Financial Statements Individual and Consolidated

Porto Sudeste do Brasil S.A.

December 31, 2020
with Independent Auditor's 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, 2020. Should you need any further clarifications, please do not hesitate to contact us. In closing 2020, 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

By virtue of the conclusion of the Company's parent Porto Sudeste do Brasil S.A. acquisition in February 2014, as described in Note 1, the Company assumed the obligations related to variable income securities MMXM11, issued in 2011 in connection with Porto Sudeste's acquisition by MMX. In order to make the transfer of such obligation feasible, the Corporation issued variable income securities (mirror securities of MMXM11) in similar terms to MMXM11, by means of two vehicles:

- FIP-IE Porto Sudeste Royalties: An infrastructure equity investment fund to hold in its portfolio exclusively Port11 Securities - and for each Port11 Security held by FIP-IE would be entitled to a Unit. FIP-IE's units were offered to the holders of MMXM11 Securities that would fit as qualified investors pursuant to CVM regulation, and would not have restrictions to hold FIP-IE units.

- Porto Sudeste V.M S.A.: A stock corporation registered with CVM under category ‘B’. Said corporation issued a new royalty-based variable-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). The PSVM11 Securities were offered to holders of MMXM11 Securities that (i) would not fit as qualified investors, or (ii) would have regulatory restrictions to hold units of a FIP-IE.

Such security exchange operation did not generate impacts on the Corporation’s financial statements, once the obligation of payment had already been recognized based on contractual clauses with the final holders of the original securities (MMXM11).

Through conclusion of security exchange, the Company has an obligation of payment to the carriers above, which in turn have an obligation of payment to the holders of units/securities exchanged.

The holders of securities mentioned are entitled to quarterly variable income determined since January 1st, 2013, calculated based on metric ton of iron ore (defined below) or the value per ton of other loads (defined below), as the case may be, as follows:

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

Where:

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

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

For other loads: the royalties related to other loads, other than iron ores (excluding non-dry loads, such as supply activities) conducted at the Port Terminal will be calculated based on the load margin (as defined below) (“value per ton for other loads”). “Load margin” (a) means the difference between the average cost per ton (excluding all non-cash items) incurred in relation to the services rendered by Porto Sudeste relating to the applicable load and the average value per ton effectively charged by Porto Sudeste for the services rendered in relation to such load; and (b) must be limited under any circumstance to USD 5.00 per shipped ton.

The adjusted limit value of USD 5.00 per ton for load margin will be (i) adjusted annually at the variation in US PPI calculated from September 2010; and (ii) converted into reais, based on the exchange rate at the ending of the business day immediately prior to the actual payment date.

Annually, in the fourth quarter of each fiscal year, the amount of the metric tons effectively shipped on Port during the respective year ("measured tons") will be compared to: (a) the years between 2013 and 2016, the take-or-pay volumes indicated in chart below; and (b) the years subsequent, the quantity of metric tons to be shipped on Port in the respective year under all take-or-pay contracts entered into between Porto Sudeste or its subsidiaries in force in the respective fiscal year ("take-or-pay ton"):

	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Tm	13.6	31.9	36.8	36.8	-	-	-	-

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

In the chart below, it is possible to verify the tons measured and to compare with take or pay tons for purpose of calculation described above, considering the year of 2016 as the beginning of the company's commercial operations after the commissioning held in 2015:

	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Tm	-	-	-	7.1	9.5	10.7	16.4	18.7

All volumes operated in the year of 2019 are related to iron ore, and there are no other quantities shipped.

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

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

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On December 31, 2020, the Company's parent carried out the financial calculations to identify the existence of available net cash and concluded that there is no Cash Available for the payment of royalties on this date.

Cash available for payment of royalties	1st quarter 2020	2st quarter 2020	3st quarter 2020	4st quarter 2020
Revenue	84,599	163,082	227,243	292,234
Applicable Taxes	(12,050)	(23,239)	(32,382)	(41,643)
Operating Costs	(29,696)	(35,776)	(41,220)	(43,554)
Maintenance Investment	(3,914)	(7,020)	(4,658)	(6,007)
Operating Expenses	(19,918)	(43,445)	(19,014)	(27,394)
Interests and Repayment of the Senior Debt	(30,931)	(74,757)	(143,489)	(190,826)
Interests and Repayment of the Working Capital Senior Debt	-	-	-	-
Total Cash Available for Payment of Royalties	(11,910)	**(21,155)**	**(13,521)**	**(17,191)**

Cash available for payment of accumulated royalties	1st quarter 2020	2st quarter 2020	3st quarter 2020	4st quarter 2020
Net Cash or Bank Accounts	5.827	47.078	23.625	15.256
Contributions by the stockholders	(5.827)	(47.078)	(23.625)	(15.256)
Total Cash Available for Payment of Accumulated Royalties	**-**	**-**	**-**	**-**

Reconciliation between quantity shipped and amounts paid as royalties (accumulated)	Shipped 1st quarter 2020	Shipped 2st quarter 2020	Shipped 3st quarter 2020	Shipped 4st quarter 2020	*Take-or-pay/* Shipped Accumulated
Price per Ton	2,731	4,112	6,530	5,282	174,385
PPI, accumulated					
Price per TON (USD)	5	5	5	5	5
Price per Ton	0.81	0.81	0.77	0.77	0.50
PPI, accumulated	**5.81**	**5.81**	**5.77**	**5.77**	**5.50**
***Royalty* (Porto Sudeste) USD**	**15,867**	**23,891**	**37,678**	**30,477**	**958,853**
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%**
Royalties (Porto VM) calculated (KUSD)	**68**	**103**	**162**	**131**	**4,123**
Cash available for payment of Royalties	**-**	**-**	**-**	**-**	**-**
Royalties payable	**-**	**-**	**-**	**-**	**-**

Securities are measured in accordance with IAS 37 - Provisions, Contingent Assets and Contingent Liabilities based on projected cash flows from future security related payments discounted at an annual rate of 11.12%. These projections are based on the Company's Business Plan and the assumptions related to the growth of iron exports in the Quadrilátero Ferrífero of Minas Gerais and assumptions about the growth of the market share of Porto Sudeste. The Company is aware that this growth will be achieved based on the closing of long-term contracts, as well as on acquisitions of iron ore mines in the region carried out by its shareholders. On December 31, 2020, the present value of discounted future cash flow amounted to US$ 2,445,066, which converted into Brazilian reais totaled R$ 12,706,272 (US$ 2,123,289, which converted into Brazilian reais totaled R$ 8,558,342 at December 31, 2019). Of those totals, the amounts corresponding to PSVM11 securities are represented at the base date of December 31, 2020 at US$10,414, which converted into reais totaled R$54,119 (US$9,043, which converted into reais totaled R$36,452 on December 31, 2019).

Transaction costs

Debt issue costs of variable income securities totaling R$14,017 at December 31, 2020 (R$10.872 at December 31, 2019, referring to outside legal counsel fees and commissions of guarantee were recorded as reduction of liabilities.

