Ferroport Logística Comercial Exportadora S.A.

Financial Statements as of December 31, 2019 and 2018

KPDS 622497

Contents

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Independent Auditor's Report on Individual and Consolidated Financial Statements

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

Opinion

We have audited the individual and consolidated financial statements of Ferroport Logística Comercial Exportadora S.A. ("the Company"), respectively referred to as Individual and Consolidated, which comprise the balance sheet as of December 31, 2019, and the statements of operations and other comprehensive income (loss), changes in shareholder´s equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying individual and consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with Accounting Practices adopted in Brazil.

Basis for Opinion

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

Responsibilities of Management for the Individual and Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with Accounting Practices adopted in Brazil and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiary or to cease operations, or has no realistic alternative but to do so.
The management is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Individual and Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

Rio de Janeiro March 27, 2020

KPMG Auditores Independentes

CRC SP-014428/O-6 F-RJ

Luis Claudio França de Araújo

Accountant CRC RJ-091559/O-4

Ferroport Logística Comercial Exportadora S.A.

Balance sheets as of December 31, 2019 and 2018

(In thousands of Reais)

		Parent Company		Consolidated	
	Note	**2019**	**2018**	**2019**	**2018**
Assets					
Current assets					
Cash and cash equivalentes	**5**	38,600	31,655	39,327	31,925
Accounts receivable from related parties	**14**	373,440	30,126	373,521	30,264
Inventories	**6**	25,937	21,618	25,937	21,618
Recoverable taxes	**8**	75,178	89,345	75,253	89,345
Income taxes and social contribution recoverable	**8**	787	787	787	787
Prepaid expenses		1,077	1,842	1,080	1,844
Other		1,217	939	1,217	939
Total current assets		**516,236**	**176,312**	**517,122**	**176,722**
Non-current assets					
Judicial deposits	**9**	37,212	35,974	37,212	35,974
Related parties - asset to be transferred	**14**	210,102	210,102	210,102	210,102
Deferred income tax and social contribution	**7**	-	57,709	-	57,709
Investiments in subsidiary	**10**	845	375	-	-
Right of use assets	**11**	4,283	-	4,283	-
Property, plant and equipment	**12**	2,095,888	2,113,754	2,095,888	2,113,754
Intangible assets	**13**	683	1,541	683	1,541
Deferred charges		3,123	3,781	3,123	3,781
Total non-current assets		**2,352,136**	**2,423,236**	**2,351,291**	**2,422,861**
Total assets		**2,868,372**	**2,599,548**	**2,868,413**	**2,599,584**
Liabilities and equity					
Trade accounts payable		22,884	18,510	22,885	18,510
Payroll and related charges		14,961	11,352	14,964	11,352
Taxes payable	**15**	28,095	3,196	28,095	3,200
Lease liabilities	**11**	1,569	-	1,569	-
Income taxes and social contribution payable	**15**	112,763	16,631	112,802	16,663
Related parties - accounts payable	**14**	-	30,898	-	30,898
Related parties - loans	**14**	137,000	129,000	137,000	129,000
Total current liabilities		**317,272**	**209,587**	**317,313**	**209,623**
Noncurrent liabilities					
Income taxes and social contribution payable	**15**	35,454	34,485	35,454	34,485
Lease liabilities	**11**	2,820	-	2,820	-
Deferred income tax and social contribution	**7**	57,579	-	57,579	-
Related parties - accounts payable	**14**	210,102	210,102	210,102	210,102
Related parties - loans	**14**	1,111,814	1,426,545	1,111,814	1,426,545
Deferred revenue with related party	**14**	50,641	52,835	50,641	52,835
Provision for contingencies	**16**	18,186	15,613	18,186	15,613
Taxes payable	**15**	8,828	3,984	8,828	3,984
Other		20,332	20,534	20,332	20,534
Total non-current liabilities		**1,515,756**	**1,764,098**	**1,515,756**	**1,764,098**
Shareholders’ equity	**17**				
Share Capital		803,404	414,397	803,404	414,397
Capital reserve		94,589	94,589	94,589	94,589
Contingencies reserve		109,595	109,595	109,595	109,595
Legal reserve		27,756	7,282	27,756	7,282
Total shareholders’ equity		**1,035,344**	**625,863**	**1,035,344**	**625,863**
Total liabilities and shareholders’ equity		**2,868,372**	**2,599,548**	**2,868,413**	**2,599,584**

See the accompanying notes to the individual and consolidated financial statements.

Ferroport Logística Comercial Exportadora S.A.

Statements of operations

Years ended December 31, 2019 and 2018

(In thousands of Reais)

		Parent Company		Consolidated	
	Note	**2019**	**2018**	**2019**	**2018**
Net revenue of services	**18**	923,221	188,082	924,791	188,914
Costs of services	**19**	(159,083)	(133,911)	(159,938)	(134,216)
Gross profit		**764,138**	**54,171**	**764,853**	**54,698**
Operating income (expenses)					
General and administrative expenses	**20**	(37,617)	(41,640)	(37,711)	(41,805)
Reversal (provision) of Expected Credit Loss	**21**	1,650	(4,354)	1,650	(4,354)
Other operating income (expenses), net	**22**	13,095	20,051	13,095	20,051
		(22,872)	(25,943)	(22,966)	(26,108)
Income before financial income (expenses) and taxes		**741,266**	**28,228**	**741,887**	**28,590**
Results in equity income (loss), net		470	276	-	-
Financial income (expenses)					
Financial income	**23**	7,907	4,752	7,920	4,752
Financial expenses	**23**	(113,908)	(126,613)	(113,910)	(126,615)
Net income (loss) before income taxes		**635,735**	**(93,357)**	**635,897**	**(93,273)**
Income and social contribution taxes					
Current	**7**	(118,187)	-	(118,349)	(84)
Deferred	**7**	(108,067)	64,595	(108,067)	64,595
Total income and social contribution taxes					
Net income (loss) for the year		**409,481**	**(28,762)**	**409,481**	**(28,762)**

See the accompanying notes to the individual and consolidated financial statements.

Ferroport Logística Comercial Exportadora S.A.

