Prumo Participações e Investimentos S.A.

Financial statements as of December 31, 2021 and 2020

Contents

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Independent Auditor's Report on the Financial Statements

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

To Directors of
Prumo Participações e Investimentos S.A.
Rio de Janeiro – RJ

Opinion

We have audited the financial statements of Prumo Participações e Investimentos S.A. ("the Company"), which comprise the Statements of financial position as of December 31, 2021, and the statements of operations, comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company, as of December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

Basis for opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting policies adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that the examination performed in accordance with Brazilian and international standards on auditing will always detect possible existing material misstatements. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of the examination performed in accordance with Brazilian and international standards on auditing, we exercised professional judgment and maintained professional skepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors’ report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are substantiated by the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the corresponding transactions and events in a compatible manner with the objective of a true and fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performanceof the group audit. We remains solely responsible for our audit opinion.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Rio de Janeiro, March 14, 2022

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

Original in Portuguese signed by

Juliana Ribeiro de Oliveira

Contadora CRC RJ – 095335/O-0

Prumo Participações e Investimentos S.A.

Statements of financial position as of December 31, 2021 and 2020

(In thousands of reais)

Assets	Note	2021	2020
Current			
Cash and cash equivalents	6	11,025	65,281
Escrow deposits	10	63,792	60,955
Recoverable taxes	7	3,745	13,010
Loan with related parties	8	73,355	71,000
Other accounts receivable		11	11
Total current assets		**151,928**	**210,257**
Non-current			
Deferred tax assets	11	63	180
Loan with related parties	8	87,171	229,379
Investments	9	972,704	749,919
Intangible assets		16	16
Total non-current assets		**1,059,954**	**979,494**
Total assets		**1,211,882**	**1,189,751**

The notes are an integral part of these financial statements.

Prumo Participações e Investimentos S.A.

Statements of Balance sheets as of December 31, 2021 and 2020

(In thousands of reais)

Liabilities	**Note**	**2021**	**2020**
Current			
Trade payables		20	163
Loans and borrowings	10	29,394	55,520
Taxes payable	12	102	806
Accounts payable to related parties	8	66	1,733
Derivatives	10 and 15	183	530
Total current liabilities		**29,765**	**58,752**
Non-current			
Loans and borrowings	10	1,523,053	1,435,614
Total non-current liabilities		**1,523,053**	**1,435,614**
Equity	13		
Share capital		10	10
Profit reserve		2	2
Accumulated losses		(340,948)	(304,615)
Total equity		**(340,936)**	**(304,615)**
Total liabilities and equity		**1,211,882**	**1,189,751**

The notes are an integral part of these financial statements.

Prumo Participações e Investimentos S.A.

Statements of profit or loss

Years ended December 31, 2021 and 2020

(In thousands of reais)

	Note	2021	2020
Operating expenses			
Administrative expenses		(252)	(780)
Provision for asset impairment		5	(2)
		(247)	**(782)**
Finance income (expenses)	14		
Finance income		266,362	374,905
Finance expenses		(525,103)	(890,661)
		(258,741)	**(515,756)**
Share of profit of equity-accounted investees	9	222,785	211,954
Loss before taxes		**(36,203)**	**(304,584)**
Current income and social contribution tax	12	-	-
Deferred income and social contribution taxes	12	(118)	(43)
Loss for the year		**(36,321)**	**(304,627)**

The notes are an integral part of these financial statements.

Prumo Participações e Investimentos S.A.

Statements of comprehensive loss

Years ended December 31, 2021 and 2020

(In thousands of reais)

	2021	2020
Loss for the year	(36,321)	(304,627)
Total comprehensive (loss) for the year	(36,321)	(304,627)

The notes are an integral part of these financial statements.

Prumo Participações e Investimentos S.A.

Statements of changes in equity

Years ended December 31, 2021 and 2020

(In thousands of reais)

	Share capital	Profit reserve	Accumulated losses	Total equity
Balance as of January 01, 2020	**10**	**36,412**	**-**	**36,422**
Loss for the year	-	-	(304,627)	**(304,627)**
Dividends	-	(36,410)	-	**(36,410)**
Balance as of December 31, 2020	**10**	**2**	**(304,627)**	**(304,615)**
Loss for the year	**-**	**-**	(36,321)	**(36,321)**
Balance as of December 31, 2021	**10**	**2**	**(340,948)**	**(340,936)**

See the accompanying notes to the financial statements.

