Interim Financial Information (Individual and Consolidated)

Porto Sudeste do Brasil S.A.

March 31, 2019
with Independent Auditor Review Report on Interim financial Information

MANAGEMENT REPORT

1. Message from Management

Management of Porto Sudeste do Brasil S.A. (Porto Sudeste or Company), in compliance with the legal requirements and in accordance with the prevailing corporate legislation, hereby submits to your appreciation the Financial Information accompanied by the respective explanatory notes and the independent auditor's report for the quarter ended March 31, 2019. Should you need any further clarifications, please do not hesitate to contact us. At the end of the first quarter of 2019, the Executive Board expresses their acknowledgement to suppliers, employees and all other co-workers for their dedication and commitment.

2. Relationship with independent auditors

Pursuant to CVM Rule No. 381/2003, we hereby inform that Ernst & Young Auditores Independentes S/S ("EY") renders external audit services relating to the audit of the Company's financial information.

When contracting services not related to independent audit, the Company adopts procedures that are based on applicable law and on principles internationally accepted that preserve the auditor's independence and objectivity. These principles are as follows: (i) the auditor must not review its own work, and (ii) the auditor must not act as a manager for his/her client neither promote this client's interest.

EY represented to the Company that there is no relationship or factual situation that represents conflict of interests, preventing the exercise of their activity on an independent basis.

3. Management's explanations with respect to variable income securities

Variable income securities

By the conclusion of the Company's parent Porto Sudeste do Brasil S.A. acquisition in February 2014, as described in Note 1, the Company assumed the obligations related to the variable income securities, issued in 2011 because of Porto Sudeste's acquisition by MMX. To make the transfer of such obligation feasible, the Corporation issued variable income securities (mirror securities of MMXM11) in similar terms to MMXM11, by means of two vehicles:

- FIP-IE Porto Sudeste Royalties: An infrastructure equity investment fund to hold in its portfolio exclusively Port11 Securities - and for each Port11 Security held by FIP-IE would be entitled to a Unit. FIP-IE's units were offered to the holders of MMXM11 Securities that would fit as qualified investors pursuant to CVM regulation, and would not have restrictions to hold FIP-IE units.

- Porto Sudeste V.M S.A.: A stock corporation registered with CVM under category 'B'. Said corporation issued a new royalty-based variable income security, mirror of MMXM11 Security ("PSVM11 Securities"), and such security listed for trading on BM&FBOVESPA (contrary to Port11 Securities, which are not accepted for trading on the stock exchange). The PSVM11 Securities were offered to holders of MMXM11 Securities that (i) would not fit as qualified investors, or (ii) would have regulatory restrictions to hold units of a FIP-IE.

Such security exchange operation did not generate impacts on the Corporation's financial statements, once the obligation of payment had already been recognized based on contractual clauses with the final holders of the original securities (MMXM11).

Through conclusion of security exchange, the Company has an obligation of payment to the carriers above, which in turn have an obligation of payment to the holders of units/securities exchanged.

The holders of securities mentioned are entitled to quarterly variable income determined since January 1st, 2013, calculated based on metric ton of iron ore (defined below) or the value per ton of other loads (defined below) as follows:

R = [(TMMF x VpTMF) + (TMOC x VpTDC)]*FP

Where:

R = royalties payable in relation to each quarter of the fiscal year
TMMF = Ton of Iron Ore shipped on Port for the respective quarter
TMOC = Ton of Other Loads shipped on Port for the respective quarter
VpTMF = Value per Ton of Iron Ore (as defined below)
VpTDC = Value per Ton of Other Loads (as defined below)
FP = Proportional Factor

For iron ore loads: the royalties related to iron ore loads shipped on Port in a certain calendar quarter shall be calculated, taking into account the amount of USD 5.00 per ton of iron ore ("value per ton of iron ore"). This value will be (i) adjusted annually at the variation in US PPI calculated from September 2010; and (ii) converted into reais, based on the exchange rate at the ending of the business day immediately prior to the actual payment date.

For other loads: the royalties related to other loads, other than iron ores (excluding non-dry loads, such as supply activities) conducted at the Port Terminal will be calculated based on the load margin (as defined below) ("value per ton for other loads"). "Load margin" (a) means the difference between the average cost per ton (excluding all non-cash items) incurred in relation to the services rendered by Porto Sudeste relating to the applicable load and the average value per ton effectively charged by Porto Sudeste for the services rendered in relation to such load; and (b) must be limited under any circumstance to USD 5.00 per shipped ton.

The adjusted limit value of USD 5.00 per ton for load margin will be (i) adjusted annually at the variation in US PPI calculated from September 2010; and (ii) converted into reais, based on the exchange rate at the ending of the business day immediately prior to the actual payment date.

Annually, in the fourth quarter of each fiscal year, the amount of the metric tons effectively shipped on Port during the respective year ("measured tons") will be compared to: (a) the years between 2013 and 2016, the take-or-pay volumes indicated in chart below; and (b) the years subsequent, the quantity of metric tons to be shipped on Port in the respective year under all take-or-pay contracts entered into between Porto Sudeste or its subsidiaries in force in the respective fiscal year ("take-or-pay ton"):

	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Tm	13,6	31,9	36,8	36,8	-	-	-

If the take-or-pay ton value, less the measured ton value is a positive figure, the values of royalties payable in relation to the fourth quarter of each fiscal year will be added to the amount corresponding to the multiplication of such number by the value per ton for iron ore, or the value per ton for other loads, as the case may be.

In the chart below, it is possible to verify the tons measured and to compare with take or pay tons for purpose of calculation described above, considering the year of 2016 as the beginning of the company's commercial operations after the commissioning held in 2015:

	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Tm	-	-	-	7,1	9,5	10,7	3,4

All volumes operated in the year 2018 are related to iron ore, and there are no other quantities shipped.

If, in a certain calendar quarter by the payment of current royalties the cash of issuer and Porto Sudeste is jointly higher than (a) USD 25,000 for the fiscal years between 2013 and 2017, or (b) USD 10,000 for the fiscal years subsequent, in both cases converted into reais at the exchange rate ("minimum cash reserve"), the issuer will use the values that exceed the minimum cash reserve ("available cash") to pay the effectively accumulated royalties to the holders of securities until the last day of said calendar quarter. It is agreed and understood that issuer is not required to pay such additional values established herein, unless an available cash is held by issuer in the last day of such calendar quarter and until the available cash limit, "available cash" means the value corresponding to (i) the addition of (a) all available cash values of Porto Sudeste and (b) the positive balances on all bank accounts of issuer and Porto Sudeste (with any financial institution), less (ii) the addition of (a) any values contributed by stockholders of Porto Sudeste through capital increase or stockholder loan, to the extent that such values remain as available cash of Porto Sudeste, (b) BNDES senior debt service reserve account and CESCE senior debt service reserve account, and (c) the values of cash allocated jointly by Porto Sudeste to the IRPJ - Corporate Income Tax, CSLL - Social Contribution on Net Income, and other obligations for which Porto Sudeste's independent auditors require a joint allocation by Porto Sudeste.

The royalties shall be cumulative, i.e., if in a certain calendar quarter the available cash for royalties computed by issuer is not sufficient for the total or partial payment of royalties until then computed, said royalties unpaid shall be added to the amount of royalties for the next calendar quarter. The royalties shall only be deemed due and payable when Porto Sudeste has computed the available cash for royalties that is sufficient for this purpose.

On March 31, 2019, the Company's parent carried out the financial calculations with the purpose of identify the existence of available net cash and concluded that the available cash is a creditor on this date and therefore does not require the settlement of the royalties.

