

Ferropport Logística
Comercial
Exportadora S.A.

**Condensed interim financial
information
March 31, 2020**

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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 March 31, 2020, and the related condensed statements of income, statements of comprehensive income, statements of changes in shareholders' equity and statements of cash flows for the three-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 and individual 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 accompanying condensed parent company and consolidated interim financial information does not present fairly, in all material respects, the financial position of the entity as at March 31, 2020, and of its financial performance and its cash flows for the three-month period then ended in accordance with CPC 21 (R1).

Rio de Janeiro, May 04, 2020

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



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

Ferropport Logística Comercial Exportadora S.A.

Condensed balance sheets

Three-month period ended march 31, 2020 and 2019

(In thousands of Reais)

	Note	Parent Company		Consolidated	
		March 31, 2020	December 31, 2019	March 31,2020	December 31, 2019
Assets					
Current assets					
Cash and cash equivalents	4	136,438	38,600	137,030	39,327
Accounts receivable from related parties	12	323,252	373,440	323,329	373,521
Inventories		26,198	25,937	26,198	25,937
Recoverable taxes	6	33,209	75,178	33,284	75,253
Income taxes and social contribution recoverable	6	3	787	44	787
Prepaid expenses		11	1,077	11	1,080
Other		864	1,217	864	1,217
Total current assets		519,975	516,236	520,760	517,122
Noncurrent assets					
Judicial deposits	7	37,394	37,212	37,394	37,212
Related parties - asset to be transferred	12	210,102	210,102	210,102	210,102
Investments in subsidiary	8	774	845	-	-
Right of use assets	9	3,857	4,283	3,857	4,283
Property, plant and equipment	10	2,089,936	2,095,888	2,089,936	2,095,888
Intangible assets	11	496	683	496	683
Deferred charges		2,959	3,123	2,959	3,123
Total noncurrent assets		2,345,518	2,352,136	2,344,744	2,351,291
Total assets		2,865,493	2,868,372	2,865,504	2,868,413
Liabilities and equity					
Trade accounts payable		24,783	22,884	24,784	22,885
Payroll and related charges		17,397	14,961	17,397	14,964
Taxes payable	13	29,732	28,095	29,731	28,095
Lease liabilities	9	1,582	1,569	1,582	1,569
Income taxes and social contribution payable	13	76,791	112,763	76,802	112,802
Related parties - loans	12	138,250	137,000	138,250	137,000
Total current liabilities		288,535	317,272	288,546	317,313
Noncurrent liabilities					
Income taxes and social contribution payable	13	35,625	35,454	35,625	35,454
Lease liabilities	9	2,427	2,820	2,427	2,820
Deferred income tax and social contribution	5	78,630	57,579	78,630	57,579
Related parties - accounts payable	12	210,102	210,102	210,102	210,102
Related parties - loans	12	1,031,425	1,111,814	1,031,425	1,111,814
Deferred revenue with related party	12	50,093	50,641	50,093	50,641
Provision for contingencies	14	18,993	18,186	18,993	18,186
Taxes payable	13	10,092	8,828	10,092	8,828
Other		19,640	20,332	19,640	20,332
Total noncurrent liabilities		1,457,027	1,515,756	1,457,027	1,515,756
Shareholders' equity					
Share Capital	15	803,404	803,404	803,404	803,404
Capital reserve		94,589	94,589	94,589	94,589
Contingencies reserve		109,595	109,595	109,595	109,595
Legal reserve		27,755	27,756	27,755	27,756
Accumulated Profit		84,588	-	84,588	-
Total shareholders' equity		1,119,931	1,035,344	1,119,931	1,035,344
Total liabilities and shareholders' equity		2,865,493	2,868,372	2,865,504	2,868,413

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

Ferroport Logística Comercial Exportadora S.A.

