Ferroport Logística Comercial Exportadora S.A.

Condensed interim financial information september 30, 2019

Contents

KPMG Auditores Independentes
Rua do Passeio, 38 - Setor 2 - 17º andar - Centro
20021-290 - Rio de Janeiro/RJ - Brasil
Caixa Postal 2888 - CEP 20001-970 - Rio de Janeiro/RJ - Brasil
Telefone +55 (21) 2207-9400
kpmg.com.br

Independent auditors' report on review of condensed parent company and consolidated interim financial information

To the Shareholders, Board of Directors and Management of

Ferroport Logística Comercial Exportadora S.A.

Rio de Janeiro – RJ

Introduction

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

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

Scope of review

We conducted our review in accordance with Brazilian and International Interim Financial 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 condensed 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 condensed parent company and consolidated interim financial information, referred above, has not been prepared, in all material respects, in accordance with CPC 21(R1).

Rio de Janeiro, November 11, 2019.

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.

Condensed balance sheets as of september 30, 2019 and December 31, 2018

(In thousands of Reais)

		Parent Company		Consolidated	
	Note	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Assets					
Current assets					
Cash and cash equivalents	**3**	94,495	31,655	95,183	31,925
Accounts receivable from related parties	**12**	74,190	30,126	74,254	30,264
Inventories	**4**	23,000	21,618	23,000	21,618
Recoverable taxes	**6**	76,015	89,345	76,019	89,345
Income taxes and social contribution recoverable	**6**	787	787	787	787
Prepaid expenses		1,617	1,842	1,625	1,844
Other		1,531	939	1,531	939
Total current assets		**271,635**	**176,312**	**272,399**	**176,722**
Noncurrent assets					
Judicial deposits	**7**	36,987	35,974	36,987	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**	704	375	-	-
Right of use assets	**9**	2,089	-	2,089	-
Property, plant and equipment	**10**	2,094,450	2,113,754	2,094,450	2,113,754
Intangible assets	**11**	754	1,541	754	1,541
Deferred charges		3,288	3,781	3,288	3,781
Total noncurrent assets		**2,348,374**	**2,423,236**	**2,347,670**	**2,422,861**
Total assets		**2,620,009**	**2,599,548**	**2,620,069**	**2,599,583**
Liabilities and equity					
Trade accounts payable		18,354	18,510	18,355	18,509
Payroll and related charges		11,828	11,352	11,828	11,352
Taxes payable	**13**	7,230	3,196	7,237	3,200
Lease liabilities	**9**	773	-	773	-
Income taxes and social contribution payable	**13**	42,679	16,631	42,731	16,663
Related parties - accounts payable	**12**	9,269	30,898	9,269	30,898
Related parties – loans	**12**	135,000	129,000	135,000	129,000
Total current liabilities		**225,133**	**209,587**	**225,193**	**209,622**
Noncurrent liabilities					
Income taxes and social contribution payable	**13**	35,238	34,485	35,238	34,485
Lease liabilities	**9**	1,366	-	1,366	-
Deferred income tax and social contribution	**5**	21,856	-	21,856	-
Related parties - accounts payable	**12**	210,102	210,102	210,102	210,102
Related parties – loans	**12**	1,215,547	1,426,545	1,215,547	1,426,545
Deferred revenue with related party	**12**	51,190	52,835	51,190	52,835
Provision for contingencies	**14**	17,904	15,613	17,904	15,613
Taxes payable	**13**	7,529	3,984	7,529	3,984
Other		20,332	20,534	20,332	20,534
Total noncurrent liabilities		**1,581,064**	**1,764,098**	**1,581,064**	**1,764,098**
Shareholders' equity	**15**				
Capital		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
Acumulated Profit / Loss		187,949	-	187,949	-
Total shareholders' equity		**813,812**	**625,863**	**813,812**	**625,863**
Total liabilities and shareholders' equity		**2,620,009**	**2,599,548**	**2,620,069**	**2,599,583**

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

Ferroport Logística Comercial Exportadora S.A.

Condensed statements of operations

Three and nine-month period ended september 30, 2019 and 2018

(In thousands of Reais)

		Parent Company			
		Three month period ended		Nine month period ended	
	Note	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Net revenue of services	16	182,460	10,477	515,525	159,105
Costs of services	17	(39,888)	(28,874)	(115,700)	(101,069)
Gross profit		**142,572**	**(18,397)**	**399,825**	**58,036**
Operating income (expenses)					
General and administrative expenses	18	(11,981)	(18,450)	(28,903)	(33,461)
Expected Credit Loss	19	537	(254)	1,584	(4,379)
Other operating income (expenses), net	20	2,820	9,086	10,367	16,586
		(8,624)	(9,618)	(16,952)	(21,254)
Income before financial income (expenses) and taxes		**133,948**	**(28,015)**	**382,873**	**36,782**
Equity income (loss), net	20	218	148	328	148
Financial income (expenses)					
Financial income	21	1,255	746	7,372	3,846
Financial expenses	21	(29,305)	(31,462)	(90,725)	(95,141)
Income (loss) before taxes		**106,116**	**(58,583)**	**299,848**	**(54,365)**
Income and social contribution taxes					
Current	5	(16,537)	12,449	(39,555)	-
Deferred	5	(19,631)	25,877	(72,344)	41,788
Total income and social contribution taxes					
Net income (loss) for the period		**69,948**	**(20,257)**	**187,949**	**(12,577)**

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

Ferroport Logística Comercial Exportadora S.A.

