

**Interim Financial Information
(Individual and Consolidated)**

Porto Sudeste do Brasil S.A.

June 30, 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 June 30, 2019. Should you need any further clarifications, please do not hesitate to contact us. At the end of the first semester 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-yield securities

By virtue of 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 in connection with Porto Sudeste's acquisition by MMX. In order 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&FBOVESP (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 the case may be, as follows:

$$R = [(TMMF \times VpTMF) + (TMOC \times VpTDC)] \times FP$$

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	7,3

All volumes operated in this semester 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 June 30, 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	1st quarter 2019	2nd quarter 2019
Revenues	92,745	133,247
Dividends		-
Applicable Taxes	(13,216)	(18,988)
Operating Costs	(24,290)	(21,613)
Maintenance Investment	(5,344)	(7,205)
Operating Expenses	(16,659)	(16,330)
Interests and Repayment of the Senior Debt	(31,925)	(58,065)
Senior Debt Service Reserve Account	-	-
Interests and Repayment of the Working Capital Senior Debt	(7,362)	(12,989)
New Provisions for Existing Cash	-	-
Total Cash Available for Payment of Royalties	(6,052)	(1,942)

Cash available for payment of accumulated royalties	1st quarter 2019	2nd quarter 2019
Net Cash or Bank Accounts	25,618	45,499
Contributions by the stockholders	(25,618)	(45,499)
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 1st quarter 2019	Shipped 2nd quarter 2019	Take-or-pay/ Shipped Accumulated
Volume (M/TONs)	3,376	3,951	146,616
Price per Ton	5.00	5	5
PPI, accumulated	0.61	0.61	0.45
Price per TON (USD)	5,61	5,61	5.45
Royalty (Porto Sudeste) USD	18,939	22,166	799.117
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)	81	95	3,436
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 June 30, 2019, the present value of discounted future cash flow amounted to US\$ 2,409,910, which converted into Brazilian reais totaled R\$ 9,235,258 (US\$ 2,246,512, which converted into Brazilian reais totaled R\$ 8,704,784 at December 31, 2018). Of those totals, the amounts corresponding to PSVM11 securities are represented at the base date of June 30, 2019 at US\$ 10,264, which converted into reais totaled R\$ 39,336 (US \$ 9,569, which converted into reais totaled R \$ 37,076 on December 31, 2018).

Transaction costs

Debt issue costs of variable-income securities totaling R\$10,337 at June 30, 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, August 27, 2019.

The Management.

Porto Sudeste do Brasil S.A.

Individual and consolidated interim condensed financial information

June 30, 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 June 30, 2019 and the related interim statements of income and comprehensive income for the three and six month period then ended and the statements of changes in equity and cash flows for the six month period then ended, including the explanatory notes.

Management is responsible for the preparation of this individual and consolidated interim condensed financial information in accordance with Accounting Pronouncement CPC 21(R1) - Interim Financial Reporting. 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, respectively). 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.



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, in accordance with CPC 21 (R1).

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

We draw attention to Note 1 of the interim financial information, which indicates that, at June 30, 2019, the Company presents current liabilities higher than the current assets by R\$199,447 thousands, negative net equity of R\$304,774 thousand, accumulated losses of R\$3,061,849 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. Our conclusion is not qualified regarding this matter.

Rio de Janeiro, August 27, 2019.

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


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

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Porto Sudeste do Brasil S.A.

Condensed statements of financial position
June 30, 2019 and December 31, 2018
(In thousands of reais)

	Note	Parent Company		Consolidated	
		06/30/2019	12/31/2018	06/30/2019	12/31/2018
Assets					
Current assets					
Cash and cash equivalents	4	51,276	26,350	104,840	41,330
Trade accounts receivable	5	15,295	28,291	15,295	28,291
Accounts receivable from related parties	15	51,952	18,549	14,082	1,769
Inventories	6	28,503	32,224	65,831	90,447
Taxes recoverable		8,474	5,326	10,448	6,739
Advances		2,569	820	2,569	820
Dividends a receivable	8	10,303	-	-	-
Other		4,130	6,104	4,452	6,267
		172,502	117,664	217,518	175,663
Noncurrent assets					
Restricted deposits	7	10,244	10,113	10,244	10,113
Accounts receivable from related parties	15	5,917	2,244	-	-
Taxes recoverable		69	69	69	69
Investments	8	21,212	33,830	-	-
Property and equipment	9	5,560,921	5,687,034	5,586,146	5,707,626
Intangible assets	10	8,678,361	8,805,278	8,678,361	8,805,278
Other		14,385	10,845	15,622	12,137
Total noncurrent assets		14,291,109	14,549,413	14,290,442	14,535,223
Total assets		14,463,611	14,667,077	14,507,960	14,710,886