Condensed statements of income

Three-month period ended March 31, 2020 and 2019

(In thousands of Reais)

		Parent Company		Consolidated	
	Note	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Net revenue of services	16	199,360	165,288	199,473	165,568
Costs of services	17	(42,530)	(37,392)	(42,701)	(37,517)
Gross profit		156,830	127,896	156,772	128,051
Operating income (expenses)					
General and administrative expenses	18	(10,851)	(6,709)	(10,860)	(6,763)
Reversal (provision) of Expected Credit Loss		12	249	12	249
Other operating income (expenses), net	19	2,594	5,426	2,594	5,426
		(8,245)	(1,034)	(8,254)	(1,088)
Income before financial income (expenses) and taxes		148,585	126,862	148,518	126,963
Results in equity income (loss), net		(71)	75	-	-
Financial income (expenses)					
Financial income	20	1,475	5,038	1,483	5,038
Financial expenses	20	(18,517)	(31,085)	(18,518)	(31,085)
Net income before income taxes		131,472	100,890	131,483	100,918
Income and social contribution taxes					
Current	5	(25,833)	(11,558)	(25,844)	(11,586)
Deferred	5	(21,052)	(32,807)	(21,052)	(32,807)
Total income and social contribution taxes					
Net income for the period		84,587	56,525	84,587	56,525

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

Ferroport Logística Comercial Exportadora S.A.

Condensed statements of comprehensive income

Three-month period ended March 31, 2020 and 2019

(In thousands of Reais)

	<u>Parent Company</u>		<u>Consolidated</u>	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Net income for the period	84,587	56,525	84,587	56,525
Total comprehensive income for the period	<u>84,587</u>	<u>56,525</u>	<u>84,587</u>	<u>56,525</u>

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

Ferropport Logística Comercial Exportadora S.A.

Condensed statements of changes in shareholders' equity

Three-month period ended on March 31, 2020 and 2019

(In thousands of Reais)

Parent Company and Consolidated								
	Note	Share Capital	Capital reserve	Contingencies reserve	Legal reserve	Other comprehensive income	Accumulated profit	Total
Balances as of January 1st, 2019	15	414,397	94,589	109,595	7,282	-	-	625,863
Net income for the period		-	-	-	-	-	56,525	56,525
Balances as of March 31, 2019		414,397	94,589	109,595	7,282	-	56,525	682,388
Balances as of January 1st, 2020		803,404	94,589	109,595	27,756	-	-	1,035,344
Net income for the period		-	-	-	-	-	84,587	84,587
Balances as of March 31, 2020		803,404	94,589	109,595	27,756	-	84,587	1,119,931

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

Ferropport Logística Comercial Exportadora S.A.

Condensed statements of cash flows

Three-month period ended March 31, 2020 and 2019

(In thousands of Reais)

	Parent Company		Consolidated	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Operating activities				
Net income before income taxes	131,472	100,890	131,483	100,917
Adjustments to reconcile income before taxes and net cash provided by operating activities:				
Depreciation and amortization	13,702	12,344	13,702	12,344
Monetary variation and interest	18,209	30,923	18,209	30,923
Tax Provision	1,264	-	1,264	-
Amortization of insurance	1,073	1,106	1,073	1,109
Provision for bonus	2,268	2,192	2,270	2,192
Provision (reversal) for legal proceeding	806	(1,208)	806	(1,208)
Deferred revenue amortization	(549)	(549)	(549)	(549)
Equity pickup	71	(75)	-	-
Provision (reversal) for expected credit losses	(12)	(249)	(12)	(249)
	168,304	145,374	168,246	145,479
(Increase) decrease of assets and increase (decrease) of liabilities:				
Account receivable from related parties	50,188	(33,702)	50,192	(33,603)
Inventories	(91)	(46)	(91)	(46)
Recoverable taxes	(6,121)	630	(6,162)	630
Prepaid expenses	(7)	-	(5)	(13)
Trade accounts payable	374	(7,106)	374	(27,207)
Taxes payable	(11,453)	7,046	(11,492)	7,014
Payroll and related charges	166	439	163	439
Accounts payable to related parties	-	(3,045)	-	(3,045)
Taxes payable related to intercompany loans	(8,694)	(6,444)	(8,694)	(6,444)
Interest paid	(49,264)	(36,516)	(49,264)	(36,516)
Interest on leases	(128)	87	(128)	87
Other	(323)	(599)	(323)	(599)
Net cash flows generated by operating activities	142,951	46,004	142,816	46,176
Investing activities				
Acquisition of intangible assets	(29)	(30)	(29)	(30)
Acquisition of property, plant and equipment	(5,431)	(2,222)	(5,431)	17,892
Net cash flows used in investing activities	(5,460)	(2,252)	(5,460)	17,862
Financing activities				
Intercompany loans settled	(39,273)	-	(39,273)	-
Lease payments	(380)	(489)	(380)	(489)
Net cash flows used in financing activities	(39,653)	(489)	(39,653)	(489)
Increase in cash and cash equivalents	97,838	63,377	97,703	63,549
Cash and cash equivalents				
At beginning of the period	38,600	31,655	39,327	31,925
At end of the period	136,438	95,032	137,030	95,474
Increase in cash and cash equivalents	97,838	63,377	97,703	63,549

