

# Prumo Participações e Investimentos S.A.

**Interim financial statements as of  
March 31, 2019**

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

# Independent auditors' report on review of interim financial information

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

To the Shareholders, Board of Directors and Management of  
Prumo Participações e Investimentos S.A  
Rio de Janeiro - RJ

## Introduction

We have reviewed the balance sheet of Prumo Participações e Investimentos S.A. ("Company"), as of March 31, 2019, and the related statements of income, comprehensive income and changes in shareholders' equity and cash flows for the three-month period then ended, including the explanatory notes.

Management is responsible for the preparation and fair presentation of the individual and consolidated interim financial information in accordance with standard *CPC 21(R1) - Demonstração Intermediária*. Our responsibility is to express a conclusion on this interim financial information based on our review.

## Scope of review

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

## Conclusion on the interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information, referred above, has not been prepared, in all material respects, in accordance with CPC 21(R1).

Rio de Janeiro, May 14, 2019

KPMG Auditores Independentes  
CRC SP-014428/O-6 F-RJ  
*Original in Portuguese signed by*  
Luis Claudio França de Araújo  
Accountant CRC RJ-091559/O-4

# Prumo Participações e Investimentos S.A.

## Balance sheet as of March 31, 2019 and December 31, 2018

*(In thousands of Reais)*

Assets	Note	03/31/2019	12/31/2018
<b>Current</b>			
Cash and cash equivalents	6	8,079	3,232
Escrow deposits		377	375
Income taxes and contributions recoverable	7	14,179	10,540
Loan with related parties	8	57,601	57,601
Other receivables		-	2
<b>Total current assets</b>		<b><u>80,236</u></b>	<b><u>71,750</u></b>
<b>Non-current</b>			
Income taxes and contributions recoverable	7	14,819	20,594
Related-party loan	8	729,124	733,884
Investments	9	358,429	329,148
Intangible assets		16	16
<b>Total non-current assets</b>		<b><u>1,102,388</u></b>	<b><u>1,083,642</u></b>
<b>Total assets</b>		<b><u>1,182,624</u></b>	<b><u>1,155,392</u></b>

The notes are an integral part of these interim financial information

# Prumo Participações e Investimentos S.A.

## Balance sheet as of March 31, 2019 and December 31, 2018

*(In thousands of reais)*

<b>Liabilities</b>	<b>Note</b>	<b>03/31/2019</b>	<b>12/31/2018</b>
<b>Current</b>			
Trade accounts payable		81	210
Loans and borrowings	10	52,418	54,778
Taxes payable	12	220	248
Income and social contribution taxes payable	12	1,005	3,447
<b>Total current liabilities</b>		<b>53,724</b>	<b>58,683</b>
<b>Non-current</b>			
Loans and borrowings	10	286,740	295,961
Deferred taxes	11	12,386	13,045
<b>Total non-current liabilities</b>		<b>299,126</b>	<b>309,006</b>
<b>Equity</b>	13		
Capital		788,559	788,559
Capital reserve		14,285	14,285
Advance for future capital increase		12,100	-
Retained earnings (Accumulated losses)		14,830	(15,141)
<b>Total equity</b>		<b>829,774</b>	<b>787,703</b>
<b>Total liabilities and shareholders' equity</b>		<b>1,182,624</b>	<b>1,155,392</b>

The notes are an integral part of these interim financial information

# Prumo Participações e Investimentos S.A.

## Statements of income

Periods ended March 31, 2019 and 2018

*(In thousands of reais)*

	Note	03/31/2019	03/31/2018
<b>Operating expenses</b>			
Administrative expenses		(50)	(15)
Provision for loss		<u>(1)</u>	<u>(1)</u>
<b>Financial results</b>	14		
Finance income		39,193	34,661
Finance expenses		<u>(38,106)</u>	<u>(32,757)</u>
		<b><u>1,036</u></b>	<b><u>1,888</u></b>
Share of profit (loss) of equity-accounted investees	9	<u>29,281</u>	<u>32,455</u>
<b>Net income before taxes</b>		<b><u>30,317</u></b>	<b><u>34,343</u></b>
Current income and social contribution tax	12	(1,005)	(1,424)
Deferred income and social contribution tax	12	<u>659</u>	<u>788</u>
<b>Net income for the period</b>		<b><u>29,971</u></b>	<b><u>33,707</u></b>

