

Interim Financial Information (ITR)

Porto Sudeste V.M. S.A.

June 30, 2018
with Independent Auditor Review Report on Interim Financial
Information

Porto Sudeste V.M. S.A.

Interim financial Information

June 30, 2018

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Management Report

1. Message from Management

Management of Porto Sudeste V.M. S.A. ("Company"), in compliance with the legal requirements and in accordance with the prevailing corporate legislation, 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, 2018. Should you need any further clarifications, please do not hesitate to contact us. At the end of the first semester of 2018, 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 statements.

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 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-yield 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 variable-yield 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-yield 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-yield security, mirror of MMXM11 Security ("PSVM11 Securities"), and such security listed for trading with BM&FBOVESPA (contrary to Port11 Securities which are not accepted for trading in 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 (PSVM11).

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-yield 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:

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

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
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
Tm	-	-	-	7,1	9,5	5,2

All volumes operated during the first quarter of 2018 are related to iron ore, and there are no other quantities shipped.

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

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

On June 30, 2018, 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	1stquarter 2018	2ndquarter 2018
Revenues	57,386	67,224
Dividends	-	-
Applicable Taxes	(8,178)	(9,579)
Operating Costs	(18,012)	(22,328)
Maintenance Investment	(1,870)	(2,988)
Operating Expenses	(16,933)	(18,140)
Interests and Repayment of the Senior Debt	(13,661)	(13,569)
Senior Debt Service Reserve Account	-	-
Interests and Repayment of the Working Capital Senior Debt	-	(12,582)
New Provisions for Existing Cash	-	-
Total Cash Available for Payment of Royalties	(1,267)	(11,963)

Cash available for payment of accumulated royalties	1stquarter 2018	2ndquarter 2018
Net Cash or Bank Accounts	25,618	49,988
Contributions by the stockholders	(25,618)	(49,988)
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	Shipped 1stsemester 2018	Take-or-pay/ Shipped Acumulated
Volume (M/TONs)	5,202	133,830
Price per Ton	5,00	5,00
PPI, accumulated	0,47	0,47
Price per TON (USD)	5,47	5,47
Royalty (Porto Sudeste) USD	28,455	732,050
PSVM11 securities issued by Porto Sudeste V,M, S,A, as a percentage of Port11 securities	0,43%	0,43%
Royalties (Porto VM) calculated (KUSD)	122	3,148
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%. On June 30, 2018, the present value of discounted future cash flow amounted to US\$ 2,387,427, which converted into Brazilian reais totaled R\$ 9,205,442 (US\$ 2,242,111, which converted into Brazilian reais totaled R\$ 7,416,903 at December 31, 2017). Of these totals, the amounts corresponding to PSVM11 securities are represented at the base date of June 30, 2018 at US\$ 10,168,712, which converted into reais totaled R\$ 39,208,520 (US\$ 9,549,771, which converted into reais totaled R\$ 31,590,642 on December 31, 2017).

Rio de Janeiro, August 13, 2018.

The Management.



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A free translation from Portuguese into English of Independent Auditor's Review Report on Interim Financial Information prepared in Brazilian currency 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).

Independent auditor review report on interim financial information

The Shareholders, Board of Directors and Officers of
Porto Sudeste V.M. S.A.
Itaguaí - RJ

Introduction

We have reviewed the accompanying interim financial information for Porto Sudeste V.M. S.A. ("Company") as at June 30, 2018 which comprise the interim statement of financial position as at June 30, and the related statements of operations and comprehensive income for the three and six month period then ended, and changes in equity and cash flows for the six month period then ended, including the explanatory notes.

Management's responsibility for the interim financial information

Management is responsible for the preparation and presentation of this interim financial information in accordance with Accounting Pronouncement CPC 21 (R1) - Interim Financial Reporting, and with IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as for the fair presentation of this information in conformity with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR). 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 statements do not give a true and fair view of the financial position of the entity as at June 30, 2018, and of its financial performance and its cash flows for the three and six-month period then ended in accordance with CPC 21 (R1) and IAS 34 applicable to the preparation of the Quarterly Information (ITR), and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

Emphasis of matter - Relevant uncertainty related to operational continuity

Without qualifying our conclusion, we draw attention to Note 1 of the interim financial information, which indicates that, at June 30, 2018, the Company presents current liabilities higher than the current assets by R\$50,870, accumulated losses of R\$800,457 and negative equity of R\$50,870. This note, together with Note 6, also states that the measurement of the variable income securities is directly related to the flow of future payments to the holders of those securities, estimated based on volumes to be shipped in accordance with the Porto Sudeste do Brasil S.A. business plan (the Company's parent company). Additionally, these notes also state 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.

