Prumo Participações e Investimentos S.A. (A Privately Held Company)

Financial statements as at December 31, 2016 and 2015

(A free translation of the original report in Portuguese containing financial statements prepared in accordance with accounting practices adopted in Brazil)

Contents

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Independent Auditor's Report on the Financial Statements

(A free translation of the original report in Portuguese containing financial statements prepared in accordance with accounting practices adopted in Brazil)

To the Managers and Shareholders of
Prumo Participações e Investimentos S.A.
Rio de Janeiro – RJ

Opinion

We have audited the financial statements of Prumo Participações e Investimentos S.A. ("the Company"), which comprise the balance sheet as at December 31, 2016, the statements of income and other comprehensive income, changes in shareholder's 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 Prumo Participações e Investimentos S.A. ("the Company") as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with Accounting Practices Adopted in Brazil.

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 auditor's 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 other information 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.

Responsibilities of Management 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 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.

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 management 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.

Rio de Janeiro, March 30, 2017

KPMG Auditores Independentes

CRC SP-014428/O-6 F-RJ

Original in Portuguese signed by

Luis Claudio França de Araujo

Accountant CRC RJ-091559/O-4

Prumo Participações e Investimentos S.A.

Balance sheets as of December 31, 2016 and 2015

(In thousands of reais)

	Note	2016	2015
Assets			
Current			
Cash and cash equivalents	4	1,556	3,347
Recoverable taxes	5	9,114	-
Income taxes and contributions recoverable	5	18,835	455
Related-party loans	8	50,280	14,045
Total current assets		**79,785**	**17,847**
Noncurrent			
Escrow account	6	55,405	133,582
Recoverable taxes	5	10,654	4,226
Deferred taxes	11	-	844
Related-party loans	8	844,668	923,396
Equity investment	7	295,326	250,337
Total noncurrent assets		**1,206,053**	**1,312,385**
Total assets		**1,285,838**	**1,330,232**

See the accompanying notes to the financial statements.

Prumo Participações e Investimentos S.A.

Balance sheets as of December 31, 2016 and 2015

(In thousands of reais)

	Note	2016	2015
Liabilities			
Current			
Loans and financing	9	30,746	22,673
Trade accounts payable		200	-
Taxes payable	10	538	1,451
Income and social contribution taxes payable	10	20,217	-
Dividends payable	15	36,678	6,726
Other accounts payable		-	1
Total current liabilities		**88,379**	**30,851**
Noncurrent			
Loans and financing	9	422,210	694,433
Deferred taxes	11	35,785	-
Total noncurrent liabilities		**457,995**	**694,433**
Shareholders' equity	13		
Share capital		606,424	561,421
Capital reserve		14,310	14,285
Profit reserves		117,758	21,592
Equity appraisal adjustment		972	-
Advance for future capital increase		-	7,650
Total shareholders’ equity		**739,464**	**604,948**
Total liabilities and equity		**1,285,838**	**1,330,232**

See the accompanying notes to the financial statements.

Prumo Participações e Investimentos S.A.

Statements of income
Year ended December 31, 2016 and period from January 6 (date of incorporation) to December 31, 2015
(In thousands of Reais, except when indicated otherwise)

	Note	2016	2015
Operating expenses			
Administrative expenses		(253)	**(43)**
		(253)	**(43)**
Financial income (expenses)	14		
Financial revenue		244,711	31,200
Financial expenses		(77,193)	(33,638)
		167,518	**(2,438)**
Equity in income of subsidiaries	7	44,017	29,955
Net income before tax		**211,282**	**27,474**
Current income and social contribution taxes	12	(20,217)	-
Deferred income and social contribution taxes	12	(36,629)	844
Net income for the year/period		**154,436**	**28,318**

See the accompanying notes to the financial statements.

Prumo Participações e Investimentos S.A.

Statements of comprehensive income
Year ended December 31, 2016 and period from January 6 (date of incorporation) to December 31, 2015
(In thousands of Reais, except when indicated otherwise)

	2016	**2015**
Net income for the year	154,436	28,318
Items that can be subsequently reclassified to result		
Gain on Ferroport hedge accounting	972	-
Total comprehensive income for the year/period	**155,408**	**28,318**

See the accompanying notes to the financial statements.

Prumo Participações e Investimentos S.A.