Prumo Participações e Investimentos S.A.

Statements of cash flows

Years ended December 31, 2021 and 2020

(In thousands of reais)

	2021	2020
Cash flows from operating activities		
Loss before tax	(36,203)	(304,584)
Expenses (income) not affecting cash:		
Share of profit of equity-accounted investees	(222,785)	(211,954)
Tax offset	-	10,689
Others	(5)	-
Monetary variance and interest	226,971	481,883
Amortization of transaction costs	15,338	16,949
	(16,684)	**(7,016)**
(Increase) decrease in assets and increase (decrease) in liabilities:		
Income tax on loan	1,521	(3,557)
Recoverable taxes	9,445	5,622
Trade payables	(143)	(2,511)
Taxes payable	(704)	634
Accounts payable to related parties	(1,667)	1,715
Other assets and liabilities	(347)	(137)
Net cash provided by (used in) operating activities	**(8,579)**	**(5,250)**
Cash flows produced by investment activities		
Loans granted to related parties	(87,171)	-
Loans received from related parties - Interest	8,616	20,163
Loans received from related parties - Principal	226,897	345,030
Net cash from investing activities	**148,342**	**365,193**
Cash flows from financing activities		
Dividends paid	-	(36,410)
Derivatives	(2,036)	(5,592)
Escrow account	-	73,658
Transaction costs	(1,165)	(2,647)
Loans settled with third parties	(69,395)	(195,829)
Interest paid	(121,423)	(129,026)
Net cash used in financing activities	**(194,019)**	**(295,846)**
Increase (decrease) in cash and cash equivalents	**(54,256)**	**64,097**
Cash and cash equivalents at beginning of year	65,281	1,184
Cash and cash equivalents at end of year	11,025	65,281
Increase (decrease) in cash and cash equivalents	**(54,256)**	**64,097**

The notes are an integral part of these financial statements.

Notes to the financial statements

(In thousands of Reais, except when indicated otherwise)

1 The Company and its 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 operating in October 2014. The company occupies a 300-hectare area (unaudited) at Porto do Açu Port 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 2021 Ferroport loaded a total of 23.14 million tonnes of iron ore, in 144 vessels (unaudited) (23.85 million tonnes in 150 vessels during period of 2020).

2 List of Investees

	Country	Equity interest 2021	Equity interest 2020
Direct joint subsidiary:			
Ferroport	Brazil	50.00%	50.00%

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

a. Statement of compliance

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

Authorization for the conclusion of the preparation of these financial statements was given by Management on March 14, 2022. These financial statements consider subsequent events to be events that could have an impact up to the reporting date.

b. Basis of preparation

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

c. Functional currency and reporting currency

These financial statements are presented in Real, which is the Company's functional currency. All balances have been rounded off to the nearest thousand, except where specified otherwise.

d. Cash and cash equivalents

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

The Company had Cash and cash equivalents of R$ 11,025 as of December 31, 2021 (R$ 65,281 as of December 31, 2020). Cash and cash equivalents are maintained with banks and financial institutions with AA to AAA ratings assigned by the leading rating agencies.

The estimated impairment on cash and cash equivalents was calculated based on the 12-month expected loss basis and reflects the short maturities of the exposures. Cash and cash equivalents have a low-credit risk based on the counterparties' independent credit ratings.

e. Financial instruments

Upon initial recognition a financial asset is classified as measured: at amortized cost; at FVOCI (Fair Value through other comprehensive income) - debt instrument; at FVOCI - equity instrument; or at FVTPL (Fair Value of net income).

Financial assets are not reclassified subsequently to initial recognition, unless the Company changes its business model to financial asset management. In this case all the affected financial assets are reclassified on the first day of the first period following the business model change.

A financial asset is measured at amortized cost if both of the following conditions are met and it is not stated as measured at FVTPL:

- it is maintained within a business model with the objective of maintaining financial assets in order to receive contractual cash flows;

- its contractual terms generate the cash flows on specified dates that constitute solely payments of principal and interest on the outstanding principal.