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 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 in the Açú Port which is responsible for iron ore processing, handling, and storage, and an offshore structure comprising an access bridge, access canal, breakwater and two berths for iron ore loading. The development of the project was established by the Framework Agreement and Asset Allocation Agreement (“Agreement”) which sets forth the operating and commercial relations between the Company, Prumo Participações e Investimentos S,A, (“Prumopar”), Prumo’s subsidiary Açú Petróleo S,A, (“ Açú Petróleo”) and Anglo American Minério de Ferro do Brasil S,A, (“AAMFB”).

In 2020, The Company performed 13 operations (unreviewed) in 31 vessels (unreviewed), loading 2.16 millions metric tons (unreviewed) of oil transshipment. Since the beginning of operations in August, 2016, they carried out 115 operations (unaudited) in 265 Suezmax and VLCC vessels (unaudited).

In 2020, the Company loaded 6.1 million tons (unreviewed) of iron ore in 41 vessels (unreviewed) (23 million tons (unaudited) in 137 vessels (unaudited) during 2019). Since the beginning of operations in October 2014, the Company loaded 73.8 million tons (unaudited) of iron ore, reaching a mark of 428 vessels (unaudited) berthing at the port.

On December 9, 2019, Ferroport and Shareholders' agreed to enter into an agreement to definitively and irrevocably resolve all complaints and defenses made in relation to the Disputes and to irrevocably finalize the Arbitrations, without award on their merits, in amount of 60 millions dollars. This amount was received in April 20, 2020.

1.1 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).	September 02, 2015	December 22, 2023
License renewed for another 6 Years through AVB003584.		
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 Açú iron ore terminal LI no.IN 047638.	December 13, 2018	December 13, 2020

3 Basis of preparation and presentation of the condensed interim financial information and summary of significant accounting practices

a. Statement of compliance

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

The condensed consolidated and individual interim financial information do 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, 2019, prepared in accordance with Brazilian reporting standards, including the provisions of Brazilian corporation law and the reporting standards and procedures issued by the CPC.

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, 2019 and concluded on March 27, 2019. The accounting polices, accounting estimates and judgements, risk management and measurement methods are the same as those applied when preparing the last annual financial statements, except for the critical judgements and estimates made in determining the financial impacts arising from the Covid 19.

The Company’s Directors authorized the conclusion of these condensed interim financial information on May 04, 2020.

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. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

d. New standards and interpretations effective as January 01, 2020

The main standards issued by the IASB, which came into force on January 1, 2020, are shown in the table below:

Standard	Description
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.
Interest Rate Benchmark Reform – Amendments to IFRS 9, IFRS 7 e IAS 39	Change the IFRS 9- <i>Financial Instruments</i> , IFRS 7- <i>Financial Instruments: Disclosures</i> e IAS 39- <i>Financial instruments: recognition and measurement</i> , 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 <i>Financial Stability Board (FSB)</i> .
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 to IAS 1 - <i>Presentation of Financial Statements</i> e IAS 8 - <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> .

After analysis, the Company does not estimate a relevant impact of the initial application of the standards mentioned above on its interim financial information.

4 Cash and cash equivalents

	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Cash and banks	194	185	241	701
Cash equivalents				
Investment funds	-	23,393	-	23,604
Bank deposit certificate (CDB)	136,244	15,022	136,789	15,022
	136,438	38,600	137,030	39,327

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 100,65% of Interbank Deposit (DI) rate in first quarter of 2020. The portfolio currently consist of deposits certificates issued by Santander and Banco ABC.

