

Financial Statements Individual and Consolidated

Porto Sudeste do Brasil S.A.

December 31, 2022
with Independent Auditor 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, 2022. Should you need any further clarifications, please do not hesitate to contact us. In closing 2022, 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 statements.

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

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

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

Variable-income securities

In February 2014, Trafigura Pte. Ltd. (“Trafigura”) and Mubadala Development Company PJSC (“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:

- (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 Port 11 Securities is available on the Porto Sudeste do Brasil website.

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

Where:

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

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

For other loads: the royalties related to other loads, other than iron ores (excluding non-dry loads, such as supply activities) conducted at the Port Terminal will be calculated based on the load margin (as defined below) ("value per ton for other loads"). "Load margin" (a) means the difference between the average cost per ton (excluding all non-cash items) incurred in relation to the services rendered by Porto Sudeste relating to the applicable load and the average value per ton effectively charged by Porto Sudeste for the services rendered in relation to such load; and (b) must be limited under any circumstance to USD 5.00 per shipped ton. The adjusted limit value of USD 5.00 per ton for load margin will be (i) adjusted annually at the variation in US PPI calculated from September 2010; and (ii) converted into reais, based on the exchange rate at the ending of the business day immediately prior to the actual payment date.

During the years 2013 to 2016, the commitment of royalties from Porto Sudeste do Brasil, 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:

Iron Ore	2013	2014	2015	2016
Tons (million)	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 Sudeste Port of Brazil, 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
TMMF	-	-	-	7,1	9,5	10,7	16,4	18,7	17,8	17,4
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.

In the fourth quarter of 2022, Porto Sudeste do Brasil shipped 5,506 thousand tons of iron ore (TMMF) and zero TON of other cargo (TMOC), which multiplied by the updated value per ton of US\$ 6,02 (VpTMF and VpTDC) resulted in royalties of US\$ 33,162 thousand in the period. The accumulated Royalties until this quarter is US\$ 1,168,855 thousand. No amount has been paid until this quarter. In 2022, a total of 17.4 million tons of iron ore were shipped.

Porto Sudeste VM, a wholly owned subsidiary of Porto Sudeste do Brasil, has US\$ 5,026 thousand in accumulated royalties receivable, referring to the number 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 2022	Shipped 2nd quarter 2022	Shipped 3rd quarter 2022	Shipped 4th quarter 2022	Take-or-pay/ Shipped Accumulated
Volume (Millions of tons)	3.778	3.765	4.337	5.506	209.532
Price per Ton (USD)	54	52	-	-	106
PPI, accumulated	5,00	5,00	5,00	5,00	5,00
Price per Ton (USD)	1,02	1,02	1,02	1,02	0,58
	6,02	6,02	6,02	6,02	5,58
Royalty (Porto Sudeste) USD					
	23.079	22.985	26.121	33.162	1.168.855
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 Calculado (USD mil)					
Cash available for payment of Royalties	99	99	112	143	5.026
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 Port 11 Securities ("Cash Available for Royalties").

Royalties will be cumulative, that is, in the event that, in a given 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 accumulated royalties to the holders of securities until the last day of said calendar quarter ("Accumulated Royalties").

It is agreed and understood that issuer is not required to pay such additional values established herein, unless an available cash is held by issuer in the last day of such calendar quarter and until the available cash limit, "available cash" means the value corresponding to the cash available of Porto Sudeste do Brasil less the sum of (a) any values contributed by stockholders of Porto Sudeste through capital increase or stockholder loan, to the extent that such values remain as available cash of Porto Sudeste do Brasil, (b) BNDES senior debt service reserve account and CESCE senior debt service reserve account, and (c) the cash amounts provisioned by Porto Sudeste for IRPJ - Corporate Income Tax, CSLL - Social Contribution on Net Income, and other obligations for which the independent auditors of Porto Sudeste do Brasil require provisioning.

On December 31, 2022, Porto Sudeste do Brasil 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)	1 st quarter 2022	2 nd quarter 2022	3 rd quarter 2022	4 th quarter 2022
Cash from trade receivables	296,825	302,046	286,593	306,343
Applicable Taxes	(42,298)	(43,042)	(44,802)	(45,506)
Operating Costs	(42,211)	(41,666)	(51,260)	(62,364)
Investment	(31,407)	(17,254)	(22,767)	(31,370)
Operating expenses	(34,751)	(32,653)	(19,298)	(20,325)
Subtotal Total Cash Available for Payment of Royalties	146,158	167,431	148,465	146,778
Interests and Repayment of the Senior Debt	(147,528)	(173,730)	(153,903)	(147,914)
Total Cash Available for Payment of Royalties	(1,370)	(6,299)	(5,438)	(1,135)

The existing cash balance at Porto Sudeste do Brasil (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 guarantee 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)	1 st quarter 2022	2 nd quarter 2022	3 rd quarter 2022	4 th quarter 2022
Net Cash or Bank Accounts	18,810	11,701	3,527	37,848
Balance of Shareholders' Contributions and Mandatory Balances	(18,810)	(11,701)	(3,527)	(37,848)
Total Cash Available for Payment of Accumulated Royalties	-	-	-	-

Port11 Accounting

Porto Sudeste do Brasil 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 11.90%. These projections are based on the Porto Sudeste do Brasil 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 do Brasil, volumes of ore originated by mines belonging to its shareholders, commodity price expectations, among others.

On December 31, 2022, the present value of discounted future cash flow amounted to US\$2,638,831, which converted into Brazilian reais totaled R\$13,768,633 (US\$2,530,995, which converted into Brazilian reais totaled R\$14,124,218 as at December 31, 2021). Of those totals, the amounts corresponding to PSVM11 securities are represented at the base date of December 31, 2022 at US\$ 11,239, which converted into reais totaled R\$58,644 (US\$10,780, which converted into Brazilian reais totaled R\$60,159 as of December 31, 2021).

Transaction costs

Debt issue costs of variable-yield securities totaling R\$14,073 at December 31, 2022 (R\$15,052 at December 31, 2021) referring to outside legal counsel fees and commissions of guarantee were recorded as reduction of liabilities.

Itaguaí, March 07, 2023.

The Management.

Porto Sudeste do Brasil S.A.

Individual and consolidated financial statements

December 31, 2022

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

Independent auditor report on individual and consolidated financial statements

The Shareholders, Board of Directors and Officers
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, 2022, and the statement of profit or loss, of comprehensive income (loss), of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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, 2022, 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.

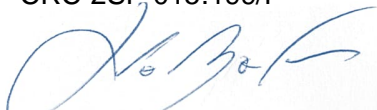
As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identified and assessed 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.
- Obtained 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.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Concluded 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.
- Evaluated 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 07, 2023.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP, 015.199/F



Leonardo Araujo Ferreira
Contador CRC-1RJ 116.384/O

Porto Sudeste do Brasil S.A.

