Ferroport Logística Comercial Exportadora S.A.

Financial Statements as of December 31, 2016 and 2015

KPDS 182629

Content

KPMG Auditores Independentes
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Independent Auditor's Report on the Financial Statements

To the Shareholders, Board Directors and Management
Ferroport Logística Comercial Exportadora S.A.
Rio de Janeiro - RJ

Opinion
We have audited the financial statements of Ferroport Logística Comercial Exportadora S.A. ("the Company"), which comprise the balance sheet as of December 31, 2016, the statements of income and other comprehensive income, changes in shareholder's equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Ferroport Logística Comercial Exportadora S.A. ("the Company") as of December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with Accounting Practices Adopted in Brazil.

Basis for Opinion
We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the relevant ethical requirements included in the Accountant Professional Code of Ethics ("Código de Ética Profissional do Contador") and in the professional standards issued by the Brazilian Federal Accounting Council ("Conselho Federal de Contabilidade"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information accompanying the financial statements and the auditor's report
Management is responsible for the other information comprising the management report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We do not have comments on this regard,

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Practices Adopted in Brazil and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and international standards on auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with those charged with governance 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.

Rio de Janeiro, March 30, 2017

KPMG Auditores Independentes
CRC SP-014428/O-6 F-RJ

Luis Claudio França de Araújo
Accountant CRC RJ-091559/O-4

Ferroport Logística Comercial Exportadora S.A.

Balance sheets as of December 31, 2016 and 2015

(In thousands of Reais)

	Note	2016	2015
Assets			
Current assets			
Cash and cash equivalents	**4**	32,580	90,892
Accounts receivable from related parties	**9**	132,317	91,771
Inventories		18,322	16,405
Recoverable taxes	**6**	5,427	3,882
Income and social contribution taxes	**6**	3,994	
Derivative financial instruments	**20**	3,303	-
Prepaid expenses		2,542	2,821
Other		4,039	3,071
Total current assets		**202,524**	**208,842**
Noncurrent assets			
Judicial deposits	**7**	33,036	30,773
Deferred income tax and social contribution	**5**	60,667	100,819
Related parties - asset to be transferred	**10**	210,102	210,102
Property, plant and equipment	**8**	2,182,158	2,165,691
Intangible assets	**9**	3,313	4,031
Deferred charges		5,076	5,732
Total noncurrent assets		**2,494,352**	**2,517,148**
Total assets		**2,696,876**	**2,725,990**
Liabilities and equity			
Current liabilities			
Trade accounts payable		39,032	47,640
Payroll and related charges		10,878	14,861
Taxes payable	**11**	6,099	9,858
Related parties- loans and accounts payable	**10**	126,108	31,315
Total current liabilities		**182,117**	**103,674**
Noncurrent liabilities			
Income and social contribution taxes payable	**11**	31,826	29,661
Related parties- loans and accounts payable	**10**	1,844,053	2,030,485
Deferred revenue with related party	**10**	57,223	59,417
Provision for contingencies	**12**	2,825	1,633
Other		419	447
Total noncurrent liabilities		**1,936,346**	**2,121,643**
Shareholders' equity	**13**		
Capital		414,397	414,397
Capital reserve		94,589	94,589
Contingencies reserve		64,109	-
Legal reserve		3,374	-
Accumulated profit (losses)		-	(8,313)
Other comprehensive income		1,944	-
Total shareholders' equity		**578,413**	**500,673**
Total liabilities and shareholders' equity		**2,696,876**	**2,725,990**

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

Ferroport Logística Comercial Exportadora S.A.

Statements of income

Years ended December 31, 2016 and 2015

(In thousands of Reais)

	Note	2016	2015
Net revenue of services	**14**	548,366	551,501
Costs of services	**15**	(150,459)	(151,258)
Gross profit		397,907	400,243
Operating income (expenses)			
General and administrative expenses	**16**	(26,451)	(34,427)
Other operating income (expense)	**17**	8,816	19,990
Income before financial income (expenses) and taxes		380,272	385,806
Financial income (expenses)			
Financial income	**18**	11,226	12,540
Financial expenses	**18**	(276,551)	(264,288)
Income before taxes		114,947	134,058
Income and social contribution taxes			
Current	**5**	-	(1,427)
Deferred	**5**	(39,151)	(44,154)
Net income for the year		**75,796**	**88,477**

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

Ferroport Logística Comercial Exportadora S.A.

Statements of comprehensive income

Years ended December 31, 2016 and 2015

(In thousands of Reais)

	2016	2015
Net income for the year	75,796	88,477
Other comprehensive income (loss)		
Items that can be subsequently reclassified to the result:		
Derivative financial instruments - Hedge accounting gain	2,946	-
Income and social contribution taxes on other comprehensive income (loss)	(1,002)	
Total comprehensive income for the year	77,740	88,477

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

Ferroport Logística Comercial Exportadora S.A.

Statements of changes in shareholders' equity

Years ended December 31, 2016 and 2015

(In thousands of Reais)

	Note	Capital stock	Capital reserve	Contingencies reserve	Legal reserve	Accumulated profit (losses)	Other comprehensive income	Total
Balances as of January 1st, 2015	**12**	**414,397**	**94,589**	**-**	**-**	**(96,790)**	**-**	**412,196**
Net income for the year		-	-	-	-	88,477	-	88,477
Balances as of December 31, 2015		**414,397**	**94,589**	**-**	**-**	**(8,313)**	**-**	**500,673**
Net income for the year		**-**	**-**	-	-	75,796	**-**	**75,796**
Derivative financial instruments - Hedge accounting		**-**	**-**	-	-	-	1,944	**1,944**
Reserves constitution - profit allocation				64,109	3,374	(67,483)	-	**-**
Balances as of December 31, 2016		**414,397**	**94,589**	**64,109**	**3,374**	**-**	**1,944**	**578,413**

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

Ferroport Logística Comercial Exportadora S.A.

