

Prumo
Participações e
Investimentos S.A.

**Condensed interim financial
information as of March 31, 2020**

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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' review report on condensed interim financial information

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

Introduction

We have reviewed the condensed balance sheet of Prumo Participações e Investimentos S.A. ("Company"), as of March 31, 2020, and the related condensed statements of operations, comprehensive income (loss) for the three-month period ended at that date, 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 condensed interim financial information in accordance with standard *CPC 21(R1) - Demonstração Intermediária*. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Interim Financial 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 condensed 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 condensed interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information does not present fairly, in all material respects, the financial position of the entity as at March 31, 2020, and of its financial performance and its cash flows for the three-month period then ended in accordance with CPC 21 (R1).

Rio de Janeiro, May 06, 2020

KPMG Auditores Independentes
CRC SP-014428/O-6 F-RJ



Luis Claudio França de Araújo
Accountant CRC RJ-091559/O-4

Prumo Participações e Investimentos S.A.

Condensed balance sheets as of March 31, 2020 and December 31, 2019

(In thousands of Reais)

Assets	Note	03/31/2020	12/31/2019
Current			
Cash and cash equivalents	6	47,976	1,184
Escrow deposits	10	130,210	100,956
Recoverable taxes	7	2,778	16,929
Income taxes and contributions recoverable	7	-	1,480
Related party	8	68,855	68,188
Derivatives – Hedge	10	10,369	-
Total current assets		260,188	188,737
Non-current			
Recoverable taxes	7	17,000	-
Deferred taxes	11	-	223
Related party	8	538,339	578,245
Investment	9	581,432	537,965
Intangible assets		16	16
Total non-current assets		1,136,787	1,116,449
Total assets		1,396,975	1,305,186

The notes are an integral part of these condensed interim financial information.

Prumo Participações e Investimentos S.A.

Condensed balance sheets as of March 31, 2020 and December 31, 2019

(In thousands of Reais)

Liabilities	Note	03/31/2020	12/31/2019
Current			
Trade accounts payable		635	2,674
Loans and borrowings	10	66,617	17,597
Taxes payable		261	172
Related parties		14	18
Other accounts payable		-	656
Total current liabilities		<u>67,527</u>	<u>21,117</u>
Non-current			
Loans and borrowings	10	1,642,043	1,247,647
Deferred taxes	11	3,521	-
Total non-current liabilities		<u>1,645,564</u>	<u>1,247,647</u>
Equity			
	13		
Share capital		10	10
Reserves		36,412	36,412
Accumulated losses		(352,538)	-
Total equity		<u>(316,116)</u>	<u>36,422</u>
Total liabilities and equity		<u>1,396,975</u>	<u>1,305,186</u>

The notes are an integral part of these condensed interim financial information.

Prumo Participações e Investimentos S.A.

Condensed statements of operations

Periods ended March 31, 2020 and 2019

(In thousands of Reais)

	Note	03/31/2020	03/31/2019
Operating expenses			
Administrative expenses		(4)	(50)
Reversal of (provision for) asset impairment		<u>5</u>	<u>(1)</u>
Finance income (expense)	14		
Finance income		50,078	39,193
Finance expense		<u>(442,340)</u>	<u>(38,106)</u>
		<u>(392,261)</u>	<u>1,036</u>
Equity in income of joint venture	9	<u>43,467</u>	<u>29,281</u>
Net income (loss) before taxes		<u>(348,794)</u>	<u>30,317</u>
Current income and social contribution tax	12	-	(1,005)
Deferred income and social contribution tax	12	<u>(3,744)</u>	<u>659</u>
Net income (loss) for the period		<u>(352,538)</u>	<u>29,971</u>

The notes are an integral part of these condensed interim financial information.

Prumo Participações e Investimentos S.A.

Condensed statements of comprehensive income (loss)

Periods ended March 31, 2020 and 2019

(In thousands of Reais)

	03/31/2020	03/31/2019
Net income (loss) for the period	(352,538)	29,971
	<hr/>	<hr/>
Total comprehensive income for the period	<u>(352,538)</u>	<u>29,971</u>

The notes are an integral part of these condensed interim financial information.

Prumo Participações e Investimentos S.A.

