

Ferropport Logística
Comercial
Exportadora S.A.

**Condensed interim financial
information September 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 September 30, 2020, and the related condensed statements of operations and statements of comprehensive income (loss) for the three and nine-month periods ended at that date and statements of changes in shareholders' equity and statements of cash flows for the nine-month period then ended, including the explanatory notes.

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

Scope of review

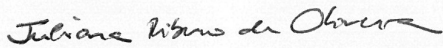
We conducted our review in accordance with Brazilian and International Interim Financial Information Review Standards (NBC TR 2410 - Revisão de Informações Intermediárias Executada pelo Auditor da Entidade and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of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

Rio de Janeiro, November 03, 2020

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


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

Ferropport Logística Comercial Exportadora S.A.

Condensed balance sheets

September 30, 2020 and December 31, 2019

(In thousands of Reais)

	Note	Parent Company		Consolidated	
		September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
Assets					
Current assets					
Cash and cash equivalents	4	160,596	38,600	161,189	39,327
Accounts receivable from related parties	12	88,344	373,440	88,350	373,521
Inventories		28,925	25,937	28,925	25,937
Recoverable taxes	6	113,374	75,178	113,466	75,253
Income taxes and social contribution recoverable	6	-	787	42	787
Prepaid expenses		2,570	1,077	2,575	1,080
Other		1,264	1,217	1,264	1,217
Total current assets		395,073	516,236	395,811	517,122
Noncurrent assets					
Judicial deposits	7	37,653	37,212	37,653	37,212
Related parties - asset to be transferred	12	210,102	210,102	210,102	210,102
Investments in subsidiary	8	732	845	-	-
Right of use assets	9	3,121	4,283	3,121	4,283
Property, plant and equipment	10	2,100,919	2,095,888	2,100,919	2,095,888
Intangible assets	11	638	683	638	683
Deferred charges		2,630	3,123	2,630	3,123
Total noncurrent assets		2,355,795	2,352,136	2,355,063	2,351,291
Total assets		2,750,868	2,868,372	2,750,874	2,868,413
Liabilities and equity					
Trade accounts payable		50,683	22,884	50,685	22,885
Payroll and related charges		14,487	14,961	14,487	14,962
Taxes payable	13	32,160	28,095	32,160	28,095
Lease liabilities	9	1,669	1,569	1,669	1,569
Income taxes and social contribution payable	13	118,431	112,763	118,435	112,802
Related parties - loans	12	140,750	137,000	140,750	137,000
Total current liabilities		358,180	317,272	358,186	317,313
Noncurrent liabilities					
Income taxes and social contribution payable	13	54,638	35,454	54,638	35,454
Lease liabilities	9	1,659	2,820	1,659	2,820
Deferred income tax and social contribution	5	120,139	57,579	120,139	57,579
Related parties - accounts payable	12	210,102	210,102	210,102	210,102
Related parties - loans	12	519,619	1,111,814	519,619	1,111,814
Deferred revenue with related party	12	48,996	50,641	48,996	50,641
Provision for contingencies	14	19,843	18,186	19,843	18,186
Taxes payable	13	32,543	8,828	32,543	8,828
Other		19,398	20,332	19,398	20,332
Total noncurrent liabilities		1,026,937	1,515,756	1,026,937	1,515,756
Shareholders' equity					
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		27,756	27,756	27,756	27,756
Accumulated Profit		330,407	-	330,407	-
Total shareholders' equity		1,365,751	1,035,344	1,365,751	1,035,344
Total liabilities and shareholders' equity		2,750,868	2,868,372	2,750,874	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 nine-month period ended September 30, 2020 and 2019

(In thousands of Reais)

	Note	Parent Company			
		Three month period ended		Nine month period ended	
		September 30,2020	September 30, 2019	September 30, 2020	September 30, 2019
Net revenue of services	16	228,757	182,460	662,882	515,525
Costs of services	17	<u>(70,146)</u>	<u>(39,888)</u>	<u>(163,837)</u>	<u>(115,700)</u>
Gross profit		158,611	142,572	499,045	399,825
Operating income (expenses)					
General and administrative expenses	18	(8,384)	(11,981)	(27,575)	(28,903)
Expected Credit Loss	19	265	537	418	1,584
Other operating income (expenses), net	19	<u>1,943</u>	<u>2,820</u>	<u>6,359</u>	<u>10,367</u>
		(6,176)	(8,624)	(20,798)	(16,952)
Income before financial income (expenses) and taxes		152,435	133,948	478,247	382,873
Results in equity income (loss), net		<u>(13)</u>	<u>218</u>	<u>(113)</u>	<u>328</u>
Financial income (expenses)					
Financial income	20	1,118	1,255	74,171	7,372
Financial expenses	20	<u>(16,700)</u>	<u>(29,305)</u>	<u>(47,911)</u>	<u>(90,725)</u>
Net income before income taxes		136,840	106,116	504,394	299,848
Income and social contribution taxes					
Current		(37,665)	(16,537)	(111,427)	(39,555)
Deferred	5	<u>(9,010)</u>	<u>(19,631)</u>	<u>(62,560)</u>	<u>(72,344)</u>
Total income and social contribution taxes		(46,675)	(36,168)	(173,987)	(111,899)
Net income for the period		90,165	69,948	330,407	187,949

