



EARNINGS RELEASE
1Q20

A WORD FROM THE PRESIDENT

The first quarter of 2020 was a quarter of growth for Hidrovias do Brasil S.A. ("HBSA"), contrary to what we have seen around the world.

We had a **29% increase in our adjusted EBITDA**, when compared to the same quarter in 2019, and our operations showed excellent results, even in the face of a challenging scenario.

The **North operation** gained prominence by demonstrating its competitiveness in the flow of grains from Mato Grosso, **with a 47% increase in the volume transported** in relation to the same period in 2019.

The North corridor is one of the Company's major bets. Today, the grains market from Mato Grosso remains strong and the northern ports already represent **43% of the market share** of grains exports in the state, which is the largest grains producer in the country. A very positive scenario for our operation, which has not yet reached its full capacity.

Coastal Shipping, another business of the Company, started the year in full operation.

The South Operation, which today faces one of the lowest drafts in the history of the Paraná-Paraguay waterway, has demonstrated resilience and structure to overcome this challenge.

These results show us that HBSA's strategic options in **diversifying operations** in different regions and countries, carrying out the transportation of **various products**, using its **own and customized assets** for each operation brought the **safety and operational excellence** necessary for our business.

In addition, our commercial strategy for **long-term contracts** has enabled the Company to consolidate itself in the market as a robust, competitive company capable of overcoming challenges to meet the needs of our customers.

HBSA has also focused efforts on helping to combat Covid-19. **We donated over R\$ 7 million**, through the Hidrovias Institute, in hospital equipment for hospitals in the municipalities where we operate, basic food baskets for vulnerable families, we participated in a cash transfer program with other companies in the Port of Santos, where the Company has been operating since this year, as well as donated uniforms for use in ICUs. We are aware of our social role at this moment and, for this reason, we also joined the *Não Demita* Movement, in which we are committed to not reducing our workforce due to the pandemic until the end of May.

Our concern, since the beginning of the pandemic, has been with our people and with the continuity of our business and that is why, since the beginning of March, the Company has a Crisis Committee that meets daily to accelerate the decision making regarding this issue. We take all measures to prevent and mitigate the transmission of the virus in our operations and are following the health guidelines determined by the competent bodies. **So far, all of our operations are proceeding at a strong pace, with no impact from the pandemic.**

Fabio Schettino
President



1Q20 Earnings Release

São Paulo, May 29th, 2020.

Hidroviás do Brasil S.A ("HBSA") announced today its 1Q20 results. The results are presented on a consolidated basis, in accordance with Brazilian and international accounting rules (IFRS).

EXECUTIVE SUMMARY 1Q20

EBITDA 1Q20 vs 1Q19:

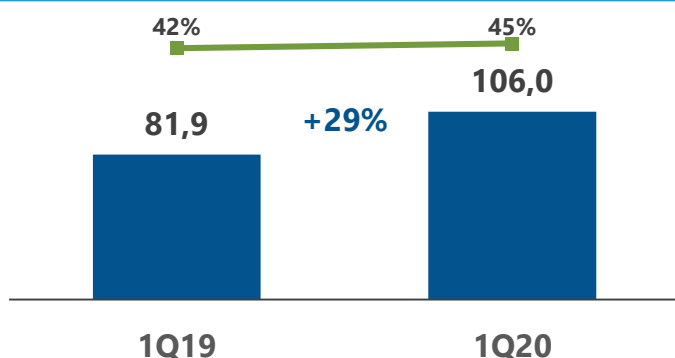
| Consolidated R\$ million | 1Q19 | 1Q20 | Δ |
|-------------------------------------|--------------|--------------|--------------|
| Volume (kt)* | 2.121 | 2.788 | 31% |
| Net Revenue | 191,1 | 213,5 | 12% |
| Operating Net Revenue | 195,7 | 237,9 | 22% |
| OTM | 0,1 | 64,6 | >100% |
| Hedge Accounting | (4,7) | (89,0) | >100% |
| Operating Costs | (94,5) | (185,8) | 97% |
| Operating Costs | (94,2) | (120,9) | 28% |
| OTM | (0,3) | (64,9) | >100% |
| Operating Expenses | (18,1) | (31,1) | 72% |
| AFRMM, Other Revenues & Tax Credits | (0,6) | 10,5 | <(100%) |
| Equity Accounting | (4,5) | (2,3) | (49%) |
| EBITDA | 73,3 | 4,8 | (93%) |
| <i>Margin %</i> | 38% | 2% | - 36 p.p. |
| Hedge Accounting | 4,7 | 89,0 | >100% |
| Impact of Joint Ventures | 5,5 | 3,5 | (37%) |
| Non-recurring | (1,6) | 8,7 | <(100%) |
| Adjusted EBITDA | 81,9 | 106,0 | 29% |
| <i>Margin %**</i> | 42% | 45% | + 3 p.p. |

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.

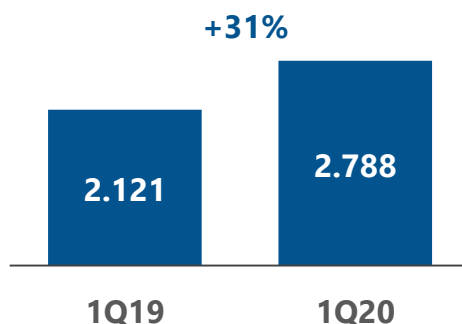
Volume
+31% vs 1Q19

Adjusted EBITDA
+29% vs 1Q19

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



Volume* (kt):



* Excluding volume for Vale customer;

** Adjusted EBITDA margin, taking into account net revenue minus OTM and Hedge Accounting revenue.

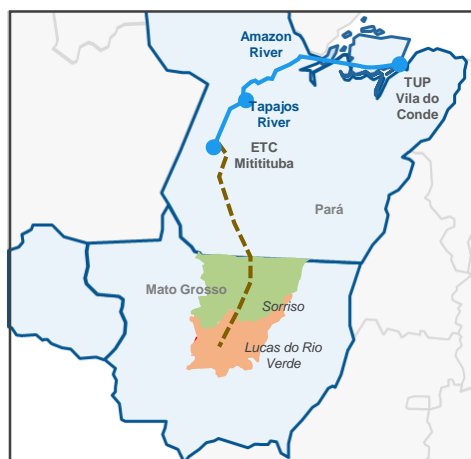
NORTH CORRIDOR

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 (i) bauxite between Porto Trombetas and Barcarena, both in Pará, and (ii) iron ore, between São Luis, in Maranhão, Northeast Region of Brazil, for certain locations in the Southeast Region. This operation has revenue and most costs linked to the US dollar (US\$).

Grains and Fertilizers:



Coastal Navigation (bauxite):



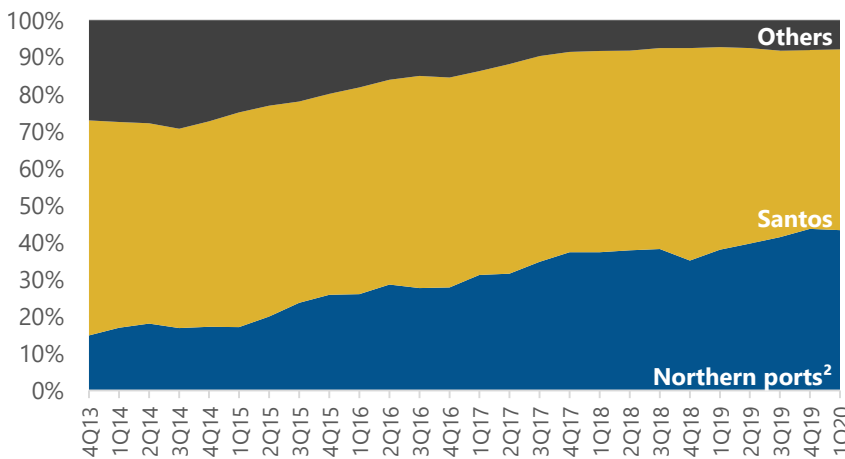
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Competitiveness of the Northern Corridor:

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 1Q20, there was an increase of 5 percentage points, when compared to the same period last year, to 43%.

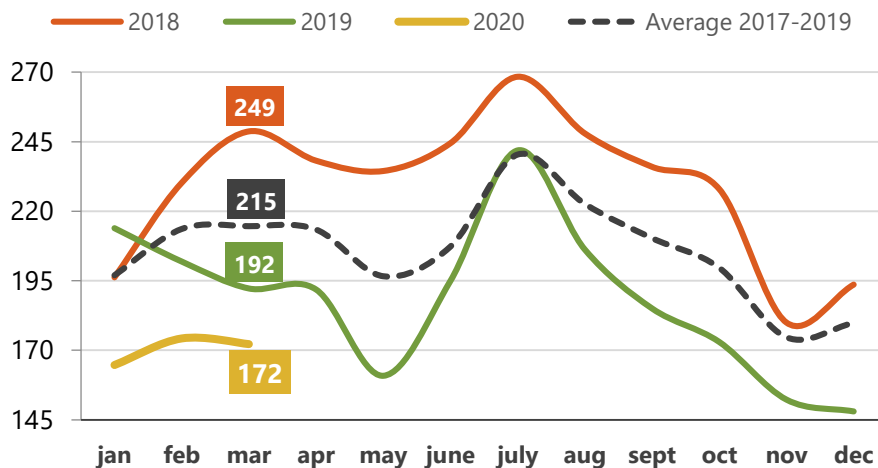
Mato Grosso – Grains Exports Market Share¹



Market Share 1Q20
43%

Market Share 1Q20
+5p.p.
vs 1T19

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



Freight Mar/2020
-R\$43/t
vs avg. 2017-2019

1Q20 Average
R\$170/t

¹ Source: COMEX Stat; Including corn, soy and soymeal

² North Ports includes: Barcarena, Itaqui, Santarém and Itacoatiara

³ Source: IMEA.

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North Grains and Fertilizers:

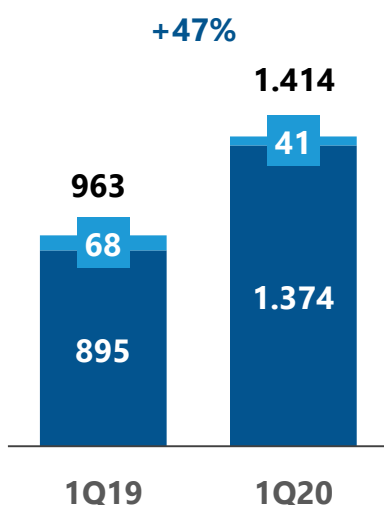
The North Corridor, in the grains and fertilizers segments, showed a volume growth of 47% in 1Q20, when compared to the same period last year. This increase is explained by the continued competitiveness gains in the North Corridor and the market impacts of a vigorous harvest.

North Grains

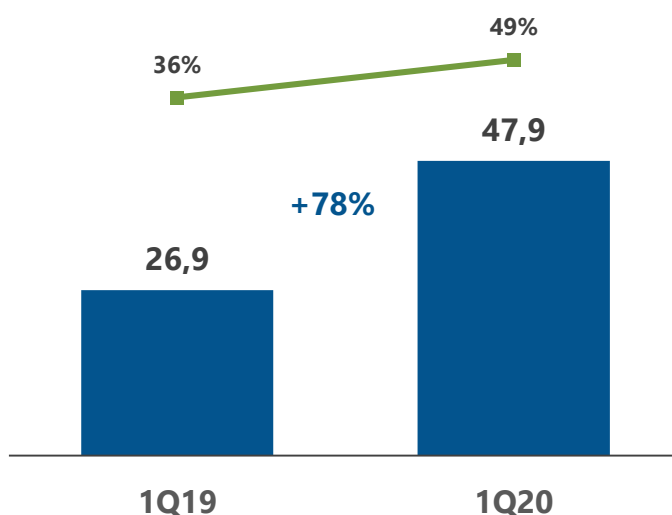
| R\$ million | 1Q19 | 1Q20 | Δ |
|-------------------------------------|-------------|---------------|-------------------|
| Volume (kt) | 963 | 1.414 | 47% |
| Net Revenue | 74,0 | 77,7 | 5% |
| Operating Net Revenue | 73,9 | 98,6 | 33% |
| OTM | 0,1 | 64,6 | >100% |
| Hedge Accounting | - | (85,5) | - |
| Operating Costs | (39,8) | (118,1) | >100% |
| Operating Costs | (39,5) | (53,3) | 35% |
| OTM | (0,3) | (64,9) | >100% |
| Operating Expenses | (2,9) | (5,4) | 87% |
| AFRMM, Other Revenues & Tax Credits | (0,9) | 6,8 | <(100%) |
| EBITDA | 30,4 | (39,0) | <(100%) |
| Margin % | 41% | (50%) | - 91 p.p. |
| Hedge Accounting | - | 85,5 | - |
| Non-recurring | (3,6) | 1,4 | <(100%) |
| Adjusted EBITDA | 26,9 | 47,9 | 78% |
| Margin %** | 36% | 49% | + 12 p.p. |

Incoming system volume (kt):

■ Grains¹ ■ Fertilizers



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



** Adjusted EBITDA margin, taking into account net revenue minus OTM and Hedge Accounting revenue.
¹ "Grains" includes volumes received via truck unloading at ETC Miritituba or at TUP Vila do Conde.

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Coastal Navigation (Cabotage):

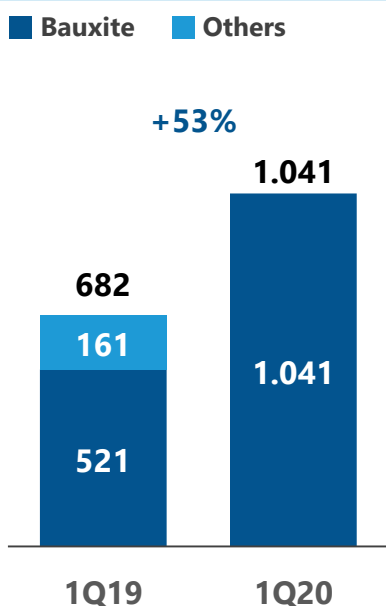
In the Coastal Shipping (or cabotage) segment (which are presented in the consolidated financial statements with the North Corridor) we had a volume growth of 53% in the 1Q20, when compared to the same period last year.