Statements of changes in shareholders' equity
Year ended December 31, 2016 and period from
January 6 (date of incorporation) to December 31, 2015
(In thousands of reais)

	Capital	Capital contribution (*)	Advance for future capital increase	Profit reserves	Equity appraisal adjustment	Additional dividends proposed	Retained earnings	Total shareholders' equity
Balance at January 6, 2015 (date of incorporation)	**1**	**-**	**-**	**-**	**-**		**-**	**1**
Net income for the period	-	-	-	-	-	-	28,318	28,318
Capital increase deriving from transfer of investment to Prumo Participações	206,097	-	-	-	-	-	-	206,097
Capital increase through contribution of credits held by Prumo in the company Ferroport	355,323	-	-	-	-	-	-	355,323
Capital contribution deriving from transfer of investment to Prumo Participações	-	14,285	-	-	-	-	-	14,285
Advance for future capital increase	-	-	7,650	-	-	-	-	7,650
Legal reserve	-	-	-	1,416	-	-	(1,416)	-
Minimum mandatory dividends	-	-	-	-	-	-	(6,726)	(6,726)
Additional dividends proposed	-	-	-	-	-	20,176	(20,176)	-
Balance at December 31, 2015	**561,421**	**14,285**	**7,650**	**1,416**	**-**	**20,176**	**-**	**604,948**
Net income for the year	-	-	-	-	-	-	154,436	154,436
Advance for future capital increase	-	-	9,061	-	-	-	-	9,061
Capital increase through conversion of AFAC	16,686	-	(16,686)	-	-	-	-	-
Legal reserve	-	-	-	7,722	-	-	(7,722)	-
Minimum mandatory dividends	-	-	-	-	-	-	(36,678)	(36,678)
Additional dividends proposed	-	-	-	-	-	110,036	(110,036)	-
Capital increase using profit reserve	28,317	-	-	(1,416)	-	(20,176)	-	6,725
Financial instruments - Ferroport hedge accounting	-	-	-	-	972	-	-	972
Balance at December 31, 2016	**606,424**	**14,285**	**25**	**7,722**	**972**	**110,036**	**-**	**739,464**

(*) Capital contribution in the amount of R$ 14,285 deriving from transfer of Ferroport shares held by Prumo.

See the accompanying notes to the financial statements.

Prumo Participações e Investimentos S.A.

Statement of cash flows
Year ended December 31, 2016 and period from January 6 (date of incorporation) to December 31, 2015
(In thousands of reais)

	2016	2015
Cash flows from operating activities		
Income before tax	211,282	27,474
Expenses (income) not affecting cash:		
Equity in income of subsidiaries	(44,017)	(29,955)
Monetary variance and interest	(190,077)	1,460
Amortization of transaction costs	10,321	-
	(12,491)	**(1,021)**
(Increase) decrease in assets and increase (decrease) in liabilities:		
Recoverable taxes	4,384	(4,681)
Income tax on loan	(33,923)	-
Escrow account	57,321	(133,582)
Trade accounts payable	200	-
Taxes and contributions payable	(913)	(1,451)
Net cash provided by (used in) operating activities	**14,577**	**(140,735)**
Cash flows from investment activities		
Loans granted to related parties	-	(548,477)
Loans settled by related parties	176,591	-
Net cash provided by (used in) investment activities	**176,591**	**(548,477)**
Cash flows from financing activities		
Capital subscription	-	1
Advance for future capital increase	9,061	7,650
Loans obtained with related parties	-	299,155
Loans obtained with third parties	-	466,440
Loans settled with third parties	(143,038)	-
Interest paid	(52,508)	(15,208)
Interest paid to related parties	-	(1,441)
Transaction cost – with third parties	(6,474)	(64,038)
Net cash provided by (used) in financing activities	**(192,959)**	**692,559**
Increase (decrease) in cash and cash equivalents	**(1,791)**	**3,347**
Cash and cash equivalents at beginning of year	3,347	-
Cash and cash equivalents at end of year	1,556	3,347

See the accompanying notes to the financial statements.

1. Operations

Prumo Participações e Investimentos S.A. (“Prumo Participações” or “Company”), located at the address Rua Russel, 804, 5th floor, Glória, Rio de Janeiro, Prumo Participações e Investimentos S.A. (“Prumo Par” or “Company”) was incorporated on January 06, 2015 in order to acquire interests in other companies as a shareholder or partner, and to represent Brazilian and foreign companies regardless of their core activity. The Company carries out its operations via the joint venture Ferroport (“joint subsidiary”) with Anglo American Participações.

Ferroport occupies a 300-hectare area at Porto do Açu to process, handle and store iron ore and is the co-owner of an offshore structure (T1) consisting of an access pier, approach channel, breakwater and two berths for loading iron ore. It began exporting on October 25, 2014, and in 2016 it shipped a total of 15,858 thousand tonnes of iron ore, in one hundred and five ships (86 Capezises, 9 BabyCape, 9 Panamax and 1 Handysize).

206,096,624 common shares of Ferroport Logística Comercial Exportadora S.A. (“Ferroport”) were transferred from Prumo Logística S.A. ("Prumo") to Prumo Participações on May 11, 2015, accounting for 50% of Ferroport's total capital.

