

# EARNINGS REPORT

PRUMO PARTICIPAÇÕES E INVESTIMENTOS  
AND FERROPORT

*FULL YEAR 2022*

**PRUMO**  
PARTICIPAÇÕES



## INVESTOR RELATIONS TEAM



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# PRUMO PARTICIPAÇÕES AND FERROPORT

## 2022 EARNINGS REPORT

**Rio de Janeiro, April 19, 2023** - PRUMO PARTICIPAÇÕES E INVESTIMENTOS S.A. ("PRUMOPAR"), located at 804, Russel Street, 5th floor, Glória, Rio de Janeiro, was incorporated in 2015 in order to acquire interests in other companies. PRUMOPAR carries out its operations via the joint venture Ferroport Logística Comercial e Exportadora S.A. ("Ferroport") with Anglo American Participações Minério de Ferro Ltda. ("Anglo American").

### Information about the Conference Call

Thursday, April 20th at 12:00 PM (Brasília time); 11:00 (US-ET).

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Participants should connect 5 minutes before the conference call starts.

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## I. 2022 FINANCIAL HIGHLIGHTS

<b>Ferroport</b>	<b>2022</b>	<b>2021</b>	<b>Δ %</b>
Volume T-Ore (K-ton)	21,378	23,142	(7.6%)
T-Ore Access (BRL k)	1,091,020	1,009,865	8.0%
T-Oil Access (BRL k)	45,139	26,293	71.7%
EBITDA	771,093	747,558	3.1%
EBITDA Margin	76.1%	81.6%	(547 bps)
Adjusted EBITDA <sup>1</sup> (BRL k)	828,553	760,235	9.0%
Adjusted EBITDA Margin	81.8%	82.9%	(105 bps)

<sup>1</sup> Excluding dredging (2022)

<b>Prumopar</b>	<b>2022</b>	<b>2021</b>	<b>Δ %</b>
IC Loan - Principal (BRL k)	73,010	226,897	(67.8%)
IC Loan - Interest (BRL k)	1,088	8,616	(87.4%)
Dividends (BRL k)	185,547	0	-
<b>Total Distribution from Ferroport (BRL k)</b>	<b>259,645</b>	<b>235,513</b>	<b>10.2%</b>

In 2022, Ferroport handled 21.4 million metric tons of iron ore, a decrease of 7.6% comparing to the 23.1 million tons of iron ore handled during 2021. The decrease was due to unplanned maintenance stoppages in Anglo's operations in the beginning of the second quarter of 2022. In relation to the production outlook, Anglo reported its forecast as 22-24 million metric tons for 2023.

For the fiscal year of 2022, Ferroport was positively impacted by the increase of 14.1% in the take-of-pay tariff, as result of the increase of the PPI for 2021<sup>1</sup>. This increase was partially offset by the depreciation of the USD against BRL of an average of BRL 5.40 in 2021 to BRL 5.14 in 2022. Both impacts reflected an increase of 8.0% in the T-Ore revenues.

As for revenues from T-Oil (Port Access Fees), it increased 71.7% to BRL 45.1 million versus BRL 26.3 million in 2021, due to an increase in port access tariffs which were also escalated by 14.1%, and an increase in the number of operations, both effects being partially offset by the depreciation of USD against BRL.

Ferroport incurred in costs related to maintenance dredging in 2022 in the amount of BRL 57.5 million. Without the dredging effect, Ferroport's Adjusted EBITDA increased 9.0% to BRL 828.6 million versus BRL 760.2 million in 2021, and Adjusted EBITDA margin decreased 105 bps from 82.9% in 2021 to 81.8% in 2022.

Ferroport distributed to PRUMOPAR and Anglo American BRL 96.5 million as intercompany loans and BRL 371.1 million as dividend distribution. At PRUMOPAR level,

<sup>1</sup> Take-or-pay tariffs are annually adjusted by 2/3 of the PPI. The PPI rate for the adjustment made on 2022 was 21.2%.