Balance sheet
December 31, 2022 and 2021
(In thousands of reais)

	Note	Parent Company		Consolidated	
		2022	2021	2022	2021
Assets					
Current assets					
Cash and cash equivalents	4	37,848	9,604	99,223	76,538
Trade accounts receivable	5	53,598	17,594	53,598	17,594
Trade Accounts receivable from related parties	16	180,120	96,169	410,890	117,172
Inventories	6	65,555	64,444	141,532	342,074
Taxes recoverable		1,444	2,344	5,837	4,442
Dividends receivable		1,448	1,448	-	-
Advances	8	37,500	33,115	37,500	33,115
Other		6,115	4,564	9,647	4,575
Total current assets		383,628	229,282	758,227	595,510
Noncurrent assets					
Restricted deposits	7	12,318	11,130	12,318	11,130
Taxes recoverable		-	7,224	-	7,762
Investments	9	48,781	51,972	-	-
Property and equipment	10	7,069,194	7,652,081	7,117,258	7,703,504
Intangible assets	11	11,395,499	12,314,731	11,395,499	12,314,731
Other		55,785	44,155	56,235	44,752
Total noncurrent assets		18,581,577	20,081,293	18,581,310	20,081,879
Total assets		18,965,205	20,310,575	19,339,537	20,677,389

	Note	Parent Company		Consolidated	
		2022	2021	2022	2021
Liabilities and equity					
Current liabilities					
Trade accounts payable	12	67,313	58,653	123,320	166,700
Loans and financing	13	9,779	15,419	487,541	367,551
Taxes and contributions payable	15	17,704	15,243	20,206	18,221
Related parties	16	61,912	12,662	5,242	2,022
Customer advances		249	768	249	768
Labor benefits		23,787	19,372	23,787	19,372
Other		-	-	3,706	3,967
Total current liabilities		180,744	122,117	664,051	578,601
Noncurrent liabilities					
Loans and financing	13	6,335,167	6,802,386	6,335,167	6,802,386
Variable income securities	14	13,754,560	14,109,166	13,754,559	14,109,166
Negative equity provision	9	108,999	89,680	-	-
Provision for contingencies	18	7,476	483	7,501	493
Total noncurrent liabilities		20,206,202	21,001,715	20,097,227	20,912,045
Equity	19				
Capital		3,106,990	3,081,370	3,106,990	3,081,370
Future capital contribution		41,600	12,810	41,600	12,810
Cumulative translation adjustments (CTA)		364	109,621	364	109,621
Accumulated losses		(4,570,695)	(4,017,058)	(4,570,695)	(4,017,058)
Total equity		(1,421,741)	(813,257)	(1,421,741)	(813,257)
Total liabilities and equity		18,965,205	20,310,575	19,339,537	20,677,389

See accompanying notes.

Porto Sudeste do Brasil S.A.

Statement of income (loss)
 Years ended December 31, 2022 and 2021
 (In thousands of reais)

	Note	Parent Company		Consolidated	
		2022	2021	2022	2021
Revenue, net of sale of assets	20	1,121,262	1,131,030	4,149,051	6,598,133
Costs of sales and services	21	(465,281)	(426,233)	(3,500,842)	(5,908,803)
Gross profit		655,981	704,797	648,209	689,330
Operating income (expenses)					
General and Administrative	22	(86,768)	(66,426)	(87,352)	(70,291)
Equity pickup	9	(23,844)	(42,752)	-	-
Other operating income (expenses)	14	2,590,138	1,066,882	2,589,982	1,066,900
		2,479,526	957,704	2,502,630	996,609
Income before financial income (expense) and taxes		3,135,507	1,662,501	3,150,839	1,685,939
Financial income (expenses)	23				
Financial income		797,957	225,461	1,062,473	208,853
Financial expenses		(4,487,101)	(2,281,210)	(4,766,949)	(2,288,040)
		(3,689,144)	(2,055,749)	(3,704,476)	(2,079,187)
Income before income taxes		(553,637)	(393,248)	(553,637)	(393,248)
Income and social contribution taxes	17	-	-	-	-
Loss for the year		(553,637)	(393,248)	(553,637)	(393,248)

See accompanying notes.

Porto Sudeste do Brasil S.A.

Statement of comprehensive income (loss)
Years ended December 31, 2022 and 2021
(In thousands of reais)

	Parent Company		Consolidated	
	2022	2021	2022	2021
Loss for the year	(553,637)	(393,248)	(553,637)	(393,248)
Exchange differences related to conversion into reporting currency	(109,257)	(142,433)	(109,257)	(142,433)
Total comprehensive income (loss)	(662,894)	(535,681)	(662,894)	(535,681)

See accompanying notes.

Porto Sudeste do Brasil S.A.

Statement of changes in equity
 Years ended December 31, 2022 and 2021
 (In thousands of reais)

	Consolidated				
	Capital	Future capital contribution	Cumulative translation adjustment	Accumulated losses	Total
Balances at December 31, 2020	2,911,944	72,826	252,054	(3,623,810)	(386,986)
Capital increase	169,426	(169,426)	-	-	-
Capital increase through capitalization of future capital contribution	-	109,410	-	-	109,410
Cumulative translation adjustments (CTA)	-	-	(142,433)	-	(142,433)
Loss for the year	-	-	-	(393,248)	(393,248)
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)

See accompanying notes.

Porto Sudeste do Brasil S.A.

Statement of cash flows Years ended December 31, 2022 and 2021 (In thousands of reais)

