Financial statements

as at December 31, 2021 and Independent Auditor's Report

BAHIA FERROVIAS S.A.

(A free translation of the original in Portuguese)

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(A free translation of the original in Portuguese)

BAMIN

Management Report

December 31, 2021

(In thousands of Brazilian reals – R$)

Operations

Bahia Ferrovias S.A. ("BAMIN Ferrovias" or "Company") is a limited liability company, with headquarters in Salvador-BA, established on July 19, 2021, with the purpose of exploring, through specific and exclusive onerous assignment, the sub-concession of the construction and provision of public freight rail transport services associated with the infrastructure operation of the EF-334 railway network, in the stretch from Ilhéus/BA to Caetité/BA, under the terms, periods and conditions established in the Sub-concession Contract between the Company and Agencia Nacional de Transportes Terrestres "ANTT"). The main office of the Company is located at Avenida Magalhães Neto, 1752, Edf. Lena Empresarial, 15th floor, Pituba, Salvador – Bahia – Brazil.

The Company is presently in a pre-operational phase, and is expending resources in studies and works, economic assessment of the exploitation project which, according to initial estimates, should be absorbed by revenue from future operations. Prior to the sub-concession, the FIOL-EF-334/BA enterprise was being executed by VALEC – Engenharia, Construções e Ferrovias S.A., a public enterprise associated to the Brazilian Ministry of Infrastructure (MINFRA). The complete project of the Ferrovia de Integração Leste-Oeste ("FIOL") comprises the stretch between Ilhéus/BA and Figueirópolis/TO, a 1,527 km extension. The stretch of the sub-concession is located within the state of Bahia and has an extension of 537 km ("FIOL 1").

The start-up of the operations of FIOL 1 is contractually laid-down for September 2026, five years after signing the sub-concession contract, and the contract is valid for 35 years, not extendable.

The Company has an accrued loss of R$ 20,029 and net working capital of R$ 245,395. The Company relies on the intention of the E ERG S.á r.l.Group ("ERG Group"), through the controlling shareholder Bahia Mineração S.A. ("BAMIN"), to provide the necessary resources for the continuation of its operations.

Share capital

The authorized share capital is represented by 266,557,000 (two hundred and sixty-six million, five hundred and fifty-seven thousand) shares, in the amount of R$ 1.00 each, thus the total paid-in capital corresponds to R$ 266,557.

Going concern

Despite the various challenges related to COVID-19, in 2021, the Company took measures, in accordance with the recommendations of the WHO and Ministry of Health, to preserve the health of its collaborators and guarantee prevention of contamination in its administrative and operational areas, such as **(a)** home-office for its administrative areas, **(b)** implementation of flexible hours for open areas, **(c)** thorough cleansing of the work places, **(d)** distribution of individual protection equipment, **(e)** constant testing of all collaborators and outsourced workers and **(f)** body temperature measurement. The Company assesses that there were no impacts and/or events, related to COVID-19, affecting the pre-operational moment of the Company, or its operational future.

Management of the Company prepared its financial statements based on the going concern assumption and considering the financial support of its controlling shareholder, guaranteeing adequate liquidity and availability to fulfill its contractual obligations and to obtain additional resources when necessary. The occurrence of these events in full and in an appropriate period are considered as critical judgments by Management.

Management's responsibility

We hereby confirm that, to the best of our knowledge, the financial statements of the Company have been prepared and are being presented in accordance with the accounting practices adopted in Brazil, considering the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC) and in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The financial statements adequately present, in all material aspects, the financial position of the Company as at December 31, 2021, the statements of profit or loss and cash flows for the year then ended, together with a description of the main risks and uncertainties faced by the Company.

Executive officers

Executive officers in office during the period from July 19 (date on which the Company was established) to December 31, 2021 and up until the reporting date of the financial statements of 2021 are indicated below.

