

1Q2020 EARNINGS REPORT

Rio de Janeiro, May 25, 2019 - PRUMO PARTICIPAÇÕES E INVESTIMENTOS S.A. ("PRUMOPAR"), located at 804, Russel Street, 5º floor, Glória, Rio de Janeiro, was incorporated in 2015 in order to acquire interests in other company. The Company 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

Friday, 29 at 11:00 AM (Brasília time); 10:00 (US-ET).

Telephone number for participants:

*No passcode is needed

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Participants should connect 5 minutes before the conference call starts.

1Q2020 Financial Highlights

During the first quarter of 2020, Ferroport's gross revenues grew 21%, from R\$ 187 million in 2019 to R\$ 225 million in 2020. Ferroport handled 6.2 million tons of Iron Ore, an increase of 38% compared to the same period of 2019. The number of ships accessing the Channel to the T-Oil and paying Port Access Fees reached 31, an increment of 63%. This growth led to an increase of 16% on Ferroport's EBITDA, which summed R\$ 162 million for the period.

Over the last twelve months Ferroport handled 24.7 million tons of Iron Ore, the highest volume since the beginning of operations, and March of 2020 was the month with the highest volume, with 2.4 million tons of Iron Ore handled.

As a result, Ferroport distributed to PRUMOPAR and Anglo American R\$ 97.2 million as intercompany loans, out of which R\$ 39.3 million as principal and R\$ 58.9 million as interests. PRUMOPAR received R\$ 47.2 million, net of taxes, 159% above the amounts received as Intercompany Loan in the first quarter of 2019.

Ferroport was positively impacted by the Dollar's appreciation against the Real. This fact overcompensated the decrease in the Take-or-Pay tariff related to the handling of Iron Ore, which was adjusted by the negative variation of the PPI for 2019, of (1.6%). An increase on T-Oil's operations also strengthened Ferroport's financials for the quarter.

Business Specifics:

Ferroport	1Q20	1Q19	Δ	Δ %
Volume T-Ore (K-ton)	6,156	4,456	1,700	38%
Take-or-Pay T-Ore (BRL k)	215,787	178,450	37,337	21%
Ships T-Oil (#)	31	19	12	63%
T-Oil Access Fee (BRL k)	9,105	7,871	1,234	16%
EBITDA	162,220	139,307	22,913	16%
EBITDA Margin	81.3%	84.1%	(281 bps)	(3%)

PRUMOPAR	1Q20	1Q19	Δ	Δ %
IC Loan - Principal (BRL k)	39,273	0	39,273	-
IC Loan - Interest (BRL k)	9,342	21,480	(12,138)	(57%)
IC Loan (BRL k)	48,615	21,480	27,135	126%

Subsequent Events:

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, PRUMOPAR remitted USD 17.3 million to fund TARA, which is now full. The excess of R\$ 30.6 million was distributed as dividends to Prumo Logística, in accordance with the Indenture.

On April 27, 2020, PRUMOPAR delivered notice to the Indenture Trustee that on April 27, 2020 a TARA Payment Trigger occurred, which constitutes a Mandatory Redemption Event according to the Indenture. The TARA Payment Trigger occurred by virtue of a discount on Port Access Fees paid by ships accessing the Channel to the T-Oil. Accordingly, PRUMOPAR is obligated to use the full amount on TARA to partially redeem the Series 2019-1. On June 30, 2020, PRUMOPAR will prepay an aggregate amount of USD 29.2 million. The payment curve will be adjusted proportionally through the remaining years of the contract.

Coronavirus Impact on Activities:

The company has been working internally to respond to the COVID-19 threat. In order to contribute to the reduction of the spread rate of Coronavirus and in line with the guidelines of the health agencies, all the companies of Prumo Group (Ferroport included) have adopted home office for the administrative staff. Regarding the operations, Ferroport's operating activities remain in place and the Take-or-Pay contract with Anglo American remains in course without any interruption. Consequently, all IC Loan repayments from Ferroport to PRUMOPAR 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.

Financial Highlights:

FERROPORT CONSOLIDATED

Consolidated Simplified Analysis of the Income Statement:

Consolidated (BRL k)				
Income Statement	1Q20	1Q19	Δ	Δ %
Shipment of iron ore (Take or Pay)	215,787	178,450	37,337	20.9%
Oil transshipment (T-Oil)	9,105	7,871	1,234	15.7%
Port Services/Others	121	299	(178)	(59.5%)
Taxes	(25,540)	(21,051)	(4,489)	(21.3%)
Net revenue of services	199,473	165,569	33,904	20.5%
Cost of Services	(42,701)	(37,517)	(5,184)	(13.8%)
Gross Profit	156,772	128,052	28,720	22.4%
Operating Expenses	(8,254)	(1,088)	(7,166)	(658.6%)
Financial Income/Loss	(17,035)	(26,046)	9,011	34.6%
Income before income and social contribution taxes	131,483	100,918	30,565	30.3%
Income and social contribution taxes	(46,896)	(44,393)	(2,503)	(5.6%)
Net income (loss) for the year	84,587	56,525	28,062	49.6%
EBITDA	162,220	139,307	22,913	16%