Statements of comprehensive income (loss)

Years ended December 31, 2019 and 2018

(In thousands of Reais)

	Parent Company		Consolidated	
	2019	**2018**	**2019**	**2018**
Net income (loss) for the year	**409,481**	**(28,762)**	**409,481**	**(28,762)**
Other comprehensive income (loss)				
Items that can be subsequently reclassified to the result:				
Derivative financial instruments - Hedge accounting gain (loss)	-	764	-	764
Income and social contribution taxes on other comprehensive income, net	-	(260)	-	(260)
Total comprehensive income for the year	**409,481**	**(28,258)**	**409,481**	**(28,258)**

See the accompanying notes to the individual and consolidated financial statements.

Ferroport Logística Comercial Exportadora S.A.

Statements of changes in shareholders' equity

Years ended December 31, 2019 and 2018

(In thousands of Reais)

		Company and Consolidated						
	Note	**Share Capital**	**Capital reserve**	**Contingencies reserve**	**Legal reserve**	**Other comprehensive income**	**Accumulated profit (losses)**	**Total**
Balances as of January 1st, 2018	**17**	**414,397**	**94,589**	**138,356**	**7,282**	**(504)**	**-**	**654,120**
Loss for the year		-	-	-	-	-	(28,762)	**(28,762)**
Compensation loss for the year		-	-	(28,762)	-	-	28,762	-
Derivative financial instruments - Hedge accounting		-	-	-	-	504	-	**504**
Balances as of December 31, 2018		**414,397**	**94,589**	**109,595**	**7,282**	**-**	**-**	**625,863**
Net income for the year		-	-	-	-	-	409,481	**409,481**
Reserves constitution - profit allocation		-	-	-	20,474	-	(20,474)	-
Capital increase		389,007	-	-	-	-	(389,007)	-
Balances as of December 31, 2019		**803,404**	**94,589**	**109,595**	**27,756**	**-**	**-**	**1,035,344**

See the accompanying notes to the individual and consolidated financial statements.

Ferroport Logística Comercial Exportadora S.A.

Statements of cash flows

Years ended December 31, 2019 and 2018

(In thousands of Reais)

	Parent Company		Consolidated	
	2019	**2018**	**2019**	**2018**
Operating activities				
Net income (loss) before taxes	635,735	(93,357)	635,897	(93,273)
Adjustments to reconcile income (loss) before taxes and net cash provided by operating activities:				
Depreciation and amortization	49,271	48,107	49,271	48,107
Provision for derivative financial instruments	-	(12)	-	(12)
Monetary variation and interest	112,567	123,875	112,567	123,875
Financial compensation due to Settlement Agreement	(241,806)	-	(241,806)	-
Tax Provision	31,195	3,984	31,195	3,984
Amortization of insurance	4,247	3,736	4,260	3,733
Provision for bonus	9,123	8,404	9,174	8,413
Provision for legal proceeding	3,236	12,677	3,236	12,677
Deferred revenue amortization	(2,194)	(2,194)	(2,194)	(2,194)
Equity pickup	(470)	(275)	-	-
Provision (reversal) for expected credit losses	(1,650)	4,354	(1,650)	4,354
	599,254	**109,299**	**599,950**	**109,664**
(Increase) decrease of assets and increase (decrease) of liabilities:				
Account receivable from related parties	(101,552)	66,952	(101,555)	66,813
Inventories	(3,680)	(1,384)	(3,680)	(1,384)
Recoverable taxes	371	1,942	320	1,942
Prepaid expenses	(3,482)	(2,685)	(3,495)	(2,685)
Trade accounts payable	(1,388)	(3,127)	(1,387)	(3,127)
Taxes payable	891	(2,446)	769	(2,492)
Payroll and related charges	(5,786)	(11,079)	(5,837)	(11,089)
Accounts payable to related parties	(30,854)	(4,168)	(30,854)	(4,168)
Taxes payable related to intercompany loans	(46,728)	(13,016)	(46,728)	(13,016)
Interest paid	(264,790)	(73,760)	(264,790)	(73,760)
Interest on leases	(386)	-	(386)	-
Other	1,004	2,207	1,004	2,207
Net cash flows generated by operating activities	**142,873**	**68,735**	**143,331**	**68,905**
Investing activities				
Investiment in subsidiary	-	(100)	-	-
Acquisition of intangible assets	(428)	(614)	(428)	(614)
Acquisition of property, plant and equipment	(26,512)	(16,824)	(26,512)	(16,824)
Net cash flows used in investing activities	**(26,940)**	**(17,538)**	**(26,940)**	**(17,438)**
Financing activities				
Intercompany loans settled	(107,453)	(44,570)	(107,453)	(44,570)
Lease payments	(1,536)	-	(1,536)	-
Net cash flows used in financing activities	**(108,989)**	**(44,570)**	**(108,989)**	**(44,570)**
Increase (decrease) in cash and cash equivalents	**6,945**	**6,627**	**7,402**	**6,897**
Cash and cash equivalents				
At beginning of the year	31,655	25,028	31,925	25,028
At end of the year	38,600	31,655	39,327	31,925
Increase in cash and cash equivalents	**6,945**	**6,627**	**7,402**	**6,897**

See the accompanying notes to individual and consolidated the financial statements.

Notes to the financial statements

(In thousands of Reais, unless otherwise stated)

1 The Company and its 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 (unaudited) 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 Logística S.A subsidiary Açu Petróleo S.A. (“Açu Petróleo”) and Anglo American Minério de Ferro do Brasil S.A. (“AAMFB”).

In August 2016, Açu Petróleo carried out the first oil transshipment, involving two Suezmax vessels and the Port Access agreement became effective. In 2019, Açu Petróleo performed 51 operations (unaudited) in 123 vessels (unaudited), loading 9.6 millions metric tons (unaudited) of oil transshipment. Since the beginning of operations in August, 2016, they carried out 102 operations (unaudited) in 234 Suezmax and VLCC vessels (unaudited).

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.

In June 2018, the Ferroport initiated an arbitral proceeding against Anglo Brazil for non-compliance with its obligations under the Framework Agreement. The arbitral proceeding is still in an early stage.

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 (unaudited) 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.

On December 09, 2019, Ferroport, its Shareholders and AAMFB have agreed to enter into a settlement agreement in order to finally and irrevocably settle all the claims and defenses made in relation to the Disputes and finally and irrevocably terminate the Arbitrations, without any awards on their merits as describe in note 18.

