

# Concessionária do Aeroporto Internacional de Guarulhos S.A.

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

Financial statements and independent auditor's report

As of December 31, 2019



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(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail. See Note 28 to the financial statements.)

# Independent auditor's report

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**Grant Thornton Auditores Independentes**

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To the Shareholders, Directors and Management of  
**Concessionária do Aeroporto Internacional de Guarulhos S.A.**  
Guarulhos - SP

## Opinion

We have examined the accompanying financial statements of Concessionária do Aeroporto Internacional de Guarulhos S.A. ("Company"), which comprise the balance sheet as of December 31, 2019, and the statement of profit and loss, statement of comprehensive loss, statement of changes in equity, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the Company's financial position as of December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with the 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 Brazilian and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's responsibility for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the relevant ethical requirements set forth in the Code of Ethics for Professional Accountants and the professional standards issued by the Federal Accounting Council and we have fulfilled our other 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.

## Significant uncertainty as to the ability to continue as a going concern

We draw attention to Note 1 to the financial statements, which states that the Company incurred loss of R\$874,453 thousand during the year ended December 31, 2019 and, as of that date, equity was deficient by R\$1,793,244 thousand and the Company's current liabilities exceeded total current assets by R\$1,612,314 thousand. Management, based on the business plan, believes that, in addition to the cash flows from operating activities projected for the next 12 months, the Company will also rely on the financial support of its shareholders to meet its cash requirements and rebalance net working capital.

As of December 31, 2019, the possible failure to implement such business plan, together with other matters, would indicate the existence of significant uncertainty, which could raise doubts with respect to the Company's ability to continue as a going concern. Our opinion is not qualified regarding this matter.

## Key audit matters

Key audit matters (KAM) are those matters that, in our judgment, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements taken as a whole and, in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material uncertainty as to the ability to continue as a going concern" section, we determined that the matters below are the key audit matters that should be communicated in our report.

## Tests of concession intangible assets for impairment

### Why the matter was determined to be a KAM

As described in Note 10 – Intangible assets, the Company has a significant amount of nonfinancial assets relating to its concession, the balance of which as of December 31, 2019 was R\$14,059,360 thousand. As of December 31, 2019, the Company's financial position indicated that the carrying amount of these assets could exceed their recoverable value and, for this reason, the Company's Management updated the tests for impairment of intangible assets that was conducted in 2018.

This matter was again considered critical and, therefore, an area of risk in our audit approach during 2019, as it involves subjective judgments that may have significant impacts on the preparation of financial statements, since the determination of the assumptions used by the Company's Management includes certain cash flow projections that require a high degree of uncertainty, given they are affected by estimated future conditions for the economy and the market as a whole to grow.

### How the matter was addressed in the audit of the financial statements

Supported by our corporate finance specialists, we performed the following auditing procedures: **(i)** review the methodology adopted to prepare the study and evaluate if the data considered in the study was the best information available and if observable market practices were considered; **(ii)** revise and challenge the main assumptions used by Management, considering the general economic environment, the Company's planning, including the analysts' expectations, the assumptions used in the former study and their performance when compared to the actually obtained result by using the historical information used, and **(iii)** assess the risk associated with the cash flow and its effect relating to the discount rate to analyze the reasonableness of the discount rate applied to cash flow models prepared by the Company, taking into consideration the accuracy of the arithmetic calculation and use of the best assumptions to calculate the rate.

As part of one of the procedures applied, we prepared an independent study considering a more pessimistic scenario and the compared the resulting recoverable value to that in the study conducted by the Company's Management so that we could assess the recoverability of the assets in a less favorable scenario.

Based on the auditing procedures performed and the audit evidence obtained that supported our auditing procedures, we consider that the evaluation of the recoverable value (impairment) by the Company's Management is adequate in the context of the financial statements taken as whole.

## Realization of deferred income tax and social contribution assets

### Why the matter was determined to be a KAM

As described in Note 7 - "Taxes and contributions", subitem (b), the Company has deferred income tax and social contribution assets in the amount of R\$711,220 thousand, arising from temporary differences, tax losses and negative base of social contribution, which were considered by the Company as recoverable based on studies of the projected generation of future taxable income.

This matter was considered critical and, therefore, an area of risk in our audit approach for 2019, due to the subjectivity and judgment involved in preparing the estimate of future taxable income, which considers projections of future results prepared and based on internal assumptions and future economic scenarios.

### How the matter was addressed in the audit of the financial statements

Supported by our internal corporate finance specialists, we evaluated the reasonableness of the main assumptions used to support the projection of sufficient future taxable income against which tax loss carryforwards may be used, including expected growth, inflation, and compared them to historical data, industry and/or market data, and performed a sensitivity analysis of the significant assumptions used. We analyzed the reasonableness of the discount rate applied to the model prepared by the Company to project the Company's future taxable income, considering its arithmetic calculation and the use of best assumptions to calculate the rate. We also involved our tax specialists in the analysis of the calculation of deferred tax assets, validation of the reasonableness of the tax base applied to tax loss carryforwards and evaluation of the qualitative and quantitative aspects of the temporary differences.

Based on the audit procedures performed and audit evidence obtained that support our tests, we considered that, with respect to the measurement, recognition and expected recoverability, the balances of deferred income tax and social contribution assets, as well as the respective disclosures, are adequate in the context of the financial statements taken as a whole.

## Other matters

### Statement of value added

The statements of value added (DVA) for the year ended December 31, 2019, prepared under the responsibility of the Company's Management, and presented as supplemental information for IFRS purposes, have been subject to auditing procedures which were performed together with the audit of the Company's financial statements. In forming our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 – Statement of Value Added. In our opinion, these statements of value added were appropriately prepared, in all material respects, according to the criteria defined in said Technical Pronouncement and are consistent in relation to the financial statements taken as a whole.

## Information other than the financial statements and auditor's report thereon

### The Company's Management is responsible for this other information that is included in the Management Report.

Our opinion on the financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in Management Report, we are required to report this fact. We have nothing to report in this regard.

## Responsibility of Management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), 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 in preparing the financial statements, unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative to avoid doing so.

Those charged with governance are those individuals responsible for overseeing the Company's financial reporting process.

## Auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report containing our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. In addition, we:

- 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 a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve override of internal control, collusion, forgery, intentional omissions or misrepresentations;
- 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 control.
- 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, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;


- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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 may have identified during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements, including those regarding independence, and communicate to 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 those charged with governance, we determined those matters that were of most significance in the audit of the financial statements for the current year and are, therefore, the key audit matters. We describe these matters in our auditor's 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.

São Paulo, March 17, 2020



Régis Eduardo Baptista dos Santos  
Partner

Grant Thornton Auditores Independentes

CONCESSIONÁRIA DO AEROPORTO INTERNACIONAL DE GUARULHOS S.A.

BALANCE SHEETS AS AT DECEMBER 31, 2019 AND 2018

(In thousands of reais)

	Note	12/31/2019	12/31/2018
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	4	127,257	502,468
Restricted short-term investments	5	46,322	28,031
Trade receivables	6	251,639	254,026
Inventories		9,678	6,638
Recoverable taxes	7a	36,171	38,384
Prepaid expenses		3,607	5,058
Other advances		5,054	4,911
		<u>479,728</u>	<u>839,516</u>
NONCURRENT ASSETS			
Restricted short-term investments	5	126,449	123,120
Trade receivables	6	4,530	5,929
Deferred tax assets	7b	19,540	202,229
Inventories		9,391	7,765
Recoverable taxes	7a	383,869	391,236
Related parties	8	17,730	17,730
Judicial deposits	14	20,187	14,099
Property and equipment	9	11,248	13,913
Intangible assets	10	14,059,360	14,580,161
		<u>14,652,304</u>	<u>15,356,182</u>
<b>TOTAL ASSETS</b>		<u>15,132,032</u>	<u>16,195,698</u>

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

CONCESSIONÁRIA DO AEROPORTO INTERNACIONAL DE GUARULHOS S.A.

BALANCE SHEETS AS AT DECEMBER 31, 2019 AND 2018

(In thousands of reais)

	<u>Note</u>	<u>12/31/2019</u>	<u>12/31/2018</u>
<u>LIABILITIES</u>			
CURRENT LIABILITIES			
Trade payables		53,005	78,347
Borrowings and financing	11	216,082	176,564
Debentures	12	85,711	65,274
Taxes payable	7d	39,677	37,913
Payables to employees and management		20,684	22,992
Public service concession	13	1,477,166	1,423,218
Related parties	8	25,426	25,883
Deferred revenue	15	19,780	17,737
Advances from customers		14,553	13,687
Other liabilities	16	139,958	135,762
		<u>2,092,042</u>	<u>1,997,377</u>
NONCURRENT LIABILITIES			
Borrowings and financing	11	2,444,340	2,531,413
Debentures	12	625,673	666,878
Public service concession	13	11,603,123	11,754,113
Provision for risks	14	17,439	11,261
Deferred revenue	15	141,944	153,364
Advances from customers		715	83
		<u>14,833,234</u>	<u>15,117,112</u>
EQUITY (EQUITY DEFICIENCY)			
Capital	17	2,624,558	2,624,558
Accumulated losses		(3,543,349)	(3,355,132)
Loss for the year		(874,453)	(188,217)
Total equity (equity deficiency)		<u>(1,793,244)</u>	<u>(918,791)</u>
TOTAL LIABILITIES AND EQUITY (EQUITY DEFICIENCY)			
		<u>15,132,032</u>	<u>16,195,698</u>

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

CONCESSIONÁRIA DO AEROPORTO INTERNACIONAL DE GUARULHOS S.A.

STATEMENTS OF PROFIT AND LOSS FOR THE YEARS ENDED DECEMBER 31, 2019  
AND 2018

(Amounts in thousands of reais – R\$, unless otherwise stated)

	<u>Note</u>	<u>12/31/2019</u>	<u>12/31/2018</u>
			(Restated)*
Net revenue from services and assignment of space		2,038,270	2,024,656
Construction revenue		<u>174,037</u>	<u>93,154</u>
Net operating revenue	18	2,212,307	2,117,810
Cost of services	19	(1,439,866)	(1,340,555)
Construction cost	19	<u>(174,037)</u>	<u>(93,154)</u>
Gross profit		598,404	684,101
General and administrative expenses	19	(129,185)	(135,728)
Other operating income (expenses)	19	<u>11,946</u>	<u>13,666</u>
Profit from operations before finance income (costs)		481,165	562,039
Finance income (costs), net	20	<u>(1,172,929)</u>	<u>(1,076,586)</u>
Loss before taxes		(691,764)	(514,547)
Income tax and social contribution	7c	<u>(182,689)</u>	<u>326,330</u>
Loss for the year		<u>(874,453)</u>	<u>(188,217)</u>
Loss per share (in reais)	26	<u>(0.288)</u>	<u>(0.062)</u>

\* Restated - See Note 2.22.

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

CONCESSIONÁRIA DO AEROPORTO INTERNACIONAL DE GUARULHOS S.A.

STATEMENTS OF COMPREHENSIVE LOSS FOR THE YEARS ENDED DECEMBER 31,  
2019 AND 2018

(In thousands of reais)

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	<u>12/31/2019</u>	<u>12/31/2018</u>
Loss for the year	<u>(874,453)</u>	<u>(188,217)</u>
Total comprehensive loss for the year	<u><u>(874,453)</u></u>	<u><u>(188,217)</u></u>

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

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CONCESSIONÁRIA DO AEROPORTO INTERNACIONAL DE GUARULHOS S.A.

STATEMENTS OF CHANGES IN EQUITY (EQUITY DEFICIENCY)  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In thousands of reais)

	<u>Capital</u>	<u>Accumulated losses</u>	<u>Total</u>
AT DECEMBER 31, 2018	2,624,558	(3,543,349)	(918,791)
Loss for the year	-	(874,453)	(874,453)
AT DECEMBER 31, 2019	<u>2,624,558</u>	<u>(4,417,802)</u>	<u>(1,793,244)</u>
	<u>Capital</u>	<u>Accumulated losses</u>	<u>Total</u>
AT DECEMBER 31, 2017	2,624,558	(3,355,132)	(730,574)
Loss for the year	-	(188,217)	(188,217)
AT DECEMBER 31, 2018	<u>2,624,558</u>	<u>(3,543,349)</u>	<u>(918,791)</u>

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

CONCESSIONÁRIA DO AEROPORTO INTERNACIONAL DE GUARULHOS S.A.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In thousands of reais)

	Note	12/31/2019	12/31/2018
Cash flows from operating activities			
Loss for the period before taxes		(691,764)	(514,547)
Adjustments to reconcile loss before taxes to cash provided by operating activities			
Depreciation and amortization	9/10	903,026	828,185
Fixed and intangible assets disposed of	9/10	2,636	5
Allowance for expected credit losses	6/19	15,803	14,057
Provision for risks	14	6,178	61
Recognition of deferred revenue	15	(11,476)	(9,485)
Inflation adjustments and charges, net		1,163,395	1,075,600
Financial-economic rebalance	13/15	(16,276)	(16,028)
Realization of borrowings/debentures costs	11/12	5,427	3,107
Decrease (increase) in operating assets			
Trade receivables		(12,017)	(43,860)
Inventories		(4,666)	1,400
Other advances		(143)	(1,809)
Recoverable taxes		9,580	17,146
Judicial deposits		(6,088)	(5,958)
Prepaid expenses		1,451	2,739
Increase (decrease) in operating liabilities			
Trade payables		(32,529)	(6,360)
Related parties		(457)	(8,648)
Payables to employees and management		(2,308)	(7,219)
Taxes payable		1,764	1,419
Advances from customers		1,498	(33,796)
Other liabilities and accounts payable		4,196	(29,540)
Variable concession fee	13	232,349	230,510
Variable concession fee paid	13	(230,594)	(195,829)
Deferred revenue	15	8,680	12,235
Net cash provided by operating activities		<u>1,347,665</u>	<u>1,313,385</u>
Cash flows from investing activities			
Short-term investments		(34,491)	(23,988)
Income from short-term investments redeemed		47,844	45,611
Purchase of intangible assets		(115,984)	(84,280)
Purchase of property and equipment	9	(5)	(125)
Net cash used in investing activities		<u>(102,636)</u>	<u>(62,782)</u>
Cash flows from financing activities			
Borrowings and financing	11	378,375	203,072
Repayment of borrowings, financing and debentures	11/12	(485,207)	(452,062)
Interest paid	11/12	(290,042)	(300,825)
Fixed concession fee paid	13	(1,223,366)	(242,740)
Net cash used in financing activities		<u>(1,620,240)</u>	<u>(792,555)</u>
Increase (decrease) in cash and cash equivalents, net		<u>(375,211)</u>	<u>458,048</u>
Cash and cash equivalents at the beginning of the year		502,468	44,420
Cash and cash equivalents at the end of the year		<u>127,257</u>	<u>502,468</u>
Increase (decrease) in cash and cash equivalents, net		<u>(375,211)</u>	<u>458,048</u>

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

CONCESSIONÁRIA DO AEROPORTO INTERNACIONAL DE GUARULHOS S.A.

