

Financial Statements Individual and Consolidated

Porto Sudeste do Brasil S.A.

December 31, 2023
with Independent Auditor's Review Report

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 for your appreciation the individual and consolidated Financial Statements accompanied by the respective explanatory notes and the independent auditor’s report for the year ended December 31, 2023. Should you need any further clarifications, please do not hesitate to contact us. In closing 2023, Management 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-yield securities

Overview of Perpetual Variable-yield securities

In February 2014, IWL Holdings (Luxembourg) S.A.R.L. (“Trafigura”) and EAV Lux 2 S.A.R.L. (“Mubadala”), through PSA Fundo de Investimento e Participações, acquired the control of Porto Sudeste, until then exercised by MMX Mineração e Metálicos S.A. (“MMX”).

The investment agreement that regulated the acquisition of control of Porto Sudeste by Trafigura and Mubadala foresee, among others, that the Company would take over, directly or indirectly, obligations related to the variable-yield securities based on Royalties issued by MMX, traded on B3 S.A. - BRASIL. BOLSA. BALCÃO (“B3”) under the ticker MMXM11 (“MMXM11 securities”). In this context, Porto Sudeste issued, on February 26, 2014, Perpetual Variable-yield Securities (“PVS”), with similar terms to the MMXM11 Securities (“Port11”), which were fully subscribed on the same date by MMX. The investment agreement also provided for MMX’s obligation to carry out an exchange offer, aimed at all holders of the MMXM11 Securities, through which MMX would acquire the MMXM11 Securities, and deliver the Port11 Securities, or another security, in return backed by MMXM11 Securities (“Exchange Offer”). To implement such Exchange Offer, two different vehicles were used, in order to reach all holders of MMXM11 Securities:

- (i) FIP-IE Porto Sudeste Royalties (“PSR”): An infrastructure equity investment fund, which, at the time of the offer, held in its portfolio exclusively, Port11 Securities - and for each Port11 Security held by PSR would be entitled to a Unit. PSR’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 PSR units.
- (ii) Porto Sudeste V.M S.A. (“Porto VM”): 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 on B3 (contrary to Port11 Securities, which are not accepted for trading on the stock exchange). Under the aforementioned Exchange Offer, 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 - which happens with some investment funds.

As a way of addressing the situation of MMXM11 holders who eventually did not adhere to the Exchange Offer, MMX remained the holder of Port11 Securities in the same quantity of MMXM11 Securities not exchanged.

Upon completion of the Exchange Offer, Porto Sudeste has an obligation to pay the above vehicles and MMX, which in turn have an obligation to pay the holders of the exchanged shares/securities.

There are 983,407,010 Port11 Securities issued, being 98.61% held by PSR, 0.43% held by Porto V.M. and 0.96% held by MMX.

For more information, the indenture of the Port11 Securities is available on the Porto Sudeste do Brasil website.

Royalties Calculation

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

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
TMOOC = 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, considering 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 (“value per ton for other loads”) will be calculated based on the load margin. “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.

During the years 2013 to 2016, the commitment of royalties from Porto Sudeste, related to iron ore, was the minimum between the volume shipped in each period and the take-or-pay volume indicated in the table below:

Tons (million)	2013	2014	2015	2016
TMMF	13.6	31.9	36.8	36.8

From 2017 onwards, the volume of iron ore generating royalties (TMMF, in the formula above) is no longer subject to a take-or-pay, being, therefore, simply the volume shipped. In the table below, you can see the tonnage carried out by Porto Sudeste, with the start of operations in 2016, after commissioning carried out in 2015:

Tons (million)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
TMMF	-	-	-	7.1	9.5	10.7	16.4	18.7	17.8	17.4	26,1
TMOG	-	-	-	-	-	-	-	-	-	0.11	-

As the shipped volume of iron ore in 2016 was lower than the take-or-pay volume, the royalty commitment is based on this second parameter.

In the fourth quarter of 2023, Porto Sudeste shipped 7,105 thousand tons of iron ore (TMMF) and zero tons of other cargos (TMOG), which multiplied by the updated value per ton of US\$ 6,37 (VpTMF and VpTDC) resulted in royalties of US\$ 45,258 thousand, which converted to Reais amounted to R\$ 219,107 thousand. The accumulated Royalties until this quarter is US\$ 1,335,340 thousand, which converted to Reais amounted to R\$ 6,464,781 thousand.. No amount has been paid until this quarter.

Porto Sudeste VM, a wholly owned subsidiary of Porto Sudeste do Brasil, has US\$ 5,742 thousand in accumulated royalties receivable, which converted to Reais amounted to R\$ 27,799 thousand referring to the amount of Port11 Securities it holds (proportion of 0.43% of the total).

Reconciliation of quantities shipped and amounts paid as Royalties (accumulated)	Shipped 1st quarter 2023	Shipped 2nd quarter 2023	Shipped 3rd quarter 2023	Shipped 4th quarter 2023	Take-or-pay/ Shipping Accumulated
Volume TMMF (M/TONS)	5,144	6,961	6,926	7,105	235,667
Volume TMOC (M/TONS)	-	-	-	-	106
Price per Ton (USD)	5.00	5.00	5.00	5.00	5.00
PPI, accumulated	1.37	1.37	1.37	1.37	0.66
Price per TON (USD)	6.37	6.37	6.37	6.37	5.66
Royalty Porto Sudeste (USD k)	32,765	44,342	44,116	45,258	1,335,340
PSVM11 securities issued by Porto Sudeste V.M. S.A. as a percentage of Port11 securities	0.43%	0.43%	0.43%	0.43%	0.43%
Royalty Porto VM issued (USD mil)	141	191	190	195	5,742
Cash available for payment of Royalties	-	-	-	-	-
Royalties payable	-	-	-	-	-

Royalties Payment

Payment of Royalties in each quarter will be made within 60 days from the end of each calendar quarter and is subject to the existence of cash available for payment of Royalties, calculated after the discount of applicable taxes, cash cost of operations, operating expenses, capital expenditures for maintenance, amounts arising from the reversal of certain cash provisions, as well as respecting the preference of certain creditors of Porto Sudeste, all pursuant to clause 5.2 of the indenture of Port11 Securities ("Cash Available for Royalties").

Royalties will be cumulative, that is, if, in each quarter, the Cash Available for Royalties calculated by Porto Sudeste is not sufficient to allow the payment, in whole or in part, of the Royalties determined until then, such unpaid royalties must be added to the amount of royalties for the next quarter. Royalties shall only be considered due and payable when Porto Sudeste has determined sufficient Cash Available for Royalties for that purpose.

If, in a certain calendar quarter by the payment of current royalties the cash of issuer and Porto Sudeste is jointly higher than US\$10 million ("Minimum Cash Reserve"), the issuer will use the values that exceed the minimum cash reserve ("Available Cash") to pay the effectively accrued and not paid until the last day of such calendar quarter ("Accumulated Royalties").

There is no obligation on Porto Sudeste to pay Royalties, except if there is Free Cash held by the issuer on the last day of such calendar quarter and up to the limit of such available cash. "Free Cash" means the amount corresponding to the amounts available in the Porto Sudeste box minus the sum of (a) amounts provided by the shareholders of Porto Sudeste by means of a capital increase or shareholder guarantee, to the extent that such amounts were acquired as Porto Sudeste cash on hand, (b) BNDES senior debt service reserve account and CESCE senior debt service reserve account, and (c) cash amounts provisioned by Porto Sudeste jointly for IRPJ - Income Tax of Legal Entity, CSLL - Social Contribution on Net Income and other obligations for which the independent auditors of Porto Sudeste require provisioning.

In December 31, 2023, Porto Sudeste carried out the financial calculations and identified that there was not enough available cash generation to pay royalties to holders of Port11 Securities.

Cash available for payment of Royalties (in thousands of reais)	1st quarter 2023	2nd quarter 2023	3rd quarter 2023	4th quarter 2023
Cash from trade receivables	336,483	389,417	268,876	368,781
Applicable Taxes	(51,150)	(59,505)	(56,678)	(78,740)
Operating Costs	(56,243)	(55,683)	(54,055)	(73,026)
Investment	(23,010)	(17,788)	(38,479)	(33,287)
Operating expenses	(15,971)	(20,366)	(22,242)	(23,968)
Subtotal Total Cash Available for Payment of Royalties	190,109	236,075	97,422	159,760
Interests and Repayment of the Senior Debt	(194,598)	(239,910)	(101,523)	(165,499)
Total Cash Available for Payment of Royalties	(4,489)	(3,835)	(4,101)	(5,739)

The existing cash balance at Porto Sudeste (Controlling Company) refers to the balance of contributions from shareholders and balances that must be maintained in accounts to meet any operational obligation, such as the guaranteed account for the purchase of energy and Pis/ Cofins deposited in court. In this quarter, there was no cash balance available for royalty payments.

Cash available for payment of accumulated royalties (in thousands of reais)	1st quarter 2023	2nd quarter 2023	3rd quarter 2023	4th quarter 2023
Net Cash or Bank Accounts	22,905	22,902	7,052	5,791
Contributions by the stockholders and Mandatory balances	(22,905)	(22,902)	(7,052)	(5,791)
Total Cash Available for Payment of Accumulated Royalties	-	-	-	-

Royalties accounting policy

Porto Sudeste records Port11 Securities in Liabilities, based on the Present Value of the Projected Cash Flow of the payment of royalties. In other words, the amount shown in the Balance Sheet is different from the amount of royalties accrued until this quarter. Porto Sudeste VM records its right to receive royalties in Assets, corresponding to its portion on the value of Port11 securities, and the respective payment to PSVM11 holders in Liabilities.

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 11.71%. These projections are based on the Porto Sudeste Business Plan, which includes assumptions related to the growth of iron exports in the *Quadrilátero Ferrífero* of Minas Gerais, growth of the market share of Porto Sudeste, volumes of ore originated by mines belonging to its shareholders, operations with other solid and liquid bulk, commodity price expectations, among others.