Statements of cash flows

Years ended December 31, 2016 and 2015

(In thousands of Reais)

	2016	2015
Operating activities		
Income before taxes	114,947	134,058
Adjustments to reconcile income before taxes and net cash provided by operating activities:		
Depreciation and amortization	45,448	41,017
Provision for derivative financial instruments	(358)	-
Monetary variation and interest	281,745	258,312
Amortization of insurance	6,588	5,487
Provision for bonus	9,153	9,958
Provision for legal proceeding	1,713	692
Deferred revenue amortization	(2,193)	(2,193)
Other provisions	(354)	-
	456,689	**447,331**
(Increase) decrease of assets and increase (decrease) of liabilities:		
Account receivable from related parties	(40,546)	(50,561)
Trade accounts receivable	(1,178)	6,623
Inventories	(1,916)	(3,462)
Recoverable taxes	(5,690)	-
Prepaid expenses	(6,308)	(2,760)
Trade accounts payable	(10,691)	(140,389)
Taxes payable	(3,759)	3,294
Payroll and related charges	(13,135)	(6,858)
Accounts payable to related parties	6,748	(1,584)
Interest paid	(158,793)	(13,281)
Taxes payable related to intercompany loans	(51,467)	(2,324)
Other assets and liabilities	478	1,847
Net cash flows generated by (used in) operating activities	**170,432**	**237,876**
Investing activities		
Acquisition of intangible assets	(991)	(3,427)
Acquisition of property, plant and equipment (a)	(60,156)	(146,249)
Reimbursement due to LT transfer	2,684	-
Net cash flows used in investing activities	**(58,463)**	**(149,676)**
Financing activities		
Intercompany loans settled (principal)	(170,279)	(77,395)
Intercompany loans obtained	-	65,497
Net cash flows used in financing activities	**(170,279)**	**(11,898)**
Increase (decrease) in cash and cash equivalents	**(58,310)**	**76,302**
Cash and cash equivalents:		
At beginning of year	90,892	14,590
At end of year	32,580	90,892
Increase (decrease) in cash and cash equivalents	**(58,310)**	**76,302**

(a) The acquisition is net of cash from asset allocation agreement.

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

Notes to the financial statements

(In thousands of reais, unless otherwise stated)

1 Operations

In 2007, Ferroport Logística Comercial Exportadora S.A. ("Ferroport" or the "Company"), formerly known as LLX Minas-Rio Logística Comercial Exportadora S.A., located in the state of Rio de Janeiro, Rua da Passagem 123/ 11º andar - Botafogo, was incorporated with the purpose of developing and operating port facilities and providing logistics support services.

Ferroport is joint owner of an area of 300 hectares in the Açu Port which is intended for iron ore processing, handling, storage, and pelletizing, and an offshore structure comprising an access bridge, access canal, breakwater and two berths for iron ore loading. The development of the project was established by the Framework Agreement and Asset Allocation Agreement ("Agreement") which sets forth the operating and commercial relations between the Company, Prumo Participações e Investimentos S.A. ("Prumopar"), Prumo's subsidiary Açu Petróleo S.A. (" Açu Petróleo") and Anglo American Minério de Ferro do Brasil S.A. ("AAMFB").

The Agreement determines that Ferroport was responsible for the construction of the T1 port terminal, and sets out the allocation of assets between the parties, means of payment, transfer of divisible assets to AAMFB and joint ownership rules for the indivisible assets. The assets are transferred to the shareholders according to a formula defined in the Agreement at construction cost. Upon delivery of the assets, the Company recognized the related gain ("Mark-up gain"). The Company records its ownership share in the port and other assets in proportion to the total amount invested in the construction of the assets.

The commercial and operating terms of the aforementioned agreements include a take-or-pay commitment from AAMFB, subject to port capacity availability, of 26.6 million Wet Metric Ton (WMT) per year for shipment of iron ore at US$7.10 (seven dollars and ten cents) per WMT, based on July 1, 2013 terms, to be annually escalated by the United States Producer Price Index ("PPI") up to the first shipment, and then from this date onwards escalated by 2/3 of PPI per annum on each January 1. A reduced tariff is applicable to the shipped volume of iron ore which exceeded the 26.6 million WMT in the year. The contract term is 25 years.

The Port Access agreement with the shareholders provides that Ferroport is responsible for the maintenance of T1 offshore infrastructure, including the dredging of access channel and breakwater, and will charge port fees based on the number of vessels berthing, oil transshipment volume and berthing time.

In October 2014, the Company entered into operations through the accomplishment of the first shipping of approximately 80 thousand tons of iron ore. In 2016, the Company loaded 15.9 million tons of iron ore in 105 vessels (8.8 million tons in 66 vessels as of December 31, 2015). Since the beginning of operations in October 2014, the Company loaded 24.9 million tons of iron ore in 174 vessels.

In June 2015, the shareholders signed a Side Agreement to Shareholders Agreement, which established terms and conditions for the Intercompany Loan repayment, including the calculation formula to define the available cash and the minimum cash required, periodic payment on a monthly basis and IC loan term. The Side Agreement will became effective on January 1, 2016 and the repayment of outstanding amounts shall be paid by no later than December 31, 2030.

In 2016, the Company completed the dredging of the access channel, deepening to 20.5 meters. In March, 2016, the Company received the approval from Rio de Janeiro Harbour Master to operate Capesize vessels with a maximum sailing draft of 18.5 meters. The Port Construction is expected to be finalized by the end of 2017, remaining decommissioning works.

In August 2016, Açu Petróleo carried out the first oil transshipment, involving two Suezmax vessels and the Port Access agreement became effective. As of December 31, 2016, Açu Petroleo performed 07 operations in 14 vessels, loading approximately 956 thousand metric tons.

In September 2016, Company's financial performance was recognized with the Valor 1000 award by Valor Econômico, as the best Brazilian company in the transportation and logistics sector in 2016.