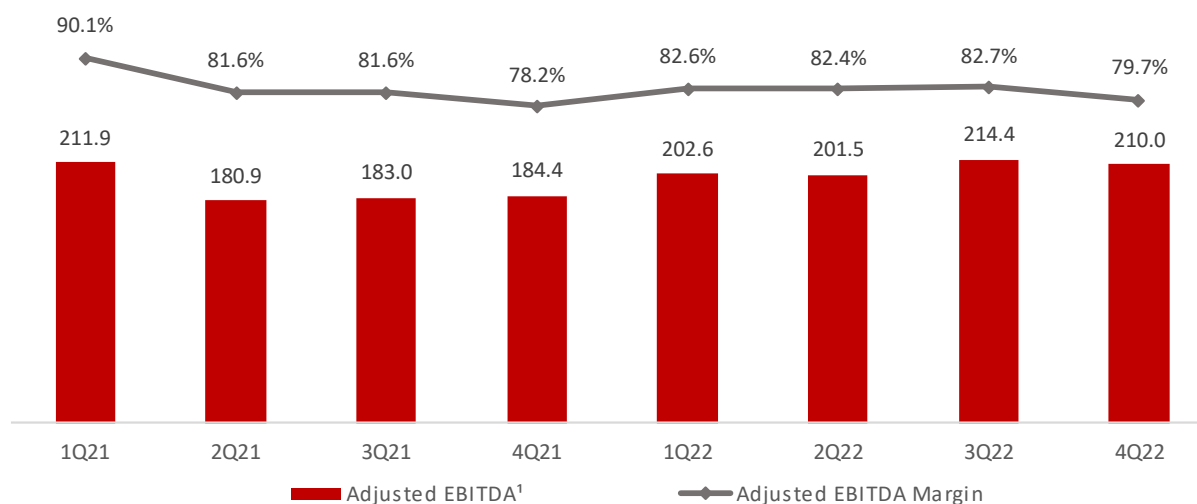
total distributions were BRL 259.6 million in 2022, an increase of 10.2% in relation to 2021.

In 2022, the cash received by PRUMOPAR allowed the company to honor all the interest, legal and target payments related to the bonds, accumulate cash, and distribute some of the allowed amount to its shareholder. During 2022, PRUMOPAR distributed to its shareholder, in the total amount of BRL 100.7 million.

**Adjusted EBITDA (In BRL M) and Margin per quarter:**

Ferropart	Per Quarter							
	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22
(+)Net Revenues	235.3	221.7	224.3	236.0	245.4	244.5	259.2	263.5
(-)Costs	(53.7)	(53.7)	(50.3)	(56.3)	(55.5)	(91.9)	(63.7)	(54.5)
(-)SG&A	(4.8)	(5.8)	(5.0)	(11.7)	(8.4)	(9.6)	(11.2)	(18.9)
(+) Depreciation & Amortization	35.1	18.6	13.9	16.5	17.1	17.6	18.0	19.4
(-/+ ) Non Recurring Revenues/Costs <sup>1</sup>	0.0	0.0	0.0	0.0	4.0	40.9	12.1	0.4
<b>Adjusted EBITDA<sup>2</sup></b>	<b>211.9</b>	<b>180.9</b>	<b>183.0</b>	<b>184.4</b>	<b>202.6</b>	<b>201.5</b>	<b>214.4</b>	<b>210.0</b>
<b>Adjusted EBITDA Margin</b>	<b>90.1%</b>	<b>81.6%</b>	<b>81.6%</b>	<b>78.2%</b>	<b>82.6%</b>	<b>82.4%</b>	<b>82.7%</b>	<b>79.7%</b>

<sup>1</sup> Non recurring costs related to dredging; <sup>2</sup>Adjusted EBITDA excludes dredging costs



<sup>1</sup> Excluding dredging effects.

## II. ESG:

Ferroport structures its ESG policies and actions following the ESG score ranking designed by NINT (former "Sitawi Finanças do Bem" that produced the last report). The scores range from 0.0 to 10.0 and Critical to Superior and indicates the company's status in each section measured and for the company as a whole.

In 2022, Ferroport was ranked as "Superior" and obtained its higher score since the beginning of reports.

During 2022, some ESG topics that were considered strong features of the company, namely:

- Identification of risks, opportunities and impacts associated with climate change;
- Investments focused on mitigating the risk of climate change in operations, such as the implementation of onshore and offshore climatic and oceanographic measurement instruments;
- Sea Turtle Monitoring Program and Reforestation Programs, contributing to the preservation of biodiversity;
- Inventory of Hazards and Risks focused on health and operational safety updated every year both in their own operations and third party operations;
- Excellent practices focused on information security, such as the Information Security area and the business continuity plan based on ISO 22301;
- ESG goals linked to variable remuneration.

The improvements that the company is aiming for 2023 and the upcoming years are:

- To obtain certain certifications in its operations;
- To develop action plans to promote a more diverse participation in the workforce for gender, race and other minorities;
- To report to Carbon Disclosure Project<sup>2</sup> (CDP) on atmospheric emissions.