Condensed statements of changes in shareholders' equity

Periods ended March 31, 2020 and 2019

(In thousands of Reais)

	Share capital	Capital contribution (*)	Legal reserve	Profit reserve	Advance for future capital increase	Asset and liability valuation adjustments	Accumulated losses	Total equity
Balance as of December 31, 2018	<u>788,559</u>	<u>14,285</u>	<u>-</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
Balance at March 31, 2019	<u>788,559</u>	<u>14,285</u>	<u>-</u>	<u>-</u>	<u>12,100</u>	<u>-</u>	<u>14,830</u>	<u>829,774</u>
Balance at December 31, 2019	<u>10</u>	<u>-</u>	<u>-</u>	<u>36,412</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,422</u>
Loss for the period	-	-	-	-	-	-	(352,538)	(352,538)
Balance at March 31, 2020	<u>10</u>	<u>-</u>	<u>-</u>	<u>36,412</u>	<u>-</u>	<u>-</u>	<u>(352,538)</u>	<u>(316,116)</u>

The notes are an integral part of these condensed interim financial information.

Prumo Participações e Investimentos S.A.

Condensed statements of cash flows

Periods ended March 31, 2020 and 2019

(In thousands of Reais)

	03/31/2020	03/31/2019
Cash flows from operating activities		
Net income (loss) before tax	(348,794)	30,317
Expenses (income) not affecting cash:		
Share of profit of equity-accounted investees	(43,467)	(29,281)
Monetary variance and interest	386,947	(6,732)
(Provision) transaction cost	6,813	-
Amortization (reversal) of transaction costs	<u>2,103</u>	<u>2,580</u>
	<u>3,603</u>	<u>(3,116)</u>
(Increase) decrease in assets and increase (decrease) in liabilities:		
Income tax on loan	(1,401)	3,222
Recoverable taxes	-	2,136
Trade accounts payable	(2,040)	(129)
Taxes payable	89	(3,475)
Other assets and liabilities	<u>(673)</u>	<u>2</u>
Net cash used in operating activities	<u>(422)</u>	<u>(1,360)</u>
Cash flows produced by investment activities		
Loans received from related parties	<u>47,214</u>	<u>18,258</u>
Net cash from investing activities	<u>47,214</u>	<u>18,258</u>
Cash flows from financing activities		
Advance for future capital increase	-	12,100
Escrow account	-	556
Loans settled with third parties	-	(8,341)
Interest paid	<u>-</u>	<u>(16,366)</u>
Net cash used in financing activities	<u>-</u>	<u>(12,051)</u>
Increase in cash and cash equivalents	<u>46,792</u>	<u>4,847</u>
Cash and cash equivalents at beginning of period	1,184	3,232
Cash and cash equivalents at end of period	<u>47,976</u>	<u>8,079</u>
Increase in cash and cash equivalents	<u>46,792</u>	<u>4,847</u>

See the accompanying notes to the condensed interim financial information.

Notes to the condensed interim financial statements

(In thousands of Reais, except when indicated otherwise)

1 Operations

Prumo Participações e Investimentos S.A. (“Prumo Participações” or “Company”), located at the address Rua do Russel, 804, 5º andar, Glória, Rio de Janeiro was incorporated in 2015 as a wholly owned subsidiary of Prumo Logística S.A. (“Prumo”) in order to acquire interests in other companies as a shareholder. 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 in October 2014. Ferroport occupies a 300-hectare area at Açú Complex to process, handle and store iron ore. It 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 2020 Ferroport shipped a total of 6.1 thousand tons of iron ore, in 41 Capesize ships.

The World Health Organization has declared that the coronavirus outbreak is characterized as a pandemic. The triggered decisions increased the degree of uncertainty for economic agents and may have an impact on the amounts recognized in the financial statements.

The risks and possible impacts of COVID-19 on Prumo Participações's Condensed Interim financial statements as of March 31, 2020 refer mainly to Ferroport. Each of the main subsidiaries internally assessed the exposure to these risks.

Management evaluates the implementation of appropriate measures to mitigate the impacts of the outbreak on operations and condensed Interim financial statements. Until the date of authorization for issuing these condensed Interim financial statements, the following main measures were taken:

- Creation of a Crisis Committee;
- Virtual meetings, suspension of events and travel;
- Implementation of home office for employees of the offices whenever possible;
- Weekly rotation in the workplace;
- In Porto, no ship is authorized by the regulatory agency of the Ministry of Health to dock until the commander's report on the vessel and crew's sanitary conditions is approved by the National Health Surveillance Agency (Anvisa).

The impacts of the coronavirus may have significant effects, however it is not yet possible to measure these impacts, especially in view of the uncertainties regarding the operational limitations that may come to reach activities in São João da Barra and how long these limitations may last.