Itaguaí, March 19, 2021.

The Management.

Porto Sudeste do Brasil S.A.

Individual and consolidated financial statements

December 31, 2020

Contents

Independent auditor report on the financial statements..1

Financial statements

Balance sheet..5
Statement of operations..7
Statement of comprehensive income (loss)...8
Statement of changes in equity..9
Cash flow statement 10
Notes to individual and consolidated financial statements..11

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’s 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, 2020, 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, 2020, 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.

Significant uncertainty as to the Company’s ability to continue as a going concern

Without qualifying our opinion, we draw attention to Note 1 to the individual and consolidated financial statements, which indicates that as at December 31, 2020, the Company had its consolidated current liabilities exceeding the consolidated current assets by R$377,416 thousand and its consolidated accumulated losses amounted to R$3,623,810 thousand. This note also states that the Company and its subsidiaries started their operations in January 2016, but they still depend on the financial support from their shareholders and/or funds from third parties until their operations generate sufficient cash to maintain its operating activities. These financial statements were prepared on the assumption that the Company will continue to operate as a going concern and does not include any adjustment that would be required in the event that its plans do not achieve the expected results.

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

Management is 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 management and those charged with governance for the individual and consolidated financial statements

Management is 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, management is 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 management 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 management.

- Concluded on the appropriateness of management’s 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 19, 2021.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP 015.199/O-6

Wilson J. O. Moraes
Contador CRC-1RJ 107.211/O-1

A free translation from Portuguese into English of 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)

Porto Sudeste do Brasil S.A.

Balance sheet
December 31, 2020 and 2019
(In thousands of reais)

		Parent Company		Consolidated	
	Note	**2020**	**2019**	**2020**	**2019**
Assets					
Current assets					
Cash and cash equivalents	4	**21,000**	30,625	**88,842**	74,129
Trade accounts receivable	5	**25,175**	37,879	**25,175**	37,879
Accounts receivable from related parties	16	**164,213**	33,735	**287,763**	157,998
Inventories	6	**50,139**	44,639	**197,577**	105,669
Taxes recoverable		**2,906**	6,122	**3,835**	8,339
Dividends receivable	9	**1,448**	-	**-**	-
Advances	8	**13,680**	3,594	**192,532**	13,935
Other		**2,952**	1,593	**4,104**	1,802
Total current assets		**281,513**	158,187	**799,828**	399,751
Noncurrent assets					
Restricted deposits	7	**10,696**	10,480	**10,696**	10,480
Taxes recoverable		**4,427**	69	**5,823**	69
Investments	9	**14,227**	20,563	**-**	-
Property and equipment	10	**7,242,035**	5,776,482	**7,287,321**	5,805,667
Intangible assets	11	**11,587,582**	9,085,678	**11,587,582**	9,085,678
Other		**29,618**	18,863	**30,211**	20,189
Total noncurrent assets		**18,888,585**	14,912,135	**18,921,633**	14,922,083
Total assets		**19,170,098**	15,070,322	**19,721,461**	15,321,834

	Note	Parent Company 2020	Parent Company 2019	Consolidated 2020	Consolidated 2019
Liabilities and equity					
Current liabilities					
Trade accounts payable	12	**16,291**	27,025	**287,017**	120,916
Loans and financing	13	**578,452**	496,083	**832,533**	652,011
Taxes and contributions payable	15	**16,056**	6,775	**17,911**	7,297
Related parties	16	**898**	2,363	**22,013**	659
Customer advances		**183**	59	**183**	59
Other		**14,001**	10,209	**17,577**	13,074
Total current liabilities		**625,881**	542,514	**1,177,234**	794,016
Noncurrent liabilities					
Loans and financing	13	**6,237,432**	5,198,172	**6,237,432**	5,198,172
Variable income securities	14	**12,692,256**	8,547,470	**12,692,256**	8,547,470
Provision for contingencies		**1,515**	10,955	**1,525**	10,965
Total noncurrent liabilities		**18,931,203**	13,756,597	**18,931,213**	13,756,607
Equity	18				
Capital		**2,911,944**	2,911,944	**2,911,944**	2,911,944
Future capital contribution		**72,826**	-	**72,826**	-
Cumulative translation adjustments (CTA)		**252,054**	85,696	**252,054**	85,696
Accumulated losses		**(3,623,810)**	(2,226,429)	**(3,623,810)**	(2,226,429)
Total equity		**(386,986)**	771,211	**(386,986)**	771,211
Total liabilities and equity		**19,170,098**	15,070,322	**19,721,461**	15,321,834

See accompanying notes.

Porto Sudeste do Brasil S.A.

Statement of income (loss)
Years ended December 31, 2020 and 2019
(In thousands of reais)

	Note	Parent Company		Consolidated	
		2020	**2019**	**2020**	**2019**
Revenue, net of sale of assets	19	**782,592**	493,528	**3,396,073**	1,923,996
Costs of sales and services	20	**(417,460)**	(362,166)	**(3,030,467)**	(1,784,360)
Gross profit		**365,132**	131,362	**365,606**	139,636
Operating income (expenses)					
General and Administrative	21	**(45,050)**	(33,977)	**(48,870)**	(39,326)
Equity pickup	9	**(5,054)**	4,313	**-**	-
Other operating income (expenses)	14	**81,886**	1,705,183	**81,886**	1,706,173
		31,782	1,675,519	**33,016**	1,666,847
Income before financial income (expense) and taxes		**396,914**	1,806,881	**398,622**	1,806,483
Financial income (expenses)	22				
Financial income		**739,291**	184,790	**744,214**	186,633
Financial expenses		**(2,533,586)**	(2,027,090)	**(2,540,217)**	(2,028,535)
		(1,794,295)	(1,842,300)	**(1,796,003)**	(1,841,902)
Income before income taxes		**(1,397,381)**	(35,419)	**(1,397,381)**	(35,419)
Income and social contribution taxes	17	**-**	-	**-**	-
Loss for the year		**(1,397,381)**	(35,419)	**(1,397,381)**	(35,419)

See accompanying notes.

Porto Sudeste do Brasil S.A.

Statement of comprehensive income (loss)
Years ended December 31, 2020 and 2019
(In thousands of reais)

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Loss for the year	**(1,397,381)**	(35,419)	**(1,397,381)**	(35,419)
Exchange differences related to conversion into reporting currency	**166,358**	238,366	**166,358**	238,366
Total comprehensive income (loss)	**(1,231,023)**	202,947	**(1,231,023)**	202,947

See accompanying notes.

Porto Sudeste do Brasil S.A.