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<sup>2</sup> CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. Source: <https://www.cdp.net/en>



### III. FERROPORT CONSOLIDATED

#### a. Consolidated Simplified Analysis of the Income Statement:

Income Statement	2022	2021	Δ %
Shipment of iron ore (Take or Pay)	1,091,020	1,009,865	8.0%
Oil transshipment (T-Oil)	45,139	26,293	71.7%
Port Services/Others	4,766	0	-
Taxes	(128,327)	(120,244)	6.7%
<b>Net revenue of services</b>	<b>1,012,598</b>	<b>915,914</b>	<b>10.6%</b>
Cost of Services	(265,602)	(225,029)	18.0%
<b>Gross Profit</b>	<b>746,996</b>	<b>690,885</b>	<b>8.1%</b>
Operating Expenses	(48,049)	(27,336)	75.8%
Financial Income/Loss	15,416	(18,943)	(181.4%)
<b>Income before income and social contribution taxes</b>	<b>714,363</b>	<b>644,606</b>	<b>10.8%</b>
Income and social contribution taxes	(240,725)	(209,578)	14.9%
<b>Net income (loss) for the year</b>	<b>473,638</b>	<b>435,028</b>	<b>8.9%</b>
<b>EBITDA</b>	<b>771,093</b>	<b>747,558</b>	<b>3.1%</b>

The consolidated net revenues for 2022 increased 10.6%, in comparison to 2021, impacted by:

- The increase in the PPI which impacted the take-or-pay tariff in 14.1%<sup>3</sup>, going from USD 7.03 in 2021 to USD 8.02 per wet metric ton in 2022, causing a positive impact in the net revenues;
- The depreciation of the USD against BRL which decreased from BRL 5.41 in 2021 to BRL 5.14 in 2022, causing a negative impact in the net revenues;
- An increase in the T-Oil tariffs which also increase by 14.1% as well as an increase in the number of T-Oil operations.

As a result of the impacts above, the **take-or-pay revenue increased 8%** from BRL 1,009.9 million in 2021 to BRL 1,091.0 million in 2022, and the **T-Oil revenues increased 71.1%** from BRL 26.3 million in 2021 to BRL 45.1 million by the end of 2022.

In 2022, **cost of services increased 18%**, mainly impacted by:

- Maintenance dredging that occurred in 2022 that increased the cost in BRL 57.5 million;
- Depreciation and amortization which decreased the cost in BRL 19.8 million, mostly due to an adjustment in methodology, which impacted the amount in 2021 but will no longer have an impact from 2022 on; and

<sup>3</sup> Take-or-pay tariffs are annually adjusted by 2/3 of the PPI. The PPI rate for the adjustment made on 2022 was 21.2%.

- Consumable spare parts and leases and rents due to emergency maintenances occurred in the site.

Overall operating expenses increased 75.8% compared to 2021, mostly due to:

- An increase of the provision of ARG/Civilport litigation<sup>4</sup> of BRL 2.0 million, caused by an update of the disputed amount;
- An increase on depreciation and amortization of general and administrative expenses of BRL 7.5 million related to the adjustments of methodology mentioned above; and
- A decrease of BRL 4.7 million on revenue of sale of non-consumed electric energy caused by the decrease in the energy price.

**Net Financial income increased 181.4%** from negative BRL 18.9 million to positive BRL 15.4 million caused by:

- The amortization of the intercompany loan, which was fully paid in March 2022, causing the interest expense to be BRL 1.0 million versus the expense of BRL 17 million in 2021;
- The change from monthly payments related to the intercompany loans to quarterly dividend distribution causing cash to be in deposit for longer and a higher investment return, increasing the financial income from BRL 5.7 million in 2021 to BRL 23.4 million in 2022.

For 2022, income before income taxes amounted to BRL 714.4 million meaning an **increase of 10.8%** when compared to 2021, and net income for the same period amounted BRL 473.6 million, an **increase of 8.9%** when compared to 2021.

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<sup>4</sup> ARG/Civilport Litigation makes reference of an allegation of breach of contract in the construction period (i.e., before the beginning of operations).



