

Ferropport Logística
Comercial
Exportadora S.A.

**Financial Statements as of
December 31, 2020 and 2019**

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Independent Auditor's Report on Individual and Consolidated Financial Statements

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

Opinion

We have audited the individual and consolidated financial statements of Ferroport Logística Comercial Exportadora S.A. ("the Company"), respectively referred to individual and consolidated, which comprise the balance sheet as of December 31, 2020, and the statements of operations, comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

In our opinion, the accompanying individual and consolidated financial statements present fairly, in all material respects, the financial position of Ferroport Logística Comercial Exportadora S.A., as of December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

Basis for opinion

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

Responsibilities of Management for the individual and consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting policies adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company, or to cease operations, or has no realistic alternative but to do so.

The management is responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Individual and Consolidated Financial Statements

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

As part of the examination performed in accordance with Brazilian and international standards on auditing, we exercised professional judgment and maintained professional skepticism throughout the audit. We also:

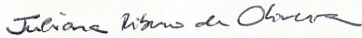
- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement resulting from fraud is greater than the one deriving from error, as fraud may involve the act of circumventing internal control, collusion, forgery, omission or deliberate false representations.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are substantiated by the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the individual and consolidated financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the corresponding transactions and events in a compatible manner with the objective of a true and fair presentation.

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

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

Rio de Janeiro, March 25, 2021

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


Juliana Ribeiro de Oliveira

Contador CRC RJ – 095335/O-0

Ferroport Logística Comercial Exportadora S.A.

Balance sheets as of December 31, 2020 and 2019

(In thousands of Reais)

Note	Parent Company		Consolidated		
	2020	2019	2020	2019	
Assets					
Current assets					
Cash and cash equivalents	5	78,553	38,600	79,143	39,327
Accounts receivable from related parties	14	161,994	373,440	161,994	373,521
Inventories	6	29,064	25,937	29,064	25,937
Recoverable taxes	8	16,942	75,178	17,039	75,253
Income taxes and social contribution recoverable	8	-	787	43	787
Prepaid expenses		1,322	1,077	1,324	1,080
Other		1,612	1,217	1,613	1,217
Total current assets		289,487	516,236	290,219	517,122
Noncurrent assets					
Judicial deposits	9	34,409	37,212	34,409	37,212
Related parties - asset to be transferred	14	210,102	210,102	210,102	210,102
Investments in subsidiary	10	731	845	-	-
Right of use assets	11	3,067	4,283	3,067	4,283
Property, plant and equipment	12	2,101,680	2,095,888	2,101,680	2,095,888
Intangible assets	13	573	683	573	683
Deferred charges		2,466	3,123	2,466	3,123
Total noncurrent assets		2,353,028	2,352,136	2,352,297	2,351,291
Total assets		2,642,515	2,868,372	2,642,516	2,868,413
Liabilities and equity					
Trade accounts payable		56,230	22,884	56,231	22,885
Payroll and related charges		16,449	14,961	16,449	14,962
Taxes payable	15	11,889	28,095	11,889	28,095
Lease liabilities	11	1,890	1,569	1,890	1,569
Income taxes and social contribution payable	15	26,154	112,763	26,154	112,802
Related parties – loans	14	142,000	137,000	142,000	137,000
Total current liabilities		254,612	317,272	254,613	317,313
Noncurrent liabilities					
Income taxes and social contribution payable	15	61,030	35,454	61,030	35,454
Lease liabilities	11	1,400	2,820	1,400	2,820
Deferred income tax and social contribution	7	130,559	57,579	130,559	57,579
Related parties - accounts payable	14	210,102	210,102	210,102	210,102
Related parties - loans	14	412,192	1,111,814	412,192	1,111,814
Deferred revenue with related party	14	48,447	50,641	48,447	50,641
Provision for contingencies	16	22,386	18,186	22,386	18,186
Taxes payable	15	32,615	8,828	32,615	8,828
Other		19,365	20,332	19,365	20,332
Total noncurrent liabilities		938,096	1,515,756	938,096	1,515,756
Shareholders' equity					
Share Capital	17	803,404	803,404	803,404	803,404
Profits to be allocated		393,748	-	393,748	-
Capital reserve		94,589	94,589	94,589	94,589
Contingencies reserve		109,595	109,595	109,595	109,595
Legal reserve		48,471	27,756	48,471	27,756
Total shareholders' equity		1,449,807	1,035,344	1,449,807	1,035,344
Total liabilities and shareholders' equity		2,642,515	2,868,372	2,642,516	2,868,413

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

Ferropport Logística Comercial Exportadora S.A.

Income Statement

Years ended December 31, 2020 and 2019

(In thousands of Reais)

	Note	Parent Company		Consolidated	
		2020	2019	2020	2019
Net revenue of services	18	890,228	923,221	890,493	924,791
Costs of services	19	(217,410)	(159,083)	(217,721)	(159,938)
Gross profit		672,818	764,138	672,772	764,853
Operating income (expenses)					
General and administrative expenses	20	(43,283)	(37,617)	(43,313)	(37,711)
Other operating income (expenses), net	21	11,374	14,745	11,374	14,745
		(31,909)	(22,872)	(31,939)	(22,966)
Income before financial income (expenses) and taxes		640,909	741,266	640,833	741,887
Share of results of investee, net		(114)	470	-	-
Financial income (expenses)					
Financial income	22	74,621	7,907	74,635	7,920
Financial expenses	22	(56,467)	(113,908)	(56,494)	(113,910)
Net income before income taxes		658,949	635,735	658,974	635,897
Income and social contribution taxes					
Current	7	(173,045)	(118,187)	(173,070)	(118,349)
Deferred	7	(71,441)	(108,067)	(71,441)	(108,067)
Total income and social contribution taxes		(244,486)	(226,254)	(244,511)	(226,416)
Net income for the year		414,463	409,481	414,463	409,481

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

Ferroport Logística Comercial Exportadora S.A.

