

Açu Petróleo S.A.

**Financial Statements as of and for
the year ended
December 31, 2018 and 2017**

Content

Independent auditors' report on the financial statements	3
Balance sheets	7
Statements of operations	8
Statements of comprehensive loss	9
Statements of changes in shareholders' equity	10
Statements of cash flows	11
Statementss of added value	12
Notes to the financial statements	13



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Independent auditors' report on the financial statements

To the Shareholders, Board of Directors and Management of

Açu Petróleo S.A.

Rio de Janeiro – RJ

Opinion

We have audited the financial statements of Açu Petróleo S.A. ("the Company"), respectively, which comprise the balance sheet as of December 31, 2018, and the statement 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 financial statements present fairly, in all material respects, the financial position of Açu Petróleo S.A., as of December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board - IASB.

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 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not express a separate opinion on these matters.

1 – Revenue Recognition

Refer to notes 3(j) and 17 of the financial statements.

Key audit matter	How the matter was addressed in our audit
<p>As of December 31, 2018, the Company has the amount of US\$ 43,284 thousand in the net revenue, resulting from oil transshipment services.</p> <p>The Company has contracts that have take-or-pay clauses, which ensure receipt of a minimum number of oil transshipment transactions regardless of their physical performance, in case the Company's client does not exercise the right to perform them within the established term. These contracts have start and end dates that can not coincide with the date of the Company's financial statements and variation in the minimum number of operations established for each contract.</p> <p>Due to the relevance of the amounts involved, the nature of these contracts and the risk of revenue recognition in the inappropriate period, we consider this to be a key audit matter</p>	<p>Our audit procedures included, among others:</p> <p>We carry out analysis of oil transshipment service contracts, inspecting the object of the contracts, term clauses, price and adjustment clauses, take-or-pay clauses (when applicable), billing clauses and penalty clauses.</p> <p>We obtained 100% of the issued invoices and supporting documentation related to the services, observing if they are in the name of the Company, comparing the amount with the balance recorded and evaluating if they were recognized in the appropriate period.</p> <p>We inspect the amounts on the bank statement for revenue recognized in the period already received.</p> <p>We compared the total number of transactions in the period with the number of transactions agreed in the contract.</p> <p>Additionally, we obtained the invoices issued in the period from 01/01/2019 to 01/31/2019 and inspected the respective supporting documentation related to the provision of services in order to assess whether they were recognized in the appropriate period.</p> <p>We also assess whether the disclosures in the financial statements consider the relevant information.</p> <p>Based on the evidences obtained by applying the procedures summarized above, we considered that that the revenue recognition is acceptable, as well as related disclosures, , in the context of the financial statements for the year ended December 31, 2018 taken as whole</p>

Emphasis of matter – Restatement of financial statements

On April 3, 2019, we issued an unqualified audit report on the financial statements of Açu Petróleo S.A. for the year ended December 31, 2018, which are now being restated. As mentioned in note 2.b, these financial statements have been modified and are being restated to reflect changes in the calculation of the depreciation of machinery and equipment, as described in that note. Consequently, our opinion considers the changes and replaces the one previously issued. Our opinion is not qualified in relation to this matter.

Other matters - Statements of Added Value

The statements of added value for the year ended December 31, 2018, prepared under the responsibility of the Company's management, and presented as supplementary information for IFRS purposes, were submitted to the same audit procedures followed together with the audit of the Company's financial statements. In order to form our opinion, we evaluated whether these statements are reconciled to the financial statements and to the accounting records, as applicable, and whether their form and content are in accordance with the criteria set on Technical Pronouncement CPC 09 - Statement of Added Value.. In our opinion, these statements of added value have been adequately prepared, in all material respects, according to the criteria set on this Technical Pronouncement and are consistent with the financial statements taken as a whole.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting policies adopted in Brazil and with International Financial Reporting Standards (IFRS), 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 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 financial statements, including the disclosures, and whether the financial statements represent the corresponding transactions and events in a compatible manner with the objective of a true and fair presentation.

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.

We also provide management with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with management, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Rio de Janeiro, August 31, 2020

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



Luis Claudio França de Araujo

Contador CRC RJ – 091559/0-4

Açu Petróleo S.A.

Balance sheets as of December 31, 2018 and 2017

(in thousand of U.S. Dollars)

	Note	Restated 2018	Restated 2017
Assets			
Current			
Cash and cash equivalents	4	13,734	4,400
Marketable securities		-	271
Accounts receivable	6	8,914	1,256
Accounts receivable with related party	9	3,902	5,303
Recoverable taxes	7	9,471	3,309
Income and social contributions taxes	7	841	1,624
Prepaid expenses	10	323	222
Other current assets		23	9
		<u>37,208</u>	<u>16,394</u>
Non-current			
Escrow accounts	5	11,152	6,868
Deferred taxes	8	-	15,099
Other non-current assets		38	43
Property, plant and equipment	11	362,174	390,015
Intangible assets	12	13,223	13,751
		<u>386,587</u>	<u>425,776</u>
Total assets		<u>423,795</u>	<u>442,170</u>
Liabilities			
Current			
Trade payables	13	1,488	5,731
Loans and borrowings	14	8,190	4,774
Accounts payable to related parties	9	2,591	4,674
Salaries and social charges payable		939	435
Taxes and contributions payable	15	370	172
Other current liabilities		45	53
		<u>13,623</u>	<u>15,839</u>
Non-current			
Loans and borrowings	14	94,827	65,104
Deferred tax	8	2,857	-
		<u>97,684</u>	<u>65,104</u>
Total liabilities		<u>111,307</u>	<u>80,943</u>
Shareholders' equity			
Share capital	16	65,597	91,913
Capital reserve		245,526	245,526
Profit reserve		1,365	23,788
		<u>312,488</u>	<u>361,227</u>
Total shareholders' equity		<u>312,488</u>	<u>361,227</u>
Total liabilities and shareholders' equity		<u>423,795</u>	<u>442,170</u>

The accompanying notes are an integral part of the financial statements.

Açu Petróleo S.A.

Statements of operations

Years ended December 31, 2018 and 2017

(in thousand of U.S. Dollars)

	Note	Restated 2018	Restated 2017
Net revenue of services	17	43,284	13,447
Cost of services rendered	18	<u>(32,486)</u>	<u>(19,420)</u>
Gross profit		<u>10,798</u>	<u>(5,973)</u>
Operating expenses			
General and administrative expenses	19	(5,721)	(3,858)
Expected credit losses		(9)	-
Other operating income / expenses		<u>(3)</u>	<u> </u>
Income (loss) before financial result and taxes		<u>5,065</u>	<u>(9,831)</u>
Financial income	20	1,543	4,626
Financial expenses	20	<u>(11,867)</u>	<u>(2,850)</u>
Financial result		<u>(10,324)</u>	<u>1,776</u>
Loss before taxes		<u>(5,259)</u>	<u>(8,055)</u>
Deferred income and social contribution taxes	15	<u>(17,164)</u>	<u>605</u>
Loss for the year		<u>(22,423)</u>	<u>(7,450)</u>
Loss per share			
Loss per share - basic and diluted (in U.S. Dollars)		(0.0840)	(0.0279)

The accompanying notes are an integral part of the financial statements.

Açu Petróleo S.A.

Statement of comprehensive loss

Years ended December 31, 2018 and 2017

(in thousand of U.S. Dollars)

	Restated 2018	Restated 2017
Loss for the year	<u>(22,423)</u>	<u>(7,450)</u>
Total comprehensive loss for the year	<u>(22,423)</u>	<u>(7,450)</u>

The accompanying notes are an integral part of the financial statements.

Açu Petróleo S. A.

Statement of changes in shareholders' equity

Years ended December 31, 2018 and 2017

(in thousand of U.S. Dollars)

	Share capital	Capital reserve	Profit reserve	Accumulated losses	Total shareholders' equity
Balance on January 1, 2017	<u>91,913</u>	<u>245,526</u>	<u>31,238</u>	<u>-</u>	<u>368,677</u>
Loss for the year (restated)	-	-	-	(7,450)	(7,450)
Absorption of loss with reserves	-	-	(7,450)	7,450	-
Balance on December 31, 2017	<u>91,913</u>	<u>245,526</u>	<u>23,788</u>	<u>-</u>	<u>361,227</u>
Capital reduction (note 16)	(26,316)	-	-	-	(26,316)
Loss for the year	-	-	-	(22,423)	(22,423)
Absorption of loss with reserves	-	-	(22,423)	22,423	-
Balance (restated) on December 31, 2018	<u>65,597</u>	<u>245,526</u>	<u>1,365</u>	<u>-</u>	<u>312,488</u>

The accompanying notes are an integral part of the financial statements.

Açu Petróleo S. A.

Statement of cash flows

Years ended December 31, 2018 and 2017

(in thousand of U.S. Dollars)

	Restated 2018	Restated 2017
Cash flows from operating activities		
Loss before taxes	(5,259)	(8,055)
Adjustments for:		
Depreciation and amortization	18,114	10,154
Interest on loans	5,333	-
Expected credit losses	9	-
Amortization of transaction cost	509	314
Exchange variation from loans	(1,808)	-
Exchange variation	5,391	8,560
	<u>22,289</u>	<u>10,973</u>
(Increase) / decrease in operating assets and increase (decrease) in operating liabilities:		
Recoverable taxes	3,558	(677)
Income and social contribution taxes recoverable	693	633
Accounts receivable	(7,695)	(466)
Accounts receivable with related parties	5,052	(3,219)
Other accounts receivable	(16)	746
Prepaid expenses	(101)	1,822
Amounts receivable from third parties	34	(8)
Trade payables	(4,243)	(287)
Accounts payable to related parties	(2,082)	(7,072)
Taxes and contributions payable	187	(300)
Income and social contribution taxes payable	168	(1,777)
Salaries and social charges payable	477	422
Other current liabilities	(9)	53
Income tax and social contribution paid	(129)	-
Net cash generated by (used in) operating activities	<u>18,183</u>	<u>843</u>
Cash flows from investing activities		
Purchase of securities	-	(271)
Acquisition of property, plant and equipment	(2,228)	(108,036)
Acquisition of intangible assets	-	(96)
Net cash used in investing activities	<u>(2,228)</u>	<u>(108,403)</u>
Cash flows from financing activities		
Transaction costs with third parties	(165)	(11,258)
Escrow accounts	(4,141)	(7,011)
Payment of interest on loans	(5,830)	-
Payment of loans	(4,906)	(2,057)
Capital reduction	(26,316)	-
Loans and borrowings obtained	35,000	80,000
Net cash provided by (used in) financing activities	<u>(6,358)</u>	<u>59,674</u>
Increase (decrease) in cash and cash equivalents	9,597	(47,886)
Cash and cash equivalents at the beginning of the year	4,400	51,335
Cash and cash equivalents at the end of the year	13,734	4,400
Effect of exchange variation on cash and cash equivalents	263	(951)
Increase (decrease) in cash and cash equivalents	<u>9,597</u>	<u>(47,886)</u>

The accompanying notes are an integral part of the financial statements.

Açu Petróleo S.A.