	Note	Parent Company		Consolidated	
		06/30/2019	12/31/2018	06/30/2019	12/31/2018
Liabilities and equity					
Current liabilities					
Trade accounts payable	11	24,573	25,555	71,473	48,741
Loans and financing	12	325,686	185,253	325,686	185,253
Taxes and contributions payable	14	9,880	9,894	10,865	10,790
Related parties	15	4,362	7,841	1,658	569
Customer advances		89	54	89	54
Related parties advances		-	-	-	26,744
Others		6,354	7,004	7,192	7,004
Total current liabilities		370,944	235,601	416,963	279,155
Noncurrent liabilities					
Loans and financing	12	5,161,619	5,230,596	5,161,619	5,230,596
Variable income securities	13	9,224,921	8,694,332	9,224,921	8,694,332
Provision for contingencies		10,902	1,519	10,923	1,609
Total noncurrent liabilities		14,397,442	13,926,447	14,397,463	13,926,537
Equity					
Capital	17	2,911,944	2,749,411	2,911,944	2,749,411
Future capital contribution		-	99,463	-	99,463
Cumulative Translation Adjustments (CTA)		(142,191)	(144,817)	(156,562)	(152,670)
Accumulated losses		(3,074,528)	(2,199,028)	(3,061,848)	(2,191,010)
Total equity		(304,775)	505,029	(306,468)	505,194
Total liabilities and equity					
		14,463,611	14,667,077	14,507,960	14,710,886

See accompanying notes.

Porto Sudeste do Brasil S.A.

Condensed statements of profit or loss
Three and six-month period ended June 30, 2019 and 2018
(In thousands of reais)

	Note	Parent Company				Consolidated			
		04/01/2019 to 06/30/2019	01/01/2019 to 06/30/2019	04/01/2019 to 06/30/2019	01/01/2018 to 06/30/2018	04/01/2019 to 06/30/2019	01/01/2019 to 06/30/2019	04/01/2019 to 06/30/2019	01/01/2018 to 06/30/2018
Revenue, net of sale of assets	18	126,964	210,755	48,044	111,774	620,134	999,691	208,947	424,267
Costs of sales and services	19	(32,891)	(60,931)	(22,284)	(48,165)	(527,447)	(845,153)	(181,956)	(357,866)
Gross profit		94,073	149,824	25,760	63,609	92,687	154,538	26,991	66,401
Operating income (expenses)									
Administrative expenses	20	(6,353)	(14,670)	(9,079)	(17,356)	(6,565)	(18,531)	(9,302)	(17,901)
Depreciation and amortization		(56,481)	(106,150)	(45,370)	(94,833)	(56,497)	(106,184)	(45,425)	(94,944)
Equity pickup	8	(7,853)	(5,515)	894	1,734	-	-	-	-
Other operating income (expenses)	13	(332,942)	(640,159)	(266,714)	(516,713)	(332,933)	(640,159)	(266,702)	(516,701)
		(403,629)	(766,494)	(32,269)	(627,168)	(395,995)	(764,874)	(321,429)	(629,546)
Income before financial income (expense) and taxes		(309,556)	(616,670)	(294,509)	(563,559)	(303,338)	(610,336)	(294,438)	(563,145)
Financial income (expenses)	21								
Financial income		10,544	1,810	322,189	333,697	(10,156)	2,379	323,586	334,951
Financial expenses		(144,341)	(260,641)	(143,393)	(240,071)	(146,511)	(262,882)	(143,437)	(240,143)
		(154,885)	(258,831)	178,796	93,626	(156,667)	(260,503)	180,149	94,808
Income before income taxes		(464,441)	(875,501)	(115,713)	(469,933)	(459,975)	(870,839)	114,289	(468,337)
Income and social contribution taxes	16	-	-	-	-	-	-	505	-
Loss for the period		(464,441)	(875,501)	(115,713)	(469,933)	(459,975)	(870,839)	(113,784)	(468,337)

See accompanying notes.

Porto Sudeste do Brasil S.A.