2 Licenses

Type	Issue date	Maturity
Permit the management of terrestrial fauna in the port terminal by the company Ecologus Consulting Engineering LI no.IN 30418	April 29,2015	April 28,2017
Permit to Use Water Resources OUT IN023738 authorizes the extraction of raw water through tubular wells, for human consumption, and other applications (in civil construction works and to spray on roads), in the Hydrographic Basin RH-IX - BaixoParaíba do Sul	July10, 2013	July10, 2018
INEA (State Institute of Environment): Statutory law for receipts of iron ore, stockyard iron transfer unit, access bridge, loading pier, areas of utilities and repair shop, administrative area, , dredging for maintenance of draught for access and navigation, trans-shipment of waste of vessels and food loading activities, inputs of drinking water on vessels. Statutory Law - Regulatory Procedure 027024.(AVB002815)	September 02, 2015	May 29, 2018
ANTAQ (Supervising Office for Grants of the National Waterway Agency) authorizes Ferroport to start operating the port terminal.	September 02, 2014	September 02, 2039
Permit temporary refueling, by using tank trucks, tug boats, and speed boats on Porto do Açu iron ore terminal LI no.IN 32632	December 8, 2015	December 8, 2017

3 Basis of preparation and presentation of the financial statements

a. Statement of compliance

The Company's financial statements were prepared in accordance with accounting practices adopted in Brazil ("BR GAAP"), which comprise dispositions of the Brazilian Corporate law, previewed on Law 6,404/76 with updates on Law 11,638/07 and Law 11,941/09 and accounting pronouncements, interpretations and orientations issued by the Accounting Pronouncements Committee (CPC) approved by Brazilian CVM. The Company's Directors authorized the conclusion of these financial statements on March 30, 2017.

b. Basis of measurement

The financial statements have been prepared on the historical cost basis, except for derivative financial instruments, which have been measured at fair value.

c. Functional and reporting currency

These financial statements are presented in Brazilian *Reais*, which is the Company's functional and reporting currency. Foreign currency-denominated balances are translated into the functional currency (real) at each period-end exchange rates.

d. Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. The Company considers cash equivalents a short-term investment with a maturity of three months or less, which are subject to an insignificant risk of change in value.

e. Financial instruments

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

Financial assets are initially recognized at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement of financial assets at fair value through profit or loss is recorded in the balance sheet at fair value, and their corresponding gains or losses are recognized in the statement of operations.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated taking into account any discount on acquisition and fees or costs that are an integral part of the effective interest rate.

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. When there is objective evidence of impairment, the impairment loss is measured as the difference between the asset book value and the present value of the estimated future cash flows (excluding future credit losses expected but not incurred). The present value of estimated future cash flows is discounted at the original effective interest rate of the financial asset. When applicable, the asset book value is decreased by a provision and the loss amount is recognized in profit or loss. If in a subsequent year the estimated impairment loss increase or decrease due to an event occurred after the impairment loss recognition, the loss previously recognized is increased or decreased, adjusting the related provision.

A financial asset is written off when the rights to receive cash flows from the asset expire and/or when the Company transfers its rights to receive cash flows of the asset or assumes an obligation to fully pay cash flows received, and has transferred substantially all the risks and rewards related to the asset.

The financial liabilities are classified, at initial recognition, as "other liabilities" and not measured at fair value (i.e. loans and borrowings). Financial liabilities are initially recognized at fair value and net of directly attributable transaction costs, and are subsequently measured at amortized cost, using the effective interest rate method. Gains and losses are recognized in profit or loss.

A financial liability is derecognized when the liability has been discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the profit or loss.

The fair value of financial instruments actively traded in organized financial markets is determined based on purchase prices quoted in the market. The fair value of financial instruments for which there is no active market is determined by using valuation techniques, such as the use of recent market transactions (on an arm's length basis); reference to the current fair value of another similar instrument, discounted cash flows or other valuation models.

f. Inventories

Inventories are represented by maintenance items and are stated at the average cost of acquisition, not exceeding market value.

g. Property and equipment

These are measured at historical acquisition or construction cost, less accumulated depreciation and accumulated impairment losses, if any. Costs include expenditures directly attributable to an asset acquisition, and the construction costs include:

- The cost of materials and direct labor;

- Costs attributable to bringing the asset to the location and condition required for it to operate in the manner intended by management; and

- Borrowing costs on qualifying assets.

Gains and losses on disposal of a property and equipment item (determined by comparing the proceeds from disposal with the book value of property and equipment) are recognized in other operating income (expenses) in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Property and equipment are depreciated on a straight-line basis, according to the estimated economic useful life of each item (as described in Note 8). Land is not depreciated. Property and equipment items are depreciated as of the date they are installed and are available for use.

The Company classifies under "construction in progress" all activity at the construction and installation phase to the moment in which they start operating, when they are reclassified to the accounts relating to assets in operation.

h. Intangible assets

Intangible assets are represented by software acquired by the Company with finite useful lives, and are measured at cost, less accumulated amortization and impairment losses, when applicable.

i. Deferred charges

The Law No.11941/09 and the CPC 43(R1) - First-time Adoption of Accounting Pronouncements CPC 15 to 41 eliminated the deferred charges, however, allowed the companies to keep the accumulated balance at December 31, 2008 to be amortized in 10 years, after the beginning of operations, subject to impairment test. These deferred charges are valued at formation cost and represent pre-operating expenses incurred by the Company up to December 31, 2008. The deferred charges started the amortization in October 2014, and will be amortized within 10 years.

j. Impairment of non-financial assets

The Company assesses, at each reporting date, whether is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An impairment loss is recognized when the book value of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market conditions as to the recoverability period of capital and the risks specific to the asset.

Impairment loss related to other assets (except for goodwill) is only reversed to the extent that the book value of an asset does not exceed the book value that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

k. Provisions

A provision is set up when the Company has a legal or constructive obligation as a result of a past event, which can be reliably estimated, and it is probable that an outflow of funds will be required to settle the obligation.

The Company recognizes provision for civil and tax proceedings. Assessment of the probability of loss includes analysis of available evidence, the hierarchy of laws, available case law, the most recent court decisions and their relevance in the legal system, as well as the opinion of external legal advisors.

