

Ferroport  
Logística Comercial  
Exportadora S.A.

**Interim Financial Information  
June 30, 2019**

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## Independent auditors' report on review of interim financial information

To the Shareholders, Board of Directors and Officers of  
Ferroport Logística Comercial Exportadora S.A.  
Rio de Janeiro – RJ

### Introduction

We have reviewed the individual and consolidated balance sheet of Ferroport Logística Comercial Exportadora S.A. ("Company"), as of June 30, 2019, and the related statements of income (loss) and comprehensive income (loss) for the three and six-month periods ended at that date and changes in shareholders' equity and cash flows for the six-month period then ended, including the explanatory notes.

Management is responsible for the preparation and fair presentation of the individual and consolidated interim financial information in accordance with standard *CPC 21(R1) - Demonstração Intermediária*. Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of review

We conducted our review in accordance with Brazilian and International Interim Information Review Standards (*NBC TR 2410 - Revisão de Informações Intermediárias Executada pelo Auditor da Entidade* and *ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity*). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion on the individual and consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the individual and consolidated interim financial information, referred above, has not been prepared, in all material respects, in accordance with CPC 21(R1).

Rio de Janeiro, August 06, 2019

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



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

# Ferropport Logística Comercial Exportadora S.A.

## Balance sheets as of June 30, 2019 and December 31, 2018

(In thousands of Reais)

	Note	Company		Consolidated	
		June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
<b>Assets</b>					
Current assets					
Cash and cash equivalents	3	32,068	31,655	32,541	31,925
Accounts receivable from related parties	12	121,424	30,126	121,461	30,264
Inventories	4	21,765	21,618	21,765	21,618
Recoverable taxes	6	78,309	89,345	78,309	89,345
Income taxes and social contribution recoverable	6	2,039	787	2,039	787
Prepaid expenses		2,533	1,842	2,542	1,844
Other		876	939	876	939
<b>Total current assets</b>		<b>259,014</b>	<b>176,312</b>	<b>259,533</b>	<b>176,722</b>
Non-current assets					
Judicial deposits	7	36,645	35,974	36,645	35,974
Related parties - asset to be transferred	12	210,102	210,102	210,102	210,102
Deferred income tax and social contribution	5	-	57,709	-	57,709
Investments in subsidiary	8	486	375	-	-
Right of use assets	9	2,385	-	2,385	-
Property, plant and equipment	10	2,098,226	2,113,754	2,098,226	2,113,754
Intangible assets	11	866	1,541	866	1,541
Deferred charges		3,452	3,781	3,452	3,781
<b>Total noncurrent assets</b>		<b>2,352,162</b>	<b>2,423,236</b>	<b>2,351,676</b>	<b>2,422,861</b>
<b>Total assets</b>		<b>2,611,176</b>	<b>2,599,548</b>	<b>2,611,209</b>	<b>2,599,584</b>
Liabilities and equity					
Trade accounts payable		20,000	18,510	20,002	18,510
Payroll and related charges		9,100	11,352	9,100	11,352
Taxes payable	13	6,617	3,196	6,620	3,200
Lease liabilities	9	1,011	-	1,011	-
Income taxes and social contribution payable	13	27,587	16,631	27,615	16,663
Related parties - accounts payable	12	28,839	47,472	28,839	47,472
Related parties – loans	12	122,700	112,426	122,700	112,426
<b>Total current liabilities</b>		<b>215,854</b>	<b>209,587</b>	<b>215,887</b>	<b>209,623</b>
Noncurrent liabilities					
Income taxes and social contribution payable	13	35,563	34,485	35,563	34,485
Lease liabilities	9	1,441	-	1,441	-
Deferred income tax and social contribution		2,225	-	2,225	-
Related parties - accounts payable	12	261,915	270,859	261,915	270,859
Related parties – loans	12	1,257,189	1,365,788	1,257,189	1,365,788
Deferred revenue with related party	12	51,738	52,835	51,738	52,835
Provision for contingencies	14	15,310	15,613	15,310	15,613
Taxes payable	13	5,728	3,984	5,728	3,984
Other		20,349	20,534	20,349	20,534
<b>Total noncurrent liabilities</b>		<b>1,651,458</b>	<b>1,764,098</b>	<b>1,651,458</b>	<b>1,764,098</b>
Shareholders' equity					
Capital	15	414,397	414,397	414,397	414,397
Capital reserve		94,589	94,589	94,589	94,589
Contingencies reserve		109,595	109,595	109,595	109,595
Legal reserve		7,282	7,282	7,282	7,282
Retained Earnings		118,001	-	118,001	-
<b>Total shareholders' equity</b>		<b>743,864</b>	<b>625,863</b>	<b>743,864</b>	<b>625,863</b>
<b>Total liabilities and shareholders' equity</b>		<b>2,611,176</b>	<b>2,599,548</b>	<b>2,611,209</b>	<b>2,599,584</b>

The notes are an integral part of these interim financial information .

# Ferropport Logística Comercial Exportadora S.A.

## Statements of income (loss)

### Three and six-month period ended June 30, 2019 and 2018

(In thousands of Reais)

	Note	Company			
		Three month period ended		Six month period ended	
		June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Net revenue of services	16	167,777	13,225	333,065	148,628
Costs of services	17	(38,420)	(36,818)	(75,812)	(72,195)
<b>Gross profit (loss)</b>		<b>129,357</b>	<b>(23,593)</b>	<b>257,253</b>	<b>76,433</b>
<b>Operating income (expenses)</b>					
General and administrative expenses	18	(10,213)	(7,727)	(16,922)	(15,011)
Other operating income (expenses), net	19	2,919	5,954	8,594	3,735
		(7,294)	(1,773)	(8,328)	(11,276)
<b>Income (loss) before financial income (expenses) and taxes</b>		<b>122,063</b>	<b>(25,366)</b>	<b>248,925</b>	<b>65,157</b>
<b>Equity income, net</b>	19	36	-	110	-
<b>Financial income (expenses)</b>					
Financial income	20	1,057	1,716	6,117	2,720
Financial expenses	20	(30,314)	(31,284)	(61,420)	(63,299)
<b>Income (loss) before taxes</b>		<b>92,842</b>	<b>(54,934)</b>	<b>193,732</b>	<b>4,578</b>
<b>Income and social contribution taxes</b>					
Current	5	(11,460)	(6,935)	(23,018)	(12,449)
Deferred	5	(19,906)	14,085	(52,713)	15,911
<b>Total income and social contribution taxes</b>					
<b>Net income (loss) for the period</b>		<b>61,476</b>	<b>(47,784)</b>	<b>118,001</b>	<b>8,040</b>

The notes are an integral part of these interim financial information.