In the first five months of 2019, the main customer in the segment had a capacity restriction of 50%, thus decreasing the volume transported. This situation was resolved as of June last year, which is reflected in the volume of 1Q20.

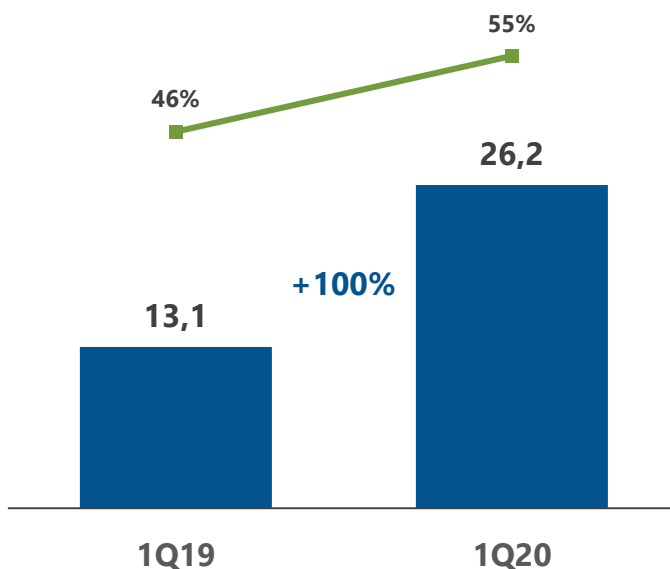
Coastal Navigation

| R\$ million | 1Q19 | 1Q20 | Δ |
|-------------------------------------|-------------|--------------|-----------------|
| Volume (kt) | 682 | 1.041 | 53% |
| Net Revenue | 27,0 | 44,2 | 63% |
| Operating Net Revenue | 28,6 | 47,6 | 67% |
| Hedge Accounting | (1,5) | (3,5) | >100% |
| Operating Costs | (17,1) | (24,9) | 46% |
| Operating Expenses | 0,0 | (0,1) | <(100%) |
| AFRMM, Other Revenues & Tax Credits | - | 3,7 | - |
| EBITDA | 10,0 | 22,8 | >100% |
| <i>Margin %</i> | 37% | 52% | + 15 p.p. |
| Hedge Accounting | 1,5 | 3,5 | >100% |
| Non-recurring | 1,6 | - | (100%) |
| Adjusted EBITDA | 13,1 | 26,2 | 100% |
| <i>Margin %**</i> | 46% | 55% | + 9 p.p. |

Volume (kt):



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



** Adjusted EBITDA margin, taking into account net revenue minus OTM and Hedge Accounting revenue.

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.

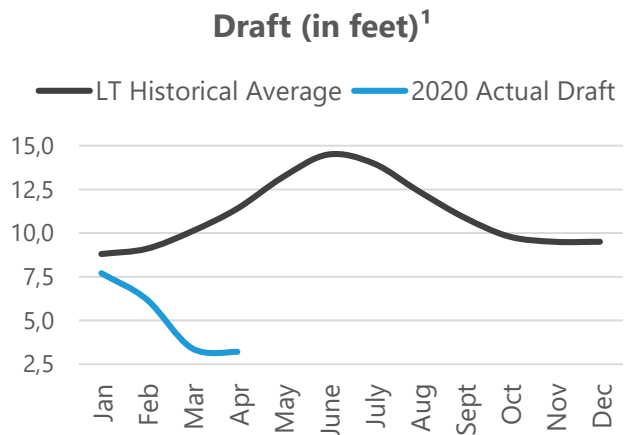
The businesses the company operates in this corridor include the Paraná-Paraguay Waterway (iron ore, grains and fertilizers), the Uruguay River (cellulose, one of our joint ventures) and the Montevideo Terminal (also a joint venture).



Water level conditions in Paraguay-Paraná rivers:

As already explained in the 3Q19 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 In Asunción; Source: Dirección de Meteorología e Hidrología, <https://meteorologia.gov.py/nivel-rio/vermas.php?id=2000082001>

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South Corridor:

The South Corridor had a volume decrease of 30% in 1Q20, when compared to the same period last year, mainly due to draft conditions on the Paraná-Paraguay waterway.

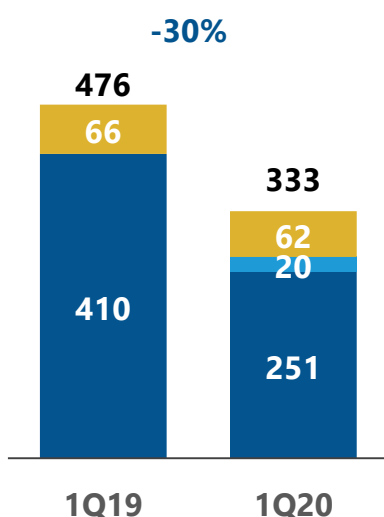
The impact of the drop in volume on EBITDA was partially offset by the appreciation of the US dollar versus the real. The contract with Vale for handling iron ore (volume not shown in the graph below) did not suffer a material impact due to the current draft situation.

South Corridor

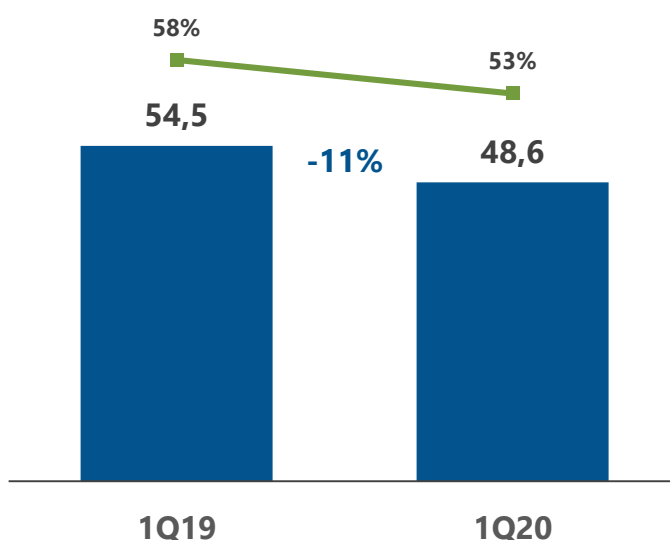
| R\$ million | 1Q19 | 1Q20 | Δ |
|-------------------------------------|-------------|-------------|-----------------|
| Volume (kt)* | 476 | 333 | (30%) |
| Net Revenue | 90,0 | 91,7 | 2% |
| Operating Net Revenue | 93,2 | 91,7 | (2%) |
| Hedge Accounting | (3,2) | - | (100%) |
| Operating Costs | (37,6) | (43,2) | 15% |
| Operating Expenses | (2,4) | (2,1) | (12%) |
| AFRMM, Other Revenues & Tax Credits | 0,3 | 0,0 | (93%) |
| Equity Accounting | (4,5) | (2,3) | (49%) |
| EBITDA | 45,8 | 44,1 | (4%) |
| <i>Margin %</i> | <i>51%</i> | <i>48%</i> | <i>- 3 p.p.</i> |
| Hedge Accounting | 3,2 | - | (100%) |
| Impact of Joint Ventures | 5,5 | 3,5 | (37%) |
| Non-recurring | - | 1,0 | - |
| Adjusted EBITDA | 54,5 | 48,6 | (11%) |
| <i>Margin %**</i> | <i>58%</i> | <i>53%</i> | <i>- 6 p.p.</i> |

Volume (kt):

■ Grains ■ Fertilizers ■ Others



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



* Excluding volume for Vale customer;

** Adjusted EBITDA margin, taking into account net revenue minus OTM and Hedge Accounting revenue.

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HOLDING

The Holding's Adjusted EBITDA, basically consisting of expenses with personnel and third-party services, grew 33% in 1Q20 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).

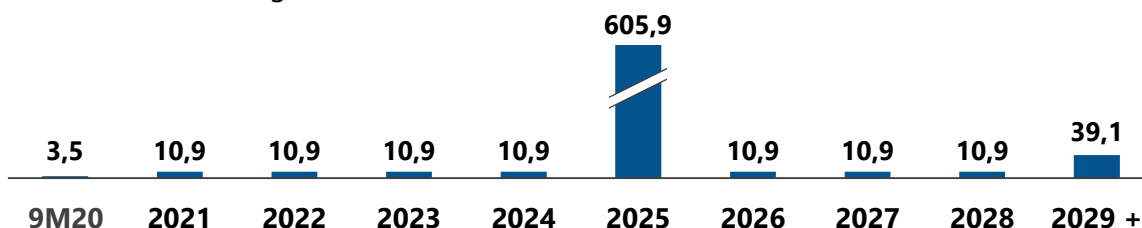
| Holding R\$ million | 1Q19 | 1Q20 | Δ |
|--------------------------------------|---------------|---------------|------------|
| Operating Costs | (0,0) | 0,5 | <(100%) |
| Operating Expenses | (12,9) | (23,5) | 83% |
| EBITDA | (12,9) | (23,0) | 79% |
| Non-recurring | 0,3 | 6,3 | >100% |
| Adjusted EBITDA | (12,6) | (16,7) | 33% |

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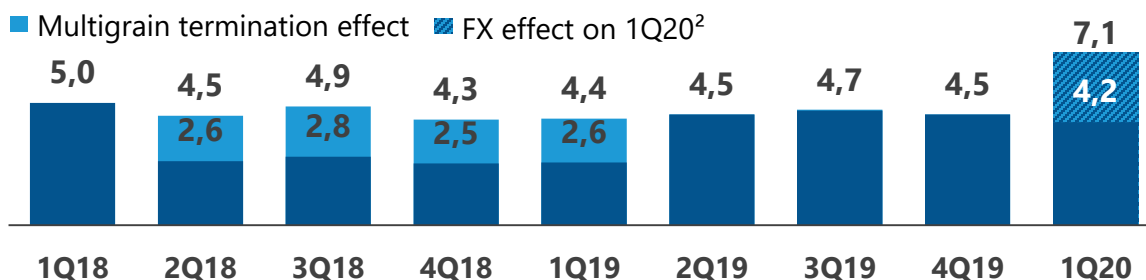
FINANCIAL HIGHLIGHTS

Amortization Schedule (in US\$ million):

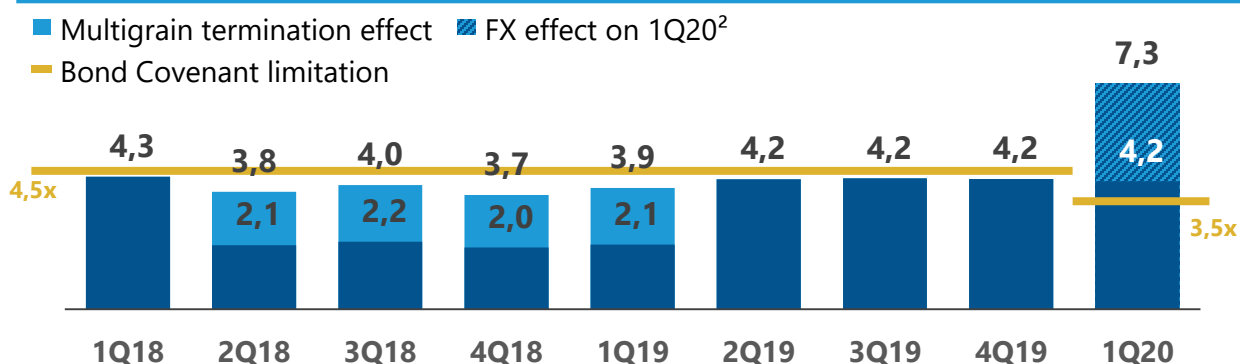
HBSA continues to have a very comfortable and long-term amortization profile, with most amortizations occurring as of 2025.



Net Debt / EBITDA:



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



It is important to remember that, for the Bond's covenant, the coastal navigation operation is excluded from calculations. The breach of this covenant does not accelerate the payment of the debt and does not have significant effects on the day-to-day life of HBSA¹.

In the 1Q20, the main impact of the increase in leverage was the sharp depreciation of the real. This impact has no cash effect, since the payment of the bond's principal is only in 2025.

¹ 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");

² Considering the exclusion of Hedge Accounting (R\$ 89 million) and using 2019's average exchange rate (BRL/USD 3.95) for EBITDA and net debt.