The notes are an integral part of these interim financial information

# Prumo Participações e Investimentos S.A.

## Statements of comprehensive income

Periods ended March 31, 2019 and 2018

*(In thousands of reais)*

	03/31/2019	03/31/2018
Net income for the period	29,971	33,707
Other Comprehensive Income	<u>-</u>	<u>288</u>
<b>Total comprehensive income for the period</b>	<b><u>29,971</u></b>	<b><u>33,995</u></b>

The notes are an integral part of these interim financial information



# Prumo Participações e Investimentos S.A.

## Statements of changes in shareholders' equity Periods ended March 31, 2019 and 2018

(In thousands of reais)

	Capital Reserve						Retained earnings (Accumulated losses)	Total equity
	Capital	Advance for future capital increase	Capital contribution (*)	Legal reserve	Profit reserves	Equity valuation adjustment		
<b>Balance at December 31, 2017</b>	<u>753,164</u>	<u>-</u>	<u>14,285</u>	<u>11,218</u>	<u>9,298</u>	<u>(288)</u>	<u>-</u>	<u>787,677</u>
Net income for the period	-	-	-	-	-	-	33,707	33,707
Financial instrument - Ferroport hedge	-	-	-	-	-	288	-	288
<b>Balance on March 31, 2018</b>	<u>753,164</u>	<u>-</u>	<u>14,285</u>	<u>11,218</u>	<u>9,298</u>	<u>-</u>	<u>33,707</u>	<u>821,672</u>
Net loss for the period	-	-	-	-	-	-	(69,364)	(69,364)
Advance for future capital increase	-	35,395	-	-	-	-	-	35,395
Capital increase	35,395	(35,395)	-	-	-	-	-	-
Offsetting of losses with reserves	-	-	-	(11,218)	(9,298)	-	20,516	-
<b>Balance as of December 31, 2018</b>	<u>788,559</u>	<u>-</u>	<u>14,285</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,141)</u>	<u>787,703</u>
Net income for the period	-	-	-	-	-	-	29,971	29,971
Advance for future capital increase	-	12,100	-	-	-	-	-	12,100
<b>Balance as of March 31, 2019</b>	<u>788,559</u>	<u>12,100</u>	<u>14,285</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,830</u>	<u>829,774</u>

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

The notes are an integral part of these interim financial information

# Prumo Participações e Investimentos S.A.

## Statements of cash flows

Periods ended March 31, 2019 and 2018

*(In thousands of reais)*

	03/31/2019	03/31/2018
<b>Cash flows from operating activities</b>		
Income before tax	30,317	34,343
<b>Items not affecting cash</b>		
Share of profit (loss) of equity-accounted investees	(29,281)	(32,455)
Monetary variance and interest	(6,732)	(6,948)
Amortization of transaction costs	2,580	2,579
	<u>(3,116)</u>	<u>(2,841)</u>
<b>(Increase) decrease in assets and increase (decrease) in liabilities:</b>		
Income tax on loan	3,222	2,675
Recoverable taxes	2,136	2,414
Trade payables	(129)	(6)
Escrow account	-	997
Taxes payable	(3,475)	(8,471)
Other assets and liabilities	2	10
	<u>(1,360)</u>	<u>(5,222)</u>
<b>Net cash used in operating activities</b>		
<b>Cash flows from investment activities</b>		
Acquisition of intangible assets	-	(16)
Loans received from related parties	18,258	48,151
	<u>18,258</u>	<u>48,135</u>
<b>Net cash from investing activities</b>		
<b>Cash flows from financing activities</b>		
Advance for future capital increase	12,100	-
Escrow account	556	-
Loans settled with third parties	(8,341)	(8,303)
Interest paid	(16,366)	(35,494)
	<u>(12,051)</u>	<u>(43,797)</u>
<b>Net cash used in financing activities</b>		
<b>Increase (decrease) in cash and cash equivalents</b>	<u>4,847</u>	<u>(524)</u>
Cash and cash equivalents at beginning of period	3,232	2,146
Cash and cash equivalents at end of period	<u>8,079</u>	<u>1,622</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<u>4,847</u>	<u>(524)</u>

The notes are an integral part of these interim financial information

## Notes to the interim financial information

*(In thousands of Reais, except when stated otherwise)*

### 1 Operations

Prumo Participações e Investimentos S.A. (“Prumo Participações” or “Company”), located at the address Russel, 804, 5º andar, 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 Minério de Ferro Ltda. (“Anglo American”).

Ferroport began exporting on October 25, 2014. The company occupies a 300-hectare area at Porto do Açú Operações 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 pier with two berths for loading iron ore. In the first quarter of 2019 Ferroport shipped 4,456 thousand tons of iron ore.