Cash available for payment of royalties	4^{tht}quarter 2018	1stquarter 2019
Revenues	68,205	92,745
Dividends		
Applicable Taxes	(9,719)	(13,216)
Operating Costs	(20,171)	(24,290)
Maintenance Investment	(4,220)	(5,344)
Operating Expenses	(17,952)	(16,659)
Interests and Repayment of the Senior Debt	(20,280)	(31,925)
Senior Debt Service Reserve Account	-	-
Interests and Repayment of the Working Capital Senior Debt	(154)	(7,362)
New Provisions for Existing Cash	-	-
Total Cash Available for Payment of Royalties	(4,293)	(6,052)

Cash available for payment of accumulated royalties	4th quarter 2018	1st quarter 2019
Net Cash or Bank Accounts	41,193	25,618
Contributions by the stockholders	(41,193)	(25,618)
Senior debt service reserve account	-	-
Allocated cash values	-	-
Total Cash Available for Payment of Accumulated Royalties	-	-

Reconciliation of quantities shipped and amounts paid as Royalties (accumulated)	Shipped 2018	Shipped 1st quarter 2019	Take-or-pay/ Shipped Accumulated

Volume (M/TONs)	10,661	3,376	142,665
Price per Ton	5.00	5.00	5.00
PPI, accumulated	0.61	0.61	0.61
Price per TON (USD)	**5,61**	**5,61**	**5,61**
Royalty (Porto Sudeste) USD	**59,808**	**18,939**	**800,351**
PSVM11 securities issued by Porto Sudeste V.M. S.A. as a percentage of Port11 securities	**0.43%**	**0.43%**	**0.43%**
Royalties (Porto VM) calculated (KUSD)	**257**	**81**	**3.442**
Cash available for payment of Royalties	**-**	**-**	**-**
Royalties payable	**-**	**-**	**-**

Securities are measured in accordance with IAS 37 - Provisions, Contingent Assets and Contingent Liabilities based on projected cash flows from future security related payments discounted at an annual rate of 12.50%. These projections are based on the Company's Business Plan and the assumptions related to the growth of iron exports in the Quadrilátero Ferrífero of Minas Gerais and assumptions about the growth of the market share of Porto Sudeste. The Company is aware that this growth will be achieved based on the closing of long-term contracts, as well as on acquisitions of iron ore mines in the region carried out by its shareholders. On March 31, 2019, the present value of discounted future cash flow amounted to US$ 2,325,460,799, which converted into Brazilian reais totaled R$ 9,061,623,095 (US$ 2,246,511,829, which converted into Brazilian reais totaled R$ 8,704,784,035 at December 31, 2018). Of those totals, the amounts corresponding to PSVM11 securities are represented at the base date of March 31, 2019 at US$ 9,904,779, which converted into reais totaled R$ 38,595,952 (US$ 9,568,514, which converted into reais totaled R$ 37,076,079 on December 31, 2018).

Transaction costs

Debt issue costs of variable income securities totaling R$10,511 at March 31, 2019 (R$10,453 at December 31, 2018) referring to outside legal counsel fees and commissions of guarantee were recorded as reduction of liabilities.

Rio de Janeiro, June 04, 2019.

The Management.

Porto Sudeste do Brasil S.A.

Individual and consolidated interim condensed financial information

March 31, 2019

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A free translation from Portuguese into English of Independent Auditor Review Report on Interim Financial Information prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB)

Independent auditor review report on individual and consolidated interim condensed financial information

The Shareholders and Board of Directors
Porto Sudeste do Brasil S.A.
Itaguaí, RJ

Introduction

We have reviewed the individual and consolidated interim condensed financial statements of Porto Sudeste do Brasil S.A. ("Company" or "Porto Sudeste"), identified as Parent Company and Consolidated, respectively, which comprise the interim statement of financial position as at March 31, 2019 and the related interim statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the individual and consolidated interim condensed financial information

Management is responsible for the preparation of this individual and consolidated interim condensed financial information in accordance with Technical Pronouncement CPC 21(R1) - Interim financial statement, and for such internal controls as management determines is necessary to enable the preparation of this individual and consolidated interim condensed financial information that is free from material misstatement, whether due to fraud or error. Our responsibility is to express a conclusion on this individual and consolidated interim condensed financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity). A review of 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 auditing standards 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.

Uma empresa-membro da Ernst & Young Global Limited

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim condensed financial information referred to above was not fairly prepared, in all material respects, the financial position of the entity as at March 31, 2019, and of its financial performance and its cash flows for the three-month period then ended in accordance with CPC 21 (R1).

Emphasis - significant uncertainty as to the Company's ability to continue as a going concern

Without qualifying our conclusion, we draw attention to Note 1 of the interim financial information, which indicates that, at March 31, 2019, the Company presents current liabilities higher than the current assets by R$129,235 thousand, accumulated losses of R$2,602,300 thousand. This note also states that Porto Sudeste do Brasil S.A. began its operations in January, 2016, but still depends on the financial support of its shareholders and/or funds from third parties until its operations generate sufficient cash to maintain its operating activities. This individual and consolidated interim condensed financial information was prepared on the assumption that the Company will continue to operate as a going concern and does not include any adjustment that would be required in the event that its plans do not achieve the expected results.

Rio de Janeiro, June 04, 2019.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6

Daniel de Araujo Peixoto
Accountant CRC-1BA025348/O-9

Porto Sudeste do Brasil S.A.

Condensed statements of financial position
March 31, 2019 and December 31, 2018
(In thousands of reais)

		Parent Company		Consolidated	
	Note	03/31/2019	12/31/2018	03/31/2019	12/31/2018
Assets					
Current assets					
Cash and cash equivalents	4	**76,948**	26,350	**111,154**	41,330
Trade accounts receivable	5	**19,643**	28,291	**19,643**	28,291
Accounts receivable from related parties	15	**37,870**	18,549	**35,852**	1,769
Inventories	6	**30,912**	32,224	**54,921**	90,447
Taxes recoverable		**6,170**	5,326	**7,659**	6,739
Advances		**1,275**	820	**1,275**	820
Other		**5,039**	6,104	**5,434**	6,267
		177,857	117,664	**235,938**	175,663
Noncurrent assets					
Restricted deposits	7	**10,180**	10,113	**10,180**	10,113
Accounts receivable from related parties	15	**2,244**	2,244	**-**	-
Taxes recoverable		**69**	69	**69**	69
Investments	8	**33,200**	33,830	**-**	-
Property and equipment	9	**5,690,660**	5,687,034	**5,716,326**	5,707,626
Intangible assets	10	**8,841,039**	8,805,278	**8,841,039**	8,805,278
Other		**11,955**	10,845	**13,193**	12,137
Total noncurrent assets		**14,589,347**	14,549,413	**14,580,807**	14,535,223
Total assets		**14,767,204**	14,667,077	**14,816,745**	14,710,886

	Note	Parent Company 03/31/2019	Parent Company 12/31/2018	Consolidated 03/31/2019	Consolidated 12/31/2018
Liabilities and equity					
Current liabilities					
Trade accounts payable	11	**24,598**	25,555	**72,942**	48,741
Loans and financing	12	**272,141**	185,253	**272,141**	185,253
Taxes and contributions payable	14	**10,315**	9,894	**12,114**	10,790
Related parties	15	**3,990**	7,841	**1,097**	569
Customer advances		**57**	54	**57**	54
Related parties' advances		**-**	-	**-**	26,744
Others		**5,758**	7,004	**6,822**	7,004
Total current liabilities		**316,859**	235,601	**365,173**	279,155
Noncurrent liabilities					
Loans and financing	12	**5,241,308**	5,230,596	**5,241,308**	5,230,596
Variable income securities	13	**9,051,112**	8,694,332	**9,051,112**	8,694,332
Provision for contingencies		**1,519**	1,519	**1,549**	1,609
Total noncurrent liabilities		**14,293,939**	13,926,447	**14,293,969**	13,926,537
Equity	17				
Capital		**2,749,410**	2,749,411	**2,749,411**	2,749,411
Future capital contribution		**162,534**	99,463	**162,534**	99,463
Cumulative Translation Adjustments (CTA)		**(145,452)**	(144,817)	**(152,042)**	(152,670)
Accumulated losses		**(2,610,086)**	(2,199,028)	**(2,602,300)**	(2,191,010)
Total equity		**156,406**	505,029	**157,603**	505,194
Total liabilities and equity		**14,767,204**	14,667,077	**14,816,745**	14,710,886

See accompanying notes.

Porto Sudeste do Brasil S.A.

Condensed statements of profit or loss
Three-month period ended March 31, 2019 and 2018
(In thousands of reais)

		Parent Company		Consolidated	
	Note	**03/31/2019**	**03/31/2018**	**03/31/2019**	**03/31/2018**
Revenue, net of sale of assets	18	**83,791**	63,730	**379,557**	215,320
Costs of sales and services	19	**(28,040)**	(25,881)	**(317,706)**	(175,910)
Gross profit		**55,751**	37,849	**61,851**	39,410
Operating income (expenses)					
Administrative expenses	20	**(8,317)**	(8,277)	**(11,966)**	(8,599)
Depreciation and amortization		**(49,669)**	(49,463)	**(49,687)**	(49,519)
Equity pickup	8	**2,338**	840	**-**	-
Other operating income (expenses)	13	**(307,217)**	(249,999)	**(307,226)**	(249,999)
		(362,865)	(306,899)	**(368,879)**	(308,117)
Income before financial income (expense) and taxes		**249,491**	**(307,114)**	(269,050)	(268,707)
Financial income (expenses)	21				
Financial income		**12,354**	11,508	**12,535**	11,365
Financial expenses		**(116,300)**	(96,678)	**(116,371)**	(96,706)
		(103,946)	(85,170)	**(103,836)**	(85,341)
Income before income taxes		**(411,060)**	(354,220)	**(410,864)**	(354,048)
Income and social contribution taxes	16	**-**	-	**(426)**	(505)
Income (loss) for the year		**(411,060)**	(354,220)	**(411,290)**	(354,553)

See accompanying notes.