	Controladora		Consolidado	
	2022	2021	2022	2021
Cash flows from operating activities				
Income (loss) before income taxes	(553,637)	(393,248)	(553,637)	(393,248)
Non-cash P&L items				
Depreciation and amortization	256,902	260,404	256,914	260,436
Other amortization	9,455	41,142	9,492	41,803
Equity pickup	23,844	42,752	-	-
Royalties adjustment	493,876	473,983	493,876	473,983
Monetary variation and interest	546,138	522,180	565,387	527,275
Other provisions	32,629	2,395	32,590	(9,060)
Changes in assets and liabilities				
Accounts receivable	(36,002)	6,627	(36,002)	7,079
Accounts receivable with related parties	(107,479)	78,683	(381,574)	153,481
Other advances	(40,115)	(51,732)	(40,152)	(440,084)
Inventories	(5,596)	(12,233)	192,578	(140,171)
Judicial deposits	(10,994)	(14,315)	(10,855)	(14,315)
Taxes recoverable	(48,963)	(55,506)	(50,486)	(55,817)
Advances from customers	192	1,525	192	1,525
Trade accounts payable	24,666	87,482	(28,667)	502,854
Taxes and contributions payable	59,833	52,544	59,123	53,667
Obligation to third parties	11	(65)	11	(65)
Transactions with related parties	57,493	1,124	58,163	(19,991)
Other assets	11,306	(1,580)	7,784	(439)
Salaries and compensations	1,908	(828)	1,908	(828)
Interest paid	(284,709)	(336,216)	(298,837)	(340,829)
Net cash used in operating activities	430,758	705,118	277,808	607,256
Cash flow from investing activities				
Acquisition of property and equipment	(120,286)	(120,014)	(120,286)	(123,626)
Advance for future capital increase	(970)	(4,500)	-	-
Net cash used in investing activities	(121,256)	(124,514)	(120,286)	(123,626)
Cash flows from financing activities				
Advance for future capital increase	54,410	109,410	54,410	109,410
Borrowings	-	-	2,008,607	1,545,513
Guarantee fee	(30,402)	(42,285)	(30,402)	(42,285)
Borrowings settled	(308,912)	(500,149)	(2,179,709)	(1,954,012)
Net cash provided by financing activities	(284,904)	(433,024)	(147,094)	(341,374)
Exchange differences, net				
Foreign exchange differences	3,646	(158,976)	12,257	(154,560)
Increase / (decrease) in cash and cash equivalents	28,244	(11,396)	22,685	(12,304)
Statement of increase (decrease) in cash and cash equivalents				
At beginning of year	9,604	21,000	76,538	88,842
At end of year	37,848	9,604	99,223	76,538
Increase / (decrease) in cash and cash equivalents	28,244	(11,396)	22,685	(12,304)

See accompanying notes.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements

December 31, 2022

(Amounts expressed in thousands, 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, Itaguaí, 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.

Trafigura Pte Ltd. ("Trafigura") and Mubadala Development Company PJSC ("Mubadala"), through investees became joint holders of 99.33% 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, 2022, the Company records a consolidated working capital of R\$94,176 thousand, a consolidated loss for the year of R\$553,637 thousand and consolidated accumulated loss of R\$4,570,695 thousand, thus, the equity on December 31, 2022 is negative amounting R\$1,421,741 thousand. The Company closed the third quarter with a cash position consolidated of R\$99,223 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\$151,186 thousand (equivalent US\$28,976 thousand) which will be made available by the shareholders.

In the 4th quarter of 2022, the Company shipped approximately 5.5 million tons of iron ore. The Company also handled other cargoes in this quarter, through the unloading of 55 thousand tons of coal and 3 oil double banking operations (ship-to-ship), amounts that are still not very representative when compared to iron ore. In the accumulated result for the year, there were a total of 17.4 million tons of iron ore, 0.5 million tons of other solid bulk and 5 crude oil transshipment operations.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2022

(Amounts expressed in thousands, unless otherwise stated)

1. Operations (Continued)

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 CIA carried out its first commercial operations, serving companies that explore for oil in the pre-salt layer.

In December 2021, the Company completed the licensing process for handling liquid bulk. In 2022, Porto Sudeste performed its first oil double banking operations, serving companies that explore oil in the pre-salt fields.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2022

(Amounts expressed in thousands, unless otherwise stated)

2. Basis of preparation and presentation of financial statements

a) Individual and consolidated financial statements

The consolidated financial statements were prepared under various measurement bases used in accounting estimates. Accounting estimates involved in the preparation of the financial statements were based on objective and subjective factors, and in line with management's judgment for determining the adequate amounts to be recorded in the financial statements.

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

The individual and consolidated financial statements were prepared 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 by means of the Brazilian Financial Accounting Standards Board - FASB ("CPC"), and its accounting interpretations ("ICPC") and guidance ("OCPC"), approved by the Brazilian Securities and Exchange Commission ("CVM").

In addition, the Company considered the guidance provided for in Accounting Guidance OCPC 07, issued by the Brazilian FASB ("CPC") in November 2014, in preparing its financial statements. Accordingly, significant information of the financial statements themselves is being disclosed and corresponds to that used by management over its administration.

On March 07, 2023, Company management authorized the completion and disclosure of the individual and consolidated financial statements for the year ended December 31, 2022.

b) Basis of preparation and measurement

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

c) Functional currency

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

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2022

(Amounts expressed in thousands, unless otherwise stated)

2. Basis of preparation and presentation of financial statements (Continued)

d) Consolidation

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

	Interest - %				Location of headquarters	Main activity
	Capital		Voting capital			
	2022	2021	2022	2021		
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	99,99%	99,99%	99,99%	99,99%	Brazil	Purchase and sale of ore

Significant consolidation procedures are:

- (i) Elimination of asset and liability balances between consolidated companies;
- (ii) Elimination of balances of investment accounts and corresponding interests in capital and retained earnings (accumulated losses) of subsidiaries;
- (iii) Elimination of balances of revenues and expenses as well as unrealized profits arising from intercompany transactions. Unrealized losses are also eliminated, but only to the extent that there is no evidence of impairment of the related assets;
- (iv) Balances of intercompany transactions of shared control are eliminated and interests of other shareholders are disclosed in the statement of financial position and P&L;
- (v) Changes in the percentage interest in subsidiaries that do not result in loss and/or gain of control are recorded in equity.

3. Summary of significant accounting practices and estimates

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.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2022

(Amounts expressed in thousands, unless otherwise stated)

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

3.1. Financial instruments (Continued)

a) Financial assets (Continued)

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.

b) 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.

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.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2022

(Amounts expressed in thousands, unless otherwise stated)

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

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.

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.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2022

(Amounts expressed in thousands, unless otherwise stated)

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

3.5. Properties, plant and equipment (Continued)

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.

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.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2022

(Amounts expressed in thousands, unless otherwise stated)

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

3.7. Impairment of nonfinancial assets (Continued)

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.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, with the reversal being limited to the carrying amount, net of depreciation or amortization, if the loss of value had not been recognized.

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.

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.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2022

(Amounts expressed in thousands, unless otherwise stated)

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

3.8. Taxes (Continued)

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.

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

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2022

(Amounts expressed in thousands, unless otherwise stated)

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

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, replaces CPC 17 (R1) - Construction Contracts (equivalent to international standard IAS 11), CPC 30 - Revenue (equivalent to international standard IAS 18) and related interpretations and limited exceptions, to all revenues arising from a customer agreement. IFRS 15 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).

i) Sale of goods

For contracts with customers in which the sale of goods is generally expected to be the only performance obligation, adoption of IFRS 15 is not expected to have a significant impact on the Group's revenue and profit or loss. 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.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2022

(Amounts expressed in thousands, unless otherwise stated)

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

3.10. Revenue from Contracts with Customers (Continued)

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.

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.

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 were, as a general rule, 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, 2022

(Amounts expressed in thousands, unless otherwise stated)

4. Cash and equivalents and marketable securities

	Parent Company		Consolidated	
	2022	2021	2021	2021
Cash and banks	12,053	9,370	12,925	10,532
Cash equivalents	25,794	234	86,298	66,006
	37,848	9,604	99,223	76,538

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 repurchase agreements and the Bank Deposit Certificates (CDBs) are issued by top-tier financial institutions and are mostly remunerated from 75% to 101.2% of the Interbank Deposit Certificate (CDI) variation, respectively.