Sergio Leite
Chief Executive Officer

Gustavo Cota
Executive Officer

Eduardo Ledsham
Executive Officer

Alexandre Aigner
Executive Officer

Independent auditor's report on the financial statements

To
Management and Shareholders of
Bahia Ferrovias S.A.
Salvador - BA

Opinion

We have audited the financial statements of Bahia Ferrovias S.A. ("Company"), , which comprise the statement of financial position as at December 31, 2021, and the related statements of profit and loss, statements of comprehensive income, changes in shareholders' equity and cash flows for the period of July 19 (date on which the Company was established) to December 31, 2021, including significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the period of July 19 (date on which the Company was established) to December 31, 2021, according to the accounting practices adopted in Brazil and with the international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

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

Other information accompanying the financial statements and the audit report

Management is responsible for the other information comprising 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, our responsibility is to read the Management Report and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and those charged with Governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Practices Adopted in Brazil and International Financial Reporting Standards (IFRS) issued by the International Accountings Standards Board (IASB) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting 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 standards on auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and international standards on auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 those charged with [management or governance regarding]1 among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Salvador, May 11, 2022.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6

Daniel Peixoto
Daniel de Araujo Peixoto
Contador CRC-1BA025348/O-9

Statement of financial position

As at December 31, 2021

(In thousands of Brazilian reals – R$)

	Notes	2021
Assets		
Current assets		
Cash and cash equivalents	5	256,970
Prepaid expenses	6	2,466
		259,436
Noncurrent assets		
Long-term assets		
Recoverable taxes		390
		390
Property, plant and equipment	7	743
Right-of-use assets	8	32,730
		33,473
Total assets		**293,299**
Liabilities		
Current liabilities		
Suppliers	9	4,966
Taxes and social obligations payable	10	1,778
Related parties	11	7,297
		14,041
Total liabilities		**14,041**
Net equity		
Share capital	12 (a)	266,557
Advance for future capital increase	12 (b)	32,730
Accrued loss		(20,029)
		279,258
Total liabilities and net equity		**293,299**

Statement of profit and loss

For the five-month period ended December 31, 2021

(In thousands of Brazilian reals – R$, unless otherwise stated)

	Notes	2021
General and administrative expenses	13	(26,229)
Operating loss		**(26,229)**
Financial income		6,209
Financial expenses		(9)
Net income	14	**6,200**
Loss before income tax and social contribution		**(20,029)**
Tax on income		-
Net loss in the period		**(20,029)**

Statement of comprehensive income

For the five-month period ended December 31, 2021

(In thousands of Brazilian reals – R$)

	2021
Net income (loss) in the period	(20,029)
Other comprehensive income	-
Total comprehensive income in the period	(20,029)

Statement of changes in equity

For the five-month period ended December 31, 2021

(In thousands of Brazilian reals – R$)

	Notes	Share capital	AFCI[2]	Accrued loss	Total
As at July 19, 2021		-	-	-	-
Paid-in capital	12 (a)	266,557	-	-	266,557
Advance for future capital increase	12 (b)	-	32,730	-	32,730
Net loss		-	-	(20,029)	(20,029)
As at December 31, 2021		**266,557**	**32,730**	**(20,029)**	**279,258**

[2] The acronym AFCI means advance for future capital increase.

Statement of cash flows

For the five-month period ended December 31, 2021

(In thousands of Brazilian reals – R$)

	Notes	2021
Cash flows from operating activities		
Net loss		(20,029)
Changes in working capital		
Prepaid expenses		(2,466)
Recoverable taxes		(390)
Suppliers		4,966
Taxes and social obligations		1,778
Net cash from operating activities		**(16,141)**
Cash flows from investment activities		
Acquisition of property, plant and equipment	7	(743)
Acquisition of right-of-use assets	8	(32,730)
Net cash used in investment activities		**(33,473)**
Cash flows from financing activities		
Paid-in capital	12 (a)	266,557
Advance for future capital increase	12 (b)	32,730
Received from related parties	11	7,297
Net cash from financing activities		**306,584**
Increase in cash and cash equivalents		256,970
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period		**256,970**

Notes to the Financial Statements

As at December 31, 2021

(In thousands of Brazilian reals – unless otherwise stated)

1. Operations

Bahia Ferrovias S.A. ("BAMIN Ferrovias" or "Company") is a limited liability company, with headquarters in Salvador-Ba, established on July 19, 2021, with the purpose of exploring, through specific and exclusive onerous assignment, the sub-concession of the construction and provision of public freight rail transport services associated with the infrastructure operation of the EF-334 railway network, in the stretch from Ilhéus/BA to Caetité/BA, under the terms, periods and conditions established in the Sub-concession Contract between the Company and Agencia Nacional de Transportes Terrestres "ANTT"). The main office of the Company is located at Avenida Magalhães Neto, 1752, Edf. Lena Empresarial, 15th floor, Pituba, Salvador – Bahia – Brazil.