# Ferropport Logística Comercial Exportadora S.A.

## Statements of income (loss)

### Three and six-month period ended June 30, 2019 and 2018

(In thousands of Reais)

	Note	Consolidated			
		Three month period ended		Six month period ended	
		June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Net revenue of services	16	168,058	13,225	333,626	148,628
Costs of services	17	(38,628)	(36,818)	(76,146)	(72,195)
<b>Gross profit (loss)</b>		<b>129,430</b>	<b>(23,593)</b>	<b>257,480</b>	<b>76,433</b>
<b>Operating income (expenses)</b>					
General and administrative expenses	18	(10,224)	(7,727)	(16,987)	(15,011)
Other operating income (expenses), net	19	2,919	5,954	8,594	3,735
		(7,305)	(1,773)	(8,393)	(11,276)
<b>Income (loss) before financial income (expenses) and taxes</b>		<b>122,125</b>	<b>(25,366)</b>	<b>249,087</b>	<b>65,157</b>
<b>Financial income (expenses)</b>					
Financial income	20	1,258	1,716	6,122	2,720
Financial expenses	20	(30,514)	(31,284)	(61,422)	(63,299)
<b>Income (loss) before taxes</b>		<b>92,869</b>	<b>(54,934)</b>	<b>193,787</b>	<b>4,578</b>
<b>Income and social contribution taxes</b>					
Current	5	(11,487)	(6,935)	(23,073)	(12,449)
Deferred	5	(19,906)	14,085	(52,713)	15,911
<b>Total income and social contribution taxes</b>					
<b>Net income (loss) for the period</b>		<b>61,476</b>	<b>(47,784)</b>	<b>118,001</b>	<b>8,040</b>

The notes are an integral part of these interim financial information.

# Ferroport Logística Comercial Exportadora S.A.

## Statements of comprehensive income (loss)

### Three and six-month period ended June 30, 2019 and 2018

*(In thousands of Reais)*

	Company and Consolidated			
	Three month period ended		Six month period ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Net income (loss) for the period	61,476	(47,784)	118,001	8,040
<b>Other comprehensive income (loss)</b>				
<b>Items that can be subsequently reclassified to the result:</b>				
Derivative financial instruments - Hedge accounting gain	-	-	-	763
Income and social contribution taxes on other comprehensive income, net	-	-	-	(259)
Total comprehensive income (loss) for the period	61,476	(47,784)	118,001	8,544

The notes are an integral part of these interim financial information.

# Ferropport Logística Comercial Exportadora S.A.

## Statements of changes in shareholders' equity

Six-month period ended June 30, 2019 and 2018

(In thousands of Reais)

	Note	Capital stock	Capital reserve	Contingencies reserve	Legal reserve	Other comprehensive income	Retained earnings	Total
<b>Balances as of January 1<sup>st</sup>, 2018</b>	<b>15</b>	<b>414,397</b>	<b>94,589</b>	<b>138,356</b>	<b>7,282</b>	<b>(504)</b>	<b>-</b>	<b>654,121</b>
Net income for the period		-	-	-	-	-	8,040	<b>8,040</b>
Derivative financial instruments - Hedge accounting		-	-	-	-	504	-	<b>504</b>
<b>Balances as of June 30, 2018</b>		<b>414,397</b>	<b>94,589</b>	<b>138,356</b>	<b>7,282</b>	<b>-</b>	<b>8,040</b>	<b>662,665</b>
<b>Balances as of December 31, 2018</b>		<b>414,397</b>	<b>94,589</b>	<b>109,594</b>	<b>7,282</b>	<b>-</b>	<b>-</b>	<b>625,863</b>
Net income for the period		-	-	-	-	-	118,001	<b>118,001</b>
<b>Balances as of June 30, 2019</b>		<b>414,397</b>	<b>94,589</b>	<b>109,594</b>	<b>7,282</b>	<b>-</b>	<b>118,001</b>	<b>743,864</b>

The notes are an integral part of these interim financial information .

# Ferroport Logística Comercial Exportadora S.A.

## Statements of cash flows

### Six-month period ended June 30, 2019 and 2018

(In thousands of Reais)

	Company		Consolidated	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
<b>Operating activities</b>				
Income before taxes	193,732	4,578	193,787	4,578
<b>Adjustments to reconcile income before taxes and net cash provided by operating activities:</b>				
Depreciation and amortization	24,655	29,958	24,655	29,958
Provision for derivative financial instruments	-	(12)	-	(12)
Monetary variation and interest	60,971	61,662	60,971	61,662
Tax provision	6,306	-	6,306	-
Amortization of insurance	2,144	1,775	2,151	1,775
Provision for bonus	2,790	5,312	2,838	5,312
Provision for legal proceeding	360	858	360	858
Deferred revenue amortization	(1,097)	(1,097)	(1,097)	(1,097)
Equity pick-up	(111)	-	-	-
Provision for expected credit losses	(1,047)	-	(1,047)	-
	<b>288,703</b>	<b>103,034</b>	<b>288,924</b>	<b>103,034</b>
<b>(Increase) decrease of assets and increase (decrease) of liabilities:</b>				
Account receivable from related parties	(91,343)	99,065	(91,241)	99,065
Inventories	9	(911)	9	(911)
Recoverable taxes	399	2,176	399	2,176
Prepaid expenses	(2,835)	(554)	(2,848)	(554)
Trade accounts payable	(2,014)	(5,061)	(2,013)	(5,061)
Taxes payable	7,644	(2,301)	7,585	(2,301)
Payroll and related charges	(5,074)	(10,469)	(5,122)	(10,469)
Accounts payable to related parties	(12,315)	(1,666)	(12,315)	(1,666)
Taxes payable related to intercompany loans	(24,366)	(13,016)	(24,366)	(13,016)
Interest paid	(138,072)	(73,760)	(138,072)	(73,760)
Interest on leases	173	-	173	-
Other	843	324	842	324
<b>Net cash flows generated by operating activities</b>	<b>21,752</b>	<b>96,861</b>	<b>21,955</b>	<b>96,861</b>
<b>Investing activities</b>				
Acquisition of intangible assets	(55)	(190)	(55)	(190)
Acquisition of property, plant and equipment	(8,175)	(13,163)	(8,175)	(13,163)
<b>Net cash flows used in investing activities</b>	<b>(8,230)</b>	<b>(13,353)</b>	<b>(8,230)</b>	<b>(13,353)</b>
<b>Financing activities</b>				
Intercompany loans settled	(12,105)	(44,572)	(12,105)	(44,572)
Lease payments	(1,004)	-	(1,004)	-
<b>Net cash flows used in financing activities</b>	<b>(13,109)</b>	<b>(44,572)</b>	<b>(13,109)</b>	<b>(44,572)</b>
<b>Increase in cash and cash equivalents</b>	<b>413</b>	<b>38,936</b>	<b>616</b>	<b>38,936</b>
<b>Cash and cash equivalents</b>				
At beginning of the period	31,655	25,028	31,925	25,028
At end of the period	32,068	63,964	32,541	63,964
<b>Increase in cash and cash equivalents</b>	<b>413</b>	<b>38,936</b>	<b>616</b>	<b>38,936</b>

