(i) There are no covenants for the contracts mentioned above referring to working capital and lease.

(ii) Management informs that in 2018 carried out the Issue of Debentures registered in accordance with CVM Ruling No. 476. In December 2019 covenants were complied with, as provided for in the debenture indenture.

Loans and financing at December 31, 2019 classified as noncurrent liabilities mature as follows:

	Individual and Consolidated
2021	**23,963**
2022	**63,510**
	87,473

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).

(In thousands of reais, unless otherwise stated)

16. Trade accounts payable

	Individual		Consolidated	
	2019	2018	2019	2018
Domestic	**21,523**	11,656	**21,524**	11,663
Foreign	**28,451**	19,902	**28,451**	20,960
Related parties	**12,998**	12,495	**-**	-
	62,972	44,053	**49,975**	32,623

17. Taxes payable

	Individual		Consolidated	
	2019	2018	2019	2018
IRRF payable	**1,751**	661	**1,751**	661
PIS payable	**595**	518	**706**	590
COFINS payable	**2,721**	2,389	**3,233**	2,719
Service Tax (ISSQN) payable	**1,841**	1,666	**1,841**	1,666
Tax installments - Law No. 11941 (Tax Recovery Program - REFIS)	**2,404**	2,834	**2,404**	2,834
Other	**126**	133	**127**	133
	9,438	8,201	**10,062**	8,603
Current	**7,549**	5,867	**8,173**	6,269
Noncurrent	**1,889**	2,334	**1,889**	2,334

18. Salaries and social charges

	Individual		Consolidated	
	2019	2018	2019	2018
Profit sharing payable	**12,325**	5,831	**12,325**	5,831
Social Security Tax (INSS) payable	**3,023**	2,919	**3,024**	2,920
Unemployment Compensation Fund (FGTS) payable	**1,858**	1,420	**1,858**	1,420
Accrued vacation pay and related charges	**10,637**	7,934	**10,638**	7,935
Other	**57**	5,701	**57**	5,703
	27,900	23,805	**27,902**	23,809

19. Advances from customers

	Individual		Consolidated	
	2019	2018	2019	2018
Advances from disposal of assets	**6,701**	218	**6,701**	398
	6,701	218	**6,701**	398

(In thousands of reais, unless otherwise stated)

20. 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, 2018	1,598	450	5	2,053
Additions	618	5	-	623
Reversals	(1,070)	(316)	-	(1,386)
At December 31, 2019	**1,146**	**139**	**5**	**1,290**

Following are the judicial deposits classified under noncurrent assets:

	Individual/Consolidated	
	2019	**2018**
Labor	**862**	767
Tax	**3,923**	4,422
	4,785	5,189

At December 31, 2019, the Company has contingent liabilities involving ongoing civil, tax and labor claims totaling approximately R$60,551 (R$37,704 in 2018), for which the likelihood of loss is assessed as possible and, therefore no provision is recorded.

21. Equity

a) Capital

At December 31, 2019 and 2018, 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.

(In thousands of reais, unless otherwise stated)

21. Equity (Continued)

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.

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.

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 2019, IOE was paid in the amount of R$403, referring to 2019.

	2019	2018
Net income for the year	**117,306**	85,273
Adjusted base income for payment of dividends	**117,306**	85,273
Interest on equity attributed to dividends (net of IRRF)	**(19,970)**	-
Provisioned dividends	**(9,357)**	(21,318)
	(29,327)	(21,318)

	2019	2018
Balance at beginning of year	**21,318**	21,104
Proposed additional dividends	**-**	29,215
Payment of dividends and interest on equity (net of IRRF)	**(21,721)**	(50,319)
Mandatory minimum dividends	**29,730**	21,318
Balance at end of year	**29,327**	21,318

(In thousands of reais, unless otherwise stated)

22. Service revenue, net

	Individual		Consolidated	
	2019	2018	2019	2018
Service revenue	**902,705**	678,729	**973,423**	754,074
(-) PIS/COFINS	**(73,808)**	(55,190)	**(76,388)**	(57,939)
(-) ISSQN	**(36,317)**	(25,055)	**(36,318)**	(25,056)
	792,580	598,484	**860,717**	671,079