Statements of comprehensive income (loss)

Years ended December 31, 2020 and 2019

(In thousands of Reais)

	Parent Company and Consolidated	
	2020	2019
Net income for the year	414,463	409,481
Total comprehensive income for the year	414,463	409,481

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

Ferroport Logística Comercial Exportadora S.A.

Statements of changes in shareholders' equity

Years ended December 31, 2020 and 2019

(In thousands of Reais)

	Note	Parent Company and Consolidated					Total	
		Share Capital	Profits to be allocated	Capital reserve	Contingencies reserve	Legal reserve		Accumulated profit (losses)
Balances as of January 1st, 2019	17	414,397	-	94,589	109,595	7,282	-	625,863
Net income for the year		-	-	-	-	-	409,481	409,481
Reserves constitution - profit allocation		-	-	-	-	20,474	(20,474)	-
Capital increase		389,007	-	-	-	-	(389,007)	-
Balances as of December 31, 2019		803,404	-	94,589	109,595	27,756	-	1,035,344
Net income for the year		-	-	-	-	-	414,463	414,463
Reserves constitution - profit allocation		-	-	-	-	20,715	(20,715)	-
Proposed capital increase		-	393,748	-	-	-	(393,748)	-
Balances as of December 31, 2020		803,404	393,748	94,589	109,595	48,471	-	1,449,807

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

Ferropport Logística Comercial Exportadora S.A.

Statements of cash flows

Years ended December 31, 2020 and 2019

(In thousands of Reais)

	Parent Company		Consolidated	
	2020	2019	2020	2019
Operating activities				
Net income before income taxes	658,949	635,735	658,974	635,897
Adjustments to reconcile income before taxes and net cash provided by operating activities:				
Depreciation and amortization	56,118	49,271	56,118	49,271
Monetary variation and interest	49,856	112,567	49,856	112,567
Financial compensation due to Settlement Agreement	-	(241,806)	-	(241,806)
Tax Provision	3,664	31,195	3,664	31,195
Amortization of insurance	4,882	4,247	4,895	4,260
Provision for bonus	8,734	9,123	8,736	9,174
Provision for legal proceeding	4,200	3,236	4,200	3,236
Deferred revenue amortization	(2,194)	(2,194)	(2,194)	(2,194)
Shares of results of investee	114	(470)	-	-
Provision for expected credit losses	(694)	(1,650)	(694)	(1,650)
	783,629	599,254	783,583	599,950
(Increase) decrease of assets and increase (decrease) of liabilities:				
Account receivable from related parties	211,429	(101,552)	211,504	(101,555)
Inventories	(2,157)	(3,680)	(2,157)	(3,680)
Recoverable taxes	2,162	371	2,103	320
Prepaid expenses	(1,813)	(3,482)	(1,826)	(3,495)
Trade accounts payable	27,279	(1,388)	27,279	(1,387)
Taxes payable	(32,359)	63,318	(32,359)	63,196
Payroll and related charges	(7,396)	(5,786)	(7,399)	(5,837)
Accounts payable to related parties	(1,189)	(30,854)	(1,189)	(30,854)
Taxes payable related to intercompany loans	(53,716)	(46,728)	(53,716)	(46,728)
Interest paid	(304,392)	(264,790)	(304,392)	(264,790)
Income tax and social contribution tax paid	(147,423)	(62,427)	(147,423)	(62,427)
Interest on leases	(454)	(386)	(454)	(386)
Other	(546)	1,004	(500)	1,004
Net cash flows generated by operating activities	473,054	142,873	463,390	143,331
Investing activities				
Acquisition of intangible assets	(737)	(428)	(737)	(428)
Acquisition of property, plant and equipment	(51,353)	(26,512)	(51,353)	(26,512)
Net cash flows used in investing activities	(52,090)	(26,940)	(52,090)	(26,940)
Financing activities				
Intercompany loans settled	(379,394)	(107,453)	(379,394)	(107,453)
Lease payments	(1,617)	(1,536)	(1,617)	(1,536)
Net cash flows used in financing activities	(381,011)	(108,989)	(381,011)	(108,989)
Increase in cash and cash equivalents	39,953	6,945	39,816	7,402
Cash and cash equivalents				
At beginning of the year	38,600	31,655	39,327	31,925
At end of the year	78,553	38,600	79,143	39,327
Increase in cash and cash equivalents	39,953	6,945	39,816	7,402

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

Notes to the financial statements

(In thousands of Reais, unless otherwise stated)

1 The Company and its operations

In 2007, Ferroport Logística Comercial Exportadora S,A, (“Ferroport” or the “Company”), formerly known as LLX Minas-Rio Logística Comercial Exportadora S,A,, located in the state of Rio de Janeiro, Rua da Passagem 123/ 11th floor - Botafogo, was incorporated with the purpose of developing and operating port facilities and providing logistics support services.

Ferroport is joint owner of an area of 300 hectares 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 April 18, 2018, AAMFB notified Ferroport discussing the occurrence of several incidents involving the slurry pipeline and the ToP payments were suspended. 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 14.