The notes are an integral part of these interim financial information.

## **Notes to the interim financial information**

*(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/ 11<sup>th</sup> floor - 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 Açú Port which is responsible for iron ore processing, handling, and storage, 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 Açú Petróleo S,A, (“ Açú 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.

On March 12, 2018, Anglo American Minério de Ferro Brasil (AAMFB) identified a leakage in the pipeline whereby the iron ore production is transported from the Minas-Rio Mines to the T-ORE Terminal Operated by Ferroport. AAMFB repaired the pipe damaged and resumed operations. On March 29, 2018, AAMFB identified a second leakage in the pipeline, and announced the pipeline operations would be suspended for 90 days, until a detailed inspection of the pipeline is executed.

On April 18, 2018, Ferroport received a notice from AAMFB, indicating the two slurry pipeline leakages, occurred on March 12 and 29, have caused the local authorities to suspend the pipeline license until a detailed inspection throughout its entire length is executed and its safety is confirmed by an independent expert. Besides AAMFB suspended the *take-or-pay* payments.

The amount under discussion was classified as a contingent asset, not recognized in balance sheet as determined by CPC 25 (Contingent liability provision and contingent asset), as mentioned in note 14.

During the operational stoppage to slurry pipeline maintenance, Ferroport has adopted measures to mitigate the financial and operational impacts, including employee's layoff and renegotiation of main contracts.

On December 21, 2018, Anglo announced the resumption of operations at its Minas-Rio iron ore operation in Brazil. The restart of the integrated iron ore operation follows an extensive and detailed technical inspection of the 529 km pipeline that carries the iron ore in slurry form from the mine to the port, the pre-emptive repair of certain sections of the pipeline, and receipt of the appropriate regulatory approvals. The inspection of the entire pipeline by specialist pipeline inspection devices ("PIGs"), and the analysis of the collected data by expert teams drawn from Brazil and internationally, confirmed the pipeline's integrity.

On December 26, 2018, the operation returned, with the first receipt of iron ore after the stoppage.

In 2019, the Company loaded 10.6 million tons of iron ore in 65 vessels (3.2 million tons in 19 vessels during 2018). Since the beginning of operations in October 2014, the Company loaded 55.3 million tons of iron ore, reaching a mark of 356 vessels berthing at the port.

## **1.1 Subsidiary**

In August 2018, Ferroport Serviços EIRELI ("Ferroport Serviços"), a fully controlled subsidiary of Ferroport Logística, started the operations providing maintenance and engineering services to the companies located in the port terminal.

## **2 Basis of preparation and presentation of the interim financial information and summary of significant accounting practices**

### **a. Statement of compliance**

The interim financial information has been prepared in accordance with CPC 21 - *Interim Financial Reporting* issued by the Accounting Pronouncements Committee (“CPC”).

The interim financial information does not include all the information and disclosures required in annual financial statements and should be read in conjunction with the financial statements as of December 31, 2018, prepared in accordance with Brazilian reporting standards, including the provisions of Brazilian corporation law and the reporting standards and procedures issued by the CPC.

This is the second set of the Company financial statement in which CPC 06 R2 (IFRS 16) has been applied. Changes to significant accounting policies are described in Note 9.

Except for the accounting policies mentioned in note 2.e, the accounting policies mentioned adopted in this interim financial information are consistent with those followed in the preparation of the Company’s financial statements for the year ended December 31, 2018 and concluded on March 13, 2019.

The Company’s Directors authorized the conclusion of these interim financial information on August 06, 2019.

### **b. Basis of measurement**

The interim financial information 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 interim financial information are presented in Brazilian *Reais*, which is the Company’s functional and reporting currency.

### **d. Use of estimates and judgments**

The preparation of the interim financial information 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 interim financial information due to the uncertainties inherent to the determination process. The Company reviews its estimates and assumptions at least once a year.

**e. Changes in significant accounting policies**

***CPC 06 R2 (IFRS 16)- Leases***

IFRS 16 introduced a single, on balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 has not been restated. It is presented, as previously reported, under IAS 17 and related interpretations.

*Definition of lease*

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

*As a lessee*

The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, The Group recognises right-of-use assets and lease liabilities for most leases – these leases are on-balance sheet.

On transition to IFRS 16, the Company recognized additional right- of use assets, including investment property and additional lease liabilities. The impact of the right-of-use asset and lease liabilities is shown in note 9.

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 1,011% per month.

**3 Cash and cash equivalents**

	Company		Consolidated	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Cash and banks	118	401	386	670
<b>Cash equivalents</b>				
Investment funds	17,328	16,941	17,534	16,941
Bank Deposits Certificates (CDB)	14,621	14,314	14,621	14,314
	<b>32,068</b>	<b>31,655</b>	<b>32,541</b>	<b>31,925</b>

Highly liquid short-term investments are readily convertible into a known amount of cash and subject to insignificant risk of change in their value, The return of investments was 101,38% of Interbank Deposit (DI) rate in second quarter of 2019. The portfolio currently consists of Investment Fund and Deposits Certificates issued by Santander and Banco ABC.

## 4 Inventories

In 2019, the balance of inventories applied to equipment maintenance amounted to R\$ 21,765 (R\$ 21,618 in 2018).