Statement of changes in equity
Years ended December 31, 2020 and 2019
(In thousands of reais)

	Consolidated				
	Capital	**Future capital contribution**	**Cumulative translation adjustment**	**Accumulated losses**	**Total**
Balances at December 31, 2018	2,749,411	99,463	(152,670)	(2,191,010)	505,194
Capital payment	162,533	(162,533)	-	-	-
Capital increase through capitalization of future capital contribution	-	63,070	-	-	63,070
Cumulative translation adjustments (CTA)	-	-	238,366	-	238,366
Loss for the year	-	-	-	(35,419)	(35,419)
Balances at December 31, 2019	2,911,944	-	85,696	(2,226,429)	771,211
Advance for future capital increase	**-**	**72,826**	**-**	**-**	**72,826**
Cumulative translation adjustments (CTA)	**-**	**-**	**166,358**	**-**	**166,358**
Loss for the year	**-**	**-**	**-**	**(1,397,381)**	**(1,397,381)**
Balances at December 31, 2020	**2,911,944**	**72,826**	**252,054**	**(3,623,810)**	**(386,986)**

See accompanying notes.

Porto Sudeste do Brasil S.A.

Statement of cash flows
Years ended December 31, 2020 and 2019
(In thousands of reais)

	Controladora		Consolidado	
	2020	**2019**	**2020**	**2019**
Cash flows from operating activities				
Income (loss) before income taxes	**(1,397,381)**	(35,419)	**(1,397,381)**	(35,419)
Non-cash P&L items				
Depreciation and amortization	**267,489**	228,091	**267,537**	228,153
Other amortization	**60,399**	43,173	**60,881**	43,680
Fixed asset write-off	**1,679**	4	**1,679**	4
Equity pickup	**5,054**	(4,313)	**-**	-
Royalties adjustment	**1,750,454**	(571,159)	**1,750,454**	(571,159)
Monetary variation and interest	**538,124**	385,963	**542,092**	386,592
Other provisions	**5,145**	12,589	**5,145**	12,509
Changes in assets and liabilities				
Accounts receivable	**(16,933)**	(56,931)	**(16,933)**	(56,930)
Accounts receivable with related parties	**(104,541)**	(12,942)	**3,695**	(172,045)
Other advances	**(25,054)**	(3,628)	**(205,007)**	(14,600)
Inventories	**2,173**	(12,305)	**(80,926)**	(15,563)
Restricted deposits	**(261)**	119	**(261)**	119
Judicial deposits	**(10,606)**	(7,749)	**(9,549)**	(7,736)
Taxes recoverable	**(45,539)**	(26,687)	**(45,645)**	(27,052)
Advances from customers	**3,814**	47,348	**3,814**	47,348
Trade accounts payable	**(21,427)**	1,471	**188,406**	72,170
Taxes and contributions payable	**55,203**	22,872	**56,536**	22,076
Obligation to third parties	**21,782**	(76)	**21,782**	(76)
Transactions with related parties	**(1,465)**	(5,478)	**239**	90
Other assets	**(1,264)**	9,673	**(1,264)**	(685)
Salaries and compensations	**1,465**	129	**1,465**	129
Interest paid	**(407,314)**	(248,571)	**(413,249)**	(248,571)
Net cash used in operating activities	**680,996**	(233,826)	**733,510**	(336,966)
Cash flow from investing activities				
Acquisition of property and equipment	**(31,665)**	(25,811)	**(36,291)**	(30,477)
Advance for future capital increase	**(4,246)**	(250)	**-**	-
Net cash used in investing activities	**(35,911)**	(26,061)	**(36,291)**	(30,477)
Cash flows from financing activities				
Advance for future capital increase	**72,826**	63,070	**72,826**	63,070
Borrowings	**-**	-	**28,610**	157,726
Borrowings settled	**(12,687)**	(21,903)	**(12,687)**	(21,903)
Net cash provided by financing activities	**60,139**	41,167	**88,749**	198,893
Exchange differences, net				
Foreign exchange differences	**(714,849)**	222,995	**(771,255)**	201,349
Increase /(decrease) in cash and cash equivalents	**(9,625)**	4,275	**14,713**	32,799
Statement of increase (decrease) in cash and cash equivalents				
At beginning of year	**30,625**	26,350	**74,129**	41,330
At end of year	**21,000**	30,625	**88,842**	74,129
Increase / (decrease) in cash and cash equivalents	**(9,625)**	4,275	**14,713**	32,799

See accompanying notes.

1. Operations

Porto Sudeste do Brasil S.A. (“Porto Sudeste” or the “Company”) was established on November 7, 2007, to develop the logistics and integrated operations in the port sector, notably the implementation and operation of a Port Terminal named Porto Sudeste (“Terminal” or “Porto Sudeste”).

The Company is composed of its parent company and its subsidiaries Pedreira Sepetiba Ltda. (“Pedreira”), Terminal de Contêineres Sepetiba Ltda. (“TCS”), Porto Sudeste VM S.A. (“Porto VM”) and Porto Sudeste Exportação e Comércio S.A.

Trafigura Pte Ltd. (“Trafigura”) and Mubadala Development Company PJSC (“Mubadala”), through investees became joint holders of 99.26% 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.

<u>Company’s financial position</u>

At December 31, 2020, the Company records a consolidated working capital deficit of R$377,416 thousand, a consolidated accumulated loss of R$3,623,810. The Company closed the third quarter with a cash position consolidated of R$88,842. Without considering the senior debt, the working capital would be positive of R$201,037. See Note 13 for more information about the debt renegotiation.

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, non-maintenance investments). According to the Company's business model, there is an additional cash requirement of approximately US$44.322 to meet the future commitments that will be made available by the shareholders.

Licenses

On July 15, 2010, the Company obtained from the Brazil's Water Transportation Regulatory Agency (ANTAQ) authorization for construction and implementation of the Maritime Terminal with capacity for shipping 50mt/a, located in Ilha da Madeira, Itaguaí, Rio de Janeiro. This concession is valid for 25 years, renewable for another 25 years. In 2014, after completing the first phase of the implementation works of the Terminal and obtaining the respective environmental operation license, the Company received from ANTAQ the Operating Release Term (TLO) and the Qualification for International Maritime Traffic (HTMI), whereupon the Company has been fully authorized by this regulatory agency to operate the first phase of the Terminal. In addition to the release from the regulatory agency, the first phase of the terminal is properly bonded and able to receive goods intended for export. Regarding the offshore access, the dredging and submerged rocks blasting of the access channel to the Terminal and the mooring basin were completed in early 2015.

As to the second phase of the terminal (50mt/a), the Company completed the assembly of equipment in the mid of 2015 and on November 12, 2015 was granted by ANTAQ TLO Nº11/2015, authorizing the Company to move on with the partial operation of the Private Use Terminal, in accordance with ANTAQ standards and regulations, considering the adjustments of the New Ports Law.

As regards the Brazilian Tax Authority, the areas of yard 06, tunnel, pier and yard 32 are within an export customs area. This is an important milestone in the technical commissioning and completion process and enables the Company to achieve its full capacity of 50MT/year.

The Company obtained approval regarding extension of the Customs of yard 32 on April 22, 2016. This is an important milestone in the technical commissioning and completion process and enables the Company to achieve its full capacity of 50MT/year.

