MRS Logística S.A.

Accounting statements on December 31, 2021 and Independent auditors' report

KPDS 1047713

Contents

2021 Highlights

Financial and Operational Results	2017	2018	2019	2020	2021	2021 x 2020
Transported Volume (thousands tons)	170,967	174,563	146,866	159,817	169,968	6.4%
Gross Revenues (R$ million)	3,870.3	4,083.6	3,483.7	3,890.2	4,788.9	23.1%
Net Revenues (R$ million)	3,492.8	3,726.4	3,200.8	3,605.0	4,427.4	22.8%
EBITDA (R$ million)	1,429.0	1,543.2	1,963.9	2,012.9	2,465.9	22.5%
EBITDA Margin (%)	40.9%	41.4%	61.4%	55.8%	55.7%	-0.1pp
Net Income (R$ million)	434.5	521.6	503.4	430.3	699.6	62.6%
Gross Debt (R$ million)	2,695.9	2,474.9	3,006.9	2,873.5	4,304.4	49.8%
Net Debt (R$ million)	2,209.2	2,128.9	2,336.6	1,667.0	2,467.8	48.0%
Net Debt/EBITDA ¹ (x)	1.50x	1.38x	1.19x	0.83x	1.00x	0.17x

MRS ends the year 2021 with an important milestone for the domestic logistics system, namely the conclusion – in a record seven-month time – the construction of Pederneiras Mixed-Mode Complex (SP), a rail terminal dedicated to cellulose transport. The complex, in operation since September, represents another initiative of the Company, which consolidates its presence in the general cargo transport industry.

In 2021, the macroeconomic scenario started with a positive outlook, despite some uncertainties primarily related to the Covid-19 pandemic. Iron ore, MRS core business, which, until the first nine months of 2021, showed strong demand and an increase in the price of the commodity, ended the year in a market downturn and price reduction scenario.

Faced with these challenges, MRS ended 2021 with growing results. The transported volume was 170.0 million tons (Mt), a 6.4-percent increase compared to the previous year. This increase is mainly due to the growth in the ore transport to the foreign market, with the consolidation of the new traffic model at Andaime terminal by means of the Unmanned Train (UT), and the volume recovery in the domestic market. We highlight the all-time high transport volumes in the General Cargo segment, reaching the milestone of 62.8 Mt.

The Company's Net Revenue in 2021 was R$4,427.4 million, an increase of R$822.4 million (+22.8%) compared to 2020. Iron ore transportation – the segment that contributes the most to MRS revenue – reached the milestone of 107.2 Mt, a 9.2-percent growth compared to the previous year. The Company's EBITDA amounted to R$2,465.9 million, a 22.5-percent increase compared to 2020.

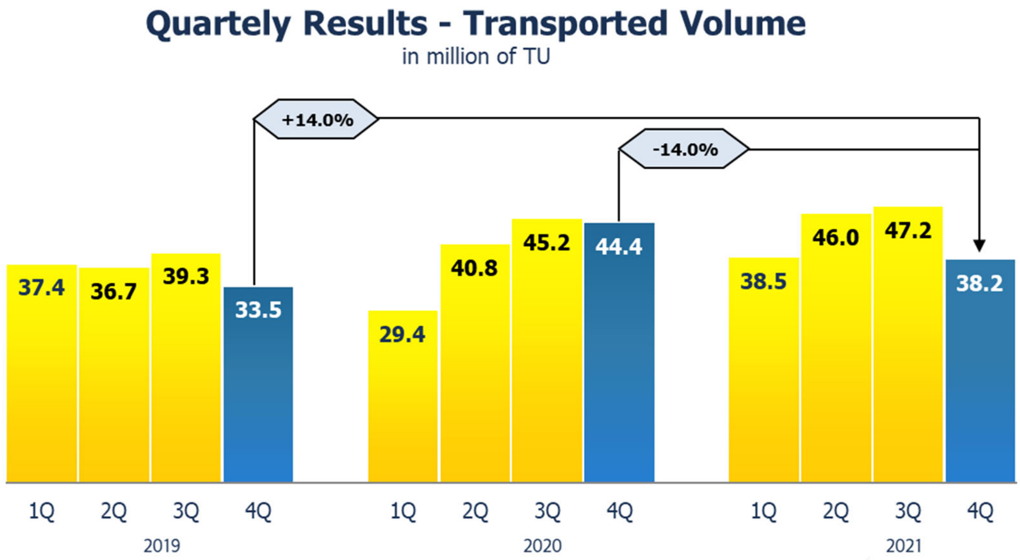
Reaffirming the discipline in cash management and increased EBITDA generation, the Net Debt/EBITDA ratio, reported by MRS, reached 1.00x by the year 2021. In the period, the Company raised funds for the amount of R$ 1.5 billion through the 10th issuance of debentures, and R$500 million by issuing Promissory Notes.

Commercial and Operational Performance

MRS Logística operates primarily in the transport of inputs and products related to the steel industry, such as iron ore, coal, and coke, to serve the domestic and export markets, and in the General Cargo transport, which includes agricultural commodities, steel products, containers, among others, in a railway network with 1,640+ km, in the Brazilian states of Minas Gerais, Rio de Janeiro and São Paulo.

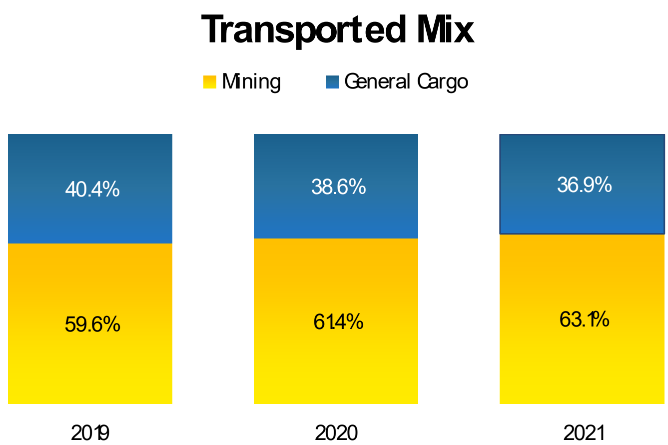
Transported Volume Thousand tons	4Q21	4Q20	4Q21 x 4Q20	3Q21	4Q21 x 3Q21	2021	2020	2021 x 2020
Mining	**22,818**	**28,630**	**-20.3%**	**30,846**	**-26.0%**	**107,176**	**98,167**	**9.2%**
Iron Ore	22,168	28,103	-21.1%	30,158	-26.5%	104,478	95,674	9.2%
Export	18,575	25,266	-26.5%	26,348	-29.5%	89,607	84,129	6.5%
Domestic Market	3,593	2,837	26.7%	3,811	-5.7%	14,871	11,545	28.8%
Coal and Coke	650	528	23.2%	688	-5.5%	2,698	2,493	8.2%
General Cargo	**15,372**	**15,765**	**-2.5%**	**16,387**	**-6.2%**	**62,792**	**61,651**	**1.9%**
Agricultural Products	9,162	10,186	-10.1%	10,077	-9.1%	39,632	40,960	-3.2%
Steel Products	1,855	1,680	10.5%	2,026	-8.4%	7,504	6,097	23.1%
Pulp	1,201	784	53.2%	970	23.8%	3,885	3,077	26.3%
Container	527	620	-14.9%	583	-9.5%	2,259	2,226	1.5%
Construction	538	488	10.4%	502	7.3%	2,015	2,025	-0.5%
Others	2,087	2,008	4.0%	2,230	-6.4%	7,495	7,266	3.2%
Total	**38,190**	**44,395**	**-14.0%**	**47,234**	**-19.1%**	**169,968**	**159,818**	**6.4%**

In 2021, the total volume transported by the Company was 170.0 Mt, a 6.4-percent increase compared to 2020. When comparing 4Q21 vs. 4Q20, the volume was 14.0% lower, especially due to the drop in ore transport, which will be detailed later.



MRS posted again this year an annual all-time high in General Cargo transport volume, reaching 62.8Mt, 1.9% up when compared to the last all-time high posted in 2020. The numbers achieved by this group on 4Q20 were also significant, making it the second best result compared to the fourth quarter of other previous years, totaling 15.4 Mt transported.

Regarding the Transported Mix, despite the repercussions and impacts caused by Covid-19 – which was unprecedented in recent history – and other impacts caused by the water crisis, the General Cargo group keeps being fairly represented, accounting for 36.9% of the results for 2021. The share of the Mining group grew against the previous year, which is primarily explained by the continued high demand for iron ore in the foreign market, the greater availability of ore for purchases in the domestic market, and the continuous increase in the price of the commodity in the international market.



Mining

The transport of iron ore, coal, and coke grew 9.2% in 2021 against 2020 due to the partial recovery of the transport demand from a large Customer, with the maturing of solutions for transport of material from mines impacted by the closures resulting from the Brumadinho accident in 2019, and the increase in the international iron ore price in 2Q21 and 3Q21.

Although growth can be seen in 2021, 4Q21 showed a 20.3-percent drop compared to 4Q20, mainly due to the demand slowdown and the commodity price reduction in the international market.

Transported Volume Thousand tons	4Q21	4Q20	4Q21 x 4Q20	3Q21	4Q21 x 3Q21	2021	2020	2021 x 2020
Mining	**22,818**	**28,630**	**-20.3%**	**30,846**	**-26.0%**	**107,176**	**98,167**	**9.2%**
Iron Ore	22,168	28,103	-21.1%	30,158	-26.5%	104,478	95,674	9.2%
Export	18,575	25,266	-26.5%	26,348	-29.5%	89,607	84,129	6.5%
Domestic Market (A)	3,593	2,837	26.7%	3,811	-5.7%	14,871	11,545	28.8%
Coal and Coke (B)	650	528	23.2%	688	-5.5%	2,698	2,493	8.2%
Market + Coal and Coke = (A) + (B)	4,243	3,364	26.1%	4,499	-5.7%	17,569	14,038	25.2%

Iron ore– Export

In 2021, the iron ore cargo volume intended for export, which represents 83.6% of the Mining group and 63.1% of the total volume transported by MRS, was 89.6 million tons (Mt), 6.5% up as compared to the previous year. This growth was primarily due to: (i) the partial recovery of the volume from mines that were closed after the Brumadinho incident; (ii) leveraging the market conditions with the increased demand and the valuation of the commodity in the international market in 2Q21 and 3Q21; and (iii) reduced rainfall in 1Q21 compared to 1Q20, which contributed to the increased demand for transportation from the key customers, due to the improvement in operating conditions related to iron ore production in the state of MG and to the port operations.

The 4Q21 results were down by 26.5% compared to 4Q20, due to increases in the following variables: (i) market pressure, in view of the drop observed in the international price of the commodity due to steel demand restrictions in China; (ii) penalties on the contaminant content (silica and alumina content); (iii) sea freight as of September 2021; and (iv) rainfall in the Southeast region, given the beginning of the rainy season, limiting the ore production, loading, and unloading operations.

Iron Ore, Coal and Coke - Domestic Market

The transport of iron ore, coal, and coke in the domestic market, with a transported volume of 17.6Mt in 2021, grew by 25.2% compared to 2020. This increase is particularly due to: (i) the development of solutions oriented to the transport of materials from important mines injecting raw material supply to the domestic steel mills closed due to the Brumadinho accident in 2019; (ii) the total resumption of operations and the consequent market recovery after the shutdown of a blast furnace of a key customer, which took place between June and November 2020, resulting from the pandemic, (iii) the leverage due to the ore purchase from third parties for blending, in Ouro Branco-MG.

General cargo

The transport of General Cargo, which includes agricultural commodities, steel products, pulp, containers, among others, was up 1.9% in 2021, compared to the volume transported in 2020, totaling 62.8 Mt transported.

Agricultural Products

Transported Volume Thousand tons	4Q21	4Q20	4Q21 x 4Q20	3Q21	4Q21 x 3Q21	2021	2020	2021 x 2020
Agricultural Products	**9,162**	**10,186**	**-10.1%**	**10,077**	**-9.1%**	**39,632**	**40,960**	**-3.2%**
Corn	3,987	4,962	-19.7%	4,505	-11.5%	8,822	12,161	-27.5%
Sugar	2,802	4,025	-30.4%	3,432	-18.4%	10,671	12,008	-11.1%
Soy	952	0	-	551	72.7%	14,399	12,053	19.5%
Soybean Meal	1,421	1,198	18.6%	1,588	-10.5%	5,741	4,739	21.1%

agricultural products transported by MRS include corn, sugar, soybeans, and soybean meal, accounting for 63.1% of the General Cargo segment. The soybean and soybean meal commodities were up by 19.5% and 21.1%, respectively, and corn and sugar, down by 27.5% and 11.1%, in 2021 compared to 2020, as detailed below.

The favorable performance of soybeans and soybean meal is primarily due to the volumes of Other Railways, driven by: (i) the growth in soybean production and exports in Brazil; and (ii) a key customer starting its operations, which resulted in the railroad gaining share by transporting volumes from the soybean complex to the Port of Santos. Further, in February 2021, MRS resumed the operations with key grain customers with the waterway operator. However, the Company was impacted by the waterway stoppage due to the reduction in the dam levels by the ONS (National Operator of the System) as of August 2021.

The drop in sugar transport in relation to MRS' own cargo was due to the following factors: (i) the supply of sugar up to 2Q20 was higher than the contracted demand; the input was due to the higher transport capacity migrated from grain flows, due to the stoppage of the waterway operator; (ii) with the return of grain operations in 2021, the supply of additional capacity for sugar was eliminated, keeping the transported volumes in line with the contractual commitments, and (iii) due to the corn harvest loss on 2H21, there the supply of the sugar cargo to MRS was reduced. With regard to sugar volumes from other railroads, the 9-percent drop in 2021 was basically due to the drop in the recorded harvest due to weather factors, namely the drought during the production cycle and excessive cold in certain months of the year, which caused frosts, impacting the sugarcane crops productivity. The drop in the transport of sugar followed the performance of the movement of this product in the Port of Santos, the destination of these cargoes, which showed a reduction of 14.6% in 2021 compared to the previous year.

Steel products

Transported Volume TU thousand tons	4Q21	4Q20	4Q21 x 4Q20	3Q21	4Q21 x 3Q21	2021	2020	2021 x 2020
Steel Products	1,855	1,680	10.5%	2,026	-8.4%	7,504	6,097	23.1%

nsport of steel products increased by 23.1% in 2021 compared to the volume transported in 2020, impacted by the following factors (i) development of new inbound transport flows in the steel industry; (ii) capture of the steel product transport volumes with the recovery of steel consumption and sales in the domestic and international markets; (iii) new customers attracted; and (iv) resumption of the steel sector with a higher demand than in recent years, reflected by companies announcing investments in expansion, restarting plants and large-scale equipment that were halted, producing at a faster pace than that seen in the period prior to the beginning of the pandemic.

.Q21, the transportation of steel products grew by 10.5% compared to 4Q20, primarily driven by the increase in volumes intended for export.

Containers

Transported Volume TU thousand tons	4Q21	4Q20	4Q21 x 4Q20	3Q21	4Q21 x 3Q21	2021	2020	2021 x 2020
Container	527	620	-14.9%	583	-9.5%	2,259	2,226	1.5%

the General Cargo transport segment, the container transport group includes cargo transported by MRS and cargo from other railroads (paid for the right of way). This transport segment increased by 1.5% in 2021 compared to 2020, due to the 12-percent growth posted in the volumes of other railroads due to the increased export flow from the country and the volume recovery of a key customer, a result that also followed the performance of the Port of Santos, which posted a 14.2-percent growth in the handling of this type of cargo (in TEU[1]).

arding MRS' own cargo, the highlights are on the following routes: (i) RJ x Vale do Paraíba: volume gain on an alternative route created in mid-2020 for maritime shipment; (ii) RJ x RJ: increase in

[1] Acronym: *Twenty feet Equivalent Unit* a unit equivalent to a 20-ft. container

the volume of regular customers, entry of new cargo with high added value, ensuring reliability and low transit time, favoring the just-in-time service for automakers in the Resende-RJ hub; (iii) RJ x BH: maintenance with increased volume, achieving good performance with new customers attracted in a partnership with shipowners. On the other hand, there were events that negatively impacted the result, such as the lack of containers in the market, overloaded ships, and high maritime freights, which are factors unrelated to the railroad.

Pulp

Transported Volume TU thousand tons	4Q21	4Q20	4Q21 x 4Q20	3Q21	4Q21 x 3Q21	2021	2020	2021 x 2020
Pulp	1,201	784	53.2%	970	23.8%	3,885	3,077	26.3%

The pulp transportation segment grew by 26.3% in 2021 compared to 2020, due to: (i) the investments that MRS has been making, seeking to expand its operating capacity and diversify its operation areas, especially for the general cargo transport, with the largest transported volume of pulp consisting of its own cargo; (ii) increased volume of Other Railways, mainly driven by operating gains created by the new pulp terminal opened in the third quarter of 2020, in Ilha Barnabé, in Santos, as a result of a partnership between two relevant customers. This terminal is equipped with a "railway pear" (a circular-shaped yard that allows cargo transshipment without the need to dismember the train). This result meant an important share gain for the railroad for this type of cargo, since the Port of Santos sustained a 3.3-percent retraction in pulp handling in 2021; and (iii) valuation of the commodity and the exchange rate against the foreign market, boosting sales.

S highlights that, in September 2021, operations began at its new mixed-mode complex in Pederneiras (SP). This Complex, built throughout 2021 and with an investment of R$ 58.8 million, included the construction of the rail yard and the fist terminal of the complex, dedicated to the transport of pulp. Cargo arrives at Pederneiras (SP) by road or waterway and proceeds by rail to the Port of Santos through a railway route of approx. 500 km (310 mi.) Additional details are available at: https://www.mrs.com.br/post-blog-mrs/esta-oficialmente-inaugurado-o-complexo-intermodal-pederneiras/

Construction

Transported Volume Thousand tons	4Q21	4Q20	4Q21 x 4Q20	3Q21	4Q21 x 3Q21	2021	2020	2021 x 2020
Construction	538	488	10.4%	502	7.3%	2,015	2,025	-0.5%

.Q21, the construction transport segment increased by 10.4% compared to 4Q20, mainly impacted by the cement volume, which grew by 7%, due to: (i) prospecting for new customers; (ii) renegotiation of inoperative routes; (iii) improvement in the operating performance; and (iv) increase in the share with current customers. However, there was a 19-percent drop in the Sand group, which was impacted by MRS customers' share loss in São Paulo Metro Area market – the Company's main service route.

litionally, the 4Q21 results compared to 3Q21 and 4Q20 posted an improvement of 7.3% and 10.4% respectively, due to the volume gained with the negotiation of slag vessels for export, completed in the last quarter of 2021.

Others

Transported Volume Thousand tons	4Q21	4Q20	4Q21 x 4Q20	3Q21	4Q21 x 3Q21	2021	2020	2021 x 2020
Others	2,087	2,008	4.0%	2,230	-6.4%	7,495	7,266	3.2%

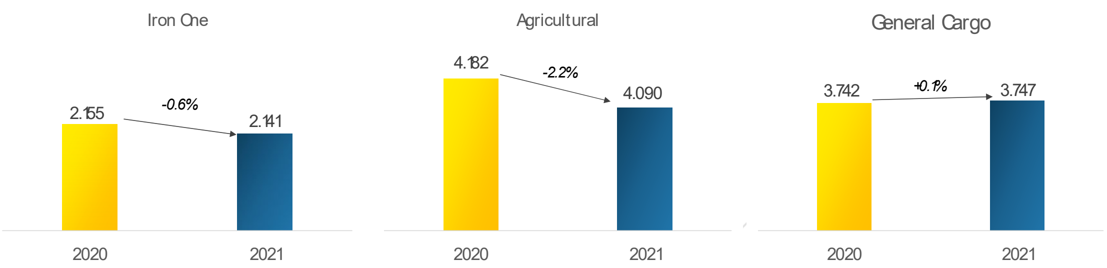
In 2021, MRS transported 7.5 Mt in the "Miscellaneous Cargo" segment, representing a 3.2-percent growth compared to 2020, especially due to: (i) the 25-percent increase in the transport of compost and fertilizers from other railroads, following the positive signs from the Port of Santos, which posted substantial growth in imports of this type of product and, above all, benefited from the reduced pressure for export cargo transport in the second half of the year, due to issues with the corn and sugar crops, which facilitated addressing this return cargo; (ii) the 250-percent increase in the transport of mineral coal, with an increase in vessel trading; (iii) 24% bauxite due to the increased consumption of the product resulting from the global resumption of aluminum production, with the commissioning of another furnace room of a specific customer, (iv) 172% pig iron for domestic consumption, due to an improvement in the sales price and market growth, and (v) 1,312% limestone for the steel industry, with the development of a mixed-mode solution between the states of MG and RJ, where we have implemented a commercially- and operationally-suitable alternative for both the customer and MRS.

The Company stresses that the pulp transport volume that – until 3Q21 – was presented within the Miscellaneous Cargo segment, was segregated beginning in of 2021, as previously highlighted in this Annual Report.

Energy Efficiency

MRS, committed to the sustainability of its operations and the preservation of natural resources, monitors its energy efficiency indicator by measuring the amount of liters used to transport 1,000 gross tons per kilometer (liters per thousand TKB). The global indicator determines the combined efficiency of all three main cargo groups, which have different service characteristics: ore, agricultural, and miscellaneous general cargo.

In 2021, the energy efficiency indicator for locomotives reached the milestone of 2,468 L/kTKB, the same level as in 2020. This result was derived from the Ore and Agricultural segments, which decreased by 0.6% and 2.2%, respectively, offset by Miscellaneous General Cargo, which increased by 0.1%, as detailed below.



I - Ore

- Fuel consumption reduction due to the insulation/switch-off strategy for driven locomotives at points where the section profile allows the train to maintain its speed driven by the lead locomotive only;
- Increase in the size of certain train compositions, taking advantage of the drive capacity that locomotives provide, based on detailed analysis and studies;
- Change of stopping points for ore trains to carry out the pacing operation in sections where the impact on fuel consumption is lower (sections on a descending ramp).

II - Agricultural

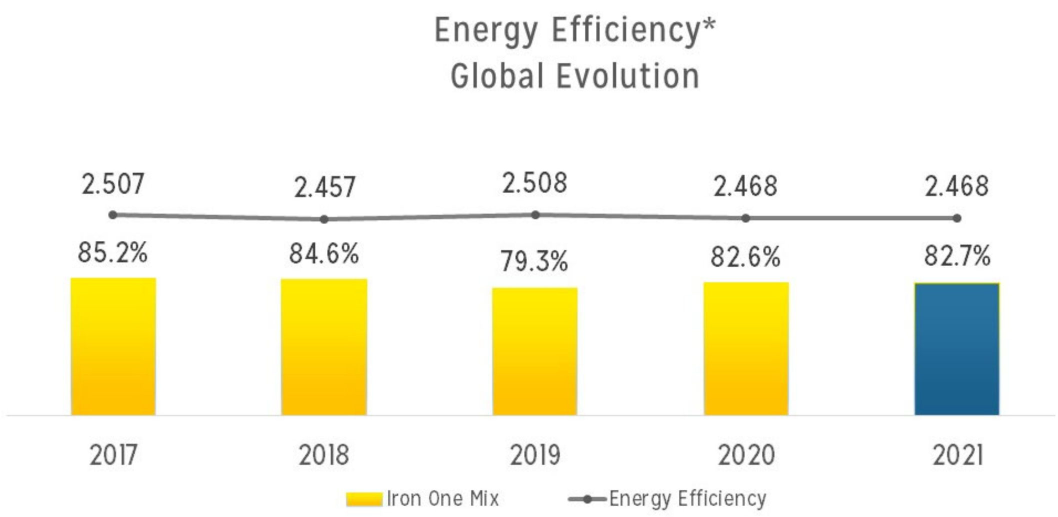
- Increase in the maximum weight of the agricultural train compositions, optimizing the use of the locomotives' driving force due to improved track conditions at the sections where these trains circulate.

III - Miscellaneous General Cargo

- Installation of a Remote Insulation Control (RIC) on the locomotives that circulate in this flow. This equipment essentially allows the driven locomotives in the train to be remotely switched off when drive is not required;

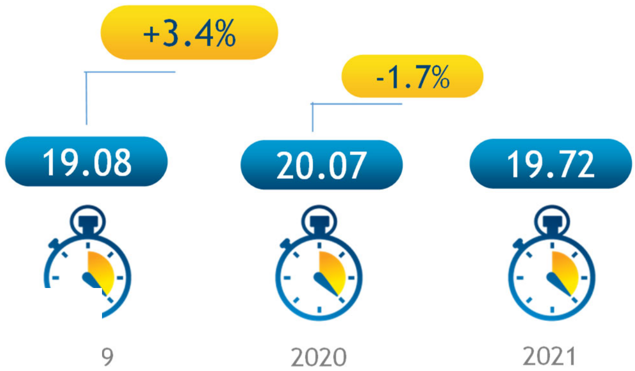
Despite the above improvements, a determining factor for the overall energy efficiency result is the representativeness of the ore volume, since this cargo group is the one with the best energy efficiency among all others, and any representativeness reduction directly impacts the global indicator. As of 2020, the representativeness of this segment has recovered, although it still suffers the direct impacts of the incident in Brumadinho, where one of the key MRS ore terminals was closed, leading to a reduction in the transported volume of this cargo.

The graph below shows the evolution of the global efficiency:



*Devido alterações na métrica do indicador de eficiência energética, os valores do indicador anteriores a 2020 sofreram alterações em relação a última publicação do relatório anual.

The iron ore Transit Time – which calculates the time it takes to transport the cargo from origin to destination – in 2021 was reduced due to greater efficiency of the Unmanned Train (UT) operation. The train traffic still suffers the impact of the traffic model used since 2020 to serve the Andaime terminal through the UT operation. Under this model, for a train to cross the Self-Rescue Zone (SRZ) of the Forquilha III Dam in an unmanned way, compliance with a technical and safety protocol that reduces the average speed of the composition is required. Reduction in other regions was also observed, due to operating gains.