On December 31, 2023, the present value of discounted future cash flow amounted to US\$3,678,868 which converted into Brazilian reais totaled R\$17,810,506 thousand (compared to US\$2,638,831 thousand, which converted into Brazilian reais totaled R\$13,768,633 thousand as of December 31, 2022). Of those totals, the amounts corresponding to PSVM11 securities are

represented at the base date of December 31, 2023, at US\$15.669, which converted into reais totaled R\$75.859 (US\$11,239, which converted into Brazilian reais totaled R\$58,644 as of December 31, 2022).

Transaction costs

Debt issue costs of variable-yield securities totaling R\$13.059 thousand at December 31, 2023 (R\$14,074 thousand at December 31, 2022) referring to outside legal counsel fees and commissions of guarantee were recorded as reduction of liabilities.

Itaguaí, March 21, 2024.

Management.

Porto Sudeste do Brasil S.A.

Individual and consolidated financial statements

December 31, 2023

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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 report on individual and consolidated financial statements

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

Opinion

We have audited the individual and consolidated financial statements of Porto Sudeste do Brasil S.A. ("Company"), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2023, and the statement of profit or loss, statement of comprehensive income (loss), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of Porto Sudeste do Brasil S.A. as at December 31, 2023, and its individual and consolidated financial performance and its cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the individual and consolidated financial statements section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by the Brazil's National Association of State Boards of Accountancy (CFC) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information accompanying the individual and consolidated financial statements and the auditor's report

The Board of directors are responsible for such other information, which comprise the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.



In connection with the audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the board and those charged with governance for the individual and consolidated financial statements

The Board of directors are responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, the board of directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the board either intends to liquidate the Company and its subsidiaries or to cease operations, or has no other realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process.

Auditor's responsibilities for the audit of individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Brazilian and International standards on auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:



- Identify and assesses the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Rio de Janeiro, March 21, 2024.

ERNST & YOUNG
Auditores Independentes S/S Ltda.
CRC SP-015199/O



Leonardo Araujo Ferreira
Accountant CRC RJ-116384/O

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Porto Sudeste do Brasil S.A.

Balance sheet
December 31, 2023 and 2022
(In thousands of reais)

	Note	Parent Company		Consolidated	
		2023	2022	2023	2022
Assets					
Current assets					
Cash and cash equivalents	4	5,791	37,848	182,716	99,223
Trade accounts receivable	5	29,873	53,598	29,873	53,598
Trade Accounts receivable from related parties	16	623,388	180,120	928,188	410,890
Inventory	6	74,498	65,555	213,332	141,532
Taxes recoverable		9,222	1,444	11,642	5,837
Dividends receivable		-	1,448	-	-
Advances	8	14,242	37,500	14,242	37,500
Other		-	6,115	3,521	9,647
Total current assets		757,014	383,628	1,383,514	758,227
Noncurrent assets					
Restricted deposits	7	13,611	12,318	13,611	12,318
Taxes recoverable		2,390	-	4,776	-
Investments	9	44,684	48,781	-	-
Property, plant and equipment	10	6,427,652	7,069,194	6,468,793	7,114,427
Intangible assets	11	10,414,859	11,395,499	10,414,859	11,395,499
Judicial deposits	19	74,447	55,714	74,846	56,102
Other		-	71	58	133
Total noncurrent assets		16,977,643	18,581,577	16,976,943	18,578,479
Total assets		17,734,657	18,965,205	18,360,457	19,336,706

	Note	Parent Company		Consolidated	
		2023	2022	2023	2022
Liabilities					
Current liabilities					
Trade accounts payable	12	59,768	67,313	499,512	123,320
Loans and financing	13	90,162	9,779	368,192	487,541
Taxes and contributions payable	15	59,448	17,704	66,236	20,206
Related parties	16	35,665	61,912	42,503	5,242
Customer advances		534	249	2,601	249
Labor benefits		27,214	23,787	27,214	23,787
Other		-	-	-	874
Total current liabilities		272,791	180,744	1,006,258	661,219
Noncurrent liabilities					
Loans and financing	13	5,741,693	6,335,167	5,741,693	6,335,167
Variable income securities	14	17,797,448	13,754,560	17,797,448	13,754,560
Negative equity provision	9	107,682	108,999	-	-
Provision for contingencies	18	8,177	7,476	8,192	7,501
Total noncurrent liabilities		23,655,000	20,206,202	23,547,333	20,097,228
Equity					
Capital	20	3,148,590	3,106,990	3,148,590	3,106,990
Future capital contribution		-	41,600	-	41,600
Cumulative translation adjustments (CTA)		77,705	364	77,705	364
Accumulated losses		(9,419,429)	(4,570,695)	(9,419,429)	(4,570,695)
Total equity		(6,193,134)	(1,421,741)	(6,193,134)	(1,421,741)
Total liabilities and equity					
		17,734,657	18,965,205	18,360,457	19,336,706

See accompanying notes.

Porto Sudeste do Brasil S.A.

Statement of income (loss)
Years ended December 31, 2023, and 2022
(In thousands of reais)

	Note	Parent Company		Consolidated	
		2023	2022	2023	2022
Revenue, net of sale of assets	21	1,582,898	1,121,262	6,669,856	4,149,051
Costs of sales and services	22	(617,396)	(465,281)	(5,635,200)	(3,500,842)
Gross profit		965,502	655,981	1,034,656	648,209
Operating income (expenses)					
General and Administrative	23	(80,458)	(86,768)	(81,485)	(87,352)
Equity pickup	9	(8,381)	(23,844)	-	-
Other operating income (expenses)	14	(3,153,216)	2,590,138	(3,153,213)	2,589,982
		(3,242,055)	2,479,526	(3,234,698)	2,502,630
Income before financial income (expense) and taxes		(2,276,553)	3,135,507	(2,200,042)	3,150,839
Financial income (expenses)	24				
Financial income		595,540	797,957	676,359	1,062,473
Financial expenses		(3,167,721)	(4,487,101)	(3,323,072)	(4,766,949)
		(2,572,181)	(3,689,144)	(2,646,713)	(3,704,476)
Income before income taxes		(4,848,734)	(553,637)	(4,846,755)	(553,637)
Income and social contribution taxes	17	-	-	(1,979)	-
Loss for the year		(4,848,734)	(553,637)	(4,848,734)	(553,637)

See accompanying notes.

Porto Sudeste do Brasil S.A.

Statement of comprehensive income (loss)
Years ended December 31, 2023, and 2022
(In thousands of reais)

	Parent Company		Consolidated	
	2023	2022	2023	2022
Loss for the year	(4,848,734)	(553,637)	(4,848,734)	(553,637)
Exchange differences related to conversion into reporting currency	77,341	(109,257)	77,341	(109,257)
Total comprehensive income (loss)	(4,771,393)	(662,894)	(4,771,393)	(662,894)

See accompanying notes.

Porto Sudeste do Brasil S.A.

Statement of changes in equity
 Years ended December 31, 2023, and 2022
 (In thousands of reais)

	Consolidated				
	Capital	Future capital contribution	Cumulative translation adjustment	Accumulated losses	Total
Balances at December 31, 2021	3,081,370	12,810	109,621	(4,017,058)	(813,257)
Capital increase	25,620	(25,620)	-	-	-
Advance for future capital increase	-	54,410	-	-	54,410
Cumulative translation adjustments (CTA)	-	-	(109,257)	-	(109,257)
Loss for the year	-	-	-	(553,637)	(553,637)
Balances at December 31, 2022	3,106,990	41,600	364	(4,570,695)	(1,421,741)
Capital increase	41,600	(41,600)	-	-	-
Cumulative translation adjustments (CTA)	-	-	77,341	-	77,341
Loss for the year	-	-	-	(4,848,734)	(4,848,734)
Balances at December 31, 2023	3,148,590	-	77,705	(9,419,429)	(6,193,134)

See accompanying notes.

Porto Sudeste do Brasil S.A.

Statement of cash flows

Years ended December 31, 2023, and 2022

(In thousands of reais)

	Controladora		Consolidado	
	2023	2022	2023	2022
Cash flows from operating activities				
Income (loss) before income taxes	(4,848,734)	(553,637)	(4,846,755)	(553,637)
Non-cash P&L items				
Depreciation and amortization	332,554	256,902	332,560	256,914
Write-off of assets	3,968	-	3,968	-
Other amortization	70,044	9,455	70,044	9,492
Equity pickup	8,381	23,844	-	-
Royalties adjustment	5,110,223	493,876	5,110,223	493,876
Monetary variation and interest	570,786	546,138	635,267	565,387
Other provisions	6,343	32,629	218,530	32,590
Changes in assets and liabilities				
Accounts receivable	36,427	(36,002)	36,427	(36,002)
Accounts receivable with related parties	(457,148)	(107,479)	(608,560)	(381,574)
Other advances	(42,274)	(40,115)	(351,528)	(40,152)
Dividends	1,448	-	-	-
Inventory	(14,176)	(5,596)	(77,839)	192,578
Judicial deposits	(4,707)	(10,994)	(4,718)	(10,855)
Taxes recoverable	(61,604)	(48,963)	(61,977)	(50,486)
Advances from customers	1,480	192	3,586	192
Trade accounts payable	20,160	24,666	495,138	(28,667)
Taxes and contributions payable	92,933	59,833	95,200	59,123
Obligation to third parties	(4,224)	1,919	(4,224)	1,919
Transactions with related parties	(23,651)	57,493	(17,682)	58,163
Interest paid	(250,565)	(284,709)	(285,077)	(298,837)
Other assets	6,038	11,306	6,038	7,784
Net cash used in operating activities	553,702	430,758	748,621	277,808
Cash flow from investing activities				
Acquisition of property and equipment	(124,751)	(120,286)	(127,582)	(120,286)
Advance for future capital increase	(600)	(970)	-	-
Net cash used in investing activities	(125,351)	(121,256)	(127,582)	(120,286)
Cash flows from financing activities				
Advance for future capital increase	-	54,410	-	54,410
Borrowings	-	-	1,542,423	2,008,607
Guarantee fee	(29,772)	(30,402)	(29,772)	(30,402)
Loan repayment	(420,596)	(308,912)	(2,126,900)	(2,179,709)
Net cash provided by financing activities	(450,368)	(284,904)	(614,249)	(147,094)
Exchange differences, net				
Foreign exchange differences	(10,040)	3,646	76,703	12,257
Increase / (decrease) in cash and cash equivalents	(32,057)	28,244	83,493	22,685
Statement of increase (decrease) in cash and cash equivalents				
At beginning of year	37,848	9,604	99,223	76,538
At end of year	5,791	37,848	182,716	99,223
Increase / (decrease) in cash and cash equivalents	(32,057)	28,244	83,493	22,685

See accompanying notes.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements - continued

December 31, 2023

(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 headquartered at Rua Félix Lopes Coelho, 222, Ilha da Madeira, Itaguá, Rio de Janeiro.