Condensed statement of comprehensive income (loss)
 Three and six-month period ended June 30, 2019 and 2018
 (In thousands of reais)

	Parent Company				Consolidated			
	04/01/2019 to 06/30/2019	01/01/2019 to 06/30/2019	04/01/2018 to 06/30/2018	01/01/2018 to 06/30/2018	04/01/2019 to 06/30/2019	01/01/2019 to 06/30/2019	04/01/2018 to 06/30/2018	01/01/2018 to 06/30/2018
Profit (loss) for the year	(464,411)	(875,501)	(115,713)	(469,933)	(459,549)	(870,839)	(113,784)	(468,337)
Cumulative translation adjustments	3,261	2,626	60,524	69,583	(4,520)	(3,893)	61,543	70,343
Total comprehensive income (loss)	(461,180)	(872,875)	(55,189)	(400,350)	(464,069)	(874,732)	(52,241)	(397,994)

See accompanying notes.

Porto Sudeste do Brasil S.A.

Condensed statements of changes in equity - Consolidated
Six-month period ended June 30, 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
Advance for future capital increase	-	99,462	-	-	99,462
Capital increase	325,240	(325,240)	-	-	-
Cumulative translation adjustments (CTA)	-	-	70,343	-	70,343
Loss for the period	-	-	-	(468,337)	(468,337)
Balances at June 30, 2018	2,729,410	99,463	(121,537)	(2,529,707)	197,629
Balances at December 31, 2018	2,749,411	99,463	(152,670)	(2,191,010)	505,194
Advance for future capital increase	-	63,070	-	-	63,070
Capital increase	162,533	(162,533)	-	-	-
Cumulative translation adjustments (CTA)	-	-	(3,892)	-	(3,892)
Loss for the period	-	-	-	(870,838)	(870,838)
Balances at June 30, 2019	2,911,944	-	(156,562)	(3,061,848)	(306,466)

See accompanying notes.

Porto Sudeste do Brasil S.A.

Condensed cash flow statement
Six-month period ended June 30, 2019 and 2018
(In thousands of reais)

	Parent Company		Consolidated	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Cash flows from operating activities				
Income (loss) for the period before taxes	(875,499)	(469,933)	(870,839)	(468,337)
Non-cash P&L items				
Write off of fixed asset	-	68	-	68
Depreciation and amortization	106,149	94,831	106,184	94,944
Transaction cost	17,244	12,595	17,244	12,595
Other amortization	4,236	4,272	4,411	4,468
Equity pickup	5,515	(1,734)	-	-
Monetary variation and interest	840,934	745,386	840,919	745,157
Other provisions/reversals	8,831	1,742	8,762	1,711
Changes in assets and liabilities				
Accounts receivable	12,082	(7,902)	12,082	(30,932)
Accounts receivable with related parties	(33,454)	(7,030)	(45,684)	-
Sundry advances	(4,349)	(2,933)	(4,683)	(3,433)
Inventories	3,377	(5,427)	23,928	10,556
Restricted deposits	120	361	120	361
Judicial deposits	(3,402)	(1,603)	(3,347)	(2,795)
Taxes recoverable	(11,489)	(5,848)	(11,612)	(5,890)
Accounts receivable – related parties LT	(3,673)	-	-	-
Advances from customers	37	164	37	269
Advances from related parties	-	-	-	19,502
Trade accounts payable	(68)	5,566	23,647	(2,327)
Taxes and contributions payable	8,374	4,369	8,040	4,956
Obligation to third parties	22	(11)	22	(12)
Transactions with related parties	(3,479)	(2,492)	1,089	(692)
Other assets	634	(1,069)	634	(1,068)
Salaries and compensations	(120)	(517)	(120)	(517)
Interest paid	(88,114)	(20,342)	(88,114)	(20,342)
Net cash used in operating activities	(16,044)	342,513	22,720	358,242
Cash flow from investing activities				
Acquisition of property and equipment	(10,730)	(4,746)	(14,874)	(4,746)
Advance for future capital increase	(50)	(180)	-	-
Net cash used in investing activities	(10,780)	(4,926)	(14,674)	(4,746)
Cash flows from financing activities				
Advance for future capital increase	63,070	99,463	63,070	99,463
Transaction cost	(19,997)	(13,688)	(19,997)	(13,688)
Borrowings settled	(17,377)	(76,564)	(17,377)	(76,564)
Net cash provided by financing activities	25,697	9,211	25,697	(9,211)
Exchange differences, net				
Foreign exchange differences	26,053	(337,192)	29,767	(342,963)
Decrease in cash and cash equivalents	24,926	9,607	63,510	19,744
Statement of increase (decrease) in cash and cash equivalents				
At beginning of the period	26,350	24,345	41,330	30,409
At end of the period	51,276	33,952	104,840	50,153
Increase (decrease) in cash and cash equivalents	24,926	9,607	63,510	19,744

See accompanying notes.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated interim condensed financial information

June 30, 2019

(In thousands of reais, unless otherwise stated)

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.