Covid-19

The Company's' Management is monitoring the effects of the new Coronavirus (COVID-19) on its operations. There were no relevant impacts on our commercial operations and the volume operated was higher than estimated for the year. The Company's Management understands that the impact are being mitigated by the strong increase in the price of iron ore and the increase in the exchange rate. However, due to the fluidity and speed of the development of the situation, Management, together with its Shareholders, continues to work on the assessment of mitigation measures in order to avoid significant impacts on the business in the short, medium and long term.

In this sense, we are monitoring the short-term cash flow, maintaining strict discipline on working capital, particularly in relation to the collection of accounts receivable and the management of inventory formation, through regular contact with suppliers to identification of any potential risks.

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 19, 2021, Company management authorized the completion and disclosure of the individual and consolidated financial statements for the year ended December 31, 2020.

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.

(Amounts expressed in thousands, unless otherwise stated)

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”.

d) Consolidation

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

	Interest - %					
	Capital		**Voting capital**		**Location of headquarters**	
	2020	**2019**	**2020**	**2019**		**Main activity**
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;

(i) Changes in the percentage interest in subsidiaries that do not result in loss and/or gain of control are recorded in equity.

3. Summary of significant accounting practices and estimates

3.1. Financial instruments

a) Financial assets

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

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

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

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

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

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 Company's financial liabilities include trade payables and loans.

c) Offsetting (net presentation) of financial instruments

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

3.2. Cash and cash equivalents

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

3.3. Inventory

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

3.4. Investments

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

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.

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.

Borrowing costs attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to be completed for its intended use or sale are capitalized as part of the cost of the respective asset, until the limit allowed by the standard. The excess amount, if any, will be recognized in the statements of operations.

3.6. Impairment of nonfinancial assets

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

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

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

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

3.7. Other current and noncurrent assets and liabilities

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.

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.

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 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 reviews its estimates and assumptions at least on an annual 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.

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.

(Amounts expressed in thousands, unless otherwise stated)

4. Cash and equivalents and marketable securities

	Parent Company		Consolidated	
	2020	2019	2020	2019
Cash and cash equivalents				
Cash and banks	**8,755**	6,225	**10,085**	6,510
Cash equivalents	**12,245**	24,400	**78,757**	67,619
	21,000	30,625	**88,842**	74,129

The Company invests in funds administered by Banco Bradesco S.A., on which investments are made in corporate bonds (Bank Deposit Certificates - CDB) issued by top-tier companies and financial institutions, all subject to floating rates, with an average remuneration pegged to the DI CETIP rate (Interbank Deposit Certificate - CDI), without grace period and readily convertible to cash.

The repurchase agreements and the Bank Deposit Certificates (CDBs) are issued by top-tier financial institutions and are mostly remunerated from 50% to 100% of the Interbank Deposit Certificate (CDI) variation.

5. Accounts receivable

	Parent Company		Consolidated	
	2020	2019	2020	2019
Port fee	**25,175**	37,879	**25,175**	37,879
	25,175	37,879	**25,175**	37,879

The balance on December 31, 2020 was substantially received until February 2021. Management understands that there is no need to record a provision for estimated losses on allowance for loan losses.

6. Inventories

	Parent Company		Consolidated	
	2020	2019	2020	2019
Gravel	**-**	-	**2,196**	2,036
Iron ore	**-**	-	**144,815**	58,994
Warehouse	**50,139**	44,639	**50,566**	44,639
	50,139	44,639	**197,577**	105,669

(Amounts expressed in thousands, unless otherwise stated)

7. Restricted deposits

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Trustee ACC Itaú BBA (*)	**10,696**	10,480	**10,696**	10,480
	10,696	10,480	**10,696**	10,480

(*) 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	
	2020	**2019**	**2020**	**2019**
Customs clearence	**2,278**	650	**2,278**	650
Fuel	**1,110**	-	**1,110**	-
Energy	**2,318**	726	**2,318**	726
Professional services	**5,890**	1,109	**5,890**	1109
Iron ore (*)	**-**	-	**178,820**	10,341
Other	**2,084**	1,109	**2,116**	1,109
	13,680	3,594	**192,532**	13,935

(*) Advances to PSE suppliers for future iron ore delivery.

9. Investments

The Company has the following investments:

<u>Pedreira Sepetiba Ltda.</u>

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.

<u>TCS - Terminal de Contêineres Sepetiba Ltda.</u>

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.

<u>Porto Sudeste VM S.A.</u>

(Amounts expressed in thousands, unless otherwise stated)

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.

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					
	2019	Equity pickup	Future capital contribution	Dividends	Effect of conversion into Brazilian reais	2020
Pedreira	6,811	**(694)**	**3,346**	**-**	**3,422**	**12,885**
TCS	22,553	**(357)**	**500**	**-**	**(643)**	**22,053**
Porto VM	112	**(253)**	**400**	**-**	**(158)**	**101**
Porto Sudeste Exportação	(8,913)	**(3,750)**	**-**	**(1,448)**	**(6,701)**	**(20,812)**
	20,563	**(5,054)**	**4,246**	**(1,448)**	**(4,080)**	**14,227**

Ownership interest and summary of investees

	2020						
	Interest	Number of shares/ units of interest (thousand)	Assets	Liabilities	Equity	Net Revenue	P&L for the year
Pedreira	**99.98%**	**49,001**	**17,066**	**1,030**	**16,729**	**-**	**(694)**
TCS	**99.98%**	**3,447**	**2,388**	**-**	**2,745**	**-**	**(357)**
Porto VM	**100.00%**	**-**	**54,299**	**54,177**	**374**	**-**	**(253)**
Porto Sudeste Exportação	**100.00%**	**-**	**1,015,720**	**1,047,873**	**(28,403)**	**3,088,625**	**(3,750)**

	2019						
	Interest	Number of shares/ units of interest (thousand)	Assets	Liabilitie s	Equity	Net Revenue	P&L for the year
Pedreira	99.98%	49,001	13,175	2,877	11,158	-	(860)
TCS	99.98%	3,447	1,781	-	2,109	-	(328)
Porto VM	100.00%	-	36,664	36,533	411	-	(280)
Porto Sudeste Exportação	100.00%	-	417,209	428,399	(16,983)	1,655,214	5,793

(Amounts expressed in thousands, unless otherwise stated)