Porto Sudeste do Brasil S.A.

Statement of comprehensive income (loss)
Three-month period ended March 31, 2019 and 2018
(In thousands of reais)

	Parent Company		Consolidated	
	03/31/2019	**03/31/2018**	**03/31/2019**	**03/31/2018**
Profit (loss) for the year	**(411,060)**	(354,220)	**(411,290)**	(354,553)
Cumulative translation adjustments	**(635)**	9,059	**628**	8,800
Total comprehensive income (loss)	**(411,695)**	(345,161)	**(410,662)**	(345,753)

See accompanying notes.

Porto Sudeste do Brasil S.A.

Condensed statements of changes in equity - Consolidated
Three-month period ended March 31, 2019 and 2018
(In thousands of reais)

	Consolidated				
	Capital	Future capital contribution	Cumulative translation adjustment	Accumulated losses	Total
Balances at December 31, 2017	2,424,170	325,241	(191,880)	(2,061,370)	496,161
Cumulative translation adjustments (CTA)	-	-	8,800	-	8,800
Loss for the year	-	-	-	(354,553)	(354,553)
Balances at March 31, 2018	2,424,170	325,241	(183,080)	(2,415,923)	150,407
Balances at December 31, 2018	**2,749,411**	**99,463**	**(152,670)**	**(2,191,010)**	**505,194**
Advance for future capital increase	**-**	**63,071**	**-**	**-**	**63,071**
Cumulative translation adjustments (CTA)					
Loss for the year	**-**	**-**	**628**	**-**	**628**
	-	**-**	**-**	**(411,290)**	**(411,290)**
Balances at March 31, 2019	**2,749,411**	**162,534**	**(152,042)**	**(2,602,300)**	**157,603**

See accompanying notes.

Porto Sudeste do Brasil S.A.

Cash flow statement
Three-month period ended March 31, 2019 and 2018
(In thousands of reais)

	Parent Company		Consolidated	
	03/31/2019	**03/31/2018**	**03/31/2019**	**03/31/2018**
Cash flows from operating activities				
Income (loss) for the period before taxes	**(411.060)**	(354.220)	**(411.290)**	(354.553)
Non-cash P&L items				
Write off fixed asset				
Depreciation and amortization	**49.669**	49.462	**49.686**	49.519
Transaction cost	**9.250**	6.161	**9.250**	6.161
Other amortization	**2.237**	2.140	**2.332**	2.191
Equity pickup	**(2.338)**	(840)	**-**	-
Monetary variation and interest	**412.824**	388.826	**412.820**	387.878
Other provisions/reversals	**(948)**	1.375	**(1.009)**	1.375
Changes in assets and liabilities				
Accounts receivable	**7.735**	(11.038)	**7.735**	(9.545)
Accounts receivable with related parties	**(18.461)**	(4.220)	**-**	-
Accounts receivable with other related parties	**(860)**	-	**(62.579)**	(181.170)
Sundry advances	**(2.037)**	(498)	**(2.356)**	(706)
Inventories	**1.678**	(603)	**35.857**	6.931
Restricted deposits	**48**	84	**48**	84
Judicial deposits	**(1.041)**	(1.016)	**(986)**	(2.186)
Taxes recoverable	**(4.598)**	(2.959)	**(4.624)**	(2.971)
Advances from customers	**3**	71	**3**	176
Advances from related parties		-		164.227
Trade accounts payable	**(41)**	61	**25.115**	2.901
Taxes and contributions payable	**4.208**	4.216	**5.066**	5.021
Obligation to third parties	**(93)**	(9)	**(93)**	(9)
Transactions with related parties	**(3.851)**	(1.605)	**528**	(55)
Other assets	**634**	143	**634**	144
Salaries and compensations	**(205)**	(1.372)	**(205)**	(1.372)
Interest paid	**(23.539)**	(11.404)	**(23.539)**	(11.404)
Net cash used in operating activities	**19.214**	62.755	**42.393**	62.637
Cash flow from investing activities				
Acquisition of property and equipment	**(7.702)**	(2.186)	**(13.364)**	(2.160)
Advance for future capital increase	**-**	(180)	**-**	-
Net cash used in investing activities	**(7.702)**	(2.366)	**(13.364)**	(2.160)
Cash flows from financing activities				
Advance for future capital increase	**63.071**	-	**63.071**	-
Transaction cost	**(9.879)**	(4.157)	**(9.879)**	(4.157)
Borrowings settled	**(2.263)**	(2.263)	**(2.263)**	(2.263)
Net cash provided by financing activities	**50.929**	(6.420)	**50.929**	(6.420)
Exchange differences, net				
Foreign exchange differences	**(11.843)**	(59.514)	**(10.134)**	(58.847)
Decrease in cash and cash equivalents	**50.598**	(5.545)	**69.824**	(4.790)
Statement of increase (decrease) in cash and cash equivalents				
At beginning of year	**26.350**	24.345	**41.330**	30.408
At end of year	**76.948**	18.800	**111.154**	25.618
Increase (decrease) in cash and cash equivalents	**50.598**	(5.545)	**69.824**	(4.790)

See accompanying notes.

1. Operations

Porto Sudeste do Brasil S.A. ("Porto Sudeste" or the "Company") was established on November 7, 2007, to develop the logistics and integrated operations in the port sector, notably the implementation and operation of a Port Terminal named Porto Sudeste ("Terminal" or "Porto Sudeste").

The Company is composed of its parent company and its subsidiaries Pedreira Sepetiba Ltda. ("Pedreira"), Terminal de Contêineres Sepetiba Ltda. ("TCS"), Porto Sudeste VM S.A. ("Porto VM") and Porto Sudeste Exportação e Comércio S.A.

Porto Sudeste Exportação e Comércio Ltda. was transformed into a society organized by stocks and now will be called Porto Sudeste Exportação e Comércio S.A. The transformation occurred on October 2, 2017.

Restructuring and change of controlling shareholder

In February 2014, a transaction was completed between the Company's former parent company, MMX Mineração e Metálicos ("MMX"), and Trafigura Pte. Ltd. ("Trafigura") and Mubadala Development Company PJSC ("Mubadala"), through investees in Brazil, by which Trafigura and Mubadala acquired shared control over the Company. On the transaction completion date, Trafigura and Mubadala made a capital contribution to the Company amounting to US$400 million. In addition, as part of the agreement Porto Sudeste assumed: (i) all bank debt of MMX Sudeste Mineração S.A. (an MMX subsidiary), amounting to R$1,3 billion; and (ii) the obligations stemming from royalty-based floating rate securities under the terms described in Note 13.

As a result of this restructuring and assumption of debt by the Company, the port operation license that had been recorded to MMX was also transferred to Porto Sudeste.

Upon completion of these transactions, Trafigura and Mubadala became joint holders of 65% ownership interest in the Company, through PSA Fundo de Investimento e Participações.

In February 2014, the controlling shareholders Trafigura and Mubadala executed the Shareholders' Agreement, which provides for the rights and obligations of each controlling shareholder, and MMX right to appoint a member to the Company's Board of Directors while it holds at least 10% of the capital.

Additional acquisition of interest by controlling shareholders

On August 13, 2015, by means of a capital increase, which entailed the issue of 11,241,101,754 new common registered no-par-value shares, fully subscribed by the investment fund *PSA Fundo de Investimento em Participações* (a Trafigura and Mubadala investment vehicle in Brazil). Accordingly, MMX was diluted and the controlling shareholders hold 94.58% interest.

1. **Operations** (Continued)

Additional acquisition of interest by controlling shareholders (Continued)

In March 2017, the amount of US$ 50,000 equivalent to R$ 169,874 received as an advance for future capital increase in June and October of 2016, through the PSA Fundo de Investimento e Participações. After this capital increase, MMX was diluted to a 1.54% interest in the Company and the controllers then held 98.24%.

In May 2018, the amount of 100,000 equivalent to R$ 325,241 received as an advance for future capital increase in May, July and November of 2017, through the PSA Fundo de Investimento e Participações. After this capital increase, MMX as diluted to a 0,93% interest in the Company and the controllers now hold 98,94%.

Company's financial position

At March 31, 2019, the Company records a consolidated working capital deficit of R$ 129,235 thousand including the forecasted debt interest and principal amortization under the "Cash Sweep" concept of R$ 259,407. Without considering the cash sweep, which is a payment obligation in 2018 whether there is cash available, the working capital would be R$ 130,172 positive. See also note 11 for a description of the debt refinancing.