**b. Consolidated Simplified Analysis of the Cash Flow Statement:**

<b>Cash Flow Statement</b>	<b>2022</b>	<b>2021</b>	<b>Δ %</b>
<b>Net income (loss) before taxes</b>	<b>714,363</b>	<b>644,606</b>	<b>10.8%</b>
Depreciation & Amortization	72,130	83,746	(13.9%)
Other Cash Adjustments	21,889	33,747	(35.1%)
Working Capital Variation	(246,225)	(199,214)	23.6%
<b>Cash Flow from Operating Activities</b>	<b>562,157</b>	<b>562,885</b>	<b>(0.1%)</b>
Capex/Intangibles	(64,907)	(42,962)	51.1%
<b>Cash Flow from Investing Activities</b>	<b>(64,907)</b>	<b>(42,962)</b>	<b>51.1%</b>
Intercompany Loans Settled	(96,544)	(456,630)	(78.9%)
Lease payments	(2,225)	(1,984)	12.1%
Dividends Paid	(371,094)	0	-
<b>Cash Flow from Financing Activities</b>	<b>(469,863)</b>	<b>(458,614)</b>	<b>2.5%</b>
<b>Increase in cash and cash equivalents</b>	<b>27,387</b>	<b>61,309</b>	<b>(55.3%)</b>

Ferroport reported cash flow from operating activities of BRL 562.2 million for 2022, a slight decrease of 0.1% when compared to 2021 in which the main impacts were offset by one another. Even though the variation was not material, the main impacts were in the Working Capital variation, mainly due to:

- The accounts receivable from related parties which includes the aforementioned changes in receivables from T-Oil and T-Ore revenues; and
- Dividend provisions and reduction of the interest paid since the intercompany loan was fully settled.

CAPEX expenses increased 51.1% mainly impacted by emergency maintenances occurred in the site, as mentioned before.

On 2022, Ferroport finalized its intercompany loan with its shareholders, paying the remaining amount of BRL 96.5M. In June, the company started its dividend distributions based on the 2021 result and distributed BRL 371.1M throughout the year.

## c. Consolidated Simplified Analysis of the Balance Sheet:

Consolidated (BRL k)		
Balance Sheet	December 31, 2022	December 31, 2021
<b>Current Assets</b>	<b>330,573</b>	<b>290,273</b>
Cash and equivalent	167,839	140,452
Receivables from related parties	121,545	90,578
<b>Noncurrent Assets</b>	<b>2,322,373</b>	<b>2,315,196</b>
<b>Total Assets</b>	<b>2,652,946</b>	<b>2,605,469</b>
<b>Current Liabilities</b>	<b>269,365</b>	<b>191,379</b>
Related parties – loans	0	97,083
Income taxes and social contribution	25,486	25,129
<b>Noncurrent Liabilities</b>	<b>550,891</b>	<b>529,255</b>
Related parties – loans	0	0
<b>Shareholders' equity</b>	<b>1,832,690</b>	<b>1,884,835</b>
<b>Total Liabilities plus Shareholders' equity</b>	<b>2,652,946</b>	<b>2,605,469</b>

Ferroport's consolidated cash and cash equivalent on December 31, 2022 were BRL 167.8 million, versus BRL 140.5 million in 2021, mostly due to a higher return of investments for longer than the previous year, since distributions are not made on a monthly basis after the intercompany loan finalization.

Current receivables from related parties summed BRL 121.5M versus BRL 90.6M in 2021 due to a higher number of operations from T-Oil and a higher tariff for both the take-or-pay and the T-Oil, partially offset by the negative impact of the depreciation of the USD against the BRL.

It is important to mention that Ferroport will continue to distribute its excess of cash following the minimum cash mechanism. The company will perform quarterly cash distribution to its shareholders, through dividends and capital reductions.

## IV. PRUMOPAR

### a. Simplified Analysis of the Income Statement:

Income Statement	2022	2021	Δ %
<b>Net Operating Revenue</b>	-	-	-
Sales Cost	-	-	-
<b>Gross Profit</b>	-	-	-
Operating Expenses	(247)	(247)	-
Financial Income/Loss	(46,780)	(258,741)	<b>(81.9%)</b>
Equity in income of subsidiaries	241,508	222,785	<b>8.4%</b>
<b>Income before income and social contribution taxes</b>	<b>194,481</b>	<b>(36,203)</b>	<b>(637.2%)</b>
Taxes (IR and CSLL)	(62)	(118)	<b>(47.5%)</b>
<b>Profit (Loss) for the period</b>	<b>194,419</b>	<b>(36,321)</b>	<b>(635.3%)</b>

For the twelve months ended on December 31, 2022, net financial loss for PRUMOPAR was BRL 46.8M versus BRL 258.7M for the same period in 2021. The variation is mostly due to:

- Exchange variation (BRL 99.1M of positive impact in 2022 versus negative impact of BRL 110.3M in 2021);
- The net result of interest expenses and interest income were relatively stable when comparing 2022 to 2021, as in 2022 PRUMOPAR had a lower interest income from the intercompany loan (ended in March 2022) but also a lower interest payment on the bonds when compared to 2021 (due to a lower outstanding principal).