10. Propert, plant and equipment

	Facilities	Machinery and equipment	Land	Construction in progress	Buildings and improvements	Other	Total
Net balance at December 31, 2018	142,519	1,084,626	117,015	17,184	4,320,343	25,939	5,707,626
Additions	10	4,939	7,497	15,562	-	5,017	33,025
Write-off	-	-	-	-	-	(4)	(4)
Transfers	(503)	(1,064)	-	(3,154)	2,239	2,482	-
Depreciation for the year	(12,652)	(44,731)	-	-	(98,244)	(956)	(156,583)
Effect of conversion into Brazilian reais	4,126	41,637	5,056	708	169,559	517	221,603
Net balance at December 31, 2019	133,500	1,085,407	129,568	30,300	4,393,897	32,995	5,805,667
Additions	**11**	**4,038**	**-**	**21,173**	**131**	**10,938**	**36,291**
Write-off	**-**	**(1,679)**	**-**	**-**	**-**	**-**	**(1,679)**
Transfers	**92**	**961**	**-**	**(3,361)**	**2,256**	**52**	**-**
Depreciation for the year	**(13,665)**	**(63,872)**	**-**	**-**	**(94,156)**	**(870)**	**(172,563)**
Effect of conversion into Brazilian reais	**32,053**	**292,392**	**37,943**	**9,267**	**1,240,228**	**7,722**	**1,619,605**
Net balance at December 31, 2020	**151,991**	**1,317,247**	**167,511**	**57,379**	**5,542,356**	**50,837**	**7,287,321**
Accumulated balances							
Cost	160,940	1,137,585	125,419	28,490	4,699,774	32,951	6,185,159
Accumulated depreciation	(31,951)	(86,812)	-	-	(449,981)	(3,101)	(571,845)
Effect of conversion into Brazilian reais	4,511	34,634	4,149	1,810	144,104	3,145	192,353
Net balance at December 31, 2019	133,500	1,085,407	129,568	30,300	4,393,897	32,995	5,805,667
Cost	**161,043**	**1,140,905**	**125,419**	**46,302**	**4,702,161**	**43,941**	**6,219,771**
Accumulated depreciation	**(45,616)**	**(150,684)**	**-**	**-**	**(544,137)**	**(3,971)**	**(744,408)**
Effect of conversion into Brazilian reais	**36,564**	**327,026**	**42,092**	**11,077**	**1,384,332**	**10,867**	**1,811,958**
Net balance at December 31, 2020	**151,991**	**1,317,247**	**167,511**	**57,379**	**5,542,356**	**50,837**	**7,287,321**

(Amounts expressed in thousands, unless otherwise stated)

Impairment test for property plant and equipment

Throughout the year ended of 2020, the Company assessed whether there were indications that any asset could be recorded above its recoverable amount, and after tests carried out it did not verify the need to recognize any provision for impairment of its assets.

The discounted cash flow method employed by the Company is based on concepts that consider financial resources which will be generated in the future by the cash-generating unit, discounted to present value, to reflect the time, opportunity cost and associated risks. The discount rate used in the Company’s financial models was 11.12%. These projections are based on the Company’s Business Plan and include premises related to the growth of the iron ore export in the Quadrilátero of Minas Gerais and premises regarding the growth in market share of Porto Sudeste. The Company considers that this growth will be achieved based on the closing of long-term contracts, as well as on acquisitions of iron ore mines in the region carried out by its shareholders.

11. Intangible assets

	Port license
Balance at December 31, 2018	8,805,278
Amortization	(71,567)
Effect of conversion into Brazilian reais	351,967
Balance at December 31, 2019	9,085,678
Amortization	**(94,975)**
Effect of conversion into Brazilian reais	**2,596,879**
Balance at December 31, 2020	**11,587,582**

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

Throughout the year ended of 2020, 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 discount rate used in the Company’s financial models was 11.12%.

(Amounts expressed in thousands, unless otherwise stated)

12. Trade accounts payable

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Equipment rental	**2,589**	2,773	**2,589**	2,773
Maintenance	**1,143**	975	**1,143**	975
Energy	**2,470**	2,021	**2,470**	2,021
Fuel	**1,495**	-	**1,495**	-
Construction in progress	**708**	842	**708**	842
Iron ore	**-**	-	**264,851**	92,775
Rail freight	**-**	-	**4,002**	834
Insurance	**1,755**	707	**1,777**	707
Services	**5,128**	18,384	**5,187**	18,416
Other	**1,003**	1,323	**2,795**	1,573
	16,291	27,025	**287,017**	120,916

13. Loans and financing

Loans per currency

	Consolidated			
	Current liabilities		Noncurrent liabilities	
	2020	**2019**	**2020**	**2019**
Taken out in US dollars				
Principal	**496,143**	78,165	**3,192,669**	2,616,232
Interests	**38,203**	232,076	**893,435**	363,216
Transaction costs	**-**	-	**(22,819)**	(42,969)
	534,346	310,241	**4,063,285**	2,936,479
Taken out in Brazilian reais				
Principal	**90,822**	24,637	**2,317,284**	2,111,647
Interests	**207,365**	317,133	**-**	283,533
Transaction costs	**-**	-	**(143.137)**	(133,487)
	298,187	341,770	**2.174.147**	2,261,693
	832,533	652,011	**6,237,432**	5,198,172

(Amounts expressed in thousands, unless otherwise stated)

Loans per financial institution

Bank	Index/interest	Maturity	Balance as of 2020	Balance as of 2019
BNDES - FINAME nº 09.2.1353.1	4.5% p.a.	01/15/2020	**-**	756
BNDES FINEM - nº 10.2.0265.1	3.18%/2.18% p.a. + TJLP	06/15/2029	**1,005,825**	1,021,954
BNDES FINEM - nº 12.2.1174.1 - Subcrédito A, B	3.40%/2.40% p.a. + TJLP	06/15/2029	**544,129**	551,961
BNDES FINEM - nº 12.2.1174.1 - Subcrédito C	3.40%/2.40% p.a. + Cesta de Moedas	06/15/2029	**272,828**	215,538
BNDES FINEM - nº 4.003.109-P - Repasse AB	3.40%/4.40% p.a. + TJLP	06/15/2029	**526,035**	537,234
BNDES FINEM - nº 4.003.109-P - Repasse C	4.40%/3.40% p.a. + Cesta de Moedas	06/15/2029	**266,654**	209,047
Deutsche Bank	4.00%/3.50% a.a. + Libor 1 month	11/15/2023	**920,309**	792,633
Bradesco/Itaú	4.50% p.a. + Libor 6 month	06/15/2029	**3,415,331**	2,541,533
BTG	4.00% p.a. + Libor 1 month	06/15/2029	**30,730**	-
Santander	1.90% p.a. + Libor		**254,080**	155,982
			7,235,921	6,026,638
Custos de transação			**(165,956)**	(176,456)
			7,069,965	5,850,182

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

	Consolidated 2020	Consolidated 2019
Year of maturity		
Up to one year	**832,532**	717,309
2 to 3 years	**1,201,808**	1,035,482
4 to 5 years	**561,766**	484,020
Over 5 years	**4,639,815**	3,789,827
	7,235,921	6,026,638

At December 31, 2020, the annual interest rates on debts are as follows:

	Consolidated 2020	Consolidated 2019
Debts in US$ - up to 7%	**4,620,452**	3,490,148
Debts in R$ - up to 6%	**-**	756
Debts in R$ - from 6.1% to 9.3%	**1,609,616**	2,111,149
Debts in R$ - above 9.3%	**1,005,853**	424,585
	7,235,921	6,026,638

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 nom-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, maintenance of the debt coverage index (DSCR) covenant above 1.3 and composition of minimum balance in Reserve Account at least 3 times the amount of the last debt service payment; (c) presentation of the audited income statements; and (d) maintenance of operational insurance.