Provisions are reviewed and adjusted considering changes in existing circumstances, such as the applicable statutes of limitation, tax audit conclusions, or additional exposures identified based on new matters or court decisions. Settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to uncertainties inherent in the estimation process.

l. Operating revenue

Revenue is recognized on an accrual basis as the service is rendered, which is linked to the storage services, shipping, logistics operations and port access.

m. Financial income and expenses

Financial income includes interest income on short-term investments recognized in the profit or loss.

Financial expenses include interest expenses on related-party loans. Borrowing costs which are not directly attributable to the acquisition, construction, or production of a qualifying asset are recognized in profit or loss using the effective interest rate method. After the beginning of the operations, capitalization of the borrowing costs was ceased and those expenses are recognized in profit or loss. Interests on loans paid in the year are presented under operating activities within the statement of cash flow.

n. Income tax and social contribution

Deferred income tax and social contribution are recorded over tax losses carryforward and temporary differences existing between assets and liabilities tax base versus the corresponding book values. Deferred tax assets and liabilities are offset when there is a legal enforceable right to settle the tax assets and liabilities, and when levied by the same tax authority on the same taxable entity. Deferred income tax and social contribution assets are reviewed on an annual basis and reduced to the extent that their realization is no longer probable, when applicable.

o. Other current and noncurrent assets and liabilities

An asset is recognized in the balance sheet when its future economic benefits are likely to flow to the Company, and its cost or value can be reliably measured.

A liability is recognized in the balance sheet when the Company has a legal or constructive obligation arising from a past event, the settlement of which is expected to result in an outflow of economic benefit. Provisions are set up reflecting the best estimates of the risk involved.

Noncurrent monetary assets and liabilities are adjusted to present value and so are current monetary assets and liabilities whenever the effects are considered significant on the overall financial statements. The present value adjustment is calculated using contractual cash flows and the explicit, and sometimes implicit, interest rates of the respective assets and liabilities.

p. Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions which affect the application of accounting practices and the reported values of assets, liabilities, revenues and expenses. Estimates and assumptions are reviewed on a continuous basis. Accounting estimates are recognized in the year in which they are reviewed and in any future periods that may be affected. Actual results may differ from these estimates. The significant issues that may be affected by the use of estimates are: deferred income tax and social contribution, determination of the useful lives of property and equipment and intangible assets, impairment of non-financial assets, provision for legal proceedings and determination of the fair value of financial instruments. Future settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to the uncertainties inherent to the determination process. The Company reviews its estimates and assumptions at least once a year.

q. Pronouncements issued but not yet in force as of December 31, 2016

The pronouncements and interpretations which were issued by the IASB but were not yet in force by the issuance of the Company's financial statements and which apply to the Company are shown below:

IFRS 9 - Financial Instruments:

In June 2014 the IASB issued the final version, which reflects all the phases of the financial instruments project and replaces IAS 39 - Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9 (CPC 48 Pronouncement). The standard includes a logical model for classification and measurement of financial instruments, a single, forward-looking ‘expected loss’ impairment model and a substantially-reformed approach to hedge accounting. The standard carries over from IAS 39 the requirements for recognition and derecognition of financial assets and financial liabilities. IFRS 9 is effective for annual periods beginning on or after January 01, 2018.

The effective impact of adopting IFRS 9 in the Group's financial statements in 2018 can not be estimated with confidence, as it will depend on the financial instruments held by the Group and the economic conditions in 2018, as well as on accounting decisions and judgments that the Group will make in future. The new standard will require the Group to review its accounting and internal control processes related to the classification and measurement of financial instruments and these changes are not yet finalized.

It was not possible to disclose the effect brought by IFRS 9, since the Company did not yet complete the analysis for the adoption of the standard.

IFRS 15 — Revenue from Contracts with Customers
IFRS 15 (CPC 47 Pronouncement) introduces a comprehensive framework to determine if and when a revenue is recognized, and how revenue is measured. IFRS 15 replaces current revenue recognition standards, including CPC 30 (IAS 18) Revenue, CPC 17 (IAS 11) Construction Contracts and CPC 30 Interpretation A (IFRIC 13) Customer Loyalty Programs. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. It was not possible to disclose the effect brought by IFRS 15, since the Company did not complete the analysis for the adoption of the standard.

IFRS 16 - Leases:
IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases. IFRS 16 replaces existing leases guidance including CPC 06 (IAS 17) Leases and ICPC 03 (IFRIC 4, SIC 15 and SIC 27) additional matters regarding commercial leases. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. It was not possible to disclose the effect brought by IFRS 16, since the Company did not complete the analysis for adoption of the standard.

The Accounting Pronouncements Committee (CPC) has not yet issued an accounting pronouncement or amendment to the pronouncements in force, corresponding to all the new standards. Therefore, the early adoption of these IFRS is not permitted for entities that publish their financial statements in accordance with accounting practices adopted in Brazil.

4 Cash and cash equivalents

	2016	**2015**
Cash and banks	776	306
Cash equivalents		
Security held under repurchase agreements	-	90,586
Investment funds	28,538	-
Bank deposit certificate (CDB)	3,266	-
	32,580	90,892

Highly liquid short-term investments are readily convertible into a known amount of cash and subject to low risk of change in their value. Currently, the cash equivalents are invested in investments funds and deposit certificates (repurchase agreements in 2015). The return on investments in 2015 and 2016 are 100.2% and 100.4% of Interbank Deposit (DI) rate, respectively. The portfolio currently consists of securities issued by Banco ABC and Santander and investment funds managed by Santander.