## 5 Income tax and social contribution

The changes in the deferred income and social contribution taxes assets and liabilities are as follow:

	<u>Company and Consolidated</u>		
	December 31, 2018	Additional amount/offset (liability) recorded	June 30, 2019
<b>Assets</b>			
Tax loss carryforwards	93,108	(15,849)	77,258
Temporary differences: Provisions of bonus, contingencies and others			
Difference between tax basis and book value - deferred assets	28,764	(16,864)	11,900
Tax credits originated from merger (a)	<u>14,188</u>	<u>(9,459)</u>	<u>4,729</u>
<b>Total deferred income taxes assets</b>	<u><b>136,060</b></u>	<u><b>(42,172)</b></u>	<u><b>93,887</b></u>
<b>Liabilities</b>			
Difference between tax basis and book value of depreciation rates	(47,791)	(6,594)	(54,385)
Temporary differences: Capitalized interests	(28,457)	(11,349)	(39,806)
Judicial deposits	<u>(2,103)</u>	<u>183</u>	<u>(1,920)</u>
<b>Total deferred income taxes liabilities</b>	<u><b>(78,351)</b></u>	<u><b>(17,761)</b></u>	<u><b>(96,112)</b></u>
<b>Net effect</b>	<u><b>57,709</b></u>	<u><b>(59,933)</b></u>	<u><b>(2,225)</b></u>

- (a) At June 30, 2014, the Company's shareholder Centennial Asset Participações Minas-Rio S.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 recoverability of the deferred income tax assets is supported by a business plan approved by the Executive Board, 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 periods ended June 30, 2019 and 2018, are as follows:

<b>Income Tax and Social Contribution</b>	<b>Company</b>			
	<b>Three month period ended</b>		<b>Six month period ended</b>	
	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Income before income taxes	92,842	(54,935)	193,732	4,578
Income tax at the nominal rate 34%	(31,566)	18,678	(65,869)	(1,556)
<b>Tax adjustments:</b>				
Tax debt regularization - Government program	-	-	3,320	-
Deffered - Provision and reversal provision	-	(11,647)	(14,660)	4,770
Other	201	119	1,478	248
<b>Total</b>	<b>(31,365)</b>	<b>7,150</b>	<b>(75,731)</b>	<b>3,462</b>
Current income and social contribution tax	(11,460)	(6,935)	(23,018)	(12,449)
Deffered income and social contribution tax	(19,905)	14,085	(52,713)	15,911
<b>Total income and social contribution tax</b>	<b>(31,365)</b>	<b>7,150</b>	<b>(75,731)</b>	<b>3,462</b>
Effective rate	34%	13%	39%	-76%
<b>Income Tax and Social Contribution</b>	<b>Consolidated</b>			
	<b>Three month period ended</b>		<b>Six month period ended</b>	
	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Income before income taxes	92,814	(54,935)	193,732	4,578
Income tax at the nominal rate 34%	(31,566)	18,678	(65,869)	(1,556)
Tax rate effect on presumed profit	(27)		(55)	-
<b>Tax adjustments:</b>				
Tax debt regularization - Government program	-	-	3,320	-
Deffered - Provision and reversal provision	-	(11,647)	(14,660)	4,770
Other	201	119	1,478	248
<b>Total</b>	<b>(31,392)</b>	<b>7,150</b>	<b>(75,786)</b>	<b>3,462</b>
Current income and social contribution tax	(11,487)	(6,935)	(23,073)	(12,449)
Deffered income and social contribution tax	(19,905)	14,085	(52,713)	15,911
<b>Total income and social contribution tax</b>	<b>(31,392)</b>	<b>7,150</b>	<b>(75,786)</b>	<b>3,462</b>
Effective rate	34%	13%	39%	-76%

## 6 Recoverable taxes

	<u>Company and Consolidated</u>	
	<b>Junho 30, 2019</b>	<b>December 31, 2018</b>
Income tax – Anticipation	25,757	11,661
Social contribution – Anticipation	8,859	3,313
PIS and COFINS	43,625	74,279
INSS	-	24
ISS	68	68
<b>Subtotal recoverable taxes</b>	<b>78,309</b>	<b>89,345</b>
Income tax	1,516	784
Social contribution	523	3
<b>Total income taxes and social contribution recoverable</b>	<b>2,039</b>	<b>787</b>
<b>Total</b>	<b>80,348</b>	<b>90,132</b>
<b>Current</b>	<b>80,348</b>	<b>90,132</b>
<b>Non current</b>	<b>-</b>	<b>-</b>

## 7 Judicial deposits

	<u>Company and Consolidated</u>	
	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Income tax and social contribution (a)	34,984	34,485
Other	1,661	1,489
	<b>36,645</b>	<b>35,974</b>

- (b) 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 in the original amount of R\$ 16,403 (actual amount R\$34,984). Ferroport obtained an unfavorable decision and is awaiting decision on its appeal. The amount deposited is fully reserved under “Taxes payable”.

## 8 Investments in subsidiary

The investments in subsidiary are as follow:

### a. Movement of participation in subsidiary

	<b>December 31, 2018</b>	<b>Aquisition</b>	<b>Equity</b>	<b>June 30, 2019</b>
Ferroport Serviços EIRELLI	375	-	111	486

**b. Relevant information about subsidiary**

Direct subsidiaries	%	Number of shares (thousand)	Asset	Liability	Shareholders equity	Capital	Profit for the period
Ferroport Serviços EIRELI	100	100	579	93	486	100	111

**9 Right-of-use assets / Lease Liabilities**

The table below describe the contracts within the scope of CPC 06 R2 (IFRS 16), segregated by supplier, with their respective initial values, contractual terms and interest rates applied as of January 1, 2019:

Suppliers	Assets	Right of use assets	Lease Liabilities	Months	Monthly Interest rates
Localiza	Vehicles	2,128	2,128	38	1,0280%
Estaf*	Machinery and equipment	16	16	4	0,9902%
Ormec	Machinery and equipment	226	226	22	0,9902%
Santin*	Machinery and equipment	596	596	8	0,9902%
		<u>2,966</u>	<u>2,966</u>	-	-

\* Contracts originally over 12 months

To obtain the interest rates, the company simulated obtaining funds from financial institutions for the acquisition of the underlying assets, with similar terms to the respective contracts.