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

Ferropport Logística Comercial Exportadora S.A.

Statements of income

Three and nine-month period ended September 30, 2020 and 2019

(In thousands of Reais)

	Note	Consolidated			
		Three month period ended		Nine month period ended	
		September 30,2020	September 30, 2019	September 30, 2020	September 30, 2019
Net revenue of services	16	228,795	182,950	663,147	516,576
Costs of services	17	(70,182)	(40,104)	(164,149)	(116,247)
Gross profit		158,613	142,846	498,998	400,329
Operating income (expenses)					
General and administrative expenses	18	(8,397)	(11,986)	(27,601)	(28,973)
Expected Credit Loss	19	265	537	418	1,584
Other operating income (expenses), net	19	1,943	2,820	6,359	10,367
		(6,189)	(8,629)	(20,824)	(17,022)
Income before financial income (expenses) and taxes		152,424	134,217	478,174	383,307
Financial income (expenses)					
Financial income	20	1,228	1,255	74,182	7,372
Financial expenses	20	(16,807)	(29,305)	(47,937)	(90,725)
Net income before income taxes		136,845	106,167	504,419	299,954
Income and social contribution taxes					
Current		(37,670)	(16,588)	(111,452)	(39,661)
Deferred	5	(9,010)	(19,631)	(62,560)	(72,344)
Total income and social contribution taxes		(46,680)	(36,219)	(174,012)	(112,005)
Net income for the period		90,165	69,948	330,407	187,949

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 nine-month period ended September 30, 2020 and 2019

(In thousands of Reais)

	<u>Parent Company and Consolidated</u>			
	<u>Three month period ended</u>		<u>Nine month period ended</u>	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Net income for the period	90,165	69,948	330,407	187,949
Total comprehensive income for the period	90,165	69,948	330,407	187,949

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

Ferroport Logística Comercial Exportadora S.A.

Condensed statements of changes in shareholders' equity

Nine-month period ended on September 30, 2020 and 2019

(In thousands of Reais)

	Note	Parent Company and Consolidated					Total
		Share capital	Capital reserve	Contingencies reserve	Legal reserve	Accumulated profit	
Balances as of January 1 st , 2019	15	414,397	94,589	109,595	7,282	-	625,863
Net income for the period		-	-	-	-	187,949	187,949
Balances as of September 30, 2019		414,397	94,589	109,595	7,282	187,949	813,812
Balances as of January 1 st , 2020		803,404	94,589	109,595	27,756	-	1,035,344
Net income for the period		-	-	-	-	330,407	330,407
Balances as of September 30, 2020		803,404	94,589	109,595	27,756	330,407	1,365,751

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

Ferropport Logística Comercial Exportadora S.A.

Condensed statements of cash flows

Nine-month period ended September 30, 2020 and 2019

(In thousands of Reais)