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.

IWL Holdings (Luxembourg) S.A.R.L. ("Trafigura") and EAV Lux 2 S.A.R.L. ("Mubadala"), through investees became joint holders of 99,35% 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.

Company's financial position

On December 31, 2023, the Company records a consolidated working capital of R\$377,256 thousand, a consolidated loss for the year of R\$4,848,734 thousand (impacted by the increase in the valuation of Port11 securities, as per Note 14) and consolidated accumulated loss of R\$9,419,429 thousand, thus, the equity on December 31, 2023, is negative amounting R\$6,193,134 thousand. The Company closed the quarter with a cash position consolidated of R\$182,716 thousand.

The Company started operations in January 2016 and has a positive operating cash flow. 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, and non-maintenance investments of iron ore operational), according to the Company's business model, there is an additional cash requirement of approximately R\$105,277 thousand (equivalent US\$20,868 thousand) which will be made available by the shareholder, considering current limitations imposed by the senior debt agreements in relation to investments in new businesses, which cannot be repaid from operating cash flow.

In the fourth quarter of 2023, the parent company shipped approximately 7,1 million tons of iron ore. The Company also handled other cargoes in this quarter, through the unloading of 73 thousand tons of coal, and 8 ship-to-ship oil transshipment operation, amounts that are still not very representative when compared to iron ore. Year to date, there were approximately 26,1

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements - continued

December 31, 2023

(In thousands of reais, unless otherwise stated)

1. Operations (Continued)

Company's financial position (Continued)

million tons of iron ore, 0,3 thousand tons of other solid bulk and 9 oil operation.

The good operational performance positively reflected on the financial performance of the Company. All excess cash generation was allocated to the payment of the principal of the senior debt, through the cash sweep mechanism which considers a 100% distribution factor until December 2023.

The net accounting loss was impacted, primarily, by the effect of the Port11 Securities recorded in Liability (Note 14), which are marked at fair value, therefore, a better expectation of their payment generates an increase in their present value.

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 50 million tons per year, 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 Agência Nacional de Transporte Aquaviários (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. 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 (50 million tons per year), the Company completed the assembly of equipment in the mid of 2015 and on November 12, 2015 was granted by Agência Nacional de Transporte Aquaviários (ANTAQ) TLO Number 11/2015, authorizing the Company to move on with the partial operation of the Private Use Terminal, in accordance with Agência Nacional de Transportes Aquaviários (ANTAQ) standards and regulations, considering the adjustments of the New Ports Law.

As regards the Brazilian Tax Authority, the areas of yard 06, tunnel, pier and yard 32 are within an export customs area.

In December 2021, the Company completed the licensing process for the transshipment to countership operation for handling liquid bulk. In 2022, the Company carried out its first commercial operations, serving companies that explore for oil in the pre-salt layer.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements - continued

December 31, 2023

(In thousands of reais, unless otherwise stated)

1. Operations (Continued)

Licenses (Continued)

Continuing the process of diversifying operations, on December 27, 2022, as published in the Diário Oficial, the company obtained from the National Agency for Waterway Transport - ANTAQ, the Term of Installation License (TLI), which allows the construction and deployment to expand the capacity of the maritime terminal, by an additional 50 million tons per year of liquid bulk, totaling 100 million tons.

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

a) Individual and consolidated condensed financial

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.

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 Company's individual and consolidated financial statements were prepared in accordance with accounting practices adopted in Brazil and in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), implemented in Brazil through the Accounting Pronouncements Committee ("CPC") and its technical interpretations ("ICPC") and guidelines ("OCPC"), approved by the Brazilian Securities Commission ("CVM").

In addition, the Company considered the guidelines issued by Technical Guidance OCPC 07, issued by the CPC in November 2014, in the preparation of its financial statements. Therefore, the relevant information in the financial statements is being disclosed and corresponds to that used by management in its management.

On March 21, 2024 the Company management authorized the conclusion and disclosure of this individual and consolidated interim condensed financial information.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements - continued

December 31, 2023

(In thousands of reais, unless otherwise stated)

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

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 the beginning of operations 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, 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 average 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".

d) Consolidation

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

	Interest - %				Location of headquarters	Main activity
	Capital		Voting capital			
	2023	2022	2023	2022		
Direct subsidiaries						
Pedreira	99.98%	99.98%	99.98%	99.98%	Brazil	Extraction and crushing 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;

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements - continued

December 31, 2023

(In thousands of reais, unless otherwise stated)

d) Consolidation (Continued)

- (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

3.1. Financial instruments

a) Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not measured at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or at fair value through other comprehensive income, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Company's cash and cash equivalents balance are classified as financial assets measured at fair value through profit or loss.

a) Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and receivables, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements - continued

December 31, 2023

(In thousands of reais, unless otherwise stated)

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

3.1. Financial instruments (Continued)

b) Financial liabilities (Continued)

All financial liabilities are recognized initially at fair value, plus or less, in the case of a financial liability other than at fair value through profit or loss, transaction costs that are directly attributable to the issue of a financial liability.

The principal Company's financial liabilities include trade payables and loans.

c) Offsetting (net presentation) of financial instruments

Financial assets and liabilities are presented net in the statement of financial position whether there is a currently enforceable legal right to offset the recognized amounts, and there is an intention to offset them or realize the asset and settle the liability simultaneously.

3.2. Cash and cash equivalents

Cash equivalents are held for 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 cash equivalent when it is redeemable in the short term, e.g. three months or less from the investment date.

3.3. Inventory

Inventories are valued at the average acquisition or production cost, reduced by a provision for loss of market value, when applicable. The cost of these items includes expenses incurred on acquisition, transportation and storage of related assets. In the case of finished inventories, the cost includes overall manufacturing expenses based on normal operating capacity.

3.4. Investments

The Company's investments in its subsidiaries are accounted for using the equity method in its individual financial statements. Therefore, these investments are recorded in the Parent Company's statement of financial position at cost, increased by changes after acquisition of ownership interest in the subsidiary or affiliate. Goodwill, if any, is included in the investment's book value, and is not amortized. Goodwill is reclassified in the consolidated financial statements as an intangible asset.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements - continued

December 31, 2023

(In thousands of reais, unless otherwise stated)

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

3.4. Investments (Continued)

The statement of operations reflects the portion of P&L from operations of the subsidiaries, and changes directly recognized in equity are reflected, when applicable, in the Parent Company's statement of changes in equity

The Company decides whether it is necessary to recognize any additional impairment losses in investment in its investees. If applicable, the Company calculates the amount of impairment loss as the difference between the investment's recoverable amount and the carrying amount and recognizes this sum in P&L.

3.5. Properties, plant and equipment

Property and equipment items are recorded at acquisition, buildup or construction cost, including interest, foreign exchange gains (losses) and other financial charges incurred over project construction or development, less accumulated depreciation and/or accumulated impairment losses, if any.

3.5. Properties, plant and equipment

An item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses, if any, arising from derecognition are classified in the statement of operations for the year in which the asset is derecognized.

Property and equipment includes prepayments for the rendering of services or the acquisition of property and equipment items carried out based on contracts in force and are reclassified for the respective group of accounts when the services or installed equipment are ready to be used and provide cash.

Repair and maintenance expenses are recorded directly in the statement of operations when incurred.

Depreciation is calculated over the depreciable value, which is the cost of an asset, or another substitute for the cost, deducted from the residual value. Depreciation of property and equipment items is calculated by the straight-line method for civil construction, facilities and administrative equipment, and by a method for operated unit for operational equipment, taking into consideration the economic useful lives of these assets.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements - continued

December 31, 2023

(In thousands of reais, unless otherwise stated)

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

3.6. Impairment of nonfinancial assets

The carrying amounts of the Company's nonfinancial assets are reviewed every reporting date in order to determine whether there is any indication of impairment loss. If such indication exists, the asset recoverable amount is determined. In the case of goodwill and intangible assets with indefinite useful life or intangible assets under development that are not yet available for use, the recoverable amount is estimated every year.

The recoverable amount of an asset or a Cash-Generating Unit (CGU) is defined as the higher of value in use and fair value less costs to sell. In evaluating value in use, the estimated future cash flows are discounted to present value through the discount rate before taxes that reflects the conditions prevailing in the market in relation to the capital recoverability period and specific risks of the asset.

Impairment loss is recognized in P&L for the year if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses related to CGUs are initially allocated to reduce the carrying amount of any goodwill allocated to the CGUs and then, if there is any remaining loss, to reduce the carrying amount of the other assets.

Impairment loss related to goodwill is not reversed. In relation to other assets, impairment losses recognized in prior years are evaluated every reporting date in relation to any indication that the loss has increased, decreased or no longer exists.

3.7. Other assets and liabilities short term and long term

An asset is recognized in the statement of financial position when its future economic benefits are likely to flow to the Company, and its cost or value can be reliably measured.

A liability is recognized in the statement of financial position when the Company has a legal obligation or obligation resulting from a past event, which will probably require an economic resource to settle it. Provisions are recorded based on the best estimates of the risk involved.