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Cash Flow:

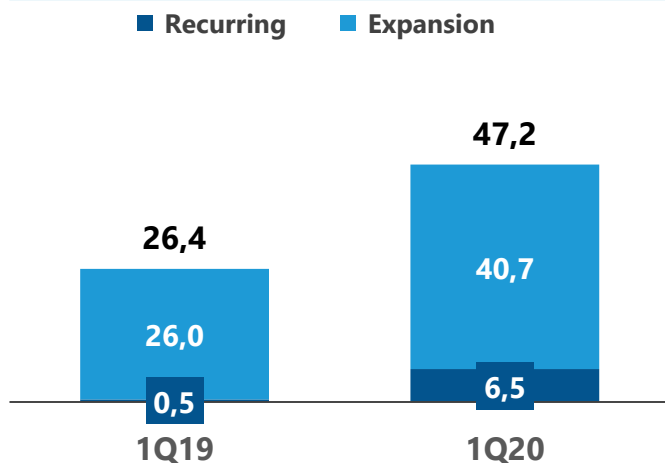
In the table below, we show the Consolidated Cash Flow, considering "interest earning bank deposits" as cash as well.

| Consolidated | | | |
|---|----------------|----------------|-------------------|
| R\$ Million | 1Q19 | 1Q20 | Δ |
| Beginning of Period Cash | 1.092,3 | 974,5 | (11%) |
| (+) Adjusted EBITDA | 81,9 | 106,0 | 29% |
| (+) Change in working capital | (73,9) | (20,8) | (72%) |
| (+) Operating financial results | (1,6) | (10,9) | >100% |
| (-) Joint Ventures' EBITDA | (1,0) | (1,2) | 16% |
| (-) Non-recurring | 1,6 | (8,7) | <(100%) |
| (-) (Constitution) Reversal of contingency provision | 7,2 | (0,1) | <(100%) |
| (-) Stock option plan | - | 1,0 | - |
| (-) Provisions for bonuses and gratuities | - | 3,6 | - |
| (-) Taxes paid | (5,0) | (13,3) | >100% |
| (-) Paid rentals (IFRS 16) | (1,7) | (2,6) | 54% |
| a = Operating Cash Flow (OCF) | 7,5 | 53,1 | >100% |
| (-) CAPEX | (26,4) | (47,2) | 79% |
| b Recurring | (0,5) | (6,5) | >100% |
| Expansion | (26,0) | (40,7) | 57% |
| c = Investing Cash Flow (ICF) | (26,4) | (47,2) | 79% |
| d (+) Debt Funding | - | - | - |
| e (-) Amortization | (21,1) | (14,0) | (34%) |
| f (-) Interest Payments | (74,8) | (85,5) | 14% |
| (-) Bond repurchase | - | (19,2) | - |
| (-/+) Dividends Paid/Received | - | 6,3 | - |
| = Financing Cash Flow (FCF) | (95,9) | (112,3) | 17% |
| g Impact of exchange rate variation on cash balances | 17,1 | 226,4 | >100% |
| h = Cash Generation | (97,7) | 119,9 | <(100%) |
| = End of Period Cash | 994,6 | 1.094,4 | 10% |
| KPI's | | | |
| R\$ Million | 1Q19 | 1Q20 | Δ |
| Cash Generation before CAPEX (a) | 7,5 | 53,1 | >100% |
| Cash Generation before expansion CAPEX (a+b) | 7,0 | 46,5 | >100% |
| Cash Generation after ICF (a+c) | -18,9 | 5,9 | <(100%) |
| Cash Generation before Financing (h-g-f-e-d) | -18,9 | -7,0 | (63%) |

HBSA maintained a strong generation of operating cash. The balance of cash and interest earning bank deposits increased by R\$ 119.9 million, ending 1Q20 with a balance of R\$ 1,094.4 million.

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CAPEX (R\$ million):



HBSA's maintenance CAPEX remains relatively low in 1Q20. At the same time, the company kept its expansion investments, with the new projects of Santos and Salt.

In the Salt project, we acquired the asset that will be used to transfer salt in Rio Grande do Norte. With regard to the Santos project, we formally took over the area called STS20 (the "Assumption").

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 1Q20), the impact on Net Revenue can be significant (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\$).

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.

Report on the review of quarterly information - ITR

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

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Hidrovias do Brasil S.A. (“Company”), contained in the Quarterly Financial Information (ITR) Form for the quarter ended March 31, 2020, which comprise the balance sheet as of March 31, 2020 and related statements of income, comprehensive income, changes in shareholders’ equity and cash flows for the period then ended, including the explanatory notes.

The Company’s Management is responsible for the preparation of the individual interim financial information 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), such as for the presentation of these information in a manner consistent with the standards issued by the Brazilian Securities and Exchange Commission (CVM), applicable to the preparation of the Quarterly Financial Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of the review

Our review was carried out in accordance with the Brazilian and International review standards for interim information (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 information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the individual interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the individual interim financial information included in the Quarterly Financial Information (ITR) referred to above was not prepared, in all material respects, in accordance with CPC 21 (R1) applicable to the preparation of Quarterly Financial Information (ITR) and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM).

Conclusion on the consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial information included in the Quarterly Financial Information (ITR) referred to above was not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34, issued by IASB, applicable to the preparation of Quarterly Financial Information (ITR) and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM).

Other matters

Interim statements of value added

The individual and consolidated interim statements of value added (DVA) for the three-month period ended March 31, 2020, prepared under the responsibility of the Company's management, and presented as supplementary information for the purposes of IAS 34, were submitted to the same review procedures

followed together with the review of the Company's interim financial information. In order to form our conclusion, we evaluated whether these statements are reconciled to the interim financial information and to the accounting records, as applicable, and whether their form and content are in accordance with the criteria set on Technical Pronouncement CPC 09 - Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that the accompanying statements of value added are not prepared, in all material respects, in accordance with the individual and consolidated interim financial information taken as a whole.

São Paulo, May 29, 2020

KPMG Auditores Independentes
CRC 2SP014428/O-6

Original report in Portuguese signed by

Wagner Petelin
Accountant CRC 1SP142133/O-7

HIDROVIAS DO BRASIL S.A.

BALANCE SHEETS AT MARCH 31, 2020 AND DECEMBER 31, 2019
(In thousands of reais – R\$)

| ASSETS | Note | Parent company | | Consolidated | |
|------------------------------------|------|------------------|------------------|------------------|------------------|
| | | 03/31/2020 | 12/31/2019 | 03/31/2020 | 12/31/2019 |
| Cash and cash equivalents | 4 | 625 | 9,179 | 149,626 | 45,166 |
| Securities | 5,1 | 7,436 | 4,625 | 931,710 | 913,972 |
| Trade accounts receivable | 6,1 | - | - | 129,785 | 82,350 |
| Inventories | | - | - | 57,269 | 38,364 |
| Recoverable taxes | 7 | 88 | 827 | 49,264 | 27,463 |
| Income tax and social contribution | 7,1 | 2 | 11,393 | 24,165 | 28,116 |
| Advances to suppliers | 9 | 319 | 435 | 39,398 | 37,884 |
| Prepayments | | 1,902 | 2,302 | 37,683 | 47,499 |
| Related party credits | 18 | 9,291 | 6,333 | - | - |
| Dividends receivable | | 33,032 | 37,032 | - | - |
| Other receivables | | 528 | 1,293 | 28,324 | 25,580 |
| Total current assets | | <u>53,223</u> | <u>73,419</u> | <u>1,447,224</u> | <u>1,246,394</u> |
| Linked securities | 5,2 | - | - | 13,107 | 15,383 |
| Related party credits | 18 | 5,200 | 4,225 | - | - |
| Judicial deposits | 17 | 5,343 | 5,343 | 12,383 | 11,756 |
| Guarantees and pledge deposits | 8 | 8,559 | 6,704 | 8,559 | 6,704 |
| Deferred tax assets | 26 | - | - | 151,549 | 46,718 |
| Recoverable taxes | 7 | 6 | 6 | 39,711 | 55,199 |
| Income tax and social contribution | 7,1 | - | - | 25,618 | 25,618 |
| Advances to suppliers | 9 | - | - | 30,750 | 30,750 |
| Prepayments | | 3,457 | 3,445 | 23,912 | 19,070 |
| Investments | 10 | 1,331,879 | 1,477,715 | 87,833 | 70,946 |
| Property, plant and equipment | 11 | 5,595 | 5,736 | 3,261,604 | 2,928,464 |
| Right-of-use asset | 12 | 826 | 1,101 | 32,160 | 32,534 |
| Intangible assets | 13 | 13,235 | 12,206 | 340,634 | 228,129 |
| Total non-current assets | | <u>1,374,100</u> | <u>1,516,481</u> | <u>4,027,820</u> | <u>3,471,271</u> |
| Total assets | | <u>1,427,323</u> | <u>1,589,900</u> | <u>5,475,044</u> | <u>4,717,665</u> |

| LIABILITIES AND SHAREHOLDERS' EQUITY | Note | Parent company | | Consolidated | |
|--|------|------------------|------------------|------------------|------------------|
| | | 03/31/2020 | 12/31/2019 | 03/31/2020 | 12/31/2019 |
| Suppliers | 14 | 4,371 | 3,018 | 114,167 | 49,945 |
| Loans and financing | 15 | - | - | 171,722 | 172,275 |
| Social charges and labor legislation obligations | 16 | 8,162 | 12,655 | 21,361 | 26,198 |
| Lawsuits | 17 | - | - | 5,797 | 5,884 |
| Taxes payable | | 5,215 | 5,032 | 21,442 | 17,398 |
| Income tax and social contribution | | - | 15,964 | 14,731 | 21,971 |
| Allowance for loss with investments | 10 | 3,707 | 3,652 | - | - |
| Accounts payable with related parties | 18 | 1,487 | 1,114 | - | - |
| Advance from clients | | - | - | 6,483 | 21,721 |
| Dividends payable | | 363 | 363 | 16,327 | 2,834 |
| Lease payable | 12 | 900 | 90 | 8,700 | 107 |
| Concession lease | | - | - | 16,875 | - |
| Other accounts payable | | 3,279 | 3,382 | 9,681 | 4,859 |
| Total current liabilities | | <u>27,484</u> | <u>45,270</u> | <u>407,286</u> | <u>323,192</u> |
| Loans and financing | 15 | - | - | 3,598,972 | 2,818,234 |
| Lease payable | 12 | - | 1,059 | 23,875 | 32,668 |
| Concession lease | | - | - | 67,500 | - |
| Loan | 18 | 22,428 | - | - | - |
| Total non-current liabilities | | <u>22,428</u> | <u>1,059</u> | <u>3,690,347</u> | <u>2,850,902</u> |
| SHAREHOLDERS' EQUITY | | | | | |
| Capital | 19 | 1,282,798 | 1,282,798 | 1,282,798 | 1,282,798 |
| Capital reserves | | 18,151 | 17,127 | 18,151 | 17,127 |
| Additional dividends proposed | 19 | - | 35,827 | - | 35,827 |
| Loss for the period | | (126,710) | - | (126,710) | - |
| Profit reserve | | 84,499 | 48,672 | 84,499 | 48,672 |
| Equity valuation adjustment | | 118,673 | 159,147 | 118,673 | 159,147 |
| Total shareholders' equity | | <u>1,377,411</u> | <u>1,543,571</u> | <u>1,377,411</u> | <u>1,543,571</u> |
| Total liabilities and shareholders' equity | | <u>1,427,323</u> | <u>1,589,900</u> | <u>5,475,044</u> | <u>4,717,665</u> |

See the accompanying notes to the financial statements

STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED MARCH 31, 2020 AND 2019
(In thousands of reais – R\$)

| | Parent company | | Consolidated | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 03/31/2020 | 03/31/2019 | 03/31/2020 | 03/31/2019 |
| Cash flow from operating activities | | | | |
| Loss for the period | (126,710) | (2,828) | (126,710) | (2,828) |
| Adjustments to reconcile loss for the year with net cash generated by (invested in) in operating activities: | | | | |
| Provision for bonus | 3,129 | - | 3,568 | - |
| Current and deferred income tax and social contribution | - | - | 2,880 | 2,516 |
| (Formation) Reversal of provision for contingency | - | - | (87) | 7,186 |
| Interest incurred on loans | - | 125 | 43,740 | 38,396 |
| Reversal of loan funding costs | - | - | 1,483 | 1,214 |
| Inflation adjustments and exchange-rate changes | - | (255) | 72,812 | 2,779 |
| Accrued interest - lease | 23 | - | 439 | - |
| Stock option plan | 1,024 | - | 1,024 | - |
| Yield of interest earning bank deposit | (63) | (1,763) | (50,354) | (10,473) |
| Write-off of fixed and intangible assets | - | 3 | - | 3 |
| Depreciation and amortization | 1,470 | 1,531 | 48,110 | 42,126 |
| Amortization from right-of-use asset | 275 | 144 | 1,537 | 1,236 |
| Equity in net income of subsidiaries | 105,565 | (10,031) | 2,295 | 4,471 |
| Revenue realized from hedge | - | - | 88,970 | 1,504 |
| (Increase) decrease in operating assets: | | | | |
| Accounts receivable | - | - | (34,798) | (10,460) |
| Inventories | - | - | (9,711) | (4,204) |
| Recoverable taxes | (423) | 11 | 2,052 | (1,810) |
| Advances to suppliers | 116 | 289 | 6,158 | (20,224) |
| Prepayments | 388 | 7 | (15,904) | (20,685) |
| Judicial deposits | - | - | (627) | - |
| Guarantees and pledge deposits | (1,855) | (33) | (1,855) | (33) |
| Other receivables | 765 | (552) | (715) | (15,005) |
| Increase (decrease) in operating liabilities: | | | | |
| Suppliers | 1,353 | (2,100) | 56,119 | 14,582 |
| Social charges and labor legislation obligations | (7,622) | (4,041) | (9,314) | (6,196) |
| Taxes payable | 183 | (200) | 3,689 | (4,626) |
| Advances from clients | - | - | (20,204) | 70 |
| Other accounts payable | (103) | 69 | 4,358 | (5,357) |
| Payment of interest on loans and financing | - | (193) | (85,488) | (74,814) |
| Income tax and social contribution paid | (3,411) | (185) | (13,311) | (4,986) |
| Net cash (invested in) from operating activities | (25,896) | (20,002) | (29,844) | (65,618) |
| Cash flows from investment activities | | | | |
| Acquisition of fixed assets | (51) | (411) | (42,829) | (26,040) |
| Acquisition of intangible assets | (2,205) | - | (4,194) | (414) |
| Securities (investment) | (49,155) | (3,990) | (245,325) | (147,031) |
| Securities (redemptions) | 46,407 | 55,047 | 433,408 | 405,552 |
| Dividends received | 4,000 | - | 6,316 | - |
| Loan granted between related parties | (3,933) | (866) | - | - |
| Loan received between related parties | - | - | - | - |
| Capital increase (decrease) in subsidiaries | (250) | (22,120) | - | - |
| Net cash generated by (invested in) investment activities | (5,187) | 27,660 | 147,376 | 232,067 |
| Cash flows from financing activities | | | | |
| Lease paid | (272) | (291) | (2,573) | (1,671) |
| Amortization of principal - loans | - | (7,692) | (13,988) | (21,108) |
| Bond repurchase - Bond | - | - | (19,189) | - |
| Loan granted between related parties | 22,428 | - | - | - |
| Other accounts payable with related parties | 373 | 72 | - | - |
| Net cash (invested in) generated by financing activities | 22,529 | (7,911) | (35,750) | (22,779) |
| Effect of changes in exchange rate on balance of cash and cash equivalents in foreign currency | - | - | 22,678 | 4,450 |
| Decrease/increase in cash and cash equivalents | (8,554) | (253) | 104,460 | 148,120 |
| 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 | 625 | 8,570 | 149,626 | 283,787 |
| Decrease / increase in cash and cash equivalents | (8,554) | (253) | 104,460 | 148,120 |