	Parent Company		Consolidated	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Operating activities				
Net income before income taxes	504,394	299,848	504,419	299,954
Adjustments to reconcile income before taxes and net cash provided by operating activities:				
Depreciation and amortization	41,613	36,888	41,613	36,888
Monetary variation and interest	43,955	89,877	43,955	89,877
Tax Provision	4,032	7,528	4,032	7,528
Amortization of insurance	3,636	3,183	3,645	3,191
Provision for bonus	4,324	4,803	4,327	4,852
Provision for legal proceeding	1,658	2,954	1,658	2,954
Deferred revenue amortization	(1,645)	(1,645)	(1,645)	(1,645)
Equity pick-up	113	(329)	-	-
Provision (reversal) for expected credit losses	(418)	(1,584)	(418)	(1,584)
	601,662	441,523	601,586	442,015
(Increase) decrease of assets and increase (decrease) of liabilities:				
Account receivable from related parties	285,096	(44,108)	285,171	(44,034)
Inventories	(2,260)	(1,030)	(2,260)	(1,030)
Recoverable taxes	750	315	692	311
Prepaid expenses	(4,666)	(2,958)	(4,691)	(2,971)
Trade accounts payable	19,433	(3,605)	19,446	(3,603)
Taxes payable	(108,726)	10,479	(108,785)	10,396
Payroll and related charges	(4,981)	(4,738)	(4,985)	(4,786)
Accounts payable to related parties	-	(21,584)	-	(21,584)
Taxes payable related to intercompany loans	(49,987)	(35,580)	(49,987)	(35,580)
Interest paid	(283,262)	(201,621)	(283,262)	(201,621)
Interest on leases	(354)	(246)	(354)	(246)
Other	(382)	757	(382)	755
Net cash flows generated by operating activities	452,323	137,604	452,189	138,022
Investing activities				
Acquisition of intangible assets	(588)	(249)	(588)	(249)
Acquisition of property, plant and equipment	(36,280)	(15,875)	(36,280)	(15,875)
Net cash flows used in investing activities	(36,868)	(16,124)	(36,868)	(16,124)
Financing activities				
Intercompany loans settled	(292,263)	(57,473)	(292,263)	(57,473)
Lease payments	(1,196)	(1,167)	(1,196)	(1,167)
Net cash flows used in financing activities	(293,459)	(58,640)	(293,459)	(58,640)
Increase in cash and cash equivalents	121,996	62,840	121,862	63,258
Cash and cash equivalents				
At beginning of the period	38,600	31,655	39,327	31,925
At end of the period	160,596	94,495	161,189	95,183
Increase in cash and cash equivalents	121,996	62,840	121,862	63,258

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”).

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.

In 2020, the Company loaded 17.5 million tons (unreviewed) of iron ore in 111 vessels (unreviewed) (23 million tons (unaudited) in 137 vessels (unaudited) during 2019). Since the beginning of operations in October 2014, the Company loaded 85.2 million tons (unaudited) of iron ore, reaching a mark of 539 vessels (unaudited) berthing at the port.

In 2020, the Açú Petróleo S.A. performed 57 operations (unreviewed) in 136 vessels (unreviewed), loading 10.2 millions metric tons (unreviewed) of oil transshipment. Since the beginning of operations in August, 2016, they carried out 159 operations (unaudited) in 370 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 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 and still in place 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 - 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, 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 November 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	
	September 30,2020	December 31,2019	September 30,2020	December 31,2019
Cash and banks	188	185	360	701
Cash equivalents				
Investment funds	-	23,393	-	23,604
Bank deposit certificate (CDB)	160,408	15,022	160,829	15,022
	160,596	38,600	161,189	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 100,90% of Interbank Deposit (DI) rate in third 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	September 30, 2020
Assets			
Tax loss carryforwards	36,428	(36,428)	-
Temporary differences:			
Provisions of bonus, contingencies and others:			
Difference between tax basis and book value - deferred assets	19,866	(404)	19,462
Other	-	913	913
Total deferred income taxes assets	56,294	(35,920)	20,375
Liabilities			
Difference between tax basis and book value of depreciation rates	(60,980)	(9,893)	(70,873)
Temporary differences:			
Capitalized interests	(51,154)	(17,022)	(68,176)
Judicial deposits	(1,739)	274	(1,465)
Total deferred income taxes liabilities	(113,873)	(26,641)	(140,514)
Net effect	(57,579)	(62,561)	(120,139)

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

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

Income Tax and Social Contribution	<u>Parent Company</u>			
	<u>Three month period ended</u>		<u>Nine month period ended</u>	
	September 30,2020	September 30,2019	September 30,2020	September 30,2019
Income before income taxes	136,840	106,116	504,394	299,848
Income tax at the nominal rate 34%	(46,526)	(36,079)	(171,494)	(101,948)
Tax adjustments:				
Tax debt regularization – Government program	-	-	-	3,320
Deferred - Provision and reversal provision	-	-	(4,661)	(14,660)
Deferred – Tax loss adjustment	-	-	1,263	-
Other	(149)	(89)	905	1,389
Total	(46,675)	(36,168)	(173,987)	(111,899)
Current income and social contribution tax	(37,665)	(16,537)	(111,427)	(39,555)
Deferred income and social contribution tax	(9,010)	(19,631)	(62,560)	(72,344)
Total income and social contribution tax	(46,675)	(36,168)	(173,987)	(111,899)
Effective rate	34%	34%	34%	37%