(a) Sub-concession contract

On September 3, 2021 a contract was signed for the sub-concession of the Ferrovia de Integração Oeste-Leste ("FIOL") (EF-334/BA), between the Federal Union, represented by Agência Nacional de Transportes Terrestres ("ANTT"), VALEC - Engenharia, Construções e Ferrovias S.A. ("VALEC"), intervenient company and sub-grantor and the Company, in the quality of sub-concessionaire, for the construction and provision of public freight rail transport services associated with the infrastructure operation of the EF-334 railway network in the stretch from Ilhéus/BA to Caetité/BA, for a period of 35 years, as of the signature, not extendable.

Prior to the sub-concession, the FIOL-EF-334/BA enterprise was being executed by VALEC – Engenharia, Construções e Ferrovias S.A., a public enterprise associated to the Brazilian Ministry of Infrastructure (MINFRA). The complete FIOL project comprises the stretch between Ilhéus/BA and Figueirópolis/TO, a 1,527 km extension. The stretch of the sub-concession is located within the state of Bahia, in the stretch between Ilhéus and Caetité, and has an extension of 537 km ("FIOL 1").

As at December 31, 2021 the Company is in a pre-operational phase, and is expending resources in studies and works, economic assessment of the exploitation project which, according to initial estimates, should be absorbed by revenue from future operations. The contractual term for finishing the works and beginning operations is of five years from the date the contract was signed. Accordingly, on September 3, 2026 the Company has a contractual obligation to have fulfilled all the requirements and conditions in order to enable the operation of FIOL 1.

The Company made the payment of the fixed concession, in the amount of R$ 32,730. The variable concession is to be paid each quarter, corresponding to 3.43% of the gross revenue from the sub-concession.

(b) Covid-19 (Coronavirus) impacts

Despite the various challenges related to COVID-19, in 2021, the Company took measures, in accordance with the recommendations of the WHO and Ministry of Health, to preserve the health of its collaborators and guarantee prevention of contamination in its administrative and operational areas, such as (a) home-office for its administrative areas, (b) implementation of flexible hours for open areas, (c) thorough cleansing of the work places, (d) distribution of individual protection equipment, (e) constant testing of all collaborators and outsourced workers and (f) body temperature measurement. The Company assesses that there were no impacts and/or events, related to COVID-19, affecting the pre-operational moment of the Company, or its operational future.

(c) Approval of the financial statements

These financial statements were approved by the Board of Directors of the Company on May 11, 2022.

2. Significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are defined below.

2.1 Basis for preparation

The financial statements have been prepared in accordance with the accounting practices adopted in Brazil, considering the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC) and in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and evidence all material information that is relevant to the financial statements, and only such information, being consistent with that used by Management.

The financial statements have been prepared considering the historical cost as basis of value and adjusted to reflect gains or losses with the fair value of some financial instruments.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Company's accounting policies. Those areas requiring a higher level of judgment and have greater complexity, as well as areas where assumptions and estimates are material to the financial statements are disclosed under Note 3 to the financial statements.

2.2 New standards, interpretations and amendments issued

Initial adoption of new or revised standards in 2021

During the fiscal year 2021, the Brazilian Accounting Pronouncements Committee (CPC) and IASB issued the revised standards listed below, already effective for 2021. Such accounting pronouncements became effective as of January 1, 2021 and the amendments were assessed by Management of the Company, and there were no impacts to the financial statements.

- CPC 06 (R2) / IFRS 16 – Leases;
- CPC 11 / IFRS 4 – Insurance Contracts ;
- CPC 15 (R1) / IFRS 3 – Business Combinations;
- CPC 25 / IFRS 37 – Provisions, contingent liabilities and contingent assets ;
- CPC 27 / IAS 16 – Property, plant and equipment;
- CPC 40 / IFRS 7 – Financial Instruments: Disclosures; and,
- CPC 48 / IFRS 9 – Financial Instruments.