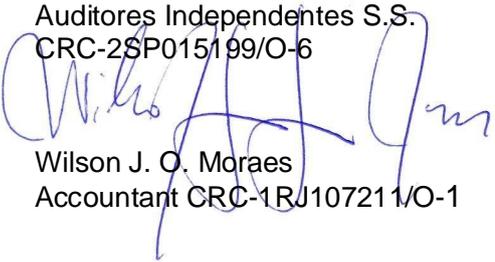
Other matters

Statements of value added

We also reviewed the statement of value added (SVA), for the six month period ended June 30, 2018, prepared under the responsibility of Company management, whose presentation in the interim financial information is required by the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR) and considered supplemental information under IFRS, which does not require the presentation of the SVA. This statement has been subject to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that it was not prepared, in all material respects, consistently with the overall interim financial information.

Rio de Janeiro, August 13, 2018.

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



Wilson J. O. Moraes
Accountant CRC-1RJ107211/O-1

Porto Sudeste V.M. S.A.

Balance sheets
June 30, 2018 and December 31, 2017
(In reais)

	Note	06/30/2018	12/31/2017
Assets			
Current assets			
Cash and cash equivalents	5	8,019	115,379
Taxes recoverable		1,118	938
Total current assets		<u>9,137</u>	<u>116,317</u>
Noncurrent assets			
Variable income securities - Port 11	6	39,208,520	31,590,642
Total noncurrent assets		<u>39,208,520</u>	<u>31,590,642</u>
Total assets		<u><u>39,217,657</u></u>	<u><u>31,706,959</u></u>
Liabilities and equity			
Current liabilities			
Trade accounts payable	7	59,906	3,827
Taxes and contributions payable		101	4,202
Total current liabilities		<u>60,007</u>	<u>8,029</u>
Noncurrent liabilities			
Variable income securities - PSVM 11	6	39,208,520	31,590,642
Total noncurrent liabilities		<u>39,208,520</u>	<u>31,590,642</u>
Equity			
Capital	8	606,040	606,040
Future capital contribution		200,000	200,000
Accumulated losses		(835,300)	(683,704)
Cumulative translation adjustments (CTA)		(21,610)	(14,048)
Total equity		<u>(50,870)</u>	<u>108,288</u>
Total liabilities and equity		<u><u>39,217,657</u></u>	<u><u>31,706,959</u></u>

See accompanying notes.

Porto Sudeste V.M. S.A.

Statements of operations

Three and six-month period ended June 30, 2018 and 2017

(In reais)

		04/01/2018 a	01/01/2018 a	04/01/2017 a	01/01/2017 a
	Note	06/30/2018	06/30/2018	06/30/2017	06/30/2017
Revenue, net of sale of assets		-	-	-	-
Costs of sales and services		-	-	-	-
Gross profit		-	-	-	-
General and administrative expenses	9.1	(28,372)	(134,525)	(46,559)	(98,291)
Income before financial income and expenses		(28,372)	(134,525)	(46,559)	(98,291)
Financial income	9.2	6,155	8,414	(530)	3,352
Financial expense	9.2	(12,625)	(25,485)	(15,610)	(25,170)
Financial expense		(6,470)	(17,071)	(16,140)	(21,818)
Income (loss) before taxes		(34,842)	(151,596)	(62,699)	(120,109)
Income and social contribution taxes		-	-	-	-
Loss for the period		(34,842)	(151,596)	(62,699)	(120,109)

See accompanying notes.

Porto Sudeste V.M. S.A.

Statements of other comprehensive income
Three and six-month period ended June 30, 2018, and 2017
(In reais)

	04/01/2018 a 06/30/2018	01/01/2018 a 06/30/2018	04/01/2017 a 06/30/2017	01/01/2017 a 06/30/2017
Loss for the period	(34,842)	(151,596)	(62,699)	(120,109)
Others comprehensive income	-	-	-	-
Cumulative translation adjustments	(5,952)	(7,562)	334	(1,276)
Total other comprehensive income (loss)	<u>(40,794)</u>	<u>(159,158)</u>	<u>(62,365)</u>	<u>(121,385)</u>

See accompanying notes.

Porto Sudeste V.M. S.A.