Noncurrent monetary assets and liabilities are adjusted to present value and so are current monetary assets and liabilities whenever the effects are considered significant to the overall financial statements. The present value adjustment is calculated using contractual cash flows and the explicit, and sometimes implicit, interest rates of the respective assets and liabilities.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements - continued

December 31, 2023

(In thousands of reais, unless otherwise stated)

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

3.8. Taxes

Taxes on sales and services

Sales and service revenues are subject to the following taxes and contribution taxes, at the following statutory rates:

- Contribution Tax on Gross Revenue for Social Integration Program (PIS) - 0.65% and 1.65%;
- Contribution Tax on Gross Revenue for Social Security Financing (COFINS) - 3.0% and 7.6%;
- Service Tax (ISS) - 5%.

These charges are presented as sales deductions in the statement of operations.

Income and social contribution taxes

Taxation on income includes income and social contribution taxes, which are calculated on taxable income at the rate of 15%, plus 10% surtax for income exceeding R\$240 during a period of 12 months, and 9% for social contribution tax. Therefore, additions to book profit deriving from temporarily nondeductible expenses or exclusions from temporarily non-taxable income to determine current taxable profit generate deferred tax assets or liabilities. Prepaid or recoverable taxes are stated in current or noncurrent assets, based on their estimated realization. Porto Sudeste subsidiaries are taxed through the actual profit method.

Deferred taxes arise from temporary differences at the Balance Sheet date between the tax bases of assets and liabilities and their book values and tax loss balances. Deferred tax assets are recognized for all deductible temporary differences, credits and unused tax losses, to the extent that it is probable that taxable profit will be available so that deductible temporary differences may be realized, and credits and tax losses may be used. Deferred tax liabilities are recognized for all taxable temporary differences.

The book value of deferred tax assets is revised at each Balance Sheet date, and the balance is maintained to the extent that its recovery is likely, based on future taxable profits.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized, or the liability is settled.

Deferred tax assets and liabilities are shown net when related to the same entity taxed and when subject to the same tax authority.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements - continued

December 31, 2023

(In thousands of reais, unless otherwise stated)

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

3.9. Provisions (including contingencies)

Provisions are recognized when the Company has a present obligation (legal or constructive) arising from a past event, 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. Assessment of the likelihood of loss includes analysis of available evidence, hierarchy

3.9. Provisions (including contingencies) (Continued)

of laws, available case law, recent court decisions and their relevance in the legal system, as well as the opinion of the Company's 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 matters or court decisions.

Settlement of transactions involving these estimates may result in amounts materially different from those recorded in the financial statements due to inaccuracies inherent to their determination process. The Company's management reviews its estimates and assumptions on a quarterly basis.

3.10. Revenue from Contracts with Customers

IFRS 15, equivalent to CPC 47 establishes a five-step model for accounting for customer contract revenue and requires revenue to be recognized at a value that reflects the consideration that the entity expects to receive in return for the transfer of goods or services to a customer.

IFRS 15 requires entities to exercise judgment, taking into account all relevant facts and circumstances when applying each step of the model to contracts with their clients. The standard also specifies the accounting for the incremental costs of obtaining a contract and costs directly related to compliance with a contract. The Company considers whether there are other promises in the contract that are distinct performance obligations, to which a portion of the transaction price needs to be allocated. In determining the transaction price for the rendering of services, the Company considers the existence of a variable consideration, significant financing components, non-monetary consideration and the consideration due to the customer (if any).

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements - continued

December 31, 2023

(In thousands of reais, unless otherwise stated)

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

3.10. Revenue from Contracts with Customers (Continued)

i) Sale of goods

The Company expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

The revenue from the sale of ore is recognized when the significant risks and benefits of the property are transferred, which for sale in the foreign market occurs when the vessels are loaded for transport.

ii) Rendering of services

Revenue from services rendered is recognized based on the fulfillment of the performance obligations specified in the contracts with customers. The Company provides port services and based on the contracts the performance obligation is fulfilled with the completion of loading of vessels.

3.11. Significant accounting judgments, estimates and assumptions

Preparing the Company's financial statements requires that management make judgment and estimates and adopt assumptions that affect those figures reported as revenues, expenses, assets and liabilities, as well as contingent liability disclosures, as of the financial statement reporting date. However, uncertainty associated with those estimates and assumptions could lead to results that would require significant adjustment to the book value of assets or liabilities affected in future periods. Significant items subject to judgments and estimates are as follows: measurement of floating rate securities, recognition and analysis of recoverability of tax credits, useful lives of property and equipment and intangible assets, impairment losses and provisions for contingencies.

3.12. Statements of cash flow

The statements of cash flow were prepared and are presented by the indirect method.

3.13. Intercompany transactions

Transactions with related parties are contracts for port services were, generally, carried out under conditions and terms similar to those of the market. Certain transactions, due to their unique and/or specific characteristics and conditions, therefore not comparable, were established on fair terms between the parties, in order to adequately remunerate their respective investments and operating costs.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements - continued

December 31, 2023

(In thousands of reais, unless otherwise stated)

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

3.14. New or revised pronouncements applicable from January 1, 2023

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 17 - Insurance contracts

IFRS 17 (equivalent to CPC 50 Insurance Contracts) is a new accounting standard with scope for insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 (CPC 50) replaces IFRS 4 - Insurance Contracts (equivalent to CPC 11). IFRS 17 (CPC 50) applies to all types of insurance contracts (such as life, elementary, direct insurance and reinsurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation characteristics; some scope exceptions will apply. The general objective of IFRS 17 (CPC 50) is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. The changes had no impact on the financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 (equivalent to CPC 23 - Accounting policies, changes in estimates and correction of errors) clarify the distinction between changes in accounting estimates, changes in accounting policies and correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The changes had no impact on the financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 (equivalent to CPC 26 (R1) - Presentation of Financial Statements) and IFRS Practice Statement 2 provide guidance and examples to help entities apply materiality judgments to disclosures of accounting policies. The amendments aim to help entities provide more useful accounting policy disclosures by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality when making decisions about accounting policy disclosures. The changes had no impact on the financial statements.

Deferred Tax related to Assets and Liabilities arising from a Simple Transaction - Amendments to IAS 12

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements - continued

December 31, 2023

(In thousands of reais, unless otherwise stated)

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

3.14. New or revised pronouncements applicable from January 1, 2023 (Continued)

The amendments to IAS 12 Income Tax (equivalent to CPC 32 - Income Taxes) narrow the scope of the initial recognition exception, so that it no longer applies to transactions that generate equal taxable and deductible temporary differences, such as leases and decommissioning liabilities. The changes had an impact on the disclosures of accounting policies, but not on the measurement, recognition, or presentation of items in the financial statements.

International Tax Reform - Pillar Two Model Rules - Amendments to IAS 12

The changes to IAS 12 (equivalent to CPC 32 - Income Taxes) were introduced in response to the OECD's Pillar Two rules on BEPS and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of financial statements better understand an entity's exposure to Pillar Two income taxes arising from this legislation, especially before the effective date.

The mandatory temporary exception - the use of which must be disclosed - is effective immediately. The remaining disclosure requirements apply to annual reporting periods beginning on or after January 1, 2023, but not for any interim period ending on or before December 31, 2023. The changes had no impact on the Company's financial statements.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements - continued

December 31, 2023

(In thousands of reais, unless otherwise stated)

4. Cash and equivalents and marketable securities

	Parent Company		Consolidated	
	2023	2022	2023	2022
Cash and banks	877	12,053	1,532	12,925
Cash equivalents	4,914	25,795	181,184	86,298
	5,791	37,848	182,716	99,223

The Company invests in Bank Deposit Certificates (CDB) and carries out with repurchase agreements operations backed by private securities (CDB). The securities are issued by top-tier companies and financial institutions, all subject to floating rates, with an average remuneration pegged to the DI 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 75% to 93% of the Interbank Deposit Certificate (CDI) variation, respectively.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements - continued

December 31, 2023

(In thousands of reais, unless otherwise stated)

5. Accounts receivables

	Parent Company		Consolidated	
	2023	2022	2023	2022
Port fee	29,873	53,598	29,873	53,598
	29,873	53,598	29,873	53,598

The balance on December 31, 2023, was substantially received until January 2024. Management understands that there is no need to record a provision for estimated losses on allowance for loan losses.

6. Inventory

	Parent Company		Consolidated	
	2023	2022	2023	2022
Gravel	-	-	1,899	2,204
Iron ore	-	-	136,935	73,344
Warehouse	74,498	65,555	74,498	65,984
	74,498	65,555	213,332	141,532

On December 31, 2023, the Company evaluated its inventory by comparing it to the market price and did not identify the need to record any provisions for losses in iron ore inventory, either for reasons of obsolescence or impairment.

7. Restricted deposits

	Parent Company		Consolidated	
	2023	2022	2023	2022
Trustee ACC Itaú BBA (*)	13,611	12,318	13,611	12,318
	13,611	12,318	13,611	12,318

(*) 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. These deposits are invested in first class financial institutions and substantially remunerate between 63% and 106% of the variation of the Interbank Deposit Certificate (CDI).

8. Advances

	Parent Company		Consolidated	
	2023	2022	2023	2022
Customs clearance	2,596	2,752	2,596	2,752
Fuel	3,713	9,349	3,713	9,349
Energy	3	2,580	3	2,580
Professional services	4,760	11,896	4,760	11,896
Machinery and equipments	775	8,488	775	8,488
Other	2,395	2,435	2,395	2,435
	14,242	37,500	14,242	37,500

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements - continued

December 31, 2023

(In thousands of reais, unless otherwise stated)

9. 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 14.

Porto Sudeste Exportação e Comércio S.A.

