

Prumo Participações e Investimentos S.A.

**Condensed interim financial
information as of
September 30, 2020**

Contents

Independent auditors' review report on condensed interim financial information	3
Condensed balance sheets	6
Condensed statements of operations and	
Condensed statements of comprehensive income (loss)	8
Condensed statements of changes in shareholders' equity	10
Statements of cash flows	11
Notes to the condensed interim financial information	12



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 September 30, 2020, and the related condensed statements of operations and statements of comprehensive income (loss) for the three and nine-month periods then ended and statements of changes in shareholders' equity and statements of cash flows for the nine-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

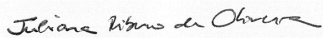
We conducted our review in accordance with Brazilian and International Interim Financial Information Review Standards (NBC TR 2410 - Revisão de Informações Intermediárias Executada pelo Auditor da Entidade and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of 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, as of September 30, 2020, are not prepared, in all material respects, in accordance with CPC 21 (R1) – Interim Financial Reporting.

Rio de Janeiro, October 27 , 2020

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


Juliana Ribeiro de Oliveira
CRC RJ-095335/O-0

Prumo Participações e Investimentos S.A.

Condensed balance sheets as of September 30, 2020 and December 31, 2019

(In thousands of reais)

Assets	Note	09/30/2020	12/31/2019
Current			
Cash and cash equivalents	6	103,713	1,184
Escrow deposits	10	74,256	100,956
Recoverable taxes	7	6,200	18,409
Related party	8	70,375	68,188
Derivatives - Hedge	10 and 15	3,032	-
Other receivables		12	-
Total current assets		<u>257,588</u>	<u>188,737</u>
Non-current			
Recoverable taxes	7	17,050	-
Deferred taxes	11	-	223
Related party	8	282,805	578,245
Investment	9	706,707	537,965
Intangible assets		16	16
Total non-current assets		<u>1,006,578</u>	<u>1,116,449</u>
Total assets		<u>1,264,166</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 balance sheets as of September 30, 2020 and December 31, 2019

(In thousands of reais)

Liabilities	Note	09/30/2020	12/31/2019
Current			
Trade accounts payable		101	2,674
Loans and borrowings	10	77,146	17,597
Taxes payable		63	172
Related parties		304	18
Other accounts payable		5,801	656
Total current liabilities		83,415	21,117
Non-current			
Loans and borrowings	10	1,606,108	1,247,647
Deferred taxes	11	1,031	-
Total non-current liabilities		1,607,139	1,247,647
Equity	13		
Share capital		10	10
Reserves		2	36,412
Accumulated losses		(426,400)	-
Total equity		(426,388)	36,422
Total liabilities and equity		1,264,166	1,305,186

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

Prumo Participações e Investimentos S.A.

Condensed statements of operations and Condensed statements of comprehensive income (loss)

Three and nine-month periods ended September 30, 2020 and 2019

(In thousands of reais)

		Nine months		Three months	
	Note	1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019	7/1/2020 to 9/30/2020/	7/1/2019 to 9/30/2019
Operating expenses					
Administrative expenses		(240)	(841)	(176)	(85)
Provision for asset impairment		<u>(8)</u>	<u>(1)</u>	<u>(7)</u>	<u>-</u>
		(248)	(842)	(183)	(85)
Financial income	14				
Financial income		167,768	93,166	98,486	23,951
Financial costs		<u>(761,408)</u>	<u>(126,989)</u>	<u>(166,202)</u>	<u>(71,596)</u>
		<u>(593,640)</u>	<u>(33,823)</u>	<u>(67,716)</u>	<u>(47,645)</u>
Share of profit of equity-accounted investees	9	<u>168,742</u>	<u>97,032</u>	<u>46,266</u>	<u>35,993</u>
Profit (loss) before taxes		<u>(425,146)</u>	<u>62,387</u>	<u>(21,633)</u>	<u>(11,737)</u>
Current income and social contribution tax	12	-	-	-	654
Deferred income and social contribution taxes	12	<u>(1,254)</u>	<u>10,278</u>	<u>(992)</u>	<u>14,054</u>
Net income (loss) for the period		<u>(426,400)</u>	<u>72,645</u>	<u>(22,625)</u>	<u>2,971</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 September 30, 2020 and 2019