HIDROVIAS DO BRASIL S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIODS ENDED MARCH 31, 2020 AND 2019 - PARENT COMPANY AND CONSOLIDATED
(In thousands of reais – R\$)

| | Note | | | Capital reserves | | Profit reserves | | Additional dividends proposed | Retained earnings (losses) | Equity valuation adjustment | | Total |
|-----------------------------|------|------------------|------------------------------|---------------------------------|-----------------|-----------------------|---------------|-------------------------------|----------------------------|-------------------------------------|--|------------------|
| | | Capital | Cost for the issue of shares | Goodwill in the issue of shares | Options granted | Tax incentive reserve | Legal reserve | | | 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) | - | - | - | - | - | - | - | - |
| Loss for the period | | - | - | - | - | - | - | - | (2,828) | - | - | (2,828) |
| Other comprehensive income | | - | - | - | - | - | - | - | - | (2,141) | 4,943 | 2,802 |
| BALANCES AT MARCH 31, 2019 | | 1,309,570 | (24,885) | 2,514 | 9,135 | 18,212 | 8,106 | 134,440 | (2,828) | 261,592 | (101,488) | 1,614,368 |
| 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 | | - | - | - | - | - | - | - | (126,710) | - | - | (126,710) |
| Recognized options granted | | - | - | - | 1,024 | - | - | - | - | - | - | 1,024 |
| Other comprehensive income | 10 | - | - | - | - | - | - | - | - | 213,463 | (253,937) | (40,474) |
| BALANCES AT MARCH 31, 2020 | | <u>1,307,683</u> | <u>(24,885)</u> | <u>4,401</u> | <u>13,750</u> | <u>37,636</u> | <u>11,036</u> | <u>35,827</u> | <u>(126,710)</u> | <u>499,127</u> | <u>(380,454)</u> | <u>1,377,411</u> |

See the accompanying notes to the financial statements

HIDROVIAS DO BRASIL S.A.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED MARCH 31, 2020 AND 2019
(In thousands of reais – R\$)

| | Parent company | | Consolidated | |
|--|-------------------|-------------------|-------------------|-------------------|
| | <u>03/31/2020</u> | <u>03/31/2019</u> | <u>03/31/2020</u> | <u>03/31/2019</u> |
| Loss for the period | (126,710) | (2,828) | (126,710) | (2,828) |
| Other comprehensive income: | | | | |
| Items that may be reclassified in the statement of income: | | | | |
| Foreign exchange difference in the translation of foreign operations in subsidiaries | 213,463 | (2,141) | 191,704 | (2,310) |
| Foreign exchange difference in the translation of foreign operations in investees | - | - | 21,759 | 169 |
| Hedge accounting of non-derivative financial instruments | (347,671) | 4,943 | (347,671) | 4,943 |
| Deferred income tax and social contribution | <u>93,734</u> | <u>26,711</u> | <u>93,734</u> | <u>26,711</u> |
| Total | <u>(40,474)</u> | <u>29,513</u> | <u>(40,474)</u> | <u>29,513</u> |
| Comprehensive income for the period | <u>(167,184)</u> | <u>26,685</u> | <u>(167,184)</u> | <u>26,685</u> |

See the accompanying notes to the financial statements

HIDROVIAS DO BRASIL S.A.

STATEMENTS OF INCOME
FOR THE PERIODS ENDED MARCH 31, 2020 AND 2019
(In thousands of Reais, except earnings/loss per share)

| | Note | Parent company | | Consolidated | |
|--|------|----------------|------------|--------------|------------|
| | | 03/31/2020 | 03/31/2019 | 03/31/2020 | 03/31/2019 |
| Net operating revenue | 23 | - | - | 213,522 | 191,072 |
| Cost of services rendered | 24 | - | - | (230,653) | (133,946) |
| (Loss) Gross profit | | - | - | (17,131) | 57,126 |
| OPERATING EXPENSES | | | | | |
| General and administrative expenses | 24 | (24,757) | (14,379) | (35,846) | (20,453) |
| Equity in net income of subsidiaries | 10 | (105,565) | 10,031 | (2,295) | (4,471) |
| Other expenses/revenues | 24 | (310) | (3) | 10,464 | (644) |
| Operating income (loss) before financial income (loss) and taxes | | (130,632) | (4,351) | (44,808) | 31,558 |
| Financial revenues | 25 | 4,083 | 3,046 | 53,286 | 11,550 |
| Financial expenses | 25 | (161) | (1,523) | (132,308) | (43,420) |
| Financial income (loss) | 25 | 3,922 | 1,523 | (79,022) | (31,870) |
| Operating income before income tax and social contribution | | (126,710) | (2,828) | (123,830) | (312) |
| Income tax and social contribution | | | | | |
| Current | 26 | - | - | (13,977) | (4,355) |
| Deferred assets | 26 | - | - | 11,097 | 1,839 |
| Net revenue for the period | | (126,710) | (2,828) | (126,710) | (2,828) |
| Basic earnings per share - R\$ | 20 | | | (0.1693) | (0.0038) |
| Diluted earnings per share - R\$ | 20 | | | (0.1676) | (0.0037) |

See the accompanying notes to the financial statements

HIDROVIAS DO BRASIL S.A.

STATEMENTS OF ADDED VALUE
FOR THE PERIODS ENDED MARCH 31, 2020 AND 2019
(In thousands of reais – R\$)

| | Parent company | | Consolidated | |
|---|------------------|----------------|------------------|----------------|
| | 03/31/2020 | 03/31/2019 | 03/31/2020 | 03/31/2019 |
| REVENUES | | | | |
| Revenue from services | - | - | 225,053 | 198,197 |
| Revenues from construction of own assets | 2,255 | 409 | 46,089 | 26,541 |
| Other revenues | - | - | (6,094) | - |
| Inputs acquired from third parties: | | | | |
| Cost of services rendered | - | - | (139,517) | (70,873) |
| Material, electric power, outsourced services and other | (12,721) | (4,647) | (17,276) | (8,387) |
| Construction of own assets | (2,255) | (409) | (46,089) | (26,541) |
| Gross added value (consumed) | <u>(12,721)</u> | <u>(4,647)</u> | <u>62,166</u> | <u>118,937</u> |
| Depreciation and amortization | (1,744) | (1,531) | (49,647) | (42,126) |
| Net added value (consumed) generated by the Company | <u>(14,465)</u> | <u>(6,178)</u> | <u>12,519</u> | <u>76,811</u> |
| Added value (consumed) received as transfer: | | | | |
| Equity in net income of subsidiaries | (105,565) | 10,031 | (2,295) | (4,471) |
| Financial revenues | 4,083 | 3,046 | 53,286 | 11,550 |
| Total added value payable (consumed) | <u>(115,947)</u> | <u>6,899</u> | <u>63,510</u> | <u>83,890</u> |
| Distribution - Added value (consumed) | (115,947) | 6,899 | 63,510 | 83,890 |
| Personnel: | <u>10,602</u> | <u>8,204</u> | <u>43,502</u> | <u>33,657</u> |
| Direct remuneration | 6,801 | 5,808 | 39,179 | 30,953 |
| Benefits | 1,867 | 724 | 1,956 | 801 |
| FGTS | 1,917 | 1,672 | 2,351 | 1,903 |
| Other | 17 | - | 16 | - |
| Taxes | - | - | <u>14,410</u> | <u>9,641</u> |
| Federal | - | - | 14,410 | 6,817 |
| Other | - | - | - | 2,824 |
| Third-party capital remuneration | <u>161</u> | <u>1,523</u> | <u>132,308</u> | <u>43,420</u> |
| Interest on loans | - | 125 | 38,982 | 38,396 |
| Inflation adjustments and exchange-rate changes | - | 842 | 79,318 | 3,450 |
| Other financial | 161 | 556 | 14,008 | 1,574 |
| Remuneration of own capital | <u>(126,710)</u> | <u>(2,828)</u> | <u>(126,710)</u> | <u>(2,828)</u> |
| Retained earnings | (126,710) | (2,828) | (126,710) | (2,828) |

See the accompanying notes to the financial statements

HIDROVIAS DO BRASIL S.A.

Notes to interim financial information

For the three-month period ended March 31, 2020

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

1. Operations

Hidrovias do Brasil S.A. (“Company”), 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.

HIDROVIAS DO BRASIL S.A.

Notes to interim financial information

For the three-month period ended March 31, 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 | 03/31/2020 | | 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 | 100.00% | - | 100.00% | - |
| Hidroviás do Brasil - Cabotagem Ltda. | Long-distance sea transport | Brazil | Full | 100.00% | - | 100.00% | - |
| 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 | 4.94% | 95.06% | 4.94% | 95.06% |
| 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 interim financial information
For the three-month period ended March 31, 2020
(In thousands of reais - R\$, unless otherwise indicated)

History

The Company's historical is detailed in the Financial Statement of December 31, 2019, for the current period there were no changes.

2. Preparation basis

a) Statement of conformity

The interim financial information was prepared in accordance with the International Financial Reporting System - 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 financial information was prepared in accordance with accounting practices adopted in Brazil by the Brazilian Securities and Exchange Commission - CVM.

The issue of interim financial information was authorized by the Company's Executive Board on May 29, 2020.

Management declares that all relevant information specific to the interim financial information, 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 interim financial information, 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 interim financial information should be read together with financial statements for the year ended December 31, 2019.

3. Significant accounting policies

As aforementioned, there were no changes in the main accounting policies in this quarter compared to those disclosed in the financial statements for the year ended December 31, 2019.

4. Cash and cash equivalents

| | Parent company | | Consolidated | |
|----------------------------|----------------|--------------|----------------|---------------|
| | 03/31/2020 | 12/31/2019 | 03/31/2020 | 12/31/2019 |
| Current Account - Domestic | 625 | 9,179 | 21,428 | 14,720 |
| Current Account - Foreign | - | - | 128,198 | 30,446 |
| | <u>625</u> | <u>9,179</u> | <u>149,626</u> | <u>45,166</u> |

HIDROVIAS DO BRASIL S.A.

Notes to interim financial information

For the three-month period ended March 31, 2020

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

5. Interest earning bank deposits

5.1 Securities

| | Parent company | | Consolidated | |
|------------------------------------|----------------|------------|--------------|------------|
| | 03/31/2020 | 12/31/2019 | 03/31/2020 | 12/31/2019 |
| JP Morgan (d) | - | - | 613,809 | 617,572 |
| Itaú Fundo FICFI 311 (b) | - | - | 111,426 | 117,254 |
| Fundo Itaú PP Portfólio (a) | 7,434 | 1,157 | 48,330 | 44,735 |
| Santander Argo DI FC (c) | 2 | 2 | 33,874 | 31,854 |
| FIDC (Fundo Invest Dir Credit) (f) | - | - | 100,180 | 80,605 |
| CDB ABC (e) | - | - | 16,559 | 14,836 |
| Fundo Safra | - | 3,466 | - | 3,465 |
| Banco do Brasil (g) | - | - | 7,532 | 3,651 |
| Total | 7,436 | 4,625 | 931,710 | 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 83.69% 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 29.65% as of March 31, 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 52.18% 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 1.34% (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 98.5% of CDI (98.5% as of December 31, 2019).
- (f) Interest earning bank deposits comprising investments in "FIDC Upside", with an average return of 24.29% as of March 31, 2020 (-0.09% as of December 31, 2019). The fund's portfolio consists of credit receivables' assignment and fund quotas exclusively comprised of fixed income securities, distributed among federal government bonds and repurchase and resale agreements backed by Federal government bonds.
- (g) Interest earning bank deposits comprising investments in Banco do Brasil, with an average return of 26.42% as of March 31, 2020 (34.54% of CDI as of December 31, 2019). The fund's portfolio is

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comprised of fixed income securities, including repurchase and resale agreements backed by public bonds and Federal government bonds.

5.2 Pledged financial investments

| | Consolidated | |
|-----------|--------------|------------|
| | 03/31/2020 | 12/31/2019 |
| Cabotagem | 13,107 | 15,383 |
| Total | 13,107 | 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 90.48% 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 | |
|--|--------------|------------|
| | 03/31/2020 | 12/31/2019 |
| <u>Accounts receivable abroad</u> | | |
| Hidrovias do Brasil - Vila do Conde S.A. | 21,971 | 16,935 |
| Hidrovias do Brasil – Interm. e Agenc. Serv. Ltda. | 300 | 98 |
| Hidrovias del Paraguay S.A. | 1,662 | 392 |
| Cikelsol S.A. | 9,036 | 2,317 |
| Pricolpar S.A. | 26 | 177 |
| Girocantex S.A. | 54,117 | 29,493 |
| | 87,112 | 49,412 |
| <u>Domestic accounts receivable</u> | | |
| Hidrovias do Brasil - Vila do Conde S.A. | 25,496 | 12,350 |
| Hidrovias do Brasil – Interm. e Agenc. Serv. Ltda. | - | 808 |
| Hidrovias do Brasil – Cabotagem Ltda. | 17,177 | 19,780 |
| | 42,673 | 32,938 |
| Total | 129,785 | 82,350 |

As disclosed in note 23, a substantial part of the Company's revenue comes from few clients, which in turn affects its credit risk. For further information related to credit risk, see note 27.4.

