Interim Financial Information (ITR)

Porto Sudeste V.M. S.A.

June 30, 2019
with Independent Auditor Review Report on Interim Financial Information

Porto Sudeste V.M. S.A.

Interim financial information

June 30, 2019

Contents

A free translation from Portuguese into English of Independent Auditor's Review Report on Interim Financial Information prepared in Brazilian currency in accordance with Technical Pronouncement CPC 21(R1) - Interim financial statement.

Management Report

1. Message from Management

The management of Porto Sudeste V.M. S.A. (the "Company"), in compliance with the legal requirements and in accordance with the prevailing Corporation Law, hereby submits to your appreciation the Financial Statements 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 second quarter of 2019, the Executive Board expresses their acknowledgement to suppliers, employees and all other professionals for their dedication and hard work.

2. Relationship with independent auditors

Pursuant to CVM Rule No. 381/2003, we hereby inform that RSM Acal Auditores Independentes S/S (RSM) renders external audit services relating to the audit of the Company's financial statements.

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

RSM has stated to the Company that there is no relationship or situation that constitutes a conflict of interests that could affect its independence.

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

Variable-income securities

By virtue of the conclusion of the Company's acquisition in February 2014, as described in Note 1, the Company assumed the obligations related to 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 Company issued variable-income securities (mirror securities of MMXM11) under terms similar to those of MMXM11, by means of two vehicles:

- FIP-IE Porto Sudeste Royalties: An infrastructure equity fund intended to hold in its portfolio exclusively Port11 Securities - and each Port11 Security held by FIP-IE would correspond to one Share. FIP-IE shares were offered to the holders of MMXM11 Securities considered as qualified investors pursuant to the Brazilian Securities and Exchange Commission (CVM) regulation, and whose ownership of FIP-IE shares would not be restricted.

- Porto Sudeste V.M. S.A.: A corporation registered with CVM under category 'B' that issued a new royalty-based variable-income security, mirror of MMXM11 Security ("PSVM11

Securities"). Such security is listed for trading on BM&FBOVESPA (differently from Port11 Securities, which are not traded on the stock exchange). The PSVM11 Securities were offered to holders of MMXM11 Securities who (i) would not be considered qualified investors, or (ii) would have regulatory restrictions to hold FIP-IE shares.

Such security exchange transaction did not have an impact on the Company's financial statements, since the obligation had already been recognized based on contracts with the final holders of the original securities (MMXM11).

Through conclusion of security exchange, the Company has the obligation to pay the vehicles above, which in turn have the obligation to pay the holders of shares/securities exchanged.

The holders of the above-mentioned securities are entitled to quarterly variable income determined since January 1, 2013, calculated based on metric ton of iron ore or the value per ton of other cargoes, as the case may be, 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 at the Port for the respective quarter
TMOC = Ton of Other Cargoes shipped at the Port for the respective quarter
VpTMF = Value per Ton of Iron Ore (as defined below)
VpTDC = Value per Ton of Other Cargoes (as defined below)
FP = Proportional Factor

For iron ore loads: the royalties related to iron ore loads shipped at the Port in a certain quarter will be calculated considering the amount of USD 5.00 per ton of iron ore ("value per ton of iron ore"). This amount will be (i) adjusted annually based on the US PPI difference calculated from September 2010; and (ii) translated into Brazilian reais, based on the exchange rate at the end of the business day immediately prior to the effective payment date.

For other cargoes: the royalties related to other cargoes, other than iron ore (excluding non-dry cargoes, such as supply activities) conducted at the Port Terminal will be calculated based on the cargo margin (as defined below) ("value per ton for other cargoes"). "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 relating 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) must be limited under any circumstance to USD 5.00 per shipped ton.

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

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Annually, in the fourth quarter of each fiscal year, the amount of metric tons effectively shipped at the 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 table below; and (b) the subsequent years, the quantity of metric tons to be shipped at the 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 for the fourth quarter of each fiscal year will be added to the amount corresponding to the multiplication of such figure by the value per ton of iron ore, or the value per ton of other cargoes, as the case may be.