Condensed statements of operations

Three and nine-month period ended september 30, 2019 and 2018

(In thousands of Reais)

		Consolidated			
		Three month period ended		Nine month period ended	
	Note	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Net revenue of services	**16**	182,950	10,986	516,576	159,614
Costs of services	**17**	(40,104)	(29,065)	(116,247)	(101,260)
Gross profit		**142,846**	**(18,079)**	**400,329**	**58,354**
Operating income (expenses)					
General and administrative expenses	**18**	(11,986)	(18,564)	(28,973)	(33,575)
Expected Credit Loss	**19**	537	(254)	1,584	(4,379)
Other operating income (expenses), net	**20**	2,820	9,086	10,367	16,586
		(8,629)	(9,732)	(17,022)	(21,368)
Income before financial income (expenses) and taxes		**134,217**	**(27,811)**	**383,307**	**36,986**
Financial income (expenses)					
Financial income	**21**	1,255	746	7,372	3,846
Financial expenses	**21**	(29,305)	(31,462)	(90,725)	(95,144)
Income (loss) before taxes		**106,167**	**(58,527)**	**299,954**	**(54,312)**
Income and social contribution taxes					
Current	**5**	(16,588)	12,446	(39,661)	(53)
Deferred	**5**	(19,631)	25,877	(72,344)	41,788
Total income and social contribution taxes					
Net income (loss) for the period		**69,848**	**(20,204)**	**187,949**	**(12,577)**

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

Ferroport Logística Comercial Exportadora S.A.

Condensed statements of comprehensive income (loss)

Three and nine-month period ended september 30, 2019 and 2018

(In thousands of Reais)

	Parent Company and Consolidated			
	Three month period ended		Nine month period ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Net income (loss) for the period	**69,948**	**(20,617)**	**187,949**	**(12,577)**
Other comprehensive income (loss)				
Items that can be subsequently reclassified to the result:				
Derivative financial instruments - Hedge accounting gain (loss)	-	-	-	763
Income and social contribution taxes on other comprehensive income, net	-	-	-	(259)
Total comprehensive income (loss) for the year	**69,948**	**(20,617)**	**187,949**	**(12,073)**

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

Ferroport Logística Comercial Exportadora S.A.

Condensed statements of changes in shareholders' equity

Nine-month period ended september 30, 2019 and 2018

(In thousands of Reais)

		Parent Company and Consolidated						
	Note	**Capital stock**	**Capital reserve**	**Contingencies reserve**	**Legal reserve**	**Other comprehensive income**	**Retained earnings**	**Total**
Balances as of January 1st, 2018	**15**	**414,397**	**94,589**	**138,356**	**7,282**	**(504)**	**-**	**654,120**
Loss for the period		-	-	-	-	-	(12,577)	**(12,577)**
Derivative financial instruments - Hedge accounting		-	-	-	-	504	-	**504**
Balances as of September 30, 2018		**414,397**	**94,589**	**138,356**	**7,282**	**-**	**(12,577)**	**642,047**
Balances as of December 31, 2018		**414,397**	**94,589**	**109,595**	**7,282**		**-**	**625,863**
Net income for the period		**-**	-	-	-	-	187,949	**187,949**
Balances as of September 30, 2019		**414,397**	**94,589**	**109,595**	**7,282**	**-**	**187,949**	**813,812**

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

Ferroport Logística Comercial Exportadora S.A.

Condensed statements of cash flows

Nine-month period ended september 30, 2019 and 2018

(In thousands of Reais)