Statements of added value

Years ended December 31, 2018 and 2017

(In thousands of U.S. Dollars)

	2018	2017
Revenue		
Service revenue	48,771	15,145
Expected credit losses	(9)	-
	<u>48,762</u>	<u>15,145</u>
Inputs acquired from third parties		
Costs of services rendered	(14,865)	(9,262)
Materials, energy, third party services and others	(1,926)	(947)
	<u>(16,791)</u>	<u>(10,209)</u>
Gross added value	<u>31,971</u>	<u>4,936</u>
Depreciation and amortization	<u>(18,114)</u>	<u>(10,154)</u>
Net added value produced by the Company	<u>13,857</u>	<u>(5,218)</u>
Added value received through transfer		
Financial income	1,756	4,626
	<u>1,756</u>	<u>4,626</u>
Total added value to distribute	<u>15,613</u>	<u>(592)</u>
Distribution of added value:	<u>15,613</u>	<u>(592)</u>
People		
Direct compensation	2,231	2,320
Benefits	273	126
Severance pay fund (FGTS)	70	32
	<u>2,574</u>	<u>2,478</u>
Taxes, fees and contributions		
Federal	23,569	1,655
Municipal	998	314
	<u>24,567</u>	<u>1,969</u>
Remuneration of third party capital		
Interest	10,727	2,307
Leases	103	53
Others	65	51
	<u>10,895</u>	<u>2,411</u>
Remuneration of own capital		
Loss for the year	(22,423)	(7,450)
	<u>(22,423)</u>	<u>(7,450)</u>

The accompanying notes are an integral part of the financial statements.

Notes to the financial statements

(In thousands of U.S. Dollars)

1 Operating context

Açu Petróleo S.A. (“Açu Petróleo” or the “Company”), domiciled in Brazil, with headquarters in the capital of the State of Rio de Janeiro, at Rua Lauro Muller - 116, Rio Sul Center building, Botafogo, is engaged in providing logistics services related to “double banking transshipment”, which occurs when vessels are moored at the pier, for the transportation of liquid cargo. Açu Petróleo S.A. is controlled by Prumo Logística S.A. (Prumo), which has the objective of developing infrastructure projects and integrated logistics, mainly in the port sector.

Açu Petróleo’s terminal has three berths available along a 1,4 km* breakwater, two of which, the North and Central berths, have the capacity to receive VLCC-type (Very Large Crude Carrier) export vessels and the South berth has capacity to operate Suezmax vessels. The terminal (“T-Oil”) is licensed to handle up to 1.2 million* barrels of oil per day.

Dredging works were concluded at the end of 2017, increasing the depth of the access channel and of the north and central berths. The width of the channel was also increased, allowing the operation of VLCC type vessels. The first operation with a VLCC type vessel, with 2 million* barrels of capacity, was carried out in May 2018.

The Brazilian Navy approved this new depth in March 2018 and the first operation with a VLCC type vessel with two million* barrels of capacity was carried out in May 2018 through the Petrogal Brasil S.A customer.

Highlights of the year 2018

In the first quarter of 2018, Petrogal Brasil S.A carried out the two remaining operations to complete the first three transactions contract signed in 2017. In this way, the second three-year contract and 60 operations forecast became effective in April 2018. In 2018, Petrogal carried out 22 operations, 2 of the first contract and 20 of the second contract.

Petrogal Brasil S.A has already loaded 8 VLCC vessels in its transshipment operations at the Açu Petróleo Terminal. All Petrogal’s operations after approval of the terminal for VLCC type ships were carried out with this type of vessel.

2 Basis of preparation and presentation of the financial statements

a. Compliance declaration

These financial statements were prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”); and in accordance with accounting practices adopted in Brazil (BR GAAP), which cover Brazilian corporate law, the Pronouncements, Guidelines and Interpretations issued by the Brazilian Accounting Pronouncements Committee (CPC) and approved by the Brazilian Securities

* Unaudited information

Exchange Commission (CVM).

The Company's management authorized the conclusion and issuance of the financial statements for the year ended December 31, 2018 on August 31, 2020. Accordingly, these financial statements consider subsequent events that could have an effect on them up to that date. All the relevant information pertaining to the financial statements, and nothing more, is being disclosed and corresponds to that used by Management in its administration.

This is the first set of annual financial statements of the Company in which CPC 47/IFRS 15 - Revenue from Contracts with Customers and CPC 48/IFRS 9 - Financial Instruments were applied. The related changes in the main accounting policies are described in Notes 3.i and 3.g.

b. Restatement of financial statements

The financial statements for the year ended December 31, 2018, originally issued on April 1, 2019, are being restated to reflect mandatory disclosure requirements only for publicly-held companies, such as the presentation of the statements of added value, the calculation of earnings per share, sensitivity analysis of financial instruments and supplements in other notes. Additionally, the Company identified that the calculation depreciation of machinery and equipment was overstated since March 2017 for accounting purposes and, therefore, the calculation of accumulated depreciation and the depreciation cost, as well as the corresponding deferred income and social contribution taxes are being restated, as a correction of imaterial error, by the amounts corrected in the periods presented as follows:

Balance sheets

As of December 31, 2018	As previously reported	Adjustments	As restated
Current assets	37,208	-	37,208
Non current assets			
Property, plant and equipment	356,137	6,037	362,174
Other non current assets	24,413	-	24,413
	380,550	6,037	386,587
Total assets	417,758	6,037	423,795
Current liabilities	13,623	-	13,623
Non current liabilities			
Deferred taxes	804	2,053	2,857
Loans and borrowings	94,827	-	94,827
	95,631	2,053	97,684
Shareholders' equity			
Capital and reserves	308,504	3,984	312,488
Total shareholders' equity	308,504	3,984	312,488
Total liabilities and shareholders' equity	417,758	6,037	423,795

As of December 31, 2017	As previously reported	Adjustments	As restated
Current assets	16,394	-	16,394
Non current assets			
Deferred taxes	16,032	(933)	15,099
Property, plant and equipment	387,271	2,744	390,015
Other non current assets	20,662	-	20,662
	423,965	1,811	425,776
Total assets	440,359	1,811	442,170
Current liabilities	15,839	-	15,839
Non current liabilities	65,104	-	65,104
Shareholders' equity			
Capital and reserves	359,416	1,811	361,227
Total shareholders' equity	359,416	1,811	361,227
Total liabilities and shareholders' equity	440,359	1,811	442,170

As the restatement does not impact the balance sheet at the beginning of the preceding period, the Company is not presenting the balance sheet as of January 1, 2017.

Statements of operations

Year ended December 31, 2018	As previously reported	Adjustments	As restated
Net revenue of services	43,284	-	43,284
Cost of services rendered	(35,779)	3,293	(32,486)
Gross profit	7,505	3,293	10,798
Operating expenses	(5,733)	-	(5,733)
Income before financial result and taxes	1,772	3,293	5,065
Financial result	(10,324)	-	(10,324)
Loss before taxes	(8,552)	3,293	(5,259)
Deferred income and social contribution taxes	(16,044)	(1,120)	(17,164)
Loss for the year	(24,596)	2,173	(22,423)
Loss per share – basic and diluted (in US\$)	(0.0921)	0.0081	(0.0840)

Year ended December 31, 2017	As previously reported	Adjustments	As restated
Net revenue of services	13,447	-	13,447
Cost of services rendered	(22,164)	2,744	(19,420)
Gross loss	(8,717)	2,744	(5,973)
Operating expenses	(3,858)	-	(3,858)
Income before financial result and taxes	(12,575)	2,744	(9,831)
Financial result	1,776	-	1,776
Loss before taxes	(10,799)	2,744	(8,055)
Deferred income and social contribution taxes	1,538	(933)	605
Loss for the year	(9,261)	1,811	(7,450)
Loss per share – basic and diluted (in US\$)	(0.0347)	0.0068	(0.0279)

Statements of comprehensive income

There is no impact in the statements of comprehensive income, other than the loss for the year presented above.

Statements of cash flows

Year ended December 31, 2018	As previously reported	Adjustments	As restated
Cash flows from operating activities			
Loss before taxes	(8,552)	3,293	(5,259)
Adjustments for:			
Depreciation and amortization	21,407	(3,293)	18,114
Year ended December 31, 2017			
Cash flows from operating activities			
Loss before taxes	(10,799)	2,744	(8,055)
Adjustments for:			
Depreciation and amortization	12,898	(2,744)	10,154

This restatement did not impact the total amounts of operating, investing and financing activities in the statements of cash flows.

c. Basis of measurement

The financial statements have been prepared based on historical cost, except for marketable securities, which are measured at fair value through profit or loss.

d. Functional and presentation currency

The functional currency of a Company is the currency of the main economic environment in which it is inserted and should be the currency that best reflects the Company's business and operations. Management concluded that the US dollar ("US\$") is the Company's functional currency. This conclusion is based on the primary and secondary indicators set forth in CPC 02 (R2) / IAS 21, an accounting standard dealing with the effects of changes in exchange rates and the conversion of financial statements.

These financial statements are prepared by the Company for information of investors outside Brazil and are not used as a basis for dividend calculation. To comply with the Brazilian Corporate Law and used for profit distribution, the Company prepares financial statements in accordance with International Financial Reporting Standards (IFRS), as issued by the International Financial Reporting Standards Board (IASB) and accounting practices adopted in Brazil, but presented in Brazilian reais.

e. Use of judgements and estimates

In preparing these financial statements, the Company uses estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The Company reviews its assumptions and judgments at least annually. The impacts of these reviews are recognized prospectively.

Information on uncertainties related to assumptions and estimates as of December 31, 2018 that have a significant risk of resulting in a material adjustment to the accounting balances of assets and liabilities in the future are included in the following notes:

Note no. 8 and 15 – recognition of deferred income and social contribution taxes;

Note no. 12 – definition of the useful life of intangibles and amortization of these assets;

The information about the judgments made in the application of accounting policies that have significant effects on the amounts recognized in the financial statements, refer mainly to judgments made for the definition of the U.S. dollar as functional currency, accordingly with CPC 02/IAS 21 - Effects of changes in exchange rates and conversion of financial statements. When indicators for the determination of functional currency is not such an obvious process, management should use judgment to determine the functional currency that represents with greater reliability the economic effects of transactions, events and underlying conditions. For this judgment, the Company considers the following characteristics:

- The currency that most influences the sale prices of goods and services of the Company is the U.S. dollar. The Company understands that a substantial part of the transactions of its operation are based on the prices defined in U.S. dollars, even if they are contracts with domestic customers and suppliers (with the exception of the contract with Petrobras), all other company contracts are referenced in US dollars, such as the "Take-or-Pay" contracts with the customers mentioned in note 24.
- The currency that most influences costs for providing goods or services is the U.S. dollar, considering that the Company has costs directly connected to the operation denominated in dollars, such as the port tariff and costs with the port operator " Oiltanking Serviços Ltda" (see note 10).
- The financing obtained from the U.S. International Development Finance Corporation (DFC), North American development financial agency, are denominated in dollars and represent the totality of loans obtained, which are resources used to finance the Company's operation.

Based on the above definitions and characteristics presented, the Company considers that the definition of the U.S. dollar as a functional currency is appropriate.

f. Adoption of new accounting standards

The changes in accounting policies regarding the adoption of accounting standards CPC 47 - Revenue from Contract with Customers / IFRS 15 - Revenue from Contracts with Customers and CPC 48 - Financial Instruments / IFRS 9 - Financial Instruments can be seen in Notes 3.i and 3.g.