23. Costs of services rendered

	Individual		Consolidated	
	2019	2018	2019	2018
Salaries and charges	**226,364**	186,189	**226,364**	186,184
Depreciation and amortization	**67,226**	54,066	**69,203**	56,154
Lease transactions - Depreciation	**1,806**	-	**1,806**	-
Replacement parts	**182,208**	126,371	**182,208**	126,353
Material in use and material applied	**29,667**	27,672	**29,667**	27,671
Fuel and lubricants	**42,886**	21,292	**42,886**	21,292
Maintenance services	**15,967**	14,918	**15,967**	14,918
Freight	**27,983**	30,195	**27,983**	30,275
Lease of equipment	**15,951**	19,093	**15,951**	19,093
Tires and undercarriage	**75,773**	38,070	**75,773**	38,068
Subcontractors + services provided - legal entities	**14,101**	11,930	**14,101**	11,924
Property lease and condominium fees	**1,616**	2,457	**1,616**	2,452
Other	**12,089**	12,571	**12,089**	12,563
	713,637	544,824	**715,614**	546,947

24. General and administrative expenses

	Individual		Consolidated	
	2019	2018	2019	2018
Salaries and charges	**7,239**	5,605	**7,287**	5,793
Electric power, water and sewage	**384**	401	**386**	421
Depreciation and amortization	**880**	647	**880**	3,311
Services provided by third parties	**4,229**	2,792	**4,258**	2,992
Replacement parts	**209**	23	**10,898**	2,448
Communication	**609**	357	**616**	389
Property lease and condominium fees	**119**	116	**149**	211
Travel and lodging expenses	**374**	257	**377**	262
Other	**1,174**	1,430	**1,205**	4,239
	15,615	11,627	**26,454**	20,067

(In thousands of reais, unless otherwise stated)

25. Other operating income (expenses)

	Individual		Consolidated	
	2019	2018	2019	2018
Gain (loss) on disposal of property and equipment	**42,846**	(847)	**42,553**	6,204
Contingencies	**763**	560	**763**	560
Inventory count	**(6,337)**	(1,259)	**(6,337)**	(1,259)
Recovery of credits - PIS/COFINS	**8,881**	9,839	**8,881**	9,839
Other	**(289)**	1,063	**3,906**	2,905
	45,864	9,356	**49,766**	18,249

26. Finance income (costs)

	Individual		Consolidated	
	2019	2018	2019	2018
Finance costs				
Interest and commissions	**(16,997)**	(20,766)	**(16,996)**	(20,766)
IRRF/Tax on Financial Transactions (IOF)	**(1,186)**	(1,744)	**(1,186)**	(1,744)
Derivative transactions (swap/NDF)	**(6,836)**	-	**(6,836)**	-
Foreign exchange losses	**(68,951)**	(56,814)	**(69,065)**	(57,005)
Lease transactions - finance cost	**(445)**	-	**(445)**	-
Other finance costs	**(435)**	(198)	**(438)**	(245)
	(94,850)	(79,522)	**(94,966)**	(79,760)

	Individual		Consolidated	
	2019	2018	2019	2018
Finance income				
Short-term investment yield	**2,094**	1,076	**2,094**	1,076
Third-party interest	**4,484**	2	**4,484**	2
Derivative transactions (swap/NDF)	**5,900**	9,417	**5,900**	9,417
Foreign exchange gains	**63,695**	39,810	**63,730**	40,098
Other finance income	**215**	1,346	**215**	1,590
	76,388	51,651	**76,423**	52,183

(In thousands of reais, unless otherwise stated)

27. 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:

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	**2019**	**2018**	**2019**	**2018**
Swap	**112,188**	72,838	**682**	5,640
			682	5,640

(In thousands of reais, unless otherwise stated)

27. Financial instruments (Continued)

		Individual		Consolidated	
	Principal currency	**2019**	**2018**	**2019**	**2018**
Working capital	USD	**28,953**	60,333	**28,953**	60,333
Lease	USD	**5,924**	10,013	**5,924**	10,013

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.

28. Insurance coverage

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

Rio de Janeiro, March 27, 2020.

Sérgio Ribeiro Machado
CEO

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