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

Changes in investments

	2022	Equity pick-up (*)	Capital increase	Effect of conversion into Brazilian reais	2023
Pedreira	19,214	(566)	-	(1,462)	17,186
TCS	29,258	(291)	450	(2,114)	27,303
Porto VM	309	(243)	150	(21)	195
	<u>48,781</u>	<u>(1,100)</u>	<u>600</u>	<u>(3,597)</u>	<u>44,684</u>

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements - continued

December 31, 2023

(In thousands of reais, unless otherwise stated)

9. Investments (Continued)

	Parent Company			2023
	2022	Equity pick-up (*)	Effect of conversion into Brazilian reais	
Porto Sudeste Exportação	(108,999)	(7,281)	8,598	(107,682)
	(108,999)	(7,281)	8,598	(107,682)

(*) On December 31, 2023 the Company recognized a result of negative equity, that totalizing R\$8,381.

Ownership interest and summary of investees

	Interest	2023					
		Number of shares/ units (thousand)	Assets	Liabilities	Equity	Net Revenue	P&L for the year
Pedreira	99.98%	49,001	19,330	2,145	17,185	72	(566)
TCS	99.98%	3,447	2,277	-	2,277	-	(291)
Porto VM	100%	-	76,078	75,883	195	-	(243)
Porto Sudeste Exportação	100%	-	1,518,729	1,626,411	(107,682)	5,933,431	(7,281)

	Interest	2022					
		Number of shares/ units (thousand)	Assets	Liabilities	Equity	Net Revenue	P&L for the year
Pedreira	99.98%	49,001	26,720	7,506	19,214	-	(66)
TCS	99.98%	3,447	2,286	-	2,286	-	(300)
Porto VM	100%	-	59,017	58,708	309	-	(401)
Porto Sudeste Exportação	100%	-	508,736	617,735	(108,999)	3,531,755	(23,077)

Porto Sudeste do Brasil S.A.

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

December 31, 2023

(In thousands of reais, unless otherwise stated)

10. Property, plant and equipment

	Facilities	Machinery and equipment	Land	Construction in progress	Buildings and improvements	Other	Total
Net balance at December 31, 2021	143,031	1,329,391	185,766	150,614	5,817,939	73,932	7,700,673
Additions	86	7,916	-	125,144	-	7,494	140,640
Transfers	2	(3,379)	-	1,021	-	2,356	-
Depreciation for the year	(13,515)	(58,793)	-	-	(94,059)	(1,771)	(168,138)
Effect of conversion into Brazilian reais	(15,870)	(108,221)	(12,262)	(6,507)	(410,187)	(5,701)	(558,748)
Net balance at December 31, 2022	113,734	1,166,914	173,504	270,272	5,313,693	76,310	7,114,427
Additions							
Write-off	533	38,767	-	79,086	602	8,594	127,582
Transfers	-	(3,968)	-	-	-	-	(3,968)
Depreciation for the year	89,116	72,014	-	(131,347)	2,983	(32,766)	-
Effect of conversion into Brazilian reais	(22,985)	(85,431)	-	-	(94,079)	(2,160)	(204,655)
	(18,913)	(109,233)	(13,330)	(10,600)	(406,463)	(6,054)	(564,593)
Net balance at December 31, 2023	161,485	1,079,063	160,174	207,411	4,816,736	43,924	6,468,793
Accumulated balances							
Cost	162,459	1,149,318	126,188	262,376	4,703,060	77,805	6,481,206
Accumulated depreciation	(72,871)	(270,774)	-	-	(732,274)	(7,048)	(1,082,967)
Effect of conversion into Brazilian reais	24,146	288,370	47,316	7,896	1,342,907	5,553	1,716,188
Net balance at December 31, 2022	113,734	1,166,914	173,504	270,272	5,313,693	76,310	7,114,427
Cost	252,108	1,256,131	126,188	210,115	4,706,645	53,633	6,604,820
Accumulated depreciation	(95,856)	(356,205)	-	-	(826,353)	(9,208)	(1,287,622)
Effect of conversion into Brazilian reais	5,233	179,137	33,986	(2,704)	936,444	(501)	1,151,595
Net balance at December 31, 2023	161,485	1,079,063	160,174	207,411	4,816,736	43,924	6,468,793

Porto Sudeste do Brasil S.A.

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

December 31, 2023

(In thousands of reais, unless otherwise stated)

10. Property, plant and equipment (Continued)

Depreciation and amortization

Depreciation and amortization are recorded for all property, plant and equipment with the exception of land, which is not depreciated. Depreciation and amortization rates are based on the estimated useful lives of the assets, as follows:

- Buildings and improvements - 10 to 50 years
- Facilities - 5 to 50 years
- Machines and equipment - 1 to 30 years
- Others - 1 to 15 years

Impairment test for property and equipment

In 2023, the Company assessed the indications that any asset could be recorded above its recoverable amount, and after the impairment test carried, we 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 6.73%. These projections are based on the Company's Business Plan which includes assumptions related to the growth of iron ore exports from the quadrilátero ferrífero of Minas Gerais, market share of Porto Sudeste, volumes of ore originated by mines belonging to its shareholders, operations with other solid and liquid bulk, expectations of prices of commodity, among others.

11. Intangible

	<u>Port license</u>
Balance at December 31, 2021	<u>12,314,731</u>
Amortization	(88,776)
Effect of conversion into Brazilian reais	(830,456)
Balance at December 31, 2022	11,395,499
Amortization	(127,905)
Effect of conversion into Brazilian reais	(852,735)
Balance at December 31, 2023	<u>10,414,859</u>

Porto Sudeste do Brasil S.A.

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

December 31, 2023

(In thousands of reais, unless otherwise stated)

11. Intangible (Continued)

The license is amortized over the concession period of the port for a period of 50 years, considering the operated volume.

Impairment test for intangible assets with defined useful life

On 2023, the Company assessed whether there were any indicators that the license could be above its recoverable amount. After performing the tests, a mentioned in Note 10, 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 6.73%.

12. Trade accounts payable

	Parent Company		Consolidated	
	2023	2022	2023	2022
Equipment rental	6,143	3,160	6,143	3,160
Energy	5,258	2,120	5,258	2,120
Fuel	249	37	249	37
Construction in progress	9,975	36,754	9,975	36,754
Iron ore (a)	-	-	420,795	47,921
Rail freight	-	-	18,861	8,016
Machinery and equipment	1,828	2,342	1,828	2,342
Insurance	610	259	610	259
Services	35,705	22,641	35,793	22,711
	59,768	67,313	499,512	123,320

(a) Refers to the purchase of iron ore from miners by one of its subsidiaries. With the significant increase in the volume volume exported by this subsidiary, there was an increase in this item.

13. Loans and financing

Loans per currency

	Consolidated			
	Current liabilities		Noncurrent liabilities	
	2023	2022	2023	2022
Taken out in US dollars				
Principal	287,988	475,015	2,922,543	3,308,204
Interests	42,260	2,947	1,310,232	1,151,657
Transaction costs	-	-	(17,650)	(19,698)
	330,248	477,962	4,215,125	4,440,163
Taken out in Brazilian reais				
Principal	31,319	-	1,639,033	2,022,975
Interests	6,625	9,579	-	-
Transaction costs	-	-	(112,465)	(127,971)
	37,944	9,579	1,526,568	1,895,004
	368,192	487,541	5,741,693	6,335,167

Porto Sudeste do Brasil S.A.

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

December 31, 2023

(In thousands of reais, unless otherwise stated)

13. Loans and financing (Continued)

Loans per currency (Continued)

The current liabilities of contracts denominated in US dollars refer to the ACC/ACE contracts taken from the creditors Santander, Citibank, Daycoval, Itaú and ABC Brasil by the subsidiary Porto Sudeste Exportação e Comércio S.A. The current liabilities of contracts denominated in reais refer to interest calculates until December 31, 2023, of the financing agreements with the creditors BNDES and Bradesco and are due for payment on March 15, 2024. Additionally, the current liabilities of the debt in Reais and in US Dollars also refer to the quarterly principal amortizations of the senior debt from March 2024.

The senior financing agreements with creditors BNDES and Bradesco maturing in December 2036, and with Deutsche Bank, Natixis and BTG maturing in December 2029, establish a grace period for principal until December 31, 2023. Therefore, there is no obligation to pay principal to senior creditors until December 31, 2023. In these contracts there is a cash sweep mechanism in force, which establishes that, in the event of positive cash balance in the quarter, this balance must be distributed as payment of principal/amortization to creditors seniors. As these amortizations are conditioned to the future cash balance, being, therefore, cash not yet realized, the amortizations that will eventually occur in the next 12 months are not included in the Company's current liabilities. For 2024, the cash sweep method may vary according to its leverage ratio, according to the debt contracts, with the distribution factor on available cash potentially reducing from 100% to 50%, with the remaining cash distributed to the next creditors following the priority list.

The movements of these loans and financing are presented below:

	Parent Company		Consolidated	
	2023	2022	2023	2022
Opening balance	6,344,946	6,817,804	6,822,708	7,169,937
Drawdown	-	-	1,542,423	2,008,607
Accrued interest	467,991	407,118	502,667	422,855
Amortization of principal	(420,596)	(308,912)	(2,126,900)	(2,179,709)
Amortization of interest	(250,565)	(284,709)	(285,077)	(298,837)
Transaction costs	17,555	18,224	17,555	18,224
Exchange variation	(327,476)	(304,579)	(363,491)	(318,369)
Final balance	5,831,855	6,344,946	6,109,885	6,822,708

Porto Sudeste do Brasil S.A.