3 Summary of significant accounting policies

The accounting policies described in detail below have been consistently applied to all periods presented in these financial statements.

The Company has initially applied IFRS 15/CPC 47 (see 3.i) and IFRS 9/CPC 48 (see 3.g) from 1 January 2018.

a. Cash and cash equivalents

They are represented by immediate liquidity bank accounts that are readily convertible to known cash amounts and subject to an insignificant risk of change in value (see also explanatory notes 3.g and 3.i).

b. Marketable securities

Investments are made with financial institutions whose exposure limits are periodically reviewed and approved. The credit risk of financial institutions is assessed using a methodology that considers, among other information, the ratings released by international agencies.

c. Property, plant and equipment

Items of property, plant and equipment are measured by historical cost of acquisition or construction deducted from accumulated depreciation and accumulated impairment losses, as mentioned in note 11.

Cost includes expenses that are directly attributable to the acquisition of the asset. The cost of assets built by the Company itself includes: the cost of materials and direct labor; any other costs to place the asset on the premises under conditions necessary for them to be able to operate in the manner intended by Management; and borrowing costs on qualifying assets.

Gains and losses on disposal of an item of property, plant and equipment (determined by the difference between the proceeds from the sale and the book value of property, plant and equipment), are recognized in other operating income / expenses in the statement of operations.

Subsequent expenses are capitalized to the extent that it is probable that future benefits associated with the expenses will be earned by the Company. Recurring maintenance costs and repairs are recognized in the statement of operations when incurred.

Depreciation is calculated to amortize the cost of fixed asset items, net of their estimated residual values, using the straight-line method based on the estimated useful life of the items. Depreciation is recognized in the statement of operations. The depreciation rates can be seen on note 11 as well.

The Company classifies as works in progress all civil works from construction and installation phase to the start of operations, when they are reclassified to the corresponding accounts of assets in operation. Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date and adjusted if where appropriate.

d. Intangible assets

Intangible assets comprise rights of access, as mentioned in Note 12, which have defined useful lives and are measured at cost, less accumulated amortization and impairment losses, if any.

The amortizable amount of an intangible asset with a defined useful life is systematically appropriated over its estimated useful life. Amortization starts as soon as the asset is available for use, that is, when it is in the location and under the conditions necessary for it to function as intended by management. The amortization rates can be seen on note 12 as well.

The right of access relates to the Port Access Agreement among Porto do Açu and Ferroport (related party company), which an additive was issued in April 2013. On September 17, 2015, the contract was amended passing the right of access from Porto do Açu to Açu Petróleo. The main object of the contract is the concession by Ferroport of the right of access to the port facilities from “T1” to the Company, its representatives and clients.

e. Impairment of non-financial assets

On each reporting date, the Company reviews the carrying amount of its non-financial assets to determine whether there is an indication of impairment. If any indication occurs, the asset's recoverable amount is estimated.

For impairment tests, assets are grouped into cash generating units (CGUs), that is, the smallest possible group of assets that generates cash inflows for their use, which are largely independent of cash inflows from other assets or CGUs. As the Company's current operation refers to the operation of a single port terminal, for the purpose of assessing any impairment, the assets are considered to be a single CGU.

The recoverable amount of an asset is the higher of its value in use and its fair value less costs to sell. The value in use is based on estimated future cash flows, discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the specific risks of the asset.

An impairment loss is recognized if the asset's carrying amount exceeds its recoverable amount.

Impairment losses are recognized in the statement of operations. Impairment losses are reversed only to the extent that the new book value of the asset does not exceed the book value that would have been determined, net of depreciation or amortization, had the impairment not been recognized.

f. Income tax and social contributions

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.

The expense with income tax and social contribution comprises current and deferred income and social contribution taxes. Current tax and deferred tax are recognized in the statement of operations unless they are related to items directly recognized in equity or other comprehensive income.

Deferred income and social contribution taxes are recorded to reflect the future tax effects attributable to temporary differences between the tax base of assets, liabilities and their respective book value.

The carrying amounts of the financial statements are determined in the functional currency (US dollar), while the income tax base on assets and liabilities is determined in local currency (Brazilian reais). Therefore, fluctuations in the exchange rate may significantly affect the amount of deferred income tax and social contribution recognized in each period, mainly due to the impact on non-monetary assets.

Current income tax and social contribution expense

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. 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 tax rates enacted at the balance sheet date.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred income tax and social contribution expense

Deferred tax assets and liabilities are recognized in relation to temporary differences between the carrying amounts of assets and liabilities for the purposes of financial statements and those used for tax purposes. Changes in deferred tax assets and liabilities in the year are recognized as deferred income tax and social contribution expenses.

A deferred tax asset is recognized in relation to unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they will be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to fully recognize a deferred tax asset, future taxable profits will be considered, adjusted for reversals of existing temporary differences, based on the Company's business plans.

Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that their realization is no longer probable.

Deferred tax assets and liabilities are measured based on the rates that are expected to be applied to temporary differences when they are reversed, based on the rates that were enacted up to the balance sheet date, and reflect the uncertainty related to the tax on profit, if any.

The measurement of deferred tax assets and liabilities reflects the tax consequences arising from the manner in which the Company expects to recover or liquidate its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

g. Foreign currency

Foreign currency is any currency other than the Company's functional currency and transactions in foreign currency are initially recognized at the transaction rate or at the average monthly rate.

Monetary assets and liabilities denominated and calculated in foreign currencies on the balance sheet date are converted to the functional currency at the exchange rate on the dates of the respective balance sheets; and exchange gains and losses resulting from the settlement of these transactions and the translation at the year-end exchange rates are recognized in the statement of operations.

Non-monetary items are measured at historical cost in foreign currency and are translated using the conversion rate on the date of the transaction.

h. Financial instruments

CPC 48/IFRS 9 - Financial Instruments

In December 2016, CPC 48 was issued in correlation with IFRS 9. This pronouncement, which entered into force in 2018, replaced CPC 38/IAS 39 - Financial Instruments: Recognition and Measurement. The main changes were: (i) impairment requirement for financial assets, going to the hybrid model of expected and incurred losses, replacing the model of losses incurred; (ii) new criteria for classification and measurement of financial assets; and (iii) makes hedge accounting requirements less stringent.

As a result of the adoption of CPC 48 / IFRS 9, the Company adopted the changes resulting from CPC 26 / IAS 1 - Presentation of Financial Statements, which require that the impairment of financial assets be presented separately in the statement of operations. Previously, the Company's approach was to include the impairment of accounts receivable at other expenses. In addition, the Company adopted the consequential amendments to CPC 40 / IFRS 7 - Financial Instruments: Disclosures Which are applied to the disclosures in 2018. The Company assessed and identified that, for the opening balance, the only impact would be the Expected Credit loss, as described in item "Impairment".

Recognition and initial measurement

Accounts receivable from customers are initially recognized on the date they were originated. All other financial assets and liabilities are initially recognized when the Company becomes part of the provisions of the contractual instrument.

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

Subsequent classification and measurement

Financial assets

Upon initial recognition, a financial asset is classified as measured: (i) at amortized cost, (ii) at fair value through other comprehensive income (FVTOCI) or (iii) at fair value through profit or loss (FVTPL). Financial assets are not reclassified subsequent to initial recognition, unless the Company changes the business model for the management of financial assets and, in this case, all affected financial assets are reclassified on the first day of the presentation period after the change of the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at FVTPL: (i) it is maintained within a business model whose objective is to maintain financial assets to receive contractual cash flows; and (ii) its contractual terms generate, on specific dates, cash flows that are related only to the payment of principal and interest on the principal amount outstanding.

The Company does not have instruments that qualify as measured at fair value through other comprehensive income (FVTOCI).

All other financial assets, not classified as measured at amortized cost, as described above, are classified as measured at fair value through profit or loss. Upon initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVTOCI to be measured at FVTPL if this eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities

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

Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the asset's cash flows expire, or when the Company transfers the contractual rights to the cash flows on a financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor maintains substantially all the risks and benefits of the ownership of the financial asset and also does not retain control over the financial asset.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligation is withdrawn, canceled or expires. The Company derecognizes a financial liability when the terms are modified and the cash flows of the modified financial liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. In the derecognition of a financial liability, the difference between the extinguished carrying amount and the consideration paid (including transferred assets that do not pass through the assumed cash or liability) is recognized in the statement of operations.

Compensation

Financial assets or liabilities are offset and the net amount shown in the balance sheet when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Impairment

Cash and cash equivalents and Escrow accounts

The estimated financial losses were calculated based on the loss rates of a Corporate Default study published by Standard & Poor's on April 13, 2017, referring to 15 years of data collected by the company on the default risk of companies at each rating level.

Cash and cash equivalents are held with banking and financial counterparties, which are grouped into seven levels, separated by AAA to C according to their rating on Fitch Ratings, Moody's and Standard & Poor's. As shown in the table below, the counterparties in which the Company has outstanding balances as of December 31, 2018 are classified as AAA and A, based on the average of their ratings in the rating companies listed above.

The escrow accounts refer to funds held in US dollars in accounts abroad, referring to the financing operation described on Note 15 - Loans and borrowings. The amount in deposit related to this operation serves as guarantee, according to the conditions of the financing.

The estimated loss position in cash and cash equivalents and escrow accounts were calculated based on the expected loss ratio of 12 months and reflects the maturity dates of the risk exposures.

The estimated impairment in cash and cash equivalents and escrow accounts were calculated based on the expected loss of 12 months and reflects the short maturities of risk exposures. The Company believes that its cash and cash equivalents and escrow accounts have a low credit risk based on the counterparty's foreign credit ratings.

Risk analysis	Rating¹	Gross Balance	Loss rate¹	Loss Provision
Level 1	AAA	24,886	0.01%	(2)
Level 2	AA	-	0.02%	-
Level 3	A	-	0.06%	-
Level 4	BBB	-	0.18%	-
Level 5	BB	-	0.72%	-
Level 6	B	-	3.59%	-
Level 7	CCC/C	-	26.82%	-
Total		24,886	-	(2)

¹ Loss Rate considers the Global Corporate Average Default Rate for 1 year released by S&P on April 5, 2018.

Accounts receivable

For the accounts receivable, the Company adopted a simplified approach and calculated the expected loss, based on the expectation of default risk that occurs throughout the life of the financial instrument. The Company has established a provisioning matrix that is based on its history of credit losses, adjusted to prospective factors specific to the economic environment in which it operates and for any financial guarantee related to the receivable.