2 List of Investees

	Country	Ownership interest 03/31/2020	Ownership interest 12/31/2019
Direct joint subsidiary:			
Ferroport	Brazil	50.00%	50.00%

3 Basis of preparation and presentation of the Condensed interim financial information

a. Statement of compliance

The condensed interim financial information has been prepared in accordance with CPC 21 (R1) - Interim Statements issued by the Accounting Pronouncements Committee (“CPC”).

The condensed interim financial information should be read in conjunction with the financial statements as of December 31, 2019, approved on March 22, 2020, prepared in accordance with the accounting practices adopted in Brazil (“BR GAAP”).

Authorization for the conclusion of the preparation of this condensed interim financial information was given by Management on May 06, 2020.

The accounting policies, accounting estimates and judgments, risk management and measurement methods are the same as those applied when preparing the last annual financial statements, except for the critical judgements and estimates made in determining the financial impacts arising from the Covid 19, as described in Note 1 and in the note of subsequent events.

b. Basis of preparation

The condensed 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 condensed interim financial information is reported in Real, 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 condensed interim financial information 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, there is no new CPC / IFRS with a material impact on the Company's interim financial information in the initial application period.

6 Cash and cash equivalents

	03/31/2020	12/31/2019
Cash and banks	17	1,047
Cash equivalents		
Investment Fund	47,964	147
	47,981	1,194
Estimated impairment loss allowance	(5)	(10)
	47,976	1,184

The balance of cash and banks as of March 31, 2020 and December 31, 2019 consists of current accounts and investment fund investments that are promptly convertible into cash, partly in R\$, indexed to the Brazilian interbank interest rate (“DI Rate” or “CDI”) a known cash amount and are subject to an insignificant risk of impairment.

7 Recoverable taxes

The recoverable taxes break down as follows:

	03/31/2020	12/31/2019
Income tax and social contribution (“IRPJ/CSLL”)	-	1,480
Income tax withheld at source (“IRRF”)	19,508	16,665
Income tax on loan (“IRPJ”)	270	264
	19,778	18,409
Current	2,778	18,409
Noncurrent	17,000	-

8 Related parties

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, 2020 and December 31, 2019, 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:

	Accounts receivable	
	03/31/2020	12/31/2019
Loan with related parties		
Ferroport	607,194	646,433
	607,194	646,433
Current	68,855	68,188
Noncurrent	538,339	578,245

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

	Finance income	
	03/31/2020	03/31/2019
Loan interest		
Ferroport	9,382	15,881
	9,382	15,881

Management Compensation

Company Management is compensated by the parent company Prumo Logística.

Maturity and interest

Intercompany loans are subject to annual interest of 100% of the CDI plus 2% p.a.
 Intercompany loans have no covenants or guarantees.

Ferroport shall repay all amounts outstanding, including any outstanding interest thereon no later than December 31, 2030.

9 Investment

a. Equity interests

03/31/2020									
Direct investee	% interest	Number of shares/quotas (thousand)	Assets	Liabilities	Equity	Capital	Capital reserve	Profit reserves	Retained earnings
Ferroport	50%	1,080	2,952,557	1,789,695	1,162,862	803,404	94,589	137,350	127,519
12/31/2019									
Direct investee	% interest	Number of shares/quotas (thousand)	Assets	Liabilities	Equity	Capital	Capital reserve	Profit reserves	Retained earnings
Ferroport	50%	1,080	2,745,880	1,889,363	1,075,929	803,404	94,589	137,350	40,586

b. Changes

Direct investee	2019	Equity income	03/31/2020
Ferroport	<u>537,965</u>	<u>43,467</u>	<u>581,432</u>
	<u>537,965</u>	<u>43,467</u>	<u>581,432</u>

10 Loans and borrowings

Direct investee	2018	Equity income	2019
Ferroport	<u>329,148</u>	<u>208,817</u>	<u>537,965</u>
	<u>329,148</u>	<u>208,817</u>	<u>537,965</u>

			03/31/2020				2019
Institution	Due date	Rates in %	Principal	Interest and restatement	Total	Total	Total
Senior Secured Bonds	12/31/2031	Dollar + 7.50% p.a	1,784,967	33,468	1,818,435	1,383,936	
(-) Transaction cost			<u>(109,775)</u>	<u>-</u>	<u>(109,775)</u>	<u>(118,692)</u>	
			<u>1,675,192</u>	<u>33,468</u>	<u>1,708,660</u>	<u>1,265,244</u>	
Current			33,149	33,468	66,617	17,597	
Noncurrent			1,642,043	-	1,642,043	1,247,647	

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

On October 22, 2019, the Company priced senior debt in the amount of R\$ 1,352,504 under regulation 144A/RegS, with a coupon of 7.5% p.a., semi-annual payments and final maturity in December 2031. On December 30, 2019 the Company made the first debt payment of R\$ 45,031, with a principal of R\$ 26,809 and interest of R\$ 18,222.