5 Income tax and social contribution

The changes in the deferred income tax and social contribution assets and liabilities are as follows:

	2015	Additional amount/offset (liability) recorded	2016
Assets			
Tax loss carryforwards	1,826	6,799	8,625
Temporary differences			
Difference between tax basis and book value - deferred assets (a)	50,878	(6,359)	44,519
Tax credits originated from merger (b)	61,482	(18,918)	42,564
Other	11,914	1,696	13,610
Total deferred income taxes assets	**126,100**	**(16,782)**	**109,318**
Liabilities			
Difference between tax basis and book value of depreciation rates	(25,281)	(23, 370)	(48,651)
Total deferred income taxes liabilities	**(25,281)**	**(23,370)**	**(48,651)**
Net effect	**100,819**	**(40,152)**	**60,667**

(a) This refers to the recognition of deferred income tax and social contribution on the difference between the accounting and tax treatment of deferred charges arising from January 1, 2009 to October 2014. For accounting purposes, beginning 2009, the pre-operational expenditures were expensed while for tax purposes it has been treated as deferred charges. These deferred charges have been amortized since the Company started its operations in October 2014 and will be amortized within 10 years.

(b) At June 30, 2014, the Company's shareholder Centennial Asset Participações Minas-RioS.A. and part of spun-off assets of Anglo American Participações Ltda. was merged into Ferroport with the objective of simplifying the ownership structure of Anglo American's investments in Brazil, reducing costs and the number of legal entities, simplifying the procedures to distribute profits within the corporate structure and permit the use of corporate tax relieves available for Ferroport in the Brazilian law.

The Brazilian tax legislation allows tax losses to be offset against future taxable profits for an indefinite period, but this offset is limited to 30% of the taxable profit for each year.

The recoverability of the deferred income tax assets is supported by a business plan approved by the Board of Directors. The Company's Management evaluates the carrying value of the deferred tax assets based on the Company's projected future taxable income, and maintain these assets at their expected realization value.

The reconciliation of the reported income tax and social contribution and the amount determined by applying the nominal rate for the years ended December 31, 2016 and 2015, are as follows:

	December 31, 2016	December 31, 2015
Income before taxes	114,947	134,058
Income tax as effective rate 34%	(39,082)	(45,580)
Permanent adjustments:		
Donations non deductible	(69)	(1)
Current income and social contribution taxes	-	(1,427)
Deferred income and social contribution taxes on temporary differences	(39,151)	(44,154)
Effective rate	34%	34%

6 Recoverable taxes

	2016	2015
PIS and COFINS	302	317
Income tax	2,583	181
Social contribution	1,410	73
IRRF	5,049	3,249
ISS	77	62
Total current	**9,421**	**3,882**

7 Judicial deposits

	2016	2015
Income tax and social contribution (a)	31,826	29,661
Other	1,210	1,112
Total noncurrent	**33,036**	**30,773**

(a) The Company challenges the payment of income tax and social contribution on net income recognized in its pre-operating phase and filed an injunction in January 2008, making a judicial deposit of R$ 16,403. Ferroport obtained an unfavorable decision and is awaiting decision on its appeal. The amount deposited is fully reserved under "Taxes payable".

8 Property, plant and equipment

	Annual depreciation rate %	Cost	Accumulated depreciation	Net balance at 2016	Net balance at 2015
Improvements	**4**	67,943	(66,751)	1,192	2,307
Furniture and fixtures	**10**	633	(295)	338	405
Vehicles	**20**	904	(896)	8	87
IT equipment	**20**	4,514	(1,456)	3,058	1,041
Machinery and equipment	**10**	4,570	(1,255)	3,315	3,213
Electronic equipment	**20**	5,562	(3,272)	2,290	3,129
Defenses	**10**	3,864	(771)	3,093	2,821
Breakwater	**2,22**	838,437	(40,997)	797,440	815,913
Maritime access canal	**2,22**	451,690	(17,622)	434,068	296,686
Pier - Port Terminal	**2,22**	556,229	(25,378)	530,851	544,576
Safety equipment	**10**	12,526	(2,709)	9,817	10,510
Operational tools and equipment	**10 and 5**	3,274	-	3,274	2,506
Advances to suppliers	**-**	1,334	-	1,334	1,050
Construction in progress	**-**	382,072	-	382,072	472,318
Other		10,261	(253)	10,008	9,129
		2,343,813	(161,655)	2,182,158	2,165,691

Changes in property, plant and equipment

	Annual depreciation rate%	2015	Additions	Asset allocation	Write-offs(*)	Transfers (*)	2016
Cost							
Improvements	**4**	67,902	40	-	-	1	67,943
Furniture and fixtures	**10**	657	24	-	(59)	11	633
Vehicles	**20**	904	-	-	-	-	904
IT equipment	**20**	2,210	2,309	-	(5)	-	4,514
Machinery and equipment	**10**	4,031	565	-	(14)	(12)	4,570
Electronic equipment	**20**	5,554	6	-	-	2	5,562
Defenses	**10**	3,224	400	-	-	240	3,864
Breakwater	**2,22**	838,437	-	-	-	-	838,437
Maritime access canal	**2,22**	304,875	880	-	-	145,935	451,690
Pier - Port Terminal	**2,22**	558,752	160	-	(2,684)	-	556,228
Safety equipment	**10**	12,009	517	-	-	-	12,526
Operational tools and equipment	**10 and 5**	2,506	768	-	-	-	3,274
Advance to suppliers		1,050	885	-	-	(601)	1,334
Construction work in progress		472,318	106,729	(51,399)	-	(145,576)	382,072
Other		9,179	1,083	-	-	-	10,262
		2,283,608	114,366	(51,399)	(2,762)	-	2,343,813

	Annual depreciation rate %	2015	Additions	Asset allocation	Write-offs(*)	Transfers (*)	2016
Depreciation							
Improvements		(65,595)	(1,156)	-	-	-	(66,751)
Furniture and fixtures		(252)	(43)	-	-	-	(295)
Vehicles		(817)	(79)	-	-	-	(896)
IT equipment		(1,169)	(287)	-	-	-	(1,456)
Machinery and equipment		(818)	(437)	-	-	-	(1,255)
Electronic equipment		(2,425)	(847)	-	-	-	(3,272)
Defenses		(403)	(368)	-	-	-	(771)
Breakwater		(22,524)	(18,473)	-	-	-	(40,997)
Maritime access canal		(8,189)	(9,433)	-	-	-	(17,622)
Pier - Port Terminal		(14,176)	(11,202)	-	-	-	(25,378)
Safety equipment		(1,499)	(1,210)	-	-	-	(2,709)
Other		(50)	(205)	-	-	-	(255)
		(117,917)	(43,736)	-	-	-	(161,651)
Property and equipment, net		2,165,691	70,630	(51,399)	(2,762)	-	2,182,158

(*) Refers to write-off of furniture located in the administration office of Rio de Janeiro and metal scrap. The major amount of R$ 2,684 refers to the restitution of the transmission line that was transferred to Ampla Energia e Serviços S.A. as previously issued in the implementation contract of the project.