This venture was implemented under the Framework Agreement and Asset Allocation Agreement ("Agreement"), which establishes the commercial relations between Ferroport, Prumo, a Prumo subsidiary, Porto do Açu Operações Portuárias S.A. (“Porto do Açu”), and Anglo American Minério de Ferro do Brasil S.A. (“AAMFB”).

The contract was amended in September 2015 where part was transferred from Porto do Açu to Açu Petróleo, which then became responsible for the portions originally assigned to Porto do Açu in the sharing of the T1 construction costs.

Ferroport is party to an Asset Allocation Agreement with Anglo American and Prumo Participações, which states that the company is responsible for the construction of the T1 terminal, including the condominium assets, and establishes the details about the asset allocation among the parties, means of payment, transfer of divisible assets and percentage ownership of the indivisible assets. These assets are transferred at cost plus a mark-up established in the agreement.

Year ended December 31, 2016 and period from January 06 (date of incorporation) to December 31, 2015 (In thousands of reais, except when indicated otherwise)

1. **Operations**--Continued

Transfer of investment to Prumo Participações

The assets acquired and liabilities assumed on the date of the aforesaid share transfer have been summarized below:

Balance sheets	**Ferroport 5/11/2015**
Cash and cash equivalents	17,579
Trade receivables	23,511
Inventories	7,730
Judicial deposits	14,718
Deferred taxes	65,128
Assets to be transferred to related parties	105,051
Property, plant and equipment	1,051,205
Intangible assets	1,527
Deferred charges	3,057
Trade accounts payable	(26,879)
Taxes and contributions payable	(18,169)
Related parties – loans	(480,835)
Loans with third parties	(515,065)
Deferred revenue	(30,348)
Other assets and liabilities	2,172
Net assets of the jointly controlled subsidiary Ferroport upon transfer of the investment to Prumo Participações	**220,382**

2. Group companies

	Country	Equity interest 2016	Equity interest 2015
Direct jointly controlled subsidiary:			
Ferroport.	Brazil	50.00%	50.00%

3. Basis of presentation, preparation of the financial statements and significant accounting practices

a) Statement of compliance

The financial statements were prepared in accordance with accounting practices adopted in Brazil (“BR GAAP”).

Authorization for the conclusion of the preparation of these financial statements was given by Management on March 30, 2017. These financial statements consider subsequent events to be events that could have an impact up to the reporting date.

The accounting policies described in detail below have been applied consistently to the financial statements of the Company's subsidiaries.

b) Basis of preparation

The financial statements have been prepared on the historical cost basis, except for certain financial instruments which have been measured at fair value through profit and loss.

c) Functional and reporting currency

These financial statements are reported in Reais, which is the Company’s functional currency.

3. Basis of presentation, preparation of the financial statements and significant accounting practices--Continued

d) Cash and Cash Equivalents

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. The Company classifies cash equivalents as short-term investments maturing within three months or less, and subject to an insignificant risk of impairment.

e) Financial instruments

(i) *Financial assets*

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets. The Group determines the classification of its financial assets at initial recognition, when it becomes a party to the contractual provisions of the financial instrument. The Company does not have financial assets classified as investments held-to-maturity or available-for-sale as of December 31, 2016.

Financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Financial assets and liabilities are subsequently measured according to their classification, which can be as follows:

3. Basis of presentation, preparation of the financial statements and significant accounting practices--Continued

e) Financial instruments--Continued

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, these financial assets are recorded at amortized cost at the effective interest method, minus any impairment. The amortized cost calculation takes into account any discounts or premiums upon acquisition, rates or other costs incurred. Amortization by the effective interest method is included in the financial revenue of the income statement. As of December 31, 2016, loans and receivables comprise loans and financing receivable from and payable to related-party and third parties.

Impairment of financial assets at amortized cost

Prumo Group first assesses whether evidence of impairment exists individually for each financial asset. If there is objective evidence of impairment, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding expected future credit losses that have not yet been incurred). The present value of estimated future cash flows is discounted at the financial asset's original effective interest rate.

Where applicable, the carrying amount of the asset is reduced by a provision and the amount of the loss is recognized in the statement of income. If, in a subsequent period, the estimated impairment loss increases or decreases due to an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting an allowance account.

Derecognition of financial assets

A financial asset is derecognized where the contractual right to receive cash flows from the asset has expired and/or the Company has transferred its rights to receive the cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement, and has transferred substantially all the risks and rewards of the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

3. Basis of presentation, preparation of the financial statements and significant accounting practices--Continued

e) Financial instruments--Continued

(ii) *Financial liabilities*

Financial liabilities are classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". The Company determines the classification of its financial liabilities at initial recognition. The Company does not have financial liabilities classified as financial liabilities at fair value through profit and loss as of December 31, 2016.