The movements of the right of use assets and lease liabilities, with their respective final balances at June 30, 2019, are as follows:

<b>Lease Assets</b>						
	January 01 2019	Additions	(-) Depreciation	June 30, 2019		
Right of use - Vehicles	2,128	-	(199)	1,929		
Right of use - Machinery and equipment	838	317	(699)	457		
	<u>2,966</u>	<u>317</u>	<u>(898)</u>	<u>2,385</u>		
<b>Lease Liabilities</b>						
	January 01 2019	Additions	Transfer	Interest	Payments	June 30, 2019
Current	1,047	93	702	173	(1,004)	1,011
Non current	1,919	224	(702)	-	-	1,441
	<u>2,966</u>	<u>317</u>	<u>0</u>	<u>173</u>	<u>(1,004)</u>	<u>2,452</u>

Payments	June 30, 2019		
	Fixed (Lease)	Variable (Cost)	Total
Vehicles	(407)	(12)	(419)
Machinery and equipment	(597)	(77)	(674)
	<u>(1,004)</u>	<u>(89)</u>	<u>(1,093)</u>

The table below describe the maturity terms of the lease liabilities, considering the future cash flows of principal and interest payments according to the contractual forecast, with position as of June 30, 2019:

Lease Liabilities	Maturity				Total
	up to 6 months	From 6 to 12 months	From 1 to 2 years	Above 2 years	
	560	435	439	1018	2,452

## 10 Property, plant and equipment

	Annual depreciation rate %	Cost	Accumulated depreciation	Net balance at 2019	Net balance at 2018
Improvements	4	69,730	(69,719)	11	617
Furniture and fixtures	10	664	(460)	204	245
Vehicles	20	1,039	(935)	104	118
IT equipment	20	7,680	(2,820)	4,860	4,912
Machinery and equipment	10	7,725	(2,812)	4,913	5,115
Electronic equipment	20	6,096	(4,239)	1,857	1,832
Defenses	10	4,031	(1,736)	2,295	2,488
Breakwater	2,22	851,450	(86,086)	765,364	774,693
Maritime access canal	2,22	451,757	(34,377)	417,380	420,673
Pier - Port Terminal	2,22	830,302	(59,941)	770,361	777,210
Safety equipment	10	18,962	(6,082)	12,880	13,203
Operational tools and equipment	10 and 5	12,832	-	12,832	7,602
Construction in progress	-	97,562	-	97,562	94,667
Other equipments	-	10,411	(2,808)	7,603	10,378
		<u>2,370,241</u>	<u>(272,015)</u>	<u>2,098,227</u>	<u>2,113,753</u>

## Changes in property, plant and equipment

<b>Company and Consolidated</b>				
	<b>Annual depreciation</b>	<b>December 31, 2018</b>	<b>Additions</b>	<b>June 30, 2019</b>
	<b>rate %</b>			
<b>Cost</b>				
Improvements	4	69,730	-	69,730
Furniture and fixtures	10	676	(12)	664
Vehicles	20	1,039	-	1,039
IT equipment	20	7,361	319	7,680
Machinery and equipment	10	7,548	177	7,725
Electronic equipment	20	6,015	81	6,096
Defenses	10	4,031	-	4,031
Breakwater	2,22	851,433	17	851,450
Maritime access canal	2,22	451,690	67	451,757
Pier - Port Terminal	2,22	830,202	100	830,302
Safety equipment	10	18,549	413	18,962
Operational tools and equipment	10 and 5	9,750	3,082	12,832
Construction work in progress		94,667	2,895	97,562
Others equipments		10,378	33	10,411
		<b>2,363,069</b>	<b>7,172</b>	<b>2,370,241</b>

<b>Company and Consolidated</b>				
	<b>Annual depreciation</b>	<b>December 31, 2018</b>	<b>Additions</b>	<b>June 30, 2019</b>
	<b>rate %</b>			
<b>Depreciation</b>				
Improvements		(69,113)	(606)	(69,719)
Furniture and fixtures	4	(431)	(29)	(460)
Vehicles	10	(921)	(14)	(935)
IT equipment	20	(2,449)	(371)	(2,820)
Machinery and equipment	20	(2,433)	(379)	(2,812)
Electronic equipment	10	(4,183)	(56)	(4,239)
Defenses	20	(1,543)	(193)	(1,736)
Breakwater	10	(76,740)	(9,346)	(86,086)
Maritime access canal	2,22	(31,017)	(3,360)	(34,377)
Pier - Port Terminal	2,22	(52,992)	(6,949)	(59,941)
Safety equipment	2,22	(5,346)	(736)	(6,082)
Others equipments	10	(2,148)	(660)	(2,808)
	<b>10 and 5</b>	<b>(249,315)</b>	<b>(22,699)</b>	<b>(272,014)</b>
<b>Property and equipment, net</b>		<b>2,113,753</b>	<b>(15,527)</b>	<b>2,098,226</b>

### Asset allocation

As aforementioned, the Company, Açú 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, 2018	Asset Allocation 2018	Add itions/ write-offs	June 30, 2019	% of ownership of assets
<b>Indivisible assets</b>					
Transferred to AAMFB	1,539,492	39,52%	2,083	1,541,575	39,52%
Transferred to Açú Petróleo (a)	304,524	7,82%	-	304,524	7,81%
Ferroport’s assets	<u>2,051,733</u>	52,66%	<u>3,353</u>	<u>2,055,086</u>	52,68%
<b>Total indivisible assets</b>	<u><b>3,895,749</b></u>		<u><b>5,436</b></u>	<u><b>3,901,185</b></u>	

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 June 30, 2019 and 2018 there is no mark-up gain recorded.