Income Tax and Social Contribution	Consolidated			
	Three month period ended		Nine month period ended	
	September 30,2020	September 30,2019	September 30,2020	September 30,2019
Income before income taxes	136,845	106,167	504,419	299,954
Income tax at the nominal rate 34%	(46,609)	(36,046)	(171,478)	(101,878)
Tax rate effect onpresumed profit	82	(51)	(24)	(106)
Tax adjustments:				
Tax debt regularization - Government program	-	-	-	3,320
Deferred - Provision and reversal provision	-	-	(4,661)	(14,660)
Deferred – Tax loss adjustment	-	-	1,263	-
Other	(153)	(122)	888	1,319
Total	(46,680)	(36,219)	(174,012)	(112,005)
Current income and social contribution tax	(37,670)	(16,588)	(111,452)	(39,661)
Deferred income and social contribution tax	(9,010)	(19,631)	(62,560)	(72,344)
Total income and social contribution tax	(46,680)	(36,219)	(174,012)	(112,005)
Effective rate	34%	34%	34%	37%

6 Recoverable taxes

	Parent Company		Consolidated	
	September 30,2020	December 31, 2019	September 30, 2020	December 31, 2019
Income tax – Anticipation	80,311	49,969	80,311	49,969
Social contribution – Anticipation	28,838	17,153	28,838	17,153
PIS and COFINS	4,175	8,009	4,200	8,009
INSS	-	-	59	54
ISS	48	47	48	68
Other	2	-	10	-
Subtotal recoverable taxes	113,374	75,178	113,466	75,253
Income tax	-	784	32	784
Social contribution	-	3	10	3
Total income taxes and social contribution recoverable	-	787	42	787
Total	113,374	75,965	113,508	76,040
Current	113,374	75,965	113,508	76,040
Non current	-	-	-	-

7 Judicial deposits

	Parent Company and Consolidated	
	September 30, 2020	December 31, 2019
Income tax and social contribution (a)	35,856	35,453
Other	1,797	1,759
	37,653	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\$35,856). 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	September 30,2020
Ferroport Serviços EIRELLI (a)	845	-	(113)	732

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

b. Relevant information about subsidiary

As of 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

As of September 30, 2020:

Direct subsidiaries	%	Number of shares (thousand)	Asset	Liability	Shareholders equity	Capital	Profit for the period
Ferroport Serviços EIRELI	100	100	737	(5)	(732)	100	(113)

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 september 30, 2020:

Suppliers	Assets	Right of use assets	Lease Liabilities	Months	Interest rates
Localiza	Vehicles	1,215	1,306	38	1,0280%
Transbarra	Machinery and equipment	1,746	1,847	36	0,9902%
Ormec	Machinery and equipment	10	11	22	0,9902%
Solaris	Machinery and equipment	150	164	36	0,9902%
		<u>3,121</u>	<u>3,328</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 September 30, 2020 and 2019, are as follows:

Lease Assets

	January 01, 2020	Additions	(-) Depreciation	September 30, 2020
Right of use – Vehicles	1,688	135	(471)	1,352
Right of use - Machinery and equipment	2,595	-	(826)	1,769
	<u>4,283</u>	<u>135</u>	<u>(1,297)</u>	<u>3,121</u>

Lease Assets

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

Lease Liabilities

	January 01, 2020	Additions	Transfer	Interest	Payments	September 30, 2020
Current	1,569	62	1,234	354	(1,550)	1,669
Non current	2,820	73	(1,234)	-	-	1,659
	<u>4,389</u>	<u>135</u>	<u>-</u>	<u>354</u>	<u>(1,550)</u>	<u>3,328</u>

Lease Liabilities

	January 01, 2019	Additions	Transfer	Interest	Payments	September 30, 2019
Current	1,047	23	870	246	(1,413)	773
Non current	1,919	317	(870)	-	-	1,366
	<u>2,966</u>	<u>340</u>	<u>-</u>	<u>246</u>	<u>(1,413)</u>	<u>2,139</u>

Payments

	September 30, 2019			September 30, 2020		
	Fixed (Lease)	Variable (Cost)	Total	Fixed (Lease)	Variable (Cost)	Total
Vehicles	(595)	(36)	(631)	(571)	(10)	(581)
Machinery and equipment	(818)	(77)	(895)	(979)	(22)	(1,001)
	<u>(1,413)</u>	<u>(113)</u>	<u>(1,526)</u>	<u>(1,550)</u>	<u>(32)</u>	<u>(1,582)</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 September 30, 2020:

	Maturity			Total
	up to 6 months	From 6 to 12 months	From 1 to 2 years	
Lease Liabilities	<u>815</u>	<u>854</u>	<u>1,659</u>	<u>3,328</u>