The Brazilian exchange rate devaluated against the Dollar Exchange rate during the 1Q2020, partially due to the COVID-19 outbreak. Since Prumo Participações, in compliance with its Hedging Program, has already entered into non-deliverable forward agreement (NDFs) to purchase dollar to protect its cash position, and will continue to do so over the following months, the company does not expect a material negative impact regarding exchange rate variations on the semi-annual payment of the Bonds scheduled for June 2020.

Regarding the Intercompany Loan received from Ferroport, the port operator is positively impacted by the depreciation of the Brazilian Reais against the US Dollar, which is a positive driver for their payment of Intercompany Loans. Prumo Participações revenue derives from the intercompany loan repaid by Ferroport, denominated in Brazilian Reais and transferred to the company on a monthly basis.

Escrow Deposits

Prumo Participações has two reserve accounts for the financing contract: The Debt Service Reserve Account (“DSRA”), which contains 6 months of the minimum principal payment plus interest payable in the period; and the Target Payment Reserve Account (“TARA”), which holds the amount exceeding the amount due on each payment date. This second account is funded until it reaches 8.5% of the outstanding principal and once full, no further amounts will be paid into this account. As of March 31, 2020, DSRA had R\$ 68,452 and TARA R\$ 61,758, totaling R\$ 130,210.

Hedge Accounting

All Prumo Participações revenues come from intercompany loan repayments from Ferroport, denominated in Reais and transferred to the Company on a monthly basis. Upon the issuance of the Senior Secured Bonds, the Company has entered into a Hedging Program that determines the Company shall enter into NDF (non-deliverable forward) operations every month in order to purchase US Dollars and sell Reais in an amount equivalent to an average of 1/6 of the semi-annual payment to protect its exposure to exchange variations regarding debt payment and reserve accounts funding due in every June and December.

Guarantees provided

The Company submitted the following security for the senior debt contracts: (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 the loan between Prumo Participações and Ferroport (iv) Accounts contract; and (v) Statutory Lien of credit receivables and accounts.

Transactions not involving cash or cash equivalents

	Cash Flow			Noncash effect			03/31/2020
	12/31/2019	Secured / (settled)	Interest paid (financing)	Addition of transaction costs	Interest and exchange variance	Amortization of transaction costs	
Loans and borrowings	<u>1,265,244</u>	-	-	6,813	434,499	2,104	<u>1,708,660</u>
	<u>1,265,244</u>	-	-	<u>6,813</u>	<u>434,499</u>	<u>2,104</u>	<u>1,708,660</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:

	03/31/2020	12/31/2020
Deferred tax liability		
Provision for hedge settlements	(3,521)	223
Total deferred taxes	(3,521)	223

12 Taxes and social contributions

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:

	03/31/2020	03/31/2019
Profit (loss) before income and social contribution taxes	(348,794)	30,317
Income and social contribution taxes at the rate (34%)	118,590	(10,308)
Adjustment to determine the effective rate		
Equity income and Exchange Variance	(111,734)	9,956
Tax credits not recognized	(10,600)	6
Total income and social contribution taxes	(3,744)	(346)
Effective rate	1,07%	(1,14%)
Current	-	(1,005)
Deferred charges	(3,744)	659
Total income and social contribution taxes	(3,744)	(346)

13 Equity

a. Capital

The Company's ownership structure as of March 31, 2020 and December 31, 2019 is as follows:

	03/31/2020 and 12/31/2019	
	Quantity of common shares (thousand)	%
Shareholders		
Prumo Logística S.A.	820,362	100.00
	820,362	100.00

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; and
- (iii) Remaining amount for dividends to be paid.

c. Dividends

	03/31/2020	12/31/2019
Net income for the year	-	95,649
Prior-year income	-	(15,141)
Total accumulated	-	80,508
Legal reserve	-	(2)
Dividend calculation basis	-	80,506
Dividends paid during the year	-	23,970
Minimum dividends proposed	-	20,126
Profit reserve	-	36,410

The EGM held October 31, 2019 resolved to distribute interim dividends pursuant to article 22 of the Company's Bylaws amounting to R\$ 44,096, calculated based on the retained earnings, as stated in the Company's Interim financial statements dated June 30, 2019.