In 2019, the Company loaded 23 million tons (unaudited) of iron ore in 137 vessels (3.2 million tons (unaudited) in 19 vessels (unaudited) during 2018). Since the beginning of operations in October 2014, the Company loaded 67,7 million tons (unaudited) of iron ore, reaching a mark of 428 vessels (unaudited) berthing at the port.

Subsidiary

See out below the subsidiary of Ferroport Logística:

	Activity	Ownership interest
Ferroport Serviços	Service of maintenance	100%

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 Licenses

Type	**Issue date**	**Maturity**
Permit the management of terrestrial fauna in the port terminal by the company Firjan/Senai Consulting Engineering AA Nº IN003173.	April 04,2019	April 04, 2021
Permit to Use Water Resources OUT IN05405 authorizes the extraction of raw water through tubular wells, for human consumption, and other applications (in civil construction works and to spray on roads), in the Hydrographic Basin RH-IX - BaixoParaíba do Sul.	September 27, 2019	September 27, 2024
INEA (State Institute of Environment): Statutory law for receipts of iron ore, stockyard iron transfer unit, access bridge, loading pier, areas of utilities and repair shop, administrative area, , dredging for maintenance of draught for access and navigation, trans-shipment of waste of vessels and food loading activities, inputs of drinking water on vessels. Statutory Law - Regulatory Procedure 027024.(AVB002815). License renewed for another 6 Years through AVB003584.	September 02, 2015	December 22, 2023
ANTAQ (Supervising Office for Grants of the National Waterway Agency) authorizes Ferroport to start operating the port terminal.	September 02, 2014	September 02, 2039
Permit temporary refueling, by using tank trucks, tug boats, and speed boats on Porto do Açu iron ore terminal LI no.IN 047638.	December 13, 2018	December 13, 2020

3 Basis of preparation and presentation of the financial statements and summary of significant accounting practices

a. Statement of compliance

The Company's financial statements were prepared in accordance with accounting practices adopted in Brazil ("BR GAAP"), which comprise dispositions of the Brazilian Corporate law, as determined by Law 6.404/76 with updates on Law 11.638/07 and Law 11.941/09 and accounting pronouncements, interpretations and orientations issued by the Accounting Pronouncements Committee (CPC) approved by Brazilian CVM.

The Company's Directors authorized the issuance of these financial statements on March 27, 2020.

This is the first annual financial statement in which CPC 06 leases has been applied. The related changes to significant accounting policies are described in Note 10.

b. Basis of measurement

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

c. Functional and reporting currency

These financial statements are presented in Brazilian *Reais*, which is the Company's functional and reporting currency. All amoutns have been rounded to the nearest thousand, unless otherwise indicated.

d. Use of estimates and judgments

The preparation of the financial statements requires, management has made judgments, estimates and assumptions which affect the application of accounting policies and practices and the reported amounts of assets, liabilities, income and expenses.
Estimates and underlying assumptions are reviewed on an ongoing 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:

- Recognition of deferred income tax and social contribution;
- Determining the useful lives of property and equipment
- Determining the useful intangible assets;
- Recognition impairment of non-financial assets;
- Estimate of expected returns of accounts receivable;
- Recognition and measurement of provision and contingencies
- Determination of the fair value of financial instruments.

Future settlement of transactions invsolving these estimates may result in amounts significantly different from those recorded in the financial statements due to the uncertainties inherent to the determination process. The Company reviews its estimates and assumptions at least once a year.

e. Cash and cash equivalents

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

f. Financial instruments

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

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

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

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

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

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

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

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

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

Financial assets – Policy applicable before 1 January 2018

The Company classified its financial assets into one of the following categories:

- Loans and receivables;
- Held to maturity;
- Available for sale; and
- At FVTPL, and within this category as:

– Held for trading;

– O derivative hedging instruments; or

– O designated as at FVTPL.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	Measured at fair value and changes therein, including any interest or dividend income, were recognized in profit or loss.
Held-to-maturity financial assets	Measured at amortized cost under the effective interest method.
Loans and receivables	Measured at amortized cost under the effective interest method.
Available-for-sale finance assets	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognized in OCI and accumulated in the fair value reserve. When these assets were derecognized, the gain or loss accumulated in equity was reclassified to profit or loss.

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets – ***Policy applicable after 1 January 2018***

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- How the performance of the portfolio is evaluated and reported to the Company management;

- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- How managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company continuing recognition of the assets

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- Contingent events that would change the amount or timing of cash flows;

- Terms that may adjust the contractual coupon rate, including variable-rate features;

- Prepayment and extension features; and

- Terms that limit the Company claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

g. Inventories

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

h. Property, plant and equipment

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

- The cost of materials and direct labor;
- Costs attributable to bringing the asset to the location and condition required for it to operate in the manner intended by management; and
- Borrowing costs on qualifying assets.

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

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

Property and equipment are depreciated on a straight-line basis, according to the estimated economic useful life of each item (as described in Note 11). Land is not depreciated. Property and equipment items are depreciated as of the date they are installed and are available for use.

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

i. Intangible assets

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

j. Impairment of non-financial assets

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

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

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

k. Provisions

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

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

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

l. Operating revenue

Revenue is measured based on the consideration specified in a contract with the customer. The Company recognizes revenue when it transfers control over a service to the customer.

The following table provides information about the nature and timing of the satisfaction of contracts with customer, including payment terms, and the related revenue recognition policy. Revenue is recognized on an accrual basis as the service is rendered, which is linked to the storage services, shipping, logistics operations and port access.

Type of service	**Nature and timing of satisfaction of performance obligations, including significant payment terms**	**Revenue recognition under CPC 47 (applicable from 1 January 2018)**	**Revenue recognition under CPC 30 (applicable before 1 January 2018)**
Shipment of iron ore (Take-or-pay) and Oil transshipment	Invoices for take-or-pay services are issued on a monthly basis and are usually payable within 30 days.	Revenue is recognized over time as the services are rendered. The stage for determining the amount of revenue to recognize is assessed based on work performed. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated based on their relative stand-alone selling prices.	Revenue was recognized in proportion to the stage of completion of service at the reporting date. The stage of service was assessed with reference to surveys of work performed.

m. Financial income and expenses

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

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

n. Income tax and social contribution

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

o. Other current and noncurrent assets and liabilities

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

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

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

p. Changes in accounting policies

The Company initially applied CPC 06 Leases from 1 January 2019. A number of other new standards are also effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated. The details of the changes in accouting policies are disclosed below. Additionally, the disclosure requirement in CPC 06 have not generally been applied to comparative information.