Economic and Financial Performance

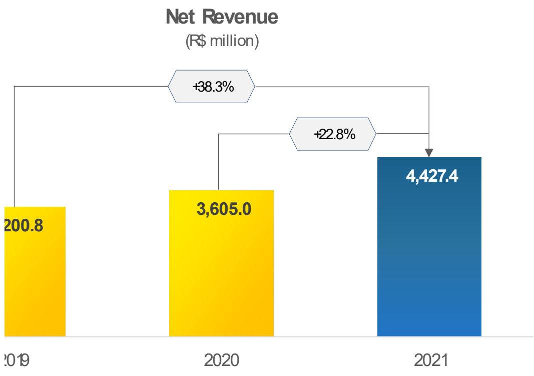
Results	4Q21	4Q20	4Q21 x 4Q20	3Q21	4Q21 x 3Q21	2021	2020	2021 x 2020
Gross Revenues (R$ million)	1,163.5	1,064.1	9.3%	1,321.1	-11.9%	4,788.9	3,890.2	23.1%
Gross Average Tariff (R$/ton)	30.5	24.0	27.1%	28.0	8.9%	28.2	24.3	15.7%
Net Revenues (R$ million)	1,071.6	990.4	8.2%	1,227.4	-12.7%	4,427.4	3,605.0	22.8%
Net Avarage Tariff (R$/ton)	28.1	22.3	25.8%	26.0	8.0%	26.0	22.6	15.5%
EBITDA (R$ million)	500.9	680.0	-26.3%	637.9	-21.5%	2,465.9	2,012.9	22.5%
EBTIDA Margin (%)	46.7%	68.7%	-22.0pp	52.0%	-5.3pp	55.7%	55.8%	-0.1pp
Net Income (R$ million)	66.2	226.8	-70.8%	137.4	-51.8%	699.6	430.3	62.6%
Net Debt/EBITDA[1] (x)	1.00x	0.83x	0.17x	0.72x	0.28x	1.00x	0.83x	0.17x

[1]EBITDA accumulated over the past 12 months. The covenant adopted towards some creditors was detailed in the debt chapter of this release

I. Net Revenue: Increase of R$ 822.4 million, reflecting particularly the volume recovery, especially in the mining segment, with a 9.2-percent increase compared to the volume in 2020.

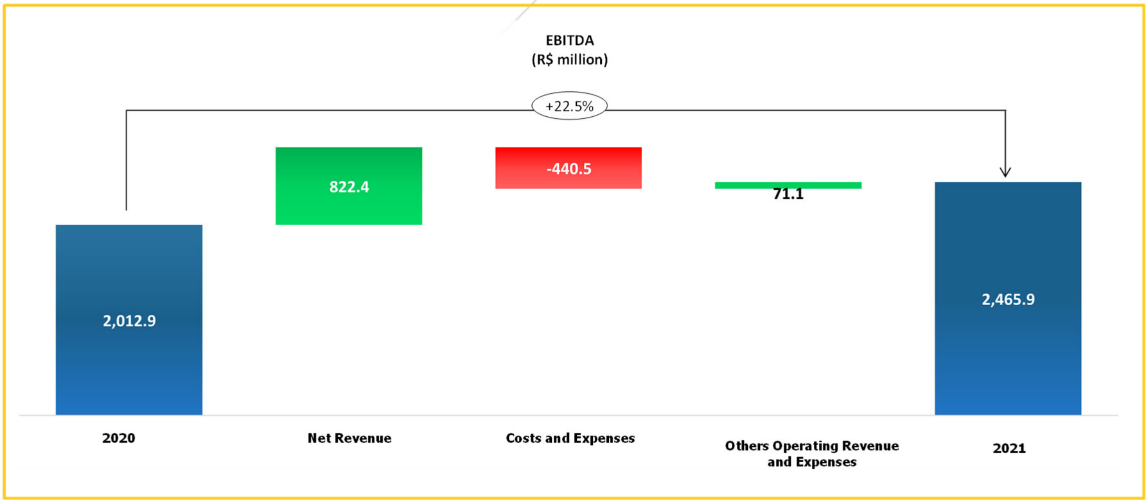
II. Costs and expenses: A R$440.5 million increase, compared to 2020. This result is primarily due to: (i) the increase in the transport volume; (ii) inflation pressure, especially on diesel costs; (iii) higher asset maintenance costs.

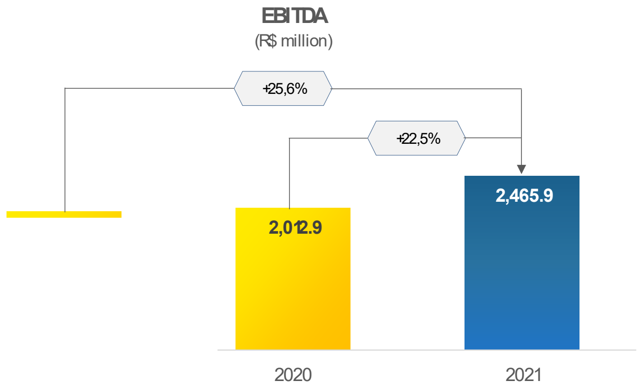
III. Other operating income and expenses: The result of other operating income minus other operating expenses improved by R$ 71.1 million in 2021, mainly impacted by the recognition of tax credits, resulting from a favorable decision, related to the removal of the ICMS (VAT) from the PIS and COFINS calculation basis. On the other hand, the Company recognized in 2021 an indemnity revenue for the amount of R$ 44.4 million, arising from the review of contractually-provided minimum transported volumes, and the amount recognized in 2020 was R$ 239.1 million.



EBITDA

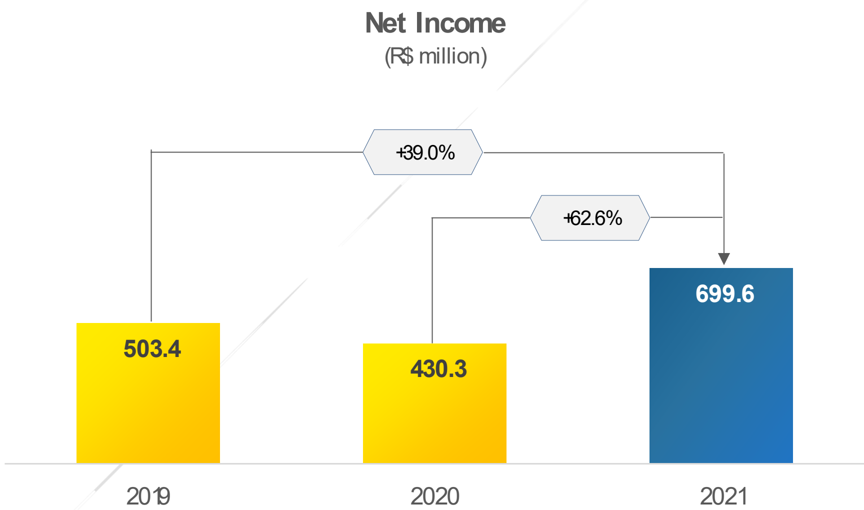
The 2021 EBITDA grew by 22.5% when compared to 2020, reaching R$2,465.9 million, with an EBITDA Margin of 55.7%, 0.1 p.p. down compared to the previous year.
Below, we show the EBITDA evolution in more detail:





t Earnings

MRS reported net earnings of R$699.6 million in 2021, 62.6% (R$269.3 million) up against 2020. The result reflects, in addition to the business volume growth – especially in the ore transportation segment –, the recognition of tax credits related to the favorable decision to remove the ICMS (VAT) from the PIS and COFINS calculation basis, which positively impacted the result for the period.



Indebtedness

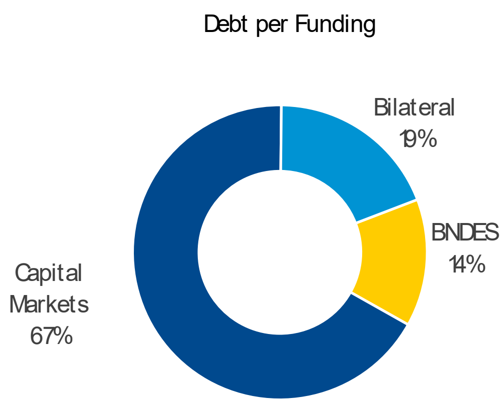
In R$ million	4Q21	4Q20	4Q21 x 4Q20	3Q21	4Q21 x 3Q21
Gross Debt[1]	**4,304.4**	**2,873.5**	**49.8%**	**3,964.9**	**8.6%**
Gross Debt in Reais	3,940.7	2,297.4	71.5%	3,603.0	9.4%
Gross Debt in US$	363.7	576.1	-36.9%	361.9	0.5%
Cash	**1,836.6**	**1,206.5**	**52.2%**	**2,061.6**	**-10.9%**
Net Debt	**2,467.8**	**1,667.0**	**48.0%**	**1,903.3**	**29.7%**
EBITDA[2]	**2,465.9**	**2,012.9**	**22.5%**	**2,645.0**	**-6.8%**
Net Debt/EBITDA[3] (x)	**1.00x**	**0.83x**	**0.20x**	**0.72x**	**0.39x**

[1]The difference in relation to the sum of the Lines of Loans and Financing (Balance Sheet) corresponds to the Transaction Costs.[2] EBITDA accumulated in the last 12 months

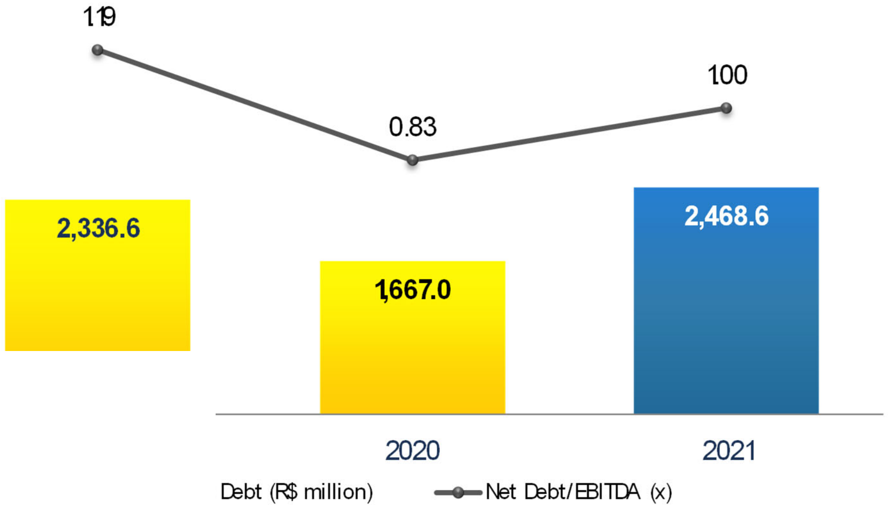
The Company's Gross Debt closed 2021 with a balance of R$4,304.4 million, R$1,430.9 up compared to 2020.

In 2021, MRS raised funds amounting to R$2,061.0 million, through: (i) the 10th issue of debentures in the volume of R$1, 500.0 million; (ii) issue of Promissory Notes, for the amount of R$500 million and (iii) financing of R$61.0 million from BNDES (National Economic and Social Development Bank). These funds were raised to reinforce the Company's cash position and to lengthen the debt profile. On the other hand, amortizations and prepayments of bilateral transactions were made in the period, totaling R$781.9 million.

At the end of 2021, most of the debt was indexed to the CDI (Interbank Deposit Certificate), with an important share of Capital Market instruments, in addition to bilateral lines and credit lines with BNDES.



As of December 31, 2021, net debt was R$2,467.8 million, against R$1,667.0 million in 2020, reflecting the schedule of new cash inflows and outflows.
The financial leverage ratio measured by the net debt/EBITDA ratio was 1.00x as of December 31, 2021 against 0.83x on December 31, 2020. This increase was mainly due to the raising of funds in the period.



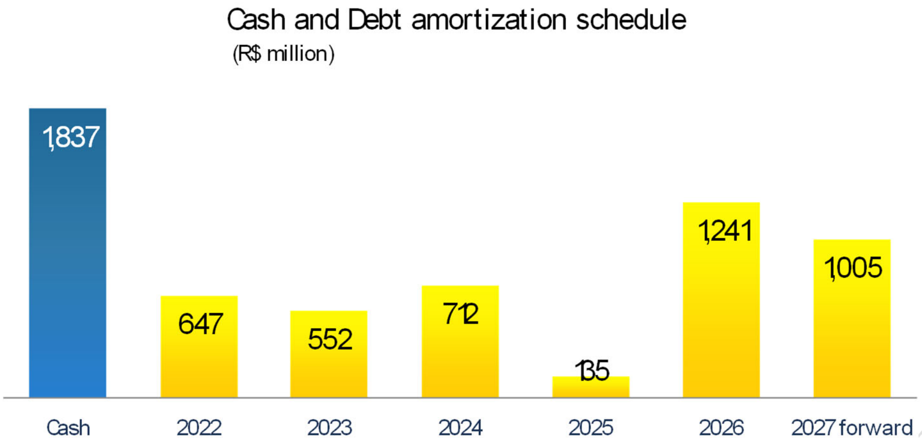
The table below shows the reconciliation of Recurring EBITDA used for the calculation of covenants:

Reconciliation EBITDA (R$ million)	4Q21	4Q20	4Q21 x 4Q20	3Q21	4Q21 x 3Q21	2021	2020	2021 x 2020
Net Income	**66.2**	**226.8**	**-70.8%**	**137.4**	**-51.8%**	**699.6**	**430.3**	**62.6%**
(+) Taxes on Profit	21.3	108.2	-80.3%	70.2	-69.6%	346.3	216.3	60.1%
(+) Depreciation and Amortization	280.4	248.0	13.0%	262.1	6.9%	1,056.7	1,049.9	0.6%
(-) Depreciation Right of Use (lease agreements)²	(98.2)	(74.4)	32.0%	(84.4)	16.3%	(351.1)	(281.6)	24.7%
(+) Net Financial Result	(133.0)	(96.9)	37.3%	(168.1)	-20.9%	(363.2)	(316.4)	14.8%
(-) AVP Financial Charges (lease contracts)	(43.6)	(40.9)	6.7%	(37.3)	16.8%	(159.8)	(152.0)	5.1%
(=) Adjusted EBITDA ¹	**359.1**	**564.7**	**-36.4%**	**516.1**	**-30.4%**	**1,955.0**	**1,579.3**	**23.8%**

1 More restrictive condition assumed with creditors
2 More detailed information can be found on explainatory notes 16.2 and 34

Amortization schedule

The chart below shows the debt principal maturity schedule as of December 31, 2021. The average term of MRS' debt as of December 2021 was 4.67 years, representing a lengthening of the group's debt profile against December 2020, which was 2.10 years.



Rating

Agency	Local Rating	Global Rating	Outlook
Standard & Poor's	AAA	BB-	Estável
Fitch	AAA	BB	Estável

Cash Flow Statement

Cash generation in 2021 was R$630.1 million. The cash balance at the end of 2021 was BRL 1,836.6 million, a result above the the BRL 1,206.5 million posted at the end of 2020. This variation was influenced by the receipt of a contractual protection mechanism ("take or pay") and indemnification with related parties.

Statement of Cash Flow - R$ Million	2021	2020
Cash at beginning of period	**1,206.5**	**668.3**
Net Income before IR and CSLL	**1,045.9**	**646.6**
Depreciation and Amortization	1,056.7	1,049.9
Monetary/Foreign Exchange Variation and Financial Charges	603.0	363.7
Residual Value of Fixed Assets / Invest. Perm.	40.6	41.4
Taxtable Credit Provision	(338.0)	-
Deferred Tax	7.1	-
Provision (Reversal)	(28.6)	47.6
Others	98.5	19.4
Net Income cash basis	**2,485.2**	**2,168.6**
Changes is assets and liabilities	**(914.4)**	**(166.6)**
Accounts Receivable and Related Parties	(8.3)	460.0
Stocks	(73.2)	(18.1)
Restricted Cash	-	2.1
Financial Investments	-	-
Taxes Recoverable	(149.5)	28.5
Providers	36.5	(34.2)
Tax liabilities	(3.9)	(109.2)
Taxes on profit	(371.9)	(288.9)
Social and Labor Obligations	44.3	(14.1)
Payment of interest on loans and financing	(146.3)	(135.0)
Payment of interest on rights of use	(159.8)	(152.0)
Others	(82.3)	94.3
Net Cash provided by operating activities	**1,570.8**	**2,002.0**
Investment activities	**(1,515.4)**	**(822.4)**
Immobilized	(1,472.7)	(795.3)
Intangible	(45.3)	(27.1)
Proceeds from the sale of property, plant and equipment	2.6	-
Financing activities	**574.7**	**(641.4)**
Borrowing and financing	561.9	511.7
Debentures	1,500.0	-
Payments	(1,049.2)	(667.0)
Rights of use	(335.9)	(247.1)
Payments Dividends	(102.1)	(239.0)
Cash at end of period	**1,836.6**	**1,206.5**
Cash Flow	**630.1**	**538.2**

Projects and Investments

In 2021, MRS invested BRL 1,761.8 million, 61% of which in initiatives associated with the rolling stock package.

Investments - R$ million	2021
Permanent Way [1]	564.4
Undercarriage [2]	1,074.6
Eletronic System	24.2
SMS Programa [3]	25.9
Others	72.7
Total	**1,761.8**

[1] Infraestructure expansion, reliability and mordenization of permanent tracks
[2] Acquisition, reliability and mordenization stock
[3] Investments in Healthy, Environment and Safety

The macro groups of investments made in 2021 are detailed below:

Expansion of the permanent track and yards: the progress of the works started in 2020 is worth mentioning, with focus on General Cargo flows: (i) construction – in an all-time low seven-month period – of the new terminal in Pederneiras. For more information about the project, access: https://youtu.be/2jLIol2TNss; (ii) signaling of the Jurubatuba-Ilha de Barnabé section of Santos Left Bank and (iii) upgrading of the permanent track on the Itirapina-Pederneiras section, thus enabling the traffic of 120-ton trains.

Infrastructure reliability: maintenance of the preventive plan of interventions along the track, with the execution of 31 containment works and 4 bridge interventions/replacements, aiming at minimizing the risks associated with the reliability of the section.

Rolling stock, Procurement: In 2021, asset were procured to address the forecast volume and provide operational improvements. The procurement included 28 AC44 locomotives, 864 GDT INOX cars, and 23 PCT cars.

Modernization of assets: the strategy of carrying out interventions on locomotives, cars and the railway network was maintained, aiming at increasing the reliability and availability levels of the assets, allowing for improved efficiency and optimization of our railway operations.

Technology projects: the progress in the implementation of the new ERP system (SAP), the continued development of IT systems with a focus on the Company's operating processes, and the expansion in the scope of the use of remote controls for locomotive maneuvering at yards are worth mentioning. In addition, we highlight the start of the project aimed at assessing the possibilities and impacts of increasing the train size.

Strategies and Outlook

The year 2021 was very unstable in many ways. The pandemic control has progressed, but the emergence of new variants and the still unsatisfactory vaccination rate did not allow an effective recovery of the economy. Compounding the scenario, we have faced the increase of inflation and interest rates, affecting the costs of inputs, raw materials and financing.

All this context brought several challenges throughout the year. Each segment had a specific response to the scenario in which it operated. The mining business ("Heavy Haul") grew until the third quarter, compared to the previous year, benefiting from the still heated market demand, the price of iron ore – which reached successive historical all-time peaks –, and a favorable export exchange rate.

Even with the uncertainties of the global scenario, 2022 is expected to be a very consistent year for Heavy Haul customers, and the volume to be transported is expected to grow in the coming years. In order to provide even more competitiveness to the customers' value chain, MRS has been ensuring operating sustainability, including in restricted-traffic areas, with new solutions that ensure an increase in transport capacity and excellence. We are also seeking and implementing strategies to ensure operations with optimized costs and high safety levels.

In the General and Agricultural cargo segments, MRS has been increasingly solidifying its operations. We have started transporting pulp, with loading at the new Pederneiras terminal. On the other hand, the water crisis has momentarily reduced the transport of other agricultural commodities. Next year, the river transport is expected to resume the normal conditions; volumes in this segment are expected to resume, and pulp operations are expected to increase.

Expectations for 2022 include a more favorable world economic scenario, with more expressive growth compared to 2021. This context tends to increase the demand, and, consequently, favor growth in the General Cargo segments.

For the first half of next year, the execution of the contract for renewal of the MRS concession is expected, thus completing the entire process and ensuring the start of the planned investment projects, which will bring several benefits to society as a whole, the company, and the competitiveness of our country.

The investments related to the early extension of MRS concession are included in the IPP (Investment Partnership Program). This process for early extension of the Concession Agreement started in March 2015. The Company has been keeping an ongoing relationship with the technical areas of the Ministry of Infrastructure to understand the Government's strategy regarding the definition of investments arising from public policy.

Regulatory Goals

The production and accident prevention targets defined and verified by the National Road Transport Agency (ANTT) for the year 2021 are being consolidated by the Institution.

In 2019 and 2020, the accident target was met. This result reflects primarily the investments made in operating safety and the ongoing prevention and population awareness campaigns developed by the Company to reduce the number and severity of railway accidents.

The production targets per stretch agreed in the years 2018, 2019, and 2020 were fully met.

Finally, MRS reports that it has agreed with ANTT the production and safety goals for the 2018-2022 period. Due to the extraordinary events that took place in Brumadinho-MG, in January 2019, which impacted the railway transport of iron ore in the "Iron Quadrangle" region of Minas Gerais state, the production targets for years 2019 and 2020 were adjusted (Decisions No. 728, of June 25, 2019, and No. 974, of November 5, 2019), pursuant to the terms of the Concession Agreement entered into with the Federal Government, and to ANTT Resolution No. 5,831/2018.

ESG Agenda

Organizational Climate

In 2021, MRS achieved 86.38% of favorable responses among employees, according to the climate survey, which was supported by 91% of respondents. The result remained high, even in the face of the worsening Covid-19 scenario during the year.

The Contemporary Scenario factor yielded the best result in the survey, with a 91.87-percent satisfaction rate. The issues addressed in this topic refer to the actions taken by the Company in the pandemic context and ESG-related issues, with focus on two questions that are among the Company's top-5 results.

Diversity

The actions focused on the Diversity topic have advanced at MRS Logística. In November/2021, the Company launched its Organizational Guideline on Diversity and Non-Discrimination, aimed at introducing the guidelines that underpin its Diversity Program, general principles, and institutional commitments.

Diversity is being addressed at strategic level in the Human Resources and Management Board and through a multidisciplinary Diversity Committee with plural representatives.

The Company closed the year 2021 with 6,148 employees, 84% connected to the railway operation. Of the total workforce – which includes, in addition to employees, interns and apprentices – the average age was 37 years, highlighting the growth in female share, which accounted for 12.9%. Further, as a result of the Company's efforts to foster a diverse and inclusive environment, 5.09% of the workforce were people with disabilities, which represents a 4.45-percent increase in this group compared to 2020, when MRS already exceeded the quota provided for in law.

Intellectual capital

MRS continues to invest in the training, qualification, improvement, specialization of its employees. In 2021, operating and personnel safety training courses were provided by MRS Academy, in addition to courses for qualification and improvement of the activities carried out by the most diverse positions. These training courses were made available to most employees, with an average workload of 42.5 class hours for each student/employee.

MRS employees also have the Education Incentive Program at their disposal, where MRS pays a part of the monthly fees for training and improvement courses, such as undergraduate, graduate, technical education, and language courses. In 2021, 428 employees graduated or continued their studies through this program.

Reaffirming its commitment to the professional development of its employees, MRS started, in 2021, the Leadership Training Program for 86 employees, in a partnership with the FIA Business School, enabling employees to make decisions in an agile way and in line with the Company's business strategies. MRS Academy, in a partnership with SETA, trained 15 specialists in the Strategy Module on the creativity, collaboration, critical thinking, and complex problem solving topics, in addition to starting the Specialist Training Program for 20 employees with 17 different topics, including: Agile Methods, Lean Six Sigma, Communication, Corporate Finance, and Emotional Intelligence.

In addition, the MRS Academy provided training courses on Railway Operation to 346 students, together with the SENAI Industrial Teaching and Learning System in the states of MG/RJ/SP (through FIEMG/FIRJAN/FIESP).

Health

MRS is constantly concerned with our human potential, and continuously supports it in the pursuit of comprehensive health, with actions to promote health, physical, mental and emotional well-being, and prevent illness, reaching the employees' dependent family members. And the Covid-19 pandemic reinforced this care. With this in mind, MRS developed several actions , during 2021, including:

Quality of Life Campaigns: 122 actions were carried out by the work occupational medicine and nursing teams at each of the seven MRS Health Care Centers, located in MG, RJ and SP, sometimes augmented with the involvement of specialists in the topic addressed. The actions taken by the Company include: "Healthy eating habits"; "Heart disease"; "Fights against the elevated cholesterol"; "Diabetes mellitus"; "Prevention of Sexually Transmitted Diseases"; "Pink October"; "Blue November"; "Kidney Nutrition"; "Voice Care"; "Women's Health"; "Labor Gymnastics"; "First-Aid Notions"; "Mental Health"; "General Hygiene Guidelines"; "Physical Activity"; "Hearing Care"; "Tetanus Vaccination"; "Blood Donation".

Covid-19: The Company carried out initiatives against Covid-19, with 24/7 medical on-call service and nursing assistance. MRS provided guidance on the importance of vaccination, and ended the year with 99.39% of its employees immunized with the first dose, and 92.68% already immunized with both doses or a single dose.

Flu Vaccination Campaign: 6,283 people were immunized with the the quadrivalent flu vaccine (up-to-date, more powerful vaccine), including employees and legal dependents.

Prevention and Guidance Programs: MRS clinical staff continued to provide assistance for the prevention of cardiovascular disease and related consequences, as well as the prevention of the Alcohol and Drug Abuse (PPAD), in order to ensure the work environment. The Company has the Hearing Conservation Program (PCA) in place, whose objective is to permanently monitor employees exposed to noise by means of a cross-functional team (doctors and speech therapists) who work on a preventive basis. The "Baby on Board" Project promoted the exchange of experiences between pregnant couples at MRS, their families, and supporters, through specialized guidance on pregnancy, childbirth, breastfeeding, infant first aid, among others.

Occupational examinations: 100% of MRS employees are submitted to a periodic occupational health examination every year, regardless of the occupational risk or age. A total of 2,007 examinations were carried out at remote points, through mobile in-company service. The remaining was provided in company. In addition to these examinations, another 2,194 occupational examinations were carried out, including at hiring, return to work, role change, and termination.

In addition to all actions mentioned above, MRS employees were involved in 2021, on a remote basis, in an important initiative to encourage a mindset change focused on quality of life and well-being, especially with regard to adaptation to the "New Normality" and the work-from-home model. Also, the Mental Health topic was given priority by MRS. The Company promoted a number of actions, including lectures, providing content and Company Health Weeks, as well as emotional care services for employees and their dependents for quick emotional support when necessary, aiming at fullness of health as a whole to improve the quality of life and well-being.

MRS also provides benefits that encourage prevention and health treatments, such as: medical and dental insurance, offered to employees and legal dependents, and agreements for discounts on medicines and products at pharmacies.