The table below shows the tons realized for the above-described calculation purposes, considering 2016 as the beginning of the company's commercial operations after the commissioning conducted in 2015:

	2013	2014	2015	2016	2017	2018	2019
Tm	-	-	-	7.1	9.5	10.7	7,3

All volumes operated until the end of the first semester of 2019 refer to iron ore, and there are no other cargoes shipped.

If, in a certain calendar quarter, upon payment of current royalties, the cash jointly held by the issuer and Porto Sudeste is higher than (a) USD 25,000 for the fiscal years between 2013 and 2017, or (b) USD 10,000 for the subsequent fiscal years, in both cases translated into reais at the exchange rate ("minimum cash reserve"), the issuer will use the amounts 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 hereby agreed and understood that issuer is not required to pay such additional amounts established herein, unless available cash is held by issuer in the last day of such calendar quarter and up to the available cash limit, "available cash" means the amount corresponding to (i) the sum of (a) all available cash amounts of Porto Sudeste and (b) the positive balances on all bank accounts of issuer and Porto Sudeste (at any financial institution), less (ii) the sum of (a) any amounts contributed by the shareholders of Porto Sudeste through capital increase or loans from shareholders, to the extent that such amounts remain as available cash of Porto Sudeste, (b) BNDES senior debt service reserve account and CESCE senior debt service reserve account, and (c) the cash amounts allocated jointly by Porto Sudeste for provisions for IRPJ - Corporate Income Tax, CSLL - Social Contribution Tax on Net Profit, and other obligations for which Porto Sudeste's independent auditors require the recognition of a joint provision 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 total or partial payment of royalties computed until then, said unpaid royalties shall be added to the amount of royalties for the next quarter. The royalties shall only be deemed due and payable when Porto Sudeste has computed available cash for royalties that is sufficient for this purpose.

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At June 30, 2019, the Company conducted financial calculations with the purpose of identifying the existence of available net cash and concluded that the available net cash is positive as at that date and, therefore, it is not required to settle 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)
Cost of operations	(24,290)	(21,613)
Capex for Maintenance	(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	(6,051)	(1,943)

Cash Available for Payment of Accumulated Royalties	1st quarter 2019	2nd quarter 2019
Available Cash or Bank Accounts	25,618	45,499
Contributions by shareholders	(25,618)	(45,499)
Senior debt service reserve account	-	-
Cash amounts covered by provisions	-	-
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	5.00	5.00
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 (USD m)	**81**	**95**	**3,436**
Cash available for payment of Royalties	**-**	**-**	**-**
Royalties payable	**-**	**-**	**-**

Securities are measured in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets based on projected cash flows from future security related payments discounted at an annual rate of 12.50%. These projections are based on the Parent Company's business plan and include assumptions related to the growth in exports of the iron ore from the ore producing region of Minas Gerais state and assumptions on the growth in market share of Porto Sudeste. The Company recognize that this growth will be achieved with long-term contracts as well as with acquisitions of iron ore mines in that region by its shareholders. At June 30, 2019, the present value of discounted future cash flows amounted to US$ 2,409,910,186, which were translated into Brazilian reais, totaling R$ 9,235,257,815 (US$ 2,246,511,829, totaling R$ 8,704,784,035 at December 31, 2018). Of these totals, the amounts corresponding to PSVM11 securities total, at June 31, 2019, US$ 10,264,472, totaling in Brazilian reais R$ 39,335,513 (US$ 9,568,514, totaling R$ 37,076,079 at December 31, 2018).

Rio de Janeiro, July 31, 2019.

The Management.

Independent Auditor's Review Report on Interim Financial Information

Shareholders, Directors and Officers of
Porto Sudeste V.M. S.A.
Itaguaí – RJ

We have reviewed the interim financial information of Porto Sudeste V.M. S.A. ("Company" or "Porto V.M."), respectively, which comprise the statements of financial position as at June 30, 2019 and the related statements of operations, of comprehensive income (loss), of changes in equity and cash flows for the three month period then ended including the explanatory notes.