Such nonderivative financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

A financial liability is derecognized when the obligation under the liability discharged, cancelled or expires.

Derecognition of financial liabilities

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Financial assets and liabilities are offset and reported net in the balance sheet if, and only if, there is currently a legally enforceable right to set off the recognized amounts, and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(iii) *Fair value of financial instruments*

The fair value of financial instruments actively traded in organized financial markets at the balance sheet date is based on quoted market prices or over-the-counter quotes, with no transaction cost deduction.

The fair value of financial instruments not traded in an active market is determined using appropriate valuation methods. Such methods may include using recent arm’s length market transactions; reference to the current fair value of another similar instrument; discounted cash flow analysis or other valuation models.

3. Basis of presentation, preparation of the financial statements and significant accounting practices--Continued

f) Adjustment of assets and liabilities to present value

Long-term monetary assets and liabilities are monetarily restated and therefore adjusted to their present value. The adjustment to present value of short-term monetary assets and liabilities is calculated and only recorded if considered to have a material effect on the financial statements as a whole. Based on analyses conducted and Management's best estimates, the Company concluded that the adjustment to present value of monetary assets and liabilities is immaterial in relation to the financial statements, meaning no adjustments were made.

g) Financial income and expenses

Financial income comprises loan interest revenue recognized in profit or loss. Financial costs comprise exchange variance expenses, interest expenses on loans from related parties and third parties. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method. After operations commence, capitalization of loan costs ceases and expenses are recognized in profit and loss.

h) Income and social contribution taxes

Deferred income and social contribution taxes, when applicable, are recorded on tax losses and the negative basis of social contribution, and also on temporary differences between the tax bases of assets and liabilities and their respective carrying amounts. Deferred tax assets and liabilities are offset if there is a legal right to offset tax assets and liabilities, and they are related to income taxes levied by the same tax authority on the same entities subject to taxation. Deferred income and social contribution tax assets are reviewed annually and are reduced to the extent that realization is no longer probable, when applicable.

i) Other current and noncurrent assets and liabilities

An asset is recognized in the balance sheet when it is probable that its future economic benefits will be generated in favor of the Company and its cost or value can be reliably measured.

A liability is recognized in the statement of financial position when the Company has a present or constructive obligation as a result of a past event, and it is probable that an outflow of economic resources will be required in settlement. Provisions are recorded using best estimates of the risk involved. Long-term monetary assets and liabilities are adjusted to their present value and short-term items when the effect thereof on the financial statements as a whole is deemed material. The adjustment to present value is calculated based on the contractual cash flows and the explicit or, in certain cases, implicit interest rate on the relevant assets and liabilities.

3. Basis of presentation, preparation of the financial statements and significant accounting practices--Continued

j) Capital expenditure

The interest in the joint subsidiary is valued by the equity income method in the Company's financial statements.

Transfer of investment to Prumo Participações
The interest in the joint subsidiary Ferroport was transferred from Prumo Logística to Prumo Participações using the cost of the subsidiary's shareholders' equity on the transfer date, and does not include other adjustments.

k) Use of judgment and estimates

Judgments, estimates and assumptions are used to measure and recognize certain assets and liabilities in the Company's financial statements. These estimates took into account experience from past and current events, assumptions about future events and other objective and subjective factors.

Significant assets subject to these estimates include the impairment of deferred income and social contribution taxes. The future settlement of transactions involving these estimates may result in amounts different from those recorded in the financial statements due to the inaccuracies inherent to the determination process. The Company reviews its estimates and assumptions at least annually.

The accounting policies described in detail throughout these financial statements have been applied consistently to these financial statements by the Company.

l) Pronouncements issued but not yet in force as of December 31, 2016

The pronouncements and interpretations which were issued by the IASB but were not yet in force by the issuance of the Company's financial statements and which apply to the Company are shown below:

IFRS 9 - Financial Instruments (CPC 48 – Financial Instruments):

In June 2014 the IASB issued the final version, which reflects all the phases of the financial instruments project and replaces IAS 39 - Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9.

Year ended December 31, 2016 and period from January 06 (date of incorporation) to December 31, 2015 (In thousands of reais, except when indicated otherwise)

3. Basis of presentation, preparation of the financial statements and significant accounting practices--Continued

l) Pronouncements issued but not yet in force as of December 31, 2016--Continued

IFRS 9 - Financial Instruments:--Continued

The standard includes a logical model for classification and measurement of financial instruments, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The standard carries over from IAS 39 the requirements for recognition and derecognition of financial assets and financial liabilities. IFRS 9 is effective for annual periods beginning on or after January 01, 2018.