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6.2 Breakdown of accounts receivable per maturity age

| | Consolidated | |
|-----------------|--------------|------------|
| | 03/31/2020 | 12/31/2019 |
| Falling due | 88,088 | 65,257 |
| Overdue (days): | | |
| up to 30 | 17,570 | 4,090 |
| 30–60 | 14,411 | 1,374 |
| 60–90 | 3,824 | 400 |
| 90–120 | 56 | 3,129 |
| 120–180 | 540 | 6,986 |
| >180 | 5,296 | 1,114 |
| Total | 129,785 | 82,350 |

The Company and its subsidiaries understand that the credit risk is low, based on the collection history and the credit quality of its clients. Thus, the estimated credit loss did not have a significant impact on the Company's interim information.

7. Recoverable taxes

| | Parent company | | Consolidated | |
|---|----------------|------------|--------------|------------|
| | 03/31/2020 | 12/31/2019 | 03/31/2020 | 12/31/2019 |
| IRRF on interest earning bank deposit (a) | 18 | 747 | 995 | 4,243 |
| PIS / COFINS (b) | 69 | 60 | 64,408 | 60,887 |
| ICMS | - | 18 | 2,562 | 2,566 |
| ISS | 7 | 8 | 849 | 815 |
| VAT (c) | - | - | 20,161 | 14,151 |
| Total | 94 | 833 | 88,975 | 82,662 |
| Current assets | 88 | 827 | 49,264 | 27,463 |
| Non-current assets | 6 | 6 | 39,711 | 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:

- (a) 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;
- (b) 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 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 Hidrovias Del

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Paraguay, Pricolpar, Cikelzol, Baloto and Resflir, which are located in Paraguay and Uruguay.

7.1 Income tax and social contribution

| | Parent company | | Consolidated | |
|------------------------------------|----------------|------------|--------------|------------|
| | 03/31/2020 | 12/31/2019 | 03/31/2020 | 12/31/2019 |
| Income tax and social contribution | 2 | 11,393 | 49,783 | 53,734 |
| Current assets | 2 | 11,393 | 24,165 | 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.

8. Guarantees and escrow deposits

| | Parent company and Consolidated | |
|---------------------|---------------------------------|------------|
| | 03/31/2020 | 12/31/2019 |
| Obrinel project (a) | 8,256 | 6,401 |
| Other | 303 | 303 |
| Total | 8,559 | 6,704 |

(a) On July 25, 2014, the Company granted funds to jointly-controlled subsidiary Obrinel whose the amount on March 31, 2020, of R\$ 8,256 (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.

9. Advances to suppliers

| | Parent company | | Consolidated | |
|--------------------------------|----------------|------------|--------------|------------|
| | 03/31/2020 | 12/31/2019 | 03/31/2020 | 12/31/2019 |
| Advances to domestic suppliers | 319 | 435 | 31,041 | 50,111 |
| Advances to foreign suppliers | - | - | 39,107 | 18,523 |
| Total | 319 | 435 | 70,148 | 68,634 |
| Current | 319 | 435 | 39,398 | 37,884 |
| Non-current | - | - | 30,750 | 30,750 |

As of March 31, 2020, the balance of advances to suppliers is basically comprised of R\$ 30,750 (R\$ 30,750 as of December 31, 2019) referring to advances for construction of vessels, R\$ 14,812 (R\$ 13,004 as of December 31, 2019) referring to an advance for fuel purchase and R\$ 24,586 (R\$ 19,949 as of December 31, 2019) referring to an advance to other suppliers inherent to the Company's operation.

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10. Investments

Changes in investments of parent company and consolidated in the period ended March 31, 2020 are shown below:

| Breakdown of investments | Parent company | | Consolidated | |
|---|----------------|------------|--------------|------------|
| | 03/31/2020 | 12/31/2019 | 03/31/2020 | 12/31/2019 |
| Ownership interest valued under the equity method | 1,325,380 | 1,471,114 | 70,381 | 56,676 |
| Concession contract | 6,499 | 6,601 | 6,499 | 6,601 |
| Goodwill | - | - | 10,953 | 7,669 |
| Total investments | 1,331,879 | 1,477,715 | 87,833 | 70,946 |
| Allowance for loss with investments | (3,707) | (3,652) | - | - |
| Total | 1,328,172 | 1,474,063 | 87,833 | 70,946 |

Parent company

| | 12/31/2019 | | 03/31/2020 | | | | | Closing balance |
|--|-----------------|---------------------------|-------------------------------------|---|-----------|--------------|--------------------------------------|-----------------|
| | 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 | |
| Baloto | 4,972 | - | - | - | - | - | - | 4,972 |
| Hidrovias Del Sur S.A. | 731,967 | - | - | 214,777 | - | - | 6,217 | 952,961 |
| Hidrovias BR - Marabá S.A. | 9,322 | 250 | - | - | - | - | (109) | 9,463 |
| Hidrovias Holding Norte Ltda. | 502,475 | - | (156,529) | - | - | - | (123,663) | 222,283 |
| Hidrovias Cabotagem Ltda. | 205,692 | - | (97,408) | - | - | - | 9,044 | 117,328 |
| Hidrovias – Intermediação Ltda. | 16,686 | - | - | - | - | - | 1,687 | 18,373 |
| Subtotal investments and investment losses | 1,471,114 | 250 | (253,937) | 214,777 | - | - | (106,824) | 1,325,380 |
| Concession contract | 6,601 | - | - | - | - | (102) | - | 6,499 |
| Subtotal – Investments | 1,477,715 | 250 | (253,937) | 214,777 | - | (102) | (106,824) | 1,331,879 |
| Hidrovias International Finance | (3,652) | - | - | (1,314) | - | - | 1,259 | (3,707) |
| TOTAL | 1,474,063 | 250 | (253,937) | 213,463 | - | (102) | (105,565) | 1,328,172 |

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| | 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 | 03/31/2020 | | | | |
|-------------------------|-----------------|---|--------------------------------------|----------------|--------------|-----------------|
| | Opening balance | Income (loss) from foreign currency translation (CTA) | Equity in net income of subsidiaries | Dividends paid | Amortization | Closing balance |
| Limday | 15,570 | 7,184 | 2,430 | (2,316) | - | 22,868 |
| Obrinel | 41,106 | 11,132 | (4,725) | - | - | 47,513 |
| Subtotal | 56,676 | 18,316 | (2,295) | (2,316) | - | 70,381 |
| Concession contract (b) | 6,601 | - | - | - | (102) | 6,499 |
| Goodwill (a) | 7,669 | 3,443 | - | - | (159) | 10,953 |
| Total | 70,946 | 21,759 | (2,295) | (2,316) | (261) | 87,833 |

Consolidated

| | 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 | Closing balance |
| 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.

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(a) Goodwill generated in the acquisition of 44.55% of shares representing the capital of Limday. Limday's goodwill of R\$ 10,952 (R\$ 7,669 on December 31, 2019) is based on studies conducted on the future profitability of operations.

b) Concession contract

The amount of R\$ 6,499 (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 studies developed by the Company on the future profitability of Obrinel's operations.

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

| | 03/31/2020 | | | | | |
|---|------------------|--------------|-------------------|--|--|--------------|
| | Number of shares | Total assets | Total liabilities | Shareholders' equity (unsecured liability) | Income (loss) of companies in the period | Net revenues |
| <u>Direct subsidiaries</u> | | | | | | |
| Hidroviás del Sur | 4,330,646,746 | 1,171,674 | 218,713 | 952,961 | 6,217 | - |
| Hidroviás International Finance S.à r.l. | 12,000 | 3,116,585 | 3,120,293 | (3,707) | 1,259 | - |
| HB Marabá | 20,000,000 | 9,489 | 26 | 9,463 | (109) | - |
| HB Cabotagem | 220,475,382 | 821,549 | 704,221 | 117,328 | 9,044 | 44,188 |
| HB Intermediação | 2,500,000 | 16,776 | (1,596) | 18,373 | 1,687 | 5,359 |
| Hidroviás do Norte (i) | 512,989,094 | 548,339 | 326,056 | 222,283 | (123,663) | - |
| <u>Indirect subsidiaries</u> | | | | | | |
| Girocantex | 2,442,140,008 | 1,662,264 | 997,997 | 664,266 | 19,867 | 73,825 |
| Hidroviás del Paraguay | 4,312 | 95,536 | 147,325 | (51,789) | (8,150) | 19,290 |
| Pricolpar | 17,910 | 185,917 | 156,998 | 28,920 | (5,093) | 6,487 |
| Cikelsol | 800,000 | 303,201 | 257,884 | 45,317 | 2,910 | 21,713 |
| Resflir | 20,000 | 76,253 | 58,671 | 17,582 | 3,218 | 4,012 |
| HB Vila do Conde | 519,596,445 | 1,982,453 | 1,758,593 | 223,860 | (278,608) | 158,215 |
| Hidroviás do Brasil Operação Portuária Santos | 43,904,263 | 132,096 | 89,854 | 42,242 | (1,595) | - |
| Baloto | 599,999,999 | 50,669 | 3,659 | 47,011 | (4,729) | - |
| <u>Jointly-controlled subsidiaries</u> | | | | | | |
| Limday | 42,902,541 | 43,832 | 2,346 | 41,486 | 4,031 | - |
| Obrinel | 587,999,999 | 655,654 | 558,688 | 96,966 | (9,873) | - |

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| | 12/31/2019 | | | | | |
|---|------------------|--------------|-------------------|--|--|--------------|
| | Number of shares | Total assets | Total liabilities | Shareholders' equity (unsecured liability) | Income (loss) of companies in the period | Net revenues |
| <u>Direct subsidiaries</u> | | | | | | |
| Hidrovias del Sur | 4,330,646,746 | 802,367 | 70,400 | 731,967 | 124,191 | - |
| Hidrovias 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 |
| Hidrovias 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 |
| Hidrovias 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 |
| Hidrovias 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 | 14,642 | 868 | 13,774 | 2,517 | 10,923 |
| Obrinel | 587,999,999 | 252,893 | 211,787 | 41,106 | (9,222) | 18,301 |

(i) The result is being presented net of Hedge Accounting in the amount of R\$ 156,259 (R\$ 10,686 as of December 31, 2019).

Balance sheet and statement of income - jointly-controlled subsidiaries

| | Limday | Limday | Obrinel | Obrinel |
|----------------------------|------------|------------|------------|------------|
| | 03/31/2020 | 12/31/2019 | 03/31/2020 | 12/31/2019 |
| Current assets | 15,370 | 9,956 | 10,149 | 9,421 |
| Non-current assets | 28,462 | 22,911 | 645,505 | 506,686 |
| Total assets | 43,832 | 32,867 | 655,654 | 516,107 |
| Current liabilities | 2,346 | 1,948 | 32,536 | 18,770 |
| Non-current liabilities | - | - | 526,152 | 413,447 |
| Quotaholders' equity | 41,486 | 30,919 | 96,966 | 83,890 |
| Total liabilities (i) | 43,832 | 32,867 | 655,654 | 516,107 |
| Net revenue | 5,639 | 24,519 | 3,026 | 37,350 |
| Cost and expenses | 1,608 | 5,760 | 12,899 | 17,587 |
| Net revenue for the period | 4,031 | 18,759 | (9,873) | 19,763 |

(i) As of March 31, 2020, the total amount of liabilities is substantially comprised of R\$ 248,450 (R\$ 230,113 as of December 31, 2019) of loans and financing.

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11. Property, plant and equipment

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

| Parent company | Facilities and improvements | Furniture and fixtures | Machinery and equipment | Electronic and IT equipment | Construction in progress | Total |
|------------------------------|-----------------------------|------------------------|-------------------------|-----------------------------|--------------------------|---------|
| Balance at 12/31/2019 | 1,070 | 43 | 198 | 873 | 3,552 | 5,736 |
| Additions | - | - | - | - | 51 | 51 |
| Write-offs | - | - | - | - | - | - |
| Depreciation | (99) | (4) | (11) | (78) | - | (192) |
| Balance at 03/31/2020 | 971 | 39 | 187 | 795 | 3,603 | 5,595 |
| Historical cost | 2,538 | 168 | 420 | 1,778 | 3,603 | 8,507 |
| Accumulated depreciation | (1,567) | (129) | (233) | (983) | - | (2,912) |
| Annual depreciation rate - % | 10 | 10 | 10 | 25 | | |

| Parent company | Facilities and improvements | Furniture and fixtures | Machinery and equipment | Electronic and IT equipment | Construction 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 | Construction 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 | - | 749 | 20 | - | 295 | 43,884 | 44,961 |
| Depreciation | - | (5,960) | (389) | (16) | (10,830) | (220) | (6) | (26,168) | - | (43,589) |
| Translation adjustment | - | - | 1,090 | 72 | 2,783 | 99 | 48 | 308,070 | 19,606 | 331,768 |
| Balance at 03/31/2020 | 84,091 | 505,368 | 10,852 | 415 | 271,877 | 2,221 | 226 | 2,190,514 | 196,040 | 3,261,604 |
| Historical cost | 84,091 | 594,885 | 14,875 | 814 | 410,588 | 4,978 | 863 | 2,573,308 | 196,040 | 3,880,442 |
| Accumulated depreciation | - | (89,517) | (4,023) | (399) | (138,711) | (2,757) | (637) | (382,794) | - | (618,838) |
| 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 | Construction 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 | - | - |

HIDROVIAS DO BRASIL S.A.

