

Ferroport Logística
Comercial
Exportadora S.A.

**Condensed interim
financial information
June 30, 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 June 30, 2020, and the related condensed statements of operations and statements of comprehensive income (loss) for the three and six-month periods ended at that date and statements of changes in shareholders' equity and statements of cash flows for the six-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

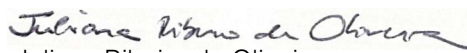
We conducted our review in accordance with Brazilian and International Interim Financial Information Review Standards (NBC TR 2410 - Revisão de Informações Intermediárias Executada pelo Auditor da Entidade and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of 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, as of June 30, 2020, are not prepared, in all material respects, in accordance with CPC 21 (R1) – Interim Financial Reporting.

Rio de Janeiro, August 03, 2020

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


Juliana Ribeiro de Oliveira
CRC RJ-095335/O-0

Ferroport Logística Comercial Exportadora S.A.

Condensed balance sheets

Six-month period ended June 30, 2020 and December 31, 2019

(In thousands of Reais)

	Note	Parent Company		Consolidated	
		June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Assets					
Current assets					
Cash and cash equivalents	4	101,951	38,600	102,611	39,327
Accounts receivable from related parties	12	167,103	373,440	167,076	373,521
Inventories		27,505	25,937	27,505	25,937
Recoverable taxes	6	44,040	75,178	44,124	75,253
Income taxes and social contribution recoverable	6	2	787	49	787
Prepaid expenses		3,711	1,077	3,720	1,080
Other		4,939	1,217	4,938	1,217
Total current assets		349,251	516,236	350,023	517,122
Noncurrent assets					
Judicial deposits	7	37,564	37,212	37,564	37,212
Related parties - asset to be transferred	12	210,102	210,102	210,102	210,102
Investments in subsidiary	8	745	845	-	-
Right of use assets	9	3,562	4,283	3,562	4,283
Property, plant and equipment	10	2,102,344	2,095,888	2,102,344	2,095,888
Intangible assets	11	785	683	785	683
Deferred charges		2,795	3,123	2,795	3,123
Total noncurrent assets		2,357,897	2,352,136	2,357,152	2,351,291
Total assets		2,707,148	2,868,372	2,707,175	2,868,413
Liabilities and equity					
Trade accounts payable					
Trade accounts payable		49,555	22,884	49,569	22,885
Payroll and related charges					
Payroll and related charges		12,155	14,961	12,155	14,962
Taxes payable					
Taxes payable	13	55,262	28,095	55,265	28,095
Lease liabilities					
Lease liabilities	9	1,653	1,569	1,653	1,569
Income taxes and social contribution payable					
Income taxes and social contribution payable	13	59,222	112,763	59,232	112,802
Related parties - loans					
Related parties - loans	12	138,667	137,000	138,667	137,000
Total current liabilities		316,514	317,272	316,541	317,313
Noncurrent liabilities					
Income taxes and social contribution payable					
Income taxes and social contribution payable	13	35,771	35,454	35,771	35,454
Lease liabilities					
Lease liabilities	9	2,093	2,820	2,093	2,820
Deferred income tax and social contribution					
Deferred income tax and social contribution	5	111,128	57,579	111,128	57,579
Related parties - accounts payable					
Related parties - accounts payable	12	210,102	210,102	210,102	210,102
Related parties - loans					
Related parties - loans	12	655,715	1,111,814	655,715	1,111,814
Deferred revenue with related party					
Deferred revenue with related party	12	49,544	50,641	49,544	50,641
Provision for contingencies					
Provision for contingencies	14	19,545	18,186	19,545	18,186
Taxes payable					
Taxes payable	13	11,510	8,828	11,510	8,828
Other					
Other		19,639	20,332	19,639	20,332
Total noncurrent liabilities		1,115,048	1,515,756	1,115,048	1,515,756
Shareholders' equity					
Capital					
Capital	15	803,404	803,404	803,404	803,404
Capital reserve					
Capital reserve		94,589	94,589	94,589	94,589
Contingencies reserve					
Contingencies reserve		109,595	109,595	109,595	109,595
Legal reserve					
Legal reserve		27,756	27,756	27,756	27,756
Acumulated Profit					
Acumulated Profit		240,242	-	240,242	-
Total shareholders' equity		1,275,586	1,035,344	1,275,586	1,035,344
Total liabilities and shareholders' equity		2,707,148	2,868,372	2,707,175	2,868,413

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

Ferroport Logística Comercial Exportadora S.A.