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.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated interim condensed financial information (Continued)

June 30, 2019

(In thousands of reais, unless otherwise stated)

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 June 30, 2019, the Company records a consolidated working capital deficit of R\$ 199,447 thousand including the forecasted debt interest and principal amortization under the "Cash Sweep" concept of R\$ 259,407.

The Company also has a consolidated accumulated loss of R\$ 3,061,849 for the quarter then ended. The Company closed the first quarter with a cash position consolidated of R\$ 104,840.

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 Terminal.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated interim condensed financial information (Continued)

June 30, 2019

(In thousands of reais, unless otherwise stated)

1. Operations (Continued)

Licenses (Continued)

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 N°11/2015, 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.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated interim condensed financial information (Continued)

June 30, 2019

(In thousands of reais, unless otherwise stated)

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 August 27, 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".

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated interim condensed financial information (Continued)

June 30, 2019

(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 - %				Head office	Main activity
	Capital		Voting capital			
	2019	2018	2019	2018		
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.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated interim condensed financial information (Continued)

June 30, 2019

(In thousands of reais, unless otherwise stated)

4. Cash and cash equivalents and marketable securities

	Parent Company		Consolidated	
	06/30/2019	12/31/2018	06/30/2019	12/31/2018
Cash and cash equivalents				
Cash and banks	2,804	2,694	3,163	3,427
Cash equivalents - CDB	48,472	23,656	101,677	37,903
	51,276	26,350	104,840	41,330

The Company invests in funds administered by Banco Bradesco S.A., on which investments are made in corporate bonds (Bank Deposit Certificates - CDB) issued by top-tier companies and financial institutions, all subject to floating rates, with an average remuneration pegged 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 top-tier financial institutions and are mostly remunerated from 90% to 100% of the Interbank Deposit Certificate (CDI) variation.

5. Accounts receivables

	Parent Company		Consolidated	
	06/30/2019	12/31/2018	06/30/2019	12/31/2018
Port fee	15,295	28,291	15,296	28,291
	15,295	28,291	15,296	28,291

The balance on June 30, 2019 was totally received in July 2019, thus not requiring the recording of a provision for estimated losses.

6. Inventory

	Parent Company		Consolidated	
	06/30/2019	12/31/2018	06/30/2019	12/31/2018
Gravel	-	-	1,941	1,961
Iron ore	-	-	-	35,387
Storeroom	28,503	32,224	28,503	32,224
	28,503	32,224	65,831	90,447

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated interim condensed financial information (Continued)

June 30, 2019

(In thousands of reais, unless otherwise stated)

7. Restricted deposits

	Parent Company		Consolidated	
	06/30/2019	12/31/2018	06/30/2019	12/31/2018
Trustee ACC Itaú BBA (*)	10,244	10,113	10,244	10,113
	10,244	10,113	10,244	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.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated interim condensed financial information (Continued)

June 30, 2019

(In thousands of reais, unless otherwise stated)

8. Investments (Continued)

Changes in investments

	Parent Company					Effect of conversion into Brazilian reais	06/30/2019
	12/31/2018	Equity pickup	Capital increase	Future capital contribution	Dividends		
Pedreira	7,423	(499)	-	-	-	173	7,052
TCS	21,969	(233)	-	50	-	130	21,551
Porto VM	197	(172)	670	(670)	-	-	25
Porto Sudeste Exportação	4,241	(4,611)	-	-	(10,303)	(3,271)	(7,416)
	33,830	(5,515)	670	(620)	(10,303)	(2,968)	21,212

	Parent Company				12/31/2018
	12/31/2017	Equity pickup	Future capital contribution	Effect of conversion into Brazilian reais	
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