10 Property, plant and equipment

Parent Company and Consolidated	Annual depreciation rate %	Cost at September 30, 2020	Accumulated depreciation	Net balance at September 30, 2020	Net balance at December 31, 2019
Improvements	4	66,220	(65,131)	1,089	1,131
Furniture and fixtures	10	1,015	(533)	482	251
Vehicles	20 and 25	1,332	(1,028)	304	375
IT equipment	20	9,068	(3,926)	5,142	5,463
Machinery and equipment	10, 20 and 50	27,370	(5,256)	22,114	8,148
Electronic equipment	20	1,375	(472)	903	408
Defenses	10	4,031	(2,219)	1,812	2,102
Breakwater	2,22	852,944	(109,452)	743,492	756,940
Maritime access canal	2,22	451,796	(42,781)	409,015	414,057
Pier - Port Terminal	2,22	829,412	(81,200)	748,212	761,940
Safety equipment	10	20,342	(7,927)	12,415	13,325
Operational tools and equipment	5 and 20	25,950	(8,803)	17,147	16,648
Construction in progress	-	126,720	-	126,720	109,382
Other equipments	-	17,520	(5,448)	12,072	5,718
		<u>2,435,095</u>	<u>(334,176)</u>	<u>2,100,919</u>	<u>2,095,888</u>

Changes in property, plant and equipment

Parent Company and Consolidated Cost	Annual depreciation rate %	December 31, 2019	Additions	September 30, 2020
Improvements	4	66,220	-	66,220
Furniture and fixtures	10	731	284	1,015
Vehicles	20	1,332	-	1,332
IT equipment	20	8,685	383	9,068
Machinery and equipment	10	12,422	14,948	27,370
Electronic equipment	20	782	593	1,375
Defenses	10	4,031	-	4,031
Breakwater	2,22	852,373	571	852,944
Maritime access canal	2,22	451,796	-	451,796
Pier - Port Terminal	2,22	828,852	560	829,412
Safety equipment	10	20,114	228	20,342
Operational tools and equipment	10 and 5	16,648	9,302	25,950
Construction work in progress		109,382	17,338	126,720
Others equipments		17,520	-	17,520
		<u>2,390,888</u>	<u>44,207</u>	<u>2,435,095</u>

Parent Company and Consolidated Depreciation	Annual depreciation rate %	December 31,2019	Additions	September 30, 2020
Improvements		(65,089)	(42)	(65,131)
Furniture and fixtures	4	(479)	(54)	(533)
Vehicles	10	(957)	(71)	(1,028)
IT equipment	20	(3,222)	(704)	(3,926)
Machinery and equipment	20	(4,274)	(982)	(5,256)
Electronic equipment	10	(374)	(98)	(472)
Defenses	20	(1,929)	(290)	(2,219)
Breakwater	10	(95,433)	(14,019)	(109,452)
Maritime access canal	2,22	(37,739)	(5,042)	(42,781)
Pier - Port Terminal	2,22	(66,912)	(14,288)	(81,200)
Safety equipment	2,22	(6,789)	(1,138)	(7,927)
Others equipments	10	(11,803)	(2,448)	(14,251)
	10 and 5	<u>(295,000)</u>	<u>(39,176)</u>	<u>(334,176)</u>
Property and equipment, net		<u>2,095,888</u>	<u>5,031</u>	<u>2,100,919</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

		Parent Company and Consolidated		
		December 31,2019	Additions	September 30,2020
Cost				
Right-of-way (a)	3 years	5,528	-	5,528
Software use license	5 years	11,063	600	11,663
Total Cost		<u>16,591</u>	<u>600</u>	<u>17,191</u>
Amortization				
Right-of-way	3 years	(5,528)		(5,528)
Software use license	5 years	(10,380)	(645)	(11,025)
Total Amortization		<u>(15,908)</u>	<u>(645)</u>	<u>(16,553)</u>
		<u>683</u>	<u>(45)</u>	<u>638</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	
	September 30,2020	December 31,2019	September 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)	85,701	369,229	85,707	369,229
Accounts receivable from Açu Petróleo (c)	1,990	4,211	1,990	4,389
	297,793	583,542	297,799	583,720
Credit Note				
AAMFB	469	469	469	469
Açu Petróleo	184	199	184	199
Ferroport Serviços	-	97	-	-
Current	88,344	373,440	88,350	373,521
Noncurrent	210,102	210,102	210,102	210,102
	September 30,2020	December 31,2019	September 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	353,226	646,433	353,226	646,433
Withholding income tax on loan	3,010	47,438	3,010	47,438
Anglo American Capital London	304,133	554,944	304,133	554,944
	870,471	1,458,917	870,471	1,458,917
Deferred revenue				
Deferred revenue with related party (d)	48,996	50,641	48,996	50,641
Current	140,750	137,000	140,750	137,000
Noncurrent	729,721	1,321,916	729,721	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 Açu for granting the right of accessing the port facilities to load and unload ships. This contract, amounting to R\$ 62,159, is effective for 35 years, renewable for another 35 years, and was fully paid as of December 31, 2009. The revenue will be recognized over the contract term. After the start-up of operation in October 2014, this amount started to be monthly recognized as other revenues.