Statements of income

Three and six-month period ended June 30, 2020 and 2019

(In thousands of Reais)

		Parent Company			
		Three month period ended		Six month period ended	
Note		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	Net revenue of services	234,765	167,777	434,125	333,065
	Costs of services	(51,161)	(38,420)	(93,691)	(75,812)
	Gross profit	183,604	129,357	340,434	257,253
	Operating income (expenses)				
	General and administrative expenses	(8,340)	(10,213)	(19,191)	(16,922)
	Expected Credit Loss	141	798	153	1,047
	Other operating income (expenses), net	1,822	2,121	4,416	7,547
		(6,377)	(7,294)	(14,622)	(8,328)
	Income before financial income (expenses) and taxes	177,227	122,063	325,812	248,925
	Results in equity income (loss), net	(29)	36	(100)	110
	Financial income (expenses)				
	Financial income	71,471	1,057	73,053	6,117
	Financial expenses	(12,587)	(30,314)	(31,211)	(61,420)
	Net income before income taxes	236,082	92,842	367,554	193,732
	Income and social contribution taxes				
	Current	(47,929)	(11,460)	(73,762)	(23,018)
	Deferred	(32,498)	(19,906)	(53,550)	(52,713)
	Total income and social contribution taxes				
	Net income for the period	155,655	61,476	240,242	118,001

Ferropport Logística Comercial Exportadora S.A.

Statements of income

Three and six-month period ended June 30, 2020 and 2019

(In thousands of Reais)

	Note	Consolidated			
		Three month period ended		Six month period ended	
		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Net revenue of services	16	234,879	168,058	434,352	333,626
Costs of services	17	(51,266)	(38,628)	(93,967)	(76,146)
Gross profit		183,613	129,430	340,385	257,480
Operating income (expenses)					
General and administrative expenses	18	(8,344)	(10,224)	(19,204)	(16,987)
Expected Credit Loss	19	141	798	153	1,047
Other operating income (expenses), net	19	1,822	2,121	4,416	7,547
		(6,381)	(7,305)	(14,635)	(8,393)
Income before financial income (expenses) and taxes		177,232	122,125	325,750	249,087
Financial income (expenses)					
Financial income	20	71,471	1,258	72,954	6,122
Financial expenses	20	(12,612)	(30,514)	(31,130)	(61,422)
Net income before income taxes		236,091	92,869	367,574	193,787
Income and social contribution taxes					
Current	5	(47,938)	(11,487)	(73,782)	(23,073)
Deferred	5	(32,498)	(19,906)	(53,550)	(52,713)
Total income and social contribution taxes					
Net income for the period		155,655	61,476	240,242	118,001

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

Ferroport Logística Comercial Exportadora S.A.

Condensed statements of comprehensive income

Three and six-month period ended June 30, 2020 and 2019

(In thousands of Reais)

	Parent Company and Consolidated			
	Three month period ended		Six month period ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Net income for the period	155,655	61,476	240,242	118,001
Total comprehensive income for the period	155,655	61,476	240,242	118,001

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

Ferroport Logística Comercial Exportadora S.A.

Condensed statements of changes in shareholders' equity

Six-month period ended on June 30, 2020 and 2019

(In thousands of Reais)

	Parent Company and Consolidated						
	Note	Share capital	Capital reserve	Contingencies reserve	Legal reserve	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		-	-	-	-	118,001	118,001
Balances as of June 30, 2019		414,397	94,589	109,595	7,282	118,001	743,864
Balances as of January 1st, 2020		803,404	94,589	109,595	27,756	-	1,035,344
Net income for the period		-	-	-	-	240,242	240,242
Balances as of June 30, 2020		803,404	94,589	109,595	27,755	240,242	1,275,586

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

Ferropport Logística Comercial Exportadora S.A.

Condensed statements of cash flows

Six-month period ended June 30, 2020 and 2019

(In thousands of Reais)