	Parent Company		Consolidated	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Operating activities				
Income (loss) before taxes	299,848	(54,365)	299,954	(54,312)
Adjustments to reconcile income before taxes and net cash provided by operating activities:				
Depreciation and amortization	36,888	42,104	36,888	42,104
Provision for derivative financial instruments	-	(12)	-	(12)
Interest	89,877	92,896	89,877	92,896
Tax provision	7,528	-	7,528	-
Amortization of insurance	3,183	2,749	3,191	2,743
Provision for bonus	4,803	3,352	4,852	3,352
Provision for legal proceeding	2,954	12,347	2,954	12,347
Deferred revenue amortization	(1,645)	(1,645)	(1,645)	(1,645)
Equity income (loss), net	(329)	(148)	-	-
Provision for expected credit losses	(1,584)	4,379	(1,584)	4,379
	441,523	**101,657**	**442,015**	**101,852**
(Increase) decrease of assets and increase (decrease) of liabilities:				
Account receivable from related parties	(44,108)	89,999	(44,034)	89,954
Inventories	(1,030)	(891)	(1,030)	(891)
Recoverable taxes	315	2,088	311	2,088
Prepaid expenses	(2,958)	(545)	(2,971)	(545)
Trade accounts payable	(3,605)	(7,927)	(3,603)	(7,927)
Taxes payable	10,479	(5,244)	10,396	(5,240)
Payroll and related charges	(4,738)	(6,240)	(4,786)	(6,240)
Accounts payable to related parties	(21,584)	(4,123)	(21,584)	(4,123)
Taxes payable related to intercompany loans	(35,580)	(13,016)	(35,580)	(13,016)
Interest paid	(201,621)	(73,760)	(201,621)	(73,760)
Interest on leases	(246)	-	(246)	-
Other	757	4,102	755	4,102
Net cash flows generated by operating activities	**137,604**	**86,100**	**138,022**	**86,254**
Investing activities				
Investiment in subsidiary	-	(100)	-	-
Acquisition of intangible assets	(249)	(346)	(249)	(346)
Acquisition of property, plant and equipment	(15,875)	(17,556)	(15,875)	(17,556)
Net cash flows used in investing activities	**(16,124)**	**(18,002)**	**(16,124)**	**(17,902)**
Financing activities				
Intercompany loans settled	(57,473)	(44,570)	(57,473)	(44,570)
Lease payments	(1,167)	-	(1,167)	-
Net cash flows used in financing activities	**(58,640)**	**(44,570)**	**(58,640)**	**(44,570)**
Increase in cash and cash equivalents	**62,840**	**23,528**	**63,258**	**23,782**
Cash and cash equivalentes				
At beginning of the period	31,655	25,028	31,925	25,028
At end of the period	94,495	48,556	95,183	48,810
Increase in cash and cash equivalents	**62,840**	**23,528**	**63,258**	**23,782**

The notes are an integral part of these condensed 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/ 11th 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 Açu 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 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. Divisible assets refers to the handling assets, and indivisible assets refers to T1 port terminal and condominium agreement. The assets will be transferred to AAMFB and Açu Petróleo S.A., a subsidiary of Prumo Logística S.A. according to a formula defined in the Agreement at construction cost. 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 maintanance, 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 16.5 million tons of iron ore in 99 vessels (3.2 million tons in 19 vessels during 2018). Since the beginning of operations in October 2014, the Company loaded 61.2 million tons of iron ore, reaching a mark of 390 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 condensed interim financial information and summary of significant accounting practices

a. Statement of compliance

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

The condensed 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.

Except for the accounting policies mentioned in note 2.e, the accounting policies mentioned adopted in this condensed 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 condensed interim financial information on November 11, 2019.

b. Basis of measurement

The condensed 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 condensed 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 condensed 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 contingencies 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 condensed 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 - Leases

CPC 06 R2 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 Company has applied CPC 06 R2 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 Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under CPC 06 R2, 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 Company 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 CPC 06 R2, The Company recognises right-of-use assets and lease liabilities for most leases – these leases are on-balance sheet.

On transition to CPC 06 R2, the Company recognized addicional right- of use assets, including investiment 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 12,83% per year.

3 Cash and cash equivalents

	Parent Company		Consolidated	
	September 30, 2019	**December 31, 2018**	**September 30, 2019**	**December 31, 2018**
Cash and banks	136	401	616	670
Cash equivalents				
Investiment funds	79,526	16,941	79,734	16,941
Bank deposit certificate (CDB)	14,833	14,314	14,833	14,314
	94,495	**31,655**	**95,183**	**31,925**

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 101,10% of Interbank Deposit (DI) rate in third quarter of 2019. The portfolio currently consists of Investment Fund and deposit certificate issued by Santander and Banco ABC.

4 Inventories

In 2019, the balance of inventories applied to equipment maintenance amounted to R$ 23,000 (R$ 21,618 in 2018). No net realizable value reduction in inventory was recorded on September 30, 2019.

5 Income tax and social contribution

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

	Parent Company and Consolidated		
	December 31, 2018	**Additional amount/offset (liability) recorded**	**September 30, 2019**
Assets			
Tax loss carryforwards	93,108	(22,954)	70,154
Temporary differences:			
Provisions of bonus, contingencies and others			
Difference between tax basis and book value - deferred assets	12,977	5	12,982
Tax credits originated from merger (a)	14,188	(14,188)	-
Other	15,787	(15,787)	-
Total deferred income taxes assets	**136,060**	**(52,924)**	**83,136**
Liabilities			
Difference between tax basis and book value of depreciation rates	(47,791)	(9,892)	(57,683)
Temporary differences:			
Capitalized interests	(28,457)	(17,023)	(45,480)
Judicial deposits	(2,103)	274	(1,829)
Total deferred income taxes liabilities	**(78,351)**	**(26,641)**	**(104,992)**
Net effect	**57,709**	**(79,565)**	**(21,856)**