Ownership interest and summary of investees

	06/30/2019						
	Ownership interest	Number of shares/units of interest (thousand)	Assets	Liabilities	Equity	Net revenue	P&L for the year
Pedreira	99.98%	49,001	11.275	924	10.351	-	(295)
TCS	99.98%	3,447	1.801	-	1.801	-	(223)
Porto VM	100.00%	-	39.420	39.376	44	-	(168)
Porto Sudeste Exportação	100.00%	-	476.082	487.352	(11.270)	916.934	3.107

	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

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated interim condensed financial information (Continued)

June 30, 2019

(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	2,064	4,697	-	7,862	2,367	-	17,000
Write off	-	-	-	-	-	-	-	-
Transfers of assets	(931)	(250)	-	-	(1,583)	2,764	-	-
Depreciation for the period	(5,862)	(18,405)	-	-	-	(559)	(50,677)	(75,502)
Effect of conversion into Brazilian reais	(1,838)	(11,921)	(1,090)	(3)	(253)	(378)	(47,495)	(62,978)
Net balance at June 30, 2019	133,898	1,056,114	120,622	224	23,210	29,907	4,222,171	5,586,146
Accumulated balances								
Cost	161,433	1,133,710	117,922	217	16,082	25,238	4,697,535	6,152,137
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	2,619	(25,455)	(29,249)
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	160,512	1,135,524	122,619	217	22,361	30,370	4,697,535	6,169,137
Accumulated depreciation	(25,161)	(60,486)	-	-	-	(2,704)	(402,414)	(490,764)
Effect of conversion into Brazilian reais	(1,453)	(18,924)	(1,997)	7	849	(2,240)	(72,950)	(92,228)
Net balance at June 30, 2019	133,898	1,056,114	120,622	224	23,210	29,907	4,222,171	5,586,146

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated interim condensed financial information (Continued)

June 30, 2019

(In thousands of reais, unless otherwise stated)

9. Property and equipment (Continued)

Impairment test for property and equipment

Throughout the second 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
	<u>Parente Company and Conslidated</u>
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	<u>8,805,278</u>
Amortization	(30,681)
Effect of conversion into Brazilian reais	(96,236)
Balance at June 30, 2019	<u>8,678,361</u>

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 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

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated interim condensed financial information (Continued)

June 30, 2019

(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 region 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	
	06/30/2019	12/31/2018	06/30/2019	12/31/2018
Legal Fees	233	163	241	163
Equipment rental	2,020	529	2,020	529
Audit fee	204	162	243	162
Maintenance	236	383	236	383
Electricity expenses	2,120	3,571	2,120	3,571
Foreign supplier	11,035	11,158	11,035	11,158
Construction in progress	1,284	-	1,284	-
ICMS	-	-	1,782	1,782
Iron ore	-	-	40,004	20,085
Rail freight	-	-	4,911	1,319
Insurance	2,662	6,177	2,720	6,177
Private services	4,413	3,256	4,413	3,256
Others	365	156	466	156
	24,572	25,555	71,475	48,741

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated interim condensed financial information (Continued)
June 30, 2019

(In thousands of reais, unless otherwise stated)

12. Loans and financing

Loans per currency

	Parent Company and Consolidated			
	Current liabilities		Noncurrent liabilities	
	06/30/2019	12/31/2018	06/30/2019	12/31/2018
Taken out in US dollars				
Principal	34,394	12,453	2,651,410	2,673,361
Interest	62,468	36,974	374,247	377,345
	96,862	49,427	3,025,657	3,050,706
Taken out in Brazilian reais				
Principal	174,442	9,791	2,015,822	2,055,109
Interest	54,382	126,034	288,932	294,563
	228,824	135,825	2,304,754	2,349,672
	325,686	185,252	5,330,411	5,400,378