Asset allocation

As aforementioned, the Company, Açu Petróleo and AAMFB signed the Asset Allocation Agreement, which determines that the Company is responsible for the construction of the T1 port terminal, and sets out the allocation of assets between the parties, means of payment, transfer of divisible assets and joint ownership rules for the indivisible assets. The divisible assets transferred to the parties individually as stated in the Agreement.

As for the indivisible assets, each Company has its share of participation in the assets (“condominium agreement”) according to the total amount invested in the construction, as follows:

	December 31, 2015	Additions	Adjustments (b)	December 31, 2016	% of ownership of assets
Indivisible assets					
Transferred to AAMFB	1,191,392	26,423	(39,401)	1,178,414	32,7%
Transferred to Açu Petróleo (a)	286,329	24,977	(3,793)	307,513	8,5%
Ferroport’s assets	2,179,465	26,876	(85,307)	2,121,034	58,8%
Total indivisible assets	3,657,186	78,276	(128,501)	3,606,961	

(a) In September, 2015, the Parent Company Porto do Açu transferred its share participation in the condominium to Açu Petróleo S.A.

(b) As of June 30, 2016 the share of participation in the assets were revised in order to reflect the definitions established in the condominium agreement (Asset Allocation). The adjustment of R$ 128,501 refers to the access channel dredging which was considered in the total amount in the previous quarters of 2015.

Upon the transference of the assets, the Company records a gain corresponding to the costs incurred plus a mark-up defined in the Agreement. As of December 31, 2016 and 2015 there is no mark-up gain recorded.

Construction in progress

The construction in progress at December 31, 2016 is mainly related to the breakwater and pier that still have certain enhancements to be concluded by the end of 2017.

Capitalized interest

After the beginning of the operations in October 2014, capitalization of interest was ceased. Borrowing costs were calculated at the capitalization rate of CDI plus 2% p.a., over the qualified assets during the construction in progress amounting R$ 601,138 as of December 31, 2016 and 2015.

Impairment test of property, plant and equipment

In accordance with CPC 1 (R1) - Impairment of Assets, management regularly assesses whether there is any indication of impairment loss. As at December 31, 2016, the Company's Management did not identify impairment trigger.

9 Intangible assets

	Amortization	2015	Additions	2016
Cost				
Right-of-way (a)	3 years	5,528	-	5,528
Software use license	5 years	7,899	992	8,891
Total cost		13,427	992	14,419
Amortization				
Right-of-way	3 years	(5,528)	-	(5,528)
Software use license	5 years	(3,868)	(1,710)	(5,578)
Total amortization		(9,396)	(1,710)	(11,106)
		4,031	(718)	3,313

(a) Right-of-way of the Company in areas owned by a third-parties for the execution of construction works were amortized based on the agreement term, which is three years as from execution date of the agreement.

	Amortization	2014	Additions	Transf.(b)	2015
Cost					
Right-of-way (a)	3 years	5,528	-	-	5,528
Software use license	5 years	4,695	3,428	(224)	7,899
Total cost		10,223	3,428	(224)	13,427
Amortization					
Right-of-way	3 years	(5,528)	-	-	(5,528)
Software use license	5 years	(2,265)	(1,603)	-	(3,868)
Total amortization		(7,793)	(1,603)	-	(9,396)
		2,430	1,825	(224)	4,031

(a) The amount of R$2,148 was transferred to -Assets - related parties", according to schedule 2.1 of the Asset Allocation Agreement

10 Transactions with related parties

	2016	2015
Assets		
Assets to be transferred to AAMFB (a)	210,102	210,102
Accounts receivable from AAMFB (b)	96,500	58,341
Accounts receivable from Açu Petróleo (c)	1,942	-
	308,544	268,443
Credit Note		
AAMFB (d)	16,933	17,115
Açu Petróleo (d)	16,942	16,315
Current	132,317	91,771
Noncurrent	210,102	210,102

	2016	2015
Liabilities		
Advances of the asset allocation		
AAMFB (a)	210,102	210,102
Debit notes		
AAFMB (f)	4,608	2,315
Intercompany loans		
Prumo Participações e Investimentos	893,447	937,440
Withholding income tax on loan	79,574	68,427
Anglo American Participações em Minério de Ferro Ltda.	72,093	63,861
Anglo American Capital London	710,337	616,965
Anglo American Investimentos Minério de Ferro Ltda.	-	68,590
AAMFB - Minas Rio	-	94,100
	1,970,161	2,061,800
Deferred Revenue		
Deferred Revenue related party (e)	57,223	59,417
Current	126,108	31,315
Noncurrent	1,844,053	2,030,485

(a) This refers to the divisible assets to be transferred to AAMFB, according to the Agreement described in Note 1.

(b) Receivables from the take-or-pay agreement with AAMFB.

(c) Receivables from the Port Access agreement related to T-Oil operations.

(d) These refer to dredging reimbursement related to T- OIL and T-ORE areas construction.

(e) In January 2008, an agreement was entered into with Porto do Açu for granting the right of accessing the port facilities to load and unload ships. This contract, amounting to R$ 62,159, is effective for 35 years, renewable for another 35 years, and was fully paid as of December 31, 2009. The revenue will be recognized over the contract term. After the start-up of operation in October 2014, this amount started to be monthly recognized as other revenues.

(f) This refers to the assignment of power supply with Light and intercompany recharges.