(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 September 30, 2019 and 2018, are as follows:

Income Tax and Social Contribution	**Parent Company**			
	Three month period ended		**Nine month period ended**	
	September 30, 2019	**September 30, 2018**	**September 30, 2019**	**September 30, 2018**
Income before income taxes	**106.116**	**(58.943)**	**299.848**	**(54.365)**
Income tax at the nominal rate 34%	(36,079)	20,041	(101,948)	18,484
tax aliquot effect about presumed profit	-	-	-	-
Tax adjustments:				
Tax debt regularization - Government program	-	-	3,320	-
Defferred - Provision and reversal provision	-	19,237	(14,660)	24,007
Other	(89)	(952)	1,389	(703)
Total	**(36,168)**	**38,326**	**(111,899)**	**41,788**
Current income and social contribution tax	(16,537)	12,449	(39,555)	-
Deferred income and social contribution tax	(19,631)	25,877	(72,344)	41,788
Total income and social contribution tax	**(36,168)**	**38,326**	**(111,899)**	**41,788**
Effective rate	**34%**	**65%**	**37%**	**77%**

Income Tax and Social Contribution	**Consolidated**			
	Three month period ended		**Nine month period ended**	
	September 30, 2019	**September 30, 2018**	**September 30, 2019**	**September 30, 2018**
Income before income taxes	**106.167**	**(58.890)**	**299.954**	**(54.312)**
Income tax at the nominal rate 34%	(36,046)	20,076	(101,878)	18,519
Tax aliquot effect about presumed profit	(51)	(53)	(106)	(53)
Tax adjustments:				
Tax debt regularization - Government program	-	-	3,320	-
Defferred - Provision and reversal provision	-	19,237	(14,660)	24,007
Other	(122)	(987)	1,319	(738)
Total	**(36,219)**	**38,273**	**(112,005)**	**41,735**
Current income and social contribution tax	(16,588)	12,396	(39,661)	(53)
Deferred income and social contribution tax	(19,631)	25,877	(72,344)	41,788
Total income and social contribution tax	**(36,219)**	**38,273**	**(112,005)**	**41,735**
Effective rate	**34%**	**65%**	**37%**	**77%**

6 Recoverable taxes

	Parent Company		Consolidated	
	September 30, 2019	**December 31, 2018**	**September 30, 2019**	**December 31, 2018**
Income tax - Anticipation	36,494	11,661	36,494	11,661
Social contribution - Anticipation	12,289	3,313	12,289	3,313
PIS and COFINS	27,165	74,279	27,169	74,279
INSS	-	24	-	24
ISS	67	68	67	68
Subtotal recoverable taxes	**76,015**	**89,345**	**76,019**	**89,345**
Income tax	783	784	783	784
Social contribution	4	3	4	3
Total income taxes and social contribution recoverable	**787**	**787**	**787**	**787**
Total	**76,802**	**90,132**	**76,806**	**90,132**
Current	**76,802**	**90,132**	**76,806**	**90,132**
Non current	**-**	**-**	**-**	**-**

7 Judicial deposits

	Parent Company and Consolidated	
	September 30, 2019	**December 31, 2018**
Income tax and social contribution (a)	35,236	34,485
Other	1,751	1,489
	36,987	**35,974**

(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 in the original amount of R$ 16,403 (actual amount R$35,236). Ferroport obtained an unfavorable decision and is awaiting decision on its appeal, The amount deposited is fully reserved under “Taxes payable”.

8 Investiments in subsidiary

The investiments in subsidiary are as follow:

a. Movement of participation in subsidiary

	December 31, 2018	Addition	Equity	September 30, 2019
Ferroport Serviços EIRELLI	375	-	329	704

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	897	192	704	100	329

9 Right-of-use assets / Lease Liabilities

The table below describe the contracts within the scope of CPC 06 R2 , 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%
		2,966	**2,966**	-	-

(*) 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 September 30, 2019, are as follows:

Lease Assets	January 01 2019	Additions	(-) Depreciation	September 30, 2019
Right of use – Vehicles	2,128	23	(450)	1,701
Right of use - Machinery and equipment	838	317	(767)	388
	2,966	**340**	**(1,217)**	**2,089**

Lease Liabilities	January 01 2019	Additions	Transfer	Interest	Payments	September 30, 2019
Current	1,047	23	870	246	(1,413)	773
Non current	1,919	317	(870)	0	0	1,366
	2,966	**340**	**0**	**246**	**(1,413)**	**2,139**

Payments	September 30, 2019		
	Fixed (Lease)	**Variable (Cost)**	**Total**
Vehicles	(595)	(36)	(631)
Machinery and equipment	(818)	(77)	(895)
	(1,413)	**(113)**	**(1,526)**

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 September 30, 2019:

	Maturity				
	up to 6 months	**From 6 to 12 months**	**From 1 to 2 years**	**Above 2 years**	**Total**
Lease Liabilities	375	398	740	626	**2,139**