The actual impact of adopting IFRS 9 on the Company's financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Group holds and economic conditions at that time as well as accounting elections and judgements that it will make in the future, and does not therefore plan to adopt these standards early.

The Accounting Pronouncements Committee has not yet issued an accounting pronouncement or amended existing pronouncements related to all these new IFRS standards. Early adoption of these IFRS is not therefore permitted for entities that disclose their financial statements in accordance with the accounting practices adopted in Brazil.

4. Cash and cash equivalents

	2016	2015
Cash and bank deposits	625	3,347
Cash equivalents		
CDBs	931	-
	1,556	**3,347**

The balance of cash and banks as of December 31, 2016 consists of current accounts and CBD investments, that are promptly convertible into a known cash amount and are subject to an insignificant risk of impairment.

5. Recoverable taxes

The recoverable taxes break down as follows:

	2016	2015
Income tax and social contribution ("IRPJ/CSLL")	18,835	455
Income tax withheld at source ("IRRF")	27	-
Income tax on loan ("IRPJ")	19,741	4,226
	38,603	**4,681**
Current	27,949	455
Noncurrent	10,654	4,226

Year ended December 31, 2016 and period from January 06 (date of incorporation) to December 31, 2015 (In thousands of reais, except when indicated otherwise)

6. Escrow account

As of December 31, 2016, the escrow deposits amounted to R$ 55,405 (R$ 133,583 as of December 31, 2015), consisting of funds held in US dollars in overseas accounts for the financing operation conducted by the company, as described in Note 9 - Loans and Financing. The amount in cash refers to this operation and serves as a guarantee for the future payment of interest and amortization of the debt. Payments were made in this period related to the principal and interest on the loan taken out by the Company.

7. Investment

a) Equity interests

	2016								
Direct subsidiaries	**% interest**	**Number of shares/ (thousand)**	**Asset**	**Liabilities**	**Shareholder equity**	**Capital**	**Capital reserve**	**Gains (loss) on financial instruments**	**Retained earnings**
Ferroport	50%	414,397	2,734,536	2,143,883	590,653	414,397	94,589	1,944	79,723

	2015								
Direct subsidiaries	**% interest**	**Number of shares/ (thousand)**	**Asset**	**Liabilities**	**Shareholders' equity**	**Capital**	**Capital reserve**	**Accumulated losses**	**Retained earnings**
Ferroport	50%	206,097	2,747,990	2,225,317	500,673	414,397	94,589	(8,313)	88,480

b) Changes

	2016			
Direct subsidiary	**12/31/2015**	**Equity in net income of subsidiaries**	**Equity Appraisal Adjustment**	**12/31/2016**
Ferroport	250,337	44,017	972	295,326
	250,337	**44,017**	**972**	**295,326**

	2015				
Direct subsidiary	**1/6/2015**	**Increase in shares of Prumo Participações as a result of asset transfer from Ferroport**	**Capital contribution via the transfer of shares from Ferroport to Prumo Participações (5/11/2015)**	**Equity in net income of subsidiaries**	**12/31/2015**
Ferroport	-	206,097	14,285	29,955	250,337
	-	**206,097**	**14,285**	**29,955**	**250,337**

Year ended December 31, 2016 and period from January 06 (date of incorporation) to December 31, 2015 (In thousands of reais, except when indicated otherwise)

8. Related-party transactions

Prumo group adopts practices of Corporate Governance and/or recommendations required by law, including those set down on the Regulations for the New Market (Novo Mercado). Furthermore, the Company´s Corporate Governance Policy establishes that the members of the Board of Directors must monitor and administrate any potential conflicts of interest among the executive officers, the members of the Board and the partners, in such a way as to avoid the inappropriate use of Company assets and, especially, abusive conduct in transactions between related parties.

In compliance with Corporation Law, all members of the Company's Board of Directors are prohibited from voting in any assembly or meeting of the Board, or from acting in any operation or business transaction in which there are interests in conflict with those of the Company.

The main balances of related-party assets and liabilities as of December 31, 2016 and 2015, as well as the related-party transactions that affected income for the period, are the result of transactions between the Company and its joint subsidiary, as follows:

	Accounts receivable	
	2016	**2015**
Debt to related parties		
Ferroport (a)	894,948	937,441
	894,948	**937,441**
Current	50,280	14,045
Noncurrent	844,668	923,396

The table below denotes the effect on net income of the related-party transactions by company:

	Finance revenue	
	2016	**2015**
Loan interest		
Ferroport (a)	138,483	33,641
	138,483	**33,641**

(a) On October 31, 2015 the parent company Prumo transferred to the Company its credits referring to the loan with the company Ferroport, which are subject to an effective interest rate of CDI + 2% p.a.