Statements of changes in equity
Six-month periods ended June 30, 2018 and 2017
(In reais)

	Capital reserve	Unpaid capital	Future capital contribution	Cumulative translation adjustments (CTA)	Accumulated losses	Total
Balances at December 31, 2016	1,000	(900)	405,940	(13,936)	(404,463)	(12,359)
Advance for future capital increase	-	-	200,000	-	-	200,000
Capital increase	605,940	-	(605,940)	-	-	-
Loss for the period	-	-	-	-	(120,109)	(120,109)
Accumulated currency translation adjustments	-	-	-	-	-	(1,276)
Balances at June 30, 2017	606,940	(900)	-	(4,289)	(524,572)	66,256
Balances at December 31, 2017	606,940	(900)	200,000	(18,225)	(683,704)	108,288
Accumulated currency translation adjustments	-	-	-	(7,562)	-	(7,562)
Loss for the period	-	-	-	-	(151,596)	(151,596)
Balances at June 30, 2018	606,940	(900)	200,000	(21,610)	(835,300)	(50,870)

See accompanying notes.

Porto Sudeste V.M. S.A.

Statements of cash flows
Six-month periods ended June 30, 2018 and 2017
(In reais)

	06/03/2018	06/03/2017
Cash flows from operating activities		
Loss for the period before taxes	(151,596)	(120,109)
Changes in assets and liabilities		
Trade accounts payable	56,079	(30,895)
Taxes recoverable	(180)	-
Taxes and contributions payable	(4,101)	(648)
Net cash used in operating activities	(99,798)	(151,652)
Cash flows from financing activities		
Advance for future capital increase	-	200,000
Net cash provided by financing activities	-	200,000
Foreign exchange related to functional currency	(7,562)	(1,277)
Increase (decrease) in cash and cash equivalents	(107,360)	47,071
Statement of increase in cash and cash equivalents		
At the beginning of the period	115,379	43,814
At the end of the period	8,019	90,885
Increase (decrease) in cash and cash equivalents	(107,360)	47,071

See accompanying notes.

Porto Sudeste V.M. S.A.

Statements of value added
Six-month periods ended June 30, 2018 and 2017
(In reais)

	<u>06/30/2018</u>	<u>06/30/2017</u>
Revenues		
Revenues	-	-
Inputs acquired from third parties (including ICMS and IPI)		
Materials, energy, third-party services and other expenses	(134,525)	(98,291)
Gross value added	(134,525)	(98,291)
Value added received in transfer		
Financial income	8,414	3,352
Total value added to be distributed	(126,111)	(94,939)
Distribution of value added		
Interest	25,485	25,170
Equity remuneration		
Loss for the period	(151,596)	(120,109)
	(126,111)	(94,939)

See accompanying notes.

Porto Sudeste V.M. S.A.

Notes to interim financial information
June 30, 2018
(In reais)

1. Operations

Porto Sudeste V.M S.A. ("Company") was incorporated on July 16, 2013 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.

Since February 13, 2014, the Company is a wholly-owned subsidiary of Porto Sudeste do Brasil S.A. ("Port Sudeste"), a privately held company responsible for "Port Sudeste" port terminal, dedicated to 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"). The venture began construction in July 2010, started operation on a commission basis in August 2015 and commercially in January 2016.

At June 30, 2018, the Company records a working capital deficit of R\$50,870, accumulated loss of R\$ 835,300 and a capital deficiency of R\$ 50,870 for the quarter then ended.

Since Parent Company Porto Sudeste is still in a ramp-up period, it will continue depending on support from controlling shareholders to continue operating as a going concern and/or on third-party funds until it reaches maturation. Parent Company Porto Sudeste understands that shareholders will provide the necessary funds so that it can generate cash to continue operating as a going concern.

Porto Sudeste's former parent company, MMX Mineração e Metálicos S.A. (MMX) holds a floating rate security in the market based on ore handling at Porto Sudeste, known as MMXM11. On the sale of control over Porto Sudeste to the companies, Impala Holding Limited ("Impala"), a division of Trafigura Pte. Ltd. ("Trafigura") and Mubadala Development Company PJSC ("Mubadala"), through its subsidiaries, agreed on the assumption of the debt related to MMXM11 securities by Porto Sudeste.

The investment agreement that regulated the acquisition of control of 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 amounts backed by Port11 Securities in exchange. The Company assumed the portion of outstanding MMXM11 Securities (i) that did not classify as qualifying investors, or (ii) would have had regulatory restrictions impeding the infrastructure investment fund shares (FIP-IE), as is the case with some investment funds.

At the Special General Meeting held on December 31, 2014, shareholders approved the Company's issue of Royalty-Based Floating Rate Securities or "PSVM11" which were fully subscribed by MMX. The realization of that transaction was dependent on the conclusion of the secondary public offering of royalty-based floating rate securities to be performed by MMX.