Workplace safety

When it comes to safety, MRS goes all out. During 2021, R$ 7.4 million were invested in projects and works for improvement and comfort at the facilities. Also, important actions were carried out this year, including Safety Workshops, SIPATMA (Internal Week for Prevention of Occupational Accidents and the Environment), in addition to campaigns, production of podcasts, and lectures. MRS highlights the implementation of the "Escolinha de Via Permanente" (Permanent Track School), a space dedicated to the training of maintenance staff, especially on vacation returns; to promote improvements in the Track Tour Officer[2] work; and to hold workshops with safety technicians from the Company's partners who are allocated along its railway network.

The result of these actions and MRS continuous are reflected in the low rate of accidents with and without lost time. In 2021, the Company reached the 0.63 rate, the second best historical result, only behind the year 2020, when the rate was 0.51. The Company emphasizes that, in the past 11 years, the reduction was 92%.

Operating Safety

MRS has rail safety rates at the same level as the major American Class #1 railroads[3], which confirms our operating reliability and commitment to ensuring the integrity of our customers' transported cargo. This pattern is reflected in the 37-percent reduction, in the past 11 years, in the rate of occurrences per billion TKB (gross ton x km), a rate that shows accidents with direct involvement of MRS and accidents caused by neighboring communities and other railroads/concessionaires.

[2] An employee dedicated to visual inspection of the railway network

[3] CSX Transportation, BNSF Railway, and Norfolk Southern Railway.

Despite this good performance over the years, the year 2021 ended with a 1.76 rate, a result above the year 2020, which was 1.64.

The biggest challenge for MRS refers to accidents caused by the community. Aiming at preserving the railway domain strip, the Company invested R$ 8 million in 2021, and carries out permanent awareness programs with the communities in a pedagogical way, in addition to task forces with ostensible surveillance.

Additionally, MRS has processes and activities in place aimed at preventing accidents. The Company has in place behavioral audits ("Task Observation") methods, inspection of the physical and permanent track conditions at the terminals owned by our customers and partners ("Terminal Safety Program"), particular attention focused on the reliability of the maneuvering yards ("Network Safety Program"), and predictive indicators related to risks to the maintenance of our assets and the railroad operation ("Risk Semaphore").

[2] An employee dedicated to visual inspection of the railway network

[3] CSX Transportation, BNSF Railway and Norfolk Southern Railway.

Environment

Respect for the environment is one of the pillars that moves MRS towards the evolution of a sustainability culture within the Company. For this purpose, an Environmental Management System ("EMS") is in place, aimed at allowing the adoption of best practices for management of environmental programs carried out by MRS, control of environmental risks, and optimization of operating costs. Acting in a preventive manner, the EMS is intended to report the environmental performance of processes, eliminate and minimize potential environmental impacts, reduce events, prepare employees adequately to respond to emergencies, and increase the assertiveness in carrying out the environmental strategy and commitments undertaken with the competent bodies.

In 2021, the Company carried out its activities ensuring full compliance with the applicable standards and other requirements for environmental preservation, fully complying with all environmental programs related to the requirements of the Operation Permit for the railway network and workshops.

Throughout the year, among the programs offered, the Company highlights the Solid Waste Management Program, Liquid Effluents Management Program, Erosive Processes Management Program, Greenhouse Gas Emissions and Climate Management Program, Environmental Education Program (EEP), and Environmental Licensing Program.

MRS acted on several fronts of the environmental licensing processes and their compliance with requirements. These include the renewal, with IBAMA (Brazilian Environmental Agency), of the environmental licenses for Horto Florestal workshop complexes in Belo Horizonte, Jeceaba, and

Conselheiro Lafaiete, consolidating the licensing with the railway network until 2027. In addition, a new environmental operating license was obtained for the pulp terminal in Pederneiras, which will be operated by a partner company. As a result, the Company is able to transport more cargo in its portfolio and strictly comply with its operating licenses, requirements thereof, and the environmental quality required for the business.

MRS has also launched the Greenhouse Gas Emissions Management Program as a strategic tool. In 2021, the Company prepared its first greenhouse gas emissions inventory related to the years 2019 and 2020, covering the scopes No. 1 and No. 2. Seeking even more transparency with the market, MRS answered the CDP climate change questionnaire, and participated as a signatory of the São Paulo Agreement, an organization oriented to define strategies for the business sector in favor of the climate.

Institutional Relations

Relationship with the Government and the Community

In 2021, MRS sustained its relationship actions with the communities surrounding the railway, through partnerships established with leaders and Municipal Governments, respecting the social distancing recommendations – extremely necessary due to the persistent pandemic scenario.

This way, the processes intended to deal with potential impacts of the railway on the communities and developed partnerships were carried out on a remote basis by the regional teams, which act in a systemic way under a process known as "Dialog Methodology". This process – which relies on formal and informal structures at various management levels – aims at promoting solutions for the most diverse demands of the community and the Government, and ensuring tools to strengthen the relationship. In this context, in addition to meeting the demands, partnerships were established that resulted in 28 initiatives, such as construction and revitalization of leisure areas; urban mobility actions; lighting of public areas around the railway, construction and implementation of waste segregation and treatment centers, in addition to the installation of dozens of waste collectors, in municipalities in the states of Minas Gerais, São Paulo, and Rio de Janeiro. For these actions and donations, MRS made available, in 2021, R$ 2.8 million of own resources.

As an example of an initiative to facilitate the relationship, MRS annually holds the event "Espaço Aberto: MRS e Comunidade" ("Open Space: MRS and Community") event, which introduces to the key regional leaders the most important actions and investments made in order to reduce the operation impacts and improve the coexistence with the railroad. In 2021, considering the restrictions posed by the pandemic, all events were canceled because it was a meeting oriented to encouraging interpersonal relationships and face-to-face contact. However, the key community leaders and Government representatives kept their direct access (by phone, email and messaging applications) to the Institutional Relations teams; so, the teams remained accessible as usual in the event of demands, complaints or other needs.

The meetings with internal managers to address demands and occasional meetings intended to strengthen the relationship, stimulating dialog, and seeking shared solutions – either in person (observing the safety recommendations), or virtually – were not called off. In 2021, ninety-four meetings were held with community leaders, Government representatives, and representatives from the City Councils of municipalities in Minas Gerais, São Paulo, and Rio de Janeiro.

Accident Prevention Actions

In 2021, accident-prevention actions directly related to communities, in face-to-face activities, were deeply compromised by the pandemic scenario and the need to take social distancing measures. The primary strategy used by MRS during this period was to carry out digital campaigns and newsletters through social media and messaging applications. The actions carried out with a focus on communities with the highest accident rates added up to the participation of 9,900 people, including adults, children, and adolescents, covering seven municipalities.

Social, Cultural and Sports Projects

Through the Childhood and Adolescence Fund (FIA), MRS supported 16 Municipal Councils for the Rights of Children and Adolescents, benefiting numerous projects, in addition to nine Municipal Councils for the Rights of the Elderly. The Company also sponsored 12 cultural projects through the Federal Culture Incentive Law, and 3 sports projects through the Sports Incentive Law. In 2021, MRS continued to use the funds obtained under the laws instituting the PRONON (National Program for Support to Oncology Care) and PRONAS (National Program for Support to the Healthcare for People with Disabilities), which were directed to three projects. Sociocultural and sports investments totaled R$ 11.7 million in 2021. Also, as a way of reiterating our commitment to the Railway History, MRS joined the largest program for preservation of memory and historical heritage ever carried out in Brazil, "Resgatando a História" (Rescuing History), in partnership with BNDES and other companies from the private sector, whose total contribution forecast amounts to R$ 200 million for the next 3 years.

Partnerships and Donations

In addition to all the initiatives already mentioned, which constitute a structured program focused on actions related to the railway activity, MRS promotes numerous small donations on an assistance basis every year, which contribute to a better relationship with the communities. In 2021, the demand for donations for Children's Day and Christmas community events was intense, and resulted in the delivery of 17,000+ items, including chocolate boxes, toys, milk cartons, and school supply kits, distributed to 24 interface municipalities.

Population Displacement

Over the years, MRS has shown ongoing attention to the well-being of communities, especially those close to its domain strip. Outstanding initiatives of the Company in 2021, with own resources, included actions targeted to best practices related to the displacement of vulnerable populations. This way, MRS has played a leading role in cases of displacement of families settled in the municipalities of Ibirité (MG), Suzano (SP), Mangaratiba (RJ), Três Rios (RJ), and Guarujá (SP), with the goal of ensuring the safety of populations and of the railway operation. In line with this policy, the Land Management Management was also established in 2021, designed to set up procedures, negotiation flows, and solutions for community displacement issues, among other activities.

Covid-19

In line with its Community Relationship Policy, and considering that the social role of companies should go beyond creating of jobs and paying taxes, MRS promoted a solidarity action in support of people in vulnerable situations, through a joint initiative with municipal bodies and charitable institutions, aimed at donating food items and rapid tests to detect infection by the SARS-CoV-2 virus. The actions resulted in the delivery of 7,569 food baskets to 35 interface municipalities in the states of RJ, MG and SP. The donations, planned together with the Social Assistance Departments and partner institutions, amounted to 80 tons of food and approximately 150 thousand items, distributed according to the criteria adopted by the partners. With regard to rapid tests for detection of infection by the SARS-CoV-2 virus, 2,000+ thousand tests were donated in 2021, covering seven municipalities.

Detailed information will be available in MRS Sustainability Report: https://www.mrs.com.br/sustentabilidade/relatorio-de-sustentabilidade-mrs/

Independent Auditors

In fiscal year 2021, KPMG Auditores Independentes provided audit services for the annual financial statements and reviews of the quarterly information.

In compliance with CVM Instruction 381/2003, which addresses the provision of other services by independent auditors, the Company reports that no other services are provided by this audit firm in addition to those mentioned above

KPMG Auditores Independentes Ltda.
Rua do Passeio, 38 - Setor 2 - 17º andar - Centro
20021-290 - Rio de Janeiro/RJ - Brasil
Caixa Postal 2888 - CEP 20001-970 - Rio de Janeiro/RJ - Brasil
Telefone +55 (21) 2207-9400
kpmg.com.br

Independent auditor's report on the financial statements

(A free translation of the original report in Portuguese as issued in Brazil containing financial statements prepared in accordance with International Financial Reporting Standard)

To the Board of Directors and Stockholders of
MRS Logística S.A.
Rio de Janeiro - RJ

Opinion

We have examined the financial statements of MRS Logística S.A. (the "Company"), which comprise the statement of financial position as at December 31, 2021, the related statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of MRS Logística S.A. as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with the generally accepted accounting standards adopted in Brazil and with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the relevant ethical principles provided for in the Code of Ethics for Professional Accountants and the professional standards issued by the Federal Accounting Council, and we have fulfilled our other ethical responsibilities under these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key auditing matters

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

Recognition of Revenue – Take-or-Pay Contract	
See Notes 4.17, 9, 10, and 33 to the financial statements	
Key auditing matters	Key auditing matters
MRS' services net revenue is measured primarily based on a tariff structure of long-term contracts that contain variable components calculated on the main items that make up the cost and conditions for compliance with the annual volume of cargo transported with its main customers ("take-or-pay" clauses). Due to the significance of this revenue to the financial statements as a whole and the complexity in variable measurements, we considered this matter to be significant to our audit.	MRS' services net revenue is measured primarily based on a tariff structure of long-term contracts that contain variable components calculated on the main items that make up the cost and conditions for compliance with the annual volume of cargo transported with its main customers ("take-or-pay" clauses). Due to the significance of this revenue to the financial statements as a whole and the complexity in variable measurements, we considered this matter to be significant to our audit.

Property, Plant and Equipment	
See Notes 4.8 and 16 to the financial statements	
Key auditing matters	Key auditing matters
The Company's business requires significant investments in cargo carrying capacity expansion/optimization projects. Due to the judgment exercised by the Company in assessing: (i) whether it is likely that a cargo carrying capacity expansion/optimization project will provide future economic benefits to the Company, and (ii) when the cargo carrying capacity expansion/optimization project will be available for use (classification of property, plant and equipment in progress for final asset accounts), we consider this matter to be significant to our audit.	The Company's business requires significant investments in cargo carrying capacity expansion/optimization projects. Due to the judgment exercised by the Company in assessing: (i) whether it is likely that a cargo carrying capacity expansion/optimization project will provide future economic benefits to the Company, and (ii) when the cargo carrying capacity expansion/optimization project will be available for use (classification of property, plant and equipment in progress for final asset accounts), we consider this matter to be significant to our audit.

Other information

Statement of added value

The statement of value added (DVA) for the year ended on December 31, 2021, prepared under the responsibility of the Company's management, and presented as supplementary information for IFRS purposes, has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluate whether this statement is reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria as defined in Technical Pronouncement CPC 09 - Statement of Added Value. In our opinion, this statement of added value was properly prepared, in all material respects, in accordance with the criteria defined in this Technical Pronouncement, and is consistent with the financial statements taken as a whole.

Other information accompanying the financial statements and the auditors' report

Management is responsible for the other information, which comprises the Management Report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibility of management for the financial statements

Management is responsible for preparing and far presentation of the financial statements in accordance with accounting practices adopted in Brazil and with the international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using he going concern basis of accounting basis unless management either intends to liquidate the Company or cease its operations, or has realistic but to do so.

Those in charge of governance are responsible for overseeing the financial statement preparation process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Brazilian and International Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis on these financial statements.

As part of an audit in accordance with Brazilian and International Auditing Standards, we exercised professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, design and performed audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, or intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of the internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether there is material uncertainty exists related to events or conditions that may cast significant doubts on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we must draw attention in our auditors' report to the related disclosures in the financial statements or include a change in our opinion if the disclosures are inadequate. Our conclusions are based on audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those responsible for governance, we determined those that were considered as the most significant in the audit of the current year's financial statements and that, as such, constitute the key auditing matters. We described these matters in our auditors' report, unless the public disclosure of the matter is prohibited by law or regulation, or when, in extremely rare circumstances, we determined that the matter should not be disclosed in our report because the adverse consequences of such disclosure could, within a reasonable perspective, outweigh the benefits of the public disclosure.

Rio de Janeiro, March 23, 2022

KPMG Auditores Independentes Ltda.
CRC SP-014428/O-6 F-RJ
(Original report in Portuguese signed by)
Marcelo Luiz Ferreira
Accountant CRC RJ-087095/O-7

MRS Logística S.A.

Balance sheet
on December 31
In thousands of reais

ASSETS	Accompanying note	2021	2020
CURRENT			
Cash and cash equivalents	7	1,836,612	1,206,484
Restricted cash	9	422,931	382,503
Other receivables	10	16,249	8,740
Inventories	11	202,840	132,353
Taxes recoverable	12	109,509	63,638
Prepaide expenses	14	32,672	16,767
Derivative financial instruments	24	14,561	27,240
Other current assets	15	44,012	27,312
Total current assets		2,679,386	1,865,037
NON-CURRENT			
Trade accounts receivable	9	247,466	284,742
Other receivables	10	23,046	30,342
Taxes recoverable	12	550,287	108,641
Deferred taxes	13	65,124	60,788
Prepaid expenses	14	1,923	1,294
Derivative financial instruments	24	131,519	116,441
Other non-current assets	15	121,847	124,644
Fixed assets in operation	16.1	6,543,555	5,766,256
Fixed assets in progress	16.1	974,801	801,335
Leasing Right of Use	16.2	1,995,247	1,906,497
Intangible assets	17	100,535	63,696
Total non-current assets		10,755,350	9,264,676
TOTAL ASSETS		13,434,736	11,129,713

MRS Logística S.A.

Balance sheet
on December 31
In thousands of reais

LIABILITIES AND EQUITY	Accompanying note	2021	2020
CURRENT			
Suppliers	18	487,525	331,614
Labor and social security obligations	19	208,414	164,079
Income tax and social contribution	20	188,469	207,265
Other tax liabilities	21	50,694	50,355
Loans and funding	22	770,112	831,632
Financial leasing	23	383,324	317,913
Derivative financial instruments	24	85,324	10,570
Payable dividends	25	166,347	102,371
Concession payable	26	5,614	4,706
Customer advances		5,795	1,902
Reserves	27	21,043	53,762
Other covenants	28	25,437	55,267
Total current liabilities		2,398,098	2,131,436
NON-CURRENT			
Suppliers	18	39,449	39,392
Loans and funding	22	3,551,286	2,156,376
Financial leasing	23	1,718,367	1,675,075
Concession payable	26	2,758	2,737
Customer advances		19	19
Reserves	27	741,117	662,481
Other covenants	28	136,175	149,378
Total non-current liabilities		6,189,171	4,685,458
TOTAL LIABILITIES		8,587,269	6,816,894
EQUITY			
Share capital	29a	2,151,539	2,047,268
Reserve for capital increase	29a	1,809,492	104,271
Revenue reserves		875,480	2,151,539
Statutory reserve	29c	377,026	342,047
Investment reserves	29d	498,454	1,809,492
Equity adjustments	29f	10,956	9,741
Total equity		4,847,467	4,312,819
TOTAL LIABILITIES AND EQUITY		13,434,736	11,129,713

The Accompanying notes are integral part of the financial statements.

Income statement for the years ended December 31
In thousands of reais

	Accompanying note	2021	2020
SERVICES NET REVENUE	31	4,427,385	3,604,965
Custo dos serviços prestados	32	(2,911,307)	(2,517,730)
GROSS PROFIT		1,516,078	1,087,235
OPERATIONAL REVENUES (EXPENSES)			
Salas expenses	32	(16,061)	(13,440)
General and administrative expenses	32	(298,306)	(247,197)
Other operational revenues	33	500,326	389,820
Other operational expenses	33	(292,888)	(253,438)
OPERATIONAL PROFIT		1,409,149	962,980
FINANCIAL RESULT			
Financial Income	34	389,420	498,924
Financial Expenses	34	(752,668)	(815,338)
		(363,248)	(316,414)
PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		1,045,901	646,566
INCOME TAX AND SOCIAL CONTRIBUTION			
Current	35	(357,400)	(340,349)
Deferred	35	11,083	124,065
NET PROFIT FOR THE YEAR		699,584	430,282
AMOUNT OF SHARES AT THE END OF THE YEAR - THOUSANDS	29a	340,000	340,000
PROFIT FOR A THOUSAND SHARES AT THE END OF THE YEAR - R$		2,057.60	1,265.54
BASIC EARNINGS PER COMMON SHARE	30	1.970	1.211
PREFERENTIAL	30	2.167	1.333
DILUTED EARNINGS PER COMMON SHARE	30	2.167	1.333
PREFERENTIAL	30	2.167	1.333
NET PROFIT FOR THE YEAR		699,584	430,282
Items that shall not be classified against statement of income			
Post-employment benefits	29f	877	1,413
Income tax and social contribution on other comprehensive income	29f	338	337
COMPREHENSIVE RESULTS FOR THE YEAR		700,799	432,032

The accompanying notes are integral part of the financial statements

MRS Logística S.A.

Statement of changes in shareholders' equity

In thousands of reais

	Explanatory note	Share capital	Share capital increase	Equity adjustments	Revenue reserves: Legal	Revenue reserves: Retention for investments	Revenue reserves: Proposed dividends	Revenue reserves: Total	Accrued profits	Total
ON JANUARY 1, 2020		1,917,306	129,962	7,991	coisa	1,726,735	-	2,047,268	-	4,102,527
Comprehensive results for the year										
Net income for the year	30							-	430,282	430,282
Covenants measurements of post-employment benefits				1,750				-	-	1,750
Total Comprehensive results for the year		-	-	1,750	-	-	-	-	430,282	432,032
Stockholder contributions and disributions to stockholder										
Capital increase - RCA 25/03/2020		129,962	(129,962)					-		-
Additional proposed dividends						(119,548)		(119,548)		(119,548)
Destination of net income for the year								-		-
Board of directors' proposal for reserve allocation for capital increase								-		-
Dividends and interest on net equity								-		-
Minimum mandatory dividends	25							-	(102,192)	(102,192)
Transfer among reservations								-		-
. Statytory reserve					21,514			21,514	(21,514)	-
. Retention for investments			104,271			202,305		306,576	(306,576)	-
Total of stockholder contributions and distributions to stockholder		129,962	(25,691)	-	21,514	82,757	-	208,542	(430,282)	(221,740)
BALANCES ON DECEMBER 31, 2020		2,047,268	104,271	9,741	342,047	1,809,492	-	2,255,810	-	4,312,819

	Explanatory note	Share capital	Share capital increase	Equity adjustments	Revenue reserves: Legal	Revenue reserves: Retention for investments	Revenue reserves: Proposed dividends	Revenue reserves: Total	Accrued profits	Total
BALANCES ON JANUARY 1, 2021		2,047,268	104,271	9,741	342,047	1,809,492	-	2,151,539	-	4,312,819
Comprehensive results for the year										
Net income for the year	30							-	699,584	699,584
Covenants measurements of post-employment benefits	29f			1,215				-	-	1,215
Total comprehensive results for the year		-	-	1,215	-	-	-	-	699,584	700,799
Stockholder contributions and distributions to stockholder										
Capital increase - RCA 24/03/2021		104,271	(104,271)					-		-
Additional dividends								-		-
Destination of net income for the year								-		-
Board of directors' proposal for reserve allocation for capital increase	29a		1,809,492			(1,809,492)		(1,809,492)		-
Dividends and interest on net equity								-		-
Minimum mandatory dividends	25						166,151	-	(166,151)	(166,151)
Transfer among reservations								-		-
. Statutory reserve	29c				34,979			34,979	(34,979)	-
. Retention for investments	29d					498,454		498,454	(498,454)	-
Total of stockholder contributions and distributions to stockholder		104,271	1,705,221	-	34,979	(1,311,038)	166,151	(1,276,059)	(699,584)	(166,151)
BALANCES ON DECEMBER 31, 2021		2,151,539	1,809,492	10,956	377,026	498,454	166,151	875,480	-	4,847,467

The accompanying notes are integral part of the accounting statements.

MRS Logística S.A.

Cash flow statement
Years ended December 31
In thousands of reais

	Accompanying note	2021	2020
CASH FLOW OF OPERATING ACTIVITIES			
Net profit before income tax and social contribution	35	1,045,901	646,566
Fixed asset sale results		(1,595)	-
Depreciation and amortizations	32	1,056,749	1,049,931
Monetary/Exchange rate variation and assets and liabilities financial charges		603,043	363,655
Deferred taxes	13	7,084	-
Residual value of write-off fixed assets		40,550	41,378
Reverses	33	(28,614)	47,618
Prepaid expenses armotization	14	22,982	19,479
Provision/(reversal) for asset losses	33	75,270	(742)
Provision/(reversal) for estimated losses in doubtful debt	29	1,460	282
Provision for Tax credits	12	(337,972)	-
Others		398	424
		2,485,256	2,168,591
(Increase) reduction in business assets:			
Trade accounts receivable	9 e 10	(8,287)	460,030
Stock	11	(73,183)	(18,081)
Recoverable taxes	12	(149,545)	28,527
Prepaid expenses	14	(39,516)	(14,643)
Other assets		(5,419)	(1,567)
Restricted cash		-	2,055
(Increase) reduction in business liabilities:			
Concession payable	26	929	969
Suppliers		36,505	(34,244)
Tax obligations	20 e 21	(3,931)	(109,240)
Labor and social security obligations	19	44,335	(14,130)
(Provision)/Reversals		877	1,413
Customer advances		3,893	1,519
Other covenants		(43,033)	106,898
Cash from operations		2,248,881	2,578,097
Payment of taxes on profit		(371,926)	(288,894)
Payment of interests on loans and financings	36.3	(60,234)	(52,993)
Payment of Interest on Debentures	36.3	(86,038)	(82,056)
Payment of interests on righ-of-use	36.3	(159,820)	(152,017)
Net cash from operational activities		1,570,863	2,002,137

MRS Logística S.A.

Cash flow statement
Years ended December 31
In thousands of reais

	Accompanying note	2021	2020
CASH FLOW OF INVESTMENT ACTIVITIES			
Additions to fixed assets	**16.1**	(1,472,711)	(795,347)
Additions of intangible	**17**	(45,315)	(27,124)
Resources from disposition of fixes assets	**33**	2,588	-
Net cash in application activities		(1,515,438)	(822,471)
CASH FLOW OF FINANCING ACTIVITIES			
Collection of loans and financings	**36.3**	561,930	511,692
Payment of loans and financing/derivative financial instruments	**36.3**	(619,871)	(606,290)
Resources from the issue of debentures	**36.3**	1,500,000	-
Payment of Debentures	**36.3**	(429,373)	(60,680)
Lease payment	**23**	(335,853)	(247,123)
Dividends paid	**25**	(102,130)	(239,045)
Cash generated by financing activities		574,703	(641,446)
INCREASE (REDUCTION) OF CASH BALANCE AND EQUIVALENT		630,128	538,220
Cash and cash equivalents			
Initial balance		1,206,484	668,264
Closing balance		1,836,612	1,206,484

The accompanying notes are integral part of the accounting statements.

MRS Logística S.A.

Value-added statement
Years ended December 31
In thousands of reais

	Explanatory note	2021	2020
REVENUES			
Sales of freight services	31	4,788,858	3,890,220
Other revenue		500,326	389,820
Revenue from construction of own assets		93,198	27,011
Provision/(reversal) for doubtful accounts	32	(1,459)	(283)
		5,380,923	4,306,768
INPUTS ACQUIRED FROM THIRD PARTIES			
Cost of products, goods and services sold		(1,657,232)	(1,206,973)
Materials, energy, third-party services and others		(131,460)	(103,432)
Others		(200,687)	(176,384)
		(1,989,379)	(1,486,789)
GROSS ADDED VALUE		3,391,544	2,819,979
WITHHOLDINGS			
Depreciation, amortization, and depletion	32	(1,056,749)	(1,049,931)
NET ADDED VALUE PRODUCED BY THE COMPANY		2,334,795	1,770,048
ADDED VALUE (RECEIVED) IN TRANSFER			
Financial Income	34	389,420	498,924
TOTAL ADDED VALUE (RECEIVED) TO BE DISTRIBUTED		2,724,215	2,268,972
DISTRIBUTION OF ADDED VALUE (RECEIVED)			
Personnel and charges		602,317	520,470
Taxes, fees and contributions		654,827	490,512
Remuneration of third party capital		767,487	827,708
Remuneration of own capital		699,584	430,282
Proposed	25	166,151	102,192
Retained earnings	29c e 29d	533,433	328,090
		2,724,215	2,268,972

The accompanying notes are integral part of the accounting statements

1. Operational context

MRS Logística S.A. ("MRS" or the "Company") is a publicly traded corporation, with indefinite duration, established on August 30, 1996, with the purpose of exploring, by onerous concession, the public service of railway transport of cargo in the rights of way of the Southeast Network, located in the Rio de Janeiro, São Paulo and Minas Gerais axis, of the extinct Rede Ferroviária Federal S.A. - RFFSA, privatized on September 20, 1996.

The Company may also exploit the modal transport services related to rail transport and participate in projects aiming at expansion of the railroad services granted.