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, 2019	Additional amount/offset (liability) recorded	March 31, 2020
Assets			
Tax loss carryforwards	36,428	(10,232)	26,196
Temporary differences:	-	-	-
Provisions of bonus, contingencies and others			
Difference between tax basis and book value - deferred assets	19,866	(2,528)	17,338
ISS on the basis of Pis and Cofins	-	590	590
Total deferred income taxes assets	56,294	(12,170)	44,124
Liabilities			
Difference between tax basis and book value of depreciation rates	(60,980)	(3,298)	(64,278)
Temporary differences:			
Capitalized interests	(51,154)	(5,674)	(56,828)
Judicial deposits	(1,739)	91	(1,648)
Total deferred income taxes liabilities	(113,873)	(8,881)	(122,754)
Net effect	(57,579)	(21,051)	(78,630)

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 March 31, 2020 and 2019, are as follows:

Income Tax and Social Contribution	Parent Company		Consolidated	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Income before income taxes	131,472	100,890	131,483	100,918
Income tax at the nominal rate 34%	(44,700)	(34,303)	(44,704)	(34,303)
Tax rate effect on presumed profit	-	-	(11)	(28)
Tax adjustments:				
Current income tax and social contribution for 2019	945	-	945	-
Tax debt regularization - Government program	-	3,320	-	3,320
Deferred - Provision and reversal provision	(4,661)	(14,660)	(4,661)	(14,660)
Deferred - Tax loss	1,263	-	1,263	-
Other	268	1,277	272	1,277
Total	(46,885)	(44,366)	(46,896)	(44,394)
Current income and social contribution tax	(25,833)	(11,558)	(25,844)	(11,586)
Deferred income and social contribution tax	(21,052)	(32,808)	(21,052)	(32,808)
Total income and social contribution tax	(46,885)	(44,366)	(46,896)	(44,394)
Effective rate	36%	44%	36%	44%

6 Recoverable taxes

	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Income tax - Anticipation	21,211	49,969	21,211	49,969
Social contribution - Anticipation	7,534	17,153	7,534	17,153
PIS and COFINS	4,416	8,009	4,432	8,009
INSS	-	-	59	54
ISS	48	47	48	68
Subtotal recoverable taxes	33,209	75,178	33,284	75,253
Income tax	3	784	38	784
Social contribution	-	3	6	3
Total income taxes and social contribution recoverable	3	787	44	787
Total	33,212	75,965	33,328	76,040
Current	33,212	75,965	33,328	76,040
Non current	-	-	-	-

7 Judicial deposits

	Parent Company and Consolidated	
	March 31, 2020	December 31, 2019
Income tax and social contribution (a)	35,623	35,453
Other	1,771	1,759
	37,394	37,212

- (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\$35,623). Ferroport obtained an unfavorable decision and is awaiting decision on its appeal. The amount deposited is fully reserved under “Taxes payable”.

8 Investments in subsidiary

The investments in subsidiary are as follow:

a. Movement of participation in subsidiary

	December 31, 2019	Addition	Equity	March 31, 2020
Ferroport Serviços EIRELLI (a)	845	-	(71)	774

- (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	892	(118)	(774)	100	(71)

9 Right-of-use assets / Lease Liabilities

The table below shows the contracts within the scope of IFRS 16, segregated by supplier, with their respective contractual terms and rates applied, as of march 31, 2020:

Suppliers	Assets	Right of use assets	Lease Liabilities	Months	Interest rates
Localiza	Vehicles	1,400	1,472	38	1.0280%
Transbarra	Machinery and equipment	2,183	2,245	36	0.9902%
Ormec	Machinery and equipment	72	77	22	0.9902%
Solaris	Machinery and equipment	202	215	36	0.9902%
		3,857	4,009	-	-

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 March 31, 2019 and 2020, are as follows:

Lease Assets	January 01, 2019	(-) Depreciation	March 31, 2019
Right of use - Vehicles	2,128	(31)	2,097
Right of use - Machinery and equipment	839	(408)	431
	<u>2,967</u>	<u>(439)</u>	<u>2,528</u>

Lease Assets	December 31, 2019	(-) Depreciation	March 31, 2020
Right of use - Vehicles	1,688	(150)	1,538
Right of use - Machinery and equipment	2,595	(276)	2,319
	<u>4,283</u>	<u>(426)</u>	<u>3,857</u>

Lease Liabilities	January 01, 2019	Transfer	Interest	Payments	March 31, 2019
Current	1,047	489	86	(489)	1,133
Non current	1,920	(489)	-	-	1,431
	<u>2,967</u>	<u>-</u>	<u>86</u>	<u>(489)</u>	<u>2,564</u>

Lease Liabilities	December 31, 2019	Transfer	Interest	Payments	March 31, 2020
Current	1,569	393	128	(508)	1,582
Non current	2,820	(393)	-	-	2,427
	<u>4,389</u>	<u>-</u>	<u>128</u>	<u>(508)</u>	<u>4,009</u>