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

December 31, 2023

(In thousands of reais, unless otherwise stated)

13. Loans and financing (Continued)

Loans per financial institution

Bank	Index/interest	Maturity	Balance as of	
			2023	2022
BNDES	5.51% and 4.51% p.a. + IPCA	15/12/2036	650,726	777,157
BNDES	5.73% and 4.73% p.a. + IPCA	15/12/2036	352,176	420,821
BNDES	3.40% e 2.40% p.a. + Cesta de Moedas	15/12/2036	163,679	210,406
BNDES	6.73% and 5.73% p.a. + IPCA	15/12/2036	346,580	414,314
BNDES	4.40% and 3.40% p.a. + Cesta de Moedas	15/12/2029	163,815	209,856
Deutsche/Natixis/BTG	4.00% and 3.50% p.a. + SOFR 3 meses	15/06/2037	554,039	699,476
Bradesco/PAV Lux	4.50% p.a. + SOFR 6 meses	15/06/2037	3,682,580	3,710,384
BTG	4.00% p.a. + SOFR 1 mês	15/12/2036	48,375	50,201
Santander	-	-	-	194,582
Citibank	-	-	-	90,065
Daycoval	11,02% p.a.	23/01/2024	9,789	7,150
Itaú	10.49% to 10.86% p.a.	26/02/2024	218,067	137,973
ABC Brasil	10.50% p.a.	29/01/2024	50,174	47,992
			6,240,000	6,970,377
Transaction costs			(130,115)	(147,669)
			6,109,885	6,822,708

Loans per financial institution

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

	Consolidated	
	2023	2022
Year of maturity		
Up to one year	368,192	487,541
2 to 3 years	333,155	347,920
4 to 5 years	315,737	432,223
Over 5 years	5,222,916	5,702,693
	6,240,000	6,970,377
Transaction costs	(130,115)	(147,669)
	6,109,885	6,822,708

Porto Sudeste do Brasil S.A.

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

December 31, 2023

(In thousands of reais, unless otherwise stated)

13. Loans and financing (Continued)

On December 31, 2023, the annual interest rates on debts are as follows:

	Consolidated	
	2023	2022
Debts in US\$ - up to 7.00%	48,375	74,061
Debts in R\$ - above 7.00%	4,514,649	4,863,762
Debts in R\$ - from 6.1% to 9.3%	327,494	420,262
Debts in R\$ - above 9.3%	1,349,482	1,612,292
	6,240,000	6,970,377
Transaction costs	(130,115)	(147,669)
	6,109,885	6,822,708

Collateral

The Company's' loans are guaranteed by top-tier financial institutions, as well as by controlling shareholders (bank guarantee), as well as the controlling shareholders (Standby Letter of Credit), in addition to the chattel mortgage of assets and cash flow from receivables.

Regarding the financing agreements, there are financial and non-financial obligations to comply with. Among them the following can be highlighted: (a) use of the waterfall structure of current accounts; (b) after the grace period, composition of minimum balance in Reserve Account at least 2 times the amount of the next debt service payment; (c) after reaching financial completion, maintenance of the debt coverage ratio (DSCR) covenant above 1.3 for BNDES and Bradesco financing contracts and above 1.15 for CESCE contracts; (d) presentation of the audited financial statements; and (e) maintenance of operational insurance.

There are no "covenants" to be met on December 31, 2023. The "covenants" should be met starting from January 2024, considering the rules, deadline to comply, and measurement periods of each individual "covenant", which may affect other jointly debt contracts due to the "cross default" clause.

Effect of conversion into Brazilian reais

The exchange rate varied 7.21% in the period, from R\$5.2177/US\$ on December 31, 2022, to R\$4.8413/US\$ on December 31, 2023, influencing the balance of US dollar currency debt that, on December 31, 2023, accounted for 73.13% 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.

Porto Sudeste do Brasil S.A.

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

December 31, 2023

(In thousands of reais, unless otherwise stated)

13. Loans and financing (Continued)

Refinancing of the Senior Debt

On April 14 and June 2, 2021, the Company completed the 2nd refinancing of the "senior" debts related to the financing contracts with creditors BNDES and Bradesco, and CESCE/Natixis/BTG, respectively. These refinancing included, among others: (a) updating the TJLP index to TLP/IPCA; (b) extension of the principal grace period until December 31, 2023; (c) extension of the maturity date until December 15, 2036 (an additional 7 years) for contracts with BNDES and Bradesco, and until December 15, 2029 (an additional 6 years) for CESCE/Natixis/BTG contracts; (d) change in the frequency of principal and interest payments from monthly to quarterly; (e) changing the amortization schedule from constant to non-linear; (f) maintenance of the "cash sweep" mechanism under the same terms during the grace period and with limiters related to the leverage level and pre-refinancing schedule after the grace period, which, according to the debt contracts, with the distribution factor on available cash potentially reducing from 100% to 50%, with the remaining cash distributed to the next creditors following the priority list; and (g) updating certain indicators and "covenants", which may affect other jointly debt contracts due to the "cross default" clause.

14. Variable income securities ("royalties")

In February 2014, IWL Holdings (Luxembourg) S.A.R.L. (Trafigura) and EAV Delaware LLC (Mubadala), through PSA Fundo de Investimento e Participações, acquired the control of Porto Sudeste, until then exercised by MMX Mineração e Metálicos S.A. (MMX).

The investment agreement that regulated the acquisition of control of Porto Sudeste by Trafigura and Mubadala foresee, among others, that the Company would take over, directly or indirectly, obligations related to the variable-yield securities based on Royalties issued by MMX, traded on B3 S.A. - BRASIL. BOLSA. BALCÃO ("B3") under the ticker MMXM11 ("MMXM11 securities"). In this context, Porto Sudeste issued, on February 26, 2014, Perpetual Variable-yield Securities ("PVS"), with similar terms to the MMXM11 Securities ("Port11"), which were fully subscribed on the same date by MMX. The investment agreement also provided for MMX's obligation to carry out an exchange offer, aimed at all holders of the MMXM11 Securities, through which MMX would acquire the MMXM11 Securities, and deliver the Port11 Securities, or another security, in return by MMXM11 Securities ("Exchange Offer"). To implement such Exchange Offer, two different vehicles were used, to reach all holders of MMXM11 Securities:

- (i) FIP-IE Porto Sudeste Royalties ("PSR"): An infrastructure equity investment fund, which, at the time of the offer, held in its portfolio exclusively, Port11 Securities - and for each Port11 Security held by PSR would be entitled to a Unit. PSR'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 PSR units.

Porto Sudeste do Brasil S.A.

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

December 31, 2023

(In thousands of reais, unless otherwise stated)

14. Variable income securities (“royalties”) (Continued)

- (ii) Porto Sudeste V.M S.A. (“Porto VM”): 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 on B3 (contrary to Port11 Securities, which are not accepted for trading on the stock exchange). Under the Exchange Offer, 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 - which happens with some investment funds.

As a way of addressing the situation of MMXM11 holders who eventually did not adhere to the Exchange Offer, MMX remained the holder of Port11 Securities in the same quantity of MMXM11 Securities not exchanged.

The aforementioned holders of Port11 are entitled to a quarterly variable-yield 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:

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

Where:

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

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

TMOG = 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

For iron ore loads: the royalties related to iron ore loads shipped on Port in a certain calendar quarter shall be calculated, considering 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.

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

December 31, 2023

(In thousands of reais, unless otherwise stated)

14. Variable income securities (“royalties”) (Continued)

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 (“value per ton for other loads”) will be calculated based on the load margin. “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.

During the years 2013 to 2016, the commitment of royalties from Porto Sudeste, related to iron ore, was the minimum between the volume shipped in each period and the take-or-pay volume indicated in the table below:

Tons (million)	2013	2014	2015	2016
TMMF	13.6	31.9	36.8	36.8

From 2017 onwards, the volume of iron ore generating royalties (TMMF, in the formula above) is no longer subject to a take-or-pay, being, therefore, simply the volume shipped. In the table below, you can see the tonnage carried out by the Porto Sudeste, with the start of operations in 2016, after commissioning carried out in 2015:

Tons (million)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
TMMF	-	-	-	7.1	9.5	10.7	16.4	18.7	17.8	17.4	26.1
TMOC	-	-	-	-	-	-	-	-	-	0.11	-

As the shipped volume of iron ore in 2016 was lower than the take-or-pay volume, the royalty commitment is based on this second parameter.

If, in a certain calendar quarter by the payment of current royalties the cash of issuer and Porto Sudeste is jointly higher than US\$10 million (“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 such time (“Accumulated Royalties”).

Porto Sudeste do Brasil S.A.

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

December 31, 2023

(In thousands of reais, unless otherwise stated)

14. Variable income securities (“royalties”) (Continued)

There is no obligation of Porto Sudeste to pay Royalties, unless there is Free Cash held by the issuer on the last day of such calendar quarter and up to the limit of such cash available. “Free Cash” means the value corresponding to the amounts available in cash of Porto Sudeste minus 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 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.

On December 31, 2023, Porto Sudeste carried out the financial calculations and identified that there was not enough available cash generation to pay royalties to holders of Port11 Securities.

Porto Sudeste records Port11 Securities in Liabilities, based on the Present Value of the Projected Cash Flow of the payment of royalties. In other words, the amount shown in the Balance Sheet is different from the amount of royalties accrued until this quarter. Porto Sudeste VM, records its right to receive royalties in Assets, corresponding to its portion on the value of Port11 securities, and the respective payment to PSVM11 holders in Liabilities.

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 11.71%. These projections are based on the Porto Sudeste Business Plan, which includes assumptions related to the growth of iron exports in the Quadrilátero Ferrífero of Minas Gerais, growth of the market share of Porto Sudeste, volumes of ore originated by mines belonging to its shareholders, operations with other solid and liquid bulk, commodity price expectations, among others.

Royalties breakdown							
	2022	Payments	Present value adjustment	US PPI	Assumptions review	Effect of conversion into Brazilian reais	2023
Royalties	13,768,633	-	1,617,087	338,240	3,154,896	(1,068,349)	17,810,507
Issuance cost	(14,073)	-	-	-	-	1,014	(13,059)
Total	13,754,560	-	1,617,087	338,240	3,154,896	(1,067,335)	17,797,448

On December 31, 2023, the present value of discounted future cash flow amounted to US\$3,678,869 which converted into Brazilian reais totaled R\$17,810,507 thousand (compared to US\$2,638,832,906 thousand, which converted into Brazilian reais totaled R\$13,768,633 thousand as of December 31, 2022).

Porto Sudeste do Brasil S.A.