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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 March 31, 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 March 31, 2020 and December 31, 2019:

| Parent company | Real estate | Total |
|-----------------------------------|-------------|-------|
| Net balances at December 31, 2019 | 1,101 | 1,101 |
| Depreciation | (275) | (275) |
| Net balances as of March 31, 2020 | 826 | 826 |

| 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 |
| Depreciation | (632) | (905) | (1,537) |
| Exchange-rate change | 1,163 | - | 1,163 |
| Net balances as of March 31, 2020 | 6,485 | 25,675 | 32,160 |

| 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 |

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

| | Parent company | Consolidated |
|------------------------------|----------------|--------------|
| Balance at December 31, 2019 | 1,149 | 32,775 |
| Recognized interest | 23 | 439 |
| Payment of principal | (272) | (2,573) |
| Exchange-rate change | - | 1,934 |
| Balance at March 31, 2020 | 900 | 32,575 |

| | | |
|-------------|-----|--------|
| Current | 900 | 8,700 |
| Non-current | - | 23,875 |

| | 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 | 923 | 6,744 |
| 2021 | - | 7,801 |
| 2022 | - | 5,530 |
| 2023 | - | 5,530 |
| 2024 | - | 5,530 |
| >2025 | - | 11,573 |
| Total | 923 | 42,708 |
| Embedded interest | (23) | (10,133) |
| Lease liability | 900 | 32,575 |

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 levy of tax | 46,239 | 28,342 |
| Lease consideration without levy of tax | 6,535 | 4,233 |
| Total | 52,774 | 32,575 |
| Pis/Cofins (9.25%) | 4,277 | 2,622 |

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For the three-month period ended March 31, 2020
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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 | - | - | 2,205 | 2,205 |
| Amortization | (1,135) | (41) | - | (1,176) |
| Balance at 03/31/2020 | 7,380 | 1,271 | 4,584 | 13,235 |
| Annual amortization rate – % | 20 | (*) | - | - |
| Historical cost | 26,983 | 1,711 | 4,584 | 33,278 |
| Accumulated amortization | (19,603) | (440) | - | (20,043) |

| 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 | Contracts (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 | - | 2,205 | 116,694 |
| Amortization | (1,597) | (2,663) | - | - | (4,260) |
| Translation adjustment | 71 | - | - | - | 71 |
| Balance at 03/31/2020 | 13,131 | 247,436 | 73,121 | 6,946 | 340,634 |
| Annual amortization rate – % | 20 | (*) | - | - | - |
| Historical cost | 36,548 | 277,378 | 73,121 | 6,946 | 393,993 |
| Accumulated amortization | (23,417) | (29,942) | - | - | (53,359) |

(*) Amortization for the term of the respective contracts

| Consolidated | Software | Contracts (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) |

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(*) Amortization for the term of the respective contracts

(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 March 31, 2020, 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 March 31, 2020.

For impairment test purposes, goodwill was allocated to a cash generating unit (UGC) from its source.

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 adopted for estimating the recoverable value are as follows. The amounts attributed to the main assumptions represent the evaluation of future trends by Management in relevant sectors and were based on historical data from internal and external sources.

The discount rate was estimated after the taxes, using the weighted average rate of capital cost for each CGU which is 5.6%, considering market parameters.

The cash flow projections were prepared considering the useful life of the assets of each CGU. Growth rate in perpetuity was not considered.

Projected income (loss) was estimated considering 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 value of CGUs was higher than their book value. Thus, the need to record a provision for impairment was not identified.

(b) Contracts

Contract with clients acquired by the subsidiary Cabotagem in December 2016, had a 18-year duration for the rendering of navigation service for transport of Bauxite. The contract value is amortized based on the agreement period.

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 value is amortized based on the agreement period.

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14. Suppliers

| | Parent company | | Consolidated | |
|--------------------|----------------|--------------|----------------|---------------|
| | 03/31/2020 | 12/31/2019 | 03/31/2020 | 12/31/2019 |
| Domestic suppliers | 4,371 | 3,018 | 79,252 | 40,342 |
| Foreign suppliers | - | - | 34,915 | 9,603 |
| Total | 4,371 | 3,018 | 114,167 | 49,945 |

15. Loans and financing

| Parent company | Type | Final maturity | Interest rate - p.a. | Consolidated | |
|----------------------------------|--|----------------|-------------------------------|------------------|------------------|
| | | | | 03/31/2020 | 12/31/2019 |
| Subsidiaries | | | | | |
| <u>HB International Finance:</u> | Bond | Jan 2025 | 5.95% | 3,096,548 | 2,454,045 |
| <u>HB Cabotagem:</u> | | | | | |
| BNDES | Financing contract through a credit facility | Mar 2033 | 2.5-3.9% + Ptax 800 BCB (USD) | 668,778 | 528,667 |
| Vintage/BNDES | Finame | Jun 2021 | TJLP + 4.80 - 4.90% | 338 | 406 |
| <u>HB Vila do Conde:</u> | | | | | |
| Santander | Export credit note | Jan 2025 | 1.52% | 1,038 | 1,952 |
| <u>Resflir:</u> | | | | | |
| Banco ABC | Bank Credit Bill | Jul 2020 | 5.6% + Libor | 3,992 | 5,439 |
| Total | | | | 3,770,694 | 2,990,509 |
| Classified as: | | | | | |
| Current | | | | 171,722 | 172,275 |
| Non-current | | | | 3,598,972 | 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 | Repurchase | Translation adjustment | Hedge effect | Balance at 03/31/2020 |
|----------------|-----------------------|---------------|------------------------|----------------------|------------------|-----------------|------------------------|----------------|-----------------------|
| Luxembourg (d) | 2,454,044 | 38,476 | 1,483 | - | (79,713) | (19,189) | 701,447 | - | 3,096,548 |
| Vila do Conde | 1,952 | - | - | - | (914) | - | - | - | 1,038 |
| Cabotagem (a) | 529,073 | 5,183 | - | (11,411) | (4,767) | - | - | 151,038 | 669,116 |
| Resflir (c) | 5,440 | 81 | - | (2,577) | (94) | - | 1,142 | - | 3,992 |
| | 2,990,509 | 43,740 | 1,483 | (13,988) | (85,488) | (19,189) | 702,589 | 151,038 | 3,770,694 |

HIDROVIAS DO BRASIL S.A.

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

| Company | Balance at 12/31/2018 | Merger | Interest | Reversal/ Funding cost | Payment of principal | Interest payment | Translatio n 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 |
| | <u>2,941,146</u> | <u>-</u> | <u>159,173</u> | <u>5,079</u> | <u>(69,133)</u> | <u>(161,911)</u> | <u>95,258</u> | <u>21,067</u> | <u>(170)</u> | <u>2,990,509</u> |

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 – a Financing Contract through credit facility with BNDES in the total amount of US\$ 144,644, equivalent to R\$ 568,957, referring to the acquisition of two bulk carrier vessels, the payments of which will occur monthly, with the final settlement scheduled for March 10, 2033. The assets acquired are Tucunaré and Tambaqui.
- (b) On October 31, 2017, the Company entered into a new Bank Credit Bill agreement with Banco BBM, in the total amount of US\$ 6,009, equivalent to R\$ 20,000, with settlement held on April 08, 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 19, 2018, the Company obtained, through its subsidiary in Luxembourg, a Bond in the amount of US\$ 600,000, equivalent to R\$ 2,193,471, 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, 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, with payment of semiannual interest and maturing on January 21, 2025, bearing interest provided for 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

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S.A., Hidrovias do Brasil – Miritituba S.A., Hidrovias do Brasil – Navegação Norte 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 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 March 31, 2020, the covenants of the Subsidiary Hidrovias International Finance were not met, since the ceiling is 3.5x and the Company reached 7x, due to the exchange rate for the period. The covenant does not accelerate debt repayment and does not cause any default.

Bond repurchase

As approved at a board meeting held on March 27, 2020, the Company may carry out Bond 2025 repurchases on a timely manner when the opportunity is adequate and provided that it does not exceed the total amount of US\$ 50,000,000. This amount does not represent a market repurchase offer and provides a liquidity opportunity for bondholders who may need liquidity.

As a result of the current market circumstances with the coronavirus pandemic, the Company's bond had its price reduced in the secondary market, which allows the Company to evaluate possible repurchases. Therefore, since the company has a sound liquidity, we inform that on March 31, 2020, due to the high market volatility, the Company repurchased a total of US\$ 5,000,000, thus reducing its gross debt by the same amount.

Maturity of long-term installments - consolidated

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

| | Consolidated | |
|-----------|------------------|------------------|
| | 03/31/2020 | 12/31/2019 |
| 2020 | - | 48,775 |
| 2021 | 54,336 | 42,099 |
| 2022 | 54,171 | 41,994 |
| 2023 | 54,171 | 41,994 |
| 2023–2032 | 3,436,294 | 2,643,372 |
| Total | <u>3,598,972</u> | <u>2,818,234</u> |

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16. Social charges and labor legislation obligations

| | Parent company | | Consolidated | |
|---------------------------------------|----------------|---------------|---------------|---------------|
| | 03/31/2020 | 12/31/2019 | 03/31/2020 | 12/31/2019 |
| 13th salary payable | 328 | - | 2,655 | - |
| Provision for bonus | 2,549 | 9,206 | 5,271 | 14,619 |
| Vacations and social security charges | 2,036 | 2,281 | 6,030 | 8,883 |
| INSS payable | 540 | 486 | 2,256 | 1,111 |
| IRRF payable | 2,571 | 508 | 3,220 | 1,026 |
| FGTS payable | 138 | 174 | 1,929 | 559 |
| Total | <u>8,162</u> | <u>12,655</u> | <u>21,361</u> | <u>26,198</u> |

17. Lawsuits

| | Consolidated | | | |
|-------|--------------|-----------|-------------|--------------|
| | 12/31/2019 | Additions | Write-offs | 03/31/2020 |
| Labor | <u>5,884</u> | <u>-</u> | <u>(87)</u> | <u>5,797</u> |
| | <u>5,884</u> | <u>-</u> | <u>(87)</u> | <u>5,797</u> |

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

As of March 31, 2020, the Company and its subsidiaries presented the amount of R\$ 5,797 (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, pain and suffering and attorneys' fees.

On March 31, 2020, the Company and its subsidiaries, in the consolidated, have 30 labor lawsuits, 26 civil lawsuits and one tax lawsuit considered as possible loss amounting to R\$ 9,013, R\$ 3,346 and R\$ 5,090, respectively (R\$ 4,140, R\$ 2,860 and R\$ 5,090 as of December 31, 2019 related to tax, civil and tax lawsuits, respectively).

As of March 31, 2020, the Company and its subsidiaries had 6 labor claims dismissed, in the amount of R\$ 87.

On March 31, 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\$ 12,383 (R\$ 11,756 on December 31, 2019).

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18. Related parties

Remuneration of key management personnel

As of March 31, 2020, the remuneration of key management personnel, which includes the Executive Board and Board members, amounted to R\$ 3,471 (R\$ 12,673 as of December 31, 2019), referring to salaries and variable benefits, of which R\$ 3,369 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 basically refer 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 | |
| | 03/31/2020 | 12/31/2019 | 03/31/2020 | 12/31/2019 |
| Credits from parent company | | | | |
| Girocantex S.A. (a) | - | - | (650) | (504) |
| Hidroviás del Sur S.A. (b) | 5,747 | 4,776 | (502) | (391) |
| Hidroviás do Brasil – Holding Norte Ltda. (g) | 4,850 | 3,724 | (176) | (169) |
| Hidroviás do Brasil – Interm. e Agenc. Serv. Ltda. (e) | 296 | 114 | (9) | (3) |
| Hidroviás Adm Portuária Santos S.A.) | 3,399 | 1,746 | (100) | - |
| Hidroviás do Brasil Cabotagem (c) | - | - | (4) | - |
| Hidroviás International Finance S.à.r.l (g) | 199 | 198 | (46) | (47) |
| Dividends receivable (h) | 33,032 | 37,032 | - | - |
| Dividends payable (h) | - | - | (363) | (363) |
| Loan (g) | - | - | (22,428) | - |
| Subtotal | 47,523 | 47,590 | (24,278) | (1,477) |
| Current | 42,323 | 43,365 | (24,278) | (1,477) |
| Non-current | 5,200 | 4,225 | - | - |

| | Consolidated | | | |
|-----------------------------------|--------------|------------|------------|------------|
| | 03/31/2020 | 12/31/2019 | 03/31/2020 | 12/31/2019 |
| Guarantees and escrow deposit (d) | 8,256 | 6,401 | - | - |
| BNDES (b) | - | - | 669,116 | 529,072 |
| Dividends payable | 16,327 | 2,834 | - | - |
| Subtotal | 24,583 | 9,235 | 669,116 | 529,072 |

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| | Parent company | | Consolidated | |
|--|----------------|------------|--------------|------------|
| | 03/31/2020 | 12/31/2019 | 03/31/2020 | 12/31/2019 |
| Revenues (expenses): | | | | |
| Exchange rate change on security deposit (a) | (1,855) | (255) | (1,855) | (255) |
| Exchange rate change on loan | (975) | (349) | (975) | (349) |
| Subtotal | (2,830) | (604) | (2,830) | (604) |
| | | | | |
| BNDES (b) | - | - | (5,183) | (17,599) |
| Subtotal | - | - | (5,183) | (17,599) |
| | | | | |
| Total | (2,830) | (604) | (8,013) | (18,203) |

- (a) Refer to reimbursable expenditures on structuring of the financing for Project Vale with the indirect subsidiary Girocantex, contracted in Brazil.
- (b) Refers to interest on loans with the indirect subsidiary Girocantex.
- (c) Refers to interest from loans with the indirect subsidiary Hidrovias do Brasil Cabotagem.
- (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 indirect subsidiary Intermediação.
- (f) Refers to expenses with Santos port administration project.
- (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.