STATEMENTS OF VALUE ADDED FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In thousands of reais)

	Note	<u>12/31/2019</u>	<u>12/31/2018</u> (Restated)*
Revenues		<u>2,928,568</u>	<u>2,783,291</u>
Tariff and non-tariff revenues	18	2,770,334	2,774,607
Construction revenue	18	174,037	22,741
Allowance for expected credit losses	19	(15,803)	(14,057)
Inputs acquired from third parties		<u>(1,076,603)</u>	<u>(911,728)</u>
Cost of services		(821,754)	(822,535)
Construction cost	19	(174,037)	(22,741)
Materials, power, outside services and other		(80,812)	(66,452)
Gross value added		<u>1,851,965</u>	<u>1,871,563</u>
Retentions			
Depreciation and amortization	19	(903,026)	(828,185)
Wealth created by the Concessionaire		<u>948,939</u>	<u>1,043,378</u>
Wealth received in transfer			
Finance income	20	<u>47,348</u>	<u>36,377</u>
Total wealth for distribution		<u>996,287</u>	<u>1,079,755</u>
Wealth distributed		<u>996,287</u>	<u>1,079,755</u>
Payroll and related taxes		<u>106,188</u>	<u>117,094</u>
Salaries and wages		74,137	81,314
Benefits		26,336	26,547
Severance Pay Fund (FGTS)		5,715	9,233
Taxes, fees and contributions		<u>546,114</u>	<u>39,490</u>
Federal		456,980	(51,430)
Municipal		89,134	90,920
Lenders and lessors:		<u>1,218,438</u>	<u>1,111,388</u>
Interest	20	311,533	343,044
Adjustment - concession fee	20	886,834	761,763
Other		20,071	6,581
Shareholders:		<u>(874,453)</u>	<u>(188,217)</u>
Loss for the year		(874,453)	(188,217)

\* Restated - See Note 2.22.

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

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

CONCESSIONÁRIA DO AEROPORTO INTERNACIONAL DE GUARULHOS S.A.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31,  
2019 AND 2018

(Amounts in thousands of Brazilian reais - R\$, unless otherwise stated)

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1. GENERAL INFORMATION

Concessionária do Aeroporto Internacional de Guarulhos S.A. (“Concessionaire”, “Company”, “Airport” or “GRU Airport”) is a Special Purpose Entity (SPE) organized on May 8, 2012, in which Aeroporto de Guarulhos Participações S.A. Grupar (“Grupar”), an Invepar Group’s subsidiary, holds a 51% equity interest and Empresa Brasileira de Infraestrutura Aeroportuária - Infraero, 49%. The Concessionaire is a publicly listed company, Class B corporation, primarily engaged in the provision of public services for the expansion, maintenance and operation of airport infrastructure. The Concessionaire is headquartered at Rodovia Hélio Smidt, s/n, Guarulhos, São Paulo.

The Federal Government and the Concessionaire entered into the Concession Agreement relating to the International Airport of São Paulo/Guarulhos - Governador André Franco Montoro on June 14, 2012, for a period of 20 years, beginning on July 11, 2012 and ending on July 10, 2032, renewable for five (05) years. The concession agreement requires the Concessionaire to pay fixed and variable concession fees, as described in Note 13.

As of December 31, 2019, the Concessionaire recorded loss in the amount of R\$874,453 (R\$188,217 as of December 31, 2018), net working capital deficit of R\$1,612,314 (R\$1,157,861 as of December 31, 2018) and negative equity (equity deficiency) by R\$1,793,244 (R\$918,791 as of December 31, 2018). The financial statements were prepared under the going concern assumption, since Management concluded, based on judgment, that the current position, that is, loss, net working capital deficit and negative equity (equity deficiency) is anticipated in the business plan and that the Concessionaire will generate sufficient cash to continue operating in the foreseeable future.

In December 2017, to improve the capital structure for the coming years, the Concessionaire adhered to the fixed concession fee payment rescheduling launched by Law No. 13.999/17, whereby the Concessionaire made an early payment of part of the concession fee for 2018 and had the respective amount proportionately deferred to 2031 and 2032 (see Note 13).

For the next fifteen (13) years, the Concessionaire will make investments to improve infrastructure capacity and security, including new processes and services to its passengers and users.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1. Statement of compliance

The financial statements were prepared and are presented in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), which include the provisions of Brazilian Corporate Law and the accounting standards and procedures issued by the Brazilian Securities and Exchange Commission (CVM) and the Accounting Pronouncements Committee (CPC), which are in conformity with the International Financial Reporting Standards (IFRS) issued by IASB.

The Concessionaire's financial statements are presented in accordance with Technical Instruction OCPC 07, which addresses the basic preparation and disclosure requirements to be observed in financial reporting, in particular explanatory information. Management asserts that all the relevant information reported in the financial statements is being disclosed and corresponds to that used in managing the Concessionaire.

### 2.2. Basis of preparation

The financial statements have been prepared based on the historical cost, except for certain financial instruments measured at fair value at the end of each reporting period, as described in the accounting policies below.

The historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market players at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique. In determining the fair value of an asset or liability, the Concessionaire takes into consideration the characteristics of the asset or liability should the market players take these characteristics into account in pricing the respective asset or liability on the measurement date.

The fair value for purposes of measurement and/or disclosure in these financial statements is determined on this basis, as a measurement based on the market, not as a measurement specific to the Concessionaire. In addition, for reporting purposes, fair value measurements are classified into Levels 1, 2 or 3, as described in Note 24.

### 2.3. Presentation of financial statements

The accounting practices adopted in Brazil comprise the policies set out in Brazilian Corporate Law and the pronouncements, guidance, and interpretations issued by the Accounting Pronouncements Committee ("CPC") and approved by the Federal Accounting Council ("CFC") and the Brazilian Securities and Exchange Commission ("CVM").

Based on Management's opinion, there are no other standards and interpretations issued and not yet effective that may significantly impact profit or loss or equity reported by the Concessionaire.

The Concessionaire's Management authorized the issuance of these financial statements on March 17, 2020.

#### 2.4. Recognition of revenue from contracts with customers

Revenue is measured based on the consideration for a service specified in the underlying contract.

The Concessionaire recognizes the consideration for a service when the control over the service is transferred to the customer.

##### a) Service revenue

Service revenue is measured based on the fair value of the consideration received, less any discounts, rebates and taxes or changes on sales, and is recognized when the service is provided.

Tariff revenue: recognized by tariffs paid by users when they actually use services, equipment, facilities available at the airport. Tariff revenues include boarding, connection, landing and parking, storage and wharfage fees. These tariffs are recognized in accordance with the provisions under the concession agreement.

Revenue from non-tariff services: under the concession agreement, the company may engage in other economic activities, such as assignment of spaces, parking lots, advertising and other services supporting the commercial areas of the airport complex under agreements made with service providers or operators or other economic activities. Revenue from non-tariff services is recognized over time as services are provided.

##### b) Interest income

Interest income is recognized under the straight-line method based on the time and the effective interest rate on the outstanding principal. The effective interest rate is the rate that exactly discounts the estimated future cash receipts during the estimated useful life of the financial instrument in relation to the initial carrying amount of this asset.

##### c) Construction revenue

Construction revenue is recognized when infrastructure expansion/improvement services are completed and placed into service.

The construction margin is calculated at zero, and amounts contracted from third parties for construction services are considered at fair value, and no management firm has been engaged to manage the works.

## 2.5. Foreign-currency transactions

Foreign currency-denominated transactions are initially recorded using the exchange rate of the functional currency prevailing at the transaction date. Foreign currency-denominated monetary assets and liabilities are translated at the exchange rate prevailing at the end of the reporting period. All differences are recorded in the income statement. Non-monetary assets and liabilities purchased or contracted in foreign currency are translated based on exchange rates prevailing on the transition dates or the fair value measurement dates, when used.

The Concessionaire defined Brazilian real (R\$) as its functional currency.

## 2.6. Cash and cash equivalents and restricted short-term investments

Restricted cash and cash equivalents include cash, bank accounts and highly liquid short-term investments, in a known cash amount and subject to an insignificant risk of change in value, which are held so as to manage the Concessionaire's short-term commitments. These investments are stated at cost, plus interest through the balance sheet date, with the corresponding gain or loss being recorded in profit or loss for the period.

Cash equivalents are represented by unrestricted/restricted funds that are held to meet short-term cash commitments, and not for investment or any other purposes.

## 2.7. Trade receivables

Trade receivables are recorded at the amount of the services provides, plus direct taxes under the Concessionaire's primary responsibility.

The allowance for expected credit losses is measured at an amount equal to the expected credit loss on trade receivables and is based on the evaluation of customers in default for more than 30 days and in an amount considered sufficient by Management to cover future losses on the collection of receivables, taking into account the outstanding balance and history of losses on receivables.

At each balance sheet date, the Concessionaire assesses if there are problems related to the recovery of trade receivables when one or more events having an adverse impact on estimated future cash flows of the financial asset.

Objective evidence that a financial asset is credit-impaired include observable data about the following events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or delay above 30 days;
- restructuring of an amount due to the Company under conditions that would not be accepted under normal conditions; or
- Likelihood that the debtor will file for bankruptcy or go through another type of financial reorganization.

## 2.8. Inventories

Stated at average acquisition cost, adjusted to net realizable value and possible losses, when applicable. Inventories expected to be used after 12 months or more as from the reporting date are stated in noncurrent assets.

## 2.9. Property and equipment

Property and equipment items are stated at acquisition, development or construction cost, less accumulated depreciation, calculated on a straight-line basis at the rates that take into consideration the economic useful lives of these assets.

They are recorded as part of the costs of construction in progress, and in the case of qualifying assets, borrowing costs.

A property and equipment item is written off when sold or when no future economic benefit is expected from its use or sale. Any gain or loss arising from the write-off of an asset (calculated as the difference between the net sales amount and the carrying amount of the asset) is recognized in the income statement in the year the asset is written off.

The residual value, useful life of assets and depreciation methods are revised at the end of each year and adjusted prospectively, where necessary.

## 2.10. Intangible assets

Refers to the concession right, recorded at present value, concession investments and software licenses, recorded at acquisition cost.

Intangible assets constructed by virtue of the concession agreement are recorded at construction cost and at the borrowing costs attributable to these assets.

Intangible assets acquired separately are measured initially, at acquisition cost, subsequently, deducted from accumulated amortization and impairment losses, where applicable.

Intangible assets with finite useful lives are amortized over their estimated economic useful lives and tested for impairment when there are indications that they may be impaired. Concession intangible assets are amortized over the concession term based on the economic benefit curve, which, for the Concessionaire, is the passengers curve (PAX) estimated as the basis for amortization.

Gains or losses arising from the write-off of an intangible asset are calculated as the difference between the net revenue from sale and its carrying amount and are recognized in the statement of profit and loss when the asset is written off.

### 2.11. Employee benefits

The Concessionaire grants benefits to employees, including pension plan, health and dental care, profit sharing, among others, and sponsors the Variable Contribution Retirement Plan (“Plano CV”) of Infraero Social Security Institute (INFRAPREV) to ensure the maintenance of the plan to the mass of employees originating from Infraero. For employees hired by the Concessionaire, the pension plan offered by BrasilPrev, a survival retirement benefit under the defined contribution plan and/or benefits under the rules in the cash value life insurance (VGBL).

An accrual for employee benefit liability is recognized based on salaries, vacation and leaves of absence in the period over which the related services are provided in an amount not deducted from benefits that is expected to be paid in exchange for those services.

### 2.12. Allowance for impairment of non-financial assets

Management annually revises the carrying amount of the assets to assess events or changes in economic, operating or technological circumstances that may indicate that these assets might be impaired. Whenever indications of impairment are identified and the net carrying amounts exceed the recoverable value, an allowance for impairment is recorded to adjust the carrying amount to the recoverable value.

The recoverable value of an asset or a certain cash-generating unit is defined as the higher of the value in use and the net sales amount.