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

December 31, 2023

(In thousands of reais, unless otherwise stated)

14. Variable income securities (“royalties”) (Continued)

The update of the balance corresponding to the adjustment to present value of the bonds for the 12 months to 2023 amounted to US\$327,831 thousand, which, converted into Reais, totaled R\$1,617,087 thousand, recorded as a financial expense. The changes in operational assumptions in the projections that support the calculation of the bonds totaled R\$3,154,896 thousand, according to the best volume and price expectations for the long term, recorded in Other operating expenses, this amount, which, deducted from the value of R\$1,680 thousand referring to other operating revenues and expenses, totals a balance of R\$3,153,216 thousand recorded as other operating expenses (revenues). The PPI adjustments and inflationary effects totaled R\$338,240, recorded as a financial expense.

Transaction costs

Debt issue costs of variable income securities totaling R\$13,059 on December 31, 2023 (R\$14,074 at December 31, 2022), referring to outside legal counsel fees and commissions of guarantee were recorded as reduction of liabilities.

15. Taxes and contributions payable

	Parent Company		Consolidated	
	2023	2022	2023	2022
Service Tax (ISS)	10,025	4,534	14,775	7,025
Social Security Tax (INSS) - third parties	403	739	403	739
State Value-Added Tax (ICMS)	262	212	281	213
Withholding tax (IRRF)	2,113	1,394	4,092	1,394
Social Contribution Tax for Intervention in the Economic Order (CIDE) on import	471	757	471	757
Contribution Tax on Gross Revenue for Social Integration Program (PIS) and for Social Security Financing (COFINS)	46,155	10,039	46,195	10,049
Other	19	29	19	29
	59,448	17,704	66,236	20,206

Porto Sudeste do Brasil S.A.

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

December 31, 2023

(In thousands of reais, unless otherwise stated)

16. Related parties

Related parties balance

The assets, liabilities, revenues, and expenses with related parties are summarized as follows:

	Parent Company		Consolidated	
	2023	2022	2023	2022
<u>Assets</u>				
Porto Exportação (a)	396,524	80,075	-	-
Mineração Morro do Ipê (a)	226,864	100,045	226,864	100,045
Trafigura PTE (b)	-	-	701,324	310,845
	623,388	180,120	928,188	410,890
<u>Liabilities</u>				
Porto Exportação	31,342	56,670	-	-
Trafigura PTE (c)	4,323	5,242	42,503	5,242
	35,665	61,912	42,503	5,242
<u>Revenue</u>				
Trafigura PTE (b)	-	-	5,933,431	3,531,754
Mineração Morro do Ipê (a)	516,960	365,566	516,960	365,566
Porto Exportação (a)	846,545	503,965	-	-
	1,363,505	869,531	6,450,391	3,897,320
<u>Expenses</u>				
Trafigura PTE (d)	1,040	7,905	14,170	17,975
	1,040	7,905	14,170	17,975

(a) Port fee service agreements.

(b) Iron ore export sales agreement held with related parties, through the subsidiary Porto Sudeste Exportação.

(c) The Company have an agreement for sharing the cost of IT activities and penalty for non-performance due to the delay in delivery and availability of cargo export, whose payments are made according to agreement signed with Trafigura Pte. Ltd. The costs of activities subject to sharing charged through debit notes, the payments of which are made according to an agreement between the parties.

(d) IT service expenses and demurrage.

Debt assignment and assumption

As described in Note 13, Itaú Unibanco S/A - Nassau Branch ceded all its rights and obligations arising from the contract and other loan documents to PAV LUX S.À.R.L. From that date PAV LUX S.À.R.L a Company of Mubadala Group which have jointly control of Porto Sudeste. PAV LUX S.À.R.L now owns 46.41% of the total amount of the agreement, totaling US\$353,021 equivalent to R\$1,709,085 in December 31, 2023.

Remuneration of key personnel

The Company made remuneration payments in the amount of R\$7,295 (R\$7,048 on December 31, 2022) referring to the remuneration of the Company's key managers paid in 2023.

Porto Sudeste do Brasil S.A.

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

December 31, 2023

(In thousands of reais, unless otherwise stated)

17. 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 table below shows the net deferred credit taxes of the Company, not registered, however, the financial statement considering that Porto is still in its ramp-up period and does not have the expectation of generating taxable income in a short term.

	Parent Company		Consolidated	
	2023	2022	2023	2022
Deferred tax assets (liabilities)				
Tax losses	3,045,560	831,984	3,067,703	854,758
Social contribution tax losses	1,096,402	299,514	1,104,374	307,713
Pre-operating expenses treated as deferred assets for tax purposes	81,916	122,546	81,916	122,546
Amortization of license	128,900	100,794	128,900	100,794
Present value adjustment of royalties	(1,006,331)	452,278	(1,006,331)	452,278
Effect on property and equipment and intangible assets arising from change of functional currency (a)	(1,091,626)	(1,557,163)	(1,092,008)	(1,561,267)
Exchange gains/losses on royalties and loans (b)	714,077	1,188,870	717,757	1,192,615
Others	3,824	18,832	5,819	18,832
Provision of unrecognized DTA (a)	2,972,722	1,457,655	3,008,130	1,488,269

(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 2023, the tax base of property and equipment and intangible assets was significantly lower than the respective accounting base, thus generating a deferred consolidated liability tax.

(b) 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)

December 31, 2023

(In thousands of reais, unless otherwise stated)

17. Income and social contribution taxes (Continued)

b) Conciliation of the expense calculated by the application of the nominal rates versus the expense recorded for the period

	Parent Company		Consolidated	
	2023	2022	2023	2022
Current income tax and social contribution	-	-	(1,979)	-
Deferred income tax and social contribution	1,049,529	98,364	1,051,459	92,916
	1,049,529	98,364	1,049,480	92,916
Profit/ (loss) before income and social contribution taxes	(4,848,734)	(553,637)	(4,846,755)	(553,637)
Income and social contribution tax assets at statutory rate (34%)	(1,648,569)	(188,237)	(1,647,897)	(188,237)
Adjustments for reconciliation of the statutory rate to the effective rate				
Equity pickup	171	3,896	-	-
Thin Cap interest	84,081	53,540	84,081	53,540
Adjustments due to the conversion of balances into the functional currency	514,102	445,090	514,102	443,238
Others	686	(215,925)	1,092	(215,625)
Exchange variation	-	-	(65)	-
Provision for inventory loss	-	-	1,995	-
Offsetting tax losses	-	-	(858)	-
Deferred tax credits on tax losses and temporary differences	-	-	(1,930)	-
Tax credit (a)	(1,049,529)	98,364	(1,049,480)	92,916

(a) In 2023, the Company recorded R\$1,049,481 in tax credits. Of this amount, R\$1,051,459 was not recorded in the accounts.

18. Provision for contingencies

	Consolidated	
	2023	2022
Tax contingencies	6,131	6,511
Labour contingencies	2,061	990
Total Probable contingencies	8,192	7,501

On December 31, 2023, the Company and its subsidiaries have the following contingencies assessed by the legal advisors as probable losses, which were provisioned:

Porto Sudeste do Brasil S.A.

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

December 31, 2023

(In thousands of reais, unless otherwise stated)

18. Provision for contingencies (Continued)

a) Probable

Tax

It mainly refers to third-party embargoes filed by Porto Sudeste do Brasil against the Federal Government (Union) to recover a fixed income investment (CDB) with Banco Itaú, which was pledged in a lawsuit filed by the Federal Government against MMX. Such CDB was purchased by Porto Sudeste pursuant to a land purchase agreement entered by Porto Sudeste to serve as collateral for a contingent payment. The amount provisioned for this cause, R\$6,131 (R\$6,511 in 2022).

Labor

Provisions relating to lawsuits involving former employees and service providers claiming various labor and social security amounts from 2015 to 2023, in the updated amount of R\$2,061 (R\$990 in 2022).

b) Possible

There are 101 claims for damages filed against Porto Sudeste and four other companies operating in the region by groups of fishermen residing in the Sepetiba Bay area, claiming environmental damages, due to inspections carried out by the Environment Department of the Itaguaí City Hall at the beginning of the year 2021. The cases were distributed to the 1st and 2nd Civil Courts of the Judicial District of Itaguaí.

In summary, the plaintiffs allege that the activities carried out by the defendants would have caused damage to the environment, in particular to the quality of the water in Sepetiba Bay, which would harm the fishing activities performed by them. Each fisherman claims material damages and moral damages, in addition to other illiquid requests, such as community assistance measures and fishing support. In the event of a decision in favor of the plaintiffs, environmental liability is objective and joint and several among all defendants. The total value of the lawsuits is R\$135 million, considering 5 or 3 defendants in each lawsuit, with approximately R\$39 million being the equivalent of Porto Sudeste, if a sentence is handed down condemning all defendants to the requests made by the plaintiffs in the same proportion, which is not guaranteed.

Considering that most of the proceedings are in the initial phase, as the defendants (Porto Sudeste and other companies) have only filed an answer in 30 cases so far, and that ^a part of the proceedings are being consolidated by the courts of the 1st and 2nd Civil Courts of Itaguaí into smaller blocks of lawsuits or divided into new cases with a maximum of 5 plaintiffs per suit, our external lawyers have classified the risk as "possible.

Porto Sudeste do Brasil S.A.

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

December 31, 2023

(In thousands of reais, unless otherwise stated)

19. Judicial deposits

	Parent Company		Consolidated	
	2023	2022	2023	2022
Taxes (a)	67,308	32,705	67,308	32,705
Civil	-	602	388	990
Labour	365	1,166	376	1,166
Freezing order of assets	6,774	21,241	6,774	21,241
	74,447	55,714	74,846	56,102

- (a) Monthly escrow deposit relating to the incidence of ICMS on energy tariffs TUSD (Tariff for use of the electricity distribution system and TUST (Tariff for use of the electricity transmission system), since the Company, with the help of the external advisors understand that this tax is not due. These deposits amount to R\$35 million.