5. Accounts receivable

	Parent Company		Consolidated	
	2022	2021	2022	2021
Port fee	53,598	17,594	53,598	17,594
	53,598	17,594	53,598	17,594

The balance on December 31, 2022 was substantially received until February 2023. Management understands that there is no need to record a provision for estimated losses on allowance for loan losses.

6. Inventories

	Parent Company		Consolidated	
	2022	2021	2022	2021
Gravel	-	-	2,204	2,358
Iron ore	-	-	73,344	274,813
Warehouse	65,555	64,444	65,984	64,903
	65,555	64,444	141,532	342,074

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2022

(Amounts expressed in thousands, unless otherwise stated)

7. Restricted deposits

	Parent Company		Consolidated	
	2022	2021	2022	2021
Trustee ACC Itaú BBA (*)	12,318	11,130	12,318	11,130
	12,318	11,130	12,318	11,130

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

8. Advances

	Parent Company		Consolidated	
	2022	2022	2022	2021
Customs clearance	2,752	3,173	2,752	3,171
Fuel	9,349	10,542	9,349	10,542
Energy	2,580	2,739	2,580	2,739
Professional services	11,896	5,701	11,896	5,701
Machinery and equipments	8,488	7,934	8,488	7,934
Other	2,435	3,026	2,435	3,028
	37,500	33,115	37,500	33,115

9. Investments / Negative equity provision

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. The company had no operations in 2022.

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. The company had no operations in 2022.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2022

(Amounts expressed in thousands, unless otherwise stated)

9. Investments / Negative equity provision (Continued)

Porto Sudeste VM 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 no controlling 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. The company had no operations in 2022.

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

	Parent Company					
	2021	Equity pick-up (*)	Capital increase	Effect of conversion into Brazilian reais	Negative equity provision	2022
Pedreira	20,624	(66)	-	(1,344)	-	19,214
TCS	31,323	(300)	270	(2,035)	-	29,258
Porto VM	25	(401)	700	(15)	-	309
	51,972	(767)	970	(3,394)	-	48,781

	Parent Company			
	2021	Equity pick-up (*)	Negative equity provision	2022
Porto Sudeste Exportação	(89,680)	(23,077)	3,758	(108,999)
	(89,680)	(23,077)	3,758	(108,999)

(*) On December 31, 2022, the Company recognized a negative equity result totaling R\$ 23,844.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2022

(Amounts expressed in thousands, unless otherwise stated)

9. Investments / Negative equity provision (Continued)

Ownership interest and summary of investees

	2022						
	Interest	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)

	2021						
	Interest	Number of shares/ units (thousand)	Assets	Liabilities	Equity	Net Revenue	P&L for the year
Pedreira	99,98%	49,001	24,607	3,983	20,624	-	(329)
TCS	99,98%	3,447	2,476	1	2,475	-	(389)
Porto VM	100%	-	60,416	60,391	25	-	(727)
Porto Sudeste Exportação	100%	-	374,683	464,363	(89,680)	6,017,659	(41,307)

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2022

(Amounts expressed in thousands, 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, 2020	151,991	1,317,247	167,511	57,379	5,542,356	50,837	7,287,321
Additions	276	3,719	3,600	94,806	289	20,941	123,631
Transfers	1,053	157	-	(4,954)	610	3,134	-
Depreciation for the year	(13,739)	(61,297)	-	-	(94,078)	(1,306)	(170,420)
Effect of conversion into Brazilian reais	3,450	69,565	17,486	3,324	368,762	385	462,972
Net balance at December 31, 2021	143,031	1,329,391	188,597	150,555	5,817,939	73,991	7,703,504
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	176,335	270,213	5,313,693	76,369	7,117,258
Accumulated balances							
Cost	162,372	1,144,781	129,019	136,147	4,703,060	68,018	6,343,397
Accumulated depreciation	(59,355)	(211,981)	-	-	(638,215)	(5,277)	(914,828)
Effect of conversion into Brazilian reais	40,016	396,591	59,578	14,403	1,753,094	11,253	2,274,935
Net balance at December 31, 2021	143,033	1,329,391	188,597	150,550	5,817,939	73,994	7,703,504
Cost	162,459	1,149,318	129,019	262,317	4,703,060	77,864	6,484,037
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	176,335	270,213	5,313,693	76,369	7,117,258

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements (Continued)

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(Amounts expressed in thousands, unless otherwise stated)

10. Property, plant and equipment (Continued)

Impairment test for property plant and equipment

Throughout the year ended of 2022, the Company assessed whether there were indications that any asset could be recorded above its recoverable amount, and after tests carried out it did not verify the need to recognize any provision for impairment of its assets.

The discounted cash flow method employed by the Company is based on concepts that consider financial resources which will be generated in the future by the cash-generating unit, discounted to present value, to reflect the time, opportunity cost and associated risks. The Weighted Average Capital Cost discount rate used for measuring the recoverable value of assets was 7.00%. These projections are based on the Company's Business Plan, that include premises related to the growth of the iron ore export in the Quadrilátero of Minas Gerais, premises regarding the growth in market share of Porto Sudeste do Brasil, volumes of iron ore originated by mines belonging to its shareholders, expectations of commodity prices, among others.

11. Intangible assets

	<u>Port license</u>
Balance on December 31, 2020	11,587,582
Amortization	(90,017)
Effect of conversion into Brazilian reais	<u>817,166</u>
Balance on December 31, 2021	<u>12,314,731</u>
Amortization	(88,776)
Effect of conversion into Brazilian reais	<u>(830,456)</u>
Balance at December 31, 2022	<u>11,395,499</u>

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

Impairment test for intangible assets with defined useful life

Throughout the year ended of 2021, the Company assessed whether there were any indicators that the license could be above its recoverable amount. After the tests conducted as mentioned in Note 10, the Company did not identify the need to recognize any provision for impairment of its intangible assets.