Porto Sudeste V.M. S.A.

Notes to interim financial information (Continued)

June 30, 2018

(In reais)

1. Operations (Continued)

On March 3, 2015, the secondary public offering was closed with 12,539,802 royalty securities having been distributed, which were all acquired by MMX through the delivery of an equal number of royalty-based floating rate 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 compensation, calculated based on the metric tonnage of iron ore and other cargo shipped from 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, the 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 the issue deed of those securities available on the Company's website and filed with the Brazilian SEC (CVM).

The measurements of the floating rate securities and 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 Accounting Pronouncements Committee - CPC 21 (R1), Interim Financial Statements 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).

Company management approved this interim financial information on July 31, 2018.

b) Basis for preparation and presentation

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

Porto Sudeste V.M. S.A.

Notes to interim financial information (Continued)

June 30, 2018

(In reais)

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

c) Functional and reporting currencies

The parent company, Porto Sudeste do Brasil S.A., began to earn revenue substantially denominated in US Dollars, therefore, on January 1, 2016, its functional currency was changed to US Dollars from Brazilian Reais. Accordingly Porto V.M.S.A. in line with the change in the functional currency at its controlling shareholder, also changed its functional currency to the US Dollar on January 1, 2016. Accordingly, pursuant to Brazilian legislation and CPC 02 - Effects of changes in exchange rates and translation of financial statements the interim financial information is being presented in Reais (R\$) converting the functional currency to the presentation currency (Reais). Assets and liabilities are translated at the closing exchange rate in the period; the statements of operations are stated at the exchange rate 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 this represents supplementary information.

e) Cash flow statement

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

f) Accounting estimates

The interim financial information was prepared based on distinct valuation bases used to prepare the accounting estimates. 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 variable yield securities measurement, as well as the analysis of other risks in determining other provisions, including the 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.

Porto Sudeste V.M. S.A.

Notes to interim financial information (Continued)

June 30, 2018

(In reais)

3. Summary of significant accounting practices and estimates

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

3.1. Financial instruments

Financial assets

Currently the Company's financial assets are represented by cash and cash equivalent balances measured at fair value through profit and loss.

Financial assets are classified at fair value through profit or loss if they are classified as held for trading and designated for such purpose upon initial recognition. Transaction costs, after initial recognition, are recognized in P&L when incurred.

Financial assets measured at fair value through profit or loss are stated in the balance sheet at fair value, and corresponding gains or losses are recognized in the statements of operations for the year.

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 rights to receive cash flows from the investments have expired or been transferred, and the Company has transferred substantially all the risks and rewards of ownership of the assets.

Financial liabilities

Currently the Company's financial liabilities are represented by the accounts payable balance and are initially measured when it becomes a party to the contractual provisions of the instrument. The Company writes off a financial liability when its contractual 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 variations and exchange rates, bearing interest incurred up to the balance sheet date, based on contractual terms. Gains and losses are recognized in the statement of operations when the liabilities are written off, as well as over the recognition of interest and monetary variations.

Porto Sudeste V.M. S.A.

Notes to interim financial information (Continued)

June 30, 2018

(In reais)

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 financial 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 law, available case law and the most recent court decisions and their relevance in legal system as well as by its legal counsel. 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 reviews its estimates and assumptions at least on an annual basis.

4. New accounting pronouncements and interpretations

The accounting practices adopted when preparing the interim financial information is consistent with that when preparing the financial statements at December 31, 2017.

The new pronouncements that went into effect on January 1, 2018, as disclosed in the financial statements at December 31, 2017, did not generate any significant effects on the Company's interim financial information.

Porto Sudeste V.M. S.A.

Notes to interim financial information (Continued)
June 30, 2018
(In reais)

5. Cash and cash equivalents

	<u>06/30/2018</u>	<u>12/31/2017</u>
Cash and cash equivalents	<u>8,019</u>	<u>115,379</u>
	<u>8,019</u>	<u>115,379</u>

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-yield 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 Corporation issued variable-yield 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-yield security, mirror of MMXM11 Security ("PSVM11 Securities"), and such security listed for trading with BM&FBOVESPA (contrary to Port11 Securities which are not accepted for trading in 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 (PSVM11).

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-yield 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:

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

Porto Sudeste V.M. S.A.