Definition of a Lease

The Company previously classified leases as operating or finance leases basead on this assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Company. Under CPC 06, the Company recognises right-of-use assets and lease liabilities for most of these leases these leases are on-balance sheet.

CPC 06 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard **-** i.e. lessors continue to classify leases as finance or operating leases. CPC 06 (R2) replaces existing leases guidance including CPC 06 Leases and ICPC 03 (IFRIC 4, SIC 15 and SIC 27)..

Transition

Previously , the Company classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaing lease payments, discounted at the Company incremental borrowing rate as at 1 January 2019.

The Company assessed the potential impact that the initial application of CPC 06 (R2) would have on the consolidated financial statements, as described below:

In thousands of reais	**1 January 2019**
Assets	
Right-of-use assets	2,966
Deferred tax assets	
Liabilities	
Lease liabilities	2,966
Result	
Depreciation	
Expenses	

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.

For the details of accounting policies under CPC 06 see note 10.

ICPC 22 – Uncertainty over income tax treatments

ICPC 22 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enchance transparency. Although the filing deadlines for your tax return and financial statements may be months apart, ICPC 22 may require more rigour in finalizing the judgements about the amounts to be included in the tax return before the financial statements are finalized. IFRIC 23 is effective for annual periods beginning on or after 1 January 2019.

After analysis, the Company concluded that there are no uncertainty to be reflected in accounting for income tax on the application of the new standard.

4 New standards and interpretations not yet effective

International Accounting Standards Board (IASB)

The main standards issued by the IASB that have not yet come into force and have not been adopted by the Company until December 31, 2019.

Standard	Description	Effective date
Definition of a Business – Amendments to IFRS 3	Establishes new requirements to determine whether a transaction should be recognized as a business acquisition under IFRS 3 - Business Combination or as an asset acquisition.	January 1, 2020, prospective application.
Interest Rate Benchmark Reform – Amendments to IFRS 9, IFRS 7 e IAS 39	Change the IFRS 9-*Financial Instruments*, IFRS 7-*Financial Instruments: Disclosures* e IAS 39-*Financial instruments: recognition and measurement*, in order to include temporary exceptions to current hedge accounting requirements to counteract the effects of uncertainties caused by the reform of the benchmark interest rate (IBOR) recommended by *Financial Stability Board (FSB*).	January 1, 2020, retrospective application
Definition of Material – Amendments to IAS 1 e IAS 8	Changes the definition of “material” in order to establish that information is material if its omission, distortion or obscurity can reasonably influence the decision making of the primary users of the financial statements. This update promoted changes toIAS 1 - *Presentation of Financial Statements* e IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors.*	January 1, 2020,prospectiveapplication
IFRS 17 – Insurance Contracts	This IFRS replaces IFRS 4 - Insurance Contracts and establishes the requirements that must be applied in the recognition and disclosure related to insurance and reinsurance contracts.	January 1, 2021, prospective application.

As for the amendments listed above, the Company does not estimate the impact of the initial application on its financial statements.

Comitê de Pronunciamentos Contábeis (CPC)
The CPC issues pronouncements and interpretations considered to be analogous to IFRS, as issued by the IASB. The following are the main pronouncements and interpretations issued by the CPC that have not yet entered into force and have not been early adopted by the Company until December 31, 2019, as well as the equivalent IFRS:

CPC pronouncement or interpretation	IFRS equivalent
	Definition of a Business – Amendments to IFRS 3
Review of Technical Pronouncements –N.º 14/2019	Definition of Material – Amendments to IAS 1 e IAS 8

The expected effects of the initial application referring to the CPC review listed above are the same as those presented for the respective IFRS amendments in the item above.

5 Cash and cash equivalents

	Parent Company		Consolidated	
	2019	**2018**	**2019**	**2018**
Cash and banks	185	401	701	670
Cash equivalentes				
Investiment funds	23,393	16,941	23,604	16,941
Bank deposit certificate (CDB)	15,022	14,314	15,022	14,314
	38,600	**31,655**	**39,327**	**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 on investments in 2019 and 2018 are 100,95% and 99,89% of Interbank Deposit (DI) rate, respectively. The portfolio currently consists of investiments fund and deposit certificate issued by Banco ABC and Santander, respectively.

6 Inventories

In 2019, the individual and consolidated balance of inventories applied to equipment maintenance totaled R$ 25,937 (R$ 21,618 in 2018).

7 Income tax and social contribution

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

	Company and Consolidated		
	2018	**Additional amount/offset (liability) recorded**	**2019**
Assets			
Tax loss carryforwards	93,108	(56,679)	36,428
Temporary differences:			
Provisions of bonus, contingencies and others			
Difference between tax basis and book value - deferred assets	12,977	6,889	19,866
Tax credits originated from merger (a)	14,188	(14,188)	-
Other	15,787	(15,787)	-
Total deferred income taxes assets	**136,060**	**(79,765)**	**56,294**
Liabilities			
Difference between tax basis and book value of depreciation rates	(47,791)	(13,189)	(60,980)
Temporary differences:			
Capitalized interests	(28,457)	(22,697)	(51,154)
Judicial deposits	(2,103)	364	(1,739)
Total deferred income taxes liabilities	**(78,351)**	**(35,522)**	**(113,873)**
Net effect	**57,709**	**(115,286)**	**(57,579)**

(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 years ended December 31, 2019 and 2018, are as follows:

Income Tax and Social Contribution	**Parent Company**		**Consolidated**	
	2019	**2018**	**2019**	**2018**
Income before income taxes	**635,735**	**(93,357)**	**635,897**	**(93,273)**
Income tax at the nominal rate 34%	(216,150)	31,741	(216,205)	31,713
tax aliquot effect about presumed profit	-	-	(162)	84
Tax adjustments:				
Tax debt regularization - Government program	3,320	-	3,320	-
Defferred - Tax loss AAMFB and Prumo Logística	4,829		4,829	
Defferred - Provision and reversal provision	(14,660)	16,804	(14,660)	16,804
Other	(3,593)	16,050	(3,538)	15,994
Total	**(226,254)**	**64,595**	**(226,416)**	**64,595**