In 2020, the Company loaded 23.8 million tons (unaudited) of iron ore in 150 vessels (unaudited) (23 million tons (unaudited) in 137 vessels (unaudited) during 2019). Since the beginning of operations in October 2014, the Company loaded 91.5 million tons (unaudited) of iron ore, reaching a mark of 578 vessels (unaudited) berthing at the port.

In 2020, the Açú Petróleo S.A. performed 79 operations (unaudited) in 190 vessels (unaudited), loading 14.5 millions metric tons (unaudited) of oil transshipment. In 2019, the Açú Petróleo S.A. performed 51 operations (unaudited) in 123 vessels (unaudited), loading 9.6 millions metric tons (unaudited) of oil transshipment. Since the beginning of operations in August, 2016, they carried out 181 operations (unaudited) in 424 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 of 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.

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.	September 02, 2014	September 02, 2039
ANTAQ (Supervising Office for Grants of the National Waterway Agency) authorizes Ferroport to start operating the port terminal.	December 13, 2018	December 13, 2023

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

a. Statement of compliance

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

The Company's Directors authorized the issuance of these financial statements on March 25, 2021.

b. Basis of measurement

The financial statements have been prepared on the historical cost basis.

c. Functional and reporting currency

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

d. Use of estimates and judgments

The preparation of the financial statements requires, management has made judgments, estimates and assumptions which affect the application of accounting policies and practices and the reported amounts of assets, liabilities, income and expenses.

Estimates and underlying assumptions are reviewed on an ongoing basis. Accounting estimates are recognized in the year in which they are reviewed and in any future periods that may be affected. Actual results may differ from these estimates.

The significant issues that may be affected by the use of estimates are:

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

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

e. Cash and cash equivalents

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

f. Financial instruments

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

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

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

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

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

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

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

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

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable-rate features;
- Prepayment and extension features; and
- Terms that limit the Company claim to cash flows from specified assets (e.g. non-recourse features).

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

g. Inventories

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

h. Property, plant and equipment

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

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

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

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

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

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

i. Intangible assets

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

j. Impairment of non-financial assets

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

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

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

k. Provisions

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

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

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

l. Operating revenue

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

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

The company's shipment of iron ore contracts have take-or-pay clauses. Take-or-pay clauses are contractual mechanisms that ensure receipt of a minimum number of transactions, regardless of their physical performance, if the customer does not exercise the right to perform them within the established term. For these cases, the Company recognizes revenue from breakage when the likelihood of the customer exercising its rights becomes remote.

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

m. Financial income and expenses

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

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

n. Income tax and social contribution

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

Income tax for the current year is calculated based on the 15% rate, plus the additional 10% on annual taxable income exceeding R\$ 240 thousand; and 9% of the taxable income for social contribution and consider the compensation of tax loss and negative basis of social contribution, limited to 30% of the real profit.

Current tax expense is the tax payable or receivable estimated on taxable profit or loss for the year and any adjustment to taxes payable in relation to previous years, if applicable. The amount of current taxes payable or receivable is recognized in the balance sheet as a tax asset or liability by the best estimate of the expected amount of taxes to be paid or received that reflects the uncertainties related to their calculation, if any. It is measured based on the expected total annual profit, that is, the estimated average effective annual rate is applied to earnings before taxes in the interim period.

o. Other current and noncurrent assets and liabilities

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

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

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

p. Lease

The Company initially applied CPC 06 (R2)/IFRS 16 Leases from 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated.

Definition of a Lease

The Company previously classified leases as operating or finance leases based on this assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Company. Under CPC 06/IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases these leases are on-balance sheet.

CPC 06 introduced a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases. CPC 06 (R2)/IFRS 16 replaces existing leases guidance including CPC 06 Leases and ICPC 03 (IFRIC 4, SIC 15 and SIC 27).

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 12,83% per year.

q. New standards issued from January 01, 2020:

Changes to conceptual framework

The Company's management and its subsidiary adopted the new definitions in CPC 00 (R2)/Framework, and have not identified significant impacts from the adoption of the new standard as of January 1, 2020.

Changes to Business Combination (CPC 15/IFRS 3) – New definition of business

The Company's management and its subsidiaries analyzed the new definitions in CPC 15, and understood that it was not applicable.

Changes to Presentation of financial statements (CPC 26/IAS 1) and Accounting Policies, Changes in Accounting Estimates and Errors (CPC 23/IAS 8) - Definition of materiality

The amendments are effective from 1 January 2020 but may be applied earlier. However, there are no relevant impacts – the refinements are not intended to alter the concept of materiality.

Changes to Financial instruments (CPC 40/IFRS 7), Transaction Costs and Premiums on the Issuance of Bonds and Securities (CPC 08/IAS 39) and Financial instruments: Disclosures (CPC 48/IFRS 9) – Interest Rate Benchmark Reform

The Company's management and its subsidiaries analyzed the new definitions and understood that it was not applicable.

Benefits related to COVID-19 granted to lessees through lease agreements (amendment to CPC 06 / IFRS 16)

The Company's management and its subsidiaries analyzed the new definitions and understood that it was not applicable.

4 New standards and interpretations not yet effective

International Accounting Standards Board (IASB)

The main standards issued by the IASB that have not yet come into force and have not been adopted by the Company until December 31, 2020.