Effect of conversion into Brazilian reais

The Brazilian real depreciated 28.93% in the period compared to the US dollar, from R$4.0307 at December 31, 2019 to R$5.1967 at December 31, 2020, influencing the balance of US dollar currency debt that, at December 31, 2020, accounted for 65.11% of total indebtedness.

Transaction costs

The debt issue costs refer to outside counsel fees and commissions of guarantee and were recorded as reduction of liabilities.

Refinancing of the Senior Debt

In June 2017, the Company completed the refinancing of its senior debt. The refinancing includes, among others, (a) until May 2020, the deferral of principal and interest payments on the refinanced debt until the following quarter if Porto Sudeste does not have cash available to pay the debt service; (b) a quarterly cash sweep mechanism until March 31, 2020 through which any available cash will be used to pay off the debt owed by the respective date (including that portion of Senior Debt deferred up to that date); and (c) an adjustment to interest rates for Brazilian senior creditors.

From April to July 2020, the Company signed the Standstill agreement with senior creditors. These agreements provide, among others, (a) suspension of principal and interest payments until October 15, 2020; (b) extension of the cash sweep mechanism for two more quarters (until September 30, 2020); (c) no obligation to comply with the covenant of interest coverage index and the composition of the minimum balance in the Reserve Account; and (d) maintenance of all guarantees previously established.

From October to November 2020, the Company signed the extensions to the Standstill agreement with senior creditors. These agreements provide the following changes, among others, (a) suspension of principal and interest payments until April 14, 2021; (b) extension of the cash sweep mechanism for two more quarters (until March 31, 2021); (c) no obligation to comply with the covenant of interest coverage index and the composition of the minimum balance in the Reserve Account; and (d) maintenance of all guarantees previously established.

There are no covenants to be attended on December 31, 2020.

14. Variable income securities (“royalties”)

The variable income securities were issued by its former shareholder and was transferred to the Company as a consequence of the completion of the Company’s acquisition the Company assumed the obligation to pay the holders of the royalties as described below.

The aforementioned holders of these securities are entitled to quarterly floating rate remuneration, calculated since January 1, 2013, based on the iron ore metric tonnage or on the value per ton for other cargo, as the case may be, as follows:

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

Where:

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

The royalties relating to iron ore cargo shipped in the Port in a given quarter will be calculated considering the value of US$5.00 per iron ore ton (“value per ton for iron ore”). This amount will be (i) annually restated by reference to US PPI variation calculated since September 2010; and (ii) converted into Brazilian reais based on the exchange rate closed at the end of the business day immediately prior to its effective payment date.

(Amounts expressed in thousands, unless otherwise stated)

Royalties relating to cargo other than iron ore (excluding non-dry cargo such as supply activities) conducted at the Port Terminal will be calculated based on the cargo margin ("value per ton for other cargo"). "Cargo margin": (a) means the difference between the average cost per ton (excluding all non-cash items) incurred in relation to the services rendered by Porto Sudeste related to the applicable cargo and the average value per ton effectively charged by Porto Sudeste for the services rendered in relation to such cargo; and (b) will be limited, under any circumstances, to US$5.00 per ton shipped.

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

Every year, in the fourth quarter of each fiscal year, the amount of metric tons effectively shipped in the Port over the respective year ("measured tonnage") will be compared to: (a) in relation to years between 2013 and 2016, the take-or-pay volumes indicated in the table below; and (b) in relation to subsequent years, the number of metric tons to be shipped through the Port in the respective year in accordance with all take-or-pay agreements entered into between Porto Sudeste or its subsidiaries effective in the respective fiscal year ("take-or-pay tonnage"):

	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Tm	13.6	31.9	36.8	36.8	-	-	-	-

If the value of the take-or-pay tonnage less the value of the measured tonnage is positive, the royalties due in relation to the fourth quarter of each fiscal year will be increased by the amount corresponding to the multiplication of such number by the value per ton for iron ore or for the value per ton for other cargo, as the case may be.

If in a given quarter, upon payment of the then current royalties, the sum of free cash held by the issuer and that held by Porto Sudeste exceeds (a) US$25,000 in fiscal years between 2013 and 2017, or (b) US$10,000 ("minimum cash reserve"), the issuer should use the amounts that exceed the minimum cash reserve ("available free cash") to pay royalties effectively accumulated to the holders of securities until the last day of such calendar quarter.

(Amounts expressed in thousands, unless otherwise stated)

"Free cash" means the amount corresponding to (i) the sum of (a) all amounts available in cash of Porto Sudeste as a whole, and (b) positive balances of all bank accounts of the issuer and of Porto Sudeste as a whole less (ii) the sum of (a) any amounts contributed by the shareholders of Porto Sudeste through capital increase or loan from shareholders, to the extent that such amounts remain as available cash of Porto Sudeste, (b) reserve account of Senior debt service of BNDES and reserve account of senior debt service of CESCE, and (c) the cash amounts provisioned by Porto Sudeste for income and social contribution taxes and other obligations that require provisioning.

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

The securities are held (i) by FIP-IE Porto Sudeste Royalties an investment fund in infrastructure holdings that exclusively holds Port11 Bonds, and for each Port11 Bond held by FIP-IE, there would be a Quota; and (ii) by the subsidiary Porto Sudeste V.M. S.A., a joint stock company registered with the CVM under the 'B' category, which issued royalty bonds (the "PSVM11 Bonds"), such bond being listed for trading at B3.

On December 31, 2020, the Company carried out the financial calculations in order to identify the existence of available liquid cash and concluded that the available liquid cash is a creditor on this date, thus not having the obligation to pay royalties.

Securities are measured in accordance with IAS 37 - Provisions, Contingent Assets and Contingent Liabilities based on projected cash flows from future security related payments discounted at an annual rate of 11.12%. These projections are based on the Company's Business Plan and include premises related to the growth of the iron ore export in the Quadrilátero of Minas Gerais and premises regarding the growth in market share of Porto Sudeste. The Company considers that this growth will be achieved based on the closing of long-term contracts, as well as on acquisitions of iron ore mines in the region carried out by its shareholders.

	Royalties breakdown						
	2019	**Payments**	**Present value adjustment**	**US PPI**	**Assumptions review**	**Effect of conversion into Brazilian reais**	**2020**
Royalties	8,558,342	**-**	**1,866,495**	**(21,248)**	**(94,793)**	**2,397,476**	**12,706,272**
Transaction cost	(10,872)	**-**	**-**	**-**	**-**	**(3,144)**	**(14,016)**
Total	8,547,470	**-**	**1,866,495**	**(21,248)**	**(94,793)**	**2,394,332**	**12,692,256**

At December 31, 2020, the present value of discounted future cash flow amounted to US$ 2,455,066, which converted into Brazilian reais totaled R$12,706,272 (US$2,123,289, which converted into Brazilian reais totaled R$8,558,342 at December 31, 2019). The update balance correspondent to the present value adjust of the securities for the twelve months of 2020 was of US$345,510, which converted into Reais totaled R$1,866,495, recorded as a financial expense. The update of the assumptions that support the calculation of the securities plus the amount totaled R$94,793, this amount deducted of R$12,907 regarding other operating expenses, totaled the balance of R$81,886 recorded as other operating income (expenses. The PPI adjustment totaled R$21,248, both recorded) in the Statement of Income.