The Company also has a consolidated accumulated loss of R$ 2,602,300 for the quarter then ended. The Company closed the third quarter with a cash position consolidated of R$ 111,154.

The Company started operations in January 2016. However, for the next 12 months and according to senior debt contracts will still depend on financial support from its shareholders and/or third-party funds, to support certain obligations that cannot be settled from the operating cash flow (such as guarantees, non-maintenance investments). According to the Company's business model, there is an additional cash requirement of approximately US$57.8 million to meet the future commitments that will be made available by the shareholders.

Licenses

On July 15, 2010, the Company obtained from the Brazil's Water Transportation Regulatory Agency (ANTAQ) authorization for construction and implementation of the Maritime Terminal with capacity for shipping 50mt/a, located in Ilha da Madeira, Itaguaí, Rio de Janeiro. This concession is valid for 25 years, renewable for another 25 years. In 2014, after completing the first phase of the implementation works of the Terminal and obtaining the respective environmental operation license, the Company received from ANTAQ the Operating Release Term (TLO) and the Qualification for International Maritime Traffic (HTMI), whereupon the Company has been fully authorized by this regulatory agency to operate the first phase of the

1. **Operations** (Continued)

Licenses (Continued)

Terminal. In addition to the release from the regulatory agency, the first phase of the terminal is properly bonded and able to receive goods intended for export. Regarding the offshore access, the dredging and submerged rocks blasting of the access channel to the Terminal and the mooring basin were completed in early 2015.

As to the second phase of the terminal (50mt/a), the Company completed the assembly of equipment in the mid of 2015 and on November 12, 2015 was granted by ANTAQ TLO Nº11/2015, authorizing the Company to move on with the partial operation of the Private Use Terminal, in accordance with ANTAQ standards and regulations, considering the adjustments of the New Ports Law.

As regards the Brazilian IRS, the areas of yard 06, tunnel, pier and yard 32 are within a customs area. This is an important milestone in the technical commissioning and completion process and enables the Company to achieve its full capacity of 50MT/year.

The Company obtained approval regarding extension of the Customs of yard 32 on April 22, 2016. This is an important milestone in the technical commissioning and completion process and enables the Company to achieve its full capacity of 50MT/year.

2. Basis of preparation and presentation of Individual and consolidated interim condensed financial information

a) Individual and consolidated interim condensed financial information

The preparation of the individual and consolidated interim condensed financial information relied on various basis of evaluation used in the accounting estimates. The accounting estimates involved in the preparation of the interim condensed financial information were supported by objective and subjective factors, based on the management judgment to determine the appropriate value to be recorded in the individual and consolidated interim condensed financial information.

2. Basis of preparation and presentation of Individual and consolidated interim condensed financial information (Continued)

a) Individual and consolidated interim condensed financial information (Continued)

The settlement of transactions involving these estimates may result in amounts materially different from those recorded in the financial information due to uncertainties inherent in the estimation process. The Company reviews its estimates at least on an annual basis.

The individual and consolidated interim condensed financial information have been prepared in accordance with CPC 21 (R1) - Interim Financial Reporting.

On June 04, 2019 the Company management authorized the conclusion and disclosure of this individual and consolidated interim condensed financial information.

b) Basis of preparation and measurement

The individual and consolidated condensed financial information were prepared considering the historical cost, except for financial instruments measured at fair value.

c) Functional currency

With its startup on January 1, 2016, the Company and its subsidiaries began to earn revenues denominated in US dollars. Therefore, the functional currency was changed from Brazilian real to US dollar. Pursuant to Brazilian legislation and Accounting Pronouncement CPC 2 - Effects of changes in exchange rates and translation of financial statements, these financial information are presented in Brazilian reais (R$), converting the functional currency (US dollars) to the reporting currency (Brazilian reais). Assets and liabilities are translated to the closing exchange rate in the period; P&L accounts are stated at the exchange rate on the date of the event; and equity at historical buildup cost. The effect of conversion into reporting currency is stated in equity under “Cumulative translation adjustments”.

(In thousands of reais, unless otherwise stated)

2. Basis of preparation and presentation of Individual and consolidated interim condensed financial information (Continued)

d) Consolidation

The consolidated financial information include the Company and the following subsidiaries:

	Interest - %					
	Capital		Voting capital		Head	
	2018	2017	2018	2017	office	Main activity
Direct subsidiaries						
Pedreira	**99,98%**	99,98%	**99,98%**	99,98%	Brazil	Extraction of stones
TCS	**99,98%**	99,98%	**99,98%**	99,98%	Brazil	Logistics
Porto VM	**100%**	100%	**100%**	100%	Brazil	Currently inoperative
Porto Sudeste Exportação	**100%**	100%	**100%**	100%	Brazil	Purchase and sale of ore

Significant consolidation procedures are:

(i) Elimination of asset and liability balances between consolidated companies;

(ii) Elimination of balances of investment accounts and corresponding interests in capital and retained earnings (accumulated losses) of subsidiaries;

(iii) Elimination of balances of revenues and expenses as well as unrealized profits arising from intercompany transactions. Unrealized losses are also eliminated, but only to the extent that there is no evidence of impairment of the related assets;

(iv) Balances of intercompany transactions of shared control are eliminated and interests of other shareholders are disclosed in the statement of financial position and P&L;

(v) Changes in the percentage interest in subsidiaries that do not result in loss and/or gain of control are recorded in equity.

3. Summary of significant accounting practices and estimates

The accounting practices adopted when preparing the interim condensed financial information is consistent with that when preparing the financial statements at December 31, 2018.

The new pronouncements that went into effect on January 1, 2019, as disclosed in the financial statements at December 31, 2018, were assessed by the Company and did not generate any significant effects on the Company’s interim condensed financial information.

(In thousands of reais, unless otherwise stated)

4. Cash and cash equivalents and marketable securities

	Parent Company		Consolidated	
	03/31/2019	**12/31/2018**	**03/31/2019**	**12/31/2018**
Cash and cash equivalents				
Cash and banks	**2,620**	2,694	**3,401**	3,427
Cash equivalents - CDB	**74,328**	23,656	**107,753**	37,903
	76,948	26,350	**111,154**	41,330

The Company invests in funds administered by Banco Bradesco S.A., on which investments are backed by corporate bonds (Bank Deposit Certificates - CDB) issued by first-rate companies and financial institutions, all subject to post-fixed rates, with an average return liked to the DI CETIP rate (Interbank Deposit Certificate - CDI), without grace period and readily convertible to cash.

The Bank Deposit Certificates (CDBs) are issued by first-rate financial institutions and are mostly remunerated at 100% of the Interbank Deposit Certificate (CDI) fluctuation.

5. Accounts receivables

	Parent Company		Consolidated	
	03/31/2019	**12/31/2018**	**03/31/2019**	**12/31/2018**
Port fee	**19,643**	28,291	**19,643**	28,291
	19,643	28,291	**19,643**	28,291

The balance on March 31, 2019 was substantially received in April 2019, thus not requiring the recording of a provision for estimated losses.

6. Inventory

	Parent Company		Consolidated	
	03/31/2019	**12/31/2018**	**03/31/2019**	**12/31/2018**
Gravel	**-**	-	**1,973**	1,961
Iron ore	**-**	**-**	-	22,036
Storeroom	**30,912**	32,224	**30,912**	32,224
	30,912	32,224	**54,921**	90,447

(In thousands of reais, unless otherwise stated)

7. Restricted deposits

	Parent Company		Consolidated	
	03/31/2019	**12/31/2018**	**03/31/2019**	**12/31/2018**
Trustee ACC Itaú BBA (*)	**10,180**	10,113	**10,180**	10,113
	10,180	10,113	**10,180**	10,113

(*) Temporary freezing of part of short-term investments (Trustee Account) related to the acquisition of land for Porto Sudeste expansion. This amount will be realized upon execution of the land definitive deed.

8. Investments

The Company has the following investments:

Pedreira Sepetiba Ltda.

Incorporated on June 21, 1989, this company is engaged in the exploration and utilization of mineral deposits in Brazil and consequent sale of their by-products; sale of construction materials in general; and the provision of cargo transportation, civil engineering, development and construction services.

TCS - Terminal de Contêineres Sepetiba Ltda.

Incorporated on January 31, 1989, this company is engaged in the rendering of all services related to a container terminal, intended for cargo concentration and distribution and the respective handling of loading, unloading and shipment to their final destinations; rendering of transportation services of containers of ships; the charter or rent of ships, barges and national or foreign equipment; as well as the rendering of services inherent in the customs area to be implemented in the terminal area through concession from tax authorities.