The present value of assets was calculated using a weighted average cost of capital of 7.00%.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2022

(Amounts expressed in thousands, unless otherwise stated)

12. Trade accounts payable

	Parent Company		Consolidated	
	2021	2021	2021	2021
Equipment rental	3,160	1,520	3,160	1,520
Energy	2,120	2,331	2,120	2,331
Fuel	37	1	37	1
Construction in progress	36,754	17,948	36,754	17,948
Iron ore	-	-	47,921	100,887
Rail freight	-	-	8,016	6,761
Machinery and equipment	2,342	9,783	2,342	9,783
Insurance	259	1,144	259	1,144
Services	22,641	25,926	22,711	26,325
	67,313	58,653	123,320	166,700

13. Loans and financing

Loans per currency

	Consolidated			
	Current liabilities		Noncurrent liabilities	
	2022	2021	2022	2021
Taken out in US dollars				
Principal	475,015	350,897	3,308,204	3,609,350
Interests	2,947	1,329	1,151,657	1,066,644
Transaction costs	-	-	(19,698)	(21,791)
	477,962	352,226	4,440,163	4,654,203
Taken out in Brazilian reais				
Principal	-	-	2,022,975	2,292,285
Interests	9,579	15,325	-	-
Transaction costs	-	-	(127,971)	(144,102)
	9,579	15,325	1,895,004	2,148,183
	487,541	367,551	6,335,167	6,802,386

The current liabilities of contracts denominated in US dollars refer to the ACC/ACE contracts taken from the creditor Santander by the subsidiary Porto Sudeste Exportação e Comércio S/A. The current liabilities of contracts denominated in reais refer to interest relating to the period of December 15, 2022 until December 31, 2022 of the financing agreements with the creditors BNDES and Bradesco and are due for payment on March 15, 2023.

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.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2022

(Amounts expressed in thousands, unless otherwise stated)

13. Loans and financing (Continued)

Loans per financial institution

Bank	Index/interest	Maturity	Balance as of	
			2022	2021
BNDES FINEM - nº 10.2.0265.1	5.51%/4.51% p.a. + IPCA	15/12/2036	777,157	870,547
BNDES FINEM - nº 12.2.1174.1				
- Subcrédito A, B	5.73%/4.73% p.a. + IPCA	15/12/2036	420,821	471,391
BNDES FINEM - nº 12.2.1174.1				
- Subcrédito C	3.40%/2.40% p.a. + Cesta de Moedas	15/12/2036	210,406	251,111
BNDES FINEM - nº 4.003.109-P - Repasse AB	6.73%/5.73% p.a. + IPCA	15/12/2036	414,314	464,163
BNDES FINEM - nº 4.003.109-P - Repasse C	4.40%/3.40% p.a. + Cesta de Moedas	15/12/2029	209,856	250,398
Deutsche Bank/Natixis/BTG	4.00%/3.50% p.a. + Libor 3 months	15/06/2037	699,476	826,203
Bradesco/PAV Lux (*)	4.50% p.a. + Libor 6 months	15/06/2037	3,710,384	3,798,263
BTG	4.00% p.a. + Libor 1 months	15/12/2036	50,201	51,622
Santander	2.15% p.a. + Libor	27/02/2023	194,582	250,322
Citibank	2.10% p.a. + Libor	27/02/2023	90,065	101,810
Daycoval	9.27% a 9.71% a.a.	17/02/2023	7,150	-
Itaú	8.77% a 9.31% a.a.	27/02/2023	137,973	-
ABC Brasil	5.50% a 7.15% a.a.	23/01/2023	47,992	-
			6,970,377	7,335,830
Transaction costs			(147,669)	(165,893)
			6,822,708	7,169,937

(*) According to the debt assignment and assumption agreement, signed on March 11, 2021, Itaú Unibanco S / A - Nassau Branch (Assignor) which owned 46.41% of the debt, ceded all its rights and obligations arising from the loan agreement, amounting US\$ 330,028 on December 31, 2022, to PAV LUX S. À.R.L a Company of Mubadala Group, which have jointly control of Porto Sudeste. There were no changes on agreement terms, interest or expiration term.

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

	Consolidated	
	2022	2021
Year of maturity		
Up to one year	487,541	367,551
2 to 3 years	347,920	160,684
4 to 5 years	432,223	477,513
Over 5 years	5,702,693	6,330,082
	6,970,377	7,335,830
Transaction costs	(147,669)	(165,893)
	6,822,708	7,169,937

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2022

(Amounts expressed in thousands, unless otherwise stated)

13. Loans and financing (Continued)

Loans per financial institution (Continued)

On December 31, 2022, the annual interest rates on debts are as follows:

	Consolidated	
	2022	2021
Debts in US\$ - up to 7.00%	74,061	5,028,219
Debts in R\$ - above 7.00%	4,863,762	-
Debts in R\$ - from 6.1% to 9.3%	420,262	501,509
Debts in R\$ - above 9.3%	1,612,292	1,806,102
	6,970,377	7,335,830
Transaction costs	(147,669)	(165,893)
	6,822,708	7,169,937

Collateral

The Company's' loans are guaranteed by top-tier financial institutions, as well as by 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 attended on December 31, 2022. The covenants should be complied as on January 2024, considering the rules, deadline for compliance and measurement periods of each covenant individually.

Effect of conversion into Brazilian reais

The exchange rate varied -6.5012% in the period, from R\$5.5805/US\$ on December 31, 2021 to R\$5.2177/US\$ on December 31, 2022, influencing the balance of US dollar currency debt that, at December 31, 2022, accounted for 70.84% 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 financial statements (Continued)

December 31, 2022

(Amounts expressed in thousands, unless otherwise stated)

13. Loans and financing (Continued)

Refinancing of the Senior Debt

On April 14 and June 2, 2021, the Company completed the second refinancing of senior debt related to financing agreements with creditors BNDES and Bradesco, and CESCE/Natixis/BTG, respectively. These refinancing's included, among others: (a) updating the index from TJLP to TLP; (b) extension of the grace period until 12/31/2023; (c) extension of the maturity term until December 15, 2036 (plus 7 years) for BNDES and Bradesco contracts and until December 15, 2029 (plus 6 years) for CESCE/Natixis/BTG contracts; (d) change in the periodicity of payment of amortization and interest from monthly to quarterly; (e) change in 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 limitations related to the leverage level and pre-refinancing schedule after the grace period; and (g) updating of certain indicators and covenants.

14. Variable income securities (“royalties”)

In February 2014, Trafigura Pte. Ltd. (“Trafigura”) and Mubadala Development Company PJSC (“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.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2022

(Amounts expressed in thousands, 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 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.

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:

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

Where:

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

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

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

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

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

FP = Proportional Factor

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

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2022

(Amounts expressed in thousands, 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 will be calculated based on the load margin (as defined below) (“value per ton for other loads”). “Load margin” (a) means the difference between the average cost per ton (excluding all non-cash items) incurred in relation to the services rendered by Porto Sudeste relating to the applicable load and the average value per ton effectively charged by Porto Sudeste for the services rendered in relation to such load; and (b) must be limited under any circumstance to USD 5.00 per shipped ton. The adjusted limit value of USD 5.00 per ton for load margin will be (i) adjusted annually at the variation in US PPI calculated from September 2010; and (ii) converted into reais, based on the exchange rate at the ending of the business day immediately prior to the actual payment date.

During the years 2013 to 2016, the commitment of royalties from Porto Sudeste do Brasil, 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:

Iron Ore	2013	2014	2015	2016
Tons (million)	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 Sudeste Port of Brazil, 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
TMMF	-	-	-	7,1	9,5	10,7	16,4	18,7	17,8	17,4
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 until the last day of said calendar quarter (“Accumulated Royalties”).