(In thousands of reais)

	Share capital	Capital contribution	Profit reserve	Advance for future capital increase	Accumulated losses	Total equity
Balance as of December 31, 2018	788,559	14,285	-	-	(15,141)	787,703
Net income for the period	-	-	-	-	72,645	72,645
Capital reduction	(214,592)	-	-	-	-	(214,592)
Advance for future capital increase	-	-	-	12,100	-	12,100
Balance at September 30, 2019	573,967	14,285	-	12,100	57,504	657,856
Balance as of December 31, 2019	10	-	36,412	-	-	36,422
Loss for the period	-	-	-	-	(426,400)	(426,400)
Dividends	-	-	(36,410)	-	-	(36,410)
Balance at September 30, 2020	10	-	2	-	(426,400)	(426,388)

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 September 30, 2020 and 2019

(In thousands of reais)

	09/30/2020	09/30/2019
Cash flows from operating activities		
Net income (loss) before tax	(425,146)	62,367
Expenses (income) not affecting cash:		
Share of profit of equity-accounted investees	(168,742)	(97,033)
Monetary variance and interest	589,933	11,149
Amortization of transaction costs	6,781	8,835
	<u>2,826</u>	<u>(14,682)</u>
(Increase) decrease in assets and increase (decrease) in liabilities:		
Recoverable taxes	(4,618)	806
Income tax on related-party loan	(3,073)	3,201
Trade accounts payable	(2,573)	(180)
Taxes payable	(109)	6,800
Other assets and liabilities	2,518	62
	<u>(5,029)</u>	<u>(3,993)</u>
Net cash used in operating activities		
Cash flows produced by investment activities		
Interest received on related-party loans	17,419	76,384
Loans received from related parties	292,263	57,473
	<u>309,682</u>	<u>133,857</u>
Net cash from investing activities		
Cash flows from financing activities		
Advance for future capital increase	-	12,100
Capital decrease, net	-	(214,592)
Dividends paid	(30,609)	-
Transaction costs	(2,647)	(11,638)
Loans from third parties	-	226,358
Escrow account	66,342	2,771
Loans settled with third parties	(166,757)	(117,646)
Interest paid	(68,453)	(23,627)
	<u>(202,124)</u>	<u>126,274</u>
Net cash used in financing activities		
Increase in cash and cash equivalents	<u>102,529</u>	<u>3,590</u>
Cash and cash equivalents at beginning of period	1,184	3,232
Cash and cash equivalents at end of period	<u>103,713</u>	<u>6,822</u>
Increase in cash and cash equivalents	<u>102,529</u>	<u>3,590</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 nine months of 2020, Ferroport shipped a total of 17,541 thousand tons of iron ore, in 111 Capesize ships.

The risks and possible impacts of COVID-19 pandemic on Prumo Participações's Condensed Interim financial statements as of September 30, 2020 refer mainly to Ferroport.

Management has implemented appropriate measures to mitigate the impacts of the outbreak on operations and in these 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 the port, 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 company has been working internally to respond to the COVID-19 threat. 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.

2 List of Investees

	Country	Ownership interest 09/30/2020	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 27, 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 October 27, 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.

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

	09/30/2020	12/31/2019
Cash and banks	68	1,047
Cash equivalents		
Investment Fund	<u>103,655</u>	<u>147</u>
	<u>103,723</u>	<u>1,194</u>
Estimated impairment loss allowance	<u>(10)</u>	<u>(10)</u>
	<u>103,713</u>	<u>1,184</u>

The balance of cash and banks as of September 30, 2020 and December 31, 2019 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. The increase in the balance is due to the accumulation of cash proceeds from Ferroport for the semiannual debt repayment.