Additionally, IASB works with the issue of new pronouncements and review of existing pronouncements, which will be effective only as of January 1, 2023 with the convergence of the pronouncements by the CPC, these being:

- CPC 26 (R1) / IAS 1 - Presentation of Financial Statements;
- CPC 23 / IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors; and,
- CPC 50 / IFRS 17 - Insurance contracts.

Management of the Company is assessing the practical impacts that such items could have on its financial statements, in the measure in which the standards are regulated.

(a) Functional and presentation currency

The items included in the financial statements are measured using the currency of the main economic environment in which the Company operates ("functional currency"), which is the functional currency of the Company. The financial statements are presented in Brazilian reals ("R$"), rounded off to the to the nearest thousand, unless otherwise indicated.

(b) Transaction and balancers

Foreign currency denominated transactions are translated into the functional currency using the exchange rates prevailing on the transaction or valuation dates. Exchange gains and losses resulting from the settlement of these transactions and the translation at the exchange rates effective at the end of the reporting periods, for assets and liabilities in foreign currencies, are recognized in the statement of profit or loss.

Exchange gains and losses related to loans, cash and cash equivalents and others are presented in the statement of profit and loss as financial income (loss).

2.4 Financial instruments

(a) Financial assets

Recognition and derecognition

The Company classifies, measures and recognizes its financial assets under the category "measured at amortized cost". The financial asset classification is generally based on the business model adopted and its contractual cash flow characteristics.

Regular acquisitions and disposal of financial assets are recognized on a trade date basis, date on which the Company commits to acquire or dispose of the asset. Financial assets are derecognized when the rights to receiving cash flows expire or are transferred and the Company has substantially transferred all risks and benefits of ownership.

Measurement

Upon initial recognition, the Company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Subsequently, these are measured at amortized cost based on the effective interest rate.

Amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions: i) the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows: ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, the Company must recognize its interest gains, foreign exchange gains and losses and impairment directly to profit or loss.

Impairment of financial assets

The Company assesses, on a prospective basis, expected credit losses associated to financial assets registered at amortized cost. The impairment methodology Applied depends on having or not a significant credit risk increase.

(b) Financial liabilities

Financial liabilities are classified under the category "financial liabilities at amortized cost". Management determines the classification of its financial liabilities upon initial recognition.

Financial liabilities at amortized cost

The Company classifies all of its financial liabilities at amortized cost, with the exception of financial liabilities classified at fair value through profit or loss, derivative guarantee agreement. Other financial liabilities are measured at amortized cost using the effective interest method. Interest expense, foreign exchange gains and losses are recognized under profit or loss. The Company has operations with Suppliers as non-derivative financial liabilities.

Derecognition of financial liabilities

Financial liabilities are derecognized only when extinguished, in other words, when the contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its 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.

2.5 Cash and cash equivalents

Cash and cash equivalents include bank balances and short-term deposits with high liquidity and maturity of three-months or less, as of the contracted date and with insignificant risk of change in value. These are initially recognized at fair value and, subsequently, at amortized cost. The balances are held with the purpose of complying with short-term cash obligations and not for investments or other purposes.

2.6 Recoverable taxes

Recoverable taxes are calculated based on the tax rules and laws that have been enacted or substantively enacted at the reporting date, in the country in which the entity operates and generates taxable income.

2.7 Property, plant and equipment

(a) Recognition and measurement

Items of property, plant and equipment are measured at historical cost of acquisition or construction, less accumulated impairment losses, when applicable.

The cost includes expenses directly attributable to the acquisition of an asset. The cost of assets built by the Company includes:

- cost of materials and direct labor;
- any other costs for bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by Management;
- costs with disassembly and restoration of the location where such assets are located; and
- borrowing costs on qualifying assets.

The cost of a property, plant and equipment item can include reclassifications from other comprehensive income for qualifiable cash flow protection instruments in the acquisition of fixed assets in foreign currency. Software acquired that is an integral component of the functioning of an equipment is capitalized as part of such equipment.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Residual values and useful lives of assets are reviewed and adjusted, when applicable, at the end of each reporting period.