Current income and social contribution tax	(118,187)	-	(118,349)	-
Deferred income and social contribution tax	(108,067)	64,595	(108,067)	64,595
Total income and social contribution tax	**(226,254)**	**64,595**	**(226,416)**	**64,595**
Effective rate	**36%**	**69%**	**36%**	**69%**

8 Recoverable taxes

	Parent Company		Consolidated	
	2019	**2018**	**2019**	**2018**
Income tax - Anticipation	49,969	11,661	49,969	11,661
Social contribution - Anticipation	17,153	3,313	17,153	3,313
PIS and COFINS	8,009	74,279	8,009	74,279
INSS	-	24	54	24
ISS	47	68	68	68
Subtotal recoverable taxes	**75,178**	**89,345**	**75,253**	**89,345**
Income tax	784	784	784	784
Social contribution	3	3	3	3
Total income taxes and social contribution recoverable	**787**	**787**	**787**	**787**
Total	**75,965**	**90,132**	**76,040**	**90,132**

9 Judicial deposits

	Parent Company and Consolidated	
	2019	**2018**
Income tax and social contribution (a)	35,453	34,485
Other	1,759	1,489
	37,212	**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$35,453). Ferroport obtained an unfavorable decision and is awaiting decision on its appeal. The amount deposited is fully reserved under "Taxes payable".

10 Investments in subsidiary

The investments in subsidiary are as follow:

a. Movement of participation in subsidiary

	2018	**Addition**	**Equity income (loss), net**	**2019**
Ferroport Serviços EIRELLI (a)	375	-	470	845

(a) As mentioned in note 1.1, Ferroport Serviços operations started in August 2018

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	982	(137)	(845)	100	469

11 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 December 31, 2019, are as follows:

Lease Assets	January 01, 2019	Additions	(-) Depreciation	December 31, 2019
Right of use - Vehicles	2,128	160	(600)	1,688
Right of use - Machinery and equipment	838	2,799	(1,042)	2,595
	2,966	**2,959**	**(1,642)**	**4,283**

Lease Liabilities	January 01, 2019	Additions	Transfer	Interest	Payments	December 31, 2019
Current	1,047	984	1,075	385	(1,922)	1,569
Non current	1,919	1,976	(1,075)	-	-	2,820
	2,966	**2,960**	**-**	**385**	**(1,922)**	**4,389**

Payments	2019		
	Fixed (Lease)	**Variable (Cost)**	**Total**
Vehicles	(779)	(39)	(818)
Machinery and equipment	(1,143)	(77)	(1,220)
	(1,922)	**(116)**	**(2,038)**

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 December 31, 2019:

	Maturity				
	up to 6 months	**From 6 to 12 months**	**From 1 to 2 years**	**Above 2 years**	**Total**
Lease Liabilities	772	797	1,647	1,173	**4,389**

12 Property, plant and equipment

	Annual depreciation rate %	Cost	Accumulated depreciation	Net balance at 2019	Net balance at 2018
Improvements	**4**	66,220	(65,089)	1,131	617
Furniture and fixtures	**10**	731	(480)	251	246
Vehicles	**20 and 25**	1,332	(957)	375	118
IT equipment	**20**	8,685	(3,222)	5,463	4,912
Machinery and equipment	**10, 20 and 50**	12,422	(4,274)	8,148	5,115
Electronic equipment	**20**	782	(374)	408	1,832
Defenses	**10**	4,031	(1,929)	2,102	2,488
Breakwater	**2,22**	852,373	(95,433)	756,940	774,693
Maritime access canal	**2,22**	451,796	(37,739)	414,057	420,673
Pier - Port Terminal	**2,22**	828,852	(66,912)	761,940	777,210
Safety equipment	**10**	20,114	(6,789)	13,325	13,203
Operational tools and equipment	**5 and 20**	16,648	-	16,648	9,750
Construction in progress	-	109,382	-	109,382	94,667
Other equipaments	-	17,520	(11,802)	5,718	8,230
		2,390,888	**(295,000)**	**2,095,888**	**2,113,754**

Changes in property, plant and equipment

	Annual depreciation rate%	2017	Additions	Asset allocation	Writte-offs (a)	Transfers (b)	2018
Cost							
Improvements	**4**	69,228	502	-	-	-	**69,730**
Furniture and fixtures	**10**	677	-	-	(1)	-	**676**
Vehicles	**20**	904	135	-	-	-	**1,039**
IT equipment	**20**	6,579	921	-	(139)	-	**7,361**
Machinery and equipment	**10**	6,910	638	-	-	-	**7,548**
Electronic equipment	**20**	5,583	432	-	-	-	**6,015**
Defenses	**10**	4,031	-	-	-	-	**4,031**
Breakwater	**2.22**	828,425	1,374	-	-	21,634	**851,433**
Maritime access canal	**2.22**	451,690	-	-	-	-	**451,690**
Pier - Port Terminal	**2.22**	813,168	160	11,379	(211)	5,706	**830,202**
Safety equipment	**10**	14,524	640	-	-	3,385	**18,549**
Operational tools and equipment	**10 and 5**	4,235	5,515	-	-	-	**9,750**
Advance to suppliers	**-**	258	(258)	-	-	-	**-**
Construction work in progress	**-**	112,838	12,553	(119)	117	(30,725)	**94,667**
Other	**10 and 5**	10,314	64	-	-	-	**10,378**
		2,329,364	**22, 676**	**11,260**	**(234)**	**-**	**2,363,069**

(a) The main write-off refers to the impairment due to a change on the breakwater project technology. The new applied technology caused 4,000 units of core-locs leftovers in the total cost of R$ 13.458.

(b) This refers to recognition of PIS and COFINS credits on constructions that will be recoverable within 12 months, as disclosed in note 7.

