



EARNINGS RELEASE
2Q20

2Q20 Results

LETTER FROM THE PRESIDENT

First of all, I would like to **thank all our employees** who have been working at our sites, vessels and from their homes during this very challenging moments the world is facing. Your commitment to our company allowed us to deliver a strong result in the second quarter of the year despite a difficult moment for the global economy.

Hidrovias do Brasil S.A. ("HBSA") continued to deliver **Strong results in this second quarter of 2020, despite the adverse moment** the world is facing.

Our **Adjusted EBITDA increased 39%** compared to the same quarter of 2019, showcasing the continuous demand for our services and the results from our new projects.

The **North Corridors grain operation** highlighted once more our competitiveness in the grains flow from Mato Grosso, with an **88% increase in the transported volume** compared to the same period last year. The market share from the ports on the north region of Brazil already represents **57%** of the total exports from Mato Grosso, the highest growth and largest grains producer in the country.

Efficiency gains and operational leverage yielded an **EBITDA margin growth to 67%**.

During the month of May we started to operate on our Santos terminal, **marking HBSA entry into the largest port complex in Latin America**. This demonstrates our capacity to diversify our portfolio of services, increase our logistics footprint and continue to grow.

South Corridor still faces one of the most severe draft reductions ever recorded in the Parana-Paraguai waterways, highlighting the business resilience and ability to surpass external challenges.



Moreover, we sustain our strategy of focusing on our **employees, safety and continuous improvements in our governance**.

Since the breakout of the Covid-19 pandemic we have implemented several **health & safety protocols in our operations** and focused our efforts on supporting our communities to mitigate the impacts of Covid-19 through donations of medical equipment and food supplies. **Donations will top R\$ 7.2 million.**

Our employees raised funds to "Abrace uma causa" (fundraising platform) as a way to support the people in need. We also signed up for the "Não demita" (Do not dismiss employees) initiative.

I am also very proud to inform that we have completed **TRACECertification**, the anti-bribery compliance credential from TRACE, the world's leading anti-bribery standard setting organization. Certification by TRACE signifies that the Company has completed internationally accepted due diligence procedures and has been forthcoming and cooperative during the review process, underscoring Hidrovias's commitment to transparency in international commercial transactions. This certification is part of the continuous improvement in our governance and highlights our commitment to **transparency with our stakeholders**.

We are aware of the challenges this year poses and continue on our commitment to growth in a sustainable way!

Fabio Schettino
President



2Q20 Results

São Paulo, July 30th, 2020,

Hidroviás do Brasil S.A ("HBSA") announced today its 12n and international accounting rules (IFRS).

EXECUTIVE SUMMARY 2Q20

EBITDA 2Q20 vs 2Q19:

Consolidated R\$ million	2Q19	2Q20	Δ
Volume (kt)¹	2.417	3.314	37%
Net Revenue	253,7	426,2	68%
Operating Net Revenue	236,8	349,0	47%
OTM	20,9	115,8	>100%
Hedge Accounting	(4,0)	(38,6)	>100%
Operating Costs	(109,2)	(275,7)	>100%
Operating Costs	(93,6)	(158,1)	69%
OTM	(15,6)	(117,5)	>100%
Operating Expenses	(23,1)	(29,2)	27%
AFRMM, Other Revenues & Tax Credits	22,3	9,1	(59%)
Equity Accounting	1,1	1,8	62%
EBITDA	144,8	132,3	(9%)
<i>Margin %</i>	<i>57%</i>	<i>31%</i>	<i>- 26 p.p.</i>
Hedge Accounting	4,0	38,6	>100%
Impact of Joint Ventures	5,6	8,3	48%
Non-recurring ²	(19,6)	8,2	<(100%)
Adjusted EBITDA	134,8	187,3	39%
<i>Margin %³</i>	<i>57%</i>	<i>54%</i>	<i>- 3 p.p.</i>

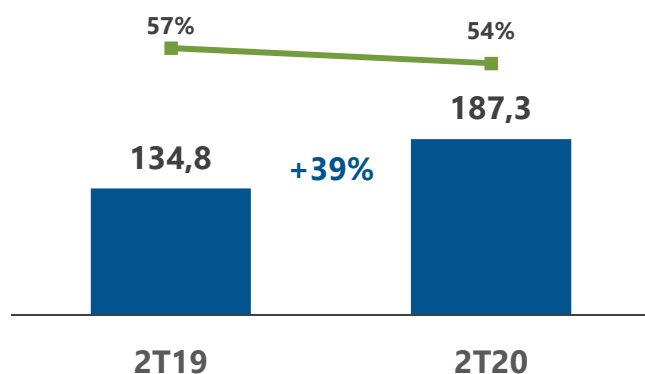
HBSA uses CVM Instruction 527 as the basis for calculating EBITDA, which deals with this measure in its article 3, item I.

As also provided for in CVM Instruction 527, HBSA also discloses adjusted EBITDA, aiming to provide greater operational comparability and assisting the market in understanding its business.

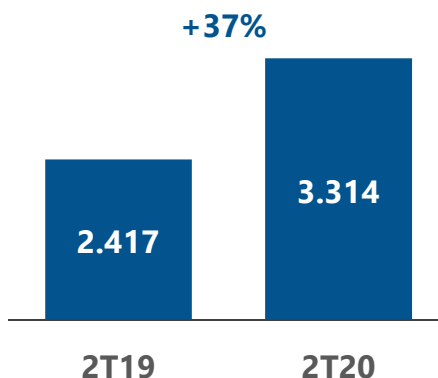
Volume
+37% vs 2Q19

Adjusted EBITDA
+39% vs 2Q19

Adjusted EBITDA (R\$ million) and Adjusted EBITDA Margin³ (%) :



Volume¹ (kt):



¹ Excludes volume from Santos terminal and Vale client

² Non-recurring includes R\$ 1,7 million in donations to mitigate the effects of Covid-19 pandemic

³ Adjusted EBITDA margin considers the net revenue excluding OTM revenue and hedge accounting

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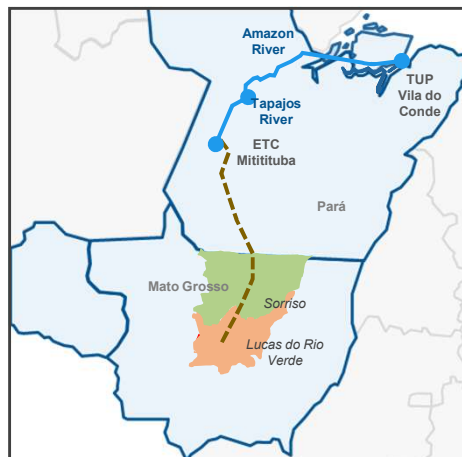
NORTH CORRIDOR

In this corridor, the company operates on the Tapajós and Amazonas rivers (grains and fertilizers) and on the Trombetas and Amazonas rivers (“coastal navigation” or “cabotage”).

In the fluvial system formed by the Tapajós and Amazonas rivers we offer navigation services between the Miritituba bulk cargo transshipment station (ETC Miritituba), located in the city of Itaituba, district of Miritituba, Pará, and our port terminal of Vila do Conde (TUP Vila do Conde), located in the city of Barcarena, Pará. This operation has revenue and most costs in reais (R\$) and transports grains (soy and corn) and fertilizers as return cargo.

In the Trombetas-Amazonas system, through our coastal shipping operations, also known as cabotage, we transport bauxite between Porto Trombetas and Barcarena, both in Pará. This operation has revenue and most costs linked to the US dollar (US\$).

Grains and Fertilizers



Coastal Navigation



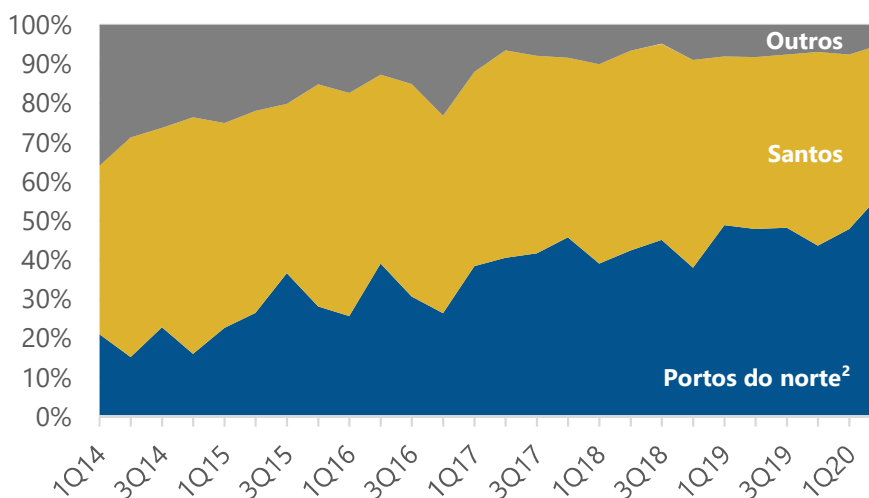
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Competitiveness of the Northern Corridor:

As mentioned in 2019, the continuous reduction in freight rates on the BR-163 had a positive effect on the North Arc of Brazil, increasing the competitiveness of grain exports in the region.

The market share of northern ports on grain exports¹ in the state of Mato Grosso has grown significantly in recent years. In 2Q20, the North ports share reached 57%, an increase of 9 percentage points when compared to 2Q19.

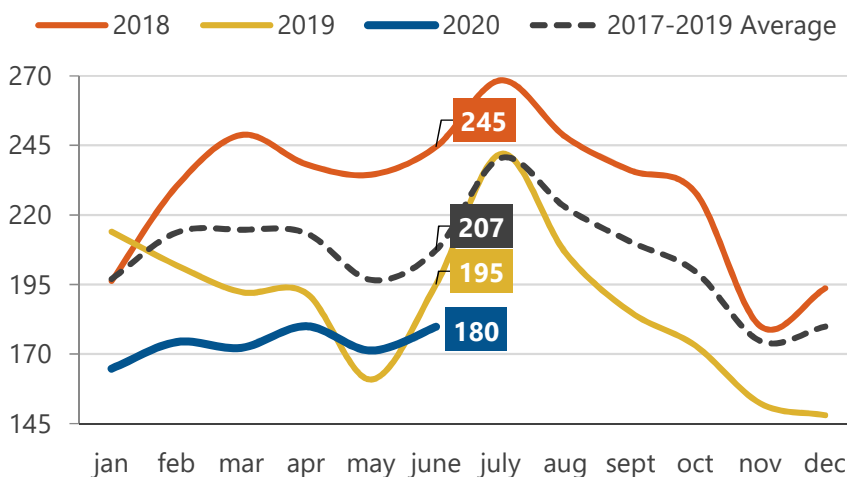
Mato Grosso – Market Share Grains Exports¹



Market Share 2Q20
57%

Market Share 2Q20
+9p.p.
vs 2Q19

Sorriso-Miritituba³ freight (monthly average R\$/t):



Freight June/2020
-R\$28/t
vs 2017-2019 avg.

Average 2Q20
R\$176/t

¹ Source: COMEX Stat; Includes corn, soy and soymeal. Updated as of 07/22/2020

² North ports include: Barcarena, Itaquí, Santarém e Itacoatiara

³ Source: IMEA.

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North Grains and Fertilizers:

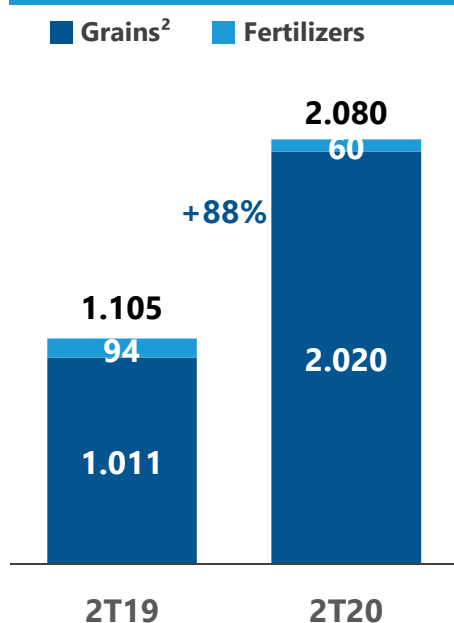
The North Corridor volume, in the grains and fertilizers segments, grew 88% in 2Q20, when compared to the previous year. This growth reflects the continuous improvement in competitiveness of the North Corridor and a very Strong harvest.

The volume growth, our operational leverage and continuous efficiency gains yielded a 9 p.p. improvement in our adjusted EBITDA margin, from 58% in the 2Q19 to 67% in the 2Q20.

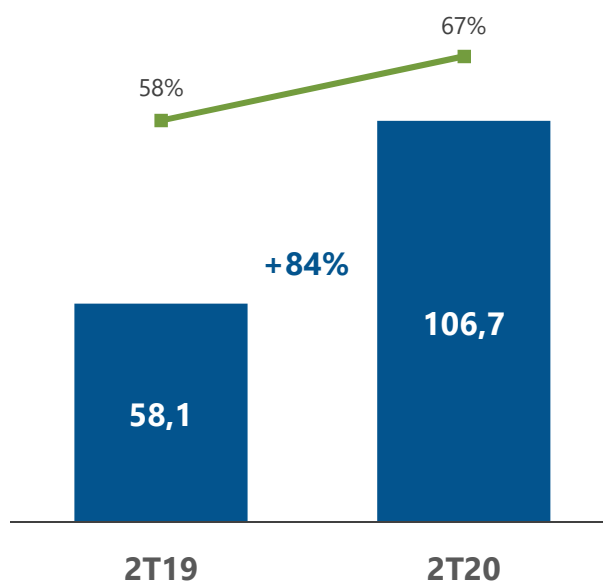
North Grains

R\$ million	2Q19	2Q20	Δ
Volume (kt)	1.105	2.080	88%
Net Revenue	121,9	275,8	>100%
Operating Net Revenue	101,0	160,0	58%
OTM	20,9	115,8	>100%
Operating Costs	(58,2)	(169,5)	>100%
Operating Costs	(42,7)	(51,9)	22%
OTM	(15,6)	(117,5)	>100%
Operating Expenses	(1,2)	(6,4)	>100%
AFRMM, Other Revenues & Tax Credits	16,7	5,0	(70%)
EBITDA	79,1	104,9	33%
Margin %	65%	38%	- 27 p.p.
Non-recurring	(21,0)	1,8	<(100%)
Adjusted EBITDA	58,1	106,7	84%
Margin %¹	58%	67%	+ 9 p.p.

Incoming system volume (kt):



Adjusted EBITDA (R\$ million) and Adjusted EBITDA Margin¹ (%):



¹ Adjusted EBITDA margin, taking into account net revenue minus OTM

² "Grains" includes volumes received via truck unloading at ETC Miratituba or at TUP Vila do Conde.

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Coastal Navigation (cabotage):

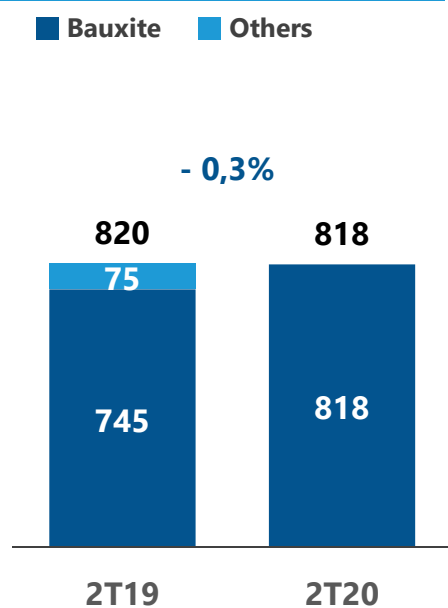
The Coastal Shipping (or cabotage) segment (which are presented in the consolidated financial statements with the North Corridor) transported a total volume of 818 ktons, in line with 2Q19.

Net revenues from this business unit grew 53% when compared to 2Q19. This business unit has all its revenues linked to US dollar and as such benefited from the depreciation of the Brazilian Real.

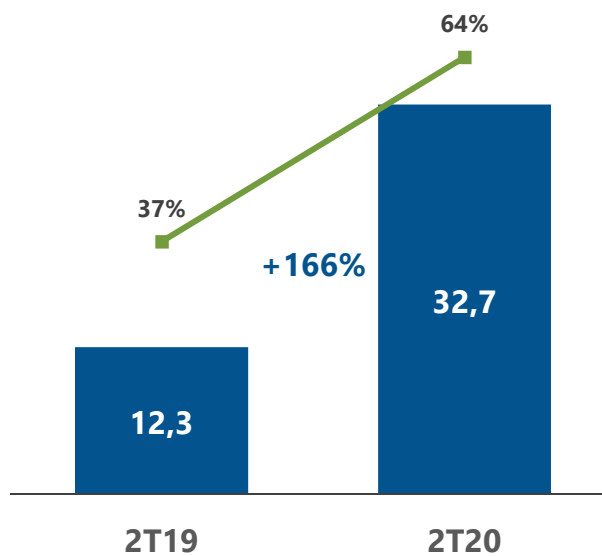
Coastal Navigation

R\$ million	2Q19	2Q20	Δ
Volume (kt)	820	818	(0%)
Net Revenue	31,8	49,1	54%
Operating Net Revenue	33,2	50,9	53%
Hedge Accounting	(1,4)	(1,8)	30%
Operating Costs	(20,9)	(22,2)	6%
Operating Expenses	(0,1)	(0,1)	(25%)
AFRMM, Other Revenues & Tax Credits	5,5	4,0	(27%)
EBITDA	16,3	30,8	90%
<i>Margin %</i>	51%	63%	+ 12 p.p.
Hedge Accounting	1,4	1,8	30%
Non-recurring	(5,4)	-	(100%)
Adjusted EBITDA	12,3	32,7	166%
<i>Margin %¹</i>	37%	64%	+ 27 p.p.

Volume (kt):



Adjusted EBITDA (R\$ million) and Adjusted EBITDA Margin¹ (%):



¹ Adjusted EBITDA margin considers the net revenue excluding hedge accounting

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Santos and Salt:

The new operation in Santos began operations during May, 2020. It includes the área denominated STS20, made of three warehouses and a pier inside the Santos Port (southeast of Brazil). This operation will load/unload and storage salt and fertilizers.

We have scheduled improvements in the terminal that will increase its capacity and efficiency. As such, we are still not operating at full capacity in this terminal.

The salt logistics is still in the implementation phase and haven't started operation.

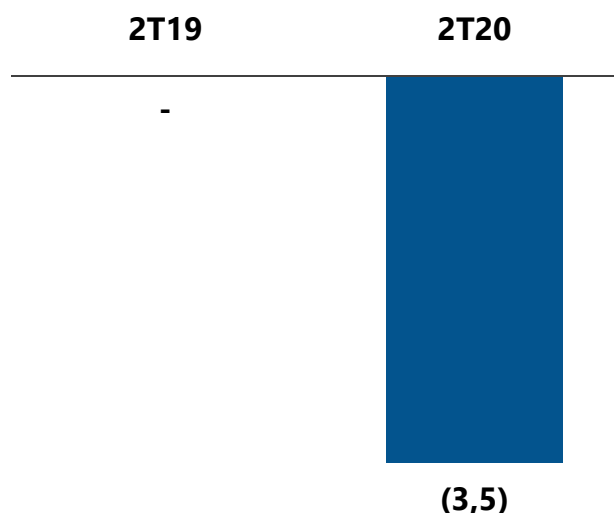
Santos & Sal Operations

R\$ million	2Q19	2Q20	Δ
Net Revenue	-	7,3	-
Operating Net Revenue	-	7,3	-
Operating Costs	-	(10,7)	-
Operating Expenses	-	(0,4)	-
AFRMM, Other Revenues & Tax Credits	-	0,0	-
EBITDA	-	(3,8)	-
Margin %	-	(53%)	-
Non-recurring	-	0,3	-
Adjusted EBITDA	-	(3,5)	-
Margin %	-	(48%)	-

Santos and Salt:



Adjusted EBITDA (R\$ million) and Adjusted EBITDA Margin (%):



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SOUTH CORRIDOR

In the Paraguay-Paraná river system, we offer inland navigation services through different routes, including different loading and unloading terminals. This operation has revenue and most of the costs linked to the US dollar (US \$). In the South Corridor, we transport grains, fertilizers, iron ore, cellulose, among other products.

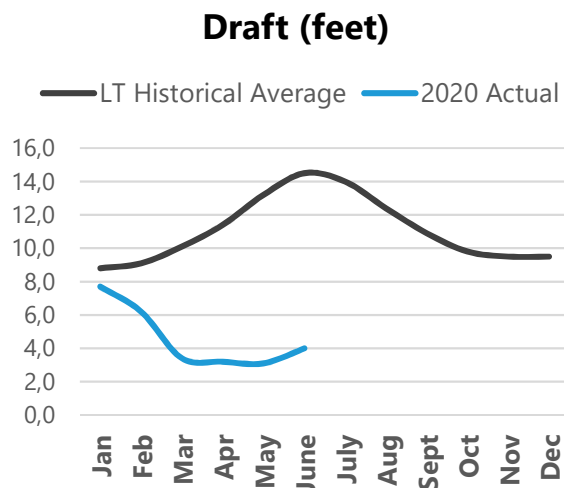
Os negócios que a companhia opera neste corredor compreendem a hidrovia Paraná-Paraguai (minério de ferro, grãos e fertilizantes), o Rio Uruguai (celulose, uma de nossas *joint-ventures*) e o Terminal de Montevidéu (também uma *joint-venture*).



Water level conditions in Paraguay-Paraná rivers:

As already explained in the 1Q20 Earnings Release, the Paraguay-Paraná waterway, where HBSA operates in the South Corridor, is facing a draft period significantly lower than the long-term historical averages, as shown in the chart opposite.

This situation is atypical and affects the operation in the South Corridor, with an increase in navigation cycles and navigation restrictions.



¹ Na localidade de Asunción; Fonte: Dirección de Meteorología e Hidrología, <https://meteorologia.gov.py/nivel-rio/vermas.php?id=2000082001>
O nível do rio neste ponto de medição não necessariamente reflete o calado nos locais onde navegamos e deve ser analisado como um indicador da capacidade do rio.