In estimating the value in use of an asset, estimated future cash flows are discounted to their present values, using a pretax discount rate that reflects the weighted average cost of capital in the industry where the cash-generating unit operates. The net sales amount is determined, whenever possible, based on a firm sales agreement at arm’s length, entered into among knowledgeable, willing buyers and knowledgeable, willing sellers, adjusted by expenses attributable to the sale of the asset, or, in case of lack of a firm sales agreement, based on the fair value in an active market or the most recent price of the transaction carried out with similar assets.

No asset impairment losses were identified as of December 31, 2019.

### 2.13. Other assets and liabilities

An asset is recognized in the balance sheet when it is probable that its future economic benefits will flow to the Concessionaire and its cost or value can be measured reliably.

A liability is recognized in the balance sheet when the Concessionaire has a legal or constructive obligation recognized as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and is stated at known or estimated amounts, plus charges, inflation adjustment and/or exchange rate changes incurred through the balance sheet date, when applicable.

## 2.14. Taxation

Service revenues are subject to taxes and contributions, calculated at the following basic rates:

Tax	Initials	Aliquots		
		Tariff revenue	Non-tariff revenue	Financial income
Contribution to the Social Integrity Program	PIS	1,65%	1,65%	0,65%
Contribution to Social Security Financing	COFINS	7,60%	7,60%	4,00%
Tax on Services	ISSQN	5,00%	-	-

On December 23, 2014, Law No. 7.342/14, which increased the ISSQN rate on tariff revenues from 2% to 5% beginning April 2015, was enacted. For PIS and Cofins taxation, the Concessionaire adopts the noncumulative basis.

Taxes on income include Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL), both current and deferred, which are calculated based on taxable income (adjusted book income), at the rates prevailing at the balance sheet dates, as follows: (i) Income tax – calculated at the rate of 25% on adjusted book income (15% on taxable income, plus a 10% surtax for income in excess of R\$240 during a 12-month period); and (ii) social contribution – calculated at the rate of 9% on adjusted book income. The additions to the book income of temporarily nondeductible expenses or the deductions of temporarily non-taxable revenues, used to determine current taxable income, give rise to deferred tax credits or debts.

Deferred tax assets derive from temporary differences and tax loss carryforwards and were recognized taking into account the expected generation of future taxable income, based on a technical feasibility study approved by Management.

The carrying amount of deferred tax assets is reviewed at the balance sheet date and written off to the extent that it is no longer probable that taxable income will be available to allow the utilization of all or part of the deferred tax asset. Deferred taxes that are derecognized are reviewed at the end of each reporting period and recognized to the extent that it is probable that future taxable income will be available to allow the recovery of deferred tax assets. Deferred tax assets and liabilities are measured using the tax rate applicable for the year in which the asset is expected to be realized or the liability is expected to be settled, based on the tax rates (and tax law) prevailing at the balance sheet date.

Deferred tax assets and liabilities are stated at their net amounts if there is a legal or contractual right to offset the tax asset against the tax liability, and deferred taxes are subject to the same tax authority.

Prepayments or amounts eligible to offsetting are stated in current assets or noncurrent assets, based on their expected realization.

## 2.15. Adjustment to present value of assets and liabilities

Long-term monetary assets and liabilities are adjusted to present value, and short-term monetary assets and liabilities are adjusted to present value only when the effect is considered material in relation to the financial statements taken as a whole.

The adjustment to present value is calculated considering contractual cash flows and the explicit, and in certain cases, implicit interest rates of the related assets and liabilities. Accordingly, the interest embedded in revenue, expenses and costs related to these assets and liabilities is discounted and recognized on the accrual basis. Subsequently, this interest is transferred to finance costs or income in profit or loss, using the effective interest method in relation to the contractual cash flows.

## 2.16. Critical accounting judgments and key estimates and assumptions

### Judgments

The preparation of financial statements requires the Concessionaire to make judgments and estimates and adopt assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, as well as disclosures of contingent liabilities as of the reporting date. However, the uncertainty inherent in such assumptions and estimates may give rise to results that require a significant adjustment of the carrying amount of the affected asset or liability in future reporting periods.

### Estimates and assumptions:

#### Impairment losses on non-financial assets

An impairment loss is identified when the carrying amount of an asset or cash-generating unit exceeds its recoverable value, which is the higher of the fair value less selling costs and the value in use. The calculation of the fair value less selling costs is based on available information on transactions involving the sale of similar assets or market prices less additional costs to dispose of the asset.

The value in use is calculated based on the discounted cash flow model. The cash flows arise from the budget for the next five years and do not include reorganization activities to which the Company has not yet committed or significant future investments that will improve the asset base of the cash-generating unit subject to tests. The recoverable amount is sensitive to the discount rate used in the discounted cash flow method, as well as to future expected cash flows and the growth rate used for extrapolation purposes.

## Taxes

There are uncertainties as to the interpretation of complex tax rules, the amount and timing of future taxable income, as well as the long-term nature and the complexity of the existing contractual instruments, differences between actual results and the assumptions adopted, or future changes in these assumptions, could require future adjustments to already recorded tax income and expenses. The amount of these provisions is based on various factors, such as different interpretations of tax regulations by the taxable entity and the relevant tax authority. These interpretation differences can arise within an extensive set of issues, depending on the conditions in place in the respective domicile of the Concessionaire.

Considerable judgment is required from Management to determine the amount of deferred income tax assets that can be recognized, based on the probable term and future taxable amount, together with future tax planning strategies.

## Fair value of financial instruments

When the fair value of financial assets and financial liabilities reported in the balance sheet cannot be obtained from active markets, it is determined based on valuation techniques, including the discounted cash flow method. Inputs for these methods are based on market values, if possible; otherwise, Management is required to make judgment to determine the fair value. Management's judgment includes the analysis of the data used, such as: liquidity risk, credit risk and volatility. Changes in the assumptions related to these factors may affect the reported fair value of financial instruments.

## Provisions for tax, civil, and labor risks

The Company recognizes a provision for tax, civil, administrative and labor risks, when applicable. The likelihood of loss is assessed based on available evidence, the hierarchy of laws, jurisprudence available, most recent court decisions, and their relevance within the legal system, and the assessment made by external attorneys. Provisions are revised and adjusted so as to consider changes in circumstances, such as applicable statute of limitations, conclusions of tax audits or additional exposures identified based on new matters or court rulings.

### 2.17. Statement of cash flows and statement of value added

The statement of cash flows has been prepared under the indirect method and is presented in accordance with CPC 03 (R2) - Statement of Cash Flows (IAS 7).

The statement of value added has been prepared and is presented in accordance with CPC 09 - Statement of Value Added.

## 2.18. Financial instruments

The Concessionaire's financial instruments are represented by cash and cash equivalents, restricted short-term investments, trade receivables, related parties, trade payables, borrowings, financing, debentures and public service concession.

Financial instruments were recognized according to CPC 48 (IFRS 9) - Financial instruments, adopted by the Company on January 01, 2018, as required by CVM Decision No. 763/16.

The initial recognition of these financial assets and liabilities is only made when the Concessionaire becomes a counterpart to the underlying financial instrument contracts and such assets are recognized at the fair value, for instruments that are not recognized at fair value through profit or loss, plus directly attributable transaction costs.

After the initial recognition, the Concessionaire classifies financial assets as subsequently measured at:

- Amortized cost: When financial assets are held to receive contract cash flows and the contract terms of these assets should exclusively originate cash flows arising from the payment of principal and interest on the outstanding principal amount;
- Fair value through other comprehensive income (FVTOCI): when financial assets are held to both receive contract cash flows and sale of these financial assets. Moreover, the contract terms should exclusively originate cash flows from the payment of principal and interest on the outstanding principal amount;
- Fair value through profit or loss (FVTPL): when financial assets are not measured at amortized cost, fair value through other comprehensive income or when they are designated as such at the initial recognition. Financial instruments are designated at fair value through profit or loss if the Concessionaire manages these investments and makes buy or sell decisions based on their fair value according to the risk management and investment strategy documented by the Concessionaire. After initial recognition, attributable transaction costs are recognized in profit or loss when incurred, as well as gains and losses in fair value.

The classification of financial assets is based both on the Concessionaire's business model to manage financial assets and their cash flow characteristics.

Likewise, the Concessionaire classifies financial liabilities as subsequently measured at amortized cost or fair value through profit or loss. Financial liabilities measured at amortized cost use the effective interest method, adjusted by any reductions in amount they are settled.

## 2.19. Borrowing costs

Borrowing costs directly related to the acquisition, construction or production of an asset that requires a significant time to be completed for subsequent use are capitalized as part of the corresponding cost of the asset. All other borrowing costs are recorded as expenses when incurred. Borrowing costs comprise interest and other costs incurred on borrowings by an entity.

## 2.20. Concession arrangements - ICPC 01 (R1) (IFRIC 12)

The Concessionaire accounts for concession arrangements as prescribed by Technical Interpretation ICPC 01 (R1) IFRIC 12, which addresses the conditions to be met, on a joint basis, for public concessions included in its scope. The infrastructure within the scope of ICPC 01 (R1) (IFRIC 12) is not accounted for as a property, plant and equipment because the Concession Agreement does not transfer to the concessionaire the right to control the use of the public utility infrastructure. Only the assignment of ownership of these assets for the provision of public services is provided for, and they are returned to the concession grantor at the end of the concession arrangement. The concessionaire is only allowed to operate the public utility infrastructure on behalf of the concession grantor under the concession arrangement and operate as a service provider within a specific period. The concessionaire recognizes an intangible asset to the extent it is authorized (entitled) to charge fees from public utility users and does not have the irrefutable right to receive cash or other financial asset from the concession grantor.

The amortization of the infrastructure operation right is recognized in profit or loss for the year based on the estimated curve of use of the services provided by the Concessionaire over the term of the concession.

## 2.21. Adoption of International Financial Reporting Standards

### New standards adopted:

#### CPC 06 (R2)/IFRS 16 - Leases

The Concessionaire applied beginning January 01, 2019 CPC 06 (R2) – Leases.

CPC 06(R2)/IFRS 16 replaced the current amendments, including CPC 06 (IAS 17) – Leases and ICPC 03 (IFRIC 4, SIC 15 and SIC 27) – Additional aspects of leases.

CPC 06(R2)/IFRS 16 introduced a single model to account for leases in the balance sheets, with impact for lessees. Under the standard, the lessee should recognize leases in the balance sheet between assets and liabilities (exemptions are available for short-term leases and low-value items). In assets, the right of use of the leased asset is recorded, with a counterparty to lease liability in the amount of the debt.

The application of CPC 06(R2)/IFRS 16 did not impact the Concessionaire's financial statements.

#### ICPC 22/IFRIC 23 – Uncertainty over Income Tax Treatments

ICPC 22/IFRIC 23 clarifies how the CPC32 recognition and measurement requirements should be applied when there is uncertainty over income tax treatments.

The Company should recognize and measure its current or deferred asset or liability by applying the requirements of CPC 32 based on the taxable income (tax loss), tax bases, unused tax losses, unused tax credits, and determined tax rates, by applying this interpretation.

Such Interpretation was approved on December 21, 2018 and became effective on January 01, 2019.

The Concessionaire's Management did not identify significant impacts from the adoption of this Interpretation, since all procedures adopted for determining and paying taxes on income are covered by the legislation and supported by court precedents at the administrative and judicial levels.

#### New standards and accounting pronouncements not yet adopted

There are no other standards and interpretations issued and not yet adopted that, in Management's opinion, may significantly impact the profit or loss or equity reported by the Concessionaire.

#### 2.22. Restatement of prior year figures

In 2019, the Concessionaire accounted for construction revenue and construction cost. Consequently, the statement of profit and loss and the statement of value added, as well as Note 18 - Revenues and Note 19 - Costs and expenses, were corrected to restate the figure corresponding to the prior year for better comparability between the years.

### 3. CONCESSION AGREEMENT

#### a) Subject

The purpose of the agreement is the concession of public services for the expansion, maintenance and operation of the airport infrastructure to be implemented in the following phases:

- PHASE I-A - Transfer of operations from the Airport under INFRAERO's control to the Concessionaire (completed on February 15, 2013);
- PHASE I-B - Expansion of the Airport by the Concessionaire to adjust the infrastructure and improve service level (completed on May 11, 2014);
- PHASE I-C - Airport expansion and full adequacy to the infrastructure and the service level set out in the Airport Operation Plan (PEA) (completed on May 12, 2016);

- PHASE II - Other Airport expansion, maintenance and operation phases to comply with minimum sizing parameters set out in the PEA (Concessionaire's current stage in the year ended December 31, 2019).

#### Effective period

The concession agreement is effective for twenty (20) years and may be extended for up to five (05) years; the concession is granted by the National Civil Aviation Agency (Anac).

#### Contribution to the system

Under the existing concession agreement to operate the Guarulhos International Airport complex, the Concessionaire agrees to pay a total of R\$16,213,000, in annual installments of R\$810,650, as adjusted since February 2012, the month the concession bidding auction was held, using the Extended Consumer Price Index (IPCA-IBGE), to the National Civil Aviation Fund (FNAC), as fixed concession fee. Under the amendment to the concession agreement, which changed the payment flow of the original fixed concession fee, under Law No. 13.499/2017 and Ruling No. 135/ MTPA, the total amounts in reais have actually been R\$16,655,000, resulting from the rescheduling, and the net present value of the original fixed concession fee remains unchanged.

The concession agreement also requires the payment of an annual variable concession fee that corresponds to the amount, in reais, resulting from the application of 10% on the total annual gross revenue. If the annual gross revenue earned by the Concessionaire exceeds the amounts established in the concession agreement, the variable contribution on the exceeding revenue is charged at the rate of 15%.