Standard	Description	Effective date
Interest Rate Benchmark Reform (phase 2) – Amendments to IFRS 9/CPC 48, IFRS 7/CPC 40, IAS 39/CPC 08, IFRS 4/CPC 11 and IFRS 16/CPC 06.	IBOR reform refers to the global reform of interest rate benchmarks, which includes the replacement of some interbank offered rates (IBOR) with alternative benchmark rates.	January 1, 2021, Retrospective application.
Assessing if a contract is onerous – Amendments to IAS 37/CPC 25	Changes to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> , which clarify the types of costs a company includes as the 'costs of fulfilling a contract' when assessing whether a contract is onerous.	January 1, 2022, Prospective application.
Annual improvements to IFRS standards - Amendments to IFRS 1/CPC CPC 37, IFRS 9/CPC 48, IFRS 16/CPC 06 and IAS 41/CPC 29	As part of its process to make non-urgent but necessary amendments to IFRS® Standards, the IASB International Accounting Standards Board (the Board) has issued the Annual Improvements to IFRS Standards 2018–2020.	January 1, 2022, Prospective application.
Accounting for proceeds before an	Under the amendments, proceeds from selling items before the related item of PPE is available for use should	January 1, 2022, Retrospective application.

asset's intended use – Amendments to IAS 16/CPC 27	be recognised in profit or loss, together with the costs of producing those items.	
Classifying liabilities as current or non-current – Amendments to IAS 1/CPC 26 and IAS 8/CPC 23	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.	January 1, 2023, Retrospective application.
IFRS 17/CPC 11 – insurance contracts	This IFRS replaces IFRS 4 - Insurance Contracts and establishes the requirements that must be applied in the recognition and disclosure related to insurance and reinsurance contracts.	January 1, 2023, Prospective application.

With respect to the changes listed above, the Company does not expect significant impacts from the initial application in its financial statements.

5 Cash and cash equivalents

	Parent Company		Consolidated	
	2020	2019	2020	2019
Cash and banks	306	185	474	701
Cash equivalents				
Investment funds	-	23,393	-	23,604
Bank deposit certificate (CDB)	78,247	15,022	78,669	15,022
	78,553	38,600	79,143	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 100,91% of Interbank Deposit (DI) rate in last quarter of 2020. The portfolio currently consist of deposits certificates issued by Santander and Banco ABC.

6 Inventories

In 2020, the individual and consolidated balance of inventories applied to equipment maintenance totaled R\$ 29,064 (R\$ 25,937 in 2019).

7 Income tax and social contribution

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

	Parent Company and Consolidated		
	2019	Additional amount/offset (liability) recorded	2020
Assets			
Tax loss carryforwards	36,428	(36,428)	-

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Temporary differences:			
Provisions of bonus, contingencies and others			
Difference between tax basis and book value - deferred assets	19,866	(2,106)	17,760
Other	-	1,078	1,078
Total deferred income taxes assets	56,294	(37,456)	18,838
Liabilities			
Difference between tax basis and book value of depreciation rates	(60,980)	(13,193)	(74,173)
Temporary differences:			
Capitalized interests	(51,154)	(22,697)	(73,851)
Judicial deposits	(1,739)	366	(1,373)
Total deferred income taxes liabilities	(113,873)	(35,524)	(149,397)
Net effect	(57,579)	(72,980)	(130,559)

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

The reconciliation of the reported income tax and social contribution and the amount determined by applying the nominal rate for the years ended December 31, 2020 and 2019, are as follows:

Net income before income Tax and Social Contribution	Parent Company		Consolidated	
	2020	2019	2020	2019
Income before income taxes	658,949	635,735	658,974	635,897
Income tax at the nominal rate 34%	(224,043)	(216,150)	(224,051)	(216,205)
Tax aliquot effect about presumed profit	-	-	(25)	(162)
Tax adjustments:				
Deffered - Tax loss AAMFB and Prumo Logística	-	4,829	-	4,829
Tax assessments (a)	(19,301)	-	(19,301)	-
Tax debt regularization - Government program	-	3,320	-	3,320
Deferred - Provision and reversal provision	(3,398)	(14,660)	(3,398)	(14,660)
Other	2,256	(3,593)	2,264	(3,538)
Total	(244,486)	(226,254)	(244,511)	(226,416)
Current income and social contribution tax	(173,045)	(118,187)	(173,070)	(118,349)
Deferred income and social contribution tax	(71,441)	(108,067)	(71,441)	(108,067)
Total income and social contribution tax	(244,486)	(226,254)	(244,511)	(226,416)

Effective rate 37% 36% 37% 36%

- (a) On November 16, 2020, the Company was assessed by the Federal Revenue of Brazil (“RFB”) regarding the deduction of capitalized interest and amortization of the goodwill from the merger, for the period of 2015 until 2017. Ferroport does not agree with the terms and calculation by RFB amounting R\$ 235,074 and challenges the payment based on Company’s workingpapers, shareholders agreements and legal opinion. However, the Company recognized that there is a difference in the calculation of deferred amortization basis amounting R\$ 19,301. According to this difference which was identified, the Company issued and recorded new terms, present a new calculation and submitted to RFB.

8 Recoverable taxes

	Parent Company		Consolidated	
	2020	2019	2020	2019
Income tax	9,417	49,969	9,417	49,969
Social contribution	3,298	17,153	3,298	17,153
PIS and COFINS	4,175	8,009	4,204	8,009
INSS	-	-	59	54
ISS	48	47	48	68
Other	4	-	13	-
Subtotal recoverable taxes	16,942	75,178	17,039	75,253
Income tax	-	784	33	784
Social contribution	-	3	10	3
Total income taxes and social contribution recoverable	-	787	43	787
Total	16,942	75,965	17,082	76,040

9 Judicial deposits

	Parent Company and Consolidated	
	2020	2019
Income tax and social contribution (a)	32,563	35,453
Other	1,846	1,759
	34,409	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 (R\$35,921 in November 2020). Ferroport obtained an unfavorable decision and is awaiting decision on its appeal. The amount deposited is fully reserved under “Taxes payable”. In December 2020, the 10th federal court of Rio de Janeiro was granted a favorable decision, with partial return of the judicial deposit in the amount of R\$ 3,358. The amount was received on December 4, 2020. The total amount in December 2020 is 32,563.