Payments	<u>March 31, 2019</u>			<u>March 31, 2020</u>		
	Fixed (Lease)	Variable (Cost)	Total	Fixed (Lease)	Variable (Cost)	Total
Vehicles	(68)	(11)	(79)	(182)	-	(182)
Machinery and equipment	(421)	(61)	(482)	(326)	-	(326)
	<u>(489)</u>	<u>(72)</u>	<u>(561)</u>	<u>(508)</u>	<u>-</u>	<u>(508)</u>

The table below describe the maturity terms of the lease liabilities, considering the future cash flows of principal and interest payments according to the contractual forecast, with position as of March 31, 2020:

	Maturity				Total
	up to 6 months	From 6 to 12 months	From 1 to 2 years	Above 2 years	
Lease Liabilities	796	786	1,686	741	4,009

10 Property, plant and equipment

Parent Company and Consolidated	Annual depreciation rate %	Cost at March 31, 2020	Accumulated depreciation	Net balance at March 31, 2020	Net balance at December 31, 2019
Improvements	4	66,220	(65,103)	1,117	1,131
Furniture and fixtures	10	973	(493)	480	251
Vehicles	20 and 25	1,332	(978)	354	375
IT equipment	20	8,781	(3,447)	5,334	5,463
Machinery and equipment	10, 20 and 50	13,222	(4,564)	8,658	8,148
Electronic equipment	20	800	(402)	398	408
Defenses	10	4,031	(2,026)	2,005	2,102
Breakwater	2.22	852,756	(100,106)	752,650	756,940
Maritime access canal	2.22	451,796	(39,420)	412,376	414,057
Pier - Port Terminal	2.22	828,852	(71,619)	757,233	761,940
Safety equipment	10	20,114	(7,168)	12,946	13,325
Operational tools and equipment	5 and 20	17,899	-	17,899	16,648
Construction in progress	-	113,536	-	113,536	109,382
Other equipments	-	17,520	(12,570)	4,950	5,718
	-	2,397,832	(307,896)	2,089,936	2,095,888

Changes in property, plant and equipment

Parent Company and Consolidated	Annual depreciation rate %	December 31, 2019	Additions	March 31, 2020
Cost				
Improvements	4	66,220	-	66,220
Furniture and fixtures	10	731	242	973
Vehicles	20	1,332	-	1,332
IT equipment	20	8,685	96	8,781
Machinery and equipment	10	12,422	800	13,222
Electronic equipment	20	782	18	800
Defenses	10	4,031	-	4,031
Breakwater	2.22	852,373	383	852,756
Maritime access canal	2.22	451,796	-	451,796
Pier - Port Terminal	2.22	828,852	-	828,852
Safety equipment	10	20,114	-	20,114
Operational tools and equipment	10 and 5	16,648	1,251	17,899
Construction work in progress	-	109,382	4,154	113,536
Others equipments	-	17,520	-	17,520
	-	2,390,888	6,944	2,397,832

Parent Company and Consolidated				
Parent Company and Consolidated Depreciation	Annual depreciation rate %	December 31, 2019	Additions	March 31, 2020
Improvements		(65,089)	(14)	(65,103)
Furniture and fixtures	4	(479)	(14)	(493)
Vehicles	10	(957)	(21)	(978)
IT equipment	20	(3,222)	(225)	(3,447)
Machinery and equipment	20	(4,274)	(290)	(4,564)
Electronic equipment	10	(374)	(28)	(402)
Defenses	20	(1,929)	(97)	(2,026)
Breakwater	10	(95,433)	(4,673)	(100,106)
Maritime access canal	2.22	(37,739)	(1,681)	(39,420)
Pier - Port Terminal	2.22	(66,912)	(4,707)	(71,619)
Safety equipment	2.22	(6,789)	(379)	(7,168)
Others equipments	10	(11,803)	(767)	(12,570)
		10 and 5	(295,000)	(12,896)
		-	2,095,888	(5,952)
Property and equipment, net				2,089,936

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, 2019	Additions	March 31, 2020
Cost				
Right-of-way (a)	3 years	5,528	-	5,528
Software use license	5 years	11,063	29	11,092
Total Cost		16,591	29	16,620
Amortization				
Right-of-way	3 years	(5,528)	-	(5,528)
Software use license	5 years	(10,380)	(216)	(10,596)
Total Amortization		(15,908)	(216)	(16,124)
		683	(187)	496