#### Concession assets

The concession includes the assets necessary to provide airport operation services already provided by the public authorities and included in the Concessionaire's activities, such as buildings, facilities, machinery and equipment, furniture and fixtures, vehicles, landing and take-off runways, airport apron areas, etc.

### b) Rights and obligations

#### General obligations

During the contractual period, the Concessionaire is required to keep a good level of operation, conservation and security and the assets necessary for the provision of the services comprising the concession, by offering a physical and electronic service system to the user and an ombudsman office to analyze complaints relating to the services provided.

Investments

The costs on construction works and improvements in public assets, set forth in the concession agreement, are accounted for in “intangible assets” because the concession agreement does not provide for the reimbursement of all or part of the investment made by the Concessionaire. At the end of the concession period, all reversible assets, rights and privileges related to the operation of the highway system will return to the Concession Grantor.

c) Concessionaire’s compensation

Tariff revenues

Tariff revenues include boarding, connection, landing and parking, storage and wharfage fees.

Non-tariff revenues

Non-tariff revenues are related to assignment of space inherent in the operation of commercial spaces and others.

d) Transfer of concession and ownership control

The Concessionaire and its private shareholder may not make any direct or indirect changes in the respective shareholding controls or transfer the Concession without ANAC’s prior, express consent. Otherwise, the agreements may be terminated.

e) Use of airport complex

General provisions

The Concessionaire may enter into with third parties, air transportation and air transportation-related service providers or other service providers agreements that address the use of space in the Airport Complex, it being understood that compensation will be freely negotiated between the Concessionaire and the other contracting party.

4. CASH AND CASH EQUIVALENTS

	<u>12/31/2019</u>	<u>12/31/2018</u>
Cash and banks	1,293	986
Investments in investment funds backed by government bonds	<u>125,964</u>	<u>501,482</u>
Total cash and cash equivalents	<u><u>127,257</u></u>	<u><u>502,468</u></u>

Short-term investments are comprised by highly liquid investment funds backed by federal government bonds, National Treasury and/or the Central Bank of Brazil (Bacen) bonds and repurchase agreements backed by federal government bonds, yielding on average 97.91% of CDI (98.19% of CDI as of December 31, 2018).

## 5. RESTRICTED SHORT-TERM INVESTMENTS

	<u>12/31/2019</u>	<u>12/31/2018</u>
Current	46,322	28,031
Payment / Reserve Account	46,322	28,031
Noncurrent	126,449	123,120
CDB - Duke Energy Guarantee	4,448	4,183
Reserve Account	122,001	118,937
Restricted short-term investments	<u>172,771</u>	<u>151,151</u>

The Concessionaire has non-exclusive fixed-income investment funds whose portfolio is exclusively comprised of federal government bonds and repurchase agreements backed by these bonds.

These low-risk funds, which yield an average rate of 97.91% of the CDI (97.63% of the CDI as of December 31, 2018) and are not subject to any grace period, are used to comprise the reserve and concession fee accounts intended to meet obligations under the Financing and Receivables Collateral Assignment Agreements entered into with BNDES and Underwriting banks (Banco do Brasil, Caixa Econômica Federal, Itaú BBA, and Bradesco), in addition to the trustee representing the debenture holders in both issues.

Out of the short-term investments recorded in noncurrent assets, the amount of R\$4,448 (R\$4,183 as of December 31, 2018) refers to CDBs contracted from Banco Itaú BBA, yielding an average rate of 96.20% of the CDI, which were assigned as collateral of energy supply in the free market, under an electric power purchase and sale agreement entered into between the Concessionaire and Rio Paranapanema Energia (a company of Duke Energy Group).

## 6. TRADE RECEIVABLES

	<u>12/31/2019</u>	<u>12/31/2018</u>
Tariff receivables		
Aircraft	179,724	167,020
Storage	14,089	17,879
	<u>193,813</u>	<u>184,899</u>
Non-tariff receivables		
Accessory revenues	<u>115,860</u>	<u>112,757</u>
Allowance for expected credit losses	<u>(53,504)</u>	<u>(37,701)</u>
Total trade receivables	<u>256,169</u>	<u>259,955</u>
Current	<u>251,639</u>	<u>254,026</u>
Noncurrent	<u>4,530</u>	<u>5,929</u>

As of December 31, 2019, the aging list of trade receivables is as follows:

	Total, net of allowance for expected credit losses	Allowance for expected credit losses	Current trade receivables not impaired	Past-due receivables						
				<30 days	from 31-60 days	from 61-90 days	from 91-120 days	from 121-150 days	from 151-180 days	>180 days
December 31, 2019	256,169	(53,504)	250,216	5,702	58	56	41	20	166	53,414

	Total, net of allowance for expected credit losses	Allowance for expected credit losses	Current trade receivables not impaired	Past-due receivables						
				<30 days	from 31-60 days	from 61-90 days	from 91-120 days	from 121-150 days	from 151-180 days	>180 days
December 31, 2018	259,955	(37,701)	250,268	15,087	6,310	9,899	5,455	186	240	10,211

As of December 31, 2019, the allowance for expected credit losses amounts to R\$53,504 (R\$37,701 as of December 31, 2018).

Changes in the allowance for expected credit losses:

	<u>31/12/2019</u>	<u>31/12/2018</u>
Balance at the beginning of the year	(37,701)	(23,644)
Additions/ Reversals	(17,168)	(19,442)
Write-offs	1,365	5,385
Balance at the end of the year	<u>(53,504)</u>	<u>(37,701)</u>

IFRS9/CPC48 – Financial Instruments, beginning January 01, 2018, introduced new requirements for classification, measurement and recognition of financial assets and financial liabilities and replaced the “loss incurred” under CPC 38/IAS 39 with an “expected loss” model.

The Concessionaire revised its policy for recognizing losses on collection of receivables, considering the “expected loss” model, evaluating possible credit losses that indicate uncertainty as to the collection based on the estimated risk on the trade receivables’ portfolio, by applying judgment and evaluation for an allowance or not, according to the percentage applied to each maturity aging:

Current receivables	Aging												
	< 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 150 days	151 to 180 days	181 to 210 days	211 to 240 days	241 to 270 days	271 to 300 days	301 to 330 days	331 to 360 days	> 361 days
-	-	28.7%	38.0%	54.0%	64.0%	74.1%	83.3%	87.3%	91.3%	96.8%	98.9%	100.0%	100.0%

## 7. TAXES AND CONTRIBUTIONS

### a) Recoverable taxes

	12/31/2019	12/31/2018
Withholding Income Tax (IRRF)	7,384	4,832
Corporate income tax (IRPJ)	641	1,061
Social contribution on net profit (CSLL)	133	215
PIS/COFINS (taxes on revenue)	27,972	32,235
Service Tax (ISS-QN)	41	41
Total - current	<u>36,171</u>	<u>38,384</u>
PIS and Cofins - noncurrent	<u>383,869</u>	<u>391,236</u>
Total	<u><u>420,040</u></u>	<u><u>429,620</u></u>

The PIS and Cofins amounts reported in recoverable taxes correspond to credits on taxes on investments and are offset as assets accounted for as intangible assets are amortized. Under OCPC 05, intangible assets are amortized based on the estimated demand curve over the concession term.

### b) Deferred income tax and social contribution

The Concessionaire, as required by CPC 32 – Income taxes (IAS 12), CVM Instruction No. 371, Circular Letter/CVM/SNC/SEP/No. 01/2019, and based on the expected generation of future taxable income and on a technical study approved by Management, recognizes, as applicable, tax credits on tax loss carryforwards and temporary differences, not subject to limitation period and the offset of which is limited to 30% of annual taxable income.

The carrying amount of deferred tax assets is periodically revised and projections are revised at least annually or when there are material facts that change the assumptions of these projections.

The Concessionaire considers that the assumptions adopted in the preparation of the projected results and, therefore, the determination of the realization value of the taxes deferred over the concession term reflect the objectives and goals to be achieved.

Deferred income tax and social contribution are as follows:

<u>Nature</u>	<u>12/31/2019</u>	<u>12/31/2018</u>
Deferred assets		
Tax loss carryforwards	693,179	942,583
Temporary differences - Nondeductible provisions	18,041	18,041
Total	<u>711,220</u>	<u>960,624</u>
Deferred liabilities		
Tax grant(*)	(541,644)	(584,975)
Present value adjustment - Tax grant	(117,093)	(139,006)
Construction margin(*)	(29,265)	(31,548)
Present value adjustment - rebalance	(3,678)	(2,866)
Total	<u>(691,680)</u>	<u>(758,395)</u>
Total deferred assets, net	<u>19,540</u>	<u>202,229</u>

(\*) Deferred income tax and social contribution recognized on tax grant and construction margin, arising from the revoked Transitional Tax Regime (RTT), is amortized in monthly fixed installments, over the remaining concession term, as set forth in item IV of art. 69 of Law No. 12.973/14.

The Concessionaire estimates to recover tax credits arising from temporary differences and accumulated losses in the following years:

	<u>Assets</u>
2022	15,899
2023	29,673
2024	41,795
2025 to 2032	<u>623,853</u>
	<u>711,220</u>

The realization of deferred income tax and social contribution assets is feasible, considering that, according to the business plan, the Concessionaire is likely to reach full operational capacity and positive profitability in the next years.

c) Reconciliation of income tax and social contribution at statutory and effective rates

The reconciliation of tax expenses calculated by applying the income tax and social contribution rates is as follows:

	<u>12/31/2019</u>	<u>12/31/2018</u>
Income tax and social contribution		
Loss before income tax and social contribution	(691,764)	(514,547)
Combined income tax and social contribution rate	<u>34%</u>	<u>34%</u>
Income tax and social contribution at statutory rate	235,200	174,946
Adjustments to profit affecting profit (loss) for the period		
Permanent differences	(193)	(74)
Unrecognized deferred income tax and social contribution	(417,696)	-
Imposto de renda e contribuição social diferido constituído	<u>-</u>	<u>151,458</u>
Total taxes in profit (loss) - deferred	<u>(182,689)</u>	<u>326,330</u>

The Concessionaire did not recognize the amount of R\$417,696 as of December 31, 2019 and recognized deferred income tax and social contribution assets in the amount of R\$151,458 as of December 31, 2018. The amount accrued through December 31, 2019 for unrecognized deferred income tax and social contribution assets is R\$1,523,955 (R\$1,106,259 as of December 31, 2018).

d) Taxes payable

	<u>12/31/2019</u>	<u>12/31/2018</u>
Taxes on revenue		
PIS and Cofins	26,887	24,068
ISS	<u>7,755</u>	<u>7,925</u>
	34,642	31,993
Taxes on services		
ISS on third parties' compensation	987	1,682
Withholding income taxes (IRRF)	1,224	1,235
INSS on third parties' compensation	1,922	2,106
Social contributions withheld at source (CSRF)	<u>902</u>	<u>897</u>
	5,035	5,920
Current	<u>39,677</u>	<u>37,913</u>

8. RELATED PARTIES

Transactions between any of the Concessionaire's related parties, including management, shareholders or associates, are approved by the relevant management bodies and disclosed in the financial statements.

When necessary, the decision-making procedure for related-party transactions will comply with the terms set forth in article 115, of Brazilian Corporate Law, which establishes that the shareholder or officer, however the case may be, at the general meetings or management meetings, must not vote the matters related to the following: (i) appraisal report on the assets contributed to capital; (ii) approval of the accounts as management; and (iii) any matters that could benefit the shareholder or management in a specific manner or whose interests conflict with those of the Concessionaire.

The table below sets out the total amount of related-party transactions:

Related party	Transaction	Relationship	12/31/2019	
			Noncurrent assets	Current liabilities
INFRAERO (i)	Transfer of revenues/costs	Direct shareholder	17,730	24,905
CART (ii)	Payroll of employees working for GRU	Associate	-	521
METRORIO (ii)	Payroll of employees working for GRU	Associate	-	-
			<u>17,730</u>	<u>25,426</u>

Related party	Transaction	Relationship	12/31/2018	
			Noncurrent assets	Current liabilities
INFRAERO (i)	Transfer of revenues/costs	Direct shareholder	17,730	24,905
CART(ii)	Payroll of employees working for GRU	Associate	-	521
METRORIO(ii)	Payroll of employees working for GRU	Associate	-	457
			<u>17,730</u>	<u>25,883</u>

a) Summary of related-party transactions

- (i) The Concessionaire and Infraero have amounts of revenues and costs to be transferred from/to each other arising from the transition of the transaction;
- (ii) The liabilities with associate CART are amounts relating to expenditures on employees assigned to the Concessionaire.

b) Key management personnel compensation

The compensation of officers and other key management personnel for the year is as follows:

	12/31/2019	12/31/2018
Annual fixed compensation		
Payroll or management fees	8,324	8,489
Other benefits	878	304
Social security charges	<u>1,614</u>	<u>1,584</u>
Total compensation	<u>10,816</u>	<u>10,377</u>

The compensation of Management and key officers is set based on both individual performance and market trends.

The General Shareholders' Meeting held on April 29, 2019 approved overall management compensation of R\$11,210 for 2019, including related social security amounts.

As of December 31, 2019, the Concessionaire's management expenses amounted to R\$2,580 (R\$3,025 as of December 31, 2018).