	Parent Company		Consolidated	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Operating activities				
Net income before income taxes	367,554	193,732	367,574	193,787
Adjustments to reconcile income before taxes and net cash provided by operating activities:				
Depreciation and amortization	27,571	24,655	27,571	24,655
Monetary variation and interest	29,835	60,971	29,835	60,971
Tax Provision	2,682	6,306	2,682	6,306
Amortization of insurance	2,354	2,144	2,360	2,151
Provision for bonus	2,204	2,790	2,207	2,838
Provision for legal proceeding	1,359	360	1,359	360
Deferred revenue amortization	(1,097)	(1,097)	(1,097)	(1,097)
Equity pickup	100	(111)	-	-
Provision (reversal) for expected credit losses	(153)	(1,047)	(153)	(1,047)
	432,408	288,703	432,338	288,924
(Increase) decrease of assets and increase (decrease) of liabilities:				
Account receivable from related parties	206,337	(91,343)	206,445	(91,241)
Inventories	(1,171)	9	(1,171)	9
Recoverable taxes	926	399	870	399
Prepaid expenses	(2,178)	(2,835)	(2,190)	(2,848)
Trade accounts payable	7,039	(2,014)	7,051	(2,013)
Taxes payable	(69,538)	7,644	(69,584)	7,585
Payroll and related charges	(5,053)	(5,074)	(5,056)	(5,122)
Accounts payable to related parties	-	(12,315)	-	(12,315)
Taxes payable related to intercompany loans	(38,749)	(24,366)	(38,749)	(24,366)
Interest paid	(219,578)	(138,072)	(219,578)	(138,072)
Interest on leases	(245)	173	(245)	173
Other	(4,216)	843	(4,216)	842
	305,982	21,752	305,915	21,955
Net cash flows generated by operating activities				
Investing activities				
Acquisition of intangible assets	(527)	(55)	(527)	(55)
Acquisition of property, plant and equipment	(15,615)	(8,175)	(15,615)	(8,175)
	(16,142)	(8,230)	(16,142)	(8,230)
Net cash flows used in investing activities				
Financing activities				
Intercompany loans settled	(225,711)	(12,105)	(225,711)	(12,105)
Lease payments	(778)	(1,004)	(778)	(1,004)
	(226,489)	(13,109)	(226,489)	(13,109)
Net cash flows used in financing activities				
	63,351	413	63,284	616
Increase in cash and cash equivalents				
Cash and cash equivalents				
At beginning of the period	38,600	31,655	39,327	31,925
At end of the period	101,951	32,068	102,611	32,541
	63,351	413	63,284	616
Increase in cash and cash equivalents				

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 loaded 12.6 million tons (unreviewed) of iron ore in 80 vessels (unreviewed) (23 million tons (unaudited) in 137 vessels (unaudited) during 2019). Since the beginning of operations in October 2014, the Company loaded 80.3 million tons (unaudited) of iron ore, reaching a mark of 508 vessels (unaudited) berthing at the port.

In 2020, the Açú Petróleo S.A. performed 35 operations (unreviewed) in 82 vessels (unreviewed), loading 6.08 millions metric tons (unreviewed) of oil transshipment. Since the beginning of operations in August, 2016, they carried out 137 operations (unaudited) in 316 Suezmax and VLCC vessels (unaudited). According to the port access contract, Ferroport receives monthly variable fees from Açú Petróleo, due to the use of the area to provide the service.

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, as mentioned in note 12.

On January 31, 2020, the World Health Organization (WHO) announced that the coronavirus (COVID-19) is a global health emergency, since then the Company and its shareholders have been taking all security measures aimed at the well-being of employees and the continuity of operations, daily monitoring the evolution of the COVID-19 scenarios in the regions of São João da Barra and Campos dos Goytacazes, without any impact on Ferroport operations.

The main preventive measures adopted were: Institution of crisis committee, home office for employees, suspension travel and events, enhanced hygiene on buses, administrative buildings and cafeteria, checkpoint for inspection of hygiene in vehicles, temperature measurement of employees, distribution of masks for employees and third parties, testing of employees and third parties.

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 N° 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 - BaixoParafba 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 Açu 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, 2020. The accounting policies, 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 August 03, 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.

4 Cash and cash equivalents

	Parent Company		Consolidated	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Cash and banks	382	185	624	701
Cash equivalents				
Investment funds	-	23,393	-	23,604
Bank deposit certificate (CDB)	101,569	15,022	101,987	15,022
	101,951	38,600	102,611	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 100,89% of Interbank Deposit (DI) rate in second 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:

	<u>Parent Company and Consolidated</u>		
	December 31, 2019	Additional amount/offset (liability) recorded	June 30, 2020
Assets			
Tax loss carryforwards	36,428	(30,788)	5,640
Temporary differences:			
Provisions of bonus, contingencies and others			
Difference between tax basis and book value - deferred assets	19,866	(5,753)	14,113
ISS on the basis of Pis and Cofins	-	751	751
Total deferred income taxes assets	<u>56,294</u>	<u>(35,790)</u>	<u>20,504</u>
Liabilities			
Difference between tax basis and book value of depreciation rates	(60,980)	(6,595)	(67,575)
Temporary differences:			
Capitalized interests	(51,154)	(11,347)	(62,501)
Judicial deposits	(1,739)	183	(1,556)
Total deferred income taxes liabilities	<u>(113,873)</u>	<u>(17,759)</u>	<u>(131,632)</u>
Net effect	<u>(57,579)</u>	<u>(53,549)</u>	<u>(111,128)</u>

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

The reconciliation of the reported income tax and social contribution and the amount determined by applying the nominal rate for the periods ended June 30, 2020 and 2019, are as follows:

Income Tax and Social Contribution	<u>Parent Company</u>			
	<u>Three month period ended</u>		<u>Six month period ended</u>	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Income before income taxes	236,082	92,842	367,554	193,732
Income tax at the nominal rate 34%	(80,268)	(31,566)	(124,968)	(65,869)
Tax adjustments:				
Tax debt regularization - Government program	-	-	-	3,320
Deffered - Provision and reversal provision	-	-	(4,661)	(14,660)
Deffered – Tax loss adjustment	-	-	1,263	-
Other	(159)	201	1,054	1,478
Total	<u>(80,427)</u>	<u>(31,365)</u>	<u>(127,312)</u>	<u>(75,731)</u>
Current income and social contribution tax	(47,929)	(11,460)	(73,762)	(23,018)
Deffered income and social contribution tax	(32,498)	(19,905)	(53,550)	(52,713)
Total income and social contribution tax	<u>(80,427)</u>	<u>(31,365)</u>	<u>(127,312)</u>	<u>(75,731)</u>
Effective rate	<u>34%</u>	<u>34%</u>	<u>35%</u>	<u>39%</u>

Income Tax and Social Contribution	Consolidated			
	Three month period ended		Six month period ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Income before income taxes	236,091	92,814	367,574	193,732
Income tax at the nominal rate 34%	(80,271)	(31,566)	(124,869)	(65,869)
Tax rate effect on presumed profit	(51)	(27)	(106)	(55)
Tax adjustments:				
Current income tax and social contribution for 2019	-	-	945	-
Tax debt regularization - Government program	-	-	-	3,320
Defferred - Provision and reversal provision	-	-	(4,661)	(14,660)
Defferred – Tax loss	-	-	1,263	-
Other	(114)	201	96	1,478
Total	(80,436)	(31,392)	(127,332)	(75,786)
Current income and social contribution tax	(47,938)	(11,487)	(73,782)	(23,073)
Defferred income and social contribution tax	(32,498)	(19,905)	(53,550)	(52,713)
Total income and social contribution tax	(80,436)	(31,392)	(127,332)	(75,786)
Effective rate	34%	34%	35%	39%

6 Recoverable taxes

	Parent Company		Consolidated	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Income tax - Anticipation	29,419	49,969	29,419	49,969
Social contribution - Anticipation	10,398	17,153	10,398	17,153
PIS and COFINS	4,175	8,009	4,199	8,009
INSS	-	-	60	54
ISS	48	47	48	68
Subtotal recoverable taxes	44,040	75,178	44,124	75,253
Income tax	2	784	40	784
Social contribution	-	3	9	3
Total income taxes and social contribution recoverable	2	787	49	787
Total	44,042	75,965	44,173	76,040
Current	44,042	75,965	44,173	76,040
Non current	-	-	-	-

7 Judicial deposits

	Parent Company and Consolidated	
	June 30, 2020	December 31, 2019
Income tax and social contribution (a)	35.764	35.453
Other	1.800	1.759
	37.564	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\$35,764). 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	June 30, 2020
Ferroport Serviços EIRELLI (a)	845	-	(100)	745

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

b. Relevant information about subsidiary

In December 31, 2019:

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

In June 30, 2020:

Direct subsidiaries	%	Number of shares (thousand)	Asset	Liability	Shareholders equity	Capital	Profit for the period
Ferroport Serviços EIRELI	10	0	842	(97)	(745)	100	(100)

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 June 30, 2020:

Suppliers	Assets	Right of use assets	Lease Liabilities	Months	Interest rates
Localiza	Vehicles	1,380	1,463	38	1,0280%
Transbarra	Machinery and equipment	1,964	2,049	36	0,9902%
Ormec	Machinery and equipment	42	44	22	0,9902%
Solaris	Machinery and equipment	176	190	36	0,9902%
		<u>3,562</u>	<u>3,746</u>		

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

The movements of the right of use assets and lease liabilities, with their respective final balances at June 30, 2020 and 2019, are as follows:

Lease Assets

	January 01, 2019	Additions	(-) Depreciation	June 30, 2019
Right of use - Vehicles	2,128	-	(199)	1,929
Right of use - Machinery and equipment	838	317	(699)	457
	<u>2,966</u>	<u>317</u>	<u>(898)</u>	<u>2,385</u>

Lease Assets

	January 01, 2020	Additions	(-) Depreciation	June 30, 2020
Right of use - Vehicles	1,688	135	(305)	1,518
Right of use - Machinery and equipment	2,595	-	(551)	2,044
	<u>4,283</u>	<u>135</u>	<u>(856)</u>	<u>3,562</u>

Lease Liabilities

	January 01, 2019	Additions	Transfer	Interest	Payments	June 30, 2019
Current	1,047	93	702	173	(1,004)	1,011
Non current	1,919	224	(702)	-	-	1,441
	<u>2,966</u>	<u>317</u>	<u>-</u>	<u>173</u>	<u>(1,004)</u>	<u>2,452</u>