Gains and losses from the disposal of a property, plant and equipment item (calculated at the difference between the resulting resources from the disposal and the carrying value of the item) are recognized under other operating income/expenses in profit or loss.

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company. Recurrent maintenance and repair costs are registered in profit or loss.

(b) Depreciation

Items of property, plant and equipment are depreciated using the straight-line method in profit and loss over the estimated useful lives of each component. Leased assets are depreciated for the same period between the estimated useful life and the contractual term, unless it is certain that the Company will obtain the ownership of the item at the end of the lease. Land is not depreciated.

Items of property, plant and equipment are depreciated as of the date on which they are installed and are available for use, or in the case of assets built internally from the date on which the construction is finalized and the asset is available for use.

(c) Right-of-use

In accordance with IFRS 16/CPC 06 (R2), leases under the terms of which the Company assumes the risks and benefits inherent to the ownership are classified as financial leases. Upon initial recognition, the leased asset is measured at a value equal to the lesser value between its fair value and the present value of the minimum lease payments. After initial recognition, the asset is registered in accordance with the accounting policy applicable to the asset.

Other lease operations are operating leases and are not recognized in the statement of financial position of the Company.

2.8 Suppliers

Suppliers are obligations payable for goods and services acquired in the normal course of business, classified as current liabilities if the payment is due within 12 months. Otherwise, accounts payable are presented as noncurrent liabilities.

These are initially recognized at fair value and, subsequently, measured at amortized cost, using the effective interest method.

2.9 Share capital

Common shares are classified as net equity. Additional costs directly attributable to the issue of shares and share options are recognized as deductions to net equity, net of any tax effects.

Minimum mandatory dividends as defined in the by-laws, when existing, are recognized as liabilities.

2.10 Financial income

Financial income is recognized in accordance with the term elapsed by the accrual basis of accounting, using the effective interest method.

Income from interest on financial assets to amortized cost, calculated using the effective interest method, is recognized in the statement of profit or loss, as part of financial income from interest.

Financial income is calculated through the application of the effective interest rate to the gross carrying value of a financial asset except for financial assets that are, subsequently, submitted to credit loss. In the case of financial assets subject to credit loss, the effective interest rate is applied to the net carrying value of the financial asset (after deduction of provision for loss).

3. Significant accounting estimates and judgements

Accounting estimates and underlying judgements are reviewed on an ongoing, including expectation of future events, considered as reasonable under the circumstances.

In the preparation of the financial statements, it is necessary to use estimates on the carrying amounts of certain assets, liabilities and other transactions. The financial statements of the Company include, accordingly, estimates related to impairment of assets, determining useful lives of property, plant and equipment, defining terms for amortization of right-of-use assets with defined useful lives and other similar decisions. Actual results may differ from these estimates.

The use of accounting estimates usually requires Management to be based on judgements on the effects of certain transactions that could affect the equity situation of the Company, involving assets, liabilities, income and expenses.

Based on assumptions, the Company makes estimates in relation to the future. By definition, the resulting accounting estimates will always be as close as possible, but not necessarily equal to actual results.

(a) Going concern

Management of the Company prepared its financial statements based on the going concern assumption and considering the financial support of its controlling shareholder, guaranteeing adequate liquidity and availability to fulfill its contractual obligations and to obtain additional resources when necessary. The occurrence of these events in full and in an appropriate period are considered as critical judgments by Management.

(b) Right-of-use impairment

The right-of-use asset of the Company, represented by the right of exploring the sub-concession is reviewed annually to verify whether there is any indication of impairment, or at a greater frequency in the case of events or changes to circumstances indicating possible impairment. Impairment is recognized when the carrying value of the asset exceeds its recoverable value.

However, there are no indications of impairment identified by the Company.

(c) Critical judgement in the application of the accounting practices of the Company

Sub-concession

The Company is subject to the fulfillment of certain conditions provisioned in the privatization tenders and in the sub-concession contracts of the railroad network. The assets acquired by the Company are addressed in the scope of the IAS 16/CPC 27 - "Property, plant and equipment", CPC 06 (R2) / IFRS 16 – "Leases" and OCPC 05 – "Concession Contracts" guidance.