- (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	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Assets				
Assets to be transferred to AAMFB (a)	210,102	210,102	210,102	210,102
Accounts receivable from AAMFB (b)	322,017	369,229	322,017	369,229
Accounts receivable from Açú Petr�leo (c)	1,235	4,211	1,312	4,389
	533,354	583,542	533,431	583,720
Credit Note				
AAMFB	692	469	692	469
Açú Petr�leo	337	199	337	199
Ferroport Serviç�s	107	97	-	-
Current	323,252	373,440	323,329	373,521
Noncurrent	210,102	210,102	210,102	210,102
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Liabilities				
Advances of the asset allocation				
AAMFB (a)	210,102	210,102	210,102	210,102
Intercompany loans				
Prumo Participaç�es e Investimentos	607,194	646,433	607,194	646,433
Withholding income tax on loan	41,457	47,438	41,457	47,438
Anglo American Capital London	521,024	554,944	521,024	554,944
	1,379,777	1,458,917	1,379,777	1,458,917
Deferred revenue				
Deferred revenue with related party (d)	50,093	50,641	50,093	50,641
Current	138,250	137,000	138,250	137,000
Noncurrent	1,241,527	1,321,916	1,241,527	1,321,916

- (a) This refers to the divisible assets will be transferred to AAMFB, according to the Agreement..
- (b) Receivables from the take-or-pay agreement with AAMFB, as well the amount of the R\$ 241,806 referring to the agreement signed in December 09, 2019, between Ferroport and its shareholders to finalize the arbitration.
- (c) Receivables from the Port Access agreement related to T-Oil operations.
- (d) In January 2008, an agreement was entered into with Porto do Açú for granting the right of accessing the port facilities to load and unload ships, This contract, amounting to R\$ 62,159, is effective for 35 years, renewable for another 35 years, and was fully paid as of December 31, 2009, The revenue will be recognized over the contract term. After the start-up of operation in October 2014, this amount started to be monthly recognized as other revenues.

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		Consolidated	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Revenue				
AAMFB - take-or-pay agreement	191,656	158,792	191,656	158,792
Açu Petróleo	8,201	7,501	8,201	7,501
Ferroport Serviços	113	280	-	-
Expenses/Costs				
Anglo American	(92)	(6,748)	(92)	(6,748)
Financial expenses				
Interest on loans				
Prumo Participações e Investimentos	(9,382)	(15,881)	(9,382)	(15,881)
Anglo American Capital London	(8,710)	(15,056)	(8,710)	(15,056)
	<u>181,786</u>	<u>128,888</u>	<u>181,673</u>	<u>128,608</u>

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

	Liabilities
	Intercompany loans
(In thousands os Reais)	
Opening balances on January 1, 2020	1,411,479
Variations in cash	
Interest paid	(49,264)
Intercompany loans settled	<u>(39,273)</u>
Total variations in financing cash flows	<u>(88,537)</u>
Other variations	
Related liabilities	
Income tax on intercompany loans	(2,714)
Interest expense	<u>18,092</u>
Total other variations related liabilities	<u>15,378</u>
Closing balances on March 31, 2020	<u>1,338,320</u>

	March 31, 2020	March 31, 2019
Key management compensation was as follows:		
Payroll and related charges	948	842

13 Taxes payable

	Parent Company		Consolidated	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
PIS and COFINS	30,832	29,065	30,831	29,065
ISS	79	139	79	139
ICMS	8,461	7,510	8,461	7,510
Income tax and social contribution (*)	112,078	147,590	112,089	147,630
Other	790	835	790	834
	152,240	185,138	152,250	185,178
Current	106,523	140,858	106,533	140,897
Noncurrent (*)	45,717	44,282	45,717	44,282

(*) This refers to the judicial deposit for income tax and social contribution described in Note 7.

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:

Probable:	March 31, 2020	December 31, 2019
Labor claims	5,944	5,465
Tax claims	-	-
Civil claims (a)	<u>13,049</u>	<u>12,721</u>
	<u>18,993</u>	<u>18,186</u>

(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

Possible:	December 31, 2019	Additions	March 31, 2020
Labor claims	5,465	479	5,944
Tax claims	-	-	-
Civil claims	<u>12,721</u>	<u>328</u>	<u>13,049</u>
	<u>18,186</u>	<u>807</u>	<u>18,993</u>

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

	March 31, 2020	December 31, 2019
Labor claims	2,514	2,876
Tax claims	3,686	3,673
Civil claims ^(a)	<u>206,950</u>	<u>201,747</u>
	<u>213,150</u>	<u>208,296</u>

- (a) Impacted mainly by ARG/Civilport litigation in the amount of R\$ 162,795 (R\$ 158,701 in December 31, 2019) and Arcoenge R\$ 42,601 (R\$ 41,529 in December 31, 2019). The claims are due to breach of the contract (Lump Sum and Turn Key contracts) and the costs related to decommissioning.