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South Corridor:

The South Corridor volume decreased 15% in 2Q20, when compared to the same period last year, mainly due to draft conditions on the Paraná-Paraguay waterway.

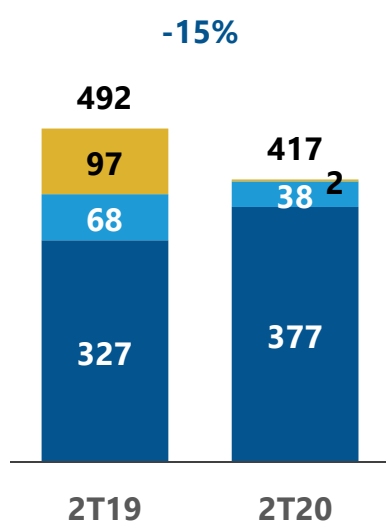
The impact of the drop in volume on EBITDA was partially offset by the appreciation of the US dollar versus the real. The contract with Vale for handling iron ore (volume not shown in the graph below) was not significantly impacted by the current draft situation.

South Corridor

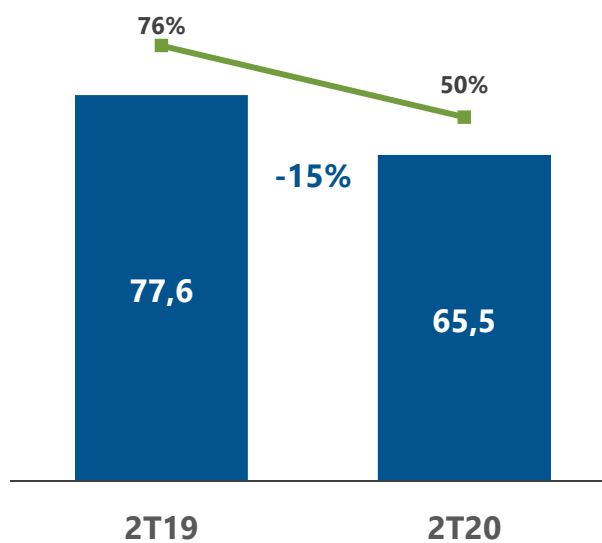
R\$ million	2Q19	2Q20	Δ
Volume (kt)¹	492	417	(15%)
Net Revenue	100,0	94,1	(6%)
Operating Net Revenue	102,6	130,8	27%
Hedge Accounting	(2,6)	(36,8)	>100%
Operating Costs	(30,0)	(73,3)	>100%
Operating Expenses	(1,9)	(2,5)	32%
AFRMM, Other Revenues & Tax Credits	0,1	0,0	(77%)
Equity Accounting	1,1	1,8	63%
EBITDA	69,4	20,1	(71%)
Margin %	69%	21%	- 48 p.p.
Hedge Accounting	2,6	36,8	>100%
Impact of Joint Ventures	5,6	8,3	48%
Non-recurring	-	0,3	-
Adjusted EBITDA	77,6	65,5	(16%)
Margin %²	76%	50%	- 26 p.p.

Volume (kt)¹:

■ Grains ■ Fertilizers
■ Others



Adjusted EBITDA (R\$ million) and Adjusted EBITDA Margin² (%):



¹ Excluding volume for Vale customer

² Adjusted EBITDA margin considers revenue excluding the Hedge Accounting effect

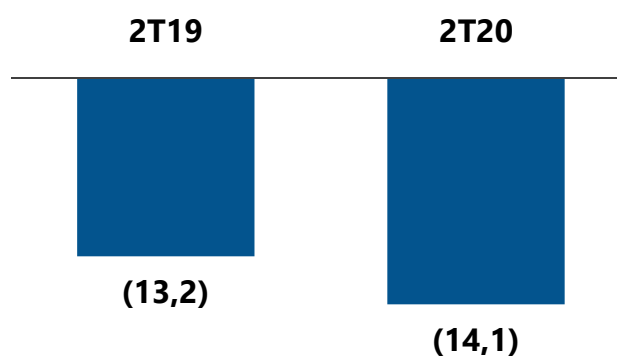
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HOLDING

The Holding's Adjusted EBITDA, basically consisting of expenses with personnel and third-party services (including IT), grew 7% in the 2Q20 when compared to the same period of the previous year. Part of this increase comes from the company's strategy of investing in a restructuring of its commercial and new business areas, expanding the possibilities for its future growth, as well as strengthening the health and safety department and also improving internal governance (compliance, internal audit).

Holding R\$ million	2Q19	2Q20	Δ
Operating Costs	(0,1)	-	(100%)
Operating Expenses	(19,9)	(19,8)	(0%)
EBITDA	(20,0)	(19,8)	(1%)
Non-recurring	6,8	5,7	(15%)
Adjusted EBITDA	(13,2)	(14,1)	7%

Adjusted EBITDA (R\$ millions);

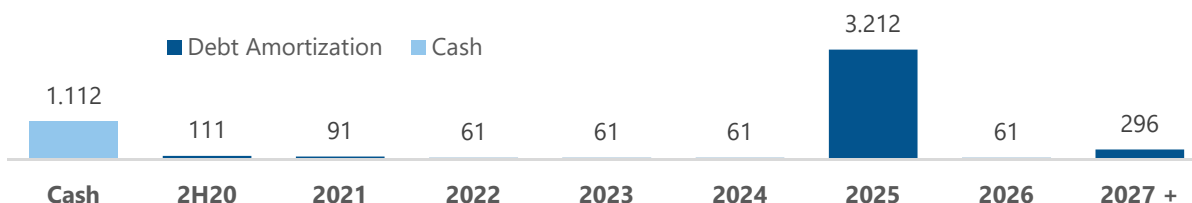


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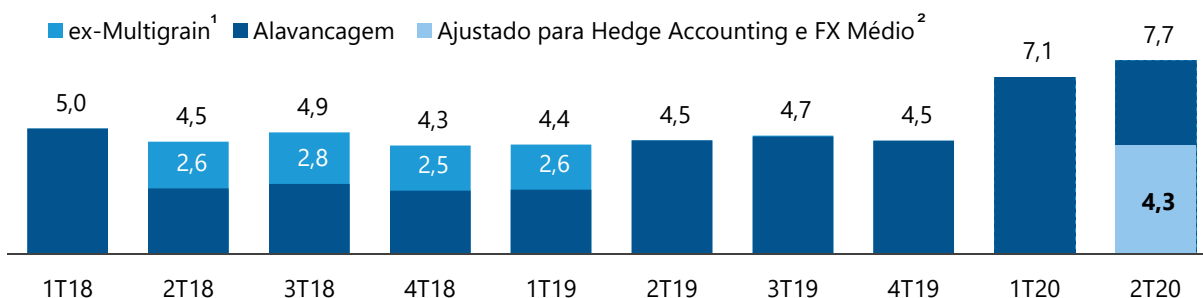
FINANCIAL HIGHLIGHTS

Amortization Schedule (in R\$ million):

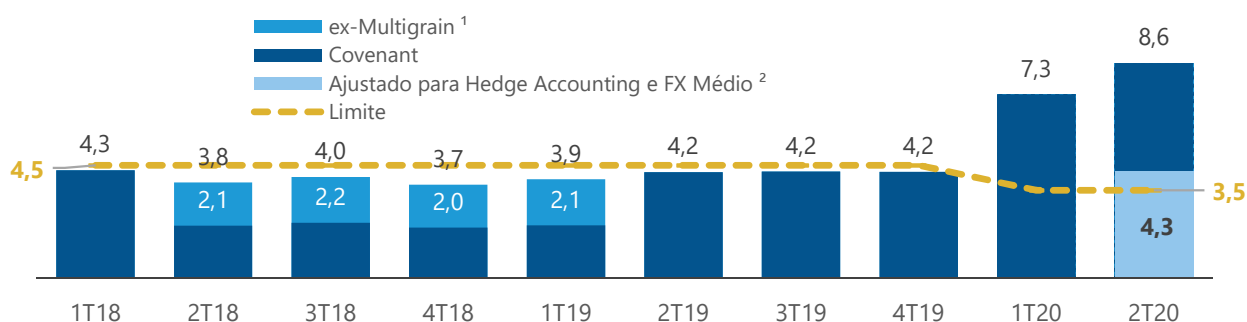
HBSA does not have any substantial debt maturities in the short and medium term, with most of its maturities coming from 2025 onwards. Our cash reserves are more than enough to cover all the debt maturities over the next 4 years.



Net Debt / EBITDA:



Bond Covenant (Net Debt / EBITDA, excl. Coastal Navigation business):



In the 2Q20 the depreciation of the Brazilian real was the main driver for the increase in leverage. This has no cash impact and does not impair our capacity to serve our debts.

The bond covenant is measured excluding the coastal navigation business from the company's EBITDA and net debt. The breach of this covenant does not accelerate the payment of the debt and does not have significant effects³ on the day-to-day life of HBSA.

Adjusting the debt to the average FX rate for the period and the adjusted EBITDA, our leverage in the 2Q20 was 4,3x.

¹ 2018 EBITDA adjusted for the Multigrain contract termination, impacting the leverage from 2Q18 until 1Q19

² Adjusted for the average Exchange rate for the period and the hedge accounting impact

³ When HBSA is above the covenant defined in the bond documents, it cannot make dividend payments to shareholders or raise new debt (except when less than the predefined additional "basket");

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Cash Flows:

In the table below, we show the Consolidated Cash Flow, including "interest earning bank deposits" as cash

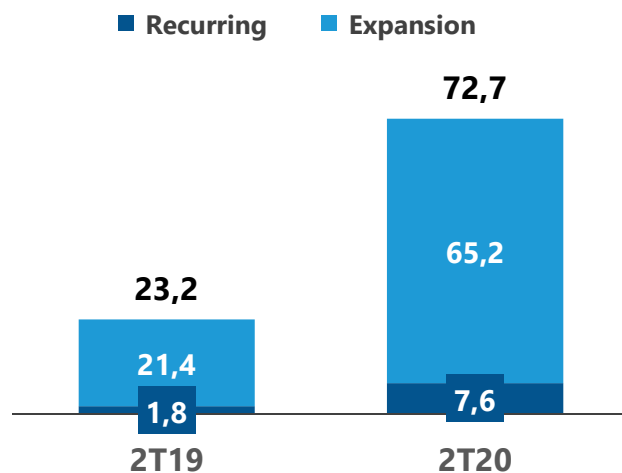
Consolidated			
R\$ Million	2Q19	2Q20	Δ
Beginning of Period Cash	994,6	1.094,4	10%
(+) Adjusted EBITDA	134,8	187,3	39%
(+) Change in working capital	(45,4)	(43,6)	(4%)
(+) Operating financial results	(7,0)	(4,4)	(37%)
(-) Joint Ventures' EBITDA	(1,2)	(6,5)	>100%
(-) Non-recurring	19,6	(6,5)	<(100%)
(-) (Constitution) Reversal of contingency provision	(9,2)	0,3	<(100%)
(-) Stock option plan	-	0,7	-
(-) Provisions for bonuses and gratuities	4,3	7,9	82%
(-) Taxes paid	(3,2)	(6,8)	>100%
(-) Paid rentals (IFRS 16)	(1,7)	(1,6)	(7%)
a = Operating Cash Flow (OCF)	91,0	126,9	39%
(-) CAPEX	(23,2)	(72,7)	>100%
b Recurring	(1,8)	(7,6)	>100%
Expansion	(21,4)	(65,2)	>100%
c = Investing Cash Flow (ICF)	(23,2)	(72,7)	>100%
d (+) Debt Funding	-	-	-
e (-) Amortization	(22,3)	(7,4)	(67%)
f (-) Interest Payments	(5,4)	(9,3)	71%
(-) Bond repurchase	-	(52,6)	-
(-/+) Dividends Paid/Received	(135,8)	(4,4)	(97%)
= Financing Cash Flow (FCF)	(163,5)	(73,6)	(55%)
g Impact of exchange rate variation on cash balances	(114,3)	56,6	<(100%)
h = Cash Generation	(210,1)	37,2	<(100%)
= End of Period Cash	784,5	1.131,6	44%

KPI's			
R\$ Million	2Q19	2Q20	Δ
Cash Generation before CAPEX (a)	91,0	126,9	39%
Cash Generation before expansion CAPEX (a+b)	89,2	119,3	34%
Cash Generation after ICF (a+c)	67,8	54,2	(20%)
Cash Generation before Financing (h-g-f-e-d)	-68,0	-2,8	(96%)

HBSA generated R\$ 121,3 millions in operating cash flows during the 2Q20, ending the quarter with a total cash position of R\$ 1.137,5 millions, a R\$ 43,1 millions growth even after accounting for a R\$ 61,7 million investment in repurchasing part of the bonds. Adjusting for this effect our cash would have increased R\$ 104,8 millions.

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CAPEX (R\$ millions):



HBSA's maintenance CAPEX remained relatively low during 2Q20, representing 10% of the total CAPEX for the period. At the same time, the company kept its expansion investments, with the acquisition of additional barges to the north operation, system improvements, and the new projects of Santos and Salt.

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IMPORTANT NOTES

Hedge Accounting:

Since HBSA has debts in US dollars (US\$), a significant part of its operations is dollarized (South Corridor and Coastal Navigation) and its functional currency is the real (R\$), we have adopted the accounting methodology through Hedge Accounting.

In periods of severe depreciation of the real (as experienced throughout 2019 and 1H20), the impact on Net Revenue can be material (R\$ 39 million in 2Q20 and R\$ 89 million in 1Q20), although this effect is non-cash and non-operating (it is related to our financing structure, with debts in US\$).

From this quarter onwards the Company will reconize the effects of Hedge Accounting in the South Corridor. This better aligns the hedge to its designated object and has no cash implication to the business units.

For the purposes of calculating the bond covenant, we use EBITDA which includes the effect of Hedge Accounting (according to the EBITDA calculation provided for in CVM Instruction 527). For the purposes of comparison and HBSA's operational analysis, we adjusted the effect of Hedge Accounting on Adjusted EBITDA, allowing a better comparison with other companies and between periods. Other companies, however, may have an accounting treatment different from that applied by HBSA.

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BALANCE SHEET

HIDROVIAS DO BRASIL S.A.

BALANCE SHEETS AT JUNE 30, 2020 AND DECEMBER 31, 2019

(In thousands of reais – R\$)

ASSETS	Note	Parent company		Consolidated	
		06/30/2020	12/31/2019	06/30/2020	12/31/2019
<u>Current Assets</u>					
Cash and cash equivalents	4	863	9.179	21.915	45.166
Securities	5.1	26.258	4.625	1.090.228	913.972
Trade accounts receivable	6.1	-	-	181.886	82.350
Inventories		-	-	62.178	38.364
Recoverable taxes	7	90	827	67.135	27.463
Income tax and social contribution	7.1	2	11.393	35.183	28.116
Advances to suppliers	9	659	435	25.957	37.884
Prepayments		2.881	2.302	37.938	47.499
Related party credits	18	6.631	6.333	-	-
Dividends receivable		37.032	37.032	-	-
Other receivables		<u>173</u>	<u>1.293</u>	<u>25.573</u>	<u>25.580</u>
Total current assets		<u>74.589</u>	<u>73.419</u>	<u>1.547.993</u>	<u>1.246.394</u>
<u>Non-current assets</u>					
Linked securities	5.2	-	-	19.987	15.383
Related party credits	18	5.477	4.225	-	-
Trade accounts receivable	6.1	-	-	7.200	-
Judicial deposits	17	5.343	5.343	12.695	11.756
Guarantees and pledge deposits	8	8.999	6.704	8.999	6.704
Deferred tax assets	26	-	-	171.410	46.718
Recoverable taxes	7	-	6	39.260	55.199
Income tax and social contribution	7.1	-	-	25.618	25.618
Advances to suppliers	9	-	-	18.555	30.750
Prepayments		3.451	3.445	26.722	19.070
Investments	10	1.349.739	1.477.715	88.475	70.946
Property, plant and equipment	11	5.454	5.736	3.360.969	2.928.464
Right-of-use asset	12	551	1.101	30.651	32.534
Intangible assets	13	<u>16.621</u>	<u>12.206</u>	<u>340.383</u>	<u>228.129</u>
Total non-current assets		<u>1.395.635</u>	<u>1.516.481</u>	<u>4.150.924</u>	<u>3.471.271</u>
Total assets		<u>1.470.224</u>	<u>1.589.900</u>	<u>5.698.917</u>	<u>4.717.665</u>

See the accompanying notes to the financial statements

2Q20 Results

BALANCE SHEET

HIDROVIAS DO BRASIL S.A.

BALANCE SHEETS AT JUNE 30, 2020 AND DECEMBER 31, 2019

(In thousands of reais – R\$)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	Parent company		Consolidated	
		06/30/2020	12/31/2019	06/30/2020	12/31/2019
<u>Current Liabilities</u>					
Suppliers	14	4.915	3.018	113.646	49.945
Loans and financing	15	-	-	199.142	172.275
Social charges and labor legislation obligation	16	14.744	12.655	35.704	26.198
Lawsuits	17	-	-	6.090	5.884
Taxes payable		5.044	5.032	26.310	17.398
Income tax and social contribution		-	15.964	30.863	21.971
Provision for loss on investments	10	3.693	3.652	-	-
Accounts payable with related parties	18	59.012	1.114	-	-
Advance from clients		-	-	4.944	21.721
Dividends payable		50	363	13.912	2.834
Lease payable	12	655	90	6.695	107
Concession lease	13	-	-	20.253	-
Other accounts payable		<u>3.262</u>	<u>3.382</u>	<u>16.424</u>	<u>4.859</u>
Total current liabilities		<u>91.375</u>	<u>45.270</u>	<u>473.983</u>	<u>323.192</u>
<u>Non-current liabilities</u>					
Loans and financing	15	-	-	3.754.001	2.818.234
Lease payable	12	-	1.059	24.584	32.668
Concession lease	13	-	-	67.500	-
Loan	18	-	-	-	-
Total non-current liabilities		<u>-</u>	<u>1.059</u>	<u>3.846.085</u>	<u>2.850.902</u>
<u>SHAREHOLDERS' EQUITY</u>					
Capital	19	1.282.798	1.282.798	1.282.798	1.282.798
Capital reserves		18.872	17.127	18.872	17.127
Additional dividends proposed	19	-	35.827	-	35.827
Accumulated losses		(134.117)	-	(134.117)	-
Profit reserve		84.499	48.672	84.499	48.672
Equity valuation adjustment		<u>126.797</u>	<u>159.147</u>	<u>126.797</u>	<u>159.147</u>
Total shareholders' equity		<u>1.378.849</u>	<u>1.543.571</u>	<u>1.378.849</u>	<u>1.543.571</u>
Total liabilities and shareholders' equity		<u>1.470.224</u>	<u>1.589.900</u>	<u>5.698.917</u>	<u>4.717.665</u>

See the accompanying notes to the financial statements

2Q20 Results

INCOME STATEMENT – Parent Company

HIDROVIAS DO BRASIL S.A.

STATEMENTS OF INCOME
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020 AND 2019
(In thousands of Reais, except earnings/loss per share)

	Nota explicativa	Parent company			
		04/01/2020 to 06/30/2020	01/01/2020 to 06/30/2020	04/01/2019 to 06/30/2019	01/01/2019 to 06/30/2019
Net operating revenue	23	-	-	-	-
Cost of services rendered	24	-	-	-	-
Gross profit		-	-	-	-
OPERATING EXPENSES					
General and administrative expenses	24	(22.017)	(46.774)	(21.814)	(36.193)
Equity in net income of subsidiaries	10	18.540	(87.025)	75.970	86.000
Other expenses/revenues	24	310	-	(1.439)	(1.442)
Operating income (loss) before financial income (loss) and taxes		(3.167)	(133.799)	52.717	48.365
Financial revenues	25	79	1.263	45	2.560
Financial expenses	25	(4.319)	(1.581)	(756)	(1.745)
Financial income (loss)	25	(4.240)	(318)	(711)	815
Operating income before income tax and social contribution		(7.407)	(134.117)	52.006	49.180
Income tax and social contribution					
Current	26	-	-	-	-
Deferred assets	26	-	-	-	-
(Loss) income for the period		(7.407)	(134.117)	52.006	49.180
Basic earnings per share - R\$	20				
Diluted earnings per share - R\$	20				

See the accompanying notes to the financial statements

2Q20 Results

INCOME STATEMENT - Consolidated

HIDROVIAS DO BRASIL S.A.

STATEMENTS OF INCOME
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020 AND 2019
(In thousands of Reais, except earnings/loss per share)

	Nota explicativa	Consolidated			
		04/01/2020 to 06/30/2020	01/01/2020 to 06/30/2020	04/01/2019 to 06/30/2019	01/01/2019 to 06/30/2019
Net operating revenue	23	426.195	639.717	253.675	444.747
Cost of services rendered	24	(324.979)	(555.632)	(150.278)	(284.174)
Gross profit		101.216	84.085	103.397	160.573
OPERATING EXPENSES					
General and administrative expenses	24	(34.447)	(70.293)	(28.523)	(48.976)
Equity in net income of subsidiaries	10	1.820	(475)	1.122	(3.349)
Other expenses/revenues	24	9.098	19.562	22.288	21.595
Operating income (loss) before financial income (loss) and taxes		77.687	32.879	98.284	129.843
Financial revenues	25	11.242	64.528	6.792	14.893
Financial expenses	25	(78.259)	(210.567)	(44.730)	(84.700)
Financial income (loss)	25	(67.017)	(146.039)	(37.938)	(69.807)
Operating income before income tax and social contribution		10.670	(113.160)	60.346	60.036
Income tax and social contribution					
Current	26	(16.092)	(30.069)	(4.354)	(8.709)
Deferred assets	26	(1.985)	9.112	(3.986)	(2.147)
(Loss) income for the period		(7.407)	(134.117)	52.006	49.180
Basic earnings per share - R\$	20	(0,0099)	(0,1792)	0,0695	0,0657
Diluted earnings per share - R\$	20	(0,0098)	(0,1774)	0,0689	0,0652

See the accompanying notes to the financial statements

2Q20 Results

CASH FLOW STATEMENT

HIDROVIAS DO BRASIL S.A.

STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020 AND 2019
(In thousands of reais – R\$)

	Parent company		Consolidated	
	06/30/2020	06/30/2019	06/30/2020	06/30/2019
Cash flow from operating activities				
(Loss) income for the period	(134.117)	49.180	(134.117)	49.180
Adjustments to reconcile loss for the year with net cash generated by (invested in) in operating activities:				
Provision for bonus	10.774	4.048	11.458	4.325
Provisão PIS/COFINS	-	-	-	(834)
Income tax and social contribution expenses	-	-	20.957	10.856
(Formation) Reversal of provision for contingency	-	-	206	(1.996)
Interest incurred on loans	-	158	106.582	78.028
Reversal of loan funding costs	-	-	1.771	(2.475)
Inflation adjustments and exchange-rate changes	-	(171)	90.577	(171)
Accrued interest - lease	45	23	887	688
Stock option plan	1.745	-	1.745	-
Yield of interest earning bank deposit	(94)	(1.607)	(63.784)	(8.523)
Write-off of fixed and intangible assets	-	10	-	11
Depreciation and amortization	3.402	2.864	100.580	85.913
Amortization from right-of-use asset	550	287	3.623	2.351
Equity in net income of subsidiaries	87.025	(86.000)	475	3.349
Revenue realized from hedge	-	-	127.569	8.744
(Increase) decrease in operating assets:				
Accounts receivable	-	-	(91.486)	7.904
Inventories	-	-	(12.636)	(2.400)
Recoverable taxes	(419)	-	(25.135)	(29.019)
Advances to suppliers	(224)	284	31.581	(3.899)
Prepayments	(585)	(268)	(16.641)	(18.065)
Judicial deposits	-	-	(939)	(5)
Guarantees and pledge deposits	(2.295)	69	(2.295)	69
Other receivables	1.120	(603)	2.551	(16.665)
Increase (decrease) in operating liabilities:				
Suppliers	1.897	(964)	56.267	(24.280)
Social charges and labor legislation obligations	(8.685)	(7.062)	(3.190)	(7.749)
Taxes payable	12	(210)	8.482	(1.291)
Advances from clients	-	-	(21.587)	(23.085)
Other accounts payable	(120)	(126)	10.699	(894)
Payment of interest on loans and financing	-	(292)	(94.794)	(80.245)
Income tax and social contribution paid	(3.410)	(679)	(20.105)	(8.187)
Net cash (invested in) from operating activities	(43.379)	(41.059)	89.301	21.635

2Q20 Results

CASH FLOW STATEMENT

HIDROVIAS DO BRASIL S.A.

STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020 AND 2019
(In thousands of reais – R\$)

	Parent company		Consolidated	
	06/30/2020	06/30/2019	06/30/2020	06/30/2019
Cash flows from investment activities				
Acquisition of fixed assets	(101)	(1.631)	(111.708)	(48.784)
Acquisition of intangible assets	(7.230)	(371)	(6.837)	(914)
Securities (investment)	(85.555)	(188.664)	(815.226)	(783.785)
Securities (redemptions)	64.016	302.657	913.818	925.239
Dividends received	4.000	82.169	6.316	-
Loan granted between related parties	(1.550)	(833)	-	-
Capital increase (decrease) in subsidiaries	4.437	(230)	-	-
Net cash generated by (invested in) investment activities	(21.983)	193.097	(13.637)	91.756
Cash flows from financing activities				
Paid lease	(539)	(581)	(4.135)	(3.342)
Lease paid	-	(15.833)	(21.372)	(43.374)
Linked securities	-	-	(4.604)	(2.626)
Payment of dividends	(313)	(135.798)	(4.359)	(135.798)
Bond repurchase - Bond	-	-	(71.764)	-
Loan granted between related parties	57.380	-	-	-
Other accounts payable with related parties	518	79	-	-
Net cash (invested in) generated by financing activities	57.046	(152.133)	(106.234)	(185.140)
Effect of changes in exchange rate on balance of cash and cash equiv	-	-	7.319	443
Decrease/increase in cash and cash equivalents	(8.316)	(95)	(23.251)	(71.306)
Cash and cash equivalents at the beginning of the period	9.179	8.823	45.166	135.667
Cash and cash equivalents at the end of the period	863	8.728	21.915	64.361
Decrease / increase in cash and cash equivalents	(8.316)	(95)	(23.251)	(71.306)



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Independent Auditors' Report on Review of Condensed Individual and Consolidated Interim Financial Statements

To the Shareholders, Directors and Management of
Hidrovias do Brasil S.A.
São Paulo, SP

Introduction

We have reviewed the accompanying individual and consolidated balance sheet of Hidrovias do Brasil S.A. ("Company") as at June 30, 2020, the statement of income and the statement of comprehensive income, for the three and six-month period then ended, and the statements of changes in equity and cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information (the "condensed individual and consolidated interim financial statements").

Management is responsible for the preparation of the condensed individual and consolidated interim financial statements in accordance with Technical Pronouncement CPC 21(R1) Interim Financial Information and the consolidated interim financial statements in accordance with CPC 21 (R1) and IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on this condensed individual and consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion on the condensed individual and consolidated interim financial statements prepared in accordance with CPC 21 (R1)

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed individual and consolidated interim financial statements do not present fairly, in all material respects, the financial position of the Company as at June 30, 2020, its financial performance for the three and six-months periods then ended and its cash flows for the six-months period then ended in accordance with CPC 21 (R1).

Conclusion on the condensed consolidated interim financial statements prepared in accordance with IAS 34

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements do not present fairly, in all material respects, the financial position of the Company as at June 30, 2020, its financial performance for the three and six-months periods then ended and its cash flows for the six-months period then ended in accordance with IAS 34.

Other matters - Statements of value added

The individual and consolidated statements of value added for the six-month period ended June 30, 2020, prepared under the responsibility of Company's management and presented as supplementary information for IAS 34, were subjected to review procedures performed in connection with the review of the condensed individual and consolidated interim financial statements of the Company. To form our conclusion, we evaluated whether these statements reconciled with the interim financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that these individual and consolidated statements of value added, were not prepared, in all material respects, consistently with the condensed individual and consolidated interim financial statements taken as a whole.

São Paulo, July 30, 2020

KPMG Auditores Independentes
CRC 2SP014428/O-6

Wagner Petelin
Contador CRC 1SP142133/O-7

HIDROVIAS DO BRASIL S.A.

BALANCE SHEETS AT JUNE 30, 2020 AND DECEMBER 31, 2019

(In thousands of reais – R\$)

ASSETS	Note	Parent company		Consolidated	
		06/30/2020	12/31/2019	06/30/2020	12/31/2019
Current Assets					
Cash and cash equivalents	4	863	9.179	21.915	45.166
Securities	5.1	26.258	4.625	1.090.228	913.972
Trade accounts receivable	6.1	-	-	181.886	82.350
Inventories		-	-	62.178	38.364
Recoverable taxes	7	90	827	43.315	27.463
Income tax and social contribution	7.1	2	11.393	35.183	28.116
Advances to suppliers	9	659	435	25.957	37.884
Prepayments		2.881	2.302	37.938	47.499
Related party credits	18	6.631	6.333	-	-
Dividends receivable		37.032	37.032	-	-
Other receivables		173	1.293	25.573	25.580
Total current assets		74.589	73.419	1.524.173	1.246.394
Non-current assets					
Linked securities	5.2	-	-	19.987	15.383
Related party credits	18	5.477	4.225	-	-
Trade accounts receivable	6.1	-	-	7.200	-
Judicial deposits	17	5.343	5.343	12.695	11.756
Guarantees and pledge deposits	8	8.999	6.704	8.999	6.704
Deferred tax assets	26	-	-	171.410	46.718
Recoverable taxes	7	-	6	63.080	55.199
Income tax and social contribution	7.1	-	-	25.618	25.618
Advances to suppliers	9	-	-	18.555	30.750
Prepayments		3.451	3.445	26.722	19.070
Investments	10	1.349.739	1.477.715	88.475	70.946
Property, plant and equipment	11	5.454	5.736	3.360.969	2.928.464
Right-of-use asset	12	551	1.101	30.651	32.534
Intangible assets	13	16.621	12.206	340.383	228.129
Total non-current assets		1.395.635	1.516.481	4.174.744	3.471.271
Total assets		1.470.224	1.589.900	5.698.917	4.717.665

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	Parent company		Consolidated	
		06/30/2020	12/31/2019	06/30/2020	12/31/2019
Current Liabilities					
Suppliers	14	4.915	3.018	113.646	49.945
Loans and financing	15	-	-	199.142	172.275
Social charges and labor legislation obligations	16	14.744	12.655	35.704	26.198
Lawsuits	17	-	-	6.090	5.884
Taxes payable		5.044	5.032	26.310	17.398
Income tax and social contribution		-	15.964	30.863	21.971
Provision for loss on investments	10	3.693	3.652	-	-
Accounts payable with related parties	18	59.012	1.114	-	-
Advance from clients		-	-	4.944	21.721
Dividends payable		50	363	13.912	2.834
Lease payable	12	655	90	6.695	107
Concession lease	13	-	-	20.253	-
Other accounts payable		3.262	3.382	16.424	4.859
Total current liabilities		91.375	45.270	473.983	323.192
Non-current liabilities					
Loans and financing	15	-	-	3.754.001	2.818.234
Lease payable	12	-	1.059	24.584	32.668
Concession lease	13	-	-	67.500	-
Total non-current liabilities		-	1.059	3.846.085	2.850.902
SHAREHOLDERS' EQUITY					
Capital	19	1.282.798	1.282.798	1.282.798	1.282.798
Capital reserves		18.872	17.127	18.872	17.127
Additional dividends proposed	19	-	35.827	-	35.827
Accumulated losses		(134.117)	-	(134.117)	-
Profit reserve		84.499	48.672	84.499	48.672
Equity valuation adjustment		126.797	159.147	126.797	159.147
Total shareholders' equity		1.378.849	1.543.571	1.378.849	1.543.571
Total liabilities and shareholders' equity		1.470.224	1.589.900	5.698.917	4.717.665

See the accompanying notes to the financial statements

HIDROVIAS DO BRASIL S.A.

STATEMENTS OF INCOME
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020 AND 2019
(In thousands of Reais, except earnings/loss per share)

	Nota explicativa	Parent company				Consolidated			
		04/01/2020 to 06/30/2020	01/01/2020 to 06/30/2020	04/01/2019 to 06/30/2019	01/01/2019 to 06/30/2019	04/01/2020 to 06/30/2020	01/01/2020 to 06/30/2020	04/01/2019 to 06/30/2019	01/01/2019 to 06/30/2019
Net operating revenue	23	-	-	-	-	426.195	639.717	253.675	444.747
Cost of services rendered	24	-	-	-	-	(324.979)	(555.632)	(150.278)	(284.174)
Gross profit		-	-	-	-	101.216	84.085	103.397	160.573
OPERATING EXPENSES									
General and administrative expenses	24	(22.017)	(46.774)	(21.814)	(36.193)	(34.447)	(70.293)	(28.523)	(48.976)
Equity in net income of subsidiaries	10	18.540	(87.025)	75.970	86.000	1.820	(475)	1.122	(3.349)
Other expenses/revenues	24	310	-	(1.439)	(1.442)	9.098	19.562	22.288	21.595
Operating income (loss) before financial income (loss) and taxes		(3.167)	(133.799)	52.717	48.365	77.687	32.879	98.284	129.843
Financial revenues	25	79	1.263	45	2.560	11.242	64.528	6.792	14.893
Financial expenses	25	(4.319)	(1.581)	(756)	(1.745)	(78.259)	(210.567)	(44.730)	(84.700)
Financial income (loss)	25	(4.240)	(318)	(711)	815	(67.017)	(146.039)	(37.938)	(69.807)
Operating income before income tax and social contribution		(7.407)	(134.117)	52.006	49.180	10.670	(113.160)	60.346	60.036
Income tax and social contribution									
Current	26	-	-	-	-	(16.092)	(30.069)	(4.354)	(8.709)
Deferred assets	26	-	-	-	-	(1.985)	9.112	(3.986)	(2.147)
(Loss) income for the period		(7.407)	(134.117)	52.006	49.180	(7.407)	(134.117)	52.006	49.180
Basic earnings per share - R\$	20					(0,0099)	(0,1792)	0,0695	0,0657
Diluted earnings per share - R\$	20					(0,0098)	(0,1774)	0,0689	0,0652

See the accompanying notes to the financial statements

HIDROVIAS DO BRASIL S.A.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020 AND 2019
(In thousands of reais – R\$)

	Parent company				Consolidated			
	04/01/2020 to 06/30/2020	01/01/2020 to 06/30/2020	04/01/2019 to 06/30/2019	01/01/2019 to 06/30/2019	04/01/2020 to 06/30/2020	01/01/2020 to 06/30/2020	04/01/2019 to 06/30/2019	01/01/2019 to 06/30/2019
(Loss) income for the period	(7.407)	(134.117)	52.006	49.180	(7.407)	(134.117)	52.006	49.180
Other comprehensive income:								
Items that may be reclassified in the statement of income:								
Foreign exchange difference in the translation of foreign operations in subsidiaries	51.157	264.620	(6.006)	(8.147)	49.623	241.327	(5.188)	(7.160)
Foreign exchange difference in the translation of foreign operations in investees	-	-	-	-	1.534	23.293	(818)	(987)
Hedge accounting of non-derivative financial instruments	(64.880)	(412.551)	19.941	(1.827)	(64.880)	(412.551)	19.941	(1.827)
Deferred income tax and social contribution	21.847	115.581	(3.446)	23.265	21.847	115.581	(3.446)	23.265
Total	8.124	(32.350)	10.489	13.291	8.124	(32.350)	10.489	13.291
Comprehensive income (loss) for the period	717	(166.467)	62.495	62.471	717	(166.467)	62.495	62.471

See the accompanying notes to the financial statements

HIDROVIAS DO BRASIL S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX-MONH PERIOD ENDED JUNE 30, 2020 AND 2019 - PARENT COMPANY AND CONSOLIDATED

(In thousands of reais – R\$)

	Note	Capital reserves			Profit reserves			Equity valuation adjustment		Total		
		Capital	Cost for the issue of shares	Goodwill in the issue of shares	Options granted	Tax incentive reserve	Legal reserve	Additional dividends proposed	Retained earnings (losses)		Accumulated translation adjustments	Adjustment of non-derivative financial instruments
BALANCES AT JANUARY 1, 2019		1.308.286	(24.885)	3.798	9.135	18.212	8.106	134.440	-	263.733	(106.431)	1.614.394
Capital to be paid-up		1.284	-	(1.284)	-	-	-	-	-	-	-	-
Income for the period		-	-	-	-	-	-	-	49.180	-	-	49.180
Dividend distribution		-	-	-	-	-	-	(134.440)	-	-	-	(134.440)
Other comprehensive income		-	-	-	-	-	-	-	-	(8.147)	21.438	13.291
BALANCES AT JUNE 30, 2019		1.309.570	(24.885)	2.514	9.135	18.212	8.106	-	49.180	255.586	(84.993)	1.542.425
BALANCES AT JANUARY 1, 2020		1.307.683	(24.885)	4.401	12.726	37.636	11.036	35.827	-	285.664	(126.517)	1.543.571
Loss for the period		-	-	-	-	-	-	-	(134.117)	-	-	(134.117)
Recognized options granted		-	-	-	1.745	-	-	-	-	-	-	1.745
Other comprehensive income	10	-	-	-	-	-	-	-	-	264.620	(296.970)	(32.350)
BALANCES AT JUNE 30, 2020		<u>1.307.683</u>	<u>(24.885)</u>	<u>4.401</u>	<u>14.471</u>	<u>37.636</u>	<u>11.036</u>	<u>35.827</u>	<u>(134.117)</u>	<u>550.284</u>	<u>(423.487)</u>	<u>1.378.849</u>

See the accompanying notes to the financial statements

HIDROVIAS DO BRASIL S.A.

STATEMENTS OF ADDED VALUE
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020 AND 2019
(In thousands of reais – R\$)

	Parent company		Consolidated	
	06/30/2020	06/30/2019	06/30/2020	06/30/2019
REVENUES				
Revenue from services	-	-	665.562	465.957
Revenues from construction of own assets	6.865	2.001	118.397	49.698
Other revenues	-	-	19.562	-
Inputs acquired from third parties:				
Cost of services rendered	-	-	(392.313)	(129.056)
Material, electric power, outsourced services and other	(16.676)	(17.931)	(28.679)	(21.626)
Construction of own assets	(6.865)	(2.001)	(118.397)	(49.698)
Gross added value (consumed)	<u>(16.676)</u>	<u>(17.931)</u>	<u>264.132</u>	<u>315.275</u>
Depreciation and amortization	(3.952)	(3.151)	(104.203)	(88.265)
Net added value (consumed) generated by the Company	<u>(20.628)</u>	<u>(21.082)</u>	<u>159.929</u>	<u>227.010</u>
Added value (consumed) received as transfer:				
Equity in net income of subsidiaries	(87.025)	86.000	(475)	(3.349)
Financial revenues	1.263	2.560	64.528	14.893
Total added value payable (consumed)	<u>(106.390)</u>	<u>67.478</u>	<u>223.982</u>	<u>238.554</u>
Distribution - Added value (consumed)	(106.390)	67.478	223.982	238.554
Personnel:	<u>26.146</u>	<u>16.553</u>	<u>100.731</u>	<u>72.610</u>
Direct remuneration	19.224	12.024	92.788	67.406
Benefits	3.479	1.667	3.765	1.860
FGTS	3.407	2.862	4.143	3.344
Other	36	-	35	-
Taxes	-	-	<u>46.801</u>	<u>32.064</u>
Federal	-	-	46.801	29.919
Other	-	-	-	2.145
Third-party capital remuneration	<u>1.581</u>	<u>1.745</u>	<u>210.567</u>	<u>84.700</u>
Interest on loans	(5)	158	98.987	78.028
Inflation adjustments and exchange-rate changes	1.382	-	100.052	-
Other financial	204	1.587	11.528	6.672
Remuneration of own capital	<u>(134.117)</u>	<u>49.180</u>	<u>(134.117)</u>	<u>49.180</u>
Retained earnings	(134.117)	49.180	(134.117)	49.180

See the accompanying notes to the financial statements

STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020 AND 2019
(In thousands of reais – R\$)

	Parent company		Consolidated	
	06/30/2020	06/30/2019	06/30/2020	06/30/2019
Cash flow from operating activities				
(Loss) income for the period	(134.117)	49.180	(134.117)	49.180
Adjustments to reconcile loss for the year with net cash generated by (invested in) in operating activities:				
Provision for bonus	10.774	4.048	11.458	4.325
Provisão PIS/COFINS	-	-	-	(834)
Income tax and social contribution expenses	-	-	20.957	10.856
(Formation) Reversal of provision for contingency	-	-	206	(1.996)
Interest incurred on loans	-	158	106.582	78.028
Reversal of loan funding costs	-	-	1.771	(2.475)
Inflation adjustments and exchange-rate changes	-	(171)	90.577	(171)
Accrued interest - lease	45	23	887	688
Stock option plan	1.745	-	1.745	-
Yield of interest earning bank deposit	(94)	(1.607)	(63.784)	(8.523)
Write-off of fixed and intangible assets	-	10	-	11
Depreciation and amortization	3.402	2.864	100.580	85.913
Amortization from right-of-use asset	550	287	3.623	2.351
Equity in net income of subsidiaries	87.025	(86.000)	475	3.349
Revenue realized from hedge	-	-	127.569	8.744
(Increase) decrease in operating assets:				
Accounts receivable	-	-	(91.486)	7.904
Inventories	-	-	(12.636)	(2.400)
Recoverable taxes	(419)	-	(25.135)	(29.019)
Advances to suppliers	(224)	284	31.581	(3.899)
Prepayments	(585)	(268)	(16.641)	(18.065)
Judicial deposits	-	-	(939)	(5)
Guarantees and pledge deposits	(2.295)	69	(2.295)	69
Other receivables	1.120	(603)	2.551	(16.665)
Increase (decrease) in operating liabilities:				
Suppliers	1.897	(964)	56.267	(24.280)
Social charges and labor legislation obligations	(8.685)	(7.062)	(3.190)	(7.749)
Taxes payable	12	(210)	8.482	(1.291)
Advances from clients	-	-	(21.587)	(23.085)
Other accounts payable	(120)	(126)	10.699	(894)
Payment of interest on loans and financing	-	(292)	(94.794)	(80.245)
Income tax and social contribution paid	(3.410)	(679)	(20.105)	(8.187)
Net cash (invested in) from operating activities	(43.379)	(41.059)	89.301	21.635
Cash flows from investment activities				
Acquisition of fixed assets	(101)	(1.631)	(111.708)	(48.784)
Acquisition of intangible assets	(7.230)	(371)	(6.837)	(914)
Securities (investment)	(85.555)	(188.664)	(815.226)	(783.785)
Securities (redemptions)	64.016	302.657	913.818	925.239
Dividends received	4.000	82.169	6.316	-
Loan granted between related parties	(1.550)	(833)	-	-
Capital increase (decrease) in subsidiaries	4.437	(230)	-	-
Net cash generated by (invested in) investment activities	(21.983)	193.097	(13.637)	91.756
Cash flows from financing activities				
Paid lease	(539)	(581)	(4.135)	(3.342)
Lease paid	-	(15.833)	(21.372)	(43.374)
Linked securities	-	-	(4.604)	(2.626)
Payment of dividends	(313)	(135.798)	(4.359)	(135.798)
Bond repurchase - Bond	-	-	(71.764)	-
Loan granted between related parties	57.380	-	-	-
Other accounts payable with related parties	518	79	-	-
Net cash (invested in) generated by financing activities	57.046	(152.133)	(106.234)	(185.140)
Effect of changes in exchange rate on balance of cash and cash equivalents in f	-	-	7.319	443
Decrease/increase in cash and cash equivalents	(8.316)	(95)	(23.251)	(71.306)
Cash and cash equivalents at the beginning of the period	9.179	8.823	45.166	135.667
Cash and cash equivalents at the end of the period	863	8.728	21.915	64.361
Decrease / increase in cash and cash equivalents	(8.316)	(95)	(23.251)	(71.306)

HIDROVIAS DO BRASIL S.A.