On April 19, 2018 Ferroport received a notification from Anglo American Minério de Ferro Brasil S.A. (“AAMFB”), by which the company announced the occurrence of two leakages at its slurry pipeline on March 12 and 29, 2018, resulting in an operational stoppage and its operating license being suspended by the Brazilian Institute of the Environment - Ibama.

AAMFB initially announced that the suspension could last approximately 90 days, to permit a complete and independent inspection along the entire slurry pipeline. The notification also claimed that the closure of the slurry pipeline in the described circumstances was an event that entails *force majeure* under the contracts entered into by AAMFB and Ferroport.

A detailed inspection of the slurry pipeline was conducted, where a 4-km section of the pipeline, where the leaks occurred, was replaced as a precautionary measure and was completed in the 4th quarter of 2018, followed by resetting of the operation subject to regulatory authorizations. Anglo resumed its operations on December 21, 2018, and Ferroport resumed operations on December 26, 2018, when it began loading iron ore again following the stoppage.

### 2 List of Subsidiarie

	<b>Country</b>	<b>Ownership interest 03/31/2019</b>	<b>Ownership interest 12/31/2018</b>
<b>Direct joint subsidiary:</b>			
Ferroport	Brazil	50.00%	50.00%

### **3 Basis of preparation and presentation of the interim financial information**

**a. Statement of compliance**

The interim financial information has been prepared in accordance with CPC 21 (R1) - Interim Statements issued by the Accounting Pronouncements Committee (“CPC”) and the accounting practices adopted in Brazil (“BR GAAP”).

The interim financial information should be read in conjunction with the financial statements as of December 31, 2018, approved on March 22, 2019, prepared in accordance with the accounting practices adopted in Brazil (“BR GAAP”).

Authorization for the conclusion of the preparation of this interim financial information was given by Management on May 14, 2019.

**b. Basis of preparation**

The interim financial information has 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 currency and reporting currency**

This interim financial information is reported in Reais, which is the Company’s functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

### **4 Use of estimates and judgments**

Preparing the interim financial statements required Management to make judgments and estimates that affect the application of accounting policies and the reported values of assets, liabilities, revenue and expenses. The actual results may differ from these estimates.

### **5 Changes in significant accounting policies**

Of the standards in force, CPC 06 (R2)/IFRS 16 did not have a material impact on the Company's interim financial information in the initial application period.

### **6 Cash and cash equivalents**

	<b>03/31/2019</b>	<b>12/31/2018</b>
Cash and bank deposits	6,862	1,975
<b>Cash equivalents</b>		
Investment Fund	1,218	1,257
	<b>8,080</b>	<b>3,232</b>
Estimated loss allowance (IFRS 9)	(1)	-
	<b>8,079</b>	<b>3,232</b>

The balance of cash and banks as of March 31, 2019 and December 31, 2018 consists of current accounts and investment fund investments, that are promptly convertible into a known cash amount and are subject to an insignificant risk of impairment.

## 7 Recoverable taxes

The recoverable taxes break down as follows:

	03/31/2019	12/31/2018
Income tax and social contribution (“IRPJ/CSLL”)	16,962	20,594
Income tax withheld at source (“IRRF”)	5,977	3,641
Income tax on loan (“IRPJ”)	<u>6,059</u>	<u>6,899</u>
	<b><u>28,998</u></b>	<b><u>31,134</u></b>
Current	14,179	10,540
Non-current	14,819	20,594

## 8 Related-party transactions

The Company 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 March 31, 2019 and December 31, 2018, as well as the related-party transactions that affected income for the year, are the result of transactions between the Company and its joint subsidiary, as follows:

	<u>Accounts receivable</u>	
	03/31/2019	12/31/2018
<b>Loan with related parties</b>		
Ferroport	<u>786,725</u>	<u>791,485</u>
	<b><u>786,725</u></b>	<b><u>791,485</u></b>
Current	57,601	57,601
Non-current	729,124	733,884

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

	<u>Finance revenue</u>	
	1/1/2019 to 03/31/2019	1/1/2018 to 03/31/2018
<b>Loan interest</b>		
Ferroport	<u>15,881</u>	<u>16,114</u>
	<b><u>15,881</u></b>	<b><u>16,114</u></b>

## Management Compensation

Company Management is compensated by the parent company Prumo Logística.