For the provision of rail transport services, the object of the concession obtained for a period of 30 years, as of December 1, 1996, extendable, in the case of manifest interest of both parties, up to the maximum limit of 30 years by exclusive decision of the Granting Authority, the Company leased from RFFSA, for the same period of the concession, the assets necessary for the operation and maintenance of railroad cargo transport activities.

In April 2017, MRS filed, with the Granting Authority, the Business Plan to start negotiations regarding the anticipated renewal of the concession, and, since then, negotiations have been conducted with the National Agency of Land Transport - ANTT. On June 6, 2019, substantiated by Deliberation 614, dated June 4, 2019, ANTT published Public Hearing Notice 007/2019, communicating the holding of said Hearing with the purpose of obtaining subsidies, with a view to improving the studies for extension of the contract term of the concessionaire MRS. On September 13, 2019, at 6:00 PM, the deadline for contributions to the Public Hearing, set by SEI Official Letter 7414/2019/SUFER/DIR-ANTT, issued on July 5, 2019, ended.

On October 21, 2021, the Business Plan and the Final Public Hearing Report were approved by the ANTT's Collegiate Board, which took into account adjustments to contemplate the contributions adopted by the Agency. Thus, on October 31, 2021, the process was forwarded to the Ministry of Infrastructure, which evaluated its conformity with the Public Policy guidelines, and then sent the proposal for technical analysis by the Federal Budget Oversight Board, so that it can proceed to conclusion of the vote of the Reporting Minister and subsequent deliberation in plenary, which will enable, when approved, the signing of the contractual amendment.

The concession agreement in effect establishes goals to be met by the Company, related to increasing production in cargo transportation and reducing the number of accidents on the railway lines.

If these goals are not achieved, after overcoming all the phases of administrative clarifications and defenses, the ANTT may apply penalties, which may even lead to forfeiture, in case of repeated failure to achieve the contractual goals. The concession can be extinguished in the following legal hypotheses: (i) expiration of the contract term; (ii) expropriation; (iii) forfeiture; (iv) termination; (v) cancellation of the bidding process; (vi) bankruptcy or extinction of the Company. In any event of concession termination, the Company will be indemnified by the Federal Government for the undepreciated balance of the investments made and declared reversible by the Granting Authority. On December 31, 2021, MRS was up to date with its contractual obligations and duly compliant with ANTT.

2. Preparation Basis

2.1 Information Presentation

a) Declaration of Conformity

The financial statements were drawn up and are being presented in accordance with the accounting practices adopted in Brazil, which comprise (i) the corporate legislation, (ii) the Pronouncements, Guidelines, and Interpretations issued by the Accounting Pronouncements Committee - CPC, (iii) the norms issued by the Securities Commission (CVM), and with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

The financial statements for the year ended on December 31, 2021 were finally approved by the Company's Board of Directors on March 23, 2022.

All relevant information proper to the financial statements, and only them, are being evidenced, and correspond to those used by the Management in its management.

Details about the Company's accounting policies are presented in explanatory note 4.

b) COVID-19 Pandemic

The Company's management continues to monitor the evolution of the COVID-19 pandemic scenario and assesses the possible impacts on the Company's future operating, economic and financial results.

In the years 2021 and 2020, the Company did not suffer significant interruptions or reductions in its operational activities due to the pandemic and does not currently foresee significant impacts on its operations that could reflect on its future economic and financial results.
As a public service concessionaire of railway cargo transportation, the Company has adopted all the necessary measures to ensure not only the safety of its employees, but also of their respective families and communities, and has also acted in such a way as to guarantee the continuity of its railway operations.

In line with the above information, the Company points out that it ended the year 2021 with 170.0 million tons transported, showing a 6.4% increase over the previous year and a 22.8% better net revenue compared to the year 2020.

Next we present some analyses and measures adopted by the Company aiming at its economic and financial balance in view of the results presented in the year 2021 and of facing possible impacts of the pandemic:

- **Importation of materials:** the volume of imported materials at MRS for asset maintenance is not relevant when compared to the Company's total inputs. In any case, impacts have been noticed due to the lack of both sea and air transportation, and more recently, due to recovery of the economy, lack of containers, which contributes to the low adherence in the delivery of some materials. The same policy of acting preventively by advancing part of the orders to ensure that the suppliers continue their operations and, consequently, do not impact the railroad transport was maintained.

- **National materials:** with the new wave of contamination by COVID, caused by the omicron subvariant, what we have observed is that the absenteeism of companies has greatly increased, reducing the production capacity of suppliers, with repercussions in the availability of raw materials in the market, and consequently in the deliveries of finished products, in addition to pressuring product prices. We are constantly monitoring suppliers, performing preventive due diligence, evaluation research, and market situation.
  In cases where we detect risks, actions are being taken in order to anticipate purchases, aiming at keeping the stocks replenished, as well as providing the purchasing area with better power to negotiate prices.

- **ECL (Expected Credit Loss) Accounts Receivable from Customers and Other Accounts Receivable:** in 2021, we observed an increase compared to 2020 in the estimated loss of other accounts receivable. This increase is due to the updating of the value of some customers who are undergoing legal proceedings. It is worth remembering that the measures adopted during the pandemic with regard to the temporary policy of increasing the term of receipt for customers most affected by the crisis, such as the steel industry and civil construction, have already been normalized, with no impact on current terms of receipt. By the end of 2020, such a measure had already been normalized to pre-pandemic periods, and from the 3rd quarter of 2020 payment terms also returned to normal.

2.2 Measurement basis

The statements were drawn up based on the historical cost and adjusted to reflect (i) the fair value of financial instruments measured at fair value through profit or loss, and (ii) impairment losses.

2.3 Functional currency and presentation currency

The financial statements are presented in Brazilian Reais, which is the Company's functional currency.

2.4 Information presentation by segments

Since the Company provides only railroad cargo transportation services, it is organized into a single business unit for accounting and management purposes. The Company's operations are controlled, managed and monitored by the management in an integrated manner.

3. Changes in the main accounting policies and disclosures

There were no new accounting standards in 2021 that materially affected the Company's financial statements.

4. Summary of the main accounting policies

The accounting policies that are significant and relevant to an understanding of the basis of recognition and measurement applied in the preparation of the financial statements are described in the following items and in accordance with accounting policies consistent with those used when preparing the accounting statements of December 31, 2020, published in the Official Press on March 25, 2021, unless stated otherwise.

4.1 Foreign currency

Foreign currency transactions are converted into the functional currency using the exchange rates in effect on the transaction dates or on the valuation dates when the items are remeasured.

Foreign exchange gains and losses resulting from the settlement of these transactions and from the conversion at year-end exchange rates of monetary assets and liabilities in foreign currencies are recognized in the profit and loss statement.

Foreign exchange gains and losses related to loans, cash and cash equivalents, as well as other foreign exchange gains and losses are presented in the profit and loss statement as financial income or expense.

4.2 Cash and cash equivalents

The Company considers cash and cash equivalents to be cash in hand, bank deposits, and financial investments with immediate convertibility, redeemable within up to 90 days, in a known amount of cash, and which are subject to an insignificant risk of change in value.

4.3 Financial instruments

i. Initial recognition and measurement

The amounts of accounts receivable from customers and of debt securities issued are initially recognized on the date they are originated. All other financial assets and liabilities are initially recognized when the Company becomes a party to the instrument's contractual provisions.

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

ii. Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured: at amortized cost; at fair value through other comprehensive income; or at fair value through profit or loss.

Financial assets are not reclassified subsequent to initial recognition unless the Company changes the business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period following the change in business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at fair value through profit or loss:

- it is held within a business model whose objective is to hold financial assets to receive contractual cash flows; and
- its contractual terms generate, on specific dates, cash flows that are related only to the payment of principal and interest on the outstanding principal amount.

A debt instrument is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as measured at fair value through profit or loss:

- it is held within a business model whose objective is achieved both by receiving contractual cash flows and by selling financial assets; and
- its contractual terms generate, on specific dates, cash flows that are only payment of principal and interest on the outstanding principal amount.

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

On initial recognition of an investment in an equity instrument that is not held for trading, the Company may irrevocably choose to report subsequent changes in the fair value of the investment in other comprehensive income. This choice is made investment by investment.

Financial assets: business model evaluation

The Company performs an assessment of the objective of the business model in which a financial asset is held taking into account the way in which the business is managed and information is provided to the management.

The objective of the Company's business model is to hold financial assets in order to receive the contractual cash flows.
The Company manages financial risks to limit the adverse impacts caused by financial instruments on its results and cash flow.

Financial assets: assessment of whether the contractual cash flows are only payments of principal and interest

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

The Company considers the contractual terms of the instrument to determine whether the contractual cash flows are only payments of principal and interest. This includes assessing whether the financial asset contains a contractual term that could change the timing or value of the contractual cash flow such that it would not meet this condition.

Financial assets: subsequent measurement and gain and loss

Financial assets at fair value through profit or loss	These assets are subsequently measured at fair value. The net result, including interest or dividend income, is recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. Amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

The Company has no financial assets measured at fair value through other comprehensive income.

Financial liabilities: classification, subsequent measurement and gains and losses

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

General and specific loan costs that are directly attributable to the acquisition, construction, or production of a qualifying asset are capitalized as part of the cost of the asset when it is likely that they will result in future economic benefits to the entity and such costs can be measured reliably. Other loan costs are recognized as a financial expense in the year in which they are incurred.

iii. Derecognition

Financial assets

The Company does not recognize a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the contractual rights to receive the contractual cash flows of a financial asset in a transaction in which substantially all the risks and benefits of ownership of the financial asset are transferred or in which the Company neither substantially transfers nor retains all the risks and benefits of ownership of the financial asset and also does not retain control over the financial asset.

Financial liabilities

The Company does not recognize a financial liability when its contractual obligation is withdrawn, canceled or expires. The Company also does not recognize a financial liability when the terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the extinguished carrying value and the consideration paid (including non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

iv. Compensation

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when there is a legal right to offset the recognized amounts and there is an intention to settle them on a net basis, or to realize the asset and settle the liability simultaneously.

v. Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its exposures to foreign currency and interest rate risks.

Derivatives are measured at fair value at initial and subsequent measurements. After initial recognition, their variations are recorded in the profit and loss.

The Company contracts certain instruments such as hedging instruments to manage exposures arising from specific risks that could affect the result, i.e. the variability of cash flows associated with transactions in the result.

When implementing the hedge accounting model, the Company documented the risk management objective and the strategy for acquiring the hedging instrument. The Company assesses and documents whether the hedging relationship meets the hedge effectiveness requirements on a monthly basis.

The Company designated certain swaps hedging a fixed interest dollar debt as a fair value hedging instrument. The gain or loss on the hedging instrument is recognized in the financial income, and at the same time the variation in fair value of the risk attributable to the hedged object is verified and recorded as a liability with a counter-entry in the financial income.

The financial liabilities designated as hedging instruments are presented in explanatory note 24.

4.4 Impairment of non-derivative financial assets

The Company recognizes provisions for expected credit losses on financial assets measured at amortized cost. The provision for expected credit losses is made for all trade receivables, according to the established methodology, even if there is no objective evidence of non-receipt.

The Company uses the simplified approach for trade receivables, a practical expedient of the provision matrix, to measure expected credit losses.

Trade receivables are grouped into six categories, according to the loss history and nature of the collection. The expected credit loss of each category is done as follows:

- Rent for individuals**:** all billed documents referring to the rental contracts for individuals are provisioned as loss, due to the high level of default.
- Lawsuit**:** all documents billed to customers who are being legally charged are provisioned as loss, due to the high level of uncertainty.
- Freight**:** the provision for expected credit losses for railway freight customers (except related parties) is calculated considering the percentage historical losses of the last two years, applied on the balance of accounts receivable of this grouping, on the analysis date.
- Other accounts receivable**:** the provision for credit loss on other accounts receivable that do not refer to railway freight is calculated by the percentage historical loss, based on the defaults of the last two years, on the balance of accounts receivable in this grouping, on the date of the analysis.
- Related parties: considering that we have long-term contracts, hedging mechanisms, and historically there have been no financial losses with the companies involved, we do not have provisions for losses set up for this group.
- Freight cost sharing: the freight cost sharing provision is determined by the percentage historical loss, based on the defaults of the last two years, on the balance of accounts receivable in this grouping, on the date of the analysis.

4.5 Accounts receivable from customers and related parties

Accounts receivable from customers and related parties correspond mainly to amounts receivable for the provision of cargo transportation services in the normal course of business. If the term of receipt is equivalent to one year or less, the receivables are classified as current assets. Otherwise, they are reported in non-current assets.

The long-term receivables were brought to present value on the transaction date based on the Company's estimated weighted average cost of capital rate. The adjustment to present value has as its counter-entry the unearned interest account, reducing the customer account, and its realization is recorded as financial income in accordance with the contractual term.

The discount rate used involves the analysis of the capital structure and the uncertainties of the macroeconomic context, and were estimated at 10.29% p.a. to 15.91% p.a.

4.6 Inventories

Inventories are stated at weighted average cost, which does not exceed net realizable values. Provisions for losses in low turnover or outdated inventories are set up when considered necessary by Management.

4.7 Intangible assets

Separately acquired intangible assets are measured at cost on initial recognition. After initial recognition, they are stated at cost, minus accumulated amortization and accumulated impairment losses. Expenses for the development of internally generated assets are also capitalized and their amounts will be part of the cost of the intangible asset.

Intangible assets with finite lives are amortized over their economic service lives and assessed for impairment loss whenever there is an indication that the economic value of the asset may be impaired. The amortization period and method for an intangible asset with a defined service life are reviewed at least at the end of each fiscal year. Changes in the estimated service lives or the expected consumption of future economic benefits of these assets are recorded through changes in the amortization period or method, as the case may be, and are treated as changes in accounting estimates. Amortization of intangible assets with finite service lives is recognized in the P&L account in the expense category consistent with the use of the intangible asset.

The amortization rate of the intangible assets, except the concession, was estimated at 20% per year. The portion related to the advance payment of the concession is appropriated to the cost of services provided on a straight-line basis for the duration of the concession agreement (360 months).

Gains and losses resulting from the write-off of an intangible asset are measured as the difference between the net value obtained from the sale and the carrying value of the asset, and are recognized in the P&L statement when the asset is written off.

4.8 Fixed Assets

The fixed assets are stated at cost, net of accumulated depreciation and/or any accumulated impairment losses, if applicable. This cost includes the cost of replacing part of the fixed assets and borrowing costs of long-term construction projects when the recognition criteria are met. When a renovation or improvement is made, its cost is recognized in the carrying value of the fixed asset if the recognition criteria are met. All other repair and maintenance costs are recognized in the profit and loss statement when incurred.

An fixed asset item is written off when it is sold or when no future economic benefit is expected from its use or sale. Any gain or loss resulting from write-off of the asset is included in the profit and loss statement for the year in which the asset is written off.

In thousands of reais, unless indicated otherwise

At the end of the concession, the assets owned by the concessionaire and those resulting from investments made by it in leased assets, necessary for continuity of the railway transport service and linked to the concession may, upon declaration of reversibility and due compensation for the investments made by the Granting Authority, become part of the Federal Government's assets, in accordance with the express provision in clause sixteen of the Concession Agreement.

Fixed asset items are depreciated from the date they are available for use, or in the case of internally constructed assets, from the day that construction is completed and the asset is available for use.

Depreciation is calculated using the straight-line method based on the estimated service life of the assets.

Land is not depreciated.

Service life review:
In compliance with CPC 27 - Fixed Assets and IAS 16, the Company annually reviews the economic service life of its main assets. In 2021, the review was performed and no need to change the service life of the Company's assets was identified.

The annual depreciation rates and service lives of the main groups of assets in effect in the year 2021 are:

Asset groups	%	Average service life (In years)
Real estate		
Improvements in permanent track		
Tracks	7.69	13
Sleepers	8.33	12
Improvements to leased real estate	4.00	25
Special structures (Tunnel, Viaduct and Bridge)	2.85	35
Locomotives		
Diesel locomotives	3.33	30
Electrical locomotives	4.17	24
Used locomotives	10.00	10
Useful improvements in locomotives	12.50	8
Average service life of main components	14.53	3 to 17
Railcars		
Railcars	3.33	30
Useful improvements in railcars	10.00	10
Average service life of main components	14.35	2 to 17
Others		
Grinder, control car, equipment and tools	10.00	10

Asset groups	%	Average service life (In years)
Data processing equipment	20.00	5
Furniture and utensils	10.00	10

The residual value, service life of assets, and depreciation methods are reviewed at the close of each fiscal year and adjusted prospectively, when applicable.

4.9 Impairment of non-financial assets

The administration annually reviews the carrying value of non-financial assets with the aim of assessing events or changes in economic, operational or technological circumstances that may indicate deterioration or loss of their recoverable value.

The future profitability methodology for the individual asset is used to evaluate the non-financial assets. When it is not possible to estimate the value for the individual asset, the recoverable value of the cash generating unit to which the asset belongs is determined. This is how the value in use of the Company's assets is determined. If the carrying value of the fixed assets does not support the value in use, a provision for devaluation is made by adjusting the net carrying value to the value in use.

4.10 Accounts payable to suppliers

These are obligations to pay for goods or services that were acquired in the normal course of business, and are classified as current liabilities if payment is due within one year. Otherwise, they are presented as non-current liabilities.

4.11 Provisions

The provisions for lawsuits (labor, civil, tax and environmental) and other provisions are recognized when: (i) the Company has a present or constructive obligation as a result of events that have already occurred; (ii) it is likely that an outflow of resources will be necessary to settle the obligation; and (iii) the amount can be estimated reliably. The provisions do not include future operating losses.

Where there are a number of similar obligations, the likelihood of settling them is determined by taking into account the class of obligations as a whole. A provision is recognized even if the likelihood of settlement related to any individual item included in the same class of liabilities is small.

Provisions are measured at the present value of the expenditures that should be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the obligation as a result of the passage of time is recognized as a financial expense.

4.12 Current and deferred income tax and social contribution on net profit

The income tax and social contribution expenses on net profit for the year comprise the current and deferred taxes, which are calculated based on the tax rates of 15%, plus an additional 10% on taxable profit in excess of R$240 for income tax and 9% on taxable profit for social contribution on net profit.

Income taxes are recognized in the income statement, except to the extent that they relate to items recognized directly in the shareholders' equity or other comprehensive income. In the latter case, the tax is also recognized in shareholders' equity.

The current tax is the estimated tax payable or receivable on the taxable profit or compensable loss for the year, plus any previous year adjustments, if any. The amount of current taxes payable or receivable is recognized in the balance sheet as a tax asset or liability for the best estimate of the expected amount of taxes to be paid or received that reflects the uncertainties related to their determination, if any. It is measured based on the tax rates, provided by law, on the balance sheet date.

The current income tax and social contribution on net profit are stated net, as liabilities when there are amounts payable or as assets when the amounts paid in advance exceed the total due on the balance sheet date.

Deferred tax assets and liabilities are calculated on the temporary differences existing between the carrying values of assets and liabilities for accounting statement purposes and used for taxation purposes. Changes in deferred tax assets and liabilities in the year are recognized as deferred income tax and social contribution expenses on net profit.

Deferred income tax and social contribution on net profit assets are recognized only to the extent that it is likely that future taxable profit will be available and against which the temporary differences can be utilized. Deferred tax assets are reviewed on each balance sheet date and are reduced to the extent that their realization is no longer likely.

Deferred tax assets and liabilities are shown net in the balance sheet when there is a legal right and intention to offset them against current taxes, generally related to the same legal entity and the same tax authority.

4.13 Employee benefits

Retirement and other post-employment benefits

The Company sponsors a defined contribution pension plan, which requires contributions to be made to funds managed separately from the Company's own funds. The Company has no additional payment obligation after the contribution is made. The contributions are recognized as employee benefits expense, when due. Contributions made in advance are recognized as an asset to the extent that a cash refund or reduction in future payments is available.

The Company also grants post-retirement health care benefits to its employees. Entitlement to these benefits is generally subject to the employee remaining in employment until retirement age and completing a minimum time of service. The expected costs of these benefits are accrued over the period of employment, using the same accounting methodology for defined benefit pension plans. Actuarial gains and losses arising from adjustments based on experience and changes in actuarial assumptions are debited or credited to shareholders' equity, in other components of comprehensive income. These obligations are valued annually by qualified independent actuaries using the projected unit credit method.

The costs of past services of the health care plan are recognized as an expense on a straight-line basis over the average period until the right to benefits is acquired. If the right to benefits has already been acquired, past service costs are recognized immediately after their introduction or after changes to the health plan.

Short-term benefit - variable remuneration

The Company recognizes a liability and an expense for profit sharing based on its own methodology approved by the Board of Directors. The Company recognizes a provision when it is contractually obligated or when there is a past practice that has generated a constructive obligation and can be estimated reliably.

4.14 Leases/Right of Use

The Company applied CPC 06(R2)/IFRS 16 using the modified retrospective approach.

Leases in which the Company is the lessee

The Company recognizes a right-of-use asset and a lease liability on the lease start date. The right-of-use asset is initially measured at cost, which comprises the initial measurement value of the lease liability, adjusted for any lease payments made up to the start date, plus any initial direct costs incurred by the lessee and an estimate of the costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the lease terms and conditions, minus any lease incentives received.

The right-of-use asset is subsequently depreciated on a straight-line basis from the start date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the lessee at the end of the lease term, or if the cost of the right-of-use asset reflects that the lessee will exercise the purchase option. In this case, the right-of-use asset will be depreciated over the service life of the underlying asset, which is determined on the same basis as fixed assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially recognized at the present value of lease payments that are not made on the start date, discounted at the interest rate implicit in the lease or, if this rate cannot be determined immediately, at the Company's constructed incremental borrowing rate.

The Company determines its incremental, nominal rate using the following criteria:

(i) Lease with the Granting Authority: 8.47% per year. It was obtained considering the representativeness and the weighted cost of the Company's debts;

(ii) Real estate rental contract: 7.89% per year. Rate quoted with financial institutions that have a relationship with the Company;

(iii) Contract for the rental of machinery, equipment, and others: 8.88% and 6.44% per year. BNDES [National Bank for Economic and Social Development] financing rate (specific line for this purpose that considers Long-Term Rate (TLP) plus spread of the bank).

Lease payments included in the measurement of lease liabilities comprise the following:
(i) fixed payments, including fixed payments in essence;
(ii) amounts expected to be paid according to the residual value guarantees e;
(iii) the purchase option exercise price if the Company is reasonably certain to exercise that option, and lease termination penalty payments if the lease term reflects the Company exercising the option to terminate the lease.

Lease liabilities are measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments resulting from a change in index or rate, if there is a change in the amounts expected to be paid under the residual value guarantee, if the Company changes its assessment whether it will exercise a purchase option, extension or termination, or if there is a revised lease payment fixed in essence.

When the lease liability is remeasured, an adjustment is made to the carrying value of the right-of-use asset or is recorded in the income statement if the carrying value of the right-of-use asset has been reduced to zero.

The Company presents assets and liabilities for its operating leases for real estate, machinery and equipment, vehicles, IT equipment and containers. In addition to these, the leasing contract of the assets necessary for operation and maintenance of the railway cargo transport activities, linked to the concession agreement, was registered.

Leases of low value assets

The Company applies exemption from recognition for leases that are short-term and for which the underlying assets are of low value. The payments associated with these leases continue to be recognized as an expense in the income statement.

Leases in which the Company is the lessor

In cases in which the Company acts as an intermediate lessor (subleases) of contracts in which it is the lessee, an assessment is made to classify the sublease based on the right-of-use asset resulting from the main lease and not based on the underlying asset.

The amount receivable related to these contracts is fully recorded as accounts receivable in current and non-current assets and amortized with the proper receipts.

The discount rate used for calculating the present value of the accounts receivable for sublease contracts is the same as for the main lease contract.

4.15 Concessions

The Company has an onerous public service concession resulting from the concession agreement. Although the Company operates under a concession regime, its activity does not meet the requirements of Technical Interpretation ICPC 01/IFRIC 12 - Concession Agreements, since the Granting Authority does not control to whom the services should be provided, nor the price to be charged. The commercial relationship between the Company and its customers prevails.

The concession obligations are registered linearly, on an accrual basis and in accordance with the contract terms (360 months) in current liabilities with a counter-entry in the costs of services provided. The amount recorded in non-current liabilities refers to the grace period that was appropriated in the result according to the accrual basis and is being settled in each of the installments paid quarterly.

The amounts paid in advance by the Company were recorded in intangible assets and are allocated on a straight-line basis in the result as cost of services provided over the contract term.

4.16 Capital stock

The subscribed and paid-in capital stock is divided into book-entry common and preferred shares, with no par value.

4.17 Revenue recognition

Revenue is recognized to the extent that it is likely that economic benefits will be generated for the Company and when it can be measured reliably. Revenue is measured based on the fair value of the consideration received, excluding discounts, reductions, and sales taxes or charges. The following specific criteria must also be met before revenue is recognized:

- **Transportation service provision**

The revenue from railway cargo transportation services, the Company's main revenue, is recognized when the transported cargo is delivered to the customers at the destination point of the transportation, according to the service agreement. The fair value of the service revenue is calculated reliably based on the rates previously agreed upon between the parties.

- **Financial income**

Finance income comprises interest income, monetary and exchange variations on financial assets and liabilities, and net gains on financial assets measured at fair value through profit or loss. Interest income is recognized using the straight-line method based on time and the effective interest rate on the amount of the principal.

- **Other operational revenues**

Other income is recognized to the extent that there is a contractual right, the performance obligation has been fulfilled, it is likely that future economic benefits will be generated for the Company and the amount of income can be measured reliably.

4.18 Distribution of dividends

The distribution of dividends to the Company's shareholders is recognized as a liability in the financial statements at the end of the year. Based on the Company's Bylaws, the distribution of dividends will not be less than 25% of the net profit for the year, adjusted in accordance with article 202 of the Brazilian Law of Corporations. Any amount above the mandatory minimum established in the Law of Corporations is only provisioned on the date on which it is approved by the shareholders at the General Meeting.

5. Critical accounting estimates and judgments

Management made judgments and estimates in preparing the financial statements that affect the application of the Company's accounting policies and the amounts of assets, liabilities, revenues and expenses. The actual results may differ from these estimates.

The estimates and assumptions are reviewed regularly. Reviews of estimates are recognized prospectively.

(a) Income tax, social contribution on net profit and other tax credit provisions

There are uncertainties regarding the interpretation of tax regulations and the amount and timing of future taxable income. Differences between actual results and the assumptions adopted, or future changes in these assumptions, could require future adjustments to the income earned and tax expense already recorded. The Company makes provisions, based on applicable estimates, for possible consequences of inspections by the tax authorities of the respective jurisdictions in which it operates. The amount of these provisions is based on various factors, such as experience from previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation can result in a wide variety of issues, depending on the conditions prevailing in the respective domicile of the Company.