10 Investments in subsidiary

The investments in subsidiary are as follow:

a. Movement of participation in subsidiary

	2019	Addition	Equity loss	2020
Ferroport Serviços EIRELLI (a)	845	-	(114)	731

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

b. Relevant information about subsidiary

Direct subsidiaries	%	Number of shares (thousand)	Asset	Liability	Shareholders equity	Capital	Profit for the period
Ferroport Serviços EIRELI	100	100	734	(2)	(732)	100	(114)

11 Right-of-use assets / Lease Liabilities

The table below describes the contracts within the scope of CPC 06 R2 , segregated by supplier, with their respective current values, contractual terms and interest rates applied as of December 31, 2020:

Parent Company and Consolidated						
Suppliers	Assets	Right of use assets	Lease Liabilities	Months	Interest rates	
Localiza	Vehicles	1,049	1,145	38	1,0280%	
Transbarra	Machinery and equipment	1,528	1,639	36	0,9902%	
Ormec	Machinery and equipment	367	368	24	0,9902%	
Solaris	Machinery and equipment	123	138	36	0,9902%	
		3,067	3,290			

To obtain the interest rates, the Company simulated obtaining funds from financial institutions for the acquisition of the underlying assets, with similar terms to the respective contracts. The movements of the right of use assets and lease liabilities, with their respective final balances at December 31, 2020, are as follows:

Parent Company and Consolidated				
Lease Assets	January 01, 2020	Additions	(-) Depreciation	December 31, 2020
Right of use - Vehicles	1,688	135	(637)	1,186
Right of use - Machinery and equipment	2,595	383	(1,097)	1,881
	4,283	518	(1,734)	3,067

Parent Company and Consolidated

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

Parent Company and Consolidated

Lease Liabilities	January 01, 2020	Additions	Transfer	Interest	Payments	December 31, 2020
Current	1,569	242	1,696	454	(2,071)	1,890
Non current	2,820	276	(1,696)	-	-	1,400
	<u>4,389</u>	<u>518</u>	<u>-</u>	<u>454</u>	<u>(2,071)</u>	<u>3,290</u>

Parent Company and Consolidated

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

Parent Company and Consolidated

Payments	2020			2019		
	Fixed (Lease)	Variable (Cost)	Total	Fixed (Lease)	Variable (Cost)	Total
Vehicles	(770)	(36)	(806)	(779)	(39)	(818)
Machinery and equipment	(1,301)	(78)	(1,379)	(1,143)	(77)	(1,220)
	<u>(2,071)</u>	<u>(114)</u>	<u>(2,185)</u>	<u>(1,922)</u>	<u>(116)</u>	<u>(2,038)</u>

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

Parent Company and Consolidated				
Lease Liabilities	up to 6 months	From 6 to 12 months	From 1 to 2 years	Total
	917	973	1,400	<u>3,290</u>

12 Property, plant and equipment

Parent Company and Consolidated	Annual depreciation rate %	Cost	Accumulated depreciation	Net balance at 2020	Net balance at 2019
Improvements	4	66,220	(65,144)	1,076	1,131
Furniture and fixtures	10	1,067	(554)	513	251
Vehicles	20 and 25	1,332	(1,054)	278	375
IT equipment	20	10,176	(4,182)	5,994	5,463
Machinery and equipment	10, 20 and 50	30,038	(5,958)	24,080	8,148
Electronic equipment	20	1,396	(530)	866	408
Defenses	10	4,031	(2,315)	1,716	2,102
Breakwater	2,22	853,058	(114,125)	738,933	756,940
Maritime access canal	2,22	451,796	(44,462)	407,334	414,057
Pier - Port Terminal	2,22	830,479	(85,996)	744,483	761,940
Safety equipment	10	20,854	(8,306)	12,548	13,325
Operational tools and equipment	5 and 20	33,920	(9,718)	24,202	16,648
Construction in progress	-	127,759	-	127,759	109,382
Other equipments	10 and 5	17,421	(5,523)	11,898	5,718
		2,449,547	(347,867)	2,101,680	2,095,888

Parent Company and Consolidated	Annual depreciation rate %	2018	Additions	Transfers	2019
Cost					
Improvements	4	69,730	-	(3,510)	66,220
Furniture and fixtures	10	676	55	-	731
Vehicles	20	1,039	293	-	1,332
IT equipment	20	7,361	1,324	-	8,685
Machinery and equipment	10	7,548	5,476	(602)	12,422
Electronic equipment	20	6,015	94	(5,327)	782
Defenses	10	4,031	-	-	4,031
Breakwater	2,22	851,433	940	-	852,373
Maritime access canal	2,22	451,690	106	-	451,796
Pier - Port Terminal	2,22	830,202	196	(1,546)	828,852
Safety equipment	10	18,549	725	840	20,114
Operational tools and equipment	10 and 5	9,750	6,898	-	16,648
Construction work in progress	-	94,667	11,376	3,339	109,382
Others equipments	10 and 5	10,378	336	6,806	17,520
		2,363,069	27,819	-	2,390,888