Management's responsibility for the interim financial information

Management is responsible for the preparation of this interim 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 interim financial information that is free from material misstatement, whether due to fraud or error. Our responsibility is to express a conclusion on this interim 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim 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

Without qualifying our conclusion, we draw attention to Note 1 of the interim financial information, which indicates that, at June 30, 2019, the Company presents loss in the period of R$ 167,520 and accumulated losses of R$ 1,210,524. This note, together with Note 6, also indicates that the measurement of variable remuneration securities is directly related to the flow of future payments to the security holders, estimated based on the volumes to be shipped in accordance with the business plan of Porto Sudeste do Brasil S.A. (Company's parent company). Additionally, this note also states that Porto Sudeste do Brasil S.A. began its operations in 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 interim 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 the plans of its parent company, Porto Sudeste do Brasil S.A. do not achieve the expected results.

Other matters

Statements of added value

We have also reviewed the Statement of Added Value - DVA, for the three-month period ended June 30, 2019, prepared under the responsibility of the Company's Management, whose presentation in the interim accounting information is required in accordance with the standards issued by the Comissão de Valores Mobiliários - CVM, applicable to the preparation of Quarterly Information - ITR and considered supplementary information under IFRS, which does not require the presentation of the DVA. This statement has been subject to the same review procedures described above and, based on our review, we are not aware of any fact that would lead us to believe that it was not prepared, in all material respects, in a manner consistent with the interim accounting information taken as a whole.

Audit of amounts corresponding to the previous year and revision of amounts corresponding to the first quarter of the previous year

The corresponding amounts relating to the financial position as of December 31, 2018 were previously audited by other independent auditors, who issued a report dated February 26, 2019, without modification, and to the interim statements of results, comprehensive income, changes in shareholders' equity and cash flows for the six-month period ended June 30, 2018 were previously reviewed by other independent auditors who issued a report dated August 3, 2018, without modification.

The corresponding amounts relating to the Statement of Added Value (DVA) for the six-month period ended June 30, 2018 were submitted to the same review procedures by those independent auditors and, based on their review, those auditors issued a report reporting that they were not aware of any fact that would lead them to believe that the DVA was not prepared, in all material respects, in a manner consistent with the interim financial information taken as a whole.

Rio de Janeiro, August 06, 2019.

RSM ACAL AUDITORES INDEPENDENTES S/S
CRC - RJ – 4080/O-9

Cláudio Silva Foch
Accountant CRC-RJ – 102.455/O-4

Porto Sudeste V.M. S.A.

Statements of financial position
June 30, 2019 and December 31, 2018
(In reais)

	Note	06/30/2019	12/31/2018
Assets			
Current assets			
Cash and cash equivalents	5	**82,122**	287,826
Taxes recoverable		**2,273**	1,813
Total current assets		**84,395**	289,639
Noncurrent assets			
Variable-income securities - Port 11	6	**39,335,513**	37,076,079
Total noncurrent assets		**39,335,513**	37,076,079
Total assets		**39,419,908**	37,365,718
Liabilities and equity			
Current liabilities			
Trade accounts payable	7	**40,534**	72,322
Taxes and contributions payable		**16**	2,144
Total current liabilities		**40,550**	74,466
Noncurrent liabilities			
Variable-income securities - PSVM 11	6	**39,335,513**	37,076,079
Total noncurrent liabilities		**39,335,513**	37,076,079
Equity			
Capital	8	**1,276,040**	606,040
Future capital contribution		**-**	670,000
Accumulated losses		**(1,210,524)**	(1,043,004)
Cumulative translation adjustments (CTA)		**(21,671)**	(17,863)
Total equity		**43,845**	215,173
Total liabilities and equity		**39,419,908**	37,365,718

See accompanying notes.

Porto Sudeste V.M. S.A.