The consolidated net revenue for the first quarter of 2020 increased in comparison to 2019, mostly due to the Dollar's appreciation against Real, from an average of R\$3.77 in 2019 to R\$4.47 for the same period of 2020, and by the increase in T-Oil's activities. Revenues from iron ore (take or pay) increased 20.9% to R\$215.8 million and Port Access Fee from T-Oil increased 15.7% to R\$ 9.1 million. This increase was partially offset by the reduction of the Take-or-Pay tariff, related to the handling of Iron Ore, caused by the negative PPI of (1.63%) in 2019, leading to a tariff of USD 6.99 per wet metric ton.

Cost of services increased 13.8%, mostly due to increase of the volume of iron ore handled.

Overall operating expenses increased R\$ 7.2 million, primarily due to third party services, which include fees and legal costs related to the arbitration settlement, and due to the decrease in net sales of non-consumed electric energy, caused by the reduction of energy price.

Net financial expenses summed R\$ 17.0 million, a decrease of 34.6% if compared to the same period of 2019. This reduction is mainly explained by the decrease in its debt with consequent lower interest paid to PRUMOPAR in the first quarter of 2020. Since Ferroport did not pay intercompany loan from April'18 to February'19, the past due interest related to this period needed to be paid before the principal and so, the intercompany loan paid in the first quarter of 2019 was 100% related to interest. The reduction of the CDI (base rate for Ferroport's intercompany debt) also contributed for the decrease in financial expenses. It is worth mentioning that Ferroport had a tax debt regularization in 2019 that resulted in a reversion of interests of R\$ 4.0 million, which partially offset this decrease in net financial expenses.

For the first quarter ended in March 31, 2020, income before income taxes amounted to R\$ 131.5 million, leading to a net income of R\$ 84.6 million versus a net income of R\$ 56.5 million for the same period of 2019.

Consolidated Simplified Analysis of the Balance Sheet:

Consolidated (BRL k)				
Balance Sheet	March 31, 2020	December 31, 2019	Δ	Δ %
Current Assets	520,760	517,122	3,638	0.7%
<i>Cash and equivalent</i>	137,030	39,327	97,703	248.4%
<i>Receivables from related parties</i>	323,329	373,521	(50,192)	(13.4%)
Noncurrent Assets	2,344,744	2,351,291	(6,547)	(0.3%)
Total Assets	2,865,504	2,868,413	(2,909)	(0.1%)
Current Liabilities	288,546	317,313	(28,767)	(9.1%)
<i>Related parties – loans</i>	138,250	137,000	1,250	0.9%
<i>Income taxes and social contribution</i>	76,802	112,802	(36,000)	(31.9%)
Noncurrent Liabilities	1,457,027	1,515,756	(58,729)	(3.9%)
<i>Related parties – loans</i>	1,031,425	1,111,814	(80,389)	(7.2%)
Shareholders' equity	1,119,931	1,035,344	84,587	8.2%
Total Liabilities plus Shareholders' equity	2,865,504	2,868,413	(2,909)	(0.1%)

Ferroport's consolidated cash and securities at March 31, 2020 were R\$ 137 million versus R\$ 39.3 from December 31, 2019. Receivables from related parties decreased R\$ 50.2 million in the first quarter. Both movements are explained by the fact that Anglo American postponed the take-or-pay payment from December 30, 2019 to January 03, 2020.

The company presented a decrease on its Income taxes and social contribution payable from R\$ 112.8 million to R\$ 76.8 million, due to an early income tax compensation between assets and liabilities. This movement has virtually no impact on cash flow.

Company's gross debt, as of December 31, 2019, was R\$ 1.2 billion, out of which R\$ 607.2 million related to PRUMOPAR's intercompany loan.

Consolidated Simplified Analysis of the Cash Flow Statement:

Consolidated (BRL K)				
Cash Flow Statement	1Q20	1Q19	Δ	Δ %
Net income before taxes	131,483	100,917	30,566	30.3%
Depreciation and Amortization	13,702	12,344	1,358	11.0%
Other Cash Adjustments	23,061	32,218	(9,157)	(28.4%)
Working Capital Variation	(25,430)	(99,303)	73,873	74.4%
Cash Flow from Operating Activities	142,816	46,176	96,640	209.3%
Capex/Intangibles	(5,460)	17,862	(23,322)	(130.6%)
Cash Flow from Investing Activities	(5,460)	17,862	(23,322)	(130.6%)
Intercompany Loans Settled	(39,273)	0	(39,273)	-
Cash Flow from Financing Activities	(39,653)	(489)	(39,164)	(8009.0%)

Ferroport reported a cash flow from operating activities of R\$ 142.8 million for the first quarter of 2020, an increase of R\$ 96.6 million if compared to the same period of 2019. This increase was driven not only by the better results, but also by some positive working capital variations, such as the take or pay payment due in 2019 that was postponed to the first week of 2020.