A debt instrument is measured at FVOCI if both of the following conditions are met and it is not stated as measured at FVTPL:

- it is maintained within a business model whose objective is affected by both the receipt of contractual cash flows and the sale of financial assets; and

- its contractual terms generate the cash flows on specified dates that constitute payments of principal and interest on the outstanding principal.

Upon initial recognition of an investment in an equity instrument that is not held for trading, the Company can elect to make irrevocable subsequent changes to the fair value of the investment in OCI. This choice is made for each investment.

All financial assets not classified as measured at amortized cost or FVOCI, as described above, are classified as FVTPL.

Upon initial recognition, the Company irrevocably assigns a financial asset that would otherwise meet the requisites to be measured at amortized cost or FVOCI as FVTPL if this eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Company assesses the objective of the business model in which a financial asset is maintained in the portfolio which better reflects how the business is managed and the information is provided to Management. The information considered includes:

— the policies and objectives stipulated for the portfolio and the practical functioning of these policies.

These include the question of ascertaining whether the Management strategy is focused on obtaining contractual interest revenue, maintaining a given interest rate profile, the correspondence between the duration of financial assets and the duration of related liabilities or expected cash flows, or the realization of cash flows through the sale of assets;

— how the portfolio's performance is assessed and reported to Company management;

— the risks affecting the performance of the business model (and the financial asset maintained in said business model) and how such risks are managed;

— how business managers are compensated - for example, if the compensation is based on the fair value of the assets managed or the contractual cash loans obtained; and

— the frequency, volume and timing of the financial asset sales in previous periods, the reasons for these sales and expectations for future sales.

The transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales, in a way consistent with the ongoing recognition of the Company's assets.

Financial assets - assessment as to whether the contractual cash flows are merely payments of principal and interest

For the purpose of this assessment, the principal is defined as the fair value of the financial asset upon initial recognition. The interest is defined as a payment for the value of the money over time and the credit risk posed by the outstanding principal over a given period of time and the other underlying loan costs and risks (for example liquidity risk and administrative cost), in addition to a spread.

The Company examines the instrument's contractual terms to determine whether the contractual cash flows only entail payments of the principal and interest. This includes assessing whether the financial asset contains a contractual term that could change the timing or value of the contractual cash flows so that it would no longer meet this condition. When making this assessment the Company takes into account:

— contingent events modifying the value or timing of the cash flows;
— terms that could adjust the contractual rate, including variable fees;
— prepayment and extending the term; and

— the terms limiting the Company's access to specific cash flows from specific assets (for example based on an asset's performance).

Financial assets - Assessment of the business model

Prepayment is consistent with the criteria of paying the principal and interest if the prepayment mainly represents unpaid amounts of the principal and interest on the outstanding principal - which may include reasonable additional compensation for early termination of the contract. Furthermore, in relation to a financial asset acquired for an amount less than or greater than the nominal value of the contract, the permission or requirement for prepayment at an amount representing the nominal value of the contract plus the contractual interest (which may also include reasonable additional compensation for early termination of the contract) accumulated (but not paid) are treated as consistent with this criteria if the fair value of the prepayment is insignificant upon initial recognition.

Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL - These assets are subsequently stated at fair value. The net income including interest or dividend revenue is recognized in profit or loss.

Financial assets at amortized cost - These assets are subsequently measured at the amortized cost using the effective interest rate method. The amortized cost is reduced for impairment. Revenue from interest, exchange variance gains and losses and impairment are recognized in profit or loss. Any gain or loss resulting from derecognition is recognized in profit or loss.

Equity instruments at FVOCI - These assets are subsequently stated at fair value. Interest revenue calculated by the effective interest rate, exchange variance gains and losses and impairment are recognized in profit and loss. Other net income is recognized in OCI. Upon derecognition, the gain or loss accumulated in OCI is reclassified to profit or loss.

Equity instruments at FVOCI - These assets are subsequently stated at fair value. The dividends are recognized as a gain in profit and loss, unless the dividend clearly represents a recovery of part of the investment cost. Other net income in recognized in OCI and never reclassified to net income.