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2022

(Amounts expressed in thousands, unless otherwise stated)

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

It is agreed and understood that issuer is not required to pay such additional values established herein, unless an available cash is held by issuer in the last day of such calendar quarter and until the available cash limit, “available cash” means the value corresponding to the cash available of Porto Sudeste do Brasil less the sum of (a) any values contributed by stockholders of Porto Sudeste through capital increase or stockholder loan, to the extent that such values remain as available cash of Porto Sudeste do Brasil, (b) BNDES senior debt service reserve account and CESCE senior debt service reserve account, and (c) the cash amounts provisioned by Porto Sudeste for IRPJ - Corporate Income Tax, CSLL - Social Contribution on Net Income, and other obligations for which the independent auditors of Porto Sudeste do Brasil require provisioning.

On December 31, 2022, Porto Sudeste do Brasil 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 do Brasil 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 by the cost of equity at an annual rate of 11.90%. These projections are based on the Company’s Business Plan, that include premises related to the growth of the iron ore export in the Quadrilátero of Minas Gerais, premises regarding the growth in market share of Porto Sudeste do Brasil, volumes of iron ore originated by mines belonging to its shareholders, expectations of commodity prices, among others.

Royalties breakdown							
	2021	Payments	Present value adjustment	US PPI	Assumptions review	Effect of conversion into Brazilian reais	2022
Royalties	14,124,219	-	1,615,844	1,473,685	(2,595,593)	(849,522)	13,768,633
Issuance cost	(15,053)	-	-	-	-	980	(14,073)
Total	14,109,166	-	1,615,844	1,473,685	(2,595,593)	(848,542)	13,754,560

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2022

(Amounts expressed in thousands, unless otherwise stated)

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

On December 31, 2022, the present value of discounted future cash flow amounted to US\$2,638,832, which converted into Brazilian reais totaled R\$13,768,633 (US\$2,530,995, which converted into Brazilian reais totaled R\$14,124,219 as of December 31, 2021). The update balance correspondent to the present value adjust of the securities for the twelve months of 2022 was of US\$314,495, which converted into Reais totaled R\$1,615,844, recorded as a financial expense. The update of the assumptions that support the calculation of the securities totaled R\$2,595,593, this amount deducted of R\$5,455 regarding other operating expenses, totaled the balance of R\$2,590,138 recorded as other operating income (expenses). The PPI adjustment (inflationary effect), totaled R\$1,473,685, recorded in the financial expenses.

Transaction costs

Debt issue costs of variable income securities totaling R\$14,073 at December 31, 2022 (R\$15,053 at December 31, 2021), referring to outside legal counsel fees and commissions of guarantee were recorded as reduction of liabilities.

15. Taxes and contributions payable

	Parent Company		Consolidated	
	2022	2021	2022	2021
Service Tax (ISS)	4,534	5,880	7,025	8,848
Social Security Tax (INSS) - third parties	739	540	739	540
State Value-Added Tax (ICMS)	212	661	213	661
Withholding tax (IRRF)	1,394	1,427	1,394	1,427
Social Contribution Tax for Intervention in the Economic Order (CIDE) on import	757	202	757	202
Contribution Tax on Gross Revenue for Social Integration Program (PIS) and for Social Security Financing (COFINS)	10,039	6,525	10,049	6,534
Other	29	8	29	9
	17,704	15,243	20,206	18,221

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2022

(Amounts expressed in thousands, unless otherwise stated)

16. Related parties

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

	Parent Company		Consolidated	
	2022	2021	2022	2021
<u>Assets</u>				
Porto Exportação (a)	80,075	-	-	-
Mineração Morro do Ipê (a)	100,045	96,169	100,045	96,169
Trafigura PTE (b)	-	-	310,845	21,003
	180,120	96,169	410,890	117,172
<u>Liabilities</u>				
Porto Exportação	56,670	10,640	-	-
Trafigura PTE (c)	5,242	2,022	5,242	2,022
	61,912	12,662	5,242	2,022
<u>Revenue</u>				
Trafigura PTE (b)	-	-	3,531,754	6,026,608
Mineração Morro do Ipê (a)	365,566	441,956	365,566	441,956
Porto Exportação (a)	503,965	550,555	-	-
Trafigura (Brasil) (a)	-	742	-	742
	869,531	993,253	3,897,320	6,469,306
<u>Expenses</u>				
Trafigura PTE	7,905	4,631	17,975	13,941
	7,905	4,631	17,975	13,941

(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 the 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.

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\$330,028 equivalent to R\$1,721,989 in December 31, 2022.

Key management personnel compensation

The amount of R\$7,049 (R\$4,933 at December 31, 2021), refers to key management personnel compensation paid in 2022.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2022

(Amounts expressed in thousands, 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 recorded, however, the financial statement considering that Porto is still in its ramp-up period with no history of taxable income, and still does not have the expectation of generating taxable income in a short term.

	Parent Company		Consolidated	
	2022	2021	2022	2021
Deferred tax assets (liabilities)				
Tax losses	831,984	753,967	854,758	772,417
Social contribution tax losses	299,514	271,428	307,713	278,070
Pre-operating expenses treated as deferred assets for tax purposes	122,546	163,176	122,546	163,176
Amortization of license	100,794	72,922	100,794	72,922
Present value adjustment of royalties	452,278	240,895	452,278	240,895
Effect on property and equipment and intangible assets arising from change of functional currency (a)	(1,557,163)	(2,029,899)	(1,561,267)	(2,036,325)
Exchange gains/losses on royalties and loans (b)	1,188,870	1,583,643	1,192,615	1,587,821
Others	18,832	27,152	18,832	27,152
Provision of unrecognized DTA (a)	1,457,655	1,083,284	1,488,269	1,106,128

(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 2022, 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.

b) Reconciliation of the expense calculated by the tax rates and amounts in the income statement for the year

	Parent Company		Consolidated	
	2022	2021	2022	2021
Gain before income and social contribution taxes	(553,637)	(393,248)	(553,637)	(393,248)
Income and social contribution tax assets at statutory rate (34%)	(188,237)	(133,704)	(188,237)	(133,704)
Adjustments for reconciliation of the statutory rate to the effective rate				
Equity pickup	3,896	11,189	-	-
Thin Cap interest	53,540	43,087	53,540	43,087
Adjustments due to the conversion of balances into the functional currency	445,090	(478,858)	443,238	(484,399)
Others	(215,925)	28,941	(215,625)	29,374
Deferred tax credit not recorded for the year	98,364	(529,345)	92,916	(545,642)

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2022

(Amounts expressed in thousands, unless otherwise stated)

18. Provision for contingencies

On December 31, 2022, the Company and its subsidiaries have the following contingencies assessed by the legal advisors as probable losses, which were provisioned:

a) Probable

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 into by Porto Sudeste to serve as collateral for a contingent payment. The amount provisioned for this cause, R\$5,979, represents 80% of the balance recorded.