Porto Sudeste V.M S.A.

Incorporated on July 16, 2013, this company is engaged in holding interest in capital of other companies, both in Brazil or abroad, as an owner, shareholder or member, either permanently or temporarily, as a parent company or noncontrolling interest. Porto V.M. was created with the main purpose of receiving part of royalty-based securities as part of the purchase transaction of the Port by its current shareholders, as described in Note 13.

Porto Sudeste Exportação e Comércio S.A. (formerly known as Porto Sudeste Exportação e Comércio Ltda.)

Is engaged in the export and import of iron ore, iron pellets, pig iron and by-products.

(In thousands of reais, unless otherwise stated)

8. **Investments** (Continued)

Changes in investments

	Parent Company				
	12/31/2018	**Equity pickup**	**Future capital contribution**	**Effect of conversion into Brazilian reais**	**03/31/2019**
Pedreira	**7,423**	**(271)**	**-**	**173**	**7,325**
TCS	**21,969**	**(50)**	**-**	**130**	**22,049**
Porto VM	**197**	**(177)**	**-**	**-**	**20**
Porto Sudeste Exportação	**4,241**	**2,836**	**-**	**(3,271)**	**3,806**
	33,830	**2,338**	**-**	**(2,968)**	**33,200**

	Parent Company				
	12/31/2017	**Equity pickup**	**Future capital contribution**	**Effect of conversion into Brazilian reais**	**12/31/2018**
Pedreira	8,547	(981)	-	(143)	7,423
TCS	18,528	(324)	600	3,165	21,969
Porto VM	92	(363)	470	(2)	197
Porto Sudeste Exportação	6,670	2,034	-	(4,463)	4,241
	33,837	366	1,070	(1,443)	33,830

(In thousands of reais, unless otherwise stated)

8. **Investments** (Continued)

Ownership interest and summary of investees

	03/31/2019						
	Ownership interest	**Number of shares/ units of interest (thousand)**	**Assets**	**Liabilities**	**Equity**	**Net revenue**	**P&L for the year**
Pedreira	**99.98%**	**49,001**	**11,906**	**1,225**	**10,681**	**-**	**(137)**
TCS	**99.98%**	**3,447**	**1,966**	**-**	**1,966**	**-**	**(43)**
Porto VM	**100.00%**	**-**	**38,720**	**38,681**	**39**	**-**	**(173)**
Porto Sudeste Exportação	**100.00%**	**-**	**255,259**	**252,866**	**2,393**	**343,172**	**2,860**

	12/31/2018						
	Ownership interest	**Number of shares/ units of interest (thousand)**	**Assets**	**Liabilities**	**Equity**	**Net revenue**	**P&L for the year**
Pedreira	99.98%	49,001	10,930	170	13,204	-	(2,444)
TCS	99.98%	3,447	2,000	1	2,333	-	(334)
Porto VM	100.00%	-	37,366	37,151	574	-	(359)
Porto Sudeste Exportação	100.00%	-	71,915	69,696	2,219	764,413	10,493

(In thousands of reais, unless otherwise stated)

9. Property and equipment

	Consolidated							
	Facilities	Machinery and equipment	Land	Advance to suppliers	Construction in progress	Other	Buildings and improvements	Total
Net balance at December 31, 2017	127,963	938,809	99,898	-	8,937	20,812	3,773,950	4,970,369
Additions	22	456	-	191	11,397	2,754	-	14,820
Write off	-	-	-	-	-	(71)	-	(71)
Transfers	(441)	1,613	-	26	(4,222)	(496)	3,520	-
Depreciation for the year	(6,972)	(17,539)	-	-	-	(703)	(103,337)	(128,551)
Effect of conversion into Brazilian reais	21,947	161,287	17,117	10	1,072	3,416	646,210	851,059
Net balance at December 31, 2018	142,519	1,084,626	117,015	227	17,184	25,712	4,320,343	5,707,626
Additions	**10**	**1,531**	**4,697**	**-**	**4,674**	**1,205**	**-**	**12,118**
Write off	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfers of assets	**680**	**(99)**	**-**	**-**	**(1,607)**	**1,027**	**-**	**-**
Depreciation for the period	**(2,464)**	**(7,687)**	**-**	**-**	**-**	**(266)**	**(25,234)**	**(35,651)**
Effect of conversion into Brazilian reais	**790**	**6,126**	**940**	**1**	**54**	**328**	**23,994**	**32,233**
Net balance at March 31, 2019	**141,535**	**1,084,497**	**122,652**	**228**	**20,305**	**28,006**	**4,319,103**	**5,716,326**
Accumulated balances								
Cost	161,433	1,133,710	117,922	217	16,082	25,239	4,697,535	6,152,138
Accumulated depreciation	(19,299)	(42,081)	-	-	-	(2,145)	(351,737)	(415,262)
Effect of conversion into Brazilian reais	385	(7,003)	(907)	10	1,102	2,618	(25,455)	(29,250)
Net balance at December 31, 2018	142,519	1,084,626	117,015	227	17,184	25,712	4,320,343	5,707,626
Cost	**162,123**	**1,135,142**	**122,619**	**217**	**19,149**	**27,471**	**4,697,535**	**6,164,256**
Accumulated depreciation	**(21,763)**	**(49,768)**	**-**	**-**	**-**	**(2,411)**	**(376,971)**	**(450,913)**
Effect of conversion into Brazilian reais	**1,175**	**(877)**	**33**	**11**	**1,156**	**2,946**	**(1,461)**	**2,983**
Net balance at March 31, 2019	**141,535**	**1,084,497**	**122,652**	**228**	**20,305**	**28,006**	**4,319,103**	**5,716,326**

(In thousands of reais, unless otherwise stated)

9. **Property and equipment** (Continued)

Impairment test for property and equipment

Throughout the first quarter of 2019, the Company assessed whether there were indications that any asset could be recorded above its recoverable amount, and after tests carried out it did not verify the need to recognize any provision for impairment of its assets.

The discounted cash flow method employed by the Company is based on concepts that consider financial resources which will be generated in the future by the cash-generating unit, discounted to present value, to reflect the time, opportunity cost and associated risks. The discount rate used in the Company's financial models was 12.50%. These projections are based on the Company's Business Plan and include premises related to the growth of the iron ore export in the Quadrilátero of Minas Gerais and premises regarding the growth in market share of Porto Sudeste. The Company considers that this growth will be achieved based on the closing of long-term contracts, as well as on acquisitions of iron ore mines in the region carried out by its shareholders.

10. Intangible

	Port license **Parent Company and Consolidated**
Balance at December 31, 2017	7,554,461
Amortization	(43,918)
Effect of conversion into Brazilian reais	1,294,735
Balance at December 31, 2018	8,805,278
Amortization	**(14,035)**
Effect of conversion into Brazilian reais	**49,796**
Balance at March 31, 2019	**8,841,039**

The license is amortized over the concession period of the port for a period of 50 years taking in to account the volume operated.

The cost of the license was calculated based on the cost of acquisition, and the floating rate securities (royalties) is the main component of the purchase price, as described in Note 13. These projections are based on the Company's Business Plan and include assumptions related to the growth of the iron ore export in the Quadrilátero of Minas Gerais and assumptions regarding the growth in market share of Porto Sudeste. The Company considers that this growth will be

(In thousands of reais, unless otherwise stated)

10. Intangible (Continued)

achieved based on the closing of long-term contracts, as well as on acquisitions of iron ore mines in the area carried out by its shareholders.

Impairment test for intangible assets

Throughout the first quarter of 2019, the Company assessed whether there were any indicators that the license could be above its recoverable amount. After the tests conducted as mentioned in Note 9, the Company did not identify the need to recognize any provision for impairment of its intangible assets.

The discount rate used in the Company's financial models was 12.50%.