## 9. PROPERTY AND EQUIPMENT

	Annual weighted average amortization rates - %	Balance at 12/31/2018	Additions	Transfers	Balance at 12/31/2019
<b>Cost</b>					
Facilities	5%	11,944	-	-	11,944
Machinery and equipment	10%	3,704	3	29	3,736
Furniture and fixtures	10%	2,751	-	7	2,758
Company cars	20%	2,274	-	-	2,274
IT equipment	20%	10,331	-	54	10,385
Construction in progress		88	2	(90)	-
<b>Total</b>		<b>31,092</b>	<b>5</b>	<b>-</b>	<b>31,097</b>
<b>Accumulated depreciation</b>					
Facilities		(2,446)	(1,140)	-	(3,586)
Machinery and equipment		(2,777)	(180)	-	(2,957)
Furniture and fixtures		(1,872)	(196)	-	(2,068)
Company cars		(1,536)	(244)	-	(1,780)
IT equipment		(8,548)	(910)	-	(9,458)
<b>Total</b>		<b>(17,179)</b>	<b>(2,670)</b>	<b>-</b>	<b>(19,849)</b>
<b>Property and equipment, net</b>		<b>13,913</b>	<b>(2,665)</b>	<b>-</b>	<b>11,248</b>

	Annual weighted average amortization rates - %	Balance at 12/31/2017	Additions	Transfers	Balance at 12/31/2018
<b>Cost</b>					
Facilities	5%	11,944	-	-	11,944
Machinery and equipment	10%	3,701	3	-	3,704
Furniture and fixtures	10%	2,743	4	4	2,751
Company cars	20%	2,219	-	55	2,274
IT equipment	20%	10,301	4	26	10,331
Construction in progress		59	114	(85)	88
<b>Total</b>		<b>30,967</b>	<b>125</b>	<b>-</b>	<b>31,092</b>
<b>Accumulated depreciation</b>					
Facilities		(1,306)	(1,140)	-	(2,446)
Machinery and equipment		(2,442)	(335)	-	(2,777)
Furniture and fixtures		(1,633)	(239)	-	(1,872)
Company cars		(1,175)	(361)	-	(1,536)
IT equipment		(7,273)	(1,275)	-	(8,548)
<b>Total</b>		<b>(13,829)</b>	<b>(3,350)</b>	<b>-</b>	<b>(17,179)</b>
<b>Property and equipment, net</b>		<b>17,138</b>	<b>(3,225)</b>	<b>-</b>	<b>13,913</b>

There are no guarantees, pledges or liens of any other nature on the Concessionaire's property and equipment.

### Impairment losses

As of December 31, 2019, there was no evidence that the carrying amounts of property, plant and equipment items are higher than their recoverable values.

## 10. INTANGIBLE ASSETS

	Annual weighted average amortization rates - %	Balance at 12/31/2018	Additions	Write- offs	Transfers	Balance at 12/31/2019
<b>Cost</b>						
Software and systems	20%	27,934	-	-	436	28,370
Fixed concession fee	(a)	14,415,534	247,430	-	-	14,662,964
Investment for concession	(a)	4,110,628	15,583	(3,255)	174,037	4,296,993
Construction in progress		85,583	119,178	(66)	(174,473)	30,222
<b>Total</b>		<b>18,639,679</b>	<b>382,191</b>	<b>(3,321)</b>	<b>-</b>	<b>19,018,549</b>
<b>Accumulated amortization</b>						
Software licenses	20%	(21,138)	(4,366)	-	-	(25,504)
Fixed concession fee	(a)	(3,208,616)	(671,665)	-	-	(3,880,281)
Investment for concession	(a)	(829,764)	(224,325)	685	-	(1,053,404)
<b>Total</b>		<b>(4,059,518)</b>	<b>(900,356)</b>	<b>685</b>	<b>-</b>	<b>(4,959,189)</b>
<b>Intangible assets, net</b>		<b>14,580,161</b>	<b>(518,165)</b>	<b>(2,636)</b>	<b>-</b>	<b>14,059,360</b>

(a) Amortization based on changes in the estimated curve of passengers (PAX).

	Annual weighted average amortization rates - %	Balance at 12/31/2017	Additions	Write- offs	Transfers	Balance at 12/31/2018
<b>Cost</b>						
Software and systems	20%	26,922	-	-	1,012	27,934
Fixed concession fee	(a)	14,160,273	255,261	-	-	14,415,534
Investment for concession	(a)	4,079,267	8,620	-	22,741	4,110,628
Construction in progress		16,188	86,472	(5)	(23,753)	78,902
Advances to suppliers		-	6,681	-	-	6,681
<b>Total</b>		<b>18,282,650</b>	<b>357,034</b>	<b>(5)</b>	<b>-</b>	<b>18,639,679</b>
<b>Accumulated amortization</b>						
Software licenses	20%	(16,522)	(4,616)	-	-	(21,138)
Fixed concession fee	(a)	(2,599,798)	(608,818)	-	-	(3,208,616)
Investment for concession	(a)	(618,363)	(211,401)	-	-	(829,764)
<b>Total</b>		<b>(3,234,683)</b>	<b>(824,835)</b>	<b>-</b>	<b>-</b>	<b>(4,059,518)</b>
<b>Intangible assets, net</b>		<b>15,047,967</b>	<b>(467,801)</b>	<b>(5)</b>	<b>-</b>	<b>14,580,161</b>

(a) Amortization based on changes in the estimated curve of passengers (PAX).

As prescribed by OCPC 05, the fixed concession fee was recognized and adjusted to present value, at a discount rate of 9.15% p.a. and will be amortized based on the changes in the curve of passengers, while finance costs arising from the inflation adjustments will be capitalized based on the investment curve in noncurrent assets. Capitalization will be made proportionally to the completion of each phase. For details on the fixed concession fee, see Note 13.

Additions in the year refer mostly to construction in progress and capitalization of fixed concession fee charges.

In the year ended December 31, 2019, inflation adjustment to fixed concession fee in the amount of R\$247,428 (R\$255,261 in the year ended December 31, 2018) and interest on borrowings and financing in the amount of R\$11,591 (R\$2,891 in the year ended December 31, 2018) were capitalized in intangible assets.

There are no guarantees, pledges or liens of any other nature on the Concessionaire's intangible assets.

Software licenses are amortized on a straight-line basis, taking into consideration its effective use, which does not exceed five years.

#### Impairment losses

Under CPC 01 (R1) - Impairment of Assets, property and equipment items, when there are indications that their carrying amounts are higher than their recoverable values, these items are tested to determine the need to record an allowance to write down their carrying amounts to their realizable values.

Management performs an annual analysis of the corresponding operating and financial performance of the Company's assets. As of December 31, 2019, no indications were identified that intangible assets are recorded at amounts higher than their recoverable values.

The recoverable value was estimated based on the value in use, calculated from January 01, 2020 to July 10, 2032 (estimated end date of the concession agreement).

## 11. BORROWINGS AND FINANCING

### a) Breakdown of debt

Lender	Type	Maturity	Index	Annual charges (spread)	Opening balance at 12/31/2018	Borrowings/ Releases	Accrued interest	Capitalized interest	Repayment of principal	Interest paid	Issuance costs	Closing balance at 12/31/2019
BNDES	Finem - Direct transfer	Dec 27	TJLP	2.88%	1,883,395	78,990	162,525	-	(109,480)	(157,219)	-	1,858,211
BNDES	Finem - Direct transfer	Dec 27	TJLP	0.00%	3,135	-	190	-	-	(181)	-	3,144
BNDES (a)	Finem - Indirect transfer	Dec 27	TJLP	3.40%	808,949	33,852	62,083	11,591	(46,010)	(71,404)	-	799,061
Itaú	Letter of Guarantee	Indeterminate	INPC	2.90%	6	-	26	-	-	(26)	-	6
Daycoval	CCB	Jul 19	CDI	5.54%	12,492	-	413	-	(11,667)	(1,238)	-	-
Banco do Brasil	Promissory Note	Dec 19	CDI	146.00%	-	270,000	7,378	-	(270,000)	(7,378)	-	-
Costs on Promissory Note	Promissory Note				-	(4,467)	-	-	-	-	4,467	-
<b>Total</b>					<b>2,707,977</b>	<b>378,375</b>	<b>232,615</b>	<b>11,591</b>	<b>(437,157)</b>	<b>(237,446)</b>	<b>4,467</b>	<b>2,660,422</b>
Current portion					176,564							216,082
Noncurrent portion					2,531,413							2,444,340

(a) Banco do Brasil, Banco Bradesco, Banco Itaú, and Caixa Econômica Federal

Credor	Tipo	Vencimento	Indexador	Annual charges (spread)	Opening balance at 12/31/2017	Borrowings/ Releases	Accrued interest	Capitalized interest	Repayment of principal	Interest paid	Issuance costs	Closing balance at 12/31/2018
BNDES	Finem - Direct transfer	Dec 27	TJLP	2.88%	1,969,887	-	177,528	-	(99,425)	(164,595)	-	1,883,395
BNDES	Finem - Direct transfer	Dec 27	TJLP	0.00%	2,891	221	197	-	-	(174)	-	3,135
BNDES (a)	Finem - Indirect transfer	Dec 27	TJLP	3.40%	847,426	-	74,771	2,891	(41,601)	(74,538)	-	808,949
Itaú	Letter of Guarantee	Indeterminate	INPC	2.90%	6	-	24	-	-	(24)	-	6
Caixa Econômica Federal	Overdraft Account	Dec 18	CDI	spread	50,460	-	1,929	-	50,000	(2,389)	-	-
Daycoval	CCB	Jul 19	CDI	5.54%	30,210	-	2,680	-	(18,333)	(2,065)	-	12,492
BTG Pactual	Promissory Note	Sep 18	CDI	1.40%	-	205,000	3,935	-	(205,000)	(3,935)	-	-
Costs on Promissory Note	Promissory Note				-	(2,149)	-	-	-	-	2,149	-
<b>Total</b>					<b>2,900,880</b>	<b>203,072</b>	<b>261,064</b>	<b>2,891</b>	<b>(414,359)</b>	<b>(247,720)</b>	<b>2,149</b>	<b>2,707,977</b>
Current portion					222,157							176,564
Noncurrent portion					2,678,723							2,531,413

Interest on borrowings and financing agreements are capitalized based on the investment curve in noncurrent assets. Capitalization will be due proportionally to the completion of each phase. As of December 31, 2019, the amount capitalized in the year was R\$11,591 (R\$2,891 as of December 31, 2018).

Aging list of long-term borrowings:

2021	265,434
2022	289,399
2023	315,528
2024 onwards	1,573,979
	<u>2,444,340</u>

#### Long-term financing – Direct Transfer from Finem

On December 13, 2013, the Company entered into a financing agreement with BNDES in the amount of R\$2.4 billion, divided into four tranches: (i) “tranche A”, in the amount of R\$1.5 billion; (ii) “tranche B1”, in the amount of R\$435,000; (iii) “tranche B2”, in the amount of R\$487,000; and (iv) “tranche C”, in the amount of R\$17,300. Interest on the principal amount of tranches A and B is 2.88% p.a. plus the Long-term Interest Rate (TJLP), and “tranche C” is only subject to TJLP. The principal amount matures on December 15, 2027. Amounts are released on a need basis.

#### Long-term financing – Indirect Transfer from Finem

On December 13, 2013, the Company entered into a financing agreement with BNDES under which funds are transferred through the following banks: Banco do Brasil S.A., Banco Bradesco S.A., Banco Itaú BBA S.A., Caixa Econômica Federal, all banks, each of which with a percentage of 20%, in the total amount of R\$1.03 billion, divided into three tranches: (i) “tranche A”, in the amount of R\$643,000; (ii) “tranche B1”, in the amount of R\$187,000; and (iii) “tranche B2”, in the amount of R\$209,000. Interest on the principal is 3.40% p.a. above the Long-term Interest Rate (TJLP), the principal maturing on December 15, 2027. The amounts are released on a need basis.

#### Letter of guarantee

On July 01, 2014, the Concessionaire contracted a letter of guarantee in the amount of R\$665 to secure the payment of amounts challenged in the court records of the Extrajudicial Execution of Note, proceeding No. 1007422-31.2014.8.26.0224 before the law judge of the 9<sup>th</sup> Civil Court of the City of Guarulhos, State of São Paulo. This balance is adjusted based on the accumulated fluctuation of the National Consumer Price Index (INPC), including spread of 2.9% p.a.

### Overdraft Account

On April 28, 2016, the Concessionaire used R\$50,000 from the overdraft account, with interest based on the CDI Cetip rate plus annual effective overprice calculated on the simple arithmetic mean of the daily outstanding balances. This amount was settled on May 09, 2018.

### Promissory Note

On July 10, 2019, the Concessionaire conducted the 4<sup>th</sup> issuance of commercial Promissory Notes. 27 promissory notes in the par value of R\$10,000 each were issued, totaling R\$270,000 in a single series, yielding annual interest of 146% of the CDI. The final maturity of the promissory notes, together with the payment of interest, is 150 days and may be early redeemed.

Through December 31, 2019, the Concessionaire redeemed the total Promissory Notes issued in the amount of R\$270,000, which were redeemed as follows: 4 Promissory Notes in the amount of R\$40,000 in September 2019, 13 Promissory Notes in the amount of R\$130,000 in October 2019. and 10 Promissory Notes in the amount of R\$100,000 in November 2019.

### Bank Credit Note (CCB)

On December 14, 2017, the Concessionaire used R\$30,000 of the Bank Credit Notes (CCB) for working capital purposes, bearing interest based on the CDI rate and annual effective overprice. This amount was settled on July 08, 2019.