10 Property, plant and equipment

Parent Company and Consolidated

	Annual depreciation rate %	Cost	Accumulated depreciation	Net balance at September 30, 2019	Net balance at December 31, 2018
Improvements	**4**	70,024	(70,024)	-	617
Furniture and fixtures	**10**	692	(474)	218	245
Vehicles	**20 and 25**	1,152	(944)	208	118
IT equipment	**20**	8,243	(3,014)	5,229	4,912
Machinery and equipment	**10, 20 and 50**	7,931	(3,009)	4,922	5,115
Electronic equipment	**20**	6,109	(4,267)	1,842	1,832
Defenses	**10**	4,031	(1,854)	2,177	2,488
Breakwater	**2,22**	851,776	(90,759)	761,017	774,693
Maritime access canal	**2,22**	451,796	(36,058)	415,738	420,673
Pier - Port Terminal	**2,22**	830,211	(63,431)	766,780	777,210
Safety equipment	**10**	19,041	(6,424)	12,617	13,203
Operational tools and equipment	**5 and 20**	13,927	-	13,927	7,603
Advances to suppliers		-	-	-	-
Construction in progress		102,484	-	102,484	94,667
Other equipaments		10,490	(3,199)	7,291	10,378
		2,377,907	**(283,457)**	**2,094,450**	**2,113,754**

Changes in property, plant and equipment

	Parent Company and Consolidated			
	Annual depreciation rate %	**December 31, 2018**	**Additions**	**September 30, 2019**
Cost				
Improvements	**4**	69,730	294	**70,024**
Furniture and fixtures	**10**	676	16	**692**
Vehicles	**20 and 25**	1,039	113	**1,152**
IT equipment	**20**	7,361	882	**8,243**
Machinery and equipment	**10, 20 and 50**	7,548	383	**7,931**
Electronic equipment	**20**	6,015	94	**6,109**
Defenses	**10**	4,031	-	**4,031**
Breakwater	**2,22**	851,433	343	**851,776**
Maritime access canal	**2,22**	451,690	106	**451,796**
Pier - Port Terminal	**2,22**	830,202	9	**830,211**
Safety equipment	**10**	18,549	492	**19,041**
Operational tools and equipment	**5 and 20**	9,750	4,177	**13,927**
Construction work in progress		94,667	7,817	**102,484**
Others equipments		10,378	112	**10,490**
		2,363,069	**14,680**	**2,377,907**

	Parent Company and Consolidated			
	Annual depreciation rate %	**December 31, 2018**	**Additions**	**September 30, 2019**
Depreciation				
Improvements	**4**	(69,113)	(911)	**(70,024)**
Furniture and fixtures	**10**	(431)	(43)	**(474)**
Vehicles	**20 and 25**	(921)	(23)	**(944)**
IT equipment	**20**	(2,449)	(565)	**(3,014)**
Machinery and equipment	**10, 20 and 50**	(2,433)	(576)	**(3,009)**
Electronic equipment	**20**	(4,183)	(84)	**(4,267)**
Defenses	**10**	(1,543)	(311)	**(1,854)**
Breakwater	**2,22**	(76,740)	(14,019)	**(90,759)**
Maritime access canal	**2,22**	(31,017)	(5,041)	**(36,058)**
Pier - Port Terminal	**2,22**	(52,992)	(10,439)	**(63,431)**
Safety equipment	**10**	(5,346)	(1,078)	**(6,424)**
Others equipments	**5 and 20**	(2,147)	(1,052)	**(3,199)**
		(249,315)	**(34,142)**	**(283,457)**
Property and equipment, net		**2,113,754**	**(19,304)**	**2,094,450**

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 will be 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 a formula defined in the Agreement at construction cost.

11 Intangible assets

		Parent Company and Consolidated		
	Amortization	**December 31, 2018**	**Additions**	**September 30, 2019**
Cost				
Right-of-way (a)	3 years	5,528	-	5,528
Software use license	5 years	10,635	249	10,884
Total Cost		**16,163**	**249**	**16,412**
Amortization				
Right-of-way	3 years	(5,528)	-	(5,528)
Software use license	5 years	(9,094)	(1,036)	(10,130)
Total Amortization		**(14,622)**	**(1,036)**	**(15,658)**
		1,541	**(787)**	**754**

(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

	Parent Company		Consolidated	
	September 30, 2019	**December 31, 2018**	**September 30, 2019**	**December 31, 2018**
Assets				
Assets will be transferred to AAMFB (a)	210,102	210,102	210,102	210,102
Accounts receivable from AAMFB (b)	63,943	26,005	63,943	26,005
Accounts receivable from Açu Petróleo (c)	9,469	3,485	9,665	3680
	283,514	**239,593**	**283,710**	**239,787**
Credit Note				
AAMFB	439	325	439	325
Açu Petróleo	207	254	207	254
Ferroport Serviços	132	56	-	-
Current	74,190	30,126	74,254	30,264
Noncurrent	210,102	210,102	210,102	210,102