	Annual depreciation rate %	2017	Additions	Asset allocation	Writte-offs (a)	Transfers	2018
Depreciation							
Improvements	**4**	(67,925)	(1,188)	-	-	-	**(69,113)**
Furniture and fixtures	**10**	(366)	(65)	-	1	-	**(430)**
Vehicles	**20**	(896)	(25)	-	-	-	**(921)**
IT equipment	**20**	(1,820)	(768)	-	139	-	**(2,449)**
Machinery and equipment	**10**	(1,700)	(733)	-	-	-	**(2,433)**
Electronic equipment	**20**	(4,116)	(67)	-	-	-	**(4,183)**
Defenses	**10**	(1,157)	(386)	-	-	-	**(1,543)**
Breakwater	**2.22**	(58,494)	(18,246)	-	-	-	**(76,740)**
Maritime access canal	**2.22**	(24,326)	(6,691)	-	-	-	**(31,017)**
Pier - Port Terminal	**2.22**	(38,323)	(14,688)	-	-	19	**(52,992)**
Safety equipment	**10**	(3,933)	(1,394)	-	-	(19)	**(5,346)**
Other	**10 and 5**	(563)	(1,585)	-	-	-	**(2,148)**
		(203,619)	**(45,836)**	-	140	-	**(249,315)**
Property and equipment, net		**2,125,745**	**(23,160)**	**11,260**	**(94)**	**-**	**2,113,754**

Company and Consolidated	**Annual depreciation rate %**	**2018**	**Additions**	**Transfers**	**2019**
Improvements	**4**	69,730	-	(3,510)	**66,220**
Furniture and fixtures	**10**	676	55	-	**731**
Vehicles	**20**	1,039	293	-	**1,332**
IT equipment	**20**	7,361	1,324	-	**8,685**
Machinery and equipment	**10**	7,548	5,476	(602)	**12,422**
Electronic equipment	**20**	6,015	94	(5,327)	**782**
Defenses	**10**	4,031	-	-	**4,031**
Breakwater	**2,22**	851,433	940	-	**852,373**
Maritime access canal	**2,22**	451,690	106	-	**451,796**
Pier - Port Terminal	**2,22**	830,202	196	(1,546)	**828,852**
Safety equipment	**10**	18,549	725	840	**20,114**
Operational tools and equipment	**10 and 5**	9,750	6.898	-	**16,648**
Construction work in progress		94,667	11,376	3,339	**109,382**
Others equipments		10,378	336	6,806	**17,520**
		2,363,069	**27,819**	**-**	**2,390,888**

Company and Consolidated	**Annual depreciation rate %**	**2018**	**Additions**	**Transfers**	**2019**
Depreciation					
Improvements		(69,113)	(56)	4,080	**(65,089)**
Furniture and fixtures	**4**	(430)	(49)	-	**(479)**
Vehicles	**10**	(921)	(36)	-	**(957)**
IT equipment	**20**	(2,449)	(773)	-	**(3,222)**
Machinery and equipment	**20**	(2433)	(970)	(871)	**(4,274)**
Electronic equipment	**10**	(4,183)	(112)	3,921	**(374)**
Defenses	**20**	(1,543)	(386)	-	**(1,929)**
Breakwater	**10**	(76,740)	(18,693)	-	**(95,433)**
Maritime access canal	**2,22**	(31,017)	(6,722)	-	**(37,739)**
Pier - Port Terminal	**2,22**	(52,992)	(13,920)	-	**(66,912)**
Safety equipment	**2,22**	(5,346)	(1,443)	-	**(6,789)**
Others equipments	**10**	(2,148)	(2,525)	(7,130)	**(11,803)**
	10 and 5	**(249,315)**	**(45,685)**	**-**	**(295,000)**
Property and equipment, net		**2,113,754**	**(17,866)**	**-**	**2,095,888**

Asset allocation

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

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

13 Intangible assets

		Company and Consolidated		
	Amortization	**2018**	**Additions**	**2019**
Cost				
Right-of-way (a)	3 years	5,528	-	5,528
Software use license	5 years	10,635	428	11,063
Total Cost		**16,163**	**428**	**16,591**
Amortization				
Right-of-way	3 years	(5,528)	-	(5,528)
Software use license	5 years	(9,094)	(1,286)	(10,380)
Total Amortization		**(14,622)**	**(1,286)**	**(15,908)**
		1,541	**(858)**	**683**

(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.

14 Transactions with related parties

	Company		Consolidated	
	2019	**2018**	**2019**	**2018**
Assets				
Assets to be transferred to AAMFB (a)	210,102	210,102	210,102	210,102
Accounts receivable from AAMFB (b)	369,229	26,005	369,229	26,005
Accounts receivable from Açu Petróleo (c)	4,211	3,485	4,389	3680
	340,971	**239,593**	**341,149**	**239,787**
Credit Note				
AAMFB	469	325	469	325
Açu Petróleo	199	254	199	254
Ferroport Serviços	97	56	-	-
Current	373,440	30,126	373,521	30,264
Noncurrent	210,102	210,102	210,102	210,102

	2019	2018	2019	2018
Liabilities				
Advances of the asset allocation				
AAMFB (a)	210,102	210,102	210,102	210,102
Debit asset allocation				
AAMFB (e)	-	16,751	-	16,751
Açu Petróleo (e)	-	14,147	-	14,147
Intercompany loans				
Prumo Participações e Investimentos	646,433	791,485	646,433	791,485
Withholding income tax on loan	47,438	77,329	47,438	77,329
Anglo American Capital London	554,944	686,731	554,944	686,731
	1,458,917	**1,796,545**	**1,458,917**	**1,796,545**
Deferred revenue				
Deferred revenue with related party (d)	50,641	52,835	50,641	52,835
Current	137,000	159,898	137,000	159,898
Noncurrent	1,321,916	1,636,647	1,321,916	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, and Financial compensation due to Settlement Agreement, as describe in note 18.

(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 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)			
	Company		**Consolidated**	
Revenue	**2019**	**2018**	**2019**	**2018**
AAMFB - take-or-pay agreement (a)	878,595	165,427	878,595	165,427
Açu Petróleo	47,820	24,014	47,820	24,014
Ferroport Serviços	1,571	832	-	-
Expenses/Costs				
Anglo American	(1,910)	(18,730)	(1,910)	(18,730)
Financial expenses				
Interest on loans				
Prumo Participações e Investimentos	(57,800)	(63,652)	(57,800)	(63,652)
Anglo American Capital London	(54,441)	(60,410)	(54,441)	(60,410)
	813,731	**47,481**	**812,161**	**46,649**

(a) On April 18, 2018, AAMFB notified Ferroport discussing the occurrence of several incidents involving the slurry pipeline and the ToP payments were suspended. On December 09, 2019, Ferroport, its Shareholders and AAMFB have agreed to enter into a settlement agreement in order to finally and irrevocably settle all the claims and defenses made in relation to the Disputes and finally and irrevocably terminate the Arbitrations, without any awards on their merits as describe in note 18.