(b) Post-employment Benefits

The costs of the post-employment health care benefit plan are determined using actuarial valuation methods. Actuarial valuation involves the use of assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates, turnover rates, and staying in the plan after withdrawal/retirement. The obligation of this benefit is sensitive to changes in these assumptions. All assumptions are reviewed on each base date.

(c) Fair value of derivatives and other financial instruments

The fair value of financial assets and liabilities is obtained through active markets. However, when this is not feasible, the fair value is determined using valuation techniques that require levels of judgment. The judgment includes considerations of the data used such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the presented fair value of financial instruments.

(d) Provisions for tax, civil, labor and environmental risks

Provisions are made for all contingencies related to lawsuits whose possibility of loss is considered likely by the legal advisors.

The Company periodically reviews the provisioned amounts and, if it identifies procedural changes, such as a change in prognosis, applicable statute of limitations, conclusions from tax inspections or additional exposures identified based on new facts or court decisions, they are adjusted.

(e) Rate of depreciation, amortization and impairment assessment of fixed and intangible assets

The depreciation and amortization rates for fixed and intangible assets include estimates of the economic service lives of the Company's main assets, which are periodically reviewed by the Company's experts, and if the need to change the service life rate of any group of assets is identified, an external consulting company is hired to measure and issue a report in accordance with ANTT Resolution 5090/2016.

The Company performs an annual evaluation of the impairment indicators for intangible and fixed assets. If the carrying value of the intangible asset or fixed asset does not support the value in use, a provision for devaluation is required, adjusting the net carrying value to the recoverable amount.

6. New standards and interpretations not yet effective

A number of new standards will be effective for fiscal years beginning after January 1, 2022 and 2023.

The Company did not adopt these standards in preparing these financial statements:

- Reform of the reference interest rate - Phase 2 (amendments to CPC48/IFRS 9, CPC 38/IAS 39, CPC 40/IFRS 7, CPC 11/IFRS 4 and CPC 06/IFRS 16
- Insurance Contracts: IFRS 17
- Classification of Liabilities as current or non-current: (Amendments to CPC 26/IAS 1
- Onerous Contracts - costs to fulfill a contract (amendments to CPC 25/IAS 37)
- Deferred tax related to assets and liabilities arising from a single transaction (amendments to CPC 32/IAS 12
- COVID-19 related rental concessions after June 30, 2021 (amendment to CPC 06/IFRS 16)
- Annual review of IFRS standards 2018-2020
- Fixed Assets: Revenues before intended use (Amendments to CPC 27/ IAS 16)
- Sale or contribution of assets between an investor and its associate or joint venture: IFRS 10 and IAS 28 (amendments)
- Disclosure of Accounting Policies (Amendments to CPC 26/IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to CPC 23/IAS 8)
- Reference to the Conceptual Framework (amendments to CPC 15/IFRS 3)

In thousands of reais, unless indicated otherwise

7. Cash and cash equivalents

Current	2021	2020
Availability		
Cash and banks	5,064	7,814
	5,064	**7,814**
Financial investments in the country		
CDB	1,831,548	1,198,670
	1,831,548	**1,198,670**
Cash and cash equivalents	**1,836,612**	**1,206,484**

The financial investments are backed by securities issued by banks in Brazil and have an average liquidity of 36 days, and can be redeemed before maturity without any significant change or adjustment in the yield rate previously agreed upon with the financial institution.

These investments are in CDB [Bank Deposit Certificates], with remuneration based on the variation of the CDI (Interbank Deposit Certificates), and are in the range between 101.5% and 107.0% (85.0% and 112.0% on December 31, 2020).

The R$630,128 increase in the balance of cash and cash equivalents is basically due to the higher volume of funding in the second half of 2021, resulting mainly from the 10th issue of debentures.

The risk classification of the financial investments according to the business model is described in explanatory note 24.

8. Related parties

The balances of assets and liabilities on December 31, 2021 and 2020 reported in this note refer to transactions with related parties arising from the Company's transactions with its shareholders, affiliates and key management personnel.

The transactions with related parties are mainly associated with the provision of the public service of railway cargo transportation. They are carried out in terms and conditions negotiated with each of the contracting customers, respecting the tariff ceilings defined by the Granting Authority, which apply to all of the concessionaire's customers, whether or not they are related parties. By the Company's Corporate Governance, the amounts negotiated with related parties are approved by the shareholders and follow a tariff model that aims to remunerate the costs of providing railway transport service, plus margins that are compatible with those established in its business plan. There are no transactions with negative margins, as established in the concession agreement. Furthermore, the agreements with related parties are long-term and have clauses for guarantees of revenues and annual volumes, as is the case with other captive customers.

In addition to the railway cargo transportation service contracts, the Company has other contracts with its related parties regarding maintenance services and improvements in terminals, scrap metal sales, leases and maintenance in rolling stock and permanent track.

In thousands of reais, unless indicated otherwise

Accounts payable to related parties, stated under liabilities to related parties, except dividends payable, arise from purchase transactions, use of the railway network, shared investments inherent to the Company's business and other contractual obligations.

The Company has the following balances referring to transactions with related parties:

- Assets

		Receivables	
		2021	**2020**
Vale S.A.	**(a)**	378,956	391,010
CSN Mineração S.A.	**(b)**	108,874	140,551
Mineração Usiminas S.A.	**(c)**	96,408	81,325
Companhia Siderúrgica Nacional	**(d)**	39,013	19,984
Usinas Siderúrgicas de Minas Gerais S.A.		2,754	3,266
Gerdau Açominas S.A.		3,946	2,030
Ferrovia Centro Atlântica		5,492	3,329
Gerdau Aços Longos S.A.		1,175	675
Vallourec Soluções Tubulares do Brasil S.A.		490	979
CSN Cimentos S.A.	**(e)**	373	-
Terminal de Cargas Sarzedo Ltda.		248	-
Sepetiba Tecon S.A		165	-
Ternium Brasil Ltda.		-	32
Gerdau S.A.		144	22
Confab Industrial S.A.		-	-
		638,038	**643,203**
Current		390,572	358,461
Non-current		247,466	284,742

(a) In December 2020, the fourth amendment to the railway transport service agreement between MRS and VALE was signed, through which VALE assumed the obligation to pay MRS an indemnity in the amount of R$353,539 on account of the review of the minimum volumes transported provided for in the original contract. The amount was divided into 3 installments, being R$239,085 in 2021, R$44,397 in 2022, and R$106,091 in 2023. The amount of R$239,085 was received in January 2021 and the amount of R$44,397 was received in January 2022. The present value of the payment flow on December 31, 2021 is R$44,397 in current and R$96,194 recorded in non-current. In December 2021, there was a provisioning of the hedging mechanism in the amount of R$211,567.

(b) In February 2021, the Company received the 3rd installment of the contractual amendment signed on November 1, 2018 between MRS and CSN Mineração, as mentioned in explanatory note 10 of the accounting statements of December 31, 2018, in the amount of R$23,547. In February 2022, the Company received the 4th installment of the contractual amendment in the amount of R$23,547. The reduction can also be explained by the receipt of the hedging mechanism recognized in December 2020 and received in the second quarter of 2021 in the amount of R$32,170. In December 2021, the amount of R$4,484 was provisioned referring to the hedging mechanism.

(c) On January 22, 2016, a contractual amendment was entered into between MRS, Mineração Usiminas S.A. "MUSA" and Usiminas through which the parties indefinitely suspended the execution of iron ore transportation contracts. MUSA assumed the obligation to pay MRS an indemnity to compensate for the investments made in capacity expansion to meet the contracted demand in order to guarantee the economic and financial equilibrium of the contracts signed until then. The amount will be paid in 10 annual installments of R$31,546, due in January of each year. The present value of the payment flow is R$91,448 on December 31, 2021 recorded in non-current.

(d) The increase caused in Accounts receivable can be justified by the provision of the hedging mechanism, which occurred in December 2021, in the amount of R$12,590.

(e) On January 31, 2021, there was a dropdown of the cement segment of Companhia Siderúrgica Nacional. As a result, a contract was made with the new company for the exclusive transportation of cement. Thus, the Company started billing CSN Cimentos S.A.

The Company has receivables contracts with some related parties pledged as collateral for loans.

Except for accounts receivable related to revenue hedging mechanisms and contractual amendments, the average term for receiving accounts receivable from related parties is less than 13 days.

In thousands of reais, unless indicated otherwise

- Liabilities

		Accounts payable / other liabilities		Advances		Payable dividends	
		2021	**2020**	**2021**	**2020**	**2021**	**2020**
Vale S.A.	**(f)**	96,194	148,019	-	-	17,364	10,680
CSN Mineração S.A.		51,288	64,110	346	1	31,387	19,304
Mitsui & Co. Ltda.	**(g)**	90,937	54,529	-	-	-	-
Ferrovia Centro Atlântica		13,896	15,197	102	675	-	-
Gerdau Aços Longos S.A.		2,188	1	-	-	-	-
Companhia Siderúrgica Nacional		2,102	2,125	4	-	31,369	19,293
Mineração Brasileiras Reunidas S.A.		-	-	-	-	55,856	34,354
Usiminas Participações e Logística S.A.		-	-	-	-	17,726	10,902
Usinas Siderúrgicas de Minas Gerais S.A.		-	-	-	-	444	273
Railvest Investments Inc		-	-	-	-	6,899	4,243
Gerdau S.A.		-	-	-	-	2,087	1,283
SepetibaTecon S.A.		18	2	-	-	-	-
VLI Multimodal S/A		-	-	192	-	-	-
Others		-	-	-	-	3,215	2,039
		256,623	**283,983**	**644**	**676**	**166,347**	**102,371**
Current		113,847	126,751	644	676	166,347	102,371
Non-current		142,776	157,232	-	-	-	-

(f) The reduction of R$51,826 is basically due to the payment, in the 1st half of 2021, of the amount of R$20,545, referring to the hedging mechanism that was provisioned in December 2020. The amount of R$96,193 recorded in non-current liabilities refers to the contractual obligation arising from the fourth amendment mentioned in letter a) of this note.

(g) The increase of R$36,408 in the year 2021 is due to the purchase of tracks, with payment scheduled for March 2022.

In thousands of reais, unless indicated otherwise

- Result

		Services income		Other revenue		Financial Income	
		2021	**2020**	**2021**	**2020**	**2021**	**2020**
Vale S.A.		1,519,354	1,209,596	172,991	239,160	15,041	420
CSN Mineração S.A.		754,339	639,027	8,511	44,979	10,916	10,805
Companhia Siderúrgica Nacional		434,989	358,857	7,033	12,129	1,253	907
Mineração Usiminas S.A.		217,506	174,204	-	-	11,321	16,129
Gerdau Açominas S.A.		171,136	111,097	5,486	43	4	1
Usinas Siderúrgicas de Minas Gerais S.A.		159,346	104,672	104	-	166	2
Ferrovia Centro Atlântica		62,887	66,566	3,808	4,062	7	-
Gerdau Aços Longos S.A.		27,587	17,921	28,619	12,337	-	1
Vallourec Soluções Tubulares do Brasil S.A		26,858	23,153	2,951	3,698	15	1
CSN Cimentos S.A.	**(h)**	22,440	-	3,128	-	1	-
Ternium Brasil Ltda.		2,057	610	1,628	-	27	1
Confab Industrial S.A.		2,197	2,289	-	-	6	2
Gerdau S.A.		964	1,180	1,934	604	13	33
Mitsui & Co. Ltda.		-	-	-	-	7,858	6,701
Usiminas Mecânica S.A.		-	-	-	3,150	-	-
Sepetiba Tecon S.A.		-	-	210	-	-	-
Terminal de Cargas Sarzedo Ltda.		-	-	618	-	-	-
		3,401,660	**2,709,172**	**237,021**	**320,162**	**46,628**	**35,003**

(h) See comment in letter (d) of this note.

In thousands of reais, unless indicated otherwise

		Other porational/financial expenses	
		2021	**2020**
Gerdau Aços Longos S.A.	**(i)**	17,106	6,137
Ferrovia Centro-Atlântica S.A.		14,739	12,998
Mitsui & Co. Ltda.		4,783	7,694
Sepetiba Tecon S.A.	**(j)**	3,615	1,876
Gerdau Açominas S.A.		1,006	-
CSN Mineração S.A.		105	-
Vale S/A		32	117
Confab Industrial S.A.		-	3
Ternium do Brasil Ltda.		-	1
		41,386	**28,826**

(i) The increase of R$10,969 is due to the purchase of maintenance materials for the company's operational activities.

(j) The amounts of R$3,615 in the year 2021 and R$1,876 in 2020 refer to storage and port expenses from the import of tracks.

Key management personnel

The fixed and variable remunerations of the Company's key management personnel, which include its president and directors, are recorded in the result for the year as follows:

	Result	
	2021	**2020**
Short-term benefits	14,822	15,370
Post-employment benefits	318	338
Other long-term benefits	9,507	11,226
	24,647	**26,934**

The benefits for key management personnel include fixed remuneration, profit sharing program, variable remuneration program, pension plan, and others.

In thousands of reais, unless indicated otherwise

9. Accounts receivable from customers

		2021	2020
Accounts receivable of related parties	**8**	638,038	643,203
Customers in the country	**(a)**	34,748	25,149
Expected credit losses	**(b)**	(2,389)	(1,107)
		670,397	**667,245**
Current		422,931	382,503
Non-current		247,466	284,742

(a) These refer basically to amounts receivable related to railway freight services rendered, including mutual traffic and right of way receivables, from customers that are not related parties.

(b) The amount provisioned for expected credit losses was measured considering the issuer's financial difficulty, breach of contract with late payment, probability of debtor's bankruptcy, and debtors under judicial collection proceedings, in addition to the application of a percentage calculated on the losses of the last two years on the outstanding amounts on the date of the statements.

10. Other accounts receivable

		2021	2020
Subleasing amounts receivable	**(a)**	28,781	29,218
Concession and lease receivable amounts	**(b)**	-	6,188
Receivables - other sales	**(c)**	8,115	5,221
Other receivables		6,535	2,414
Expected credit losses	**(d)**	(4,136)	(3,959)
		39,295	**39,082**
Current		16,249	8,740
Non-current		23,046	30,342

(a) Subleases, recorded at present value in current and non-current assets, refer to real estate rental contracts where the Company is the intermediate lessor of a main lease, classified as a Right-of-Use Asset.

In thousands of reais, unless indicated otherwise

The movement of subleases in the period was as follows:

	2021	2020
Sub-leasing		
On January 1	**36,511**	**46,321**
Additions to agreements	2,691	1,301
Readjustment	3,046	2,180
Agreement derecognition (*)	(91)	(6,752)
Amortizations	(7,275)	(6,539)
On December 31	**34,882**	**36,511**
Interest to accrue		
On January 1	**(7,293)**	**(10,973)**
Additions to agreements	(517)	(212)
Readjustment	(587)	(445)
Agreement derecognition (*)	18	2,131
Interest accrued	2,278	2,206
On December 31	**(6,101)**	**(7,293)**
Net balance	**28,781**	**29,218**

(*) The derecognition of contracts is due, substantially, to the terminations that occurred in the period.

The flow of future receipts from subleases, neglecting interest accrual, is as follows:

	2022	In up to 5 years	Total
Sub-leasing	7,666	27,216	34,882

(b) The amount receivable of R$6,188 in 2020 refers to the remaining balance of the concession and lease recorded in non-current assets and which corresponded to the record resulting from a favorable sentence in a lawsuit involving the Granting Authority concerning amounts overpaid in the updating of the quarterly installments of the concession and lease for the period from October 1997 to April 2001.
On January 15, 2021, after authorization for compensation by the ANTT Attorney's Office, the remaining balance of R$6,188 on December 31, 2020 was fully compensated in the 95th installment of the lease and concession.

(c) The amounts receivable from other sales arise from the sale of scrap metal, maintenance services, rents and other amounts not related to the railway freight service.

(d) The amount provisioned for expected credit losses was measured considering the issuer's financial difficulty, breach of contract with late payment, probability of debtor's bankruptcy, and debtors under judicial collection proceedings, in addition to the application of a percentage calculated on the losses of the last two years on the outstanding amounts on the date of the accounting statements.

In thousands of reais, unless indicated otherwise

11. Inventories

		2021	2020
Maintenance material	(a)	177,558	115,473
Fuels		10,027	7,777
Material under retrieval progress		9,414	8,186
Ongoing imports		136	243
Others		18,222	10,495
Provision for loss by obsolescence	(b)	(12,517)	(9,821)
		202,840	**132,353**

The increase in the period is due to the strong increase in prices in the steel, import, and electronics market, coupled with the Company's strategies to face the pandemic, making early purchases to support maintenance and mitigating risks of material shortages.

(a) These refer to materials that will be used in own maintenance services, mainly in locomotives, railcars and permanent track.

(b) These refer to the provision for the loss of certain maintenance materials that are considered to be outdated or with low turnover.

12. Taxes recoverable

		2021	2020
PIS/COFINS carry forward	(a)	337,972	-
PIS/COFINS recoverable	(b)	135,507	50,379
Tax on movement of goods and services - ICMS	(c)	125,171	58,933
Income tax	(d)	60,945	57,360
INSS to be recovered	(e)	-	5,386
Others		201	221
		659,796	**172,279**
Current		109,509	63,638
Non-current		550,287	108,641

In thousands of reais, unless indicated otherwise

(a) Due to the decision of the Federal Supreme Court (STF) of May 13, 2021, that the ICMS [Tax on Circulation of Goods and Services] does not make up the calculation basis of PIS [Social Integration Program] and COFINS [Social Security Financing Contribution], and considering that the lawsuit filed by MRS to discuss this issue was filed prior to March 2017, the Company calculated, based on its best estimate, a gain of R$337,972, which was duly provisioned in other operating and financial income in the second half of 2021.

(b) These refer mainly to credits for fixed assets. The increase is due to the end of the Federal REPORTO [Tax Regime for Incentive to the Modernization and Expansion of the Port Structure] and, thus, the Company now has the PIS/COFINS credit on the asset items that were previously exempted by the tax benefit.

(c) They refer mainly to credits resulting from the acquisition of goods for fixed assets and the purchase of inputs. The increase in the period is due to the purchase of railcars entitled to ICMS credit in the state of São Paulo. Until December 31, 2020, the purchase of railcars was supported by the ICMS exemption (Reporto Benefit); however, since this benefit was not renewed in 2021, these purchases became subject to ICMS, leading to an increase in the credit balance in 2021.

(d) Out of the total of R$60,945 in 2021, R$24,717 stems from a final favorable court decision in lawsuit # 0006873-32.2009.4.02.5101, which recognized the right to deduct expenses with the Worker's Food Program (PAT) without the limitations imposed by Interministerial Ordinance # 326, Regulatory Instruction # 267/02, and other infra-legal rules. The remaining amount, R$36,228, refers to income tax withheld at source on financial investments and on gains from derivative operations - swap. Since the earnings are taxed only on redemption of the investments and on settlement of the swaps, this amount includes the provision for withholding tax on these operations.

(e) The balance on December 31, 2020, refers to recoverable tax credits for Social Security Contribution (company portion) arising from a final favorable court decision in lawsuit # 0092045-52.2014.4.01.3400, which ruled out the requirement of this contribution on amounts paid to cooperatives. In June 2021, the balance was fully cleared.

The composition of ICMS credits in the States of Rio de Janeiro and São Paulo, recorded in current assets, is shown below:

	2021	2020
ICMS credit composition - current		
ICMS - RJ	-	12,668
ICMS - SP	14,632	17,061
Current total	**14,632**	**29,729**

In thousands of reais, unless indicated otherwise

13. Deferred taxes

The deferred tax balances recorded in assets and liabilities were calculated on temporary differences and are shown below:

		2021	2020
Asset			
Contingency provisions		227,590	201,508
Various provisions		96,256	105,290
Asset loss provisions		39,826	14,156
Health insurance provisions		2,372	1,357
Others		51	61
Total asset		**366,095**	**322,372**
Liability			
Provision for revenue tax credit PIS/COFINS	**(a)**	(112,502)	-
RTT adjustments amortization		(99,823)	(120,057)
Depreciation		(35,239)	(54,068)
Derivative financial instruments - *swap (f)*		(25,929)	(52,369)
Cars and locomotives accelerated depreciation		(19,276)	(33,064)
Interest capitalization		(105)	(105)
Accelerated R&D Depreciation 2008 / 2009 / 2012 Act 11.196/05		(1,013)	(1,921)
Total liabilities		**(293,887)**	**(261,584)**
Net total		**72,208**	**60,788**

Deferred income tax and social contribution on temporary differences are expected to be offset as the contingencies and other deductible temporary additions are settled.

Deferred income tax and social contribution on net profit assets are recognized only to the extent that it is likely that future taxable profit will be available and against which the temporary differences can be utilized. Deferred tax assets are reviewed on each balance sheet date and are reduced to the extent that their realization is no longer likely.

The amount of R$366,095 (R$322,372 on December 31, 2020) refers to deferred tax assets. The Company estimated its future taxable income for the next 5 years, and this has proven to be sufficient to cover the temporary differences of the deferred asset. Thus, the deferred tax assets were fully recognized in the 2021 financial statements.

In thousands of reais, unless indicated otherwise

The amount of R$293,887 (R$261,584 on December 31, 2020) refers to deferred liabilities, which includes the portion of deconstitution (amortization) of the adjustments arising from the RTT - Transition Tax Regime. Due to these adjustments, the Company constituted deferred IRPJ/CSLL [Corporate Income Tax/Social Contribution on Net Profit] of the differences between the corporate and tax results, in the amount of R$241,001, which is being deconstituted for the remaining term of the concession agreement, according to the rules prescribed in articles 69 of Law 12793/14 and 174 of RFB [Brazilian Internal Revenue] Regulatory Instruction 1515/14. The amount amortized in 2021 was R$20,234 (R$20,162 in 2020), totaling a balance of R$99,823 on December 31, 2021 (R$120,057 on December 31, 2020).

The net movement of the deferred tax account is as follows:

	2021	**2020**
On January 1	**60,788**	**(63,615)**
Provision for income tax credit PIS/COFINS	(112,502)	-
Depreciation	18,829	60,080
Various provisions	(9,034)	25,074
Contingency provisions	26,082	20,996
RTT adjustments amortization	20,234	20,162
Cars and locomotives accelerated depreciation	13,788	19,892
Asset loss provisions	25,670	5,692
Derivative financial instruments - *swap*	26,440	(22,702)
ICMS loss provisions	-	(5,814)
Accelerated R&D Depreciation 2008/2009/2012 Act 11.196/05	908	909
Health insurance provisions	1,015	53
Others	(10)	61
At the end of the period/exercise	**72,208**	**60,788**

<u>Uncertain tax positions</u>

The Company is aware of the judgment of the Extraordinary Appeal (RE) 1.063.187 in September 2021, by the system of general repercussion, in which the Federal Supreme Court decided that it is unconstitutional to levy Corporate Income Tax (IRPJ) and Social Contribution on Net Profit (CSLL) on amounts referring to the SELIC rate received as a result of the repetition of tax undue payment. Although the conclusion of the Federal Supreme Court has been favorable to taxpayers, modulation of its effects is pending, according to the terms of the Motion for Clarification filed by the National Treasury, with the purpose of having the decision produce effects only after the final judgment of the Extraordinary Appeal, so that the proclamation of unconstitutionality does not reach previous taxable events.

In thousands of reais, unless indicated otherwise

MRS filed a lawsuit to discuss the issue and is awaiting the judgment of the Motion for Clarification filed by the National Treasury on appeal, requesting that the case be halted until the final judgment of the leading case. The Company's external legal advisors maintain that the Company is likely to win on the merits of the argument and possibly win in relation to the repetition of undue payments. The Company has not recorded any gains in the accounting statements for the year 2021.

PIS - COFINS

		2021	2020
On January 1		-	-
Provision for income tax credit PIS/COFINS	(a)	(7,084)	-
At the end of the period		**(7,084)**	-

(a) Tax effects arising from the recognition of PIS and COFINS tax credit revenue (see note 12, letter a).

14. Anticipated expenses

		2021	2020
Insurance	(a)	12,661	5,625
Prepaid personnel expenses		16,704	8,669
Prepaid services expenses		5,230	3,767
		34,595	**18,061**
Current		32,672	16,767
Non-current		1,923	1,294

a) (a) These refer to insurance prepayments. The amounts on December 31, 2021 and December 31, 2020 refer to the balance not yet amortized. The variation in the period refers to the hiring of an insurance policy with coverage of operating risks and civil liability. The validity and coverage of the insurance policies hired by the Company are detailed in explanatory note 37.

In thousands of reais, unless indicated otherwise

15. Other current and non-current assets

The group of other current and non-current assets is made up of the following:

		2021	2020
Court deposits	(a)	121,841	124,637
Advances to suppliers	(b)	33,311	17,684
Advances to employees	(c)	10,700	9,628
Others		7	7
		165,859	**151,956**
Current		44,012	27,312
Non-current		121,847	124,644

(a) These refer to legal deposits for appeals and for guarantee of execution available to the court to allow the filing of appeals, in accordance with the Law. They are monetarily restated and are recorded in non-current assets until a court decision is reached. The distribution is described in explanatory note 27.1.

(b) They correspond to advances granted to domestic and foreign suppliers for the acquisition of materials and inputs that do not correspond to fixed assets.

(c) They correspond to advances granted to employees as vacation advances, vacation loans and other advances.

In thousands of reais, unless indicated otherwise

16. Fixed Assets

16.1 Fixed assets in operation and in progress

By nature, fixed assets are made up of the following:

	Fixed assets in operation							
	Improvements on third parties properties	Locomotives	Wagons	Others	Total	Fixed assets in progress	Total	Total
Cost								
On January 1	**5,390,612**	**3,070,491**	**2,761,678**	**625,587**	**11,848,368**	**801,335**	**12,649,703**	**11,772,285**
Addition	-	-	-	-	-	1,765,340	**1,765,340**	**964,962**
Transfers	482,458	521,659	530,031	47,783	**1,581,931**	(1,581,931)	**-**	**-**
Reversion (provision) for write-off	(53,274)	(1,320)	(17,981)	-	**(72,575)**	-	**(72,575)**	**(11,152)**
Write-Off	(33)	(9,277)	(57,707)	(14,398)	**(81,415)**	(9,943)	**(91,358)**	**(76,392)**
On December 31	**5,819,763**	**3,581,553**	**3,216,020**	**658,973**	**13,276,309**	**974,801**	**14,251,110**	**12,649,703**
Depreciation							,	
On January 1	**(2,598,137)**	**(1,688,342)**	**(1,335,725)**	**(459,909)**	**(6,082,112)**	-	**(6,082,112)**	**(5,354,722)**
Addition	(350,635)	(190,735)	(117,365)	(41,722)	**(700,457)**	-	**(700,457)**	**(762,429)**
Write-Off	10	4,562	32,393	12,850	**49,815**	-	**49,815**	**35,039**
On December 31	**(2,948,762)**	**(1,874,514)**	**(1,420,697)**	**(488,781)**	**(6,732,754)**	-	**(6,732,754)**	**(6,082,112)**
Net residual value								
On December 31	**2,871,001**	**1,707,039**	**1,795,323**	**170,192**	**6,262,199**	**974,801**	**7,518,356**	**6,567,591**

The movement of fixed assets in 2020 is published in explanatory note 17 of the 2020 accounting statements.