15 Shareholders' equity

Capital

The Company's shareholding structure at March 31, 2020 and December 31, 2019, is as follows:

Shareholders	Number of shares	%
Prumo Participações e Investimentos S.A	875,617	50
Anglo American Investimentos - Minério de Ferro Ltda.	<u>875,617</u>	<u>50</u>
	<u>1,751,234</u>	<u>100</u>

Reserves

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

Dividends

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

16 Net revenue from services

	<u>Parent Company</u>		<u>Consolidated</u>	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Gross revenue	224,893	186,321	225,013	186,620
Taxes on gross revenue - PIS/COFINS	(21,062)	(17,306)	(21,066)	(17,317)
Tax on services - ISS	<u>(4,471)</u>	<u>(3,726)</u>	<u>(4,474)</u>	<u>(3,734)</u>
Net revenue from services	<u>199,360</u>	<u>165,289</u>	<u>199,473</u>	<u>165,569</u>

	Parent Company		Consolidated	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Shipment of iron ore (Take or Pay)	215,788	178,450	215,787	178,450
Oil transshipment (T-Oil)	9,105	7,871	9,105	7,871
Port services	-	-	121	299
	224,893	186,321	225,013	186,620

17 Costs of services

	Parent Company		Consolidated	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Payroll and related charges	(10,449)	(9,602)	(10,617)	(9,720)
Depreciation and amortization	(11,594)	(10,314)	(11,594)	(10,314)
Third-parties services	(5,849)	(3,613)	(5,849)	(3,613)
Leases and rents	(718)	(627)	(719)	(632)
Insurance	(1,012)	(934)	(1,012)	(934)
Consumables spare parts	(11,363)	(10,576)	(11,364)	(10,579)
Environmental expenses	(630)	(594)	(630)	(594)
Depreciation of rights of use assets	(395)	(408)	(395)	(408)
Other	(520)	(724)	(520)	(721)
	(42,530)	(37,392)	(42,701)	(37,515)

18 General and administrative expenses

	Parent Company		Consolidated	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Payroll and related charges	(3,400)	(3,059)	(3,407)	(3,103)
Third party services	(4,374)	(1,515)	(4,374)	(1,515)
Depreciation and amortization	(1,682)	(1,592)	(1,682)	(1,592)
Insurance	(19)	(21)	(21)	(25)
Travel expenses	(79)	(67)	(79)	(67)
Leases and rents	(122)	(54)	(122)	(54)
Depreciation of rights of use assets	(31)	(31)	(31)	(31)
Contingencies	(807)	(11)	(807)	(11)
Other	(337)	(358)	(337)	(365)
	(10,851)	(6,708)	(10,860)	(6,763)

19 Other operating income (expenses)

	Parent Company		Consolidated	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Non-consumed electric energy (a)	2,096	4,928	2,096	4,928
Deferred revenue - right of use	498	498	498	498
	<u>2,594</u>	<u>5,426</u>	<u>2,594</u>	<u>5,426</u>

20 Financial income (expenses)

	Parent Company		Consolidated	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Financial expenses				
Tax on financial transactions (IOF)	(44)	(14)	(45)	(14)
Interest - intercompany loan	(18,092)	(30,937)	(18,092)	(30,937)
Interest on leases	(128)	(86)	(128)	(86)
Other	(253)	(48)	(253)	(48)
	<u>(18,517)</u>	<u>(31,085)</u>	<u>(18,518)</u>	<u>(31,085)</u>
Financial income				
Reversal interest on tax debt regularization - Government program	-	4,009	-	4,009
Interest income	1,475	1,029	1,483	1,031
	<u>1,475</u>	<u>5,038</u>	<u>1,483</u>	<u>5,040</u>
Financial results, net	<u>(17,042)</u>	<u>(26,047)</u>	<u>(17,035)</u>	<u>(26,045)</u>

21 Commitments

The Company undertook future purchase commitments amounting to R\$ 185,091 at 31 March 2020 (R\$ 162,229 on December 31, 2019) and these should be fulfilled in the course of the operations. There were no significant changes on commitments from March, 2020 to December, 2019.