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	(264,790)
Income tax on intercompany loans	(16,837)
Intercompany loans Settled	(107,453)
Total variations in financing cash flows	**(389,080)**
Other variations	
Related liabilities	
Interest expense	112,241
Others	44
Total other variations related liabilities	**112,285**
Closing balances on December 31, 2019	**1,411,479**

Key management compensation was as follows:	**2019**	**2018**
Payroll and related charges	3,554	3,324

15 Taxes payable

	Company		Consolidated	
	2019	**2018**	**2019**	**2018**
PIS and COFINS	29,065	2,773	29,065	2,776
ISS	139	89	139	89
ICMS	7,510	3984	7,510	3984
Income tax and social contribution (*)	147,590	50,552	147,630	50,585
Other	835	898	834	898
	185,138	**58,296**	**185,178**	**58,332**
Current	140,858	19,827	140,897	19,863
Noncurrent (*)	44,282	38,469	44,282	38,469

(*) This refers to the judicial deposit for income tax and social contribution described in Note 8, and taxes on Financial compensation due to Settlement Agreement as describe in note 18.

16 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:

Probable:	**2019**	**2018**
Labor claims	5,465	2,928
Tax claims	-	1,220
Civil claims (a)	12,721	11,465
	18,186	**15,613**

(a) In 2018, ARG/Civilport filed a new litigation related to services claimed as rendered in the amount of R$ 10,890 classified as probable loss.

Provision movements

	2018	Additions	write-offs	2019
Labor	2,928	2,637	(100)	5,465
Tax	1,220	-	(1,220)	-
Civil	11,465	1,268	(12)	12,721
	15,613	**3,905**	**(1,332)**	**18,186**

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

Possible:	**2019**	**2018**
Labor claims	2,876	6,057
Tax claims	3.673	5,764
Civil claims[(a)]	201,747	192,681
	223,748	**204,502**

(a) Impacted mainly by ARG/Civilport litigation in the amount of R$ 158,701 (R$ 151,444 in December 31, 2018) and Arcoenge R$ 41,529 (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.

17 Shareholders' equity

Capital

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

Shareholders	Number of shares		%
	2019	2018	
Prumo Participações e Investimentos S.A.	875,617	539,988	50
Anglo American Investimentos - Minério de Ferro Ltda.	875,617	539,988	50
	1,751,234	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.

On December 31, 2019, a capital increase in the amount of R$ 389,007 was approved through issuance of 671,258 new common shares at no par value and issue price of R$ 579.52 (Five hundred and seventy-nine reais and fifty-two), fully subscribed by the two shareholders Anglo American Investimentos - Minério de Ferro Ltda and Prumo Participações e Investimentos S.A . After the capital increase, Ferroport's capital became R$ 803,404.

Dividends

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

18 Net revenue from services

	Parent company		Consolidated	
	2019	2018	2019	2018
Shipment of iron ore (Take or Pay)	741,476	185,488	741,477	185,542
Financial compensation due to Settlement Agreement (a)	241,806	-	241,806	-
Oil transshipment (T-Oil)	51,964	27,213	51,962	27,213
Port services	-	-	1,673	832
	1,035,246	**212,701**	**1,036,918**	**213,588**

(a) Ferroport received a notice from AAMFB declaring force majeure due to the two slurry pipeline leakages, occurred on March 12 and 29, and the fact the local authorities suspended the pipeline license until a detailed inspection throughout its entire length is executed and its safety is confirmed by an independent expert. Consequently, AAMFB suspended the *take-or-pay* payments. A dispute between the Parties arise out of the Shareholders Agreement and the Framework Agreement (the "Disputes"). Ferroport, its Shareholders and AAMFB have agreed to enter into a settlement agreement in order to finally and irrevocably settle all the claims related to the Disputes and finally and irrevocably terminate the Arbitrations, without any awards on their merits.

	Parent company		Consolidated	
	2019	**2018**	**2019**	**2018**
Gross revenue	1,035,246	212,701	1,036,918	213,588
Net effect on derivate financial instruments (b)	-	1,590	-	1,590
Taxes on gross revenue - PIS/COFINS	(96,261)	(21,955)	(96,322)	(21,988)
Tax on services – ISS	(15,764)	(4,254)	(15,805)	(4,277)
Net revenue from services	**923,221**	**188,082**	**924,791**	**188,914**

(b) In 2018 the Company opted for the discontinuation of hedge operations. The realized amount of derivative financial instruments was R$ 1,590 as of December 31, 2018, which was allocated to the revenue.

19 Costs of services

	Parent company		Consolidated	
	2019	**2018**	**2019**	**2018**
Payroll and related charges	(41,194)	(34,523)	(42,010)	(34,792)
Depreciation and amortization	(41,289)	(47,134)	(41,289)	(47,134)
Third-parties services	(20,347)	(15,151)	(20,347)	(15,151)
Leases and rents	(2,619)	(3,830)	(2,639)	(3,847)
Insurance	(4,149)	(3,669)	(4,149)	(3,681)
Consumables spare parts	(43,229)	(25,428)	(43,240)	(25,433)
Depreciation of rights of use assets	(1,519)	-	(1,519)	-
Other	(4,737)	(4,176)	(4,745)	(4,178)
	(159,083)	**(133,911)**	**(159,938)**	**(134,216)**

20 General and administrative expenses

	Parent company		Consolidated	
	2019	**2018**	**2019**	**2018**
Payroll and related charges	(13,866)	(13,122)	(13,938)	(13,279)
Third party services	(9,808)	(6,595)	(9,808)	(6,595)
Depreciation and amortization	(6,353)	(6,484)	(6,353)	(6,484)
Insurance	(71)	(84)	(84)	(84)
Travel expenses	(388)	(400)	(388)	(400)
Leases and rents	(229)	(367)	(229)	(369)
Depreciation of rights of use assets	(123)	-	(123)	-
Contingencies	(3,803)	(12,635)	(3,803)	(12,635)
Other	(2,977)	(1,953)	(2,985)	(1,959)
	(37,618)	**(41,640)**	**(37,711)**	**(41,805)**

21 Expected Credit Loss

	Company and consolidated	
	2019	**2018**
Reversal (Provision) for expected credit losses - Non-consumed electric energy (a)	1,650	(4,354)
	1,650	**(4,354)**

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

22 Other operating income (expenses)

	Parent company		Consolidated	
	2019	**2018**	**2019**	**2018**
Non-consumed electric energy (a)	10,945	18,022	10,945	18,022
Deferred revenue - right of use	1,991	1,991	1,991	1,991
Other	159	38	159	38
	13,095	**20,051**	**13,095**	**20,051**

(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.