	September 30, 2019	**December 31, 2018**	**September 30, 2019**	**December 31, 2018**
Liabilities				
Advances of the asset allocation				
AAMFB (a)	210,102	210,102	210,102	210,102
Debit asset allocation				
AAMFB (e)	5,025	16,751	5,025	16,751
Açu Petróleo (e)	4,244	14,147	4,244	14,147
Intercompany loans				
Prumo Participações e Investimentos	696,832	791,485	696,832	791,485
Withholding income tax on loan	55,200	77,329	55,200	77,329
Anglo American Capital London	598,515	686731	598,515	686,731
	1,569,918	**1,796,545**	**1,569,918**	**1,796,545**
Deferred revenue				
Deferred revenue with related party (d)	51,190	52,835	51,190	52,835
Current	144,269	159,898	144,269	159,898
Noncurrent	1,425,649	1,636,647	1,425,649	1,636,647

(a) This refers to the divisible assets will 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 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.

(e) The amount refers to the financial inefficiency in the taking of tax credits, according to shareholders agreement.

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)			
	Parent Company			
	Three month period ended		Nine month period ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Revenue				
AAMFB - take-or-pay agreement	168,411	1,169	488,997	158,529
Açu Petróleo	13,964	9,527	28,863	22,178
Ferroport Serviços	491	542	1,052	542
Expenses/Costs				
Anglo American	(4)	(4,288)	(1,658)	(14,399)
Financial expenses				
Interest on loans				
Prumo Participações e Investimentos	(14,783)	(16,077)	(46,123)	(47,738)
Anglo American Capital London	(13,894)	(15,247)	(43,554)	(45,318)
	154,185	**(24,374)**	**427,577**	**73,794**

	Revenues (expenses)			
	Consolidated			
	Three month period ended		Nine month period ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Revenue				
AAMFB - take-or-pay agreement	168,411	1,169	488,997	158,529
Açu Petróleo	13,964	9,527	28,863	22,178
Ferroport Serviços				
Expenses/Costs				
Anglo American	(4)	(4,288)	(1,658)	(14,399)
Financial expenses				
Interest on loans				
Prumo Participações e Investimentos	(14,783)	(16,077)	(46,123)	(47,738)
Anglo American Capital London	(13,894)	(15,247)	(43,554)	(45,318)
	153,694	**(24,916)**	**426,525**	**73,252**

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

(In thousands os Reais)	**Liabilities** **Intercompany loans**
Opening balances on January 1, 2019	**1,688,274**
Variations in cash	
Interest paid	(201,621)
Income tax on intercompany loans	(13,452)
Intercompany loans settled	(57,473)
Total variations in financing cash flows	**(272,546)**
Other variations	
Related liabilities	
Interest expense	89,677
Others	44
Total other variations related liabilities	**89,721**
Closing balances on September 30, 2019	**1,505,449**

Key management compensation was as follows:	**September 30, 2019**	**September 30, 2018**
Payroll and related charges	2,609	2,449

13 Taxes payable

	Parent Company		**Consolidated**	
	September 30, 2019	**December 31, 2018**	**September 30, 2019**	**December 31, 2018**
PIS and COFINS	7,651	2,773	7,658	2,776
ISS	79	89	79	89
ICMS	6,701	3,984	6,701	3,984
Income tax and social contribution (*)	77,917	50,552	77,969	50,585
Other	328	898	328	898
	92,676	**58,296**	**92,735**	**58,332**
Current	49,909	19,827	49,968	19,863
Noncurrent (*)	42,767	38,469	42,767	38,469

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

14 Provision for contingencies

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:

	September 30, 2019	December 31, 2018
Labor claims	5,296	2,928
Tax claims	-	1,220
Civil claims	12,608	11,465
	17,904	**15,613**

Provision movements

	December 31, 2018	Additions	write-offs	September 30, 2019
Labor	2,928	2,468	(100)	5,296
Tax	1,220	-	(1,220)	-
Civil	11,465	1,155	(12)	12,608
	15,613	**3,623**	**(1,332)**	**17,904**

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

	Parent Company and consolidated	
	September 30, 2019	December 31, 2018
Labor claims	3,338	6,057
Tax claims	5,777	5,764
Civil claims [(a)]	199,786	192,681
Total	**208,901**	**204,502**

(a) Impacted mainly by ARG/Civilport litigation in the amount of R$ 157,157 (R$ 151,444 in December 31, 2018) and Arcoenge R$ 41,125 (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 September 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.	539,988	50
	1,079,976	100

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

	Parent Company			
	Three month period ended		Nine month period ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Gross revenue (a)	205,181	11,642	581,052	180,049
Net effect on derivate financial instruments (b)	-	-	-	1,590
Taxes on gross revenue - PIS/COFINS	(18,640)	(932)	(54,045)	(18,933)
Tax on services - ISS	(4,081)	(233)	(11,482)	(3,601)
Net revenue from services	**182,460**	**10,477**	**515,525**	**159,105**

(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.