Notes to condensed interim financial statement

For the period ended June 30, 2020

(In thousands of reais - R\$, unless otherwise indicated)

1. Operations

Hidrovias do Brasil S.A. (“Company or Hidrovias”), a category “A” publicly-held company, in accordance with requirements of the Brazilian Securities and Exchange Commission (“CVM”), was set up on August 18, 2010 and is headquartered in the city and state of São Paulo, at Rua Gilberto Sabino, 215 - 7º andar - Pinheiros, and may, by resolution of the Board of Directors, open branches, agencies and establishments anywhere in Brazil or abroad. The Company's business purpose consists of waterway, road and multimodal logistics and infrastructure activities, in Brazil and abroad, including those listed below, as well as an ownership interest in companies that carry out such activities:

- a) Transportation of goods.
- b) Construction and exploration of ports, cargo terminals, dockyards, workshops and warehouses.
- c) River and sea navigation, cabotage and storage of goods.
- d) Provision of logistic services, directly or through third parties.
- e) Other correlated activities or activities that are somehow related to its business purpose.

The Company is authorized to increase its capital by up to R\$ 1,720,000 by resolution of the Board of Directors and regardless of statutory reform, pursuant to article 168 of Law 6404/76.

The Company is an intervening party in the shareholders' agreement that regulates the terms and conditions of the relationship between the shareholders and, indirectly, in the companies in which the Company holds investments, now and in the future, including the exercise of voting rights, the participation of the shareholders in company management, the obligation of each shareholder to pay the subscribed capital, agreements regarding future capitalization, and some other restrictions on the transfer of shares or equivalent securities issued by the Company.

COVID - 19

In addition, as disclosed in note 27 on Company's exchange rate risks, due to the new reality arising from Covid-19, which has been showing high volatility in recent months, mainly in the US North American dollars (“US\$”) currency and uncertainties that increase general market risk and credit risk from several companies. Although Hidrovias does not have negative impacts on business performance due to the pandemic, the profitability of funds linked to CDI and Selic suffered severe falls, as presented in note 5, accompanying the falls in economic indicators due to the increase in general market.

The Company's operating segments are considered to be of public needs, therefore, its operations have not been interrupted and is following the determinations of legislation in Brazil and in the countries in which it operates.

The profitability of funds linked to North American dollars suffered positive impacts with the devaluation of the real, offsetting those negative and helping to maintain financial income from financial investments. Although the Company adopts hedge policies to minimize the exposure of the currency to the dollar, part of the debt is not hedged, impacting the result of the period with an exchange variation of R\$ 90,577.

Management opted for tax deferral based on legislation and will constantly assess the impact of the outbreak on the Company's operations and equity and financial position, in order to implement appropriate measures to mitigate the impacts of the outbreak on operations and accounting information intermediate.

The Company has adopted several preventive and necessary measures to guarantee the continuity of its business and the safety of its employees and customers.

Risk Committee was created to daily monitor the evolution of COVID-19, and the impacts and measures necessary to ensure the safety of all employees, in addition to intensifying personal hygiene techniques, and reinforcing the use of sanitary barriers in vessels and port terminals and adherence to the home office for the entire administrative area.

HIDROVIAS DO BRASIL S.A.

Notes to condensed interim financial statement

For the period ended June 30, 2020

(In thousands of reais - R\$, unless otherwise indicated)

The part of the BNDES initiatives for the effects arising from the COVID-19 pandemic the BNDES approved an extraordinary measure prior to a temporary suspension of the payment of interest and amortization of the principal (“Standstill”) for a period of up to 6 months, according to Circular no. 20/2020 of April 9, 2020. On April 14, 2020, BNDES also approved the request for postpone the loan payments of Hidrovias do Brasil - Cabotagem, for the period between May 2020 and November 2020. This postpone agreement does not imply failure to comply with any contractual clause that does not represent a default event, but does not allow for the distribution of extraordinary dividends.

The Company, through its Institute and Subsidiaries, engaged in humanitarian causes to combat COVID-19 and its consequences, the amount of R\$ 7,200 was donated, with this amount converted into 40 ICU beds and 160 regular beds in the Municipality of Itaituba-PA, 33 hospital breathers, 40 monitors and 40 ICU beds in the Municipality of Barcarena-PA and various distribution actions of Hygiene Kits, Medical Uniforms, as well as basic food baskets targeted to the population of their areas of operation (Santos-SP, Cubatão-SP, Belém-PA, Itaituba-PA, Barcarena-PA and Paraguay).

HIDROVIAS DO BRASIL S.A.

Notes to condensed interim financial statement

For the period ended June 30, 2020

(In thousands of reais - R\$, unless otherwise indicated)

The Company has direct and indirect shareholdings in, and joint ownership of, the following companies:

Subsidiaries	Main activity	Country	Type of consolidation	06/30/2020		12/31/2019	
				% Interest		% Interest	
				Direct	Indirect	Direct	Indirect
Hidroviás do Brasil - Holding Norte S.A.	Holding interest in other companies	Brazil	Full	100.00%	-	100.00%	-
Hidroviás do Brasil - Vila do Conde S.A.	Cargo storage and lifting	Brazil	Full	-	100.00%	-	100.00%
Hidroviás do Brasil - Marabá S.A.	Land - Pre-operating	Brazil	Full	100.00%	-	100.00%	-
Hidroviás do Brasil - Intermediação e Agenciamento de Serviços Ltda.	Intermediation and agency services	Brazil	Full	99.00%	1.00%	99.00%	1.00%
Hidroviás do Brasil - Cabotagem Ltda.	Long-distance sea transport	Brazil	Full	99.00%	1.00%	99.00%	1.00%
Hidroviás do Brasil – Santos	Changes and warehousing	Brazil	Full	-	100.00%	-	100.00%
Obrinel S.A.	Specialized cargo terminal	Uruguay	Equity in net income of subsidiaries	-	49.00%	-	49.00%
Hidroviás del Sur S.A.	Holding interest in other companies	Uruguay	Full	100.00%	-	100.00%	-
Baloto S.A.	Holding interest in other companies	Uruguay	Full	4.95%	95.05%	4.95%	95.05%
Girocantex S.A.	Fluvial transportation	Uruguay	Full	-	100.00%	-	100.00%
Hidroviás del Paraguay S.A.	Fluvial transportation	Paraguay	Full	0.01%	99.99%	0.01%	99.99%
Pricolpar S.A.	Fluvial transportation	Paraguay	Full	0.02%	99.98%	0.02%	99.98%
Cikelsol S.A.	Fluvial transportation	Uruguay	Full	-	100.00%	-	100.00%
Limday S.A.	Fluvial transportation	Uruguay	Equity in net income of subsidiaries	-	44.55%	-	44.55%
Resflir S.A.	Lease of navigation assets	Uruguay	Full	-	100.00%	-	100.00%
Hidroviás International Finance S.à.r.l.	Agency of financial operations	Luxembourg	Full	100.00%	-	100.00%	-

HIDROVIAS DO BRASIL S.A.

Notes to condensed interim financial statement
For the period ended June 30, 2020
(In thousands of reais - R\$, unless otherwise indicated)

2. Preparation basis

a) Statement of conformity

The condensed interim financial statement were prepared in accordance with the International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board (IASB) and in accordance with the accounting practices adopted in Brazil by the Brazilian Securities and Exchange Commission - CVM.

The parent company's individual interim financial information was prepared in accordance with accounting practices adopted in Brazil by the Brazilian Securities and Exchange Commission - CVM.

The issue of condensed interim financial statement was authorized by the Company's Executive Board on July 30, 2020.

Management declares that all relevant information specific to the condensed interim financial statements, and only such information, is being evidenced and corresponds to the information used by the Management in its administration.

The accounting policies adopted in the preparation of the condensed interim financial statements, as well as the measurement basis, the functional and the presentation currency, and the main judgments and uncertainties associated with the estimates used in the application of the accounting practices, are consistent with those presented in the financial statements for the year ended December 31, 2019, filed with the Brazilian Securities and Exchange Commission (CVM) and disclosed on the Company's website. This condensed interim financial statement should be read together with financial statements for the year ended December 31, 2019.

3. Significant accounting policies

There was change in Technical Pronouncement CPC 06 (R2) - Leases, due to benefits related to Covid-19 granted to lessees in lease agreements that did not impact the interim financial statements, except for this, there were no changes in the main accounting policies compared to those disclosed in the financial statements for the year ended December 31, 2019.

4. Cash and cash equivalents

	Parent company		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Bank balances - Domestic	863	9,179	12,340	14,720
Bank balances - Foreign	-	-	9,575	30,446
	<u>863</u>	<u>9,179</u>	<u>21,915</u>	<u>45,166</u>

HIDROVIAS DO BRASIL S.A.

Notes to condensed interim financial statement

For the period ended June 30, 2020

(In thousands of reais - R\$, unless otherwise indicated)

5. Interest earning bank deposits

5.1 Securities

	Parent company		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
JP Morgan (d)	-	-	736,448	617,572
Itaú Fundo FICFI 311 (b)	-	-	45,101	117,254
Fundo Itaú PP Portfólio (a)	26,256	1,157	79,364	44,735
Santander Argo DI FC (c)	2	2	21,338	31,854
FIDC (Fundo Invest Dir Credit) (f)	-	-	181,166	80,605
CDB ABC (e)	-	-	14,952	14,836
Fundo Safra	-	3,466	-	3,465
Banco do Brasil (g)	-	-	11,859	3,651
Total	26,258	4,625	1,090,228	913,972

- (a) Interest earning bank deposits that represent investments in Fundo Itaú PP Portfólio, referenced to the change of the Interbank Deposit Certificate (CDI) rate, with an average remuneration of 78.84% of CDI (98.67% as of December 31, 2019). The fund's portfolio consists exclusively of fixed income securities, distributed among federal government bonds, Repurchase and resale agreements, Fund quotas, and other securities of financial institutions.
- (b) Interest earning bank deposits comprising investments in the "Fundo Itaú Cambial FIC FI" fund, referenced to the exchange-rate change of the US dollar – Ptax800, with average yield of 35.78% as of June 30, 2020 (6.56% as of December 31, 2019). The fund's portfolio is comprised of federal government bonds and repurchase and resale agreements backed by Federal government bonds.
- (c) Interest earning bank deposits that represent investments in Fundo Santander ARGO, referenced to the change of the Interbank Deposit Certificate - CDI rate, with an average remuneration of 59.23% of CDI (99.25% as of December 31, 2019). The fund's portfolio consists exclusively of fixed income securities, distributed among federal government bonds, Repurchase and resale agreements, Fund quotas, and other securities of financial institutions.
- (d) Interest earning bank deposits representing investments in a foreign fund with Banco J.P. Morgan, linked to changes in the U.S. treasury 0.41% (1.74% as of December 31, 2019). The portfolio consists of fixed income securities and US Treasury Bonds.
- (e) Interest earning bank deposits that represent investments in Bank Deposit Certificates - CDB at Banco ABC Brasil, referenced to the change of Interbank Deposit Certificate - CDI rate, with an average remuneration of 106.00% of CDI (98.5% as of December 31, 2019).
- (f) Financed investments that represent investments in FIDC, with an average return of 3.30% on June 30, 2020 (-0.09% on December 31, 2019).
- (g) Interest earning bank deposits comprising investments in Banco do Brasil, with an average return of 23.17% as of June 30, 2020 (34.54% of CDI as of December 31, 2019). The fund's portfolio is comprised of fixed income securities, including repurchase and resale agreements backed by public bonds and Federal government bonds.

HIDROVIAS DO BRASIL S.A.

Notes to condensed interim financial statement
For the period ended June 30, 2020
(In thousands of reais - R\$, unless otherwise indicated)

5.2 Pledged financial investments

	Consolidated	
	06/30/2020	12/31/2019
Hidroviias Cabotagem Ltda	19,987	15,383
Total	19,987	15,383

They represent investments in the BNP PARIBAS SOBERANO FIC FI RF fund, subject to changes in the SELIC interest rate, average remuneration of 89.39% of the Selic rate (94.59% as of December 31, 2019). The fund's portfolio consists of federal government bonds issued by Brazil's National Treasury and/or Central Bank of Brazil, pre-fixed or indexed to changes in CDI rate, or by repurchase and resale agreements backed by federal government bonds.

Interest earning bank deposits presented in non-current assets are linked to loans. The contractual clause provides that an equivalent balance should be maintained in a restricted account during the contract's entire effectiveness, an equivalent balance to the previously agreed upon.

6. Trade accounts receivable

6.1 Breakdown of balances per company

	Consolidated	
	06/30/2020	12/31/2019
<u>Accounts receivable abroad</u>		
Cikelsol	13,900	2,317
Girocantex	64,372	29,493
Del Paraguai	412	392
Pricolpar	-	177
Vila do Conde	15,585	16,935
Intermediação	-	98
	94,269	49,412
<u>Domestic accounts receivable</u>		
Cikelsol	1,197	-
Girocantex	73	-
Intermediação	-	808
Vila do conde	63,618	12,350
Cabotagem	25,867	19,780
Santos	4,062	-
	94,817	32,938
Total	189,086	82,350
Current	181,886	82,350
Non-current	7,200	-

As disclosed in note 23, a substantial part of the Company's revenue comes from a small number of Customers. This concentration, in turn, can impact Company's analysis and exposure to credit risk. For additional information related to credit risk, see note 27.4.

HIDROVIAS DO BRASIL S.A.

Notes to condensed interim financial statement
For the period ended June 30, 2020
(In thousands of reais - R\$, unless otherwise indicated)

The variation in balances refers mainly to Vila do Conde and Girocantex, with an increase in volume transported from 2019 to 2020, mainly aimed at increasing the volume in the Multimodal Transport Operator (“OTM”) (see Note 24 for more information).

6.2 Breakdown of accounts receivable per maturity age

	Consolidated	
	06/30/2020	12/31/2019
Falling due	138,613	65,257
Overdue (days):		
up to 30	25,484	4,090
30–60	8,592	1,374
60–90	93	400
90–120	12	3,129
120–180	10,276	6,985
>180	6,016	1,115
Total	<u>189,086</u>	<u>82,350</u>
Current	181,886	82,350
Non-current	7,200	-

The Company and its subsidiaries understand that credit risk is low, based on the collection history and the credit quality of its customers. Thus, the estimated credit loss did not have a significant impact to the Company’s condensed interim financial statements.

7. Recoverable taxes

	Parent company		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Income tax on interest earning bank deposit (a)	18	747	4,926	4,243
Social contributions (PIS / COFINS) (b)	68	60	75,610	60,887
VAT Brazil (ICMS)	-	18	1,205	2,566
City tax (ISS)	4	8	834	815
VAT Paraguay (c)	-	-	23,820	14,151
Total	<u>90</u>	<u>833</u>	<u>106,395</u>	<u>82,662</u>
Current assets	90	827	43,315	27,463
Non-current assets	-	6	63,080	55,199

The recoverable taxes are recorded by the accrual basis, according to the withholdings and/or payments made, in such a way that the Company and its subsidiaries present the following situations:

- Income Tax withholdings incurred as a result of income from fixed income financial investments made by the Company and its subsidiaries are recognized in Assets according to information provided by financial institutions on a periodic basis.
- The PIS and COFINS contributions derive from credits calculated for Navegação Norte. These credits are calculated, mainly, on acquisitions of fuel and subcontracting of shipping companies in the multimodal operation (OTM) during the road stretch. The credits are offset monthly against debits on

HIDROVIAS DO BRASIL S.A.

Notes to condensed interim financial statement

For the period ended June 30, 2020

(In thousands of reais - R\$, unless otherwise indicated)

provision of services or quarterly against debits of other federal taxes through offset via PER/DCOMP within a maximum term of five years.

- (c) The Value Added Tax that is recognized in the assets of the companies in the South region, such tax is a consequence of the purchase of inputs for the operation of the companies Hidroviás do Paraguay and Pricolpar, being companies located in Paraguay.

7.1 Income tax and social contribution

	Parent company		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Income tax and social contribution	2	11,393	60,801	53,734
	<u>2</u>	<u>11,393</u>	<u>60,801</u>	<u>53,734</u>
Current assets	2	11,393	35,183	28,116
Non-current assets	-	-	25,618	25,618

Corporate Income Tax and Social Contribution are reported in Assets, according to the early payments made under current tax legislation, regarding Taxable Income, as well as withholdings incurred as a result of payment of services rendered by the Company and its subsidiaries.

Part of the Income tax and Social contribution credit derives from a Negative Balance from previous years and this tax credit is being used to compensate other federal taxes debts, with criteria pre-established by the current legislation, as well as being subject to requests for reimbursement / refund.

8. Guarantees and escrow deposits

	Parent company and Consolidated	
	06/30/2020	12/31/2019
Obrinel project (a)	8,696	6,401
Other	303	303
Total	<u>8,999</u>	<u>6,704</u>

- (a) On July 25, 2014, the Company granted cash funds to jointly-controlled subsidiary Obrinel whose the amount on June 30, 2020, was R\$ 8,696 (R\$ 6,401 as of December 31, 2019) shall remain as escrow deposit until the financial conclusion of Obrinel Project, and the term is December 15, 2027.

Regarding the Obrinel Project and in addition to the guarantee deposit mentioned in note 8 above, on June 24, 2014, the Company (as Sponsor of the Obrinel Project) and its direct subsidiary Hidroviás del Sur, granted in favor of DEG and BROU banks: (i) solidary guarantee on the first request (first demand) up to the amount of USD9,8M, as a guarantee for any non-compliance by Obrinel with the Project's financing terms; (ii) corporate guarantee up to the amount of USD10M, to cover any financial deficiencies or over-costs of the Project; and (iii) corporate guarantee up to the amount of USD45M to cover some specific risks of the Project. The shares of Baloto (direct shareholder in Obrinel) were also pledged in favor of the DEG and BROU banks on June 13, 2014. All the guarantees referred to remained in effect until the financial conclusion of the Obrinel Project.

HIDROVIAS DO BRASIL S.A.

Notes to condensed interim financial statement

For the period ended June 30, 2020

(In thousands of reais - R\$, unless otherwise indicated)

9. Advances to suppliers

	Parent company		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Advances to domestic suppliers	659	435	13,106	50,111
Advances to foreign suppliers	-	-	31,406	18,523
Total	659	435	44,512	68,634
Current	659	435	25,957	37,884
Non-current	-	-	18,555	30,750

As of June 30, 2020, the balance of advances to suppliers is basically composed of R\$ 8,149 (R\$ 30,750 on December 31, 2019) referring to advances for vessel construction, of which R\$ 9,586 (R\$ 13,004 on December 31, 2019) referring to the purchase of fuel, R\$ 0 (R\$ 4,931 on December 31, 2019) referring to advances for rental of vessels for occasional trips, R\$ 1,510 referring to acquisition of equipment with assignment to donations due to Covid-19 (R\$ 0 on December 31, 2019), R\$ 1,836 related to the implantation of saints (R\$ 0 on December 31, 2019) and R\$ 23,431 (R\$ 19,949 on December 31, 2019) related to advances to other suppliers inherent to the Company's operation.

10. Investments

Changes in investments of parent company and consolidated in the period ended June 30, 2020 are shown below:

Composition of investments	Parent company		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Ownership interest valued under the equity method	1,343,342	1,471,114	70,935	56,676
Concession contract	6,397	6,601	6,397	6,601
Goodwill	-	-	11,143	7,669
Total investments	1,349,739	1,477,715	88,475	70,946
Provision for loss on investments	(3,693)	(3,652)	-	-
Total	1,346,046	1,474,063	88,475	70,946

Parent company

	12/31/2019		06/30/2020					Closing balance
	Opening balance	Capital increase/decrease	Equity valuation adjustment - Hedge	Equity valuation adjustment - Income (loss) from foreign currency translation (CTA)	Dividends	Amortization of goodwill	Equity income (loss)	
Baloto	4,972	(3,695)	-	1,451	-	-	(170)	2,558
Hidrovias Del Sur S.A.	731,967	-	-	264,741	-	-	23,539	1,020,247
Hidrovias BR - Marabá S.A.	9,322	250	-	-	-	-	67	9,639
Hidrovias Holding Norte Ltda.	502,475	-	(177,228)	-	-	-	(138,139)	187,108
Hidrovias Cabotagem Ltda.	205,692	(860)	(119,742)	-	-	-	21,819	106,909
Hidrovias - Intermediação Ltda.	16,686	(127)	-	-	(4,000)	-	4,319	16,878
Pricolpar	-	4	-	-	-	-	(1)	3
Subtotal investments and investment losses	1,471,114	(4,428)	(296,970)	266,192	(4,000)	-	(88,566)	1,343,342
Concession contract	6,601	-	-	-	-	(204)	-	6,397

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Subtotal – Investments	1,477,715	(4,428)	(296,970)	266,192	(4,000)	(204)	(88,566)	1,349,739
Hidroviás International Finance	(3,652)	-	-	(1,573)	-	-	1,544	(3,681)
Hidroviás del Paraguay	-	(9)	-	-	-	-	(3)	(12)
Total	1,474,063	(4,437)	(296,970)	264,619	(4,000)	(204)	(87,025)	1,346,046

	12/31/2018	12/31/2019						
	Opening balance	Capital increase/decrease	Equity valuation adjustment - Hedge	Equity valuation adjustment - Income (loss) from foreign currency translation (CTA)	Dividends	Amortization	Equity in net income of subsidiaries	Closing balance
Baloto	4,555	-	-	417	-	-	-	4,972
Hidroviás Del Sur S.A.	673,198	-	-	26,518	(91,939)	-	124,190	731,967
Hidroviás BR - Marabá S.A.	9,182	460	-	-	-	-	(320)	9,322
Hidroviás Holding Norte Ltda.	507,191	580	(9,786)	-	-	-	4,490	502,475
Hidroviás Cabotagem Ltda.	201,942	-	(10,300)	-	-	-	14,050	205,692
Hidroviás – Intermediação Ltda.	15,794	(13,293)	-	-	-	-	14,185	16,686
Subtotal	1,411,862	(12,253)	(20,086)	26,935	(91,939)	-	156,595	1,471,114
Concession contract	15,404	-	-	(7,278)	-	(1,525)	-	6,601
Subtotal – Investments	1,427,266	(12,253)	(20,086)	19,657	(91,939)	(1,525)	156,595	1,477,715
Hidroviás International Finance	2,364	-	-	2,274	-	-	(8,290)	(3,652)
TOTAL	1,429,630	(12,253)	(20,086)	21,931	(91,939)	(1,525)	148,305	1,474,063

Consolidated

	12/31/2019	06/30/2020				
	Opening balance	Income (loss) from foreign currency translation (CTA)	Equity in net income of subsidiaries	Dividends paid	Amortization	Closing balance
Limday	15,570	5,984	2,024	(4,879)	-	18,699
Obrinel	41,106	13,629	(2,499)	-	-	52,236
Subtotal	56,676	19,613	(475)	(4,879)	-	70,935
Concession contract (b)	6,601	-	-	-	(204)	6,397
Goodwill (a)	7,669	3,680	-	-	(206)	11,143
Total	70,946	23,293	(475)	(4,879)	(410)	88,475

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	Consolidated						Closing balance
	12/31/2018	12/31/2019					
	Opening balance	Income (loss) from foreign currency translation (CTA)	Equity in net income of subsidiaries	Dividends paid	Write-offs	Amortization	
Limday	14,224	509	2,517	(1,680)	-	-	15,570
Obrinel	48,719	1,609	(9,222)	-	-	-	41,106
Subtotal	62,943	2,118	(6,705)	(1,680)	-	-	56,676
Concession contract (b)	15,404	-	-	-	(7,278)	(1,525)	6,601
Goodwill (a)	7,778	334	-	-	-	(443)	7,669
Total	86,125	2,452	(6,705)	(1,680)	(7,278)	(1,968)	70,946

The dividends received are being presented in the statement of cash flow in the investment activity.