### Guarantees and restrictive covenants

Long-term financing agreements relating to contracts made with BNDES, transferring banks and 1<sup>st</sup> and 2<sup>nd</sup> issue debentures, represented by the trustee, are guaranteed by the following covenants:

- Financing agreements are collateralized by the following: (i) pledge of all concession receivables under the Receivables Assignment, Account Management Agreement and Other Covenants and (ii) pledge of shares held by shareholders under Share Pledge Agreement and Other Covenants with Aeroporto de Guarulhos Participações (GRUPAR) and Share Pledge Agreement and Other Covenants with Empresa Brasileira de Infraestrutura Aeroportuária (Infraero);
- The Concessionaire is a party to an Equity Support Agreement (ESA), which is an integral, inseparable part of the financing agreement entered into with the BNDES, which sets forth the obligation by shareholders of contributing to the Concessionaire the amount necessary for the full, annual payment of the Concession, comprising fixed and variable concession fee;
- The long-term financing agreements contain covenants that must be complied with after all the financed works are completed, and must be used exclusively to set the basis for the payment of dividends or interest on capital above the mandatory minimum amount.

On April 26, 2019, the Concessionaire requested Underwriting Banks and BNDES their consent: (i) for not completing the “Fixed concession fee account” within a term of sixty (60) days prior to the maturity of the Fixed concession fee; (ii) for the Shareholders Support Agreement not to be declared in default, since the obligation to make contribution to the Concessionaire in the amount corresponding to the annual and full Fixed Contribution was not fulfilled; (iii) for the Financing Agreement not to be declared in default through December 15, 2019, due to the delay in paying the fixed concession fee, maturing on 07/11/2019; (iv) for the “Fixed concession fee account” to be released exclusively for the Concessionaire to amortize the fixed concession fee, every last business day of each month until it is fully, and; (v) for reserve accounts to be automatically unblocked once the concession fee is settled.

The General Meeting of Debentureholders (1<sup>st</sup> and 2<sup>nd</sup> issues) held on May 10, 2019 approved a request similar to the one submitted to the other creditors (above) provided that the waiver fee of 0.25% on the outstanding debt with debentureholders was paid in up to 30 days. On June 10, 2019, a compensation of R\$1,911 was paid to debentureholders.

Under the Receivables Assignment and Account Management Agreement, on May 12, 2019, given that the Concessionaire made the partial allocation of the Reserve Account for the fixed concession fee payment, Banco Itaú (which is the administrator of the Airport’s accounts) temporarily blocked the project bank accounts, causing control over payments to be increased. The account blocking did not impact the Airport’s operation and functioning.

On August 30, 2019, the Concessionaire fully paid the fixed concession fee. The project accounts were released on September 06, 2019.

## 12. DEBENTURES

The Extraordinary General Meeting held on January 28, 2014 approved the first issuance of simple, nonconvertible debentures, guaranteed by the Concessionaire, under firm placement guarantee regime, for public distribution, as set forth in CVM Instruction 476, in the amount of R\$300,000, issued in four series, with a par value of R\$1 each, totaling 300,000 debentures (75,000 debentures for each series).

The proceeds from this issue were invested in the expansion of Aeroporto Internacional de Guarulhos’ infrastructure.

The unit value of the debentures is adjusted based on the accrued variation in the Extended Consumer Price Index (IPCA), in addition to interest of 7.86% p.a. corresponding to the 1st issue.

The interest on debentures will be paid at the end of each capitalization period, from the date of issue to the date of payment of debenture interest; the 1<sup>st</sup> series will be paid on March 15, the 2<sup>nd</sup> series on June 15, the 3<sup>rd</sup> series on September 15, and the 4<sup>th</sup> series on December 15, up to the amortization of the principal, which will occur in nine (9) annual installments, from March 15, 2017 to December 15, 2025, according to the following maturity dates:

<u>Repayment</u>	<u>1<sup>st</sup> series</u>	<u>2<sup>nd</sup> series</u>	<u>3<sup>rd</sup> series</u>	<u>4<sup>th</sup> series</u>
5%	03/15/2017	06/15/2017	09/15/2017	12/15/2017
5%	03/15/2018	06/15/2018	09/15/2018	12/15/2018
8%	03/15/2019	06/15/2019	09/15/2019	12/15/2019
10%	03/15/2020	06/15/2020	09/15/2020	12/15/2020
12%	03/15/2021	06/15/2021	09/15/2021	12/15/2021
15%	03/15/2022	06/15/2022	09/15/2022	12/15/2022
15%	03/15/2023	05/15/2023	09/15/2023	12/15/2023
15%	03/15/2024	06/15/2024	09/15/2024	12/15/2024
15%	03/15/2025	06/15/2025	09/15/2025	12/15/2025

The Extraordinary General Meeting, held on August 08, 2014, approved the 2<sup>nd</sup> issue of simple, nonconvertible debentures, guaranteed by the Concessionaire under firm placement guarantee regime, for public distribution, as set forth in CVM Instruction No. 400, in the amount of R\$300,000, issued in a single series, with a par value of R\$1 each, totaling 300,000 debentures.

All proceeds obtained by the Concessionaire from the 2<sup>nd</sup> issue of debentures were used specifically to early settle the Promissory Notes on May 07, 2014.

The inflation adjustment to the unit value of debentures is based on the accrued variation in the Extended Consumer Price Index (IPCA), in addition to interest of 6.40% p.a. corresponding to the 2<sup>nd</sup> issue.

Debentures are subject to interest payable at the end of each capitalization period, one year after the issue, up to repayment of the principal, falling due as follows:

<u>Repayment</u>	<u>Date</u>
5%	10/15/2018
5%	10/15/2019
8%	10/15/2020
10%	10/15/2021
12%	10/15/2022
15%	10/15/2023
15%	10/15/2024
15%	10/15/2025
15%	10/15/2026

Debentures	Maturity	Index	Annual charges	Opening balance at 12/31/2018	Accrued interest	Repayment of principal	Interest paid	Issuance costs	Closing balance at 12/31/2019
1 <sup>st</sup> issuance 476	Dec 25	IPCA	7.86%	371,066	41,580	(29,419)	(28,748)	-	354,479
2 <sup>nd</sup> issuance 400	Oct 26	IPCA	6.40%	367,860	37,338	(18,631)	(23,848)	-	362,719
Issuance costs				(6,774)	-	-	-	960	(5,814)
<b>Total</b>				<b>732,152</b>	<b>78,918</b>	<b>(48,050)</b>	<b>(52,596)</b>	<b>960</b>	<b>711,384</b>
Current portion				65,274					85,711
Noncurrent portion				666,878					625,673

Debentures	Maturity	Index	Annual charges	Opening balance at 12/31/2017	Accrued interest	Repayment of principal	Interest paid	Issuance costs	Closing balance at 12/31/2018
1 <sup>st</sup> issuance 476	Dec 25	IPCA	7.86%	375,239	43,478	(18,643)	(29,008)	-	371,066
2 <sup>nd</sup> issuance 400	Oct 26	IPCA	6.40%	372,515	38,502	(19,060)	(24,097)	-	367,860
Issuance costs				(7,732)	-	-	-	958	(6,774)
<b>Total</b>				<b>740,022</b>	<b>81,980</b>	<b>(37,703)</b>	<b>(53,105)</b>	<b>958</b>	<b>732,152</b>
Current portion				52,057					65,274
Noncurrent portion				687,965					666,878

As of December 31, 2019, costs of borrowing with financial institutions for issuing the debentures are R\$5,814 (R\$6,774 as of December 31, 2018).

Below is the aging list of long-term debentures:

2021	86,477
2022	106,156
2023	177,797
2024 onwards	255,243
	<u>625,673</u>

Through December 31, 2019, the Concessionaire repaid the principal and interest on debentures, as shown below:

	1st issue				2nd issue	Total
	1st series	2nd series	3rd series	4th series	Single series	
Principal	7,253	7,361	7,381	7,424	18,631	48,050
Interest	7,068	7,201	7,193	7,286	23,848	52,596

Guarantees and restrictive covenants  
(See note 11.)

### 13. PUBLIC SERVICE CONCESSION

Type of concession fees	Opening balance at 12/31/2018	Additions	Profit (loss) (a) adjustment	Intangible assets adjustment	Transfers	Compensation (b)	Payment	Closing balance at 12/31/2019
Variable fee	230,379	232,349	-	-	-	-	(230,594)	232,134
Fixed fee	1,202,651	-	85,992	23,992	1,175,453	(10,285)	(1,223,366)	1,254,437
( - ) Rebalance	(9,812)	-	407	-	(10,285)	10,285	-	(9,405)
Current	1,423,218	232,349	86,399	23,992	1,165,168	-	(1,453,960)	1,477,166
Fixed fee	11,833,718	-	800,842	223,439	(1,175,453)	-	-	11,682,546
( - ) Rebalance	(79,605)	-	(10,102)	-	10,285	-	-	(79,422)
Noncurrent	11,754,113	-	790,740	223,439	(1,165,168)	-	-	11,603,124
<b>Total</b>	<b>13,177,331</b>	<b>232,349</b>	<b>877,139</b>	<b>247,431</b>	<b>-</b>	<b>-</b>	<b>(1,453,960)</b>	<b>13,080,290</b>

(a) The impact on profit (loss) is comprised of the balance adjusted by the IPCA.

(b) Offset of the fixed concession fee, according to Anac Decision No. 191.

Type of concession fees	Opening balance at 12/31/2017	Additions	Profit (loss) (a) adjustment	Intangible assets adjustment	Transfers	Compensation (b)	Payment	Closing balance at 12/31/2018
Variable fee	200,601	230,510	-	-	-	(4,903)	(195,829)	230,379
Fixed fee	245,002	-	70,275	23,549	1,110,369	(3,804)	(242,740)	1,202,651
( - ) Rebalance	(8,486)	(1,009)	(317)	-	(8,707)	8,707	-	(9,812)
Current	437,117	229,501	69,958	23,549	1,101,662	-	(438,569)	1,423,218
Fixed fee	12,020,886	-	691,488	231,712	(1,110,369)	-	-	11,833,717
( - ) Rebalance	(79,463)	-	(8,849)	-	8,707	-	-	(79,605)
Noncurrent	11,941,423	-	682,639	231,712	(1,101,662)	-	-	11,754,112
<b>Total</b>	<b>12,378,540</b>	<b>229,501</b>	<b>752,598</b>	<b>255,261</b>	<b>-</b>	<b>-</b>	<b>(438,569)</b>	<b>13,177,331</b>

(a) The impact on profit (loss) is comprised of the balance adjusted by the IPCA.

(b) Offset of the fixed concession fee, according to Anac Decision No. 191.

#### Fixed concession fee

Upon the execution of the concession agreement, the Concessionaire agrees to pay a fixed fee to the federal government in the amount of R\$16,213,000, recognized and adjusted to present value, at a discount rate of 9.15%, as prescribed by OCPC 05, which will be payable in 20 annual installments of R\$810,650. These payments will be made in July of each year, and a reserve account should be recognized in May of each year. These payments will be adjusted based on IPCA-IBGE from the public auction session date, which was held in February 2012, to the actual payment date on behalf of FNAC (Fundo Nacional de Aviação Civil). Through December 31, 2019, the Concessionaire already settled 07 installments.

#### Rescheduling of the concession fee payment

On August 17, 2017, through Technical Note No. 11 (SEI)/2017/SRA, Anac approved the rescheduling of the concession fee payment flow and provided an addendum to the concession agreement, establishing the new payment schedule.

On October 26, 2017, Provisional Act No. 779/17, which addressed the rescheduling of the fixed concession payment, was converted into Law No. 13.499/17, which authorized amendments to the concession agreements to include the change in the concession fee payment schedule for concession agreements entered into through December 31, 2016.

On December 19, 2017, after fully paying the fixed concession fee for 2017, the Concessionaire made an early payment of R\$319,000 (in 2012 amounts), adjusted for inflation as of that date, totaling R\$460,000 relating to part of the fixed concession fee for 2018, according to the addendum to the concession agreement that changed the original concession fee payment schedule, pursuant to Law No. 13.499/2017 and Ruling No. 135/MTPA. Under such Addendum, the Concessionary postponed to 2031 to 2032 the amount of R\$319,000 paid in advance, duly adjusted for inflation. The remaining balance of R\$172,650 (in 2012) was paid on July 11, 2018, adjusted for inflation totaling R\$242,740.

#### Fixed concession fee 2019

On May 13, 2019, the Concessionaire announced to the market that it made the partial allocation of the Reserve Account to pay the fixed concession fee under the financing and receivables assignment agreements entered into with BNDES and Underwriting Banks (see Note 11).

On August 30, 2019, the Concessionaire fully paid the fixed concession fee. The project accounts were released on September 06, 2019.

#### Variable concession fee

In addition to a fixed fee, the Concessionaire also agrees to pay a variable concession fee that will correspond to the amount in reais resulting from the application of 10% on its total annual gross revenue, less cancelations and returns. If the annual gross revenue earned by the Concessionaire exceeds the amounts established in the concession agreement, the variable contribution on the exceeding revenue is charged at the rate of 15%.

#### 1<sup>st</sup> Financial-economic rebalance

On October 30, 2014, the Concessionaire filed with Anac a request to revise, on an extraordinary basis, the financial-economic balance under the concession agreement due to the amendment made to the agreement by Anac Decision No. 121, of November 13, 2012, the objective of which was to change unilaterally the tariffs applicable to warehousing and wharfage services relating to cargo imports in transit. This tariff regime differed from that applicable to INFRAERO with respect to the approach used to calculate airport fees applicable to the imported cargo segment. The changes include the treatment that should be given to in-transit cargo shipped to primary zone and international transit.