Year ended December 31, 2016 and period from January 06 (date of incorporation) to December 31, 2015 (In thousands of reais, except when indicated otherwise)

9. Loans and financing

					2016	2015
	Maturity	**Rates in %**	**Principal**	**Interest and restatement**	**Total**	**Total**
Institution						
Brookfield Asset Management	9/30/2022	**Dollar + 8.50% p.a**	513,148	-	513,148	781,144
(-) Transaction cost			(60,192)	-	(60,192)	(64,038)
			452,956	**-**	**452,956**	**717,106**
Current			30,746	-	30,746	22,673
Noncurrent			422,210	**-**	422,210	694,433

On September 01, 2015 the Company concluded the issuance and placement of overseas securities amounting to USD 50 million (“Tranche One”), fully subscribed and paid in by Prumo Group's controlling shareholder EIG Global Energy Partners (“EIG”).

This incurs compensatory interest at the rate of 8.5% per annum, always payable in March, June, September and December. The first payment was made on September 30, 2015 and the last upon maturity of the debt.

On October 07, 2015 the Company concluded a new overseas securities issuance and placement of USD 30 million (“Second Tranche”), with the second interest payment made on December 31, 2015.

On October 13, 2015 Brookfield Asset Management (“Brookfield”) acquired from an investment vehicle of EIG the debt securities issued by the Company referring to Tranches One and Two.

On October 14, 2015 the Company completed the issuance and placement of overseas debt in the amount of USD 120 million, fully subscribed and paid in by an associated company of Brookfield.

Following the acquisition of the Debt Securities (“Tranche Three” in conjunction with Tranche One, and Tranche Two), Brookfield's total investment in Prumo Participações amounts to USD 200 million.

After the forecast expenses and commission had been deducted, the net funding obtained by the Company under this issuance will be used in its entirety by Prumo Participações to acquire credits held by the parent company Prumo against its subsidiary Ferroport.

On December 30, 2016 Prumo Participações advanced the amortization of USD 5.4 million of this financing via the contractual cash sweep mechanism, amounting to an amortization advance of USD 35.0 million over 2016. The advance was made possible due to receipt of the Ferroport loan at amounts above the debt obligations.

(*) The interest paid is being classified under financing in the cash flow statements.

Year ended December 31, 2016 and period from January 06 (date of incorporation) to December 31, 2015 (In thousands of reais, except when indicated otherwise)

9. Loans and financing--Continued

Debt amortization schedule

	2016	2015
2016	-	29,286
2017	41,065	36,900
2018	26,725	36,315
2019	54,753	73,605
2020	45,627	54,667
from 2021 to 2033	344,978	550,187
	513,148	**780,960**

Guarantees provided

The guarantees submitted by the Company to Brookfield in relation to the debt securities are: (i) Statutory lien of the Ferroport shares for Prumo Participações; (ii) Statutory lien on the shares of Prumo Participações held by the parent company Prumo; (iii) Statutory lien on escrow accounts and (iv) Statutory lien of receivables from the Ferroport loan.

10. Taxes and contributions payable

	2016	2015
PIS/COFINS	538	1,451
IRPJ/CSLL	20,217	-
	20,755	**1,451**

Year ended December 31, 2016 and period from January 06 (date of incorporation) to December 31, 2015 (In thousands of reais, except when indicated otherwise)

11. Deferred taxes

The Company records deferred income and social contribution tax assets and liabilities at the rate of 34%. Brazilian tax legislation allows tax losses to be offset against future taxable income for an indefinite term. However, this offsetting is limited to 30% of the taxable income in each accrual period.

The carrying amount of the deferred tax asset is revised and restated periodically, while the projections shall be restated annually, unless material factors occur that can modify them.

The origin of the deferred income and social contribution taxes is presented below:

	2016	2015
Deferred tax liability		
Temporary difference - Exchange variance (*)	(35,785)	-
Total deferred tax liabilities	**(35,785)**	**-**
Total deferred taxes	**(35,785)**	**-**

(*) This refers to the creation of deferred income and social contribution taxes on exchange variance on loans.