Reversal (provision) for asset write-off
Improvements in Third-Party Real Estate
Out of the amount of R$53,264, R$51,554 refers to the constitution of a provision for reduction in the recoverable value of certain sections of the permanent track that will undergo major interventions, with the complete replacement of some components. The provisioned value corresponds to the residual value of these components projected for the completion date of the renewal project of the permanent track sections.

Locomotives and Railcars
The amounts of R$1,320 and R$17,981 refer to the constitution of a provision for cutting down locomotives and wagons.

Write-offs
Locomotives and Railcars
The net amounts of R$4,715 and R$25,314 reported in the locomotives and railcars groups, respectively, are mainly due to the write-off of unused railcars in 2021 and the write-off of locomotive and railcar components.

Fixed assets in progress
The fixed assets in progress are substantially represented by expenses incurred in the expansion, recovery and modernization of the permanent track, locomotives, railcars and signaling systems. The write-off of fixed assets in progress against the result for 2021 in the amount of R$9,943 basically refers to investment projects for construction works that, due to the Company's strategic decision, will not be carried out.

Capitalized borrowing costs
The amount of borrowing costs capitalized in the period ended on December 31, 2021 was R$140 (R$691 on December 31, 2020). The rate used to determine the amount of financing costs eligible for capitalization was 8.33% per year (5.56% in the year 2020), which represents the average rate of the Company's financing.

Service life review
In compliance with CPC 27 - Fixed Assets and IAS 16, the Company annually reviews the economic service life of its main assets. In the last review, no need was identified to change the service life of any asset.

In thousands of reais, unless indicated otherwise

16.2 Right of use under lease

The movement and balance of the Right of Use assets is demonstrated below:

	2021						2020
	Assets associated to the concession	Vehicles	Real Estate	Computing Equipment	Others	Total	Total
Righ of Use Cost							
Initial Recognition	**2,385,361**	**30,740**	**7,254**	**36,568**	**1,178**	**2,461,101**	**2,125,641**
Sub-leasing	(4,561)	-	-	-	-	**(4,561)**	**1,799**
Addition	-	2,373	23,607	-	2,311	**28,291**	**16,877**
Remeasurement of monetary adjustment	416,025	-	71	-	-	**416,096**	**316,784**
On December 31	**2,796,825**	**33,113**	**30,932**	**36,568**	**3,489**	**2,900,927**	**2,461,101**
Right of Use Depreciation							
Initial Recognition	**(519,324)**	**(15,082)**	**(2,818)**	**(16,741)**	**(639)**	**(554,604)**	**(273,023)**
Addition	(332,539)	(7,532)	(2,818)	(7,290)	(897)	**(351,076)**	**(281,581)**
On December 31	**(851,863)**	**(22,614)**	**(5,636)**	**(24,031)**	**(1,536)**	**(905,680)**	**(554,604)**
Ending balance	**1,944,962**	**10,499**	**25,296**	**12,537**	**1,953**	**1,995,247**	**1,906,497**

In thousands of reais, unless indicated otherwise

The movement of right of use under lease in 2020 is published in explanatory note 17.2 of the 2020 accounting statements.

17. Intangible Assets

Intangible assets are made up of the following:

a) Acquisition/development of computerized systems and software

	2021			2020
	Computer systems and software	Ongoing projects	Total	Total
Cost				
On January 1	**224,888**	**33,110**	**257,998**	**232,313**
Addition	-	43,503	43,503	25,752
Transfers	3,020	(3,020)	-	-
Write-Off	(173)	-	(173)	(67)
On December 31	**227,735**	**73,593**	**301,328**	**257,998**
Amortization				
On January 1	**(203,570)**	-	**(203,570)**	**(194,808)**
Addition	(8,031)	-	(8,031)	(8,804)
Write-Off	173	-	173	42
On December 31	**(211,428)**	-	**(211,428)**	**(203,570)**
Total	**16,307**	**73,593**	**89,900**	**54,428**

The movement of intangible assets in 2020 is published in explanatory note 18 of the 2020 accounting statements.

The amortization rate of the intangible assets, except the concession, was estimated at 20% per year.

b) Concession advance

The intangible asset is also made up of the portion referring to the advance payment of the concession (concession right) in the amount of R$10,635 on December 31, 2021 (R$9,268 in 2020).

In thousands of reais, unless indicated otherwise

18. Suppliers

		2021	2020
Amounts payable to related parties	**8**	109,141	92,400
In local currency	**(a)**	416,475	268,252
In foreign currency	**(b)**	1,358	10,354
		526,974	**371,006**
Current		487,525	331,614
Non-current		39,449	39,392

(a) Refers to asset acquisitions, basically considering locomotives and infrastructure works. Most of the variation refers to the purchase of GDT gondola railcars and locomotives.

(b) Refers to advance payment to purchase tracks in the last quarter of 2020 that arrived in the 1st quarter of 2021.

19. Social and labor obligations

		2021	2020
PSP - Profit Sharing Plan / Bonus	**(a)**	82,289	64,489
Wages payable		45,886	27,196
Vacation and Christmas bonus allowance		36,988	33,599
Social Security		21,447	19,196
FGTS		7,142	6,599
IRRF payable		5,670	4,926
Others		8,992	8,074
		208,414	**164,079**

(a) The Profit Sharing Program/Bonus provisioned in the 2021 fiscal year will be paid in the first quarter of 2022.

In thousands of reais, unless indicated otherwise

20. Income tax and social contribution on net profit

	2021	2020
Income tax	155,116	159,793
Social contribution tax	33,353	47,472
	188,469	**207,265**

21. Other tax liabilities

	2021	2020
ICMS	35,932	21,056
ISS	4,707	2,844
INSS withheld from third parties	3,884	3,865
COFINS (*)	368	13,614
PIS (*)	31	3,235
Others	5,772	5,741
	50,694	**50,355**

(*) The reduction of the balance is basically due to the payment of these taxes arising from recognition of the indemnity amount mentioned in explanatory note 8(a) of these accounting statements.

In thousands of reais, unless indicated otherwise

22. Loans and financing

The loans and financing consist of the following:

		2021	2020
Local currency			
FINEM - BNDES	(a)	336,288	395,840
FINAME e BNDES automatic	(b)	3,009	8,964
Safra Bank	(c)	50,518	50,184
Sumitomo Bank	(d)	-	102,464
		389,815	557,452
Transaction costs		(1,070)	(1,489)
		388,745	**555,963**
Foreign currency			
MUFG Bank	(e)	402,367	653,077
Fair value *hedge* adjustment - MUFG Bank		7,320	2,696
		409,687	**655,773**
Transaction costs		(5)	(6)
		409,682	**655,767**
Debentures	(f)		
7th Issue		599,090	777,731
8th Issue		170,560	337,884
9th Issue		723,078	677,114
10th Issue		1,570,557	-
Fair value hedge adjustment - 10ª Issue		(4,853)	-
		3,058,432	1,792,729
Transaction costs		(43,308)	(16,451)
		3,015,124	**1,776,278**
Promissory Notes	(g)		
Promissory Notes		508,652	-
Transaction costs		(805)	-
		507,847	-
Total funding and loan + transaction cost		**4,321,398**	**2,988,008**
Current		770,112	831,632
Non-current		3,551,286	2,156,376

(a) FINEM [Financing for Enterprises] operations, contracted directly and indirectly with BNDES, have a nominal rate equal to the effective rate and are subject to long-term interest rate charges plus spread up to 3.41% per year or a fixed rate of 2.50% per year up to 5.50% per year. This financing will be used to cover expenses aimed at reducing the number of accidents, improving the operational cycle, and the acquisition of rolling stock, in addition to the construction of footbridges, viaducts, underpasses, and social projects. These operations are guaranteed by receivables from commercial contracts that amount to at least 130% of the debt service, conditional sale of the financed assets, and emerging rights. At the end of 2021, a funding in the amount of R$61,930 was raised, with maturity scheduled for July 2035, at a rate of 11.38% p.a.

The debt balance of this modality, despite the funding, is lower in 2021 compared to 2020 because in the last quarter of 2020 MRS chose to anticipate amortization in the total of R$81,810 of contracts that presented higher financing rates.

(b) The FINAME and automatic BNDES are financing with BNDES funds, passed on to the Company indirectly through financial institutions, with a nominal rate equal to the effective rate. The FINAME was aimed at the acquisition of railcars and locomotives, while the automatic BNDES line financed a technological innovation project that foresees the reduction of fuel consumption in locomotives. These financings are subject to charges of long-term interest rates plus spread, equivalent to an IRR (internal rate of return) of 9.70% per year or a fixed rate of 4.50% per year. The final amortization deadline for these contracts is January 15, 2022. These operations are guaranteed by the conditional sale of the financed assets. In the course of 2021, there were no fundings of these credit modalities.

(c) The financing from Banco Safra refers to a funding obtained in June 2020, in the total amount of R$50,000, in the form of CCB (Bank Credit Bill), with a 3-year maturity, at a cost of CDI+2.75% p.a. In this operation, there are no contractual guarantees, and the purpose of the funding is to support the Company's short and medium-term cash needs.

(d) The financing from Banco Sumitomo refers to a funding obtained in June 2020, in the total amount of R$100,000, in the form of CCB (Bank Credit Bill), with a 2-year maturity, at a rate of CDI+2.40% p.a. In this operation, there are no contractual guarantees, and the purpose of the funding was to support the Company's short and medium-term cash needs. In October 2021, we anticipated the amortization of this loan in the amount of R$107,049.

(e) The financing from Banco MUFG has a nominal fixed rate equal to the effective rate. On December 31, 2021, the Company had three (3) active funding operations, the first contracted and disbursed in August 2018, with interest of 4.82% per annum in the first year and 4.59% per annum for the others, the second operation, contracted in June 2020 with a maturity of 2 years, at a rate of 1.25% p.a., in the amount of R$50,000. And, finally, the third operation, with a maturity of 3 years, at a rate of 1.39% p.a., in the amount of R$150,000.

The purpose of the foreign currency funding was to strengthen the Company's cash flow for the investments made. The Company did not provide collateral for these contracts. For all of the funding in foreign currency, hedge operations were contracted for exchange protection.

In June 2021, there was a full amortization in the amount of R$150,000, referring to the loan made in June 2020, in Yen. In November 2021, there was a partial amortization of the operation signed in 2018, in the amount of 1/3 of the total, US$16,666, corresponding to R$93,068, on the amortization date.

(f) Debentures:

- *7th Issue*

On February 15, 2015, the Company issued R$550,726 in debentures, of which R$336,340 pertained to the 1st series of the issue and R$214,386 pertained to the 2nd series of the issue. Due to correction of the issue value foreseen in the deed between the issue date and the settlement date, the total disbursed was R$555,003.
The issue was in accordance with CVM Instruction 400, and 550,726 simple non-convertible debentures were issued, of the unsecured kind, with a unit value of R$1. The resources obtained with the issue were fully used to finance the projects for revitalization of the permanent track and expansion of the CBTC (Communication BasedTrainControl) communication project, approved and considered a priority by the Ministry of Transportation, which is why the debentures enjoy tax exemption benefits in accordance with Law 12431.
The first series of this issue has a term of 7 years, with amortization in the 6th and 7th year, and is subject to a rate of IPCA [Broad Consumer Price Index] + 5.9828% per annum. While the second series of the issue has a term of 10 years, with amortization in the 8th, 9th and 10th years, and its interest rate is IPCA + 6.4277% per annum. The payment of interest for both series is annual.
On April 6, 2016, the General Meeting of Debenture Holders of MRS' 7th debenture issue decided for the non-early maturity of the debentures, for the waiver of the hypothesis of the debentures having their risk rating downgraded by two notches, in relation to the risk rating of the debentures on the issue date, until February 15, 2024, and to pay a flat premium on the unit face value, duly updated, equivalent to 4.35% for the 1st series debentures and 5.35% for the 2nd series debentures. The premiums were paid on April 15, 2016, based on the updated unit face value as of April 14, 2016.

- *8th Issue*

On December 13, 2017, the Company made its 8th issue of simple, non-convertible, unsecured debentures through CVM Instruction 476. A total of 40 thousand debentures were issued, in two series, namely the 2nd and 3rd, raising a total of R$400,000, of which R$217,960 was allocated to the 2nd series and R$182,040 to the 3rd series. The issue could have been made in up to 3 series, but, after the bookbuilding procedure, it was defined that only the 2nd and 3rd series would be issued, with cancellation of the 1st series.
The 2nd series of this issue was placed on the market, with interest of 108.30% of the CDI per year, defined after the bookbuilding procedure, paid semi-annually, with a term of 5 years and amortization in the 4th and 5th year.
The 3rd series was exclusively destined to debenture holders of the papers from the Company's 6th debenture issue, in the scope of the Tender Offer operation. The debenture holders of the 6th issue who adhered to the Tender Offer sold their debentures to the Company at the value on the curve and acquired the papers of the 8th issue | 3rd series, intended exclusively for these investors. The 3rd series of the 8th issue was issued at a fixed rate of 109.50% of the CDI per year, paid semi-annually, with a term of 5 years and amortization in the 3rd, 4th and 5th years.
The net funds, obtained by the Company with this issue, were used to reinforce its working capital and lengthen its debt profile.
In December 2021, 50% of the 2nd and 3rd series was amortized.

- 9*th Issue*

On April 15, 2019, the Company made its 9th issue of simple, non-convertible, unsecured debentures through CVM Instruction 476. A total of 65 thousand debentures were issued, in two series, namely the 1st and 2nd, raising a total of R$650,000, of which R$367,150 was allocated to the 1st series and R$282,850 to the 2nd series.
The 1st series was placed on the market, with interest of IPCA+4.095% p.a., defined after the bookbuilding procedure, paid semi-annually, with a term of 5 years and amortization in the last year.
The 2nd series was placed on the market, with interest of 106.4% of the CDI p.a., defined after the bookbuilding procedure, paid semi-annually, with a term of 5 years and amortization in the 4th and 5th year.
The net funds, obtained by the Company with this issue, were used for investment projects, to reinforce its working capital and lengthen its debt profile.

- 10*th Issue*

Between August and September 2021, the Company made its 10th issue of simple, non-convertible, unsecured debentures through CVM Instruction 476. A total of 150,000 debentures were issued, in three series, namely the 1st, 2nd, and 3rd, raising a total of R$1,500,000, of which R$700,000 was allocated to the 1st series, R$300,000 to the 2nd series, and R$500,000 to the 3rd series. The 1st series of this issue was placed on the market, with interest of 100.00% of the CDI+1.30% per year, defined after the bookbuilding procedure, paid semi-annually, with a term of 5 years and amortization in the 5th year. The 2nd series of this issue was placed on the market, with interest of 4.97% per year and monetary restatement by the IPCA, defined after the bookbuilding procedure, paid semi-annually, with a term of 10 years and amortization in the 8th, 9th and 10th years. The 3rd series of this issue was placed on the market, with interest of 5.06% per year and monetary restatement by the IPCA, defined after the bookbuilding procedure, paid semi-annually, with a term of 15 years and amortization in the 13th, 14th and 15th years.
The net funds, obtained by the Company with this issue, were used for investment projects, to reinforce its working capital and lengthen its debt profile.

(g) In October 2021, the Company made its 1st issue of Commercial Promissory Notes, under the terms of CVM Instruction 566 and according to the procedures established in CVM Instruction 476, in the amount of R$500,000, with an amortization term of 5 years and a single maturity on October 22, 2026, at a rate of CDI + 1.30% p.a. The funds obtained will be used to reinforce the working capital and lengthen the debt profile, and will not be backed by any kind of guarantee.

In thousands of reais, unless indicated otherwise

The flow of amortization of non-current financing is as follows:

	2023	2024	2025	Após 2025	Total
FINEM	29,223	29,438	29,240	154,741	242,642
FINAME	255	-	-	-	255
Safra Bank	50,000	-	-	-	50,000
MUFG Bank	254,776	-	-	-	254,776
Debentures	253,516	688,923	112,091	1,489,814	2,544,344
Promissory Notes	-	-	-	500,000	500,000
	587,770	**718,361**	**141,331**	**2,144,555**	**3,592,017**

On December 31, 2021, the transaction costs of fundraising were reported as follows:

	Curto prazo	Longo prazo					Total
	2022	2023	2024	2025	Após 2025	Total	CP + LP
FINEM	297	163	113	106	390	772	1,069
MUFG Bank	2	3	-	-	-	3	5
Debentures	4,149	3,262	5,411	513	29,974	39,160	43,309
Promissory Notes	9	8	9	9	770	796	805
	4,457	**3,436**	**5,533**	**628**	**31,134**	**40,731**	**45,188**

On December 31, 2021 and 2020, the amount of transaction costs incurred in each funding process was:

	2021	2020
FINEM		11,692
(-) fund raising costs		75
% costs/Funded amount		0.64%
Safra Bank		50,000
(-) fund raising costs		184
% costs/Funded amount		0.37%
MUFG Bank		350,000
(-) fund raising costs		11,466
% costs/Funded amount		3.28%
Debentures 10th Issue	1,500,000	
(-) fund raising costs	31,631	
% costs/Funded amount	2.04%	
Promissory Note	500,000	
(-) fund raising costs	805	
% costs/Funded amount	0.16%	

Financial covenants

The loan and financing contracts have covenants regarding the maintenance of financial indexes. All covenants have been met as of December 31, 2021. The debentures issued by the Company also have covenants relating to the maintenance of financial indexes, which have been met as of December 31, 2021. The debentures of the 7th issue have clauses for maintaining the minimum risk rating attributed by Standard and Poor's, which were also met in the period informed. The debentures of the 8th, 9th and 10th issues do not have clauses for maintaining a minimum risk rating.

23. Commercial leasing

The commercial leasing referring to the Company's usage rights were grouped according to their nature into:

Assets tied to the concession: contract with the Federal Government related to the assets necessary to operate and maintain the railway cargo transportation activities.

Machinery and equipment, vehicles: rental of aerial platform, forklift, vehicles and others.

Real estate: rental of areas, commercial rooms, garages, buildings, and others.

Computer equipment: computer equipment, electronics and software.

Others: container and others.

In thousands of reais, unless indicated otherwise

The movement and balance of the commercial leases are shown below:

	2021						2020
	Assets associated to the concession	Vehicles	Real Estate	Computing Equipment	Others	Total	Total
Lease payable							
Initial Recognition	**2,449,612**	**18,125**	**6,005**	**8,292**	**629**	**2,482,663**	**2,464,056**
Addition	-	2,753	28,107	-	2,876	**33,736**	**18,752**
Remeasurement by monetary restatement	506,148	-	62	-	15	**506,225**	**398,995**
Payments	(457,983)	(9,172)	(19,761)	(7,779)	(979)	**(495,674)**	**(399,140)**
On December 31	**2,497,777**	**11,706**	**14,413**	**513**	**2,541**	**2,526,950**	**2,482,663**
Interest to accrue							
Initial Recognition	**(486,281)**	**(1,987)**	**(823)**	**(525)**	**(59)**	**(489,675)**	**(557,264)**
Additions/(Reversals)	-	(380)	(4,560)	-	(294)	**(5,234)**	**(2,217)**
Remeasurement by monetary restatement	(90,122)	-	(7)	-	(41)	**(90,170)**	**(82,211)**
Interest to accrue	157,618	530	990	513	169	**159,820**	**152,017**
On December 31	**(418,785)**	**(1,837)**	**(4,400)**	**(12)**	**(225)**	**(425,259)**	**(489,675)**
Net residual value	**2,078,992**	**9,869**	**10,013**	**501**	**2,316**	**2,101,691**	**1,992,988**
Current	**373,575**	**6,626**	**1,590**	**402**	**1,131**	**383,324**	**317,913**
Non-current	**1,705,416**	**3,243**	**8,423**	**99**	**1,186**	**1,718,367**	**1,675,075**

In thousands of reais, unless indicated otherwise

The movement of right of use under lease in 2020 is published in explanatory note 24 of the 2020 accounting statements.
The flow of future payments of commercial leases is as follows:

	2022	In up to 5 years	Total
Assets associated to the concession	525,847	1,971,929	2,497,776
Vehicles	8,609	3,097	11,706
Real Estate	3,246	11,167	14,413
Computing Equipment	412	101	513
Others	1,121	1,421	2,542
	539,235	**1,987,715**	**2,526,950**

24. Financial instruments

Operations with financial instruments

The calculation of the fair value of the applications (Cash and Cash Equivalents and Financial Investments) follows the methodology below: (i) to calculate the fair value, only the investments whose contracted rates are different from 100% of the CDI are considered and (ii) to calculate the discount rate, the fair value measurement, the last investment rate contracted by the financial institution where the investment is held in custody is considered.

The calculation of the fair value of Accounts Receivable from Customers uses the following valuation technique: (i) for short-term operations, it is estimated that the fair value is substantially similar to its carrying amount and (ii) for operations with a receipt term greater than 360 days, the calculation is made by deducting the inflation and interest rate of the period.

The fair value of loans and financing is based on market assumptions, and is calculated according to the following methodology: for operations that have a public market quotation for the reference interest rate, the flow is calculated until maturity at the contractual rate, and then discounted at the constant updated rate from the public source, and for loans and financing that do not have a public interest rate source, after calculating the flow until maturity at the contractual rate, it is discounted by the interest rate of operations similar in terms of risk and term. Eventually, in case of difficulty in identifying comparable financing, the discount rate is determined by consulting financial institutions.

The following table presents the carrying values of all the operations with financial instruments carried out by the Company, which differ from their fair values:

	2021		2020	
	Book value	Fair value	Book value	Fair value
Assets				
Trade accounts receivable	670,397	673,816	667,245	618,958
Liabilities				
Loan and funding in foreign currency	409,687	410,035	655,773	674,003

The calculation of the fair value of loans considers the market quotation of the respective operations, except for those that: (i) do not have a net reference market or (ii) whose settlement (exit value) can be made without penalty. For such cases, the fair value coincides with the value on the curve.

In thousands of reais, unless indicated otherwise

Classification of financial instruments

We present below the carrying values of all the operations with financial instruments carried out by the Company and their respective classification.

	2021				2020			
	Amortized cost	**VJR**	**VJR/operations used for *hedge***	**Total**	**Armotized cost**	**VJR**	**VJR/operations used for hedge**	**Total**
Assets								
Cash and cash equivalents	-	1,836,612	-	1,836,612	-	1,206,484	-	1,206,484
Accounts receivable and other accounts receivable	709,692	-	-	709,692	706,327	-	-	706,327
Gains on transactions with derivative financial	-	-	146,080	146,080	-	-	143,681	143,681
Total	**709,692**	**1,836,612**	**146,080**	**2,692,384**	**706,327**	**1,206,484**	**143,681**	**2,056,492**

	2021				2020			
	Amortized cost	**VJR**	**VJR/operations used for *hedge***	**Total**	**Armotized cost**	**VJR**	**VJR/operations used for hedge**	**Total**
Passivos								
Suppliers	526,974	-	-	526,974	371,006	-	-	371,006
Loan and funding in R$	389,815	-	-	389,815	557,452	-	-	557,452
Loan and funding in USD	402,367	-	-	402,367	653,077	-	-	653,077
Debentures	3,063,285	-	-	3,063,285	1,792,729	-	-	1,792,729
Promissory Note	508,652			508,652				
Fair Value Hedge Adjustment - 10ª emissão debêntures	-	-	(4,853)	(4,853)	-	-	-	-
Losses on transactions with derivative financial instruments – *swap*/ NDF	-	-	85,324	85,324	-	-	10,570	10,570
Fair Value Hedge Adjustment - Banco de MUFG	-	-	7,320	7,320	-	-	2,696	2,696
Total	**4,891,093**	**-**	**87,791**	**4,978,884**	**3,374,264**	**-**	**13,266**	**3,387,530**

In thousands of reais, unless indicated otherwise

Derivative financial instruments

The Company holds derivative financial instruments to hedge risks related to foreign currencies and interest rates.
The accounting policy for recording transactions with derivative financial instruments is described in explanatory note 4.3 (v) of these statements.

Derivative financial instruments are initially recognized at fair value on the date the derivative contract is signed and are subsequently revalued also at fair value. Derivatives are presented as financial assets when the instrument's fair value is positive and as financial liabilities when the fair value is negative.

Thus, the swap operations that on December 31, 2021 had a net balance receivable in the amount of R$60,756 (R$133,111 on December 31, 2020), had their variations recorded in the result.

The Company documented such hedging relationship as Fair Value Hedge after tests proved that the hedge is expected to be highly effective in offsetting the fair value of the hedged object. The effectiveness is measured from prospective effectiveness tests, evaluated by the statistical method of volatility reduction. The hedge is considered effective when the effectiveness quotient of the prospective test results in a value equal to or greater than 80%.

From the swap designation for Fair Value Hedge, the fair value variation of the hedge continues to be recorded in the financial income, but at the same time the fair value variation of the attributable risk of the designated hedge object is verified and recorded in liabilities as a counter-entry in the financial income.

	Fair Value Hedge Object	
	2021	**2020**
Debt	1,972,924	653,077
Fair Value Hedge Adjustment	2,467	2,696

	Impact on financial result	
	2021	**2020**
Financial income		
Fair Value Hedge Adjustment	12,479	16,370
Financial expense		
Fair Value Hedge Adjustment	(12,250)	(6,229)
Net Financial Result (a)	**229**	**10,141**

(a) For all contracts with Banco MUFG, hedge accounting operations were contracted, resulting in the balance of the net financial income. For the 2nd and 3rd series of the 10th debenture issue, there are also hedge accounting operations.