- (a) Goodwill generated in the acquisition of 44.55% of shares representing the capital of Limday, Limday's goodwill of R\$ 11,143 (R\$ 7,669 on December 31, 2019) is based on projections of future profitability of operations.
- (b) Concession contract

The amount of R\$ 6,397 (R\$ 6,601 as of December 31, 2019) refers to the Baloto's right of concession in the acquisition of Obrinel, and is based on projections developed by the Company on the future profitability of Obrinel's operations.

By Resolution No, 307 / 4,039 dated June 17, 2020, the National Port Administration of Uruguay approved some changes to the concession terms, including an extension of the concession term (for another 20 years, until November 2051), along with authorization for the construction of an additional pier. These changes are currently under analysis by the Court of Auditors ("Tribunal de Contas") and will subsequently be submitted for approval by the government, and should be reflected soon afterwards in an amendment to the current concession contract. After this approval, the amount referred must be revisited and adjusted taking into account the new conditions.

The main information on the directly, indirectly and jointly-controlled subsidiaries is presented below:

	06/30/2020					
	Number of shares	Total assets	Total liabilities	Shareholders' equity (unsecured liability)	Income (loss) of companies in the period	Net revenues (i)
<u>Direct subsidiaries</u>						
Hidroviás del Sur	4,330,646,746	1,249,315	229,068	1,020,247	23,539	-
Hidroviás Internacional Finance S,à r,l,	12,000	3,333,759	3,337,440	(3,681)	1,544	-
HB Marabá	20,000,000	10,667	1,028	9,639	67	-
HB Cabotagem	220,475,382	838,939	730,950	107,988	22,039	93,293
HB Intermediação	2,500,000	20,262	3,214	17,048	4,363	10,807
Hidroviás do Norte (i)	512,989,094	232,737	45,629	187,108	(315,367)	-

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Indirect subsidiaries

Girocantex	2,442,140,008	1,807,607	1,069,861	737,746	56,833	184,281
Hidroviás del Paraguay	4,312	90,001	150,695	(60,694)	(14,122)	54,949
Pricolpar	17,910	194,404	168,648	25,756	(9,727)	24,197
Cikelsol	800,000	311,075	281,027	30,047	(14,308)	55,101
Resflir	20,000	83,103	59,369	23,734	8,375	8,862
HB Vila do Conde	519,596,445	2,090,426	1,895,507	194,919	(307,550)	429,018
Hidroviás do Brasil Operação Portuária Santos	43,904,863	131,142	95,124	36,018	(7,818)	7,258
Baloto	599,999,999	55,678	3,984	51,694	(2,511)	-

Jointly-controlled subsidiaries

Limday	42,902,541	19,681	983	18,699	2,024	6,841
Obrinel	587,999,999	341,668	289,431	52,236	(2,499)	11,773

12/31/2019

	Number of shares	Total assets	Total liabilities	Shareholders' equity (unsecured liability)	Income (loss) of companies in the period	Net revenues (i)
<u>Direct subsidiaries</u>						
Hidroviás del Sur	4,330,646,746	802,367	70,400	731,967	124,191	-
Hidroviás International Finance S,à r,l,	12,000	2,451,528	2,455,180	(3,652)	(8,290)	-
HB Marabá	20,000,000	9,340	18	9,322	(320)	-
HB Cabotagem	63,400,000	757,948	552,257	205,691	14,050	155,322
HB Intermediação	454,000	24,629	7,944	16,685	14,185	34,114
Hidroviás do Norte (i)	489,523,849	548,326	45,851	502,475	4,490	-
<u>Indirect subsidiaries</u>						
Girocantex	2,442,140,008	1,269,029	773,025	496,004	115,478	342,873
Hidroviás del Paraguay	4,312	68,275	99,654	(31,379)	4,002	83,975
Pricolpar	17,910	144,193	116,760	27,433	(3,585)	40,001
Cikelsol	800,000	228,841	197,222	31,619	7,808	107,598
Resflir	20,000	58,086	47,354	10,732	9,474	13,210
HB Vila do Conde	488,550,185	1,882,320	1,386,242	496,078	(12,404)	394,091
Hidroviás do Brasil Operação Portuaria Santos	43,904,263	46,846	3,009	43,837	(68)	-
Baloto	599,999,999	43,554	2,834	40,720	7,808	-
<u>Jointly-controlled subsidiaries</u>						
Limday	42,902,541	16,438	868	15,570	2,517	10,923
Obrinel	587,999,999	252,893	211,786	41,106	(9,222)	18,301

(i) The amount is being presented net of Hedge Accounting in the amount of R\$ 177,228 (R\$ 10,686 as of

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December 31, 2019).

Balance sheet and statement of income - jointly-controlled subsidiaries

	<u>Limday</u>	<u>Limday</u>	<u>Obrinel</u>	<u>Obrinel</u>
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Current assets	16,458	9,956	24,669	9,420
Non-current assets	27,720	26,942	672,612	506,687
Total assets	44,178	36,898	697,281	516,107
Current liabilities	2,203	1,949	40,553	18,770
Non-current liabilities	-	-	550,124	413,447
Quotaholders' equity	41,975	34,949	106,604	83,890
Total liabilities (i)	44,178	36,898	697,281	516,107
Net revenue	15,357	24,520	24,027	18,530
Cost and expenses	10,814	18,869	29,126	37,350
Net revenue for the period	4,543	5,651	(5,099)	(18,820)

(i) As of June 30, 2020, the total amount of liabilities subsidiary Obrinel is substantially comprised by R\$ 263,913 (R\$ 230,113 as of December 31, 2019) of loans and financing.

11. Property, plant and equipment

Breakdown and changes in fixed assets as of June 30, 2020 and December 31, 2019 is as follows:

Parent company	Facilities and improvements	Furniture and fixtures	Machinery and equipment	Electronic and IT equipment	Property, plant and equipment in progress	Total
Balance at 12/31/2019	1,070	43	198	873	3,552	5,736
Additions	-	-	-	-	101	101
Depreciation	(200)	(8)	(21)	(154)	-	(383)
Balance at 06/30/2020	870	35	177	719	3,653	5,454
Historical cost	2,539	169	421	1,777	3,653	8,559
Accumulated depreciation	(1,669)	(134)	(244)	(1,058)	-	(3,105)
Annual depreciation rate – %	10	10	10	25		

Parent company	Facilities and improvements	Furniture and fixtures	Machinery and equipment	Electronic and IT equipment	Property, plant and equipment in progress	Total
Balance at 12/31/2018	1,465	60	238	190	2,162	4,115
Additions	-	-	2	915	1,390	2,307
Write-offs	-	-	-	(10)	-	(10)
Depreciation	(395)	(17)	(42)	(222)	-	(676)
Balance at 12/31/2019	1,070	43	198	873	3,552	5,736
Historical cost	2,538	168	420	1,778	3,552	8,456
Accumulated depreciation	(1,468)	(125)	(222)	(905)	-	(2,720)
Annual depreciation rate – %	10	10	10	25		

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Consolidated	Land	Buildings	Facilities and improvements	Furniture and fixtures	Machinery and equipment	Electronic and IT equipment	Vehicles	Pushers, barges, ships	Property, plant and equipment in progress	Total
Balance at 12/31/2019	84,091	511,328	10,138	359	279,175	2,322	184	1,908,317	132,550	2,928,464
Additions	-	-	13	3	942	224	-	295	111,605	113,082
Depreciation	-	(11,921)	(811)	(34)	(21,737)	(422)	(12)	(55,929)	-	(90,866)
Translation adjustment	-	-	1,341	89	3,430	102	59	380,470	24,798	410,289
Balance at 06/30/2020	84,901	499,407	10,681	417	261,810	2,226	231	2,233,153	268,953	3,360,969
Historical cost	84,901	594,885	15,126	834	411,428	5,185	874	2,645,709	268,953	4,027,085
Accumulated depreciation	-	(95,478)	(4,445)	(417)	(149,618)	(2,959)	(643)	(412,556)	-	(666,116)
Annual depreciation rate - %	-	4	10	10	10	25	20	4	-	-

Consolidated	Land	Buildings	Facilities and improvements	Furniture and fixtures	Machinery and equipment	Electronic and IT equipment	Vehicles	Pushers, barges and ships	Property, plant and equipment in progress	Total
Balance at 12/31/2018	84,091	534,837	11,395	346	320,269	1,061	238	1,764,960	225,427	2,942,624
Additions	-	330	51	57	1,606	1,912	-	15,933	81,898	101,787
Write-offs	-	-	-	(1)	-	(10)	-	-	-	(11)
Transfers	-	-	-	7	-	-	-	176,329	(176,336)	-
Depreciation	-	(23,839)	(1,468)	(59)	(43,094)	(656)	(61)	(91,219)	-	(160,396)
Translation adjustment	-	-	160	9	394	15	7	42,314	1,561	44,460
Balance at 12/31/2019	84,091	511,328	10,138	359	279,175	2,322	184	1,908,317	132,550	2,928,464
Historical cost	84,091	594,885	13,772	742	407,056	4,859	815	2,264,943	132,550	3,503,713
Accumulated depreciation	-	(83,557)	(3,634)	(383)	(127,881)	(2,537)	(631)	(356,626)	-	(575,249)
Annual depreciation rate - %	-	4	10	10	10	25	20	4	-	-

Asset impairment

According to accounting practices adopted in Brazil and IFRSs, the fixed asset items that exhibit signs that their recorded costs are higher than their recoverable values are reviewed in detail to determine the need to form a provision for reduction of the book balance to its realizable value.

In the year ended December 31, 2019, Management performed an impairment test for the assets of the Company and its subsidiaries. Management understands that the test premises are valid for June 30, 2020 and there was no need to update the test.

12. Right-of-use asset

Breakdown and changes in right-of-use asset as of June 30, 2020 and December 31, 2019:

Parent company	Real estate	Total
Net balances at December 31, 2019	1,101	1,101
Amortization	(550)	(550)
Net balances as of June 30, 2020	551	551

Parent company	Real estate	Total
Net balances at December 31, 2018	-	-
Initial adoption	2,202	2,202
Amortization	(1,101)	(1,101)
Net balances at December 31, 2019	1,101	1,101

Consolidated	Real estate	Vessels	Total
Net balances at December 31, 2019	5,954	26,580	32,534
Amortization	(1,811)	(1,812)	(3,623)
Exchange-rate change	1,740	-	1,740
Net balances as of June 30, 2020	5,883	24,768	30,651

Consolidated	Real estate	Vessels	Total
Net balances at December 31, 2018	-	-	-
Initial adoption	8,909	30,205	39,114
Amortization	(2,955)	(3,625)	(6,580)
Net balances at December 31, 2019	5,954	26,580	32,534

Changes in lease liability as of June 30, 2020 and December 31, 2019 are as follows:

	Parent company	Consolidated
Balance at December 31, 2019	1,149	32,775
Recognized interest	45	877
Payment of principal	(539)	(4,135)
Exchange-rate change	-	1,752
Balance at June 30, 2020	655	31,279
Current	655	6,695
Non-current	-	24,584

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	Parent company	Consolidated
Balance at December 31, 2018	-	-
Initial adoption	2,202	39,114
Recognized interest	91	1,677
Payment of principal	(1,144)	(8,016)
Balance at December 31, 2019	1,149	32,775

Current	90	107
Non-current	1,059	32,668

Maturity schedule of leases:

Year	Parent company	Consolidated
2020	701	7,066
2021	-	7,951
2022	-	5,559
2023	-	5,559
2024	-	5,559
>2025	-	9,544
Total	701	41,238
Embedded interest	(45)	(9,959)
Lease liability	656	31,279

The weighted average discount rate for leased assets is 7.5% p.a. for December 31, 2019 and June 30, 2020.

The Company and its subsidiaries have the potential right to recover Pis/Cofins embedded in the lease consideration. Tax credits were not highlighted in the measurement of cash flows from leases, and the potential Pis/Confis effects are presented in the table below:

Cash flow	Parent company and Consolidated	
	Nominal	Adjusted at present value
Lease consideration with tax incidence (a)	44,798	27,653
Lease consideration without tax (b)	<u>6,884</u>	<u>3,626</u>
Total	51,682	31,279
Pis/Cofins (9.25%)	4,144	2,558

(a) Considerations of leases in Brazil with tax incidence.

(b) Lease payments in Uruguay and Paraguay without tax

13. Intangible assets

Parent company	Software	Agreements	Intangible in progress	Total
Balance at 12/31/2019	8,515	1,312	2,379	12,206
Additions	-	-	7,230	7,230
Amortization	(2,733)	(82)	-	(2,815)
Balance at 06/30/2020	5,782	1,230	9,609	16,621
Annual amortization rate – %	20	(*)	-	-
Historical cost	26,983	1,711	9,609	38,303
Accumulated amortization	(21,201)	(481)	-	(21,682)

Parent company	Software	Agreements	Intangible in progress	Total
Balance at 12/31/2018	13,229	1,477	-	14,706
Additions	56	-	2,379	2,435
Amortization	(4,770)	(165)	-	(4,935)
Balance at 12/31/2019	8,515	1,312	2,379	12,206
Annual amortization rate – %	20	(*)	(*)	-
Historical cost	26,983	1,711	2,379	31,073
Accumulated amortization	(18,468)	(399)	-	(18,867)

Consolidated	Software	Agreements (b)	Goodwill (a)	Intangible in progress	Total
Balance at 12/31/2019	14,611	135,656	73,121	4,741	228,129
Additions	46	114,443	-	6,792	121,281
Amortization	(3,216)	(6,088)	-	-	(9,304)
Translation adjustment	277	-	-	-	277
Balance at 06/30/2020	11,718	244,011	73,121	11,533	340,383
Annual amortization rate – %	20	(*)	-	-	-
Historical cost	36,752	277,378	73,121	11,533	398,785
Accumulated amortization	(25,035)	(33,367)	-	-	(58,402)

(*) Amortization for the term of the respective contracts

Consolidated	Software	Agreements (b)	Goodwill (a)	Intangible in progress	Total
Balance at 12/31/2018	21,022	144,781	73,121	1,642	240,566
Additions	90	-	-	3,099	3,189
Amortization	(6,646)	(9,125)	-	-	(15,771)
Translation adjustment	145	-	-	-	145
Balance at 12/31/2019	14,611	135,656	73,121	4,741	228,129
Annual amortization rate – %	20	(*)	-	-	-
Historical cost	36,430	162,935	73,121	4,741	277,227
Accumulated amortization	(21,819)	(27,279)	-	-	(49,098)

(*) Amortization for the term of the respective contracts

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(a) Goodwill

Goodwill generated on the acquisition of assets and liabilities of “Log-In” in the amount of R\$ 73,121, by the subsidiary Cabotagem, based on future profitability of operations.

As of December 31, 2019, using the assumption of calculation of the future cash flows in the period of the concession agreement and applying the discount rate, we did not identify any need to record a provision for impairment, Management believes this is consistent with the assumption that a market participant would use and understands that the premises have not been changed to June 30, 2020.

For the purposes of the impairment test, goodwill was allocated to the cash generating units (CGU) of its origin.

The recoverable value of this Cash Generating Unit (CGU) was based on the fair value, estimated based on the discounted cash flows. Measurement of fair value was classified as Level 3 based on inputs used in evaluation technique.

The main assumptions used to estimate the recoverable amount are defined below. The values attributed to the main assumptions represent the assessment of future management trends in relevant sectors and were based on historical data from internal and external sources.

The discount rate was estimated after taxes based on the weighted average rate of cost of capital WACC for each UGC is 5.6%, considering market parameters.

Cash flow projections were prepared considering the useful life of the assets of each CGU. Perpetuity growth rate was not considered.

The projected result was estimated taking into account past experience. The projected revenue growth took into account long-term take-or-pay contracts. Price of services increases in line with inflation expected for the next years as provided in the contracts. Costs vary by volume and are monetarily restated by the projected inflation rate.

The estimated recoverable amount of the CGUs was higher than their book value, thus, the need to record a provision for impairment was not identified.

(b) Agreements

Customer contract acquired by the subsidiary Cabotagem for 18 years for the provision of navigation service for the transportation of Bauxite. The contract value is amortized based on the term of the agreement.

The concession contract acquired by the subsidiary HB - Administração Portuária Santos S.A. for a period of 25 years as of the date of assumption of March 3, 2020 for the handling and storage of solid mineral bulk, especially fertilizers and salts, located inside the Port of Santos. The contract amount is amortized based on the agreement period.

14. Suppliers

	Parent company		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Domestic suppliers	4,915	3,018	75,695	40,342
Foreign suppliers	-	-	37,951	9,603
Total	<u>4,915</u>	<u>3,018</u>	<u>113,646</u>	<u>49,945</u>

15. Loans and financing

Parent company	Type	Final maturity	Interest rate - p,a,	Consolidated	
				06/30/2020	12/31/2019
Subsidiaries					
<u>HB International Finance:</u>	Bond	Jan 2025	5.95%	3,245,991	2,454,045
<u>HB Cabotagem:</u>					
BNDES	Bank Credit Bill	Mar 2033	2.5-3.9% + Ptax 800 BCB (USD)	704,050	528,667
Vintage/BNDES	Finame	Jun 2021	TJLP + 4.80 – 4.90%	83	406
<u>HB Vila do Conde:</u>					
Santander	Project financing	Jan 2025	0.38%	1,995	1,952
<u>Resflir:</u>					
Banco ABC	Bank Credit Bill	Jul 2020	5.6% + Libor	1,024	5,439
Total				3,953,143	2,990,509
Classified as:					
Current				199,142	172,275
Non-current				3,754,001	2,818,234

Changes in loans and financing – Consolidated - are as follows:

Company	Balance at 12/31/2019	Interest	Reversal/ Funding cost	Payment of principal	Interest payment	Bond repurchase	Translation adjustment	Hedge effect	Balance at 06/30/2020
Luxembourg (d)	2,454,044	87,854	1,771	-	(87,854)	(71,764)	861,940	-	3,245,991
Vila do Conde	1,952	7,595	-	-	-	-	(7,552)	-	1,995
Cabotagem (a)	529,073	11,022	-	(15,693)	(6,788)	-	-	186,519	704,133
Resflir (c)	5,440	111	-	(5,679)	(152)	-	1,304	-	1,024
	2,990,509	106,582	1,771	(21,372)	(94,794)	(71,764)	855,691	186,519	3,953,143

Company	Balance at 12/31/2018	Merger	Interest	Reversal/ Funding cost	Payment of principal	Interest payment	Translation adjustment	Hedge effect	Exchange -rate change	Balance at 12/31/2019
HBSA – Holding (b)	16,138	-	158	-	(15,833)	(293)	-	-	(170)	-
Luxembourg (d)	2,354,139	-	140,876	5,079	-	(140,876)	94,826	-	-	2,454,044
Vila do Conde	1,209	2,823	-	-	-	(2,080)	-	-	-	1,952
Miritituba	1,363	(1,363)	-	-	-	-	-	-	-	-
Shipping	1,460	(1,460)	-	-	-	-	-	-	-	-
Cabotagem (a)	549,481	-	17,599	-	(41,012)	(18,062)	-	21,067	-	529,073
Resflir (c)	17,356	-	540	-	(12,288)	(600)	432	-	-	5,440
	2,941,146	-	159,173	5,079	(69,133)	(161,911)	95,258	21,067	(170)	2,990,509

Description of loan and financing agreements

- a) On December 23, 2016, the Company assumed, through its indirect subsidiary HB Cabotagem, in negotiation with Log-In, the Financing Through Credit Opening Agreement with BNDES, in the total amount of US \$ 144,644, which are equivalent to R \$ 473,646, referring to the acquisition of two bulk

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carriers, the payments of which will occur monthly with the final settlement scheduled for March 10, 2033. Assets acquired are Tucunaré and Tambaqui.

On May 15, 2017, the subsidiary Hidrovias do Brasil - Cabotagem Ltda. contracted a financing line with transfer by Banco Safra, for a purchase of porters, with a total value of US\$ 588 (equivalent to R\$ 1,823).