The assets resulting from the railroad network sub-concession contract are, under the approach of the CPC 06 (R2) / IFRS 16, whereby, the Company recognizes a right-of-use asset and a lease liability on the date of the beginning of the lease. The right-of-use asset is initially measured at cost, comprising the initial measured value of the lease liability adjusted by any lease payments made and the estimate of costs to be incurred for the lease in the disassembly and removal of the subjacent asset, restoring the location in which it is placed or restoration of the subjacent asset to the condition required by the lease terms and conditions, less any lease incentives received.

The sub-concession contract shall be extinguished by the termination of the contractual term; takeover; expiration; rescission; annulment and bankruptcy; or extinction of the concessionaire.

In the event of extinction of the sub-concession, all of the assets shall be reverted to VALEC, free and unencumbered of any onus or charges and all rights to the Company from the sub-concession shall be ceased.

At the end of the Sub-concession Contract, assets owned by the Sub-concessionaire and those resulting from investments made in leased goods, necessary for the continuity of the railroad transportation service and linked to the sub-concession, may, through a declaration of reversibility and due indemnity of the investments made by the Grantor, become a part of the Federal Union, as provisioned in the Sub-concession Contract.

For these judgments, the Company considered, among other factors, a detailed analysis of the mentioned technical guidance.

4. Financial risk management

Financial instruments and objectives and policies for financial risk management

(a) Financial instruments by category

The main financial instruments of the Company are: cash and cash equivalents, restricted funds, suppliers and loans and financing.

The fair value of financial assets and liabilities is included in the value in which the instrument could be exchanged in a current transaction between the parties willing to negotiate, and through a forced sale or settlement.

As at December 31, 2021 there were no significant differences between the carrying values and the market values of the Company’s financial instruments.

	Category	2021
Assets *according to the statement of financial position*		
Restricted funds	At amortized cost	256,970
		256,970
Liabilities *according to the statement of financial position*		
Suppliers	At amortized cost	4,966
Related parties	At amortized cost	7,297
		12,263

(b) Objectives and policies for financial risk management

The main financial liabilities of the Company refer to trade payables and payables to related parties. The main purpose of these financial liabilities is to raise funds for the operations of the Company.

Management of the Company supervises the management of such risks. The main activities that undertake financial risks are ruled by appropriate policies and procedures and financial risks are identified, assessed and managed according to the policies of the Company and its disposition for risk.

The Company is exposed to various financial risks due to its activities: market risk, credit risk, liquidity risk, and interest rate risk. The Company's risk management program concentrates on the unpredictability of the financial markets and aims to mitigate potential adverse effects on the financial performance of the Company.

Management identifies, assesses and protects the Company against eventual financial risks.

MARKET RISK

Market risk is the risk that the fair value of future cash flows of a financial instrument fluctuates due to variations in the market prices. Market prices encompass three types of risks: interest rate risk, foreign exchange risk and price risk, which can be related to commodities, among others.

Credit risk

Credit risk is managed corporately. Credit risk is the risk of a counterparty in a business failing to meet an obligation provisioned in a financial instrument or contract with a client. Credit risk derives from cash and cash equivalents, deposits in banks and other financial institutions.

No credit limit was exceeded during the period, and Management does not expect any loss from default by these counterparties.

Financial instruments and cash deposits

Credit risk from the balance in banks and financial institutions are managed by the Company's Treasury in accordance with the established policies. Surplus funds are invested only in approved counterparties and within the established limits, avoiding concentration in one sole financial institution. Credit limit of the counterparties is reviewed annually and may be updated during the period. These limits are established in order to minimize the concentration of risks and, thus, mitigate financial loss in the case of any potential bankruptcy of a counterparty.

Liquidity risk

Liquidity risk is the risk that the Company will not dispose of sufficient funds to meet its obligations due to realization/settlement of its rights and obligations. To manage cash liquidity risk, assumptions are established of disbursements and future receivables, which are daily monitored by the Treasury.

Capital management

The aim of the Company in managing its capital is to safeguard the going concern of the Company to offer return to its shareholders and benefits to other stakeholders, as well as to maintain an ideal capital structure in order to reduce this cost.