(i) Financial liabilities - classification, subsequent measurement and gains and losses

Financial liabilities were classified as measured at amortized cost or FVTPL. A financial liability is classified as at fair value through profit or loss if it is classified as held-for trading, is a derivative or is designated as such on initial recognition. Financial liabilities measured at FVTPL are measured at fair value and the net revenue, including interest, is recognized in profit or loss. Other financial liabilities are subsequently measured at the amortized cost using the effective interest rate method. Expenses on interest, exchange variance gains and losses are recognized in profit or loss. Any gain or loss resulting from derecognition is also recognized in profit or loss.

(ii) Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when the Company transfers the rights to receive the contractual cash flows of a financial asset in a transaction where essentially all the risks and rewards of ownership of financial assets are transferred or in which the Company neither transfers nor substantially retains all the risks and rewards of ownership of the financial asset nor retains control over the financial asset.

The Company makes transactions in which it transfers assets recognized in the statement of financial position but maintains all or most of the risks of the transferred assets. In these cases, the financial assets are not derecognized.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or canceled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability is recognized based on the modified terms and recognized at fair value. Upon derecognizing a financial liability, the difference between the former carrying amount and the amount paid (including assets transferred that do not flow through cash or undertaken liabilities) is recognized in profit or loss.

(iii) Offset

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

f. Adjustment of assets and liabilities to present value

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

g. Finance income and costs

Finance income and finance costs include interest revenue, interest expenses, net foreign currency gain or loss on financial assets and financial liabilities. Interest income or expense is recognized using the effective interest method. The Company classifies interest earnings as cash flows from investment activities.

h. Income and social contribution taxes

Current income and social contribution taxes are calculated based on net income, adjusted to taxable income by the additions and exclusions stipulated in the existing tax legislation. The Company records deferred income and social contribution tax assets 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 deferred income and social contribution taxes are recognized to reflect future tax effects attributable to temporary differences between the tax bases of assets and liabilities and their book values and to tax losses carryforward and negative basis of social contribution.

i. Other current and noncurrent assets and liabilities

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

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

j. Investments

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

k. Use of estimates and judgments

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

The Company reviews its estimates and assumptions at least annually. There are no significant items subject to these estimates.

The accounting policies described in detail throughout these financial statements have been applied consistently and are being presented by the Company.

4 Description of significant accounting policies

The accounting practices used to produce these financial statements are consistent with those used to prepare the Financial Statements as of December 31, 2020, dated March 03, 2021.

5 New standards and interpretations issued but not yet effective

The following new and amended standards are not expected to have a significant impact on the Company's financial statements:

- Deferred tax related to assets and liabilities arising from a single transaction (amendments to CPC 32/IAS 12);
- Onerous Contracts - costs to fulfill a contract (amendments to CPC 25/IAS 37);

- Rental concessions related to COVID-19 after June 30, 2021 (change to CPC 06/IFRS 16)
- Annual review of IFRS 2018–2020 standards.
- Property, plant and equipment: Revenue before intended use (amendments to CPC 27/IAS 16).
- Reference to the Conceptual Structure (Amendments to CPC 15/IFRS 3).
- Classification of Current or Non-Current Liabilities (Amendments to CPC 26/IAS 1).
- IFRS 17 Insurance Contracts.
- Disclosure of Accounting Policies (Amendments to CPC 26/IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to CPC 23/IAS 8).

6 Cash and cash equivalents

	2021	**2020**
Cash and banks	6	1,003
Cash equivalents		
Investment Fund	11,025	64,285
	11,031	**65,288**
Estimated impairment loss allowance	(6)	(7)
	11,025	**65,281**

The balance of cash and banks as of December 31, 2021 and 2020 consists of current accounts and investment fund holdings at Banco Santander S/A and Citibank, 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:

	2021	**2020**
Income tax and social contribution (“IRPJ/CSLL”)	-	2,641
Income tax withheld at source (“IRRF”)	3,684	10,286
Income tax on loan (“IRPJ”)	61	83
	3,745	**13,010**

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 December 31, 2021 and 2020, as well as the related-party transactions that affected the statements of operations for the year, are the result of transactions between the Company and its joint venture and shareholder as follows:

	Accounts receivable	
	2021	**2020**
Loan with related parties		
Prumo Logistica	87,171	-
Ferroport	73,355	300,379
	160,526	**300,379**
Current	73,355	71,000
Noncurrent	87,171	229,379

	Accounts payable	
	2021	**2020**
Accounts payable - debit notes		
Prumo Logistica – Transaction costs	66	1,733
	66	**1,733**

The table below demonstrates the effect on profit or loss:

	Finance income	
	2021	**2020**
Loan interest		
Ferroport	9,987	22,516
	9,987	**22,516**

Management Compensation

Company Management is compensated by the parent company Prumo Logística.

Maturity and interest

Prumopar has currently two intercompany loans: one with Ferroport, which incurs in annual interest of 100% of the CDI rate plus 2% p.a., and another with Prumo Logística with no interest rate. Intercompany loans are not subject to covenants or security.

Ferroport should reimburse all pending amounts, including any pending interest, by December 31, 2030. Prumo should reimburse all pending amounts, including any pending interest, by December 31, 2031.

		Cash effect		Noncash effect		
Loan	**2020**	**Principal received / (settled)**	**Interest received**	**Interest and exchange variance**	**Income tax withheld at source**	**2021**
Prumo Logistica	**-**	87,171	-	-	-	**87,171**
Ferroport	**300,379**	(226,897)	(8,616)	9,987	(1,498)	**73,355**
	300,379	**(139,726)**	**(8,616)**	**9,987**	**(1,498)**	**160,526**

		Cash effect		Noncash effect		
	12/31/2019	**Principal received / (settled)**	**Interest received**	**Interest and exchange variance**	**Income tax withheld at source**	**12/31/2020**
Loans with related parties	**646,433**	**(345,030)**	**(20,162)**	**22,516**	**(3,378)**	**300,379**
	646,433	**(345,030)**	**(20,162)**	**22,516**	**(3,378)**	**300,379**

9 Investments

a. Equity interests

	2021								
Direct investee	**% interest**	**Number of shares/ (thousand)**	**Assets**	**Liabilities**	**Equity**	**Capital**	**Capital reserve**	**Profit reserve**	**Profits to be allocated**
Ferroport	50%	1,080	2,066,038	720,631	1,945,407	1,197,152	94,589	179,800	473,866

	2020							
Direct investee	**% interest**	**Number of shares/ (thousand)**	**Assets**	**Liabilities**	**Equity**	**Capital**	**Capital reserve**	**Profit reserve**
Ferroport	50%	1,080	2,858,806	1,358,969	1,499,837	1,197,152	94,589	206.096

b. Changes

Direct investee	2020	Share of profit of equity-accounted investees	2021
Ferroport	749,919	222,785	972,704
	749,919	**222,785**	**972,704**

Direct investee	2019	Share of profit of equity-accounted investees	2020
Ferroport	537,965	211,954	749,919
	537,965	211,954	749,919

10 Loans and borrowings

	2021			2020
Institution	Expiry date	Rates in %	Total	Total
Senior Secured Bonds	12/31/2031	Dollar + 7.50% p.a	1,643,691	1,596,552
(-) Transaction cost			(91,244)	(105,418)
			1,552,447	**1,491,134**
Current			29,394	55,520
Noncurrent			1,523,053	1,435,614

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

The principal amortization schedule in the contract presents percentages for minimum payments and allows payments above the established percentage, which reduce the forthcoming legal percentages.

In June, 30th 2021, the Company paid R$ 11,931 of principal amortization and interest in the amount of R$ 57,630. In December, 30th 2021, the Company paid R$ 57,464 of principal amortization and interest in the amount of BRL 63,793. As the Company is in compliance with the target amortization schedule, which requires higher payments than the legal amortization schedule, this payment exceeded the legal payment obligations. Therefore, the Company is already in compliance with the legal schedule obligations for the next 18 months.

The Brazilian Real exchange rate fluctuated against the US Dollar exchange rate in the 2021. Since the Company, in compliance with its Hedging Program, has 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 cashflow impact regarding exchange rate variations on the semi-annual payment of the Bonds.