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

	Note	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
Sales and service revenue		-	-	-	-
Costs of sales and services		-	-	-	-
Gross profit		-	-	-	-
General and administrative expenses	9.1	**19,317**	**(142,877)**	**(28,372)**	**(134,525)**
Income before finance income and costs		**19,317**	**(142,877)**	**(28,372)**	**(134,525)**
Finance income	9.2	**1,236**	**7,147**	**6,155**	**8,414**
Finance costs	9.2	**(15,020)**	**(31,790)**	**(12,625)**	**(25,485)**
Finance income (costs)		**(13,784)**	**(24,643)**	**(6,470)**	**(17,071)**
Income (loss) before taxes		**5,533**	**(167,520)**	**(34,842)**	**(151,596)**
Income and social contribution taxes		**-**	**-**	**-**	**-**
Income (Loss) for the period		**5,533**	**(167,520)**	**(34,842)**	**(151,596)**

See accompanying notes.

Porto Sudeste V.M. S.A.

Statements of comprehensive income
Three and six-month period ended June 30, 2019 and 2018
(In reais)

	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
Income (Loss) for the period	**5,533**	**(167,520)**	**(34,842)**	**(151,596)**
Other comprehensive income			**-**	**-**
Translation adjustments for the period	**(172)**	**(3,808)**	**(5,952)**	**(7,562)**
Total comprehensive income (loss)	**5,361**	**(171,328)**	**(40,794)**	**(159,158)**

See accompanying notes.

Porto Sudeste V.M. S.A.

Statements of changes in equity
Six-month period ended June 30, 2019 and 2018
(In reais)

	Capital	Unpaid capital	Future capital contribution	Cumulative translation adjustments (CTA)	Accumulated losses	Total
Balances at December 31, 2017	606,940	(900)	200,000	(14,048)	(683,704)	108,288
Future capital contribution	-	-	-	-	(151,596)	(151,596)
Cumulative translation adjustments	-	-	-	(7,562)	-	(7,562)
Balances at June 30, 2018	606,940	(900)	200,000	(21,610)	(835,300)	(50,870)
Balances at December 31, 2018	606,940	(900)	670,000	(17,863)	(1,043,004)	215,173
Future capital contribution	670,000	-	(670,000)	-	-	-
Cumulative translation adjustments	-	-	-	(3,808)	-	(3,808)
Loss for the period	-	-	-	-	(167,520)	(167,520)
Balances at June 30, 2019	**1,276,940**	**(900)**	**-**	**(21,671)**	**(1,210,524)**	**43,845**

See accompanying notes.

Porto Sudeste V.M. S.A.

Statements of cash flows
Six-month period ended June 30, 2019 and 2018
(In reais)

	06/30/2019	06/30/2018
Cash flows from operating activities		
Loss for the period before taxes	**(167,520)**	(151,596)
Foreign exchange differences	**(3,808)**	(7,562)
Changes in assets and liabilities		
Trade accounts payable	**(31,788)**	56,079
Taxes recoverable	**(460)**	(180)
Taxes and contributions payable	**(2,128)**	(4,101)
Net cash used in operating activities	**(205,704)**	(107,360)
Decrease in cash and cash equivalents	**(205,704)**	(107,360)
Statement of increase in cash and cash equivalents		
At beginning of period	**287,826**	115,379
At end of period	**82,122**	8,019
Decrease in cash and cash equivalents	**(205,704)**	(107,360)

See accompanying notes.

Porto Sudeste V.M. S.A.

Statements of value added
Six-month period ended June 30, 2019 and 2018
(In reais)

	06/30/2019	06/30/2018
Revenues		
Revenues	**-**	-
Inputs acquired from third parties (including ICMS and IPI)		
Materials, electric power, third-party services and other expenses	(142,877)	(134,525)
Gross value added	**(142,877)**	**(134,525)**
Value added received in transfer		
Finance income	7,147	8,414
Total value added to be distributed	**(135,730)**	**(126,111)**
Distribution of value added		
Interest	**31,790**	**25,485**
Equity remuneration		
Loss for the period	**(167,520)**	**(151,596)**
	(135,730)	**(126,111)**

See accompanying notes.