Escrow deposit to discuss the non-inclusion of ISS in the PIS and COFINS calculation basis, as well as the illegality of the payments made. The company made monthly deposits as determined to keep the amounts safeguarded, pursuant to art. 151, II, of the CTN. These deposits amount to R\$31 million

20. Equity

a) Capital

Porto Sudeste's capital is broken down as follows on December 31, 2023:

Shareholders	Number of shares	R\$	%
PSA Fundo de Investimentos e Participações	1,103,528,450	3,128,143	99.35
Porto Sudeste Participações S.A. ("Grupo MMX")	6,336,766	17,963	0.57
Gaboard Participações Ltda.	876,275	2,484	0.08
Total	1,110,741,491	3,148,590	100

b) Cumulative Translation Adjustments (CTA)

Represented by the accounting record of the foreign exchange of the financial position prepared in the functional currency (US dollars) in compliance with Accounting Pronouncement CPC 02.

Porto Sudeste do Brasil S.A.

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

December 31, 2023

(In thousands of reais, unless otherwise stated)

20. Equity (Continued)

c) Advance for future capital increase

In February 2022, the shareholder Trafigura made a capital contribution amounting to R\$12,810 through PSA Fundo de Investimentos e Participações in the Company as an advance for future capital increase, which was increase in 2023.

In October 2022, the shareholder Mubadala made a capital contribution amounting to R\$20,800 through PSA Fundo de Investimentos e Participações in the Company as an advance for future capital increase, which was increase in 2023.

In November 2022, the shareholder Trafigura made a capital contribution amounting to R\$20,800 through PSA Fundo de Investimentos e Participações in the Company as an advance for future capital increase, which was increase in 2023.

d) Capital increase

In July 2022, a capital increase of R\$25,620 received as advances for future capital increase in November 2021 and February 2022, through the PSA Fundo de Investimento e Participações. After the referred capital increase, the interest of Porto Sudeste Participações in the Company (MMX Group) was reduced from 0.60% (31 December 2021) to 0.59%.

In July 2023, a capital increase of R\$41,600 received as advance for future capital increase made in October and November 2022, through the PSA Fundo de Investimento e Participações. After the capital increase, the interest of Porto Sudeste Participações in the Company (MMX Group) was reduced from 0.59% (December 31, 2022) to 0.57%.

21. Revenue

	Parent Company		Consolidated	
	2023	2022	2023	2022
Gross services revenue	1,809,722	1,294,624	963,177	790,658
Gross iron ore sales revenue (*)	-	-	5,933,525	3,531,755
(-) Sales deductions				
Service Tax (ISS)	(82,042)	(62,868)	(82,042)	(62,868)
Contribution Tax for Social Integration Program (PIS)	(25,827)	(19,710)	(25,828)	(19,710)
Contribution Tax for Social Security Financing (COFINS)	(118,955)	(90,784)	(118,959)	(90,784)
Others (canceled sales)	-	-	(17)	-
Net revenue	1,582,898	1,121,262	6,669,856	4,149,051

Porto Sudeste do Brasil S.A.

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

December 31, 2023

(In thousands of reais, unless otherwise stated)

22. Costs of sales and services

	Parent Company		Consolidated	
	2023	2022	2023	2022
Costs of sales (*)	-	-	(5,001,797)	(3,023,606)
Cost of materials	(32,172)	(24,603)	(32,321)	(24,603)
Maintenance /Utilities	(33,185)	(27,502)	(33,185)	(27,502)
Depreciation and amortization	(331,689)	(254,927)	(331,695)	(254,939)
Rent of equipment	(29,506)	(26,009)	(29,506)	(26,009)
Insurance	(14,446)	(13,924)	(14,446)	(13,924)
External services	(77,372)	(44,378)	(77,496)	(44,296)
Demurrage	-	-	(13,130)	(10,070)
Payroll	(91,877)	(68,109)	(91,887)	(68,139)
Other	(7,149)	(5,829)	(9,737)	(7,754)
	(617,396)	(465,281)	(5,635,200)	(3,500,842)

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

23. General and administrative expenses

	Parent Company		Consolidated	
	2023	2022	2023	2022
Third-party services	(29,842)	(34,082)	(30,531)	(34,300)
Payroll	(41,240)	(43,679)	(41,240)	(43,679)
Maintenance	(2,373)	(2,214)	(2,373)	(2,214)
Depreciation and amortization	(865)	(1,975)	(865)	(1,975)
Materials	(650)	(876)	(650)	(876)
Fuel	(80)	(125)	(80)	(125)
Other	(5,408)	(3,817)	(5,746)	(4,183)
	(80,458)	(86,768)	(81,485)	(87,352)

Porto Sudeste do Brasil S.A.

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

December 31, 2023

(In thousands of reais, unless otherwise stated)

24. Finance income

	Parent Company		Consolidated	
	2023	2022	2023	2022
Financial costs				
Interest	(471,051)	(408,526)	(531,598)	(424,267)
Tax on Financial Transactions (IOF)	(1,407)	(1,067)	(1,831)	(1,182)
Inflation effects on royalties (note 14)	(338,240)	(1,473,685)	(338,240)	(1,473,685)
Present value adjustment on royalties (note 14)	(1,617,087)	(1,615,844)	(1,617,087)	(1,615,844)
Taxes on financial income	(687,552)	(939,231)	(775,156)	(1,202,845)
Other	(52,384)	(48,748)	(59,160)	(49,126)
	(3,167,721)	(4,487,101)	(3,323,072)	(4,766,949)
Finance income				
Short-term investment income	16,215	2,943	24,891	9,191
Foreign exchange differences (*)	579,260	794,278	650,934	1,052,517
Other	65	736	534	765
	595,540	797,957	676,359	1,062,473
Finance income (costs), net	(2,572,181)	(3,689,144)	(2,646,713)	(3,704,476)

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

25. Financial instruments and risk management

The management of financial instruments is carried out through operational strategies and internal controls, aiming at liquidity, profitability and security. The control policy consists of permanent monitoring of contracted rates versus those prevailing in the market. The Company does not make speculative investments with derivative financial instruments or any other risk assets, this determination being provided for in the risk management policy.

The Company had no derivative or hedge instruments at December 31, 2023, and 2022.

The main financial assets are classified and measured into the following category:

Financial assets	2023			2022		
	Amortized cost	Fair value through profit or loss	Total	Amortized cost	Fair value through profit or loss	Total
Cash and cash equivalents (level 2)	-	182,716	182,716	-	99,223	99,223
Trade accounts receivable	958,061	-	958,061	464,488	-	464,488
	958,061	182,716	1,140,777	464,488	99,223	563,711

The main financial liabilities, except for financial instruments, are classified and measured at amortized cost, as follows:

Porto Sudeste do Brasil S.A.

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

December 31, 2023

(In thousands of reais, unless otherwise stated)

25. Financial instruments and risk management (Continued)

<u>Financial liabilities</u>	<u>2023</u>	<u>2022</u>
Trade accounts payable	(966,733)	(123,320)
Loans and financing	(6,109,885)	(6,822,708)
Related parties	(42,503)	(5,242)
	<u>(7,119,121)</u>	<u>(6,951,270)</u>

Risk management objectives and strategies

The Company has a formal policy for managing financial risk. The financial instruments for equity hedging purposes are contracted by analyzing the risk exposure (currency risk, interest rate risk and other risks), following the strategy approved by Management.

The guidelines for hedging are implemented according to the type of exposure. Risk factors related to foreign currencies are required to be neutralized in the short term (within 1 year), the hedge may be extended to a larger period. Decision making relating to interest rate and inflation risks arising from liabilities acquired will be evaluated within the economic and operational scenario and will be made when management considers them significant risks.

Financial and market risks

The average annual price of iron ore remained stable in 2023 compared to 2022, mainly influenced by economic slowdown, which led to cuts in steel production and lower demand for iron ore from China. Management understands that the price of iron ore for 2024 is a risk inherent to the commodities sector, which may impact the volumes and prices projected in the business plan; however, in the long term, the expectation remains of attractive demand and price, since steel is an essential raw material for the global production system.

Currency risk

The Company is subject to exchange gains/losses due to the volatility of the exchange rate on transactions linked to foreign currencies, mainly loans and financing and floating rate securities. Since the iron ore shipment contracts are traded in US dollars, the Company has a natural hedge, since with the beginning of the operation, management changed the functional currency to US dollar. Exchange rate fluctuations may have adverse effects on the financial statements.

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

December 31, 2023

(In thousands of reais, unless otherwise stated)

25. Financial instruments and risk management (Continued)

Liquidity risk

The Company monitors its liquidity level considering the expected cash flows versus the amount available in cash and cash equivalents. The liquidity risk management implies maintaining sufficient cash and marketable securities, as well as the capacity to settle market positions at their respective maturities.

The available resources are sufficient to cover operating expenses over the next 90 days. In addition, it is important to consider the cash flow generated from port services operations.

Credit risk

This risk arises from the likelihood of the Company recording losses due to the default of its counterparties or of financial institutions that are depository of funds or investments. This risk factor could arise either from trade transactions or cash flow management.

To mitigate these risks, the Company reviews the financial position of its counterparties and monitors the outstanding positions on an ongoing basis.

The Company's transactions are subject to the following credit risks:

<u>Positions that represent credit risk</u>	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	182,716	99,223
Trade account receivable	958,061	464,488
	<u>1,140,777</u>	<u>563,711</u>

26. Insurance

On December 31, 2023, the Company's total insurance coverage for operating risks is USD 200,000, general liability coverage of USD 200,000, environmental risk coverage of R\$75,000 and D&O in the amount of R\$100,000.

Porto Sudeste do Brasil S.A.

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Board of Directors	Executive Board
Oscar Pekka Fahlgren - Chairman	Jayme Nicolato - Chief Executive Officer
William Kenneth Loughnan - Vice Chairman	Guilherme Caiado - Chief Operations Officer
Jesus Fernandes Lopez - Board Member	Thiago Roldão - Chief Financial Officer
Hani Barhoush - Board Member	
Carlos Bernardo Pons Navazo - Board Member	
Kelly Michelle Thomson - Board Member	

Flávio Ary de Oliveira Silveira
Accountant
CRC-MG 095.168/O-9