In thousands of reais, unless indicated otherwise

Derivative designed for Fair Value Hedge	Reference amount (notional)		Fair value	
Contract type	**2021**	**2020**	**2021**	**2020**
Swap contracts (fixed Dollar for CDI real)				
Asset position				
Fixed Dollar	133,333	206,000	191,452	276,091
Liability position				
Real CDI	133,333	206,000	(139,707)	(207,318)
			51,745	68,773
Swap contracts (fixed yen for CDI real)				
Asset position				
Fixed Yen	200,000	350,000	218,583	397,912
Liability position				
Real CDI	200,000	350,000	(216,210)	(371,388)
			2,373	26,524
Swap contracts (IPCA for CDI real)				
Asset position				
IPCA	800,000	-	855,243	-
Liability position				
Real CDI	800,000	-	(881,798)	-
			(26,555)	-
Total Swap Contracts			**27,563**	**95,297**
Income tax allowance on swap gains			(8,177)	(15,621)
Total income net swap contracts			**19,386**	**79,676**
Rated				
In the current asset			14,561	26,585
In the non-current asset			59,467	56,615
In current liabilities			(54,642)	(3,524)
			19,386	**79,676**

In thousands of reais, unless indicated otherwise

Unassigned Derivatives	**Reference amount (notional)**		**Fair value**	
Contract type	**2021**	**2020**	**2021**	**2020**
Hedge contracts				
Asset position				
IPCA (IPCA for CDI)	367,150	367,150	422,238	432,952
Variable dollar to fixed real		23,016	-	23,751
Liability position				
CDI (IPCA for CDI)	367,150	367,150	(373,567)	(368,977)
Variable dollar to fixed real		23,016	-	(22,969)
Total hedge contracts			**48,671**	**64,757**
Income tax allowance on swap/NDF			(7,301)	(11,322)
Total income tax net swap/NDF			**41,370**	**53,435**
Rated				
In the current asset			-	655
In the non-current asset			72,052	59,826
In current liabilities			(30,682)	(7,046)
			41,370	**53,435**

The Company has swap derivative instruments. For the active index edge of the swap, tied to a fixed rate plus dollar, yen exchange variation, or IPCA, the value is calculated by the contractual rate until maturity and then discounted by the exchange coupon rate, or IPCA coupon corresponding to the remaining term, between maturity and the current date. Finally, the value resulting from this calculation (currency swap) is converted at the current exchange rate.

For the passive index edge, which is tied to a certain CDI percentage, the value to maturity is calculated by applying this percentage. This result is then discounted at the rate of 100% of the CDI to the current date.

In thousands of reais, unless indicated otherwise

Description	2021			2020		
	Notional Value	Fair Value	Salaries	Notional Value	Fair Value	Salaries
Swap contracts						
Asset position						
Foreign currency	333,333	410,035		556,000	674,003	
IPCA	1,167,150	1,277,481	To	367,150	432,952	To
Liability position			Aug/36			Apr/24
Rates (post)	1,500,483	1,611,282		923,150	947,682	
"NDF" contracts						
Asset position						
Foreign currency	-	-		23,016	23,751	Jan-21
Liability position			-			-
Foreign currency	-	-		23,016	22,969	

The Company's derivative financial instruments are distributed among the following counterparties:

Entity	MRS Receives	MRS Payable	Start Date	Maturity Date	Contracted Notional Value	Fair Value 2021(R$) Asset	Fair Value 2021 (R$) Liability	Gross Income (R$) Asset - Liability (*)
Swap contracts								
MUFG Bank	Iene+ 1,42%	CDI+2,40%	9/6/2020	9/6/2022	R$ 50,000	54,126	52,917	1,209
MUFG Bank	Iene+ 1,58%	CDI+2,75%	9/6/2020	9/6/2023	R$ 150,000	164,457	163,294	1,163
MUFG Bank	USD+ 4,59%	106%,5% do CDI	08/27/2018	08/23/2023	R$ 206,000	191,452	139,707	51,745
Itau Bank	IPCA+4,97%	CDI+1,05%	08/16/2021	08/15/2031	R$ 300,000	320,292	322,390	(2,098)
Itau Bank	IPCA+5,06%	CDI+1,30%	08/16/2021	08/15/2036	R$ 500.000	534,952	559,408	(24,456)
Mizuho Bank	IPCA+4,095%	100,64% do CDI	04/30/2019	04/15/2024	R$ 100,000	115,003	101,747	13,256
JP Morgan Bank	IPCA+4,095%	100,64% do CDI	04/30/2019	04/15/2024	R$ 267,150	307,234	271,819	35,415
Total						**1,687,516**	**1,611,282**	**76,234**

(*) Gross values of Withholding Income Tax of R$15,478, totaling a net position of derivatives of R$60,756 (R$133,111 on December 31, 2020)

Non-derivative financial instruments

When measuring the fair value of its financial instruments, the Company assesses the credit risk of its counterparties and its own credit risk.

In thousands of reais, unless indicated otherwise

24.1. Fair value hierarchy

The Company uses the following hierarchy to determine and disclose the fair value of financial instruments:

- Level 1: Financial instruments that have data from an active market (unadjusted quoted price) in a way that can be accessed daily, including the fair value measurement date.

- Level 2: Financial instruments that have data other than active market data (unadjusted quoted price) included in Level 1, extracted from a pricing model based on observable market data.

- Level 3: Instruments classified as Level 3 are those that have data extracted from a pricing model based on unobservable market data.

The Company's derivative financial instruments, with a net receivable balance of R$60,756 on December 31, 2021, as well as financial instruments associated with cash (including cash and cash equivalents) were classified in Level 2 for fair value hierarchy. There are no financial instruments classified as Level 3 and Level 1 in the Company.

In the year ended December 31, 2021, there were no transfers between levels.

	2021		2020	
	Fair value	Level	Fair value	Level
Assets (Liabilities)				
Derivative financial instruments assets	146,080	2	143,681	2
Derivative financial instruments liabilities	(85,324)	2	(10,570)	2

24.2. Objectives and policies for financial risk management

The Company's main financial liabilities, other than derivatives, refer to loans, suppliers and other accounts payable. The main purpose of these financial liabilities is to raise funds for the Company's operations. The Company has loans and other credits, accounts receivable from customers and other accounts receivable, and demand and short-term deposits that result directly from its operations. The Company also contracts derivative transactions.

The Company is exposed to market risk, credit risk and liquidity risk.

The top management oversees the management of these risks, and is supported by a financial committee of the Board of Directors, thus contributing to the maintenance of an appropriate financial risk governance structure for the Company.

The finance committee recommends actions to the Company's top management so that the activities in which financial risks are assumed are governed by appropriate policies and procedures, and approved by the Board of Directors. All derivative activities are for risk management purposes, and there is no trading of derivatives for speculative purposes. The financial risk management policy is reviewed and approved annually by the Board of Directors.

The financial committee reviews and establishes policies for managing each of these risks, with the main aim of reducing unexpected financial or economic differences that could impact both the Company's results and its expected cash flow. As a secondary objective, it seeks to minimize the probability of: (i) unexpected demands for additional funding; and (ii) that MRS' metrics violate financial covenants already assumed.

As a central risk management mechanism, the internal controls used by the Company's Management are focused on monitoring the percentage debt indexed in foreign currency that is hedged by derivative financial instruments. For this reason, most of the Company's exposure to exchange rate risk has been covered by swap contracts.

Additionally, the Company not only monitors the results of these operations through their fair value, but also outlines scenarios of deterioration of the relevant market variables, evaluating stress situations and their respective financial impacts.

24.3. Policy for the use of derivative financial instruments

The Company's policy is to mitigate its exposure to market risks, seeking to reduce the financial impact of fluctuations in exchange and interest rates. This policy is implemented through the strategic monitoring of the exposure of its assets and liabilities to these variables, combined with the contracting of derivative operations that allow control of the risks involved.

The operations with derivatives basically take place by means of exchange rate swaps versus a percentage of the CDI, all of which count on first-tier banks as counterparties and involve prefixed rates in foreign currency, with no margin deposit as guarantee. Note that the totality of the derivative contracts has the purpose of reducing exposure to risks, with no speculative positions.

24.4. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market prices include three types of risk: interest rate risk, exchange rate risk, and price risk, which can be commodity and shares, among others, which are detailed below. Financial instruments affected by market risk include loans payable, deposits, financial instruments available for sale and measured at fair value through profit or loss, and derivative financial instruments.

(a) Interest rate risk

Interest rate risk arises from the possibility of the Company being subject to financial losses caused by changes in the interest rates to which it is exposed.

The Company has relevant liabilities tied to post-fixed local interest rates such as CDI, TJLP - Long-Term Interest Rate, TLP - Long-Term Rate and IPCA.

The risks associated with the CDI, TJLP and IPCA are evaluated by sensitivity analysis. This analysis assumes reasonably possible scenarios, where 25% and 50% appreciation in market interest rates were considered. In scenario I, the rates are increased by 25%, and in scenario II, by 50% in relation to the rates of the likely scenario listed by the Company, using the market perspective for the closing of 2021, based on the FOCUS market report released by the Brazilian Central Bank on December 31, 2021, in addition to the TJLP and TLP on the same date.

In thousands of reais, unless indicated otherwise

In the table below, we can see that on the base date of December 31, 2021, the increase of 50% of both CDI and TJLP (scenario II) represents a loss close to 4.2% (in 2020, the loss was close to 2.7%) of increase in the net liability position, approximately R$99,485 (R$29,004 on December 31, 2020), when compared to the likely scenario, the reason why the Company decided not to use derivative instruments to minimize this exposure.

	2021	Likely	Scenario I	Scenario II
CDI	7.15%	9.15%	11.44%	13.73%
TJLP	5.57%	4.88%	6.10%	7.32%
TLP	6.76%	6.53%	8.16%	9.80%
IPCA	9.50%	10.06%	12.58%	15.09%
Liability	3,889.70	4,255.60	4,347.20	4,438.90
TJLP Debt	4.0	4.2	4.4	4.6
TLP Debt	268.1	285.6	290.0	294.4
CDI Debt	1,733.80	1,892.50	1,932.10	1,971.80
IPCA Debt	1,883.80	2,073.30	2,120.70	2,168.10
Asset	1,831.50	1,999.10	2,041.00	2,082.90
Applications	1,831.50	1,999.10	2,041.00	2,082.90
Net Uncovered Position	2,058.20	2,256.40	2,306.20	2,355.90

	Book value	
	2021	**2020**
Fixed rate instruments		
Financial Liabilities	882,880	957,227
Post fixed rate instruments		
Financial Assets	1,836,612	1,206,484
Financial Liabilities	3,483,705	2,050,494

(b) Foreign exchange rate risk

The Company's results are susceptible to significant variations due to the effects of exchange rate volatility on liabilities tied to a currency other than its functional currency.

In particular, its exposure to currency risk (exchange rate risk) is concentrated on purchases and loans basically denominated in US dollars and Japanese yen, which closed the year ended on December 31, 2021 with a positive variation of 7.43% and -3.89%, respectively (positive 29.33% and 35.74% on December 31, 2020, respectively).

In thousands of reais, unless indicated otherwise

	2021	2020
Foreign Currency Assets		
Ongoing imports	65,619	35,170
Advances to suppliers	5,655	27,307
Swap/NDF financial instruments	410,035	696,201
	481,309	**758,678**
Foreign Currency Liabilities		
Suppliers	(92,295)	(10,353)
Loans and funding	(409,687)	(655,773)
	(501,982)	**(666,126)**
Net Exposure	**(20,673)**	**92,552**

The following are the variations in the Company's assets and liabilities tied to the exchange rate, resulting from application of the stress scenarios. It was decided to keep the active index edge of the swap separate, in order to make the effect of the derivative more evident.

The sensitivity analyses in the following sections refer to the position on December 31, 2021 and seek to simulate how a stress in the risk variables could affect the Company, considering reasonably possible scenarios. The first step was to identify the main factors that have the potential to generate losses in the results, which came down to the exchange rate. The analysis started from a base scenario, represented by the carrying value of the operations, that is, considering the sales rate on December 31, 2021 and the interest accrued in the period. Furthermore, three scenarios were drawn, the likely scenario, scenario II with a deterioration of 25%, and scenario III with a deterioration of 50%, in the risk variable.

To conduct the analysis, the Company uses as assumption of the likely scenario the exchange rate of December 31, 2021 - disclosed in the last Focus Report - BACEN [Brazilian Central Bank]. From the probable exchange rate, the 25% and 50% deterioration scenarios of the risk variable are generated.

The table below represents the sensitivity analysis involving the net effect resulting from these shocks on the exchange rates for the year 2021.

In thousands of reais, unless indicated otherwise

Dollar valuation risk - 2021

R$ million

Operation	Likely Scenario I	Scenario II	Scenario III
Hedge - Swap Active Index Edge	2.479	103.129	206.257
Debt in US$	(2.474)	(103.040)	(206.081)
Net risk of the operation in the increase US$	**0.005**	**0.089**	**0.176**

	Exposure (R$ million)	Likely exposure (R$ million)	Real	Expected rate	Impact	
					25%	50%
Swap Active Index Edge	191.5	187.0	5.63	5.50	6.88	8.25
Debt in Dollars	(191.3)	(186.9)	5.63	5.50	6.88	8.25

These transactions are primarily denominated in Real and Dollar.

R$ million

Operation	Likely Scenario I	Scenario II	Scenario III
Hedge - Swap Active Index Edge	4.421	46.758	93.516
Debt in Yen	4.418	(46.730)	(93.460)
Net risk of the operation in the increase Y$	**(0.003)**	**0.028**	**0.056**

	Exposure (R$ million)	Likely exposure (R$ million)	Real	Expected rate	Impact	
					25%	50%
Swap Active Index Edge	218.6	225.5	0.05	0.05	0.06	0.08
Debt in Yen	(218.3)	(225.2)	0.05	0.05	0.06	0.08

These transactions are primarily denominated in Real and Yen.

(c) Credit risk

Refers to the possibility of the Company suffering losses due to default by its counterparties or financial institutions depositaries of funds or financial investments. To mitigate these risks, the Company adopts the practice of analyzing the financial and equity situations of its counterparties, as well as defining credit limits and permanently monitoring open positions. The Company has no guarantees taken in relation to accounts receivable.

In thousands of reais, unless indicated otherwise

	2021	**2020**
Cash and cash equivalents	1,836,612	1,206,484
Trade accounts receivable and other trade accounts	709,692	706,327
Derivative financial instruments - swap/NDF	60,756	133,111
Total	**2,607,060**	**2,045,922**

Accounts receivable

The Company has its accounts receivable concentrated in a few large customers, which are also its related parties (explanatory note 8), representing 89.9% of total accounts receivable on December 31, 2021 (91.06% on December 31, 2020).

Such customers demand "captive" cargo transportation and have the same credit policy, determined in the respective service agreements. For these customers, the credit risk is relatively low due to the mitigating mechanisms defined in the service agreement.

For customers with non "captive" cargo transportation, the Company is subordinated to the credit policies set by its Management, which aim to minimize eventual problems arising from the default of its customers. In such cases, the Company exercises daily credit and collection management. In case of default, collection is carried out with the direct involvement of the managers responsible for the commercial contracts, and may even lead to the temporary suspension of the service provision.

Financial instruments and cash deposits

The Company is subject to credit risk associated with the financial investments it makes, given the risk of insolvency of the institutions in which the Company keeps its investments, which may result in total or partial loss of the funds invested. On December 31, 2021, the Company's cash and cash equivalents exposure amounted to R$1,836,612 (R$1,206,484 on December 31, 2020), which were allocated to current accounts or investments in CDB or matched transactions that had a formal repurchase commitment by the financial institutions.

The credit risk on cash and cash equivalents is determined by rating instruments that are widely accepted in the market and are arranged as follows:

	2021
AAA+	134,286
AA+	987,722
A ou A+	714,604
Total	**1,836,612**

In thousands of reais, unless indicated otherwise

(d) Liquidity risk

The Company's operation is capital intensive, and part of this investment is financed by loans and financing. This leverage, as shown in the table below, generates a demand for cash, and it is certain that the Company's investment has high resilience, i.e. it is possible to adjust it throughout the year according to the business evolution.

The Company's current cash position is considered robust and will be reinforced throughout 2021, both by cash generation and by new long-term funding, distributed over the second half of 2021. These resources will cover part of the estimated amount of investments for the coming years.

The Company currently has long-term financing lines already approved with relevant financial institutions. However, due to the cash position considered comfortable and resilient cash generation, the Management evaluates internally the best moment for such funding.

The table below summarizes the maturity profile of the Company's financial liabilities on December 31, 2021 based on undiscounted contractual payments.

	Non-Deducted Cash Flow – December 31, 2021				
	Up to 6 months	**6 - 12 months**	**1 - 2 years**	**2 – 5 years**	**More than 5 years**
Non-derivative financial liabilities					
Loans, financing and debentures (R$)	577,424	387,547	779,015	1,057,448	2,927,748
Related parties	51,282	60,689	119,652	12,822	12,822
Suppliers	386,499		31,334		
Derivative financial liabilities					
Swaps used for hedge (USD)	(39,845)	(15,440)	(17,654)	(108,368)	168,817

	Non-Deducted Cash Flow – December 31, 2020				
	Up to 6 months	**6 - 12 months**	**1 - 2 years**	**2 – 5 years**	**More than 5 years**
Non-derivative financial liabilities					
Loans, financing and debentures (R$)	410,774	515,746	850,506	877,940	125,983
Related parties	70,128	45,386	109,263	47,061	12,822
Suppliers	248,620	346	29,640		
Derivative financial liabilities					
Swaps used for hedge (USD)	19,390	23,441	49,340	67,101	-

Note that the non-derivative financial liabilities that count on some kind of guarantee are detailed in explanatory note 22. Derivative financial liabilities do not have any type of guarantee.

Capital management

The management's policy is to maintain a solid capital base to maintain investor, creditor and market confidence and to sustain the future development of the business. Management monitors the return on capital invested considering the results of the economic activities of the operating segments. The goal is to achieve a return compatible with its cost of capital reviewed annually through the concept of the Weighted Average Cost of Capital. Management also monitors the level of dividends for common and preferred shareholders.

In thousands of reais, unless indicated otherwise

The debt in relation to capital at the end of the period is shown below:

	2021	2020
Total liabilities	8,587,269	6,816,894
(-) Cash and cash equivalents	1,836,612	1,206,484
Net obligatins	6,750,657	5,610,410
Total equity	4,847,467	4,312,819
Ratio of net obligations on equity	**1.393**	**1.301**

25. Dividends payable

The Company's Bylaws ensure a minimum annual dividend corresponding to 25% of net profit, according to corporate law.

	2021	2020
Net income for the year	699,584	430,282
Appropriation for the statutory reserve	(34,979)	(21,514)
Base net profit for determining dividends	**664,605**	**408,768**
Minimum mandatory dividends – 25%	166,151	102,192
Balance of dividends payable from previous years	196	179
Total dividends	**166,347**	**102,371**

On December 17, 2021, R$102,167 of mandatory minimum dividends was paid for the year 2020 (R$239,094 on December 16, 2020, R$119,547 of which were mandatory minimum dividends and R$119,547 referring to additional dividends approved by an Extraordinary General Meeting, held on November 27, 2020, using part of the previous year's retained earnings reserve).

In thousands of reais, unless indicated otherwise

26. Concession payable

	2021	2020
Concession payable	8,372	7,443
Current	5,614	4,706
Non-current	2,758	2,737

The balance of concession payable refers to the recognition of obligations payable incurred up to this date. The current liability obligations are registered linearly, on an accrual basis and in accordance with the contract terms (360 months) with a counter-entry in the costs of services provided. The amount recorded in non-current liabilities refers to the grace period that was appropriated in the result according to the accrual basis and is being settled in each of the installments paid quarterly.

The concession agreement foresees that for exploitation of the railway transport services, the Company will pay the total in 117 quarterly installments, due in January, April, July and October of each year. On December 31, 2021, 19 quarterly installments of R$6,969 remained, totaling R$132,406. These values already include capitalization of the contractual interest of 10.99% per year and monetary restatement until December 31, 2021 based on the last contractual index, IGP-DI - General Price Index - Domestic Availability.

The flow of future concession payments is as follows:

	2022	In up to 5 years	Total
Concession	27,875	104,531	132,406

In January 2022, the Company paid the 99th installment of the concession, in the amount of R$6,969.

In thousands of reais, unless indicated otherwise

27. Provisions

The provisions consist of the following:

		2021	2020
Allowances for contigencies	**24.1**	669,695	597,326
Provision for indemnity/fines to the Power Authority	**24.2**	51,833	49,441
ILP Allowance (long-term incentives)		17,802	17,257
Allowance for post-employment benefits	**24.3**	7,043	4,934
Other allowances		15,787	47,285
		762,160	**716,243**
Current		21,043	53,762
Non-current		741,117	662,481

In thousands of reais, unless indicated otherwise

27.1 Provisions for contingencies

The provisions for contingent liabilities, classified with risk of probable loss, are recorded in non-current liabilities and comprise the following:

	Labor	Civil	Tax	Environmental	Total accrued liability
On December 31, 2019	**319,501**	**76,137**	**129,276**	**1,544**	**526,458**
Addition	51,974	31,689	26,417	-	110,080
Updates	35,283	6,151	5,750	301	47,485
Write-offs for reversals or payments	(47,846)	(38,569)	(173)	(109)	(86,697)
On December 31, 2020	**358,912**	**75,408**	**161,270**	**1,736**	**597,326**
Addition	37,253	28,435	2,546	166	68,400
Updates	57,476	18,037	(248)	(753)	74,512
Write-offs for reversals or payments	(40,110)	(13,757)	(15,817)	(859)	(70,543)
On December 31, 2021	**413,531**	**108,123**	**147,751**	**290**	**669,695**

Considering the deposits and blockages made in the course of the process, and which are still pending, the expected future impact on cash consists of the following:

		No. of shares (*)	Implied value	Allowance (**)	Deposits	Net value
Labor	**(a)**	1,754	810,529	413,531	(39,223)	374,308
Civil	**(b)**	1,074	488,894	108,123	(16,303)	91,820
Tax	**(c)**	182	709,532	147,751	(65,462)	82,289
Environmental	**(d)**	131	54,965	290	(853)	(563)
Others	**(e)**	6	-	-	-	-
		3,147	**2,063,920**	**669,695**	**(121,841)**	**547,854**

(*) Refer to the lawsuits classified with a prognosis of possible and probable loss.
(**) This amount does not include contingencies under the responsibility of RFFSA, since the Company is only responsible for the payment of labor debts originated after the privatization, according to the Privatization Decree, item 7.2.

(a) Labor

The labor suits mostly claim the collection of overtime, indemnity installments, night shift premiums, intra-day breaks, salary equalization, and risk and health hazard premiums.

On December 31, 2021, the total amount of labor lawsuits classified with a prognosis of possible or probable loss was R$810,529 (R$692,916 on December 31, 2020). The lawsuits with a prognosis of probable loss amount to R$610,784. Based on the understanding of its legal advisors, the Company has provisioned R$413,531 for 906 lawsuits (R$358,912 on December 31, 2020), considering the perspective of probable loss in those lawsuits.

The addition in the amount of R$37,253 is mainly due to changes in the prognosis, results of calculations resulting from condemnatory or modifying decisions issued during the period and increase in the amount of labor claims provisioned.
Likewise, the provision write-offs in the period totaled R$40,110, and refer to execution payments, payments for entering into agreements, and changes in prognosis.

In addition, based on the evaluation of its legal advisors, the Company has a contingency of R$199,745 for 848 lawsuits with an estimated possible loss, for which no provision has been made.

(b) Civil

Currently, in the civil sphere, the Company is a party in 1,074 lawsuits, in which it appears as defendant in 949 and as plaintiff/confronting party/interested party in 125.

The lawsuits in which the Company is the defendant deal, in their majority, with civil liability for railroad accidents, legality of charging for interference by third parties in areas of the right of way, concession and leasing agreements, maintenance of the health plan and the readjustment index for the monthly health plan after dismissal of the Company's employees, equating the private pension plan to the RFFSA plan, and Public Civil Lawsuits. The total amount involved in these lawsuits, on December 31, 2021, was R$470,728 (R$429,392 on December 31, 2020). Following the understanding of its legal advisors, the Company has a provision of R$108,122, (R$75,408 on December 31, 2020), referring to the estimated value of the lawsuits with probable loss.

The lawsuits in which the Company appears as plaintiff/confronting party/interested party mostly deal with contractual responsibility, collection actions for use of the right of way, adverse possession and repossession. The total amount involved in these lawsuits, on December 31, 2021, was R$18,166.
Following the understanding of its legal advisors, on December 31, 2021, the Company has a provision of R$0.05 for these lawsuits (R$0.02 on December 31, 2020).

New provisions were added in the amount of R$28,435, resulting mainly from the change in the provisioning criterion for civil contingencies adopted as of December 2020, as mentioned in explanatory note 28.1, letter b, of the 2020 accounting statements, as well as from condemnatory decisions modifying the amount originally provisioned during the period.

Provision write-offs were made in the period, totaling R$13,757, resulting from implementation of the provisioned expenses.

The Company is a party in 907 lawsuits for which, based on the evaluation of its legal advisors, no provision was made, since the prognosis of loss was classified as possible. The value of the contingencies with prognosis of possible loss is R$353,589 on December 31, 2021 (R$351,943 on December 31, 2020), and mainly refers to indemnity actions arising from railway accidents.

The Company has insurance coverage for bodily injury, material and moral damages, and losses caused to third parties, with a deductible currently of R$750 per claim.

(c) Tax

The Company is party in 182 judicial and administrative tax lawsuits, 28 of which are for tax recovery and 154 have possible or probable risk of outflow of resources.

On December 31, 2021, the total amount involved for the 154 shares was R$709,532 (R$786,463 on December 31, 2020). Based on the understanding of its legal advisors, the Company has provisioned the amount of R$147,751 (R$161,270 on December 31, 2020), referring to 10 lawsuits considering the perspective of probable loss.

The composition of the tax provisions with prognosis of probable loss is comprised as follows:

- ICMS - The amounts of R$76,005 and R$37,934 refer to lawsuits in which the use of ICMS credits is discussed in the states of Rio de Janeiro and São Paulo, respectively, for the acquisition of goods classified by the Company as inputs or fixed assets, disallowed by the state inspection.
- Tax execution for collection of IRPJ debts in the amount of R$759, extinguished by offsetting.
- Action for annulment of debts included ex-officio by the tax authority in the Crisis REFIS created by Law 11941/09, in the form of "Installment Payment of Remaining Balances of REFIS, PAES, PAEX and Regular Installment Payment Programs", in the amount of R$1,726
- Writ of Mandamus PIS COFINS Financial Revenues, in the amount of R$31,327.

The Company has 139 lawsuits for which, based on the assessment of its legal advisors, it did not set up a provision, since the expected losses were considered possible. The amount of R$561,781 refers to actions that deal, in their majority, with

- Tax delinquency notices for disallowance of PIS and COFINS credits on leasing, mutual traffic and in the amount of R$148,781.
- Tax assessment notice for disallowance of PIS and COFINS subsidy credits in the amount of R$16,062.