7 Recoverable taxes

The recoverable taxes break down as follows:

	09/30/2020	12/31/2019
Income tax and social contribution (“IRPJ/CSLL”)	2,641	1,480
Income tax withheld at source (“IRRF”)	20,512	16,665
Income tax on loan (“IRPJ”)	<u>97</u>	<u>264</u>
	<u>23,250</u>	<u>18,409</u>
Current	6,200	18,409
Noncurrent	17,050	-

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 September 30, 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	
	09/30/2020	12/31/2019
Loan with related parties		
Ferroport	353,180	646,433
	353,180	646,433
Current	70,375	68,188
Noncurrent	282,805	578,245

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

	Finance income	
	1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019
Loan interest		
Ferroport	19,503	46,123
	19,503	46,123

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.

Transactions not involving cash or cash equivalents

	Cash effect			Noncash effect		
	12/31/2019	Secured / (settled)	Interest received	Interest and exchange variance	Income tax withheld at source	
Loan with related parties	646,433	(292,263)	(17,419)	19,502	(3,073)	353,180
	646,433	(292,263)	(17,419)	19,502	(3,073)	353,180

9 Investment

a. Equity interests

09/30/2020									
Direct investee	% interest	Number of shares/quotas (thousand)	Assets	Liabilities	Equity	Capital	Capital reserve	Profit reserves	Retained earnings
Ferroport	50%	1,080	2,818,910	1,405,498	1,413,412	803,404	94,589	137,350	378,069

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	2,965,292	1,889,363	1,075,929	803,404	94,589	137,350	40,586

b. Changes

Direct investee	12/31/2019	Equity income	09/30/2020
Ferroport	537,965	168,742	706,707
	<u>537,965</u>	<u>168,742</u>	<u>706,707</u>

Direct investee	12/31/2018	Equity income	12/31/2019
Ferroport	329,148	208,817	537,965
	<u>329,148</u>	<u>208,817</u>	<u>537,965</u>

10 Loans and borrowings

09/30/2020					2019	
Institution	Due date	Rates in %	Principal	Interest and restatement	Total	Total
Senior Secured Bonds	12/31/2031	Dollar + 7.50% p.a	1,764,722	33,088	1,797,810	1,383,936
(-) Transaction cost			(114,556)	-	(114,556)	(118,692)
			<u>1,650,166</u>	<u>33,088</u>	<u>1,683,254</u>	<u>1,265,244</u>
Current			44,058	33,088	77,146	17,597
Noncurrent			1,606,108	-	1,606,108	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.

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, the Company remitted R\$ 93,456 to fund the TARA at its maximum level, as required in the financing documents. The excess cash of R\$ 30.6 million between the amount received by Prumo Participações from Ferroport and the amount remitted to the TARA was distributed as dividends to Prumo Logística, in accordance with the financing documents.

On April 27, 2020, the Company delivered notice to the Indenture Trustee that a TARA Payment Trigger occurred, which constitutes a Mandatory Redemption Event according to the financing documents. The TARA Payment Trigger occurred by virtue of a discount on Port Access Fees paid by ships accessing the T-Oil's Channel. Accordingly, the Company was obligated to use the full amount on TARA to partially redeem the Series 2019-1. On June 30, 2020, Prumo Participações repaid an aggregate amount of R\$ 159,798. The Redemption was applied to reduce the Initial Balance of the bonds and the payment curve will be adjusted proportionally through the remaining years of the contract.

Along with the TARA Payment Trigger, the Company also paid principal amortization of R\$ 6,959 and interest in the amount of R\$ 68,453.

The Brazilian Real exchange rate devaluated against the US Dollar exchange rate until the 3Q2020, partially due to the COVID-19 outbreak. Prumo Participações, in compliance with its Hedging Program, has already entered into non-deliverable forward agreement (NDFs) to purchase dollar to protect temporary exposures to its cash position, and will continue to do so over the following months. Because of that, the negative impact regarding exchange rate variations on the semi-annual payment of the Bonds scheduled for December 2020 will be offset by the NDFs results.