On December 22, 2016, Anac's Executive Board decided to approve the 1st Extraordinary Revision of the GRU Airport Concession Agreement at R\$113,844 to allow the Concessionaire to resume its financial-economic balance.

As established in Anac Decision No. 191, the portion of the concession fee due in each year will be deducted by the applicable amount under the table.

<b>Year</b>	<b>Amount to be deducted</b>
2016	32,796
2017	7,143
2018	6,862
2019	6,580
2020	6,298
2021	6,019
2022	5,745
2023	5,521
2024	5,299
2025	5,025
2026	4,760
2027	4,505
2028	4,259
2029	4,022
2030	3,796
2031	3,593
2032	1,621
<b>Total</b>	<b>113,844</b>

The amounts shown in the table will be revised when the periodic revision of the marginal cash flow is performed, and any differences in relation to prior year estimates should be offset when the fixed concession fee is paid following the completion of the revision process. The amount to be discounted in each year should be adjusted for inflation by the IPCA-IBGE, on a cumulative basis between April 2016 and the month prior to the payment of the annual fixed concession fee and at the discount rate of the marginal cash flow of 6.81%, established by ANAC Resolution No. 355, of March 17, 2015, proportionately to the number of corresponding months.

#### 2<sup>nd</sup> Financial-economic rebalance

On October 30, 2014, under Proceeding No. 00058.534906/2017-14, the Concessionaire filed with Anac a request for extraordinary revision of its non-possibility to use the commercial areas with judicial restriction.

On October 11, 2018, pursuant to Decision No. 159, Anac approved the recovery of the financial-economic balance of the agreement which will occur by means of the revision of the fixed contribution due by the Concessionaire under the terms of article 3 of Decision No. 159/2018. Therefore, the portion of the fixed contribution due in 2019 will be deducted by the amount relating to the unbalance verified during the restriction period, corresponding to R\$939 duly adjusted for inflation through the offset date.

#### 14. PROVISION FOR RISKS

The Concessionaire is a party to lawsuits and administrative proceedings before various courts and governmental bodies, arising in the ordinary course of business, involving tax, labor, civil and other matters, as follows:

	<u>12/31/2018</u>	<u>Recognition</u>	<u>Reversals</u>	<u>Adjustment</u>	<u>12/31/2019</u>
Provision for risks					
Labor (a)	10,518	7,739	(2,393)	709	16,573
Tax (b)	163	-	(24)	31	170
Administrative (c)	458	31	(194)	58	353
Civil (d)	122	462	(524)	283	343
Total	<u>11,261</u>	<u>8,232</u>	<u>(3,135)</u>	<u>1,081</u>	<u>17,439</u>

According to the Concessionaire's legal advisors' opinion, the provisions recorded are sufficient to cover probable losses arising from unfavorable outcomes.

#### Possible risks - Unaccrued amounts

	<u>12/31/2019</u>	<u>12/31/2018</u> (Restated)*
Provision for risks		
Labor (a)	2,932	3,506
Tax (b)	334,838	83,787
Administrative (c)	41,489	68,547
Civil (d)	<u>136,273</u>	<u>1,986</u>
Total	<u>515,532</u>	<u>157,826</u>

\*Restatement of the balance for possible risks, with no accounting impact due to the risk classification.

#### a) Labor risks

The Concessionaire is a party to several labor lawsuits mainly related to joint liability arising from the service agreements (outsourcing). These lawsuits account for 81% of total contingent risks.

#### b) Tax risks

Tax assessment notices issued by the Federal Revenue Service mainly related to the storage of goods subject to loss at the Airport's warehouses and, also, tax assessment notices issued by the municipal government of Guarulhos claiming collection of Service Tax (ISS), and Property Tax (IPTU) notification issued by the municipal government of Guarulhos. For IPTU, the Concessionaire understands that rebalancing the concession agreements with Anac is possible.

c) Administrative Risks

Assessment arising from administrative authorities, such as Anac, Anvisa, Ipem-SP/Inmetro, the municipal government of Guarulhos, which led to the start of administrative proceedings to which the Concessionaire is a defendant.

d) Civil risks

Lawsuits started by passengers claiming compensation for luggage theft or misplacement or other incidents occurred at the Airport's facilities the liability for which has been attributed to the Concessionaire, or other lawsuits filed by lessees of the airport space (merchants, air companies, other) and suppliers, claiming compensation, amounts, performance commitments, etc.

Appeal and judicial deposits

As of December 31, 2019, the Concessionaire's appeal and escrow deposits amounted to R\$20,187 (R\$14,099 as of December 31, 2018).

15. DEFERRED REVENUE

	Opening balance at 12/31/2018	Additions	Recognition	Transfers	Closing balance at 12/31/2019
Assignment of space	9,981	1,443	(11,476)	12,076	12,024
Rebalance	7,756	-	(8,150)	8,150	7,756
Current	17,737	1,443	(19,626)	20,226	19,780
Assignment of space	94,076	7,237	-	(12,076)	89,237
Rebalance	59,288	-	1,569	(8,150)	52,707
Noncurrent	153,364	7,237	1,569	(20,226)	141,944
	171,101	8,680	(18,057)	-	161,724

	Opening balance at 12/31/2017	Additions	Recognition	Transfers	Closing balance at 12/31/2018
Assignment of space	9,274	1,828	(9,485)	8,364	9,981
Rebalance	7,756	-	(7,958)	7,958	7,756
Current	17,030	1,828	(17,443)	16,322	17,737
Assignment of space	92,033	10,407	-	(8,364)	94,076
Rebalance	66,150	-	1,096	(7,958)	59,288
Noncurrent	158,183	10,407	1,096	(16,322)	153,364
	175,213	12,235	(16,347)	-	171,101

The Concessionaire's deferred revenue is comprised of agreements with store owners in connection with assignment of space as well as the impact of the deferred recognition of income with the financial-economic rebalance.

The adjustment of the economic rebalance, which is made by recognizing the adjustment to present value to profit or loss, is based on the same approach under which deferred income is recognized. Therefore, there were no changes in the deferred revenue amount from the economic rebalance recorded in noncurrent liabilities.

## 16. OTHER LIABILITIES

	<u>12/31/2019</u>	<u>12/31/2018</u>
Transfer PAN/PAT (a)	54	141
Transfer National Treasury (b)	74,039	70,112
Monthly contribution (c)	<u>65,865</u>	<u>65,509</u>
Total	<u>139,958</u>	<u>135,762</u>

- (a) The PAN/PAT transfer was determined based on the use of communications, radio and visual aids at the (domestic or international) air traffic terminal area and is intended for the Air Traffic Control Space Department (DECEA). The percentages are variable and determined according to the weight of baggage and cargo;
- (b) The transfer to the National Treasury corresponds to the FNAC additional levied on international boarding fees established by Law No. 9825/99. The transfer will correspond to US\$18.00, regardless of the fee charged and the adjustments under the Concession Agreement.
- (c) The monthly contribution corresponds to the monthly amount resulting from the application of the 22.65% rate on the monthly revenue from boarding, landing and grounding fees, and unified prices, domestic and international taxing, storage and wharfage fees.

## 17. EQUITY (EQUITY DEFICIENCY)

### Capital

As of December 31, 2019, the Concessionaire's subscribed and paid-in capital amounted to R\$2,624,558 (R\$2,624,558 as of December 31, 2018), Comprised of book-entry common shares without par value.

	<u>12/31/2019</u>		
	<u>Capital</u>	<u>Common shares</u>	<u>%</u>
Aeroporto de Guarulhos Participações S.A. - Grupar	1,338,525	1,547,106,254	51
Empresa Brasileira de Infraestrutura Aeroportuária - Infraero	<u>1,286,033</u>	<u>1,486,435,421</u>	<u>49</u>
Total	<u>2,624,558</u>	<u>3,033,541,675</u>	<u>100</u>

The Concessionaire's bylaws establish the payment of a minimum dividend of 25% of the profit for the year, adjusted as established by Article 202 of Brazilian Corporate Law.

18. NET OPERATING REVENUE

	<u>12/31/2019</u>	<u>12/31/2018</u>
		(Restated)*
Gross operating revenue - tariff		
Revenue from aircraft and passengers	1,100,553	1,091,497
Warehousing and wharfage revenue	<u>605,298</u>	<u>692,947</u>
Total gross operating revenue - tariff	1,705,851	1,784,444
Gross operating revenue - non-tariff		
Accessory revenues	<u>1,064,483</u>	<u>990,163</u>
Total gross operating revenue - non-tariff	1,064,483	990,163
Total gross operating revenue - tariff and non-tariff	<u>2,770,334</u>	<u>2,774,607</u>
Deductions from gross revenue	<u>(732,064)</u>	<u>(749,951)</u>
Tax on revenue (PIS)	(45,518)	(45,619)
Tax on revenue (Cofins)	(209,657)	(210,124)
Service Tax (ISS-QN)	(87,084)	(89,156)
Monthly contribution (*)	(375,342)	(395,048)
Returns and cancellations	<u>(14,463)</u>	<u>(10,004)</u>
Net revenue from services and assignment of space	<u>2,038,270</u>	<u>2,024,656</u>
Construction revenue	<u>174,037</u>	<u>22,741</u>
Net operating revenue	<u><u>2,212,307</u></u>	<u><u>2,047,397</u></u>

\* Restated - See Note 2.22.

## 19. COSTS AND EXPENSES

	<u>12/31/2019</u>	<u>12/31/2018</u>
		(Restated)*
Payroll and related taxes	(123,300)	(134,538)
Maintenance and repairs	(93,334)	(97,469)
Communication, marketing and advertising	(982)	(909)
Insurance and warranties	(10,609)	(15,193)
Outside services	(134,693)	(134,521)
Company cars	(662)	(1,131)
Consulting and advisory services	(8,874)	(7,652)
Rentals and taxes	(7,311)	(7,469)
Electric power	(37,910)	(30,700)
Contingencies	(9,381)	(3,401)
Allowance for expected credit losses	(15,803)	(14,057)
Variable concession fee (**)	(228,514)	(226,711)
Depreciation and amortization	(903,026)	(828,185)
Construction cost	(174,037)	(22,741)
Other	17,294	39,319
	<u>(1,731,142)</u>	<u>(1,485,358)</u>
Cost of services	(1,439,866)	(1,340,555)
Construction cost	(174,037)	(22,741)
General and administrative expenses	(129,185)	(135,728)
Other income and expenses	11,946	13,666
	<u>(1,731,142)</u>	<u>(1,485,358)</u>

\* Restated - See Note 2.22.

## 20. FINANCE INCOME (COSTS), NET

	<u>12/31/2019</u>	<u>12/31/2018</u>
Finance income		
Income from short-term investments	34,973	28,199
Other	12,374	8,178
Total	<u>47,347</u>	<u>36,377</u>
Finance costs		
Inflation adjustment on fixed concession fee	(886,834)	(761,763)
Interest on debentures	(78,918)	(81,981)
Interest on borrowings	(232,615)	(261,063)
Commissions and banking fees	(9,521)	(3,925)
Other	(12,388)	(4,231)
Total	<u>(1,220,275)</u>	<u>(1,112,963)</u>
Total finance income (costs), net	<u>(1,172,929)</u>	<u>(1,076,586)</u>

## 21. SEGMENT REPORTING

The Concessionaire's management's business decisions are based on financial reports prepared under the criteria as those used in the preparation and disclosure of these financial statements. Financial information is periodically revised by the Concessionaire's management so that decisions on allocation of resources and performance evaluation may be made.

Therefore, according to Management, the Concessionaire operates in a single segment, i.e., airport concession and, accordingly, additional disclosures on segments are not necessary.

## 22. PENSION PLAN BENEFITS

In April 2014, the Concessionaire became the sponsor of the Variable Contribution Retirement Plan – CV Plan of do Instituto Infraero de Seguridade Social - INFRAPREV - so as to enable the maintenance of the plan for the group of employees coming from Infraero, in conformity with the express provisions set forth in Exhibit 25 of the Bid Notice 2/2011 – Airport Concession Agreement 002/Anac/2012 – SBGR Aeroporto Internacional de São Paulo Governador André Franco Montoro – Guarulhos – Chapter XV – Transitory Provisions, item “15.3”.

The sponsor undertakes to finance the CV Plan by mandatorily contributing, as annually set out in the costing plan, sharing obligations and financial responsibilities under the plan relating to all employees participating in the Plan. The costing plan will be annually approved by the Advisory Council of INFRAPREV, which must include the financial regime and actuarial calculation.

CPC 33 (IAS 19) determines that, in case of computation of an actuarial net asset, it can only be recognized if it is clearly evidenced that such asset can be reversed into an economic benefit to the sponsor, either as effective reduction of its contributions to the plan or as future reimbursement.

The Concessionaire engaged a specialized company for the provision of technical actuarial valuation services relating to the CV Plan in accordance with the rules set out in CPC 33.

As of December 31, 2019, since the plan recorded a surplus, no material actuarial liabilities were identified according to the latest actuarial valuation conducted.

## 23. INSURANCE

As of December 31, 2019, the Concessionaire maintains insurance policies, effective for at least 12 months, to guarantee the continuity and efficiency of the operations in the airport, such as civil liability insurance, operational risk insurance, engineering risk insurance, public obligation warranty, life insurance - firemen, sundry risk insurance (movable equipment - fire combat) and operational fleet insurance (airport support vehicles).