Notes to interim financial information (Continued)

June 30, 2018

(In reais)

6. Variable income securities (Continued)

Where:

R = royalties due in relation to each quarter of the fiscal year

TMMF = Iron Ore Measured Tonnage shipped in the Port in the respective quarter

TMOC = Measured Tonnage of Other Cargo shipped in the Port in the respective quarter

VpTMF = Value per Ton for Iron Ore (as defined below)

VpTDC = Value per Ton of Other Cargo (as defined below)

FP = Proportional Factor

The royalties 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.

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 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.

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”):

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

Porto Sudeste V.M. S.A.

Notes to interim financial information (Continued)

June 30, 2018

(In reais)

6. Variable income securities (Continued)

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
Tm	-	-	-	7,1	9,5	5,2

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

If, in a certain calendar quarter by the payment of current royalties the cash of issuer and Porto Sudeste is jointly higher than (a) USD 25,000 for the fiscal years between 2013 and 2017, or (b) USD 10,000 for the fiscal years subsequent, in both cases converted into reais at the exchange rate ("minimum cash reserve"), the issuer will use the values that exceed the minimum cash reserve ("available cash") to pay the effectively accumulated royalties to the holders of securities until the last day of said calendar quarter.

"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 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 June 30, 2018, the Parent Company (Porto Sudeste) performed the financial calculations to identify the existence of net cash available and concluded that the net cash available is negative on that date and, therefore the Company must not pay 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%. On June 30, 2018, the present value of discounted future cash flow amounted to US\$2,387,427,279, which converted into Brazilian reais totaled R\$9,205,442,102 (US\$2,242,111,213, which converted into Brazilian reais totaled R\$7,416,903,893 at December 31, 2017). Of these totals, the amounts corresponding to PSVM11 securities are represented as of June 30, 2018 at US\$10,168,712, which converted into reais totaled R\$39,208,520 (US\$9,549,771, which converted into reais totaled R\$31,590,642 on December 31, 2017).

Porto Sudeste V.M. S.A.

Notes to interim financial information (Continued)
June 30, 2018
(In reais)

7. Trade accounts payable

	<u>06/30/2018</u>	<u>12/31/2017</u>
Publishing expenses	29,450	-
Legal expenses	10,256	3,826
Audit fees	20,162	-
Others	38	-
	<u>59,906</u>	<u>3,826</u>

8. Equity

As at June 30, 2018, the subscribed capital is represented by 6,051,410 common shares (same quantity as at December 31, 2017), registered and with no par value, of which 9,000 shares are to be paid up, fully held by Porto Sudeste do Brasil S.A.

In October, 2017 the parent Porto Sudeste made a capital injection amounted to R\$200,000 used to pay the Company's obligations. Management plans to integrate the amount to equity in the second half of 2018.

The Company has R\$ 21,610 related to the cumulative translation adjustments on June 30, 2018, related to the conversion of the functional currency (dollar) into the Company's (real) presentation currency, in compliance with technical pronouncement CPC 02.

9. Expenses by nature

9.1. Administrative expenses by nature

	<u>06/30/2018</u>	<u>06/30/2017</u>
Audit fees	(20,162)	(25,916)
Lawyers fees	(25,934)	(2,280)
Others	(49,162)	(26,978)
Brazilian Securities and Exchange Commission	(39,267)	(43,117)
	<u>(134,525)</u>	<u>(98,291)</u>

Porto Sudeste V.M. S.A.

Notes to interim financial information (Continued)
June 30, 2018
(In reais)

9. Expenses by nature (Continued)

9.2. Financial income (expenses)

	<u>06/30/2018</u>	<u>06/30/2017</u>
Financial expenses		
Bank charges	(25,169)	(25,158)
Other expenses	(316)	(12)
	<u>(25,485)</u>	<u>(25,170)</u>
Financial income		
Income	850	595
Other income	-	1,480
Foreign exchange	7,564	1,277
	<u>8,414</u>	<u>3,352</u>
Net financial income	<u>(17,071)</u>	<u>(21,818)</u>

10. Subsequent events

On July 04, 2018, the parent Company Porto Sudeste do Brasil S.A. paid up as a future capital contribution the amount of R\$ 300,000, the capital increase will be done in March 2019.

Porto Sudeste V.M. S.A.

Notes to interim financial information (Continued)

June 30, 2018

(In reais)

Board of Directors

Nicolas Konialidis - Chairman

Oscar Pekka Fahlgren - Vice Chairman

Matthew John Hurn - Board Member

Julien Rolland - Board Member

Executive Board

Guilherme Caiado - Director of Operations

Nicolau Gaeta - Chief Financial and Investor Relations
Officer

Alexandre Carvalho de Andrade
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