Lease Liabilities

	January 01, 2020	Additions	Transfer	Interest	Payments	June 30, 2020
Current	1,569	62	800	245	(1,023)	1,653
Non current	2,820	73	(800)	-	-	2,093
	<u>4,389</u>	<u>135</u>	<u>-</u>	<u>245</u>	<u>(1,023)</u>	<u>3,746</u>

Payments	June 30, 2019			June 30, 2020		
	Fixed (Lease)	Variable (Cost)	Total	Fixed (Lease)	Variable (Cost)	Total
Vehicles	(407)	(12)	(419)	(370)	-	(370)
Machinery and equipment	(597)	(77)	(674)	(653)	-	(653)
	(1.004)	(89)	(1.093)	(1.023)	-	(1.023)

The table below describe the maturity terms of the lease liabilities, considering the future cash flows of principal and interest payments according to the contractual forecast, with position as of June 30, 2020:

	Maturity				Total
	up to 6 months	From 6 to 12 months	From 1 to 2 years	Above 2 years	
Lease Liabilities	825	828	1,771	322	3,746

10 Property, plant and equipment

Parent Company and Consolidated	Annual depreciation rate %	Cost at June 30, 2020	Accumulated depreciation	Net balance at June 30, 2020	Net balance at December 31, 2019
Improvements	4	66,220	(65,117)	1,103	1,131
Furniture and fixtures	10	1,013	(513)	500	251
Vehicles	20 and 25	1,332	(1,003)	329	375
IT equipment	20	9,062	(3,681)	5,381	5,463
Machinery and equipment	10, 20 and 50	13,637	(4,877)	8,760	8,148
Electronic equipment	20	844	(432)	412	408
Defenses	10	4,031	(2,122)	1,909	2,102
Breakwater	2,22	852,813	(104,779)	748,034	756,940
Maritime access canal	2,22	451,796	(41,100)	410,696	414,057
Pier - Port Terminal	2,22	828,852	(76,410)	752,442	761,940
Safety equipment	10	20,121	(7,547)	12,574	13,325
Operational tools and equipment	5 and 20	20,693	(2,851)	17,842	16,648
Construction in progress	-	133,460	-	133,460	109,382
Other equipments	-	19,433	(7,680)	11,573	5,718
		2,423,307	(320,963)	2,102,344	2,095,888

Changes in property, plant and equipment

Parent Company and Consolidated Cost	Annual depreciation rate %	December 31, 2019	Additions	June 30, 2020
Improvements	4	66,220	-	66,220
Furniture and fixtures	10	731	282	1,013
Vehicles	20	1,332	-	1,332
IT equipment	20	8,685	377	9,062
Machinery and equipment	10	12,422	1,215	13,637
Electronic equipment	20	782	62	844
Defenses	10	4,031	-	4,031
Breakwater	2,22	852,373	440	852,813
Maritime access canal	2,22	451,796	-	451,796
Pier - Port Terminal	2,22	828,852	-	828,852
Safety equipment	10	20,114	7	20,121
Operational tools and equipment	10 and 5	16,648	4,045	20,693
Construction work in progress		109,382	24,078	133,460
Others equipments		17,520	1,913	19,433
		2,390,888	32,419	2,423,307

Parent Company and Consolidated	Annual depreciation rate %	December 31, 2019	Additions	June 30, 2020
Depreciation				
Improvements		(65,089)	(28)	(65,117)
Furniture and fixtures	4	(479)	(34)	(513)
Vehicles	10	(957)	(46)	(1,003)
IT equipment	20	(3,222)	(459)	(3,681)
Machinery and equipment	20	(4,274)	(603)	(4,877)
Electronic equipment	10	(374)	(58)	(432)
Defenses	20	(1,929)	(193)	(2,122)
Breakwater	10	(95,433)	(9,346)	(104,779)
Maritime access canal	2,22	(37,739)	(3,361)	(41,100)
Pier - Port Terminal	2,22	(66,912)	(9,498)	(76,410)
Safety equipment	2,22	(6,789)	(758)	(7,547)
Others equipments	10	(11,803)	(1,579)	(13,382)
	10 and 5	<u>(295,000)</u>	<u>(25,963)</u>	<u>(320,963)</u>
Property and equipment, net		<u>2,095,888</u>	<u>6,456</u>	<u>2,102,344</u>

Asset allocation

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

		<u>Parent Company and Consolidated</u>		
		December 31, 2019	Additions	June 30, 2020
Cost				
Right-of-way (a)	3 years	5,528	-	5,528
Software use license	5 years	11,063	528	11,591
Total Cost		<u>16,591</u>	<u>528</u>	<u>17,119</u>
Amortization				
Right-of-way	3 years	(5,528)	-	(5,528)
Software use license	5 years	(10,380)	(426)	(10,806)
Total Amortization		<u>(15,908)</u>	<u>(426)</u>	<u>(16,334)</u>
		<u>683</u>	<u>102</u>	<u>785</u>