The following table provides information on the exposure to credit risk and the estimated loss for receivables, broken down into six levels, according to the maturity date of these receivables, as of January 1, 2018:

Risk analysis	Rating¹	Gross Balance	Loss rate¹	Loss Provision
Level 1	Not Due	1,256	0.1%	(1)
Level 2	Overdue 30 days	-	0.6%	-
Level 3	Overdue 31-90 days	-	5.3%	-
Level 4	Overdue 91-180 days	-	18.6%	-
Level 5	Overdue 181-360 days	-	86.8%	-
Level 6	Overdue for more than 360 days	-	100.0%	-
Total		1,256	-	(1)

¹Rating and the Company's Internal Loss Rate

Trade accounts receivable and other receivables are now classified as amortized cost, thus, a provision was made in the amount of US\$ 1 for the opening balance. On December 31, 2018, a provision was set up in the amount of US\$ 9, as described in note 6. The CPC 48 / IFRS 9 replaces the 'losses incurred' model in CPC 38/IAS 39 with an 'expected credit loss' model. The new impairment model applies to assets measured at amortized cost. Pursuant to CPC 48 / IFRS 9, such credit losses are recognized earlier than in CPC 38/IAS 39.

The application of the estimated provision for loss did not result in the recognition of an additional provision for impairment. Investments in debt securities have low credit risk at the date of initial application of CPC 48 / IFRS 9, so the Company assumed that the credit risk of the asset increased appreciably since the initial recognition.

i. Provisions

A provision is recognized based on a past event, whether the Company has a legal or constructive obligation that can be reliably estimated, and it is probable that an economic resource will be required to settle the obligation.

The assessment of likelihood of loss includes assessing the available evidence, the hierarchy of laws, available case law, the most recent court decisions and their relevance to the legal system, as well as the evaluation of outside lawyers. Provisions are reviewed and adjusted to take into account changes in circumstances, such as applicable limitation periods, findings of tax inspections or additional exposures identified on the basis of new matters or court decisions.

Settlement of transactions involving these estimates may result in amounts that are significantly different from those recorded in the financial statements due to the inaccuracies inherent in the determination process. The Company's Management reviews its estimates and assumptions at each reporting date.

j. Revenue from oil transshipment

Revenues from oil transshipment services are recognized on an accrual basis.

CPC 47/IFRS 15 - Revenues from Contracts with Customers

IFRS 15 has provided a comprehensive framework to determine if and when a revenue is recognized, and how revenue is measured. CPC 48/IFRS 15 replaced the revenue recognition standards, including CPC 30/IAS 18 - Revenue, CPC 17/IAS 11 - Construction Contracts and CPC 30 Interpretation A /IFRIC 13 - Customer Loyalty Programmes. CPC 47 / IFRS 15 entered into force for annual periods on January 1, 2018.

The Company initially assessed the effects that CPC 47 / IFRS 15 would have on its annual financial statements. However, no change has been identified in the method of recognizing petroleum transshipment revenues as the entity transfers the service over time. For its take or pay contracts, the entity fulfills its performance obligations and recognizes the revenue for the contractually specified quantities as each delivery period expires. Take-or-pay clauses are contractual mechanisms that ensure receipt of a minimum number of double banking operations, regardless of their physical performance, if the customer does not exercise the right to perform them within the established term.

In these cases, the Company recognizes breakage revenues when the probability that the customer will exercise its rights is remote and for physical double banking operations, performance obligations are considered met at the time of disconnection of hoses, at the end of each operation, according to the contractual provision. Thus, after the conditions precedent of this performance obligation are satisfied, the revenues are recognized according to the price identified for each contract, that is, as each operation is carried out.

In compliance with CPC 47 / IFRS 15, the Company discloses, separately, amounts related to impairment losses (recognized in accordance with CPC 48 / IFRS 9) on any receivables or contract assets arising from contracts with the customer entity; for which the entity shall disclose separately the impairment losses of other contracts. The Company assessed and identified that there were no impacts on the opening balance due to the new provisions of CPC 47 / IFRS 15.

k. Earnings per share

Basic earnings per share are calculated by dividing the net profit (loss) for the year attributed to the Company's shareholders by the weighted average number of shares available during the year, excluding treasury shares, if any. Diluted earnings per share are the same as basic for all periods presented, due to the absence of transactions with potential dilutive effects.

l. Operating Segments

The Company develops its business activities considering a single operating segment, oil transshipment, which is used as a basis for the management of the Company and for decision-making by Açu Petróleo's main decision makers.

m. Statements of added value

This statement is intended to show the wealth created by the Company and its distribution during a certain period and is presented by the Company, as required by Brazilian corporate law, as part of its financial statements and as supplementary information for IFRS, as it is not a predicted or mandatory statement under IFRS.

The statement was prepared based on information obtained from the accounting records that serve as the basis for preparing the annual financial statements and following the provisions contained in CPC 09 – Statement of added value. In its first part, it presents the wealth created by the Company, represented by revenues (gross sales revenue, including taxes levied on it, other revenues and the effects of the allowance for loan losses), by inputs acquired from third parties (cost of sales and acquisitions of materials, energy and services from third parties, including taxes included at the time of acquisition, the effects of losses and recovery of assets and depreciation and amortization) and the added value received from third parties (profit sharing of subsidiaries), financial income and other income. The second part of this statement presents the distribution of wealth among personnel, taxes, fees and contributions, remuneration of capital from third parties and remuneration of equity.

n. New standards and interpretations not yet effective as of December 31, 2018

A number of new standards already issued have effective adoption dates for years beginning after January 1, 2019. The Company did not adopt these standards in the preparation of these financial statements, as early adoption of standards, although encouraged by the IASB, is not permitted in Brazil by the Accounting Pronouncements Committee (CPC).

CPC 06 (R2) /IFRS 16 - Leases

CPC 06 (R2) / IFRS 16 provides a unique model for the accounting of leases in the balance sheet of the lessees. A lessee recognizes a right of use asset that represents his right to use the leased asset and a lease liability that represents his obligation to make lease payments. Practical expedients are available for short-term leases and low value items. The lessor's accounting remains similar to IAS 17, that is, lessors continue to classify leases as financial or operating. This pronouncement also supersedes lease standards, including CPC 06 (R1) / IAS 17 Leases and ICPC 03 (equivalent to IFRIC 4, SIC 15 and SIC 27) Complementary Aspects of Leasing Operations. The standard is applicable as of January 1, 2019.

The Company applied CPC 06 (R2) / IFRS 16 initially on January 1, 2019 using a cumulative effect approach, not restating its financial statements for prior periods, as well as applying the measurement of present value of lease payments net of recoverable taxes, when applicable, discounted using the incremental rate.

In the transition to CPC 06 (R2) / IFRS 16, the Company chose to apply the practical expedient with respect to the definition of lease. Contracts that were not identified as leases in accordance with CPC 06 (R1) / IAS 17 and ICPC 03/IFRIC 4; and were not reassessed as a lease in accordance with CPC 06 (R2) / IFRS 16, which was applied only to contracts signed or amended on or after January 1, 2019.

In September 2019, the Company recognized the amount of US\$ 443 in the balances of right-of-use assets and lease liabilities due to the beginning of the lease agreement for the Company's commercial offices. The measurement of the right-of-use asset was equivalent to the lease liability. The underlying asset of the right to use presented represents the office used by the Company's headquarters.

ICPC 22/IFRIC 23 Uncertainty over Income Tax Treatments

ICPC 22/IFRIC 23 clarifies how to apply recognition and measurement requirements in CPC 32/IAS 12 when there is uncertainty about the treatment of taxes on profit. Since the tax authority is not likely to accept the uncertain tax treatment adopted, such uncertainty should be reflected in the accounting of the tax on profit in the period.

This interpretation entered into force for annual periods beginning on or after January 1, 2019, with prospective or retrospective application.

Management did not identify impacts on the Company regarding the adoption of ICPC 22/IFRIC 23.

Amendments to CPC 26 / IAS 1 and CPC 23 / IAS 8

Changes the definition of “material” in order to establish that an information is material if its omission, distortion or obscurity can reasonably influence the decision making of the primary users of the financial statements.

This amendments took effect for annual periods beginning on or after January 1, 2020, with prospective application.

These amendments did not generate impacts when it was adopted by the Company.

4 Cash and cash equivalents

	2018	2017
Cash and cash equivalents	197	166
Fixed income investment funds	13,538	4,234
(-) Expected credit losses	(1)	-
	13,734	4,400

The amount of cash and cash equivalents refers to balances held in bank accounts, onshore, at Citibank. In addition to these balances, the Company has funds invested in a Fixed Income Investment Fund with Citibank, which has daily liquidity, and quotas are readily convertible to known amounts of cash and subject to insignificant risk of change in value. The variation referring to the fixed income investment fund originates from the raising of funds through a loan obtained, as Note 14 – Loans and borrowings.

5 Escrow accounts

The escrow accounts of Açu Petróleo in the amount of US\$11,152 (US\$6,868 at December 31, 2017) refer to funds held in US dollars in accounts offshore. The loans and financing acquired with the U.S. International Development Finance Corporation (DFC), according to the conditions of the operation described in note 14- item (c), has as guarantee an offshore escrow account, which it's a reserve requirement related to the debt service reserve accounts and the port tariff reserve account. The balances of these deposits, as of December 31, 2018 can be seen below:

	2018	2017
Escrow accounts	11,153	6,868
(-) Estimated credit losses	<u>(1)</u>	<u>-</u>
	<u>11,152</u>	<u>6,868</u>

6 Accounts receivable

	2018	2017
Accounts receivable - Double banking service	8,923	1,256
(-) Expected credit losses	<u>(9)</u>	<u>-</u>
	<u>8,914</u>	<u>1,256</u>

The information about revenue concentration is demonstrated in Credit Risk item on note 23.

The following table provides information on the exposure to credit risk and the estimated loss for receivables, broken down into six levels, according to the maturity date of these receivables, as of December 31, 2018:

Risk analysis	Rating ⁽¹⁾	2018		
		Gross Balance	Loss rate (1)	Loss Provision
Level 1	Not Due	8,823	0.1%	(9)
Level 2	Overdue 30 days	-	0.6%	-
Level 3	Overdue 31-90 days	-	5.3%	-
Level 4	Overdue 91-180 days	-	18.6%	-
Level 5	Overdue 181-360 days	-	86.8%	-
Level 6	Overdue for more than 360 days	-	100.0%	-
Total		<u>8,823</u>		<u>(9)</u>

¹ Company's internal rating and loss rate

The changes in the allowance for estimated credit losses were as follows:

	2018
Opening balance	-
Provision recorded during the year	<u>(9)</u>
Total	<u>(9)</u>

7 Recoverable taxes

	2018	2017
Income and social contribution taxes ("IRPJ/CSLL")	841	1,624
Withholding income tax ("IRRF")	1,927	1,418
Non-cumulative credit ("PIS")	1,328	198
Non-cumulative credit ("COFINS")	6,087	897
Value-added tax ("ICMS")	9	11
Others	<u>120</u>	<u>785</u>
	<u>10,312</u>	<u>4,933</u>

8 Deferred taxes

At December 31, 2018, deferred tax summarizes a liability of US\$ 2,857 (US\$ 15,099 as of December 31, 2017).

	Restated 2018	Restated 2017
Deferred taxes		
Tax losses	4,826	2,495
Negative basis of social contribution	1,737	898
Temporary differences		
Provision for profit sharing	65	40
Expected credit losses	4	-
Total of deferred tax assets	<u>6,632</u>	<u>3,433</u>
Effect of functional currency on non-monetary assets (a)	<u>(9,489)</u>	<u>11,666</u>
Total of deferred tax liabilities	<u>(9,489)</u>	<u>11,666</u>
Total deferred income tax assets (liabilities), net (b)	<u><u>(2,857)</u></u>	<u><u>15,099</u></u>

(a) Under CPC 32/IAS 12, temporary differences arise when changes in exchange rates cause changes in the tax base rather than in the accounting basis. This situation usually occurs when an entity has a functional currency different from the currency of the country in which it is domiciled. As described in Note 2.d, the functional currency of the company is the US dollar, which is different from the currency of the locality where Açu Petróleo is established, which is the Brazilian Real.