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

Parent Company and Consolidated	Annual depreciation rate %	2019	Additions	Writte-offs	2020
Cost					
Improvements	4	66,220	-	-	66,220
Furniture and fixtures	10	731	336	-	1,067
Vehicles	20	1,332	-	-	1,332
IT equipment	20	8,685	1,491	-	10,176
Machinery and equipment	10	12,422	17,616	-	30,038
Electronic equipment	20	782	614	-	1,396
Defenses	10	4,031	-	-	4,031
Breakwater	2,22	852,373	685	-	853,058
Maritime access canal	2,22	451,796	-	-	451,796
Pier - Port Terminal	2,22	828,852	1,627	-	830,479
Safety equipment	10	20,114	740	-	20,854
Operational tools and equipment	10 and 5	16,648	17,272	-	33,920
Construction work in progress		109,382	18,398	(21)	127,759
Others equipments	10 and 5	17,520	-	(99)	17,421
		<u>2,390,888</u>	<u>58,779</u>	<u>(120)</u>	<u>2,449,547</u>

Parent Company and Consolidated	Annual depreciation rate %	2019	Additions	2020
Depreciation				
Improvements	4	(65,089)	(55)	(65,144)
Furniture and fixtures	10	(479)	(75)	(554)
Vehicles	20	(957)	(97)	(1,054)
IT equipment	20	(3,222)	(960)	(4,182)
Machinery and equipment	10	(4,274)	(1,684)	(5,958)
Electronic equipment	20	(374)	(156)	(530)
Defenses	10	(1,929)	(386)	(2,315)
Breakwater	2,22	(95,433)	(18,692)	(114,125)
Maritime access canal	2,22	(37,739)	(6,723)	(44,462)
Pier - Port Terminal	2,22	(66,912)	(19,084)	(85,996)
Safety equipment	5 and 20	(6,789)	(1,517)	(8,306)
Operational tools and equipment	10	(6,573)	(3,145)	(9,718)
Others equipments	10 and 5	(5,230)	(293)	(5,523)
		(295,000)	(52,867)	(347,867)
Property and equipment, net		2,095,888	5,912	2,101,680

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 transferred to the parties individually as stated in the Agreement.

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

13 Intangible assets

Parent Company and Consolidated

	Amortization	2019	Additions	2020
Cost				
Software use license	5 years	11,063	750	11,813
Total Cost		11,063	750	11,813
Amortization				
Software use license	5 years	(10,380)	(860)	(11,240)
Total Amortization		(10,380)	(860)	(11,240)
		683	(110)	573

14 Transactions with related parties

	Parent Company		Consolidated	
	2020	2019	2020	2019
Assets				
Assets to be transferred to AAMFB (a)	210,102	210,102	210,102	210,102
Accounts receivable from AAMFB (b)	158,955	369,229	158,955	369,229
Accounts receivable from Açú Petróleo (c)	2,275	4,211	2,275	4,389
	371,332	583,542	371,332	583,720
Credit Note				
AAMFB	528	469	528	469
Açú Petróleo	236	199	236	199
Ferroport Serviços	-	97	-	-
Current	161,994	373,440	161,994	373,521
Noncurrent	210,102	210,102	210,102	210,102
	2020	2019	2020	2019
Liabilities				
Advances of the asset allocation				
AAMFB (a)	210,102	210,102	210,102	210,102
Intercompany loans				
Prumo Participações e Investimentos	300,376	646,433	300,376	646,433
Withholding income tax on loan	153	47,438	153	47,438
Anglo American Capital London	253,663	554,944	253,663	554,944
	764,294	1,458,917	764,294	1,458,917
Deferred revenue				
Deferred revenue with related party (d)	48,447	50,641	48,447	50,641
Current	142,000	137,000	142,000	137,000
Noncurrent	622,294	1,321,916	622,294	1,321,916

- (a) This refers to the divisible assets to be transferred to AAMFB, according to the Agreement described in Note 1.
- (b) Receivables from the take-or-pay agreement with AAMFB, and Financial compensation due to Settlement Agreement, as describe in note 18.
- (c) Receivables from the Port Access agreement related to T-Oil operations.
- (d) In January 2008, an agreement was entered into with Porto do 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 determined in Brazilian reais (BRL) and subject to annual interest of 100% of the CDI plus 2% p.a. Intercompany loans have no covenants or guarantees.

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

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

	Revenues (expenses)			
	Parent Company		Consolidated	
Revenue	2020	2019	2020	2019
AAMFB - take-or-pay agreement (a)	864,037	878,595	864,037	878,595
Açú Petróleo	29,659	47,820	29,659	47,820
Ferroport Serviços	265	1,571	-	-
Expenses/Costs				
Anglo American	-	(1,910)	-	(1,910)
Porto do Açú	(1,088)	-	(1,088)	-
Açú Petróleo	(60)	-	(60)	-
GNA	(40)	-	(40)	-
Financial expenses				
Interest on loans				
Prumo Participações e Investimentos	(22,513)	(57,800)	(22,513)	(57,800)
Anglo American Capital London	(20,367)	(54,441)	(20,367)	(54,441)
	849,893	813,835	849,628	812,264

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

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

Liabilities
Intercompany loans

(In thousands os Reais)