(Amounts expressed in thousands, unless otherwise stated)

Transaction costs

Debt issue costs of variable income securities totaling R$14,016 at December 31, 2020 (R$10,872 at December 31, 2019), referring to outside legal counsel fees and commissions of guarantee were recorded as reduction of liabilities.

15. Taxes and contributions payable

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Service Tax (ISS)	**5,278**	1,732	**7,123**	2,247
Social Security Tax (INSS) - third parties	**173**	150	**173**	150
State Value-Added Tax (ICMS)	**146**	596	**146**	597
Corporate Income Tax (IRPJ) and Social Contribution Tax on Net Profit (CSLL)	**1,135**	1,091	**1,135**	1,092
Social Contribution Tax for Intervention in the Economic Order (CIDE) on import	**90**	66	**90**	66
Contribution Tax on Gross Revenue for Social Integration Program (PIS) and for Social Security Financing (COFINS)	**9,212**	3,117	**9,221**	3,122
Other	**22**	23	**23**	23
	16,056	6,775	**17,911**	7,297

(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	
	2020	**2019**	**2020**	**2019**
Assets				
Trafigura Brasil (a)	**-**	3,904	**-**	3,904
Porto Exportação (a)	**115,064**	29,831	**-**	-
Mineração Morro do Ipê (a)	**47,688**	-	**47,688**	-
Trafigura PTE (b)	**1,461**	-	**240,075**	154,094
	164,213	33,735	**287,763**	157,998
Liabilities				
Pedreira	**-**	(1,704)	**-**	-
Trafigura PTE (c)	**(898)**	(659)	**(22,013)**	(659)
	(898)	(2,363)	**(22,013)**	(659)
Revenue				
Trafigura PTE (b)	**46,063**	-	**3,079,235**	1,706,351
Mineração Morro do Ipê (a)	**136,042**	47,993	**136,042**	97,852
Porto Exportação (a)	**395,144**	127,997	**-**	-
Trafigura (Brasil) (a)	**-**	17,804	**-**	39,093
	577,249	193,794	**3,215,277**	1,843,296
Expenses				
Trafigura PTE	**4,056**	3,058	**28,490**	3,058
	4,056	3,058	**28,490**	3,058

(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.

Key management personnel compensation

The amount of R$5,057 (R$3,911 at December 31, 2019), refers to key management personnel compensation paid in 2020.

The Company and its subsidiaries do not grant post-employment benefits, benefits of employment contract termination or other long-term benefits for their Management members.

(Amounts expressed in thousands, unless otherwise stated)

17. Income and social contribution taxes

a) <u>Deferred income and social contribution taxes</u>

Deferred income and social contribution tax assets were calculated at the rate of 34%. Brazilian tax legislation allows tax losses to be offset against future taxable income for an indefinite term; however, such offset is limited to 30% of the taxable income for each reporting period.

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

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Deferred tax assets (liabilities)				
Tax losses	**710,159**	497,156	**715,779**	497,536
Social contribution tax losses	**255,657**	178,976	**257,680**	179,113
Pre-operating expenses treated as deferred assets for tax purposes	**203,807**	244,437	**203,807**	244,437
Amortization of license	**64,654**	42,999	**64,654**	42,999
Present value adjustment of royalties	**166,783**	(238,603)	**166,783**	(238,603)
Effect on property and equipment and intangible assets arising from change of functional currency (a)	**(1,594,007)**	162,096	**(1,599,608)**	162,269
Exchange gains/losses on royalties and loans (b)	**1,165,264**	35,102	**1,170,594**	34,770
Others	**2,866**	5,473	**2,866**	5,681
Provision of unrecognized DTA (a)	**975,183**	927,636	**982,943**	928,202

(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 2020, the tax base of property and equipment and intangible assets was significantly higher 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.

(Amounts expressed in thousands, unless otherwise stated)

b) P&L for the year

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Gain before income and social contribution taxes	**(1,397,381)**	(35,419)	**(1,397,381)**	(35,419)
Income and social contribution tax assets at statutory rate (34%)	**(475,110)**	(12,042)	**(475,110)**	(12,042)
Adjustments for reconciliation of the statutory rate to the effective rate				
Equity pickup	**8,303**	1,466	**-**	-
Thin Cap interest	**42,955**	38,466	**42,955**	38,466
Adjustments due to the conversion of balances into the functional currency	**(1,394,832)**	(138,115)	**(1,399,109)**	(113,823)
Others	**116**	65	**386**	902
Deferred tax credit not recorded for the year	**(1,818,568)**	(110,160)	**(1,830,878)**	(86,498)

18. Equity

a) Capital

Porto Sudeste's capital is broken down as follows:

Shareholders	Number of shares	R$	%
PSA Fundo de Investimentos e Participações	**974,268,518**	**2,890,544**	**99.26%**
Porto Sudeste Participações S.A. ("Grupo MMX")	**6,336,766**	**18,800**	**0.65%**
Gaboard Participações Ltda.	**876,275**	**2,600**	**0.09%**
Total	**981,481,559**	**2,911,944**	**100%**

In April 2019, Company paid up US$ 44,700 equivalent to R$ 162,533 received as an advance for future capital increase in May 2018 and February 2019, through PSA Fundo de Investimento e Participações. After the capital increase, the MMX Group was diluted to a 0.65% interest in the Company.

b) 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.

(Amounts expressed in thousands, unless otherwise stated)

c) 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.

19. Service revenue, net

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Gross revenue	**907,748**	572,703	**3,545,776**	2,054,309
(-) Sales deductions				
Service Tax (ISS)	**(45,387)**	(28,634)	**(45,387)**	(28,635)
Contribution Tax for Social Integration Program (PIS)	**(14,229)**	(9,015)	**(14,229)**	(9,015)
Contribution Tax for Social Security Financing (COFINS)	**(65,540)**	(41,526)	**(65,540)**	(41,526)
Others (canceled sales)	**-**	-	**(24,547)**	(51,137)
Net revenue	**782,592**	493,528	**3,396,073**	1,923,996

20. Costs of sales and services

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Costs of sales (*)	**-**	-	**(2,588,740)**	(1,414,029)
Cost of materials	**(19,946)**	(19,503)	**(19,938)**	(19,495)
Utilities	**(22,402)**	(20,693)	**(22,402)**	(20,693)
Maintenance	**(2,909)**	(3,028)	**(2,826)**	(2,985)
Depreciation and amortization	**(267,130)**	(227,718)	**(267,131)**	(227,718)
Rent of equipment	**(26,660)**	(19,928)	**(26,639)**	(19,940)
Insurance	**(9,940)**	(8,549)	**(10,127)**	(8,654)
External services	**(18,855)**	(18,357)	**(18,238)**	(17,264)
Demurrage	**-**	-	**(24,434)**	(4,655)
Salaries	**(45,632)**	(40,932)	**(45,632)**	(40,932)
Other	**(3,986)**	(3,458)	**(4,360)**	(7,995)
	(417,460)	(362,166)	**(3,030,467)**	(1,784,360)