(b) The total deferred tax assets and liabilities impacted profit and loss.

Expected realization of temporary differences and tax losses

As of December 31, 2018, the expectation of recoverability, per year, of deferred income tax credit from tax losses is as follows :

2020	2,729
2021	<u>3,903</u>
Total tax benefit – temporary differences and tax losses	6,632
Taxable temporary differences	<u>(9,489)</u>
Deferred income tax liability	<u><u>(2,857)</u></u>

9 Related parties

The Company's Corporate Governance Policy requires that the members of the Board of Directors must monitor and manage potential conflicts of interests of executives, members of the Board in order to avoid inappropriate use of Company assets and, in particular, abuses in transactions between related parties.

Pursuant to the Brazilian Corporation Law, the Company's Board of Directors members are prohibited from voting at any Meeting or Meeting of the Board or from engaging in any operations or businesses in which they have conflicting interests with those of the Company.

The main balances of assets and liabilities on December 31, 2018 and 2017, related to transactions with related parties, as well as the transactions that influenced the result for the year, are due to transactions of the Company, as follows:

Accounts receivable

Accounts receivable from related parties	2018	2017
Porto do Açu Operações S.A (a)	251	5,303
Ferroport Logística Comercial Exportadora S.A. (b)	3,651	-
	3,902	5,303

- (a) Subsidiary of the same controlling shareholder of the Company - the amount refers to a portion of the transshipment service to be received from the company Porto do Açu.
- (b) Entity jointly controlled by the Company's controlling shareholder - the amount refers to the return of an overpaid contribution, referring to the breakwater item of property, plant and equipment.

Accounts payable

Accounts payable to related parties	2018	2017
Oiltanking Açu Serviços Ltda (a)	1,289	2,158
Ferroport Logística Comercial Exportadora S.A. (b)	616	125
Porto do Açu Operações S.A. (c)	544	1,832
Prumo Logística S.A. (d)	142	559
	2,591	4,674

- (a) Subsidiary of the Company's minority shareholder - the amount refers to expenses with operation and maintenance of the terminal.
- (b) Entity jointly controlled by the Company's controlling shareholder - the amount refers to property security expenses, SSO and port fees.
- (c) Entity controlled by the same Controlling Shareholder of the Company - the amount refers to costs for shared services.
- (d) Controlling shareholder - The amount refers to costs for shared services.

Effect on statement of operations

	Revenue	
	2018	2017
Transshipment service		
Porto do Açu Operações S.A. (a)	11,623	15,145
	Costs and expenses	
	2018	2017
Transshipment service		
Ferroport Logística Comercial Exportadora S.A. (b)	4,726	400
Oiltanking Açu Serviços Ltda (c)	5,182	4,664
Prumo Logística S.A. / Porto do Açu Operações S.A (d)	526	780
	10,434	5,844

- (a) The amount refers to a portion of the transshipment service to be received from the company Porto do Açu.
- (b) The amount refers to property security expenses, SSO and port fees.
- (c) The amount refers to operation and maintenance of the terminal.
- (d) The amount refers to costs for shared services.

The amounts related to the remuneration of the members of the Board of Directors are presented below:

	2018	2017
Directors		
Remuneration / Salaries	655	395
Bonus	481	551
Benefits and charges	109	50
	1,245	996

Asset Allocation Agreement

The Asset Allocation Agreement, originally dated July 15, 2011, among Anglo Brazil, Açu Petróleo and the Port Operator (Ferroport – related party company) and certain other parties, provides for the transfer of title and ownership from the Port Operator to Anglo Brazil of certain assets, including materials and equipment, and, while the asset is owned by Anglo Brazil, it gives the Port Operator the right to operate and maintain the assets. Additionally, the Asset Allocation Agreement governs the ownership of the Shared Facilities (the access trestle, iron ore pier, breakwater, access channel, turning basin and mooring area), which are owned jointly (condomínio pro indiviso) by Açu Petróleo, Port Operator (Ferroport) and Anglo Brazil due to the funding arrangements established in the Framework Agreement.

Porto do Açu may operate, at the port facilities, cargoes that are foreseen in its authorization obtained before “ANTAQ” - National Waterway Transportation Agency, excluding iron ore. The priority of access and use of port facilities by Ferroport covers the receipt, storage, handling and loading of iron ore from a mine that is owned or directly or indirectly owned by Anglo American and its affiliates. In consideration of the right of access and use of the port facilities, such as access channel and breakwater, Açu Petróleo shall pay Ferroport a monthly fee.

10 Prepaid expenses

	2018	2017
Insurance	192	222
Transaction costs	110	-
Others	21	-
	323	222

11 Property, plant and equipment

The breakdown of the Company's Property, plant and equipment as of December 31, 2018 and 2017 is as follows:

	Annual weighted depreciation rate %	Cost	Restated Accumulated Depreciation	Restated Net 12/31/2018	Restated Net 12/31/2017
Breakwater - T1	1.67	104,372	(4,884)	99,488	104,912
Pier - T1	1.67	54,452	(2,891)	51,561	61,745
Channel - T1	6.67	144,757	(7,651)	137,106	1,400
Improvements	4	128	(34)	94	85
Facilities	10	189	(39)	150	147
Furniture and fixtures	10	199	(24)	175	140
Computer equipment	20	1,037	(453)	584	717
Machinery and equipment	10	59,689	(14,043)	45,646	50,954
Land		23,171	-	23,171	23,171
		387,994	(30,019)	357,975	243,271
Advances for formation of property, plant and equipment		539	-	539	1,301
Construction in progress and equipment under construction		3,660	-	3,660	145,443
		4,199	-	4,199	146,744
		392,193	(30,019)	362,174	390,015

	Annual weighted depreciation rate %	Cost	Restated Accumulated Depreciation	Restated Net 12/31/2017	Restated Net 12/31/2016
Breakwater - T1	1.67	107,793	(2,881)	104,912	107,020
Pier - T1	1.67	63,515	(1,770)	61,745	65,041
Channel - T1	6.67	1,656	(256)	1,400	6,789
Improvements	4	85	-	85	-
Facilities	10	165	(18)	147	162
Furniture and fixtures	10	151	(11)	140	79
Computer equipment	20	949	(232)	717	768
Machinery and equipment	10	58,219	(7,265)	50,954	47,833
Land		23,171	-	23,171	23,171
		255,704	(12,433)	243,271	250,863
Advances for formation of property, plant and equipment		1,301	-	1,301	27,430
Construction in progress and equipment under construction		145,443	-	145,443	19,668
		146,744	-	146,744	47,098
		402,448	(12,433)	390,015	297,961

All Property, plant and equipment is located in Brazil.

Changes during the year

	<u>12/31/2017</u>	<u>Changes</u>		<u>12/31/2018</u>	
	Cost	Additions	Write-off	Transfers (*)	Cost
Breakwater - T1	107,793	-	-	(3,421)	104,372
Pier - Port Terminal - T1	63,515	-	-	(9,063)	54,452
Channel T1	1,656	42	-	143,059	144,757
Improvement	85	43	-	-	128
Facilities	165	24	-	-	189
Furniture and fixtures	151	48	-	-	199
Computer equipment	949	88	-	-	1,037
Machinery and equipment	58,219	1,023	-	447	59,689
Land	23,171	-	-	-	23,171
	<u>255,704</u>	<u>1,268</u>	<u>-</u>	<u>131,022</u>	<u>387,994</u>
Advances for formation of Property, plant and equipment	1,301	-	-	(762)	539
Construction in progress and equipment under construction	145,443	961	-	(142,744)	3,660
	<u>146,744</u>	<u>961</u>	<u>-</u>	<u>(143,506)</u>	<u>4,199</u>
	<u>402,448</u>	<u>2,229</u>	<u>-</u>	<u>(12,484)</u>	<u>392,193</u>

(*) Of the total US\$ 12,484, US\$ 9,063 refers to PIS / COFINS credit reimbursed by Ferroport Logística Comercial Exportadora S.A. and US\$ 3,421 returned due to transfer referring to the Quebra-Mar T1 asset.

	<u>12/31/2016</u>	<u>Movement</u>		<u>12/31/2017</u>	
	Cost	Additions	Write-off	Transfers (*)	Cost
Breakwater - T1	107,793	-	-	-	107,793
Pier - Port Terminal - T1	65,516	-	-	(2,001)	63,515
Channel T1	6,838	3	(5,185)	-	1,656
Improvement	-	85	-	-	85
Facilities	165	-	-	-	165
Furniture and fixtures	82	69	-	-	151
Computer equipment	819	130	-	-	949
Machinery and equipment	49,294	8,925	-	-	58,219
Land	23,171	-	-	-	23,171
	<u>253,678</u>	<u>9,212</u>	<u>(5,185)</u>	<u>(2,001)</u>	<u>255,704</u>
Advances for formation of Property, plant and equipment	27430	5,930	-	(32,059)	1,301
Construction in progress and equipment under construction	19,668	93,716	-	32,059	145,443
	<u>47,098</u>	<u>99,646</u>	<u>-</u>	<u>-</u>	<u>146,744</u>
	<u>300,776</u>	<u>108,858</u>	<u>(5,185)</u>	<u>(2,001)</u>	<u>402,448</u>

(*) The amount of US\$ 2,001 refers to PIS / COFINS credit.

Changes in accumulated depreciation

	Restated Depreciation 12/31/2017	Restated Additions	Restated Depreciation 12/31/2018
Breakwater - T1	(2,881)	(2,004)	(4,885)
Pier - Port Terminal - T1	(1,770)	(1,122)	(2,892)
Channel - T1	(256)	(7,396)	(7,652)
Improvements	-	(33)	(33)
Facilities	(18)	(21)	(39)
Machinery and equipment	(7,265)	(6,778)	(14,043)
Furniture and fixtures	(11)	(12)	(23)
Computer equipment	(232)	(220)	(452)
	<u>(12,433)</u>	<u>(17,586)</u>	<u>(30,019)</u>

	Depreciation 12/31/2016	Restated Additions	Restated Depreciation 12/31/2017
Breakwater - T1	(773)	(2,108)	(2,881)
Pier - Port Terminal - T1	(475)	(1,295)	(1,770)
Channel - T1	(49)	(207)	(256)
Facilities	(3)	(15)	(18)
Machinery and equipment	(1,461)	(5,804)	(7,265)
Furniture and fixtures	(3)	(8)	(11)
Computer equipment	(52)	(180)	(232)
	<u>(2,816)</u>	<u>(9,617)</u>	<u>(12,433)</u>

Impairment

In accordance with CPC 01 (R1) / IAS 36 - Impairment of Assets, the Company reviews annually if there are potential losses due to the inability to recover the carrying amount of assets. In the years ended December 31, 2019 and 2018, the Company evaluated and did not identify any indications for impairment of property, plant and equipment.