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 cash flow proceeds derive 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 will no longer be funded after TARA Payment Trigger. As of September 2020, DSRA had R\$ 74,256 deposited and TARA had R\$ 0 due to the Mandatory Redemption Event, respectively R\$ 53,073 and R\$ 47,883 on December 31, 2019.

Hedge

All Prumo Participações cash flow proceeds 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); and (v) Statutory Lien of credit receivables and accounts.

Transactions not involving cash or cash equivalents

	Cash Flow			Noncash effect			09/30/2020
	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>	<u>(166,757)</u>	<u>(68,453)</u>	<u>(2,647)</u>	<u>649,086</u>	<u>6,781</u>	<u>1,683,254</u>
	<u>1,265,244</u>	<u>(166,757)</u>	<u>(68,453)</u>	<u>(2,647)</u>	<u>649,086</u>	<u>6,781</u>	<u>1,683,254</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. Considering the Company does not expect to generate income tax payable in the next years, therefore the deferred income and social contribution tax assets are impaired, resulting in no tax asset recognition.

The carrying amount of the potential 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:

	09/30/2020	12/31/2019
Deferred tax asset (liability)		
Provision for hedge settlements	<u>(1,031)</u>	<u>223</u>
Total deferred taxes	<u>(1,031)</u>	<u>223</u>

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:

	<u>Nine months</u>		<u>Three months</u>	
	<u>1/1/2020 to 9/30/2020</u>	<u>1/1/2019 to 9/30/2019</u>	<u>7/1/2020 to 9/30/2020</u>	<u>7/1/2019 to 9/30/2019</u>
Profit (loss) before income and social contribution taxes	(425,146)	62,267	(21,633)	(11,837)
Income and social contribution taxes at the rate (34%)	144,550	(21,205)	7,355	3,990
Adjustment to determine the effective rate				
Equity income	57,288	32,991	15,646	12,238
Exchange variance effect	(164,695)	-	(18,086)	-
Tax credits not recognized	(38,395)	(1,508)	(5,905)	(1,520)
Others	(3)	-	(2)	-
Total income and social contribution taxes	(1,254)	10,278	(992)	14,708
Effective rate	0.30%	16,48%	4.59%	22,46%
Current	-	-	-	654
Deferred charges	(1,254)	10,278	(992)	14,054
Total income and social contribution taxes	(1,254)	10,278	(992)	14,708

13 Equity

a. Capital

The Company's ownership structure as of September 30, 2020 and December 31, 2019 is as follows:

Shareholders	<u>09/30/2020 and 12/31/2019</u>	
	Quantity of common shares (thousand)	%
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

	09/30/2020	12/31/2019
Net income for the year	-	95,649
Prior-year loss	-	(15,141)
	<hr/>	<hr/>
Total accumulated	-	80,508
	<hr/>	<hr/>
Legal reserve	-	(2)
	<hr/>	<hr/>
Dividend calculation basis	-	80,506
	<hr/>	<hr/>
Dividends paid during the year	-	23,970
Minimum dividends proposed	-	20,126
Profit reserve	-	36,410

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 at its maximum level. The excess of R\$ 30,608 was distributed as dividends to Prumo Logística and the remaining amount approved to be distributed of R\$ 5,801 is recognized as a liability on September 30, 2020.