Regarding the Intercompany Loan received from Ferroport, the port operator is positively impacted by the depreciation of the Brazilian Real against the US Dollar, which is a positive driver for their payment of Intercompany Loans. Prumo Participações cash inflow 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 one open reserve account, as requested by the financing contract: The Debt Service Reserve Account ("DSRA"), which contains 6 months of the minimum principal payment plus interest payable in the period. As of December, 2021, DSRA was filled with BRL 63,792 (R$60,955 as of December 31,2020).

Non-deliverable forward (NDF)

The Company's cash inflows are substantially due to the Reais-denominated loan of Ferroport and are passed through to the Company on a monthly basis. Via the issuance of senior debt contracts, the Company contracted a Hedging Program that determines the Company shall enter into NDFs (non-deliverable forwards) every month to buy US Dollars and sell Reais in an amount equal to 1/6 of the semi-annual payment to hedge the debt payments and funding in reserve accounts maturing in 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 and (iv) Statutory Lien of credit receivables and accounts.

Transactions not involving cash or cash equivalents

		Cash Flow			Noncash effect		
	2020	**Secured / (settled)**	**Interest paid (financing)**	**Addition of transaction costs**	**Interest and exchange variance**	**Amortization of transaction costs**	**2021**
Loans and borrowings	**1,491,134**	(69,395)	(121,423)	(1,165)	237,958	15,338	**1,552,447**
	1,491,134	**(69,395)**	(121,423)	(1,165)	237,958	15,338	**1,552,447**

		Cash Flow			Noncash effect		
	2019	**Secured / (settled)**	**Interest paid (financing)**	**Addition of transaction costs**	**Interest and exchange variance**	**Amortization of transaction costs**	**2020**
Loans and borrowings	**1,265,244**	(195,829)	(129,026)	(3,676)	537,472	16,949	**1,491,134**
	1,265,244	**(195,829)**	**(129,026)**	**(3,676)**	**537,472**	**16,949**	**1,491,134**

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.

As of December 31, 2021 and 2020 the balance of deferred income and social contribution tax asset not recognized was R$ 153,430 and R$ 96,489 respectively.

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

	2021	**2020**
Deferred tax assets (liabilities)		
Provision for hedge settlements	63	180
Total deferred taxes	**63**	**180**

12 Taxes and social contributions payable

	2020	**2019**
PIS/COFINS	102	806
PIS/COFINS/CSLL - Withheld	-	-
	102	**806**

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:

	2021	**2020**
Loss before income and social contribution taxes	(36,203)	(304,584)
Income and social contribution taxes at the rate (34%)	12,309	103,559
Adjustment to determine the effective rate		
Tax credits not recognized – Temporary differences	(31,950)	(56,894)
Tax credits not recognized – Tax loss	(56,224)	(118,772)
Equity income	75,747	72,064
Total income and social contribution taxes	**(118)**	**(43)**
Effective rate	0.33%	0.01%
Current	-	-
Deferred	(118)	(43)
Total income and social contribution taxes	**(118)**	**(43)**

13 Equity

a. Share capital

The Company’s ownership structure as of December 31, 2021 and 2020 is as follows:

	2021		**2020**	
Shareholder	**Quantity of common shares (thousand)**	**%**	**Quantity of common shares (thousand)**	**%**
Prumo Logística	820,362	100.00	820,362	100.00
	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.* amount allocated to the formation of reserves for contingencies and reversal of those formed in previous years;
- **iii.** amount allocated to the constitution of the Unrealized Profit Reserve
- **iv.** 25% (twenty-five percent) for payment of the minimum mandatory dividends to the shareholders.

14 Finance income (costs)

	2021	2020
Finance revenue		
Loan interest	9,987	22,516
Interest on short-term investments	5,457	1,358
Interest earned	468	469
Exchange variance on loans	239,244	330,620
Derivatives	11,204	19,940
Other	2	2
	266,362	**374,905**
Finance costs		
Interest on loans	(124,057)	(128,722)
Exchange variance on loans	(349,534)	(702,378)
Commission and brokerage fees	(16,895)	(16,949)
Derivatives	(12,892)	(16,255)
Taxes on financial revenue	(21,682)	(23,838)
Other	(43)	(2,519)
	(525,103)	**(890,661)**
	(258,741)	**(515,756)**

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. The 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 contracting currency hedges every month to cover 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, market data was used to calculate the fair value. However, it was necessary to interpret 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.