Maturity and interest

Intercompany loans are subject to annual interest of 100% of the CDI plus 2% p.a. Intercompany loans have no covenants or guarantees.

The Company shall repay all amounts outstanding, including any outstanding interest thereon, under all shareholder loans by no later than December 31, 2030.

The transactions that affect the profit or loss are as follows:

	Revenues (expenses)	
	2016	**2015**
Revenue		
AAMFB - take-or-pay agreement	541,535	551,501
Açu Petróleo	7,969	-
Expenses/Costs		
Anglo American	(18,605)	(16,627)
Financial expenses		
Interest on loans		
Prumo Participações e Investimentos (a)	(138,232)	(132,100)
Anglo American Capital London (a)	(109,850)	(90,171)
Anglo American Investimentos Minério de Ferro Ltda. (a)	(8,065)	(9,473)
AAMFB - Minas Rio (a)	(6,540)	(19,106)
Anglo American Participações em Minério de Ferro Ltda. (a)	(10,759)	(8,838)
	257,453	**275,186**

(a) The interest was capitalized up to October 2014 as described in Note 7.

Key management compensation was as follows:

	2016	**2015**
Executive Officers		
Payroll and related charges	4,290	4,986

11 Taxes payable

	2016	**2015**
PIS and COFINS	5,086	6,604
ISS	230	821
Income tax and social contribution (*)	32,566	31,976
Other	43	118
	37,925	**39,519**
Current	6,099	9,858
Noncurrent (*)	31,826	29,661

(*) This refers to a provision for income tax and social contribution described in Note 5.

12 Provision for legal proceedings

The Company is subject to legal proceedings involving civil and administrative matters arising from the ordinary course of business. The Company classified as probable loss the following amounts:

	2016	**2015**
Labor claims	1,555	609
Tax claims	1,024	1,024
Civil claims	246	-
	2,825	1,633

According to the legal counsel, the main proceedings classified as possible loss are demonstrated bellow:

	2016	**2015**
Labor claims	6,779	7,506
Tax claims	4,999	5,021
Civil claims[(a)]	176,406	122,085

(a) Impacted mainly by ARG/Civilport litigation in the amount of R$ 120,695 and Acreage R$ 35,704. The claims are due to breach of the contract (Lump Sum and Turn Key contracts) and the costs related to decommissioning.

13 Shareholders' equity

Capital

The Company's shareholding structure at December 31, 2016 and 2015, is as follows:

Shareholders	**Number of shares**	**%**
Prumo Participações e Investimentos S.A. (a)	539,988	50
Anglo American Investimentos - Minério de Ferro Ltda.	539,988	50
	1,079,976	100

On May 11, 2015, the Parent Company Prumo Logística S.A. transferred the Ferroport interest to Prumo Participações e Investimentos S.A.

Reserves

In accordance with the Brazilian Corporate Law, the legal reserve, which is intended to ensure the integrity of capital and may only be used to offset losses or increase the capital stock, is set up on an annual basis at 5% of the net income for the year and it cannot exceed 20% of the capital stock.

According to the recommendation of the Financial Committee on November 18, 2016, the Company allocated the accumulated profit as 5% to legal reserve in the total amount of R$ 3,374 and R$ 64,109 as reserve for contingencies.

14 Net revenue of services

	2016	2015
Gross revenue	613,082	621,409
Net effect on derivate financial instruments (a)	4,256	-
Taxes on gross revenue - PIS/COFINS	(56,710)	(57,480)
Tax on services - ISS	(12,262)	(12,428)
Net revenue of services	548,366	551,501

(c) As per IAS 39, the realized amount of derivative financial instruments is R$ 4,256, which is allocated to the revenue, considering the cash flow revenue strategy.

15 Costs of services

	2016	2015
Payroll and related charges	(38,740)	(39,765)
Depreciation and amortization	(38,706)	(35,512)
Third-parties services	(27,305)	(27,003)
Leases and rents	(6,429)	(8,058)
Insurances	(4,444)	(5,251)
Consumables	(29,815)	(30,779)
Other	(5,021)	(4,890)
	(150,459)	(151,258)

16 General and administrative expenses

	2016	2015
Payroll and related charges	(11,842)	(17,464)
Third party services	(4,833)	(7,274)
Depreciation and amortization	(5,447)	(5,505)
Insurance	(78)	(96)
Travel expenses	(511)	(691)
Leases and rents	(642)	(1,359)
Other	(3,098)	(2,038)
	(26,451)	(34,427)

17 Other operating income (expenses)

	2016	2015
Non-consumed electric energy (a)	1,991	1,974
Deferred revenue - right of use	6,404	18,166
Other	421	(150)
	8,816	19,990

(a) Refers to gain with negotiation of non-consumed electric energy with *CCEE - Câmara de Comércio de Energia Elétrica* and other energy traders.

18 Financial income (expenses)

	2016	2015
Financial expenses		
Tax on financial transactions (IOF)	(543)	(1,623)
Interest - intercompany loan	(273,605)	(258,397)
Other	(2,403)	(4,268)
	(276,551)	(264,288)
Financial income		
Exchange and monetary variations	50	1,924
Ineffective derivative financial instruments	357	-
Interest income	10,819	10,616
	11,226	12,540
Financial results, net	(265,325)	(251,748)

19 Commitments

The Company’s future purchase commitments are as follows, which will be incurred according to the duration of the agreements:

Nature of agreements	Execution date	Maturity date	December 31, 2016	December 31, 2015
Machinery and equipment				
Santin	10/01/2014	11/30/2016	7,541	3,593
Apoio Andaimes	11/28/2014	01/27/2017	576	1,708
Operations				
Anglo American	01/01/2015	01/31/2017	1,668	15,482
Protec	02/26/2016	01/25/2019	6,964	4,524
CSV	10/01/2014	09/30/2017	7,349	7,871
Portek	09/15/2014	09/14/2016	1,728	1,715
Ormec	07/31/2014	07/30/2019	38,346	45,312
Riointerport	12/23/2014	12/22/2016	4,592	4,940
Food & beverage				
GR Serviços	08/21/2015	09/20/2018	6,256	6,823
Transportation				
LKL Logística	02/16/2016	03/15/2018	1,374	1,852
Top Rio	09/01/2014	09/30/2018	2,655	3,320
Localiza	08/18/2014	08/17/2019	3,786	4,361
Sustainability				
Acacia Amarela	06/23/2015	06/22/2023	12,029	13,691
Ecologika	08/04/2015	08/03/2017	1,421	1,447
Project and construction of offshore works				
FCC Contrucción S.A.	12/17/2012	(a)	13,161	89,527
UmiSam	11/16/2015	12/31/2016	31	6,319
Milplan	06/01/2016	06/25/2017	13,610	-
JMF Construções	04/15/2016	12/14/2016	141	1,624
Others			31,551	26,687
			154,779	240,796

(a) The closing date depends on the service's delivery as contractually provided and is subject to weather conditions or other hindrances which may change the maturity date.

20 Derivatives financial instruments

The Company is engaged in transactions involving financial instruments managed through operational strategies and internal control intended for liquidity, profitability and protection. Control policy consists of permanent monitoring of contracted rates versus market rates in effect. The hedge strategy is to protect the USD fluctuation to guarantee the cash flow revenue and the Company does not make speculative investments in derivatives or other risky assets. As of December 31, 2016 the derivative financial instruments are as follows:

Notional USD	USD rate NDF	Due date	MtM in thousands of R$ Asset	Impact in OCI (Effective portion)	Impact in P&L (Ineffective portion)
14,700	3.2545	jan/17	(68)	-	-
1,000	3.2510	fev/17	(8)	-	-
15,700	3.4952	fev/17	3,379	2,946	357
			3,303	2,946	357

In December 31, 2016, the realized amount of derivative financial instruments is R$ 4,256, which is allocated to the revenue, considering the cash flow revenue strategy, as per IAS 39.

The estimated realizable values of the financial assets and liabilities of the Company were determined based on available market information and proper valuation methodologies. However, considerable judgment was required in interpreting market data to develop the most adequate estimate of realizable value. Consequently, the estimates do not necessarily indicate the values that could be realized in the current exchange market.

Financial assets and liabilities at December 31, 2016 and 2015 are as follows:

	2016			2015		
Classifications	**Book Value**	**Measurement**	**Fair value measurement hierarchy**	**Book value**	**Measurement**	**Fair value measurement hierarchy**
Assets						
Fair Value through Profit and Loss						
Cash and cash equivalents	32,580			90,892		
Derivative financial instruments	3,303	Fair value	2			
Loans and receivables						
Accounts receivable from related parties	132,317	Amortized Cost		91,771	Amortized Cost	
Liabilities						
Other financial liabilities						
Trade accounts payable	39,032	Amortized cost		47,640	Amortized cost	
Related parties loans	1,970,161	Amortized cost		2,061,800	Amortized cost	

- **Level 1:** quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- **Level 2** valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- **Level 3:** valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The financial assets and liabilities, due to their characteristics and due dates, Management understands that fair values do not differ relevantly from their booking values.

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

Market risks

(i) Currency risk

Risk of fluctuation in foreign exchange rates, which may be associated with the assets and liabilities of the Company. The Company manages foreign exchange risk to identify and mitigate risks associated with fluctuations in the value of the currencies with which its global assets and liabilities are associated. Currently, the only U.S. Dollar denominated transaction is the take-or-pay contract, converted into *Reais* when billed. As of December 31, 2016, the Company is engaged in hedge strategy to protect the USD fluctuation to guarantee the cash flow revenue.

Liquidity risk

The table below provides the Company's main financial liabilities at December 31, 2016. These amounts are gross and are not discounted, and include payments of estimated interest and exclude the impact of the offsetting agreements.

	No maturity	Up to 6 months	Up to 1 year	From 1 year to 5 years	Above 5 years	Total
Financial liabilities						
Trade accounts payable	-	39,032	-	-	-	39,032
Related parties - loans	210,102	172,267	361,841	1,977,292	-	2,721,502
Total by maturity range	210,102	211,299	361,841	1,977,292	-	2,760,534

The Company's shareholders have supported the implementation of the business plan. Up to December 2016, the additional funds needed for the Company to complete its construction were funded by its shareholders. The remaining Capex to completion will be funded by Company's cash generation and the shareholders when required by the Agreement.

Credit risk

This risk arises from the possibility of the Company incurring losses arising from default of their counterparties or financial institutions depository of funds.

The Company uses rating analyzes of the financial institutions through rating reports provided by the risk agencies, for the purpose of classifying and systematically follow up on the risk and performance of each bank.

The balances exposed to credit risk are the following:

Financial instruments	2016	2015
Cash equivalents	32,580	90,892
Accounts receivable (Related parties)	132,317	91,771
	164,897	182,663

For the year ended December 31, 2016, the Company's service revenue is entirely related to services provided to the related parties and cash and banks and cash equivalents are invested in banks with at least A rating.

Capital Management

The Company's funds to develop its business plan have been entirely funded through capital contributions and loans from the shareholders. The Company's treasury monitors the funds needed for working capital and capital expenditures, which are provided by the shareholders every month. The Company started its operations in October 2014 and started generating operating cash since then; the additional funds needed for the conclusion of the port construction will also be funded by its shareholders through additional loans when required by the Agreement, and operational cash generation.

21 Insurance coverage

The Company's policy consists of entering into insurance coverage for assets subject to risks at amounts deemed sufficient by management to cover claims, if any, considering the nature of its activity. The policies are in force and the premiums were duly paid.

As of December 31, 2016 and 2015, the insurance coverage was as follows:

	2016	**2015**
Property and equipment damages	4,697,252	3,559,745
Civil liability	162,955	195,240
Environmental Liability	30,000	30,000
Directors & Management	60,000	50,000

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Marcelo Amaral Palladino
Chief Financial Officer

Carsten Bosselmann
Chief Executive Officer

Douglas dos Santos Guimarães
Accountant CRC-RJ-110416/O-0