- b) On October 31, 2017, the Company entered into a new Bank Credit Note contract with Banco BBM, in the total amount of US\$ 6,009 equivalent to R\$ 20,000, with settlement held on April 8, 2019, to cover administrative expenditures.
- c) On November 7, 2017, the indirect subsidiary Resflir contracted financing in foreign currency with Safra Luxembourg bank, in the amount of US\$ 2,000, equivalent to R\$ 6,679, with settlement scheduled for May 2019, to pay for the refurbishment of the pushers. On March 15, 2017, the indirect subsidiary Resflir contracted financing in foreign currency with Banco ABC, equivalent to R\$ 15,449 (US\$ 5,000), with settlement scheduled for July 14, 2020.
- d) On January 17, 2018, the Company obtained, through its subsidiary in Luxembourg, a Bond in the amount of US\$ 600,000, equivalent to R\$ 1,939,440, maturing on January 24, 2025. The amount recorded is net of the funding cost of US\$ 5,100 equivalent to R\$ 29,313 and will be amortized according to the contract period.

Offset

On March 22, 2018 as a compensation, the Company obtained an NCE (Export Credit Note) with Banco Santander, through its subsidiary Hidrovias do Brasil - Vila do Conde S.A. in the total amount of R\$ 1,120,734, whose note has semiannual interest payment, due on January 21, 2025 and bears interest fixed in the contract.

Guarantees

Loans and financing are guaranteed by Hidrovias do Brasil through sureties, promissory notes or deposits in bank accounts.

The Bond has been approved by the companies Hidrovias do Brasil S.A., Hidrovías del Sur S.A., Cikelsol S.A., Pricolpar S.A., Hidrovias del Paraguay S.A., Girocantex S.A., Hidrovias do Brasil – Vila do Conde S.A. and Hidrovias do Brasil – Holding Norte S.A.

Covenants

The Company, through its subsidiaries, has contractual covenants linked to certain financing, which may, in case of non-compliance, lead to early maturity of the debt. These covenants are related to financial indices such as coverage of debt service, indebtedness, liquidity and operational obligations. In addition to these, there are other non-financial clauses.

Subsidiary Cabotagem has the following clause: (i) maintain the capitalization ratio greater or equal to 25%. The price-earnings ratio is given by adjusted shareholders' equity on total assets. The adjusted shareholders' equity is the shareholders' equity less the foreign exchange losses, (ii) keep the debt service coverage ratio equal to or higher than 1.3. The ICSD (Index of debt service coverage) is the EBITDA less Income Tax and Social Contribution on Net income in working capital, on debt service. The measurement of covenants occurs annually, for December 31, 2019 the clauses have been fully met and the next measurement will occur at the end of this year.

The subsidiary Hidrovias International Finance has the financial covenant related to the "Net debt/EBITDA" ratio, which shall be lower than 4.5x in 2019 (going to 3.5x as of 2020), so that dividend payments and new debts may be incurred. The covenant does not accelerate debt repayment and does not cause any default.

As of June 30, 2020, the financial covenant of the Subsidiary Hidrovias International Finance were not met, since the ceiling is 3.5x and the Company reached 8.6x accomplished, due to the exchange rate for the period. The covenant does not accelerate debt repayment and does not cause any default. However the Company will not be able to raise new debts or pay extraordinary dividends (above the minimum requirement). Despite the aforementioned breach of covenant, the Company does not expect impacts in the short and medium term on its operations and believes that it will not need loans or working capital to meet its obligations.

In addition to a standard set of do's and don'ts, according to the financing terms for the Obrinel Project, the Obrinel is committed to maintaining the following financial ratios: (i) does not exceed a 70/30 ratio between the total of loan and capital; (ii) current ratio not less than 1; and (iii) debt coverage greater than or equal to 1.15.

Bond repurchase

As approved at a meeting of the Company's Board of Directors held on June 27, 2018, the Company may carry out Bond 2025 repurchases punctually when it is a good opportunity for repurchase and it does not exceed the total amount of USD 50,000,000. This value does not constitute an offer in the repurchase market and allows a liquidity opportunity for bondholders who may need liquidity.

Due to the current market circumstance with the corona virus pandemic, the Company's Bond note has had its price reduced in the secondary market, which allows the Company to evaluate possible repurchases. Thus, given that the Company has robust liquidity, until June 30, 2020, due to the high volatility of the market, the Company carried out repurchases totaling USD 21,050,000, which reduce its gross debt by the same amount.

Maturity of long-term installments - consolidated

As of June 30, 2020 and December 31, 2019, the long-term portion matures have the following breakdown:

	Consolidated	
	06/30/2020	12/31/2019
2021	55,843	48,775
2022	49,758	42,099
2023	49,758	41,994
2024–2032	3,598,641	2,685,366
Total	3,754,001	2,818,234

16. Social charges and labor legislation obligations

	Parent company		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Christmas bonus	477	-	6,445	-
Provision for bonus	9,957	9,206	13,635	14,619
Vacations and social security charges	1,836	2,281	7,294	8,883
INSS payable	1,447	486	4,817	1,111
IRRF payable	379	508	864	1,026
FGTS payable	637	174	2,350	559
Other	11	-	299	-
Total	14,744	12,655	35,704	26,198

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17. Lawsuits

	Consolidated			
	12/31/2019	Additions	Write-offs	06/30/2020
Labor	5,884	344	(138)	6,090
	5,884	344	(138)	6,090

	Consolidated			
	12/31/2018	Additions	Write-offs	12/31/2019
Labor	7,612	2,261	(3,989)	5,884
Civil	-	7,258	(7,258)	-
	7,612	9,519	(11,247)	5,884

As of June 30, 2020, the Company and its subsidiaries presented the amount of R\$ 6,090 (R\$ 5,884 as of December 31, 2019) relating to labor lawsuits at the indirect subsidiary HB Vila do Conde, and the object of the lawsuit is loss of profits and moral damages.

On June 30, 2020, the Company and its subsidiaries, in the consolidated, have 30 labor lawsuits, 25 civil lawsuits and one tax lawsuit considered as possible loss amounting to R\$ 9,590, R\$ 4,416 and R\$ 5,090, respectively (R\$ 4,140, R\$ 2,860 and R\$ 5,090 as of December 31, 2019).

As of June 30, 2020, the Company and its subsidiaries had 8 labor claims written off in the amount of R\$ 138.

On June 30, 2020, the Company and its subsidiaries have judicial deposits related to the payment of PIS and COFINS pursuant to an injunction, in the amount of R\$ 12,695 (R\$ 11,756 on December 31, 2019).

18. Related parties

Remuneration of key management personnel

As of June 30, 2020, the remuneration of key management personnel, which includes the Executive Board and Board members, amounted to R\$ 3,908 (R\$ 12,673 as of December 31, 2019), referring to salaries and variable benefits, of which R\$ 3,806 refers to short-term employee benefits (R\$ 12,975 as of December 31, 2019) and R\$ 102 for medical benefits (R\$ 598 on December 31, 2019).

The success in implementing the Company's strategy was based, among other factors, to the experience and services performed by its controlling shareholder, without exclusive dedication to advisory activity or exclusive remuneration.

The amounts of related parties refers to financial transactions under specific conditions, defined internally by the Company and its subsidiaries.

Transactions between related parties involving controlling shareholders, entities under common control or significant influence.

	Parent company			
	Assets		Liabilities	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Credits from parent company				
Girocantex S.A. (a)	-	-	(685)	(504)
Hidrovias del Sur S.A. (b)	10,708	4,776	(531)	(391)
Hidrovias do Brasil – Holding Norte S.A. (i)	1,016	3,724	(213)	(169)
Hidrovias do Brasil – Interm. e Agenc. Serv. Ltda. (e)	-	114	(51)	(3)
Hidrovias Adm Portuária Santos S.A. (f)	185	1,746	(101)	-
Hidrovias do Brasil Cabotagem (c)	-	-	(4)	-
Hidrovias International Finance S.à.r.l (g)	199	198	(47)	(47)
Dividends receivable (h)	37,032	37,032	-	-
Dividends payable (h)	-	-	(50)	(363)
Loan (g)	-	-	(57,380)	-
Subtotal	49,140	47,590	(59,062)	(1,477)
Current	43,663	43,365	(59,062)	(1,477)
Non-current	5,477	4,225	-	-

	Consolidated			
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Guarantees and escrow deposit (d)	8,696	6,401	-	-
BNDES (b)	-	-	704,133	529,072
Dividends payable	13,912	2,834	-	-
Subtotal	22,608	9,235	704,133	529,072

	Parent company		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Revenues (expenses):				
Exchange rate change on security deposit (a)	(2,295)	(255)	(2,295)	(255)
Exchange rate change on loan	(1,252)	(349)	(1,252)	(349)
Subtotal	(3,547)	(604)	(3,547)	(604)
BNDES (b)	-	-	(11,014)	(17,599)
Subtotal	-	-	(11,014)	(17,599)
Total	(3,547)	(604)	(14,561)	(18,203)

- (a) Refer to reimbursable expenditures on structuring of the financing for Project Vale with the indirect subsidiary Girocantex, contracted in Brazil, they do not provide for a settlement period or monetary correction.
- (b) Refers to operating expenses with the direct subsidiary Hidrovias del Sur, they do not provide for a settlement period or monetary correction.
- (c) Refers to interest from loans with the indirect subsidiary Hidrovias do Brasil Cabotagem, whose maturity is described in note 15.
- (d) As mentioned in note 8, refer to financial resources granted to Obrinel without interest, which will be settled after proof of performance of the assets and completion of the port facilities, The financial income (loss) from exchange-rate change are recognized in the income (loss) for the period,
- (e) Refers to operating expenses with the direct subsidiary Intermediação, they do not provide for a settlement period or monetary correction.
- (f) Refers to expenses with Santos port administration project, they do not provide for a settlement period or monetary correction.
- (g) Refers to the loan with the indirect subsidiary Hidrovias del Sur, with a term of 120 days, from February 21, 2020, with late payment if there is a delay in payment.
- (h) Refers to dividends receivable and payable between companies as provided for in the Bylaws.

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(i) Refers to operating expenses with the direct subsidiary Hidrovias do Brasil - Holding Norte S.A, they do not provide for a settlement period or monetary correction.

19. Capital

As of June 30, 2020, the share capital is R\$ 1,307,683 (R\$ 1,307,683 on December 31, 2019), represented by 748,610,665 (748,610,665 on December 31, 2019) registered common shares, without nominal value.

Shareholding structure on June 30, 2020 and December 31, 2019 is detailed as follows:

Shareholders	06/30/2020		12/31/2019	
	Common shares	%	Common shares	%
Pátria Infraestrutura - Fundo de Investimento em Participações Multiestratégia	347,736,034	46.45	347,736,034	46.45
Sheares Investments B.V.	136,149,027	18.19	136,149,027	18.19
1505718 Alberta Ltd.	54,638,333	7.3	54,638,333	7.3
1505722 Alberta Ltd.	21,277,822	2.84	21,277,822	2.84
HBSA Co-Investimento – Fundo de Investimento em Participações Multiestratégia	69,923,967	9.34	69,923,967	9.34
BTO – Fundo de Investimento em Participações Multiestratégia	69,923,967	9.34	69,923,967	9.34
BNDES Participações S.A. – BNDESPAR	27,982,688	3.74	27,982,688	3.74
International Finance Corporation	20,978,827	2.8	20,978,827	2.8
Total	748,610,665	100	748,610,665	100

Capital increases

In 2019, the Company made a capital reduction, transferring the amount of R\$ 603 to the capital reserve.

Legal reserve

Pursuant to article 193 of Law 6404/76, five percent (5%) of net income for the year shall be used to establish a legal reserve, which may not exceed 20% of the capital.

Tax incentive reserve

Pursuant to the Company's bylaws, we recorded the tax incentive as described in note 29.

Dividends

Pursuant to Bylaws, determine minimum mandatory shareholders are entitled to the minimum mandatory dividend of 1% of net income, adjusted pursuant to the terms of item I, Article 202 of Law 6404/76.

20. Earnings per share

The diluted earnings per share was calculated with a basis on the result of the period attributable to the controlling shareholders of the Company as of June 30, 2020 and 2019 and the respective average quantity of outstanding common shares in the period as follows:

	04/01/2020 06/30/2020	01/01/2020 06/30/2020	04/01/2019 06/30/2019	01/01/2019 06/30/2019
(Loss) income for the period	(7,407)	(134,117)	52,008	49,180
Weighted average of basic shares	748,611	748,611	748,611	748,611
(Loss) income for the period per thousand basic shares	(0.0099)	(0.1792)	0.0695	0.0657
	04/01/2020 06/30/2020	01/01/2020 06/30/2020	04/01/2019 06/30/2019	01/01/2019 06/30/2019
(Loss) income for the period	(7,407)	(134,117)	52,008	49,180
Weighted average of basic shares	748,611	748,611	748,611	748,611
Dilutive effect (*)	7,559	7,559	5,745	5,745
Weighted average of diluted shares	756,170	756,170	754,355	754,355
(Loss) income for the period per thousand diluted shares	(0.0098)	(0.1774)	0.0689	0.0652

(*) This dilutive effect includes the stock option plans described in note 21.

21. Stock option program

On July 27, 2016, the terms of the Stock Option Plan (“Plan”) were approved through the Company’s Special Shareholders’ Meeting, the purpose of which is the granting of options to purchase shares issued by the Company to Company managers and strategic professionals, with the main objective of attracting and retaining these professionals. The Plan replaced the Company’s Stock Option Plan originally approved in Special Shareholders’ Meeting held on December 07, 2010. The participants indicated, subject to the rules and conditions defined for each program, will receive the stock option offer defined by the Board of Directors, and each purchase option assigns to its holder the right to acquire one common share issued of the Company, under the terms and conditions of the Plan and the approved programs.

On October 18, 2018, the Company’s Extraordinary General Meeting approved an amendment to the Stock Option Plan originally approved at the Extraordinary General Meeting held on July 27, 2016, aiming to promote changes in the exercise price rules, in the calculation of the updating of the Exercise Price and other changes. Those programs were granted in February 2019.

The Company recognized the stock options granted in its Shareholders’ Equity, with a corresponding contra entry in income (loss). The recognition occurred proportionally to the terms of the respective vesting periods (grace period) of the lots granted, recording the accumulated amount of R\$ 14,471 (accumulated amount of R\$ 12,726 as of December 31, 2019). The expense recognized in the income for the period was R\$ 1,745 (R\$ 3,591 in 2019).

As required by Technical Pronouncement CPC 10 (R1) - Share-based Payment, the fair value of options was determined on the granting date (concession date) based on “Black-Scholes” pricing model for options.

The following definitions were used as calculation assumptions in 2017, 2018 and 2019 programs:

- Weighted average share price on the granting date: R\$ 4.70

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- Strike price of the options: Defined according to the program (see table below),
- Expected volatility: 35.35%. The expected volatility was calculated at the standard deviation of the average daily returns for the shares of a group of comparable companies. This group includes Rumo, Taesa, Alupar, Isa CTEEP, Kirby, SITC, Pacific Basin and Evergreen Marine. The history of trading sessions used is similar to the maturity date of the options:
- Lifetime of the option: 5 years, according to the contractually defined term
- Expected dividends: it is not necessary to include the effect of dividends, since the distribution of dividends reduces the exercise price of the options,
- Expected inflation: to calculate the exercise price correction, an inflation estimate of 4.2% p.a., was used based on the NTN-B maturing close to the option's maturity.
- Risk-free interest rate: a rate of 8.31% was estimated based on the projection of the DI curve for the options maturity date.

Up to the period ended June 30, 2020 no option was exercised.

Details on options granted:

Program /Plan	"Vesting"	Limit date for the year	Strike price (in R\$) (*)	Granted	Canceled / Expired	Outstanding	Fair value (in R\$) (**)
2010/1st	12/07/2011	12/07/2020	1.00	500,000	-	500,000	1.13
2010/1st	12/07/2012	12/07/2020	1.00	500,000	-	500,000	1.27
2010/1st	12/07/2013	12/07/2020	1.00	500,000	-	500,000	1.43
2010/1st	12/07/2014	12/07/2020	1.00	500,000	-	500,000	1.61
Total Plan of 2010				2,000,000	-	2,000,000	

Program /Plan	"Vesting"	Limit date for the year	Strike price (in R\$) (*)	Granted	Canceled / Expired	Outstanding	Fair value (in R\$) (**)
2011/1st	05/10/2012	05/10/2021	1.00	25,000	-	25,000	1.17
2011/1st	05/10/2013	05/10/2021	1.00	25,000	-	25,000	1.31
2011/1st	05/10/2014	05/10/2021	1.00	25,000	-	25,000	1.47
2011/1st	05/10/2015	05/10/2021	1.00	25,000	-	25,000	1.65
Total Plan of 2011				100,000	-	100,000	

Program /Plan	"Vesting"	Limit date for the year	Strike price (in R\$) (*)	Granted	Canceled / Expired	Outstanding	Fair value (in R\$) (**)
2012/1st	05/26/2013	05/25/2022	1.14	338,750	(125,000)	213,750	1.37
2012/1st	05/26/2014	05/25/2022	1.14	338,750	(125,000)	213,750	1.54
2012/1st	05/26/2015	05/25/2022	1.14	338,750	(125,000)	213,750	1.73
2012/1st	05/26/2016	05/25/2022	1.14	338,750	(157,500)	181,250	1.93
2012/2nd	08/10/2013	05/25/2022	1.28	100,000	-	100,000	1.56
2012/2nd	08/10/2014	05/25/2022	1.28	100,000	-	100,000	1.75
2012/2nd	08/10/2015	05/25/2022	1.28	100,000	-	100,000	1.98
2012/2nd	08/10/2016	05/25/2022	1.28	100,000	-	100,000	2.23
Total Plan of 2012				1,755,000	(532,500)	1,222,500	

Program /Plan	"Vesting"	Limit date for the year	Strike price (in R\$) (*)	Granted	Canceled / Expired	Outstanding	Fair value (in R\$) (**)
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R\$)
(**)

2013/1st	03/31/2014	02/26/2023	1.41	275,234	(30,090)	245,144	1.77
2013/1st	03/31/2015	02/26/2023	1.41	275,234	(30,090)	245,144	2.01
2013/1st	03/31/2016	02/26/2023	1.41	275,233	(35,400)	239,833	2.25
2013/1st	03/31/2017	02/26/2023	1.41	275,233	(65,490)	209,743	2.54
Total Plan of 2013				1,100,934	(161,070)	939,864	

Program /Plan	“Vesting”	Limit date for the year	Strike price (in R\$) (*)	Granted	Canceled / Expired	Outstanding	Fair value (in R\$) (**)
2014/1st	03/31/2015	03/31/2024	1.68	555,750	-	555,750	2.20
2014/1st	03/31/2016	03/31/2024	1.68	555,750	(4,500)	551,250	2.47
2014/1st	03/31/2017	03/31/2024	1.68	555,750	(58,500)	497,250	2.80
2014/1st	03/31/2018	03/31/2024	1.68	555,750	(58,500)	497,250	3.15
Total Plan of 2014				2,223,000	(121,500)	2,101,500	

Program /Plan	“Vesting”	Limit date for the year	Strike price (in R\$) (*)	Granted	Canceled / Expired	Outstanding	Fair value (in R\$) (**)
2016 A/1 ^a	07/27/2016	03/31/2024	3.64	891,778	(2,492)	889,286	-
2016 A/1 ^a	03/31/2017	03/31/2024	3.64	891,778	(81,129)	810,649	0.93
2016 A/1 ^a	03/31/2018	03/31/2024	3.64	891,779	(81,124)	810,655	1.06
2016 A/1 ^a	03/31/2019	03/31/2024	3.64	891,779	(87,325)	804,454	1.14
Total Plan of 2016 A				3,567,114	(252,070)	3,315,044	

Program /Plan	“Vesting”	Limit date for the year	Strike price (in R\$) (*)	Granted	Canceled / Expired	Outstanding	Fair value (in R\$) (**)
2016 B/1 ^a	03/31/2017	03/31/2024	3.48	731,105	(66,460)	664,645	1.06
2016 B/1 ^a	03/31/2018	03/31/2024	3.48	731,105	(66,448)	664,657	1.17
2016 B/1 ^a	03/31/2019	03/31/2024	3.48	731,105	(82,612)	648,493	1.24
2016 B/1 ^a	03/31/2020	03/31/2024	3.48	731,105	(82,607)	648,498	1.30
Total Plan of 2016 B				2,924,420	(298,127)	2,626,293	

Program /Plan	“Vesting”	Limit date for the year	Strike price (in R\$) (*)	Granted	Canceled / Expired	Outstanding	Fair value (in R\$) (**)
2017/1st	03/31/2018	03/31/2024	3.62	793,750	-	793,750	1.66
2017/1st	03/31/2019	03/31/2024	3.62	793,750	-	793,750	1.66
2017/1st	03/31/2020	03/31/2024	3.62	793,750	-	793,750	1.66
2017/1st	03/31/2021	03/31/2024	3.62	793,750	-	793,750	1.66
Total Plan of 2017				3,175,000	-	3,175,000	

Program /Plan	“Vesting”	Limit date for the year	Strike price (in R\$) (*)	Granted	Canceled / Expired	Outstanding	Fair value (in R\$) (**)
2018/1st	02/01/2019	03/31/2024	4.70	1,400,000	-	1,400,000	1.33
2018/1st	02/01/2020	03/31/2024	4.70	1,400,000	-	1,400,000	1.33
2018/1st	50% through liquidity event	03/31/2024	4.70	2,800,000	-	2,800,000	1.33
Total Plan of 2018				5,600,000	-	5,600,000	

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Program /Plan	“Vesting”	Limit date for the year	Strike price (in R\$) (*)	Granted	Canceled / Expired	Outstanding	Fair value (in R\$) (**)
2019/1st	02/13/2020	03/31/2024	4.70	1,500,000	-	1,500,000	1.37
2019/1st	02/13/2021	03/31/2024	4.70	1,500,000	-	1,500,000	1.37
2019/1st	50% through liquidity event	03/31/2024	4.70	3,000,000	-	3,000,000	1.37
Total Plan of 2019				6,000,000	-	6,000,000	

(*) Strike price in the grant date. The strike price is adjusted by the IPCA price index plus 7% per year.