14 Finance income (expense)

	03/31/2020	03/31/2019
Finance income		
Loan interest	9,382	15,881
Hedge	11,013	-
Interest on investments	-	19
Interest earned	-	261
Exchange variance	29,579	23,032
Other	104	-
	50,078	39,193
Finance expense		
Interest on loans	(29,972)	(8,053)
Exchange variance	(404,528)	(24,969)
Commission and brokerage fees	(2,103)	(2,579)
Taxes on financial revenue	(3,235)	(2,239)
Other	(2,502)	(266)
	(442,340)	(38,106)
	(392,262)	1,087

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. The Company does not invest in derivatives or any other risky assets on a speculative basis.

In compliance with senior debt contracts, the Company is taking out currency hedges every month to protect the debt service.

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:

	03/31/2020			12/31/2019		
	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
Assets						
Cash and cash equivalents	47,976	-	-	1,184	-	-
Escrow account	130,210	-	-	100,956	-	-
Loan with related parties	607,194	-	-	646,433	-	-
	785,380	-	-	748,573	-	-
Liabilities						
Trade accounts payable	635	-	-	2,674	-	-
Loans and borrowings	1,708,660	-	-	1,265,244	-	-
	1,709,295	-	-	1,267,918	-	-
	03/31/2020			12/31/2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Liabilities						
Supplier	635	-	-	2,674	-	-
Loans and borrowings	1,708,660	-	-	1,265,244	-	-
	1,709,295	-	-	1,267,918	-	-

- **(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, 2020, loans and financing are measured at amortized cost. The fair value calculated by Management for reference purposes only is R\$ 1,858,936.

The carrying amounts of financial instruments measured at amortized cost are classified as assets measured at amortized cost 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 US dollars. 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, 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%.

03/31/2020	Real	USD +10%	USD +20%	USD +30%
Institution				
Senior Secured Bonds	1,818,435	2,000,279	2,182,122	2,363,966
Total	1,818,435	2,000,279	2,182,122	2,363,966
12/31/2019				
Institution				
Senior Secured Bonds	1,383,936	1,522,329	1,660,723	1,799,117
Total	1,383,936	1,522,329	1,660,723	1,799,117

(ii) Liquidity risk

The table below denotes the main financial liabilities of the Company as of March 31, 2020. These amounts are gross and are not discounted and include payments of estimated interest.

	No maturity	Up to 6 months	6 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial liabilities							
Trade payables	-	635	-	-	-	-	635
Loans and borrowings	-	68,452	79,115	158,288	581,464	1,946,450	2,833,769
Total by time range	-	69,087	79,115	158,288	581,464	1,946,450	2,834,404

(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:

Financial instruments	03/31/2020	12/31/2019
Cash and bank deposits	47,976	1,184
Escrow accounts	130,210	100,956
Related-party loan	607,194	646,433
	785,380	748,573

(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.

16 Subsequent Events

Covid-19

The company has been working internally to respond to the COVID-19 threat. In order to contribute to the reduction of the spread rate of Coronavirus and in line with the guidelines of the health agencies, all the companies of Prumo Group (Ferroport included) have adopted home office for the administrative staff. Regarding the operations, Ferroport's operating activities remain in place and the Take-or-Pay contract with Anglo American remains in course without any interruption. Consequently, all IC Loan repayments from Ferroport to Prumo Participações also remain in place and no changes occurred due to the COVID-19 outbreak.

To the extent the Company becomes aware of material and relevant additional information/developments that impacts Ferroport's operations, a notice will be released to all bondholders as may be required under the reporting obligations under the Senior Secured Bonds contract.

Arbitration agreement between Anglo, Ferroport and Prumo Participações

Ferroport registered in 2019 the revenues from the settlement agreement signed on March 16, 2020 to bring the Arbitration proceedings to a conclusion. Ferroport received a compensation of USD 60 million on April 20, 2020 and used this amount net of taxes and arbitration expenses to repay the loans to its shareholders. Upon the receipt of this extraordinary payment, Prumo Participações remitted USD 17.3 million to fund TARA, which is now full. The excess of R\$ 30,608 was distributed as dividends to Prumo Logística.

* * *

Members of the Executive Board

Eugenio Leite de Figueiredo
CEO and CFO

Eduardo Quartarone Campos
Officer with no specific title

Candice Frankel Feferkorn
Accountant
CRC-RJ 125841/O-1