Loans per financial institution

Bank	Index/ interest	Currency	Maturity	06/30/2019	12/31/2018
BNDES - FINAME Nº 09.2.1353.1	4,5% a.a.	BRL	15/01/2020	5.288	9,823
BNDES FINEM - Nº 10.2.0265.1	3,18% + 2,18% a.a. + TJLP	BRL	15/06/2029	1.024.966	1,002,544
BNDES FINEM - Nº12.2.1174.1 - Subcrédito A, B.	3,40% + 2,40% a.a. + TJLP	BRL	15/06/2029	553.143	540,582
BNDES FINEM - Nº12.2.1174.1 - Subcrédito C.	3,40% % a.a. + 2,40% + Cesta de Moedas	BRL	15/06/2029	206.010	203,444
BNDES FINEM - Nº 4.003.109-P - Repasse AB	3,40% + 4,40% a.a. + TJLP	BRL	15/06/2029	542.669	529,122
BNDES FINEM - Nº 4.003.109-P - Repasse C	4,40% a.a. + 3,40% + Cesta de Moedas	BRL	16/10/2029	201.500	199,983
Deutsche Bank	4% a.a. + libor 6 meses	USD	15/06/2023	768.997	775,756
Panamericano	4,85% a.a.	USD	03/06/2019	-	12,660
Bradesco/Itaú	2,00% a 7,5%a.a.	USD	15/06/2029	2.353.524	2,311,718
				5.656.097	5,585,631
Transaction costs				(168.792)	(169,782)
				5.487.305	5,415,849

The portions classified in non-current liabilities have the following payment schedule:

	Consolidated	
	06/30/2019	12/31/2018
Year of maturity		
2 to 5 years	1,536,509	1,486,079
Over 5 years	3,793,902	3,914,299
	5,330,411	5,400,378

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated interim condensed financial information (Continued)

June 30, 2019

(In thousands of reais, unless otherwise stated)

12. Loans and financing (Continued)

Loans per financial institution (Continued)

A June 30, 2019, the annual interest rates on debts are as follows:

	<u>Consolidated</u>
Debts in US\$	
Up to 5,0%	3,122,519
Debts in R\$	
Up to 6%	5,288
From 6,1% to 9,3%	2,120,778
Above 9,3%	407,512
	<u>2,533,578</u>
	<u>5,656,097</u>

Effect of conversion into Brazilian reais

The Brazilian real appreciated 1.1% in the period against the US dollar, from R\$3,8748 at December 31, 2018 to R\$3,8322 at June 30, 2019, influencing the balance of foreign currency debt that, at June 30, 2019, accounted for 57% 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.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated interim condensed financial information (Continued)

June 30, 2019

(In thousands of reais, unless otherwise stated)

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.
- 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:

$$R = [(TMMF \times VpTMF) + (TMOC \times VpTDC)] \times FP$$

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

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated interim condensed financial information (Continued)

June 30, 2019

(In thousands of reais, unless otherwise stated)

13. Variable income securities (Continued)

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.

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”):

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
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.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated interim condensed financial information (Continued)

June 30, 2019

(In thousands of reais, unless otherwise stated)

13. Variable income securities (Continued)

“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.

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 June 30, 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 June 30, 2019, the present value of discounted future cash flow amounted to US\$ 2,409,910, which converted into Brazilian reais totaled R\$ 9,235,257 (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 June 30, 2019 in US\$ 10,264, which converted into Reais amounted to R\$ 39,336 (US\$ 9,569, wich 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\$ 163,398, wich converted into Reais totaled R\$ 631,267, plus the amount of R\$8,892, totaled the balance of (R\$ 640,159) of other operating expenses and revenues recorded in the Statement of Income.

Transaction costs

Debt issue costs of variable-yield securities totaling R\$10,336 at June 30, 2019 (R\$10,452 at December 31, 2018), referring to outside legal counsel fees and commissions of guarantee were recorded as reduction of liabilities.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated interim condensed financial information (Continued)

June 30, 2019

(In thousands of reais, unless otherwise stated)

14. Taxes and contributions payable

	Parent Company		Consolidated	
	06/30/2019	12/31/2018	06/30/2019	12/31/2018
Service Tax (ISS)	5,498	5,100	6,471	5,987
Social Security Tax (INSS) - third parties	185	75	186	74
State Value-Added Tax (ICMS)	77	123	77	123
Corporate Income Tax (IRPJ) and Social Contribution Tax on Net Profit (CSLL)	518	766	519	768
Social Contribution Tax for Intervention in the Economic Order (CIDE) on import	112	57	112	57
Contribution Tax on Gross Revenue for Social Integration Program (PIS) and for Social Security Financing (COFINS) on import	3,466	3,750	3,476	3,758
Other	24	23	23	23
	9,880	9,894	10,864	10,790