23 Financial income (expenses)

	Parent company		Consolidated	
	2019	**2018**	**2019**	**2018**
Financial expenses				
Tax on financial transactions (IOF)	(656)	(510)	(658)	(511)
Interest - intercompany loan	(112,241)	(124,062)	(112,241)	(124,062)
Interest on leases	(386)	-	(386)	-
Other	(625)	(2,041)	(625)	(2,042)
	(113,908)	**(126,613)**	**(113,910)**	**(126,615)**
Financial income				
Reversal interest on tax debt regularization - Government program	4,009	-	4,009	-
Interest income	3,874	4,740	3,887	4,740
Ineffective derivative financial instruments	24	12	24	12
	7,907	**4,752**	**7,920**	**4,752**
Financial results, net	**(106,001)**	**(121,861)**	**(105,990)**	**(121,863)**

24 Commitments

The Company undertook future purchase commitments amounting to R$ 162,229 at 31 December 2019 (R$ 150,180 on December 31, 2018) and these should be fulfilled in the course of the operations:

Area	**2019**	**2018**
Operation	62,080	73,754
Sustainability	16,990	24,869
Administrative	29,314	11,812
Maintenance	20,576	11,669
Legal	12,047	9,964
HR	13,200	6,414
Others	8,022	11,698
Total	**162,229**	**150,180**

25 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, in 2019 the Company does not have hedge operations.

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

Financial assets and liabilities at December 2019 and 2018 are as follows:

	Parent Company					
	2019			**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	38,600	Amortized cost		31,655	Amortized cost	
Accounts receivable related parties	373,440	Amortized cost		30,126	Amortized cost	
Liabilities						
Other financial liabilities						
Trade accounts payable	22,884	Amortized cost	2	18,510	Amortized cost	2
Related parties loans	1,458,916	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					
	2019			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	38,600	Amortized cost		31,925	Amortized cost	
Accounts receivable related parties	373,521	Amortized cost		30,264	Amortized cost	
Liabilities						
Other financial liabilities						
Trade accounts payable	22,284	Amortized cost	2	18,510	Amortized cost	2
Related parties loans	1,458,916	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:

	Consolidated			
	2019		2018	
	R$	**USD**	**R$**	**USD**
Accounts receivable from related parties	373,521	92,685	30,264	7,784
Net exposure of the balance sheet	**373,521**	**92,685**	**30,264**	**7,784**

Liquidity risk

The table below provides the Company's main financial liabilities at December 31, 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	-	22,284	-	-	22,884
Related parties - loans	210,102	124,524	289,828	1,077,433	1,701,887
Total by maturity range	**210,102**	**147,408**	**289,828**	**1,077,433**	**1,724,771**

The Company's shareholders have supported the implementation of the business plan. Up to December 2019, the additional funds needed for the Company to complete its construction were funded by its shareholders. The remaining Capex to completion will be funded by Company's cash generation and the shareholders when required by the Agreement.

Credit risk

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

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

The Company exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors tha may influence the credit risk of customer base, including the defaut risk associated with the industry in which customes operate.

The Company held cash and cash equivalents of R$ 39,327 thousand at 31 December 2019 (R$ 31,925 thousand at 31 December 2018). The cash and cash equivalents are held with bank and financial institution counterparties, which is rated AAA based on rate S&P agency rating.

At the exposure to credit risk are the following:

Financial instruments	**2019**	**2018**
Cash equivalents	39,327	31,925
Accounts receivable (Related parties)	373,521	30,264
	412,848	**62,189**

For the period ended on December 31, 2019 and 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's treasury monitors the funds needed for working capital and capital expenditures, which are provided by the shareholders every month. The Company started its operations in October 2014 and started generating operating cash since then; the additional funds needed for the conclusion of the port construction will also be funded by its shareholders through additional loans when required by the Agreement, and operational cash generation.

26 Insurance coverage

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

As of December 31, 2019 and 2018, the insurance coverage was as follows:

	2019	**2018**
Property and equipment damages	2,430,200	2,299,900
Civil liability	201,535	193,740
Environmental Liability	30,000	30,000
Directors & Management	60,000	60,000

27 Subsequent events

Arbitrations

Ferroport received a notice from AAMFB declaring force majeure due to the two slurry pipeline leakages, occurred on March 12 and 29, 2018, and the fact the local authorities suspended the pipeline license until a detailed inspection throughout its entire length is executed and its safety is confirmed by an independent expert. Consequently, AAMFB suspended the *take-or-pay* payments. A dispute between the Parties arise out of the Shareholders Agreement and the Framework Agreement (the "Disputes"). On March 16, 2020, was signed the settlement agreement between Ferroport and its shareholders' in order to finally and irrevocably settle all the claims and defenses made in relation to the Disputes and finally and irrevocably terminate the Arbitrations, without any awards on their merits. This conciliation process started in 2019, with the suspension of arbitration on September 13, 2019. On December 9, 2019, the settlement agreement was approved by the parties totaling US$60 million (equivalent to R$ 241,806), with substantial and significant evidence, which requires recognition in 2019, as instructed by CPC 24 (subsequent events).

Covid-19

On January 31, 2020, the World Health Organization (WHO) announced that the coronavirus (COVID-19) is a global health emergency. The outbreak triggered significant decisions by governments and private sector entities, which added to the potential impact of the outbreak, increased the degree of uncertainty for economic agents.Management constantly assesses the impact of the outbreak on the Company's operations and equity and financial position, and while the situation in Brazil is expected to get complicated in the coming weeks, we believe that a complete lockdown of port activity in São João da Barra or mining activity in Conceição do Mato Dentro, in Minas Gerais, is unlikely. Therefore, we concluded that the coronavirus will, most likely, have a low impact on Ferroport operations, with no material effects on the 2019 Financial Statements. However, if the situation changes dramatically, we will need to reassess its impacts.

* * *

Carsten Bosselmann
Chief Executive Officer

Marcelo Amaral Palladino
Chief Financial Officer

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