Maturity and interest

Intercompany loans are subject to annual interest of 100% of the CDI plus 2% p.a.
Intercompany loans have no covenants or guarantees.

The Company shall repay all amounts outstanding, including any outstanding interest thereon, under all shareholder loans by no later than December 31, 2030.

The transactions that affect the profit or loss are as follows:

Revenues (expenses)				
Parent Company				
	Three month period ended		Nine month period ended	
Revenue	September 30,2020	September 30,2019	September 30,2020	September 30, 2019
AAMFB - take-or-pay agreement	223,066	168,411	640,897	488,997
Açu Petróleo	6,201	13,964	23,633	28,863
Ferroport Serviços	38	491,00	265	1,052
Expenses/Costs				
Anglo American	(89)	(4)	(186)	(1,658)
Financial expenses				
Interest on loans				
Prumo Participações e Investimentos	(3,966)	(14,783)	(19,382)	(46,123)
Anglo American Capital London	(3,495)	(13,894)	(17,685)	(43,554)
	221,755	154,185	627,542	427,577

Revenues (expenses)				
Consolidated				
	Three month period ended		Nine month period ended	
Revenue	September 30,2020	September 30,2019	September 30,2020	September 30,2019
AAMFB - take-or-pay agreement	223,066	168,411	640,897	488,997
Açu Petróleo	6,201	13,964	23,633	28,863
Expenses/Costs				
Anglo American	(90)	(4)	(186)	(1,658)
Financial expenses				
Interest on loans				
Prumo Participações e Investimentos	(3,966)	(14,783)	(19,382)	(46,123)
Anglo American Capital London	(3,495)	(13,894)	(17,685)	(43,554)
	221,716	153,694	627,277	426,525

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

	Liabilities
(In thousands of Reals)	
	Intercompany loans
Opening balances on January 1, 2020	1,411,479
Variations in cash	
Interest paid	(283,262)
Intercompany loans settled	(292,263)
Total variations in financing cash flows	(575,525)
Other variations	
Related liabilities	
Income tax on intercompany loans	(5,560)
Interest expense	37,068
Total other variations related liabilities	31,508
Closing balances on September 30, 2020	867,462

	September 30,2020	September 30,2019
Key management compensation was as follows:		
Payroll and related charges	2,856	2,609

13 Taxes payable

	Parent Company		Consolidated	
	September 30,2020	December 31,2019	September 30,2020	December 31,2019
PIS and COFINS	53,631	29,065	53,631	29,065
ISS	126	139	128	139
ICMS	10,351	7,510	10,351	7,510
Income tax and social contribution (*)	172,654	147,590	172,657	147,630
Other	1,010	835	1,009	834
	237,772	185,138	237,776	185,178
Current	150,591	140,858	150,595	140,897
Noncurrent (*)	87,181	44,282	87,181	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:	September 30,2020	December 31,2019
Labor claims	5,584	5,465
Tax claims	-	-
Civil claims (a)	<u>14,259</u>	<u>12,721</u>
	<u>19,843</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	September 30, 2020
Labor	5,465	1,090	(971)	5,584
Tax	-	-	-	-
Civil	<u>12,721</u>	<u>1,568</u>	<u>(30)</u>	<u>14,259</u>
	<u>18,186</u>	<u>2,658</u>	<u>(1,001)</u>	<u>19,843</u>

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

	September 30,2020	December 31,2019
Labor claims	3,172	2,876
Tax claims	3,740	3,673
Civil claims(a)	<u>222,033</u>	<u>201,747</u>
	<u>228,945</u>	<u>208,296</u>

- (a) Impacted mainly by ARG/Civilport litigation in the amount of R\$ 173,833 (R\$ 158,701 in December 31, 2019) and Arcoenge R\$ 46,503 (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 September 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 September 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 September 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 September 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>Nine month period ended</u>	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Gross revenue	257,571	205,181	746,978	581,052
Taxes on gross revenue - PIS/COFINS	(23,668)	(18,640)	(69,197)	(54,045)
Tax on services - ISS	<u>(5,146)</u>	<u>(4,081)</u>	<u>(14,899)</u>	<u>(11,482)</u>
Net revenue from services	<u>228,757</u>	<u>182,460</u>	<u>662,882</u>	<u>515,525</u>