## 11 Intangible assets

	Amortization	Company and Consolidated		
		December 31, 2018	Additions	June 30, 2019
Cost				
Right-of-way (a)	3 years	5,528	-	5,528
Software use license	5 years	<u>10,635</u>	<u>55</u>	<u>10,690</u>
<b>Total Cost</b>		<u><b>16,163</b></u>	<u><b>55</b></u>	<u><b>16,218</b></u>
Amortization				
Right-of-way	3 years	(5,528)	-	(5,528)
Software use license	5 years	<u>(9,094)</u>	<u>(730)</u>	<u>(9,824)</u>
<b>Total Amortization</b>		<u><b>(14,622)</b></u>	<u><b>(730)</b></u>	<u><b>(15,352)</b></u>
		<u><b>1,541</b></u>	<u><b>(675)</b></u>	<u><b>866</b></u>

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

## 12 Transactions with related parties

	Company		Consolidated	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
<b>Assets</b>				
Assets to be transferred to AAMFB (a)	210,102	210,102	210,102	210,102
Accounts receivable from AAMFB (b)	117,580	26,005	117,580	26,005
Accounts receivable from Açú Petr�leo (c)	3,164	3,485	3,261	3680
	<b>330,846</b>	<b>239,593</b>	<b>330,943</b>	<b>239,787</b>
<b>Credit Note</b>				
AAMFB	440	325	440	325
Açú Petr�leo	180	254	180	254
Ferroport Serviç�s	60	56	-	-
Current	121,424	30,126	121,461	30,264
Noncurrent	210,102	210,102	210,102	210,102
	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
<b>Liabilities</b>				
<b>Advances of the asset allocation</b>				
AAMFB (a)	210,102	210,102	210,102	210,102
<b>Debit asset allocation</b>				
AAMFB (e)	10,050	16,751	10,050	16,751
Açú Petr�leo (e)	8,488	14,147	8,488	14,147
<b>Intercompany loans</b>				
Prumo Participaç�es e Investimentos	742,128	791,485	742,128	791,485
Withholding income tax on loan	62,113	77,329	62,113	77,329
Anglo American Capital London	637,762	686,731	637,762	686,731
	<b>1,670,643</b>	<b>1,796,545</b>	<b>1,670,643</b>	<b>1,796,545</b>
<b>Deferred revenue</b>				
Deferred revenue with related party (d)	51,738	52,835	51,738	52,835
Current	151,539	159,898	151,539	159,898
Noncurrent	1,519,104	1,636,647	1,519,104	1,636,647

- (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) In January 2008, an agreement was entered into with Porto do Açú 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.
- (e) The amount refers to the financial inefficiency in the taking of tax credits, according to shareholders agreement.



Reconciliation of assets and liabilities to cash flows from financing activities:

	<b>Liabilities</b>	
<i>(In thousands of Reals)</i>		
	<b>Intercompany loans</b>	
<b>Opening balances on January 1, 2019</b>	<b>1,688,274</b>	
<b>Variations in cash</b>		
Interest paid	(138,072)	
Income tax on intercompany loans	(9,150)	
Intercompany loans settled	(12,105)	
<b>Total variations in financing cash flows</b>	<b>(159,327)</b>	
<b>Other variations</b>		
<b>Related liabilities</b>		
Interest expense	61,000	
Others	45	
<b>Total other variations related liabilities</b>	<b>61,045</b>	
<b>Closing balances on June 30, 2019</b>	<b>1,589,992</b>	
	<b>June 30,</b>	<b>June 30,</b>
	<b>2019</b>	<b>2018</b>
<b>Key management compensation was as follows:</b>		
Payroll and related charges	1,684	1,633

## 13 Taxes payable

	<b>Company</b>		<b>Consolidated</b>	
	<b>June 30,</b>	<b>December 31,</b>	<b>June 30,</b>	<b>December 31,</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
PIS and COFINS	6,729	2,773	6,732	2,776
ISS	62	89	62	89
ICMS	5,826	3,984	5,826	3,984
Income tax and social contribution (*)	62,232	50,552	62,259	50,585
Other	646	898	646	898
	<b>75,495</b>	<b>58,296</b>	<b>75,526</b>	<b>58,332</b>
Current	34,204	19,827	34,235	19,863
Noncurrent (*)	41,291	38,469	41,291	38,469

(\*) This refers to the judicial deposit for income tax and social contribution described in Note 6.

## 14 Provision for legal proceedings

### Contingent Liabilities

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:

	<b>Company and consolidated</b>	
	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Labor claims	2,852	2,928
Tax claims	-	1,220
Civil claims	12,458	11,465
	<b>15,310</b>	<b>15,613</b>

### Contingent movements

	<b>December 31, 2018</b>	<b>Additions</b>	<b>write-offs</b>	<b>June 30,2019</b>
Labor	2,928	24	(100)	2,852
Tax	1,220	-	(1,220)	-
Civil	11,465	1,005	(12)	12,458
	<b>15,613</b>	<b>1,029</b>	<b>(1,332)</b>	<b>15,310</b>

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

	<b>Company and consolidated</b>	
	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Labor claims	6,200	6,057
Tax claims	5,772	5,764
Civil claims <sup>(a)</sup>	197,412	192,681
<b>Total</b>	<b>209,384</b>	<b>204,502</b>

- (a) Impacted mainly by ARG/Civilport litigation in the amount of R\$ 155,289 (R\$ 151,444 in December 31, 2018) and Arcoenge R\$ 40,636 (R\$ 39,630 in December 31, 2018). The claims are due to breach of the contract (Lump Sum and Turn Key contracts) and the costs related to decommissioning.

### Contingent Assets

Ferroport received a notice from AAMFB, indicating the two slurry pipeline leakages, occurred on March 12 and 29, 2018, have caused the local authorities to suspend the pipeline license until a detailed inspection throughout its entire length is executed and its safety is confirmed by an independent expert, Besides AAMFB suspended the *take-or-pay* payments.

On December 26, 2018, the operation returned, with de first receipt of iron ore after the stoppage, according to the matter described in note 1.

The amount under discussion was classified as a contingent asset, not recognized in balance sheet as determined by CPC 25 (Contingent liability provision and contingent asset).

## 15 Shareholders' equity

### Capital

The Company's shareholding structure at June 30, 2019 and December 31, 2018, is as follows:

Shareholders	Number of shares	%
Prumo Participações e Investimentos S,A	539,988	50
Anglo American Investimentos - Minério de Ferro Ltda	<u>539,988</u>	<u>50</u>
	<u>1,079,976</u>	<u>100</u>

### 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.

### Dividends

The Shareholder's Agreement determines that dividends will be distributed after loans and financings with related parties are fully settled.