19. Capital

As of March 31, 2020, capital totals R\$ 1,282,798 (R\$ 1,282,798 as of December 31, 2019), is represented by 748,610,665 (748,610,665 as of December 31, 2019) common, nominative shares with no par value.

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

| Shareholders | 03/31/2020 | | 12/31/2019 | |
|---|---------------|-------|---------------|-------|
| | Common shares | % | Common shares | % |
| Pátria Infraestrutura - Fundo de Investimento em Participações Multiestratégia (Pátria FIP 1) | 347,736,034 | 46.45 | 347,736,034 | 46.45 |
| Sheares Investments B.V (Temasek) | 136,149,027 | 18.19 | 136,149,027 | 18.19 |
| 1505718 Alberta Ltd. (AIMCO) | 54,638,333 | 7.3 | 54,638,333 | 7.3 |
| 1505722 Alberta Ltd. (AIMCO) | 21,277,822 | 2.84 | 21,277,822 | 2.84 |
| HBSA Co-Investimento – Fundo de Investimento em Participações Multiestratégia (Pátria FIP 2) | 69,923,967 | 9.34 | 69,923,967 | 9.34 |
| BTO – Fundo de Investimento em Participações Multiestratégia (Blackstone) | 69,923,967 | 9.34 | 69,923,967 | 9.34 |
| BNDES Participações S.A. – BNDES | 27,982,688 | 3.74 | 27,982,688 | 3.74 |
| International Finance Corporation (IFC) | 20,978,827 | 2.8 | 20,978,827 | 2.8 |
| Total | 748,610,665 | 100 | 748,610,665 | 100 |

HIDROVIAS DO BRASIL S.A.

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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 March 31, 2020 and 2019 and the respective average quantity of outstanding common shares in the period as follows:

| | <u>03/31/2020</u> | <u>03/31/2019</u> |
|---|-------------------|-------------------|
| Loss for the period | (126,710) | (2,828) |
| Weighted average of basic shares | <u>748,611</u> | <u>748,611</u> |
| Loss for the period per thousand basic shares | <u>(0.1693)</u> | <u>(0.0038)</u> |
| | <u>03/31/2020</u> | <u>03/31/2019</u> |
| Loss for the period | (126,710) | (2,828) |
| Weighted average of diluted shares | <u>755,803</u> | <u>754,673</u> |
| Loss for the period per thousand diluted shares | <u>(0.1676)</u> | <u>(0.0037)</u> |

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.

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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\$ 13,750 (accumulated amount of R\$ 12,726 as of December 31, 2019). The expense recognized in the income for the period was R\$ 1,024 (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
- 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 March 31, 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 |

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| | | | | | | | |
|--------------------|------------|------------|------|-----------|-----------|-----------|------|
| 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\$) (**) |
|--------------------|------------|-------------------------|---------------------------|-----------|--------------------|-------------|--------------------------|
| 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 | |

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| 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 | |

| 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, with a duration of 5 years starting from August 2014 extended to 2024.
5. COFCO, in the North Corridor, with a duration of 10 years starting from 2016 (extended to 2031).
6. ALLUNORTE, in the North Corridor, with a duration of 25 years starting from 2010.
7. FERTILIZANTES TOCANTINS, in the North Corridor, with a duration of 3 years starting from 2019.
8. SALINOR, in the North Corridor, with a duration of 20 years as of start-up date estimated for May 2020.
9. NAVENOR, in the North Corridor, with a duration of 20 years as of start-up date estimated for May 2020.

Starting in March 2016, the indirect subsidiary HB Vila do Conde, merging company of former HB Navegação Norte entered into operating lease agreements for the pushers Don Antonio (owned by the indirect subsidiary Pricolpar S.A.) and Draco (owned by the indirect subsidiary Cikelsol S.A.) for 36 months (2019), renewed in September 2018 over 64 months.

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In November 2016, the indirect subsidiary HB Vila do Conde, merging company of former HB Navegação Norte entered into operating lease agreements for the pushers HB Hydra and HB Aquarius owned by the indirect subsidiary Girocantex S.A. for a period of 12 months (2017), renewed in August 2017, effective up to September 2018 and renewed in September 2018, and effective up to December 2019 and renewed in December 2019 effective until November 2020.

HB Navegação Norte was 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 | |
|---------------------------------|--------------|------------|
| | 03/31/2020 | 03/31/2019 |
| <u>South Corridor:</u> | | |
| Transportation services | 92,696 | 93,981 |
| <u>North Corridor:</u> | | |
| Lifting Services | 33,543 | 24,352 |
| Transshipment services | 15,023 | 9,748 |
| Transportation services | 114,239 | 35,671 |
| Intermediation services | 6,249 | 9,528 |
| Cabotagem services | 52,272 | 29,630 |
| Subtotal | 221,326 | 108,929 |
| Total gross revenue | 314,022 | 202,910 |
| ISS | (2,760) | (2,135) |
| PIS | (1,336) | (1,435) |
| COFINS | (6,326) | (2,866) |
| ICMS | (1,108) | (689) |
| Subtotal taxes | (11,530) | (7,125) |
| Realization of hedge accounting | (88,970) | (4,713) |
| Total net revenue | 213,522 | 191,072 |

Revenue from Take or Pay in the amount of R\$ 62,872 as of March 31, 2020 (R\$ 40,774 as of March 31, 2019). See further details in Note 29.

The Company's largest clients by revenue are represented by: i) At 21.5% (35.1% as of March 31, 2019); ii) B 18.8% (17.5% as of March 31, 2019, iii) C 13.8% (8.1% as of March 31, 2019) iv) D 12.1% (4.4% as of March 31, 2019); and represent approximately 66.2% of the total net revenue (65.2% as of March 31, 2019). No other client accounts for over 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 | |
|---------------------------------------|----------------|------------|--------------|------------|
| | 03/31/2020 | 03/31/2019 | 03/31/2020 | 03/31/2019 |
| Salaries, social charges and benefits | (10,585) | (8,204) | (43,485) | (33,658) |
| Depreciation and amortization | (1,745) | (1,675) | (49,647) | (43,362) |
| Maintenance | (25) | (51) | (10,727) | (3,671) |
| Fuel | - | - | (33,821) | (24,737) |
| Outsourced services | (10,421) | (2,879) | (16,246) | (8,092) |
| Rentals | (79) | (378) | (1,870) | (4,948) |
| Freight | - | - | (64,854) | (431) |
| Travel and tickets | (563) | (774) | (2,041) | (1,789) |
| Mooring | - | - | (6,787) | (4,525) |
| Kitchen and pantry | (5) | (23) | (1,335) | (1,141) |
| Agents | - | (0) | (4,600) | (5,078) |
| Operational and safety | - | - | (3,426) | (8,090) |
| Sundry fees | (563) | (142) | (2,221) | (7,416) |
| Operational materials | (20) | - | (33) | (122) |
| Lawsuits | - | - | (691) | - |
| Pilotage | - | - | (8,298) | (3,094) |
| Other expenses | (751) | (253) | (16,417) | (4,245) |
| Total | (24,757) | (14,379) | (266,499) | (154,399) |
| Classified as: | | | | |
| Cost of services rendered | - | - | (230,653) | (133,946) |
| General and administrative expenses | (24,757) | (14,379) | (35,846) | (20,453) |
| Total | (24,757) | (14,379) | (266,499) | (154,399) |

24.2 Other expenses/revenues

| | Parent company | | Consolidated | |
|--------------|----------------|------------|--------------|------------|
| | 03/31/2020 | 03/31/2019 | 03/31/2020 | 03/31/2019 |
| AFRMM (a) | - | - | 3,659 | - |
| Sweeping (b) | - | - | 6,685 | - |
| Other | (310) | (3) | 120 | (644) |
| Total | (310) | (3) | 10,464 | (644) |

(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.

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(b) Scanning revenue resulting from the surplus of goods at port terminals.

25. Financial income

| | Parent company | | Consolidated | |
|---|----------------|----------------|------------------|-----------------|
| | 03/31/2020 | 03/31/2019 | 03/31/2020 | 03/31/2019 |
| Revenues: | | | | |
| Income from interest earning bank deposits | 64 | 1,763 | 4,201 | 10,473 |
| (-) PIS and COFINS on financial revenue | (2) | (82) | (50) | (155) |
| Inflation adjustments and exchange-rate changes | 2,899 | 1,097 | - | 671 |
| Earnings with investments | - | - | 46,620 | - |
| Other | 1,122 | 268 | 2,515 | 561 |
| Total | <u>4,083</u> | <u>3,046</u> | <u>53,286</u> | <u>11,550</u> |
| Expenses: | | | | |
| Interest on loans | - | (125) | (43,740) | (38,396) |
| Late payment | - | - | (380) | (4) |
| Inflation adjustments and exchange-rate changes | - | (842) | (72,812) | (3,450) |
| Funding cost | - | - | (1,483) | (1,214) |
| Tax on Financial Operations - IOF | (64) | (14) | (517) | (112) |
| Other | (97) | (542) | (13,376) | (244) |
| | <u>(161)</u> | <u>(1,523)</u> | <u>(132,308)</u> | <u>(43,420)</u> |
| Net financial income | <u>3,922</u> | <u>1,523</u> | <u>(79,022)</u> | <u>(31,870)</u> |

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 Tax Incentive Program, which provides a 75% reduction of corporate income tax through Exploration Profi for the company Hidroviás 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, or substantially 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.

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| in R\$ thousand | Parent company | | Consolidated | |
|--|----------------|------------|--------------|------------|
| | 03/31/2020 | 03/31/2019 | 03/31/2020 | 03/31/2019 |
| Income before IRPJ and CSLL | (126,710) | (2,828) | (123,830) | (312) |
| Nominal rate | 34% | 34% | 34% | 34% |
| Corporate income tax (IRPJ) and Social contribution on net income (CSLL) at nominal rate | 43,081 | 962 | 42,102 | 106 |
| Permanent adjustments: | | | | |
| Equity in net income of subsidiaries | (35,892) | 3,410 | (780) | (1,520) |
| Profits abroad | - | - | 1,761 | - |
| Other | (1,889) | (1,699) | 343 | (2,792) |
| Other adjustments: | | | | |
| Governmental grant | - | - | 3,270 | - |
| Offset of tax loss of prior years | - | - | - | 1,289 |
| Deferred tax on temporary differences and unrecognized tax losses | (5,300) | (2,673) | (34,801) | (2,598) |
| Rate difference on the measurement of deferred taxes | - | - | (14,992) | (550) |
| Portion of deferred tax recognized in previous periods | - | - | - | 3,475 |
| Workers' Meal Program (PAT) | - | - | 217 | 53 |
| Donations made with incentives | - | - | - | 20 |
| Income tax and social contribution | - | - | (2,880) | (2,517) |
| Current taxes | - | - | (13,977) | (4,355) |
| Deferred taxes | - | - | 11,097 | 1,839 |
| | - | - | (2,880) | (2,517) |
| Effective rate | 0% | 0% | (2.33%) | (807%) |

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 March 31, 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.

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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\$ 93,734 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.

For other group companies, 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.

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 |
|--|--------------|---------------------|--------------------------|--------------|
| | 03/31/2020 | | | 12/31/2019 |
| | Net amount | Deferred tax assets | Deferred tax liabilities | Net amount |
| Provision for bonus | 200 | 200 | - | 671 |
| Provision for suppliers | 5,337 | 5,337 | - | 185 |
| Provision for fuel | 783 | 783 | - | 1,443 |
| Other provisions | 893 | 893 | - | 914 |
| Other operating provisions | 3,128 | 3,128 | - | 4,335 |
| Labor contingencies | 884 | 884 | - | 897 |
| Judicial contingencies | - | - | - | - |
| Tax loss | 7,104 | 7,104 | - | 10,176 |
| Exchange-rate change | 176,478 | 176,478 | - | 71,845 |
| Property damage | (43,258) | - | (43,258) | (43,748) |
| Tax Assets (Liabilities) before offset | 151,549 | 194,807 | (43,258) | 46,718 |
| Offset of tax | | (43,258) | 43,258 | |
| Net balances presented in Assets/Liabilities | | 151,549 | - | |

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

| | Consolidated | |
|--|--------------|------------|
| | 03/31/2020 | 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 | 11,097 | 4,607 |
| Deferred Corporate income tax (IRPJ) and social contribution on net income (CSLL) recognized in other comprehensive income | 93,734 | 12,344 |
| Closing balance | 151,549 | 46,718 |

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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 | 18,329 |
| 1-2 | - |
| 2-3 | - |
| 3-5 | - |
| 5-7 | <u>176,478</u> |
| Total deferred tax assets of IRPJ (Corporate income tax) and CSLL (Social contribution on net income) | <u><u>194,807</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>03/31/2020</u> | <u>12/31/2019</u> | <u>03/31/2020</u> | <u>12/31/2019</u> |
| Assets | | | | | |
| Fair value through profit or loss: | | | | | |
| Securities | Level 2 | 7,436 | 4,625 | 931,710 | 913,972 |
| Amortized cost | | | | | |
| Cash and cash equivalents | Level 1 | 625 | 9,179 | 149,626 | 45,166 |
| Pledged financial investments | Level 2 | - | - | 13,107 | 15,383 |
| Guarantee and escrow deposit | Level 2 | 8,559 | 6,704 | 8,559 | 6,704 |
| Accounts receivable | Level 2 | - | - | 129,785 | 82,350 |
| Related party credits | Level 2 | 14,491 | 10,558 | - | - |
| Dividends | Level 2 | 33,032 | 37,032 | - | - |
| Liabilities | | | | | |
| Liabilities at amortized cost: | | | | | |
| Suppliers | Level 2 | 4,371 | 3,018 | 198,839 | 49,945 |
| Accounts payable with related parties | Level 2 | 1,487 | 1,114 | - | - |
| Loans and financing | Level 2 | - | - | 3,770,694 | 2,990,509 |
| Dividends payable | Level 2 | 363 | 363 | 16,327 | 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

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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.
- 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 March 31, 2020, except for loans and financing with hedge accounting and presented as follows:

| | | Fair value | | Book value | |
|-------------------------------|---------|------------|------------|------------|------------|
| | | 03/31/2020 | 12/31/2019 | 03/31/2020 | 12/31/2019 |
| Assets | | | | | |
| Cash and cash equivalents | Level 1 | 149,626 | 45,166 | 149,626 | 45,166 |
| Securities | Level 2 | 931,710 | 913,972 | 931,710 | 913,972 |
| Pledged financial investments | Level 2 | 13,107 | 15,383 | 13,107 | 15,383 |
| Guarantee and escrow deposit | Level 2 | 8,559 | 6,704 | 8,559 | 6,704 |
| Accounts receivable | Level 2 | 129,785 | 82,350 | 129,785 | 82,350 |
| Liabilities | | | | | |
| Suppliers | Level 2 | 198,839 | 49,945 | 198,839 | 49,945 |
| Loans and financing | Level 2 | 3,323,831 | 3,096,401 | 3,770,694 | 2,990,509 |
| Dividends payable | Level 2 | 16,327 | 2,834 | 16,327 | 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.