12. Income and social contribution taxes

The reconciliation between the tax expense as calculated by the combined statutory rates and the income and social contribution tax expense charged to net income is presented below:

	2016	2015
Income before income and social contribution taxes	211,282	27,474
Income and social contribution taxes at the rate (34%)	(71,836)	(9,341)
Adjustment to determine the effective rate		
Equity income	14,966	10,185
Tax credits are not recognized	24	-
Total income and social contribution taxes	**(56,846)**	**(844)**
Effective rate	(26.91%)	(3.07%)
Current	(20,217)	-
Deferred	(36,629)	(844)
Total income and social contribution taxes	**(56,846)**	**(844)**

Year ended December 31, 2016 and period from January 06 (date of incorporation) to December 31, 2015 (In thousands of reais, except when indicated otherwise)

13. Shareholders' equity

a) Share capital

The Company's ownership structure as of December 31, 2016 and 2015 is as follows:

	2016		2015	
Shareholders	**Number of common shares (thousand)**	**%**	**Number of common shares (thousand)**	**%**
Prumo.	606,424	100.00	561,421	100.00
	606,424	**100.00**	**561,421**	**100.00**

On May 11, 2015 the parent company Prumo subscribed and paid in the amount of R$ 206,097 via the issuance of 206,096,624 new registered common shares with no par value, at the issuance price of R$ 1.00 each, via the contribution of shares of the company Ferroport.

On October 14, 2015 the parent company Prumo subscribed and paid in the amount of R$ 355,323 via the issuance of 355,323,135 new registered common shares with no par value, at the issuance price of R$ 1.00 (one real) each, via the contribution of credits held by Prumo in the company Ferroport.

On December 22, 2015 the parent company Prumo subscribed and paid in the amount of R$ 6,319 via the issuance of 6,319,084 new registered common shares with no par value, at the issuance price of R$ 1.00 each, via the conversion of an advance for future capital increase.

As per the re-ratification of the Annual General Meeting (AGM) on April 29, 2016, the net income for FY 2015 of R$ 28,317 thousand was allocated to the Company's share capital. 28,317,021 new common registered shares with no par value were accordingly issued at the issuance price of R$ 1.00 (one real) each, all of which were subscribed and paid in.

On June 17, 2016 the parent company Prumo and paid in by converting the advance for future capital increase the amount of R$ 10,367 via the issuance of 10,367,319 new registered common shares with no par value, at the issuance price of R$ 1.00 each

b) Reserves

The Executive Board will present to the General Meeting for approval a proposal about the allocation of the net income that remains after the following deductions or increases have been made in this order:

i. 5% (five percent) to form the legal reserve, until it has reached 20% (twenty percent) of the share capital. Formation of the legal reserve may be waived in financial years where the balance of said reserve plus the capital reserves exceeds 30% (thirty percent) of the share capital.

ii. 25% (twenty-five percent) for payment of the minimum mandatory dividends to the shareholders.

Year ended December 31, 2016 and period from January 06 (date of incorporation) to December 31, 2015 (In thousands of reais, except when indicated otherwise)

13. Shareholders' equity - Continued

Net income for the year	154,436
Accumulated tax loss carryforwards	-
	154,436
Legal reserve - 5%	(7,722)
Dividend calculation basis	**146,714**
Minimum mandatory dividend - 25%	36,679
Additional dividend proposed	110,036

14. Financial income (expenses)

	2016	**2015**
Financial revenue		
Loan interest	138,483	31,200
Interest on investments	116	-
Interest earned	863	-
Exchange variance	105,249	-
	244,711	**31,200**
Finance costs		
Interest on loans	(53,002)	(16,649)
Commission and brokerage fees	(10,507)	-
Fine and interest	(297)	-
Taxes on financial revenue	(12,908)	-
Other	(479)	(1,519)
Exchange variance	-	(15,470)
	(77,193)	**(33,638)**
Net finance income	**167,518**	**(2,438)**

15. Financial instruments and risk management

The Company carries out transactions with financial instruments. These instruments are managed through operating strategies and internal controls, aimed at liquidity, profitability and security. Our control policy consists of periodically monitoring contract rates versus market rates. We do not invest in derivatives or any other risky assets on a speculative basis.

The estimated realization values of the Company's financial assets and liabilities were determined through information available in the market and appropriate valuation methodologies. However, considerable judgment was required in the interpretation of the market data to estimate the most adequate realization value. Consequently, the estimates below do not necessarily indicate the values that could be realized in the current exchange market.

The concept of fair value states that assets and liabilities should be valued at market prices, in the case of liquid assets, or by using mathematical pricing methods, in other cases. The hierarchy level of the fair value gives priority to unadjusted prices quoted on an active market. A part of the company's accounts has the fair value equal to book value, these accounts include cash equivalents, payables and receivables, bullet debts and short-term.