1. Operations

Porto Sudeste V.M S.A. (the "Company") was incorporated on July 16, 2013 and is engaged in holding interest in other companies, both in Brazil and abroad, as owner, shareholder or member, either permanently or temporarily, as a parent company or noncontrolling interest.

Since February 13, 2014, the Company is a wholly-owned subsidiary of Porto Sudeste do Brasil S.A. ("Porto Sudeste"), a privately-held company responsible for "Porto Sudeste" port terminal, and engaged in the handling of iron ore. Located in Ilha da Madeira in Itaguaí (Rio de Janeiro state), the terminal is strategically placed at the shortest distance between iron ore producers of Minas Gerais state and the sea ("Porto Sudeste"). Its construction began in July 2010, and the Company started its operations on a commissioning basis in August 2015 and commercially in January 2016.

At June 30, 2019, the Company recorded loss of R$167,520 for the period and an accumulated loss of R$1,210,524.

Its parent company, Porto Sudeste, depends on the capital contribution from controlling shareholders to fund certain senior debt obligations that cannot be paid with cash from operating activities. Such obligations include payment of bank guarantees and non-maintenance Capex. Management expects that these obligations over the following 12 months will amount to approximately US$50 million. The parent company Porto Sudeste understands that shareholders will provide the necessary funds.

Porto Sudeste's former parent company, MMX Mineração e Metálicos S.A. ("MMX") held a variable-income security in the market based on ore handling at Porto Sudeste, known as MMXM11. After selling the control over Porto Sudeste to Impala Holding Limited ("Impala", a division of Trafigura Pte. Ltd. ("Trafigura")) and Mubadala Development Company PJSC ("Mubadala"), through its subsidiaries, they agreed that the debt relating to MMXM11 securities would be assumed by Porto Sudeste.

The investment agreement that regulated the acquisition of control over Porto Sudeste by Trafigura and Mubadala contained an obligation of MMX to enter into a barter agreement with all holders of MMXM11 Securities, whereby MMX would acquire MMXM11 Securities and would transfer Port11 Securities or other security backed by Port11 Securities in exchange. The Company assumed the portion of outstanding MMXM11 Securities (i) that did not classify as qualified investors, or (ii) would have had regulatory restrictions to hold infrastructure investment fund shares (FIP-IE), as in the case of some investment funds.

At the Special General Meeting held on December 31, 2014, shareholders approved the Company's issue of Royalty-Based Variable-Income Securities or "PSVM11" which were fully subscribed by MMX. The completion of that issue was contingent on the secondary public offering of royalty-based variable-income securities to be performed by MMX.

1. Operations (Continued)

On March 3, 2015, the secondary public offering was closed with 12,539,802 royalty-based securities having been distributed, which were all acquired by MMX through the delivery of an equal number of royalty-based variable-income securities issued by Porto Sudeste do Brasil S.A. (Port11).

The holders of the securities mentioned above are entitled, as from January 1, 2013, to quarterly variable income, calculated based on metric tons of iron ore and other cargo shipped at the Porto Sudeste, amounting to US$5 (five US Dollars) per ton shipped, restated by reference to the Producer Price Index (PPI), on the understanding that, in any quarter, payments shall be limited to the Company's available cash and other conditions provided in the agreement - all in accordance with the terms set out in those securities' deeds available on the Company's website and filed with the Brazilian Securities and Exchange Commission (CVM).

The measurements of such variable-income securities and the respective accounting impacts are described in Note 6.

2. Basis of preparation and presentation of interim financial information

a) Interim financial information

This quarterly information was prepared and is presented in accordance with the Brazilian Financial Accounting Standards Board (CPC) pronouncement CPC 21 (R1) - Interim Financial Reporting and the International Standard IAS 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB). This information is presented consistently with the standards issued by the Brazilian Securities and Exchange Commission (CVM), applicable to the preparation of the Quarterly Information Form (ITR).