11. Accounts payable

	Parent Company		Consolidated	
	03/31/2019	12/31/2018	03/31/2019	12/31/2018
Legal Fees	**478**	163	**559**	163
Equipment rental	**837**	529	**837**	529
Audit fee	**160**	162	**170**	162
Maintenance	**188**	383	**188**	383
Electricity expenses	**2,359**	3,571	**2,359**	3,571
Foreign supplier	**11,221**	11,158	**11,221**	11,158
Other taxes	**-**	-	**1,782**	1,782
Iron ore	**-**	-	**40,753**	20,085
Rail freight	**-**	-	**5,492**	1,319
Insurance	**4,312**	6,177	**4,312**	6,177
Private services	**4,169**	3,256	**4,395**	3,256
Others	**874**	156	**874**	156
	24,598	25,555	**72,942**	48,741

(In thousands of reais, unless otherwise stated)

12. Loans and financing

Loans per currency

	Parent Company and Consolidated			
	Current liabilities		Noncurrent liabilities	
	03/31/2019	12/31/2018	03/31/2019	12/31/2018
Taken out in US dollars				
Indexed to Libor	12,527	12,453	2,695,939	2,673,361
Charges	69,266	36,974	380,532	377,345
	81,793	**49,427**	**3,076,471**	**3,050,706**
Taken out in Brazilian reais				
Indexed to TJLP	7,524	9,791	2,042,538	2,055,109
Charges	182,824	126,034	292,761	294,563
	190,348	**135,825**	**2,335,299**	**2,349,672**
	272,141	**185,252**	**5,411,770**	**5,400,378**

(In thousands of reais, unless otherwise stated)

12. Loans and financing (Continued)

Loans per financial institution

Bank	Index/ interest	Currency	Maturity	03/31/2019	12/31/2018
BNDES - FINAME Nº 09.2.1353.1	4,5% p.a.	BRL	15/01/2020	7,558	9,823
BNDES FINEM - Nº 10.2.0265.1	3,18% + 2,18% p.a. + TJLP	BRL	15/06/2029	1,020,304	1,002,544
BNDES FINEM - Nº12.2.1174.1 – Subcredit A, B.	3,40% + 2,40% p.a. + TJLP	BRL	15/06/2029	550,414	540,582
BNDES FINEM - Nº12.2.1174.1 - Subcredit C.	3,40% % p.a. + 2,40% + Cesta de Moedas	BRL	15/06/2029	206,234	203,444
BNDES FINEM - Nº 4.003.109-P – Repayment AB	3,40% + 4,40% p.a. + TJLP	BRL	15/06/2029	539,625	529,122
BNDES FINEM - Nº 4.003.109-P - Repayment C	4,40% p.a. + 3,40% + Cesta de Moedas	BRL	16/10/2029	201,511	199,983
Deutsche Bank	4% p.a. + libor 6 months	USD	15/06/2023	786,529	775,756
Panamericano	4,85% p.a.	USD	03/06/2019	12,735	12,660
Bradesco/Itaú	2,00% a 7,5%p.a.	USD	15/06/2029	2,359,001	2,311,718
				5,683,911	**5,585,631**
Transaction costs				(170,462)	(169,782)
				5,513,449	**5,415,849**

The amounts classified as non-current liabilities have the following payment schedule:

	Consolidated	
	03/31/2019	**12/31/2018**
Year of maturity		
1 to 5 years	1,923,396	1,486,079
2020 onwards	3,488,374	3,914,299
	5,411,770	**5,400,378**

At March 31, 2019, the annual interest rates on debts are as follows:

	Consolidated
Debts in US$	
Up to 5,0%	3,158,265
Debts in R$	
Up to 6%	7,558
From 6,1% to 9,3%	2,110,343
Above 9,3%	407,745
	2,525,647
	5,683,911

12. Loans and financing (Continued)

Effect of conversion into Brazilian reais

The Brazilian real depreciated 0.6% in the period against the US dollar, from R$3,8748 at December 31, 2018 to R$3,8967 at March 31, 2019, influencing the balance of foreign currency debt that, at March 31, 2019, accounted for 56% of total indebtedness.

Transaction costs

The debt issue costs refer to outside counsel fees and commissions of guarantee and were recorded as reduction of liabilities.

Refinancing of the Senior Debt

In June 2017, the company completed the refinancing of its senior debt. The refinancing includes, among others, (a) until May 2020, the deferral of principal and interest payments on the refinanced debt until the following quarter if Porto Sudeste does not have cash available to pay the debt service; (b) a quarterly cash sweep mechanism through May 2020 through which any available cash will be used to pay off the debt owed by the respective date (including that portion of Senior Debt deferred up to that date); and (c) an adjustment to interest rates for Brazilian senior creditors.

13. Variable income securities

As a consequence of the completion of the Company's acquisition in February 2014, as described in Note 1, the Company assumed the obligations relating to floating rate MMXM11 securities issued in 2011 in connection with the acquisition of Porto Sudeste by MMX. To enable the transfer of that obligation, the Company issued floating rate securities (similar to MMXM11 securities), under similar terms as those for MMXM11 securities through two different vehicles:

- FIP-IE Porto Sudeste Royalties: an infrastructure investment fund, the portfolio of which would comprise solely Port11 Securities, and each Security Port11 held by FIP-IE would correspond to one share. The FIP-IE shares would be offered to holders of MMXM11 Securities not falling under the classification of qualified investors under the terms of the CVM regulation and not having any restrictions to hold FIP-IE shares.

13. Variable income securities (Continued)

- Porto Sudeste V.M. S.A.: a joint-stock corporation registered with CVM under category 'B', which issued a new royalty-based floating rate security similar to Security MMXM11 ("PSVM11 Securities"), listed on BM&FBOVESPA (in contrast with Port11 Securities, which are not allowed for trading on the stock exchange). PSVM11 Securities were offered to the holders of MMXM11 Securities (i) not falling under the classification of qualified investors, or (ii) not having any regulatory restrictions to hold FIP-IE shares.

This security barter transaction did not generate any impacts on the Company's financial statements given that the payment obligation had already been recognized in the covenants with the end holders of the original securities (MMXM11).

Given the conclusion of the security barter transaction, the Company has a payment obligation with those investment vehicles, which, in turn, have the obligation to pay the holders of shares/securities exchanged.

The aforementioned holders of these securities are entitled to quarterly floating rate remuneration, calculated since January 1, 2013, based on the iron ore metric tonnage or on the value per ton for other cargo, as the case may be, as follows:

R = [(TMMF x VpTMF) + (TMOC x VpTDC)]*FP

Where:

R = royalties due in relation to each quarter of the fiscal year
TMMF = Iron Ore Measured Tonnage shipped in the Port in the respective quarter
TMOC = Measured Tonnage of Other Cargo shipped in the Port in the respective quarter
VpTMF = Value per Ton for Iron Ore (as defined below)
VpTDC = Value per Ton of Other Cargo (as defined below)
FP = Proportional Factor

The royalties relating to iron ore cargo shipped in the Port in a given quarter will be calculated considering the value of US$5.00 per iron ore ton ("value per ton for iron ore"). This amount will be (i) annually restated by reference to US PPI variation calculated since September 2010; and (ii) converted into Brazilian reais based on the exchange rate closed at the end of the business day immediately prior to its effective payment date.

Royalties relating to cargo other than iron ore (excluding non-dry cargo such as supply activities) conducted at the Port Terminal will be calculated based on the cargo margin ("value per ton for other cargo"). "Cargo margin": (a) means the difference between the average cost per ton (excluding all non-cash items) incurred in relation to the services rendered by Porto Sudeste related to the applicable cargo and the average value per ton effectively charged by Porto Sudeste for the services rendered in relation to such cargo; and (b) will be limited, under any circumstances, to US$5.00 per ton shipped.

(In thousands of reais, unless otherwise stated)

13. Variable income securities (Continued)

The adjusted limit amount of US$5.00 per ton for the cargo margin will be (i) annually restated by reference to US PPI variation calculated since September 2010; and (ii) converted into Brazilian reais based on the exchange rate closed at the end of the business day immediately prior to its effective payment date.

Every year, in the fourth quarter of each fiscal year, the amount of metric tons effectively shipped in the Port over the respective year (“measured tonnage”) will be compared to: (a) in relation to years between 2013 and 2016, the take-or-pay volumes indicated in the table below; and (b) in relation to subsequent years, the number of metric tons to be shipped through the Port in the respective year in accordance with all take-or-pay agreements entered into between Porto Sudeste or its subsidiaries effective in the respective fiscal year (“take-or-pay tonnage”):

	2013	2014	2015	2016	2017	2018	2019
Tm	13,6	31,9	36,8	36,8	-	-	-

If the value of the take-or-pay tonnage less the value of the measured tonnage is positive, the royalties due in relation to the fourth quarter of each fiscal year will be increased by the amount corresponding to the multiplication of such number by the value per ton for iron ore or for the value per ton for other cargo, as the case may be.

If in a given quarter, upon payment of the then current royalties, the sum of free cash held by the issuer and that held by Porto Sudeste exceeds (a) US$25,000 in fiscal years between 2013 and 2017, or (b) US$10,000 (“minimum cash reserve”), the issuer should use the amounts that exceed the minimum cash reserve (“available free cash”) to pay royalties effectively accumulated to the holders of securities until the last day of such calendar quarter.