12 Intangible assets

	Annual amortization rate (%)	Net Cost 12/31/2017	Additions	Amortization	Net Cost 12/31/2018
<u>Cost</u>					
Right of access	3.54	14,463	-	-	14,463
Software license	20	327	-	-	327
Other		11	-	-	11
		<u>14,801</u>	<u>-</u>	<u>-</u>	<u>14,801</u>
<u>Accumulated amortization</u>					
Right of access		(1,019)	-	(509)	(1,528)
Software license		(31)	-	(19)	(50)
		<u>(1,050)</u>	<u>-</u>	<u>(528)</u>	<u>(1,578)</u>
		<u>13,751</u>	<u>-</u>	<u>(528)</u>	<u>13,223</u>

<u>Cost</u>	Annual amortization rate (%)	Net Cost 12/31/2016	Additions	Amortization	Net Cost 12/31/2017
Right of access	3.54	14,463	-	-	14,463
Software license	20	242	85	-	327
Other		-	11	-	11
		<u>14,705</u>	<u>96</u>	<u>-</u>	<u>14,801</u>
<u>Accumulated amortization</u>					
Right of access		(510)	-	(509)	(1,019)
Software license		(3)	-	(28)	(31)
		<u>(513)</u>	<u>-</u>	<u>(537)</u>	<u>(1,050)</u>
		<u>14,192</u>	<u>96</u>	<u>(537)</u>	<u>13,751</u>

Right of access

The intangible asset that comprises the "right of access", as mentioned in Note 3.c, has a defined useful life of 27 years and is measured at cost, less accumulated amortization and impairment losses, if any.

The amortization of this intangible asset started in October 2014 with the operation of the T1 terminal. On September 17, 2015, the contract was amended passing Porto do Açu's right of access to Açu Petróleo.

Impairment

In accordance with CPC 01 (R1) / IAS 36 - Impairment of Assets, the Company reviews annually if there are potential losses due to the inability to recover the carrying amount of assets. In the years ended December 31, 2018 and 2017, the Company evaluated and did not identify any indicators for impairment of intangible assets.

13 Trade payables

The balance payable to suppliers of US\$ 1,488 (US\$ 5,731 on December 31, 2017) represents the company's obligations arising from the purchases of products and services necessary for the development of the Company's activities. Thus, this group contains the obligations arising from services, materials and operational and administrative equipment. The accounting of purchases and the recording of liabilities are made according to the date of performance of the performance obligation of the supplier, which usually corresponds to the date of receipt of the merchandise or service.

14 Loans and borrowings

	<u>12/31/2018</u>					<u>12/31/2017</u>
	Maturity	Rates in %	Principal amount	Interest	Total	Total
DFC	10/30/2035	Dollar + 6.17% p.y.	76,049	782	76,831	80,823
DFC	10/30/2035	Dollar + 6.46% p.y.	34,045	367	34,412	-
(-) Transaction cost			(8,226)	-	(8,226)	(10,945)
			101,868	1,149	103,017	69,878
Current			7,041	1,149	8,190	4,774
Non-current			94,827	-	94,827	65,104

In May 2017, Açu Petróleo obtained financing in the amount of US\$ 80 million from the U.S. International Development Finance Corporation (DFC), the North American development finance agency. In May 2018, the Company obtained an additional US\$35 million in financing, totaling US\$115 million from a credit facility in the total amount of up to US\$350 million, as described in note 1.

The financing will expire in October 2035, with an interest rate of 6.17% per year for the first tranche (US\$80 million) and 6.46% per year for the second tranche (US\$35 million), as evidenced in the previous table. The debt is denominated in US dollars and has a principal amortization schedule and payment of interest in semiannual installments.

Additionally, the Company's management assessed that the best disclosure of interest paid on loans and financing is in the cash flows of financing, because the cost of these financial liabilities is intrinsically linked to obtaining resources in order to balance the Company's capital structure.

Reconciliation of equity transactions with cash flows from financing activities

Loans and borrowings

	<u>Cash flow</u>				<u>Transfers</u>		<u>No Cash Effect</u>			
	Beginning balance	Funding / Settlement	Payment of interest on loans	Adding Transaction Costs	Capitalized interest	Other	Interest	Monetary adjustment	Amortization of Transaction Cost	Ending balance
2019	69,878	30,094	(5,830)	(165)	823	567	5,333	1,808	509	103,017
2018	-	77,943	-	(11,258)	2,879	-	-	-	314	69,878

Escrows attached to the financing operation:

	Beginning balance	<u>Cash flow</u>		Ending balance
		Additions	Ending balance	
2018	6,868	4,284	11,152	
2017	-	6,868	6,868	

Guarantees provided

The guarantees provided in favor of the U.S. International Development Finance Corporation (DFC) with respect to the loan are: (i) Fiduciary Sale of Açu Petróleo Shares; (ii) Fiduciary Sale of Assets belonging to Açu Petróleo; (iii) Fiduciary sale of reserve accounts, (iv) Fiduciary sale of Açu Petróleo's relevant "Offtake" contracts and (v) a mortgage on the Company's property located in Porto do Açu. More information on deposits related to loans can be found in note No. 5.

Covenants

DFC financing is subject to financial covenants clauses as of December 31, 2018, which are:

- a) The financial debt / equity ratio does not exceed 70:30.
- b) DSCR (Debit Service Cover Ratio - Debt Service Coverage Ratio.) not less than 1.15. The DSCR is a financial health indicator used by the company to monitor the ability to pay debts, and is calculated by dividing the operating cash generation net of taxes in correlation to the total installments to be paid (total current debts).
- c) A projected debt-service coverage ratio of not less than 1.3 to 1 for (a) disbursement of Tranche 1 and 2, (b) any capital reductions, (c) dividend distributions and (d) payments to shareholders; and a reserve requirement related to the debt service reserve accounts and the port tariff reserve account

15 Taxes and contributions payable

	2018	2017
Tax on services (ISS)	61	82
Value-added tax (ICMS)	-	3
Withholding income tax (IRRF)	52	31
Retention of withholding taxes (PIS/COFINS/CSLL)	33	29
Social security contribution – third parties (INSS)	-	27
Non-cumulative credit (PIS/COFINS)	167	-
Building and Urban territorial taxation (IPTU)	57	-
	<u>370</u>	<u>172</u>

The reconciliation of the expense calculated by applying the combined tax rates and income tax and social contribution expenses recorded in the statement of operations is as follows:

	Restated 2018	Restated 2017
Loss before Income tax and social contribution	(5,259)	(8,055)
Income tax and social contribution at nominal rate	1,788	2,739
Adjustments to the effective tax rate:		
Permanent adjustments to the tax base	(202)	(227)
Functional currency effects over property, plant and equipment	(20,356)	(2.828)
Functional currency effects over intangible assets	(799)	(123)
Other difference between presentation and fiscal basis	2.373	1.046
Others	32	(2)
Total income tax and social contribution for the year	(17,164)	605
Effective income tax rate	326%	-8%
Current income tax and social contribution	-	-
Deferred income tax and social contribution	(17,164)	605
Total income tax and social contribution for the year	(17,164)	605

16 Shareholders' equity

a. Share capital

The share capital composition of the Company as of December 31, 2018 and 2017 is as follows:

	<u>12/31/2018</u>		<u>12/31/2017</u>	
Shareholders	Number of common shares	%	Number of common shares	%
Prumo Logística	160,225,386	60.00	160,225,386	60.00
Açu Petróleo Investimentos	53,408,462	20.00	53,408,462	20.00
Oiltanking	53,408,462	20.00	53,408,462	20.00
	<u>267,042,310</u>	<u>100.00</u>	<u>267,042,310</u>	<u>100.00</u>

In December 2018, the Company reduced its share capital from US\$ 91,913 to US\$65,597, representing an effective reduction in the amount of US\$26,316; maintaining the percentage of participation of each shareholder in the Company's share capital unchanged. The objective of the operation previously mentioned was to adjust the Company's capital structure to a more appropriate structure in line with the shareholders objectives.

b. Capital reserve

Pursuant to Brazilian Corporate Law, the capital reserves are comprised of goodwill reserve in the subscription of shares. Through the resolution of the shareholders' meeting, the amounts can be allocated to the capital increase, and may have a different allocation as compensation of losses or dividends distribution.

As of December 31, 2018 and 2017, the capital reserve represents a total of US\$245,526.

c. Profit reserve

Based on the Brazilian law 6.404/76 compensation rule, the Company absorbed the loss with a profit reserve of US\$ 7,450 in 2017 and, in 2018, the amount US\$ 22,423.

Legal reserve

The legal reserve is instituted by the Corporations Law and constituted annually. This resource is intended to ensure the integrity of the company's capital and can only be used to compensate for losses or capital increase. More information on the allocation of reserves and profit for the year can be found in the note below.

The existing balance, calculated based on the net income for the year ended December 31, 2017, was fully offset against losses in 2018.

d. Dividends distribution

The Company's bylaws provide for the allocation of net income for the year in case of positive results, with allocation of 5% of net income for the year (after the compensation of accumulated losses) and may not exceed 20% of the share capital or 30% in the sum of the legal reserve and capital reserves.

After the appropriate allocations of the above reserves have been made, the following deductions will be made: (i) the amount necessary to bear the capital expenditure (capital expenditure) and related costs (Operational Expenditure, i.e. maintenance for the costs of capital expenditure) for a period of 90 days, will be allocated to the special reserve for future investments, (ii) the amount equivalent in Reais to US\$ 3 million, necessary to pay the operating costs (according to the nature of note 18) of the Company and SG&A (Selling, General & Administrative Expense, that is, general administrative expenses according to the natures presented in note 19), the minimum capital reserve will be allocated.

In addition to the provisions of the Bylaws, the Company has the following restrictions on the distribution of dividends provided for in the Financing Agreement with US. International Development Finance Corporation ("DFC"), which shall remain in force until full compliance with the obligations under the Financing Agreement:

- The projection of the DCSR index (Debit Service Cover Ratio - DSCR), as mentioned in Note 14, is not less than 1.3 until the first tranche expires (October 31, 2035).
- No default or default event as defined in the Financing Agreement shall have occurred, continue to occur, or will occur as a result of such dividend distribution.
- Any amount received from Shell by the Company that is greater than the amount due in accordance with annual true-up, determined in the contract between the parties, is duly compensated.
- Index Historic Debt Service Coverage (Debit Service Cover Ratio - DSCR, as described in note 14), not less than 1.3.
- The funds in deposit linked to the financing contract are equal to the port tariff reservation requirements, as can be seen in notes 5 and 14.

If available, 100% of the remaining net income for the year will be distributed annually to shareholders as a mandatory dividend.

17 Net revenue of services

The Company's main contracts are related to “double banking” transshipment. All Company’s customers are domestic.

	2018	2017
Revenue from double banking transshipment	48,771	15,145
Taxes on services rendered (PIS / COFINS / ISS)	<u>(5,487)</u>	<u>(1,698)</u>
Net revenue of services	<u><u>43,284</u></u>	<u><u>13,447</u></u>

The contract assets relate mainly to the Company's rights in the compensation for the completed work. Revenue is measured based on the consideration specified in the agreement and its recognition occurs when the Company transfers control over the product or service to the customer.