## 9 Investment

### a. Equity interests

<u>03/31/2019</u>									
Direct investee	% interest	Number of shares/quotas (thousand)	Assets	Liabilities	Equity	Capital	Capital reserve	Profit reserve	Retained earnings
Ferroport	50%	1,080	2,757,265	2,040,407	716,858	414,397	94,589	116,877	90,995
<u>12/31/2018</u>									
Direct investee	% interest	Number of shares/quotas (thousand)	Assets	Liabilities	Equity	Capital	Capital reserve	Profit reserve	Retained earnings
Ferroport	50%	1,080	2,697,433	2,039,138	658,295	414,397	94,589	145,639	3,671

### b. Changes

Direct investee	12/31/2018	Equity in net income of subsidiaries	Asset and liability valuation adjustments	03/31/2019
Ferroport	329,148	29,281	-	358,429
	<u>329,148</u>	<u>29,281</u>	<u>-</u>	<u>358,429</u>
Direct investee	12/31/2017	Equity in net income of subsidiaries	Asset and liability valuation adjustments	12/31/2018
Ferroport	333,297	(4,438)	288	329,148
	<u>333,297</u>	<u>(4,438)</u>	<u>288</u>	<u>329,148</u>

## 10 Loans and borrowings

<u>03/31/2019</u>					
Organization	Maturity	Principal	Interest and restatement	Total	Total
Brookfield Asset Management	09/30/2022	376,134	-	376,134	390,294
(-) Transaction cost		(36,976)	-	(36,976)	(39,555)
		<u>339,158</u>	<u>-</u>	<u>339,158</u>	<u>350,739</u>
Current		52,418	-	52,418	54,778
Non-current		286,740	-	286,740	295,961

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

Prumo Participações has specific funding to raise funds for the development of its projects. On March 31, 2019, the average funding cost for financing in Reais is 8.50% pa fixed in Dollars.

On March 29, 2019 Prumo's subsidiary, Prumo Participações, serviced its debt in the amount of R\$ 24,151, with R\$ 16,366 consisting of amortization and R\$ 8,340 interest.

### 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.

### Transactions not involving cash or cash equivalents

	Cash Flow			Noncash effect			
	12/31/2018	Secured / (settled)	Interest paid (financing)	Addition of transaction costs	Interest, monetary restatement and exchange variance	Amortization of transaction costs	03/31/2019
Loans and borrowings	350,739	(16,366)	(8,341)	-	10,546	2,580	339,158
	<u>350,739</u>	<u>(16,366)</u>	<u>(8,341)</u>	<u>-</u>	<u>10,546</u>	<u>2,580</u>	<u>339,158</u>

## 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:

	03/31/2019	12/31/2018
<b>Deferred tax liability</b>		
Temporary difference - Exchange variance	(12,386)	(13,045)
<b>Total deferred taxes</b>	<u>(12,386)</u>	<u>(13,045)</u>

## 12 Taxes and social contributions payable

	03/31/2019	12/31/2018
PIS/COFINS	220	246
PIS/COFINS/CSLL - Withheld	-	2
IRPJ/CSLL	1,005	3,447
	<u>1,225</u>	<u>3,695</u>

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:

	<b>03/31/2019</b>	<b>03/31/2018</b>
Profit before income and social contribution taxes	<u>30,317</u>	<u>34,343</u>
Income and social contribution taxes at the rate (34%)	<u>(10,308)</u>	<u>(11,677)</u>
<b>Adjustment to determine the effective rate</b>		
Equity income	9,956	11,035
Tax credits are not recognized	<u>6</u>	<u>6</u>
<b>Total income and social contribution taxes</b>	<b><u>(346)</u></b>	<b><u>(636)</u></b>
Effective rate	<u>(1.14%)</u>	<u>(1.85%)</u>
Current	(1,005)	(1,424)
Deferred charges	<u>659</u>	<u>788</u>
<b>Total income and social contribution taxes</b>	<b><u>(346)</u></b>	<b><u>(636)</u></b>

## 13 Equity

### a. Capital

The Company's ownership structure as of March 31 and December 31, 2018 is as follows:

	<b>03/31/2019</b>		<b>12/31/2018</b>	
	<b>Number of common shares (thousand)</b>	<b>%</b>	<b>Number of common shares (thousand)</b>	<b>%</b>
Shareholders				
Prumo	<u>788,559</u>	<u>100.00</u>	<u>788,559</u>	<u>100.00</u>
	<b><u>788,559</u></b>	<b><u>100.00</u></b>	<b><u>788,559</u></b>	<b><u>100.00</u></b>

On December 21, 2018 Company Management approved, subscribed and paid in capital by converting the advance for future capital increase of R\$ 35,395 and issuing 35,395 registered common shares.