Year ended December 31, 2016 and period from January 06 (date of incorporation) to December 31, 2015 (In thousands of reais, except when indicated otherwise)

15. Financial instruments and risk management--Continued

The table below demonstrates the book balances and respective fair values of the financial instruments and segregation of the hierarchal level, included in the balance sheet:

	Parent Company					
	2016			2015		
	Carrying amount	**Measurement**	**Hierarchical level**	**Carrying amount**	**Measurement**	**Hierarchical level**
Assets						
Cash and cash equivalents	1,556			3,347		
Escrow account	55,405	Amortized cost		133,582	Amortized cost	
Debt to related parties	894,948	Amortized cost		937,441	Amortized cost	
	951,909			**1,074,370**		
Liabilities						
Trade accounts payable	200	Amortized cost		-		
Loans and financing	452,956	Amortized cost	2	717,106	Amortized cost	2
Dividends payable	36,679	Amortized cost		6,726	Amortized cost	
	489,835			**723,832**		

(*) Fair value hierarchy levels:

(Level 1) Prices traded (unadjusted) in active markets for identical assets or liabilities
(Level 2) Different inputs, except for traded prices in active markets included in Level 1 that are observable for the assets and liabilities, directly (as prices) or indirectly (derived from prices), and
(Level 3) Inputs for the asset or liability that are not based on observable market variables (unobservable inputs).

As of December 31, 2016 loans and financing are measured at amortized cost. The fair value calculated by Management for reference purposes only is R$ 474,158.

The carrying amounts of financial instruments measured at amortized cost are classified as loans and receivables (assets) and other liabilities measured at amortized cost. The carrying amounts of these balances approximate fair value.

15. Financial instruments and risk management--Continued

The Company's financial transactions are subject to the following risk factors:

(i) Market risk:

Exchange Risk

Risk of change in exchange rates which could be associated to the Company's assets and liabilities The Company manages the exchange risk for its companies to detect and mitigate risks posed by changes in exchange rates underlying global assets and liabilities. The foreign-currency debt therefore exists on debt securities issued in US dollars by Prumo Participações S.A. The cash flow intended to service the payment of this debt comes monthly from its subsidiary Ferroport, whose revenue is denominated in US dollars, where the fee for handling iron ore in force is restated annually by the PPI US inflation index. Ferroport is in the unique situation where its cost structure is denominated in Brazilian Reais and its monthly revenue is indexed to the dollar. The operational income of the joint venture is therefore exposed to the risk of exchange variance due to a mismatch between revenue and cost currencies. The appreciation of the Brazilian real against the US dollar could diminish the operational margin and free cash flow of Ferroport. In respect of Prumo Participações' debt, in our opinion the fact that servicing the debt and the revenue of Ferroport are denominated in the same currency creates a natural hedge for this exposure.

The table below summarizes the current value of the debt in millions of reais, with a sensitivity scenario in the exchange rates (USD) suffering upward and downward oscillations of 10% and 20%.

Year 2016	**Real**	**USD +10%**	**USD +20%**
Institution			
Brookfield (vii)	513,149	564,464	615,779
Total	**513,149**	**564,464**	**615,779**

Year 2015	**Real**	**USD +10%**	**USD +20%**
Institution			
Brookfield (vii)	780,960	859,056	937,152
Total	**780,960**	**859,056**	**937,152**

(ii) Liquidity risk

The table below denotes the main financial liabilities of the Company as of December 31, 2016. These amounts are gross and are not discounted, and include payments of estimated interest.

	Not maturity	Up to 6 months	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	Total
Financial liabilities							
Trade accounts payable	-	200	-	-	-	-	200
Dividends payable	-	36,678	-	-	-	-	36,678
Loans and financing	-	42,123	41,250	66,000	273,181	282,618	705,172
Total by time range	**-**	**79,001**	**41,250**	**66,000**	**273,181**	**282,618**	**742,050**

Year ended December 31, 2016 and period from January 06 (date of incorporation) to December 31, 2015 (In thousands of reais, except when indicated otherwise)

15. Financial instruments and risk management--Continued

(iii) Credit risk

This arises from the possibility of the Company suffering losses due to the default of its counterparties or of financial institutions where they have funds.

The Company also carries out a rating analysis of the financial institutions, through credit reports provided by the "Bank Risk Classification System" - Risk Bank, in order to classify and systematically follow up the risk and performance of each bank.

The balances exposed to credit risk are as follows:

	2016	2015
Financial instruments		
Cash and banks	1,556	3,347
Escrow account	55,405	133,582
Related-party transactions	894,948	937,441
	951,909	**1,074,370**

(iv) Capital management

The Company's funds for developing its business plan were completely financed by capital contributions from shareholders and third-party loans. The Company's Treasury Department monitors the funds required for working capital and capital expenditure, which are provided by the shareholder every month.

Members of the Executive Board

Jose Magela Bernardes

Chief Executive Officer

Eugenio Leite de Figueiredo

Chief Financial Officer

Leonardo Fortuna Bernardo Ribeiro

Manager of the Controller’s Department

Accountant CRC RJ 091,229/O-9