Opening balances on January 1, 2020	1,411,479
Variations in cash	
Interest paid	(304,392)
Intercompany loans Settled	<u>(379,393)</u>
Total variations in financing cash flows	<u>(683,785)</u>
Other variations	
Related liabilities	
Interest Expense	42,880
Income tax on intercompany loans	(6,432)
Total other variations related liabilities	<u>36,448</u>
Closing balances on December 31, 2020	<u>764,142</u>

Key management compensation was as follows:	2020	2019
Payroll and related charges	3,832	3,554

15 Taxes payable

	Parent Company		Consolidated	
	2020	2019	2020	2019
PIS and COFINS	31,866	29,065	31,866	29,065
ISS	588	139	588	139
ICMS	11,327	7,510	11,327	7,510
Income tax and social contribution (*)	86,389	147,590	86,389	147,630
Other	1,518	835	1,518	834
	131,688	185,138	131,688	185,178
Current	38,043	140,858	38,043	140,897
Noncurrent (*)	93,645	44,282	93,645	44,282

(*) This refers mainly to the judicial deposit for income tax and social contribution described in Note 9, and parcellation of taxes on Financial compensation due to Settlement Agreement.

16 Provision for contingencies

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:	Parent Company and Consolidated	
	2020	2019
Labor claims	8,235	5,465
Civil claims (a)	14,151	12,721
	22,386	18,186

- (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

	Parent Company and Consolidated			
	2019	Additions	write-offs	2020
Labor	5,465	3,024	(254)	8,235
Civil	12,721	1,859	(429)	14,151
	18,186	4,883	(683)	22,386

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

Possible:	Parent Company and Consolidated	
	2020	2019
Labor claims	2,313	2,876
Tax claims ^(a)	248,866	3,673
Civil claims ^(b)	246,906	201,747
	498,085	223,748

- (a) Impacted mainly by the tax assessment of the Federal Revenue of Brazil (“RFB”) referring to the deduction of capitalized interest in the calculation of income tax and social contribution, and amortization of deferred tax on the merger goodwill, both from 2015 to 2017, in the amount of R\$ 215,760, for details please see note 7. The additional exposure of the period 2018 to 2019 is R\$33,106.
- (b) Impacted mainly by ARG/Civilport litigation in the amount of R\$ 163,394 (R\$ 158,701 in December 31, 2019) and Arcoenge R\$ 51,732 (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.

17 Shareholders' equity

Capital

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

Shareholders	Number of shares		%
	2019	2020	
Prumo Participações e Investimentos S.A.	875,617	875,617	50
Anglo American Investimentos - Minério de Ferro Ltda.	875,617	875,617	50
	<u>1,751,234</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 capital stock.

On December 16, 2020, the Board of Directors approved the proposal for a capital increase in the amount of R\$ 393,748, with no issue of new shares, which will be fully subscribed by the two shareholders Anglo American Investimentos - Minério de Ferro Ltda and Prumo Participações e Investimentos SA., after approval at the General Meeting, to be realized until April 30, 2021.

Dividends

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

18 Net revenue from services

	Parent Company		Consolidated	
	2020	2019	2020	2019
Gross revenue	1.003.333	1.035.246	1.003.615	1.036.918
Shipment of iron ore (Take or Pay)	971.009	741.476	971.009	741.477
Financial compensation due to Settlement Agreement (a)	-	241.806	-	241.806
Oil transshipment (T-Oil)	32.324	51.964	32.324	51.962
Port services	-	-	282	1.673
Taxes	(113.105)	(112.025)	(113.122)	(112.127)
Taxes on gross revenue - PIS/COFINS	(93.067)	(96.261)	(93.077)	(96.322)
Tax on services – ISS	(20.038)	(15.764)	(20.045)	(15.805)
Net revenue from services	890.228	923.221	890.493	924.791

- (a) Ferroport received a notice from AAMFB declaring force majeure due to the two slurry pipeline leakages, occurred on March 12 and 29, and the fact the local authorities suspended the pipeline license until a detailed inspection throughout its entire length is executed and its safety is confirmed by an independent expert. Consequently, AAMFB suspended the *take-or-pay* payments. A dispute between the Parties arise out of the Shareholders Agreement and the Framework Agreement (the "Disputes"). Ferroport, its Shareholders and AAMFB have agreed to enter into a settlement agreement in order to finally and irrevocably settle all the claims related to the Disputes and finally and irrevocably terminate the Arbitrations, without any awards on their merits. The amount was received in April, 2020.

19 Costs of services

	Parent Company		Consolidated	
	2020	2019	2020	2019
Payroll and related charges	(44,492)	(41,194)	(44,800)	(42,010)
Depreciation and amortization	(46,643)	(41,289)	(46,643)	(41,289)
Third-parties services	(63,975)	(20,347)	(63,975)	(20,347)
Leases and rents	(4,170)	(2,619)	(4,172)	(2,639)
Insurance	(5,271)	(4,149)	(5,271)	(4,149)
Consumables spare parts	(45,849)	(43,229)	(45,849)	(43,240)
Depreciation of rights of use assets	(1,615)	(1,519)	(1,615)	(1,519)
Other	(5,395)	(4,737)	(5,396)	(4,745)
	(217,410)	(159,083)	(217,721)	(159,938)

20 General and administrative expenses

	Parent Company		Consolidated	
	2020	2019	2020	2019
Payroll and related charges	(15,424)	(13,866)	(15,432)	(13,938)
Third party services	(10,791)	(9,808)	(10,791)	(9,808)
Depreciation and amortization	(7,741)	(6,353)	(7,741)	(6,353)
Insurance	(76)	(71)	(88)	(84)
Travel expenses	(169)	(388)	(169)	(388)
Leases and rents	(368)	(229)	(368)	(229)
Depreciation of rights of use assets	(119)	(123)	(119)	(123)
Contingencies	(4,738)	(3,803)	(4,738)	(3,803)
Other	(3,857)	(2,976)	(3,867)	(2,985)
	(43,283)	(37,617)	(43,313)	(37,711)