	Consolidated			
	Three month period ended		Nine month period ended	
	September 30,2020	September 30,2019	September 30,2020	September 30,2019
Gross revenue	257,612	205,741	747,260	582,173
Taxes on gross revenue - PIS/COFINS	(23,669)	(18,681)	(69,207)	(54,086)
Tax on services - ISS	(5,148)	(4,110)	(14,906)	(11,511)
Net revenue from services	228,795	182,950	663,147	516,576

	Parent Company			
	Three month period ended		Nine month period ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Shipment of iron ore (Take or Pay)	250,763	189,839	720,898	549,983
Oil transshipment (T-Oil)	6,808	15,342	26,080	31,069
	257,571	205,181	746,978	581,052

	Consolidated			
	Three month period ended		Nine month period ended	
	September 30,2020	September 30,2019	September 30,2020	September 30,2019
Shipment of iron ore (Take or Pay)	250,763	189,876	720,898	549,983
Oil transshipment (T-Oil)	6,808	15,342	26,080	31,069
Port services	41	523	282	1,121
	257,612	205,741	747,260	582,173

17 Costs of services

	Parent Company			
	Three month period ended		Nine month period ended	
	September 30,2020	September 30,2019	September 30,2020	September 30,2019
Payroll and related charges	(11,188)	(10,163)	(31,333)	(28,519)
Depreciation and amortization	(11,681)	(10,313)	(34,956)	(30,941)
Third-parties services	(32,617)	(5,857)	(53,893)	(13,983)
Leases and rents	(1,401)	(723)	(3,016)	(1,926)
Insurance	(1,526)	(1,022)	(3,799)	(2,882)
Consumables spare parts	(11,323)	(10,755)	(32,989)	(32,338)
Depreciation of rights of use assets	(410)	(288)	(1,205)	(1,124)
Other	-	(767)	(2,646)	(3,987)
	(70,146)	(39,888)	(163,837)	(115,700)

	Consolidated			
	Three month period ended		Nine month period ended	
	September 30,2020	September 30,2019	September 30,2020	September 30,2019
Payroll and related charges	(11,222)	(10,734)	(31,641)	(29,049)
Depreciation and amortization	(11,681)	(10,313)	(34,956)	(30,941)
Third-parties services	(32,619)	(5,858)	(53,893)	(13,983)
Leases and rents	(1,402)	(728)	(3,018)	(1,941)
Insurance	(1,526)	(1,022)	(3,799)	(2,882)
Consumables spare parts	(11,322)	(10,756)	(32,989)	(32,345)
Depreciation of rights of use assets	(410)	(288)	(1,205)	(1,124)
Other	-	(405)	(2,648)	(3,982)
	(70,182)	(40,104)	(164,149)	(116,247)

18 General and administrative expenses

	Parent Company			
	Three month period ended		Nine month period ended	
	September 30,2020	September 30,2019	September 30,2020	September 30,2019
Payroll and related charges	(3,666)	(3,664)	(9,721)	(9,580)
Third party services	(1,113)	(3,197)	(7,632)	(8,091)
Depreciation and amortization	(1,920)	(1,596)	(5,360)	(4,738)
Insurance	(19)	(16)	(57)	(54)
Travel expenses	(9)	(91)	(121)	(219)
Leases and rents	(79)	(46)	(275)	(165)
Depreciation of rights of use assets	(31)	(31)	(93)	(93)
Contingencies	(305)	(2,593)	(2,192)	(3,510)
Other	(1,242)	(747)	(2,124)	(2,453)
	(8,384)	(11,981)	(27,575)	(28,903)

	Consolidated			
	Three month period ended		Nine month period ended	
	September 30,2020	September 30,2019	September 30,2020	September 30,2019
Payroll and related charges	(3,666)	(3,666)	(9,728)	(9,633)
Third party services	(1,113)	(3,197)	(7,632)	(8,091)
Depreciation and amortization	(1,920)	(1,596)	(5,360)	(4,738)
Insurance	(22)	(17)	(66)	(62)
Travel expenses	(9)	(91)	(121)	(219)
Leases and rents	(79)	(46)	(275)	(165)
Depreciation of rights of use assets	(31)	(31)	(93)	(93)
Contingencies	(305)	(2,593)	(2,192)	(3,510)
Other	(1,252)	(749)	(2,134)	(2,462)
	(8,397)	(11,986)	(27,601)	(28,973)

19 Other operating income (expenses)

	Parent Company and Consolidated			
	Three month period ended		Nine month period ended	
	September 30,2020	September 30,2019	September 30,2020	September 30,2019
Non-consumed electric energy	1,444	2,312	4,864	8,728
Expected credit loss	265	537	418	1,584
Deferred revenue - right of use	497	498	1,493	1,493
Other	2	10	2	146
	2,208	3,357	6,777	11,951