The Company management approved this interim financial information on August 06, 2019..

b) Basis of preparation and measurement

The interim financial information has been prepared under the historical cost convention, except for certain financial instruments measured at fair value through profit or loss.

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

c) Functional and reporting currencies

On January 1, 2016, as the parent company Porto Sudeste do Brasil S.A. began to earn revenue substantially denominated in US Dollars, its functional currency was changed to US Dollars from Brazilian Reais. Accordingly Porto Sudeste V.M.S.A. in line with the change in the functional currency of its controlling shareholder, also changed its functional currency to the US Dollar on January 1, 2016. Accordingly, pursuant to Brazilian legislation and CPC 02 – The effects of changes in foreign exchange rates and translation of financial statements, the interim financial information is presented in Brazilian Reais (R$), by translating the functional currency to the reporting currency (Brazilian Reais). Assets and liabilities are translated at the closing exchange rate for the period; the statements of profit or loss are stated at the exchange rate prevailing on the date of the event; and equity at historical build-up cost.

d) Statement of value added

The Company prepared Statements of Value Added (SVA), which are presented as an integral part of the interim financial information in accordance with accounting practices adopted in Brazil applicable to publicly traded companies, while under IFRS SVA represents supplementary information.

e) Cash flow statement

Cash flow statements were prepared under the indirect method and are presented in accordance with CPC 03 (R2) - Statement of Cash Flows.

f) Accounting estimates

The interim financial information was prepared based on various measurement bases used in accounting estimates. The accounting estimates involved in the preparation of the interim financial information were based on both objective and subjective factors, and in line with management's judgment for determining the appropriate amounts to be recorded in the interim financial information. Significant items subject to these estimates and assumptions include measurement of variable-income securities, as well as the analysis of other risks to determine other provisions, including provision for contingencies.

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

3. Summary of significant accounting practices and estimates

In preparing this interim financial information the accounting practices described below have been applied consistently by the Company to all periods presented in this interim financial information.

3.1. Financial instruments

<u>Financial assets</u>

Currently, the Company’s financial assets are represented by cash and cash equivalents, classified at fair value through profit or loss.

A financial asset is classified at fair value through profit or loss when classified as held for trading and designated as such upon initial recognition. After initial recognition, transaction costs are recognized in profit or loss as incurred.

Financial assets measured at fair value through profit or loss are presented in the statement of financial position at fair value, and the corresponding gains or losses are recognized in the statement of profit or loss.

The classification depends on the purpose for which the financial assets have been acquired and is determined upon initial recognition.

Financial assets are derecognized when the right to receive cash flows from investments have expired or have been transferred, and the Company has substantially transferred all risks and rewards of ownership over those assets.

<u>Financial liabilities</u>

Currently, the Company's financial liabilities are represented by trade accounts payable, and are initially recognized on the date when the Company becomes a party to the instrument’s contractual provisions. The Company derecognizes a financial liability when it is paid or when the obligations are canceled.

Financial liabilities are initially recognized at fair value plus any attributable transaction costs. After initial recognition, these financial liabilities are measured at amortized cost and adjusted based on monetary differences and exchange rates, bearing interest incurred up to the statement of financial position date, based on the contractual terms. Gains and losses are recognized in the statement of profit or loss when liabilities are derecognized, as well as over the interest and monetary difference allocation process.

3. Summary of significant accounting practices and estimates (Continued)

3.2. Cash and cash equivalents

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. The Company considers that cash equivalents correspond to a short-term investment readily convertible into a known cash amount and subject to insignificant risk of change in value. Accordingly, an investment normally qualifies as a cash equivalent when it is redeemable in the short term, e.g. within three months or less from the investment date.

3.3. Provisions (including contingencies)

Provisions are recognized when the Company has a present obligation (legal or constructive) arising from past events, the settlement of which is likely to result in an outflow of economic benefits, and for which a reliable estimate can be made. When the Company expects that the amount of a provision will be refunded, whether in full or in part, the refund is recognized as a separate asset, but only when the refund is virtually certain.