“Free cash” means the amount corresponding to (i) the sum of (a) all amounts available in cash of Porto Sudeste as a whole, and (b) positive balances of all bank accounts of the issuer and of Porto Sudeste as a whole less (ii) the sum of (a) any amounts contributed by the shareholders of Porto Sudeste through capital increase or loan from shareholders, to the extent that such amounts remain as available cash of Porto Sudeste, (b) reserve account of Senior debt service of BNDES and reserve account of senior debt service of CESCE, and (c) the cash amounts provisioned by Porto Sudeste for income and social contribution taxes and other obligations that require provisioning.

Royalties will be cumulative, i.e. if in a given quarter the cash available for royalties determined by the issuer is not sufficient to enable payment, fully or partially, of royalties until then determined, these unpaid royalties will be added to the amount of the royalties for the subsequent quarter.

13. Variable income securities (Continued)

On November 24, 2016, 8,351,200 royalty securities were transferred through the exchange of Port11 by PSVM11 securities. These securities were transferred to the FIP-IE Porto Sudeste Royalties. After this transfer, the Company currently holds a total of 4,188,602 securities.

On March 31, 2019, the Company's parent carried out the financial calculations with the purpose of identify the existence of available net cash and concluded that the available cash is a creditor on this date and therefore does not require the settlement of the royalties.

Securities are measured in accordance with IAS 37 - Provisions, Contingent Assets and Contingent Liabilities based on projected cash flows from future security related payments discounted at an annual rate of 12.50%. These projections are based on the Company's Business Plan and include premises related to the growth of the iron ore export in the Quadrilátero of Minas Gerais and premises regarding the growth in market share of Porto Sudeste. The Company considers that this growth will be achieved based on the closing of long-term contracts, as well as on acquisitions of iron ore mines in the region carried out by its shareholders. At March 31, 2019, o the present value of discounted future cash flow amounted to US$ 2,325,461, which converted into Brazilian reais totaled R$ 9,061,623 (US$ 2,246,512, which converted into Brazilian reais totaled R$ 8,704,784 at December 31, 2018). Of those totals, the value correspondent to PSVM11 securities are represented at March 31, 2019 in US$ 9,904,779, which converted into Reais amounted to R$ 38,596 (US$ 9,569, which converted into reais totaled R$ 37,076 in December 31, 2018). Of those total, the correspondent to the present value adjust of the securities was of US$ 78,949, which converted into Reais totaled R$ 307,640, which minus the amount of R$423, regarding to other income from sales of surplus energy and its taxation totaled the balance of (R$ 307,217) of other operating expenses and revenues recorded in the Statement of Income.

<u>Transaction costs</u>

Debt issue costs of variable income securities totaling R$10,511 at March 31, 2019 (R$10,453 at December 31, 2018), referring to outside legal counsel fees and commissions of guarantee were recorded as reduction of liabilities.

(In thousands of reais, unless otherwise stated)

14. Taxes and contributions payable

	Parent Company		Consolidated	
	03/31/2019	12/31/2018	03/31/2019	12/31/2018
Service Tax (ISS)	**4,630**	5,100	**5,997**	5,987
Social Security Tax (INSS) - third parties	**117**	75	**118**	74
State Value-Added Tax (ICMS)	**177**	123	**177**	123
Corporate Income Tax (IRPJ) and Social Contribution Tax on Net Profit (CSLL)	**385**	766	**812**	768
Social Contribution Tax for Intervention in the Economic Order (CIDE) on import	**59**	57	**59**	57
Contribution Tax on Gross Revenue for Social Integration Program (PIS) and for Social Security Financing (COFINS) on import	**4,924**	3,750	**4,928**	3,758
Other	**23**	23	**23**	23
	10,315	9,894	**12,114**	10,790

(In thousands of reais, unless otherwise stated)

15. Related parties

On March 31, 2019, the Company's shared control was exercised by Trafigura and Mubadala through PSA Fundo de Investimento e Participações, and those companies held 98.94% interest.

The Company maintains agreements for sharing operational and financial costs entered into with Impala Terminals Group B.V. (a subsidiary of Trafigura Pte. Ltd.). The costs of activities subject to sharing are measured based on time sheets, which are charged through debt notes, whose payments are made as agreed upon by the parties.

Related parties balance

Assets and liabilities with related parties are summarized as follows:

	Parent Company			
	Assets			
	03/31/2019		12/31/2018	
	Debit note	Accounts receivable	Debit note	Accounts receivable
Trafigura Brasil	-	2,629	-	1,769
Porto Exportação	2,244	35,241	2,244	16,780
	2,244	37,870	2,244	18,549

	Consolidated			
	Assets			
	03/31/2019		12/31/2018	
	Debit note	Accounts receivable	Debit note	Accounts receivable
Trafigura Brasil	-	2,629	-	1,769
Trafigura PTE	-	33,223	-	-
	-	35,852	-	1,769

	Parent Company					
	Liability					
	03/31/2019			12/31/2018		
	Debit note	Accounts receivable	Total	Debit note	Accounts receivable	Total
Pedreira	-	2,893	2,893	-	(7,272)	(7,272)
Trafigura	540	-	540	-	-	-
Impala Terminals (shared costs)	557	-	557	(569)	-	(569)
	1,097	2,893	3,990	(569)	(7,272)	(7,841)

(In thousands of reais, unless otherwise stated)

15. Related parties (Continued)

	Consolidated	
	Liabilities - Debit notes	
	03/31/2019	12/31/2018
Trafigura	**540**	-
Impala Terminals	**557**	(569)
	1,097	(569)

	Consolidated	
	Liabilities – Customer Advances	
	03/31/2019	12/31/2018
Trafigura PTE	-	(26,744)
	-	(26,744)

The effect on P&L from transactions with related parties is as follows:

	P&L			
	Parent Company		Consolidated	
	03/31/2019	03/31/2018	03/31/2019	03/31/2018
Trafigura PTE	**-**	-	(344,039)	(179,796)
Impala Terminals	**716**	639	716	639
	716	639	**(343,323)**	(179,157)

(In thousands of reais, unless otherwise stated)

16. Income and social contribution taxes

a) Deferred income and social contribution taxes

Deferred income and social contribution tax assets were calculated at the rate of 34%. Brazilian tax legislation allows tax losses to be offset against future taxable income for an indefinite term, however, such offset is limited to 30% of the taxable income for each reporting period.

The balance at March 31, 2019 is broken down as follows:

	Parent Company		Consolidated	
	03/31/2019	12/31/2018	03/31/2019	12/31/2018
Deferred tax assets (liabilities)				
Tax losses	**431,216**	378,572	**431,599**	378,954
Social contribution tax losses	**155,238**	136,287	**155,375**	136,423
Provision - take-or-pay contract	**274,910**	285,092	**274,910**	285,092
Pre-operating expenses treated as deferred assets for tax purposes	**29,882**	26,682	**29,882**	26,682
Amortization of license	**(35,082)**	(106,329)	**(35,082)**	(106,329)
Present value adjustment of royalties	**4,708**	32,679	**4,773**	32,558
Effect on property and equipment and intangible assets arising from change of functional currency (a)	**(20,447)**	(43,247)	**(20,857)**	(42,817)
Exchange gains/losses on royalties and loans (b)	**992**	1,430	**992**	1,430
Other	**(841,417)**	(711,166)	**(841,592)**	(711,993)
DTA Allowance (a)	**431,216**	378,572	**431,599**	378,954
	-	-	**-**	-

(a) Considering the fact that the Company changed its functional currency to the US Dollar and the current increase of the US Dollar against the Brazilian real in 2019, the tax base of property and equipment and intangible assets was higher than the respective accounting base, thus generating a deferred consolidated asset tax in the total amount of R$4,773 (R$32,558 at December 31, 2018) and the amount of R$4,708 on the parent company (R$32,679 at December 31, 2018) considering that the port is still in the beginning of operations and expects to start the ramp-up period, management conservatively elected to recognize the deferred tax liability at the limit of the deferred tax asset . Thus, we did not have debit on the consolidated figures and of the parent company until March 31, 2019.

(b) This refers to the difference between the accounting and tax base of variable income securities. Although the Company's functional currency is the US Dollar, for tax purposes, the Company recognizes the corresponding foreign exchange differences, whose income, or deductible expense, will be taxed upon settlement of the obligation.