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

12 Transactions with related parties

	Parent Company		Consolidated	
	June 30, 2020	December 31, 2019	June 30, 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)	164,067	369,229	163,930	369,229
Accounts receivable from Açú Petróleo (c)	2,111	4,211	2,291	4,389
	376,280	583,542	376,323	583,720
Credit Note				
AAMFB	657	469	657	469
Açú Petróleo	198	199	198	199
Ferroport Serviços	70	97	-	-
Current	167,103	373,440	167,076	373,521
Noncurrent	210,102	210,102	210,102	210,102
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Liabilities				
Advances of the asset allocation				
AAMFB (a)	210,102	210,102	210,102	210,102
Intercompany loans				
Prumo Participações e Investimentos	419,964	646,433	419,964	646,433
Withholding income tax on loan	13,129	47,438	13,129	47,438
Anglo American Capital London	361,289	554,944	361,289	554,944
	1,004,484	1,458,917	1,004,484	1,458,917
Deferred revenue				
Deferred revenue with related party (d)	49,544	50,641	49,544	50,641
Current	138,667	137,000	138,667	137,000
Noncurrent	865,817	1,321,916	865,817	1,321,916

- (a) This refers to the divisible assets that 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, as mentioned in note 1. The amount was received on April 20, 2020.
- (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			
	Three month period ended		Six month period ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Revenue				
AAMFB - take-or-pay agreement	226,175	161,794	417,831	320,586
Açu Petróleo	9,231	7,398	17,432	14,899
Ferroport Serviços	114	-	227	561
Expenses/Costs				
Anglo American	(5)	(7)	(97)	(1,654)
Financial expenses				
Interest on loans				
Prumo Participações e Investimentos	(6,034)	(15,459)	(15,416)	(31,340)
Anglo American Capital London	(5,480)	(14,604)	(14,190)	(29,660)
	224,001	139,122	405,787	273,392
	Revenues (expenses) Consolidated			
	Three month period ended		Six month period ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Revenue				
AAMFB - take-or-pay agreement	226,175	161,794	417,831	320,586
Açu Petróleo	9,231	7,398	17,432	14,899
Ferroport Serviços	-	-	-	-
Expenses/Costs				
Anglo American	(4)	(7)	(96)	(1,654)
Financial expenses				
Interest on loans				
Prumo Participações e Investimentos	(6,034)	(15,459)	(15,416)	(31,340)
Anglo American Capital London	(5,480)	(14,604)	(14,190)	(29,660)
	223,888	139,122	405,561	272,831

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

	Liabilities
(In thousands os Reais)	
	Intercompany loans
Opening balances on January 1, 2020	1,411,479
Variations in cash	
Interest paid	(219,578)
Intercompany loans settled	(225,711)
Total variations in financing cash flows	(445,289)
Other variations	
Related liabilities	
Income tax on intercompany loans	(4,441)
Interest expense	29,606
Total other variations related liabilities	25,165
Closing balances on June 30, 2020	991,355
	June 30, 2020
Key management compensation was as follows:	June 30, 2019
Payroll and related charges	1,897
	1,684

13 Taxes payable

	Parent Company		Consolidated	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
PIS and COFINS	56,646	29,065	56,649	29,065
ISS	227	139	227	139
ICMS	9,403	7,510	9,403	7,510
Income tax and social contribution (*)	94,659	147,590	94,669	147,630
Other	830	835	830	834
	161,765	185,138	161,778	185,178
Current	114,484	140,858	114,497	140,897
Noncurrent (*)	47,281	44,282	47,281	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:	June 30, 2020	December 31, 2019
Labor claims	6,531	5,465
Tax claims	-	-
Civil claims (a)	<u>13,014</u>	<u>12,721</u>
	<u>19,545</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

	December 31, 2019	Additions	write-offs	June 30, 2020
Labor claims	5,465	1,066	-	6,531
Tax claims	-	-	-	-
Civil claims	<u>12,721</u>	<u>901</u>	<u>(608)</u>	<u>13,014</u>
	<u>18,186</u>	<u>1,967</u>	<u>(608)</u>	<u>19,545</u>

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

	June 30, 2020	December 31, 2019
Labor claims	2,508	2,876
Tax claims	3,718	3,673
Civil claims(a)	<u>211,785</u>	<u>201,747</u>
	<u>218,011</u>	<u>208,296</u>

- (a) Impacted mainly by ARG/Civilport litigation in the amount of R\$ 155,289 (R\$ 158,701 in December 31, 2019) and Arcoenge R\$ 40,636 (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 June 30, 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. On June 30, 2020 the legal reserve has the amount of R\$ 27,756 (R\$ 27,756 on December 31, 2019)