The Company recognizes provisions for tax, civil and labor contingencies. The assessment on the likelihood of loss includes evaluation of available evidence, the hierarchy of laws, available case laws and the most recent court decisions and their relevance in legal system, as well as the opinion of external legal advisors. The provisions are reviewed and adjusted to take into consideration changes in circumstances such as applicable statutes of limitation, conclusions of tax audits or additional exposures identified based on new issues or court decisions.

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

4. New accounting pronouncements and interpretations

The accounting practices adopted in preparing the interim financial information is consistent with those used to prepare the financial statements at December 31, 2018.

The new pronouncements that came into effect on January 1, 2019, as disclosed in the financial statements at December 31, 2018, did not have any significant effects on the Company's interim financial information.

(In reais)

5. Cash and cash equivalents

	06/30/2019	12/31/2018
Cash and cash equivalents	**82,122**	287,826
	82,122	287,826

6. Variable-income 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 variable-income securities, issued in March 3, 2015 in connection with Porto Sudeste's acquisition by MMX. In order to make the transfer of such obligation feasible, the Company issued variable-income securities (mirror securities of MMXM11) under terms similar to those of MMXM11, by means of two vehicles:

- FIP-IE Porto Sudeste Royalties: An infrastructure equity fund intended to hold in its portfolio exclusively Port11 Securities - and each Port11 Security held by FIP-IE would correspond to one share. FIP-IE's shares were offered to the holders of MMXM11 Securities considered as qualified investors pursuant to CVM regulation, and whose ownership of FIP-IE shares would not be restricted.
- Porto Sudeste V.M. S.A.: A corporation registered with CVM under category 'B' that issued a new royalty-based variable-income security, mirror of MMXM11 Security ("PSVM11 Securities"). Such security is listed for trading on BM&FBOVESPA (differently from Port11 Securities, which are not traded on the stock exchange). The PSVM11 Securities were offered to holders of MMXM11 Securities who (i) would not be considered qualified investors, or (ii) would have regulatory restrictions to hold FIP-IE shares.

Such security exchange transaction did not have an impact on the Company's interim financial information, since the obligation had already been recognized based on contracts with the final holders of the original securities (PSVM11).

Through conclusion of security exchange, the Company has the obligation to pay the vehicles above, which in turn have the obligation to pay the holders of shares/securities exchanged.

The holders of the above-mentioned securities are entitled to quarterly variable income determined since January 1, 2013, calculated based on metric ton of iron ore or the value per ton of other cargoes, as the case may be, as follows:

(In reais)

6. Variable-income securities (Continued)

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

Where:

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

The royalties related to iron ore loads shipped at the Port in a certain quarter will be calculated considering the amount of USD 5.00 per ton of iron ore ("value per ton of iron ore"). This amount will be (i) adjusted annually based on the US PPI difference calculated from September 2010; and (ii) translated into Brazilian reais, based on the exchange rate at the end of the business day immediately prior to the effective payment date.

The royalties related to other cargoes, other than iron ore (excluding non-dry cargoes, such as supply activities) conducted at the Port Terminal will be calculated based on the cargo margin (as defined below) ("value per ton for other cargoes"). "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 relating 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) must be limited under any circumstance to USD 5.00 per shipped ton.

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

Annually, in the fourth quarter of each fiscal year, the amount of metric tons effectively shipped at the 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 table below; and (b) the subsequent years, the quantity of metric tons to be shipped at the 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	-	-	-

(In reais)

6. Variable-income securities (Continued)

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

The table below shows the tons realized for the above-described calculation purposes, considering 2016 as the beginning of the company's commercial operations after the commissioning conducted in 2015:

	2013	2014	2015	2016	2017	2018	2019
Tm	-	-	-	7.1	9.5	10.7	7,3

All volumes operated until the end of the first semester of 2019 refer to iron ore, and there are no other cargoes shipped.