14 Finance income (expense)

	Nine months		Three months	
	1/1/2020 to 9/30/2020	1/1/2019 to 9/30/2019	4/1/2020 to 9/30/2020	4/1/2019 to 9/30/2019
Finance income				
Loan interest	19,503	46,123	4,100	14,783
Interest on investments	897	61	244	29
Hedge	18,416	-	3,927	-
Interest earned	392	758	392	234
Exchange variance	128,558	46,224	90,133	8,905
Other	2	-	(310)	-
	<hr/>	<hr/>	<hr/>	<hr/>
	167,768	93,166	98,486	23,951
Finance costs				
Interest on loans	(96,915)	(30,613)	(31,901)	(12,099)
Exchange variance on loans	(637,786)	(79,578)	(138,029)	(53,390)
Commission and brokerage fees	(6,984)	(8,906)	(782)	(3,473)
Hedge	(5,577)	-	(1,008)	-
Taxes on financial revenue	(12,108)	(6,367)	4,032	(2,005)
Other	(2,038)	(1,525)	1,486	(629)
	<hr/>	<hr/>	<hr/>	<hr/>
	(761,408)	(126,989)	(166,202)	(71,596)
	<hr/>	<hr/>	<hr/>	<hr/>
	(593,640)	(33,823)	(67,716)	(47,645)

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.

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:

	09/30/2020			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	103,713	-	-	1,184	-	-
Escrow account	74,256	-	-	100,956	-	-
Loan with related parties	353,180	-	-	646,433	-	-
Derivatives - Hedge	-	-	3,032	-	-	-
	<u>531,149</u>	<u>-</u>	<u>3,032</u>	<u>748,573</u>	<u>-</u>	<u>-</u>
Liabilities						
Trade accounts payable	101	-	-	2,674	-	-
Loans and borrowings	1,683,254	-	-	1,265,244	-	-
	<u>1,683,355</u>	<u>-</u>	<u>-</u>	<u>1,267,918</u>	<u>-</u>	<u>-</u>
	09/30/2020			12/31/2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Liabilities						
Supplier	101	-	-	2,674	-	-
Loans and borrowings	1,683,254	-	-	1,265,244	-	-
	<u>1,683,355</u>	<u>-</u>	<u>-</u>	<u>1,267,918</u>	<u>-</u>	<u>-</u>

- **(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).

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, except for the hedge as disclosed above.

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 company is obligated to enter into Non-Deliverable-Forwards (NDFs) on a monthly basis to protect itself from exchange variations, as set forth in the financing documents.

Hedge schedule for Non-deliverable Forwards

NDF	Company	NDF contracted in R\$		Mark-to-market (MTM)		Accumulated effect
		Notional 9/30/2020	Maturity (year)	9/30/2020	12/31/2019	Amount receivable/received or payable/paid 9/30/2020
Forward USD	Prumo Participações	14,663	2020	573	-	573
Forward USD	Prumo Participações	17,101	2020	807	-	807
Forward USD	Prumo Participações	15,883	2020	803	-	803
Forward USD	Prumo Participações	19,226	2020	849	-	849
Net				3,032	-	3,032

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%, 20% and 30%.

09/30/2020	Real	USD +10%	USD +20%	USD +30%
Institution				
Senior Secured Bonds	<u>1.764.722</u>	<u>1.941.194</u>	<u>2.117.666</u>	<u>2.294.139</u>
Total	1.764.722	1.941.194	2.117.666	2.294.139
12/31/2019	Real	USD +10%	USD +20%	USD +30%
Institution				
Senior Secured Bonds	<u>1,383,936</u>	<u>1,522,329</u>	<u>1,660,723</u>	<u>1,799,117</u>
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 September 30, 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	-	101	-	-	-	-	101
Loans and borrowings	<u>-</u>	<u>61,593</u>	<u>57,605</u>	<u>126,646</u>	<u>510,034</u>	<u>1,656,510</u>	<u>2,412,388</u>
Total by time range	<u>-</u>	<u>61,694</u>	<u>57,605</u>	<u>126,646</u>	<u>510,034</u>	<u>1,656,510</u>	<u>2,412,489</u>

(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	09/30/2020	12/31/2019
Cash and bank deposits	103,713	1,184
Escrow accounts	74,256	100,956
Related-party loan	353,180	646,433
Derivatives - Hedge	<u>3,032</u>	<u>-</u>
	<u>534,181</u>	<u>748,573</u>

(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

Eugenio Leite de Figueiredo
CEO and CFO

Eduardo Quartarone Campos
Officer with no specific title

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

Annex 2

Financial Statements Information

No additional information.