	Parent Company			
	Three month period ended		Nine month period ended	
Gross revenue	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Shipment of iron ore (Take or Pay)	189,839	-	549,983	157,360
Oil transshipment (T-Oil)	15,342	11,642	31,069	22,689
	205,181	**11,642**	**581,052**	**180,049**

	Consolidated			
	Three month period ended		Nine month period ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Gross revenue (a)	205,741	12,184	582,173	180,591
Net effect on derivate financial instruments (b)	-	-	-	1,590
Taxes on gross revenue - PIS/COFINS	(18,681)	(952)	(54,086)	(18,953)
Tax on services – ISS	(4,110)	(246)	(11,511)	(3,614)
Net revenue from services	**182,950**	**10,986**	**516,576**	**159,614**

(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.

	Consolidated			
	Three month period ended		Nine month period ended	
Gross revenue	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Shipment of iron ore (Take or Pay)	189,876	34	549,983	157,394
Oil transshipment (T-Oil)	15,342	11,642	31,069	22,689
Port services	523	508	1,121	508
	205,741	**12,184**	**582,173**	**180,591**

17 Costs of services

	Parent Company			
	Three month period ended		Nine month period ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Payroll and related charges	(10,163)	(7,656)	(28,519)	(26,094)
Depreciation and amortization	(10,313)	(10,571)	(30,941)	(37,353)
Third-parties services	(5,857)	(2,790)	(13,983)	(10,646)
Leases and rents	(723)	(755)	(1,926)	(2,786)
Insurance	(1,022)	(969)	(2,882)	(2,703)
Consumables spare parts	(10,755)	(5,031)	(32,338)	(19,280)
Depreciation of rights of use assets	(288)	-	(1,124)	-
Other	(767)	(1,102)	(3,987)	(2,207)
	(39,888)	**(28,874)**	**(115,700)**	**(101,069)**

	Consolidated			
	Three month period ended		Nine month period ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Payroll and related charges	(10,374)	(7,823)	(29,049)	(26,261)
Depreciation and amortization	(10,313)	(10,571)	(30,941)	(37,353)
Third-parties services	(5,858)	(2,790)	(13,983)	(10,646)
Leases and rents	(728)	(766)	(1,941)	(2,797)
Insurance	(1,022)	(978)	(2,882)	(2,712)
Consumables spare parts	(10,756)	(5,033)	(32,345)	(19,282)
Depreciation of rights of use assets	(288)	-	(1,124)	-
Other	(765)	(1,104)	(3,982)	(2,209)
	(40,104)	**(29,065)**	**(116,247)**	**(101,260)**

18 General and administrative expenses

	Parent Company			
	Three month period ended		Nine month period ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Payroll and related charges	(3,664)	(2,859)	(9,580)	(10,053)
Third party services	(3,197)	(1,808)	(8,091)	(4,270)
Depreciation and amortization	(1,596)	(1,591)	(4,738)	(4,768)
Insurance	(16)	(22)	(54)	(63)
Travel expenses	(91)	(66)	(219)	(242)
Leases and rents	(46)	(94)	(165)	(279)
Depreciation of rights of use assets	(31)	-	(93)	-
Contingencies	(2,593)	(11,479)	(3,510)	(12,315)
Other	(747)	(531)	(2,453)	(1,471)
	(11,981)	**(18,450)**	**(28,903)**	**(33,461)**

	Consolidated			
	Three month period ended		Nine month period ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Payroll and related charges	(3,666)	(2,967)	(9,633)	(10,161)
Third party services	(3,197)	(1,813)	(8,091)	(4,275)
Depreciation and amortization	(1,596)	(1,591)	(4,738)	(4,768)
Insurance	(17)	(22)	(62)	(63)
Travel expenses	(91)	(66)	(219)	(242)
Leases and rents	(46)	(96)	(165)	(281)
Depreciation of rights of use assets	(31)	-	(93)	-
Contingencies	(2,593)	(11,479)	(3,510)	(12,315)
Other	(749)	(530)	(2,462)	(1,470)
	(11,986)	**(18,564)**	**(28,973)**	**(33,575)**

19 Expected Credit Loss

	Parent Company and consolidated			
	Three month period ended		Nine month period ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Provision for expected credit losses - Non-consumed electric energy (a)	537	(254)	1.584	(4.379)
	537	**(254)**	**1.584**	**(4.379)**

(a) Provision recognized according to CPC 48 - Financial Instruments.

20 Other operating income (expenses)

	Parent Company			
	Three month period ended		Nine month period ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Non-consumed electric energy (a)	2,312	8,660	8,728	15,054
Deferred revenue - right of use	498	396	1,493	1,493
Other	10	30	146	39
	2,820	**9,086**	**10,367**	**16,586**

	Consolidated			
	Three month period ended		Nine month period ended	
	September 30, 2019	**September 30, 2018**	**September 30, 2019**	**September 30, 2018**
Non-consumed electric energy (a)	2,312	8,660	8,728	15,054
Deferred revenue - right of use	498	396	1,493	1,493
Other	10	30	146	39
	2,820	**9,086**	**10,367**	**16,586**

(a) Refers to the sale of non-consumed electric energy with CCEE - Câmara de Comércio de Energia Elétrica and other energy traders. The income is associated to the power trading, regarding the CCEE, which Ferroport is an agent, which means, Company associated to the CCEE that participates holding rights and duties.