## 16 Net revenue from services

	<u>Company</u>			
	<u>Three month period ended</u>		<u>Sixt month period ended</u>	
	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Shipment of iron ore (Take or Pay)	181.694	7.857	360.144	157.360
Oil transshipment (T-Oil)	7.856	7.043	15.727	11.047
Net effect on derivate financial instruments	-	-	-	<u>1.590</u>
	<u>189.550</u>	<u>14.900</u>	<u>375.871</u>	<u>168.407</u>

*Ferroport Logística Comercial  
Exportadora S.A.  
Interim Financial Information  
June 30, 2019*

	<b>Consolidated</b>			
	<b>Three month period ended</b>		<b>Six month period ended</b>	
	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Shipment of iron ore (Take or Pay)	181.694	7.857	360.144	157.360
Oil transshipment (T-Oil)	7.856	7.043	15.727	11.047
Port services	299	-	598	-
Net effect on derivate financial instruments	-	-	-	1.590
	<b>189.849</b>	<b>14.900</b>	<b>376.469</b>	<b>168.407</b>

	<b>Company</b>			
	<b>Three month period ended</b>		<b>Six month period ended</b>	
	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Gross revenue (a)	189,550	14,901	375,871	168,407
Net effect on derivate financial instruments (b)	-	-	-	1,590
Taxes on gross revenue - PIS/COFINS	(18,099)	(1,378)	(35,405)	(18,001)
Tax on services - ISS	(3,674)	(298)	(7,401)	(3,368)
<b>Net revenue from services</b>	<b>167,777</b>	<b>13,225</b>	<b>333,065</b>	<b>148,628</b>

	<b>Consolidated</b>			
	<b>Three month period ended</b>		<b>Six month period ended</b>	
	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Gross revenue (a)	189,850	14,901	376,469	168,407
Net effect on derivate financial instruments (b)	-	-	-	1,590
Taxes on gross revenue - PIS/COFINS	(18,110)	(1,378)	(35,427)	(18,001)
Tax on services - ISS	(3,682)	(298)	(7,416)	(3,368)
<b>Net revenue from services</b>	<b>168,058</b>	<b>13,225</b>	<b>333,626</b>	<b>148,628</b>

- (a) The increase in revenue in 2019 refers to the return of the Company's operation. On April 18, 2018, AAMFB notified Ferroport discussing the occurrence of several incidents involving the slurry pipeline and the ToP payments were suspended. The amount under discussion was classified as a contingent asset, not recognized in the balance sheet as determined by CPC 25 (Contingent Liability Provisions and Contingent Assets);
- (b) In 2018 the Company opted for the discontinuation of hedge operations.

## 17 Costs of services

	<b>Company</b>			
	<b>Three month period ended</b>		<b>Six month period ended</b>	
	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Payroll and related charges	(8,754)	(9,500)	(18,356)	(18,438)
Depreciation and amortization	(10,314)	(13,997)	(20,628)	(26,782)
Third-parties services	(4,513)	(3,481)	(8,126)	(7,856)
Leases and rents	(576)	(967)	(1,203)	(2,031)
Insurance	(926)	(869)	(1,860)	(1,734)
Consumables spare parts	(11,007)	(7,157)	(21,583)	(14,249)
Depreciation of rights of use assets	(428)	-	(836)	-
Other	(1,902)	(846)	(3,220)	(1,105)
	<b><u>(38,420)</u></b>	<b><u>(36,818)</u></b>	<b><u>(75,812)</u></b>	<b><u>(72,195)</u></b>
	<b>Consolidated</b>			
	<b>Three month period ended</b>		<b>Six month period ended</b>	
	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Payroll and related charges	(8,955)	(9,500)	(18,675)	(18,438)
Depreciation and amortization	(10,314)	(13,997)	(20,628)	(26,782)
Third-parties services	(4,512)	(3,481)	(8,125)	(7,856)
Leases and rents	(581)	(967)	(1,213)	(2,031)
Insurance	(926)	(869)	(1,860)	(1,734)
Consumables spare parts	(11,007)	(7,157)	(21,589)	(14,249)
Depreciation of rights of use assets	(428)	-	(836)	-
Other	(1,905)	(846)	(3,220)	(1,105)
	<b><u>(38,628)</u></b>	<b><u>(36,818)</u></b>	<b><u>(76,146)</u></b>	<b><u>(72,195)</u></b>

## 18 General and administrative expenses

	<b>Company</b>			
	<b>Three month period ended</b>		<b>Six month period ended</b>	
	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Payroll and related charges	(2,857)	(3,503)	(5,916)	(7,194)
Third party services	(3,379)	(1,496)	(4,894)	(2,462)
Depreciation and amortization	(1,550)	(1,627)	(3,142)	(3,177)
Insurance	(17)	(21)	(38)	(41)
Travel expenses	(61)	(87)	(128)	(176)
Leases and rents	(65)	(96)	(119)	(185)
Depreciation of rights of use assets	(31)	-	(62)	-
Other	(2,254)	(895)	(2,623)	(1,776)
	<b><u>(10,213)</u></b>	<b><u>(7,727)</u></b>	<b><u>(16,922)</u></b>	<b><u>(15,011)</u></b>

	<b>Consolidated</b>			
	<b>Three month period ended</b>		<b>Six month period ended</b>	
	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Payroll and related charges	(2,864)	(3,503)	(5,967)	(7,194)
Third party services	(3,379)	(1,496)	(4,894)	(2,462)
Depreciation and amortization	(1,550)	(1,627)	(3,142)	(3,177)
Insurance	(20)	(21)	(45)	(41)
Travel expenses	(61)	(87)	(128)	(176)
Leases and rents	(65)	(96)	(119)	(185)
Depreciation of rights of use assets	(31)	-	(62)	-
Other	(2,254)	(895)	(2,630)	(1,776)
	<b><u>(10,224)</u></b>	<b><u>(7,727)</u></b>	<b><u>(16,987)</u></b>	<b><u>(15,011)</u></b>

## 19 Other operating income (expenses)

	<b>Company</b>			
	<b>Three month period ended</b>		<b>Six month period ended</b>	
	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Non-consumed electric energy (a)	1,488	4,595	6,416	6,754
Provision for expected credit losses - Non-consumed electric energy (b)	798	759	1,047	(4,125)
Deferred revenue - right of use	497	599	995	1,097
Other	136	1	136	9
	<b><u>2,919</u></b>	<b><u>5,954</u></b>	<b><u>8,594</u></b>	<b><u>3,735</u></b>

	<b>Consolidated</b>			
	<b>Three month period ended</b>		<b>Six month period ended</b>	
	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
Non-consumed electric energy (a)	1,488	4,595	6,416	6,754
Provision for expected credit losses - Non-consumed electric energy (b)	798	759	1,047	(4,125)
Deferred revenue - right of use	497	599	995	1,097
Other	136	1	136	9
	<b><u>2,919</u></b>	<b><u>5,954</u></b>	<b><u>8,594</u></b>	<b><u>3,735</u></b>

- (a) Refers to gain with the negotiation of non-consumed electric energy with CCEE - *Câmara de Comércio de Energia Elétrica and other energy traders.*
- (b) Provision recognized according to IFRS 9 - Financial Instruments.