(EM MILHARES DE REAIS, EXCETO QUANDO INDICADO DE OUTRA FORMA)

5. Cash and cash equivalents

	2021
Cash funds	1
Bank checking accounts	4,058
Short-term investments	252,911
	256,970

Short-term investments refer basically to Bank Deposit Certificates (CDB-DI), with immediate liquidity (available for withdrawal and transfer) and were remunerated at a rate varying between 96% and 100% of the Interbank Deposit Certificate (CDI) with maturities of over 90 days from the contracting date.

6. Prepaid expenses

	2021
Insurance bond	2,075
Civil responsibility insurance	391
	2,466

7. Property, plant and equipment

	IT Equipment	Furniture and fixtures	Total
Cost			
As at July 19, 2021	-	-	-
Additions	194	549	743
As at December 31, 2021	**194**	**549**	**743**
Carrying balance			
As at December 31, 2021			
Total cost	194	549	743
Accrued depreciation	-	-	-
	194	**549**	**743**

(Em milhares de reais, exceto quando indicado de outra forma)

8. Right-of-use assets

	Sub-concession grant (i)	Total
Cost		
As at July 19, 2021	-	-
Additions	32,730	32,730
As at December 31, 2021	**32,730**	**32,730**
Carrying balance		
As at December 31, 2021		
Total cost	32,730	32,730
Accrued amortization	-	-
	32,730	32,730

(i) Once the FIOL sub-concession contra is a contract in accordance with CPC 06 (R2) / IFRIC 16, it can be stated that the granting of the sub-concession represents the incremental cost for obtaining the lease that would not have been incurred if the lease had not been obtained. Accordingly, the granting of the sub-concession represents a right-of-use asset of the railway network. The Company has five years as of the date of taking over the contract, to begin operations. Thus, the amortization term of the right-of-use assets is of thirty years, concluding at the end of the contract, on September 3, 2055.

9. Suppliers

	2021
Short-term leases	1,715
Advisory and Consulting services	1,307
Insurance, facilities and utilities	715
Events and internal social activities	556
Furniture and fixtures	549
Other	124
	4,966

(EM MILHARES DE REAIS, EXCETO QUANDO INDICADO DE OUTRA FORMA)

10. Taxes and social obligations

	2021
Contractual bonus	896
Provision for vacation pay	235
Labor taxes	305
Withheld taxes on services	342
	1,778

11. Related parties

(a) Transactions and balances

In 2021, the liability balance of R$ 7,297 with related parties resulted from contracts specifically signed for the reimbursement of general and administrative expenses with reference to the sharing of material and human resources, incurred by the controlling shareholder BAMIM. The contract was signed on September 3, 2021, valid for one year, automatically renewed for equal periods without incurring in financial charges.

(b) Key-management personnel compensation

Key-management personnel includes directors and members of the executive committee. Compensation paid or payable for the services of employees, mostly payroll and related charges, in 2021 was of R$ 680.

12. Net equity

(a) Share capital

The authorized and paid-in capital of the Company is represented by 266,557,000 shares, the amount of R$ 1.00 (one Brazilian real) each, in the total amount of R$ 266,557 paid-in by the controlling shareholder BAMIN.

(b) Advance for future capital increase

The Company received, from its controlling shareholders BAMIN, advance for future capital increase in the amount of R$ 32,730, as at

(Em milhares de reais, exceto quando indicado de outra forma)

December 31, 2021. Management of the Company expects to pay-in this advance for future capital increase by August 2022.

13. General and administrative expenses

	2021
Expenses with personnel	9,718
Consulting, advisory and technical services	7,676
Short-term leases	3,268
Travel, accommodation and corporate events	3,341
Insurance, facilities and utilities	1,270
Other	955
	26,228

14. Financial results

	2021
Financial income	
Income from interest on financial investments	6,209
	6,209
Financial expenses	
Other financial expenses	(9)
	(9)
Net financial income	**6,200**

Composition of executive officers and financial management

As at December 31, 2021

Board of Directors

Sergio Leite
Chief Executive Officer

Gustavo Cota
Executive Officer

Eduardo Ledsham
Executive Officer

Alexandre Aigner
Executive Officer

Financial Management

Igor Berbert
Financial General Manager

Rilson Cruz
Accountant
CRC BA 036891

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