The general meeting may, at the proposal of the management bodies, allocate part of the net profit to the formation of a contingency reserve, with the purpose of offsetting, in a future year, the decrease in profit resulting from a loss deemed probable, the amount of which can be estimated. On June 30, 2020 the contingency reserve has the amount of R\$ 109,595 (R\$ 109,595 on December 31, 2019)

Capital reserves are constituted with amounts received by the company and which do not pass through the result, do not refer to the delivery of goods or services by the company. On June 30, 2020 the capital reserves has the amount of R\$ 94,589 (R\$ 94,589 on December 31, 2019)

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>Three month period ended</u>		<u>Six month period ended</u>	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Gross revenue	264,514	189,550	489,407	375,871
Taxes on gross revenue - PIS/COFINS	(24,467)	(18,099)	(45,529)	(35,405)
Tax on services - ISS	<u>(5,282)</u>	<u>(3,674)</u>	<u>(9,753)</u>	<u>(7,401)</u>
Net revenue from services	<u>234,765</u>	<u>167,777</u>	<u>434,125</u>	<u>333,065</u>

	Consolidated			
	Three month period ended		Six month period ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Gross revenue	264,635	189,850	489,648	376,469
Taxes on gross revenue - PIS/COFINS	(24,472)	(18,110)	(45,538)	(35,427)
Tax on services - ISS	(5,284)	(3,682)	(9,758)	(7,416)
Net revenue from services	234,879	168,058	434,352	333,626

	Parent Company			
	Three month period ended		Six month period ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Shipment of iron ore (Take or Pay)	254,347	181,694	470,135	360,144
Oil transshipment (T-Oil)	10,167	7,856	19,272	15,727
	264,514	189,550	489,407	375,871

	Consolidated			
	Three month period ended		Six month period ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Shipment of iron ore (Take or Pay)	254,348	181,694	470,135	360,144
Oil transshipment (T-Oil)	10,167	7,856	19,272	15,727
Port services	120	299	241	598
	264,635	189,849	489,648	376,469

17 Costs of services

	Parent Company			
	Three month period ended		Six month period ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Payroll and related charges	(9,696)	(8,754)	(20,145)	(18,356)
Depreciation and amortization	(11,681)	(10,314)	(23,275)	(20,628)
Third-parties services	(15,113)	(4,513)	(20,962)	(8,126)
Leases and rents	(897)	(576)	(1,615)	(1,203)
Insurance	(1,261)	(926)	(2,273)	(1,860)
Consumables spare parts	(10,303)	(11,007)	(21,666)	(21,583)
Depreciation of rights of use assets	(400)	(428)	(795)	(836)
Other	(1,810)	(1,902)	(2,960)	(3,220)
	(51,161)	(38,420)	(93,691)	(75,812)

	Consolidated			
	Three month period ended		Six month period ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Payroll and related charges	(9,802)	(8,955)	(20,419)	(18,675)
Depreciation and amortization	(11,681)	(10,314)	(23,275)	(20,628)
Third-parties services	(15,113)	(4,512)	(20,962)	(8,125)
Leases and rents	(897)	(581)	(1,616)	(1,213)
Insurance	(1,261)	(926)	(2,273)	(1,860)
Consumables spare parts	(10,303)	(11,007)	(21,667)	(21,589)
Depreciation of rights of use assets	(400)	(428)	(795)	(836)
Other	(1,809)	(1,905)	(2,960)	(3,220)
	(51,266)	(38,628)	(93,967)	(76,146)

18 General and administrative expenses

	Parent Company			
	Three month period ended		Six month period ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Payroll and related charges	(2,655)	(2,857)	(6,055)	(5,916)
Third party services	(2,145)	(3,379)	(6,519)	(4,894)
Depreciation and amortization	(1,758)	(1,550)	(3,440)	(3,142)
Insurance	(19)	(17)	(38)	(38)
Travel expenses	(33)	(61)	(112)	(128)
Leases and rents	(74)	(65)	(196)	(119)
Depreciation of rights of use assets	(31)	(31)	(62)	(62)
Contingencies	(1,080)	(906)	(1,887)	(917)
Other	(545)	(1,347)	(882)	(1,706)
	(8,340)	(10,213)	(19,191)	(16,922)

	Consolidated			
	Three month period ended		Six month period ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Payroll and related charges	(2,655)	(2,864)	(6,062)	(5,967)
Third party services	(2,145)	(3,379)	(6,519)	(4,894)
Depreciation and amortization	(1,758)	(1,550)	(3,440)	(3,142)
Insurance	(23)	(20)	(44)	(45)
Travel expenses	(33)	(61)	(112)	(128)
Leases and rents	(74)	(65)	(196)	(119)
Depreciation of rights of use assets	(31)	(31)	(62)	(62)
Contingencies	(1,080)	(906)	(1,887)	(917)
Other	(545)	(1,348)	(882)	(1,713)
	(8,344)	(10,224)	(19,204)	(16,987)