	Consolidated	
	2022	2021
Tax contingencies	6,511	-
Labour contingencies	990	493
Probable contingencies	7,501	493

b) Possible

There are 143 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\$140 million, considering 5 or 3 defendants in each lawsuit, with approximately R\$40 million being the equivalent of the PSB, 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 cases are at a very early stage, since the defendants (Porto Sudeste and other companies) have not yet filed a defense and that the 146 cases are being consolidated by the court into smaller blocks of actions, our external lawyers classified the risk as "possible".

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2022

(Amounts expressed in thousands, unless otherwise stated)

19. Equity

a) Capital

Porto Sudeste's capital is broken down as follows:

<u>Shareholders</u>	<u>Number of shares</u>	<u>R\$</u>	<u>%</u>
PSA Fundo de Investimentos e Participações	1.077.031.635	3,086,160	99,33
Porto Sudeste Participações S.A. ("Grupo MMX")	6.336.766	18,299	0,59
Gaboard Participações Ltda.	876.275	2,531	0,08
Total	<u>1.084.244.676</u>	<u>3,106,990</u>	<u>100</u>

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.

c) Advance for future capital increase

In May 2020, shareholders Trafigura and Mubadala made a capital contribution through PSA Fundo de Investimentos e Participações, amounting to R\$72,826.

In March 2021, shareholders Trafigura and Mubadala made a capital contribution amounting to R\$96,600 through PSA Fundo de Investimentos e Participações in the Company as an advance for future capital increase.

In November 2021, the shareholder Mubadala 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.

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.

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.

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.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2022

(Amounts expressed in thousands, unless otherwise stated)

19. Equity (Continued)

d) Capital increase

In April 2021, the amount of US\$31,300 was paid, equivalent to R\$169,426 received as an advance for future capital increase in May 2020 and March 2021, through the PSA Fundo de Investimento e Participações. After the aforementioned capital increase, the MMX Group was diluted and now holds a 0.60% interest in the Company (0.65% on December 31, 2020).

In July 2022, the amount of US\$4,700 was paid, equivalent to R\$25,620 received as an advance for future capital increase in November 2021 and February 2022, through the PSA Fundo de Investimento e Participações. After the aforementioned capital increase, the MMX Group was diluted and now holds a 0.59% interest in the Company (0.60% on December 31, 2021).

20. Service revenue, net

	Parent Company		Consolidated	
	2022	2021	2022	2021
Gross services revenue	1,294,624	1,326,717	790,658	785,111
Gross iron ore sales revenue (*)	-	-	3,531,755	6,017,659
(-) Sales deductions				
Service Tax (ISS)	(62,868)	(72,386)	(62,868)	(72,386)
Contribution Tax for Social Integration Program (PIS)	(19,710)	(21,994)	(19,710)	(21,994)
Contribution Tax for Social Security Financing (COFINS)	(90,784)	(101,307)	(90,784)	(101,306)
Others (canceled sales)	-	-	-	(8,951)
Net revenue	1,121,262	1,131,030	4,149,051	6,598,133

(*) The total revenue earned by the Company comes from the export of iron ore, which is not subject to deductions for social contributions and intervention in the economic domain, as determined by article 149 of the Federal Constitution. Revenue is recognized at the estimated fair value of the total consideration receivable, with the provisional pricing mechanism embedded in these contracts characterized as a derivative. Accordingly, the fair value of the final sale price adjustment is continually reassessed and changes in fair value are recognized as sales revenue in the income statement. In some cases, the sales price for the foreign market is provisionally determined on the date of the transaction, that is, on the date of shipment, with subsequent adjustments being based on changes in quoted market prices up to the date of fixing the final price.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2022

(Amounts expressed in thousands, unless otherwise stated)

21. Costs of sales and services

	Parent Company		Consolidated	
	2022	2021	2022	2021
Costs of sales (*)	-	-	(3,023,606)	(5,473,693)
Cost of materials	(24,603)	(25,395)	(24,603)	(25,395)
Utilities	(24,141)	(22,261)	(24,141)	(22,261)
Maintenance	(3,361)	(2,464)	(3,361)	(2,464)
Depreciation and amortization	(254,927)	(259,875)	(254,939)	(259,875)
Rent of equipment	(26,009)	(17,530)	(26,009)	(17,530)
Insurance	(13,924)	(13,905)	(13,924)	(14,025)
External services	(44,378)	(22,398)	(44,296)	(20,881)
Demurrage	-	-	(10,070)	(9,378)
Payroll	(68,109)	(58,507)	(68,139)	(58,507)
Other	(5,829)	(3,898)	(7,754)	(4,794)
	(465,281)	(426,233)	(3,500,842)	(5,908,803)

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

22. Administrative expenses by nature

	Parent Company		Consolidated	
	2022	2021	2022	2021
Depreciation and amortization	(1,975)	(529)	(1,975)	(561)
Third-party services	(34,082)	(21,959)	(34,300)	(23,435)
Payroll	(43,679)	(35,686)	(43,679)	(35,686)
Maintenance	(2,214)	(532)	(2,214)	(615)
Materials	(876)	(752)	(876)	(984)
Fuel	(125)	(261)	(125)	(287)
Other	(3,817)	(6,707)	(4,183)	(8,723)
	(86,768)	(66,426)	(87,352)	(70,291)

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2022

(Amounts expressed in thousands, unless otherwise stated)

23. Finance income (costs)

	Parent Company		Consolidated	
	2022	2021	2022	2021
Financial costs				
Interest	(408,526)	(509,943)	(424,267)	(516,136)
Tax on Financial Transactions (IOF)	(1,067)	(2,638)	(1,182)	(3,145)
Present value adjustment on royalties (note 14)	(3,089,529)	(1,626,537)	(3,089,529)	(1,626,537)
Taxes on financial income	(939,231)	-	(1,202,845)	-
Other	(48,748)	(142,092)	(49,126)	(142,222)
	(4,487,101)	(2,281,210)	(4,766,949)	(2,288,040)
Finance income				
Short-term investment income	2,943	1,463	9,191	3,648
Inflation effects on royalties (note 14)	-	71,416	-	71,416
Foreign exchange differences (*)	794,278	152,249	1,052,517	133,441
Other	736	333	765	348
	797,957	225,461	1,062,473	208,853
Finance income (costs), net	(3,689,144)	(2,055,749)	(3,704,476)	(2,079,187)

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

24. Financial instruments and risk management

The Company performs the risk management of its companies within the Company's consolidated level, taking advantage of the possible synergy between the businesses to reduce the risk.