15. Related parties

On June 30, 2019, the Company's shared control was exercised by Trafigura and Mubadala through PSA Fundo de Investimento e Participações, and those companies held 99.26% 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			
	06/30/2019		12/31/2018	
Debit note	Accounts receivable	Debit note	Accounts receivable	
Trafigura Brasil	-	2,652	-	1,769
Porto Exportação	5,197	49,300	2,244	16,780
	5,197	51,952	2,244	18,549

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated interim condensed financial information (Continued)

June 30, 2019

(In thousands of reais, unless otherwise stated)

15. Related parties (Continued)

	Consolidated					
	Assets					
	06/30/2019			12/31/2018		
	Debit note	Accounts receivable		Debit note	Accounts receivable	
Trafigura Brasil	-	2,652	-	-	1,769	
Trafigura PTE	-	11,430	-	-	-	
	-	14,082	-	-	1,769	

	Parent Company					
	Liability					
	06/30/2019			12/31/2018		
	Debit note	Accounts receivable	Total	Debit note	Accounts receivable	Total
Pedreira	-	(2,704)	(2,704)	-	(7,272)	(7,272)
Trafigura	(539)	-	(539)	-	-	-
Impala Terminals (shared costs)	-	(1,119)	(1,119)	(569)	-	(569)
	(539)	(3,823)	(4,362)	(569)	(7,272)	(7,841)

	Consolidated	
	Liabilities - Debit notes	
	06/30/2019	12/31/2018
Trafigura	(539)	-
Impala Terminals	-	(569)
	(539)	(569)

	Consolidated	
	Liabilities – Customer Advances	
	06/30/2019	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	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Trafigura PTE	-	-	925,217	370,727
Impala Terminals	(1,501)	(1,094)	(1,501)	(1,094)
	(1,501)	(1,094)	923,716	369,633

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated interim condensed financial information (Continued)

June 30, 2019

(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 June 30, 2019 is broken down as follows:

	Parent Company		Consolidated	
	06/30/2019	12/31/2018	06/30/2019	12/31/2018
Deferred tax assets (liabilities)				
Tax losses	476,958	378,572	477,482	378,954
Social contribution tax losses	171,704	136,287	171,892	136,423
Pre-operating expenses treated as deferred assets for tax purposes	264,752	285,092	264,752	285,092
Amortization of license	33,677	26,682	33,677	26,682
Present value adjustment of royalties	39,865	(106,329)	39,865	(106,329)
Effect on property and equipment and intangible assets arising from change of functional currency (a)	86,828	32,679	87,034	32,558
Exchange gains/losses on royalties and loans (b)	(91,025)	(43,247)	(88,945)	(42,817)
Others	4,400	1,430	4,400	1,430
Provision of unrecognized DTA (a)	(987,159)	(711,166)	(990,157)	(711,993)
	-	-	-	-

- (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\$87,034 (R\$32,558 at December 31, 2018) and the amount of R\$86,828 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 credit on the consolidated figures and of the parent company on June 30, 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.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated interim condensed financial information (Continued)

June 30, 2019

(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	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Income before income and social contribution taxes	(875,500)	(469,933)	(870,837)	(468,337)
Income and social contribution tax credit at statutory rate (34%)	297,670	159,777	296,085	159,235
	(577,830)	(310,156)	(574,752)	(309,102)
Adjustments to reconcile the statutory rate to the effective rate:				
Adjustments arising from balance translation	162,845	2,033,393	150,825	2,031,057
Net permanent additions/exclusions	60,160	29,018	60,160	30,781
Net temporary additions/exclusions	258,950	2,019,604	263,802	2,016,718
Temporary additions	461,130	2,082,158	90,805	2,079,272
(+) Royalties payable provision	429,984	367,366	429,984	367,366
(+) License amortization	20,574	14,881	20,574	14,881
(+) Unrealized Foreign Exchange	-	1,699,911	4,852	1,697,025
(+) Others	10,572	-	10,572	2,079,272
Temporary exclusions	(202,180)	(62,554)	(202,180)	(62,554)
(-) Pre operation expenses amortization	(59,821)	(59,893)	(59,821)	(59,893)
(-) Bonuses	(1,835)	(2,481)	(1,835)	(2,481)
(-) Unrealized Foreign Exchange	(140,524)	-	(140,524)	-
(-) Others	-	(180)	-	(180)
Calculation base of deferred income tax and deferred social contribution – Tax Losses/ Negative base	(393,545)	(454,704)	(394,115)	(451,126)
Calculation base of current income tax and current social contribution – Temporary differences	(258,950)	(2,020,411)	(263,802)	(2,017,526)
Current income tax and current social contribution	-	-	-	-
Negative base of current income tax and current social contribution	(133,805)	(154,599)	(133,999)	(153,383)
Deferred income tax and current social contribution – Temporary differences	(88,043)	(686,940)	(89,693)	(685,959)
	(221,848)	(841,539)	(223,692)	(839,342)
Effective income tax and social contribution rate	25,34%	179,08%	25,69%	179,22%