Type	Maximum coverage	Effective term		Insurance company
		Start	End	
Operational risks	1,600,000	05/24/2019	05/24/2020	Tokio Marine Seguradora
Civil liability of airport owners and operators (US\$)	500,000	05/24/2019	05/24/2020	Mapfre Seguros
Public obligation warranty (*)	555,321	06/04/2019	06/04/2020	Fator Seguradora/Pottencial Seguradora
Mobile equipment insurance	3,300	05/24/2019	05/24/2020	Allianz Seguros S.A.
Life insurance - firemen	56,560	05/24/2019	05/24/2020	Tokio Marine Seguradora
Fleet insurance	600,000	05/24/2019	05/24/2020	Tokio Marine Seguradora

(\*) Limit of R\$670,972 up to July 10 and endorsed on July 11, 2019.

The Concessionaire is a party to the D&O insurance policy of INVEPAR Group with XL Seguros, which is effective from May 2019 to May 2020, with a maximum indemnity limit of R\$100,000.

#### 24. FINANCIAL INSTRUMENTS AND SENSITIVITY ANALYSIS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The estimated fair values of the Concessionaire's financial assets and financial liabilities were determined using available market inputs and appropriate valuation techniques. However, considerable judgment was required to interpret market inputs and then develop the most appropriate fair value estimates. Consequently, estimates presented herein are not necessarily indicative of the amounts that could be realized in the market. The use of different valuation techniques may generate changes in the estimated realizable amounts.

These financial instruments are managed through operating strategies which aim at liquidity, security, and profitability. The control policy consists of the ongoing monitoring of contracted rates against market rates for transactions and the assessment of the financial and economic situation of the involved financial institutions. The Concessionaire does not make investments involving derivatives or any other risk assets for speculative purposes. The Concessionaire does not have derivative transactions nor has it used instruments of an operating and financial nature.

Amounts included in balance sheet accounts, such as financial instruments, are adjusted for inflation through December 31, 2019 and approximate their fair values. These amounts are mainly represented by cash and cash equivalents, restricted short-term investments, trade receivables, borrowings and financing, debentures, and public service concession.

Financial instruments		12/31/2019		
	Fair value	Amortized cost	Total	
<b>Assets</b>				
Cash and cash equivalents	127,257	-	127,257	
Restricted short-term investments	172,771	-	172,771	
Trade receivables	-	256,169	256,169	
Related parties	-	17,730	17,730	
<b>Total assets</b>	<b>300,028</b>	<b>273,899</b>	<b>573,927</b>	
<b>Liabilities</b>				
Trade payables	-	53,005	53,005	
Related parties	-	25,426	25,426	
Borrowings and financing	-	2,660,422	2,660,422	
Debentures (*)	-	717,198	717,198	
Public service concession	-	13,080,289	13,080,289	
<b>Total liabilities</b>	<b>-</b>	<b>16,536,340</b>	<b>16,536,340</b>	

(\*) Borrowings costs were not considered.

Financial instruments		12/31/2018		
	Fair value	Amortized cost	Total	
<b>Assets</b>				
Cash and cash equivalents	502,468	-	502,468	
Restricted short-term investments	151,151	-	151,151	
Trade receivables	-	259,955	259,955	
Related parties	-	17,730	17,730	
<b>Total assets</b>	<b>653,619</b>	<b>277,685</b>	<b>931,304</b>	
<b>Liabilities</b>				
Trade payables	-	78,347	78,347	
Related parties	-	25,883	25,883	
Borrowings and financing	-	2,707,977	2,707,977	
Debentures (*)	-	738,926	738,926	
Public service concession	-	13,177,331	13,177,331	
<b>Total liabilities</b>	<b>-</b>	<b>16,728,464</b>	<b>16,728,464</b>	

(\*) Borrowings costs were not considered.

The amortized cost of the financial instruments above approximates their fair values.

a) Fair value measurement criteria, assumptions and limitations

The reported fair values do not reflect subsequent changes in the economy, such as interest rates and tax rates, and other variables that could have an impact on their determination. The following methods and assumptions were used to calculate the fair value:

- Fair value hierarchy

The Concessionaire uses the following hierarchy to determine the fair value of financial instruments:

Level 1: quoted prices in active markets for identical assets and liabilities.

Level 2: other techniques according to which all data with significant effects on the fair value are observable, either directly or indirectly.

Level 3: techniques using data with a material effect on the amount recorded that are not based on observable market input.

Measured at fair value - Financial assets	12/31/2019	Level 1	Level 2	Level 3
Cash and cash equivalents	127,257	127,257	-	-
Restricted short-term investments	172,771	-	172,771	-
<b>Total</b>	<b>300,028</b>	<b>127,257</b>	<b>172,771</b>	<b>-</b>

Measured at amortized cost - Financial liabilities	12/31/2019	Nível 1	Nível 2	Nível 3
Borrowings and financing	2,660,422	-	2,660,422	-
Debentures (*)	717,198	-	717,198	-
Public service concession	13,080,288	-	-	13,080,288
<b>Total</b>	<b>16,457,908</b>	<b>-</b>	<b>3,377,620</b>	<b>13,080,288</b>

(\*) Borrowings costs were not considered.

Measured at fair value - Financial assets	12/31/2018	Level 1	Level 2	Level 3
Cash and cash equivalents	502,468	502,468	-	-
Restricted short-term investments	151,151	-	151,151	-
<b>Total</b>	<b>653,619</b>	<b>502,468</b>	<b>151,151</b>	<b>-</b>

Measured at amortized cost - Financial liabilities	12/31/2018	Nível 1	Nível 2	Nível 3
Borrowings and financing	2,707,977	-	2,707,977	-
Debentures (*)	738,926	-	738,926	-
Public service concession	13,177,331	-	-	13,177,331
<b>Total</b>	<b>16,624,234</b>	<b>-</b>	<b>3,446,903</b>	<b>13,177,331</b>

(\*) Borrowings costs were not considered.

- Cash and cash equivalents and restricted short-term investments.

The amounts of bank account balances correspond to their carrying amounts. For short-term investments, the carrying amounts reported in the balance sheet approximate their fair values.

- Borrowings and financing

The carrying amounts of local currency-denominated borrowings from BNDES are compatible with the fair value of such transactions, since similar transactions, with comparable maturities and interest rates, are not available in the financial market,. These financial instruments are classified as “financial liabilities not measured at fair value”.

- Debentures

As of December 31, 2019, the market value of debentures is R\$730,972 (R\$682,291 as of December 31, 2018).

Source: CETIP

- Public service concession

The balances in the balance sheet approximate their fair values since they refer to financial instruments having exclusive characteristics.

b) Risk factors

The Concessionaire carries out operations involving financial instruments, whose market and credit risks are managed through operating strategies and internal controls to ensure liquidity, profitability and security. The internal control policy consists of a permanent monitoring of contracted terms and conditions compared to market terms and conditions. The Concessionaire does not make investments involving derivatives or any other risk assets for speculative purposes, as well as does not have transactions with exotic derivatives. Gains and losses on these transactions are consistent with the policies and strategies defined by the Concessionaire's Management.

- Credit risk concentration

The financial instruments that potentially expose the Concessionaire to credit risk concentration consist primarily of banks, restricted short-term investments and trade receivables. The Concessionaire maintains bank accounts and restricted short-term investments with various financial institutions, according to objective credit risk diversification criteria.

Losses on trade receivables are recorded in the allowance for expected credit losses, as described in Note 6.

- Liquidity risk

The Concessionaire monitors the risk of cash shortages using a recurring liquidity planning tool. The Concessionaire's objective is to keep the balance based on the maintenance of funds and flexibility, through secured accounts and bank loans.

The table below summarizes the maturity profile of the Concessionaire's financial liabilities as of December 31, 2019 and 2018.

	From 1 to 3 Up to 1 year	From 3 to 5 years	Over 5 years	Total 5 years	12/31/2019
Trade payables	53,005	-	-	-	53,005
Borrowings and financing	414,153	1,537,996	2,071,552	289,509	4,313,210
Debentures	126,317	479,860	415,263	-	1,021,440
Public service concession	1,254,437	2,710,486	4,460,378	12,525,677	20,950,978
	<u>1,847,912</u>	<u>4,728,342</u>	<u>6,947,193</u>	<u>12,815,186</u>	<u>26,338,633</u>

	From 1 to 3 Up to 1 year	From 3 to 5 years	Over 5 years	Total 5 years	12/31/2018
Trade payables	78,347	-	-	-	78,347
Borrowings and financing	404,715	1,011,289	1,213,194	2,270,981	4,900,179
Debentures	105,865	271,430	339,324	423,406	1,140,025
Public service concession	1,202,651	2,604,055	2,807,683	15,523,602	22,137,991
	<u>1,791,578</u>	<u>3,886,774</u>	<u>4,360,201</u>	<u>18,217,989</u>	<u>28,256,542</u>

c) Interest rate sensitivity analysis

The Concessionaire's borrowings and short-term investments are exposed to interest rate fluctuations.

Arises from the possibility of the Concessionaire obtaining gains or incurring losses due to fluctuations in the interest rates applied on its financial assets and liabilities. The Concessionaire has short-term investments exposed to floating interest rates. The interest rates of borrowings, financing, debentures, and obligations with the Concession Grantor are subject to TJLP, IPCA and CDI rates.

The tables below cover three stress scenarios of material financial assets and financial liabilities, namely: probable scenario, which is the scenario adopted by the Concessionaire based on the prices of futures contracts traded on stock exchanges and/or commodities futures exchanges, and key variable scenarios, with the respective impacts on the Concessionaire's performance with stress of 25% (scenario A) and 50% (scenario B) of the risk variable considered.

Financial assets

Transaction	12/31/2019	Risk/ index	Probable scenario	Scenario A	Scenario B
Cash and cash equivalents	127,257	-	5,434	4,075	2,717
Restricted short-term investments	172,771	CDI (% ao ano)	7,377	5,533	3,689
<u>Reference for financial assets</u>			<u>Provável</u>	<u>Cenário A</u>	<u>Cenário B</u>
CDI (% per year)			4.27%	3.20%	2.14%

(\*) The amount of R\$125,964 corresponds to investment funds backed by securities pegged to the CDI.

Financial liabilities

Transaction	12/31/2019	Risk/index	Probable scenario	Scenario A	Scenario B
Borrowings and financing	2,660,422	TJLP (% per year)	128,498	160,623	192,748
Debentures	717,198	IPCA (% per year)	25,963	32,453	38,944
Fixed concession fee	13,080,288	IPCA (% per year)	473,506	591,883	710,260
<u>Reference for financial liabilities</u>			<u>Probable scenario</u>	<u>Scenario A</u>	<u>Scenario B</u>
TJLP (% per year)			4.83%	6.04%	7.25%
IPCA (% per year)			3.62%	4.53%	5.43%
CDI (% per year)			4.27%	5.34%	6.41%

25. NONCASH TRANSACTIONS

The following noncash transactions were excluded from the Concessionaire's cash flows:

	<u>12/31/2019</u>	<u>12/31/2018</u>
Capitalized finance charges on borrowings and financing capitalized	11,591	2,891
Capitalized finance charges on concession fees	247,428	255,261
Acquisition of fixed and intangible assets not yet settled (suppliers)	7,187	14,602

26. EARNINGS PER SHARE

Basic earnings (loss) per share are calculated by dividing profit (loss) for the year attributable to the holders of the common shares by the weighted average number of common shares outstanding in the period. There were no other transactions involving common shares or potential common shares between the balance sheet date and the date of completion of these financial statements.

The Concessionaire does not have dilutive instrument as of December 31, 2019 and 2018; consequently, there is no difference between the calculation of basic and diluted earnings per share. The table below shows the profit or loss and share data using the calculation of the basic and diluted earnings per share:

<u>Basic and diluted loss per share</u>	<u>31/12/2019</u>	<u>31/12/2018</u>
Numerator		
Loss for the year attributable to the Concessionaire's owners	(874.910)	(188.217)
Denominator (in thousands of shares)	3.033.542	3.033.542
Weighted average number of shares		
Basic and diluted loss per share - in reais	<u>(0,288)</u>	<u>(0,062)</u>

## 27. EVENTS AFTER THE REPORTING PERIOD

On March 10, 2020, the Brazilian Securities and Exchange Commission (CVM) issued Official Letter CVM/SNC/SEP/No. 02/2020 recommending the companies and their independent auditors to carefully consider the impacts of COVID-19 on their businesses, and the risks and uncertainty to which companies are exposed, and, for companies whose reporting year ends on December 31, 2019, the CVM Official Letter recommends that any impacts from COVID-19 be disclosed as ‘Subsequent events’. With respect to this matter, the Concessionaire clarifies that, as of this date, there is significant uncertainty about the effects of the COVID-19 outbreak on the global and local economy, including as to how long the COVID-19 pandemic will last. For this reason, reporting any impacts of such event on the continuity of the Concessionaire’s businesses and/or on the accounting estimates made by Management is not possible yet. However, the Concessionaire’s Management does not rule out the possibility that, under a scenario in which the virus continues to spread, especially in Brazil, this will have adverse effects on the businesses. Management will continue to be diligent and pay close attention to any and all information relating to COVID-19, to ensure that its shareholders and the market are kept informed of any changes in Management’s evaluation or other factors that may have material impacts on the businesses.

## 28. EXPLANATION ADDED TO THE TRANSLATION FOR THE ENGLISH VERSION

The accompanying financial statements were translated into English from the original Portuguese version prepared for local purposes. Certain accounting practices applied by the Company that conform to those accounting practices adopted in Brazil may not conform to the generally accepted accounting principles in the countries where these financial statements may be used.

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