The "fair value" concept embodies the valuation of assets and liabilities by reference to market prices when this involves liquid assets or otherwise using mathematical pricing methodologies. The level of fair value hierarchy gives priority to unadjusted quoted prices in an active market.

These instruments are managed through operational strategies and internal control intended for liquidity, profitability and safety. Control policy consists of permanent monitoring of contracted rates versus market rates in effect. The Company does not make speculative investments in derivative financial instruments or any other risky assets, as determined in the risk management policy.

The Company and its subsidiaries had no derivative or hedging instruments at December 31, 2022 and 2021.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2022

(Amounts expressed in thousands, unless otherwise stated)

24. Financial instruments and risk management (Continued)

The financial assets are classified and measured into the following categories:

Financial assets	Parent Company			Consolidated		
	2022			2021		
	Assets at amortised cost	Assets at fair value through profit or loss	Total	Assets at amortised cost	Assets at fair value through profit or loss	Total
Cash and cash equivalents	12,925	-	12,925	10,532	-	10,532
Marketable securities	-	86,298	86,298	-	66,006	66,006
Trade accounts receivable	53,598	-	53,598	17,594	-	17,594
Accounts receivable from related parties	410,890	-	410,890	117,172	-	117,172
	477,413	86,298	563,711	145,298	66,006	211,304

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

Financial liabilities	Consolidated	
	2022	2021
Trade accounts payable	(123,320)	(166,700)
Loans and financing	(6,970,377)	(7,335,829)
Accounts payable to related parties	(5,242)	(2,022)
	(7,098,939)	(7,504,551)

Risk management objectives and strategies

The contracting of financial instruments with the objective of protecting assets (hedge) can be carried out through an analysis of exposures to risks (exchange rate, interest rate, commodity price, among others).

Decision making regarding the identified and measured risk will be evaluated in the economic and operational context and will occur when management considers the risk relevant.

Market and financial risk

The Company understands that there are relevant risks considering the variables to which loans and financing are exposed at the end of the year. The risk variables are: (i) exposure to fluctuations in the exchange rate between the Real and the US Dollar, exposure to IPCA inflation and exposure to the Libor index of interest rates. The Company understands that the financial expenses arising from fluctuations in the dollar rate will naturally be protected by the Company's revenues, which will also be denominated in the same currency. The IPCA generates risk for the Company, vis-a-vis its level of variation and unpredictability over the last few years, as it impacts the variable part of the interest portion of the debts that comprise this indicator, representing 23.13% of the total indebtedness.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2022

(Amounts expressed in thousands, unless otherwise stated)

24. Financial instruments and risk management (Continued)

Market and financial risk (Continued)

The global price of iron ore, as well as other variables that impact the pricing of the commodity exported in Brazil, such as maritime freight, penalties and quality premiums, among others, can impact the Company's revenue generation, both on the supply side as for the price of the port service.

Currency risk

The Company is susceptible to financial impacts, due to the effects of exchange rate volatility on transactions linked to Real, mainly in loan and financing operations and variable interest securities. Considering that ore shipment contracts will be negotiated in dollars, the Company has a natural hedge, which is why, with the start of operations, management changed the functional currency to the dollar. With the change in the functional currency, the Company is exposed, accounting, in debt denominated in Reais. Fluctuations in the exchange rate can have an adverse effect on the financial statements.

Interest rate risk

Risk of shift in interest structures that may be associated with payment flows of the debt principal and interest. Porto Sudeste's debt is indexed both to a floating and fixed rate. However, the outstanding balances on December 31, 2022 represent approximately 23.13% of the credit facilities are pegged to IPCA, 63.99% to Libor and 6.03% to UMBNDES (basket of currencies) and 6.85% of fixed rate. In addition, management monitors the risk associated with uncertainty of medium and long-term cash flows arising from the indexation of floating rates and, if necessary, may engage in hedging transactions to reduce debt service cash flow exposure.

Liquidity risk

The Company monitors its liquidity level considering the expected cash flows in contrast to the amount available in cash and cash equivalents. The liquidity risk management implies maintaining sufficient cash and marketable securities, in addition to gain market share in the respective maturities.

Considering the senior debt cash sweep mechanism, cash available and cash generation from the port services are sufficient to settle the operating expenses over the next 90 days. In addition, it is necessary to consider the credit lines open with banks for Trade Finance operations (ACC/ACE).

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2022

(Amounts expressed in thousands, unless otherwise stated)

24. Financial instruments and risk management (Continued)

Liquidity risk (Continued)

The projection for the settlement of liabilities on December 31, 2022 is as follows:

	Future flows projected for maturity					Total
	Whithin 6 months	From 6 to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	
Financial liabilities						
Trade accounts payable	123,320	-	-	-	-	123,320
Related parties	5,242	-	-	-	-	5,242
Loans and financing	487,541	-	140,549	639,593	5,702,694	6,970,377
Royalties	-	-	565,093	4,786,734	88,732,054	94,083,881
Total by maturity range	616,103	-	705,642	5,426,327	94,434,748	101,182,820

Credit risk

This risk arises from the Company and subsidiaries' likelihood to record losses due to the default of their counterparties or of financial institutions depository of funds or investments. This risk factor could either come from trade transactions or cash management.

In order to mitigate these risks, the Company makes it a practice to review the financial position of its counterparties and monitor, on an ongoing basis, the outstanding positions.

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

Positions that represent credit risk	Consolidated	
	2022	2021
Cash and cash equivalents	99,223	76,538
Trade accounts receivable	53,598	17,594
Restricted deposit	12,318	11,130
	165,139	105,262

25. Insurance coverage

The Company and its subsidiaries take out insurance coverage for assets subject to risks at amounts deemed sufficient by management to cover losses, if any, considering the nature of their activity.

Porto Sudeste do Brasil S.A.

Notes to individual and consolidated financial statements (Continued)

December 31, 2022

(Amounts expressed in thousands, unless otherwise stated)

25. Insurance coverage (Continued)

Insurance coverage includes risks such as civil liability, fire, operating risks, rail transport and a group life insurance policy for the Company's employee.

<u>Insured risk</u>	<u>Maximum coverage limit</u>
Civil liability	R\$40.000
Port operator policy - civil liability	US\$200.000
	US\$200.000
	US\$50.000

Port operator policy - personal injury

Civil liability for environmental risks

The Company considers that the policy coverage is consistent with that used in its segment and is in line with the Company's objectives, pursuant to the best corporate risk management practices.

Board of directors

Julien Rolland – Chairman
Oscar Pekka Fahlgren – Vice Chairman
Jesus Fernandez López – Board Member
Hani Barhoush - Board Member
Carlos Bernardo Pons Navazo - Board Member
Kelly Michele Thomson - Board Member

Executive Board

Jayme Nicolato - Chief Executive Officer
Guilherme Caiado - Chief Operations Officer
Thiago Roldão - Chief Financial Officer



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