19 Other operating income (expenses)

	Parent Company and Consolidated			
	Three month period ended		Six month period ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Non-consumed electric energy	1,325	1,624	3,420	6,552
Expected credit loss	141	798	153	1,047
Deferred revenue - right of use	497	497	996	995
	1,963	2,919	4,569	8,594

20 Financial income (expenses)

	Parent Company			
	Three month period ended		Six month period ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Financial expenses				
Tax on financial transactions (IOF)	(183)	(101)	(227)	(115)
Interest - intercompany loan	(11,514)	(30,063)	(29,606)	(61,000)
Interest on leases	(117)	(87)	(245)	(173)
Other	(773)	(63)	(1,133)	(132)
	(12,587)	(30,314)	(31,211)	(61,420)
Financial income				
Reversal interest on tax debt regularization - Government program		-	-	4,009
Exchange and monetary variation (a)	70,034	-	70,034	-
Interest income	1,437	1,057	3,019	2,108
	71,471	1,057	73,053	6,117
Financial results, net	58,884	(29,257)	41,842	(55,303)

- (a) Exchange variation on the amount received in April 2020, related to the financial compensation due to settlement agreement, signed in December 09, 2019, between Ferroport and its shareholders, without award on their merits.

	Consolidated			
	Three month period ended		Six month period ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Financial expenses				
Tax on financial transactions (IOF)	(182)	(102)	(227)	(116)
Interest - intercompany loan	(11,514)	(30,063)	(29,606)	(61,000)
Interest on leases	(117)	(87)	(245)	(173)
Other	(799)	(262)	(1,052)	(133)
	(12,612)	(30,514)	(31,130)	(61,422)
Financial income				
Reversal interest on tax debt regularization - Government program	-	-	-	4,009
Exchange and monetary variation (a)	70,034	-	70,034	-
Interest income	1,437	1,258	2,920	2,113
	71,471	1,258	72,954	6,122
Financial results, net	58,859	(29,256)	41,824	(55,300)

- (a) Exchange variation on the amount received in april 2020, related to the financial compensation due to settlement agreement, signed in December 09, 2019, between Ferroport and its shareholders, without award on their merits.

21 Commitments

The Company undertook future purchase commitments amounting to R\$ 183,566 at June 30, 2020 (R\$ 162,229 on December 31, 2019) and these should be fulfilled in the course of the operations.

Area	June 30, 2020	December 31, 2019
Operation	53,235	62,080
Sustainability	16,209	16,990
Administrative	33,920	29,314
Maintenance	51,809	20,576
Legal	11,702	12,047
HR	10,422	13,200
Others	6,269	8,022
Total	183,566	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 June 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 June 30, 2020 and December 31, 2019 are as follows:

Classifications	Parent Company					
	June 30, 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	101,951	Amortized cost	-	38,600	Amortized cost	-
Accounts receivable related parties	167,103	Amortized cost	-	373,440	Amortized cost	-
Liabilities						
Other financial liabilities						
Trade accounts payable	49,555	Amortized cost	2	22,884	Amortized cost	2
Related parties loans	1,004,484	Amortized cost	2	1,458,916	Amortized cost	2
Consolidated						
Classifications	June 30, 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	102,611	Amortized cost	-	38,600	Amortized cost	-
Accounts receivable related parties	167,076	Amortized cost	-	373,521	Amortized cost	-
Liabilities						
Other financial liabilities						
Trade accounts payable	49,569	Amortized cost	2	22,284	Amortized cost	2
Related parties loans	1,004,484	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			
	June 30, 2020		December 31, 2019	
	R\$	USD	R\$	USD
Accounts receivable (Related parties)	167,076	30,514	373,521	92,685
Net exposure of the balance sheet	167,076	30,514	373,521	92,685

Liquidity risk

The table below provides the Company's main financial liabilities at June 30, 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	-	49,555	-	-	49,555
Related parties - loans	210,102	436,093	225,108	496,957	1,368,260
Total by maturity range	210,102	485,648	225,108	496,957	1,417,815

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\$ 102,611 thousand at June 30, 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	June 30, 2020	December 31, 2019
Cash equivalents	102,611	39,327
Accounts receivable (Related parties)	<u>167,076</u>	<u>373,521</u>
	<u>269,687</u>	<u>412,848</u>

For the period ended on June 30, 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 June 30, 2020 and December 31, 2019, the insurance coverage was as follows:

	June 30, 2020	December 31, 2019
Property and equipment damages	2,642,100	2,430,200
Civil liability	273,800	201,535
Environmental Liability	30,000	30,000
Directors & Management	60,000	60,000

* * *

Carsten Bosselmann
Chief Executive Officer

Marcelo Amaral Palladino
Chief Financial Officer

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