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated interim condensed financial information (Continued)

June 30, 2019

(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	974.268.518	2,890,544	99,26%
Porto Sudeste Participações S.A. ("Grupo MMX")	6.336.766	18,800	0,65%
Gaboard Participações Ltda.	876.275	2,600	0,09%
Total	981.481.559	2,911,944	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.

In April 2019, Company paid up 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.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated interim condensed financial information (Continued)

June 30, 2019

(In thousands of reais, unless otherwise stated)

17. Equity (Continued)

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.

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\$142,191 in the Parent Company and R\$156,563 in the Consolidated were recorded at June 30, 2019, in compliance with Accounting Pronouncement CPC 02.

18. Service revenue, net

	Parent Company		Consolidated	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Gross revenue	244,707	130,349	1,041,928	446,057
(-) Sales deductions				
Service Tax (ISS)	(12,235)	(6,517)	(12,235)	(6,517)
Contribution Tax for Social Integration Program (PIS)	(3,874)	(2,151)	(3,874)	(2,151)
Contribution Tax for Social Security Financing (COFINS)	(17,843)	(9,907)	(17,843)	(9,907)
Others	-	-	(8,285)	(3,215)
Net revenue	210,755	111,774	999,691	424,267

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated interim condensed financial information (Continued)

June 30, 2019

(In thousands of reais, unless otherwise stated)

19. Costs of sales and services

	Parent Company		Consolidated	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Costs of sales (*)	-	-	(782,213)	(307,894)
Cost of materials	(9,267)	(5,771)	(9,259)	(5,770)
Utilities	(9,832)	(6,615)	(9,832)	(6,615)
Rent of equipment	(9,181)	(4,592)	(9,195)	(4,592)
Insurance	(4,145)	(3,967)	(4,205)	(4,059)
External services	(7,897)	(6,670)	(5,976)	(8,246)
Payroll	(17,787)	(17,577)	(20,647)	(17,601)
Other	(2,822)	(2,973)	(3,826)	(3,089)
	(60,931)	(48,165)	(845,153)	(357,866)

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

20. Administrative expenses by nature

	Parent Company		Consolidated	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Materials	-	(262)	(264)	(262)
Rent and lease	(186)	(155)	(205)	(154)
Third-party services	(8,409)	(6,302)	(11,019)	(6,771)
Payroll	(4,088)	(7,998)	(4,924)	(8,013)
Maintenance	(353)	(356)	(436)	(356)
Communication	(54)	(66)	(75)	(66)
Gas	(45)	(44)	(50)	(44)
Other	(1,535)	(2,173)	(1,558)	(2,236)
	(14,670)	(17,356)	(18,531)	(17,902)

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated interim condensed financial information (Continued)

June 30, 2019

(In thousands of reais, unless otherwise stated)

21. Finance income

	Parent Company		Consolidated	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Financial costs				
Interest	(231,553)	(239,406)	(231,761)	(239,426)
Foreign exchange differences (*)	(28,184)	-	(30,140)	-
Tax on Financial Transactions (IOF)	(437)	(12)	(448)	(18)
Taxes on finance income	(467)	(653)	(533)	(699)
Other	(260,641)	(240,071)	(262,882)	(240,143)
	<u>(231,553)</u>	<u>(239,406)</u>	<u>(231,761)</u>	<u>(239,426)</u>
Finance income				
Short-term investment yield	1,773	832	2,238	1,109
Foreign exchange differences (*)	-	332,433	-	333,410
Other	37	432	141	432
	<u>1,810</u>	<u>333,697</u>	<u>2,379</u>	<u>334,951</u>
Finance income (costs), net	<u>(258,831)</u>	<u>93,626</u>	<u>(260,503)</u>	<u>94,808</u>

(*) 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.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated interim condensed financial information (Continued)

June 30, 2019

(In thousands of reais, unless otherwise stated)

Board of Directors

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

Executive Board

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