21 Financial income (expenses)

	Parent Company			
	Three month period ended		Nine month period ended	
	September 30, 2019	**September 30, 2018**	**September 30, 2019**	**September 30, 2018**
Financial expenses				
Tax on financial transactions (IOF)	(288)	(9)	(403)	(346)
Interest - intercompany loan	(28,677)	(30,943)	(89,677)	(93,055)
Interest on leases	(73)	-	(246)	-
Other	(267)	(510)	(399)	(1,740)
	(29,305)	**(31,462)**	**(90,725)**	**(95,141)**
Financial income				
Reversal interest on tax debt regularization - Government program	-	-	4,009	-
Interest income	1,255	1,126	3,363	3,834
Ineffective derivative financial instruments	-	-	-	12
	1,255	**1,126**	**7,372**	**3,846**
Financial results, net	**(28,050)**	**(30,336)**	**(83,353)**	**(91,295)**

	Consolidated			
	Three month period ended		Nine month period ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Financial expenses				
Tax on financial transactions (IOF)	(288)	(11)	(404)	(348)
Interest - intercompany loan	(28,677)	(30,943)	(89,677)	(93,055)
Interest on leases	(73)	-	(246)	-
Other	(267)	(510)	(400)	(1,738)
	(29,305)	**(31,462)**	**(90,727)**	**(95,141)**
Financial income				
Reversal interest on tax debt regularization - Government program	-	-	4,009	-
Interest income	1,258	1,126	3,371	3,834
Ineffective derivative financial instruments	-	-	-	12
	1,258	**1,126**	**7,380**	**3,846**
Financial results, net	**(28,047)**	**(30,336)**	**(83,347)**	**(91,298)**

22 Commitments

The Company undertook future purchase commitments amounting to R$ 142,416 (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 September, 2019.

Area	**2019**	**2018**
Operation	56,470	73,754
Sustainability	18,644	24,869
Administrative	31,214	11,812
Maintenance	16,208	11,669
Legal	12,179	9,964
HR	5,657	6,414
Others	2,044	11,698
Total	**142,416**	**150,180**

23 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 September 30, 2019 and December 31, 2018 are as follows:

	Parent Company					
	September 30, 2019			December 31, 2018		
Classifications	**Book Value**	**Measurement**	**Fair value measurement hierarchy**	**Book Value**	**Measurement**	**Fair value measurement hierarchy**
Assets						
Fair Value through Profit and losses						
Cash and cash equivalents	94,495	Amortized cost	-	31,655	Amortized cost	-
Accounts receivable	74,190	Amortized cost	-	30,126	Amortized cost	-
Liabilities						
Other financial liabilities						
Trade accounts payable	18,354	Amortized cost	2	42,608	Amortized cost	2
Related parties loans and accounts payable	1,569,918	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.

	Consolidated					
	September 30, 2019			December 31, 2018		
Classifications	**Book Value**	**Measurement**	**Fair value measurement hierarchy**	**Book Value**	**Measurement**	**Fair value measurement hierarchy**
Assets						
Fair Value through Profit and losses						
Cash and cash equivalents	95,183	Amortized cost	-	31,925	Amortized cost	-
Accounts receivable	74,254	Amortized cost	-	30,264	Amortized cost	-
Liabilities						
Other financial liabilities						
Trade accounts payable	18,355	Amortized cost	2	42,608	Amortized cost	2
Related parties loans and accounts payable	1,569,918	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 valuation technique used by the Company consider discounted cash flows. The valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate.

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:

Financial instruments	**September 30, 2019**		**December 31, 2018**	
	R$	**USD**	**R$**	**USD**
Accounts receivable (Related parties)	74,254	17,792	30,264	7,784
	74,254	**17,792**	**30,264**	**7,784**

Liquidity risk

The table below provides the Company's main financial liabilities at September 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 11 years**	**Total**
Financial liabilities					
Trade accounts payable	-	18,355	-	-	18,355
Related parties - loans	210,102	184,215	139,353	1,292,466	1,826,136
Total by maturity range	**210,102**	**202,570**	**139,353**	**1,292,466**	**1,844,491**

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:

Financial instruments	**September 30, 2019**	**December 31, 2018**
Cash equivalents	95,183	31,925
Accounts receivable (Related parties)	74,254	30,264
	169,437	**62,189**

For the period ended on September 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.

24 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 September 30, 2019 and December 2018, the insurance coverage was as follows:

	September 30, 2019	**December 31, 2018**
Property and equipment damages	2,430,200	2,299,900
Civil liability	208,220	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