- IPTU [Land Use Tax] reciprocal immunity. R$61,844 refers to administrative and judicial proceedings related to the undue collection of IPTU on operational real estate, object of the concession agreement, assigned to the Company by the Federal Government for providing the transport service.
- PIS and COFINS mutual traffic: R$17,806, refers to the requirement of PIS and COFINS on the entry of values as mutual traffic in the Company's cash and, subsequently, transferred to third parties (revenue from another concessionaire).
- Non-approval of compensations and neglect of payments of several taxes: R$39,144.
- RJ ICMS assessment due to alleged lack of CIAP [Permanent Asset ICMS Credit Control] Bookkeeping: R$15,086
- ICMS RJ export tax assessment - exemption: R$ 19,207

(d) Environmental

The Company is a party in 20 lawsuits and 111 administrative proceedings related to environmental matters. On December 31, 2021, the total amount involved in these lawsuits was R$54,965 (R$38,588 on December 31, 2020). Based on the understanding of its legal advisors, the Company has provisioned the amount of R$ 291 referring to 2 lawsuits, considering the perspective of probable loss in those suits, with the others remaining as 'possible' loss.

(e) Others

The Company has 6 Conduct Adjustment Agreements (TACs) signed and in effect, 2 arising from labor matters and 4 from civil matters. The TACs on labor matters aim at (i) guaranteeing the union leaders the full exercise of their activities, the object of which is the defense of the collective or individual rights and interests of the professional category, and (ii) fulfillment of the percentage of employees with disabilities established by article 93 of Law 8213/91. In the civil area, there are 4 TACs: (i) in the municipality of Guarujá, for improvements in safety signaling, regularization of the right of way area, and provision of waste containers; (ii) in the municipality of Santo André, for building renovations in the Paranapiacaba railroad yard; (iii) in the municipality of Congonhas, for the construction of 1 viaduct and 2 footbridges in Bairro do Pires; (iv) in the municipality of Resende, for renovation of the Engenheiro Passos Railroad Station shed.

27.2 Provision for indemnity/fines to the Granting Authority

The amount of R$51,833 (R$49,441 in 2020) recorded in non-current liabilities refers to the provision for ongoing proceedings with the Granting Authority, arising from the result of the sanitation diagnosis and regularization of the properties, in addition to some administrative proceedings and penalties in progress with ANTT, with a prognosis of probable loss.

27.3 Provisions for post-employment benefits

Supplementary pension plan

The Company sponsors a supplementary pension plan for employees through a pension plan managed by Bradesco Vida e Previdência. The supplementary pension plan, created on July 1, 1999, is eligible for all MRS employees from the date the plan was created. The plan is a defined contribution plan and the Company has no legal or constructive obligation to pay additional contributions if the fund does not have sufficient assets to pay all benefits due. The costing is parity, so that the Company's part is equivalent to 100% of that made by the employee, according to a contribution scale based on salary ranges.

The plan requires that contributions be made to funds managed separately from the Company's own funds. The assets of the plan are held by an open supplementary pension company, are not available to the Company's creditors, and cannot be paid directly to the Company.

The contributions made by the Company totaled R$6415 in the year ended on December 31, 2021 (R$6,015 in 2020), which were recorded as an expense for the year.

On December 31, 2021 and 2020, there were no liabilities in the Company's name arising from the supplementary pension plan.

Health care plan

The Company maintains a post-employment health care plan for a certain group of former employees and their spouses administered with the insurance company Bradesco Saúde. The plan has a policy of partial participation by each employee (fixed monthly contributions), through the post-payment model. Due to the adoption of this policy, the extension of this benefit is guaranteed to the employee and his or her family group after dismissal and retirement (post-employment period) according to articles # 30 and 31 of Law 9656/98, respectively, and Regulatory Resolution RN # 279 of November 24, 2011.

The Company also offers a post-payment plan administered by Unimed Juiz de Fora. However, there are no retired or fired users during the post-employment period and there is zero expectation of membership for future retired users.

In thousands of reais, unless indicated otherwise

On December 31, 2021, the plan had 16,375 lives in Bradesco Saúde and 654 in Unimed Juiz de Fora, totaling 17,029 lives.

Actuarial gains and losses are recognized in the Shareholders' Equity as Asset Valuation Adjustment and in the Comprehensive Income Statement, as determined by Accounting Pronouncement CPC 33 (R1) - Employee Benefits.

The contributions made by the Company to the health care plan administered by Bradesco Saúde S.A and Unimed totaled R$42,133 on December 31, 2021 (R$36,497 on December 31, 2020).

On December 31, 2021, there were actuarial liabilities on behalf of the Company, arising from the health plan in the amount of R$7,043 (R$4,934 in 2020), which were duly provisioned in non-current liabilities.

a. Reconciliation of the net actuarial liability recognized in the balance sheet:

	2021	2020
Net actuarial liabilities in January 1	4,934	6,190
Expense accounted in the year	484	506
Gains in obligations	(1,236)	(1,762)
Plan Amendments - Past Service Cost	2,861	-
Actuarial liabilities on December 31	**7,043**	**4,934**

b. Movement of the actuarial liability:

	2021	2020
Actuarial liabilities at the end of the year	4,934	6,190
Current service cost	92	83
Interests over actuarial liabilities	392	423
Benefits paid directly to plan	(359)	(349)
(Gain)/ Loss - Cost rescaling included in other comprehensive income	(877)	(1,413)
Plan Amendments - Past Service Cost	2,861	-
Actuarial liabilities on December 31	**7,043**	**4,934**

c. Expense to be recognized in the income statement for the next year:

	2022
Current service cost	342
Interests over actuarial liabilities	644
Total expenses to be accounted	**986**

In thousands of reais, unless indicated otherwise

d. Assumptions adopted by the independent actuary in the actuarial obligation calculations for the Health Operator Bradesco Saúde:

Discount rate	5.3035% p.a.
Long-term inflation	3.89% p.a.
Medical inflation (HCCTR)	0.26% a.a[1]
Aging factor	N/A
General mortality table	AT-2000 Basic segregated by sex

[1]This information is merely illustrative, since the calculations are made considering the administrative fee, which is not influenced by this assumption.

E. Assumptions adopted by the independent actuary in the actuarial obligation calculations for the Health Operator Unimed:

Discount rate	5.3035% p.a.
Long-term inflation	3.89% p.a.
Medical inflation (HCCTR)	2.13% p.a.
Aging factor[2]	From 0 to 18 years old: R$ 91.36 From 19 to 23 years old: R$ 100.51 From 24 to 28 years old: R$ 115.58 From 29 to 33 years old: R$ 132.92 From 34 to 38 years old: R$ 152.86 From 39 to 43 years old: R$ 183.44 From 44 to 48 years old: R$ 223.79 From 49 to 53 years old: R$ 279.74 From 54 to 58 years old: R$ 363.67 From 59 years upwards: R$547.33
General mortality table	AT-2000 Basic segregated by sex

[2] Increasing per capita cost by age group.

Life insurance

Employees participate in group life insurance guaranteed by Generalli Companhia de Seguros. In 2021, the Company contributed R$900 (R$874 in 2020) for life insurance for its employees.

In thousands of reais, unless indicated otherwise

28. Other obligations

		2021	2021
Contractual obligation with related parties	8	147,482	191,583
Consigned fuel		10,027	7,777
Other payables		4,103	5,285
		161,612	**204,645**
Current		25,437	55,267
Non-current		136,175	149,378

29. Shareholders' equity

(a) *Subscribed and paid-in capital*

The subscribed and paid-in capital, in the amount of R$2,151,539 (R$2,047,268 in 2020), is divided into 340,000,000 book-entry shares with no par value, divided into common and preferred classes "A" and "B".

According to the Company's 2012 Bylaws, the Company's authorized capital as of December 31, 2021 was R$2,500,000.
According to the Privatization Notice and MRS' By-Laws, no shareholder may hold more than 20% of the voting capital. If this limit is exceeded, by determination of the ANTT, the shareholder will renounce the voting and veto rights inherent to the shares that exceed this limit.

The Board of Directors approved the Company's proposal and recommended an increase in capital stock in the amount of R$1,809,492 using the balance of investment reserves constituted in previous years, for deliberation by the General Meeting.

On December 31, 2021, the interest in the Company's capital stock was as follows:

Shareholders	Common Shares		Preferred Shares		Total Capital	
	No. of shares	%	No. of shares	%	No. of shares	%
Minerações Brasileiras Reunidas S.A.	37,666,526	20.00%	74,301,916	48.99%	111,968,442	32.93%
Companhia Siderúrgica Nacional	26,611,282	14.13%	36,765,916	24.24%	63,377,198	18.64%
CSN Mineração S.A.	25,802,872	13.70%	37,536,000	24.75%	63,338,872	18.63%
Usiminas Participações e Logística S.A.	37,513,650	19.92%	342,805	0.23%	37,856,455	11.13%
Vale S.A.	36,270,703	19.26%	769,304	0.51%	37,040,007	10.89%
Gerdau S.A.	4,460,128	2.37%	-	-	4,460,128	1.31%
Railvest Investments	14,747,620	7.83%	-	-	14,747,620	4.34%
Minority Shareholders	5,259,906	2.79%	1,951,372	1.28%	7,211,278	2.13%
	188,332,687	**100.00%**	**151,667,313**	**100.00%**	**340,000,000**	**100.00%**

In thousands of reais, unless indicated otherwise

(b) *Right of shares*

Holders of common shares will be entitled to vote in the deliberations of the General Meetings; holders of preferred shares (classes A and B) will be entitled to dividends 10% higher than those attributed to the common shares, will not have voting rights and will enjoy priority in the receipt of capital, without premium, upon liquidation of the Company.

The class B preferred shares are, at the initiative of the shareholder who holds them, convertible into common shares, in the proportion of one for each common share. Such conversion can be made at any time, observing the conditions set forth in the Bylaws.

Although without voting rights, the class B preferred shares will be entitled to elect, in a separate vote, one member of the Board of Directors, as long as they represent a minimum of 25% of the total capital stock.

(c) *Profit reserve - legal reserve*

Constituted based on 5% of the net income for the year before shareholding interests and reversal of interest on equity, as determined by corporate law and limited to 20% of the capital stock. On December 31, 2021, after the constitution of R$34,979 on the accrued profit for the year, the balance of the Legal Reserve became R$377,026 (R$342,047 in 2020).

(d) *Profit reserve - investment reserve*

Management proposed to retain the remaining accrued profits for expansion in the amount of R$498,454, in order to provide the necessary funds to meet the Company's capital investment budget. It also proposed to increase the capital stock using the balance of this reserve until December 31, 2020. On December 31, 2021, the balance of the Investment Reserve was R$498,454 (R$1,809,492 in 2020).

(e) Additional dividend

There was no declaration of an amount exceeding the mandatory minimum dividend on December 31, 2021 and 2020

(f) *Equity valuation adjustments*

The equity valuation adjustment refers to the health plan's actuarial gains, calculated in accordance with CPC 33 (R1).

	Actuarial Earnings	IRPJ/CSLL	Total
2020	**11,739**	**(1,998)**	**9,741**
Earnings	877	338	1,215
2021	**12,616**	**(1,660)**	**10,956**

30. Earnings per share

The following table establishes the calculation of earnings per share for the years ended on December 31, 2021 and 2020 (in thousands of reais, except amounts per share):

	2021	2020
Numerator		
Net income for the year	699,584	430,282
Denominator		
Common shares weighted average	188,333	188,333
Common shares weighted average - A	82,076	82,076
Common shares weighted average - B	69,591	69,591
10% - Preferred shares	1.1	1.1
Weighted average of adjusted preferred shares (basic earnings)	166,834	166,834
Weighted average of adjusted preferred shares (diluted earnings)	90,284	90,284
Denominator for basic earnings per share	355,167	355,167
Denominator for diluted earnings per share	348,208	348,208
Basic/ diluted earnings per common share	1.970	1.211
10% - Preferred shares	1.1	1.1
Basic/ diluted earnings per preferred share - A	2.167	1.333
Basic/ diluted earnings per preferred share - B	2.167	1.333

The Company has no outstanding shares with dilution potential or other instruments that could result in dilution of the earnings per share calculation.

In thousands of reais, unless indicated otherwise

31. Net service revenue

	2021	2020
Services gross revenue	4,788,858	3,890,220
Tax on sales	(361,473)	(285,255)
Services net revenue	**4,427,385**	**3,604,965**

The Company provides services in the Brazilian domestic market, for private entities.

The service contracts with the customers establish the prices and the forecast of tons to be transported during the validity period. Revenue is recognized as mentioned in explanatory note 4.17.

In thousands of reais, unless indicated otherwise

32. Expenses by nature

		2021	2020
Depreciation and amortization		(1,056,749)	(1,049,931)
Labor and social charges		(699,663)	(605,162)
Fuel/ Lubrificants	**(a)**	(739,614)	(479,072)
Outsourced services		(330,794)	(291,276)
Inputs/ other materals		(227,553)	(176,104)
Shares of freight		(100,279)	(95,393)
Additional transportation costs		(34,952)	(22,654)
Concession cost		(25,178)	(21,001)
Insurance expenses		(13,989)	(12,327)
Accident costs		(9,371)	(21,786)
Operational vehicles and equipment rent		(6,688)	(10,618)
Management fees		(4,142)	(4,805)
Provision for expected losses on doubtful debts		(1,460)	(283)
Presumed ICMS MG credit		83,564	64,238
Others		(58,806)	(52,193)
		(3,225,674)	**(2,778,367)**
Cost of services rendered		(2,911,307)	(2,517,730)
Sales expenses		(16,061)	(13,440)
General and administrative expenses		(298,306)	(247,197)
		(3,225,674)	**(2,778,367)**

(a) The increase in the cost of Fuel/Lubricants in 2021 when compared to 2020, refers to the increase in the average price of fuel due to oscillations of the global commodities market.

In thousands of reais, unless indicated otherwise

33. Other operating income and other operating expenses

		2021	2020
Other operational revenues			
Tax Credit Interest PIS/COFINS	(a)	182,468	-
Indemnity revenue		44,397	239,085
Contractual penalties		145,753	62,371
Material Sales (scrap/ exceeding stock)		57,098	27,072
Alternative Revenues		24,492	35,217
Reversals for contingencies		4,648	-
Insurance		6,608	5,271
Revenue from sales of fixed assets		2,588	-
Reversed allowance for circulating asset loss		-	11,894
Reversal of other liability provisions		21,933	517
Other revenue		10,341	8,393
		500,326	**389,820**
Other operational expenses			
Fixed and intangible asset write-off	14	(31,602)	(24,984)
Procedural Loss Enforcement		(33,226)	(80,959)
Loss of tax credits		(38,599)	(22,701)
Alternative revenues cost		(15,892)	(9,652)
Other tax expenses		(17,101)	(16,421)
Taxes on sales and other revenues		(32,815)	(34,685)
Allowance for non-circulating asset loss	15	(72,640)	(7,958)
Agreements wiht Municipalities		(5,539)	(4,082)
Compensation to Granting Authority		(2,244)	(796)
Donations		(1,536)	(3,200)
Write-off of investment projects		(9,943)	(16,394)
Sponsorship expenses (tax incentives)		(11,646)	(8,733)
provisions fines/ indemnity Granting Authority		(4,299)	(6,038)
Inventory Adjustment/ Write-Off		(2,696)	(5,207)
Other expenses		(13,110)	(11,628)
		(292,888)	**(253,438)**
Other net operational incomes (expenses)		**207,438**	**136,382**

(a) Main value arising from the recognition of PIS and COFINS tax credit revenue (see note 10, letter a).

In thousands of reais, unless indicated otherwise

34. Financial revenue and expenses

		2021	2020
Financial Income			
Derivative financial instruments - *swap*		-	293,174
Tax Credit Interest PIS/COFINS	**(a)**	155,504	-
Exchange and Monetary Variation		126,056	129,404
Present value adjustment of accounts receivable and subleasing		37,527	31,406
Incomes w/ o Financial Investments		67,820	30,148
Marking-to-market adjustment - *hedged accounting*		229	7,404
Tax		862	2,292
Other financial revenues		1,422	5,096
		389,420	**498,924**
		-	
Financial Expenses			
Derivative financial instruments - swap		(59,054)	-
Exchange and Monetary Variation		(295,453)	(469,337)
Adjustment to present amount of leases		(159,820)	(152,017)
Tax		(218,171)	(172,771)
Other financial expenses		(20,170)	(21,213)
		(752,668)	**(815,338)**
Net Financial Income		**(363,248)**	**(316,414)**

(a) Interest arising from the recognition of income from PIS and COFINS tax credits, as detailed in explanatory note 12, letter a.

In thousands of reais, unless indicated otherwise

35. Taxes on profit

	2021	2020
Profit before the income tax and social contribution	**1,045,901**	**646,566**
Nominal aliquot	34%	34%
IRPJ/CSLL by rated aliquot:	**355,606**	**219,832**
Adjustments to reflect actual aliquot:	**(9,289)**	**(3,548)**
Tax incentives	(18,448)	(15,163)
Inventory adjustment	(253)	351
Citzen Company Project expenses	398	403
Donation expenses	254	578
Write-off of investment projects	3,381	5,574
Others	5,379	4,709
IRPJ/CSLL at the results for the year	**346,317**	**216,284**
Current	357,400	340,349
Deferred	(11,083)	(124,065)
IRPJ/CSLL at the results for the year	**346,317**	**216,284**
Total effective tax rate	33.11%	33.45%
Total effective tax rate - current	34.17%	52.64%
Total effective tax rate - deferred	-1.06%	-19.19%

In thousands of reais, unless indicated otherwise

36. Other cash flow disclosures

36.1 Sale of fixed assets

In the cash flow statement, the result from the sale of fixed assets comprises:

	2021	2020
Net book value	993	-
Profit from fixed assets disposal	1,595	-
Amounts received in fixed assets disposal	**2,588**	**-**

36.2 Effect on investment activities

	2021	2020
Payment of investments from previous years	(173,166)	(1,332)
Purchase in the period of fixed assets	292,629	170,947
Effect on investment activities	**119,463**	**169,615**

In thousands of reais, unless indicated otherwise

36.3 Reconciliation of liabilities resulting from financing activities

	2021					
	Bank loans	**Debentures**	**Finance Lease**	**Total**	**Derivative Financial Instruments**	**Total Debt**
Loans and Funding 12/31/2020	**1,211,730**	**1,776,278**	**1,992,988**	**4,980,996**	**(133,111)**	**4,847,885**
Operations that have affected cash flow	**30,224**	**984,589**	**(495,674)**	**519,139**	**24,767**	**543,906**
New fundings	561,930	1,500,000	-	2,061,930	-	2,061,930
Payment from main	(470,667)	(397,742)	(335,854)	(1,204,263)	24,767	(1,179,496)
Interest payment	(60,234)	(86,038)	(159,820)	(306,092)	-	(306,092)
Transaction cost	(805)	(31,631)	-	(32,436)	-	(32,436)
Operations that have not affected cash flow	**64,320**	**254,257**	**604,377**	**922,954**	**47,588**	**970,542**
Acquisition/ new leasings	-	-	-	-	-	-
Remeasurement by monetary restatement	-	-	444,557	444,557	-	444,557
Amortization of transactions costs/ debentures discount	420	6,542	-	6,962	-	6,962
Monetary and exchange variation	63,900	247,715	159,820	471,435	47,588	519,023
Loans and Funding 12/31/2021	**1,306,274**	**3,015,124**	**2,101,691**	**6,423,089**	**(60,756)**	**6,362,333**

In thousands of reais, unless indicated otherwise

Payments related to investment suppliers are reported in the cash flow as financing activities. In 2021, the payment of R$173,166 was made referring to investments from previous years.

	2020					
	Bank loans	**Debentures**	**Financial leasing**	**Total**	**Financial instruments**	**Total debt**
Loans and financing 12/31/2019	**1,285,032**	**1,780,490**	**1,906,792**	**4,972,314**	**(84,067)**	**4,888,247**
Movements that affected the cash flow	**(384,322)**	**(142,736)**	**(399,140)**	**(926,198)**	**235,400**	**(690,798)**
New funding	511,692	-	-	511,692	-	511,692
Payment of principal	(843,016)	(60,680)	(247,123)	(1,150,819)	235,400	(915,419)
Payment of interest	(52,992)	(82,056)	(152,017)	(287,065)	-	(287,065)
Transaction cost	(6)	-	-	(6)	-	(6)
Movements that did not affect the cash flow	**311,020**	**138,524**	**485,336**	**934,880**	**(284,444)**	**650,436**
Lease acquisition and remeasurement	-	-	333,319	333,319	-	333,319
Amortizations	533	8,417	-	8,950	-	8,950
Monetary and exchange rate variation	310,487	130,107	152,017	592,611	(284,444)	308,167
Loans and financing 12/31/2020	**1,211,730**	**1,776,278**	**1,992,988**	**4,980,996**	**(133,111)**	**4,847,885**

In thousands of reais, unless indicated otherwise

37. Insurance

The Company has the following insurance policies for its operations:

Coverage	Purpose	Maturity	LOI	Deductible
Operating risk	Coverage of the operating assets owned by the company or under its responsibility	September 30, 2022	250,000	5,000
Civil liability	Coverage against damages caused to third parties	February 9, 2023	40,000	750
Cargo transport	Coverage of claims with cargo in transit	October 31, 2022	60,000	200

Notes:

The Company adopts the policy of hiring insurance coverage for assets subject to risks and civil liability, for amounts considered sufficient to cover possible claims, considering the nature of its activity. The risk assumptions adopted, given their nature, are not part of the scope of the audit of the accounting statements and, consequently, were not reviewed by the independent auditors.

38. Subsequent events

Capital Stock Increase
In a meeting of the Board of Directors held on March 23, 2022, a proposal to increase the capital stock in the amount of R$1,809,492 was approved, through capitalization of the balance of the investment reserve constituted in previous years for purposes of executing the capital budget.

Authorized Capital Increase
At a meeting of the Board of Directors held on March 23, 2022, the Board approved the proposal to increase the limit on the amount of authorized capital up to which the Company is authorized to increase the capital stock regardless of statutory reform. The new authorized amount will be R$5,000,000.

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Management: Board Members and Directors

Board of Directors

Luis Fernando Barbosa Martinez (President)
Viktor NigriMoszkowicz

Alejandro Daniel Laiño
Carlos Hector Rezzonico
Enéas Garcia Diniz
Marcelo Leite Barros
Sonia Zagury
Marcelo Cunha Ribeiro
Wendel Gomes da Silva
William Ignácio Dias

Executive Board Members

Guilherme Segalla de Mello
Chief Executive Officer, Commercial, Operations, Finance and Development, Investor Relations and Human Resources

Alexandre Claro Fleischhauer
Director of Engineering and Maintenance

Félix Lopez Cid
Director of Projects and Works

Other Directors who are not members of the Executive Board

Daniel Dias Olivio
Henrique Rocha Martins
Luiz Gustavo Bambini de Assis
Raphael Steiman

Statement of the Directors about the Accounting Statements

Through this instrument, the Chief Executive Officer, Operations and Commercial Director, Executive Board and other Directors of MRS Logística S.A., a publicly-held corporation, for purposes of the provisions in items V and VI of article 25 of CVM Instruction 480, of December 7, 2009 ("INSTRUCTION"), declare that they have reviewed, discussed and agree with the accounting statements of MRS Logística S.A. for the corporate year ended on December 31, 2021.

Rio de Janeiro, March 23, 2022

Guilherme Segalla de Mello Chief Executive Officer, Commercial, Operations, Finance and Development, Investor Relations and Human Resources	Alexandre Fleischhauer Director of Engineering and Maintenance
Félix Lopez Cid Director of Projects and Works	

Other Directors who are not members of the Executive Board

Daniel Dias Olivio	Henrique Rocha Martins
Luiz Gustavo Bambini de Assis	Raphael Steiman

Statement from the Directors about the Independent Auditors' Report

Through this instrument, the Chief Executive Officer, Operations and Commercial Director, Executive Board and other Directors of MRS Logística S.A., a publicly-held corporation, for purposes of the provisions in items V and VI of article 25 of CVM Instruction 480, of December 7, 2009 ("INSTRUCTION"), declare that they have reviewed, discussed and agree with the opinions expressed in the Independent Auditors' Report of KPMG Auditores Independentes regarding the accounting statements of MRS Logística S.A. for the corporate year ended on December 31, 2021.

Rio de Janeiro, March 23, 2022

Guilherme Segalla de Mello
Chief Executive Officer, Commercial, Operations, Finance and Development, Investor Relations and Human Resources

Alexandre Fleischhauer
Director of Engineering and Maintenance

Félix Lopez Cid
Director of Projects and Works

Other Directors who are not members of the Executive Board

Daniel Dias Olivio

Henrique Rocha Martins

Luiz Gustavo Bambini de Assis

Raphael Steiman

Capital budget

Year 2021

To the
Shareholders of
MRS Logística S.A.

We present below the proposed Capital Budget for fiscal year 2022, approved at the Board of Directors meeting on March 23, 2022, as well as the realization of the 2021 Capital Budget.

Profit retention:

Management proposed to retain the remaining profits in expansion/investment reserve in the amount of R$498,454, in order to provide the necessary funds to meet the Company's capital investment budget.

Capital budget:

The capital budget will be funded by retained earnings for the 2021 fiscal year and funds from the 2022 financing activity.

Regarding the projects in the Capital Budget for the year ending in 2021, we had an extra approval for the acquisition of assets and realized 120.7% when compared to the initial budget, as shown in the table below:

In thousands of Reais

Investments	Budgeted 2021	Realized 2021	Realized (-) Budgeted
Rolling stock [1]	704,792	1,074,588	369,796
Permanent track [2]	600,618	564,394	(36,224)
EHS program [3]	46,144	25,855	(20,289)
Electro-electronic systems	25,195	24,244	(951)
Miscellaneous	82,612	72,675	(9,937)
Total	**1,459,361**	**1,761,756**	**302,395**

1. Investments in rolling stock acquisition, reliability and modernization.
2. Investments in expansion, infrastructure reliability, and permanent track modernization.
3. Occupational Health, Safety and Environment.

At the Board of Directors Meeting held on March 23, 2022, the Board Members decided to propose at the Shareholders' General Meeting the withholding of R$498,454 corresponding to 75% of the profit for the year 2021, after constitution of the Legal Reserve, to cover part of the investments foreseen in the capital budget for 2022.

The capital budget for fiscal year 2022 consists of the following sources of funds:

	In thousands of Reais
Sources of funds	
Cash	1,703,548
2022 Fundraising	600,000
Total sources of funds	**2,303,548**

Below is the summary of the Capital Budget applications for the 2022 fiscal year:

In thousands of Reais

Investments	**Budgeted 2022**
Rolling stock [1]	1,397,445
Permanent way [2]	712,169
EHS program [3]	47,977
Electro-electronic systems	17,395
Miscellaneous	128,562
Total	**2,303,548**

1. Investments in rolling stock acquisition, reliability and modernization.
2. Investments in expansion, infrastructure reliability, and permanent track modernization.
3. Occupational Health, Safety and Environment.

Rio de Janeiro, March 23, 2022

The board