### b. Capital reserve

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

### c. Advance for future capital increase

Prumo Logística S.A. made an advance for future capital increase of R\$ 12,100 on March 15, 2019. This contribution is irrevocable and irreversible, and convertible into the corresponding number of shares, subject to the par value.



**d. Dividends**

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.

**14 Financial results**

	<b>03/31/2019</b>	<b>03/31/2018</b>
<b>Finance income</b>		
Loan interest	15,881	16,114
Interest on investments	19	19
Interest earned	261	108
Exchange variance	23,032	18,420
	<b>39,193</b>	<b>34,661</b>
<b>Finance expenses</b>		
Interest on loans	(8,053)	(8,103)
Exchange variance on loans	(24,969)	(19,480)
Commission and brokerage fees	(2,579)	(2,617)
Fine and interest	-	(53)
Taxes on financial revenue	(2,239)	(2,227)
Other	(266)	(277)
	<b>(38,106)</b>	<b>(32,757)</b>
	<b>1,087</b>	<b>1,904</b>

**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.

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:

	03/31/2019			12/31/2018		
	Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss	Amortized cost	Fair value through other comprehensive income	Fair value through profit or loss
<b>Assets</b>						
Cash and cash equivalents	8,079	-	-	3,232	-	-
Loan with related parties	786,725	-	-	791,485	-	-
Other accounts receivable	-	-	-	2	-	-
	<b>794,804</b>	-	-	<b>794,719</b>	-	-
<b>Liabilities</b>						
Trade payables	81	-	-	210	-	-
Loans and borrowings	339,158	-	-	350,739	-	-
	<b>339,239</b>	-	-	<b>350,949</b>	-	-

- **(Level 1)** - Quoted prices (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).
- **(Level 3)** - Inputs for the asset or liability that are not based on observable market variables (unobservable inputs).

As of March 31, 2019 loans and financing are measured at amortized cost. The fair value calculated by Management for reference purposes only is R\$ 317,084.

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.

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. 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 oscillations of 10% and 20%.

<b>03/31/2019</b>	<b>Real</b>	<b>USD +10%</b>	<b>USD +20%</b>
<b>Institution</b>			
Brookfield	376,134	413,747	451,361
<b>Total</b>	<b>376,134</b>	<b>413,747</b>	<b>451,361</b>
<b>12/31/2018</b>	<b>Real</b>	<b>USD +10%</b>	<b>USD +20%</b>
<b>Institution</b>			
Brookfield	390,294	429,323	468,353
<b>Total</b>	<b>390,294</b>	<b>429,323</b>	<b>468,353</b>

**(ii) Liquidity risk**

The table below denotes the main financial liabilities of the Company as of March 31, 2019. These amounts are gross and are not discounted and include payments of estimated interest.

	<b>03/31/2019</b>						
	<b>No maturity</b>	<b>Up to 6 months</b>	<b>6 to 12 months</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
<b>Financial liabilities</b>							
Trade payable	-	81	-	-	-	-	81
Loans and borrowings	-	48,370	44,251	89,195	273,525	-	455,341
<b>Total by time range</b>	<b>-</b>	<b>48,451</b>	<b>44,251</b>	<b>89,195</b>	<b>273,525</b>	<b>-</b>	<b>455,422</b>
	<b>12/31/2018</b>						
	<b>No maturity</b>	<b>Up to 6 months</b>	<b>6 to 12 months</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
<b>Financial liabilities</b>							
Trade payable	-	-	210	-	-	-	210
Loans and borrowings	-	48,790	47,407	80,160	300,995	-	477,351
<b>Total by time range</b>	<b>-</b>	<b>48,790</b>	<b>47,617</b>	<b>80,160</b>	<b>300,995</b>	<b>-</b>	<b>477,561</b>

**(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:

<b>Financial instruments</b>	<b>03/31/2019</b>	<b>12/31/2018</b>
Cash and bank deposits	8,079	2,054
Related-party loan	<u>786,725</u>	<u>777,957</u>
	<b><u>794,804</u></b>	<b><u>780,011</u></b>

**(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.

\* \* \*

José Magela Bernardes  
**Chief Executive Officer**

Eugenio Leite de Figueiredo  
**Chief Financial Officer**

Thiago de Oliveira Ribeiro  
**Accountant**  
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