If, in a certain calendar quarter, upon payment of current royalties, the cash jointly held by the issuer and Porto Sudeste is higher than (a) USD 25,000 for the fiscal years between 2013 and 2017, or (b) USD 10,000 for the subsequent fiscal years, in both cases translated into reais at the exchange rate ("minimum cash reserve"), the issuer will use the amounts 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.

"Available cash" means the amount corresponding to (i) the sum of (a) all available cash amounts of Porto Sudeste and (b) the positive balances on all bank accounts of issuer and Porto Sudeste (at any financial institution), less (ii) the sum of (a) any amounts contributed by the shareholders of Porto Sudeste through capital increase or loans from shareholders, to the extent that such amounts remain as available cash of Porto Sudeste, (b) BNDES senior debt service reserve account and CESCE senior debt service reserve account, and (c) the cash amounts allocated by Porto Sudeste for provisions for income and social contribution taxes and other obligations that require recognition of provisions.

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

At June 30, 2019, the Parent Company (Porto Sudeste) conducted financial calculations to identify the existence of available net cash and concluded that the available net cash is positive as at that date and, therefore, the Company must not pay royalties.

6. Variable-income securities (Continued)

Securities are measured in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets based on projected cash flows from future security related payments discounted at an annual rate of 12.50%. These projections are based on the Parent Company's business plan and include assumptions related to the growth in exports of the iron ore from the ore producing region of Minas Gerais state and assumptions on the growth in market share of Porto Sudeste. The Company recognize that this growth will be achieved with long-term contracts as well as with acquisitions of iron ore mines in that region by its shareholders. At June 30, 2019, the present value of discounted future cash flows amounted to US$2,409,910,186, which were translated into Brazilian reais, totaling R$9,235,257,815 (US$2,246,511,829, totaling R$8,704,784,035, at December 31, 2018). Of these totals, the amounts corresponding to PSVM11 securities total as of June 30, 2019 US$10,264,472, totaling in Brazilian reais R$39,335,513 (US$9,568,514, totaling R$37,076,079 at December 31, 2018).

7. Trade accounts payable

	06/30/2019	12/31/2018
Publishing expenses	**24,760**	68,000
Attorneys' fees	**6,274**	3,122
Audit fees	**9,500**	-
Others	**-**	1,200
	40,534	72,322

8. Equity

As at February 28, 2019, R$670,000 received as future capital contribution were paid in, with issue of 4,054,438,670 common shares, at the par value of R$0.0002. After this capital increase, the Company now has R$1,276,040.10 in subscribed capital, divided into 4,060,490,071 shares fully held by Porto Sudeste do Brasil S.A.

The Company has R$21,671 relating to cumulative translation adjustments as at June 30, 2019, referring to the translation of the functional currency (US dollar) into the Company's reporting currency (Brazilian real), in accordance with technical pronouncement CPC 02.

(In reais)

9. Expenses by nature

9.1. Administrative expenses by nature

	06/30/2019	06/30/2018
Audit fees	**(19,000)**	(20,162)
Attorneys' fees	**(11,767)**	(25,934)
Third-party services	**(71,120)**	(49,162)
Publication expenses - Brazilian Securities and Exchange Commission (CVM)	**(40,990)**	(39,267)
	(142,877)	(134,525)

9.2. Finance income (costs)

	06/30/2019	06/30/2018
Finance costs		
Bank charges	**(28,030)**	(25,169)
Interest paid	**(3,760)**	-
Other costs	**-**	(316)
	(31,790)	(25,485)
Finance income		
Income	**2,418**	850
Foreign exchange difference	**3,807**	7,564
Others	**922**	-
	7,147	**8,414**
Finance income (costs), net	**(24,643)**	(17,071)

Board of Directors

Julien Rolland - Chairman

Oscar Pekka Fahlgren - Vice Chairman

Matthew John Hurn - Board Member

Carlos Bernardo Pons Navazo - 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
CRC-RJ / 114354/O-4