Results of equity-accounted investees increased 8.4% to BRL 241.5M.

On 2022, net profit amounted BRL 194.4M versus a net loss of BRL 36.3M for the same period of 2021.

**b. Simplified Analysis of the Cash Flow Statement:**

<b>Cash Flow Statement</b>	<b>2022</b>	<b>2021</b>	<b>Δ %</b>
<b>Cash flows from operating activities</b>	<b>(13,143)</b>	<b>(8,579)</b>	<b>53.2%</b>
Dividends	185,547	0	-
Loans granted to related parties	(100,695)	(87,171)	15.5%
Interest received on related party loans	1,088	8,616	(87.4%)
Loans received from related parties	73,010	226,897	(67.8%)
<b>Cash flows from investment activities</b>	<b>158,950</b>	<b>148,342</b>	<b>7.2%</b>
Capital increase/(reduction) and dividends	0	0	-
Loans settled with third parties (net)	(8,561)	(69,395)	(87.7%)
Interest paid	(57,855)	(121,423)	(52.4%)
Transaction Cost	0	(1,165)	-
Escrow accounts (Debt Requirement)	(85,189)	0	-
Derivative	(3,376)	(2,036)	65.8%
<b>Cash flows from financing activities</b>	<b>(154,981)</b>	<b>(194,019)</b>	<b>(20.1%)</b>
<b>Increase in cash and cash equivalents</b>	<b>(9,174)</b>	<b>(54,256)</b>	<b>(83.1%)</b>

Regarding its intercompany loan with Ferroport, PRUMOPAR received BRL 73.0 M of principal and BRL 1.1M of interests (net of taxes). The decrease comparing to 2021 is due to the full settlement of the intercompany loan in March 2022. After full repayment of the intercompany loan, PRUMOPAR received BRL 185.5 million through dividend distributions from Ferroport throughout the year.

Since PRUMOPAR is successfully paying its debt service at target level, honoring the conditions set in the financing documents and accumulating cash, PRUMOPAR distributed BRL 100.7 million to its shareholder in 2022.

PRUMOPAR paid USD 22.0 million on interest and USD 7.1 million on principal related to regular target amortization. The amount shown in the cash flow reflects only the payment due in June 2022(USD 1.6 million of principal and USD 11 million of interest), since the payment for December 2022 (USD 5.5 million of principal and USD 11 million of interest) was due on a non-business day and, consequently, it was executed in the first business day of January 2023 in accordance with the financing documents. The amount for the debt service due in December 2022 is reflected as an increase in the Escrow account (BRL 85.2 million).

## c. Simplified Analysis of the Balance Sheet:

Balance Sheet	December 31, 2022	December 31, 2021
<b>Current Assets</b>	<b>168,524</b>	<b>151,928</b>
Cash and cash equivalents	1,851	11,025
Escrow deposits	143,260	63,792
Related Party	0	73,355
<b>Noncurrent Assets</b>	<b>1,195,446</b>	<b>1,059,954</b>
Related Party	187,866	87,171
Investment	1,007,564	972,704
<b>Total Assets</b>	<b>1,363,970</b>	<b>1,211,882</b>
<b>Current Liabilities</b>	<b>169,251</b>	<b>29,765</b>
Bonds	168,195	29,394
<b>Noncurrent Liabilities</b>	<b>1,341,236</b>	<b>1,523,053</b>
Bonds	1,341,236	1,523,053
<b>Total Equity</b>	<b>(146,517)</b>	<b>(340,936)</b>
<b>Total liabilities and equity</b>	<b>1,363,970</b>	<b>1,211,882</b>

On December 31, 2022, PRUMOPAR reported cash and cash equivalents of BRL 1.9 million. The decrease comparing to December 31, 2021 is due to a higher amount on regular principal amortization along with the intercompany loan granted to its shareholder during 2022.

Escrow deposits were BRL 143.3 million in 2022 versus BRL 63.8 million in 2021. The difference, as mentioned before, is due to the debt service payment due in December 2022 that was postponed to the first business day of January 2023.

PRUMOPAR's debt decreased from USD 294.5 million to USD 287.4 million as the company is in compliance with the target amortization curve. Amounts in BRL were also impacted by the depreciation of the USD against BRL.

On December 31, 2022 PRUMOPAR's equity was negative at BRL 146.5 million, due to the accounting loss, driven by the accrued exchange variance registered in the period.

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