In 2017, an incident occurred during the 19th “double banking transshipment” operation between the Company and its main customer, caused by a manufacturing defect in third-party equipment. As a result of this incident, the customer failed to honor its take-or-pay obligation by not paying the invoices owed from June 2017, but on November 7, 2017 the parties involved signed a transaction instrument, in which the pending technical and commercial issues related to the incident were resolved. The agreement establishes the cancellation of invoices under the take-or-pay agreement between the date of the incident and October 31, 2017 against other obligations claimed by the customer as a result of the incident. Fixed costs were not changed due to the stoppage, thus exceeding gross revenue, as can be seen in the statement of operation. Further details can be seen on Note 25.

18 Costs of services rendered

	Restated 2018	Restated 2017
Staff cost	(35)	(42)
Third-party services	(1,546)	(1,670)
Surveillance and Security	(564)	(535)
Leases	(324)	(780)
Depreciation and amortization	(17,586)	(10,116)
Miscellaneous insurance	(670)	(556)
Port services	(11,458)	(5,457)
Taxes and fees	(247)	(75)
Support materials	(56)	(189)
	<u>(32,486)</u>	<u>(19,420)</u>

19 General and administrative expenses

	2018	2017
Salaries and social charges payable	(3,087)	(2,752)
Third-party services	(980)	(183)
Rental and leases	(103)	(53)
Representations and events	(29)	(19)
Consumables	(23)	(32)
Travel	(85)	(35)
Software license	(65)	(51)
Depreciation and amortization	(528)	(38)
Taxes and fees	(18)	(19)
Other expenses	(155)	(32)
Shared costs	(648)	(644)
	<u>(5,721)</u>	<u>(3,858)</u>

20 Financial result

	2018	2017
Financial income		
Income from financial investments	1,208	1,659
Interest receivable	329	173
Fines and interests	-	62
Exchange variation	6	2,732
	<u>1,543</u>	<u>4,626</u>
Financial expenses		
Loan interests	(5,333)	-
Bank expenses	(83)	(17)
IOF (Tax on financial operations)	(135)	(80)
Fine and interests	(224)	(26)
Commissions and brokerages	(1,503)	(619)
Income tax on loans	(1,218)	(463)
Exchange variation	(3,371)	(1,645)
	<u>(11,867)</u>	<u>(2,850)</u>
Net financial result	<u>(10,324)</u>	<u>1,776</u>

Loss per share

The calculation of loss per share was based on the net loss attributed to holders of common shares and the weighted average number of outstanding common shares. Diluted loss per share are equal to basic earnings per share due to the absence of potentially dilutive effects in the periods presented. There was also no change in the number of shares outstanding during the years.

	2018	2017
Loss attributed to holders of common shares	(22,423)	(7,450)
Weighted average number of common shares outstanding during the year	<u>267,042,310</u>	<u>267,042,310</u>
Loss per share - basic and diluted (in US\$)	<u>(0.0840)</u>	<u>(0.0279)</u>

21 Commitments

The Company assumed future purchase commitments in the amount of US\$15,150 (US\$ 21,099 as of December 31, 2017), which must be fulfilled in the continuity of the Company's activities. The commitments are segregated by currency according to the following table:

Commitments for 2018:

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>After 2023</u>	<u>Total</u>
<u>Brazilian Reais</u>							
Administrative	1,997	676	581	39	38	492	3,823
Comercial	4	-	-	-	-	-	4
Legal	283	13	4	-	-	-	300
Operational (a)	<u>7,531</u>	<u>1,026</u>	<u>339</u>	<u>74</u>	<u>56</u>	<u>952</u>	<u>9,978</u>
	<u>9,815</u>	<u>1,715</u>	<u>924</u>	<u>113</u>	<u>94</u>	<u>1,444</u>	<u>14,105</u>
<u>U.S. Dollar</u>							
Administrative	255	39	38	38	38	458	866
Comercial	2	2	2	2	2	24	34
<u>Euro</u>							
Administrative	<u>145</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>145</u>
	<u>402</u>	<u>41</u>	<u>40</u>	<u>40</u>	<u>40</u>	<u>482</u>	<u>1,045</u>
Total	<u>10,217</u>	<u>1,756</u>	<u>964</u>	<u>153</u>	<u>134</u>	<u>1,926</u>	<u>15,150</u>

(a) Of the operating contracts, US\$ 2,344, represent commitments assumed with the related party "Ferroport".

Commitments for 2017:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>After 2022</u>	<u>Total</u>
Brazilian Reais							
Administrative	1,099	414	45	42	42	584	2,226
Comercial	22	-	-	-	-	-	22
Legal	223	102	3	3	-	-	331
Operational	16,099	449	51	48	48	478	17,173
	<u>17,443</u>	<u>965</u>	<u>99</u>	<u>93</u>	<u>90</u>	<u>1,062</u>	<u>19,752</u>
U.S. Dollar							
Administrative	454	92	35	35	35	455	1,106
Comercial	34	-	-	-	-	-	34
Euro							
Administrative	83	83	-	-	-	-	166
Operational	41	-	-	-	-	-	41
	<u>612</u>	<u>175</u>	<u>35</u>	<u>35</u>	<u>35</u>	<u>455</u>	<u>1,347</u>
Total	<u>18,055</u>	<u>1,140</u>	<u>134</u>	<u>128</u>	<u>125</u>	<u>1,517</u>	<u>21,099</u>

In accordance with the IAS 16/CPC 27 - Property, Plant and Equipment, the table below shows the commitment values for property, plant and equipment:

	<u>2019</u>	<u>2020</u>	<u>Total</u>
Brazilian Reais			
Administrative	274	-	274
Operational	3,691	4	3,695
	<u>3,965</u>	<u>4</u>	<u>3,969</u>
Euro			
Administrative	145	-	145
	<u>145</u>	<u>-</u>	<u>145</u>

It should be noted that the table of commitments assumed already includes the values of commitments assumed for fixed assets presented above.

22 Financial instruments and risk management

The Company maintains operations with financial instruments. The management of these instruments is carried out through operational strategies and internal controls aimed at ensuring liquidity, profitability and security. The control policy consists of the periodic monitoring of contracted rates versus those prevailing in the market. The Company does not make investments of a speculative nature, in derivatives or any other risky assets.

Estimated realizable values of financial assets and liabilities were determined through market information and appropriate valuation methodologies. As a consequence, the following estimates do not necessarily indicate the amounts that may be realized in the current exchange market. The use of different market methodologies may have a material effect on the estimated realization values.

The Company's management policy regarding capital management is to maintain a solid capital base to ensure investor, credit and market confidence, as well as to ensure the future development of the business.

Based on this, Management monitors projections of return on capital in multiannual planning.

The table below shows the accounting balances and the respective classifications of the financial instruments considering the new provisions of CPC 48/IFRS 9 in comparison with the classifications of the predecessor standard, CPC 38/IAS 39:

	2018			2017	
	Amortized cost	FVTOCI	FVTPL	Carrying amount	Measurement
Assets					
Cash and cash equivalents	13,734	-	-	4,400	Loans and receivables
Marketable securities	-	-	-	271	Fair value
Escrow accounts	11,152	-	-	6,868	Loans and receivables
Accounts receivable	8,914	-	-	1,256	Loans and receivables
Accounts receivable with related party	3,902	-	-	5,303	Loans and receivables
Other current assets	61	-	-	52	Loans and receivables
	37,763	-	-	18,150	
Liabilities					
Trade accounts payable	1,488	-	-	5,731	Other financial liabilities
Loans and borrowings	103,017	-	-	69,878	Other financial liabilities
Accounts payable to related parties	2,591	-	-	4,674	Other financial liabilities
Other current liabilities	45	-	-	53	Other financial liabilities
	107,141	-	-	80,336	

Fair value

The Company complies the fair value equal to the book value for cash equivalents, accounts payable and receivable, long and short term Loans and borrowings. The concept of “fair value” provides for the valuation of assets and liabilities based on market prices, when dealing with liquid assets, or mathematical pricing methodologies, otherwise. The level of fair value hierarchy gives priority to unadjusted quoted prices in an active market, as defined below.

Level 1 - Prices negotiated (without adjustments) in active markets for identical assets or liabilities.

Level 2 - Inputs other than prices traded in active markets included in Level 1 that are observable for the asset or liability, directly (as prices) or indirectly (derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market variables (unobservable inputs).

For the year ended December 31, 2018, only financial instruments classified as Level 2 were observed and there were no relevant transfers of levels for this same period.

Loans and borrowings are measured at amortized cost. The fair values calculated by Management, for reference only, are US\$ 103,017 as of December 31 2018, (US\$ 69,878 as of December 2017). This amount consists of a loan with the U.S. International Development Finance Corporation, and as it is an exclusive market, the management consider the book value as fair value. For the other financial assets and liabilities, given their characteristics and the maturity dates, the fair values does not differ significantly from the accounting balances.

Risk management objectives and strategies

The security guidelines are applied according to the type of exposure. The decision on the risk of interest rates and inflation arising from the liabilities acquired will be evaluated in the economic and operational context and will occur when Management considers the relevant risk. The Company did not hold derivative contracts on December 31, 2018 and 2017.

Market risk

Market risk is the risk that changes in market prices - such as exchange rates and interest rates - will affect the company's earnings or the value of its financial instruments. The Company did not identify significant exposure in relation to this item, however, there is market risk management, which consists of managing and controlling exposures to market risks, within acceptable parameters, and at the same time optimizing the return

Credit risk

The Company allocates a credit risk score for each exposure based on data it considers to be able to predict the risk of loss and the credit assessment based on its experience. Credit risk scores are defined using qualitative and quantitative factors indicative of default risk, consistent with the definitions of external credit ratings.

The credit risk arises from the possibility of the Company suffering losses due to the default of its counterparties or financial institutions depository of resources or financial investments. This risk factor may come from commercial operations and cash management.

To mitigate the risks, the Company adopts as practice the analysis of the financial and equity situation, as well as the permanent monitoring of the outstanding positions.

For the evaluation of the financial institutions with which it has operations, the reference is the ratings of the main risk agencies used in the market: S & P, Moody's and Fitch, using the long-term national risk assessment.

The Company has a Financial Investment Policy, in which it establishes application limits per institution and considers the rating evaluation as a benchmark to limit the amount applied. The average maturities are constantly evaluated, as well as the indexes of the applications for portfolio diversification purposes.

The following are the financial instruments subject to credit risk:

Financial assets	2018	2017
Cash and cash equivalents	13,734	4,400
Escrow accounts	11,152	6,868
Accounts receivable	8,914	1,256
Other accounts receivable (from related parties)	3,902	5,303
Other current assets	23	9

The expected credit loss amounts regarding the financial instruments mentioned on the table above can be seen in notes 4, 5 and 6.

The credit risk in accounts receivable is generally not diversified due to the limited number of clients that the Company works with. Due to operations of the Company, the concentration of accounts receivable and revenue are also variable on each balance sheet date. The following table represents a breakdown of the concentrations in relation to the total revenue at each balance sheet date:

Percentage of revenue:	2018	2017
Shell	77%	93%
Galp	23%	7%

Exchange risk

The Company works in the management of currency risk to identify and resolve the risks associated with the fluctuation of the value of the currencies to which global assets and liabilities are associated.