(**) Fair value in the grant date.

22. Commitments and guarantees

As part of our business strategy, we have entered into long-term contracts with our customers with minimum volume requirements and fixed freight rates, The execution of a new long-term contract with customers tends to have a significant positive effect on our net revenue, whereas the loss of an existing material contract would have the opposite effect,

The Company and its subsidiaries have long-term contracts with the following clients:

1. VALE, in the South Corridor, with a duration of 25 years starting from March 2014.
2. SODRU, in the South Corridor, with a duration of 8 years starting February 2014.
3. SODRU, in the North Corridor, with a contract addendum maintaining the same purpose of the current contract, was signed in January 2020 with retroactive effect to December 2019 and final maturity in December 2029.
4. COFCO, in the South Corridor, valid for 5 years from August 2014 extended to 2024.
5. COFCO, in the North Corridor, valid for 10 years from 2016 (extended to 2031).
6. ALUNORTE, in the North Corridor, valid for 25 years from 2010 (acquired in 2016).
7. TOCANTINS FERTILIZERS, in the North Corridor, valid for 3 years from 2019.
8. SALINOR, in the North Corridor, valid for 20 years from the beginning of the operation scheduled for the second half of 2020.

On September 17, 2018, the former HB Navegação Norte today merged into the indirect subsidiary HB Vila do Conde, entered into operational lease agreements with the pusher Don Antonio and HB Draco, owned respectively by the indirect subsidiaries Pricolpar S.A. and Cikelsol S.A., for a term of 64 months, counting from February 11, 2019.

In January 2020, the indirect subsidiary HB Vila do Conde incorporating the former HB Navegação Norte entered into operational lease agreements for the pusher HB Hydra and HB Aquarius owned by the indirect subsidiary Girocantex S.A., for 11 months with a term until November 2020.

HB Navegação Norte and HB Miritituba were incorporated on January 1, 2019 by HB Vila do Conde, The company and its subsidiaries have guarantees related to guarantees with regulatory bodies, maintenance and docking of some assets and for other operating activities recorded in financial institutions with whom the company and its subsidiaries have a relationship.

23. Net operating revenue

Disaggregated revenue:

	Consolidated			
	04/01/2020– 06/30/2020	01/01/2020– 06/30/2020	04/01/2019– 06/30/2019	01/01/2019– 06/30/2019
<u>South Corridor:</u>				
Transportation services	131,169	223,865	101,884	195,865
<u>North Corridor:</u>				
Lifting Services	70,404	103,948	52,481	76,834
Transshipment services	20,243	35,265	10,295	20,042
Transportation services	195,995	310,234	60,117	95,788
Intermediation services	6,353	12,603	9,811	19,339
Cabotage services	54,944	107,216	37,203	66,833
Subtotal	<u>347,939</u>	<u>569,266</u>	<u>169,907</u>	<u>278,836</u>
Total gross revenue	<u>479,108</u>	<u>793,131</u>	<u>271,791</u>	<u>474,701</u>
ISS	(4,943)	(7,703)	(2,414)	(4,550)
PIS	(1,552)	(2,888)	(1,079)	(2,514)
COFINS	(7,105)	(13,431)	(9,134)	(12,000)
ICMS	(714)	(1,823)	(1,457)	(2,145)
Subtotal taxes	<u>(14,314)</u>	<u>(25,845)</u>	<u>(14,084)</u>	<u>(21,209)</u>
Realization of hedge accounting	<u>(38,599)</u>	<u>(127,569)</u>	<u>(4,032)</u>	<u>(8,745)</u>
Total net revenue	<u><u>426,195</u></u>	<u><u>639,717</u></u>	<u><u>253,675</u></u>	<u><u>444,747</u></u>

Revenue from Take or Pay in the amount of R\$ 130,991 on June 30, 2020 (R\$ 109,765 on June 30, 2019), see further details in note 29.

As mentioned earlier in note 6.1, there is a certain concentration of operating revenues, being thus distributed as:

(i) Customer A 24.2% (25.2% on June 30, 2019; ii) B 18.8% (16.6% on June 30, 2019, iii) C 15.3% (18.3% on June 30, 2019) iv) D 11.9% (5.5% on June 30, 2019) v) E 11.3% (0.2% on June 30, 2019); and represent in their totality approximately 81.5% of the total net revenue (65.8% on June 30, 2019). No other customer represents more than 10% of consolidated net revenue.

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24. Costs and expenses by nature

24.1 Costs of services rendered and general and administrative expenses

	Parent company				Consolidated			
	04/01/2020– 06/30/2020	01/01/2020– 06/30/2020	04/01/2019– 06/30/2019	01/01/2019– 06/30/2019	04/01/2020– 06/30/2020	01/01/2020– 06/30/2020	04/01/2019– 06/30/2019	01/01/2019– 06/30/2019
Salaries, social charges and benefits	(15,526)	(26,111)	(8,350)	(16,554)	(57,211)	(100,696)	(38,951)	(72,609)
Depreciation and amortization	(1,898)	(3,952)	(1,620)	(3,151)	(54,562)	(104,203)	(46,497)	(88,265)
Maintenance	(13)	(38)	(12)	(63)	(12,758)	(23,485)	(11,327)	(14,998)
Fuel	-	-	-	-	(34,637)	(68,458)	(26,436)	(51,173)
Outsourced services	(3,420)	(13,841)	(9,875)	(12,755)	(14,279)	(30,525)	(16,197)	(24,289)
Rents	(65)	(144)	202	(176)	(24,450)	(26,320)	(2,530)	(7,478)
Freight *	-	-	-	-	(117,537)	(182,391)	(395)	(826)
Travel and tickets	(131)	(694)	(913)	(1,687)	(1,186)	(3,227)	(2,107)	(3,896)
Mooring	-	-	-	-	(8,023)	(14,810)	(3,401)	(7,926)
Kitchen and pantry	(10)	(15)	(10)	(33)	(2,338)	(3,673)	(1,365)	(2,506)
Agents	-	-	-	(1)	(3,488)	(8,088)	(2,611)	(7,689)
Operational and safety	-	-	-	-	(3,952)	(7,378)	(9,107)	(17,197)
Sundry fees	(109)	(672)	(134)	(276)	(784)	(3,005)	(12,235)	(19,652)
Operational materials	(27)	(47)	-	-	(67)	(100)	(183)	(305)
Lawsuits	-	-	-	-	(295)	(986)	(1,996)	(1,996)
Renewal of brand	-	-	-	-	(4,812)	(15,451)	(5,133)	(8,227)
Other expenses	(818)	(1,260)	(1,102)	(1,497)	(19,047)	(33,129)	1,670	(4,118)
Total	(22,017)	(46,774)	(21,814)	(36,193)	(359,426)	(625,925)	(178,801)	(333,150)
Classified as:								
Cost of services rendered	-	-	-	-	(324,979)	(555,632)	(150,278)	(284,174)
General and administrative	(22,017)	(46,774)	(21,814)	(36,193)	(34,447)	(70,293)	(28,523)	(48,976)
Total	(22,017)	(46,774)	(21,814)	(36,193)	(359,426)	(625,925)	(178,801)	(333,150)

(*) Refers to the OTM road transport service that the Company contracted a carrying to carry out the Multimodal Transport of Loads from origin to destination, by its own means or through third parties, this operation was re-started in the 2020 period reflecting the increase between the periods.

24.2 Other expenses/income

	Parent company				Consolidated			
	04/01/2020– 06/30/2020	01/01/2020– 06/30/2020	04/01/2019– 06/30/2019	01/01/2019– 06/30/2019	04/01/2020– 06/30/2020	01/01/2020– 06/30/2020	04/01/2019– 06/30/2019	01/01/2019– 06/30/2019
Outstanding credits	-	-	-	-	-	-	15,978	15,978
AFRMM (a)	-	-	-	-	4,041	7,700	5,362	5,362
Varredura (b)	-	-	-	-	6,095	12,780	-	-
Other	310	-	(1,439)	(1,442)	(1,038)	(918)	948	255
Total	310	-	(1,439)	(1,442)	9,098	19,562	22,288	21,595

(a) AFRMM is a benefit available to all Brazilian shipping companies, which operate with their own or chartered vessel, and are regulated by Law No, 10,893 / 2004 and other specific legislation applicable to the sector, see more details in note 30.

(b) Varredura revenue resulting from the operation at port terminals.

25. Financial income (loss)

	Parent company				Consolidated			
	04/01/2020– 06/30/2020	01/01/2020– 06/30/2020	04/01/2019– 06/30/2019	01/01/2019– 06/30/2019	04/01/2020– 06/30/2020	01/01/2020– 06/30/2020	04/01/2019– 06/30/2019	01/01/2019– 06/30/2019
Income:								
Income from interest earning bank deposits	32	96	728	2,491	2,357	6,558	(1,950)	8,523
(-) PIS and COFINS on financial revenue	(37)	(39)	(34)	(116)	(58)	(108)	(88)	(243)
Inflation adjustments and exchange-rate changes	-	-	-	170	-	-	8,941	6,162
Gains from investments - Realized	-	-	-	-	11,072	57,692	-	-
Other	84	1,206	(649)	15	(2,129)	386	(111)	451
Total	79	1,263	45	2,560	11,242	64,528	6,792	14,893
Expenses:								
Interest on loans	5	5	(33)	(158)	(65,005)	(98,987)	(39,632)	(78,028)
Late payment	-	-	-	-	(1)	(381)	(6)	(10)
Funding cost	-	-	-	-	(288)	(1,771)	(1,261)	(2,475)
Inflation adjustments and exchange-rate changes	(4,281)	(1,382)	(292)	-	(20,734)	(100,052)	-	-
Tax on Financial Operations - IOF	(6)	(70)	(393)	(407)	(263)	(780)	(499)	(611)
Investment losses	-	-	-	(874)	-	-	(490)	(490)
Other	(37)	(134)	(38)	(306)	3,032	(8,596)	(2,842)	(3,086)
	(4,319)	(1,581)	(756)	(1,745)	(78,259)	(210,567)	(44,730)	(84,700)
Net financial income (loss)	(4,240)	(318)	(711)	815	(67,017)	(146,039)	(37,938)	(69,807)

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26. Income tax and social contribution

Taxes on income comprise income tax and social contribution, Income tax is computed on taxable income at the rate of 15%, plus a 10% surtax for income exceeding R\$ 240 in the 12-month period, whereas social contribution is computed at the rate of 9% on taxable income, recognized on the accrual basis.

In 2018, the Company joined with the SUDAM (Amazon Development Superintendence) Tax Incentive Program, which provides a 75% reduction of corporate income tax through Exploration Profits for the company Hidrovias do Brasil – Vila do Conde S.A., which presented Taxable Income and consequently the possibility of benefiting from the Government Grant.

Income tax and social contribution are recognized in the statement of income, except for the proportion related to items directly recognized in other comprehensive income. In that case, the tax is also recorded in shareholders' equity or comprehensive income.

The current income and social contribution tax charges are calculated based on enacted, tax acts, at the balance sheet date, Management periodically evaluates the positions taken in the Company's tax returns with respect to situations in which applicable tax regulation is subject to interpretation, The Company establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Prepayments or amounts that can be offset are presented in current assets, in accordance with their expected realization.

For the year 2020, the Company opted for the determination of Taxable Income by means of Annual methodology, as presented in the Statements of Federal Tax Debts and Credits presented to the Brazilian Federal Revenue Service. Thus, the following table presents the calculation of IRPJ and CSLL regarding the consolidation on the first quarter of the referred calendar year.

in R\$ thousand	Parent company		Consolidated	
	06/30/2020	06/30/2019	06/30/2020	06/30/2019
(Loss) income before IRPJ and CSLL	(134,117)	49,180	(113,160)	60,036
Nominal rate	34%	34%	34%	34%
Corporate income tax (IRPJ) and Social contribution on net income (CSLL) at nominal rate	45,600	(16,721)	38,474	(20,412)
Permanent adjustments:				
Equity in net income of subsidiaries	(29,589)	29,239	(161)	(1,139)
Profits abroad	-	-	8,309	-
Other	(2,002)	(2,016)	(1,928)	(2,030)
Other adjustments:				
Governmental grant	-	-	7,818	2,847
Offset of tax loss of prior years	-	-	-	2,900
Deferred tax on temporary differences and unrecognized tax losses	(14,009)	(10,502)	(58,006)	(10,447)
Rate difference on the measurement of deferred taxes	-	-	(15,899)	4,619
Portion of deferred tax recognized in previous periods	-	-	-	12,693
Workers' Meal Program (PAT)	-	-	436	113

Income tax and social contribution	-	-	(20,957)	(10,856)
Current taxes	-	-	(30,069)	(8,709)
Deferred taxes	-	-	9,112	(2,147)
	-	-	(20,957)	(10,856)
Effective rate	0%	0%	(18.52%)	18.08%

The Company and its subsidiaries believe that the provision for income tax recorded in liabilities is adequate for the period object of this financial statements, based on its evaluation of several factors, including interpretations of tax laws and past experience.

Deferred income tax and social contribution were recognized in 2020 on the accumulated balances of temporary differences and tax loss up to June 30, 2020 to the companies Hidrovias do Brasil – Vila do Conde S.A. and Hidrovias do Brasil - Cabotagem Ltda. and subsidiaries of this Company.

Deferred income tax and social contribution are measured based on temporary differences, tax loss and negative basis of social contribution on net income at the rate of 6.25% for IRPJ (reduction of 75%) and 9% for CSLL totaling a nominal rate of 15.25%, based on income from exploration which is a tax incentive from SUDAM – Superintendency for Development of the Amazon claimed by the company Hidrovias do Brasil – Vila do Conde S.A. and to the company Hidrovias do Brasil - Cabotagem Ltda. is recognized at the rate of 25% of IRPJ and 9% of CSLL totaling 34%, in compliance with the legislation in force.

The exchange-rate change caption is presented as a consequence of the adoption of taxation of exchange-rate changes using the cash methodology, to which the effect of such adjustments in the Taxable Income Control Register (LALUR) and the Social Contribution Calculation Book (LACS) is the recognition of deferred assets in the subsidiaries Hidrovias do Brasil – Vila do Conde S.A. and Hidrovias do Brasil - Cabotagem Ltda. The subsidiary Hidrovias do Brasil – Vila do Conde S.A. also has deferred liabilities recorded for a property damage received in 2018.

Part of Deferred Taxes, in the amount of R\$ 115,580 thousand, was not recognized in income (loss) since the Company and its subsidiaries have non-derivative financial instrument, for which the portion corresponding to deferred IRPJ and CSLL is accounted for in the Other Comprehensive Income, in Shareholders' Equity.

The Company understands that currently the group companies to which these tax losses and negative calculation bases of social contribution on net income do not have history of tax offsets, therefore it is not possible to recognize deferred IRPJ and CSLL for these companies.

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Deferred income tax and social contribution assets and liabilities are reviewed at each reporting date and reduced as their respective offset or if their realization is no longer probable.

in R\$ thousand	Consolidated			Consolidated
	06/30/2020			12/31/2019
	Net amount	Deferred tax assets	Deferred tax liabilities	Net amount
Provision for bonus	476	476	-	671
Provision for suppliers	4,912	4,912	-	185
Provision for fuel	562	562	-	1,443
Other provisions	893	893	-	914
Other operating provisions	2,210	2,210	-	4,335
Labor contingencies	929	929	-	897
Judicial contingencies	3,161	3,161	-	-
Tax loss	201,034	201,034	-	10,176
Exchange-rate change	(42,767)	-	(42,767)	71,845
Property damage				(43,748)
Tax Assets (Liabilities) before offset	171,410	214,177	(42,767)	46,718
Offset of tax		(42,767)	42,767	
Net balances presented in Assets/Liabilities		171,410	-	

The changes in the net balance of deferred IRPJ and CSLL are as follows:

	Consolidated	
	06/30/2020	12/31/2019
Opening balance	46,718	29,767
Deferred IRPJ (Corporate income tax) and CSLL (social contribution on net income) recognized in the income (loss) for the period	9,112	4,607
Deferred Corporate income tax (IRPJ) and social contribution on net income (CSLL) recognized in other comprehensive income	115,580	12,344
Closing balance	171,410	46,718

The Company estimates that the balances of deferred tax assets will be realized in the periods shows below, The provisions and tax losses will be realized from the 1st to the 2nd year, while the balances from the exchange-rate change arising from the loan to be settled in this period will be realized from the 5th to the 7th year, as follows:

	<u>Consolidated</u>
Years:	
up to 1	13,143
1–2	-
2–3	-
3–5	-
5–7	<u>201,034</u>
Total deferred tax assets of IRPJ (Corporate income tax) and CSLL (Social contribution on net income)	<u><u>214,177</u></u>

27. Financial instruments

27.1 Financial instruments by category

All the operations with financial and derivative instruments are recognized in financial statements of the Company and its subsidiaries, estimated fair values of instruments are the same as the calculated amounts for loans and financing, as follows:

		<u>Parent company</u>		<u>Consolidated</u>	
		<u>06/30/2020</u>	<u>12/31/2019</u>	<u>06/30/2020</u>	<u>12/31/2019</u>
Assets					
Fair value through profit or loss:					
Securities	Level 2	26,258	4,625	1,090,228	913,972
Amortized cost					
Cash and cash equivalents	Level 1	863	9,179	21,915	45,166
Pledged financial investments	Level 2	-	-	19,987	15,383
Guarantee and escrow deposit	Level 2	8,999	6,704	8,999	6,704
Accounts receivable	Level 2	-	-	189,086	82,350
Related party credits	Level 2	12,108	10,558	-	-
Dividends	Level 2	37,032	37,032	-	-
Liabilities					
Liabilities at amortized cost:					
Suppliers	Level 2	4,915	3,018	113,646	49,945
Accounts payable with related parties	Level 2	59,012	1,114	-	-
Loans and financing	Level 2	-	-	3,953,143	2,990,509
Dividends payable	Level 2	50	363	13,912	2,834

Note: The Management periodically reviews unobservable data considered significant and valuation adjustments, If third-party information, such as broker quotes or pricing services, is used to measure fair value, the Management analyzes evidence obtained to support the conclusion that such valuations meet the accounting requirements, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring fair value of an asset or liability, the Company uses observable data as much as possible. Fair values are classified at different levels according to hierarchy based on information (inputs) used in valuation techniques, as follows:

- Level 1: prices quoted (not adjusted) in active markets for identical assets and liabilities.

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- Level 2: except for quoted prices, included in Level 1 which are observable for assets or liabilities, directly (prices) or indirectly (derived from prices); and
- Level 3: for assets or liabilities, which are not based on observable market data (non-observable inputs).

27.2 Criteria, assumptions and limitations used in the calculation of market value

The financial instruments of the Company and its subsidiaries, segregated between assets classified as fair value through profit or loss and at amortized cost, and liabilities classified through amortized cost. They are mostly paid at market rates.

Fair values of these financial instruments are close to the book values as of June 30, 2020, except for loans and financing with hedge accounting and presented as follows:

		Fair value		Book value	
		06/30/2020	12/31/2019	06/30/2020	12/31/2019
Assets					
Cash and cash equivalents	Level 1	21,915	45,166	21,915	45,166
Securities	Level 2	1,090,228	913,972	1,090,228	913,972
Pledged financial investments	Level 2	19,987	15,383	19,987	15,383
Guarantee and escrow deposit	Level 2	8,999	6,704	8,999	6,704
Accounts receivable	Level 2	189,086	82,350	189,086	82,350
Liabilities					
Suppliers	Level 2	113,646	49,945	113,646	49,945
Loans and financing	Level 2	3,810,663	3,096,401	3,953,143	2,990,509
Dividends payable	Level 2	13,912	2,834	13,912	2,834

27.3 Derivative and non-derivative financial instruments

These instruments are managed through operational strategies, aimed at the predictability of operations and minimizing possible mismatches that may bring additional volatilities to those already covered by the Business Plan of the Company and its subsidiaries. The control policy consists of permanent follow-up of the rates engaged versus those in force in the market. The Company and its subsidiaries do not carry out transactions or any other financial instruments on a speculative basis.

27.4 Risk management

Financial risk management

Overview

The economic and financial risks mainly reflect the behavior of macroeconomic variables such as exchange and interest rates as well as the characteristics of the financial instruments that the Company and its subsidiaries use. These risks are managed by means of monitoring by Management that actively participates in the operating management.

The Company and its subsidiaries have the practice of managing its existing risks in a conservative manner, aiming mainly to preserve the value and liquidity of financial assets and to guarantee financial resources for the smooth running of business. The main financial risks considered by Top Management are:

- Credit risk
- Liquidity risk
- Exchange rate risk

- Hedge activity
- Interest rate risk

We present the information on the Company and its subsidiaries exposure to each of these risks, objectives, policies, practices and processes for risk measurement and management, and capital management.

Risk management framework

Credit risk

It is the risk that the Company and its subsidiaries will suffer financial losses if a counterparty does not fulfill an obligation provided for in the contract. The company is mainly exposed to operating activities (with trade accounts receivable) and investment activities (through interest earning bank deposits).

As mentioned in note 6, the Company, after analyzing and applying the accounts receivable policies, has no material loss for its financial statements.

In general, business direction is dealt with in committee meetings for decision making and financial investments are directed by the company's Treasury in accordance with the established Policy in order to reduce the company's financial risk. The results and adaptations of the established strategies are monitored in order to maintain the expected results, As for Financial Instruments, the Company is mainly exposed to Cash and Cash Equivalents and Securities and therefore restricts exposure to top-tier Financial Institutions, with an "investment grade" rating by risk agencies widely accepted in the market in addition to reducing risk through diversification of counterparties.