Area	March 31, 2020	December 31, 2019
Operation	65,048	62,080
Sustainability	16,538	16,990
Administrative	32,859	29,314
Maintenance	47,042	20,576
Legal	12,138	12,047
HR	10,949	13,200
Others	517	8,022
Total	185,091	162,229

22 Financial instruments

The Company is engaged in transactions involving financial instruments managed through operational strategies and internal control intended for liquidity, profitability and protection. Control policy consists of permanent monitoring of contracted rates versus market rates in effect. In March 2020 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 March 31, 2020 and December 31, 2019 are as follows:

Classifications	Parent Company					
	March 31, 2020			December 31, 2019		
	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	136,438	Amortized cost	-	38,600	Amortized cost	-
Accounts receivable related parties	323,252	Amortized cost	-	373,440	Amortized cost	-
Liabilities						
Other financial liabilities						
Trade accounts payable	24,783	Amortized cost	2	22,884	Amortized cost	2
Related parties loans	1,379,777	Amortized cost	2	1,458,916	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.

Classifications	Consolidated					
	March 31, 2020			December 31, 2019		
	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	137,030	Amortized cost	-	38,600	Amortized cost	-
Accounts receivable related parties	323,329	Amortized cost	-	373,521	Amortized cost	-
Liabilities						
Other financial liabilities						
Trade accounts payable	24,784	Amortized cost	2	22,284	Amortized cost	2
Related parties loans	1,379,777	Amortized cost	2	1,458,916	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	Parent Company and Consolidated			
	March 31, 2020		December 31, 2019	
	R\$	USD	R\$	USD
Accounts receivable (Related parties)	323,329	63,522	373,521	92,685
Net exposure of the balance sheet	323,329	63,522	373,521	92,685

Liquidity risk

The table below provides the Company's main financial liabilities at March 31, 2020. 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	-	24,783	-	-	24,783
Related parties - loans	210,102	385,734	196,597	549,019	1,341,452
Total by maturity range	210,102	410,517	196,597	549,019	1,366,235

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 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 default risk associated with the industry in which customes operate.

The Company held cash and cash equivalents of R\$ 137,030 thousand at March 31, 2020 (R\$ 39,327 thousand at December 31, 2019). 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	March 31, 2020	December 31, 2019
Cash equivalents	137,030	39,327
Accounts receivable (Related parties)	<u>323,329</u>	<u>373,521</u>
	<u>460,359</u>	<u>412,848</u>

For the period ended on March 31, 2020 and December 31, 2019, the Company's service revenue is entirely related to services provided to the related parties and cash and banks and cash equivalents are invested in banks with at least A- rating.

Capital Management

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

23 Insurance coverage

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

As of March 31, 2020 and December 31, 2019, the insurance coverage was as follows:

	March 31, 2020	December 31, 2019
Property and equipment damages	2,430,200	2,430,200
Civil liability	259,935	201,535
Environmental Liability	30,000	30,000
Directors & Management	60,000	60,000

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 increased 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. Although the situation in Brazil should be complicated in the coming weeks, we believe that a complete blocking of port activity in São João da Barra or mining in Conceição do Mato Dentro, in Minas Gerais, is unlikely. Therefore, we concluded that the coronavirus is likely to have a low impact on Ferroport operations, with no relevant effects on the Financial Statements as of March 31, 2020. The Company strictly follows the guidelines of the World Health Organization (WHO), and follow adopting measures to mitigate the risks, like as allow only strictly essential people to maintain the continuity operation are accessing Porto do Açú. In addition, in partnership with the cities of Campos dos Goytacazes and São João da Barra, it created a sorting center for vehicles serving the port. If the situation changes drastically, the impacts will be reassessed.

Arbitration

On December 9, 2019, Ferroport and Shareholders' agreed to enter into an agreement to definitively and irrevocably resolve all complaints and defenses made in relation to the Disputes and to irrevocably finalize the Arbitrations, without award on their merits, in amount of 60 millions dollars. This amount was received in April 20, 2020.

* * *

Carsten Bosselmann
Chief Executive Officer

Marcelo Amaral Palladino
Chief Financial Officer

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