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:

	2021			2020		
	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	11,025	-	-	65,281	-	-
Escrow account	63,792	-	-	60,955	-	-
Loan with related parties	158,416	-	-	300,379	-	-
Other accounts receivable	11	-	-	11	-	-
	233,244	**-**	**-**	**426,626**	**-**	**-**
Liabilities						
Trade payables	20	-	-	163	-	-
Derivatives	-	-	183	-	-	530
Accounts payable to related parties	66	-	-	1,733	-	-
Loans and borrowings	1,552,447	-	-	1,491,134	-	-
	1,552,533	**-**	**183**	**1,493,030**	**-**	**530**

	2021			/2020		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Liabilities						
Trade payable	20	-	-	163	-	-
Derivatives	183	-	-	530	-	-
Accounts payable to related parties	66	-	-	1,733	-	-
Loans and borrowings	-	1,552,447	-	-	1,491,134	-
	269	**1,552,447**	**-**	**2,426**	**1,491,134**	**-**

- **(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 December 31, 2020, loans and financing are measured at amortized cost. The fair value calculated by Management for reference purposes only is R$1.776.353 (R$ 1,796,903 as of December 31, 2020)

The carrying amounts of other financial instruments measured at amortized cost are classified as loans and receivables (assets) and other liabilities measured at amortized cost. The carrying amount 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 from Ferroport 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 joint-venture 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 Reais and its monthly revenue is indexed to the US dollar. The joint-venture's operating revenue is therefore exposed to exchange variance risk due to the mismatch between the 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 required to enter into NDFs (Non-Deliverable-Forwards) monthly to hedge against exchange variance, in accordance with the financing documents.

The following table provides details on all derivative transactions within the relevant hedging programs, including information on the type of instrument, the nominal value, the maturity, the fair value including credit risk, and amounts paid/received or provisioned for in the period.

Hedge schedule for Non-deliverable Forwards

	Company	NDF contracted in R$		Mark-to-market (MTM)		Accumulated effect Amount receivable/received or payable/paid
NDF			Maturity (year)	2021	2020	2021
Forward USD	Prumo Participações	20,603	2021	-	(530)	-
Forward USD	Prumo Participações	12,108	2022	(183)	-	(183)
Net				**(183)**	**(530)**	**(183)**

The table below summarizes the current value of the debt in millions of reais, with a sensitivity scenario in the exchange rates (USD) suffering positive oscillations of 10%, 20% and 30%.

2021	**Real**	**USD +10%**	**USD +20%**	**USD +30%**
Loan				
Senior Secured Bonds	1.643.691	1.808.060	1.972.429	2.136.798
Total	**1.643.691**	**1.808.060**	**1.972.429**	**2.136.798**

2020	**Real**	**USD +10%**	**USD +20%**	**USD +30%**
Loan				
Senior Secured Bonds	1,596,551	1,756,207	1,915,862	2,075,518
Total	**1,596,551**	**1,756,207**	**1,915,862**	**2,075,518**

(ii) Liquidity risk

The table below denotes the main financial liabilities of the Company as of December 31, 2021. 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 payable	-	20	-	-	-	-	20
Accounts payable to related parties	-	66	-	-	-	-	66
Loans and borrowings	-	70,925	93,369	243,089	633,918	1,322,923	2,364,224
Total by time range	**-**	**71,011**	**93,369**	**243,089**	**633,918**	**1,322,923**	**2,364,224**

(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	**2021**	**2020**
Cash and banks	11,025	65,281
Escrow account	63,792	60,955
Related-party loan	158,416	300,379
Other accounts receivable	11	11
Derivatives	(183)	(530)
	233,061	**426,096**

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Members of the Executive Board

Eugenio Leite de Figueiredo
CEO

Leticia Nabuco Villa-Forte
CFO

Eduardo Quartarone Campos
Officer with no specific title

Thiago de Oliveira Ribeiro
Accountant
CRC-RJ 111771/O-3