21 Other operating income (expenses)

	Parent Company and Consolidated	
	2020	2019
Non-consumed electric energy (a)	8,677	10,945
Expected credit loss	694	1,650
Deferred revenue - right of use	1,991	1,991
Other	12	159
	11,374	14,745

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

22 Financial income (expenses)

	Parent Company		Consolidated	
	2020	2019	2020	2019
Financial expenses				
Tax on financial transactions (IOF)	(532)	(656)	(533)	(658)
Interest - intercompany loan	(42,879)	(112,241)	(42,879)	(112,241)
Interest on leases	(454)	(386)	(454)	(386)
Penalty due to tax parcellation	(12,602)	-	(12,628)	-
Other	-	(625)	-	(625)
	(56,467)	(113,908)	(56,494)	(113,910)
Financial income				
Reversal interest on tax debt regularization - Government program	-	4,009	-	4,009
Exchange and monetary variations	70,045	24	70,045	24
Interest income	4,576	3,874	4,590	3,887
	74,621	7,907	74,635	7,920
Financial income (expenses)	18,154	(106,001)	18,141	(105,990)

23 Commitments

The Company undertook future purchase commitments amounting to R\$ 209,475 at 31 December 2020 (R\$ 162,229 on December 31, 2019) and these should be fulfilled in the course of the operations:

	2020	2019	Description
Asset			
Property, plant and equipment / Intangible / Right of use assets			
Construction in progress	3,818	-	Repowering and emergency routes
	1,813	-	Structural reform to adapt the facilities
Right of use assets - Lease	5,677	6,712	Leasing of vehicles, machinery and equipment
Intangible	439	11	Systems licenses
Total asset	11,747	6,723	
Result			
Cost/Expenses	77,136	29,094	Electricity purchase agreement
	23,034	38,237	Industrial cleaning and facilities services
	11,447	8,024	Support for navigation and underwater activities
	7,835	10,535	Transport of employees
	5,966	362	Vigilance and Security
	8,674	7,339	Health and medical services plan
	11,985	12,752	Legal and financial consultancy
	12,585	15,452	Reforestation and waste management
	7,144	10,114	Employee benefits
	3,668	2,581	IT Services
	11,550	9,052	Preventive and corrective maintenance
	6,550	1,236	Medical services and occupational health
	10,154	10,728	Others
Total Results	197,728	155,506	
Total	209,475	162,229	

24 Financial instruments

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

Financial assets and liabilities at December 2020 and 2019 are as follows:

Classifications	Parent Company							
	2020				2019			
	Book Value	Amortized cost	Fair Value through Profit and losses	Fair value measurement hierarchy	Book Value	Amortized cost	Fair Value through Profit and losses	Fair value measurement hierarchy
Assets								
Cash and cash equivalents	78,553	78,553	78,553	2	38,600	38,600	38,600	2
Accounts receivable	161,994	161,994	161,994	2	373,440	373,440	373,440	2
Liabilities								
<i>Other financial liabilities</i>								
Trade accounts payable	56,230	56,230	56,230	2	22,884	22,884	22,884	2
Related parties loans	764,294	764,294	764,294	2	1,458,916	1,458,916	1,458,916	2
Classifications	Consolidated							
	2020				2019			
	Book Value	Amortized cost	Fair Value through Profit and losses	Fair value measurement hierarchy	Book Value	Amortized cost	Fair Value through Profit and losses	Fair value measurement hierarchy
Assets								
Cash and cash equivalents	79,143	79,143	79,143	2	38,600	38,600	38,600	2
Accounts receivable	161,994	161,994	161,994	2	373,521	373,521	373,521	2
Liabilities								
<i>Other financial liabilities</i>								

Trade accounts payable	56,231	56,231	56,231	2	22,284	22,284	22,284	2
Related parties loans	764,294	764,294	764,294	2	1,458,916	1,458,916	1,458,916	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 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:

	Parent Company and Consolidated			
	2020		2019	
	R\$	USD	R\$	USD
Accounts receivable from related parties	161,994	31,176	373,521	92,685
Net exposure of the balance sheet	161,994	31,176	373,521	92,685

Liquidity risk

The table below provides the Company's main financial liabilities at December 31, 2020. These amounts are gross and are not discounted, and include payments of estimated interest and exclude the impact of the offsetting agreements.

	No maturity	Up to 6 months	Up to 1 year	From 1 year to 11 years	Total
Financial liabilities					
Trade accounts payable	-	56,230	-	-	56,230
Related parties - loans	210,102	190,126	376,566	133,603	910,397
Total by maturity range	210,102	246,356	376,566	133,603	966,627

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 that may influence the credit risk of customer base, including the default risk associated with the industry in which costumers operate.

The Company held cash and cash equivalents of R\$ 79,143 at 31 December 2020 (R\$ 39,327 at 31 December 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	2020	2019
Cash equivalents	79,143	39,327
Accounts receivable (Related parties)	<u>161,994</u>	<u>373,521</u>
	<u>241,137</u>	<u>412,848</u>

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

Capital Management

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

25 Insurance coverage

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

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

	2020	2019
Property and equipment damages	2,642,100	2,430,200
Civil liability	259,835	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