Ferroport's Capex for 2020 summed R\$ 5.5 million. The main expenditures, approximately R\$ 4.4 million, were related to repowering the piling system. The remaining was associated to stay in business capex, such as environmental compensation, spare parts, clogging of equipment and dust emissions and painting restoration. During the first quarter of 2019, following KPMG guidance, Ferroport booked tax credits (PIS/COFINS) related to fixed assets, which brings this account to positive.

During the first quarter of 2020, Ferroport amortized R\$ 39.3 million of principal from the intercompany loan. Variations on interests and withholding taxes paid are accounted in working capital variation in the cash flow from operations.

PRUMOPAR CONSOLIDATED

Consolidated Simplified Analysis of the Income Statement:

Consolidated (BRL k)				
Income Statement	1Q20	1Q19	Δ	Δ %
Net Operating Revenue	-	-	-	-
Sales Cost	-	-	-	-
Gross Profit	-	-	-	-
General and Administrative Expenses	(4)	(50)	46	92%
Financial Income/Loss	(392,261)	1,036	(393,297)	(37,863%)
Equity in income of subsidiaries	43,467	29,281	14,186	48.4%
Income before income and social contribution taxes	(348,794)	30,317	(379,111)	(1,150%)
Taxes (IR and CSLL)	(3,744)	(346)	(3,398)	982%
Profit (Loss) for the period	(352,539)	29,971	(382,510)	(1,176%)

For first quarter of 2020 ended in March 31, PRUMOPAR's net financial loss increased more than R\$ 390 million, if compared to the same period of 2019, not only due to the increase in total debt but mainly due to the depreciation of the Real against the U.S. dollar, which devaluated approximately 30% during the first quarter of 2020.

Results of equity-accounted investees increased R\$ 14.2 million due to the better results from Ferroport.

Income and social contribution taxes amounted R\$ 3.7 million as compared to a tax credit of R\$ 0.3 million for 2019.

Consolidated Simplified Analysis of the Balance Sheet:

Consolidated (BRL k)				
Balance Sheet	March 31, 2020	December 31, 2019	Δ	Δ %
Current Assets	260,188	188,737	71,451	37.9%
Cash and cash equivalents	47,976	1,184	46,792	3952.0%
Escrow accounts	130,210	100,956	29,254	29.0%
Accounts receivable from related parties	68,855	68,188	667	1.0%
Noncurrent Assets	1,136,787	1,116,449	20,338	1.8%
Accounts receivable from related parties	538,339	578,245	(39,906)	(6.9%)
Equity investments	581,432	537,965	43,467	8.1%
Total Assets	1,396,975	1,305,186	91,789	7.0%
Current Liabilities	67,527	21,117	46,410	219.8%
Loans and financing	66,617	17,597	49,020	278.6%
Noncurrent Liabilities	1,645,564	1,247,647	397,917	31.9%
Loans and financing	1,642,043	1,247,647	394,396	31.6%
Equity	(316,116)	36,422	(352,538)	(967.9%)
Total Liabilities and equity	1,396,975	1,305,186	91,789	7.0%

On March 31, 2020, Prumopar reported cash and cash equivalents of R\$48.0 million, an increase of R\$ 46.8 million if compared to December 31, 2019. This increase reflects the intercompany loan received during the first quarter of 2020. It is important to mention that this amount was hedged in accordance with the Accounts Agreement. There was no increase in USD in the escrow accounts during the first quarter of 2020. The increase reported in the balance sheet is related to the depreciation of the Real against the U.S. dollar, since these are offshore accounts constituted in USD.

PRUMOPAR's total debt increased, in Reais, by approximately R\$ 443 million, to R\$ 1.7 billion, mostly impacted by the foreign exchange variation.

In March 31, 2020 PRUMOPAR's equity was negative at R\$ 316 million, as a result of the accounting loss for the first quarter of 2020.

Consolidated Simplified Analysis of the Cash Flow Statement:

Consolidated (BRL k)				
Cash Flow Statement	1Q20	1Q19	Δ	Δ %
Cash flows from operating activities	(422)	(1,360)	938	69.0%
Loans received from related parties	47,214	18,258	28,956	158.6%
Cash flows from investment activities	47,214	18,258	28,956	158.6%
Capital increase/(reduction) and dividends	0	12,100	(12,100)	-
Loans settled with third parties (net)	0	(8,341)	8,341	-
Interest paid	0	(16,366)	16,366	-
Escrow accounts (Debt Requirement)	0	556	(556)	-
Cash flows from financing activities	0	(12,051)	12,051	-

During the first quarter of 2020, PRUMOPAR received R\$ 47.2 million of principal on the intercompany loan from Ferroport (net of taxes). The increase comparing to the same period of 2019 is explained by the suspension of Ferroport's activities in 2018, which caused PRUMOPAR not to receive any payment from Ferroport from May 2018 to January 2019.

PRUMOPAR did not pay any amount related to financing activities during the first quarter of 2020, payments are scheduled for the end of each semester.

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