<u>National scale</u>	<u>National scale rating</u>
Banco ABC	AAA
Banco Bradesco	AAA
Itaú	AAA
JP Morgan (*)	AAA
Banco do Brasil	BB
Santander	AAA
Cash	AA
Safra	AA

(*) International scale rating (offshore investments),

Book values of financial instruments that represent the maximum exposure to credit risk on condensed interim financial statement dates are as follows:

	Parent company		Consolidated	
	<u>06/30/2020</u>	<u>12/31/2019</u>	<u>06/30/2020</u>	<u>12/31/2019</u>
Cash and cash equivalents	863	9,179	21,915	45,166
Accounts receivable	-	-	189,086	82,350
Securities	26,258	4,625	1,090,228	913,972
Pledged financial investments	-	-	19,987	15,383
Related party credits	12,108	10,558	-	-
Guarantee and escrow deposit	8,999	6,704	8,999	6,704
Dividends receivable	37,032	37,032	-	-
Total	85,260	68,098	1,335,770	1,063,575

Liquidity risk

It is the risk of the Company and its subsidiaries may encounter difficulties in performing the obligations associated with its financial liabilities that are settled with cash payments.

The approach in the management of liquidity risk is to guarantee the payment of obligations, for which reason it aims to maintain cash available for the performance of short-term obligations, making every effort to ensure that there is always sufficient liquidity to honor its obligations, under normal and stress conditions, without causing

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unacceptable losses or with the risk of blemishing the reputation of the Company and its subsidiaries.

The Company and its subsidiaries align funds availability and generation so as to comply with its obligations under agreed-upon terms.

Maturity is based on the most recent date when the Company and its subsidiaries have the related obligations:

Liquidity risk	Consolidated			
	06/30/2020			
	up to 12 months	13–24 months	25–36 months	>37 months
Suppliers (Note 14)	113,646	-	-	-
Loans and financing(*)	135,401	239,101	226,199	3,542,961

(*) The amount bears contractual interest according to the opening of note 15,

Exchange rate risk

Derives from the oscillations of the exchange rates of foreign currencies used by the Company and its subsidiaries, The transactions subject to change are the portion of the Bond destined to the operation of the north corridor and HB Cabotagem.

Management analyses and follows up its exposures in order to make decisions on the contracting of hedge instruments for respective foreign currency exposures, Hedge instruments used to manage exposures are established by Management, shared and approved by the Board of Directors to avoid speculative instruments or instruments that may possibly generate any additional risk inherent to those originally proposed.

Pursuant to IFRS 9 (equivalent to CPC 48), the purpose of the hedge accounting is to represent in the financial statements, the effect of the risk management activities of the entity that uses financial instruments to manage exposures resulting from specific risks that could affect the income (loss), The purpose of this approach is to transmit the context of hedge instruments for which the hedge accounting should be applied to permit the understanding of its purposes and effects.

Hedge Accounting Bond

- Structuring of the Hedge accounting operation

In order to structure the operation, the Company defined as risk to be hedged, the exchange-rate change of part of its future revenues from a sea freight Take or Pay agreement, denominated in U.S. dollar, originated from its indirect subsidiary Girocantex.

The Company is also exposed to an exchange-rate change derived from the issuance of Bonds in the amount of US\$ 600,000,000 with semi-annual yield of 5.95% p.a, and maturity term of 7 years as of May 02, 2018, through its direct subsidiary Hidrovias Internacional. The Company carried out repurchases totaling USD 21,050,000, which reduce its gross debt by the same amount.

Both revenues in foreign currency as well as debts derived from the issuance of Bonds are exposed to risk of same nature, and accordingly, the exchange risk of future revenues would be naturally covered by the exchange risk of the debts, However, despite the economic coverage of the risk of exchange-rate change, the Company's income (loss) is affected by the timely mismatch between the accounting recognition of the revenue and debt, Accordingly, the Company will use part of the principal value of the Bond issued in USD as hedge instrument to cover part of its future revenue in USD, which is highly probable.

- Purpose and strategy of the risk management

Estimated and highly-probable future revenues, derived from Girocantex's Take or Pay operation exposes the Company to market risks involving changes in the Real (BRL) x U.S. dollar (USD) exchange rate, since the functional currency of the Company is the Real (BRL).

The Financial Risk Management Policy permits the structuring of hedge accounting, using derivative and non-derivative financial instruments with the purpose of minimizing the effects of the USD changes on the income (loss) of the Company.

In order to meet the Risk Strategy, management decided to designate as hedge instrument, part of the principal value of the debt in foreign currency (Bond) so as to protect the counterparty from USD rate changes derived from its Take or Pay agreement with Girocantex.

- Hedge relation

The Company will adopt the cash flow hedge, as defined in IFRS 9, whose nature of the covered risk is the exchange-rate change.

- Nature of hedged risk

Foreign currency risk: variability of the exchange rates of estimated revenues in U.S, dollar, in connection with the Take or Pay agreement with Girocantex.

Identification of the hedged item

Risk of exchange-rate change of part of estimated revenues in foreign currency (minimum of 25% of quarterly revenue), in connection with the Take or Pay agreement with Vale do Rio Doce, for a period of 7 years beginning on May 02, 2018.

- Identification of hedge instrument

The hedge instrument is part of the principal value of the Bond issued, with the following characteristics:

Type	Bond
Start date of Contract	01/24/2018
Maturity date	01/24/2025
Amount denominated in USD	244,520,320
Initial Parity USD x REAIS	3.5424
Start date of hedge	05/02/2018

- Effectiveness of the hedge relationship

Hedge effectiveness is measured based on the changes in the fair value or in the cash flows of the hedge instrument that offset the changes in the fair value or cash flows of the hedged item, The non-effectiveness of hedge occurs as the changes in the fair value or cash flows of the hedge instrument are higher or lower than those of the hedged item.

To qualify to hedge accounting, the following requirements of effectiveness should be satisfied:

The requirement so that there is economic relation means that the hedge instrument and the hedged item must have amounts that generally move in opposite directions due to the same risk, which is the hedged risk.

The hedge instrument and the hedged item have values that move in opposite directions, The increase of exchange rate generates a devaluation in the recognition of revenue in the income (loss), which is recognized upon delivery of the product transported to its destination, Likewise, the increase in the exchange rate causes the increase in the debt represented by the Bond, generating an expense in the result, In the same way as an increase in the exchange rate generates an opposite movement between hedge instrument and hedged item, These changes occur in different moments, since the debt is an item recognized in the balance sheet and the revenue until the date of recognition is an off-balance sheet item, With the benefit of hedge accounting, the exchange-rate change of the debt will be recognized in other comprehensive income, under Cash Flow Hedge reserve, and reclassified to reclassification adjustment in the same period or periods during which the expected future cash flows covered by hedge affect the income (loss), that is, upon the actual recognition of revenue.

Hedge Accounting Cabotagem

- Structuring of the Hedge accounting operation

In order to structure the operation, the Company defined as risk to be hedged, the exchange-rate change of part of its future revenues derived from a service agreement, denominated in U.S. dollar, with Alunorte,

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The Company is also exposed to foreign exchange variation resulting from loans in foreign currency in the amount of US \$ 128,595,291 with a maturity of 13 years.

Both revenues in foreign currency as well as debts are exposed to risk of same nature, and accordingly, the exchange risk of future revenues would be naturally covered by the exchange risk of the debts. However, despite the economic coverage of the risk of exchange-rate change, the Company's income (loss) is affected by the timely mismatch between the accounting recognition of the revenue and debt. Accordingly, the Company will use part of the principal value of the loan in USD as hedge instrument to cover part of its future revenue in USD, which is highly probable.

- Risk management strategy

HB Cabotagem has the strategy to hedge part of its estimated revenue in foreign currency against risks of exchange-rate changes.

- Risk management objectives

HB Cabotagem intends to hedge the risk of exchange-rate change of at least 6% of the flow of receipt, derived from the service agreement with Alunorte. The hedged flows of receipt begin on April 02, 2018 and are expected to end in February 2033,

The Company will use the principal value of the loan in foreign currency, contracted with the BNDES as hedge instrument of the estimated revenues,

The hedge instrument is the principal value of the debt in foreign currency contracted with the BNDES, with the following characteristics:

Type	Debt in foreign currency (*)
Start date of Contract	12/23/2016
Maturity date	03/15/2033
Amount in USD	142,807,564
Initial Parity USD x REAIS	3.3104
Start date of hedge	04/02/2018

(*) contracted with the BNDES

- Effectiveness of the hedge relationship

Hedge effectiveness is measured based on the changes in the fair value or in the cash flows of the hedge instrument that offset the changes in the fair value or cash flows of the hedged item. The non-effectiveness of hedge occurs as the changes in the fair value or cash flows of the hedge instrument are higher or lower than those of the hedged item.

To qualify to hedge accounting, the following requirements of effectiveness should be satisfied:

The requirement so that there is economic relation means that the hedge instrument and the hedged item must have amounts that generally move in opposite directions due to the same risk, which is the hedged risk.

The hedge instrument and the hedged item have values that move in opposite directions. The increase of exchange rate generates a devaluation in the recognition of revenue in the income (loss), which is recognized upon delivery of the product transported to its destination. Likewise, the increase in the exchange rate causes the increase in the debt represented by the loan, generating an expense in the income (loss). In the same way as an increase in the exchange rate generates an opposite movement between hedge instrument and hedged item. These changes occur in different moments, since the debt is an item recognized in the balance sheet and the revenue until the date of recognition is an off-balance sheet item. With the benefit of hedge accounting, the exchange-rate change of the debt will be recognized in other comprehensive income, under Cash Flow Hedge reserve, and reclassified to reclassification adjustment in the same period or periods during which the expected future cash flows covered by hedge affect the income (loss), that is, upon the actual recognition of revenue.

Hedge Accounting Bond

Hedged object	Hedged risk	Production period	Principal value in US\$	Hedge instrument value	
Exchange-rate change of part of its future revenues	FX rate R\$ - USD	05/02/2018–05/02/2025	244,520,320	244,520,320	
Realization estimate					
2018	2019	2020	2021	2022–2025	Total
24,150,155	36,225,233	36,225,233	36,225,233	111,694,466	244,520,320

Hedge Accounting - Cabotagem

Hedged object	Hedged risk	Production period	Principal value in US\$	Hedge instrument value	
Exchange-rate change of part of its future revenues	FX rate R\$ - USD	04/02/2018–02/2033	142,807,564	142,807,564	
Realization estimate					
2018	2019	2020	2021	2022–2033	Total
3,128,527	10,261,948	10,261,948	10,261,948	108,893,193	142,807,564

Interest rate risk

Book value of financial instruments that represent the exposure to interest rate risk is as follows:

Interest rate risk	Parent company		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Assets:				
Cash and equivalents cash	863	9,179	21,915	45,166
Securities	26,258	4,625	1,090,228	913,972
Pledged financial investments	-	-	19,987	15,383
Loans and financing	-	-	3,953,143	2,990,509

Interest rates are disclosed in notes 5 and 15,

Sensitivity analysis

The Company and its subsidiaries make sensitivity analysis of main risks to which its financial instruments are exposed, basically represented by exchange rate and interest rate changes.

Changes in interest rate and foreign exchange rates.

To verify the sensitivity of the indices in the investments to which the Company and its subsidiaries were exposed on the base date of March 31, 2020, three different scenarios were defined.

The Company prepared three sensitivity analysis scenarios, scenario I considers the future interest rates observed on the base date of condensed interim financial statement and scenario II considers an appreciation of 50%%, in the risk variable considered.

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The base date of portfolio used was June 30, 2020 projecting indices for one year and verifying the sensitivity in each scenario:

Financial instruments	Risk	Estimated rate	Total	50% decr, 50% incr,		
				I	II	III
Securities	CDI	2.57%	127,514	100%	50%	50%
Securities	U.S. Treasury	0.13%	736,448	3,283	1,641	4,924
Loans and financing	TJLP	4.94%	81	957	479	1,436
Loans and financing	Libor	0.31%	187	4	2	6
Securities	FX - Ptax 800	0.92%	226,267	1	0	1
Interest earning bank deposit - pledged	Selic	2.25%	19,987	2,072	1,036	3,109
				450	225	675

Exchange rate change

To verify the sensitivity of the net foreign exchange exposure to which the Company and its subsidiaries were exposed on June 30, 2020, different scenarios were defined, scenario I considers a 10% deterioration, scenario II and III consider a 20% and 10% exchange rate appreciation.

	Risk	Estimated rate	06/30/2020 BRL	Depreciation		Appreciation	
				10%		20%	
				Scenario			
				I	II	III	
Loan - Project financing	USD	5.4760	516,328	464,695	619,594	567,960	
Export credit note	USD	5.4760	1,712,666	1,541,400	2,055,199	1,883,933	
Exchange-rate change			2,228,994	2,006,095	2,674,793	2,451,893	

27.5 Capital management

The policy of the Management of the Company is to maintain a solid capital base to maintain the confidence of investors, creditors and market clients, maintaining the future development of the business.

Company Management strives to maintain a balance between the highest possible returns with more adequate levels of financial leveraging (loans) and the advantages and the assurance afforded by a balanced capital position.

The Company's net debt to the final shareholders equity ratio of June 30, 2020 and December 31, 2019 is as follows:

	Parent company		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Total liabilities current and non-current	(91,375)	(46,329)	(4,320,068)	(3,174,094)
Cash and cash equivalents	863	9,179	21,915	45,166
Securities	26,258	4,625	1,090,228	913,972
Interest earning bank deposit - pledged	-	-	19,987	15,383
(Insufficiency) net cash surplus	(64,254)	(32,525)	(3,187,938)	(2,199,573)
Shareholders' equity	1,378,849	1,543,571	1,378,849	1,543,571
Relationship between shareholders' equity and net insufficiency of cash	(2246%)	(4846%)	(143%)	(170%)

28. Insurance

The Company and its subsidiaries adopt the policy of contracting insurance coverage for assets subject to risks to cover possible claims, considering the nature of its activities involving its operational facilities, vessels and barges, and for engineering and construction risks of projects, civil liability and material damages. The insured amount as of June 30, 2020 and December 31, 2019 is as follows:

	Consolidated	
	06/30/2020	12/31/2019
Operational risks		
Port operator	1,007,615	842,615
Engineering risk	160,183	-
Risk of works	30,000	-
Hull/machinery and civil liability (bareboats)	852,783	833,533
Fire, lightning, explosion, electrical damage, windstorms and flood	6,600	3,200
	<u>2,057,181</u>	<u>1,679,348</u>

29. Segment information

The segregation of the Company's operating segments is based on the internal structure of the financial statements and management and is carried out through business segmentation, the northern corridor includes the operations of HB Vila do Conde, HB Santos, HB Cabotagem and HB Intermediação, the south corridor includes HB Hidrovias del Sur and its subsidiaries and the others, includes the parent company Hidrovias do Brasil and HB Luxemburgo.

	North Corridor		South Corridor		Other		Eliminations		Total	
	04/01/2020–06/30/2020	01/01/2020–06/30/2020	04/01/2020–06/30/2020	01/01/2020–06/30/2020	04/01/2020–06/30/2020	01/01/2020–06/30/2020	04/01/2020–06/30/2020	01/01/2020–06/30/2020	04/01/2020–06/30/2020	01/01/2020–06/30/2020
Net revenue from services	332,614	540,377	97,304	106,908	-	-	(3,723)	(7,568)	426,195	639,717
Cost of services rendered	(206,088)	(352,990)	(73,297)	(116,515)	(11)	463	3,723	7,568	(275,673)	(461,474)
Operating expenses (a)	(6,908)	(12,378)	(2,491)	(4,583)	(19,978)	(43,287)	-	-	(29,197)	(60,248)
Depreciation and amortization	(30,944)	(60,580)	(21,720)	(39,672)	(1,898)	(3,951)	-	-	(54,562)	(104,203)
Other expenses/revenues	9,074	19,512	30	50	-	-	-	-	9,104	19,562
Financial revenue	14,658	55,832	1,026	4,728	(4,442)	3,968	-	-	11,242	64,528
Financial expenses	(56,455)	(158,466)	(22,291)	(49,360)	487	(2,741)	-	-	(78,259)	(210,567)
Equity in net income of subsidiaries	264	264	1,824	(471)	18,539	(87,025)	(18,807)	86,757	1,820	(475)
Income tax	(18,077)	(20,957)	-	-	-	-	-	-	(18,077)	(20,957)
(Loss) income for the period	<u>38,138</u>	<u>10,614</u>	<u>(19,615)</u>	<u>(98,915)</u>	<u>(7,123)</u>	<u>(132,573)</u>	<u>(18,807)</u>	<u>86,757</u>	<u>(7,407)</u>	<u>(134,117)</u>

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	North Corridor		South Corridor		Other		Eliminations		Total	
	04/01/2019– 06/30/2019	01/01/2019– 06/30/2019	04/01/2019– 06/30/2019	01/01/2019– 06/30/2019	04/01/2019– 06/30/2019	01/01/2019– 06/30/2019	04/01/2019– 06/30/2019	01/01/2019– 06/30/2019	04/01/2019– 06/30/2019	01/01/2019– 06/30/2019
Net revenue from services	153,684	254,715	108,706	199,479	-	-	(8,715)	9,447	253,675	444,747
Cost of services rendered	(87,827)	(145,533)	(29,968)	(67,618)	(77)	(36)	8,715	(9,447)	(109,157)	(203,740)
Operating expenses (a)	(1,263)	(4,143)	(1,912)	(3,861)	(19,972)	(33,141)	-	-	(23,147)	(41,145)
Depreciation and amortization	(30,326)	(56,811)	(14,288)	(28,039)	(1,883)	(3,415)	-	-	(46,497)	(88,265)
Other expenses/revenues	22,233	22,684	86	350	(31)	(1,439)	-	-	22,288	21,595
Financial revenue	4,981	10,846	72,453	73,527	(71,030)	(56,564)	(3,063)	(12,916)	3,341	14,893
Financial expenses	(27,164)	(54,085)	(87,918)	(105,396)	70,740	61,865	3,063	12,916	(41,279)	(84,700)
Equity in net income of subsidiaries	-	-	1,122	(3,349)	75,970	85,999	(75,970)	(85,999)	1,122	(3,349)
Income tax	(8,340)	(10,855)	-	-	-	(1)	-	-	(8,340)	(10,856)
Income (loss) for the period	25,978	16,818	48,281	65,093	53,717	53,268	(75,970)	(85,999)	52,006	49,180

(a) Operating expenses include expenditures with Executive Board, employees, outsourced services and other expenses,

In the period ended June 30, 2020, the Company presented revenues from customers domiciled in Brazil, totaling 65% of the Company's total net revenue, in the amount of R \$ 417,220 (R \$ 245,268 on June 30, 2019).

The Company, in the period ended June 30, 2020, presented revenues from Uruguay, These revenues total 35% of the Company's total net revenue, corresponding to R \$ 229,497 (R \$ 199,479 as of June 30, 2019).

The volume of grains and fertilizers in the northern corridor totaled 2,080 thousand tons (1,105 thousand tons on June 30, 2019), an increase of 88% when compared to the previous quarter.

The volume of grains, fertilizers and iron ore in the southern corridor, excluding Vale, totaled 414 thousand tons (492 thousand tons on June 30, 2019), down 16% in the second quarter of 2020, when compared to the same period of the previous year.

The volume of coastal shipping totaled 818 thousand tons (820 thousand tons on March 31, 2019), practically stable when compared to the same period of the previous year.

Assets and liabilities

	North Corridor 06/30/2020	South Corridor 06/30/2020	Other 06/30/2020	Eliminations	Total 06/30/2020
Current assets	437,322	659,027	545,050	(117,226)	1,524,173
Non-current assets	<u>1,816,540</u>	<u>1,806,168</u>	<u>5,094,194</u>	<u>(4,542,158)</u>	<u>4,174,744</u>
Total assets	2,253,862	2,465,195	5,639,244	(4,659,384)	5,698,917
Current liabilities	263,523	142,510	183,646	(115,697)	473,982
Non-current liabilities	1,776,544	1,299,879	3,972,441	(3,202,779)	3,846,085
Shareholders' equity	213,795	1,022,806	1,483,157	(1,340,908)	1,378,849
Total liabilities and shareholders' equity	<u>2,253,862</u>	<u>2,465,195</u>	<u>5,639,244</u>	<u>(4,659,384)</u>	<u>5,698,917</u>

	North Corridor 12/31/2019	South Corridor 12/31/2019	Other 12/31/2019	Eliminations	Total 12/31/2019
Current assets	466,921	480,402	379,644	(80,573)	1,246,394
Non-current assets	2,252,587	1,238,933	3,658,132	(3,678,381)	3,471,271
Total assets	2,719,508	1,719,335	4,037,776	(3,758,954)	4,717,665
Current liabilities	254,102	74,951	74,051	(79,912)	323,192
Non-current liabilities	1,731,233	912,417	2,423,806	(2,216,554)	2,850,902
Shareholders' equity	734,173	731,967	1,539,919	(1,462,488)	1,543,571
Total liabilities and shareholders' equity	2,719,508	1,719,335	4,037,776	(3,758,954)	4,717,665

30. Government subsidy and assistance

The Company uses two benefits, Namely:

- AFRMM

The AFRMM is a benefit available to all Brazilian shipping companies operating with own or chartered vessels, and is regulated by Law No, 10,893/2004 and other specific legislation applicable to the industry.

The Company, through its subsidiary, fully receives the additional 10% on the cost of cabotage freight provided to its customers, via the Merchant Marine Fund, depending on each transport it performs. These resources are restricted and used exclusively in the construction, docking, repair, maintenance of vessels and amortization of financing granted for the acquisition of vessels.

In the year 2020 until June 30, the Company recognized the benefits of AFRMM in the operating income (expenses) group in the amount of R\$ 7,700 (R\$ 5,363 on June 30, 2019).

- SUDAM

Exploration Profit – SUDAM is a tax incentive granted to legal entities holding infrastructure development projects that foster the economy, as well as being fully established in the states covered by the Amazon Development Authority (to which the state of Pará is included), This benefit grants a reduction of 75% in the Income Tax and its additional charges (25% to 6.25%), for a term of 10 years, This benefit resulted in an adjustment of R\$ 5,201.

- Deferment of ICMS

The subsidiary Hidrovias do Brasil Cabotagem Ltda, benefits from the deferral of ICMS on transportation service operations in the state of Pará.

31. Items not affecting cash

During the period ended June 30, 2020, the amount of R\$ 1,374 and R\$ 114,444 referring respectively to suppliers for the acquisition of property, plant and equipment, and concession lease did not affect cash.

32. Subsequent event

There was no subsequent event.