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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 conduction is addressed in Committee's meetings for decision making. Results are followed up and established strategies are adjusted to maintain expected results. Regarding the Financial Instruments, the Company is exposed mainly to Cash and Cash Equivalents and Securities and, thus, restricts its exposure to top-tier Financial Institutions, as follows:

| <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 interim financial information dates are as follows:

| | <u>Parent company</u> | | <u>Consolidated</u> | |
|-------------------------------|-----------------------|-------------------|---------------------|-------------------|
| | <u>03/31/2020</u> | <u>12/31/2019</u> | <u>03/31/2020</u> | <u>12/31/2019</u> |
| Cash and cash equivalents | 625 | 9,179 | 149,626 | 45,166 |
| Accounts receivable | - | - | 129,785 | 82,350 |
| Securities | 7,436 | 4,625 | 931,710 | 913,972 |
| Pledged financial investments | - | - | 13,107 | 15,383 |

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

| | | | | |
|------------------------------|--------|--------|-------|-------|
| Related party credits | 14,491 | 10,558 | - | - |
| Guarantee and escrow deposit | 8,559 | 6,704 | 8,559 | 6,704 |
| Dividends receivable | 33,032 | 37,032 | - | - |

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 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 | | | |
|------------------------|--------------------|-----------------|-----------------|---------------|
| | 12/31/2019 | | | |
| | up to 12 months | 13–24 months | 25–36 months | >37 months |
| Suppliers (Note 14) | 198,839 | - | - | - |
| Loans and financing(*) | 264,077 | 257,728 | 255,874 | 4,035,386 |

(*) 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.

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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 Vale do Rio Doce.

- 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

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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.

The Company is also exposed to an exchange-rate change derived from loans in foreign currency in the amount of US\$ 128,792 with maturity term 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

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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 | |
|--------------------|----------------|------------|--------------|------------|
| | 03/31/2020 | 12/31/2019 | 03/31/2020 | 12/31/2019 |

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| | | | | |
|-------------------------------|-------|-------|-----------|-----------|
| Assets: | | | | |
| Securities | 7,436 | 4,625 | 931,710 | 913,972 |
| Pledged financial investments | - | - | 13,107 | 15,383 |
| Loans and financing | - | - | 3,770,694 | 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 interim financial information and scenario II considers an appreciation of 50%, in the risk variable considered.

The base date of portfolio used was March 31, 2020 projecting indices for one year and verifying the sensitivity in each scenario:

| Financial instruments | Risk | Estimated rate | Total | I | 50% decr. | 50% incr. |
|---|---------------|----------------|---------|--------|-----------|-----------|
| | | | | | II | III |
| Securities | CDI | 4.04% | 106,295 | 100% | 50% | 50% |
| Securities | U.S. Treasury | 0.13% | 616,356 | 808 | 404 | 1,211 |
| Loans and financing | TJLP | 5.09% | 669,116 | 34,058 | 17,029 | 51,087 |
| Loans and financing | Libor | 1.27% | 4,000 | 51 | 25 | 76 |
| Securities | FX - Ptax 800 | 5.37% | 211,606 | 11,363 | 5,682 | 17,045 |
| Interest earning bank deposit - pledged | Selic | 4.00% | 16,145 | 646 | 323 | 969 |

Exchange rate change

To verify the sensitivity of the net foreign exchange exposure to which the Company and its subsidiaries were exposed on March 31, 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 | 03/31/2020 BRL | Depreciation | | Appreciation | | |
|--------------------------|------|----------------|----------------|--------------|--|--------------|--|-----------|
| | | | | 10% | | 20% | | |
| | | | | Scenario | | | | I |
| Loan - Project financing | USD | 5.1987 | 669,553 | 602,598 | | 803,464 | | 736,509 |
| Export credit note | USD | 5.1987 | 1,601,322 | 1,441,190 | | 1,921,586 | | 1,761,454 |
| Exchange-rate change | | | 2,270,876 | 2,043,788 | | 2,725,051 | | 2,497,963 |

27.5. Capital management

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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 March 31, 2020 and December 31, 2019 is as follows:

| | Parent company | | Consolidated | |
|---|----------------|------------|--------------|-------------|
| | 03/31/2020 | 12/31/2019 | 03/31/2020 | 12/31/2019 |
| Total liabilities current and non-current | 49,912 | (46,329) | (4,097,633) | (3,174,094) |
| Cash and cash equivalents | 625 | 9,179 | 149,626 | 45,166 |
| Securities | 7,436 | 4,625 | 931,710 | 913,972 |
| Interest earning bank deposit - pledged | - | - | 13,107 | 15,383 |
| (Insufficiency) net cash surplus | (41,851) | (32,525) | (3,003,190) | (2,199,573) |
| Shareholders' equity | 1,377,411 | 1,543,571 | 1,377,411 | 1,543,571 |
| Relationship between shareholders' equity and net insufficiency of cash | (3391%) | (4846%) | (146%) | (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 March 31, 2020 and December 31, 2019 is as follows:

| | Consolidated | |
|---|------------------|------------------|
| | 03/31/2020 | 12/31/2019 |
| Operational risks | | |
| Port operator | 1,007,615 | 842,615 |
| Hull/machinery and civil liability (bareboats) | 852,783 | 833,533 |
| Fire, lightning, explosion, electrical damage, windstorms and flood | 3,200 | 3,200 |
| | <u>1,863,598</u> | <u>1,679,348</u> |

29. Segment information

Segregation of the Company's operating segments is based on the internal structure of the financial statements and of Company Management, and is carried out through business segmentation.

| | North Corridor | South Corridor | Other | Eliminations | Total |
|---------------------------|----------------|----------------|------------|--------------|------------|
| | 03/31/2020 | 03/31/2020 | 03/31/2020 | | 03/31/2020 |
| Net revenue from services | 122,244 | 95,122 | - | (3,844) | 213,522 |
| Cost of services rendered | (146,901) | (43,219) | 474 | 3,844 | (185,802) |
| Operating expenses (a) | (5,471) | (2,092) | (23,487) | - | (31,050) |

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| | | | | | |
|--------------------------------------|------------------|--------------|------------------|----------------|------------------|
| Depreciation and amortization | (29,952) | (17,951) | (1,744) | - | (49,647) |
| Other expenses/revenues | 10,754 | 20 | (310) | - | 10,464 |
| Financial revenue | 41,174 | 3,702 | 8,410 | - | 53,286 |
| Financial expenses | (102,011) | (27,068) | (3,229) | - | (132,308) |
| Equity in net income of subsidiaries | - | (2,295) | (105,565) | 105,565 | (2,295) |
| Income tax | (2,879) | - | (1) | - | (2,880) |
| Income (loss) for the period | <u>(113,042)</u> | <u>6,219</u> | <u>(125,452)</u> | <u>105,565</u> | <u>(126,710)</u> |

| | North Corridor 03/31/2019 | South Corridor 03/31/2019 | Other 03/31/2019 | Eliminations | Total 03/31/2019 |
|--------------------------------------|------------------------------|------------------------------|---------------------|-----------------|---------------------|
| Net revenue from services | 101,031 | 90,773 | - | (732) | 191,072 |
| Cost of services rendered | (57,305) | (37,649) | 41 | 732 | (94,181) |
| Operating expenses | (2,849) | (2,383) | (12,860) | - | (18,092) |
| Depreciation and amortization | (27,278) | (13,317) | (1,531) | - | (42,126) |
| Other expenses | (909) | 265 | - | - | (644) |
| Net financial income (loss) | (21,055) | (16,404) | 5,589 | - | (31,870) |
| Equity in net income of subsidiaries | - | (4,471) | 10,031 | (10,031) | (4,471) |
| Income tax | (2,516) | - | - | - | (2,516) |
| Income (loss) for the period | <u>(10,881)</u> | <u>16,814</u> | <u>1,270</u> | <u>(10,031)</u> | <u>(2,828)</u> |

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

In the period ended March 31, 2020, the Company presented revenues from customers domiciled in Brazil, totaling 57.2% of its total net revenue, in the amount of R\$ 122,244 (R\$ 101,031 as of December 31, 2019).

In the period ended March 31, 2020, the Company presented revenues derived Uruguay. These revenues total 42.8% of the Company's total net revenue, corresponding to R\$ 95,122 (R\$ 90,773 as of December 31, 2019).

The volume of grains and fertilizers in the northern corridor totaled 1,202 thousand tons (845 thousand tons on March 31, 2019), growth of 42% in the quarter of 2020, when compared to the previous year.

The volume of grains, fertilizers and iron ore in the southern corridor, excluding Vale, totaled 333 thousand tons (476 thousand tons as of March 31, 2019), down 30% in the first quarter of 2020, when compared to the same period of the previous year. The volume of coastal shipping totaled 1,041 thousand tons (682 thousand tons as of March 31, 2019), an increase of 53% in the first quarter of 2020 when compared to the same period of previous year.

Assets and liabilities

| | North Corridor 03/31/2020 | South Corridor 03/31/2020 | Other 03/31/2020 | Eliminations | Total 03/31/2020 |
|-------------------------|------------------------------|------------------------------|---------------------|--------------------|---------------------|
| Current assets | 523,580 | 696,971 | 334,418 | (107,745) | 1,447,224 |
| Non-current assets | <u>2,440,383</u> | <u>1,654,521</u> | <u>4,486,082</u> | <u>(4,553,166)</u> | <u>4,027,820</u> |
| Total assets | 2,963,963 | 2,351,492 | 4,820,500 | (4,660,911) | 5,475,044 |
| Current liabilities | 486,366 | 133,848 | 59,724 | (106,302) | 573,636 |
| Non-current liabilities | 2,110,150 | 1,259,711 | 3,387,074 | (3,232,938) | 3,523,997 |
| Shareholders' equity | 367,447 | 957,933 | 1,373,702 | (1,321,671) | 1,377,411 |

HIDROVIAS DO BRASIL S.A.

Notes to interim financial information

For the three-month period ended March 31, 2020

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

| | | | | | |
|--|------------------------------|------------------------------|---------------------|--------------------|---------------------|
| Total liabilities and shareholders' equity | <u>2,963,963</u> | <u>2,351,492</u> | <u>4,820,500</u> | <u>(4,660,911)</u> | <u>5,475,044</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 | <u>2,252,587</u> | <u>1,238,933</u> | <u>3,658,132</u> | <u>(3,678,381)</u> | <u>3,471,271</u> |
| 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 | <u>734,173</u> | <u>731,967</u> | <u>1,539,919</u> | <u>(1,462,488)</u> | <u>1,543,571</u> |
| Total liabilities and shareholders' equity | <u>2,719,508</u> | <u>1,719,335</u> | <u>4,037,776</u> | <u>(3,758,954)</u> | <u>4,717,665</u> |

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 receives an additional 10% surcharge on the amount of cabotage freight from its clients via the Merchant Marine Fund, based on each transportation made. These funds are restricted and can only be used exclusively in the construction, docking, repairs, maintenance of vessels and amortization of financing granted for the acquisition of vessels. In the period as of March 31, 2020, the Company recognized the benefits of AFRMM in Operating revenue (expenses) in the amount of R\$ 3,659.

- 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\$ 2,026.

- Deferment of ICMS

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

31. Items not affecting cash

During the period ended March 31, 2020, the amount of R\$ 2,132 and R\$ 112,500 referring respectively to suppliers for the acquisition of property, plant and equipment, and concession lease did not affect cash.

32. Subsequent events

On January 31, 2020, the World Health Organization (WHO) announced that the coronavirus (COVID-19) is a global health emergency. The outbreak triggered significant decisions by governments and private sector entities, which added to the potential impact of the outbreak, increased the degree of uncertainty for economic agents and can generate the following relevant impacts on the amounts recognized in the financial statements.

HIDROVIAS DO BRASIL S.A.

Notes to interim financial information

For the three-month period ended March 31, 2020

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

The Company installed a crisis committee to assess the impact of the pandemic on its business and on people, and has been taking the necessary measures in view of the events that are taking place.

On the date of issue of these Financial Statements, the Company, after analyzing the impact of this global change, does not foresee any risks to the continuity of its business, nor to the accounting estimates and judgments.

In addition, as disclosed in note 27 on market risks, due to the new reality arising from Covid-19, which has been showing high volatility in recent months, mainly in the US\$ and uncertainties that increase 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 market and systemic risk. The profitability of funds linked to this currency 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 quarter with an exchange variation of R \$ 72,812. Additionally, the Company understands that the liquidity and market risk have not been changed so far.

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.

In addition, the Company's performance in subsequent months remains in line with its planning and there was no impact subsequent to this interim accounting information.