## 20 Financial income (expenses)

	<b>Company</b>			
	<b>Three month period ended</b>		<b>Six month period ended</b>	
	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
<b>Financial expenses</b>				
Tax on financial transactions (IOF)	(101)	(51)	(115)	(337)
Interest - intercompany loan	(30,063)	(30,294)	(61,000)	(61,732)
Interest on leases	(87)	-	(173)	-
Other	(63)	(940)	(132)	(1,230)
	<b>(30,314)</b>	<b>(31,284)</b>	<b>(61,420)</b>	<b>(63,299)</b>
<b>Financial income</b>				
Reversal interest on tax debt regularization - Government program	-	-	4,009	-
Interest income	1,057	1,704	2,108	2,708
Ineffective derivative financial instruments	-	12	-	12
	<b>1,057</b>	<b>1,716</b>	<b>6,117</b>	<b>2,720</b>
<b>Financial results, net</b>	<b>(29,257)</b>	<b>(29,568)</b>	<b>(55,303)</b>	<b>(60,579)</b>
	<b>Consolidated</b>			
	<b>Three month period ended</b>		<b>Six month period ended</b>	
	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
<b>Financial expenses</b>				
Tax on financial transactions (IOF)	(102)	(51)	(116)	(337)
Interest - intercompany loan	(30,063)	(30,294)	(61,000)	(61,732)
Interest on leases	(87)	-	(173)	-
Other	(262)	(940)	(133)	(1,230)
	<b>(30,514)</b>	<b>(31,284)</b>	<b>(61,422)</b>	<b>(63,299)</b>
<b>Financial income</b>				
Reversal interest on tax debt regularization - Government program	-	-	4,009	-
Interest income	1,258	1,704	2,113	2,708
Ineffective derivative financial instruments	-	12	-	12
	<b>1,258</b>	<b>1,716</b>	<b>6,122</b>	<b>2,720</b>
<b>Financial results, net</b>	<b>(29,256)</b>	<b>(29,568)</b>	<b>(55,300)</b>	<b>(60,579)</b>

## 21 Commitments

The Company undertook future purchase commitments amounting to R\$ 155,418 (R\$ 150,180 on December 31, 2018) and these should be fulfilled in the course of the operations. There were no significant changes on commitments from December, 2018 to June, 2019.

## 22 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. In 2018, the hedge strategy to protect the fluctuations of the dollar was revalued and considered not effective.

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 June 30, 2019 and December 31, 2018 are as follows:

Classifications	Company					
	June 30, 2019			December 31, 2018		
	Book Value	Measurement	Fair value measurement hierarchy	Book Value	Measurement	Fair value measurement hierarchy
<b>Assets</b>						
<i><b>Fair Value through Profit and losses</b></i>						
Cash and cash equivalents	32,068	Fair value	2	31,655	Fair value	2
Accounts receivable	121,424	Amortized cost	2	30,126	Amortized cost	2
<b>Liabilities</b>						
<i><b>Other financial liabilities</b></i>						
Trade accounts payable	20,000	Amortized cost	2	42,608	Amortized cost	2
Related parties loans and accounts payable	1,670,643	Amortized cost	2	1,796,545	Amortized cost	2

- **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,

<b>Consolidated</b>						
<b>Classifications</b>	<b>June 30, 2019</b>			<b>December 31, 2018</b>		
	<b>Book Value</b>	<b>Measurement</b>	<b>Fair value measurement hierarchy</b>	<b>Book Value</b>	<b>Measurement</b>	<b>Fair value measurement hierarchy</b>
<b>Assets</b>						
<i><b>Fair Value through Profit and losses</b></i>						
Cash and cash equivalents	32,541	Fair value	2	31,925	Fair value	2
Accounts receivable	121,461	Amortized cost	2	30,264	Amortized cost	2
<b>Liabilities</b>						
<i><b>Other financial liabilities</b></i>						
Trade accounts payable	20,002	Amortized cost	2	42,608	Amortized cost	2
Related parties loans and accounts payable	1,670,643	Amortized cost	2	1,796,545	Amortized cost	2

- **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:

### **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.

An exhibition summary to foreign exchange risk in the table below:

<b>Financial instruments</b>	<b>June 30, 2019</b>		<b>December 31, 2018</b>	
	<b>R\$</b>	<b>USD</b>	<b>R\$</b>	<b>USD</b>
Accounts receivable (Related parties)	121,461	31,763	30,264	7,784
	<b>121,461</b>	<b>31,763</b>	<b>30,264</b>	<b>7,784</b>

### Liquidity risk

The table below provides the Company's main financial liabilities at June 30, 2019. 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	-	20,000	-	-	-	20,000
Related parties - loans	<u>210,102</u>	<u>184,215</u>	<u>139,353</u>	<u>1,270,228</u>	-	<u>1,803,898</u>
<b>Total by maturity range</b>	<b><u>210,102</u></b>	<b><u>204,215</u></b>	<b><u>139,353</u></b>	<b><u>1,270,228</u></b>	<b>-</b>	<b><u>1,823,898</u></b>

The Company's shareholders have supported the implementation of the business plan. 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 measures expected credit losses for short-term trade receivables using a provision matrix based on historical observed default rates adjusted by current and forward-looking information when applicable and available without undue cost or effort.

The balances exposed to credit risk are the following:

	June 30, 2019	December 31, 2018
<b>Financial instruments</b>		
Cash equivalents	32,541	31,925
Accounts receivable (Related parties)	<u>121,461</u>	<u>30,264</u>
	<b><u>154,002</u></b>	<b><u>62,189</u></b>

For the period ended on June 30, 2019 and December 2018, 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 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.

## **23 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 June 30, 2019 and December 2018, the insurance coverage was as follows:

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Property and equipment damages	2,430,200	2,299,900
Civil liability	191,610	193,740
Environmental Liability	30,000	30,000
Directors & Management	60,000	60,000

\* \* \*

Carsten Bosselmann  
Chief Executive Officer

Marcelo Amaral Palladino  
Chief Financial Officer

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