The objective is to identify or create natural hedges, in order to minimize (or even avoid) the use of hedge derivatives, managing the exchange rate risk on the net exposure. Derivative instruments can be used in cases where it is not possible to use the natural hedge strategy.

In this sense, there is a indebtedness that refers to the loan, in US dollars, with the U.S. International Development Finance Corporation (DFC). The cash flow destined to serve the payment of this debt comes from the operations itself, with revenue pegged to the US dollar, with the current oil movement tariff adjusted annually by the North American inflation index PPI and by IPCA. As part of the operating results is denominated in Reais, they are susceptible to the risk of exchange variation, given that the Company's functional currency is the dollar. The appreciation of the real against the US dollar could reduce Açu Petróleo's operating margin and cash flow. With regard to indebtedness, the company understands that the fact that Açu Petróleo's debt service and revenues are tied to the same currency results in a natural hedge for this exposure.

As the functional currency of Açu Petróleo is the US dollar, which is different from the currency in which Açu Petróleo is established, which is the Real; a reasonably possible appreciation (devaluation) of the Real against the US Dollar would have affected the measurement of financial instruments, shareholders' equity and the Company's income.

This risk analysis for the fluctuation in exchange rates to which the Company's assets and liabilities may be associated, considers that all other variables, especially interest rates, remain constant and ignore any impact of the forecast of sales and purchases.

Liquidity risk

The Company monitors its level of liquidity considering the expected cash flows against the available amount of cash and cash equivalents. The management of liquidity risk implies maintaining sufficient cash, marketable securities and the ability to settle liabilities and market positions.

The following are the contractual maturities of financial liabilities existing as of December 31, 2018. These amounts are gross and undiscounted, include payments and exclude the impact of clearing agreements:

Financial liabilities	Up to 6 months	From 6 to 12 months	From 1 to 2 years	From 2 to 5 years	More than 5 years	Total
Trade payables	1,488	-	-	-	-	1,488
Loans and borrowings	4,670	3,521	7,664	24,953	70,435	111,243
Interest on loans to be accrued	3,409	3,299	6,250	15,775	17,634	46,367
Accounts payable with related parties	2,591	-	-	-	-	2,591
Other current liabilities	-	45	-	-	-	45
Total by maturity range	12,158	6,865	13,914	40,728	88,069	161,734

For comparison purposes, the contractual maturities of financial liabilities existing at December 31, 2017 are as follows. These amounts are gross and undiscounted, include estimated interest payments and do not consider the impact of clearing agreements:

Financial liabilities	Up to 6 months	From 6 to 12 months	From 1 to 2 years	From 2 to 5 years	More than 5 years	Total
Trade payables	5,731	-	-	-	-	5,731
Loans and borrowings	4,444	4,383	9,385	28,224	70,993	117,429
Interest on loans to be appropriated	2,448	2,387	4,570	11,806	15,395	36,606
Accounts payable with related parties	-	4,674	-	-	-	4,674
Other current liabilities	53	-	-	-	-	53
Total by maturity range	12,676	11,444	13,955	40,030	86,388	164,493

Sensitivity analysis of financial instruments

The Company, in accordance with the requirements of item 40 of CPC 40 (R1)/IFRS 7 - Financial Instruments: Disclosure, discloses a table showing sensitivity analysis, for each type of market risk, considered relevant by Management, originated by financial instruments, to which the Company is exposed at the balance sheet date, as shown below:

	Risk Factor	Amounts in US\$ 12/31/2018	Additional changes to the carrying amount				
			Probable scenario(i)	Scenario +25%(ii)	Scenario +50%(iii)	Scenario -25%(iv)	Scenario -50% (v)
Assets							
Cash and cash equivalents	R\$	13,734	(754)	(2,746)	(4,578)	4,579	13,735
Accounts receivable	R\$	8,914	(490)	(1,783)	(2,971)	2,971	8,914
Accounts receivables with related parties	R\$	3,902	(215)	(781)	(1,301)	1,300	3,901
Other current assets	R\$	61	(2)	(11)	(20)	22	63
		26,611	(1,461)	(5,321)	(8,870)	8,872	26,613
Liabilities							
Trade payables	R\$	1,488	(81)	(297)	(496)	496	1,489
Accounts payable with related parties	R\$	2,591	(142)	(518)	(863)	864	2,592
Other current liabilities	R\$	45	(2)	(9)	(15)	16	46
		4,124	(225)	(824)	(1,374)	1,376	4,127
Net exposure		22,487	(1,236)	(4,497)	(7,496)	7,496	22,486
Assumptions adopted:							
U.S. dollar rate		3,8748	4,1000	4,8435	5,8122	2,9061	1,9374

- (i) The probable scenario considers the Company's exchange rate expectation for December 31, 2019.
(ii) Increase of 25% in the exchange rate of the U.S. dollar, in relation to the exchange rate as of December 31, 2019.
(iii) Increase of 50% in the exchange rate of the U.S. dollar, in relation to the exchange rate as of December 31, 2019.
(iv) Decrease of 25% in the exchange rate of the U.S. dollar, in relation to the exchange rate as of December 31, 2019.
(v) Decrease of 50% in the exchange rate of the U.S. dollar, in relation to the exchange rate as of December 31, 2019.

23 Insurance

The Company adopts the policy of contracting insurance for its assets, loss of profits and risks of possible damages caused to third parties as a result of its operations, in amounts considered sufficient by Management to cover eventual claims, considering the nature of its activity.

The policies are in place and the premiums have been duly paid. The Company believes that insurance coverage is consistent with other similar sized companies operating in the industry.

As of December 31, 2018 and 2017, the insurance coverage is as follows:

	12/31/2018	12/31/2017
Operational Risks		
Material damages	89,407	103,083
Civil responsibility	168,174	186,288
Loss of profits	41,371	25,009
Risk of damage to the environment	42,043	46,572

24 Subsequent events

COVID-19 impacts

On March 11, 2020, the World Health Organization has declared that the coronavirus outbreak is characterized as a pandemic. The events triggered by this declarations increased the degree of uncertainty for economic agents and may have an impact on the amounts recognized in the financial statements. Management evaluates the implementation of appropriate measures to mitigate the impacts of the outbreak on operations and financial statements. Until the date of authorization for issuing these financial statements, the following main measures were taken:

- Creation of a Crisis Committee;
- Virtual meetings, suspension of events and travels;
- Implementation of work from home for employees of the offices whenever possible;
- In the port, no ship is authorized by the regulatory agency of the Ministry of Health to dock until the commander's report on the vessel and crews sanitary conditions is approved by the National Health Surveillance Agency (Anvisa).

Considering the current situation of the spread of the outbreak and, in line with the guidelines published in the alert from the Federal Accounting Council (CFC) on March 9, 2020; and in CVM Circular Letter 02/2020 on the effects of Coronavirus (COVID-19) on the financial statements, the Company carried out risk analysis to identify possible impacts of COVID-19 on the financial statements.

In the current scenario, there were no contractual breaks and interruptions in operations as the company perform an activity that is considered essential. Similarly, Açu Petróleo have not experienced interruptions in supply chain as their suppliers also provide essential services and continued to operate and provide services; and customers continued to operate and the company has not received any notices claiming for force majeure or amendments to the terms of existing double banking transshipment services agreements. The Company does not anticipate an inability to pay creditors on due dates or an inability to comply with the contractual terms of the loan with DFC.

Açu Petróleo has not had a significant number of employees diagnosed with COVID-19 and working remotely has not significantly impacted operations, including use of financial reporting systems, nor has it significantly impacted the internal control environment. We have not incurred, and in the future do not expect to incur, significant expenses related to business continuity.

The extent to which COVID-19 may impact Açu Petróleo operations, liquidity, financial condition and results of operations will depend on future developments and numerous evolving factors that cannot be predicted, including, but not limited to, the duration and spread of the pandemic, including a “second wave” of infection, its severity, the actions to contain the virus or treat its impact, and the duration, timing and severity of the impact on global financial markets, the oil and gas industry worldwide and the condition of the Brazilian economy. The Company is unable to reasonably predict when, or to what extent, demand for petroleum and petroleum-based products and the overall markets and global economy will stabilize, and the pace of any subsequent recovery for the oil and gas industry.

Share capital restructure

In 2019, the Company reduced its share capital from US\$ 65,597 to US\$ 52,438, representing an effective reduction in the amount of US\$ 13,159, the percentage of participation of each shareholder in the Company's share capital unchanged.

On May 8, 2020, the shareholders of the Company made a capital increase from US\$ 52,438 to US\$ 290,184, representing an increase in the amount of US\$ 237,746, remaining unchanged the participation of each shareholder in the Company's share capital.

On July 31, 2020, our shareholders decided to adjust the capital structure of the Company and approved a capital reduction in the amount of US\$ 98,578. The minutes of the shareholders' meeting were published on July 31, 2020, reducing the share capital of the Company from US\$ 290,184 as of June 30, 2020, to US\$ 191,606 on July 31, 2020.

The objective of the operations previously mentioned was to adjust the Company's capital structure to a more appropriate structure in line with the shareholders objectives.

Shell arbitration resolution

In 2017, Açu Petróleo filed an arbitration lawsuit against Shell Brasil Petróleo Ltda. (“Shell”), in the context of a contractual dispute that had arisen between the parties under the oil transfer services contract, involving the implementation of transshipment operations with VLCC vessels. During the arbitration process, Shell continued to operate regularly at Açu Petróleo's oil terminal with Suezmax vessels, in accordance with the terms and conditions of the contract. In May 2020, the parties reached an agreement to end the dispute and definitively end the arbitration, which allowed Shell to start VLCC operations at the terminal. The completion of the arbitration process did not generate any additional rights or obligations for Açu Petróleo S.A.

Financing with DFC

In June 2020, the Company obtained an additional US\$ 145 million from its credit line with the DFC, maturing in October 2035 and with an interest rate of 4.62% per year, to be paid in semiannual installments, as mentioned in Note 14 – Loans and borrowings. With this new fundraising, the Company has withdrawn US\$ 260 million from the credit line of US\$ 350 million. This line of credit is intended to balance the Company's capital structure.

Night operations started in June 2020

On June 15, 2020, the Company performed its first night entry maneuver with oil ships, the maneuver performed was a Suezmax ship, further increasing the availability of the company's terminal.

Composition of the Board of Directors

Carlos Tadeu da Costa Fraga
Chairman

Flavio Bernardo Luna do Valle
Effective Counselor

Eduardo Quartarone Campos
Effective Counselor

Holger Cristian Donath
Effective Counselor

Eugenio Leite de Figueiredo
Effective Counselor

Henrique Gonzalez Garcia Filho
Deputy Counselor

Dario Di Luca
Deputy Counselor

Composition of Management

Victor Jorge Snabaitis Bomfim
Chief Executive Officer

Nicholas John BurrIDGE
Chief Financial and Investor Relations Officer

Eduardo Pereira Goulart
Commercial Officer

Alfredo Nilton Lafuente Covarrubias
Engineering, Maintenance and Operation Manual

Mariana Begossi
ControllershIp Manager
Accountant CRC RJ 094602/O