20 Financial income (expenses)

	Parent Company			
	Three month period ended		Nine month period ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Financial expenses				
Tax on financial transactions (IOF)	(240)	(288)	(467)	(403)
Interest - intercompany loan	(7,461)	(28,677)	(37,067)	(89,677)
Interest on leases	(109)	(73)	(354)	(246)
Penalty due to tax parcellation (a)	(8,740)	-	(8,740)	-
Other	(150)	(267)	(1,283)	(399)
	(16,700)	(29,305)	(47,911)	(90,725)
Financial income				
Reversal interest on tax debt regularization - Government program	-	-	-	4,009
Exchange and monetary variation (b)	248	-	70,282	-
Interest income	870	1,255	3,889	3,363
	1,118	1,255	74,171	7,372
Financial results, net	(15,582)	(28,050)	26,260	(83,353)

- (a) On June 09, 2020 the federal government issued tax parcellation terms so as to all brazilian company could minimize the cash flow impacts regarding COVID-19 reflects. Ferroport joined this regulation for income tax, social contribution, Pis and Cofins amounting R\$ 53,381.
- (b) 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		Nine month period ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Financial expenses				
Tax on financial transactions (IOF)	(241)	(288)	(468)	(404)
Interest - intercompany loan	(7,461)	(28,677)	(37,067)	(89,677)
Interest on leases	(109)	(73)	(354)	(246)
Penalty due to tax parcellation (a)	(8,740)	-	(8,740)	-
Other	(256)	(267)	(1,308)	(398)
	(16,807)	(29,305)	(47,937)	(90,725)
Financial income				
Reversal interest on tax debt regularization - Government program	-	-	-	4,009
Exchange and monetary variation (b)	247	-	70,282	-
Interest income	980	1,255	3,900	3,363
	1,228	1,255	74,182	7,372
Financial results, net	(15,579)	(28,050)	26,245	(83,353)

- (a) On June 09, 2020 the federal government issued tax parcellation terms so as to all brazilian company could minimize the cash flow impacts regarding COVID-19 reflects. Ferroport joined this regulation for income tax, social contribution, Pis and Cofins amounting R\$ 53,381.
- (b) 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\$ 165,870 at September 30, 2020 (R\$ 162,229 on December 31, 2019) and these should be fulfilled in the course of the operations.

Area	September 30, 2020	December 31, 2019
Operation	53,648	62,080
Sustainability	19,810	16,990
Administrative	23,303	29,314
Maintenance	45,968	20,576
Legal	10,875	12,047
HR	9,147	13,200
Others	3,119	8,022
Total	165,870	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 September 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 September 30, 2020 and December 31, 2019 are as follows:

Classifications	Parent Company					
	September 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	160,596	Amortized cost	-	38,600	Amortized cost	-
Accounts receivable related parties	88,344	Amortized cost	-	373,440	Amortized cost	-
Liabilities						
Other financial liabilities						
Trade accounts payable	50,683	Amortized cost	2	22,884	Amortized cost	2
Loans and accounts payable with related parties	870,471	Amortized cost	2	1,458,916	Amortized cost	2
Classifications	Consolidated					
	September 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	161,189	Amortized cost	-	38,600	Amortized cost	-
Accounts receivable related parties	88,350	Amortized cost	-	373,521	Amortized cost	-
Liabilities						
Other financial liabilities						
Trade accounts payable	50,685	Amortized cost	2	22,284	Amortized cost	2
Loans and accounts payable with related parties	870,471	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

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales and loans are denominated and the Group's functional currency. The Group's functional currency is mainly the Real. The currency in which these transactions are primarily denominated is the dollar.

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

Financial instruments	Parent Company and Consolidated			
	September 30, 2020		December 31, 2019	
	RS	USD	RS	USD
Accounts receivable (Related parties)	88,350	15,663	373,521	92,685
Net exposure of the balance sheet	88,350	15,663	373,521	92,685

Liquidity risk

The table below provides the Company's main financial liabilities at September 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	-	50,683	-	-	50,683
Related parties - loans	210,102	175,902	193,691	233,368	813,063
Total by maturity range	210,102	226,585	193,691	233,368	863,746

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\$ 161,189 thousand at September 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	September 30,2020	December 31,2019
Cash equivalents	161,189	39,327
Accounts receivable (Related parties)	88,350	373,521
	249,539	412,848

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

	September 30, 2020	December 31, 2019
Property and equipment damages	2,642,100	2,430,200
Civil liability	282,035	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