(In thousands of reais, unless otherwise stated)

16. Income and social contribution taxes (Continued)

b) P&L for the period

The reconciliation of the expense calculated by the application of the nominal rates versus the expense recorded in the years is shown as follows:

	Parent Company		Consolidated	
	03/31/2019	03/31/2018	03/31/2019	03/31/2018
Income (loss) before income and social contribution taxes	**(411,060)**	(354,220)	**(410,863)**	(354,048)
Income and social contribution tax at statutory rate (34%)	**139,760**	120,435	**139,693**	120,376
	(271,300)	(233,785)	**(271,170)**	(233,672)
Adjustments to the statutory rate to the effective rate:				
Adjustments arising from balance translation	**(79,722)**	(59,474)	**(76,129)**	(57,941)
Net permanent additions/exclusions	**25,421**	12,963	**25,421**	13,865
Net temporary additions/exclusions	**254,779**	202,487	**(463,032)**	201,429
Temporary additions	**286,017**	234,294	**283,545**	234,294
(+) Royalties payable provision	**209,548**	177,276	**209,548**	177,276
(+) Licenses amortization	**9,411**	8,409	**9,411**	8,409
(+) Non- realized Foreign Exchange	**67,058**	46,608	**64,586**	48,608
(+) Others	**-**	1	**-**	1
Temporary exclusions	**(31,238)**	(31,807)	**(31,238)**	(32.865)
(-) Amortization of pre-operational expenses	**(29,947)**	(29,947)	**(29,947)**	(29.947)
(-) Bonuses	**(1,289)**	-	**(61,346)**	(1.058)
(-) Other	**-**	(1,860)	**-**	(1.860)
Calculation basis of deferred income tax and deferred social contribution	**465,362**	401,512	**462,347**	400,455
Calculation basis of current income tax and current social contribution	**-**	-	**1,271**	1,503
Current income tax and current social contribution	**-**	-	**426**	505
Deferred income tax and current social contribution	**158,223**	136,514	**157,198**	136,155
Effective income tax and social contribution rate	**38,49%**	38,54%	**38,16%**	38,31%

(In thousands of reais, unless otherwise stated)

17. Equity

a) Capital

Porto Sudeste's capital is broken down as follows:

Shareholders	Number of shares	R$	%
PSA Fundo de Investimentos e Participações	**676.384.137**	**2,720,400**	**98,94%**
Porto Sudeste Participações S.A. ("Grupo MMX")	**6.336.766**	**25,486**	**0.93%**
Gaboard Participações Ltda.	**876.275**	**3,524**	**0,13%**
Total	**683.597.178**	**2,749,410**	**100%**

In February 2014, as part of the restructuring described in Note 1, a loan of R$103,334, and future capital contributions amounting to R$348,381 were capitalized. On that same date, the Company merged its parent company, generating a capital increase of R$1,442,530, and immediately after the merger, canceled the shares corresponding to its equity amounting to R$1,074,801. In addition, in August 2014, shareholders Trafigura and Mubadala made a capital contribution in the amount of R$45,508, of which R$29,580 was paid by PSA Fundo de Investimentos e Participações, and R$15,928 through investee Gaboard Participações Ltda. After these capital increases, the MMX Group was diluted to 30.75%.

In August 2015, shareholders Trafigura and Mubadala made a capital contribution through PSA Fundo de Investimentos e Participações amounting to R$408,029. After this capital increase, MMX Group was diluted to 4.76% interest in the Company.

In March 2017 the Company paid up US$50,000 equivalent to R$169,874 received as a future capital contribution in June and October 2016 through PSA Fundo de Investimento e Participações. After such capital increase, the MMX Group was diluted and held a 1.54% interest in the Company.

In May 2018, the Company paid up US$100,000 equivalent to R$325,240 received as a future capital contribution in May, July and November 2017 through PSA Fundo de Investimento e Participações. After such capital increase, the MMX Group was diluted and began holding a 0,93%% interest in the Company.

b) Advance for future capital increase

In May 2018, shareholders Trafigura and Mubadala made a capital contribution through PSA Fundo de Investimentos e Participações, amounting to R$99,463.

In February 2019, the shareholders Trafigura and Mubadala made a capital contribution through PSA Fundo de Investimentos e Participações, amounting to R$63,071.

(In thousands of reais, unless otherwise stated)

17. **Equity** (Continued)

c) Cumulative Translation Adjustments (CTA)

Represented by the accounting record of the foreign exchange differences of the Company and its subsidiaries, the amounts of R$145,452 in the Parent Company and R$152,042 in the Consolidated were recorded at March 31, 2019, in compliance with Accounting Pronouncement CPC 02.

18. Service revenue, net

	Parent Company		Consolidated	
	03/31/2019	**03/31/2018**	**03/31/2019**	**03/31/2018**
Gross revenue	**97,716**	74,321	**394,349**	226,113
(-) Sales deductions	**(13,925)**	(10,591)	**(14,792)**	(10,793)
Service Tax (ISS)	**(4,886)**	(3,716)	**(4,886)**	(3,716)
Contribution Tax for Social Integration Program (PIS)	**(1,613)**	(1,226)	**(1,613)**	(1,226)
Contribution Tax for Social Security Financing (COFINS)	**(7,426)**	(5,649)	**(7,426)**	(5,648)
Others	**-**	-	**(867)**	(203)
Net revenue	**83,791**	63,730	**379,557**	215,320

19. Costs of sales and services

	Parent Company		Consolidated	
	03/31/2019	**03/31/2018**	**03/31/2019**	**03/31/2018**
Costs of sales (*)	**-**	-	**(292,534)**	(150,302)
Cost of materials	**(3,914)**	(2,792)	**(3,907)**	(2,786)
Utilities	**(4,920)**	(3,581)	**(4,920)**	(3,582)
Rent of equipment	**(2,468)**	(2,649)	**(2,468)**	(2,649)
Insurance	**(2,075)**	(1,993)	**(2,113)**	(1,993)
Maintenance	**(504)**	(1,041)	**(421)**	(1,423)
External services	**(4,684)**	(3,377)	**(2,629)**	(2,856)
Payroll	**(8,964)**	(9,872)	**(8,142)**	(9,872)
Other	**(511)**	(576)	**(572)**	(447)
	(28,040)	(25,881)	**(317,706)**	(175,910)

(*)This substantially refers to iron ore purchased for resale plus direct costs such as freight.

(In thousands of reais, unless otherwise stated)

20. Administrative expenses by nature

	Parent Company		Consolidated	
	03/31/2019	**03/31/2018**	**03/31/2019**	**03/31/2018**
Materials	**(145)**	(158)	**(152)**	(165)
Rent and lease	**(83)**	(78)	**(103)**	(99)
Third-party services	**(3,926)**	(3,113)	**(6,353)**	(3,113)
Payroll	**(3,652)**	(3,550)	**(4,487)**	(3,550)
Maintenance	**(187)**	(210)	**(270)**	(293)
Communication	**(28)**	-	**(49)**	-
Gas	**(23)**	-	**(28)**	-
Other	**(273)**	(1,168)	**(524)**	(1,379)
	(8,317)	(8,277)	**(11,966)**	(8,599)

21. Finance income

	Parent Company		Consolidated	
	03/31/2019	**03/31/2018**	**03/31/2019**	**03/31/2018**
Financial costs				
Interest	**(115,815)**	(96,231)	**(115,852)**	(96,236)
Tax on Financial Transactions (IOF)	**(218)**	-	**(228)**	(4)
Taxes on finance income	**-**	(250)	**-**	(250)
Other	**(267)**	(197)	**(291)**	(216)
	(116,300)	(96,678)	**(116,371)**	(96,706)
Finance income				
Short-term investment yield	**832**	369	**958**	433
Foreign exchange differences (*)	**11,516**	10,879	**11,571**	10,672
Other	**6**	260	**6**	260
	12,354	11,508	**12,535**	11,365
Finance income (costs), net	**(103,946)**	(85,170)	**(103,836)**	(85,341)

(*) The effect of foreign exchange differences on P&L refers to the debt denominated in Brazilian reais, considering that the Company's functional currency was changed to the US Dollar in January 2016.

22. Commitments assumed

The Company and its subsidiaries entered into contracts with suppliers of goods and services of projects and operating bases in the approximate amount of R$40,559, mainly represented by contracts for acquisition of equipment and civil construction works related to current investment projects.

23. Subsequent Events

On April 2019, the capital was increased in US$ 44,700 equivalent to R$ 162,534 received as an advance for future capital increase in May 2018 and February 2019, through PSA Fundo de Investimento e Participações. After the capital increase, the MMX Group was diluted to a 0.65% interest in the Company.

Board of Directors	Executive Board
Julien Rolland – Chairman Oscar Pekka Fahlgren - Vice Chairman Edward Wygand - Board Member Hani Barhoush – Board Member Carlos Bernardo Pons Navazo – Board Member Christian Felix Brandtner – Board Member Matthew John Hurn – Board Member	Lieven Cooreman – Chief Executive Officer Guilherme Caiado – Chief Operations Officer Nicolau Gaeta – Chief Financial and Investor Relations Officer

Alexandre Carvalho de Andrade
Accountant
CRC-RJ 114354/O-4