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

(Amounts expressed in thousands, unless otherwise stated)

21. Administrative expenses by nature

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Depreciation and amortization	**(359)**	(374)	**(406)**	(436)
Third-party services	**(15,122)**	(15,447)	**(17,445)**	(14,837)
Payroll	**(22,192)**	(13,999)	**(23,235)**	(18,456)
Maintenance	**(931)**	(620)	**(1,014)**	(703)
Materials	**(544)**	(500)	**(551)**	(508)
Fuel	**(65)**	(93)	**(72)**	(99)
Other	**(5,837)**	(2,944)	**(6,147)**	(4,287)
	(45,050)	(33,977)	**(48,870)**	(39,326)

22. Finance income (costs)

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Financial costs				
Interest	**(601,488)**	(476,549)	**(607,850)**	(477,831)
Tax on Financial Transactions (IOF)	**(882)**	(522)	**(969)**	(537)
Present value adjustment on royalties	**(1,866,495)**	(1,549,116)	**(1,866,495)**	(1,549,116)
Taxes on financial income	**(168)**	(144)	**(259)**	(211)
Other	**(64,553)**	(759)	**(64,644)**	(840)
	(2,533,586)	(2,027,090)	**(2,540,217)**	(2,028,535)
Finance income				
Short-term investment income	**2,380**	3,031	**4,228**	4,472
Present value adjustment on royalties	**21,248**	98,901	**21,248**	98,901
Foreign exchange differences (*)	**715,648**	82,800	**718,641**	83,142
Other	**15**	58	**97**	118
	739,291	184,790	**744,214**	186,633
Finance income (costs), net	**(1,794,295)**	(1,842,300)	**(1,796,003)**	(1,841,902)

(*) 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.

(Amounts expressed in thousands, unless otherwise stated)

23. 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, 2020 and 2019.

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

	Parent Company			Consolidated		
	2020			2019		
Financial assets	**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 and marketable securities	**-**	**88,842**	**88,842**	-	74,129	74,129
Trade accounts receivable	**25,175**	**-**	**25,175**	37,879	-	37,879
Accounts receivable from related parties	**287,763**	**-**	**287,763**	157,998	-	157,998
	312,938	**88,842**	**401,780**	195,877	74,129	270,006

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

	Consolidated	
Financial liabilities	**2020**	**2019**
Trade accounts payable	**(287,017)**	(120,916)
Loans and financing	**(7,235,921)**	(6,026,638)
Royalties	**(12,692,256)**	(8,547,470)
Accounts payable to related parties	**(22,013)**	(659)
	(20,237,207)	(14,695,683)

Risk management objectives and strategies

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

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

Market and financial risk

The Company understands that there is no significant risk considering the variables to which loans and financing are exposed at year-end. Risk variables, taking into consideration the projected term of twelve months are: i) the exposure to the US dollar and to interest rate fluctuations, LIBOR and TJLP (the Long-Term Interest Rate). The Company understands that the financial expenses from the fluctuation of the US dollars will be naturally hedged by the Company's revenues that will also be denominated in the same currency. In accordance with management's assessment, TJLP does not represent a significant risk.

The global iron ore prices increased more than 68% in 2020, mainly due to the increase in Chinese demand and driven by varied market events. Management understands that the iron ore price for 2021 is a risk that may affect the volumes and rates projected in the business plan. However, in the long-term demand is expected to rise.

Currency risk

The Company is subject to exchange gains/losses due to the volatility of the exchange rate on transactions pegged to foreign currencies, mainly loans and financing and floating rate securities. Since the iron ore shipment contracts are traded in US dollars, the Company has a natural hedge, reason why, with the beginning of its operations, management changed the functional currency to US dollar. With the change of functional currency, the Company is exposed, on an accounting basis, to debt denominated in Brazilian reais. Exchange rate fluctuations may generate adverse effects on the financial statements.

(Amounts expressed in thousands, unless otherwise stated)

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 to floating rates. However, 28.81% of the credit facilities are pegged to the Long-Term Interest Rate (TJLP), 63.70% to Libor, 7.49% to UMBNDES (basket of currencies) and 0.01% pegged to a 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, it sets the debt remuneration through hedging transactions.

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.

Cash and cash equivalents are sufficient to honor the expenses throughout the next 90 days. In addition, cash flow arising from rendering of port services and the outstanding credit facilities with banks for Trade Finance or transactions are guaranteed by the iron ore supply agreements in force.

However, for the next 12 months and according to senior debt contracts will still depend on financial support from its shareholders and/or third-party funds to support certain obligations that cannot be settled from the operating cash flow (such as guarantees, non-maintenance investments) as described in Note 1.

The projection for the settlement of liabilities at December 31, 2020 is as follows:

	Future flows projected for maturity					
	Whithin 6 months	**From 6 to 12 months**	**From 1 to 2 years**	**From 2 to 5 years**	**Over 5 years**	**Total**
Financial liabilities						
Trade accounts payable	**308,142**	**-**	**-**	**-**	**-**	**308,142**
Transactions with related parties	**22,013**	**-**	**-**	**-**	**-**	**22,013**
Loans and financing	**511,079**	**321,453**	**600,905**	**1,162,670**	**11,622,618**	**14,218,725**
Royalties	**-**	**-**	**-**	**2,608,109**	**91,166,243**	**93,774,352**
Total by maturity range	**841,234**	**321,453**	**600,905**	**3,770,779**	**102,788,861**	**108,323,232**

(Amounts expressed in thousands, unless otherwise stated)

<u>Credit risk</u>

This risk arises from the Company and subsidiaries' likelihood to record losses due to the default of their counterparties or of financial institutions depositary 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 has a Financial Investment Policy, which establishes investment limits for each financial institution and considers the credit rating as a reference for limiting the investment amount. The average terms are continually assessed, as are the indexes underlying the investments, in order to diversify the portfolio.

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

	Consolidated	
Positions that represent credit risk	**2020**	**2019**
Cash and cash equivalents	**88,842**	74,129
Trade accounts receivable	**25,175**	37,879
Restricted deposit	**10,696**	10,480
	124,713	122,488

24. 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.

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

Insured risk	**Maximum coverage limit**
Civil liability	**R$20,000**
Port operator policy - civil liability	**US$200,000**
Port operator policy - personal injury	**US$200,000**
Transport (*TradeCo*) – rail freight	**R$2,500**
Transport (*TradeCo*) – storage insurance	**R$18,000**

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.

25. Subsequent events

On March 2021, the shareholders Trafigura and Mubadala made an advance for future capital increase through PSA Fundo de Investimentos e Participações, amounting R$48,300.

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
Carlos Roberto de Castro Gonzalez - 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